

Site selection not a simple matter

Once the best geographic location for a logistics warehouse or distribution center has been determined, it is time to find an available site and get building. Even though that sounds simple, truly selecting the right site for an operation is a bit more complex than that, and picking the wrong site can lead to a very expensive and problematic outcome.

There are many factors which must be taken into account to ensure that the right site is selected and no unexpected requirements occur which result in significant cost overruns that can hamper operational costs for years to come.

These site factors to consider include:

- Lot size
- Adjacent lands
- Site grading
- Environmental assessment
- Taxes
- Proximity to services
- Proximity to highway

Lot size

Determining the correct lot size for the operation is directly relational to the types and size of inventory that needs to be stored at the location. When the inventory deployment has been determined, building size calculations based on this inventory, the building height and the type of storage medium(s) planned to utilize the lot size can be determined.

About 20 to 30 percent can be added beyond the building footprint or this can be included in the lot size calculation. However, companies that are timid when it comes to real estate and major investments may want to build to their three to five year needs and then ensure that adjacent lands are available to ensure readily available expansion space.

Site grading

When deciding on which lot to select in a given area or business park, there are many factors to take into account, the first of which is site grading.

Site grading is as it sounds: the level of the land considered for building the warehouse or distribution center. Simply put, the most level, flat lot is the best choice if available and it will cost significantly less than an uneven lot that has either very high areas which need to be graded down, or very low areas which need to be graded up.

The cost and effort surrounding major regarding projects is very significant and not to be ignored. When considering using such a lot, extra time and money need to be reserved in the project plan and budget to accommodate this.

Environmental assessment

Next on the site buyers list should be environmental assessment of the potential property to ensure no issues exist. Many properties have a past which may not be obvious from the current landscape. As a purchaser of major industrial property, one needs to be very careful to review environmental reports on candidate lots, or if these don't already exist, ensure that appropriate reports and studies are carried out before the purchase becomes finalized.

The owner of the property is liable to clean up the environmental issues with owned lands. Hasty purchase of a contaminated property without requisite reports and studies means the buyer takes on these responsibilities along with it and absolves the previous owner of these costs. The other factor which this can impact is on the health of the employees.

Taxes

Taxes are the next item to consider when selecting a lot. The difference in tax rates can be incredible, even for municipalities in the same metropolitan area. In some cases, the rate can be doubled, which can be a nasty surprise with regard to annual operating costs. Also, it is important to look into the potential for tax holidays and discounts. Many areas are looking to attract industrial development to build their tax base and bring jobs for their people. Asking about these can help to improve the overall cost efficiency of the operation.

Proximity

The final two site selection factors revolve around proximity, both to utilities and highways. It does not matter if all the other site selection factors are met, if hundreds of thousands have to be paid to get services built out to the selected lot. The potential buyer needs to make sure that electricity, water and sewers are present at or near the lot. If not, it can cause over budget expenditure and potential delay.

Proximity to the highway is the final item to be aware of in the site selection matrix. If the selected site is all the way across town from the highway, it is probably not the bargain it seemed when all the carriers start charging extra to get to the location to drop and pick-up goods.

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