

Growth opportunities in unusual times

BY SCOTT NORTON



Coming off a year when business shifted unpredictably, opportunities for growth now abound in ways we've never seen before.

The COVID pandemic sent shockwaves through developments that previously seemed impenetrable. Office space sat empty, with rental revenues deteriorating, as employees worked from home. Restaurants struggled to stay open with carryout orders. Retail stores remained quiet as online orders grew dramatically.

But behind the scenes, other industries could barely meet demand. Rail car storage yards burst to capacity, as railroads sought out places to park unused cars. Manufacturers turned away from their longtime affair with just-in-time models, instead looking for warehouses to store the goods that would help them ride out business fluctuations and employee down time.



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Here at TexAmericas Center, we knew that we didn't want to change our entire business model for a pandemic that might only last a year or two. But at the same time, we knew our clients needed something more.

So, we tweaked our business model to best serve our clientele for 2020 and 2021. That included building warehouse spec space, adding third party logistics services and using existing spaces in unique ways.

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Growth Opportunities

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Boosting warehouse space

Across a swathe of industries, some of the lean principles that have ruled the past generation of business are being pushed aside.

Those strategies, while effective in normal times, became an obstacle during the pandemic when customer demand shifted, and manufacturers experienced unplanned shutdowns. The companies who successfully met customer demands during that time did so in large part because of any warehousing solutions they implemented. Be it raw material or finished goods, businesses were able to operate without hiccups when they had extra inventory on hand.

For many companies, the solution hasn't focused on opening a single, large warehouse. Oftentimes, it's more effective to launch warehouses in multiple sites. By spreading inventory throughout the region, it cuts down on transportation time while simultaneously offering an insurance policy; an outbreak at one site won't necessarily derail your entire region. Another site can simply ramp up operations.

Likewise, the consumer trend toward online shopping isn't likely to end with the pandemic. Now that customers have experienced the benefits of online shopping—ease of access, price comparison tools and time savings—it's unlikely they will return in droves to physical retailers.

That means, rather than large footprints for showrooms, companies instead will need to invest in warehouse space, strategically placed throughout their market area, to quickly and efficiently deliver their wares.

Any way you look at it, warehouse space is becoming the next big growth opportunity for developers. TAC launched a 150,000-square-foot spec building in 2020 for precisely that purpose. We know that our clients don't want to wait on construction time once their need for space arises. So, we already have space available to suit their needs.

Third party logistics

We had tossed around the idea of providing third-party logistics services here at TexAmericas Center in the past. But 2020 made it clear the time was now.

We added an expert logistics provider to our staff last year, giving our clients the ability to not only store their inventory here, but also have us manage it. There's little doubt that we are established and connected in the Texas-Arkansas region. We know the best transportation options and the right people to call to keep supply chain issues to a minimum.

Our growth-mode clients appreciated the new service, which let them focus on birds-eye strategies rather than internal logistics. Particularly for those companies transitioning away from just-in-time manufacturing, having expert guidance available to manage new inventory filled a gap before it had the chance to emerge.

At present, TAC has 12,000 acres and three million square feet of commercial and industrial property. Part of our appeal is our ability to lease, develop and finish business space—and now also, inventory management. We are, indeed, a one-stop shop.

Unique solutions

There's little doubt that successful developers will emerge from the pandemic, having used creative solutions to fluctuating market demand.

One way we are doing that is by offering cold storage for vaccines, a market in high demand. We've been able to transition existing warehouse into cold storage facilities, opening up an entire market.

And like others across the country, we are experiencing demand for rural locations. Just as city dwellers are seeking out more rural settings to offer them more space from neighbors, so are businesses turning to smaller markets to set up shop.

TAC has long been in high demand for companies looking to take advantage of its low costs of utilities, taxes, overhead and labor. Each of those categories tend to run at least 20 to 30 percent lower in Texarkana than in other major Texas MSAs.

In rural America, companies might find the amenities they want without risks that come along with a dense population. Likewise, lower startup costs make multi-site operations more feasible, and transportation efficiency abounds outside of city centers.

There's no doubt, success in 2021 won't come from using moves out of the traditional playbook. These are unique times, ones that call for creativity and innovation. Look for opportunities and be limber enough to meet them where they are.

Business growth is out there. It's our time to find it.

About the author

Scott Norton is Executive Director and CEO of TexAmericas Center.