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ECONOMY

Full Warehouses Are Good News This Time Around

By ROBERT GUY MATTHEWS
Staff Reporter of THE WALL STREET JOURNAL

Warehouses around the world are seeing an uptick in traffic of retail items, commodities and domestic goods, indicating strengthening economies and providing an opportunity to boost prices.

Warehouse owners from the U.S. to Germany and Sri Lanka say imported and exported toys, electronics, chemicals and other traded goods are entering and exiting from their temporary housing at a faster clip than had been predicted just months ago. What makes the current movement more significant is that **warehouse** traffic typically slows at this time of the year because Christmas-related goods have already passed through. **Warehouses** are logging capacity rates between 80%-95%, well above previous year's levels of 70%. That, in turn, is allowing **warehouse** owners to increase prices.

"The activity in the past couple months has just been phenomenal," said Paul Bursey, manager for new business development at KN Logistics, a Canadian-based company with a network of **warehouses** in more than 90 countries. "We are getting more and more calls from companies looking for space." The company's **warehouses** in Germany and Spain are so full that some of the overflow items are being rerouted to the U.S.

Only a few years ago, a full **warehouse** signaled a weak economy, with goods being shelved because they couldn't be sold. But retailers and big manufacturers have increasingly relied on outside **warehouses** to reduce the costs of maintaining their own storage facilities and to take advantage of more streamlined logistic and supply chain systems, which allow for just-in-time delivery. As a result, economists and trade experts say the current phenomena of heavy **warehouse** traffic indicate that retailers, consumers and manufacturers expect the market to hold up, with business spending strengthening and consumer spending, which has been strong in the U.S., gaining momentum in other parts of the world. Asian countries, especially Japan, and parts of Central Europe are also showing signs of consumer-spending growth.

"When consumer demand goes up, the activity at **warehouses** goes up," said Bob Shaunnessey,

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executive director for the **Warehouse** Research Education Council, a trade organization for supply chain managers.

As a result of the increased demand, prices are going up as well. "Some of our locations are full and we have been able to raise prices this year," said Bob Schroeder, chief executive of **Warehouse** Specialists Inc., a large Wisconsin-based company that stores domestic and imported shipments of paper, chemicals, lumber and consumer goods such as computers parts and diapers in more than 40 sites around the country.

The influx of goods is an unexpected miniboom for an industry that one year ago was forced to give away space at ultralow prices just to keep the **warehouses** operating. Indeed, Mr. Schroeder said that just 18 months ago, his clients would call and cancel contracts, regardless of penalties, because there was such sluggish demand for the consumption of imported and domestic goods. "They would tell me 'I don't care. Do what you have to do. I'm not making any money anyway.' "

When business began slowly picking up a year ago, Mr. Schroeder said that clients would call and offer to book a contract for space, but at prices that were 20% less than earlier contracts. Mr. Schroeder said, that oftentimes, he was forced to book the discounted business. "Now in the last four months, we are getting calls accounting for new businesses at higher prices." His **warehouses** are operating at mid-90% capacity.

The price of **warehouse** space is extremely variable, depending on the location, the goods stored and the duration of stay. **Warehouse** space in Brazil and South Africa specifically, isn't filling up as fast because those areas have always been strong export stations and actually have an oversupply of **warehouse** space, importers said. Traders are more interested in proximity to China, which makes **warehouse** space in certain countries, like Australia, Japan and Taiwan, at a premium for raw materials or metals as well as finished goods for export.

Indeed, one reason for rising demand for **warehouse** space is the rising level of trade, especially involving China. Nearly 60% of the world's export growth came from China, according to government statistics. Chinese exports to the U.S. have grown 45%, year over year, surpassing both Japan and Mexico. With increased imports, U.S. retailers need more strategically located **warehouse** space to house the imports and get them onto shelves quickly.

Many of the **warehouses** located near the West Coast U.S. ports are filled near capacity. In Los Angeles-Long Beach, Calif., the country's busiest port, **warehouse** space is at peak demand, says Freeland Porter, an importer who brings aluminum, chemicals and textiles from Asia into the U.S. "I have to look hard to find storage space in **warehouses** around the world, especially the U.S. and parts of Europe."

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