

Case Study

Biggest Industrial Deal in California in 2023

Confidential Grocery Retail Chain

375 stores across West and Southeast

Services Provided:

- Brokerage Services
- Financial Analytics
- Logistics Analysis
- Supply Chain Modeling
- Labor Analysis
- Material Handling Optimization
- Work Space Strategy
- Project Management
- Government Incentives

1.4M SF

Of industrial space

20 Years

Lease Term

+\$750M

Lease Considerations

Challenges


- **Goal:** Meet rapidly rising consumer demands in the region
- **Strategy:** Establish a centralized Distribution Center to service all brands from one location
- **Real Estate:** Develop a new real estate strategy to support an expanding retail network
- **Cost Reduction:** Focus on reducing operating overhead
- **Operational Efficiency:** Enhance logistics efficiency across operations
- **Apply the REALIST Prism!**

REALIST Prism





REAL ESTATE

Availability, accessibility, cost control, and speed to market are critical considerations with real estate



ENERGY

Access to cost-effective, uninterrupted, proximate utilities to support operations



AUTOMATION

Automated storage and retrieval



LABOR

Access to cost-effective, efficient, proximate workforce





INCENTIVES

Potential to generate public/quasi-public incentives to alleviate some pressures around heavy capital expenditure, speed to market, attraction, and training of labor



SUSTAINABILITY

A framework that addresses issues relevant to an organization, sets goals and priorities, and establishes a longer-term vision.



TRANSPORTATION

Ability to optimize supply chains based upon origin-destination, transportation infrastructure (air, road, rail, ocean, river), and door-to-door costs. This includes the sourcing of raw materials, logistics, inventory carrying, etc.

REALIST - TRANSPORTATION

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Key Aspects: The transportation study confirmed that consolidation in the selected geography will generate savings of seven million dollars per year.

Benefits: Approximately **\$7 million per year.**



REALIST - LABOR

Access to cost-effective, proximate workforce through a data-driven approach. We use a scientific method and proprietary modeling technology.

Key Aspects: A custom-developed labor analysis model was used to determine the immediate and long-term viability and cost of labor within the search boundaries. Among the cities evaluated, one was identified as one of the two best labor markets for job positions within the targeted geography.

Benefits: 30% reduction on labor per person cost and reduced headcount.



REALIST - ENERGY

Access to cost-effective, uninterrupted, proximate utilities to support operations.

Key Aspects: During our search, Rancho Cucamonga emerged as a top choice due to its reliable, discounted energy. The city's utility company offers incentives for solar roof rights and tiered discounts based on employee numbers.

Benefits: Approximately **30% savings.**



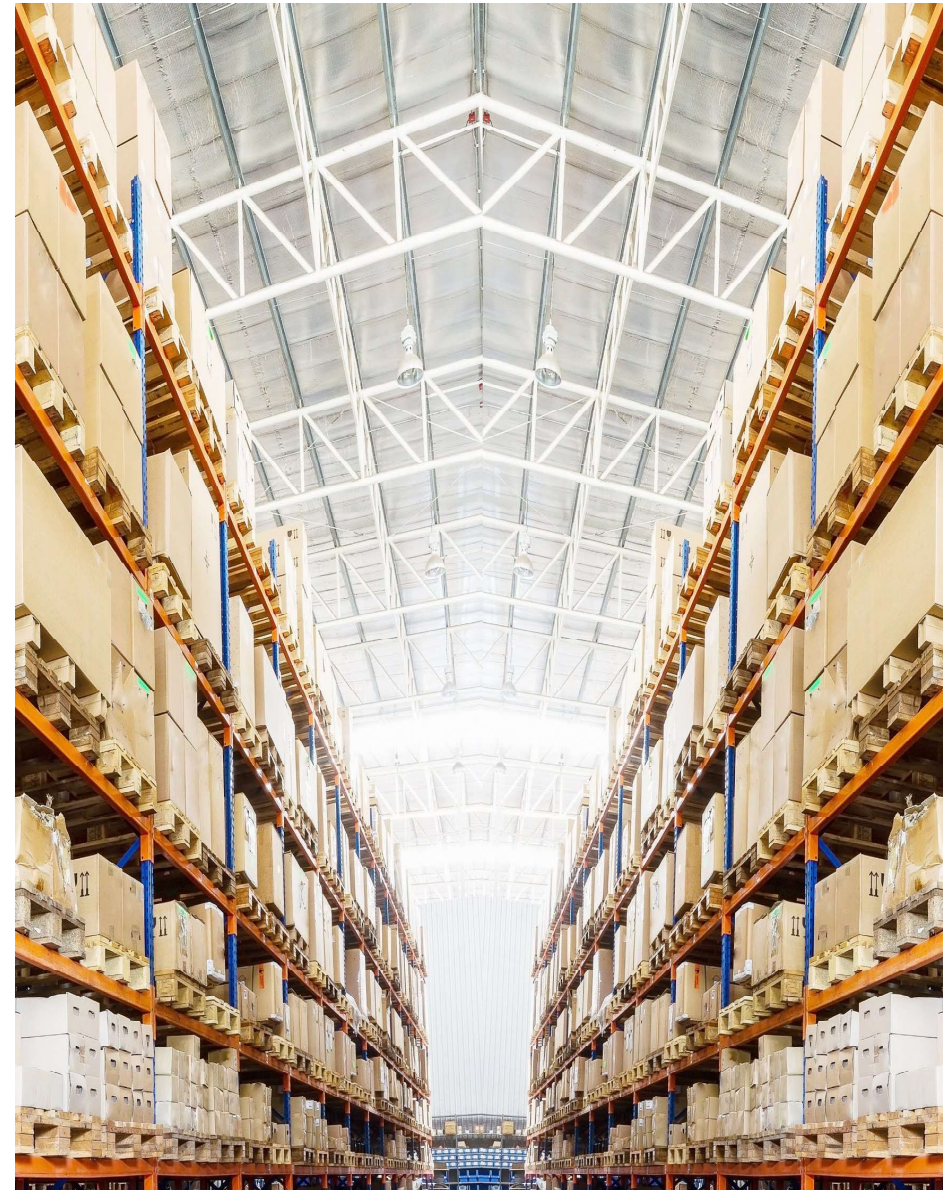
REALIST - REAL ESTATE

Infrastructure, capital structure, availability, accessibility, cost control, and speed to market are all considerations that determine how real estate is acquired and utilized.

Key Aspects:

- Optimized tenant's requirement from 1.8M SF to 1.4M SF, saving **\$100M+** in rent over the term of the 20-year lease.
 - Negotiated **7% below market rates**, resulting in **\$50M+** in savings over the term of the 20-year lease.
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Benefits: Net savings on base rent and square footage **over \$9 million per year.**



REALIST - AUTOMATION

The use of digital technologies to improve efficiencies, connect applications, and streamline processes. It includes digital process automation, A.I. robotics, and machine learning.

Key Aspects: This will be determined in the second phase of the project.

Benefits: TBD



REALIST – SUSTAINABILITY

A framework that addresses issues relevant to an organization, sets goals and priorities, and establishes a longer-term vision.

Key Aspects: The new Class A LEED-certified building with fully electric material handling equipment aligns with the Tenant's goal of achieving carbon neutrality.

Benefit: Aligning with the client's carbon neutrality goals.



REALIST - INCENTIVES

Potential to generate public/quasi-public incentives to alleviate some pressures around heavy capital expenditure, speed to market, attraction, and training of labor.

Key Aspects: Although the Tenant did not qualify for traditional tax incentives due to the requirement of net job gains within the state, it was discovered that the Tenant had not utilized the Employee Retention Credit (ERC), and a relationship with a partner was facilitated to take advantage of this opportunity.

Benefits: First Phase savings: **\$8.7 million.**





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