

# Intermodal Meets the Moment

***In a supercharged supply chain, intermodal's value grows more evident than ever. These standout companies are contributing to its bright future.***

**T**hrough changing conditions, behaviors, and preferences in the freight market, the strengths of intermodal as a shipping option have endured over the years, according to Philip Evers, associate professor of supply chain management at the University of Maryland. “The advantages of intermodal are the same ones they’ve always been,” he says. “It’s a relatively low-cost and effective method of shipping and it’s an eco-friendly approach.”

Intermodal—utilizing two or more different modes, usually rail, to convey goods—“is highly secure and takes trucks off the road,” adds James Shefelbine, executive vice president of sales and marketing for Chicago-based PLG Consulting.

“Intermodal optimizes the truck-rail trade-off where shippers get the best of both worlds,” Shefelbine says. “They get the short-distance efficiency of trucks and the long-haul stability and reliability of rail. It can be safer than a traditional truck move, and it provides higher visibility for shippers tracking their shipments. The value proposition is strong.”

Those inherent strengths have helped intermodal weather the challenges of COVID-19, and then rebound when the economic climate in the United States improved.

Intermodal traffic is highly correlated with economic activity, Evers says, and heavy demand for consumer goods, propelled by e-commerce, has bolstered intermodal along with the rest of the freight market. Total intermodal volumes rose 10.5% in the first quarter of 2021 (see chart, pg. 80), according to the Intermodal Association of North America, marking its third consecutive quarter of growth.



SOURCE: INTERMODAL ASSOCIATION OF NORTH AMERICA

E-commerce's increasing importance will endure beyond the pandemic—as will its influence on intermodal to keep up with consumer demand, says Rick LaGore, CEO of Indianapolis-based InTek Freight & Logistics.

Many of the products consumers are purchasing via e-commerce are being manufactured overseas and then arriving at U.S. ports. The largest e-commerce players take advantage of intermodal to distribute freight to major cities that have intermodal ramps, notes LaGore.

These companies see savings and additional capacity options available to them on the intermodal side, particularly using intermodal in their busiest lanes where they most need additional capacity and flexibility.

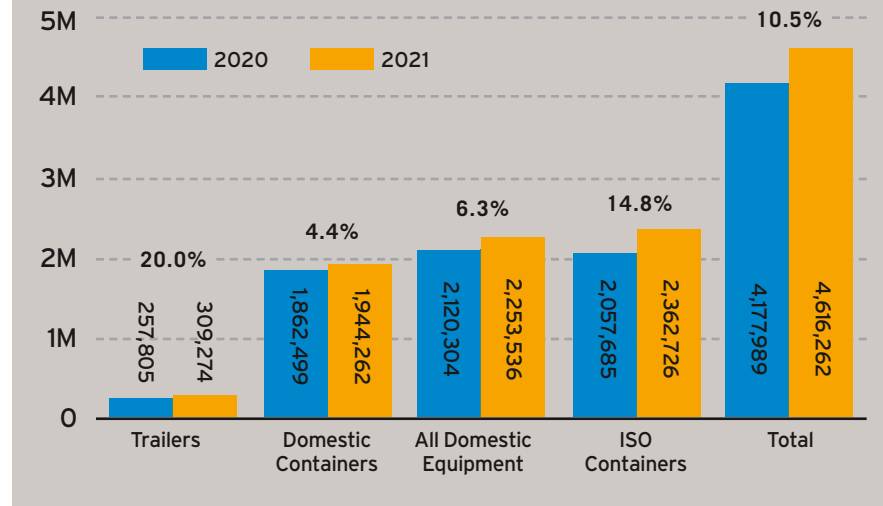
“E-commerce companies are using intermodal to move inventory from one location to another in the most efficient manner possible,” says LaGore. Companies that “think outside the box,” he adds, are most likely to benefit from intermodal in the current climate.

***The inherent strengths of intermodal have helped it weather the challenges of the pandemic. It is now poised for continued growth.***

“Companies that are willing to be flexible in their operations understand the competition isn't about the people they're next to on the store shelves—the competition is about getting to those store shelves,” LaGore says.

The trucking industry's ongoing challenges with long-haul driver availability make intermodal a particularly appealing and welcome alternative, Evers says. One impact of the truck driver shortage is that some carriers are responding to drivers' preferences for shorter routes and more nights spent

## INTERMODAL VOLUME COMPARISONS (Q1 2021)



at home by cutting back or eliminating long-haul routes.

“A long-term positive for intermodal is taking the long-haul piece out of it for many drivers,” says Evers. “And generally, especially on the long-haul side, any type of driver shortage is a positive for intermodal, assuming rates remain at a reasonable level.”

### E-COMMERCE GOLD RUSH

“As fuel becomes more expensive, roads become more congested and populations begin to grow—along with major urban centers—truck drivers become more in demand,” Shefelbine says. “That’s what will drive continued intermodal growth.”

“This will impact the companies who have warehouses serving the e-commerce marketplace in large urban centers with intermodal facilities,” he adds. “Those companies will find significant market growth, because of the way the e-commerce gold rush is affecting those kinds of warehouses and service providers.”

Intermodal infrastructure in the United States is showing positive signs of growing to meet demand. Rail and ports received a “B” and “B-,” respectively, in the 2021 American Society of Civil

Engineers’ (ASCE) Report Card for America’s Infrastructure, the two highest grades on the report card.

The ASCE points to increased federal and local investments in the rail and port systems as key reasons for their relatively strong grades.

“Right now, rail infrastructure is better than it has ever been in the history of the United States,” Shefelbine says. “And investments in rail infrastructure are continuing.”

For example, ports and port tenants plan to spend \$163 billion between 2021 and 2025, up by more than \$8 billion over the past four years, according to ASCE.

And while intermodal’s sustainability component can fly under the radar, Evers says, its eco-friendly quality can be a factor in convincing transportation decision-makers.

“If the alternative is long-haul trucking and the rates are roughly comparable, then a shipper may decide to use intermodal because the sustainability factor tips the scales that way,” says Evers.

While cost and the bottom line benefits will continue to attract companies to intermodal, the sustainability component will only grow in importance, LaGore notes.

“It is the greener method,” he adds.



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# Intermodal



“And when the freight is available and there’s a good intermodal lane, then intermodal is the best capacity play, too. Intermodal has a bright future.”

The appeal of intermodal is clear, especially for larger shippers utilizing major urban centers.

“If shippers are trying to manage their costs, maximize efficiency through best practices, reduce capital expenditure, and look for sustainable solutions, then intermodal is a great option right now,” Shefelbine says.

The following standouts in intermodal are helping the market grow while contributing to its bright future.

## **THE PORT OF BALTIMORE: INTERMODAL PLAYS A CRUCIAL—AND GROWING—ROLE**

The Port of Baltimore enjoys a natural appeal to shippers by virtue of its position on the Maryland coast and its proximity and ease of access to a variety of prime shipping destinations.

“The Port of Baltimore is unique because its geographic location as the closest East Coast port to key Midwest markets is a tremendous advantage,” says William Doyle, executive director of the Maryland Port Administration, which

manages the port’s six state-owned, public marine terminals. “Original equipment manufacturers and cargo owners know that Baltimore gets their cargo from point A to point B quicker than other gateways.”

Intermodal is a crucial component of the port’s service to its customers. The port’s marine terminals handle autos, breakbulk, containers, cruises, farm and construction equipment, and forest products. One of the busiest seaports in the United States, the port manages more autos and farm and construction equipment than any other port in the country.

“With two Class A on-dock rail providers, CSX and Norfolk Southern, the Port of Baltimore offers plenty of rail options,” Doyle says. “The Port of Baltimore is also very convenient to the truck market with its location right off busy Interstate 95, and other important highway access points including I-83, I-81, I-76, and I-78. Less than 20 minutes away from Baltimore is Interstate 70, a direct link to the Midwest.

“We have trucks and trains moving cargo as far south as Kentucky, west to Utah, and even north to Maine in some instances,” he adds.

**The Port of Baltimore has two Class A on-dock rail providers, CSX and Norfolk Southern, and is located close to I-95 with several other highway access points. The port manages more automobiles and farm and construction equipment than any other port in the United States.**

## **BENEFITS STACK UP**

Doyle says a major interstate rail project is in the works that will enhance the Port of Baltimore’s intermodal operations—double stack rail. Baltimore’s 126-year-old Howard Street Tunnel is being reconstructed to accommodate double-stacked container trains to and from the port.

“Baltimore will reach into the Ohio Valley markets and all the way to Chicago with double stack rail,” Doyle says. “Construction will commence later in 2021 and the project will be completed in 2024. It will generate an additional 160,000 containers annually for Baltimore and create thousands of new jobs.

“It will also alleviate the only remaining obstacle to having double stack rail access up and down the eastern seaboard,” he adds.

The Port of Baltimore and Ports America Chesapeake, which operates the port’s Seagirt Marine Terminal, are expeditiously moving forward with



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# Intermodal



CenterPoint Properties purchased a 601,261-square-foot building on 31 acres at 3507 Pasadena Freeway in Pasadena, Texas, in February 2021 (left). The Class A building provides rail service by Union Pacific, BNSF, and Kansas City Southern via the PTRA with prime access to regional highways and the Port of Houston's container terminals.

The Baytown Intermodal Center (below) offers direct access to BNSF and Union Pacific rail lines and the storage space to accommodate up to 350 railcars.

projects to reconstruct and reconfigure the container berths.

In addition, the Maryland Port Administration completed the deepening of a second container berth to 50 feet. This will allow Baltimore to handle two ultra-large ships at once while also being able to service two other container ships.

The berth project is part of a \$122.1-million investment, with \$105 million from Ports America, \$10.5 million from the state, and \$6.6 million in federal funding.

Ports America Chesapeake is also investing an additional \$61 million into Seagirt Marine Terminal for additional equipment, infrastructure enhancements, and technology upgrades.

"With dredging completed, four Neo-Panamax cranes will arrive in Baltimore in summer 2021," Doyle says. "Baltimore is moving forward."

## **CENTERPOINT PROPERTIES: MEETING UNIQUE INTERMODAL NEEDS**

CenterPoint Properties, a Chicago-based industrial investment, development, and management firm, has large investments in properties in the country's intermodal hotbeds—spanning from Southern California, the Bay Area, and Seattle to Chicago, Texas, Northern New Jersey/New York, Charleston, Savannah, and Miami—and the expertise to meet the preferences and needs of its tenants, no matter how complex or unique.

"We do a lot of development in markets with rail-served and intermodal assets," says Rives Nolen, senior vice president, investments, for CenterPoint. "It's an important piece of our strategy as we continue to grow our company."



Among the areas where CenterPoint has made heavy investments is Houston, the leading market for direct access to the South and Southwest regions of the United States and one of the top markets for imports and exports to Central and South America.

CenterPoint's interest in the market is based on two factors that are pillars of its investment and development strategy: The company endeavors to own and build assets in top infill markets that have strategic access to ports and large population centers. Houston is the nation's fifth-largest metro area, and its port is No. 1 in total foreign and domestic waterborne tonnage and the sixth-ranked container port by TEUs.

CenterPoint owns four available properties that comprise the 1.2-million-square-foot Baytown Intermodal Center near Houston. The intermodal center can accommodate up to 350 railcars, has rail service by two Class I railroads, and has proximity to the Port of Houston's Bayport and Barbours Cut terminals. The property is a potential build-to-suit

opportunity in a redevelopment scenario.

"The unusual amount of railcar capacity is a real key to that site's value," Nolen says. "And there are a lot of different things we can do with it."

## **EQUIPPED FOR INTERMODAL**

CenterPoint's intermodal-equipped sites in the region also include a 600,000-plus-square-foot building in Pasadena, Texas, 20 miles from downtown Houston. The Class A building offers a rare combination of rail service by Union Pacific, BNSF, and Kansas City Southern via the Port Terminal Railroad Association, abundant railcar capacity, and strategic port and highway access.

CenterPoint is intent on expanding its existing Houston portfolio of approximately 6.5 million square feet, Nolen says. The company is attracted to the city in part for its robust port infrastructure and sustainable growth.

"As we look at expanding our central region markets, we're focused on investments in markets that are





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# Intermodal



Duke Realty leases a 589,362-square-foot, rail-served distribution center (above) in South Dallas to The Shippers Group. The center is located in Prime Pointe, a 3,000-acre industrial park surrounding the Union Pacific Dallas Intermodal Terminal.

Goodyear Tire & Rubber Co. leases a 1.2M-square-foot building at Rickenbacker Global Logistics Park, an air cargo airport, rail intermodal facility, and distribution hub in Columbus, Ohio, from Duke Realty.



experiencing economic and population growth that we believe will drive more demand for industrial real estate in the current environment,” Nolen says.

Another Texas market that CenterPoint has targeted for intermodal-related expansion is the Dallas-Fort Worth area. In particular, the company is looking to invest in properties close to the Dallas-Fort Worth Airport and the AllianceTexas

development, which includes the Fort Worth Alliance Airport and two Class I rail lines.

“It’s an example of a market that’s experiencing a lot of growth and successful development projects,” Nolen says. “There are some great possibilities for us in that area.”

Nolen says CenterPoint’s proven background in intermodal means it is prepared to solve any challenge a client has.

“If the customer needs a specialized facility that involves some type of intermodal capability, we have experience owning, operating, and developing those types of projects,” Nolen says. “We believe if we can help customers solve those kinds of issues, we can create long-term relationships and long-term results.”

## **DUKE REALTY: INTERMODAL CAPABILITIES HELP CLIENTS THRIVE**

By controlling large, shovel-ready sites near key intermodal hubs, Duke Realty, an owner, developer, and manager of industrial properties across the country, can provide invaluable site configuration

***Strong demand for consumer goods, propelled by e-commerce, has bolstered intermodal along with the rest of the freight market.***

flexibility and a speed-to-market advantage for its clients.

“While not all tenants utilize multiple modes of transportation at their sites, they know having a facility with intermodal capabilities lends to adaptability in their supply chain—making it easier to scale if required and quickly transition their logistics capabilities,” says Chris Burns, executive vice president of the west and central regions for Duke Realty.

Burns says Duke Realty owns facilities in a host of major markets, such as Columbus, Chicago, Dallas, and Savannah, that are adjacent to



intermodal sites. For instance, Duke Realty owns more than four million square feet at the Rickenbacker Global Logistics Park in Columbus with the ability to develop another seven million with partner Capitol Square.

The park is adjacent to the Norfolk Southern intermodal terminal with direct access by rail, air, or truck and has up to a 15-year, 100% tax abatement available. Duke Realty has a new 582,000-square-foot speculative project adjacent to the airport and north of the intermodal terminal with the chance to expand to more than 1.2 million square feet.

“Having a significant presence at Rickenbacker Global Logistics Park gives us direct access to potential opportunities, and better insight into regional demands and customer needs,” Burns says.

Duke Realty excels at serving its clients because of the expertise of its people, a track record of partnering with local officials, and its wide availability of development-ready sites, Burns says.

In a recent development, Duke Realty secured a lease agreement with a large e-commerce retailer for a 1.2-million-square-foot build-to-suit facility on the southwest side of Chicago in Romeoville that provides ready access to a nearby

intermodal facility in Joliet.

“Intermodals are driving demand,” notes Burns. “We need to be flexible and

limited spaces. So, we want to be in front of those opportunities.”

Burns says tenants are taking advantage of better drayage costs, and they view intermodal facilities as a natural complement to their operation with infrastructure already in place and maintained. In some cases, Duke Realty is running rail directly into the building to support a tenant’s need for rail service.

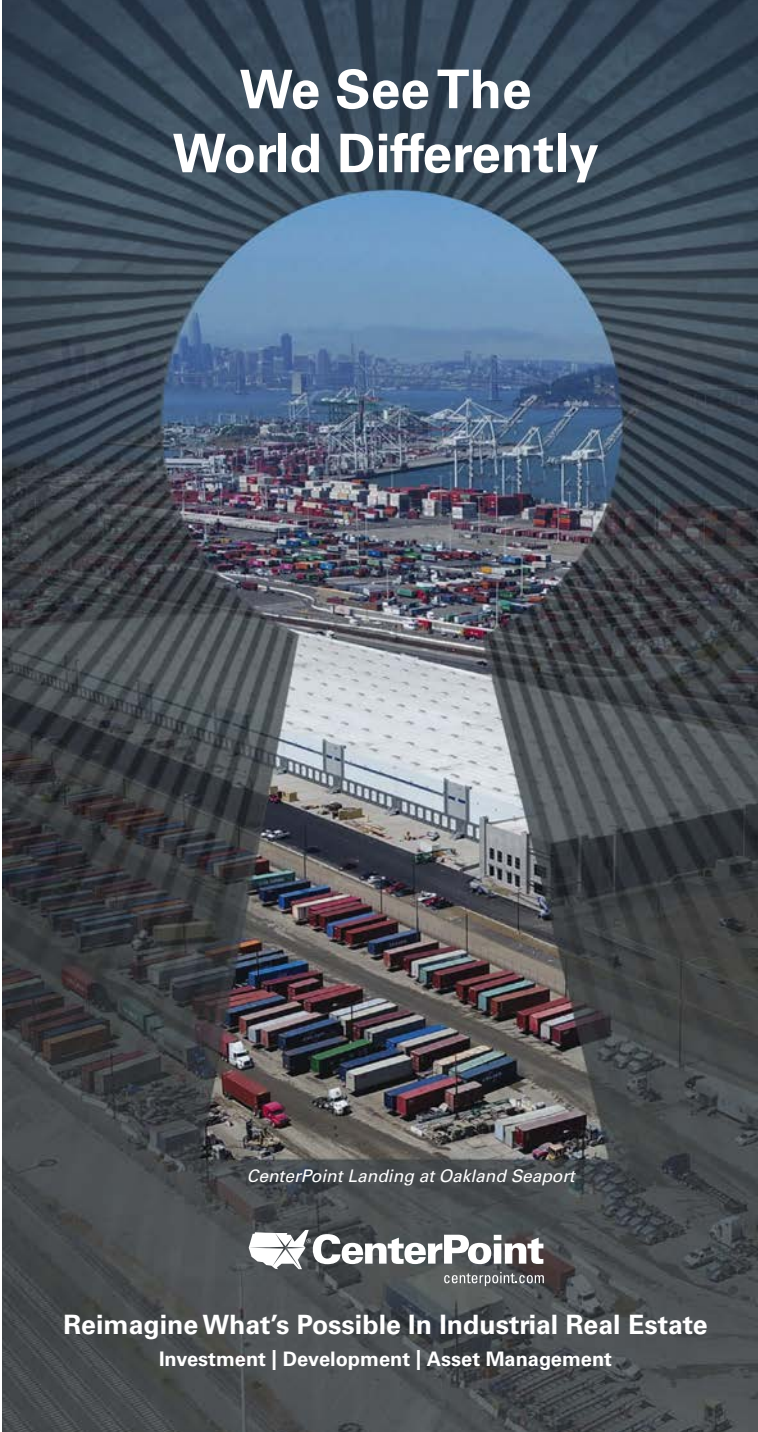
Intermodal also plays a key role in Duke Realty’s long-term sustainability commitments, Burns says.

“Product can be delivered more efficiently over rail with a significantly lower energy footprint than by truck,” Burns says. “By catering to our tenants who utilize intermodal service today and in the future, we are actively growing a more energy-efficient segment of the supply chain.”

Going forward, Duke Realty will continue to emphasize intermodal opportunities.

“Intermodals attract a wide range of users, have the necessary infrastructure, and are located near major population centers,” Burns says. “Duke Realty owns a number

of well-positioned sites near intermodal facilities, and we expect that trend to continue as we look to expand our logistics portfolio.” ■



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