

# Industrial user perspective



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## What are users thinking?

Industrial users are most interested in a healthy bottom line and in order to achieve this they need to get their costs in line. This often means moving anything offshore that does not need to be handled locally. While China has received a great deal of this offshore activity in recent years, it is not necessarily the best option for manufacturing. In addition to the recent spate of bad publicity surrounding children's toys and lead-based paints, there is an increasing backlog at the border. As well, unions are beginning to form, thus pushing wages up and making China a less cost-effective option.

Instead, many users are moving their manufacturing to locations such as Poland, Thailand and Vietnam. The old thinking was that if the US market were in trouble, the rest of the world would soon follow suit. However, the dominance of the US in world GDP growth has waned in recent years with the emergence of China, Emerging Asia and India, and oil exporting countries as the new drivers of the global economy. Countries like Canada, where significant trade activity occurs with the US, feel the impact of a slowing US economy more than others and are forced to look further afield for trading partners to make up the slack. In the Canadian example, places like Poland, Russia and Latin America are now becoming much more viable options for trade.

The size of the product being manufactured dictates whether or not it can be moved offshore. Heavy or bulky products, like 'closet-made' items sold at retailers such as Home Depot and Wal-Mart are staying on-shore due to the transportation costs involved in shipping them.



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## Commodity cycle linkage

The 'commodity cycle' tries to predict the health of an economy based on the cost of commodities such as oil, gold and diamonds. Currently, commodity prices are high, which benefits the commodity rich Canadian economy. At this point, we are likely midway through the cycle, which means we may have 10 years left of these very positive times.

The success of manufacturing and distribution businesses is largely based on the price of crude oil. Spending power is also based on this price. If oil prices rise to \$150 per barrel, some speculate the Canadian dollar may hit the \$1.30 US mark. If the price of oil drops, however, the Canadian dollar will decline in value, thus lowering the buying power of Canadians.

## Changing user needs

Like larger corporate office tenants, consolidation is on the minds of industrial users. Locating operations under one roof increases efficiency, lowers operating costs and improves work/life balance. Manufacturers will likely be moving back to smaller centres where operational costs are lower and more balanced lifestyles can be afforded to the local labour force. Industrial based companies are also realizing that good people are harder to find these days. While white-collar workers tend to live in more urban areas, industrial workers often live in the more suburban areas. Thus some companies will consider having their head office in urban areas while keeping manufacturing operations in the outskirts to draw upon the labour force they require.

Within the next year we will likely see a continued focus on cost reduction. As energy prices continue to rise, employers will be more conscious of electricity, heating and commuting costs. The next year will also be focused on the two biggest concerns for industrial users: growth and productivity. For smaller scale companies, succession planning is a major concern. There are many family run operations that must consider whether to leave the company in family hands, or sell to an outside entity.

## Industrial design trends

Operationally speaking, industrial users need improvements to be made in building design to enhance workflow and productivity. Nonetheless, as long as cost efficiency remains the main focus, industrial design will continue to take a backseat. Design ideas from the users themselves are often altered due to price escalations. Big manufacturers and industrial companies need quality space, but not necessarily of the highest quality. Instead of AAA class space, companies are settling for A and high B class space to assist with the cost cutting measures. Legislation put in place to make it more attractive for developers to create green buildings with better working environments at a competitive cost in the market place would attract industrial users on the higher end of the scale.