

The Innovative Future of Industrial Logistics for Retailing



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As the global environment evolves and Melbourne continues to grow in size and area, all sectors of the property industry face increasing pressures to become more innovative and efficient. The industrial sector is no exception and large organisations face even greater pressures to improve their operations and increase their market share.

The case study of how Coles Ltd's new operations in Truganina in Melbourne's outer suburbs came to fruition, demonstrates an innovative approach by Coles and its partners, to forge a new future for industrial logistics for retailing.

Case Study: Coles Ltd establishes new operations in Truganina

LOGOS Property will expand its development portfolio having secured its largest logistics development deal to date with Coles Ltd for a new 80,000m² facility in Truganina. Coles will occupy the facility on a 20 year lease and the site has expansion capacity for another 10,000m². Due to continued growth in its business, the new facility will allow Coles to service the seven new supermarkets which it will open across Victoria in the next 18 months, as well as extensions being undertaken in three existing supermarkets to accommodate Coles' new format.

LOGOS Executive Director, John Marsh, said, "We are looking forward to building on the initial success in Melbourne and this is a signal that our development pipeline in Australia is well under way. We have a long standing relationship with Coles and hope to be able to continue to grow our development pipeline through our existing customer relationships."

Coles commissioned the services of Byron Patching, Managing Director of XAct Solutions to undertake a review of their logistics operations in 2010 and one of Patching's findings was the need for a new state-of-the-art facility in Melbourne. XAct undertook a major Expression of Interest campaign to investors and developers in November 2010 and over 20 submissions



were received. After a comprehensive assessment process, LOGOS were selected as the preferred developer in February 2011. Final design and authority approvals were then achieved with a planning permit issued by Wyndham City Council in June 2011. Construction of the \$65m facility commenced on the same day, with completion expected by May 2012.

The Corporate Property Consultancy (CPC) acted for LOGOS on the acquisition of the land, negotiation of the Agreement for Lease and Lease with Coles and project management of the development. The competition to develop the facility was extensive but CPC was confident that we could provide the answer to Coles' specific occupational, operational and financial requirements. LOGOS has demonstrated outstanding understanding of the occupational requirements of its clients and a vast knowledge of logistics operations which has translated into results that work and provide excellent results for all parties.

The Truganina development covers an area of just under 160,000m² with the new distribution centre measuring 80,000m² – four times the size of the Melbourne Cricket Ground. There are also hardstand and pavement areas of 66,075m² and car parking for 500 cars. Construction will require more than 1500 tonnes of steel and 20,000m³ of concrete. When operational it will handle more than 1.5 million cartons of product a week. Overall, Coles has

invested more than \$80 million in the new distribution centre.

LOGOS chose Vaughan Constructions to build the facility, "due to their excellent reputation and the fact that they build to the highest quality and we were confident in their ability to deliver a facility to meet with Coles high standards," said John Marsh.

According to Vaughan Constructions, "construction works will employ approximately 250 people throughout the construction period with approximately 200 people at project peak. Works will expend approximately 210,000 man hours during the construction period and will directly employ over 60 companies (contractors and suppliers) most of which will be Victorian."

The building boasts environmental features including a rainwater harvesting system collecting up to 300,000 litres of water which is then used in the building for flushing toilets and fire fighting reserves with surplus water made available to the local authority and community groups for watering parks, gardens and other public spaces. New low energy lighting will reduce energy consumption by 50% compared to other similar sites.

Speaking as he toured the site with Victorian Premier, Ted Baillieu, Coles Managing Director Ian McLeod said, "Our investment in fresh new stores for customers means more Australians than ever are choosing to shop at Coles. Making sure we have everything customers want when they want it, means our behind-the-scenes operations have to be world class. This new site at Truganina will service all of our stores across Victoria providing a vital service for our customers as well as much needed employment for Victorians in this part of the State. The facility will

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operate 24 hours per day seven days per week with three shifts employing a total of approximately 750 people. Our ongoing program of opening new stores and refreshing others is good news for customers and communities. It will mean an investment in the Victorian economy of more than \$245 million over the next 18 months with every new store we open creating approximately 100 new jobs for local people."

Premier Baillieu welcomed Coles' investment in Victoria and commented that, "The new Coles distribution centre is a significant new investment for Victoria. Not only will the Truganina facility deliver hundreds of new job opportunities during the construction phase and through ongoing roles, it will also provide a welcome boost to the Victorian economy and the local region

for years to come. Jobs being created by new hubs like this distribution centre add to Victoria's vital jobs profile."

This exciting new project for Melbourne's West is well underway with the main structure due to be completed by the end of February 2012 and internal works and fit out due for completion by July 2012.

Dave Allen, Managing Director of CPC said, "This project relied upon very tight timeframes to deliver the innovation and efficiencies required by one of Australia's premier retailers. The help and dedication of the entire professional team as well as Daryl Wilson, General Manager of

Economic Development, at Wyndham City Council and his team's "can do" attitude, has made us able to make things happen as expeditiously as possible. This project is a fine example of how a team of people with like minded objectives can work together to deliver a world class project in one of the fastest growing regions of Australia."

If Victoria is going to continue to deliver world class projects like this then we need ensure red tape and uncertainty in the planning and approvals process is reduced and minimised. The approach taken by Wyndham City Council to work with all project stakeholders must be advanced as much as possible therefore streamlining the development process and attracting these projects to our state by giving more security to the investors and occupiers.