

..... **SUPPLY CHAIN**

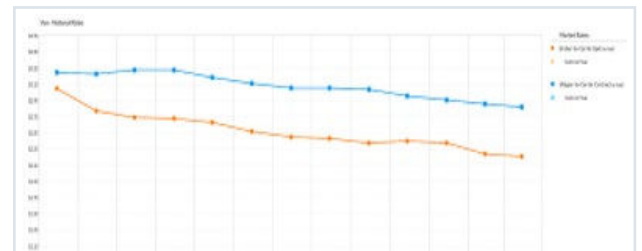
TRENDING

TRANSPORTATION / DISTRIBUTION / ECOMMERCE / MATERIAL HANDLING / INNOVATION

TRANSPORTATION

Truckload

- Both contract (blue line) and spot rates (orange line) continue their downward trend, with spot rates also maintaining a significant gap below contract levels.
- A short-lived spike was seen in some of the pricing data between Dec 15 and Jan 15, in days since pricing has continued to fall.
- Tender rejection rates are still low throughout the country (lighter shades), with a few exceptions in the Midwest
- Markets with the strongest volume (tallest) are being seen in Atlanta, southern California, eastern Texas, Detroit and central Pennsylvania.



Photos: FreightWaves

IN THE NEWS

Several top brokerages have restructured and/or laid off workers in the last few months including C.H. Robinson, Uber Freight, Coyote, and Convoy.

Freight market is expected to stay soft until at least the second half of 2023 if not 2024.

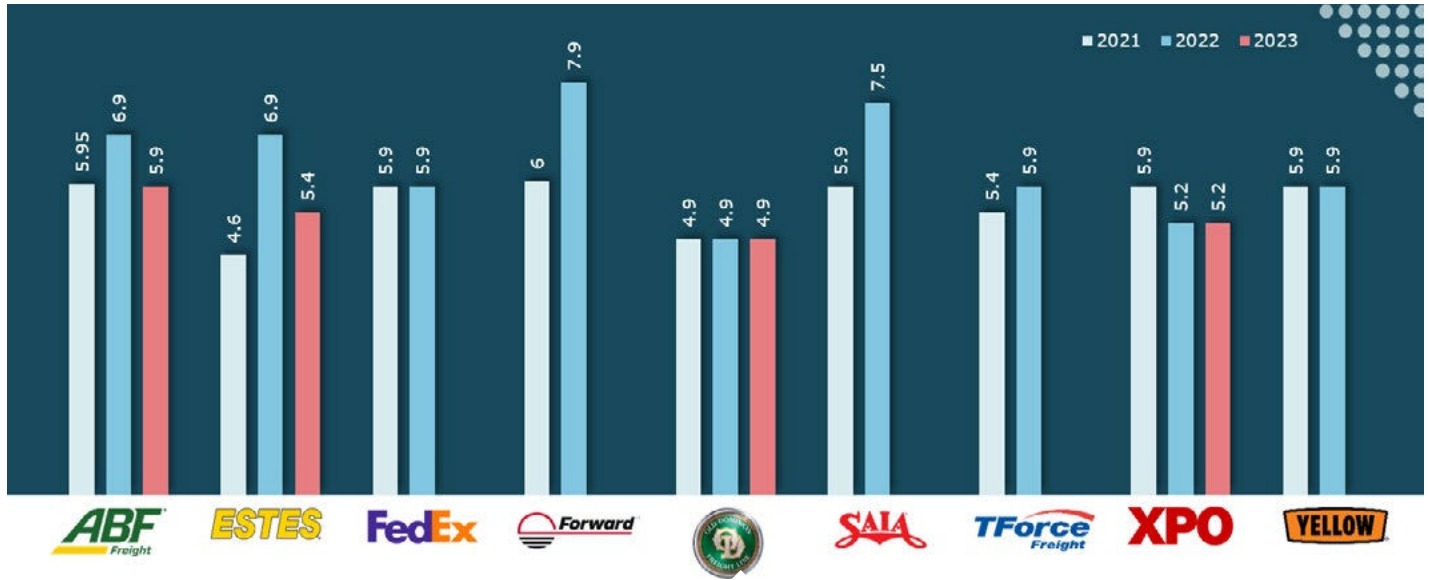
Moving forward:

Recognize savings by taking advantage of the spot market, but do not lose sight of the importance of long-term carrier relationships, as these conditions inevitably change.



LTL

- GRI's are in – here's where they stand
- Top LTL carriers are reporting that shipments have largely stabilized, possibly signaling a stabilization in demand.



IN THE NEWS



More Furloughs for FedEx Freight
FedEx Freight has announced another round of furloughs. This is in addition to the undisclosed number of drivers

FedEx furloughed in December. As in December, the number of drivers and length of furlough has not been disclosed. According to a statement from FedEx, some eligible employees will be offered a transfer to other markets where there is a need. [Source](#)

Can LTL Ever Go EV?
Unless things change, EVs may not be in the cards for the LTL industry. According to Charlie Prickett, President and COO of AAA Cooper, they are using the operating



time vs charging time to determine cost-effectiveness. EVs get about six to seven hours of charge time, which would produce about eight hours of operating time. The charge cycle would leave AAA's vehicle out of use at critical times in their operations. This would require carriers to add more trucks and drivers to offset the impact, driving up the cost. [Source](#)



Pitt Ohio Adds 32 Lanes
Pitt Ohio has added 32 next-day lanes in an effort to improve transit times on the East Coast. Pitt is now able to transport freight within a day to and from their



TForce and ABF Start Teamster Negotiations
The Freight Division of the International Brotherhood of Teamsters is preparing for the negotiations on new collective



Parcel

FedEx:

- Latest earnings release showed losses in sales and profits when compared YoY.
- Plans to save \$1B more than what was previously forecasted in the prior quarter, bringing the total to \$3.7B of budget cuts in 2023, including announcing layoffs.
- FDX Express plans to cut flights both internationally and domestically, with at least 11 aircraft being grounded.
- For Int'l Air shippers, conversations with FDX around their ability to perform and maintain standards in any key Express markets/shipping lanes may be prudent.

UPS:

- UPS has enjoyed a few years of continued revenue from “peak season surcharges” but the outlook for 2023 is rocky.
- Teamsters Union contract expires in August 2023, and UPS is already in talks with the new leadership to try and renegotiate terms for improved labor conditions, better work/life balance, and pay increases for members.
- UPS CEO Carol Tome has warned of “strikes, work stoppages or slowdowns by our employees” and mentioned “results of negotiations and ratifications of labor contracts” in recent press releases as investors and customers watch this closely.
- UPS has already told management that no PTO will be approved in July and August 2023 to ensure “all hands on deck” in the event of a strike.
- The Union is ready to flex their power, so this topic should be watched very closely.

Moving forward:

- Fuel costs are still high and, for customers who use premium services, fuel will be a particularly heavy part of freight cost in the months ahead.
- For UPS customers, hold back on contract renewals until conversations are had around the strike, how UPS plans to mitigate disruptions, and how your capacity can be secured.

Parcel Market Leaders:



6.9%

Average Increase

UPS GRI 2023	
UPS Ground	6.36%
UPS 3 Day Select	9.95%
UPS 2nd Day Air	7.67%
UPS Next Day Air Saver	7.10%
UPS Next Day Air	7.16%
UPS Next Air Early	6.46%



6.7%

Average Increase

FedEx GRI 2023	
FedEx Ground/HD Average	7.91%
FedEx Express Saver	7.46%
FedEx 2 Day	7.47%
FedEx 2 Day AM Package	7.87%
FedEx Priority Overnight	8.49%

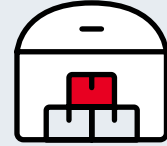
UPS led the market in performance during peak 2022, at 97.5% OTP while FedEx struggled to maintain service levels, with approx. 94% OTP.



REAL ESTATE

Cushman & Wakefield predicted that the U.S. economy will experience a mild recession in 2023, resulting in a rebalance of industrial real estate. Following the highest absorption ever recorded in 2021 of 561 msf, 2022 dipped to a 477 msf. Still higher than an average of 287 msf from 2015-2019.¹

- 6% expected vacancy rate by EOY¹
- Sub-1% vacancy rates still exist in some markets and key submarkets, resulting in rent increases of over 100%.¹
- New supply reached its highest quarterly level on record for second consecutive quarter.²
- A total of eight markets posted occupancy gains greater than five million square feet during the fourth quarter, including Dallas, Chicago, Salt Lake City, Atlanta, the Inland Empire, and Phoenix.²



683 MSF

new development in process

(566 msf speculative and
424 is not pre-leased)¹

Moving forward:

An interesting trend is appearing in the Inland Empire now. Vacancies are increasing but there is no sign of a drop in asking rent. Southern California real estate activity seems to portend the future of a significant portion of the future of U.S. real estate activity. We can count on institutional and "deep pocket" Landlords to hold the line on rents in the absence of a major U.S. economic dislocation. If you need the location take it down when you need it and don't count on widespread rent reductions.

Hot Markets

The Southeast: with several large logistics hubs and ports, growing populations, and affordable labor, eyes are on the Southeast for strong growth in next few years.³



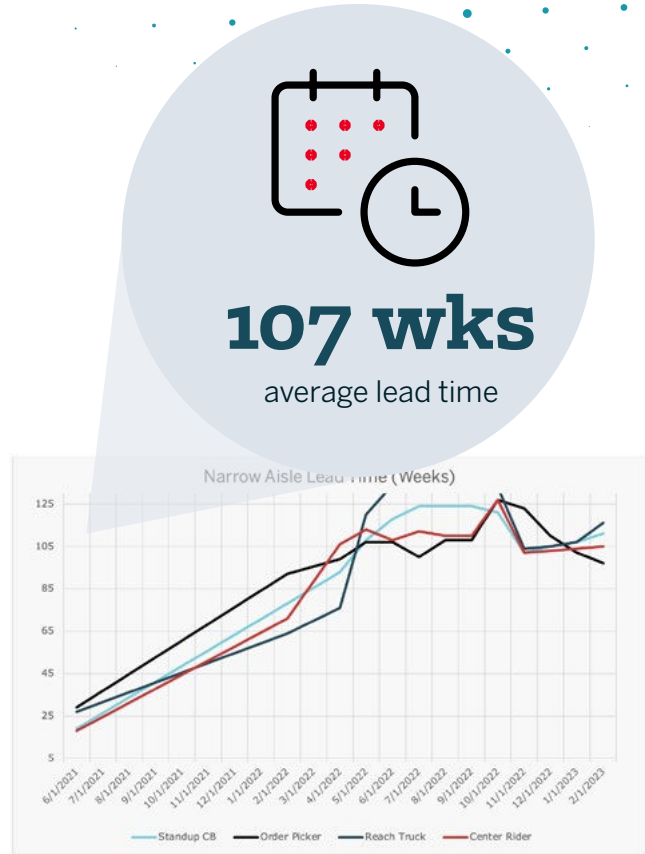
MHE

- Narrow Aisle Equipment lead times are still out over 2 years. The average lead time is 107 weeks.
- Equipment payment factors moved up slightly but look to be stabilizing.
- Prices remain steady for Narrow Aisle and Sit-down lifts as well as Scrubbers.

Equipment Lead Times

Narrow Aisle

- Lead times have increased for everything except order pickers this month. New order delivery is 97 weeks for order pickers and 116 weeks for reach trucks. Standups are at 111 and pallet jacks at 105.
- Global supply chain issues have led to unpredictability in narrow aisle equipment deliveries, making it difficult to predict actual delivery.



Sit Down Electric

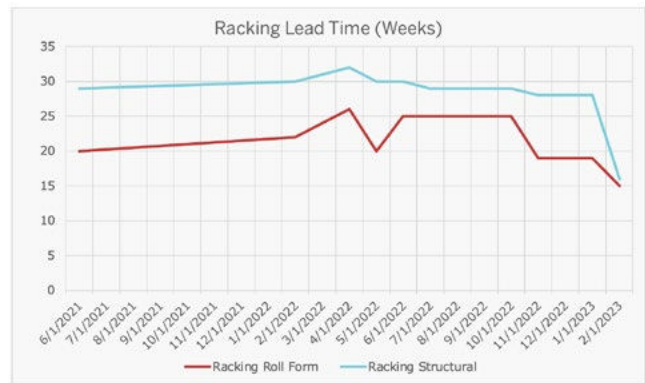
Lead times for electric lifts went up to around **38 weeks** in February.

Sit Down Propane

Lead times for propane lifts had a little up tick this month to **57 weeks**.

Racking

Lead time has started to drop for racking. Lead time for roll form is 15 weeks. Lead time for structural is at 16 weeks. West coast racking plant is about around 13 weeks lead time right now.



ABOUT KENCO

Kenco provides integrated logistics solutions that include distribution and fulfillment, comprehensive transportation management, material handling services, and information technology—all engineered for Operational Excellence. Building lasting customer relationships for over 70 years, our focus is on common sense solutions that drive uncommon value. Visit Kenco at kencogroup.com



- 1 Cushman & Wakefield
- 2 Colliers
- 3 CBRE