

DMI Case Study

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Requirement

Dynamic Marketing Inc. ("DMI") was founded in Brooklyn in 1957 and is a supplier of appliances, electronics and related goods to independent dealers in the Northeast, with a heavy concentration in the New York Metropolitan Area. DMI is owned in a co-operative ownership structure and its mission is to purchase products in bulk so that independent dealers have the buying power to compete with larger big box competition. DMI was a victim of their own success and as a result found themselves in 205,000 square feet of independently run warehouse in Brooklyn and an additional 125,000 square feet of space with a public warehouse/3PL operation leaving themselves with both expensive space and limited growth options. NAI James E. Hanson ("NAI") was brought in to analyze their current warehouse use with the goal of gaining additional flexibility but with a cost reduction strategy.

Approach

NAI did a wide ranging site search in which we analyzed the potential occupancy costs for 20+ buildings in a size range north of 300,000 square feet. After several inspection tours and follow up financial analysis on the locations, we prepared Requests for Proposals ("RFP's") for five buildings. After reviewing the first round RFP's we again prepared a detailed financial analysis of the potential options and narrowed them down to a short list of three properties. After several rounds of offers and counter offers we focused on our top choice. During the process we interfaced with local zoning officials, electric and HVAC contractors, benefit consultants, energy efficiency experts, attorney's and architects to assure the selected building would meet DMI's requirements and that we would have a smooth transition into the new facility.

Results

After an extensive search, heavy negotiations and much leg work, DMI settled in a new 396,000 square foot facility in Hamilton Township, NJ. The entire process in this case took about 12 months from initial meeting to lease commencement. In addition, the cost savings, of being under one roof and out of third party warehouses, amounted to an estimated cost savings of close to \$15,000,000 over a ten year period compared with staying in their current situation. This number does not include the enormous corporate and individual tax savings from relocating outside New York City.

In addition, as part of the services provided NAI was asked to coordinate a subleasing program in order to relieve DMI of the short time remaining on their current leasehold in Brooklyn.