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Yellow puts remaining 112 LTL terminals on the block

LTL carriers are building up "land banks" that will help them connect markets and expand with customers as demand rises. Photo credit: Siwakorn1933 / Shutterstock.com.

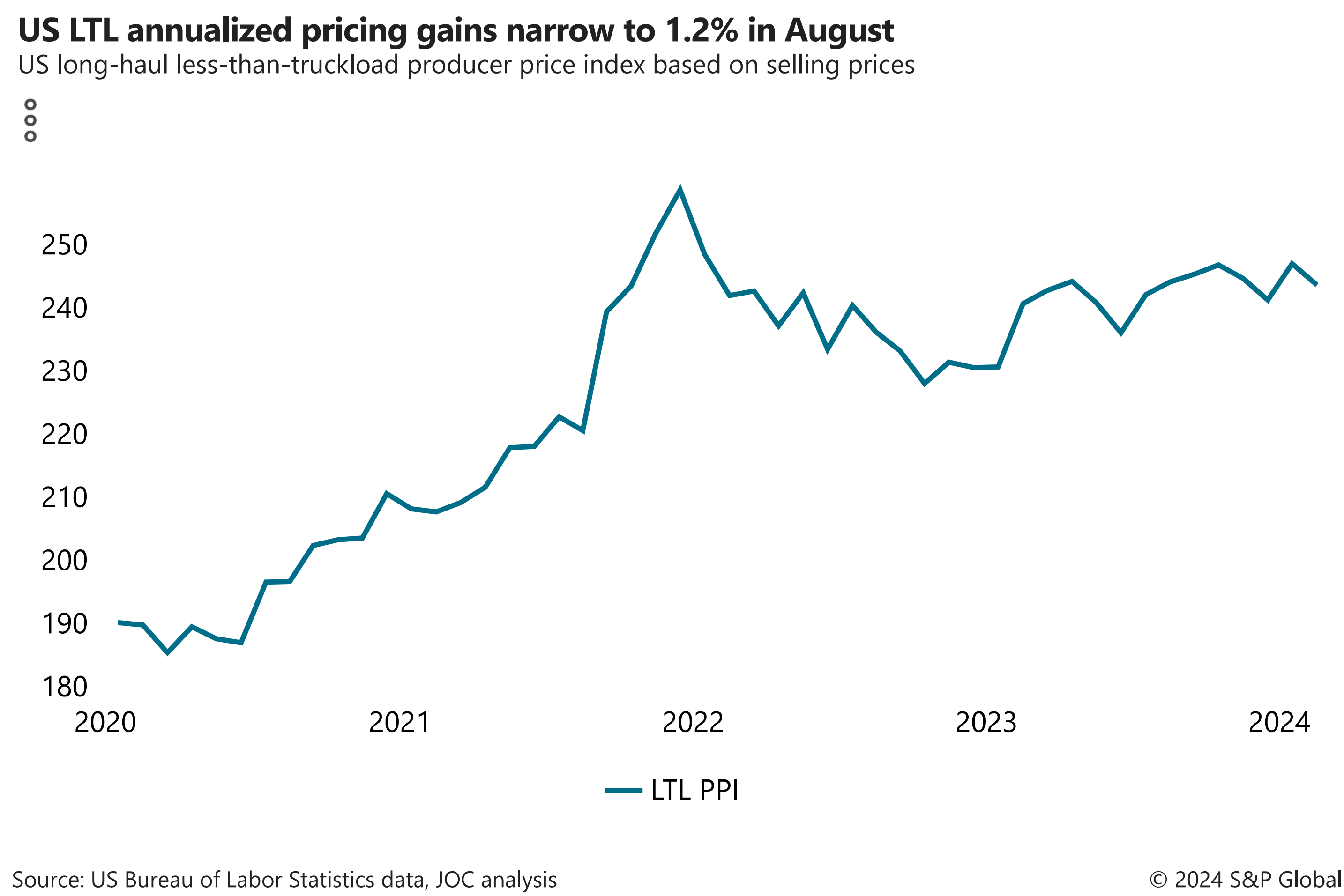
William B. Cassidy, Senior Editor | Sep 27, 2024, 2:40 PM EDT

The other shoe is dropping in the US less-than-truckload (LTL) real estate market as bankrupt LTL provider Yellow prepares to sell its remaining 112 terminals, including some of its largest sites, in a move that will release pent-up LTL capacity.

About 30 of the facilities could be considered "port-adjacent," potentially providing space for transloading and container storage as well as local LTL pickup and delivery.

Yellow will begin accepting non-binding "indications of interest," or IOIs, on Tuesday and plans to complete the sales by January, according to a US bankruptcy court filing.

The start of the sales process was approved by the US bankruptcy court in Delaware earlier this week. Completed sales will release a significant amount of LTL capacity into a market where freight demand is modest. LTL capacity has yet to recover to 2022 levels, and that's pushed up LTL pricing.



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The facilities now available include 47 owned and 65 leased properties ranging in size from as few as four doors to a 426-door mega-terminal in Chicago Heights, Ill.

Those 30 near-port properties include seven in Southern California, including a 325-door, 54-acre site in Bloomington, Calif., about 70 miles from the ports of Los Angeles and Long Beach. The port-adjacent terminals on the West Coast also include four near the Seattle-Tacoma port complex and three in the San Franscisco Bay-Oakland region.

The question is whether the large LTL carriers that have already spent about $2 billion to buy more than 200 Yellow terminals — starting last December with the sale of 128 terminals — still have an appetite for more service centers and properties.

Odds are they do and that they will try to pick up terminals that fill remaining gaps in their networks and help position them for further growth when LTL demand rises.

"You're better off having too much than not enough," Webb Estes, president of Estes Express Lines, said in a recent interview. Estes has acquired 39 terminals from Yellow over the past year, the largest number of sites acquired from Yellow by any LTL provider.

In July, Estes reacquired seven facilities it had leased to Yellow and is now adding them to its 280-plus terminal network.

"The extra capacity comes with limited costs and additional benefits of efficiency," Estes said. "LTL is all about cross-docking, and if you add more doors, you can become more efficient" with less restricted freight flow and rehandling of shipments, he said.

Estes has not said if it will place bids on terminals in the next round of sales, which will be administered by industrial real estate company CBRE and investment banker Ducera.

Doors and acres

Other companies likely to at least file an IOI include Saia, which has acquired 28 Yellow terminals to date; XPO, which also bought 28 Yellow facilities; and Knight-Swift Transportation Holdings, which purchased 25 terminals from the bankrupt carrier.

The list of potential buyers is long and may include companies outside the LTL sector.

Some of the largest sites up for grabs are big enough to serve as logistics parks, not just terminals, especially the 103.6-acre, 426-door complex in Chicago Heights. After that terminal and the Bloomington site, the largest are Maybrook, NY, with 304 doors and 51.2 acres; and Cincinnati, Ohio, with 216 doors and 42.9 acres, according to the bankruptcy court filing.

LTL executives have said those sites may be too large for any carrier that doesn't already have an extensive network.

Another 16 properties have more than 100 doors. However, only 15 of the 112 properties up for sale are larger than 30 acres; that could mean limited space for trailer storage.

Sixty of the facilities have less than 50 doors, and 26 properties have 20 doors or less.

That means attention will probably focus on a smaller number of the properties that have sufficient acreage for trailer and container storage and a higher number of doors.

Many LTL carriers are building what could be considered “land banks,” buying properties in markets where they expect greater growth in the long term.

None of the 112 terminals on the block are likely to be ready to reopen until 2025. Depending on the state of the economy, some facilities may be held in reserve until demand for LTL service picks up, perhaps lifted by higher industrial output.

When demand does rise, shippers will need a new map to a realigned LTL market, said Mike Regan, chief relationship officer at TranzAct Technologies.

“The day when you could say, ‘this is my carrier base,’ and go to bed is gone,” Regan said.

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