



RENEWED SPACE

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by Clint Johnson

Companies move there for space needs, inexpensive lease prices

What are more useless in today's consolidating consumer market than major assets tied up in the current twin consumer evils of cigarettes and alcohol?

Who needs -- or wants -- tobacco warehouses anymore? Who needs a large brewery building when brewing companies are creating overcapacity at the national level by buying out their larger rivals and scores of microbreweries are making names for themselves by proclaiming they don't need giant tanks to make good beer?

Two large real estate assets in the Piedmont Triad tied to cigarettes and alcohol have proven to be anything but white elephants when their owners decided they no longer needed them.

R.J. Reynolds Tobacco Co. (RJR), which has seen its market share steadily drop for decades, decided last year that it no longer needed 1.2 million square feet of tobacco leaf warehouses spread over 22 40-year-old buildings, each one measuring about 54,000 square feet. All of those buildings are located together about four miles west of the Piedmont Triad International Airport on U.S. 421.

SNATCHED THEM UP

Clarence Lambe Jr., partners with his father, Clarence Lambe Sr., in Twin City Properties Corp., wanted those buildings. We will never know how badly other commercial brokers wanted them because Lambe bought them on the same day they went on the market and the same day he got a call from a broker who had heard about them that morning in a sales meeting.

Lambe's instincts that the buildings would be good assets and not tainted by their association with cigarettes were good. He and his father have already leased 50 percent of the space just six months after closing on the \$3 million sale. The complex has more than a dozen tenants.

"I live in Kernersville, so I had seen those buildings for 30 years," Lambe said. "The word on the street was that they might become available. We had looked at them about six months before they went on the market. We didn't know the timing but knew they were good buildings."

What Lambe did was look past "tobacco" and see "distribution space." At the same time, he took into account that the buildings were built by RJR.

"Anything built by Reynolds is over-designed and over built. These buildings are built like battleships. I would say they have four times the structural steel in them as would be needed in a new building. The floor thicknesses range from at least six inches of concrete to as much as 13 inches of reinforced concrete. Reynolds built these to last."

Also on the plus side is that the complex is near I-40 with a ramp just a quarter-mile away running to I-40 West and about two miles away running to I-40 East.

NOT PERFECT BUT CLOSE

The complex is not perfect because it was designed by Reynolds to do nothing more than store hogs head barrels of tobacco. None of the buildings had office space in them, so upfitting is necessary for those tenants needing that type of space. The ceilings are 16 feet tall, and distance between

columns is 22 feet, so companies with highly automated and high stacking needs likely will skip these buildings. The buildings are also densely developed, since they were designed for a single user, but Lambe says existing users have not had any traffic jams of getting their trucks in and out.

On the other hand, he says his company leases the space for \$1 a square foot, which he says is roughly one-third the cost of competing space.

"Big-box vertical customers are not going to like this space. But there are customers out there who will consider instead of stacking 18 feet high that they can stack 12 feet high because they can get twice as much square footage for the money," Lambe said.

When Stroh closed its 1.1 million-square-foot brewery on U.S. 52 south of Winston-Salem in 1999, the community's first thought was "abandoned brewery." The commercial real estate industry thought "contiguous space."

A Boston company, GFI Partners, which had earlier purchased a closed Stroh brewery in Baltimore, came to town with the same concept that had worked in Baltimore -- auction off all of the brewing equipment, clear the space and treat the property as any other industrial property located near the intersections of two major highways.

MODIFICATIONS AND ADVANTAGES

Steve Goodman, a principal with GFI, says, "Fundamentally, breweries are good real estate; big, wide-open functional space that may have been built to be process specific but which have a layout that works well in a retrofit. A lot had to be gutted, and we had to add loading docks for multitenant use, but our experience with a lot of older manufacturing facilities says with a little creativity these old buildings can be reborn."

Har Royster, a managing partner with Triad Commercial Properties, credits GFI with the success of the project.

"They were the ones with the vision," said Royster, whose company is marketing the space. "We thought it had a lot of potential, but we have been very pleasantly surprised by the successes. The credit for that goes to GFI, which performed a very large and complex renovation.

"There are two reasons why it has been a popular property. It has large contiguous space, 1.1 million square feet in two buildings (155,700 square feet and 880,000 square feet). And it is located along the interstate highway system."

Three companies have located in the complex, including Walker & Associates, an electronics manufacturer which moved from the Welcome Industrial Park on U.S. 52 a few miles away; the Cluett Co., a manufacturer of artificial flowers that moved from Centre 311, a Forsyth County industrial park that was even closer; and Kay Chemical Co. The deciding factor for all of these companies was that they could get plenty of space under one roof, allowing them to consolidate their operations.

Royster says there will be 98,000 square feet ready to go on the market within two months that will be all warehouse space, plus they are looking at what to do with an undeveloped 50-acre site just north of existing buildings.

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