



**TRIAD INDUSTRIAL MARKET | SOUTHEAST SNAPSHOT, APRIL 2008**

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The Triad industrial market is rebounding after a slow fourth quarter in 2007. Brokers and developers are reporting good activity particularly in the airport and east Greensboro sub-markets. Recently announced deals include Johnson Development's lease of 526,000 square feet to Liberty Hardware in Union Cross Business Park; GT Gateway's lease of 244,800 square feet to Procter & Gamble in Brown Summit; Lenovo's development of a 300,000-square-foot manufacturing facility in Rock Creek Corporate Center; and the announcement that O'Reilly Automotive would be purchasing the 300,000-square-foot McConnell One in McConnell Center in east Greensboro. Other significant leases include Samet Corporation's lease of 90,000 square feet to Styles Machinery in the airport submarket and Highwoods Properties' leasing of 120,000 square feet to RF Micro Devices at Enterprise II and 118,000 square feet to Kellogg's at Enterprise IV.

Industrial development is centered on three submarkets: the Airport area; East Greensboro, including Rock Creek Corporate Center and McConnell Center; and East Winston-Salem in and around Union Cross Business Park and Dell Manufacturing. Johnson Development is very active in the Union Cross area and recently announced plans to build upwards of 1 million square feet immediately adjacent to Dell's Winston-Salem manufacturing plant. Samet Corporation is quickly and quietly developing nearly 600 acres west of the airport in the Triad Business Park on West Market Street.

Landlords are maintaining rates and offering limited concessions beyond beneficial occupancy for equipment installation in spite of a slow 2007 and overall negative absorption in the market. The range of rental rates for newer product is \$3.45 to \$3.85 per square foot with 3-5 percent office build-out and limited warehouse improvements beyond lights and heat. Three independent market researchers report a range of overall industrial vacancy from 19 to 23 percent. The vacancy rate for newer product is likely 9 to 12 percent, given recent absorption.

The green building trend is reaching this market, albeit slowly. Liberty Property Trust delivered one of the nation's first true LEED-certified industrial building, a 340,000-square-foot facility at Bull Ridge. Tenants and owner occupants are also reporting success with T5 lighting retrofits.

The biggest drivers of space in the market continue to be Procter & Gamble, Hanesbrands, Deere-Hitachi and Dell Manufacturing. Expect absorption around Deere-Hitachi to decrease given trends in the housing industry. The silver lining is the decrease in competition with residential builders for available land in the area. The Triad's topographic and hydrographic complexity makes the assemblage of large, industrial tracts very difficult, particularly in sites larger than 50 acres. A confusing watershed jurisdiction places further restrictions on where real development can occur and this culmination of forces is driving industrial development outside of the major urban areas of Winston-Salem, Greensboro and High Point.

Thankfully, the area has a superior road network and a developing interstate infrastructure to deal with this development trend. For example, the recent opening of the southern loop of Painter Boulevard at Interstate 40 connects the Piedmont Triad International Airport and Future Fed Ex Mid-Atlantic/European Gateway hub to Interstate 40 and 85. This connection will ensure that users needing Fed Ex services can access the hub from all directions, including the developing industrial parks mentioned above. Further, two developing interstates, I-73 and I-74, will pass through the Triad providing enhanced access to interstates 77, 95 and 81, all major east cost transportation corridors.

The highway network is also increasing our activity among distributors using east coast ports. The unique location is roughly equidistant from the major terminals of Norfolk, Morehead City, Wilmington, Charleston and, to some extent, Savannah and Jacksonville. Users are locating to the Triad to increase their rings of distribution and decrease reliance on any one port.

While the Triad continues to face layoffs associated with furniture, textiles and tobacco, the skilled, available and educated workforce is bringing new industry to the area. The low cost of living, excellent highway network and strongly anti-union business environment are attracting companies like Fed Ex, Dell, Citigroup, Procter & Gamble and Lenovo, which is the ultimate validation of the market. With the opening of the Fed Ex hub in 2009, expect many more industries to follow suit.

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