



TRIAD
COMMERCIAL
PROPERTIES

R E L A T E D N E W S A R T I C L E

INDUSTRIAL EVOLUTION

Location just the beginning in industrial real estate

by Clint Johnson, Contributing Writer

The old saw of "location, location, location" applies equally well to commercial and residential real estate, but there are many other aspects about commercial real estate that neophyte investors or tenants should know before buying or leasing industrial properties.

Industrial real estate encompasses a host of components, from land-use and ceiling heights to column spacing and dock configurations. Beyond that, commercial brokers and developers say that a successful real estate deal comes not only from understanding each of those components, but from understanding how they all work together.

So, perhaps it's not surprising that the first advice from experts in the industry is, as NAI Maxwell President Robbie Perkins, says, "Hire a good real estate agent."

"The best way to make a small fortune in commercial real estate is to start with a large fortune and not know what you are doing," Perkins says. "There are probably 60 land-use issues on every deal, so if you don't have a considerable amount of experience dealing with those issues, you could make a large mistake with your investment."

Docking Deliberations

As another example, David Hagan, president of Hagan Properties in Greensboro, says that it's not enough to have plenty of docks; it's how they are configured.

A well-designed building has plenty of parking space for trailers, at least 125 linear feet of paved, turn-around space and bay doors placed so the driver can see them easily from his left mirror.

"If I had two buildings at the same price point and in the same location, I would pick the building that had drivers backing left rather than the one backing right," Hagan says.

Also under the issue of configuration is cross-docking, a design that surfaced recently in the Triad when Rhodes Furniture agreed to lease a new 320,000-square-foot, 60-truck-bay facility in Rock Creek Center. The cross-dock design will allow the company to offload furniture from one dock and either send it to storage or load it immediately onto another truck for delivery to a retail store. The concept is just-in-time manufacturing adapted to just-in-time distribution.

However, don't expect the design to become the standard in the Triad.

"Cross-docking' is a trend we've been talking about for 10 years, but which hasn't happened," said John Schultz, a broker with Triad Commercial Properties, which negotiated the Rhodes deal. "The thing to remember about cross-docking is the

building has to be set in the middle of the property so you have truck courts on both sides."

That means the owner of the property will either have less building or will have to use a lot more property, Schultz says.

"You just don't see developers putting up spec buildings like this because there is no demand," he says.

Everything under the roof

Hagan says there is usually a direct relationship between square footage of a building and its ceiling height. Ceiling height is critical because it limits the use of certain types of stacking systems and forklifts in distribution buildings.

A building of 20,000 square feet will typically have ceiling clearance of 18 feet to 20 feet, while a building of 30,000 square feet to 50,000 square feet should generally have a ceiling that is 22 feet to 24 feet, Hagan says.

Any building 75,000 square feet or larger should have a minimum clearance for 24 feet and may be up to 28 or 30 feet, he says.

"What a building buyer needs to do is make sure your specific needs meet a broad range of needs in the marketplace," Hagan says. "Too often users will paint themselves into a corner with a building that meets their needs immediately, but they outgrow it."

Greg Wilson, senior vice president at Lincoln Harris, also urges buyers to investigate the types of racking systems they will use before they settle on a building or design because cubic foot storage can be more important than square footage.

Buying new, taller racks and forklifts that reach those top shelves could make a ceiling with 30-foot clearance more practical than expanding a building and continuing to use shorter, existing racks and older, less capable fork-lifts.

Elbow room

After ceiling heights, another important factor is knowing how far apart the support columns are because that distance determines what racks a company can use, or even if its manufacturing equipment will fit in the available space. Typical column spacing ranges from 30 feet to 40 feet, but in some old buildings columns could be spaced as close as 20 feet or even 12 feet.

That means even if the leasing or sales price for an abandoned textile building was dirt cheap, column spacing could make it unusable.

Ron Rothrock, president of construction for Samet Corp., builds industrial buildings that the development and general contracting company often owns and leases out. Rothrock says the biggest mistake he has seen new building owners make is not planning in flexibility both in the building's design and the amount of land the building will occupy.

"Look at the single-purpose textile buildings and see how many are on the market for years because they can't work as anything else. Not everyone can afford everything they want in the first building they build, but you have to design for flexibility because a company's plans can change rapidly. Buy enough land for future expansion. Some people have trouble with the idea of carrying the cost of land they don't need immediately, but it is often a problem when they want to expand and the land is not available," Rothrock says.

Schultz, the broker at Triad Commercial Properties, expands on the need to buy enough land by pointing out that storm water run-off regulations often dictate how much land can be developed.

"Depending on the watershed you are in, you will be allowed to build only so much impervious surface. The coverage ratio allowed by the building code is critical. A buyer might think he has the land for expansion, but the built-out site might already be at the coverage ratio. Those things are usually uncovered in due diligence before buying the property," Schultz says.

Don't forget atmosphere

Larry Gildea, senior vice president with Liberty Property Trust, points out that buyers sometimes look too much at the cost of acquiring an existing building or construction cost of a new building but forget that people who will work in that building have to like being there. He thinks factoring in the positive value of amenities is as important as the lowest possible lease rate or per-square-foot construction cost.

"It has been our experience that owners are looking now at buildings that have a good work environment because that will make employees happier and more productive.

That could be something like putting your building in an office park that has a day care center or a fitness center. It could be something simpler like having outdoor seating for employees to eat lunch, or a walking path for them to exercise," Gildea says.

Clint Johnson is a free-lance writer who contributes periodically to The Business Journal.
© 2003 American City Business Journals Inc.