

## **Houston shows industrial strength**

**National real estate players jump in with big plans for major industrial complexes**

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by [Jennifer Dawson](#)

Three prominent industrial developers have entered the Houston market, and other national players are expected to follow their lead as the city's warehouse and distribution market continues to heat up.

Atlanta-based [IDI](#), El Paso-based [Verde Realty](#) and Indianapolis-based [Duke Realty Corp.](#) are establishing operations in Houston for the first time. In addition, Houston-based [Simmons Vedder & Co.](#) is building its first local warehouse product after more than a decade of constructing multifamily and office space in Houston.

Industry experts say the Bayou City has become a hot spot for industrial construction because of a growing demand for space that's being fueled by the strong economy and increased capacity at the Port of Houston.

Houston is also being cast as more of a distribution hub following last year's opening of a 4 million-square-foot distribution complex in Baytown by Wal-Mart Stores Inc.

One year later, developers are planning to build millions of square feet of speculative warehouse space in facilities that so far have no tenants. These developments are expected to create more competition for builders that are already established in the local marketplace.

And some are concerned that the whirlwind of projects could lead to a surplus situation similar to that in the 1980s.

"I would hope that all these guys don't come in and overbuild," says Robert Clay of Clay Development & Construction Inc., which has built a total of 4.5 million square feet of industrial space in the Houston area.

David Arnow, a vice president with Simmons Vedder, says his firm's goal is not to take tenants away from existing facilities.

"We hope every developer is wildly successful," he says. "That means we'll be successful, too."

Doug Johnson, an IDI regional development officer in Dallas, says that after studying Houston for four to five years, the firm decided that demand has reached a point that warrants new development.

Indeed, not only do these national players shun concerns about overbuilding, some are so eager to get their foot in the door that they're trying to purchase existing industrial properties to jump-start a local portfolio.

Clay says he has fielded several calls from industrial developers wanting to buy some of his properties.

"Everyone wants to be in Houston now," he says. "Houston is booming."

A complex situation

Of the new market entrants, IDI and Duke are described as established names in industrial development.

And while the Verde name is only a few years old, the company's founders were also the founders of Security Capital Group, which was sold to GE Capital in 2002 for \$5.4 billion.

Security Capital, created by William Sanders and Ronald Blankenship, established and/or owned a large interest in more than a dozen real estate companies, including Archstone-Smith Trust, ProLogis, CarrAmerica Realty Corp., Storage USA Inc. and Regency Centers Corp.

With Verde Realty, the founders are now focused on a niche of developing warehouses on both sides of the U.S./Mexico border.

"Nobody else has that ability," says Rob Wendt of Verde Corporate Realty Services, who is responsible for the firm's new Houston operation.

Verde will start construction within the next two months on what will eventually be a nine-building complex with more than 1 million square feet of bulk warehouse space.

The development, called Verde Central Green Corporate Center, will sit on 66 acres inside the Central Green Business Park. The site is in the Greenspoint area, near Bush Intercontinental Airport and the intersection of Interstate 45 and Beltway 8.

Phase I will consist of two 128,000-square-foot cross-dock buildings, which allow products to be loaded into the facilities from both sides. The buildings will be ready for move-in by January 2007. The remaining buildings will be constructed based on market demand, which Verde officials expect to be strong.

"The objective is to be one of the top developers in town," says Wendt.

Less than five miles away, IDI has plans for eight buildings with 1.2 million square feet of distribution space.

While these will be the first IDI-owned facilities in Houston, the firm built a 750,000-square-foot distribution center for Home Depot Inc. near the Wal-Mart complex a few years ago.

Known as one of the top industrial developers in the nation, IDI has purchased 103 acres of vacant land near the northeast corner of I-45 and Aldine Bender Road for the new project, dubbed Greenspoint Business Park. The complete build-out is estimated to cost \$60 million, but IDI will start with three buildings in Phase I at a cost of \$12 million.

The first phase will include a 245,000-square-foot cross-dock facility, a 107,000-square-foot rear-load facility and a 55,000-square-foot service center. The buildings are expected to be ready by the end of the year.

While IDI normally manages and leases its facilities in-house, the firm has hired Boyd Commercial to lease space in Greenspoint Business Park. No tenants have been secured, but IDI expects to land larger users as part of an emerging local trend.

"Previously we were a smaller-tenant market," says David Boyd of Boyd Commercial.

While IDI and Verde both quietly purchased their first Houston parcels earlier this year, Duke acquired its first local property two weeks ago.

The firm announced three months ago that it would begin developing industrial and office properties in Houston. The first project out of the chute will be "value office" space in tilt-wall, concrete office buildings.

Duke has purchased 42 acres just north of Beltway 8 and West Road from West Development LP for an undisclosed price. Over the next seven years, the firm will build six

value-office buildings with more than 700,000 square feet in a project called West Sam Houston Business Park.

Todd Edmonds and Bill Byrd of Colliers International represented Duke on the land purchase, while Don Eastveld and Jon Spears of The National Realty Group represented the seller.

David Hudson, vice president of leasing and development for Duke in Houston, says construction will begin by early fall on the first building, a 160,000-square-foot tilt-wall concrete office facility.

For its first industrial deals, Duke has 52 acres under contract in north Houston and another 51 acres under contract in the northwest area. Both deals are expected to close by September.

And finally, Simmons Vedder is adding industrial product to its local portfolio for the first time.

Before forming his own company in the early 1990s, Tom Simmons developed industrial buildings in Houston as a partner with Trammell Crow Co. But this is the first local industrial project for Simmons' own development firm.

GreensCrossing, located at I-45 and Beltway 8 in the Greenspoint area, will include three buildings with close to 600,000 square feet. Construction has already begun on a rear-load building, a cross-dock facility and a distribution building.

Arnow says it makes sense to branch out into industrial development in Houston at this time.

"Houston is becoming much more of a distribution market," he says.

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