



Industrial

Large developers focus in on small user industrial product

by Jill Jamieson-Nichols

Small user buildings are where it's at when it comes to Denver industrial sales, and more large developers are getting in on the action.

Lowe Enterprises, which has developed several large industrial buildings in the Denver market, is planning four small, for-sale speculative buildings as part of its new Eastpark70 development off Interstate 70 and Tower Road. Trammell Crow Co., through its development and investment divisions, is planning a cluster of seven buildings at Concord Business Center in Douglas County.

Panattoni Development has been looking for sites for small freestanding buildings, but hasn't landed on anything yet.

Development is being fueled by continued demand on the part of small companies that make up the bulk of the market. Good quality buildings are hard to find, interest rates are low, and a lot of companies figure real estate is as good an investment as any.

"We think there's a demand for these kinds of buildings. Recent history would show that many smaller businesses have made the decision to buy rather than to lease," said Bob Thompson, Lowe Enterprises vice president.

"There are very few small buildings for sale in the market, and well-designed buildings, I think, will sell," said Grubb & Ellis Co. broker Murray Platt, who is marketing Eastpark70.

"We're going to be in a covenant-controlled business park, providing ready-to-go



Lowe Enterprises is planning four small user buildings designed by Intergroup Architects at its Eastpark70 development.

buildings. I think we're going to have outstanding demand," he said.

While low interest rates have fueled sales of small, freestanding office/warehouse buildings, Thompson said demand should stay steady even as rates rise because the market is starting to turn, and rents will increase.

"I think interest rates, as they creep up, will have little if any effect on the user market," said Fuller and Co. broker Jeff Roemer. "I don't think it's going to hinder our market at all."

Development of new freestanding, for-sale buildings really got off the ground with the development boom of the late 1990s, when most large developers were focused on 100,000-square-foot-plus warehouse/distribution facilities for lease.

As the market for large industrial spaces softened, demand for buildings 25,000 sf and under

chugged right along.

CB Richard Ellis broker Jim Bolt said he's a little concerned that, if all small user product being planned gets built, it could be too much of a good thing.

But, "People aren't going to build into a soft market," commented Platt, who is marketing Eastpark with Grubb & Ellis broker Doug Viseur.

Lowe has submitted plans to the city of Aurora for its buildings, which it hopes to deliver in third quarter 2005. They will range from 9,000 to 18,000 sf.

Eastpark70 has 20 small user lots, but also will include a number of large industrial buildings.

"The park isn't just about these small buildings, but these small buildings are an important part of the development," commented Thompson.

Trammell Crow's Concord Commons, just off Peoria Street between E-470 and Centennial

Airport, will feature freestanding buildings from 8,000 to 20,000 sf, said company principal Dan Bess. A site improvement plan for the project is in the final stages of the Douglas County entitlement process.

CMC Group, a small developer that builds office/warehouse user buildings throughout the Denver market and outside Colorado, has seen "pretty incredible demand" for its product, said Executive Vice President Graham Benes. But demand is greater in some parts of the metro area, particularly southwest, than in others, he said.

The company has takers for three buildings on land it has under contract at Hilltop Business Center in Littleton and is talking to users for four others. The buildings will range from 12,000 to 25,000 sf.

Construction by larger developers is good for the market, Benes believes, because it will increase awareness that new buildings are available for smaller users.

"I think it's great because we want more product in the market," he said. But it's only good as long as the number of buildings in a single location is limited (CMC Group typically does two to seven buildings in one spot), and they are well-located and competitively priced, he said.

"We don't want to see product come to market that's completely out of line with what people expect to pay. Having a lot of inventory sitting out there is not good for anybody," Benes said.

"We definitely think that the market can support 20, 30 buildings or more, but not all in one place," he added.▲