

## Industrial developers find market for spec space

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After a prolonged slump, Charlotte's industrial market is enjoying a building boom.

Following months of deliberation, Crescent Resources began work in January on a 176,000-square-foot speculative building at AirPark West, near Charlotte/Douglas International Airport.

"There's tremendous demand for large blocks of space," says Ned Austin, Crescent senior leasing associate. "Instead of being reactive as we have been during the last five years, we are now going into a proactive mode."

Also in January, American Asset Corp. began the permitting process for a third 109,000-square-foot, 18-foot-clear-ceiling building at Shopton Ridge, south of the airport off Interstate 485. President Paul Herndon says the expansion comes in response to Shutterfly Inc.'s lease of the park's second 18-foot-clear building.

AAC also will soon start on a 115,000-square-foot flex building at Bryton, a 500-acre mixed-use development in Huntersville.

The developer is also considering starting work on a fourth 30-foot-clear building at Shopton Ridge.

Chris Daly, Childress Klein Properties industrial partner, says the Charlotte-based developer could have a fourth — and final — building going up at Ridge Creek as early as the second quarter.

In the third quarter, 1.3 million square feet of warehouse space was under way, up from 260,000 in the same period in 2005. Another 1.3 million square feet of industrial space was proposed. Through September, 833,188 square feet of space was absorbed, according to Karnes Research Co.

No one seems worried about the supply. The third-quarter vacancy rate of 11.3% was only slightly higher than the second quarter figure of 11.1%.

Anne Johnson, CB Richard Ellis first vice president, says, "We have conservative, intelligent developers here. I think by the end of the year — or maybe by mid-year — they will all take a break and let the market catch up."

Gregg Copps, a principal at Charlotte-based Clarus Properties, adds, "Lenders are keeping a close look at the industrial market and are not going to let things get out of balance."



Copps

Clarus is handling leasing for three industrial sites: Perimeter West (with an 180,000-square-foot building set to open by the second quarter), Gateway Industrial Park (where a 168,000-square-foot industrial facility is under way) and Beltway Industrial Park.

"New development on the market is being done cautiously, and we're not seeing the sheer volume of development we've seen in the past," Daly says. Childress Klein is now constructing buildings of about 100,000 square feet, smaller in scale than previous projects.

Charlotte developers have been hesitant about introducing product for months because of higher lease rates that reflected increased construction costs. But tenants are not balking at higher costs.

Crescent's Austin says the company is charging \$4.25 per square foot at its new building in AirPark West. "We haven't gotten any resistance to it at all." Several years ago, space there leased for \$3.50 to \$3.75 a square foot.

Daly says Childress Klein was asking about \$3.65 per square foot on new space two years ago, well below the \$4.25 it's asking now. He says rates for existing space increased 4% to 5% last year.

Johnson predicts lease rates in Charlotte's industrial market will jump at least 10% this year. Last year they rose 5%, compared with the national average of about 8%.

"We have been lagging the national average a bit because the higher-priced new space is just coming on — our developers have been a little slow to pull the trigger on new development," Johnson says.

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