

# SIX WAYS TO REPOSITION A NON-MODERN INDUSTRIAL BUILDING

By John Hassler

**A**s the Kansas City industrial real estate climate has continued to gain momentum with new development projects emerging across the metro, a notable disparity within the supply of available properties has begun to take shape. Modern Class A facilities, which possess features like 28'+ ceiling heights, ESFR sprinkler systems, cross-dock loading, and oversized truck courts, are experiencing less than a 2.8 percent vacancy. These projects also have had the ability to leverage available tax abatements (often 50 percent or more) which has allowed landlords to aggressively increase rental rates. Conversely, Class B and C buildings (which generally contain fewer loading positions, have lower ceiling heights, less power, limited truck maneuverability, and are unable to utilize state or local incentives) have seen their vacancy rates spike up to 10.0 percent in the second quarter of 2014.

In the last three years there has been 4.9 million square feet of Class A product delivered to the market, and with institutional investors targeting secondary stable markets like that of Kansas City, there is little reason to expect a reduction in the ongoing development. With this type of competition becoming more prevalent in the market, the pool of qualified prospects for aging buildings figures only to lessen over time.



However, for those that control these Class B and C assets, the potential for finding long term tenants is not totally bleak. The reality is that there are still users with operations that fit these spaces and if the ownership is willing to take the necessary steps to ensure their property stands out among the others, the likelihood of securing a long-term lease will increase dramatically. The following six steps are ways in which Class B and Class C buildings can be repositioned to stand out from the crowd of competition:

## 1 UPDATE THE LIGHTING

Nothing shows a building's age more than dated fluorescent lighting. Today's T5 and T8 lighting fixtures project clear bright light that allows users to see in greater detail. Additionally, these lights have no "warm up" time and can be placed on motion sensors that can provide payback of the initial investment over their lifetime. In some cases rebates may be available on these retrofits as well.

## 2 PAINT THE WALLS AND COLUMNS

Along with lighting, nothing else brightens an area like a new coat of paint. Many industrial buildings show their age with years of filth and stain. This problem can be alleviated quickly by painting all of the side walls a basic white color. The columns should also be addressed; a bright yellow typically adds to the updated look while also becoming functional as a way to stand out to passing fork trucks. In addition painting can help to mask the odor of any previous operations in the building.

## 3 REMOVE THE DATED OFFICES AND RESTROOMS

Tired offices and restrooms typically have little benefit to an incoming tenant. Company culture is always important and the office space is a key physical component. Instead of trying to clean up dated offices and restrooms, scrape them all together and advertise a build-to-suit alternative instead (the cost of which can be amortized back through the lease term). Remember that the trend in modern buildings is a reduction in finished area in an effort to utilize an open office configuration. This means that most newly constructed facilities contain an office to warehouse ratio of less than 10 percent. By creating this type of build-out in an older building, ownership is able to offer a more efficient space that doesn't have excess office area taking away from valuable floor space.

## 4 IMPROVE THE EXISTING LOADING

Physically adding loading doors to your building is often times beneficial but can also be very expensive and may not even be possible based on the property's configuration. Instead, update the existing loading by adding new dock shelters, bumpers, and edge of dock levelers. The levelers will ensure that your doors are capable of receiving product from varying heights (tractor trailers to city box trucks); the shelters will — among other benefits — appeal to the tenant's winter energy bills, and the bumpers will protect both the incoming vehicles and the building itself. Additionally, if the current layout does not allow for 53-foot tractor trailers to easily access existing loading doors, consider saw-cutting the floor to increase the length of the dock well. This process can be costly but will ultimately ensure the long term viability of the property.

## 5 SEAL THE PARKING LOTS

Parking lots are important to buildings both aesthetically and functionally. If the condition of the lot requires repair, consider sealing all cracks and filling in pot holes. Repainting parking stalls will improve the look and changing to a design with angled stalls will allow for better traffic flow and assist in maximizing the available parking area.

## 6 MAINTAIN THE LANDSCAPING AND UPDATE THE SIGNAGE

Buildings with overgrown landscaping immediately give the impression of long vacancy periods and uninterested ownership. It sounds elementary, but curb appeal is as important as ever. Regularly mow the lawn, remove the weeds, trim the bushes, and project a generally well-maintained exterior. Additionally, while most industrial users do not require signage from a business generation standpoint, any ability to add monument signage and improve the location's visibility will be much appreciated by incoming truck traffic.

While these steps will not necessarily reposition a property to compete with modern alternatives, it will ensure that a dated building shows well and projects an image of professional management. All users, even those with budgetary constraints or processes that do not require modern construction can appreciate a clean and efficient space. Incorporating these strategies will reduce marketing time and present the opportunity to push rental rates into a category that still represents a nice value over brand new development. As always, remember to seek out a real estate advisor that is active in the area and adept in providing detailed feedback on projects designed to improve the marketability of a property. ■