

Granite's industrial properties should draw heavy interest

Dallas Business Journal by Bill Hethcock, Staff Writer

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Bill Hethcock
Staff Writer

Granite Properties' sale of its entire \$165 million industrial portfolio will be closely watched in North Texas, but will have little long-term impact on the market, industry sources said.

Only about 1 million of the more than 3 million square feet of the Plano-based developer's industrial space is in North Texas and Granite has always focused more on developing and leasing office space than on industrial, said Jeff Jackson, vice president of **Stream Realty Partners**. Jackson formerly handled industrial leasing for Granite in Dallas.

"They're getting back to their core business, and what they've been extremely successful in, which is office," Jackson said.

Jackson predicted heavy interest in the industrial portfolio because of its size and quality.

Greg Fuller, chief operating officer for Granite, said the company believes it's a good time to sell industrial buildings and to buy or hold office buildings.

That's because values of quality industrial buildings haven't dropped much, if any, in the Dallas or Houston areas, which are Granite's two primary markets. Granite has about 1.1 million square feet of industrial space in North Texas and about 2 million square feet in the Houston area.

In the Dallas-Fort Worth area, Granite owns two industrial buildings totaling 450,000 square feet in the RiverPark industrial complex in Grand Prairie; 330,000 square feet of industrial space in Lakeside Business Park in Flower Mound; and 300,000 square feet of industrial space in Granite Point in Denton. The North Texas properties are about 80 percent leased, and Granite's overall industrial portfolio is about 90 percent leased, Fuller said.

Buyers are looking for well-leased properties, he said.

"We've owned the majority of our industrial properties since 1995, and the market right now is in a place where it is advantageous for us to sell into that market based on the high occupancy of our portfolio," Fuller said. "There are a lot of buyers out there with capital wanting to be in quality real estate projects."

Granite might re-enter the industrial sector in several years if the company feels the time is right to develop new product or buy existing space, Fuller said.

He said Granite has not put a price tag on the industrial portfolio, but called a market estimate of \$165 million "a reasonable expectation."

Chris Teesdale, an executive vice president in the industrial division of Collier's International's Dallas office, said he doesn't think Granite's exit from the industrial market in North Texas will have a major impact.

"They're a very reputable company, but they don't have a real strong presence in the industrial market," Teesdale said.

Teesdale said the deal will be closely watched to see what price the portfolio fetches. The volume of industrial property trades has slowed dramatically, so the sale will provide an important point of comparison, he said. Teesdale and Jackson declined to estimate the portfolio's value.

Scott Martin, executive managing director in Granite's Houston office, says many properties that come to market are beating price expectations.

"There are so many people looking at so few deals," Martin says. "It is a great time to sell."

After the sale, Granite will still own and manage about 7 million square feet of office properties in Dallas, Houston, Atlanta and Denver, Fuller said. More than half of that is in Dallas, including the recently completed 1717 McKinney office tower in Dallas' Uptown area. About 100,000 square feet of space in the 19-story, 362,000-square-foot building