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## *Railhead: Savvy opportunities in the industrial market*

**L**isten closely and you can hear the buzz in Tarrant County's industrial market. Investors and developers quietly have circled the past few years, looking for opportunities, positioning themselves for the next wave of activity.

The recent news that developers plan to double the size of the Railhead Industrial Park could put a sting in the dormant marketplace. Plans call for construction of about five million square feet of space and up to 15 warehouses. New construction likely



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will attract tenants from outside the area and from existing local space. The economic benefits of attracting new tenants to the area are obvious, but the movement of current local tenants to new space also can be good for the economy.

Limited available space and questions about the economy have kept many local businesses from expanding. A shifting of industrial space could be a good opportunity for small companies looking to grow at an affordable rate.

The Railhead developers are a savvy bunch. They have a seven-year plan, but they are betting that the economy will justify some of the space in a year to a year and a half. If you believe in the economy, now could be a brilliant time to make a move. Land costs are reasonable, interest rates are low, money is available, and construction

companies are hungry. By the time everyone sees the light and the money people are ready to make a move, bargains will be as hard to find as last year's Rangers World Series tickets.

After the real estate debacle of the '80s and the stock market downturn of the past few years, real estate players are understandably being careful. To paraphrase former football star Dick Butkus talking about Chicago Bears owner George Halas, investors are throwing nickels around like they are manhole covers.

The time for action could be near. During the past few years, the industrial market in Tarrant County saw few new projects, but remained relatively strong in terms of rental rates and vacancies. According to CoStar Group, a national commercial real estate information provider, flex rates came down over the past two years but warehouse and total market rental rates remained about the same. At the end of 2003, industrial vacancy in north Fort Worth was 6.8 percent, south Fort Worth 11.6 percent. The vacancy rate in Fort Worth-Dallas as a whole was 11.9 percent.

While the Railhead folks are betting on an economic recovery, they are also hedging that bet by developing a location with rail access. The industrial park is served by the Burlington Northern Santa Fe and Union Pacific lines. Some of the largest recent industrial deals in the Metroplex have had a rail component. Those deals include a 670,000-square-foot distribution center for General Mills at

Hillwood's Alliance development and Target Corp's 1.4-million-square-foot distribution center at TXI's Railport Industrial Park in Midlothian.

In a tight market, a new project has to offer something special, such as rail, or a building that can be divisible into 15,000-square-foot increments. There is a shortage of

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good, small industrial space.

This is a niche market time and developers such as Gary Havener see opportunity and are exploiting these niche markets. Havener is building a 78,000-square-foot, two-building development in west Fort Worth that he will be able to lease to multiple tenants needing office, showroom or warehouse space.

While Railhead and Havener get in their early shots, many others are still buzzing around -- including Dallas developers. It seems ironic that while Dallas is gaining a national reputation as a hot spot for out-of-state realty investment, many Dallas developers are looking to Fort Worth for bargains and opportunity.

After several years of waiting for a sign that the industrial market is recovering, at least someone has stepped forward to say it should be back in a year or two.

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