

# SOUTHEAST REAL ESTATE BUSINESS®

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## SOUTHEAST'S INDUSTRIAL PROJECTS TO WATCH

Developers provide insights on some of their premier industrial parks around the region.

By John Nelson

Industrial real estate has been the darling of the commercial real estate industry since the Great Recession, buoyed by the rise of e-commerce, third-party logistics users, cold storage tenants and manufacturers that are looking to assemble and build their wares closer to the end customer.

The Southeastern United States has experienced outsized activity from both speculative and build-to-suit development in that time thanks to business-friendly governing bodies and explosive population growth across the region.

But what's being built today isn't the same product as the early to mid-2010s. Developers of modern industrial parks are putting a premium on flexibility as tenants are seeking more versatile spaces than in years past. Instead of building 1 million-square-foot "bombers" for large-scale ten-



One of the seven developments profiled is Phase II of Braselton 85, a two-building project that Rockefeller Group is nearing completion on in metro Atlanta.

ants, most developers today are putting out multiple buildings at a time to satiate demand from a variety of

business uses.

But that's not to say that 1 million-square-foot projects aren't also being

delivered, as some select tenants do still require larger footprints for their operations.

*Southeast Real Estate Business* caught up with multiple developers to discuss their industrial parks being delivered across the region, from Baltimore to Tennessee to South Florida. The following are edited vignettes discussing those seven parks and their impact on the surrounding markets:

### Braselton 85, Phase II in Braselton, Georgia – Rockefeller Group

During the height of the COVID-19 pandemic, Rockefeller Group built and fully leased a 222,618-square-foot distribution center in Braselton, Georgia to Duckyang America Inc., a Korean automotive equipment

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## ATLANTA RETAIL MARKET IS JUST PEACHY

Brokers, developers say the city's retail and restaurant scenes are overcoming macroeconomic woes.

By Hayden Spiess

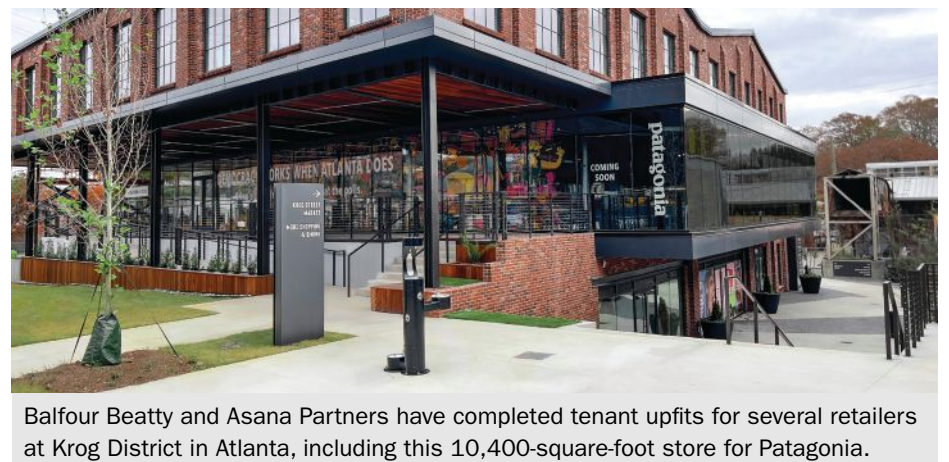
No market is immune to the consequences of current economic conditions. Certain sectors of commercial real estate, though, are better equipped to weather headwinds, primarily rising interest rates. Retail as an asset class has proven itself to be an exemplar of this. Brokers and developers say that this is especially true of Atlanta's retail market.

In the words of Dotan Zuckerman, executive vice president of retail with Portman Holdings, "retail is the

shining star" and one that is "always capable of evolving."

But it is difficult to participate in the economy on a basic level, let alone be active in the commercial real estate industry, without being forced to contend with the somewhat harsh conditions currently shaping the landscape. Some economists still herald a looming recession, and Don McMinn and Zach Taylor, who co-lead Marcus & Millichap's Taylor McMinn Retail Group, point out

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Balfour Beatty and Asana Partners have completed tenant upfits for several retailers at Krog District in Atlanta, including this 10,400-square-foot store for Patagonia.

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# SOUTHEAST'S INDUSTRIAL PROJECTS TO WATCH

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supplier that is using the property for warehousing and light manufacturing. The company manufactures and distributes cockpit modules, instrument panels and door trims for the automotive industry. In summer 2021, Rockefeller Group sold the facility, known as Braselton 85, to Cabot Properties.

Today, Rockefeller Group is putting the finishing touches on Phase II of Braselton 85, which will span 39 acres about one mile from Exit 129 of I-85. The second phase will include two rear-load distribution buildings totaling 207,009 and 220,646 square feet, both with 32-foot clear heights.

Steven McGee, vice president of Southeast development at Rockefeller Group, says that while they are adjacent to one another, the timing of the delivery for the two phases is vastly different.

"Phase II is delivering into a more competitive environment from the supply side, but we are seeing increased occupier demand continuing up I-85 now that the secret is out about Braselton being a destination with well-located buildings at a competitive price point with a great labor market," says McGee. "We anticipate a profile of tenants looking for more affordable options than what they could find closer to Atlanta without having to sacrifice quality or access to I-85."

McGee says the walls are up, the roof is on and the building just received a coat of paint. Rockefeller Group is currently building out the office component and wrapping up the landscaping.

"By Thanksgiving it should be ready for occupancy," says McGee.

He adds that manufacturing, e-commerce, 3PLs, food-and-beverage and business-to-business suppliers have all shown interest in the project throughout construction.

"There is a healthy mix between manufacturing and distribution prospects, but to date distribution users seem to be more prevalent," says McGee.

Bilijack Bell, Joseph Rogers and Conner Dickinson of Wilson, Hull & Neal are the exclusive leasing agents for Braselton 85. The project team for Phase II of Braselton 85 includes general contractor Catamount Constructors, site work contractor Strack Inc. and civil engineer Haines Gipson & Associates. The project is completely self-financed by Rockefeller Group, according to McGee.

He says the design-build team came up with a few unique features for the second phase. For starters, although it's in the same phase, the two buildings will have their own ingress and egress which will help security for tenants and also limit congestion.

Also, because of the timing of the development, Rockefeller Group elected to ship the roof trusses and joists ahead of ground breaking to limit potential supply chain delays.

"We ended up partnering with a local small business to secure and store these materials locally until it was time to bring them onto the job site," says McGee.

Additionally, the developer employed a couple environmental practices that were unique to this project.

"We installed a pollinator garden as an environmental amenity to mitigate impact on the local wildlife — a first that we know of for an industrial project," says McGee. "We were also able to clean up areas of the site that we weren't disturbing, including preserving river cane in a stream that runs along the property and planting bearded irises, which promote habitats for native species. We are leaving the site better than we found it."

### South Florida Gateway in Stuart, Florida – Foundry Commercial

Foundry Commercial, a commercial real estate development and brokerage firm, is based in Orlando. The

company is very active across the Southeast, especially in Florida and the Carolinas.

Foundry got involved in the South Florida Gateway site through a mix of opportunistic timing and having a track record of industrial development in the Sunshine State. The property is located in Martin County, which is just north of the tri-county South Florida market of Miami-Dade, Broward and Palm Beach counties.

Before it was an industrial park, the 500-acre site in Stuart was a family-owned farm that grew oranges and peppers. The family was ready to sell the site to a developer and got involved with Kolter Land. As a part of Kolter Land's master-planned development on the site, they began to search for a partner to handle the commercial development.

At the same time, Foundry was searching for a site in South Florida that could support large-scale industrial use. Ted Elam, principal of development and investments at Foundry Commercial, says that it's a tough needle to thread because South Florida is famously a high barrier to entry market.

"In South Florida, you can't go west,

because you're in the Everglades, you can't go east because of the Atlantic Ocean, and you really can't go south because you'd end up in the Keys pretty quickly," says Elam. "It can only go north. As we went through that process, we came across the site, and it was a natural step to take. The timing happened to work out."

The first phase of South Florida Gateway comprises two facilities: a distribution center spanning just over 700,000 square feet and a second, rear-load 285,000-square-foot distribution center. The project team includes general contractor Miller Construction, architect Arcadis and civil engineer Kimley-Horn. CIBC provided construction financing.

"From a construction standpoint, we are actually really close to the end," says Elam. "We will deliver the two buildings in October. We're just about a month out and putting the finishing touches on them."

Foundry had to get creative to adhere to Martin County's strict height restrictions of 40 feet since the firm was planning the larger facility to have 36-foot interior clear heights. Elam says that ultimately the design team identified a solution that would



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Al. Neyer is developing Phases II and III of Buckhorn Industrial Park in Mebane, a market between the Triad and the Triangle.

provide both the market-required 36-foot clear heights and that would stay within Martin County's maximum height limitation.

Cushman & Wakefield is handling the leasing assignment at South Florida Gateway, and Elam says that Foundry has been "pleased" with the leasing activity thus far. As the property name indicates, users that are attracted to the site are ones that want to service markets like Miami, Fort Lauderdale and West Palm Beach but don't necessarily need to be situated in the heart of those MSAs.

"Some tenants are going to have to be in Miami to be right in the middle of all of those people, but not all of them need to be," says Elam. "Some tenants are looking for a great quality of life that is a little bit more affordable than Miami. That is going to be a calculus that is going to work for some groups."

Moving forward, Elam says that Foundry is very bullish on the growth prospects of Martin County and says that South Florida Gateway should be a table setter for other investment in the region.

"If this is the north end of South Florida, we are at the front door to the path of progress moving north," says Elam.

### Smith Farms Industrial Park in Spartanburg, South Carolina – Red Rock Developments

For years, Smith Farms Industrial Park in Spartanburg, South Carolina was used by the Smith family to raise Black Angus cows. When the family decided it was time to sell the property, Red Rock Developments set up a meeting that included president and chief development officer John Barker, as well as Bill Smith, founder and

CEO.

Upon entering the Smith family home, Myra Smith Boland saw Bill and exclaimed, "you look just like your daddy," referring to Bill's father who worked with her for years at the nearby Cryovac facility in Duncan, South Carolina.

"The real estate business is so much about trust and doing what you say you're going to do, and we had instant credibility with the Smith family," remembers Barker.

To honor the Smith family legacy, Red Rock named the site Smith Farms Industrial Park and also incorporated a Black Angus cow into the property logo.

"It's always going to be known as their land, we are an indirect extension of them," says Barker.

The site is in the heart of the Upstate South Carolina region, which was put on the map in the early 1990s with the BMW plant in Spartanburg and has been an industrial boomtown since 2011. To help differentiate Smith Farms from the competition, Barker says that Red Rock had two priorities: quality and flexibility.

"A lot of the developments that have happened over the years are just developments — they're not necessarily high-quality, high-end developments with a lot of flexibility and versatility," says Barker. "Being the best industrial park in the Upstate was our goal, which is a combination of different types of buildings and uses. We have sidewalks, big roads and very large infrastructure to accommodate most infrastructure types that would consider this park."

Red Rock broke ground on Smith Farms about four years ago. The first phase comprises a 400,000-square-foot cross-dock distribution center and a

210,000-square-foot rear-load facility.

"We have a 3PL in one of the buildings and three manufacturers in the smaller building," says Barker.

For the second phase, the project's general contractor, The Conlan Co., was instrumental in convincing Red Rock that the team should build all three of the planned speculative buildings — a 300,000-square-foot building, a 540,000-square-foot facility and a 1 million-square-foot building — at the same time since it could procure the steel in one go.

"No one in the history of the Carolinas has ever built three spec facilities at the same time," says Barker.

Other members of the design-build team at Smith Farms include MCA Architecture, civil engineer Timmons Group, environmental consulting firm ECS and site contractor Clary Hood Inc. CBRE's Greenville office is handling the leasing assignment. Starwood Capital Group was Red Rock's capital partner on Phase I of Smith Farms, and Lexington Realty Trust is the capital partner for Phase II.

Visual Comfort & Co. committed to the medium-sized facility in the second phase, which was expanded from 540,000 to 750,000 square feet. Barker says that the firm is negotiating a lease for the 300,000-square-foot building and there has been "decent activity" for the 1 million-square-foot facility.

"We've seen a good representation of the overall market as far as companies inquiring," says Barker. "Manufacturing, solar, automotive, local businesses. It's a real good mix of companies looking at our project over the past 18 months."

Barker says that the firm's final phase could expand the park by an additional 1.7 million square feet. And like the first two phases, the square

footage would comprise multiple buildings of varying sizes.

### Buckhorn Industrial Park in Mebane, North Carolina – Al. Neyer

Midway between the prominent Triad and Triangle industrial markets in North Carolina lies Mebane, a town that can draw labor and diverse user interest across both markets. Al. Neyer, a multi-asset class, design-build developer founded in Cincinnati, with offices in Nashville, Pittsburgh and the Triangle, first started exploring opportunities in Mebane in the summer of 2019 shortly after opening its Triangle office.

The firm, which currently has 180 employee-owners across a growing footprint, has entrenched itself in each market by hiring local market experts who are invested in not only the local commercial real estate market, but the long-term success of the broader community.

Justin Parker, vice president of Al. Neyer's Triangle office and leader of the firm's presence in the Carolinas, says that the design-build developer was attracted to the city's location along the I-85 corridor, its population growth and embedded amenities, including Mebane and Orange County's infrastructure that was put in place years ago to support future growth.

"There had been a lot of build-to-suit activity in Mebane over the years, and we saw the opportunity to be a first mover for speculative development," says Parker.

In spring of 2020, Al. Neyer assembled a 48-acre site at Buckhorn and West Ten roads that could accommodate 580,000 square feet of industrial space. The developer began the two-building project on a speculative basis in summer of 2021, but quickly found a dance partner with Thermo Fisher Scientific, a provider of laboratory information management and scientific data systems, which purchased and occupied the 375,000-square-foot facility upon delivery in fourth-quarter 2022. The other building, a 205,000-square-foot rear-load facility, also delivered at that time.

Phases II and III span three buildings across 84 acres totaling 805,000 square feet. The second and third phases of Buckhorn Industrial Park are located across Buckhorn Road from Phase I. The sites were rezoned for industrial use ahead of groundbreaking. Al. Neyer expects them to deliver between fourth-quarter 2023 and second-quarter 2024. The company recently announced that power tools manufacturer STIHL will occupy 265,000 square feet at Phase III in 2024.

Larry Lakins, Hunter Willard and Andrew Young with Colliers' Raleigh office are handling leasing at Buck-

horn Industrial Park, which Justin Hartung, vice president of Al. Neyer's real estate development markets in the Southeast, says is 54 percent leased across the three phases.

"With multiple sizes of buildings, Buckhorn Industrial Park is positioned to serve tenants from distribution to advanced manufacturing to life sciences," says Hartung. "The prime location allows tenants great access to Research Triangle Park, which is just 25 minutes to the east."

He adds that leasing interest has been strong across a diverse mix of potential users. Additionally, the facilities are divisible down to 40,000 square feet to house tenants of varying sizes.

Bank of Oklahoma provided construction financing for the first two phases, and Old National Bank is providing debt financing for Phase III. Members of the project team include civil engineer Stewart and architect LS3P.

"We are fond of this submarket," says Parker. "Between the three phases at Buckhorn and our Haw River development underway just seven miles down the road in Graham, Al. Neyer will have six buildings totaling 2 million square feet along the I-40/I-85 corridor between the Triangle and Triad."

### **Kings Mountain Corporate Center; Kings Mountain, North Carolina – The Keith Corporation**

The Keith Corporation, a privately held development and investment firm based in Charlotte, has been working on the site for Kings Mountain Corporate Center for nearly 20 years. The property is located about 33 miles west of Charlotte along I-85. Nearby industrial users include Hanes Brands, Bay Valley Foods, XPO Logistics and Utz.

The firm originally envisioned developing build-to-suit facilities for companies that could range in size from 300,000 to 1.5 million square feet. Justin Curis, vice president of industrial development at The Keith Corporation, says the firm changed its tune in late 2020 as the Charlotte region was becoming a hotter speculative market for industrial developments.

"One of the larger motivators was seeing these larger 1 million-square-foot users come and entertain the site, but ultimately go to speculative buildings in other markets where there was million-square-foot plus product on the ground. Some just want to see the building up," says Curis. "It got under our skin. We knew we had something very solid here in Kings Mountain, and we just wanted to bring it to light by going vertical."

The Keith Corporation received its certificate of completion on the 1.25 million-square-foot shell this past September. The company, which is

currently wrapping up the 2,000 square feet of speculative office space, is planning a full completion in November of this year.

The project team includes general contractor Choate Construction, architect Merriman Schmitt and civil engineer Bryan Linton of Plot Hound Engineering. Curis and Alan Lewis, managing partner of The Keith Corporation's industrial division, are overseeing leasing of the project.

Curis says Kings Mountain Corporate Center is suitable for warehousing and logistics users, but most

recently the site has been receiving interest from manufacturers and their network of suppliers.

"We have certainly seen our fair share of solar deals, battery deals and EV [electric vehicle] deals, which is just a product of being along the I-85 corridor," says Curis. "The suppliers to these manufacturers make a lot of sense here, especially at the rate of which they are trying to scale."

Curis says that Kings Mountain Corporate Center's location in Gaston County is a draw because of the county's ability to pull labor from

both the metro Charlotte region and even dipping across state lines into South Carolina. Overall, he says that the property stands out to large-scale users that want to be near Charlotte and also positioned near the I-85 corridor.

"There are no other 1 million-square-foot-plus product in the Charlotte market that is immediately occupiable," says Curis. "We certainly didn't build this one in a rush. We felt like whenever we were coming to market, we were one of one, and we still feel that way."

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## PortNorth Distribution Center in Portland, Tennessee – GCP

Growth Capital Partners (GCP), an industrial development firm based in Birmingham, Alabama, launched a \$300 million investment vehicle in 2022 that supports land acquisition and industrial development in high-growth markets in the Sun Belt.

As part of the fund, GCP determined to develop PortNorth, a 402,825-square-foot cross-dock bulk distribution warehouse in Portland, Tennessee, approximately 30 miles north of Nashville. The 25.5-acre site, which is approximately two minutes from I-65 near the Tennessee-Kentucky border, is being developed into a Class A speculative building in line with the investment guidelines of its fund.

Michael Flynn, development manager at GCP, says that the developer broke ground on PortNorth in July 2022.

“At the same time that we were evaluating this site for potential development, we discovered that the adjacent property was for sale,” says Flynn. “We elected to move forward with both the development of PortNorth at 1211 Vaughn Parkway and the acquisition of the 750,000-square-foot property at 1171 Vaughn Parkway in 2022.”

PortNorth is situated in Nashville’s North industrial submarket, which is primarily used by bulk distributors. Flynn says the North submarket is less than 4 percent vacant with lower rents than the market average.

“The North submarket is the newest location for industrial growth in the Nashville market and is primed to see aggressive growth over the coming years,” says Flynn. “Tenants are beginning to recognize that the North submarket offers lower rates and superior transportation networks.”

PortNorth is designed to have 36-foot clear heights, 81 dock doors and four ramp doors, and Flynn says if the market pivots and calls for more shallow-bay products, the building can be easily demised. The project team includes general contractor Vardaman Construction, architect Carlile Coatsworth Architects Inc. and civil engineer Klobner Engineering. Phelan-Bennett Development is GCP’s development partner, and Synovus Bank provided construction financing.

John Ward of Cushman & Wakefield’s Nashville office is handling the leasing assignment at PortNorth. Flynn says that the site’s proximity to I-65 has been a draw for prospective tenants.

“We have received a number of RFPs for this project over the last several months and are in active discussions with a prospect to lease a large portion of this facility,” says Flynn. “We anticipate fully leasing the facility within the next few months.”

Outside of PortNorth, GCP recently completed industrial projects in San



The 56-acre site of Merritt Properties' White Marsh Interchange Park in Baltimore County formerly housed a GM transmission plant.

Antonio and Houston earlier this year and are in various stages of completion for developments in Charlotte, Jacksonville and Houston.

“We expect that the remaining Fund II equity capital will be fully committed by year-end,” says Flynn. “We have begun raising equity for Fund III and hope to start investing those funds in similar projects around the Sun Belt in early 2024.”

### White Marsh Interchange Park in Baltimore County, Maryland – Merritt Properties

From 2000 to 2019, General Motors (GM) operated Baltimore Global Propulsions Systems, a transmission and electric motors plant in White Marsh on the east side of Baltimore County. When the global automaker decided to close its doors as part of a larger corporate restructuring, the property sat vacant for a couple years before the company sold the site.

Whit Levering, a leasing representative with Merritt Properties, says that his firm had to outbid several other companies to win the land deal, which had high visibility and name recognition because of its history with

GM.

“It was very competitive because of what the site offers,” says Levering. “It’s a 56-acre site with proximity to I-95 and Maryland Route 7. Infill sites of that size in Baltimore County with that kind of access are, unfortunately, becoming more and more of a rarity.”

In addition to the site’s scale and existing infrastructure, Levering says Merritt Properties was intrigued by the chance to re-establish the hundreds of jobs lost in its home market when GM shuttered the plant.

“Our motto has always been that we are creating homes for business,” says Levering. “With a project like this, we are not targeting any one tenant group or business sector. We want to just create a building that your local guy who is coming out of his garage and is ready to open office space can come in, or a national group that has presence across the country can be there. That is what we’ve been doing for years, and this project is a good chance to add to it.”

Merritt Properties officially acquired the 56-acre site in March 2021. Since then, the developer has been underway on a multi-property in-

dustrial park on the site called White Marsh Interchange Park. Plans for Phase I call for two 35,000-square-foot light industrial facilities called Building H and Building I that offer 20-foot clear heights. Also part of the first phase is Building A, which will be a 167,000-square-foot facility with 32-foot clear heights.

Levering says that Merritt Properties is building the project on a speculative basis and that leasing activity thus far has been “great,” which he says was to be expected given that the company’s 3 million square feet of holdings in eastern Baltimore County have averaged 97 percent occupancy since 2016.

“As we start getting closer to delivery and building slabs are in and walls are being tilted, we are starting to see even more and more interest in the project from users,” says Levering. “We started site work in June, and we’re targeting delivery of May 1 of next year for the first phase.”

White Marsh Interchange Park will ultimately comprise 750,000 square feet of industrial space that can accommodate users ranging from 2,700 to 167,000 square feet. Merritt Properties’ general contractor affiliate, Merritt Construction Services, is building the park. Levering and colleagues Lauren Lindsay and Ashley Reimer are handling the leasing assignment.

Overall, Levering says that Merritt Properties is striving for the park to both be functional but also look and feel more like a business park than a traditional industrial park.

“We have been very cognizant of trying to tie this park together to make it feel like a neighborhood business park with walking sidewalks and traffic flowing throughout,” says Levering. “We are being very mindful of landscaping and other features to make it one nice business park.” ■



GCP broke ground on PortNorth, a 402,825-square-foot cross-dock distribution center, last July. The property is situated near Nashville in Portland, Tennessee.