



ODYSSEY
real estate capital



6 THINGS TO CONSIDER WHEN
INVESTING IN
INDUSTRIAL DEVELOPMENTS

Calico Marketing Preview

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As many companies in the US struggle with the rising costs of labor, we are now seeing a shift from the manufacturing of goods to import and distribution – and with more companies importing goods, there is an increase in the demand for solutions to store products.

While retail units can run, on average, at a vacancy rate of 13.7%, industrial warehousing space typically has a vacancy rate of between 4 and 6%. Few investors are building new warehouse space. With the steady rise in demand for storage, this vacancy rate looks ready to improve even further.

For the investor, industrial space is a great option. Before taking the plunge on industrial development, do your research and spend time assessing what potential tenants are looking for in an industrial facility. Of course, you won't please all the people all the time, but meeting a set of minimum requirements and knowing your market is a great way to maximize returns.

1. WHAT DO INDUSTRIAL TENANTS WANT?

Industrial spaces are generally not client-facing, so they don't need to offer many of the aesthetic features you might find in an office or retail building. However, industrial buildings do need to be functional, efficient, and able to maintain your tenant's corporate image.

Tenants are looking for industrial space that offers the greatest possible cost-benefit. An industrial space may not need to be aesthetically pleasing, but it does need to be functional.

What do industrial tenants look for?



Height

The 'clear height' of a property is, quite simply, the unobstructed distance between the floor and the ceiling. In industrial space, this matters a great deal. The more height, the more inventory can be stacked, and the more goods can be stored. While older warehouse spaces tended to have a clear height of 12–24 feet, modern warehousing is more desirable with a clear height of at least 30 feet.

Land area

Tenants often look for property that comes on a large piece of land. Outside space that can be utilized for additional storage or parking is always a bonus. Many industrial businesses have yards full of equipment that may or may not require fencing.

Location

A key selling point of any industrial property is its proximity to transport networks. For efficient, cost-effective imports and distribution, it is vital that transport costs can be reduced by being located close to major highways, rail networks, and airports.

Office space

While the primary purpose of an industrial space might be for warehouse storage or manufacturing, your tenants will certainly still require office space for administration, management, meetings, and more. Approximately 5-10% of the property should be used for office space – any more than this and the tenant may look elsewhere to find more storage, but any less than this means the tenant would need to spend money to expand the office capability.

Security

Warehouse spaces that come with good security features, such as alarms, secure mechanical doors, CCTV, or even a security patrol will fetch higher prices than those that do not.



2 ADVANTAGES OF INVESTING IN INDUSTRIAL BUILDINGS

Commercial properties – whether industrial, retail or office – can reap great rewards. Before you invest in an industrial development, make sure you understand the advantages and disadvantages so you can be happy with your investment decision.



Easier management

Industrial tenants tend to be less 'needy' than the retail or office industry. Companies that rent industrial spaces are often look after themselves, placing less demand on the landlord for cleaning and maintenance.

Cap rate and returns

Unlike retail properties, which can swing wildly in terms of value, industrial space tends to be a more stable, steady and profitable investment opportunity.

Low turnover of tenants

Industrial properties turnover less often than other property types. Once a company is established, they tend to stay, as the investments made in infrastructure are often at great expense.

Industrial properties are typically leased for up to 10 years at a time. It's unlikely you'll need to search for new tenants every two or three years.

Future returns

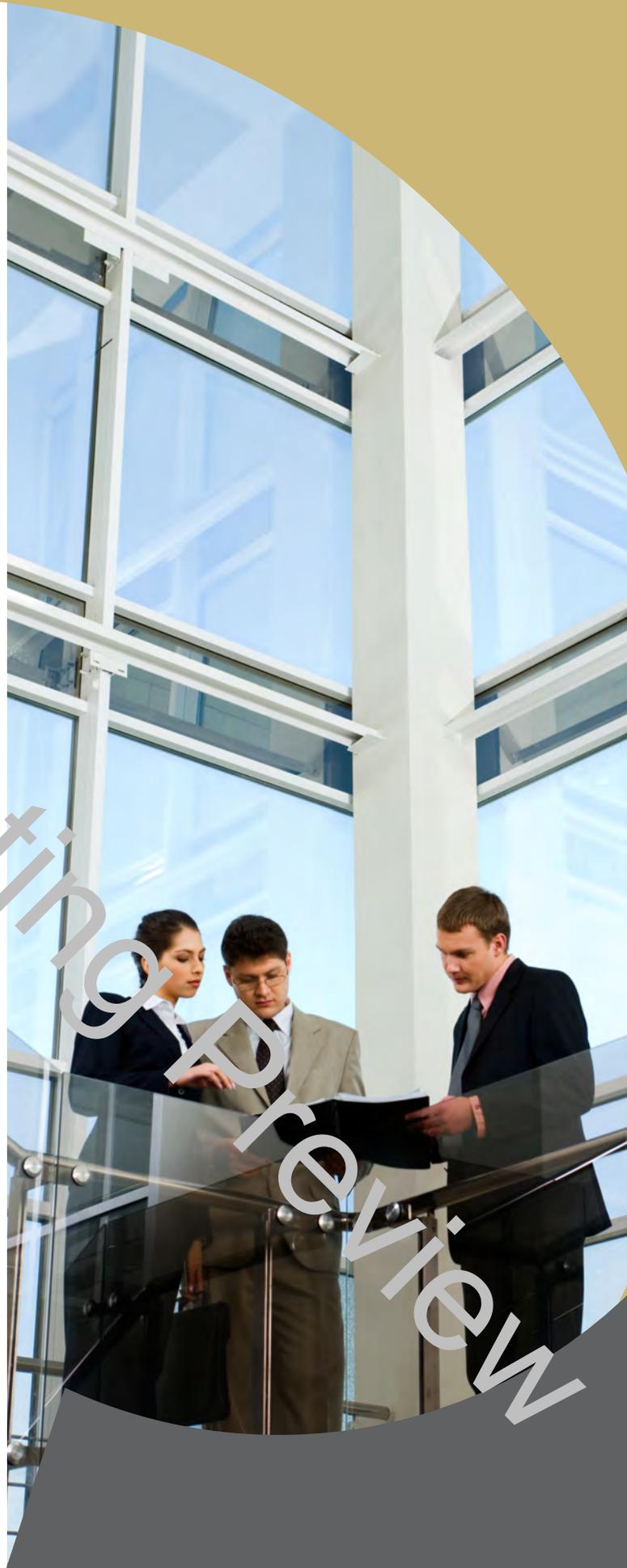
Even during market turbulence, industrial properties generally maintain their property value. Industrial property owners will likely have a stream of interested tenants knocking at the door.

Flexibility

Investing in an industrial property with diverse uses will keep your investment flexible.

Industries you may consider targeting include:

- *Manufacturing*: the production of goods from raw materials, including food, equipment, engineering components, fabrics, packaging and more.
- *Warehousing*: large storage spaces for manufactured goods. Used often by manufacturers themselves, but also by import/exporters, wholesalers, transport businesses, customs, and many more.
- *Cold storage*: refrigerated storage for food products such as dairy, meat, fish, fruit and vegetables. These facilities often require specialist technology such as compressors and condensers for refrigeration; a cooling tower, reservoir and pumping station for water supply; and good access to transport networks, and space for truck or parking and loading/unloading.



- *Distribution centers*: more than simple storage, these properties are often large and are used for receiving a wide range of goods from a multitude of suppliers before distributing them nationally or internationally to retailers. They often require specialist components within them for storing different types of goods; for example, refrigeration areas for storing foods, 'clean' areas for storing products that must not be contaminated, and dry housing.

3. RISK VERSUS RETURN

There are risks involved with any real estate investment. One major risk is vacancy, especially for large properties or those that have been customized for a niche market.

Some tenants, especially manufacturing, may face environmental concerns and need adhere to strict environmental regulations. However, once let, industrial tenants tend stick around for the long haul. Industrial tends to be a stable investment that can generate reliable returns around 7 to 15%.

4. OWN AND OPERATE

In many areas, industrial zoned properties are being turned into trendy, residential developments. With the rise of urban industrial, workable industrial space has become fewer and farther between. Today, industrial tenants are even more keen to find, and stay, in a space that works for them.

Investing in a property with a prime location, easy access to major transportation, acceptable ceiling heights, multiple loading docks, additional land for yard storage, and office space can prove to be a profitable venture.

With a flexible industrial space, tenants will come looking for you. Much like other commercial properties, ensure you have a contract in place that requires long-term leases and an annual rent increase clause.



5. BUY AND HOLD

Often, the best way to obtain the highest returns on an investment is to buy and hold long term. Enhancements like city or state-planned transportation improvements and the ability to reconfigure space will likely pay high dividends. You may also consider providing additional services, such as a security patrol or loading personnel, which your tenants can hire at extra cost.

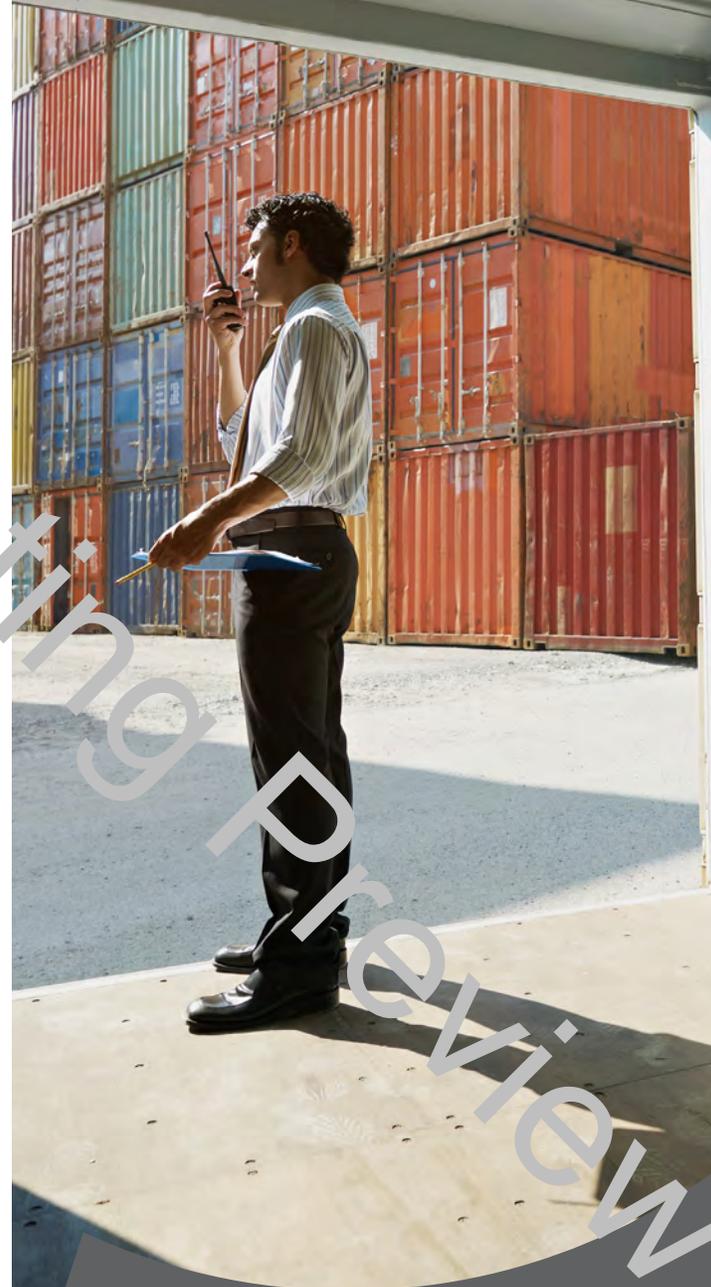
6. FIND A GREAT PARTNER

Developing or investing in an industrial property is challenging. Consider using a reputable commercial agent and developer who can make the most of your investment.

When it comes to helping industrial developers acquire or rehab space in Las Vegas and Kansas City, Odyssey can provide guidance, property valuation, comparable sales reports, demographic reports, traffic counts, and contract negotiations.

We offer a full range of developer representation services to local, national, and international clients.

If you need help to find potential industrial parcels, assistance with your pricing strategy, or locate a potential property for development, we have the expertise to support all your commercial real estate needs.





LAS VEGAS



KANSAS CITY

PORTFOLIO

Our expertise is in developing projects in varied industrial complexes. Las Vegas has seen a 28% increase in industrial rents since 2014 for smaller units. We are developing industrial units for this growing market.

ACQUISITIONS

Odyssey's current projects include properties that suffered previous underwater ownership and unstable leases. Improvements for these commercial acquisitions are underway.

OUR TEAM

Odyssey was founded in 2007 with a mission to assemble a local investment portfolio by providing acquisition, asset management, and leasing services to commercial real estate investors in Las Vegas, Nevada and Kansas City.

**CONTACT US FOR A
FREE
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