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\$20M industrial site set

Proximity to Dell, I-35 are big draws

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A new 400,000-square-foot industrial park is about to materialize in Northeast Austin.

Site work began earlier this month on Harris Ridge Business Center on the northeast corner of East Howard Lane and Harris Ridge Boulevard, just east of I-35. Austin-based Capital City Partners Inc. is developing the 30-acre site across the street from Dell Inc.'s manufacturing campus and near the 1,000-acre Tech Ridge business park.

Construction should begin in May on the first phase of Harris Ridge, including two bulk warehouse buildings totaling 145,800 square feet. Future phases will entail another 153,000-square-foot warehouse building and two high-end flex buildings comprising 96,000 square feet. Capital City Partners is investing more than \$20 million in the project that's expected to take up to two years to complete, depending on market demand.

Capital City Partners Principal Chris Whitworth says with its close proximity to I-35 and Dell, the site is prime for industrial use. Suppliers working with Dell and the nearby Applied Materials Inc. have had limited options outside of Tech Ridge, where spaces are mostly more than 50,000 square feet, he says. With its layout, Harris Ridge will be able to accommodate users that need less than 50,000 square feet.

"This will give suppliers who want to be closer to Dell a little more flexibility, in terms of their size," says Bart Matheney, co-founder and principal with Aquila Commercial LLC, which has been tapped to market and lease the project.

Giving Harris Ridge an added competitive edge is its status as a "triple freeport" tax-exempt property. The designation means tenant businesses don't have to pay property taxes on inventory that leaves the state within 175 days.

"The freeport tax exemption can really save a manufacturing or distribution company a lot of money, and it's one of the reasons we think this project is ideally located," says Joe Lamy, principal with Capital City Partners.

The development group acquired the property in July 2002 but waited for industrial demand to resurface after the downturn. With land prices along I-35 rising, parcels of this size so close to Central Austin are getting very difficult to come by, Whitworth says.

"In terms of industrial, this would be considered an infill warehouse location," he says.

Timing to market will be crucial, Whitworth says. With product hitting the ground in early 2008, he estimates Harris Ridge will be able to tap demand that's imminent in the area.

Lamy and Whitworth formed Capital City Partners in February 2002. The company has since been involved in a number of retail and mixed-use projects, including Bee Cave West, Guadalupe 31 and Round Rock Crossing. Harris Ridge is the group's first industrial project.

With 3.5 million square feet of product currently on the ground and a vacancy rate of just 3 percent, the Northeast warehouse/manufacturing market is by far the tightest in the region, according to year-end 2006 data from NAI Commercial Industrial Properties Co. The submarket absorbed 347,292 square feet of product in the last six months of the year.

"Its proximity to Dell and Applied Materials and its triple-freeport status bodes very well for that project," says Andy Thomas, industrial project partner with HPI Real Estate Services & Investments. Thomas says triple freeport developments are highly attractive among tenants that carry expensive inventory, such as those who work with the computer giant.

As for the health of the submarket, Thomas says HPI is confident enough in market demand to begin work on the next 210,000-square-foot phase at its NorthTech project on Howard Lane.

Construction there should start in the next few months and HPI has already signed a 56,000-square-foot lease with an undisclosed tenant.