HOUSTON CHRONICLE REAL ESTATE

Deal of the Week: Big buy in hot area

Liberty Property Trust leaps into hot market with $93 million buy

By Katherine Feser | October 2, 2015

The purchase is west of Texas 146 along the rail line, south of Fairmont Parkway, between Barbours Cut and Bayport container terminals at the Port of Houston. (Houston Chronicle file)

Liberty Property Trust has closed on a $93 million deal in La Porte's Port Crossing Commerce Center that expands its presence in a hot industrial market.

The purchase from ML Realty and National Property Holdings included three fully leased buildings totaling 921,000 square feet and 139 acres of land that could accommodate up to 2 million square feet of additional development.

"We have been focused on this submarket for a number of years but were waiting for the market fundamentals to strengthen," said Jay Kraft, vice president and city manager for Liberty's Houston region. "A number of factors have led us to act now - growth in container volume, good absorption leading to low vacancy levels, ongoing petrochemical expansion due to low natural gas prices. All of these positive factors will create the need for future development of industrial and flex space."

The site is west of Texas 146 along the Union Pacific rail line, just south of Fairmont Parkway, between the Barbours Cut and Bayport container terminals at the Port of Houston. The purchase included two rail-served buildings leased by Anheuser-Busch and Gulf Winds and a building leased by Ferguson Enterprises and Overland Distribution. Three buildings, including two occupied by Frontier Logistics and Arizona Tile, were not part of the sale.

ML Realty and National Property Holdings developed the Port Crossing Commerce Center in 2006 as the Bayport container terminal was nearing completion.

Liberty Property Trust could add six to eight buildings on the land, starting with two buildings early next year. Phase I could include a 408,000-square-foot cross-dock building and a 105,000-square-foot rear-load building.

Some parcels along Texas 146 could be sold for retail developments such as fast food, hotel, convenience stores or banks.

“We’ve got flexibility for a larger user to come in, or we could build a number of smaller, cross-dock buildings,” Kraft said.

Kraft anticipates leasing the cross-dock buildings to companies that handle distribution of general goods, both import and export.

The rail-served buildings could be leased to consumer goods tenants, agricultural tenants and possibly resin packagers.

Flex buildings visible from Texas 146 could be built for tenants needing industrial showrooms or back office space.

Liberty Property Trust has purchased properties in the Port Crossing Commerce Center in La Porte from ML Realty and National Property Holdings. The purchased included three fully-leased buildings totaling 921,000 square feet and 139 acres of land. (Liberty Property Trust)

Jack Fraker and his team at CBRE represented the seller. Gary Mabray and Walter Menuet of Colliers International will handle the leasing for the industrial property. Marshall Clinkscales of Colliers International will handle disposition of the retail parcels.

Rents have been rising as the vacancy rate has gone down to about 3 percent in the southeast submarket compared with more than 7 percent a year ago, Kraft said.

Higher occupancy rates and rents have pushed up values for east side industrial properties by 25 percent in the last year or two in many cases, according to Houston-based commercial real estate valuation firm Deal Sikes & Associates.

“Land in business parks with railroad service is in extremely high demand. Prices for rail-served facilities have jumped sharply in 2015,” Matthew Deal, principal of Deal Sikes & Associates, said in a recent report. “The completion of the massive Panama Canal expansion next year will lift cargo activity at the Port of Houston and energize industrial property in the area.”

Cargo handled through the Port of Houston rose to 37.6 million tons in 2014, up from 31.3 million tons in 2010, according to the Port of Houston Authority. Container goods made up slightly more than half of the cargo.

The Houston region overall posted a vacancy rate of 4.8 percent for industrial properties in the second quarter and the southeast side is among the tightest submarkets, according to CBRE. Among the buildings under construction in the region are Bayport North Industrial Park, AmeriPort III and Energy Commerce Business Park.

Liberty Property Trust owns 110 acres on Richey Road and 55 acres on Rankin Road for future development, but plans to develop the La Porte land first, Kraft said.

Liberty Property Trust’s Houston portfolio consists of 7.5 million square feet in 61 buildings with 162 tenants.

Prior to the acquisition, only two of its buildings were in the southeast Houston/La Porte submarket.

The company’s local portfolio is 98 percent leased.

Liberty Property Trust is a publicly traded $8.6 billion real estate investment trust based in Malvern, Pa.