

**ARTICLE: by Brian Brown**

## Industrial vacancy rate closes gap

### Xceligent report finds relatively flat retail and office sectors in the first quarter

Industrial properties are an increasingly hot commodity in the Springfield area market, according to the latest Xceligent Market Trends report on commercial real estate. During the first quarter, industrial vacancies improved to 6.2 percent, compared to 8 percent in the same quarter a year ago.

Gregg Stancer of Nixa-based Gregg Stancer Realty helped complete two transactions on industrial properties in Springfield, each representing more than 70,000 square feet. For good measure, he also leased a 45,000-square-foot industrial property to Bass Pro Shops in Nixa last month.

Stancer said demand for industrial properties is being driven by business growth and investor confidence in the real estate market.

#### Prime moves

Stancer represented Springfield-based over-the-road transportation company Prime Inc. on its purchase of the former DeGraffenreid & Sons pickle plant at 2848 N. Le Compte Road. The property, which sits on more than 23 acres – 18 of which are paved – was listed by R.B. Murray Co. for \$2.95 million. Both Stancer and a representative from R.B. Murray declined to disclose the sales price.

The purchase, Stancer said, comes following Prime's acquisitions of a couple of companies, but Prime CEO Robert Low and General Counsel Steve Crawford did not return calls seeking further detail by press time.

Stancer said Prime officials were acting swiftly, and they indicated a need for flexibility following the purchases. He said the company considered building on its own land nearby its Highway 65 and Interstate 44 headquarters.

"It did acquire last year 104 acres east of its present facility, but that would have required more infrastructure to be installed into that raw land and a lengthy construction process. Time was of the essence," Stancer said. "It had an opportunity to acquire this facility, which has been closed for a couple of years, and it was very handy. It's only a mile away."

The property was owned by California-based Bell-Carter Foods Inc., which had shut down the plant by early 2012. As recently as 2002, it was the longtime home of J.L. DeGraffenreid & Sons LLC.

On the opposite end of town, Stancer closed on a first-quarter sale of a building for Tank Components Industries in Partnership Industrial Center West. The 75,000-square-foot facility nearly doubles TCI's current space at 4520 W. Kearney.

"In the case of Tank Components, their motivation was simply growth and not acquisition-driven like with Prime," Stancer said. "They had simply outgrown their facility they were leasing."

TCI, which builds steel tank heads and cylinders for use in the pharmaceutical, biotech and food and beverage industries, plans to add 6,000 square feet for offices and create 27 jobs during the next five years.

Fueled by a need to fabricate exhibits and design features for new stores, Stancer said Bass Pro Shops signed a long-term lease in March with Elite Storage Centers for a 45,000-square-foot facility at the corner of Highway 160 and Tracker Road. Bass Pro plans to open 17 stores across the country in the next three years.

In the industrial sector, the northwest Springfield market gained the most positive absorption in the quarter, with 107,804 square feet absorbed, according to the Xceligent report. The northeast section of the city absorbed 63,869 square feet.

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The Market Trends report, certified by local board members, covers Springfield, Strafford, Rogersville, Ozark, Nixa, Republic and Willard.

#### Retail and office

While overall vacancies were flat in the retail and office sectors, R.B. Murray Co. Vice President Ross Murray said interest in commercial properties, particularly by national retail chains, is on the rise.

"There are three of four national groups that we are working with that are contemplating entering our market," Murray said, declining to disclose their names. "These are new businesses and franchises that we don't currently have."

During the quarter, retail vacancies slipped to 5.3 percent, compared to 5 percent in the first quarter of 2012.

"I don't think there was enough to reflect a concern. It would be more concerning if there was a point-and-a-half change there," Murray said. "The majority of the retail movement traditionally takes place in the spring and summer months."

The northeast quadrant of Springfield posted the lowest retail vacancy rate, at 2.1 percent. Rogersville had the highest rate in the market, at 18.5 percent.

Murray said 2012 was a year of uncertainty for many businesses, with weighty elections, the fate of federal health reforms and the fiscal cliff dominating news coverage. "People really didn't know what to expect," Murray said. "We may not have a complete picture, but we have a bit of direction, and that's positive."

Office vacancies, Murray said, remain a little high at 10.8 percent in the first quarter. Of the 6.3 million square feet of office inventory, 676,166 square feet was vacant, according to the report.

"Office leases continue to lag," Murray said. "We've had a little more demand on the smaller spaces – 1,500- to 2,000-square-foot properties – but when you reach the 3,000- to 4,000-square-foot threshold, it is a little tougher."

Nixa had the highest office vacancy rate in the area, at 25.6 percent, and there were no office vacancies posted in Republic, Rogersville and Strafford.

#### Looking forward

Stancer is following up his first-quarter activity by brokering the sale of one of Bass Pro's new neighbors in Nixa, a building occupied by CBS Cabinets LLC. The transaction, which closed April 17, is unique because CBS sold the property and is leasing it back from the new owners, a couple of local investors. Stancer said CBS is following a sale-leaseback trend popularized by such companies as Walgreens, Dollar General and Pier 1 Imports.

"The No. 1 motivating factor is to not have capital tied up in bricks and sticks," Stancer said. "They get a better return if they invest in inventory, which allows them to open new stores quicker."