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What is hot hot hot? The need for parking and the lack of it - by David Skinner

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The industrial real estate news in the last few years has been somewhat of a broken record. Everybody everywhere has been talking about the same things: Amazon and the rack and stack revolution, cannabis and the cultivation craze, and adaptive re-use sites all over Boston taking industrial inventory off the market and replacing it with housing.

We can keep regurgitating these themes, and they are still representative of the industrial marketplace, but, there is a new trend that owners and landlords are capitalizing on like never before. The new trend is driven by many of the same aforementioned factors: less land available for industrial use, migration from retail to e-commerce, and facilities that utilize indoor and outdoor capacity for cannabis cultivation.

The new trend of which I am speaking is: PARKING.

Every landlord knows that parking is important for all kinds of reasons, trailer storage, car parking, or equipment yards, to name a few. Many cities with more densely populated areas are moving contractors and heavy equipment companies to the fringes, and this forces the contractors to pay more for their equipment. Another challenge is the changing zoning ordinances in many metropolitan areas around the Commonwealth – many of these areas are making inhabiting space and running a heavy equipment or contractor business onerous because these allowed uses preclude contractor space or outside storage.

This is why an article I had published a couple years ago on the value of contractor buildings and grandfathered zoning remains relevant today. Real estate value for buildings that allow contractors to store pipe, equipment, or fixtures outside can often compete with redevelopment value depending on the relative value to a contractor.

I was involved in a transaction recently in suburban Boston concerning the sale of a building that

was so old that it did not even have sewer brought to the building, though the city had had sewer for years. The septic system would not pass a Title V and the site was a dirt lot and had never been paved. We priced it well above the comps and even above what I thought was commercially reasonable. Within a couple weeks we had numerous showings, fantastic interest, and numerous offers around the asking price and then one offer far in excess of the asking price. It underscored the value to me of recognizing the trend of parking or equipment storage in a well-traveled, high visibility area when there is very little else that could accommodate.

I was also involved in a transaction in the last couple months in suburban Boston representing a landlord in another high-visibility site that offered additional parking that got into a bidding war. It seems odd to be talking about industrial buildings in Grade B locations getting into bidding wars for a lease, but it is consistently happening all over the Boston Metro. This was a facility that could accommodate a parking ratio of about two spaces per 1,000 s/f of space. We listed it for lease and again, within two months, had numerous tours and offers from quality tenants. In this case, we ended up going back to the tenant and actually going up in the price. We waited for a few weeks as we knew they were looking for other options, but alas and alack, they came to us and paid full ask without even trying to negotiate for any money off the price.

For landlords: Landlords would be wise to recognize what they have and what their competition is. If a landlord has excess parking, especially in a high-traffic area, they should be able to use it to achieve above-market rents, or long term lease or limited tenant improvement package.

For buyers and tenants: On the other hand, buyers and tenants should also be aware of what they are looking for. If they do not need much parking for either trucks or car spaces, they will have more leverage than their competing tenants or buyers who need more than the one space per 1,000 s/f industry average ratio. Likewise, if a buyer or tenant needs more space, they should account for that and expect to pay more rent or give more favorable terms to the landlord such as a longer term or “as-is, where-is” space delivery.

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