



IN DEPTH: COMMERCIAL REAL ESTATE
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International Truck eases South Fulton big-block glut

[Martin Sinderman](#)

A major Atlanta-area warehouse space user recently made its first move in nearly 50 years, vacating an older facility to take a big bite out of metro Atlanta's substantial array of available industrial space.

In a deal that closed this past July, International Truck & Engine Corp. ([ITE](#)), the operating company of Navistar International Corp. (NYSE: NAV), inked a 10-year lease for SouthCreek Distribution Center II, a 352,170-square-foot bulk facility in south Fulton County located near the Interstate 85/Georgia 74 interchange some six miles south of I-285.

The Illinois-based manufacturer of diesel engines, trucks and assorted other automotive components was represented in the transaction by Tommy Hiles, vice president of industrial services with the Atlanta office of The Staubach Co. Hiles worked the deal in conjunction with Chris Bjorson, head of Staubach's Cleveland-based Logistics Practice Group. Meanwhile, the landlord, a joint venture between Illinois-based State Farm Insurance and Austin, Texas-based Simmons Vedder & Co., was repped by Nathan Pramik, a broker with Resource Real Estate Partners LLC, along with colleague Clint Glover.

Larger space

Hiles took on the ITE assignment late last year. The company had been in its current facility, a 270,000-square-foot building in East Point, for some 50 years, and it was ready to expand into some better digs.

"Their requirement was for 350,000 square feet in Atlanta," Hiles said. "And it made no sense for them to try to fix up and expand at their existing facility, particularly given the current state of the market."

The state of the market at that time was apparently not that much different than it is now.

"We found 12 space options for them in the South Atlanta market alone," Hiles said. "But once everything shook out — the location, the transportation access, the building itself — SouthCreek II was the obvious choice."

Developer/investor Simmons Vedder & Co., whose other major Atlanta real estate holding is downtown's 287,440-square-foot 34 Peachtree office tower, had begun construction on SouthCreek II in late 2001. There was a fair amount of interest in the building as it was making its way out of the ground, according to Pramik.

"We got the attention of several users during construction, because at the time, there wasn't really that much available big bulk space in that particular portion of the I-85 corridor," Pramik said. A couple of these users came close to making deals for the building during this period, he said, "But both deals wound up landing outside the Atlanta area."

Lease negotiations for the ITE deal got under way in January. And even though SouthCreek II was the obvious choice for International Truck, it took a while to strike a deal.

"There was a long negotiation process," Pramik said. "I think everyone involved, starting about March, had a pretty good idea that we were ultimately going to make the deal, but there were a lot of details that made things drag on."

Specific needs

ITE was especially particular about certain aspects of its space. South-Creek II's cross-dock loading, 30-foot-clear ceilings, ESFR (early suppression, fast response) sprinkler system and concrete tilt-wall construction fit the company's bill. But, at the same time, the company had some elaborate security requirements regarding materials used in interior build-out, such as extra-thick walls, super-durable doors, "and some other stuff you typically don't see in an industrial building," Pramik said.

The amount of rent ITE would pay "was not that much of an issue," Pramik said. The company did, however, want to avoid paying rent at two locations during the five months it will take to fully move into its new facility. To accommodate this, its lease contains an abatement period, he said, which allows ITE to begin moving into SouthCreek II this November, but with no rent due until the actual start of the lease term on March 1.

At its conclusion, it was a transaction all involved were happy with, especially given the current condition of the Atlanta industrial market.

"Ultimately, ITE got the building that worked for them in the location they wanted — and we didn't get hammered in the process," Pramick said.

"It was a good deal," Hiles said. "And, especially with the deal velocity we've been seeing lately, I'm sure everyone is glad to see another 350,000 square feet taken out of the available space inventory."

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