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People and Places for Growth – An
economic development webinar series

SPEC Buildings and Redevelopment

Overview

- Speculative (SPEC) buildings are built without tenants' commitment to the space, with the developers believing there is a demand in the areas market for them.
- Renovated or new structures that provide businesses with a place to expand.
- There can be multiple tenants per building, especially if they're small businesses that don't need as much warehouse/production space.
- Companies like UPS and Amazon are increasingly interested in SPEC buildings to expand to different locations.
- Redevelopment and adaptive reuse retrofits old buildings for new uses with less time and money.
- Reusing old buildings reduces construction fossil fuel emissions and raw materials.

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Purpose/Importance



Provide small businesses opportunities to expand on both a temporary and long-term basis



Increases jobs and higher earnings in rural areas



SPEC buildings allow small businesses to expand while maintaining their original location



Redevelopment saves on costs, time, and raw materials



Adaptive reuse can reduce your carbon footprint

Increasing Business In Rural Areas

Consider

Consider what types of businesses would thrive in the area's market and what businesses are already there.

Offer

Economic developers can offer incentives to attract investors like tax breaks and grants.

Offset

Incentives can offset the cost of building in rural areas.

Highlight

Marketing campaigns can highlight an area's unique qualities and advantages.

Collaborate

Collaborate with local stakeholders to create a cohesive strategy for economic development.

Adaptive Reuse

The practice of repurposing an old building for a new use...

- Gives buildings a different purpose, this creates a new property without complete demolition or construction from scratch
- Cost effective and takes less time and money
- Environmentally friendly
- Helps preserve a community's historic heritage and aesthetics



Old to Eco-friendly

Retrofitting older buildings plays a crucial role in sustainable development

Benefits include...

- Energy savings
- Environmental impact
- Preserving historic architecture
- Improved indoor comfort
- Enhanced property value

The background features a large, central, overlapping circle in shades of green and blue. This circle is surrounded by several other overlapping circles and wavy lines in similar colors, creating a layered, organic effect. The colors transition from a darker teal in the center to lighter greens and blues towards the edges.

Scenario 1

Elwood Logistics Center- Goodyear, Arizona



Stakeholders



Cost



Timeline

Stakeholders



Back in 2020 the area's largest SPEC building was set to be built in the Arizona valley along the I-10 at 1.3 million sq. ft on 83 acres.



The building has 40ft ceilings, 190ft grated concrete truck court, and 235 dock-high loading positions. There is parking for over 1,400 cars and 327 trailers.



The building currently employs 11-20 people and has \$1-5 million of revenue each year.

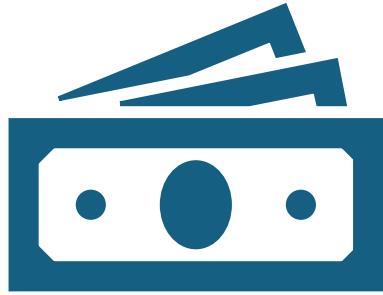


The building design targets those in the manufacturing, food and beverage, and e-commerce industries.

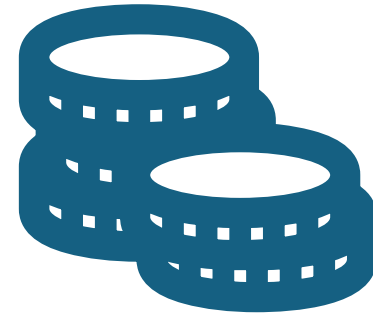


Approximately 1.5 million people (about the population of West Virginia) live within 35 minutes of the site, the drive time is usually the number one issue on employers' minds.

Cost

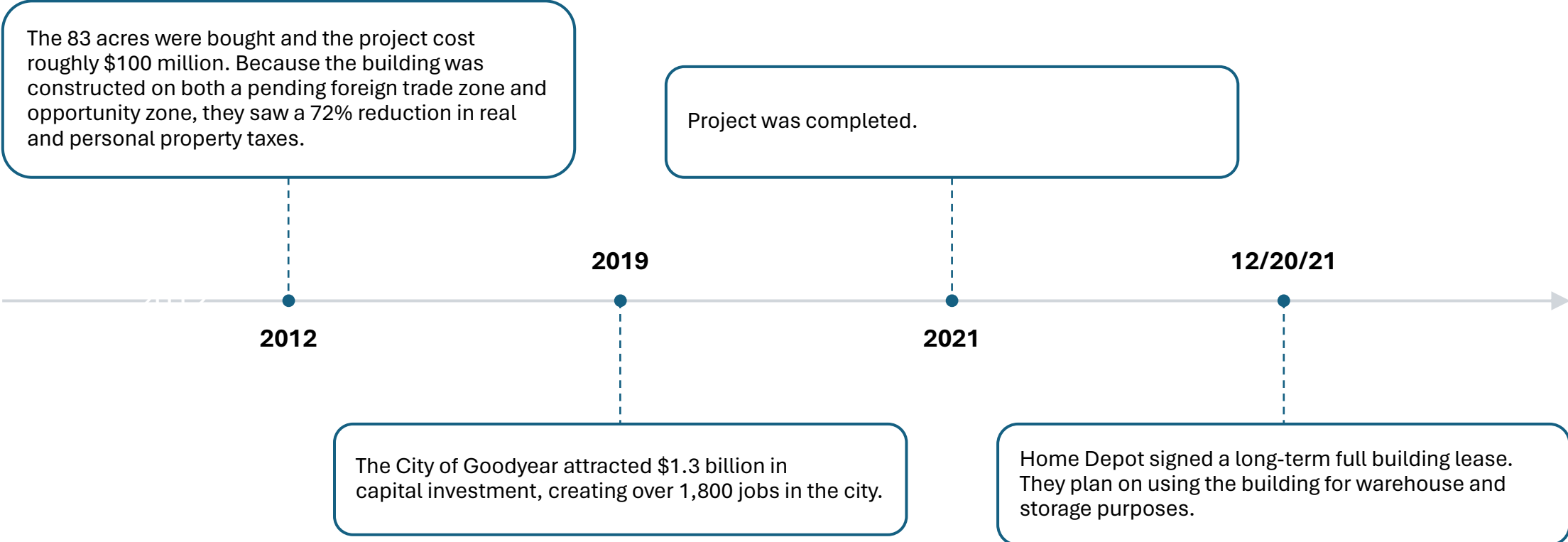


Original Project Cost: \$100 million



Revenue: \$1-5 million/yr

Timeline



The background features a large, central, overlapping circle in shades of green and blue. This circle is surrounded by several other overlapping circles and wavy lines in similar colors, creating a layered, organic effect. The colors range from light mint green to a darker teal. The overall composition is clean and modern.

Scenario 2

Aresco Management Office- Hauppauge, New York



Stakeholders



Cost



Timeline



Challenges and how
they were overcome

Stakeholders

All the office space of the building is occupied.

There is still one 4,000 sq.ft retail space on the ground-floor available.

Mogu Modern Chinese Kitchen is open in the building and will soon be joined by a Jersey Mike's Subs Shop.

90% of the building is being leased.

Unique office buildings seem to outperform other run-of-the mill buildings.

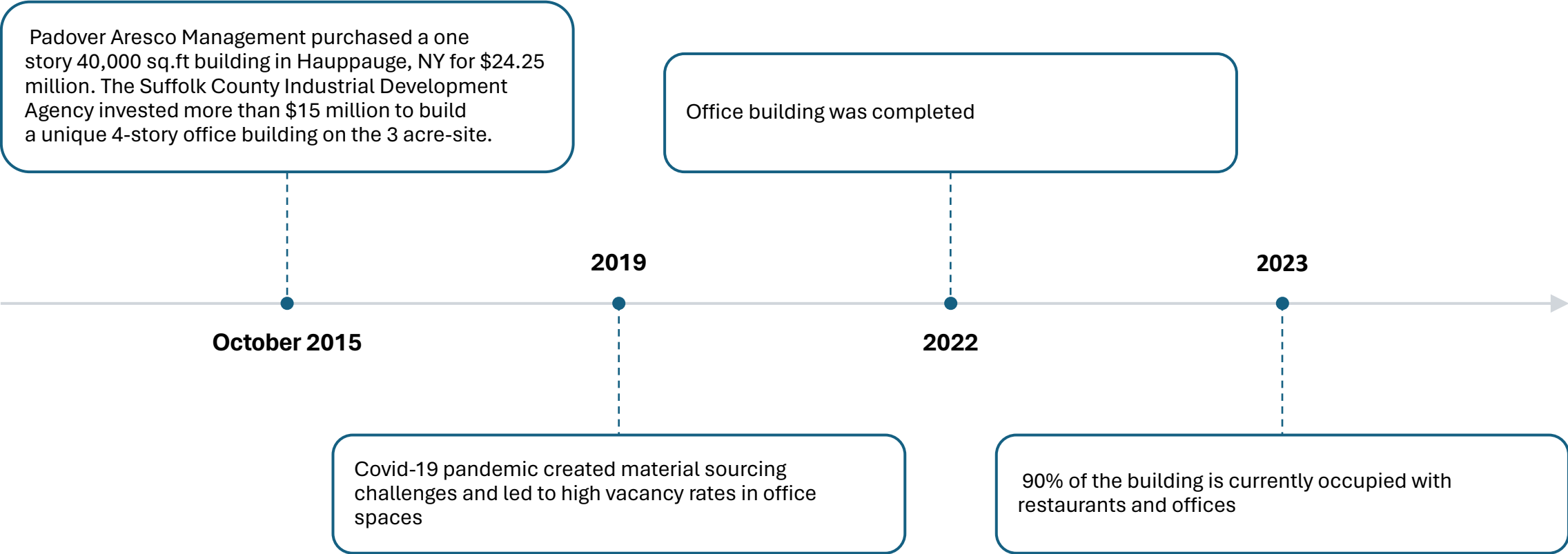


Cost

- Original Property and Building Costs: \$24.25 million
- Investments: \$15 million
- Emergency Safety System: \$60,000

- Rent is about \$45 per/sq ft which is above the average asking in Long Island for office space at 35\$ per/sq ft for a 4-5 star building.

Timeline



Challenges

Original building was torn down due to poor conditions

Loft style office buildings were planned with casual restaurants on the ground level

Sourcing raw materials was a struggle during the Covid-19 pandemic

During the pandemic remote workers increased and offices buildings saw higher vacancies

They believed their unique design would attract young workers

They had to install special safety measures with added expenses of \$60,000

The background features several overlapping circles in various shades of green and blue, creating a layered, organic effect. The central circle is the largest and most prominent, with a gradient from light green to a slightly darker teal. Other smaller circles are visible in the top-left and bottom-right corners, also with similar gradients.

Scenario 3

Majestic Brookwood Industrial Park- Hillsboro, Oregon



Stakeholders



Cost



Timeline

Stakeholders

- Majestic Realty Co, has been developing in the Portland area since 2014.
- They provide real estate solutions for both large and small tenants creating jobs, tax revenue and community benefits.
- As of 2019 they had 7,000 employees working at the business park.

Businesses at Majestic Woods Industrial park...

- TopGolf
- DB Schenker
- Rosendin Electric
- Amazon
- Flexential
- UPS
- Starbucks
- 7/11
- Hyatt House
- Chipotle
- Burger King
- Which Wich Superior Sandwiches
- Cambria Hotels
- K1 Indoor Cart Racing
- ATI Physical Therapy



Cost

**Phase 1- 78-acre
property: \$15 Million**

Timeline

Majestic Realty Co. acquired Majestic Brookwood Business Park a 78-acre development

2014

2017

45 more acres were bought and now features businesses like TopGolf, DB Schenker, Rosendin Electric, Amazon, and Flexital.

Completed a 207,053 sq.ft build-to-suit sortation facility for UPS. Originally planned as a two-building spec project, UPS had Majestic Realty build the entire site for their needs. The building has 320ft high ceilings, 39 dock-high loading doors, a large truck courtyard with 38 trailer parking stalls, 128 car parking stalls, room for expansion, and office space. Completed construction on Lot 2, a 6.28 acre retail center that features a Starbucks, 7/11, and more.

2018

Dec 2018

Another project called the Majestic Tualation Business Center, a 226,960 sq.ft logistics facility commenced.

Bought the Majestic Business park II which offers build-to-suit ground lease opportunities in a planned three-building site for users starting at 162,000-795,000 sq.ft.

2019



Tips & Tools

Summary

Industrial SPEC buildings can be new or renovated with one or more tenants.

Provides both long and short-term expansion space.

Increase company storage capacity, efficiency, and number of employees while maintaining their original shop/location.

Construction of SPEC buildings near populous areas can increase local employment and economic market.

Spec buildings can offer a number of different spaces like offices, warehouse/storage, processing, and restaurants.

Increasing vacancies in office spaces and remote jobs are leading office goers to choose more unique options rather than the traditional office building.

Increasing Success of your SPEC Building

Developers should retrofit the space to prospective tenants' needs.



When constructing a new building you should consider the permit approval times and “local” factors which include community input.



You should engage with construction partners and rely on preconstruction planning.

Finding a Suitable Space- What to Consider...

Lighting

What kind of lighting does it have now, and what do you need to do so it matches the level of your needs? Does it need to be highly automated like an Amazon packing facility? Food storage facilities with forklifts will require more lighting than a robot operated system.

Dock Equipment

Does the dock have a lift system to load and unload trucks? How safe is the docking area?

Expandability

What are your plans to expand and how soon? Can you expand within the same facility? Does the facility include the office spaces you need? You could initially sign a lease for less square footage and add a partition and receive first right of refusal on the remaining space. You'll want to consider expected growth.

Storage Requirements

Are you able to stack your product? What clear heights or racking system will you need? Are you dealing with hazardous materials? How high can your racking be?

Timing

The earlier you can get into the building and influence the design based on your product, the better when it comes to incurring construction costs.

Even if the building is shared, the more conversation there is with the developers the more likely it will fit your needs.

For more information go to...

<https://www.pepperconstruction.com/blog/construction-considerations-when-building-out-your-spec-space>



Conclusion

- Encouraging SPEC buildings and redevelopment in the area can help spur business development and economic prosperity.
 - These strategies can save developers money, time, costs, and energy.

Questions/Acknowledgements

Thank you for participating in People and Places for Growth- an Economic Development Webinar Series

Questions can be asked by typing them into the chat

This presentation was developed by North Country Council



Sources/Links

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