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About \$13M Buys Warehouse, Extra 12 Acres

By Amy Wolff Sorter of GlobeSt.com

Thursday, November 30, 2006 - PASADENA, TX-Three years after breaking ground on East Belt Business Park, Eastbourne Investments Ltd. and Trammell Crow Co. have sold the 180,000-sf, multi-tenant bulk warehouse to New York City-based Morgan Stanley Real Estate LP's Prime Property Fund. The sale included an adjacent 12 acres.

Although confidentiality issues stifle release of financial information, reports put the final bid at close to the \$13-million ask, sealing the deal at a 7.2% cap rate. The 90%-occupied building at 1455-1465 E Sam Houston Parkway is leased to Emerson Electric Co., Motion Industries Inc., Teadit North America Inc. and Wrist USA Inc.

The project represents the first industrial product put together by Eastbourne and TCC although the partnership has developed retail projects in the area. "This was our only industrial deal, but it worked out very well," says Frank Egan, president of the Williamsville, NY-based Eastbourne Investments. "We'd be open to similar types of deals in the future."

Eastbourne is a merchant builder so the intent was never a long-term hold. But market conditions also made the idea of a sale palatable despite slow leasing in the early days. "The product finally achieved stabilization and all market indicators were strong," Egan tells GlobeSt.com.

According to Rusty Tamlyn, a TCC managing director in Houston, the strong market also generated numerous offers from national REITs, institutional pension funds and private investors. The fact that Morgan Stanley already had a presence in the market, coupled with the all-cash deal and quick close, made the buyer selection pretty straightforward.

"Some didn't want the land with the building, but the buyer did," says Tamlyn, who partnered with TCC's Ralph Tullier on the sale. "Crow will now develop that second phase for Morgan Stanley." He adds that construction on the acreage, possibly an additional 180,000 sf, will begin in mid-2007.