



Industrial Condos – What’s that?

By Mike Gornek

It seems like we've been hearing a lot about real estate condominiums (condos) lately. First there were apartment style condos. Then came retail and office. **Now it's industrial.**

The basic premise behind condominium style buildings, whether it's for retail, office or industrial purposes, is that it **allows the user to have ownership**. Ownership in any real estate venture, as opposed to leasing, has advantages, including being able to participate in capital appreciation. Condominium ownership also conveys the concept of economy of scale. Normally, ownership of industrial properties in the Houston area, especially if the user wants to be in a deed restricted business park, has been limited to the 20,000+ square foot range. Condos allow the purchaser to buy a smaller building at a somewhat reduced price. It has been difficult for smaller users to find suitable buildings in their size and price range. The availability and price constraint has spurred the development of industrial condos.

Industrial condo owners share common driveways, roofs, loading areas, utilities, landscape areas, and in one way or another, they also share a common wall. The purchaser not only buys their section of the building but the land under it as well. Finally, the developer will prepare condominium declarations-guidelines for the operation of the condominium by the various owners. These declarations will specify the rules and regulations of the project and the expected costs to run the project. The developer may even designate individual owner's parking spaces to avoid parking problems in the future.

The cost, on a per square foot basis, to develop a 7,000 to 8,000 sf free standing industrial building can be almost double the cost that a developer would spend for a 25,000 sf building. However, if the developer builds 25,000 sf building and divides it or builds several buildings at one time using a large tract of land, sharing common walls, parking, landscape, etc., major cost savings can be achieved. Some of this cost savings can be passed on to the purchaser less the developer's profit. This can give the buyer the benefit of a smaller building at a cheaper price.

Since the condo association buys goods and services for all the buildings, they also benefit from the fact that they have greater buying power than an individual building owner. The disadvantage is that the owners all must agree on the direction that the condominium association will take in long-term maintenance issues, landscaping, etc.

As recently as 3-4 years ago, the concept of industrial condos was not utilized. The Vantage Companies was one of the first to try it on the Sam Houston Tollway just north of Highway 59. They were extraordinarily successful and sold all their buildings in a short period of time. Another condo project of six buildings came out of the ground in Greenbriar SW, which is a deed restricted business park in Stafford. All six buildings were under contract or sold in less than a year. This same developer has an additional nine condo buildings under development on Murphy Road just north of Greenbriar in Stafford. The Betz Companies will be breaking ground this year on 8 more buildings on Stafford Road near Mula Road in Stafford. Other condo projects are also being planned in other parts of the city. As you can see, the concept of industrial condos is on the rise.

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