

El Paso Inc.

Phoenix firm buys EP industrial portfolio

Local vacancy rates continue to fall, asking rates up



Photo provided by ViaWest Group

By Robert Gray El Paso Inc. staff writer

A Phoenix-based real estate investment firm has made its first move into the El Paso industrial market, purchasing four sprawling warehouses on the Eastside, south of Interstate 10.

"We like the story of the maquiladoras unfolding in Mexico. I think there is a positive, long-term trend there in the El Paso region," Steven Schwarz, a principal and founder of ViaWest Group, told El Paso Inc.

ViaWest is the latest out-of-town investor to take an interest in the El Paso industrial real estate market, where vacancies have been declining and asking rates increasing, according to data collected by global real estate firm CBRE.

ViaWest

Steven Schwarz, a principal and founder of ViaWest Group, says the company sees a positive trend in the El Paso region.



"We have seen a lot of outside investors looking at markets like El Paso lately, and it is causing a lot of stir in the region," said CBRE El Paso vice president William Caparis.

But most of the action has been confined to El Paso's newer, more modern industrial buildings. The purchase by ViaWest, though, may signal that investment capital is starting to flow into El Paso's old and outdated industrial stock, where vacancy rates have remained high.

"The stuff becomes obsolete and forgotten by the

market," Caparis said.

The buildings purchased by ViaWest, which total 245,745 square feet, are more than four decades old and only about 50-percent occupied.

"We are going through and fixing them up quite a bit," Schwarz said.

Rehabilitation plans include new roofs, landscaping, fencing and equipment, according to the firm.

ViaWest purchased the four warehouses from New York-based Sullivan Crosby Trust in January for an undisclosed price, according to CBRE, which brokered the deal. The trust is named for M.W. Sullivan, a developer of East Side warehouses, and Katherine Crosby, the widow of the late Bing Crosby.

The buildings are located at 7155, 7157, 7177 and 7189 Merchant Ave., near Western Refining's El Paso refinery.

"We feel like the market there is going to continue to tighten up on industrial property and see rent growth," Schwarz said.

Fewer vacancies

Since the collapse of the U.S. real estate market in 2007, the overall vacancy rate for industrial property in El Paso has hovered near 14 percent. But last year the local market returned to pre-recession levels.

The vacancy rate declined from 14.4 percent to 12.5 percent in 2014, according to data collected by CBRE. And the vacancy rate for competitive, Class A space under 100,000 square feet dropped to 2.2 percent.

As space has filled, rents have crept up. The overall average asking lease rate grew by 4.7 percent in 2014, from \$3.62 to \$3.79, according to the data.

ViaWest was also attracted to the El Paso market for its stability. While the market here does not traditionally boom, neither does it often bust.

And ViaWest's investment in El Paso balances the firm's investments in Phoenix, which has a volatile real estate market, Schwarz said.

Founded in 2003, ViaWest manages 2-million-square feet of commercial real estate in Phoenix, according to Schwarz.

The firm recently formed a fund focused on purchasing industrial properties throughout the Southwest.

The purchase in El Paso is the first by the ViaWest Southwest Fund.

ViaWest likes what it has seen in the El Paso region, and the firm's purchase here is likely not its last, Schwarz said.

"We are actively looking down there," he said.

Recent investments in El Paso's industrial real estate market include \$14.3 million invested by El Paso International Airport to rehabilitate the decades-old Butterfield Trail Industrial Park, a 600-acre industrial facility located on the Eastside.

Two large industrial portfolios in El Paso sold at the end of 2012, although the names of the buyers were not released, according to CBRE.