

# Dallas Business Journal

## UP facility a magnet

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With more freight than expected arriving at Union Pacific Railroad Co.'s new Dallas Intermodal Terminal, Duke Realty Corp. and other major developers are racing into long-dormant southern Dallas County to snatch up acreage for new, state-of-the-art distribution space.

The Dallas Intermodal Terminal, UP's \$100 million intermodal facility, is a rising tide likely to lift all boats in the largely undeveloped corridor along Interstate 45, developers say.

They're betting on the corridor as a major hub for the tsunami of imported consumer goods flooding into DIT for distribution to the Metroplex and beyond.

As pioneers in the area, the developers say they're challenged not only by a lack of infrastructure for water, sewer and roads, but also by the uncertainty of how big and how fast the market might grow. Indianapolis-based Duke, stepping cautiously but quickly, closed two weeks ago on some 39 acres in Hutchins and has begun dirt work at the site. The developer plans a speculative, 624,000-square-foot distribution building at the northeast corner of I-45 and Wintergreen Road.

The \$18 million project sits directly across the highway from the 365-acre

DIT, where "we could hit the intermodal (yard) with a four iron," said Jeff Turner, Duke's senior vice president.

"We like our location because of the direct access to 45 and quick access to UP," Turner said.

Duke will have the building up and ready for a tenant by September, he added.

Lured not only by DIT and proximity to I-45 but by regional plans for an inland port, Duke looks to be the first up with a building in a string of projects yet to come:

Landowner Mike Rader, with Dallas-based Prime Rail Interests L.L.C., is planning 600-acre Sunridge Business Park just east of DIT at Pleasant Run Road. While the park won't front I-45 -- that's reserved for retail space -- it will sit 400 feet off the highway. Prime will soon start site preparation work, followed shortly by an announcement for a specific tenant project, Rader said.

Dallas-based [Argent Property Co.](#) is planning 312-acre Dalport Business Park in Wilmer on the west side of I-45, said Ed Kepner, vice president of development for Argent. The masterplanned property ultimately could be built out to as much as 3.6 million square feet of space, he said.

A partnership of Denver-based Prologis and Argent will start construction on a new road and a speculative industrial building in a 205-acre planned development previously announced for Lancaster. At build-out over seven to 10 years, the park will represent \$100 million in investment with some 3.3 million square feet of office, warehouse, light assembly and showroom space.

In a previously announced deal feeding much of the current buzz, the California-based [Allen Group](#) says it will wrap its 5,000-acre planned development around DIT in a move that mimics North Texas developer Hillwood's Alliance development at the BNSF Alliance Intermodal Facility in North Fort Worth.

#### 'Major impact'

Adding an exciting edge to the I-45 explosion is the prospect of a 2 million-square-foot Target distribution center.

The Minnesota-based retailer is currently shopping the corridor as a possible site, developers say, sparking them to work quickly to get ready. They say the company has said it could have a decision by April.

Target officials couldn't be reached for comment.

"Everybody here with a decent-size project is in the mix," Kepner said of the rumored Target project. "For 2 million square feet it would take about 150 to 160 acres. It's huge for anybody; that's a major impact. It will just be a magnet, like the UP itself."

DIT sits on the west side of I-45, just south of I-20, with its north half in the

small town of Hutchins and its southern half in the small town of Wilmer. Anticipating the sudden development rush, Hutchins officials formally expressed their gratitude to UP in August, when the intermodal facility opened, said Tony Love, general manager of real estate with UP.

"In a lot of places, we're not so welcome," said Love. "But Mayor Artis Johnson thanked God for bringing Union Pacific to his community. That's not the kind of reception we normally get from a community."

Volume at DIT is up 20% over the same time in 2005 at UP's old facility on Miller Road, said John Kaiser, UP's vice president and general manager of intermodal marketing and sales.

"It's actually growing faster than what we'd projected, which is good news," Kaiser said. "The volume of the growth, and how it keeps coming, is frankly quite exciting."

The yard averages three to four inbound trains a day and the same number going out. Inbound, each train carries about 220 ocean-going, double-stacked containers full of consumer goods shipped from Asia arriving via California's ports. Outbound, the trains carry a similar number of boxes, but 80% of them empty. The yard can handle 365,000 containers annually, or 1,000 a day. DIT, one of 40 intermodal facilities doing \$2.5 billion in business for UP, is No. 5 for volume. UP expected current capacity to last seven to 10 years before driving further expansion.

"This is one of the fastest-growing," Kaiser said. "Now we know we'll have to expand sooner than that -- in three to four years."

#### Lack of infrastructure

Trade distribution at DIT and the interstates will no doubt drive I-45 development over the next 20 years, said Rader, who's been the primary developer the past two decades and who has patiently pioneered the corridor, working most recently with UP as well as federal, state and local officials.

The I-45 corridor -- bounded by I-20 on the north, Bonnie View Road on the west, I-45 on the east and the Dallas County line on the south -- includes an estimated 20,000 acres of developable land, Rader said.

About 10,000 acres sit in Wilmer, 2,000 acres are in Dallas, 2,000 are in Hutchins and the remainder are in Lancaster, Rader said. Only 700 to 1,000 acres of the total have sufficient roadways, water and sewer.

Asked who will pay for the infrastructure work, Rader replied, "That's the interesting part.

"Developers, I'm sure, will have to pay a good chunk of it," he said. "Wilmer is just a real small town without a lot of financial resources. ... There will be a lot of growing pains until the infrastructure requirement is taken care of. That's going to take all the cities working together."

Paxson Glenn, a longtime industrial broker with [Glenn Commercial](#) Real Estate, brokered Duke's land purchase

from Rader, who still owns 1,000 acres in the corridor.

"There's a tremendous amount of interest down there," Glenn said. "But sites are limited because of a lack of infrastructure."

On Duke's deal, Prime agreed to pay for the \$400,000 road construction, to be reimbursed from taxes generated over a five-year period once the property is developed, Glenn said.

Infrastructure won't deter developers, according to Dan Tatsch, senior vice president at [Hillwood Investment Properties](#), which at this point hasn't planned any projects directly adjacent to DIT.

"It's an issue that needs to be considered, but it's the tail -- it's not the dog," Tatsch said. Longterm investment in the area is a good bet, he said, but Hillwood is waiting to see how fast the market develops.

"The theory is that the intermodal yard will bring more freight and make the area more desirable for logistics managers than it has been in the past," Tatsch said. "But the \$64,000 question is how much it will increase and how fast it will materialize."

#### Hillwood project

Sudden interest in land around DIT means prices are all over the map, Tatsch said, depending on location, availability of infrastructure and topography.

Rader, who started out with about 3,000 acres, said the average price for land there three years ago was \$5,000 to

\$6,000 an acre. Today it runs \$40,000 an acre for property with some infrastructure capability, he said.

"We believe that area is poised to become a really solid distribution point."

While Hillwood isn't developing an industrial property in the area yet, Tatsch said one of its nearby projects will benefit from the flurry around DIT. Hillwood is starting up a project announced a year ago on land the developer has owned since the 1980s in DeSoto, west of DIT at I-20 and I-35.

"We're getting ready to start dirt work, and that could take about six months," Tatsch said. "Then we'll decide whether to start with a speculative building."

Dallas real estate investor Myron Goff, who along with Rader sold land to The Allen Group, says land in the city limits of Wilmer and Hutchins is going fast.

"I still have three pieces along the freeway -- one in Wilmer and two in Hutchins," Goff said. "They are small parcels, but they're pretty expensive because they are right at the off- and on-ramps."

Duke is unlikely at this point to plan anything as large as a masterplanned industrial park for the area. "We're sure it's going to be a good market; we're just not sure how deep it's going to be," Turner said.

Nevertheless, the developer is pleased with its deal and the lease rates it can deliver on the state-of-the-art building it has under construction.

"This is simply a way for us to draft off all that trade activity and huddle up next to the intermodal facility," Turner said.