

Let's go sportsing

Play ball, shoot hoops, race a go-kart, get fit and pray in an industrial setting

BY KENT DARR, Senior Staff Writer

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Hubbell Realty Co. was well into its incarnation as a developer of residential properties when it decided in 2008 to reconnect with its industrial past and build a warehouse in Grimes.

Since that time, the Grimes Distribution Center has grown to four nearly identical warehouses, all with 24-foot ceilings and identical footprints at 110,000 square feet. When the first building was constructed, Greater Des Moines homebuilders were facing down the housing crisis.

By breaking ground on an industrial property, Hubbell was showing again that a company founded in the 19th century could survive by being quick on its feet.

The Grimes Distribution Center set in motion additional warehouse development, with R&R Properties of West Des Moines, Opus Group of Minnesota and, more recently, Anderson Properties of Urbandale all launching big warehouse projects.

Warehouse demand for logistics companies and other industrial uses remains high with low vacancies and scant space for users who need less than 50,000 square feet, but nontraditional users such as churches, sports centers, cheerleading operations, even a quasi-office user are looking for wide-open spaces that offer relatively low rents and the ability to modify a few thousand square feet to suit the tenants' needs.

Grimes Distribution Center boasts a trampoline park in one building, a go-kart track in another. In fact, nearly 40 percent of the three buildings' space that has tenants is occupied by what Hubbell Senior Vice President Kyle Gamble calls nontraditional users. (The fourth warehouse was just completed, and tenants have not been announced.)

In Grimes, with its rapidly growing population of young families — the average age of residents is 33, according to a special census in 2015 that showed the population had grown to 11,423 from 8,418 in 2008 — Hubbell found a sweet spot in spaces that could support year-round recreational activities.

Hubbell originally bought the ground where the warehouse complex is located in 2004 with visions of a business park. Some of the land has been sold to commercial users, and the company's Meadowlark apartments are nearby.

"In this area, you have a large population of kids who are very active in sports. There are not a lot of industrial type spaces where you can put those uses in; you won't see this type of product in West Des Moines," said Gamble, who also is the managing director of CBRE|Hubbell Commercial.

It is worth noting that Hubbell has 1- and 2-acre parcels available in the areas, with no immediate plans for their development. One of the lots sold recently to a day care operator, indicating the demand for child care.

"Hubbell's Grimes Distribution Center is almost like a sport zone," said Matt Lundberg, who specializes in warehouse brokerage as a director and vice president with NAI Optimum. (See story, Page 23)

Mark Bonnell of Pleasant Hill said he found a willing partner in Hubbell when he and two others wanted to open MB2 Raceway at Grimes Distribution Center. The business offers European-style go-kart racing for a range of ages, with a focus on corporate clients.

MB2 opened in 40,000 square feet three years ago at a Hubbell warehouse at 1350 S.E. Gateway Drive. Bonnell had looked at other spaces in Greater Des Moines, had lease offers for three, and chose Hubbell for a variety of reasons, not the least of which was that the company was enthusiastic about his business model.

"You have to have a landlord that really understands your business," he said.

In addition, Bonnell was able to reduce his improvement costs by about half to \$500,000 because of tenant improvement incentives that the company provided.




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He needed easy access and high visibility.

"We're a destination business, so we don't need to be on the front row but we need to be in an easily accessible location," Bonnell said.

Customers aren't having much difficulty finding MB2, which has a volume of between 125,000 and 150,000 people a year.

And the range of users at Grimes Distribution Center since MB2 opened has grown to include baseball and soccer, volleyball and another sports user, he said. Skyzone trampoline park was already operating when MB2 arrived.

Bonnell said he has opened MB2 tracks in other parts of the country in flex warehouse/office space, a strip mall and a shopping center.

"I prefer to work with warehousing developments," he said.

These days, Hubbell does not stand alone in offering alternative uses for its warehouses.

One project generating discussion among commercial real estate professionals is Hy-Vee Inc.'s use of 130,000 square feet of space at R&R Realty's Prairie Business Park in Grimes as what some folks view as an over-the-top office for IT and marketing employees.

Hy-Vee recently hosted an open house for all of its employees but has not yet provided a public tour of the facility. But to call the space a playground would not be too far off the mark, some have said.

For Hy-Vee, the idea was to provide room to work and play and to create a recruiting tool in a highly competitive job market, much the same way office buildings new and old are being tricked out to appeal to prospects. The payoff is that those amenities fit the work needs of users young and old.

But then there are spaces that fit the lifestyle needs of users young and old.

Also at Prairie Business Park, Ignit Sports & Fitness brings in top-caliber athletes to work with youngsters in a range of sports, including football, basketball and softball. It features state-of-the-art training facilities and even served as a polling place during the 2016 elections.

Ignit abuts a more traditional user in a company that trains workers in the repair and maintenance of wind turbines. In one 260,000-square-foot building, you have sports, industry and office users.

A short distance away at R&R's Meredith Business Park in Urbandale, Journey church was able to build out space for its congregation, including an assembly hall and childhood learning areas decorated around the themes of a treehouse in one and a jungle in another. Before moving to Meredith Business Park, the church used space at a Windsong cinema complex.

"When you walked out, there were people with buckets of popcorn waiting for us to get out of here to watch a movie," said Journey pastor Derrick Young.

The new space will accommodate a growing flock, up to 276 people, and the cost per square foot "was great," Young said.

Gamble said the cost to build a warehouse is considerably less than a retail or office structure. As a result, rents are less of a burden on nontraditional users. Where their costs come into play is the addition of HVAC systems in a warehouse space that might have the latest in lighting and fire-suppression technology for the storage of products, but not in heating, cooling and ventilation systems necessary for people.

Parking also can be an issue in a warehouse development with a mix of users. Gamble said a sports center typically is not operating during the same business hours as a company storing electrical components.

"We haven't faced a conflict," he said.

R&R is building its newer industrial parks, such as Prairie Business Park in Grimes and the planned Center Pointe Business Park in Urbandale, to accommodate increased demands for parking, said Mike Bonnett, vice president and commercial real estate adviser at R&R Real Estate Advisors.

R&R will open a second warehouse at Prairie Business Park this fall, and warehouses are part of the multiuse Center Pointe Business Park. The demand from traditional and nontraditional users remains high.

"We are getting requests from nontraditional users, and there is increased activity from logistics users. They are both competing on that same space," Bonnett said.

Does that lead to a tug of war over lease rates? Not at all, he said.

"We're very consistent. Our price is our price. It seems like the nontraditional users tend to put more money into a space," Bonnett said.

Gamble pointed out that Hubbell also has land to build a fifth warehouse in Grimes, but there are no specific plans to do so. After all, this is a company that dipped its toe in the warehouse market when the temperature was right.

"Hubbell is still largely about residential, senior housing, senior co-op, strategic retail," he said.

In Grimes, a 'sports zone' among warehouses

Earlier this year, the Business Record hosted a series of roundtable discussions on the Greater Des Moines commercial real estate market. One area of interest was the use of warehouse space by users whose focus was on lifestyle as opposed to storage and distribution. The following is an excerpt of that conversation with Mike Bonnett, vice president and commercial real estate adviser, R&R Real Estate Advisors; Andy Hodges, vice president, Signature Commercial Real Estate; Matt Lundberg, director and vice president, NAI Optimum; and Chris Pendroy, senior associate and industrial specialist, Iowa Realty Commercial.

Mike Bonnett: We've had a lot of activity with nontraditional users. They've been around for a while but I think there's more folks getting into that arena than before. I think traditionally, we had a lot of new sports users here. Recreational facilities, family centers that were out looking for places where their kids could play basketball, could play baseball in the winter months. Typically, in the past, when there was plenty of capacity available in

the market they would just go rent these spaces for the winter and then in the spring they'd be back outside. But as the capacity has tightened up, the ability to do that is drastically reduced. Landlords just aren't willing to let somebody come in and utilize the space for just a period of a few months because we might miss opportunities of a longer-term deal. But we're finding that these clubs, these teams, they are figuring out ways to make the numbers work year-round. And so we're starting to see these business that are coming into the facilities that can actually sign on a five-year lease and keep the space year-round. That's been one component of it.

And another, I think you probably talked about it earlier, was the office users coming into the industrial market, really coming out of the office space arena and going into the industrial. We had that happen this year with a big user in the market, with Hy-Vee. They really looked at our building as a flex building. They looked at the physical structure of it. What they were looking to do with the building and inside the building, it was able to meet their needs with that because of the clear heights, and the location worked out for them, also the ability to have additional parking. We are building our new industrial parks, we are making sure that we're planning them for higher density parking users. So we have the ability to expand and double up our parking. I think that's probably a trend you're going to see in more of in these new developments as they come online. We doubled up and increased our opportunity for parking. Typically we do one per thousand in an industrial setting and we had the ability, we had the land set aside, so we could double that up and get it to two per thousand or potentially higher than that if we needed. That's allowing other nontraditional users to be able to come into this facility because they are a higher density user. So that they can have more people in the facility than what a typical industrial building will have for parking.

Andy Hodges: Yeah, I think it was sports users, the for-profit colleges, all these different things that years ago I think landlords were less accepting. I think the credit profile of these users has gotten better. And I think the other tenants you have in your parks have become more accepting of those tenants in the facilities. Their peak times may not conflict with the typical 8-to-5 business model. So five years ago we stayed away from some of those things, but I think we've definitely been more accepting recently of these sports users, these for-profit colleges, different types of users in a our flex-type products.

Matt Lundberg: Hubbell's Grimes Distribution Center is almost like a sport zone. You've got Skyzone (trampoline park). You've got MB2 (go-kart raceway). I think you have a basketball setup. One thing that I spent most of my weekend doing is going to basketball games for my daughter. But Albaugh Industrial Park up in Ankeny, they've got Kingdom Hoops up there and the overflow parking, kind of going back to what Mike was saying, I mean I don't think they expected the amount of parking that is required up there. They are parking in pretty much every building around Kingdom Hoops. It's interesting how those guys are making it work. I mean it was something, years ago, that you put them in there and you just hoped they'd cover expenses and just wait for the right tenant. But now it seems like a lot of these guys are making it work.

Hodges: Yeah, well, I think we all played Little League, right? That's all we did. It seems these kids today, they play one specific sport 24/7, so it's really increased the demand for these different clubs and programs.

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