

From the ground up: Levey Group rises to challenge of unprecedented industrial market

BY BRANDI SMITH



Left: Business Center at Five Corners. Right: East Sam Houston Business Park

Powered by an entrepreneurial spirit, Houston's Levey Group is seizing the moment for which it has prepared for nearly 40 years.

When real estate visionary Gustave Levey, affectionately known as Gus, founded the company in 1982, he had no way of predicting the ebbs and flows of the industrial market building up to what it is today.

"He was one of the pioneers of the industrial real estate development business in Houston, having begun building to-suit, single-tenant manufacturing facilities for lease," says David Ebro, Levey Group president and Gus's grandson. "Manufacturing companies often had no leasing options because the institutional developers focused almost exclusively on warehouse and distribution space."

The Levey Group has never been afraid to bet on a dark horse. As the company evolved, so too did its projects. Appreciating flexibility and avoiding formulaic thinking, its team often recognizes values others overlook.

"Over the years we have developed buildings for sale, and built-to-suit for lease both, on a stand-alone basis, and within our business parks. We have

also redeveloped functionally obsolete buildings, and made collateral-backed opportunistic loans," says Ebro. "We have carried this entrepreneurial philosophy into our land development business by acquiring parcels that are often overlooked because of some functional challenge, be it a lack of utilities, floodplain issues, pipeline crossings, etc."

That approach has helped strengthen the Levey Group into what it is today: a general partner for real estate development ventures with experience in value-add investment, joint ventures, high-yield loans and, of course, development.

"We are on pace to set record levels of absorption in the Houston industrial market this year," says David Ebro, the company's president.

In his almost two decades in commercial real estate, Ebro says he's never seen the industrial sector so strong. He says that fire is fueled by a perfect storm of market conditions.

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Levey Group

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“The pandemic pushed product out of retail stores and upstream into warehouse and distribution space, accelerating what was already a very rapidly growing sector of e-commerce, and driving demand for industrial space,” he explains.

At the same time, retail, office and hospitality sectors have fallen out of favor with institutional capital providers, helping capital inflows into industrial reach what Ebro calls “unprecedented levels.”

“That excess liquidity is compounded by both the federal reserve’s loose monetary policy, and the stimulating fiscal policy dating back to the Tax Cuts



David Ebro

and Jobs Act under the Trump administration, and apparently continuing with the Biden administration's proposed stimulus packages,” he adds.

Ebro stresses challenges do exist, such as supply chain issues, labor shortages and increased raw material prices.

“There's a confluence of factors that are contributing to an inflationary environment. It's challenging on both on the raw material and the land prices side. They're rising together,” he says. “We have every reason to expect that warehouse rental rates will begin to reflect these rising prices as developers strive to maintain yields.”



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Those obstacles aren't enough to keep the competition out. Developers and investors of other asset classes such as office and retail have begun jumping into the industrial ring.

David cautions that "aspects of industrial development require specialized knowledge, and industry relationships are critical to the success of an industrial development." Ebro also says that traditional institutional providers are likely to "prefer to invest with project sponsors with a track record and experience in the industrial sector like the Levey Group has over a sponsor that lacks this experience."

Experience is something Levey Group has plenty of. Its team is always looking for the next big project. At this moment they have under construction The Business Center at Five Corners, a five-building project totaling 541,946 square feet, located on Beltway 8 South between Post Oak and Hiram Clark. The new 43-acre, Class-A business park will be a great fit for single and multi-tenant configurations. The project boasts more than a half-mile of Beltway 8 frontage, 52-foot-wide column spacing and clear heights ranging from 28-32 feet.

"The southwest Houston market has demonstrated robust tenant demand," says Ebro.

Those tenants, he adds, have diversified right along with the Houston economy. No longer are Levey Group projects occupied entirely by oil-and-gas-related businesses. The company boasts non-oil and gas specific tenant relationships with companies such as Ringers Gloves, Brandt Engineering,

IBC Technologies, Crane Worldwide International, Tyndale, and DoorScapes.

Ebro offers Levey Group's Sam Houston Business Park in northwest Houston as an example of a modern tenant mix.

"The four-building, 286,000-square-foot project features tenants driven largely by the growth in the Houston population. Our tenants ranged from an auto part distributor and construction materials supplier to an engineering company and custom uniform manufacturer," he shares. "We also had an oil and gas company for which we built a state-of-the-art laboratory."

Additionally, Levey Group will soon announce more details about its upcoming East Sam Houston Business Park located at the intersection of Beltway 8 East and S. Lake Houston. The 67-acre, master-planned business park will accommodate up to 1,000,000 square feet of warehouse space.

"East Sam Houston Business Park is in the design development phase, but we have penciled in about 1,000,000 square feet that we will be excited to announce in the near-future," Ebro says.

For more information about East Sam Houston Business Park, the Levey Group or any of its other projects, visit leveygroup.com or reach out to David Ebro via email at debro@leveygroup.com.



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