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Byline for SIOR's *Professional Report*

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FROM: IDEA HALL
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Below is Keith Metzler's finalized contributed article for SIOR's *Professional Report* Q2 2015:

The Power of Understanding Utilities

By Keith Metzler

When industrial real estate brokers are looking to locate a manufacturing or distribution facility, having a developed understanding of how to assess the utilities needs of their clients and the utilities offerings of potential markets will impact the positive outcome of the deal. Real estate brokers who ask the right utilities questions and pay attention to patterns will stand out amongst their peers.

Understanding the utilities needs of your client starts with understanding the utilities requirements of each major sector of industrial users. For example, if you instinctively know that aerospace, plastics and heavy metal fabrication operations typically need a lot of power, you will be able to appropriately pair companies from each sector with buildings that effectively meet their specific needs. Likewise, if you are looking to locate a food or beverage processing plant, you will know to look for buildings and markets that offer an industrial wastewater treatment process. The reverse is also important. A distribution operation's minimal utilities requirements could be a reason to reconsider a building that is equipped with rich utilities offerings. Since the utilities would be wasted on your distribution client's operation, you may want to further investigate to ensure that your client would not be over paying for offerings that they would never utilize.

The most common utilities-related challenge for industrial brokers is realizing that the building that they have shown to their client does not have enough power. This can slow down the leasing process and create financial road blocks. When a building does not have enough power for your client, you are in one of two circumstances; you are either working with a building with a power panel that is built to accept growth, or you are facing the more serious challenge of a building that does not have these expansion capabilities because the public system has not been designed sufficiently to accommodate an increased power demand. Because of the differing impact that it will have on your timeline and budget will likely affect your next move, it is important to quickly identify in which scenario you are.

If, for example, your client is looking for a building with 800amps of power, and the building that you and your client are interested in currently offers 400amps of power, the question that you need to ask the listing broker is: "What is it sized to?"

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Many developers have the foresight to install a power panel that is built to accept growth, but marketing materials rarely share if the power panel is “easy to expand” or “built to accept growth.” If the building has 400amps, but is sized to accept 1200amps, you are in good shape. The adjustment will have a minor impact on your timeline and budget, but it should not derail your deal. Conversely, if the power panel in your building was not built to accept growth, you have an important assessment to make. You will need to study the cost and time it will take to install a larger panel and dig to the street to pull in additional power. You and your client will be forced to weigh the cost and delay against your priorities. Installing and powering a larger panel can add six to twelve weeks, so it might be time to find an alternative space to pursue.

So, what can industrial brokers do to avoid both of these scenarios and make their clients’ site selection process as smooth as possible? As a leasing broker, your first job in matching clients with a facility that meets their utilities needs is to assess their operations, and ask for your clients’ utilities bills from the prior year. You can study these bills to not only understand the operations needs for the year ahead, but to start to project needs for the next five years. This will help your clients to avoid costly or disruptive adjustments down the line. In that same vein, it is helpful to ask your clients about expansion plans that will significantly impact their operations’ utilities needs. For example, if growth trajectory will involve the addition of large equipment they might need to plan for more power than they will be using on move-in day. Though it is not uncommon for a client to want to treat this information as proprietary and not share all or a portion of this information, a broker’s true craft will become convincing a client how important such information is and how it is necessary to help decide the most cost effective real estate solution.

While power is the most common utilities-related road block in matching a client with a building, it is just as important to study up on all of the additional utilities that your clients and potential clients might need. For example, it is helpful to not only know that adding a conventional gas line usually takes two to three weeks to install, but also that a client that needs natural gas at high volumes and pressures might want to consider locating to a market that offers ample natural gas at more competitive rates. Likewise, a company that needs wastewater treatment or large amounts of power might consider certain markets for the savings and unique utilities offerings that they possess.

Knowing what your neighboring markets have in the way of unique utilities offerings will give an industrial real estate broker a competitive edge. In addition to experience, brokers at all stages of their careers can grow their knowledge of surrounding markets’ utilities offerings through several avenues of proactive research. Brokers are in a unique position to tap industry experts who are active in the field for their insights into the offerings of the markets that they are active in. Experts like architects and MEP (Mechanical Electrical Plumbing) engineers see the value in assisting brokers in this way. As a broker, you will have many opportunities to refer them to new business opportunities and this will not be lost on them. Entities devoted to business attraction and economic development are also excellent resources for utilities information. Since their function is to attract business to their market, they often have helpful materials that outline their market’s differentiating factors, including utilities offerings and associated potential savings.

As the importance of utilities in site selection continues to increase, industrial real estate brokers who are willing to continuously study utilities will have a powerful asset that will increasingly impact their results.



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Keith Metzler is the assistant city manager for the City of Victorville and is responsible for directing economic development and business development activities for the City of Victorville and the Southern California Logistics Airport. Mr. Metzler has gained knowledge about industrial utilities through his direct experience in locating companies with unique utilities requirements to the City of Victorville and its Southern California Logistics Airport (SCLA). Mr. Metzler has worked with nationally and internationally recognized companies including Boeing, Dr. Pepper Snapple Group, M&M/Mars, United Furniture Industries, The Goodyear Tire & Rubber Company and Leading Edge Aviation Services.

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