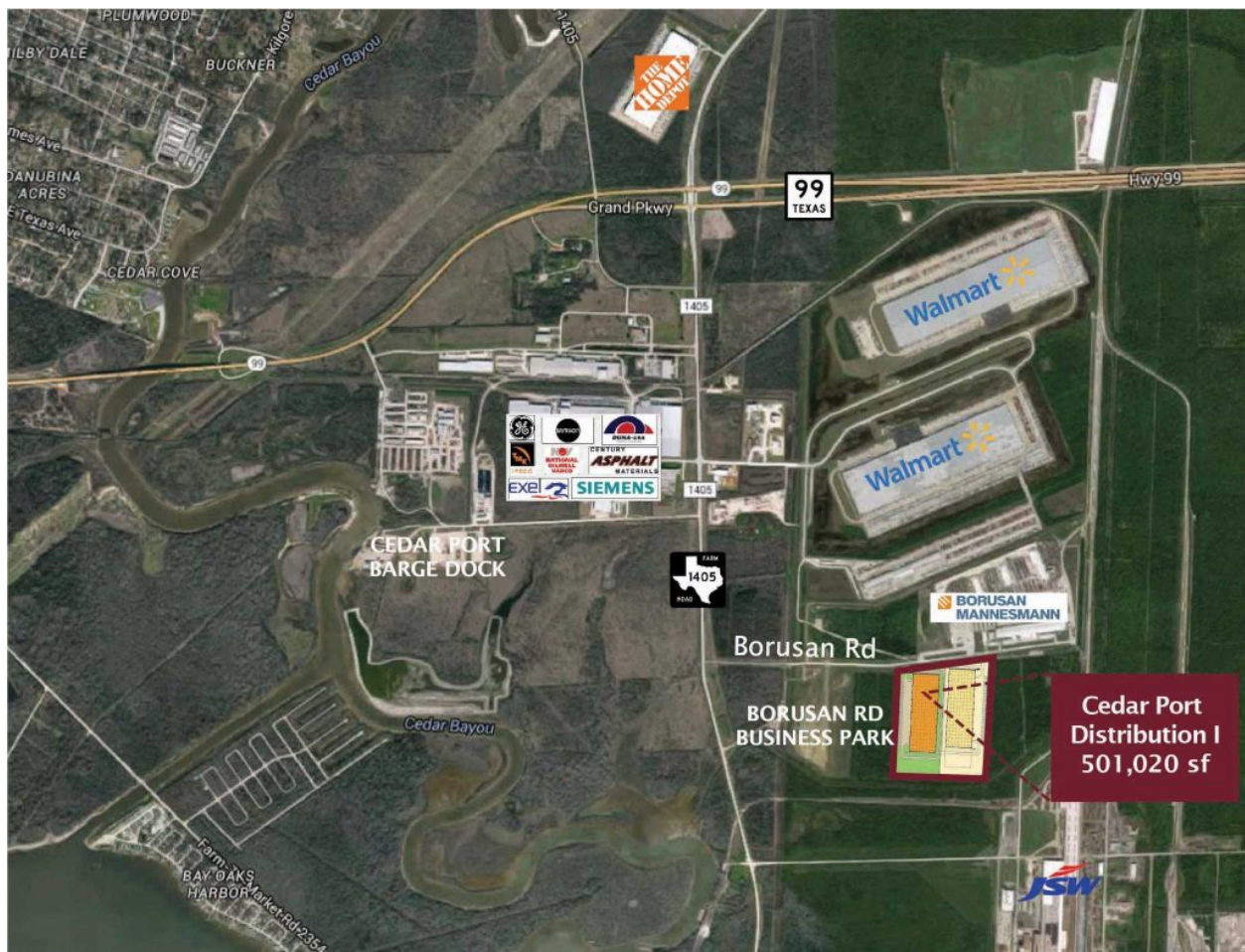


# Deal of the Week: Huge project takes shape

Distribution center will hold 1.5 million square feet in three industrial buildings

By Katherine Feser

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Clay Development & Construction has purchased nearly 80 acres on Borusan Road and FM 1405 in the Cedar Port Industrial Park in Baytown to develop Cedar Port Distribution Park. Three rail-served, dock-high

distribution facilities containing 1.5 million square feet will be built on the site. less

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Clay Development & Construction is jumping back into big-scale speculative development of distribution centers east of Houston, starting with a building the size of nine football fields in Baytown. And that's just the beginning.

The project, Cedar Port Distribution Park, will total 1.5 million square feet in three buildings.

The Houston-based company has purchased nearly 80 acres on Borusan Road and FM 1405 in the Cedar Port Industrial Park from TGS Cedar Port Partners. It will break ground on a 501,020-square-foot dock-high warehouse and distribution building at 4830 Borusan in January before landing a tenant.

The initial building could house third-party logistics companies, retailers or plastic pellet processors when finished in August. It is next to major distribution centers for Wal-Mart and Home Depot.

Low prices for natural gas, which is used in making plastics, have fueled a \$35 billion boom in petrochemical projects along the Gulf Coast. That, along with the expansion of the Panama Canal and rising shipments through the Port of Houston, is spurring a need for industrial space.

"The Gulf Coast produces about 50 percent of the plastics in the world and we're adding even more capacity now," said Robert Clay, president of Clay Development & Construction.

The Cedar Port Distribution Park project, which Clay values at \$75 million to \$80 million, will be the company's first major project on the east side in a while.

Clay Development & Construction developed about 2.5 million square feet of speculative warehouse and distribution buildings in the La Porte/Deer Park area between 2005 and 2008, Clay said. That includes some of the Houston region's biggest spec buildings ever, including 900,000-square-foot and 725,000-square-foot structures in the Underwood Business Park.

"In 2006, we saw a need for these distribution buildings," Clay said. "We think it's coming back due to the Panama Canal, and a lot of it is plastics-related."

Much of the space in the region is leased. The vacancy rate for industrial buildings in the southeast area is 2.9 percent, compared with 4.7 percent for the Houston region overall, according to commercial real estate firm CBRE.

Another company may be adding industrial space in the region. Liberty Property Trust recently purchased 139 acres of rail-served land in La Porte's Port Crossing Commerce Center.

The new project is part of the 15,000-acre Cedar Port Industrial Park near Texas 99, Texas 146, Interstate 10 and the Port of Houston. The park was previously known as Cedar Crossing Industrial Park before being rebranded by TGS Cedar Port Partners, which bought the remaining 11,000 acres in the park at the end of 2014.

John Simons, John Ferruzzo and Joel Michael of NAI Houston represented the seller.

Charlie Christ of Clay Development & Construction will handle leasing and sales.

Clay Development & Construction has developed more than \$750 million worth of projects since being founded in 1998. It specializes in developing single-tenant manufacturing buildings that typically contain about 50,000 square feet. The company owns about 4 million square feet of property.