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Thinking Outside the (Industrial Facility) Box

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By Kylie Wroblaski

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With the average size of an industrial facility exceeding 200,000 square feet, and often with several tenants spanning the space, these buildings have the potential to bring challenges of great scale to the companies that own them.

Roofs are often thought of as the problem hotspot, but as uncovered here, the list of challenges presented by industrial facilities ranges – especially considering the increased demand for energy efficiency. If you own or manage an industrial facility, you must take these things into consideration (as well as the dwindling economy), and come up with creative solutions to the challenges these facilities offer. Check out what some of your peers are doing ...

Embracing Energy-Efficient Lighting

"Energy and operational efficiency are incredibly important, especially as everyone is trying to be cost conscious and making sure that a facility is competitive in terms of occupancy," says Joel Pizzuti, president and COO of The Pizzuti Companies. "Trying to determine ways to cut energy costs and looking at different ways to become LEED certified or operate as a sustainable building are important, too."

Tenants are looking not only at lease rates, but also at operating expenses, he explains. "It's important for owners and property managers to make sure the operating expenses are as controlled as possible. People are scouring their budgets to look at ways to save money; in doing that, it's important to make sure we still maintain a really high level of service for tenants."

While it may be an extra upfront expense for you, one way to cut operating expenses is to employ alternative energy solutions. The Pizzuti Companies did this by installing prismatic skylights when it built a new facility in Chicago (see photo on page 50). "We put in a series of prismatic skylights that act as a way to light the building using natural light and not as many high-bay lighting fixtures," says Pizzuti. "This is resulting in a 20-cent decrease per square foot to run the building over the span of a year. On a clear day, we can get 45 to 50 footcandles of natural light inside the warehouse."

Adding skylights *are* an upfront cost, "but we felt like, long term, it would add a lot of value to the building, cut down on the expenses for our tenants, and make us more competitive when we're trying to lease the

facility," says Pizzuti. Happy tenants and easier leasing down the line make a nominal upfront cost more than worth it.

If natural lighting isn't an option, the use of energy-efficient lighting is another way to cut operating costs. Think about installing a T5 or T8 system with occupancy sensors. "If somebody is moving within an aisle of racking, that aisle will light up. As they leave, the warehouse lights won't stay on in areas where nobody is working," says Lance Ryan, vice president of marketing and leasing for Watson Land Company. "Over time, there's a huge savings in terms of utilities, and [we're seeing] up to a 50-percent reduction in utility costs with energy-efficient lighting. In addition, you're also lowering ongoing maintenance because you're not using warehouse lights as frequently, so your energy-efficient lighting doesn't require a change-out as frequently."

Donning Drought-Resistant Landscaping

Ford Land Company takes a different tactic. "We assessed our lawns and classified them as A, B, and C lawns," says Joe Black, corporate properties manager at Ford Land. "When you're driving by my plant, you see an A lawn, so we take better care of an A lawn before a C lawn. In addition, like at our world headquarters, we've taken out what used to be turf grass and put in sunflower fields. Now we're not running a lawnmower over it every week."

Watson Land Company takes a similar course of action by planting drought-tolerant plants. "In terms of sustainable development, there's a desire to hold or retain water onsite and not tax the sewer system," says Ryan. Watson Land Company frequently uses bioswales in front of its buildings to collect water and act as a natural filter. "We use a lot less water, and probably have more than a 50-percent reduction in irrigation costs. You've got a huge savings in terms of water, and you have less infrastructure in the ground to maintain over time."

Drought-tolerant landscaping doesn't have to mean cacti and rocks and a dry, hard surface that lacks color. "What we've found is that, with the right design, there are plenty of drought-tolerant plants that bring color into the project," Ryan explains. Watson Land Company has had success in finding great drought-tolerant replacements for what it used to have (turf grass). "Drought-tolerant plants have a different growth cycle, so you're not pulling plants out and replacing them frequently, and you don't have the same rigorous trimming that you might have with other plants. So, over time, it saves in terms of ongoing maintenance, and it saves in terms of water usage."

Weathering the Stormy Economy

"The No. 1 operational issue for us is making sure that tenants are capable and able to fulfill their lease obligations," says Greg Grainger, head of industrial property management at Jones Lang LaSalle.

Working closely with tenants can help you spot troubles before they become significant to your business. "We have to maintain a very strong relationship with our tenants," says Grainger. "Part of recognizing a tenant in trouble – before rent stops coming in – is visiting the facility." If you see that inventory levels are reduced or shifts are being eliminated, that's a red flag. "The more interaction that you have, the more ability you'll have to see what's happening with the tenant's operation," says Grainger.

While some tenants may look for rent reduction, other tenants may be looking at you to help them reduce operating costs or meet their goals. "There are some things a landlord or representatives for the landlord can do to help them weather a downturn and a turnaround, and have a positive impact on the property later on," says Grainger.

For example, at one of Jones Lang LaSalle's industrial properties, Grainger recently talked to one of his tenants about a possible relamping opportunity. It would save money, *and* has a one-year payback. "In essence, the money they spend to do the improvement would have a savings within that budgetary year. There are opportunities to do that, and tenants are looking for landlord expertise," says Grainger.

Like the Boy Scouts: Be Prepared!

To keep challenges from even occurring in the first place, be one step ahead of your maintenance or operations challenges. Regular inspections, preparation, and team experience are all key to keeping potential problems at bay.

According to Chuck Sullivan, head of global operations at ProLogis, preparation is the No. 1 way to address maintenance challenges (having experienced teams closely follows). An example of preparation and experienced teams preventing potential maintenance and operations challenges happened this past winter for ProLogis after the Northeast received a record-setting amount of snow. "We understood the snow loads [of buildings], and most of them are built to withstand some pretty heavy snow, but even the best roofs can be challenged. Our property managers are very well prepared and well trained, and they understood what to do. In this instance, they were extremely busy with engineers, inspecting those loads. The key to being prepared is knowing your buildings, knowing your product, and knowing what could happen and how to prepare."

Sullivan emphasizes that there is no substitute for having an experienced team when it comes to addressing problems in industrial facilities. "We have processes and procedures in place. We train our people with regularity so that the ways we approach challenges is consistent." For ProLogis, a snow event in France and a snow event in New Jersey are met with the same practices, which makes reacting that much easier.

Forgoing routine inspections may *appear* to be a way to reduce costs, but they do so only short term. These inspections help catch potential problems before they blossom into larger problems, *and* while they're still cost effective to fix.

As an example, Black talks about roofing. "If you have a roof leak, it starts out with a problem with the membrane. If you fix that quickly, you contain costs. If you don't, it saturates the insulation; then you have another problem, and you lose energy. If you don't fix it when you have a problem with the membrane and insulation, then the deck deteriorates. So when you get around to the repairs, it's very expensive compared to just fixing a membrane." Finding the tear in the roof membrane during a regular inspection is more cost effective than waiting to fix subsequent problems.

"Everyone is trying to make sure that they're not spending money unnecessarily," says Pizzuti. "Making sure budgets are in line with the market demands of the tenants, but balancing that with providing an A-plus facility for clients, is a challenge. While tenants and landlords want buildings to be more efficient and cost less to operate, you have to make certain you're not sacrificing any level of quality."

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