

Henderson Southeast looks to grow portfolio in commercial market

By Ken Datzman

As the economy moves toward stronger growth, the giant commercial real-estate industry, which has been steadily strengthening over the last year, looks poised to make perhaps its most solid advance in years.

The favorable supply-demand balance in 2015 of leasable space in many areas of the nation, driven by new job growth, is stoking commercial real-estate investors' appetites.

According to the recent Society of Industrial and Office Realtors' Commercial Real Estate Index, the CREI increased 9.7 points, moving from 98.6 to 108.3, putting it over what is considered a "balanced market" at 100 points.

It was the first time this has happened since the third quarter of 2007, right before the real-estate downturn. The SIOR Index measures 10 variables pertinent to the performance of the U.S. office and industrial market. These include rent, leasing activity, and construction activity.

The volume of broker transactions at the community level has been increasing in markets of all sizes, with continued leasing and sales progress in commercial sectors such as office, industrial, and retail.

Land sales are improving, too, and more new construction projects are in the works in communities, as developers seem to have better access to capital and investors warm up to these niche ventures.

A stronger commercial real-estate market in general is a good indicator of a recovering and expanding economy. And local commercial real-estate brokers are seeing the turnaround firsthand as they work with clients at a more up-tempo pace than in the last couple of years.

"In 2014, we had an active year," said broker Michael Ullian, vice president of operations for Henderson Southeast Corp. in Melbourne, which specializes in the leasing and sales of commercial and industrial properties, and also has a property-management arm.

"In the past, we had a lot of starts and stops. The activity would pick up only to slow down. In 2014, business was pretty



BBN photo — Adrienne B. Roth

Henderson Southeast Corp. at the Airport Corporate Center in Melbourne is looking to grow its 650,000-square-foot commercial real-estate portfolio in 2015 as the market continues to improve. The company's portfolio includes office and industrial properties. From left: Michael Ullian, vice president of Henderson Southeast and founder of Ullian Realty Corp.; Realtor Sandra Smith, property manager for Henderson Southeast; Andrew Evans, Ullian Realty sales associate; Megan Taylor, property assistant, Henderson Southeast; and Julie Tabele, Ullian Realty assistant.

solid the entire year across all aspects of our operation — commercial, industrial, leasing, and selling — which is very encouraging going into 2015."

Brevard County's population is back on a growth track. The county is projected to

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have 558,489 residents around mid-year, up from 548,424 as of April 1, 2013, according to the University of Florida's Bureau of Economic and Business Research.

In 2020, Brevard is estimated to have 589,333 residents. From 2015 to 2020, the county will see a 5.5 percent increase in population versus 7.1 for Florida overall. Brevard is the Sunshine State's 10th most-populated county.

A growing population base is especially good for the real-estate industry, both residential and commercial segments.

Ullian's outlook for the commercial market this year sounds bullish. "We believe the momentum will carry over into 2015 and Brevard County will experience a fantastic year. We think we will actually start to see some price increases on properties and on leases."

The Urban Land Institute reports that the "sustained performance of the U.S. commercial real-estate industry is expected to continue in 2015, fueled by improving fundamentals and robust investor appetite."

The uplifting scenario is covered in "Emerging Trends in Real Estate 2015," co-published in the U.S. by PricewaterhouseCoopers. Unlike previous cycles, the industry is "experiencing sustained growth," the report says.

Henderson Southeast Corp. has a 650,000-square-foot portfolio of office and industrial properties in South Brevard. It currently has space available in two of its buildings and can design space for new tenants.

The company is also marketing 11.4 acres on North Drive in Melbourne for a build-to-suit project. The land is site-plan approved and permitted for about 11,000 square feet.

"It's a well-positioned site. We expect to see some development interest on that site this year as land acquisitions in the region are picking up. Investors are buying land to construct buildings. We think that aspect will heat up this year as the rest of the market continues to improve," Ullian said.

A forecast by the Associated Builders and Contractors sees a steady and ongoing economic recovery for the U.S. commercial and industrial construction industries in 2015. The ABC has construction spending expanding by roughly 7.5 percent this year, with office space and manufacturing space two of the growth areas.

Construction employers in the U.S. added 48,000 jobs in December and 290,000 for the year, the largest increase since 2005, as the sector's unemployment rate fell to 8.3 percent, according to an analysis by the Associated General Contractors of America.

"Commercial construction is back on the upswing in the county," said Ullian.

Recently, the Brevard County Commission voted to extend a moratorium on transportation impact fees on commercial and residential construction projects for two more years. The action should spark even more building activity in the region.

More than 25 years ago, the Henderson Group Inc. of Philadelphia, an independent, full-service commercial real-estate company, turned to Brevard County for its first expansion opportunity outside its core market.

After working its way through a number of economic cycles over the years, the company now feels that the time is right to pursue new growth.

"As the market improves, the company wants to grow, including in Brevard County," said Realtor Sandra Smith, property manager for Henderson Southeast Corp. "We are looking for opportunities to grow and expand our portfolio."

Together, the two portfolios, in Pennsylvania and Florida, contain millions of square feet of properties owned and managed by the company. The local office is housed at Airport Corporate Center on Penn Street, the first property Henderson developed in this market.

The 25-acre wooded business park is close to Melbourne International Airport. The late Wilbur Henderson, a visionary businessman, guided the family firm as president and chief executive officer for decades until his death in 2013. Henderson built the company's portfolio around an "airport-location strategy."

In the early 1950s, he began to assemble parcels of land for industrial and commercial real-estate development in Philadelphia and Delaware County in Pennsylvania.

The real estate was located near the Philadelphia International Airport and close to major interstate highways. He used the development concept of flexible buildings, which are easily adaptive to the varying business needs of different tenants.

"Mr. Henderson's vision was to own property near or around a major airport," said Ullian, who holds the Certified Commercial Investment Member, and the Society of Office and Industrial Realtors' professional designations.

"It's a pretty simple formula and it has worked extremely well for the company. It goes back to the old real-estate adage, 'location, location, location.' In this case, businesses like to be close to an airport hub."

In recent years, that has proved especially true in the local market, with Embraer S.A. and Northrop Grumman Corp. both making substantial investments in new facilities within and around Melbourne International Airport.

During the fourth quarter of 2014, Embraer unveiled its \$24.2 million, 75,436-square-foot Engineering and Technology Center USA to the community. The company is expected to hire 200 employees by 2016 at an average salary of \$70,000 per year, to include mechanical and electrical-systems engineers, interior-design engineers, structural engineers, and certification engineers.

Northrop Grumman is also expanding its local presence and plans to invest roughly \$500 million in new capital in a two-phase project at Melbourne International Airport. Dubbed "Project Magellan," it could add 1,800 jobs at full-program capacity at an average annual salary of \$100,000.

"All of this activity at the airport is going to be a tremendous economic shot in the arm for South Brevard County," said Ullian. "It's going to take time before the ripple effect of consumer spending takes place in the community — such as the purchase of homes, eating in area restaurants, and so forth — but over the long term, it's going to have a very positive impact on the local economy."

Now leading The Henderson Group as president and CEO is Brian Wilbur Coyle, a resident of Philadelphia. He

earned his bachelor's degree in business administration, with a concentration in economics, from Loyola University. Coyle also has a master's degree in real estate from the Carey Business School of The Johns Hopkins University and holds the MAI designation from the Appraisal Institute.

"We are as strong as ever with Brian as our new president and CEO, and the rest of the company has remained in place," said Smith, adding that the company has established the Wilbur C. and Betty Lea Henderson Foundation.

"The purpose of the foundation is to give back to the various communities in which Wilbur and Betty Lea had personal or business connections, which includes Brevard County," she said.

Both Ullian and Smith handle the leasing for Henderson Southeast Corp. Ullian was named broker and vice president of Henderson Southeast years ago. He also runs his own commercial real-estate firm in Brevard, Ullian Realty Corp. and holds a dual-brokerage license. Florida was one of the first states to issue a dual license.

The two companies have separate staffs, dedicated phone lines and Internet, but share office space at the Airport Corporate Center.

"The relationship has worked out really well," said Ullian, who is marking his 30th year in the local commercial real-estate market in 2015, having started with Evans Butler Realty Inc. in Melbourne.

"It just made sense for me to have a dual-brokerage license. Sandra runs the property-management side, and together we do the leasing of properties. The two companies are separate legally as they should be, but we share office space."

Ullian Realty specializes in office and industrial real-estate brokerage.

The newest Henderson Southeast employee is property assistant Megan Taylor. "Megan is in the process of getting her licensure," said Smith. "She's young, eager, very capable, and very bright. We're excited to have her join our team."

Licensed sales associate Andrew Evans works for Ullian Realty at the Airport Corporate Center. He's involved in the leasing and sales of office and retail buildings. "Andrew is coming up on two and half years with the firm. He had a banner year in 2014 and is doing a fantastic job for the company," said Ullian.

The Ullian Realty office administrator is Julie Tabele, a licensed sales associate who holds the Real Property Administrator designation through Building Owners and Managers Association International. She has 10 years experience working for a large property-management company. "Julie is a huge asset for our team. We're happy to have her working for Ullian Realty. She has wide knowledge of the commercial real-estate industry," said Ullian.

The Henderson Group and Henderson Southeast Corp. are positioning themselves for a year of portfolio expansion. "The company is aggressively looking to acquire new properties that will include build-to-suits, and sale-leasebacks (where one sells an asset and leases it back for the long term). We are bullish on growth prospects for 2015," said Ullian.