

Florida real estate firm invests big for Akron/Cleveland industrial portfolio

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Following a sale of 12 industrial properties by affiliates of Premier Development Partners of Cleveland in a more than \$185 million deal, the region has gained another major player named Aurora Industrial LLC, operated by the Morning Calm real estate firm based in Boca Raton, Florida. Meantime, Premier retains its substantial land holdings in Northeast Ohio and will use proceeds to diversify its holdings geographically outside the region while continuing to redevelop and build structures for businesses in the Cleveland-Akron area. Mukang Cho, CEO of Morning Calm, which is building an industrial portfolio under the Aurora Industrial name, said in a phone interview, "This isn't a one-and-done situation for us in Cleveland. We hope and expect to continue to scale up in this market. This is the start of a long relationship for us and Cleveland."

To that end, Morning Calm has launched an office in Solon where it plans to house three experienced real estate professionals who will oversee leasing and property management of its new portfolio here and look to expand it. The purchase is its first investment in Ohio and follows its initial investment earlier this year for Aurora in Detroit.

It's also part of a larger plan. Aurora Industrial is the vehicle for investments by institutional and private investors internationally as well as in the United States. Cho declined to identify the investors specifically.

"Aurora Industrial is a discretionary vehicle through which we are buying \$1 billion in industrial assets in the Mid-west over the next couple years," Cho said. "We think there is an interesting tailwind that will take place from onshoring and reshoring of American manufacturing. Markets like Cleveland and Detroit have the benefits of the manufacturing boom of decades ago. With that comes available land, a skilled workforce and existing infrastructure on land and water for transportation."

The other reason for buying into Northeast Ohio industrial properties is the size of the regions industrial market, measuring about 300 million square feet. It's too big a market to ignore," Cho said.



The massive Arhaus headquarters and distribution center in Boston Heights has been acquired by Aurora Industrial.

That is a big change from decades when the region's manufacturing base was overlooked for faster-growing, higher priced economies on the coasts.

For its part, Premier will continue to develop and acquire properties in Northeast Ohio, however Keven Callahan, a Premier principal, said in an interview that the sale will help it expand in markets outside the region.

Spencer Piszczak, president and co-founder of Premier, said in the same interview, "We feel we had a significant amount of value and property concentrated in one market and have elected to diversify in other markets as well." He said its+ growth will approach 10 million square feet in the near future.

Piszczak noted the company owns about 250,000 square feet of industrial space in Charlotte and pointed out its continued plans to remain active in the region as it just bought a property in Middleburg Heights.

The Middleburg Heights property is a shuttered Kmart on Bagley Road near Eagle Road that was added to Premier's portfolio in a \$4.25 million deal on Nov. 16, just after the sales were completed. Piszczak said Premier is discussing uses of the property with several prospective users. Premier also has been associated with a potential Kroger warehouse in Oakwood, but Piszczak wouldn't comment on that.

Cho and Piszczak declined to discuss specifics of the transaction beyond saying it encompassed more than 2.5 million square feet of rentable space. However, using online realty date source CoStar and public records in Cuyahoga, Portage and Summit counties, the bulk sale includes warehouse, manufacturing and distribution center properties that traded for about \$185 million. The properties are considered A, B and C quality and date from 1968 through the 2000s.

The best-known property of the bunch is the massive headquarters and distribution center that Premier developed through a partnership and leased to Arhaus LLC, the Boston Heights-based furniture retailer with a national store network. The nearly 744,000-square-foot building, completed in 2016, sold Nov. 12, for \$75.6 million, according to Summit County land records.

With locations in Akron, Brooklyn, Glenwillow Village, Hudson, Macedonia, Solon and Streetsboro, the portfolio includes a property as small as 15,000 square feet, but most are in the 100,000-to 200,000-square-foot range. It's a mix of single- and multiple-tenant buildings. Cho said Morning Calm underwrites each property individually and has an appetite for flexible office/warehouse space, as well as the much-sought new-breed industrial warehouses.

Northeast Ohio industrial and investment real estate experts consider it a significant transaction on several levels.

Alec Pacella, president of the NAI Pleasant Valley brokerage based in Independence, said in an interview, "It's a frothy market. Cleveland remains a value play but is gaining a lot of value. We've essentially added a new, institution-backed player to the market to bring in new ideas, while we still have the local entrepreneur Premier remaining in the market."

George Pofok, a senior vice president in Cushman & Wakefield Cresco's industrial unit in Independence, said the deal fits the evolving nature of the regions industrial market, part of a national phenomena.

“We’ve been primarily entrepreneurial, local market with groups such as Fogg, Geis, and Premier,” he said. “Now we have more institutions coming in that didn’t care about this market in the past. The more of them that are here, the more exposure the region gets.”

Pisczak, a Cleveland native who ran Duke Realty Corp.’s industrial foray here and remained after it left, also was surprised by the variety of prospective buyers.

“This says a lot about our region,” Pisczak said. “We had multiple parties looking at our portfolio. It made more sense to sell to one buyer rather than 10. There are now at least 30 different out-of-town entities that have come into the region in the last 20 years.”

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