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<p>Smaller markets suit developer just fine</p> <p>Source: Business Examiner 03/17/2008</p> <p>Author: Paul Schrag</p> <p>While larger investors try and winnow their way into hot industrial and office markets, Jeff Davis has been cleaning up in smaller, South Sound locales such as Sumner, Lacey and DuPont.</p> <p>While emphasizing that his company, Davis Property and Investment, keeps a rich and varied portfolio, Davis has made the choice to invest in smaller, peripheral markets in recent years – a move that he suggests leads to higher yields and fewer headaches.</p> <p>“Investing in these smaller, industrial-based submarkets allows us to pursue some things that are kind of under the radar,” he said. “So we transitioned out of doing the big box stuff. Our choice was a conscious</p>			

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one."

At this point, DPI manages more than \$120 million in real estate assets in Washington and Oregon. It was one of the region's first developers to enter fast growing sub markets between Sumner and Olympia. Davis also has invested heavily in Lacey, and has his sights set on DuPont as the next hot submarket. A recent investment in DuPont, said Davis, finished construction with 40 percent of the space already leased.

"We think there's still a tremendous upside to many of these smaller industrial-based markets along the I-5 corridor," said Davis, who expects to announce several more real estate deals in the coming months.

Davis recently sold the so-called Davis 196 building in Kent to Portland-based Harsch Investment Properties, which has major holdings in Federal Way and Fife. Harsch bought the 113,000-square-foot building for \$7.5 million. That marks a \$2.5 million profit for Davis Property, which bought the building for \$5 million in 2005 from Albur Investments LLC. In the meantime, Davis collected lease payments from local furniture retailer Furniture Factory Direct.

As markets such as Sumner and Fife continue to tighten, areas like DuPont, Lacey, and even Centralia and Chehalis areas will inherit trade-driven needs for smaller, distribution and office centers. Often, by the time the numbers are right for giants such as Opus and Morgan Stanley to build in smaller submarkets, Davis and company have already turned several deals there.

Things are moving fast, however, said Davis. Already, industrial sub markets in Lacey are getting nearly as expensive as their northern neighbors, and those trends are not expected to slow anytime soon.

"Values just continue to climb," said Davis. "In Lacey, the (price) differences are \$2 or \$3 (per square foot) from prices in Sumner. Luckily, there are a lot of alternatives left."

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