

RELATIONSHIPS KEY TO P&G LEASE

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BROWNS SUMMIT -- The story of the biggest deal of 2002 is not just about leasing the most square footage; it's about the ongoing relationships that made the transaction work.

Procter & Gamble Co., a personal and household products manufacturing company based in Cincinnati, negotiated a year-to-year lease of about 582,000 square feet of industrial space at 6105 Corporate Park Drive in Browns Summit in September. On or about May 1, the company expects to expand its distribution center, from approximately 225,000 square feet currently occupies into a 357,000-square-foot addition being constructed by Cape Fear Construction of Greensboro.

Interestingly, the landlord, South Atlantic Cos., was the tenant in a 200,000-square-foot lease of Highwoods Properties space in Greensboro that was the overall winner of the Biggest Deal in 2001. The common denominator in the 2001 and 2002 winning deals is Tom Townes, a managing partner of Triad Commercial Properties of Greensboro, who represented South Atlantic in 2001 and both it and the tenant in 2002.

"We are very pleased with the relationship we have developed with Procter & Gamble and South Atlantic throughout the process and glad for Greensboro that we're able to see growth from a high quality company like Procter & Gamble," Townes says. The location was ideal for the distribution center because of its proximity to P&G's manufacturing plant in Browns Summit, he says. Not only is it close, but it can be accessed without trucks having to fight the congestion on any major highways.

In the future, another amenity provided by the lease may be an advantage. Rail access and the wide warehouse doors and levelers are features not present at many properties, says James Rucker, president and CEO of South Atlantic.

In the meantime, the trucks Procter & Gamble uses to transport its product are provided by the landlord, along with other fulfillment services such as staffing of the warehouse and office. "Being able to do all three areas of logistics is an advantage for us as well as them," Rucker says. "In fact, leasing the building is probably the smallest part of the arrangement."

Procter & Gamble, which occupies another 500,000 square feet in other Greensboro locations, signed this lease because of growth and consolidation of multiple locations into the Triad, Townes says.

Chuck Hurd, Procter & Gamble's finished product logistics manager, says the company timed the Browns Summit expansion for the early part of this year because of additional distribution business.

"Jim Rucker and I talked for some time about our desire to consolidate in fewer locations to improve our efficiency and customer service," Hurd says. "The problem was that our distribution was in a state of flux and we couldn't commit to a long-term storage commitment. Jim offered a short term lease."

Hurd says those negotiations were smooth because of the relationship established during the existing lease.

"We plan to continue to grow here," he says. "It's both good for us and South Atlantic."

That growth presented the challenge of providing extra space quickly while also keeping in mind P&G's need for the flexibility of a short-term lease with long-term options, Townes says.

"It is a real testament to South Atlantic's level of service as a landlord and as a third-party logistics company that their relationship continues to grow to larger buildings," he says.