

Industrial Investment Firm CEO: 'We're Actively Talking to Sellers'

MDH Partners' Jeff Small on Staying Active in the Sun Belt



Phoenix is a strong market for industrial investments, as it offers easy connectivity to California and Nevada. MDH Partners recently bought an industrial portfolio in the Sun Belt city. (Getty Images)

By [Cara Smith-Tenta](#)

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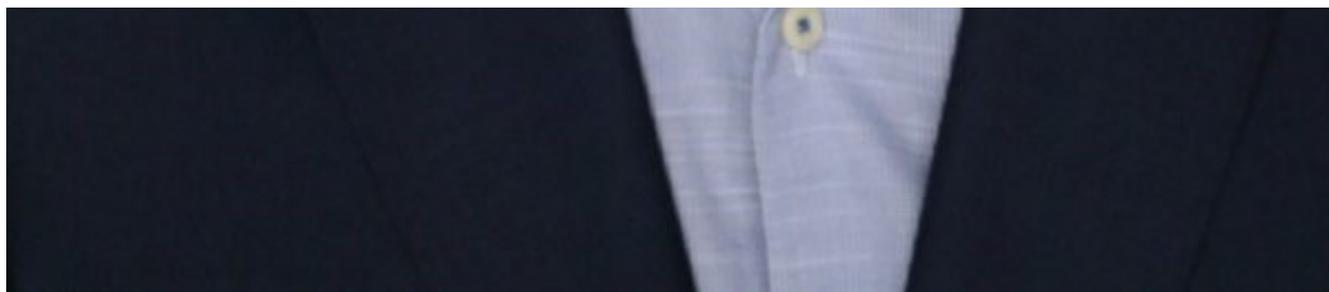
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Even in an investment environment plagued by uncertainty from the coronavirus pandemic, real estate firm MDH Partners isn't planning to take its foot off the gas anytime soon.

The company has an industrial acquisition under contract in the Southeast and is actively talking to sellers in a slew of Southeastern markets, Jeff Small, CEO of MDH Partners, told CoStar News in a phone interview. Earlier this month, the Atlanta-based

firm **spent \$40 million** for a six-property industrial portfolio, much of which caters to last-mile distribution tenants. It's also MDH's first foray into Phoenix, a strong distribution market with access to California and Nevada.





Jeff Small is CEO of MDH Partners. (Courtesy MDH Partners)

MDH Partners was founded in 2005. Since then, the firm's executed \$3 billion in acquisitions, developments and asset management. The company, which focuses primarily on infill industrial acquisitions, has acquired more than 14 million square feet of industrial space across 15 cities, according to its website.

In the days before that Phoenix acquisition closed, MDH inked a lease with Mitsubishi Chemicals for 12,500 square feet at [1710 N. Higley Road](#), one of the buildings in the portfolio, Small told CoStar News. It was a quick affirmation that investing in Phoenix's industrial market is a sound move.

“We believe, over the next 10 years — due to the quality of life, the positive business conditions, pro-business environment, positive opportunities and job growth — that these Sunbelt markets will outperform,” Small said.

Small spoke about staying busy despite the coronavirus pandemic and precarious business environment, the company's next target markets and how the global supply chain stands to be reevaluated in an interview with CoStar News that has been edited for clarity and length.

What drew you to the Phoenix market?

We're believers in the growth fundamentals in the Sun Belt markets. We're also looking at some of the other Mountain West markets that will, long-term, benefit from outflows from California, as the cost of doing business, taxes and regulations are so challenging. You're seeing the states to the east of California, even to Texas, benefiting from outflows of migration from California. A market like Phoenix is great.

The portfolio contains an empty building and a building that's one-quarter leased. Are you able to generate any leasing activity amid the pandemic?

Those buildings were just delivered a couple months ago. In our original models, we had allocated (over) a year to lease them up. Today, we actually have leasing prospects and are having discussions with tenants, which has surprised me.

What kinds of potential tenants are you having discussions with?

A variety of local distribution tenants.

Are you looking to make any acquisitions in the near term? If so, where are you looking?

We're still looking. We've got one deal in the Southeast that we just put under contract several days ago, and we are still actively looking at several deals. But, we are being very cautious. We're actively talking to sellers in Dallas, Atlanta and the Carolinas.

Has the coronavirus pandemic, and the way it fundamentally changed the function of real estate, make a certain property type or market more attractive now than it was before?

Industrial has been a long-term beneficiary [of e-commerce growth], and the pandemic is going to push that along even more. I also think the pandemic has shown that the supply chain has become too efficient. If you're building everything overseas, and you're a manufacturer here, and suddenly, that supply chain gets cut off ... I think retailers will build more robust supply chains and more redundancy.

There will be some long-term [trends] that benefit industrial, but at the same time, you do need to have positive GDP growth. Ultimately, it just comes down to demand for goods, but I think industrial will be one of the property types that comes out stronger on the other side.