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Smart & Final Leases; Note Buyer Takes Title

By: Bob Howard

FONTANA, CA—A food retailer's 350,000-square-foot lease and a buyer's acquisition of 400,000 square feet via a note purchase underscore the appeal of the Inland Empire region's industrial space. In the former deal, Watson Land Co. leased a 350,000-square-foot industrial facility within Watson Commerce Center Fontana to Smart & Final. In the other, the Los Angeles-based Magellan Group acquired two industrial buildings in the Hunter Business Park in Riverside, including a 300,000-square-foot manufacturing facility that is the former Lily-Tulip Cup plant.

The Smart & Final facility sits on nearly 18 acres at 13055 S. Valley Blvd. in Fontana. It will accommodate the warehousing and distribution needs for all of the food retailer's Southern California stores, which include Smart & Final and Henry's Markets. The 92-month lease is valued at approximately \$11.5 million.

Lance Ryan, vice president of marketing and leasing with Watson Land Co., says that the food retailer needed a facility with the location, functionality and size to accommodate its extensive inventory of products. The property, which fronts Interstate 10, features two 100% concrete truck yards, each with a 185-foot turning radius, 78 dock high truck positions and excess storage space for approximately 122 trailers.

Tom Paolucci, director of Smart & Final Distribution, comments that the Inland Empire "continues to play a significant strategic role in Smart & Final's expansion plan." He explains that the facility's ample storage capacity and central location near major distribution channels "will enable us to improve our efficiency as we continue to expand our retail platform in the Southern California region."

Brian Zurawski and Chuck Belden of Cushman & Wakefield represented Smart & Final in the transaction. Watson Land Co. was represented by Michael Chavez, Bill Heim and Eloy Covarrubias of Lee & Associates.

In the Magellan Group acquisition, the Los Angeles-based company partnered with an investment fund managed by Penwood Real Estate Investment Management in the [second deal](#) in recent days to involve Hartford, CT-based Penwood. The buildings that they bought are part of a 31-acre, three-parcel purchase.

In addition to the 300,000-square-foot manufacturing facility, which is at 800 Iowa Ave., the purchase also includes a leased 100,000-square-foot industrial building that is occupied by Ancon Marine and a 1.75-acre land parcel at the corner of Iowa and Palmyrita avenues that is slated for future development or sale.

Kevin Staley, principal and co-founder of the Magellan Group, comments that the acquisition "fits within our strategy of acquiring older industrial properties throughout Southern California and selected other Western markets where we can add value through property upgrades, leasing, management and disposition." The Magellan Group plans several capital improvements to modernize the manufacturing facility for a new user, including both interior and exterior improvements and new landscaping. The site also features a large yard area.

“The building is equipped with abundant power and is suitable for a variety of manufacturing uses,” adds Staley. “That, plus low electricity costs in the City of Riverside, makes the building ideal for a heavy power user.”

The venture acquired title to the properties following its purchase of an underlying mortgage note held by Far East National Bank. Terms of the sale were not disclosed. The venture closed on the acquisition in less than 30 days.