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Speculative building returns to Redlands

By: [Andrew Edwards, Staff Writer](#)

REDLANDS - For the first time in at least two years, a speculative industrial building has broken ground in the Inland Empire.

Watson Land Company, based in Carson, is building a 616,542-square-foot distribution center in Redlands at Pioneer and California avenues. The building is part of the firm's Watson Commerce Center Redlands project.

"The absorption rate for larger industrial buildings within the Inland Empire market has increased significantly in the past year," Watson executive Lance Ryan said in a written statement.

Ryan is Watson's vice president of marketing and leasing. His company expects to complete construction in the fourth quarter of this year.

A speculative building, by definition, is under construction before its owner has a tenant ready to sign a lease. The building's construction is a sign that Watson executives expect market demand and lease rates to increase.

The Redlands project is the first speculative construction since 2009, Watson said.

After a boom in such construction in the years leading up to the Great Recession, speculative building came to a standstill in late 2008. Phil Lombardo, executive director of Cushman and Wakefield's Inland Empire office, who is not involved in the project, said the Redlands site represents the return of speculative construction to the Inland Empire. Lombardo said he believes it is the first speculative building in the region since late 2008.

Colliers International is Watson's leasing agent for the Redlands project. The Inland Empire has only five vacant distribution centers with more than 500,000 square feet of space, said Colliers Executive Vice President Thomas E. Taylor.

"That's why the construction here is warranted," he said. "(In) six to eight months, there will probably be two or three of these."

Likely spots for future speculative construction include northern San Bernardino, Perris and Moreno Valley, Taylor said.

Watson's investment, happening at a time when Hewlett-Packard has signed on to lease 1.4 million square feet in San Bernardino, appears to fall in line with recent projections of recovery for the Inland Empire's industrial real estate market.

Data from Grubb and Ellis, a real estate advisory firm, shows increasing scarcity for industrial space in the Inland Empire.

As of Tuesday, there are 16 industrial buildings with more than 400,000 square feet on the market in the Inland Empire and High Desert, according to data provided by Fedora. One year ago, there were 36 such spaces.