

April 28, 2011

Industrial parcel rush: Land sale signals interest in speculative projects

By Rebecca U. Cho, Staff Writer

ONTARIO - A large expanse of land at Etiwanda Avenue off the 10 Freeway that is overgrown with weeds from decades of idleness could become the site of speculative industrial construction under its new owner.

Western Realco, a Newport Beach-based commercial developer, purchased about 30 acres of empty land for an undisclosed amount. The real estate company said it hopes to begin speculative construction, or development without a planned tenant, on the property, although plans are still in the works.

"We're always looking for good opportunities to purchase land," said Jeremy Mape, who oversees acquisitions at Western Realco. "Because of the market and the overall economy, it's been tough to justify buying land to try to develop over the last couple years. Hopefully, we're turning the corner."

Dropping vacancy rates and stabilization in rent in the Inland Empire drove the purchase, Mape said. The company is in talks with the city to determine future uses for the land, he said.

But Western Realco is excited at the prospect of starting a speculative project soon. Mape does not know when construction would begin at the site, which has sat idle for decades at the northwest corner of Etiwanda Avenue and the 10 Freeway, he said. It lies in a distributions hub near the ProLogis Crossroads Business Park.

"We're going to be working with the city to see what vision they have," Mape said. "We want to make sure to do something that works for everybody."

Strong port volumes and population growth led to a spurt of speculative building in the Inland Empire commercial space before the recession brought such activity to a standstill. But recently the region has seen developers begin construction without a planned tenant for the first time since 2009. Last month, Watson Land Co. broke ground for a speculative industrial project in Redlands.

And Western Realco's purchase of the 30 acres of freeway frontage land located about two miles east of Ontario Mills signals the rising interest in speculative development in the slowly recovering Inland Empire. A scarcity of large industrial space, or property of about 500,000 square feet or larger, could also spur more development as the region's economy recovers, industry experts said.

"Larger developers have re-entered the market and are tying up large industrial parcels in the Inland Empire," said David Knowlton, senior vice president of NAI Capital, which represented both the buyer and seller in the Ontario deal.

The seller, Knoxville, Tenn.-based CFJ Properties, had hoped to develop the land into a truck stop facility before the economy tanked, said Knowlton, who is based in Orange County.

Industrial real estate in the Inland Empire saw its vacancy rate decline to 9 percent in the first quarter of 2011, down from 11.9 percent the same quarter a year ago, according to a Grubb & Ellis report. Rental rates seem to be stabilizing, the report said, remaining flat for the third quarter at \$0.30 per square foot for warehouse and distribution space.