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## **DISTRIBUTION CENTERS BUOY INLAND ECONOMY**

By: JACK KATZANEK

Between the 1.4 million square feet of space Hewlett-Packard leased in San Bernardino and the even bigger Skechers distribution center in Moreno Valley, it's obvious that large industrial properties are in demand in Inland Southern California.

The question is, does that activity - and dozens of smaller but not insignificant distribution center leases that have been signed within the past six months or so - translate into growth for the recovering but still-weakened economy in San Bernardino and Riverside counties?

In the short term, the answer has to be yes. When Hewlett-Packard signed to lease both buildings of the Cajon Business Center in San Bernardino's north end in March, it was the last vacant warehouse of significant size in the Inland area. That means that new buildings will likely be built and generate some badly needed construction jobs.

Only a few weeks after the Hewlett-Packard deal was announced, Watson Land Co. said that it wants to build a 700,000-square-foot distribution center in Redlands. It will likely be the first speculative construction project of this kind in the Inland area since 2009.

Longer term, there are signals that the interest in distribution centers could help sustain the Inland economy for a while.

Nicholas Chang, a senior vice president at the Ontario office of NAI Capital, an Encino-based commercial real estate firm, said in a recent research report that trade and transportation are "base industry" activities, and that's where long-term job growth incubates.

"Springing from the growth at the base industry levels are the jobs in retail, office and other service and support sectors," wrote Chang, who specializes in large industrial properties.

"As long as ... it is cheaper for us Americans to consume commodities manufactured in Asia or overseas rather than commodities manufactured at home within our own borders, then the Inland Empire will continue to strive ahead and outpace the rest of the nation," Chang wrote of the strength of the industrial market.

### **Job Increases**

The most recent report on Inland job growth shows that positions related to the movement of goods increased a little more than 2 percent since April 2010, representing about 2,400 new jobs.

That's a small gain compared to the growth Inland residents enjoyed before the recession.

However, few sectors of the Inland economy - and even fewer blue-collar sectors - are showing growth of better than 2 percent.

Economist John Husing, who recently told Redlands city officials that the proposed Watson Land project in the city would mean more than 300 new jobs, said the regional economy will not fully recover until new home construction revives. For now, distribution is one of the few bright spots.

"It is a key for us," Husing said.

"If we don't get that, I don't know what else we have going."

### **More with Less**

Husing noted that the warehouse industry, like many in the post-recession era, has learned to do more with less. Many employers, nervous about the foundation of the recovery, have not been hiring many people, and he said that can only go so far.

Rick John, senior vice president of Daum Commercial Real Estate, said he expects an increase in distribution-related hiring late in the summer, when consumer industries start to ship holiday merchandise.

"I think employers have pushed employees hard to try and make money in this economy," John said. "In the second six months of the year I think they'll make some hires."

In the interim, John added, the current interest in Inland properties does not hurt, even if the hiring is not substantial. He noted that the complex Hewlett-Packard is leasing in San Bernardino sat vacant for three years, yielding no jobs at all.