

Dust flies in desert as trucks roll in

The High Desert is experiencing an increase in industrial development

By Darla Martin Tucker

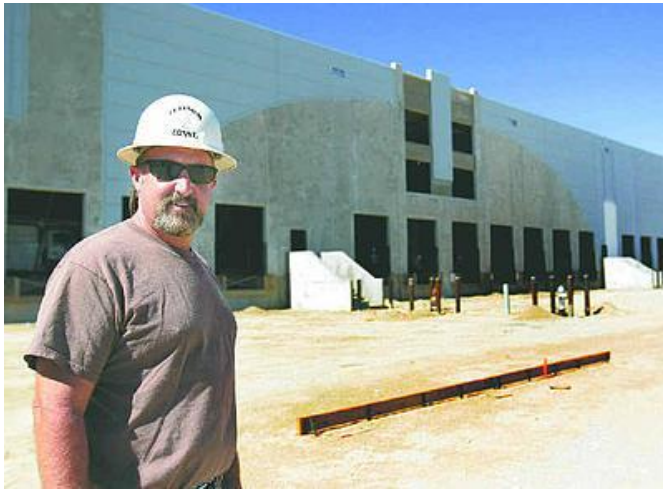
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Developers see gold in High Desert dirt, as a haven for logistics companies seeking wide open spaces near a redeveloped air base, freeways and rail lines.

With its eye on the rapidly diminishing supply of open space elsewhere in the Inland Empire, Watson Land Co. in Carson made its first foray into the High Desert with the purchase of 180 acres in Apple Valley. The company bought the acreage from nine property owners last year and earlier this year. Watson is assembling additional parcels and expects to eventually own upward of 250 acres near an existing Wal-Mart distribution center and Interstate 15, said Craig Halverson, Watson vice president of acquisitions.

The company will build and lease about 2 million square feet of space on the land. "It's really hard to say who's going to come in. Most likely it will be somebody in the logistics business," Halverson said.

The High Desert is experiencing an increase in industrial development, mainly because there is land available for significantly lower prices than in the Ontario basin, he said. And depending on



the rate of development, the last remaining industrial land in San Bernardino, Riverside, Moreno Valley and Perris may disappear in five to eight years, he said.

"With all the new development down the hill, we're running out of land rapidly," Halverson said.

IDS Real Estate Group in Los Angeles, the city of Barstow and BNSF Railway Co. embarked on a joint venture to develop 1,200-acre Barstow Industrial

Park. The venture is designed to serve logistics companies that use truck and rail transportation. The Union Pacific-BNSF intercontinental rail line fronts the park, which lies three miles north of Interstate 15 and 2.5 miles south of Highway 58.

The city, IDS and BNSF Railway plan to have a rail spur and a network of roads throughout the project by early 2008.

The property houses Valmont-Newmark, a concrete utility pole manufacturer. It is the future home of an 880,000 square-foot Wal-Mart mechanized distribution center, expected to break ground later this year. Wal-Mart anticipates hiring some 500 people to operate the distribution center, a release said.

A little more than 1,000 acres of the park is available, said Ron Rector, manager of Barstow economic development and redevelopment.

Project leaders anticipate logistics industry growth as international trade skyrockets and product streams on trucks and trains toward the Inland Empire from the Los Angeles ports.

Logistics is the acquisition, storage, transportation and delivery of goods along a supply chain.

As open space diminishes in the Inland Empire's west end, warehouses, distribution centers, trucking companies and other logistics-related enterprises are heading for the High Desert. Interstates 15 and 40, State Highway 58, BNSF Railway Co. and Union Pacific Railroad rail lines traverse the upper region, home to Victorville and its Southern California Logistics Airport, Barstow, Hesperia, Apple Valley and other growing communities.



Space Center Inc. in St. Paul, Minn. acquired about 50 acres in Victorville and is entitling a 1 million-square-foot distribution center along a rail line. The company four years ago built a 450,000 square-foot, rail-served distribution center for M&M Mars in Victorville.

"The Ontario area is basically built out. There's not enough land to accommodate these large centers," said Graham Tingler, Space Center's western region president. The company has facilities in Fontana, Mira Loma, Victorville and Riverside.

In addition to rail lines and freeways, the High Desert has a work force that may want employment near home rather than commute to jobs down the hill, Tingler said.

He likened the High Desert's industrial growth to Ontario's growth 15 years ago.

"We have property targeted for logistics and support logistics activity," said Steve Lantsberger, Hesperia's deputy director of development services and economic development. "[It's] definitely one of our target industries."

The city is negotiating with "a number" of logistics-oriented companies about locating in Hesperia. Lantsberger declined to reveal how many firms are in talks with the city. Newell-Rubbermaid, which is building a 407,612 square-foot distribution facility in Victorville, leased a 400,000 square-foot distribution center in Hesperia four years ago.

The city is developing about a mile of rail spur to serve an industrial area east of the BNSF rail line. Hesperia applied for a \$2 million grant from the U.S. Department of Commerce to pay a third of the rail spur cost. The redevelopment agency will cover the remaining cost, Lantsberger said.

An area of western Hesperia close to Interstate 15 is viable for larger logistics companies, he said.

Riverside and San Bernardino counties are expected to add 7,200 distribution and transportation jobs this year, according the Inland Empire Quarterly Economic Report published in April by regional economist John Husing.

Last year, the two-county area added 6,500 distribution and transportation jobs, a 6.5% bump over the previous year. Husing attributed the upswing to increased international trade through the Los Angeles and Long Beach ports.

"We have virtually unlimited dirt," Barstow spokesman John Rader said. And therefore unlimited growth potential.

"What we're looking at, beginning in 2009, is adding 700 to 1,500 jobs a year in the logistics field," Rector said. "Logistics usually runs around one employee per 2,000 square feet per shift. A lot of these logistics companies do three shifts," Rector said.

"Automation is the wild card. The more automation, the lower the people count."

The city of Barstow applied for a \$2 million economic development grant from the U.S. Department of Commerce. The city, IDS and BNSF will use the money either to build an initial 8,000-linear-foot rail siding switch from the main rail line into Barstow Industrial Park, or may add to the siding switch in the future, Rector said.



"We're not waiting for the grant" to begin construction of rail infrastructure, he said. All three partners will cover costs, he said.

Barstow is home to the largest railroad classification yard west of Kansas City, Ka., Rector said. After goods-laden trains arrive from the shipping ports, railroad workers in the classification yard separate the cars to form trains headed for different parts of the country.

Rector advertises the 1,200-acre Barstow Industrial Park and the city's logistics-friendly amenities in logistics industry magazines and at trade shows in the United States, Canada and

China. The city straddles a Union Pacific-Burlington Northern Santa Fe rail line at the juncture of Interstates 15 and 40 and Highway 58.

Dynamic Builders is constructing an 85,000-square-foot cold storage facility in Barstow, the first of four phases for the incoming Barstow Produce Center, Rector said. And Love's Truck Stop Barstow has four truck washes and two truck service facilities, Rector said. "We're very truck-friendly."

The new truck stop developers have completed planning phases and are obtaining permits from the city, he said. Barstow is about 25 miles from Victorville and Southern California Logistics Airport.

The city of Victorville and BNSF Railway Co. entered negotiations in January over a proposed intermodal logistics facility as part of a planned 3,500-acre Southern California Rail Complex at the airport. Negotiations were ongoing June 20.

"We're hopeful we will have something new to report," city spokeswoman Yvonne Hester said.

Southern California Logistics Airport at the former George Air Force Base in Victorville is comprised of the 2,500-acre logistics airport, the 2,500-acre Southern California Logistics Centre and the planned 3,500-acre rail complex.

Approximately 100 companies, including General Electric, Pratt & Whitney and Boeing, operate at Southern California Logistics.

In April, logistics airport officials announced the construction of the first facility in the airport's 350-acre, phase one development in the Southern California Logistics Centre. Officials broke ground on the 407,612 square-foot Newell Rubbermaid distribution facility. The new building will employ 150 people.

The airport's first phase development will include approximately 6.5 million square feet of speculative facilities on 350 acres.

The logistics centre is expected to create more than 13,000 jobs.

Stirling Capital Investments, a joint venture between Stirling Enterprises in Foothill Ranch, and DCT Industrial Trust Inc. in Colorado, together with the city of Victorville, own and are developing the airport property.

Stirling Capital is developing two, multitenant industrial buildings totaling 225,000 square feet and a 296,000 square-foot distribution building.

The latter facility will be the center's first logistics-oriented facility, providing warehouse management and logistics fulfillment. Stirling and Cal Cartage, a third-party logistics provider, are co-marketing the facility.

The airport currently employs 2,900 people in aviation, logistics and manufacturing.