

Turn Toward Spec for Industrial Market

REAL ESTATE: Western Realco plans 83,000 SF on parcel in Brea By **MARK MUELLER** Saturday, January 7, 2012



200 Boysenberry Lane: Western Realco got “a good number” for building in Placentia

Newport Beach-based developer Western Realco LLC, fresh off a big property sale in Placentia, is eyeing a vacant parcel of land it just bought in Brea as the site of a speculative industrial building that could go up later this year.

The company, an active buyer and seller of Orange County industrial properties in the past few years, recently closed on the purchase of a nearly 4-acre parcel of land on Orbiter Street in Brea.

The land sold for just under \$3.5 million.

The site’s located near the headquarters of Beckman Coulter Inc. and American Suzuki Motor Corp., a few blocks from the intersection of Imperial Highway and Kraemer Boulevard.

The vacant site had long been owned by San Antonio-based Harte-Hanks Inc., the parent company of advertiser PennySaver-USA.

Pennysaver’s regional headquarters is located next to the empty land, which was “quietly” put on the market last year, said Gary Edwards, a Western Realco principal.

Western Realco plans to develop a nearly 83,000-square-foot industrial building at the site, according to Edwards. The high-end building should include 5,000 square feet or more of office space.

The company has been in talks with the city, and hopes to move forward on getting approvals for the project in a few months, Edwards said. The plan is to start construction in earnest this summer, he said.

The 83,000-square-foot project is notable for OC’s industrial market, which hasn’t seen much in the way of speculative development over the past five years.

“A project with this size of building hasn’t been developed in the North Orange County area since possibly the late 1990s,” said Sean Ward, a first vice president with the Orange office of CBRE Group Inc.

“The last wave of development in 2004 to 2007 was mostly small buildings under 10,000 square feet,” said Ward, who represented Western Realco in the Brea deal along with colleague Ben Seybold.

The Brea project stands to be the second speculative industrial development to go up in North Orange County in the past few years, following a three-building, 120,000 square foot project in Anaheim's Canyon business corridor built by Irvine-based Sares-Regis Group.

Sacramento-based Panattoni Development Co. also has plans for as much as 900,000 square feet of industrial buildings to go up in Anaheim, although a timeframe for when that project could move ahead is unclear.

Sares-Regis sold out its Canyon Point project in Anaheim last year, at prices in the \$135 per square foot range.

Pricing

Western Realco hasn't figured out pricing for the Brea project, which will be offered either for sale or for lease, Edwards said. It would mean a roughly \$12 million price tag if it sells the building at a price comparable to the Anaheim projects.

Sares-Regis "proved that in a difficult market, people are willing to pay for a premium product," Edwards said.

Western Realco has had its own success selling local industrial properties of late, including a high-profile, nearly 200,000-square foot former food processing plant in Placentia that closed in December.

Industrial Income Trust Inc., a Denver-based real estate investment trust, bought the building, located at 200 Boysenberry Lane.

The buy marks a push into OC for Industrial Income Trust, which has been "very active" in the Western U.S. but has few local holdings, said Jeff Read, senior vice president for the Orange office of Grubb & Ellis Co., who brokered the Placentia deal with colleague Greg Osborne.

Other Holdings

Regulatory filings showed Industrial Income Trust owning about 1.5 million square feet of industrial property in Southern California as of last year.

"It's a good indicator of the strength of the investment market," said Read of the Placentia sale.

The Boysenberry Lane building traded hands for an undisclosed price. Edwards called the sales price "a good number."

Brokerage data showed the building's asking price to be \$18.2 million, or about \$92 per square foot.

A sales price in that range would be a big mark-up in the value for the vacant building—which previously served as a production facility for Knott's Berry Farm jams and preserves—compared to when Western Realco bought it in late 2010.

Western Realco paid about \$10.3 million, or \$51 per square foot, for the building. It spent another \$2 million in renovating the property for more general uses over the past year, according to Edwards.

The property was built by the Knott family in 1985 and used for various companies' jam operations until closing in 2008. It's been vacant since then, although Edward said his company had seen some good interest from tenants before getting an offer from Industrial Income Trust.

Fullerton Deal

The Placentia sale followed a similar playbook to another industrial deal in Fullerton that Western Realco completed in early 2010.

In 2009, it paid \$8.3 million for a Fullerton plant previously used by Chicago-based cardboard box maker Smurfit-Stone Container Corp.

The building was bought out of bankruptcy by the developer, which turned around and sold the property in 2010 for about \$12.3 million to South Coast Transportation & Distribution Inc., which provides trucking, warehousing and logistics services.

Western Realco has one more OC industrial project in the works in Irvine, although a timeline for when construction begins will be longer than what's expected in Brea.

13 Acres

Last year it snapped up a 13-acre industrial property on Red Hill Avenue for a little more than \$19 million.

The property includes a 183,000-square-foot building that's almost fully leased with multiple tenants. Western Realco said it plans to renovate the building and put it up for sale after existing tenants' leases expire in 2014.

It's also looking to build two industrial buildings totaling about 80,000 square feet on an additional 3.5 acres of empty land at the Irvine site.