

High-End Industrial Hopes in Anaheim

REAL ESTATE: Western Realco plans 210,000 SF on spec By **MARK MUELLER** Saturday, February 11, 2012



Canyon Point: brought confidence to industrial market

A 10.5-acre land site in Anaheim just outside the Platinum Triangle has been sold to a local developer that plans to build a high-end industrial complex, the latest sign of life for Orange County's commercial development market.

Newport Beach-based developer Western Realco LLC last week closed on the buy of a vacant site at 2201 E. Cerritos Ave., just off State College Boulevard and a few blocks from the Orange (57) Freeway.

The site was sold by Pittsburgh-based Neville Chemical Co., which previously had a manufacturing building at the site but took it down about six years ago.

Terms of the deal weren't immediately disclosed. The land had been listed for sale in 2010 at about \$11.8 million, or roughly \$26 per square foot.

The deal is among the largest commercial land sales seen in OC over the past year.

Western Realco bought the property with financial partner Penwood Real Estate Investment Management of Hartford, Conn. They are planning to build a 210,000-square-foot industrial building at the site on a speculative basis, with 30-foot ceilings and spacious loading docks among its features.

The developer last week got approval from Anaheim's city council to re-zone the property for the new construction, according to city documents.

The building will be offered for sale or for lease, said Jeff Read, executive vice president with the Orange office of Grubb & Ellis Co., who brokered the deal with colleague Greg Osborne.

Summer Schedule

Construction is expected to start in the next two months.

Grubb & Ellis also will be marketing the new building for Western Realco, according to Read, who has worked with the developer on several local deals the past few years.

The project is among the largest new industrial buildings on tap for construction in OC, which saw a minimal amount in the past few years following the latest recession.

Interest in new warehouse, distribution and other industrial buildings appears to be picking up. There's now close to 1.5 million square feet of new industrial development in the works for the region, primarily in North County (see related story, page 1).

Much of that construction could move forward this year, according to data from Irvine-based brokerage 360 Commercial Partners.

With vacancy rates hovering around 4% for OC's 250 million-square-foot industrial market—well below the roughly 17% vacancy rates seen for area offices—it shouldn't be difficult to find tenants to fill the new buildings.

“The market is ready and will absorb these buildings quickly,” 360 Commercial Managing Partner Louis Tomaselli said.

Last year's rapid sale of three mid-sized buildings in Anaheim by Irvine-based Sares-Regis Group Inc. at the Canyon Point project near Miraloma Avenue—at a combined 120,000 square feet the largest speculative industrial project to go up in OC last year—has given developers confidence to move ahead on additional, and larger, projects, Tomaselli said.

Western Realco is responsible for a good portion of the new development that's been proposed across the county of late.

Brea Buy

Last month, the company announced it had 4-acre parcel of land on Orbiter Street in Brea, near the headquarters of Beckman Coulter Inc., where it plans to develop a nearly 83,000-square-foot industrial building.

Western Realco also has development plans on tap in Irvine, for a 13-acre industrial property on Red Hill Avenue that it bought last year.

The Brea land reportedly was sold by San Antonio-based Harte-Hanks Inc., the parent company of PennySaver-USA.

Pennysaver's regional headquarters is located next to the empty land, which reportedly sold for just less than \$3.5 million, roughly \$23 per acre.

In general, land entitled for industrial uses in OC has been trading for \$18 to \$20 per square foot, Tomaselli said.

Prices of \$30 per square foot prices, or about \$1.3 million an acre, were seen for some industrial-zoned land near the peak of the market prior to the recent recession.

Along with Western Realco, the two most active local industrial developers continue to be Sares-Regis and the local office Sacramento-based Panattoni Development Co., each of whom are working on projects on land once used by aerospace giant Boeing Corp.

Panattoni's Plans

Panattoni's is moving ahead on eight buildings totaling about 830,000 square feet. The projects all are near La Palma Avenue in the Anaheim Canyon business corridor along the Riverside (91) Freeway.

The developer expects to submit plans for the Anaheim project to the city for approval as soon as this week, according to Brad Bierbaum, senior vice president for the Orange office of CBRE Group Inc., whose team has the listing for the development.

Plans are for the speculative development project to break ground in the third-quarter, Bierbaum said. The project has already received interest from potential users totaling more than 3 million square feet, he said.

Sares-Regis is said to have recently closed on surplus Boeing land in the Douglas Park project in Long Beach, where a new industrial project is slated.