



Rendering: 44-acre former Beckman site to see construction begin in earnest this week, \$130 million, eight-building project

No Land, No Problem For Developer Western Realco

\$40M in Buys Kick Off 1-Million-SF Beckman Project

By MARK MUELLER

Western Realco isn't the only game in town right now when it comes to industrial development in Orange County. But it's close. The Newport Beach-based developer,

one of the most active builders of industrial properties in OC since the last recession, is breaking ground this month on its largest-ever local project, a multibuilding business park on land in Fullerton that previously held the headquarters of **Beckman Coulter Inc.**

The 44-acre site, vacant except for one mid-sized office that will be redeveloped, is being turned into an eight-building project of just under 1-million-square-feet. It's the largest industrial project in OC to start in about four years, and comes at

► *Western 53*

With Partner H.I.G., Trace3 Could Go Big

TECHNOLOGY: 'Very deep pockets ... a very good thing'

By CHRIS CASACCHIA

Irvine IT services provider **Trace3** could change its long-held growth strategy under the financial muscle of new private equity owner **H.I.G. Capital**.

"We have the ability to look at various markets and groups and even competitors if we want to do that," Chief Executive **Tyler Beecher** said. "It just makes us a lot stronger if we do view someone that we're interested in."

Trace3, launched in 2002 by entrepreneur **Hayes Drumwright** with \$100 in his pocket, has zoomed past \$500 million in sales without an acquisition. The value-added reseller has relied on a network of technology consultants that sell goods and services to businesses in its ascension to one of the



Beecher: Trace3 CEO may 'look at [new] markets ... even competitors' with H.I.G. on board

► *Trace3 53*

Canterbury Tries to Reallocate Expectations

FINANCE: Advisory says endowments reporting good FY '17

By PETER J. BRENNAN

It was a good fiscal year for the endowments of many charities.

They're reporting returns of 12% to 14% for the 12-month period that ended in June, according to **Debashis Chowdhury**, president of **Canterbury Consulting Inc.**, a Newport Beach firm that advises many endowments.

Still, the charities aren't popping champagne bottles and expanding their budgets. That's because in prior fiscal years, many reported returns that declined 1% to 4%, he said.

"People are aware that market values are at all-time highs," Chowdhury said. "It hasn't led to euphoria and irrational decision making that you saw in prior economic cycles, which is a good thing."



Chowdhury: advice-only allows 'complete independence'

► *Canterbury 54*

Mapping Technology Firm Moving Irvine HQ to URP

REAL ESTATE: Digital Map move follows VC funding, buy

By MARK MUELLER

The latest technology tenant that **Irvine Co.** has landed to replace **Broadcom Ltd.** at University Research Park shouldn't need help with directions to its new headquarters.

The Newport Beach-based office owner said it signed Irvine-based **Digital Map Products Inc.** to a 22,000-square-foot lease at University Research Park, the 185-acre park next to the **University of California-Irvine** whose largest tenant, chipmaker

► *Digital Map 43*



Renovations: rendering of upgrades planned at current Broadcom campus

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Western

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a time when new warehouse, distribution and other industrial projects in the county are few and far between, despite sector vacancy rates near an all-time low of 2%.

Less than 400,000 square feet of industrial space was under construction in all of OC as of midyear, according to local brokerage data.

"Even though the market is craving new, Class A product, Orange County is simply short on industrial land," noted a midyear market report by Newport Beach-based **Voit Real Estate Services**.

Locally, "there's not a lot of opportunities," said Western Realco principal **Gary Edwards**.



Mape: 'trying to get in the dirt very quickly'

You wouldn't know that, looking at the company's recent activity in the area.

A good portion of the county's industrial product that was under construction as of midyear was being built by Western Realco, which has an 181,000-square-foot project wrapping up this month elsewhere in

Fullerton on Palm Street, just off Imperial Boulevard.

Its other recent area projects include 3300 E. Birch St., a nearly 219,000-square-foot facility it built last year in Brea—a city that's been a frequent source of new development the past few years—and is finishing leasing it out.

Whynter LLC, a Santa Fe Springs-based provider of housewear products, last month signed a deal to occupy about half of the facility; brokers with the local office of **Newmark Knight Frank** are handling leasing for the rest of the property.

Including projects outside OC, the company has nearly 2 million square feet under construction, not counting the former Beckman Coulter site.

Two New Deals

More is in the works for the developer after it paid nearly \$40 million to buy two additional area sites in the past week.

Late last month, it closed on an 8.6-acre site in Anaheim about half a mile north of Angel Stadium, according to **Jeremy Mape**, director of acquisitions for the company.

The site, at 14242 E. Winston Road, was sold by a private investor and traded hands at an undisclosed price that real estate sources said was in the \$13 million to \$14 million range.



Western's new warehouse: July Garden Grove buy is 100% leased. [Very good] at keeping their finger on the pulse of the market, says broker Read of the 45-year-old developer.

"We have a couple ideas for the site," said Edwards, who added that the company's already been approached by a few interested users.

It was one of two local purchases by Western Realco in late July, Mape said. It also bought an 11-acre property in Garden Grove on Monarch Street for \$27 million.

The Garden Grove deal, which includes an existing 277,000-square-foot, fully leased building, has the potential for repositioning, according to Edwards.

Executives at privately held Western Realco attribute much of the company's recent success in finding area projects to its good relations with the area's brokerage community and strong financial partners.

"They're a lean group and are very good at keeping their finger on the pulse of the market," said **Jeff Read**, executive managing director for Newmark Knight Frank's Newport Beach office, who was part of the brokerage team that worked on the Garden Grove sale and is representing Western Realco for the Birch Street property in Brea.

"When they see an opportunity, they can dig in quickly," Read said.

An aggressive streak also plays a part in the company's recent success, Edwards said.

"We've punched above our weight class."

August Start

The former Beckman Coulter site, at the northeast corner of Harbor Boulevard and Lambert Road near Imperial Highway, is a definite step into the heavyweight division of

industrial development.

"It's been our most complicated project," Edwards said of the site. Work will start there this week.

Western Realco bought the site in two transactions, the first closing in late 2015 in a venture with Hartford, Conn.-based **Penwood Real Estate Investment Management**, a frequent co-investor in its projects.

Terms of the sales, which occurred in 2015 and 2016, were not disclosed. The Business Journal estimated the cost of the 44-acre property at about \$65 million, based on nearby sites selling for about \$1.5 million per acre.

Wells Fargo is the lender for the project, whose total cost is estimated in the \$130 million range.

Initially the goal was to kick off construction by early this year, but finalizing plans and getting the necessary entitlements took longer than expected.

The project, now called Beckman Business Center, has buildings ranging in size from 42,000 square feet to 309,000 square feet and is being offered both for sale and for lease.

Voit Real Estate's Seth Davenport, Mitch Zehner and Michael Heffner have the listing for the buildings, which will be completed by next summer.

"It will have a business-park feel," with targeted users to include those with corporate headquarters at the site, as well as logistics firms and light industrial businesses, Edwards said.

The site has been unused since 2009, when

Beckman, a maker of medical testing and research equipment, moved its headquarters to Brea.

It was considered for residential and retail uses before Western Realco bought the land.

Office and industrial rental rates in North County are slightly below the county average, per industry sources **Voit and Colliers International**. Asking rates for a Class A office average about \$2.19 per square foot in North County, and industrial rents fetch about 78 cents per square foot.

Late 2018 Wrap-Ups

The company was among the first developers of any property type in OC to begin building again following the last recession, and have built about 2.1 million square feet of space here since 2010. It's also rehabbed an additional 1 million square feet of local properties over that time.

Its executives are keeping a close eye on signs of the next downturn.

OC's economic fundamentals continue to look strong, and despite the high price of land here and other expenses—California Environmental Quality Act costs can easily add \$300,000 or more to an individual project—the area's lack of new industrial supply portends good things for the near term, Mape said.

Other markets where the company is active carry more potential risk down the road, Edwards said.

"We're trying to be a little careful about the Inland Empire. There's potentially an overbuilding situation (there)," he said.

The company has Inland Empire projects in the works in Ontario, Perris and San Bernardino, and is close to completing a couple of additional sites in the region, Mape said.

Western Realco's aiming to have just about everything in its development portfolio, including the former Beckman site, completed by the end of next year in order to mitigate its risk.

"We're trying to get in the dirt very quickly," Mape said.

A development time frame for starting work at its two latest OC purchases in Garden Grove and Anaheim haven't been announced yet.

Newmark Knight Frank's Read, **Kevin Shannon, Scott Schumacher and Bret Hardy** represented the seller of the Garden Grove facility, **Colony Northstar**, in that \$27 million deal.

Western Realco bought the site, at 12752-12822 Monarch St., in a venture with Penwood Real Estate.

Voit Real Estate's Robert Socci represented the seller of the Winston Street land in Anaheim, a private investor. ■

Trace3

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fastest-growing companies in Orange County. But under new majority owner H.I.G., the company can aggressively target new areas of growth from within or shop around.



Drumwright: started Trace3 in 2002 with \$100; company reports sales of more than \$500 million today

"More than anything, just having guys who are connected with very deep pockets backing Trace3 is a very good thing," Beecher said.

Indeed, the Miami-based private equity firm has more than \$21 billion in equity capital under management, with investments in about 200 companies. The value of the Trace3 sale was not

disclosed, but H.I.G.'s majority stake included adding five board members. It has been referred to by The Wall Street Journal as the "**Blackstone Group** of the midmarket." Blackstone is generally ranked among the top three of private equity firms in the world. H.I.G. co-founder **Sami Mnamneh** is a former Blackstone director. He and **Bain & Co.** grad **Toni Tamer** started the Miami dealmaker in 1993.

Drumwright, who has been busy working on two separate business ventures—a high-end winery in Napa Valley that he formed with two school friends and a crowdsourcing startup called **POP**—retained his position on the board.

He also runs **InstantScale**, which has invested over \$5 million into more than a dozen tech companies, primarily in Silicon Valley and the Bay Area, since its 2010 launch. The companies' technology has been vetted by Trace3 customers and accredited investors.

The entrepreneur looks to have another win

fermenting with **Memento Mori**, which specializes in bold cabernet sauvignons and has quickly built a name for itself in Northern California's competitive wine country. **POP**, which raised \$6 million in 2015 led by Silicon Valley venture capitalist **Nexus Venture Partners**, has notable customers that include **DirectTV, Red Robin, Taco Bell, Ford and NASA**.

Not all of Drumwright's ventures are winners, though. At 25, he launched Tech Fuel, an Irvine value-added reseller that raised \$7 million from angels and venture capitalists. The business crashed when the tech bubble burst, and Drumwright lost nearly everything.

A year later, he was back on his feet after a stint in sales at another IT service provider.

An H.I.G. press release in June announcing the Trace3 investment indicated Drumwright would remain a "significant shareholder" in the firm he founded.

Drumwright declined an interview request for this story.

Bridled Growth

Trace3, which has about 2,000 customers, had been courted by venture capitalists and private equity firms for years but denied other potential backers over concerns of changing the brand and business model, according to Beecher.

It's privately held but has maintained to the Business Journal that it's been profitable since inception. It has companywide employment of about 400, with a high percentage of those jobs in engineering. The company employs about 120 in Irvine.

Trace3's revenue is generated entirely in the U.S., with California accounting for about 75%, Beecher said.

H.I.G. not only has deep pockets but also connections to a host of potential customers across the nation as Trace3 evolves into more of an operations company.

"We are much more focused on helping clients grow, and profitability is a much bigger focus," Beecher said. "We're much more selective than we were a few years ago." ■