

Valley industrial real estate market on the upswing

By BoNhia
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On the face of it, there is nothing fancy about industrial real estate.

It's land with a bunch of offices and warehouses hidden behind neighborhoods, shopping centers and on old farmland in areas few people like to venture. But inside the big box buildings are complicated machines, good-paying jobs and exotic products that are delivered across the country and around the world.

After years of stagnation, the Fresno-area industrial market is on the upswing as the economy strengthens and businesses grow confident enough to make a move or expand.

With vacancy rates cut in half since the depths of the recession, commercial brokers say they are running out of property to show prospective tenants and buyers. That is fueling developer plans to start building again. Nearly a dozen buildings are under construction or planned in almost every corner of the Fresno area, brokers and developers say.

When the market was at a standstill, "there was a lot of available property," said Buk Wagner, vice president at Colliers International, a Fresno commercial brokerage company. When a client contacted a broker for new space, "we sent over 12 to 15 properties. Now, it's like 'let me see if I can find one to look at.'"

The turning point

Like the residential market, industrial real estate, which caters to manufacturers, distributors and others, came to a halt during the recession as businesses downsized, closed their doors or decided to wait out the storm.

Office and warehouse space and business parks built between 2005 and 2008 — the last expansion period — sat empty. Most industrial brokers agree that it was a tough market.

The Fresno vacancy rate shot up to 11% in 2010 from 7% in 2007, according to numbers provided by Newmark Grubb Pearson Commercial, a Fresno commercial real estate company. For nearly five years, there was no new speculative development or construction of a building without a specific use or with no buyer or tenant identified, said Ethan Smith, vice president industrial at Newmark.

Then last year, there was a change. The housing market was in recovery. Retail began its return as restaurant and store owners opened shops. And in south Fresno, where a majority of the area's industrial space is located, activity seemed to pick up.

Trucks began driving in and out of business parks more often. Companies added second- and third-shift drivers and job postings increased, Smith said.

In Fresno County, about 22,900 people are employed in the manufacturing sector, according to March figures from the state Employment Development Department.

There was a recognition "among my clients at least, that the market seemed to be changing a bit," Smith said. Vacant spaces began to fill up and rental rates strengthened as demand increased, he said.

Local and regional businesses started looking to buy property. Northern California and Southern California companies priced out of their markets or looking to expand moved into town. And businesses forced to relocate to make way for the California high-speed rail entered the market.

Vacancy fell to 6% at the end of 2014, the Newmark numbers show. That's a bit tight for the market, Smith has said.

Companies wanting a West Coast location are looking at Fresno, which is viewed as a prime location for reaching all of the state with products within a day, said Esther Cuevas, vice president business development for the Economic Development Corporation serving Fresno County. There is land available here, the labor force is here and the cost of doing business is low, she said.

"People have no idea the types of company that are growing here and are distributing different products and manufacturing different things," Cuevas said. "They are job creators."

Companies moving in

Last year, several local, national and international companies made big moves.

FedEx moved into a new shipping center that it had built at North and South avenues in south Fresno. The 198,000-square-foot building is double the size of the company's Willow Avenue site where it operated for 15 years.

Santa Monica-based Pressed Juicery opened a juicing facility in more than 20,000 square feet of space at Church and Orange avenues in southeast Fresno. The move was part of the company's statewide growth plan and enabled it to be closer to producers.

IFCO Systems, a supplier of reusable plastic containers based in Tampa, opened a 200,000-square-foot service center on Elm Avenue in southwest Fresno. The company washes, sanitizes and dries more than 95,000 containers daily that transport fruits and vegetables.

Ingram Content Group Inc., a publishing industry company based in Nashville, opened a 50,000-square-foot center known as Ingram Lightning Source's Automated Print-On-Demand Facility in the North Pointe Business Park on North Avenue, near Orange Avenue.

"Fresno's central location allows us to quickly reach major population centers in California, the West and Canada," said Gary Stahl, senior manager operations, Lightning Source. "And there's great talent in Fresno to support our operation."

Ingram started with 20 employees at the end of last year and now has 34 and an additional eight remote associates.

In February, KW Automotive moved its North American headquarters from Sanger to an 85,000-square-foot building that it bought and renovated in the Clovis Industrial Park, at Peach and Dakota avenues, where Pelco by Schneider Electric is located. The company makes suspension products for high-performance vehicles.

"We were looking for a building that had greater appeal and matched more of the image of the company," said Bob Schuetz, president of KW North America, which employs 50 people.

"It's a little smaller, but it's a more usable space. We looked at the greater Fresno area, but we kind of really set our sights on this particular park and that particular building."

Construction begins

Two 32,000-square-foot buildings are under construction at the North Pointe Business Park in south Fresno developed by the Parnagian family, which operates Fowler Packing Co.

Site work has begun on a third building, said Ross Parnagian. "We like to have space available so we're prepared," he said.

At build-out, North Pointe is expected to have up to 4 million square feet of industrial space. There are currently six

buildings on the 230-acre park for a total of 450,000 square feet.

In Clovis, Diversified Development Group is planning to build a large building in the Clovis Industrial Park and activity is expected to begin this year in the Dry Creek Business Park, north of Herndon Avenue off Minnewawa Avenue, said Shawn Miller, the city's business development manager.

"It's the best first quarter I've seen" in a long time, Miller said. "There's been more chains that have decided to open a new location in Clovis or there are a lot of companies growing that have not in a long time."

Don Pickett & Associates has started construction on four 5,000-square-foot buildings in its 63-lot Hydro Business Park at Brawley Avenue, near Golden State Boulevard in central Fresno. Plans are also in the works for a 20,000-square-foot, multi-tenant building in the front of the park, said president Mike Pickett.

The company also is planning a 6,000-square-foot industrial building in a different location outside of the park, he said.

Fancher Creek Business Park, in the Fresno Yosemite International Airport area at Belmont and Fowler avenues, recently welcomed Pana-Pacific into a 150,000-square-foot building. The company, which makes electronics for commercial vehicles, relocated from a smaller facility on Van Ness Avenue, south of downtown Fresno.

"I think the market has corrected to a certain extent" and Pana-Pacific's move has generated more interest in the park, said Scott Anderson with Penstar, the developer of the 76-acre business park.

Fancher Creek got off to a slow start, but may have two of the largest industrial buildings constructed in years. Pana-Pacific joins Ferguson, a plumbing retailer, which is in a 102,750-square-foot building. The park is expected to have 1.5 million square feet of industrial space at build-out.

For years, people thought the industrial sector was about trucking and five guys working in a warehouse, said Smith, the industrial real estate specialist. "It's a common perception that there's nothing going on inside these boxes," Smith said.

But the opposite is true. A lot of attention is given to residential real estate because people live in homes, but the industrial market is where the jobs are with businesses that make things and sells things, bringing money back in to the area, Smith said.

"There's nothing but positive feelings of where the market is headed," Smith said. "I don't think that there's a cliff close by. There doesn't seem to be a reason why things should slow down dramatically like we saw looking backward now."

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