

Growth High at Commerce Hub

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NOVEMBER 8, 2022

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Rendering: Plant Prefab's entry into Tejon Ranch Commerce Center will serve to diversify the hub's tenant base.

The major developments continue at Tejon Ranch Commerce Center, the 1,450-acre commercial and industrial hub on the Los Angeles County and Kern County border. Created by **Tejon Ranch Co.**, the industrial complex is anchored by a 1.7 million-square-foot **Ikea** warehouse and also includes tenants **L'Oreal**, **Dollar General**, **Caterpillar**, **Famous Footwear** and **Camping World**.

In July, an undisclosed end-user acquired 58 acres at Tejon Ranch for a planned 725,000-square-foot distribution facility. Construction will begin next year with occupancy scheduled for 2024.

In February, **Dedeaux Properties**, a Commerce-based industrial developer, acquired 12 acres for a planned 240,000-square-foot warehouse. Construction commenced in September, and completion is expected in the spring of next year.

And in December, **Scannell Properties**, an Indianapolis-based entity, acquired 17.1 acres to build a 240,000-square-foot high-tech manufacturing facility for modular home manufacturer **Plant Prefab**. According to **Deep Bhattacharya**, president of Plant Prefab, the company will begin occupancy of its Tejon Ranch building in January.

Plant Prefab, which is headquartered in Rialto and has factories there and in Ontario, looked at 11 potential sites in different states before deciding on Tejon Ranch Commerce Center. Bhattacharya said the company was considering facilities in the Los Angeles area, the Bay Area, Nevada and Arizona. Ultimately, the company narrowed it down to a shortlist of California locations.

"We were looking for land that had proximity to our markets and proximity to the transportation corridors," Bhattacharya said. "We principally build homes in the L.A. area or the Bay Area."

What made Plant Prefab decide to sign a lease at Tejon Ranch was "the location, the people and the incentives," Bhattacharya said.

Bhattacharya said the company was also attracted to tax incentives in the form of sales tax abatement for the technological assets being brought in, as well as the area's skilled labor pool.

"This wasn't taking over someone else's factory, this was building our own factory," Bhattacharya said.

Derek Abbott, executive vice president of Tejon Ranch Co., said Plant Prefab was a different kind of tenant for the center.

"Plant Prefab as a diversification of our tenant base brings into play some use of manufacturing," he said. "That kind of diversifies our tenant mix beyond more traditional logistics distribution."

Opportunity at the eastside

The Commerce Center has a total of 11 industrial buildings with a pair of buildings currently under development on the east side of the complex. Approximately 6.5 million square feet of industrial space has been taken, and another 12 million square feet is available.

"The westside land is completely absorbed," Abbott said. "The eastside is really the opportunity area that still continues to exist."

Abbott believes he knows why Tejon Ranch Commerce Center has attracted numerous "fantastic class A tenants."



“Many of them have seen what we’ve long seen in the Commerce Center,” Abbott said. “The strategic location is the biggest value. The proximity to the I-5 and 99, as well as access to key ports. Two- and four-hour access to ports. All those key factors work for the logistics models of these companies. And total cost of operations plays into it.”

Mike McCrary of **Jones Lang LaSalle Inc.** has been serving as Tejon Ranch’s leasing agent.

“We’ve seen in the last 24 months the run-up in values,” McCrary said. “Regions like Tejon Ranch and Bakersfield are getting a lot more attention. As you talk to the user, it’s just not the rent is more affordable; the availability of affordable housing is a big driver.”

In addition to industrial buildings, Tejon Ranch Co. is further embellishing the workforce housing landscape by adding affordable projects of its own, with several master-planned communities nearby.

There’s the Grapevine, a master-planned community with 12,000 homes for sale and 5 million square feet of commercial real estate. Grapevine has its entitlements and is working on permitting.

The more ambitious Centennial project will have 19,333 homes for sale. Despite a few legal setbacks and protests from environmentalists, it’s working its way through the entitlement process.

There is also Mountain Village at Tejon Ranch, a 3,450-home residential community.

Because of the arduous process of creating housing on this scale, the master-planned communities are still years away with no clear completion dates.

In the meantime, the Commerce Center continues to grow.

“We’re excited to be an opportunity area for the continued expansion for Northern L.A. region and we’ve got great spaces coming online,” Abbott said, recalling how the Commerce Center project began with the occupancy of Ikea in 2006.

Buildings developed since have been 450,000 to 700,000 square feet.

He noted that urban Los Angeles doesn’t have the space that Tejon Ranch does.

“Here you have the opportunity to develop space with a great location, a supportive local government and no community opposition to development at the Commerce Center,” Abbott said. “You’ve got that key access for inbound/outbound, great amenities and a great workforce for those distribution and logistics uses.”

Wise tenants



Rendering: Plant Prefab's design for a framing area.

Added McCrary, “These tenants have got a lot more wise to not just where their product is coming from, but where they are going.”

Abbott and McCrary also note how business-friendly Kern County has been. The county has been working with Tejon Ranch to expedite projects and tenancy there for decades now.

Melinda Brown, vice president of business development at the **Kern Economic Development Corp.**, calls her agency “the right arm for (Tejon Ranch’s) economic strategy for the county.”

“They have a great relationship with the county,” Brown said. “They have a development agreement to help speed the planning and permitting process.”

She called Tejon Ranch Commerce Center one of the country’s largest economic engines. The Commerce Center accounts for \$1.5 million in property tax a year and it accrues \$2.7 million in sales tax annually.



McCrary points to the Dedeaux Properties project as an example of the demand for Tejon Ranch Commerce Center space.

“They’re a very prominent California developer that has developed throughout the Inland Empire and Los Angeles,” McCrary said. “The Dedeaux have customers asking for industrial buildings outside of the area. The Dedeaux family looked at it and said, hey, we’ve got entitled land, it’s an affordable price. Let’s build a building (on speculation) and we’ll probably find a home for some of our customers.”

Dedeaux has so much confidence in the market that the company is erecting a building without a tenant in hand, according to McCrary.

“(Dedeaux) scoured Southern California for what would be a suitable location,” McCrary said. “They too saw the benefit of entitled land so they don’t have to go through the (California Environmental Quality Act) process. They saw a community in Kern County that’s very pro-business. They saw affordability in the land. They considered the labor and the transportation networks.”

McCrary said that even after Dedeaux and Plant Prefab complete their warehouses, there is still plenty of runway for additional tenants at the Commerce Center.

“We have enough entitled land that we can accommodate a number of corporate neighbors,” McCrary said.

