SQUARE FEET

RECENT SALE

$3 million

113-02 and 113-10 Atlantic Avenue (between 113th and 114th Streets) Richmond Hill, Queens

A local construction and development company has bought this 15,000-square-foot site, where it plans to build an apartment building with ground-floor retail space. A used-car lot is currently on the site, along with a vacant 1,725-square-foot one-story auto parts shop, which is to be razed. Construction is to begin by the end of the year.

BUYER: Lk and Zoria L.L.C.
SELLER: James Messineo
BROKERS: Dmitri Gourianov and Neil Firtle, Kalmon Dolgin Affiliates

RECENT LEASE

$16.80/square foot

$100,800 approximate annual rent

33-53 62nd Street (between 34th Avenue and Northern Boulevard) Woodside, Queens

An industrial supplier specializing in machine-shop supplies, metal-cutting tools and measuring instruments has signed a five-year lease, with a two-year option to renew, for a 6,000-square-foot ground-floor space for its sales, distribution and office in this 34,000-square-foot two-story warehouse built in 1963. The supplier received two months rent-free for its build-out.

TENANT: Victor Machinery Exchange
LANDLORD: Petroferm Products Corp.
BROKERS: Matthew McMullen and Avi Feinberg, Greiner-Maltz

FOR SALE

JAMES ESTRIN/THE NEW YORK TIMES

$8.55 million

17 West 17th Street (between Fifth Avenue and Avenue of the Americas) Manhattan

A 3,650-square-foot retail co-op, which is a sponsor unit and does not require board approval, is available in this 11-story 1915 masonry building in Chelsea. The space features 40 feet of frontage and ceilings that are more than 15 feet high. Its 1,750-square-foot lower level, with 10-foot-high ceilings, could be used as a selling basement.

OWNER: 17 W. 17 St. Enterprises Inc.
BROKERS: Jeffrey Nissani and Erik Nissani, Marcus & Millichap

ROSALIE R. RADOMSKY
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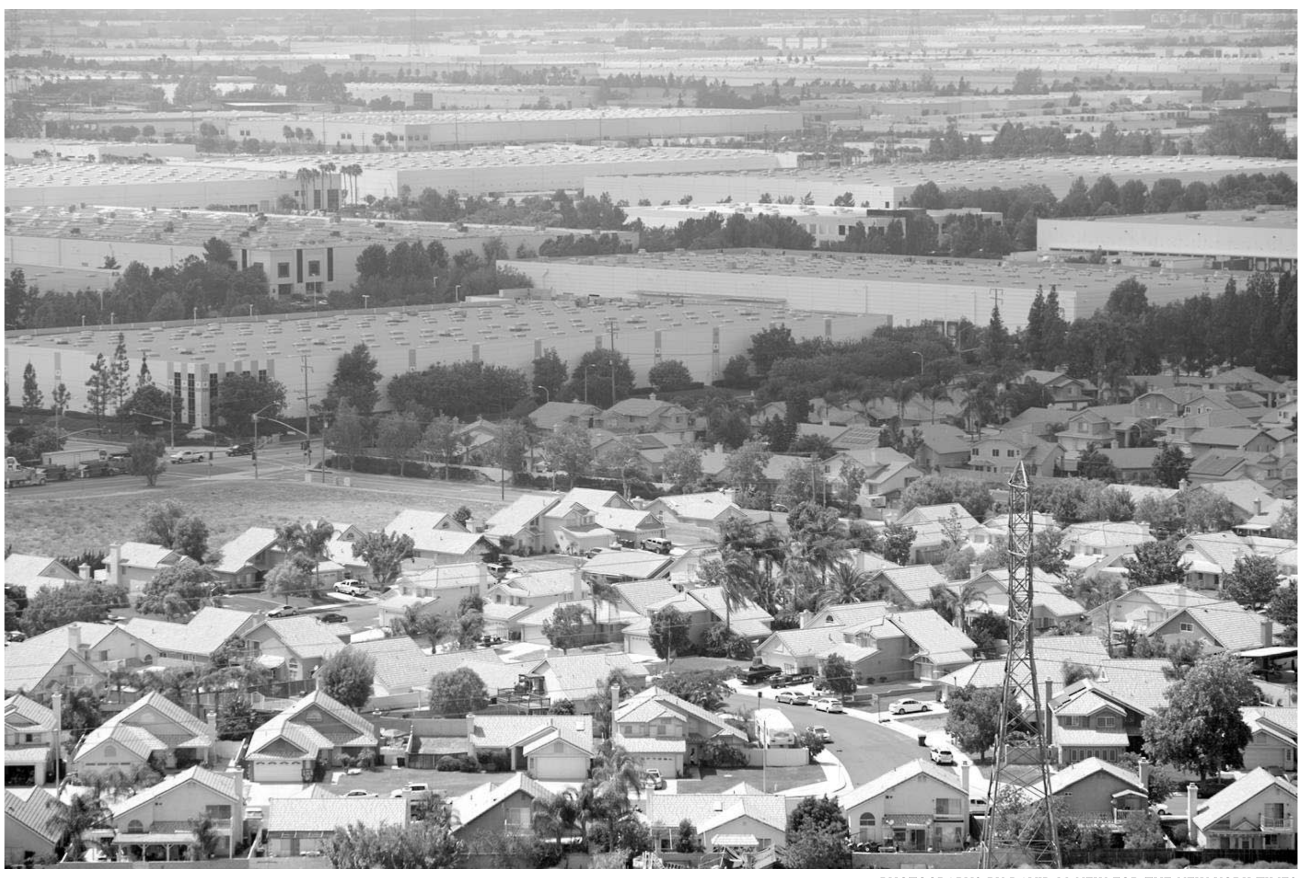
Bringing the Industry Back to an Empire

By NOAH SMITH



PHOTOGRAPHS BY DAVID McNEW FOR THE NEW YORK TIMES

The Inland Empire in Southern California, east of Los Angeles County, is peppered with warehouses and logistics facilities. The area, once a tale of overdevelopment after the financial crisis, is becoming an industrial hub as companies expand.

LOS ANGELES — The Inland Empire could be considered Southern California's backlot, with its vast warehouse complexes and staging areas.

Typically defined as the region east of Los Angeles and Orange Counties, and encompassing San Bernardino and Riverside Counties, this area of industrial development has been on a long march to recovery since the 2008 financial crisis.

Tens of millions of square feet of warehouse and logistics space have been built since 2011, and tens of millions more are on the way.

By almost 10 million square feet, it had the most industrial space under construction in the second quarter of this year in the nation, according to CoStar, a commercial real estate market research company.

Yet the region, which during the recession was a cautionary tale of overdevelopment and speculation, had the least amount of preleased space out of the top 20 markets in the first quarter of this year with 22.9 percent, and the second-least out of the top 10 in the second quarter with 32.5 percent, according to CoStar.

But this time, few in the industry or the local government say they are concerned. The ports of Los Angeles and Long Beach are busy, and major corporations are building warehouses, so-called fulfillment centers and logistics centers to accommodate the growth.

In this industrial real estate market, the vacancy rate is about 3.7 percent in the western parts of San Bernardino and Riverside Counties, and about 6 percent in the eastern part, both below the national average of 6.8 percent.

According to CoStar, this means that close to 5 million square feet of unoccupied space was absorbed, whether by a tenant vacating or new construction. Real estate companies report figures of 7 million to 9 million square feet. One company, Cushman & Wakefield, cited 9.2 million square feet of net absorption, which it called an "all-time record for the market."

"All our projects are experiencing a high level of interest," said Brandon Birtcher, the chief executive of Goodman Birtcher, a development and investment group. It recently leased 1.6 million square feet of space to the Georgia-Pacific Corporation in Rancho Cucamonga, Calif., and has 4.5 million square feet under construction or recently completed in the region.

Mr. Birtcher's confidence in the fundamentals of the market is typical of developers, local government officials, real estate agents and, actually, opposition figures.

The Inland Empire region has chalked up quite a few negatives. Its poverty rate is exceptionally high by national standards; both counties were rated as having poor air quality and given an "F" score by the American Lung Association this year; and traffic is horrendous.

Still, the region has relatively inexpensive land, is close to both of the nation's busiest port complexes and within reach of more than 23 million consumers.

With transportation costs projected to increase and technology helping to bring down the costs of both manufacturing and processing, corporations have begun moving their warehouses and logistics centers back toward areas with more people.

"The huge population in Southern California drives a lot of growth, a lot of cargo remains here, so the Inland Empire is a major distribution hub," said Philip Lombardo, executive vice president and managing broker at the Inland Empire branch of Cushman & Wakefield. "The market is hitting on all its cylinders."

The rise in e-commerce and improved methods of distribution have spurred companies to build new, more efficient buildings.

"Most of these are not the old-style building with 30 to 60 employees," said Thomas Taylor, senior executive vice president at Colliers International.

Companies "are customizing their orders with fairly large pick-and-pack sections that employ more people," he said. "Warehouses are like the new manufacturing."

Among the corporations that recently moved into a fulfillment center warehouse in the area is Amazon, the giant online retailer.

Increasing domestic and international trade has also increased shipments moving through the ports of Los Angeles and Long Beach, both of which need more space to handle those orders.

"We are expecting 5 to 6 percent annual growth through 2030," said Lee Peterson, a Port of Long Beach spokesman. Mr. Peterson said that the port was preparing to accommodate larger classes of container ships, and that trade levels were expected to at least double by 2030.

"We are tied very closely with them," he said of the centers and warehouses based in the Inland Empire region. "The port is just one part of the supply chain. We are literally are connected and all the links have to be strong."

Jay Orr, the chief executive of Riverside County, the tenth-largest county in the United States, agrees.

"We are a natural extension of the ports of Los Angeles and Long Beach," he said. "Something like 40 percent of all goods flow through Inland Empire."

Citing unemployment figures close to 6 percent, down from over 14 percent in 2010, Mr. Orr said his administration was trying to appeal to businesses and create jobs.

He pointed to the county's early adoption of the EB-5 visa program, which has helped to encourage foreign investments and promote work force programs like job fairs and training.

Transportation and warehouse jobs have increased more than 18 percent from 2012 to 2014 in San Bernardino County, compared with 4.4 percent nationally, according to numbers furnished by Mary Jane Olhasso, assistant executive officer for the county.

But criticisms have long been leveled at the types of jobs that have been created.

"There was a lot of hope that this development would help boost the regional economy, and certainly it has created a lot of jobs, but these jobs tend to be low-paying and are often temporary," said Ellen Reese, a professor of sociology at the University of California, Riverside and one of the authors of a recent study and policy brief on raising the minimum wage for local warehouse workers.

Ms. Reese said that unemployment in the industry was as high as 28 percent, depending on the season. Still, she acknowledged the reality of the warehouse economy in the area, and advocates a remedy rather than a revolution.

"How can we make these jobs better jobs? By moving them from temporary positions into direct hire positions, so these workers are working directly for the warehouses with higher wages and benefits," she said, arguing that higher wages would translate into an improved economy because of workers having more disposable income and paying more in taxes.

Penny Newman, executive director of the Center for Community Action and Environmental Justice, and a lifelong resident of Riverside County, has faced an uphill battle in advocating environmental and political reform.

"We seem to have a low esteem, and our leaders seem to take whatever is thrown at them," she said, in reference to land development deals.

Ms. Newman raised concerns about the environment and residents' quality of life, which have tagged along with the region's transition to an industrial hub from an agrarian economy.

"We are not just getting a little bit of pollution and impact, we are getting a lot, without receiving the benefits," she said. "It's not about replacing a warehouse with another building, it's about a bigger picture."

She added, "We have four major universities here, and grads won't stay in the area for warehouses."

Residents and decision makers agree that the Inland Empire's economy must diversify to protect itself from kind of implosion that occurred in 2008.

"We can't just be an economy of commuters and have home construction as driver of the economy," said Mr. Orr, who said that manufacturing, health care and opportunities created by supply chain optimization were possible areas for growth. "If we have to weather another recession, we will be stronger."

But with developers ever ready to dig, such pivots have been elusive, even as some projects purport to include elements of such diversification.

Two examples of major planned developments include Goodman Birtcher's 2.4-million-square-foot mixed-use logistics facility, which will include a logistics center, a hospital and retail and office space. The World Logistics Center, proposed by the developer Iddo Benzeevi, is set to stretch more than 40 million square feet.

"Everyone is monitoring the economy to try to avoid having an oversupply," said Mr. Lombardo of Cushman & Wakefield. "We are just getting to where we were before the crisis now, and we don't feel we are in an overbuilding situation."

THE 30-MINUTE INTERVIEW

KENNETH A. HIMMEL

Mr. Himmel, 69, is the president and chief executive of Related Urban, the mixed-use development division of Related Companies, and a managing partner of Gulf Related, a joint venture with Gulf Capital that invests in real estate projects in Saudi Arabia and the United Arab Emirates.

At Urban Related, Mr. Himmel was responsible for the creation of vertical retail space at the Time Warner Center. He is now supervising the one million square feet of retail, restaurant and entertainment space planned for the new Hudson Yards development on Manhattan's West Side.

Interview conducted and condensed by ***VIVIAN MARINO***

EARL WILSON/THE NEW YORK TIMES

Q. *What are your main responsibilities at Related Urban?*

A. Along with Stephen Ross, we sort of head up the vision part of the business in a very significant way and the strategy. When you begin looking at these very large, complex, long-term mixed-use projects that have all these various components — retail, restaurants, hotels, office, residential — the vision to go forward really takes five to 10 years. You want to get ahead of the curve. And so that really takes a lot of strategic thinking.

Q. *Hudson Yards is certainly one of them — it's been about eight years in the making.*

A. A lot of the planning is in place. It really was a three-year effort to go through all of the planning and programming trying to anticipate what would work.

Today, as you go out there and look at the platform and look at 30th to 33rd and 10th to 11th, you can see that the platform is pretty much finished. What a lot of people don't realize is what's beneath the platform, because you really have all the foundation systems for everything that's going up.

Q. *Are you on schedule?*

A. We're very close to the schedule set a number of years ago.

We are headed toward a completion and opening of the project in early fall of 2018.

Q. *Where are you with the retail space?*

A. We're fully under construction — you can see the steel coming out vertically. It's just under 750,000 square feet of what we call gross leasable area.

It's seven levels, and we call it a "racetrack" scheme so that there's a circulation that moves you on these floors. Each floor plate in the retail is 150,000 square feet.

These very large floor plates really set up an interesting dynamic because there's a shopping district and a food and beverage district on each floor. Neiman Marcus is on the top three. They share Level 5 with both restaurants and some more retailing.

Q. *What kind of rental rates will you be charging?*

A. Significantly less than charges today that exist on Madison and Fifth.

Our most expensive floor is predictably our plaza level, which is our ground level. Rents there are in the average of $500 to $650 a square foot. That's just retail. Restaurants are much lower. And the rents move down as you go up.

Q. *What other retailers have committed to Hudson Yards?*

A. We haven't announced any of the retail beyond Neiman. We'll probably be making a good deal of our announcements at the time we close our loan, which will happen this October. We're actively in dialogue probably with 100 retailers.

Q. *And who are they?*

A. You'll see people like you'd expect to see, like Coach, and you'd expect to see people like Sephora.

Neiman on Level 5 is going to have a concentration of luxury retail. Traditionally you'd only expect to see that on the ground level of the project, so we sort of changed the whole paradigm. You'd expect to see the Chanels, the Diors, the Ferragamos, the Louis Vuittons — all the luxury. We don't have to overconcentrate on luxury on our ground level.

The merchandising strategy is to support Neiman with what it's doing on Level 5 and 6. Then on Level 2, 3 and 4, we want to bring a mix of retailing like you see today on Fifth Avenue, so you're going to see the likes of stores like H&M, Zara, Nike, Sephora.

Q. *How important is the retail component to the Hudson Yards project?*

A. The building that invites you in and tells the story of what you're doing in the whole project is the retail. It gets you up inside the whole project. It's the public accessibility side of this that's so exciting because we really get to showcase what we're doing.

Q. *Could you see yourself actually living in Hudson Yards?*

A. Definitely.

Q. *Let's talk about the restaurants.*

A. There are seven destination restaurants going into this project. That represents pretty close to 75,000 square feet of space. And then we have quick serve — we'll call fast casual. For four of the restaurants the deals are done. The deals are in final documentation and they will be executed in October.

We've already announced our relationship with Thomas Keller. He'll be doing an American grill that has a wide appeal. We own Per Se together and Bouchon.

Q. *You have your own, separate business that includes dining — Himmel & Company.*

A. Yes, that's the hospitality company. My son runs the restaurants.

I have a long history of being a restaurant developer up in Boston. I still own four there today, including Grill 23 & Bar.

Q. *How do you like your steak cooked?*

A. Medium rare — there's only one way.