



REAL ESTATE

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New Industrial Park Coming to Otay Mesa

Demand is High, No Sign of Any Cooling Soon

■ By RAY HUARD

A developer based in Newport Beach has acquired 25 acres of land in Otay Mesa with plans to build a new industrial park that will include six buildings.

Further evidence of the strength of San Diego County's industrial market comes with the lease of two buildings in a Poway development by **Ryan Companies** in a joint venture with **DWS Group**.

Phelan Development acquired the Otay Mesa property at the northwest corner of the State Road 125 and State Road 905 interchange on Otay Mesa Road from Sunwood Development.

Starting in the second quarter of this year, Phelan plans to build six buildings ranging from 35,000 square feet to 135,000 square feet on spec for sale or lease.

They are smaller than some of the huge industrial projects of late in Otay Mesa and targeted at local users, said Andy Irwin, a vice president of the commercial brokerage JLL in San Diego.

Mike DeArmy, Southern California partner for Phelan Development, said four of the six buildings will be under 40,000 square feet.

"Those are great owner/user buildings," DeArmy said.

Phelan Development also is the only builder offering industrial product for sale in the current cycle, Irwin said.

Irwin, **Joe Anderson**, **Ryan Spradling** and **Greg Lewis** of **JLL** represented Sunwood in the sale. Phelan Development represented itself.

The Market

Irwin said about 1.7 million square feet of new industrial buildings are in the pipeline to be delivered by the end of the year.

Most of that—about 1.2 million square feet—is in South County, Irwin said.

"At the end of the year (2020), a lot of that was being spoken for, either by leases being done or soon to be done," Irwin said. "We did see vacancy spike up going into the third quarter then, by the end of the year, a number of leases were getting signed, a number of the larger floor spaces were signed or about to be signed."

Even so, demand for industrial buildings far exceeds inventory in San Diego County.

"We're tracking more than 2 million square feet of demand," Irwin said.

Irwin said Phelan has been looking for land in San Diego County and this site was perfect because it was already entitled for development.

"Typically, it takes you two to three years to entitle something from raw dirt to beginning development," DeArmy said. "The work was already done."

Construction of the new industrial park is scheduled to begin in the second quarter of 2021.



Chris Wood
President West Region
Ryan Companies



Mike DeArmy
Southern California Partner
Phelan Development



Andy Irwin
Vice President
JLL



Rendering courtesy of Gafcon

Plans for \$2.5 billion San Diego Seaport are being adjusted in light of other downtown projects and the COVID-19 pandemic

Seaport San Diego Plans Evolving

Project Responding to Burgeoning Downtown Redevelopment

■ By RAY HUARD

Developers of the massive Seaport project are reorganizing elements of the project in response to the burgeoning redevelopment of downtown.

The general makeup of the \$2.5 billion project on the waterfront will remain the same but some of the retail and other portions of the project are being reshuffled, said **Yehudi "Gaf" Gaffen**, founder and CEO of **Gafcon**.

"We're in the process of reevaluating which may lead to some shifting," Gaffen said.

Gafcon created another company, **1HWY1**, to redevelop 70 acres of waterfront land along the embarcadero that includes Seaport Village.

"There's probably five or six major developers that were not there a few years ago that have kind of allowed us to be more outward looking versus more of an island downtown," Gaffen said.

Key among them was **IQHQ's** plans for a \$1.5 billion life science campus on more than eight acres of what had been the bulk of the Manchester Pacific Gateway project.

Rubik's Cube

"Manchester's project converting to a health science campus is pretty important and beneficial to our project," Gaffen said. "The fact that there's going to be four million square feet with all the people coming in is a huge driver for Seaport."

Added to that is the ongoing redevelopment of Horton Plaza from a retail shopping mall to an office and retail campus, also focusing on attracting life science tenants.

"The Horton Plaza breaking ground and then repositioning toward health science is significant. We knew it was going to happen but it's become a reality now," Gaffen said.

Other projects affecting Seaport include the pending redevelopment of the Sports Arena, which is likely to spawn other redevelopment projects in the Midway District, and the planned development of Tailgate Park near Petco Park.

"All of that is very positive and significant for Seaport San Diego," Gaffen said.

Among Seaport features that he said might be rearranged on the site include entrances to the project, a hotel and restaurants and a blue campus education center tied to an aquarium.

"All the uses are still going to be there. It's just how do we optimize where they're going to be to relate to each other," Gaffen said, adding that the plan remains "pretty close to what it was."

"We have seven blocks on our site. Think of it as a neighborhood," Gaffen said. "It's a little bit like a Rubik's Cube."

The Pandemic

The COVID-19 pandemic also has led to modifications.

"There's very robust work going on, what makes the most sense for the site in the context of everything happening," Gaffen said. "We've always been focused on outdoor space and the public realm. What the pandemic's brought home in having resilient space that can be opened up more than we had originally — all fresco dining restaurants and retail that could be much more indoor-outdoor. Our focus on that has been enhanced significantly."

Revised plans for Seaport reflecting the changes are scheduled to go to the San Diego Board of Port Commissioners this summer for review.

Pending environmental review, construction would begin sometime in 2024 or 2025, Gaffen said.

"A project like this has a life of its own. We still have a lot of hoops and hurdles to get through. We always said this project would evolve," Gaffen said. "It's just too big a project to say what you put on paper is what's going to happen in four or five years. We're committed to it and I think we always anticipated that the process would be somewhat circuitous." ■



Yehudi "Gaf" Gaffen
Gafcon
Founder and CEO

Gafcon



YEAR FOUNDED: 1987

CEO AND FOUNDER: Yehudi "Gaf" Gaffen

HEADQUARTERS: Sorrento Valley

BUSINESS: real estate development and management

NUMBER OF EMPLOYEES: 182

WEBSITE: www.Gafcon.com

NOTABLE: A native of South Africa, Gafcon founder and CEO Yehudi "Gaf" Gaffen started his business career selling tropical fish as a teenager with his lifelong friend and business associate, David Schwartz