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Stater Bros. Opts To Retain Control Of Colton Hq

By: Joseph Ascenzi

Stater Bros. Markets has signed a 15-year lease on its corporate headquarters and logistics facility in Colton, despite its plans to vacate that operation starting next month.

The supermarket chain, the largest private employer in the Inland region with 17,500 employees, will sublease the 788,000-square-foot facility, said Bruce Varner, Stater Bros.' general counsel and a member of its board of directors.

The transaction, announced Aug. 8, is worth more than \$35 million, according to a Stater Bros. release.

Hager-Pacific Properties in Newport Beach will still own the property at 21700 Barton Road, but by subleasing the property, Stater Bros. will have some say in who locates there, Varner said.

In turn, Stater Bros. signed a sublease agreement during the first week of August with Sares-Regis Group in Irvine. Sares Regis paid Stater Bros. \$2 million to complete that deal, Varner said.

Sares-Regis, which develops and manages commercial and office real estate, will be responsible for finding occupants for the Colton property, Varner said.

Hager-Pacific Properties will continue to collect rent on the Colton operation once Stater Bros. is replaced there.

"The rent will be a pass-through," Varner said. "It will go from Sares-Regis to Stater Bros. to Hager Pacific."

By extending its lease, Stater Bros. is making good on a promise it made to Colton officials that it would help find a proper use for the Barton Road buildings after it moves to new facilities in San Bernardino, Varner said.

"This is the correct thing to do," Varner said. "When Stater Bros. sold the property to Hager-Pacific it structured the deal so that Stater Bros. would have some influence over who ended up there."

Stater Bros. will suspend its move to the former Norton Air Force Base in San Bernardino shortly before Thanksgiving so it won't interfere with holiday deliveries, then resume the move after Jan. 1. The transition, which will involve all of the company's 2,000 employees, is expected to be finished by September 2008, said Jack Brown, chairman and chief executive officer.

In March, Brown said his goal was to retain some control over the Colton site, which has been Stater Bros.' corporate headquarters since the 1960s.

"If anyone leases it, they will lease it from Stater Bros.," Brown said in March. "The mother-in-law comes with the bride."

No tenants have signed, but the site next to Interstate 215 is expected to generate interest among food companies because of its large refrigeration facilities, said Larry Lukanish, vice president of commercial investment for Sares-Regis.