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REAL ESTATE QUARTERLY

SOUTH BAY/MID-CITIES: Industrial Strength Gap in Submarkets

Talk about schizo.

The adjacent South Bay and Mid-Cities industrial markets had, respectively, the lowest and highest industrial vacancy rates in Los Angeles County during the quarter.

As historically has been the case, the South Bay – closer to the ports and with newer product – was faring better with a 2.4 percent rate, down from both the prior quarter and a year ago, according to Grubb & Ellis Co.

But how is that possible given the persistent recession and a terrible L.A. jobs market? All it took was an uptick in trade at the end of the year

at the local ports to get things moving again.

“Lease deals are primarily for warehouse and distribution companies around the port,” said Steve Calhoun, a broker at the Commerce office of Colliers International. “The manufacturing sector was hard hit in the

recession and has not come back yet.”

Meanwhile, the Mid-Cities region, which had been benefiting during the import boom from spillover that the South Bay couldn't handle, was in the doldrums again. Vacancies hit 4.2 percent, up a one-tenth of a point from its already high third quarter rate.

What lease deals there were involved existing tenants reluctant to incur the costs of moving operations. That means the deals included concessions such as lower rates, rent-free months and generous property improvement allowances.

Also active was the sales market, as investors with ready cash or access to credit took advantage of cheaper prices.

– Joel Russell

Industrial Markets At a Glance

Inventory: 326 million square feet

Under Construction: 0 square feet

Asking Rents: 49 cents (Mid-Cities); 53 cents (South Bay)

MAIN EVENTS

▶ Tharco, a corrugated box manufacturer, renewed two leases in Santa Fe Springs. At 10810 Painter Ave., Tharco signed up for 154,000 square feet, while it took 107,000 square feet at 11600 Los Nietos Road. The two deals had a combined value of nearly \$4 million.

▶ A 28,000-square-foot office building at 14351 Firestone Blvd. in La Mirada was purchased by A&B Properties of Honolulu. A&B paid \$4.8 million for the property, which is leased long term to German electronics engineering firm Siemens.

▶ U.S. Motor Works bought a 66,000-square-foot building at 14722 Anson Ave. in Santa Fe Springs. The auto parts manufacturer paid \$5.9 million to seller Carson Cos. In addition to its manufacturing facilities, U.S. Motor Works will consolidate offices located in Cerritos, La Mirada

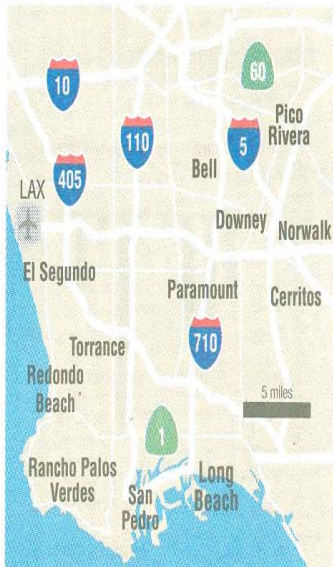
and Commerce at the location.

▶ Office and distribution facilities at 2201 East Dominguez St. in Carson were purchased by KTR Capital Partners for \$19 million. The 272,000-square-foot property is leased to Kenwood Electronics until 2013. The seller was TA Realty Associates in Newport Beach.

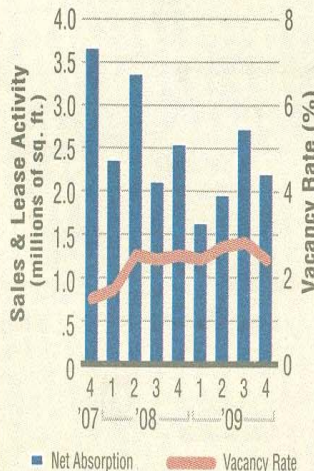
▶ Rexford Industrial purchased 45 industrial condo units in the Cornerstone Commerce Centre at 9220 Hall Road in Downey. The seller was GE Capital, which had foreclosed on the property. Rexford paid \$9.8 million for 176,000 square feet of space divided into units ranging from 3,000 to 5,000 square feet. Five units were sold to user tenants prior to foreclosure, but Rexford has decided to rent the remaining space and so far has nine units leased.



Downey: Industrial condos were sold.



South Bay Industrial Market



Mid-Cities Industrial Market

