

## SPECIAL REPORT REAL ESTATE QUARTERLY

## Available Space Continues to Dwindle With Projects in Pipeline

A steady recovery in the San Gabriel Valley industrial market continued during the third quarter. The already tight industrial vacancy rate slipped to 2.5 percent from 2.6 percent in the second and 3.2 percent a year ago, according to data from **Jones Lang LaSalle Inc.**

New construction is a scant 700,000 square feet, offering only slight breathing room in the 146 million-square-foot market.

"A 2.6 percent vacancy is extremely low, so any new product is welcomed by tenants," said **Tim Van Noord**, regional director of research at **Newmark Grubb Knight Frank**. "The completion of three speculative projects supplied 277,393 square feet of empty space to the market, counterbalancing the positive demand."

The valley's renewed activity is part of a deepening trend that gathered strength earlier this year as claims on warehouse space heated up. It's all part of an inland expansion fueled by an energized national economy and blooming retailer inventories. This confidence, coupled with an online sales boom, continues to make industrial leases and occupant purchases soar.

The third quarter's defining deal was a 318,379-square-foot lease in City of Industry. The transaction, by far the largest of the valley's third quarter, was made by **Cambro Manufacturing**, a maker of products for the foodservice industry, Noord said.

This year, vacant industrial space has remained on the market an average of five months, compared with nine months or more in 2011, making "the San Gabriel Valley industrial market arguably one of the top three industrial markets in the United States right now," he said.

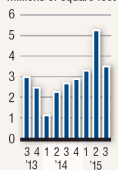
## SAN GABRIEL VALLEY

## INDUSTRIAL MARKET AT A GLANCE

INVENTORY .....145.8 million square feet  
 UNDER CONSTRUCTION ..700,000 square feet  
 INDUSTRIAL ASKING RENTS .....53 cents

## Sales &amp; Leases

millions of square feet



## Vacancy Rate

percent



At 53 cents a square foot, industrial asking rents climbed a penny compared with last quarter and continue to remain attractive, especially when compared with the 71 cents being asked in the North Los Angeles submarket and 66 cents in South Bay. These numbers also speak to the 186,097 square feet absorbed in the third quarter, the third consecutive quarter of positive net absorption.

"Constrained supply will support rising rents in the next several quarters," Noord said. "With rents in every nearby submarket increasing, I don't see any reason for rents not to rise in the San Gabriel Valley, either. One NGKF broker mentioned that in his 40-plus years in the business, he has never seen the market as tight as it is today."

Meanwhile, the office market is setting a pace that mirrors the hot industrial sector. The

## Main Events



Azusa: 1001 N. Todd Ave.

► **Port Logistics Group** renewed its lease for 115,000 square feet of industrial space at 15530 E. Salt Lake Ave. in City of Industry. Port Logistics specializes in the retail distribution of apparel.

► **Lagunitas Brewing Co.** signed a new lease on two buildings at 1223 W. 10th St. and 1001 N. Todd Ave. in Azusa for 254,280 square feet of warehouse space.

third-quarter office vacancy rate of 13.1 percent was down from 13.8 percent in the previous quarter as Class A asking rents took an unexpected pause. In the third quarter, lease rates held at \$2.31 a square foot, even with the previous quarter, but still 18 cents higher than the year-ago quarter.

**Linda Lee**, senior managing director at **Charles Dunn Co. Inc.** in Glendale, said vacancy rates are expected to narrow through the end of the year, pushing asking rents up.



► **Seventh Street Development Inc.** of Long Beach sold two buildings in the Mission 71 industrial development during the third quarter. **KaVo Kerr**, a dental products supplier, purchased 1889 and 1937 W. Mission Blvd. in Pomona for \$26.5 million.

► A 133,237-square-foot industrial building at 14300 E. Bonelli St. in City of Industry sold to **Felt Electric** for \$14 million. The building, constructed in 1973, sits on a 6.9-acre lot.

Lee cautioned that even with these increases, the San Gabriel Valley will remain an attractive market. As of the most recent quarter, it still had a reasonable 1.5 million square feet of Class A office inventory available.

"San Gabriel Valley has a large labor pool and affordable housing, which is bringing more business in to explore the market," she said.

— Laurie L. Dove