

**SPECIAL REPORT REAL ESTATE QUARTERLY**

# Companies Sign Up for Long Term as Industrial Rents Head Up

**S**TABILITY was the order of the day in San Gabriel Valley, where second-quarter commercial real estate activity retained its robust postrecession pace.

In the industrial sector, vacancies in the period slid to 2.6 percent, down slightly from 2.7 percent in the previous quarter, according to data provided by **Jones Lang LaSalle Inc.**

By the close of the quarter, 8.3 million square feet had been sold or leased, more than twice the movement in the year-ago period.

“It’s healthy, really healthy,” said **Rick Sheckter**, executive managing director of **Newmark Grubb Knight Frank**, who expects San Gabriel Valley’s industrial submarket to experience continued price increases in leases and sales.

Industrial asking rents reached 52 cents a square foot, up a cent from the previous quarter. This slow climb has been occurring for more than a year and isn’t expected to halt anytime soon, prompting tenants to sign long-term leases as a hedge against future hikes.

In what is essential a fully leased industrial market, a few tenants have begun to look outside the San Gabriel Valley for expansion room.

“Some companies that can’t find property locally will look outside the area,” Sheckter added.

One bright spot is the 1.3 million square feet of industrial space under construction. However, a lean market has prompted much of the space to be absorbed even before it officially comes on line.

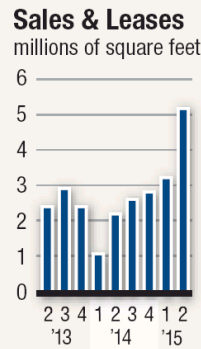
San Gabriel Valley’s office submarket is experiencing similar activity.

**Quest Nutrition** leased 298,000 square

## SAN GABRIEL VALLEY

### INDUSTRIAL MARKET AT A GLANCE

**INVENTORY** . . . . .144.7 million square feet  
**UNDER CONSTRUCTION** . .1.3 million square feet  
**INDUSTRIAL ASKING RENTS** . . . . .52 cents



feet at 381 Bray Canyon Road in City of Industry. The protein bar and powder company’s move into the **Prologis**-owned building seemed to kick off a series of other large-scale leases in San Gabriel Valley, including a 125,500-square-foot renewal by **Pitman**, a commercial graphics company, at 21908 E. Valley Blvd. in Industry.

The 13.8 percent second-quarter vacancy rate was up from the 13.1 percent and from the 13 percent posted in the year-earlier period. The upside of the loosening is that it appears to have boosted interest in the Class A office submarket.

“The market has picked up. We’re seeing a lot more activity, with tenants expanding and

## Main Events



**Sold: West Covina medical space.**

► **LDY Group** of El Monte purchased 22,500 square feet of Class B medical office space at 1502 W. Covina Parkway in West Covina for \$6.3 million. **Kaiser Permanente** occupies the building.

► After spending 156 days on the market, a nearly 100,000-square-foot Class B Office building at 2934 E. Garvey Ave. in West Covina sold to an investment group, **Garvey Avenue South**, for \$8.3 million. The seller was

leasing more space,” said **Linda Lee**, senior managing director of **Charles Dunn Co. Inc.** “Affordability is a big part of it.”

Many products on the market will offer free- or reduced-cost parking, she said.

While San Gabriel Valley’s \$2.31-per-square-foot asking rents are expected to



### Raha Investments.

► In an \$8.6 million deal, **S&C Property Development** sold a Class B industrial warehouse to **Yang Yang** of City of Industry. The 56,496-square-foot property at 13001 Temple Ave. in Industry was completed this year.

► A 60,000-square-foot industrial property at 633 W. Foothill Blvd. in Glendora sold for \$6 million to **CV Glendora 4**. The seller was **Rain Bird** of Azusa.

remain within fiscal reach of many companies seeking lease deals, these rates are likely to inch skyward.

“We haven’t seen full growth yet,” Lee said. “We may still see the market tighten and rates rise.”

— Laurie L. Dove