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Ripple Effect From Slowdown at Ports

By: Alexa Hyland

The recession hit the vast South Bay and Mid-Cities industrial markets hard last quarter as companies in the area that serve the region's twin ports either pressed for lease deals, closed shop or consolidated operations.

Vacancies increased more than one point in Mid-Cities to 3.1 percent - the most dramatic increase of all Los Angeles County industrial markets - while the South Bay vacancy rate increased three-tenths of a point to 2.7 percent. Driving up the vacancy rate was a sharp slowdown of activity at the ports that not only affected tenants but rattled landlords as well. "We are seeing short-term renewals, which is a combination of companies waiting out and landlords not wanting to grant long-term renewals at depressed rates," said Alex Blecksmith, an associate at Colliers International. "But for the sake of keeping occupancy, landlords are conceding at 12 or 18 months." One example is Medical Depot Inc., a distributor of medical supplies, which signed a lease renewal on Rosemead Boulevard in Pico Rivera at 52 cents triple net - for just one year. What's more, brokers said tenants looking to strike deals with landlords are requesting rent reductions as they seek to cut costs where they can.

Consequently, asking rents dropped from 57 cents to 51 cents in Mid-Cities and 64 cents to 62 cents in the South Bay. But cheaper rent rates may not be enough to keep tenants locked in. If the recession doesn't turn around soon, brokers said tenants could begin moving operations to cheaper markets, such as the Inland Empire.

Industrial Markets At a Glance Inventory: 325 million square feet

Under Construction: 570,241 square feet Asking Rents: 62 cents (South Bay); 51 cents (Mid-Cities)

MAIN EVENTS

Acco Engineered Systems purchased a 150,000-square-foot industrial building for more than \$15 million from Joseph T. Ryerson & Son Inc. The building, at 6446 E. Washington Blvd. in Commerce, is the 11th location for the Glendale mechanical engineering firm. Acco plans to use the space for its fabrication, warehousing and distribution needs.

CAN Transport, owned by Amco Distribution Services Inc., signed a 50,000-square-foot lease at 23803 S. Wilmington Ave. in Carson. Landlord Watson Land Co. modified the space, tearing down an office section used by the previous tenant. The property features a large parcel for the company's trucking operations. The deal represents a consolidation for Amco, which moved from a 177,000-square-foot building also in Carson.

Qantas Airways Ltd. signed a \$2.1 million lease renewal for 11,755 square feet at 6080 Center Drive West at the Howard Hughes Towers in Westchester. The deal with landlord Equity Office Properties is at an average rental rate of \$2.98 per square foot per month and represents a downsizing of about 2,000 square feet for Qantas.

GR Sales Inc. subleased a 125,800-square-foot industrial building at 13217 S. Figueroa St. from Unisource Distribution for nine years at 26 cents industrial gross. The auto, truck and big-rig accessories supplier moved from a 75,000-square-foot facility in Vernon.- S & L Holdings LLC purchased a 91,700-square-foot industrial building for \$6.5 million at 5601 Downey Road in Vernon from F&D Properties Inc.