

LOS ANGELES BUSINESS JOURNAL

January 24, 2011

SOUTH BAY/ MID-CITIES: Lease Activity Rises in Mid-Cities as Lower Rates Draw Businesses

Special Report: REAL ESTATE QUARTERLY

By [Max Zimbert](#)

The South Bay and Mid-Cities commercial real estate markets have long moved together given their reliance on companies doing business at the ports. At first glance, though, that wasn't so in the fourth quarter, when Mid-Cities saw its industrial vacancy rate fall six-tenths of a point to 4.4 percent compared with the third quarter earlier while the South Bay rate rose two-tenths of a point to 3.2 percent, according to Grubb & Ellis Co.

As would be expected, those changes were driven by a surge in Mid-Cities sales and lease activity – of nearly 50 percent to 1.89 million square feet – while South Bay activity fell, about 20 percent to 1.9 million square feet.

So what's going on?

Eric Knirk, vice president at brokerage and property development firm Fremont Associates, believes Mid-Cities simply benefited from a market that was softened by the recession, dropping rents to 41 cents per square foot in the quarter. By contrast, rents in the South Bay are still above 50 cents given the far fewer vacancies.

"The rents in the South Bay for Class A larger buildings have held up during the meltdown," Knirk said. "The vacancy (rate) is extremely low historically compared to Mid-Cities where the rents have not held up by any stretch."

He also noted the Mid-Cities market is about half the size of the South Bay, allowing individual deals to have a more significant impact on the data.

Meanwhile, broker Chris Brandt, of Jones Lang LaSalle, said he already sees business as they recover from the recession cast their eyes on the kind of quality product more often found in the South Bay.

"We've already seen rates start to climb for these Class A buildings," he said.

MAIN EVENTS

- ProLogis, a Denver-based warehouse developer, owner and manager, broke ground in November on a 270,764-square-foot facility at 2211 E. Carson St. in Carson. The building is reportedly the first spec industrial construction in seven quarters in the market.
- New Breed Logistics, a High Point, N.C., logistics company, leased more than 411,000 square feet at 9400 Santa Fe Springs Road from landlord Cornerstone Realty Advisers. The square footage makes it one of the largest leases in L.A. County last year. The seven-year lease is valued at \$23 million.

- UTi Worldwide Inc., a Long Beach logistics company, leased a 123,345-square-foot warehouse at 1640 W. 190th St. in Torrance. The six-year lease with Rreef America LLC starts at 62 cents per square foot and is valued at roughly \$5.4 million. The facility includes 22,000 square feet of offices.
- Ceva Logistics, a logistics company based in London, renewed its lease for a 305,400-square-foot warehouse at 19600 S. Western Ave. in Torrance, another Rreef property. The five-year lease starts at 62 cents per square foot and is valued at \$10.6 million.
- OHL, a Brentwood, Tenn., logistics company, leased 148,725 square feet of space from Watson Land Co. at 2116 East 220th St. in Carson. The five-year lease is valued at \$8.63 million, with the facility expected to be ready in March.
- NYK Logistics, a Tokyo-based logistics company, renewed for 258,678 square feet at 771 Watson Center Road in Carson. The 27-month lease with Watson and a separate lease for a parcel to be used for truck parking have a total estimated value of \$4.54 million.