



August 23, 2011

FROM A TO Z



What's bigger—much, much bigger—than a breadbox? Watson Land's latest lease at Watson Corporate Center, the company's 113-acre, master-planned business complex in Carson. AZ West (the western arm of third-party logistics provider AZ Container Freight Station), took a **300k SF** industrial property on 13 acres at 2220 E Carson St, making this one of the South Bay's **largest** single-building industrial leases this year in terms of square footage. **Boeing** previously occupied the building for close to 20 years, Watson VP of marketing and leasing **Lance Ryan** told us **yesterday** . He's been seeing high demand for South Bay industrial properties **200k SF and above** for the past year and a half—AZ West preleased the building before Boeing vacated the property. CBRE's **Bret Quinlan** , **Bill Waxman**, and **Mike Rizzo** repped AZ West in the \$12.5M deal, while Lance and Watson's **Mike Bodlovich** repped the landlord.



Lance, with **Sandy Timmel** and Mike, says that in a flight to quality, tenants have been doing a combo of things—seeking larger facilities to consolidate operations closer to the ports and/or moving into master-planned business centers. Since the beginning of the year, Watson has leased close to **1.5M SF** throughout its South Bay portfolio. Vacancy? “We don’t have a bunch.” The company is about 96% full in terms of long-term occupancies, but it also has a lot of **short-term** , seasonal leases that bring its buildings to 100% occupied. The **seasonal tenants** normally lease space in May and June for the flow of holiday product, building huge inventories, then clearing out starting around **Thanksgiving** . “That rush seems to have come a bit **later** —we’re still getting calls even right now in August for short-term space.” (Even retailers do last-minute holiday shopping.)



Watson has two spec industrial projects under construction, including a **617k SF** industrial building at Watson Commerce Center Redlands (above). The company just tilted the walls on a 220k SF building at Watson Corporate Center, where a two-story office building was demolished to make room. Lance says there's been a little bit of a **pause** in the customers' outlook, but some tenants are reaching for longer-term leases because they view the economy at a **trough**, and they're "viewing **rental prices** at a trough, as well." It's a tale of two markets—the Class-A buildings and locations are doing well, but for anything else, "those buildings aren't moving as quickly."