

Second Quarter Commercial Market Update

The Industrial Market

The industrial market thrived through the pandemic and has been on an increased trajectory in 2021. Demand is continuing to outpace supply dramatically throughout both Los Angeles and the Inland Empire. This has caused rents to increase substantially- as much as over twenty percent in quarters one and two of 2021. We have seen vacancy rates hover in the one percent range for Los Angeles and under two percent for the Inland Empire. The average asking rent in Los Angeles has increased to \$1.09 per-square foot (PSF). The average asking rent for the Inland Empire increased to \$0.88 PSF.

The vacancy rate for the San Gabriel Valley Industrial market is estimated at 0.8%. The average asking rent is \$1.18 PSF. There is currently about 1.5 million square feet under construction.

The biggest challenge for the industrial market in Southern California is lack of development land remaining. Many developers are seeking infill sites as well as older buildings that are functionally obsolete to either rebuild or renovate. Some projects are converting office properties to flex and industrial to fill demand. Another challenge has been congestion at both ports. Lack of workers and increased drayage costs have caused delays and difficulties in getting supplies out of the containers. Employment has been a huge strain on companies who cannot find employees who want to fill these positions. The average US unemployment rate was 5.9 percent in May of 2021 and in Los Angeles unemployment stood at 11.1 percent which is a stark contrast to the national average.

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The Office Market

The office market is continuing to improve throughout Los Angeles. The vacancy rate increased slightly to just under eighteen percent due to new construction brought to the market. Sublease availability also contributed to the increased vacancy. The average asking rent decreased three percent from quarter one to quarter two. Media companies are the main drivers for the Los Angeles office market. Landlords prefer incentives such as free and tenant improvements in lieu of lower lease rates to attract tenants.

The San Gabriel Valley office market is seeing more stabilization. The vacancy rate remained steady at 10.9 percent for the second quarter. Lease rates remained slightly lower averaging at \$2.25-2.49 PSF.

Sources: CoStar Newsletter, Real Deal Newsletter and Los Angeles Business Journal

**Current SBA 504
Effective Rate for
September 2021 is 2.67-3.014%**

Small Business Association (SBA) Lending Update

The main SBA 504 program and the SBA 504 Debt Refinance with expansion has reached its congressionally authorized cap for funds on September 7th which was \$7.5 billion. Funds will reset and be available October 1, 2021. The SBA will continue accepting, processing, and decisioning loan applications and communicating those decisions to all Certified Development Companies (CDC's). Most CDC's have activated a funding queue for all decided loans.

The SBA will issue loan numbers and authorizations once funding authority is reset October 1, 2021, unless Congress acts sooner to address this temporary pause. The SBA 504 Debt Refinance without expansion loan program operates under a separate authorization cap and has ample funding available. SBA will continue processing and approving these applications without interruption. CDC Small Business Finance retains the ability to approve and fund applications for refinance without expansion

today and through the upcoming 2022 government fiscal year.

Incentives expiring for SBA loans on September 30th include waiving SBA Guaranty fees for loans, waiving lender annual service fees and guaranty percentages will revert back to previous levels.

Source: CDC Small Business Finance Newsletter 9/9/21 and SBA.gov

Rare Old Town Pasadena for Sale



43 E. Colorado Blvd. Pasadena, CA

Fully Built-out restaurant on the first floor includes all furniture, fixtures & equipment! Ready for operation-equipment is only a few years old.

Built-out bar at the front of the restaurant with beer taps, washing sinks, prep areas, refrigerators, etc.

Exposed brick and warm wood features throughout give a rustic feel with high ceilings & plenty of light.

Second floor office space has separate entrance with open floor plan, full bath with shower & kitchen.

Located in the heart of town! Excellent owner/user opportunity. Adjacent to Mi Piacè!

Linda Vidov (CA Broker Lic. #1715788)

Linda specializes in commercial and industrial sales and leasing throughout the San Gabriel Valley. She has extensive knowledge in 1031 exchange transactions, investment opportunities, and market analysis. Feel free to contact Linda with any questions or requests for information.



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