

Industrial Real Estate Continues Upward Trajectory

The industrial market in the Los Angeles and Inland Empire markets have been experiencing decreased supply and a backlog of demand. The vacancy rate for the Los Angeles industrial market overall hovers around two percent while the vacancy rate for the Inland Empire is strained further at have waivered at and slightly below one percent over the last quarter. New industrial projects are pre-leased and -pre-sold prior to completion. Developers are having a difficult time finding land to develop new industrial projects to meet market demand. The cost of securing land as well as increased construction costs and inflation have made it difficult to make the economics of the deal pencil out.

E-commerce and logistics have been the main driver in the market benefiting from the vicinity to the Los Angeles and Long Beach ports which are the busiest in the country. The amount of space Amazon has secured in both markets has made space even more competitive for other tenants. This has also caused industrial rents to increase substantially. Some markets have experienced increases ranging from 20-25 percent. This has also affected tenants with leases coming up for renewal causing them steep increases.

A solution being implemented by one large industrial landlord, Prologis, is to go up! They are under construction on a five-story distribution center in Ontario. This site was previously seventy acres of dairy land. It will be the largest of its kind spanning over four million square feet and featuring robot-controlled storage platforms.

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Not surprisingly, Amazon is speculated to be a tenant. Last September, a five-story distribution center that has over three million square feet opened in San Diego, which is another constrained market. Amazon also occupies that facility. This is a newer trend that we may see more of throughout Southern California to meet the demand and lack of land available.

If you have any questions or would like a free market analysis on your building, please feel free to contact me at 626-358-8287 or by email at Linda@TopComRealty.com

Source: CoStar Newsletter and ConnectCRE Los Angeles Industrial Newsletter

**Effective Rate for
March 2022 is 3.775-3.925%**

The Fed raises Interest Rates for The First Time in Four Years

The Federal Reserve raised interest rates for the first time since 2018 on March 16th. This was due to inflationary pressures with the inflation rate over seven and a half percent last reported. The increase is also due to the nearly nine trillion in the federal deficit which the Fed plans to begin reducing. The rate was increased by 25 basis points which is now at 3.5 percent. The Fed also reduced the Gross Domestic Product (GDP) growth forecast from 4 percent to 2.8 percent. The Fed is also concerned about

Increases in energy prices.

In order to reduce the federal deficit, the Fed will be reducing their holdings of U.S. Treasury securities, U.S. agency debt, and U.S. agency mortgage-backed securities (MBS).

The effects this is expected to have on commercial real estate are fairly minimal at this point. It is expected it will slow refinancing activity. It is also expected to have a slight increase on CAP rates. The increase may provide some price stability for commercial

Property prices which have been high for the last several years. The commercial market is expected to continue a strong level of activity overall especially in the industrial and multi-family sectors. Investment volume has a positive outlook as well with the possibility of CAP rates increasing. Projections from economists suggest they expect to see the federal funds rate to increase to 1.875% by the end of 2022 and to approximately 2.75% by the end of 2023.

Source: CoStar Newsletter 3/16/2022 and Wall Street Journal 3/16/2022

Substantial Price Reduction!



900 S. 1st Avenue Arcadia, CA

Another \$375K Price Reduction!

10,000 SF medical office building for sale on almost an acre of land located at corner intersection of 1st and Duarte Rd. Minutes to Methodist Hospital and City of Hope.

Completely renovated in 2009-2010. Separated into four medical practices- Excellent for multiple partner ownership. The building has an elevator, sprinklers, common area lobby and restrooms. No expense spared on build-out.

Excellent owner/user opportunity. Occupy 51% with SBA and lease out remainder for income.

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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