



First Quarter Commercial Market Update

This has been a volatile quarter for commercial real estate due to the fall out of Silicon Valley Bank and Signature Bank. It is estimated that there are \$700 billion in commercial and multifamily mortgages maturing. This means those property owners will have to refinance at much higher interest rates which will be challenging for many borrowers due to the affordability of that new mortgage payment. Also, many lenders are pulling back on commercial lending which gives borrowers less options. Many borrowers are asking for extensions on their current mortgages to buy time to restructure or find other options. Here is an update on current market conditions for office and industrial properties.

In This Issue

- First Quarter Market Update
- Bank Woes Continue & Impact Commercial Real Estate
- \$75K Price Reduction on Duarte Retail/Creative Office Building

Industrial

The industrial market in the greater Los Angeles area has a vacancy rate of 1.7 percent. This has increased from one year ago when the vacancy rate hovered at one percent. The Port of Los Angeles saw a 43 percent drop in container volume from one year ago. This is due to retailers pulling back on orders as the economic uncertainty continues to increase.

The San Gabriel Valley industrial market has remained strong through this uncertainty. The vacancy rate slightly increased to 1.9 percent from one percent one year ago. The average asking rent has remained strong, estimated at \$1.55 per-square-foot. There is currently about 3.8 million square feet under construction in the area. Approximately 1.9M square feet is in the planning stages.

Office

The office market in Los Angeles has been hit much more drastically by the financial market turmoil. The vacancy rate has risen to 22.5 percent which is up from around fourteen percent one year ago. We expect this to increase. Lease transaction activity has decreased by over twenty percent from one year ago. Sales volume for Los Angeles has fallen by 72 percent from last year.

The San Gabriel Valley office market has seen a decrease in the vacancy rate and has held relatively strong compared to Downtown Los Angeles. The vacancy rate is 7.9 percent which is down from eleven percent this time last year. The average asking rent is currently estimated at \$2.36 per-square-foot on a full-service gross basis for Class B space.

Source: CoStar newsletter April 2023, LA Business Journal April 2023

**Effective Rate for SBA 504 For
April 2023 is 5.88%-6.76%**

Bank Woes Continue and Impact Commercial Real Estate

A downturn in the commercial market was expected as interest rates began to increase dramatically. However, this issue coupled with the effects of remote working from the pandemic have caused office properties specifically to feel the weight of this downturn more heavily. The maturity of commercial loans coming due along with increased vacancy rates has made it challenging for commercial property owners to find refinance options with favorable terms. This will force many owners to sell, creating more supply which typically drives prices down further.

Economists believe that forces have not collided like this since the 1970's when the recession hit along with surging oil prices and a stock-market rout while new technologies enabled jobs to move out of major cities. Retail and office owners are expected to be the hardest hit during the anticipated downturn. This is expected to have a trickle-down effect on banks, pension funds and asset managers who are all affected by commercial property loans and values.

To prepare for this downturn, many banks are increasing their loan-loss provisions. Banks are preparing to handle these losses and deal with loan restructuring to help many of these property owners affected by decreased values coupled with loans coming due.

Please contact me if you would like to discuss this further at 626-358-8287 or email Linda@TopComRealty.com.

Source: Wall Street Journal 4/24/23 and CoStar Newsletter 4/19/23

Price Reduction!



805 N. Highland Ave Duarte, CA 91010

3,720 square foot free-standing commercial building split into two units. Currently leased- contact broker to discuss owner/user possibility.

Front unit has high ceilings, excellent natural light, loading door and bonus basement for storage.

Rear unit has open floor area, plumbing throughout, loading door and two large offices.

Excellent owner/user opportunity. Take advantage of low SBA rates with only 10-15% down payment.

Call for more information and pricing.



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.

Top Commercial Realty

100 W. Lemon Ave Suite 101 Monrovia, CA 91016
O: 626.358.8287 C: 626.399.3715 F: 626.605.5003

E-Mail: Linda@TopComRealty.com • www.TopComRealty.com