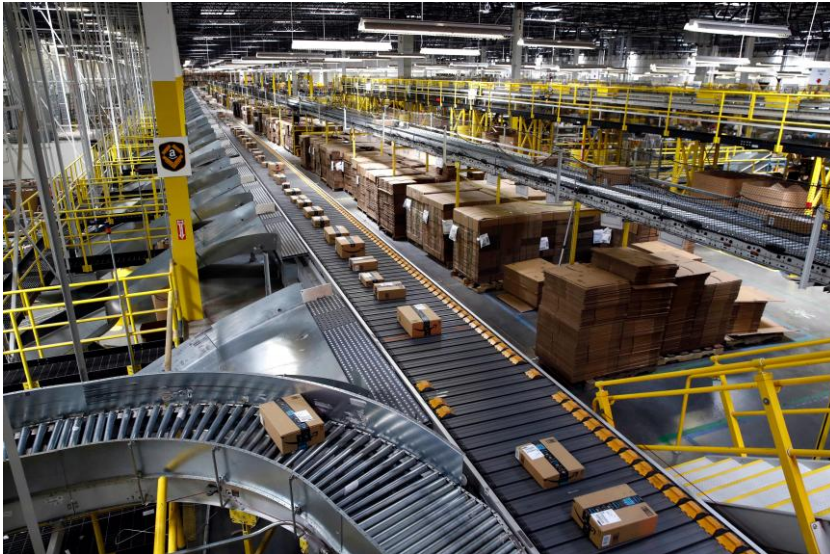


BUSINESS

Inland Empire leads Southern California in industrial construction

28 million square feet in development in the second quarter



Southern California's industrial market is poised for further growth due to port access and a strong consumer base, according to new

reports from CBRE. (AP Photo/Patrick Semansky, File)

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PUBLISHED: August 9, 2019 at 8:00 am | UPDATED: August 9, 2019
at 8:45 am

Low vacancy rates and rising demand fueled construction of industrial properties throughout Southern California in the second quarter with the Inland Empire leading the way, according to a series of new reports.

CBRE's analysis of the two-county Inland Empire shows 28 million square feet of industrial properties under construction during the May-to-June period. And nearly 75% of those projects were speculative, reflecting strong confidence on the part of developers.

That far outpaced the greater Los Angeles area, which saw 7.1 million square feet being built during the second quarter, and Orange County, which had 1.2 million square feet in development.

Well positioned for growth

Disparities aside, Southern California as a whole is well-positioned for more activity, according to Jamil Harkness, a senior research analyst at CBRE.

"Overall, the Southern California industrial market is poised for further growth due to port access and a strong consumer base, both local and beyond," Harkness said via email. "Infill markets, such as the greater Los Angeles area and Orange County, still have record low vacancies prompting further rent growth."

The growing demand for new facilities has also created thousands of industrial-related jobs, Harkness said.

The report shows that newly completed construction of industrial projects in the Inland Empire reached 3.7 million square feet in the second quarter, boosting the region's year-to-date total to nearly 9 million square feet. Construction starts through the first six months of 2019 totaled 11.9 million square feet.

Key transactions in the Inland Empire

Some of the Inland Empire's biggest sale and lease transactions included a 1.1 million-square-foot facility where [DMSI](#) provides logistics/fulfillment services for [Ross Stores](#), a 656,661-square-foot facility for [Komar Distribution Services](#), a 656,595-square-foot distribution center for [Forever 21](#) and a 600,000-square-foot e-commerce/fulfillment center for furniture and home decor giant [Living Spaces](#).

"The Inland Empire is one of most active industrial markets in the nation, benefiting from logistics advantages, extraordinary demand, and solid rental growth," the report said. "Steady construction activity over the last five years resulted in significant growth in the industrial base, which positively impacted the local economy."

The region's industrial vacancy rate dropped to 3% as a result of heavy demand for big-box properties of 300,000 square feet or more, the report said, adding that the next six months look to be just as active with numerous big-box deals scheduled to close later this year.

Another CBRE report shows the greater Los Angeles industrial market (which includes a small portion of Ventura County) strengthened at the mid-point of 2019 after a poor first-quarter showing.

The region's industrial vacancy rate dropped to 1.3% during the second quarter and has remained at 2% or lower for 19 consecutive quarters. Despite a scarcity of available facilities, activity levels increased in four of the county's six submarkets, the report said.

Key transactions in greater LA

Key transactions included a 424,285-square-foot facility for [Greenfield Partners](#), a real estate investment and management firm, a 230,992-square-foot center for [The Chef's Warehouse](#), a gourmet food and restaurant supply company, and 223,865-square-foot facility for [Potential Industries](#), a recycling company.

Newly completed industrial construction totaled 380,000 square feet during the second quarter.

Key transactions in Orange County

A third CBRE report shows Orange County's second-quarter sales and leasing activity — propelled by e-commerce, manufacturing and third-party logistics companies — totaled 3.4 million square feet. That was the highest level since the second quarter of 2016.

Top transactions during the second quarter included [iDC Logistics International](#), a third-party logistics provider that leased 447,055 square feet in Buena Park, and [Quiet Logistics](#), an e-commerce fulfillment provider that leased 424,285 square feet in La Palma.
