

Klein Commercial Real Estate

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Local Notes

- Inventory: Properties for lease in all size ranges are in good supply. Properties for purchase are still rare. Lease rates have dipped, but sale prices are still holding.
- Public Infrastructure: Key for a healthy economy is investment in infrastructure. The South Bay area is home to some of the largest investments of this kind with the harbors, airport, Alameda Corridor and extensive freeway system. One way to keep abreast of infrastructure is the publication Metro Investment Report. More information is at <http://www.ablinc.net/>.
- Web Enhancements: We recently upgraded key parts of our online Virtual Office. Customers can view their entire transaction by inputting their unique password. The entire file is available 24/7 from any computer.

Key Developments

In a very short span of time there has been tremendous development activity in the South Bay. A lot more is planned.

Dominguez Hills has gone through a stunning transformation in the past 18 months. There are currently 11 buildings in the completed or planned stages totaling over 2,300,000 million square feet. The Carson and Watson Companies have created a magnificent industrial development containing modern distribution buildings.

The former Northrop plant in Hawthorne is about to begin a similar transformation when the expected entitlements are to be granted in August. Plans for this project include 12 new or refurbished buildings with over 1,800,000 square feet with an orientation to retail and air freight.

The Torrance/Gateway area has seen it's old aerospace plants demolished and in it's place are modern warehouses developed through a combination of spec construction and land sales. Newest is the 1,000,000 square foot Prologis Park on Van Ness Avenue.

More large scale developments are planned in El Segundo that once housed Rockwell and in Long Beach on land that is now owned by Boeing.

One critique about all the building is that there are very few developments for the smaller users because most of the projects are of the "big box" variety. Other issues to look at in the future will be the fear of over-building and how modern buildings make the previous generation quickly obsolete.

The Trade Triangle

The "Trade Triangle" was coined by Jack Kyser of the LAEDC to explain the dynamism of the South Bay. This is the area south of the 105 Freeway and west of the 710. Of course, this also includes LAX and the Harbor. More than any other industry, trade defines the region's future.

A lot of academic work has been done to study the issues of the global economy and major metropolitan areas (a starting point is UCLA's Department of Geography). Competitiveness, environment, income, and government are the major areas of study, but these works also make clear that investment in trade infrastructure is warranted and rewarded in a region like Los Angeles.

The Trade Triangle refers to a world class industry made up of wholesale, shipping, transportation and the companies and services that support this industry. When combined with diverse ethnicity, major logistics infrastructure, and a gateway to the United States market, this explains why there is a need for world class trading companies to locate their operations here.

Companies wishing to trade on a global scale need to look at several cities around the world, including Los Angeles, to have a global impact. This partly explains why speculative development of modern distribution buildings has been so prevalent recently. Companies who decide investment in trade infrastructure is warranted require the most modern of facilities to compete.



James Klein, SIOR
Klein Commercial
1011 Euclid
Santa Monica, CA
90403
Phone: 310-451-8121
eFax: 208-460-8661
jimklein@kleincom.com
www.kleincom.com

Recent Listings

- 3.5 Acre Land Parcel for Sale at 14921 S. Maple - \$1,925,000. This is one of the few land parcels available in the South Bay area. No conditional use permit is required for M2 uses.
- 11,500 SF building at 660 W El Segundo Bl - \$760,000. This property is located adjacent to and visible from the 110 Freeway at El Segundo. It is immediately accessible to the Los Angeles freeway network.
- 207,000 SF distribution building at Main and Rosecrans - Price TBD. This is one of the best distribution buildings in the entire L.A. market because of its crossdock capability, loading door ratio and strategic location.
- 65,000 SF office building for sale in Scripps Ranch, San Diego County - \$7.5MM. This is an extremely hard to find office investment with below market rents.
- 5 Acre land parcel for Lease, Redondo Beach Bl - \$22,000 per month. We are currently processing the entitlements so the property can be used for outside storage or development.
- 15,000 SF building on 60,000 SF of land - In Escrow.

More details are on our web site.

Real Estate Strategies for Business

I recently started a new section on the Kleincom web site to post real estate strategies for Landlords and Tenants. The first publication is based on my recent seminar at Harvard University, Strategy and Place. The program was taught by Dr. Martha O' Mara, Ph.D. who developed most of the material. Key points are as follows:

- **Using your property to enhance strategic advantage:** By thinking strategically and using the Diagnostic Framework that we have presented, companies can make decisions about real estate that will improve their business.
- **3 types of real estate decisions:** Companies make decisions based on the following categories - incrementalism, standardization, or value-based decisions. Knowing where your company fits allows you to make better decisions.
- **Forecasting demand:** The hardest question I often face is how much space will be needed. By using different forecasting ratios and making a few logical assumptions, we can reach a reasonable answer.
- **Financial management of real estate:** In negotiating and assessing real estate opportunities, there are certain key fundamentals that you should know. These items are incorporated in a simple net present value analysis for use in comparing leases and deciding whether to lease or buy.
- **Location decisions:** Companies fall into several categories when looking at locations. Decisions are different for a corporate move than one on a facility level. Location is one of the most strategic decisions a company can make.
- **Relationship management:** A company can be among the most sophisticated in its industry. But dealing with people and implementing decisions is very tricky business.

The publication can be accessed at www.kleincom.com/strategy.

The Trade Triangle (South Bay)

