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WESTERN REAL ESTATE BUSINESS®

Connecting Real Estate in the West

THE PROMISING NATURE OF THE WEST'S INDUSTRIAL REAL ESTATE

Phase I of CapRock's West 202 Logistics development brought 2.5 million square feet of Class A industrial warehouse to Phoenix when it was completed last July.

The landscape isn't what it was a few years ago, but at least two of the West's major industrial players remain optimistic this is the market — and place — to be.

By Nellie Day

Deal volume isn't at the breakneck pace that it was following the pandemic, but that doesn't mean the opportunities have dried up out West — particularly where industrial is concerned. The region's infrastructure and dense population bases allow industrial users to easily reach the masses, while the West's coastal locales and room-to-grow inland areas remain attractive to investors.

Taylor Arnett, senior vice president of acquisitions at CapRock Partners in Newport Beach, Calif., notes that, like every market, this one has its struggles.

"There are challenges in every point of the market cycle," he says. "Three years ago, the challenge was having 20-plus buyers competing for one investment opportunity and five-plus tenants

see INDUSTRIAL, page 24

The Phoenix area remains attractive to industrial investors thanks, in part, to the Valley's active manufacturing sector. This includes Intel, which is building two chip factories at its Ocotillo campus in Chandler at a cost of $20 billion.

STRATEGIC PLANNING IN THE MIXED-USE ENVIRONMENT

Retail and placemaking can be the "glue" that makes a mixed-use project all that it can be, but achieving optimal success involves a little advanced planning.

By Mitra Esfandiari

Placing retail in environments that deviate from traditional shopping centers challenges the norm. By introducing retail experiences into locations not typically associated with commercial activities, developers and cities can create unique ways to engage consumers through multi-faceted and integrated communities. However, thoughtful advanced planning is almost always the factor that makes these places successful.

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Eastmark is well connected by major freeways including AZ-60, Loop-101, and Loop-202, and close to Phoenix-Mesa Gateway and Phoenix Sky Harbor International Airports.

Part of a vibrant mixed-use master-planned community with over 15,000 residential units and 20 million square feet of commercial space, Eastmark is neighbored by tech giants including Google, Microsoft, Facebook (Meta), Apple, and Amazon, enhancing its business appeal. With access to the Salt River Project’s power resources and ready-to-go buildings, Eastmark provides powerful, delay-free solutions for businesses eager to operate in a dynamic environment.

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PUBLISHERS' NOTE

THE INDUSTRIAL MARKET, PHOENIX AND THE FUTURE

The West's industrial real estate market is an exciting one, isn't it? It's great to be able to say that even in this environment, which has made transactions and developments more challenging thanks to interest rates and inflation. From innovative projects fostering economic growth to strategic investments driving sustainability and community integration, there's much to explore and anticipate in this area's industrial sector. It's also the reason why we devoted so much space in this issue to such an important topic.

Jerry France
Chairman & CEO/
Publisher

Scott France
President/
Co-Publisher

Though there are many stand-out industrial markets out West – including Los Angeles/the Inland Empire and Las Vegas – Phoenix is really grabbing national attention right now. Much of this is due to the $40 billion investment from Taiwan Semiconductor Manufacturing Company's (TSMC), but it extends far beyond that. TSMC has kicked off a slew of manufacturing investments in the area from the likes of Intel, LG and others.

The Phoenix area also has a great deal of projects that have recently opened or are in the works. These include CapRock Partners' West 202 Logistics in Phoenix, DIV Industrial's Sarival Business Park in Goodyear, Ariz., the Ranch in Gilbert by Indicap, Colmena Group and Langley Properties and Shopoff's the Block on Elliot in Mesa.

As we witness these transformative projects unfold, it's clear that the West's industrial market will not be stopped. Even when market conditions change, the machine just keeps humming.

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VIRGIN INDUSTRIAL PARK:

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Its location is close to Southern California commerce centers and is quickly becoming a logical alternative for immigrating corporations flocking to a more business friendly and economical locale.

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FINANCIAL SCOREBOARD

Loans Recently Closed For Western Properties

PROPERTY	CLASS	LOCATION (CITY, STATE)	SIZE	AMOUNT	LENDER	ARRANGED BY
Six-property multifamily portfolio	Multifamily	Orange County, Calif.	1,192 units	$224.7 million	Undisclosed	BWE
The Cartwright	Multifamily	Irvine, Calif.	272 units	$82 million	Undisclosed	Northmarq
Courtyard by Marriott and Residence Inn by Marriott	Hospitality	Sand City, Calif.	215 rooms	$67.1 million	HALL Structured Finance and Nuveen Green Capital	JLL Capital Markets
375 W. El Pintado	Seniors housing	Danville, Calif.	50 units	$51.1 million	Undisclosed	JLL Capital Markets
Mesa Verde Estates	Seniors housing	Durango, Colo.	124 units	$27 million	Undisclosed	Lument
The Duo Apartments	Multifamily	University Place, Wash.	104 units	$21.5 million	Bayview	Berkadia
16136 N. Pima Road	Self-storage	Scottsdale, Ariz.	1,051 units	$17.5 million	Enterprise Bank and Trust	JLL Capital Markets

LLJ VENTURES, CITYMARK DEVELOPMENT TO OPEN KELVIN MIXED-USE COMMUNITY

LEMON GROVE, CALIF. — LLJ Ventures and Citymark Development are nearing completion of Kelvin, a mixed-use community at 7950 Broadway in Lemon Grove in San Diego County. Slated for completion in early March, Kelvin features 66 studio, one- and two-bedroom apartments ranging from 523 square feet to 1,058 square feet. The five-story building offers 4,043 square feet of first-level commercial space on a 0.92-acre lot near local dining, shopping and entertainment options. Additionally, Kelvin is near Freeway 94, Freeway 125 and the Lemon Grove Trolley Station. Pre-leasing is underway at Kelvin, which San Diego-based Sunrise Management is handling. Move-ins are scheduled to begin mid-March. Studio E Architects served as architect for the project, which is situated on the site of a former Barry's Athletic Supply store. Barry's operated on the site for 25 years until it relocated to another Lemon Grove location.

AVALON GROUP ACQUIRES 130,597 SF FORMER SCHOOL CAMPUS IN HONOLULU

HONOLULU — A subsidiary of Avalon Group, a real estate investment company, has purchased an 11.1-acre land parcel at 2707 and 2715 Pamoa Road in Honolulu for $23.3 million. Adjacent to the University of Hawaii at Manoa and three private schools, the site served as the Saint Francis School campus until 2019. The existing infrastructure totals more than 130,597 square feet, including classrooms, a meeting facility, dormitory, commercial kitchen, gymnasium, sports field and a large parking area. Norb Buelsing, Laurie Lustig-Bower, Peter Grossman, Scott Crockfield and Kadie Presley Wilson of CBRE represented the seller, Sisters of St. Francis of the Neumann Communities, in the transaction.

FPA MULTIFAMILY BUYS TWO-PROPERTY APARTMENT PORTFOLIO IN VENTURA COUNTY FOR $153 MILLION

WESTLAKE VILLAGE AND THOUSAND OAKS, CALIF. — FPA Multifamily has purchased a two-property apartment portfolio in Ventura County from a private multifamily investor for $153 million. The portfolio includes Oakview Apartment Homes, a 242-unit asset built in 1970 in Westlake Village, and The Biltmore at Thousand Oaks, a 167-unit property built in 1965 in Thousand Oaks. Kevin Green, Joseph Grabiec and Gregory Harris of Institutional Property Advisors, a division of Marcus & Millichap, represented the seller and facilitated the buyer in the deal.

Kelvin will bring 66 apartments and 4,043-square-foot of retail space to Lemon Grove.

NEWMARK NEGOTIATES SALE OF VACANT 27,090 SF OFFICE BUILDING IN CULVER CITY

CULVER CITY, CALIF. — Newmark has arranged the sale of 5995 Sepulveda, a vacant office building in Culver City, just west of Los Angeles. A private investor acquired the site for an undisclosed price and plans to occupy the property. The newly renovated building offers 27,090 square feet of creative office space with 12,000-square-foot floor plates and column-free layouts. The property also features landscaped outdoor seating and 24/7 onsite security and access control. Kevin Shannon, Ken White, Rob Hannan, Laura Stumm, Michael Moll, Steve Kolsky and Greg Frankovich of Newmark represented the undisclosed seller.

CBRE ARRANGES $2.7 MILLION SALE OF MULTIFAMILY COMMUNITY IN LONG BEACH

LONG BEACH, CALIF. — CBRE has arranged the $2.7 million sale of a multifamily community located at 2203 E. Bermuda Street in Long Beach. Built in 1985, the apartment building totals 8,364 square feet across eight units. Dan Blackwell, Trey Mitchell and Jack O'Connor of CBRE represented the California-based, all-cash buyer in the transaction. The seller is also based in California. This marks the first sale of the property since its construction.

BIOTEST ACQUIRES 42,547 SF R&D FACILITY IN SAN DIEGO'S SORRENTO MESA FOR $23 MILLION

SAN DIEGO — Biotest Inc. has purchased a research and development (R&D) facility, located at 10140 Mesa Rim in the Sorrento Mesa neighborhood of San Diego, for $23 million. The China-based life sciences company plans to use the 42,547-square-foot property for product development and distribution. Todd Holley of Voit Real Estate Services represented the buyer in the transaction.

GANTRY ARRANGES $12.8 MILLION ACQUISITION LOAN FOR GROCERY-ANCHORED RETAIL PROPERTY

RIVERSIDE, CALIF. — Gantry has arranged a $12.8 million permanent loan to fund the recapitalization of a grocery-anchored retail building within the Citrus Landing retail center in the Inland Empire city of Riverside. Stater Bros, AutoZone and Ross Dress for Less are tenants at the 99,000-square-foot retail center, which is located at 7200 Arlington Ave. Braden Turnbull, George Mitsanas and Austin Ridge of Gantry's Los Angeles production office secured the financing on behalf of the borrower, a private real estate entity. One of Gantry's correspondent life company lenders provided the loan, which features a fixed rate, interest-only payments and pre-payment flexibility in years four and five.

MARCUS & MILLICHAP ARRANGES $96 MILLION REFINANCING FOR THREE SHOPPING CENTERS

BAKERSFIELD, NORTH HOLLYWOOD AND VENTURA, CALIF. — Marcus & Millichap Capital Corp. (MMCC) has arranged a $96 million loan refinancing for three shopping centers in Southern California. Tenants at the properties — which are located in Bakersfield, North Hollywood and Ventura — include 24 Hour Fitness, Dollar Tree, Starbucks Coffee, Wells Fargo and Tractor Supply. Zack Metzner, Daizy Gomez and Linsey Farrahi of MMCC secured the five-year financing on behalf of the borrower, a private investor. The interest-only loan carries a fixed interest rate of 5.8 percent.

LEE & ASSOCIATES NEGOTIATES $13.1 MILLION PURCHASE OF INDUSTRIAL BUILDING IN LOS ANGELES

LOS ANGELES — Lee & Associates – LA North/Ventura has brokered the acquisition of an industrial property located at 10643 Glenoaks Blvd. in the Pacoima neighborhood of Los Angeles. Greater Los Angeles Vector Control District, a local government health entity, acquired the asset from Glenoaks Partners for $13.1 million. Chris McKenzie of Lee & Associates – LA North/Ventura represented the seller in the transaction. The asset features 38,063 square feet of industrial space with 13,086 square feet of office space and high-power capabilities.

ALLIANCE RESIDENTIAL, KTGY OPEN 264-UNIT BROADSTONE EDITION APARTMENT COMMUNITY IN IRVINE

IRVINE, CALIF. — Developer Alliance Residential and architect KTGY have opened Broadstone Edition, a 264-unit residential property with a mix of market-rate and affordable apartments in Irvine. Located on the corner of Alton Parkway and Von Karman Avenue within the Irvine Business Complex, the five-story Broadstone Edition wraps around a six-story, 426-stall parking structure and two open courtyards. The property offers 22 very low-income units, 14 moderate-income units and 228 market-rate units. On-site amenities include a pool and spa with cabanas; private karaoke lounge; 2,000-square-foot rooftop deck with a social lounge and firepits; 2,000-square-foot gym/studio; specialty bicycle parking; and a courtyard barbecue area. Additionally, the development has a Fitwel Healthy Building certification. The project team included Hendy as interior designer, Fuscoe Engineering as civil engineer and MJS Landscape Architecture as landscape architect.

ALEXANDER & BALDWIN COMPLETES ONE LEASE, TWO SALES AT 125-ACRE MIXED-USE DEVELOPMENT IN MAUI

KAHULUI, HAWAII — Alexander & Baldwin has arranged one lease and completed the sale of two properties at Maui Business Park Phase II, its 125-acre mixed-use development located in Kahului on the island of Maui. The build-to-suit industrial lease totals 29,500 square feet. The undisclosed tenant plans to relocate operations to the site upon completion of the warehouse and distribution facility. The County of Maui also purchased 12.5 acres at the property for $17.4 million, with plans to construct a new facility for its Department of Transportation. Hamai Appliances Inc. also purchased two lots totaling 1.3 acres for $2.4 million.

USA PROPERTIES STARTS CONSTRUCTION OF 284-UNIT TERRACINA AT WESTPARK AFFORDABLE COMMUNITY

ROSEVILLE, CALIF. — USA Properties Fund has started construction on Terracina at Westpark, an affordable multifamily community in Roseville. Located at 3440 Westbrook Blvd. and 1040 Lower Bank Drive, Terracina at Westpark will offer 284 one-, two- and three-bedroom apartments; a community room; courtyard area with play equipment; computer workstations; and almost 500 parking spaces. The community will feature 71 three-bedroom units, 97 one-bedroom units and 116 two-bedroom units. Terracina at Westpark's apartments will be available to residents earning 30 to 70 percent of the area median income for Placer County, about $25,740 for a two-person household to $81,060 per year for a five-person household. WNC & Associates is the tax credit investor for the $119.2 million project. JPMorgan Chase & Co. is the construction and permanent lender on the project.

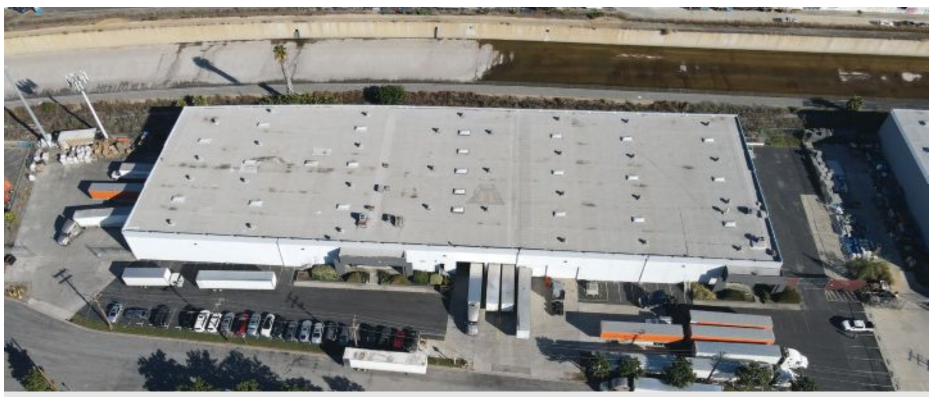
Broadstone Edition in Irvine, Calif., features 264 apartments, a pool, spa, private karaoke lounge, 2,000-square-foot rooftop deck with a social lounge and firepits, 2,000-square-foot gym/studio, specialty bicycle parking and a barbecue area.

WEST HARBOR CAPITAL PURCHASES MULTI-TENANT DISTRIBUTION WAREHOUSE IN THE CITY OF INDUSTRY

CITY OF INDUSTRY, CALIF. — West Harbor Capital has acquired a distribution facility at 14313-14351 E. Bonelli Street in the Los Angeles suburb of the City of Industry. Earl M. Hill Limited Partnership sold the asset for $16.5 million. The property features 69,498 square feet of multi-tenant distribution space. The property was acquired with a 28,240 square feet vacant, while 41,258 square feet is leased to two logistics tenants. Steffan Morris and Eric Parkhurst of Lee & Associates represented West Harbor Capital, while Kent Stalwick of CBRE represented the seller in the transaction.

SORRENTO SEVEN SELLS MIXED-USE SORRENTO VIEW BUSINESS PARK IN SAN DIEGO FOR $45 MILLION

SAN DIEGO — Sorrento Seven LLC has completed the disposition of Sorrento View Business Park, a multi-tenant, mixed-use flex business park in San Diego's Sorrento Mesa neighborhood. A private buyer acquired the asset for $45 million. Totaling 139,340 square feet, the seven-building park is located at 5945-5965 Pacific Center Blvd., 10151-10211 Pacific Mesa Blvd. and 5940 Pacific Mesa Court. Evan McDonald of Colliers represented the seller, while the buyer was self-represented in the deal.


Located at 14313-14351 E. Bonelli Street in the City of Industry, the property features 69,498 square feet of multi-tenant distribution space.

36TH STREET PARTNERS PURCHASES 17,360 SF MULTI-TENANT INDUSTRIAL PROPERTY IN ONTARIO

ONTARIO, CALIF. — 36th Street Partners has acquired a multi-tenant industrial property, located at 1804-1828 E. Elma Court in Ontario, from a private investor for $3.5 million. Built in 1982 on 1.3 acres in the Inland Empire region, the 17,360-square-foot property includes 13 units that are 100 percent occupied with tenants using the spaces for office and warehouse purposes. JW Capital is 36th Street's equity partner on the deal. Brian Tressen of Martin Associates represented 36th Street Partners.

LEVEL ASSET CAPITAL BUYS TOWER OFFICE PLAZA IN TEMECULA FOR $13.8 MILLION

TEMECULA, CALIF. — Level Asset Capital has acquired Tower Office Plaza, an office property in Temecula, for $13.8 million. Located at 27555 Ynez Road, the four-story asset is situated within Tower Plaza, a grocery-anchored retail center. The 71,775-square-foot office building includes a two-story parking structure and an oversized pond water feature. At the time of sale, the property was 94 percent occupied with tenants ranging from medical providers to banking services. Matt Pourcho, Anthony DeLorenzo, Matt Harris and Bryan Johnson of CBRE Investment Properties represented the seller, Providence Real Estate Group. Hugo Cosio of Level Asset Capital represented the buyer in the transaction.

APPAREL WHOLESALER PRIVY PURCHASES 40,129 SF INDUSTRIAL PROPERTY IN VERNON

VERNON, CALIF. — Privy, an apparel wholesaler, has acquired an industrial building located at 2640 E. 26th Street in Vernon. A private investment company sold the asset for $13.7 million. Privy plans to use the 40,129-square-foot property as its expanded headquarters. Anthony Bergeman, Michael Chase and Krishna Shegran of DAUM Commercial's capital markets office in Costa Mesa represented the seller, while Steven Kim of One Commercial represented the buyer in the deal. Moon Lim and Ryan Judd of DAUM's Los Angeles office also participated in the transaction.

RED MOUNTAIN GROUP SELLS MULTI-TENANT RETAIL PROPERTY IN PHOENIX FOR $1.6 MILLION

PHOENIX — Orange County, Calif.-based Red Mountain Group has completed the sale of a shopping center in Phoenix to North Creek LLC for $1.6 million. At the time of sale, the 5,587-square-foot property was fully occupied by four tenants. The asset is located at 12831-12839 N. Cave Creek Road in Phoenix. Jonathan Selznick of Lee & Associates represented the seller in the deal.

HUNT SOUTHWEST REAL ESTATE ACQUIRES 215,256 SF INDUSTRIAL BUILDING IN SANTA TERESA

SANTA TERESA, N.M. — Hunt Southwest Real Estate Development has purchased an industrial building located at 465 Industrial Ave. in Santa Teresa, near both the Texas and Mexico borders. MCS Realty Partners sold the asset for an undisclosed price. Built in 2015, the vacant 215,256-square-foot building offers 32-foot clear heights; existing office space; an air-conditioned space for quality control lab, production or assembly; an ESFR sprinkler system; and a secure, fenced-in truck court with a trailer staging area. Land adjacent to the building can accommodate a 45,000-square-foot building expansion, additional parking or outside storage. Adin Brown of Sonny Brown Associates brought the acquisition opportunity to Hunt Southwest and will represent the company in the lease-up of the facility.

MESA SOUTH CENTER RECEIVES $8 MILLION ACQUISITION FINANCING FOR RETAIL PROPERTY IN MESA

MESA, ARIZ. — Mesa South Center LP has received $8 million in financing for the acquisition for Mesa South Shopping Center at 1230 S. Gilbert Road in Mesa. The borrower purchased the asset from an undisclosed seller for $15 million. Mesa South Shopping Center features 133,663 square feet of retail space that was 85.3 percent occupied at the time of sale. Current tenants include Big 5 Sporting Goods, Harbor Freight Tools and Dollar Tree. The property was originally built in the 1980s but has since undergone renovations that include recent capital investments to the parking lot. Shaun Moothart, Bruce Francis, Bob Ybarra, Doug Birrell, Nick Santangelo and Jim Korinek of CBRE Capital Markets Debt and Structured Finance secured the 10-year loan through a correspondent life insurance company. Michael Hackett and Ryan Schubert of Cushman & Wakefield represented the seller in the sale transaction, while Maha Odeh-Arnold of Regal Properties represented Mesa South Center LP.

The 5,587-square-foot retail property is fully occupied by four tenants.

PBTK 95 DIVESTS 18,000 SF OFFICE BUILDING IN LAS VEGAS

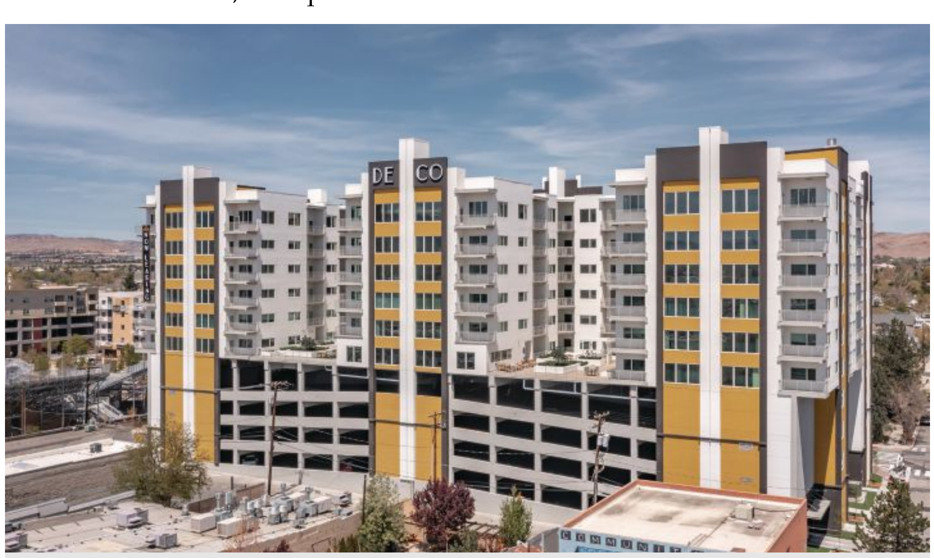
LAS VEGAS — PBTK 95 has completed the disposition of a two-story office building in Las Vegas to a private buyer for $2.8 million. Travis Landes, Marc Magliarditi and Michael Hsu of CBRE represented the seller in the deal. Located at 6100 Elton Ave., the 18,000-square-foot building can accommodate a variety of layout configurations, allowing for an owner-user to occupy or a single- or multi-tenant build out. Additionally, the building offers 90 parking spaces with 38 covered spots, an outdoor courtyard and signage facing Interstate 95.

ORION INVESTMENT ARRANGES ACQUISITION OF MULTI-TENANT RETAIL PAD IN SURPRISE

SURPRISE, ARIZ. — ORION Investment Real Estate has brokered the purchase of a multi-tenant retail pad building at the southeast corner of Litchfield and Waddell roads in Surprise, a suburb northwest of Phoenix. Fox Properties Surprise LLC acquired the asset form Parkview Realty Investments LLC for $2.4 million, or $300 per square foot. Built in 2009 on 3.17 acres, the 8,009-square-foot property is situated within Boulevard at Surprise Pointe, a 290-acre development with more than 200,000 square feet of retail space. Tenants at the Boulevard include AMC Theatres, Uptown Alley, Walgreens, Dutch Bros., Cold Stone Creamery, Tap House Sports Grill, Tropical Smoothie Café and Quick Quack Car Wash. Nick Miner of ORION represented the buyer, while Paul Blum of West USA represented the seller in the deal.

TOWER 16 CAPITAL PARTNERS PURCHASES DECO AT VICTORIAN SQUARE APARTMENT COMMUNITY IN RENO FOR $43 MILLION

RENO, NEV. — San Diego-based Tower 16 Capital Partners has acquired The Deco at Victorian Square, an apartment property located at 955 Avenue of the Oaks in Reno, for $43 million. Built in 2021, The Deco features 209 apartments in a mix of studio, one- and two-bedroom layouts averaging 731 square feet. Tower 16 plans to implement nearly $1 million in upgrades, including modernized common areas, fitness center upgrades and landscaping enhancements. The company has also planned outdoor amenities, including barbecues, seating and game areas. Jonathan Merhaut of Eastdil Secured represented the undisclosed seller in the deal. Lee Redmond and Greg Stampley of Eastdil Secured arranged debt financing for the buyer.



The Deco at Victorian Square in Reno, Nev., features 209 apartments.

PANATTONI DEVELOPMENT BREAKS GROUND ON 422,000 SF OASIS COMMERCE CENTER

LAS VEGAS — Panattoni Development has broken ground on Oasis Commerce Center, an industrial development on South Rainbow Boulevard in Las Vegas. The project team includes Ware Malcomb, Westwood and Martin Harris Construction. Situated on 19.9 acres, the development will offer 422,000 square feet of Class A industrial space upon completion in fourth-quarter 2024. The cross-dock building will feature 36-foot clear heights and substantial trailer parking.

ABI MULTIFAMILY BROKERS $2.4 MILLION PURCHASE OF APARTMENT BUILDING IN PHOENIX

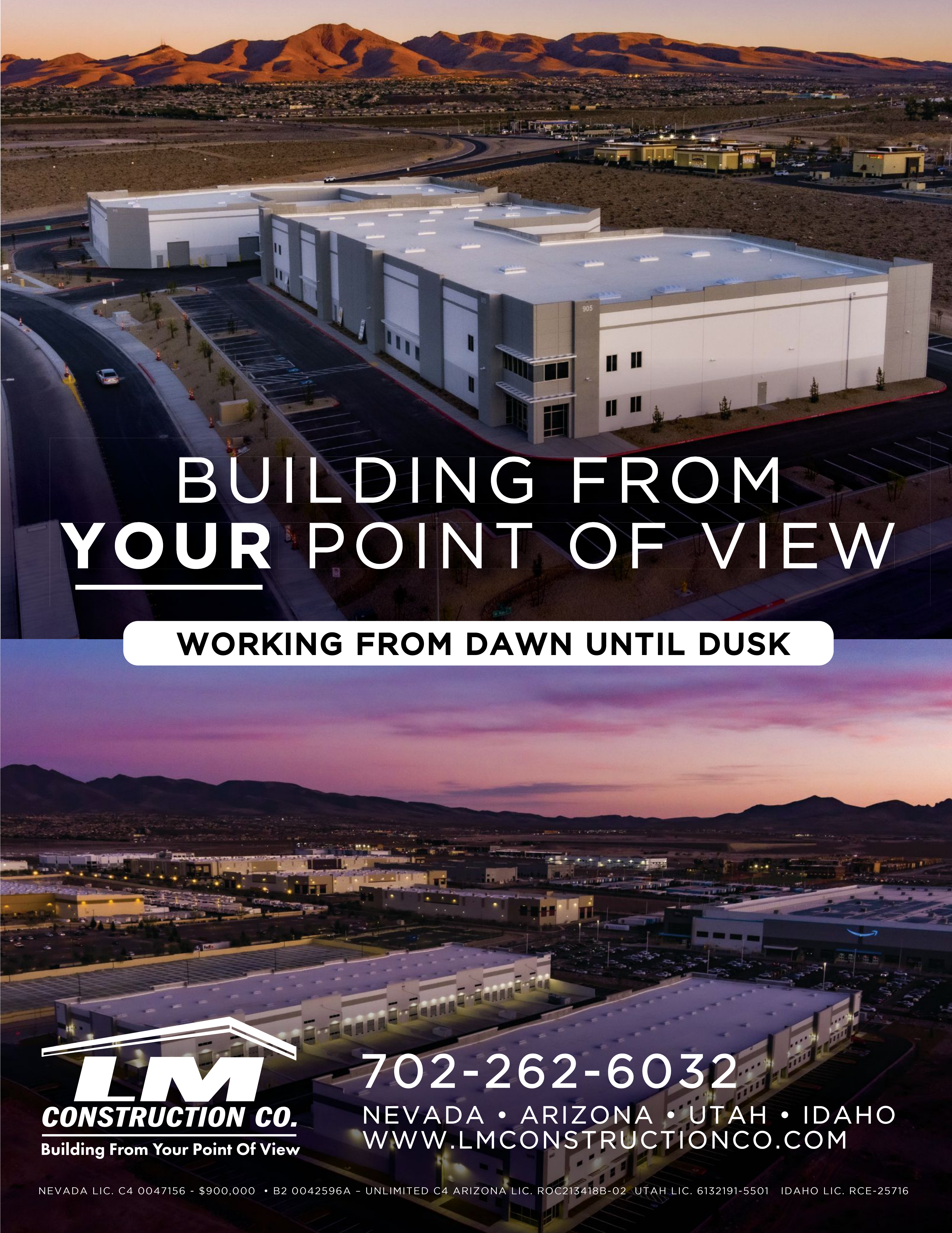
PHOENIX — ABI Multifamily has arranged the acquisition of a multifamily property located at 1525 W. Indian School Road in Phoenix. The asset traded for $2.4 million, or $136,111 per unit. Both the undisclosed buyer and seller are based in Arizona. Built in 1959, the two-story property features 18 apartments in a mix of four studio units, eight one-bedroom/one-bath units and six two-bedroom/one-bath units. The asset also offers parking for each unit and an on-site laundry facility. Andrew Arambula, Tom Palestina and Bryce Neagle of ABI Multifamily represented the buyer in the deal.

DIG BROKERS SALE OF 398,602 SF PORTION OF YUMA PALMS RETAIL CENTER

YUMA, ARIZ. — Disney Investment Group (DIG) has arranged the sale of a portion of Yuma Palms Regional Center, a 1-million-square-foot-plus power and lifestyle shopping development in Yuma. Bridge33 Capital acquired the asset for an undisclosed price. Totaling 398,602 square feet, the acquired portion includes 49 existing tenants, including Best Buy, Ross Dress for Less, Marshalls, PetSmart, Michael's, Five Below, Old Navy, Ulta Beauty and Harkins Theatre. Shadow anchors include Target, Sam's Club, Dillard's, JCPenney and 10 freestanding restaurants. David Disney and Adam Crockett of DIG represented the undisclosed seller and procured the buyer in the deal.

MISTER CAR WASH BUYS PROPERTY IN TUCSON FOR NEW LOCATION

TUCSON, ARIZ. — Mister Car Wash has purchased a property, located at 5523 E. Grant Road in Tucson, from Nam Nguyen Inc. for $1.2 million. The buyer plans to redevelop the property into a new car wash location, scheduled to open in late 2024. Aaron LaPrise of Cushman & Wakefield | PICOR represented the buyer and seller.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ALAMO GROUP, COVENANT REAL ESTATE BUY 120,169 SF WALLA WALLA TOWN CENTER MALL IN WASHINGTON

WALLA WALLA, WASH. — Alamo Group and Covenant Real Estate Group have acquired Walla Walla Town Center, a shopping mall situated on 31 acres in Walla Walla. Terms of the transaction were not released. At the time of sale, the 120,169-square-foot property was 93 percent occupied. Current tenants include Planet Fitness, Burlington, Ross Dress for Less, Marshall's, PetSmart, Ulta Beauty, Hobby Lobby, Famous Footwear and Sportsman's Warehouse. Formerly known as Blue Mountain Mall, the asset was redeveloped and reopened as Walla Walla Town Center in 2018. According to Marcus & Millichap, Bed, Bath & Beyond declared bankruptcy and vacated the premises during escrow and negotiations are underway with Old Navy to backfill some of the center's vacancies. Christopher Edwards, Clayton Brown and Ruthanne Loar of Marcus & Millichap represented the buyer in the deal.

CASCADE RCL SELLS THE CASCADE BUILDING INDUSTRIAL ASSET IN BONNEY LAKE, WASHINGTON FOR $41 MILLION

BONNEY LAKE, WASH. — Cascade RCL LLC has completed the disposition of The Cascade Building, a 10.3-acre industrial park at 9713 233rd Ave. East within Eastown Jobs Center in Bonney Lake, east of Tacoma. Walter E. Nelson Co. acquired the asset for $41 million. The buyer, a privately owned supplier and manufacturer of facility cleaning supplies and equipment, is relocating to the 184,000-square-foot property from its current location in Auburn, Wash. The Class A, tilt-up industrial building features modern amenities in a campus-like setting. Matt McLennan and Kraig Heeter of Kidder Mathews represented the seller in the deal.

Located at 9713 233rd Ave. East in Bonney Lake, Wash., The Cascade Building features 184,000 square feet of Class A industrial space.

NEWMARK NEGOTIATES SALE OF THE BEVERLY RETAIL, MULTIFAMILY PROPERTY IN PORTLAND

PORTLAND, ORE. — Newmark has arranged the sale of The Beverly, a boutique mixed-use asset in Portland's Hollywood District. Terms of the transaction were not disclosed. Originally delivered as condominiums in 2009, the 48,684-square-foot community features ground-floor retail space and 53 high-end residential units above. Whole Foods Market anchors the retail space. Nick Kucha, Nick Bicardo, Jakob Nicholls, Robert Black and Sam Lawhead of Newmark represented the undisclosed seller, while Tim Sotoodeh represented the undisclosed buyer in the deal.

Located in Portland, Ore., The Beverly features ground-floor retail space and 53 residential units. (Photo credit: Red Studio LLC)

BKM CAPITAL PARTNERS ACQUIRES 140,693 SF AIRPORT WAY CORPORATE PARK IN PORTLAND

PORTLAND, ORE. — BKM Capital Partners has acquired Airport Way Corporate Park, a three-building industrial property in Portland, for $24.5 million. The name of the seller was not released. BKM plans to rename the property PDX Distribution Center. Located at 12021 NE Airport Way and 12055 and 12067 NE Glenn Widing Drive, the 140,693-square-foot property operates as a multi-tenant park. The three buildings offer 16 units ranging in size from 3,666 square feet to 32,533 square feet with office space accounting for 36 percent of the overall leaseable area. Built in phases between 1992 and 2008, the park features 19 dock-high and 22 grade-level loading doors, up to 26-foot clear heights, concrete truck courts and ample parking. At the time of sale, the asset was 97 percent leased to 15 tenants. BKM plans to invest more than $1.3 million into capital improvements. Plans include upgrades to the roof, parking lots and HVAC systems, as well as a modernized paint scheme, new signage and refreshed landscaping. The company also plans to convert a vacant unit into functional warehouse space.

PCCP PROVIDES $25 MILLION ACQUISITION LOAN FOR THE RESERVE AT WOODINVILLE INDUSTRIAL BUILDING IN WASHINGTON

WOODINVILLE, WASH. — PCCP has provided a $25 million loan to CapRock Partners for the acquisition of The Reserve at Woodinville, a Class A industrial asset located at 15902 Woodinville-Redmond Road NE in Woodinville, northeast of Seattle. Built in 2018 on 8.8 acres, the 159,869-square-foot property features 30-foot clear heights, 19 dock-high doors, four grade-level doors, 137 auto spaces, T-5 energy-efficient warehouse lighting and ESFR sprinklers. At the time of sale, the property was fully occupied by four tenants. Greg Brown, Peter Thompson and Kaden Eichmeier of JLL Capital Markets Debt Advisory secured the non-recourse loan for the borrower.

TPG REAL ESTATE PROVIDES $79 MILLION REFINANCING FOR MARINA SQUARE APARTMENTS

BREMERTON, WASH. — JLL has arranged $79 million in refinancing for Marina Square, a waterfront apartment property at 280 Washington Ave. in Bremerton. Seth Heikkila, Tom Wilson and Steve Petrie of JLL Capital Markets Debt Advisory secured the five-year, floating-rate loan through TPG Real Estate Credit for the borrower, Sound West Group. Situated on the Puget Sound waterfront, Marina Square features 270 studio, one- and two-bedroom units with water and mountain views, large windows, vinyl plank flooring, quartz countertops, stainless steel appliances and full-size washers/dryers. Community amenities include a rooftop deck, a club room with indoor and outdoor space, a landscaped public plaza with three venue spaces, a kayak launch and grilling stations. Additionally, Marina Square features 9,158 square feet of retail space divided into three units. Currently named tenants include the Market at Marina Square and the YMCA.

BEARROCK INVESTMENTS BUYS SILVERCREEK ASSISTED LIVING IN IDAHO FOR $6.4 MILLION, PLANS WORKFORCE HOUSING CONVERSION

HAILEY, IDAHO — Seattle-based BearRock Investments LLC has purchased Silvercreek Living, an assisted living community in Hailey, for $6.4 million. The buyer plans to convert the property into workforce housing. Hailey is a small city of fewer than 10,000 residents south of the Sun Valley-Ketchum metro area in Central Idaho. Located on McKercher Boulevard, the 24,600-square-foot asset consists of two 12,000-square-foot buildings, each offering 16 studio apartments and a large commercial kitchen. Paul Kenny of Paul Kenny & Matt Bogue Commercial Real Estate represented the buyer and undisclosed seller in the deal.

MATTHEWS NEGOTIATES $5.9 MILLION SALE OF 7-ELEVEN-OCCUPIED PROPERTY IN EVERETT

EVERETT, WASH. — Matthews Real Estate Investment Services has arranged the $5.9 million sale of a single-tenant property in Everett, about 25 miles north of Seattle. The building, which is situated at 7500 Hardeson Road, is occupied by 7-Eleven on a net-lease basis. Brandon Sontz, Nick Hahn and Chad Kurz of Matthews brokered the transaction. A local developer sold the property to an undisclosed buyer.

GARRETT COS. SELLS TWO-PROPERTY MULTIFAMILY PORTFOLIO IN METRO DENVER TO HARBOR GROUP FOR $132.5 MILLION

CASTLE ROCK AND DENVER, COLO. — The Garrett Cos. has completed the sale of a two-property multifamily portfolio, totaling 434 apartments, to affiliates of Harbor Group International for $132.5 million. The portfolio includes the Prospector Modern Apartments at 3360 Esker Circle in Castle Rock and Ladora Modern Apartments at 18590 E. 61st Ave. in Denver. Prospector features 238 one-, two- and three-bedroom floorplans averaging 1,013 square feet, while Ladora offers 196 one-, two- and three-bedroom floorplans with an average apartment size of 1,024 square feet. Both assets were built in 2023 and are approaching lease up. Community amenities at the properties include resort-style pools, fitness centers, mail and package services, and pet parks and spas. Terrance Hunt, Shane Ozment, Andy Hellman and Justin Hunt of CBRE's multifamily investment properties team in Denver represented the seller. Shawn Rosenthal, Jason Gaccione and Jake Salkovitz of CBRE's New York office, along with Brady O'Donnell and Jill Haug of CBRE's Denver office, arranged acquisition financing for the buyer.

Ladora Modern Apartments in Denver features 196 apartments, a resort-style pool, fitness center, mail and package services and a pet park and spa. (Photo credit: C2 Media)

MOUNTAIN WEST PURCHASES 101,025 SF SECURE SELF STORAGE IN CLINTON

CLINTON, UTAH — Mountain West Self Storage has acquired Secure Self Storage, a 101,025-square-foot facility in Clinton, about 30 miles north of Salt Lake City. A family development group sold the asset for an undisclosed price. Secure Self Storage consists of four one-story buildings offering a total of 647 climate-controlled and non-climate-controlled units. The facility has brick front dividers with metal interior walls, standing-seam metal roofs, roll-up doors and asphalt driveways. Jordan Farrer and Adam Schlosser of the LeClaire-Schlosser Group of Marcus & Millichap represented the seller and procured the buyer in the transaction.

THREE RESTAURANTS SIGN LEASES AT $1.2 BILLION VALLEY GROVE DEVELOPMENT IN PLEASANT GROVE

PLEASANT GROVE, UTAH — Three restaurants have signed new leases at Valley Grove, a mixed-use property currently being developed by St. John Properties in Pleasant Grove, about 35 miles south of Salt Lake City. Wayback Burgers, The Smoked Taco and Sip'N Drinks & Treats are scheduled to open at the property later this year, occupying spaces totaling 6,011 square feet. Upon full build-out, the cost of the project, which features office, retail, hotel and research and development space, is expected to total $1.2 billion. Ryan Stewart, Erik Hulbert and Chris Flesner of Mountain West Commercial represented Wayback Burgers in the lease negotiations. Stewart also represented The Smoked Taco in negotiations. Roger Woolstenhulme and Collin Cook of Wyngate Properties represented Sip'N Drinks & Treats. Other retail tenants at Valley Grove include AT&T, Café Rio, Da Cloud Boba Shoppe, Jersey Mike's Subs, Kolache Krave, R&R BBQ, Starbucks Coffee, Slim Chickens, Verizon and Village Baker.

BKM CAPITAL PARTNERS ACQUIRES WEST 6TH CENTER INDUSTRIAL FACILITY FOR $10.7 MILLION

DENVER — BKM Capital Partners has purchased West 6th Center, a light industrial property at 1780 W. 6th Ave. in Denver, for $10.7 million. BKM acquired the asset through a joint venture partnership with TerraCore Capital. Built in 1995, the facility features a 69,575-square-foot unit, a 29,745-square-foot unit and a 23,463-square-foot unit. The asset offers 16- to 20-foot clear heights, a small office component, 50,000 square feet of secured yard space, two oversized grade-level loading doors, 26 dock-high doors and five mobile metal ramps to convert select dock-high doors to drive-in doors. At the time of sale, three tenants fully occupied the 122,783-square-foot small-bay industrial building. BKM plans to invest $7 million into a value-add repositioning plan to modernize the asset. Plans include upgrades to the property's roof, parking lots, HVAC systems, paint scheme, landscaping, signage and storefronts, as well as capital for speculative tenant improvements. The buyer plans to divide the 69,575-square-foot property and convert it into four smaller units to create six total units ranging from 20,464 square feet to 40,928 square feet. Alec Rhodes, Aaron Valdez and Raymond Trevisan of Cushman & Wakefield represented the undisclosed seller, while BKM represented itself in the deal.

SRS REAL ESTATE PARTNERS BROKERS $5.3 MILLION SALE OF PETSUITES LOCATION IN HERRIMAN

HERRIMAN, UTAH — SRS Real Estate Partners has arranged the purchase of a newly constructed retail property, located at 5116 Denali Park Drive in Herriman, about 20 miles southwest of Salt Lake City. A Washington-based private investor in a 1031 exchange acquired the asset from a developer for $5.3 million. PetSuites, which opened in November 2023, occupies the 10,953-square-foot property. The tenant has a 20-year lease in place. PetSuites operates more than 80 locations nationally with services including daycare, boarding, grooming and training for pets. Susan Harris of SRS represented the buyer, while JLL represented the seller in the deal.

Located at 1780 W. 6th Ave. in Denver, West 6th Center currently features three light industrial units.

MCA REALTY ACQUIRES 70,301 SF COMMERCE CENTER I INDUSTRIAL PARK IN AURORA

AURORA, COLO. — MCA Realty has purchased Commerce Center I, a three-building industrial business park at 15200 E. 33rd Place, 15250 E. 33rd Place and 15201 E. Moncrieff Place in Aurora. Commerce Center I was acquired through the firm's MCA Realty Industrial Growth Fund. An undisclosed seller sold the asset for $9.2 million. MCA Realty plans to spend about $1.2 million on interior and exterior renovations that will include exterior paint, renovations to the parking lot, exterior lighting upgrades, HVAC repair and replacement, upgraded signage and landscaping, new loading doors, a remote monitored security system, and renovations to interior storefronts and warehouse space. Built in 1985, the three-building, 70,301-square-foot industrial business park was fully occupied at the time of sale. T.J. Smith, Nick Rice and Matt Keyerleber of Colliers represented MCA Realty and the seller in the transaction.

MARCUS & MILLICHAP BROKERS $2.1 MILLION SALE OF MEDICAL OFFICE PROPERTY IN LAKEWOOD

LAKEWOOD, COLO. — Marcus & Millichap has arranged the sale of an office building in Lakewood, a first-ring suburb of Denver. A private investor purchased the asset from a limited liability company for $2.1 million. Located at 3405 Yarrow Street, the property offers 7,053 square feet of Class B office space. Built in 2023, the building is fully occupied by Stanbrick Dental and Dental Care Alliance. Erik Enstad, Chadd Nelson and Brandon Kramer of Marcus & Millichap's Denver office represented the seller, while Chris Lind, Mark Ruble, Zack House and Sean Lenchner of Marcus & Millichap's Phoenix office represented the buyer in the deal. Adam Lewis of Marcus & Millichap served as Colo-

SLC MULTIFAMILY SEES GROWTH IN RECENT YEARS

The Salt Lake City multifamily market has experienced significant growth in recent years. This reflects the influx of new residents to the State of Utah, in addition to notable increases in average household income. Developers have responded to this growing demand by delivering an unprecedented amount of rental housing inventory to the market. Since 2020, new deliveries averaged 12 percent of Salt Lake's inventory base each year.

Despite increases in apartment supply, overall fundamentals remain strong. Last year's vacancy rates remained below 4 percent for the 12th consecutive year, while rental rates surged from $1,182 to $1,654 between 2020 and 2023. Salt Lake City's renowned access to the outdoors and high quality of life place the city in a league of its own, positioning it to continue to capture apartment demand for years to come.

What Sets Salt Lake Apart

The Salt Lake City multifamily market stands out due to several key features. First, it offers affordability. Rental rates remain below 30 percent of residents' average income despite overall increases in apartment prices. Second, Salt Lake City provides unparalleled access to outdoor recreation without compromising on urban amenities. Residents can enjoy hiking, camping and skiing just a short drive away, all while maintaining access to city conveniences like restaurants, bars, public transit and an accessible international airport.

Kip Paul Vice Chair | **Michael King** Director | **JT Redd** Senior Associate

Cushman & Wakefield

Ongoing development projects like LHM's North Temple development, as well as the potential arrival of an MLB team in Salt Lake City, also signal a promising future for the multifamily market. With sustained development and the city's advantageous position, the anticipated influx of new residents is poised to enhance its attractiveness and long-term viability.

Class A Test

The surge in Salt Lake's multifamily market has set a new benchmark with the emergence of true Class A apartments, distinguishing them from all other options. Noteworthy projects like Liberty SKY (Salt Lake's first multifamily high rise), the Charles and Hardware Village have demonstrated a strong demand for Class A apartments by maintaining stability despite an increase in overall apartment supply. Recent Class A deliveries like Bridge Investment Group's Post District have experienced remarkable leasing velocity, showcasing the sustained demand for Class A dwellings. The depth of the Class A market will continue to be tested as new developments like Astra, Utah's tallest tower, and Worthington come online. Considering the 100 percent success rate of the previously mentioned Class A projects, there's optimism that these new endeavors will easily attract tenants.

Going Forward — 2024 And Beyond

There may be a slight uptick in the vacancy rate and a decrease in rentals over the next two years with record-breaking deliveries in Salt Lake, particularly in downtown. However, certain types and classes of multifamily properties are positioned to withstand this challenge better than others. These include townhomes, garden-style apartments, Class A projects and those with larger unit sizes. Despite short-term fluctuations, the multifamily market is expected to maintain resilience in the long run. Factors like construction pauses and sustained immigration — driven by the city's strong fundamentals and diverse economy — as well as quality of life will contribute to its enduring stability.

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LAKESHORE INDUSTRIAL
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Springville | Utah

POWERHOUSE INDUSTRIAL PARK
227,241 SF AVAILABLE
Sprngville | Utah

CANYON CREEK BUSINESS PARK
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THE HIDDEN GOOD NEWS OF SLC'S INDUSTRIAL MARKET

Jarrod Hunt
Vice Chair,
Colliers

The Utah industrial market continues to perform very well given the reduction in the average deal size in 2023 (illustrated in the charts for both Utah and Salt Lake Counties below).

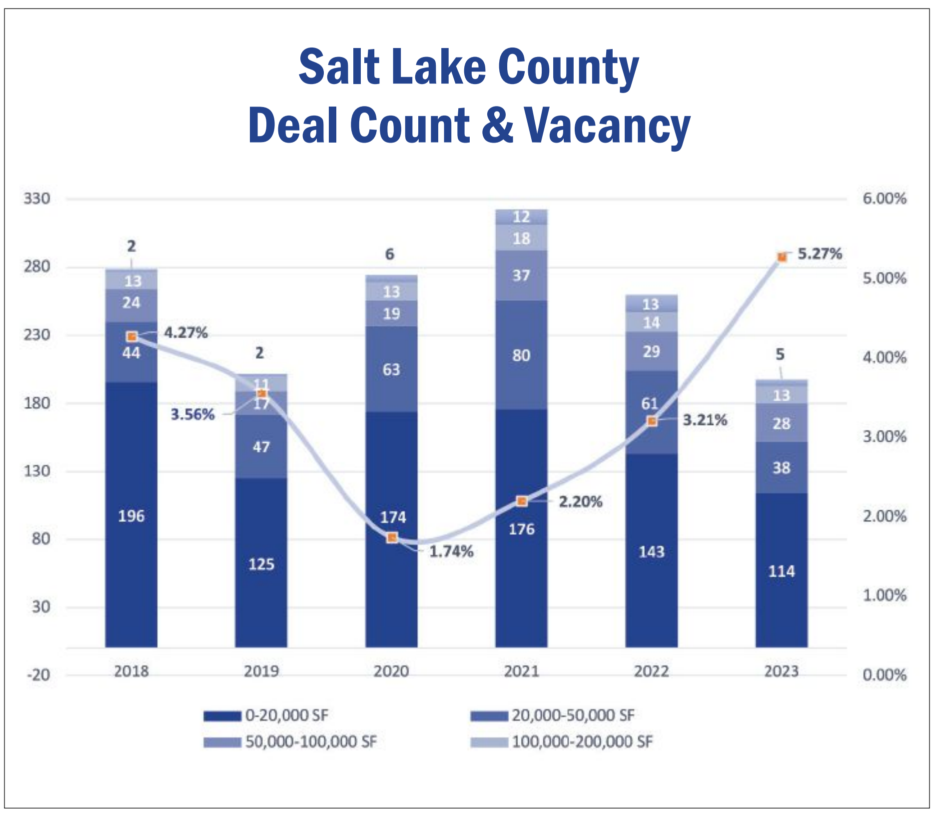
The entrepreneurial spirit that continues to be the backbone of Utah's economy is evident with the smaller lease sizes. This was a welcome opportunity for companies confined to limited options for growth over the past economic run-up. However, we have seen a notable increase in out-of-market tenant inquiries, with many in search of larger blocks of space in the New Year. We expect the pendulum to swing the other direction this year with an increase in the average square footage of completed deals, an overall increase in the number of deals and a reduction in the vacancy rates, which will put a solid floor on lease rates.

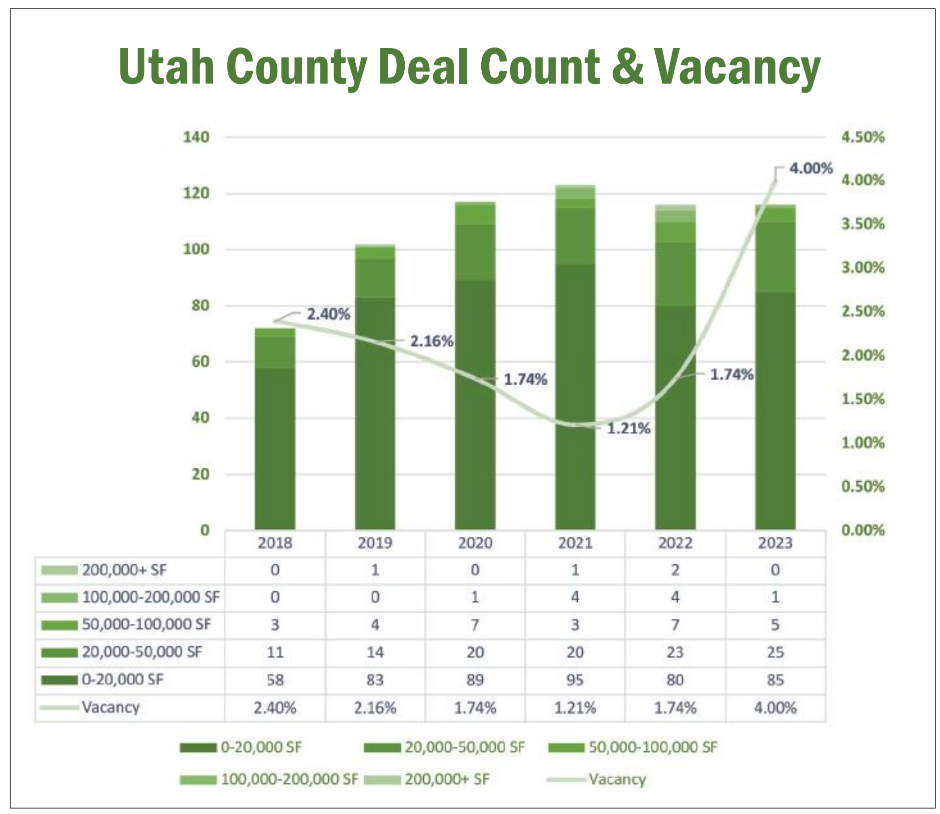
The reduction in vacancy is most attributable to the stark reduction of construction deliveries in the two main county markets, Salt Lake and Utah counties (per the charts below). This dramatic reduction in speculative building activity is "on brand" for Utah, being a very disciplined market for new construction compared to several other high-growth Western markets that we are often compared to. While we see some continued interest from the institutional developers, it's the local developer set that has remained sold on the Utah story.

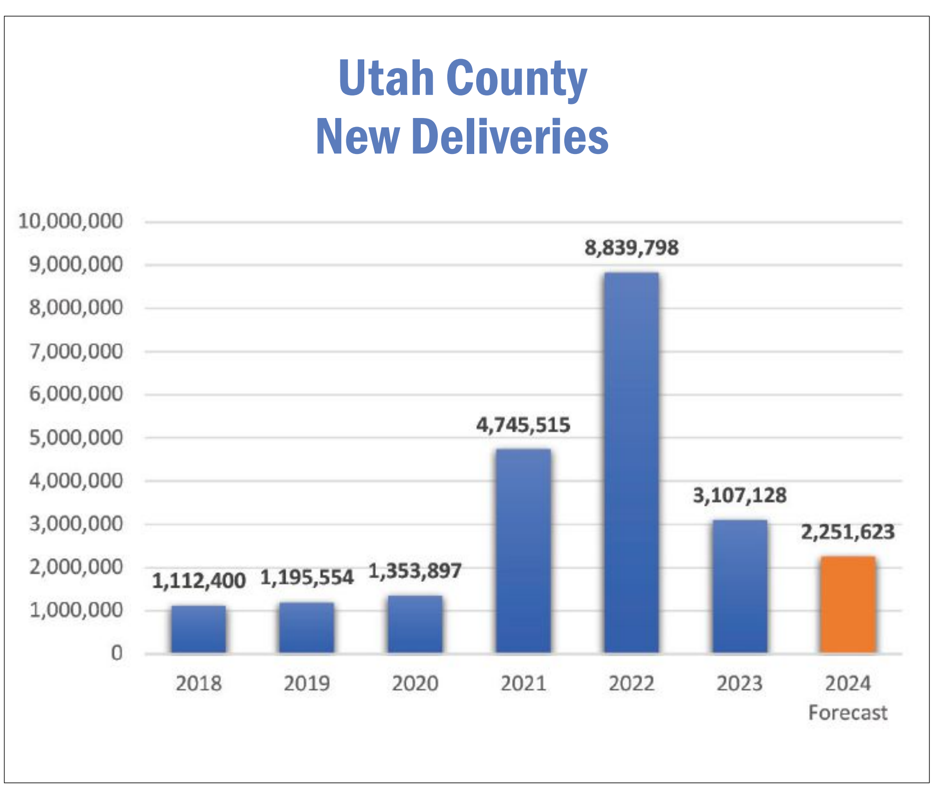
Several large-scale development projects appear more viable now. This is partly due to a rapid expansion of Utah's Inland Port Authority, which will include seven new submarkets from the initial charter at Salt Lake's airport-adjacent north west quadrant. This action opens up opportunities and benefits in terms of being under the umbrella of the Inland Port Authority for outlying areas where land and labor are attractive. At the same time it expands the Port Authority's mission of implementing sustainable logistics solutions for the state.

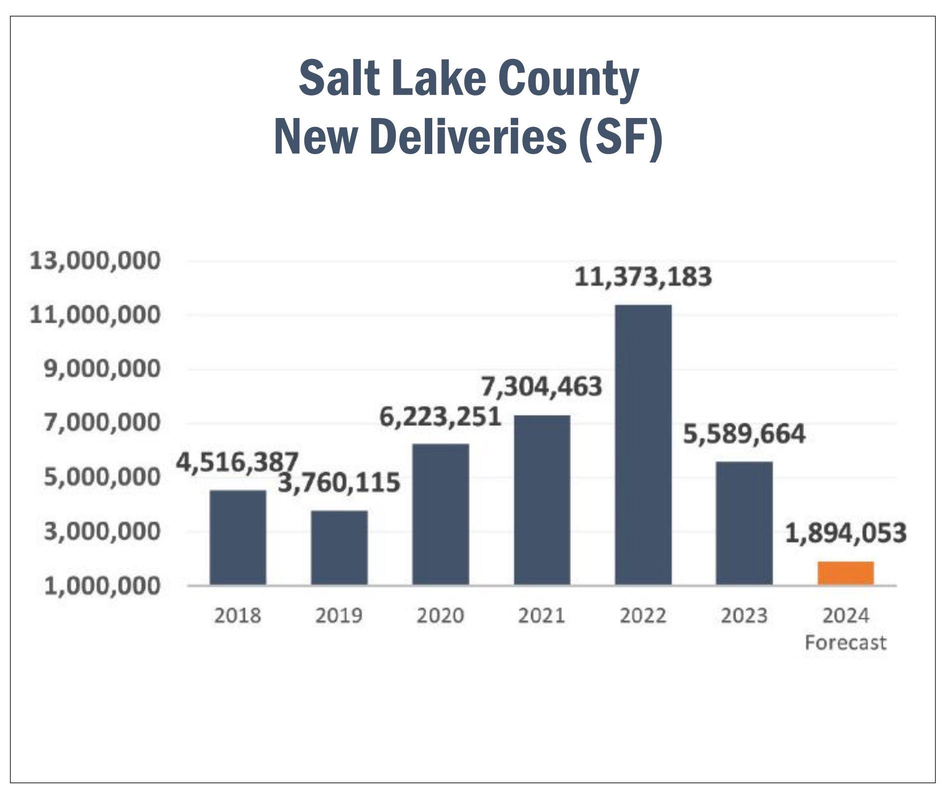
We believe the outlook for 2024 will be a remarkably healthy year for Industrial movement in the state. There are many exciting things currently in the works that we are unable to disclose just yet. Stay tuned!

Charts courtesy of Collers









AS THE GLOBAL OFFICE LANDSCAPE CHANGES, SLC RESPONDS WITH RESILIENCE

The global office landscape has markedly changed post-pandemic. Now, amidst economic headwinds and the ongoing stabilization of return-to-office mandates, U.S. office markets like Salt Lake City are undergoing various shifts that are set to shape real estate dynamics in 2024. At the same time, Utah's economy remains a highly desirable location to do business, in large part bolstered by an exceptionally strong talent pool.

What's Changing: Development Slowdown Poised to Ease Supply Demand Imbalances

Salt Lake City saw a 42 percent year-over-year decrease in total office space under construction in fourth-quarter 2023, marking an all-time low. High interest rates, along with record-high vacancies, will continue to deter developers from breaking ground in the near term without significant pre-lease activity. This thinning construction pipeline will likely reduce supply side risks over the next several years as demand can be placed within second-generation space with elevated vacancy. Existing properties — especially in amenity-rich locations — will do well to attract tenants. The emphasis on creating a collaborative and inviting workspace will continue to be important to bring employees into the office.

Projects that are moving from planned to under construction are hedging their risk by requiring pre-leasing prior to breaking ground. Many have been sidelined for years or abandoned entirely. Those that are moving forward are innovative developments that integrate the increasingly popular live-work-play atmosphere. They include the Point in Draper, a highly anticipated mixed-use development encompassing everything from office space to housing and retail. However, even high-profile projects will require significant pre-lease activity to kick off any office construction.

What's Staying Constant: Utah's Economic Strength

While not immune from global and national economic headwinds, Salt Lake City remains one of the country's most coveted regions to do business. Namely, the city benefits from a remarkably strong talent pool that ushers in growth across a wide range of industries. The legal and tech sectors have especially shined in recent years. Legal industry leasing activity accounted for 32 percent of the lease activity in the Central Business District (CBD) in 2022 and 15 percent in 2023. Location, quality, flexibility and amenities have all played major roles in attracting national law firms downtown, with most flocking to high-quality spaces like 95 State, 222 Main, One Utah Center, 650 Main and Second & State.

Salt Lake City has also emerged as a thriving tech hub, securing the No. 4 spot in high-tech job growth across the U.S. and Canada in 2023. At 23 percent, the region far outpaces the national growth rate of 10 percent, adding more than 11,000 high-tech jobs and 32,000 office-using jobs during 2021 and 2022. This impressive performance doesn't appear to be fading anytime soon, either.

Salt Lake City currently ranks No. 2 for industry momentum gain – surpassed only by Austin — and ranks among the top-five resilient tech markets poised for renewed growth. Tech talent will continue to play a key role in Utah's overall economic vitality throughout 2024 and beyond, well positioning the state to weather ongoing economic challenges.

Nadia Letey
Senior Vice President, CBRE

RENO'S GROWTH BOLSTERS THE MULTIFAMILY MARKET, AIDS THE OFFICE RECOVERY

Reno, Nev., has been a go-to destination out West for people and businesses that are looking for more space, lower prices and a high quality of life. The result has been a boon to the multifamily sector and a life preserver for the office market, as these two local experts can attest.

Multifamily Stabilizes as the Metro Population Grows

By Benjamin Galles, Senior Vice President, CBRE


Galles

The outlook for the Reno multifamily market in 2024 is similar to how the year panned out in 2023. There is significant interest in Reno from investors across asset types, earning us a ranking on *Business Insider*'s list of the top 15 hottest real estate markets for the next decade.

Northern Nevada's continued job growth has piqued investors' interest in owning multifamily properties within the state. This growth will continue as existing companies expand their presence in the market, proving their commitment to the city and people of Northern Nevada.

The current elevated construction costs and construction loan costs could pose a roadblock to developers meeting the anticipated demand in the next 12 to 24 months. That being said, there are currently 4,700 apartment units under construction in the market. This will likely be absorbed by people moving into Reno from outside the region.

Unlike other markets we've seen across the country, very few loans in our region have maturities over the next 12 months. This means seller motivation in Reno remains low to moderate when it comes to offloading properties. The lack of debt events where owners will be pressed into a sell or refinance circumstance should prevent the values of these assets from significantly declining. This is one reason why Reno is favored as a multifamily market.

Since September 2023, around 26 percent of all multifamily sales have included bank financing — and nearly all of them were loans with 50 percent loan to value or less. The remaining transactions have been completed with owner financing or were all-cash transactions.

Current market cap rates in the past 12 months have ranged from 5.25 percent to 5.75 percent. We have started to see cap rates get close to the 6 percent range as market interest rates hover over 6 percent, while buyer appetite to acquire multifamily assets at negative leverage is low.

As demand for places to live in Reno increases, the demand for multifamily properties across the region will be steady.

Office Vacancy Grows as Investment Activity Rebounds

By Jason Hallahan, Associate, Colliers


Hallahan

Northern Nevada's office market remained resilient throughout last year in the face of strong headwinds. Reno's office market saw a blend of market fundamentals as net absorption declined, investment activity slowed and available sublease space shrunk. Negative net absorption in three out of four quarters brought the annual total to nearly 23,000 square feet of negative absorption — the lowest the market has seen since 2020.

Vacancy ticked up 100 basis points year over year to 11 percent by the end of 2023, though it is well below the pandemic peak of 13.4 percent of mid-2020. Average direct asking rents also softened slightly this year, though tenant demand and asking rates both remain strong among Class A office product.

A combination of growing vacancy, heightened interest rates and continued uncertainty in office space needs have curbed investor appetite this year. Demand for Reno office product fell sharply at the beginning of 2023 when first-quarter sales shrank to less than 20 percent of the average quarterly sale totals from the past three years.

Buyers and sellers struggled to reach a middle ground as elevated vacancies weakened sale prices and increased borrowing costs discouraged investors. There was, however, a strong uptick in owner-user sales this year. Half of all transactions last year were owner-user purchases.

Thankfully, Reno's office market experienced strong recovery in the office sales market by the end of the year, with robust sales in the fourth quarter. Transaction volume shrunk by 40.5 percent year over year with a total of 50 office sales in 2023. Sales volume has reached roughly $91.3 million in 2003, which was just 46.2 percent of total sales in 2022. While average price-per-building square foot saw a steep dip in the first quarter, pricing steadily recovered and moderated by the end of the year. The market average price per square foot settled at $241.31 by the close of 2023, down 7 percent since 2022.

While many larger markets were quickly flooded with sublease vacancies following the pandemic, Northern Nevada did not feel that effect for some time. Reno's sublease market reached a peak at the start of 2023, with more than 300,000 square feet of office space available for sublet in the first quarter. We've been fortunate to have this wave of sublease space subsided through the year. The sublet market has now fallen below half of its previous peak, totaling roughly 144,000 square feet at the end of 2023. Expect to see improving tenant demand and recovering office sales in the New Year. ■

THE TOP 6 WAYS RETAIL LANDLORDS CAN ACTIVATE TENANT MIX, CREATE VIBRANCY

These actionable strategies can create compelling shopping experiences for landlords and attract unique tenants that further enhance the retail environment.

By Alanna Loeffler

Loeffler

The retail sector has emerged as a bright star this year against the volatility of the commercial real estate industry. From interesting new tenants to tight vacancies and climbing rents, the forecast for retail real estate remains strong for 2024. This makes it a critical time for landlords to continue to build on positive momentum, including revitalizing their tenant mix to create vibrant shopping destinations.

Strategic landlords are focused on rising categories, such as fitness, wellness and experiential, as well as new brands and unique services that are playing a pivotal role in today's landscape.

Here are the top six ways landlords can achieve tangible outcomes for their shopping destinations and keep consumers coming back:

1. Conduct a data analysis to understand the nuances of the consumer and the market

Comprehensive market research on retail trends and consumer preferences allow landlords to tailor their tenant selection to meet the specific needs and desires of the community. However, the true value lies in not simply collecting data, but extracting meaningful insights from it. Partnerships with real estate services firms can bring both in-house and third-party data to life in a relevant way that resonates with consumer preferences.

2. Create appealing public areas and spaces in support of tenants and consumers

Invest in well-designed and inviting common areas within the shopping center. These spaces should include greenery, comfortable seating, art installations and interactive components. Aesthetically pleasing shared areas that make people feel comfortable, joyful and, at times, energized not only enhance the overall shopping experience but make the center more attractive to trendy tenants.

3. Develop flexible lease structures to support local and emerging brands

Offer flexible lease structures to accommodate the diverse needs of different businesses, especially those that are new to the brick-and-mortar landscape. Short-term leases, pop-up shop options and flexible terms allow emerging brands to test the market without committing to lengthy contracts. Partnering with these tenants not only adds to the uniqueness of the shopping center, but attracts the devoted customer base that supports local businesses.

4. Collaborate on marketing initiatives and integrate technology

Develop collaborative marketing initiatives that involve both the shopping center and its tenants. Exclusive events and cross promotions between different stores generate a buzz that attracts shoppers and keeps them engaged. Integrating technology like smart shopping displays, augmented reality for interactive signage, and apps for center and store navigation create a modern shopping environment that offers up convenience and can significantly increase foot traffic and longer visit durations.

5. Program themed events and ongoing activations

Organize a continuous stream of events, entertainment and activations that align with the interests of the center's target demographic and involve both tenants and local residents. This could include a wide array of events, such as fashion shows, product launches, cultural celebrations, charity events, workshops, or partnerships with local schools and organizations. Consider drawing from the hype of a nearby short-term event like a popular concert. We have all seen the impact Taylor Swift and Beyonce have on local economies when they come to town! Providing exciting new programming and building a strong community connection can foster loyalty and make the shopping center a preferred destination.

6. Evolve the tenant mix to drive engagement and profitability

Consistently assess tenant value by reviewing lease terms against productivity, understanding cross-over consumers, and exploring cross-shopping behaviors both inside and outside the center. This evaluation enables landlords to know the best time to refresh the tenant mix to maintain a dynamic shopping center and preserve vital synergies between tenants and their consumers. Regularly introducing new and compelling brands ensures the center remains a relevant and attractive destination for shoppers.

Landlords aiming to attract exciting and fresh tenants should focus

continued on page 31

THE PROMISING NATURE OF THE WEST'S INDUSTRIAL REAL ESTATE

INDUSTRIAL from page 1

for one space to lease. Today's challenges are a 'return to normalcy' after unparalleled growth in rental rates and values. The pendulum effect was inevitable, and landlords are now actively navigating the balancing point of supply and demand."

Arnett, however, knows that every market also comes with opportunities. That's why CapRock is taking a proactive approach on leasing and looking for creative ways to find value on the buy side, employing business plans that meet the current and future needs of the ever-changing industrial market and its players.

Western Spotlights

CapRock generally invests in markets defined by high barriers to entry, strong population bases and proximity to the West Coast ports.

"With recent capital cost increases, tenants are looking for minimal downtime in the spaces they lease," Arnett adds. "This translates to quick occupancy needs in fully improved, operational buildings. Also, unlike the Great Recession where demand seemingly softened in every region, we are seeing nuances in our Western portfolio."

Colson Group USA leased 118,833 square feet at West 202 Logistics. The manufacturer and distributor of caster, wheel and related hardware products will occupied the space late last year.

Los Angeles and Orange County, for example, are displaying upticks in subleases. Arnett says there are currently 39 sublease listings in these regions for 200,000 square feet and above, and another 10 listings for 500,000-square-foot facilities and larger.


Arnett

"Market fundamentals remain strong due to significant barriers to entry on the supply side, but several groups are monitoring this sublease activity," he says.

Conversely, the nearby Inland Empire is performing well in the 500,000-square-foot-and-above big box category, but it shows softening in the 100,000- to 250,000-square-foot space range.

"Landlords are getting very aggressive to land credit tenants," Arnett says. "In some cases, they're offering record-high levels — six or more months — of abated rent and / or discounted temporary teaser rates."

Unlike the Inland Empire, Phoenix users are embracing 250,000 square feet and below. Arnett points to Phase I of CapRock's West 202 development as evidence of this.

The first phase brought 2.5 million square feet of Class A industrial warehouse to Phoenix when it was completed last July. Colson Group USA, a manufacturer and distributor of caster, wheel and related hardware products, leased 118,833 square feet at the center.


Quesada

Phoenix is also the currently preferred market for DIV Industrial, according to Jessica Quesada, the firm's co-founder and managing partner. She points to a few reasons for this.

"Since the beginning of the pandemic, Phoenix has been one of the largest recipients of onshoring with the return of manufacturing," Quesada notes. "Coupled with the data center expansion in the region, Phoenix continues to be one of the most active markets in the U.S."

The Valley of the Sun has been in the national industrial spotlight for some time, ever since Taiwan Semiconductor Manufacturing Company (TSMC) announced its intention to build two semiconductor chip plants for a total of $40 billion. Additional manufacturing investments have also been made by Intel, which includes two chip factories at its Ocotillo campus in Chandler at a cost of $20 billion, and LG in the form of a $5.5 billion cylindrical battery manufacturing facility for electric vehicles in Queen Creek.

"These facilities have paved the way for job growth in a highly skilled sector," Quesada says. "Additionally, an influx of support services and suppliers to these world-class facilities has increased demand for space in the surrounding metros."

As previously stated, data centers is another product Quesada is keeping her eye on, both in Phoenix and beyond.


DIV Industrial is building Sarival Business Park, a 847,988-square-foot, Class A industrial complex in Goodyear, Ariz.

DIVERSIFICATION USHERS IN A RECORD-BREAKING MIXED-USE PROJECT TO GILBERT

Deals may be sparse and projects may be stalled due to current economic fundamentals, but that's not the case for the Ranch, a $1 billion mixed-use project that will have industrial front and center.

The 311-plus-acre project at the northwest corner of Power and Warner roads in Gilbert, Ariz., is taking shape thanks to the $107.5 million all-cash land purchase by Indicap, Colmena Group and Langley Properties last August. The Ranch is believed to be one of the largest private land transactions in Maricopa County within the past year.

The project is currently in the site planning and design phase with a groundbreaking scheduled for the fourth quarter of 2024. The Ranch will include 221 acres of light industrial with the potential of 3 million square feet of mid-bay and cross-dock industrial buildings.

Todd Ostransky, vice president of regional development for Indicap, notes the Ranch was initially designed as primarily industrial before adopting retail, office and residential components in a pivot to achieve a "win-win outcome with the neighbors and Town of Gilbert."

Ostransky

"As an industrial developer, Indicap initially aimed to dedicate most of the site to industrial purposes, meeting the East Valley's demands at that time." he says. "However, through further discussions with the town and residents, we adapted our strategy. This collaborative process led to the adoption of a mixed-use approach. This adjustment not only fulfills the requirements of all involved parties, but also optimizes the site's potential to cater to a broader range of needs."

The Ranch will now feature the 34-acre Shops at the Ranch, which may include restaurants, quick-service restaurants and drive-thru options, storage, convenience stores, small office space, a fitness center, a small grocer, a dental office and more.

Residences at the Ranch has also been added, with two- and three-story homes, as well as some ground-floor commercial. This component will tout a 16-acre green space with trails and landscaping for community use. The greenery will act as a transition from the Morrison Ranch neighborhood.

"The project is strategically positioned on the eastern boundary of the town, within the Morrison Ranch character corridor," Ostransky explains. "Given that Gilbert is known for its mature landscaping, ensuring that our development harmonizes with the Morrison Ranch neighbor aesthetic was paramount."

Additionally, the project will bring about $20 million worth of off-site improvements. This will include widening existing roads (Elliot, Warner and Power roads), burying power lines and irrigation channels, and installing new streetlights and traffic signals.

Improving the existing infrastructure and tailoring the Ranch's aesthetic to match its surroundings was a no-brainer for Ostransky and his team. That's because the location played a pivotal role in this record-breaking development.

"The location of our site is strategically advantageous, offering easy and quick access to major freeways that serve the entire Valley," he says. "It represents one of the last substantial undeveloped land parcels in the East Valley and is situated within an employment corridor, promoting developments that generate jobs and revenue."

— *Nellie Day*

The Ranch will include about $20 million worth of off-site improvements, such as widening existing roads, burying power lines and irrigation channels, and installing new streetlights and traffic signals.

Commercial offerings at the Ranch may include quick-service restaurants and drive-thru options, storage, convenience stores, small office space, a fitness center, a small grocer, a dental office and more.

Residences at the Ranch will add two- and three-story homes, as well as some ground-floor commercial, to the mixed-use project.

"Phoenix has quickly become the second largest data center market in the nation," she says. "Within Phoenix, the data center market is estimated to grow by an additional 50 percent over the next few years to support not only the continued growth of cloud computing, but the demands of AI."

The available power supply and lack of natural disasters also has Salt Lake City and Las Vegas on her shortlist of data center markets with room to grow. Quesada notes DIV Industrial's projects have garnered interest from data center operators due to the amount of land and proximity to transmission lines on and around the site. In the past, she notes these attributes were viewed as complications.

"We continue to educate ourselves on this segment of the market and surround ourselves with the best consultants to help provide yet an additional exit strategy for our partners and investors," she adds.

Arnett also sees healthy demand for industrial product in Las Vegas. However, he also sees that an increased supply has started to impact availability and vacancy rates due to historically high construction completions.

"Rental rates have stabilized, but there is an uptick in landlord concessions, including increased tenant

One of Intel's factories at its Ocotillo campus in Chandler, Ariz.

improvement allowances and abated rent, which is a leading indicator of softening rental rates," he notes. "There is a large amount of planned development projects, but delivery timing of these projects is uncertain as access to capital could stall out some smaller developers with higher land basis."

Current Challenges, Future Opportunities

Unfortunately, uncertainty is a tangible market condition as of late — and its presence creates some real-life hurdles for landlords and tenants.

"In this uncertain economic time, we are seeing shorter terms requested to give tenants flexibility should contracts or business slow down," Arnett says.

He also believes tenants will be more hesitant to make significant op-

Sarival Business Park will include five buildings ranging from 135,000 square feet to 235,000 square feet.

erational changes as the presidential election nears.

"With increased vacancies, landlords will be pivoting to accommodate tenants' short-term needs," Arnett adds.

Quesada sees similar challenges in the capital markets, as has most everyone, in recent years.

"The ongoing interest rate environment has undoubtedly brought the capital markets to a standstill going on two years now," she says. "Even with continued tenant demand and year-over-year rent growth of more than 18 percent, the interest rates have made opportunistic developments and even value-add projects difficult to pencil."

This could end, Quesada believes, if the Fed cuts rates the way it's expected to this year. That's because a huge amount of capital has been sitting on the sidelines, while new capital has been raised over the past 18 months, she explains.

"The end of 2024 and 2025 is setting up to have a huge uptick in activity for the capital markets," Quesada adds.

Arnett thinks this could be the case, especially as the bid-ask gap between buyers and sellers narrows. Bridging this gap would be welcomed in this market, he says, as the increased cost of debt and corresponding equity requirements from investors has substantially changed underwriting fundamentals for all buyers.

The current lack of activity won't last forever, though. It tends to bottleneck and let loose when the time's right which, according to Arnett, may be in a few years' time.

"The silver lining of higher interest rates and stabilizing leasing fundamentals is how the speculative development 'land rush' we experienced from late 2020 to early 2022 has subsided," he says. "This means, in two to three years — the approximate time to deliver new development — there will be a lack of supply in high-barrier-to-entry markets like coastal Southern California, Las Vegas and Salt Lake City. Barring a black swan event that seriously tamps down demand, it won't be long until meaningful rental rate growth is back in play in these tight industrial markets." ■

SHOPOFF REMAINS AN ACTIVE INDUSTRIAL PLAYER

Rather than sitting on the sidelines, Shopoff Realty Investments is still buying land and building projects.

Creating Commerce, Community

Shopoff, along with Artemis Real Estate Partners, sold the 1.8-million-square-foot I-10 Logistics Center in the Inland Empire East submarket of Cherry Valley to a Brookfield Asset Management real estate fund last year.

Located near the confluence of the I-10 freeway and Highway 60, construction on I-10 Logistics Center began in April 2021 and finished in December 2022. The 155-acre project includes two high-cube logistics/warehouse buildings, 40-foot clear-height ceilings, 665 employee parking spots, 585 trailer parking spots and 296 dock-high doors.

After the sale, Brookfield leased the building to a global ecommerce retailer that plans to employ nearly 1,000 employees at this location, making it a major hub for national distribution.

William Shopoff, president and CEO of Shopoff, notes it was important to the firm to not only provide a viable, in-demand product to this area, but to ensure that it fit into the region seamlessly.

“The project’s design was very intentional, taking into great consideration the surrounding geography and community,” he says. “We were able to incorporate the rural characteristics of the area into the architectural design, along with earth-tone paint colors, wood trim and California-native landscaping to screen the buildings. The project is also environmentally friendly, with a LEED-Silver design. [It] features solar panels to offset 100 percent of the energy usage.”

The joint venture partnership with Artemis also made significant upgrades to the I-10 Interchange at Cherry Valley Boulevard. This included replacing the existing stop signs with traffic signals to improve traffic flow and reduce the interchange’s congestion, as well as widen boulevard and improve its landscape.

The project also contributed to the creation of trails and permanent open space, along with future park land. About 85 acres of land on the north side of I-10 Logistics Center will be permanently preserved as open space through a conservation easement. Shopoff had previously donated 123 adjacent acres to the Beaumont-Cherry Valley Recreation & Park District’s foundation for a future park and open space in 2020.

Barbara Perrier, Eloy Covarrubias, Joe Werdein and Darla Longo of CBRE represented Shopoff Realty Investments and Brookfield Properties in the sales transaction.

Buying Into The Future

Shopoff’s next industrial venture is the Block on Elliot, a 270-acre industrial mixed-use development in Mesa. Located just north of the Loop 202 freeway interchange on the site of a former dairy farm, this project received approval to move forward last June.

Shopoff notes he was particularly attracted to this land, which is situated at east Elliot and south Sossaman roads, one mile from Phoenix-Mesa Gateway Airport. It’s within the Loop 202 corridor, which connects the East and West Phoenix Valleys.

“The Greater Phoenix market has transformed dramatically over the last few years, becoming a prime location for industrial tenants,” he says. “The Block on Elliot was designed to attract high-profile users who have moved into the area at increasing rates, and we anticipate this development becoming the premier manufacturing, technology and employment center for the City of Mesa.”

Shopoff is exploring various development opportunities for the project. Potential plans may include 12 to 15 buildings with up to 4.1 million leasable square feet and an average building size of 500,000 square feet.

“The Phoenix market currently has more than 15 million square feet of industrial product under construction, and 55 percent of what has already been delivered is pre-leased,” Shopoff continues. “With this high level of demand, we anticipate this high-quality project will be absorbed into the market quickly.”

The master-planned Block on Elliot will feature state-of-the-art manufacturing facilities on a large scale, as well as amenities to accommodate shared office/conference rooms for tenants and fast-casual dining options for businesses within the project.

Shopoff has one more industrial project to be excited about — a 1-million-square-foot facility in the Coachella Valley’s (Southern California) Desert Hot Springs. Though major details haven’t been released, it’s a good bet that the firm will remain active for years to come as it continues to deliver for industrial demand.

— Nellie Day

The Block on Elliot will be a 270-acre industrial mixed-use development project on the site of a former dairy farm in Mesa, Ariz.

STRATEGIC PLANNING IN THE MIXED-USE ENVIRONMENT

MIXED-USE from page 1

The "Glue"

Retail and placemaking play pivotal roles as the glue that connects and enhances the overall cohesion of various uses. Retail spaces serve as a cultural hub when people work, live and play nearby. Communal areas with placemaking strategies allow establishments like cafes and restaurants to provide space for social interactions, thereby fostering a sense of community. This social aspect contributes to a vibrant and interconnected living and working environment.

Retail amenities offer convenience by providing daily occupants with easy access to essential services and everyday necessities. This accessibility encourages people to stay within the mixed-use development rather than seek out services elsewhere.

As a common approach, retail is placed at the ground level with adjacent, amenitized open spaces that offer opportunities for indoor/outdoor experiences. This sort of planning facilitates energized sidewalks — and everyone likes an area with a buzz.

The ground level is a strategic place for retail because it offers a direct link to the community. On the flip side, when these spaces are vacant for a long period of time, they can impact the overall perception of the mixed-use development.

A Collaborative Approach

Keeping an area occupied and humming with visitors, shoppers and diners is the common goal of all project partners. This is why it's crucial for the mixed-use project's ownership, leasing team and design team to work together from the beginning to set the vision and story of the project. This includes forming a leasing strategy and setting the requirements for creating a tenant mix that responds to the needs of the community with inherent degrees of flexibility for future changes.

Elements — including the creative architectural design of the retail façade and storefronts, lighting design, environmental graphics, curated art, landscape and hardscape design — must also respond to the overall vision of the development. When taken into consideration with the retailers' brand identities, these items can foster memorable experiences that create a place where people want to gather.

Remember, the journey is part of the destination's experience. Making that journey memorable with extensive pathways through lush lawns and grassy knolls, or curved walkways that lead to cafes, stores, or common areas that host concerts and other activities is a great way to get guests coming back. Parks promote interaction and well-being, while common areas create a sense of belonging for the community.

These details are crucial considerations for successfully integrating retail and placemaking into a mixed-use environment. And these components must be seamlessly integrated into the project's overall design. When retail is added as an afterthought, it's easy for issues with connectivity, visibility and accessibility to arise. As one can imagine, these challenges are harder to correct or reverse at a later stage of the game.

Esfandiari

A disjointed layout, for example, can make it difficult for customers to navigate and discover retail offerings. Retail spaces also have specific requirements, such as visibility, ceiling height requirements, parking, loading, service area, placemaking components and signage. If these factors are not considered during the initial planning stages, it may result in poor retail performance. Adequate space, design and infrastructure need to be allocated for retail to thrive.

Retail spaces also require careful consideration in terms of market demand, target audience and competition. When retail is added as an afterthought, chances are high that a thorough market analysis was not conducted. The result can be a mismatch of offerings in terms of the needs and desires of a community, resulting in lower demand and reduced commercial viability.

Creating a successful mixed-use environment involves integrating retail planning into the early stages of development. This ensures that the retail component aligns with the overall project vision, meets market demand, and contributes positively to the community and commercial aspects of the development.

Mitra Esfandiari, Partner, RDC in Long Beach, Calif.

continued from page 23

on creating an appealing environment within their shopping centers and harnessing that data effectively. By staying attuned to market trends, supporting local businesses and fostering a sense of community, owners can position their properties as preferred destinations for tenants and shoppers alike, driving popularity and leading to a sustained future of success.

Alanna Loeffler, Managing Director of Business Strategy, Americas Retail Services at Cushman & Wakefield in San Francisco

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