

## ***Industrial building owners worried***

### **COMMERCIAL REAL ESTATE**

Occasionally, it's cathartic to empty the cache of our consciousness. Today is that day. As someone famous once opined, they're only thoughts but they're random and all mine.

So with no further adieu, here it goes!

#### **Lee and Associates Summit**

We recently found ourselves at the Encore in Las Vegas for our annual soiree, aka the summit. Participants from all over North America and the U.K. attended. To recap: 2020 was scrapped entirely; 2021 was virtual. So this was the first time we'd been together since 2019.

Much has changed, including a supercharged industrial market, an uncertain office environment and a morphing retail experience. I should mention that our technology tools also have improved. Months of lockdown will do that to an industry.

Highlights from the industrial panel featuring professionals from the Rockefeller Group, Dermody and Prologis follow... Institutional property owners are wary of inflation, a pending recession and what impact both will have on cap rates. All agreed that industrial has been the darling of the pandemic and even if all of the new projects under construction lay fallow our vacancy still would be skimpy — around 5.5%.

Fuel conservation, automation and taller and more efficient inventory are our future. With the advent of self-driving trucks, truck courts may be shorter.

Technology use in commercial real estate has lagged our residential counterparts.

Because a house purchase is largely a consumer transaction versus a business deal, target-rich social media sites are not as plentiful. Plus we don't share our available inventory and lease comps through a commercial real estate clearinghouse. Therefore, we've been slower to adapt.

We've witnessed a large consolidation of tech providers as evidenced by Lightboxes' acquisition of ClientLook, Real Capital Markets, and Digital Map Products. Also, Buildout recently added Apto, Rethink CRM and Prospect Now.

No one dares take on the big gorilla, CoStar.

Some in the audience wondered if brokerages ultimately would be ousted? The consensus was more money will be made selling to brokers versus replacing their role.

Who knows where we'll be next year. Most agreed Las Vegas is tough to beat for its travel ease, entertainment and massive convention know-how. It is a tough schlep from the East, however.

#### **Orange County's office world**

As readers know, my expertise centers on manufacturing and logistics buildings and the family-owned and operated companies that occupy them. I don't seek office assignments but occasionally they find me.

Our current task is an offshoot of an industrial deal. You see, we were engaged to sublease a building's warehouse.

The plan included the tenant remaining in the office portion of the building. As our campaign unfolded, two groups emerged who wanted both — the warehouse and office spaces.

Now the operating group is considering a move into a suite of offices. Therefore, we toured eight suites in five buildings over the past week. The office world is changing to meet an evolving workforce. Open collaborative spaces are vanishing and returning to banks of private areas.

After all, virtual meetings require privacy. Outdoor space is sought for respites, meetings and functions. On-site amenities such as conference areas, fitness centers and game rooms are cropping up. Corporate America is considering amenities in office buildings as a way to attract new workers and convince existing ones to return.

Quite an interesting turn of events, indeed. *Allen Buchanan is a principal and commercial real estate broker at Lee & Associates, Orange. He can be reached at 714-564-7104 or [abuchanan@lee-associates.com](mailto:abuchanan@lee-associates.com).*



Prologis, the San Francisco-based industrial warehouse builder, is constructing Amazon's largest warehouse worldwide. But what of other industrial holdings amid a recession?

WATCHARA PHOMICINDA — STAFF PHOTOGRAPHER



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