

Demand For E-Commerce Centers Fuels Rent Hikes

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By Lisa Brown



OAKLAND, CA—Rapacious global demand for e-commerce fulfillment centers and distribution centers fueled a 2.8% year-over-year increase in prime logistics rents globally, led by double-digit percentage gains in US coastal markets, according to CBRE Group Inc.'s global prime logistics rents report. Six of the top 10 markets with the fastest growing prime logistics rents globally were in the US, led by Oakland, CA, with

a nearly 30% gain. Despite the high cost, the desire for quality premises is the dominant factor for inner-bay logistics users here.

American seaports and inland ports aren't among the world's most expensive for logistics rents, but there were the largest gains in those areas in 2015, due mostly to the increasing flow of goods into and throughout the region from online sales. The sharp rise in prime rents in the Americas was largely due to massive growth in US coastal markets, where occupier demand drove up pricing.

Much of the upward pressure in rents in logistics markets is stoked by a supply chain arms race of sorts among retailers, shippers and suppliers seeking to accommodate the continued growth of e-commerce. In heavy demand are modern distribution centers and fulfillment centers with features such as a high loading dock ratio and clear ceiling heights of at least 26 feet to accommodate high-tech stacking racks and automated storage-and-retrieval systems. Many of those facilities are being built close to large population centers, where land costs are high, says CBRE.

One such Oakland property that fits the demand bill has been acquired by Hager Pacific Properties: a 119,000-square-foot industrial property on 4.62 acres at 955 Kennedy St., as part of a four-asset portfolio in California and Wisconsin valued at \$35 million.

"We are pleased with the volume of our recent acquisitions and our team's ability to capitalize on four strategic opportunities to invest in unique industrial assets with very strong growth potential," said Robert Neal, Hager Pacific Properties' managing partner. "The assets' desirable locations in the thriving Oakland, Orange County and Milwaukee markets offer an exciting challenge for our firm."

The Kennedy Street asset boasts almost 500 feet of direct frontage on the 880 freeway making the property prime for usage as a freeway showroom, industrial warehouse or manufacturing facility. Property features will include multiple dock doors, fenced yards and an upgraded fire protection system. Michael Walker, Doug Norton and Austin Hinder of CBRE represented both the buyer and seller in the transaction and will be listing the property for lease. Hager plans to complete more than \$2 million in renovations and Bruce Haas of Industrial Redevelopment will oversee the leasing, asset management and renovation of the property.

Neal tells GlobeSt.com: "The Oakland market has been a real beneficiary of all the growth in the Bay Area in terms of a greatly reduced vacancy rate and rents that are now rapidly escalating. The bakery property we purchased represented a unique opportunity to acquire a functional industrial building that enjoys a remarkable 500 feet of frontage along one of the busiest freeways in Northern California."

The other three properties were a 41,715-square-foot ice cream plant on 5.49 acres at 6400 Regio Ave. and a 42,988-square-foot milk plant on 4.69 acres at 6408 Regio Ave., both in Buena Park, CA and a 585,292-square-foot business park on 32.41 acres at North Green Bay Road and West Brown Deer Road in Brown Deer (Milwaukee), WI.