

Market on the Mend

Commercial sites slowly expanding in High Desert

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STAFF WRITER

VICTORVILLE * Local High Desert vacancy rates for commercial real estate are slowly mending as the local business market plays catch up with Southern California's improving economy, area brokers said.

Jason Lamoreaux, president of Coldwell Banker Commercial, said second quarter commercial real estate activity is up over the last quarter in both sales volume and transactional volume.

"There is a heightened interest in land than the last couple of years," said Lamoreaux, noting that vacancy rates continue to decline in High Desert commercial real estate, which is currently at about 7 percent vacancy.

Donald Brown, president and broker with Lee and Associates in Victorville, provided information from his company's recent midyear report, which shows the High Desert has been slow to recover. The area is normally 18 to 22 months behind the market activity of the rest of Southern California in terms of business expansion and other trends.

Brown said the overall industrial inventory for the High Desert, including Barstow, is about 17.7 million square feet — referring to every industrial building standing. About 1.3 million square feet of that is empty, putting the total vacancy rate at about 7.6 percent, he said.

The full amount of High Desert retail inventory is about 16.7 million square feet, with about 1.7 million square feet empty, which is a 10.3 percent vacancy rate.

And the total standing office space for the High Desert is about 5.3 million square feet, with a vacancy total of about 325,000 square feet, or about 6.2 percent.

"Industrial and office vacancy averages are relative low, and retail is still high," Brown said. "When the market achieves a 5 percent vacancy factor that is relatively stable"

Brown said he is confident the High Desert will see vacancies go down again in the third and fourth quarters due to the high volume of calls his office has received.

"On the sales side of things, a lot of people are looking for opportunity as prices increase closer to urbanized populations in Southern California," Brown said, explaining that investors are looking for opportunities to buy that will move from the Inland Empire and eventually "outward" toward the High Desert region.

However, Lamoreaux said there hasn't been much new construction.

Lamoreaux said because the High Desert did not overbuild like Ontario did, this region went into the recession with a lower inventory, giving the High Desert region a bit of an advantage in vacancy rates.

Although the High Desert is not as big a market as the Ontario and Rancho Cucamonga area, the Inland Empire market was at 27 percent vacancy rates compared to about 9.5 percent for the High Desert market before the recession.

And at the market's current recovery point, the Inland Empire is at 19 percent with the High Desert at about a 7 percent vacancy rate.

Carol Randall, vice president and partner of Lee and Associates, said Barstow is a unique market for commercial real estate, but the trend has been more toward owner occupied structures in the area.

Randall said her city hasn't built a lot of commercial buildings, and development has mostly gravitated toward fast food places because of traffic along Interstate 15.

"Fast food, yes — because of our unique location on the I-15 — but you are also seeing more businesses coming in to the outlets," Randall said. "We're a major potty stop for drivers — but we're happy with that since we don't have large manufacturing and heavy industrial spaces."

She said because of that, Barstow does not have excessive vacancies.

Randall also said when there is new construction, the city is very oriented toward development help.

"They really get behind us when we need something," she said, referring to site planners, engineers and other city officials.

According to Joseph W. Brady's 52nd edition of The Bradco High Desert Report (spring 2013), just published Thursday, there is little recent nonresidential building permit activity in the High Desert except for "some new retail construction in Barstow and industrial development in the unincorporated High Desert," Dr. Alfred J. Gobar, chairman of Alfred Gobar Associates, reported.

According to the report, the High Desert is "not constituting a large proportion of the county's industrial and retail development." The report said that this is expected since these land uses are driven by either an urban environment or an increase in the consumer population.

Brown said the big question for cities is what to do to increase tenant activity for sitting commercial real estate.

"We need more industry and more livable wage jobs," Brown said, recommending cities create a friendly tax structure. "What cities have to do is to stay focused on becoming an island of prosperity, where they help make it as easy and painless for people to get their retail businesses up. With more people employed up here, you will begin to stimulate the economy — but cities just need to be business friendly."

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AMANDA TOUCHSTONE, FOR THE DAILY PRESS

Commercial vacancy rates continue to decline in the High Desert, which is currently at 7 percent vacancy, according to Jason Lamoreaux, president of Coldwell Banker Commercial.

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Vacancies are declining in the High Desert with the total standing office space at about 5.3 million square feet, with a vacancy total of about 325,000 square feet, or about 6.2 percent.