



Industrial Real Estate Overview

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As many of you reading this are likely aware; way back in December of 2015, the small desert city of Adelanto stepped into history as “one of the few cities in the State of California that would allow medical marijuana growing on an industrial scale” (Halperin, 2017). In the City of Adelanto, the initial ordinances adopted at the end of 2015 specified that medical marijuana cultivation and limited manufacturing would be allowed in the city, and was specifically limited to properties within the city’s Industrial Parks 2, 3 and 4.

However, over the years Adelanto’s commercial cannabis regulations have continued to evolve; adopting ordinances that have significantly expanded the opportunity to operate cannabis related businesses by allowing for marijuana permits in Cultivation, Manufacturing, Transportation, Distribution, Delivery Service and a very limited number of Retail Store Fronts. The full range of permits available combined with a reasonable level of taxation and simply having expanded the designated areas with changes to the zoning types that allow and support commercial cannabis businesses has managed to make Adelanto a compelling place to call home for commercial cannabis companies. Which are now allowed to be operated on all Manufacturing/Industrial (MI), all Light Manufacturing (LM), and all Airport Development District (ADD) zoned properties. The various permit types remain un-capped with the only real limitation being on Retail Sales permits which has been limited to areas specifically designated as Dispensary Zones and with a limited total number of permits available, (2 are currently in operation per the date of this document).

In reviewing the comparable industrial sales data for the City of Adelanto, utilizing; CoStar, the High Desert Association of Realtors’ Multiple-Listing-Service and a title company and using search criteria focused on industrial building and vacant land sales in the City of Adelanto, both before and after the adoption of commercial cannabis related ordinances and having detailed local market knowledge we have compiled the following comparative sales information:

2014 Industrial Property Sales

In the City of Adelanto during the 2014 calendar year, we observed (6) six industrial building sales ranging from a low of \$19.13 PSF, for a ±34,500 SF building on Rancho Road, to a high of \$53.33 PSF for a ±3,000 SF building on Cassia Road. **AVG PPSF \$35.76**

2015 Industrial Property Sales

In the City of Adelanto during the 2015 calendar year, we observed (5) five industrial building sales ranging from a low of \$40.32 PSF, for a ±12,400 SF building on Koala Road, to a high of \$141.66 PSF for a ±6,000 SF building on Yucca Road. **AVG PPSF \$66.21**

2016 Industrial Property Sales

In the City of Adelanto during the 2016 calendar year, we observed (21) twenty-one industrial building sales ranging from a low of \$36.93 PSF, for a ±17,600 SF building on Koala Road, to a high of \$474.03 PSF for a ±3,850 SF building on Beaver Road. **AVG PPSF \$152.01**

2017 Industrial Property Sales

In the City of Adelanto during the 2017 calendar year, we observed (10) ten industrial building sales ranging from a low of \$96.52 PSF, for a ±6,061 SF building on Cassia Road, to a high of \$280.42 PSF for a ±9,450 SF building on Koala Road. **AVG PPSF \$165.83**

2018 Industrial Property Sales

In the City of Adelanto during the 2018 calendar year, we observed (4) four industrial building sales ranging from a low of \$142.02 PSF, for a ±29,925 SF building on Muskrat Ave, to a high of \$163.25 PSF for a ±40,000 SF building on Commerce Way. **AVG PPSF \$149.62**

2019 Industrial Property Sales

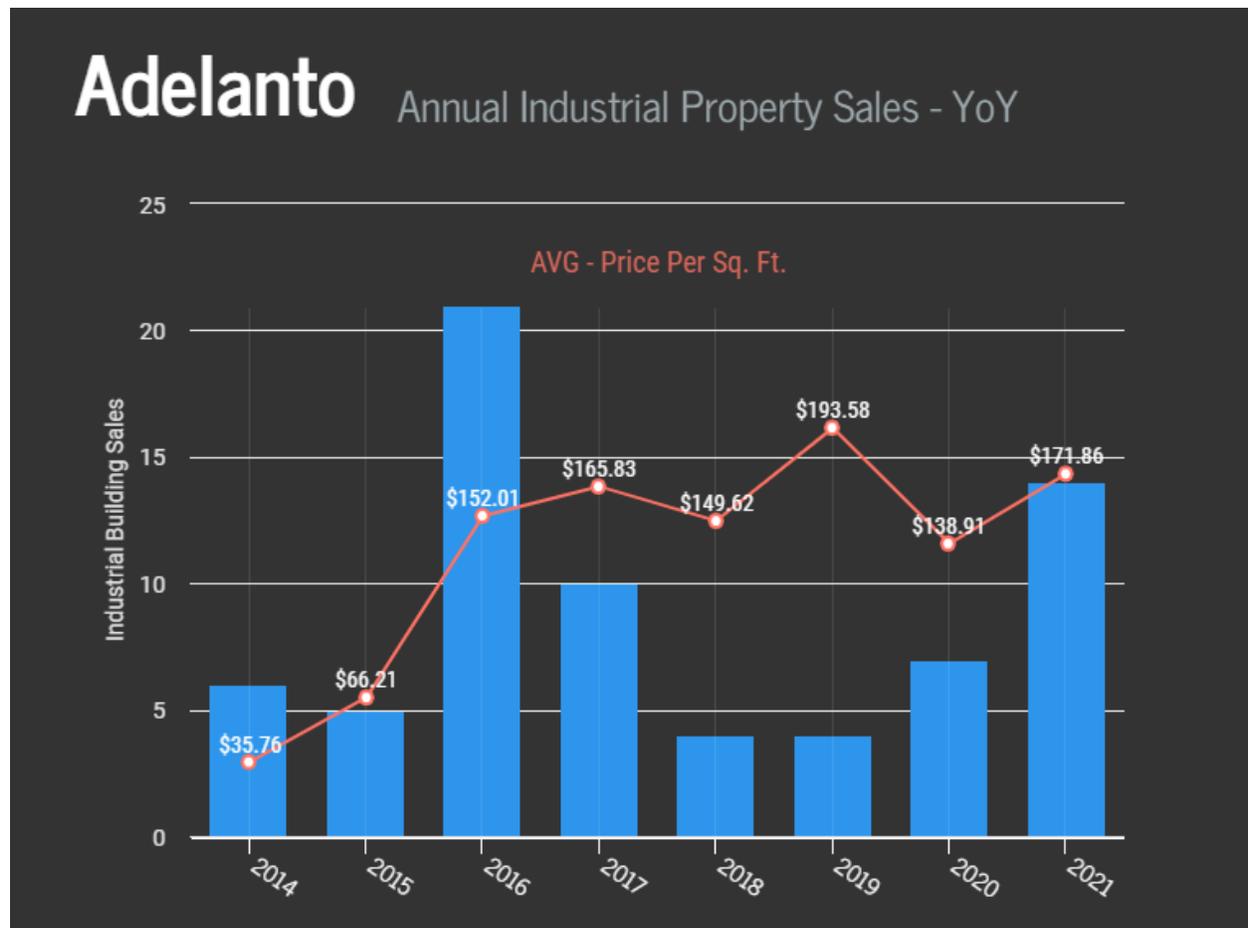
In the City of Adelanto during the 2019 calendar year, we observed (4) four industrial building sales ranging from a low of \$167.08 PSF, for a ±30,000 SF for a newly constructed industrial condo unit on Muskrat Ave, to a high of \$254.36 PSF for a ±27,250 SF building on Rancho Road. **AVG PPSF \$193.58**

2020 Industrial Property Sales

In the City of Adelanto during the 2020 calendar year, we observed (7) seven industrial building sales ranging from \$36.15 PSF for a ±45,000 SF building on Primrose Road to a high of \$550.00 PSF for a ±6,000 SF building on Muskrat Ave.; this comp is an anomaly. **The Adjusted AVG PPSF \$138.91** (\$217.48 if it included the highest comp).

2021 Industrial Property Sales

Thus far, in the City of Adelanto during the 2021 calendar year, we observed (14) fourteen industrial building sales ranging from \$79.21 PSF for a ±50,500 SF building on Columbus Street, to a high of \$300.00 PSF for a ±6,000 SF building on Yucca Road. Among the sales are (5) five ±29,925 SF concrete tilt, industrial condo units built specifically for commercial cannabis users. **The AVG PPSF \$171.86.**



As you can see in the chart above, the highest volume of property turn-overs occurred during 2016 with twenty-one sales that year. The average price per square foot first peaked in 2017 at \$165.83 PSF, before dropping in 2018 and then rebounding back up to an all-time high in 2019 at \$193.58 PSF. However, it is important to realize that there were significantly less sales in 2018 and 2019 at only four per year and of

the four sales in 2019 two were of newly constructed industrial condo units. As scarcity set in, price per square foot rose.

During the 2020 Calendar Year, there appears to have been a significant slow down in property turnovers with only one sale during the first six-months. This initial slow-down was likely attributable to the effect of the Covid-19 pandemic on the economy; surprisingly, the second half of 2020 rebounded for a total of six sales including two new construction industrial condo units. We are now into the beginning of the fourth quarter of the 2021 Calendar Year, with a healthy demand driving the second highest price per square foot since 2019 at \$171.86 PSF and the second highest turn-over rate with fourteen building sold thus far.

2014 Vacant Land Sales (Zoned MI, LM or ADD)

In the City of Adelanto during the 2014 calendar year, we observed (15) fifteen vacant land sales ranging from a low of \$0.07 PSF, for a ± 5.00 Acre Lot on Cactus Road, to a high of \$1.33 PSF for a ± 1.73 Acre Lot on Adelanto Road. **AVG PPSF \$0.36**

2015 Vacant Land Sales (Zoned MI, LM or ADD)

In the City of Adelanto during the 2015 calendar year, we observed (16) sixteen vacant land sales ranging from a low of \$0.06 PSF, for a ± 4.11 Acres on Holly Road, to a high of \$14.01 PSF for a ± 0.43 Acres on Raccoon Avenue. **AVG PPSF \$4.82** Note: Of the (16) sixteen sales there were only (6) six vacant land sales in zoning related to commercial cannabis uses, they ranged from a low of \$10.30 PSF for ± 0.78 Acres on Raccoon to \$14.01 PSF for ± 0.43 Acres on Raccoon. **The AVG PPSF for these (6) six sales was \$12.32.**

2016 Vacant Land Sales (Zoned MI, LM or ADD)

In the City of Adelanto during the 2016 calendar year, we observed (21) twenty-one vacant land sales ranging from a low of \$0.26 PSF, for a ± 2.42 Acres on Aster Road, to a high of \$12.94 PSF for a ± 0.78 Acres on Yucca Road. **AVG PPSF \$2.05**

2017 Vacant Land Sales (Zoned MI, LM or ADD)

In the City of Adelanto during the 2017 calendar year, we observed (42) forty-two vacant land sales ranging from a low of \$0.02 PSF, for a ± 49.62 Acres on Vinton Road, to a high of \$29.15 PSF for ± 2.49 Acres on Beaver Road. **AVG PPSF \$2.73**

2018 Vacant Land Sales (Zoned MI, LM or ADD)

In the City of Adelanto during the 2018 calendar year, we observed (23) twenty-three vacant land sales ranging from a low of \$0.26 PSF, for ± 17.83 Acres on Caughlin Road, to a high of \$13.20 PSF for ± 0.72 Acres on Raccoon Avenue. **AVG PPSF \$1.33**

2019 Vacant Land Sales (Zoned MI, LM or ADD)

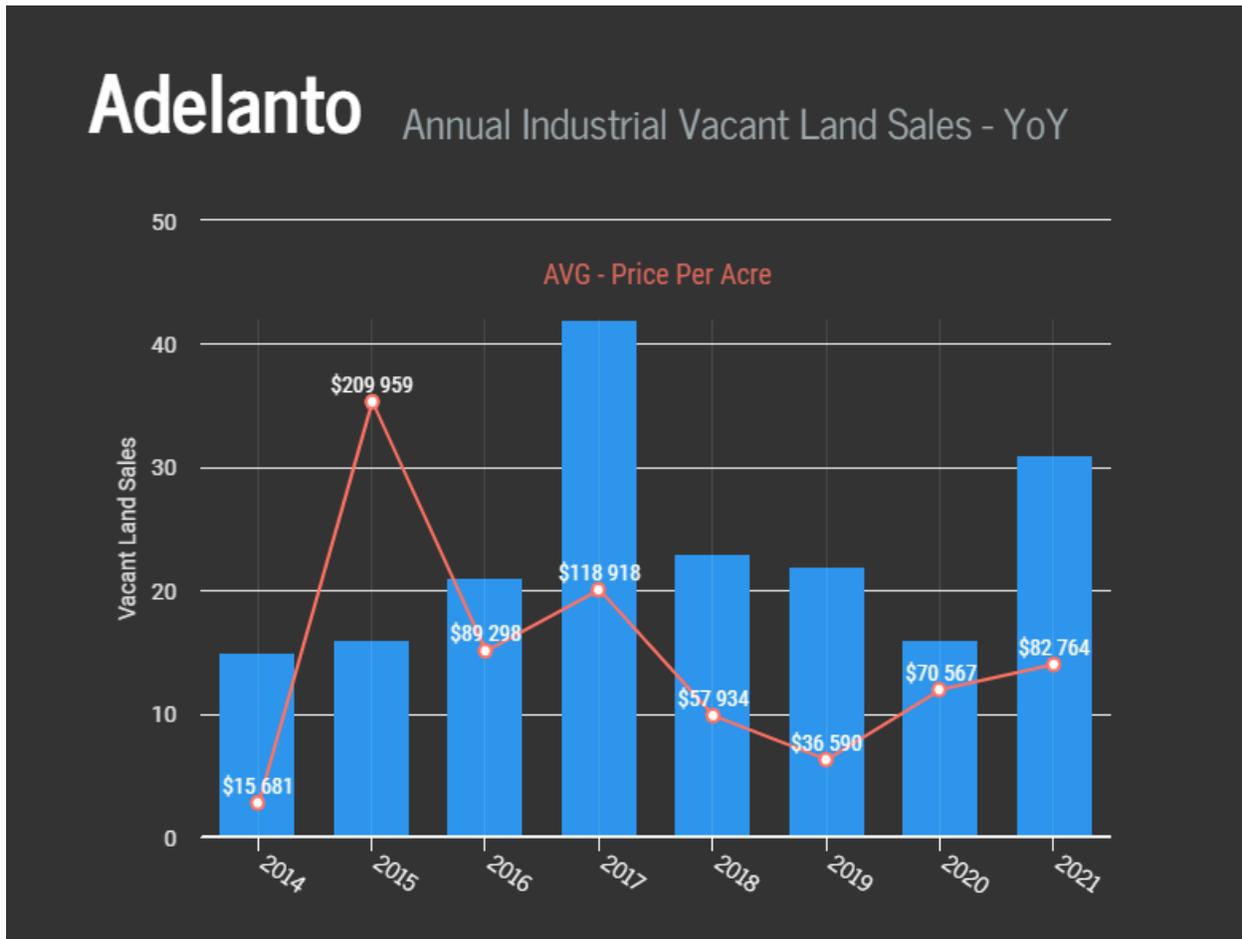
In the City of Adelanto during the 2019 calendar year, we observed (22) twenty-two vacant land sales ranging from a low of \$0.13 PSF, for ± 9.14 Acres on Calleja Road, to a high of \$3.44 PSF for ± 40.00 Acres on Aster Road. **AVG PPSF \$0.84**

2020 Vacant Land Sales (Zoned MI, LM, ADD)

In the City of Adelanto during the 2020 calendar year, we observed (16) sixteen vacant land sales ranging from a low of \$0.13 PSF, for ± 14.74 Acres on Powerline Rd., to a high of \$32.31 PSF for ± 1.19 Acres on Beaver Road; this comp is an anomaly and not indicative of the typical vacant land sales transaction. **The Adjusted AVG PPSF \$1.62** (*\$3.64 Avg. PPSF if it included the highest comp*).

2021 Vacant Land Sales (Zoned MI, LM)

During the first three quarters of the 2021 calendar year, we have (31) thirty-one vacant land sales, ranging from a low of \$0.14 PSF, for ±2.50 Acres on Mojave Dr., to a high of \$15.63 PSF for ±0.47 Acres on Raccoon Avenue; *this high comparable is somewhat of an anomaly and not indicative of the typical vacant land sales transactions being that it is a very small parcel, inside one of the industrial parks and adjacent to developed property.* **The AVG PPSF \$1.90** (\$2.29 Avg. PPSF if it included the highest and lowest comps).



In review of the chart above, the highest volume of vacant land turn-overs occurred in 2017 with a massive forty-two vacant land properties sold during that year. However, the average price per acre peaked two years earlier in 2015 when several cannabis zoned properties were sold off of Raccoon Avenue, (each was smaller than an acre and these were the highest land sales recorded in the industrial parks at that time). There were significantly less land sales in 2018 and 2019 in comparison to 2017, but still a substantial amount of industrial land was trading hands in comparison to pre-cannabis years. The average price per acre nearly doubled after bottoming out in 2019 at \$36,590.00/acres and has slowly been on the rise between 2020 and 2021 appreciating nearly 23%. The heavy dip in the average price per acre in 2019 was likely linked to the City's move to substantially expand the available land for commercial cannabis use.

As of October 21, 2021, and according to data pulled from the High Desert Association of Realtors (HDAOR) Multiple Listings Service (MLS) and CoStar; there were (7) seven industrial building listings in the City of Adelanto, zoned for commercial cannabis business uses, and that are listed for sale; of which, (2) two out of the (7) seven are located in the cannabis dispensary zone, (4) four are showing under contract in escrow, of the remaining (3) three, the listing prices ranged from a low of \$164.92 PSF for a $\pm 71,246$ Sq. Ft. industrial building with $\pm 5,200$ Amps of 3P power situated on ± 9.32 acres, to a high of \$633.33 PSF for a licensed $\pm 6,000$ Sq. Ft. building with $\pm 2,000$ Amps of 3P power situated on ± 4.60 acres.

As of October 21, 2021, and according to data pulled from the High Desert Association of Realtors (HDAOR) Multiple Listings Service (MLS) and CoStar there are currently (33) thirty-three active vacant land listings available for sale in the City of Adelanto that are zoned to allow for some form of commercial cannabis related business uses and range in asking price from a low of $\pm \$80,000.00$ for a ± 2.49 Acre parcel located on Cassia Road to a high of \$4,500,000.00 for two parcels totaling ± 3.19 Acres located in a small six parcel development at 16630 Beaver Rd. Adelanto.

In review of the current and past market data, it appears that the availability of developed commercial cannabis property has remained scarce with increased demand, more turn-over and a fairly moderate number of days on market. The greatest demand for commercial cannabis properties occurred early-on during 2016 and 2017 during what continues to remain the peak of the Adelanto Industrial Real Estate Market boom. Recent sales and turn-over as well as properties currently in escrow continue to show a need for more developed properties.

Presently, there appears to be an inadequate supply of “well positioned”, cannabis-zoned vacant land properties on the market in the City of Adelanto; which is creating some upward pressure on vacant land property values (especially those that are within close proximity to utilities, roads and infrastructure). With the smaller volume of decent land parcels available on the market, combined with the lack of access to utilities, and infrastructure continues to be the primary contributing factors leading to appreciating land property values in the local market. Seeing a shorter number of days on market for both land and buildings, it appears that many are reflecting current market values and conditions.

The Adelanto Industrial Vacant Land and Building Market had been in a cycle of correction that began in late Q3 of 2017. The Adelanto industrial real estate market continued to correct for the abundance of available cannabis zoned land, as well as a maturing of commercial cannabis entrepreneurs looking for expansion opportunities in second generation space from failed and exiting cannabis businesses and partnerships during the first major buying cycle. We have since emerged in late 2019, early 2020 into what has proven to be a more stable and balanced market and we continue to observe an upward trend in property values as the market continues to mature during 2021. As previously predicted, we have seen sales and leasing prices normalize to levels that are higher than pre-cannabis market levels but are not near the levels seen at the early peak of the market. As Adelanto continues to see growth and development across the industrial parks, I anticipate seeing continued absorption of vacant land and more logistically complex and expensive industrial property sales that will include properties that have been historically difficult to acquire due to logistics surrounding relocating the existing largescale businesses and a lack of available space in an already saturated regional industrial market. We will see these sales accomplished by well-capitalized institutional investors and the more experienced commercial cannabis operators that have realized substantial growth and market share within their industry and are now pushing for next level expansion.

Further, those jurisdictions that are closer to the larger cities and population centers in California, (areas of the highest population density); such as, Los Angeles, San Diego, San Jose, San Francisco, Fresno, Long Beach, Sacramento and Oakland will continue to remain more desirable to cannabis entrepreneurs due to their access to the highest concentration of cannabis users. To remain competitive and foster growth, Adelanto has made an effort to keep cannabis related business taxes low. However, as time passes the City will find itself having to re-evaluate the factors and incentives that will allow them to continue to remain competitive in attracting commercial cannabis entrepreneurs while working to achieve a healthy balanced fiscal budget.

Taking in a broader perspective beyond the City of Adelanto where is the cannabis industry going? Presently, marijuana remains Federally illegal however, it isn't that hard to see that the support for national legalization continues to grow. "To date, 37 states have legalized medical use, 18 no permit adult use, and some 70% of Americans now believe cannabis should be fully legal" (Yakowicz, 2021). Cannabis is going to be massive with already "more than \$17.5 billion in legal sales last year" (Yakowicz, 2021) and expectations that it will hit \$100 billion in legal sales in just 8 short years from now.

It would be an understatement to say you ain't seen nothing yet. "In California, the market is already proving to be tremendously popular, racking up \$2 billion in total tax revenue and \$4.4 billion in sales alone in 2020" (Boreland 2021). Cannabis is quickly becoming the highest and best use in all real estate markets where it has been legalized commanding premium rental rates and top dollar price tags on retail and industrial space, the pressure cannabis is placing on property values is creating an unintentional barrier to regular business uses competing for the same properties. "The real estate uses are even more expansive than the current retail and industrial opportunities. Well-known chains like Burger King are looking at becoming dispensaries, just one example of how cannabis will be used by existing brands to drive revenue in struggling properties, particularly after the pandemic" (Boreland 2021).

Joseph W. Brady, Inc. dba The Bradco Companies is the longest standing, full-service commercial, industrial, office, retail, multi-family and vacant land brokerage firm in the High Desert region. We also publish the Bradco High Desert Report; the most comprehensive economic overview of the High Desert region. If you wish to receive this report, please go to our website www.TheBradcoCompanies.com/register and register. You will receive this and other communications relative to our local economy or issues that we are involved in free of charge.

Should you have an interest in investing in our local commercial real estate markets of; Adelanto, Apple Valley, Hesperia, Victorville and Barstow, or if your business has a need to lease commercial space and you would like assistance, please don't hesitate to contact:

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CITATIONS

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