



The industrial spaces sector is red hot. What are the changes as seen through the lens of industry leaders? How does the contractor fit into the equation to drive a better outcome? What will the future bring?

"Caliber has a long and broad history of improvements in the industrial sector. We have participated in the implementation of technology in this sector, and it has been exciting to see what those changes can mean for an organization. In this issue of *INSIGHTS*, two high-performing brokers reflect on the current conditions in Southern California and predict on what the future likely holds," says Doug Bassett, President, Caliber Construction.

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"We see tenants demanding efficiencies which translates to truck access, freeway access and high efficiency in the layout. As we see fire agencies becoming more stringent with compliance, these constraints go a long way to influence how many cubic feet of space one can use. Higher stacking means higher cubic space efficiencies. The right fire suppression system, like an Early Response Fast Suppression system, allows for higher space utilizations that in return can demand higher rents," remarks Steve.

Notes Doug, "Caliber has been seeing a lot of this demand recently. In Fontana, we recently helped a client who had leased a 750k sq. ft warehouse intending on full high-pile tire storage. We helped them achieve this by upgrading the entire ESFR system to meet the fire code and get them into the space on a fast-track schedule. We know time inside is critical to ROI."

Brian DeRevere, Senior Vice President, CBRE, Inc., Orange County

"Both hard construction costs and tenant improvement costs have been outpacing the cost of inflation which is offset by rent growth but still remains noteworthy. The lack of available land for new construction means little inventory is added to the market. Title 24 has had its impact, much like the ADA regulations did in their day, and someone must cover those costs. We see most of the cost rolling up to the property owner," said Brian. "Racking and delivery systems also come into play especially because the industrial base in the SoCal region is largely focused on the distribution of goods."

"I've seen demand for computer retrieval systems that move along a track embedded in the floor and the use of a robotic arm with larger companies that can afford the investment. In general, there is a focus on automation to aid with distribution," adds Steve.



Brian DeRevere, Senior Vice
President, CBRE, Inc.

How important is the contractor in the lease negotiation phases?

[“The contractor is critically important,”](#) and we involve them early on because the brokers and property owners need the numbers as they negotiate rates. Escalating costs make it even more important and we count on those contractors we have long-standing relationships with,” notes Brian.

“The contractor is key team member to make sure things are done most cost effectively,” adds Steve. “We’ve had meetings where Caliber raised issues that related to cost and timing that enabled us to be more efficient. They work alongside the architect. There is no question some contractors are better than others—the best are honest, listen to what the client says and is attentive to their needs. If a company has not moved in 20 years, they need the contractor’s knowledge,” continues Steve.

What will the next five years bring?

“We anticipate some topping out of values and decreasing availability. Dense markets like ours will bring more focus on multi-story industrial spaces,” comments Brian.

“We expect the emphasis on cubic space efficiencies to remain along with more multi-story building considerations. The consideration is that of total occupancy costs which includes more than just the lease and adds in key factors like distance to the port, cost of drayage, location of the space versus the customer base — essentially the total value of getting the product to the buyer with the lease rate being only one component. And material handling will become more sophisticated,” said Steve.

Learn More from Industrial Spaces Experts

[Schedule a Learning Session](#) for your team with Caliber's Learning Lunch designed to shed light on industrial spaces in Orange & Los Angeles counties. Round table discussions will enable you to explore issues specific to your team. Schedule one today with Doug Bassett at DBassett@caliberconst.net or Jim Roy at JRoy@caliberconst.net. or call us at 714-255-2700.