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Value-add Industrial Takes Off

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The value-add industrial niche is taking off. The Los Angeles industrial market is one of the tightest in the country—with vacancy rates dipping below 1% in some submarkets—and the most fervent demand is for class-A distribution centers. Of course, in our established infill market, brand new class-A distribution centers are hard to find. **Southwest** 1h 50m remaining Opportunistic investors, like the newly **launched West Harbor Capital**—founded by industrial veterans **Adam Deierling** and **Eric Ruehle**—are coming to the rescue—or at least seizing the moment—to revitalize dated and obsolete properties into functional and highly desired warehouses for ecommerce use.

The demand and stock of industrial properties in Los Angeles makes it an ideal market for value-add industrial investment. “Given the average age of the properties in the Southern California market, which is late 70s and early 80s, and given what has gone on in the evolution of our overall economy, going from a more manufacturing-based economy to distribution marketplace, the properties themselves need to be re-adapted,” Ruehle tells GlobeSt.com. “We have an opportunity to get a hold of these properties and create value for our tenants, clients and investors by redeveloping those properties into more functional distribution buildings.”



“Value-add” can mean executing a variety of business plans, from renovations and upgrades to changes in tenancy. “It could be re-leasing the space or re-developing the space, which entails improving dock-high loading, parking and overall circulation for trucking operations,” Deierling tells GlobeSt.com. Many of these spaces are former manufacturing facilities, which need to be converted for the new use. “Distribution space is different than a manufacturing space, which historically was built with limited distribution functionality, as the functionality is more focused on loading and unloading,” adds Deierling. “Today, distribution facilities must offer any size truck, from 53-foot trailers to small parcel delivery vehicles, functional access for in bound and out bound traffic flow for the most efficient loading possible.”

West Harbor Capital isn’t the only player in this market. There is growing competition for value-add industrial opportunities. “L.A. is the number one industrial market in the country in terms of size and in terms of industrial investor preference, so there is a great deal of attention placed on this market from our competitors,” says Ruehle. “We believe we have an edge on uncovering acquisition opportunities through our long established brokerage relationships.”

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