

Short Supply for the Small Guy

By Jim West

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If you're a small industrial company or contractor in Clark County, odds are you're finding it a challenge if you are looking for lease space. During the fourth quarter of 2013, I had several experiences working with clients seeking new locations and we found industrial inventory very limited.

One of my clients was seeking to move his company – a small medical wholesale business – here from the Seattle area. After ten years of being the head of the sales team, the company founder retired and sold him the business. Living here, it made sense to relocate the company and the jobs.

His target was to find a space of about 3,000 square feet in an industrial business park. It took us over five months to locate and get a lease negotiated. There were several factors in play, but one was limited supply.

One of the tools we use in the commercial real estate business is a service called LoopNet. Doing a survey this week for spaces in Clark County between 1,000 and 7,500 square feet revealed 44 spaces available across the entire county. Using another service, Costar, revealed a larger selection, but still we were under 100.

Of those, 19 of were in the East Ridge Business Park, which leaves you an even more limited selection across the remainder of the county.

Asking rates on those spaces range from \$11 a square-foot down to about \$4.80, with averages for Clark County being about \$6.80 compared to \$6.30 for the rest of the Portland Metro area. The interesting thing about those asking rates is they have gone up 18 percent year-to-year from the end of 2012, and almost 3 percent from the previous quarter.

In the table to the right is a breakdown of the seven Clark County sub markets and their vacancy rates across all industrial properties in Clark County.

While this covers buildings of all sizes, you can see that the core areas of Clark County have quite low vacancy rates.

Working with a second client who wanted to purchase some land to possibly build a small industrial park, we again surveyed available properties and did feasibility work on a couple of those parcels.

Developing those properties would cost about 25 percent above purchasing existing properties. Using the above referenced lease rates, even if they continued to rise, they provided a rate of return that did not encourage this group to step forward and take on such a project.

With this as background, we foresee continued challenges for small users in seeking lease space for the first time or if they desire a new location. To those business owners, we have the following recommendations:

1. Read your lease. Make sure you know the dates you are required to give notice to your landlord and if you have a hold over clause.
2. Time is your friend. Start early. 12 months is not too soon to do an initial assessment of the market.
3. Have a conversation with your existing landlord early in the process. An extension may be your best option.

Market	#Bids	Total space	Vacancy %
Camas/Washougal	67	1,368,881	14.9%
Cascade Park	19	1,165,956	13.9%
CBD/West Vancouver	112	4,545,177	1.8%
Hazel Dell/Salmon Creek	84	1,263,894	4.9%
Orchards	172	4,566,274	5.9%
St Johns/Central Van	232	6,330,761	7.6%
Vancouver Mall	4	31,061	26.7%

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