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Food Bank Pays $52M for Property

Nonprofit acquires industrial location in City of Industry

By HANNAH MADANS *Staff Reporter*

An industrial building in the City of Industry has sold for $52.1 million to the **Los Angeles Regional Food Bank**.

The property, located at 2300 Pellissier Place, is nearly 256,000 square feet.

The nonprofit L.A. Regional Food Bank purchased the building from **Haralambos Leasing Co.**

Newmark Knight Frank's **John McMillan**, **Jeff Sanita**, **Danny Williams** and **Greg Stumm** represented the buyer. **Lee & Associates' Jack Cline** and **LA Industrial Group**'s **Peter Bacci** represented the seller.

The property has a large fenced yard, parking and a nearly 25,000-square-foot mezzanine.

"The competition to acquire large industrial assets in Los Angeles is extremely high," McMillan said in a statement. "We had been looking for a building of this size and quality for the L.A. Food Bank to acquire for over a decade — the one to two options that popped up every year would quickly get acquired by institutional investors. When we discovered this building could be purchased, we wasted no time in seizing the opportunity."

Long-Awaited Purchase: 2300 Pellissier Place is nearly 256,000 square feet.

For the L.A. Regional Food Bank, the need to find a new space became even more pressing with the arrival of the coronavirus.

"The Covid-19 pandemic has increased the urgency for the Food Bank to find a suitable facility as our food distribution has doubled over the past several months," **Michael Flood**, president and chief executive of the food bank, said in a statement.

The L.A. Regional Food Bank serves more than 300,000 people each month and distributes more than 1 million pounds of food every week, according to the nonprofit's website.

Industrial space in the San Gabriel Valley is in high demand.

During the second quarter the vacancy rate was a mere 3.6%, according to data from **Jones Lang LaSalle Inc.** The asking rate was 83 cents a square foot, up 4 cents in a year.

Nationwide, industrial assets have had 41 quarters of positive net absorption, according to data from **CBRE Group Inc.** And vacancies are near all-time lows nationwide.

The growth of ecommerce will lead to a demand for more than 2 billion square feet of industrial space in the next 10 years, according to CBRE.

The group also found that roughly 314 million square feet of industrial space is now under construction; 37% of it is already leased.

Consumer Guide: Principal Jim Dillavou thinks market conditions favor Paragon's focus on grocery-anchored retail centers.

THOMAS WASPER

Paragon Is Shopping for Grocery Centers

Developer plays a leading role in the retail 'evolution'

By HANNAH MADANS *Staff Reporter*

Despite Covid-19, **Paragon Commercial Group** is still betting big on retail developments.

A site that was recently redeveloped by the El Segundo-based retail developer is now home to the first Amazon Fresh grocery store.

Previously the property, at the Warner Center in Woodland Hills, had been anchored by a Toys R Us store.

Jim Dillavou, co-founder and principal at Paragon, said the company saw an opportunity in continuing on its current path, developing and redeveloping retail centers that are anchored by grocery stores and focused on daily needs trips.

"We think these market conditions favor our business model," Dillavou said.

When Paragon acquired the Woodland Hills site in 2013, it was filled with older retailers.

Dillavou said the property's location near two Westfield malls and the lack of a grocery store in the area made it a great play for the company.

He added that he knew Toys R Us "wasn't long for the retail world," and that realization opened up possibilities.

"We bought it with a very specific building plan in mind to turn it into a grocery-anchored center long term," he said.

Being able to add a turn signal that allowed people to make a left-hand turn into the center was important as well, Dillavou said.

Paragon sold some of the land to a developer who is almost finished building a multifamily project next door.

Dillavou said **Amazon.com Inc.** got in touch with Paragon about opening in the center.

He said Paragon is not under contract for additional Amazon Fresh locations but would gladly work with the company again.

And despite the mantra that retail is dying, Dillavou said the company is still busy.

"We're busier now than we have been since we started the company in 2009," he said. "There's a pretty simple reason for that. Retail is undergoing an evolution."

The Covid-19 pandemic, he said, is expediting trends that were already starting to take place.

"Retail is more challenged, but we don't get involved in malls, lifestyle centers, power centers. We have a niche we focus on and try to be centered on, and that niche has been the bright side in the retail world," Dillavou said.

In addition to the Woodland Hills project, Paragon is completing a development in Burbank that will be anchored by an Aldi grocery store. It's also working on a small-format Target in Westchester at a former Office Depot location. And the company is working to acquire three additional centers with redevelopment plans.

Dillavou added that Covid-19 could benefit some high-quality, daily needs tenants.

"This friction is creating vacancy and availability and opportunity" for them to expand, he said.

Still, Dillavou said the Covid-19 pandemic has affected how Paragon evaluates opportunities.

"Every time something happens, we add additional evaluation criteria," he said. "The pandemic was obviously something that no one saw coming. … We now have a lot of data on that and know which retailers succeeded and why they succeeded."

Paragon, which was born during the Great Recession, is focused on California but is also developing properties in the greater Seattle and Portland markets.

Dillavou said many cities have moved quickly to respond to retailers' needs, issuing permits faster and allowing for outdoor dining. Dillavou said he hopes this continues as things move forward.

"We all know that we can do this much quicker and we can adapt," he said. "That has set a really neat new baseline going forward."

For the rest of the year, Dillavou said, Paragon will start construction on four or five grocery-anchored centers.

First Up: Amazon Fresh made its debut at a Paragon property.

Multifamily Portfolio Brings $33M

Properties in Central LA are expected to be upgraded

By HANNAH MADANS *Staff Reporter*

An 11-building multifamily portfolio of properties in Central Los Angeles has sold for $33.2 million. The buildings range from 13 to 21 units.

Bold Partners purchased the properties from an entity controlled by **Levine Management Group Inc.** The properties were initially developed by **Ronald Levine**.

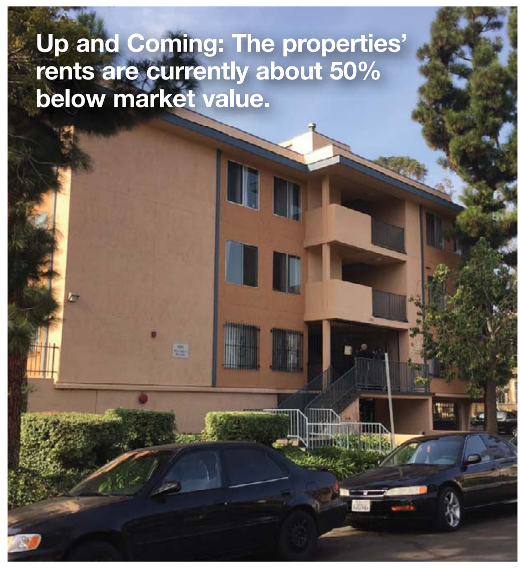
Tamarack's **David Kaufman** represented the buyer and the seller in the transaction.

"It was desirable because it's an up-and-coming neighborhood, and the rents were not maxed out," Kaufman said. He added that rents were about 50% below market value.

The area, he said, has "good access between downtown and the Westside, and it's not as expensive as Mid-Wilshire or as built up as Mid-Wilshire. There's still some relative bargains in that neighborhood."

The portfolio was listed prior to L.A.'s safer-at-home order and before Covid-related changes began to affect the real estate landscape.

Kaufman said the properties, which were listed last year, had a buyer fall through due to the pandemic. The portfolio had received five or six offers "then Covid hit and that all went away," he added.



Up and Coming: The properties' rents are currently about 50% below market value.

Kaufman said the seller still wanted to unload the properties, and the successful buyer was a previous bidder.

The portfolio sold at 94% of its pre-Covid asking price, according to Kaufman.

The buyer is expected to make some upgrades.

"This group is a value-add buyer. Their business plan is to go in and add value through rehab, and in this case, they are planning on adding additional units," Kaufman said.

The estimated seismic retrofit costs for the portfolio are $1.29 million, according to marketing materials for the property.

The properties bring in $1.35 million of net operating income, according to the materials.

The buildings are located at 1823 St. Andrews Place, 1625 St. Andrews Place, 1201 Magnolia Ave., 2200 6th Ave., 1555 St. Andrews Place, 1546 S. Wilton Place, 1541 S. St. Andrews Place, 1540 S. Gramercy Place, 1522 S. St. Andrews Place, 1510 S. St. Andrews Place and 1414 S. St. Andrews Place.

The buyer received a five-year loan of 65% loan to costs.