

THE VALLEY'S FIRST INFILL INDUSTRIAL BUILD IN YEARS

LOS ANGELES—The Magellan Group delivers the first infill industrial project in the San Gabriel Valley market in eight years, and tells us all about the process in this EXCLUSIVE interview.

October 10, 2016

By Kelsi Maree Borland



The property has five buildings that total 501,270 square feet.

LOS ANGELES—[The Magellan Group](#) has completed Magellan Gateway, the first infill industrial project in the San Gabriel Valley in eight years. Located in El Monte, the \$55 million development brings 501,270 square feet of industrial product to the heavily supply constrained market. The property has a total of five separate buildings, and already sold three of them during construction to [the Gill Corp., Jans Investment and Management and Dream Home Temple City Boulevard.](#)

Magellan Gateway is state-of-the-art with 26- to 30-foot clear heights, dock-high and grade-level loading, concrete driveways and truck courts, T5 warehouse lighting, flexible column spacing, finished ground floor office spaces and ample mezzanine space, and it is LEED certified.

This is an exciting new development for a market with all-time low vacancy rates for industrial and increasing demand for product. To find out more about the development, why it is so difficult to build in this market and about Magellan's vision for the property, we sat down with **Kevin Staley**, co-founder of the Magellan Group, for an exclusive interview.

GlobeSt.com: Magellan Gateway is the first industrial development to come to the El Monte submarket in eight years. Why do you think the region went so long without any infill industrial projects?

Kevin Staley: I think the recent lack of infill industrial development has a lot to do with the downturn of 2008-2010 and the related aftereffects. Beyond that, a considerable portion of the development activity that took place earlier in this recovery seemed to be focused more in the Inland Empire and focused more on larger users. This might relate to the availability of more plentiful land in that market and the relative cost advantages. In addition, the larger companies were likely less affected by the downturn than many of the smaller companies.

Infill sites are also harder to find and harder to entitle. They tend to have more complications given their prior uses. For example, many may have served as former manufacturing sites and may have environmental issues that prolong the process of preparing for development.

GlobeSt.com: Magellan Gateway is a \$55 million, five-building, 501,270-square-foot project. What prompted you to build a project of this size, and why in El Monte?

Staley: We were able to piggyback on the foresight of the prior owner who had assembled the property starting in around 2007. The size of the project – 501,270 square feet – is approximately what had been entitled. In other words, this was the maximum allowable on this parcel taking into account other requirements such as parking, landscaping etc. Given the cost basis of the land we acquired, it was important for us to maximize the density from an investment return perspective.

The key decision we made in 2014 was to change the site plan because the prior plan was targeting smaller tenants. We designed the project to target tenants/buyers in size ranges from approximately 30,000 square feet to a maximum of 160,000 square feet. We felt this was the appropriate size range given the market demand and given the appetite of our investors.

El Monte was very enthusiastic about the possibility of this investment. Their interest and support were key ingredients. In addition, the city is located in close proximity to the Asian community in the San Gabriel Valley, which had been very receptive to real estate investments in the recent past

GlobeSt.com: What makes this project unique?

Staley: The combination of a parcel map and a condo map provided considerable flexibility, allowing the sale of both entire buildings and/or portions of buildings to be sold as industrial condos. This flexibility allowed us to target a broad range of prospective buyers.

Our belief in the improving economic conditions allowed us to design and build a very attractive project with all the latest high-end industrial amenities: 100 percent concrete yards, ESFR sprinkler systems, high-end restroom finishes, LEED standards, stone façades in selected areas, green screens, attractive lighting, top-quality signage and mature trees.

We engaged the services of a feng shui specialist to ensure we had thoughtfully designed the entrances, the offices and various other related elements.

The project is in a pocket of El Monte that is adjacent to the communities of Rosemead and Temple City. Over the years, this required ongoing cooperation and communication amongst these communities through the effective leadership of the city of El Monte.

GlobeSt.com: You say that demand is high for new industrial and that you've already sold three buildings to The Gill Corporation, Jans Investment and Management, and Dream Home Temple City Boulevard, LLC. What was it about this project that interested them the most? Do you have other buyers in the works?

Staley: The location of the property in the city of El Monte and its proximity to a strong and diverse population base were likely key factors. The diversity of our building sizes also helped us to broaden our appeal to different sizes and types of companies. We were also able to improve our competitive position in the marketplace with state-of-the-art building and project features and functions along with an attractive design. We currently have active negotiations underway on both of the remaining buildings.

GlobeSt.com: Does Magellan have other plans or projects for the area?

Staley: We have another building planned for construction in the city of Baldwin Park and anticipate breaking ground within the next 60 days.

GlobeSt.com: What trends do you see for the infill industrial and or commercial real estate as a whole in the future?

Staley: Infill industrial development has become increasingly challenging due to escalating land prices. However, continued low vacancy rates help to offset the rising land prices. Also, commercial real estate has enjoyed a fairly strong recovery over the past several years. Given the cyclical nature of this industry, however, and the length of this recovery, it seems prudent to be increasingly selective during such times.