

Magellan Group Completes \$375M SoCal Investment

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The firm sells the last properties in a three-year investment in Southern California's industrial market totaling \$375 million.



The Magellan Group, based in Century City, has completed a three-year investment strategy with the sale of two Los Angeles-area industrial properties for \$77.5 million. The two properties include Commerce Business Center and Magellan Storage – Commerce. The three-year strategy invested \$375 million in Southern California industrial and self-storage products. To find out more about the investment strategy, the impetus for that strategy and where the firm is headed next, we sat down with **Kevin Staley**, a principal at The Magellan Group.

GlobeSt.com: *Tell me about your investment strategy over the last three years in SoCal.*

Kevin Staley: The investment strategy of The Magellan Group has been to retain its focus on value-added industrial and self-storage properties in Southern California. Over these past three years, we adjusted our strategy to expedite the execution of our plans and the harvesting of our gains.

GlobeSt.com: *What was the impetus for the strategy and your focus on SoCal?*

Staley: Magellan initially selected industrial as a primary focus in the 1990s because we liked its relative risk characteristics and felt we had a competitive advantage given our Southern California experiences and relationships.

Although our subsequent entry in the late 1990s into the self-storage business was primarily because it was an adjunct to an industrial site we acquired in Irvine, we soon realized that self-storage presented a real opportunity. By applying our redevelopment and operational expertise we were able to develop a very sizable presence in the self-storage sector in Southern California through our branded entity called Magellan Storage, where supply/demand dynamics remained favorable.

The size and continued strength of the Southern California industrial and self-storage markets presented ample opportunities over the ensuing years. As the recovery from the 2008 downturn gathered additional momentum, it became increasingly clear that our asset classes and specific properties had considerable appeal in the investment marketplace.

GlobeSt.com: How has the market changed in that time?

Staley: Our experience suggests that the market over the years has shifted to one increasingly favoring sellers versus buyers. The historically low interest rates and capitalization rates, when combined with improving economic and market fundamentals and the attractiveness of our asset classes here in Southern California, all suggested that we were well-positioned to realize gains for our investors.

GlobeSt.com: Tell me about your returns and how they stacked up to your expectations?

Staley: The returns have significantly exceeded our expectations. While it may be gratifying to think that our strategy and execution were sound, we were certainly very significant beneficiaries of the fortunate confluence of favorable economic and market circumstances.

GlobeSt.com: What is your next strategic investment focus, and why?

Staley: Magellan has a number of remaining assets going through the value-added process. We anticipate completing our execution over the next 12 to 24 months. Concurrently, we are seeking reinvestment opportunities that will be substantially immune to impending cycles while continuing to selectively seek industrial and self-storage properties we can capitalize on with our core competencies and experiences.