

The Future Of El Segundo's Hard Tech Scene From A Real Estate Perspective

El Segundo-based commercial real estate broker Erik Stiebel shares his outlook for the city's hard tech scene.

EL SEGUNDO, CA, UNITED STATES, June 12, 2024 /EINPresswire.com/ -- El Segundo-based Commercial Real Estate Advisors ([CREA](#)) opened its doors in February 2023. Since then, the company has represented a number of hard tech clients in El Segundo lease transactions. Here are some thoughts on the market.

It's no secret that El Segundo commands among the highest rents in the South Bay for the hard tech community. And given the finite amount of space coupled with the uptick in popularity, simple economics suggests these rents won't be coming down anytime soon.

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Erik Stiebel

While the recent past has seen many hard tech companies start in El Segundo, the lack of bigger facilities has forced companies to look for growth elsewhere. Torrance, Hawthorne, and especially Long Beach have been the benefactors here, as companies can 10x their footprint and build out and expand their their manufacturing facilities.

However, this is about to change.

El Segundo landlords are increasing the supply of options for hard tech companies. At least 250,000 square feet of space in the hard tech mecca, Smoky Hollow, is being converted into flex (office and warehouse) space. Most of this conversion is scheduled to be completed sometime in 2025. More space will likely lead to more companies



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staying in El Segundo and not venturing south or east, further bolstering the Gundo ecosystem.

But...

This new space is anticipated to be highly sought after, so those looking for more of a "bargain" will still want to look in Long Beach, Torrance, and Hawthorne.

To give a little context, as of today, the approximate average asking rents are \$1.90 per SF, NNN in Torrance, and \$2.40 per SF, NNN in El Segundo. However, most of the Torrance options are 100,000 square feet or more.

If those rents are a little more than the budget allows, but a company still wants to be in El Segundo, one way to potentially pay less than market rent is to sublease another hard tech company's space. As is often the case, when a company is growing fast and needs to move, the last thing they want is to pay two rents.

Because of demand, these spaces can move quickly, but the right real estate broker should be able to tip you off on what space is becoming available so your company can move quickly.

EL SEGUNDO'S INTANGIBLES

Talk to almost anyone in the Gundo (as the locals call it) hard tech world, and themes like "community," "ecosystem," and "talent" come up time and again. It's not uncommon for one business to help another. And vice versa. Many of the founders are on the younger side and are growing up together to an extent as they attempt to raise VC money and strive to change the world. In short, it's not your father's Midwest manufacturing outfit. It's a vibe. It's Gundo.

Of course, there are certainly elements in place that help foster this culture and bolster the intangibles.

With no gross receipts tax, El Segundo is recognized as the most business-friendly city in Los Angeles County. Speaking from personal experience with clients, the City of El Segundo's response time and communication on requests like permitting has been outstanding. These two factors alone help Gundo stand out in Greater Los Angeles.



But then throw in the VC funding, defense, and other government contracts, as well as the presence of large aerospace companies that perform major development programs, and it's easy to see why the economics for rapid development are in place in El Segundo.

And it's not stopping anytime soon. The new companies offer well-paying jobs attracting young talent from all over the U.S., enabling El Segundo to continue the momentum from the SpaceX Effect, arguably the bedrock of the current Gundo ecosystem.

Lastly, what would a piece written by a commercial real estate broker be without at least mentioning location? El Segundo is centrally located to a wide range of entertainment options, is close to LAX, features nearby housing for technical talent (including the beach cities), and has a diverse set of fast-growing companies focused on solving complicated technical challenges in a "think tank" environment.

Fortunately, many of these success factors overlap, creating a bit of a perfect storm for the hard tech industry.

IS EL SEGUNDO RIGHT FOR YOUR COMPANY?

The obvious question is, how much is being in the El Segundo community worth to your business? That's a personal question that is hard to answer. However, here are a few tips from a real estate broker's point of view that may save CEOs from unexpected headaches when leasing space and squeeze some more intrinsic value out of the equation.

Financials play a large part in any corporate real estate decision. And if one has ever leased commercial space, it probably didn't take long to realize that the rent was only a part of a much greater whole.

Hard tech companies exploring new commercial real estate space should, at minimum, examine the building's electrical systems, ceiling height, overall condition, and ITAR compliance.

Be sure to ask questions like, will the Landlord pay for any tenant improvements? The answer to this question alone can be more important than the asking rent.

BIO
[Erik Stiebel](#) is a commercial real estate broker at CREA, located in El Segundo, California. He has recently helped hard tech companies like Cambium, Morpheus Space, and Soaring with their real estate footprint. He takes pride in working hard to align his clients' business needs with their real estate.

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