

San Fernando Valley

Industrial Market 3Q 2015

Market Overview

The third quarter vacancy rate in the San Fernando Valley industrial market remains low at 2.3%. The vacancy rate has been below 3.0% for the past seven quarters. The decline is due to steady leasing and increasing sale activity. Year to date sale and lease activity totaled more than 5.8 million square feet – representing a 6.1% decrease over the same period last year. This is primarily due to a lack of available product. A strong demand to buy versus lease has increased sale activity along with prices. Demand for industrial space continues to push pricing upward while maintaining inventory levels low in the market. Average asking rents closed at \$0.77/SF, up 4.8% over the prior quarter and up 11.3% over last year while sale prices for warehouse/distribution space gained over 25% from this time last year.

Leasing

Business expansion continues. Los Angeles County employment figures for August 2015 show a 1.8% year over year job growth. Trade, transportation and utilities had the second largest job expansion of the year with job growth across every major industry sector including warehousing & storage which is up 3.4% over last year. This quarter Amazon signed a lease for a 29,208 square foot class A warehouse/distribution building under construction at Chatsworth Commerce Centre in the West San Fernando Valley. New construction, although limited due to land constraints, has been well received and is approximately 71% preleased.

Sales

The threat of low interest rates coming to an end has created a sense of urgency among buyers. Sale activity almost doubled over the prior quarter. Year to date sales volume is up 22% over the same period last year. In one of the largest transactions this quarter, Synear Food Holdings bought a 190,073 square foot food processing facility from Nestle in the West Valley for \$15.9 million. In the East Valley, Hallmart Collectibles purchased a 48,980 square foot warehouse for \$139.00/SF. The property had previously sold in 2005 for \$97.51/SF representing a 43.6% increase.

Trends to Watch

Rental rate increases are not expected to keep up with the pace of rising sales prices. Land values and soft and hard construction costs maintain levels of 25% or more than existing sales comps, and new construction averages two years to complete delivery to market. Expect increasing values and decreasing returns as the market hastens in its direction from investor-driven to user-driven transactions.

MARKET OUTLOOK



Asking Rental Rates

Limited inventory



Sale Prices

Sustained strong demand to purchase



Vacancy/Availability Rates

Increasing demand, dwindling supply



Landlord Concessions

Limited incentives due to strong demand



Sales/Leasing Volume

Low interest rates-high prices spur sales



New Construction

Rise in rent/sale prices to spur new construction

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Market Statistics

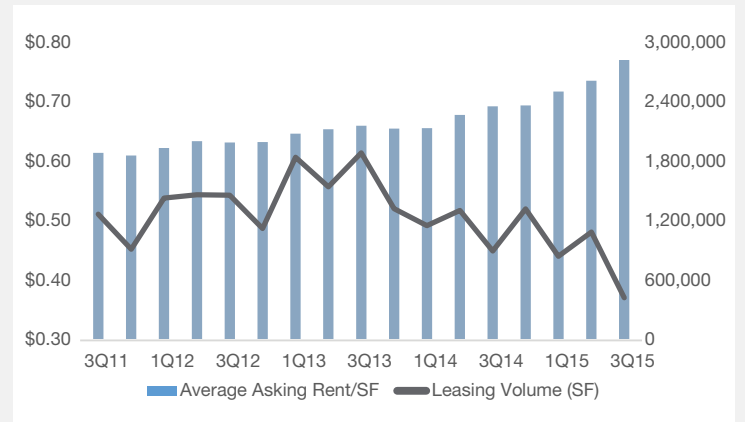
SUB-MARKET	EXISTING TOTAL INVENTORY (SF)	RBA	UNDER CONSTRUCTION (SF)	TOTAL AVAILABLE (SF)	TOTAL AVAILABLE (%)	TOTAL VACANCY (%)	YTD LEASING VOLUME (SF)	YTD SALES VOLUME (SF)	AVERAGE ASKING RENT \$ NNN	AVERAGE SALE PRICE/SF
West	27,919,613		111,559	1,372,886	4.9%	3.7%	832,086	988,852	\$0.78	\$101.73
Central	19,227,701		126,557	570,245	3.0%	2.1%	452,045	213,408	\$0.75	\$168.90
East	67,286,719		28,620	1,927,579	2.9%	1.8%	1,493,851	2,275,162	\$0.77	\$242.36
Total	114,434,033		266,736	3,870,710	3.4%	3.0%	2,777,982	3,477,422	\$0.77	\$214.13
Santa Clarita Valley	19,755,682		-	1,061,876	5.4%	2.5%	973,434	460,230	\$0.61	\$124.32

Includes all industrial buildings. Rents are quoted on a direct NNN basis; factoring \$0.15 average operating expenses.
 West: Calabasas, Canoga Park, Chatsworth, Northridge, Reseda, Tarzana, Woodland Hills
 Central: North Hills, Panarama City, Sepulveda, Van Nuys
 East: Arleta, Burbank, Glendale, Mission Hills, North Hollywood, Pacoima, San Fernando, San Valley, Sunland, Sylmar, Tujunga
 Santa Clarita Valley: Canyon Country, Newhall, Santa Clarita, Stevenson Ranch, Valencia

Significant Lease Transactions

TENANT	ADDRESS	SUB-MARKET	LEASE RATE/SF	SQUARE FEET
Disney	635 8th St., San Fernando	East	\$0.69	71,160
HD Supply	8901 Bradley Ave., Sun Valley	East	\$0.68	55,005
Triscenic Production Services	28014 Avenue Crocker, Valencia	Santa Clarita Valley	\$0.63	50,688
Faux Library Studio Props	7100 Case Ave., North Hollywood	East	\$0.72	47,165
Amazon	9031 Lurline Ave., Chatsworth	West	\$1.10	29,208

Average Asking Rents and Leasing Volume

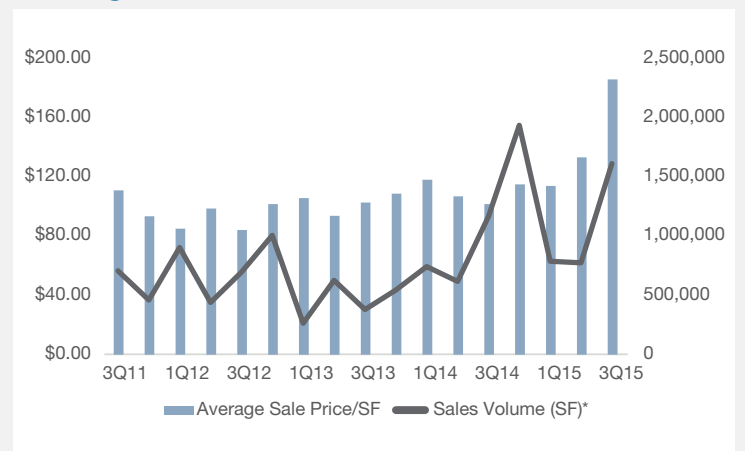


Includes all leases square feet
Does not include Santa Clarita Valley

Significant Sales Transactions

BUYER	ADDRESS	SUB-MARKET	SALE PRICE/SF	SQUARE FEET
Synear Food	9601 Canoga Ave., Chatworth	West	\$83.65	190,073
Paul Herman Company	27655 N. Avenue Hopkins, Valencia	Santa Clarita Valley	\$110.46	52,510
Hallmart Collectibles	8963-8969 Bradley Ave., Sylmar	East	\$139.00	48,980
DE Woodcliff LP	12473 Gladstone Ave., Sylmar	East	\$140.14	48,523
Ontrack Investments	26308 Spirit Ct., Santa Clarita	Santa Clarita Valley	\$115.01	44,944

Average Sale Price and Sales Volume



Excludes bulk portfolio sales
Does not include Santa Clarita Valley

San Fernando Valley

Industrial Submarkets

Santa Clarita Valley

- Canyon Country
- Newhall
- Santa Clarita
- Stevenson Ranch
- Valencia



San Fernando Valley

West

- Calabasas
- Canoga Park
- Chatsworth
- Northridge
- Reseda
- Tarzana
- Woodland Hills

Central

- North Hills
- Panorama City
- Sepulveda
- Van Nuys

East

- Arleta
- Burbank
- Glendale
- Mission Hills
- North Hollywood
- Pacoima
- San Fernando
- Sun Valley
- Sunland
- Sylmar
- Tujunga

San Fernando Valley

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