



**Q1 TRENDS AT A GLANCE**

*Change from prior quarter*

- Absorption**  
(257,400 SF)
  - Vacancy**  
+20 basis points (bps) to 1.9%
  - Leasing Activity**  
861,789 SF
  - Direct Lease Rate**  
+\$0.01 to \$0.81 PSF
  - Under Construction**  
1,104,333 SF
  - Completed Construction**  
0 SF
  - Industrial Buildings Sold**  
38
  - Median Sale Price**  
\$182 PSF
  - Unemployment Rate**
- |                    |      |       |
|--------------------|------|-------|
| <b>LA County:</b>  | 4.8% | (Feb) |
| <b>California:</b> | 5.0% | (Feb) |
| <b>U.S.:</b>       | 4.7% | (Feb) |



**Lee & Associates LA North/Ventura**  
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**Leasing Activity Drops Below 1 Million SF as Companies Vie for Severely Limited Inventory**

Leasing activity in the Los Angeles North industrial market fell below 1 million SF for the first time since 2009, reflecting the severely constrained inventory in the market. Just 861,789 SF was leased, down 36 percent from year-ago levels.

Net leasing activity was likewise impacted by the demand-supply imbalance and absorption was negative at 257,446 SF in the quarter, compared to 313,814 SF of net leasing in the prior quarter.

Just over 1.1 million SF of new space is under construction, a literal drop in the bucket of the region's existing 134 million SF of inventory. It should also be noted that 743,304 SF of that new construction, 67 percent, is located in the Santa Clarita Valley, and only the remainder is slated for the San Fernando Valley.

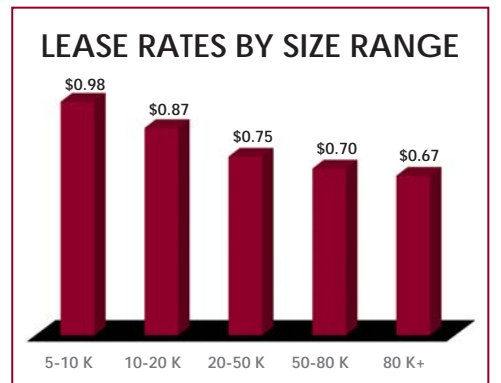
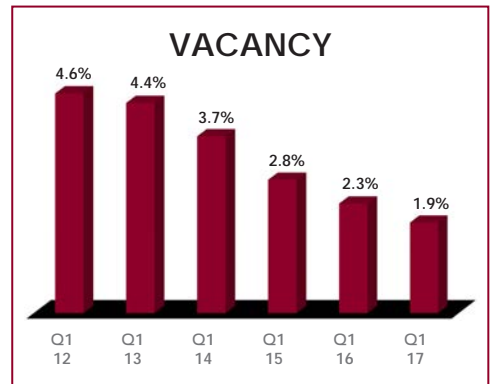
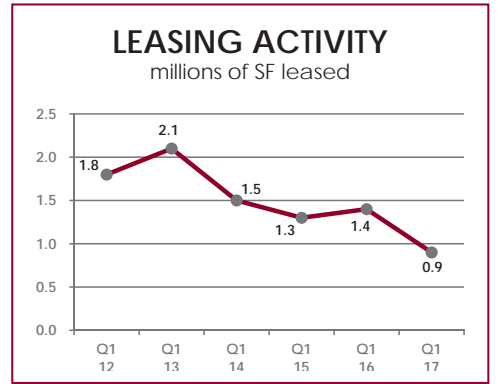
While reports point to the rapid growth of e-commerce as the reason for tight industrial markets across the country, that is not the case in the Los Angeles North region. In the first quarter, entertainment and media companies comprised the largest single cluster of users taking industrial space, accounting for more than 17 percent of the space leased. The balance of activity came from a varied range of companies including furniture, cosmetics and medical manufacturers, lighting companies and third party distributors.

Vacancies inched up 20 basis points (bps) compared to the prior quarter to 1.9 percent, an increase more likely due to move-in delays rather than any material rise in vacancies.

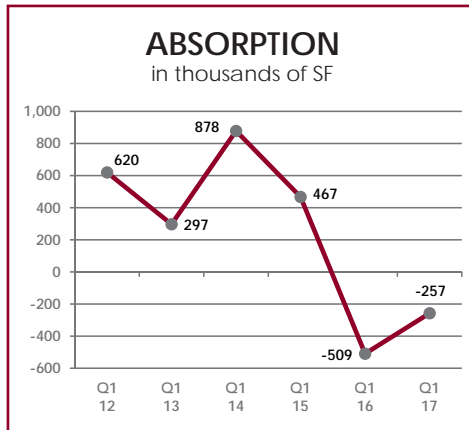
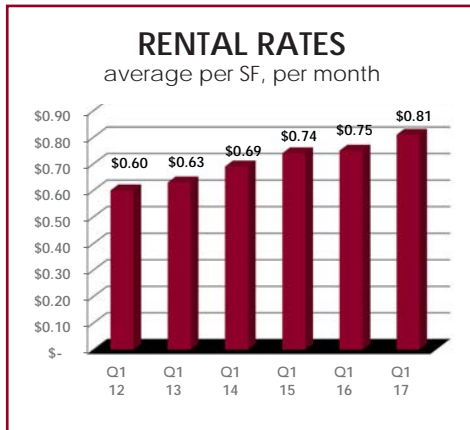
The record occupancy levels continue to generate high interest from buyers, whether users interested in better controlling overhead costs in an environment where rents are rapidly escalating, or investors who see significant cash flow and appreciation opportunities in owning industrial real estate in the region.

There were 38 industrial property sales in the quarter, but the big news was the sharp spike in median sale prices.

The median price of industrial buildings sold in the quarter rose \$34 per SF or 23 percent compared to the prior quarter to \$182 per SF, 31 percent ahead of the median a year ago.



\* Rates quoted are NNN. Most industrial buildings in the 5,000 SF-10,000 SF range use Industrial Gross rates, which would add approximately 10 percent to the averages shown above for those building sizes.



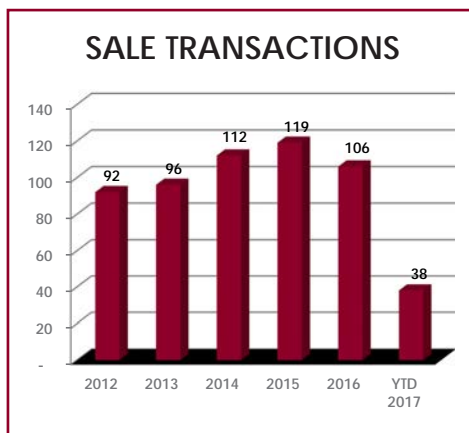
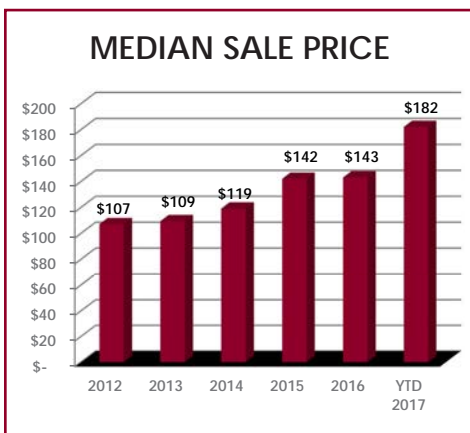
## Economy at a Glance

**ECONOMY:** The Los Angeles County Economic Development Corporation (LAEDC) projects job growth of about 1.5 percent in each of the next two years, somewhat weaker than the past two years' 2 percent growth, the Los Angeles Business Journal reported. Despite the weaker job growth, the LAEDC projects the county's total economic output will grow at 2.7 percent.

**SENTIMENT:** The industrial outlook remained bullish while sentiment about other sectors is softening, according to the Allen Matkins UCLA Anderson Forecast results reported in GlobeSt. In Los Angeles, investor sentiment was down in every sector compared to the previous forecast. The forecast provides a three-year outlook.

**SALES:** Rexford Industrial continued its buying spree in Q1 with the acquisition of the former MannKind Corporation facility in Valencia. Rexford will renovate the facility and develop a new building on the excess land parcel. Mannkind, which sold the property for approximately \$17 million, in Q1 reported its Afrezza drug had its worst quarter of sales in two years.

**AEROSPACE:** Restructuring at Sacramento-based Aerojet Rocketdyne is expected to bring an additional 100 jobs to the company's Space Division headquarters in Canoga Park, according to a report in the San Fernando Valley Business Journal. Other changes include moving jobs from Sacramento to a new production facility in Huntsville, Ala. and closing the Gainesville, VA site. Aerojet Rocketdyne expects to realize savings of \$230 million annually with the restructuring. About 1,000 workers are located in Chatsworth.



Median sale price excludes distressed sales and those where no price information was recorded.

### Q1 2017 LARGEST LEASES

Property Name/Address	Square Feet	Tenant	Type
28936 Avenue Williams, Valencia	101,255	AMS Fulfillment	New
28939 N. Avenue Williams, Valencia	58,394	Armen Living	New
9380 San Fernando Rd, Sun Valley	53,597	N/A	New
4518 Vanowen St, Burbank	32,436	Walt Disney Co.	New

### Q1 2017 LARGEST SALES

Property Address	Square Feet	Seller Buyer	Sale Price	PSF
28903 Avenue Paine, Valencia	146,000	Mannkind Corporation Rexford Industrial Realty, Inc.	\$17,060,000	\$116.85
3210, 3212, 3214 Winona Ave, Burbank	57,674 in 3 buildings	California Institute of Technology, LLC Whispering Oaks Properties, LLC	\$10,499,999	\$182.05
7565 Lockheed Dr, Bldg 3, Sun Valley	25,792	W.W. Grainger, Inc. Peer Properties	\$5,605,000	\$217.32
2517 N. Ontario St, Burbank*	20,000	Hechter Living Trust Centerstaging Buildings, LLC	\$4,600,000	\$230.00

\*Denotes Lee & Associates Transaction  
Source: CoStar and Xceligent

Submarkets	Total Inventory	Total Vacancy		Net Absorption	Construction		Asking NNN Rate
		Total SF	%	Q1 2017	Underway	Completed Q1 2017	
Antelope Valley	9,182,419	79,380	0.9%	11,500	0	0	\$0.49
Burbank	7,893,765	152,366	1.9%	(63,100)	0	0	\$1.00
Canoga Park	5,197,786	110,721	2.1%	(11,200)	0	0	\$0.92
Chatsworth	19,791,470	573,759	2.9%	(33,900)	0	0	\$0.73
Glendale	5,286,867	39,725	0.8%	(26,000)	0	0	\$1.00
No. Hollywood / Universal City	11,758,432	194,462	1.7%	(49,400)	0	0	\$0.90
Northridge	4,068,918	122,575	3.0%	(2,900)	0	0	\$0.94
Reseda /Tarzana	826,856	13,658	1.7%	7,200	0	0	\$0.76
San Fernando /Sylmar / Pacoima /Arleta	17,721,442	272,976	1.5%	10,800	0	0	\$0.72
Santa Clarita Valley	22,127,465	627,624	2.8%	(98,000)	743,295	0	\$0.69
Sun Valley	9,815,398	114,674	1.2%	(5,000)	361,038	0	\$0.95
Van Nuys	18,506,357	72,798	0.4%	14,700	0	0	\$0.95
Woodland Hills	1,928,648	146,400	7.6%	(12,300)	0	0	\$1.15
<b>Total</b>	<b>134,105,823</b>	<b>2,521,118</b>	<b>1.9%</b>	<b>(257,400)</b>	<b>1,104,333</b>	<b>0</b>	<b>\$0.86</b>

Source: CoStar and Lee & Associates

### MARKET DEFINITIONS

#### RENTABLE AREA

Includes all Class A, B and C multi-tenant and single-tenant industrial buildings of 10,000 square feet and greater. Excludes buildings under construction, planned or under renovation.

#### DIRECT VACANCY

Space in existing buildings that is not occupied and is available for direct lease.

#### TOTAL VACANCY

Space in existing buildings that is not occupied and is available for direct lease and/or sub-lease.

#### TOTAL NET ABSORPTION

The square feet leased after deducting space vacated.

#### DIRECT ASKING LEASE RATE

Calculated for direct available space using NNN rents. Rents are weighted by total square feet available for direct lease.

#### UNDER CONSTRUCTION

Buildings in the process of construction. A building is considered complete when issued a certificate of occupancy.

#### MEDIAN SALE PRICE

Based on actual prices of sold buildings as reported in public records and by CoStar. Includes all industrial buildings 10,000 SF and more sold at \$500,000 or more.

### ABOUT LEE & ASSOCIATES®

Celebrating more than 37 years of leadership excellence in commercial real estate, Lee & Associates is the largest broker-owned firm in North America with locations across the U.S. and Canada including California, Colorado, Arizona, Florida, Georgia, Idaho, Illinois, Indiana, Kansas, Maryland, Michigan, Missouri, Nevada, New Jersey, New York, Ohio, Pennsylvania, South Carolina, Texas, Vancouver BC and Wisconsin. With more than 800 brokers nationwide, Lee & Associates provides a wide range of specialized commercial real estate services on a local, regional and national level. For the latest news from Lee & Associates, visit [lee-associates.com](http://lee-associates.com) or follow us on Facebook, LinkedIn and Twitter.

**Lee & Associates-LA North/Ventura, Inc.** is a full service commercial brokerage company serving the San Fernando Valley, Conejo Valley, Simi Valley/Moorpark and Ventura County markets. Founded in 1994, Lee LA North/Ventura has grown to become one of the largest commercial brokerage companies in the Los Angeles North and Ventura regions with four offices and 45 agents.

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**LA NORTH INDUSTRIAL SUBMARKETS**

**Antelope Valley**

Lancaster  
Palmdale

**Burbank**

**Canoga Park**

**Glendale**

**Chatsworth**

**North Hollywood/  
Universal City**

La Crescenta  
Montrose  
Studio City  
Sunland  
Tujunga

**Northridge**

**Reseda/Tarzana**

**San Fernando/Sylmar/  
Pacoima/Arleta**

**Santa Clarita Valley**

Canyon Country  
Newhall  
Santa Clarita  
Valencia

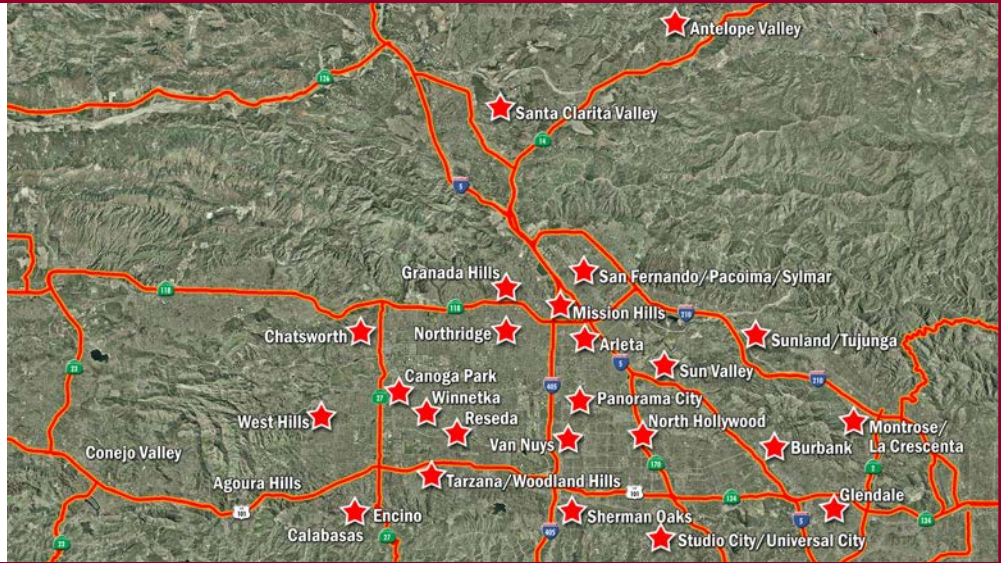
**Sun Valley**

**Van Nuys**

Mission Hills  
Panorama City  
Sherman Oaks

**Woodland Hills**

Encino  
Granada Hills  
West Hills  
Winnetka



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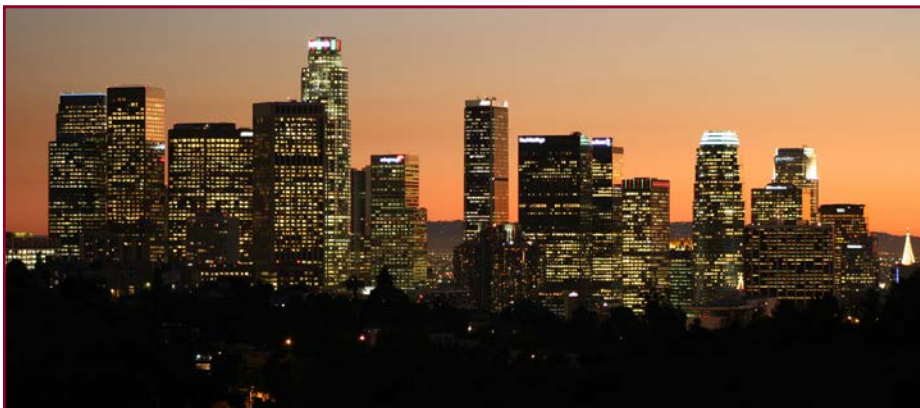
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