



**Q2 TRENDS AT A GLANCE**

*Change from prior quarter*

- Absorption**  
(208,803 SF)
  - Vacancy**  
+20 basis points (bps) to 1.9%
  - Leasing Activity**  
1,063,244 SF
  - Direct Lease Rate**  
+\$0.04 to \$0.85 PSF
  - Under Construction**  
1,104,333 SF
  - Completed Construction**  
0 SF
  - Industrial Buildings Sold**  
46
  - Median Sale Price**  
\$156 PSF
  - Unemployment Rate**
- |                    |             |
|--------------------|-------------|
| <b>LA County:</b>  | 4.4% (May)  |
| <b>California:</b> | 4.7% (May)  |
| <b>U.S.:</b>       | 4.4% (June) |



**Lee & Associates LA North/Ventura**  
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**No Relief for Industrial Space Crunch Seen as Asking Rates and Sale Prices Continue to Escalate**

A dearth of available space for lease is continuing to impact leasing velocity in the region. Tenants often have no more than one or two choices in the submarket of their choice, and, on average, they are paying nearly 12 percent more than they did a year ago when they do find a space to lease.

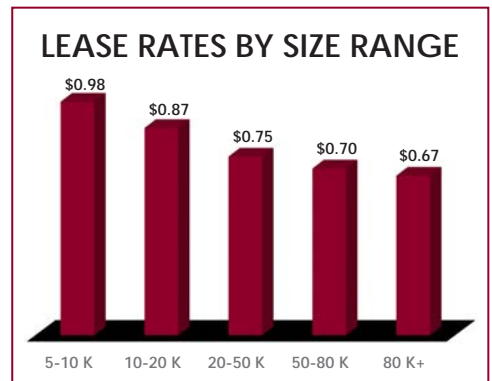
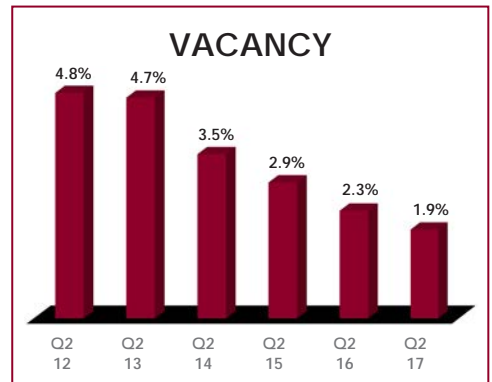
A total of 1,063,244 square feet of space was leased in the region in the second quarter, a bit more than the 985,743 square feet of space leased in the prior quarter and more than 400,000 fewer square feet of gross leasing than occurred in the year-ago period.

On average, nearly 1.9 million square feet of space was leased in each quarter of 2013 compared with an average of 1.1 million square feet in each of the past four quarters. It is also worth noting that leasing activity in the first half declined 27 percent compared to the first half of 2016.

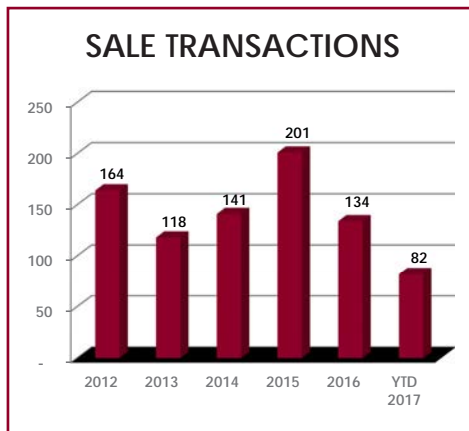
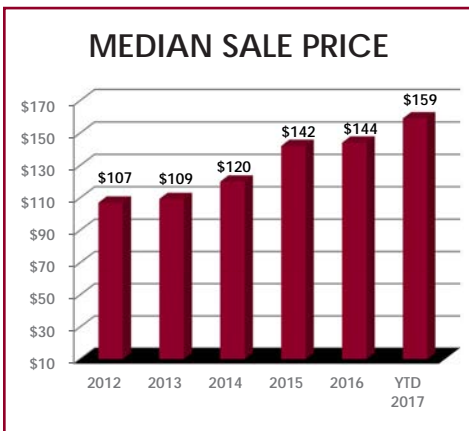
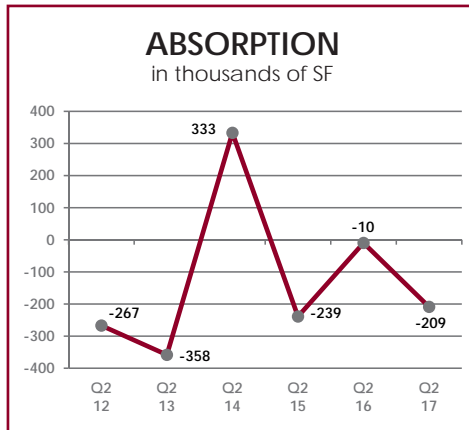
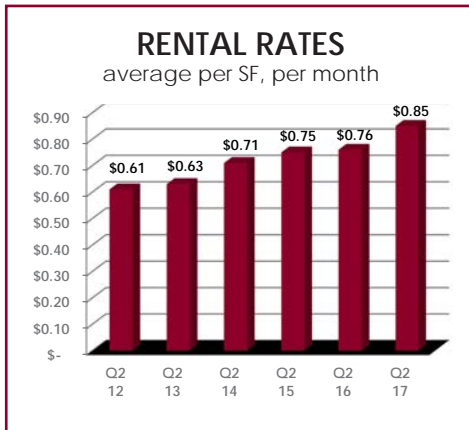
Vacancies, which registered 1.9 percent for the quarter, have remained below 2 percent for the past four quarters, fluctuating between 1.9 percent and 1.7 percent. Actual vacancy levels dip even more when atypical and obsolete space is factored in. Chatsworth, for instance, shows 763,379 square feet of vacant space creating a vacancy rate of 3.9 percent. However that data includes two buildings totaling 300,000 square feet. If those buildings, which are of a size that exceeds the average demand by San Fernando Valley tenants, were excluded, the Chatsworth vacancy rate would be closer to 2.3 percent and the overall vacancy would fall as well.

The tight market is similarly impacting absorption, which weakened in Q2 to negative 208,803 square feet compared with negative 97,930 square feet in Q1 and was weaker still compared with the year ago when 9,867 fewer square feet were leased than were vacated. Absorption has been negative in four of the last six quarters.

The silver lining in this tight market is, of course, sale prices, which year-to-date rose 14.3 percent above the last market peak in 2007 to \$159 per square foot and are currently running 10.4 percent ahead of 2016.



\* 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.



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

## Economy at a Glance

**PORT:** Cargo volumes at the Port of Long Beach surged 1.2 percent in May versus May, 2016 and are more than 4 percent ahead for the year, according to data reported in GlobeSt.com. Port officials project that volumes will increase 5 percent to 7 percent for the year.

**VACATIONS:** Americans are projected to spend \$10.1 billion on vacations this year, 12.5 percent more than they did in 2016, according to a report by Allianz Global Assistance reported in MarketWatch.

**MANUFACTURING:** Manufacturing activity beat economist's expectations in June. The Institute for Supply Management Index of domestic manufacturing activity rose to 57.8 from 54.9 in May. It was the highest level reached since August, 2014, the Wall Street Journal reported.

**AI:** Toyota has launched an AI-focused venture capital fund planning to deploy \$100 million in initial funding, according to a report in Forbes. The first companies Toyota AI Ventures is backing are: Intuition Robotics in Israel; SlamCore, a UK startup; and Nauto, based in Silicon Valley. Future investments will target artificial intelligence and robotics, among other ventures.

**MOVIES:** Summer box office so far has been disappointing, Variety reported. Domestic ticket sales are down 9 percent from last year. Hopes to save the season are resting with upcoming releases including "Dunkirk", and "Atomic Blonde". Thus far, international ticket sales are up 2 percent compared to 2016.

### Q2 2017 LARGEST LEASES

Property Name/Address	Square Feet	Tenant	Type
9640 Owensmouth Ave, Chatsworth	94,000	Crimson Productions	New
8500 Balboa Blvd, #170, Northridge	64,964	N/A	New
14093 Balboa Blvd, #A, Sylmar	60,275	PODS	New
28939 Avenue Williams, 1st Floor, Valencia	58,394	N/A	Sublease

### Q2 2017 LARGEST SALES

Property Address	Square Feet	Seller Buyer	Sale Price	PSF
Lincoln Industrial Center II, Valencia 24700-24730 Avenue Rockefeller, 27420 27460 Avenue Scott	338,551	Bristol Group LBA Realty	\$45,650,000	\$134.83
21310 Lassen St, Chatsworth	121,146	Delta Tau International, Inc. Selective Real Estate Investments	\$12,750,000	\$105.24
7800 Airport Business Parkway, Van Nuys	59,963	Duak Rita 2008 Living Trust EB Parkway Holdings, LLC	\$10,800,000	\$180.11
2917, 2927 N. Ontario St, Burbank*	43,050	Robert W & Rae A Mertz Trust Oleg Khersonsky	\$6,500,000	\$105.98

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

Submarkets	Total Inventory	Total Vacancy		Net Absorption		Construction			Asking NNN Rate
		Total SF	%	Q2 2017	YTD 2017	Underway	Completed		
							Q2 2017	YTD 2017	
Antelope Valley	9,344,817	106,803	1.1%	(27,400)	(13,300)	0	0	0	\$0.51
Burbank	7,940,793	137,727	1.7%	14,600	(63,900)	0	0	0	\$1.02
Canoga Park	5,190,836	56,131	1.1%	54,600	37,600	0	0	0	\$0.80
Chatsworth	19,785,652	763,379	3.9%	(189,600)	(200,400)	0	0	0	0.85*
Glendale	5,239,149	41,127	0.8%	(31,600)	(27,400)	0	0	0	\$1.45
No. Hollywood / Universal City	11,816,925	187,196	1.6%	7,300	(72,600)	0	0	0	\$0.94
Northridge	4,071,505	67,682	1.7%	54,900	43,200	0	0	0	\$0.85
Reseda /Tarzana	826,856	11,602	1.4%	2,100	10,500	0	0	0	\$1.00
San Fernando /Sylmar / Pacoima /Arleta	17,715,788	179,193	1.0%	68,700	107,300	0	0	0	\$0.83
Santa Clarita Valley	22,092,373	605,851	2.7%	(45,800)	(84,000)	743,295	0	0	\$0.69
Sun Valley	9,736,117	123,557	1.3%	(62,500)	(65,500)	361,038	0	0	\$0.83
Van Nuys	18,501,695	140,531	0.8%	(67,700)	(31,400)	0	0	0	\$0.91
Woodland Hills	1,928,648	132,676	6.9%	13,700	1,500	0	0	0	\$1.44
<b>Total</b>	<b>134,191,154</b>	<b>2,553,455</b>	<b>1.9%</b>	<b>(208,800)</b>	<b>(353,900)</b>	<b>1,104,333</b>	<b>0</b>	<b>0</b>	<b>\$0.85</b>

Source: CoStar and Lee & Associates

\* Chatsworth asking rate averages include two buildings totaling 300,000 SF and offered at \$0.67 PSF NNN. If these buildings were excluded, average rates would skew significantly higher.

### 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®

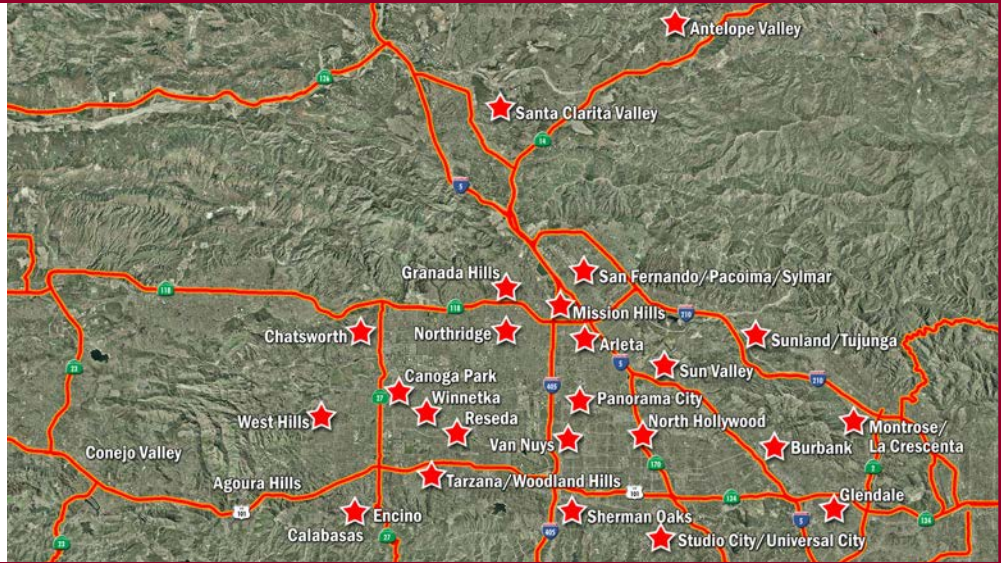
Celebrating more than 37 years of leadership excellence in commercial real estate, Lee & Associates is the largest broker-owned firm in North America with locations across the U.S. and Canada including California, Colorado, Arizona, Florida, Georgia, Idaho, Illinois, Indiana, Kansas, Maryland, Michigan, 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  
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- Woodland Hills**  
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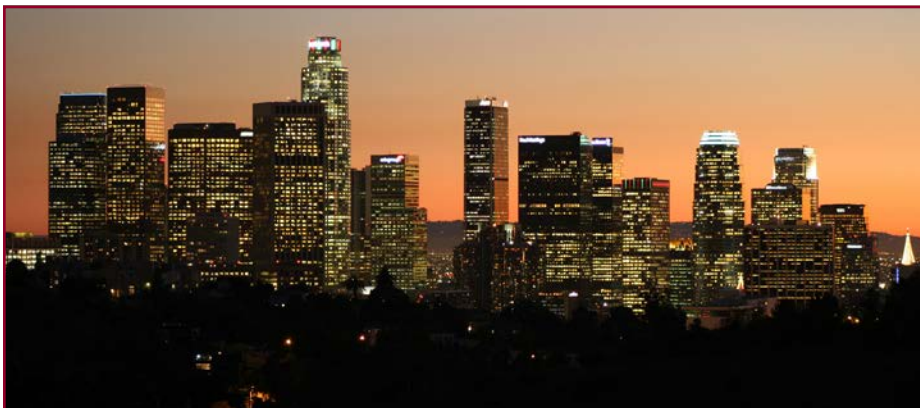
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