



Q4 TRENDS AT A GLANCE

	Change from prior quarter
Absorption	417,411 SF
Vacancy	Unchanged at 2.2%
Leasing Activity	1,340,058 SF
Direct Lease Rate	\$0.04 to \$0.89 PSF
Under Construction	869,760 SF
Completed Construction	17,213 SF
Industrial Buildings Sold	17
Median Sale Price	\$152 PSF
Unemployment Rate	
LA County:	4.5% (Nov)
California:	4.6% (Nov)
U.S.:	4.1% (Dec)



Lee & Associates LA North/Ventura
A Member of the Lee & Associates Group of Companies
Corporate ID #01191898

Industrial Stays Strong Fueled by Economic Growth and the Legalization of Marijuana

Industrial leasing and sales in the Los Angeles North market continue to register strong gains, despite the record low vacancy that is hampering tenants' ability to expand.

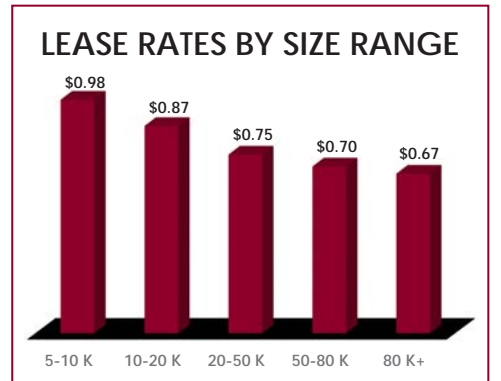
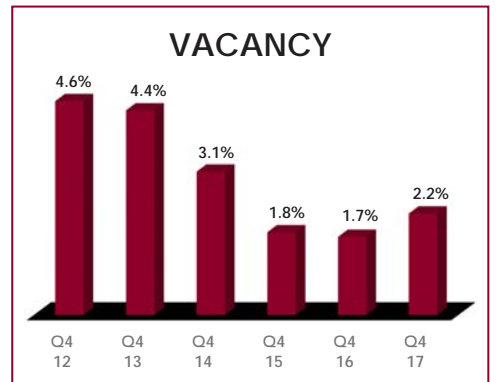
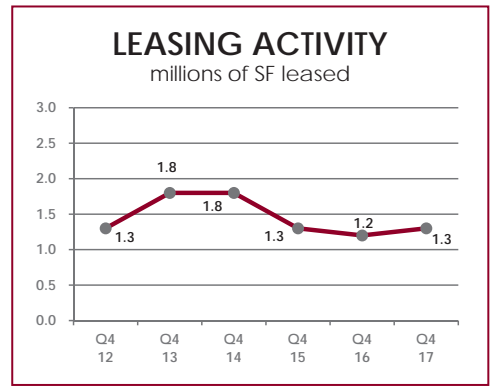
A total of 1.3 million SF of space was leased in the quarter, exceeding the 1 million SF leased in Q3 and the 1.2 million SF leased in the year ago period. Leasing activity for the full year was just shy of 5 million SF or nearly 4 percent of the region's industrial inventory.

Since inching up from 1.9 percent a year ago, vacancy levels have remained unchanged at 2.2 percent for the past two quarters. With so little space available, landlords continue to push rents, and asking rates have increased 7.5 percent over the past year. Adding to the challenges for tenants, the legalization of recreational marijuana as of Jan. 1 has fueled an influx of cannabis-related users into the market. These tenants and buyers are driving rental rates and sale prices to record levels.

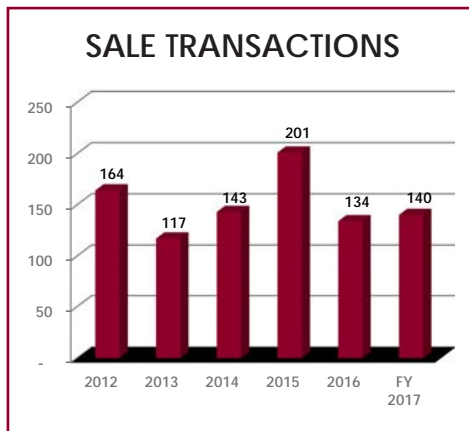
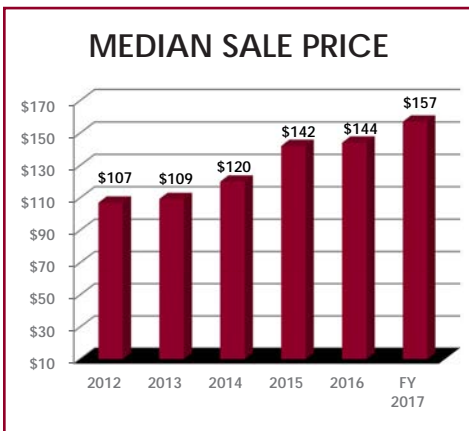
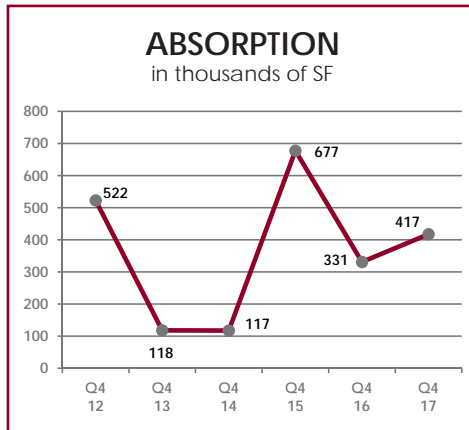
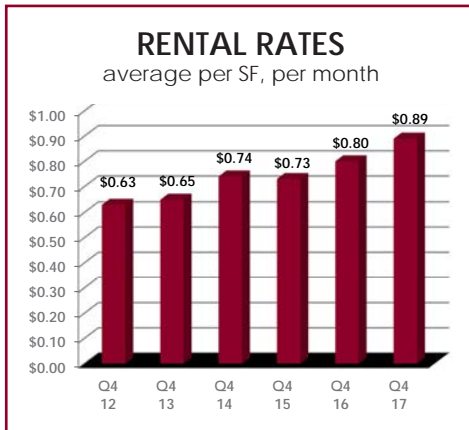
With 140 buildings changing hands in 2017, the median sale price rose to \$157 per SF, a 9 percent year-over-year increase. Even very large buildings are in demand, and two Chatsworth properties totaling over 250,000 SF, were sold in the quarter.

The strength of the industrial market is consistent with recent data from California Lutheran University's Center for Economic Research & Forecasting that shows real GDP growth in the San Fernando Valley has averaged 4.1 percent annually since 2014, outpacing L.A. County. The researchers noted that growth has been concentrated in information and technology and motion pictures, sectors that have not only used traditional industrial space, but more recently are seeking out those buildings for creative office use.

The performance of the San Fernando Valley stands in contrast to Los Angeles County, which just lost significant ground in a Milken Institute Index of Best Performing Cities, falling to number 61 from 48 in 2016. Milken Institute pointed to a slowdown in job growth as the reason for the declines.



* 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

LAYOFFS: BAK Industries, a division of after-market supplier Truck Hero, Inc., will close its San Fernando and Chatsworth locations resulting in 261 layoffs, the San Fernando Valley Business Journal reported. Truck Hero, based in Ann Arbor, Mich., was acquired in 2017 by private equity firm CCMP Capital Advisors.

CONSTRUCTION: The ceremonial groundbreaking for Phase 1 of The Center at Needham Ranch, a 54-acre industrial business park under development in Santa Clarita by Trammell Crow Company and Clarion Partners, took place in December. Delivery of the first phase, totaling 869,000 square feet in seven buildings, is expected to begin in Q3 2018, Rentv reported.

TAXES: The GOP's tax reform bill allows for a one-time repatriation of overseas cash, and Bank of America Merrill Lynch asked 302 U.S. companies how they intend to spend the estimated \$2.5 trillion stashed overseas. Sixty-five percent said they would use it to pay down debt which, given three more interest rate hikes expected, would save them billions in interest expense, Business Insider reported.

GIFTING: When 1,000 students with student loan debt were polled about what they wanted for Christmas, 71 percent said they'd rather get a payment toward that debt than an Apple iPhoneX; 80 percent preferred a loan payment over Super Bowl tickets and 76 percent preferred it over an ounce of marijuana. The poll was conducted by LendEDU, which noted that student loan debtors collectively owe \$1.4 trillion.

Q4 2017 LARGEST LEASES

Property Name/Address	Square Feet	Tenant	Type
9419 Mason Ave, Chatsworth	100,409	N/A	New
The Mix at Harman Campus 8500-8550 Balboa Blvd, Northridge	80,000	Facebook	New
29115 Avenue Valley View, Valencia	64,732	Covercraft	New
11063 Pendleton St, Sun Valley	60,053	Home Delivery Link	New

Q4 2017 LARGEST SALES

Property Address	Square Feet	Seller Buyer	Sale Price	PSF
Michaels Distribution Center 3501 W. Avenue H, Lancaster	763,000	USIR II-Lancaster, LLC VEREIT Real Estate, LP	\$45,150,000	\$59.17
9401 DeSoto Ave, Chatsworth	150,831	Rexford Industrial Realty PDX Industrial Investments	\$23,000,000	\$153
9419 Mason Ave, Chatsworth	100,409	N/A N/A	\$14,157,669	\$141
28510 Industry Dr, Valencia	47,350	T Viole Construction Co. NAV Holdings, LLC	\$6,876,500	\$145

Source: CoStar and Xceligent

Submarkets	Total Inventory	Total Vacancy		Net Absorption		Construction			Asking NNN Rate
		Total SF	%	Q4 2017	FY 2017	Underway	Completed		
							Q4 2017	FY 2017	
Antelope Valley	9,189,670	134,644	1.5%	(15,686)	(43,742)	0	17,213	17,213	\$0.75
Burbank	7,944,176	187,169	2.4%	(69,000)	(97,923)	0	0	0	\$1.23
Canoga Park	5,198,796	62,098	1.2%	(16,326)	(2,579)	0	0	0	\$0.80
Chatsworth	19,807,154	621,596	3.1%	76,696	(167,128)	0	0	0	\$0.85
Glendale	5,271,660	19,944	0.4%	24,125	(6,197)	0	0	0	\$1.05
No. Hollywood / Universal City	11,833,042	152,099	1.3%	91,424	(6,988)	0	0	0	\$0.95
Northridge	4,115,037	128,671	3.1%	(17,173)	12,694	0	0	0	\$0.85
Reseda /Tarzana	814,256	7,538	0.9%	6,291	13,364	0	0	0	\$1.00
San Fernando /Sylmar / Pacoima /Arleta	17,795,050	45,038	0.3%	12,423	222,893	0	0	0	\$0.78
Santa Clarita Valley	22,679,187	1,104,709	4.9%	(478)	127,679	869,760	0	672,792	\$0.75
Sun Valley	10,046,230	217,751	2.2%	242,531	252,913	0	0	361,038	\$0.92
Van Nuys	18,483,436	139,266	0.8%	64,816	(51,729)	0	0	0	\$1.05
Woodland Hills	1,897,148	105,412	5.6%	17,768	22,884	0	0	0	\$1.25
Total	135,074,842	2,925,935	2.2%	417,411	361,553	869,760	17,213	1,051,043	\$0.89

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®

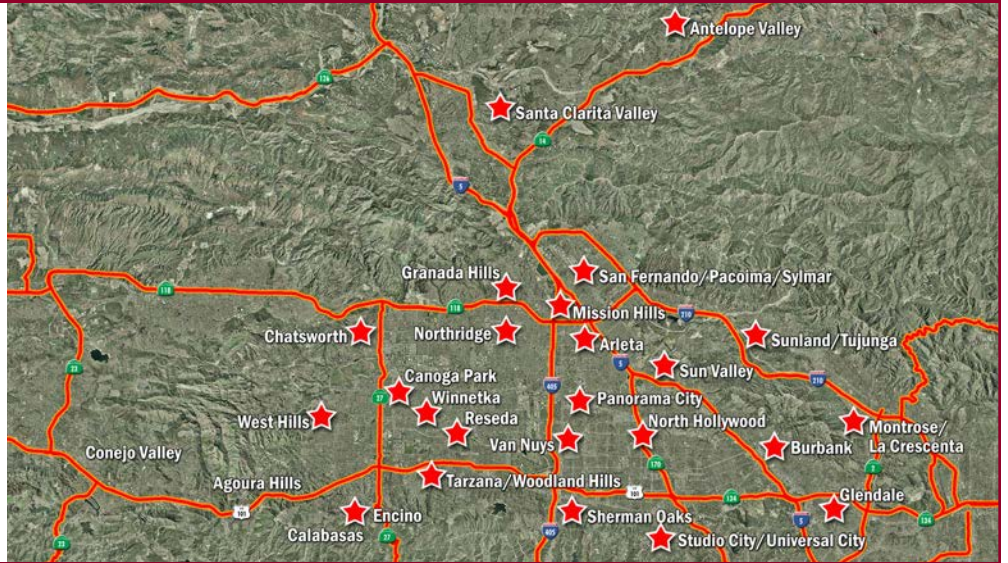
Celebrating more than 37 years of leadership excellence in commercial real estate, Lee & Associates is the largest broker-owned firm in North America with locations across the U.S. and Canada including California, Colorado, Arizona, Florida, Georgia, Idaho, Illinois, Indiana, Kansas, Maryland, Michigan,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

©2017. All rights reserved. No reproduction without prior permission.

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



- John Battle, SIOR**
Managing Director, Investment
818.444.4908
- Matt Benwitt, Investment**
818.444.4964
- Warren Berzack, Investment**
818.933.0350
- Cheri Blessing, Retail**
805.626.1240
- Jonathan Bruce, Office**
818.444.4916
- Paul Capra, Retail**
805.626.1264
- Darren Casamassima, Office**
818.933.0303
- Scott Caswell, Industrial**
818.444.4911
- Justin Cusumano, Investment**
818.933.0312
- Jennifer Donaldson, Office**
818.933.0347
- Grant Fulkerson, SIOR**
Managing Director, Industrial
818.449.4401

- Stephen Geiger, Investment**
818.933.0340
- Grant Harris, Industrial**
805.626.1212
- Joe Jusko, Industrial**
818.223.4397
- David Kim, Office**
805.626.1234
- Eugene Kim, Office**
818.444.4919
- Joel Kirschenstein, Investment**
818.223.4380
- Randy Kobata, Industrial**
818.223.4383
- Mark Leonard, Office**
818.449.4414
- Cole Martens, Investment**
818.444.4909
- Bruce Milton, Retail**
805.626.1281
- Jeremy Mintz, Office**
818.933.0308
- Eric Nishimoto, Investment**
818.444.4984

- John Ochoa, SIOR, Industrial**
805.626.1208
- Ryan O'Connor, Investment**
818.444.4965
- Erica Owens, Industrial**
818.444.4912
- Peter Padden, Industrial**
805.626.1283
- Phyllis Palin, Office**
818.933.0319
- Scott Patterson, Industrial**
818.933.0318
- Patrick Reddy, Industrial**
818.933.0348
- Cory Richmond, Office**
818.444.4915
- Scott Romick**
Managing Director, Office
818.933.0305
- Jay Rubin, Office**
818.223.4385
- Barry Schoenbrun, Investment**
818.444.4992
- Scott Silverstein, Office**
818.223.4391

- Jared Smits, Office**
818.444.4986
- Tom Specker, Office**
818.223.4381
- Cory Stehr, Investment**
818.933.0304
- Larry Steingold, Industrial**
805.626.1286
- Clay Stevens, Industrial**
818.933.0311
- Mike Tingus**
President
818.223.4380
- Paulette Toumazos, Office**
818.933.0346
- Brett Warner, Industrial**
818.933.0302
- Hunter Warner, Industrial**
818.933.0349
- George Yessaie, CCIM, Investment**
818.933.0324
- Slavic Zlatkin, Investment**
818.933.0325

