



Q3 TRENDS AT A GLANCE

	Change from prior quarter
Absorption	125,957 SF
Vacancy	+40 basis points (bps) to 2.2%
Leasing Activity	894,846 SF
Direct Lease Rate	Unchanged \$0.85 PSF
Under Construction	1,230,798 SF
Completed Construction	672,792 SF
Industrial Buildings Sold	43
Median Sale Price	\$138 PSF
Unemployment Rate	
LA County:	4.9% (Aug)
California:	5.1% (Sept)
U.S.:	4.2% (Sept)



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Vacancies Inch Up and Lease Rates Remain Unchanged but New Construction Promises Some Relief

The industrial vacancy rate bumped up 40 basis points (bps) to 2.2 percent in the third quarter vs. Q2 and 30 bps vs. the year ago period, but with little to suggest any significant changes in the market, we may see the rate revised downward.

That is to say, the Los Angeles North industrial market, which has been teetering at historically low vacancy levels below 2 percent for the past year, remains extremely tight, and tenants continue to be hard pressed to find adequate space for their expansion needs.

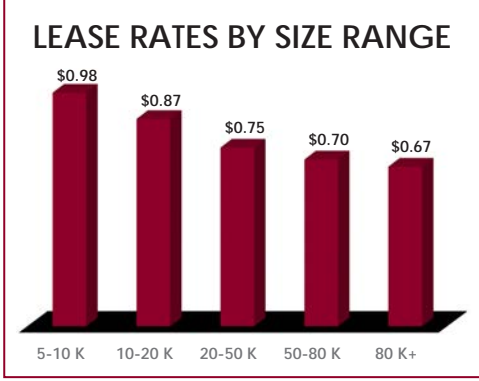
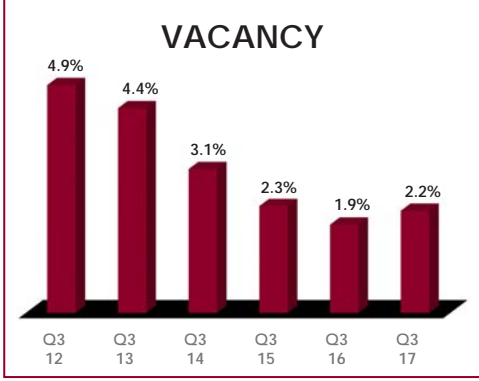
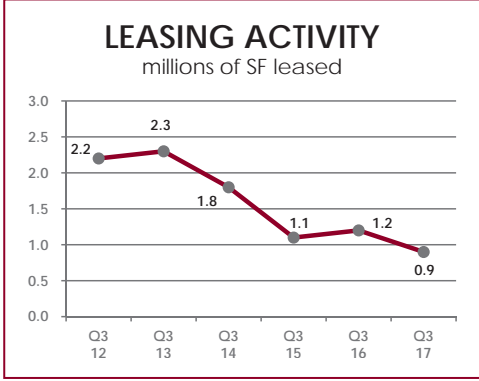
These market dynamics are curtailing leasing activity. In the third quarter, a total of 894,846 gross SF of space was leased, a decline over the prior quarter when 1,161,610 SF was leased, and the year-ago period when 1,220,281 SF was leased.

Absorption returned to positive territory in the quarter with 125,957 SF of net space leased. That compares with negative 78,510 SF of absorption in Q2 but it is well behind the 474,146 SF of net leasing that took place in the year ago period. Among the largest space giveaways was Natrol LLC which returned 54,600 SF in Chatsworth.

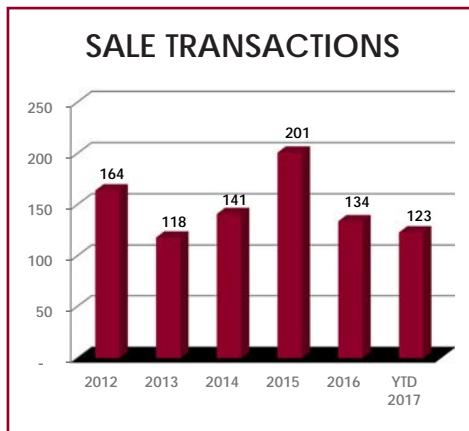
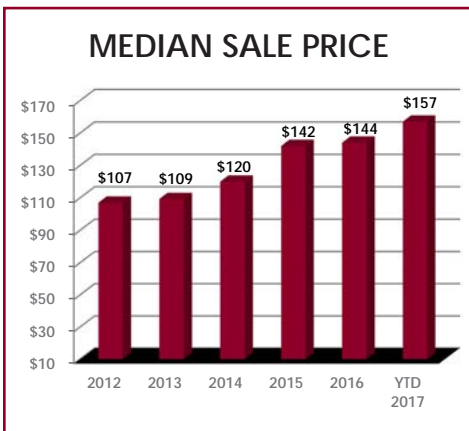
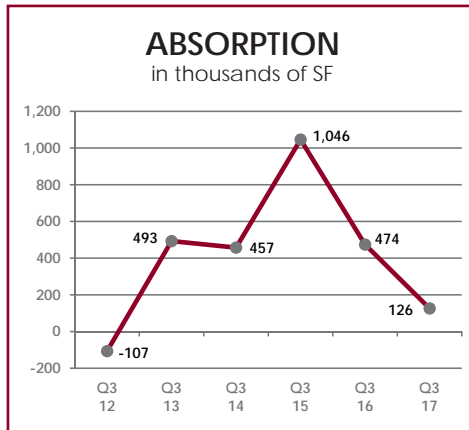
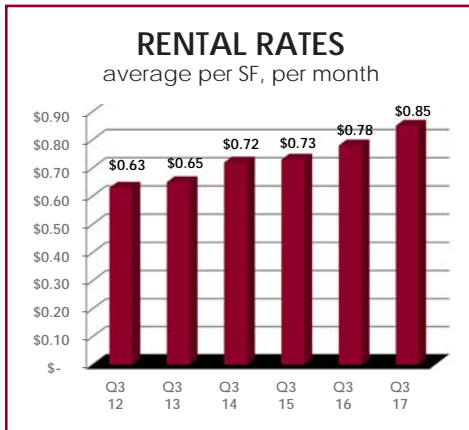
The good news is that deliveries and construction are increasing.

AEW Capital Management L.P and Sheridan Ebbert Development completed Valencia Gateway V bringing almost 255,000 SF of new industrial space to Santa Clarita. One of the three buildings has already been leased.

Also in Santa Clarita, Trammel Crow Co. and Clarion Partners have commenced the first phase of a 4.2 million SF industrial park called The Center at Needham. The first phase of the Class A development will consist of 869,760 SF in seven buildings.



* 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: Beckman Coulter Inc., a biomedical instrument manufacturer, will close its Chatsworth facility on Dec. 31 impacting an estimated 140 employees, according to a report in the San Fernando Valley Business Journal. Operations will be transferred to Beckman Coulter's Miami facility.

FILMING: FilmL.A. reported that the number of broadcast, cable and digital pilots produced during the 2016-2017 season declined by more than 24 compared to the prior year. A total of 173 shows were produced with an estimated \$303 million in production spending.

MANSSION: Fresh from his technical knockout of Conor McGregor, Floyd Mayweather has purchased a six-bedroom, 15,000-square-foot-mansie with 10 bathrooms, a wine cellar, gym and 20-seat cinema in Beverly Hills for \$26 million.

INVESTING: L.A. has overtaken New York in commercial real estate investment spending in the last six months, according to data compiled by Real Capital Analytics and reported by foxbusiness.com. Investors bought \$12.6 billion of L.A. property in the first half of 2017, compared to \$10.6 billion for New York City, which usually ranks at the top for CRE spending.

OUTLOOK: A Beacon Economics forecast noted that, after ranking as one of the fastest growing states in the country, California's job growth is headed for a slowdown because the state is at full employment. The forecast also noted that business investment is on solid footing, and the ISM Manufacturing Index for August reached its highest level in six years.

Q3 2017 LARGEST LEASES

Property Name/Address	Square Feet	Tenant	Type
9380 San Fernando Rd, Sun Valley	53,597	Scenic Express	Expansion
28650 Braxton Ave, Valencia	52,260	N/A	New
9610 De Soto Ave, Chatsworth*	37,260	One Two Cosmetics, Inc.	New
3800 W. Vanowen St, Burbank	32,500	Midnight Oil	Expansion

Q3 2017 LARGEST SALES

Property Address	Square Feet	Seller Buyer	Sale Price	PSF
12222-12228 Sherman Way, North Hollywood	48,204	Pisp Sherman Way Esh Holder Lic	\$10,125,000	\$210.04
7615 San Fernando Rd, Bldg 8A, Sun Valley	24,472	Burbank Development, LLC CENDM, LLC	\$6,125,000	\$250.29
25158 Avenue Stanford, Valencia	44,548	Gervasi Ents Stanford-Hopkins Props, LLC	\$5,747,137	\$129.01
250 Grand Cypress Ave, Lot 17, Bldg B, Palmdale	32,425	Grand Cypress Business Park Child Care Resource Center, Inc.	\$5,950,000	\$183.50

*Denotes Lee & Associates Transaction
Source: CoStar and Xceligent

Submarkets	Total Inventory	Total Vacancy		Net Absorption		Construction			Asking NNN Rate
		Total SF	%	Q3 2017	YTD 2017	Underway	Completed		
							Q3 2017	YTD 2017	
Antelope Valley	9,176,088	120,758	1.3%	(31,729)	(39,291)	0	0	0	\$1.00
Burbank	7,942,177	118,169	1.5%	(12,942)	(669)	0	0	0	\$1.02
Canoga Park	5,198,796	45,772	0.9%	10,359	41,839	0	0	0	\$0.80
Chatsworth	19,787,800	698,292	3.5%	65,087	(167,128)	0	0	0	0.85*
Glendale	5,292,160	64,569	1.2%	(23,442)	(46,722)	0	0	0	\$1.05
No. Hollywood / Universal City	11,805,143	243,523	2.1%	(56,327)	(106,395)	0	0	0	\$0.94
Northridge	4,071,565	89,762	2.2%	(22,080)	20,296	0	0	0	\$0.85
Reseda /Tarzana	814,256	13,829	1.7%	(2,227)	6,303	0	0	0	\$1.00
San Fernando /Sylmar / Pacoima /Arleta	17,795,680	57,461	0.3%	116,032	200,108	0	0	0	\$0.83
Santa Clarita Valley	22,648,939	1,104,231	4.9%	138,018	(84,000)	869,760	672,792	672,792	\$0.69
Sun Valley	9,735,798	99,244	1.0%	5,113	8,582	361,038	0	0	\$0.91
Van Nuys	18,483,275	204,082	1.1%	(63,551)	(120,728)	0	0	0	\$0.95
Woodland Hills	1,928,648	129,030	6.7%	3,646	20,873	0	0	0	\$1.44
Total	134,680,325	2,988,722	2.2%	125,957	(150,254)	1,230,798	672,792	672,792	\$0.85

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®

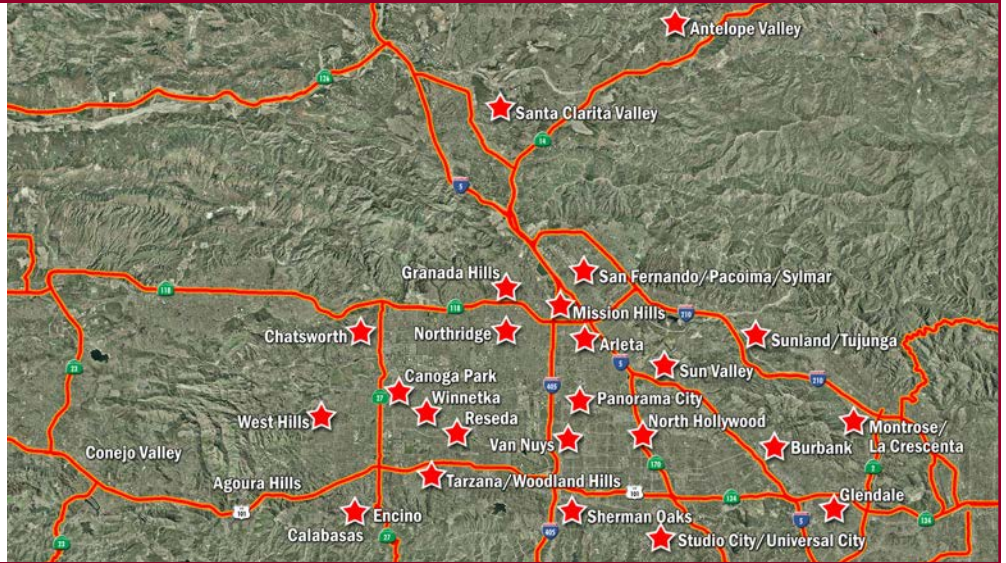
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Lee & Associates-LA North/Ventura, Inc. is a full service commercial brokerage company serving the San Fernando Valley, Conejo Valley, Simi Valley/Moorpark and Ventura County markets. Founded in 1994, Lee LA North/Ventura has grown to become one of 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



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

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

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

