

Industrial

Q3 2011 Market Analysis

Market sees little change as leasing remains constant

The Los Angeles North industrial market remained essentially unchanged in the quarter.

Vacancy levels remained steady at 4.1 percent and absorption improved slightly to negative 51,600 square feet, compared to the second quarter when 114,930 fewer square feet were leased than were vacated.

Asking lease rates have remained unchanged for the past four consecutive quarters at \$0.58 per square foot.

A total of 1,277,200 square feet of industrial space was leased in 176 direct and sublease deals in the quarter, somewhat more than the 1,142,132 square feet leased in the second quarter. Although the market may appear to remain stalled, leasing remains steady, averaging between 1 million and 1.4 million square feet of lease deals each quarter.

Smaller deals marked the activity this quarter. In Chatsworth/Canoga Park submarket, where 256,435 square feet of space was leased, the average lease deal was under 5,000 square feet. Even Santa Clarita Valley, with a greater inventory of large, newer facilities, saw lease deals averaging just over 17,000 square feet.

Still, it should be noted that the Los Angeles North market remains exceptionally tight and healthy. Eight of the

region's 15 submarkets saw positive absorption in the quarter, and, negative absorption in the remaining markets was moderate, ranging from a mere 5,213 square feet to 64,510 square feet. The two exceptions were the San Fernando/Sylmar/Pacoima and Sun Valley submarkets.

Vacancy rates remain below 5 percent in 12 out of the area's 15 submarkets, indicating that space for many different types of requirements is exceedingly hard to find and suggesting that companies may be leaving the area to find suitable facilities for their needs.

The dearth of new construction can only be exacerbating this situation.

Turmoil in global finance markets may have affected sales activity locally as well. After Q2 when 37 industrial buildings of 10,000 square feet and larger were sold, 19 buildings were sold in the current quarter.

Year to date, median sale prices for industrial buildings in the LA North region were \$106.01 per square foot, a tad higher than the first half of the year, when the median price of buildings sold was \$101.57 per square foot.



Economy at a Glance

Ports: A hoped for resurgence of activity at the Ports of Los Angeles and Long Beach did not materialize and, after a summer-long slump, cargo traffic at the LA Port declined in September to 705,623 containers from 711,613 containers a year earlier. Imports declined 0.2 percent, according to data reported in the *Los Angeles Times*. Analysts expected a 12 percent increase in imports.

Games: September video game sales rose 4 percent in September after four months of declines, but console sales dropped by 9 percent, according to data from NPD Group reported in the *Los Angeles Times*. The hardware declines offset the gains in game sales.

Drugs: California biopharma companies with major operations in California are responsible for more than 400 of the 901 biotechnology medicines in development today, according to a report by the Pharmaceutical Research and Manufacturers of America. Companies headquartered in California accounted for 201 of the new-generation drugs.

Retail: Retail sales across the nation rose 1.1 percent in September, driven by auto sales, according to data from the Commerce Department reported by Associated Press. Auto sales increased 3.6 percent after a revised 0.3 percent increase in August.

Jobs: The jobless rate in California and Los Angeles County increased in August to 12.1 percent and 12.5 percent respectively.

MARKET TRENDS: CHANGE FROM PREVIOUS QUARTER



ASKING
RENTS
\$.58



DIRECT
VACANCY
4.1%



TOTAL NET
ABSORPTION
(51,600) SF

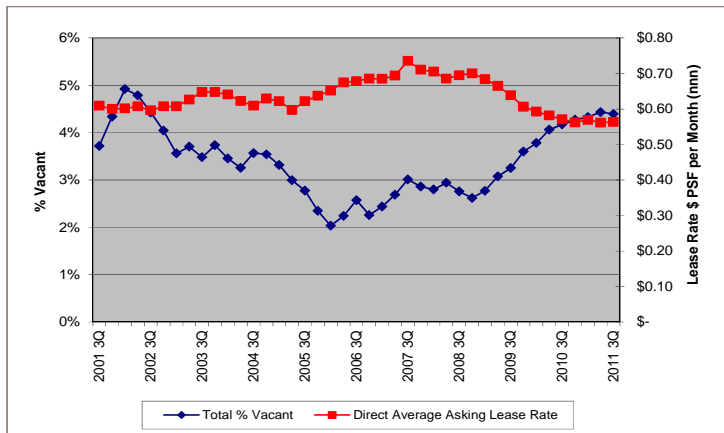


CONSTRUCTION
0 SF

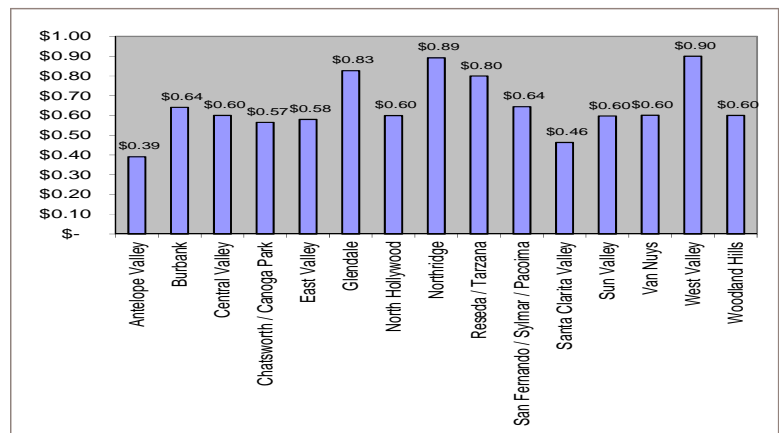
Los Angeles North Industrial Trends: Period ending Sept. 30, 2011

Submarket	# Buildings	RSF	Direct Vacant SF	Total Vacant SF	Direct Vacant %	Total Vacant %	Direct Net Absorption	Total Net Absorption	Direct Asking Lease Rates	Sublet Asking Lease Rate	SF Under Construction
Antelope Valley	219	9,804,500	389,600	394,200	4.0%	4.0%	47,500	47,500	\$0.39	\$0.30	-
Burbank	317	11,329,400	301,900	301,900	2.7%	2.7%	(35,800)	(23,700)	\$0.64	\$0.59	-
Central Valley	78	3,095,300	7,500	7,500	0.2%	0.2%	1,200	1,200	\$0.60	\$0.60	-
Chatsworth /	607	20,772,600	1,599,300	1,697,200	7.7%	8.2%	23,300	33,300	\$0.57	\$0.49	-
East Valley	27	941,500	12,300	12,300	1.3%	1.3%	(12,300)	(12,300)	\$0.58	\$0.56	-
Glendale	424	12,898,000	307,700	346,700	2.4%	2.7%	51,100	51,100	\$0.83	\$0.79	-
North Hollywood	475	13,008,800	388,300	423,800	3.0%	3.3%	21,400	21,400	\$0.60	\$0.58	-
Northridge	156	4,462,000	79,300	79,300	1.8%	1.8%	(5,200)	(5,200)	\$0.89	\$0.80	-
Reseda / Tarzana	46	1,018,000	24,300	24,300	2.4%	2.4%	9,200	9,200	\$0.80	\$0.75	-
San Fernando /	434	18,366,700	669,300	723,900	3.6%	3.9%	(157,400)	(160,900)	\$0.64	\$0.59	-
Santa Clarita	487	21,072,700	945,700	996,700	4.5%	4.7%	241,300	244,800	\$0.46	\$0.49	-
Sun Valley	365	10,436,300	809,800	832,800	7.8%	8.0%	(158,700)	(181,800)	\$0.60	\$0.56	-
Van Nuys	445	14,819,900	414,800	457,600	2.8%	3.1%	(76,700)	(64,500)	\$0.60	\$0.58	-
West Valley	11	489,000	0	0	0.0%	0.0%	0	0	\$0.90	\$0.90	-
Woodland Hills	23	1,470,500	29,100	29,100	2.0%	2.0%	(11,700)	(11,700)	\$0.60	\$0.60	-
Total	4114	143,985,200	5,946,800	6,327,300	4.1%	4.4%	(62,800)	(51,600)	\$0.58	\$0.51	0

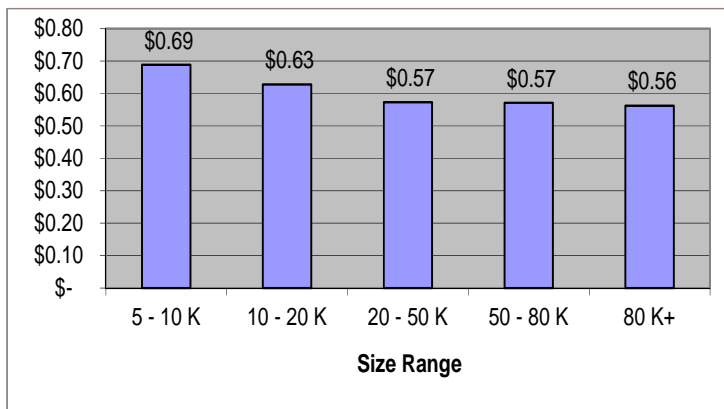
VACANCY VS. ASKING LEASE RATE



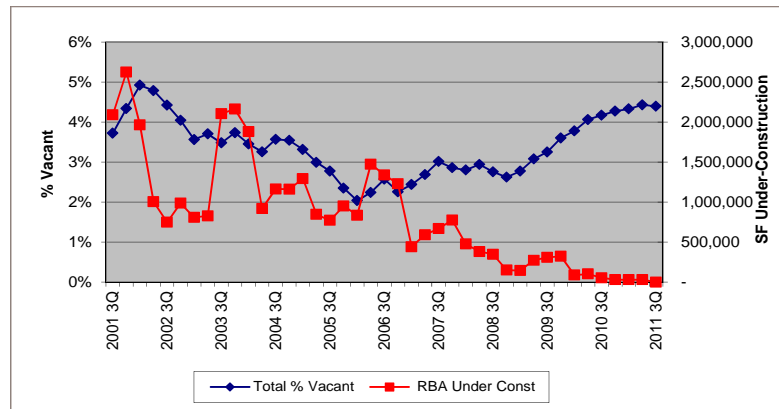
ASKING LEASE RATE BY SUBMARKET



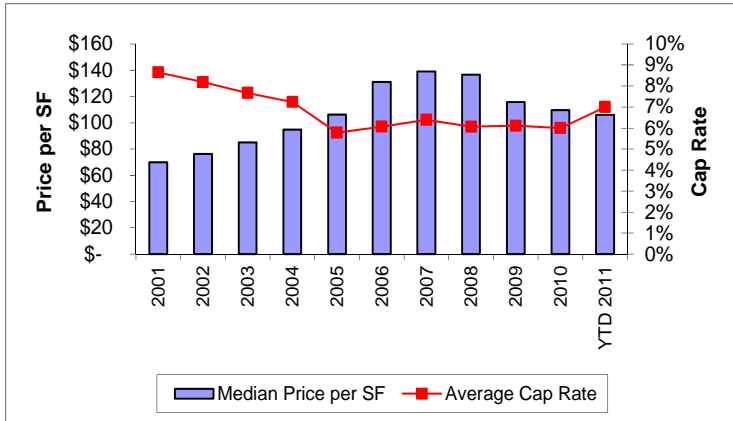
LEASE RATES BY SIZE RANGE



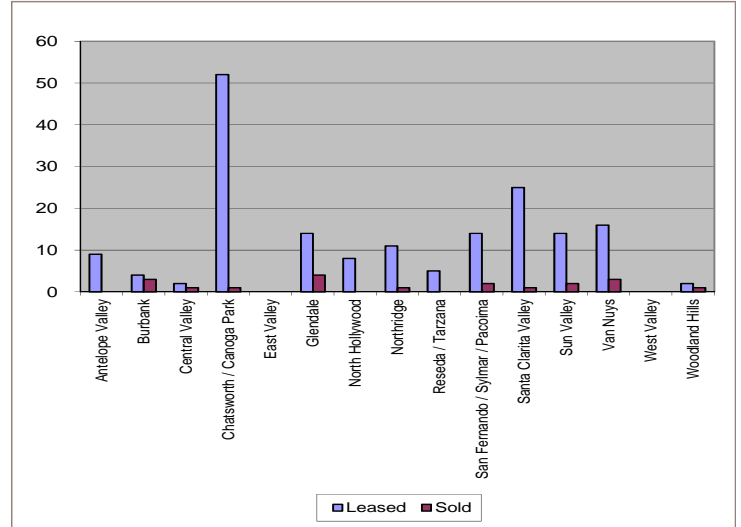
VACANCY VS. SF UNDER CONSTRUCTION



PRICE PSF VS. CAP RATE



SALE VS. LEASE TRANSACTIONS



SIGNIFICANT SALES & LEASE TRANSACTIONS



Address 724 Flower St.
City Burbank
Price/SF \$189.00
Sq Ft 10,330
Type Sale
Refrigeration Supplies Dist. acquired this Class B industrial property for \$1,952,370. The building was constructed in 1991.



Address 6033 DeSoto Ave.
City Woodland Hills
Price/SF \$155.88
Sq Ft 34,321
Type Sale
Sky High Sports acquired this Class C industrial from Irving & Joyce Family Trust for \$5,350,000. The property was built in 1973.



Address 12405 Montague St.
City Pacoima
Price/SF \$127.91
Sq Ft 10,750
Type Sale
Class B industrial building purchased by Collective Property Invs LLC for \$1,375,000. The building was constructed in 2007.



Address 19631 Prairie St.
City Northridge
Price/SF \$125.00
Sq Ft 11,700
Type Sale
RJG Real Estate LLC acquired this Class C industrial for \$1,462,500 from John & Annette Wilkins. The building was constructed in 1968.



Address 26037 Huntington Ln
City Valencia
Price/SF \$109.91
Sq Ft 22,746
Type Sale
Class B industrial building acquired by Temp LLC for \$2,500,000. The seller of the building, constructed in 1988, was Ronald & Sandra Hansen.



Address 14602 Balboa Blvd.
City Sylmar
Price/SF \$105.00
Sq. Ft. 41,000
Type Sale
Class B industrial constructed in 1997 was acquired by JM & Kye So James for \$4,305,000 from Kaynik Properties LLC.



Address 9644 Lurline
City Chatsworth
Sq Ft 16,400
Type Lease
ABHT LLC, dba L.A. Wheel and Tire, leased this space at \$0.65 PSF for a five year term. Transaction included \$30,000 in TIs.



Address 10060 Remmet Ave
City Chatsworth
Sq Ft 10,870
Type Lease
Thermal Tech leased this space at \$0.85 PSF FSG for a 64-month term. Deal included 4 months free rent and annual increases.



LA North/Ventura, Inc.

Corporate ID # 01191898
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www.lee-associates.com



LEE & ASSOCIATES INDUSTRIAL SPECIALISTS Antelope Valley, Sherman Oaks & Calabasas

Grant Fulkerson	818-449-4401	Jack Schlaifer	818-223-4386	Mike Tingus President 818-223-4380
Joe Jusko	818-223-4397	Steve Scott	818-933-0326	
Randy Kobata	818-223-4383	Robert Shafer	818-223-4389	
Scott Linklater	818-223-4394	Larry Twomey	818-933-0304	
		Brett Warner	818-933-0302	

CITIES IN THE LA NORTH REGION

Antelope Valley
Lancaster
Palmdale

Burbank

Central Valley
Mission Hills
Panorama City

Chatsworth/Canoga Park

East Valley
Arleta
La Crescenta
Montrose
Studio City
Sunland
Tujunga
Universal City

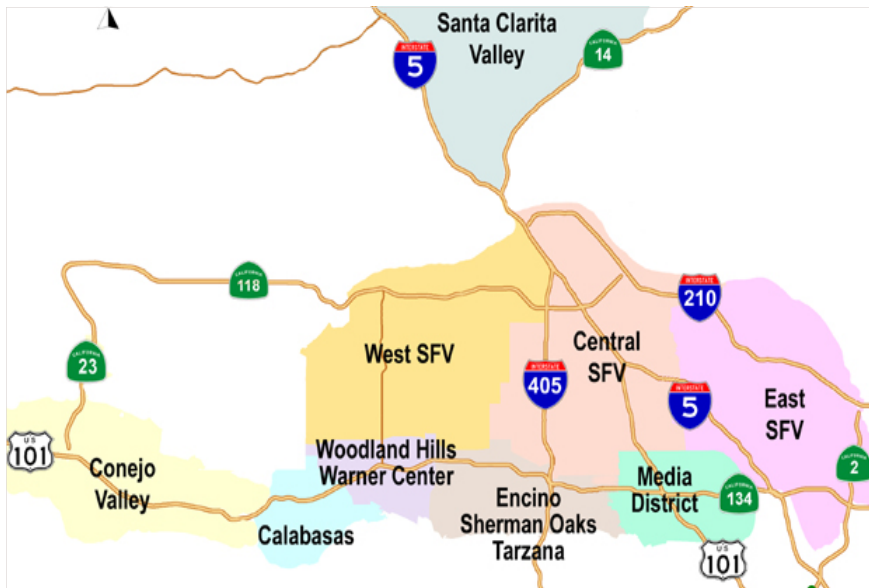
Glendale

North Hollywood

Northridge

Reseda/Tarzana

San Fernando/Sylmar/Pacoima



Santa Clarita Valley

Canyon Country

Newhall

Santa Clarita

Valencia

Sun Valley

West Valley

Encino

Granada Hills

Sherman Oaks

West Hills

Winnetka

Woodland Hills

MEMBERS OF THE LEE & ASSOCIATES LA NORTH/VENTURA INC. OFFICES

Sherman Oaks

15250 Ventura Blvd. #100
Sherman Oaks, CA 91403
818-986-9800

Trevor Belden
Warren Berzack
Kelly Betpolice
Darren Casamassima
Christine Deschaine

Jennifer Donaldson
Rob Erickson
Jim Fisher
Stephen Geiger

Dennis Herzig
Jay Martinez
Scott Romick
Stephanie Skrbin
Mike Smith

Craig Stevens
Paulette Toumazos
John Villanueva
George Yessaie
Slavic Zlatkin

Calabasas

26050 Mureau Rd. #101
Calabasas, CA 91302
818-223-4388

John Battle, SIOR
Cheri Blessing
Margie Jones

Mark Leonard
Jeff McGuire
Eric Nishimoto

Jay Rubin
Scott Silverstein
Tom Specker

Marc Spellman
Gary Wagmeister
Ben Williams

Antelope Valley

38460 5th St. West #G
Palmdale, CA 93534
661-341-3300

Jan Chait
Susan Champion

Ventura County
1000 Town Center Dr.
Suite 125
Oxnard, CA 93036
805-626-1200

Paul Capra
Gary S. Cohen
Robert Flink
Grant Harris

David Kim
Steve Nishi
John Ochoa, SIOR

MARKET DEFINITIONS

RENTABLE AREA

Includes all Class A, B 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 sublease.

DIRECT NET ABSORPTION

Net change in occupied square feet from one period to the next, not including the effects of occupied sublease space.

DIRECT ASKING LEASE RATE

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

SUBLEASE ASKING LEASE RATE

Calculated for sublease available space using full service gross rents. Rents are weighted by total square feet available for sublease.

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.

AVERAGE CAP RATES

Based on capitalization rates in completed transactions as reported to CoStar. Includes all industrial buildings of 10,000 SF and more and sales of \$400,000 and higher.

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