

Industrial

Q2 2010 Market Analysis

Leasing momentum continues and sales activity increases

Leasing activity, which began to rebound in the fourth quarter of last year, increased again in the current quarter.

On a direct basis, 865,088 square feet of industrial space was leased in the quarter, a 10 percent increase over the first quarter and nearly 41 percent more than the year-ago period.

The environment for landlords continues to be highly competitive however. Average asking lease rates inched down another penny in the quarter to \$0.60 PSF, and absorption levels have shown no improvement.

For the second quarter, industrial absorption rose to negative 402,700 square feet compared with negative 345,600 of absorption in the first quarter.

Only the Central Valley and North Hollywood submarkets saw positive absorption and the levels were low: 42,600 square feet of industrial space was absorbed in the Central Valley and 47,228 square feet was absorbed in North Hollywood in the quarter.

It is unclear whether tenants are continuing to vacate space or whether the space give-backs we have seen over the last year are leveling off.

But we are clearly seeing more tenants in the market and a greater willingness to plan for future needs.

Although vacancy levels for industrial

space are still exceedingly low by national standards, those landlords with availabilities are moving aggressively to fill them.


Average asking lease rates have fallen 21 percent from a peak of \$0.76 per square foot in the fourth quarter of 2008, however rates do seem to be stabilizing as compared with recent quarters.

At the same time, sales activity has picked up considerably, especially among owner-users.

The quarter saw 19 industrial sale transactions, more than twice as many as occurred in the first quarter of the year and the year-ago period.

Year-to-date, the median sale price

for industrial properties in the San Fernando Valley region was \$94.45 per square foot, basically unchanged from 2009 when the median sale price was \$93.26. This stabilization supports what many analysts have been saying: The real estate price fall is at or near bottom and we are not likely to see prices deteriorate much further.

We expect to see more inventory coming on the market as banks move ahead with foreclosures on non-performing loans, however a greater supply of buildings for sale is not likely to move the pricing needle significantly downward because banks are holding the line on pricing. 

Economy at a Glance

Autos: Continued uncertainty about the economy is likely to stall auto sales in 2010, according to a report in the *Los Angeles Times*. Analysts interviewed said they are reducing their estimates for vehicle sales this year to 11.2 million from 11.9 million previously projected.

Cargo: Cargo volume at the Port of Los Angeles in June climbed to 730,318 containers, surpassing activity at the peak of the global economic boom, according to a report in the *Los Angeles Times*.

Jobs: A survey by The Business Roundtable found that 39 percent of U.S. CEOs plan to increase hiring in the next six months while 43 percent anticipated no change and 17 percent said they expected jobs to decrease.

Filming: Filming in Los Angeles County increased again in Los Angeles in the second quarter, rising 16 percent compared to the same period last year, according to FilmLA Inc. L.A. generated 11,134 production days in the quarter.

MARKET TRENDS: CHANGE FROM PREVIOUS QUARTER



ASKING
RENTS
\$.60



DIRECT
VACANCY
3.8%



NET
ABSORPTION
(402,700) SF

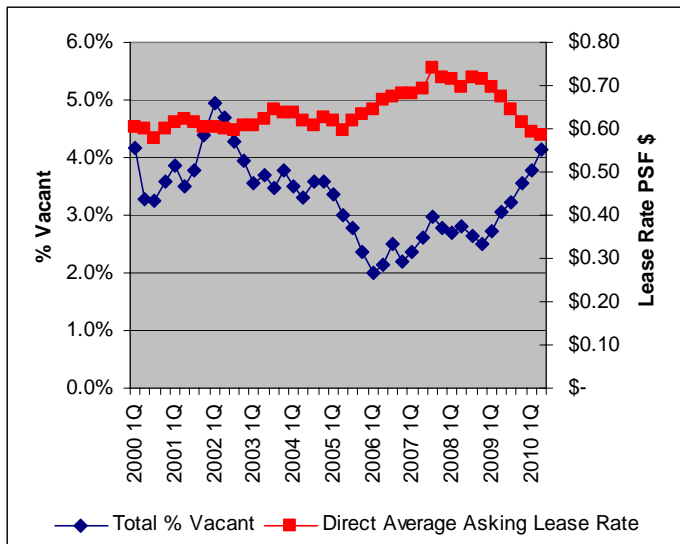


CONSTRUCTION
54,000 SF

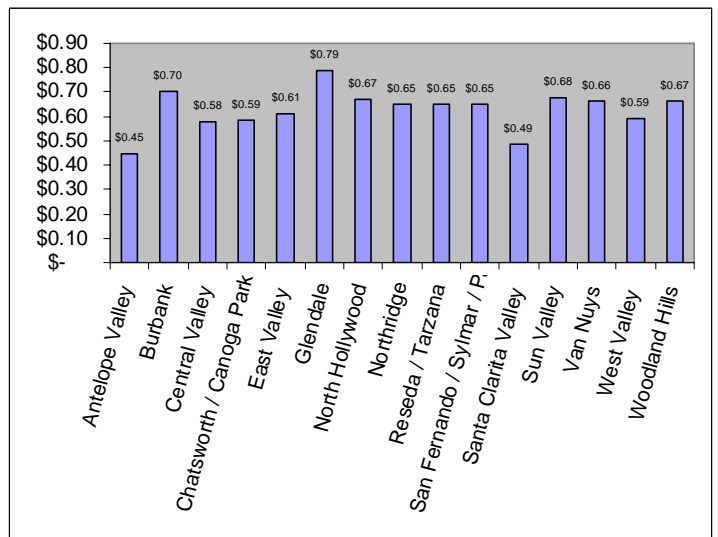
Los Angeles North Industrial Trends: Period ending June 30, 2010

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	200	8,948,400	534,700	545,900	6.0%	6.1%	0	0	\$0.45	\$0.2024,100	
Burbank	324	11,611,500	463,400	471,100	4.0%	4.1%	(30,500)	(35,500)	\$0.70	\$0.85	-
Central Valley	80	3,551,600	35,600	35,600	1.0%	1.0%	42,600	42,600	\$0.58	\$0.49	-
Chatsworth / Canoga Park	606	20,865,500	1,043,700	1,226,400	5.0%	5.9%	(140,500)	(207,700)	\$0.59	\$0.5029,900	
East Valley	29	1,041,100	45,300	45,300	4.4%	4.4%	(29,000)	(29,000)	\$0.61	\$0.50	-
Glendale	429	13,646,200	358,200	420,400	2.6%	3.1%	(5,600)	(5,600)	\$0.79	\$0.85	-
North Hollywood	476	13,484,000	320,000	386,900	2.4%	2.9%	47,200	47,200	\$0.67	\$0.69	-
Northridge	155	4,494,500	57,100	65,700	1.3%	1.5%	(3,000)	(3,000)	\$0.65	\$0.60	-
Reseda / Tarzana	53	1,109,700	39,800	39,800	3.6%	3.6%	(11,000)	(11,000)	\$0.65	\$0.60	-
San Fernando / Sylmar / Pacoima	438	17,806,300	610,700	631,400	3.4%	3.5%	(62,600)	(64,600)	\$0.65	\$0.55	-
Santa Clarita Valley	491	21,264,300	1,216,600	1,261,200	5.7%	5.9%	(77,300)	(83,100)	\$0.49	\$0.65	-
Sun Valley	360	10,841,800	365,800	365,800	3.4%	3.4%	(31,500)	(31,500)	\$0.68	\$0.52	-
Van Nuys	454	15,097,200	411,100	515,400	2.7%	3.4%	(103,900)	(112,100)	\$0.66	\$0.67	-
West Valley	11	518,800	0	0	0.0%	0.0%	0	0	\$0.59	\$0.55	-
Woodland Hills	24	1,522,700	17,400	17,400	1.1%	1.1%	2,400	2,400	\$0.67	\$0.60	-
Total	4,130	145,803,600	5,519,100	6,028,200	3.8%	4.1%	(402,700)	(490,900)	\$0.60	\$0.62	54,000

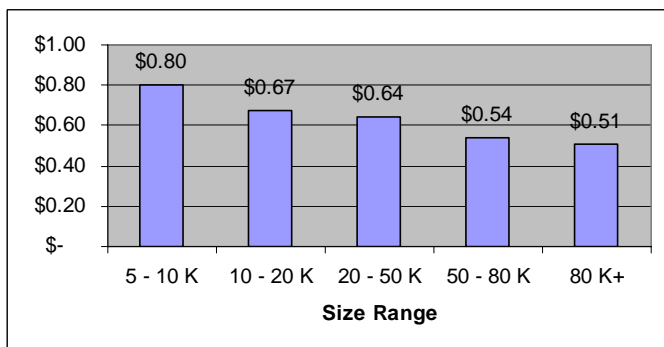
VACANCY VS. ASKING LEASE RATE



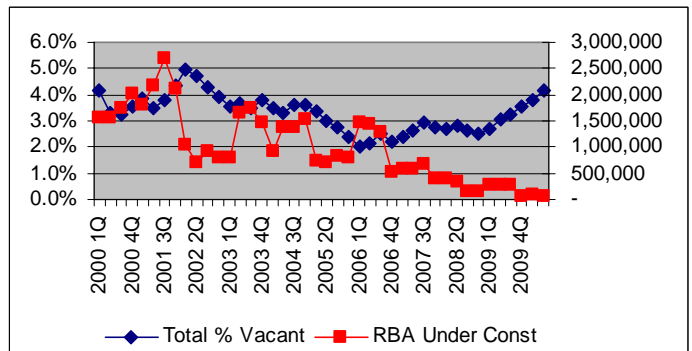
ASKING LEASE RATE BY SUBMARKET



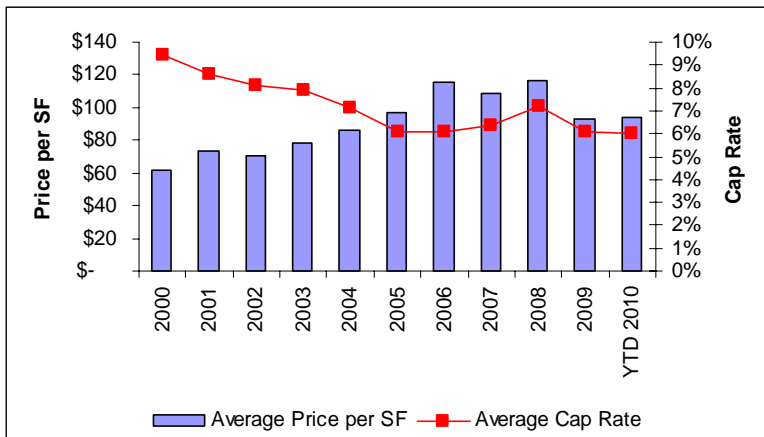
LEASE RATES BY SIZE RANGE



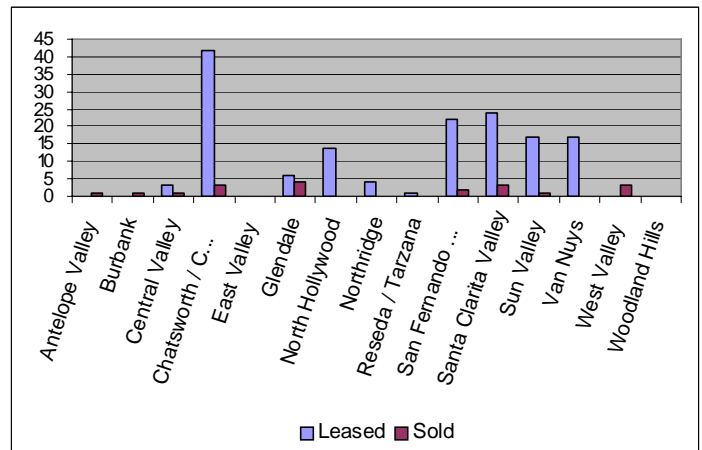
VACANCY VS. SF UNDER CONSTRUCTION



PRICE PSF VS. CAP RATE



SALE VS. LEASE TRANSACTIONS



SIGNIFICANT SALES & LEASE TRANSACTIONS

	<i>Address</i> <i>City</i>	28402 W. Livingston Ave. Valencia	<i>Price/SF</i> <i>Sq Ft</i> <i>Type</i>	\$91.79 98,054 Sale	Class B industrial building sold to Aerospace Service & Controls for \$9,000,000 after 601 days on market. Asking price was \$11,178,156. Buyer is an owner user; seller is Sunmark Properties Inc.
	<i>Address</i> <i>City</i>	20740 Plummer St. Chatsworth	<i>Price/SF</i> <i>Sq Ft</i> <i>Type</i>	\$125.57 28,669 Sale	Class B industrial manufacturing building sold to Best Data Products for \$3.6 million. Property was not actively marketed. Includes 1.08 acres of land. Built in 1986.
	<i>Address</i> <i>City</i>	6862 Hayvenhurst Ave. Van Nuys	<i>Price/SF</i> <i>Sq Ft</i> <i>Type</i>	\$96.27 37,375 Sale	Class C industrial building sold to Ksmi Investment LLC, an owner user, for \$3,598,000 after 180 days on market. Asking price had been \$3,712,500.
	<i>Address</i> <i>City</i>	5400-5440 W. San Fernando Rd. Glendale	<i>Price/SF</i> <i>Sq Ft</i> <i>Type</i>	\$45.30 44,147 Sale	Class C industrial sold to San Fernando Capital LLC for \$2 million. Buyer, Shahin Bandaci, assumed approx. \$300,000 of work that needed to be done on property. Investment purchase.
	<i>Address</i> <i>City</i>	11651 Sheldon St. Sun Valley	<i>Sq Ft</i> <i>Type</i>	42,515 Lease	Class B industrial leased for \$0.45 MG. Includes 8,723 SF of office space. Building constructed in 1986. Building contains 58,755 SF with 22' ceilings.
	<i>Address</i> <i>City</i>	29010 Avenue Paine Valencia	<i>Sq Ft</i> <i>Type</i>	27,555 Lease	Tenant leased 27,555 SF in this 117,151-SF Class B industrial building. Lease rate is \$0.49 MG PSF. Distribution facility built in 2000.
	<i>Address</i> <i>City</i>	9327 Deering Ave. Chatsworth	<i>Sq Ft</i> <i>Type</i>	23,116 Lease	Full building in Northpark Industrial Center leased to P4C Global & Just Cellular at \$0.50 NNN PSF for 60 mos. One month free rent and 5 percent annual increases. Landlord is Northpark Industrial.
	<i>Address</i> <i>City</i>	9556 Cozycroft Ave. Chatsworth	<i>Sq Ft</i> <i>Type</i>	21,600 Lease	Full building leased at \$0.62 MG PSF. Class B facility includes 2,780 SF of industrial space.
	<i>Address</i> <i>City</i>	12224 Montague St. Pacoima	<i>Sq Ft</i> <i>Type</i>	20,160 Lease	Tenant leased 20,160 SF in this 108,000 SF Class C industrial building on an 'as is' basis. Rent is \$0.30 MG PSF.

LA North/Ventura, Inc.

Corporate ID # 01191898
A Member of the Lee & Associates Group of Companies
www.lee-associates.com



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

Len Effron	818-933-0319	Jack Schlaifer	818-223-4386	Mike Tingus, President	818-223-4380
Grant Fulkerson	818-449-4401	Steve Scott	818-933-0326		
Joe Jusko	818-223-4397	Robert Shafer	818-223-4389		
Randy Kobata	818-223-4383	Larry Twomey	818-933-0304		
Scott Linklater	818-223-4394	Brett Warner	818-933-0302		

MARKET DEFINITIONS

RENTABLE AREA

Includes all Class A, B multi-tenant and single-tenant office 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.

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.

AVERAGE SALE PRICE

Based on actual prices of sold buildings as reported in public records and by CoStar. Includes all office buildings and all sizes in market.

AVERAGE CAP RATES

Based on capitalization rates in completed transactions as reported to CoStar. Includes all office buildings and all sizes in market.

About Lee & Associates

Celebrating more than 30 years of leadership excellence in commercial real estate, Lee & Associates is one of the largest national commercial real estate providers with regional expertise. Lee & Associates currently has 38 offices with more than 600 agents located in California, Arizona, Idaho, Illinois, Michigan, Missouri, Nevada, New Jersey, Texas and Wisconsin.

Lee & Associates-LA North/Ventura, Inc. a member of the Lee & Associates Group of Companies, is a full service commercial brokerage company with offices in Sherman Oaks, Calabasas, Ventura County and Antelope Valley. Additional information is available at www.lee-associates.com.

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

Kelly Betpolice

Darren Casamassima

Christine Deschaine

Rob Erickson

Jim Fisher

Stella Lee

Duncan Lemmon

Jay Martinez

Scott Romick

Stephanie Skrbin

Mike Smith

Craig Stevens

Calabasas

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

John Battle, SIOR

Cheri Blessing

Margie Jones

Mark Leonard

Eric Nishimoto

Cory Richmond

Jay Rubin

Scott Silverstein

Tom Specker

Marc Spellman

Gary Wagneister

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

Robert Flink

Grant Harris

David Kim

Steve Nishi

John Ochoa, SIOR

©2010. All rights reserved. No reproduction without prior permission.