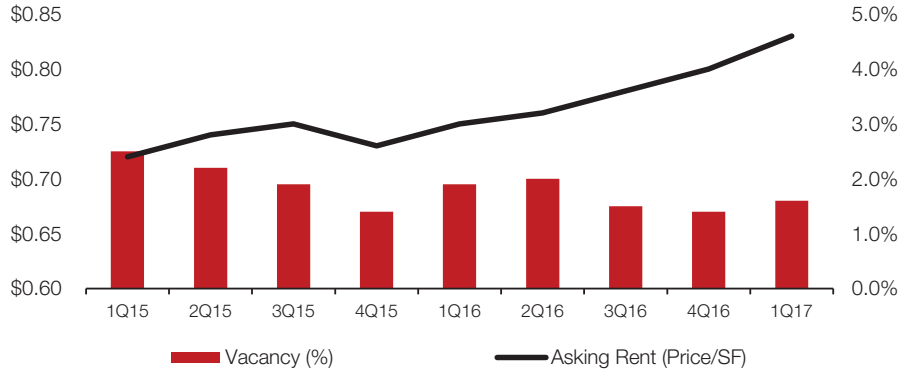
San Fernando Valley
Industrial Market Trends 1Q 2017

NAI Capital
Commercial Real Estate Services, Worldwide.

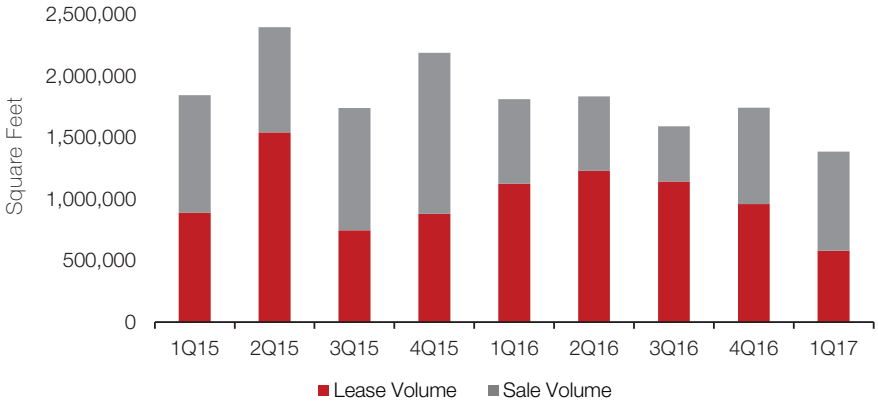
Rents Rise 10.7% Year Over Year Hitting A New High

Asking Rent and Vacancy



Rents reflect buildings 10,000 SF and greater
Does not include Santa Clarita

Lease and Sale Volume



Includes industrial buildings of all sizes, classes
Does not include Santa Clarita

Market Trends			
Total Inventory			106,451,331
	1Q17	4Q16	1Q16
Asking Rent (Price/SF)	$0.83	$0.80	$0.75
Vacancy Rate (%)	1.6%	1.4%	1.9%
Lease Volume (SF)	581,291	960,204	1,124,630
Sale Volume (SF)	803,818	783,182	686,864
Under Construction (SF)	364,638	364,638	0
Deliveries (SF)	0	10,000	28,620

SOURCE: NAI Capital Research, CoStar

The San Fernando Valley industrial market continued to impress in the first quarter of 2017. The average asking rent hit $0.83/SF - the highest level on record. The average rental rate is up 3.8% from the prior quarter and 10.7% over last year. The vacancy rate fell 30 basis points from last year to 1.6%, which is one of the lowest rates on record. The decline in the vacancy rate is due to supply constrained market conditions and persistent demand for industrial space in San Fernando Valley. Due to the extreme lack of supply, the leasing volume in the first quarter fell by 48% compared to last year. On the other hand, sales activity increased 17.0% from a year ago.

With practically no land available for development in the San Fernando Valley, it is extremely difficult for new supply to alleviate pent up demand. Limited new construction provides no long-term relief. The 360,000 SF Sun Valley Business Center currently under construction is 76% leased to OnTrac, with only 96,000 square feet remaining available.

Users looking for space are branching out into the nearby Santa Clarita Valley, which has more options for tenants looking to expand. The availability of industrial space in the Santa Clarita Valleys is higher – with more than twice the industrial space under construction. Modern furniture designer and manufacturer Armen Living moved its corporate headquarters in the first quarter from the eastern San Fernando Valley to Valencia, where the company was able to expand from 40,000 square feet to 58,000 square feet.

Market Statistics

Submarket	Total RBA (SF)	Under Const. (SF)	Total Available (%)	Total Vacant (%)	1Q17 Lease Vol. (SF)	YTD Lease Vol. (SF)	1Q17 Sales Vol. (SF)	YTD Sales Vol. (SF)	Average Asking Rent $NNN	Average Sale Price/SF
Central SFV	19,335,901	0	2.6%	0.4%	42,396	42,396	63,076	63,076	$0.84	$220
East SFV	59,140,572	364,638	2.7%	1.4%	299,229	299,229	662,193	662,193	$0.87	$205
West SFV	27,974,858	0	4.2%	2.7%	239,666	239,666	78,549	78,549	$0.76	$136
TOTAL	**106,451,331**	**364,638**	**3.1%**	**1.6%**	**581,291**	**581,291**	**803,818**	**803,818**	**$0.83**	**$202**
Santa Clarita Valley	19,775,138	763,194	8.5%	2.5%	294,741	294,741	175,235	175,235	$0.65	$105

RBA includes industrial buildings of all sizes. Rents reflect buildings of 10,000+ SF.

Select Lease Transactions

Tenant	Address	Square Feet	Lease Rate
Armen Living	28939 Avenue Williams, Valencia	58,394	$0.79/SF
MB Studios Production Services	10616 Lanark St, Sun Valley	42,500	$0.79/SF
GP Motorsport	11582-11590 Sheldon St, Sun Valley	32,308	$0.68/SF

Select Sales Transactions

Buyer	Seller	Address	Square Feet	Sale Price/SF	Sale Price
Rexford Industrial	Mannkind Corporation	28901- 28903 Avenue Paine, Valencia	146,000	$102	$14,898,463
Ravan Holdings LLC	Ala Properties LLC	2860-2870 N Ontario St, Burbank	33,459	$111	$3,705,000
RDS Investments	WW Grainger Inc	7565 Lockheed Dr, Burbank	25,792	$217	$5,605,000

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Santa Clarita Valley
- Canyon Country
- Newhall
- Santa Clarita
- Stevenson Ranch
- Valencia

West
- Calabasas
- Canoga Park
- Chatsworth
- Northridge
- Reseda
- Tarzana
- Woodland Hills

Central
- North Hills
- Panorama City
- Sepulveda
- Van Nuys

East
- Arleta
- Burbank
- Glendale
- Mission Hills
- North Hollywood
- Pacoima
- San Fernando
- Sun Valley
- Sunland
- Sylmar
- Tujunga

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