Market Overview

The third quarter vacancy rate in the San Fernando Valley industrial market remains low at 2.3%. The vacancy rate has been below 3.0% for the past seven quarters. The decline is due to steady leasing and increasing sale activity. Year to date sale and lease activity totaled more than 5.8 million square feet – representing a 6.1% decrease over the same period last year. This is primarily due to a lack of available product. A strong demand to buy versus lease has increased sale activity along with prices. Demand for industrial space continues to push pricing upward while maintaining inventory levels low in the market. Average asking rents closed at $0.77/SF, up 4.8% over the prior quarter and up 11.3% over last year while sale prices for warehouse/distribution space gained over 25% from this time last year.

Leasing

Business expansion continues. Los Angeles County employment figures for August 2015 show a 1.8% year over year job growth. Trade, transportation and utilities had the second largest job expansion of the year with job growth across every major industry sector-including warehousing & storage which is up 3.4% over last year. This quarter Amazon signed a lease for a 29,208 square foot class A warehouse/distribution building under construction at Chatsworth Commerce Centre in the West San Fernando Valley. New construction, although limited due to land constraints, has been well received and is approximately 71% preleased.

Sales

The threat of low interest rates coming to an end has created a sense of urgency among buyers. Sale activity almost doubled over the prior quarter. Year to date sales volume is up 22% over the same period last year. In one of the largest transactions this quarter, Synear Food Holdings bought a 190,073 square foot food processing facility from Nestle in the West Valley for $15.9 million. In the East Valley, Hallmart Collectibles purchased a 48,980 square foot warehouse for $139.00/SF. The property had previously sold in 2005 for $97.51/SF representing a 43.6% increase.

Trends to Watch

Rental rate increases are not expected to keep up with the pace of rising sales prices. Land values and soft and hard construction costs maintain levels of 25% or more than existing sales comps, and new construction averages two years to complete delivery to market. Expect increasing values and decreasing returns as the market hastens in its direction from investor-driven to user-driven transactions.
Market Statistics

<table>
<thead>
<tr>
<th>SUB-MARKET</th>
<th>EXISTING TOTAL (SF)</th>
<th>TOTAL AVAILABLE UNDER CONSTRUCTION (SF)</th>
<th>TOTAL AVAILABLE (%)</th>
<th>TOTAL VACANCY (%)</th>
<th>YTD LEASING VOLUME (SF)</th>
<th>YTD SALES VOLUME (SF)</th>
<th>AVERAGE ASKING RENT ($ NNN)</th>
<th>AVERAGE SALE PRICE/SF</th>
</tr>
</thead>
<tbody>
<tr>
<td>West</td>
<td>27,919,613</td>
<td>111,559</td>
<td>4.9%</td>
<td>3.7%</td>
<td>832,086</td>
<td>988,852</td>
<td>$0.78</td>
<td>$101.73</td>
</tr>
<tr>
<td>Central</td>
<td>19,227,701</td>
<td>126,557</td>
<td>3.0%</td>
<td>2.1%</td>
<td>452,045</td>
<td>213,408</td>
<td>$0.75</td>
<td>$168.90</td>
</tr>
<tr>
<td>East</td>
<td>67,286,719</td>
<td>28,620</td>
<td>2.9%</td>
<td>1.8%</td>
<td>1,493,851</td>
<td>2,275,162</td>
<td>$0.77</td>
<td>$242.36</td>
</tr>
<tr>
<td>Total</td>
<td>114,434,033</td>
<td>266,736</td>
<td>3.4%</td>
<td>3.0%</td>
<td>2,777,982</td>
<td>3,477,422</td>
<td>$0.77</td>
<td>$214.13</td>
</tr>
<tr>
<td>Santa Clarita Valley</td>
<td>19,755,682</td>
<td>-</td>
<td>5.4%</td>
<td>2.5%</td>
<td>973,434</td>
<td>460,230</td>
<td>$0.61</td>
<td>$124.32</td>
</tr>
</tbody>
</table>

Includes all industrial buildings. Rents are quoted on a direct NNN basis, factoring $0.15 average operating expenses.
West: Calabasas, Canoga Park, Chatsworth, Northridge, Reseda, Tarzana, Woodland Hills
Central: North Hills, Panorama City, Sepulveda, Van Nuys
Santa Clarita Valley: Canyon Country, Newhall, Santa Clarita, Stevenson Ranch, Valencia

Significant Lease Transactions

<table>
<thead>
<tr>
<th>TENANT</th>
<th>ADDRESS</th>
<th>SUB-MARKET</th>
<th>LEASE RATE/SF</th>
<th>SQUARE FEET</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disney</td>
<td>635 8th St., San Fernando</td>
<td>East</td>
<td>$0.69</td>
<td>71,160</td>
</tr>
<tr>
<td>HD Supply</td>
<td>8901 Bradley Ave., Sun Valley</td>
<td>East</td>
<td>$0.68</td>
<td>55,005</td>
</tr>
<tr>
<td>Triscenic Production Services</td>
<td>28014 Avenue Crocker, Valencia</td>
<td>Santa Clarita Valley</td>
<td>$0.63</td>
<td>50,688</td>
</tr>
<tr>
<td>Faux Library Studio Props</td>
<td>7100 Case Ave., North Hollywood</td>
<td>East</td>
<td>$0.72</td>
<td>47,165</td>
</tr>
<tr>
<td>Amazon</td>
<td>9031 Lurline Ave., Chatsworth</td>
<td>West</td>
<td>$1.10</td>
<td>29,208</td>
</tr>
</tbody>
</table>

Significant Sales Transactions

<table>
<thead>
<tr>
<th>BUYER</th>
<th>ADDRESS</th>
<th>SUB-MARKET</th>
<th>SALE PRICE/SF</th>
<th>SQUARE FEET</th>
</tr>
</thead>
<tbody>
<tr>
<td>Synear Food</td>
<td>9601 Canoga Ave., Chatsworth</td>
<td>West</td>
<td>$83.65</td>
<td>190,073</td>
</tr>
<tr>
<td>Paul Herman Company</td>
<td>27655 N. Avenue Hopkins, Valencia</td>
<td>Santa Clarita Valley</td>
<td>$110.46</td>
<td>52,510</td>
</tr>
<tr>
<td>Hallmart Collectibles</td>
<td>8963-8969 Bradley Ave., Sylmar</td>
<td>East</td>
<td>$139.00</td>
<td>48,980</td>
</tr>
<tr>
<td>DE Woodcliff LP</td>
<td>12473 Gladstone Ave., Sylmar</td>
<td>East</td>
<td>$140.14</td>
<td>48,523</td>
</tr>
<tr>
<td>Ontrack Investments</td>
<td>26308 Spirit Ct., Santa Clarita</td>
<td>Santa Clarita Valley</td>
<td>$115.01</td>
<td>44,944</td>
</tr>
</tbody>
</table>

Average Asking Rents and Leasing Volume

Average Sale Price and Sales Volume
NAI Capital Southern California Office Locations

**Encino**
Headquarters
16001 Ventura Blvd., Ste. 200
Encino, CA 91436
(818) 905-2400

**Ontario**
800 N. Haven Ave., Suite 400
Ontario, CA 91764
(909) 945-2339

**Simi Valley**
2635 First St., Ste. 250
Simi Valley, CA 93065
(805) 522-7132

**West Los Angeles**
11835 W. Olympic Blvd., Suite 700E
Los Angeles, CA 90064
(310) 440-8500

**Westlake Village**
2555 Townsgate Rd., Ste. 320
Westlake Village, CA 91361
(805) 446-2400

**Diamond Bar**
21660 E. Copley Dr., Ste. 320
Diamond Bar, CA 91765
(909) 348-0600

**Oxnard**
300 Esplanade Dr., Ste. 1660
Oxnard, California 93036
(805) 278-1400

**Torrance**
970 W. 190th St., Ste. 100
Torrance, CA 90502
(310) 532-9080

**Irvine**
1920 Main St., Ste. 100
Irvine, CA 92614
(949) 854-6600

**Palm Desert**
75-410 Gerald Ford Dr., Ste. 200
Palm Desert, CA 92211
(760) 346-1566

**Valencia**
27451 Tourney Rd., Ste. 200
Valencia, CA 91355
(661) 705-3550

**Murrieta**
38605 Calistoga Dr., Ste. 150
Murrieta, CA 92563
(951) 491-7590

**Pasadena**
225 S. Lake Ave., Ste. 1170
Pasadena, CA 91101
(626) 564-4800

**Victorville**
13911 Park Avenue, Suite 206
Victorville, CA 92392
(760) 780-4200

**San Fernando Valley**
Local Market Experts

---

Chris Jackson
Executive Vice President
Branch Manager
818 933 2368 direct
cjackson@naicapital.com
CA BRE Lic. #01255538

J.C. Casillas
Director of Research
and Public Relations
818 905 2400 office
jcasillas@naicapital.com

No warranty, express or implied, is made as to the accuracy of the information contained herein. This information is submitted subject to errors, omissions, change of price, rental or other conditions, withdrawal without notice, and is subject to any special listing conditions imposed by our principals. Cooperating brokers, buyers, tenants and other parties who receive this document should not rely on it, but should use it as a starting point of analysis, and should independently confirm the accuracy of the information contained herein through a due diligence review of the books, records, files and documents that constitute reliable sources of the information described herein.