Colliers

Industrial

San Fernando & Ventura

22Q1

Key Takeaways

- Average asking rents increased to $1.16 NNN.
- Vacancy remained unchanged at 0.5%.
- Net absorption closed out at 927K SF.
- Total gross activity reached 1.3 MSF.

	YOY	FORECAST
Vacancy Rate 0.5%	∨	–
Net Absorption 927K SF	∧	∨
Under Construction 752K SF	∨	∨
Overall Asking Lease Rates (NNN) $1.16/SF	∧	∧

The Valley Continues to See Unprecedented Rental Rate Growth

The San Fernando Valley & Ventura County industrial market didn't press pause to kick off the new year, posting 927K SF of positive net absorption. The overall vacancy rate was unchanged at 0.5% quarter over quarter and 120 basis points below its mark from one year ago. Construction activity remains healthy with 752K SF currently underway. The most populous region of Los Angeles, the Valley, is home to major motion picture, music recording and television production companies. The pandemic put a stop on movie/television production for a good part of 2020, but production is back to full capacity and the Valley is booming.

Market Indicators

∨ 5.4% Unemployment Rate

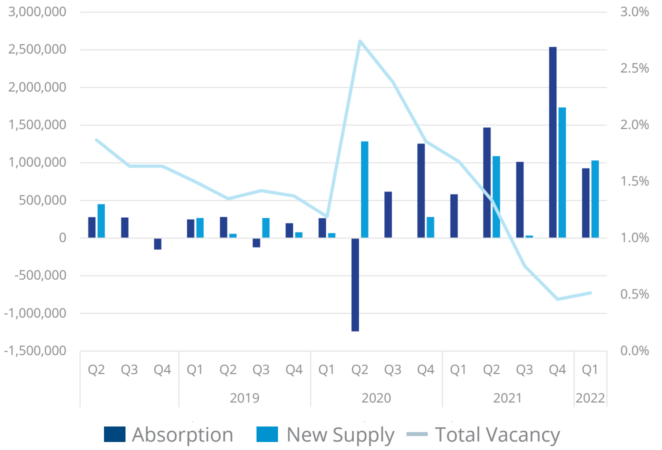
∨ 5.2% GDP - Quarterly % Change YOY

∧ 2.398% U.S. 10-Year Treasury Note

Historic Comparison

	Q1 2021	Q4 2021	Q1 2022
Total Inventory (SF)	172,589,171	173,294,323	174,710,044
New Supply (SF)	0	1,735,765	1,031,795
Net Absorption (SF)	581,393	2,538,904	926,959
Overall Vacancy	1.7%	0.5%	0.5%
Under Construction (SF)	3,515,495	1,792,103	752,006
Overall Asking Lease Rates (NNN)	$0.83	$1.10	$1.16

Market Graph



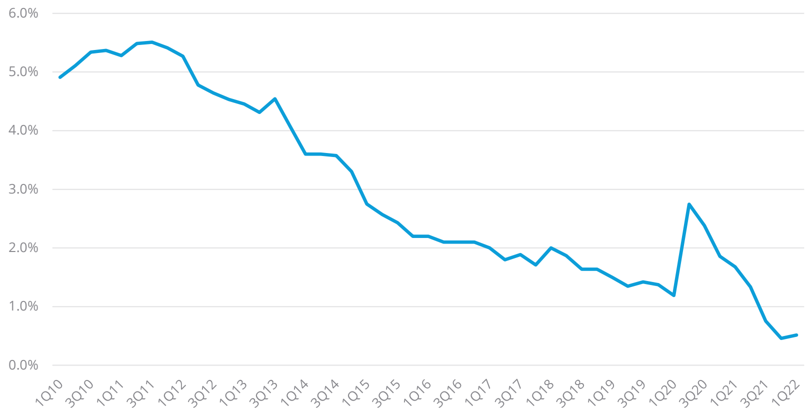
Over the last seven quarters, the San Fernando Valley & Ventura County market has recorded 8.4 MSF of positive net absorption. Construction completions were historically high at 4.1 MSF due to a few large facilities that aren't typical for this market.

Labor Force

	Construction	Manufacturing	Transportation, Trade & Utilities
12-Mo Employment Growth (%)	3.8%	2.9%	4.7%
12-Mo Actual Employment Change	5,600	9,100	37,700

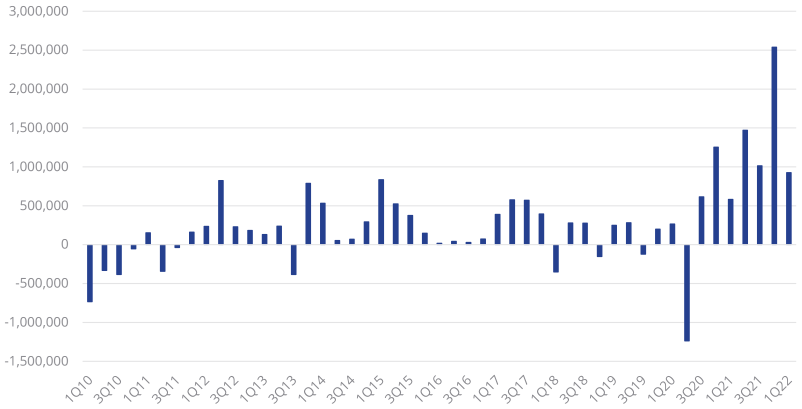
Vacancy

Overall vacancy was unchanged at 0.5% to close out the first quarter of 2022. With a pandemic peak of 2.7%, the San Fernando Valley & Ventura County market has swiftly recovered over the last 21 months. Ventura Country vacancy currently sits at 0.7% and the remainder of the Valley sits at 0.4%. Santa Clarita, which historically had a higher vacancy than the San Fernando Valley, now has the second lowest vacancy of any submarket in North Los Angeles at 0.3%. Much like the rest of greater Los Angeles, the San Fernando Valley will continue to see small fluctuations in vacancy as tenants struggle to find room to expand.



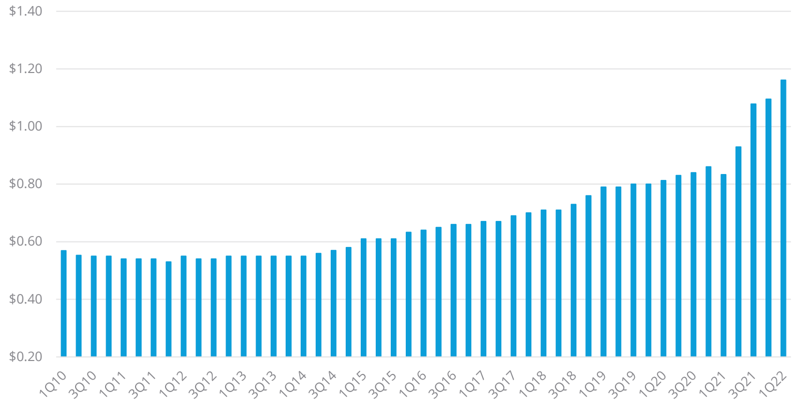
Absorption & Leasing Activity

Net absorption for the first quarter of 2022 topped out at 929,959 SF of positive demand, the region's seventh consecutive quarter in the black. Leasing activity totaled 1.3 MSF in 93 lease transactions. The Santa Clarita submarket recorded the highest positive net absorption in the Valley with 390,128 SF, a likely trend due to the submarket's expansion opportunities. With historically tight market conditions and now very limited options in the Santa Clarita Valley, competition will be turbulent for tenants looking to expand within the Valley & Ventura County.



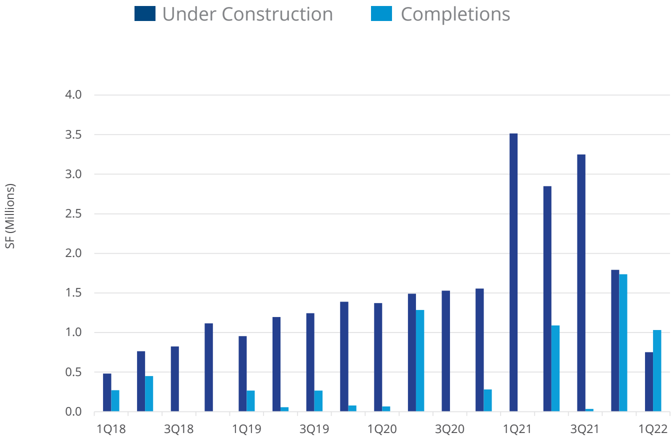
Rental Rates

Average asking rents continued to climb, posting another high-water mark at $1.43 NNN in the San Fernando Valley and $0.98 NNN in Ventura County. Rates jumped significantly (28%) in the Santa Clarita Valley submarket, home to the majority of modern Class A buildings in the region. As rents continue to rise, tenants renewing their leases from five years ago will see significant increases in market rent as options to expand will met with swift competition.



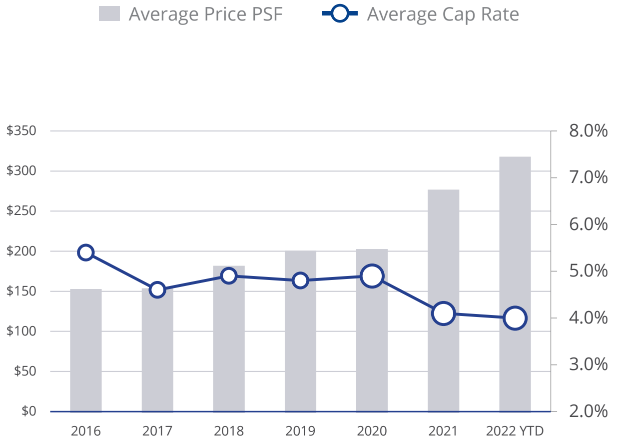
Construction

Construction activity remains robust with 752,006 SF currently underway. Like most of greater Los Angeles, the San Fernando Valley is an infill market with very little room for new development. There are currently two buildings over 100,000 SF under construction. The average size of the remaining six buildings is 56,000 SF.



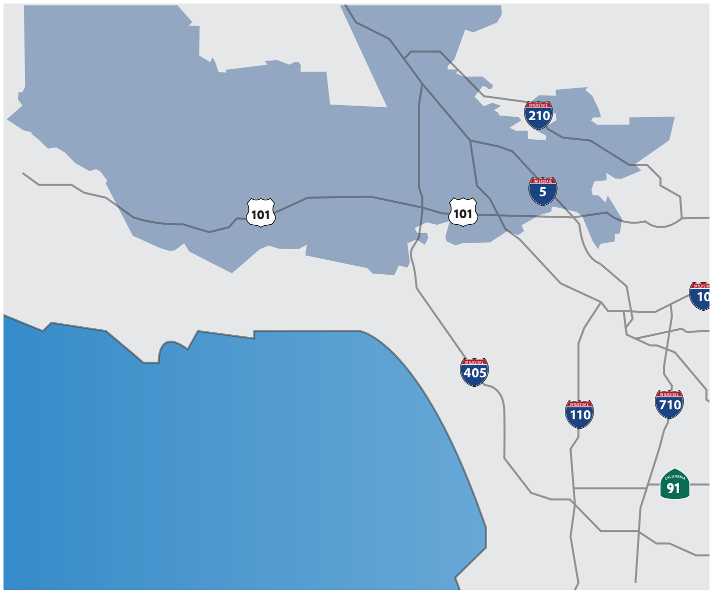
Investment Trends

The industrial sector's massive boom sparked by COVID-19 has propelled industrial investment to the top of the most desired list for investors. E-commerce has grown exponentially since the start of the pandemic and will continue to attract institutional investment. With an all-time low vacancy and record-high lease rates, pricing is forecasted to increase with further cap rate compression.



Market Description

The San Fernando Valley and Ventura County industrial market includes 173M SF of standard industrial space and represents 20% of the total industrial space in buildings 10,000 SF and greater in greater Los Angeles County. It is a moderately mature market, with 68% of its space built more than 20 years ago. The market is oriented toward small to medium-sized manufacturers and distributors, with only 29% of its space contained in big-box buildings (100,000+ SF).



Sales Activity

Address	Size SF	Sale Price	Price PSF	Buyer	Seller
24903 Avenue Kearny, Santa Clarita	214,436 SF	$58.5 Million	$272.8 PSF	Rexford Industrial	Dedeaux Properties
21200 Victory Blvd, Woodland Hills	183,972 SF	$60.0 Million	$326.1 PSF	Walton Street Capital	F&J Butler Enterprises
29011 Commerce Center Dr, Valencia	165,141 SF	$41.5 Million	$251.3 PSF	Greenlaw Partners	MMB Management
13401 Saticoy St, North Hollywood	33,505 SF	$11.0 Million	$327.6 PSF	The Garvi Group	Pine Investment Partners
9200 Gazette Ave, Chatsworth	25,322 SF	$8.4 Million	$332.5 PSF	Lau Enterprises	UltraGlas, Inc.

Leasing Activity

Address	Size SF	Lease Type	Submarket	Lessee	Lessor
355 Easy St, Simi Valley	237,266 SF	Renewal	Simi Valley/ Moorpark	Milgard Mfg	Triliad Development, Inc.
21314 Lassen St, Chatsworth	77,574 SF	New	West SF Valley	Big Battery	Selective RE Investments
28525 Witherspoon Pkwy, Valencia	70,550 SF	New	Santa Clarita Valley	LA North Studios	Desert Orchard LLC
28790 Chase Pl, Santa Clarita	52,808 SF	New	Santa Clarita Valley	P3	IAC Properties
28334 Industry Dr, Valencia	35,310 SF	Renea	Santa Clarita Valley	Pets-Global	Arnoff Brothers

Major Developments

Address	Developer	Size SF	Submarket	Status	Estimated Completion
Tapo Canyon Commerce Center, Simi Valley	Stream Realty	344,056 SF	Simi Valley/ Moorpark	Under Construction	Q3 2022
Needham Ranch	Trammel Crow	278,000 SF	Santa Clarita Valley	Preleased	Q3 2022
The Point @ Simi Valley Bus Ctr	Decker-Goetsch Properties	61,300 SF	Simi Valley/ Moorpark	Under Construction	Q2 2022

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Existing Properties		Construction		Vacancy		Availability	Activity				Absorption		Rents
Submarket/ Building Size	Total Inventory SF	Completions Current Qtr SF	Under Construction SF	Vacancy Rate	Vacancy Prior Qtr	Availability Rate	Sales Activity SF	Lease Activity SF	Total Gross Activity Current	Total Gross Activity YTD	Net Absorption Current	Net Absorption YTD	Avg Direct Asking Rate (NNN)
East San Fernando Valley													
Subtotal	50,809,313	0	0	0.5%	0.5%	0.7%	55,407	336,293	391,700	391,700	29,251	29,251	$1.55
West San Fernando Valley													
Subtotal	25,596,371	0	0	0.5%	0.5%	1.2%	50,022	191,064	241,086	241,086	206	206	$1.33
Central San Fernando Valley													
Subtotal	13,700,531	0	0	0.2%	0.2%	0.8%	0	113,262	113,262	113,262	6,000	6,000	$1.50
Santa Clarita Valley													
Subtotal	20,855,709	283,254	278,000	0.3%	0.8%	0.3%	0	174,451	174,451	174,451	390,128	390,128	$1.34
San Fernando Valley Overall													
10,000 - 19,999	21,873,106	0	0	0.5%	0.2%	0.8%	32,307	166,964	199,271	199,271	-55,120	-55,120	$1.48
20,000 - 39,999	27,079,821	0	0	0.6%	0.6%	1.0%	73,122	253,635	326,757	326,757	2,715	2,715	$1.42
40,000 - 69,999	20,078,104	0	0	0.4%	0.3%	1.3%	0	102,605	102,605	102,605	-9,918	-9,918	$1.38
70,000 - 99,999	11,039,672	0	0	0.2%	0.9%	0.2%	0	97,476	97,476	97,476	69,650	69,650	$1.36
100,000 - 249,999	22,210,590	283,254	0	0.3%	0.9%	0.5%	0	194,390	194,390	194,390	418,258	418,258	n/a
250,000 - 499,999	3,961,125	0	278,000	0.0%	0.0%	0.0%	0	0	0	0	0	0	n/a
500,000 +	4,719,506	0	0	0.0%	0.0%	0.0%	0	0	0	0	0	0	n/a
Total	**110,961,924**	**283,254**	**278,000**	**0.4%**	**0.5%**	**0.8%**	**105,429**	**815,070**	**920,499**	**920,499**	**425,585**	**425,585**	**$1.43**
Ventura County													
West Ventura County	43,609,219	576,025	68,650	0.4%	0.4%	0.9%	22,340	268,854	291,194	291,194	539,359	539,359	$0.92
Simi Valley/ Moorpark	11,858,654	0	405,356	0.1%	0.2%	3.2%	0	29,373	29,373	29,373	13,572	13,572	$0.93
Conejo Valley	8,280,247	172,516	0	3.2%	0.5%	6.7%	0	38,321	38,321	38,321	-51,557	-51,557	$1.22
Total	**63,748,120**	**748,541**	**474,006**	**0.7%**	**0.3%**	**2.1%**	**22,340**	**336,548**	**358,888**	**358,888**	**501,374**	**501,374**	**$0.98**
San Fernando Valley & Ventura County													
Market Total	174,710,044	1,031,795	752,006	0.5%	0.5%	1.2%	127,769	1,151,618	1,279,387	1,279,387	926,959	926,959	$1.16

FOR MORE INFORMATION
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