

2010 | SANTA CLARITA VALLEY COMMERCIAL REAL ESTATE OUTLOOK



Advanced Bionics leased the 146,385 square foot, LEED-certified Summit Oaks building in July 2009

Opportunities Abound in Buyers Market

DID YOU KNOW?

97% of Santa Clarita's commercially zoned space is within the Santa Clarita Valley Enterprise Zone (SCVEZ) boundaries.

Summary

The weak economic conditions in Los Angeles County and throughout the rest of Southern California continue to impact the commercial real estate market in the Santa Clarita Valley, making it an excellent time to purchase or lease.

According to a recent report from CB Richard Ellis, the overall office vacancy rate for Los Angeles County, which includes sublease space, has increase for ten consecutive quarters to 17.1%. In the Santa Clarita Valley, it has been estimated that the office vacancy rate now stands at an estimated 28 percent.

These vacancy rates are indicative of the of the significantly curtailed growth in industrial and office using employment. Both sectors are now at pre-2008 employment numbers.

Because of these factors, deep discounts on commercial real estate are being offered to attract and retain tenants.

The Industrial Market

The industrial building base in the Santa Clarita Valley is just over 20 million square feet. The Valencia Gateway center is the principle location of industrial space with 19.4 million square feet. The base has increased by 1.2% over the past two years.

Because of this limited growth, industrial vacancy within Valencia Gateway has trended downward over the past two quarters, reaching 6.9 percent at the end of the first quarter of 2010, according to CB Richard Ellis.



Commerce Center Industrial Space

Unfortunately, this has not carried over to the greater Santa Clarita Valley, where industrial vacancy has risen to nearly 12 percent in the first quarter of 2010 according to Jones Lang LaSalle.

CB Richard Ellis reports that industrial absorption reached -108,00 square feet in 2009, the first year of negative absorption since 2001. By the fourth quarter of the year, the rate had turned positive at 337,000, indicating signs of a turnaround in the industrial market.

The Office Market

The Santa Clarita office space market has seen some significant challenges. Vacancy within the Valencia Gateway has exceeded 20 percent for the past six quarters.

CB Richard Ellis notes a slight decline since first quarter of 2009, but at nearly 22 percent, the rate of office vacancy remains twice as high as two years ago.

This trend brings the vacancy rate to over 28 percent for the entire Santa Clarita valley office market in the first quarter of 2010, according to Jones Lang LaSalle.

In keeping with this high level of vacancy, the overall Santa Clarita valley office base remains at a consistent 3.3 million square feet. This level is expected to continue for some time as no additional projects are under construction.

Most of the available space can be found in the Valencia Commerce Center, Valencia Corporate Plaza, and the Valencia Industrial Center.

The largest office space currently on the market is a 116,000 square foot space at 26877 Tourney Road (Valencia Commerce Center) that was previously occupied by U.S. Borax.

INDUSTRIAL MARKET

Valencia Industrial and Commerce Centers
March 31, 2010

Entire Industrial Market (SF or Rate)

Base	19,401,647
Vacant	1,332,533
Percentage	6.87%

Non Multi-Tenant

Base:	16,521,929
Vacant:	964,725
Percentage:	5.84%

Multi-Tenant

Base:	2,879,718
Vacant:	367,808
Percentage:	12.77%

Absorption	Gross SF	Net SF
2010 YTD	250,672	23,765
2009	1,057,749	-107,798
2008	1,435,426	130
2007	1,756,786	647,248

Under Construction

Total:	0
Available:	0

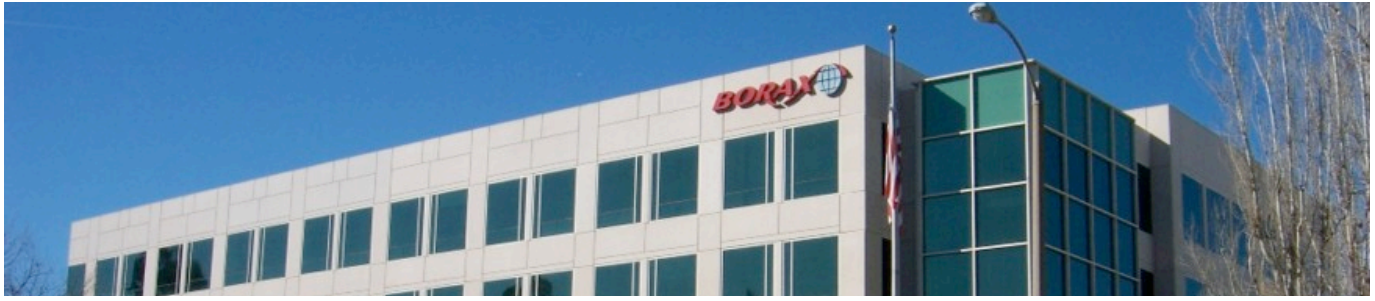
Approved, Not Yet Started

Total	125,417
Available	0

In Planning

Total:	833,869
Available:	833,869

Source: CB Richard Ellis



Valencia Commerce Center Office Space

OFFICE MARKET OVERVIEW

Valencia Gateway
March 31, 2010

Overall Market (SF or Rate)

Base	3,260,469
Vacant	711,338
Percentage	21.82%

Class "A"

Base:	2,113,987
Vacant:	496,904
Percentage:	23.51%

Class "B"

Base:	1,039,380
Vacant:	214,434
Percentage:	20.63%

Absorption	Gross SF
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2010 YTD	12,998
2009	69,156
2008	-67,682
2007	72,102
2006	77,147
2005	78,223

Under Construction

Total:	0
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In Planning

Total:	833,869
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Source: CB Richard Ellis

The Commercial Market Outlook for 2010

The Santa Clarita commercial market has some significant challenges ahead. A large amount of space and lack of new tenants in the market has kept inventory high and prices low. This trend is expected to continue into 2010.

By 2011, unemployment should be clearly in decline, creating new demand for office and industrial space. This, coupled with increased consumer demand, should fuel additional production, which in turn will require more space to increase output.

Overall, the renewed economic activity is expected to stabilize the industrial market fairly soon. Unfortunately, lease rates and vacancy levels for office are expected to trail the renewed industrial activity for some time.

Retail markets will remain challenged as well this year. Retail spending should pick up along with the labor markets as consumers return back to work. Vacancy rates aren't expected to change until late in the year, with further improvement in 2011.

OFFICE VACANCY BY CENTER

Santa Clarita Valley
First Quarter 2010

Project/Center	Square Feet	%Vacant
Valencia Blvd.	268,679	26.7
Town Center Drive	395,453	1.9
Valencia Commerce Center	1,222,868	31.1
Valencia Industrial Center	589,695	22.6
Newhall	178,591	14.0
Valencia Corporate Plaza & Point and Westinghouse Place	605,183	15.6
Total:	3,260,469	21.8

Source: CB Richard Ellis