



REAL ESTATE SERVICES
TRUSTED SINCE 1962

A Publication By
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Stevenson Real Estate Services

Full Service Real Estate Brokerage

FIRST QUARTER 2017

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2017: The Year to Prepare For The Perfect Storm

Looking ahead maybe to some uncertainty, no matter who your chosen candidate was, some things never change.

For the 40+ years we've been voting, we've heard about the promises of Reforms: Tax Reform, Education Reform, Tort Reform, Political Reform, Banking Reform, Planning/Zoning Reforms, Environmental Reforms, etc. etc. etc. But let's focus on new realities. Many in our Congress, Senate and Assembly are new on the job. It is now our job to remind them regularly of the importance of Real Estate Ownership. Be it a home, business or investment, real estate drives a dominant part of the U.S. Economy. Many of our elected officials need reminders and education on why we have Federal incentives for real estate ownership whether it's mortgage interest deductions or deductions for real estate taxes, depreciation or 1031 exchange rules, the elected need to be reminded that these benefits often drive the decision to Buy or Invest. In some cases, these incentives are the difference between buying, or profit 'n' loss.

2017 could be as Robert Freedman at The National Association of Realtors (NAR) said, the year to prepare for the perfect storm.

- Healthcare - well we're all sick about it, sick of talking about it, dealing with it and paying for it. Reform will happen.
- Dodd Frank - for all the good intended, it's congested and needs to be revisited.
- Zoning and Building - well it needs regulatory reform if we're ever to produce an affordable element, for rent or purchase. Tax credits or other incentives only go so far. By the way Mr. Lawmaker, rent control does not work.
- Failing Infrastructure - yes, we know. The elected have been talking about this for 60 years, being reactive rather than proactive.
- Political Reform - sorry, not going to happen, Rome will need to fall.
- Education Reform - sorry, not going to see any dramatic change, far too bureaucratic and regulated.
- Tort Reform - Ha! That's a joke, right?
- Regulatory Reforms - like snails in a race.
- Tax Reform - they'll throw more at the wall and see what sticks, seems like it's always a give and take. They take and we give.

Please see **The Perfect Storm**, Page 2



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As of 1/1/16 to 12/12/16, the information in this newsletter together with any projections or other data has been furnished from sources which we deem reliable, but for which we assume no liability, expressed or implied. Interested parties to conduct independent investigation of all information.

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The Perfect Storm From P. 1

- Private Property Rights - continue to erode as we speak, but today real estate still represents one of the most profitable and safe investments. Clearly one of the reasons why we're all targets of fees and taxation.
- Now, deal structuring, lease negotiations and property management drive the returns and efficiencies in bringing issues closer to home and we're constantly faced with regular challenges:
 - Vacancies
 - Tenant Improvements or Building Improvements
 - Regulatory compliance - a literal minefield of uncertainty and situational codes including:
 - Change of use regulations (planning & zoning and code enforcement)
 - ADA (handicap regulations)
 - Fire and Life Safety
 - Title 24 energy, insulation, lighting, etc.
 - Water conservation and recovery (Title 22) including but not limited to capturing roof and parking lot runoff.

With the advent of many "mixed-use" or "live-work" projects, we're now facing a new demographic of complaints - noise, lighting, vibrations, hours of operation etc. Establishing performance standards and addressing the needs of the growing population of live-work or mixed-use tenants requires experience and patience.

Having a real estate team of both qualified brokers with designations such as SIOR, and equally qualified Property Managers to assist you in filling vacancies, construction or repairs, operating and lease negotiations is critical in today's complex real estate environment. □

- Tony Maniscalchi, SIOR & Mike Maniscalchi, SIOR

Office Trends

1. Changing common area rules of buildings
2. Workforce demographics
3. Working off site + teleworking
4. Average size of leases down 8% over the past 10 years
5. By 2017, North American offices will average 151 square feet per worker down from 225 square feet in 2010. Many Fortune 500 companies are slimming employee workstations from 72 square feet to 48 square feet. Now think about the impact of this New Density on properties.
 - On building systems
 - On parking
 - On utilities
 - On elevators
 - On restrooms + supplies
 - On mechanical equipment
 - On wear and tear of common areas

Los Angeles Vacancy Rate Stays at 10.6%

The Los Angeles office market ended the third quarter of 2016 with a vacancy rate of 10.6%.

Rental rates ended the third quarter at \$2.73 per square foot per month, an increase over the previous quarter. A total of 10 buildings were delivered to the market in the quarter totaling 1,094,964 square feet, with 3,595,692 square feet still under construction at the end of the quarter.

Absorption

Net absorption for the overall Los Angeles office market was positive 1,337,135 square feet in the third quarter of 2016.

Please see **Office Trends**, Page 3

**IN ESCROW**

1 Sport Chalet Drive & 827 Houseman Street ■ La Cañada, CA 91011
Office ■ 30,953 SF of Buildings on 68,333 SF Land (per Assessor)
Rare Owner-User Opportunity ■ 48 On-Site Exclusive Parking Spaces

**FOR SALE \$1,495,000 (\$603/SF)**

462 West Colorado Street ■ Glendale, CA 91204
Commercial/Retail ■ 2,481 SF Building on 6,259 SF Land
Rare, Small Building Perfect for an Owner/User

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LEASED \$1.28/SF, G

320 West Cerritos Avenue
Glendale, CA 91204
Industrial
9,800 SF Building
(Including 1,500 SF Office Space)
15,228 SF Land ■ 16 Parking Spaces



FOR LEASE \$2.75/SF, NNN

1055 Foothill Boulevard
La Cañada Flintridge, CA 91011
1,000 SF Office ■ Term: 2-5 Years
NNN Charges Estimated at \$0.34/SF
Four Rooms, Kitchenette & Open Area
Excellent Foothill Boulevard Exposure

Office Trends

 From P. 2

Tenants moving into large blocks of space in 2016 include: Los Angeles Federal Courthouse moving into 600,000 square feet at 107 S. Broadway; City of Hope moving into 137,936 square feet at 1218 S. 5th Ave.; and DaVita Inc. moving into 131,144 square feet at 2175 E. Park Place.

The Class-B office market recorded net absorption of positive 779,050 square feet in the third quarter of 2016, compared to positive 500,381 square feet in the second quarter of 2016, positive 436,051 square feet in the first quarter of 2016, and positive 733,099 square feet in the fourth quarter of 2015.

Largest Lease Signings

The largest lease signings occurring in 2016 include: the 155,000 square-foot lease signed by FAA at 777 S. Aviation Blvd. in the South Bay market; the 128,267 square-foot lease signed by Disney at 3355 W. Empire Ave. in the Burbank/Glendale/Pasadena market; and the 123,221 square-foot deal signed by Netflix at 5808 W. Sunset Blvd. in the Mid-Wilshire market.

Sales Activity

Tallying office building sales of 15,000 square feet or larger, Los Angeles office



LEASED \$1.07/SF & \$1.16/SF, MG

4300 & 4310 San Fernando Road ■ Glendale, CA 91204
Industrial ■ 6,600 SF & 8,600 SF Building
On Part of a Larger Parcel of Land

sales figures rose during the second quarter of 2016 in terms of dollar volume compared to the first quarter of 2016. In the second quarter, 61 office transactions closed with a total volume of \$2,383,402,500. The 61 buildings totaled 6,090,044 square feet and the average price per square foot equated to \$391.36. That compares to 32 transactions totaling \$819,425,845 in the first quarter of 2016. The total square footage in the first quarter was 2,487,700 square feet for an average price per square foot of \$329.39. Total office building sales activity in 2016 was up compared to 2015. In the first six months of 2016, the market saw 93 office sales transactions with a total volume of \$3,202,828,345. The price per square foot averaged \$373.39. In the same first six months of 2015, the market posted 86 transactions with a total volume of \$2,253,618,626. The price per square foot averaged \$332.96. Cap rates have been lower in 2016, averaging 5.53% compared to the same period in 2015 when they averaged 5.94%. One of the largest transactions that occurred within the last four quarters in the Los Angeles market is the sale of 400 S. Hope St. in Los Angeles. This 701,535 square-foot office building sold for \$313,636,000 or \$447.07 per square foot. The property sold on 5/20/16 at a 4.90% cap rate. □

Source: CoStar Analytics provided the statistical office data.

Industrial Trends

Industrial, what Industrial?

It seems that traditional Industrial uses continue to decline with the adding of service, entertainment, the arts and other mixed uses competing for this space thus driving rental rates beyond affordability of traditional industrial uses in most mature and developed markets. When you closely examine occupancy levels and buildings leased in North Los Angeles, Glendale, Burbank and Pasadena, many industrial properties are opting for façade rehabilitation or face lifts resulting in impressive rental rates. In fact, even the “fringe” areas of North Hollywood/Sun Valley to the northwest and Arcadia/Monrovia/Duarte to the northeast are benefitting from these use changes and rising rents. In North Los Angeles, including Chinatown, Lincoln Heights, Boyle Heights, Cypress Park, Highland Park and of course Eagle Rock, there has been impressive gains in value driven assets in large part due to arts, entertainment and flex users.

Greater Los Angeles Vacancy Rate Stays at 2.3%
Net Absorption is Positive 880,154 SF in the Quarter

The Los Angeles Industrial market ended the third quarter of 2016 with a vacancy rate of 2.3%.

Please see **Industrial Trends**, Page 4

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Industrial Trends From P. 3

Absorption

Net absorption for the overall Los Angeles Industrial market was positive 880,154 square feet in the third quarter of 2016. That compares to positive 1,301,575 square feet in the second quarter of 2016, negative (1,367,063) square feet in the first quarter of 2016, and positive 4,424,685 square feet in the fourth quarter of 2015.

Tenants moving into large blocks of space in 2016 include: 4PX Express moving into 361,435 square feet at 5600 Grace Pl.; Furniture of America moving into 350,000 square feet at 20301 E. Walnut Drive N.; and Epson Robots moving into 338,274 square feet at 1650 E. Glenn Curtiss St.

The Warehouse building market recorded net absorption of positive 742,041 square feet in the third quarter of 2016 compared to positive 1,257,599 square feet in the second quarter of 2016, negative (1,247,149) square feet in the first quarter of 2016, and positive 3,987,470 in the fourth quarter of 2015.

Vacancy

The Industrial vacancy rate in the Los Angeles market area remained at

2.3% at the end of third quarter 2016 and second quarter 2016, 2.4% at the end of first quarter 2016, and 2.2% at the end of fourth quarter 2015.

Flex projects reported a vacancy rate of 4.3% at the end of third quarter 2016. Warehouse projects reported a vacancy rate of 2.1% at the end of third quarter 2016.

Rental Rates

The average quoted asking rental rate for available Industrial space was \$9.46 per square foot per year at the end of third quarter 2016.

The average quoted rate within the Flex sector was \$18.61 per square foot per year at the end of third quarter 2016.

Cap rates have been lower in 2016, averaging 5.40%, compared to the first six months of last year when they averaged 5.91%.

Note that in some instances we have witnessed cap rates in the low to mid 4% area. □

Source: CoStar Analytics provided the statistical industrial data.



IN ESCROW

740-744 Salem Street ■ Glendale, CA 91203
 Industrial ■ 9,623 SF of Buildings on 13,948 SF Land
 12 Parking Spaces ■ Great Owner-User Opportunity
 Fully Operational Bakery Building with Several Designations



IN ESCROW

748 Salem Street ■ Glendale, CA 91203
 Industrial ■ 6,000 SF Building
 6,978 SF Land ■ Rare, Small Freestanding Building
 Perfect for Warehouse and Distribution ■ 12' Ceiling Height



LEASED \$1.52/SF, G

2133 Verdugo Boulevard ■ Montrose, CA 91020
 Retail ■ 5,280 SF Building
 Rare, Clearspan Building with Prime Visibility
 13' Ceiling Height, One (1) Loading Door & Five (5) Parking Spaces



SOLD \$1,100,000

632 West Elk Avenue ■ Glendale, CA 91204
 Industrial ■ 2,840 SF Building on 6,247 SF Land
 Freestanding Building with Large, Fenced Parking Area
 16' Ceiling Height ■ Four Offices ■ Eight Parking Spaces



Enhance The Value of Your Investment

Systems Property Management maintains a diversified portfolio of properties in North Los Angeles and the Tri-Cities of Glendale, Burbank and Pasadena. Product types include industrial, office and multifamily.

Systems Property Management is a privately held company owned by Tony Maniscalchi, SIOR and Mike Maniscalchi, SIOR, two of the senior brokers at Stevenson Real Estate Services.

We provide over 35 years of experience in commercial, industrial and multifamily properties including development, construction, ownership and management. The management team at Systems will deliver the highest degree of integrity, excellence, teamwork and accountability to all of our clients.

We are experienced specialists in providing efficient, professional management services for properties of nearly any size and use.

Services (Partial List)

- Management Planning & Strategies
- Full Maintenance & Grounds Supervision
- Financial Reporting & Accountability
- Value Add Services
- Advisory Services

Systems Property Management

<http://www.SystemsPropertyManagement.com>

(818) 500-4900 Phone

(818) 500-4903 Fax

The properties below comprise a partial list of properties represented and managed by **Systems Property Management**.



**4570 Colorado Boulevard
Los Angeles, CA 90039**

66,220 SF Industrial Building on 102,802 SF Land



**320 West Cerritos Avenue
Glendale, CA 91204**

9,800 SF Industrial Building on 15,228 SF Land



**4565-4571 Electronics Place
Los Angeles, CA 90039**

55,600 SF Industrial Building on 104,544 SF Land



**421-429 Fernando Court
Glendale, CA 91204**

15,000 SF Industrial Building



**209 East Alameda Avenue
Burbank, CA 91502**

15,000 SF Office Building on 24,000 SF Land
Low-Rise, 2-Story, Multi-Tenant Building



**8319, 8321 & 8323 Lankershim Blvd.
North Hollywood, CA 91605**

3,000 SF Retail On Part of a Larger Parcel of Land
20,000 SF of Land with 1,200 SF of Various Structures



**2738 Montrose Avenue
Montrose, CA 91020**

13,815 SF Multifamily Building on 18,038 SF Land ■ 18 Units



**426-434 West Cypress Street
Glendale, CA 91204**

14,818 SF Industrial Building



**710 South Central Avenue
Glendale, CA 91204**

40,461 SF Office Building on 22,618 SF Land



**425-431 South Victory Boulevard
Burbank, CA 91502**

8,975 SF of Office/Commercial Buildings

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SOLD \$2,850,000

1233-1237 East Wilson Avenue ■ Glendale, CA 91206
Multifamily ■ 12 Units ■ 8,574 SF Building on 13,750 SF Land



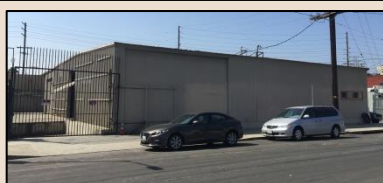
SOLD \$1,350,000

1110 South Central Avenue ■ Glendale, CA 91204
Commercial/Retail & Residential ■ 3,400 SF of Buildings

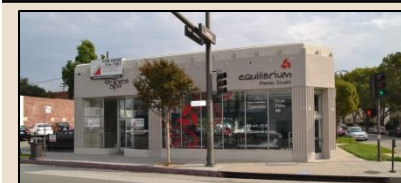
PARTIAL LIST OF TRANSACTIONS



628 South Flower Street
Burbank
11,300 SF Industrial
Represented Landlord
\$0.90/SF, MG—LEASED



502 South Avenue 17
Los Angeles
5,000 SF Industrial
Represented Landlord
\$0.80/SF, NNN—LEASED



418 & 420 South Brand Boulevard
Glendale
1,300 SF & 1,490 SF Retail
Represented Landlord & Tenant
\$2.00/SF & \$2.21/SF, G—LEASED



3312 Burton Avenue
Burbank
4,200 SF Industrial Unit
Represented Landlord
\$1.11/SF, MG—LEASED



1831-1833 1/2 Glenoaks Blvd.
Glendale
260 SF – 1,550 SF Retail
Represented Landlord & Tenant
\$2.25/SF - \$3.19/SF, G—LEASED



1295-A Los Angeles Street
Glendale
8,000 SF Industrial
Represented Landlord & Tenant
\$0.69/SF, G—LEASED



12165 Branford Street
Sun Valley
4,400 SF Industrial
Represented Landlord & Tenant
\$0.80/SF, G—LEASED



1513 Gardena Avenue
Glendale
3,500 SF Industrial
Represented Landlord & Tenant
\$0.60/SF, MG—LEASED



823 Milford Street
Glendale
24,640 SF Industrial
Represented Landlord & Tenant
\$0.71/SF, G—LEASED



396 South Pasadena Avenue
Pasadena
3,614 SF Office
Represented Landlord & Tenant
\$1.95/SF, NNN—LEASED



711-723 New High Street
Los Angeles
1,000 SF – 1,519 SF Retail
Represented Landlord
\$1.85/SF - \$1.95/SF, NNN—LEASED



3325 North Verdugo Road
Glendale
1,839 SF Industrial
Represented Tenant
\$2.35/SF, MG—LEASED

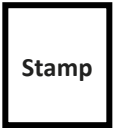


633 Ruberta Avenue
Glendale
4,800 SF Industrial
Represented Landlord & Tenant
\$1.00/SF, NNN—LEASED



4320 San Fernando Road
Glendale
3,400 SF Industrial
Represented Landlord & Tenant
\$1.06/SF, MG—LEASED

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REAL ESTATE SERVICES
TRUSTED SINCE 1962

IF YOU THINK IT'S EXPENSIVE
TO HIRE A PROFESSIONAL,
WAIT UNTIL YOU HIRE AN AMATEUR.

FLEX SPACE, MANUFACTURING OR WAREHOUSE



FOR LEASE \$0.82/SF, Industrial Gross

823 Milford Street & 516 Commercial Street ■ Glendale, CA 91203 ■ Flex Space, Manufacturing or Warehouse

24,640 SF Building Total (823 Milford Street is 15,950 SF & 516 Commercial Street is 8,690 SF)

Three (3) Loading Doors, Three (3) Offices & 16' Clear Height ■ Minutes to Studios ■ Adjacent to the 5 & 134 Freeways