

Ventura County

Office Market Outlook 4Q 2017

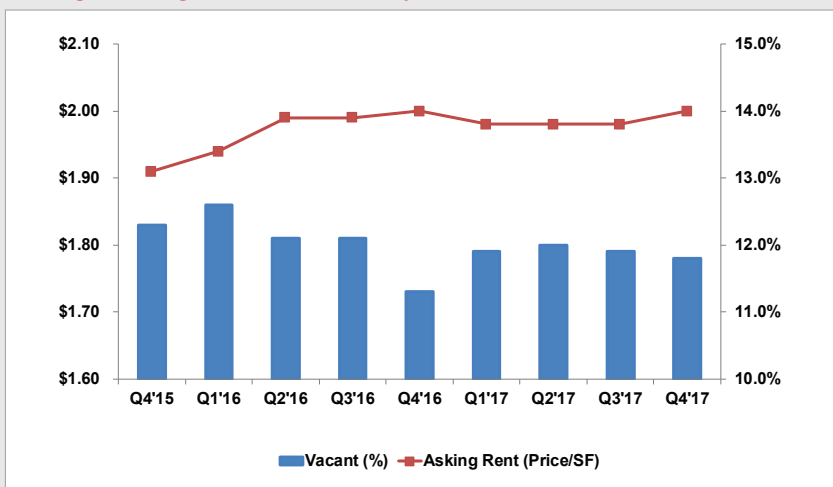
MARKET OVERVIEW

Over the course of 2017, the Ventura County office market witnessed steady average asking rents alongside moderate vacancy rates. Across all office product, asking rents averaged \$2.00/SF and have remained steady at that level over the past year. The vacancy rate for all product remained at a moderate 11.8%, down 10 basis points over the quarter. By comparison, the vacancy rate for larger class A and B buildings above 20,000 square feet was higher at 15.9%. While the vacancy rate for these buildings has declined over the year from 16.3%, it remains well above the pre-Recession rate of 9.8%. Nevertheless, the Ventura County office market is trending in a positive direction, as employment growth in the office occupying sectors is positive. Between November 2016 and November 2017, employment in the Ventura County office occupying sectors grew by 2.9%, representing a net gain of 3,000 jobs. Employment growth was strongest in the Education and Health Services Sector, which saw 5.7% growth, or 2,600 new jobs. Total employment increased by 6,700 jobs, which pushed the unemployment rate down 120 basis points from 5.00% in November 2016 to 3.8% in November 2017.

TRENDS TO WATCH

While the overall economic outlook remains positive, Ventura County, like much of Southern California, has effectively reached full employment. This means that future employment growth is likely to remain limited, with only moderate structural changes as firms restructure and adjust their employment patterns to remain competitive. This will have some impact on the Ventura County office market, as future absorption of vacant office space will remain limited, while some firms may decide to place surplus space back on the market. For example, Amgen Inc. laid off, relocated, or reassigned nearly 500 of its Thousand Oaks employees and consolidated its office space in March 2017, in favor of opening up a new facility in Tampa, Florida. Going into 2018, Amgen is considering laying off 200 more employees. This will likely allow Amgen to continue consolidating and reduce overhead costs in Ventura County.

Average Asking Rent and Vacancy Rate



Source: NAI Capital Research, CoStar

MARKET OUTLOOK

Asking Rental Rates



Sale Prices



Availability/Vacancy Rates



Landlord Concessions



Sales/Leasing Volume



New Construction



NAI Capital Research
www.naicapital.com

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Market Statistics

SUBMARKET	EXISTING TOTAL RBA (SF)	UNDER CONSTRUCTION (SF)	TOTAL AVAILABLE (%)	TOTAL VACANCY (%)	4Q17 LEASING VOLUME (SF)	YTD LEASING VOLUME (SF)	4Q17 SALES VOLUME (SF)	YTD SALES VOLUME (SF)	AVERAGE ASKING RENT \$/PSF FSG	AVERAGE SALE PRICE \$/PSF
North	8,250,621	0	14.3%	12.5%	44,090	244,212	31,435	345,197	\$1.75	\$171
South	13,673,505	25,000	17.1%	11.3%	169,896	576,279	115,383	640,704	\$2.11	\$265
Total	21,924,126	25,000	16.0%	11.8%	213,986	820,491	146,818	985,901	\$2.00	\$216

RBA includes office buildings of all sizes and classes. Rents reflect buildings of at least 20,000 square feet.

Leasing

Leasing activity totaled 213,986 square feet this quarter, up 30% over the prior quarter and up 40% over the prior year. Year to date leasing activity totaled 820,491 square feet, which represented a 13.1% decline over the total in 2016. Average asking rents held steady at \$2.00/SF over the year and rose a mere 1% over the quarter. They are up 6.4% over their lowest point of \$1.88/SF in 2013. However, rents remain 13% below the pre-Recession peak of \$2.30/SF and have room to grow. The largest lease transaction this quarter involved a tenant leasing 25,073 square feet at 2101 Corporate Center Drive in Newbury Park for \$1.75/SF MG. In another major transaction, 6,807 square feet were leased in Westlake Village for \$2.45/SF.

Sales

Sale volume totaled 146,818 square feet this quarter and year to date sales activity totaled just under 1.0 million square feet, which represented an increase of 12.6% over the prior year. The average sale price in the fourth quarter was \$216/SF, up 30.0% over last year. Cap rates have tightened relative to the prior year, indicating increasing investor confidence. In Ventura County, the cap rates averaged 5.20%, down 21 basis points over last year at this time. This quarter, Selvin Commercial Properties purchased the 22,013 square foot North Ranch Atrium in Westlake Village for \$126/SF from Martin Properties, Inc. In another transaction, NASS, Inc. purchased the 10,560 square foot RE/MAX Professional Plaza in Thousand Oaks for \$237/SF.

Select Lease Transactions

ADDRESS	SUBMARKET	ASKING RENT \$/PSF*	SQUARE FEET
2101 Corporate Center Dr	South	\$1.75 MG	25,073
4580 E Thousand Oaks Blvd	South	\$2.45	6,807
4001 Mission Oaks Blvd	South	\$1.85	6,145
101 Hodencamp Rd	South	\$1.95 MG	5,111
60 S California St	North	\$2.30 MG	4,684

*All rents are FSG unless otherwise noted

Select Sales Transactions

BUYER	ADDRESS	SUBMARKET	SALE PRICE \$/PSF	SQUARE FEET
Selvin Commercial Properties	4035-4055 Thousand Oaks Blvd	South	\$126	22,013
Nationwide Property Holdings, LLC	815 Camarillo Springs Rd	South	\$59	17,061
NASS, Inc.	280 E Thousand Oaks Blvd	South	\$237	10,560
Hueneme Partners, LLC	2675 Ventura Rd	South	\$223	10,523
Hany S Malek & Harold Ali Tabaie	2319 Alameda Ave	North	\$140	10,000

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● **North**

Fillmore
Moorpark
Oak View
Ojai
Piru
Santa Paula
Saticoy
Simi Valley
Ventura

● **South**

Camarillo
Casa Conejo
El Rio
Oxnard
Port Hueneme
Santa Rosa Valley
Thousand Oaks

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NAI Capital Southern California Office Locations

Headquarters

16001 Ventura Blvd., Ste. 200
Los Angeles, CA 91436
818.905.2400

Property Management

120^{1/2} South El Camino Real, Ste. 210
San Clemente, CA 92674
949.874.0415

Los Angeles County**Downtown LA**

601 S. Figueroa St., Ste. 3825
Los Angeles, CA 90017
213.632.7700

West Los Angeles

11835 Olympic Blvd., Ste. 700E
Los Angeles, CA 90064
310.440.8500

Torrance

970 W. 190th St. Dr., Ste. 100
Torrance, CA 90502
310.532.9080

Pasadena

225 S. Lake Ave., Ste. 1170
Pasadena, CA 91101
626.564.4800

Valencia

27451 Tournay Rd., Ste. 200
Valencia, CA 91355
661.705.3550

Diamond Bar

21660 E. Copley Dr., Ste. 320
Diamond Bar, CA 91765
909.348.0600

Ventura County**Oxnard**

300 Esplanade Dr., Ste. 1660
Oxnard, CA 93036
805.278.1400

Westlake Village

2555 Townsgate Rd., Ste. 320
Westlake Village, CA 91361
805.446.2400

Simi Valley

2655 First St., Ste. 250
Simi Valley, CA 93065
805.522.7132

Orange County**Irvine**

1920 Main St., Ste. 100
Irvine, CA 92614
949.854.6600

Inland Empire**Ontario**

800 N. Haven Dr., Ste. 400
Ontario, CA 91764
909.945.2339

Temecula

27720 Jefferson Ave., Ste. 330
Temecula, CA 92590
951.491.7590

Victorville

13911 Park Avenue, Ste. 206
Victorville, CA 92392
760.780.4200

Coachella Valley**Palm Desert**

75-410 Gerald Ford Dr., Ste. 200
Palm Desert, CA 92211
760.346.1566