

Ventura County

Retail Market Outlook 2Q 2017

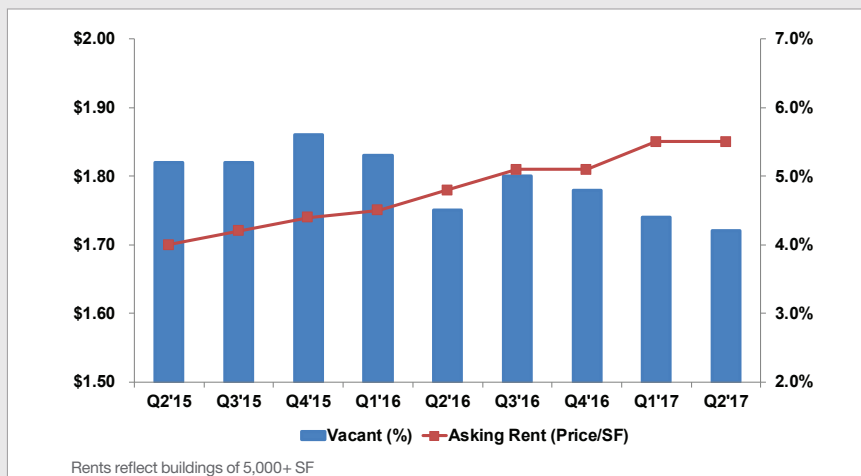
MARKET OVERVIEW

Ventura County's retail market remained steady overall, seeing a decline in the vacancy rate as the average asking rent held steady over the quarter. This quarter, the vacancy rate was 4.2%, falling 20 basis points from the prior quarter and 30 basis points from this time in 2016. The average asking rent increased 3.9% over the year from \$1.78/SF to \$1.85/SF with room to grow as it remains 12.7% below the peak in 2008. There are 12,500 square feet under construction but fully leased- a 10,000 SF freestanding building in Conejo Valley Plaza and 2,500 SF at The Stop at Fillmore. According to the latest survey of California residents released in June, the California Composite Index of Consumer Sentiment declined in excess of 10 points from the first quarter to 98.7. This is significant, as the survey suggests that a reading below 100 indicates pessimism. However, employment indicators remained strong. Nonfarm employment is up 3.6% from June 2016 to June 2017 with the addition of 10,700 jobs in Ventura County.

TRENDS TO WATCH

Expect the Ventura County retail market to continue getting demand throughout the remainder of 2017. New construction coming online will not impact the vacancy rate. However, Ventura County is not immune to the nationwide trend of large retailers downsizing or closing underperforming locations. In June, Macy's celebrated the grand reopening of its location at Simi Valley Town Center after the department store chain announced it would close 68 stores across the country this year. Macy's consolidated the two locations at Simi Valley Town Center into a single newly renovated store, downsizing its footprint by approximately 190,000 square feet. Discount shoe retailer Payless announced the possible closure of 400 locations worldwide in its Chapter 11 bankruptcy filing from April, two of which are located in Oxnard. As more retailers give up excess space, vacancy in the Ventura retail market could rise in the coming years.

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

Ventura County

Retail Market Outlook 2Q 2017



Market Statistics

SUBMARKET	EXISTING TOTAL RBA (SF)	UNDER CONSTRUCTION (SF)	TOTAL AVAILABLE (%)	TOTAL VACANCY (%)	2Q17 LEASING VOLUME (SF)	YTD LEASING VOLUME (SF)	2Q17 SALES VOLUME (SF)	YTD SALES VOLUME (SF)	AVERAGE ASKING RENT \$/PSF NNN	AVERAGE SALE PRICE \$/PSF
North	17,841,949	2,500	6.7%	4.1%	90,140	203,980	131,358	180,890	\$1.68	\$308
South	23,265,267	10,000	5.4%	4.2%	143,273	352,029	54,947	139,808	\$2.11	\$392
Total	41,107,216	12,500	6.0%	4.2%	233,413	556,009	186,305	320,698	\$1.85	\$340

RBA includes all retail buildings. Rents reflect buildings of 5,000 SF and greater.

Leasing

Leasing activity in the second quarter totaled 233,413 square feet for more than 550,000 square feet leased so far in 2017. This represents a decline of 9.8% from the first half of 2016. Despite the slight dip in leasing activity, rents have risen 3.9% over the year to \$1.85/SF. One of the largest leases this quarter involved an undisclosed tenant taking down 40,047 square feet in Oxnard at an asking rate of \$1.30/SF. Taco Bell leased a 10,000 square foot freestanding building in Thousand Oaks at an asking rate of \$3.50/SF. In the same Thousand Oaks plaza, Petco leased 9,420 square feet this quarter.

Sales

Sale volume declined sharply in the second quarter compared to a year ago. Sales activity this quarter was 186,305 square feet for a total of more than 320,000 square feet sold year to date. Compared to the first half of 2016, this is a decline of 72.1%. However, this drop in total sales activity coincides with a sharp increase in average sale prices. Sale prices averaged at \$340/SF, which represented a 32.3% increase over the year, as investors have been attracted to a smaller properties with higher sale prices. This quarter, the average transaction size was 5,175 square feet compared to the average building size sold this time in 2016 which was 21,273 square feet. Cap rates averaged at 5.86%, which represented a 62 basis point drop over the year, indicating that investors are becoming more confident in Ventura's retail market. In the largest sale transaction this quarter, a private investor purchased the 20,875 square foot Woodranch Center in Simi Valley for \$201/SF and a cap rate of 8.57%.

Select Lease Transactions

TENANT	ADDRESS	SUBMARKET	ASKING RATE/SF	SQUARE FEET
Tenant Not Listed	1811-1901 E Ventura Blvd, Oxnard	South	\$1.30	40,047
Taco Bell	1330 N Moorpark Rd, Thousand Oaks	South	\$3.50	10,000
Petco	275 N Moorpark Rd, Thousand Oaks	South	Withheld	9,420
Ace Hardware	535-687 W Channel Islands Blvd, Port Hueneme	South	Withheld	8,880
Indian Restaurant	821-835 E Thousand Oaks Blvd, Thousand Oaks	South	\$2.05	4,400

*All rents are NNN unless otherwise noted

Significant Sales Transactions

BUYER	ADDRESS	SUBMARKET	PRICE \$/PSF	SQUARE FEET
Wen Family Trust	1070-1080 Country Club Dr, Simi Valley	North	\$201	20,875
Professional Document Service	252 W Los Angeles Ave, Moorpark	North	\$389	19,556
Matilija Investment Property, LLC	451-461 E Main St, Ventura	North	\$442	9,364
Richard M Town	75-99 S Glenn Dr, Camarillo	South	\$154	8,255
Mark & Amanda Apelian	134-156 N Ashwood Ave, Ventura	North	\$303	7,680

Ventura County

Retail Market Outlook 2Q 2017



● **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

Ventura County

Retail Market Outlook 2Q 2017



NAI Capital Research

J.C. Casillas

Vice President
Research, Marketing and Communications
818 905 2400 office
jcasillas@naicapital.com

Jillian Olivas

Research and Communications Assistant
818 905 2400 office
jolivias@naicapital.com

Kevin de Bree

Research Analyst
818 905 2400 office
kdebree@naicapital.com

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