

Ventura County

Retail Market Outlook 2Q 2019

MARKET OVERVIEW

The Ventura County retail market rebounded in 2Q 2019 with record high asking rent alongside steady vacancy and healthy leasing activity. The average asking rent gained 9.5% over 1Q 2019, up 11.2% annually at \$2.18/SF. This represented the largest year-over-year rental rate growth on record. Landlords are asking premium rates on smaller spaces, such as a 700 SF unit available for \$7.50/SF at The Mark mixed-use development in Camarillo. Camarillo Town Center is asking \$3.25/SF for a 2,880 SF former Payless.

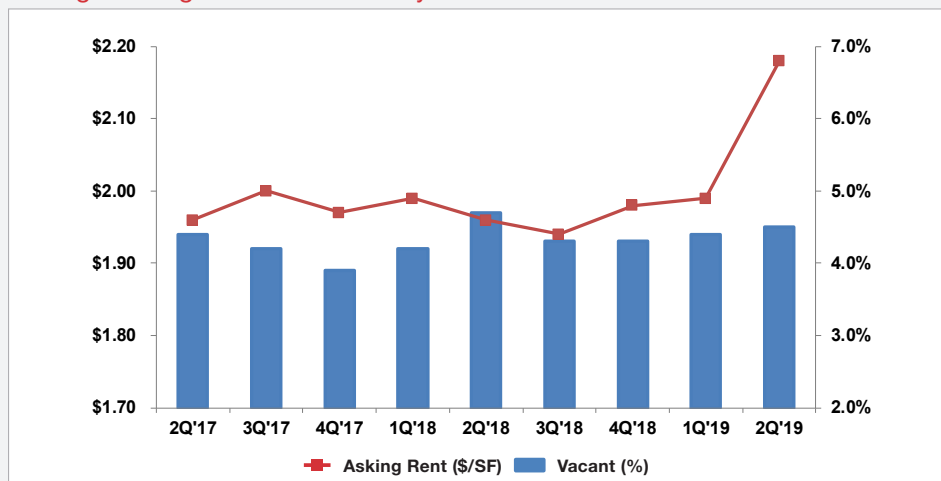
Vacancy remained stable, rising just 10 bps above the prior quarter, down 20 bps from 2Q 2018, to 4.5%. New inventory triggered the uptick as 8,700 SF came online this quarter, bringing the YTD total to 21,782 SF. At the end of 2Q 2019, a freestanding, 4,035 SF building at Agoura Park completed 1Q 2019 remained vacant – asking rent is \$4.75/SF. 1939-1987 S Victoria Ave. in the City of Ventura (completed 1Q 2019) has nearly 7K SF of vacant space. Additionally, The Mark, completed 2Q 2019, has a 700 SF vacant unit in its food hall.

TRENDS TO WATCH

Ventura County's retail construction cycle is slowing down. Total volume has been declining since 3Q 2018 with 58,066 SF in the pipeline at the close of 2Q 2019. About 73% are built-to-suit, which will not impact vacancy. The remaining space will elevate the market's average rent, such as 360 Esplanade Dr., asking \$3.75/SF for 1,200 to 5,950 SF unit(s). Projects in the proposed stages indicate that Ventura County will follow a current trend toward building smaller spaces as retailers rightsize their footprints in the face of ecommerce for several years. Sixty-seven out of the 70 proposed projects are under 50K SF, sized 9,000 SF total RBA on average with units averaging 7,974 SF.

Proposed projects focus on Santa Paula as forecasts show the City will add 246 households by 2024 (0.6% growth), representing 3% of the County's total household growth during that period. This is higher growth than the County's other small cities, such as Fillmore and Ojai, which expect to add 153 and 143 households by 2024, respectively.

Average Asking Rent* and Vacancy Rate



MARKET OUTLOOK

Asking Rental Rates



Sale Prices



Availability/Vacancy Rates



Landlord Concessions



Sales/Leasing Volume



New Construction



NAI Capital Research
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Market Statistics*

SUBMARKET	EXISTING TOTAL RBA (SF)	UNDER CONSTRUCTION (SF)	TOTAL AVAILABLE (%)	TOTAL VACANCY (%)	2Q19 LEASING VOLUME (SF)	YTD LEASING VOLUME (SF)	2Q19 SALES VOLUME (SF)	YTD SALES VOLUME (SF)	AVERAGE ASKING RENT (\$/SF NNN)	AVERAGE SALE PRICE (\$/SF)
West	24,630,396	5,950	5.0%	3.1%	107,338	162,513	106,383	242,359	\$1.80	\$297
East	19,394,012	52,116	8.0%	6.4%	100,887	230,061	253,390	318,891	\$2.49	\$229
Ventura County	44,024,408	58,066	6.3%	4.5%	208,225	392,574	359,773	561,250	\$2.18	\$246

Leasing

Leasing volume increased 13% from 1Q 2019 to 208,225 SF, bringing the YTD total to 4.6% below 2Q 2018. While overall 2Q 2019 YTD volume is less than 2Q 2018 YTD, direct retail leasing volume YTD sits 3.8% above 2Q 2018.

The West submarket witnessed the strongest demand, climbing 95% above 1Q 2019, up 104.3% annually, to 107,338 SF. Ecommerce-proof tenants, such as fitness centers and cannabis dispensaries, led the way this quarter. KO GYM leased 10,500 SF in Oxnard for an asking rate of \$0.80/SF MG. Bloom Brand leased a 2,500 SF cannabis-approved storefront in Oxnard at an effective rate of \$3.00/SF, or 66.7% higher than this submarket's average asking rent. This transaction demonstrates Oxnard's cannabis-friendly strategy is paying off, so other Ventura County cities may follow.

Sales

Quarterly sales volume declined 35.1% annually to nearly 360K SF while the average sales price registered \$246/SF. Cap rates averaged 4.8%, dropping 120 bps from 2Q 2018. This was the lowest average cap rate since 4Q 2015.

The East submarket posted a 287% quarterly increase in sales volume. Investors seized opportunities to pad their portfolios with solid assets. The Blackstone Group purchased El Paseo Simi Shopping Center, a five-building, 108,734 SF asset for \$38.9M or \$358/SF at a 6% cap rate. The property was 97% occupied at sale with tenants including Vons, The Habit, and Coffee Bean & Tea Leaf. A private investor bought Shops at Oak Creek in Agoura Hills, a 21,186 SF, three-building neighborhood center for \$16.4M or \$774/SF. The Trader Joe's-anchored center boasts a prime location in an affluent community.

Select Lease Transactions

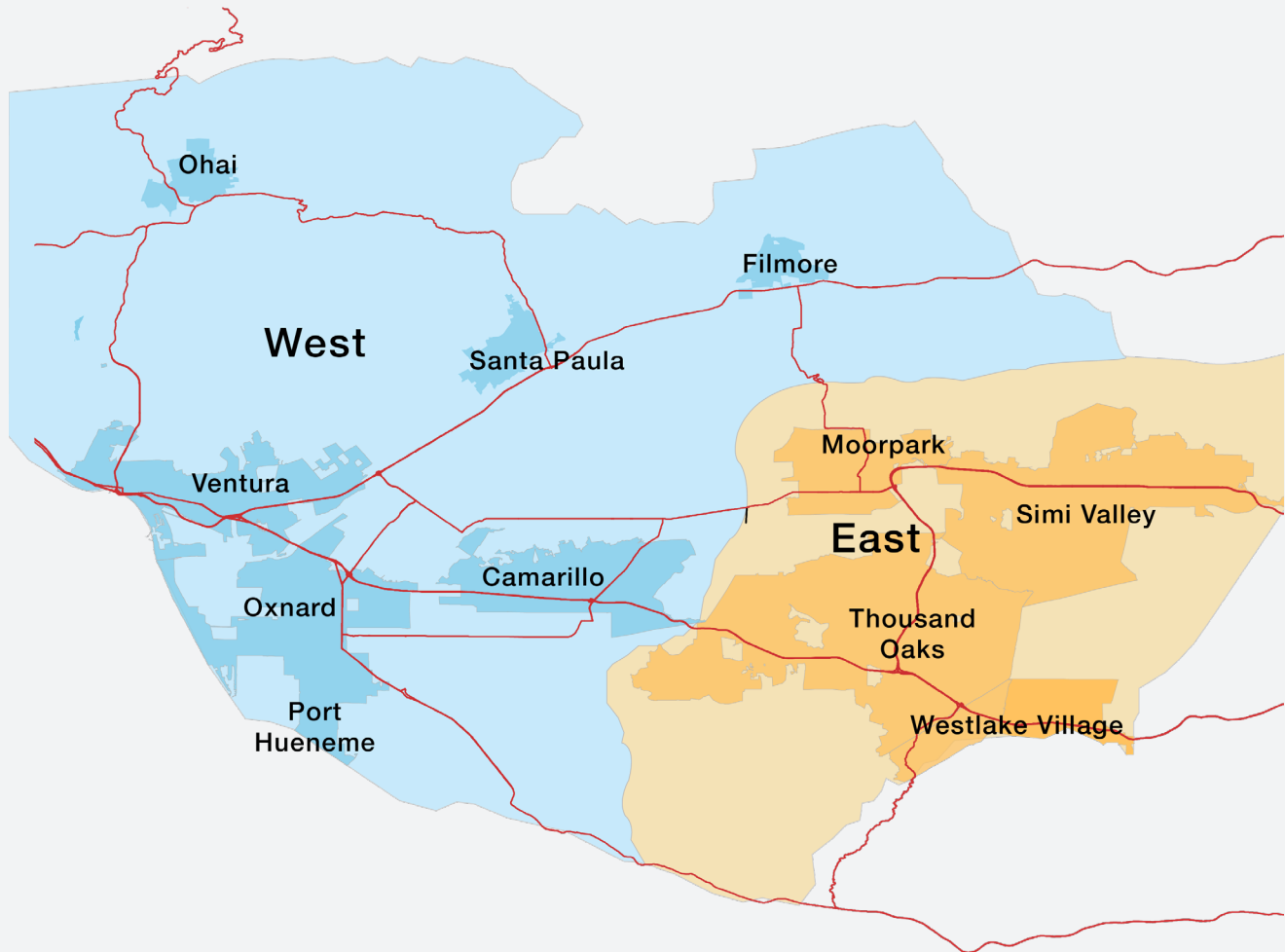
TENANT	ADDRESS	SUBMARKET	ASKING RENT \$/SF**	SQUARE FEET
KO GYM	560 S A St	West	\$0.80 MG	10,500
Lighthouse Fitness	1450 E Thompson Blvd	West	\$1.45 MG	3,813
Valley Breeze Fan Co.	1125 E Thousand Oaks Blvd	East	\$2.25	3,450
Zoom Room	45 Rancho Rd	East	Withheld	3,260
Adolfo Auto Care	1955 E Daily Dr	West	\$1.57	3,178

Select Sales Transactions

BUYER	ADDRESS	SUBMARKET	SALE PRICE \$/SF	SQUARE FEET
The Blackstone Group	2902-2944 Tapo Canyon Rd	East	\$358	108,734
Starr Western Wear, Inc.	1189 Simi Town Center Way	East	\$129	30,986
Private Investor	29105-29145 Canwood St	East	\$774	21,186
Agora Realty & Management, Inc	248 Hampshire Rd	East	\$395	16,200
Private Investor	1124-1140 S Seaward Ave	West	\$380	7,963

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● **West**

- Camarillo
- Fillmore
- Ojai
- Oxnard
- Santa Paula
- Ventura

● **East**

- Agoura Hills
- Calabasas
- Moorpark
- Newbury Park
- Simi Valley
- Thousand Oaks
- Westlake Village

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Ventura County

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