

Ventura County

Retail Market Outlook Q1 2020

MARKET OVERVIEW

Ventura County's retail market witnessed steady growth in the first quarter until the COVID-19 shutdown. The average asking rent was up 5.1% from Q1 2019 to \$2.07/SF — just 5% shy of the all-time high reached in Q3 2019. The vacancy rate increased a mere 50 bps year over year to 4.9%. Completed construction contributed to the uptick in vacancy. Twelve projects totaling 56K SF were added to the market over the past year — 29.4% of this space remained available at the end of Q1 2020.

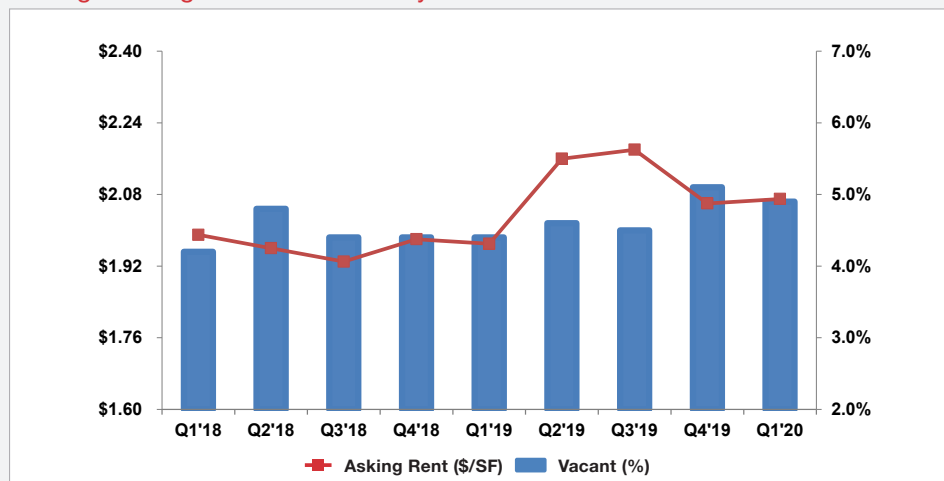
However, the quarter ended with the unprecedented COVID-19 shutdown. Consequently, Ventura County's retail market faces uncertainty as the pandemic unfolds. The County's limited construction will help alleviate any imbalance between demand and supply of new retail space. Ventura County boasts one of the highest median annual household incomes in SoCal at \$88,516, which equates to more disposable income to support the local retail sector.

TRENDS TO WATCH

Employment and income are primary drivers of demand for retail space. According to the EDD, Ventura County lost only 200 net jobs over the month in March as the unemployment rate climbed 90 bps to 4.6%. Construction, Manufacturing, Financial Activities, and Leisure & Hospitality sectors collectively shed 500 jobs while Retail Trade was unchanged. However, compared to March 2019, Retail Trade lost 1,000 jobs. This indicates the County's brick and mortar retailers experienced some displacement due to ecommerce prior to the shutdown. As other retail markets in SoCal saw month-over-month contractions in retail employment, more are sure to follow.

The COVID-19 shutdown will have a lasting impact on demand for retail space in the quarters ahead. NAI Capital conducted a COVID-19 Impact Survey of retail market professionals to get a pulse of where the market could be headed. Respondents said: Rents will decline as market conditions won't sustain pre-pandemic growth and some tenants move toward online-only sales. Sales prices will be lower; however, quality centers will still see demand from investors. Vacancy will increase and landlords will offer more concessions to keep tenants. Many landlords are proactively renegotiating leases, providing rent abatement or deferment with repayment plans.

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 (%)	Q1 2020 LEASING VOLUME (SF)	YTD LEASING VOLUME (SF)	Q1 2020 SALES VOLUME (SF)	YTD SALES VOLUME (SF)	AVERAGE ASKING RENT (\$/SF NNN)	AVERAGE SALE PRICE (\$/SF)
West	24,377,017	23,434	5.5%	3.1%	108,829	108,829	1,190,981	1,190,981	\$1.66	\$22
East	19,093,004	5,180	9.1%	7.1%	228,935	228,935	173,917	173,917	\$2.51	\$397
Ventura County	43,470,021	28,614	7.1%	4.9%	337,764	337,764	1,364,898	1,364,898	\$2.07	\$47

Leasing

Quarterly leasing activity surged to the highest level seen since Q3 2017 in terms of square footage, up 43.4% from the prior quarter and 28.5% above Q1 2019 to 338K SF. Ventura County retailers bucked the trend of taking smaller spaces observed in other SoCal markets— the average deal size increased 20% from 2,815 SF in Q1 2019 to 3,378 SF this quarter.

The East market spurred the quarterly uptick as leasing volume soared 290.1% above Q4 2019 and 53% year over year to 229K SF, accounting for 68% of total market transaction volume. Fitness 19 leased 37K SF at Mission Bell Plaza in Moorpark. Body Xchange vacated the space in Q4 2019, demonstrating solid demand from fitness tenants in this affluent area.

Sales

Investment activity ramped up following a sluggish end to 2019. Sales volume jumped 1,310.1% from Q4 2019 and 577.9% from Q1 2019 to 1.4M SF of retail space valued at \$63.9M. This was the highest quarterly sales volume by square footage since Q3 2015 as a result of a few large transactions. The average sales price registered \$47/SF while the average cap rate for investment sales \$2M+ fell 60 bps from Q1 2019 to 5.4%.

Investors focused on well-located assets with essential tenants. The Village at Moorpark (129K SF) sold for \$20M or \$155/SF at a 9.9% cap rate. The property was 73% leased at sale to tenants including Petco and Bank of America. Spaces occupied by Starbucks drive-thrus saw strong demand from investors as well.

Select Lease Transactions

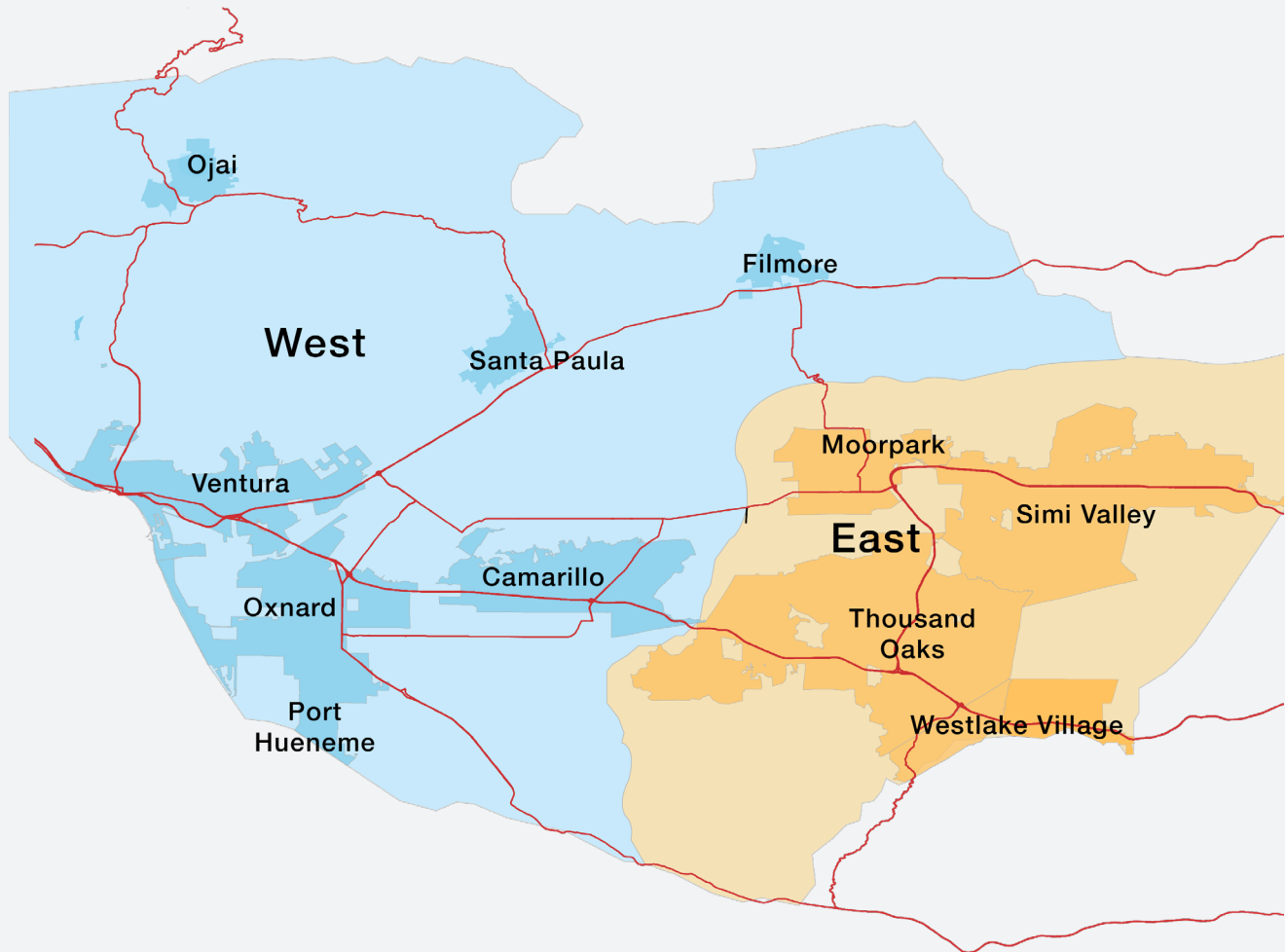
TENANT	ADDRESS	SUBMARKET	ASKING RENT \$/SF**	SQUARE FEET
Fitness 19	543 Los Angeles Ave., Moorpark	East	TBD	37,310
TBD	2401 E. Harbor Blvd., Ventura	West	\$2.25	7,842
Gold's Gym	150 W. Esplanade Dr., Oxnard	West	\$3.00	5,520
511 Tactical	153 Cochran St., Simi Valley	East	\$2.10	4,050
Surf Boba	4225 Tierra Rejada Rd., Moorpark	East	\$1.75	3,280

Select Sales Transactions

BUYER	ADDRESS	SUBMARKET	SALE PRICE \$/SF	SQUARE FEET
Apex Partnership Limited Partnership	23500 Park Sorrento, Calabasas	East	\$467	14,886
137 E TO Blvd LLC	137 E. Thousand Oaks Blvd., Thousand Oaks	West	\$423	13,449
Primary Ventures LLC	138 W Main St., Ventura	West	\$354	12,428
CJH Enterprises LLC	5101 Telegraph Rd., Ventura	West	\$826	8,956
R & S Pasadena Investments	2400 S. Ventura Rd., Oxnard	West	\$2,125	1,850

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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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Valencia, CA 91355
661.705.3550

Diamond Bar

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Ventura County

Oxnard

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

Westlake Village

2555 Townsgate Rd., Ste. 320
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