

Ventura County

Industrial Market Outlook Q2 2023

MARKET OVERVIEW

In Q2, the industrial market in Ventura County experienced a notable decrease in vacant space by 9.1% compared to Q1 2023. The high demand for warehouse-distribution space drove this decrease, depleting the existing inventory and causing rent prices to soar. Despite the vacancy rate increasing by 40 bps from the previous year, it remained exceptionally low at 1.4%. The average rent also rose by 11.6% year over year, but decreased by 4-cents from its record high last quarter, reaching \$0.96/SF.

As of midyear 2023, the total vacant sublease space amounted to 30,893 square feet, which is only half the level observed during the pandemic shutdown in Q2 2020. Since the Q2 2020 pandemic shutdown, As the primary driving force behind new construction, the average rent has significantly increased by 41.2%. However, development activities have been relatively lackluster, with industrial space under construction remaining flat compared to the previous quarter and showing only an 8.2% year-over-year rise over the previous year.

Despite a leasing volume of 953,909 square feet in Q2, the availability of vacant space was limited to just 687,090 square feet, leaving the 74,281 square feet currently under construction well below the demand for warehouse space. The shortage of industrial space was exacerbated by the absence of speculative construction, which has constrained the market for large, state-of-the-art warehouse-distribution facilities. Even as the acceleration of e-commerce from the pandemic eased, demand for industrial space remained steady, and the shortage of last-mile distribution facilities continues to persist.

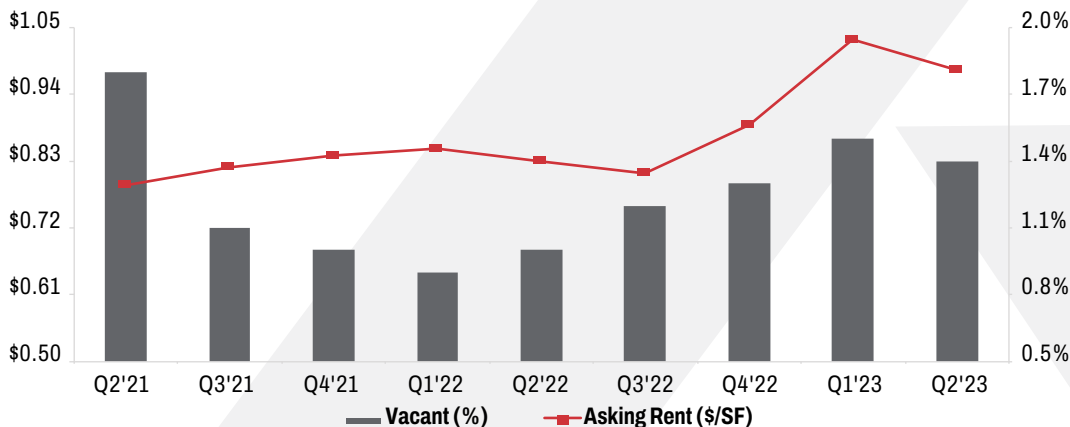
TRENDS TO WATCH

The market will continue to prop up rent and sale prices while the absence of speculative construction keeps it tight. Businesses that seek large state-of-the-art facilities will need to scour the market for opportunities. Interest rates have risen, and this has halted industrial building sales. In Central VC, leasing volume experienced a remarkable 204% rise year over year, while sales volume plummeted by 52.6%, and the vacancy rate remained low at 1.5%. Similarly, in North Ventura, leasing volume decreased by 43.6% quarter over quarter, with sale volume down 71.6%, and the vacancy rate registering at 1.3%.

Overall, Ventura County witnessed a 34.2% rise in leasing volume but experienced a significant 46.4% drop in square footage sold in Q2 2023 compared to the same period in 2022. Developers are closely monitoring the pressure of demand depleting industrial space, which is bidding up pricing and may potentially act as a catalyst for speculative construction and redevelopment opportunities. However, high construction costs and interest rates will continue to impede the increased supply of industrial space.

Tenants looking to purchase industrial space must carefully weigh the impact of rising interest rates on their bottom line. As the cost of borrowing squeezes potential buyers, sale activity will be impacted. Moreover, with the average sale price up by 39.8% year over year, sale prices will feel the effect of rising interest rates. The constrained construction and pressure from users to lease rather than buy will remain the driving force behind pricing for warehouse-distribution space in 2023.

VACANCY RATE AND AVERAGE ASKING RENT



MARKET OUTLOOK

**Asking
Rental Rates**



**Sale
Prices**



**Availability
Vacancy Rates**



**Landlord
Concessions**



**Leasing/Sales
Volume**



**New
Construction**



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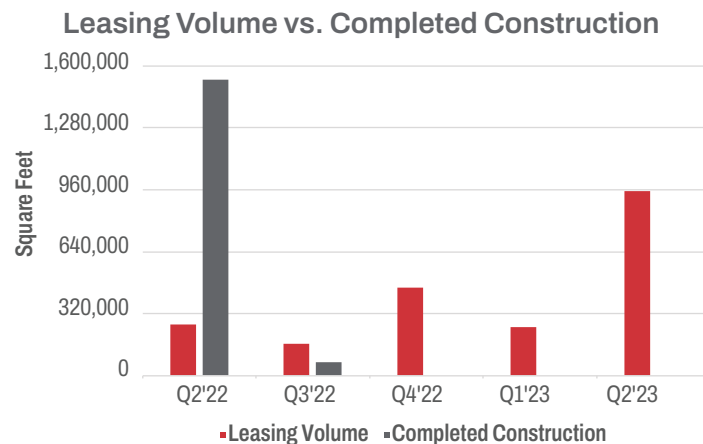
MARKET STATISTICS*

Submarket	Existing Total RBA (SF)	Under Construction (SF)	Total Available (%)	Total Vacancy (%)	Leasing Volume (SF)	YTD Leasing Volume (SF)	Sales Volume (SF)	YTD Sales Volume (SF)	Average Asking Rent \$/SF NNN	Average Sale Price \$/SF
Central	13,623,751	0	2.0%	1.5%	110,362	177,238	33,199	41,263	\$0.98	\$263
North	11,013,398	0	1.4%	1.4%	36,595	110,538	11,165	11,165	\$0.94	\$253
West	25,740,773	74,281	2.0%	1.3%	806,952	916,146	721,993	730,393	\$0.92	\$300
Ventura County	50,377,922	74,281	1.9%	1.4%	953,909	1,203,922	766,357	782,821	\$0.96	\$270

*RBA includes industrial buildings of all sizes. Rents reflect buildings of at least 10,000 square feet.

LEASING TRENDS

Lease volume per quarter followed a steady trend, averaging 430,263 square feet over the past five quarters. The market experienced a breakout in Q2, contributing to this average. However, construction in the region has been constrained in the area, further limiting the availability of industrial space on the market.



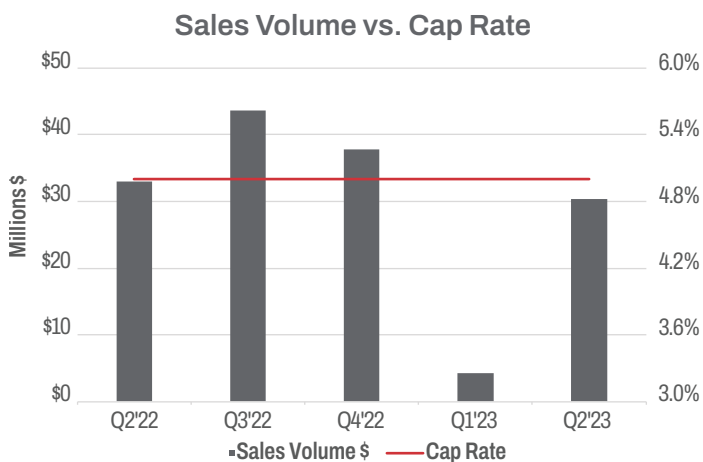
Select Lease Transactions

Address	City	Submarket	Square Feet
6135 N Rose Ave	Oxnard	West	707,984*
741 Flynn Rd	Camarillo	Central	48,176**
520 Graves Ave	Oxnard	West	46,445
829 Via Alondra	Camarillo	Central	25,564
1725 Wood Pl	Ventura	North	16,542

*Leaseback / **Renewal

SALES TRENDS

The last five quarters have highlighted a sudden drop in sales volume in Q1, as the market felt the shock of rising interest rates. As of midyear 2023, the sales volume ended approximately 53.3% below Q2 2022, resulting in a year-to-date total of \$34,576,337. Additionally, the average cap rate on investment sales has remained flat.



Select Sales Transactions

Address	City	Submarket	Square Feet
6135 N Rose Ave	Oxnard	West	707,984*
600 Via Alondra	Camarillo	Central	23,309
3050 Camino Del Sol	Oxnard	West	14,009
310 Camarillo Ranch Rd	Camarillo	Central	9,890
2291 Portola Rd	Ventura	North	6,845

*Sale Leaseback