

# Ventura County

## Office Market Outlook Q1 2023

### MARKET OVERVIEW

Ventura County's office market is in the process of recovering from the pandemic shutdown, with companies working to bring employees back to the office. Although tenant demand weakened moderately this quarter, the average asking rent remained stable despite a decrease in occupancy. However, vacant office space increased by 135,848 square feet compared to the previous quarter, pushing the vacancy rate to 12.7%. This represents a 100 basis points increase from the previous year.

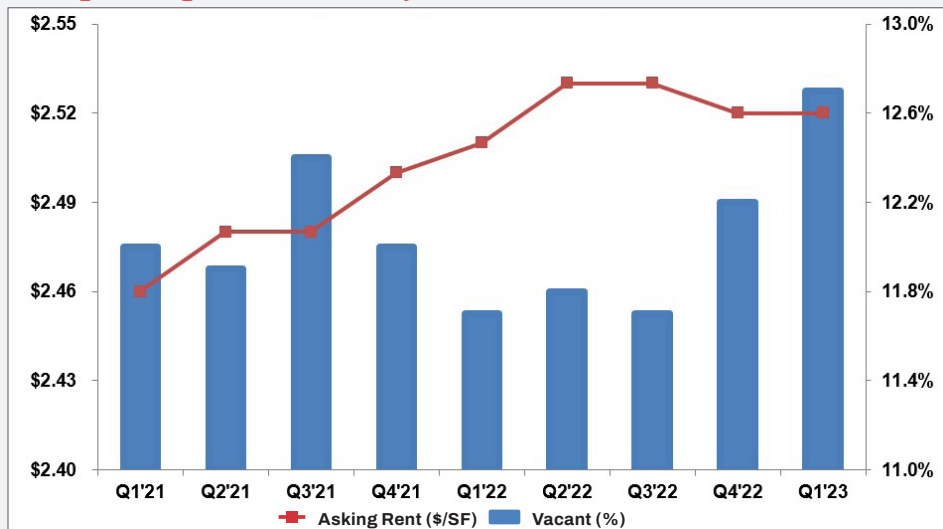
While more office space was leased than vacated, tenants are renewing leases while downsizing their office space to accommodate work-from-home and office hybrid needs. In Q1 2023, leasing volume reached 332,903 square feet, but there was a negative net absorption of 135,848 square feet. East Ventura County experienced a 17.3% increase in leasing volume and an 8.8% increase in vacant space compared to the previous year. Similarly, West Ventura County saw a 17.7% increase in leasing volume and a 7.1% rise in vacant space, indicating a slower recovery to pre-pandemic office market levels. Sublease space decreased by 6.6% in the East quarter over quarter, while the West witnessed a 31% increase. Overall, the average asking rent remained steady at \$2.52 per square foot full service gross.

### TRENDS TO WATCH

Office leasing is expected to be driven by future growth in employment in office-occupying sectors and potential changes in interest rates. The recent increase in interest rates by the Federal Reserve, the highest in 15 years, has resulted in a significant decline in office sales volume year over year. In April 2023, the unemployment rate in Ventura County was 3.6%, slightly lower than March 2023 but higher than the previous year. The professional and business services sector, the largest office-occupying sector, experienced job loss compared to the previous year. The speed of employment recovery will play a crucial role in the overall recovery of the office market. Ventura County still faces challenges in job growth, attributed to both the lack of labor force growth and the absence of new business formation or organic business expansion.

Landlords are expected to offer concessions. However, investors and tenants may potentially delay sale transactions and long-term leases due to the rising interest rates and uncertainties surrounding the post-pandemic office work environment. The demand for office space is being influenced by ongoing work-from-home trends, resulting in reduced occupancy and cash flow challenges for building owners, especially considering the rise in interest rates. Consequently, both landlords and tenants are likely to face distress, leading to a challenging recovery period that will impact real estate values moving forward.

#### Average Asking Rent and Vacancy Rate



### MARKET OUTLOOK

#### Asking Rental Rates



#### Sale Prices



#### Availability/Vacancy Rates



#### Landlord Concessions



#### Sales/Leasing Volume



#### New Construction



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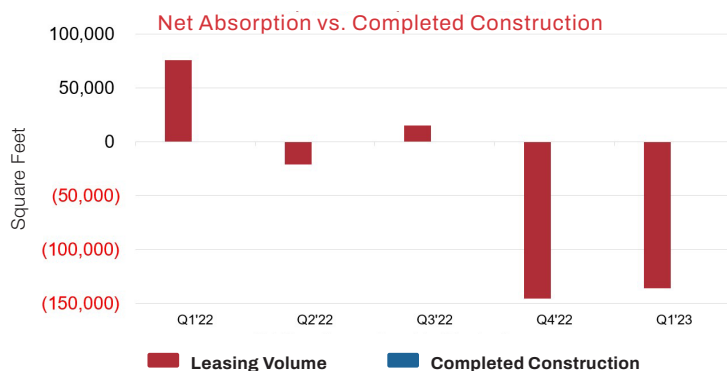
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### Market Statistics\*

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)
East	17,518,093	0	19.2%	15.8%	246,719	246,719	113,657	113,657	\$2.57	\$234
West	11,625,586	0	9.7%	8.1%	86,184	86,184	23,073	23,073	\$2.39	\$175
<b>Ventura County</b>	<b>29,143,679</b>	<b>0</b>	<b>15.4%</b>	<b>12.7%</b>	<b>332,903</b>	<b>332,903</b>	<b>136,730</b>	<b>136,730</b>	<b>\$2.52</b>	<b>\$224</b>

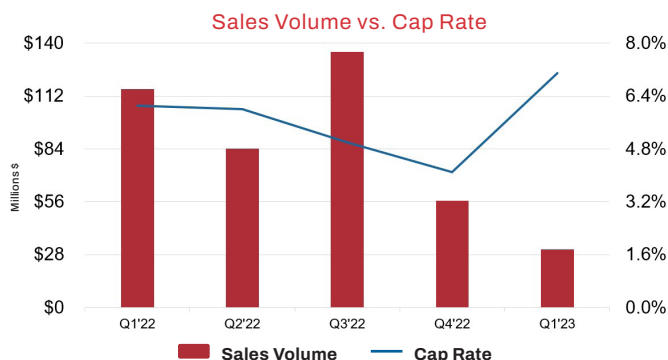
### Net Absorption, Completed Construction Trends

The lack of demand for office space led to a surplus of available space, discouraging new construction momentum. During the period from Q1 2022 to Q1 2023, there was a total negative net absorption of 211,282 square feet.



### Sales and Cap Rate Trends

In this quarter, the sales volume decreased by 45.6% compared to the fourth quarter of 2022, totaling \$30,651,500. The drop in sales volume and the rise in the average cap rate during the first quarter of 2023 were a result of uncertainty, the increase in interest rates, and the expectations of buyers and sellers regarding pricing. The average cap rate increased by 300 basis points, reaching 7.1%, compared to the fourth quarter of 2022.



### Select Lease Transactions

TENANT	BUILDING ADDRESS	CITY	SUBMARKET	SQUARE FEET
New Direct Lease	1 Baxter Way	Westlake Village	East	23,696
New Direct Lease	112 S Lakeview Canyon Rd	Westlake Village,	East	15,590
New Direct Lease	1 Baxter Way	Westlake Village	East	13,629
New Direct Lease	2 Baxter Way	Westlake Village	East	12,309
New Direct Lease	300 E Esplanade Dr	Oxnard	West	10,955

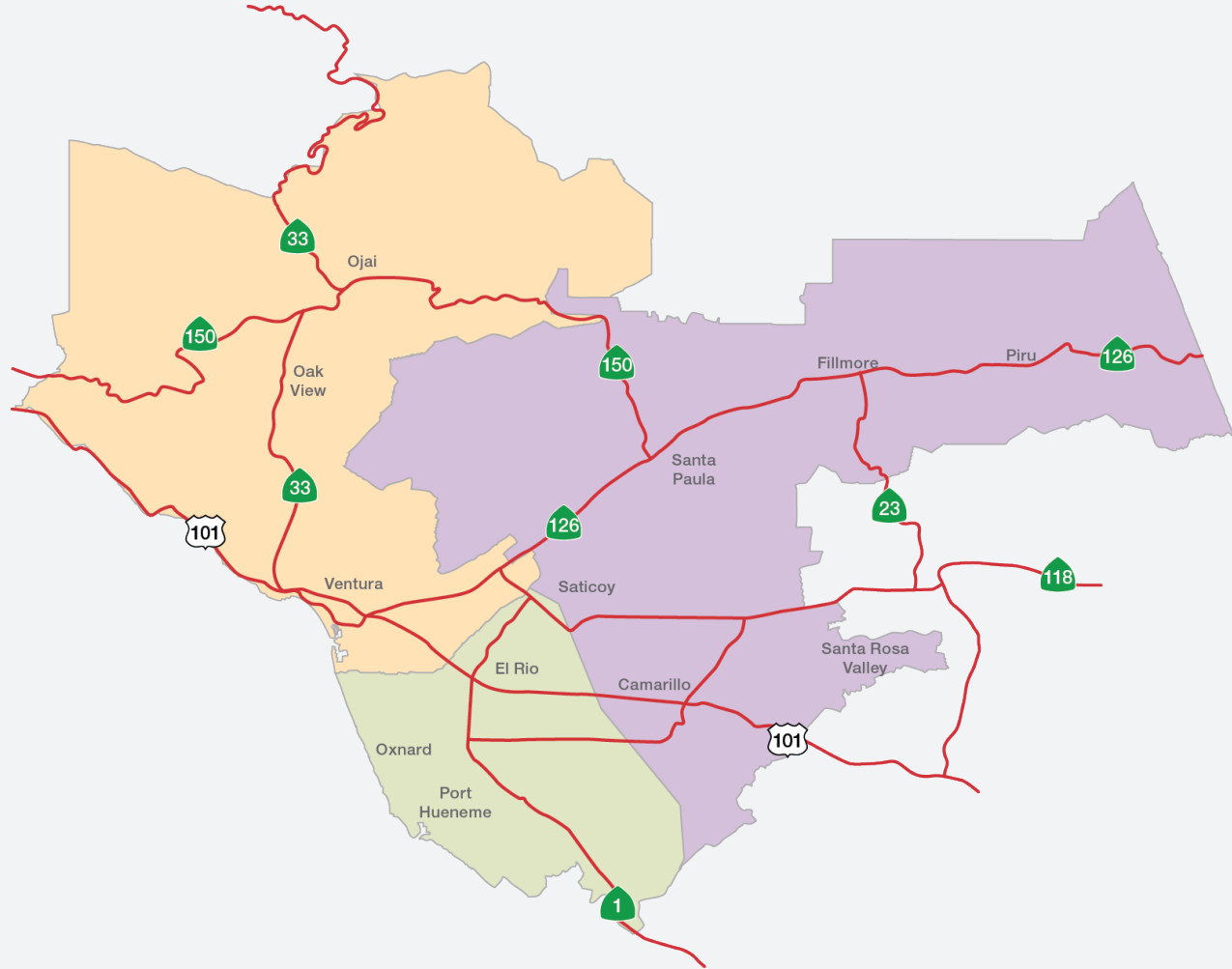
\*Renwal

### Select Sales Transactions

BUYER	BUILDING ADDRESS	CITY	SUBMARKET	SQUARE FEET
This Building Though LLC	26541 Agoura Rd	Calabasas	East	90,371
625 North A Street, LLC	625 N A St	Oxnard	West	17,327
Raymond T. He & Mayhe Huang	28222 Agoura Rd	Agoura Hills	East	14,565
Chabad Of Westlake Village	530 Hampshire Rd	Westlake Village	East	4,200
Sanjua Properties LLC	3215 Old Conejo Rd	Newbury Park	East	2,813

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- |                |               |                   |
|----------------|---------------|-------------------|
| ○ <b>North</b> | ○ <b>West</b> | ○ <b>Central</b>  |
| Ojai           | Oxnard        | Camarillo         |
| Oak View       | Port Hueneme  | Fillmore          |
| Ventura        | El Rio        | Piru              |
|                |               | Santa Paula       |
|                |               | Santa Rosa Valley |
|                |               | Saticoy           |

# Ventura County

## Office Market Outlook Q1 2023



### NAI Capital Commercial Southern California Office Locations

#### Headquarters

15821 Ventura Blvd., Ste. 320  
Los Angeles, CA 91436  
818.905.2400

#### Los Angeles County

##### Downtown LA

707 Wilshire Blvd., Ste. 5125  
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., Ste. 100  
Torrance, CA 90502  
310.532.9080

##### Pasadena

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

##### Valencia

25060 Avenue Stanford., Ste. 165  
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. 470  
Oxnard, CA 93036  
805.278.1400

##### Westlake Village

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

#### Inland Empire

##### Ontario

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

##### Victorville

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

#### Orange County

##### Irvine

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

#### Coachella Valley

##### Palm Desert

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