

Ventura County

Industrial Market Outlook Q1 2020

MARKET OVERVIEW

The industrial market in Ventura County was experiencing increased vacancy and flat rental rates, prior to the COVID-19 pandemic shutdown. Since Q2 2018 vacancy has steadily increased, going from 1.9% to 4.5% this quarter. Several significant tenants moved out of Ventura County in 2019. While the average rent was up 8.2% from the prior 2008 peak, compared to Q1 2019, the rent increased just \$0.02/SF to \$0.66/SF this quarter. Steady rent and a rise in available space spurred impressive sales and leasing transaction volume — more than 1.2M SF in Q1. Sales saw the highest volume since 2014 and leasing volume was up 35.5% from the prior quarter and 7.2% year over year. Several large transactions accounted for much of the increases. Two buildings, totaling 108,520 SF, remain under construction and available at the close of the quarter.

TRENDS TO WATCH

As the effects of COVID-19 materialize in the marketplace, transaction volume will likely be impacted and the County will continue to see lower demand for industrial space, including new construction, as companies adjust to the realities of a weakened economy heading into the second half of 2020. Between February and March 2020, Ventura County lost 200 net jobs as the unemployment rate increased 90 bps to 4.6%. From March 2019 to March 2020, the county lost 100 manufacturing jobs and 400 in the Trade, Transportation & Utilities sector. Ventura County could see more jobs lost as the situation develops. However, the County is home to several essential businesses, including Procter & Gamble Paper Products, Amgen and technology suppliers Teledyne and Interlink Electronics, which have handled increased demand for products as a result of the pandemic.

NAI Capital conducted a COVID-19 Impact Survey of industrial market professionals to get a pulse of where the commercial real estate market could be headed. In the next three months, 72% of industrial brokers expect rents to decline, as market conditions will not sustain pre-COVID-19 growth and tenant demand wanes. Eighty percent expect vacancy to rise as businesses close and tenants default on leases. Similarly, 80% believe landlords will offer more concessions and some are proactively renegotiating leases, offering rent abatement, or deferring repayment into 2021.

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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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
Central	13,406,697	108,520	8.9%	9.9%	114,969	114,969	803,917	803,917	\$0.64	\$119
North	11,171,278	0	4.0%	3.1%	35,108	35,108	35,900	35,900	\$0.62	\$157
West	22,736,083	0	3.7%	1.9%	166,757	166,757	77,476	77,476	\$0.70	\$132
Ventura County	47,314,058	108,520	5.3%	4.5%	316,834	316,834	917,293	917,293	\$0.66	\$122

Leasing

The pace of leasing activity in Ventura County picked up at the beginning of the year prior to the COVID-19 pandemic shutdown. In Q1, leasing volume totaled 317K SF, up 35.5% from the prior quarter and 7.2% year over year.

The West and Central submarkets accounted for the majority of leasing activity in Q1 2020. Central totaled 115K SF and West totaled 167K SF, nearly 90% of space leased in the market this quarter. The average rent in these submarkets has remained stable over the year with Central asking \$0.64/SF and West asking \$0.70/SF. In the largest lease transaction of the quarter, Primal Nutrition, an Oxnard-based health food company, leased a 46,100 SF manufacturing facility at 1101 Maulhardt Avenue in Oxnard. The asking rate for the property was \$0.69/SF.

Sales

Industrial sales surged in Q1 2020 to reach the highest volume sold since 2014. Transaction volume totaled 917,293 SF, up 350.4% year over year, and summed up to \$111.6 million in dollar volume, which hit the second-highest level on record behind Q2 2007. Pricing this quarter was \$122/SF and cap rates on investment sales over \$2M averaged 7.5%.

A large industrial portfolio sale in Camarillo helped to catapult the sales volume to near-record levels in Q1 2020. Greenlaw Partners purchased a 425,039 SF distribution property at 3175 Mission Oaks Boulevard and a 308,780 SF distribution building at 3001 Mission Oaks Boulevard from STAG Industrial, Inc. Combined, the properties sold for \$88 million, or \$120/SF. The two properties were vacant at the time of sale and Greenlaw intends to add value through lease-up.

Select Lease Transactions

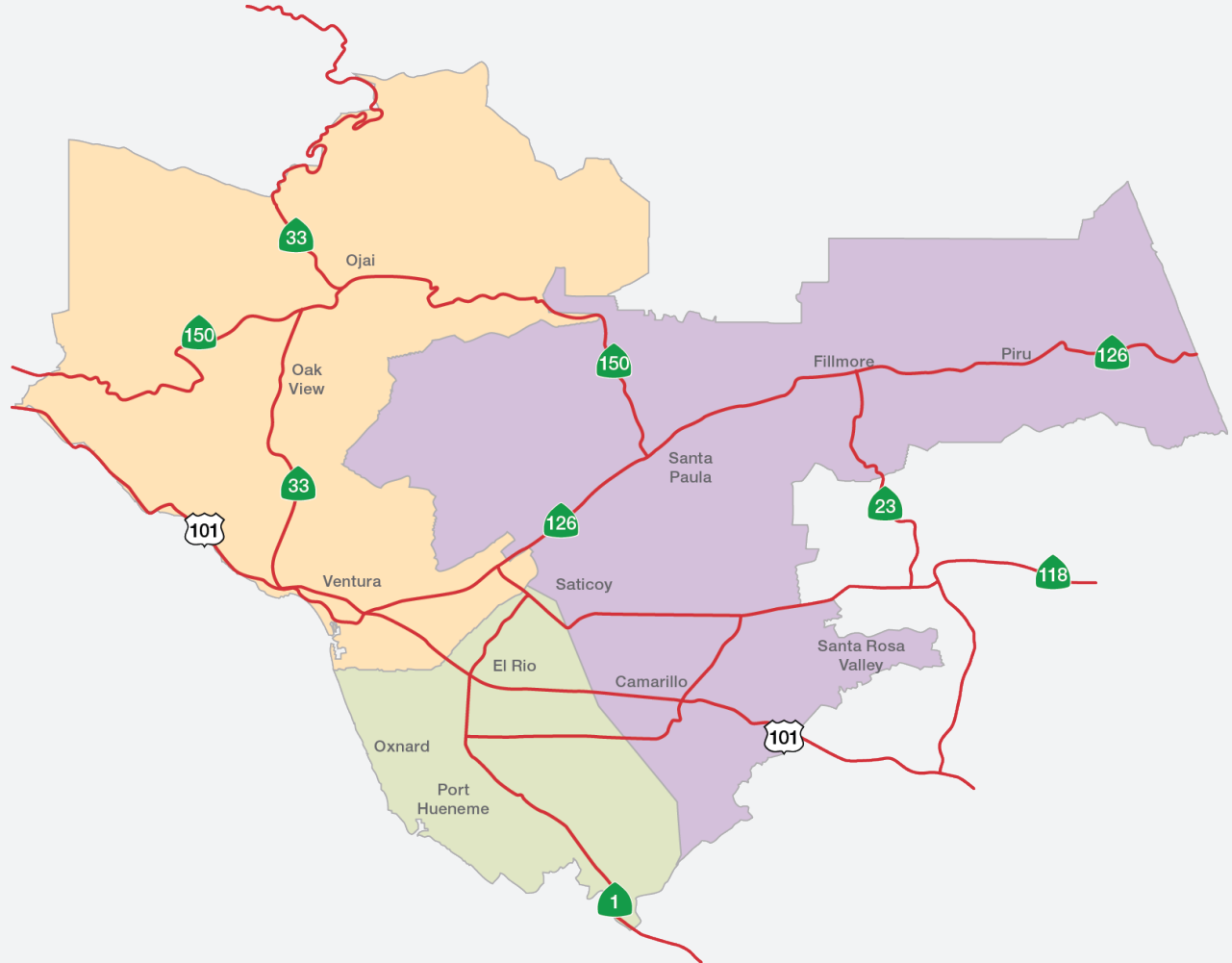
TENANT	ADDRESS	SUBMARKET	ASKING RENT \$/SF**	SQUARE FEET
Primal Nutrition	1101 Maulhardt Ave.	West	\$0.69	46,100
PCOVE	3233 Mission Oaks Blvd. Suite R	Central	\$0.85 MG	13,269
SAN Nutrition	3233 Mission Oaks Blvd. Suite K	Central	\$0.85 MG	12,681
Dispensing Technology Corp.	390 Lombard St.	West	\$0.95 IG	10,500
WebTez, Inc.*	920 Graves Ave.	West	\$0.75 FSG	8,493

Select Sales Transactions

BUYER	ADDRESS	SUBMARKET	SALE PRICE \$/SF	SQUARE FEET
Greenlaw Partners	3001 & 3175 Mission Oaks Blvd.	Central	\$120	733,819
Bownet	912 Pancho Rd.	Central	\$94	42,560
Twenty Lake Management, LLC	2400 Sturgis Rd.	West	\$162	26,577
Private Investor	461 Calle San Pablo Rd.	Central	\$136	23,464
A-1 Water & Dump Truck Services	1360 N. Olive St.	North	\$161	18,000

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○ **North**

- Ojai
- Oak View
- Ventura

○ **West**

- Oxnard
- Port Hueneme
- El Rio

○ **Central**

- Camarillo
- Fillmore
- Piru
- Santa Paula
- Santa Rosa Valley
- Saticoy

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Ventura County

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