

Ventura County

Retail Market Outlook 4Q 2017

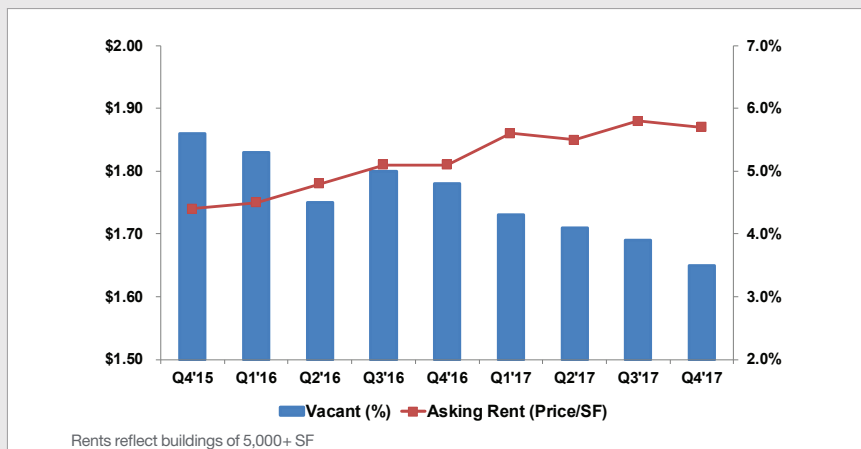
MARKET OVERVIEW

Ventura County's retail market saw the occupancy rate and asking rents rise at the end of 2017 over 2016. The vacancy rate fell by 130 basis points over the year to 3.5%, one of the lowest rates on record while rents increased 3.3% over the same time. There were no deliveries or construction underway in the fourth quarter. However, several retail projects are planned. The largest is a multi-phase 500,000 square foot development called Amara in Camarillo. Amara is scheduled to begin construction in early 2018 but has faced several previous construction delays. The employment outlook was mixed at the end of 2017. From December 2016 to December 2017, the unemployment rate in Ventura County fell from 4.8% to 3.8%, which translated to a net gain of 5,700 jobs over the year. However, the retail sector lost 1,100 jobs overall despite a 3.4% increase in Clothing & Accessory Store employment. Leisure & Hospitality also gained 700 jobs. This indicates that local retailers are facing the same issues from e-commerce as national retailers. The tourism industry is holding up, driving some retail growth.

TRENDS TO WATCH

While demand is expected to be sustained going into 2018, the outlook remains mixed. Ventura County's retail market has been historically propelled by tourism as well as its residents' higher disposable income. Most cities in Ventura County rely on retail sales taxes as the primary source of revenue. With the rise of e-commerce, many Ventura County retailers are facing increasing pressure to downsize and streamline their businesses. Major retailers including Toys R Us and Macy's announced the closure of underperforming stores in Ventura. Earlier in 2017, Macy's closed a location in Simi Valley Town Center. Vacating tenants have forced cities such as Ventura, Westlake Village, and Fillmore to hold sales tax rates steady and consider ways to bolster their retail market. Several cities, including Ventura and Fillmore, are planning to reinvest in their downtown retail areas to capitalize on its tourism industry.

Average Asking Rent and Vacancy Rate



Source: NAI Capital Research, CoStar, REIS

MARKET OUTLOOK

Asking Rental Rates



Sale Prices



Availability/Vacancy Rates



Landlord Concessions



Sales/Leasing Volume



New Construction



NAI Capital Research
www.naicapital.com

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Market Statistics

SUBMARKET	EXISTING TOTAL RBA (SF)	UNDER CONSTRUCTION (SF)	TOTAL AVAILABLE (%)	TOTAL VACANCY (%)	4Q17 LEASING VOLUME (SF)	YTD LEASING VOLUME (SF)	4Q17 SALES VOLUME (SF)	YTD SALES VOLUME (SF)	AVERAGE ASKING RENT \$/PSF NNN	AVERAGE SALE PRICE \$/PSF
North	18,111,541	0	6.0%	3.6%	39,376	299,784	316,214	596,943	\$1.63	\$84
South	23,291,206	0	5.4%	3.4%	132,931	585,760	35,591	413,019	\$2.17	\$446
Total	41,402,747	0	5.6%	3.5%	172,307	885,544	351,805	1,009,962	\$1.87	\$125

RBA includes all retail buildings. Rents reflect buildings of 5,000 SF and greater.

Leasing

Leasing activity increased 12% over the quarter to 172,307 square feet. However, leasing in 2017 decreased 22.8% to 885,544 square feet compared to 2016. Asking rents averaged \$1.87/SF this quarter across all property types, which represented a 3.3% increase over last year at this time. Rents held steady at \$2.43/SF in Mall properties, while Neighborhood Centers have saw a slight decline of 3% over the year. Power Centers saw average asking rents increase 35% over the year from \$1.48/SF to \$2.00/SF, as landlords are seeing higher occupancy rates and are more confident. Over the year, the Moorpark Marketplace, a high-end Power Center in Moorpark, increased asking rents from \$2.25/SF to \$3.25/SF to fill the last vacant space in its property. Occupancy has remained strong due to Ventura County's relatively high levels of consumer spending. This quarter, 7,000 square feet were leased at The Village at Newbury Park for \$4.50/SF.

Sales

This quarter, 351,805 square feet were sold for a total of 1,009,962 square feet sold in 2017. Annual sale volume was down 41.6% over 2016 and sale prices averaged \$125/SF. Cap rates increased by 150 basis points over the year from 5.7% to 7.2%. The majority of sales activity took place in the North submarket, around the cities of Ventura and Simi Valley, which tend to have lower sale prices than cities in the South submarket such as Oxnard or Thousand Oaks. This quarter, Greenberg Traurig, LLP purchased 136,406 square feet in Simi Town Center for \$49/SF. It had been owned and operated by Macy's, which consolidated two of its locations in the mall and downsized its footprint earlier in the year.

Select Lease Transactions

TENANT	ADDRESS	SUBMARKET	ASKING RATE/SF	SQUARE FEET
Tenant Not Listed	2745 Teller Rd	South	\$4.50 NNN	7,000
TruConnect Cellular	106-110 E 5th St	South	\$1.99 MG	4,477
Tenant Not Listed	74 Skyline Dr	South	\$2.75 NNN	3,200
Tenant Not Listed	1500-1620 Newbury Rd	South	\$1.15 NNN	2,982
Tenant Not Listed	1414 E Thousand Oaks Blvd	South	\$2.15 MG	2,982

*All rents are NNN unless otherwise noted

Significant Sales Transactions

BUYER	ADDRESS	SUBMARKET	PRICE \$/PSF	SQUARE FEET
Greenberg Traurig, LLP	1475 Simi Town Center Way	North	\$49	136,406
Laurence Michael	1716-1776 Erringer Rd	North	\$138	31,204
VC Exchanges, LLC	1199 E Thompson Blvd	North	\$227	22,861
John J Tesh	970 W Ventura St	North	\$87	15,000
Philippine Center of Ventura	1600 Ives Ave	South	\$170	8,828

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● **North**

Fillmore
Moorpark
Oak View
Ojai
Piru
Santa Paula
Saticoy
Simi Valley
Ventura

● **South**

Camarillo
Casa Conejo
El Rio
Oxnard
Port Hueneme
Santa Rosa Valley
Thousand Oaks

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Los Angeles, CA 90017
213.632.7700

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Los Angeles, CA 90064
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Torrance, CA 90502
310.532.9080

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

Valencia

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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. 1660
Oxnard, CA 93036
805.278.1400

Westlake Village

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

Simi Valley

2655 First St., Ste. 250
Simi Valley, CA 93065
805.522.7132

Orange County

Irvine

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