

Los Angeles

Orange County

Ventura

Inland Empire

Phoenix

Q3 | 2019

# Market Report

Ventura County Office



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# MARKET REPORT Q3

## Office 2019 Ventura County



### MARKET ACTIVITY

<p>Direct Vacancy ▲ 13.3%</p>	<p>Net Absorption ▼ -80,830 SF</p>
<p>Overall Vacancy ▲ 13.8%</p>	<p>Gross Absorption ▼ 288,413 SF</p>
<p>Under Construction ↔ 27,046 SF</p>	<p>Rental Rates (FSG) ▲ \$2.32</p>
<p>Sale Price Change ▼ 2.1%</p>	<p>Deal Volume ▼ 42.1%</p>

### KEY TAKE AWAYS

#### MARKET

- **Vacancy Rate:** Increased by 40 BPS from Q2.
- **Net Absorption:** Dropped substantially, back to negative levels.
- **Office Supply:** Minimal new supply in market.
- **Sales:** The median price PSF was \$206.57. The largest sale of the quarter was 24151 Ventura Blvd. in Calabasas.
- **Asking Rents:** Up slightly from Q2.

#### ECONOMIC OUTLOOK

- **Interest Rates:** The yield curve remained inverted in Q3. In Q3, the 10-2 Spread inverted as well for the 1st time since 2007. The Fed cut rates twice in Q3, both by 25 BPS. An additional rate cut could transpire in Q4, if economy weakens.
- **Trade:** The trade dispute with China continues with no end in sight. Talks between the two most powerful economies are set to resume in Oct.
- **Stock Market:** The Dow and S&P posted minimal gains of 1.2% in Q3. NASDAQ finished negative.
- **Oil:** Crude Oil was down 6.7% in Q3.

### ECONOMIC OUTLOOK

<p>U.S. Employment ▲ 3.7%</p>	<p>U6 Rate ▲ 7.2%</p>
<p>Interest Rate ▼ 3.6% <small>(30 year fixed)</small></p>	<p>Changing GDP ▲ 2.1%</p>
<p>Port Traffic Y/Y Δ ▼ 1.1%</p>	<p>NYSE Performance ▲ 0.9%</p>
<p>Inflation Change ▼ 1.7%</p>	<p>10 Yr. - 2 Yr. Spread ▼ 6 BPS</p>

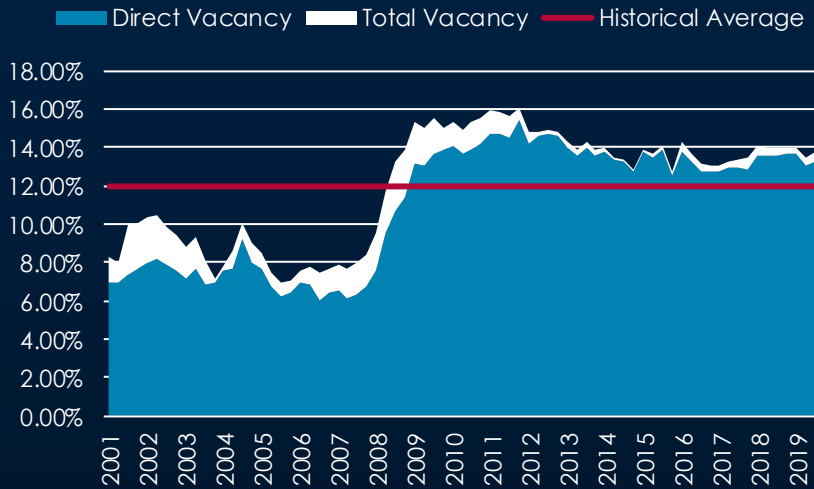
EXPERIENCE IN A CHANGING MARKET

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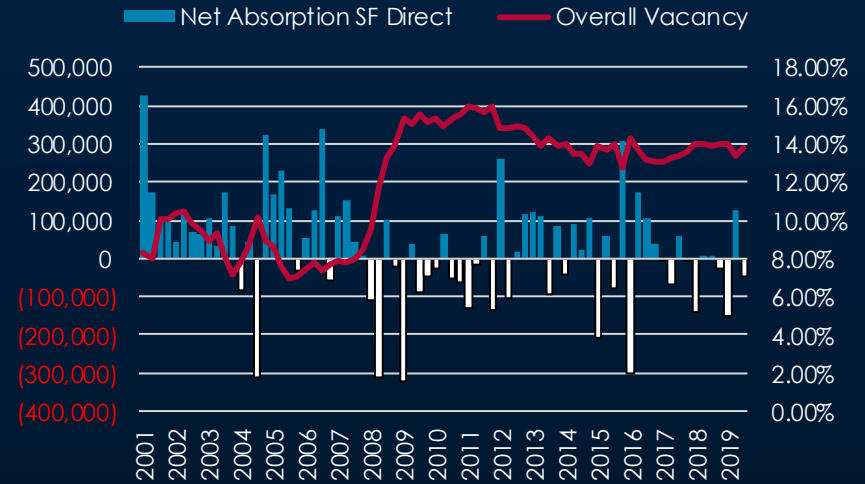


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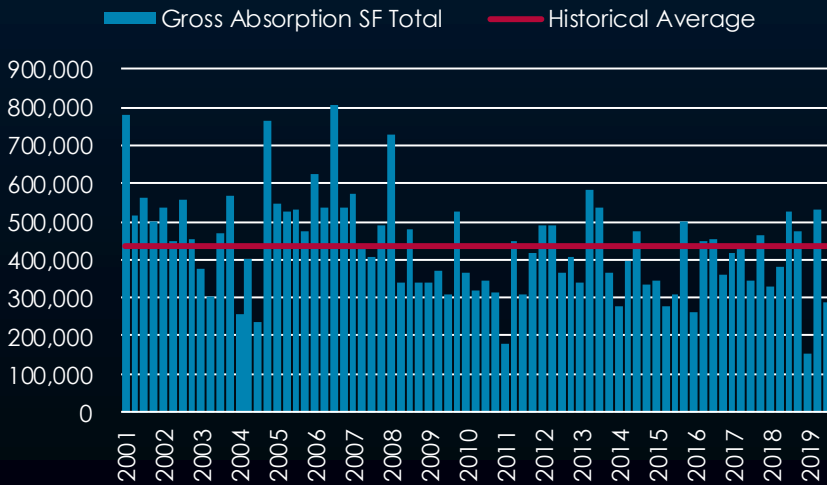
## OVERALL VACANCY INCREASED BY 40 BPS FROM Q2



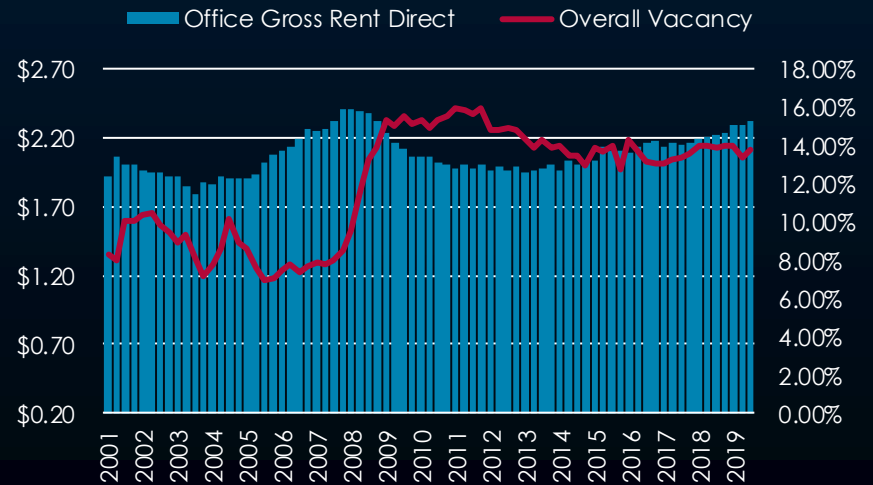
## NET ABSORPTION TURNED NEGATIVE AFTER STRONG Q2



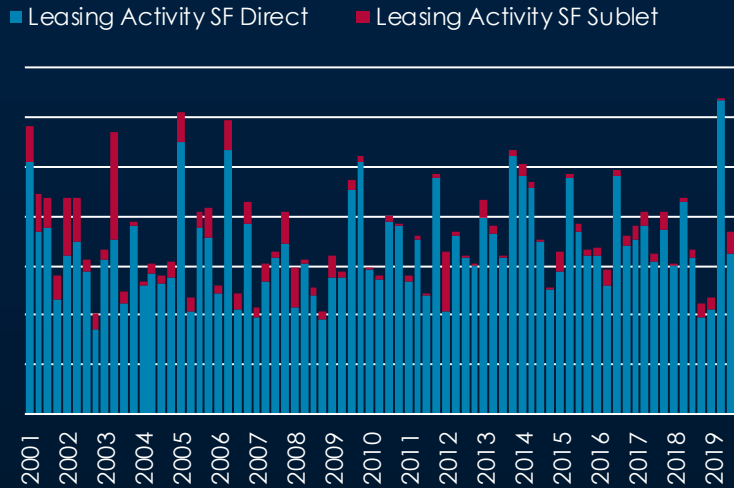
## GROSS ABSORPTION FELL BELOW 300K SF IN Q3



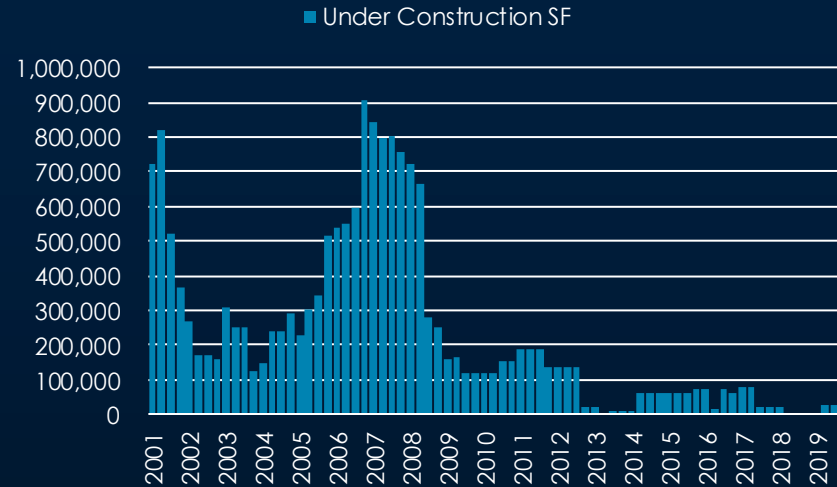
## ASKING RENTS UP SLIGHTLY FROM Q2 TO \$2.32 PSF



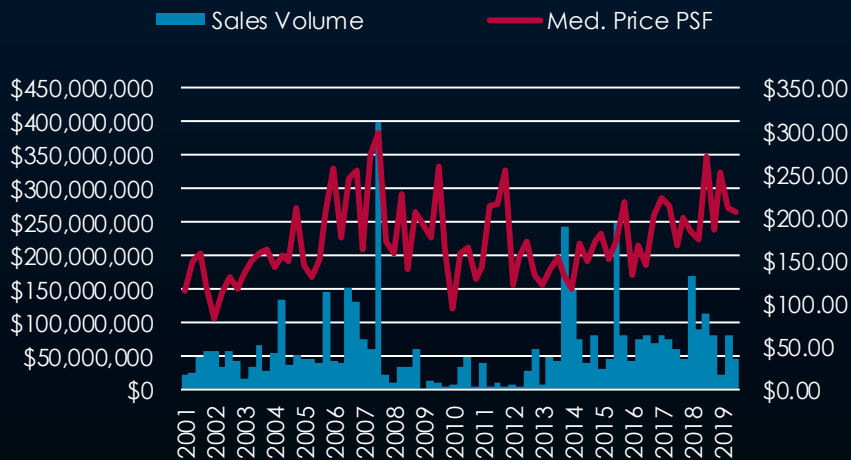
## LEASING ACTIVITY BACK TO NORMAL LEVELS AFTER SURGE IN Q2



## CONSTRUCTION ACTIVITY LACK OF NEW SUPPLY HINDERING MARKET GROWTH

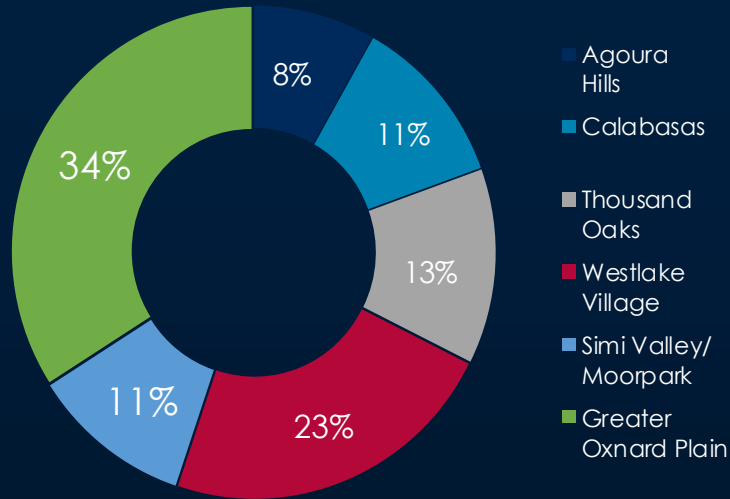


## SALES THE MEDIAN PRICE PSF IN Q3 WAS \$206.57

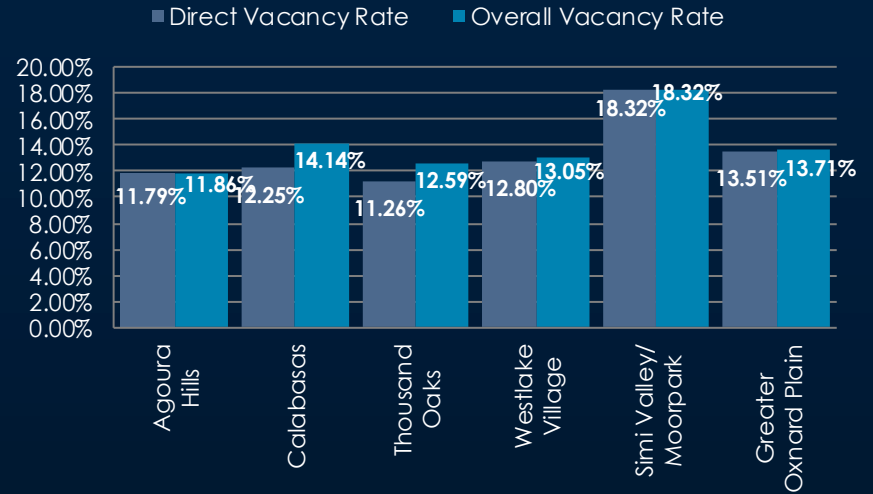




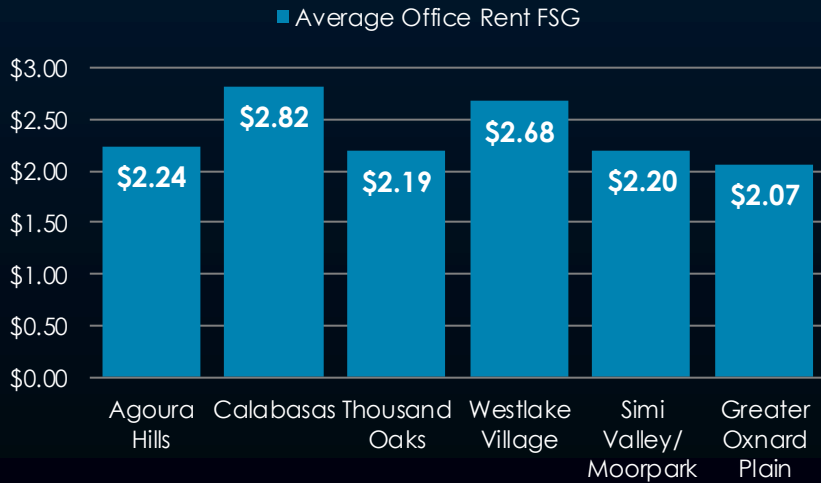
## SQUARE FOOT BREAKDOWN- 21,951,985 SF MARKET SIZE



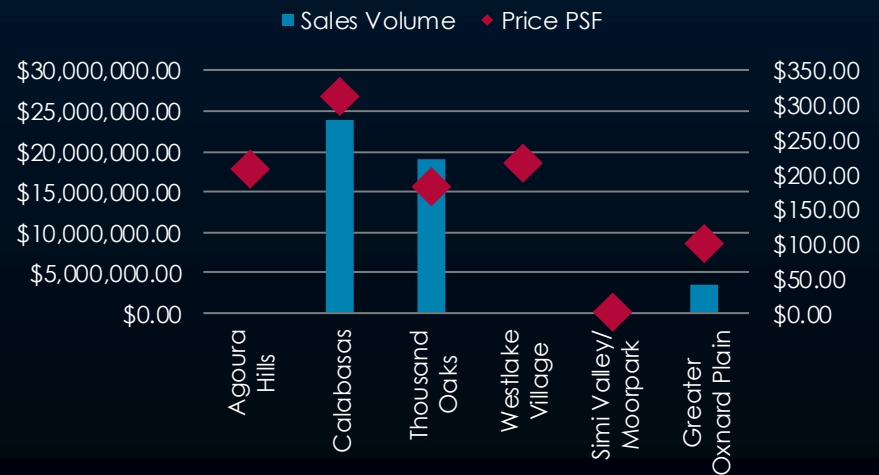
## VACANCY BREAKDOWN



## AVERAGE RENT PSF



## VOLUME BREAKDOWN



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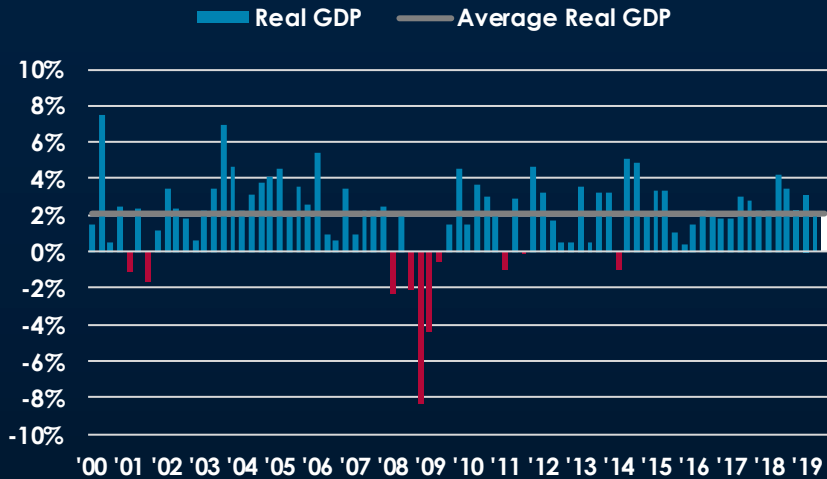
# Economic Overview



Q3 2019

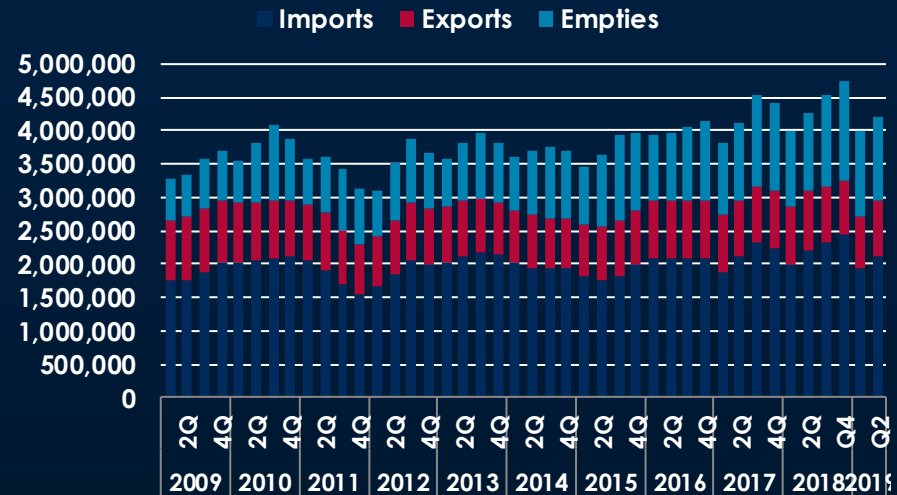
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GDP IN Q2 FINISHED AT 2.0%. Q3 ESTIMATE IS 2.1%

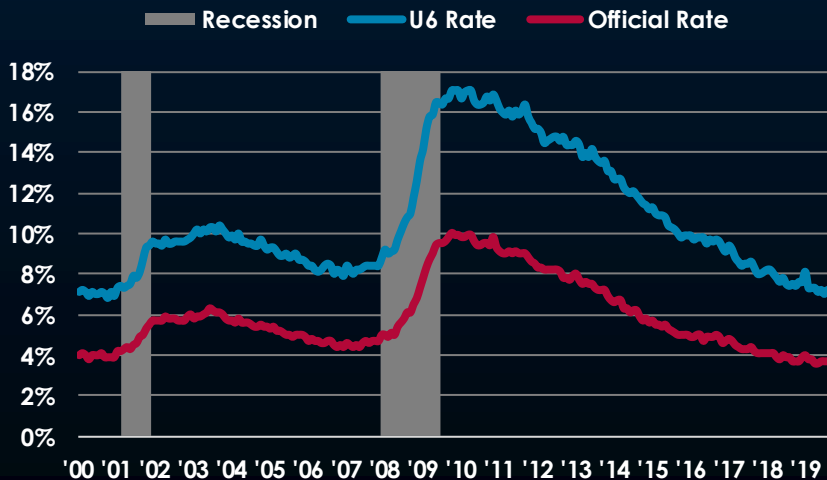


\*2.1% for 3Q19 based on Fed Reserve Bank of Atlanta "GDP Now" Forecast

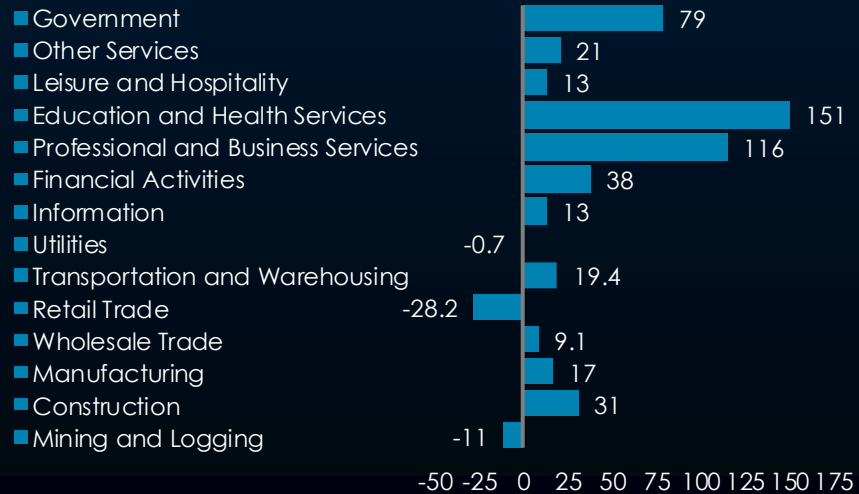
PORT ACTIVITY INCREASED IN Q2 BY 5.6% FROM Q1



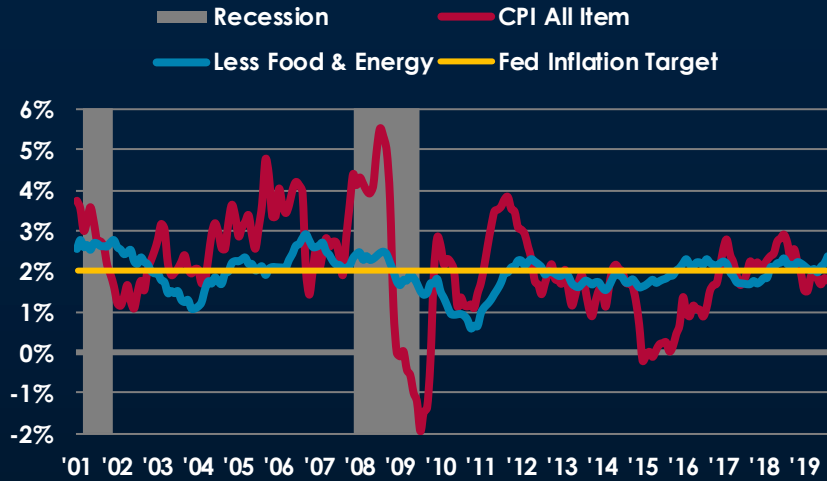
UNEMPLOYMENT CONTINUES DOWNWARD TREND



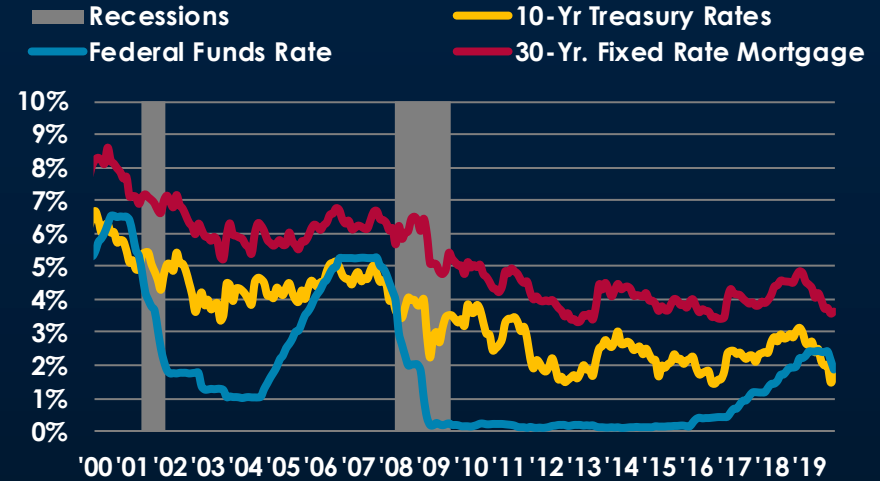
MOST INDUSTRY SECTORS CONTINUE TO SEE GROWTH



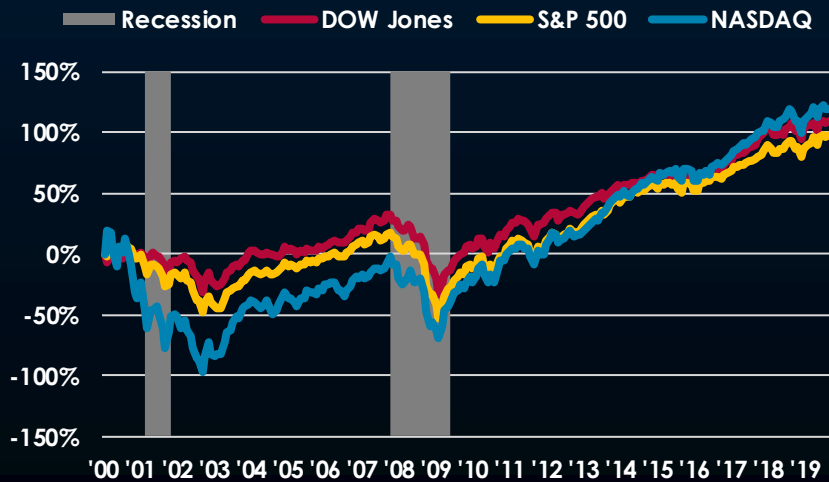
## CPI JUST BELOW 2% TARGET



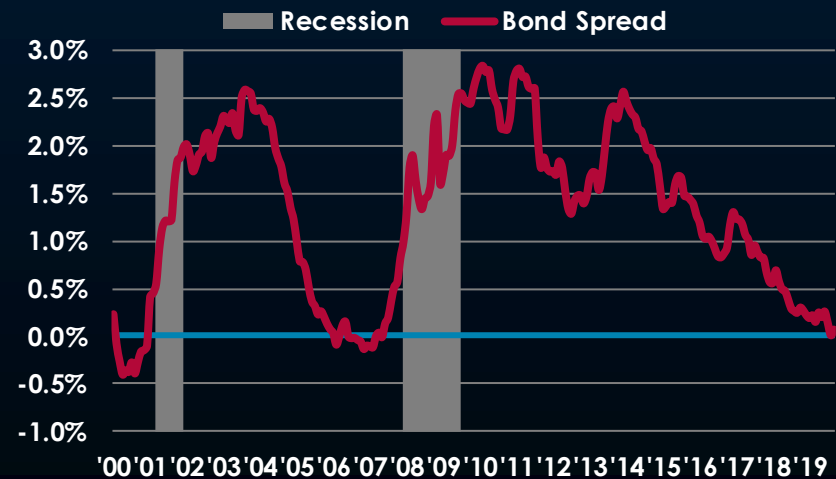
## THE YIELD CURVE REMAINS INVERTED



## VOLATILE Q3 FOR INDEXES. DOW & S&P UP 1.2%. NASDAQ DOWN



## 10-2 YEAR BOND SPREAD INVERTED IN Q3





## METHODOLOGY & TERMINOLOGY

### Methodology

Non-Owner occupied, multi-tenant office buildings that are 30,000 square feet & greater.

### Direct Vacant SF

Space that is vacant and ready for occupancy by a user. The space is being offered for lease or sale directly from the landlord.

### Total Vacant W/ Sublet SF

Space that is vacant and ready for occupancy by a user. The space is being offered for lease or sale by the landlord or for sublease by the current tenant.

### Direct Vacancy Rate

Total vacant direct space (vacant space for lease or sale from the landlord or owner) divided by the total rentable square footage for existing buildings only.

### Vacancy W/ Sublet Rate

Total vacant direct space and sublease space divided by the total rentable square footage for existing buildings only.

### Gross Absorption

The total change in occupied space over a given period of time, counting space that is occupied but not space that is vacated by tenants. Gross absorption differs from leasing activity, which is the sum of all space leased over a certain period of time.

### Net Absorption

The net change in occupied space over a given period of time, calculated by summing all the positive changes in occupancy (move ins) and subtracting all the negative changes in occupancy (move outs).

### Under Construction

Planned buildings for which construction has started but have not yet been granted a Certificate of Occupancy. Planned buildings are not included.

### Completed in 2019

New buildings with original construction completed in the year 2019 and granted a Certificate of Occupancy. Renovated buildings are not included.



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