

Los Angeles

Orange County

Ventura

Inland Empire

Phoenix

Q4 | 2022

Market Report

Ventura County Office



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MARKET REPORT Q4

Office 2022 Ventura County



MARKET ACTIVITY

KEY TAKE AWAYS

ECONOMIC OUTLOOK

MARKET

- **Vacancy Rate:** Significant increase of 112 bps from Q3 to a rate of 16.9% in Q4.
- **Net Absorption:** Declined by 197K SF from Q3, totaling -227,972 SF in Q4.
- **Leasing Activity:** Dropped 57.8% in Q4, totaling 118,489 SF.
- **Sales:** Volume in Q4 totaled \$50M. Down 50% from Q3. The median price PSF in Q4 was \$359.84.
- **Asking Rents:** Declined by \$0.02 PSF or 0.8% to a rate of \$2.53 PSF in Q4.

ECONOMIC OUTLOOK

- **Interest Rates:** The FOMC decided to increase interest rates twice in Q4. In November there was a 75 bps hike & after some positive economic data the increase lessened to 50 bps. This current rate hike cycle is the fastest in history. Rate hikes are expected to continue in 2023, but at a slower pace.
- **Inflation:** Appears to have peaked, but still causing pain in the U.S. economy.
- **Supply Chain:** The Freightos Baltic Index, cost from China/East Asia to North America West Coast declined 53% over Q4, ending at \$1,382 per container. Rates have fallen 92% since 2021.



Direct Vacancy
⬆ 14.4%


Net Absorption
⬆ -227,972 SF


Overall Vacancy
⬆ 16.9%


Gross Absorption
⬆ 236,109 SF


Under Construction
⬆ 0 SF


Rental Rates (FSG)
⬆ \$2.53


Median Sale \$/SF
⬆ \$359.84


Deal Volume
⬆ \$50.0M


U.S. Employment
⬆ 3.5%


U6 Rate
⬆ 6.5%


Interest Rate
⬆ 6.4%
(30 year fixed)


Changing GDP
⬆ 3.9%


Port Traffic Y/Y Δ
⬆ 6.0%


NYSE Performance
⬆ 7.1%


Inflation Change
⬆ 7.1%


10 Yr. - 2 Yr. Spread
⬆ -53 BPS

EXPERIENCE IN A CHANGING MARKET

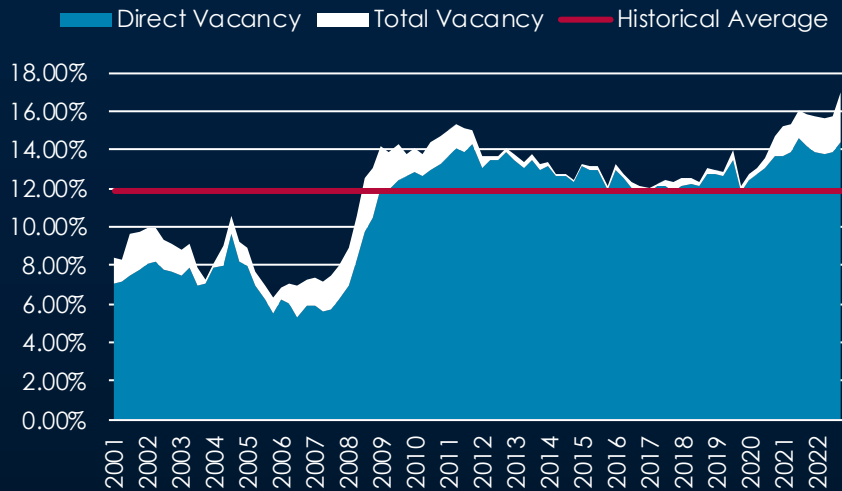
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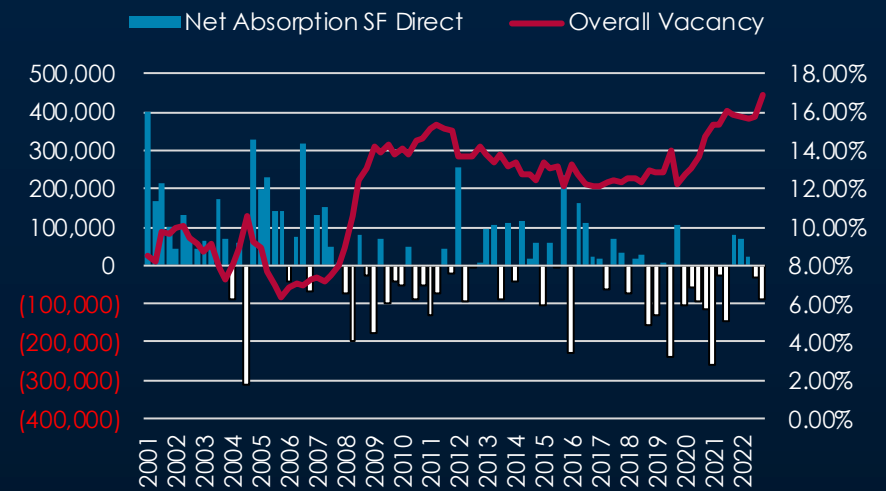
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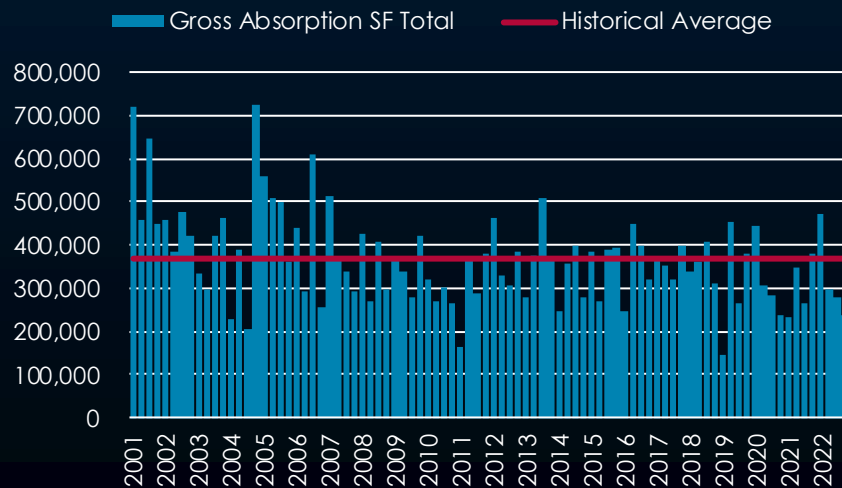
OVERALL VACANCY SIGNIFICANT INCREASE OF 112 BPS IN Q4 TO 16.9%



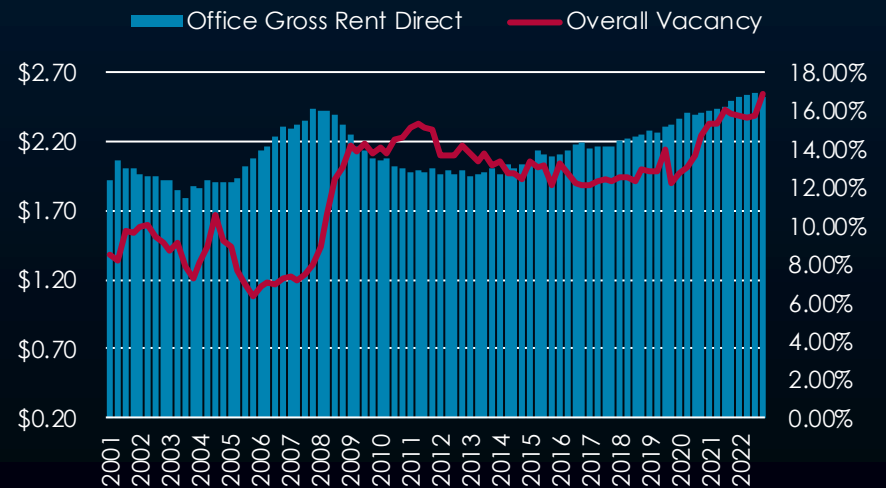
NET ABSORPTION DECLINED 197K SF IN Q4 TOTALING -227,972 SF



GROSS ABSORPTION DECLINED BY 15.5% FROM Q3 TO 236K SF IN Q4

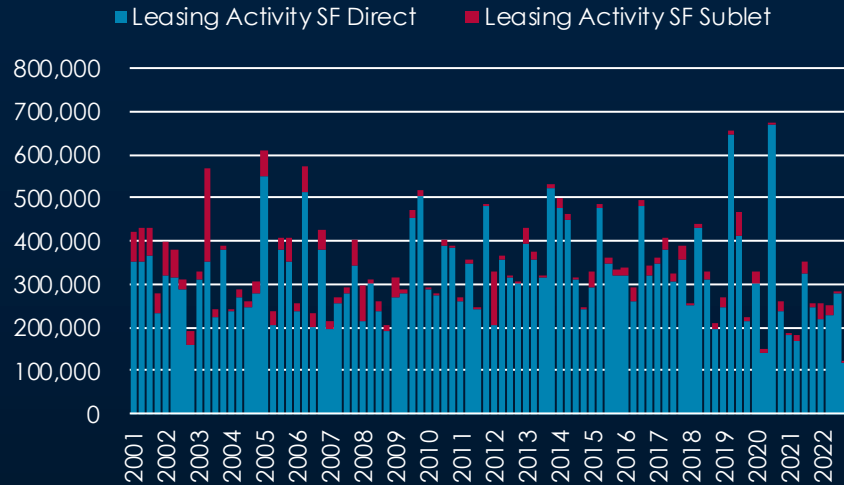


ASKING RENTS FELL BY \$0.02 PSF OR 0.8% FROM Q3 TO \$2.52 PSF IN Q4



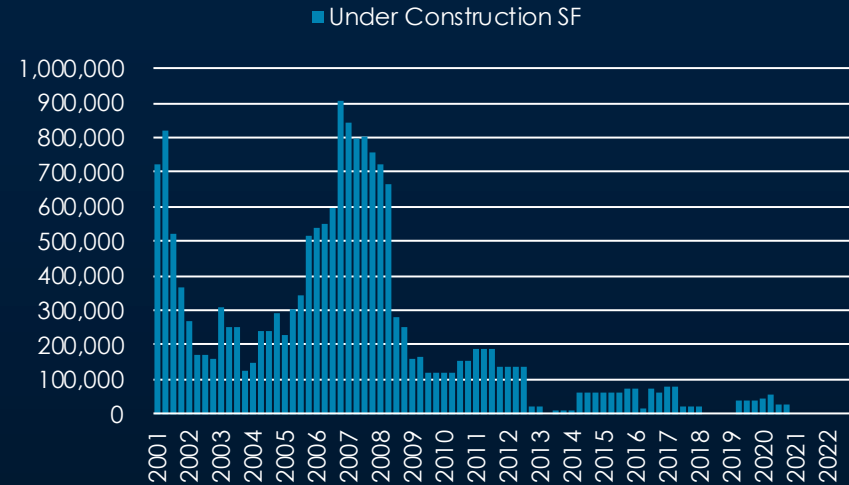
LEASING ACTIVITY

SHARP DECLINE OF 57.8% FROM Q3 TO 118,489 SF IN Q4



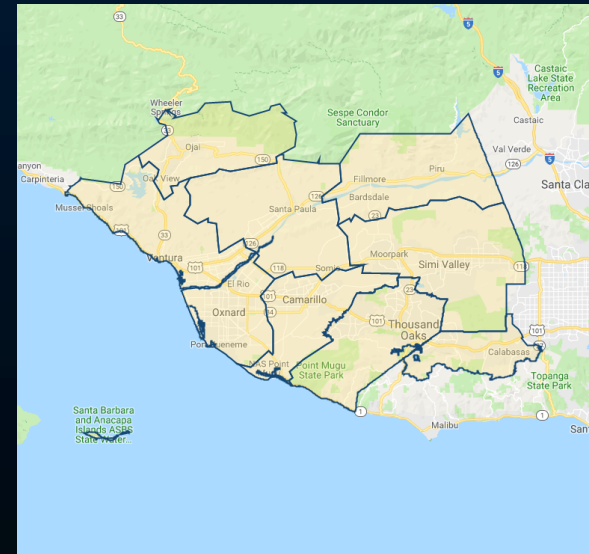
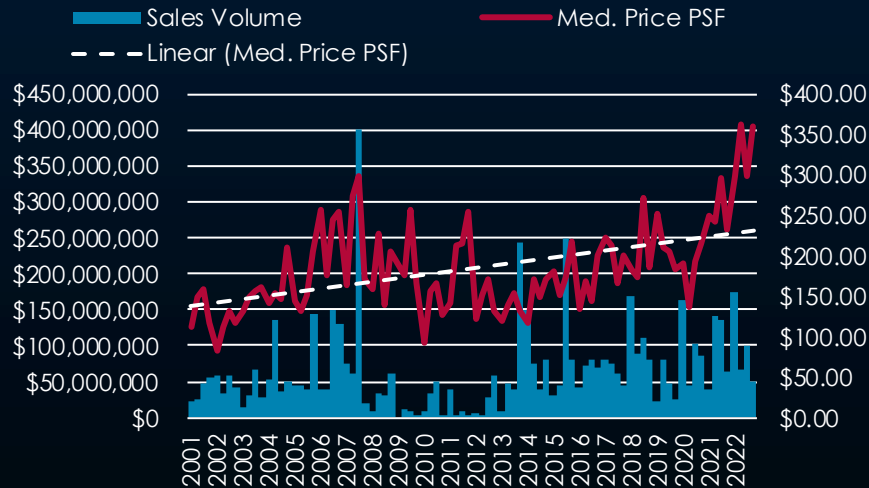
CONSTRUCTION ACTIVITY

LACK OF NEW SUPPLY HINDERING MARKET GROWTH

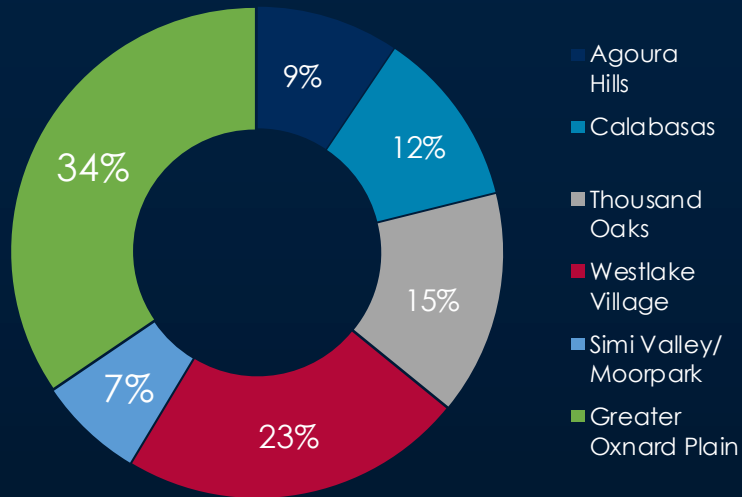


SALES

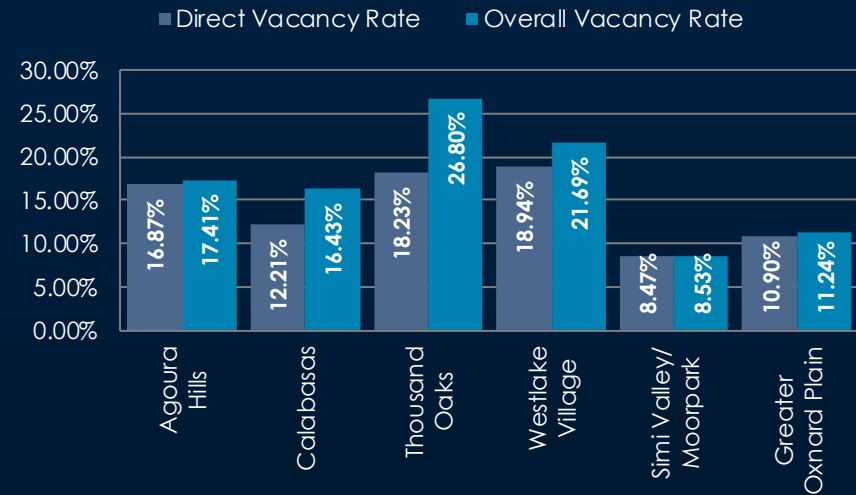
VOLUME TOTALED \$50M. MEDIAN PRICE PSF IN Q4 WAS \$359.84



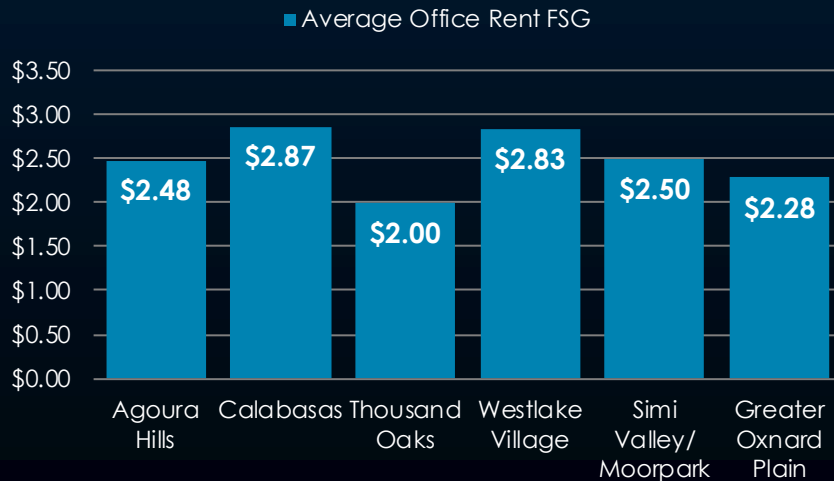
SQUARE FOOT BREAKDOWN- 20,352,032SF MARKET SIZE



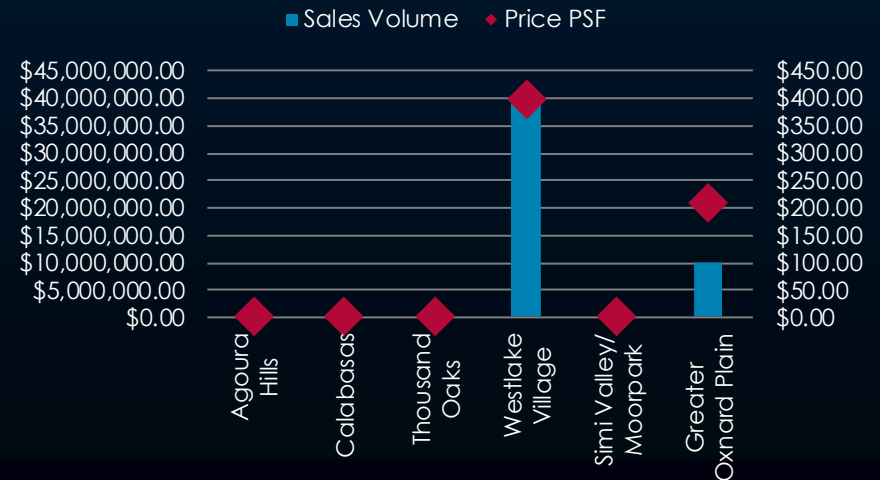
VACANCY BREAKDOWN



AVERAGE RENT PSF



VOLUME BREAKDOWN



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 2022

New buildings with original construction completed in the year 2022 and granted a Certificate of Occupancy. Renovated buildings are not included.



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Economic Overview

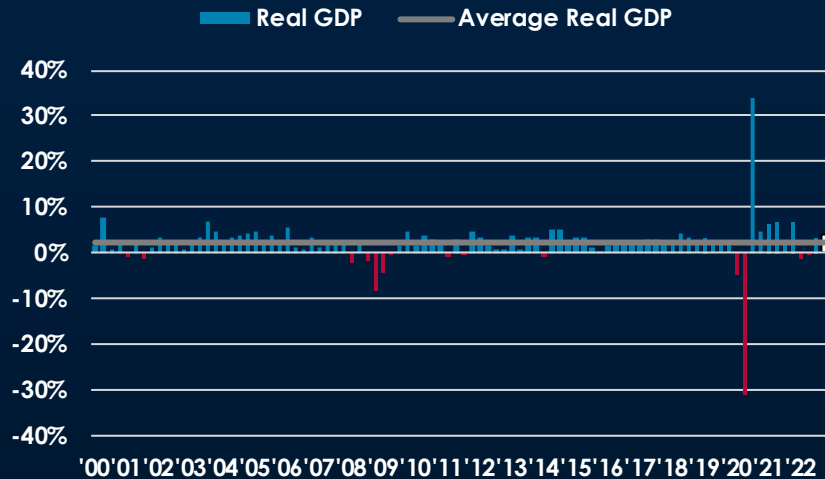


Q4 2022

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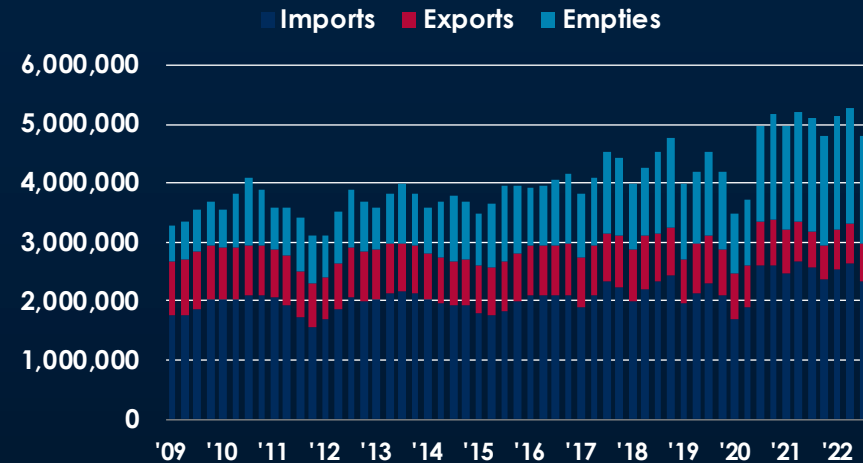
Q4 Market Report

GDP IN Q3 FINISHED AT 3.2%. Q4 EST. TO INCREASE AT 3.9%

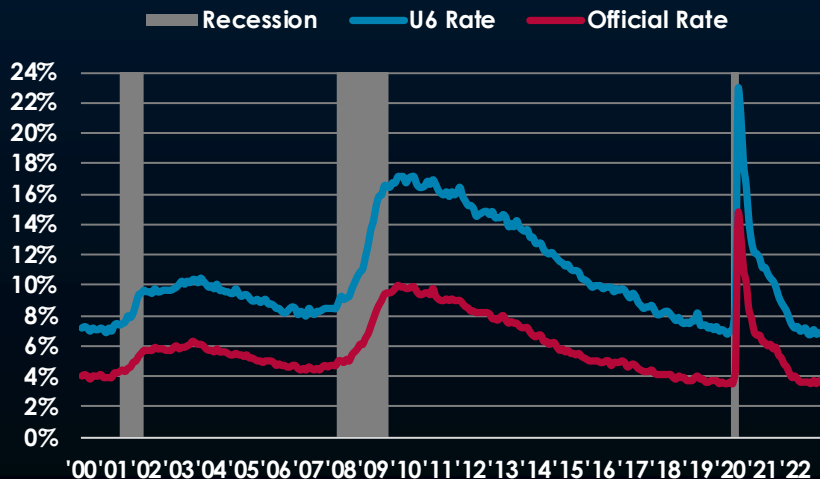


*3.9% Estimate for Q4-22 from the Federal Reserve Bank of Atlanta GDPNow

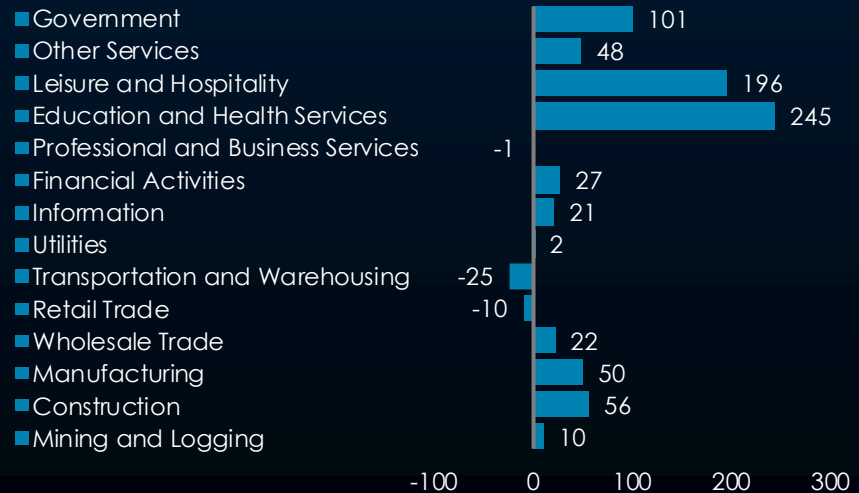
PORT ACTIVITY WAS DOWN 6.0% Y/Y IN Q3 & DOWN 9.4% FROM Q2



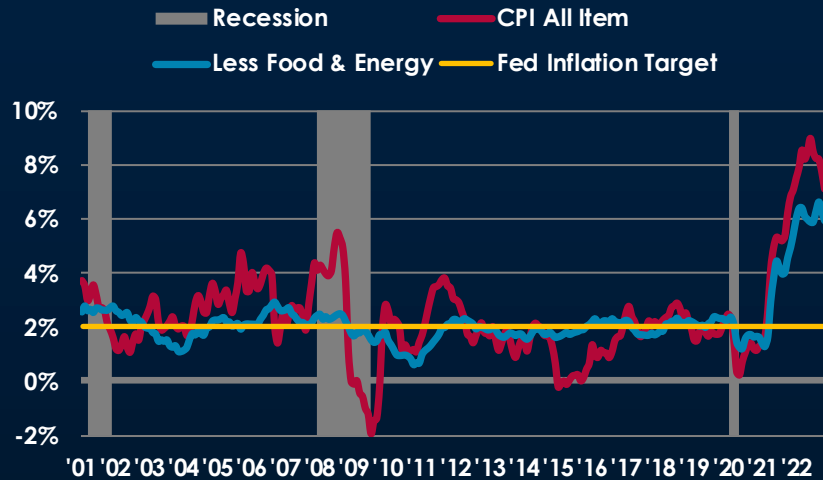
UNEMPLOYMENT CONTINUES TO BE STICKY AS THE FED TIGHTENS



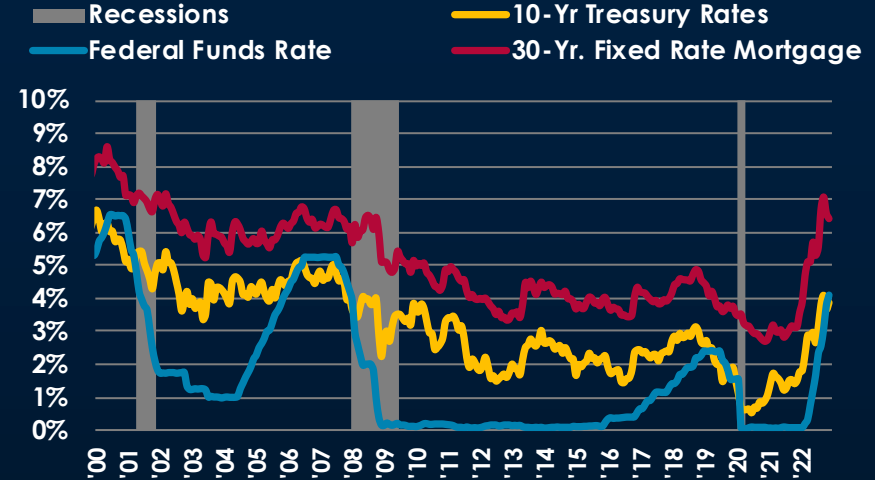
LEISURE & HOSPITALITY; EDUCATION & HEALTH SERVICES LED IN Q4



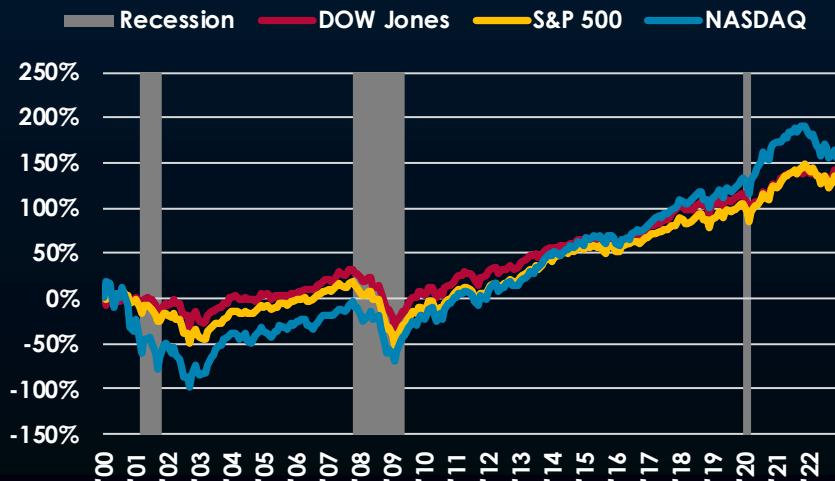
CPI HAS PEAKED BUT STILL CAUSING PAIN IN THE ECONOMY



THE FED CONTINUED ITS AGGRESSIVE RATE HIKES IN Q4



2022 STOCK MARKET RETURNS WORST SINCE 2008



10-2 YEAR SPREAD INVERTED DEEPER IN Q4 ENDING AT -53 BPS

