

Los Angeles

Orange County

Ventura

Inland Empire

Phoenix

Q4 | 2019

# Market Report

Ventura County Office



Although all information is furnished regarding for sale, rental or financing is from sources deemed reliable, such information has not been verified and no express representation is made nor is any to be implied as to the accuracy thereof, and it is submitted subject to errors, omissions, changes of price, rental or other conditions, prior sale, lease or financing, or withdrawal without notice.

# MARKET REPORT Q4

## Office 2019 Ventura County



### MARKET ACTIVITY

<p>Direct Vacancy ↓ 11.2%</p>	<p>Net Absorption ↑ 322,575 SF</p>
<p>Overall Vacancy ↓ 11.6%</p>	<p>Gross Absorption ↑ 588,486 SF</p>
<p>Under Construction ↔ 38,250 SF</p>	<p>Rental Rates (FSG) ↑ \$2.33</p>
<p>Sale Price Change ↓ 11.7%</p>	<p>Deal Volume ↓ 45.4%</p>

### KEY TAKE AWAYS

#### MARKET

- **Vacancy Rate:** Fell by a significant 150 BPS in Q4.
- **Net Absorption:** Best quarter since Q1 2008.
- **Office Supply:** Minimal new supply in market.
- **Sales:** The median price PSF was \$182.47. Volume in 2019 was nearly \$175M, but down 61% from 2018.
- **Asking Rents:** Up slightly from Q3.

#### ECONOMIC OUTLOOK

- **Interest Rates:** The yield curve normalized in Q4. The Fed signaled no change in rates are coming in 2020.
- **Trade:** Congress is expected to pass the USMCA trade deal in early 2020. The trade war with China looks to be coming to an end as Phase 1 of the deal is to be signed in mid-January.
- **Stock Market:** The DOW, S&P 500, & NASDAQ had significant returns in 2019. The DOW saw gains of 22.3%, S&P 500 gained 28.9%, NASDAQ finished at 35.2%. The market is expected to continue its rise in 2020.

### ECONOMIC OUTLOOK

<p>U.S. Employment ↓ 3.5%</p>	<p>U6 Rate ↓ 6.9%</p>
<p>Interest Rate ↑ 3.7% <small>(30 year fixed)</small></p>	<p>Changing GDP ↑ 2.3%</p>
<p>Port Traffic Y/Y Δ ↑ 0.3%</p>	<p>NYSE Performance ↑ 7.5%</p>
<p>Inflation Change ↑ 2.0%</p>	<p>10 Yr. - 2 Yr. Spread ↑ 34 BPS</p>

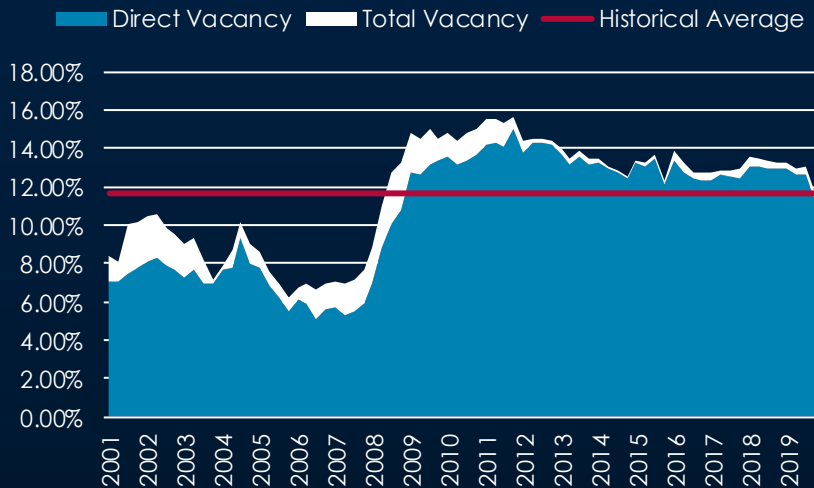
EXPERIENCE IN A CHANGING MARKET

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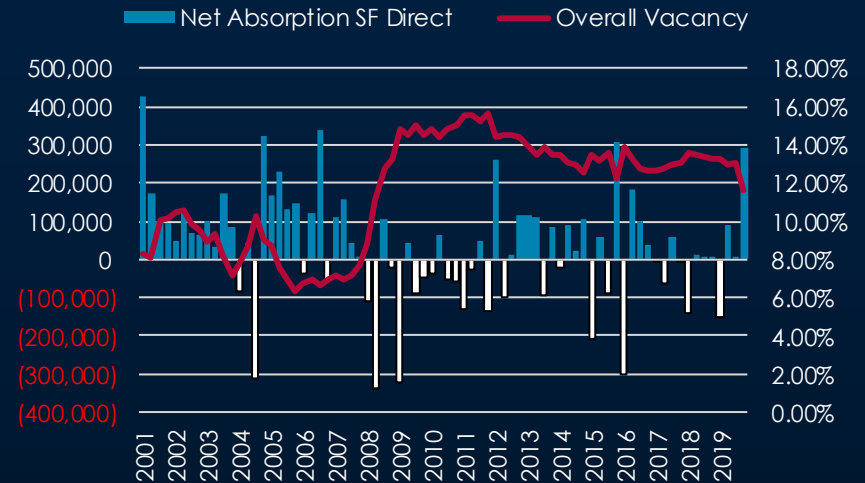


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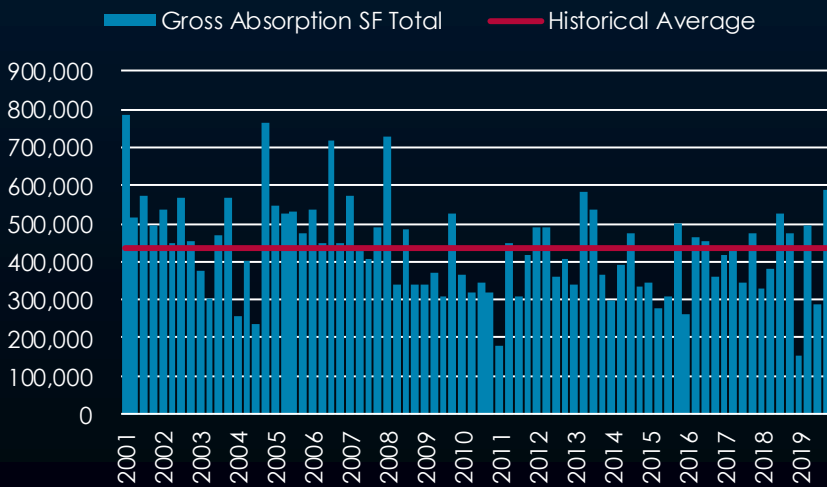
## OVERALL VACANCY FELL 150 BPS IN Q4 FROM Q3



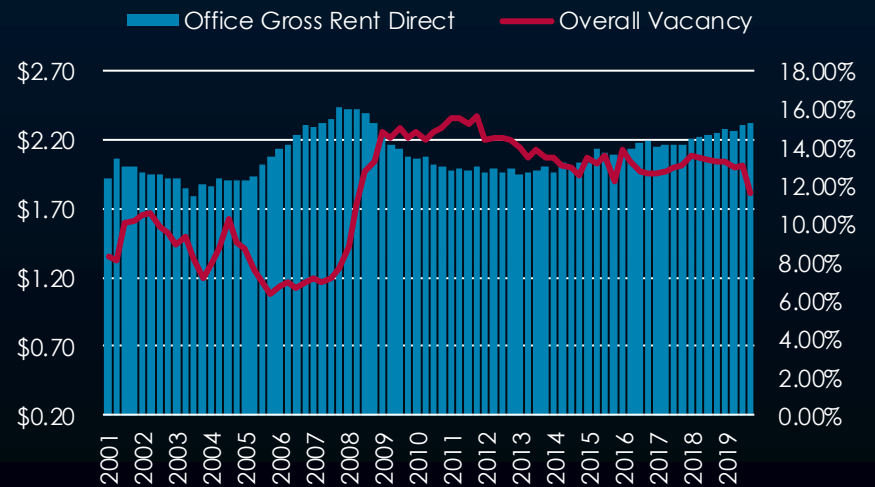
## NET ABSORPTION Q4 WAS THE BEST PERFORMING QUARTER SINCE 2008



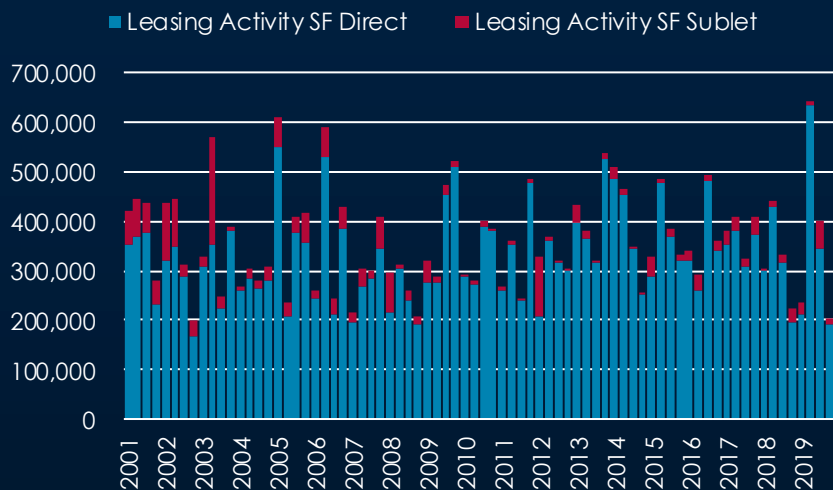
## GROSS ABSORPTION JUMPED TO NEARLY 600K SF



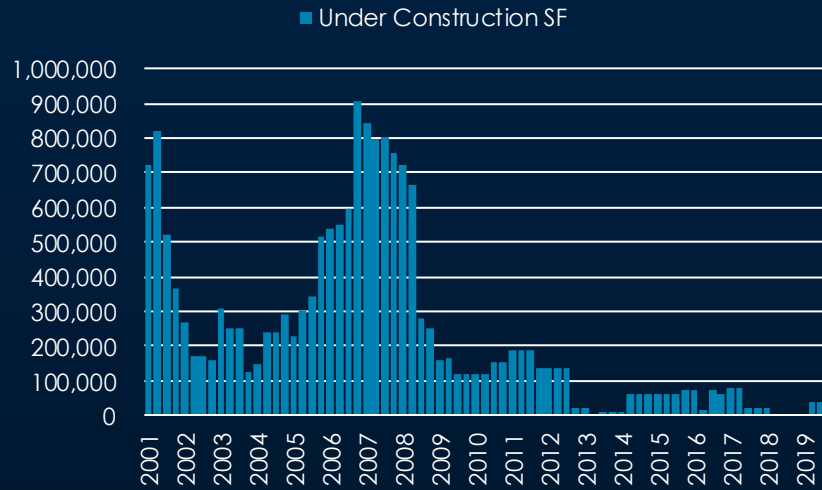
## ASKING RENTS UP SLIGHTLY FROM Q3 TO \$2.33 PSF



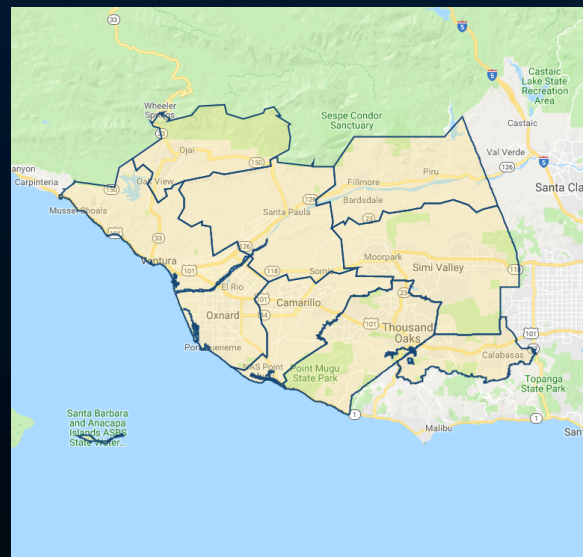
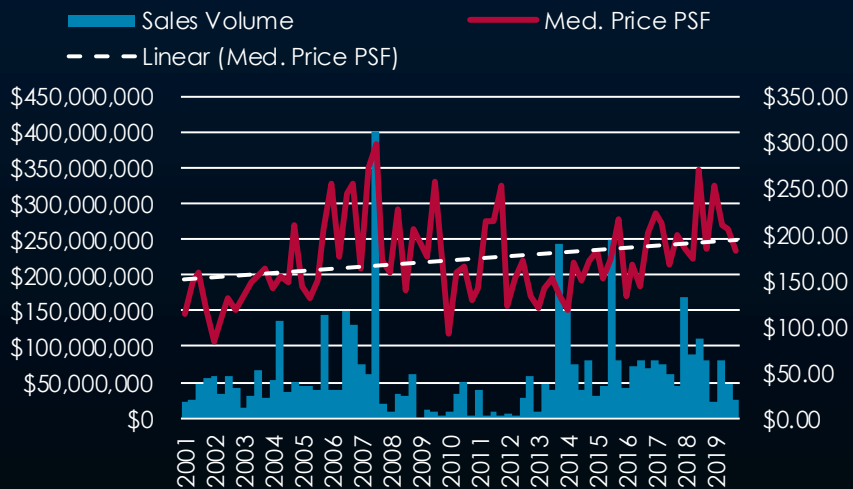
## LEASING ACTIVITY DROPPED TO JUST OVER 200K SF



## CONSTRUCTION ACTIVITY LACK OF NEW SUPPLY HINDERING MARKET GROWTH

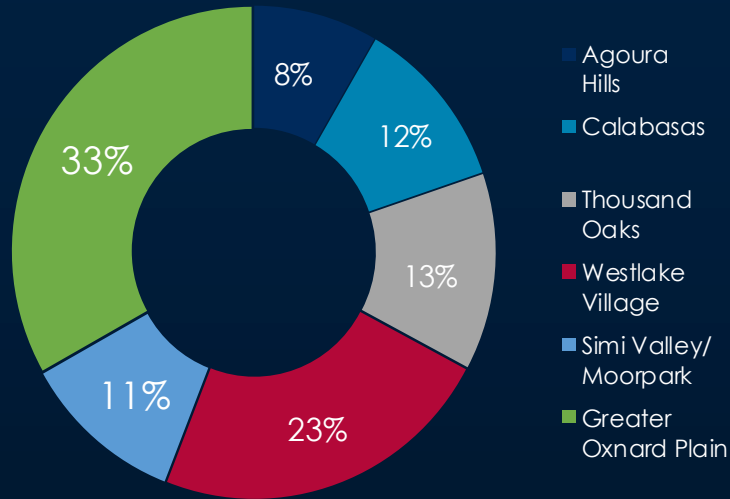


## SALES THE MEDIAN PRICE PSF IN Q4 WAS \$182.47

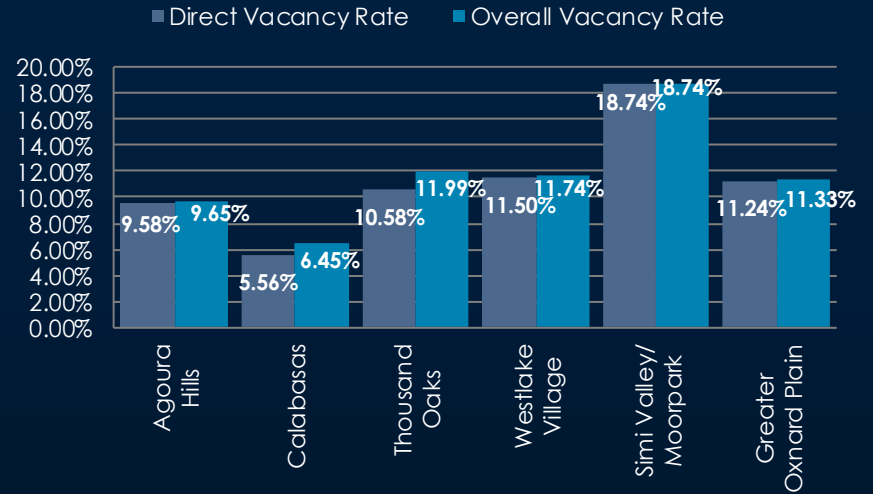




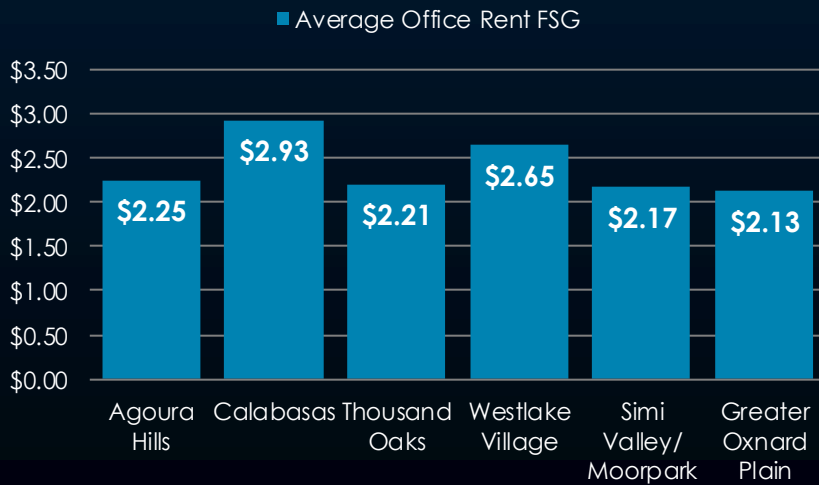
## SQUARE FOOT BREAKDOWN- 21,722,619 SF MARKET SIZE



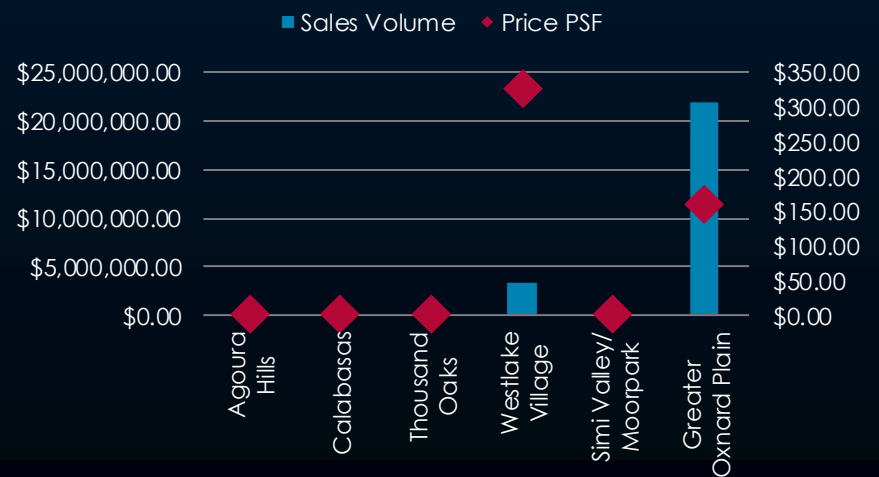
## VACANCY BREAKDOWN



## AVERAGE RENT PSF



## VOLUME BREAKDOWN



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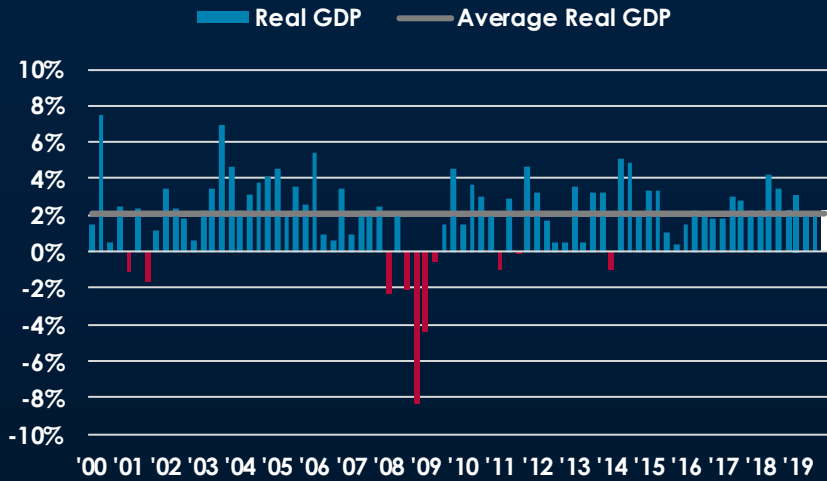
# Economic Overview



Q4 2019

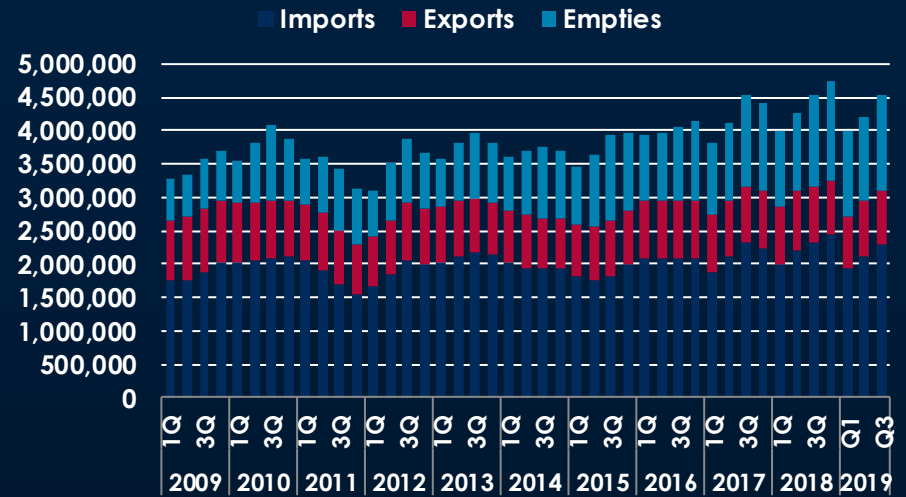
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GDP IN Q3 FINISHED AT 2.1%. Q4 ESTIMATE IS 2.3%

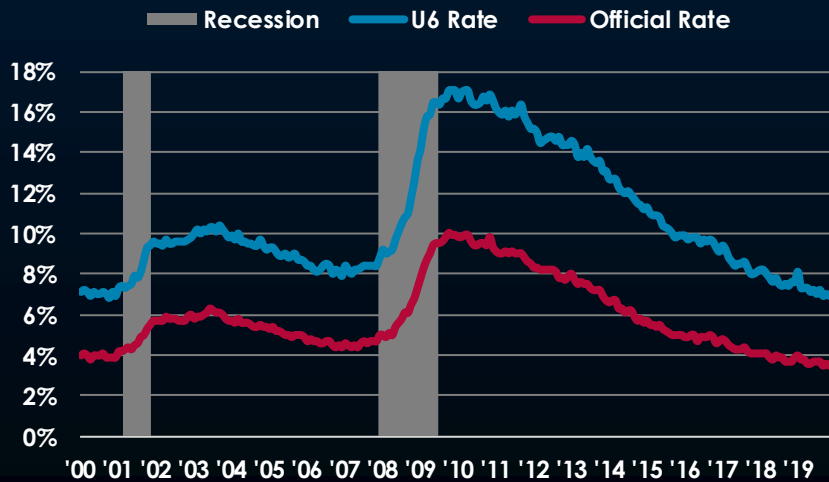


\*2.3% for 4Q19 based on Fed Reserve Bank of Atlanta "GDP Now" Forecast

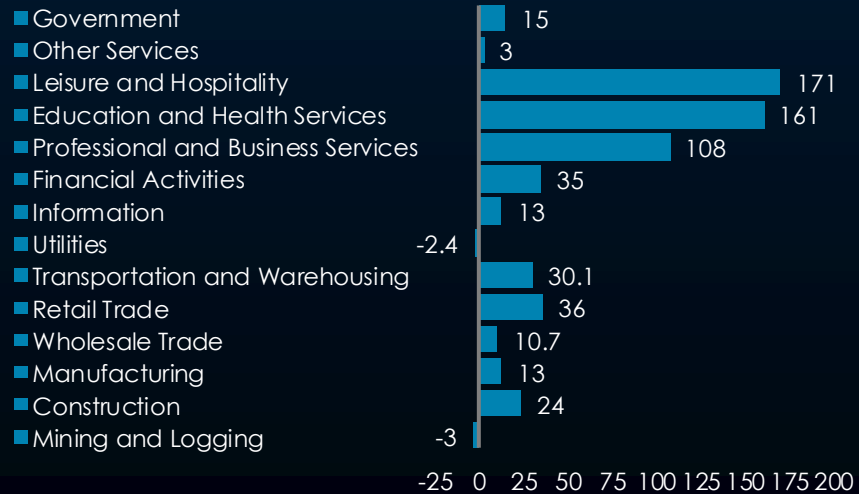
PORT ACTIVITY INCREASED IN Q3 BY 8.0% FROM Q2



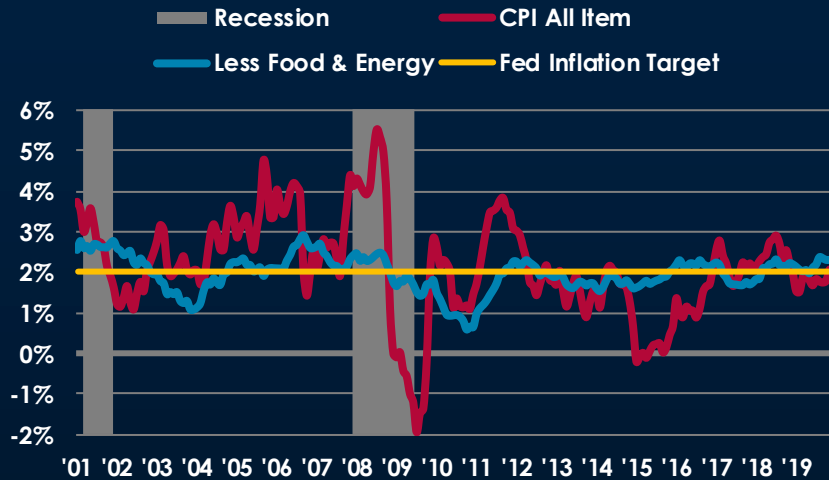
UNEMPLOYMENT CONTINUES DOWNWARD TREND



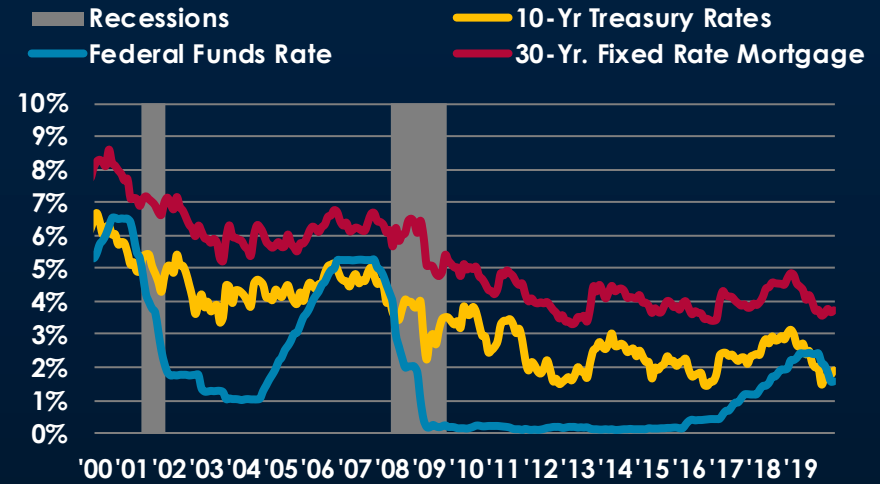
MOST INDUSTRY SECTORS CONTINUE TO SEE GROWTH



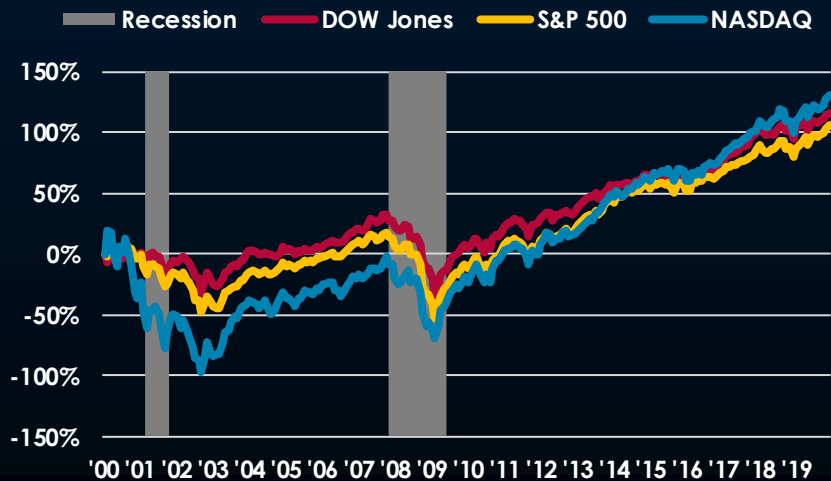
## CPI JUST ABOVE 2% TARGET AT 2.05%



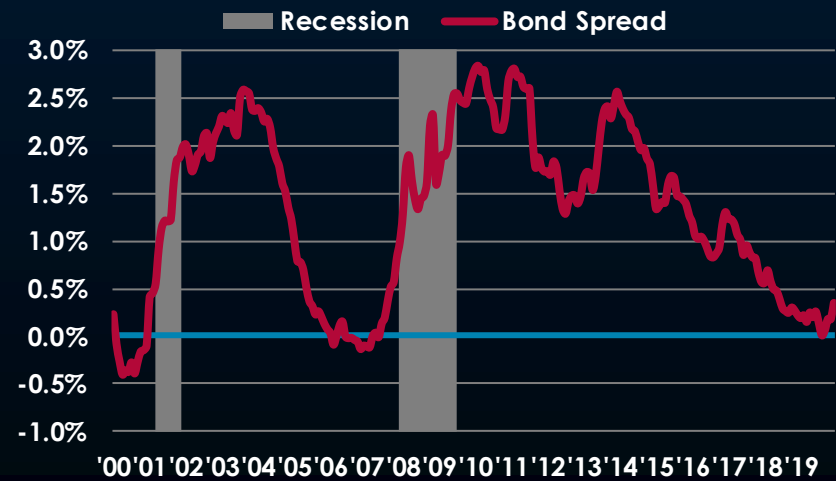
## THE YIELD CURVE NORMALIZED IN Q4



## ALL INDEXES SAW POSITIVE RETURNS IN Q4 AND FOR 2019



## 10-2 YEAR BOND SPREAD TURNED POSITIVE IN Q4





## 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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