

Q3 2011 Market Analysis

Absorption improves as leasing remains active

Office leasing fell off somewhat from levels in the second quarter, but remained relatively brisk.

A total of 283,000 square feet of office space was leased in 146 deals in the quarter, compared with 336,569 square feet of leases in the second quarter of the year. Still, absorption was stronger and the vacancy rate fell substantially to 16.8 percent from 17.3 percent in Q2.

Absorption has been steadily improving and registered a positive 104,800 square feet in the current quarter, compared to negative 72,000 in Q2 and negative 114,669 in the year-ago quarter.

Camarillo was the only submarket where fewer square feet were leased than were vacated in the quarter.

One major contributor to the quarter's results was the 142,000-square-foot lease signed by PennyMac in Moorpark.

Despite the improvement in fundamentals, landlords are remaining aggressive in negotiating lease rates, and direct asking rents fell another \$0.02 in the quarter to \$1.92 per square foot.

Nonetheless, asking lease rates have only fallen by four-tenths of a percentage point since the third quarter of

last year, a sign that stability is returning to the leasing sector.

While commercial real estate appears to be stabilizing, overall, the Ventura County economy continues to bounce along the bottom. The jobless rate in August was 10.5 percent down slightly from a revised 10.6 percent unemployment rate in July but an increase over June's 10.3 percent rate.

California Economic Forecast analysts

project that job growth will remain weak for the rest of the year and pick up by mid-2012.

On a national basis, the GDP grew 1.3 percent in the second quarter, a rate analysts called "anemic," compared to first quarter growth of 0.4 percent.

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Economy at a Glance

Wages: Data from the Bureau of Labor Statistics showed that many of the jobs in Ventura County are concentrated in careers that pay less than \$20 an hour, according to a story published Aug. 18 in the *Ventura County Star*. Many of the county's jobs are in office and administrative support, sales and related posts, and occupations tied to food preparing and serving with an average hourly wage of \$10.46 to \$18.13.

Income: Income in the U.S. fell in August for the first time in nearly 2 years, according to an Associated Press report published in the *Ventura County Star*. The decline in income explains the slowed pace of spending in August, the report said.

Retail: JC Penney completed a \$3 million renovation of its Thousand Oaks store at The Oaks mall. The move is part of a \$650 million makeover plan underway by JC Penney.

Small Business: A survey of California small business owners found 55 percent plan to grow their business over the next six months, according to the American Express Small Business Monitor reported in the *Pacific Coast Business Times*. That's down from 85 percent a year ago. Just 22 percent of California small business employers said they plan to do any hiring over the next six months, and 51 percent said they have cash-flow issues.

Healthcare: Community Memorial Health System in Ventura broke ground on a 328,000-square-foot hospital. The project is being funded by a bond sale, according to a report in the *Pacific Coast Business Times*.

MARKET TRENDS: CHANGE FROM PREVIOUS QUARTER



ASKING RENTS
\$1.92



DIRECT VACANCY
16.8%



NET ABSORPTION
104,800 SF



CONSTRUCTION
188,700 SF

(Continued from preceding page)

Meanwhile, the median price of commercial real estate sold in Ventura County year-to-date rose 29 percent to \$213.15 per square foot.

As of the end of 2010, the median price of buildings sold in the region

was \$169.19 per square foot.

Owner-users continue to account for the bulk of sales activity in the region, fueled by the reduction in property values that has taken place over the past two years and record-low SBA interest rates.

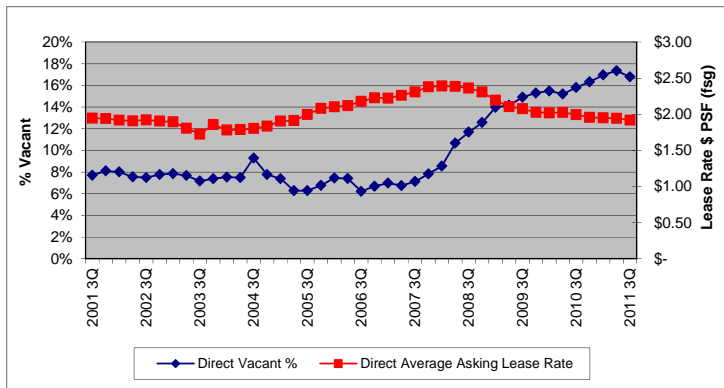
Even with the recent increases, however, real estate prices in Ventura County are still about 18 percent under values in 2006 before the peak of the runup.



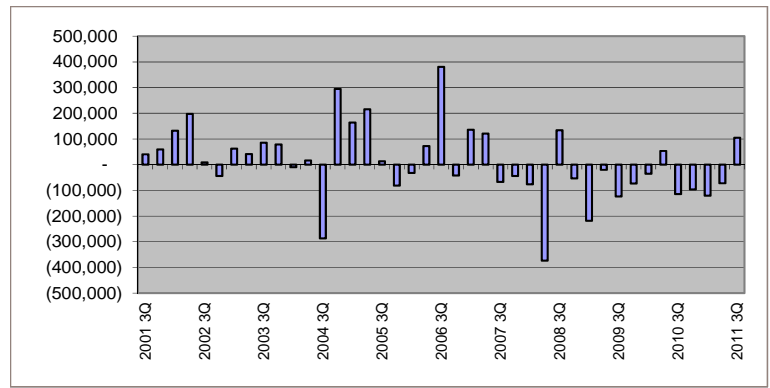
Ventura County Office Trends: Period ending Sept. 30, 2011

Submarket	# Buildings	RSF	Direct Vacancy	Total Vacancy	Direct Net Absorption	Direct Asking Lease Rate	Sublease Asking Lease Rate	Under Construction	Completed
Agoura Hills	54	1,494,400	20.4%	21.1%	31,600	\$1.94	\$1.80	71,800	0
Camarillo	80	2,323,800	27.8%	27.8%	(13,900)	\$1.87	\$0.96		0
Conejo Valley	199	7,236,800	15.6%	19.0%	37,500	\$1.97	\$1.69		0
Oxnard / Port Hueneme	105	2,543,800	11.8%	12.1%	42,600	\$1.91	\$1.49	116,900	0
Simi Valley / Moorpark	53	1,576,100	24.1%	24.1%	400	\$2.00	\$1.71		0
Ventura	195	3,358,200	10.4%	10.7%	6,600	\$1.75	\$1.50		0
Total	686	18,533,100	16.8%	18.2%	104,800	\$1.92	\$1.71	188,700	0

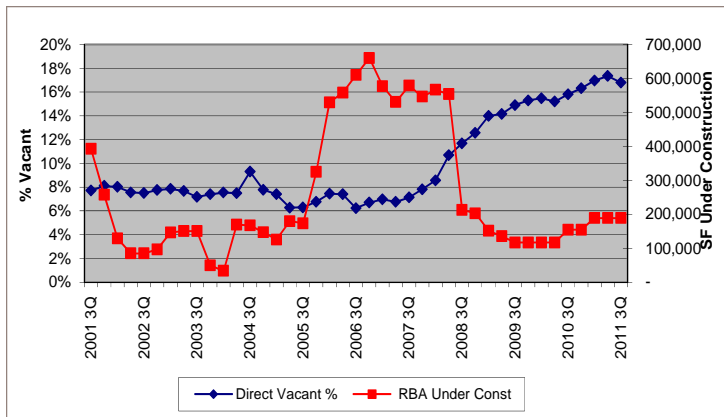
VACANCY VS ASKING LEASE RATE



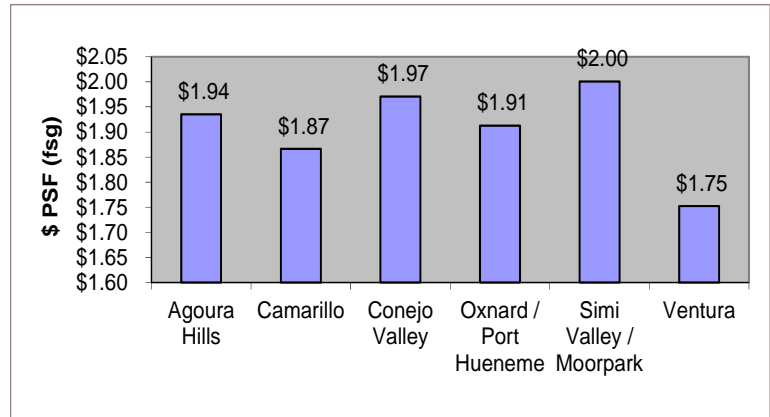
ABSORPTION-HISTORICAL



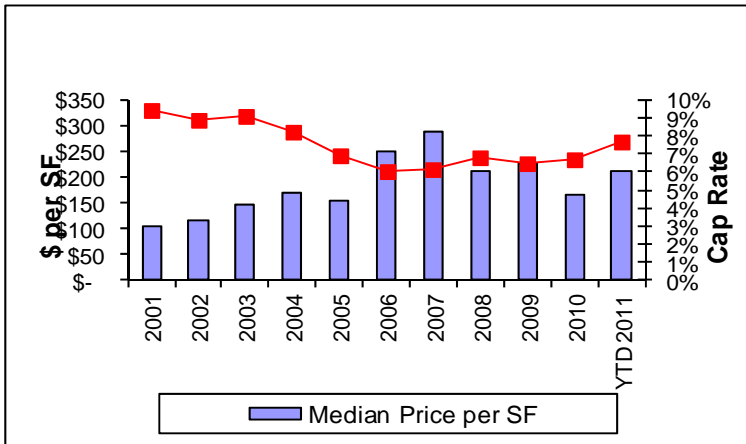
VACANCY VS CONSTRUCTION



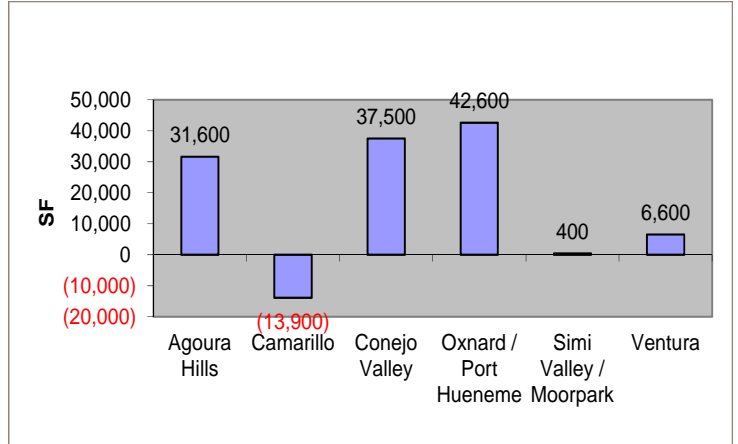
ASKING LEASE RATES BY SUBMARKET



PRICE PSF VS CAP RATE



ABSORPTION BY SUBMARKET



SIGNIFICANT SALES & LEASE TRANSACTIONS



Address 301 Science Dr.
City Moorpark

Price/SF \$242.63
Sq Ft 22,025
Type Sale

Moorpark medical Plaza LLC acquired this low-rise Class B office building for \$5,344,000. Seller was RRM Partners Ltd.



Address 199 E. Wilbur Rd
City Thousand Oaks



Price/SF \$190.61
Sq Ft 7,240
Type Sale

Owner User, Time Warner Cable, acquired this Class C office low-rise for \$1,380,000 from Richard & Lisa Thorsen Trust.



Address 28001 Dorothy Dr.
City Agoura Hills



Price/SF \$187.66
Sq Ft 15,720
Type Sale

Valley Industrial Properties acquired this Class B office low-rise for \$2,950,000 from Haybliss Properties LLC.



Address 345 S A St.
City Oxnard



Price/SF \$125.65
Sq Ft 5,810
Type Sale

Owner-user Galeno Healthcare, LLC acquired this Class B Medical Office building for \$730,000 from Nara Bank.



Address 6101 Condor
City Moorpark

Sq Ft 141,000
Type Lease

Private National Mortgage Acceptance Co (PennyMac) leased this space at an estimated \$1.85 PSF FSG for a five-year term.



Address 28720 Roadside Dr
City Agoura Hills



Sq Ft 8,199
Type Lease

Maverick Bancard Inc. leased this space for a 5-year term.



Address Agoura Hills Business Center
City 29800 Agoura Rd #200
Agoura Hills



Sq Ft 5,522
Type Lease

U-PIC Insurance Services leased space in this 34,494-square-foot Class B office low-rise at \$1.60 PSF FSG for a 60-month term. The transaction included an \$11.00 PRSF TI allowance and 5 months free rent.

LA North/Ventura, Inc.

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MARKET DEFINITIONS

RENTABLE AREA

Includes all Class A, B multi-tenant and single-tenant office buildings of 5,000 square feet and greater. Excludes buildings under construction, planned or under renovation.

DIRECT VACANCY

Space in existing buildings that is not occupied and is available for direct lease.

TOTAL VACANCY

Space in existing buildings that is not occupied and is available for direct lease and/or sub-lease.

DIRECT NET ABSORPTION

Net change in occupied square feet from one period to the next, not including the effects of occupied sublease space.

DIRECT ASKING LEASE RATE

Calculated for direct available space using full service gross rents. Rents are weighted by total square feet available for direct lease.

SUBLEASE ASKING LEASE RATE

Calculated for sublease available space using full service gross rents. Rents are weighted by total square feet available for sublease.

UNDER CONSTRUCTION

Buildings in the process of construction. A building is considered complete when issued a certificate of occupancy.

AVERAGE SALE PRICE

Based on actual prices of sold buildings as reported in public records and by CoStar. Includes all office buildings and all sizes in market.

AVERAGE CAP RATES

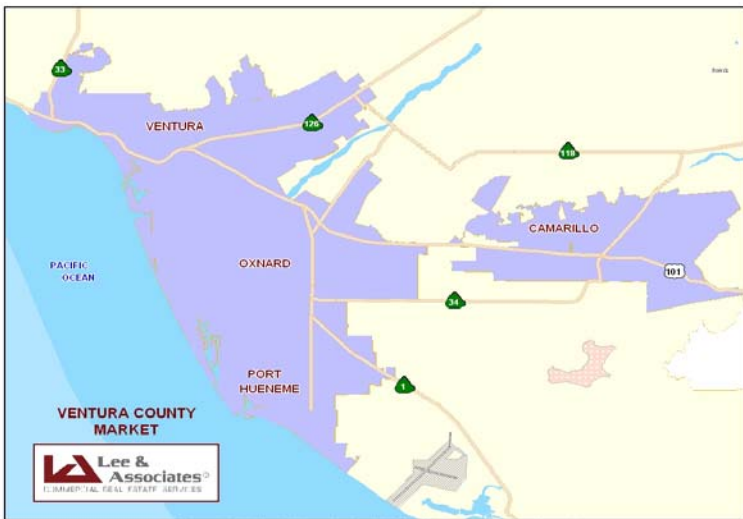
Based on capitalization rates in completed transactions as reported to CoStar. Includes all office buildings and all sizes in market.

About Lee & Associates

Celebrating more than 30 years of leadership excellence in commercial real estate, Lee & Associates is one of the largest national commercial real estate providers with regional expertise. Lee & Associates currently has 43 offices with more than 600 agents located in California, Arizona, Idaho, Illinois, Michigan, Missouri, Nevada, New Jersey, Texas and Wisconsin.

Lee & Associates-LA North/Ventura, Inc. a member of the Lee & Associates Group of Companies, is a full service commercial brokerage company with offices in Sherman Oaks, Calabasas, Ventura County and Antelope Valley. Additional information is available at www.lee-associates.com.

CITIES IN THE VENTURA COUNTY REGION



- Agoura Hills
- Agoura Hills
- Oak Park
- Camarillo
- Camarillo
- Somis
- Conejo Valley
- Newbury Park
- Thousand Oaks
- Westlake Village
- Moorpark/ Simi Valley
- Moorpark
- Simi Valley
- Oxnard/ Port Hueneme
- Oxnard
- Pt. Hueneme
- Saticoy
- Ventura
- Fillmore
- Mira Monte
- Oak View
- Ojai
- Santa Paula
- Ventura

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