

Q2 2010 Market Analysis

Some relief but challenges persist

Q₂ office leasing activity was not quite as strong as it had been in the first quarter but it was high enough to push absorption into positive territory for the first time since the third quarter of 2008.

A total of 174,876 square feet of office space was leased in 73 direct and sublease deals in the quarter, compared with 253,452 square feet of leasing in Q1.

The region saw positive absorption in all but two submarkets — Camarillo and Ventura — and, in comparison to the first quarter, vacancy rates declined or remained relatively stable in all Ventura submarkets.

The amount of vacant space also improved in all submarkets with the exception of the Conejo Valley, suggesting that the closures and downsizing the market has experienced over the past several years is abating.

Although asking rental rates dropped by just one penny in the quarter, it is important to note that aggressive deal making is continuing, and while our survey shows rent decreases have stabilized, actual effective rents are still trending downward.

While they may be leveling off, vacancy levels are still exceedingly high by historical standards, with submar-

kets like Agoura Hills seeing rates above 25 percent, Camarillo at 21 percent and Simi Valley/Moorpark at more than 18 percent.

Unemployment, an all-important economic indicator, was at 10.6 percent in Ventura County in June, surpassing the previous high of 10.4 percent in July, 1992, and is not expected to improve significantly for the balance of the year.

Without a rebound in jobs, the office

market can be expected to see only modest improvement. Vacancy levels will remain high and rental rates will likely continue to contract until the end of the year.

These challenges led the Los Angeles County Economic Development Corp. (LAEDC) to project that it will take until the end of the year to begin to see improvement in the Ventura County economy.

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Economy at a Glance

- **Money:** Venture capital investment in California in the Q2 was nearly \$4 billion, an increase of 51 percent over the same period last year and the highest level since Q3 2008, according to DowJones VentureSource and reported in the *Los Angeles Times*.
- **Mortgage:** All-time low mortgage rates are not helping to spur homebuying in Ventura County because of insufficient inventory in the entry-level price ranges, according to a report in the *Ventura County Star*.
- **Service Sector:** The pace of growth in the service sector slowed in June. The Institute for Supply Management reported that its nonmanufacturing index fell to 53.8 percent after holding at 55.4 percent for the previous three months. An index of 50 percent or more indicates expansion.
- **Hiring:** A second quarter survey by The Business Roundtable found that 39 percent of large company CEOs expect to increase hiring in the next six months and 43 percent said they anticipated no changes in hiring.
- **Businesses:** The number of small and mid-sized businesses sold in Ventura County in April declined by 58 percent to 25 compared to April, 2009, according to a report in the *Ventura County Star* that cited statistics from BizBen.com. The decline was attributed to continuing concerns about the economy and tightening of small business loans.

MARKET TRENDS: CHANGE FROM PREVIOUS QUARTER



ASKING RENTS
\$2.01



DIRECT VACANCY
15.3%



NET ABSORPTION
36,000 SF



CONSTRUCTION
116,900 SF

(Continued from preceding page)

The second quarter brought a brisk uptick in commercial real estate sales in many parts of Southern California, but the rise has not been as strong in Ventura County due to continuing uncertainty among business owners, higher

prices and a lack of inventory.

As of the first half of the year, the median price of office buildings sold in Ventura County was \$175 PSF, up from \$165 PSF in the prior quarter.

Several new Lee & Associates listings, however-Creekside Business Center in

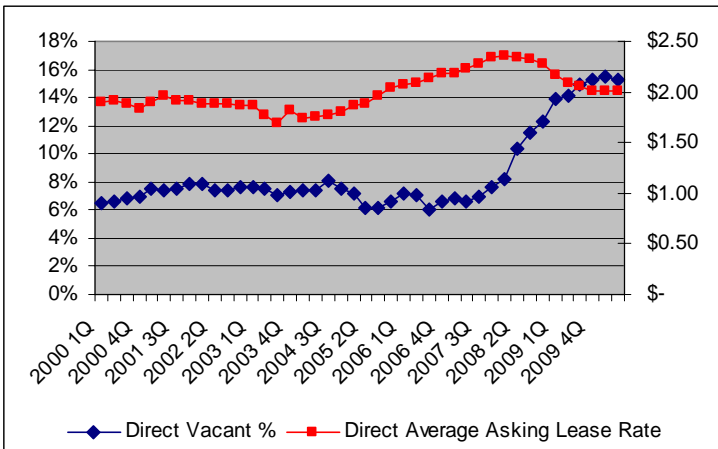
Camarillo, which was just sold, and Conejo Ridge Executive Center in Newbury Park, which is currently being marketed, are likely to further adjust pricing and could spur additional activity in this sector.



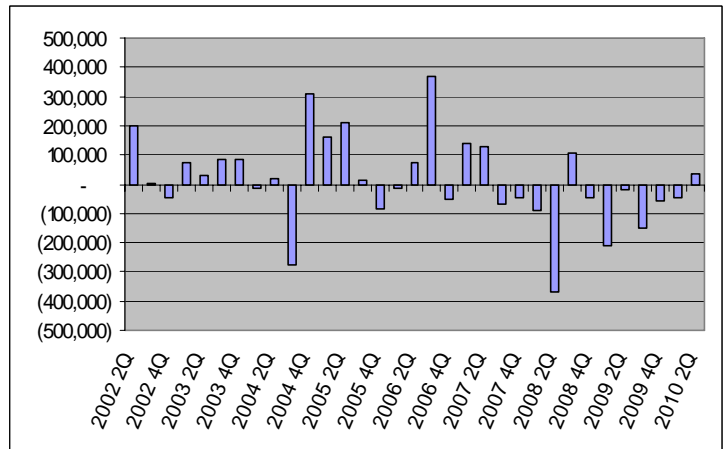
Ventura County Office Trends: Period ending June 30, 2010

Submarket	# Buildings	RSF	Direct Vacancy %	Total Vacancy %	Direct Net Absorption	Direct Asking Lease Rate	Sublease Asking Lease Rate	Under Construction	Completed Construction
Agoura Hills	64	1,969,000	24.6	24.9	16,900	\$2.03	\$1.44	0	0
Camarillo	79	2,184,000	22.2	22.2	(-14,800)	\$1.89	na	0	0
Conejo Valley	205	7,251,600	13.4	16.7	32,800	\$2.17	\$1.73	0	0
Oxnard / Port Hueneme	109	2,763,700	12.4	12.8	7,300	\$1.95	\$1.78	11,6900	0
Simi Valley / Moorpark	51	1,817,400	18.7	18.9	4,200	\$2.03	\$1.95	0	0
Ventura	189	3,291,700	9.7	10.0	(-10,400)	\$1.73	\$1.27	0	0
Total	697	19,277,400	15.3	16.7	36,000	\$2.01	\$1.71	116,900	0

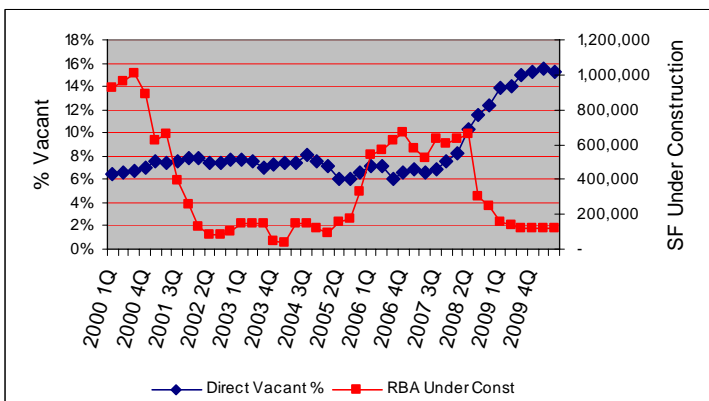
VACANCY VS ASKING LEASE RATE



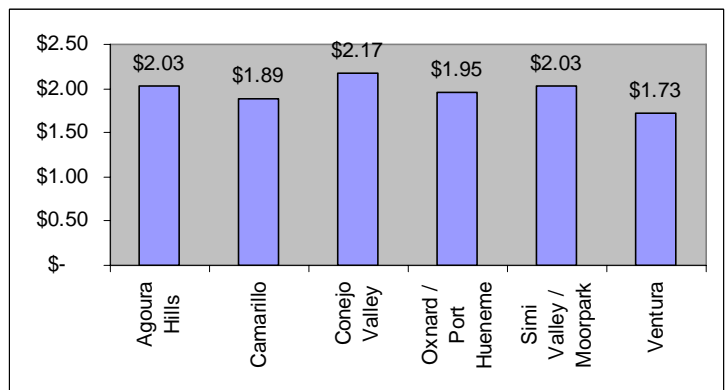
ABSORPTION-HISTORICAL



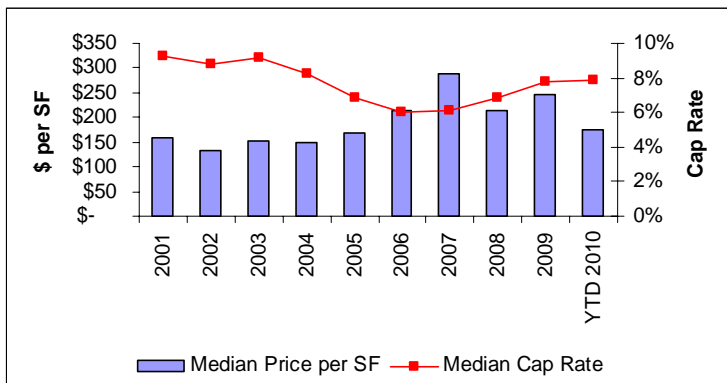
VACANCY VS CONSTRUCTION



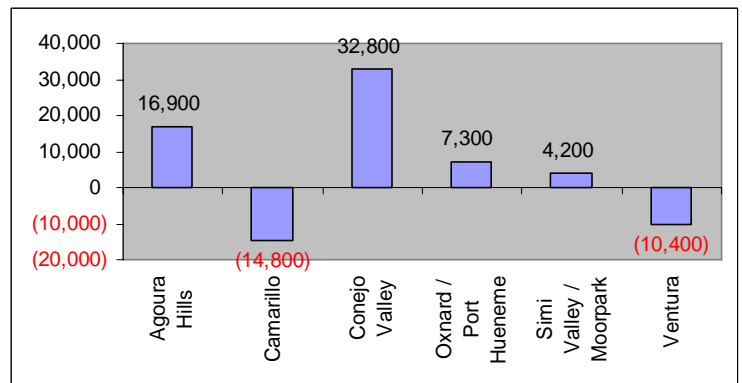
ASKING LEASE RATES BY SUBMARKET



PRICE PSF VS CAP RATE



ABSORPTION BY SUBMARKET



VENTURA-AREA LEASE TRANSACTIONS



Address 5898 Condor Dr.
City Moorpark
Sq Ft 21,454
Type Lease
Tenant leased two floors in Condor Corporate Center-Moorpark Business Center for a 5-year term at estimated \$1.85 PSF.



Address 110 Camino Ruiz
City Camarillo
Sq Ft 11,378
Type Lease
Crescendo Interactive Inc. leased approximately one half of this 22,840-square foot building in Mission Oaks Business Park from Bennett Center LLC for a 5-year term.



Address 21 S. California St., 4th Floor
City Ventura
Sq Ft 4,436
Type Lease
Rasmussen & Associates leased a floor in this 17,540-square-foot building at \$1.52 PSG FSG on an 'as is' basis. The lease term is 84 months.



Address 2811 N. Ventura Road Bldg F
City Oxnard
Sq Ft 3,622
Type Lease
A medical user leased Bldg F in RiverPark Gateway office park for a 5-year term.



Address 2011 Ventura Blvd.
City Camarillo
Sq Ft 2,016
Type Lease
Undisclosed client leased this office space for a one-year term at \$1.75 PSG MG.



Address 166 N. Moorpark Rd.
City Thousand Oaks
Sq Ft 1,635
Type Lease
David Lee Acupuncture leased this space in Village Medical Center for a 3-year term. Rental rate is \$1.50 PSF MG.



Address 325 Rolling Oaks Dr. Bldg E
City Thousand Oaks
Sq Ft 1,632
Type Lease
This office/medical space in Rolling Oaks Office Center was leased to an undisclosed tenant for a 3-year term at an estimated lease rate of \$1.95 PSF FSG.



Address 500 Paseo Camarillo #104
City Camarillo
Sq Ft 1,316
Type Lease
Dr. Paul Rehder leased this Class A medical office space for a 37 month term at \$2.00 PSF MG. The lessor is Orchap, LLC.



Address 3901 Las Posas Rd. #102
City Camarillo
Sq Ft 1,290
Type Lease
Medical office space in 50,250-square-foot, Class A building leased to Dr. Craig Parent for 5-year term by Medstone Properties, LLC. Rental rate is \$2.50 PSF MG with one month 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

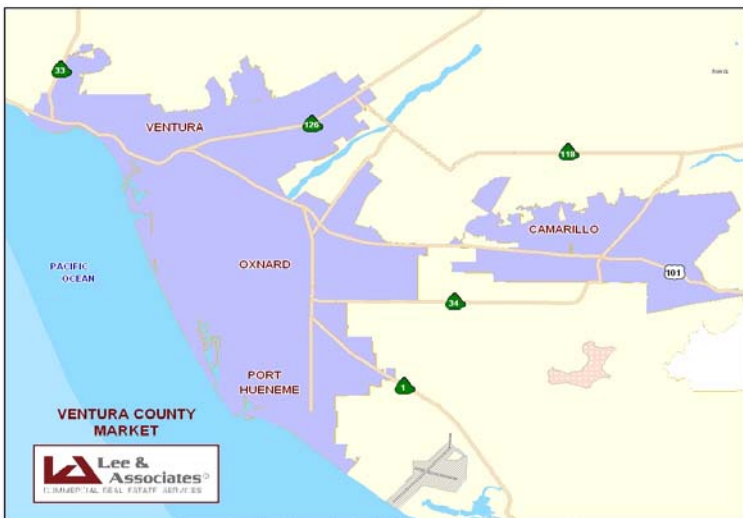
Based on capitalization rates in completed transactions as reported to CoStar. Includes all office buildings and all sizes in market.

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 38 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
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Mira Monte
Oak View
Ojai
Santa Paula
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