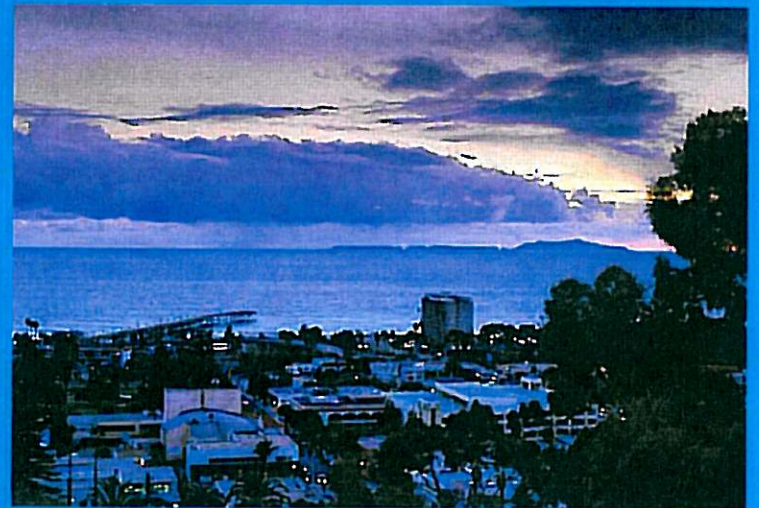
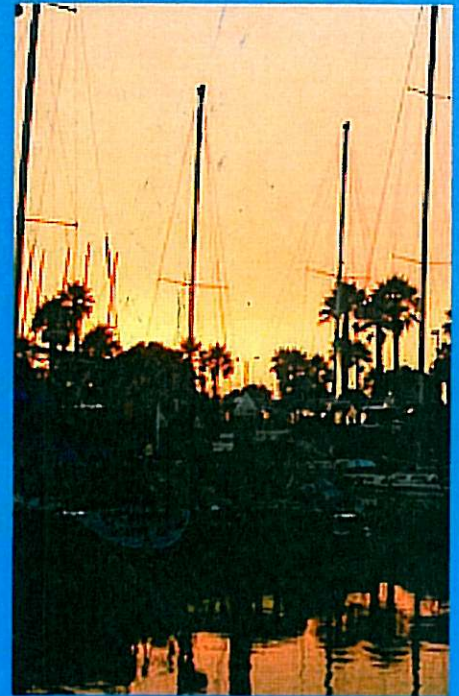




# 2010 Ventura County Real Estate & Economic Outlook

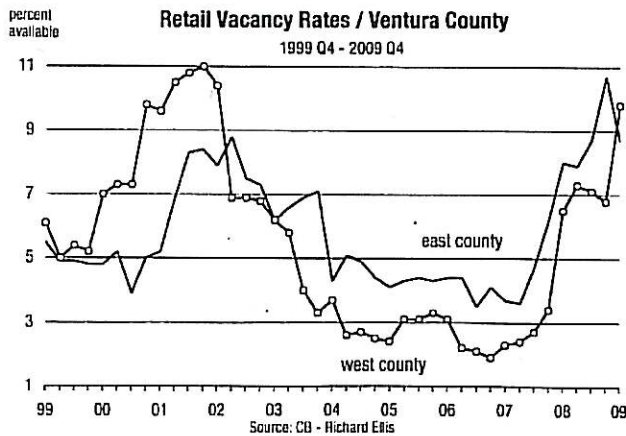
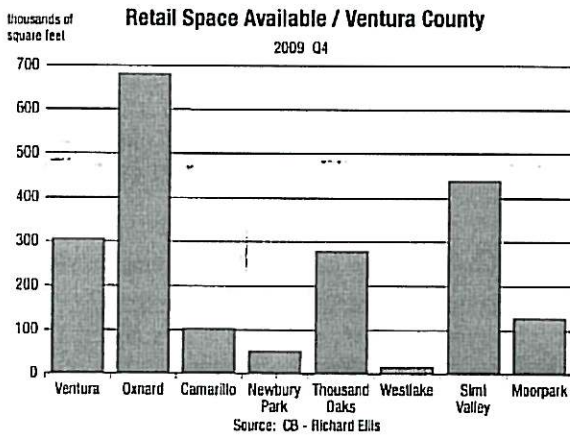


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Walgreens Drug Stores opened in Newbury Park and Oxnard, with Rite Aid relocating to a new site in Port Hueneme. The only other new box stores to open in 2009 were discounters, Ross Dress for Less in Oxnard and Big Lots in Port Hueneme.

Very few shops expanded in the last year as they had no sources of funding to assist with their buildouts. Landlords caught on early in the year when it became apparent that there was very little activity. They worked with struggling tenants, giving significant rent concessions and restructuring leases, as tenants willingly shared their sales reports, which were at times devastating.

The sales market for retail product was non-existent in 2009. There was not one sale of a shopping center 50,000 sq ft or above and at year's end there were only three in this category listed. There should be improvement in this



area in 2010. Many have put off selling because of cap rate increases and higher equity requirements, several of these will be forced to sell this year.

There were no new developments opening in 2009. There will be a few in 2010 that are now under way and the most anticipated new arrival will be in the Spring of 2011, as Riverpark (The Collection) opens in Oxnard.

2009 was a very rough year, several indicators show that we have hit the bottom and the question becomes how long we will troll along there before we start our rise. The recovery will take place when spending increases. Spending will increase when unemployment drops and the fear of unemployment dissipates, along with the easing of the ability to obtain funds through financing.

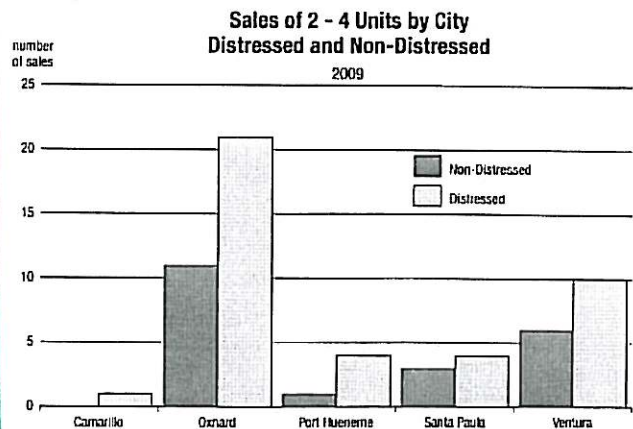
### Apartment Investor Market

#### Winter 2010 Update

By Craig Lieberman

#### The Two-to-Four Unit Properties

Albeit probably too early to tell with complete certainty, it appears that the market for these properties, which represents the "lion's share" of total residential income property sales transactions, is becoming healthier in several respects:



- The percentage of "non-distressed" sales to total sales has increased from 25% (2009 1st half) to about one in 33% during the second half of the year.
- These "non-distressed" sales appear to have significantly higher per-unit prices than those sold under distressed conditions, putting upward pressure on overall market value.
- These "non-distressed" sales also are reflecting somewhat higher GRMs than their distressed counterparts.

Where the conventional or "non-distressed" market is reflecting "pain" is in the period of time required for these properties to ultimately sell. The properties sold under "stressed" (REO, short-sale) conditions definitely benefit from shorter marketing periods, but, this is luxury is offset in lower per-unit prices and lower GRMs.

Another sales dynamic very apparent in the market is the disproportionate sales of distressed 2 unit properties in Oxnard versus the rest of the county.

**Five-to-Nine Unit Properties**

This category of apartment properties has seen a significant slowdown in sales transactional velocity. There were only 5 property sales (or 10 annually) in the second half of 2009; in the first half of the year, there was seen a much healthier annualized sales rate of 33 transactions per year. The average per-unit price was \$141,380 (with a range of \$95,000 to \$195,500). Similar to the last forecast, the range of GRMs was from 9 to 12.1. This market dynamic implies that buyers and sellers are ultimately agreeing on the same pricing structure as the first half of the year, but fewer buyers are willing to gamble on whether the market has hit bottom yet. There are also fewer properties currently being marketed (2) as sellers have slowly realized that the only properties selling are those that are significantly discounted.

Apartment Investor Market					Ventura County	
	2005	2006	2007	2008	1st half 2009	2nd half 2009
<b>10+ Units</b>						
# sales	22	19	24	15	1	1 (REO)
\$/unit	\$123,834	\$141,714	\$159,840	\$136,045	\$132,750	\$72,000
CAP RATE (%) or GRM (X)	11.3x	11.8x	11.5x	10.7x	6.5 (%)	6.7x
<b>5 - 9 Units</b>						
# sales annualized	7	20	13	12	33	10
\$/unit	\$157,195	\$158,734	\$172,368	\$157,500	\$137,000	\$141,380
GRM (range)	13.8x	13.6x	13.3x	12.8x	9 to 11x	10.6x
<b>2 - 4 Units (non-distressed)</b>						
# sales annualized	194	137	65	30	24	42
Percent of Total Sales	100%	100%	95.60%	43.50%	25.40%	32.80%
\$/unit	\$307,972	\$276,799	\$278,239	\$173,000	\$147,000	\$162,440
GRM	21.5x	21.7x	19.7x	13.5x	12.8x	10.2x
<b>2 - 4 Units (distressed)</b>						
# sales annualized	0	0	3	39	70	86
Percent of Total Sales	0%	0%	3.10%	56.50%	74.60%	67.20%
\$/unit	n/a	n/a	\$203,500	\$166,000	\$131,000	\$122,230
GRM					10.4x	9.7x
<b>Total 2-4 Unit Sales</b>	<b>194</b>	<b>137</b>	<b>68</b>	<b>69</b>	<b>63</b>	<b>64</b>

**10+ Unit Properties**

As we reported last time (in the September edition of this publication), there was only one reported sale of a property that incorporated 10 apartment units or more. This 12-unit property located in Oxnard was likely sold as an "all cash" sales transaction because it was bank-held (REO) and, consequently, sold for the very low price of \$864,030 – the amount of the outstanding debt at the time the property was foreclosed. This price equated to the much discounted per-unit price of \$72,000 and a gross rent multiplier (GRM) of 6.65. This lethargic sales activity (There are currently 4 properties for sale and only one in escrow.) blatantly reflects the long-standing huge gap between buyer and seller pricing perceptions. Buyers and sellers do not have a clear cut perception of where market value is in the larger properties, and, until these properties start trading regularly, this market dynamic can be expected to remain the status quo.

**The Commercial Market Outlook for 2010**

Recovery of the commercial market will be delayed until the labor market recovery gains traction. The earliest this would occur is during the second half of 2010. Improvement will be slow given the large quantity of inventory that needs to be absorbed. Tenants are unlikely to quickly upgrade to larger spaces without significant discounts.

By 2011 there will be more convincing improvement in all commercial real estate markets. Unemployment will be clearly in decline as new hiring returns to more normal levels, creating more demand for office space. Increasing consumer spending will fuel demand for both retail space as well as industrial production, which in turn will require more space to increase output.

The office market should stabilize this year and by 2011, occupancy rates will be generally rising. However, don't expect lease rates to rise again until 2012 when available office space becomes more widely utilized.

Retail markets will remain challenged this year though retail spending by Ventura County households should pick up as the labor markets recovery during the 2nd half of 2010. Vacancy rates should see some improvement late in the year but certainly during 2011.

*Editor's Note: Special thanks to our guest authors – Michael Slater is a Senior Vice President specializing in the Ventura County Office Market. Paul Farry is Senior Vice President, specializing in the county's Industrial Market, David Rush is Senior Vice President specializing in the Retail Sector. All three work out of the Camarillo Office of CB Richard Ellis. Craig Lieberman is the Founding Managing Director of the Multi-Family Property Sales Division at TAS Commercial.*

