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October 16, 2017

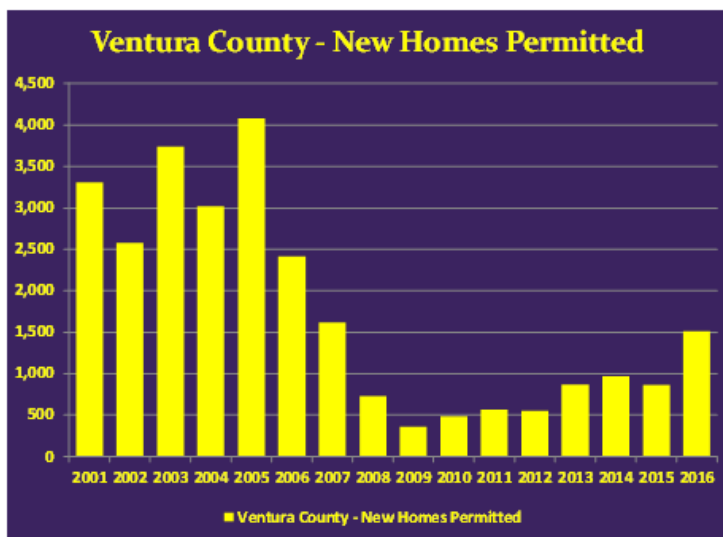
## New Building Activity

Ventura County 2016 home building activity has risen in a surprising fashion compared with 2015 and every other year since the Great Recession. This is a welcome boost in activity in a county that is nationally known as difficult to develop real estate. The county's non-residential building activity level was also respectably good compared with the post-recession era.

Despite the fact that real estate development has a large multiplier effect, Ventura County's economy suffered a contraction in overall economic activity in 2016. The 2016 contraction is unprecedented in that it is out of cycle and is extensively discussed elsewhere in this report. Despite a boost from real estate, the county's economy contracted.

Looking forward, we are aware of at least 4,000 units that should come online in the next few years or so. Given how long these things can take, it might be quite a bit longer than a few years. While these projects are very welcome, we do not expect they will change the fundamentals of the county's real estate markets. Or its economy.

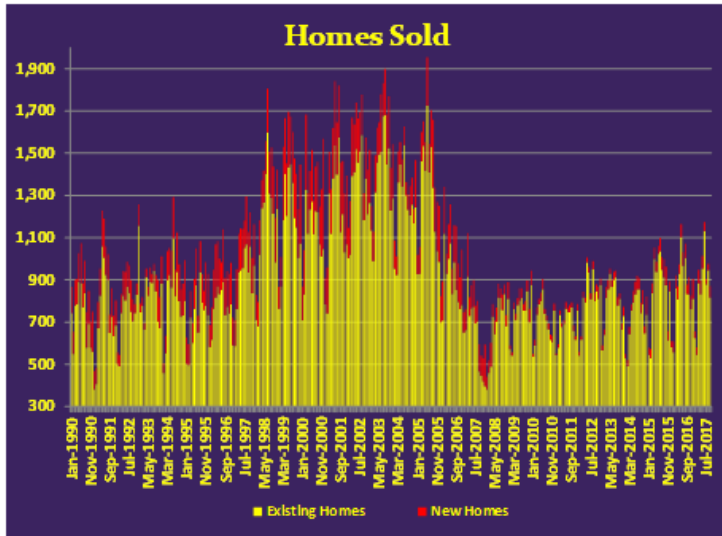
The medium to long-term fundamentals of Ventura County's housing markets include relatively restricted real estate development, the exodus of private enterprise, the hollowing-out of the middle class, and supply-restricted support for property values.



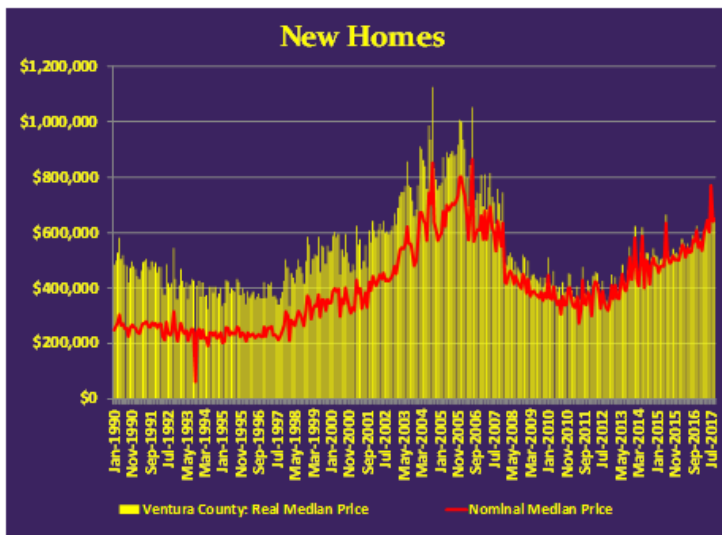
## Home Prices, Sales, and Foreclosures

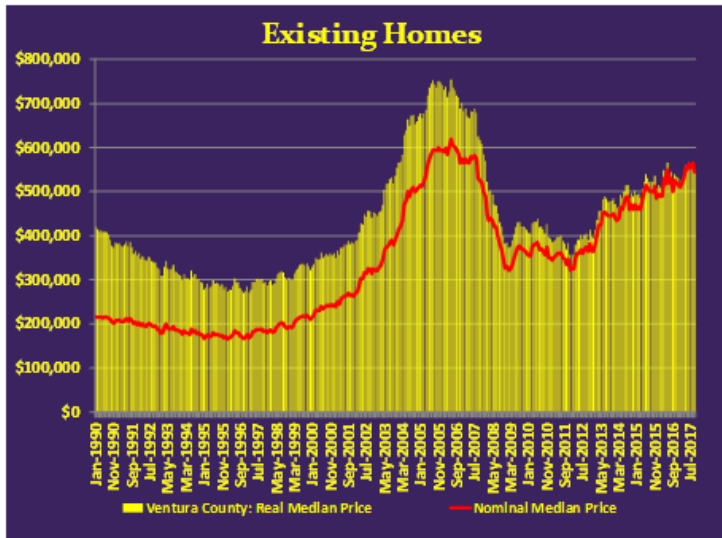
Prices and sales for housing have followed along in a manner very similar to previous years. Sales rates tend to be modest, influenced by tight supply and slow economic growth. Inventories are low, very low

for modestly priced single-family homes. Homes in decent neighborhoods that are priced in the \$300s to \$500s, even the \$600s, earn multiple offers and rarely sell under asking price.

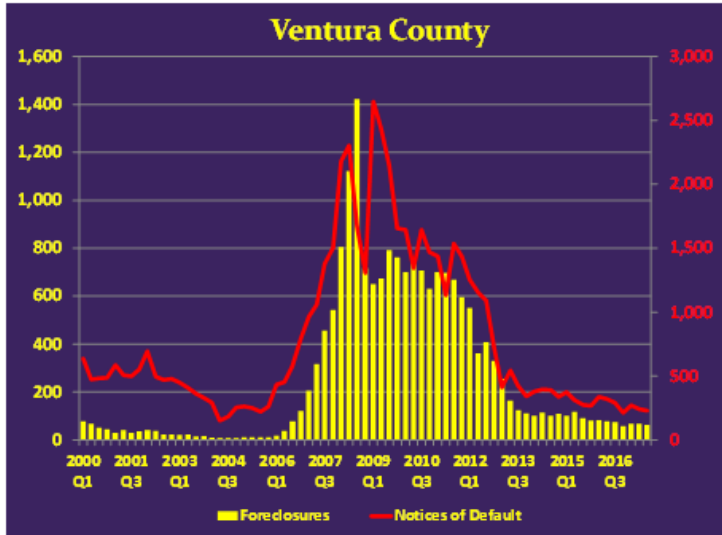


Prices continue to rise. The August 2017 median Ventura County price for existing single-family homes is \$565,000, which is a recent high eclipsed only by the bubble years of 2005 and 2006. The median new home price reached \$770,500 in July of 2017, a recent high that almost exceeded the bubble years in real dollars. For the median to be this high, there have to be a significant number of over \$1 million dollar sales that offset the more affordable home sales.





Notices of default have continued to decline and foreclosures have leveled off thus far in 2017. This clearly welcome feature of the County’s market is influenced quite a bit by the ongoing rises in property values.



As a result of property value growth that exceeds income growth, housing affordability is low relative to the nation and many other communities in the state. The county’s affordability rate was 31 percent a year ago and has subsided to 27 percent in the most recent data. Our 27 percent affordability rate compares to 57 percent for the nation, a massive divide that cannot and should not be ignored.

### Housing Affordability: 2017 Quarter 2

*The percent of first time home buyers who can afford the Median-priced home*

|  | Type          | Affordability (%) | Median Home Price |
|--|---------------|-------------------|-------------------|
| <b>Major Regions</b>                   |               |                   |                   |
| United States †                        | single-family | 57                | \$232,100         |
| California                             | single-family | 29                | \$553,260         |
| California                             | condo         | 38                | \$443,400         |
| Los Angeles Metro Area                 | single-family | 31                | \$491,250         |
| Inland Empire                          | single-family | 43                | \$342,050         |
| San Francisco Bay Area                 | single-family | 21                | \$895,000         |
| <b>Bay Area Communities</b>            |               |                   |                   |
| Alameda                                | single-family | 19                | \$880,000         |
| Contra Costa                           | single-family | 31                | \$655,000         |
| Marin                                  | single-family | 17                | \$1,302,500       |
| Napa                                   | single-family | 25                | \$683,000         |
| San Fransisco                          | single-family | 12                | \$1,450,000       |
| San Mateo                              | single-family | 14                | \$1,469,000       |
| Santa Clara                            | single-family | 17                | \$1,183,440       |
| Solano                                 | single-family | 44                | \$412,000         |
| Sonoma                                 | single-family | 25                | \$625,000         |
| <b>Southern California Communities</b> |               |                   |                   |
| Los Angeles                            | single-family | 28                | \$514,220         |
| Orange                                 | single-family | 21                | \$788,000         |
| Riverside                              | single-family | 39                | \$380,000         |
| San Bernardino                         | single-family | 51                | \$269,640         |
| San Diego                              | single-family | 26                | \$605,000         |
| Ventura                                | single-family | 27                | \$635,000         |
| <b>Coastal Communities</b>             |               |                   |                   |
| Monterey                               | single-family | 21                | \$603,000         |
| San Luis Obispo                        | single-family | 26                | \$565,000         |
| Santa Barbara                          | single-family | 16                | \$750,000         |
| Santa Cruz                             | single-family | 17                | \$850,000         |
| <b>Central Valley Communities</b>      |               |                   |                   |
| Fresno                                 | single-family | 47                | \$250,000         |
| Kern                                   | single-family | 54                | \$232,500         |
| Kings                                  | single-family | 52                | \$225,000         |
| Madera                                 | single-family | 44                | \$259,900         |
| Merced                                 | single-family | 48                | \$248,000         |
| Placer                                 | single-family | 43                | \$465,000         |
| Sacramento                             | single-family | 45                | \$340,000         |
| San Joaquin                            | single-family | 43                | \$336,940         |
| Stanislaus                             | single-family | 47                | \$288,500         |
| Tulare                                 | single-family | 52                | \$220,000         |

Source: California Association of Realtors. † 2017 Q1

Apartment market rents are high as well, with small unit market rates well over \$2.5 dollars per square foot, and with the average 2-bedroom apartment renting for almost \$2,000 per month. Rents rose by 12.3 percent for all units from January 2015 to January 2017.

| Current Data for January 2017 - Combined County of Ventura Market Areas |                |                      |                    |                    |                |                |                                |               |               |
|---|----------------|----------------------|--------------------|--------------------|----------------|----------------|--------------------------------|---------------|---------------|
| Market Area and General Survey Data                                     | Unit Type      | # of Units in Survey | Average Floor Area | Monthly Rent in \$ |                |                | Monthly Rent in \$ per Sq. Ft. |               |               |
|   |                |                      |                    | Lowest             | Highest        | Average        | Lowest                         | Highest       | Average       |
| Total Properties Surveyed: <b>186</b>                                   | Studio         | 722                  | 493 sq ft          | \$795              | \$1,676        | \$1,288        | \$1.50                         | \$3.41        | \$2.64        |
| Minimum Property Size: <b>3 Units</b>                                   | 1 Bedroom      | 8,485                | 710 sq ft          | \$550              | \$2,895        | \$1,597        | \$1.07                         | \$3.79        | \$2.27        |
| Maximum Property Size: <b>608 Units</b>                                 | 2 Bedroom      | 10,678               | 982 sq ft          | \$850              | \$3,902        | \$1,953        | \$0.92                         | \$3.68        | \$2.00        |
| Average Property Age: <b>40 Years</b>                                   | 3 Bedroom      | 1,488                | 1,241 sq ft        | \$1,100            | \$4,240        | \$2,425        | \$1.10                         | \$3.10        | \$1.96        |
| Weighted Average Vacancy Rate: <b>2.66%</b>                             | <b>Overall</b> | <b>21,373</b>        | <b>875 sq ft</b>   | <b>\$550</b>       | <b>\$4,240</b> | <b>\$1,822</b> | <b>\$0.92</b>                  | <b>\$3.79</b> | <b>\$2.13</b> |

| Historical Data - Combined County of Ventura Market Areas |                            |        |         |        |         |        |         |        |         |  |        |        |        |        |        |        |        |        |
|---|----------------------------|--------|---------|--------|---------|--------|---------|--------|---------|--|--------|--------|--------|--------|--------|--------|--------|--------|
| Unit Type   | Average Monthly Rent in \$ |        |         |        |         |        |         |        |         | Average Monthly Rent in \$ per Sq. Ft. |        |        |        |        |        |        |        |        |
|   | Jan-15                     | % ± to | Jul-15  | % ± to | Jan-16  | % ± to | Jul-16  | % ± to | Jan-17  | Jan-15                                 | % ± to | Jul-15 | % ± to | Jan-16 | % ± to | Jul-16 | % ± to | Jan-17 |
| Studio  | \$1,167                    | 5.0%   | \$1,225 | 2.0%   | \$1,250 | 3.3%   | \$1,291 | -0.3%  | \$1,288 | \$2.37                                 | 5.5%   | \$2.50 | 2.4%   | \$2.56 | 3.2%   | \$2.65 | -0.3%  | \$2.64 |
| 1 Bedroom   | \$1,439                    | 5.9%   | \$1,524 | 1.7%   | \$1,550 | 1.2%   | \$1,569 | 1.8%   | \$1,597 | \$2.05                                 | 5.8%   | \$2.16 | 2.0%   | \$2.21 | 1.5%   | \$2.24 | 1.3%   | \$2.27 |
| 2 Bedroom   | \$1,725                    | 5.3%   | \$1,817 | 3.4%   | \$1,878 | 2.0%   | \$1,917 | 1.9%   | \$1,953 | \$1.78                                 | 5.0%   | \$1.87 | 3.6%   | \$1.93 | 1.7%   | \$1.97 | 1.6%   | \$2.00 |
| 3 Bedroom   | \$2,139                    | 6.1%   | \$2,269 | 1.7%   | \$2,307 | 2.4%   | \$2,364 | 2.6%   | \$2,425 | \$1.73                                 | 6.2%   | \$1.84 | 1.9%   | \$1.87 | 2.5%   | \$1.92 | 1.9%   | \$1.96 |
| Overall   | \$1,623                    | 5.6%   | \$1,713 | 2.7%   | \$1,759 | 1.8%   | \$1,791 | 1.7%   | \$1,822 | \$1.90                                 | 5.5%   | \$2.00 | 2.7%   | \$2.06 | 1.7%   | \$2.09 | 1.5%   | \$2.13 |
| Weighted Average Vacancy Rate for Dates Indicated Above:  |                            |        |         |        |         |        |         |        |         | 2.76%                                  |        | 2.12%  |        | 2.70%  |        | 3.03%  |        | 2.66%  |

To get a sense of how the stock of available homes compares to the County's population, we created the table below, which provides measures of housing stock as a percent share of the population. Ventura County has a substantially smaller number of housing units relative to its population, compared against the United States. This helps us understand the dynamics of Ventura County, where housing is limited. Workers are voting with their feet and moving to other parts of the U.S. where housing is more affordable and job creation is relatively rapid.

| <b>Housing Stock: Percent of Population</b> |                       |                      |
|---|-----------------------|----------------------|
|   | <b>Ventura County</b> | <b>United States</b> |
| <b>2008</b>                                 | 34.4                  | 42.8                 |
| <b>2015</b>                                 | 33.6                  | 42.0                 |

*Sources: U.S. Bureau of Census, CA Department of Finance*

What’s more, companies are voting with their expansion plans, where expansion is not within Ventura County but outside it. Amgen, an important company to Ventura County’s economy, recently announced that it will reduce its Ventura County workforce by ten percent. Meanwhile, it is building a 136,000 square foot facility in Tampa, Florida, stating the reason for moving from Ventura County to Florida as: “affordable cost of living and the potential for growth”. As we have made clear throughout this publication, housing has impacted Ventura County’s population, GDP, and jobs in non-trivial ways.