# Multifamily Research

## Market Report

Third Quarter 2017

Ventura County

Institutional Property Advisors

A Division of Marcus & Millichap

## Rent Growth Boosts Apartment Values, Regional Buyer Interest

**Pent-up demand swells, compressing vacancy during a span of lagging rental development.** Supported by an influx of health- and education-related positions, Ventura County is coming off its strongest 12-month period for job growth since 2000, reducing area unemployment to an 11-year low rate. Payroll gains by Ventura County Medical Center, which recently opened a new hospital tower, and the county's collection of colleges have attracted new households to the area and allowed more individuals to establish their own residences. For most, the area's median home price of more than $550,000 places homeownership out of reach, leaving rental living as the lone housing option. Expansion of the metro's renter pool bodes well for the city of Ventura, which welcomes two projects each exceeding 150 units this year. Oxnard and Camarillo, locales that lack 2017 deliveries, are primed to maintain sub-2 percent vacancy during the second half, with double-digit rent gains in these submarkets supporting another year of robust overall rate growth.

### Multifamily 2017 Outlook

568 units will be completed

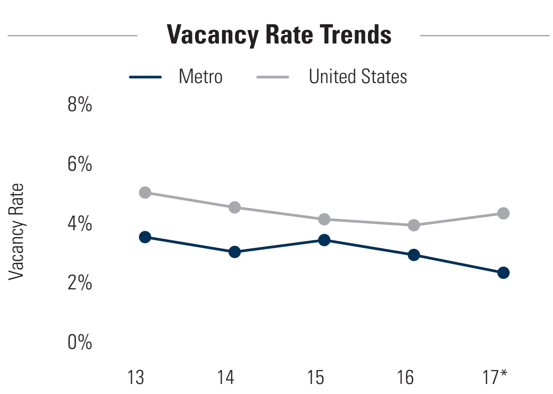
**Construction:**
The volume of deliveries surpasses the 390 apartments completed in 2016, with the city of Ventura home to 377 new rentals this year.

60 basis point decrease in vacancy

**Vacancy:**
Historically low vacancy of 2.3 percent will be achieved as net absorption outpaces an uptick in apartment deliveries.

6.6% increase in effective rents

**Rents:**
Robust gains in Class A and B rents increase the metro's effective rate to $1,848 per month.

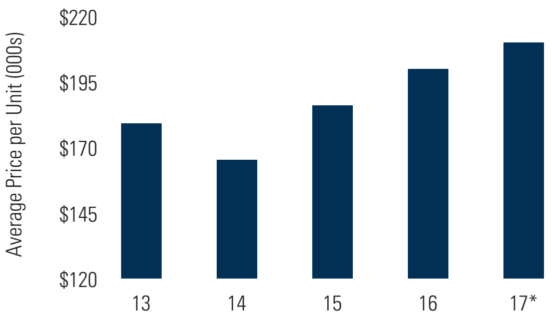



* Forecast

### HIGHLIGHTS

- Employers bolstered payrolls by 9,600 positions over the past year, representing a period of noteworthy job creation. The addition of 5,000 education- and health-related professionals supported the overall increase in hiring, which reduced the county's unemployment rate by 80 basis points to 4.4 percent.
- Developers brought 362 units online during the past 12 months, a reduction from the 754 apartments completed in the prior period. Entering the second half, construction was underway on nearly 1,200 rentals, including the 450-unit Village Gateway in Camarillo.
- Consistent absorption amid minimal completions reduced vacancy to 2.2 percent, with demand strongest in Oxnard, where average rent rose 11.8 percent to $1,705 per month. Limited vacancies also sparked double-digit effective rent growth in Camarillo.

## Pricing Trends




* Trailing 12 months through 2Q17
Sources: CoStar Group, Inc.; Real Capital Analytics

## SALES TRENDS

### Higher-Yielding Assets, Tight Vacancies Lure Outside Investors to Ventura

- Sales velocity rose marginally over the past 12 months, driven by consistent investor activity in the city of Oxnard and neighboring Port Hueneme. Both areas offer buyers 5 to 6 percent yields and feature a lack of new rentals.
- The average price increased nearly 20 percent to $205,000 per unit, pushed by several higher-valued transactions involving larger garden-style assets in Thousand Oaks. Below-average pricing of $175,000 per door was available in Oxnard.

Outlook: Lured by returns that exceed their home market by at least 50 basis points, Los Angeles County-based buyers will increasingly compete with local investors for older, well-located Class B and C complexes with remaining upside.

## CAPITAL MARKETS

### By WILLIAM E. HUGHES, Senior Vice President, Marcus & Millichap Capital Corporation

- **Monetary policy in transition.** Despite the Fed raising its benchmark short-term rate three times in seven months and signaling another rise before the end of the year, long-term rates have remained stable. The yield on the 10-year U.S. Treasury bond remained in the low- to mid-2 percent range throughout the second quarter of 2017. The Federal Reserve wants to normalize monetary policy and, in addition to rate hikes, will likely start paring its balance sheet.
- **Sound economy a balancing act for Fed.** With unemployment hovering in the low-4 percent range, the lowest level since 2007, the Federal Reserve will remain vigilant regarding the possible rapid increase in inflation if wage growth takes off. Additionally, business confidence and job openings are near all-time highs. Businesses finally have the assurance to expand their footprints after years of tepid growth following the Great Recession. These conditions are allowing pent-up households to form, creating new apartment demand. The Fed, however, must now balance economic growth and job creation against wage growth and inflationary pressures.
- **Underwriting discipline persists; ample debt capital remains.** Overall, leverage on acquisition loans has continued to reflect disciplined underwriting, with LTVs typically ranging from 65 percent to 75 percent for most apartment properties. At the end of 2016, the combination of higher rates, conservative lender underwriting and fiscal policy uncertainty encouraged some investor caution that slowed deal flow, a trend that has extended into 2017. A potential easing of regulations on financial institutions, though, could liberate additional lending capacity and higher interest rates may also encourage additional lenders to participate.

Visit www.IPAusa.com
or contact:

**Jeffery J. Daniels**
Senior Vice President / IPA National Director
Tel: (718) 475-4300
jdaniels@ipausa.com

First Financial Plaza
16830 Ventura Boulevard, Suite 100
Encino, CA 91436

Prepared and edited by
**James Reeves**
Publications Director | Research Services

For information on
national apartment trends, contact:
**John Chang**
First Vice President | Research Services
Tel: (602) 707-9700 | john.chang@ipausa.com



Sources: Marcus & Millichap Research Services; Bureau of Labor Statistics; CoStar Group, Inc.; Experian; National Association of Realtors; Moody's Analytics; Real Capital Analytics; MPF Research; TWR/Dodge Pipeline; U.S. Census Bureau.