

# TURNAROUND TIME FOR VENTURA COUNTY

By **CAROL LAWRENCE** Staff Reporter • Photographs By **DAVID SPRAGUE**



**Simi Valley:** Point @ Simi Valley Business Center will bring 140,000 square feet of industrial space to Ventura County.

*Builders may have an answer for a shrinking economy and spiking home prices.*

**R**eal estate development has always been an indicator of a healthy economy, but for Ventura County, it may be a lifeline.

Job losses and poor economic output have shrunk the county's economy for the last three years to that of negative growth, creating its worst period since 1990, including the Great Recession. Additionally, unemployment is rising.

And the picture is especially stark compared to county economies across the U.S. — many of which are improving.

But, there's hope, economic development experts and economists say, in ideas for innovative land use, in diversifying city revenue and in developing land to lure businesses and possibly lower housing costs.

Some of that is already underway. In Thousand Oaks, Simi Valley and Camarillo, hundreds of thousands of industrial and retail square feet are rising along with hundreds of new apartments and condominiums. In Santa Paula, an approved master planned community is on the drawing board.

"It is not the answer," said **Bruce Stenslie**, chief

executive of the **Economic Development Collaborative - Ventura County**, but "it is a significant piece of the economy. I do think it is symbolic in terms of where business is going. We don't want sprawl, and we don't want infill. Are we going to build to the density allowed within urban boundaries? If we do that, we'll be fine."

#### **Contracting economy**

Ventura County's gross domestic product growth, a measure of economic health, sank to half a percent in 2014, to one-tenth of a percent in 2015 and then to a

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**Thousand Oaks:**

Sares Regis is building a warehouse at 2430 Conejo Spectrum St.



cent, he added.

Still, Shire and Amgen are the 800-pound gorillas in the county, and are entrenched in the county's economies.

"For many, many years, the I01 corridors were referred to as the biotech capital of the world ... and companies have relocated from all over the world for Amgen," he explained. "They came here because they wanted to have access to its labor pool, and to gain economies of scale."

But the firms over the past five years have been shrinking their local presence. Amgen announced in March it would lay off 500 people and invest in a new human resources center in Tampa, Fla. where there's a high-quality labor force and housing is affordable, according to the company.

Other biotech companies that started and grew in Ventura County have moved to often larger, more established biotech hubs such as Boston, Orange County and Silicon Valley where housing is pricey but there's also a plethora of high-paying biotech jobs, Fienup said.

"What you have in Ventura County is a lack of affordable housing without that robust cluster of businesses in the same economic sector," he explained.

Unemployment is also on the rise this year in the county. In August, it rose to 5.3 percent from 5 percent the prior month, from 4.5 in June, and 3.8 percent in May.

Financial services in the county also lost 20 percent of its jobs between 2007 and 2017, Fienup said – high-paying jobs that aren't returning to the county. The county is trailing below the national average on all 13 industrial sectors that the Bureau of Economic Analysis ranks.

The sectors which are growing within the county are hospitality and health care jobs, but both pay lower wages and don't equal the ones lost. As housing prices climb, those workers are less able to live in the county, Fienup said.

In August, the median home price in the county was \$639,000, according to Redfin, and home ownership in the county is trending down, according to a joint report by USC's Lusk Center for Real Estate and Beacon Economics of Los Angeles.

Ventura County's gloomy picture gets gloomier when compared to the brighter conditions of L.A. and Orange counties, which each grew by 2-plus percent, Fienup said.

Real estate development in Ventura County has stalled for the last two years as developers and officials waited to see whether voters would extend the growth-control law, Save Open Space and Agricultural Resources, or SOAR, to 2050, Stenslie said. The law requires a public vote on whether agricultural land outside city boundaries can be rezoned to urban use.

They did that in November's general election. "The reality is that the Ventura County

value proposition is, 'We will not look like the San Fernando Valley urban sprawl,'" Stenslie said. "But that doesn't say roll up the carpet. We have said we know where we're targeted to build. The question is, will we do that?"

**Simi Valley**

Industrial space equals jobs, which translates to economic growth, experts say.

That's why Simi Valley's city leaders are keeping industrial land off limits to developers hoping to rezone it for other purposes.

The City Council just rejected a project request to rezone 15 acres of industrial land, according to Economic Development Director and Assistant City Manager **Brian Gabler**. An industrial developer is now considering buying the property, he added, which the council is more in favor of.

"The ability for us to create new industrial land is finite," Gabler said. "The more we shift away from industrial, the more capacity for jobs that we lose."

The vacancy rate in the city is one-tenth of a percent, according to third-quarter data from **Colliers International Inc.** – so officials know there's demand.

**Overton Moore Properties'** Chief Executive **Timur Tecimer**'s four-building, \$20.4 million project is bringing more than 140,000 square feet of industrial space to the city as the Point @ Simi Valley Business Center. It's within an 87-acre master-planned industrial project on a former **Coca Cola Co.** property.

The buildings have generated significant interest as the San Fernando Valley's market tightens, Tecimer said.

He's about to close on the sale of two buildings to companies that will likely create jobs. Both are in the distribution or service industries, Tecimer said, and one is relocating from the western San Fernando Valley, while the other is expanding into the area.

"They obviously feel that Ventura County is a county that has good job growth for what they do," Tecimer said.

Tecimer is also shopping for other sites in the county to build on because there has been little industrial product built over the last five years.

"I think it's very important to preserve the industrial base," Tecimer explained. "If you're looking at job creation, it's not the big corporations hiring but the small entrepreneurs – in service, distribution, import/export, R&D, assembly."

By maintaining industrial property, Simi Valley has attracted fast-growing electronic components maker **Electronic Source Co.** in Van Nuys, which plans to buy a former industrial building owned by the Simi Valley Unified School District and relocate there.

Simi Valley also wants more gross receipts

sale tax revenue from its retail merchants.

While in terms of revenue, the city is "holding our own," Gabler said, like other cities it faces budgetary challenges and so has hired an outside consultant to attract more retail tenants. It's working with the Simi Valley Towne Center on ideas for a new life for its former **Macy's** buildings and other plans.

But Gabler is still confused with the decreasing county employment because companies are coming to the city and taking space. "Buildings are full – but there are no bodies in them," he said.

**Thousand Oaks**

The recent terminations from the county's largest private employer were just the latest in a string of Amgen layoffs in recent years.

In response, Thousand Oaks has a new economic development plan to develop properties and diversify revenue and its base of businesses during the next 10 years.

The plan directs the city to attract developers of new housing, entertainment and retail to the three-mile stretch of Thousand Oaks Boulevard near the Civic Arts Plaza within the Thousand Oaks Specific Plan. A second strategy is intensifying industrial development in the Rancho Conejo industrial area, which has some of the city's last remaining industrial lots.

Focusing on economic development is new for the city, and started about two years ago, said **Haider Alawami**, economic development manager for Thousand Oaks.

"We need to make sure we can economically survive with the pressure of e-commerce and Amgen downsizing," Alawami said. "We need to diversify our economy. The City Council finally understand how important it is to have a plan in place with specific recommendations to move forward and implement them."

In the Rancho Conejo area, Irvine development firm **Sares Regis Group** is constructing nine sizeable warehouses. It has already leased the first building with 91,000 square feet to **Atara Biotherapeutics Inc.**, a clinical-stage biopharmaceutical company, which will relocate from Westlake Village.

Nearby on Conejo Center Drive, developer **Martin Teitelbaum** recently finished construction of 17 industrial condominiums within six buildings for a total of 80,000 square feet called Conejo Vista.

They've been generating a lot of interest, said brokers **Mike Tingus** and **Grant Fulkerson** from **Lee & Associates – LA North/Ventura Inc.** Fifty percent of the buildings were pre-sold before the project was completed, the pair said.

"I'm out there on a daily basis," Fulkerson added. "There's a tremendous amount of

negative 2.7 percent in 2016, according to the federal Bureau of Economic Analysis. The 2016 number is still an estimate, so it could improve or worsen.

The majority of the bad performance is related to a \$1 billion-plus decline in the nondurable manufacturing sector, said **California Lutheran University's** Center for Economic Research economist and Executive Director **Matthew Fienup**. In Ventura County, manufacturing is mostly biotechnology. The largest company in that sector is **Amgen Inc.** in Thousand Oaks, which has scaled back operations and shed employees. Other biotechs in the city include Dublin-based **Shire**.

But the significant and dramatic losses are not caused by Amgen only, Fienup warned. While the sector experienced a negative 2.4 percent growth last year, the financial services sector also saw negative growth of 0.45 per-



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demand, and limited availability is definitely a driver of the market."

While leasing activity is hot, the brokers notice that companies are taking less space and employing fewer people. The pair say they see it in the emptier parking lots, and at businesses where five to 10 years ago there were 200 to 300 people per 100,000 square feet. Now, it's maybe 50 to 100.

"Development may no longer be the growth driver," Tingus said.

Thousand Oaks is expanding its multifamily housing to answer requests for housing and entertainment from Amgen, California Lutheran University, Los Robles Hospital and Medical Center and other employers, Alawami said.

More than a year ago, the city increased to nearly 400 the number of new mixed-use apartment-above-retail units that can be built along the boulevard between Moorpark Road and Duesenberg Drive, about double the prior allotment. The concept is to create a quasi-down-town feel and vibrancy along the thoroughfare.

Since then, numerous small apartments and condominiums have sprung just off the boulevard while many more are soon to begin construction on the boulevard.

Other larger projects are in the works, including assisted living facilities and new retail stores, such as a Lowe's home improvement store.

In addition, the city has hired a firm to determine the Specific Plan area's development capacity, parking and what types of entertainment venues, events and programs should go on there.

Alawami said the retail sector has declined - sales tax receipts from consumer goods fell 2.6 percent in the first quarter compared to the same year-ago quarter, but he cited new retail

just opening now and others closing due to the growing popularity of e-commerce. Sales from the city's auto dealers are its biggest retail revenue source and the year-to-date sales are at nearly 2,000 vehicles, already surpassing the 1,688 sold last year.

"This shows our economy, though not shooting through the roof, continues to be strong," Alawami said.

Heading west of Thousand Oaks, Camarillo is a hotbed of new housing and retail development.

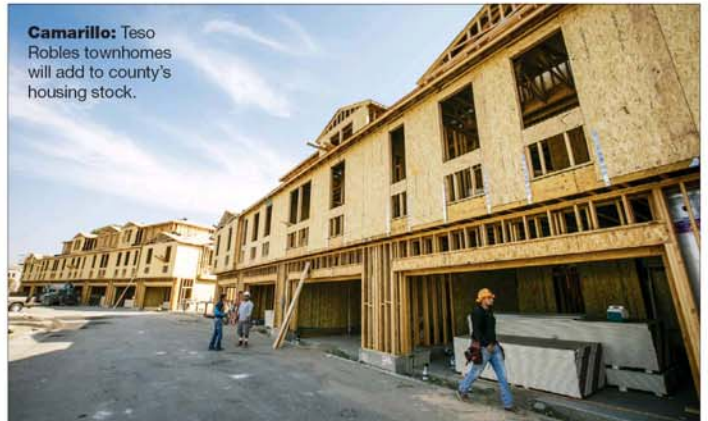
Nearly 1,000 residential units are either under construction or approved recently, adding to the hundreds recently built in the city. Housing project Teso Robles is going vertical by the 101 freeway's Santa Rosa exit. Los Angeles-based Primestor is set to start construction on a 491,000-square-foot retail center known as the Amara Center by the 101 freeway. Two hotels and a conference center are slated to spring up across from the Camarillo Promenade on Ventura Boulevard. A senior living facility has been approved and a 30,000-square-foot industrial building is under construction.

Potential solutions

More manufacturing, more development, broader land use definitions and cheaper housing; that's where potential solutions lie to the county's declining growth, say the experts.

Gabler of Simi Valley said increasing manufacturing jobs is where the focus should be, because jobs in the service industry are not sustainable.

Stenslie, the county economic development expert, reports that agricultural growers need to diversify their revenue from just crops, and he has called on the county to change the definition of agriculture during its upcoming General Plan amendment process to allow food



processing on agriculture land. Currently, if growers want to process their crops they have to do it somewhere else.

"If you could do more of that locally, I think there's more value add to doing it on site," Stenslie explained.

Tingus, the broker, said the market's economy has yet to show the positive effects from Amgen's spinoffs, such as Kythera Biopharmaceuticals Inc., which was bought by Allergan Plc, now owned by drug giant Pfizer Inc. Former staff of Kythera now run Sienna Biopharmaceuticals Inc. of Westlake Village.

"I think the progression is going to change," he said. "You'll see new companies and new jobs. Some companies have come out of their garages with multi-million businesses."

For Fienup, the economist at Cal Lutheran, reversing the county's negative trend requires some creative land use tools so that more

affordable housing can be built.

He has conceived a two-pronged approach: one is forming an affordable housing land trust in conjunction with affordable housing and environmental advocates that enables employers to acquire land to be put aside for preservation or for their employees to build affordable housing on it. The employees would own the improvements, but not the land.

Second, he would like to establish a transfer of development rights program, in which infill development land is traded for land to be permanently preserved. It's a program already in place in several parts of the country, he explained, and that proposal has interested potential partners, such as Naval Base Ventura County in Port Hueneme.

"This is where it's hopeful for Ventura County," Fienup said.

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**MATTHEW FIENUP** is the Executive Director of the Center for Economic Research and Forecasting at California Lutheran University. He specializes in applied econometric analysis, land use, urban growth restriction and environmental markets. He is widely quoted in business journals and traditional media, including Forbes Magazine, CNN Money and the Washington Post.



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