

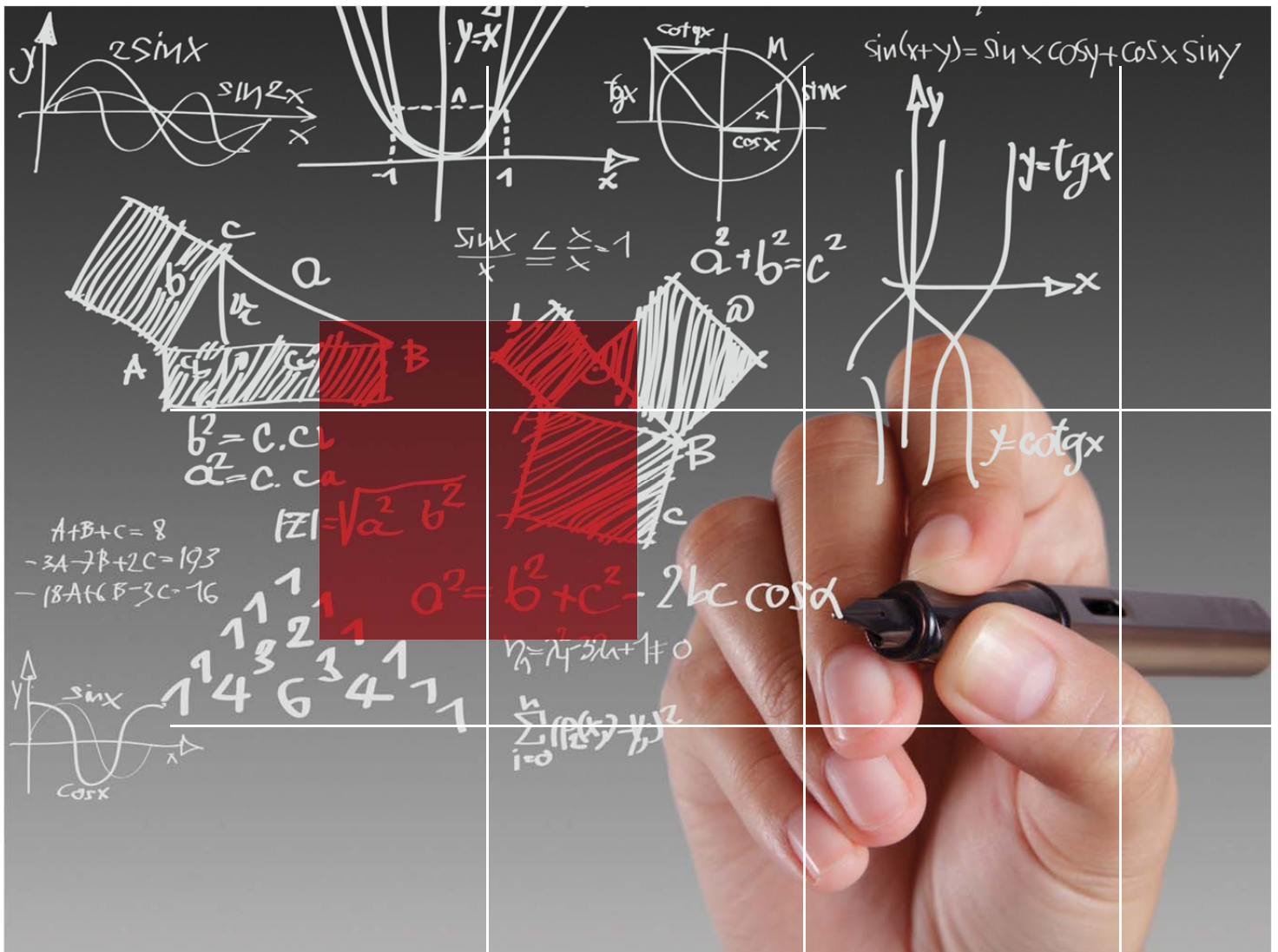
Student Housing Market Study Update



Prepared for California State University, Channel Islands



July 2014



Preface

In June 2014, Jones Lang LaSalle (JLL) was engaged by California State University Channel Islands (CI) to provide a variety of advisory services related to the financial and tactical implementation of its Project 2025 Vision Plan. The Vision Plan contemplates how the university intends to proceed with future campus expansion to accommodate projected student enrollment growth. One facet of that growth has been unmet demand in on-campus student housing and an immediate need to increase the supply of student housing to meet that demand. This housing deficit was a key finding from a housing study conducted in 2011 (published in February 2012) by Brailsford & Dunlavey (B&D) on behalf of CI.

The purpose of this report is to update the data, analysis, and conclusions found in the B&D study with new supply, demand, and market statistics effective through May 2014 to determine the current market feasibility for the proposed Student Housing Phase III (Santa Rosa Village) project. This proposed addition to the on-campus student housing inventory would include approximately 600 new housing beds and communal and support spaces. Concurrently, the university will remodel approximately 20,000 square feet of dining hall space adjacent to the existing dining hall to serve the additional student demand. The project is targeted to be complete and ready for occupancy by August 2016.

JLL Approach

JLL's approach to this market study update included discussions with CI administrative staff and faculty, including student housing and student life stakeholder groups to gain an understanding of student enrollment projections, current student housing supply and interim measures in place to accommodate supply deficits, and the proposed Student Housing Phase III (Santa Rosa Village and Dining Commons Expansion) project. JLL also reviewed the February 2012 market study report prepared by B&D. Data was retrieved from primary and secondary sources identifying new off-campus multi-family rental housing supply added in Ventura County since the B&D study was prepared, rental rates and amenities offered in the new residential projects, new rental supply in the planning stage, and multi-family rental market data for the period of 2012 through May 2014. JLL applied submarket area-specific rental housing cost annual escalation rates to the housing supply reflected in the B&D and collected county-wide vacancy rates.

CI staff provided JLL with updated on-campus housing inventory including design capacity and current increased occupancy beyond designed capacity through bed-space compression, projected student enrollment and proportion of students preferring on-campus housing. The B&D report also included student survey results and their indicated housing preferences.

Finding and Recommendations

JLL's updated research of new and pipeline off-campus rental housing inventory that reflects a very tight rental housing market causing significant price escalations. This fact combined with projected increases in student enrollment that will drive further demand for on-campus housing, leads JLL to conclude that there is strong need to deliver both the 600-unit Santa Rosa Village on-campus student housing and dining hall project as expeditiously as possible. If delivered on schedule, the Santa Rosa Village units will make significant progress in reducing the shortfall in housing beds projected for the 2016-17 academic year.

Off-Campus Market Analysis

The B&D study evaluated rental housing supply in the locations of Camarillo, Oxnard/Port Hueneme, Ventura, Simi Valley/Moorpark, and Thousand Oaks/West Village with distances ranging from 5.9 miles to 23.4 miles from the CI campus. JLL relied on the data provided in the B&D report then augmented that data with new rental housing supply in the subject market that has become available since the B&D report was produced.

JLL identified 684 new rental units within four separate developments added to the subject area inventory since 2011; most of those units are located in the Oxnard submarket. These units have been added to JLL's market analysis. Two affordable housing projects, Las Villas in located in Oxnard and Hillcrest Villas in Thousand Oaks, have also been completed since 2011 but those rent-restricted units have not been included in the potential off-campus student housing inventory. There are currently 2,591 potential new units in the pipeline that are in various stages of site acquisition, planning, design or construction. Some of those units are proposed to be rent-restricted and would likely not be available for students. Since these units are either speculative or not ready for occupancy, they have not been included in the current market analysis. According to CI staff, the university is attempting to master lease units within certain existing and new pipeline projects in an effort to secure their availability for CI students until on-campus housing supply in increased. This is a prudent approach when considering the area's increasing rental prices and low vacancy rates for off-campus rental housing.

A significant restriction to new residential supply in the subject area that was highlighted in the B&D report and is worthy of repeating in this market update is the SOAR Measure 'B' Ordinance. The proposition, passed in 1995, restricts development outside of the Urban Restriction Boundaries established for most cities in Ventura County without City voter approval. The ordinance expires in most areas at the end of year 2020 but extends through year 2030 in the cities of Ventura and Thousand Oaks.

JLL applied the following annual escalation rates to the rental prices reported in the B&D study.¹

Location	% Change 2011-2012	% Change 2012-2013	% Change 2013-2014
Oxnard/Port Hueneme	3.17%	2.69%	7.43%
Camarillo	5.13%	2.24%	7.49%
Thousand Oaks/Westlake Village	0.62%	4.15%	5.53%
Ventura	1.30%	2.50%	6.20%
Port Hueneme	2.30%	0.70%	6.90%
Simi Valley/Moorpark	2.00%	2.50%	4.10%
All Locations	2.42%	2.46%	6.28%

Subject area rental prices experienced significant increases for the period of 2011 through 2014, ranging from a total increase of 8.83% in Simi Valley/Moorpark to 15.72% in Camarillo. Average vacancy rates as of June 2014 are reported at 3.6%, with the Camarillo, Simi Valley, and Port Hueneme submarkets less than 2.5%.² The combined recent rapid escalation in rental prices with relatively low vacancy rates indicate a very tight rental housing market in which supply is not meeting demand. Annual price escalation rates greater than 3% and vacancy rates less than 5% generally indicate an under-supply of residential inventory and an imbalance in the market.

The general economic conditions in Ventura County are improving with a reported unemployment rate in June 2014 of 6.2%, down from 7.9% for the same period a year earlier. The County's unemployment rate is better than the statewide average of 7.3% and slightly better than the nationwide average of 6.3% for the same period.³ If this trend of decreasing unemployment and improving economic conditions continues, even greater pressure on the county's housing prices can be expected.

In 2011, the B&D study included student self-reported average utility costs of \$105 per month. JLL escalated those utility costs by 4.0% annually⁴ to yield a 2014 average monthly utility cost of \$118. Combining utility costs with monthly rental prices yields the following monthly housing costs per person.

Rental Price per person including utilities				
	Efficiency / Studio	One bedroom	Two bedroom	Three bedroom
2014	\$1,308	\$1,612	\$1,023	\$875
2011 B&D Report	\$1,135	\$1,423	\$902	\$760
% Change	15%	13%	13%	15%

¹ Sources: Pierce Eislen

² CoStar

³ State of California, Economic Development Department

⁴ California Energy Commission

In addition to the costs reflected above, new rental projects in the subject area charge an average of \$608 per unit in security deposits, more if pets will be living on the premises, and tenant application fees averaging \$35 per person.

It is also worth noting that the rental rates of the new inventory produced since 2011 are significantly greater than the older product, creating a trend for even further price escalation in the future.

DEMAND ANALYSIS

The B&D report assumed a projected student headcount enrollment for the 2015-16 Academic Year of 5,925 students. CI staff provided the following updated student enrollment projections, on-campus housing demand and shortfall in on-campus beds.

Academic Year	2014-15	2015-16	2016-17	2017-18
Projected Student Enrollment (FTE)	5,000	5,400	5,832	6,299
Projected Housing Demand ⁽¹⁾	1,426	1,690	1,969	2,267
Number of Beds Available ⁽²⁾	1,250	1,250	1,835	1,835
% of Students Housed On-Campus	25.0%	23.1%	31.5%	29.1%
Projected Demand Exceeding Current On-Campus Supply (beds)	176	440	134	432

⁽¹⁾ Based on historic rates for first-time freshmen, transfers, and returning residents

⁽²⁾ Assumes 944 current beds with space compression and leasing of 58 apartments at University Glen; 585 new non-RA beds in the Santa Rosa Village project to be available by fall 2016

CI is currently housing approximately 25% of its students on campus; however, the university has established a goal of housing approximately 30% of students on campus within the next five years and 35% by full campus build-out. JLL learned from CI staff that student housing units have had to be modified to accommodate more student beds per unit than that for which they were designed in order to meet on-campus housing demand. This is not an ideal living or learning environment for students and further emphasizes the urgent need to increase on-campus student housing supply. The university has also been allowing students to lease units in the University Glen community, which was originally designed to provide homes for university faculty and staff. This on-campus housing demand is derived from a combination of students desiring the on-campus living experience and the lack of affordable off-campus rental housing. The housing demand projections were based on historic yield rates for first-time freshmen, transfers, and returning residents as well as slight projected growth in international students.

LIMITING CONDITIONS

1. The findings contained herein represent the professional opinions of JLL personnel based on assumptions and conditions detailed in this report. JLL has conducted research using both primary and secondary information sources which are deemed to be reliable, but whose accuracy JLL cannot guarantee.
2. The forecasts, projections, or operating estimates contained herein are based upon current market conditions, anticipated short-term supply and demand factors, and a continued stable economy. These forecasts are, therefore, subject to changes in future conditions.
3. No representation can be made by the consultant as to the quality of data provided by third party vendors.
4. The market study report is presented to provide information on the market in which the subject property will perform. The final report is to be used in whole and not in part. The research provided in this report was obtained from review of supportive data and information.
5. JLL assumes no responsibility for information that becomes outdated once this report is written, nor is it responsible for keeping this information current after the presentation of the final report and date completed. JLL takes no responsibility for any events or circumstances that occur subsequent to the date of our field inspection.

APPENDICES

The following tables include new rental housing data collected by JLL and associated analysis conducted to reflect current conditions in the rental residential marketplace within the subject study area. This product has come online since 2011 and was not included in the B&D report dated February 2012.

Table 1 – New Rental Inventory (post-2011)

Name	Address	City	Zip Code	Miles from Campus	Year Built	Number of Units	Security Deposit	Application Fee
Mosaic	500 Forest Park Blvd	Oxnard	93036	13.1	2014	224	\$400-\$750	\$45
The Artisan at East Village	2060 Zocolo Street	Oxnard	93030	11.0	2013	272	\$500-\$700	\$35
The Vines at Riverpark	3040 N. Oxnard Blvd	Oxnard	93036	13.2	2013	80	\$800	n/r
Ralston Courtyards	5525 Ralston Street	Ventura	93003	15.2	2011	108	\$500	\$25
Totals / Averages All Properties						684	\$608	\$35

n/r = no response

Table 2 – New Inventory Amenities

Properties	Patio / Balcony	AC	Dishwasher / Stove / Refrig.	Washer / Dryer (in unit)	Business Center	Fitness Center	BBQ	Clubhouse / Pool	Parking	Security	Pets
Mosaic	X	X	X	X	X	X	X	X	X-some	X	\$500 deposit
The Artisan at East Village	X	X	X	X	X	X	X	X	X	X	
The Vines at Riverpark	X	X	X	X			X		X		Deposit
Ralston Courtyards	X		X	X	X	X	X	X	X	X	Deposit

Table 3 – New Inventory Utilities (included in rent)

Properties	Water / Sewer	Trash	Cable TV	High-Speed Internet	Electric / Gas	Wifi
Mosaic	Not included	Not included	Wired / Not included	Wired / Not included	Not included	Yes – community areas
The Artisan at East Village	Not included	Not included	Wired / Not included	Wired / Not included	Not included	Yes – community areas
The Vines at Riverpark	Not included	Not included	Wired / Not included	Wired / Not included	Not included	No
Ralston Courtyards	Water not included	Included	Wired / Not included	Wired / Not included	Not included	Yes – community areas

Table 4 – New Housing Inventory Rental Prices

The following tables reflect current rental prices for new inventory located within the study area that has come online since 2011.

Table 4A - Efficiency / Studio				
Apartment	Total Rent / unit	Rent / person	Sq. Ft.	Rent / SF
Mosaic (Oxnard)	\$1,420	\$1,420	560	\$2.54
The Artisan at East Village (Oxnard)	-	-	-	-
The Vines at Riverpark (Oxnard)	-	-	-	-
Ralston Courtyards (Ventura)	-	-	-	-
Averages	\$1,420	\$1,420	560	\$2.54

Table 4B - One Bedroom				
Apartment	Total Rent / unit	Rent / person	Sq. Ft.	Rent / SF
Mosaic (Oxnard)	\$1,653	\$1,653	742	\$2.23
The Artisan at East Village (Oxnard)	\$1,733	\$1,733	745	\$2.33
The Vines at Riverpark (Oxnard)	-	-	-	-
Ralston Courtyards (Ventura)	\$1,527	\$1,527	711	\$2.15
Averages	\$1,638	\$1,638	733	\$2.23

Table 4C - Two Bedroom				
Apartment	Total Rent / unit	Rent / person	Sq. Ft.	Rent / SF
Mosaic (Oxnard)	\$1,971	\$986	1,022	\$1.93
The Artisan at East Village (Oxnard)	\$2,159	\$1,080	1,119	\$1.93
The Vines at Riverpark (Oxnard)	-	-	-	-
Ralston Courtyards (Ventura)	\$1,807	\$903	891	\$2.03
Averages	\$1,979	\$989	1,011	\$1.96

Table 4D - Three Bedroom				
Apartment	Total Rent / unit	Rent / person	Sq. Ft.	Rent / SF
Mosaic (Oxnard)	-	-	-	-
The Artisan at East Village (Oxnard)	\$2,500	\$833	1,576	\$1.59
The Vines at Riverpark (Oxnard)	\$2,458	\$819	1,419	\$1.73
Ralston Courtyards (Ventura)	-	-	-	-
Averages	\$2,479	\$826	1,498	\$1.65

Table 5 – Current Pricing of Rental Inventory Included in B&D Report

Applying the annual escalation rates for each submarket to the average rental prices for each unit type included in the B&D report yields the following current average rental rates within the subject area.

Table 5 – 2014 Average Rental Prices (pre-2012 Inventory)				
Location / Unit Type	% of Total Units in Inventory	2011 Avg. Rental Price	Compound Rental Price Escalation (2011-2014)	2014 Avg. Rental Price
Oxnard / Port Hueneme	28.7%		13.82%	
Efficiency / Studio		\$825		\$939
One bedroom		\$1,141		\$1,299
Two bedroom		\$1,488		\$1,694
Three bedroom		\$1,760		\$2,003
Camarillo	23.3%		15.72%	
Efficiency / Studio		\$1,039		\$1,202
One bedroom		\$1,337		\$1,547
Two bedroom		\$1,593		\$1,843
Three bedroom		\$2,084		\$2,412
Thousand Oaks/Westlake Village	6.6%		10.59%	
Efficiency / Studio		-		-
One bedroom		\$1,537		\$1,700
Two bedroom		\$1,767		\$1,954
Three bedroom		\$1,988		\$2,199
Ventura	19.2%		10.27%	
Efficiency / Studio		-		-
One bedroom		\$1,282		\$1,414
Two bedroom		\$1,523		\$1,679
Three bedroom		-		-
Simi Valley/Moorpark	22.2%		8.83%	
Efficiency / Studio		-		-
One bedroom		\$1,433		\$1,560
Two bedroom		\$1,715		\$1,866
Three bedroom		\$2,100		\$2,285

Table 6 – Combined Current Rental Pricing of Old and New Inventory

The following table reflects the blended 2014 rental pricing of both the pre-2012 and new inventory located within the study area.

Table 6 – 2014 Average Rental Prices (including New Inventory)				
Location / Unit Type	2014 Avg. Rental Price (pre-2012 inventory)	2014 Avg. Rental Price (new inventory)	2014 Total Inventory Avg. Rental Price (pre-2012 and new inventory)	2014 Avg. Rental Price per person
Oxnard / Port Hueneme				
Efficiency / Studio	\$939	\$1,420	\$1,180	\$1,180
One bedroom	\$1,299	\$1,693	\$1,387	\$1,387
Two bedroom	\$1,694	\$2,065	\$1,768	\$884
Three bedroom	\$2,003	\$2,479	\$2,162	\$721
Camarillo				
Efficiency / Studio	\$1,202	-	\$1,202	\$1,202
One bedroom	\$1,547	-	\$1,547	\$1,547
Two bedroom	\$1,843	-	\$1,843	\$922
Three bedroom	\$2,412	-	\$2,412	\$804
Thousand Oaks/Westlake Village				
Efficiency / Studio	-	-	-	-
One bedroom	\$1,700	-	\$1,700	\$1,700
Two bedroom	\$1,954	-	\$1,954	\$977
Three bedroom	\$2,199	-	\$2,199	\$733
Ventura				
Efficiency / Studio	-	-	-	-
One bedroom	\$1,414	\$1,527	\$1,442	\$1,442
Two bedroom	\$1,679	\$1,807	\$1,712	\$856
Three bedroom	-	-	-	-
Simi Valley/Moorpark				
Efficiency / Studio	-	-	-	-
One bedroom	\$1,560	-	\$1,560	\$1,560
Two bedroom	\$1,866	-	\$1,866	\$933
Three bedroom	\$2,285	-	\$2,285	\$762
All Apartments				
Efficiency / Studio	\$1,057	\$1,420	\$1,190	\$1,190
One bedroom	\$1,463	\$1,626	\$1,494	\$1,494
Two bedroom	\$1,781	\$1,962	\$1,809	\$905
Three bedroom	\$2,214	\$2,479	\$2,271	\$757

Table 7 – Pipeline Rental Residential Projects

The following table reflects pipeline rental projects located within the subject study area that are in the planning or construction stages and were not considered in the overall supply of rental units. Note that those projects that are proposed to include 100% restricted rents for seniors or low-income households were excluded from the pipeline total.

Table 7 - Pipeline Projects						
Property Name	Units	Permit Date	Developer	Type	Address	City
Sonata	53	Planned	American Communities	Partially Restricted Rents	2901 Riverpark Blvd.	Oxnard
Terraza de Las Cortez	64 (excluded)	Planned	City of Oxnard Housing Department	100% Restricted Rents	East Colonia Road and Gloria Court	Oxnard
Victoria	112	Planned	Westwood Communities	Market Rate	South Victoria Avenue & West Channel Islands Blvd.	Port Hueneme
Tempo	235	12/1/2013	The Wolff Company	Market Rate	North Oxnard Blvd. & Forest Park Blvd.	Oxnard
Channel Islands Center	953	Prospective	Douglas Austin	Market Rate	2420 North Oxnard Blvd.	Oxnard
West Ponderosa Drive & Camino Tierra Santa	104	Planned	Archway Holdings	Partially Restricted Rents	West Ponderosa Drive & Camino Tierra Santa	Camarillo
AMLI Spanish Hills	384	7/1/2013	AMLI Residential	Partially Restricted Rents	668 Spring Oak Road	Camarillo
Village Gateway	450	Planned	Fairfield Residential	Partially Restricted Rents	350 South Lewis Road	Camarillo
Walnut Hills Senior Center	51 (excluded)	Planned	Mike Rovner Construction	Market Rate Senior Restricted	Walnut Avenue & Lemon Drive	Simi Valley
City Center	200	Planned	Essex Property Trust	Market Rate	Walnut Canyon Road & Casey Road	Moorpark
Total Pipeline Units	2,591					