



# Ocean View Hills

## San Diego, CA

---

Retail & Industrial Analysis

OnPoint Development, LLC

May 12, 2022

# Table of Contents

Click on section titles to jump to that section.  
Click on the Clarity logo to return to the Table of Contents.



- 3 Background & Methodology
- 4 Executive Summary
- 8 Subject Property
- 16 Economic & Demographic Trends
- 23 Retail Market Analysis
- 38 Industrial Market Analysis
- 53 Appendix / Limiting Conditions / Qualifications

# Background & Methodology

## Background

- Client: OnPoint Development, LLC (“Client”)
- Subject: Ocean View Hills Corporate Center adjacent (“Subject”)
- Location: East of Exposition Way, west of Innovative Dr, San Diego, CA 92154
- Site Size: +/-2.0 acres, vacant land
- Uses: Currently zoned commercial, being considered for light industrial
- Setting: Adjacent to existing industrial space to the south, open space to the west
- Objective: Assess the market viability of retail and industrial uses at the Subject and the impact a reduction in commercial space might have on the community

## Methodology

- Subject: Review project information and visit the site
- Market: Survey of retail & industrial comps
- Analysis: Review retail, industrial, demographic and economic trends
- Projection: Estimate future retail & industrial demand & absorption
- Surveys: Early May 2022
- CMA: South San Diego market area (retail – 92154, 92173, 91932, industrial – 92154)

## Contact Info

- Pete Reeb, President, 858-774-7126, [pete@ask-clarity.com](mailto:pete@ask-clarity.com)
- Adam Artunian, Vice President, 949-861-1876, [adam@ask-clarity.com](mailto:adam@ask-clarity.com)

100 Spectrum Center Dr #1400, Irvine, CA 92618











# EXECUTIVE SUMMARY

---

# Summary of Market Viability



Our analysis of the attributes of the Subject site itself, and pertinent supply and demand conditions, indicate that industrial is a far superior market option for the Subject site versus retail. We recommend rezoning of the Subject to industrial. **Given the amount of retail space already in the CMA, and projected future additions to supply, eliminating retail at the Subject will have no negative impact on the community.**

Land Use	Location & Setting	Access & Visibility	Supply Conditions	Demand Conditions	Market Viability
Retail	 Not conducive to retail; site is hidden away; lack of sufficient residential base in the immediate area to support retail at Subject	 Poor access & no visibility from a highly trafficked road	 Macro level conditions are good, but there are many future retail centers in the CMA with much better locations	 Overall vacancy below 5%, but most proximate center & newest center struggle to find tenants; challenging retail environment	 <b>Poor</b> Not Recommended for Subject Site
Industrial	 Adjacent to existing industrial that is performing well; Otoy Mesa is the hot market in the county for industrial	 Same access as adjacent industrial, visibility not an issue	 Significant supply has been added in the CMA the last 2 years & more is under construction, but the space is getting absorbed	 Absorption is very strong & is keeping up with the increase in supply; long-term metrics look good	 <b>Very Good</b> Recommend for Subject Site

# Executive Summary – Retail



**Poor location for retail** – The Subject is tucked away at the north end of the Ocean View Hills Corporate Center.

**Poor access & visibility** – The Subject can currently only be accessed by driving through the Ocean View Hills Corporate Center. The site is at the end of the road, with no drive by traffic. The site is not visible from any higher trafficked roads. While there are plans to extend Exposition Way north into the Vista Pacifica residential neighborhood to the north, there is no timeline for this to happen. Even if it does, traffic likely will only come from the 611 homes in the neighborhood.

**Low ADT Counts** – The ADT count at the entrance to the Vista Pacifica community to the north of the Subject is 5.4K/day. ADTs on nearby Otay Valley Rd / Heritage Rd are 6.4K to 8.4K/day. While ADT counts are not available for the Subject area, on-site observations indicate far lower traffic in the Ocean View Hills Corporate Center. Convenience stores and Strip Center retail usually looks for 5K to 15K/day traffic. It is highly unlikely that the Subject will have this level of traffic.

**Competition in same center** – A 16,275 sf retail center was built in the Ocean View Hills Corporate Center in 2006, in a far superior location on Otay Mesa Rd about one-half mile south of the Subject. The existing center has struggled to maintain occupancies. A 1,200 sf space has remained vacant for the last 5 or 6 years.

**The newest retail center in the market has struggled to lease-up** – Located just 1.7 miles north of the Subject in a higher-visibility location, the Escaya Village Center in Otay Ranch has averaged just +/-2.5K sf per year since opening in 2020. Escaya totals 1,264 homes, about double the number of homes in the Vista Pacifica community near the Subject. After 3 years of leasing, the 20.3K sf center is still 62% vacant.









**Potential future retail supply is high** – Although the timing of development is unknown, there are at least 5 potential retail centers in the CMA, totaling an estimated 363K sf of space. All of the future retail centers are in far better locations in higher-count residential communities with much better visibility and/or with much higher traffic counts. 9.1K sf is currently under construction and 67.5K is planned to come online in existing centers over the next 2 years (mostly build-out of pads in existing centers). Eliminating the possibility of future retail at the Subject will have no impact on the community.

**Overall vacancy in the retail market is normal** – The retail markets in the County and the CMA have largely rebounded from the negative impacts of COVID restrictions that first began in March/April 2020. Retail vacancy in the County is just 4.6% and the CMA is just 4.5%. However, many retailers are still struggling with loss of business to online shopping.

**Projected Strip Center demand at the Subject does not support building retail** – Our demand analysis of the Subject indicates support for only about 3.2K sf of retail. This is not enough demand to support building a retail center.

# Executive Summary – Industrial



-  **Very good location for industrial** – The Subject is adjacent to the north end of the Ocean View Hills Corporate Center which includes 1.37M sf of industrial built from 2000 to 2007. That space initially leased up at an estimated 50K to 150K sf/year and currently has a vacancy rate of just 7.6%.
-  **Reasonable access & visibility** – Visibility is not nearly as important a component of success for industrial space as it is for retail space. The Subject is a very acceptable 1.8 miles to the nearest freeway on/offramp (I-905). The Subject is the westernmost potential industrial site in Otay Mesa, giving the site a slightly lower drive time to I-805 and I-5 to the west than industrial located farther to the east.
-  **Competition in same center** – Although the Ocean View Hills Corporate Center is largely leased-up, there is currently 104.6K of vacant space. There are also 3.2 acres of vacant land still in the center. At an average coverage ratio of 39%, the vacant land could support about 54.4K sf of industrial space. However, absorption in the market as a whole is strong.
-  **Industrial absorption is strong** – The CMA has absorbed an average of 602K sf of industrial space annually since 1999, including 4 years exceeding 1.2M sf. Absorption was almost 4.2M sf in 2021 with the opening of a 3.0M+ sf Amazon fulfillment center. Land costs and lease rates are much lower in the CMA than other parts of the county, helping to drive demand.
-  **Demand for industrial in the CMA is expected to increase** – As other areas of the County become more built-out more demand will shift to the CMA. We are projecting demand of at least 1.25M sf/year in the CMA over the next 5 years, and demand could be as high as 1.57M sf/year. The Subject should be able to capture its fair share of demand.
-  **Supply in the CMA will continue to grow** – According to CoStar there is currently 1.57M sf of industrial under construction in the CMA that is expected to deliver over the next 2 years, as well as another 1.62M sf planned that has not yet started construction. We have estimated that there could be another 3.0M sf in future developments that have not yet announced production. That makes a total of about 6.2M sf against projected 10-year demand of at least 12.5M sf.
-  **Vacancy rates are at historic lows** – Countywide vacancy is just 2.8% and the CMA is just 3.4%. After the Great Recession in the late 2000s and significant construction in the 2000s, vacancy was at 11.0% in the County and 21.1% in the CMA.
-  **Projected supply and demand conditions support industrial at the Subject** – Industrial is a far superior option for the development of the Subject than retail. The Subject is adjacent to existing industrial space and current industrial market conditions are strong. Future demand for industrial space in the CMA is more conducive to industrial at the Subject, while the location of the Subject will not allow it to benefit from future residential growth in the CMA.

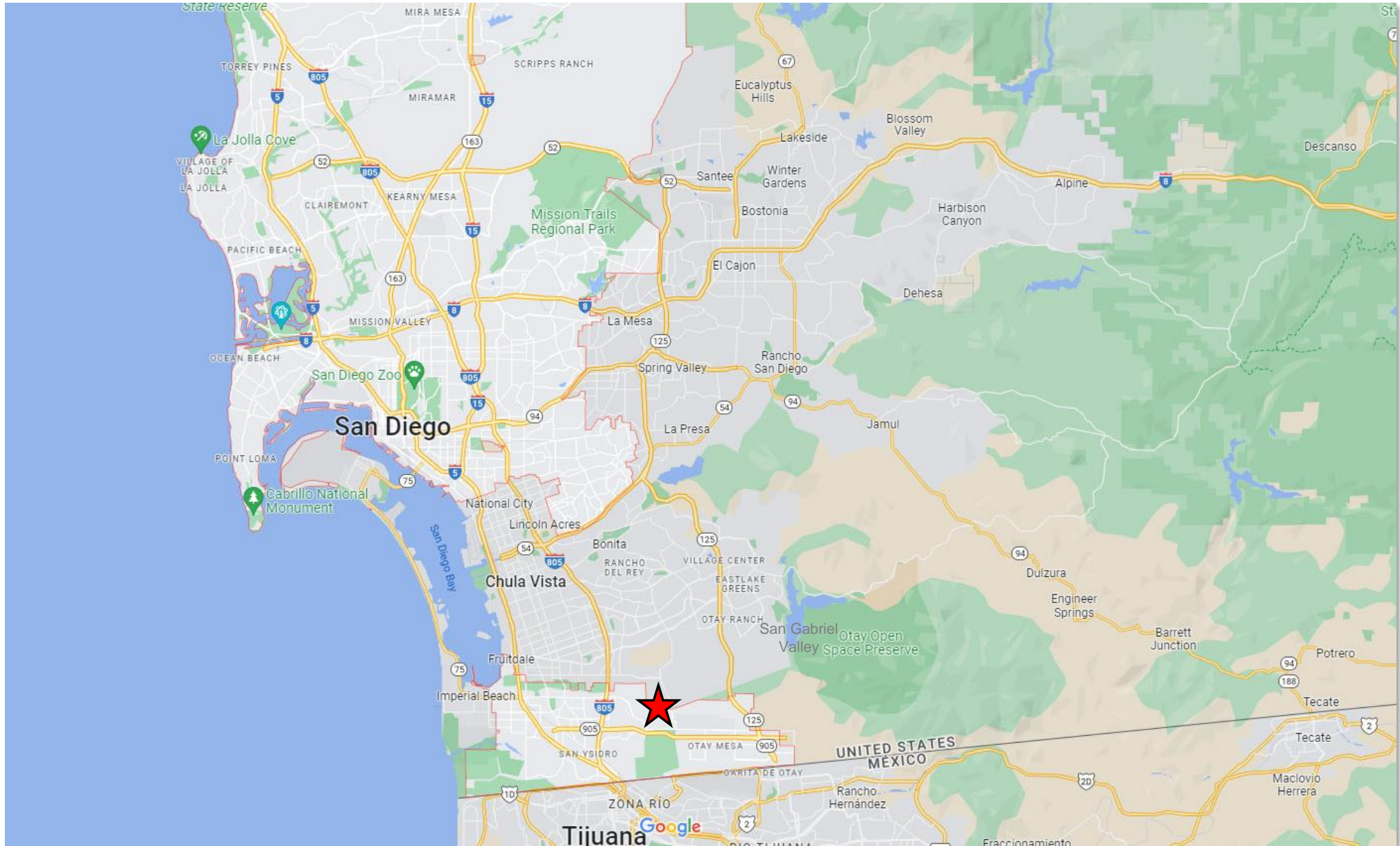
# SUBJECT PROPERTY

---



# Regional Location

The Subject is located in the Otay Mesa area of the City of San Diego. The site is 2.1 miles from the border with Mexico and 12.8 miles from downtown San Diego (as the crow flies). The nearest freeway is I-905, providing regional access to I-805 and I-5.

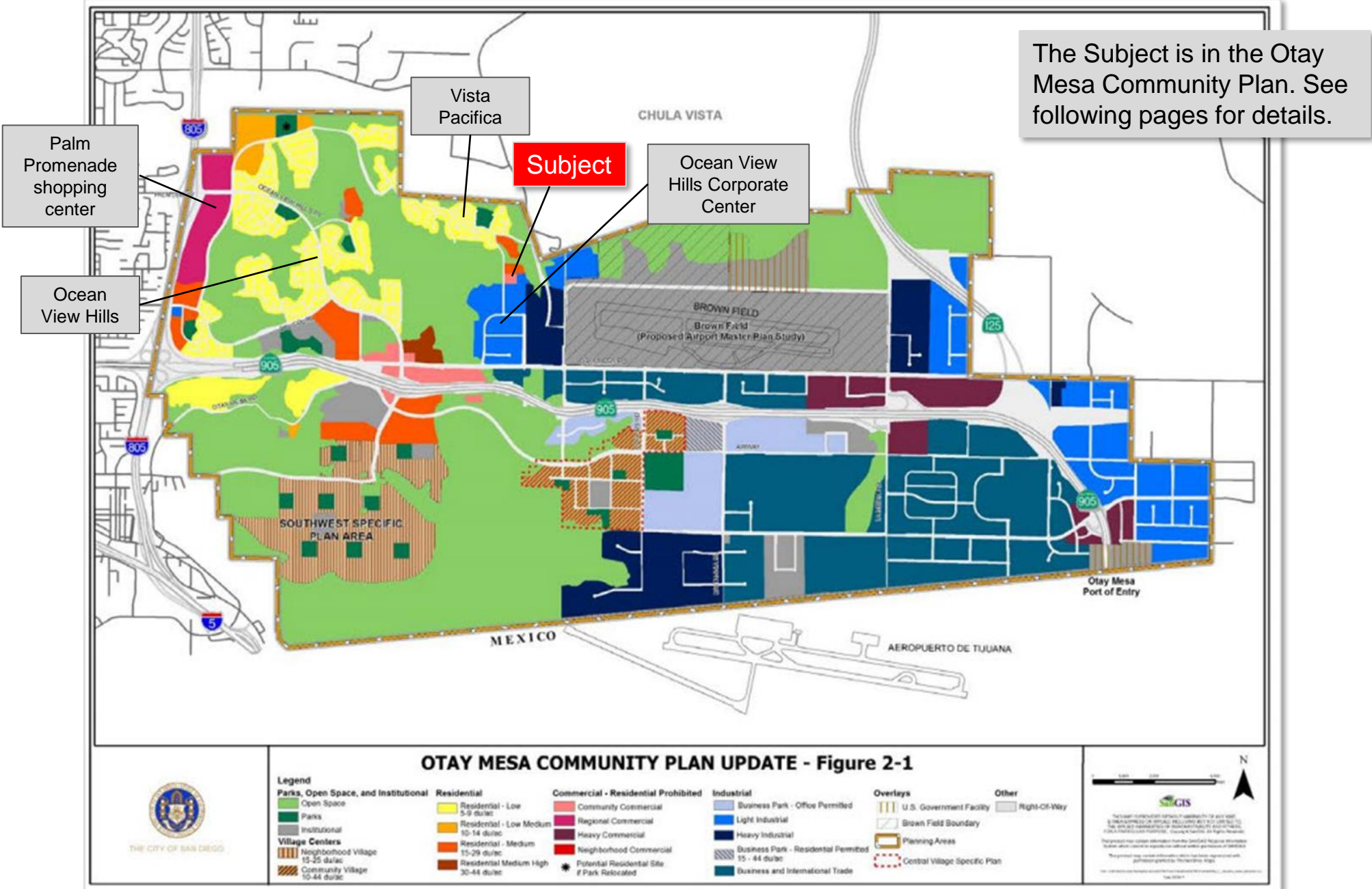


# Aerial Photo – South San Diego County

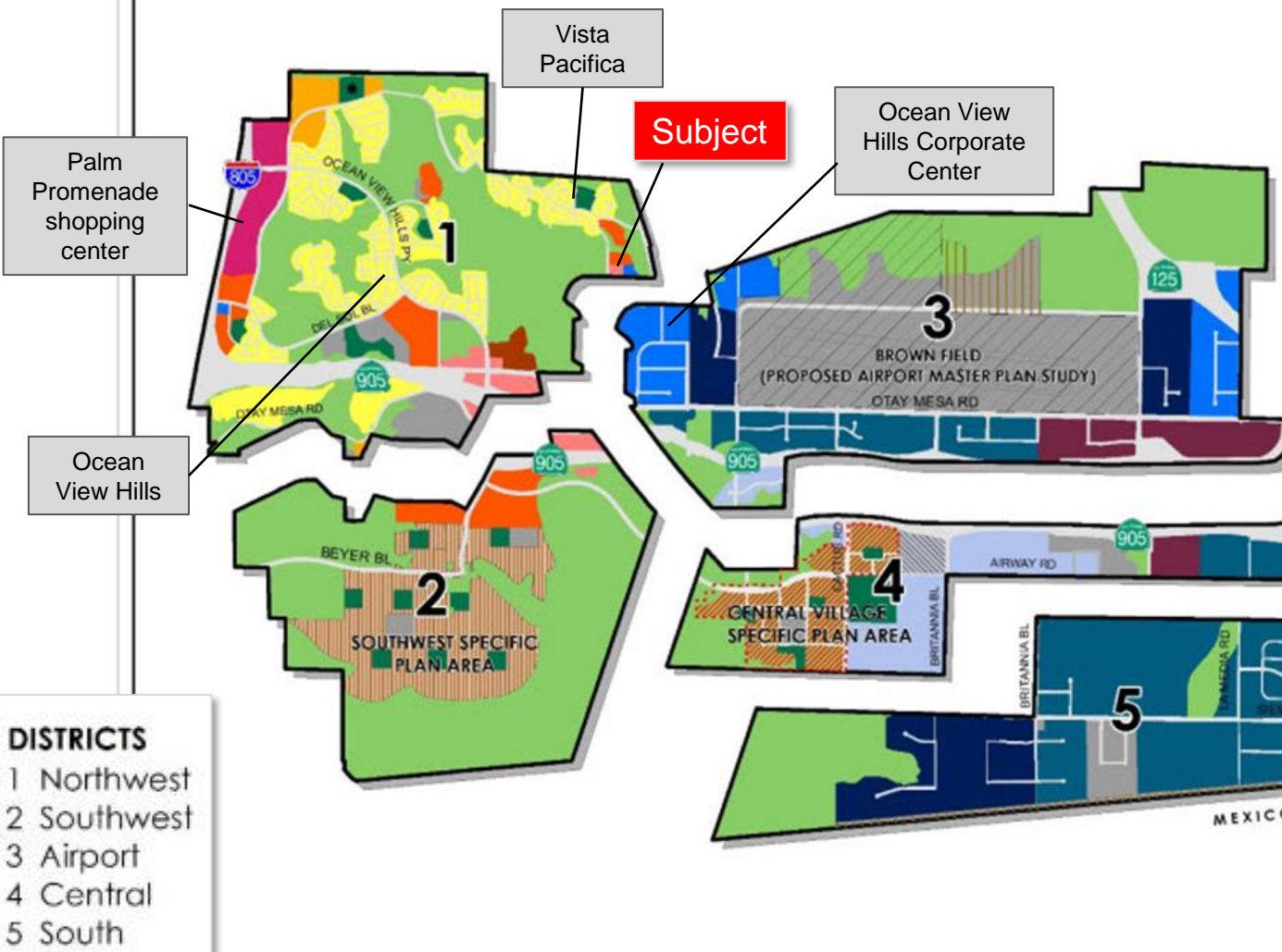
The Subject is just 1.8 miles from the Ocean View Hills on/off-ramp to I-905, providing regional access. The Subject is in the Ocean View Hills Corporate Center with +/-1.375M sf of industrial space and +/-16K sf of retail. The Vista Pacific residential neighborhood (611 homes) is located north of the Subject but does not currently have vehicular access. There are at least 4 potential future retail centers within a 1.5-mile radius of the Subject, all of which have better locations for retail space. The south side of Otay Ranch is just 1.2 miles from the Subject, and has a substantial amount of retail, but no industrial.



# Otay Mesa Community Plan



# Otay Mesa Community Plan – Villages



	SF Units	MF Units	Total Units	Total Population
<b>Northwest Area</b>	2,873	4,775	7,648	27,908
<b>Southwest Village</b>	1,400	4,480	5,880	21,028
<b>Central Village</b>		4,768	4,768	16,451
<b>Business Park, Res. Permitted</b>		478	478	1,648
<b>Total</b>	<b>4,273</b>	<b>14,501</b>	<b>18,774</b>	<b>67,035</b>

- DISTRICTS**
- 1 Northwest
  - 2 Southwest
  - 3 Airport
  - 4 Central
  - 5 South

OTAY MESA DISTRICT MAP - Figure 2-2



**Legend**

- Parks, Open Space, and Institutional**
  - Open Space
  - Parks
  - Institutional
- Village Centers**
  - Neighborhood Village 15-29 du/acre
  - Community Village 30-44 du/acre
- Residential**
  - Residential - Low 5-9 du/acre
  - Residential - Low Medium 10-14 du/acre
  - Residential - Medium 15-29 du/acre
  - Residential Medium High 30-44 du/acre
- Commercial - Residential Prohibited**
  - Community Commercial
  - Regional Commercial
  - Heavy Commercial
  - Neighborhood Commercial
- Industrial**
  - Business Park - Office Permitted
  - Light Industrial
  - Heavy Industrial
  - Business Park - Residential Permitted 15 - 44 du/acre
  - Potential Residential Site
  - Park Relocated
- Overlays**
  - U.S. Government Facility
  - Brown Field Boundary
  - Planning Area
  - Central Village Specific Plan
- Other**
  - Right-Of-Way

Scale: 0 to 1000 feet. North arrow pointing up.

# Subject – Neighborhood Location

Boxed numbers refer to location of photos on the following page.

CLARITY  
REAL ESTATE ADVISORS

- The Subject is located at the north side of the Ocean View Hills Corporate Center. Although the Corporate Center is located in the Airport Village of the Otay Mesa Community Plan, the Subject is in the Northwest Village.
- The first industrial building in the Ocean View Hills Corporate Center was built in 2000; however, most buildings were built from 2004 to 2007. The Ocean View Hills Corporate Center retail space was built in 2006 and totals 16,275 sf, of which 1,200 sf is currently vacant.
- The Subject is adjacent to existing industrial buildings. Exposition Way on the west and Innovative Dr on the east will provide access to the site. There are plans to extend Exposition Way into the Vista Pacifica neighborhood to the north of the Subject; however, the timing is not known.
- As is, the Subject is a very poor location for retail development. The site has poor visibility and there will be no drive by traffic. Even if Exposition Way is extended, there will still be minimal traffic, as most drivers will take the more convenient Otay Valley Rd / Heritage Rd, to the east of the Subject.
- As it stands today, the Subject makes far more sense as an industrial site than retail, as it is adjacent to industrial, and there will always be minimal drive by traffic.



# Subject Site Photos

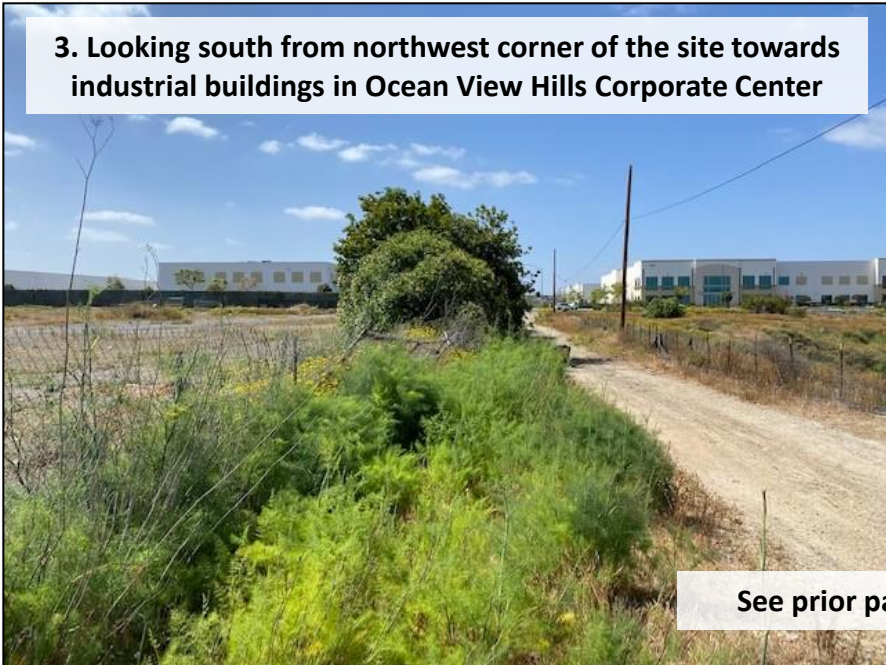
**1. Looking northeast from the southwest corner of the site**



**2. Looking north from southwest corner of the site**



**3. Looking south from northwest corner of the site towards industrial buildings in Ocean View Hills Corporate Center**



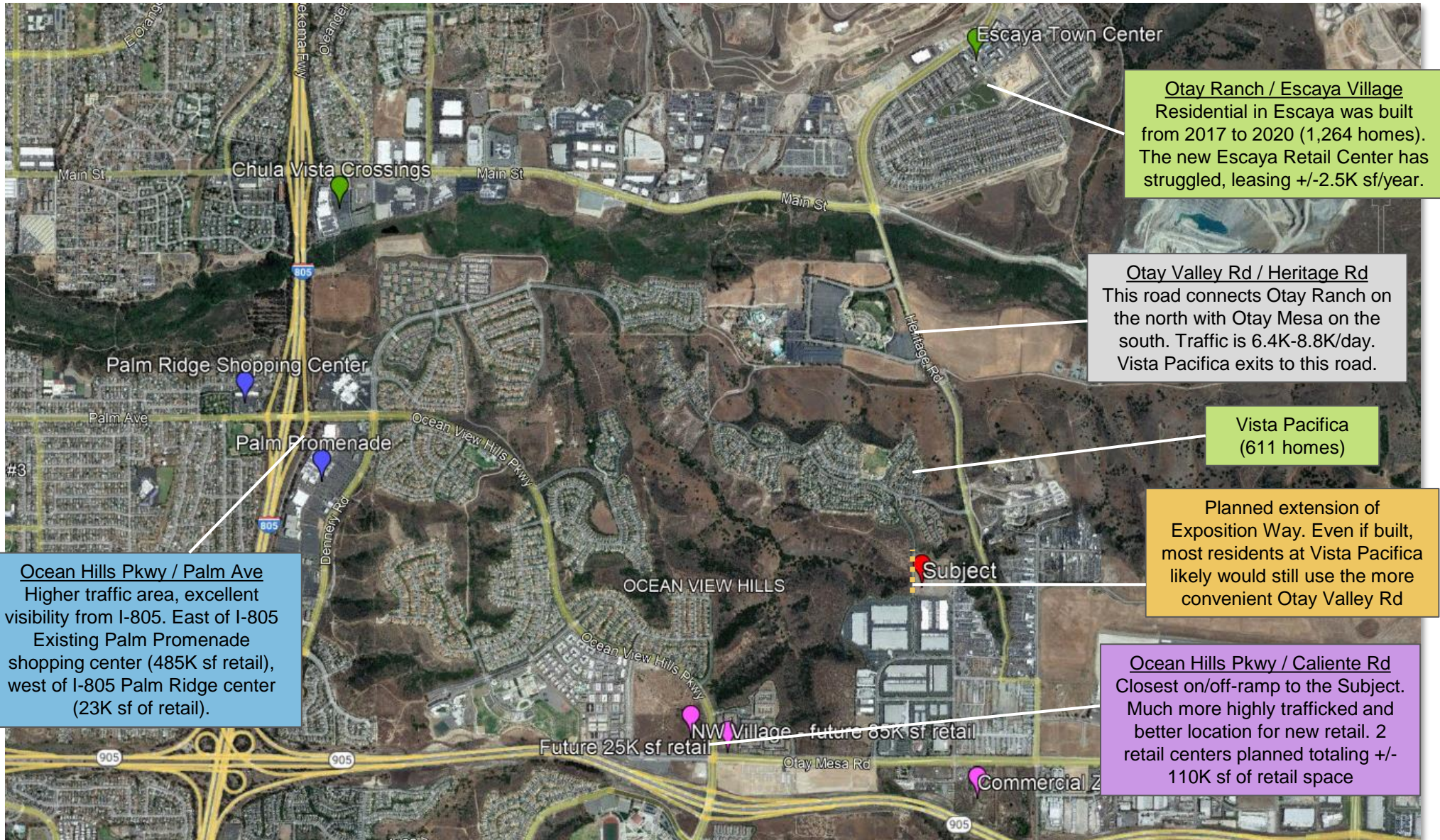
**4. Looking west from the west side of the site (San Diego Bay and Pacific Ocean views to the far west)**



See prior page for location of photos

# Local Traffic Patterns

Local traffic patterns are not conducive to offering retail at the Subject, nor will they be even if Exposition Way is extended to the Vista Pacifica neighborhood to the north. Future potential retail centers, particularly at Ocean View Hills Pkwy & Otay Mesa Rd, have far better locations for new retail, and have both struggled with preleasing (neither has started construction yet).



# ECONOMIC & DEMOGRAPHIC TRENDS

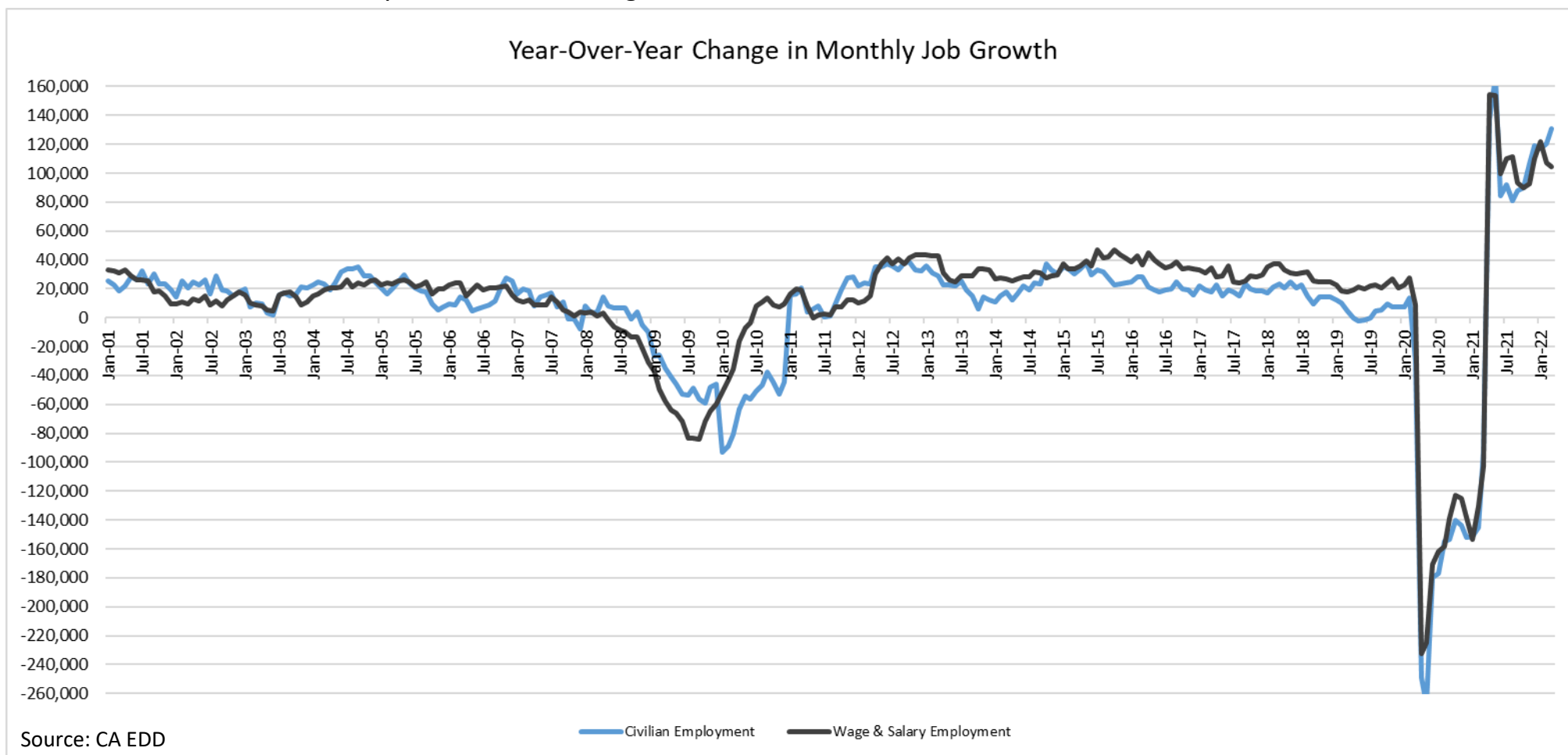
---



# Employment – San Diego County

COVID-19 and the corresponding lock-downs and business closings devastated the economy starting in March of 2020. While many jobs have since returned (+237K from the low in April 2020), and most sectors of the economy are growing, SD County still has 13.8K fewer wage and salary jobs than the pre-COVID month of February 2020. Despite this, commercial and industrial markets in the County and CMA are strong.

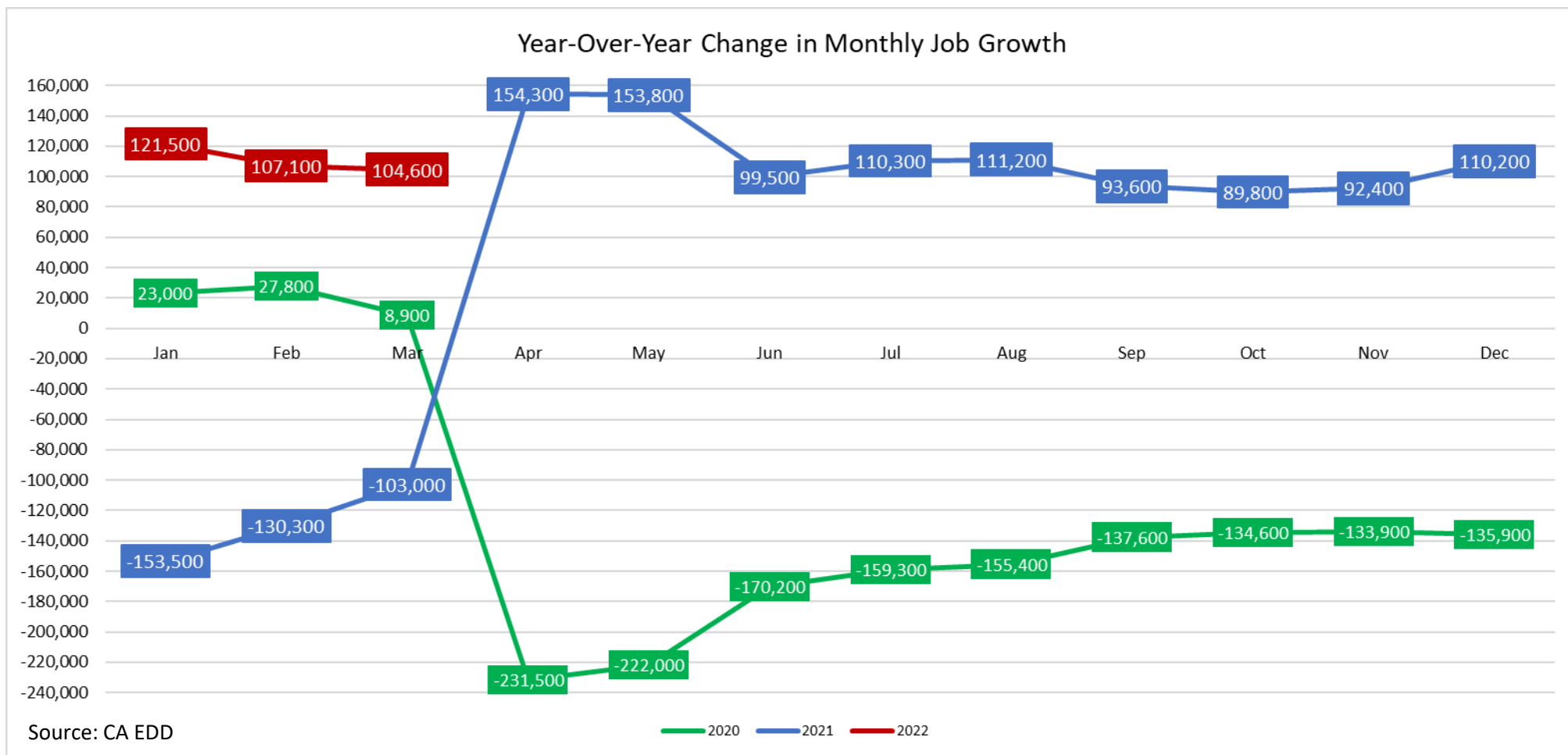
San Diego County	Feb-20	Mar-22	Current vs. Pre-COVID	
			#	%
Civilian Labor Force	1,600,600	1,596,800	-3,800	-0.2%
Civilian Employment	1,549,600	1,542,100	-7,500	-0.5%
Civilian Unemployment	51,000	54,700	3,700	7.3%
Civilian Unemployment Rate	3.2%	3.4%	0.2%	6.3%
Total Wage & Salary Jobs	1,524,600	1,510,800	-13,800	-0.9%



# Employment & E/P Ratio – San Diego County

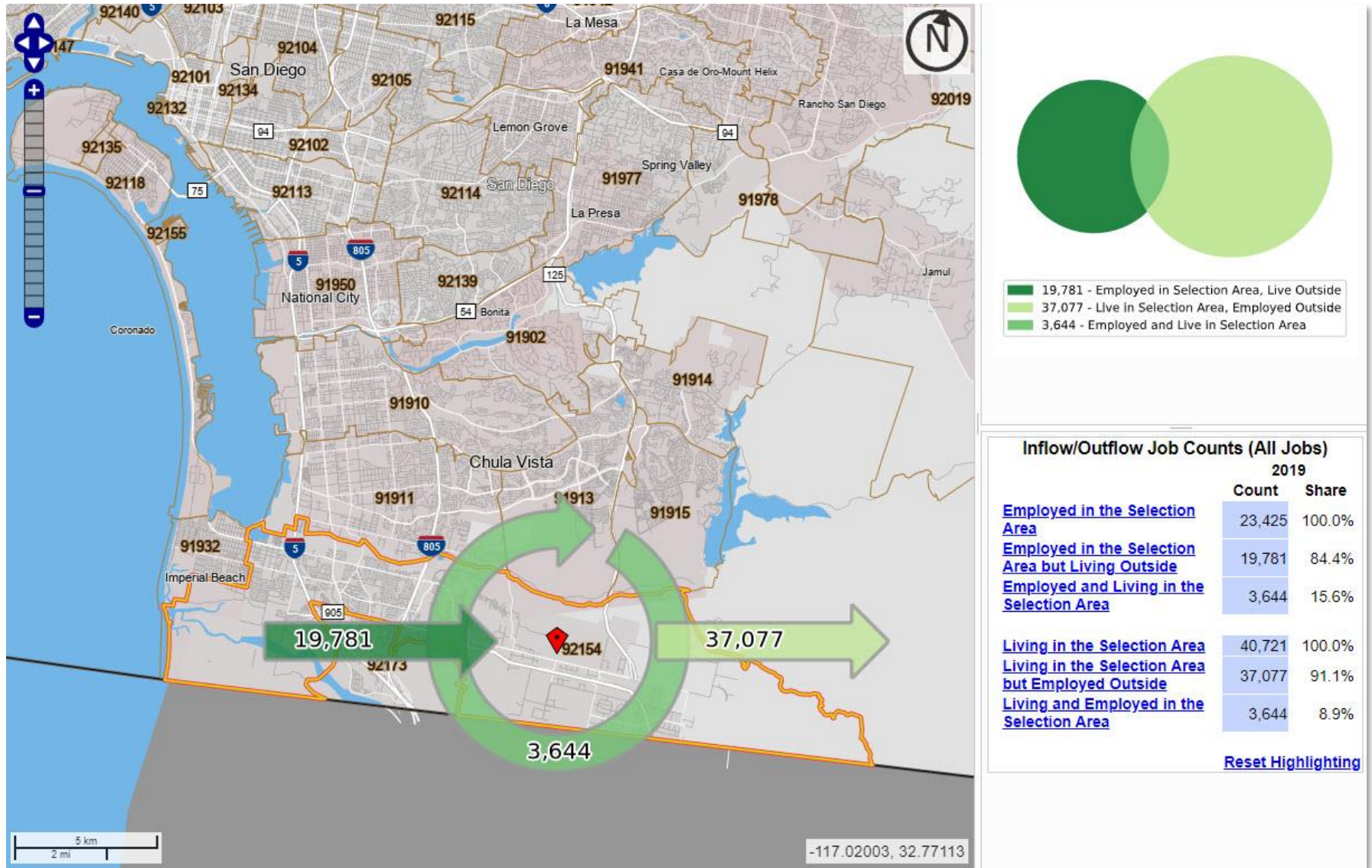
San Diego experienced positive YOY job growth starting in April of 2021 and has continued to add jobs every month since. YOY job growth has generally been at around 90K or more every month since June of 2021. Positive job growth is projected for at least the next 4 years.

Year	Job Change
2019	21,300
2020	-117,800
2021	52,400
2022	75,000
2023	25,000
2024	22,000
2025	15,000



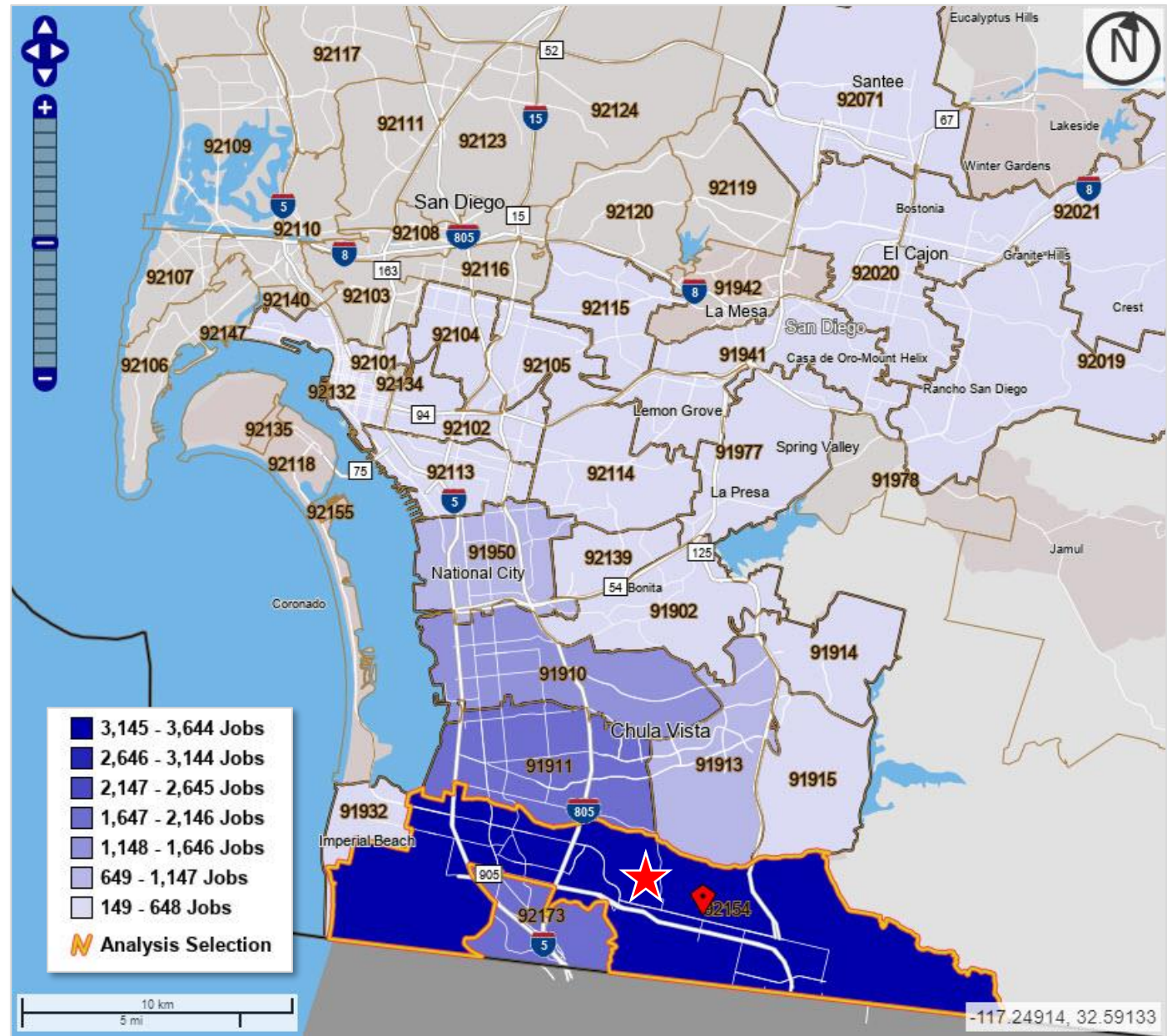
# Employment – Zip 92154 – Inflow/Outflow

Despite the presence of a substantial number of logistics, warehouse and distribution facilities, almost twice as many workers commute out (37.1K) of the Subject Zip for work than come into the area (19.8K). Providing more local employment opportunities such as industrial at the Subject could help provide a better work/home balance, reducing traffic and vehicle miles traveled.



# Residence Location – Zip 92154 Workers

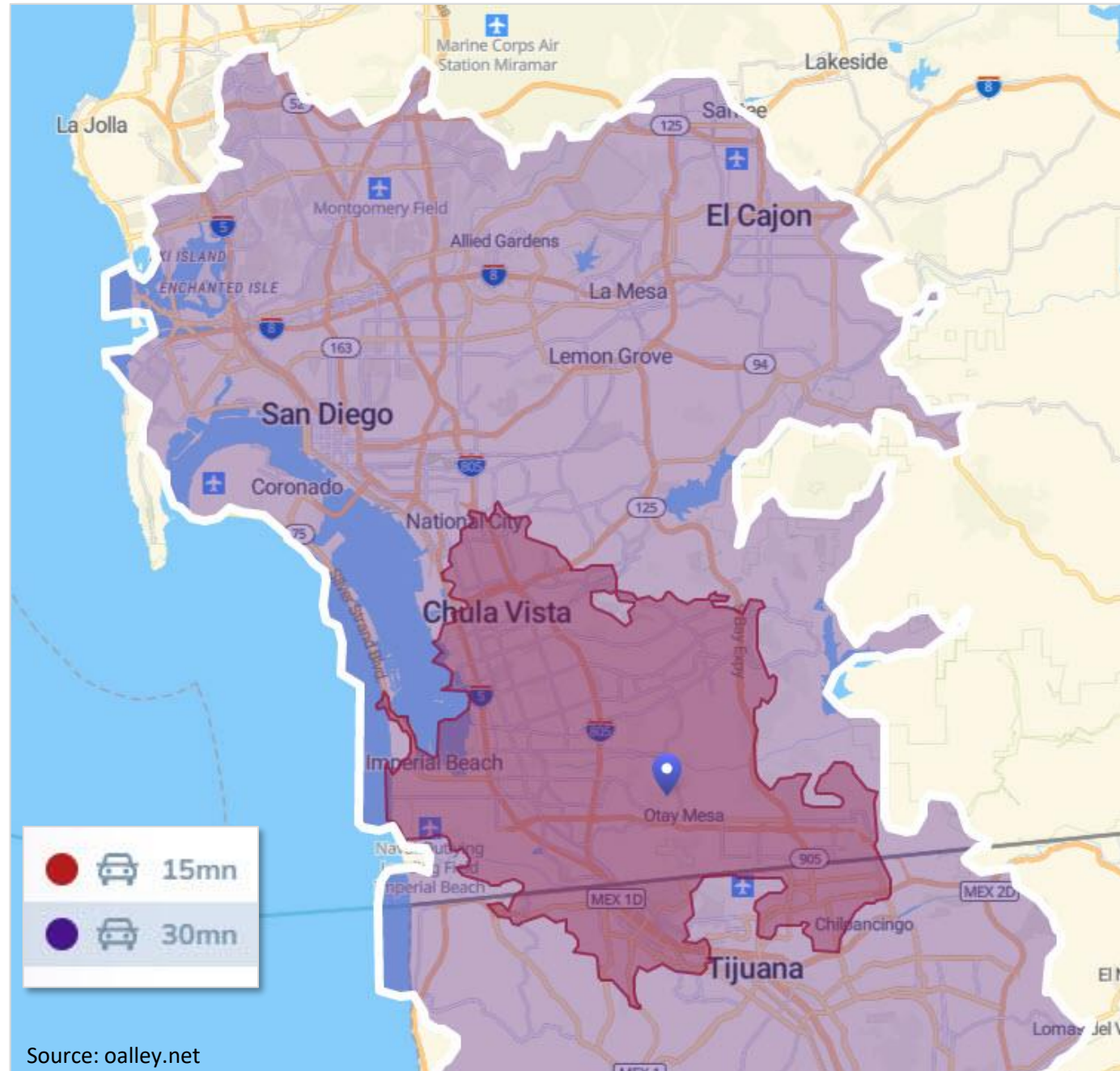
- Among people who work in the Subject Zip 92154, the highest proportion also live in the Zip. Nearby areas represent the next highest source of Zip workers including San Ysidro (92173), Chula Vista (91910-91915) and National City (91950).
- Having a short commute time is a big plus with regards to the Subject offering employment opportunities such as industrial at the site.



Source: onthemap.ces.census.gov

# Commute Time – Subject Site

- With a location just 1.2 miles from the Ocean View Hills on/off-ramp to I-905, the Subject is within a 15-minute drive time of most of the South Bay area, including all of Chula Vista and most of National City.
- Downtown San Diego, La Mesa and Mission Valley are within a 30-minute drive.
- The Subject is within a very reasonable commute time of a large population base, which helps support the opportunity to offer an employment generating use such as industrial space at the Subject.



# Demographics – 92154 vs. San Diego County

Zip 92154 (Subject) compared to San Diego County:

- 2.6% of the population in households (excluding the population in group quarters)
- 1.9% of households
- A much larger average household size (3.72 vs 2.76)
- A lower median income (\$71K vs. \$85K)
- The lower median income in the Subject zip negatively impacts potential retail spending and the market viability of retail at the Subject

## San Diego County CA Data & Demographics (As of July 1, 2021)

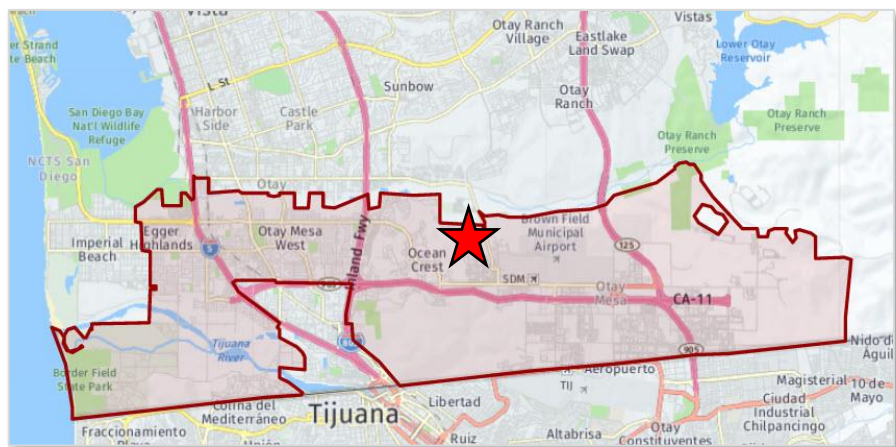
POPULATION		HOUSING	
Total Population	3,287,244 (100%)	Total HU (Housing Units)	1,232,439 (100%)
Population in Households	3,180,635 (96.8%)	Owner Occupied HU	627,512 (50.9%)
Population in Families	2,534,345 (77.1%)	Renter Occupied HU	525,394 (42.6%)
Population in Group Quarters <sup>1</sup>	106,609 (3.2%)	Vacant Housing Units	79,533 (6.5%)
Population Density	781	Median Home Value	\$663,231
Diversity Index <sup>2</sup>	79	Average Home Value	\$770,949
		Housing Affordability Index <sup>3</sup>	73

INCOME		HOUSEHOLDS	
Median Household Income	\$84,989	Total Households	1,152,906
Average Household Income	\$113,225	Average Household Size	2.76
% of Income for Mortgage <sup>4</sup>	33%	Family Households	762,291
Per Capita Income	\$40,045	Average Family Size	3
Wealth Index <sup>5</sup>	123		

## San Diego, CA 92154 Data & Demographics (As of July 1, 2021)

POPULATION		HOUSING	
Total Population	88,487 (100%)	Total HU (Housing Units)	22,828 (100%)
Population in Households	81,352 (91.9%)	Owner Occupied HU	13,319 (58.3%)
Population in Families	74,030 (83.7%)	Renter Occupied HU	8,536 (37.4%)
Population in Group Quarters <sup>1</sup>	7,135 (8.1%)	Vacant Housing Units	973 (4.3%)
Population Density	2,101	Median Home Value	\$474,203
Diversity Index <sup>2</sup>	86	Average Home Value	\$481,887
		Housing Affordability Index <sup>3</sup>	89

INCOME		HOUSEHOLDS	
Median Household Income	\$70,792	Total Households	21,855
Average Household Income	\$84,181	Average Household Size	3.72
% of Income for Mortgage <sup>4</sup>	28%	Family Households	18,629
Per Capita Income	\$20,842	Average Family Size	4
Wealth Index <sup>5</sup>	71		



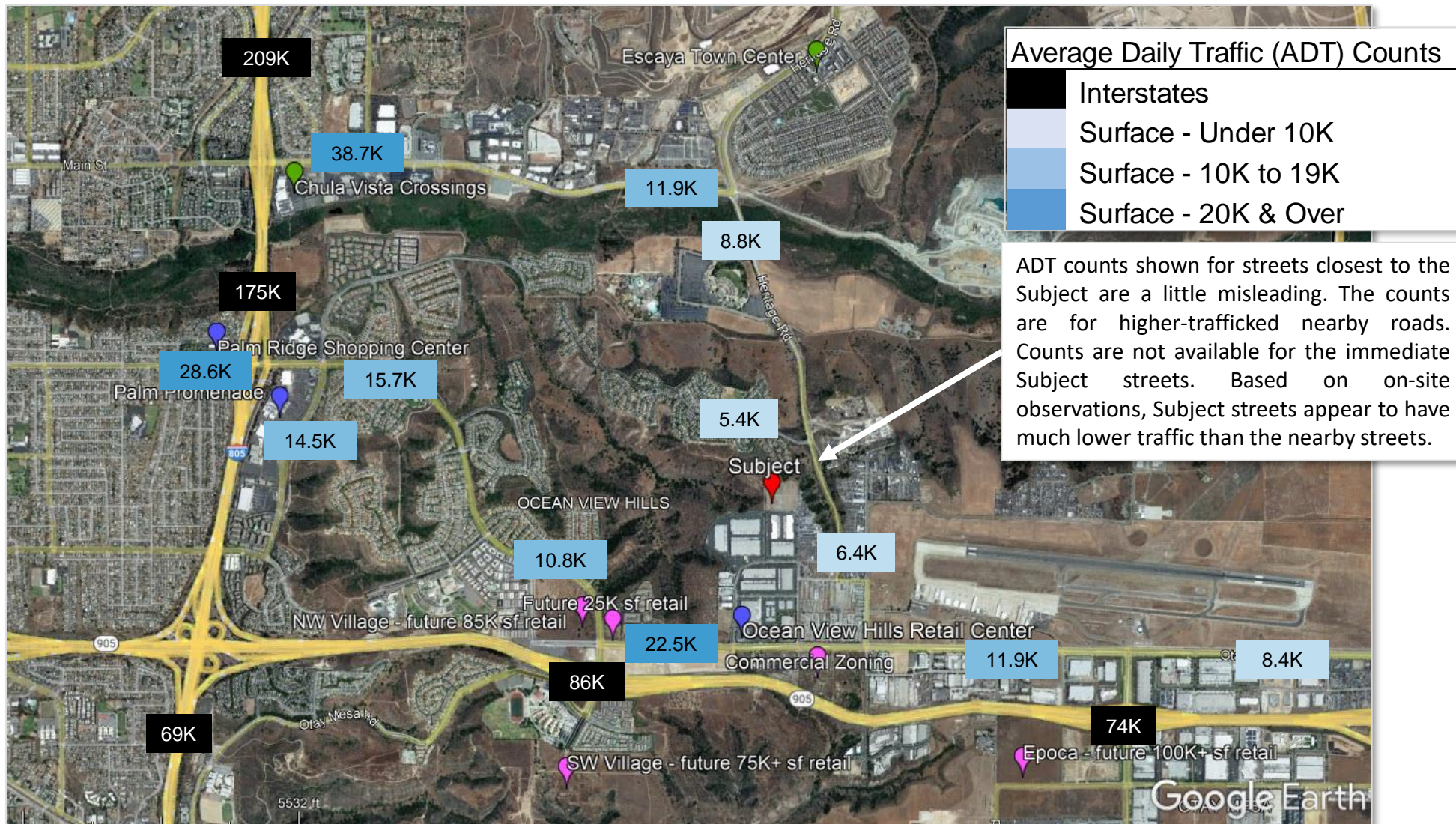
Source: California HomeTown Locator

# RETAIL MARKET ANALYSIS

---

# Average Daily Traffic (ADT) Counts

- Strip centers, convenience stores and gas stations typically look for ADT counts from 5K to 15K/day. Neighborhood retail centers prefer a minimum count of at least 20K per day, and Community/Power Centers 50K+.
- The Subject's infill setting on Exposition Way will result in minimal traffic – mostly generated just from the Vista Pacific neighborhood to the north. Nearby Heritage Road/Otay Valley Rd has higher traffic, but the Subject will not benefit.



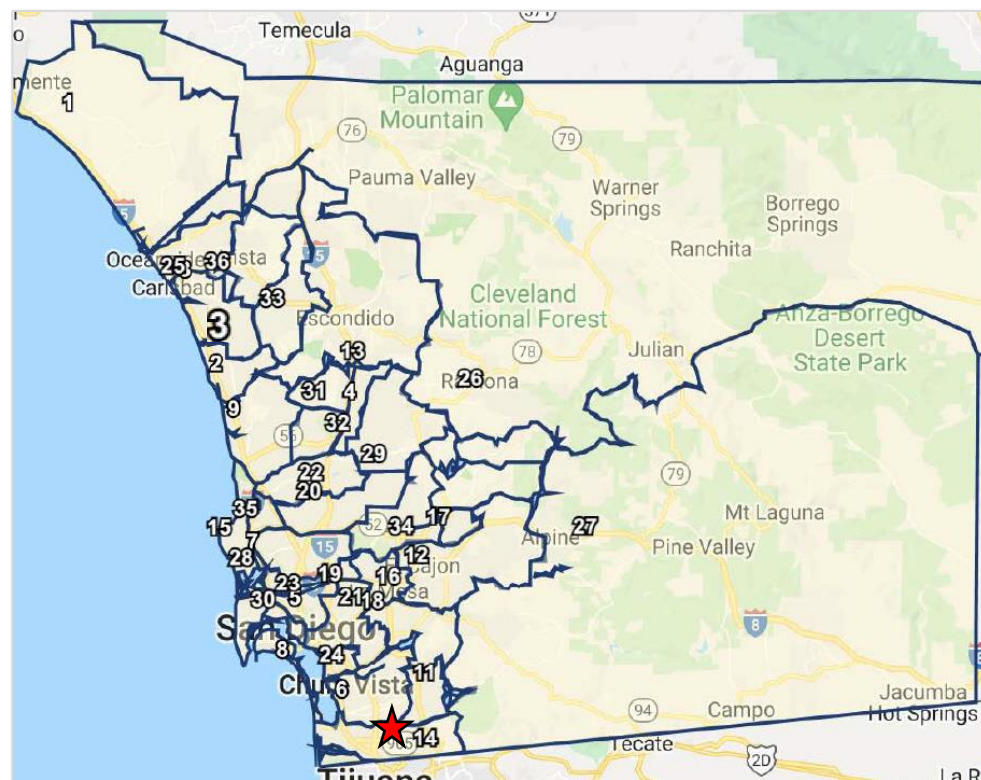


# Retail Trends – Overview - County

## KEY INDICATORS

Current Quarter	RBA	Vacancy Rate	Market Rent	Availability Rate	Net Absorption SF	Deliveries SF	Under Construction
Malls	13,228,397	7.8%	\$42.13	3.7%	(649)	0	300,000
Power Center	11,856,068	3.7%	\$36.41	2.6%	88,681	0	4,800
Neighborhood Center	44,792,419	5.9%	\$32.48	6.9%	79,716	0	7,850
Strip Center	10,938,336	4.8%	\$27.13	5.7%	(3,480)	10,039	63,415
General Retail	56,075,776	2.9%	\$30.38	3.0%	63,020	2,800	99,528
Other	1,886,418	7.3%	\$34.44	11.5%	(4,876)	0	0
<b>Market</b>	<b>138,777,414</b>	<b>4.6%</b>	<b>\$32.51</b>	<b>4.6%</b>	<b>222,412</b>	<b>12,839</b>	<b>475,593</b>

- According to data-provider CoStar, the retail landscape has improved in San Diego County over the past few quarters following a dip during the COVID lockdowns in 2020 and into 2021. However, many retailers are now struggling to find enough workers, leading to longer queues, shorter business hours and smaller menus in restaurants.
- The wave of department store closings, national chain bankruptcies, and local mom-and-pop challenges that resulted from COVID have moderated, but e-commerce continues to disrupt the traditional brick-and-mortar retail model. We are reflecting the impact of on-line shopping on Strip Retail space in our demand model with a 10% reduction in the typical amount of retail space generated by demand from household growth. (See page 36)

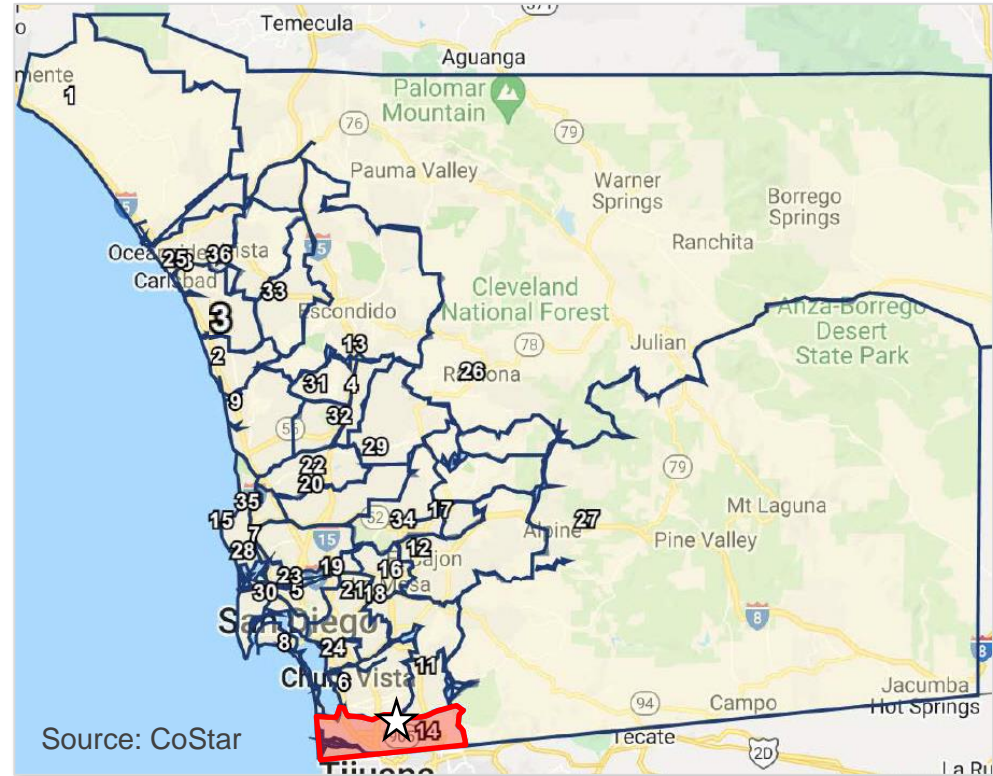


Source: CoStar

# Retail Trends – Overview - CMA

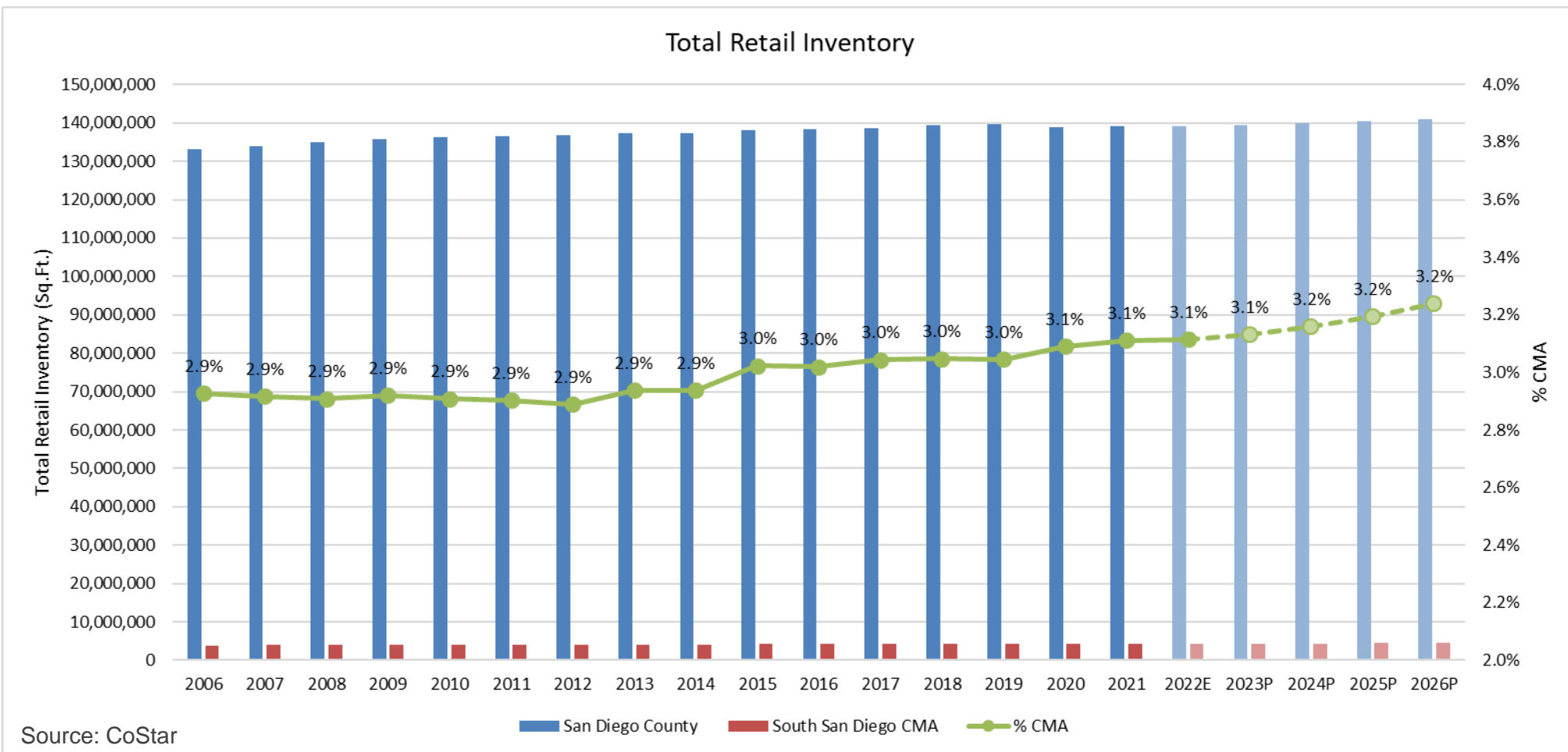
KEY INDICATORS							
Current Quarter	RBA	Vacancy Rate	Market Rent	Availability Rate	Net Absorption SF	Deliveries SF	Under Construction
Malls	0	-	-	-	0	0	0
Power Center	475,269	0.5%	\$31.67	0.5%	0	0	4,800
Neighborhood Center	1,487,733	10.4%	\$30.89	11.2%	993	0	0
Strip Center	512,932	2.7%	\$25.23	3.1%	1,760	0	0
General Retail	1,157,305	0.9%	\$26.95	1.0%	1,926	0	4,300
Other	692,853	2.0%	\$31.65	8.4%	0	0	0
<b>Submarket</b>	<b>4,326,092</b>	<b>4.5%</b>	<b>\$29.37</b>	<b>5.9%</b>	<b>4,679</b>	<b>0</b>	<b>9,100</b>

- The Subject is located in what CoStar calls the Imperial Beach/South San Diego submarket (14) – highlighted in red on the map to the right. We are referring to the submarket as the South San Diego CMA. The CMA encompasses Zip Codes 92154 (Subject), 92173 (San Ysidro) and 91932 (Imperial Beach).
- The CMA has largely recovered from the initial negative impacts of COVID lockdowns starting in March and April of 2020 and lasting into 2022. The CMA represents 3.1% of the County-wide supply of all retail space, and 4.7% of Strip Center space only (most comparable to the Subject).
- There is currently only 9.1K sf of retail space under construction. According to our estimates, there is likely at least another 300K+ sf of retail space planned, which is plenty to accommodate planned residential growth.



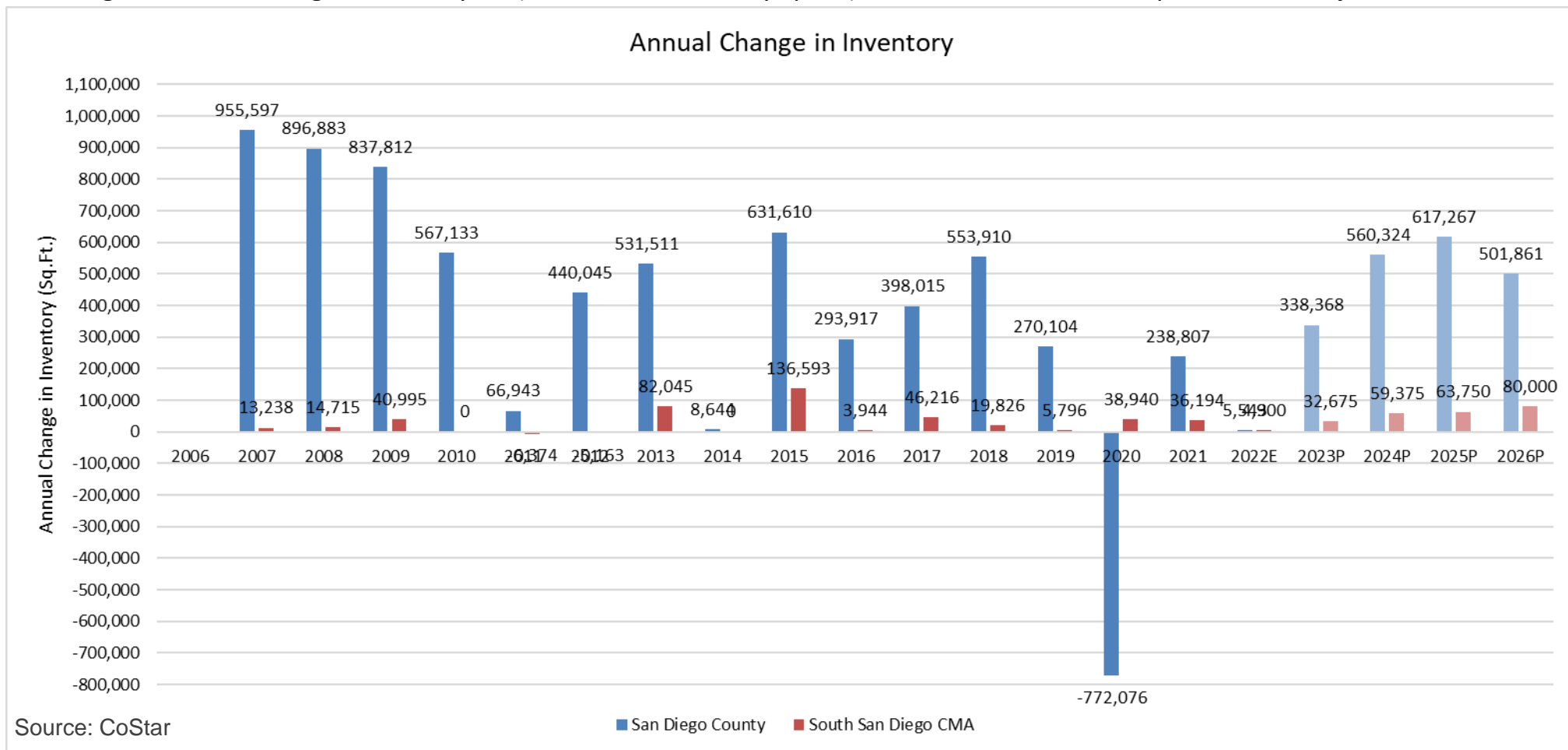
# Retail Trends – Inventory

- As of the end of 2021, there was about 139.0M sf of retail space in San Diego County and 4.3M sf in the CMA (3.1%).
- With a slightly higher proportion of new retail planning in the CMA vs. the County, CMA capture is projected at 3.2% by 2025.
- There is about 114 sf of occupied retail space/household in the County and 105 sf/household in the CMA.
- For just Strip Retail, there is about 10 sf of occupied retail space/household in the County and 13 sf/household in the CMA.



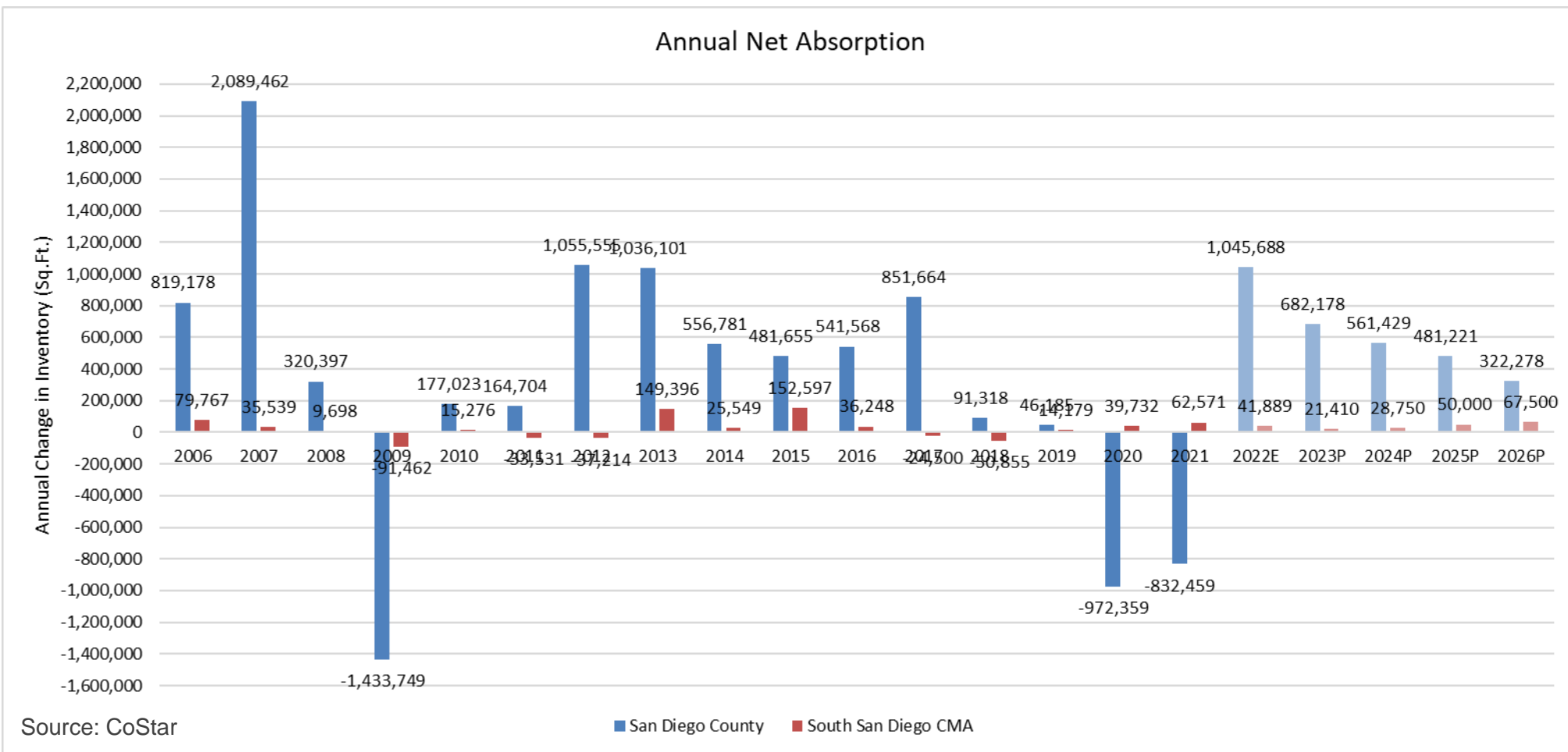
# Retail Trends – Annual Change in Inventory

- From 2007 through 2021, a total of 5.92M sf of retail space was added in the County and 427K sf was added in the CMA (7.2%).
- Since 2007, the County has added an average of about 395K sf of retail/year, while the CMA has added 28.5K sf/year (7.2%).
- The 772K sf reduction in countywide inventory in 2020 reflects the demolition of the Horton Plaza shopping center in downtown San Diego (opened in 1985). The site is being redeveloped as a mixed-use project and will add back about 300K sf of new retail. If the loss of Horton Plaza is excluded, the County had added an average of 496K sf/yr from 2007 through 2019.
- With new mixed-use developments and master plans in the works, the CMA is projected to add 241K sf of retail from 2022 through 2026, an average of 48K sf/year (11.9% of new County space). This assumes no retail space at the Subject.



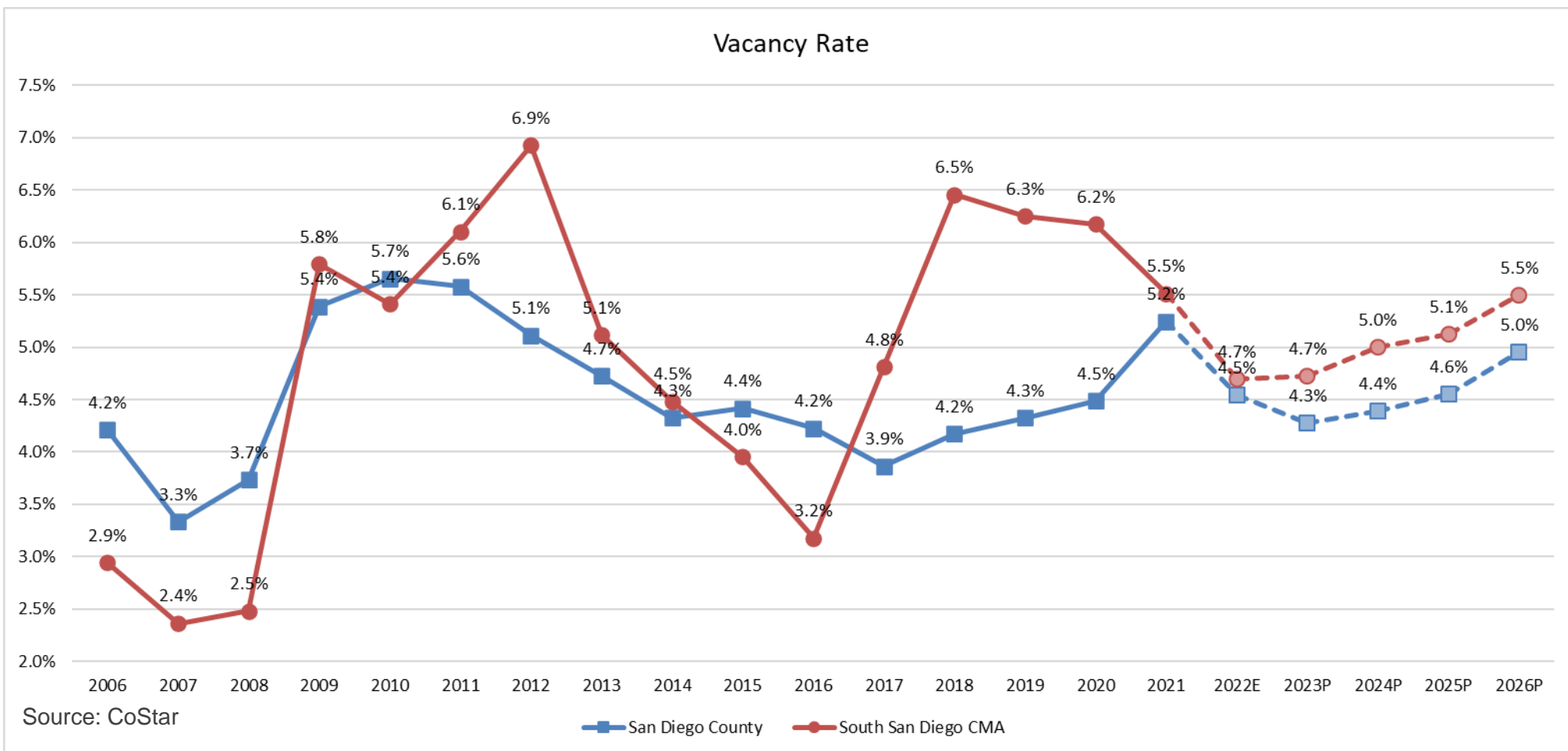
# Retail Trends – Annual Net Retail Absorption

- From 2006 through 2021, the County averaged absorption of about 312K sf of retail space/year. Excluding the loss of space at Horton Plaza in 2020, the absorption jumps to an average of 398K sf/year.
- Over the same time period, a net of about 383K sf of retail space has been absorbed in the CMA, an average of 23.9K sf/year.
- With more new space expected to come on line in conjunction with the development of new housing, retail absorption in the CMA is projected to increase to an average of 41.9K sf/year from 2022 through 2026. Since 2006, there have been 7 years in the CMA with in excess of 30K sf/year absorbed and 4 years in excess of 50K sf/year.



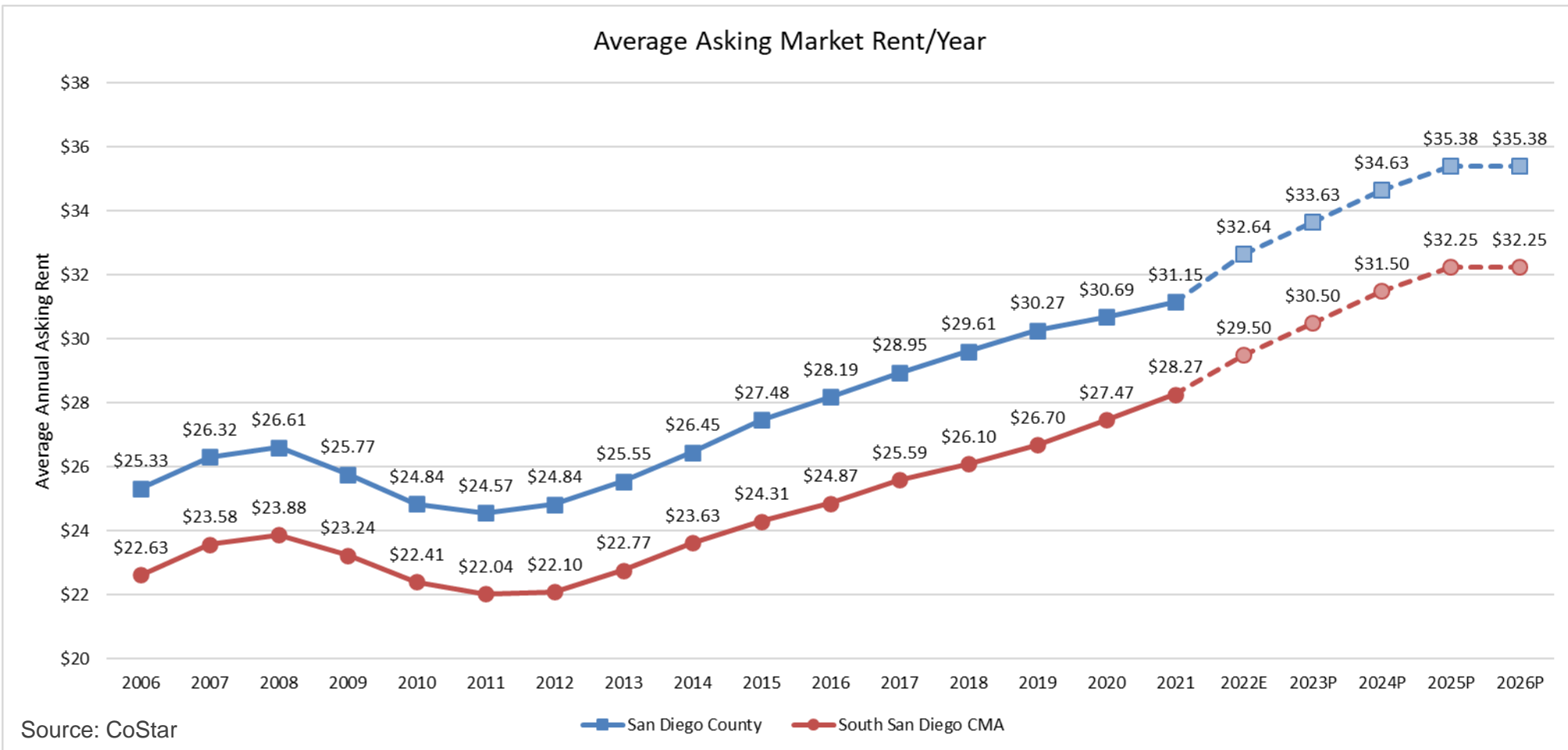
# Retail Trends – Vacancy Rate

- Multiple factors influence retail vacancy rates: additions or subtractions to supply, changing consumer tastes, the health of the economy, and more recently – the impact of on-line shopping. When COVID lockdowns first hit in March and April of 2020, some planned retail centers were put on hold or permanently cancelled. Obsolete centers in older neighborhoods being rezoned to residential, or large centers such as Horton Plaza being demolished and converted to other uses have actually helped keep the vacancy rate down over the last 10 years below what it might otherwise have been.
- The vacancy rate in the CMA shows greater volatility than the County as a whole, with the vacancy rate often rising with the addition of new supply coming to market, This is expected to be the case over the next few years as planned centers in the CMA come to market (Ocean View Hills Center (not the Subject), Central Village (Epoca), etc.)



# Retail Trends – Asking Market Rent

- In an area with lower average and median incomes than the County, and hence, lower retail spending potential, asking retail rents in the CMA have always tracked lower than in the County.
- The average asking rent in the CMA in 2021 was \$28.27 (\$2.36/sf/month) compared to \$31.15 in the County (\$2.60/sf/month). Lower rents can make it more challenging for developers to bring new retail to market in the CMA, particularly for centers in low traffic settings, such as the Subject.

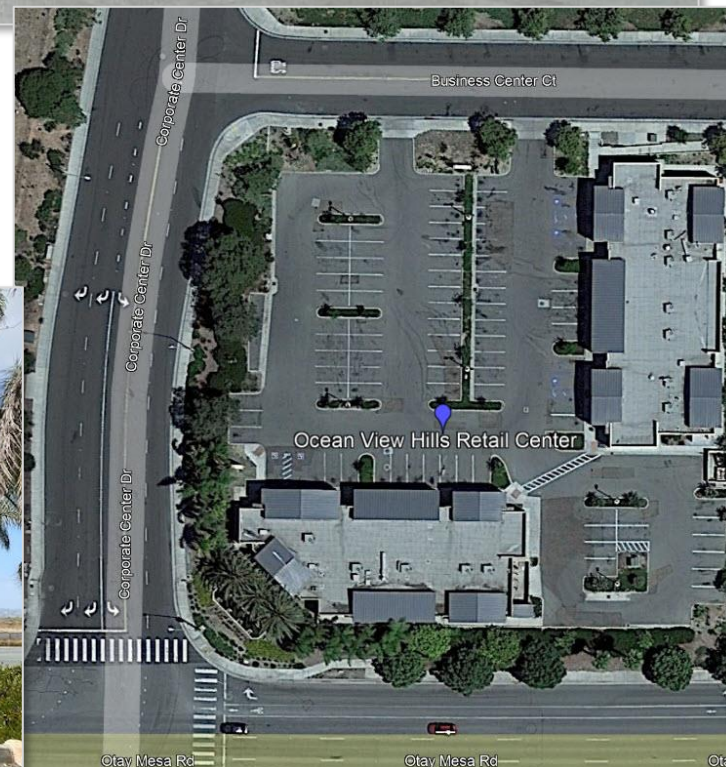


# Retail Profile – Ocean View Hills Corporate Retail

- Most proximate retail center to the Subject, just 0.5 miles to the south on Otoy Mesa Rd, both are in the Ocean View Hills Corporate Center
- 6021-6051 Otoy Mesa Rd, San Diego 92154
- Built 2006, 2 buildings (2 separate owners)
- 16,275 sf total space, +/-1.8 acres (21% coverage)
- 1,200 sf available (7.4% vacant), the space has been vacant for 5 or 6 years
- Asking \$1.25/sf/month (total cost estimated at +/--\$2.33/sf/mo including CAM; \$28/year)
- 90 parking spaces (5.5/1,000)



Tenant	Est. Sq.Ft.
GTM Discount Store	7,875
West Coast Martial Arts	1,680
Subway	1,200
Valentino's Taco Shop	1,920
Postal Annex	1,200
Fred Loya Insurance	1,200
Vacant	1,200
<b>Total</b>	<b>16,275</b>



Source: Owner



# Retail Profile – Palm Promenade

- Anchored Power/Community Shopping Center, adjacent to I-805, at Palm Ave & Dennery Rd
- 1.8 miles west of Subject, San Diego 92154
- Built 1995
- 480,069 sf total, +/-58 acres (19% coverage)
- 5,307 sf (5 spaces) available (1.1% vacant)
- Asking rent not available
- 1,843 parking spaces (3.8/1,000)
- This center was included to illustrate that there is major retail not far from the Subject that serves the needs of local residents



## Sample Tenants

Home Depot	Burlington
WalMart	Navy Federal Credit Union
Von's	AMC Theaters
Meineke Car Care	Panera Bread
Chevron/Extra Mile	Starbucks
Carl's Jr.	Dominoes
Taco Bell	Jersey Mike's
U.S. Bank	Chick-fil-A
Auto Zone	Epic Wings
T-Mobile	UPS Store
Subway	Jack-in-the-Box
Wells Fargo	

Source: CoStar, website

# Retail Profile – New – Escaya Village Center

- Newest retail center proximate to the Subject – mixed-use, ground floor retail with apartments above
- 1.7 miles north of Subject, Escaya master plan in Otay Ranch, Chula Vista 91911
- Built 2019/2020, 4 buildings
- 20,272 sf total space, +/-2.9 acres (16% coverage)
- 12,641 sf available (62% vacant), 10 available spaces, 1,207 to 1,352 sf
- Just 7,631 sf has been leased (5 spaces) in +/-3 years, or only about +/-2.5K sf/year; illustrating the challenges strip or specialty retail centers can have finding tenants, even with lots of residential nearby
- 95 parking spaces (4.7/1,000)
- Escaya was built from 2017 to 2020 and totals 1,264 homes (992 for-sale, 272 rental), retail came at end
- The Escaya Village retail works out to 16 sf per Escaya household
- CoStar estimates rents from \$2.00 to \$2.33/sf/mo



Tenant	Est. Sq.Ft.
Escaya Wine & Spirits	2,536
Broady's House of Flavors	1,224
Taco Lounge	1,337
pridenjoy grooming	1,293
The Gent's Corner	1,241
<b>Total</b>	<b>7,631</b>

Source: CoStar, website

# Retail – Under Construction & Planned

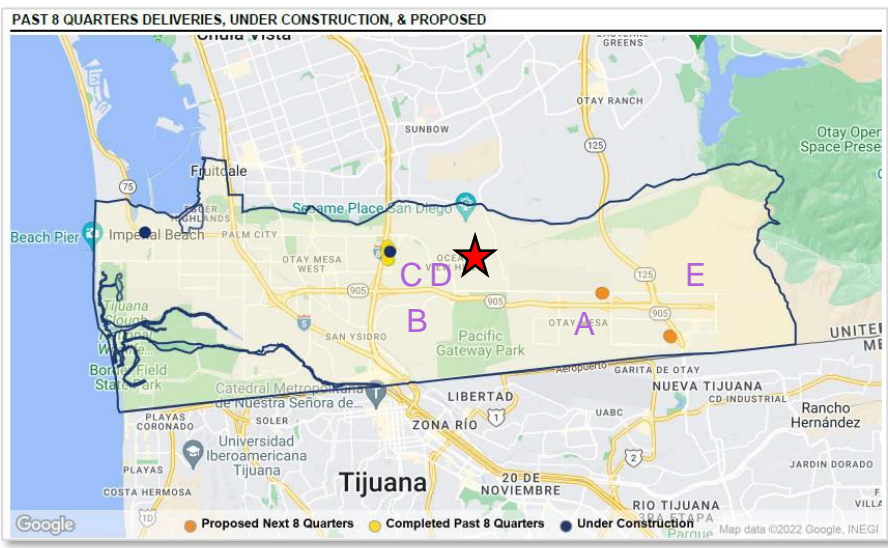
- According to CoStar, there is only 9.1K sf of retail under construction in the CMA and another 67.5K sf in planning, mostly the build-out of pads in existing centers (not yet started construction).
- We have identified at least 5 other potential retail developments in the CMA totaling an estimated 363K sf. All of these sites are within residential communities and represent better locations for retail space than the Subject.

Potential Retail in Future Master Plans (estimates only)

Community or Center Name	Otay Mesa Location	Estimated Retail Sq.Ft.
A. Epoca (ColRich)	Central Village	100,000
B. Southwest (TriPointe)	Southwest Village	75,000
C. Ocean View Hills Center	Northwest Village	85,000
D. Ocean View Hills/Otay Mesa Rd	Northwest Village	25,000
E. Soleado	E of Airport District	78,000
<b>Total</b>		<b>363,000</b>

**Delivered Square Feet Next 8 Qtrs**      **Proposed Square Feet Next 8 Qtrs**

**9,100**                                      **67,500**



**UNDER CONSTRUCTION**

Property Name/Address	Rating	Bldg SF	Stories	Start	Complete	Developer/Owner
1 Pad A - Palm Promenade Dennerly Rd	★★★★★	4,800	1	Jul 2021	Jul 2022	Hutensky Capital Partners, LLC
2 740 Palm Ave	★★★★★	4,300	2	Jan 2021	Jun 2022	-

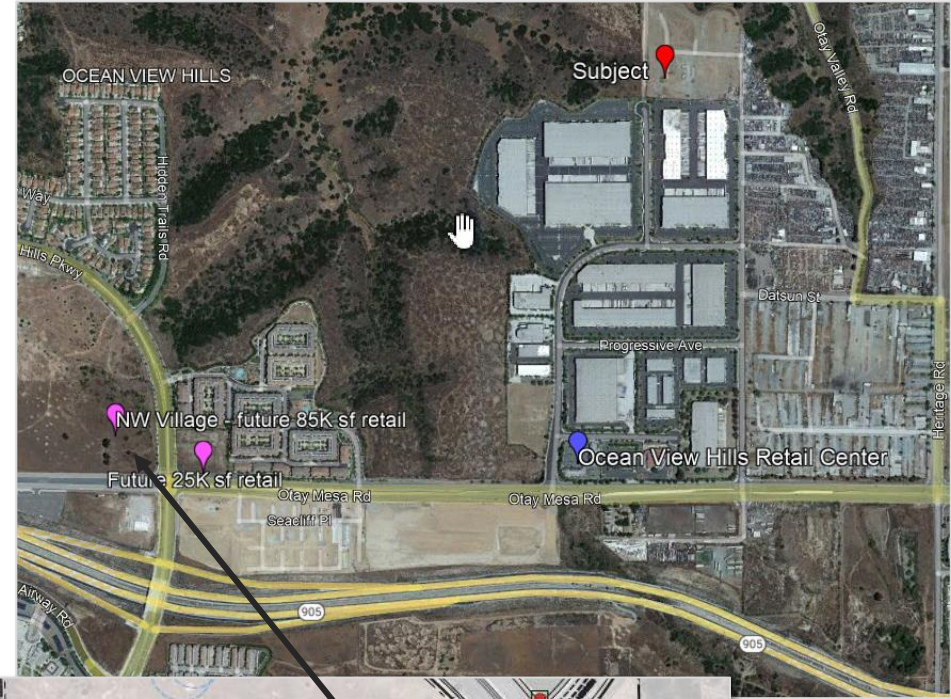
**PROPOSED**

Property Name/Address	Rating	Bldg SF	Stories	Start	Complete	Developer/Owner
1 PAD 1 2445 Otay Center Dr	★★★★★	30,000	1	Dec 2022	Jul 2023	Wells Fargo
2 2455 Otay Center Dr	★★★★★	30,000	1	Dec 2022	Jul 2023	Kroeger Family Properties, Inc.
3 Commercial/Retail Pad ... Otay Mesa Rd	★★★★★	4,500	1	Aug 2022	May 2023	Multitech Properties, Inc.
4 Commercial/Retail Pad ... Otay Mesa Rd	★★★★★	3,000	1	Aug 2022	Apr 2023	Multitech Properties, Inc.

Source: CoStar

# Future Retail Center – Ocean View Hills

- The planned Ocean View Hills retail center has a far superior location to the Subject. The site is less than a quarter-mile from the Ocean View Hills Pkwy on/off-ramp off I-905, at the corner of Otay Mesa Rd and Ocean View Hills Pkwy. (Designated as the NW Village – future on the map to the right.)
- The site is in closer proximity to a much larger, and growing population base than the Subject.
- The ADT count on Otay Mesa Rd near the site is 22.5/day, which is more than triple the traffic on Otay Valley Rd east of the Subject.
- The center is planned for 85K sf of retail space on 15 acres. Marketing for the center has been under way for at least two years. The site is still raw land.
- Sprouts Farmers Market is expected to anchor the center.



# Strip Retail Demand Analysis

- To determine the potential demand for strip retail space at the Subject, we prepared a demand analysis applying the current ratio of occupied strip retail space per household in the CMA to the household count in the existing Vista Pacifica neighborhood to the north of the Subject. This indicates demand for 7,943 sf of strip retail at the Subject.
- However, some of the demand could be met by tenants in existing centers in the CMA, and so not all of the demand can be attributed to the Subject. We estimated that 50% of demand could be satisfied elsewhere (3,972 sf).
- The impact of on-line shopping was also accounted for with a 10% reduction in traditional demand (794 sf). This is a lower percentage than the impact on other categories of retail centers as the products and services offered in strip centers do not necessarily translate into online shopping.
- Based on this analysis, the Subject could support an estimated 3,177 sf of strip retail space. While it could be argued that additional demand would be generated by industrial tenants in the Ocean View Hills Corporate Center, much or all of that demand is already met in the existing retail center in the complex (which has vacant space available).

Demand Component	Demand Estimate Strip Retail
<b>I. Strip Retail Demand from Local Residential</b>	
A. Households - Vista Pacifica	611
B. Strip Retail Sq.Ft./HH (CoStar)	13
C. Strip Retail Sq.Ft. Demand from Vista Pacifica (A x B)	7,943
<b>II. Adjustments to Demand (Sq.Ft.)</b>	
D. Estimated Demand Satisfied in Other Centers (C x 50%)	3,972
E. Adjustment for On-Line Shopping Impact (C x 10%)	794
F. Adjustment to Demand (D + E)	4,766
G. Total Net Strip Retail Demand (Sq.Ft.) (C - F)	3,177

Our demand analysis indicates that retail is not a viable market option for the Subject.

# INDUSTRIAL MARKET ANALYSIS

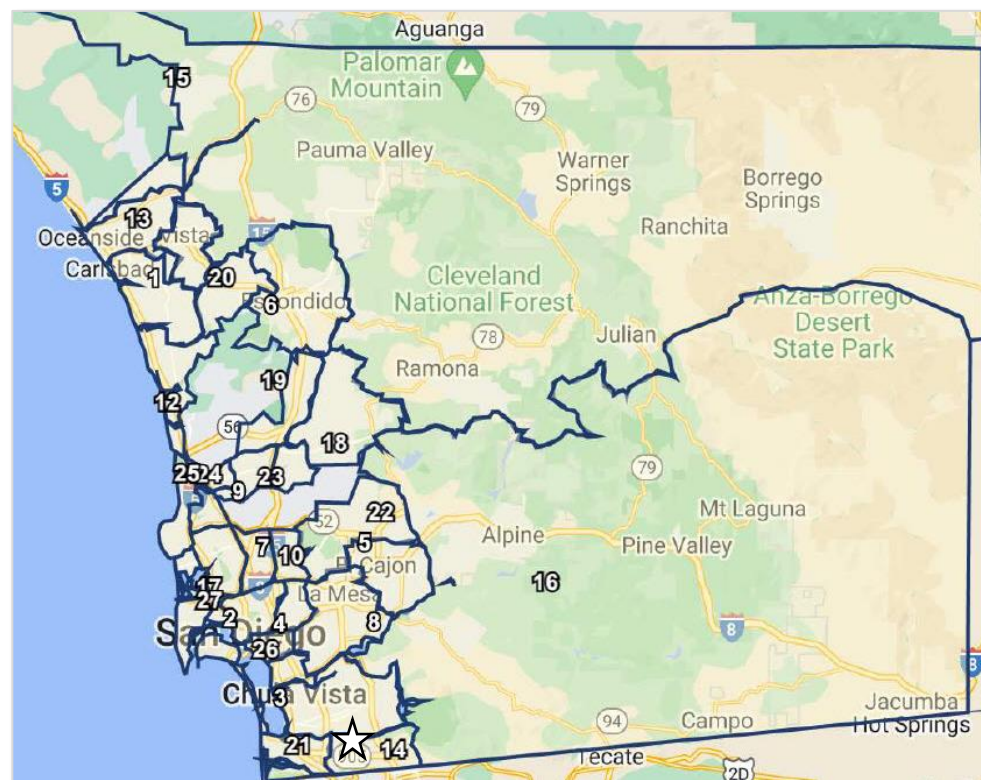
# Industrial Trends – Overview - County

## KEY INDICATORS

Current Quarter	RBA	Vacancy Rate	Market Rent	Availability Rate	Net Absorption SF	Deliveries SF	Under Construction
Logistics	86,100,373	1.8%	\$15.69	3.0%	160,002	42,352	1,634,513
Specialized Industrial	65,276,594	2.4%	\$16.62	2.9%	(85,867)	0	247,480
Flex	52,280,017	5.1%	\$28.10	6.0%	151,454	0	1,033,579
<b>Market</b>	<b>203,656,984</b>	<b>2.8%</b>	<b>\$19.19</b>	<b>3.7%</b>	<b>225,589</b>	<b>42,352</b>	<b>2,915,572</b>

- After virtually no construction from 2010 through 2015 following the “Great Recession” of the late 2000s, over 11M sf of new industrial space has been added in the County. However, according to data-provider CoStar, the industrial landscape is extremely tight in the San Diego region, with just a 2.8% vacancy rate in 2Q 2022, the lowest rate since at least 1999.
- There is now 203.7M sf of industrial space in the County, with only about 5.7M sf available. At the worst of the Great Recession, there was 21.7M sf available. Clearly, the market has fully recovered.

Source: CoStar

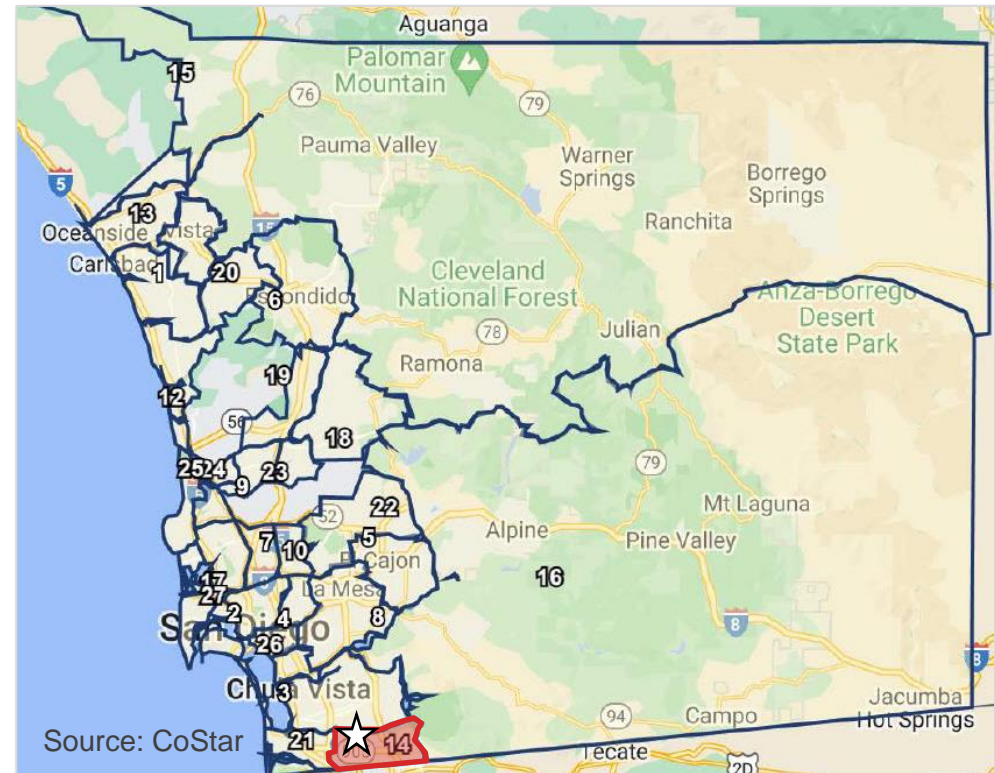


# Industrial Trends – Overview - CMA

## KEY INDICATORS

Current Quarter	RBA	Vacancy Rate	Market Rent	Availability Rate	Net Absorption SF	Deliveries SF	Under Construction
Logistics	15,811,517	3.1%	\$11.86	5.4%	140,771	42,352	1,319,513
Specialized Industrial	5,310,624	4.1%	\$12.51	8.3%	(27,589)	0	247,480
Flex	156,362	2.0%	\$10.90	2.0%	0	0	0
<b>Submarket</b>	<b>21,278,503</b>	<b>3.4%</b>	<b>\$12.01</b>	<b>6.1%</b>	<b>113,182</b>	<b>42,352</b>	<b>1,566,993</b>

- The Subject is located in what CoStar calls the Otay Mesa submarket (14) – highlighted in red on the map to the right. We are referring to the submarket as the South San Diego CMA. The CMA encompasses only Zip Code 92154 (Subject).
- The CMA has completely recovered from extensive building that took place from about 2000 to 2009 when 8.6M sf of space was added in the submarket, followed by the Great Recession. The vacancy rate spiked to 22% in 2010, but is currently just 3.4%, despite the addition of 5.1M sf of new space over the last 5 years.
- In addition to proximity to Mexico for cross-border trade, and the Port of San Diego, demand in the CMA benefits from having some of the lowest land prices and lease rates in the region.

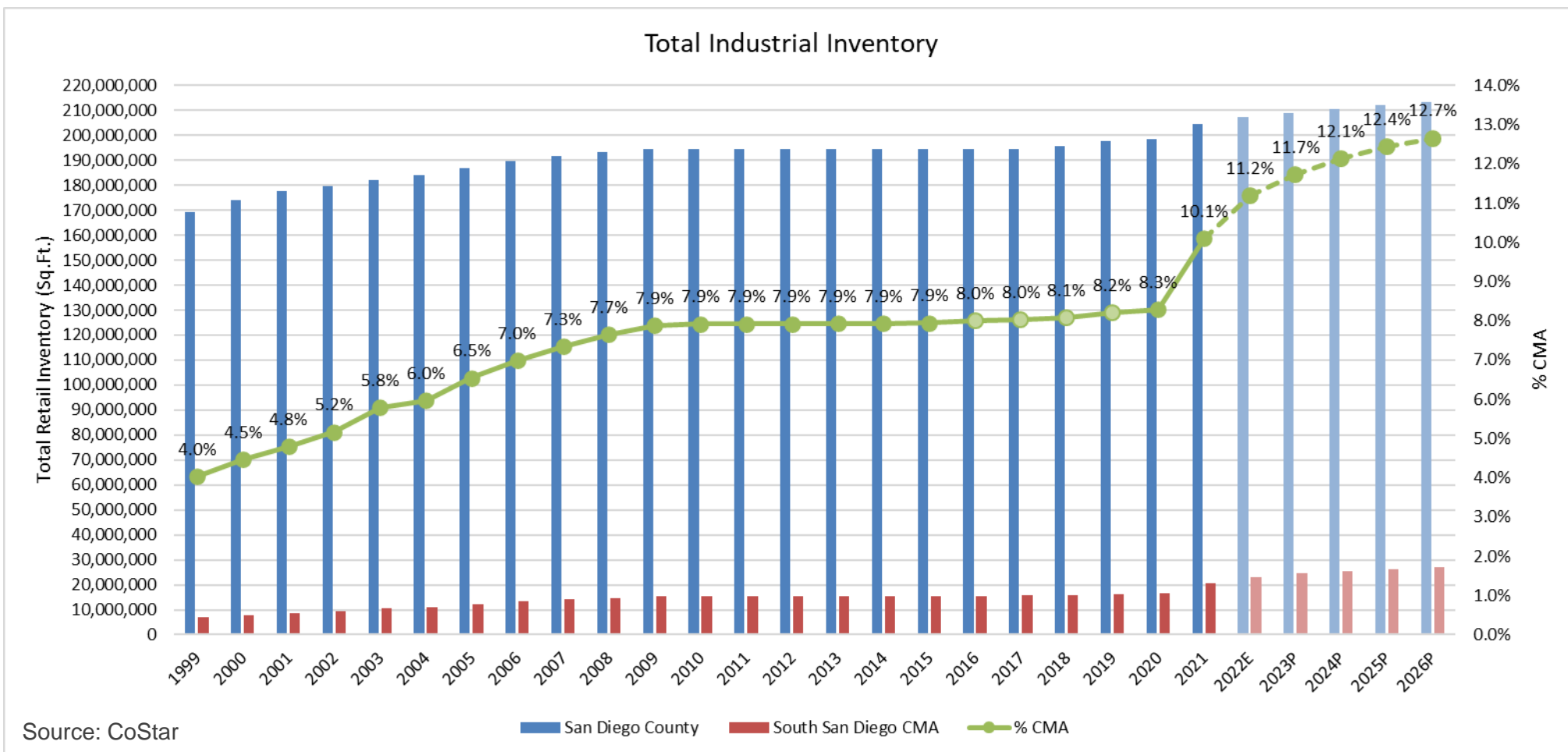


Source: CoStar



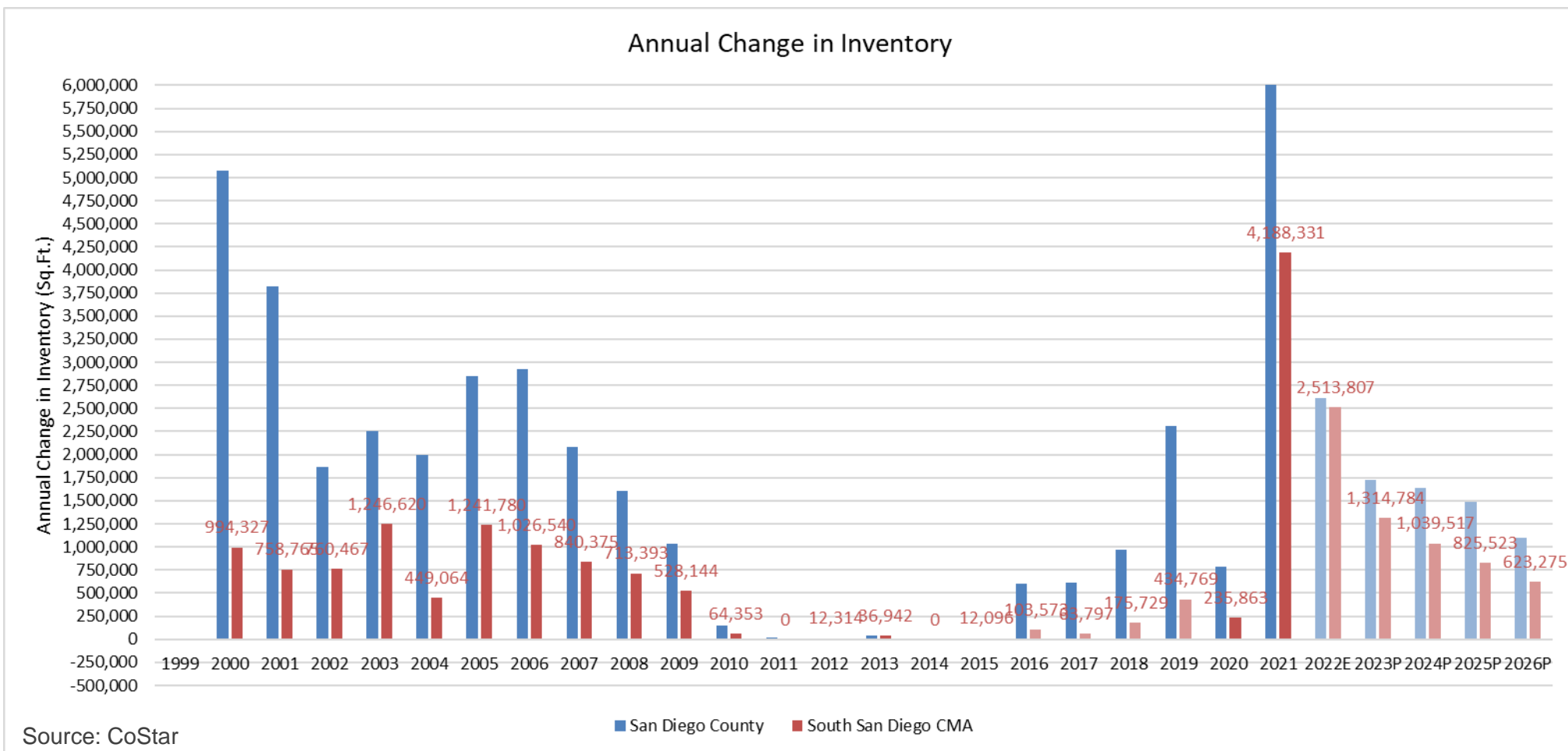
# Industrial Trends – Inventory

- As of the end of 2021, there was about 203.1M sf of industrial space in San Diego County and 20.8M sf in the CMA (10.3%). The capture rate for the CMA jumped in 2021 due to the opening of an Amazon fulfillment center with 3.0M+ sf.
- With a higher proportion of industrial under construction and planned in the CMA vs. the County, the CMA capture is projected to increase to 12.7% in 2026.
- There is about 1,345 sf of occupied industrial space for each manufacturing and logistics job (transportation & warehousing) job in the County. Nationally, a typical warehouse has 1,500 to 3,000 sf per worker while an e-commerce fulfillment warehouse (such as the new Amazon facilities in Otay Mesa) has 700 to 1,000 sf per worker.



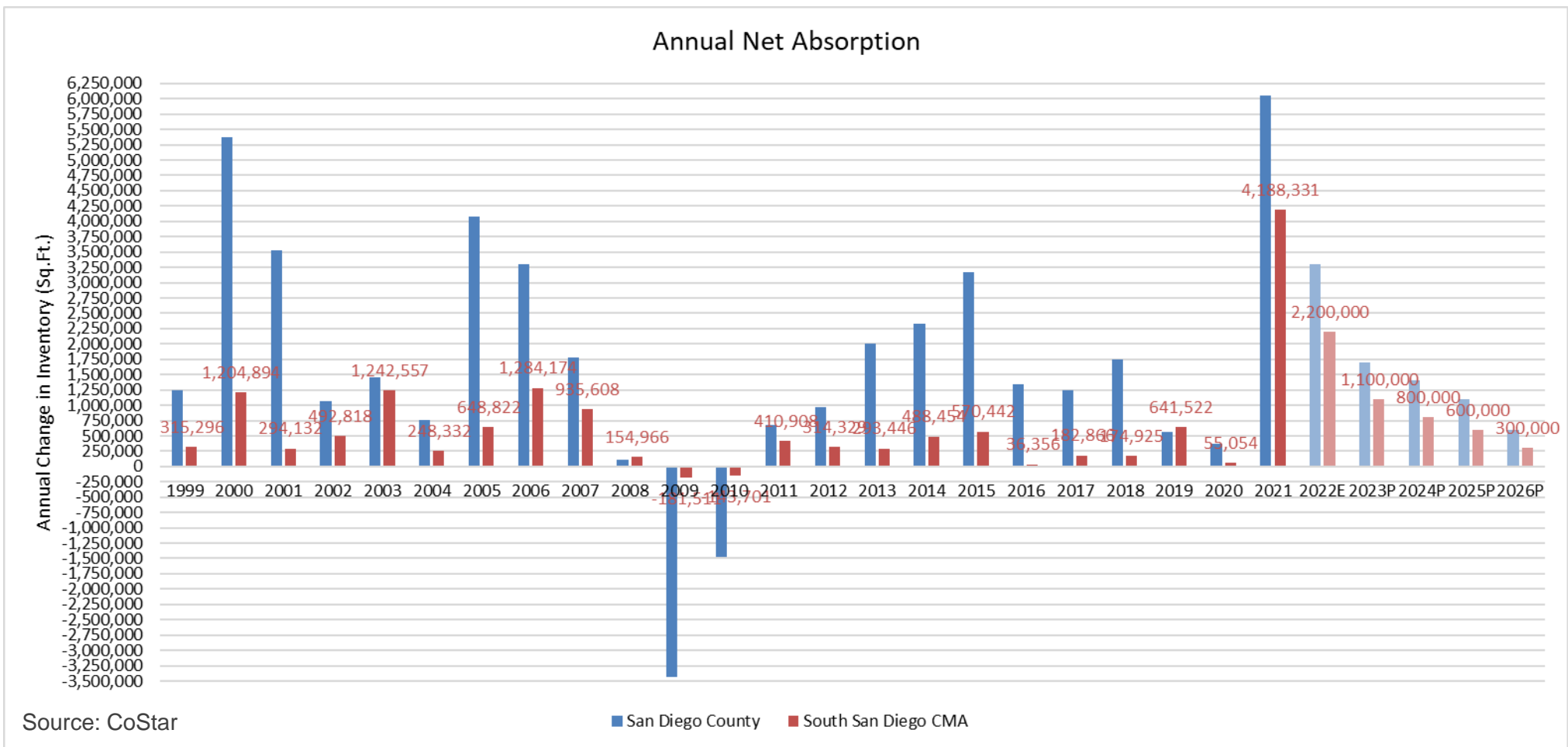
# Industrial Trends – Annual Change in Inventory

- From 1999 through 2021, 35.5M sf of industrial space was added in the County and 13.8 sf was added in the CMA (36%).
- Since 1999, the County has added an average of about 1.69M sf of industrial/year, while the CMA has added 659K sf/year.
- The spike in added space in 2021 was due to the opening of a 3.0M+ sf Amazon fulfillment center in the CMA.
- With lower land costs, lower lease rates, proximity to Mexico and the Port of San Diego, and as other parts of the County become more built-out, the CMA is projected to represent a higher proportion of new construction going forward. From 2022 through 2026, new construction in the County is expected to average 1.72M sf/year, and the CMA 1.26M sf/year (74%).



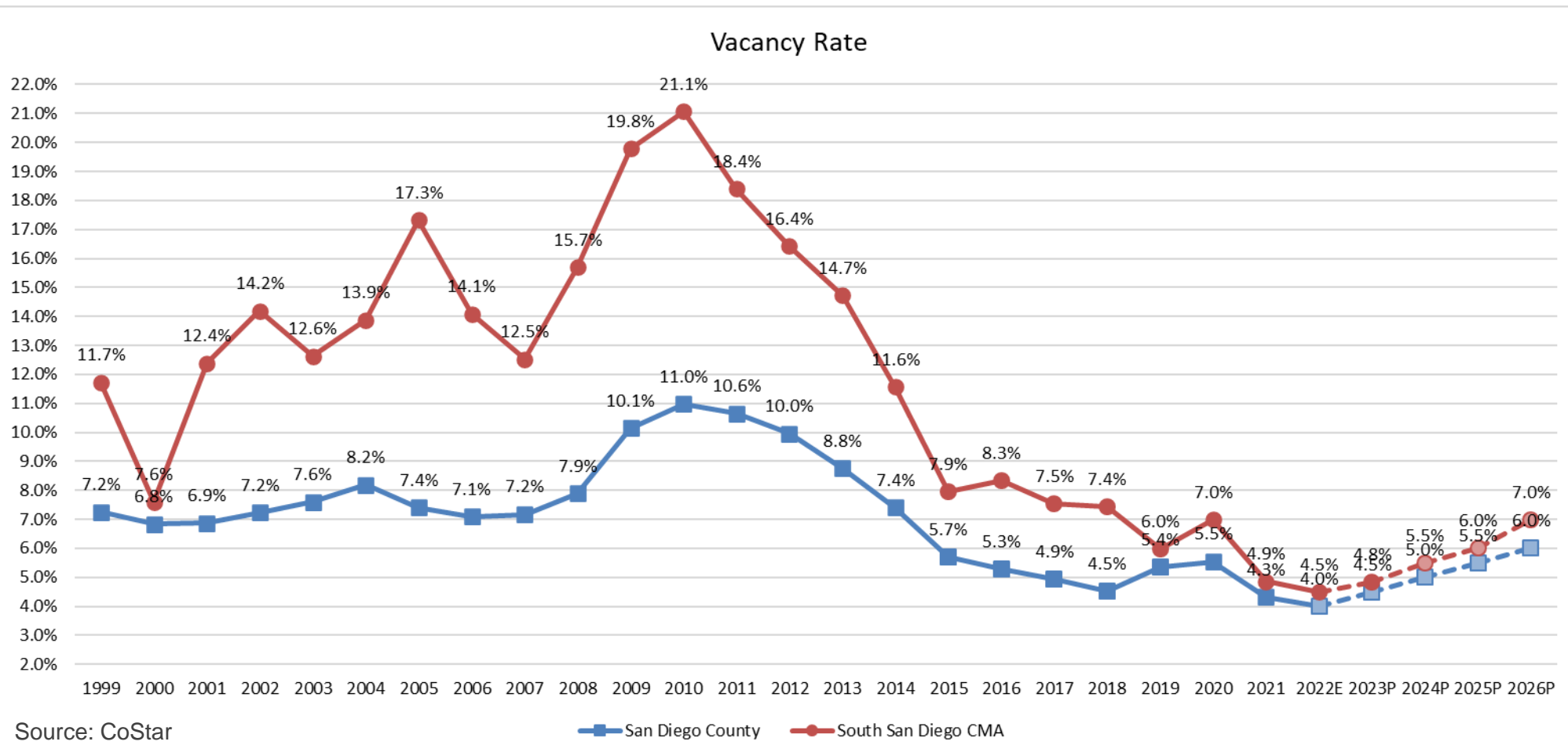
# Industrial Trends – Annual Net Absorption

- From 1991 through 2021, the County averaged absorption of about 1.66M sf of industrial space/year while the CMA averaged 602K sf/year (36% CMA capture). As more space has been added in the CMA relative to other parts of the County, the CMA capture of countywide absorption over the last 5 years has increased to 53%.
- The CMA is projected to bring an increasing share of countywide new space over the next 5 years, and the proportion of space absorbed in the CMA is projected to increase as well. Countywide absorption from '22 to '26 is projected at 1.62M sf/year (similar to historical trends), but the amount in the CMA is expected to jump to 1.00M sf/yr (62%).
- The potential for offering industrial space at the Subject is enhanced by the increasing interest for industrial in the CMA.



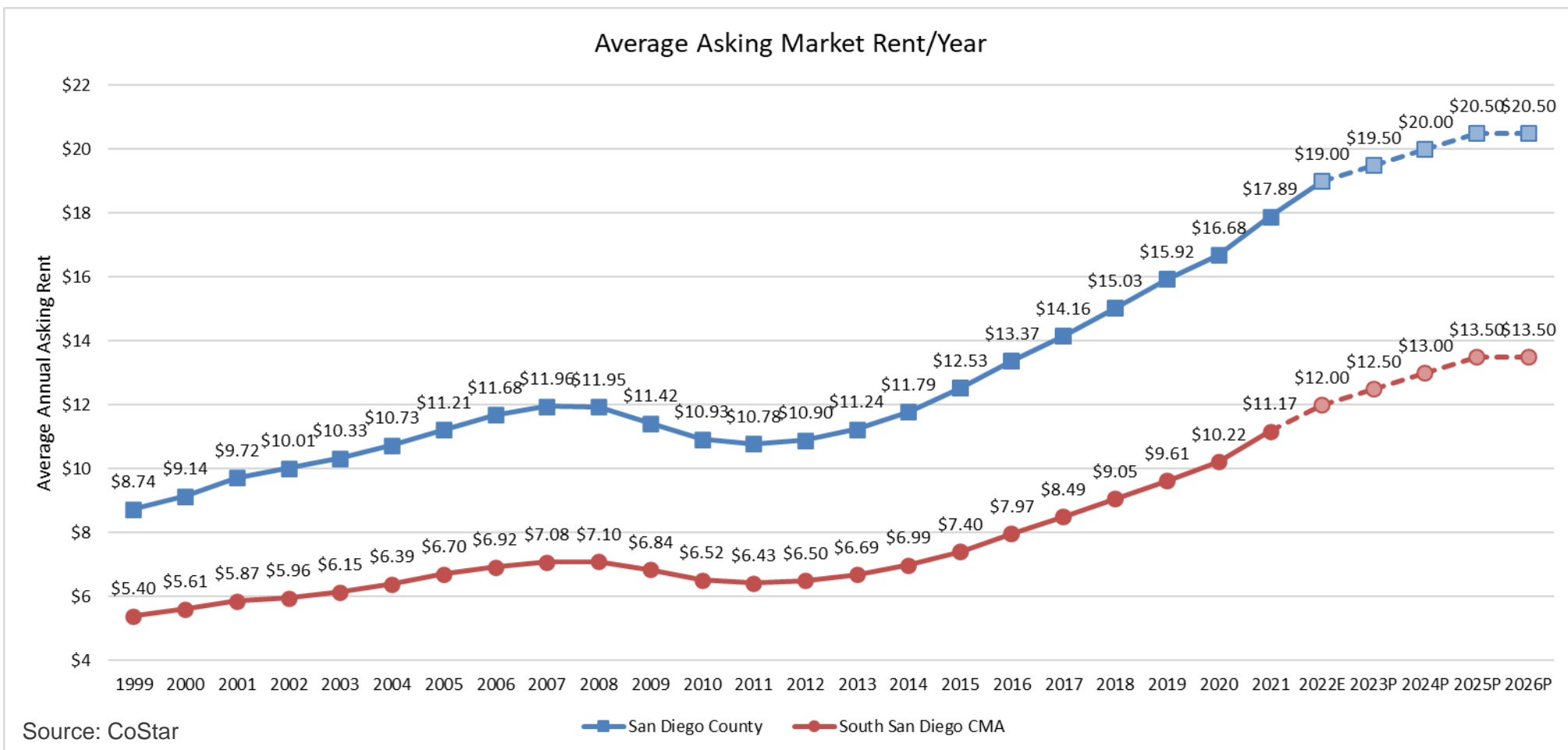
# Industrial Trends – Vacancy Rate

- Following a boom period for new industrial construction from 2000 through 2009, and then “Great Recession” of the late 2000s vacancy rates increased to highs in 2010, and from 2010 through 2015 almost no new space was built. As the economy started to improve starting in about 2012, the vacancy rate plummeted in both the County, and the CMA.
- New construction started up again in 2016, but did not keep up with demand and vacancy rates dropped to a 20-year low in 2018. While the beginning of COVID lock-downs in March and April of 2020 pushed the countywide vacancy over 5% in 2021, the CMA actually declined, and vacancies have declined even more in 2022 as the economy continues to improve. Increasing new supply is projected to put moderate upward pressure on vacancies over the next 5 years.



# Industrial Trends – Asking Market Rent

- Despite obvious advantages of proximity to Mexico and The Port of San Diego, industrial rents have always been lower in the CMA than the County. More northern parts of the County have closer proximity to the Ports of Los Angeles and Long Beach, as well as I-10 and I-40, which provide superior access to western regional markets for distribution purposes.
- The average asking rent in the CMA in 2021 was \$11.17 (\$0.93/sf/month) compared to \$17.89 in the County (\$1.49/sf/month) making the CMA an attractive alternative for businesses where location is not necessarily the key deciding factor. Asking rents for available space in the Ocean View Hills Corporate Center (adjacent to the Subject) range from \$0.85 to \$1.00/sf/month.



# Profile – Ocean View Hills Corporate Center (1 of 4)

- The Subject is located at the north side of the Ocean View Hills Corporate Center (OVHCC)
- +/-87 acres, of which only +/-3.2 acres are not yet built on
- 39% coverage ratio for existing buildings
- +/-1.375M sf of space, 105K available (7.6%)

Tenant	Est Sq.Ft.	Tenant	Est Sq.Ft.
Hybrid Apparel	134,776	Leviton	8,941
3PL Winner	107,983	KAAR	8,326
Zebra Technologies	98,779	Nordimex LLC	6,039
Crower Cams & Equipment	95,146	Bapex International	5,961
Access	91,942	Tinosa LLC	5,122
GTM Discount Stores	91,753	Fiesta Pacific Products	5,000
HNRY Logistics	60,596	Hitachi Home Electronics	5,000
Poly	56,621	Metal Supermarkets	4,000
Expeditors	46,041	George & Patricia Truxal (est)	3,730
Rohm Electronics	34,023	Stone Island LLC (est)	3,730
International Inbound Logistics	29,000	Euro Fine Gifts 9est)	3,730
Chosen Foods	21,306	Inbra LLC	3,022
Hogue Enterprises	20,193	Lomar Equipment Sales (est)	2,632
Sesajal	20,028	Mas Design, LLC	2,632
TransPak	19,126	Mings Upholstery	2,038
Tecma	17,883	California Paint & Supplies	1,988
Farfar	17,093	Phillip Aguilar	1,981
PMI	14,631	Advanced Medicine	1,970
Tawa Supermarket (est)	13,641	CVA Security (est)	1,642
Fresh Pac International (est)	13,640	Gold Medal Marble (est)	1,642
DSV	12,930	FCI (est)	1,642
Sesajal	12,574	Reliable Plumbing (est)	1,642
Inmar Marine Group	12,220	Performance Casters	1,500
Logico LLC	11,200	Bubble Tree Corp	1,500
Freight Force Inc	10,601	Peria inc	1,500
Commercial Transport Concepts	10,601	Custom Cabs (est)	1,476
FedEx	10,000	BeautyHealth Chairs (est)	1,476
US Commercial Logistics (est)	10,000	G.P. Moldtek	1,200
United CA Freight Solutions	9,413	Offcium	1,000
ROA Pacific Inc	9,324	Glazzkraft Industties	1,000
Franco Whole Foods	9,324		



# Profile – Ocean View Hills Corporate Center (2 of 4)

**1. 1520 Corporate Center Dr, 23,631 sf, 100% occupied, built 2004, 24' ceiling height, 55% coverage ratio**



**2. 1462 Corporate Center Dr, 183,695 sf, 100% occupied (2 tenants), built 2007, 28' ceiling height, 41% coverage ratio**



**3. 1224 Exposition Way, 152,919 sf, 29% vacant (44,936 sf), built 2006, 28' ceiling height, 42% coverage ratio**



**4. 6020 Progressive Ave, 79,370 sf, 11% vacant (10,048 sf), built 2004, 26' ceiling height, 35% coverage ratio**



See prior page for location of photos

# Profile – Ocean View Hills Corporate Center (3 of 4)

- OVHCC contains multiple buildings, including a mix of owner-occupied and multi-tenant spaces, with sizes ranging from about 11K to 184K sf. Although the first building was built in 2000, the remainder were built between 2004 and 2007. Some did not lease up right away. When buildings were first available, annual absorption has been estimated at about 50K to 150k sf/year depending on whether owner-user or multi-tenant buildings were available.

Address	Building	Tenant	Year Built	Leasable Area (Sq.Ft.)			Approx. Acres	Coverage Ratio	Ceiling Height	Docks	Drive-Ins	Parking Spaces		Monthly Lease Rate	Lease Type
				Total	Available	Vacancy						#	/1000		
1222 Innovative Drive	E	Multi	2007	75,110	0	0%	4.2	0.41	24	22	6	126	1.7		
1224 Exposition Way	B	Multi	2006	152,919	44,936	29%	8.4	0.42	28	25	5	275	1.8	\$0.88	NNN
1225 Exposition Way	D	Multi	2007	55,948	19,561	35%	4.2	0.31	24	18	6	112	2.0		
1424 Corporate Center Dr	F	Multi	2007	94,619	0	0%	6.2	0.35	28	22	4	198	2.1		
1425 Corporate Center Dr	A	Multi	2004	86,069	14,802	17%	4.6	0.43	26	30	7	160	1.9	\$0.95	NNN
1440 Innovative Drive	B	Multi	2004	98,779	0	0%	5.4	0.42	26	20	4	220	2.2		
1448 Corporate Center Dr	--	Multi	2006	17,252	12,252	71%	1.0	0.40	28	1	0	30	1.7		
1462 Corporate Center Dr	C	Multi	2007	183,695	0	0%	10.4	0.41	28	30	4	367	2.0		
1470 Exposition Way	--	Multi	2007	116,840	0	0%	6.7	0.40	28	30	6	222	1.9		
1476 Corporate Center Dr	--	Multi	2007	27,281	0	0%	2.1	0.30	26	11	1	60	2.2		
1510 Corporate Center Dr	--	Single	2006	20,193	0	0%	1.0	0.45	28	2	5	45	2.2		
1520 Corporate Center Dr	--	Multi	2004	23,631	0	0%	1.0	0.55	24	1	3	50	2.1		
6020 Progressive Ave	C	Multi	2004	89,418	10,048	11%	5.8	0.35	26	33	8	160	1.8	\$1.00	NNN
6060 Business Center Ct	--	Single	2004	134,776	0	0%	7.5	0.41	32	21	5	174	1.3		
6120 Business Center Ct	F	Multi	2006	11,189	0	0%	1.0	0.26	26	0	6	35	3.1		
6151 Progressive Ave	A	Multi	2006	14,412	0	0%	1.0	0.33	18	0	7	35	2.4		
6175 Progressive Ave	D	Multi	2006	12,017	0	0%	1.0	0.28	18	0	7	35	2.9		
6180 Business Center Ct	--	Single	2000	95,146	0	0%	5.6	0.39	30	3	3	180	1.9		
6201 Progressive Ave	E	Multi	2006	11,910	0	0%	0.7	0.42	18	1	1	20	1.7		
6225 Progressive Ave	B	Multi	2006	17,973	0	0%	1.0	0.41	18	1	1	36	2.0		
6225 Progressive Dr	--	Single	2007	17,093	0	0%	1.0	0.40	18	0	0	36	2.1		
6259 Progressive Dr	C	Multi	2006	20,356	3,003	15%	2.2	0.21	18	1	1	36	1.8		
Total or Average			2006	1,376,626	104,602	7.6%	82.0	0.39	25	12	4	2,612	1.9	\$0.94	--

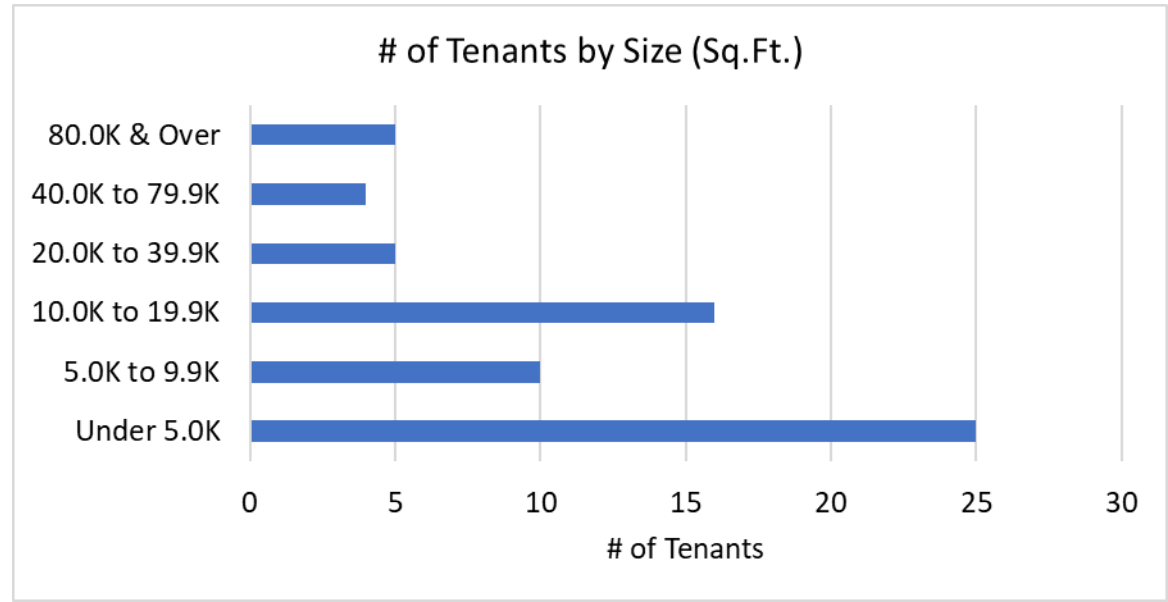
Source: CoStar, brokers, websites



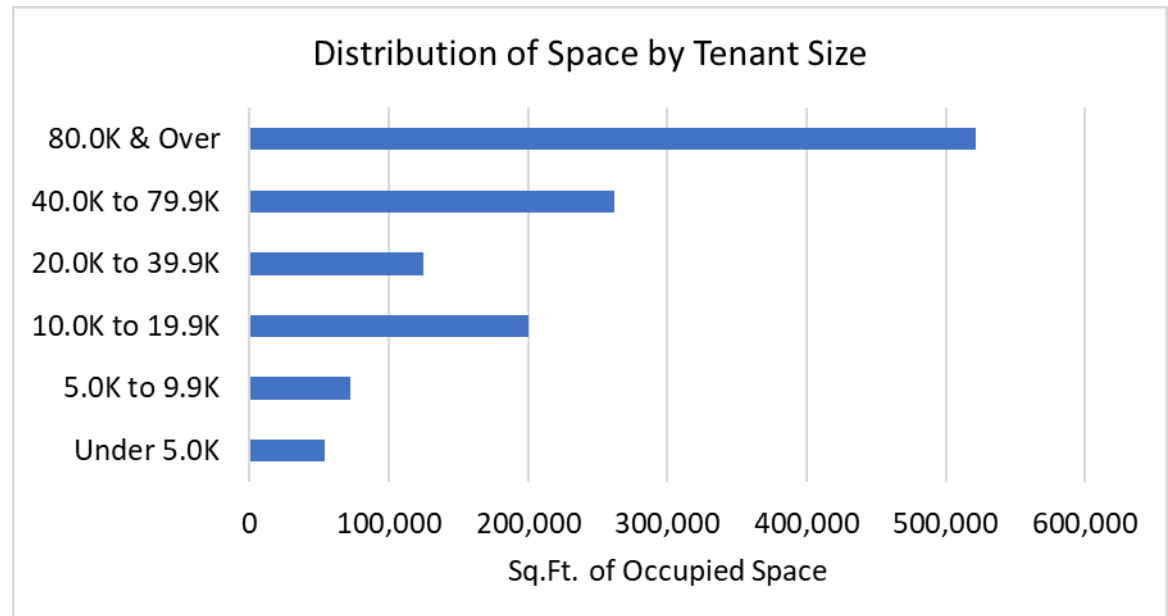
# Profile – Ocean View Hills Corporate Center (4 of 4)



- The highest number of known tenants occupy less than 5K sf (25 tenants, 38%). While 51 of 65 known tenants occupy less than 20K sf (78%).
- Users with more than 80K sf of space represent just 5 tenants (8%).

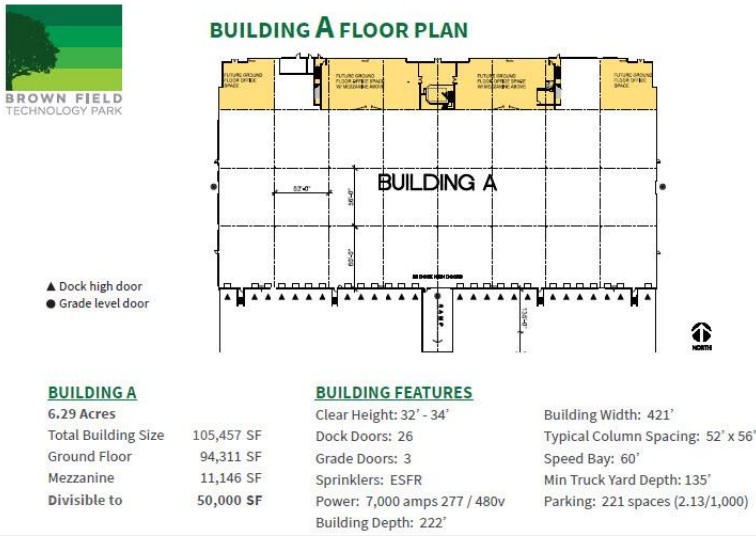
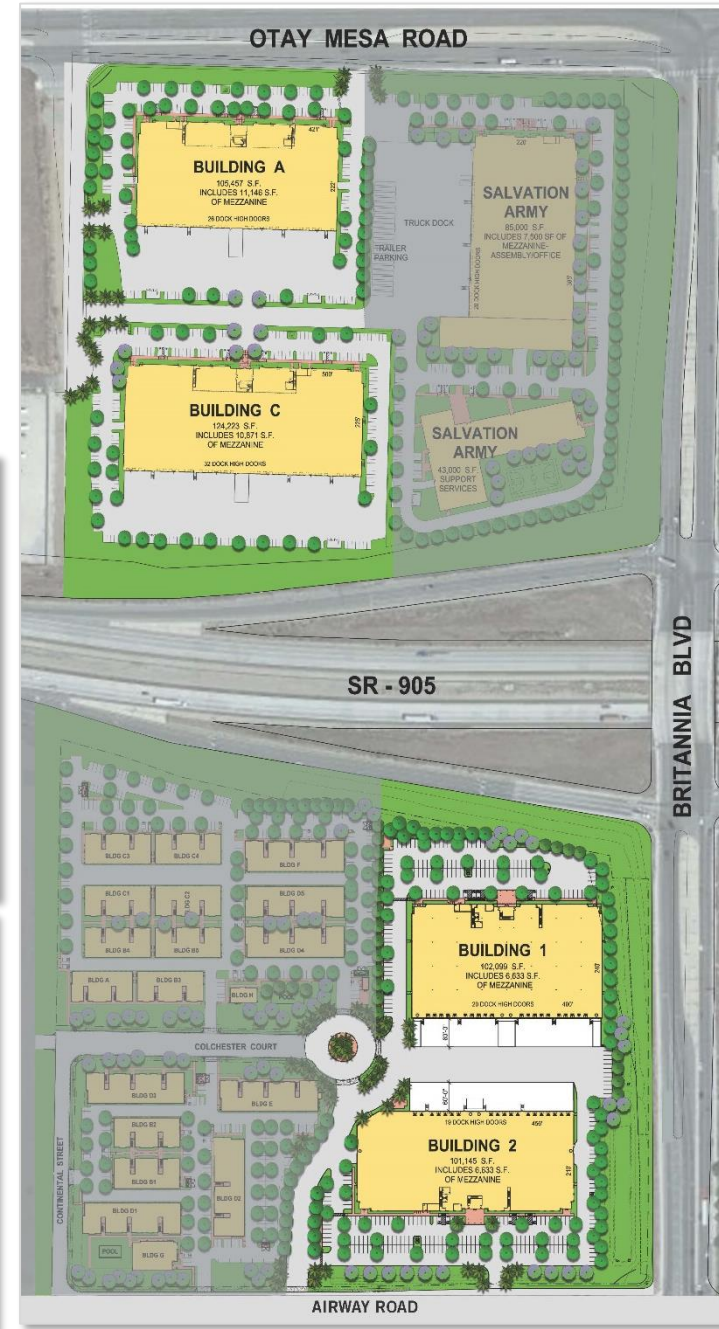


- Although tenants occupying 80K sf or more space represent just 8% of the number of tenants, they represent 522K sf of all occupied space (42%).
- Tenants with less than 5K sf of space (38%) represent just 4% of all occupied space.
- Given the size of the Subject property, businesses looking for 20K sf or less are the most likely size of tenant.



# Profile – Brown Field Technology Park

- Located 1.0 miles SE of Subject site; current available buildings: 7255 Otay Mesa Rd and 1695 Continental St, San Diego 92154
- Total development is 50 acres with 1.0M sf of industrial planned
- Good example of typical new industrial being built in Otay Mesa
- 46% coverage ratio (expected)
- 128K sf completed & occupied (Salvation Army)
- 229,680 sf recently completed & available (2 buildings – A 105,457 sf, & C 124,223 sf)
- Clear height 32' to 34'



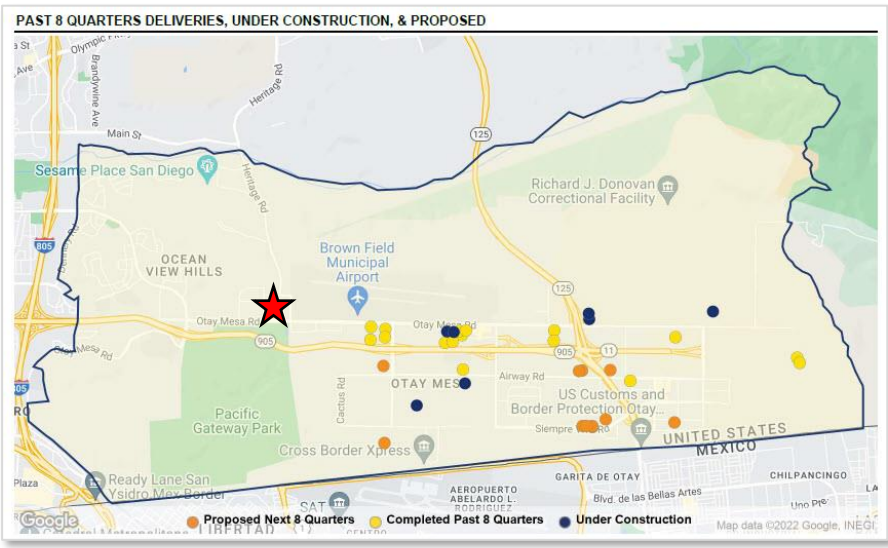
Source: CoStar, website

# Industrial – Under Construction & Planned

- According to CoStar, there is currently 1.567M sf of industrial under construction in the CMA and another 1.618M in planning (not yet started construction).
- For the purpose of this analysis, we have assumed that an additional +/-3.0M sf of space not accounted for by CoStar will come to market at some point over the next 10 years.

**Delivered Square Feet Next 8 Qtrs**      **Proposed Square Feet Next 8 Qtrs**

**1,566,993**      **1,617,738**



Source: CoStar

### UNDER CONSTRUCTION

Property Name/Address	Rating	Bldg SF	Stories	Start	Complete	Developer/Owner
1 7144 Otay Mesa Rd	★★★★☆	702,535	1	May 2021	Jun 2022	- IDS Real Estate Group
2 Bldg B 755 Harvest Rd	★★★★★	247,610	1	Nov 2020	Jun 2022	- Sudberry Properties, Inc.
3 Airway Logistics Center 8151 Airway Rd	★★★★☆	247,480	1	Aug 2021	Jun 2022	- Badiee Development Inc.
4 Bldg A 717 Harvest Rd	★★★★★	202,408	1	Nov 2020	Jun 2022	- Sudberry Properties, Inc.
5 Bldg 2 8070 St. Andrews Ave	★★★★☆	70,862	1	Mar 2022	Aug 2022	- Hamann Companies
6 Bldg 1 8020 St. Andrews Ave	★★★★☆	57,629	1	Mar 2022	Aug 2022	- Hamann Companies
7 2327 Siempre Viva Ct	★★★★☆	38,469	1	Nov 2021	Jun 2022	Hamann Companies Hamann Companies

### PROPOSED

Property Name/Address	Rating	Bldg SF	Stories	Start	Complete	Developer/Owner
1 1370 Heritage Rd	★★★★★	600,000	-	Jul 2022	Apr 2023	- Prologis, LP.
2 Otay Crossings Commer... Siempre Viva Rd	★★★★☆	200,500	1	Dec 2022	Sep 2023	- -
3 Runway Distribution Buil... 9093 Airway Rd	★★★★☆	138,180	1	Apr 2022	Jan 2023	- -
4 2613 Britannia Blvd	★★★★☆	124,000	1	Jul 2022	Mar 2023	- -
5 Bldg A 2066 Sanyo Rd	★★★★★	123,900	1	Dec 2022	Jan 2024	- Badiee Development Inc.
6 Building 2 Airway Road	★★★★☆	101,145	2	Apr 2022	Dec 2022	- -
7 Harvest Rd	★★★★★	80,000	1	Apr 2022	Feb 2023	- -
8 Runway Distribution Buil... 9063 Airway Rd	★★★★☆	56,913	1	Apr 2022	Jan 2023	- -
9 Otay Crossings Commer... Siempre Viva Rd	★★★★☆	53,500	1	Dec 2022	Sep 2023	- -
10 Otay Crossings Commer... Siempre Viva Rd	★★★★☆	49,200	1	Dec 2022	Sep 2023	- -
11 9940 Marconi Dr	★★★★☆	46,000	1	Oct 2022	Jul 2023	- Westport Properties, Inc.
12 Otay Crossings Commer... Siempre Viva Rd	★★★★☆	44,400	1	Dec 2022	Sep 2023	- -

# Industrial Demand Analysis

- To determine the potential demand for industrial space at the Subject, we prepared a demand analysis applying the current countywide average square footage of occupied industrial space per industrial space worker\* to projected industrial employment growth (estimated at 75% of the actual rate of growth recorded in the county from 2011 through 2021).
- However, some of the demand could be met by available space in existing centers. There is currently 5.715M sf of vacant space in the County, and we are estimating that at least 75% of future demand will be captured by existing centers.
- Our analysis indicates countywide demand over the next 10 years of 24.1M sf of space or 2.41M sf/year. Since 1990, the County has averaged 1.69M sf/year; however, there were 8 years during that time that exceeded 2.0M sf/year.
- Based on different capture rates, the CMA could expect demand for 868K to 1.57M sf of industrial space annually over the next 10 years (8.7M to 15.7M sf total). According to CoStar, roughly 1.57M sf is currently under construction in the CMA, and another 1.62M sf is in various stages of planning (not yet started construction). With appropriate building types and marketing, the Subject should be able to capture its fair share of demand.

<u>Demand Component</u>	<u>Demand Estimate</u> <u>Industrial/</u> <u>Logistics</u>
<b>I. Demand from Employment Growth</b>	
A. Projected 10-Year Job Growth (75% of last 10 years, CA EDD)	22,950
B. Industrial/Warehouse Sq.Ft./Worker (CoStar & CA EDD)	1,237
C. Projected 10-Year Industrial Demand (A x B)	28,389,150
<b>II. Adjustments to Demand (Sq.Ft.)</b>	
D. Existing Vacant Space (CoStar)	5,715,000
E. Capture of Existing Space (75% x D)	4,286,250
F. Remaining Demand for New Space (C - E)	24,102,900
G. Annual Demand for New Space (F / 10)	2,410,290
<b>III. Annual CMA Demand (Sq.Ft.)</b>	
H. At Historical Capture Rate (36% x G)	867,704
I. At Last 5-Year Capture Rate (52% x G)	1,253,351
J. At Increasing Trend Capture Rate (65% x G)	1,566,689

Our demand analysis indicates that industrial space is a viable market option for the Subject.

# APPENDIX / LIMITING CONDITIONS

---

# Limiting Conditions

The findings, conclusions and recommendations presented in this report were based on our analysis of the information available to us at the time that this study was conducted. The information utilized under this assignment came from a variety of sources including our own primary research, secondary data sources, and from the client, to name a few. We assume that the information utilized is correct; however, we are unable to guarantee the accuracy or timeliness of any of the information. In addition, we assume that the client would have informed us of any issues that could affect the market viability of the property being evaluated.

Our findings, conclusions and recommendations are based on historical, current and expected future performance on the national, state and/or local economies and real estate markets. Economic and housing market conditions can change, sometimes rapidly, and real estate markets can be cyclical. Therefore, it is critical to continuously monitor economic and housing market conditions, and to reassess key project assumptions and parameters in light of changing market conditions.

The future is difficult to predict, particularly given that economic conditions, housing trends, and consumer preferences are always changing. There will usually be differences between projected and actual results because events and circumstances frequently do not occur as expected, and the differences can be material. We do not express any form of assurance on the achievability of any anticipated or projected project outcome, or the reasonableness of underlying assumptions.

Generally, we assume “normal” real estate market conditions, and not a condition of either prolonged “boom” or “bust” market conditions. We do assume that economic, employment and demographic growth will occur more or less in accordance with current expectations. We are not taking into account major shifts in consumer confidence levels, the ability of developers to secure necessary project entitlements, the cost of development or construction, changes in tax laws either in favor or disfavor of real estate, the availability or cost of mortgage financing, or possible changes to any other factor that could impact the market viability of a project such as societal shifts, pandemics, or other Acts of God such as earthquakes, fires and the like.

This analysis should be updated at least every three to six months to account for possible changes that could materially impact the market viability of the development. We have no responsibility to update our findings, conclusions or recommendations for events and circumstances occurring after the date of our report. This analysis represents just one resource that the client should consider when assessing this development opportunity.

Our pricing recommendations and absorption targets assume certain parameters regarding project execution. In order to achieve the prices and sales rates reflected in this report, it is assumed that the Subject will: 1) offer floor plan sizes and types as proposed, 2) be executed with a “market appropriate” level of quality (community entrance, monumentation, landscaping, amenities, spec levels, and unit finishes in-line or above market expectations), 3) have advertising and marketing efforts generating qualified shopper traffic commensurate with market comps achieving comparable sales rates, 4) have an on-site sales office open seven days per week, 5) have fully decorated model homes for at least two floor plans, 6) have experienced sales agents familiar with the local market, and 7) come to market in a timely manner (within the next 12 months).

# Clarity Real Estate Advisors

CLARITY  
REAL ESTATE ADVISORS

Providing our clients a competitive decision-making advantage with innovative, nuanced, and thoroughly researched real estate market insights and advice.

Pete Reeb – President  
(858) 774-7126  
pete@ask-clarity.com

Pete is the leading real estate market feasibility advisor in the western U.S. Pete incorporates his decades of market experience and insights into every assignment; benefiting clients with his keen analytical eye, early-cycle trend-spotting capabilities, and the wisdom that comes with having been through multiple market cycles. Pete originally founded Reeb Development Consulting in 1996 to provide clients with insightful, timely, and innovative real estate market advisory services and rebranded in 202 as Clarity Real Estate Advisors. Pete has been a part of three of the biggest names in the real estate market advisory sector. He started his career at Robert Charles Lesser & Co (RCLCo); later was a Partner at The Meyers Group (now Zonda) while also serving as President; and then was a Principal at John Burns Real Estate Consulting. Pete advises public and private homebuilders, landowners and developers, entitlement groups, investors, private equity firms, and the public sector. Pete has a B.A. in Economics and Public Policy from Pomona College, which is consistently rated as one of the top ten private colleges in the country.



Adam Artunian – Vice President  
(949) 861-1876  
adam@ask-clarity.com

Adam is one of the most sought-after and respected market feasibility consultants in the western U.S. With over 15 years of experience as a real estate advisor and financial analyst, Adam has established a solid reputation for his ability to understand and analyze the market viability of complex and pioneering real estate developments. After evaluating hundreds of real estate developments as a Vice President of Consulting at John Burns Real Estate Consulting, Adam worked as a Vice President at Reeb development Consulting. Adam got his start as a Senior Research & Financial Analyst for Steadfast Companies, a full-service real estate investment and development firm. Client's respect Adam's thorough and analytical approach to evaluating real estate opportunities. Adam has a B.S. in Finance from Santa Clara University.

