



## Chula Vista CFD 16-I (Millenia 1A No. 2)

Assessment of Market Trends and Absorption Potential

City of Chula Vista

Chula Vista, San Diego County, CA

November 2020

## Objective

The objective of this analysis is to provide an independent analysis of the residential and commercial market in the San Diego County and Chula Vista area to determine relevant market trends and to provide conclusions relevant to the Millenia IA No. 2 development plan and the absorption potential for the planned residential units and commercial space. The report will be used in conjunction with the sale of bonds for CFD No. 16-I (Improvement Area No. 2).

## Contact Information

The following key team members participated on this analysis:

**Tim Sullivan, Senior Managing Principal**, oversees our Advisory practice. With over three decades of experience, Mr. Sullivan is an expert in residential and mixed-use feasibility studies, strategic planning and product development, and regularly conducts market analyses around the United States and internationally. He can be reached at 619.948.1836.

**Stephen Carr, Vice President**, managed the engagement on a day-to-day basis. Mr. Carr has over 25 years of experience in the real estate field and has significant experience in San Diego County.

Additional support was provided as needed.

## Limiting Conditions

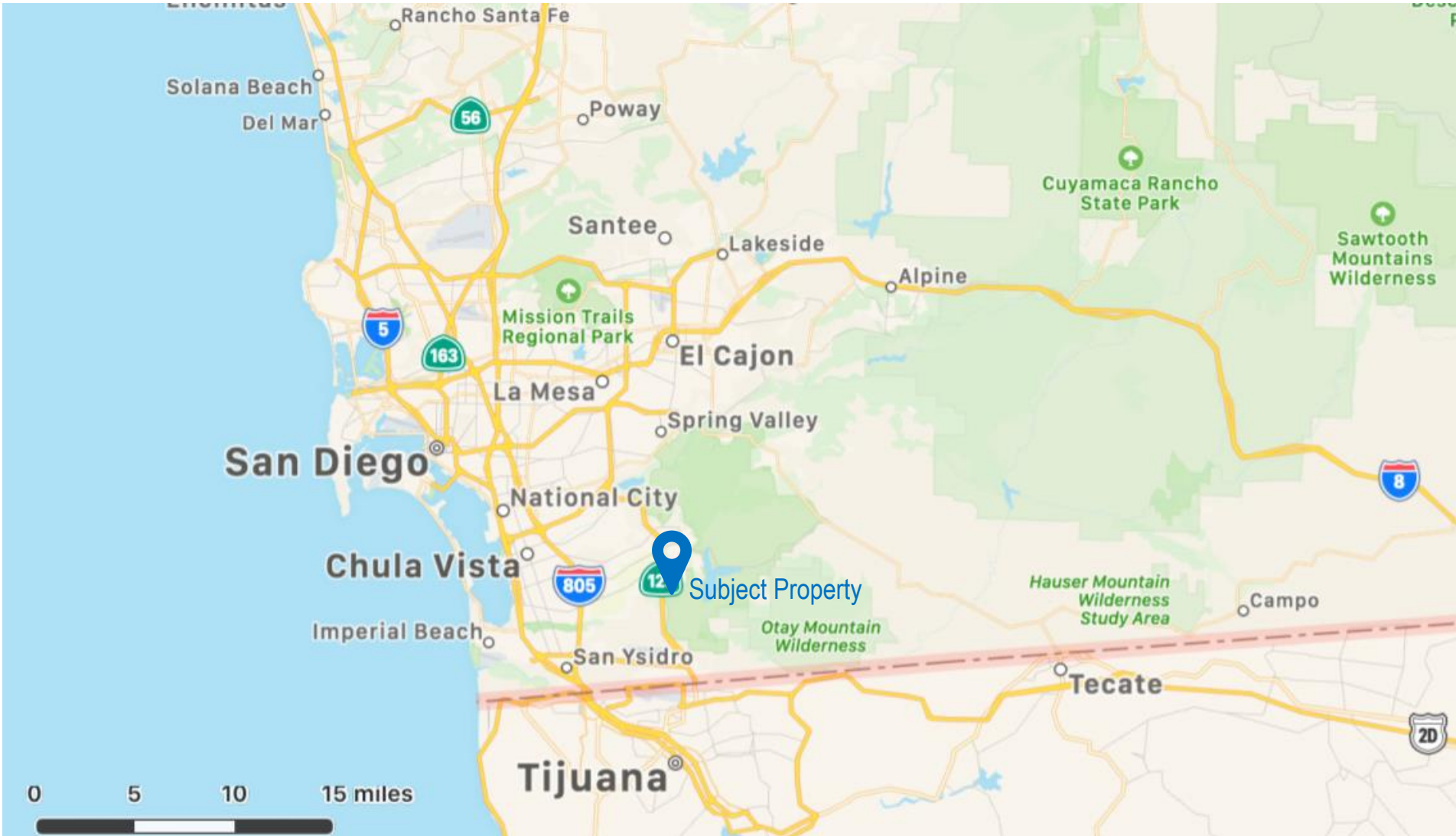
City of Chula Vista is responsible for representations about its development plans, marketing expectations and for disclosure of any significant information that might affect the ultimate realization of the projected results. There will usually be differences between projected and actual results because events and circumstances frequently do not occur as expected, and the differences may be material. We have no responsibility to update our report for events and circumstances occurring after the date of our report. Payment of any and all of our fees and expenses is not in any way contingent upon any factor other than our providing services related to this report.

<b>Key Findings</b>	<b>6</b>
<b>For-Sale Residential Market Analysis</b>	<b>9</b>
<b>For-Rent Residential Market Analysis</b>	<b>23</b>
<b>Office Market Analysis</b>	<b>33</b>
<b>Location Analysis</b>	<b>62</b>
<b>Economic &amp; Demographic Overview</b>	<b>70</b>
<b>Housing Market Overview</b>	<b>84</b>
<b>For-Sale Housing Demand</b>	<b>95</b>
<b>Appendix</b>	<b>101</b>

# REGIONAL LOCATION MAP

Introduction: Project Overview

Located in the City of Chula Vista, the subject property is located just east of State Route 125 in South San Diego County. The site is located approximately 22 miles southeast of the San Diego International Airport, approximately 29 miles southeast of University Town Center (UTC/"Golden Triangle") and approximately 8 miles north of the International Border. The site is easily accessed off State Route 125 (toll road) or via Interstate 805 and Olympic Parkway (non-toll).





# CFD MAP AND USES

Introduction: Project Overview

The subject property, CFD 16-I (Millenia 1A No. 2) is comprised of five lots within the Millenia master planned community. Overall, these parcels total 335 for-sale residential units, 400,000 square feet of commercial space and the potential for 150 for-rent apartment homes. Two small parcels of proposed commercial space attached to lots 15 and 22 on the map below are not a part of this analysis. Lots 12,13,15, and 22 (residential uses) have all broken ground with active marketing and sales campaigns. Lot 19 is envisioned as the “Discover” portion a multi-phased office complex and envisioned as a single building programmed for research and life science. The “Think” and “Invent” campuses are not a part of Improvement Area No.1.



**CFD 16-I (IA No.2) SUMMARY**

- Commercial: 400,000 sf
- For-Sale Residential: 335 Units
- For-Rent Residential: 150 Units\*

\*Potential use within Lot 19

**Lot 19**

Commercial Parcel  
Meridian Development  
400,000 SF of Commercial  
\*Potential for 150 Apartments

**Lots 12 & 13**

“Pinnacle” by Meridian Development  
126 Attached Units

**Lot 15**

“Vibe” by Lennar Homes  
92 Attached 3-Story Townhomes

**Lot 22**

“Cleo” by Lennar Homes  
117 Attached 3-Story Townhomes

**LAND USE MAP**  
PROPOSED COMMUNITY FACILITIES DISTRICT NO. 16-I  
(Millenia)

COMMERCE	MULTI-FAMILY	CFD 16-I IA 2 BOUNDARY	ZONE B
MIXED USE	CFD 16-I IA 1 PARCELS	ZONE A	NAP NOT A PART

# Key Findings

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Chula Vista CFD 16-I (Millenia 1A No. 2)

# FOR-SALE RESIDENTIAL AND COMMERCIAL ABSORPTION SUMMARY

## KEY FINDINGS



The subject property, CFD 16-I (Millenia 1A No. 2) is comprised of five lots within the Millenia master planned community. Overall, these parcels total 335 for-sale residential units, 400,000 square feet of commercial space and the potential for 150 for-rent apartment homes. Based on our research the residential components of CFD 16-I (1A No. 2) can be absorbed by mid-2023, but softening commercial demand is likely to delay the commercial component past 2030. The following tables illustrate our forecasted absorption for the various uses:

### For-Sale Residential:

HYPOTHETICAL COMMUNITY SELL OUT										
Project/Subdivision	Type	Configuration	# of Units	Avg Yr/Pace	2020	2021	2022	2023	2024	2025
Pinnacle	Townhomes	4-Story	126	36	82	36	8			
Cleo	Townhomes	3-Story TH	117	42	28	42	42	5		
Vibe	Townhomes	3-Story TH	92	36	41	36	15			
COMMUNITY SUMMARY			335	114	151	114	65	5		

All three active for-sale residential communities are expected to be sold-out by 2023. The projected 2020 sales figures are a combination of sales to date (early November) and projected sales for the balance of November and December. Sales for 2021 and beyond utilize the historic sales rates for the South San Diego Submarket. While the subject properties are all exceeding this historical sales figure (3.0-3.5 sales per month), we took a conservative approach in case market conditions shift unexpectedly. Under this hypothetical build-out scenario, both Pinnacle and Vibe will sell out in early to mid-2022 and Cleo (the most recent community to open) will sell out in early 2023 (1Q2023). If current market conditions hold, absorption times will be much faster than presented here.

### For-Rent Residential:

Community	Type	Building Stories	# of Units	Est Monthly Lease Up	Hypothetical Community Lease Up Schedule						
					2019	2020	2021	2022	2023	2024	2025
Lot 19	Stacked Flats	Three-Story	150	15				90	60		
Community Summary			150	15	0	0	0	90	60	0	0

The potential for apartment units exists on Lot 19 (commercial parcel). Given current market conditions, plans for this parcel are highly fluid at this time. The commercial market has softened and while the apartment market is also experiencing some mixed results nationwide, the apartment market in San Diego County has weathered the COVID crisis remarkably well to this point. While there are no firm start dates planned for the potential apartments, we assumed that the owner would continue to evaluate alternatives through much of the first half of 2020, which would push likely market entry into 2022. We have assumed a lease-up rate of 15 units per month, which is on the conservative end of the spectrum as most nearby apartment communities have leased-up at a faster pace (~18 – 24 units per month). Assuming a market entry in mid-2022, the 150 apartments should be fully leased in the first half of 2023.

Commercial:

Total Office Demand & Suggested Absorption (SF) at Improvement Area No. 2 of Millenia

Year	2021-2025	2026-2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	Total
Total Office Demand (SF)	404,066	314,958	61,004	60,582	59,667	59,323	59,206	58,333	58,875	57,930	58,542	58,122	58,233	57,502	1,426,343
Discover Campus															

There are two commercial sites north of the subject “Discover Campus.” Both these parcels (Lot 1 and Lot 7) are within a separate CFD (16-I Millenia 1A No.1). The first “Invent” campus (Lot1) is expected to break ground next year and our absorption table assumes that this parcel will absorb over the next five years under softer market conditions. For the purpose of this report, we have assumed that the subject property (Lot 19/Discover Campus) will follow the two commercial sites to the north. Under this scenario, the subject property will be built and leased over a six- or seven-year period between 2036 and 2042. However, there is no set schedule for these commercial parcels, and it is possible that the Discover and Invent campuses could flip in terms of market entry.

The undeveloped business district within the Millenia master planned community has a high degree of flexibility within scope and ultimate land use(s). Lot 1 and Lot 19 are owned by SLF and entitled for commercial development with a minimum building square footage of 800,000 and a maximum of 1,900,000. This business district is also entitled for up to 225 residential units, which may be for-rent or for-sale products. If a residential project is included in the business district, it may be located within either Lot 19 (within this CFD) or Lot 1 (outside this CFD). SLF has not decided whether any residential development will be included within Lot 19 and is currently unable provide an estimated timeframe for a decision as to whether there will be any residential development within Lot 19. Our residential market analysis does include a hypothetical for-rent community of 150 for-rent units to provide some context for market potential if a for-rent product program is pursued for Lot 19. SLF expects to monitor the demand for residential and commercial space to make a determination as to the plan of development within Lot 19 and Lot 1.



# Residential Market Analysis

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Chula Vista CFD 16-I (Millenia 1A No. 2)

# RESEARCH SUMMARY AND CONCLUSIONS

## Residential Market Analysis

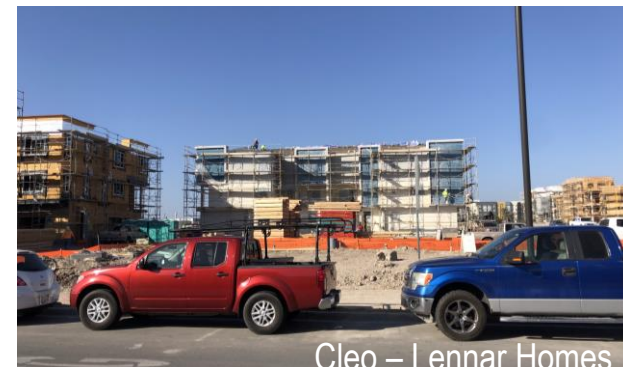
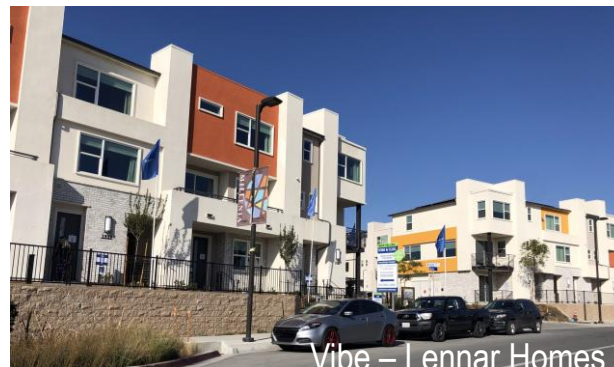
The Millenia master plan is an active mixed-use project in the South County submarket of San Diego County. Improvement Area No. 2 comprises a portion of the Millenia master planned community that is expected to include over 2,500 for-sale and rental units and over 1.8 million square feet of commercial space at buildout. The Improvement Area No. 2 development will consist of 335 for-sale residential units, 400,000 square feet of office in the “Discover” project and the potential for 150 for-rent apartment homes within the “Discover” commercial campus. Of the 335 Millenia for-sale residential units that are included in Improvement Area No. 2, 132 units are sold at the beginning of November 2020, with approximately 53 units having closed escrow.

The sale of for-sale products in the overall Millenia master plan started in mid-2016 with +/-217 units at Evo, Metro and Trio (which are not included in Improvement Area No. 2) and additional +/-393 units by Shea Homes, KB Home and CalAtlantic/Lennar in Improvement Area No. 1. There are also completed and in-development rental projects (market-rate and affordable), a hotel and commercial/retail development in Millenia (but not in Improvement Area No. 2).

The Millenia project is elevated and edges offer views of the surrounding area, mountains and distant lake/ocean. Some areas of the site will offer orientations to canyon and open space areas. Millenia is located right off a major north-south freeway (the 125 Toll Road) and is close to a wide array of existing services, retail, schools, parks, etc.

The number of active new home projects is diminishing throughout the county (there were over 130 active projects in 2019 and fewer than 80 today). While there was a brief pull back in housing demand at the beginning of the COVID pandemic, demand for housing accelerated in May and homebuilders throughout the region have reported heightened demand through the balance of 2020. The existing home market has witnessed similar trends and there is less than one month of active attached listings in the South County Submarket at the time of this analysis. Low levels of inventory coupled with heightened demand is yielding accelerating absorption rates. While competitive attached new home communities in the trade area have an average absorption rate of +/- 3.6 units per month overall, their average absorption over the past three months is 5.2 units per month. The subject properties within Millenia are even higher – all have current absorption rates over 8.0 units per month.

There is good demand potential in the South County market for ownership housing options, particularly those targeted to family households of all ages and to empty nester/retirees. Recent new home sales trends have not been a good indicator of market conditions, as diminishing inventory has capped market potential. South County new home sales reached +/-1,350 units in 2018 and fell to +/-1,150 in 2019 yet market capture of County new home sales was above 30% in both years. Going forward, South County, which has in the past decade had more active home building operations, is likely to see increased development and market capture in a region with quite limited residential land options elsewhere. Millenia1A No.2 neighborhoods are selling in the \$400,000 to \$600,000 price categories that are largely unavailable elsewhere in the region and these communities are selling better than most of the competitive market area. The remaining units in Improvement Area No. 2 are projected to be largely absorbed by 2022.



# MILLENNIA 1A NO. 2 FOR-SALE PRODUCT ARRAY

## Residential Market Analysis



The detailed floorplan pricing for the Millenia Improvement Area IA No. 1 product array is outlined below. All three communities are open and actively selling homes – the pricing is based on actual sales prices offered by the respective builders including incentives and established option/upgrade revenue. Because most are relatively new, their current absorption levels are somewhat elevated (relatively short selling period with pre-sale demand resulting in higher absorption stats). We examined the sales pace of 13 recently sold out attached communities in the South County and compared it to the average sales pace for active new home attached communities. Based on these statistics, we have assigned the two higher priced communities an overall estimated absorption pace of 3.0 units per month. With lower prices, we estimated the overall sales pace for Cleo at 3.5 units per month. These projects align with the broader market and account for full sale periods but are substantially below current sales rates in an inventory constrained environment. While current sales rates suggest faster absorption times, we have tempered the sales pace to account for potential shifts in market demand. These absorption projections are less than half the pace established to date within Millenia 1A No. 2 and take a conservative view of future sales pace.

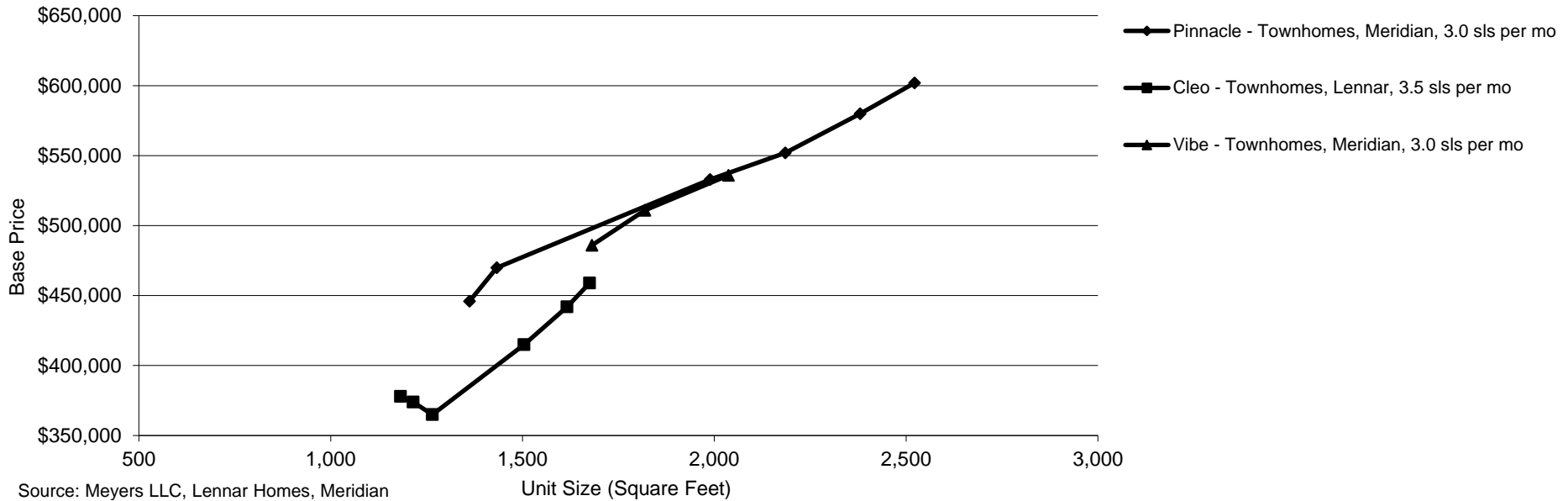
COMMUNITY SPECIFICS			FLOORPLANS					RECOMMENDATIONS															
Subject Property Name Location	Sales Summary	Mix	Size				Mo Sales Pace	Base Price	Base Price	Base Price/SF	Incentives		Net Base Price (\$ Impacting)	Net Base Price/SF	Assumptions			Payment Assumptions			80.0% 3.5%		
			SF	Bed	Bath	Level					Pkg	Options / Upgrades			Price Reduction	Options / Upgrades	Estimated Premiums	Total Price	Total Price/SF	Monthly HOA		Base Tax Rate	Addl Assess.
<b>Pinnacle</b>	<b>Meridian</b>	21	1,362	3	3.0	2	2	3.0	\$445,900	\$445,900	\$327	(\$5,000)	\$0	\$445,900	\$327	\$30,000	\$5,500	\$476,400	\$350	\$339	1.10%	0.84%	\$2,821
<b>Lots 12&amp;13</b>	<b>Millenia</b>	21	1,433	3	2.0	2	2	3.0	\$469,900	\$469,900	\$328	(\$5,000)	\$0	\$469,900	\$328	\$30,000	\$5,500	\$500,400	\$349	\$339	1.10%	0.84%	\$2,946
Product: Townhomes	Total Units: 126	21	1,989	4	3.0	2	2		\$532,900	\$532,900	\$268	(\$5,000)	\$0	\$532,900	\$268	\$30,000	\$5,500	\$563,400	\$283	\$339	1.10%	0.84%	\$3,274
Configuration: 4-Story	Units Sold: 76	21	2,185	3	2.0	4	2		\$551,900	\$551,900	\$253	(\$5,000)	\$0	\$551,900	\$253	\$30,000	\$5,500	\$582,400	\$267	\$339	1.10%	0.84%	\$3,373
Lot Dimensions: ATT	3 Months Sold: 21	21	2,380	3	3.0	4	2		\$579,900	\$579,900	\$244	(\$5,000)	\$0	\$579,900	\$244	\$30,000	\$5,500	\$610,400	\$256	\$339	1.10%	0.84%	\$3,519
	Units Remaining: 50	21	2,522	3	2.0	4	2		\$601,900	\$601,900	\$239	(\$5,000)	\$0	\$601,900	\$239	\$30,000	\$5,500	\$632,400	\$251	\$339	1.10%	0.84%	\$3,633
	% Remaining: 40%																						
Summary Statistics:			1,979					3.0	\$530,400	\$530,400	\$268	(\$5,000)	\$0	\$530,400	\$268	\$30,000	\$5,500	\$560,900	\$283	\$339	1.10%	0.84%	\$3,261
<b>Cleo</b>	<b>Lennar</b>	10	1,182	2	2.5	3	2	3.5	\$377,900	\$377,900	\$320	(\$7,500)	\$0	\$377,900	\$320	\$15,000	\$0	\$385,400	\$326	\$277	1.10%	0.84%	\$2,285
<b>Lot 22</b>	<b>Millenia</b>	12	1,215	2	2.5	3	2	3.5	\$373,900	\$373,900	\$308	(\$7,500)	\$0	\$373,900	\$308	\$15,000	\$0	\$381,400	\$314	\$277	1.10%	0.84%	\$2,264
Product: Townhomes	Total Units: 117	11	1,265	2	2.5	3	2		\$364,900	\$364,900	\$288	(\$7,500)	\$0	\$364,900	\$288	\$15,000	\$0	\$372,400	\$294	\$277	1.10%	0.84%	\$2,217
Configuration: 3-Story TH	Units Sold: 21	7	1,504	3	2.5	3	2		\$414,900	\$414,900	\$276	(\$7,500)	\$0	\$414,900	\$276	\$15,000	\$0	\$422,400	\$281	\$277	1.10%	0.84%	\$2,477
Lot Dimensions: ATT	3 Months Sold: 21	36	1,616	3	2.5	3	2		\$441,900	\$441,900	\$273	(\$7,500)	\$0	\$441,900	\$273	\$15,000	\$5,000	\$454,400	\$281	\$277	1.10%	0.84%	\$2,644
	Units Remaining: 96	41	1,675	4	3.5	3	2		\$458,900	\$458,900	\$274	(\$7,500)	\$0	\$458,900	\$274	\$15,000	\$10,000	\$476,400	\$284	\$277	1.10%	0.84%	\$2,759
	% Remaining: 82%																						
Summary Statistics:			1,519					3.5	\$426,558	\$426,558	\$281	(\$7,500)	\$0	\$426,558	\$281	\$15,000	\$5,043	\$439,101	\$289	\$277	1.10%	0.84%	\$2,564
<b>Vibe</b>	<b>Meridian</b>	26	1,681	2	2.5	1	2	3.0	\$485,900	\$485,900	\$289	(\$7,500)	\$0	\$485,900	\$289	\$15,000	\$3,500	\$496,900	\$296	\$277	1.10%	0.84%	\$2,865
<b>Lot 15</b>	<b>Millenia</b>	30	1,819	2	2.5	1	2	3.0	\$510,900	\$510,900	\$281	(\$7,500)	\$0	\$510,900	\$281	\$15,000	\$3,500	\$521,900	\$287	\$277	1.10%	0.84%	\$2,996
Product: Townhomes	Total Units: 92	36	2,037	2	2.5	1	2		\$535,900	\$535,900	\$263	(\$7,500)	\$0	\$535,900	\$263	\$15,000	\$3,500	\$546,900	\$268	\$277	1.10%	0.84%	\$3,126
Configuration: 3-Story TH	Units Sold: 35																						
Lot Dimensions: ATT	3 Months Sold: 28																						
	Units Remaining: 57																						
	% Remaining: 62%																						
Summary Statistics:			1,865					3.0	\$513,617	\$513,617	\$275	(\$7,500)	\$0	\$513,617	\$275	\$15,000	\$3,500	\$524,617	\$281	\$277	1.10%	0.84%	\$3,010

# SUBJECT PROPERTIES – PRODUCT ARRAY

Residential Market Analysis



All three for-sale communities within CFD 16-I (Millenia 1A, No.2) are open and active selling. Cleo is the most affordable option within the subject planning area. Pinnacle and Vibe offer similar pricing where they overlap in size, but the larger elevator serviced floorplans in Pinnacle are the most expensive in immediate area.



Project/Subdivision	Type	Configuration	# of Unsold Units	Est % of Total Units	Average Unit Size	BASE PRICE		Price Impacting Incentives	NET BASE PRICE		\$ ASSUMPTIONS		AVERAGE PRICE		
						Base Price	\$/SF		Net Base Price	\$/SF	Options	Premiums	Average Price	\$/SF	Estimated Sales/Month
Pinnacle	Townhomes	4-Story	50	25%	1,979	\$530,400	\$268	\$0	\$530,400	\$268	\$30,000	\$5,500	\$560,900	\$283	3.00
Cleo	Townhomes	3-Story TH	96	47%	1,519	\$426,558	\$281	\$0	\$426,558	\$281	\$15,000	\$5,043	\$439,101	\$289	3.50
Vibe	Townhomes	3-Story TH	57	28%	1,865	\$513,617	\$275	\$0	\$513,617	\$275	\$15,000	\$3,500	\$524,617	\$281	3.00
<b>COMMUNITY SUMMARY</b>			203	100%	1,729	\$476,580	\$276	\$0	\$476,580	\$276	\$18,695	\$4,722	\$493,113	\$286	9.50

The projected absorption for the Millenia Improvement Area IA No. 2 product array is outlined below.

- Pinnacle by Meridian Communities (Lots 12&13) opened for sales in February of 2020. The community is comprised of 21 6-plex buildings (126 homes total). The buildings offer a unique configuration, with the three smallest units on the first two floors (relatively traditional 2-story townhome designs) and the three largest units “stacked” on top that can be accessed by internal stairs or elevator). The community has been very successful – selling over 8 units per month since opening. As of November 2020, +/-76 of the 126 planned units sold. For the purpose of this report, we have applied the historical sales pace to all the subject properties moving forward. Under this conservative approach, the Pinnacle community will sell out in early 2022. If current market conditions hold, this community will likely sell out in 2021.
- Vibe (Lot 15) had its first sales release on July 15, 2020 and has sold +/-35 of the 36 units released. Vibe will offer 92 3-story townhomes from 1,681 to 2,037 square feet. The average sales pace to date is over 8.0 units per month. We have utilized the historical 3.0 units per month for the projected build-out of the community, but like Meridian, if current conditions hold sales are likely to surpass this level. Under our tempered absorption assumptions, Vibe will sell out in early/mid-2022.
- Cleo (Lot 22) by Lennar Homes is the newest community in Millenia 1A No. 2. The community consists of 117 3-story townhomes with six floorplans from 1,182 to 1,675 square feet. As of early November, the community has sold 21 units. With some of the most affordable new home prices in the South County, we anticipate that Cleo will sell at a slightly faster pace than the historical average. We have assigned an average absorption rate of 3.5 units per month for Cleo – higher than the historical average, but well below current absorption rates. Like the others, we feel this is a conservative absorption pace given the current supply/demand environment. Based on a 3.5 per month sales pace, Cleo will sell out in early-2023.

HYPOTHETICAL COMMUNITY SELL OUT											
Project/Subdivision	Type	Configuration	# of Units	Avg Yr/Pace	2020	2021	2022	2023	2024	2025	2026
Pinnacle	Townhomes	4-Story	126	36	82	36	8				
Cleo	Townhomes	3-Story TH	117	42	28	42	42	5			
Vibe	Townhomes	3-Story TH	92	36	41	36	15				
COMMUNITY SUMMARY			335	114	151	114	65	5			

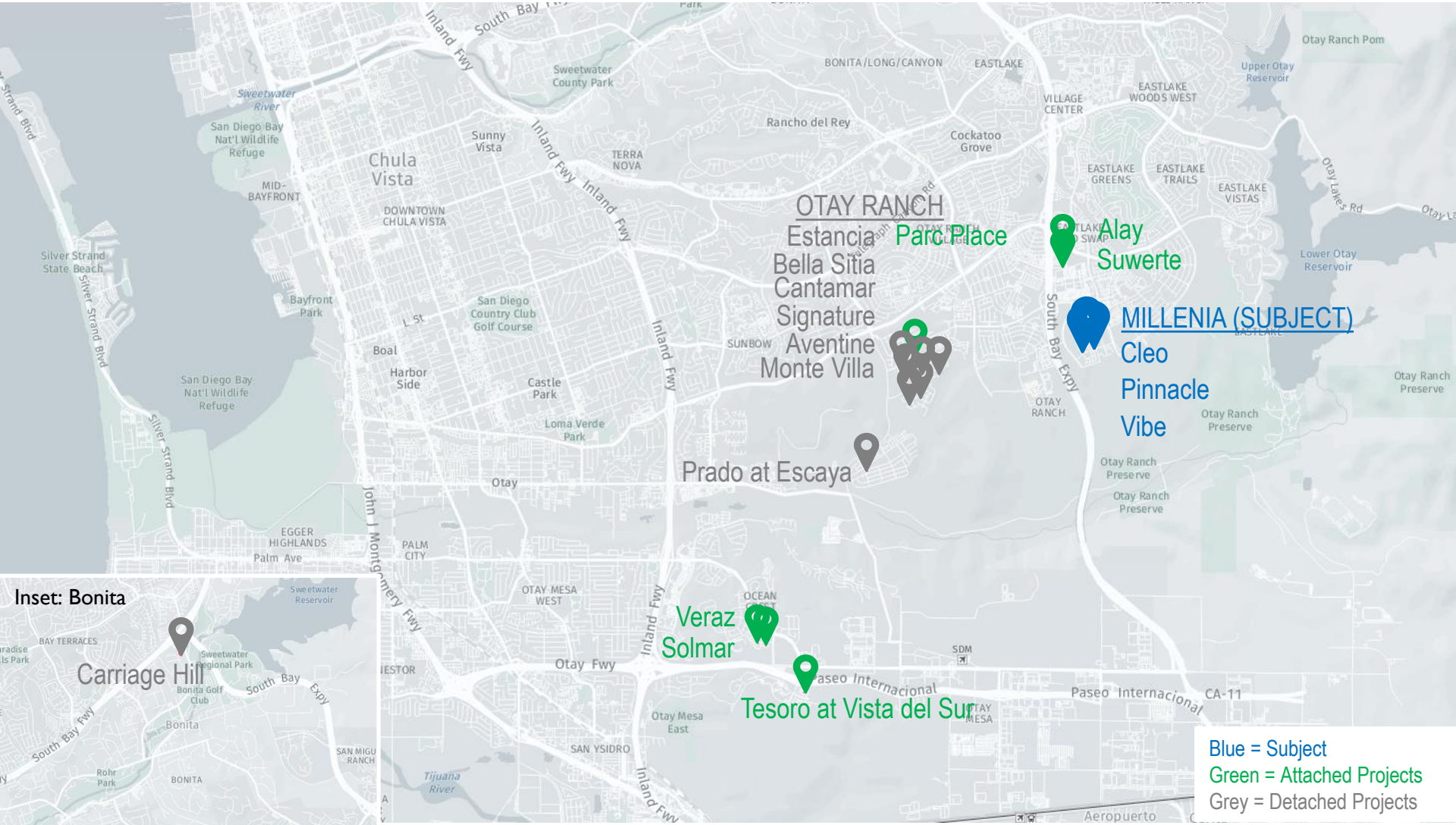
*Per product absorptions of 3.0 to 3.50 units per month are below current absorption rates within the competitive market area and the actual rates achieved to date within Millenia 1A No. 2, but in-line with historical performance in the South County. Meyers Research views this hypothetical community sell-out as a conservative approach.*



# LOCATION MAP: ACTIVE NEW HOME FOR-SALE COMMUNITIES

Residential Market Analysis

The map below highlights active new home communities in the South County Submarket. Including the three attached communities within Millenia, there are nine attached communities selling in the South County. There are an additional eight single family detached communities within the competitive sphere (Carriage Hill in Bonita and highlighted on the inset map is one of the highest priced communities in the South County with prices over \$1M).



# RESEARCH SUMMARY AND CONCLUSIONS

## Residential Market Analysis



The number of active competitive projects in South County is generally on the decline but diminishing new home options are boosting sales rates within the active competitive market area. Historically, attached new home communities in the South County have averaged +/-3.0 sales per month. All active attached communities in the South County currently average 3.6 sales per month (overall). When we examine trends over the past quarter, sales are even better with an average sales rate of 5.2 units per month. Low interest rates coupled with the increased focus on home during the COVID pandemic is driving increased demand throughout much of the country and is readily apparent in San Diego County.

The Detached housing market in the South County has a slightly slower overall absorption rate of 2.0 units per month. Over the past quarter, sales are averaging 3.5 sales per month. There are several factors that are driving the slower absorption numbers. First, the detached housing market has an average base price over \$800K – which narrows the buyer pool. In addition, the active comp set is currently 85% sold with half nearing build-out (fewer than 10 units remaining).

Although the subject properties show absorption rates from 3.0 to 3.5 units per month on the table below (to mimic the market's historical average sales pace), the reality is they are currently selling far better. Pinnacle, Vibe and Cleo have sales rates over 8.0 units per month – some of the best absorptions in the competitive sphere.

COMMUNITY	BUILDER / DEVELOPER	CITY	UNIT COUNT SUMMARY			SALES PACE					AVERAGE		MONTHLY			
			LOT SIZE	TOTAL	RLSD	SOLD	AVAIL.	REMAIN	ALL	3 MO.	SF	NET PRICE	\$/SF	HOA	TAX	PAYMENT
Pinnacle	Meridian	Lots 12&13	4-Story	126		76		50	3.0	--	1,979	\$560,900	\$283	\$339	1.94%	\$3,261
Cleo	Lennar	Lot 22	3-Story TH	117		21		96	3.5	--	1,519	\$439,101	\$289	\$277	1.94%	\$2,564
Vibe	Meridian	Lot 15	3-Story TH	92		35		57	3.0	--	1,865	\$524,617	\$281	\$277	1.94%	\$3,010
Suwerte	Heritage Building and Development	Chula Vista	ATT	212	80	80	0	132	2.9	5.7	1,819	\$446,025	\$245	\$362	2.00%	\$2,708
Alay	Heritage Building and Development	Chula Vista	ATT	80	68	68	0	12	3.5	6.7	2,233	\$562,900	\$252	\$260	2.00%	\$3,220
Parc Place	Pacific Coast Communities	Chula Vista	ATT	162	144	140	4	22	3.2	3.3	1,429	\$454,233	\$318	\$285	2.00%	\$2,674
Veraz	Pardee Homes	San Diego	ATT	111	111	109	2	2	4.2	7.0	1,643	\$493,729	\$301	\$325	1.40%	\$2,675
Solmar	Pardee Homes	San Diego	ATT	74	74	74	0	0	5.2	8.3	1,602	\$471,859	\$295	\$325	1.60%	\$2,649
Tesoro at Vista Del Sur	Cornerstone Communities	San Diego	ATT	134	99	99	0	35	2.7	0.0	1,498	\$463,657	\$309	\$270	1.94%	\$2,685

<b>NEW HOME AVERAGE:</b>	773	576	570	6	203	3.6	5.2	1,704	\$482,067	\$287	\$305	1.82%	\$2,768
<b>NEW HOME MEDIAN:</b>	773	576	570	6	203	3.3	6.2	1,622	\$467,758	\$298	\$305	1.97%	\$2,680

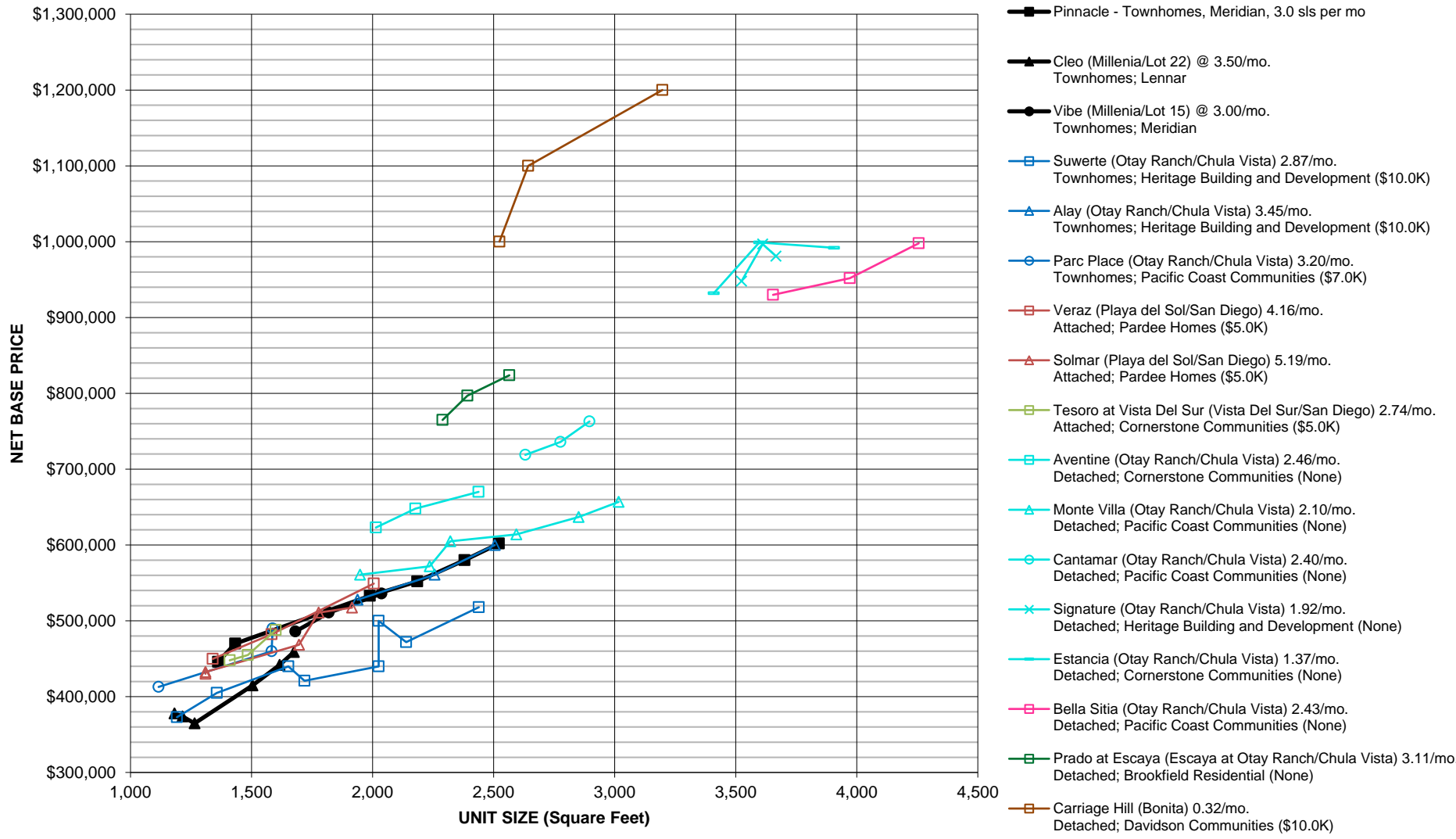
Aventine	Cornerstone Communities	Chula Vista	2,975	100	91	91	0	9	2.5	3.7	2,210	\$646,990	\$293	\$113	2.00%	\$3,516
Monte Villa	Pacific Coast Communities	Chula Vista	3,500	103	91	91	0	12	2.1	4.0	2,494	\$607,567	\$244	\$48	1.80%	\$3,142
Cantamar	Pacific Coast Communities	Chula Vista	4,250	109	98	88	10	21	2.4	8.3	2,768	\$739,233	\$267	\$48	1.75%	\$3,782
Signature	Heritage Building and Development	Chula Vista	5,000	79	79	78	1	1	1.9	3.3	3,600	\$975,233	\$271	\$52	1.80%	\$5,018
Estancia	Cornerstone Communities	Chula Vista	6,300	37	20	20	0	17	1.4	1.0	3,637	\$974,323	\$268	\$53	1.89%	\$5,086
Bella Sitia	Pacific Coast Communities	Chula Vista	8,000	68	55	45	10	23	2.4	3.3	3,960	\$959,900	\$242	\$59	1.80%	\$4,947
Prado at Escaya	Brookfield Residential	Chula Vista	3,120	130	130	127	3	3	3.1	4.0	2,415	\$795,213	\$329	\$131	2.00%	\$4,313
Carriage Hill	Davidson Communities	Bonita	7,000	18	18	9	9	9	0.3	0.3	2,788	\$1,200,000	\$430	\$379	1.13%	\$5,820

<b>NEW HOME AVERAGE:</b>	644	582	549	33	95	2.0	3.5	2,984	\$862,308	\$293	\$110	1.77%	\$4,453
<b>NEW HOME MEDIAN:</b>	644	582	549	33	95	2.3	3.5	2,778	\$877,557	\$269	\$56	1.80%	\$4,630

# MILLENIA BASE PRICE COMPARISON

Residential Market Analysis

The base pricing of the Millenia Improvement Area No. 2 residential products is in-line with other new housing products in the Otay Ranch and general South San Diego County market area. Base prices are well below most detached options in the market and only come close to the highest density detached options in the market.



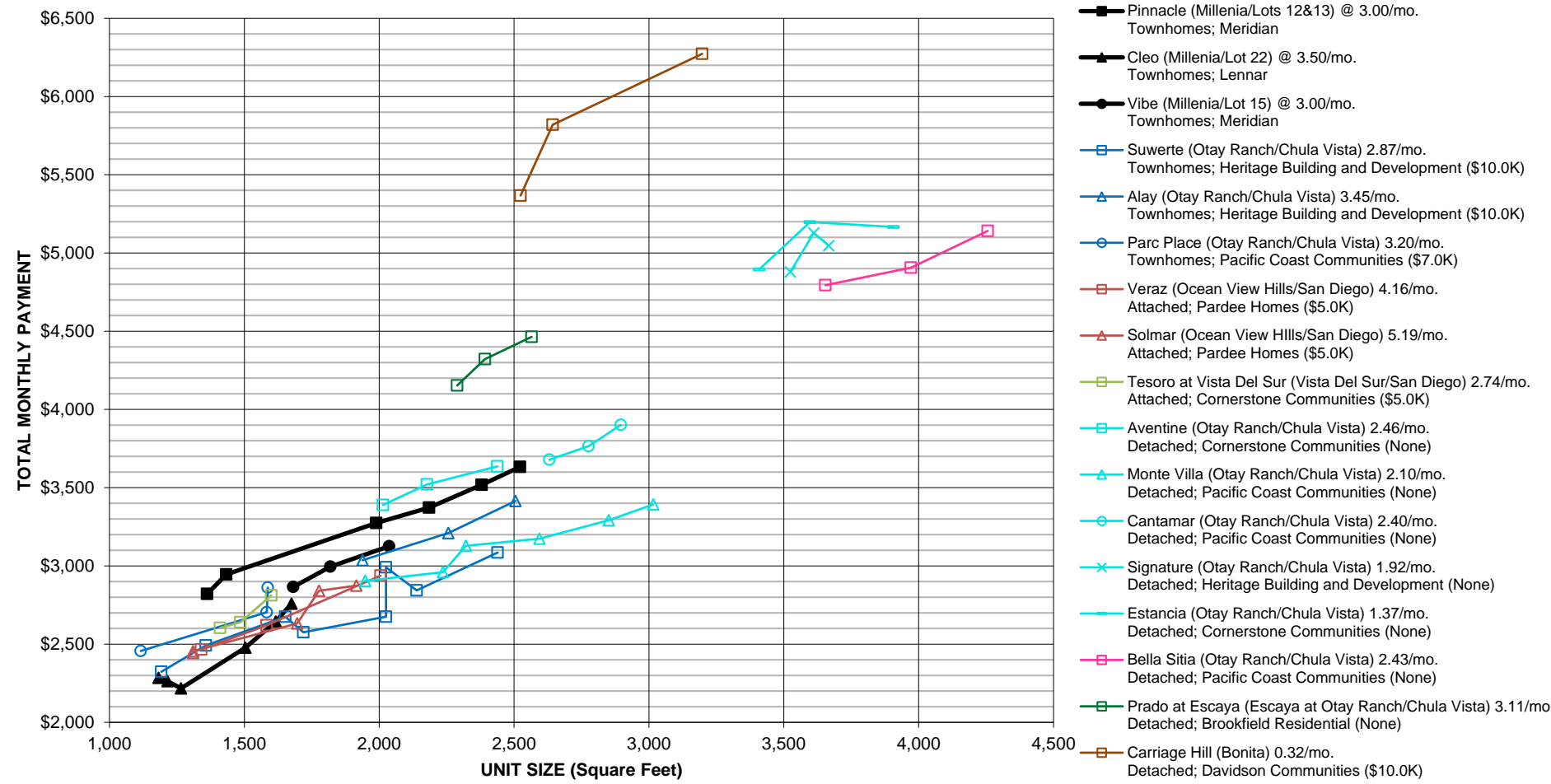
Source: Meyers Research; Individual Community Sales Offices

# ACTIVE NEW HOME COMPARISON: MONTHLY PAYMENT

Pricing & Absorption Recommendations



Estimated monthly payments at the Subject property range from \$2,217 to \$3,633 per month. For simplicity, all products use the same underlying assumptions: 20% down payment, 3.5% interest rate and a 30-year term. To illustrate differences within the competitive market area, the quoted Homeowners Association (HOA) dues and property taxes unique to each property have been utilized. The underlying assumptions for the Subject Property are a 1.94% total property tax rate and HOA dues from \$277 per month (Cleo and Vibe) to \$339 per month (Pinnacle). All active new home communities in Chula Vista have tax rates from 1.8% to slightly over 2.0%. On a monthly payment comparison, Pinnacle and Vibe do cross into some higher density detached alternatives, but we feel Millenia offers a better community environment to these alternatives and all three of these detached alternates are nearly sold out (which may account for some of the lower prices as well since they are waiting to release their final phases).



Source: Meyers Research; Individual Community Sales Offices





# HYPOTHETICAL BUILDOUT OF SOUTH COUNTY ACTIVE NEW HOME COMMUNITIES

## Residential Market Analysis



The amount of development in the San Diego County market is decreasing and the demand for housing outstrips the housing being produced. While the South County Submarket has several large-scale developments in the pipeline, there is likely going to be a limited number of new product introductions in the next six months that will likely keep the number of competitive projects to a minimum. The demand/supply imbalance is expected to last through most of the sales period – with the bulk of Millenia 1A No.2 for-sale product expected to be sold within the next 18 months.

DEMAND PROJECTION	ACTUAL HISTORICAL SALES										PROJECTED NEW HOME SALES DEMAND				
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020P	2021P	2022P	2023P	2024P
<b>New Home Sales (1)</b>															
San Diego MSA	2,277	2,041	2,785	2,340	1,939	2,441	2,323	2,669	3,664	3,724	4,450	3,500	3,800	4,000	3,800
South County % Capture of MSA	15.1%	27.1%	22.3%	18.8%	15.4%	19.7%	19.8%	25.0%	31.9%	27.6%	14.0%	20.0%	25.0%	24.0%	24.0%
<b>South County Submarket (Forecast based on historical share)</b>	343	553	620	441	299	482	460	666	1,168	1,027	625	700	950	960	912
Less: Estimated 5% for Sales in Misc. Neighborhoods	(17)	(28)	(31)	(22)	(15)	(24)	(23)	(33)	(58)	(51)	(31)	(35)	(48)	(48)	(46)
<b>Potential Absorption for MPC's in South County Submarket</b>	<b>326</b>	<b>525</b>	<b>589</b>	<b>419</b>	<b>284</b>	<b>458</b>	<b>437</b>	<b>633</b>	<b>1,110</b>	<b>976</b>	<b>594</b>	<b>665</b>	<b>903</b>	<b>912</b>	<b>866</b>
<b>SUPPLY PROJECTION (2)</b>															
	ACTIVE PROJECTS INVENTORY										ESTIMATED SALES OF REMAINING UNITS				
<b>ACTIVE PROJECTS WITHIN MASTER PLANNED PROJECTS</b>	Total Units			Sold (5)			Remaining (2)				2020P	2021P	2022P	2023P	2024P
Escaya at Otay Ranch	130			127			3				3				
PA12 (North of Otay Ranch Town Center)	292			148			144				13	41	36	36	18
Millenia (excludes Improvement Area No. 2)	0			0			0								
Ocean View Hills	185			183			2				2				
Otay Ranch-V2 (Montecito)	658			553			105				29	76			
<b>Total Inventory and Future Sales within Active South County Master Planned Projects</b>	<b>1,265</b>			<b>1,011</b>			<b>254</b>				<b>47</b>	<b>117</b>	<b>36</b>	<b>36</b>	<b>18</b>
<b>Over Supply / (Under Supply) of Projected Demand</b>											<b>(547)</b>	<b>(548)</b>	<b>(867)</b>	<b>(876)</b>	<b>(848)</b>
<i>Cumulative Over Supply / (Under Supply) before Future Proposed Projects Add units to the Market</i>											<i>(547)</i>	<i>(1,095)</i>	<i>(1,961)</i>	<i>(2,837)</i>	<i>(3,686)</i>
<b>PROPOSED PROJECTS WITH POTENTIAL HOME SALES IN 2018+ (3)</b>	Planned (2)			SF		MF			2020P	2021P	2017P	2018P	2019P		
Otay Ranch-V13 (4)	1,938			530		1,408									
Otay Ranch-V8 West (4)	1,210			0		1,210									
Otay Ranch-V4	350			73		277									
Otay Ranch-V10 (4)	1,740			695		1,045									
Otay Ranch-V8 East (4)	3,560			943		2,617									
Otay Ranch-V9 (4)	4,000			166		3,834									
Aggregate Estimate of Otay Mesa Future Projects	11,375			3,125		8,250									
<b>Total Estimated Proposed / Future Projects with Potential Market Entry by 2024</b>	<b>24,173</b>			<b>5,532</b>		<b>18,641</b>									

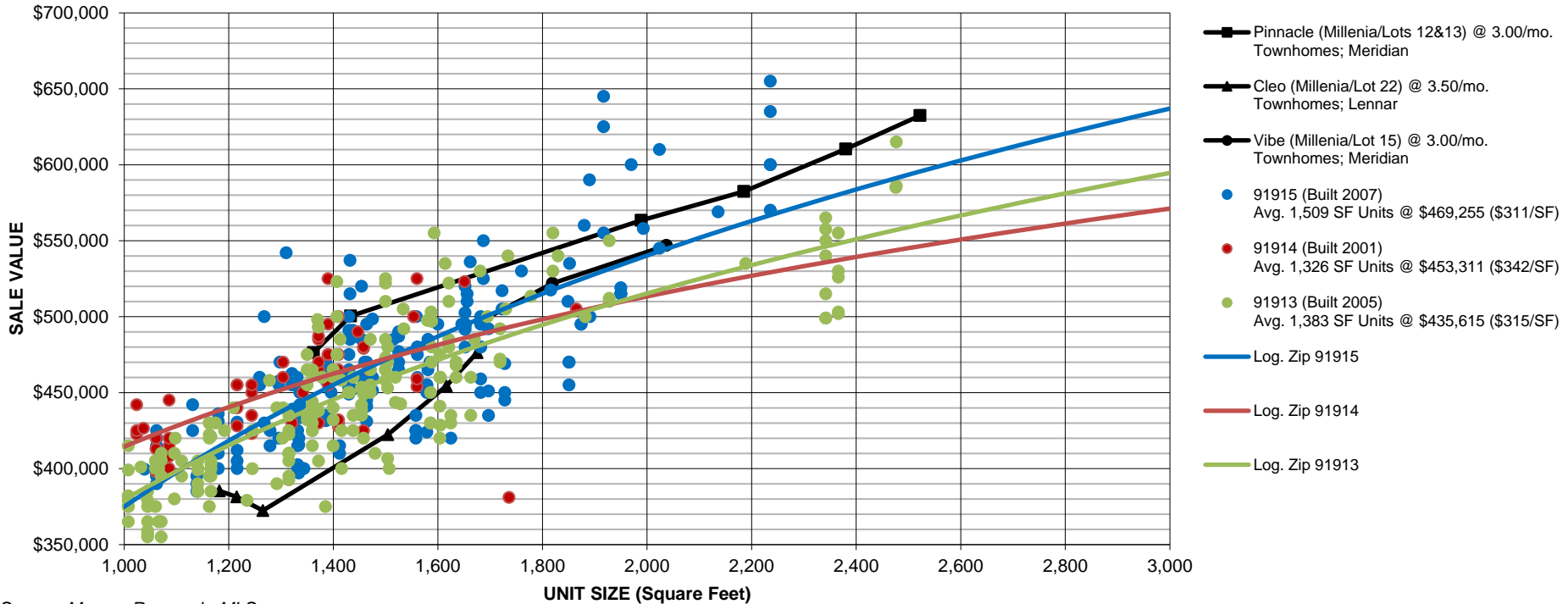
**Footnotes**  
 1) Actual Existing and New Home sales through 2017 per Meyers; projected sales for 2018-2022 per Meyers Research.  
 2) Remaining Active supply includes for-sale units in active projects only, some MPCs have future unit count  
 3) Unit Counts within Future Projects are Estimates Only - Actual Timing is dependent upon variety of factors including: efforts of Applicant, City/Agency Approvals, and capital resources  
 4) Per materials provided by builder or planning documents  
 5) Sold through 11/4/2020 per sales offices

# ACTIVE LISTINGS ARE APPROXIMATELY 33% HIGHER THAN SOLD HOMES AT 5,000 SQUARE FEET

Competitive Market Assessment



The Subject's attached pricing is in the heart of existing attached resale values in the nearby areas of Otay Ranch (defined as the three surrounding zip codes – 91915, 91914, & 91913). Pinnacle is the highest priced product offering within Millenia 1A No. 2 and prices are towards the top of the resale market, but this is to be expected given new construction, premium master planned environment and elevator serviced penthouses. With a location right off the Toll Road in the premier Millenia mixed-use community, new construction townhomes such as these can achieve a premium market position. Cleo and Vibe are positioned in the lower/middle portion of the resale marketplace and represent good value propositions within the competitive landscape. Note that subject prices are “base” prices and do not include location premiums, options and upgrades. Overall, subject product positioning will be higher than appears on this comparison chart.



Source: Meyers Research, MLS

Zip	DATE RANGE	YEAR BUILT	LOT SIZE	# OF SALES	SALES RATE		AVERAGE		
					TOTAL	3 MO.	SF	NET PRICE	PPSF
91915	Jan. '20 to Nov. '20	2007	257,534	176	16.94	15.33	1,509	\$469,255	\$310.93
91914	Jan. '20 to Nov. '20	2001	86,532	56	5.31	4.33	1,326	\$453,311	\$341.78
91913	Jan. '20 to Nov. '20	2005	121,705	234	22.17	18.33	1,383	\$435,615	\$314.89

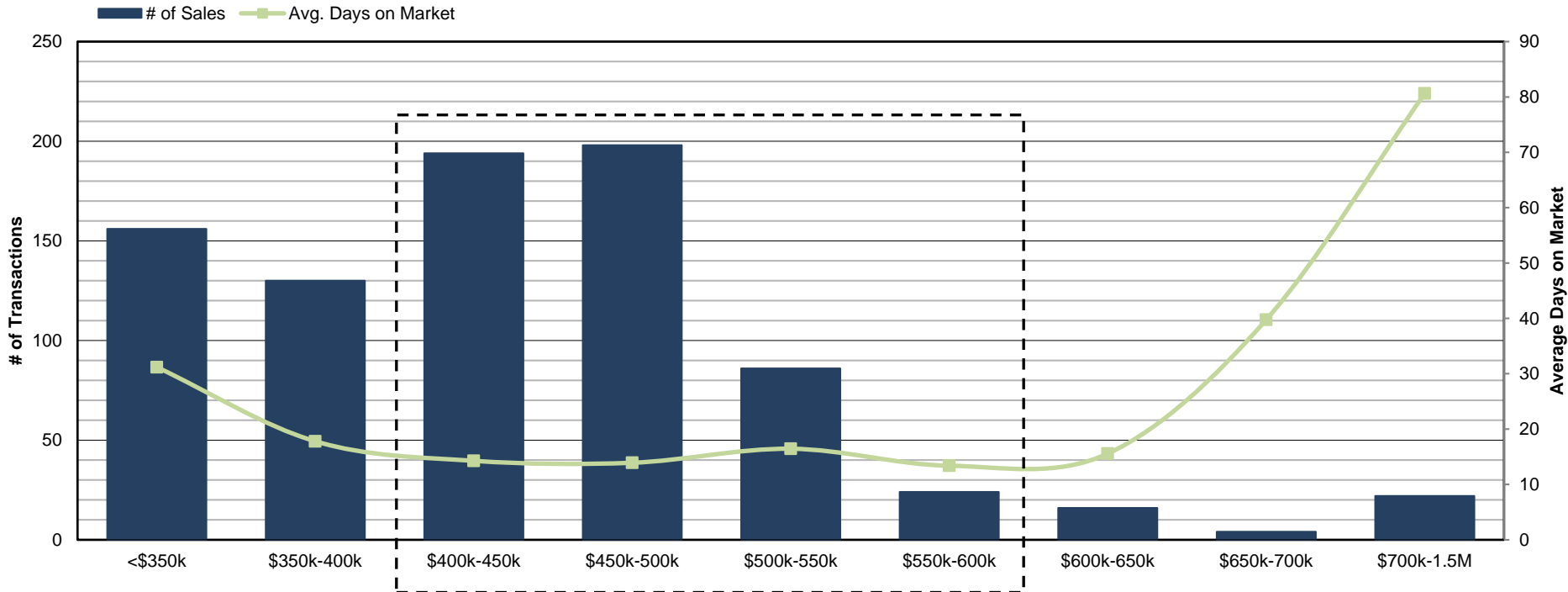
# SOUTH COUNTY SUBMARKET: ATTACHED SALES & ACTIVE LISTINGS BY PRICE RANGE

Residential Market Analysis



Price Range	Avg. Year Built	Avg. Days on Market	# of Sales	Sales Rate	# of Active Listings	Months of Supply
<\$350k	1979	31.2	156	14.7	6	0.4
\$350k-400k	1991	17.8	130	12.3	5	0.4
\$400k-450k	2000	14.3	194	18.3	10	0.5
\$450k-500k	2004	13.9	198	18.7	5	0.3
\$500k-550k	2004	16.4	86	8.1	5	0.6
\$550k-600k	2009	13.4	24	2.3	6	2.7
\$600k-650k	2009	15.6	16	1.5	0	0.0
\$650k-700k	2005	39.8	4	0.4	1	2.7
\$700k-1.5M	1991	80.6	22	2.1	3	1.4
<b>Total/Avg:</b>	<b>1996</b>	<b>20.0</b>	<b>830</b>	<b>78.2</b>	<b>41</b>	<b>0.5</b>

- ✓ There are currently 41 active attached listings in the South County Submarket (Chula Vista, National City, San Ysidro, Bonita, and Imperial Beach).
- ✓ With an average sales pace of approximately 78 attached homes per month during the past 10 months, this equates to only 0.5 month of existing supply.
- ✓ Existing attached housing supply is extremely low. Which should yield better than average sales rates for new communities in the region.
- ✓ Current base pricing within Millenia 1A No.2 aligns closely with proven high demand resale price categories.



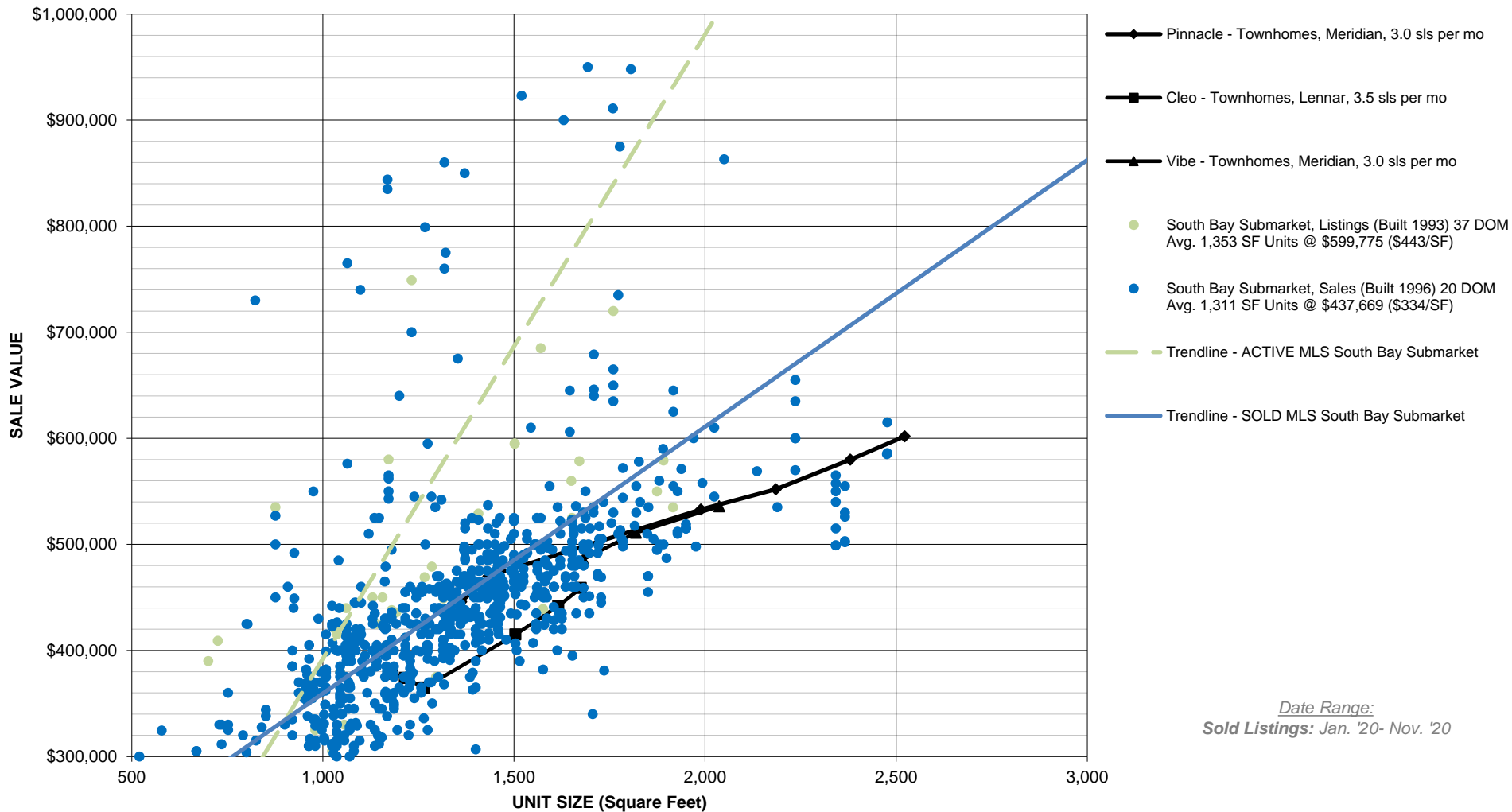
Source: Meyers Research, MLS

# SOUTH COUNTY SUBMARKET: ATTACHED SALES & ACTIVE LISTINGS

Residential Market Analysis



The chart below presents attached sales recorded in 2020 (blue) and current active listings (green). The slope of the active listing trendline is much steeper than the sold trend line due to a select number of oceanfront listings in Imperial Beach. The subject property is generally positioned towards the bottom of the attached resale market – driven largely by higher tax rates and HOA fees. While higher fees will likely push the Millenia neighborhoods higher on a monthly payment basis, the low asking prices coupled with high demand levels (generated by low interest rates and increased focus on shelter during the COVID pandemic) is generating strong demand throughout the region.



# Apartment Market Overview

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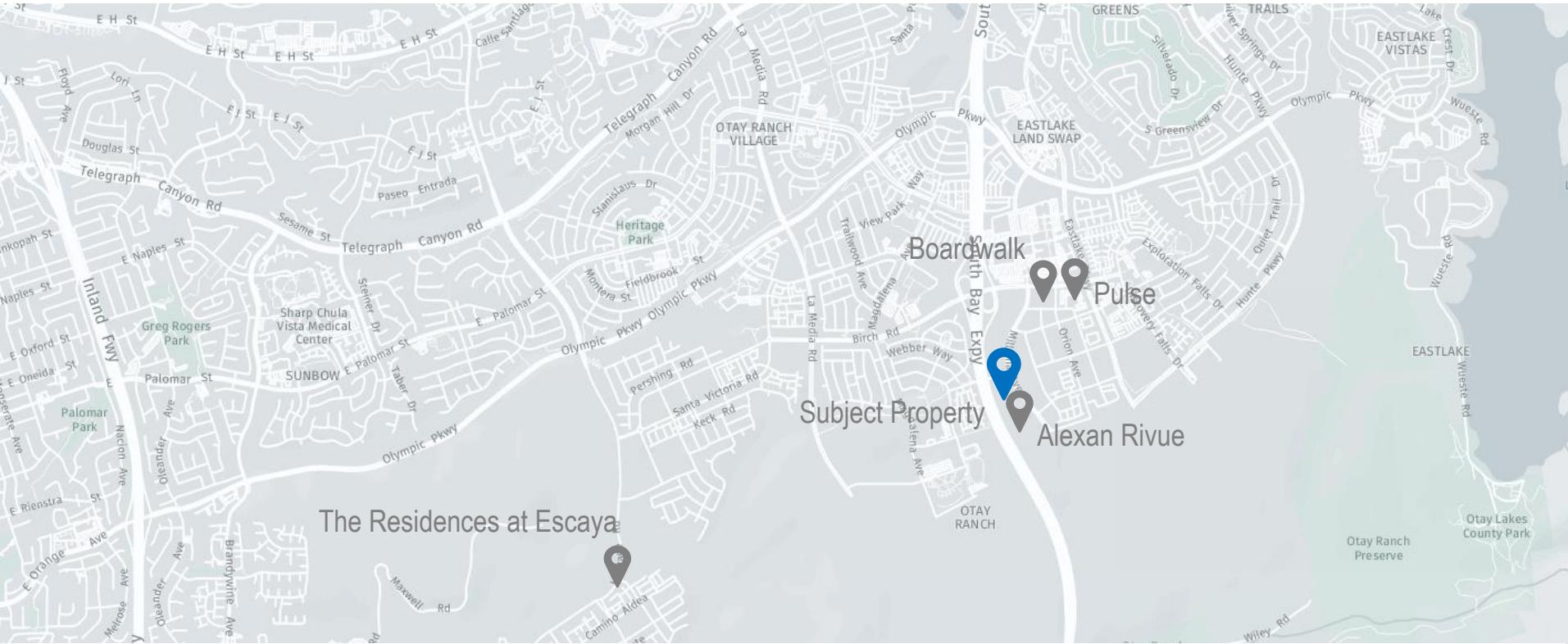
Chula Vista CFD 16-I (Millenia 1A No. 2)



# COMPETITIVE APARTMENT MARKET – LOCATION MAP

## Apartment Market Overview

We utilized four active apartment communities within our competitive market area. The site is relatively unusual in that there are several new competitors nearby to help establish rent rates and lease-up rates. All four communities have been successful in their lease-up phases with all achieving stabilized occupancy within about 12 to 16 months of opening. These four communities represent a total of 1,107 apartment homes typically in a 3-story walk-up configuration. Boardwalk does have one 4-story building that is serviced by an elevator. The oldest community in the CMA is Pulse (built in 2015) while the balance were built in 2018 to 2019.

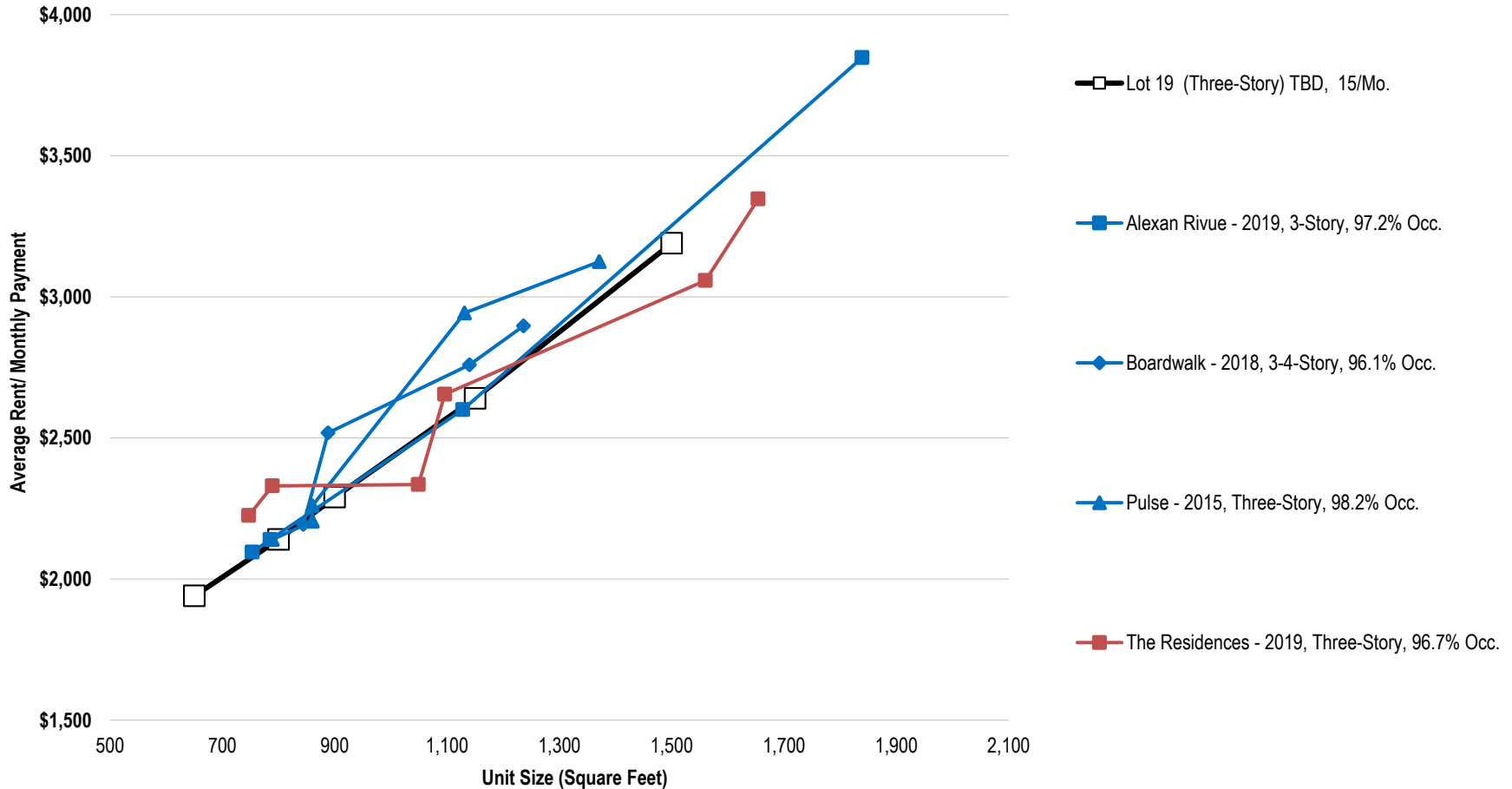


#	Community/Project	Management Company/ Builder	Lease			Mo. Turns	Unit Size Range			Rent Range			Concessi Conc.	Eff. Rent Range			Eff. Rent/SF						
			Story	Total	Occ.		Min	Max	Avg	Min	Max	Avg		Min	Avg	Avg	Min	Avg	Avg				
Traditional Apartment Competitors			277				786	1,510	1,074	\$2,139	\$3,399	\$2,650	\$2.24	\$2.85	\$2.53	(\$86)	\$2,071	\$3,281	\$2,563	\$2.17	\$2.74	\$2.45	
1	Alexan Rivue	Greystar	3	253	97.2%	~18	2.5	753	1,839	1,126	\$2,095	\$3,848	\$2,671	\$2.09	\$2.78	\$2.48	\$0	\$2,095	\$3,848	\$2,671	\$2.09	\$2.78	\$2.48
2	Boardwalk	Greystar	3-4	309	96.1%	~19	15.0	844	1,236	1,027	\$2,147	\$2,897	\$2,592	\$2.34	\$2.84	\$2.55	\$0	\$2,147	\$2,897	\$2,592	\$2.34	\$2.84	\$2.55
3	Pulse	Fairfield Residential	Three	273	98.2%	~24	11.0	789	1,371	1,002	\$2,085	\$3,125	\$2,535	\$2.28	\$2.78	\$2.56	\$0	\$2,085	\$3,125	\$2,535	\$2.28	\$2.71	\$2.56
4	The Residences	Greystar	Three	272	97.4%	~22	--	747	1,654	1,149	\$2,225	\$3,825	\$2,811	\$2.23	\$2.98	\$2.52	(\$351)	\$1,947	\$3,347	\$2,459	\$1.95	\$2.61	\$2.21

# COMPETITIVE APARTMENT MARKET – RENTAL RATES

Apartment Market Overview

We have positioned the subject property towards the lower end of the competitive Millenia comparable projects. We anticipate that actual asking rents will be higher, but during the lease-up phase most projects offer incentives. The prices represented below are net effective average prices in the current market environment. Given the high occupancy in the area no projects in Millenia are currently reporting any specials, however, The Residences in Escaya is currently offering up to 6 weeks free rent for their largest townhome units. The Residences opened in October of 2019 and had stabilized occupancy in August of 2020 – leasing at an average rate of over 20 units per month despite the COVID slowdown.

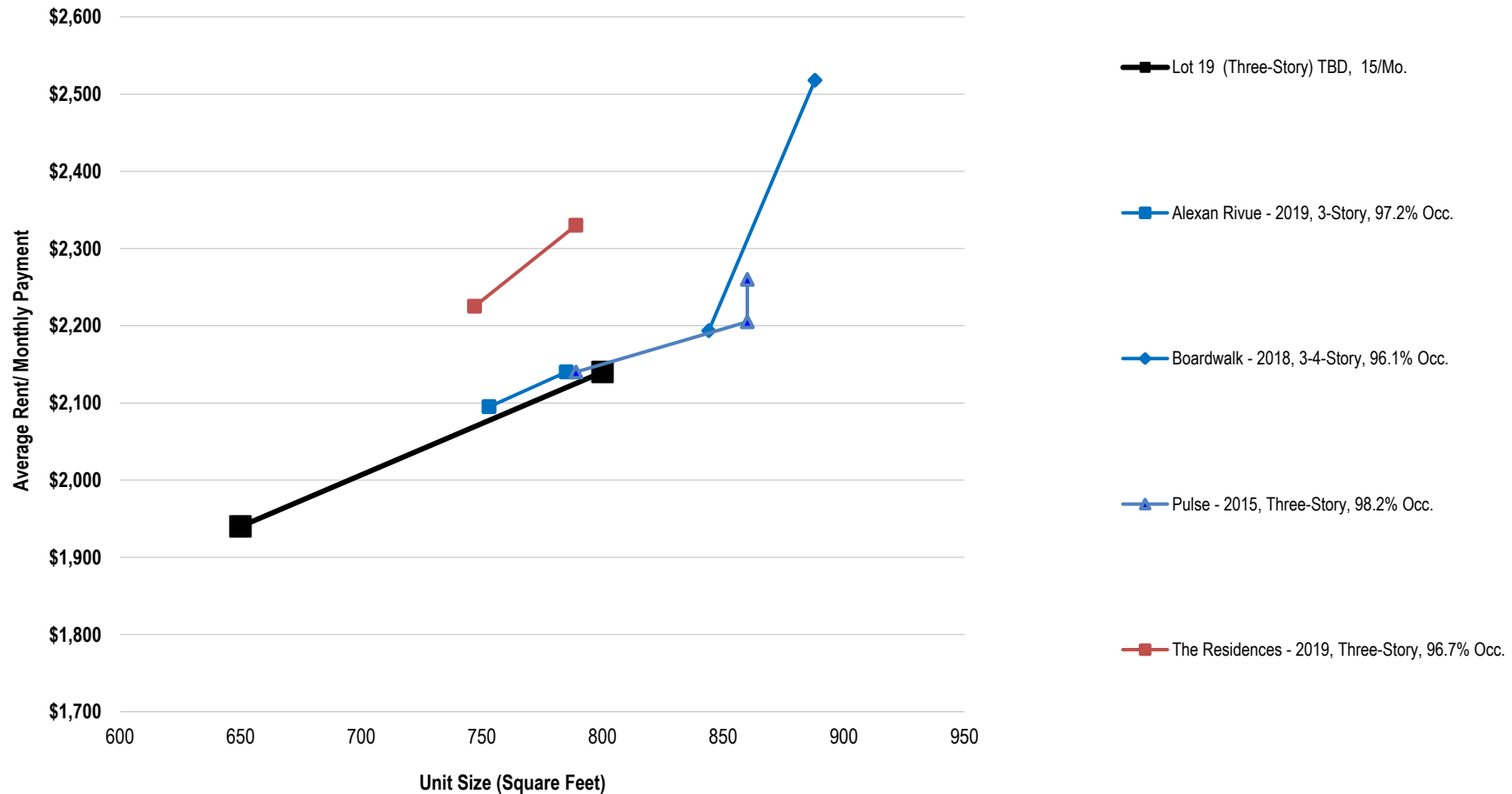


Source: Meyers LLC; Individual Community Management Offices

# COMPETITIVE APARTMENT MARKET – 1-Bedrooms

## Apartment Market Overview

Our hypothetical subject property will offer one-bedroom units from approximately 650 square feet to 800 square feet. The unit size range generally “fits” into the overall competitive landscape. While it appears that our proposed unit sizes are small in comparison to the competitive market area on the chart below, not all floorplans offered at competitive projects are reflected on the chart. Units that were not available for rent at the time of this analysis are not represented on the chart and our summary tables. Currently, most 1-bedrooms available within competitive projects are the larger units. One-bedroom units represent approximately 31% of the overall Chula Vista/Imperial Beach Submarket. We anticipate that the subject property will offer a unit mix that comprises approximately 35% to 45% of one bedrooms.

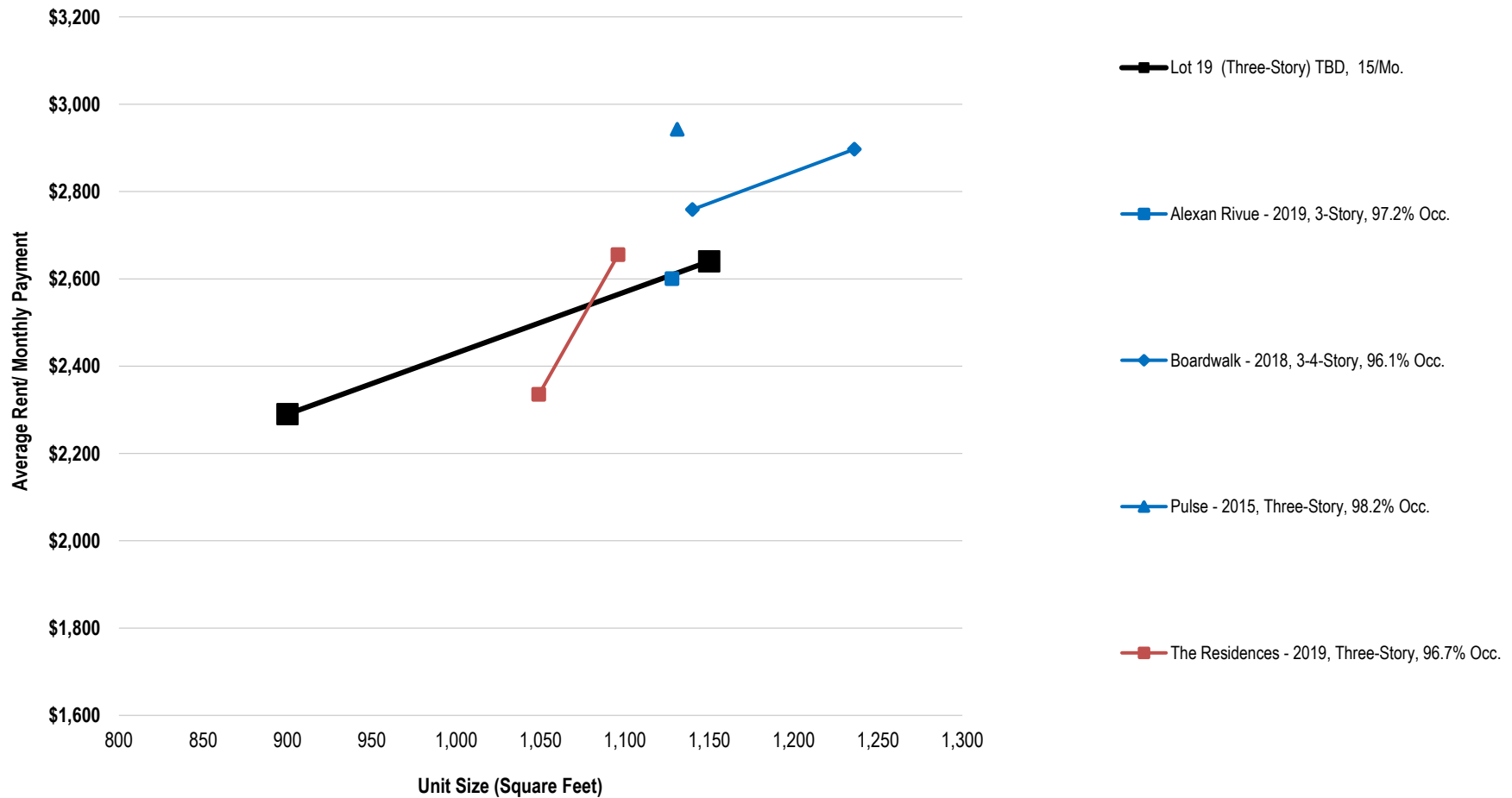


Source: Meyers LLC; Individual Community Management Offices

# COMPETITIVE APARTMENT MARKET – 2-Bedrooms

## Apartment Market Overview

Our hypothetical subject property will offer two-bedroom units from approximately 900 square feet to 1,100 square feet. Like the 1-bedroom comparison, while it appears that our proposed unit sizes are small in comparison to the competitive market area on the chart below, not all floorplans offered at competitive projects are reflected on the chart since units that are not available for rent at the time of this analysis are represented. Two-bedroom units represent approximately 55% of the overall Chula Vista/Imperial Beach Submarket. We anticipate that the subject property will offer a unit mix that comprises approximately 40% to 50% of two-bedrooms.

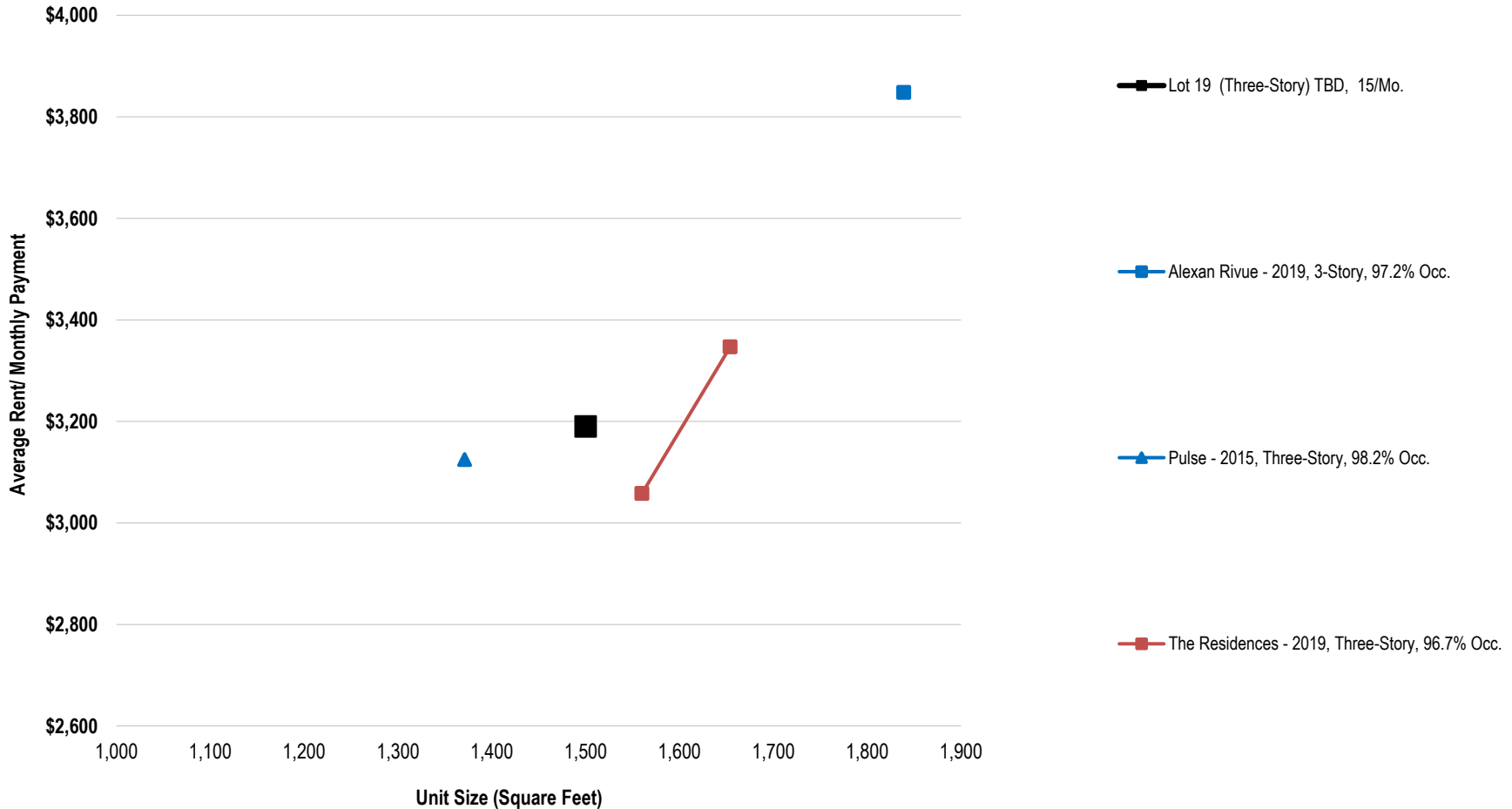


Source: Meyers LLC; Individual Community Management Offices

# COMPETITIVE APARTMENT MARKET – 3+ Bedrooms

## Apartment Market Overview

Our hypothetical subject property offers one three-bedroom unit of approximately 1,500 square feet. While 3-bedroom units make up a smaller percentage of overall unit mix, all communities in the trade are indicated that they are generally a popular option with families. Three-bedroom units represent approximately 12% of the overall Chula Vista/Imperial Beach Submarket. We anticipate that the subject property will offer a unit mix that comprises approximately 5% to 10% of these larger units. The higher rents for these units creates a smaller demand pool and the unit mix should reflect this fact.

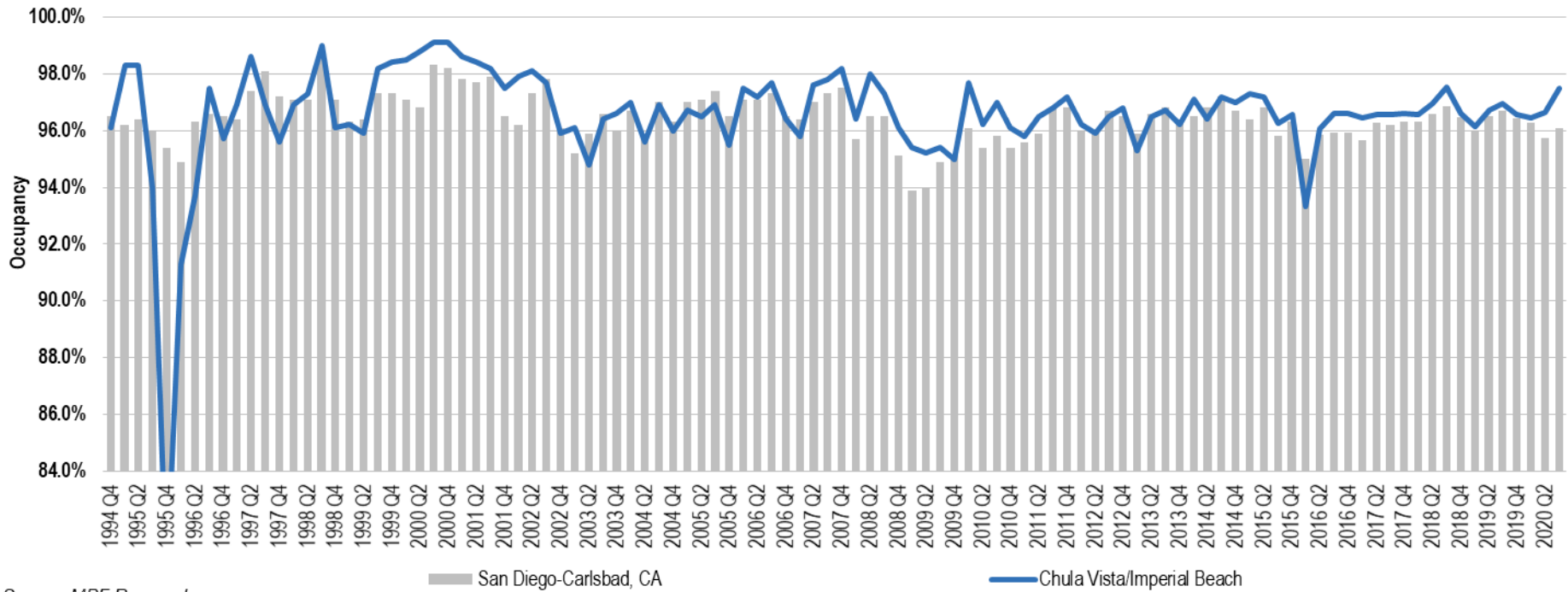


Source: Meyers LLC; Individual Community Management Offices

# OCCUPANCY RATES

## Apartment Market Overview

Occupancy rates have averaged approximately 97% over the past 2 years in the Chula Vista/Imperial Beach Submarket – slightly better than the overall San Diego MSA (96% average occupancy). While many reports indicate some instability in the apartment market nationwide as a result of the COVID pandemic, apartment occupancy rates for units built after 2000 are UP from last year in the Chula Vista/Imperial Beach Submarket. High occupancy rates point to balanced supply and demand conditions – particularly in the South Bay despite large job losses.



Source: MPF Research

		Occupancy - Quarterly History															
		2016 Q4	2017 Q1	2017 Q2	2017 Q3	2017 Q4	2018 Q1	2018 Q2	2018 Q3	2018 Q4	2019 Q1	2019 Q2	2019 Q3	2019 Q4	2020 Q1	2020 Q2	2020 Q3
Chula Vista/Imperial Beach		96.6%	96.4%	96.6%	96.6%	96.6%	96.6%	96.9%	97.5%	96.6%	96.1%	96.7%	96.9%	96.6%	96.4%	96.6%	97.5%
San Diego-Carlsbad, CA		95.9%	95.7%	96.3%	96.2%	96.3%	96.3%	96.6%	96.9%	96.5%	96.0%	96.5%	96.7%	96.4%	96.3%	95.8%	96.1%

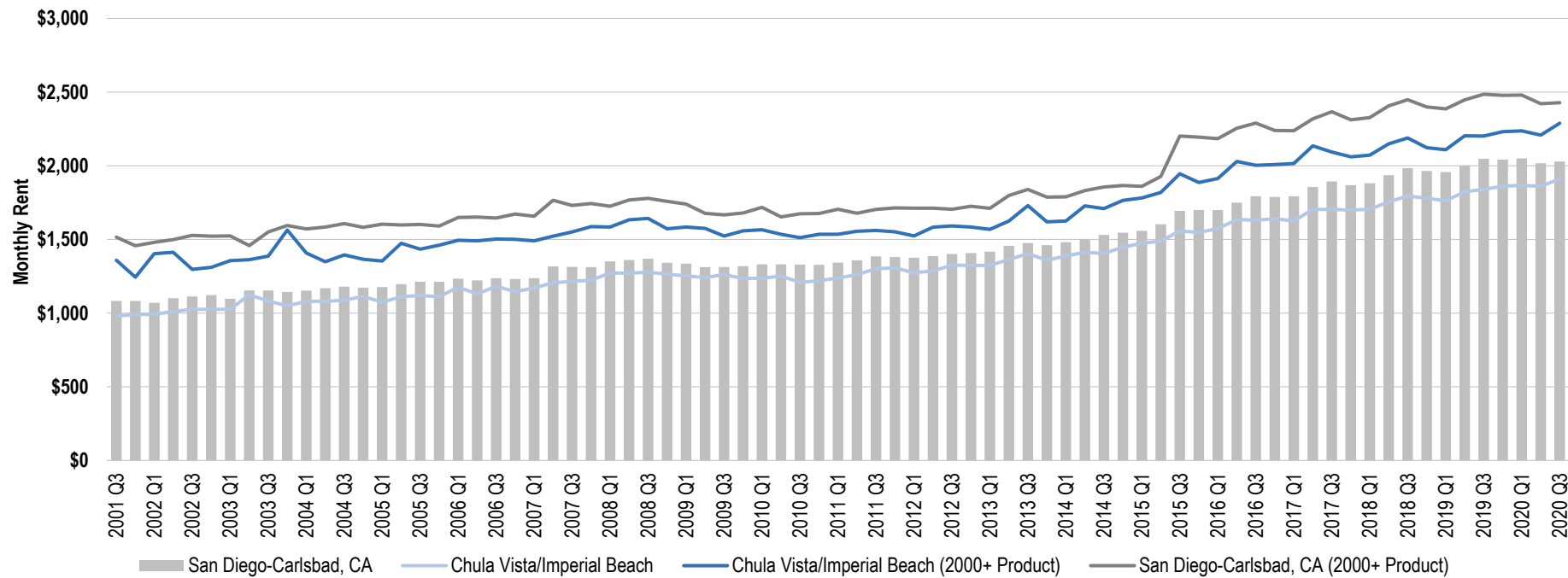


# MONTHLY RENT TRENDS

Apartment Market Overview



Although economic uncertainty resulted in some moderation in overall rent growth through the middle part of 2020, rents in Chula Vista/Imperial Beach jumped in Q32020. The average rent for apartments built after 2000 in the local Chula Vista/Imperial Beach Submarket climbed to \$2,289 in the most recent quarter – the highest level recorded. Units built after 2000 in the overall San Diego market area are approximately \$140 per month higher and currently average \$2,428 per month.



Source: MPF Research

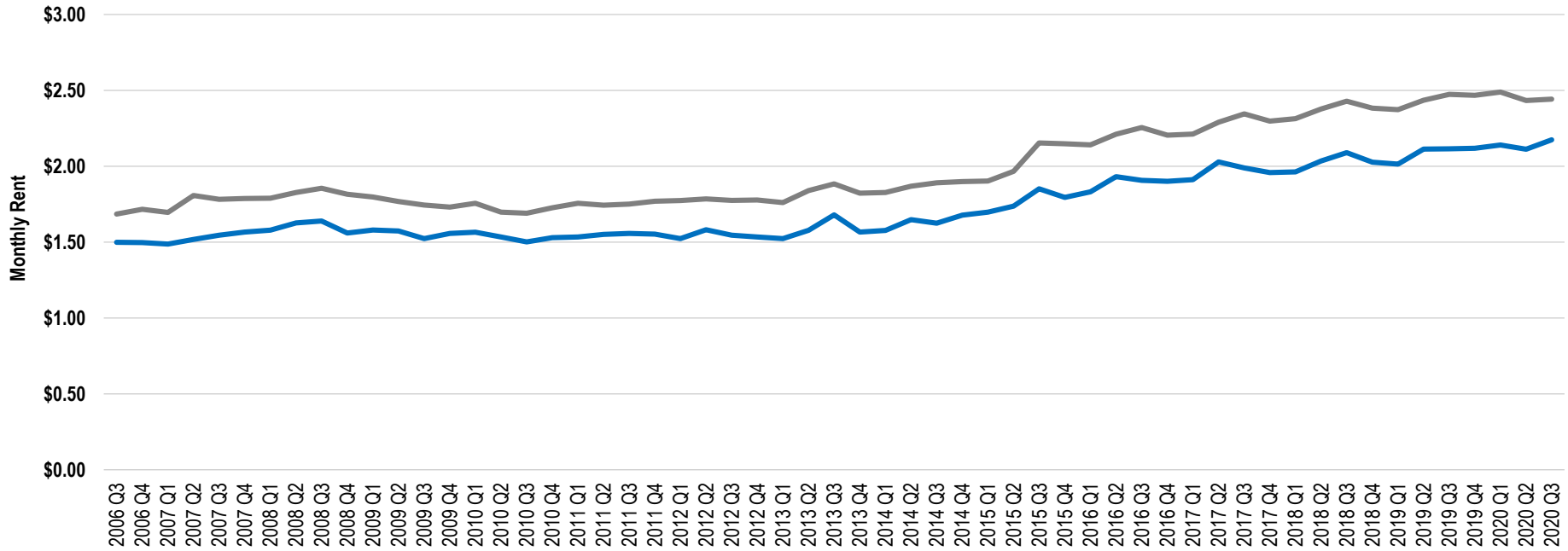
Monthly Rent - Four Years of Quarterly History																
	2016 Q4	2017 Q1	2017 Q2	2017 Q3	2017 Q4	2018 Q1	2018 Q2	2018 Q3	2018 Q4	2019 Q1	2019 Q2	2019 Q3	2019 Q4	2020 Q1	2020 Q2	2020 Q3
Chula Vista/Imperial Beach	\$1,640	\$1,626	\$1,704	\$1,704	\$1,699	\$1,705	\$1,755	\$1,795	\$1,780	\$1,762	\$1,824	\$1,839	\$1,862	\$1,866	\$1,861	\$1,910
2000+ Product	\$2,008	\$2,015	\$2,135	\$2,093	\$2,061	\$2,072	\$2,149	\$2,189	\$2,123	\$2,109	\$2,203	\$2,202	\$2,231	\$2,237	\$2,208	\$2,289
San Diego-Carlsbad, CA	\$1,789	\$1,792	\$1,856	\$1,893	\$1,868	\$1,881	\$1,936	\$1,984	\$1,965	\$1,957	\$2,002	\$2,047	\$2,042	\$2,050	\$2,017	\$2,029
2000+ Product	\$2,240	\$2,238	\$2,318	\$2,367	\$2,312	\$2,327	\$2,406	\$2,448	\$2,399	\$2,386	\$2,447	\$2,485	\$2,478	\$2,480	\$2,421	\$2,428

# SUBMARKET COMPARISON – MONTHLY RENT PER FOOT

Apartment Market Overview



According to RealPage, the overall San Diego apartment market has exhibited greater relative stability versus other regional markets (Los Angeles and Orange County). The average price per foot for newer apartments in the Chula Vista/Imperial Beach Submarket is currently \$2.17 per foot – up \$0.05 from last year (3Q2019). With forecasted job growth in 2022 and beyond, we anticipate that San Diego apartment market fundamentals will improve over the next 12 to 24 months if the COVID crisis dissipates.



Source: MPF Research

## Monthly Rent - Four Years of Quarterly History

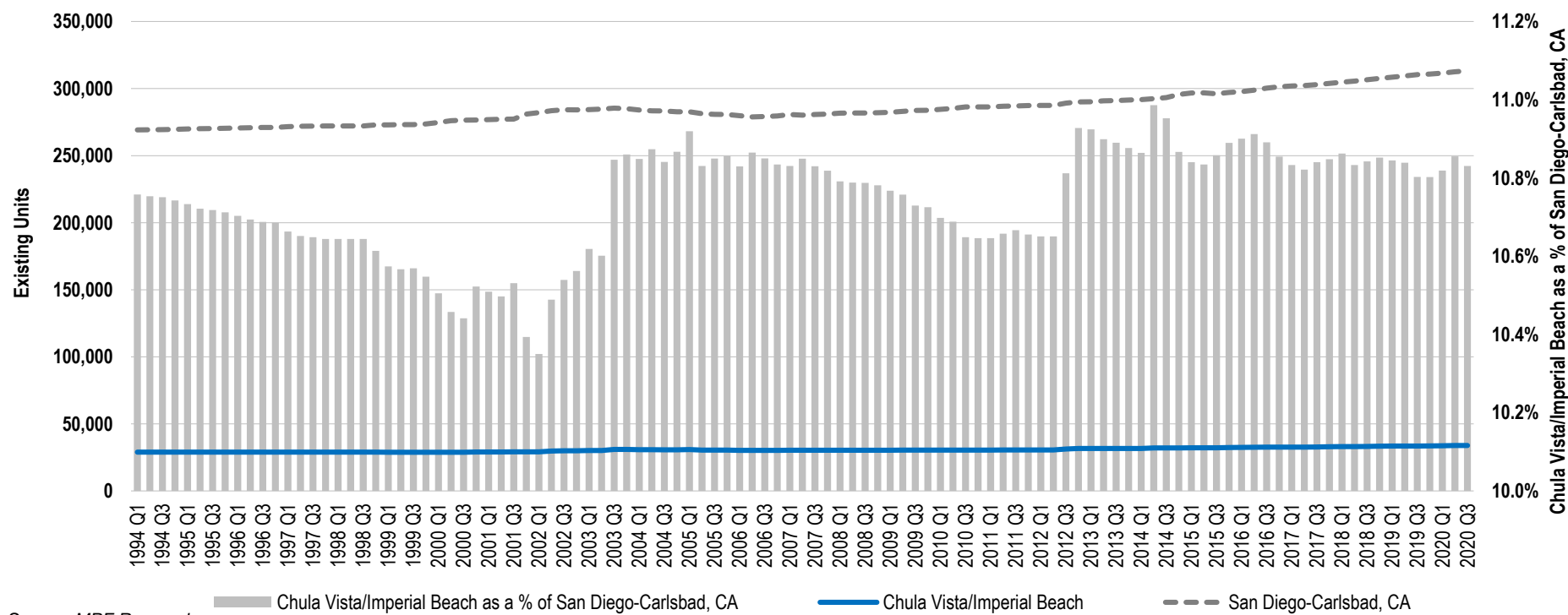
	2016 Q4	2017 Q1	2017 Q2	2017 Q3	2017 Q4	2018 Q1	2018 Q2	2018 Q3	2018 Q4	2019 Q1	2019 Q2	2019 Q3	2019 Q4	2020 Q1	2020 Q2	2020 Q3
Chula Vista/Imperial Beach	\$1.80	\$1.80	\$1.89	\$1.89	\$1.88	\$1.89	\$1.94	\$1.99	\$1.97	\$1.96	\$2.03	\$2.04	\$2.05	\$2.06	\$2.05	\$2.11
2000+ Product	\$1.90	\$1.91	\$2.03	\$1.99	\$1.96	\$1.96	\$2.04	\$2.09	\$2.03	\$2.01	\$2.11	\$2.12	\$2.12	\$2.14	\$2.11	\$2.17
San Diego-Carlsbad, CA	\$2.02	\$2.03	\$2.11	\$2.15	\$2.12	\$2.14	\$2.19	\$2.25	\$2.22	\$2.22	\$2.27	\$2.31	\$2.30	\$2.32	\$2.28	\$2.29
2000+ Product	\$2.21	\$2.21	\$2.29	\$2.35	\$2.30	\$2.31	\$2.38	\$2.43	\$2.38	\$2.37	\$2.44	\$2.47	\$2.47	\$2.49	\$2.43	\$2.44

# EXISTING UNITS AND SUBMARKET CAPTURE RATE

Apartment Market Overview



Although apartment completions are elevated by local market standards, the supply/demand balance currently remains in check. Furthermore, the bulk of apartment deliveries are expected to be focused in the Downtown and Northeast submarkets – which will mitigate some impact for the subject property. The Chula Vista/Imperial Beach submarket has held steady at a roughly 10.8% market capture – reflecting a relatively even growth rate when compared to San Diego overall.



Existing Units - Four Years of Quarterly History																
	2016 Q4	2017 Q1	2017 Q2	2017 Q3	2017 Q4	2018 Q1	2018 Q2	2018 Q3	2018 Q4	2019 Q1	2019 Q2	2019 Q3	2019 Q4	2020 Q1	2020 Q2	2020 Q3
Chula Vista/Imperial Beach	32,711	32,711	32,711	32,839	32,968	33,108	33,108	33,243	33,381	33,459	33,537	33,537	33,579	33,705	33,925	33,925
as a %	10.9%	10.8%	10.8%	10.8%	10.8%	10.9%	10.8%	10.8%	10.9%	10.8%	10.8%	10.8%	10.8%	10.8%	10.9%	10.8%
San Diego-Carlsbad, CA	301,361	301,950	302,285	302,934	303,908	304,789	305,619	306,596	307,593	308,518	309,412	310,447	310,849	311,540	312,518	313,228

# Office Market Analysis

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Chula Vista CFD 16-I (Millenia 1A No. 2)

Based on our research, including visits to the site, market trends, broker interviews and supply-demand analysis, the proposed office development at Millenia appears supportable over a long-term time horizon. The following paragraphs summarize the key conclusions from our office analysis:

- **Office market conditions are currently soft in San Diego County, a fallout of the COVID-19 pandemic.** Overall, average office lease rates appear to have stabilized at \$2.88 per square foot per month in 2020. The vacancy rate has increased to 11.6% in 2020, a function of decreased demand for office space due to the COVID-19 pandemic. Going forward, CoStar projects rents to increase to \$3.18 per square foot per month and vacancy to remain at approximately 11% by 2024. The San Diego MSA office market is currently experiencing negative net absorption in 2020, a function of decreased demand for office space due to the COVID-19 pandemic. Absorption has outpaced new deliveries in each of the past 10 years, indicating there has historically been more demand than supply in San Diego MSA—there is a great deal of uncertainty in the coming years in terms of how office absorption recovers in the coming years.
- **The South Bay is performing relatively well compared to the County in terms of stable occupancy.** While South Bay lease rates have softened slightly in 2020, the vacancy rate remains relatively low. Average lease rates came down off of their peak of \$2.32 per square foot in Q4 2019 to \$2.26 per square foot in mid-2020. The vacancy rate increased from a low of 4.1% in Q2 2020 to 5.0% in the second quarter of 2020, a function of slightly decreased demand for office space due to the COVID-19 pandemic. Still, a vacancy rate of 5.0% or lower represents an underserved office market that can support additional growth. Further, The South Bay office market is rebounding in 2020 with new completions as well as positive net absorption. New deliveries have finally outpaced absorption over the past 12 months, with 41,000 square feet of positive net absorption and 111,000 square feet of new completions. This is an improvement over negative net absorption in 2019, and follows several years with minimal new deliveries.
- **Market trends indicate that medical office conditions are relatively strong and stable when compared to conventional office market conditions.** The medical office market is faring better than the overall office market in terms of lease rates, vacancy rates, and absorption activity. Overall, the San Diego medical office market has an average lease rate of \$3.10 per square foot (Full Service) versus the overall office lease rate of \$2.88 per square foot, and the medical office vacancy rate of 5.4% is significantly lower than the overall office vacancy rate of 11.6%. The South County medical office submarket has a very low vacancy rate of 3.4% compared to the overall medical office vacancy rate of 5.4% in San Diego County. There has been some softening in terms of absorption, with negative net absorption of -11,705 square feet in the medical office market, but that is a very small amount of contraction compared to the -1.7 million square feet of negative net absorption in the San Diego office market overall. Further, it is encouraging to note that absorption has been positive in South County, with 14,511 square feet of space absorbed this year. This data indicates that despite the uncertainty and soft market conditions in the conventional office market, the medical office market is performing well.
- **Major healthcare systems are actively pursuing new developments around San Diego County, including both expansion to new facilities and relocation from outdated office product.** Two of the top four largest office moves in San Diego County the past year have been by health care systems: Kaiser Permanente moving into a 90,000 square foot medical office building in Kearny Mesa, and Sharp Rees-Stealy is moving into an 86,000 square foot medical facility in Santee. Currently, Sharp Chula Vista Medical Center and UC San Diego Health are the major medical providers in Chula Vista; other viable health care providers that could be interested in locating at the site include Kaiser, Scripps Health, and the Department of Veterans Affairs.
- **Our jobs growth demand analysis supports approximately 64,000 square feet of office space at Millenia annually, on average.** Millenia is planned for a total of 1.425 million square feet among three phases. Our realistic demand model supports an average of 64,800 square feet of office space at the Subject Project annually, for a total of 1.426 million square feet through 2042.

DEMAND INDICATES MILLENIA OFFICE SF COULD BE ABSORBED IN +/-20 YEARS

Office Market Analysis



The tables below represent realistic demand (average CalTrans job projections and Woods & Poole job projections) for office space annually over the next 22 years. Millenia is planned for a total of 1.425 million square feet among three phases. Our realistic demand model supports an average of 64,800 square feet of office space at the Subject Project annually, for a total of 1.426 million square feet through 2042.

MEYERS Realistic Buildout for MILLENIA (Avg. of CalTrans, Woods & Poole Proj.) - Office Size and Demand (SF)			
Year	San Diego MSA Office Demand (SF)	South Bay Demand (SF)	Total Office Demand (SF) SUBJECT
2021	2,077,020	207,702	85,158
2022	2,250,183	225,018	92,257
2023	2,200,114	220,011	90,205
2024	1,545,872	170,046	69,564
2025	1,486,264	163,489	66,882
2026	1,417,062	155,877	63,768
2027	1,429,503	157,245	64,328
2028	1,402,322	154,255	63,104
2029	1,386,411	152,505	62,389
2030	1,363,744	150,012	61,368
2031	1,355,642	149,121	61,004
2032	1,346,275	148,090	60,582
2033	1,325,942	145,854	59,667
2034	1,318,284	145,011	59,323
2035	1,315,694	144,726	59,206
2036	1,296,287	142,592	58,333
2037	1,308,340	143,917	58,875
2038	1,287,341	141,608	57,930
2039	1,300,941	143,104	58,542
2040	1,291,608	142,077	58,122
2041	1,294,063	142,347	58,233
2042	1,277,816	140,560	57,502
<b>AVERAGE:</b>	<b>1,467,124</b>	<b>158,417</b>	<b>64,834</b>
<b>TOTAL:</b>	<b>32,276,728</b>	<b>3,485,167</b>	<b>1,426,343</b>

Think Campus  
Four Year total =  
337,000 SF

Invent Campus  
11 Year total =  
681,000 SF

Discover Campus  
Seven Year total =  
407,000 SF

Source: Meyers Research, Woods & Poole, CA DOT, CoStar



The demand analysis below is based on job growth projections per the California Department of Transportation (CalTrans) by industry for the San Diego MSA, then refined by applying low and high capture (%) estimates for the appropriate submarkets, and ultimately for the Subject Project. The tables below represent demand (average of low and high capture %) for office space annually through 2042. Our CalTrans-based demand model supports an average of 33,389 square feet of office space at the Subject Project annually, for a total of 734,554 square feet during a 22 year timeframe. It is important to note that CalTrans job projections are conservative, and we have considered a demand model based on Woods & Poole projections as well (see the following page).

MEYERS <i>Optimistic</i> Buildout for MILLENIA (CalTrans Projections) - Office Size and Demand (SF) Capture Rates				
Year	Estimated Annual Capture: SOUTH BAY (%)		Estimated Annual Capture: MILLENIA (SUBJECT) (%)	
	Low	High	Low	High
2021	9.0%	11.0%	30.0%	50.0%
2022	9.0%	11.0%	30.0%	50.0%
2023	9.0%	11.0%	30.0%	50.0%
2024	10.0%	12.0%	30.0%	50.0%
2025	10.0%	12.0%	30.0%	50.0%
2026	10.0%	12.0%	30.0%	50.0%
2027	10.0%	12.0%	30.0%	50.0%
2028	10.0%	12.0%	30.0%	50.0%
2029	10.0%	12.0%	30.0%	50.0%
2030	10.0%	12.0%	30.0%	50.0%
2031	10.0%	12.0%	30.0%	50.0%
2032	10.0%	12.0%	30.0%	50.0%
2033	10.0%	12.0%	30.0%	50.0%
2034	10.0%	12.0%	30.0%	50.0%
2035	10.0%	12.0%	30.0%	50.0%
2036	10.0%	12.0%	30.0%	50.0%
2037	10.0%	12.0%	30.0%	50.0%
2038	10.0%	12.0%	30.0%	50.0%
2039	10.0%	12.0%	30.0%	50.0%
2040	10.0%	12.0%	30.0%	50.0%
2041	10.0%	12.0%	30.0%	50.0%
2042	10.0%	12.0%	30.0%	50.0%

MEYERS <i>Optimistic</i> Buildout for MILLENIA (CalTrans Projections) - Office Size and Demand (SF)			
Year	San Diego MSA Office Demand (SF)	South Bay Demand (SF)	Total Office Demand (SF) SUBJECT
	2021	1,727,469	172,747
2022	1,999,080	199,908	81,962
2023	2,061,383	206,138	84,517
2024	860,180	94,620	38,708
2025	715,684	78,725	32,206
2026	561,629	61,779	25,273
2027	608,021	66,882	27,361
2028	603,284	66,361	27,148
2029	595,267	65,479	26,787
2030	557,533	61,329	25,089
2031	556,329	61,196	25,035
2032	559,344	61,528	25,171
2033	539,583	59,354	24,281
2034	539,139	59,305	24,261
2035	545,357	59,989	24,541
2036	519,054	57,096	23,357
2037	556,260	61,189	25,032
2038	525,218	57,774	23,635
2039	562,358	61,859	25,306
2040	550,261	60,529	24,762
2041	561,892	61,808	25,285
2042	533,586	58,694	24,011
<b>AVERAGE:</b>	<b>765,360</b>	<b>81,559</b>	<b>33,389</b>
<b>TOTAL:</b>	<b>16,837,911</b>	<b>1,794,291</b>	<b>734,554</b>

**Assumptions/ Rationale:**

**Market:** The South Bay market comprises 9.5% of the total office inventory in the San Diego MSA, and current indicators suggest mixed indicators in terms of office development: annual deliveries over the past five years represent 4.5% of the MSA, and absorption equates to 7.2% of overall absorption. Over the past 12 months, deliveries have comprised 33.7% of the MSA and absorption has represented 6.7% of the MSA. We suggest a capture of 9.0% to 11.0% of the overall market over the next five years and increasing to the 10% to 12% range going forward.

**Subject:** Capture as a percentage of the South Bay Market is intentionally aggressive (30%-50%) since Millenia's concept and design is unique, location is excellent and is a compelling opportunity to capture a large share of South Bay office demand.

Source: Meyers Research, CA DOT, CoStar

**For Perspective - CoStar Market Data**

South Bay market share of San Diego MSA	9.5%
Avg. Annual Deliveries in San Diego MSA (1982 - 2019)	2,100,000
Avg. Annual Deliveries in San Diego MSA (2010 - 2019)	497,897
Avg. Annual Deliveries in San Diego MSA (2018 - 2019)	329,548
Avg. Annual Deliveries in San Diego MSA (2020P - 2024P)	902,987
San Diego MSA Under Construction (Current)	2,124,181
Average Absorption in San Diego MSA (2010 - 2019)	1,040,465
Average Absorption in San Diego MSA (2018 - 2019)	624,890
Average Absorption in San Diego MSA (2020P - 2024P)	145,742
Avg. Annual Deliveries in South Bay (2015 - 2020)	22,572
Office Deliveries in South Bay (Last 12 Mo.)	111,000
Avg. Absorption in South Bay (2015 - 2020)	74,676
Office Absorption in South Bay (Last 12 Mo.)	41,608
South Bay Under Construction (Current)	0

The demand analysis below is based on job growth projections per Woods & Poole by industry for the San Diego MSA, then refined by applying low and high capture (%) estimates for the appropriate submarkets, and ultimately for the Subject Project. The tables below represent demand (average of low and high capture %) for office space annually over the next 22 years. Our Woods & Poole based demand model supports an average of 96,279 square feet of office space at the Subject Project annually, for a total of 2.118 million square feet during a 22 year timeframe.

MEYERS <i>Optimistic</i> Buildout for MILLENIA (Woods & Poole Projections) - Office Size and Demand (SF) Capture Rates				
Year	Estimated Annual Capture: SOUTH BAY (%)		Estimated Annual Capture: MILLENIA (SUBJECT) (%)	
	Low	High	Low	High
2021	9.0%	11.0%	30.0%	50.0%
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2027	10.0%	12.0%	30.0%	50.0%
2028	10.0%	12.0%	30.0%	50.0%
2029	10.0%	12.0%	30.0%	50.0%
2030	10.0%	12.0%	30.0%	50.0%
2031	10.0%	12.0%	30.0%	50.0%
2032	10.0%	12.0%	30.0%	50.0%
2033	10.0%	12.0%	30.0%	50.0%
2034	10.0%	12.0%	30.0%	50.0%
2035	10.0%	12.0%	30.0%	50.0%
2036	10.0%	12.0%	30.0%	50.0%
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Year	San Diego MSA Office Demand (SF)	South Bay Demand (SF)	Total Office Demand (SF) SUBJECT
	2021	2,426,570	242,657
2022	2,501,285	250,128	102,553
2023	2,338,845	233,885	95,893
2024	2,231,565	245,472	100,420
2025	2,256,845	248,253	101,558
2026	2,272,495	249,974	102,262
2027	2,250,985	247,608	101,294
2028	2,201,360	242,150	99,061
2029	2,177,555	239,531	97,990
2030	2,169,955	238,695	97,648
2031	2,154,955	237,045	96,973
2032	2,133,205	234,653	95,994
2033	2,112,300	232,353	95,054
2034	2,097,430	230,717	94,384
2035	2,086,030	229,463	93,871
2036	2,073,520	228,087	93,308
2037	2,060,420	226,646	92,719
2038	2,049,465	225,441	92,226
2039	2,039,525	224,348	91,779
2040	2,032,955	223,625	91,483
2041	2,026,235	222,886	91,181
2042	2,022,045	222,425	90,992
<b>AVERAGE:</b>	<b>2,168,888</b>	<b>235,275</b>	<b>96,279</b>
<b>TOTAL:</b>	<b>47,715,545</b>	<b>5,176,043</b>	<b>2,118,133</b>

**Assumptions/ Rationale:**

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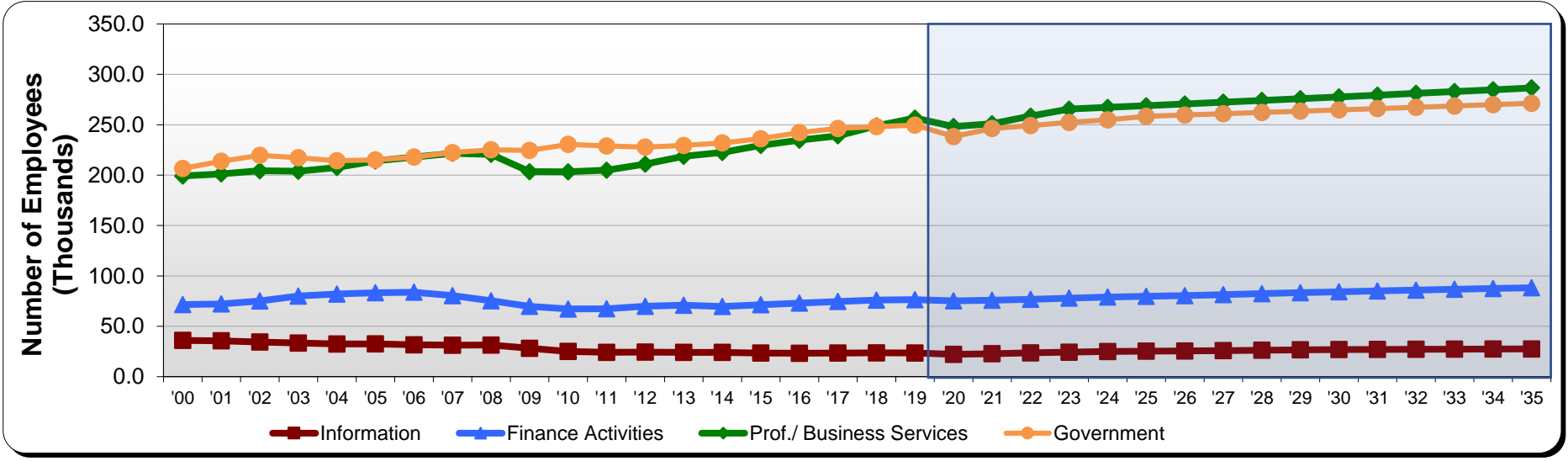
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CalTrans projections for professional business services are relatively strong in the San Diego MSA, though 2020 is anticipated with job declines due to the COVID-19 pandemic. The Government and Professional Business Services sectors represent the largest office-oriented employment base in San Diego (486,000 jobs combined). In total, jobs in office oriented fields total 584,000 jobs as of 2020P, a -3.6% decrease during 2020 but an increase of 70,000 total jobs since 2000. Going forward, CalTrans projects a net increase of 109,000 office-oriented jobs through 2040 (a 0.6% annual average increase).

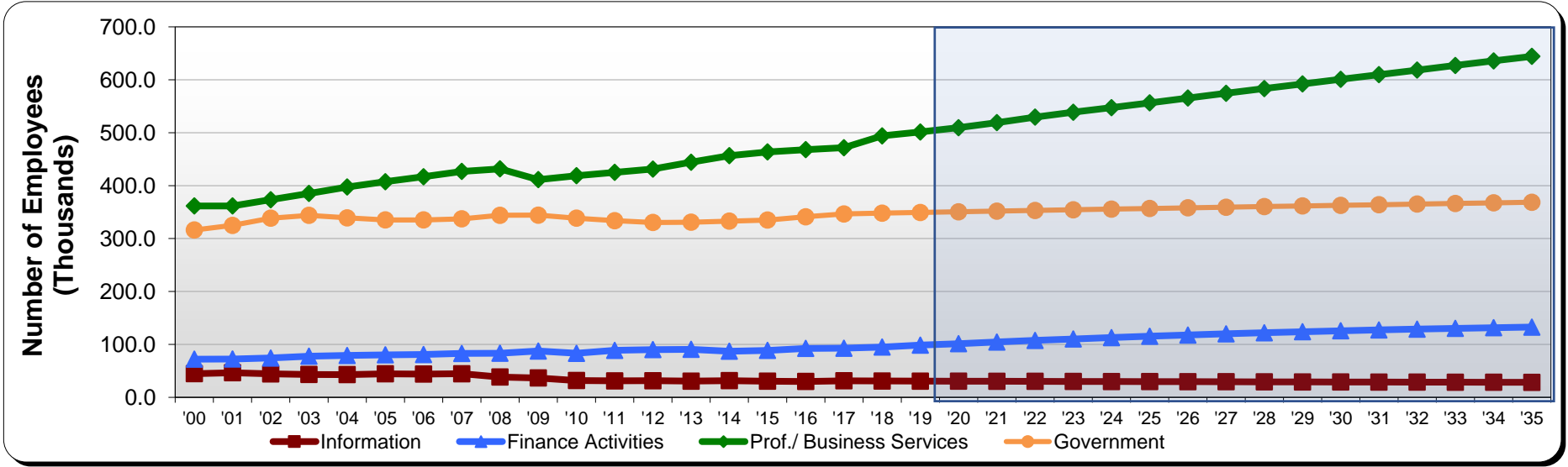


	'00	'01	'02	'03	'04	'05	'06	'07	'08	'09	'10	'11	'12	'13	'14	'15	'16	'17
<b>Information</b>	36.00	35.62	34.43	33.41	32.50	32.56	31.68	31.27	31.40	28.23	25.08	24.17	24.39	24.13	24.14	23.43	23.23	23.43
<b>Finance Activities</b>	71.55	72.18	75.13	80.01	82.04	83.32	83.80	80.39	75.33	69.80	67.18	67.42	69.85	70.96	69.64	71.38	72.99	74.64
<b>Prof./ Business Services</b>	199.13	201.22	204.38	203.85	207.58	214.11	217.88	221.65	220.57	203.43	203.30	204.91	210.93	218.69	222.55	229.48	234.68	239.00
<b>Government</b>	206.65	213.80	219.69	217.28	214.31	215.11	217.94	222.38	225.12	224.53	230.47	228.96	227.83	229.48	231.92	236.16	242.24	246.29
<b>% Change Information</b>	--	-1.1%	-3.3%	-3.0%	-2.7%	0.2%	-2.7%	-1.3%	0.4%	-10.1%	-11.2%	-3.6%	0.9%	-1.1%	-2.9%	-0.9%	0.9%	
<b>% Change Finance Activities</b>	--	0.9%	4.1%	6.5%	2.5%	1.6%	0.6%	-4.1%	-6.3%	-7.3%	-3.8%	0.4%	3.6%	1.6%	-1.9%	2.5%	2.3%	
<b>% Change Prof./Bus Services</b>	--	1.05%	1.6%	-0.3%	1.8%	3.1%	1.8%	1.7%	-0.5%	-7.8%	-0.1%	0.8%	2.9%	3.7%	1.8%	3.1%	2.3%	
<b>% Change Government</b>	--	3.5%	2.8%	-1.1%	-1.4%	0.4%	1.3%	2.0%	1.2%	-0.3%	2.6%	-0.7%	-0.5%	0.7%	1.1%	1.8%	2.6%	

	'18	'19	'20	'21	'22	'23	'24	'25	'26	'27	'28	'29	'30	'31	'32	'33	'34	'35
<b>Information</b>	23.63	23.49	22.17	22.76	23.65	24.33	24.99	25.31	25.51	25.83	26.27	26.65	26.90	27.09	27.21	27.33	27.46	27.52
<b>Finance Activities</b>	76.03	76.42	75.29	75.87	76.76	77.97	79.00	79.72	80.39	81.39	82.39	83.36	84.22	85.07	85.91	86.75	87.53	88.25
<b>Prof./ Business Services</b>	248.93	256.58	248.28	250.99	258.58	265.55	267.29	268.91	270.65	272.39	274.13	275.87	277.62	279.36	281.22	282.97	284.71	286.57
<b>Government</b>	248.10	249.63	238.30	246.26	249.20	252.35	254.84	258.41	259.65	260.94	262.19	263.48	264.75	266.02	267.29	268.61	269.93	271.26
<b>% Change Information</b>	0.9%	-0.6%	-5.6%	2.7%	3.9%	2.8%	2.7%	1.3%	0.8%	1.3%	1.7%	1.4%	0.9%	0.7%	0.5%	0.5%	0.4%	
<b>% Change Finance Activities</b>	1.9%	0.5%	-1.5%	0.8%	1.2%	1.6%	1.3%	0.9%	0.8%	1.2%	1.2%	1.2%	1.0%	1.0%	1.0%	1.0%	0.9%	
<b>% Change Prof./Bus Services</b>	4.2%	3.1%	-3.2%	1.1%	3.0%	2.7%	0.7%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.7%	0.6%	0.6%	
<b>% Change Government</b>	0.7%	0.6%	-4.5%	3.3%	1.2%	1.3%	1.0%	1.4%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	

Source: Woods & Poole

Woods & Poole projections anticipate stronger increases in Professional/ Business Service jobs in the coming years. Note: Woods & Poole projections were published in early 2020 and do not include job losses due to the COVID-19 pandemic, thus the current number of jobs as well as projections may be optimistic.



	'00	'01	'02	'03	'04	'05	'06	'07	'08	'09	'10	'11	'12	'13	'14	'15	'16	'17
<b>Information</b>	44.66	46.49	44.28	43.11	42.85	44.43	43.93	44.49	38.36	36.47	31.71	31.02	31.27	30.60	31.43	30.49	29.91	31.19
<b>Finance Activities</b>	72.05	72.38	74.23	77.69	79.13	80.23	80.84	82.90	83.28	87.44	83.11	88.71	90.08	90.68	87.09	88.63	92.40	92.79
<b>Prof./ Business Services</b>	361.66	361.63	373.41	385.28	397.40	407.41	416.84	426.89	431.70	411.43	418.80	425.11	431.31	444.32	456.65	463.70	468.07	471.77
<b>Government</b>	316.12	324.86	338.51	343.78	339.12	335.20	335.17	337.20	343.94	344.24	338.51	333.79	330.42	330.85	332.93	334.94	341.23	346.51
<b>% Change Information</b>	--	4.1%	-4.8%	-2.6%	-0.6%	3.7%	-1.1%	1.3%	-13.8%	-4.9%	-13.0%	-2.2%	0.8%	-2.2%	2.7%	-3.0%	-1.9%	4.3%
<b>% Change Finance Activities</b>	--	0.5%	2.6%	4.7%	1.8%	1.4%	0.8%	2.5%	0.5%	5.0%	-5.0%	6.7%	1.5%	0.7%	-4.0%	1.8%	4.2%	0.4%
<b>% Change Prof/Bus Services</b>	--	-0.01%	3.3%	3.2%	3.1%	2.5%	2.3%	2.4%	1.1%	-4.7%	1.8%	1.5%	1.5%	3.0%	2.8%	1.5%	0.9%	0.8%
<b>% Change Government</b>	--	2.8%	4.2%	1.6%	-1.4%	-1.2%	0.0%	0.6%	2.0%	0.1%	-1.7%	-1.4%	-1.0%	0.1%	0.6%	0.6%	1.9%	1.5%

	'18	'19	'20	'21	'22	'23	'24	'25	'26	'27	'28	'29	'30	'31	'32	'33	'34	'35
<b>Information</b>	30.78	30.62	30.45	30.29	30.13	29.98	29.82	29.67	29.52	29.38	29.23	29.09	28.94	28.81	28.67	28.53	28.40	28.26
<b>Finance Activities</b>	94.91	98.62	101.24	104.51	107.46	110.25	112.88	115.37	117.72	119.92	121.98	123.90	125.68	127.32	128.83	130.22	131.47	132.61
<b>Prof./ Business Services</b>	494.06	501.47	509.60	519.09	529.48	538.78	547.43	556.37	565.51	574.60	583.42	592.17	600.96	609.73	618.44	627.09	635.72	644.34
<b>Government</b>	348.07	349.35	350.62	351.88	353.13	354.37	355.60	356.82	358.03	359.23	360.42	361.61	362.79	363.96	365.12	366.28	367.43	368.58
<b>% Change Information</b>	-1.3%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%
<b>% Change Finance Activities</b>	2.3%	3.9%	2.7%	3.2%	2.8%	2.6%	2.4%	2.2%	2.0%	1.9%	1.7%	1.6%	1.4%	1.3%	1.2%	1.1%	1.0%	0.9%
<b>% Change Prof/Bus Services</b>	4.7%	1.5%	1.6%	1.9%	2.0%	1.8%	1.6%	1.6%	1.6%	1.6%	1.5%	1.5%	1.5%	1.5%	1.4%	1.4%	1.4%	1.4%
<b>% Change Government</b>	0.5%	0.4%	0.4%	0.4%	0.4%	0.4%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%

Source: Woods & Poole

OFFICE DEMAND GROWTH FROM 2020 TO 2021 – CAL TRANS MODEL

Office Market Analysis



By the end of 2021, our employment-based demand model with CalTrans jobs projections yields approximately 70,826 square feet of supportable office space demanded annually at the Subject Property.

Industry	2020			2021			2020 to 2021	
	Total Employment 1/	Occupied in Office Buildings 2/	No. Employed in Office Buildings	Total Employment 3/	Occupied in Office Buildings	No. Employed in Office Buildings	Total Emp. Growth in Office Buildings	New Office Space Needed 4/
<b>Traditional Office Users</b>								
Finance Activities	75,293	70%	52,705	75,871	70%	53,110	404	80,899
Information	22,169	50%	11,085	22,763	50%	11,382	297	59,411
Professional/Business Services	248,276	70%	173,793	250,993	70%	175,695	1,901	380,282
Education/Health Services	209,926	20%	41,985	214,809	20%	42,962	977	195,300
Leisure/Hospitality	163,513	15%	24,527	178,027	15%	26,704	2,177	435,408
Other Services	46,196	20%	9,239	50,556	20%	10,111	872	174,389
Government	238,303	20%	47,661	246,257	20%	49,251	1,591	318,184
<b>Non-Traditional Office Users</b>								
Mining	2,431	3%	61	2,661	3%	67	6	1,147
Construction	82,032	3%	2,051	84,499	3%	2,112	62	12,330
Manufacturing	112,013	3%	2,800	113,504	3%	2,838	37	7,456
Wholesale Trade	42,086	3%	1,052	45,367	3%	1,134	82	16,407
Retail Trade	129,067	3%	3,227	138,044	3%	3,451	224	44,887
Transportation/Utilities	33,960	3%	849	34,233	3%	856	7	1,368
<b>Total</b>	<b>1,405,265</b>	<b>22%</b>	<b>371,035</b>	<b>1,457,583</b>	<b>22%</b>	<b>379,672</b>	<b>8,637</b>	<b>1,727,469</b>
<b>Annual Average</b>								<b>1,727,469</b>

**Notes:**

- 1/ Per the CA Dept of Transportation and BLS
- 2/ Meyers Research Estimate
- 3/ Per the CA Dept of Transportation projections
- 4/ Assumes 200 square feet per employee for traditional office users and 200 square feet per employee for non-traditional office users.
- 5/ Reflects estimated capture rate of the South Bay markets' capture of office inventory

<b>Estimated Annual Capture: SOUTH BAY MARKET (%)</b>		<b>9.0% - 11.0%</b>
<b>Est. Annual Office Space Absorption: SOUTH BAY MARKET (SF)</b>		<b>155,472 - 190,022</b>
<b>Estimated Annual Capture: MILLENIA SITE (%) 5/</b>		<b>30.0% - 50.0%</b>
<b>Est. Annual Office Space Absorption: MILLENIA SITE (SF)</b>		<b>46,642 - 95,011</b>
<b>Annual Average (SF):</b>		<b>70,826</b>

# OFFICE DEMAND GROWTH FROM 2020 TO 2021 – WOODS & POOLE MODEL

Office Market Analysis



By the end of 2021, our employment-based demand model with Woods & Poole projections yields approximately 99,489 square feet of supportable office space demanded annually at the Subject Property.

Industry	2020			2021			2020 to 2021	
	Total Employment 1/	Occupied in Office Buildings 2/	No. Employed in Office Buildings	Total Employment 3/	Occupied in Office Buildings	No. Employed in Office Buildings	Total Emp. Growth in Office Buildings	New Office Space Needed 4/
<b>Traditional Office Users</b>								
Finance Activities	101,240	70%	70,868	104,511	70%	73,158	2,290	457,940
Information	30,453	50%	15,227	30,292	50%	15,146	(81)	(16,100)
Professional/Business Services	509,598	70%	356,719	519,087	70%	363,361	6,642	1,328,460
Education/Health Services	270,922	20%	54,184	278,603	20%	55,721	1,536	307,240
Leisure/Hospitality	250,499	15%	37,575	256,021	15%	38,403	828	165,660
Other Services	130,981	20%	26,196	133,191	20%	26,638	442	88,400
Government	350,624	20%	70,125	351,882	20%	70,376	252	50,320
<b>Non-Traditional Office Users</b>								
Mining	6,570	3%	164	6,536	3%	163	(1)	(170)
Construction	114,849	3%	2,871	115,627	3%	2,891	19	3,890
Manufacturing	122,923	3%	3,073	123,358	3%	3,084	11	2,175
Wholesale Trade	62,572	3%	1,564	64,075	3%	1,602	38	7,515
Retail Trade	191,893	3%	4,797	194,969	3%	4,874	77	15,380
Transportation/Utilities	95,396	3%	2,385	98,568	3%	2,464	79	15,860
<b>Total</b>	<b>2,238,520</b>	<b>22%</b>	<b>645,748</b>	<b>2,276,720</b>	<b>22%</b>	<b>657,881</b>	<b>12,133</b>	<b>2,426,570</b>
<b>Annual Average</b>								<b>2,426,570</b>

**Notes:**

- 1/ Per Woods and Poole Economics, Inc.
- 2/ Meyers Research Estimate
- 3/ Per Woods and Poole Economics, Inc.
- 4/ Assumes 200 square feet per employee for traditional office users and 200 square feet per employee for non-traditional office users.
- 5/ Reflects estimated capture rate of the South Bay markets' capture of office inventory

<b>Estimated Annual Capture: SOUTH BAY MARKET (%)</b>	<b>9.0% - 11.0%</b>
<b>Est. Annual Office Space Absorption: SOUTH BAY MARKET (SF)</b>	<b>218,391 - 266,923</b>

<b>Estimated Annual Capture: MILLENIA SITE (%) 5/</b>	<b>30.0% - 50.0%</b>
<b>Est. Annual Office Space Absorption: MILLENIA SITE (SF)</b>	<b>65,517 - 133,461</b>
<b>Annual Average (SF):</b>	<b>99,489</b>



OFFICE DEMAND GROWTH FROM 2024 TO 2025 – CAL TRANS MODEL

Office Market Analysis



By the end of 2025, our employment-based demand model with CalTrans jobs projections yields approximately 32,206 square feet of supportable office space demanded annually at the Subject Property.

Industry	2024			2025			2024 to 2025	
	Total Employment 1/	Occupied in Office Buildings 2/	No. Employed in Office Buildings	Total Employment 3/	Occupied in Office Buildings	No. Employed in Office Buildings	Total Emp. Growth in Office Buildings	New Office Space Needed 4/
<b>Traditional Office Users</b>								
Finance Activities	78,996	70%	55,297	79,723	70%	55,806	509	101,795
Information	24,986	50%	12,493	25,312	50%	12,656	163	32,583
Professional/Business Services	267,289	70%	187,102	268,907	70%	188,235	1,132	226,450
Education/Health Services	225,930	20%	45,186	229,280	20%	45,856	670	133,996
Leisure/Hospitality	209,211	15%	31,382	211,157	15%	31,673	292	58,377
Other Services	55,686	20%	11,137	56,268	20%	11,254	116	23,275
Government	254,837	20%	50,967	258,413	20%	51,683	715	143,040
<b>Non-Traditional Office Users</b>								
Mining	2,931	3%	73	2,961	3%	74	1	153
Construction	85,493	3%	2,137	83,870	3%	2,097	(41)	(8,114)
Manufacturing	115,120	3%	2,878	115,379	3%	2,884	6	1,292
Wholesale Trade	47,611	3%	1,190	47,969	3%	1,199	9	1,793
Retail Trade	142,235	3%	3,556	142,407	3%	3,560	4	858
Transportation/Utilities	35,043	3%	876	35,080	3%	877	1	184
<b>Total Annual Average</b>	<b>1,545,368</b>	<b>22%</b>	<b>404,275</b>	<b>1,556,725</b>	<b>22%</b>	<b>407,854</b>	<b>3,578</b>	<b>715,684</b> <b>715,684</b>

<b>Estimated Annual Capture: SOUTH BAY MARKET (%)</b>		<b>10.0% - 12.0%</b>
<b>Est. Annual Office Space Absorption: SOUTH BAY MARKET (SF)</b>		<b>71,568 - 85,882</b>
<b>Estimated Annual Capture: MILLENIA SITE (%) 5/</b>		<b>30.0% - 50.0%</b>
<b>Est. Annual Office Space Absorption: MILLENIA SITE (SF)</b>		<b>21,471 - 42,941</b>
<b>Annual Average (SF):</b>		<b>32,206</b>

- Notes:**
- 1/ Per the CA Dept of Transportation and BLS
  - 2/ Meyers Research Estimate
  - 3/ Per the CA Dept of Transportation projections
  - 4/ Assumes 200 square feet per employee for traditional office users and 200 square feet per employee for non-traditional office users.
  - 5/ Reflects estimated capture rate of the South Bay markets' capture of office inventory

# OFFICE DEMAND GROWTH FROM 2024 TO 2025 – WOODS & POOLE MODEL

Office Market Analysis



By the end of 2025, our employment-based demand model with Woods & Poole projections yields approximately 101,558 square feet of supportable office space demanded annually at the Subject Property.

Industry	2024			2025			2024 to 2025	
	Total Employment 1/	Occupied in Office Buildings 2/	No. Employed in Office Buildings	Total Employment 3/	Occupied in Office Buildings	No. Employed in Office Buildings	Total Emp. Growth in Office Buildings	New Office Space Needed 4/
<b>Traditional Office Users</b>								
Finance Activities	112,883	70%	79,018	115,374	70%	80,762	1,744	348,740
Information	29,824	50%	14,912	29,672	50%	14,836	(76)	(15,200)
Professional/Business Services	547,427	70%	383,199	556,367	70%	389,457	6,258	1,251,600
Education/Health Services	302,716	20%	60,543	311,114	20%	62,223	1,680	335,920
Leisure/Hospitality	272,469	15%	40,870	277,973	15%	41,696	826	165,120
Other Services	139,815	20%	27,963	142,022	20%	28,404	441	88,280
Government	355,598	20%	71,120	356,816	20%	71,363	244	48,720
<b>Non-Traditional Office Users</b>								
Mining	6,513	3%	163	6,550	3%	164	1	185
Construction	117,935	3%	2,948	118,696	3%	2,967	19	3,805
Manufacturing	123,716	3%	3,093	123,860	3%	3,097	4	720
Wholesale Trade	67,172	3%	1,679	68,065	3%	1,702	22	4,465
Retail Trade	200,675	3%	5,017	202,066	3%	5,052	35	6,955
Transportation/Utilities	108,573	3%	2,714	112,080	3%	2,802	88	17,535
<b>Total Annual Average</b>	<b>2,385,316</b>	<b>22%</b>	<b>693,240</b>	<b>2,420,655</b>	<b>22%</b>	<b>704,524</b>	<b>11,284</b>	<b>2,256,845</b>

**Estimated Annual Capture: SOUTH BAY MARKET (%) 10.0% - 12.0%**  
**Est. Annual Office Space Absorption: SOUTH BAY MARKET (SF) 225,685 - 270,821**

**Estimated Annual Capture: MILLENIA SITE (%) 5/ 30.0% - 50.0%**  
**Est. Annual Office Space Absorption: MILLENIA SITE (SF) 67,705 - 135,411**  
**Annual Average (SF): 101,558**

**Notes:**

- 1/ Per Woods and Poole Economics, Inc.
- 2/ Meyers Research Estimate
- 3/ Per Woods and Poole Economics, Inc.
- 4/ Assumes 200 square feet per employee for traditional office users and 200 square feet per employee for non-traditional office users.
- 5/ Reflects estimated capture rate of the South Bay markets' capture of office inventory

By the end of 2030, our employment-based demand model with CalTrans jobs projections yields approximately 25,089 square feet of supportable office space demanded annually at the Subject Property.

Industry	2029			2030			2029 to 2030	
	Total Employment 1/	Occupied in Office Buildings 2/	No. Employed in Office Buildings	Total Employment 3/	Occupied in Office Buildings	No. Employed in Office Buildings	Total Emp. Growth in Office Buildings	New Office Space Needed 4/
<b>Traditional Office Users</b>								
Finance Activities	83,364	70%	58,355	84,218	70%	58,952	598	119,577
Information	26,651	50%	13,325	26,901	50%	13,450	125	24,982
Professional/Business Services	275,874	70%	193,112	277,616	70%	194,331	1,219	243,852
Education/Health Services	235,627	20%	47,125	237,184	20%	47,437	311	62,280
Leisure/Hospitality	217,123	15%	32,569	218,020	15%	32,703	134	26,883
Other Services	58,945	20%	11,789	59,618	20%	11,924	135	26,926
Government	263,483	20%	52,697	264,755	20%	52,951	254	50,884
<b>Non-Traditional Office Users</b>								
Mining	3,102	3%	78	3,138	3%	78	1	177
Construction	80,954	3%	2,024	80,708	3%	2,018	(6)	(1,233)
Manufacturing	116,299	3%	2,907	116,409	3%	2,910	3	547
Wholesale Trade	49,738	3%	1,243	50,143	3%	1,254	10	2,024
Retail Trade	143,669	3%	3,592	143,791	3%	3,595	3	610
Transportation/Utilities	35,185	3%	880	35,190	3%	880	0	24
<b>Total</b>	<b>1,590,015</b>	<b>22%</b>	<b>419,695</b>	<b>1,597,689</b>	<b>22%</b>	<b>422,483</b>	<b>2,788</b>	<b>557,533</b>
<b>Annual Average</b>								<b>557,533</b>
<b>Estimated Annual Capture: SOUTH BAY MARKET (%)</b>							<b>10.0% - 12.0%</b>	
<b>Est. Annual Office Space Absorption: SOUTH BAY MARKET (SF)</b>							<b>55,753 - 66,904</b>	
<b>Estimated Annual Capture: MILLENIA SITE (%) 5/</b>							<b>30.0% - 50.0%</b>	
<b>Est. Annual Office Space Absorption: MILLENIA SITE (SF)</b>							<b>16,726 - 33,452</b>	
<b>Annual Average (SF):</b>							<b>25,089</b>	

- Notes:**
- 1/ Per the CA Dept of Transportation and BLS
  - 2/ Meyers Research Estimate
  - 3/ Per the CA Dept of Transportation projections
  - 4/ Assumes 200 square feet per employee for traditional office users and 200 square feet per employee for non-traditional office users.
  - 5/ Reflects estimated capture rate of the South Bay markets' capture of office inventory

OFFICE DEMAND GROWTH FROM 2029 TO 2030 – WOODS & POOLE MODEL

Office Market Analysis



By the end of 2030, our employment-based demand model with Woods & Poole projections yields approximately 97,648 square feet of supportable office space demanded annually at the Subject Property.

Industry	2029			2030			2029 to 2030	
	Total Employment 1/	Occupied in Office Buildings 2/	No. Employed in Office Buildings	Total Employment 3/	Occupied in Office Buildings	No. Employed in Office Buildings	Total Emp. Growth in Office Buildings	New Office Space Needed 4/
<b>Traditional Office Users</b>								
Finance Activities	123,898	70%	86,729	125,678	70%	87,975	1,246	249,200
Information	29,086	50%	14,543	28,944	50%	14,472	(71)	(14,200)
Professional/Business Services	592,169	70%	414,518	600,956	70%	420,669	6,151	1,230,180
Education/Health Services	346,388	20%	69,278	355,600	20%	71,120	1,842	368,480
Leisure/Hospitality	300,261	15%	45,039	305,873	15%	45,881	842	168,360
Other Services	150,845	20%	30,169	153,049	20%	30,610	441	88,160
Government	361,607	20%	72,321	362,786	20%	72,557	236	47,160
<b>Non-Traditional Office Users</b>								
Mining	6,635	3%	166	6,661	3%	167	1	130
Construction	121,700	3%	3,043	122,441	3%	3,061	19	3,705
Manufacturing	124,520	3%	3,113	124,673	3%	3,117	4	765
Wholesale Trade	71,408	3%	1,785	72,213	3%	1,805	20	4,025
Retail Trade	206,264	3%	5,157	207,081	3%	5,177	20	4,085
Transportation/Utilities	127,029	3%	3,176	131,010	3%	3,275	100	19,905
<b>Total Annual Average</b>	<b>2,561,810</b>	<b>22%</b>	<b>749,036</b>	<b>2,596,965</b>	<b>22%</b>	<b>759,886</b>	<b>10,850</b>	<b>2,169,955</b>
<b>Estimated Annual Capture: SOUTH BAY MARKET (%)</b>							<b>10.0% - 12.0%</b>	
<b>Est. Annual Office Space Absorption: SOUTH BAY MARKET (SF)</b>							<b>216,995 - 260,395</b>	
<b>Estimated Annual Capture: MILLENIA SITE (%) 5/</b>							<b>30.0% - 50.0%</b>	
<b>Est. Annual Office Space Absorption: MILLENIA SITE (SF)</b>							<b>65,099 - 130,197</b>	
<b>Annual Average (SF):</b>							<b>97,648</b>	

- Notes:**
- 1/ Per Woods and Poole Economics, Inc.
  - 2/ Meyers Research Estimate
  - 3/ Per Woods and Poole Economics, Inc.
  - 4/ Assumes 200 square feet per employee for traditional office users and 200 square feet per employee for non-traditional office users.
  - 5/ Reflects estimated capture rate of the South Bay markets' capture of office inventory

OFFICE DEMAND GROWTH FROM 2034 TO 2035 – CAL TRANS MODEL

Office Market Analysis



By the end of 2035, our employment-based demand model with CalTrans jobs projections yields approximately 24,541 square feet of supportable office space demanded annually at the Subject Property.

Industry	2034			2035			2034 to 2035	
	Total Employment 1/	Occupied in Office Buildings 2/	No. Employed in Office Buildings	Total Employment 3/	Occupied in Office Buildings	No. Employed in Office Buildings	Total Emp. Growth in Office Buildings	New Office Space Needed 4/
<b>Traditional Office Users</b>								
Finance Activities	87,531	70%	61,272	88,246	70%	61,772	500	99,984
Information	27,457	50%	13,728	27,518	50%	13,759	31	6,130
Professional/Business Services	284,708	70%	199,295	286,574	70%	200,602	1,306	261,282
Education/Health Services	243,548	20%	48,710	245,145	20%	49,029	319	63,880
Leisure/Hospitality	221,594	15%	33,239	222,737	15%	33,411	171	34,287
Other Services	62,251	20%	12,450	62,922	20%	12,584	134	26,816
Government	269,929	20%	53,986	271,259	20%	54,252	266	53,184
<b>Non-Traditional Office Users</b>								
Mining	3,276	3%	82	3,312	3%	83	1	176
Construction	78,902	3%	1,973	78,132	3%	1,953	(19)	(3,849)
Manufacturing	116,821	3%	2,921	116,917	3%	2,923	2	484
Wholesale Trade	51,980	3%	1,300	52,414	3%	1,310	11	2,171
Retail Trade	144,684	3%	3,617	144,802	3%	3,620	3	587
Transportation/Utilities	35,289	3%	882	35,334	3%	883	1	224
<b>Total Annual Average</b>	<b>1,627,971</b>	<b>22%</b>	<b>433,455</b>	<b>1,635,311</b>	<b>22%</b>	<b>436,181</b>	<b>2,727</b>	<b>545,357</b> <b>545,357</b>

**Notes:**

- 1/ Per the CA Dept of Transportation and BLS
- 2/ Meyers Research Estimate
- 3/ Per the CA Dept of Transportation projections
- 4/ Assumes 200 square feet per employee for traditional office users and 200 square feet per employee for non-traditional office users.
- 5/ Reflects estimated capture rate of the South Bay markets' capture of office inventory

<b>Estimated Annual Capture: SOUTH BAY MARKET (%)</b>		<b>10.0% - 12.0%</b>
<b>Est. Annual Office Space Absorption: SOUTH BAY MARKET (SF)</b>		<b>54,536 - 65,443</b>
<b>Estimated Annual Capture: MILLENIA SITE (%) 5/</b>		<b>30.0% - 50.0%</b>
<b>Est. Annual Office Space Absorption: MILLENIA SITE (SF)</b>		<b>16,361 - 32,721</b>
<b>Annual Average (SF):</b>		<b>24,541</b>

# OFFICE DEMAND GROWTH FROM 2034 TO 2035 – WOODS & POOLE MODEL

Office Market Analysis



By the end of 2035, our employment-based demand model with Woods & Poole projections yields approximately 93,871 square feet of supportable office space demanded annually at the Subject Property.

Industry	2034			2035			2034 to 2035	
	Total Employment 1/	Occupied in Office Buildings 2/	No. Employed in Office Buildings	Total Employment 3/	Occupied in Office Buildings	No. Employed in Office Buildings	Total Emp. Growth in Office Buildings	New Office Space Needed 4/
<b>Traditional Office Users</b>								
Finance Activities	131,474	70%	92,032	132,611	70%	92,828	796	159,180
Information	28,395	50%	14,198	28,262	50%	14,131	(67)	(13,300)
Professional/Business Services	635,720	70%	445,004	644,342	70%	451,039	6,035	1,207,080
Education/Health Services	393,674	20%	78,735	403,503	20%	80,701	1,966	393,160
Leisure/Hospitality	328,554	15%	49,283	334,289	15%	50,143	860	172,050
Other Services	161,867	20%	32,373	164,072	20%	32,814	441	88,200
Government	367,431	20%	73,486	368,578	20%	73,716	229	45,880
<b>Non-Traditional Office Users</b>								
Mining	6,784	3%	170	6,816	3%	170	1	160
Construction	125,373	3%	3,134	126,098	3%	3,152	18	3,625
Manufacturing	125,281	3%	3,132	125,425	3%	3,136	4	720
Wholesale Trade	75,365	3%	1,884	76,135	3%	1,903	19	3,850
Retail Trade	209,775	3%	5,244	210,333	3%	5,258	14	2,790
Transportation/Utilities	147,997	3%	3,700	152,524	3%	3,813	113	22,635
<b>Total Annual Average</b>	<b>2,737,690</b>	<b>22%</b>	<b>802,375</b>	<b>2,772,988</b>	<b>22%</b>	<b>812,805</b>	<b>10,430</b>	<b>2,086,030</b>

**Estimated Annual Capture: SOUTH BAY MARKET (%) 10.0% - 12.0%**  
**Est. Annual Office Space Absorption: SOUTH BAY MARKET (SF) 208,603 - 250,324**

**Estimated Annual Capture: MILLENIA SITE (%) 5/ 30.0% - 50.0%**  
**Est. Annual Office Space Absorption: MILLENIA SITE (SF) 62,581 - 125,162**  
**Annual Average (SF): 93,871**

**Notes:**

- 1/ Per Woods and Poole Economics, Inc.
- 2/ Meyers Research Estimate
- 3/ Per Woods and Poole Economics, Inc.
- 4/ Assumes 200 square feet per employee for traditional office users and 200 square feet per employee for non-traditional office users.
- 5/ Reflects estimated capture rate of the South Bay markets' capture of office inventory



OFFICE DEMAND GROWTH FROM 2039 TO 2040 – CAL TRANS MODEL

Office Market Analysis



By the end of 2040, our employment-based demand model with CalTrans jobs projections yields approximately 24,541 square feet of supportable office space demanded annually at the Subject Property.

Industry	2034			2035			2034 to 2035	
	Total Employment 1/	Occupied in Office Buildings 2/	No. Employed in Office Buildings	Total Employment 3/	Occupied in Office Buildings	No. Employed in Office Buildings	Total Emp. Growth in Office Buildings	New Office Space Needed 4/
<b>Traditional Office Users</b>								
Finance Activities	87,531	70%	61,272	88,246	70%	61,772	500	99,984
Information	27,457	50%	13,728	27,518	50%	13,759	31	6,130
Professional/Business Services	284,708	70%	199,295	286,574	70%	200,602	1,306	261,282
Education/Health Services	243,548	20%	48,710	245,145	20%	49,029	319	63,880
Leisure/Hospitality	221,594	15%	33,239	222,737	15%	33,411	171	34,287
Other Services	62,251	20%	12,450	62,922	20%	12,584	134	26,816
Government	269,929	20%	53,986	271,259	20%	54,252	266	53,184
<b>Non-Traditional Office Users</b>								
Mining	3,276	3%	82	3,312	3%	83	1	176
Construction	78,902	3%	1,973	78,132	3%	1,953	(19)	(3,849)
Manufacturing	116,821	3%	2,921	116,917	3%	2,923	2	484
Wholesale Trade	51,980	3%	1,300	52,414	3%	1,310	11	2,171
Retail Trade	144,684	3%	3,617	144,802	3%	3,620	3	587
Transportation/Utilities	35,289	3%	882	35,334	3%	883	1	224
<b>Total Annual Average</b>	<b>1,627,971</b>	<b>22%</b>	<b>433,455</b>	<b>1,635,311</b>	<b>22%</b>	<b>436,181</b>	<b>2,727</b>	<b>545,357</b> <b>545,357</b>

**Notes:**

- 1/ Per the CA Dept of Transportation and BLS
- 2/ Meyers Research Estimate
- 3/ Per the CA Dept of Transportation projections
- 4/ Assumes 200 square feet per employee for traditional office users and 200 square feet per employee for non-traditional office users.
- 5/ Reflects estimated capture rate of the South Bay markets' capture of office inventory

<b>Estimated Annual Capture: SOUTH BAY MARKET (%)</b>		<b>10.0% - 12.0%</b>
<b>Est. Annual Office Space Absorption: SOUTH BAY MARKET (SF)</b>		<b>54,536 - 65,443</b>
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# OFFICE DEMAND GROWTH FROM 2039 TO 2040 – WOODS & POOLE MODEL

Office Market Analysis



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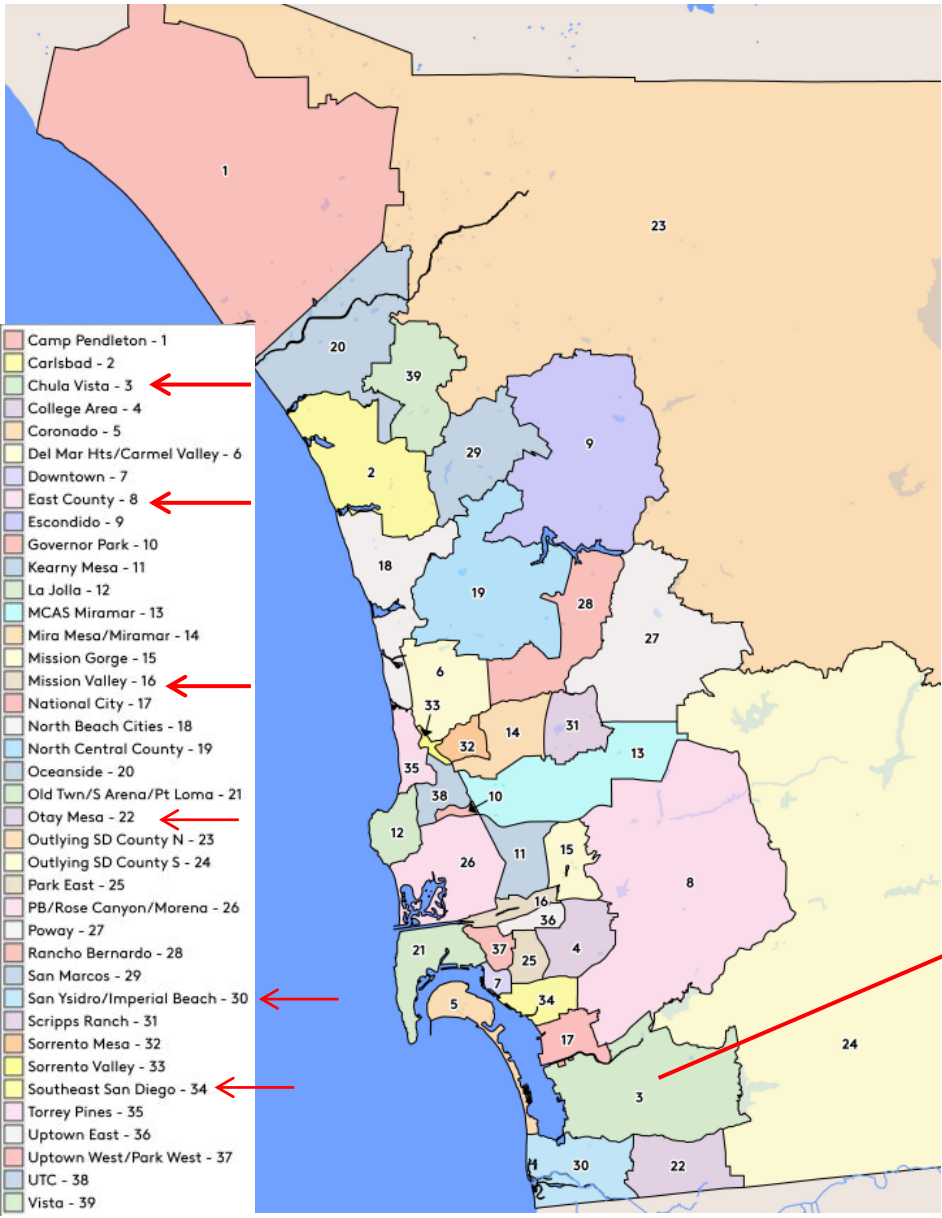
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**Estimated Annual Capture: SOUTH BAY MARKET (%) 10.0% - 12.0%**  
**Est. Annual Office Space Absorption: SOUTH BAY MARKET (SF) 208,603 - 250,324**

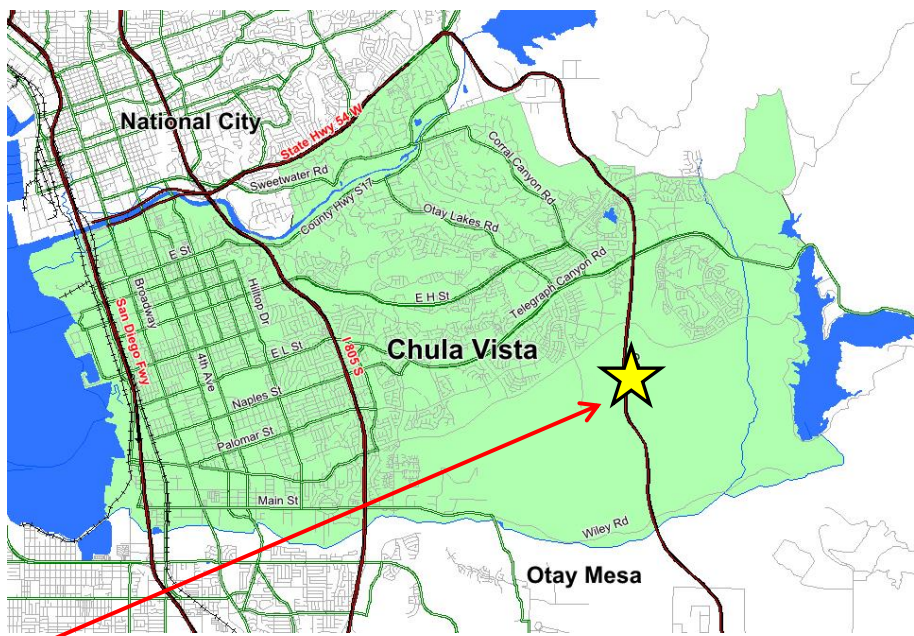
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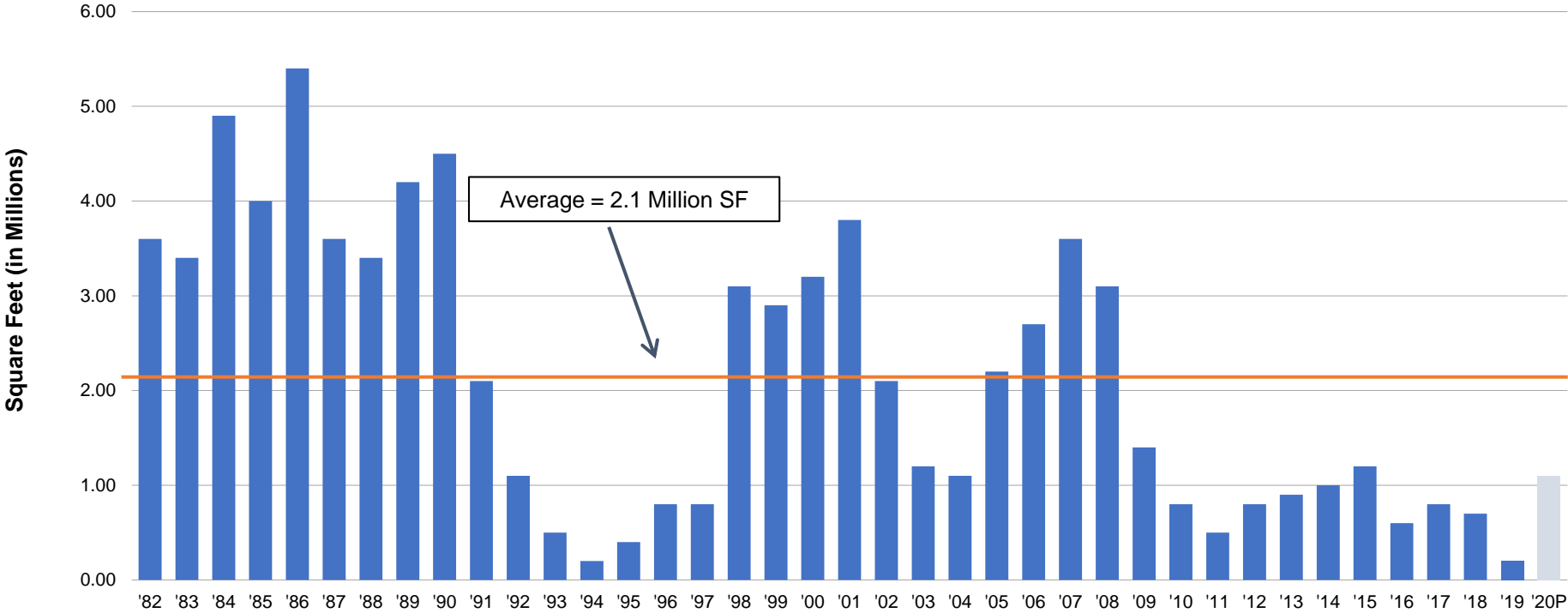
The San Diego MSA is comprised of 38 office submarkets that divide up the MSA. The Millenia Site is located in the South Bay Market, which is comprised of six submarkets (in red)—the Chula Vista submarket (location of Site), as well as San Ysidro/ Imperial Beach, East County, Southeast San Diego, National City, and Otay Mesa submarkets.



Source: CoStar

New office deliveries in the San Diego MSA averaged approximately 2.1 million square feet annually over the past 38 years. Office deliveries follow cycles of development, and this market had select years where deliveries were remarkably high—the mid-1980’s, late 1990’s/ and mid-2000’s in particular. Annual deliveries have been very low for over a decade, but office development appears to be rebounding with 1.1 million square feet of space projected to be delivered in 2020.

Office Deliveries (in Millions of Square Feet)

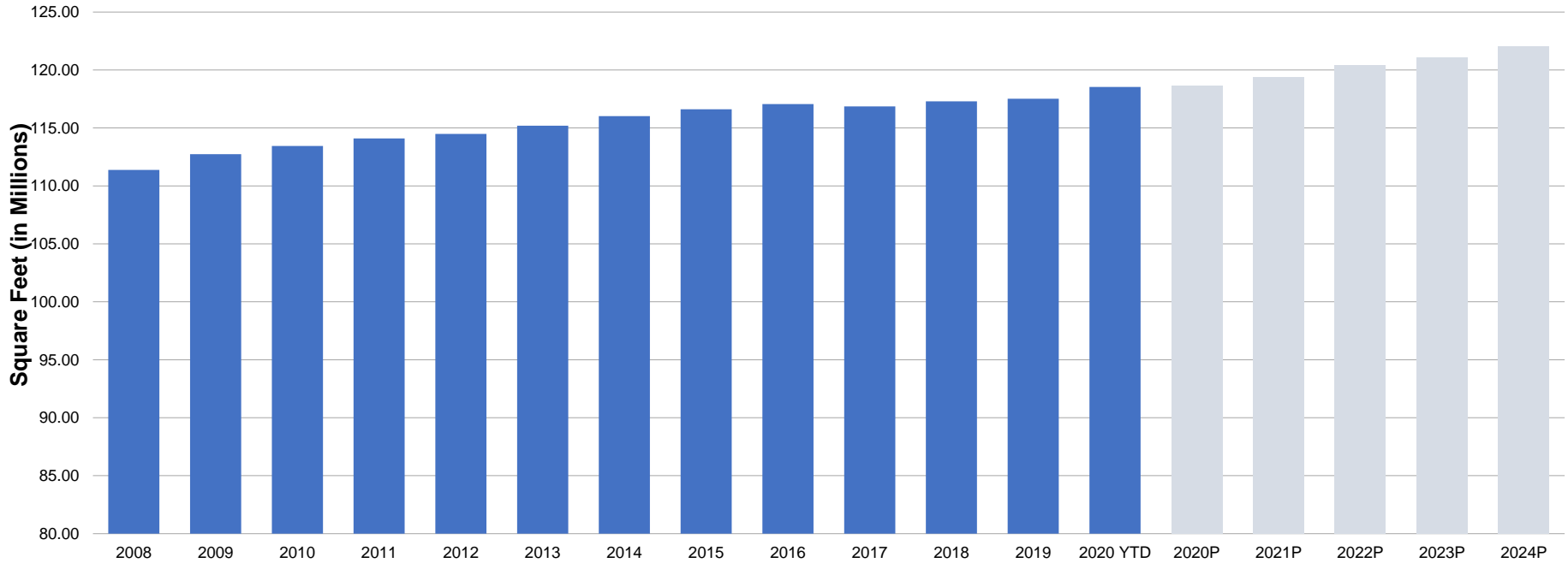


Deliveries	'82	'83	'84	'85	'86	'87	'88	'89	'90	'91	'92	'93	'94	'95	'96	'97	'98	'99	'00	'01	'02	'03	'04	'05	'06	'07	'08	'09	'10	'11	'12	'13	'14	'15	'16	'17	'18	'19	'20P
Total Deliveries (Mil. SF)	3.60	3.40	4.90	4.00	5.40	3.60	3.40	4.20	4.50	2.10	1.10	0.50	0.20	0.40	0.80	0.80	3.10	2.90	3.20	3.80	2.10	1.20	1.10	2.20	2.70	3.60	3.10	1.40	0.80	0.50	0.80	0.90	1.00	1.20	0.60	0.80	0.70	0.20	1.10
% Change	--	-6%	44%	-18%	35%	-33%	-6%	24%	7%	-53%	-48%	-55%	-60%	100%	100%	0%	288%	-6%	10%	19%	-45%	-43%	-8%	100%	23%	33%	-14%	-55%	-43%	-38%	60%	13%	11%	20%	-50%	0%	-13%	-71%	450%

Source: CoStar

After a decade with only marginal increase in inventory, the San Diego office inventory is starting to increase. The past 10 years averaged just 557,000 square feet of increased inventory per year in the MSA, though that is changing—so far this year, inventory has increased by over 1.1 million square feet and CoStar projects that inventory will increase by 4.5 square feet over the next five years.

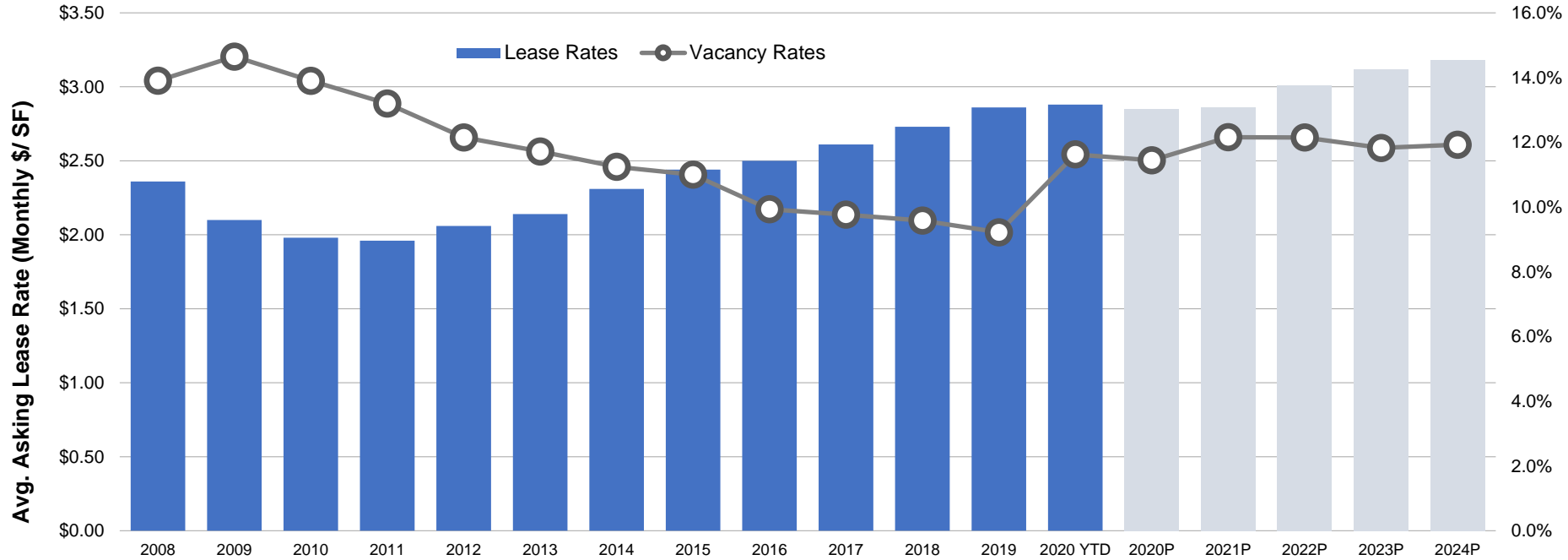
Office Inventory (in Millions Square Feet)



Inventory	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020 YTD	2020P	2021P	2022P	2023P	2024P
Total Inventory (SF)	111,382,774	112,740,099	113,443,538	114,090,959	114,490,119	115,193,293	116,024,064	116,614,658	117,059,974	116,856,985	117,301,923	117,516,080	118,533,679	118,633,679	119,405,301	120,386,840	121,103,513	122,031,017
Inventory Change	--	1,357,325	703,439	647,421	399,160	703,174	830,771	590,594	445,316	-202,989	444,938	214,157	1,017,599	1,117,599	771,622	981,539	716,673	927,504
% Change	--	1.2%	0.6%	0.6%	0.3%	0.6%	0.7%	0.5%	0.4%	-0.2%	0.4%	0.2%	0.9%	0.1%	0.7%	0.8%	0.6%	0.8%

Source: CoStar

Overall, average office lease rates appear to have stabilized at \$2.88 per square foot per month in 2020. The vacancy rate has increased to 11.6% in 2020, a function of decreased demand for office space due to the COVID-19 pandemic. Going forward, CoStar projects rents to increase to \$3.18 per square foot per month and vacancy to remain at approximately 11% by 2024.



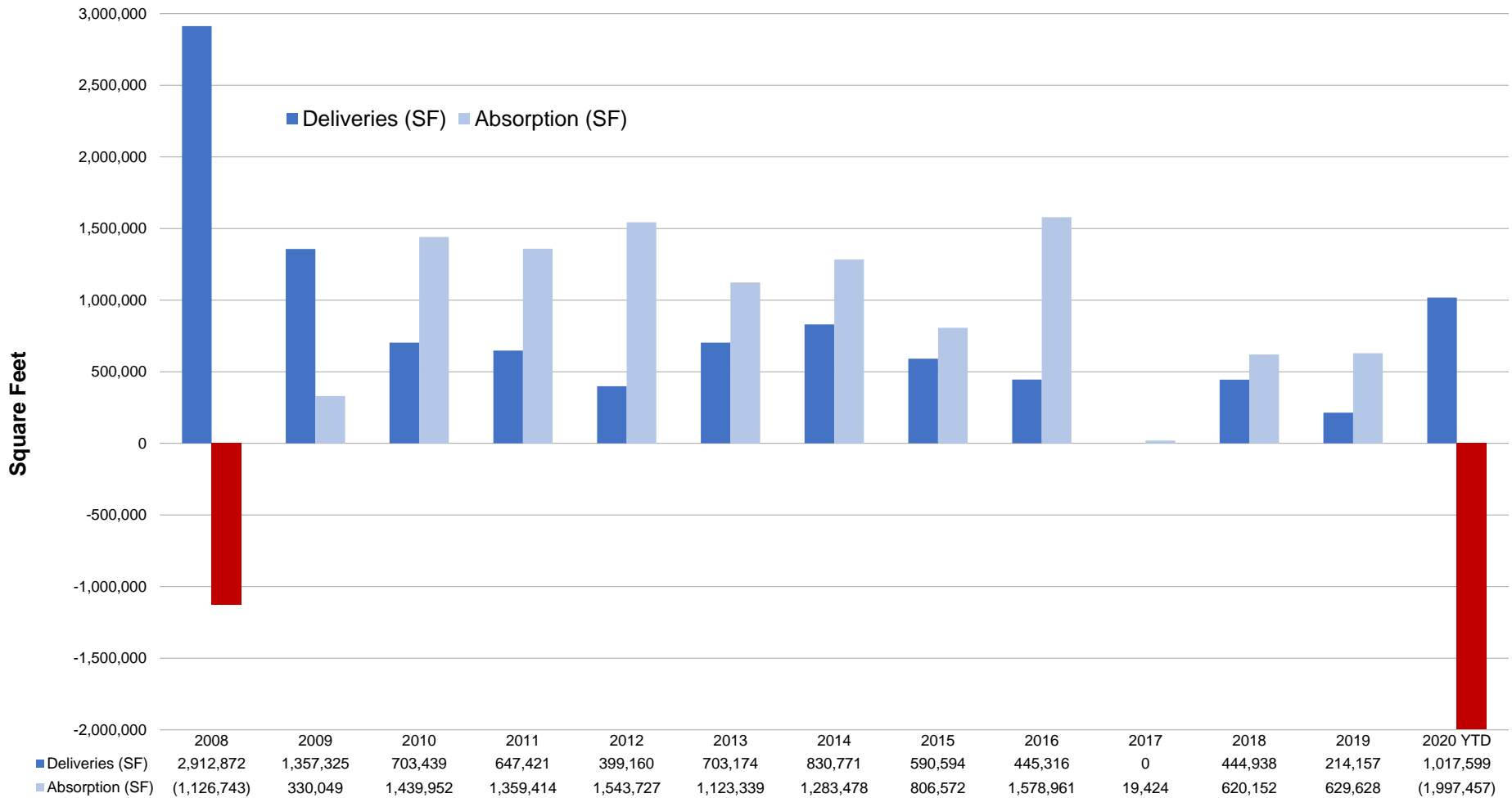
Lease Rates	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020 YTD	2020P	2021P	2022P	2023P	2024P
Lease Rate (\$/ SF/ Mo.)	\$2.36	\$2.10	\$1.98	\$1.96	\$2.06	\$2.14	\$2.31	\$2.44	\$2.50	\$2.61	\$2.73	\$2.86	\$2.88	\$2.85	\$2.86	\$3.01	\$3.12	\$3.18
Lease Rate Change	--	(\$0.26)	(\$0.12)	(\$0.02)	\$0.10	\$0.08	\$0.17	\$0.13	\$0.06	\$0.11	\$0.12	\$0.13	\$0.02	(\$0.03)	\$0.01	\$0.15	\$0.11	\$0.06
% Change	--	-11.0%	-5.7%	-1.0%	5.1%	3.9%	7.9%	5.6%	2.5%	4.4%	4.6%	4.8%	0.7%	-1.0%	0.4%	5.2%	3.7%	1.9%

Vacancy Rates	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020 YTD	2020P	2021P	2022P	2023P	2024P
Vacancy Rate	13.9%	14.6%	13.9%	13.2%	12.2%	11.7%	11.2%	11.0%	9.9%	9.8%	9.6%	9.2%	11.6%	11.4%	12.2%	12.1%	11.8%	11.9%
Vac. Rate Change	--	0.7%	-0.7%	-0.7%	-1.0%	-0.4%	-0.5%	-0.2%	-1.1%	-0.2%	-0.2%	-0.4%	2.4%	-0.2%	0.7%	0.0%	-0.3%	0.1%
% Change	--	5.4%	-5.1%	-5.1%	-7.9%	-3.6%	-4.0%	-2.2%	-9.7%	-1.7%	-1.9%	-3.8%	26.1%	-1.6%	6.2%	-0.1%	-2.7%	0.9%

# SAN DIEGO MSA OFFICE MARKET ABSORPTION VS. COMPLETED SPACE

Office Market Analysis

The San Diego MSA office market is currently experiencing negative net absorption in 2020, a function of decreased demand for office space due to the COVID-19 pandemic. Absorption has outpaced new deliveries in each of the past 10 years, indicating there has historically been more demand than supply in San Diego MSA—there is a great deal of uncertainty in the coming years in terms of how office absorption recovers in the coming years.



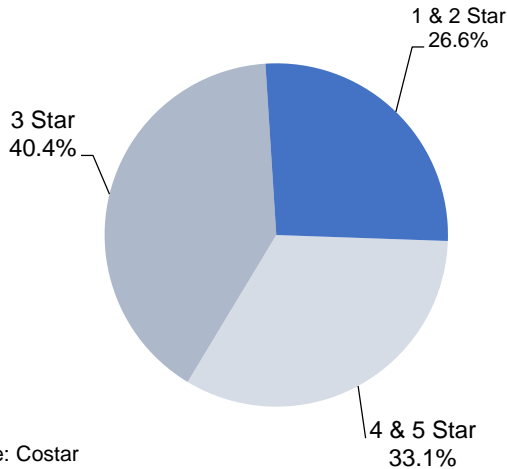
Source: Costar



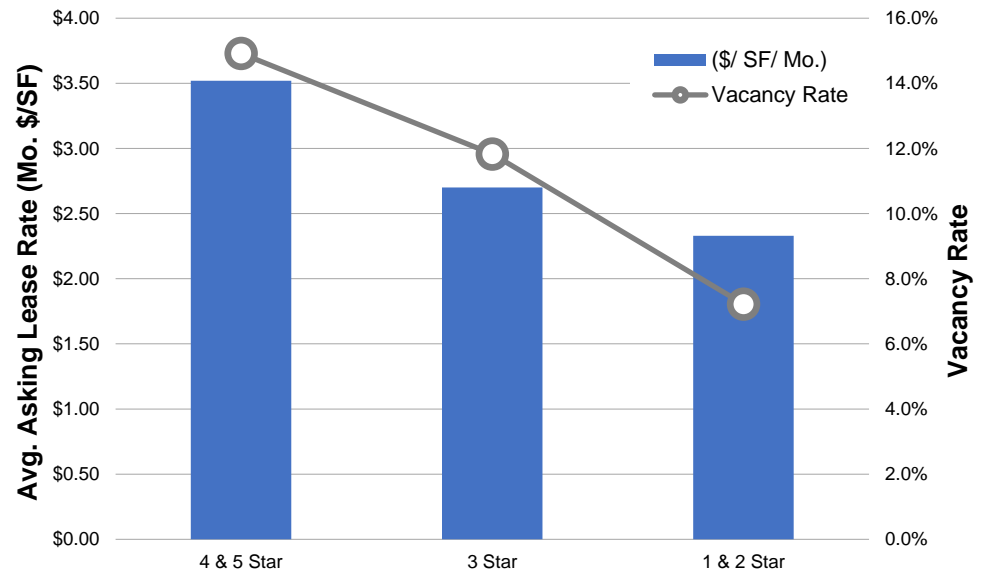
Buildings that are designated as 4/5 Star (Class A) and 3 Star (Class B) space account for over 76% of total office space in the market. Class A space achieves the highest lease rates but also has a higher vacancy rate than other building classes. San Diego is a relatively active Class A office development market with 1.7 million square feet under construction and 881,000 square feet delivered over the past 12 months. With that said, there may be oversupply issues in the coming months and years since the past year had nearly 2 million square feet of negative absorption (largely due to the COVID-19 pandemic). It is somewhat encouraging to note that the majority of the negative net absorption is in 3 Star (Class B) space, indicating that the 4 & 5 Star inventory—including new construction—is faring better than 3 Star space.

Type	Total SF	Vacant SF	Vacancy Rate	Absorption (SF) Last 12 Months	Deliveries (SF) Last 12 Months	Under Construction (SF)	Asking Rent (\$/ SF/ Mo.)
4 & 5 Star	39,216,320	5,849,611	14.9%	(356,579)	881,901	1,784,004	\$3.52
3 Star	47,830,970	5,657,858	11.8%	(1,208,329)	168,115	254,177	\$2.70
1 & 2 Star	31,486,389	2,273,469	7.2%	(432,549)	0	0	\$2.33
<b>TOTAL:</b>	<b>118,533,679</b>	<b>13,780,938</b>	<b>11.6%</b>	<b>(1,997,457)</b>	<b>1,050,016</b>	<b>2,038,181</b>	<b>\$2.88</b>

Total Inventory



Source: Costar



# OFFICE CHARACTERISTICS BY SUBMARKET

## Office Market Analysis

The Chula Vista submarket is the eighth largest office submarket the San Diego MSA, comprising 2.9% of the office market overall. It is a more affordable office market than the San Diego MSA, with average lease rates of \$2.53 per square foot versus \$2.88 per square foot in the MSA, though it is important to note that these indicators include all office inventory, much of which is Class B/C space in Chula Vista. The vacancy rate is lower than the MSA overall, at 5.8% versus 11.6% in the MSA, and there has been a 10,500 square feet of negative net absorption in Chula Vista, a relatively low amount compared to the MSA overall (-1.7 million square feet).

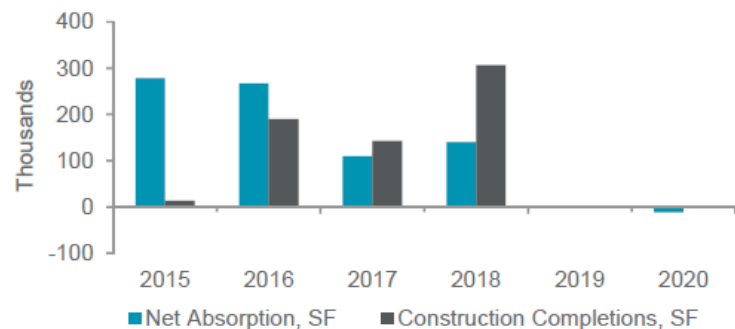
Submarket	Total SF	Vacant SF	Vacancy Rate	Last 12 Months Net Absorption (SF)	Last 12 Months Deliveries (SF)	Under Construction (SF)	Avg. Asking Rent (\$/ SF/ Mo.)
Carlsbad	7,641,000	1,217,109	15.9%	(79,676)	12,000	0	\$2.89
<b>Chula Vista</b>	<b>3,449,000</b>	<b>201,316</b>	<b>5.8%</b>	<b>(10,586)</b>	<b>0</b>	<b>0</b>	<b>\$2.53</b>
College Area	1,605,000	82,834	5.2%	(31,105)	0	0	\$2.39
Coronado	181,000	2,732	1.5%	3,290	0	0	\$2.95
Del Mar Hts/Carmel Valley	5,128,000	713,497	13.9%	221,535	288,000	217,000	\$4.31
Downtown	13,962,000	2,997,157	21.5%	(372,786)	372,000	1,073,000	\$2.94
East County	5,731,000	252,752	4.4%	52,046	111,000	0	\$2.13
Escondido	2,660,000	289,202	10.9%	(6,081)	80,000	0	\$2.21
Governor Park	899,000	111,468	12.4%	(25,902)	0	0	\$2.86
Kearny Mesa	11,385,000	1,178,952	10.4%	(292,648)	90,000	125,000	\$2.63
La Jolla	1,652,000	276,667	16.7%	(111,391)	0	0	\$3.40
MCAS Miramar	32,000	0	0.0%	0	0	0	\$2.27
Mira Mesa/Miramar	1,519,000	98,252	6.5%	(2,537)	0	0	\$2.46
Mission Gorge	697,000	9,080	1.3%	4,900	0	0	\$2.19
Mission Valley	7,346,000	1,055,895	14.4%	(259,812)	0	0	\$2.71
National City	797,000	23,035	2.9%	(923)	0	0	\$2.17
North Beach Cities	3,308,000	232,861	7.0%	(32,103)	26,000	80,000	\$3.50
North Central County	408,000	26,312	6.4%	49,451	59,000	0	\$3.86
Oceanside	1,771,000	140,845	8.0%	9,802	0	100,000	\$2.17
Old Twn/S Arena/Pt Loma	2,907,000	122,157	4.2%	(8,054)	0	0	\$2.61
Otay Mesa	220,000	11,663	5.3%	(2,331)	0	0	\$2.53
Outlying SD County N	741,000	44,303	6.0%	(5,325)	0	0	\$1.88
Outlying SD County S	186,000	8,185	4.4%	4,525	0	0	\$2.14
Park East	337,000	18,752	5.6%	315	0	0	\$2.28
PB/Rose Canyon/Morena	1,907,000	117,166	6.1%	(50,759)	0	0	\$2.26
Poway	1,536,000	40,131	2.6%	(10,834)	0	0	\$2.42
Rancho Bernardo	7,032,000	927,324	13.2%	(225,069)	0	0	\$3.02
San Marcos	1,726,000	138,410	8.0%	(37,815)	0	0	\$2.38
San Ysidro/Imperial Beach	245,000	0	0.0%	5,446	0	0	\$2.04
Scripps Ranch	2,954,000	484,197	16.4%	(30,598)	0	0	\$2.81
Sorrento Mesa	9,666,000	1,156,323	12.0%	(116,218)	0	0	\$3.07
Sorrento Valley	779,000	167,567	21.5%	(93,580)	0	0	\$2.46
Southeast San Diego	664,000	71,352	10.7%	(6,569)	0	0	\$2.17
Torrey Pines	3,231,000	261,837	8.1%	(37,447)	0	74,000	\$3.40
Uptown East	293,000	8,537	2.9%	5,250	0	0	\$2.23
Uptown West/Park West	3,382,000	240,817	7.1%	(101,469)	0	0	\$2.57
UTC	8,762,000	696,802	8.0%	(76,696)	0	369,000	\$3.75
Vista	1,795,000	355,449	19.8%	(46,549)	0	0	\$2.08
<b>TOTAL:</b>	<b>118,534,000</b>	<b>13,780,938</b>	<b>11.6%</b>	<b>(1,718,303)</b>	<b>1,038,000</b>	<b>2,038,000</b>	<b>\$2.88</b>

The Medical Office market is faring better than the overall office market in terms of lease rates, vacancy rates, and absorption activity. Overall, the San Diego medical office market has an average lease rate of \$3.10 per square foot (Full Service) versus the overall office lease rate of \$2.88 per square foot, and the medical office vacancy rate of 5.4% is significantly lower than the overall office vacancy rate of 11.6%. The South County medical office submarket has a very low vacancy rate of 3.4% compared to the overall medical office vacancy rate of 5.4% in San Diego County. There has been some softening in terms of absorption, with negative net absorption of -11,705 square feet in the medical office market, but that is a very small amount of contraction compared to the -1.7 million square feet of negative net absorption in the San Diego office market overall. Further, it is encouraging to note that absorption has been positive in South County, with 14,511 square feet of space absorbed this year. This data indicates that despite the uncertainty and soft market conditions in the conventional office market, the medical office market is performing well.

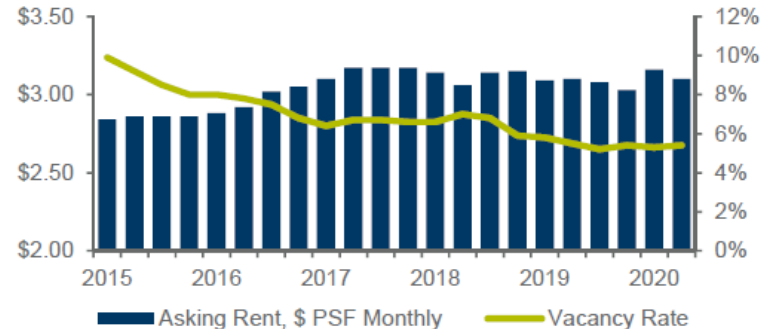
SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	DIRECT VACANCY RATE	CURRENT QTR DIRECT NET ABSORPTION (SF)	YTD DIRECT NET ABSORPTION (SF)	YTD LEASING ACTIVITY** (SF)	YTD CONSTR COMPLETIONS (SF)	UNDER CNSTR (SF)	DIRECT AVG ASKING RENT (ALL CLASSES)*	DIRECT AVG ASKING RENT (CLASS A)*
Class A	3,550,834	10,069	172,383	4.9%	3,856	927	64,566	0	311,317	\$3.66	
Class B	7,456,583	7,969	431,481	5.8%	-34,942	-19,434	127,022	0	200,100	\$3.08	
Class C	1,972,790	0	103,150	5.2%	31,814	6,802	27,843	0	0	\$2.03	
North County	3,355,438	8,172	223,804	6.7%	5,585	4,628	53,886	0	155,317	\$2.91	\$3.59
Mid City	2,447,431	9,866	145,084	5.9%	-8,142	-7,806	44,150	0	0	\$3.87	\$4.37
I-15 Corridor	1,113,743	0	91,723	8.2%	-19,078	-24,222	31,930	0	0	\$2.89	\$4.00
Central Suburban	3,375,425	0	134,765	4.0%	23,766	2,405	48,095	0	270,100	\$2.88	\$3.71
East County	1,114,102	0	58,119	5.2%	-2,107	-1,221	10,961	0	86,000	\$2.83	\$3.23
South County	1,574,068	0	53,519	3.4%	704	14,511	30,409	0	0	\$2.81	\$3.52
On Campus	4,618,459	6,822	272,283	5.9%	1,191	3,002	44,236	0	175,000	\$2.87	\$3.69
Off Campus	8,361,748	11,216	434,731	5.2%	-463	-14,707	175,195	0	336,417	\$3.24	\$3.66
<b>SAN DIEGO TOTALS</b>	<b>12,980,207</b>	<b>18,038</b>	<b>707,014</b>	<b>5.4%</b>	<b>728</b>	<b>-11,705</b>	<b>219,431</b>	<b>0</b>	<b>511,417</b>	<b>\$3.10</b>	<b>\$3.66</b>

\*Rental rates reflect full service asking. \*\*Leasing includes renewals.

### SPACE DEMAND / DELIVERIES

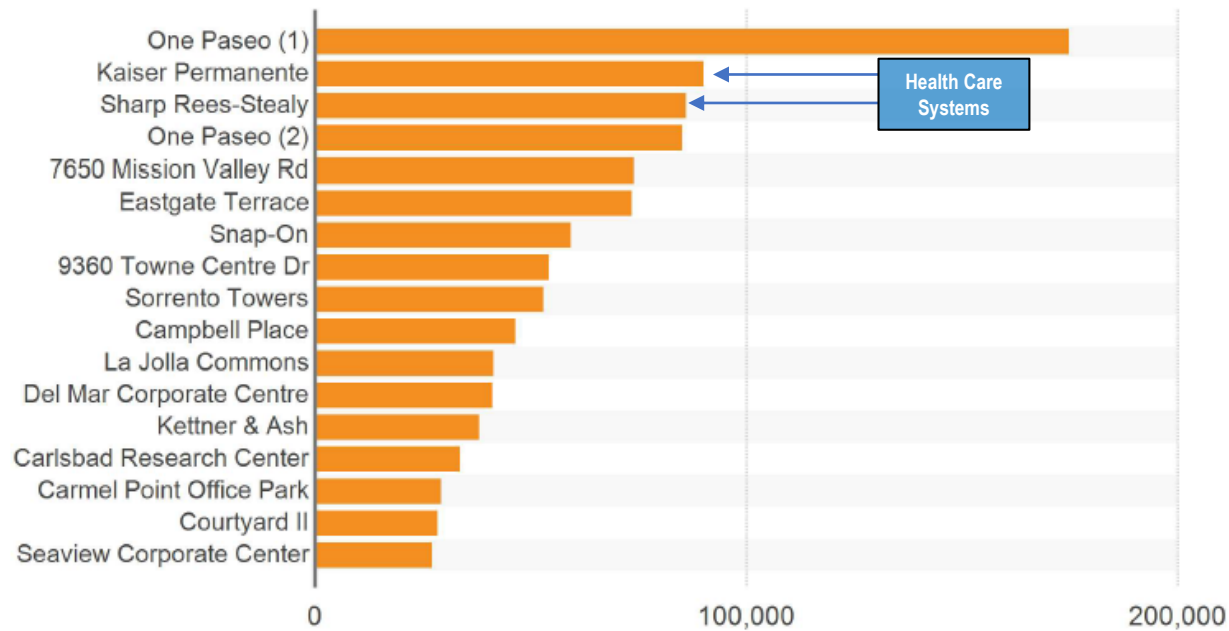


### DIRECT VACANCY & ASKING RENT



Major healthcare providers are active in the medical office market in San Diego, as evidenced by some of the largest absorption activity in the past year. Aside from absorption activity at the One Paseo office development in Del Mar Heights, two of the largest moves have been by Kaiser Permanente moving into a 90,000 square foot medical office building in Kearny Mesa, and Sharp Rees-Stealy moving into an 86,000 square foot medical office facility in Santee.

**12 MONTH NET ABSORPTION SF IN SELECTED BUILDINGS**

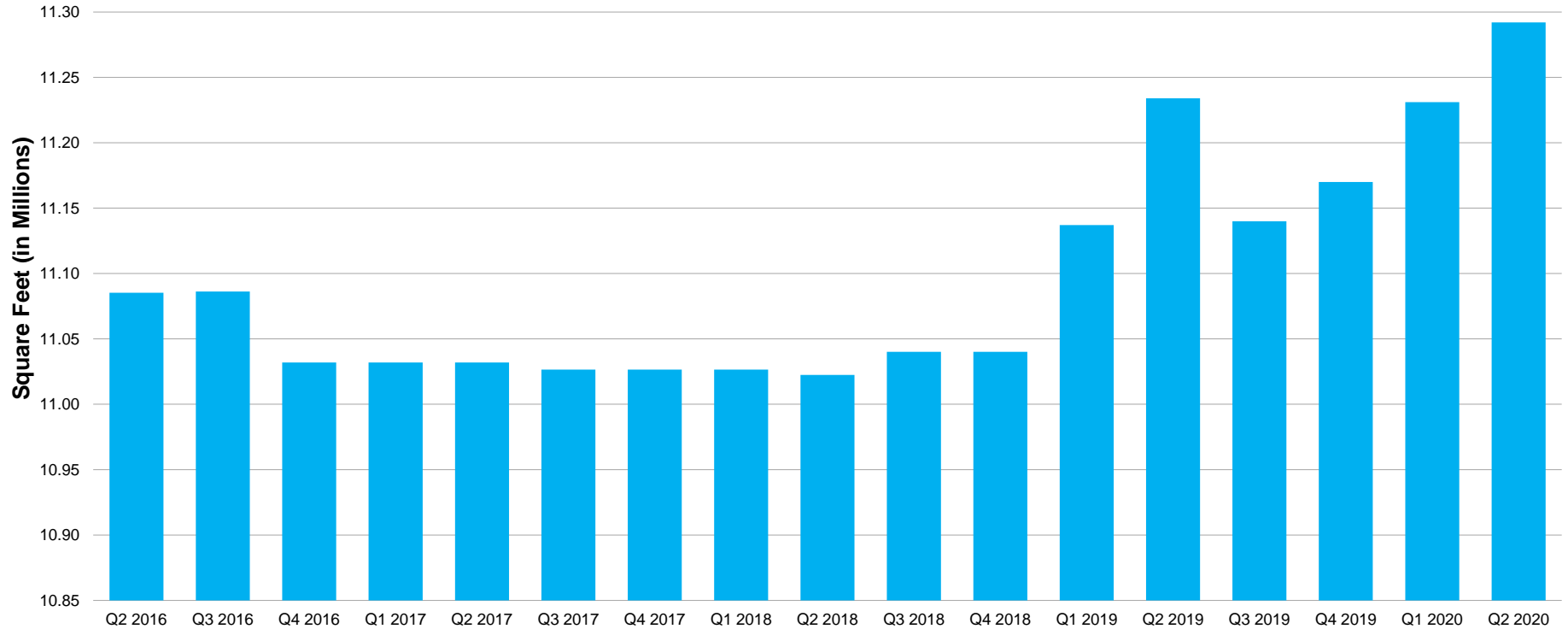


Building Name/Address	Submarket	Bldg SF	Vacant SF	Net Absorption SF				
				1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	12 Month
One Paseo (1)	Del Mar Hts/Carmel...	196,443	21,641	0	0	90,890	83,912	174,802
Kaiser Permanente	Kearny Mesa	90,000	0	0	0	90,000	0	90,000
Sharp Rees-Stealy	East County	86,000	0	0	0	0	86,000	86,000
One Paseo (2)	Del Mar Hts/Carmel...	92,041	6,919	0	0	37,547	47,575	85,122

Source: CoStar

The South Bay office inventory is starting to increase over the past two years. After 2016, 2017 and 2018 saw very little activity in terms of office inventory change, the past 18 months have experienced steady growth in office inventory, with 130,000 square feet added to the submarket in 2019 and 120,000 square feet added in the first half of 2020.

Office Inventory (in Millions Square Feet)



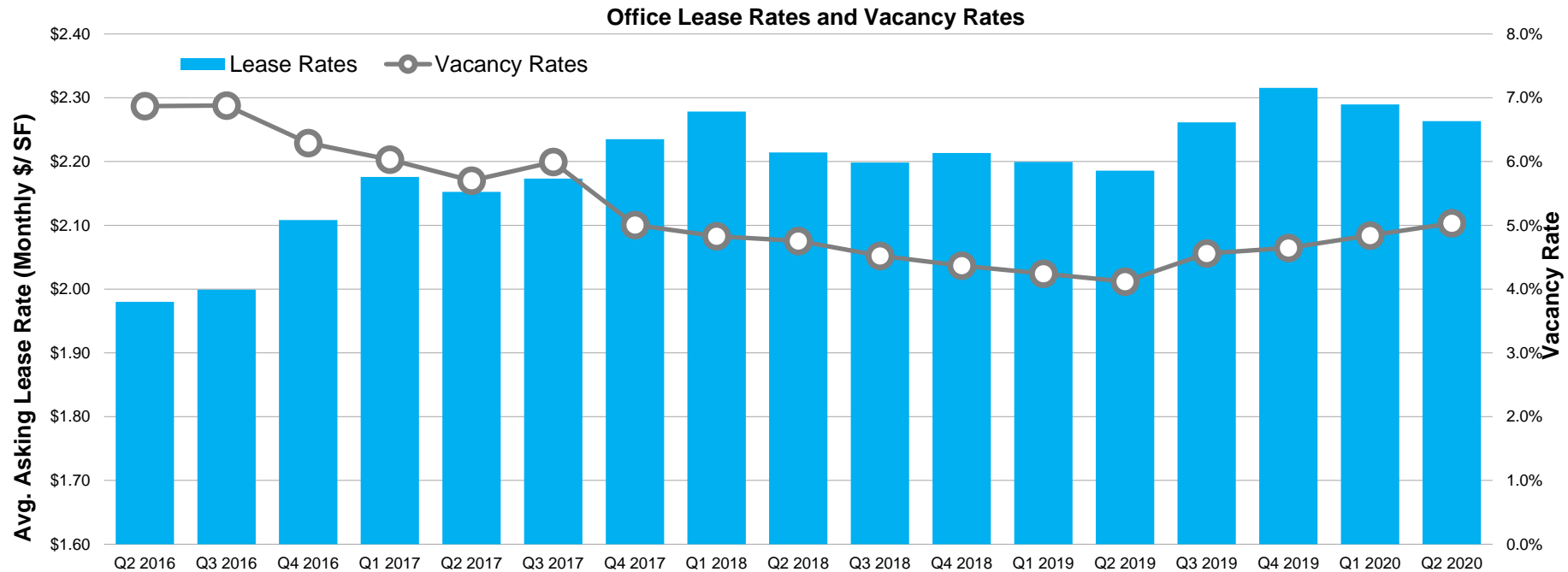
Inventory	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020
Total Inventory (SF)	11,085,293	11,086,252	11,031,883	11,031,883	11,031,883	11,026,483	11,026,483	11,026,483	11,022,436	11,040,090	11,040,090	11,137,045	11,234,000	11,140,000	11,170,000	11,231,000	11,292,000
Inventory Change	--	959	-54,369	0	0	-5,400	0	0	-4,047	17,654	0	96,955	96,955	-94,000	30,000	61,000	61,000
% Change	--	0.0%	-0.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.2%	0.0%	0.9%	0.9%	-0.8%	0.3%	0.5%	0.5%

# SOUTH BAY AVERAGE OFFICE LEASE RATE VS. VACANCY RATE

Office Market Analysis



While South Bay lease rates have softened slightly in 2020, the vacancy rate remains relatively low. Average lease rates came down off of their peak of \$2.32 per square foot in Q4 2019 to \$2.26 per square foot in mid-2020. The vacancy rate increased from a low of 4.1% in Q2 2020 to 5.0% in the second quarter of 2020, a function of slightly decreased demand for office space due to the COVID-19 pandemic. Still, a vacancy rate of 5.0% or lower represents an underserved office market that can support additional growth.



Lease Rates	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020
Lease Rate (\$/ SF/ Mo.)	\$1.98	\$2.00	\$2.11	\$2.18	\$2.15	\$2.17	\$2.24	\$2.28	\$2.21	\$2.20	\$2.21	\$2.20	\$2.19	\$2.26	\$2.32	\$2.29	\$2.26
Lease Rate Change	--	\$0.02	\$0.11	\$0.07	(\$0.02)	\$0.02	\$0.06	\$0.04	(\$0.06)	(\$0.02)	\$0.02	(\$0.01)	(\$0.01)	\$0.08	\$0.05	(\$0.03)	(\$0.03)
% Change	--	1.0%	5.5%	3.2%	-1.1%	1.0%	2.8%	1.9%	-2.8%	-0.7%	0.7%	-0.6%	-0.6%	3.5%	2.4%	-1.1%	-1.1%

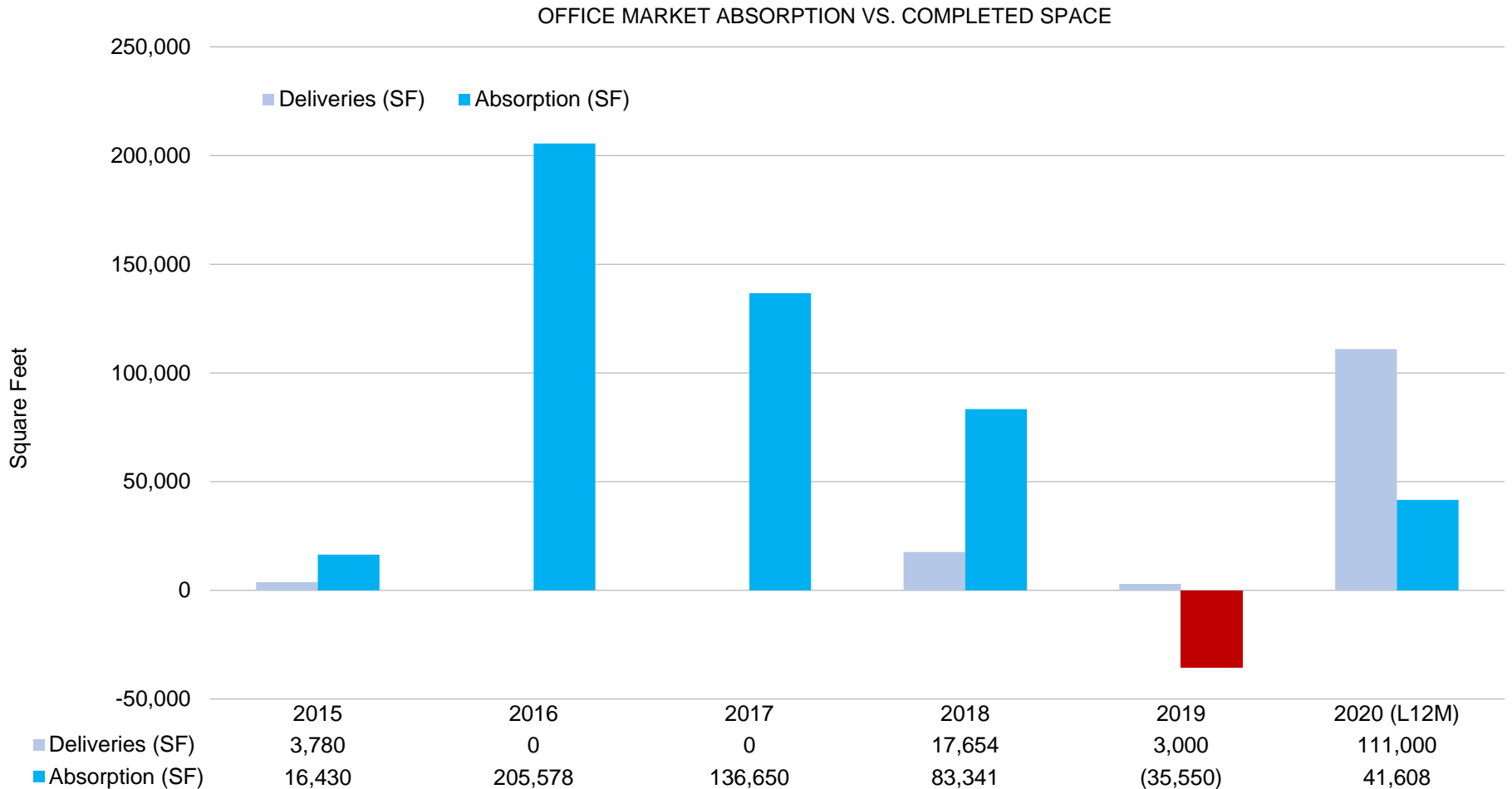
Vacancy Rates	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020
Vacancy Rate	6.9%	6.9%	6.3%	6.0%	5.7%	6.0%	5.0%	4.8%	4.8%	4.5%	4.4%	4.2%	4.1%	4.6%	4.6%	4.8%	5.0%
Vac. Rate Change	--	0.0%	-0.6%	-0.3%	-0.3%	0.3%	-1.0%	-0.2%	-0.1%	-0.2%	-0.2%	-0.1%	-0.1%	0.4%	0.1%	0.2%	0.2%
% Change	--	0.1%	-8.5%	-4.2%	-5.5%	5.1%	-16.5%	-3.5%	-1.5%	-4.9%	-3.4%	-2.9%	-2.9%	10.7%	1.9%	4.2%	4.0%

Source: CoStar

# SOUTH BAY OFFICE MARKET ABSORPTION VS. COMPLETED SPACE

Office Market Analysis

The South Bay office market is rebounding in 2020 with new completions as well as positive net absorption. New deliveries have finally outpaced absorption over the past 12 months, with 41,000 square feet of positive net absorption and 111,000 square feet of new completions. This is an improvement over negative net absorption in 2019, and follows several years with minimal new deliveries.



Source: Costar



# Location Analysis

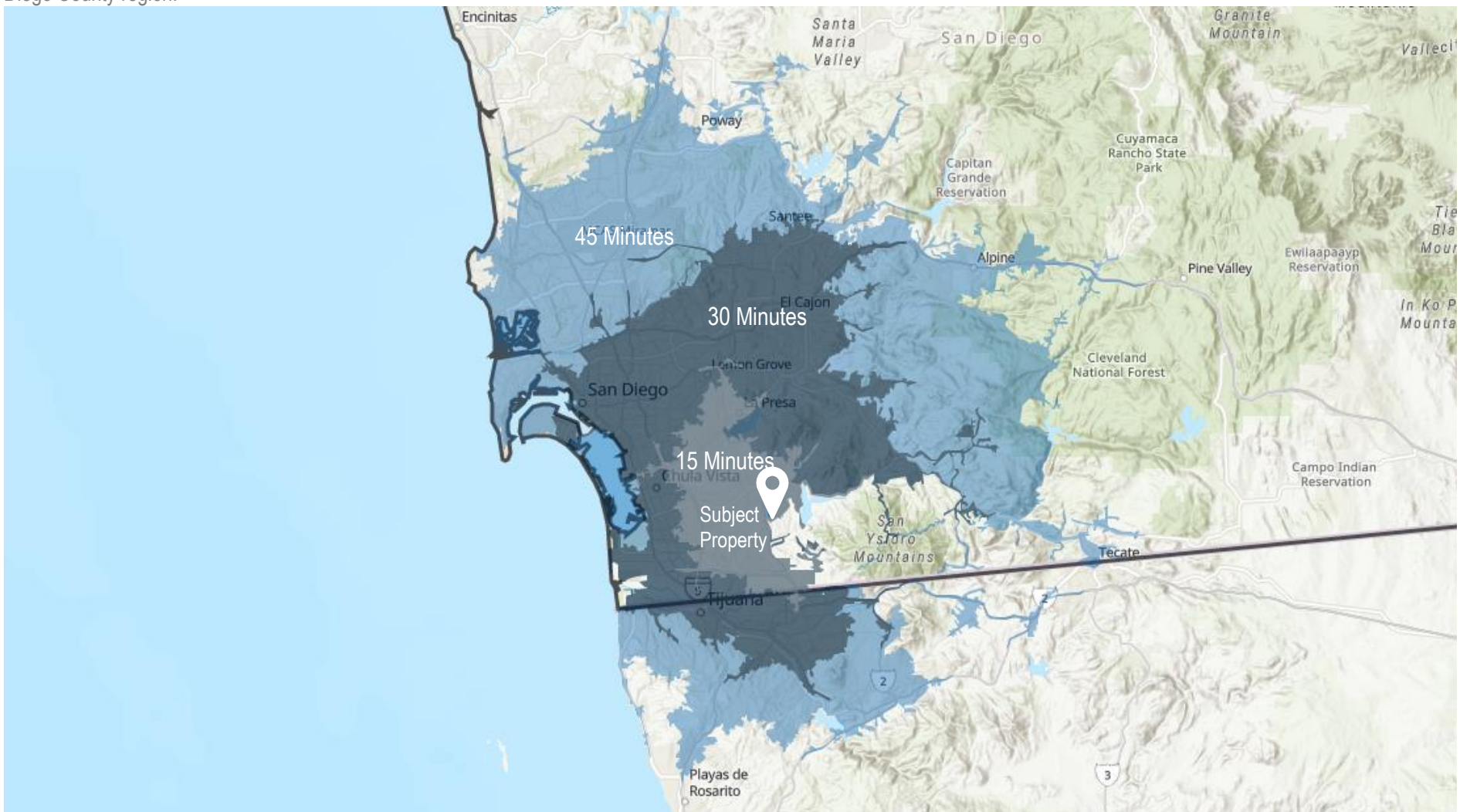
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Chula Vista CFD 16-I (Millenia 1A No. 2)

# DRIVE TIME MAP – TYPICAL THURSDAY AT 8AM

Location Analysis

Chula Vista CFD 16-I (Millenia 1A No. 2) is located in south San Diego County, approximately 8 miles north of the US/Mexico border. Situated approximately five miles east of Interstate 805 and immediately east of the 125-toll road, the Subject offers a choice of freeway access for commuters. The Subject is located within 15 minutes of most local Chula Vista employment and is within a 30 to 45-minute of the County's top employment concentrations, including the National City and Chula Vista Bayfront Areas, Downtown San Diego, the Mission Valley/Kearny Mesa area, and La Jolla/UTC. Since the 1980s, the South County area has been one of the main providers of new housing in the San Diego County region.

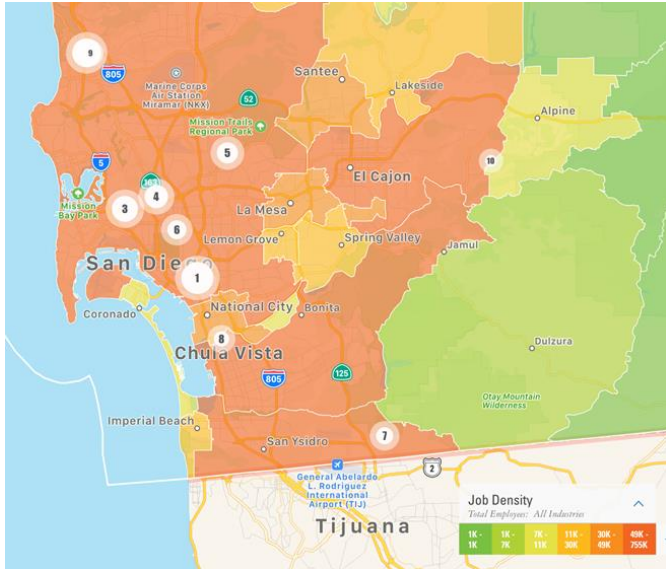


# EMPLOYMENT CONCENTRATIONS

## Location Analysis



This map provides a graphic illustration of where the residents who currently live in the 91915 zip code (Subject zip) commute to work. The greater the size of the bubble and the darker the color indicates a greater number of working 91915 residents who commute to that area. Approximately 46% of 91915 residents commute to employment within the City of San Diego while approximately 18% work locally within the City of Chula Vista. Although some residents commute as far north as Oceanside, 76% of residents commute within a 24-mile radius, which generally translates to points south of the University Town Center/Sorrento Valley area.



### Top Employment Sectors

#### 92154 (Chula Vista):

Wholesale Trade; Transportation and Warehousing; Retail Trade

#### 92101 (Downtown):

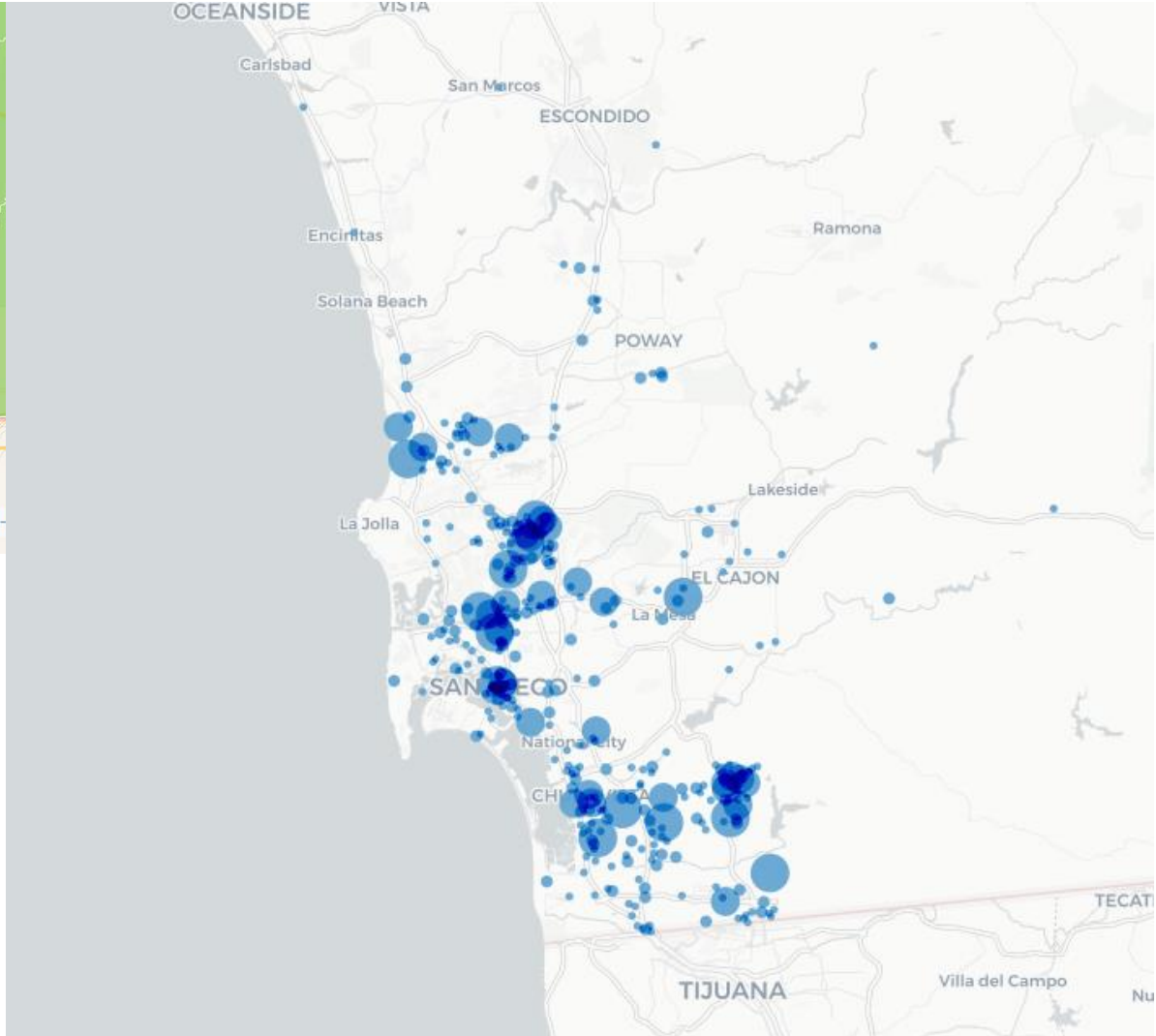
Professional, Scientific, and Technical Services; Accommodation and Food Services, Military and Defense

#### 91910 (Chula Vista):

Health Care and Social Assistance; Retail Trade; Professional, Scientific, and Technical Services

#### 92118 (Coronado):

Professional, Scientific, and Technical Services; Real Estate and Rental and Leasing; Accommodation and Food Services, Navy



# SCHOOL SCORES – GREAT SCHOOLS

Location Analysis

Millenia 1A No. 2 will have excellent public-school options available to residents. The Subject is currently within the boundaries of the following schools: Wolf Canyon Elementary (K-5), Eastlake Middle School (6-8), and Olympian High School (9-12). The average Great School scores for each school are all 8 on a 10-point scale. The GreatSchools.org rating scale considers factors such as test scores, academic progress, equity, and discipline. In addition to these public schools, there are also various charter and private schools in the area including High Tech Elementary, High Tech High Chula Vista, East Hills Academy, and Mater Dei Catholic School.



- Wolf Canyon Elementary  
Great Schools = 8
- Eastlake Middle  
Great Schools = 8
- Olympian High School  
Great Schools = 8



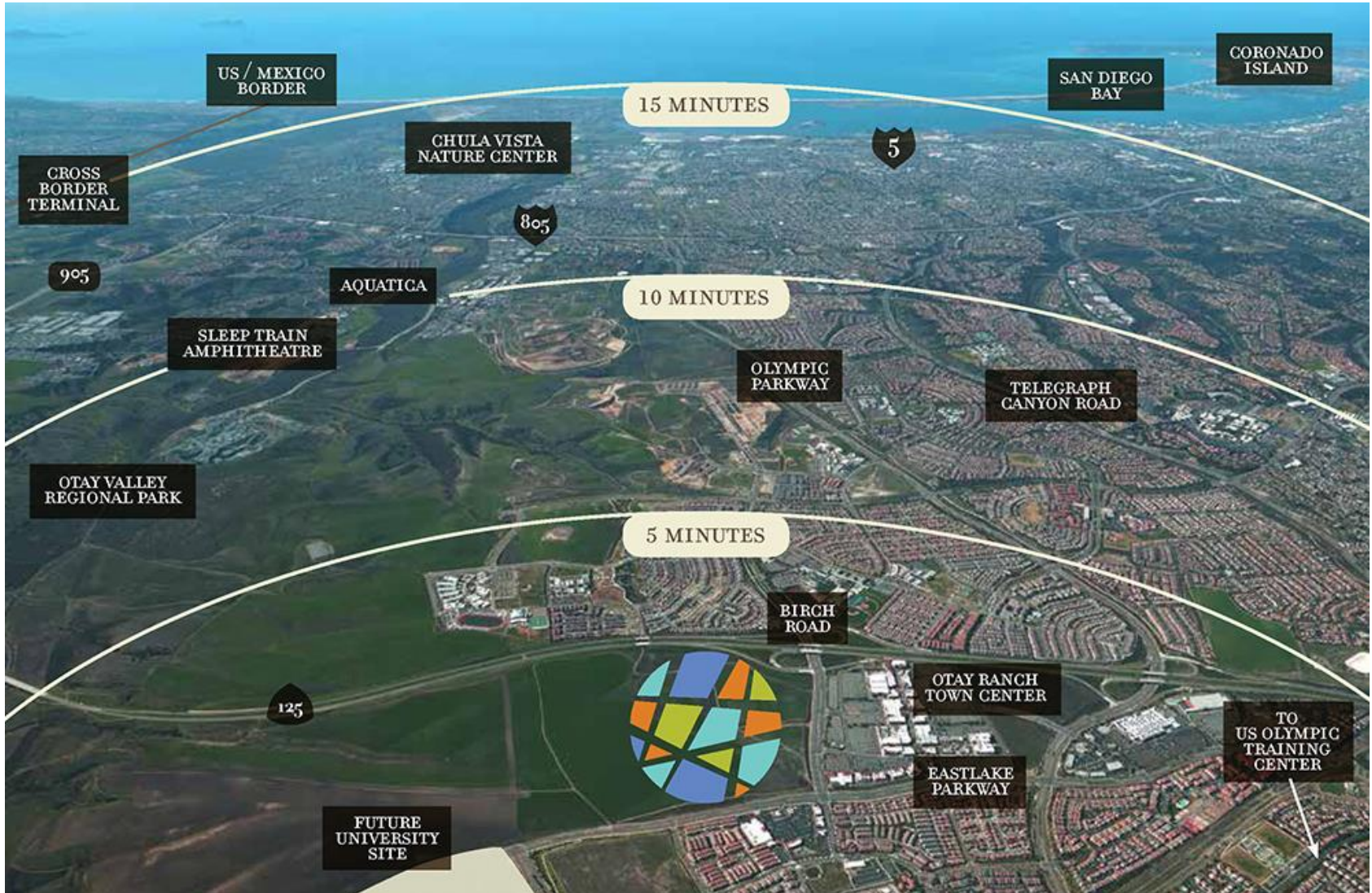


# POINTS OF INTEREST MAP - MILLENIA

Location Analysis



The Millenia master planned community offers abundant shopping, services and entertainment nearby. Immediately north of Millenia is Otay Ranch Town Center (an open-air shopping mall/lifestyle center) and is within walking distance of grocery stores, banks, dry cleaners and more. Sleep Train Amphitheatre (outdoor concerts), Otay Lakes and Otay Regional Park are also nearby.





# MILLENIA MASTER PLANNED COMMUNITY - OVERVIEW

Location Analysis

Millenia is a 210-acre mixed use community. To date, more than 600 homes and 1,000 apartment homes have been completed within Millenia in addition to a 135-room Ayres Hotel and 130,000 square feet of retail at Millenia Commons/Millenia Place. When complete, the community could house a population of over 7,000. The rendering below illustrates the vision for the community at build-out.





# SITE PLAN – PINNACLE AT MILLENIA (LOTS 12 & 13)

Location Analysis

Meridian began site work on Pinnacle in 2019 and started sales in February 2020. The 126-unit townhome community offers six floorplans in 4-story buildings with common pool, lounge and playground area. Plans 1, 2 and 3 are 2-story “City Towns,” while Plans 4, 5 and 6 are “Elevator Penthouses” located above the City Towns and accessed by internal stairs and private elevators. According to sales data provided by the builder, there were 66 homes sold as of October 05, 2020. However, additional sales have been recorded since that time and we have utilized a total sold of 76 units as of the end of October as reported by the sales office. With 126 total units in the community, Pinnacle is currently 60% sold out with 50 homes remaining to be released and/or sold. The resulting sales pace of nearly 9 homes per month is three times the rate of the historical average attached community in the South County. It is very likely that this community will easily surpass our forecasted rate of absorption if current market conditions hold.





# SITE PLANS – VIBE AND CLEO BY LENNAR HOMES (LOTS 22 & 15)

Location Analysis

Both Cleo and Vibe are built by Lennar Homes. Vibe had its first sales release on July 15, 2020 and has sold 35 of the 36 units released. The average sales pace to date is over 8.0 units per month and provided the relatively short sales period could temper over the life of project. Cleo opened for sales in September of 2020 and according to data provided by the Lennar sales office, the community has sold 21 homes as of the beginning of November. This first phase of construction is expected to be completed in February of 2020. With prices starting in the \$300,000's (affordable by San Diego County standards), we have assigned an average projected sales pace of 3.5 units per month – slightly better than the historic average given the affordable price points and diminishing competitive levels. If were to utilize the general sales pace for each of these projects today (~8/mo.) both these communities would be sold out by the end of 2021.

## Lot 22 – “CLEO”



## Lot 15 – “VIBE”



- RESIDENCE 1
- RESIDENCE 2
- RESIDENCE 3
- R** REVERSE
- M** MODELS
- \*** ACCESSIBLE

# Economic & Demographic Overview

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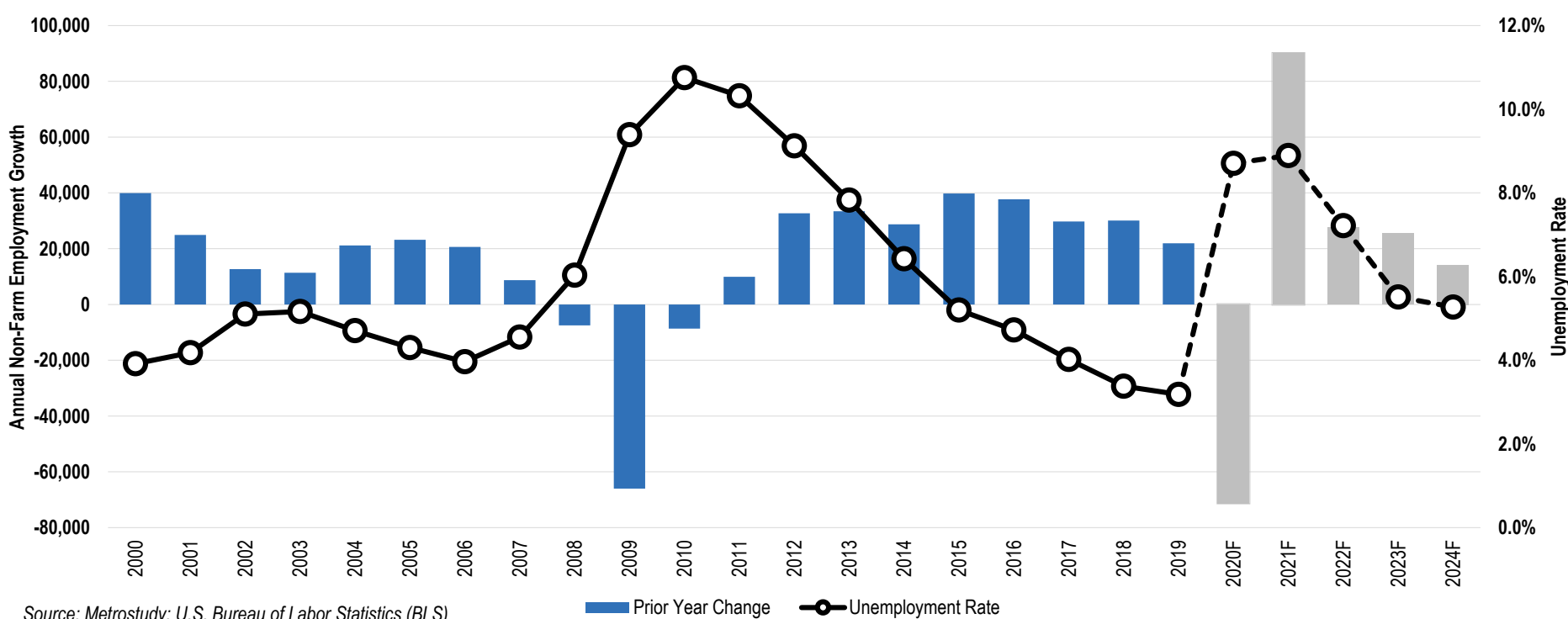
Chula Vista CFD 16-I (Millenia 1A No. 2)

# EMPLOYMENT HISTORY AND FORECAST

Economic & Demographic Overview



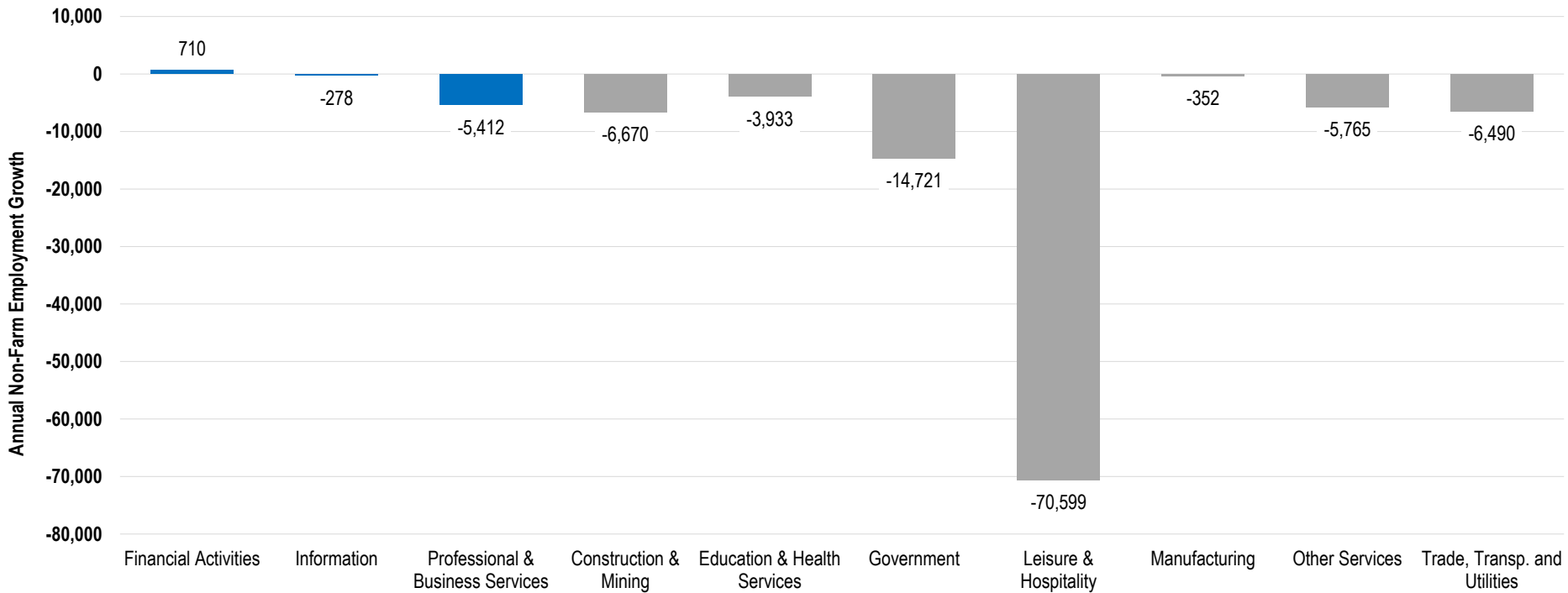
Annual job growth had been above the historic average, but the global pandemic is forecasted see job growth contract. From a historical perspective, the local economy had been thriving from 2012 to 2019, an additional 25,000 to 40,000 new jobs have been added annually. Following this sustained period of above-average job growth, the forecast for 2020 does suggest a notable slowdown with an estimated loss of ~70,000 new jobs. Unsurprisingly, unemployment is expected to spike to 8.7% in 2020. Following this contraction, Metrostudy projects a recovery over the next five years, with positive employment growth and declining unemployment.



Source: Metrostudy; U.S. Bureau of Labor Statistics (BLS)

	San Diego-Carlsbad, CA Metropolitan Statistical Area - Ten Year History										Metrostudy Five-Year Forecast				
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020F	2021F	2022F	2023F	2024F
Non-Farm Employment	1,240,192	1,250,133	1,282,800	1,316,200	1,344,933	1,384,692	1,422,400	1,452,158	1,482,225	1,504,133	1,432,960	1,522,993	1,550,577	1,576,098	1,590,263
Prior Year Change	(8,667)	9,942	32,667	33,400	28,733	39,758	37,708	29,758	30,067	21,908	(71,173)	90,033	27,585	25,521	14,165
Annual % Change	-0.7%	0.8%	2.6%	2.6%	2.2%	3.0%	2.7%	2.1%	2.1%	1.5%	-4.7%	6.3%	1.8%	1.6%	0.9%
Unemployment Rate	10.8%	10.3%	9.1%	7.8%	6.4%	5.2%	4.7%	4.0%	3.4%	3.2%	8.7%	8.9%	7.2%	5.5%	5.3%

San Diego is experiencing negative growth across seven of ten sectors, with Leisure & Hospitality hardest hit. Of all sectors in the economy, the high-paying Financial Activities sector added an additional 710 jobs locally the past 12 months. While global employment trends have been hard hit over the past six months, the subject's target employment sectors (in Blue) have not been as hard hit as lower paying sectors. This is illustrated by the continued demand for housing in the local area.



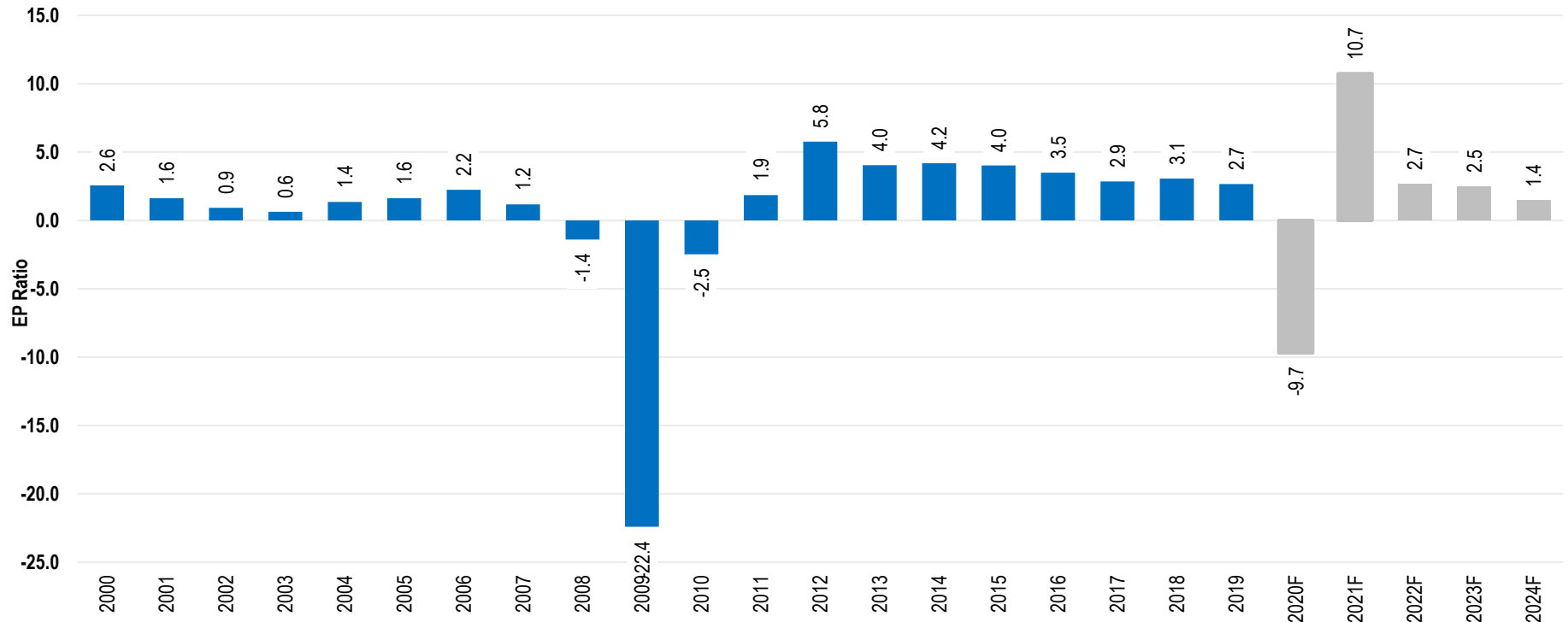
Source: Moody's Analytics; U.S. Bureau of Labor Statistics (BLS)

	Financial Activities	Information	Professional & Business Services	Construction & Mining	Education & Health Services	Government	Leisure & Hospitality	Manufacturing	Other Services	Trade, Transp. and Utilities
Current Month (Jun-2020)	77,112	23,219	252,071	77,634	213,025	235,979	136,451	114,948	50,491	217,887
Current Month (Jun-2019)	76,401	23,497	257,483	84,304	216,958	250,700	207,050	115,300	56,255	224,377
<b>12-Month Change</b>	<b>710</b>	<b>-278</b>	<b>-5,412</b>	<b>-6,670</b>	<b>-3,933</b>	<b>-14,721</b>	<b>-70,599</b>	<b>-352</b>	<b>-5,765</b>	<b>-6,490</b>

# EMPLOYMENT TO PERMIT (E/P) RATIO

Economic & Demographic Overview

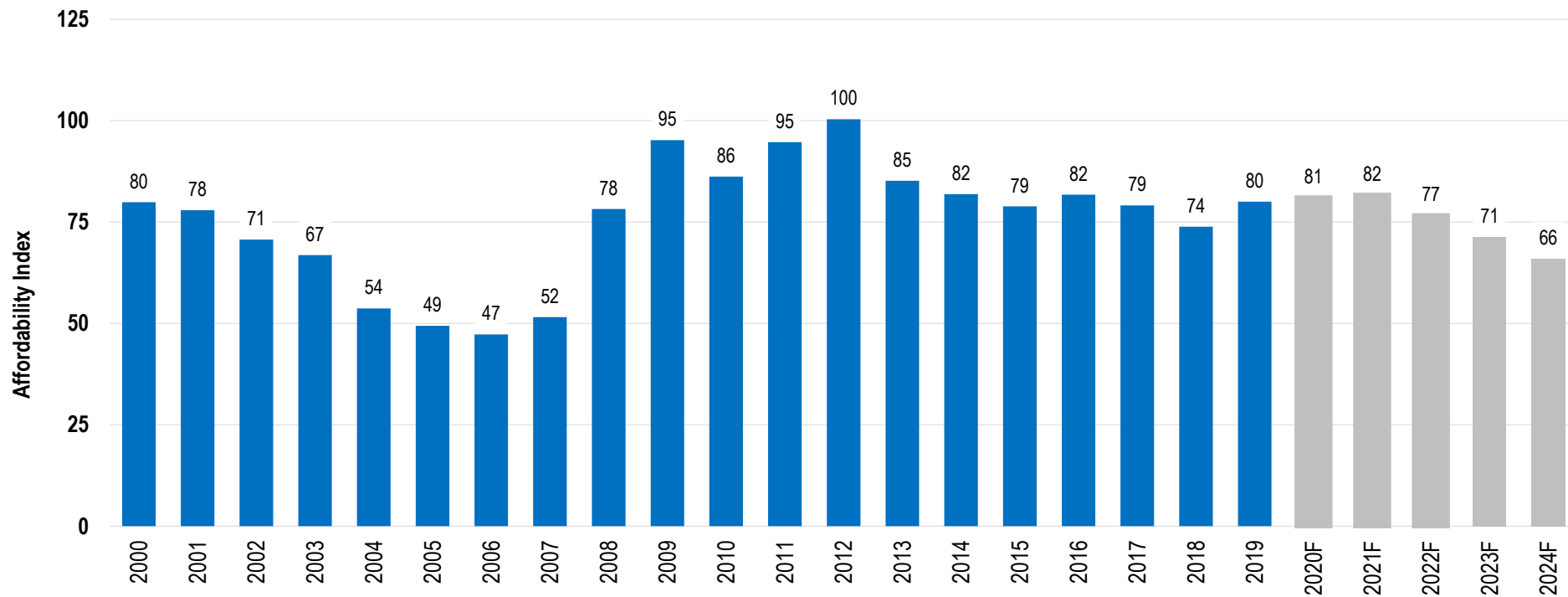
San Diego has historically been an undersupplied housing market. The E/P ratio compares employment growth to building permits. An E/P ratio over 1.0 means more jobs are being added than homes are being built. Ratios above 1.25 indicate a real opportunity to introduce new homes to a market. The San Diego MSA E/P Ratio has been well over the 1.25 equilibrium the last nine years. While the forecasted dip in 2020 may appear worrisome, the drop is driven by the recent job losses (which have not led to a drop in housing demand) and the E/P ratio is expected to return to undersupply conditions from 2021 to 2024.



Source: Metrostudy; U.S. Bureau of Labor Statistics (BLS)

	San Diego-Carlsbad, CA Metropolitan Statistical Area - Ten Year History										Metrostudy Five-Year Forecast				
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020F	2021F	2022F	2023F	2024F
Non-Farm Employment	1,240,192	1,250,133	1,282,800	1,316,200	1,344,933	1,384,692	1,422,400	1,452,158	1,482,225	1,504,133	1,432,960	1,522,993	1,550,577	1,576,098	1,590,263
Prior Year Change	(8,667)	9,942	32,667	33,400	28,733	39,758	37,708	29,758	30,067	21,908	(71,173)	90,033	27,585	25,521	14,165
Building Permits	3,494	5,370	5,666	8,264	6,875	9,883	10,791	10,441	9,834	8,216	7,341	8,386	10,381	10,281	9,812
<b>Employment/Housing</b>	<b>-2.5</b>	<b>1.9</b>	<b>5.8</b>	<b>4.0</b>	<b>4.2</b>	<b>4.0</b>	<b>3.5</b>	<b>2.9</b>	<b>3.1</b>	<b>2.7</b>	<b>-9.7</b>	<b>10.7</b>	<b>2.7</b>	<b>2.5</b>	<b>1.4</b>

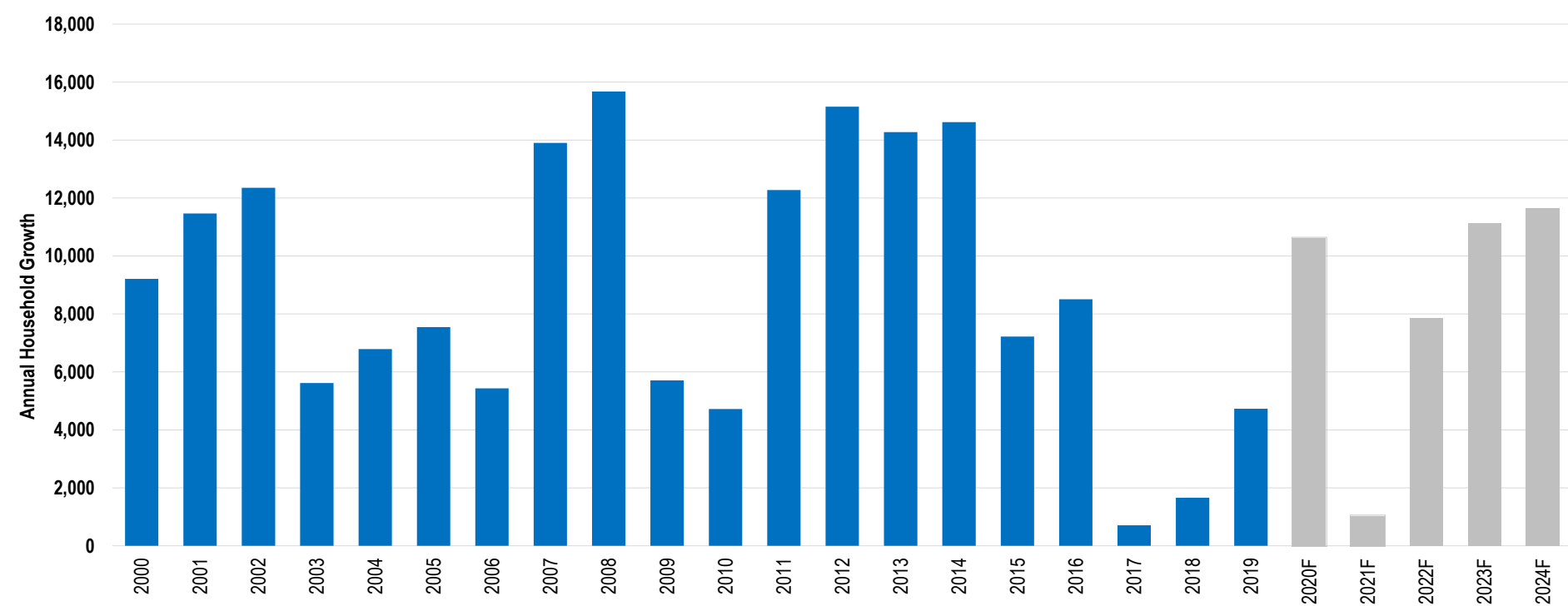
Affordability reached its peak between 2009 and 2012 with steady annual decreases (as a result of market improvement and corresponding price increases). Current affordability is in the low 80s which is comparable to where the MSA/County was in 2014. Moody's Analytics forecasts that the affordability index will continue to decline over the next five years as house prices further increase in the area. The South County Submarket is generally more affordable than the MSA overall and the attached products in Millenia 1A No. 2 are largely below \$600,000 – "affordable" by San Diego standards.



Source: Moody's Analytics; National Association of Realtors (NAR)

San Diego-Carlsbad, CA Metropolitan Statistical Area - Ten Year History											Moody's Analytics Five-Year Forecast				
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020F	2021F	2022F	2023F	2024F
Affordability Index	86.2	94.7	100.4	85.2	81.9	78.9	81.8	79.1	73.8	80.0	81.0	81.7	76.6	71.3	66.0

Household growth slowed from 2017-2019 but forecasted to rebound in 2020. Nearly 11,000 households are expected to be added in San Diego County in 2020, more than double the number formed in 2019. Despite the drop in employment growth, there still are not enough homes being added to the housing stock. Reasons include: 1) scarcity of land; 2) slower/smart growth mentality; and 3) decreasing affordability.



Source: Moody's Analytics; U.S. Census Bureau (BOC)

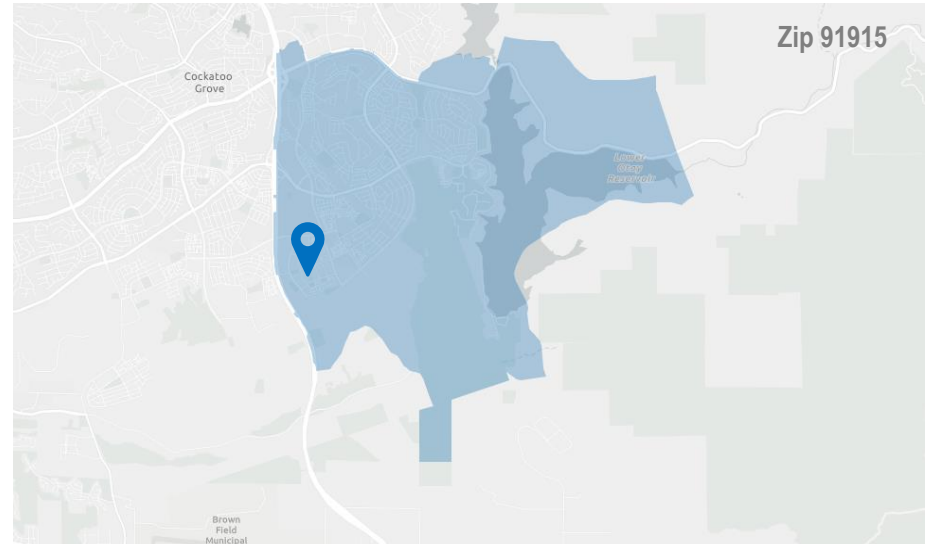
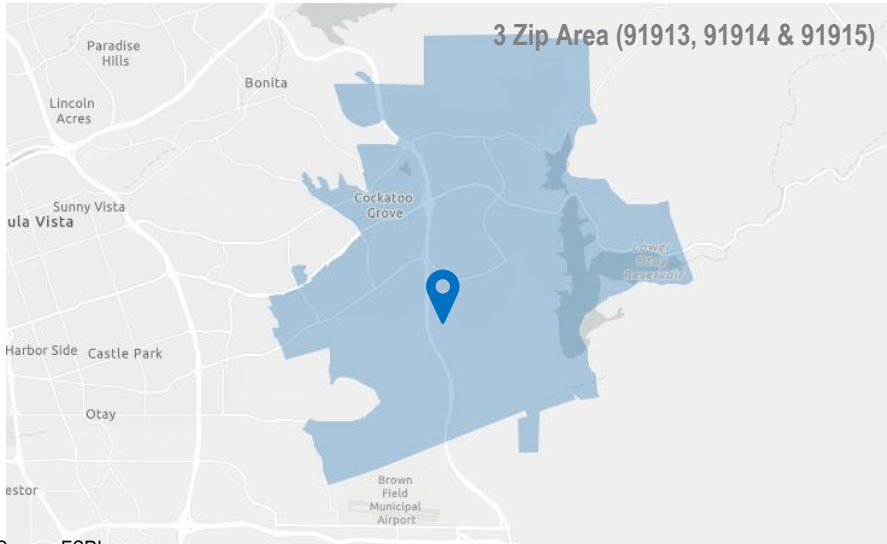
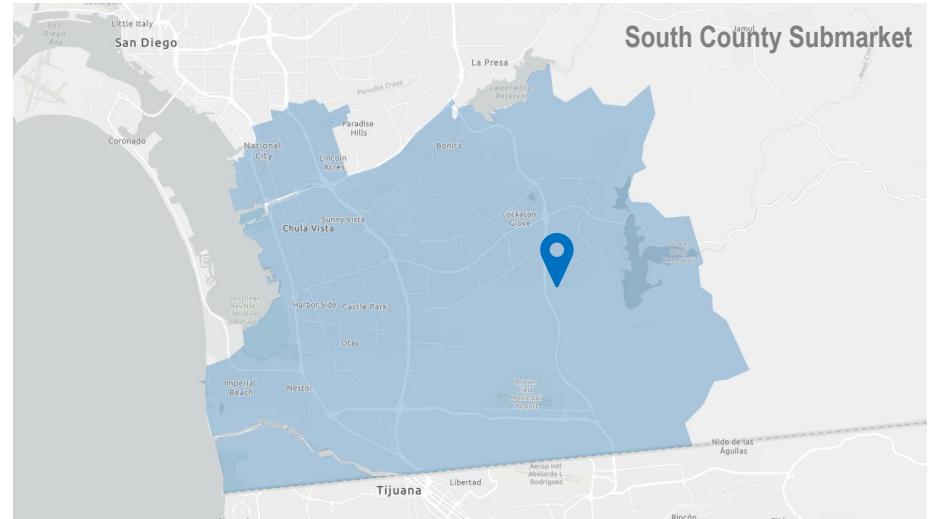
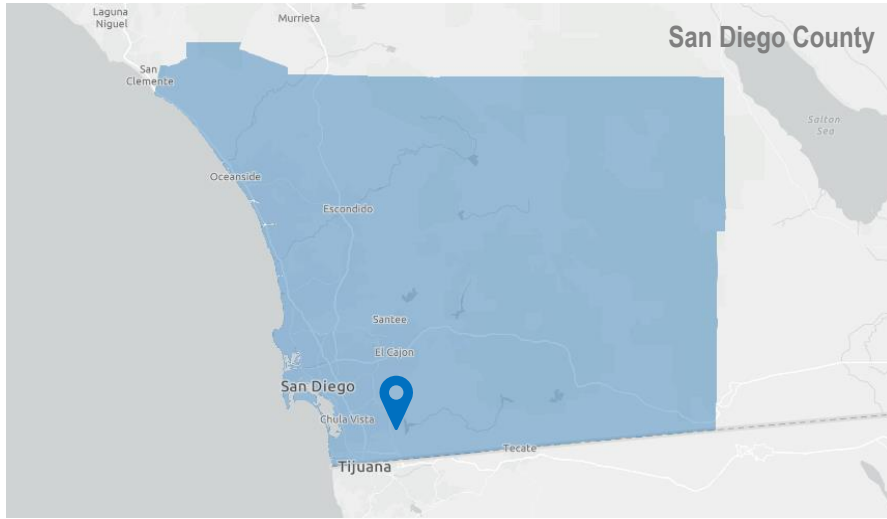
San Diego-Carlsbad, CA Metropolitan Statistical Area - Ten Year History											Moody's Analytics Five-Year Forecast				
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020F	2021F	2022F	2023F	2024F
Total Households	1,090,775	1,103,050	1,118,200	1,132,475	1,147,094	1,154,313	1,162,820	1,163,527	1,165,186	1,169,914	1,180,532	1,181,565	1,189,409	1,200,540	1,212,187
Prior Year Change	4,722	12,275	15,150	14,275	14,619	7,219	8,507	708	1,658	4,728	10,618	1,033	7,844	11,131	11,647
Annual % Change	0.4%	1.1%	1.4%	1.3%	1.3%	0.6%	0.7%	0.1%	0.1%	0.4%	0.9%	0.1%	0.7%	0.9%	1.0%



# DEMOGRAPHIC COMPARISON MAP

Economic & Demographic Overview

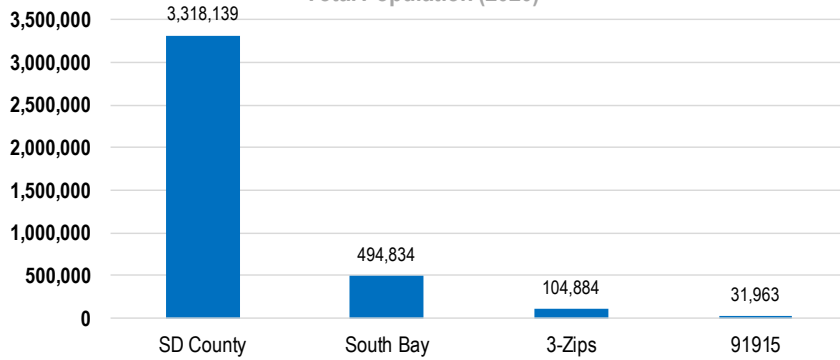
The next series of pages compare demographic trends across four geographic areas – the San Diego MSA/County, the South County Submarket, the three zip codes surrounding the property and the Millenia zip code.



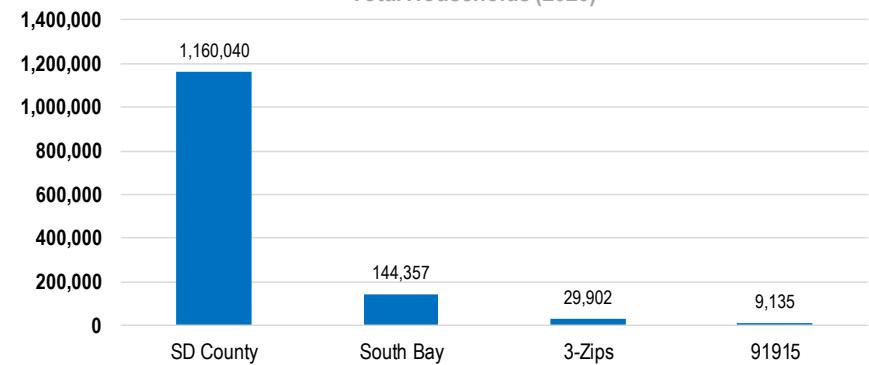
Source: ESRI

The subject zip code is home to slightly younger and larger households relative to San Diego County as a whole. Given relatively affordable homes nearby and good schools, the slightly younger demographic is to be expected. The product programs focus on homes from 1,182 square feet to 2,522 square feet that can accommodate a variety of household types (singles, couples and families). The elevator serviced homes within Pinnacle also expand the potential target market to include pre-retirees/retirees.

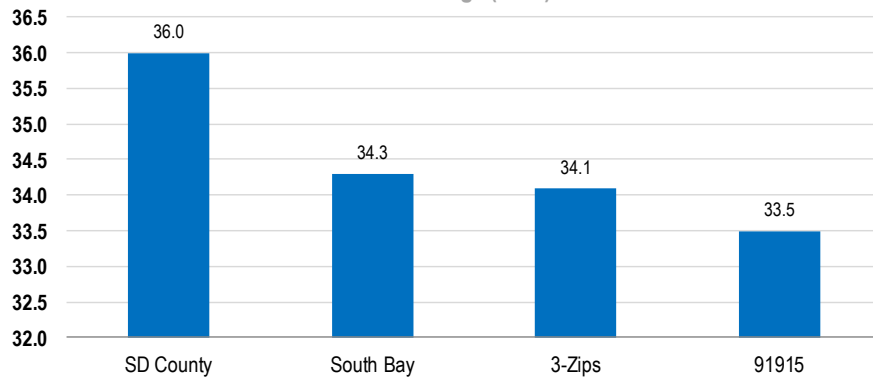
### Total Population (2020)



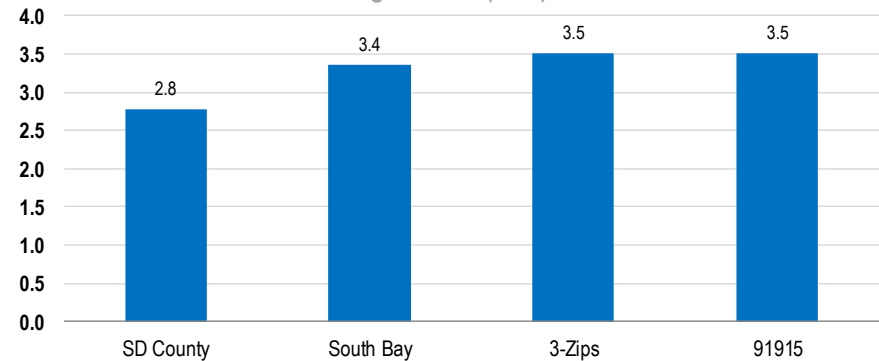
### Total Households (2020)



### Median Age (2019)



### Avg. HH. Size (2019)



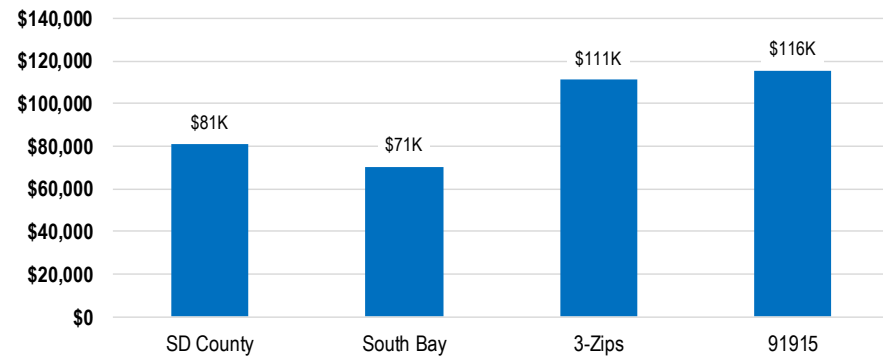
Source: ESRI

# SUBJECT NEIGHBORHOOD HAS HIGHEST HOUSEHOLD INCOME AND NET WORTH

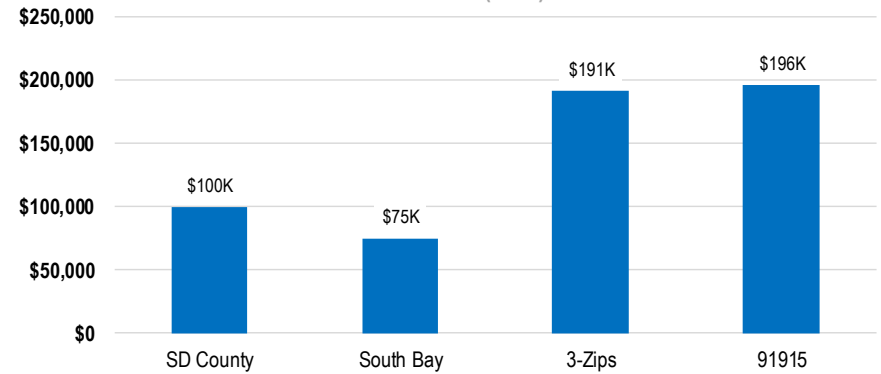
Economic & Demographic Overview

Educational Attainment, While Collar Employment, Household Income and Net Worth are all higher in the subject zip than the county overall and the South County Submarket – underscoring the desirable nature of the community. With an average household income above \$116K and average net worth above \$195K, the area surrounding the subject property is home to some of the wealthiest households in the South County Submarket.

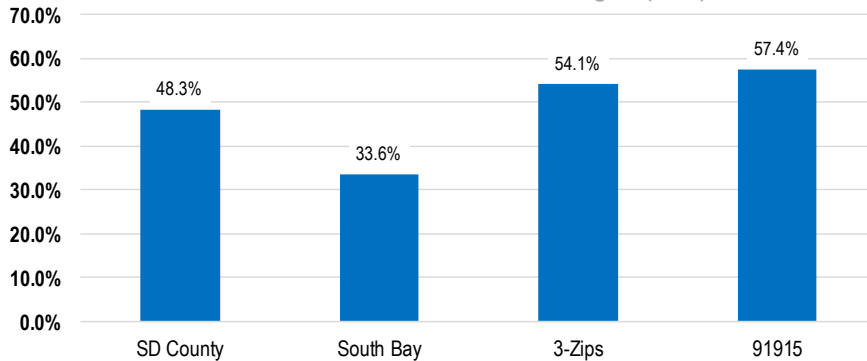
HH. Income (2020)



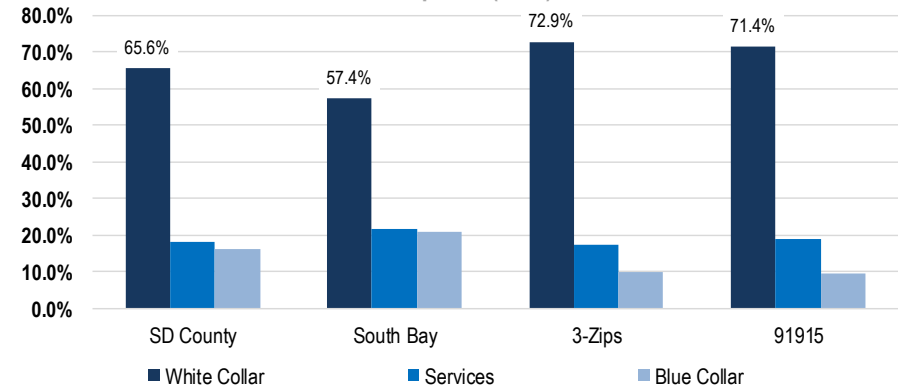
Net Worth (2020)



Educational Attainment - Bachelor's or Higher (2019)



Occupation (2020)

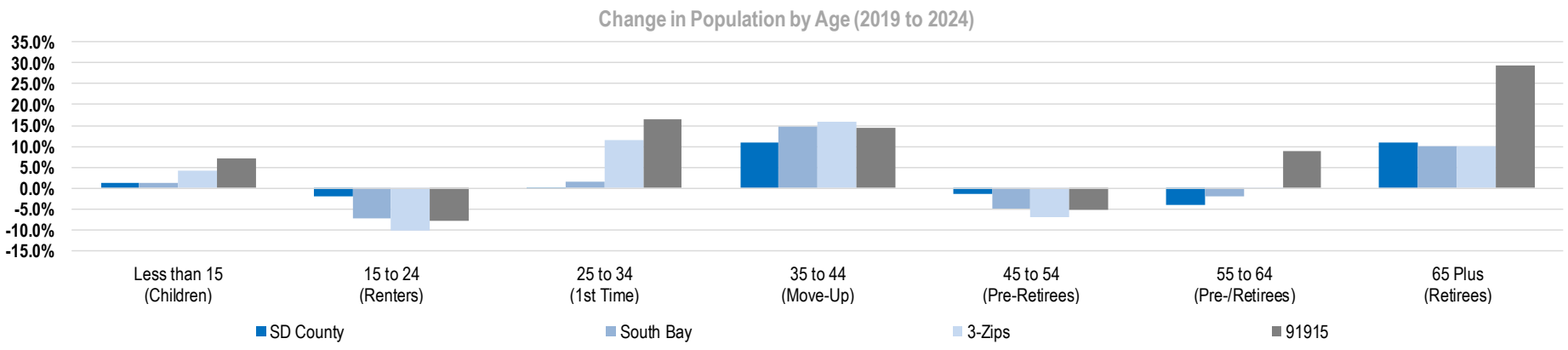
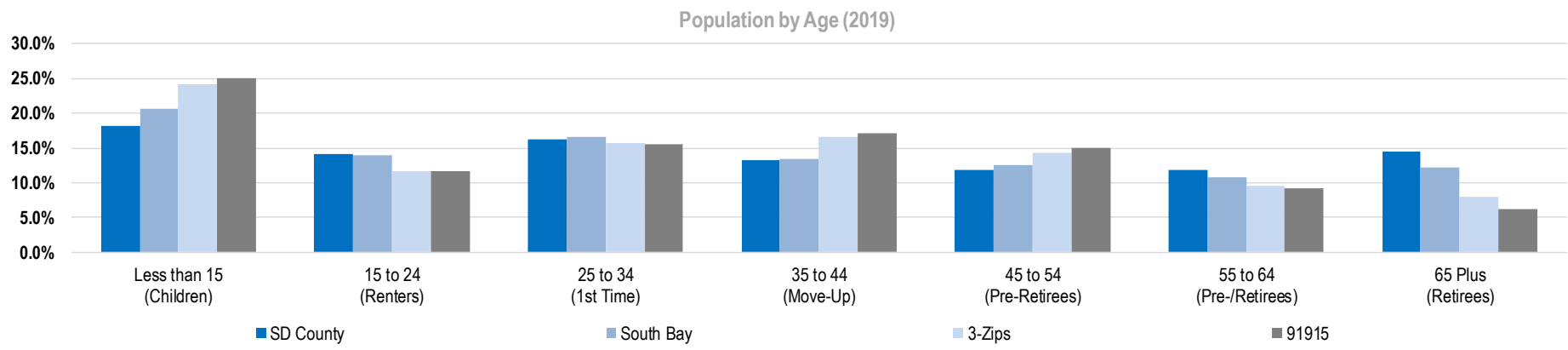


Source: ESRI

# POPULATION BY AGE – CURRENT AND PROJECTED GROWTH

Economic & Demographic Overview

Population segmentation illustrates a concentration of family households. The population under 15 years of age accounts for approximately 25% of the total in the immediate area (subject zip code and 3-zip code areas). Retirees currently account for the smallest portion of the population, but the retiree cohort is expected to experience the highest percentage growth over the next five years (growing by nearly 30% over the next five years). The next biggest growth segments will be in the 25 to 34 and 35 to 44 cohorts – the primary target buyers for multi-story product Millenia.

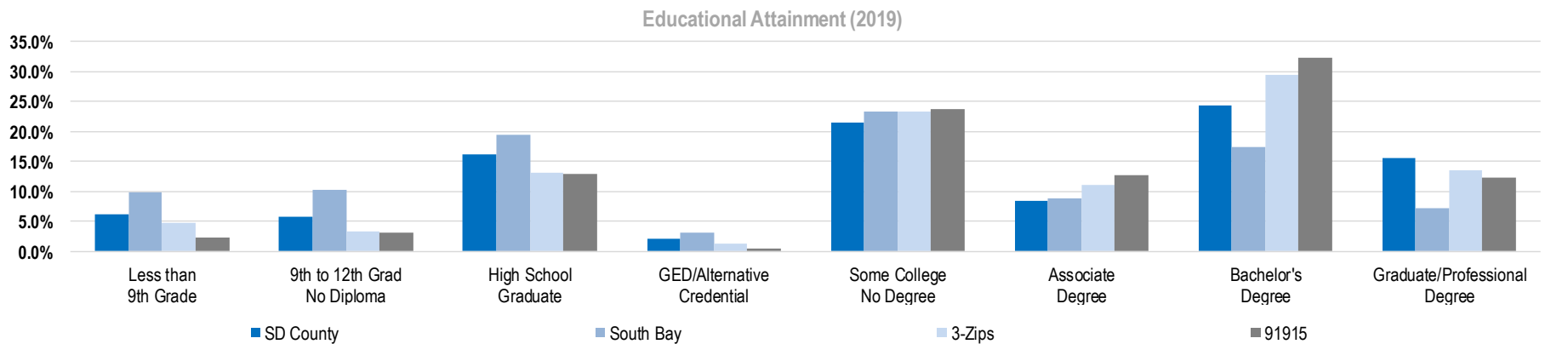
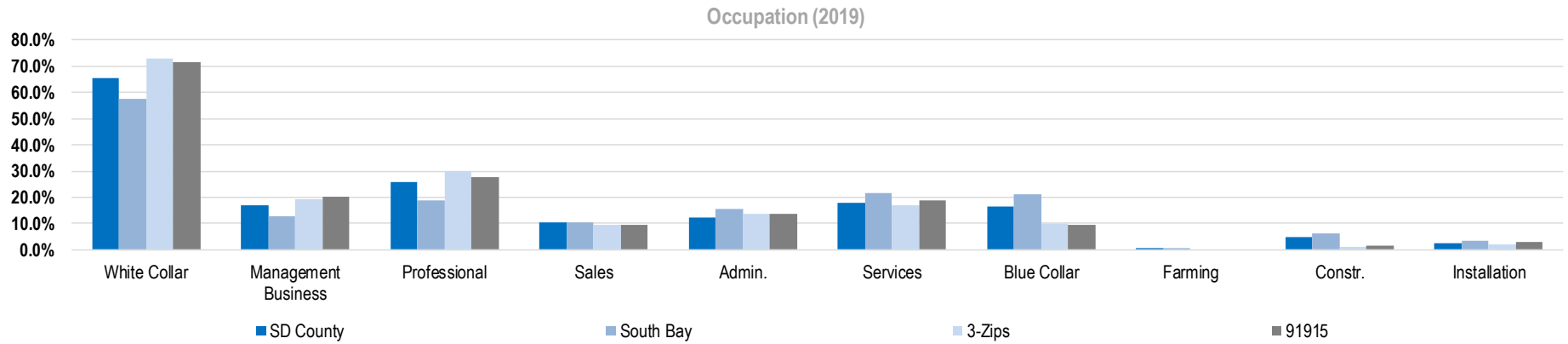


Source: ESRI

# EDUCATIONAL ATTAINMENT AND OCCUPATION

Economic & Demographic Overview

The area surrounding Millenia has a higher concentration of college educated residents than the South County Submarket overall. The result is a higher concentration of residents employed in white collar/professional occupations and lower percentage of blue-collar workers. The desirable nature of the area will attract a broad cross section of the community and while the target buyers largely will work in white collar/professional occupations, active communities are also likely to attract higher earning blue-collar workers as well.

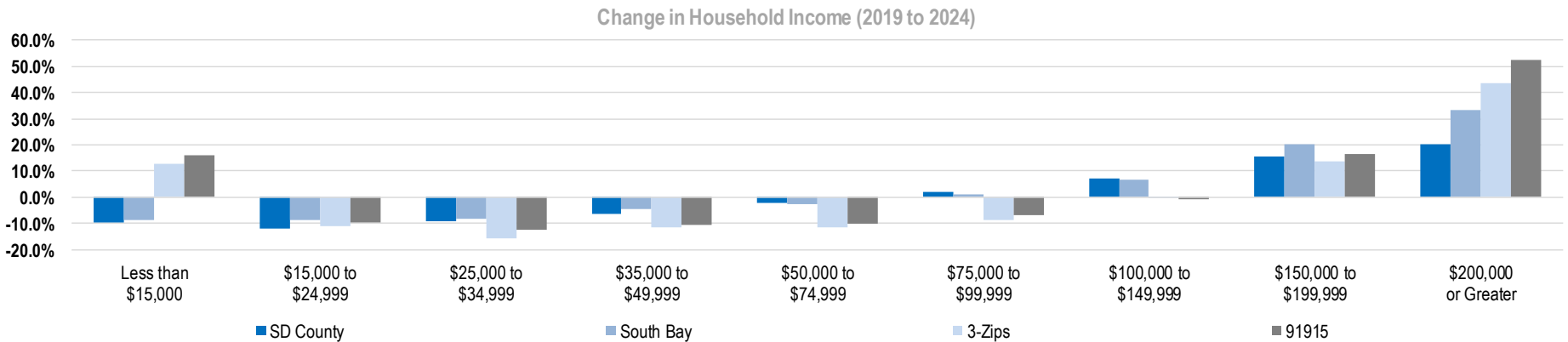
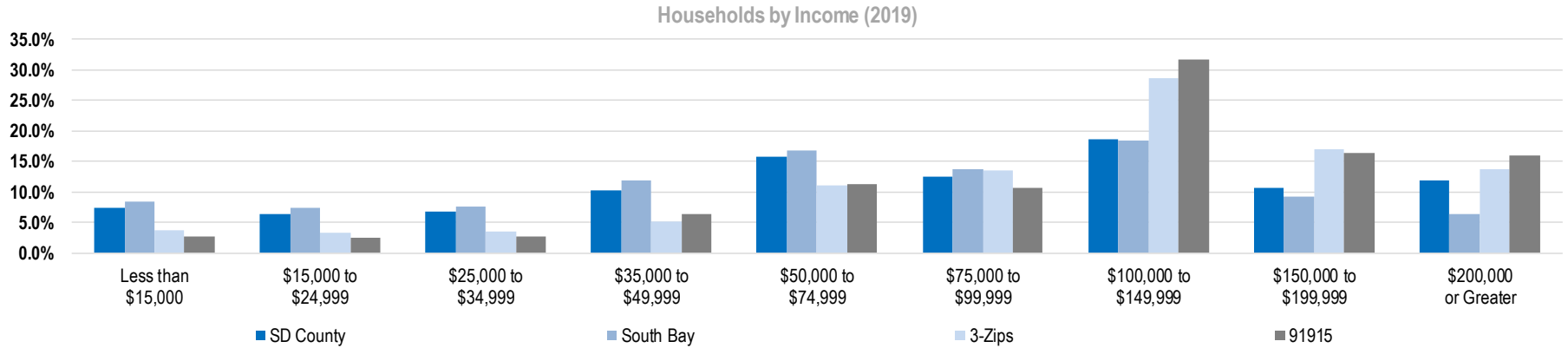


Source: ESRI

# HOUSEHOLD INCOME DISTRIBUTION – CURRENT AND PROJECTED

Economic & Demographic Overview

South County household income is expected to rise in all income segments above \$100,000 over the next four years. Income growth in the highest income bracket (over \$200,000 per year) is expected to be strongest in Millenia’s zip code (91915). Rising household incomes point to continued demand for new housing.



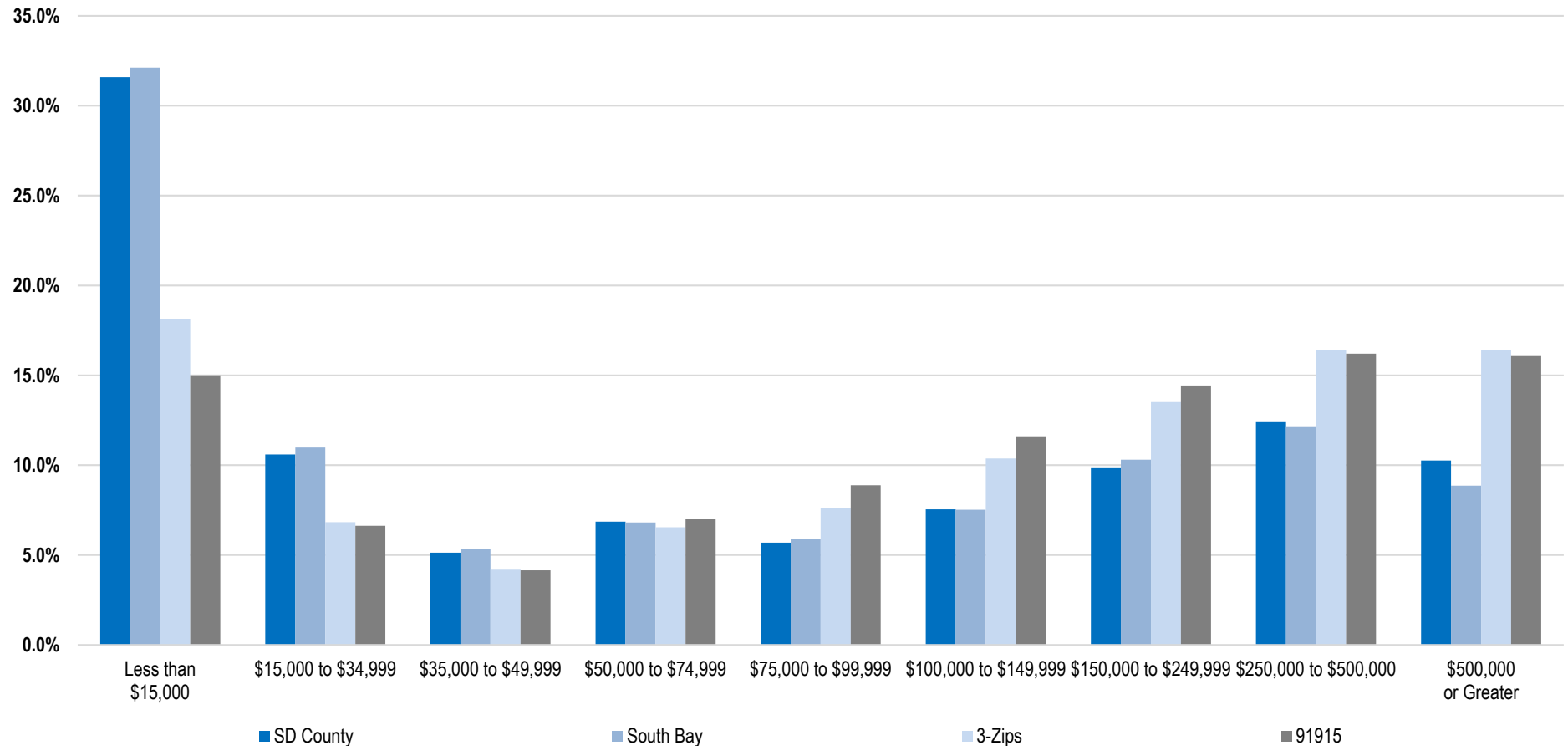
Source: ESRI

# HOUSEHOLDS BY NET WORTH

Economic & Demographic Overview

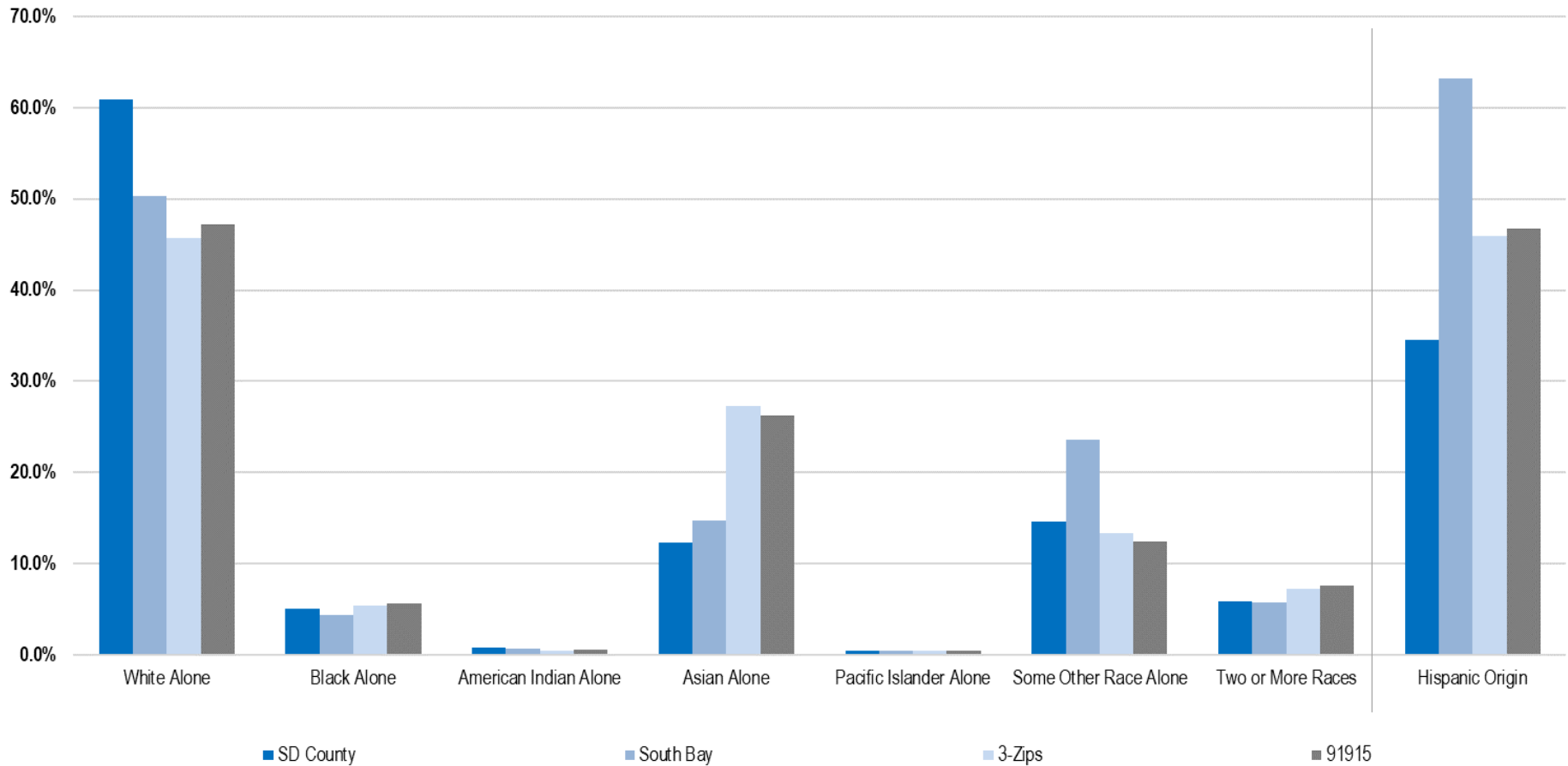
Although the South County Submarket typically lags San Diego County in high net-worth households, the area surrounding Millenia typically has greater household wealth when compared to the county. Higher net worth suggests that local buyers will have funds available for down payments and accentuates the desirability of communities within eastern Chula Vista.

### Households by Net Worth (2019)



Chula Vista and the neighborhood surrounding the subject property largely mirror the ethnic diversity of San Diego County. The chart below highlights population by race for San Diego County and our defined comparison areas. The percentages on this chart exceed 100% because Hispanic origin can be viewed as the heritage, nationality, lineage, or country of birth of the person or the person's parents or ancestors before arriving in the United States. People who identify as Hispanic, Latino, or Spanish may be any race.

Population by Race/Ethnicity (2024)





# Housing Market Overview

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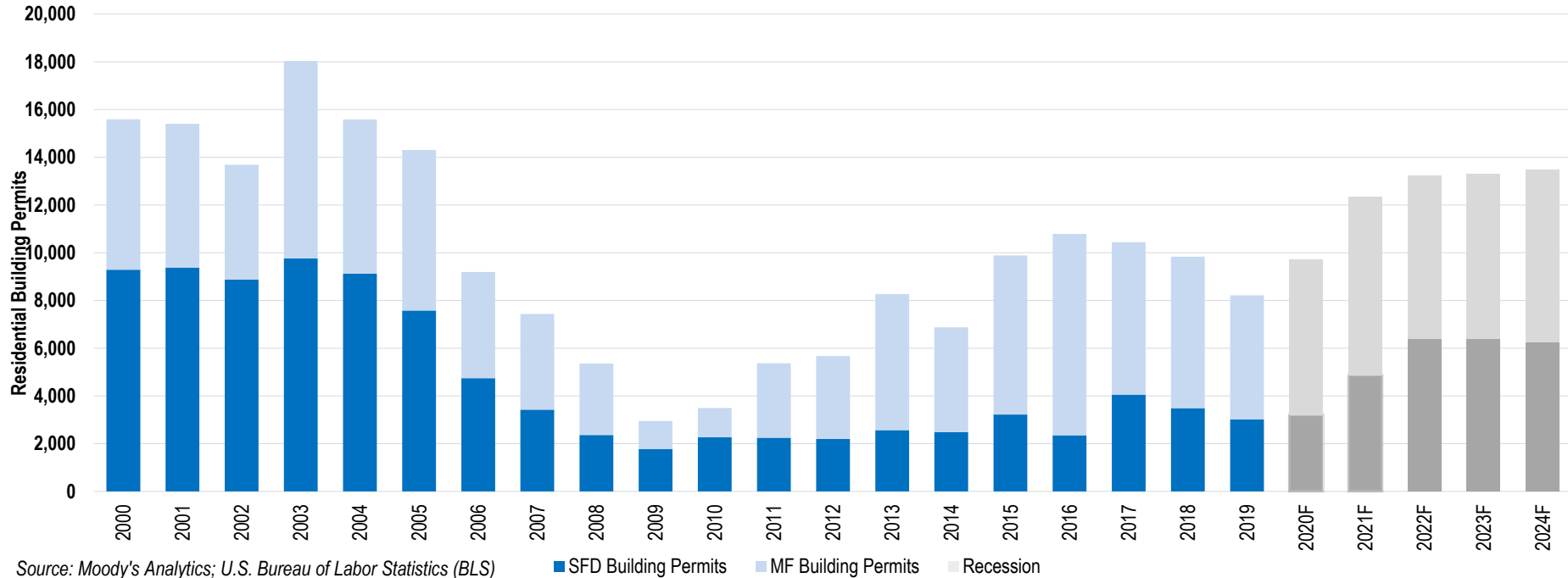
Chula Vista CFD 16-I (Millenia 1A No. 2)

# RESIDENTIAL BUILDING PERMITS – SAN DIEGO COUNTY

Economic & Demographic Overview

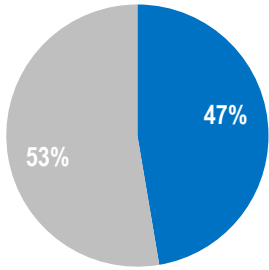


Single-family permit issuance in San Diego County has averaged 7,883 units per year from 2010 to 2019. The projected total for 2020 is +/-9,700 units with both multi-family permit counts and single-family permit counts anticipated to increase over 2019. While Moody's Analytics is forecasting another jump in permits in 2021, we expect that this may be optimistic. Not due to demand side issues, but due to supply side constraints. We have heard that some builders have pulled some of their planned 2021 closings into 2020 to keep up with demand and not all have lot inventory to replenish their supply chain in 2021.

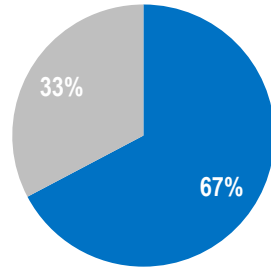


	San Diego, CA County - Ten Year History										Moody's Analytics Five-Year Forecast				
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020F	2021F	2022F	2023F	2024F
Total Building Permits	3,494	5,370	5,666	8,264	6,875	9,883	10,791	10,441	9,834	8,216	9,735	12,350	13,249	13,294	13,457
Annual % Change	18.6%	53.7%	5.5%	45.9%	-16.8%	43.8%	9.2%	-3.2%	-5.8%	-16.5%	18.5%	26.9%	7.3%	0.3%	1.2%
SFD Building Permits	2,270	2,245	2,197	2,565	2,487	3,222	2,351	4,056	3,489	3,019	3,207	4,869	6,406	6,389	6,242
Annual % Change	27.7%	-1.1%	-2.1%	16.8%	-3.0%	29.6%	-27.0%	72.5%	-14.0%	-13.5%	6.2%	51.8%	31.6%	-0.3%	-2.3%
MF Building Permits	1,224	3,125	3,469	5,699	4,388	6,661	8,440	6,385	6,345	5,197	6,528	7,481	6,844	6,905	7,215
Annual % Change	4.8%	155.3%	11.0%	64.3%	-23.0%	51.8%	26.7%	-24.3%	-0.6%	-18.1%	25.6%	14.6%	-8.5%	0.9%	4.5%

### New Home Closings by Type 15 Year Total



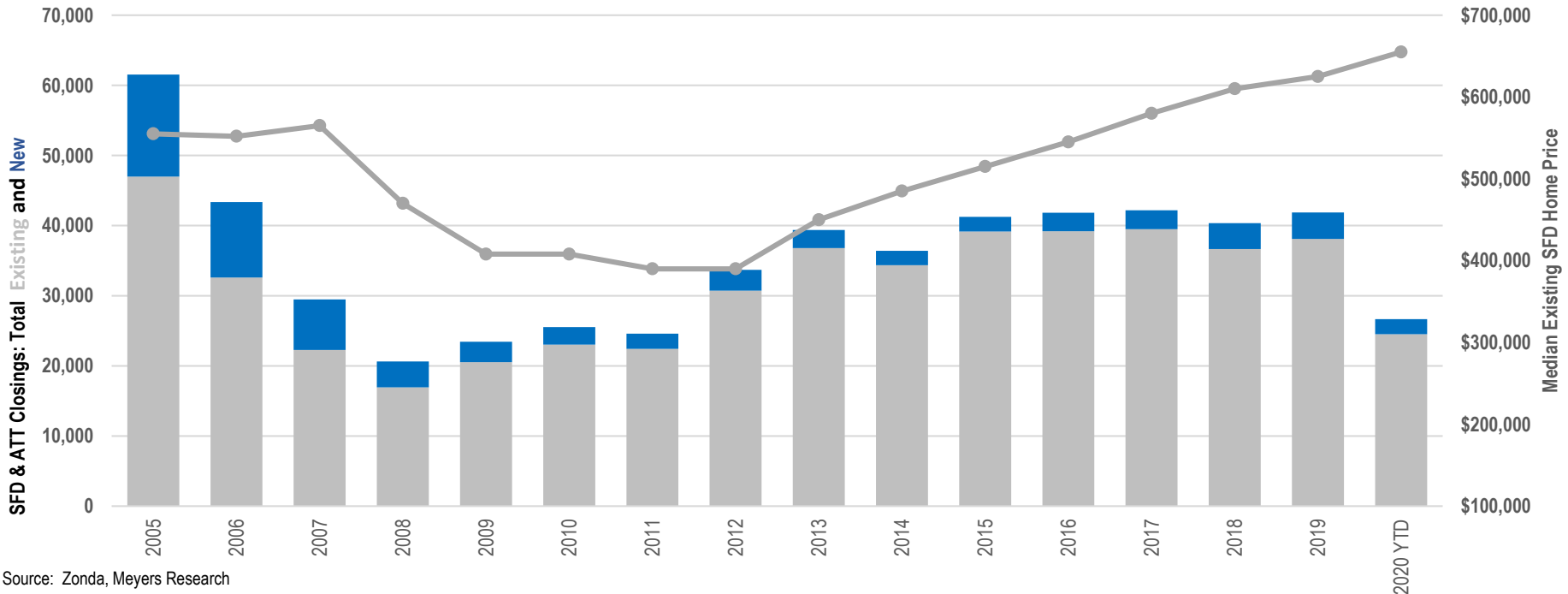
### Existing Home Closings by Type 15 Year Total



- ✓ New and existing home closings (attached and detached) in San Diego County have danced around the 40,000-unit mark over the past six years. This activity remains far below previous market highs (~61,500 units in 2005) but slightly above the 15-year average of 36,367 units.
- ✓ Limited land supply and increasing prices have created a need for a greater amount of attached new home building – to generate greater levels of affordable housing. Over the past 15 years, 53% of San Diego County new home closings have been attached.
- ✓ The existing housing market in contrast is comprised of approximately 1/3 attached units and 2/3rds detached homes.

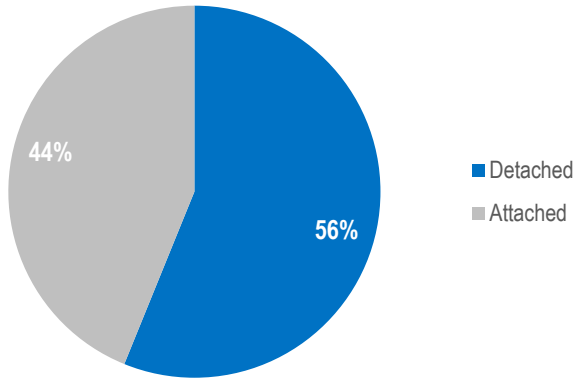
■ Detached ■ Attached

■ Detached ■ Attached

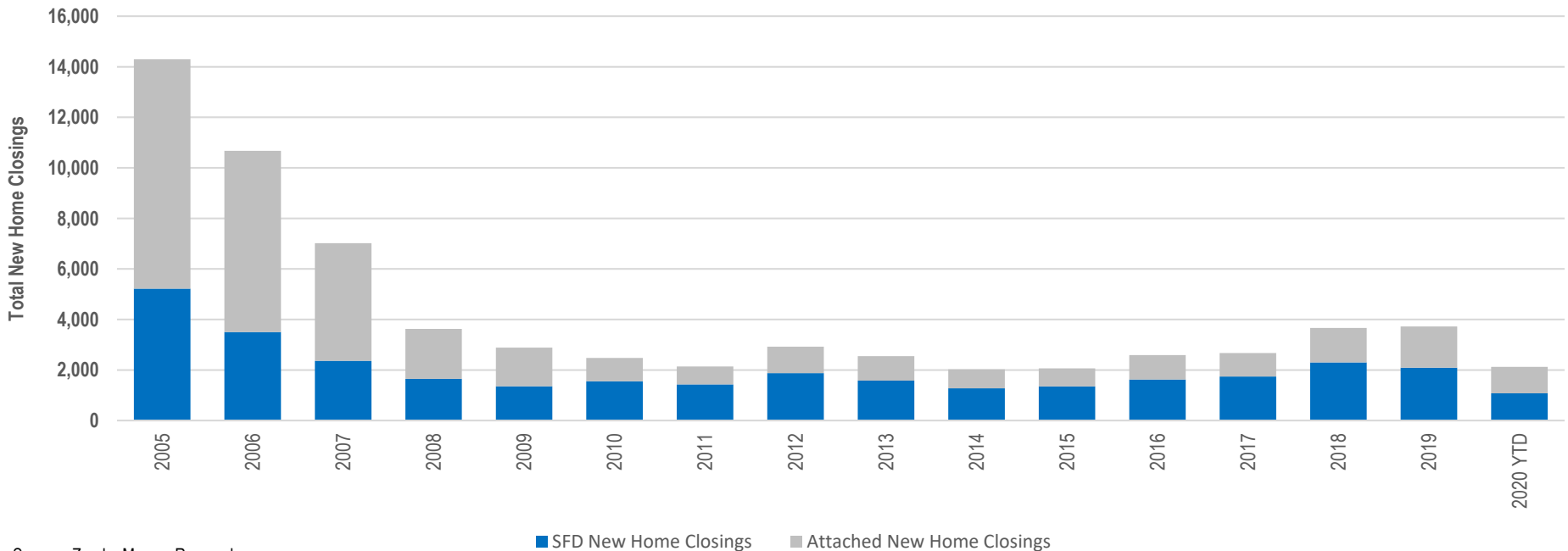


Source: Zonda, Meyers Research

New Home Closings by Type  
2019



- ✓ New home closings in San Diego are a fraction of their previous market highs. Despite increasing demand, land supply is constrained throughout the region and supply has typically remained below demand levels over the past six years.
- ✓ There were 3,756 new home closings in San Diego County in 2019 – up a modest 73 units from 2018.
- ✓ Year-to-date closings presented on the chart below represents data through August 2020. Year-to-date closings are approximately 300 units under the level established at this time in 2019. The market contraction at the beginning of 2020 (due to the pandemic) is counterbalanced with higher demand through the summer and it is likely that 2020 will end at a similar level of 2018 and 2019.

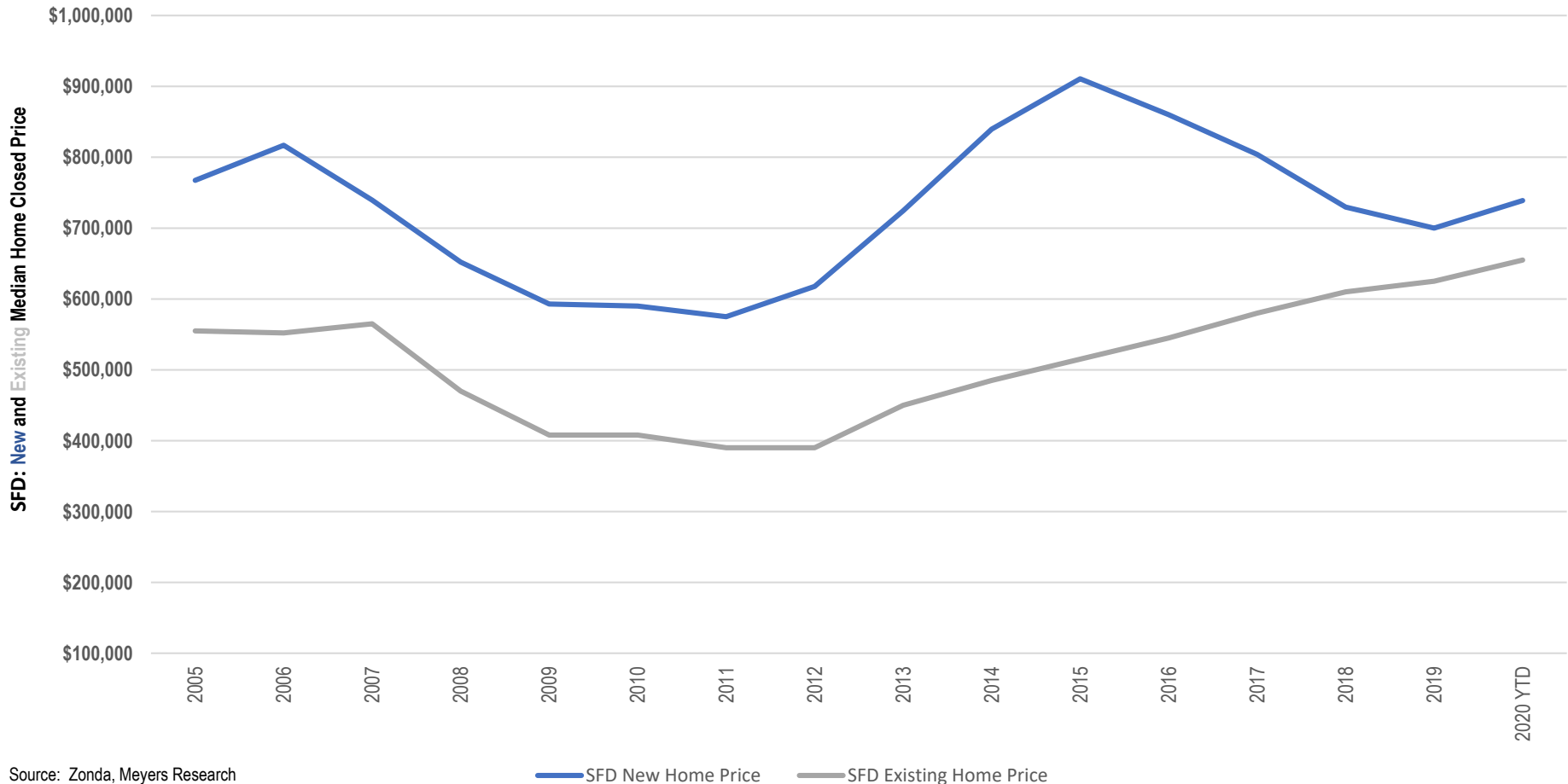


Source: Zonda, Meyers Research

# SAN DIEGO COUNTY: NEW AND EXISTING PRICING TRENDS (SFD – CLOSED SALES)

Housing Market Overview

- ✓ While New home pricing exceeded previous market highs in 2015, median new home pricing has moderated in recent years. The shift is not a result of declining values, but the composition and location of new home sales within the County. In 2014 and 2015 detached new home sales were concentrated in Coastal markets. Recent closings are more likely to be in more affordable areas such as North County, East County and South County.
- ✓ Current new detached median pricing is just under \$740,000 for a new home with the previous market high of \$910,750 in 2015.
- ✓ With limited new home inventory and high demand levels, we know that new home prices are rising. The existing home market has crossed previous market highs (currently ~\$655,000) and is more reflective of the broader market.



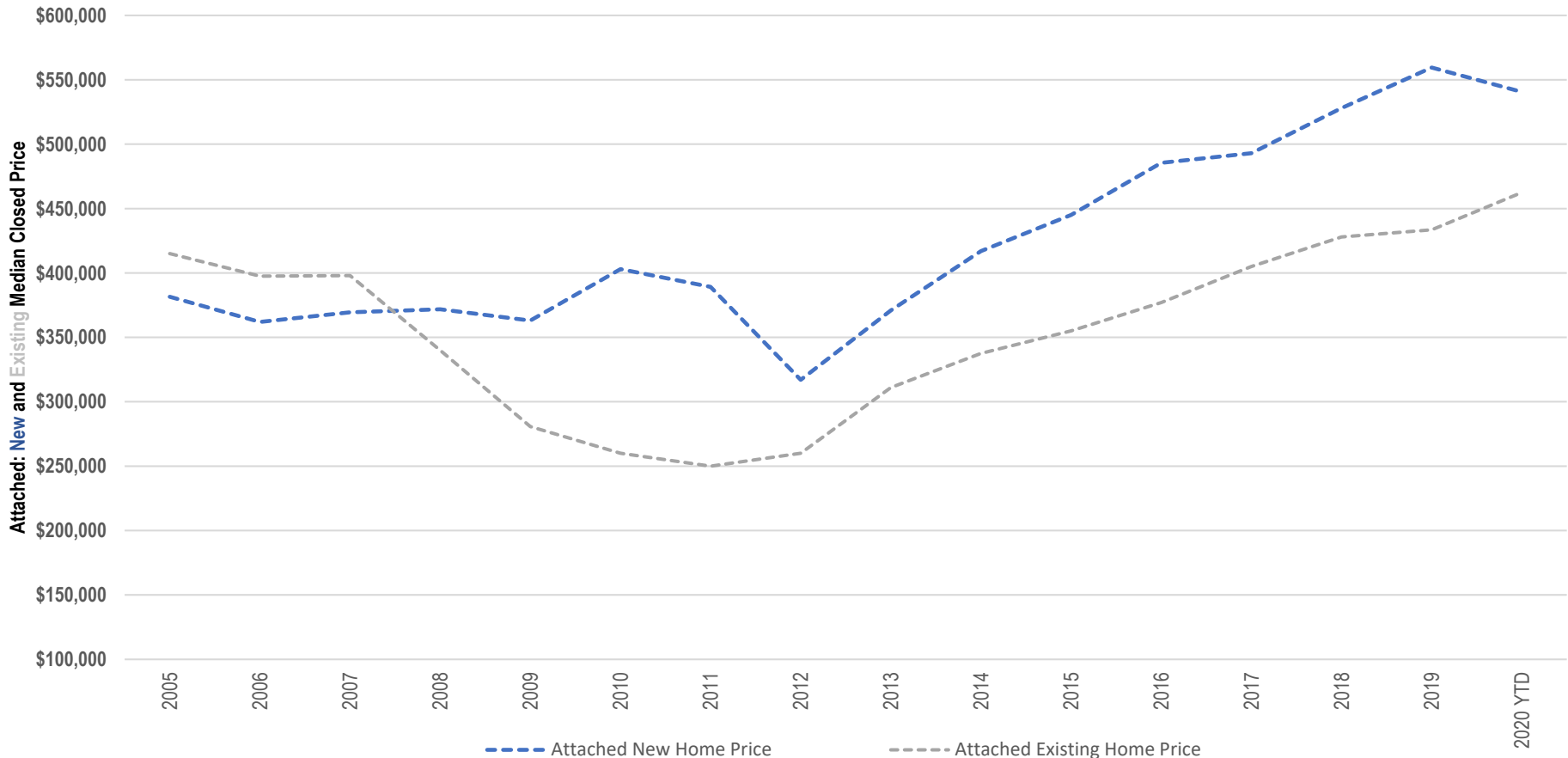
Source: Zonda, Meyers Research

# SAN DIEGO COUNTY: NEW AND EXISTING PRICING TRENDS (ATTACHED – CLOSED SALES)

Housing Market Overview



- ✓ Attached home prices have been on a steady rise since 2012 in San Diego County. Both the new home and existing home median price exceed previous market highs.
- ✓ Like the detached new home market – prices in the attached new home market have tapered recently. However, the attached market dip is likely a result of incomplete data. Data for partial years tends to fluctuate based on the smaller sample sizes. New attached median home prices on a monthly basis have exceeded \$565,000 in half the year-to-date data set. It is likely that once all data is tabulated that this number meets or exceeds 2019's \$559,500.
- ✓ The median San Diego County attached existing home recorded in 2019 was \$433,500 – well above the \$415,000 established in the last cycle (2005). Low interest rates and constrained supply are continuing to place inflationary pressure on pricing, and we anticipate that the median existing detached closing in 2020 will surpass \$450,000.

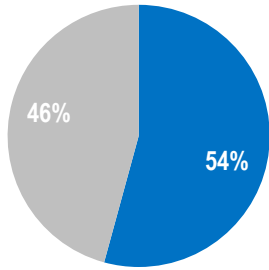


Source: Zonda, Meyers Research

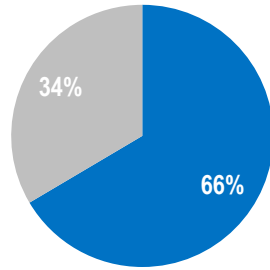
# CITY OF CHULA VISTA – TOTAL EXISTING AND NEW HOME CLOSINGS BY YEAR

Housing Market Overview

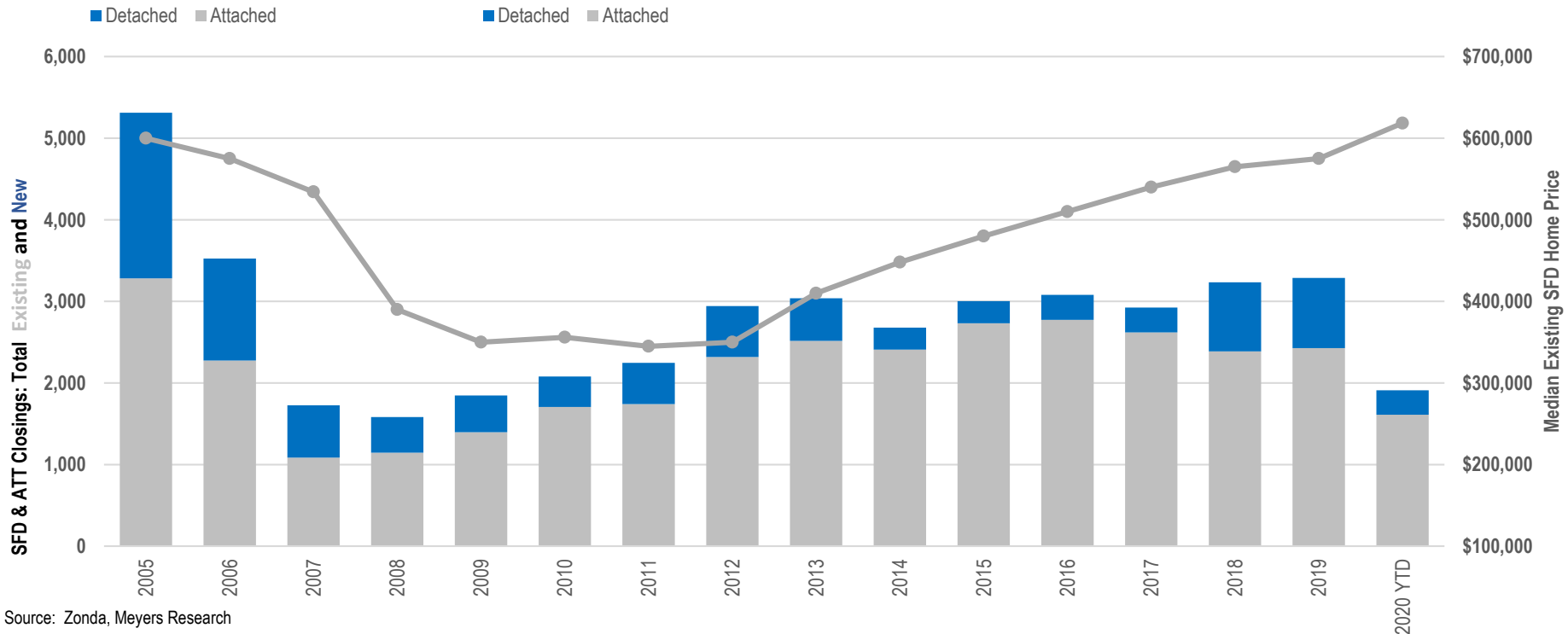
New Home Closings by Type  
15 Year Total



Existing Home Closings by Type  
15 Year Total

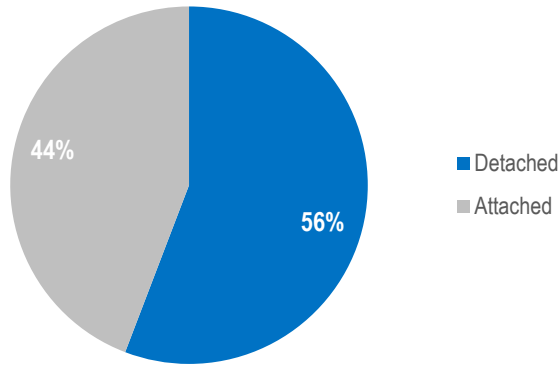


- ✓ The Chula Vista existing home market is largely a detached housing market, but new supply is almost equally weighted between attached and detached housing.
- ✓ The median existing home price has soared from \$345,000 in 2011 to \$575,000 in 2019 (a 66.7% increase).
- ✓ Overall market closing volume has hovered around the 3,000-unit mark for the past five years. Limited supply is likely to result in a small dip in 2020 despite increased demand during the pandemic.
- ✓ At its height, the Chula Vista market was closing 5,300 units. If additional new home supply is added to the market, we anticipate that new home closings could increase especially if new product is attainably priced.

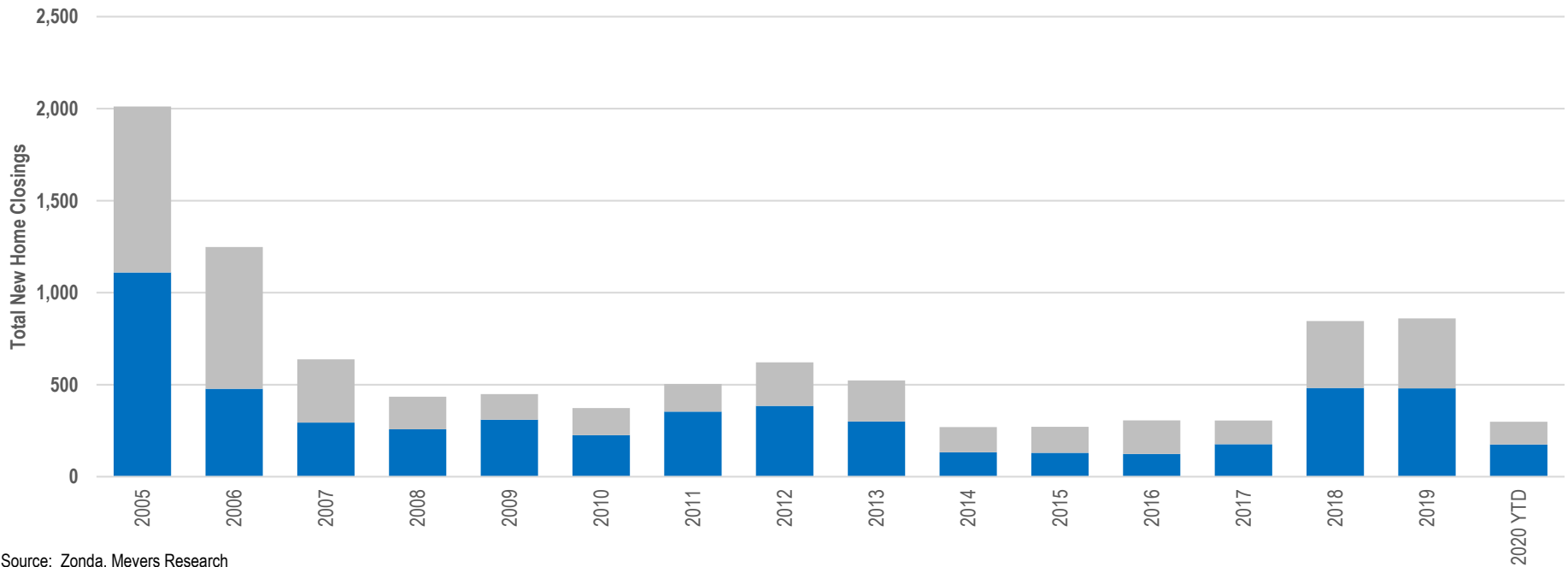


Source: Zonda, Meyers Research

New Home Closings by Type  
2019



- ✓ At its high, the Chula Vista new home market garnered 38% of total housing closings (existing and new - 2015). At its lowest point, the new home market account for just 9% of total closings (2015). The 15-year average is 22%.
- ✓ New home closings in 2018 and 2019 were the best in recent memory. But declining inventory is holding back market potential.
- ✓ Year to date new home closings (300 attached and detached units) is well below the 577 units recorded over the same period in 2019.
- ✓ Chula Vista new home closings in 2020 will likely fall short of 2019 levels but remain above levels recorded in 2014 through 2017.



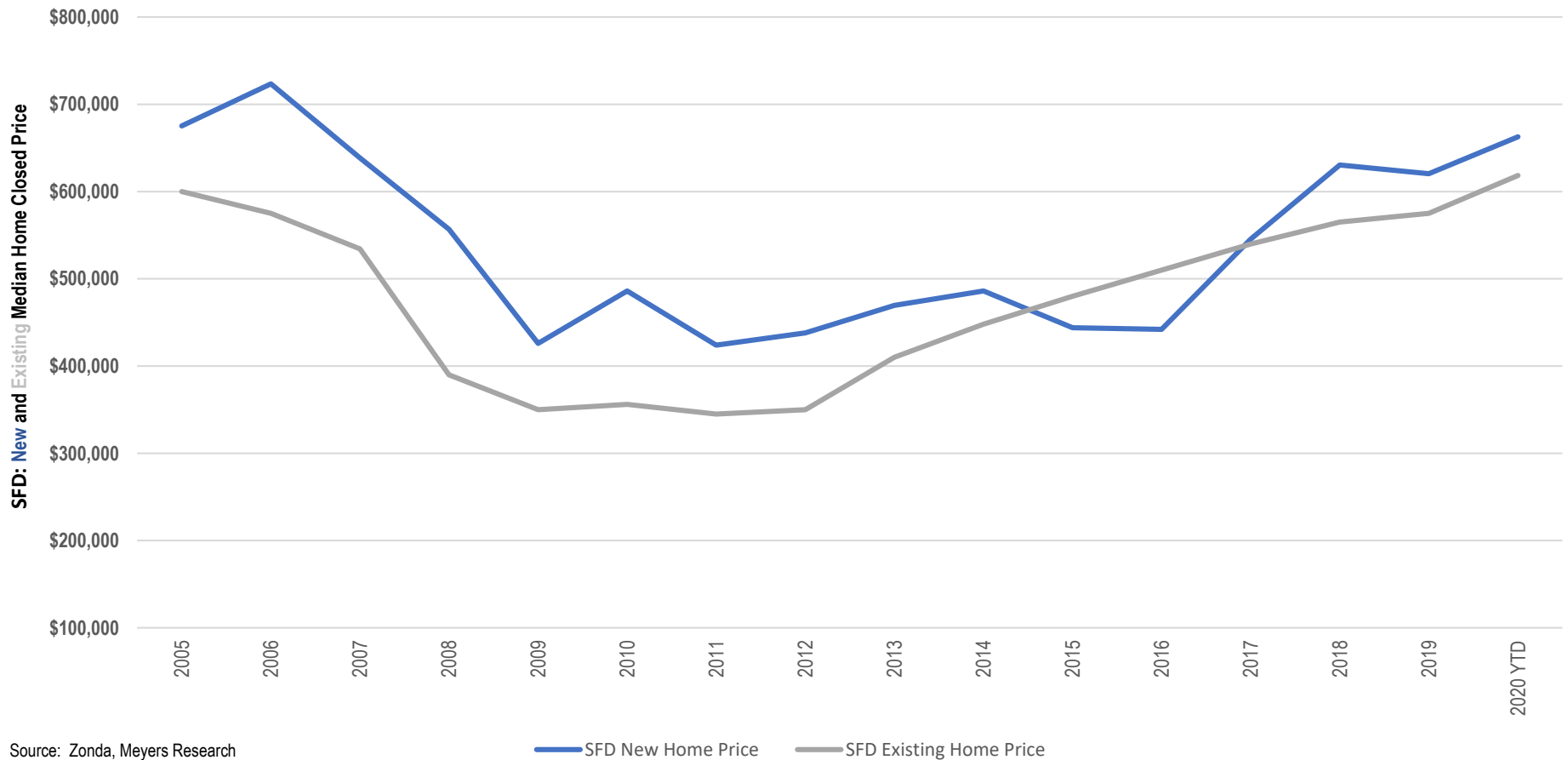
Source: Zonda, Meyers Research



# CITY OF CHULA VISTA: NEW AND EXISTING PRICING (SFD – CLOSED SALES)

## Housing Market Overview

- ✓ As the Chula Vista housing market is maturing, it is shifting from larger lots to higher density detached housing. Prior to 2006, new home options in the Chula Vista marketplace were typically on lots over 5,000 square feet. The bulk of new home product is now on lots smaller than 5,000 square feet. The resulting more affordable price points are keeping median detached new home values below previous market highs.
- ✓ The Chula Vista existing home market provides the largest and most consistent sample size and therefore is the most reflective of overall market performance. Based on year-to-date data, Chula Vista's existing market is expected to surpass the previous market high established in 2006. Year to date, the median Chula Vista existing detached closing is just over \$618,000 exceeding the previous high of \$600,000 in 2005.

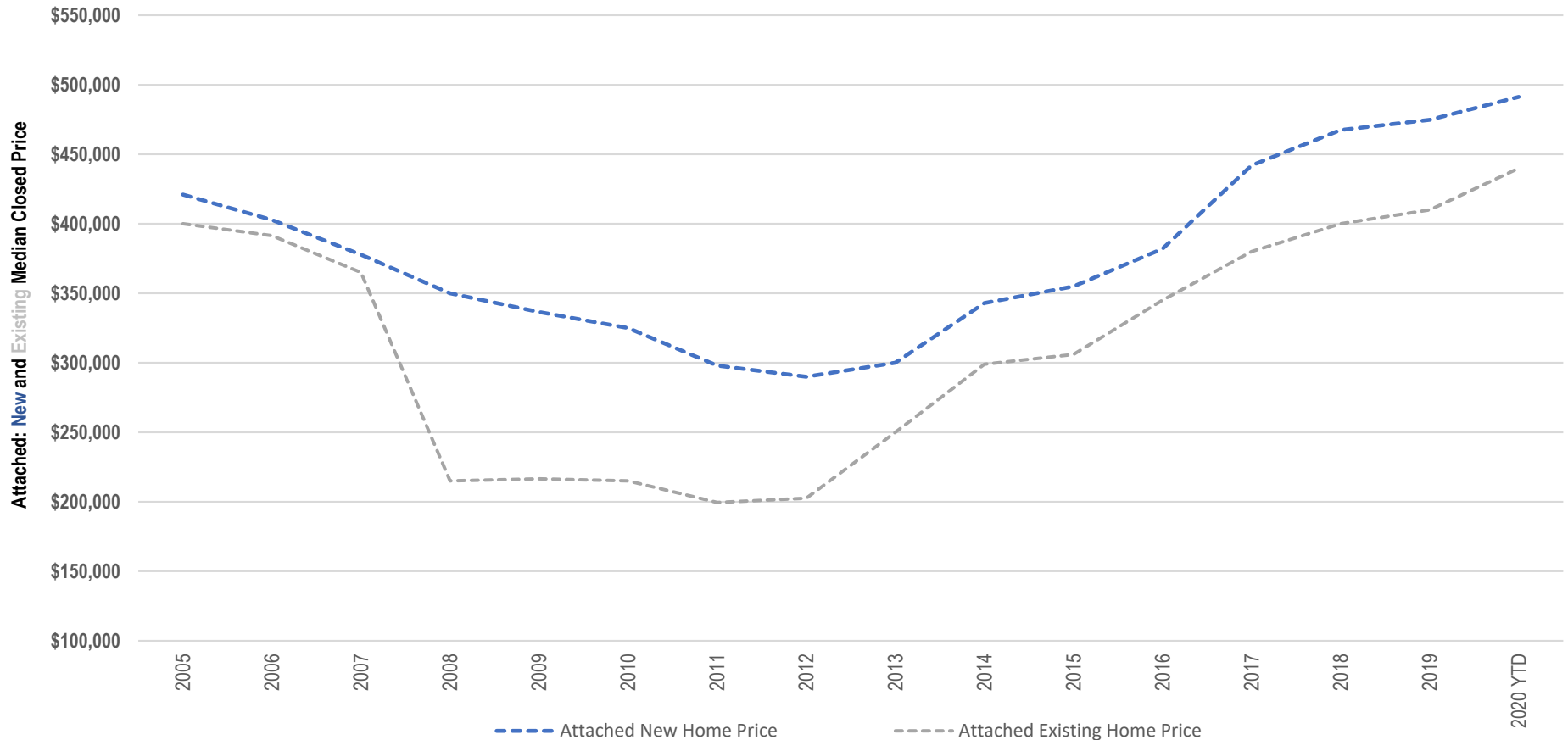


Source: Zonda, Meyers Research

# CITY OF CHULA VISTA: NEW AND EXISTING PRICING (ATTACHED – CLOSED SALES)

## Housing Market Overview

- ✓ The attached existing home market and new home market have largely trended in tandem.
- ✓ The attached new home market held their values slightly better than the existing home market during the recession.
- ✓ The new home market increased 63.7% from a median price of \$290,000 in 2012 to \$474,750.
- ✓ Year to date, the Chula Vista existing attached closing is \$440,000, up \$30,000 from 2019. The monthly median existing home price has been rising consistently since January. Climbing from \$415,000 in January to \$444,000 in July. The consist gains suggest that 2020 will easily surpass 2019.



Source: Zonda, Meyers Research

# SAN DIEGO COUNTY, SOUTH COUNTY AND CHULA VISTA PERMIT/SALES HISTORY

## Housing Market Overview



Year	SAN DIEGO COUNTY					CHULA VISTA		SOUTH COUNTY	
	Building Permits (1)			New Home Sales (2)		Building Permits	% of County	New Sales (2)	
	SF	MF	TOTAL	TOTAL	Ratio of Sales to Permits			TOTAL	% of County
1980	6,254	6,913	13,167			407	3%		
1981	3,915	5,083	8,998			77	1%		
1982	3,735	3,818	7,553			192	3%		
1983	11,052	9,729	20,781			483	2%		
1984	12,318	20,862	33,180			1,200	4%		
1985	12,890	25,349	38,239			988	3%		
1986	16,585	27,545	44,130			2,076	5%		
1987	15,466	15,143	30,609	14,253	47%	1,028	3%	2,124	15%
1988	14,749	13,803	28,552	14,897	52%	1,370	5%	1,387	9%
1989	10,856	7,854	18,710	10,425	56%	1,680	9%	952	9%
1990	6,652	9,080	15,732	6,842	43%	665	4%	681	10%
1991	5,365	2,526	7,891	6,817	86%	811	10%	677	10%
1992	3,812	2,259	6,071	5,805	96%	560	9%	648	11%
1993	4,229	1,521	5,750	5,397	94%	440	8%	621	12%
1994	5,236	1,707	6,943	6,013	87%	1,164	17%	838	14%
1995	4,765	1,868	6,633	5,482	83%	672	10%	840	15%
1996	5,831	1,017	6,848	6,064	89%	948	14%	891	15%
1997	8,236	2,903	11,139	8,275	74%	1,050	9%	1,127	14%
1998	9,012	2,879	11,891	8,413	71%	1,346	11%	1,655	20%
1999	10,070	6,225	16,295	8,307	51%	2,561	16%	1,999	24%
2000	9,287	6,305	15,592	10,824	69%	2,639	17%	2,779	26%
2001	9,377	6,028	15,405	9,417	61%	3,613	23%	2,803	30%
2002	8,880	4,804	13,684	11,957	87%	2,250	16%	2,890	24%
2003	9,758	8,273	18,031	13,242	73%	3,143	17%	3,347	25%
2004	9,122	6,465	15,587	15,505	99%	3,301	21%	3,965	26%
2005	7,576	6,730	14,306	13,517	94%	1,636	11%	2,188	16%
2006	4,743	4,448	9,191	9,477	103%	1,180	13%	1,562	16%
2007	3,422	4,013	7,435	6,359	86%	576	8%	1,078	17%
2008	2,361	2,996	5,357	2,775	52%	334	6%	538	19%
2009	1,778	1,168	2,946	2,755	94%	266	9%	567	21%
2010	2,270	1,224	3,494	2,277	65%	518	15%	343	15%
2011	2,245	3,125	5,370	2,041	38%	723	13%	553	27%
2012	2,197	3,469	5,666	2,785	49%	794	14%	620	22%
2013	2,565	5,699	8,264	2,340	28%	632	8%	441	19%
2014	2,487	4,388	6,875	1,939	28%	1,086	16%	299	15%
2015	3,222	6,661	9,883	2,441	25%	679	7%	490	20%
2016	2,351	8,440	10,791	2,323	22%	1,175	11%	640	28%
2017	4,058	6,357	10,415	3,132	30%	1,017	10%	965	31%
2018	3,510	6,278	9,788	3,664	37%	1,751	18%	1,366	37%
2019	3,023	5,059	8,082	3,724	46%	839	10%	1,154	31%
2020YTD	2,200	4,200	6,400	3,413	53%	457	7%	536	16%
Minimum	1,778	1,017	2,946	1,939	22%	77	1%	299	9%
Maximum	16,585	27,545	44,130	15,505	103%	3,613	23%	3,965	37%
Average	6,632	6,750	13,382	6,954	64%	1,197	10%	1,304	19%
Median	5,301	5,391	10,149	6,064	65%	1,003	10%	952	19%

From 1987 to 2019, the South County market had a total of 43,028 new home sales, or an average of ~1,300 new home sales per year (+/-900 SFD and 400 MF). Sales averaged over 2,800 units per year at the peak of the market from 1999 through 2005.

Since 1987, the South County submarket averaged 19% of total County new home sales and peaked at 37% in 2018. With a lack of product being developed in recent years, the South County market has only been delivering an average of +/-925 new sales per year in the past 5 years. Recent sales trends tend to be up and down based on the amount of inventory in the marketplace. The number of active projects within San Diego County and the South County Submarket have been on the decline in recent years. For 2019, sales activity slowed to 1,154 sales in the South County, but still comprised 31% of overall county sales – tied for the second highest capture rate over the past decade despite the dip in sales.

As diminishing land availability tempers the number of sales, it is also shifting supply to greater density. Attached home sales are capturing a greater percentage of overall sales. In 2018 and 2019 new attached sales made up more than half of all new home sales in the South County (56% and 54% respectively). Year-to-date data indicate that this trend is continuing, with more than 60% of new home sales represented by attached homes.

The South County holds some of the largest concentrations of potential future inventory in the county. While development has been contracting, there are large potential sources of future supply in Otay Ranch and in the Otay Mesa area near the U.S./Mexico border which should help fill the supply/demand mismatch in the future.

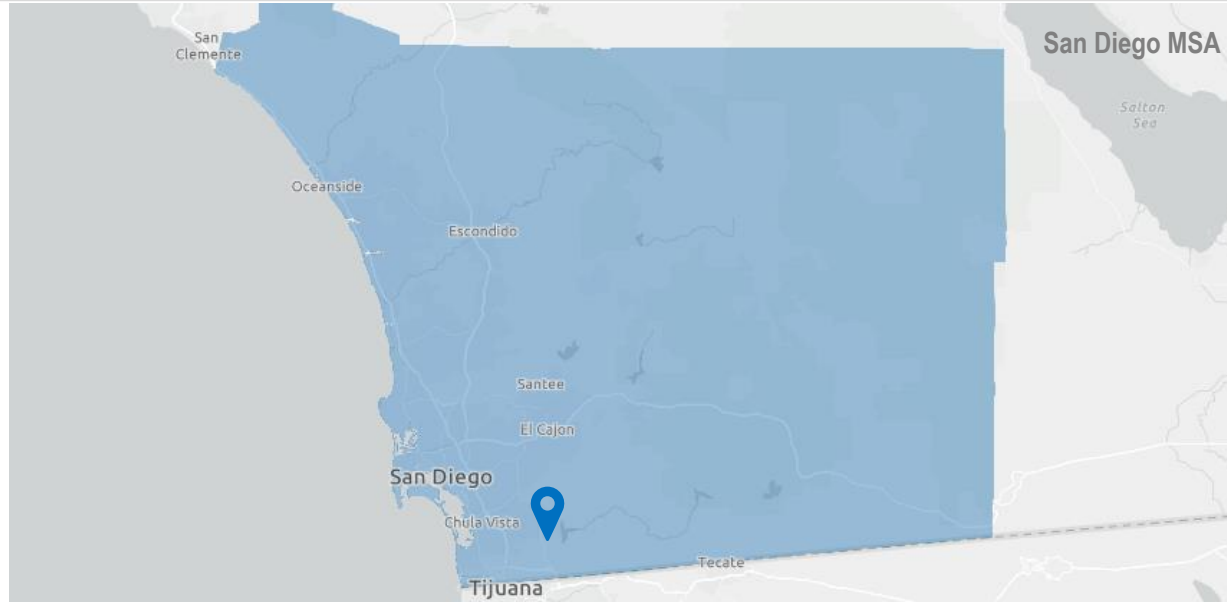
1/ Per SOCDs, Meyers Research

2/ Meyers Research

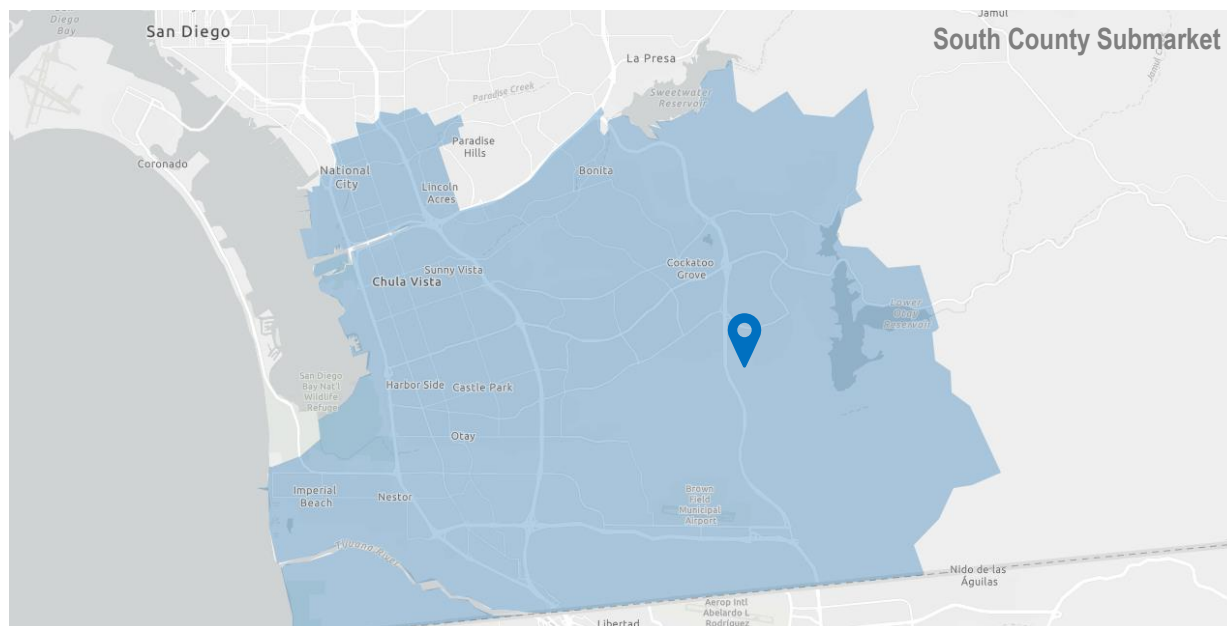
# For-Sale Housing Demand

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Chula Vista CFD 16-I (Millenia 1A No. 2)



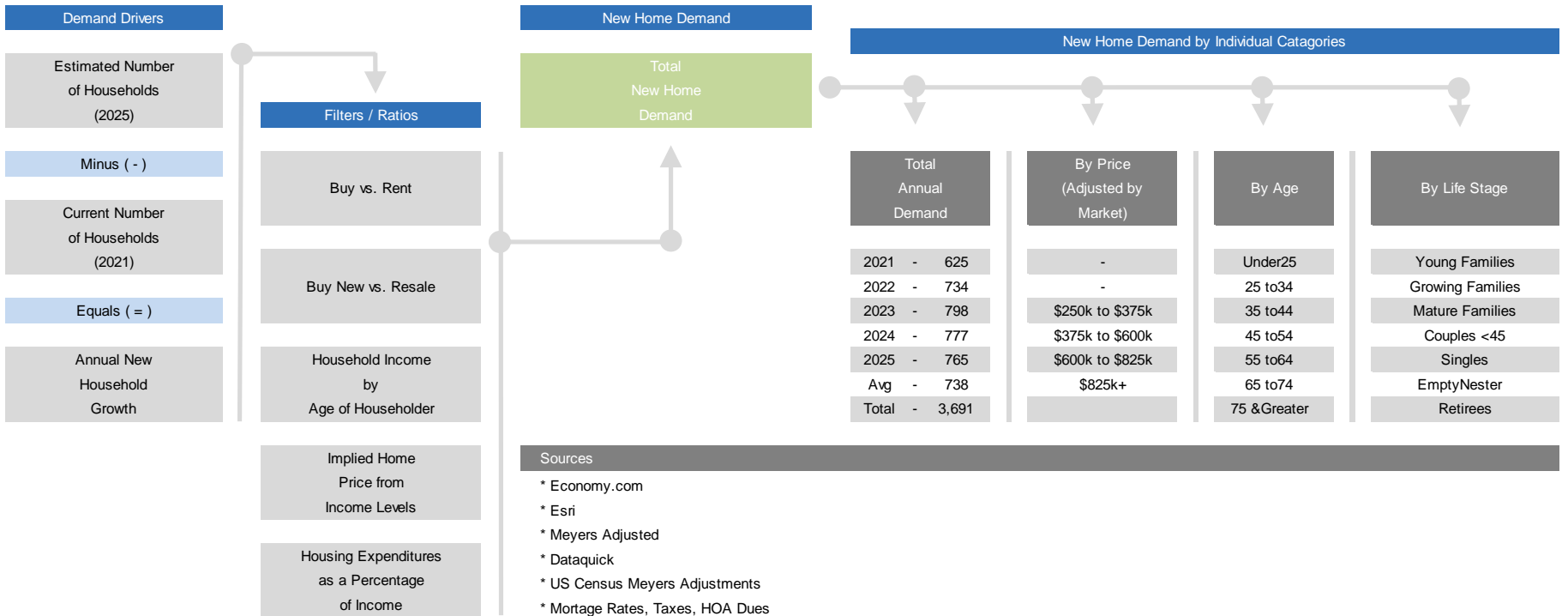
Our demand model utilizes a variety of factors (household income, household turnover, growth trends, etc.) on both a macro and micro level to assign logical demand capture rates. For the purposes of this study, we utilized San Diego County as the overall macro level and the South County Submarket as the micro level. These maps illustrate these two defined market areas.



Our demand analysis projects total annual new home demand from 2021 to 2025. The model further filters the numbers by Home Price Range, Age and Income, as well as Life Stage categories (including Families, Singles, Younger Couples, Empty Nesters and Retirees). This analysis provides insight into the household compositions of home buyers by price range and what future growth will be in San Diego County overall and the South County Submarket potential capture.

### NEW HOME DEMAND MODEL FLOW CHART:

South Bay Submarket

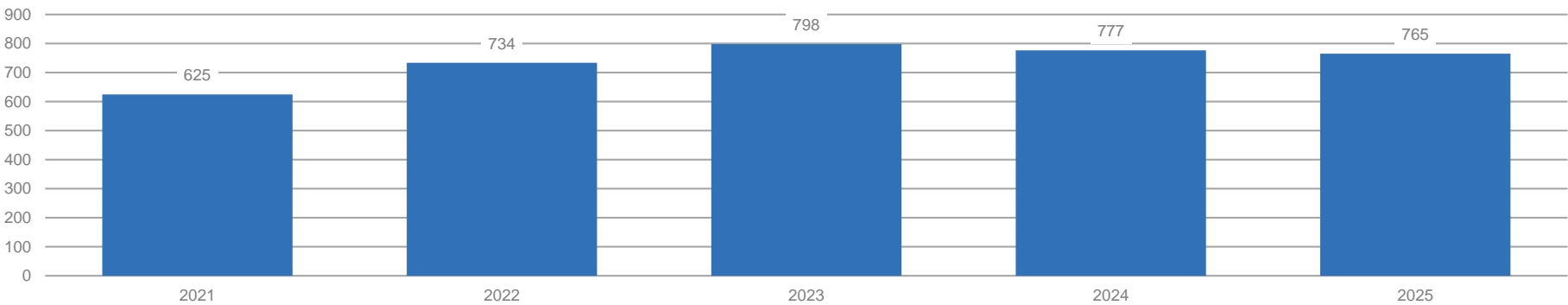


# ANNUAL HYPOTHETICAL DEMAND AND DEMAND BY PRICE POINT

For-Sale Housing Demand

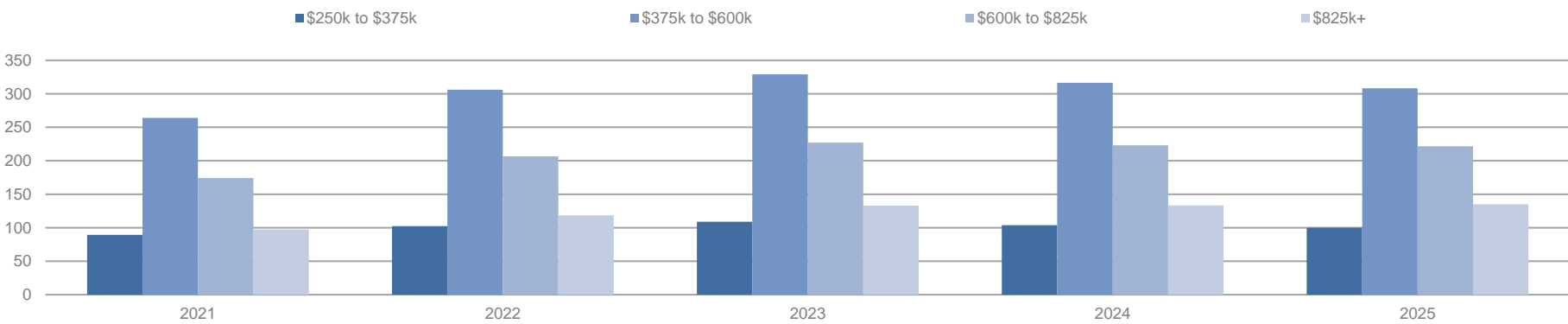
Our new home model indicates hypothetical demand for 625 new units in the South County Submarket in 2020 with continued improvement through 2023. The demand model indicates there is growing demand for new housing options in this area which is witnessing a comeback as affordability is squeezed within the greater San Diego area. In addition, low interest rates, heightened focus on living spaces (driven by the COVID crisis) and growing retiree population is boosting interest in the overall San Diego County marketplace.

**Hypothetical New Home Demand by Year**



The total demand above averages +/-740 units per year in the 2021 to 2025 period. The demand analysis assumes property tax rates of 1.5% and association fees of \$300 per month. Our demand model indicates that sales will be strongest between \$375K – \$600K where Millenia CFD 1A No. 2 is positioned. While the model does predict home demand by home price (based on income levels), not all buyers exercise their full purchase power. These sales by price segment are likely to shift somewhat based on the desires and financial goals (e.g. capital preservation) of buyers.

**Hypothetical New Home Demand by Price Point**





# HYPOTHETICAL DEMAND BY AGE AND LIFESTAGE

For-Sale Housing Demand



Hypothetical yearly demand by income, age and life stage is highlighted below. We anticipate 41% of overall demand will be within the subject property's general price segment – \$375K to \$600K.

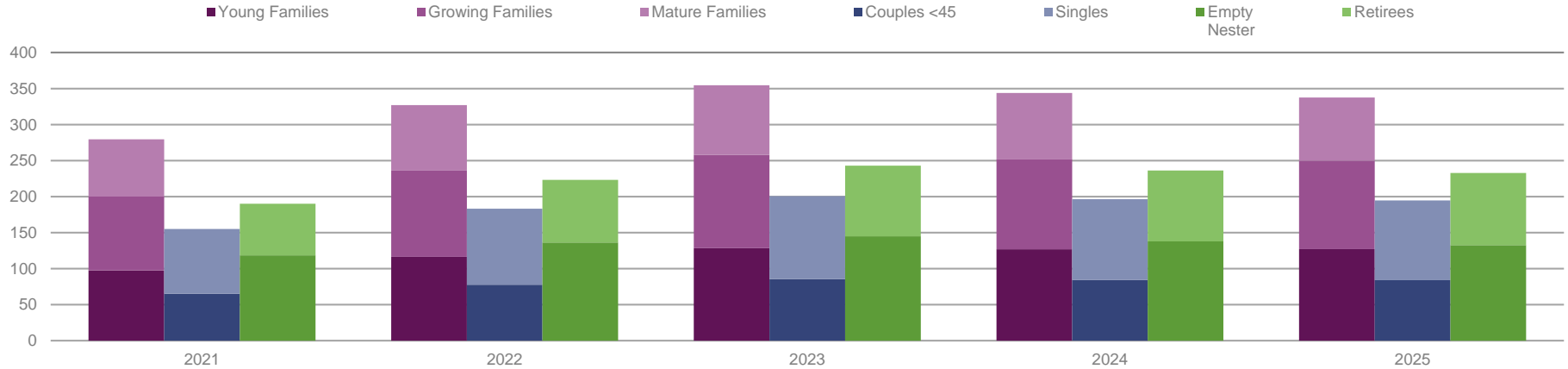
Annual Household Income Range	— 2021 to 2025 Avg Demand by Home Price Range —			Demand 2021 to 2025	% of Annual Demand	— Demand by Age and Income (Absolute Numbers) —							— Demand by LifeStage (Absolute Numbers) —						
	HH by Income	% of Total HH	Home Price Purchase Range*			Under 25	25 to 34	35 to 44	45 to 54	55 to 64	65 to 74	75 & Greater	Young Families	Growing Families	Mature Families	Couples Over 45	Singles	Empty Nester	Retirees
Income \$75,000 - \$99,999	21,914	13.9%	\$250,000 to \$375,000	101	14%	0.3%	3.0%	3.1%	2.6%	2.4%	1.4%	0.8%	2.3%	1.8%	1.4%	1.6%	2.0%	2.2%	2.2%
Income \$100,000 - \$149,999	30,347	19.2%	\$375,000 to \$600,000	304	41%	0.6%	7.9%	11.4%	9.2%	7.3%	3.5%	1.4%	7.2%	6.5%	4.6%	4.9%	6.2%	7.0%	4.9%
Income \$150,000 - \$199,999	16,280	10.3%	\$600,000 to \$825,000	210	28%	0.2%	3.6%	7.8%	8.5%	5.4%	2.0%	1.0%	4.2%	5.1%	3.9%	2.7%	4.0%	5.6%	3.0%
Income \$200,000 +	12,004	7.6%	\$825,000 or Greater	123	17%	0.1%	2.1%	4.4%	4.7%	3.2%	1.6%	0.6%	2.4%	2.9%	2.2%	1.6%	2.3%	3.3%	2.2%
<b>Average Demand (\$75K+)</b>	<b>80,544</b>	<b>51.0%</b>	<b>\$250,000 +</b>	<b>738</b>	<b>100%</b>	<b>1.3%</b>	<b>16.6%</b>	<b>26.5%</b>	<b>25.1%</b>	<b>18.3%</b>	<b>8.5%</b>	<b>3.7%</b>	<b>16.1%</b>	<b>16.2%</b>	<b>12.1%</b>	<b>10.7%</b>	<b>14.4%</b>	<b>18.2%</b>	<b>12.3%</b>

Over the forecasted five-year period, more than 1,521 units of demand is anticipated in the \$375K to \$600K price segment. Given that there is very little supply within South County communities in the sub-\$600,000 price categories – the supply/demand imbalance will likely boost sales rates within active communities. While the city of Chula Vista has captured approximately 16% of San Diego County new home closings annually over the past 15 years, in peak years the city has captured 23% of sales. The number of active new home projects is diminishing throughout the county (there were over 130 active projects in 2019 and fewer than 80 today). While not all new communities appeal to everyone, if well designed and appropriately priced, it follows that demand remains constant that sales rates on a per project basis will likely rise as a result of diminishing competition.

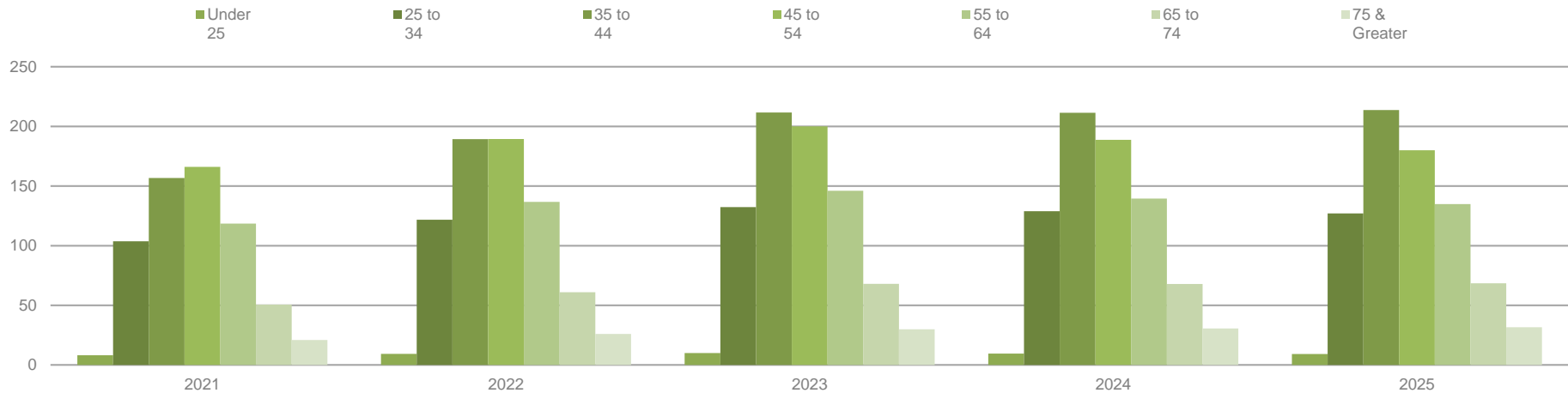
Annual Household Income Range	— 2021 to 2025 Total Demand by Home Price Range —			Demand 2021 to 2025	% of Annual Demand	— Demand by Age and Income (Absolute Numbers) —							— Demand by LifeStage (Absolute Numbers) —						
	HH by Income	% of Total HH	Home Price Purchase Range*			Under 25	25 to 34	35 to 44	45 to 54	55 to 64	65 to 74	75 & Greater	Young Families	Growing Families	Mature Families	Couples Over 45	Singles	Empty Nester	Retirees
Income \$75,000 - \$99,999	22,108	13.9%	\$250,000 to \$375,000	504	14%	0.3%	3.0%	3.1%	2.6%	2.4%	1.4%	0.8%	2.3%	1.8%	1.4%	1.6%	2.0%	2.2%	2.2%
Income \$100,000 - \$149,999	30,739	19.3%	\$375,000 to \$600,000	1,521	41%	0.6%	7.9%	11.4%	9.2%	7.3%	3.5%	1.4%	7.2%	6.5%	4.6%	4.9%	6.2%	7.0%	4.9%
Income \$150,000 - \$199,999	16,627	10.5%	\$600,000 to \$825,000	1,050	29%	0.2%	3.6%	7.8%	8.5%	5.4%	2.0%	1.0%	4.2%	5.1%	3.9%	2.7%	4.0%	5.6%	3.0%
Income \$200,000 +	12,358	7.8%	\$825,000 or Greater	616	17%	0.1%	2.1%	4.4%	4.7%	3.2%	1.6%	0.6%	2.4%	2.9%	2.2%	1.6%	2.3%	3.3%	2.2%
<b>Total Demand (\$75K+)</b>	<b>81,832</b>	<b>51.5%</b>	<b>\$250,000 +</b>	<b>3,691</b>	<b>100%</b>	<b>1.3%</b>	<b>16.6%</b>	<b>26.6%</b>	<b>25.0%</b>	<b>18.3%</b>	<b>8.6%</b>	<b>3.8%</b>	<b>16.2%</b>	<b>16.3%</b>	<b>12.1%</b>	<b>10.8%</b>	<b>14.4%</b>	<b>18.2%</b>	<b>12.3%</b>

Hypothetical demand by year and life stage is highlighted below. While all life stage groups could potentially buy at the subject property, we anticipate that demand will be strongest from three groups: Young Families, Couples under 45 and Growing Families. Couples under 45 and Young Families are expected to make up a large segment of the buyer profile.

### Hypothetical New Home Demand by Year and Life Stage



### Hypothetical New Home Demand by Year and Age



# Appendix

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Chula Vista CFD 16-I (Millenia 1A No. 2)

# COMPETITIVE FOR-SALE MARKET - UNIT DETAIL

## Appendix

COMMUNITY SPECIFICS AND SALES PACE		FLOORPLAN SUMMARY					COMPETITIVE MARKET PRICING SUMMARY								IMAGERY								
Project Name	Builder Name	Size	Bed	Bath	Level	Pkg	Base Price	Base Price/Sq. Ft.	Current Incentives			Net Base Price (\$ Reduction)	Net Base Price/Sq. Ft.	Typical		Total Price	Total Price/SF	Monthly Payment Inputs			80.0% 3.5% Mo.Pmt.	Photograph/Rendering	
Location	Master Plan								Price	Options / Upgrades	Closing \$ / Other			Options / Upgrades	Premiums			Monthly HOA	Base Tax	Add Taxes			
Product Details		Sales Summary																				Photograph/Rendering	
<b>Suwerte</b>	<b>Heritage Building and Development</b>	1,192	2	2.5	2	2	\$372,900	\$313	\$0	\$0	(\$10,000)	\$372,900	\$313	\$0	\$0	\$372,900	\$313	\$362	1.10%	0.90%	\$2,323		
<b>Chula Vista</b>	<b>Otay Ranch</b>	1,357	2	2.5	2	2	\$404,900	\$298	\$0	\$0	(\$10,000)	\$404,900	\$298	\$0	\$0	\$404,900	\$298	\$362	1.10%	0.90%	\$2,491		
Product:	Townhomes	1,652	3	3.0	2	2	\$439,900	\$266	\$0	\$0	(\$10,000)	\$439,900	\$266	\$0	\$0	\$439,900	\$266	\$362	1.10%	0.90%	\$2,675		
Configuration:	ATT	1,719	3	2.5	3	2	\$420,900	\$245	\$0	\$0	(\$10,000)	\$420,900	\$245	\$0	\$0	\$420,900	\$245	\$362	1.10%	0.90%	\$2,576		
	Units Sold:	2,025	2	3.5	4	2	\$439,900	\$217	\$0	\$0	(\$10,000)	\$439,900	\$217	\$0	\$0	\$439,900	\$217	\$362	1.10%	0.90%	\$2,675		
	3 Months Sold:	2,025	3	3.5	3	2	\$499,900	\$247	\$0	\$0	(\$10,000)	\$499,900	\$247	\$0	\$0	\$499,900	\$247	\$362	1.10%	0.90%	\$2,991		
Sales Open Date:	Jul-18	2,139	2	3.5	4	2	\$471,900	\$221	\$0	\$0	(\$10,000)	\$471,900	\$221	\$0	\$0	\$471,900	\$221	\$362	1.10%	0.90%	\$2,844		
Overall Sales Rate:	2.9	2,439	4	3.5	2	2	\$517,900	\$212	\$0	\$0	(\$10,000)	\$517,900	\$212	\$0	\$0	\$517,900	\$212	\$362	1.10%	0.90%	\$3,086		
3 Mon. Sales Rate:	5.7	<b>Totals/Averages:</b>					1,819	\$446,025	\$245	\$0	\$0	(\$10,000)	\$446,025	\$245	\$0	\$0	\$446,025	\$245	\$362	1.10%	0.90%		\$2,708
<b>Alay</b>	<b>Heritage Building and Development</b>	1,938	3	3.5	3	2	\$527,900	\$272	\$0	\$0	(\$10,000)	\$527,900	\$272	\$0	\$0	\$527,900	\$272	\$260	1.10%	0.90%	\$3,036		
<b>Chula Vista</b>	<b>Otay Ranch</b>	2,256	4	3.5	3	2	\$560,900	\$249	\$0	\$0	(\$10,000)	\$560,900	\$249	\$0	\$0	\$560,900	\$249	\$260	1.10%	0.90%	\$3,210		
Product:	Townhomes	2,505	4	3.5	3	2	\$599,900	\$239	\$0	\$0	(\$10,000)	\$599,900	\$239	\$0	\$0	\$599,900	\$239	\$260	1.10%	0.90%	\$3,415		
Configuration:	ATT																						
	Units Sold:																						
	3 Months Sold:																						
Sales Open Date:	Mar-19																						
Overall Sales Rate:	3.5																						
3 Mon. Sales Rate:	6.7																						
	<b>Totals/Averages:</b>	2,233						\$562,900	\$252	\$0	\$0	(\$10,000)	\$562,900	\$252	\$0	\$0	\$562,900	\$252	\$260	1.10%	0.90%	\$3,220	
<b>Parc Place</b>	<b>Pacific Coast Communities</b>	1,116	2	2.0	2	1	\$412,900	\$370	\$0	\$0	(\$7,000)	\$412,900	\$370	\$0	\$0	\$412,900	\$370	\$285	1.10%	0.90%	\$2,456		
<b>Chula Vista</b>	<b>Otay Ranch</b>	1,583	2	2.5	2	1	\$459,900	\$291	\$0	\$0	(\$7,000)	\$459,900	\$291	\$0	\$0	\$459,900	\$291	\$285	1.10%	0.90%	\$2,704		
Product:	Townhomes	1,587	2	2.5	2	2	\$489,900	\$309	\$0	\$0	(\$7,000)	\$489,900	\$309	\$0	\$0	\$489,900	\$309	\$285	1.10%	0.90%	\$2,861		
Configuration:	ATT																						
	Units Sold:																						
	3 Months Sold:																						
Sales Open Date:	Mar-17																						
Overall Sales Rate:	3.2																						
3 Mon. Sales Rate:	3.3																						
	<b>Totals/Averages:</b>	1,429						\$454,233	\$318	\$0	\$0	(\$7,000)	\$454,233	\$318	\$0	\$0	\$454,233	\$318	\$285	1.10%	0.90%		\$2,674
<b>Veraz</b>	<b>Pardee Homes</b>	1,340	2	2.5	3	2	\$449,776	\$336	\$0	\$0	(\$5,000)	\$449,776	\$336	\$0	\$0	\$449,776	\$336	\$325	1.10%	0.30%	\$2,465		
<b>San Diego</b>	<b>Playa del Sol</b>	1,583	3	2.5	3	2	\$482,266	\$305	\$0	\$0	(\$5,000)	\$482,266	\$305	\$0	\$0	\$482,266	\$305	\$325	1.10%	0.30%	\$2,620		
Product:	Attached	2,005	3	2.5	3	2	\$549,145	\$274	\$0	\$0	(\$5,000)	\$549,145	\$274	\$0	\$0	\$549,145	\$274	\$325	1.10%	0.30%	\$2,938		
Configuration:	ATT																						
	Units Sold:																						
	3 Months Sold:																						
Sales Open Date:	Sep-18																						
Overall Sales Rate:	4.2																						
3 Mon. Sales Rate:	7.0																						
	<b>Totals/Averages:</b>	1,643						\$493,729	\$301	\$0	\$0	(\$5,000)	\$493,729	\$301	\$0	\$0	\$493,729	\$301	\$325	1.10%	0.30%		\$2,675
<b>Solmar</b>	<b>Pardee Homes</b>	1,310	2	2.5	3	2	\$430,175	\$328	\$0	\$0	(\$5,000)	\$430,175	\$328	\$0	\$0	\$430,175	\$328	\$325	1.10%	0.50%	\$2,444		
<b>San Diego</b>	<b>Playa del Sol</b>	1,310	2	2.5	3	2	\$432,435	\$330	\$0	\$0	(\$5,000)	\$432,435	\$330	\$0	\$0	\$432,435	\$330	\$325	1.10%	0.50%	\$2,455		
Product:	Attached	1,696	3	2.5	3	2	\$468,390	\$276	\$0	\$0	(\$5,000)	\$468,390	\$276	\$0	\$0	\$468,390	\$276	\$325	1.10%	0.50%	\$2,632		
Configuration:	ATT	1,777	3	2.5	3	2	\$510,797	\$287	\$0	\$0	(\$5,000)	\$510,797	\$287	\$0	\$0	\$510,797	\$287	\$325	1.10%	0.50%	\$2,841		
	Units Sold:	1,915	4	3.5	3	2	\$517,500	\$270	\$0	\$0	(\$5,000)	\$517,500	\$270	\$0	\$0	\$517,500	\$270	\$325	1.10%	0.50%	\$2,874		
	3 Months Sold:																						
Sales Open Date:	Sep-19																						
Overall Sales Rate:	5.2																						
3 Mon. Sales Rate:	8.3																						
	<b>Totals/Averages:</b>	1,602						\$471,859	\$295	\$0	\$0	(\$5,000)	\$471,859	\$295	\$0	\$0	\$471,859	\$295	\$325	1.10%	0.50%		\$2,649

# COMPETITIVE FOR-SALE MARKET - UNIT DETAIL

## Appendix

COMMUNITY SPECIFICS AND SALES PACE		FLOORPLAN SUMMARY					COMPETITIVE MARKET PRICING SUMMARY								IMAGERY							
Project Name	Builder Name	Size	Bed	Bath	Level	Pkg	Base Price	Base Price/ Sq. Ft.	Current Incentives			Net Base Price (\$ Reduction)	Net Base Price/ Sq. Ft.	Typical		Total Price/ SF	Monthly Payment Inputs			80.0% 3.5% Mo.Pmt.	Photograph/Rendering	
Location	Master Plan								Price	Options / Upgrades	Closing \$ / Other			Options / Upgrades	Premiums		Total Price	Monthly HOA	Base Tax			Add Taxes
Product Details		Sales Summary																				
<b>Tesoro at Vista Del Sur</b>	<b>Cornerstone Communities</b>	1,410	3	2.5	3	2	\$447,990	\$318	\$0	\$0	(\$5,000)	\$447,990	\$318	\$0	\$0	\$447,990	\$318	\$270	1.10%	0.84%	\$2,604	
<b>San Diego</b>	<b>Vista Del Sur</b>	1,485	3	2.5	3	2	\$454,990	\$306	\$0	\$0	(\$5,000)	\$454,990	\$306	\$0	\$0	\$454,990	\$306	\$270	1.10%	0.84%	\$2,640	
Product: Attached	Total Units: 134	1,600	3	2.5	3	2	\$487,990	\$305	\$0	\$0	(\$5,000)	\$487,990	\$305	\$0	\$0	\$487,990	\$305	\$270	1.10%	0.84%	\$2,812	
Configuration: ATT	Units Sold: 99																					
	3 Months Sold: 0																					
Sales Open Date: Oct-17	Units Remaining: 35																					
Overall Sales Rate: 2.7	% Remaining: 26%																					
3 Mon. Sales Rate: 0.0																						
<b>Totals/Averages:</b>		1,498					\$463,657	\$309	\$0	\$0	(\$5,000)	\$463,657	\$309	\$0	\$0	\$463,657	\$309	\$270	1.10%	0.84%	\$2,685	
<b>Aventine</b>	<b>Cornerstone Communities</b>	2,014	3	2.5	2	2	\$622,990	\$309	\$0	\$0	\$0	\$622,990	\$309	\$0	\$0	\$622,990	\$309	\$113	1.10%	0.90%	\$3,389	
<b>Chula Vista</b>	<b>Otay Ranch</b>	2,177	4	3.0	2	2	\$647,990	\$298	\$0	\$0	\$0	\$647,990	\$298	\$0	\$0	\$647,990	\$298	\$113	1.10%	0.90%	\$3,521	
Product: Detached	Total Units: 100	2,438	4	3.5	2	2	\$669,990	\$275	\$0	\$0	\$0	\$669,990	\$275	\$0	\$0	\$669,990	\$275	\$113	1.10%	0.90%	\$3,636	
Configuration: 2,975	Units Sold: 91																					
Lot Dimensions: 38x95	3 Months Sold: 11																					
Sales Open Date: Oct-17	Units Remaining: 9																					
Overall Sales Rate: 2.5	% Remaining: 9%																					
3 Mon. Sales Rate: 3.7																						
<b>Totals/Averages:</b>		2,210					\$646,990	\$293	\$0	\$0	\$0	\$646,990	\$293	\$0	\$0	\$646,990	\$293	\$113	1.10%	0.90%	\$3,516	
<b>Monte Villa</b>	<b>Pacific Coast Communities</b>	1,948	2	2.5	2	2	\$560,900	\$288	\$0	\$0	\$0	\$560,900	\$288	\$0	\$0	\$560,900	\$288	\$48	1.10%	0.70%	\$2,904	
<b>Chula Vista</b>	<b>Otay Ranch</b>	2,236	2	3.0	2	2	\$571,900	\$256	\$0	\$0	\$0	\$571,900	\$256	\$0	\$0	\$571,900	\$256	\$48	1.10%	0.70%	\$2,960	
Product: Detached	Total Units: 103	2,321	3	3.0	2	2	\$604,900	\$261	\$0	\$0	\$0	\$604,900	\$261	\$0	\$0	\$604,900	\$261	\$48	1.10%	0.70%	\$3,128	
Configuration: 3,500	Units Sold: 91	2,594	4	3.5	3	2	\$613,900	\$237	\$0	\$0	\$0	\$613,900	\$237	\$0	\$0	\$613,900	\$237	\$48	1.10%	0.70%	\$3,174	
Lot Dimensions: 35x95	3 Months Sold: 12	2,851	4	4.0	3	2	\$636,900	\$223	\$0	\$0	\$0	\$636,900	\$223	\$0	\$0	\$636,900	\$223	\$48	1.10%	0.70%	\$3,291	
Sales Open Date: Mar-17	Units Remaining: 12	3,016	5	4.0	3	2	\$656,900	\$218	\$0	\$0	\$0	\$656,900	\$218	\$0	\$0	\$656,900	\$218	\$48	1.10%	0.70%	\$3,383	
Overall Sales Rate: 2.1	% Remaining: 12%																					
3 Mon. Sales Rate: 4.0																						
<b>Totals/Averages:</b>		2,494					\$607,567	\$244	\$0	\$0	\$0	\$607,567	\$244	\$0	\$0	\$607,567	\$244	\$48	1.10%	0.70%	\$3,142	
<b>Cantamar</b>	<b>Pacific Coast Communities</b>	2,631	3	3.5	2	2	\$718,900	\$273	\$0	\$0	\$0	\$718,900	\$273	\$0	\$0	\$718,900	\$273	\$48	1.10%	0.65%	\$3,679	
<b>Chula Vista</b>	<b>Otay Ranch</b>	2,776	4	3.0	2	2	\$735,900	\$265	\$0	\$0	\$0	\$735,900	\$265	\$0	\$0	\$735,900	\$265	\$48	1.10%	0.65%	\$3,765	
Product: Detached	Total Units: 109	2,896	5	3.5	2	2	\$762,900	\$263	\$0	\$0	\$0	\$762,900	\$263	\$0	\$0	\$762,900	\$263	\$48	1.10%	0.65%	\$3,901	
Configuration: 4,250	Units Sold: 88																					
Lot Dimensions: 50x85	3 Months Sold: 25																					
Sales Open Date: Oct-17	Units Remaining: 21																					
Overall Sales Rate: 2.4	% Remaining: 19%																					
3 Mon. Sales Rate: 8.3																						
<b>Totals/Averages:</b>		2,768					\$739,233	\$267	\$0	\$0	\$0	\$739,233	\$267	\$0	\$0	\$739,233	\$267	\$48	1.10%	0.65%	\$3,782	
<b>Signature</b>	<b>Heritage Building and Devel</b>	3,524	3	2.5	2	2	\$947,900	\$269	\$0	\$0	\$0	\$947,900	\$269	\$0	\$0	\$947,900	\$269	\$52	1.10%	0.70%	\$4,879	
<b>Chula Vista</b>	<b>Otay Ranch</b>	3,611	4	3.5	2	2	\$996,900	\$276	\$0	\$0	\$0	\$996,900	\$276	\$0	\$0	\$996,900	\$276	\$52	1.10%	0.70%	\$5,129	
Product: Detached	Total Units: 79	3,666	5	3.5	2	3	\$980,900	\$268	\$0	\$0	\$0	\$980,900	\$268	\$0	\$0	\$980,900	\$268	\$52	1.10%	0.70%	\$5,047	
Configuration: 5,000	Units Sold: 78																					
Lot Dimensions: 55x95	3 Months Sold: 10																					
Sales Open Date: Jun-17	Units Remaining: 1																					
Overall Sales Rate: 1.9	% Remaining: 1%																					
3 Mon. Sales Rate: 3.3																						
<b>Totals/Averages:</b>		3,600					\$975,233	\$271	\$0	\$0	\$0	\$975,233	\$271	\$0	\$0	\$975,233	\$271	\$52	1.10%	0.70%	\$5,018	
<b>Estancia</b>	<b>Cornerstone Communities</b>	3,409	3	3.5	2	3	\$931,990	\$273	\$0	\$0	\$0	\$931,990	\$273	\$0	\$0	\$931,990	\$273	\$53	1.10%	0.07%	\$4,309	
<b>Chula Vista</b>	<b>Otay Ranch</b>	3,597	5	2.5	2	3	\$998,990	\$278	\$0	\$0	\$0	\$998,990	\$278	\$0	\$0	\$998,990	\$278	\$53	1.10%	0.06%	\$4,611	
Product: Detached	Total Units: 37	3,906	5	3.5	2	3	\$991,990	\$254	\$0	\$0	\$0	\$991,990	\$254	\$0	\$0	\$991,990	\$254	\$53	1.10%	0.06%	\$4,579	
Configuration: 6,300	Units Sold: 20																					
Lot Dimensions: 60x105	3 Months Sold: 3																					
Sales Open Date: Aug-19	Units Remaining: 17																					
Overall Sales Rate: 1.4	% Remaining: 46%																					
3 Mon. Sales Rate: 1.0																						
<b>Totals/Averages:</b>		3,637					\$974,323	\$268	\$0	\$0	\$0	\$974,323	\$268	\$0	\$0	\$974,323	\$268	\$53	1.10%	0.07%	\$4,500	

# COMPETITIVE FOR-SALE MARKET - UNIT DETAIL

## Appendix

COMMUNITY SPECIFICS AND SALES PACE		FLOORPLAN SUMMARY					COMPETITIVE MARKET PRICING SUMMARY										IMAGERY					
Project Name	Builder Name	Size SF	Bed	Bath	Level	Pkg	Base Price	Base Price/ Sq. Ft.	Current Incentives			Net Base Price (\$ Reduction)	Net Base Price/ Sq. Ft.	Typical		Total Price/ SF	Monthly Payment Inputs			80.0% 3.5% Mo.Pmt.	Photograph/Rendering	
Location	Master Plan								Price	Options / Upgrades	Closing \$ / Other			Options / Upgrades	Premiums		Total Price	Monthly HOA	Base Tax			Addl Taxes
<b>Bella Sita</b>	<b>Pacific Coast Communities</b>	3,654	5	4.5	2	2	\$929,900	\$254	\$0	\$0	\$0	\$929,900	\$254	\$0	\$0	\$929,900	\$254	\$59	1.10%	0.70%	\$4,794	
<b>Chula Vista</b>	<b>Otay Ranch</b>	3,971	5	4.5	2	2	\$951,900	\$240	\$0	\$0	\$0	\$951,900	\$240	\$0	\$0	\$951,900	\$240	\$59	1.10%	0.70%	\$4,906	
Product: Detached	Total Units: 68	4,256	5	4.5	2	3	\$997,900	\$234	\$0	\$0	\$0	\$997,900	\$234	\$0	\$0	\$997,900	\$234	\$59	1.10%	0.70%	\$5,141	
Configuration: 8,000	Units Sold: 45																					
Lot Dimensions: 80x100	3 Months Sold: 10																					
Sales Open Date: Apr-19	Units Remaining: 23																					
Overall Sales Rate: 2.4	% Remaining: 34%																					
3 Mon. Sales Rate: 3.3																						
<b>Totals/Averages:</b>		3,960					\$959,900	\$242	\$0	\$0	\$0	\$959,900	\$242	\$0	\$0	\$959,900	\$242	\$59	1.10%	0.70%	\$4,947	
<b>Prado at Escaya</b>	<b>Brookfield Residential</b>	2,289	4	3.0	2	2	\$764,880	\$334	\$0	\$0	\$0	\$764,880	\$334	\$0	\$0	\$764,880	\$334	\$131	1.10%	0.90%	\$4,154	
<b>Chula Vista</b>	<b>Escaya at Otay Ranch</b>	2,392	4	3.0	2	2	\$796,880	\$333	\$0	\$0	\$0	\$796,880	\$333	\$0	\$0	\$796,880	\$333	\$131	1.10%	0.90%	\$4,322	
Product: Detached	Total Units: 130	2,565	4	3.5	2	2	\$823,880	\$321	\$0	\$0	\$0	\$823,880	\$321	\$0	\$0	\$823,880	\$321	\$131	1.10%	0.90%	\$4,464	
Configuration: 3,120	Units Sold: 127																					
Lot Dimensions: 48x65	3 Months Sold: 12																					
Sales Open Date: Jun-17	Units Remaining: 3																					
Overall Sales Rate: 3.1	% Remaining: 2%																					
3 Mon. Sales Rate: 4.0																						
<b>Totals/Averages:</b>		2,415					\$795,213	\$329	\$0	\$0	\$0	\$795,213	\$329	\$0	\$0	\$795,213	\$329	\$131	1.10%	0.90%	\$4,313	
<b>Carriage Hill</b>	<b>Davidson Communities</b>	2,524	4	3.5	1	2	\$1,000,000	\$396	\$0	\$0	(\$10,000)	\$1,000,000	\$396	\$0	#####	\$1,100,000	\$436	\$379	1.10%	0.03%	\$5,366	
<b>Bonita</b>	-	2,643	5	4.0	1	3	\$1,100,000	\$416	\$0	\$0	(\$10,000)	\$1,100,000	\$416	\$0	#####	\$1,200,000	\$454	\$379	1.10%	0.03%	\$5,820	
Product: Detached	Total Units: 18	3,197	5	4.5	2	3	\$1,200,000	\$375	\$0	\$0	(\$10,000)	\$1,200,000	\$375	\$0	#####	\$1,300,000	\$407	\$379	1.10%	0.03%	\$6,273	
Configuration: 7,000	Units Sold: 9																					
Lot Dimensions:	3 Months Sold: 1																					
Sales Open Date: Jul-18	Units Remaining: 9																					
Overall Sales Rate: 0.3	% Remaining: 50%																					
3 Mon. Sales Rate: 0.3																						
<b>Totals/Averages:</b>		2,788					\$1,100,000	\$395	\$0	\$0	(\$10,000)	\$1,100,000	\$395	\$0	#####	\$1,200,000	\$430	\$379	1.10%	0.03%	\$5,820	

# COMPETITIVE FOR-RENT MARKET - UNIT DETAIL

## Appendix

Traditional Apartment Competitors		— Floorplan Summary —						— Current Rents —			— Current Rent \$/SF —			— Rent Concessions —			— Net Effective —			— Net Effective \$/SF —		
Project	Mix	Size SF	Bed	Bath	Level	Pkg	Pkg Type	Low	High	Avg.	Low	High	Avg.	Direct	Indirect	Total	Low	High	Avg.	Low	High	Avg.
<b>1 ALEXAN RIVUE   GREYSTAR   CHULA VISTA   3-STORY   YEAR BUILT - 2019</b>																						
% Leased/Occupancy: 97.2/97.2	90	753	1	1.0	1	1	O	\$2,095	\$2,095	\$2,095	\$2.78	\$2.78	\$2.78	\$0	\$0	\$0	\$2,095	\$2,095	\$2,095	\$2.78	\$2.78	\$2.78
Total Units/Leased: 253/246	75	785	1	1.0	1	1	C	\$2,105	\$2,175	\$2,140	\$2.68	\$2.77	\$2.73	\$0	\$0	\$0	\$2,105	\$2,175	\$2,140	\$2.68	\$2.77	\$2.73
Available Units: 7	50	1,128	2	2.0	1	1	C	\$2,600	\$2,600	\$2,600	\$2.30	\$2.30	\$2.30	\$0	\$0	\$0	\$2,600	\$2,600	\$2,600	\$2.30	\$2.30	\$2.30
Turnover/Monthly: 2.5	38	1,839	3	2.5	3	2	DAG	\$3,848	\$3,848	\$3,848	\$2.09	\$2.09	\$2.09	\$0	\$0	\$0	\$3,848	\$3,848	\$3,848	\$2.09	\$2.09	\$2.09
Lease-Up Rate: ~18																						
	253	1,000						\$2,095	\$3,848	\$2,471	\$2.09	\$2.78	\$2.47	\$0	\$0	\$0	\$2,095	\$3,848	\$2,471	\$2.09	\$2.78	\$2.47
<b>2 BOARDWALK   GREYSTAR   CHULA VISTA   3-4-STORY   YEAR BUILT - 2018</b>																						
% Leased/Occupancy: 94.2/96.1	87	844	1	1.0	1	1	C	\$2,147	\$2,240	\$2,194	\$2.54	\$2.65	\$2.60	\$0	\$0	\$0	\$2,147	\$2,240	\$2,194	\$2.54	\$2.65	\$2.60
Total Units/Leased: 309/291	87	888	1	1.0	1	1	DG	\$2,518	\$2,518	\$2,518	\$2.84	\$2.84	\$2.84	\$0	\$0	\$0	\$2,518	\$2,518	\$2,518	\$2.84	\$2.84	\$2.84
Available Units: 18	54	1,140	2	2.0	1	1	DG	\$2,759	\$2,759	\$2,759	\$2.42	\$2.42	\$2.42	\$0	\$0	\$0	\$2,759	\$2,759	\$2,759	\$2.42	\$2.42	\$2.42
Turnover/Monthly: 15.0	55	1,236	2	2.0	1	1	DG	\$2,897	\$2,897	\$2,897	\$2.34	\$2.34	\$2.34	\$0	\$0	\$0	\$2,897	\$2,897	\$2,897	\$2.34	\$2.34	\$2.34
Lease-Up Rate: ~19																						
	283	990						\$2,147	\$2,897	\$2,538	\$2.34	\$2.84	\$2.56	\$0	\$0	\$0	\$2,147	\$2,897	\$2,538	\$2.34	\$2.84	\$2.56
<b>3 PULSE   FAIRFIELD RESIDENTIAL   CHULA VISTA   THREE-STORY   YEAR BUILT - 2015</b>																						
% Leased/Occupancy: 99.3/98.2	51	789	1	1.0	1	1	O	\$2,085	\$2,195	\$2,140	\$2.64	\$2.78	\$2.71	\$0	\$0	\$0	\$2,085	\$2,195	\$2,140	\$2.64	\$2.78	\$2.71
Total Units/Leased: 273/271	49	860	1	1.0	1	1	O	\$2,175	\$2,235	\$2,205	\$2.53	\$2.60	\$2.56	\$0	\$0	\$0	\$2,175	\$2,235	\$2,205	\$2.53	\$2.60	\$2.56
Available Units: 2	49	860	1	1.0	1	1	DG	\$2,225	\$2,295	\$2,260	\$2.59	\$2.67	\$2.63	\$0	\$0	\$0	\$2,225	\$2,295	\$2,260	\$2.59	\$2.67	\$2.63
Turnover/Monthly: 11.0	106	1,131	2	2.0	1	1	DG	\$2,890	\$2,995	\$2,943	\$2.56	\$2.65	\$2.60	\$0	\$0	\$0	\$2,890	\$2,995	\$2,943	\$2.56	\$2.65	\$2.60
Lease-Up Rate: ~24	18	1,371	3	2.0	1	1	DG	\$3,125	\$3,125	\$3,125	\$2.28	\$2.28	\$2.28	\$0	\$0	\$0	\$3,125	\$3,125	\$3,125	\$2.28	\$2.28	\$2.28
	273	986						\$2,085	\$3,125	\$2,550	\$2.28	\$2.78	\$2.59	\$0	\$0	\$0	\$2,085	\$3,125	\$2,550	\$2.28	\$2.78	\$2.59
<b>4 THE RESIDENCES   GREYSTAR   CHULA VISTA   THREE-STORY   YEAR BUILT - 2019</b>																						
% Leased/Occupancy: 98.5/96.7	63	747	1	1.0	1	1	O	\$2,225	\$2,225	\$2,225	\$2.98	\$2.98	\$2.98	\$0	\$0	\$0	\$2,225	\$2,225	\$2,225	\$2.98	\$2.98	\$2.98
Total Units/Leased: 272/268	63	789	1	1.0	1	1	O	\$2,330	\$2,330	\$2,330	\$2.95	\$2.95	\$2.95	\$0	\$0	\$0	\$2,330	\$2,330	\$2,330	\$2.95	\$2.95	\$2.95
Available Units: 4	63	1,049	2	2.0	1	1	O	\$2,335	\$2,335	\$2,335	\$2.23	\$2.23	\$2.23	\$0	\$0	\$0	\$2,335	\$2,335	\$2,335	\$2.23	\$2.23	\$2.23
Turnover/Monthly: --	62	1,096	2	2.0	1	1	O	\$2,655	\$2,655	\$2,655	\$2.42	\$2.42	\$2.42	\$0	\$0	\$0	\$2,655	\$2,655	\$2,655	\$2.42	\$2.42	\$2.42
Lease-Up Rate: ~23	11	1,560	3	2.5	3	2	DAG	\$3,495	\$3,495	\$3,495	\$2.24	\$2.24	\$2.24	\$0	(\$437)	(\$437)	\$3,058	\$3,058	\$3,058	\$1.96	\$1.96	\$1.96
	10	1,654	3	2.5+	3	2	DAG	\$3,825	\$3,825	\$3,825	\$2.31	\$2.31	\$2.31	\$0	(\$478)	(\$478)	\$3,347	\$3,347	\$3,347	\$2.02	\$2.02	\$2.02
	272	972						\$2,225	\$3,825	\$2,483	\$2.23	\$2.98	\$2.55	\$0	(\$35)	(\$35)	\$2,225	\$3,347	\$2,448	\$1.96	\$2.98	\$2.52



## APPENDIX

### Company Experience

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Meyers Research is a nation-wide research firm guiding real estate investors throughout the country. Our highly educated and experienced consulting staff believes in providing the highest quality service possible to our clients, which means completing the exact analysis they need. We are home to over 140 experts in 10 offices across the country.

Our company offers a unique research tool known as Zonda that offers an edge to our research with easy access real-time data at a local level across the United States. Our local Zonda database provides our team with a history of new and resale housing information, maps, comprehensive data, and many other metrics we use in our analyses to begin the reporting process with greater accuracy -- quickly, accurately and cost-effectively -- with on the ground and in person research. Zonda provides access to over 275 metrics influencing the housing industry including monthly and annual historical trends, future projections and real-time narrative reported by seasoned analysts across the country.

Our senior executive team are thought leaders that individually have more than 30 years of experience in housing and real estate research. With our advisory services, we have navigated builders through different housing cycles and have a deep understanding of local markets. Our consulting team has a broad range of housing expertise and experience spanning the country including consumer research, feasibility studies, portfolio valuation, business planning, and custom research designed to make better decisions related to any real estate investment.

#### Zonda and Our Research

- Competitive Analysis throughout the Country
- Exclusive Access to our Research & Consulting Executives
- Metro Analysis & Housing Trends
- Apartment Analysis & Forecast
- Exclusive Client Events
- Presentations & Webinars
- Proprietary Surveys

#### Advisory

- For-Sale, Apartment, Commercial & Mixed Use
- Resort & International Development
- Strategic Direction & Planning
- Home Builder Operations Assessment
- Demand Analysis
- Consumer Research & Focus Groups
- Custom Economic Analysis & Forecasting
- Litigation Support & Expert Witness
- Financial Modeling
- Project & Product Positioning

#### Consumer and Product Strategy

- Consumer and Product Insights
- Tactical and Marketing Strategies
- Product Design Advisory
- Custom Consumer Research
- Customer Shop Research

# Thank you!

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This analysis was prepared by Meyers Research, LLC.