

City of Chula Vista – Millenia

(CFD No. 16-I in Yellow)



MARKET ABSORPTION ANALYSIS Executive Summary

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

Overall Conclusions

Millenia Master Plan, Chula Vista, CA

Residential and Office Absorption Summary

Our research indicates that the buildout and absorption of **+/-393** planned residential units within Improvement Area No. 1 of Millenia could occur by early 2021, as shown on the table below (the numbers shown for 2016 and 2017 are **actual sales**, the 2018+ numbers are **projected**).

The first phase of the Millenia office project is expected to start construction in October 2018, with estimated completion in January 2020. The office absorption projection outlined below includes 2 years of pre-leasing in 2018-2019. Our conclusion is that the **1,018,000 square feet of office** planned in Improvement Area No. 1 of Millenia could be pre-leased/absorbed in the 2018-2029 period and that pre-leased space will start to be occupied in early 2020 when the first office building completion is projected.

YEAR	Residential Units	Office SF
2016	7	
2017	77	
2018	114	77,197
2019	107	77,197
2020	76	77,197
2021	12	77,197
2022		77,197
2023		90,225
2024		90,225
2025		90,225
2026		90,225
2027		93,295
2028		93,295
2029		84,525
TOTAL	393	1,018,000

Residential Market Analysis

Millenia Master Plan, Chula Vista, CA

Key Findings

The Millenia master plan is an active mixed-use project in the South County submarket of San Diego County. Improvement Area No. 1 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. 1 development will consist of 393 residential units and just over 1.0 million square feet of office in the “Think” (318,000 SF) and “Invent” (700,000 SF) projects. **Of the 393 Millenia residential units that are included in Improvement Area No. 1, at the end of January 2018 120 units had been released with 98 units sold and 53 units 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. 1) and additional projects by Shea Homes, KB Home and CalAtlantic/Lennar in Improvement Area No. 1 (sales have started for the Shea and KB Home projects and the CalAtlantic/Lennar project will start sales later in 2018). There are also completed and in-development rental projects (market-rate and affordable), a hotel and retail development in Millenia (but not in Improvement Area No. 1). A significant office project is planned in Improvement Area No. 1, with campus office space targeted to the technology, life sciences and medical sectors.

The Millenia project is elevated and offers 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.

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. South County new home sales increased in 2017 to +/-1,000 units per year and market capture of County new home sales jumped to 30%. 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. The majority of active new homes are selling in the \$300,000 to \$700,000 price categories that are largely unavailable elsewhere in the region and new projects are selling well.

Development of the 393 residential units in the Improvement Area No. 1 began in late 2016 and 84 units had sold by the end of 2017 (and 98 units had sold at the end of January 2018). The remaining units in Improvement Area No. 1 are projected to be largely absorbed by early 2021, with current pricing ranging from the high \$300,000s to the mid \$600,000s.

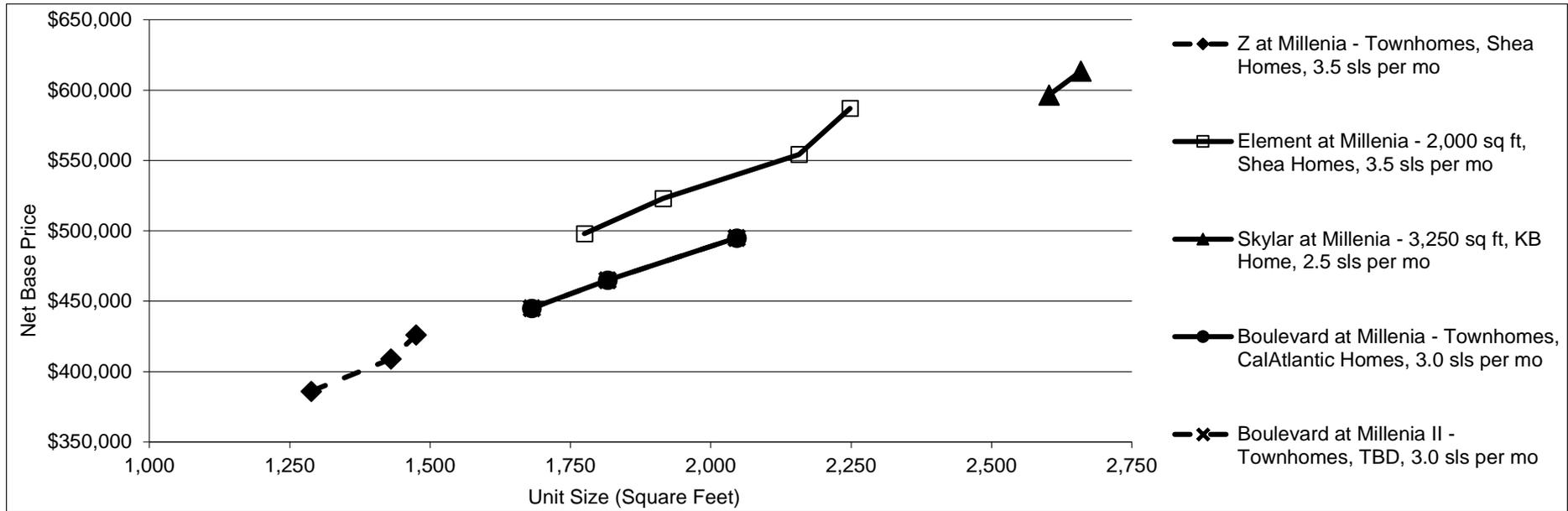
Millenia IA No. 1 Product Array

The detailed floorplan pricing for the Millenia Improvement Area IA No. 1 product array is outlined below. For the active projects (Z, Element and Skylar) – the pricing is based on actual sales prices offered by the respective builders. For the upcoming Boulevard project, pricing indicated is our projection based on the other market comparables in Millenia and the overall South County market.

COMMUNITY SPECIFICS				FLOORPLANS				ACTUAL/EXPECTED PRICING																		
Subject Property Name				Mix	Size SF	Bed	Bath	Level	Pkg	Mo Sales Pace	Base Price	Base Price/SF	Incentives		Net Base Price (\$ Impacting)	Net Base Price/SF	Assumptions			Total Price/SF	Payment Assumptions			80.0%		
Location		Sales Summary											Options / Upgrades	Price Reduction			Options / Estimated Upgrades	Total Price	Monthly HOA		Base Tax Rate	Add Assess.	Mo.		Pmt.	
Z at Millenia				14	1,288	2	2.5	3	2	3.5	\$386,000	\$300	\$0	\$0	\$386,000	\$300	\$15,000	\$0	\$401,000	\$311	\$327	1.14%	0.75%	\$2,364		
Chula Vista				44	1,430	3	2.5	3	2		\$409,000	\$286	\$0	\$0	\$409,000	\$286	\$15,000	\$0	\$424,000	\$297	\$327	1.14%	0.75%	\$2,481		
Product: Townhomes				48	1,475	2	2.5	3	2		\$426,000	\$289	\$0	\$0	\$426,000	\$289	\$15,000	\$0	\$441,000	\$299	\$327	1.14%	0.75%	\$2,567		
Configuration: ATT																										
Lot Dimensions: ATT																										
Lot 9																										
% Remaining: 61%																										
Summary Statistics:				1,432						3.5	\$413,660	\$289	\$0	\$0	\$413,660	\$289	\$15,000	\$0	\$428,660	\$299	\$327	1.14%	0.75%	\$2,504		
Element at Millenia				18	1,775	2	2.5	3	2	3.5	\$498,000	\$281	\$0	\$0	\$498,000	\$281	\$20,000	\$10,000	\$528,000	\$297	\$210	1.14%	0.75%	\$2,892		
Chula Vista				16	1,915	3	3.5	3	2		\$523,000	\$273	\$0	\$0	\$523,000	\$273	\$20,000	\$10,000	\$553,000	\$289	\$210	1.14%	0.75%	\$3,019		
Product: Single Family				18	2,157	3	3.5	3	2		\$554,246	\$257	\$0	\$0	\$554,246	\$257	\$20,000	\$10,000	\$584,246	\$271	\$210	1.14%	0.75%	\$3,178		
Configuration: 2,000				18	2,248	4	3.5	3	2		\$587,000	\$261	\$0	\$0	\$587,000	\$261	\$20,000	\$10,000	\$617,000	\$274	\$210	1.14%	0.75%	\$3,344		
Lot Dimensions: n/a																										
Lot 9																										
% Remaining: 31%																										
Summary Statistics:				2,027						3.5	\$541,063	\$267	\$0	\$0	\$541,063	\$267	\$20,000	\$10,000	\$571,063	\$282	\$210	1.14%	0.75%	\$3,111		
Skylar at Millenia				39	2,602	3	3.5	3	2	2.5	\$596,490	\$229	\$0	\$0	\$596,490	\$229	\$35,000	\$7,500	\$638,990	\$246	\$146	1.14%	0.75%	\$3,392		
Chula Vista				40	2,659	3	3.5	3	2		\$613,490	\$231	\$0	\$0	\$613,490	\$231	\$35,000	\$7,500	\$655,990	\$247	\$146	1.14%	0.75%	\$3,478		
Product: Single Family																										
Configuration: 3,250																										
Lot Dimensions: n/a																										
Lot 14																										
% Remaining: 89%																										
Summary Statistics:				2,631						2.5	\$605,098	\$230	\$0	\$0	\$605,098	\$230	\$35,000	\$7,500	\$647,598	\$246	\$146	1.14%	0.75%	\$3,435		
Boulevard at Millenia				24	1,681	3	3.0	3	2	3.0	\$444,990	\$265	\$0	\$0	\$444,990	\$265	\$15,000	\$8,900	\$468,890	\$279	\$327	1.14%	0.75%	\$2,709		
Chula Vista				26	1,816	3	3.0	3	2		\$464,990	\$256	\$0	\$0	\$464,990	\$256	\$15,000	\$9,300	\$489,290	\$269	\$327	1.14%	0.75%	\$2,812		
Product: Townhomes				28	2,046	3	3.0	3	2		\$494,990	\$242	\$0	\$0	\$494,990	\$242	\$15,000	\$9,900	\$519,890	\$254	\$327	1.14%	0.75%	\$2,968		
Configuration: ATT																										
Lot Dimensions: ATT																										
Lot 17																										
% Remaining: 100%																										
Summary Statistics:				1,857						3.0	\$469,605	\$253	\$0	\$0	\$469,605	\$253	\$15,000	\$9,392	\$493,997	\$266	\$327	1.14%	0.75%	\$2,836		
Boulevard at Millenia II				20	1,681	3	3.0	3	2	3.0	\$444,990	\$265	\$0	\$0	\$444,990	\$265	\$15,000	\$4,450	\$464,440	\$276	\$327	1.14%	0.75%	\$2,686		
Chula Vista				20	1,816	3	3.0	3	2		\$464,990	\$256	\$0	\$0	\$464,990	\$256	\$15,000	\$4,650	\$484,640	\$267	\$327	1.14%	0.75%	\$2,789		
Product: Townhomes				20	2,046	3	3.0	3	2		\$494,990	\$242	\$0	\$0	\$494,990	\$242	\$15,000	\$4,950	\$514,940	\$252	\$327	1.14%	0.75%	\$2,943		
Configuration: ATT																										
Lot Dimensions: ATT																										
Lot 11																										
% Remaining: 100%																										
Summary Statistics:				1,848						3.0	\$468,323	\$253	\$0	\$0	\$468,323	\$253	\$15,000	\$4,683	\$488,007	\$264	\$327	1.14%	0.75%	\$2,806		

Millenia IA No. 1 Product Array

The detailed floorplan pricing for the Millenia Improvement Area IA No. 1 product array is outlined below.



Project/Subdivision	Type	Configuration	# of Units	Est % of Total Units	Average Unit Size	BASE PRICE			NET BASE PRICE		\$ ASSUMPTIONS		AVERAGE PRICE		
						Base Price	\$/SF	Price Impacting Incentives	Net Base Price	\$/SF	Options	Premiums	Average Price	\$/SF	Estimated Sales/Month
Z at Millenia	Townhomes	ATT	106	27%	1,432	\$413,660	\$289	\$0	\$413,660	\$289	\$15,000	\$0	\$428,660	\$299	3.50
Element at Millenia	Single Family	2,000	70	18%	2,027	\$541,063	\$267	\$0	\$541,063	\$267	\$20,000	\$10,000	\$571,063	\$282	3.50
Skylar at Millenia	Single Family	3,250	79	20%	2,631	\$605,098	\$230	\$0	\$605,098	\$230	\$35,000	\$7,500	\$647,598	\$246	2.50
Boulevard at Millenia	Townhomes	ATT	78	20%	1,857	\$469,605	\$253	\$0	\$469,605	\$253	\$15,000	\$9,392	\$493,997	\$266	3.00
Boulevard at Millenia II	Townhomes	ATT	60	15%	1,848	\$468,323	\$253	\$0	\$468,323	\$253	\$15,000	\$4,683	\$488,007	\$264	3.00
COMMUNITY SUMMARY			393	100%	1,927	\$494,284	\$261	\$0	\$494,284	\$261	\$19,911	\$5,868	\$520,063	\$274	15.50

Millenia IA No. 1 Projected Absorption

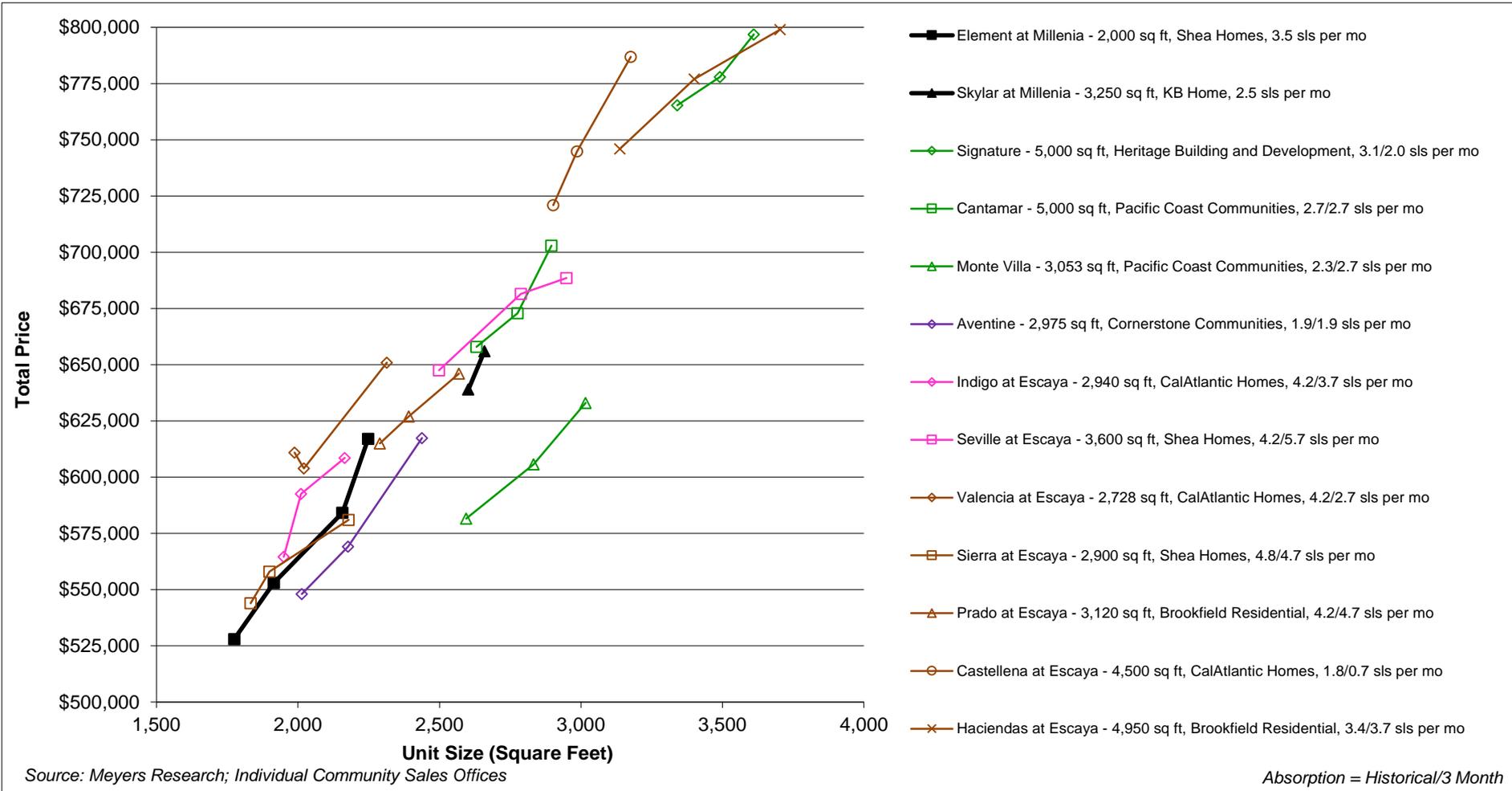
The projected absorption for the Millenia Improvement Area IA No. 1 product array is outlined below.

- Z, Element (Shea) and Skylar (KB Home) are open and selling as of early 2018, with +/-84 of the 255 planned units **sold at the end of 2017** and remaining units projected to be sold-out in the first half of 2020. **At the end of January 2018, the sold total was 98 units, with 53 units closed.**
- Boulevard at Millenia (Lot 17) is expected to start sales with 78 units in mid 2018 and is projected to sell-out in 2020 (based on that start date). It is planned to offer 3-story row townhomes and will be developed by CalAtlantic/Lennar.
- Boulevard II (Lot 11) will be similar to the Boulevard product and will come online when that area is largely absorbed.
- Per product absorptions of 2.50 to 3.50 units per month are assumed given the performance to-date of the currently selling programs and expected market conditions. The actively selling attached and detached projects in South County are typically selling in the +/-3.0 sales per month range.

HYPOTHETICAL COMMUNITY SELL OUT				2016	2017	2018	2019	2020	2021	
Project/Subdivision	Type	Configuration	# of Units							
Z at Millenia	Townhomes	ATT	106		2	33	42	29		
Element at Millenia	Single Family	2,000	70		5	41	24			
Skylar at Millenia	Single Family	3,250	79			3	30	30	16	
Boulevard at Millenia	Townhomes	ATT	78			18	36	24		
Boulevard at Millenia II	Townhomes	ATT	60				12	36	12	
COMMUNITY SUMMARY			393		7	77	114	107	76	12

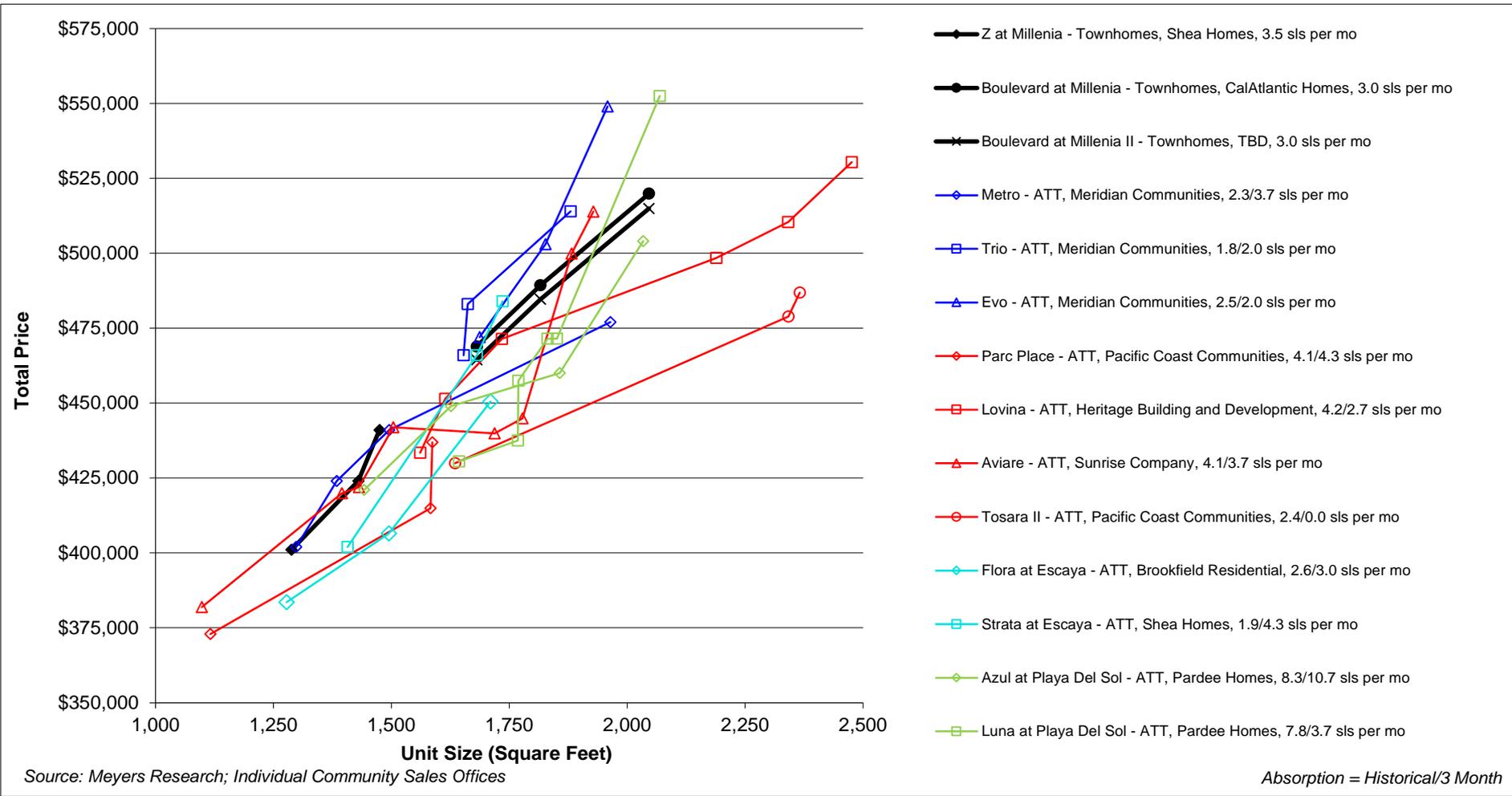
Millenia Product Conclusion: Total Prices (SFD Only)

Looking at just the detached product types, the Subject's total pricing is in-line with other new construction detached for-sale products in the market. Millenia's detached products are relatively high-density 3-story detached for-sale products that are selling well in the competitive market.



Millenia Product Conclusion: Total Prices (ATT Only)

Looking at the attached products, the Millenia products are positioned in-line with other new construction 2 and 3-story attached projects in the Otay Ranch and South County market. Attached units in the high \$300,000s to low \$500,000s are selling well as an affordable product alternative in a market where new detached options are generally \$550,000+.



Millenia Product Comparison vs. Competitive Projects

The active competitive projects in South County are again expanding with new development, but are generally selling well with new home sales in this submarket increasing 108% from 2016 to 2017 and market capture of County new home sales increasing from 20% in 2015/2016 to 30% in 2017 and matches the peak capture of County sales seen in 2001. **South County's market capture is now once again expanding considerably because it is the only area of the County with large amounts of developable residential land and able to offer relatively affordable new home products.**

COMMUNITY	BUILDER / DEVELOPER	CITY	LOT SIZE	UNIT COUNT SUMMARY					SALES PACE		AVERAGE			MONTHLY		
				TOTAL	RLSD	SOLD	AVAIL.	REMAIN	ALL	3 MO.	SF	NET PRICE	\$/SF	HOA	TAX	PAYMENT
Z at Millenia	Shea Homes	Chula Vista	ATT	106	-	41	-	65	3.5	--	1,432	\$428,660	\$299	\$327	1.89%	\$2,504
Element at Millenia	Shea Homes	Chula Vista	2,000	70	-	48	-	22	3.5	--	2,027	\$571,063	\$282	\$210	1.89%	\$3,111
Skylar at Millenia	KB Home	Chula Vista	3,250	79	-	9	-	70	2.5	--	2,631	\$647,598	\$246	\$146	1.89%	\$3,435
Boulevard at Millenia	CalAtlantic Homes	Chula Vista	ATT	78	-	0	-	78	3.0	--	1,857	\$493,997	\$266	\$327	1.89%	\$2,836
Boulevard at Millenia II	TBD	Chula Vista	ATT	60	-	0	-	60	3.0	--	1,857	\$489,353	\$264	\$327	1.89%	\$2,813
Metro	Meridian Communities	Chula Vista	ATT	70	36	36	N/Av	36	2.3	3.7	1,535	\$436,000	\$284	\$299	1.65%	\$2,415
Trio	Meridian Communities	Chula Vista	ATT	81	35	34	N/Av	37	1.8	2.0	1,732	\$487,667	\$282	\$299	1.55%	\$2,665
Evo	Meridian Communities	Chula Vista	ATT	66	51	47	N/Av	26	2.5	2.0	1,824	\$508,000	\$279	\$299	1.55%	\$2,764
Parc Place	Pacific Coast Communi	Chula Vista	ATT	175	48	36	N/Av	139	4.1	4.3	1,429	\$408,233	\$286	\$285	2.00%	\$2,388
Lovina	Heritage Building and D	Chula Vista	ATT	78	58	44	N/Av	39	4.2	2.7	1,986	\$482,567	\$243	\$240	2.00%	\$2,726
Aviare	Sunrise Company	Chula Vista	ATT	171	171	170	N/Av	3	4.1	3.7	1,592	\$445,525	\$280	\$385	2.00%	\$2,681
Tosara II	Pacific Coast Communi	Chula Vista	ATT	99	99	74	N/Av	74	2.4	0.0	2,114	\$465,233	\$220	\$253	2.00%	\$2,650
Signature	Heritage Building and D	Chula Vista	5,000	79	27	23	N/Av	58	3.1	2.0	3,481	\$780,045	\$224	\$48	2.00%	\$4,067
Cantamar	Pacific Coast Communi	Chula Vista	5,000	93	14	8	N/Av	89	2.7	2.7	2,768	\$677,900	\$245	\$48	2.00%	\$3,541
Monte Villa	Pacific Coast Communi	Chula Vista	3,053	72	26	23	N/Av	52	2.3	2.7	2,814	\$606,795	\$216	\$48	2.00%	\$3,175
Aventine	Cornerstone Communiti	Chula Vista	2,975	100	11	10	N/Av	95	1.9	1.9	2,210	\$578,190	\$262	\$160	2.00%	\$3,139
Flora at Escaya	Brookfield Residential	Chula Vista	ATT	107	16	12	N/Av	98	2.6	3.0	1,494	\$413,500	\$277	\$358	2.00%	\$2,489
Strata at Escaya	Shea Homes	Chula Vista	ATT	72	18	15	N/Av	59	1.9	4.3	1,608	\$450,667	\$280	\$385	2.00%	\$2,707
Indigo at Escaya	CalAtlantic Homes	Chula Vista	2,940	111	41	28	N/Av	83	4.2	3.7	2,042	\$588,600	\$288	\$110	2.00%	\$3,143
Seville at Escaya	Shea Homes	Chula Vista	3,600	135	37	30	N/Av	107	4.2	5.7	2,745	\$672,500	\$245	\$108	2.00%	\$3,573
Valencia at Escaya	CalAtlantic Homes	Chula Vista	2,728	118	39	29	N/Av	90	4.2	2.7	2,108	\$621,900	\$295	\$125		\$3,329
Sierra at Escaya	Shea Homes	Chula Vista	2,900	122	43	33	N/Av	90	4.8	4.7	1,970	\$561,000	\$285	\$108	2.00%	\$2,999
Prado at Escaya	Brookfield Residential	Chula Vista	3,120	130	39	28	N/Av	102	4.2	4.7	2,417	\$629,333	\$260	\$125	2.00%	\$3,368
Castellena at Escaya	CalAtlantic Homes	Chula Vista	4,500	76	27	16	N/Av	64	1.8	0.7	3,021	\$750,900	\$249	\$125	2.00%	\$3,994
Haciendas at Escaya	Brookfield Residential	Chula Vista	4,950	76	29	24	N/Av	53	3.4	3.7	3,414	\$774,000	\$227	\$125	2.00%	\$4,113
Azul at Playa Del Sol	Pardee Homes	San Diego	ATT	121	115	110	N/Av	18	8.3	10.7	1,740	\$458,500	\$264	\$275	1.46%	\$2,503
Luna at Playa Del Sol	Pardee Homes	San Diego	ATT	96	96	93	N/Av	2	7.8	3.7	1,822	\$470,167	\$258	\$275	1.56%	\$2,560
NEW HOME AVERAGE:				2,248	1,076	923		1,414	3.6	3.4	2,176	\$557,601	\$261	\$204	1.89%	\$3,045

Commercial Market Analysis

Millenia Master Plan, Chula Vista, CA

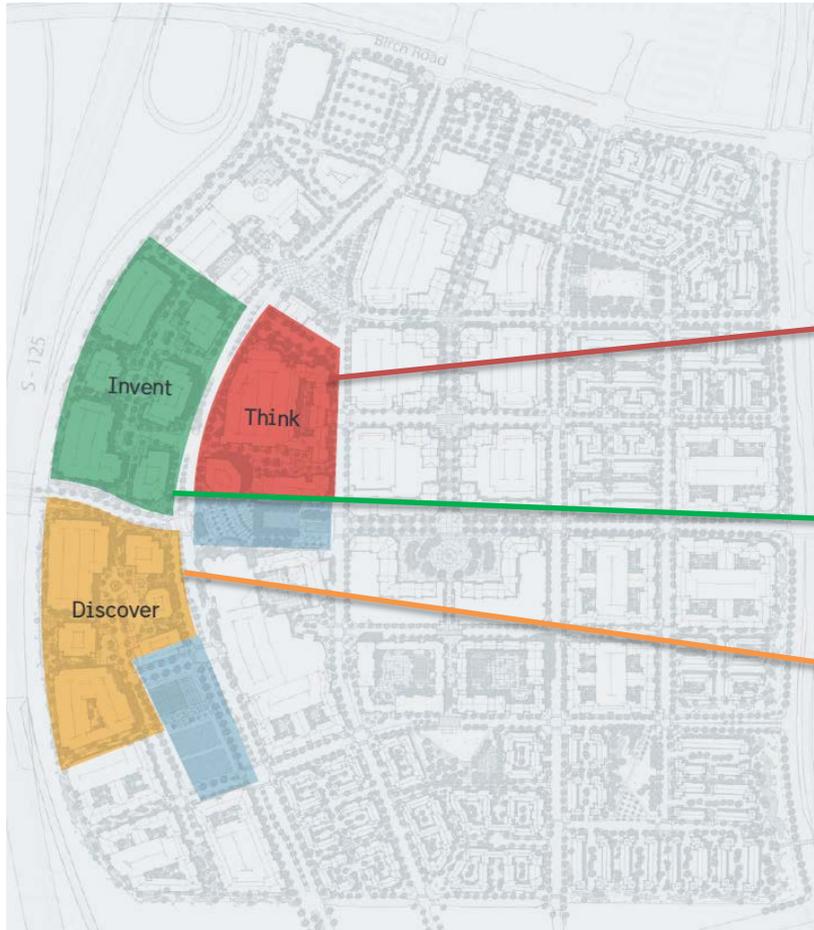
Millenia's Locational Attributes Create Desirable Office Development

Millenia is a mixed-use, urban oriented community located at Birch Road and SR-125 in Chula Vista, California. The location is proximate to established residential communities of Eastlake and Otay Ranch as well as parks, schools and retail options—the Otay Ranch Town Center is located just north of the Millenia Site and offers several Class A restaurant and retail tenants (Best Buy, Macy's, H&M, Cheesecake Factory, PF Chang's). Further, the Otay border crossing is just 5 miles to the south, and Downtown San Diego is 18 miles to the north.



Millenia Calls For Office, Retail and Residential Uses

Millenia consists of multiple parcels in an integrated design concept with multifamily units, office space, retail/hospitality, civic and mixed-use projects. In addition there will be six themed parks and a variety of tree-lined promenades, gathering places, bikeways and plazas. The three planned office phases are outlined below, the first of which is Think, which will include two office buildings totaling 318,000 leasable square feet as well as a parking structure and amenity building. **“Think” and “Invent” (1,018, 000 SF total) are the only office space included in Improvement Area No. 1.**



Think – Campus 001: Two buildings totaling 318,000 Sq. Ft. designed to facilitate a new generation of higher education, a collaborative of multiple domestic and international universities.

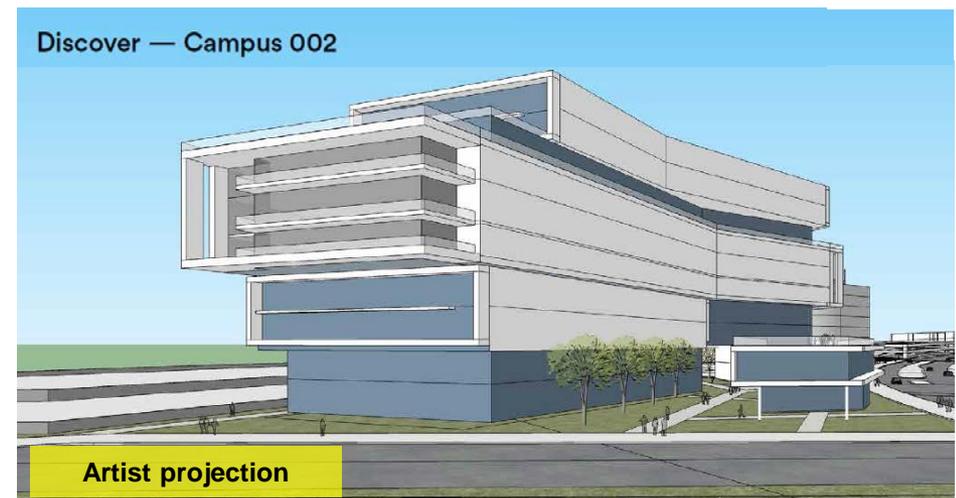
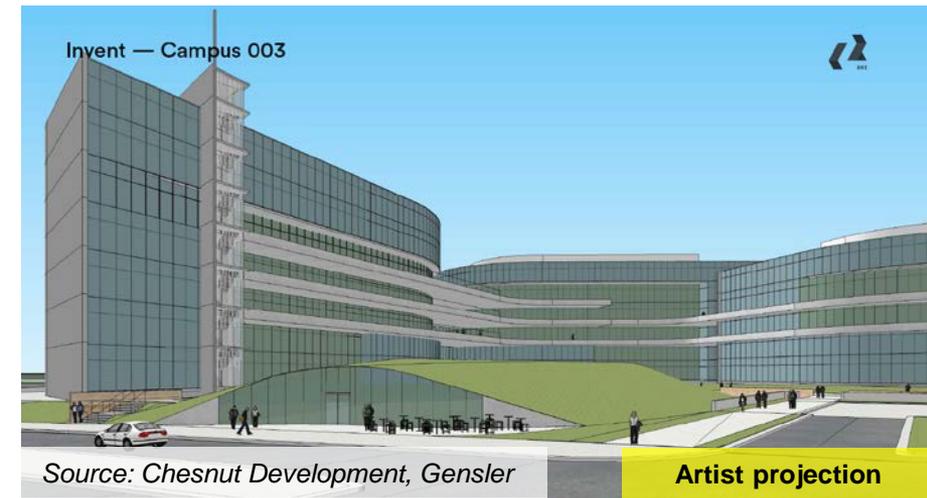
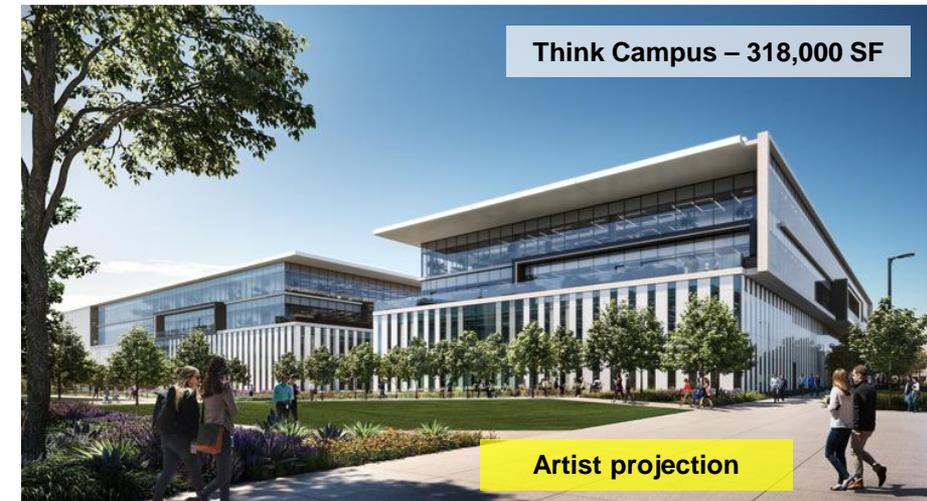
Invent – Campus 003: With four buildings totaling 700,000 Sq. Ft. and the ability to expand to 1,000,000 Sq. Ft., Invent is the largest campus at Millenia Office.

Discover – Campus 002: One building of over 400,000 Sq. Ft., programmed for research and life science (the Discover building is not included in Improvement Area No. 1).

Source: Chesnut Development, Gensler

Millenia Planned for Three Phases of Office Development

Images of the design concepts for the Think, Invent and Discover campuses are below. Think consists of two office buildings of 150,000 and 168,000 square feet, an amenity building with a cafe and fitness center, and a 1,373-car parking garage. The Think campus is targeting LEED Platinum certification, and also a Gold Rating under the new WELL Building Standard which places emphasis on increasing well-being, health, and ultimately productivity of the people inside the space.



Millenia Phase 1 Office Could Be Absorbed in Four Years, Land Value of \$30-\$40/SF

Based on our research, including visits to the site and new/ existing office projects, market trends, broker interviews and supply-demand analysis, the proposed office development at Millenia appears supportable as planned. The following paragraphs summarize the key conclusions from our office analysis:

- **Market conditions are tight for office space in San Diego County and the South Bay.** Countywide average office lease rates have increased recently, to a high of \$2.67 per square foot per month in the most recent quarter, exceeding the previous high of \$2.60 per square foot per month during 2008—it should be noted that vacancy was much higher in 2008 (14.4%). The vacancy rate has trended downward as well, from 15.2% in 2009 to 9.6% in the most recent quarter, which represents a relatively strong office market. San Diego office market absorption has outpaced deliveries in seven out of the past eight years, with very strong gains in absorption in 2016 in particular (1.487 million square feet absorbed versus only 308,000 square feet delivered). In fact, absorption has nearly doubled new deliveries since 2010, with a combined 10.8 million square feet of absorption versus 5.6 million square feet of deliveries—this indicates a supply constrained office market that can support additional new office space.
- **Office inventory in Chula Vista and the South Bay has not increased in recent years.** Office inventory in the South Bay market has been at just over 10.9 million square feet for the past five years. During this time, there has been minimal increase in inventory in recent years and actually a decrease of inventory in 2016 and 2017 (likely due to teardowns of older product or office buildings repurposed for other uses). Office market trends are strong in the South Bay, as average office lease rates have increased in the most recent quarters, to a high of \$2.23 per square foot per month in Q4 2017. The vacancy rate has decreased from 9.1% in Q1 2014 to a low of 5.0% in late 2017, which is a very low office vacancy rate and indicates a supply constrained market. Annual net absorption has fluctuated as compared to completions in recent years—2016 was particularly strong, with over 245,000 square feet absorbed versus no new deliveries (per CoStar data). This data indicates that leasing activity was predominantly existing space that was vacant. Last year (2017) has continued to deliver little to no new completions coupled with 141,000 square feet of positive net absorption.
- **Locational characteristics for Millenia are very strong for office development.** The location is proximate to established residential communities of Eastlake and Otay Ranch as well as parks, schools and retail options—the Otay Ranch Town Center is located just north of the Millenia Site and offers several Class A restaurant and retail tenants (Best Buy, Macy's, H&M, Cheesecake Factory, PF Chang's). Further, the Otay border crossing is just 5 miles to the south, and Downtown San Diego is 18 miles to the north.
- **Developer expectations for office space absorption and lease rates are reasonable and inline with demand and the office market.** Millenia is planned for a minimum of 1.425 million square feet among three phases. Our realistic demand model supports an average of 87,800 square feet of office space at the Subject Project annually, for a total of 1.492 million square feet through 2033. Further, the initial Think office campus is planned for a total of 318,000 square feet of absorbed office space, which could reasonably be absorbed within a +/-4 year timeframe from project completion—a timeline that is consistent with the lease-up expectations of LMC Millenia Investment Company, LLC. Finally, the 1.018 million square feet of office space planned within Improvement Area No. 1 of Millenia (the sum of the 318,000 square foot Think campus and the 700,000 square foot Invent campus) could reasonably be absorbed by the end of 2028.
- **We estimate land values to be in the \$30.00 to \$40.00 per square foot range.** Commercial land sales transactions average \$20.08 per square foot in the South Bay, and land in Chula Vista has traded at an average of \$21.42 per square foot, with the highest price land among these comparables is a small infill site in Chula Vista, which traded at \$76.52 per square foot. It is important to note that there is an inverse relationship between land size and price per square foot—the previously mentioned infill site that commanded the highest price per square foot is only 1.26 acres, while two of the largest sites commanded the lowest price per square foot (Ocean View Hills Pkwy and an 8th Street site). Commercial land asking prices near Millenia are \$30.00 per square foot. There are two key locations with commercial land for sale in Chula Vista: The District at Eastlake, a business park that can accommodate a number of commercial uses (office, hotel, flex, medical, technology, showroom retail) and Auto Park Place, which are parcels dedicated to auto dealership uses. Both of these locations have asking prices for finished commercial lots of \$30.00 per square foot. Given the strong locational attributes and design of Millenia, we believe it could command land values upwards of \$30.00 per square foot.

Demand Indicates Millenia Office SF Could be Absorbed in +/-17 Years

The tables below represent realistic demand (average CalTrans job projections and Woods & Poole job projections) for office space annually over the next 20 years. Millenia is planned for a total of 1.425 million square feet among three phases. Our demand model supports an average of 87,800 square feet of office space at the Subject Project annually, for a total of 1.492 million square feet through 2033. Further, the initial Think office campus is planned for a total of 318,000 square feet of office space, which could reasonably be absorbed within a +/-4 year timeframe—this is consistent with the lease-up expectations of the Project Developer and commercial brokers that are active in the local market. Finally, the **1.018 million square feet of total office space planned within Improvement Area No. 1 of Millenia (the sum of the 318,000 square foot Think campus and the 700,000 square foot Invent campus)** could reasonably be absorbed in the 2018-2029 period (the actual office occupancy is scheduled to occur starting in Q1 2020).

MEYERS <u>Realistic</u> 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	Sum of Five-Year Demand (SF)
2017	1,575,449	153,606	77,197	385,985
2018	1,575,449	153,606	77,197	
2019	1,575,449	153,606	77,197	
2020	1,575,449	153,606	77,197	
2021	1,575,449	153,606	77,197	
2022	1,702,363	178,748	90,225	454,196
2023	1,702,363	178,748	90,225	
2024	1,702,363	178,748	90,225	
2025	1,702,363	178,748	90,225	
2026	1,702,363	178,748	93,295	
2027	1,680,983	184,908	93,295	466,324
2028	1,680,983	184,908	93,295	
2029	1,680,983	184,908	93,295	
2030	1,680,983	184,908	93,295	
2031	1,680,983	184,685	93,146	
2032	1,605,960	184,685	93,146	186,291
2033	1,605,960	184,685	93,146	
AVERAGE:	1,647,406	173,851	87,812	373,199
TOTAL:	28,005,897	2,955,461	1,492,796	1,492,796

The pre-leasing/absorption of the 1.018 million SF of office in Improvement Area No. 1 is projected for 2018-2029, with building occupancy starting at the time of first building completion projected for Q1 2020

City of Chula Vista – Millenia

(CFD No. 16-I in Yellow)



MARKET ABSORPTION ANALYSIS Executive Summary

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