



City of Anaheim
PLANNING DEPARTMENT

February 20, 2015

Subject: Beach Boulevard Market Overview and Feasibility Analysis

The Planning Department is pleased to present the results of the preliminary market overview and feasibility analysis related to the Beach Boulevard Specific Plan Project. In June 2014, the City was awarded nearly \$500,000 from the California Strategic Growth Council to prepare the Beach Boulevard Specific Plan. To gain a better understanding of the land economics in the immediate area of Beach Boulevard, the City commissioned a well-respected real estate market advisor with local experience (Keyser Marston Associates) to investigate the area's existing economic conditions, potential market demand and financial feasibility of new development.

It is important to note that this analysis is a preliminary investigation and the conclusions of the analysis are not intended to forecast the type of development that will necessarily occur along the Beach Boulevard corridor and the surrounding area, but rather to serve as supplemental information in preparation of the Beach Boulevard Specific Plan. The highest and best use of properties will be determined through the specific plan process, in accordance with the community's vision for the area.

If you have questions or need additional information, please contact Susan Kim at skim@anaheim.net or (714) 765-4958 or Gustavo Gonzalez at ggonzalez@anaheim.net or (714) 765-4671.

Sincerely,

Jonathan E. Borrego, AICP
Planning Services Manager



KEYSER MARSTON ASSOCIATES™
ADVISORS IN PUBLIC/PRIVATE REAL ESTATE DEVELOPMENT

MEMORANDUM

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To: Jonathan Borrego, Planning Services Manager
City of Anaheim

From: Kevin Engstrom
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Date: February 12, 2015

Subject: Beach Boulevard Market Overview and Feasibility Analysis

INTRODUCTION

Pursuant to your request, Keyser Marston Associates, Inc. (KMA) prepared a market and financial feasibility analysis for the Beach Boulevard Corridor (Corridor) in the City of Anaheim (City). The analysis occurred in two phases.¹ The first phase evaluated the market conditions for the Corridor, estimating demand for retail, office, residential and hotel development. After identifying the land uses that have the greatest market support, KMA then evaluated the financial feasibility of new development occurring along the Corridor. The analysis is summarized in two sections, Market Area Overview and Project Feasibility Analysis.

MARKET OVERVIEW

The Market Overview includes the following:

1. Socio-Economic Characteristics² - KMA evaluated the socio-economic characteristics of the market area, City and Orange County (County). Reviewing the socio-economic characteristics of the market area residents is necessary for the evaluation of potential market opportunities.

¹ Data for the analysis was collected and evaluated between May and September 2014.

² Socio-Economic characteristics include demographic and economic traits (e.g. population, race, age, education levels, income levels etc.) of market area residents.

2. Employment and Business - Provides a summary of existing employment and businesses.
3. Retail Overview - Includes data from regional brokerage houses, current asking rents, estimates of current retail productivity levels, and estimates of the likely supportable retail.
4. Office Overview - This analysis includes data from regional brokerage houses, current asking rents and market demand projections to assess potential opportunities.
5. Residential Overview – Summarizes the housing inventory, new and existing home sales, and rental activity in the region.
6. Lodging Overview - This analysis includes an evaluation of average daily rates, occupancy and demand in the region.

PROJECT FEASIBILITY ANALYSIS

The Project Feasibility Analysis includes the following:

1. Commercial Project Feasibility – Evaluates the feasibility of new commercial development along the Corridor.
2. Residential Project Feasibility – Evaluates the financial feasibility of new residential projects occurring at mid-block locations along the Corridor.

EXECUTIVE SUMMARY

The Market Overview and the Project Feasibility Analysis are summarized below.

Market Overview

The key findings of the Market Overview include:

1. Socio Economic Characteristics - The three-mile market area, which is shown in Figure 1, has healthy population densities. Of note, the household income levels and education levels are lower than the County averages.³ In addition, there is a concentration of Asian and Hispanic residents in the market area.
2. Retail - The surplus/leakage analysis indicates market area demand for the following tenant types: building materials stores, food & beverage stores, apparel stores, and sporting/hobby/book/music stores. Retail rents in the two-mile market area, which is shown in Figure 2, average \$1.60 per square foot.⁴ Brokers indicate demand exists from retailers for quality space with potential rents along the Corridor exceeding \$2.00 per square foot.
3. Office - The office market in North/Central Orange County is relatively soft. Vacancy rates in Anaheim exceed 17% and the region is not suited for significant off-freeway office development. The significant vacancy rate in the market area can absorb potential demand from the West Anaheim Medical Center.
4. Residential - A healthy amount of residential demand is projected over the next 15 years. Existing residential prices in the two-mile market area average \$320 per square foot for single family homes (median price of \$430,000 per unit) and \$250 per square foot for condominiums (median price of \$279,000 per unit). New attached projects in Anaheim are selling from \$250,000 to \$552,000 (\$284 to \$342 per square foot). Given the demand and price points, developers believe there is residential potential along the Corridor. Properties with sufficient depth could see small lot detached projects. However, most of the Corridor is better suited for attached residential due to the relatively shallow lot depths and market area price points.

³ The market area is measured from the intersection of Beach Boulevard and Orange Avenue. Many retail types evaluate the three-mile market area when considering the socio-economic characteristics of potential opportunity sites.

⁴ The real estate market conditions assume a two-mile market area, as this provides a sufficient sample size while limiting the focus to the Corridor.

- 5. Hotel - Modest demand exists for hotels in the North Orange County market area; however, the average daily rate (ADR)⁵ is relatively low (\$95). The low ADR will impact hotel feasibility, as costs will exceed the supported level of investment.

The market analysis indicates support for additional retail, particularly given the current leakage estimates. According to brokers and developers active in the area, the retail should be concentrated at key intersections in well-designed centers that have strong anchors. In addition, there is a healthy amount of residential demand in the market area with attached homes likely well suited for the Corridor, particularly given the potential price points, shallow lot depths and traffic volumes. As such, residential is suited for mid-block locations, particularly townhome and flat projects, which can be situated on shallower parcels. Further, residential development at mid-block locations could result in the redevelopment of obsolete, under-performing or less desirable land uses. The lack of freeway visibility, opportunity sites more proximate to Knott's Berry Farm and relatively low ADR in the market area will make it difficult to develop hotels along the Corridor in the near- to mid-term.

Project Feasibility Analysis

The Market Overview indicates demand for retail and residential along the Corridor. Given this market support, the Project Feasibility Analysis considers whether new retail and/or residential development is financially feasible. The new development could replace older, obsolete, poorly tenanted or less desirable projects along the Corridor. To evaluate feasibility, the land value supported by new projects is compared to the values of existing development along the Corridor. If the land values for new development exceed the existing land values, then the opportunity may exist for new development to occur along the Corridor.

KMA reviewed land and building sales comps for the market area over the past two years. The average value of these comps is shown in the table below:

| Existing Land and Building Values | | |
|--|---|--------------------------------|
| | Per Square Foot of Building/Unit | Per Square Foot of Land |
| Retail | \$195 | \$42 |
| Office | \$156 | \$40 |
| Apartment | \$147,000 | \$87 |
| Hotel | \$75,700 | \$114 |

⁵ The average daily rate reflects the annual, average rental rate paid per occupied room.

The land value for existing projects along the Corridor likely ranges from \$40 to \$114 per square foot, depending on the use in place. Therefore, new development will need to support land residual values of at least \$40 per square foot to be financially feasible. To that end, KMA estimated the land residual value for seven development scenarios, which included two commercial scenarios and five residential scenarios at varying density levels:

| Development Scenario Residual Land Value | | | |
|---|----------------------|----------------|---------------------------------------|
| | Land Use | Density | Land Value Per Square Foot |
| Scenario 1 | Commercial | .30 FAR | \$31 |
| Scenario 2 | Commercial | .50 FAR | \$40 |
| Scenario 3 | For-Sale Residential | 12 Units/Acre | \$38 |
| Scenario 4 | For-Sale Residential | 18 Units/Acre | \$38 |
| Scenario 5 | For-Sale Residential | 24 Units/Acre | \$44 |
| Scenario 6 | For-Sale Residential | 36 Units/Acre | \$32 |
| Scenario 7 | For-Rent Residential | 36 Units/Acre | \$22 |

Commercial Scenarios

The commercial scenarios evaluation offers the following insights:

1. It will be very difficult for new commercial projects to occur along the Corridor at typical density levels (.25 to .30 FAR), as the residual land value (\$31 per square foot) is much lower than the land value for existing projects (\$40 to \$114 per square foot). For this type of redevelopment to occur, a tenant will need to have a strong desire to locate on the Corridor and/or the developer will need to accept returns that are significantly lower than normal.
2. The higher density commercial project may support land values that are sufficient enough to see the redevelopment of existing commercial projects along the Corridor.
3. To be viable, the higher density commercial will require relaxed parking standards. Currently, the City requires 5.5 spaces per 1,000 square feet for retail, and between 5.5 and 16 spaces per 1,000 square feet for restaurants. The City will need to have professional site plans prepared to identify appropriate parking ratios; however, KMA assumed ratios of 4.0 spaces per 1,000 square feet of retail and 8.0 spaces per 1,000 square feet of restaurant space when preparing this analysis.

4. While potentially supporting greater values, the higher density commercial may be difficult to tenant with domestic chains. As such, these projects may see a concentration of ethnic retailers, particularly those serving the growing ethnic population in the market area.
5. Many traditional domestic developers may not pursue higher density commercial along the Corridor, as the likely two-story configuration can be difficult to tenant. Instead, this type of development would likely see greater interest from non-traditional developers with access to alternative/off-shore capital sources.
6. Non-traditional developers with access to alternative/off-shore capital will often accept lower returns than traditional domestic developers. Reasons for this include lower cost of capital and greater holding periods. The acceptance of lower rates of return can have a significant impact on feasibility, as supportable land values will be higher.

Residential Scenarios

The evaluation of the residential scenarios offers the following insights:

1. Due to the construction costs for parking, the current rents and sales prices do not support podium residential construction at a density of 36 units per acre.
2. Podium residential is unlikely to be viable without an increase in height limits above three stories.⁶ The additional density is required to offset the parking construction costs.
3. The current parking ratios assume 2.0 spaces per one-bedroom unit and 2.25 spaces per two-bedroom unit. These parking ratios may not provide sufficient latitude for developers to provide a mix of units that would be best received by the market, as the relative costs associated with parking for the one-bedroom units may make them financially impractical. This imbalance will particularly impact the feasibility of higher density apartment projects, which have smaller units and a greater share of one-bedroom units.
4. Given the price points, the higher density, non-podium residential supports the greatest price per square foot. For this analysis, Scenario 5 at 24 units per acre generates the highest land value at \$44 per square foot.

⁶ Podium residential refers to multi-story residential buildings with parking located at ground level in a structure and residential built above.

5. The detached, low density, 12 units/acre Scenario 3 generates a healthy land value of \$38 per square foot. However, the development of this type of residential will require relatively deep lots and pricing may be an issue given the traffic volumes along the Corridor.

Summary

Based on the assumptions set forth in the KMA analysis, the higher density commercial project (Scenario 2) and the highest density surface parked residential project (Scenario 5) generate the highest land residual values. At \$40 to \$44 per square foot, the land residual values for these projects are approaching the underlying land value of retail and office developments in the market area, and along the Corridor.

However, the assemblage of sites will be challenging as developers require sufficient land area to cost effectively lay out projects. Acquiring multiple properties can be a significant burden, as the underlying value of each property will be determined by the uses in place. For instance, one parcel may be poorly tenanted and/or obsolete, while the adjacent parcels may have strong tenants, low vacancies and/or more valuable uses (e.g. hotel). As such, the effective redevelopment of these parcels may need to begin with existing landowners along the Corridor who can leverage their holdings into larger developable parcels by acquiring adjacent properties. Further, the land basis for these existing landowners may be lower, thus facilitating feasibility. Assuming landowners and/or developers can obtain properties at the land residual values estimated herein (~\$40), then the redevelopment of some commercial properties may be feasible in the near- to mid-term.

The underlying land value for hotels is over \$100 per square foot. At this price point, none of the scenarios support land values that could see the redevelopment of these properties. As such, redevelopment of these properties will likely only occur if hotel values drop and market conditions significantly improve for the commercial and residential land uses.

MARKET AREA OVERVIEW

The Market Area Overview is detailed in the following sections.

Socio-Economic Characteristics

The socio-economic characteristics of the market area, City and County are shown in Appendix 1 – Tables 1 and 2. The key variables for the market area are summarized below:

1. The market area is characterized by moderate population densities.⁷
2. The market area population is comprised of slightly larger households.
3. The average household income level in the market area is relatively low at \$72,500 compared to \$75,900 in the City and \$98,000 in the County. The median household in the market area is \$57,300 compared to \$59,300 in the City and \$77,000 in the County.
4. Within the market area, approximately 24% of the households earn incomes over \$100,000, which is generally consistent with the City, but much lower than the County where 35% of the households exceed this income level.
5. The age distribution in the market area and the City skew slightly younger than the County, as more than 25% of the residents are under 18, compared to 23% countywide.
6. Market area and City residents are less educated than the County with less than 25% having graduated from college, compared to 36% countywide.
7. There is a concentration of Asian residents in the market area (25%) when compared to the County (19%). Comparatively, only 15% of the citywide population is Asian. Further, as the market area increases in size to 5 miles, the share of Asian residents increases to over 28% of the population.
8. There is also a concentration of Hispanic residents in the market area (46%), when compared to the County (35%). The share of Hispanic residents is even higher within the City (55%).

⁷ The market area is defined by the three-mile ring around the intersection of Beach and Orange, as many retail types utilize this spatial measure to assess opportunities.

- 9. Growth projections for the market area are moderate and should be consistent with the County through 2019.

| Household Growth Projections | | | | |
|-------------------------------------|-------------|-------------|---------------|----------------|
| | <u>2014</u> | <u>2019</u> | Change | |
| | | | <u>Total</u> | <u>Percent</u> |
| 1-Mile Ring | 45,506 | 48,102 | 2,596 | 5.7% |
| 3-Mile Ring | 279,440 | 292,374 | 12,934 | 4.6% |
| 5-Mile Ring | 707,400 | 738,632 | 31,232 | 4.4% |
| Anaheim | 354,144 | 372,252 | 18,108 | 5.1% |
| Orange County | 3,140,085 | 3,302,477 | 162,392 | 5.2% |

The socio-economic makeup of the market area will have an impact on retail opportunities. In particular, retailers focus on population density, income levels and education levels. The market area has a moderately dense population; however, both the income levels and education levels are lower than the County average. The lower income and education levels may impact retail opportunities for some retail types along the Corridor in the near- to mid-term.

Employment and Businesses

Appendix 1 – Tables 3 and 4 show the employment and business mix for the market area and County. The data indicates there is a manufacturing industry concentration in the market area. The concentration of these businesses in the market area likely results from the relative scarcity of industrial development in Orange County and the presence of some of these businesses along the 91 Freeway Corridor. These businesses are not located along Beach Boulevard. Comparatively, there are relatively few professional/scientific/technical services, healthcare and social assistance, and finance and insurance businesses (typical office tenants).

Retail Overview

The information compiled for the retail overview can be summarized as follows:

- 1. As shown in Appendix 1 – Tables 5 and 6, the per capita retail sales are lower in the City (\$9,200) than the County (\$12,600) and the State (\$10,100). In particular, citywide sales are weak for home furnishing stores, food & beverage stores, apparel stores and general merchandise stores. One potential factor for the City’s lower sales is there are fewer establishments compared to the County and State. Finally, the City’s retail sales per establishment are generally consistent with the County and State.

- 2. As shown in Appendix 1 – Tables 7 and 8, there is a healthy amount of retail leakage from the market area with demand for approximately 1.4 million square feet. Particularly strong demand exists for building materials stores, food stores and apparel stores. These findings would support the mix of tenancies that were under consideration for the Westgate Project located on the northeast corner of the Beach Boulevard and Lincoln Avenue intersection.

| Market Area Retail Square Footage Demand⁸ | | | | |
|---|------------------|-----------------|------------------|------------------|
| | Anaheim | 1 - Mile | 3 - Miles | 5 - Miles |
| Furniture and Home Furnishings Stores | 0 | 21,945 | 0 | 0 |
| Electronics and Appliance Stores | 0 | 17,856 | 62,818 | 45,092 |
| Building Material, Garden Equip Stores | 0 | 96,506 | 252,600 | 755,737 |
| Food and Beverage Stores | 619,293 | 128,531 | 501,483 | 1,343,453 |
| Health and Personal Care Stores | 176,668 | 17,243 | 15,443 | 132,383 |
| Clothing and Clothing Accessories Stores | 421,294 | 58,391 | 389,384 | 863,093 |
| Sporting Goods, Hobby, Book, Music Stores | 79,203 | 10,513 | 82,550 | 222,874 |
| General Merchandise Stores | 78,640 | 109,779 | 0 | 0 |
| Miscellaneous Store Retailers | 153,558 | 27,381 | 104,260 | 118,379 |
| Foodservice and Drinking Places | 0 | 28,755 | 0 | 0 |
| Total (Square Feet) | 1,528,656 | 516,898 | 1,408,539 | 3,481,011 |

- 3. As shown in Appendix 1 – Table 9, retail vacancies in North Orange County are 6.6%, compared to 5.1% countywide. Rents in North Orange County average \$1.61 per square foot, which is lower than the County average of \$1.87.
- 4. As shown in Appendix 1 – Table 10, the current asking rents in the market area range from \$.80 to \$3.00 per square foot, with an average of \$1.63 per square foot. These rents are consistent with the North Orange County market area average, but are still lower than the County.⁹

The retail overview indicates the market area is leaking significant sales. The proposed Westgate Project would have addressed some of this leakage, as the major anchors included a home improvement store and food store. This analysis indicates that these tenant types still have market viability should suitable parcels become available. Finally, retail rents in the two-mile market area average \$1.60 per square foot. Rents at this level are relatively low; however, brokers indicate demand exists from retailers for quality space, with potential rents along the Corridor exceeding \$2.00 and approaching \$3.00 per square foot at prime intersections where retail is best suited.

⁸ Source: Claritas, KMA

⁹ The real estate market conditions assume a two-mile market area, as this provides a sufficient sample size while limiting the focus to the Corridor.

Office Overview

The information compiled for the office overview can be summarized as follows:

1. As shown in Appendix 1 – Table 11, office vacancy rates are approximately 13% in Orange County. Over the past year, there has been limited new construction and only modest absorption. Within Anaheim, the vacancy rate is 17.2% and rents are \$1.82 per square foot compared to the County average of \$1.96 per square foot.
2. As shown in Appendix 1 – Table 12, rents in the market area range from \$1.00 to \$2.00 per square foot. The weighted average is \$1.50 per square foot. These rents are much lower than the City average.
3. Appendix 1 – Table 13 shows office demand projections for a three-mile market area. Based on employment growth projections for the three-mile market area, there is projected support for 590,000 square feet of office through 2029 (15 years). This support would include filling existing, proposed and future office developments.

| Estimated Office Demand – 3-Mile Market Area¹⁰ | | | |
|--|------------------|------------------|------------------|
| | 2014-2019 | 2014-2024 | 2014-2029 |
| Cumulative Office Demand | 208,900 | 393,500 | 589,800 |

Overall, the office market is still recovering from the recession, as vacancy rates and rents are moving off their 2010-2012 levels and absorption is still relatively slow. Based on these factors, limited office development has occurred in Orange County over the past year. Given these factors, the much lower rents in the market area and the lack of freeway visibility, market opportunities are anticipated to be limited in the near- to mid-term along the Corridor.

Residential Overview

The Residential Overview considers the existing housing stock in the City, the potential demand for new units and the current market conditions for both for-sale and apartment units.

¹⁰ Source: KMA; Claritas; California Employment Development Department

Existing Residential Stock

As shown in Appendix 1 – Tables 14 and 15, the total number of housing units in Anaheim increased 14% between 1990 and 2013, which is lower than both the County (21%) and State (23%). Currently, the vacancy rate in Anaheim is 5.7%, which is lower than the State average of 8.0%, but higher than the County average of 5.4%. Finally, the mix of housing units in Anaheim indicates 45% of the housing units are multi-family, which is higher than both the County (34%) and State (31%).

Market Area Residential Demand

As shown in Appendix 1 – Table 15, population growth projections indicate three-mile market support for over 12,000 residential units through 2029.

| Estimated Residential Demand – 3-Mile Market Area¹¹ | | | | |
|---|-------------|-------------|-------------|-------------|
| | 2014 | 2019 | 2024 | 2029 |
| Estimated Population | 279,440 | 292,374 | 305,907 | 320,066 |
| Households | 80,377 | 84,106 | 87,999 | 92,072 |
| Household Growth | | 3,729 | 3,893 | 4,073 |
| Cumulative Households | | 3,729 | 7,622 | 11,695 |
| Housing Units @ 103% of Growth | | 3,841 | 7,851 | 12,046 |

For-Sale Market

The for-sale market conditions are summarized below:

- Appendix 1 – Table 17 shows the median existing home price in the City for all of its zip codes from 2009 through 2013. Within Anaheim, the Beach Boulevard Corridor is covered by the 92801 and 92804 zip codes. The 92804 zip code roughly covers the area between Katella, Lincoln, Euclid and the western boundary of the City. The 92801 zip code covers the area between the 91 Freeway, Lincoln, Euclid and the western boundary of the City. Consistent with the County, prices in these zip codes have risen significantly since 2009. In 2013, the median single family home price was \$380,000 (92801) and \$413,000 (92804), compared to the County median of \$599,000. The average price per square foot is higher in the 92801 zip code (\$289) than the 92804 zip code (\$283); however, both are lower than the County (\$331). The price per square foot for homes in the 92801 zip code is higher than all of the other zip codes in the City except the 92808 zip code for Anaheim Hills. These prices indicate the relatively small size of the homes in the 92801 zip code.

¹¹ Source: Claritas, KMA

2. Appendix 1 – Table 18 shows the sales activity for attached and detached homes in the market area (two miles from Beach and Orange) for the past six months. During this period, the median sales price of condominiums is \$279,000 with an average price per square foot of \$250. The median sales price of single-family homes is \$430,000 with an average price per square foot of \$320. The price per square foot is much closer to the County average. Overall, the inventory in the market area is relatively old, as the average year built for the transferred condominiums is 1979 and for the single-family homes it is 1956.

3. As shown in Appendix 1 – Table 19, there are seven new attached home projects in the Anaheim/Yorba Linda market area and 16 detached home projects. In this area, the average price for attached homes is \$481,000 with a price per square foot of \$307.¹²

| | Average Price | Average Sq. Feet | Price/SF |
|---------------------------|--------------------------|-----------------------------|-----------------|
| Anaheim/Yorba Linda | \$480,646 | 1,564 | \$307 |
| Huntington/Newport Beach | \$1,124,443 | 3,233 | \$348 |
| Irvine/Tustin | \$639,650 | 1,613 | \$3,966 |
| Mission Viejo/Aliso Viejo | \$474,641 | 1,574 | \$302 |
| San Juan Cap/San Clemente | \$0 | 0 | \$0 |
| Santa Ana/Orange | <u>\$513,990</u> | <u>1,858</u> | <u>\$277</u> |
| Orange County Total | \$568,225 | 1,653 | \$344 |

In the Anaheim/Yorba Linda market area, the average price for detached homes is \$824,000 with a price per square foot of \$335.

| | Average Price | Average Sq. Feet | Price/SF |
|---------------------------|--------------------------|-----------------------------|-----------------|
| Anaheim/Yorba Linda | \$823,556 | 2,456 | \$335 |
| Huntington/Newport Beach | \$854,192 | 2,100 | \$407 |
| Irvine/Tustin | \$982,848 | 2,487 | \$395 |
| Mission Viejo/Aliso Viejo | \$803,266 | 2,203 | \$365 |
| San Juan Cap/San Clemente | \$926,854 | 3,177 | \$292 |
| Santa Ana/Orange | <u>\$693,182</u> | <u>2,619</u> | <u>\$265</u> |
| Orange County Total | \$899,295 | 2,430 | \$370 |

¹² The MarketPointe data only provides the weighted average pricing for residential units in the County and market area.

¹³ Source: MarketPointe, KMA

¹⁴ Source: MarketPointe, KMA

4. Appendix 1 – Tables 20 through 23 show inventory, absorption and price trends in the region. The unsold inventory of attached and detached homes has fluctuated in Orange County since 2011. Currently, the inventory is slightly larger than 2012, when there were relatively few units available. Similar to the unsold inventory, the absorption of new units has fluctuated with a current absorption rate of 4.75 attached units per month and 4.4 detached units. Sales prices for new attached and detached homes have fluctuated as well since the 1st Quarter of 2013. These fluctuations are due to the size, type, quality and location of the projects being sold in each quarter.

5. According to Market Pointe, there are two new attached projects currently selling in Anaheim. As shown in Appendix 1 – Table 24, the projects include the Cortile @ Colony Park homes and the Casita @ Colony Park homes. These projects are both developed by Brookfield homes and include a mix of condominiums and townhomes. These projects have units ranging from 730 to 1,931 square feet in size with prices ranging from \$250,000 to \$552,000 (\$284 to \$342 per square foot). In addition, The Domain Anaheim project is under construction in the City. Located at the intersection of Santa Ana Street and Anaheim Boulevard, this project includes a mix of one- to three-bedroom units ranging from 746 to 1,644 square feet per unit. Pricing for the one-bedroom units starts in the mid-\$300,000s, the two-bedroom units start from the mid-\$400,000s, and the three-bedroom units start from the high \$400,000s.

Apartment Market

The apartment market conditions are summarized below:

1. As shown in Appendix 1 – Table 25, the average asking rent is \$1,360 in the market area, with a 1.0% year to date vacancy rate compared to 2.8% in Orange County.¹⁵ Rents are projected to increase to \$1,490 (6.2%) through 2018, as shown below:

| Market Area Projections¹⁶ | | |
|---|---------------------|------------------------|
| | Average Rent | Average Vacancy |
| 2015 | \$1,432 | 1.8% |
| 2016 | \$1,456 | 2.3% |
| 2017 | \$1,474 | 2.6% |
| 2018 | \$1,487 | 2.4% |

¹⁵ This data is provided by REIS, which roughly describes the apartment market area north of the 22, west of the 5 and east of the 605.

¹⁶ Source: REIS: Submarket Trend Futures

- 2. Appendix 1 – Table 26 shows the rents by unit type. The average rent in the market area is \$1,360 (\$1.56 per square foot). The table below summarizes and shows the average apartment sizes and rent by type of unit.

| Unit Type | Average Square Feet | Average Rent | Average Rent PSF |
|---------------------|----------------------------|---------------------|-------------------------|
| Studio / Efficiency | 447 | \$1,070 | \$2.39 |
| One-Bedroom | 743 | \$1,192 | \$1.61 |
| Two-Bedroom | 968 | \$1,465 | \$1.51 |
| Three-Bedroom | <u>1,147</u> | <u>\$1,831</u> | <u>\$1.60</u> |
| Overall | 873 | \$1,363 | \$1.56 |

- 3. Appendix 1 – Table 27 compares the market area rents to Orange County, which are summarized in the table below.

| Unit Type | Average Rent | Average Rent PSF |
|---------------------|---------------------|-------------------------|
| Studio / Efficiency | \$1,195 | \$2.33 |
| One-Bedroom | \$1,434 | \$1.95 |
| Two-Bedroom | \$1,800 | \$1.74 |
| Three-Bedroom | \$2,276 | \$1.78 |

- 4. As shown in Appendix 1 – Table 28, approximately 2,100 new apartment units are projected for Orange County over the next five years.

The residential market has improved significantly since the nadir of the recession. With the healthy residential demand projected for the area, opportunities should exist for new residential development along the Corridor. Developers active in the area substantiate this finding, as they believe demand exists for some product types. Specifically, properties with sufficient depth could see small lot detached projects; however, given the parcelization along the Corridor, these opportunities are limited. Instead, attached projects are likely better suited for most opportunity sites along the Corridor, as these unit types can offer a price point that is consistent with the market area. Overall, residential is suited for mid-block locations, particularly townhome and flat projects where lot depths are shallower. Residential development at these mid-block locations

¹⁷ Source: REIS: Submarket Trend Futures

¹⁸ Source: REIS: Submarket Trend Futures

could result in the redevelopment of obsolete, under-performing or less desirable land uses.

Lodging Overview

The lodging market conditions are summarized below:

1. As shown in Appendix 1 – Table 29, the hotel market has steadily improved since 2009 throughout Orange County. This improvement is consistent with patterns in California and across the country. Historic occupancy rates for North Orange County have been slightly lower than the County; however, they are comparable for 2014.¹⁹
2. As shown in Appendix 1 – Table 30, the Average Daily Rate (ADR) for North Orange County is significantly lower than the County average (\$95 compared to \$128 in 2014).
3. As shown in Appendix 1 – Table 31, the lower ADR results in a relatively low Revenue per Available Room (RevPAR) of \$66 in North Orange County, compared to \$92 countywide.
4. As shown in Appendix 1 – Table 32, demand increased 2.0% annually in the North Orange County between 2008 and 2014. This rate of increase is lower than the County average of 3.3%.

Given the hotel market conditions, KMA estimated hotel demand along the Corridor over the next ten years. The analysis is summarized in Appendix 1 – Table 33, which shows potential demand for 500 to 970 hotel rooms in the North Orange County market area during this period. Assuming this number of rooms, a hotel project along the Corridor would need to capture approximately 20% of the demand to have market feasibility. While the Corridor is reasonably proximate to Knott's Berry Farm, there is no freeway visibility. As such, the Corridor is at a competitive disadvantage to other sites in the area that offer the same or better proximity to Knott's Berry Farm and/or provide freeway visibility. For this reason, new hotel projects are currently being considered in Buena Park, and if they move forward these properties will absorb a healthy share of this demand. Further, the ADR in the market area is relatively low at \$95. Therefore, even if a hotel might have market feasibility, it may not have financial feasibility because this ADR is unable to support acquisition and construction costs.

¹⁹ The North Orange County market includes the cities of Buena Park, Fullerton, Brea, Placentia, Cypress, Los Alamitos, Seal Beach and Yorba Linda. This market would likely be the competitive set for properties along Beach Boulevard.

PROJECT FEASIBILITY ANALYSIS

The Market Overview indicates demand for retail and residential along the Corridor. Given this market support, the Project Feasibility Analysis considers whether new retail and/or residential development is financially feasible. The new development could replace older, obsolete, poorly tenanted or less desirable projects along the Corridor. To this end, KMA worked with the City to identify seven alternative development programs for the Corridor. The seven scenarios evaluate the viability of redeveloping parcels along the Corridor based on alternative land uses and development densities. These programs include the following:

| Development Programs | | |
|-----------------------------|----------------------|----------------|
| | Land Use | Density |
| Scenario 1 | Commercial | .30 FAR |
| Scenario 2 | Commercial | .50 FAR |
| Scenario 3 | For-Sale Residential | 12 Units/Acre |
| Scenario 4 | For-Sale Residential | 18 Units/Acre |
| Scenario 5 | For-Sale Residential | 24 Units/Acre |
| Scenario 6 | For-Sale Residential | 36 Units/Acre |
| Scenario 7 | For-Rent Residential | 36 Units/Acre |

For each Scenario, KMA prepared a pro forma analysis which identifies its land residual value.²⁰ The land residual value is the difference between project costs and its estimated value (less developer profit). The land residual value can then be compared to existing land values along the Corridor to gain an understanding of whether redevelopment is feasible. The pro forma analysis for each Scenario is separated into three sections:

- Table 1 – Estimated Construction Costs
- Table 2 – Estimated Project Income/Revenues
- Table 3 – Land Residual Value

The pro forma analysis is summarized in the attached Table 1, with the detailed pro formas included in Appendices 2 - 7.

²⁰ A pro forma analysis is a financial analysis of a real estate development, which includes an evaluation of project costs, revenues and returns.

DEVELOPMENT SCENARIOS

The program for each development scenario is summarized below.

| Development Scenario Summary | | | | | | | |
|------------------------------|------------|------------|------------|------------|------------|------------|------------|
| | Scenario 1 | Scenario 2 | Scenario 3 | Scenario 4 | Scenario 5 | Scenario 6 | Scenario 7 |
| Residential Units | NA | NA | 26 | 38 | 51 | 77 | 77 |
| Gross Building Area (SF) | 34,369 | 57,281 | 41,800 | 54,250 | 63,300 | 97,020 | 84,105 |
| Average Unit Size (SF) | | | 1,608 | 1,428 | 1,239 | 1,200 | 1,040 |
| Parking Spaces | 220 | 275 | 72 | 106 | 142 | 177 | 168 |
| Land Area (SF) | 114,563 | 114,563 | 92,764 | 92,764 | 92,764 | 92,764 | 92,764 |
| Project FAR | 0.30 | 0.50 | 0.45 | 0.58 | 0.68 | 1.05 | .91 |

COMMERCIAL SCENARIOS

Based on the findings of the market study and discussions with the City, KMA evaluated two commercial scenarios. For each scenario a pro forma analysis was prepared, estimating its land residual value. The scenarios include:

1. Scenario 1 (Appendix 2) – This scenario reflects traditional commercial development in Southern California with surface parking and one level of retail.
2. Scenario 2 (Appendix 3) – This scenario evaluates the potential for higher density commercial that would likely require a two-story development configuration. By increasing the number of commercial levels, the project could potentially be surface parked. This type of commercial development is prevalent in many parts of the San Gabriel Valley and other more urban locations in Southern California.

Key Assumptions

The key assumptions for the commercial scenarios include the following:

1. Construction costs are estimated at \$85 per square foot for Scenario 1 and \$90 per square foot for Scenario 2.
2. A tenant improvement allowance of \$20 per square foot is assumed in both scenarios.
3. Contractor, general conditions and contingency costs are estimated at 20% of site and building costs.

4. The parking requirements in the area would need to be relaxed to park Scenario 2 without a parking structure. As such, a professionally prepared site plan will be required to accurately address the feasibility of constructing this project without a parking structure. For the purposes of this analysis, KMA assumed 277 parking spaces; which roughly equates to parking ratios of 4.0 spaces per 1,000 square feet for retail and 8.0 spaces per 1,000 square feet for restaurants. However, the parking ratios may need to be lower to effectuate this design.
5. The indirect and financing costs are based on industry standards for commercial development in Southern California.
6. Based on these assumptions, the construction costs are \$206 per square foot for Scenario 1 and \$200 per square foot for Scenario 2.
7. Based on the market analysis, KMA estimated healthy rents for the projects. In Scenario 1, rents are estimated to range from \$2.50 to \$2.75 per square foot. Given the likely multi-level configuration of Scenario 2, rents are projected to be approximately 10% less, ranging from \$2.25 to \$2.50 per square foot.
8. Typical retail return on costs in Southern California range from 9% to 11%. For the purposes of this analysis, KMA assumed a 9.0% return based on our experience in Anaheim and Orange County.
9. Given these assumptions, KMA estimated the following land residual values for the commercial scenarios:

| Land Residual Value | | |
|----------------------------|----------------------|-----------------------|
| | Scenario 1 | Scenario 2 |
| Supported Investment | \$10,644,000 | \$16,011,000 |
| (Less): Project Costs | <u>(\$7,094,000)</u> | <u>(\$11,433,000)</u> |
| Land Residual Value | \$3,550,000 | \$4,578,000 |
| Per Square Foot | \$31 | \$40 |

RESIDENTIAL SCENARIOS

Based on the findings of the market study and discussions with the City, KMA evaluated five residential scenarios, including:

1. Scenario 3 (Appendix 4) – Assumes a low density, detached for-sale residential project with 12 units per acre.

2. Scenario 4 (Appendix 5) – Assumes a slightly higher density, attached for-sale residential project at 18 units per acre.
3. Scenario 5 (Appendix 6) – Assumes a for-sale residential project at 24 units per acre, which is likely at or near the highest density residential project that would not require structured parking.
4. Scenario 6 (Appendix 7) – Assumes a for-sale residential project at 36 units per acre. This project would require podium parking.
5. Scenario 7 (Appendix 8) – Assumes a for-rent residential project at 36 units per acre. This project would require podium parking.

Key Assumptions

The key assumptions for the residential scenarios include the following:

1. The building shell costs are estimated at \$85 per square foot.
2. Parking costs are estimated at \$17,000 per space for Scenarios 6 and 7.
3. Site costs are estimated at \$15 per square foot for Scenarios 3 – 5, and \$5 per square foot for Scenarios 6 and 7. The analysis assumes a share of the site costs for Scenarios 6 and 7 is captured in the parking costs.
4. The parking estimate assumes the current code for the area of 2.0 spaces for one-bedroom units, 2.25 spaces for two-bedroom units and 3.0 spaces for three-bedroom units. Guest parking at .25 spaces per unit is assumed to be captured in these totals.
5. Contractor, general conditions and contingency costs are estimated at 20% of site, building and parking costs.
6. Based on information received from the City, permits and fees are estimated at \$19,000 per unit for the for-sale units and \$14,000 per unit for the rental units.
7. The for-sale, attached residential scenarios include construction insurance at \$10,000 per unit.
8. The for-sale pro formas assume commissions and closing costs are 3.0% and 1.5% of sales, respectively. The costs also include \$3,500 per unit for home buyer warranties.

9. The remaining indirect and financing costs are based on industry standards for residential development in Southern California.
10. The construction costs are estimated as follows:

| Construction Costs | | |
|---------------------------|-----------------|------------------------|
| | Per Unit | Per Square Foot |
| Scenario 3 | \$338,100 | \$210 |
| Scenario 4 | \$294,700 | \$206 |
| Scenario 5 | \$256,100 | \$207 |
| Scenario 6 | \$286,300 | \$227 |
| Scenario 7 | \$212,900 | \$195 |

11. The sales prices for the units are estimated as follows:

| Sales Prices/Rents | | | | | |
|---------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | Scenario 3 | Scenario 4 | Scenario 5 | Scenario 6 | Scenario 7 |
| 1-Bedroom | | | | | |
| Sq. Feet | | | | 1,000 | 900 |
| Price/SF | | | | \$330 | \$1.85 |
| Total Price | | | | \$330,000 | \$1,665 |
| 2-Bedroom | | | | | |
| Sq. Feet | 1,400 | 1,250 | 1,100 | 1,200 | 1,100 |
| Price/SF | \$345 | \$330 | \$330 | \$320 | \$1.75 |
| Total Price | \$483,000 | \$412,500 | \$363,000 | \$384,000 | \$1,925 |
| 3-Bedroom | | | | | |
| Sq. Feet | 1,700 | 1,500 | 1,300 | 1,400 | |
| Price/SF | \$330 | \$315 | \$315 | \$305 | |
| Total Price | \$561,000 | \$472,500 | \$409,500 | \$427,000 | |

12. To estimate the rents and pricing, KMA considered the following:
 - o The average two-bedroom detached home in the two-mile market area sells for \$348 per square foot.
 - o The average three-bedroom detached home in the two-mile market area sells for \$331 per square foot.

- The base sales prices for new attached home projects in Anaheim range between \$282 and \$342 per square foot.
 - The detached homes are assumed to generate a 5% price premium over the attached projects.
 - Given the existing inventory and KMA’s experience in Anaheim and Southern California, a 15% premium on the average per square foot rents in the market area is assumed.
13. Based on our experience in Anaheim and Orange County, KMA assumed a developer profit of 12% on sales for the detached units and 15% on sales for the attached for-sale units.
 14. Based on our experience in Anaheim and Orange County, KMA assumed a 6.0% return on costs for the apartments.
 15. Given these assumptions, KMA estimated the following land residual values for the residential scenarios:

| Land Residual Values | | | | | |
|-----------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | Scenario 3 | Scenario 4 | Scenario 5 | Scenario 6 | Scenario 7 |
| Revenues/Value | \$13,962,000 | \$17,296,000 | \$20,187,000 | \$29,480,000 | \$18,433,000 |
| (Less): Costs and Profit | <u>(\$10,466,000)</u> | <u>(\$13,793,000)</u> | <u>(\$16,117,000)</u> | <u>(\$26,469,000)</u> | <u>(\$16,395,000)</u> |
| Land Residual | \$3,496,000 | \$3,503,000 | \$4,070,000 | \$3,011,000 | \$2,038,000 |
| Per Sq. Foot | \$38 | \$38 | \$44 | \$32 | \$22 |

EXISTING LAND VALUES

To gain an understanding of the potential acquisition costs along the Corridor, KMA reviewed land and building sale comps in the market area over the past two years. The comps are shown in Appendix 9 and are summarized below:

1. As shown in Appendix 9 – Table 1, the average price for retail buildings is \$195 per square foot, with an underlying land value of \$42 per square foot.
2. As shown in Appendix 9 – Table 2, the average for office buildings is \$156 price per square foot, with an underlying land value of \$40 per square foot.
3. As shown in Appendix 9 – Table 3, the average price for apartment buildings is \$147,000 per unit, with an underlying land value of \$87 per square foot.

- 4. As shown in Appendix 9 – Table 4, the average price for hotels is \$76,000 per unit, with an underlying land value of \$114 per square foot.
- 5. The commercial land values are approximately \$40 per square foot and the apartment/hotel land values are significantly higher ranging from \$87 to \$114 per square foot. The table below summarizes these findings:

| Building/Land Values | | |
|-----------------------------|---|--------------------------------|
| | Per Square Foot of Building/Unit | Per Square Foot of Land |
| Retail | \$195 | \$42 |
| Office | \$156 | \$40 |
| Apartment | \$147,000 | \$87 |
| Hotel | \$75,700 | \$114 |

- 6. Appendix 9 – Table 4 shows the values for unimproved land, which is summarized below:

| Unimproved Land Values | |
|-------------------------------|------------------------|
| | Per Square Foot |
| Commercial Zoned | \$27 |
| Industrial Zoned | \$27 |
| Residential Zoned | \$30 |
| Overall | \$29 |

Overall, these land prices indicate it will be challenging to effectuate redevelopment in the near- to mid-term. This is particularly true for the hotel properties, which have land values over twice as high as the land residual value supported by the scenarios.

SUMMARY

Based on the assumptions set forth in the KMA analysis, the higher density commercial project (Scenario 2) and the highest density, surface parked residential project (Scenario 5) generate the highest land residual values. At \$40 to \$44 per square foot, the land residual values for these projects are comparable to the underlying land value of retail and office developments in the market area and along the Corridor.

While the land values are comparable, the assemblage of sites will be challenging, as developers require sufficient land area to cost effectively lay out projects. Acquiring multiple properties can be a significant burden, as the underlying value of each property

will be determined by the uses in place. For instance, one parcel may be poorly tenanted and/or obsolete, while the adjacent parcels may have strong tenants, low vacancies and/or more valuable uses (e.g. hotel). As such, the effective redevelopment of these parcels may need to begin with existing landowners along the Corridor who can leverage their holdings into larger developable parcels by acquiring adjacent properties. Further, the land basis for these existing landowners may be lower, thus facilitating feasibility. Assuming landowners and/or developers can obtain properties at the land residual values estimated herein (~\$40), then the redevelopment of some commercial properties may be feasible in the near- to mid-term.

The underlying land value for hotels is over \$100 per square foot. At this price point, none of the scenarios support this land value. As such, redevelopment of these properties will likely only occur if hotel values drop and market conditions significantly improve for the commercial and residential land uses.

Attachments:

Figures 1 & 2

Table 1

Appendix 1 – Market Research Tables

Appendix 2 – Scenario 1 – Low Density Commercial

Appendix 3 – Scenario 2 – High Density Commercial

Appendix 4 – Scenario 3 – Residential (12 Units/Acre)

Appendix 5 – Scenario 4 – Residential (18 Units/Acre)

Appendix 6 – Scenario 5 – Residential (24 Units/Acre)

Appendix 7 – Scenario 6 – For-Sale Residential (36 Units/Acre)

Appendix 8 – Scenarios 7 – For-Rent Residential (36 Units/Acre)

Appendix 9 – Land & Building Comparables

Limiting Conditions

1. The analysis contained in this document is based, in part, on data from secondary sources such as state and local government, planning agencies, real estate brokers, and other third parties. While KMA believes that these sources are reliable, we cannot guarantee their accuracy.
2. The analysis assumes that neither the local nor national economy will experience a major recession. If an unforeseen change occurs in the economy, the conclusions contained herein may no longer be valid.
3. The findings are based on economic rather than political considerations. Therefore, they should be construed neither as a representation nor opinion that government approvals for development can be secured.
4. Market feasibility is not equivalent to financial feasibility; other factors apart from the level of demand for a land use are of crucial importance in determining feasibility. These factors include the cost of acquiring sites, relocation burdens, traffic impacts, remediation of toxics (if any), and mitigation measures required through the approval process.
5. Development opportunities are assumed to be achievable during the specified time frame. A change in development schedule requires that the conclusions contained herein be reviewed for validity.
6. The analysis, opinions, recommendations and conclusions of this document are KMA's informed judgment based on market and economic conditions as of the date of this report. Due to the volatility of market conditions and complex dynamics influencing the economic conditions of the building and development industry, conclusions and recommended actions contained herein should not be relied upon as sole input for final business decisions regarding current and future development and planning.

FIGURE 1

**SOCIO-ECONOMIC/RETAIL MARKET AREAS
BEACH BOULEVARD MARKET OPPORTUNITIES
ANAHEIM, CALIFORNIA**

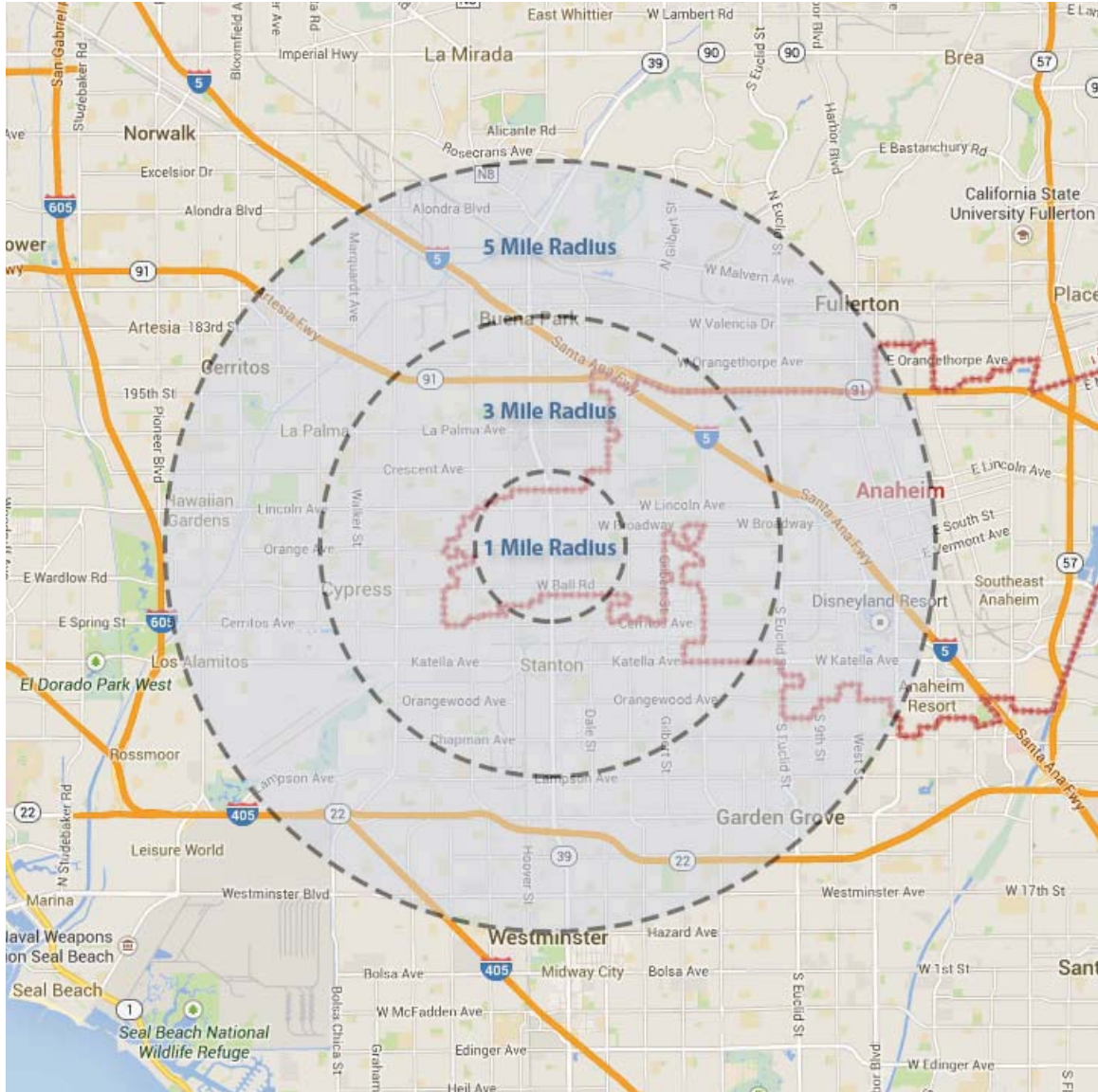


FIGURE 2

**REAL ESTATE MARKET AREA
BEACH BOULEVARD MARKET OPPORTUNITIES
ANAHEIM, CALIFORNIA**



TABLE 1

SCENARIO SUMMARIES
 BEACH BOULEVARD MARKET OPPORTUNITIES ANALYSIS
 ANAHEIM, CALIFORNIA

| | Scenario 1 Commercial Low Density | Scenario 2 Commercial High Density | Scenario 3 Residential 12 Units/Acre | Scenario 4 Residential 18 Units/Acre | Scenario 5 Residential 24 Units/Acre | Scenario 6 Residential 36 Units/Acre | Scenario 7 Residential 36 Units/Acre |
|--|---|--|--|--|--|--|--|
| I. Project Description | | | | | | | |
| Number of Units | NA | NA | 26 | 38 | 51 | 77 | 77 |
| Building Area - GBA (SF) | 34,369 | 57,281 | 41,800 | 54,250 | 63,300 | 97,020 | 84,105 |
| Average Unit (SF) - Net | | | 1,608 | 1,428 | 1,239 | 1,200 | 1,040 |
| Number of Parking Spaces | 220 | 275 | 72 | 106 | 142 | 177 | 168 |
| Land Area (SF) | 114,563 | 114,563 | 92,764 | 92,764 | 92,764 | 92,764 | 92,764 |
| Project FAR | 0.30 | 0.50 | 0.45 | 0.58 | 0.68 | 1.05 | 0.91 |
| II. Development Costs | | | | | | | |
| Land Costs | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Direct Costs | 5,292,000 | 8,524,000 | 5,933,000 | 7,203,000 | 8,126,000 | 14,069,000 | 12,553,000 |
| Indirect Costs | 1,163,000 | 1,901,000 | 1,618,000 | 2,361,000 | 2,953,000 | 4,568,000 | 2,573,000 |
| Financing/Closing Costs | 639,000 | 1,008,000 | 1,240,000 | 1,635,000 | 2,010,000 | 3,410,000 | 1,269,000 |
| Total Development Costs | \$7,094,000 | \$11,433,000 | \$8,791,000 | \$11,199,000 | \$13,089,000 | \$22,047,000 | \$16,395,000 |
| Per Unit | NA | NA | \$338,100 | \$294,700 | \$256,100 | \$286,300 | \$212,900 |
| Per SF Building Area | \$206 | \$200 | \$210 | \$206 | \$207 | \$227 | \$195 |
| III. Average Monthly Rents/Sales Prices | | | | | | | |
| Per Unit | NA | NA | \$537,000 | \$455,200 | \$395,800 | \$382,900 | \$1,847 |
| Per SF Building Area - Net | \$2.55 | \$2.30 | \$334.02 | \$318.82 | \$318.91 | \$319.05 | \$1.80 |
| IV. Net Operating Income/Sales Revenues | | | | | | | |
| Supportable Investment/Profit | \$10,644,000 | \$16,011,000 | \$1,675,000 | \$2,594,000 | \$3,028,000 | \$4,422,000 | \$18,433,000 |
| Required Return on Investment | 9.00% | 9.00% | 12.00% | 15.00% | 15.00% | 15.00% | 6.00% |
| VI. Project Surplus/(Financial Gap) | | | | | | | |
| Supportable Investment | \$10,644,000 | \$16,011,000 | \$13,962,000 | \$17,296,000 | \$20,187,000 | \$29,480,000 | \$18,433,000 |
| (Less) Development Costs & Profit | (7,094,000) | (11,433,000) | (10,466,000) | (13,793,000) | (16,117,000) | (26,469,000) | (16,395,000) |
| Residual Land Value | \$3,550,000 | \$4,578,000 | \$3,496,000 | \$3,503,000 | \$4,070,000 | \$3,011,000 | \$2,038,000 |
| Per SF Land Area | \$31 | \$40 | \$38 | \$38 | \$44 | \$32 | \$22 |

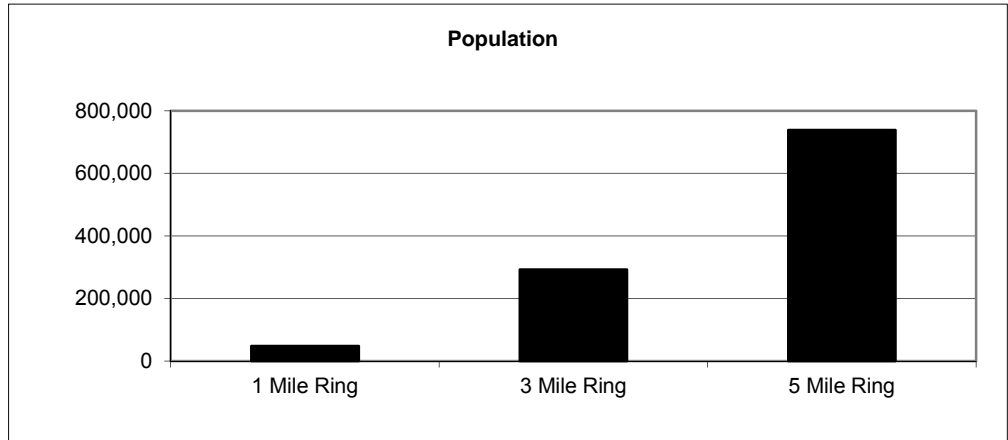
APPENDIX 1 - MARKET RESEARCH TABLES

APPENDIX 1 - TABLE 1

**2014 SOCIO-ECONOMIC CHARACTERISTICS
BEACH BOULEVARD MARKET OPPORTUNITIES
ANAHEIM, CALIFORNIA**

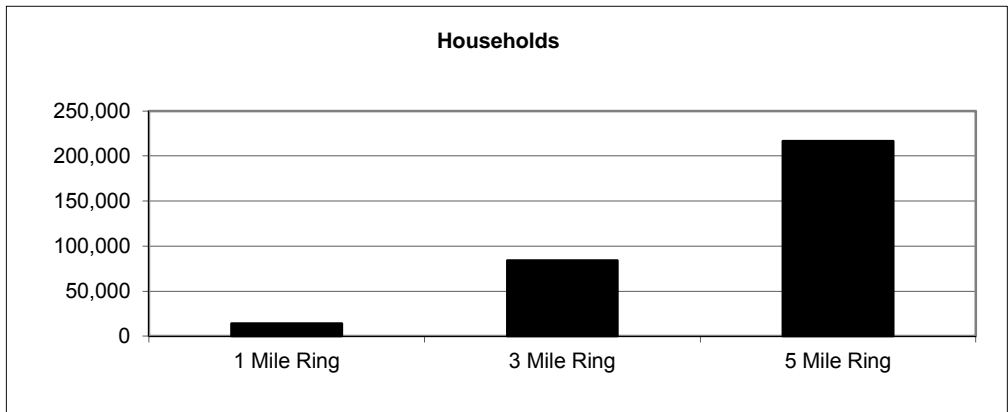
Population

| | |
|---------------|-----------|
| 1 Mile Ring | 48,100 |
| 3 Mile Ring | 292,400 |
| 5 Mile Ring | 738,600 |
| Anaheim | 372,300 |
| Orange County | 3,302,500 |



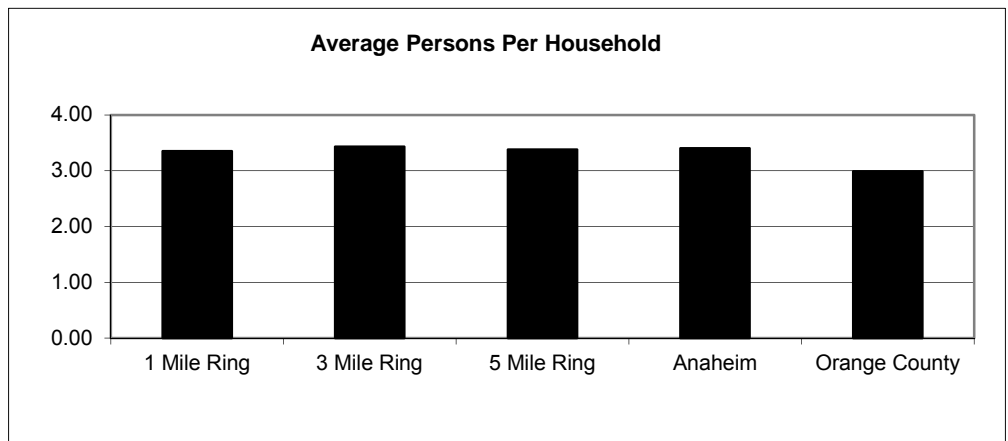
Households

| | |
|---------------|-----------|
| 1 Mile Ring | 14,000 |
| 3 Mile Ring | 84,100 |
| 5 Mile Ring | 216,500 |
| Anaheim | 108,500 |
| Orange County | 1,091,300 |



Average Persons Per Hhold

| | |
|---------------|------|
| 1 Mile Ring | 3.35 |
| 3 Mile Ring | 3.43 |
| 5 Mile Ring | 3.38 |
| Anaheim | 3.40 |
| Orange County | 2.99 |



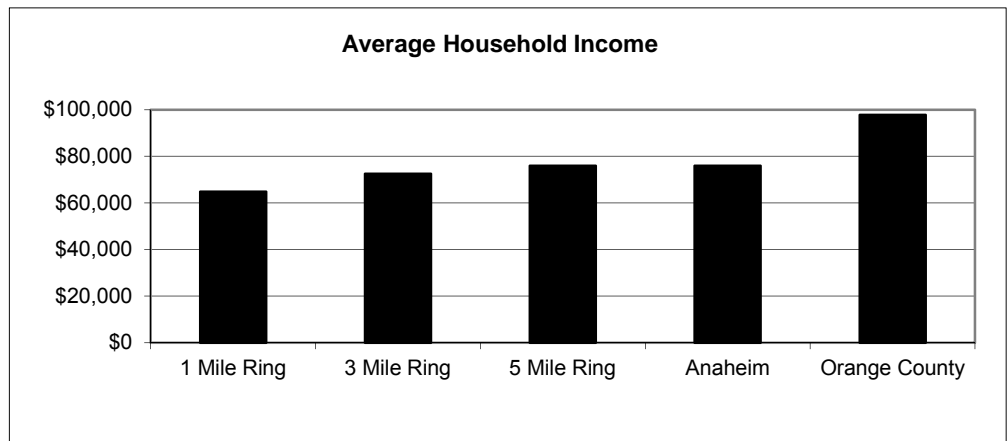
Source: Claritas 2014

APPENDIX 1 - TABLE 1 (Continued)

2014 SOCIO-ECONOMIC CHARACTERISTICS
 BEACH BOULEVARD MARKET OPPORTUNITIES
 ANAHEIM, CALIFORNIA

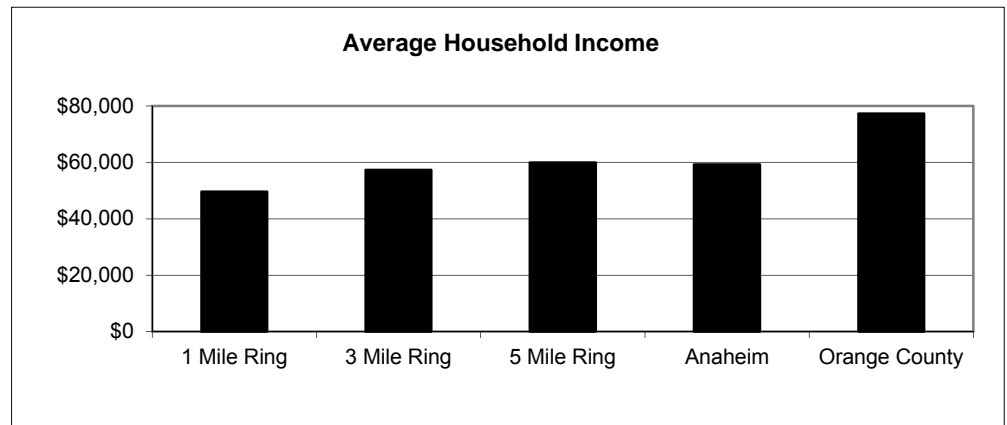
Average Household Income

| | |
|---------------|----------|
| 1 Mile Ring | \$64,800 |
| 3 Mile Ring | \$72,500 |
| 5 Mile Ring | \$75,900 |
| Anaheim | \$75,900 |
| Orange County | \$97,700 |



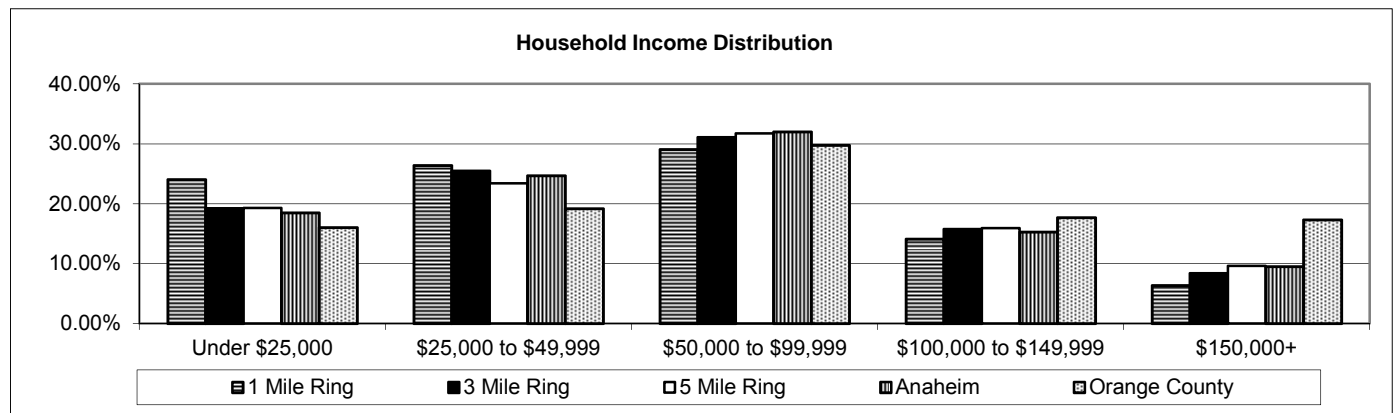
Median Household Income

| | |
|---------------|----------|
| 1 Mile Ring | \$49,580 |
| 3 Mile Ring | \$57,272 |
| 5 Mile Ring | \$59,930 |
| Anaheim | \$59,272 |
| Orange County | \$77,262 |



Household Income Distribution

| | Under \$25,000 | \$25,000 to \$49,999 | \$50,000 to \$99,999 | \$100,000 to \$149,999 | \$150,000+ |
|---------------|----------------|----------------------|----------------------|------------------------|------------|
| 1 Mile Ring | 24.07% | 26.38% | 29.09% | 14.10% | 6.36% |
| 3 Mile Ring | 19.25% | 25.47% | 31.13% | 15.77% | 8.39% |
| 5 Mile Ring | 19.32% | 23.41% | 31.72% | 15.94% | 9.61% |
| Anaheim | 18.51% | 24.69% | 32.02% | 15.28% | 9.51% |
| Orange County | 16.04% | 19.17% | 29.77% | 17.71% | 17.32% |



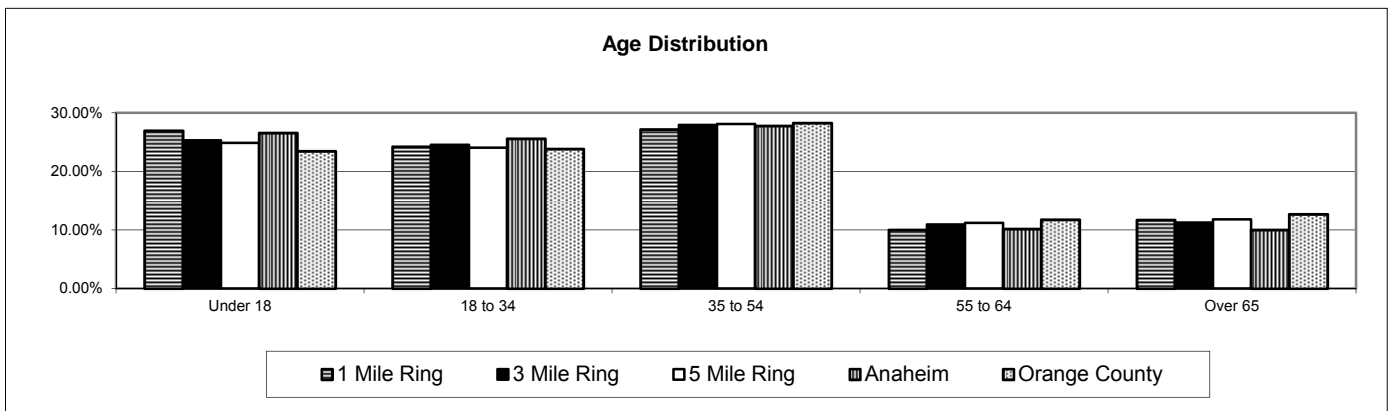
Source: Claritas 2014

APPENDIX 1 - TABLE 1 (Continued)

2014 SOCIO-ECONOMIC CHARACTERISTICS
 BEACH BOULEVARD MARKET OPPORTUNITIES
 ANAHEIM, CALIFORNIA

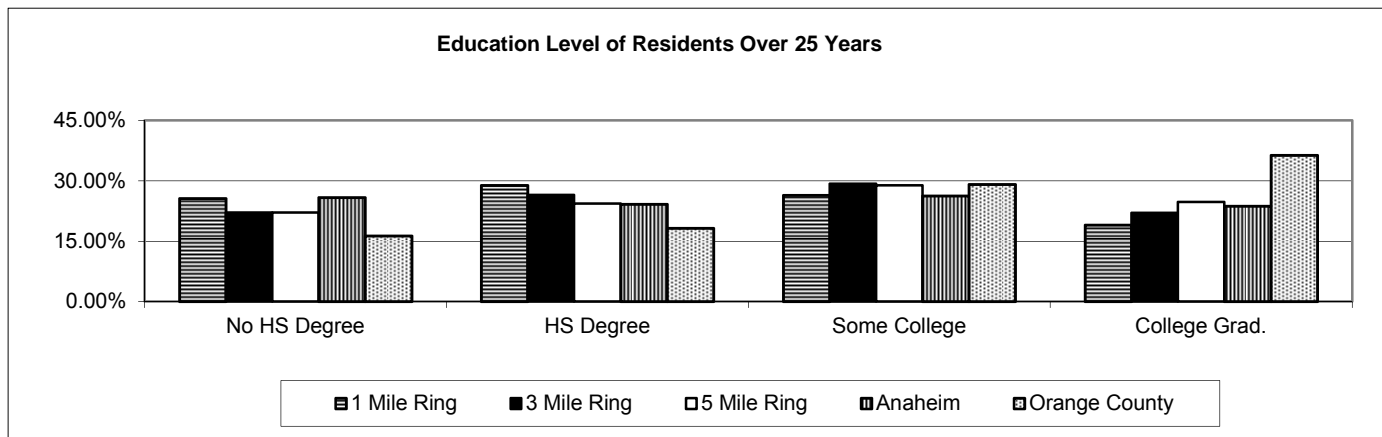
Age Distribution

| | Under 18 | 18 to 34 | 35 to 54 | 55 to 64 | Over 65 |
|---------------|----------|----------|----------|----------|---------|
| 1 Mile Ring | 26.93% | 24.20% | 27.14% | 10.02% | 11.71% |
| 3 Mile Ring | 25.29% | 24.56% | 27.95% | 10.93% | 11.27% |
| 5 Mile Ring | 24.87% | 24.06% | 28.08% | 11.19% | 11.80% |
| Anaheim | 26.56% | 25.55% | 27.74% | 10.15% | 10.02% |
| Orange County | 23.47% | 23.82% | 28.25% | 11.76% | 12.71% |



Education Level of Residents Over 25 Years

| | No HS Degree | HS Degree | Some College | College Grad. |
|---------------|--------------|-----------|--------------|---------------|
| 1 Mile Ring | 25.61% | 28.91% | 26.43% | 19.05% |
| 3 Mile Ring | 22.13% | 26.52% | 29.31% | 22.03% |
| 5 Mile Ring | 22.12% | 24.31% | 28.84% | 24.73% |
| Anaheim | 25.86% | 24.17% | 26.25% | 23.74% |
| Orange County | 16.28% | 18.21% | 29.13% | 36.37% |

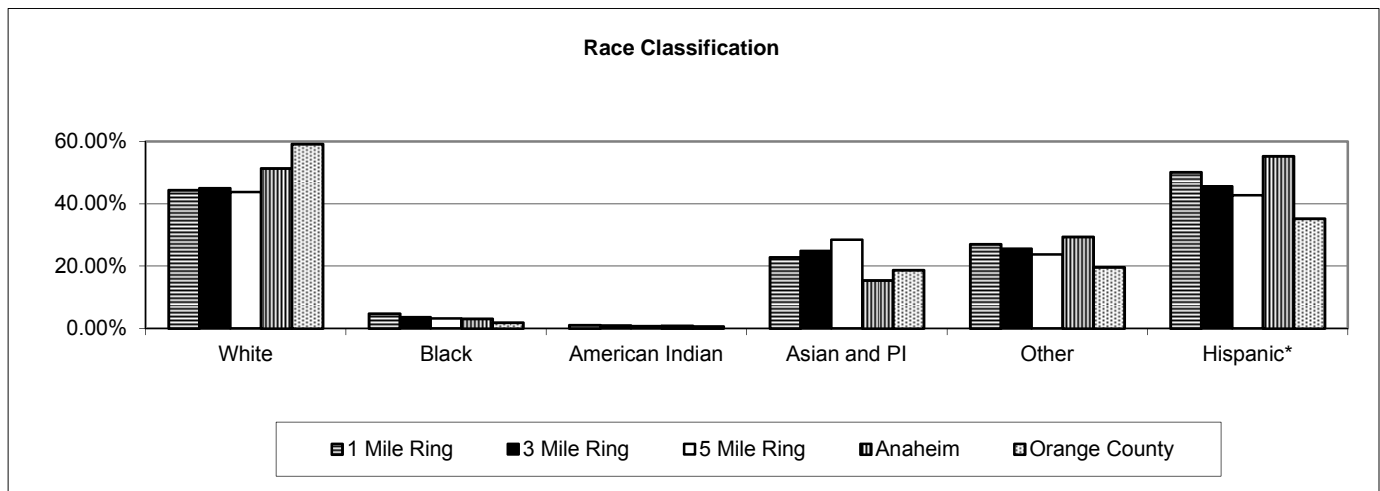


Source: Claritas 2014

APPENDIX 1 - TABLE 1 (Continued)

2014 SOCIO-ECONOMIC CHARACTERISTICS
 BEACH BOULEVARD MARKET OPPORTUNITIES
 ANAHEIM, CALIFORNIA

| Race Classification | White | Black | American Indian | Asian and PI | Other | Hispanic* |
|---------------------|--------|-------|-----------------|--------------|--------|-----------|
| 1 Mile Ring | 44.33% | 4.81% | 1.06% | 22.80% | 27.00% | 50.11% |
| 3 Mile Ring | 44.93% | 3.67% | 1.01% | 24.83% | 25.56% | 45.57% |
| 5 Mile Ring | 43.74% | 3.20% | 0.80% | 28.48% | 23.78% | 42.74% |
| Anaheim | 51.36% | 3.10% | 0.83% | 15.38% | 29.35% | 55.23% |
| Orange County | 59.18% | 1.91% | 0.64% | 18.67% | 19.60% | 35.20% |



* Hispanic population percentage calculated separately from other races. In the 200 US Census, census takers were first asked to identify their race as White, Black, American Indian, Asian, Pacific Islander, or Other; and then asked if they identify as Hispanic/Latino or Non-Hispanic/Latino.

APPENDIX 1 - TABLE 2

MARKET AREA POPULATION & HOUSEHOLD ESTIMATES
 BEACH BOULEVARD MARKET OPPORTUNITIES
 ANAHEIM, CALIFORNIA

| | POPULATION | | | |
|---------------|-------------|-------------|--------------|---------------------------------|
| | <u>2014</u> | <u>2019</u> | <u>Total</u> | <u>Change</u> <u>Percent</u> |
| 1 Mile Ring | 45,506 | 48,102 | 2,596 | 5.7% |
| 3 Mile Ring | 279,440 | 292,374 | 12,934 | 4.6% |
| 5 Mile Ring | 707,400 | 738,632 | 31,232 | 4.4% |
| Anaheim | 354,144 | 372,252 | 18,108 | 5.1% |
| Orange County | 3,140,085 | 3,302,477 | 162,392 | 5.2% |

| | HOUSEHOLDS | | | |
|---------------|-------------|-------------|--------------|---------------------------------|
| | <u>2014</u> | <u>2019</u> | <u>Total</u> | <u>Change</u> <u>Percent</u> |
| 1 Mile Ring | 13,232 | 13,998 | 766 | 5.8% |
| 3 Mile Ring | 80,377 | 84,106 | 3,729 | 4.6% |
| 5 Mile Ring | 207,106 | 216,484 | 9,378 | 4.5% |
| Anaheim | 102,970 | 108,491 | 5,521 | 5.4% |
| Orange County | 1,035,363 | 1,091,341 | 55,978 | 5.4% |

**APPENDIX 1 - TABLE 3
MARKET AREA EMPLOYMENT & BUSINESSES
BEACH BOULEVARD MARKET OPPORTUNITIES
ANAHEIM, CALIFORNIA**

| | 1 Mile Ring | | | | 3 Mile Ring | | | |
|---|-------------|--------------|-----------|------------|--------------|---------------|-----------|-------------|
| | Bus. | Emp. | Pop./Bus. | Emp./Bus. | Bus. | Emp. | Pop./Bus. | Emp./Bus. |
| Agriculture | 0 | 4 | NA | NA | 8 | 36 | 34,930 | 4.5 |
| Mining | 1 | 4 | 45,506 | 4.0 | 4 | 53 | 69,860 | 13.3 |
| Utilities | 0 | 0 | NA | NA | 5 | 62 | 55,888 | 12.4 |
| Construction | 92 | 358 | 495 | 3.9 | 707 | 4,957 | 395 | 7.0 |
| Manufacturing | 20 | 197 | 2,275 | 9.9 | 436 | 12,965 | 641 | 29.7 |
| Wholesale Trade | 24 | 227 | 1,896 | 9.5 | 377 | 5,093 | 741 | 13.5 |
| Transportation & Warehousing | 15 | 98 | 3,034 | 6.5 | 161 | 1,718 | 1,736 | 10.7 |
| Information | 11 | 51 | 4,137 | 4.6 | 132 | 1,430 | 2,117 | 10.8 |
| Real Estate/Rental/Leasing | 70 | 322 | 650 | 4.6 | 423 | 2,326 | 661 | 5.5 |
| Professional/Sci/Tech Services | 61 | 245 | 746 | 4.0 | 626 | 4,528 | 446 | 7.2 |
| Management of Companies | 0 | 0 | NA | NA | 4 | 20 | 69,860 | 5.0 |
| Administrative/Support Services | 43 | 195 | 1,058 | 4.5 | 369 | 2,966 | 757 | 8.0 |
| Educational Services | 17 | 806 | 2,677 | 47.4 | 173 | 7,152 | 1,615 | 41.3 |
| Healthcare & Social Assistance | 206 | 1,733 | 221 | 8.4 | 925 | 7,898 | 302 | 8.5 |
| Arts, Entertainment, Recreation | 11 | 691 | 4,137 | 62.8 | 101 | 1,958 | 2,767 | 19.4 |
| Retail Trade | 157 | 691 | 290 | 4.4 | 1,087 | 11,724 | 257 | 10.8 |
| Motor Vehicle & Parts Dealers | 17 | 79 | 2,677 | 4.6 | 127 | 2,478 | 2,200 | 19.5 |
| Furniture/Home Furnishings | 6 | 14 | 7,584 | 2.3 | 58 | 604 | 4,818 | 10.4 |
| Electronic/Appliance Stores | 8 | 29 | 5,688 | 3.6 | 91 | 951 | 3,071 | 10.5 |
| Building Material/Garden | 19 | 69 | 2,395 | 3.6 | 120 | 1,067 | 2,329 | 8.9 |
| Food & Beverage Stores | 19 | 121 | 2,395 | 6.4 | 153 | 2,113 | 1,826 | 13.8 |
| Health & Personal Care Stores | 9 | 85 | 5,056 | 9.4 | 79 | 739 | 3,537 | 9.4 |
| Gasoline Stations | 7 | 30 | 6,501 | 4.3 | 31 | 153 | 9,014 | 4.9 |
| Clothing & Accessories Stores | 28 | 76 | 1,625 | 2.7 | 123 | 635 | 2,272 | 5.2 |
| Sport/Hobby/Music/Book Stores | 10 | 49 | 4,551 | 4.9 | 61 | 430 | 4,581 | 7.0 |
| General Merchandise Stores | 4 | 49 | 11,377 | 12.3 | 60 | 1,496 | 4,657 | 24.9 |
| Miscellaneous Retail Stores | 26 | 79 | 1,750 | 3.0 | 162 | 954 | 1,725 | 5.9 |
| Nonstore Retailers | 4 | 11 | 11,377 | 2.8 | 22 | 104 | 12,702 | 4.7 |
| Finance & Insurance | 47 | 294 | 968 | 6.3 | 447 | 4,202 | 625 | 9.4 |
| Monetary Authorities | 0 | 0 | NA | NA | 0 | 0 | NA | NA |
| Credit/Intermediation Activities | 22 | 31 | 2,068 | 1.4 | 215 | 980 | 1,300 | 4.6 |
| Sec/Comm Contracts & Fin. Inv | 4 | 29 | 11,377 | 7.3 | 58 | 547 | 4,818 | 9.4 |
| Insurance Carriers | 21 | 234 | 2,167 | 11.1 | 172 | 2,662 | 1,625 | 15.5 |
| Funds/Trusts & Other Finance | 0 | 0 | NA | NA | 2 | 13 | 139,720 | 6.5 |
| Accommodation & Food Services | 85 | 1,110 | 535 | 13.1 | 517 | 7,722 | 541 | 14.9 |
| Accommodation | 22 | 262 | 2,068 | 11.9 | 61 | 1,064 | 4,581 | 17.4 |
| Food Services & Drinking Places | 63 | 848 | 722 | 13.5 | 456 | 6,658 | 613 | 14.6 |
| Other Services (Non Public Ad.) | 119 | 538 | 382 | 4.5 | 857 | 5,120 | 326 | 6.0 |
| Repair & Maintenance | 49 | 204 | 929 | 4.2 | 318 | 1,546 | 879 | 4.9 |
| Personal & Laundry Serv. | 46 | 132 | 989 | 2.9 | 333 | 1,426 | 839 | 4.3 |
| Religious/Grant/Civic Org. | 24 | 202 | 1,896 | 8.4 | 206 | 2,148 | 1,357 | 10.4 |
| Public Administration | 4 | 56 | 11,377 | 14.0 | 62 | 2,900 | 4,507 | 46.8 |
| Total | 983 | 7,620 | 46 | 7.8 | 7,421 | 84,830 | 38 | 11.4 |

Source: Claritas

APPENDIX 1 - TABLE 3
MARKET AREA EMPLOYMENT & BUSIN
BEACH BOULEVARD MARKET OPPORT
ANAHEIM, CALIFORNIA

| | 5 Mile Ring | | | | Orange County | | | |
|--|---------------|----------------|--------------|-------------|----------------|------------------|--------------|-------------|
| | Bus. | Emp. | Pop./Bus. | Emp./Bus. | Bus. | Emp. | Pop./Bus. | Emp./Bus. |
| Agriculture | 14 | 64 | 50,529 | 4.6 | 149 | 914 | 21,074 | 6.1 |
| Mining | 5 | 64 | 141,480 | 12.8 | 58 | 1,237 | 54,139 | 21.3 |
| Utilities | 15 | 356 | 47,160 | 23.7 | 94 | 3,212 | 33,405 | 34.2 |
| Construction | 1,683 | 11,091 | 420 | 6.6 | 9,612 | 74,956 | 327 | 7.8 |
| Manufacturing | 992 | 25,864 | 713 | 26.1 | 5,374 | 151,004 | 584 | 28.1 |
| Wholesale Trade | 929 | 12,460 | 761 | 13.4 | 5,077 | 64,765 | 618 | 12.8 |
| Transportation & Warehousing | 427 | 4,503 | 1,657 | 10.5 | 1,867 | 21,305 | 1,682 | 11.4 |
| Information | 357 | 3,370 | 1,982 | 9.4 | 2,459 | 37,393 | 1,277 | 15.2 |
| Real Estate/Rental/Leasing | 1,068 | 7,760 | 662 | 7.3 | 7,017 | 57,818 | 447 | 8.2 |
| Professional/Sci/Tech Services | 1,780 | 11,802 | 397 | 6.6 | 18,720 | 143,081 | 168 | 7.6 |
| Management of Companies | 10 | 42 | 70,740 | 4.2 | 98 | 933 | 32,042 | 9.5 |
| Administrative/Support Services | 998 | 7,105 | 709 | 7.1 | 6,338 | 60,880 | 495 | 9.6 |
| Educational Services | 472 | 15,662 | 1,499 | 33.2 | 2,590 | 85,973 | 1,212 | 33.2 |
| Healthcare & Social Assistance | 3,156 | 25,862 | 224 | 8.2 | 20,143 | 168,670 | 156 | 8.4 |
| Arts, Entertainment, Recreation | 265 | 13,375 | 2,669 | 50.5 | 1,870 | 39,318 | 1,679 | 21.0 |
| Retail Trade | 2,909 | 30,929 | 243 | 10.6 | 17,547 | 199,952 | 179 | 11.4 |
| Motor Vehicle & Parts Dealers | 326 | 5,608 | 2,170 | 17.2 | 1,743 | 26,504 | 1,802 | 15.2 |
| Furniture/Home Furnishings | 170 | 1,386 | 4,161 | 8.2 | 1,006 | 9,197 | 3,121 | 9.1 |
| Electronic/Appliance Stores | 241 | 2,603 | 2,935 | 10.8 | 2,095 | 24,763 | 1,499 | 11.8 |
| Building Material/Garden | 277 | 2,726 | 2,554 | 9.8 | 1,541 | 16,837 | 2,038 | 10.9 |
| Food & Beverage Stores | 396 | 4,992 | 1,786 | 12.6 | 1,665 | 27,100 | 1,886 | 16.3 |
| Health & Personal Care Stores | 273 | 2,455 | 2,591 | 9.0 | 1,359 | 13,985 | 2,311 | 10.3 |
| Gasoline Stations | 83 | 418 | 8,523 | 5.0 | 438 | 2,354 | 7,169 | 5.4 |
| Clothing & Accessories Stores | 362 | 2,079 | 1,954 | 5.7 | 2,750 | 25,038 | 1,142 | 9.1 |
| Sport/Hobby/Music/Book Stores | 159 | 1,101 | 4,449 | 6.9 | 1,226 | 9,985 | 2,561 | 8.1 |
| General Merchandise Stores | 144 | 4,711 | 4,913 | 32.7 | 671 | 24,981 | 4,680 | 37.2 |
| Miscellaneous Retail Stores | 412 | 2,585 | 1,717 | 6.3 | 2,687 | 17,204 | 1,169 | 6.4 |
| Nonstore Retailers | 66 | 265 | 10,718 | 4.0 | 366 | 2,004 | 8,579 | 5.5 |
| Finance & Insurance | 1,282 | 9,075 | 552 | 7.1 | 9,984 | 77,739 | 315 | 7.8 |
| Monetary Authorities | 0 | 0 | NA | NA | 0 | 0 | NA | NA |
| Credit/Intermediation Activities | 626 | 3,217 | 1,130 | 5.1 | 4,191 | 28,811 | 749 | 6.9 |
| Sec/Comm Contracts & Fin. Inv | 175 | 1,127 | 4,042 | 6.4 | 2,283 | 16,846 | 1,375 | 7.4 |
| Insurance Carriers | 479 | 4,718 | 1,477 | 9.8 | 3,445 | 31,555 | 911 | 9.2 |
| Funds/Trusts & Other Finance | 2 | 13 | 353,700 | 6.5 | 65 | 527 | 48,309 | 8.1 |
| Accommodation & Food Services | 1,410 | 26,770 | 502 | 19.0 | 6,898 | 134,347 | 455 | 19.5 |
| Accommodation | 150 | 7,401 | 4,716 | 49.3 | 554 | 25,225 | 5,668 | 45.5 |
| Food Services & Drinking Places | 1,260 | 19,369 | 561 | 15.4 | 6,344 | 109,122 | 495 | 17.2 |
| Other Services (Non Public Ad.) | 2,268 | 11,999 | 312 | 5.3 | 11,896 | 75,435 | 264 | 6.3 |
| Repair & Maintenance | 855 | 3,729 | 827 | 4.4 | 4,113 | 20,682 | 763 | 5.0 |
| Personal & Laundry Serv. | 900 | 3,864 | 786 | 4.3 | 5,231 | 28,141 | 600 | 5.4 |
| Religious/Grant/Civic Org. | 513 | 4,406 | 1,379 | 8.6 | 2,552 | 26,612 | 1,230 | 10.4 |
| Public Administration | 227 | 11,416 | 3,116 | 50.3 | 1,017 | 47,407 | 3,088 | 46.6 |
| Total | 20,267 | 229,569 | 35 | 11.3 | 128,808 | 1,446,339 | 24 | 11.2 |

Source: Claritas

APPENDIX 1 - TABLE 4

SHARE OF TOTAL BUSINESSES & EMPLOYMENT
 BEACH BOULEVARD MARKET OPPORTUNITIES
 ANAHEIM, CALIFORNIA

| | 1 Mile Ring | | 3 Mile Ring | | 5 Mile Ring | | Orange County | |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | Bus. | Emp. | Bus. | Emp. | Bus. | Emp. | Bus. | Emp. |
| Agriculture | 0.0% | 0.1% | 0.1% | 0.0% | 0.1% | 0.0% | 0.1% | 0.1% |
| Mining | 0.1% | 0.1% | 0.1% | 0.1% | 0.0% | 0.0% | 0.0% | 0.1% |
| Utilities | 0.0% | 0.0% | 0.1% | 0.1% | 0.1% | 0.2% | 0.1% | 0.2% |
| Construction | 9.4% | 4.7% | 9.5% | 5.8% | 8.3% | 4.8% | 7.5% | 5.2% |
| Manufacturing | 2.0% | 2.6% | 5.9% | 15.3% | 4.9% | 11.3% | 4.2% | 10.4% |
| Wholesale Trade | 2.4% | 3.0% | 5.1% | 6.0% | 4.6% | 5.4% | 3.9% | 4.5% |
| Transportation & Warehousing | 1.5% | 1.3% | 2.2% | 2.0% | 2.1% | 2.0% | 1.4% | 1.5% |
| Information | 1.1% | 0.7% | 1.8% | 1.7% | 1.8% | 1.5% | 1.9% | 2.6% |
| Real Estate/Rental/Leasing | 7.1% | 4.2% | 5.7% | 2.7% | 5.3% | 3.4% | 5.4% | 4.0% |
| Professional/Sci/Tech Services | 6.2% | 3.2% | 8.4% | 5.3% | 8.8% | 5.1% | 14.5% | 9.9% |
| Management of Companies | 0.0% | 0.0% | 0.1% | 0.0% | 0.0% | 0.0% | 0.1% | 0.1% |
| Administrative/Support Services | 4.4% | 2.6% | 5.0% | 3.5% | 4.9% | 3.1% | 4.9% | 4.2% |
| Educational Services | 1.7% | 10.6% | 2.3% | 8.4% | 2.3% | 6.8% | 2.0% | 5.9% |
| Healthcare & Social Assistance | 21.0% | 22.7% | 12.5% | 9.3% | 15.6% | 11.3% | 15.6% | 11.7% |
| Arts, Entertainment, Recreation | 1.1% | 9.1% | 1.4% | 2.3% | 1.3% | 5.8% | 1.5% | 2.7% |
| Retail Trade | 16.0% | 9.1% | 14.6% | 13.8% | 14.4% | 13.5% | 13.6% | 13.8% |
| Motor Vehicle & Parts Dealers | 1.7% | 1.0% | 1.7% | 2.9% | 1.6% | 2.4% | 1.4% | 1.8% |
| Furniture/Home Furnishings | 0.6% | 0.2% | 0.8% | 0.7% | 0.8% | 0.6% | 0.8% | 0.6% |
| Electronic/Appliance Stores | 0.8% | 0.4% | 1.2% | 1.1% | 1.2% | 1.1% | 1.6% | 1.7% |
| Building Material/Garden | 1.9% | 0.9% | 1.6% | 1.3% | 1.4% | 1.2% | 1.2% | 1.2% |
| Food & Beverage Stores | 1.9% | 1.6% | 2.1% | 2.5% | 2.0% | 2.2% | 1.3% | 1.9% |
| Health & Personal Care Stores | 0.9% | 1.1% | 1.1% | 0.9% | 1.3% | 1.1% | 1.1% | 1.0% |
| Gasoline Stations | 0.7% | 0.4% | 0.4% | 0.2% | 0.4% | 0.2% | 0.3% | 0.2% |
| Clothing & Accessories Stores | 2.8% | 1.0% | 1.7% | 0.7% | 1.8% | 0.9% | 2.1% | 1.7% |
| Sport/Hobby/Music/Book Stores | 1.0% | 0.6% | 0.8% | 0.5% | 0.8% | 0.5% | 1.0% | 0.7% |
| General Merchandise Stores | 0.4% | 0.6% | 0.8% | 1.8% | 0.7% | 2.1% | 0.5% | 1.7% |
| Miscellaneous Retail Stores | 2.6% | 1.0% | 2.2% | 1.1% | 2.0% | 1.1% | 2.1% | 1.2% |
| Nonstore Retailers | 0.4% | 0.1% | 0.3% | 0.1% | 0.3% | 0.1% | 0.3% | 0.1% |
| Finance & Insurance | 4.8% | 3.9% | 6.0% | 5.0% | 6.3% | 4.0% | 7.8% | 5.4% |
| Monetary Authorities | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Credit/Intermediation Activities | 2.2% | 0.4% | 2.9% | 1.2% | 3.1% | 1.4% | 3.3% | 2.0% |
| Sec/Comm Contracts & Fin. Inv | 0.4% | 0.4% | 0.8% | 0.6% | 0.9% | 0.5% | 1.8% | 1.2% |
| Insurance Carriers | 2.1% | 3.1% | 2.3% | 3.1% | 2.4% | 2.1% | 2.7% | 2.2% |
| Funds/Trusts & Other Finance | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.1% | 0.0% |
| Accommodation & Food Services | 8.6% | 14.6% | 7.0% | 9.1% | 7.0% | 11.7% | 5.4% | 9.3% |
| Accommodation | 2.2% | 3.4% | 0.8% | 1.3% | 0.7% | 3.2% | 0.4% | 1.7% |
| Food Services & Drinking Places | 6.4% | 11.1% | 6.1% | 7.8% | 6.2% | 8.4% | 4.9% | 7.5% |
| Other Services (Non Public Ad.) | 12.1% | 7.1% | 11.5% | 6.0% | 11.2% | 5.2% | 9.2% | 5.2% |
| Repair & Maintenance | 5.0% | 2.7% | 4.3% | 1.8% | 4.2% | 1.6% | 3.2% | 1.4% |
| Personal & Laundry Serv. | 4.7% | 1.7% | 4.5% | 1.7% | 4.4% | 1.7% | 4.1% | 1.9% |
| Religious/Grant/Civic Org. | 2.4% | 2.7% | 2.8% | 2.5% | 2.5% | 1.9% | 2.0% | 1.8% |
| Public Administration | 0.4% | 0.7% | 0.8% | 3.4% | 1.1% | 5.0% | 0.8% | 3.3% |
| Total Businesses | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |

Source: Claritas; Keyser Marston Associates

APPENDIX 1 - TABLE 5

**TOTAL & PER CAPITA RETAIL SALES
BEACH BOULEVARD MARKET OPPORTUNITIES
ANAHEIM, CALIFORNIA**

| -----Total Taxable Sales (\$000s)----- | | | |
|---|--------------------|----------------------|----------------------------|
| | 2012 | | |
| | Anaheim | Orange County | State of California |
| Motor Vehicles and Parts Dlr | \$530,891 | \$6,551,466 | \$61,547,848 |
| Home Furnishing & App | 183,903 | 3,501,432 | 24,681,910 |
| Bldg Mtrl & Garden Equip | 404,376 | 2,351,574 | 27,438,083 |
| Food & Beverage Stores | 162,166 | 2,056,803 | 24,511,714 |
| Gasoline Stations | 580,550 | 5,063,762 | 58,006,168 |
| Clothing & Clothing Access | 108,563 | 3,510,757 | 32,357,516 |
| General Merchandise Stores | 200,412 | 5,026,911 | 49,996,451 |
| Food Services & Drinking Plcs | 677,596 | 5,853,267 | 59,037,320 |
| Other Retail Group | 314,414 | 4,456,485 | 43,795,813 |
| Retail Stores Total | <u>\$3,162,872</u> | <u>\$38,372,456</u> | <u>\$381,372,823</u> |

| -----Per Capita Taxable Sales----- | | | |
|---|----------------|----------------------|----------------------------|
| | 2012 | | |
| | Anaheim | Orange County | State of California |
| Population | 344,017 | 3,057,879 | 37,668,804 |
| Motor Vehicles and Parts Dlr | \$1,543 | \$2,142 | \$1,634 |
| Home Furnishing & App | 535 | 1,145 | 655 |
| Bldg Mtrl & Garden Equip | 1,175 | 769 | 728 |
| Food & Beverage Stores | 471 | 673 | 651 |
| Gasoline Stations | 1,688 | 1,656 | 1,540 |
| Clothing & Clothing Access | 316 | 1,148 | 859 |
| General Merchandise Stores | 583 | 1,644 | 1,327 |
| Food Services & Drinking Plcs | 1,970 | 1,914 | 1,567 |
| Other Retail Group | 914 | 1,457 | 1,163 |
| Retail Stores Total | <u>\$9,194</u> | <u>\$12,549</u> | <u>\$10,124</u> |

Source: California State Board of Equalization; and California State Department of Finance

¹ Per the CA State Board of Equalization, for those categories listed as "-", the sales are included in the "Other Retail Stores" category.

APPENDIX 1 - TABLE 6

**TOTAL PERMITS & SALES PER RETAIL PERMIT
BEACH BOULEVARD MARKET OPPORTUNITIES
ANAHEIM, CALIFORNIA**

| -----Total Permits----- | | | |
|--------------------------------|----------------|----------------------|----------------------------|
| | 2012 | | |
| | Anaheim | Orange County | State of California |
| Motor Vehicles and Parts Dlr | 385 | 3,116 | 33,767 |
| Home Furnishing & App | 401 | 5,130 | 41,888 |
| Bldg Mtrl & Garden Equip | 192 | 1,429 | 17,236 |
| Food & Beverage Stores | 295 | 2,595 | 31,900 |
| Gasoline Stations | 82 | 693 | 9,990 |
| Clothing & Clothing Access | 483 | 7,125 | 70,775 |
| General Merchandise Stores | 115 | 1,665 | 17,163 |
| Food Services & Drinking Plcs | 773 | 8,049 | 94,453 |
| Other Retail Group | <u>2,215</u> | <u>30,471</u> | <u>339,220</u> |
| Retail Stores Total | 4,941 | 60,273 | 656,392 |

| -----Taxable Sales Per Permit----- | | | |
|---|----------------|----------------------|----------------------------|
| | 2012 | | |
| | Anaheim | Orange County | State of California |
| Motor Vehicles and Parts Dlr | \$1,378,938 | \$2,102,524 | \$1,822,722 |
| Home Furnishing & App | 458,611 | 682,540 | 589,236 |
| Bldg Mtrl & Garden Equip | 2,106,125 | 1,645,608 | 1,591,906 |
| Food & Beverage Stores | 549,717 | 792,602 | 768,392 |
| Gasoline Stations | 7,079,881 | 7,307,016 | 5,806,423 |
| Clothing & Clothing Access | 224,768 | 492,738 | 457,188 |
| General Merchandise Stores | 1,742,711 | 3,019,166 | 2,913,037 |
| Food Services & Drinking Plcs | 876,580 | 727,204 | 625,044 |
| Other Retail Group | <u>141,948</u> | <u>146,253</u> | <u>129,107</u> |
| Retail Stores Average | \$640,128 | \$636,644 | \$581,014 |

| -----Residents Per Permit----- | | | |
|---------------------------------------|----------------|----------------------|----------------------------|
| | 2012 | | |
| | Anaheim | Orange County | State of California |
| Population | 344,017 | 3,057,879 | 37,668,804 |
| Motor Vehicles and Parts Dlr | 894 | 981 | 1,116 |
| Home Furnishing & App | 858 | 596 | 899 |
| Bldg Mtrl & Garden Equip | 1,792 | 2,140 | 2,185 |
| Food & Beverage Stores | 1,166 | 1,178 | 1,181 |
| Gasoline Stations | 4,195 | 4,413 | 3,771 |
| Clothing & Clothing Access | 712 | 429 | 532 |
| General Merchandise Stores | 2,991 | 1,837 | 2,195 |
| Food Services & Drinking Plcs | 445 | 380 | 399 |
| Other Retail Group | <u>155</u> | <u>100</u> | <u>111</u> |
| Retail Stores Average | 70 | 51 | 57 |

Source: California State Board of Equalization; and California State Department of Finance

¹ Per the CA State Board of Equalization, for those categories listed as "\$0", the sales are included in the "Other Retail Stores" category.

APPENDIX 1 - TABLE 7

**RETAIL SALES SURPLUS/LEAKAGE DATA SUMMARY
BEACH BOULEVARD MARKET OPPORTUNITIES
ANAHEIM, CALIFORNIA**

| Anaheim | Expenditures | Sales | Opportunity Gap/Surplus | Typical Sales PSF | Potential (SF) |
|---|------------------------|------------------------|------------------------------------|------------------------------|-----------------------|
| Motor Vehicle and Parts Dealers-441 | \$953,190,859 | \$1,142,480,726 | (\$189,289,867) | NA | NA |
| Furniture and Home Furnishings Stores-442 | 95,516,704 | 147,060,611 | (51,543,907) | \$350 | 0 |
| Electronics and Appliance Stores-443 | 92,823,649 | 122,344,224 | (29,520,575) | \$500 | 0 |
| Building Material, Garden Equip Stores-444 | 458,790,882 | 501,918,826 | (43,127,944) | \$400 | 0 |
| Food and Beverage Stores-445 | 618,394,764 | 339,712,929 | 278,681,835 | \$450 | 619,293 |
| Health and Personal Care Stores-446 | 245,228,026 | 174,561,003 | 70,667,023 | \$400 | 176,668 |
| Gasoline Stations-447 | 459,807,411 | 604,780,901 | (144,973,490) | NA | NA |
| Clothing and Clothing Accessories Stores-448 | 246,844,269 | 99,391,376 | 147,452,893 | \$350 | 421,294 |
| Sporting Goods, Hobby, Book, Music Stores-451 | 101,330,586 | 69,649,372 | 31,681,214 | \$400 | 79,203 |
| General Merchandise Stores-452 | 613,967,355 | 582,511,428 | 31,455,927 | \$400 | 78,640 |
| Miscellaneous Store Retailers-453 | 118,113,717 | 64,368,285 | 53,745,432 | \$350 | 153,558 |
| Non-Store Retailers-454 | 400,778,367 | 439,591,673 | (38,813,306) | NA | NA |
| Foodservice and Drinking Places-722 | \$521,102,320 | \$881,442,567 | (\$360,340,247) | \$400 | 0 |
| Total Retail Sales Incl Eating and Drinking Places | \$4,925,888,909 | \$5,169,813,921 | (\$243,925,012) | | 1,528,656 |

| One-Mile Market Area | Expenditures | Sales | Opportunity Gap/Surplus | Typical Sales PSF | Potential (SF) |
|---|----------------------|----------------------|------------------------------------|------------------------------|-----------------------|
| Motor Vehicle and Parts Dealers-441 | \$107,137,828 | \$21,327,855 | \$85,809,973 | NA | NA |
| Furniture and Home Furnishings Stores-442 | 10,717,004 | 3,036,378 | 7,680,626 | \$350 | 21,945 |
| Electronics and Appliance Stores-443 | 10,750,134 | 1,822,353 | 8,927,781 | \$500 | 17,856 |
| Building Material, Garden Equip Stores-444 | 51,397,679 | 12,795,453 | 38,602,226 | \$400 | 96,506 |
| Food and Beverage Stores-445 | 76,171,666 | 18,332,840 | 57,838,826 | \$450 | 128,531 |
| Health and Personal Care Stores-446 | 30,178,611 | 23,281,351 | 6,897,260 | \$400 | 17,243 |
| Gasoline Stations-447 | 55,424,585 | 7,987,971 | 47,436,614 | NA | NA |
| Clothing and Clothing Accessories Stores-448 | 28,539,474 | 8,102,559 | 20,436,915 | \$350 | 58,391 |
| Sporting Goods, Hobby, Book, Music Stores-451 | 11,773,658 | 7,568,502 | 4,205,156 | \$400 | 10,513 |
| General Merchandise Stores-452 | 74,272,929 | 30,361,141 | 43,911,788 | \$400 | 109,779 |
| Miscellaneous Store Retailers-453 | 13,890,005 | 4,306,805 | 9,583,200 | \$350 | 27,381 |
| Non-Store Retailers-454 | 47,949,887 | 22,351,649 | 25,598,238 | NA | NA |
| Foodservice and Drinking Places-722 | \$62,571,658 | \$51,069,832 | \$11,501,826 | \$400 | 28,755 |
| Total Retail Sales Incl Eating and Drinking Places | \$580,775,118 | \$212,344,689 | \$368,430,429 | | 516,898 |

APPENDIX 1 - TABLE 7

**RETAIL SALES SURPLUS/LEAKAGE DATA SUMMARY
BEACH BOULEVARD MARKET OPPORTUNITIES
ANAHEIM, CALIFORNIA**

| Three-Mile Market Area | Expenditures | Sales | Opportunity Gap/Surplus | Typical Sales PSF | Potential (SF) |
|---|------------------------|------------------------|--------------------------------|--------------------------|-----------------------|
| Motor Vehicle and Parts Dealers-441 | \$755,401,248 | \$652,356,058 | \$103,045,190 | NA | NA |
| Furniture and Home Furnishings Stores-442 | 72,937,877 | 80,033,940 | (7,096,063) | \$350 | 0 |
| Electronics and Appliance Stores-443 | 70,945,947 | 39,537,048 | 31,408,899 | \$500 | 62,818 |
| Building Material, Garden Equip Stores-444 | 357,199,307 | 256,159,402 | 101,039,905 | \$400 | 252,600 |
| Food and Beverage Stores-445 | 483,439,211 | 257,771,791 | 225,667,420 | \$450 | 501,483 |
| Health and Personal Care Stores-446 | 197,400,098 | 191,222,719 | 6,177,379 | \$400 | 15,443 |
| Gasoline Stations-447 | 359,148,262 | 271,906,153 | 87,242,109 | NA | NA |
| Clothing and Clothing Accessories Stores-448 | 188,831,776 | 52,547,441 | 136,284,335 | \$350 | 389,384 |
| Sporting Goods, Hobby, Book, Music Stores-451 | 77,585,047 | 44,564,979 | 33,020,068 | \$400 | 82,550 |
| General Merchandise Stores-452 | 477,515,064 | 519,135,251 | (41,620,187) | \$400 | 0 |
| Miscellaneous Store Retailers-453 | 91,512,464 | 55,021,316 | 36,491,148 | \$350 | 104,260 |
| Non-Store Retailers-454 | 313,834,111 | 226,685,300 | 87,148,811 | NA | NA |
| Foodservice and Drinking Places-722 | \$402,832,298 | \$458,359,552 | (\$55,527,254) | \$400 | 0 |
| Total Retail Sales Incl Eating and Drinking Places | \$3,848,582,710 | \$3,105,300,950 | \$743,281,760 | | 1,408,539 |

| Five-Mile Market Area | Expenditures | Sales | Opportunity Gap/Surplus | Typical Sales PSF | Potential (SF) |
|---|-------------------------|------------------------|--------------------------------|--------------------------|-----------------------|
| Motor Vehicle and Parts Dealers-441 | \$1,983,667,219 | \$2,042,969,748 | (\$59,302,529) | NA | NA |
| Furniture and Home Furnishings Stores-442 | 194,929,068 | 195,581,719 | (652,651) | \$350 | 0 |
| Electronics and Appliance Stores-443 | 185,975,447 | 163,429,653 | 22,545,794 | \$500 | 45,092 |
| Building Material, Garden Equip Stores-444 | 948,425,239 | 646,130,414 | 302,294,825 | \$400 | 755,737 |
| Food and Beverage Stores-445 | 1,249,662,864 | 645,108,974 | 604,553,890 | \$450 | 1,343,453 |
| Health and Personal Care Stores-446 | 517,259,674 | 464,306,365 | 52,953,309 | \$400 | 132,383 |
| Gasoline Stations-447 | 929,081,151 | 894,871,773 | 34,209,378 | NA | NA |
| Clothing and Clothing Accessories Stores-448 | 495,846,740 | 193,764,216 | 302,082,524 | \$350 | 863,093 |
| Sporting Goods, Hobby, Book, Music Stores-451 | 202,900,385 | 113,750,787 | 89,149,598 | \$400 | 222,874 |
| General Merchandise Stores-452 | 1,237,662,643 | 1,461,270,716 | (223,608,073) | \$400 | 0 |
| Miscellaneous Store Retailers-453 | 239,539,013 | 198,106,392 | 41,432,621 | \$350 | 118,379 |
| Non-Store Retailers-454 | 820,436,378 | 548,690,505 | 271,745,873 | NA | NA |
| Foodservice and Drinking Places-722 | \$1,053,375,521 | \$1,363,021,394 | (\$309,645,873) | \$400 | 0 |
| Total Retail Sales Incl Eating and Drinking Places | \$10,058,761,342 | \$8,931,002,656 | \$1,127,758,686 | | 3,481,011 |

Source: Claritas; KMA

APPENDIX 1 - TABLE 8

**ESTIMATED RETAIL DEMAND (SQUARE FEET OF SUPPORTABLE DEVELOPMENT)
 BEACH BOULEVARD MARKET OPPORTUNITIE
 ANAHEIM, CALIFORNIA**

| | Anaheim | 1 - Mile | 3 - Miles | 5 - Miles |
|---|------------------|-----------------|------------------|------------------|
| Furniture and Home Furnishings Stores | 0 | 21,945 | 0 | 0 |
| Electronics and Appliance Stores | 0 | 17,856 | 62,818 | 45,092 |
| Building Material, Garden Equip Stores | 0 | 96,506 | 252,600 | 755,737 |
| Food and Beverage Stores | 619,293 | 128,531 | 501,483 | 1,343,453 |
| Health and Personal Care Stores | 176,668 | 17,243 | 15,443 | 132,383 |
| Clothing and Clothing Accessories Stores | 421,294 | 58,391 | 389,384 | 863,093 |
| Sporting Goods, Hobby, Book, Music Stores | 79,203 | 10,513 | 82,550 | 222,874 |
| General Merchandise Stores | 78,640 | 109,779 | 0 | 0 |
| Miscellaneous Store Retailers | 153,558 | 27,381 | 104,260 | 118,379 |
| Foodservice and Drinking Places | <u>0</u> | <u>28,755</u> | <u>0</u> | <u>0</u> |
| Total (Square Feet) | 1,528,656 | 516,898 | 1,408,539 | 3,481,011 |

Source: Claritas; KMA

APPENDIX 1 - TABLE 9

1st QUARTER 2014 RETAIL MARKET - ORANGE COUNTY MARKET AREA
 BEACH BOULEVARD MARKET OPPORTUNITIES
 ANAHEIM, CALIFORNIA

| <u>North County Submarket</u> | <u>Square Feet (Total Inventory)</u> | <u>Square Feet Vacant</u> | <u>Vacancy Rate</u> | <u>Net Absorption YTD</u> | <u>Under Construction</u> | <u>Square Ft Planned</u> | <u>Average Asking Rent¹</u> |
|-------------------------------|--|-------------------------------|-------------------------|-------------------------------|-------------------------------|------------------------------|--|
| General Retail | 10,712,590 | 356,729 | 3.3% | (13,718) | - | 620,771 | \$1.52 |
| Malls | 5,384,372 | 407,059 | 7.6% | (249) | 460,208 | - | \$0.00 |
| Power Centers | 3,185,400 | 144,617 | 4.5% | 1,302 | - | - | \$1.93 |
| Shopping Centers | 15,525,749 | 1,389,555 | 9.0% | 43,720 | 6,810 | 325,350 | \$1.63 |
| Specialty Centers | 68,462 | 0 | 0.0% | - | - | - | \$0.00 |
| North County Total | 34,876,573 | 2,297,959 | 6.6% | 31,055 | 467,018 | 946,121 | \$1.61 |

| <u>Submarket</u> | <u>Square Feet (Total Inventory)</u> | <u>Square Feet Vacant</u> | <u>Vacancy Rate</u> | <u>Net Absorption YTD</u> | <u>Under Construction</u> | <u>Square Ft Planned</u> | <u>Average Asking Rent¹</u> |
|-----------------------------------|--|-------------------------------|-------------------------|-------------------------------|-------------------------------|------------------------------|--|
| North County | 34,876,573 | 2,298,366 | 6.6% | 31,055 | 467,018 | 946,121 | \$1.61 |
| Airport Area | 21,768,182 | 755,356 | 3.5% | 37,410 | 30,348 | 93,027 | \$2.20 |
| Central County | 32,176,928 | 1,705,377 | 5.3% | (73,710) | 107,000 | 297,224 | \$1.67 |
| South County | 29,069,366 | 1,218,006 | 4.2% | 111,015 | 190,553 | 771,371 | \$2.25 |
| West County | 22,050,191 | 1,102,510 | 5.0% | (204) | 6,000 | 239,670 | \$1.87 |
| Orange County Market Total | 139,941,240 | 7,079,615 | 5.1% | 105,566 | 800,919 | 2,347,413 | \$1.87 |

(1) Weighted by available direct lease space. PSF Per Month. Triple Net (NNN).

APPENDIX 1 - TABLE 10

**MARKET AREA RETAIL LEASE RATE COMPARABLES (Two Miles from Beach & Orange)
 BEACH BOULEVARD MARKET OPPORTUNITIES
 ANAHEIM, CALIFORNIA**

| No. | Address | City | Property Type | Asking | Type | SF Available |
|-----|----------------------|------------|-------------------|--------|------|--------------|
| 1 | 121 N. Beach Blvd. | Anaheim | Community Ctr. | Neg. | NNN | 44,800 |
| | | | | Neg. | NNN | 100,800 |
| 2 | 965 S. Beach Blvd. | Anaheim | Strip Retail | \$1.75 | NNN | 1,350 |
| 3 | 8028 Beach Blvd. | Buena Park | Retail | \$1.95 | NNN | 6,000 |
| | | | | \$1.85 | NNN | 3,000 |
| | | | | \$2.95 | NNN | 3,000 |
| 4 | 3000 W. Lincoln Ave. | Anaheim | Strip Retail | \$1.75 | NNN | 1,180 |
| | | | | \$1.65 | NNN | 4,500 |
| 5 | 3150 Lincoln Ave. | Anaheim | Neighborhood Ctr. | \$1.50 | NNN | 4,800 |
| | | | | \$1.40 | NNN | 5,299 |
| | | | | \$1.75 | NNN | 3,000 |
| 6 | 2612 W. Lincoln Ave. | Anaheim | Retail | \$1.25 | NNN | 1,825 |
| 7 | 2401 W. Lincoln | Anaheim | Community Ctr. | \$2.45 | NNN | 2,100 |
| 8 | 2937 W. Ball Rd. | Anaheim | Community Ctr. | \$1.50 | NNN | 1,550 |
| 9 | 1203 Western Ave. | Anaheim | Retail | \$1.45 | MG | 680 |
| | | | | \$1.25 | MG | 1,600 |
| 10 | 2952 W. Ball Rd. | Anaheim | Strip Center | \$1.60 | NNN | 9,840 |
| 11 | 3430 W. Orange | Anaheim | Retail | \$1.55 | NNN | 1,000 |
| 12 | 515 Knott | Anaheim | Strip Retail | \$2.00 | NNN | 1,100 |
| 13 | 310 S. Magnolia | Anaheim | Retail | \$1.65 | NNN | 25,938 |
| 14 | 8900 Knott Ave. | Buena Park | Strip Center | \$1.50 | NNN | 8,753 |
| | | | | \$1.75 | NNN | 6,630 |
| | | | | \$2.50 | NNN | 5,400 |
| 15 | 7443 Cerritos Ave. | Stanton | Street Retail | \$1.67 | NNN | 717 |
| 16 | 7431 Cerritos Ave. | Stanton | Street Retail | \$1.03 | NNN | 1,260 |
| 17 | 7433 Cerritos Ave. | Stanton | Street Retail | \$0.80 | NNN | 2,737 |
| 18 | 8750 Knott Ave. | Buena Park | Retail | \$0.80 | NNN | 13,600 |
| | | | | \$1.75 | NNN | 1,514 |
| | | | | \$1.50 | NNN | 3,000 |
| | | | | \$2.00 | NNN | 1,700 |
| 19 | 1226 Magnolia | Anaheim | Neighborhood Ctr. | \$2.00 | NNN | 4,418 |
| | | | | \$1.25 | NNN | 6,807 |
| | | | | \$2.50 | NNN | 2,500 |
| 20 | 10471 S. Magnolia | Anaheim | Strip Retail | \$3.00 | NNN | 8,600 |
| 21 | 10500 Knott Ave. | Stanton | Strip Retail | \$1.75 | NNN | 800 |
| 22 | 2437 W. Ball | Anaheim | Retail | \$0.95 | NNN | 4,500 |
| 23 | 2424 W. Ball | Anaheim | Strip Retail | \$1.25 | NNN | 3,145 |
| 24 | 2424 W. Ball | Anaheim | Strip Retail | \$1.75 | NNN | 6,000 |
| 25 | 7510 Katella | Stanton | Strip Center | \$1.20 | NNN | 1,824 |
| 26 | 7129 Katella | Stanton | Strip Center | \$1.25 | NNN | 3,482 |
| 27 | 6285 Ball Rd. | Cypress | Strip Center | \$1.15 | NNN | 4,200 |
| | | | | \$1.25 | NNN | 1,200 |
| 28 | 2618 W. La Palma | Anaheim | Strip Center | \$1.75 | NNN | 2,100 |
| 29 | 7041 Katella | Stanton | Strip Center | \$1.75 | NNN | 8,231 |
| 30 | 6271 Ball Rd. | Cypress | Retail | \$1.35 | NNN | 5,400 |
| 31 | 6887 La Palma Ave. | Buena Park | Community Ctr. | \$1.35 | NNN | 1,520 |
| | | | | \$1.50 | NNN | 1,400 |

| | |
|-----------------------------|------------------------|
| Lease Rate Range | \$0.80 - \$3.00 |
| Weighted Average Lease Rate | \$1.63 |

Source: LoopNet.com 2014

APPENDIX 1 - TABLE 11

1st QUARTER 2014 OFFICE MARKET - ORANGE COUNTY MARKET AREA
 BEACH BOULEVARD MARKET OPPORTUNITIES
 ANAHEIM, CALIFORNIA

| <u>Central County Submarket</u> | <u>Square Feet (Total Inventory)</u> | <u>Square Feet Vacant</u> | <u>Vacancy Rate</u> | <u>Net Absorption YTD</u> | <u>Under Construction</u> | <u>Square Ft Planned</u> | <u>Average Asking Rent¹</u> |
|---------------------------------|--|-------------------------------|-------------------------|-------------------------------|-------------------------------|------------------------------|--|
| Anaheim | 6,752,676 | 1,161,460 | 17.2% | (19,768) | - | 175,000 | \$1.82 |
| Orange | 7,044,319 | 1,006,633 | 14.3% | 30,590 | - | 200,000 | \$1.95 |
| Santa Ana | 14,851,825 | 2,291,637 | 15.4% | (436,609) | - | 1,012,000 | \$1.71 |
| Tustin | 1,978,305 | 154,703 | 7.8% | 108,548 | - | 737,000 | \$1.77 |
| Central County Total | 30,627,125 | 4,614,434 | 15.1% | (317,239) | - | 2,124,000 | \$1.79 |

| <u>Submarket</u> | <u>Square Feet (Total Inventory)</u> | <u>Square Feet Vacant</u> | <u>Vacancy Rate</u> | <u>Net Absorption YTD</u> | <u>Under Construction</u> | <u>Square Ft Planned</u> | <u>Average Asking Rent¹</u> |
|-----------------------------------|--|-------------------------------|-------------------------|-------------------------------|-------------------------------|------------------------------|--|
| Central County | 30,627,125 | 4,614,434 | 15.1% | (317,239) | - | 2,124,000 | \$1.79 |
| Airport Area | 40,591,726 | 5,256,629 | 13.0% | 891,350 | 843,541 | 974,646 | \$2.10 |
| North County | 10,141,764 | 1,463,457 | 14.4% | (110,206) | - | 194,000 | \$1.96 |
| South County | 23,418,862 | 2,674,434 | 11.4% | 520,182 | - | 508,551 | \$2.06 |
| West County | 9,814,579 | 901,960 | 9.2% | 191,212 | 70,000 | - | \$1.89 |
| Orange County Market Total | 114,594,056 | 14,910,912 | 13.0% | 1,175,299 | 913,541 | 3,801,197 | \$1.96 |

(1) Weighted by available direct lease space. PSF Per Month. Triple Net (NNN).

Source: Voit Real Estate Services

APPENDIX 1 - TABLE 12

**MARKET AREA OFFICE LEASE RATE COMPARABLES (Two Miles from Beach & Orange)
 BEACH BOULEVARD MARKET OPPORTUNITIES
 ANAHEIM, CALIFORNIA**

| No. | Address | City | Property Type | Asking Rate | Type | SF Available |
|-----------------------------|---------------------|--------------|----------------|------------------------|------|--------------|
| 1 | 3010 W. Orange Ave. | Anaheim | Medical Office | \$1.85 | MG | 24,427 |
| 2 | 3055 W. Orange Ave. | Anaheim | Medical Office | \$1.85 | FSG | 5,949 |
| 3 | 2951 W. Ball Rd. | Anaheim | Office | \$1.38 | MG | 1,817 |
| 4 | 2785 W. Ball Rd. | Anaheim | Medical Office | \$1.28 | NNN | 2,880 |
| 5 | 3340 W. Ball Rd. | Anaheim | Medical Office | \$1.00 | NNN | 6,500 |
| 6 | 3340 W. Ball Rd. | Anaheim | Medical Office | \$1.00 | NNN | 4,164 |
| 7 | 3340 W. Ball Rd. | Anaheim | Medical Office | \$1.00 | NNN | 2,667 |
| 8 | 7151 Lincoln Ave. | Buena Park | Office | \$1.38 | MG | 720 |
| | | | | \$1.10 | MG | 720 |
| | | | | \$0.96 | MG | 1,560 |
| 9 | 6850 Lincoln Ave. | Buena Park | Office | \$1.35 | NNN | 1,463 |
| 10 | 6271 Ball Rd. | Cypress | Office | \$1.35 | NNN | 4,200 |
| 11 | 7441 Lincoln Way | Garden Grove | Office | \$1.30 | FSG | 7,256 |
| 12 | 631 S. Brookhurst | Anaheim | Office | \$2.00 | NNN | 3,000 |
| 13 | 6101 Ball Rd. | Cypress | Office | \$1.65 | FSG | 11,881 |
| Lease Rate Range | | | | \$0.96 - \$2.00 | | |
| Weighted Average Lease Rate | | | | \$1.54 | | |

APPENDIX 1 - TABLE 13

POTENTIAL OFFICE DEMAND WITHIN A THREE MILE RADIUS
 BEACH BOULEVARD MARKET OPPORTUNITIES
 ANAHEIM, CALIFORNIA

| | -----Estimated Office Demand----- | | | |
|---|-----------------------------------|---------|---------|---------|
| | 2014 | 2019 | 2024 | 2029 |
| Real Estate/Rental/Leasing | | | | |
| Employment | 2,326 | 2,433 | 2,589 | 2,754 |
| Change | | 107 | 156 | 166 |
| Office Employment Percentage | | 80% | 80% | 80% |
| Square Feet/Employee | | 200 | 200 | 200 |
| Total Square Footage | | 17,100 | 24,900 | 26,500 |
| Professional & Business Services | | | | |
| Employment | 7,514 | 8,315 | 8,848 | 9,415 |
| Change | | 801 | 533 | 567 |
| Office Employment Percentage | | 80% | 80% | 80% |
| Square Feet/Employee | | 200 | 200 | 200 |
| Total Square Footage | | 128,200 | 85,300 | 90,700 |
| Finance & Insurance | | | | |
| Employment | 4,202 | 4,429 | 4,713 | 5,015 |
| Change | | 227 | 284 | 302 |
| Office Employment Percentage | | 80% | 80% | 80% |
| Square Feet/Employee | | 200 | 200 | 200 |
| Total Square Footage | | 36,300 | 45,400 | 48,300 |
| Balance of Employment | | | | |
| Employment | 70,788 | 75,334 | 80,161 | 85,298 |
| Change | | 4,546 | 4,828 | 5,137 |
| Office Employment Percentage | | 3% | 3% | 3% |
| Square Feet/Employee | | 200 | 200 | 200 |
| Total Square Footage | | 27,300 | 29,000 | 30,800 |
| Total | | | | |
| Employment | 84,830 | 90,511 | 96,311 | 102,483 |
| Change | | 5,681 | 5,800 | 6,172 |
| Total Square Footage | | 208,900 | 184,600 | 196,300 |
| Total Square Footage Through Term of Projection | | 208,900 | 393,500 | 589,800 |

Source: Projections based on California EDD employment projections (2010-2020) for Orange County and 1.3% annual growth thereafter. Employment Percentage and square footage assumptions made by KMA.

APPENDIX 1 - TABLE 14

KEY HOUSING STATISTICS
 BEACH BOULEVARD MARKET OPPORTUNITIES
 ANAHEIM, CALIFORNIA

| | -----Population----- | | | ----- Housing Units ----- | | | | | | |
|----------------------|----------------------|------------|-------------|---------------------------|-----------|-----------|--------------|------------|--------------|-----------------------|
| | Total | Household | Group Qtrs. | Total | Single | Multiple | Mobile Homes | Occupied | Vacancy Rate | Persons/ Household |
| California | | | | | | | | | | |
| 1990 | 29,758,213 | 29,007,329 | 750,884 | 11,182,513 | 6,930,681 | 3,696,537 | 555,294 | 10,380,856 | 7.17% | 2.79 |
| 1995 | 31,617,770 | 30,840,731 | 777,039 | 11,730,341 | 7,359,545 | 3,800,692 | 570,104 | 10,962,235 | 6.55% | 2.81 |
| 2000 | 33,721,583 | 32,901,645 | 819,938 | 12,186,125 | 7,789,617 | 3,827,274 | 569,234 | 11,473,420 | 5.85% | 2.87 |
| 2005 | 35,869,173 | 35,043,831 | 825,342 | 12,978,524 | 8,426,623 | 3,989,428 | 562,473 | 12,077,568 | 6.94% | 2.90 |
| 2010 | 37,223,900 | 36,409,308 | 814,592 | 13,669,076 | 8,916,695 | 4,193,850 | 558,531 | 12,571,500 | 8.03% | 2.90 |
| 2013 | 37,966,471 | 37,138,965 | 827,506 | 13,785,797 | 8,983,275 | 4,243,133 | 559,389 | 12,675,876 | 8.05% | 2.93 |
| Change 1990-2013 | | | | | | | | | | |
| Percent | 27.58% | 28.03% | 10.20% | 23.28% | 29.62% | 14.79% | 0.74% | 22.11% | 12.31% | 4.85% |
| Absolute | 8,208,258 | 8,131,636 | 76,622 | 2,603,284 | 2,052,594 | 546,596 | 4,095 | 2,295,020 | 0.01 | 0.14 |
| Orange County | | | | | | | | | | |
| 1990 | 2,410,668 | 2,373,489 | 37,179 | 875,105 | 538,933 | 304,327 | 31,844 | 827,097 | 5.49% | 2.87 |
| 1995 | 2,590,109 | 2,549,820 | 40,289 | 915,512 | 566,419 | 316,752 | 32,341 | 874,950 | 4.43% | 2.91 |
| 2000 | 2,831,799 | 2,789,541 | 42,258 | 967,089 | 612,433 | 322,226 | 32,430 | 934,067 | 3.41% | 2.99 |
| 2005 | 2,956,847 | 2,915,110 | 41,737 | 1,017,428 | 643,993 | 340,412 | 33,023 | 971,251 | 4.54% | 3.00 |
| 2010 | 3,010,232 | 2,964,214 | 46,018 | 1,046,118 | 660,523 | 352,075 | 33,520 | 990,019 | 5.36% | 2.99 |
| 2013 | 3,081,804 | 3,031,440 | 50,364 | 1,056,195 | 664,395 | 358,269 | 33,531 | 999,552 | 5.36% | 3.03 |
| Change 1990-2013 | | | | | | | | | | |
| Percent | 27.84% | 27.72% | 35.46% | 20.69% | 23.28% | 17.73% | 5.30% | 20.85% | -2.24% | 5.68% |
| Absolute | 671,136 | 657,951 | 13,185 | 181,090 | 125,462 | 53,942 | 1,687 | 172,455 | (0.00) | 0.16 |
| Anaheim | | | | | | | | | | |
| 1990 | 266,406 | 262,222 | 4,184 | 93,177 | 46,293 | 42,580 | 4,304 | 87,588 | 6.00% | 2.99 |
| 1995 | 298,016 | 293,945 | 4,071 | 97,335 | 48,573 | 44,316 | 4,446 | 93,032 | 4.42% | 3.16 |
| 2000 | 325,906 | 322,097 | 3,809 | 99,636 | 51,719 | 43,540 | 4,377 | 96,810 | 2.84% | 3.33 |
| 2005 | 331,458 | 327,776 | 3,682 | 101,435 | 52,920 | 43,988 | 4,527 | 97,181 | 4.19% | 3.37 |
| 2010 | 336,208 | 332,645 | 3,563 | 104,186 | 53,691 | 45,817 | 4,678 | 98,321 | 5.63% | 3.38 |
| 2013 | 346,161 | 342,604 | 3,557 | 105,846 | 53,805 | 47,356 | 4,685 | 99,811 | 5.70% | 3.43 |
| Change 1990-2013 | | | | | | | | | | |
| Percent | 29.94% | 30.65% | -14.99% | 13.60% | 16.23% | 11.22% | 8.85% | 13.96% | -4.94% | 14.67% |
| Absolute | 79,755 | 80,382 | -627 | 12,669 | 7,512 | 4,776 | 381 | 12,223 | (0.00) | 0.44 |

Source: California Department of Finance

APPENDIX 1 - TABLE 15

**HISTORIC DISTRIBUTION OF HOUSING UNIT MIX AND GROWTH
BEACH BOULEVARD MARKET OPPORTUNITIES
ANAHEIM, CALIFORNIA**

| Population | | Total ¹ Housing Units | Single Family Units | | | Multi-Family Units | | | Mobile Units | | |
|------------|--------|--|---------------------|------------------------------|--------|--------------------|------------------------------|--------|--------------|------------------------------|--------|
| Total | Change | | Subtotal | Share of Total Housing | Change | Subtotal | Share of Total Housing | Change | Subtotal | Share of Total Housing | Change |

California

| | | | | | | | | | | | | |
|------|------------|-------|------------|-----------|--------|-------|-----------|--------|-------|---------|-------|--------|
| 1990 | 29,758,213 | | 11,182,513 | 6,930,681 | 61.98% | | 3,696,537 | 33.06% | | 555,294 | 4.97% | |
| 1995 | 31,617,770 | 6.25% | 11,730,341 | 7,359,545 | 62.74% | 6.19% | 3,800,692 | 32.40% | 2.82% | 570,104 | 4.86% | 2.67% |
| 2000 | 33,721,583 | 6.65% | 12,186,125 | 7,789,617 | 63.92% | 5.84% | 3,827,274 | 31.41% | 0.70% | 569,234 | 4.67% | -0.15% |
| 2005 | 35,869,173 | 6.37% | 12,978,524 | 8,426,623 | 64.93% | 8.18% | 3,989,428 | 30.74% | 4.24% | 562,473 | 4.33% | -1.19% |
| 2010 | 37,223,900 | 3.78% | 13,669,076 | 8,916,695 | 65.23% | 5.82% | 4,193,850 | 30.68% | 5.12% | 558,531 | 4.09% | -0.70% |
| 2013 | 37,966,471 | 1.99% | 13,785,797 | 8,983,275 | 65.16% | 0.75% | 4,243,133 | 30.78% | 1.18% | 559,389 | 4.06% | 0.15% |

Orange County

| | | | | | | | | | | | | |
|------|-----------|-------|-----------|---------|--------|-------|---------|--------|-------|--------|-------|-------|
| 1990 | 2,410,668 | | 875,105 | 538,933 | 61.58% | | 304,327 | 34.78% | | 31,844 | 3.64% | |
| 1995 | 2,590,109 | 7.44% | 915,512 | 566,419 | 61.87% | 5.10% | 316,752 | 34.60% | 4.08% | 32,341 | 3.53% | 1.56% |
| 2000 | 2,831,799 | 9.33% | 967,089 | 612,433 | 63.33% | 8.12% | 322,226 | 33.32% | 1.73% | 32,430 | 3.35% | 0.28% |
| 2005 | 2,956,847 | 4.42% | 1,017,428 | 643,993 | 63.30% | 5.15% | 340,412 | 33.46% | 5.64% | 33,023 | 3.25% | 1.83% |
| 2010 | 3,010,232 | 1.81% | 1,046,118 | 660,523 | 63.14% | 2.57% | 352,075 | 33.66% | 3.43% | 33,520 | 3.20% | 1.51% |
| 2013 | 3,081,804 | 2.38% | 1,056,195 | 664,395 | 62.90% | 0.59% | 358,269 | 33.92% | 1.76% | 33,531 | 3.17% | 0.03% |

Anaheim

| | | | | | | | | | | | | |
|------|---------|--------|---------|--------|--------|-------|--------|--------|--------|-------|-------|--------|
| 1990 | 266,406 | | 93,177 | 46,293 | 49.68% | | 42,580 | 45.70% | | 4,304 | 4.62% | |
| 1995 | 298,016 | 11.87% | 97,335 | 48,573 | 49.90% | 4.93% | 44,316 | 45.53% | 4.08% | 4,446 | 4.57% | 3.30% |
| 2000 | 325,906 | 9.36% | 99,636 | 51,719 | 51.91% | 6.48% | 43,540 | 43.70% | -1.75% | 4,377 | 4.39% | -1.55% |
| 2005 | 331,458 | 1.70% | 101,435 | 52,920 | 52.17% | 2.32% | 43,988 | 43.37% | 1.03% | 4,527 | 4.46% | 3.43% |
| 2010 | 336,208 | 1.43% | 104,186 | 53,691 | 51.53% | 1.46% | 45,817 | 43.98% | 4.16% | 4,678 | 4.49% | 3.34% |
| 2013 | 346,161 | 2.96% | 105,846 | 53,805 | 50.83% | 0.21% | 47,356 | 44.74% | 3.36% | 4,685 | 4.43% | 0.15% |

Source: California Department of Finance; Keyser Marston

APPENDIX 1 - TABLE 16

PROJECTED HOUSEHOLD FORMATION WITHIN 3-MILE MARKET AREA
BEACH BOULEVARD MARKET OPPORTUNITIES
ANAHEIM, CALIFORNIA

| | 2014 | 2019 | 2024 | 2029 |
|---------------------------------------|---------|---------|---------|---------|
| Estimated Population | 279,440 | 292,374 | 305,907 | 320,066 |
| Households | 80,377 | 84,106 | 87,999 | 92,072 |
| Household Growth | | 3,729 | 3,893 | 4,073 |
| Cumulative Households | | 3,729 | 7,622 | 11,695 |
| Housing Units @ 103% of Growth | | 3,841 | 7,851 | 12,046 |

APPENDIX 1 - TABLE 17

MARKET AREA HOME SALES - 2009 - 2013
 BEACH BOULEVARD MARKET OPPORTUNITIES
 ANAHEIM, CALIFORNIA

2009

| City | Single Family | | | | | Condominiums | | |
|---------------|---------------|--------|---------------------------|------------------|---------------|-----------------------------|------------------|-------|
| | Zip | Units | Home Median Price (\$00s) | Change from 2008 | Home Price/SF | Condo Median Price (\$000s) | Change from 2008 | Units |
| Anaheim | 92801 | 363 | \$310 | -6.10% | \$235 | \$190 | -19.40% | 92 |
| Anaheim | 92804 | 549 | \$330 | -11.90% | \$248 | \$145 | -19.40% | 161 |
| Anaheim | 92802 | 205 | \$350 | -6.40% | \$242 | \$275 | -8.60% | 57 |
| Anaheim | 92805 | 474 | \$300 | -11.40% | \$236 | \$194 | -13.70% | 84 |
| Anaheim | 92806 | 197 | \$385 | -7.20% | \$232 | \$206 | -10.90% | 30 |
| Anaheim Hills | 92807 | 362 | \$475 | -5.90% | \$263 | \$217 | -9.10% | 57 |
| Anaheim Hills | 92808 | 164 | \$618 | -7.00% | \$286 | \$348 | -8.20% | 127 |
| Orange County | | 20,447 | \$475 | -7.40% | \$280 | \$281 | -13.70% | 9,155 |

2011

| City | Single Family | | | | | Condominiums | | |
|---------------|---------------|--------|---------------------------|------------------|---------------|-----------------------------|------------------|-------|
| | Zip | Units | Home Median Price (\$00s) | Change from 2010 | Home Price/SF | Condo Median Price (\$000s) | Change from 2010 | Units |
| Anaheim | 92801 | 239 | \$310 | -6.20% | \$231 | \$245 | -2.00% | 96 |
| Anaheim | 92804 | 383 | \$330 | -6.40% | \$237 | \$194 | 15.80% | 93 |
| Anaheim | 92802 | 134 | \$352 | 0.40% | \$228 | \$263 | -9.20% | 41 |
| Anaheim | 92805 | 314 | \$310 | -4.60% | \$237 | \$193 | -6.00% | 72 |
| Anaheim | 92806 | 160 | \$370 | -6.30% | \$220 | \$215 | -2.30% | 16 |
| Anaheim Hills | 92807 | 320 | \$463 | -3.50% | \$252 | \$219 | 0.60% | 79 |
| Anaheim Hills | 92808 | 188 | \$565 | -2.20% | \$266 | \$295 | -9.20% | 105 |
| Orange County | | 19,125 | \$479 | -5.70% | \$273 | \$271 | -8.40% | 8,325 |

2013

| City | Single Family | | | | | Condominiums | | |
|---------------|---------------|--------|---------------------------|------------------|---------------|-----------------------------|------------------|--------|
| | Zip | Units | Home Median Price (\$00s) | Change from 2012 | Home Price/SF | Condo Median Price (\$000s) | Change from 2012 | Units |
| Anaheim | 92801 | 235 | \$380 | 18.80% | \$289 | \$303 | 20.30% | 72 |
| Anaheim | 92804 | 400 | \$413 | 19.60% | \$283 | \$230 | 39.40% | 107 |
| Anaheim | 92802 | 166 | \$405 | 15.70% | \$278 | \$320 | 28.00% | 37 |
| Anaheim | 92805 | 316 | \$390 | 21.90% | \$288 | \$301 | 27.00% | 123 |
| Anaheim | 92806 | 206 | \$434 | 14.20% | \$256 | \$275 | 22.80% | 25 |
| Anaheim Hills | 92807 | 467 | \$545 | 22.70% | \$293 | \$273 | 33.60% | 95 |
| Anaheim Hills | 92808 | 201 | \$645 | 12.20% | \$313 | \$379 | 25.80% | 154 |
| Orange County | | 23,121 | \$599 | 19.80% | \$331 | \$365 | 26.70% | 10,275 |

Source: DQ News

APPENDIX 1 - TABLE 18

**SUMMARY OF RECENT HOME SALES
BEACH BOULEVARD MARKET OPPORTUNITIES
ANAHEIM, CALIFORNIA**

| Condominiums | | | | | | | | | | |
|---------------------|--------------|------------------------------|-----------------------|--------------|-------------------|------------------|------------------|------------------------------|--------------|----------------|
| | <u>Count</u> | <u>Average Yr. Built</u> | <u>UNIT SIZE (SF)</u> | | <u>SALE PRICE</u> | | | <u>PRICE PER SQUARE FOOT</u> | | |
| | | | <u>Low</u> | <u>High</u> | <u>Low</u> | <u>High</u> | <u>Median</u> | <u>Low</u> | <u>High</u> | <u>Average</u> |
| One Bedroom | 14 | 1982 | 652 | 817 | \$144,500 | \$225,000 | \$204,000 | \$219 | \$282 | \$254 |
| Two Bedroom | 82 | 1978 | 813 | 1,518 | \$120,000 | \$330,000 | \$276,500 | \$145 | \$334 | \$252 |
| Three Bedroom | 28 | 1983 | 1,026 | 1,337 | \$225,000 | \$354,000 | \$310,250 | \$181 | \$290 | \$251 |
| Overall | 124 | 1979 | 652 | 1,518 | \$120,000 | \$354,000 | \$278,500 | \$145 | \$334 | \$252 |

| Single Family Homes | | | | | | | | | | |
|----------------------------|--------------|------------------------------|-----------------------|--------------|-------------------|--------------------|------------------|------------------------------|--------------|----------------|
| | <u>Count</u> | <u>Average Yr. Built</u> | <u>UNIT SIZE (SF)</u> | | <u>SALE PRICE</u> | | | <u>PRICE PER SQUARE FOOT</u> | | |
| | | | <u>Low</u> | <u>High</u> | <u>Low</u> | <u>High</u> | <u>Median</u> | <u>Low</u> | <u>High</u> | <u>Average</u> |
| One Bedroom | 15 | 1954 | 492 | 1,978 | \$252,500 | \$850,000 | \$365,000 | \$132 | \$742 | \$373 |
| Two Bedroom | 37 | 1962 | 693 | 1,712 | \$185,500 | \$812,500 | \$362,500 | \$148 | \$806 | \$348 |
| Three Bedroom | 354 | 1959 | 868 | 3,017 | \$108,000 | \$1,000,000 | \$425,000 | \$84 | \$546 | \$331 |
| Four Bedroom | 151 | 1959 | 808 | 3,221 | \$100,000 | \$705,000 | \$440,000 | \$54 | \$447 | \$296 |
| Five+ Bedroom | 13 | 1959 | 1,554 | 2,767 | \$369,000 | \$595,000 | \$485,000 | \$171 | \$307 | \$239 |
| Overall | 570 | 1956 | 492 | 3,221 | \$100,000 | \$1,000,000 | \$430,000 | \$54 | \$806 | \$322 |

Note: Unit types were excluded if there were <4 transactions. Only full transactions >\$50,000 were included.

Source: DataQuick (Previous Six Months from 6/2014)

APPENDIX 1 - TABLE 19

ORANGE COUNTY NEW HOME PROJECTS
 BEACH BOULEVARD MARKET OPPORTUNITIES
 ANAHEIM, CALIFORNIA

Orange County Market Area - Attached Homes

| Location | Projects | Cum Sales/Week | Average Sales/Dev. | Average Price | Average Sq. Feet | Price/SF | Total Units | Total Sold | Future Phases | Total Inventory |
|---------------------------|-----------|----------------|--------------------|------------------|------------------|--------------|--------------|--------------|---------------|-----------------|
| Anaheim/Yorba Linda | 7 | 9.05 | 1.29 | \$480,646 | 1,564 | \$307 | 641 | 305 | 302 | 336 |
| Huntington/Newport Beach | 2 | 1.09 | 0.55 | \$1,124,443 | 3,233 | \$348 | 201 | 182 | 4 | 19 |
| Irvine/Tustin | 7 | 9.54 | 1.36 | \$639,650 | 1,613 | \$396 | 679 | 404 | 203 | 275 |
| Mission Viejo/Aliso Viejo | 5 | 10.23 | 2.05 | \$474,641 | 1,574 | \$302 | 514 | 206 | 258 | 308 |
| San Juan Cap/San Clemente | 0 | 0.00 | 0.00 | \$0 | 0 | \$0 | 0 | 0 | 0 | 0 |
| Santa Ana/Orange | 1 | 0.63 | 0.63 | \$513,990 | 1,858 | \$277 | 40 | 40 | 0 | 0 |
| Total | 22 | 30.54 | 1.39 | \$568,225 | 1,653 | \$344 | 2,075 | 1,137 | 767 | 938 |

Orange County Market Area - Detached Homes

| Location | Projects | Cum Sales/Week | Average Sales/Dev. | Average Price | Average Sq. Feet | Price/SF | Total Units | Total Sold | Future Phases | Total Inventory |
|---------------------------|-----------|----------------|--------------------|------------------|------------------|--------------|--------------|--------------|---------------|-----------------|
| Anaheim/Yorba Linda | 16 | 15.74 | 0.98 | \$823,556 | 2,456 | \$335 | 1,256 | 931 | 270 | 325 |
| Huntington/Newport Beach | 6 | 3.86 | 0.64 | \$854,192 | 2,100 | \$407 | 251 | 157 | 73 | 94 |
| Irvine/Tustin | 27 | 39.77 | 1.47 | \$982,848 | 2,487 | \$395 | 2,625 | 1,542 | 929 | 1,083 |
| Mission Viejo/Aliso Viejo | 16 | 25.54 | 1.60 | \$803,266 | 2,203 | \$365 | 1,232 | 574 | 587 | 658 |
| San Juan Cap/San Clemente | 4 | 4.05 | 1.01 | \$926,854 | 3,177 | \$292 | 272 | 176 | 88 | 96 |
| Santa Ana/Orange | 5 | 2.92 | 0.58 | \$693,182 | 2,619 | \$265 | 161 | 91 | 60 | 70 |
| Total | 74 | 91.88 | 1.24 | \$899,295 | 2,430 | \$370 | 5,797 | 3,471 | 2,007 | 2,326 |

| | | | | | | | | | | |
|--------------------------------|-----------|---------------|-------------|------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Attached/Detached Total | 96 | 122.42 | 1.28 | \$806,975 | 2,213 | \$365 | 7,872 | 4,608 | 2,774 | 3,264 |
|--------------------------------|-----------|---------------|-------------|------------------|--------------|--------------|--------------|--------------|--------------|--------------|

Source: Market Pointe

Prepared by: Keyser Marston Associates, Inc.

Filename: Anaheim Market Tables v3; 19; 2/10/2015

APPENDIX 1 - TABLE 20

ORANGE COUNTY NEW HOME INVENTORY TRENDS
BEACH BOULEVARD MARKET OPPORTUNITIES
ANAHEIM, CALIFORNIA

| <u>Quarter</u> | <u>Attached Inventory</u> | <u>Detached Inventory</u> |
|----------------|-------------------------------|-------------------------------|
| 2012/1 | 1,129 | 1,975 |
| 2012/2 | 971 | 1,698 |
| 2012/3 | 708 | 1,674 |
| 2012/4 | 442 | 1,401 |
| 2013/1 | 485 | 1,158 |
| 2013/2 | 925 | 2,116 |
| 2013/3 | 943 | 2,407 |
| 2013/4 | 1,059 | 2,232 |
| 2014/1 | 938 | 2,326 |

APPENDIX 1 - TABLE 21

ORANGE COUNTY NEW HOME ABSORPTION TRENDS
 BEACH BOULEVARD MARKET OPPORTUNITIES
 ANAHEIM, CALIFORNIA

| Quarter | Attached Home Absorption Trends (Monthly) | | Detached Home Absorption Trends (Monthly) | |
|---------|--|------------|--|------------|
| | Projects | Sales Rate | Projects | Sales Rate |
| 2012/1 | 29 | 1.94 | 54 | 1.97 |
| 2012/2 | 28 | 3.53 | 55 | 3.63 |
| 2012/3 | 22 | 4.86 | 54 | 3.74 |
| 2012/4 | 19 | 7.96 | 52 | 5.29 |
| 2013/1 | 18 | 5.37 | 52 | 5.57 |
| 2013/2 | 23 | 4.87 | 58 | 4.94 |
| 2013/3 | 24 | 4.55 | 67 | 7.72 |
| 2013/4 | 26 | 4.75 | 70 | 4.34 |
| 2014/1 | 26 | 4.75 | 74 | 4.42 |

APPENDIX 1 - TABLE 22

ORANGE COUNTY NEW HOME PRICE TRENDS
 BEACH BOULEVARD MARKET OPPORTUNITIES
 ANAHEIM, CALIFORNIA

| Location | Attached Home Sales Prices | | | | Detached Home Sales Prices | | | |
|---------------------------|----------------------------|-----------|-----------|--------|----------------------------|-------------|-------------|--------|
| | 2014/1 | 2013/4 | 2013/1 | Change | 2014/1 | 2013/4 | 2013/1 | Change |
| Anaheim/Yorba Linda | \$480,646 | \$512,224 | \$515,111 | -6.7% | \$823,556 | \$897,798 | \$806,012 | 2.2% |
| Huntington/Newport Beach | \$1,124,443 | \$931,822 | \$860,964 | 30.6% | \$854,192 | \$875,632 | \$1,096,886 | -22.1% |
| Irvine/Tustin | \$639,650 | \$596,691 | \$553,815 | 15.5% | \$982,848 | \$1,001,366 | \$878,402 | 11.9% |
| Mission Viejo/Aliso Viejo | \$474,641 | \$462,824 | \$482,685 | -1.7% | \$803,266 | \$804,057 | \$967,603 | -17.0% |
| San Juan Cap/San Clemente | \$0 | \$0 | \$0 | 0.0% | \$926,854 | \$830,095 | \$799,167 | 16.0% |
| Santa Ana/Orange | \$513,990 | \$448,240 | \$435,419 | 18.0% | \$693,182 | \$720,845 | \$817,584 | -15.2% |
| Total | \$568,225 | \$562,461 | \$588,291 | -3.4% | \$899,295 | \$935,300 | \$866,644 | 3.8% |

Source: Market Pointe

APPENDIX 1 - TABLE 23

ORANGE COUNTY NEW HOME PRICE TRENDS
 BEACH BOULEVARD MARKET OPPORTUNITIES
 ANAHEIM, CALIFORNIA

| | Orange County Attached Homes | | | | Orange County Detached Homes | | | |
|------------------------------|------------------------------|-----------|-----------|--------|------------------------------|-----------|-----------|--------|
| | 2012/1 | 2013/1 | 2014/1 | Change | 2012/1 | 2013/1 | 2014/1 | Change |
| Price | \$493,684 | \$588,291 | \$568,225 | 15.1% | \$726,865 | \$866,644 | \$899,295 | 23.7% |
| Square Feet | 1,806 | 1,900 | 1,653 | -8.5% | 2,318 | 2,586 | 2,430 | 4.8% |
| Price per Square Foot | \$273.00 | \$310.00 | \$344.00 | 26.0% | \$314.00 | \$335.00 | \$370.00 | 17.8% |

Source: Market Pointe

APPENDIX 1 - TABLE 24

SAMPLE ANAHEIM NEW HOME PROJECTS
 BEACH BOULEVARD MARKET OPPORTUNITIES
 ANAHEIM, CALIFORNIA

| Project | Developer | Concept | Total Units | Sold | Unsold | Future Phases | Inventory | Ranges | | |
|-----------------------|------------|-------------------|-------------|------|--------|---------------|-----------|-----------|----------|----------|
| | | | | | | | | Price | Sq. Feet | Price/SF |
| Cortile @ Colony Park | Brookfield | Flats & Townhomes | 112 | 72 | 2 | 38 | 40 | \$249,900 | 730 | \$284.00 |
| | | | | | | | | \$477,480 | 1,682 | \$342.00 |
| Casita @ Colony Park | Brookfield | Townhomes | 114 | 35 | 1 | 78 | 79 | \$440,200 | 1,411 | \$286.00 |
| | | | | | | | | \$552,360 | 1,931 | \$312.00 |

Source: Market Pointe

APPENDIX 1 - TABLE 25

MARKET AREA RENTS
 BEACH BOULEVARD MARKET OPPORTUNITIES
 ANAHEIM, CALIFORNIA

| Year | Average Asking Rent | Average Effective Rent | Average Vacancy |
|-------------------|---------------------|------------------------|-----------------|
| 2009 | \$1,294 | \$1,251 | 4.9% |
| 2010 | \$1,299 | \$1,271 | 3.6% |
| 2011 | \$1,319 | \$1,294 | 2.4% |
| 2012 | \$1,355 | \$1,339 | 1.9% |
| 2013 | \$1,362 | \$1,350 | 1.2% |
| 2014 (Projection) | \$1,400 | \$1,377 | 1.4% |
| 2015 (Projection) | \$1,432 | \$1,404 | 1.8% |
| 2016 (Projection) | \$1,456 | \$1,428 | 2.3% |
| 2017 (Projection) | \$1,474 | \$1,436 | 2.6% |
| 2018 (Projection) | \$1,487 | \$1,447 | 2.4% |

APPENDIX 1 - TABLE 26

**CURRENT BUENA PARK MARKET AREA RENTS (1st QUARTER 2014)
 BEACH BOULEVARD MARKET OPPORTUNITIES
 ANAHEIM, CALIFORNIA**

| Unit Type | Units in Sample | Average Square Feet | Average Rent | Average Rent PSF |
|----------------------------|------------------------|----------------------------|---------------------|-------------------------|
| Studio / Efficiency | 480 | 447 | \$1,070 | \$2.39 |
| One Bedroom | 6,787 | 743 | \$1,192 | \$1.61 |
| Two Bedroom | 9,032 | 968 | \$1,465 | \$1.51 |
| Three Bedroom | 823 | 1,147 | \$1,831 | \$1.60 |
| Overall | 17,139 | 873 | \$1,363 | \$1.56 |

APPENDIX 1 - TABLE 27

CURRENT RENT COMPARISON (1st QUARTER 2014)
 BEACH BOULEVARD MARKET OPPORTUNITIES
 ANAHEIM, CALIFORNIA

| Unit Type | Market Area Rents | | Orange County Rents | |
|-------------------------------------|-------------------|------------------|---------------------|------------------|
| | Average Rent | Average Rent PSF | Average Rent | Average Rent PSF |
| Studio / Efficiency | \$1,070 | \$2.39 | \$1,195 | \$2.33 |
| One Bedroom | \$1,192 | \$1.61 | \$1,434 | \$1.95 |
| Two Bedroom | \$1,465 | \$1.51 | \$1,800 | \$1.74 |
| Three Bedroom | \$1,831 | \$1.60 | \$2,276 | \$1.78 |
| Overall Vacancy Rate (Year to Date) | 1.0% | | 2.8% | |

Source: REIS - Submarket Trend Futures

APPENDIX 1 - TABLE 28

APARTMENT CONSTRUCTION & ABSORPTION
 BEACH BOULEVARD MARKET OPPORTUNITIES
 ANAHEIM, CALIFORNIA

| Timeframe | Market Area | | | Orange County Market Area | | |
|--------------------|-------------|----------|----------------------|---------------------------|----------|----------------------|
| | Constructed | Absorbed | Const./Abs. Ratio | Constructed | Absorbed | Const./Abs. Ratio |
| One Year History | 0 | 94 | 0.0 | 1,002 | 2,498 | 0.4 |
| Three Year History | 0 | 140 | 0.0 | 1,238 | 2,858 | 0.4 |
| Five Year History | 0 | 81 | 0.0 | 1,931 | 2,791 | 0.7 |
| Five Year Forecast | 0 | -42 | 0.0 | 2,094 | 1,812 | 1.2 |

Source: REIS - Submarket Trend Futures

Prepared by: Keyser Marston Associates, Inc.
 Filename: Anaheim Market Tables v3; 28; 2/10/2015

APPENDIX 1 - TABLE 29

**2008-2014 HOTEL OCCUPANCY RATES¹
 BEACH BOULEVARD MARKET OPPORTUNITIES
 ANAHEIM, CALIFORNIA**

| | North Orange County(2) | Anaheim | Orange County |
|----------------|---------------------------|--------------|---------------|
| 2008 | 67.3% | 71.7% | 70.6% |
| 2009 | 60.7% | 65.9% | 64.8% |
| 2010 | 65.1% | 69.6% | 68.9% |
| 2011 | 69.8% | 71.1% | 71.3% |
| 2012 | 72.4% | 73.4% | 73.5% |
| 2013 (e) | 74.3% | 75.5% | 75.3% |
| 2014 (f) | 75.8% | 75.6% | 75.9% |
| Average | 69.3% | 71.8% | 71.5% |

E - Estimate
 F - Forecast

(1) Source: PKF "The 2014 Southern California Lodging Forecast"

(2) Includes the cities of Buena Park, Fullerton, Brea, Placentia, Cypress, Los Al, Seal Beacy & Yorba Linda.

APPENDIX 1 - TABLE 30

**2008-2014 HOTEL AVERAGE DAILY RATE¹
 BEACH BOULEVARD MARKET OPPORTUNITIES
 ANAHEIM, CALIFORNIA**

| | North Orange County(2) | Anaheim | Orange County |
|----------------|---------------------------|-----------------|-----------------|
| 2008 | \$101.25 | \$111.98 | \$130.84 |
| 2009 | \$92.10 | \$104.58 | \$116.75 |
| 2010 | \$92.87 | \$101.24 | \$115.86 |
| 2011 | \$90.84 | \$110.29 | \$123.49 |
| 2012 | \$92.75 | \$116.77 | \$129.92 |
| 2013 (e) | \$95.72 | \$126.65 | \$138.40 |
| 2014 (f) | \$98.59 | \$131.72 | \$144.11 |
| Average | \$94.87 | \$114.75 | \$128.48 |

E - Estimate
 F - Forecast

(1) Source: PKF "The 2014 Southern California Lodging Forecast"

(2) Includes the cities of Buena Park, Fullerton, Brea, Placentia, Cypress, Los Al, Seal Beacy & Yorba Linda.

APPENDIX 1 - TABLE 31

2008-2014 HOTEL ANNUAL REVPAR (occupancy x room rate)
 BEACH BOULEVARD MARKET OPPORTUNITIES
 ANAHEIM, CALIFORNIA

| | North Orange County(2) | Anaheim | Orange County |
|----------------|---------------------------|----------------|----------------|
| 2008 | \$68.14 | \$80.27 | \$92.40 |
| 2009 | \$55.87 | \$68.90 | \$75.66 |
| 2010 | \$60.45 | \$70.49 | \$79.81 |
| 2011 | \$63.45 | \$78.46 | \$88.06 |
| 2012 | \$67.15 | \$85.73 | \$95.51 |
| 2013 (e) | \$71.12 | \$95.65 | \$104.17 |
| 2014 (f) | \$74.72 | \$99.60 | \$109.31 |
| Average | \$65.84 | \$82.73 | \$92.13 |

E - Estimate
 F - Forecast

(1) Source: PKF "The 2014 Southern California Lodging Forecast"

(2) Includes the cities of Buena Park, Fullerton, Brea, Placentia, Cypress, Los Al, Seal Beacy & Yorba Linda.

APPENDIX 1 - TABLE 32

HOTEL MARKET PERFORMANCE¹
 BEACH BOULEVARD MARKET OPPORTUNITIES
 ANAHEIM, CALIFORNIA

| | <u>Occupancy</u> | <u>Average Daily Rate</u> | <u>Annual Supply</u> | <u>Occupied Room Nights Per Year</u> | <u>Occupied Room Nights Change</u> | <u>RevPar</u> | <u>RevPar Change</u> |
|----------------------------|------------------|---------------------------|----------------------|--------------------------------------|------------------------------------|---------------|----------------------|
| North Orange County | | | | | | | |
| 2008 | 67.3% | \$101.25 | 1,418,025 | 954,370 | | \$68.14 | |
| 2009 | 60.7% | \$92.10 | 1,424,595 | 864,269 | -9.4% | \$55.90 | -18.0% |
| 2010 | 65.1% | \$92.87 | 1,424,595 | 927,334 | 7.3% | \$60.46 | 8.1% |
| 2011 | 69.8% | \$90.84 | 1,424,595 | 994,945 | 7.3% | \$63.41 | 4.9% |
| 2012 | 72.4% | \$92.75 | 1,424,595 | 1,031,373 | 3.7% | \$67.15 | 5.9% |
| 2013 (e) | 74.3% | \$95.72 | 1,424,595 | 1,058,442 | 2.6% | \$71.12 | 5.9% |
| 2014 (f) | 75.8% | \$98.59 | 1,424,595 | 1,079,610 | 2.0% | \$74.73 | 5.1% |
| CAC 2007-2014 | | -0.44% | 0.08% | 2.08% | | 1.55% | |
| Anaheim | | | | | | | |
| 2008 | 71.7% | \$111.98 | 7,199,406 | 5,160,532 | | \$80.29 | |
| 2009 | 65.9% | \$104.58 | 7,206,560 | 4,748,186 | -8.0% | \$68.92 | -14.2% |
| 2010 | 69.6% | \$101.24 | 7,275,910 | 5,065,948 | 6.7% | \$70.46 | 2.2% |
| 2011 | 71.1% | \$110.29 | 7,275,910 | 5,175,874 | 2.2% | \$78.42 | 11.3% |
| 2012 | 73.4% | \$116.77 | 7,275,910 | 5,341,930 | 3.2% | \$85.71 | 9.3% |
| 2013 (e) | 75.5% | \$126.65 | 7,283,210 | 5,500,578 | 3.0% | \$95.62 | 11.6% |
| 2014 (f) | 75.6% | \$131.72 | 7,320,805 | 5,535,816 | 0.6% | \$99.58 | 4.1% |
| CAC 2007-2014 | | 2.74% | 0.28% | 1.18% | | 3.65% | |
| Orange County | | | | | | | |
| 2008 | 70.6% | \$130.84 | 17,192,230 | 12,141,057 | | \$92.37 | |
| 2009 | 64.8% | \$116.75 | 18,214,595 | 11,804,067 | -2.8% | \$75.65 | -18.1% |
| 2010 | 68.9% | \$115.86 | 18,976,715 | 13,072,574 | 10.7% | \$79.83 | 5.5% |
| 2011 | 71.3% | \$123.49 | 19,019,512 | 13,562,071 | 3.7% | \$88.05 | 10.3% |
| 2012 | 73.5% | \$129.92 | 19,097,605 | 14,039,988 | 3.5% | \$95.49 | 8.5% |
| 2013 (e) | 75.3% | \$138.40 | 19,170,074 | 14,428,191 | 2.8% | \$104.22 | 9.1% |
| 2014 (f) | 75.9% | \$144.11 | 19,425,458 | 14,734,859 | 2.1% | \$109.38 | 5.0% |
| CAC 2007-2014 | | 1.62% | 2.06% | 3.28% | | 2.86% | |

E - Estimate
 F - Forecast

(1) Source: PKF "The 2014 Southern California Lodging Forecast"

APPENDIX 1 - TABLE 33

PROJECTED HOTEL OCCUPANCY
 NORTH ORANGE COUNTY MARKET AREA
 BEACH BOULEVARD MARKET OPPORTUNITIES
 ANAHEIM, CALIFORNIA

| | Potential Demand - 1% Annual Increase | | | | | | |
|------|---------------------------------------|---|--------------------|--|---------------------|---------------------------------------|--------------|
| | Annual 1.0% Demand Increase | Existing Room Night Supply ¹ | Occupancy Level | Market Area Target Occupancy - 74% Available | | Potential Capture of Market Demand | |
| | | | | Room Nights | Cumulative Rooms | 20% of Total | 25% of Total |
| 2014 | 1,079,610 | 1,424,595 | 75.8% | 1,458,932 | 94 | 19 | 24 |
| 2019 | 1,134,681 | 1,424,595 | 79.6% | 1,533,353 | 298 | 60 | 74 |
| 2024 | 1,192,561 | 1,424,595 | 83.7% | 1,611,569 | 512 | 102 | 128 |

| | Potential Demand - 2% Annual Increase | | | | | | |
|------|---------------------------------------|---|--------------------|--|---------------------|---------------------------------------|--------------|
| | Adjusted Demand Increase | Existing Room Night Supply ¹ | Occupancy Level | Market Area Target Occupancy - 74% Available | | Potential Capture of Market Demand | |
| | | | | Room Nights | Cumulative Rooms | 20% of Total | 25% of Total |
| 2014 | 1,079,610 | 1,424,595 | 75.8% | 1,458,932 | 94 | 19 | 24 |
| 2019 | 1,191,977 | 1,424,595 | 83.7% | 1,610,779 | 510 | 102 | 128 |
| 2024 | 1,316,039 | 1,424,595 | 92.4% | 1,778,430 | 969 | 194 | 242 |

(1) Source: PKF "The 2014 Southern California Lodging Forecast"

APPENDIX 2 - SCENARIO 1 - LOW DENSITY COMMERCIAL

APPENDIX 2 - TABLE 1

ESTIMATED CONSTRUCTION COST
 SCENARIO 1 - LOW DENSITY COMMERCIAL
 BEACH BOULEVARD MARKET OPPORTUNITIES ANALYSIS
 ANAHEIM, CALIFORNIA

| | | | | |
|------------------------------------|-------------|---------------------|-----------------------------|--------------------|
| I. Land Acquisition | | | | |
| Land Acquisition | 114,563 | Square Feet | \$0.00 /SF | \$0 |
| | | | | \$0 |
| II. Direct Costs | | | | |
| Site Costs | | | | |
| Off-Site Costs | \$0 | Allowance | | \$0 |
| On-Site & Demolition Costs | 114,563 | Square Feet | \$7.00 /SF | 802,000 |
| Parking/Podium | 220 | Spaces | \$0 /Space | 0 |
| Total Site Costs | | | | \$802,000 |
| Building Costs | | | | |
| Shell | | | | |
| Commercial - Low Density | 34,369 | Square Feet | \$85.00 /Sf | \$2,921,000 |
| Tenant Improvements | | | | |
| Commercial - Low Density | 34,369 | Square Feet | \$20.00 /Sf | 687,000 |
| Total Shell & TI Costs | | | | \$3,608,000 |
| Site & Building Costs | | | | |
| | | | | \$4,410,000 |
| Contractor/GC/Contingency | 20.0% | Direct Costs | | \$882,000 |
| Total Direct Costs | | | | \$5,292,000 |
| III. Indirect Costs | | | | |
| Architecture & Engineering | 6.0% | Direct Costs | | \$318,000 |
| Permits & Fees/Impact Fees | 34,369 | Sq. Feet | \$9.50 /Sf ¹ | 327,000 |
| Marketing | 0.25% | Direct Costs | | 13,000 |
| Taxes, Ins, Legal & Acctg | 2.0% | Direct Costs | | 106,000 |
| Commissions | 34,369 | Sq. Feet | \$6.00 /Sf | 206,000 |
| Development Management | 3.0% | Direct Costs | | 159,000 |
| Contingency Allowance | 3.0% | Indirect Costs | | 34,000 |
| Total Indirect Costs | | | | \$1,163,000 |
| IV. Financing Costs | | | | |
| Building Interest | \$7,094,000 | Financed | 7.00% Interest ² | \$447,000 |
| Financing Costs | 2.00 | Points ³ | | 192,000 |
| Total Financing Costs | | | | \$639,000 |
| V. Total Construction Costs | | | | \$7,094,000 |
| Costs Per Square Foot | | | | \$206 |

¹ Based on KMA estimate, City needs to review.

² Assumes average outstanding balance of 60% and 1.5 year construction period.

³ Assumes capitalization rate of 7.0% and 70% loan to value ratio.

APPENDIX 2 - TABLE 2

ESTIMATED NET OPERATING INCOME
 SCENARIO 1 - LOW DENSITY COMMERCIAL
 BEACH BOULEVARD MARKET OPPORTUNITIES ANALYSIS
 ANAHEIM, CALIFORNIA

| | | | |
|---|------------------------------|------------|--------------------|
| I. <u>Commercial Income</u> | | | |
| Retail | 27,495 Sf | \$2.50 /Sf | \$825,000 |
| Resturant | 6,874 Sf | \$2.75 /Sf | 227,000 |
| Gross Commercial Income | | | <u>\$1,052,000</u> |
| (Less): Vacancy & Collection | 5.00% Income & CAM | | <u>(53,000)</u> |
| Effective Gross Income | | | \$999,000 |
| II. <u>Operating Expenses</u> | | | |
| Management | 3.00% Effective Gross Income | | (\$30,000) |
| Reserves | 1.00% Gross Income | | <u>(11,000)</u> |
| Total Expenses | | | (\$41,000) |
| III. <u>Net Operating Income</u> | | | <u>\$958,000</u> |

APPENDIX 2 - TABLE 3

ESTIMATED RESIDUAL LAND VALUE
SCENARIO 1 - LOW DENSITY COMMERCIAL
BEACH BOULEVARD MARKET OPPORTUNITIES ANALYSIS
ANAHEIM, CALIFORNIA

I. Supportable Investment

| | |
|------------------------------------|---------------------|
| Net Operating Income | \$958,000 |
| Threshold Return on Investment | 9.00% |
| Supportable Debt/Equity Investment | <u>\$10,644,000</u> |

II. Total Development Costs

(\$7,094,000)

III. Residual Land Value

\$3,550,000

Value Per Square Foot

\$30.99

APPENDIX 3 - SCENARIO 2 - HIGH DENSITY COMMERCIAL

APPENDIX 3 - TABLE 1

ESTIMATED CONSTRUCTION COST
 SCENARIO 2 - HIGH DENSITY COMMERCIAL
 BEACH BOULEVARD MARKET OPPORTUNITIES ANALYSIS
 ANAHEIM, CALIFORNIA

| | | | | |
|------------------------------------|--------------|---------------------|-----------------------------|---------------------|
| I. Land Acquisition | | | | |
| Land Acquisition | 114,563 | Square Feet | \$0.00 /SF | \$0 |
| | | | | \$0 |
| II. Direct Costs | | | | |
| Site Costs | | | | |
| Off-Site Costs | \$0 | Allowance | | \$0 |
| On-Site & Demolition Costs | 114,563 | Square Feet | \$7.00 /SF | 802,000 |
| Parking/Podium | 275 | Spaces | \$0 /Space | 0 |
| Total Site Costs | | | | \$802,000 |
| Building Costs | | | | |
| Shell | | | | |
| Commercial - High Density | 57,281 | Square Feet | \$90.00 /Sf | \$5,155,000 |
| Tenant Improvements | | | | |
| Commercial - High Density | 57,281 | Square Feet | \$20.00 /Sf | 1,146,000 |
| Total Shell & TI Costs | | | | \$6,301,000 |
| Site & Building Costs | | | | |
| | | | | \$7,103,000 |
| Contractor/GC/Contingency | 20.0% | Direct Costs | | \$1,421,000 |
| Total Direct Costs | | | | \$8,524,000 |
| III. Indirect Costs | | | | |
| Architecture & Engineering | 6.0% | Direct Costs | | \$511,000 |
| Permits & Fees/Impact Fees | 57,281 | Sq. Feet | \$9.50 /Sf ¹ | 544,000 |
| Marketing | 0.25% | Direct Costs | | 21,000 |
| Taxes, Ins, Legal & Acctg | 2.0% | Direct Costs | | 170,000 |
| Commissions | 57,281 | Sq. Feet | \$6.00 /Sf | 344,000 |
| Development Management | 3.0% | Direct Costs | | 256,000 |
| Contingency Allowance | 3.0% | Indirect Costs | | 55,000 |
| Total Indirect Costs | | | | \$1,901,000 |
| IV. Financing Costs | | | | |
| Building Interest | \$11,433,000 | Financed | 7.00% Interest ² | \$720,000 |
| Financing Costs | 2.00 | Points ³ | | 288,000 |
| Total Financing Costs | | | | \$1,008,000 |
| V. Total Construction Costs | | | | \$11,433,000 |
| Costs Per Square Foot | | | | \$200 |

¹ Based on KMA estimate, City needs to review.

² Assumes average outstanding balance of 60% and 1.5 year construction period.

³ Assumes capitalization rate of 7.0% and 70% loan to value ratio.

APPENDIX 3 - TABLE 2

ESTIMATED NET OPERATING INCOME
 SCENARIO 2 - HIGH DENSITY COMMERCIAL
 BEACH BOULEVARD MARKET OPPORTUNITIES ANALYSIS
 ANAHEIM, CALIFORNIA

| | | | |
|---|------------------------------|------------|--------------------------------|
| I. <u>Commercial Income</u> | | | |
| Retail | 45,825 Sf | \$2.25 /Sf | \$1,237,000 |
| Resturant | 11,456 Sf | \$2.50 /Sf | 344,000 |
| Gross Commercial Income | | | <hr/> \$1,581,000 |
| (Less): Vacancy & Collection | 5.00% Income & CAM | | (79,000) |
| Effective Gross Income | | | <hr/> \$1,502,000 |
| II. <u>Operating Expenses</u> | | | |
| Management | 3.00% Effective Gross Income | | (\$45,000) |
| Reserves | 1.00% Gross Income | | (16,000) |
| Total Expenses | | | <hr/> (\$61,000) |
| III. <u>Net Operating Income</u> | | | <hr/> \$1,441,000 <hr/> |

APPENDIX 3 - TABLE 3

ESTIMATED RESIDUAL LAND VALUE
SCENARIO 2 - HIGH DENSITY COMMERCIAL
BEACH BOULEVARD MARKET OPPORTUNITIES ANALYSIS
ANAHEIM, CALIFORNIA

I. Supportable Investment

| | |
|------------------------------------|---------------------|
| Net Operating Income | \$1,441,000 |
| Threshold Return on Investment | 9.00% |
| Supportable Debt/Equity Investment | <u>\$16,011,000</u> |

II. Total Development Costs (\$11,433,000)

| | |
|---------------------------------|--------------------|
| III. <u>Residual Land Value</u> | <u>\$4,578,000</u> |
| Value Per Square Foot | \$39.96 |

APPENDIX 4 - SCENARIO 3 - RESIDENTIAL (12 UNITS/ ACRE)

APPENDIX 4 - TABLE 1

ESTIMATED CONSTRUCTION COSTS
 SCENARIO 3 - RESIDENTIAL (12 UNITS/ ACRE)
 BEACH BOULEVARD MARKET OPPORTUNITIES ANALYSIS
 ANAHEIM, CALIFORNIA

| | | | | |
|------|--|---------------------------|-----------------------------|-------------|
| I. | Land Acquisition Costs ¹ | 92,764 Sq. Feet | \$0 /SF | \$0 |
| II. | Direct Costs ² | | | |
| | Off-Site Costs | 26 Units | \$0 /Unit | \$0 |
| | On-Site & Demolition Costs | 92,764 Sf Land | \$15.00 /SF | 1,391,000 |
| | Parking/Podium | 72 Spaces | \$0 /Space | 0 |
| | Residential - Low Density | 41,800 Sf GBA | \$85.00 /Sf GBA | 3,553,000 |
| | Subtotal - Site & Building Costs | | | \$4,944,000 |
| | Contractor/GC/Contingency | 20% Site & Building Costs | | \$989,000 |
| | Total Direct Costs | | | \$5,933,000 |
| III. | Indirect Costs | | | |
| | Architecture & Engineering | 6.00% Direct Costs | | \$356,000 |
| | Permits & Fees/Impact Fees | 26 Units | \$19,000 /Unit ¹ | 494,000 |
| | Marketing | 26 Units | \$2,500 /Unit | 65,000 |
| | Taxes, Ins, Legal & Acctg | 4.00% Direct Costs | | 237,000 |
| | Development Management | 3.00% Sales | | 419,000 |
| | Contingency Allowance | 3.00% Indirect Costs | | 47,000 |
| | Total Indirect Costs | | | \$1,618,000 |
| IV. | Financing/Closing Costs | | | |
| | Construction Interest | \$8,791,000 Financed | 6.50% Interest ² | \$389,000 |
| | Construction Interest Fees | 2.00 Points ³ | | 132,000 |
| | Closing Costs/Comm/Warranties | 26 Units ⁴ | \$27,700 /Unit | 719,000 |
| | Total Financing/Closing Costs | | | \$1,240,000 |
| V. | Total Construction Cost | 26 Units | \$338,100 /Unit | \$8,791,000 |

¹ Based on KMA estimate, City needs to review.

² Assumes 50% average outstanding balance and 16 month construction/absorption period @ 6 units/month.

³ Assumes 75% loan to cost ratio.

⁴ Assumes 3% and 1.5% of sales revenues for commissions and closing costs, respectively. Also includes \$3,500/unit in home buyer warranty costs.

APPENDIX 4 - TABLE 2

REVENUE PROJECTIONS
SCENARIO 3 - RESIDENTIAL (12 UNITS/ ACRE)
BEACH BOULEVARD MARKET OPPORTUNITIES ANALYSIS
ANAHEIM, CALIFORNIA

| | | | | |
|-----|--------------------------|----------|-----------------|--------------|
| I. | Market Rate Units | | | |
| | 1-Bdr Units @ 0 SF | 0 Units | \$0 /Unit | \$0 |
| | 2-Bdr Units @ 1,400 SF | 8 Units | \$483,000 /Unit | 3,864,000 |
| | 3-Bdr Units @ 1,700 SF | 18 Units | \$561,000 /Unit | \$10,098,000 |
| | | | | <hr/> |
| | | | | \$13,962,000 |
| II. | Total Revenue | 26 Units | \$537,000 /Unit | \$13,962,000 |

APPENDIX 4 - TABLE 3

ESTIMATED RESIDUAL LAND VALUE
 SCENARIO 3 - RESIDENTIAL (12 UNITS/ ACRE)
 BEACH BOULEVARD MARKET OPPORTUNITIES ANALYSIS
 ANAHEIM, CALIFORNIA

| | | | |
|------|---|-----------------------|----------------|
| I. | <u>Total Revenue</u> | | \$13,962,000 |
| II. | <u>Project Costs</u> | | |
| | Development Costs | | \$8,791,000 |
| | Threshold Developer Profit ¹ | 12.0% Return on Sales | 1,675,000 |
| | Total Project Costs | | \$10,466,000 |
| III. | Residual Land Value | \$37.70 /SF | \$92,700 /Unit |
| | | | \$3,496,000 |

¹ Equivalent return on costs is 13.6%.

APPENDIX 5 - SCENARIO 4 - RESIDENTIAL (18 UNITS/ ACRE)

APPENDIX 5 - TABLE 1

ESTIMATED CONSTRUCTION COSTS
 SCENARIO 4 - RESIDENTIAL (18 UNITS/ ACRE)
 BEACH BOULEVARD MARKET OPPORTUNITIES ANALYSIS
 ANAHEIM, CALIFORNIA

| | | | | |
|------|---|---------------------------|-----------------------------|--------------|
| I. | <u>Land Acquisition Costs</u> ¹ | 92,764 Sq. Feet | \$0 /SF | \$0 |
| II. | <u>Direct Costs</u> ² | | | |
| | Off-Site Costs | 38 Units | \$0 /Unit | \$0 |
| | On-Site & Demolition Costs | 92,764 Sf Land | \$15.00 /SF | 1,391,000 |
| | Parking/Podium | 106 Spaces | \$0 /Space | 0 |
| | Residential - Low Density | 54,250 Sf GBA | \$85.00 /Sf GBA | 4,611,000 |
| | Subtotal - Site & Building Costs | | | \$6,002,000 |
| | Contractor/GC/Contingency | 20% Site & Building Costs | | \$1,201,000 |
| | Total Direct Costs | | | \$7,203,000 |
| III. | <u>Indirect Costs</u> | | | |
| | Architecture & Engineering | 6.00% Direct Costs | | \$432,000 |
| | Permits & Fees/Impact Fees | 38 Units | \$19,000 /Unit ¹ | 722,000 |
| | Marketing | 38 Units | \$2,500 /Unit | 95,000 |
| | Taxes, Ins, Legal & Acctg | 2.00% Direct Costs | | 144,000 |
| | Development Management | 3.00% Sales | | 519,000 |
| | Contingency Allowance | 3.00% Indirect Costs | | 69,000 |
| | MF Residential Insurance | 38 Units | \$10,000 /Unit | 380,000 |
| | Total Indirect Costs | | | \$2,361,000 |
| IV. | <u>Financing/Closing Costs</u> | | | |
| | Construction Interest | \$11,199,000 Financed | 6.50% Interest ² | \$556,000 |
| | Construction Interest Fees | 2.00 Points ³ | | 168,000 |
| | Closing Costs/Comm/Warranties | 38 Units ⁴ | \$24,000 /Unit | 911,000 |
| | Total Financing/Closing Costs | | | \$1,635,000 |
| V. | Total Construction Cost | 38 Units | \$294,700 /Unit | \$11,199,000 |

¹ Based on KMA estimate, City needs to review.

² Assumes 50% average outstanding balance and 18 month construction/absorption period @ 6 units/month.

³ Assumes 75% loan to cost ratio.

⁴ Assumes 3% and 1.5% of sales revenues for commissions and closing costs, respectively. Also includes \$3,500/unit in home buyer warranty costs.

APPENDIX 5 - TABLE 2

REVENUE PROJECTIONS
SCENARIO 4 - RESIDENTIAL (18 UNITS/ ACRE)
BEACH BOULEVARD MARKET OPPORTUNITIES ANALYSIS
ANAHEIM, CALIFORNIA

| | | | | |
|-----|--------------------------|----------|-----------------|--------------|
| I. | Market Rate Units | | | |
| | 1-Bdr Units @ 0 SF | 0 Units | \$0 /Unit | \$0 |
| | 2-Bdr Units @ 1,250 SF | 11 Units | \$412,500 /Unit | 4,538,000 |
| | 3-Bdr Units @ 1,500 SF | 27 Units | \$472,500 /Unit | \$12,758,000 |
| | | | | <hr/> |
| | | | | \$17,296,000 |
| II. | Total Revenue | 38 Units | \$455,200 /Unit | \$17,296,000 |

APPENDIX 5 - TABLE 3

ESTIMATED RESIDUAL LAND VALUE
 SCENARIO 4 - RESIDENTIAL (18 UNITS/ ACRE)
 BEACH BOULEVARD MARKET OPPORTUNITIES ANALYSIS
 ANAHEIM, CALIFORNIA

| | | | |
|------|---|-----------------------|----------------|
| I. | <u>Total Revenue</u> | | \$17,296,000 |
| II. | <u>Project Costs</u> | | |
| | Development Costs | | \$11,199,000 |
| | Threshold Developer Profit ¹ | 15.0% Return on Sales | 2,594,000 |
| | Total Project Costs | | \$13,793,000 |
| III. | Residual Land Value | \$37.80 /SF | \$92,700 /Unit |
| | | | \$3,503,000 |

¹ Equivalent return on costs is 17.6%.

APPENDIX 6 - SCENARIO 5 - RESIDENTIAL (24 UNITS/ ACRE)

APPENDIX 6 - TABLE 1

ESTIMATED CONSTRUCTION COSTS
 SCENARIO 5 - RESIDENTIAL (24 UNITS/ ACRE)
 BEACH BOULEVARD MARKET OPPORTUNITIES ANALYSIS
 ANAHEIM, CALIFORNIA

| | | | | |
|------|---|---------------------------|-----------------------------|---------------------|
| I. | <u>Land Acquisition Costs</u> ¹ | 92,764 Sq. Feet | \$0 /SF | \$0 |
| II. | <u>Direct Costs</u> ² | | | |
| | Off-Site Costs | 51 Units | \$0 /Unit | \$0 |
| | On-Site & Demolition Costs | 92,764 Sf Land | \$15.00 /SF | 1,391,000 |
| | Parking/Podium | 142 Spaces | \$0 /Space | 0 |
| | Residential - Low Density | 63,300 Sf GBA | \$85.01 /Sf GBA | <u>5,381,000</u> |
| | Subtotal - Site & Building Costs | | | \$6,772,000 |
| | Contractor/GC/Contingency | 20% Site & Building Costs | | <u>\$1,354,000</u> |
| | Total Direct Costs | | | \$8,126,000 |
| III. | <u>Indirect Costs</u> | | | |
| | Architecture & Engineering | 6.01% Direct Costs | | \$488,000 |
| | Permits & Fees/Impact Fees | 51 Units | \$19,000 /Unit ¹ | 971,000 |
| | Marketing | 51 Units | \$2,500 /Unit | 128,000 |
| | Taxes, Ins, Legal & Acctg | 2.01% Direct Costs | | 163,000 |
| | Development Management | 3.00% Sales | | 606,000 |
| | Contingency Allowance | 3.00% Indirect Costs | | 86,000 |
| | MF Residential Insurance | 51 Units | \$10,000 /Unit | <u>511,000</u> |
| | Total Indirect Costs | | | \$2,953,000 |
| IV. | <u>Financing/Closing Costs</u> | | | |
| | Construction Interest | \$13,089,000 Financed | 6.50% Interest ² | \$727,000 |
| | Construction Interest Fees | 2.00 Points ³ | | 196,000 |
| | Closing Costs/Comm/Warranties | 51 Units ⁴ | \$21,300 /Unit | <u>1,087,000</u> |
| | Total Financing/Closing Costs | | | \$2,010,000 |
| V. | Total Construction Cost | 51 Units | \$256,100 /Unit | \$13,089,000 |

¹ Based on KMA estimate, City needs to review.

² Assumes 50% average outstanding balance and 21 month construction/absorption period @ 6 units/month.

³ Assumes 75% loan to cost ratio.

⁴ Assumes 3% and 1.5% of sales revenues for commissions and closing costs, respectively. Also includes \$3,500/unit in home buyer warranty costs.

APPENDIX 6 - TABLE 2

REVENUE PROJECTIONS

SCENARIO 5 - RESIDENTIAL (24 UNITS/ ACRE)

BEACH BOULEVARD MARKET OPPORTUNITIES ANALYSIS

ANAHEIM, CALIFORNIA

I. **Market Rate Units**

| | | | |
|------------------------|----------|-----------------|--------------|
| 1-Bdr Units @ 0 SF | 0 Units | \$0 /Unit | \$0 |
| 2-Bdr Units @ 1,250 SF | 15 Units | \$363,000 /Unit | 5,445,000 |
| 3-Bdr Units @ 1,500 SF | 36 Units | \$409,500 /Unit | \$14,742,000 |
| | | | <hr/> |
| | | | \$20,187,000 |

| | | | |
|--------------------------|----------|-----------------|--------------|
| II. Total Revenue | 51 Units | \$395,800 /Unit | \$20,187,000 |
|--------------------------|----------|-----------------|--------------|

APPENDIX 6 - TABLE 3

ESTIMATED RESIDUAL LAND VALUE
 SCENARIO 5 - RESIDENTIAL (24 UNITS/ ACRE)
 BEACH BOULEVARD MARKET OPPORTUNITIES ANALYSIS
 ANAHEIM, CALIFORNIA

| | | | | |
|------|---|-----------------------|----------------|--------------|
| I. | <u>Total Revenue</u> | | | \$20,187,000 |
| II. | <u>Project Costs</u> | | | |
| | Development Costs | | | \$13,089,000 |
| | Threshold Developer Profit ¹ | 15.0% Return on Sales | | 3,028,000 |
| | Total Project Costs | | | \$16,117,000 |
| III. | Residual Land Value | \$43.90 /SF | \$92,700 /Unit | \$4,070,000 |

¹ Equivalent return on costs is 17.6%.

**APPENDIX 7 -
SCENARIO 6 - FOR SALE RESIDENTIAL (36 UNITS/ ACRE)**

APPENDIX 7 - TABLE 1

ESTIMATED CONSTRUCTION COSTS
 SCENARIO 6 - FOR SALE RESIDENTIAL (36 UNITS/ ACRE)
 BEACH BOULEVARD MARKET OPPORTUNITIES ANALYSIS
 ANAHEIM, CALIFORNIA

| | | | | |
|------|--|---------------------------|-----------------------------|--------------|
| I. | Land Acquisition Costs ¹ | 92,764 Sq. Feet | \$0 /SF | \$0 |
| II. | Direct Costs ² | | | |
| | Off-Site Costs | 77 Units | \$0 /Unit | \$0 |
| | On-Site & Demolition Costs | 92,764 Sf Land | \$5.00 /SF | 464,000 |
| | Parking/Podium | 177 Spaces | \$17,000 /Space | 3,013,000 |
| | Residential - Moderate Density | 97,020 Sf GBA | \$85.00 /Sf GBA | 8,247,000 |
| | Subtotal - Site & Building Costs | | | \$11,724,000 |
| | Contractor/GC/Contingency | 20% Site & Building Costs | | \$2,345,000 |
| | Total Direct Costs | | | \$14,069,000 |
| III. | Indirect Costs | | | |
| | Architecture & Engineering | 6.00% Direct Costs | | \$844,000 |
| | Permits & Fees/Impact Fees | 77 Units | \$19,000 /Unit ¹ | 1,463,000 |
| | Marketing | 77 Units | \$2,500 /Unit | 193,000 |
| | Taxes, Ins, Legal & Acctg | 2.00% Direct Costs | | 281,000 |
| | Development Management | 3.00% Sales | | 884,000 |
| | Contingency Allowance | 3.00% Indirect Costs | | 133,000 |
| | MF Residential Insurance | 77 Units | \$10,000 /Unit | 770,000 |
| | Total Indirect Costs | | | \$4,568,000 |
| IV. | Financing/Closing Costs | | | |
| | Construction Interest | \$22,047,000 Financed | 6.50% Interest ² | \$1,483,000 |
| | Construction Interest Fees | 2.00 Points ³ | | 331,000 |
| | Closing Costs/Comm/Warranties | 77 Units ⁴ | \$20,700 /Unit | 1,596,000 |
| | Total Financing/Closing Costs | | | \$3,410,000 |
| V. | Total Construction Cost | 77 Units | \$286,300 /Unit | \$22,047,000 |

¹ Based on KMA estimate, City needs to review.

² Assumes 50% average outstanding balance and 25 month construction/absorption period @ 6 units/month.

³ Assumes 75% loan to cost ratio.

⁴ Assumes 3% and 1.5% of sales revenues for commissions and closing costs, respectively. Also includes \$3,500/unit in home buyer warranty costs.

APPENDIX 7 - TABLE 2

REVENUE PROJECTIONS
SCENARIO 6 - FOR SALE RESIDENTIAL (36 UNITS/ ACRE)
BEACH BOULEVARD MARKET OPPORTUNITIES ANALYSIS
ANAHEIM, CALIFORNIA

| | | | | |
|-----|--------------------------|----------|-----------------|--------------|
| I. | Market Rate Units | | | |
| | 1-Bdr Units @ 1,000 SF | 8 Units | \$330,000 /Unit | \$2,640,000 |
| | 2-Bdr Units @ 1,200 SF | 61 Units | \$384,000 /Unit | 23,424,000 |
| | 3-Bdr Units @ 1,400 SF | 8 Units | \$427,000 /Unit | \$3,416,000 |
| | | | | <hr/> |
| | | | | \$29,480,000 |
| II. | Total Revenue | 77 Units | \$382,900 /Unit | \$29,480,000 |

APPENDIX 7 - TABLE 3

ESTIMATED RESIDUAL LAND VALUE
 SCENARIO 6 - FOR SALE RESIDENTIAL (36 UNITS/ ACRE)
 BEACH BOULEVARD MARKET OPPORTUNITIES ANALYSIS
 ANAHEIM, CALIFORNIA

| | | | |
|------|---|-----------------------|----------------|
| I. | <u>Total Revenue</u> | | \$29,480,000 |
| II. | <u>Project Costs</u> | | |
| | Development Costs | | \$22,047,000 |
| | Threshold Developer Profit ¹ | 15.0% Return on Sales | 4,422,000 |
| | Total Project Costs | | \$26,469,000 |
| III. | Residual Land Value | \$32.50 /SF | \$92,600 /Unit |
| | | | \$3,011,000 |

¹ Equivalent return on costs is 17.6%.

**APPENDIX 8 -
SCENARIO 7 - FOR RENT RESIDENTIAL (36 UNITS/ ACRE)**

APPENDIX 8 - TABLE 1

**ESTIMATED CONSTRUCTION COST
SCENARIO 7 - FOR RENT RESIDENTIAL (36 UNITS/ ACRE)
BEACH BOULEVARD MARKET OPPORTUNITIES ANALYSIS
ANAHEIM, CALIFORNIA**

| | | | | |
|---|--------------|---------------------|-----------------------------|---------------------|
| I. <u>Land Acquisition</u> | | | | |
| Land Acquisition | 92,764 | Square Feet | \$0.00 /SF | \$0 |
| | | | | \$0 |
| II. <u>Direct Costs</u> | | | | |
| Off-Site Costs | \$0 | Allowance | | \$0 |
| On-Site & Demolition Costs | 92,764 | Square Feet | \$5.00 /SF | 464,000 |
| Parking/Podium | 168 | Spaces | \$17,000 /Space | 2,848,000 |
| Residential - Moderate Density | 84,105 | Square Feet | \$85.00 /Sf | 7,149,000 |
| Total Site and Building Costs | | | | \$10,461,000 |
| Contractor/GC/Contingency | 20.0% | Direct Costs | | \$2,092,000 |
| Total Direct Costs | | | | \$12,553,000 |
| III. <u>Indirect Costs</u> | | | | |
| Architecture & Engineering | 6.00% | Direct Costs | | \$753,000 |
| Permits & Fees/Impact Fees | 77 | Units | \$14,000 /Unit ¹ | 1,078,000 |
| Marketing | 77 | Units | \$500 /Unit | 39,000 |
| Taxes, Ins, Legal & Acctg | 2.00% | Direct Costs | | 251,000 |
| Development Management | 3.00% | Direct Costs | | 377,000 |
| Contingency Allowance | 3.00% | Indirect Costs | | 75,000 |
| Total Indirect Costs | | | | \$2,573,000 |
| IV. <u>Financing Costs</u> | | | | |
| Building Interest | \$16,395,000 | Financed | 6.50% Interest ² | \$959,000 |
| Financing Costs | 2.00 | Points ³ | | 310,000 |
| Total Financing Costs | | | | \$1,269,000 |
| V. <u>Total Construction Costs</u> | | | | |
| | 77 | Units | \$212,900 /Unit | \$16,395,000 |

¹ Based on KMA estimate, City needs to review.

² Assumes average outstanding balance of 60% and 1.5 year construction period.

³ Assumes capitalization rate of 7.0% and 70% loan to value ratio.

APPENDIX 8 - TABLE 2

ESTIMATED NET OPERATING INCOME
 SCENARIO 7 - FOR RENT RESIDENTIAL (36 UNITS/ ACRE)
 BEACH BOULEVARD MARKET OPPORTUNITIES ANALYSIS
 ANAHEIM, CALIFORNIA

| | | | |
|---|------------------------------|---------------|---------------------------|
| I. <u>Apartment Income</u> | | | |
| 1-Bdr Units @ 900 SF | 23 Units | \$1,665 /Unit | \$460,000 |
| 2-Bdr Units @ 1,100 SF | 54 Units | \$1,925 /Unit | 1,247,000 |
| 3-Bdr Units @ 0 SF | 0 Units | \$0 /Unit | 0 |
| Gross Apartment Income | 77 Units | | <u>\$1,707,000</u> |
| (Less): Vacancy & Collection | 5.00% Income & CAM | | <u>(85,000)</u> |
| Effective Gross Income | | | <u>\$1,622,000</u> |
| II. <u>Operating Expenses</u> | | | |
| General Operating Expenses | 77 Units | \$3,500 /Unit | (\$270,000) |
| Management | 4.00% Effective Gross Income | | (\$65,000) |
| Operating & Capital Reserves | 1.0% Gross Income | | (\$17,000) |
| Property Taxes | 1.0% Costs | | <u>(\$164,000)</u> |
| Total Expenses | \$6,701 /Unit | | (\$516,000) |
| III. <u>Net Operating Income</u> | | | <u>\$1,106,000</u> |

APPENDIX 8 - TABLE 3

ESTIMATED RESIDUAL LAND VALUE
SCENARIO 7 - FOR RENT RESIDENTIAL (36 UNITS/ ACRE)
BEACH BOULEVARD MARKET OPPORTUNITIES ANALYSIS
ANAHEIM, CALIFORNIA

I. Supportable Investment

| | |
|------------------------------------|---------------------|
| Net Operating Income | \$1,106,000 |
| Threshold Return on Investment | 6.00% |
| Supportable Debt/Equity Investment | <u>\$18,433,000</u> |

II. Total Development Costs (\$16,395,000)

| | |
|---------------------------------|--------------------|
| III. <u>Residual Land Value</u> | \$2,038,000 |
| Value Per Square Foot | \$21.97 |

**APPENDIX 9 -
LAND & BUILDING COMPARABLES**

APPENDIX 9 - TABLE 1

**MARKET AREA RETAIL BUILDING SALES
BEACH BOULEVARD MARKET OPPORTUNITIES ANALYSIS
ANAHEIM, CALIFORNIA**

| <u>No.</u> | <u>Building Type</u> | <u>Address</u> | <u>City</u> | <u>Sale Date</u> | <u>Year Built</u> | <u>RBA (SF)</u> | <u>Land (SF)</u> | <u>Sales Price</u> | <u>Price Per SF</u> | <u>Price Per SF Land</u> | |
|------------|------------------------------------|-----------------------------|-------------|------------------|-------------------|-----------------|------------------|--------------------|-------------------------|--------------------------|-------------|
| 1 | Auto Dealership | 725 S. Beach Blvd. | Anaheim | 12/23/2013 | NA | 2,800 | 37,745 | \$1,350,000 | \$482 | \$36 | |
| 2 | Restaurant | 907 Beach Blvd. | Anaheim | 7/18/2013 | 1958 | 12,175 | 56,628 | \$2,350,000 | \$193 | \$41 | |
| 3 | Freestanding Retail (strip center) | 2623 W. Lincoln Ave. | Anaheim | 8/29/2013 | 1973/2010 | 3,458 | 16,988 | \$1,150,000 | \$333 | \$68 | |
| 4 | Fast Food | 3138 W. Lincoln Ave. | Anaheim | 9/9/2013 | 1966 | 1,400 | 7,388 | \$430,000 | \$307 | \$58 | |
| 5 | Retail Storefront | 3009 W. Ball Rd. | Anaheim | 3/17/2014 | 1965 | 7,350 | 21,780 | \$980,000 | \$133 | \$45 | |
| 6 | Freestanding Retail | 807 - 815 S. Brookhurst St. | Anaheim | 8/26/2013 | 1961 | 7,003 | 28,632 | \$1,450,000 | \$207 | \$51 | |
| 7 | Retail | 2230 W. Colchester Dr. | Anaheim | 10/17/2012 | 1960 | 11,720 | 37,727 | \$830,000 | \$71 | \$22 | |
| 8 | Restaurant | 10962 Magnolia Ave. | Anaheim | 11/14/2013 | 1969 | 1,474 | 10,019 | \$599,000 | \$406 | \$60 | |
| 9 | Retail Convenience Store | 240 S. Magnolia Ave. | Anaheim | 5/29/2014 | 1978 | 2,706 | 18,226 | \$1,330,000 | \$492 | \$73 | |
| 10 | Auto Repair | 601 S. Magnolia Ave. | Anaheim | 10/29/2012 | 1968 | 1,250 | 20,251 | \$685,000 | \$548 | \$34 | |
| 11 | Supermarket | 1216 - 1224 S. Magnolia Av | Anaheim | 8/6/2013 | 1958 | 28,685 | 117,050 | \$5,500,000 | \$192 | \$47 | |
| 12 | Retail Neighborhood Center | 8650 Beach Blvd. | Buena Park | 3/18/2013 | NA | 5,600 | 52,629 | \$1,300,000 | \$232 | \$25 | |
| 13 | Retail Convenience Store | 8761 Knott Ave. | Buena Park | 11/30/2012 | 1961 | 3,510 | 35,035 | \$1,406,000 | \$401 | \$40 | |
| 14 | Auto Repair | 6142 Lincoln Ave. | Cypress | 9/17/2012 | 1972 | 3,999 | 26,402 | \$850,000 | \$213 | \$32 | |
| 15 | Retail Convenience Store | 10600 - 10692 Beach Blvd. | Stanton | 8/5/2013 | NA | 3,000 | 6,168 | \$355,000 | \$118 | \$58 | |
| 16 | Retail | 11002 Beach Blvd. | Stanton | 11/21/2012 | 1981 | 7,462 | 44,549 | \$2,300,000 | \$308 | \$52 | |
| 17 | Retail | 7510 - 7560 Katella Ave. | Stanton | 11/30/2012 | 1967 | 15,456 | 47,916 | \$1,825,091 | \$118 | \$38 | |
| 18 | Retail Storefront | 7600 - 7612 Katella Ave. | Stanton | 2/14/2013 | 1969 | 7,104 | 26,136 | \$838,000 | \$118 | \$32 | |
| 19 | Freestanding Retail | 7731 Katella Ave. | Stanton | 6/12/2014 | 1987 | 2,968 | 9,026 | \$626,500 | \$211 | \$69 | |
| 20 | Retail Storefront | 7910 - 7940 Main St. | Stanton | 10/3/2013 | 1964 | 7,966 | 16,553 | \$560,000 | \$70 | \$34 | |
| | | | | | | | | | Weighted Average | \$195 | \$42 |
| | | | | | | | | | Minimum Price/SF | \$70 | \$22 |
| | | | | | | | | | Maximum Price/SF | \$548 | \$73 |

Note: Sales data from 7/25/2012 - 7/25/2014; Sales covering the two mile radius surrounding the intersection of Orange Avenue and South Beach Boulevard, Anaheim, CA; Bulk portfolio sales, multi-property sales, non-arms length transactions, condominium unit sales, and transactions without a sales price were excluded.

Source: Costar 7/2014

APPENDIX 9 - TABLE 2

OFFICE BUILDING SALES COMPARABLES
 BEACH BOULEVARD MARKET OPPORTUNITIES ANALYSIS
 ANAHEIM, CALIFORNIA

| <u>No.</u> | <u>Building Type</u> | <u>Address</u> | <u>City</u> | <u>Sale Date</u> | <u>Year Built</u> | <u>RBA (SF)</u> | <u>Land (SF)</u> | <u>Sales Price</u> | <u>Price Per SF</u> | <u>Price Per SF Land</u> |
|------------|----------------------|--------------------|-------------|------------------|-------------------|-----------------|-------------------------|--------------------|---------------------|--------------------------|
| 1 | Class B Medical | 7499 Cerritos Ave. | Stanton | 12/16/2013 | 1919 | 3,000 | 13,504 | \$600,000 | \$200 | \$44 |
| 2 | Class C Office | 10799 Western Ave. | Stanton | 7/8/2013 | 1964 | 3,046 | 10,302 | \$345,000 | \$113 | \$33 |
| | | | | | | | Weighted Average | | \$156 | \$40 |
| | | | | | | | Minimum Price/SF | | \$113 | \$33 |
| | | | | | | | Maximum Price/SF | | \$200 | \$44 |

Note: Sales data from 7/25/2012 - 7/25/2014; Sales covering the two mile radius surrounding the intersection of Orange Avenue and South Beach Boulevard, Anaheim, CA; Bulk portfolio sales, multi-property sales, non-arms length transactions, condominium unit sales, and transactions without a sales price were excluded.

Source: Costar 7/2014

APPENDIX 9 - TABLE 3

MULTIFAMILY BUILDING SALES COMPARABLES
 BEACH BOULEVARD MARKET OPPORTUNITIES ANALYSIS
 ANAHEIM, CALIFORNIA

| No. | Building Type | Address | City | Sale Date | Year Built | Number of | | | Sales Price | Price Per | Price Per | Price Per |
|-----|--------------------|---------------------------|------------|------------|------------|-----------|----------|-----------|-------------------------|--------------|--------------|------------------|
| | | | | | | Units | GBA (SF) | Land (SF) | | SF GBA | SF Land | Unit |
| 1 | Class C Apartments | 3425 W. Ariel Pl. | Anaheim | 10/8/2013 | 1961 | 4 | 3,733 | 9,278 | \$700,000 | \$188 | \$75 | \$175,000 |
| 2 | Class C Apartments | 9582 - 9586 Ball Rd. | Anaheim | 11/30/2012 | 1989 | 18 | 17,000 | 27,007 | \$2,925,000 | \$172 | \$108 | \$162,500 |
| 3 | Class C Apartments | 3160 W. Ball Rd. | Anaheim | 3/18/2014 | 1977 | 21 | 15,604 | 33,759 | \$3,430,000 | \$220 | \$102 | \$163,333 |
| 4 | Class C Apartments | 3400 W. Del Monte Dr. | Anaheim | 9/17/2012 | 1969 | 35 | 24,346 | 56,628 | \$4,250,000 | \$175 | \$75 | \$121,429 |
| 5 | Class C Apartments | 3518 W. Del Monte Dr. | Anaheim | 4/22/2014 | 1964 | 8 | 8,383 | 11,979 | \$1,550,000 | \$185 | \$129 | \$193,750 |
| 6 | Class C Apartments | 217 S. Delano St. | Anaheim | 2/6/2014 | 1968 | 4 | 4,356 | 7,841 | \$939,000 | \$216 | \$120 | \$234,750 |
| 7 | Class C Apartments | 2942 - 2944 W. Floyd Ave. | Anaheim | 3/15/2013 | 1980 | 4 | 4,286 | 8,002 | \$725,000 | \$169 | \$91 | \$181,250 |
| 8 | Class C Apartments | 2364 W. Greenacre Ave. | Anaheim | 2/26/2013 | 1964 | 4 | 3,820 | 10,128 | \$678,000 | \$177 | \$67 | \$169,500 |
| 9 | Class C Apartments | 1412 S. Knott Ave. | Anaheim | 2/7/2013 | 1965 | 38 | 37,742 | 120,226 | \$6,950,000 | \$184 | \$58 | \$182,895 |
| 10 | Class C Apartments | 214 S. Laxore St. | Anaheim | 5/6/2013 | 1963 | 4 | 4,000 | 11,761 | \$750,000 | \$188 | \$64 | \$187,500 |
| 11 | Class C Apartments | 231 S. Laxore St. | Anaheim | 11/13/2012 | 1963 | 4 | 4,300 | 13,068 | \$730,000 | \$170 | \$56 | \$182,500 |
| 12 | Class C Apartments | 2674 W. Lincoln Ave. | Anaheim | 12/3/2012 | 1978 | 48 | 36,456 | 77,537 | \$5,875,000 | \$161 | \$76 | \$122,396 |
| 13 | Class C Apartments | 2760 W. Lincoln Ave. | Anaheim | 9/3/2013 | 1905 | 56 | 5,100 | 43,560 | \$1,900,000 | \$373 | \$44 | \$33,929 |
| 14 | Class C Apartments | 131 S. Magnolia Ave. | Anaheim | 7/1/2014 | 1969 | 24 | 18,576 | 35,549 | \$3,925,000 | \$211 | \$110 | \$163,542 |
| 15 | Class B Apartments | 3416 W. Olinda Ln. | Anaheim | 9/6/2013 | 1958 | 4 | 3,336 | 7,841 | \$765,000 | \$229 | \$98 | \$191,250 |
| 16 | Class C Apartments | 3340 Orange Ave. | Anaheim | 2/7/2014 | 1976/2007 | 29 | 22,782 | 50,530 | \$4,950,000 | \$217 | \$98 | \$170,690 |
| 17 | Class C Apartments | 704 S. Webster Ave. | Anaheim | 6/27/2014 | 1978 | 13 | 20,710 | 21,192 | \$2,296,250 | \$111 | \$108 | \$176,635 |
| 18 | Class C Apartments | 225 S. Western Ave. | Anaheim | 3/18/2014 | 1972 | 179 | 125,244 | 187,308 | \$12,300,000 | \$98 | \$66 | \$68,715 |
| 19 | Class B Apartments | 2515 W. Winston Rd. | Anaheim | 7/5/2013 | 1968 | 32 | 29,749 | 53,579 | \$5,665,000 | \$190 | \$106 | \$177,031 |
| 20 | Class B Apartments | 2555 W. Winston Rd. | Anaheim | 3/18/2014 | 1966 | 112 | 87,964 | 184,259 | \$16,500,000 | \$188 | \$90 | \$147,321 |
| 21 | Class C Apartments | 8772 Hoffman St. | Buena Park | 12/27/2012 | 1976 | 9 | 16,116 | 26,306 | \$1,748,000 | \$108 | \$66 | \$194,222 |
| 22 | Class B Apartments | 9450 Holder St. | Buena Park | 5/6/2013 | 1986 | 22 | 18,110 | 47,916 | \$4,000,000 | \$221 | \$83 | \$181,818 |
| 23 | Class C Apartments | 7600 - 7610 Jackson Way | Buena Park | 4/11/2013 | 1964 | 8 | 14,439 | 21,388 | \$1,325,000 | \$92 | \$62 | \$165,625 |
| 24 | Class C Apartments | 7600 - 7610 Jackson Way | Buena Park | 8/22/2012 | 1964 | 8 | 14,439 | 21,388 | \$1,030,000 | \$71 | \$48 | \$128,750 |
| 25 | Class C Apartments | 7625 Jackson Way | Buena Park | 12/30/2013 | 1962 | 4 | 3,600 | 12,197 | \$750,000 | \$208 | \$61 | \$187,500 |
| 26 | Class C Apartments | 7732 Jackson Way | Buena Park | 7/1/2014 | 1962 | 4 | 3,600 | 10,454 | \$799,000 | \$222 | \$76 | \$199,750 |
| 27 | Class B Apartments | 6741 W. Ball St. | Buena Park | 8/8/2013 | 1977 | 38 | 35,606 | 76,666 | \$6,900,000 | \$194 | \$90 | \$181,579 |
| 28 | Class C Apartments | 6482 Orange Ave. | Cypress | 3/10/2014 | 1990 | 7 | 7,549 | 16,548 | \$1,650,000 | \$219 | \$100 | \$235,714 |
| 29 | Class B Apartments | 7881 1st St. | Stanton | 3/7/2013 | 1990 | 18 | 19,892 | 45,455 | \$4,015,000 | \$202 | \$88 | \$223,056 |
| 30 | Class C Apartments | 10530 Bell St. | Stanton | 9/27/2012 | 1965 | 6 | 4,314 | 8,939 | \$780,000 | \$181 | \$87 | \$130,000 |
| 31 | Class C Apartments | 10692 Court Ave. | Stanton | 3/13/2013 | 1961 | 5 | 2,946 | 6,373 | \$600,000 | \$204 | \$94 | \$120,000 |
| 32 | Class C Apartments | 7545 Katella Ave. | Stanton | 12/31/2013 | 1970 | 194 | 174,000 | 352,836 | \$40,000,000 | \$230 | \$113 | \$206,186 |
| | | | | | | | | | Weighted Average | \$179 | \$87 | \$146,681 |
| | | | | | | | | | Minimum Price/SF | \$71 | \$44 | \$33,929 |
| | | | | | | | | | Maximum Price/SF | \$373 | \$129 | \$235,714 |

Note: Sales data from 7/25/2012 - 7/25/2014; Sales covering the two mile radius surrounding the intersection of Orange Avenue and South Beach Boulevard, Anaheim, CA; Bulk portfolio sales, multi-property sales, non-arms length transactions, condominium unit sales, and transactions without a sales price were excluded.

Source: Costar 7/2014

APPENDIX 9 - TABLE 4

**HOTEL SALES COMPARABLES
BEACH BOULEVARD MARKET OPPORTUNITIES ANALYSIS
ANAHEIM, CALIFORNIA**

| <u>No.</u> | <u>Building Type</u> | <u>Address</u> | <u>City</u> | <u>Sale Date</u> | <u>Year Built</u> | <u>Number of Units</u> | <u>GBA (SF)</u> | <u>Land (SF)</u> | <u>Sales Price</u> | <u>Price Per SF GBA</u> | <u>Price Per SF Land</u> | <u>Price Per Unit</u> |
|-------------------------|----------------------|-----------------|-------------|------------------|-------------------|----------------------------|-----------------|------------------|--------------------|-----------------------------|------------------------------|---------------------------|
| 1 | Travelodge | 705 S. Beach | Anaheim | 12/2/2012 | 1987 | 71 | 30,000 | 27,138 | \$3,900,000 | \$130 | \$144 | \$54,930 |
| 2 | Rainbow Inn | 831 S. Beach | Anaheim | 1/10/2014 | 1984 | 42 | 15,959 | 26,998 | \$2,750,000 | \$172 | \$102 | \$65,476 |
| 3 | Anaheim Lodge | 837 S. Beach | Anaheim | 7/24/2014 | 1982 | 45 | 15,498 | 33,106 | \$2,780,000 | \$179 | \$84 | \$61,778 |
| 4 | Robin Hood Hotel | 913 S. Beach | Anaheim | 3/17/2014 | 1961 | 33 | 9,732 | 22,216 | \$2,200,000 | \$226 | \$99 | \$66,667 |
| 5 | Anaheim National Inn | 2784 W. Lincoln | Anaheim | 11/29/2012 | 1977 | 37 | 10,284 | 22,216 | \$2,100,000 | \$204 | \$95 | \$56,757 |
| 6 | Radisson Suites | 7762 Beach Blvd | Buena Park | 6/6/2013 | 1982 | 199 | 219,432 | 152,591 | \$18,600,000 | \$85 | \$122 | \$93,467 |
| Weighted Average | | | | | | | | | | \$107 | \$114 | \$75,714 |
| Minimum Price/SF | | | | | | | | | | \$85 | \$84 | \$54,930 |
| Maximum Price/SF | | | | | | | | | | \$226 | \$144 | \$93,467 |

Note: Sales data from 7/25/2012 - 7/25/2014; Sales covering the two mile radius surrounding the intersection of Orange Avenue and South Beach Boulevard, Anaheim, CA; Bulk portfolio sales, multi property sales, non-arms length transactions, condominium unit sales, and transactions without a sales price were excluded.

Source: Costar 8/2014

APPENDIX 9 - TABLE 5

LAND SALES COMPARABLES
 BEACH BOULEVARD MARKET OPPORTUNITIES ANALYSIS
 ANAHEIM, CALIFORNIA

| <u>No.</u> | <u>Description</u> | <u>Address</u> | <u>City</u> | <u>Sale Date</u> | <u>Size (AC)</u> | <u>Size (SF)</u> | <u>Sales Price</u> | <u>Price Per SF</u> |
|-------------------------------------|--------------------|---------------------------|-------------|------------------|------------------|------------------|--------------------|---------------------|
| 1 | Commercial | 10425 S. Magnolia Ave | Anaheim | 9/3/2013 | 0.17 | 7,501 | \$205,000 | \$27.33 |
| 2 | Commercial | 8771 Katella Ave. | Stanton | 8/14/2013 | 0.22 | 9,583 | \$252,500 | \$26.35 |
| 3 | Industrial | 11172 Western Ave. | Stanton | 10/4/2013 | 3.10 | 135,036 | \$4,200,000 | \$31.10 |
| 4 | Industrial | 10701 Dale Ave. | Stanton | 1/23/2013 | 1.76 | 76,748 | \$1,611,716 | \$21.00 |
| 5 | Residential | 928 - 934 S. Webster Ave. | Anaheim | 11/26/2013 | 0.87 | 37,897 | \$1,326,000 | \$34.99 |
| 6 | Residential | 9501 Cerritos Ave. | Anaheim | 4/30/2013 | 2.05 | 89,298 | \$2,900,000 | \$32.48 |
| 7 | Residential | 7132 Kermore Ln. | Stanton | 12/19/2012 | 1.00 | 43,560 | \$935,000 | \$21.46 |
| Total Weighted Average | | | | | | | | \$28.60 |
| Commercial Weighted Average | | | | | | | | \$26.78 |
| Industrial Weighted Average | | | | | | | | \$27.44 |
| Residential Weighted Average | | | | | | | | \$30.22 |

Source: Costar 7/2014