



# Wingsweep Commercial Temecula, CA

---

Market Analysis

Wingsweep Corporation

January 31, 2022

Draft

# Table of Contents

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



3 Background, Methodology & Contact Info

4 Abbreviations

5 Executive Summary

11 Retail Demand Projections

16 Subject Property

26 Economic & Demographic Trends

36 Retail Comps Market Analysis

45 Retail Market Trends

55 Appendix / Limiting Conditions

# Background, Methodology & Contact Info

## **Background**

- Client: Wingsweep Corporation (“Client”)
- Subject: Wingsweep
- Location: West of Butterfield Stage Rd, south of Murrieta Hot Springs Rd, Temecula, CA 91767
- County: Riverside County
- Zoning: NC – Neighborhood Commercial (retail & local services)
- Size: +/-15.2 acres gross, Clarity estimate of 10.5 acres net
- Setting: Residential & open space
- Objective: Determine the market viability of commercial retail and recommend development strategies

## **Methodology**

- Subject: Review project information and visit the site
- Market: Survey of existing retail comps, evaluate retail market trends, interview retail brokers
- Surveys: Mid-January 2022
- CMA: Primary – Temecula; Secondary – Murrieta & French Valley

## **Contact Info**

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

100 Spectrum Center Dr #1400, Irvine, CA 92618

## Abbreviations

- ADT      Average daily traffic
- CMA      Competitive market area
- E/P      Employment to permit ratio
- IE      Inland Empire (Riverside & San Bernardino Counties)
- L3M      Last 3 months
- L6M      Last 6 months
- L12M      Last 12 months
- L3Y      Last 3 years
- MPC      Master planned community
- PSF      Price per square foot
- RV      Riverside County
- SF      Square feet
- SB      Sommers Bend
- SFD      Single family detached
- SP      Specific Plan
- YOY      Year-over-year
- YTD      Year-to-date
- ZLL      Zero lot line plotting (one side yard only, not two)

# EXECUTIVE SUMMARY

---

# Executive Summary – Market & Site



## Multiple market factors and site characteristics were considered in determining viable development options for Wingsweep:

- **Tertiary Location** – Wingsweep is located on the northeastern fringe of development in Temecula. ADT counts on Murrieta Hot Springs Road and Butterfield Stage Rd near the site are below the threshold that neighborhood retailers typically prefer. While this does not preclude demand for retail, it will make it more challenging to attract tenants at Wingsweep; particularly the type of anchor tenants that lenders prefer to have pre-leased before committing construction financing.
- **Elevated Setting** – The southern and eastern portions of the Wingsweep site are elevated above adjacent roads, providing appealing south mountain and east open space and valley views. Views give Wingsweep a unique opportunity to potentially offer restaurant sites with outdoor dining and view orientations on the perimeter of the property. This could differentiate Wingsweep from other commercial sites and possibly pull in shoppers/dinners from a broader geography.
- **Limited Residential Growth** – Vacant land to the north and east of Wingsweep is either Roripaugh Ranch SPA permanent open space and/or unincorporated Riverside County conservation land. Land farther east is limited to wineries/groves and/or homes on 2+ acre lots, thus greatly limiting the potential to add more rooftops to support retail at Wingsweep.
- **Sommers Bend Commercial Demand** – Wingsweep is part of the Sommers Bend community, which is planned for 1,489 homes and currently has home sales underway (400+ sold to date). Based on estimates of typical household sizes, we estimate that the build-out of Sommers Bend will result in a population base of 4,142 people. Our demand analysis indicates that the Sommers Bend population would create demand for about 26K sf of retail space at Wingsweep.
- **Retail Vacancy is Relatively Healthy** – Despite the negative impact of COVID and increasing on-line shopping, the vacancy rate for all retail space in the South Riverside CMA is currently just 5.4%, and the availability rate is 6.3%. However, the vacancy rate for just neighborhood retail in the CMA is 7.6% (9.0% in the Inland Empire). Among specific neighborhood retail comps reviewed under this assignment, the vacancy rate is 6.3%. One of the reasons retail vacancies are relatively low is that there has been very limited new development over the past +/-10 years. From 2006 through 2009, an average of 962K sf of retail was added per year in the CMA. From 2010 through 2021, the average was just 127K sf per year.
- **Plenty of Future Competition** – According to data from CoStar, there is about 1.18M sf of vacant retail space in the CMA, including 882K sf of neighborhood retail. CoStar estimates that there is 376K sf of retail currently under construction in the CMA, and another 3.08M planned. Our analysis indicates that there is 1.39M sf of planned retail space in the French Valley area alone.
- **Population Growth Supports More Retail** – While population growth continues to support the need for more Brick & Mortar space, new demand is below prior levels due to the rise of on-line shopping. Retailers want to go where the growth is – and in the CMA that means French Valley, Winchester and Menifee, not Temecula, which is largely built-out.

# Wingsweep Commercial Options



Based on our analysis of the attributes of the Wingsweep site itself, including location, property size, ADT counts, and views, as well as market supply and demand conditions, we have determined 3 commercial build-out options for the property. We have concluded that the Hybrid Neighborhood Center and Festive Destination Center have the greatest opportunity for market success (maximizing lease-up, sustainable occupancy levels and revenues), but may require rezoning the site.

	Conventional Neighborhood Center	Hybrid Neighborhood Center	Festive Destination Center
Concept	Typical suburban retail center anchored with grocery & drug stores; in-line shops, restaurants	Similar to Butterfield Ranch (Temecula) – smaller retail component with self-storage & RV/boat/parking	Capitalize on proximity to Wine Country & views: wedding/event venue, restaurants, plazas, chef kitchens, maybe lodging
Size	90K sf, multiple buildings & several drive-thru pads for quick-service dining	Split site 50/50 retail vs. storage; +/-45K sf retail & +/-400 self-storage units & +/-100 RV/boat pkg spaces	Up to 20K sf, banquet room(s), kitchen(s), bride/groom suites; outdoor venues, lots of landscaping
Strategy	Will be challenging to obtain pre-construction commitments from tenants, may have to spec-build	Will have to spec build the space. Likely could sell the self-storage site. Might be demand for 100% storage.	Needs to have an “authentic” feeling; partner with an established event/wedding operator
Opportunity for Success	Supply & demand conditions are not favorable, achievable rents may not support development	Superior to conventional neighborhood center, but still tough to hit necessary rents. Sufficient demand for at least 25K sf retail.	Competition from local wineries, but they tend not to be designed for events per se; unique in this market
Permitted Uses	Neighborhood Commercial designation allows for typical retail and business services	May require rezoning to allow for self-storage and RV parking	Would require rezoning to allow for wedding chapel, wine tasting is allowed under current zoning



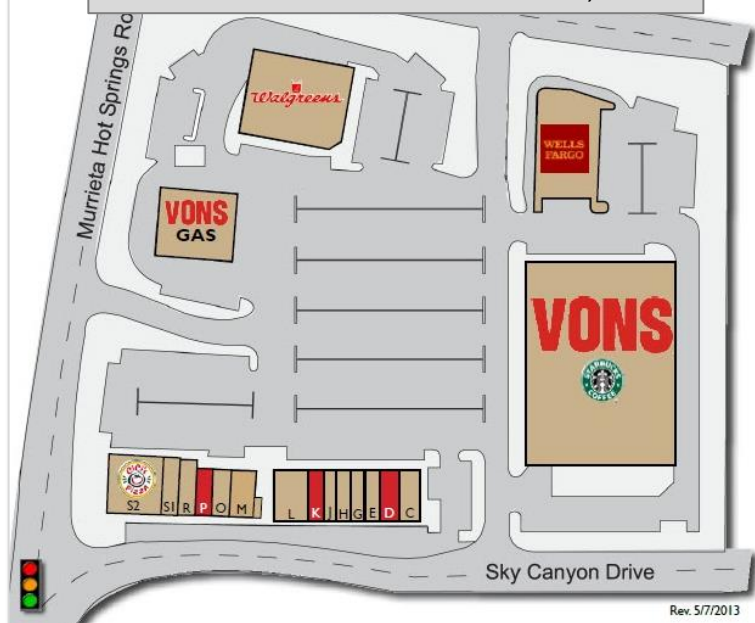
# Conventional Neighborhood Center

- Neighborhood centers cater to the everyday shopping and service needs of households living within a 1 to 5-mile radius. A standard center is anchored by a grocery store and drug store. In the CMA, neighborhood centers average 11 acres and 100K sf, with a coverage rate of 20% and 5/1,000 parking ratio.
- In the past, grocery stores were typically 35K to 55K sf; however more recently, grocers such as ALDI, Sprouts, and Grocery Outlet, prefer 15K to 20K spaces. Drug stores are 10K to 15K sf. In-line shops and restaurants usually look for 1K to 3K sf. Drive-thru quick service restaurant pads most typically support 2.0K to 3.5K sf restaurants. The majority of retail operators prefer to offer pads on a ground-lease basis; however, that will be difficult in the Wingsweep location.
- Wingsweep has a unique opportunity to capitalize on views and offer perimeter restaurant space that could have outdoor dining oriented to views. This could help differentiate Wingsweep and pull in traffic from a greater distance.

Typical Site Layout (Meadows Village, Temecula, 81K sf, 9.8 acres)



Typical Site Layout (Plaza at Silverhawk, Murrieta, 93K sf, 10.9 acres)



Rev. 5/7/2013





# Hybrid Neighborhood Center

- Retail locations on the fringe of development with limited opportunities for additional nearby residential growth sometimes capitalize on lower land costs and offer a mix of less retail than might otherwise be accommodated on the site, together with self-storage units and RV/boat parking. RV purchases in the U.S. hit record highs in 2021. However, in southern California, many new home communities do not have lot sizes that can accommodate on-lot RV parking (including most of the adjacent Sommers Bend community), and so owners look for nearby RV parking options.
- The Butterfield Ranch shopping center in Temecula is a good example. That site is at the far eastern end of development on Temecula Parkway. Retail orients to the high-traffic areas, with self-storage behind (which also serves as a buffer to nearby homes).
- An alternative worth considering would be to develop Wingsweep entirely as a luxury RV resort catering to travelers to nearby Wine Country. The market viability of this option was not evaluated under this assignment but is worth exploring. Would require a rezone.

Hybrid Center: Butterfield Ranch, Temecula,  
58K sf retail on 6.6 acres, +/-500 storage  
units & 33 RV/boat spaces on 5.0 acres





# Festive Center: Event/Wedding/Restaurant Venue

- The wedding business is strong. While COVID concerns linger, more and more wedding venues are booking up well into the future. Some wedding operators with private facilities are looking to expand their offerings and could represent good candidates to partner or sell for Wingsweep. It will be important to provide an “authentic” experience.
- Wedding organizers say that priorities include privacy, lots of landscaping (artificial turf lawns so there’s no mud!) adequate space for up to at least 300-500 guests, options for settings, professional-grade kitchens for on-site food preparation, on-site bride and groom suites for pre-wedding preparations, fun outdoor gathering spaces, adequate parking with easy ingress/egress, and some recommend on-site lodging to accommodate the night-before rehearsal dinner, day-of-events, and post-wedding next-day brunch.



Choose from multiple different ceremony sites for your perfect setting.

## AL FRESCO OVERLAY (TENTED PAVILLION)

A unique European style canopy adorned by timber-inspired beam trusses provides an idyllic open air experience.

## PIAZZA TIVOLI

Your guests will be inspired as they step foot in the artistic open-air courtyard featuring trickling Italian fountains, natural lawn, stonework and weathered brick.

## TESORO DI TIVOLI

Perched above the treetops overlooking postcard views that resemble a Tuscan hillside. Envision abundant daytime sky landscape and starry nights, creating the ideal setting for a unique ceremony. This natural terrace offers gripping beauty and views of the San Diego hillside.



SELECT 2022 DATES AVAILABLE  
WELCOMING RESERVATIONS THROUGH 2024



# RETAIL DEMAND PROJECTIONS

---

# Retail Demand – South Riverside



- In order to estimate the potential future demand for new retail space in the South Riverside market, we prepared a retail space to population-based demand analysis. The analysis applies the current amount of occupied retail space per person to projections of future population growth, less a factor for the growing impact of on-line shopping on brick-and-mortar space.
- Projections of retail demand growth (sq.ft.) are compared to existing, under construction, and proposed retail space to determine the potential over or under-supply of space in the future. Analyses were prepared for all retail categories combined vs. just neighborhood retail (most comparable to the Subject). Our analysis indicates that the market will be over-supplied for all retail (-1.80M sf) and neighborhood retail (-1.56M sf) over the next 10-years.
- As Temecula and Murrieta have become more and more built-out and new housing development has pushed up farther along the I-215 corridor, more of the future retail demand will be outside of Temecula and Murrieta (see page 15 for home building capture rate).

Demand Component	Demand Estimate	
	All Retail Categories	Neighborhood Retail Only
<b>I. Existing Conditions</b>		
A. Occupied Retail Space Sq.Ft. (CoStar 1Q 2022)	20,619,010	10,725,552
B. Total Population (U.S. Census 2021)	602,596	602,596
C. Existing Occupied Retail Sq.Ft./Person (A/B)*	34	18
<b>II. Projected Change in Retail Demand from Population Growth</b>		
D. Annual Population Growth ('10-'21 rate)	11,385	11,385
E. Current Occupied Retail Sq.Ft./Person (C)	34	18
F. Projected Annual Change in Retail Sq.Ft. Demand (DxE)**	389,568	202,645
G. Less Changing Retail Demand Due to On-Line Shopping (F x -30%)	-116,870	-60,793
H. Projected Annual Brick & Mortar Retail Demand Growth (F-G)	272,698	141,851
-- 10-Year Change	10	10
I. Projected 10-Year Total Change in Retail Demand (Hx10)	2,726,975	1,418,512
<b>III. Existing Center Capture of Future Demand</b>		
J. Existing Available Retail Space (CoStar 1Q 2022)	1,176,984	882,188
K. Capture of Annual New Demand Going to Existing Centers (75%) (H x 75%)	204,523	106,388
L. Total Existing Available Retail Space at End of 2022 (CoStar)	972,461	775,800
<b>IV. Potential Future New Supply of Retail Space (Sq.Ft.)</b>		
M. Current Under Construction (CoStar 1Q 2022)	376,043	280,174
N. Additional Proposed Retail (CoStar 1Q 2022)	3,083,754	1,824,904
O. Other Planned & Proposed Centers (Subject)	95,000	95,000
P. Total Potential Future Retail Sq.Ft.	3,554,797	2,200,078
<b>V. Total Estimated 10-Year Supply vs. Demand Conditions</b>		
Q. Projected 10-Year Total Change in Retail Demand (I)	2,726,975	1,418,512
R. Existing Available Retail Space at End of 2022 (L)	972,461	775,800
S. Total Potential Future Retail Sq.Ft. (P)	3,554,797	2,200,078
<b>T. Total Over-Supply (-) or Under-Supply (+) of Retail Sq.Ft. (I-(L+S))</b>	<b>-1,800,283</b>	<b>-1,557,366</b>

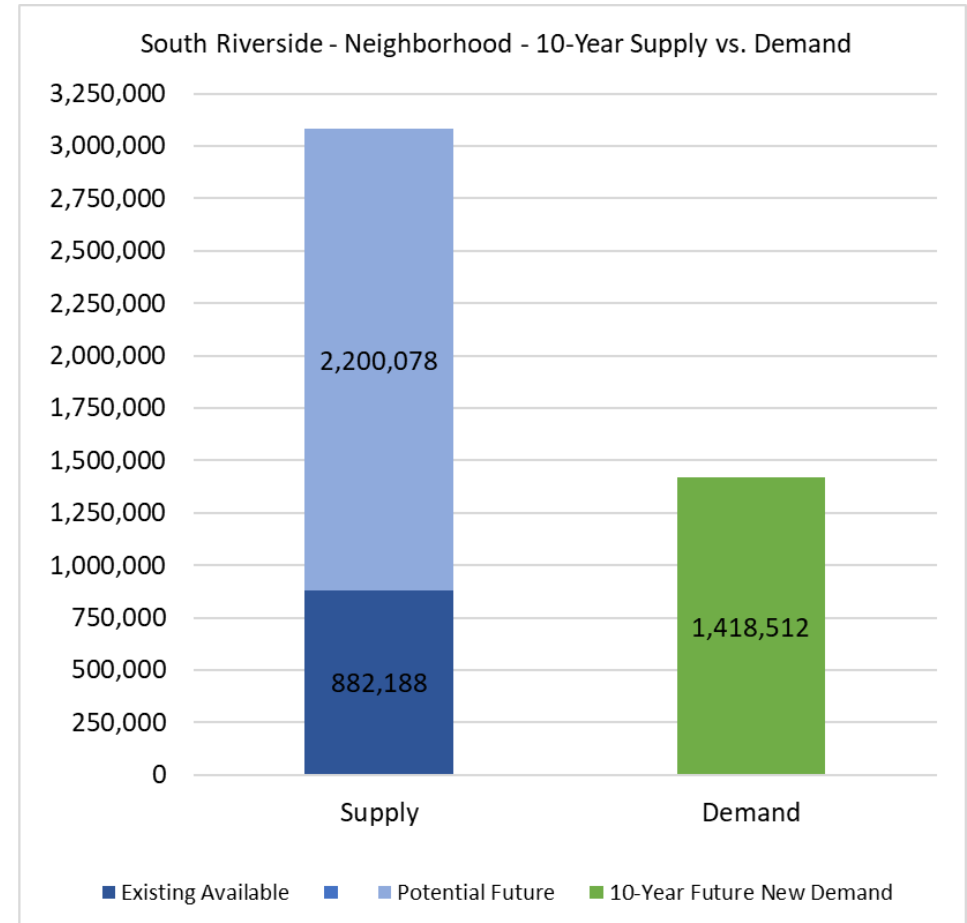
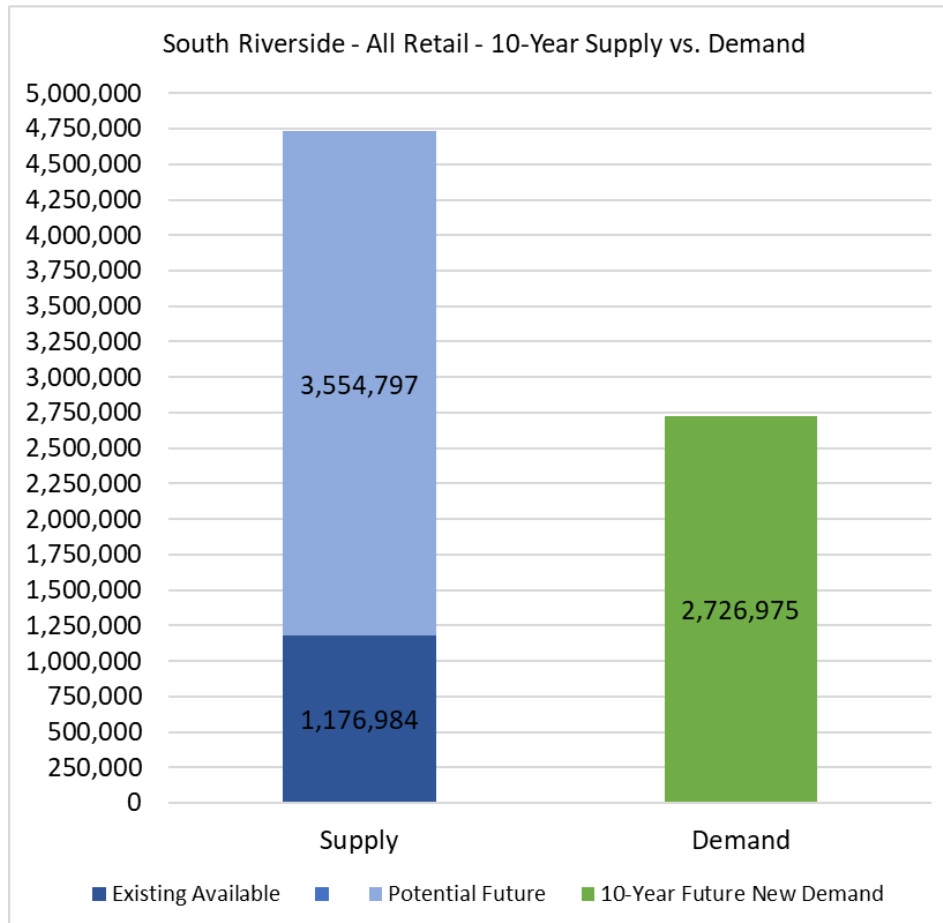
\* Inland Empire = 40 sf of occupied retail/person for all types of retail (1Q 2022), 7.0% vacancy rate

\* Inland Empire = 15 sf of occupied retail/person for neighborhood retail (1Q 2022), 9.0% vacancy rate

\*\* South Riverside historical average deliveries: 345K sf/year since 2000

# Retail Supply vs. Demand – South Riverside

- The graphs below compare growth in projected supply (blue) vs. demand (green) over the next 10 years in the South Riverside market. The “Existing Available” is vacant space only and does not include space already occupied. The chart to the left reflects all retail categories combined while the right chart is just neighborhood retail (most similar to the Subject).
- Our projections indicate that both all retail combined and just neighborhood retail will be significantly over-supplied if all the planned and proposed retail space currently identified is built in the next 10 years. It is possible that not all proposed space will be built, thus decreasing the future supply, but it is also possible that the population will not grow as quickly as projected, or on-line shopping might accelerate more than projected, lessening future Brick & Mortar space demand.
- Projected market conditions do not necessarily support the introduction of conventional neighborhood retail at Wingsweep.





# Retail Demand – Sommers Bend

- With an estimated 1,489 housing units planned and a projected build-out population of 4,142 people, Sommers Bend residents will generate demand for new retail space. This demand is already reflected in the population growth-based demand determined on the preceding page but is broken out separately here to understand the potential impact on demand for retail at Wingsweep.
- The demand analysis applies historical levels of neighborhood retail support (18 sf/person) to the projected Sommers Bend population, less an estimate for loss of Brick & Mortar sales to on-line shopping, less demand lost to existing centers.
- Our estimate is that the build-out population of Sommers Bend could support +/-26K sf of retail space at Wingsweep. Total supportable space could be higher assuming that Wingsweep can also pull shoppers from other nearby neighborhoods.

## Sommers Bend Build-Out Population Estimate

Product	Units	Persons/ Unit	Population
Primary SFD	819	3.50	2,867
Active Adult SFD	259	1.75	453
Density Core (TH)	411	2.00	822
Total	1,489	2.78	4,142

## Sommers Bend Retail Demand

### I. Demand Based on Historical Metrics

A. Sommers Bend Population at Build-Out	4,142	
B. Historical Neighborhood Retail SF/Person	18	✗
C. Supportable Neighborhood Retail SF (AxB)	74,552	=

### II. Loss of Brick & Mortar Sales Due to On-Line Shopping

D. Less Leakage to On-line Sales (30%)	30%	✗
E. Supportable Brick & Mortar SF (C-(Cx D))	52,186	=

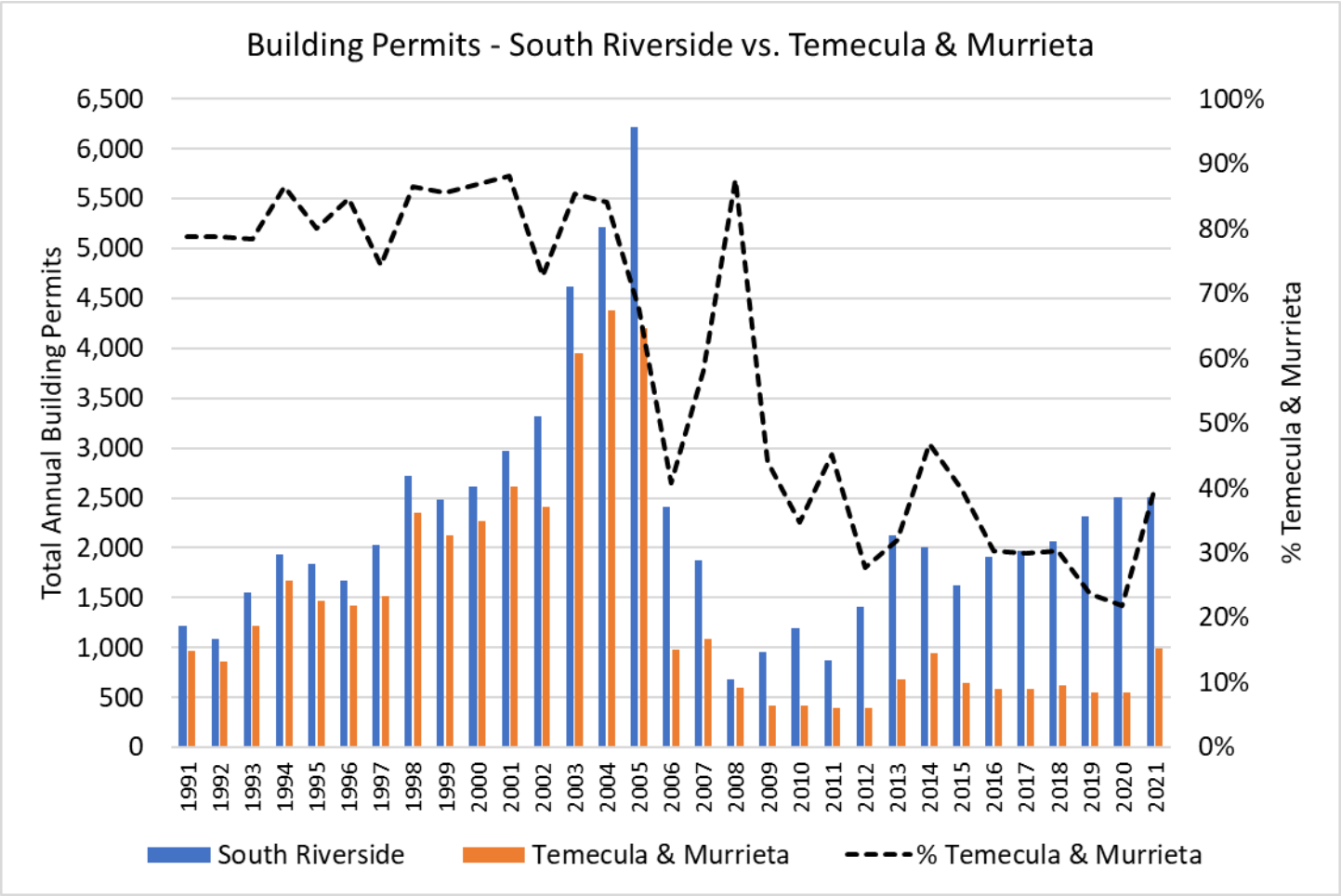
### III. Leakage of Demand to Existing Centers

F. Capture to Existing Centers (50%)	50%	✗
G. Net Supportable New Retail SF at Wingsweep (E-(Ex F))	26,093	=

# Building Permits – South Riverside



New home development and the resulting growth in the local population is the primary driver of demand for new neighborhood retail space. Housing growth in Temecula & Murrieta, the primary source of demand for retail at Wingsweep, peaked in the mid-2000s and Temecula & Murrieta’s share of housing growth in South Riverside has plummeted from an average of 82% of permits in the 1990s to just 33% in the 2010s. As such, more retailers are looking towards growth areas in other parts of the South Riverside market such as French Valley, Menifee and Winchester, for new retail opportunities.



Year	South Riverside	Temecula & Murrieta	% Temecula & Murrieta
1991	1,223	964	79%
1992	1,088	856	79%
1993	1,549	1,215	78%
1994	1,934	1,672	86%
1995	1,832	1,466	80%
1996	1,674	1,418	85%
1997	2,033	1,511	74%
1998	2,716	2,349	86%
1999	2,487	2,127	86%
2000	2,619	2,272	87%
2001	2,971	2,617	88%
2002	3,316	2,409	73%
2003	4,620	3,945	85%
2004	5,209	4,377	84%
2005	6,216	4,199	68%
2006	2,414	984	41%
2007	1,878	1,088	58%
2008	684	599	88%
2009	954	421	44%
2010	1,189	412	35%
2011	875	395	45%
2012	1,408	390	28%
2013	2,122	677	32%
2014	2,010	942	47%
2015	1,629	650	40%
2016	1,914	580	30%
2017	1,967	589	30%
2018	2,068	626	30%
2019	2,318	551	24%
2020	2,511	547	22%
2021	2,504	993	40%
Total	69,932	43,841	63%
1990s	16,536	13,578	82%
2000s	30,881	22,911	74%
2010s	17,500	5,812	33%

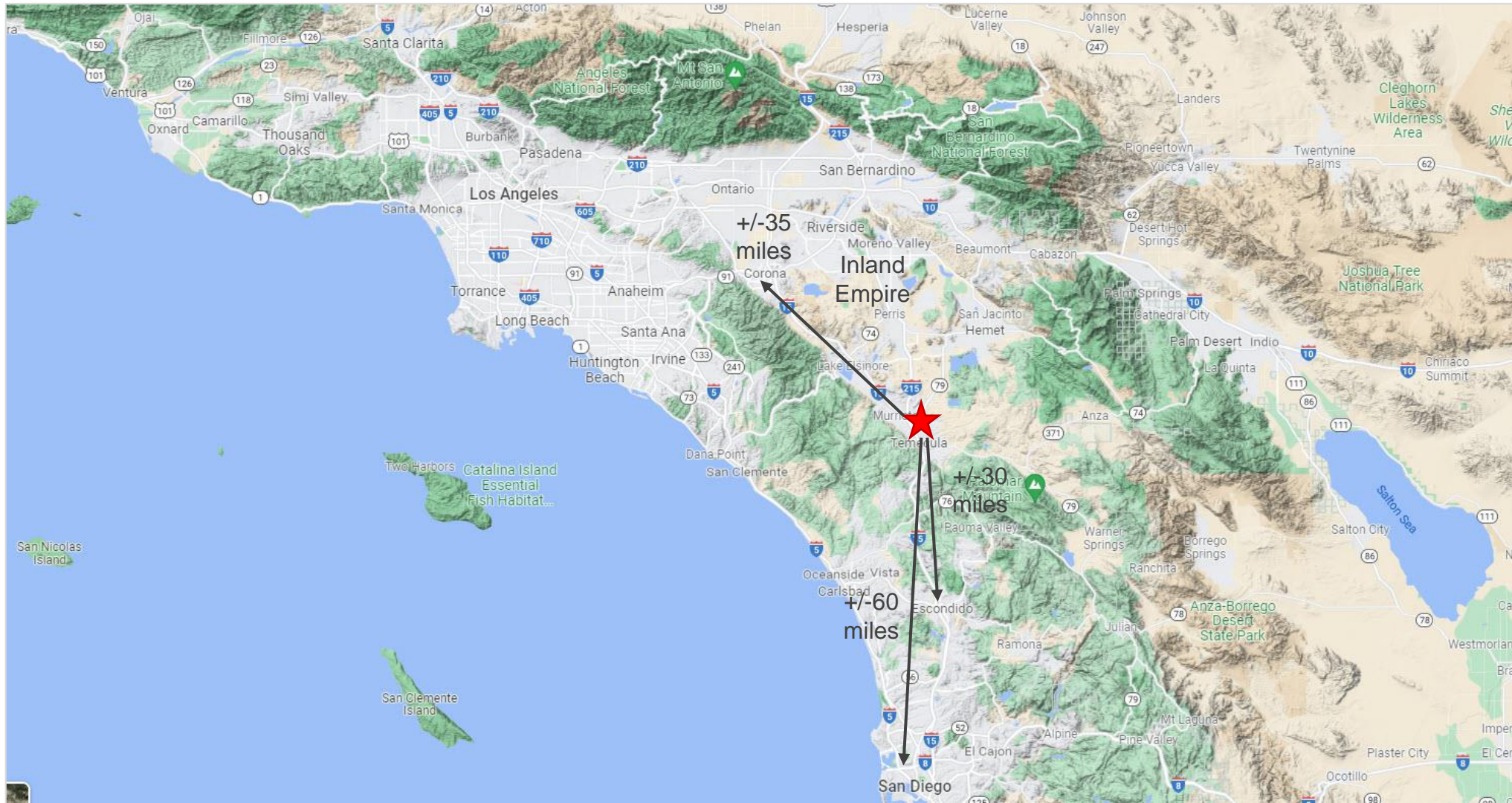


# SUBJECT PROPERTY

---

# Regional Location

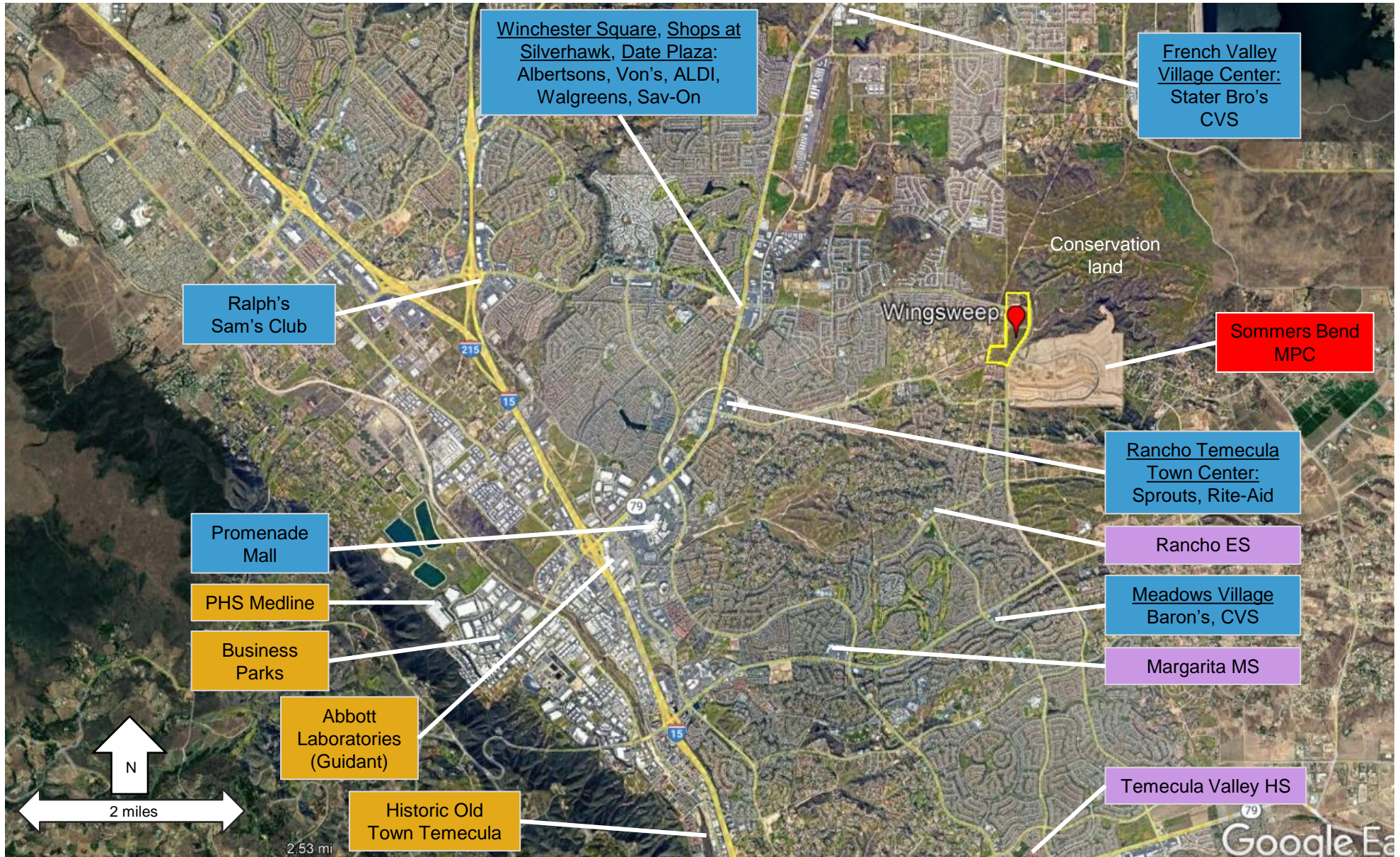
Wingsweep is in the city of Temecula, in Riverside County, CA. While technically part of the Inland Empire, Temecula is at the far south end of Riverside County and the highest proportion of people moving to the city are from north San Diego County. Wingsweep is +/-30 miles north of Escondido and +/-60 miles north of downtown San Diego. The city of Corona is +/-35 miles to the northwest. Historically, Temecula served as a lower-cost bedroom community to more expensive San Diego County; however, Temecula is now a thriving balanced community, and actually has more people commuting into the city for work than out.





# Local Area Features

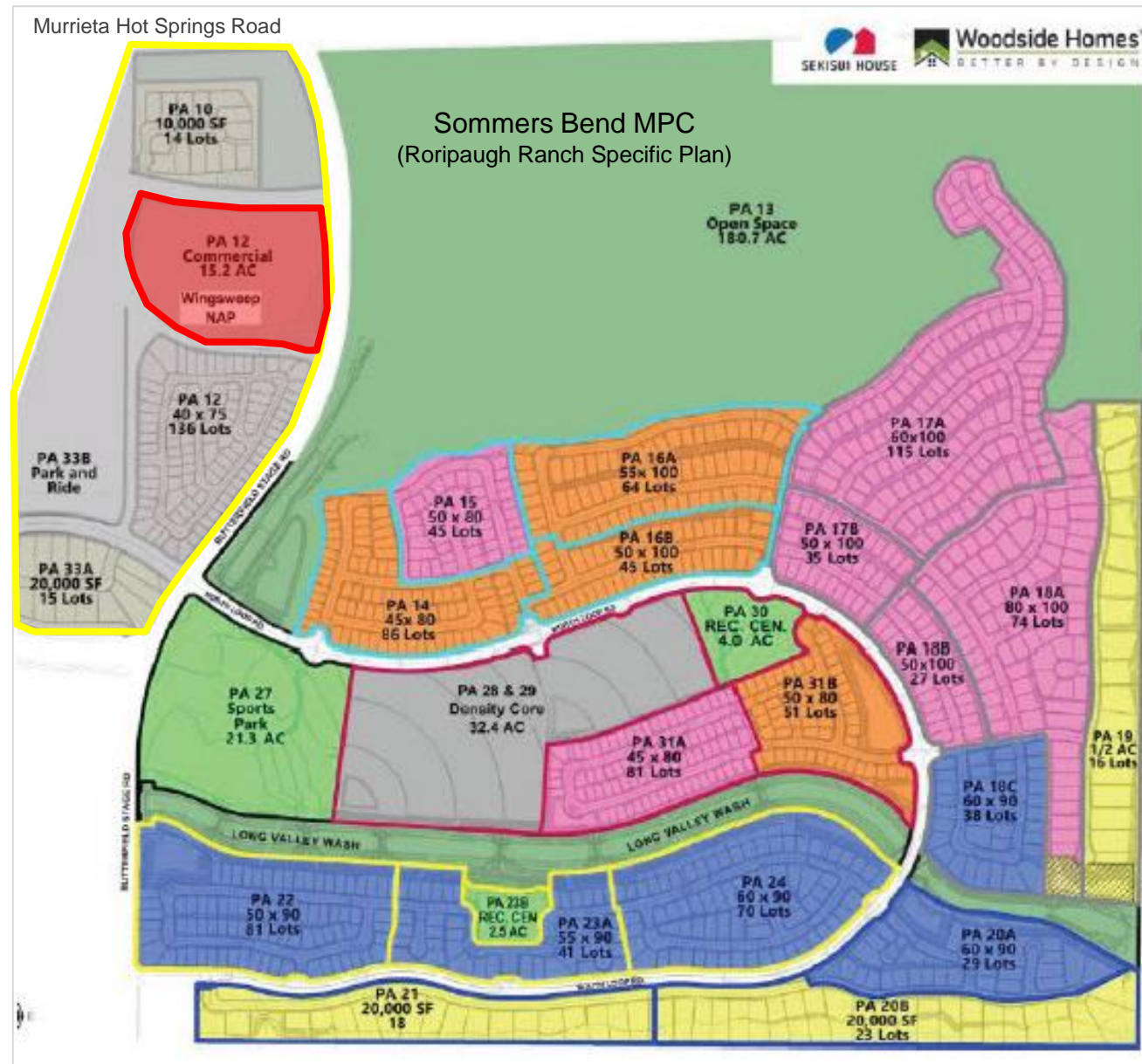
Currently, the nearest shopping centers are +/-2.3 miles west of Wingsweep or +/-2.9 miles south. Major employment centers are +/-5.0 miles away and will not provide any daytime population support for retail at Wingsweep. Note: only a few retail centers are shown on the map below (see page 38 for a more detailed retail map). Wingsweep is at the eastern fringe of development, 4.8 miles from I-215.





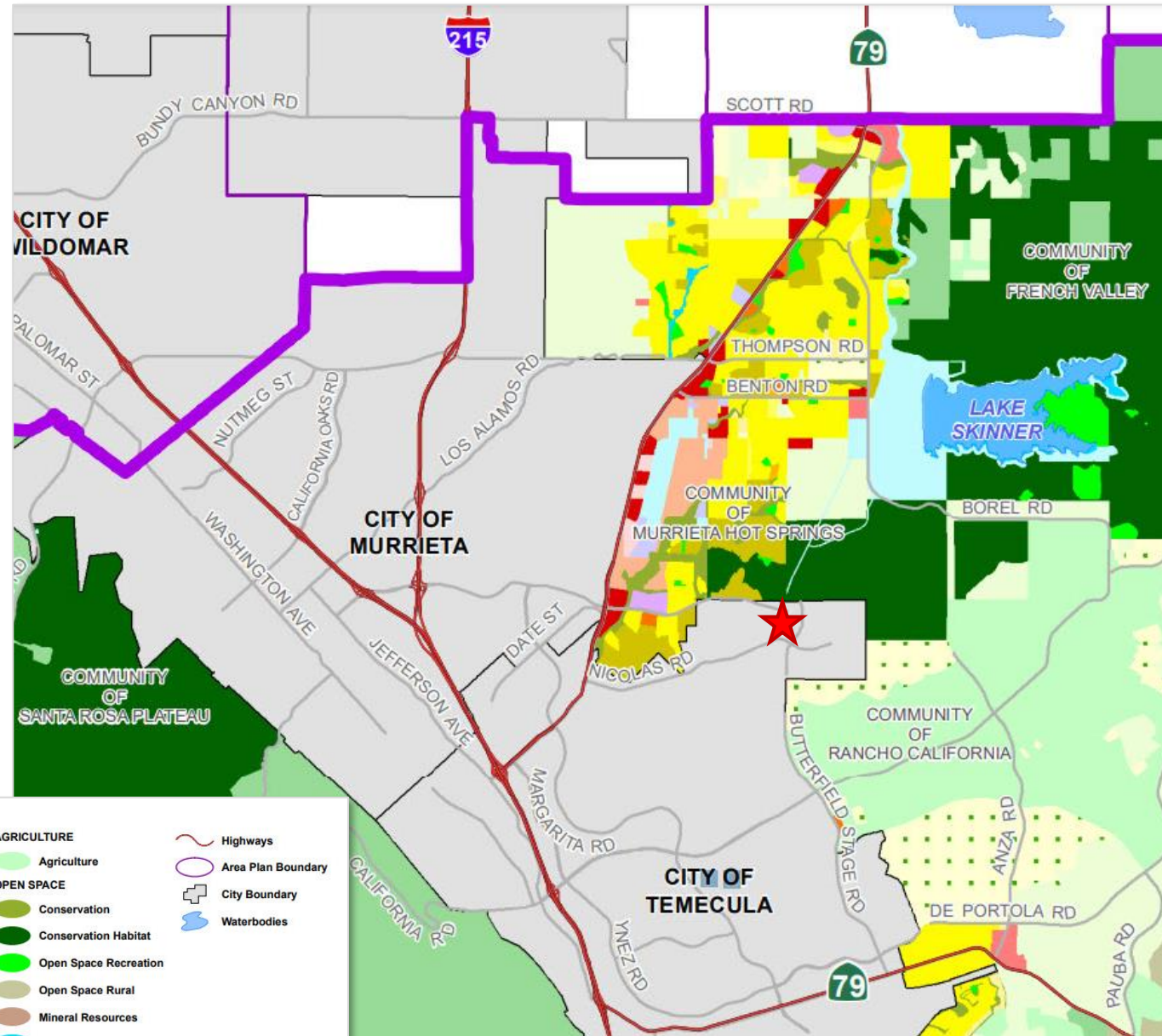
# Sommers Bend Site Plan

- The Wingsweep property is highlighted in yellow, with the retail portion highlighted in red. The highlighted areas are for illustrative purposes only and do not necessarily represent actual boundaries.
- The Subject totals +/-15.2 gross acres. Net developable is +/-10.5 acres (Clarity estimate). At a 20% coverage ratio, that would indicate the site could accommodate +/-90K sf of retail space.
- The Subject has been graded to a flat-pad condition. The southern and eastern portions of the site are elevated above the adjacent roads.
- Access to the site will be from both the north off Murrieta Hot Springs Road, and the east off Butterfield Stage Road.
- We have estimated that the Sommers Bend MPC, including the Wingsweep portion will have a total of 1,489 housing units at build-out, and a total population of 4,142 people.



# County Zoning – “Southwest Area”

- The Roripaugh Ranch SPA, including the Wingsweep property is located at the northeast corner of the city of Temecula. Land directly adjacent to the north and east of the SPA is in unincorporated Riverside County.
- The parcels to the north of the SPA are designated as Conservation land and cannot be developed. The parcels to the east of the SPA are designated as Rural Community and/or Agricultural land and will therefore not have any significant residential development to help increase the demand for retail at Wingsweep.
- It is also worth noting the substantial number of commercial sites along SR79 in French Valley that could/will provide competition to retail at Wingsweep.



## COMMUNITY DEVELOPMENT

- Estate Density Residential
- Very Low Density Residential
- Low Density Residential
- Medium Density Residential
- Medium High Density Residential
- High Density Residential
- Very High Density Residential
- Highest Density Residential
- Commercial Retail
- Commercial Tourist

- Commercial Office
- Light Industrial
- Business Park
- Public Facilities
- Community Center

## RURAL COMMUNITY

- Rural Community - Estate Density Residential
- Rural Community - Very Low Density Residential
- Rural Community - Low Density Residential

## RURAL

- Rural Residential
- Rural Mountainous

## AGRICULTURE

- Agriculture
- Conservation
- Conservation Habitat
- Open Space Recreation
- Open Space Rural
- Mineral Resources

## MISCELLANEOUS

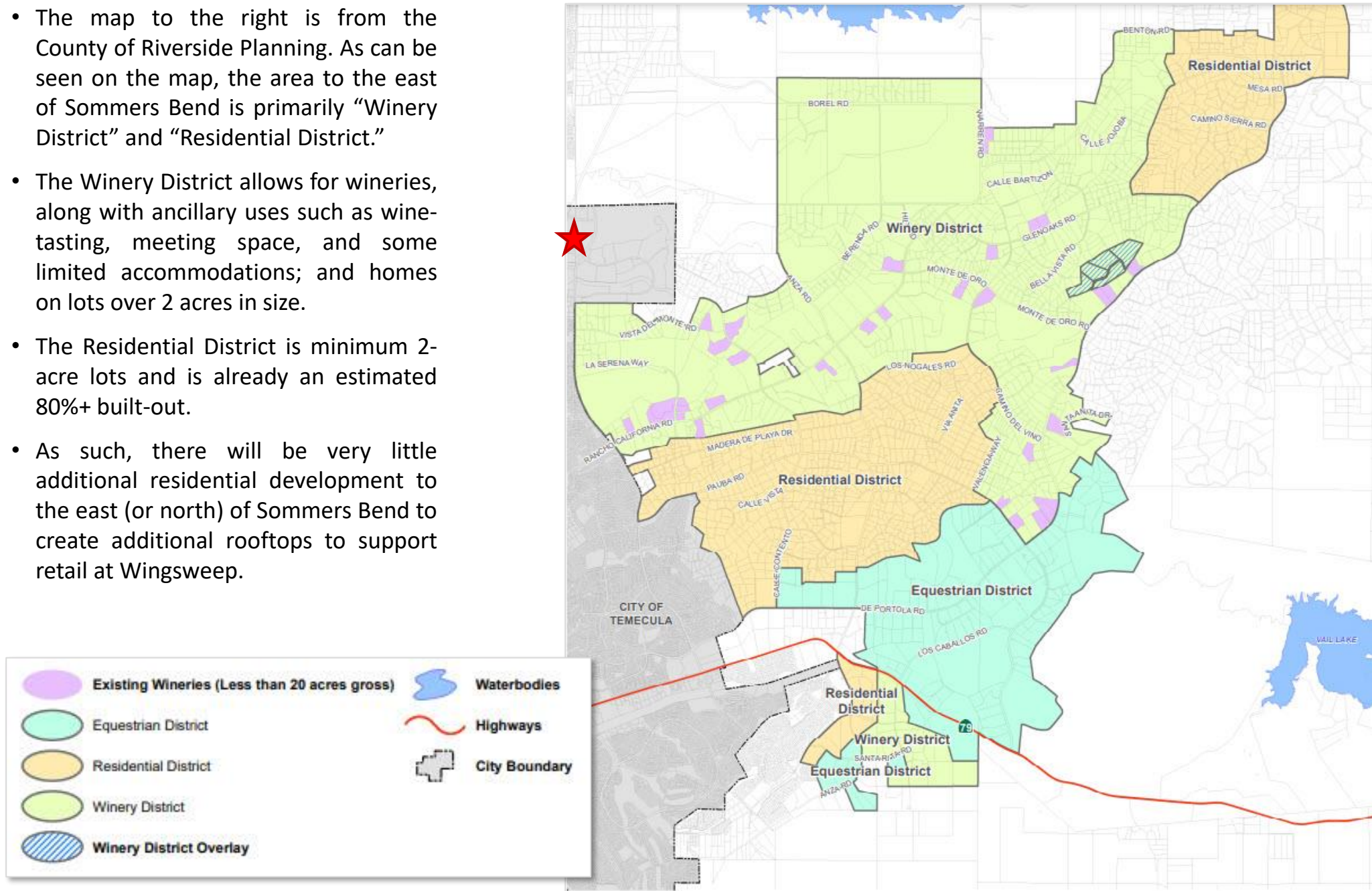
- Tribal Lands

- Highways
- Area Plan Boundary
- City Boundary
- Waterbodies



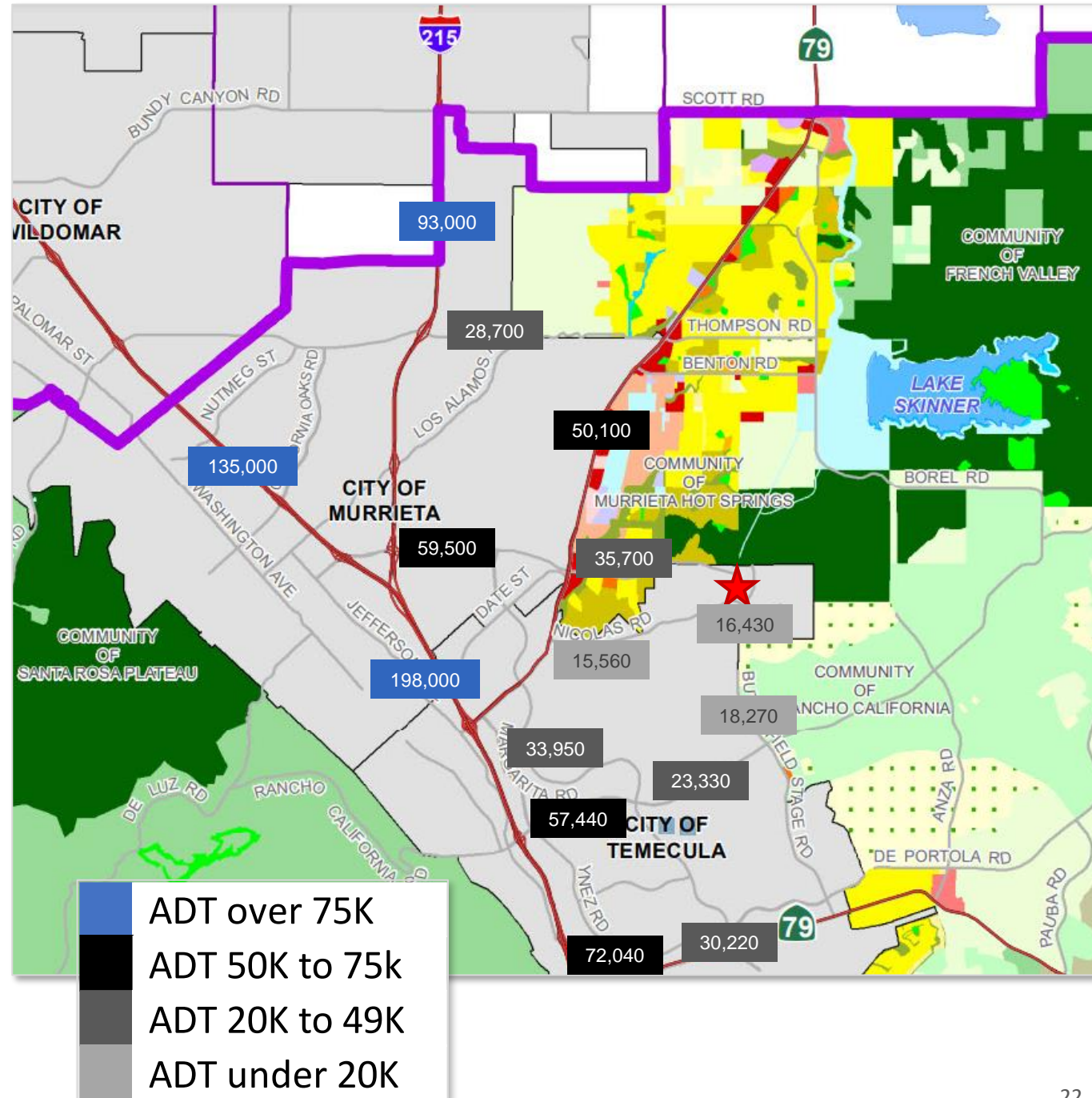
# County Zoning – “Wine Country Policy Area”

- The map to the right is from the County of Riverside Planning. As can be seen on the map, the area to the east of Sommers Bend is primarily “Winery District” and “Residential District.”
- The Winery District allows for wineries, along with ancillary uses such as wine-tasting, meeting space, and some limited accommodations; and homes on lots over 2 acres in size.
- The Residential District is minimum 2-acre lots and is already an estimated 80%+ built-out.
- As such, there will be very little additional residential development to the east (or north) of Sommers Bend to create additional rooftops to support retail at Wingsweep.



# Average Daily Traffic (ADT)

- Retailers evaluate ADT levels as a gauge of demand. Generally speaking, higher ADT counts translate into more potential customers and vice versa.
- Gas stations and convenience stores (C-stores) target ADTs of 5K to 15K/day, while quick-service or drive-thru restaurants and neighborhood-serving retailers (dry-cleaners, barbers, hair-salons, nail salons, small in-line restaurants, etc.) typically look for 20K+/day.
- The ADTs on the map to the right are from 2019. It is possible that with the development of Sommers Bend, ADTs closest to Wingsweep may have increased. However, with COVID, more people are working from home and making fewer vehicle trips in general, and it is also possible that drive times have declined.
- ADTs nearest Wingsweep are not ideal for a conventional neighborhood shopping center. This does not mean that a neighborhood center won't work; however, it will be challenging to attract tenants and an initial strategy of below-market rents might be required.





# Subject Aerial Photo

The Wingsweep commercial site is at the southwest corner of Murrieta Hot Springs Rd and Butterfield Stage Rd. The site is part of the Roripaugh Ranch SPA, including the actively selling Sommers Bend MPC. Nearby land uses include conservation land and the Riverside County Wine District ("Wine Country").





# Subject Photos

1. Looking SW over Butterfield Stage Rd towards Sommers Bend from SE corner of site



2. Looking E over Butterfield State Rd towards conservation land from SE corner of site



Wingsweep has a unique opportunity to capitalize on natural open space views.

Photo locations



3. Looking NE over Butterfield State Rd towards conservation land from SE corner of site



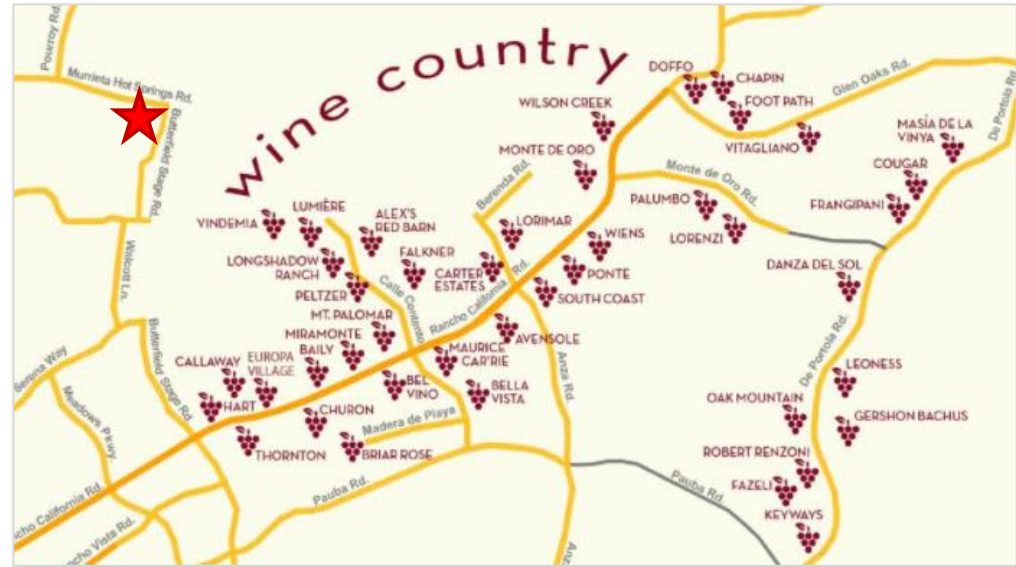
4. Looking NW at site from SE corner of the property. Skyview Park is to the W of the site.





# Temecula Wine Country

- Temecula Wine Country is just east of Wingsweep and encompasses over 40 operating vineyards and wineries.
- Most of the vineyards offer wine tasting and many offer on-site dining. Some include banquet, meeting, wedding and/or lodging facilities. Many wedding venues reportedly are booked up for the next 1-2 years.
- Wingsweep is uniquely located to capitalize on proximity to Wine Country and tap into the +/-3.1M annual day-trip and overnight visitors who visit the region. Total direct spending in the region is estimated at \$1.125B (2019), including \$212M in food & beverage and \$112M in retail spending.



# **ECONOMIC & DEMOGRAPHIC TRENDS**

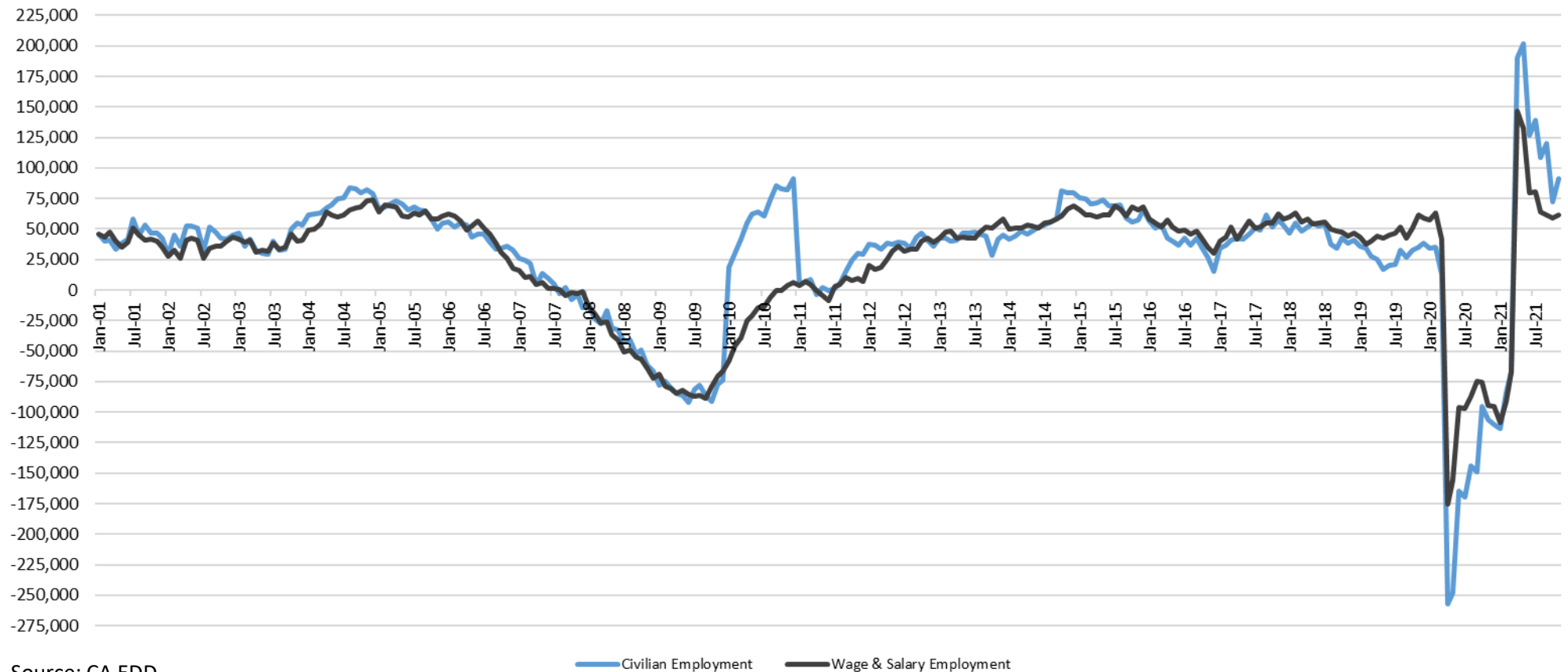
---

# Employment – Inland Empire

There are currently 1.59M wage and salary jobs in the IE (jobs located in the IE). Despite a significant rebound in the IE economy over the last 12 months, there are still 10.6K fewer jobs in the IE today than the month before COVID lockdowns began.

Inland Empire	Pre-COVID Feb-20	Current Nov-21	Pre-COVID vs. Current	
			#	%
Civilian Labor Force	2,101,500	2,124,300	22,800	1.1%
Civilian Employment	2,019,700	2,008,800	-10,900	-0.5%
Civilian Unemployment	81,800	115,500	33,700	41.2%
Civilian Unemployment Rate	3.9%	5.4%	1.5%	38.5%
Total Wage & Salary Jobs	1,601,100	1,590,500	-10,600	-0.7%

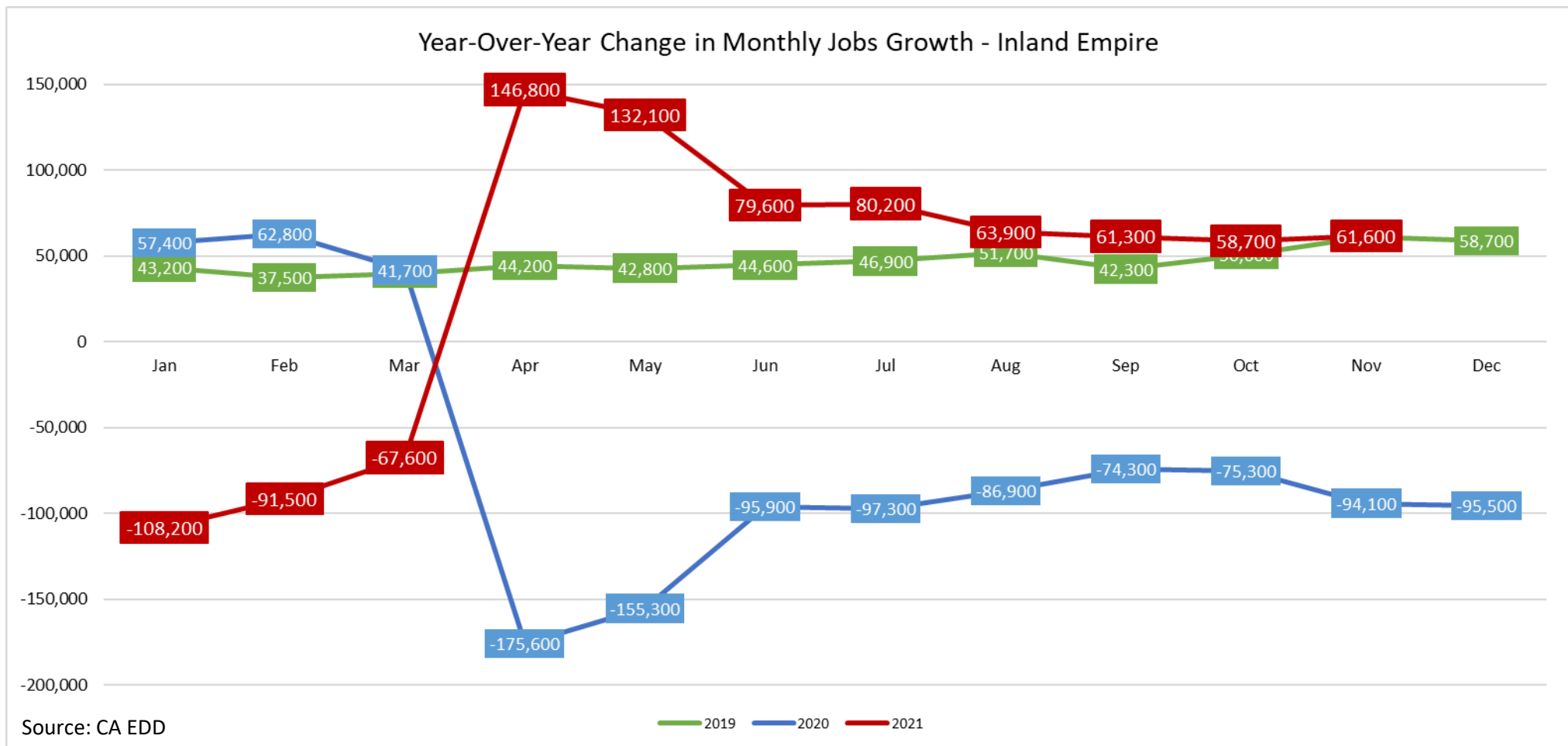
Year-Over-Year Change in Monthly Job Growth - Inland Empire



Source: CA EDD

# YOY Employment Change – Inland Empire

November 2021 shows a net gain of 61.6K jobs compared to November of 2020. April of 2020 was the most devastating month for COVID-19 related job losses. While the YOY gain is welcome news, the fact is that the IE economy still has 10.6K fewer jobs than in February 2020, the month before COVID hit and started to negatively impact the economy. Based on recent MOM job growth, the IE should be back up to pre-COVID job levels within the next 1 to 3 months.





# Top Employers – Temecula & Murrieta - 2020

While the top employers in both Temecula and Murrieta are school districts, there are a wide array of other large employers including manufacturers such as Abbott/Guidant (1.5K) and PHS Medline (900) in Temecula, and healthcare providers Southwest Healthcare (1.5K) and Loma Linda University Medical Center (1.0K) in Murrieta. Most of these employers are within a 15-minute drive of Wingsweep – too far to aid retail demand at the site.



## Murrieta - 2020

Employer	Employees
Murrieta Valley Unified School District	2,315
Southwest Healthcare System	1,481
Loma Linda University Medical Center	1,037
County of Riverside	895
Target	341
Oak Grove Center	335
City of Murrieta	333
Walmart	320
Murrieta Health & Rehab Center	248
Sam's Club	212
	<b>7,517</b>

Source: City of Murrieta Annual Financial Report 2020

## Temecula - 2020

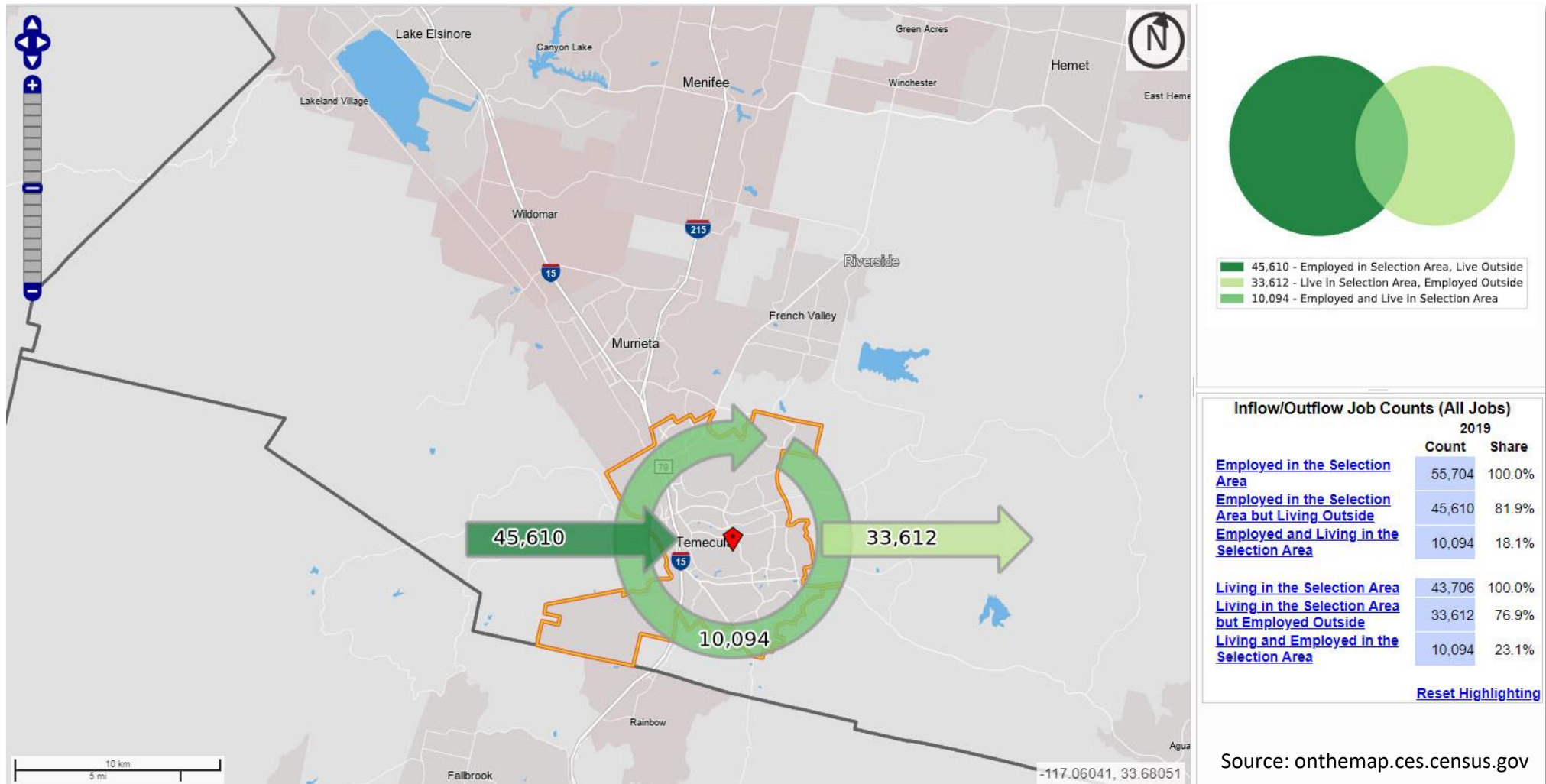
NAME OF EMPLOYER	Number of Employees	Percent of Total Employment
		As of June 2020
Temecula Valley Unified School District	2,600	4.19%
Abbott Laboratories (aka Guidant)	1,500	2.42%
Temecula Valley Hospital	900	1.45%
PHS Medline (aka Professional Hospital Supply)	900	1.45%
Infineon Technologies (aka International Rectifier)	650	1.05%
Walmart	570	0.92%
Southwest Traders, Inc	455	0.73%
Milgard Manufacturing Inc. (DBA Milgard Windows & D	450	0.73%
Costco Wholesale	420	0.68%
Millipore Sigma	350	0.56%
DCH Auto Group Temecula (aka Norm Reeves Auto)	326	0.53%
Channell Corporation	311	0.50%
FFF Enterprises	300	0.48%
City of Temecula	176	0.28%
Macy's	295	0.48%
The Scotts Company	290	0.47%
Paradise Chevrolet Cadillac	270	0.44%
Temecula Valley Toyota	240	0.39%
Home Depot #1028	225	0.36%
Air Bus DS Communications	190	0.31%
Securitas Security Services USA, Inc.	175	0.28%
Lowe's #775	169	0.27%
Target	168	0.27%
Rancho Family Medical Group	167	0.27%
National Merchants Association	160	0.26%
WinCo Foods	154	0.25%
BJ's Restaurant & Brewery	150	0.24%
Opto 22	150	0.24%
Pacific Hydraulic Services/MWA	150	0.24%
Temecula Valley Winery Management	150	0.24%
Rancho California Water District	150	0.24%
JC Penney	138	0.22%
Gosh Ford Lincoln Mercury (AKA Rancho Ford	120	0.19%
Stater Brothers Market	110	0.18%

Source: City of Temecula Annual Financial Report 2020



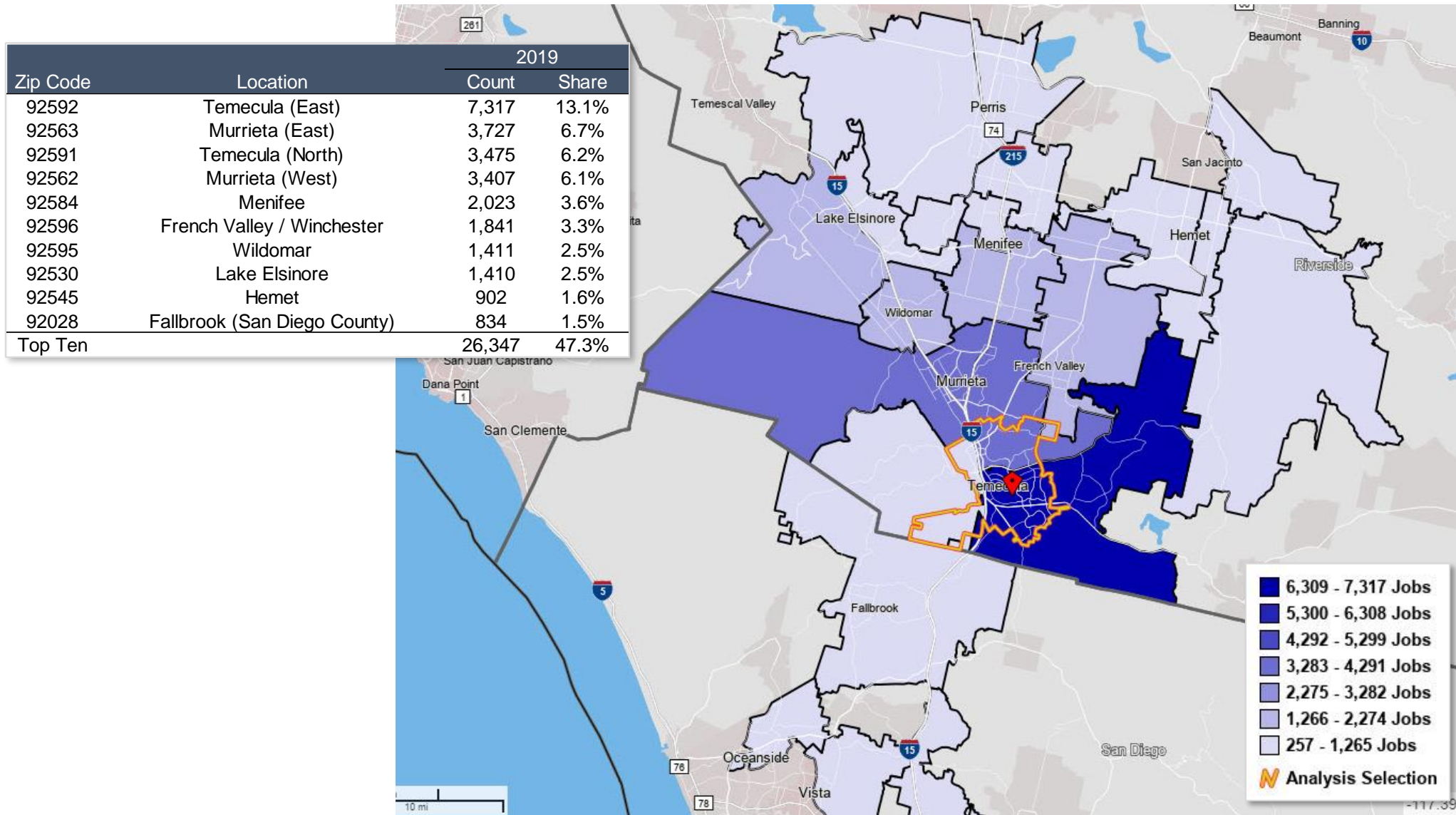
# Employment – City of Temecula – Inflow/Outflow

45.6K people commute into Temecula for work, representing strong potential buyers for homes at the Subject (to reduce commute times). About 10.1K both live and work in the city and represent potential buyers as well (moving to a brand-new construction home, move-ups, move-downs). Temecula has transitioned from being a net exporter of workers to being a net importer. This shows that the local area has gone from being a bedroom community to an economic force of its own. The info is as of 2019. COVID-19 may have substantially changed commute patterns. While inflow/outflow patterns overall are positive, the Wingsweep site is too far from major employment nodes to benefit from daytime worker population increases.



# Employment Location – Temecula Residents

Among people who live in Temecula, all 4 of the top zip code destinations for work are in either Temecula or Murrieta. Among the top 10 zip codes for work locations, 9 are within 15 miles of Temecula. While many Temecula residents do work fairly close to home, some also commute to locations in north San Diego County. This data is from 2019 and COVID may have changed commute patterns, particularly with more people working from home.



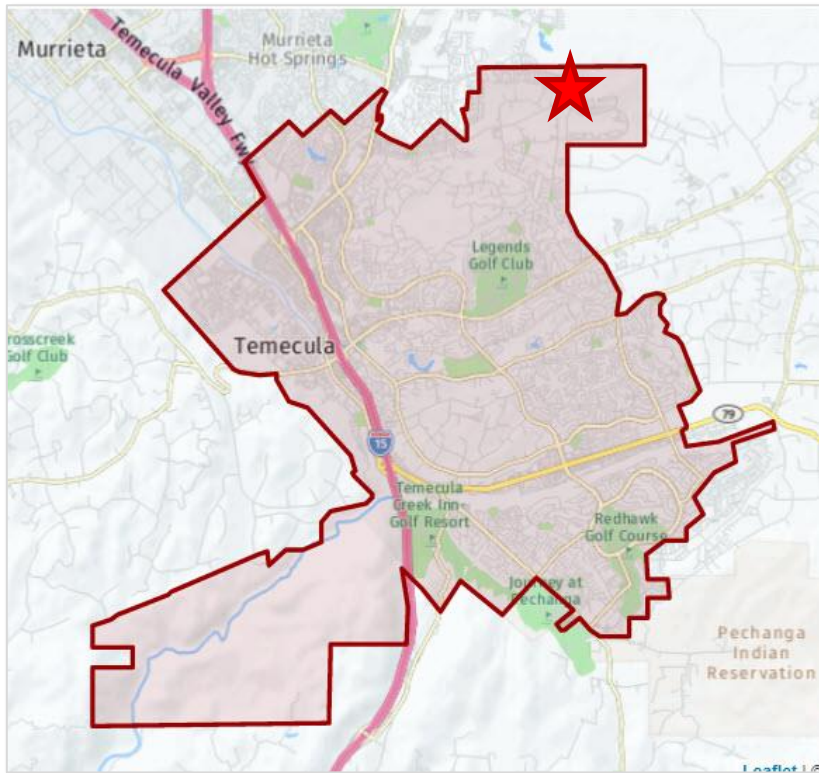




# Demographics – City of Temecula & RV County

Compared to Riverside County, Temecula has:

- 4.5% of the population
- 4.6% of households
- A higher average income (\$122K vs. \$97K)
- A higher proportion of the population in families (89% vs. 84%)
- Far more owner HHs (77% vs. 68%) (excluding vacancies)



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

POPULATION	
Total Population	2,454,022 (100%)
Population in Households	2,421,153 (98.7%)
Population in Families	2,067,574 (84.3%)
Population in Group Quarters <sup>1</sup>	32,869 ( 1.3%)
Population Density	341
Diversity Index <sup>2</sup>	84

HOUSING	
Total HU (Housing Units)	872,686 (100%)
Owner Occupied HU	519,171 (59.5%)
Renter Occupied HU	244,557 (28.0%)
Vacant Housing Units	108,958 (12.5%)

INCOME	
Median Household Income	\$73,976
Average Household Income	\$95,683
% of Income for Mortgage <sup>4</sup>	25%
Per Capita Income	\$29,814
Wealth Index <sup>5</sup>	106

HOUSEHOLDS	
Total Households	763,728
Average Household Size	3.17
Family Households	566,708
Average Family Size	4

## Temecula, CA Data & Demographics (As of July 1, 2021)

POPULATION	
Total Population	111,515 (100%)
Population in Households	111,377 (99.9%)
Population in Families	99,717 (89.4%)
Population in Group Quarters <sup>1</sup>	138 ( 0.1%)
Population Density	2,992
Diversity Index <sup>2</sup>	74

HOUSING	
Total HU (Housing Units)	37,200 (100%)
Owner Occupied HU	24,790 (66.6%)
Renter Occupied HU	10,656 (28.6%)
Vacant Housing Units	1,754 ( 4.7%)

INCOME	
Median Household Income	\$100,704
Average Household Income	\$122,296
% of Income for Mortgage <sup>4</sup>	22%
Per Capita Income	\$38,839
Wealth Index <sup>5</sup>	142

HOUSEHOLDS	
Total Households	35,446
Average Household Size	3.14
Family Households	28,809
Average Family Size	3

# Population – South Riverside

In order to estimate the future potential growth in demand for retail space in South Riverside County based on population growth, data was compiled on historical population growth in the CMA.

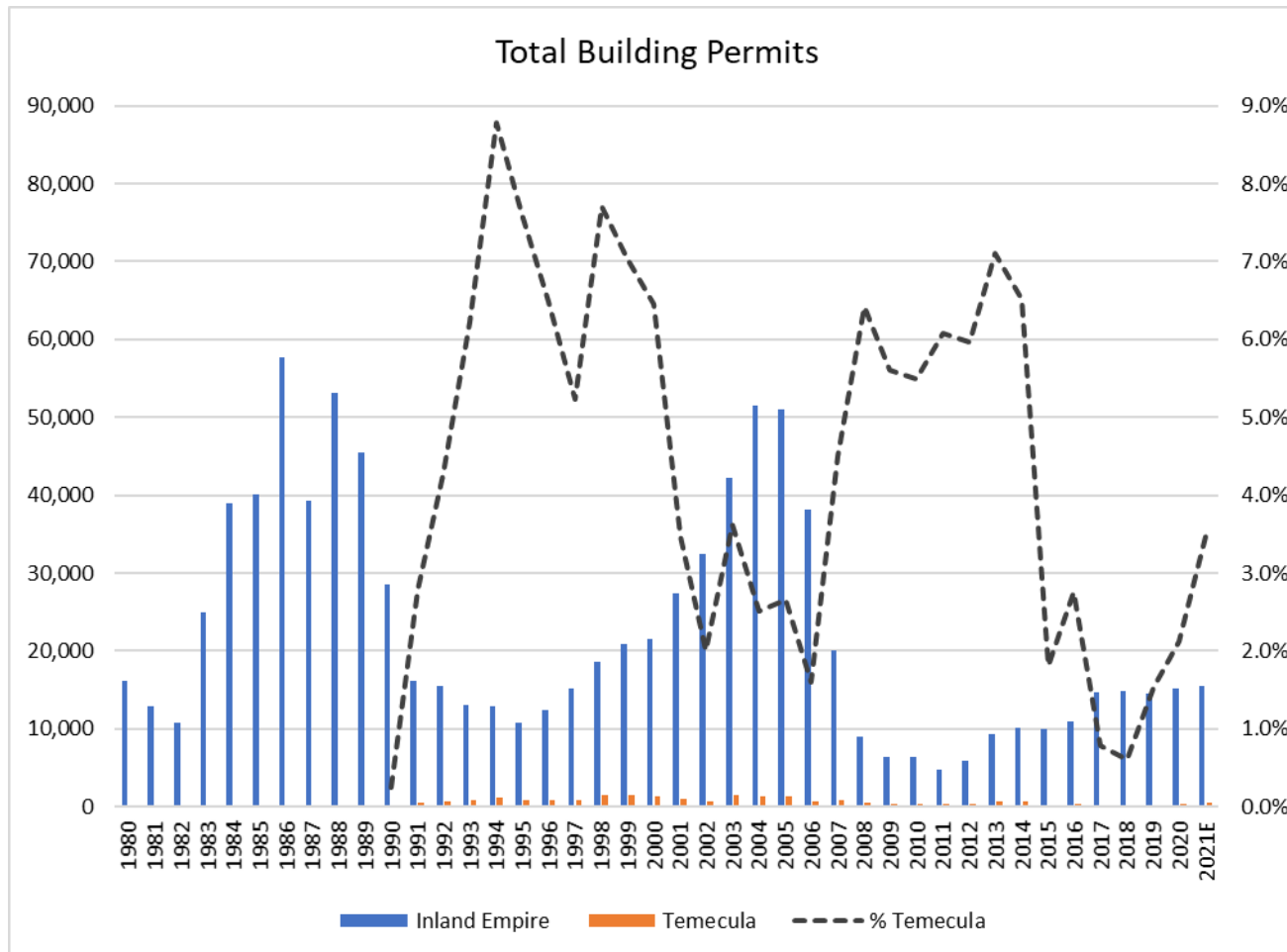
- In the 11 years from 2010 through 2021, the population of the CMA grew by 103,688 people, a pace of 9,426/year (1.89%).
- Assuming that the population continues to grow at the same 1.89%/year pace, the population would grow by an average of 11,385/year.
- It is important to note that new home construction in the CMA would be required at a faster pace than has been occurring over the last 10 years to support the projected level of population growth. Based on the availability of land and the length of time required to obtain entitlements for development, it is unlikely that construction will accelerate in the future, indicating that the population growth figures likely should be considered optimistic.

Zip Code	Community	Population	
		2010	2021
92587	Canyon Lake	16,675	20,027
92563	French Valley	53,892	73,484
92596	French Valley	23,172	27,706
92530	Lake Elsinore	50,216	56,891
92532	Lake Elsinore	18,644	24,794
92584	Menifee	43,400	52,621
92585	Menifee	17,797	23,553
92562	Murrieta	62,079	69,378
92590	Temecula	3,660	4,694
92591	Temecula	38,272	44,618
92592	Temecula	72,492	87,265
92883	Temescal Valley	29,301	35,993
92595	Wildomar	29,851	36,349
92545	Winchester	39,457	45,223
Total Population		498,908	602,596
Total Growth		103,688	
Annual Growth		9,426	
% Annual		1.89%	
Projected Annual Next 10 Years (1.89%)		11,385	



# Building Permits - Temecula

Temecula incorporated in 1990. From 1991 through projections for 2021 (based on permits through November) 43,815 permits have been issued in Temecula, an average of 1,413/year. Activity in the CMA has ebbed and flowed corresponding to the availability of land, economic conditions, and housing market trends, ranging from just 390 in 2012 (following the housing bust) to 4,377 in 2004 as the housing market was booming. Since 2006, the market has topped 1,000 units just once - primarily due to a lack of developable sites – averaging just 651 permits per year during that time. With fewer new homes being built, and more people shopping on-line, far less new physical retail space is supported than in the past. The majority of the most competitive retail centers to Wingsweep were built in the early-to-mid 2000s.



Year	Total Building Permits		
	Inland Empire	Temecula	% Temecula
1980	16,233		
1981	12,908		
1982	10,817		
1983	24,955		
1984	38,998		
1985	40,112		
1986	57,657		
1987	39,281		
1988	53,119		
1989	45,497		
1990	28,612		
1991	16,092	964	6.0%
1992	15,471	856	5.5%
1993	13,052	1,215	9.3%
1994	12,824	1,672	13.0%
1995	10,698	1,466	13.7%
1996	12,362	1,418	11.5%
1997	15,195	1,511	9.9%
1998	18,654	2,349	12.6%
1999	20,921	2,127	10.2%
2000	21,496	2,272	10.6%
2001	27,417	2,617	9.5%
2002	32,474	2,409	7.4%
2003	42,252	3,945	9.3%
2004	51,463	4,377	8.5%
2005	51,008	4,199	8.2%
2006	38,089	984	2.6%
2007	20,086	1,088	5.4%
2008	8,946	599	6.7%
2009	6,335	421	6.6%
2010	6,336	412	6.5%
2011	4,736	395	8.3%
2012	5,949	390	6.6%
2013	9,348	677	7.2%
2014	10,166	942	9.3%
2015	9,926	650	6.5%
2016	10,921	580	5.3%
2017	14,676	589	4.0%
2018	14,809	626	4.2%
2019	14,599	551	3.8%
2020	15,232	547	3.6%
2021E	15,325	967	6.3%
Total '91-'21	566,858	43,815	7.7%
Avg '91-'21	18,286	1,413	7.7%

# RETAIL COMPS MARKET ANALYSIS

---



# Neighborhood Shopping Centers



- To help gain insights regarding the market potential for Wingsweep, information was compiled on 10 stabilized neighborhood shopping centers and 2 new centers in initial lease-up in closest proximity to the Subject (+/-5-mile radius).
- The 10 stabilized centers total 1.00M sf of space, of which 63K sf is vacant, a 6.3% vacancy rate. The 2 new centers total 176K sf and have 90K sf available. New center Date Plaza leased +/-34K of space in 2021 and French Valley Marketplace about 72K sf.

Center	Address	Community/ Zip Code	Type & Rating	Year Built	Gross Leasable SqFt.			# Vacant Spaces	Acres	Coverage Ratio	Monthly Rent			Parking	Parking Ratio/1,000	Anchors
					Total	Available*	Vacancy				\$/Sq.Ft.	NNN	Terms			
Stablized Shopping Centers																
French Valley Village	30604 Benton Rd	French Valley 92596	Neighborhood 3	2006	98,752	1,550	1.6%	1	15.00	15%	\$2.50	--	NNN	600	6.1	Stater Bros, CVS
Margarita Square	39400 Murrieta Hot Springs Rd	Murrieta 92563	Neighborhood 2	2005	120,000	14,175	11.8%	4	10.20	27%	\$1.75	\$0.51	NNN	400	3.3	EOS Fitness, Goodwill
Murrieta Town Center East	40365 Murrieta Hot Springs Rd	Murrieta 92563	Neighborhood 2	2000	40,830	8,000	19.6%	2	6.00	16%	\$1.50	\$0.71	NNN	244	6.0	Carl's Jr, Dunkin
Butterfield Ranch	33353 Temecula Parkway	Temecula 92592	Neighborhood 3	2006	58,320	1,175	2.0%	1	6.60	20%	\$2.50	\$0.70	NNN	292	5.0	Big 5
Palomar Village	30250 Rancho California Rd	Temecula 92591	Neighborhood 3	1989	139,111	5,111	3.7%	2	8.76	36%	\$2.50	--	NNN	440	3.2	Albertson's, CVS
Ralph's Center	33145 Temecula Parkway	Temecula 92592	Neighborhood 4	2003	82,737	387	0.5%	1	11.00	17%	\$2.50	--	NNN	500	6.0	Ralph's, CVS
Rancho Temecula Town Center	39650 Winchester Road	Temecula 92591	Neighborhood 4	2007	165,496	10,101	6.1%	5	20.00	19%	\$3.00	--	NNN	920	5.6	Sprouts, Rite Aid
The Plaza at Silverhawk	29910 Murrieta Hot Springs Rd	Murrieta 92563	Neighborhood 4	2004	92,600	4,100	4.4%	3	10.79	20%	\$2.50	--	NNN	555	6.0	Von's, Walgreen's
Winchester Square	39028 Winchester Road	Murrieta 92563	Neighborhood 3	2004	130,323	3,435	2.6%	2	16.10	19%	\$2.50	\$0.86	NNN	650	5.0	Albertson's, Sav-on
Meadows Village	31939 Rancho California Rd	Temecula 92591	Neighborhood 3	2006	80,569	15,106	18.7%	4	9.76	19%	\$3.25	\$1.10	NNN	320	4.0	Baron's, CVS
Average				2003	100,874	6,314	6.3%	3	11.42	20%	\$2.45	\$0.78	NNN	492	5.0	Baron's, CVS
Median				2005	95,676	4,606	4.1%	2	10.50	19%	\$2.50	\$0.71	NNN	470	5.0	Baron's, CVS
Centers Still in Initial Lease-Up																
Date Plaza**	26963 Date St	Murrieta 92563	Neighborhood 3	2021	42,500	8,559	20.1%	4	6.00	16%	\$2.60	\$0.55	NNN	212	5.0	ALDI**
French Valley Marketplace	NEC Winchester & Thompson Rd	French Valley 92596	Neighborhood 4	2022	133,268	61,000	45.8%	1	19.71	16%	\$3.50	\$0.75	NNN	660	5.0	Grocery Outlet, Rite-Aid

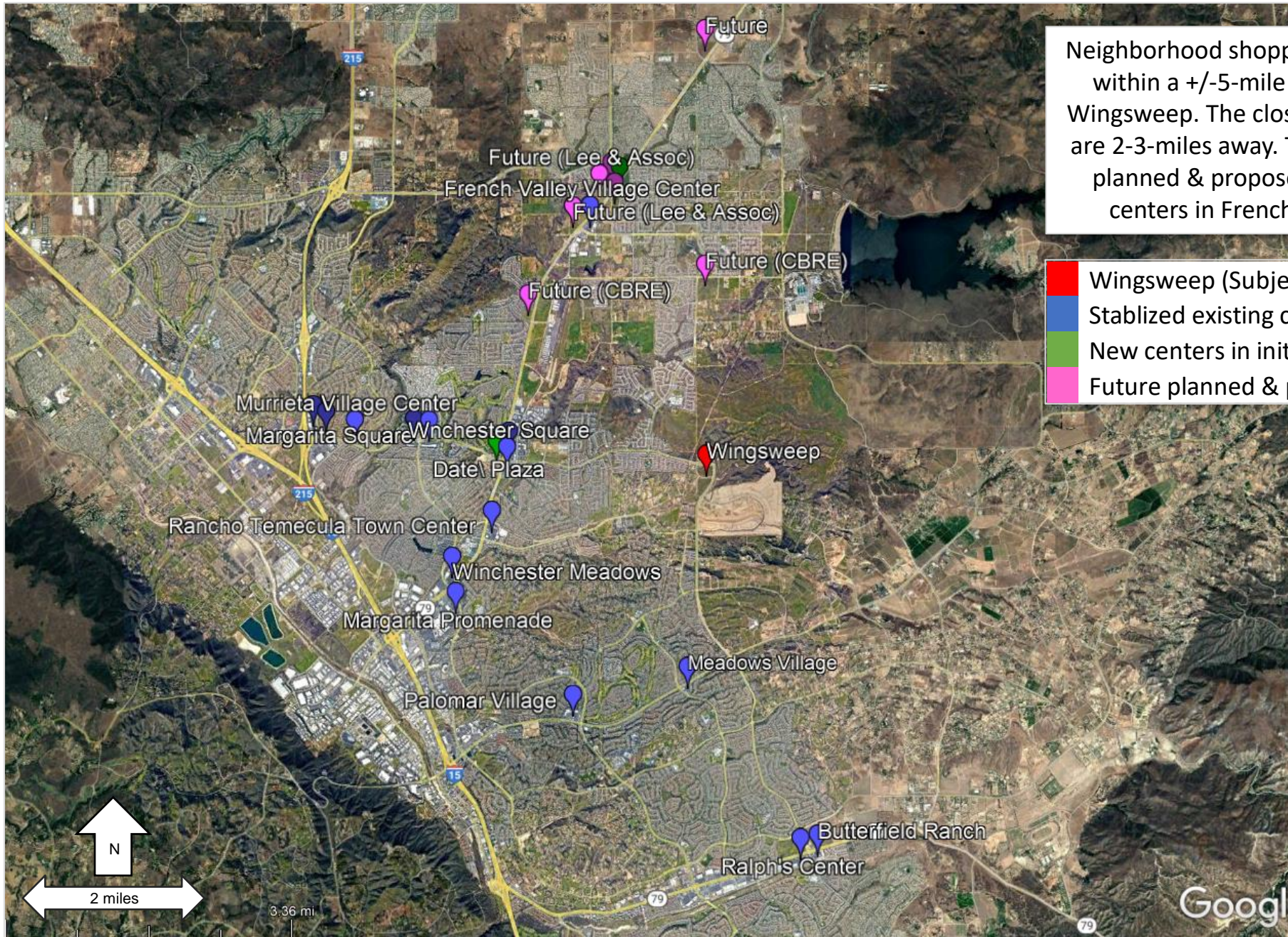
\* Available space may include completed vacant space as well as future planned space yet to be built (including ground lease pads).

\*\* Date Plaza (24K sf, 2.5 acres), is directly adjacent to ALDI (18.5K sf, 3.5 acres), but is a separate center. The stats include both.

Sources: Interviews with leasing agents, LoopNet, CoStar, center websites



# Neighborhood Shopping Centers



Neighborhood shopping centers within a +/-5-mile radius of Wingsweep. The closest centers are 2-3-miles away. There are 8 planned & proposed future centers in French Valley.

- Wingsweep (Subject)
- Stablized existing centers
- New centers in initial lease-up
- Future planned & proposed



# Profile – Meadows Village (Stabilized)

- 31939 Rancho California Rd, Temecula 92591
- 2.9 miles south of Wingsweep (closet center south of Subject)
- Built: 2006
- GLA: 80,569 sf
- Available: 15,106 sf (18.7%) (9.7K sf tenant recently vacated)
- 9.76 acres, 19% coverage ratio
- 320 parking spaces, 4.0/1,000 sf
- Asking \$3.25/sf/mo with NNN of \$1.10/sf/mo
- Anchors: Barons Market 18.0K sf, CVS 13.2K sf

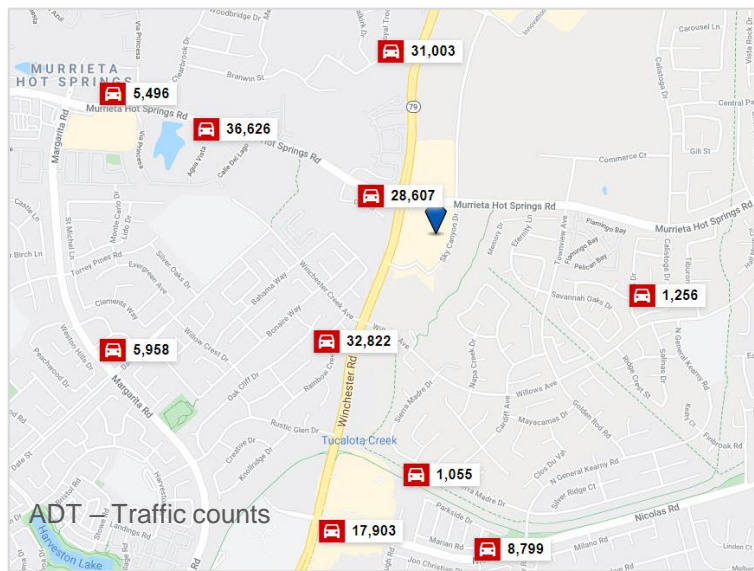


NO.	TENANT	(SF)	NO.	TENANT	(SF)	NO.	TENANT	(SF)
A-100	CVS PHARMACY	13,217	B-700	EOS FITNESS (AVAILABLE: 10/1/22)	3,200-9,743	F-200/300	PIZZERIA ITALIA	3,000
B-100	LADERA KITCHEN	1,992	D-100	EYE APPEAL OPTOMETRY	1,625	G-100	MEADOWS CLEANERS	1,500
B-200	GREAT HARVEST	2,261	D-200	DE LUZ MEDICAL AESTHETICS	2,275	G-200	UPS	1,300
B-300	BELLAGIO SALON & SPA	2,008	D-300	PACIFIC DENTAL	3,152	G-300	ALBERTO'S MEXICAN FOOD	1,882
B-400	DESTINED JIU JITSU	3,023	E-100	STARBUCKS	1,800	H-100	BARON'S MARKETPLACE	18,000
B-500	AR WORKSHOP	1,552	E-200	WENDY'S DONUTS	1,300	I-100	WELL'S FARGO	3,000
B-600	EOS FITNESS (AVAILABLE: 10/1/22)	2,363	E-300	CRUMBLE COOKIES	1,402	I-200	DEAL PENDING	3,000
			F-100	SUBWAY	1,178			



# Profile – Winchester Square (Stabilized)

- 39028 Winchester Rd, Murrieta 92563
- 2.3 miles west of Wingsweep (closet center west of Subject)
- Built: 2004
- GLA: 130,323 sf
- Available: 3,435 sf (2.6%)
- 16.1 acres, 19% coverage ratio
- 650 parking spaces, 5.0/1,000 sf
- Asking \$2.50-\$2.75/sf/mo with NNN of \$0.86/sf/mo
- Anchors: Albertson's/Sav-On +/-55K sf



Sources: leasing agents, Westmarcre.com

Representative tenants

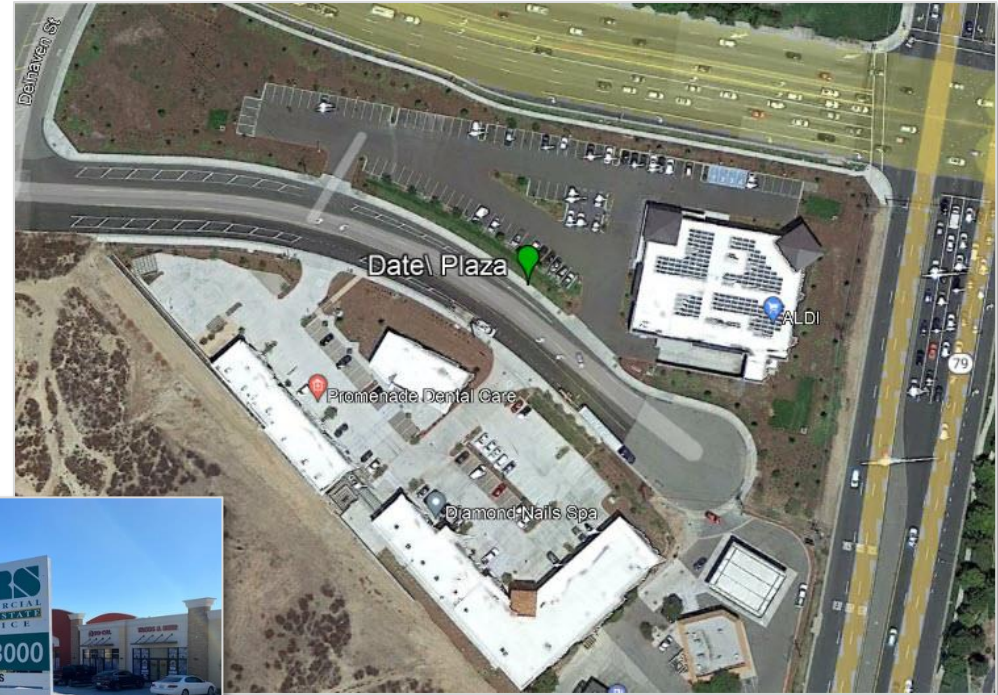
Suite	Tenant	SF	Rate
<b>39028 WINCHESTER ROAD</b>			
Bldg E #101	Berkshire Hathaway	5,000±	----
<b>Bldg E #107</b>	<b>AVAILABLE</b>	<b>1,600±</b>	<b>\$2.50 PSF NNN</b>
Bldg E #109	Liquid Leaf Coffee Shop	1,600±	----
Bldg E #111	Club Pilates	1,760±	----
Bldg E #113	Ohana Hawaiian Grill	2,040±	----
Bldg E #115	Baskin Robbins	1,600±	----





# Profile – Date Plaza (New)

- 26963 Date St, Murrieta 92563
- 2.4 miles west of Wingsweep (most proximate new center)
- Built: 2021/2022
- GLA: 42,500 sf (Date Plaza 24K sf, ALDI 18.5K sf) – total GLA may be higher if pad at west end of ALDI parking lot is built
- Available: 8,559 sf (20.1%)
- Leased up 34K sf in 2021 (including ALDI)
- 6.0 acres, 16% coverage ratio
- 212 parking spaces, 5.0/1,000 sf
- Asking \$2.60/sf/mo with NNN of \$0.55/sf/mo
- Anchors: ALDI (18.5K sf)

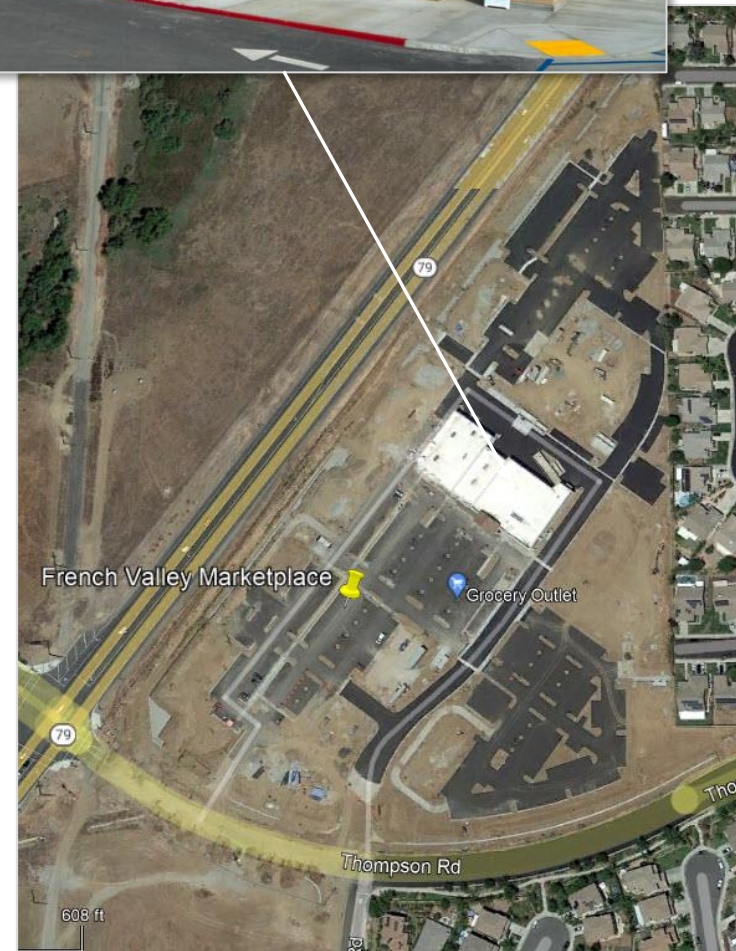


Sources: leasing agents, CRS Real Estate, LoopNet



# Profile – French Valley Marketplace (New)

- NEC Winchester Rd & Thompson Rd, French Valley 92596
- 3.4 miles north of Wingsweep (largest new center)
- Built: 2021/2022
- GLA: 133,268 sf (only +/-32.4K completed to date)
- Available: +/-61K sf (mostly not yet built)
- Leased up +/-72K sf in 2021
- 19.71 acres, 16% coverage ratio
- +/-660 parking spaces, 5.0/1,000 sf
- Asking \$3.50/sf/mo with NNN of \$0.75/sf/mo
- Anchors: Grocery Outlet (+/-15.6K sf) & Rite-Aid (+/-11.5K sf)

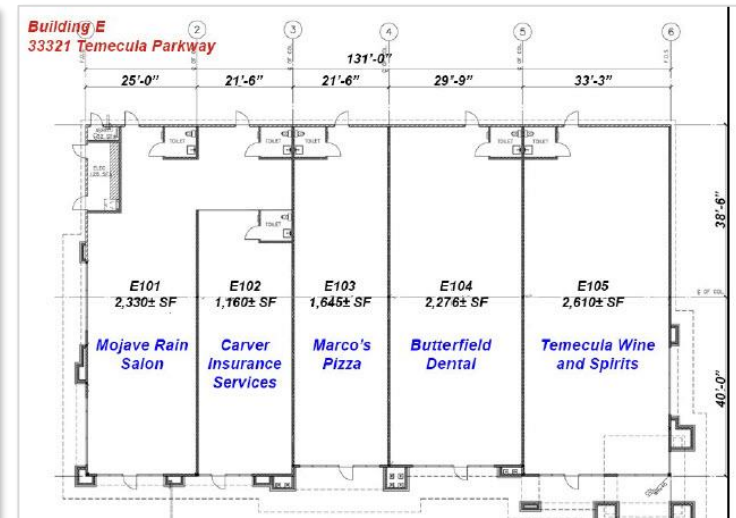
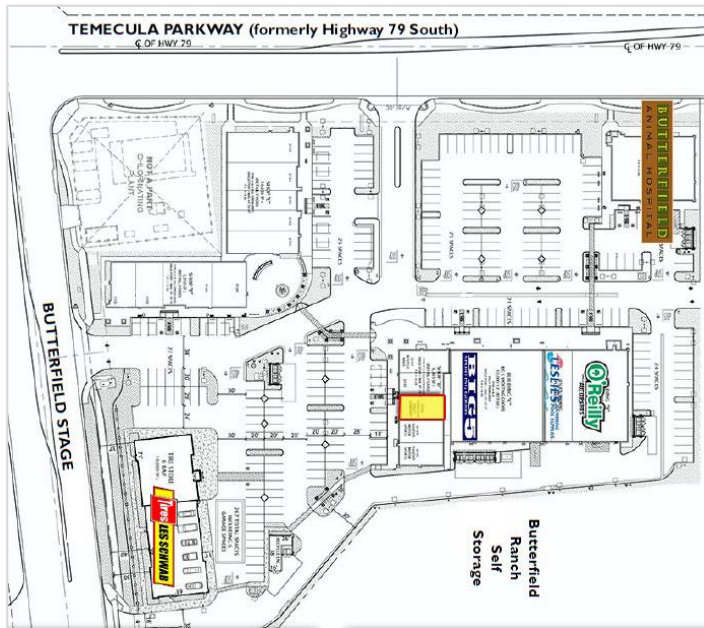


Sources: leasing agents, Lee & Assoc, LoopNet



# Profile – Butterfield Ranch Center (Hybrid)

- Mix of neighborhood retail & self-storage facility
- 33353 Temecula Parkway, Temecula 92592 (far east edge of Temecula)
- 4.7 miles south of Wingsweep
- Built: 2006
- GLA: 58,320 sf
- Available: +1.2K sf (2.0% vacancy)
- 6.6 acres retail portion (20% coverage ratio); self-storage 5.0 ac
- 292 parking spaces, 5.0/1,000 sf
- Asking \$2.50/sf/mo with NNN of \$0.70/sf/mo
- Anchors: Big 5 Sporting Goods
- ADT: 31,200 on Temecula Parkway
- Butterfield Ranch Self-Storage: +/-500 storage units, 33 RV/boat parking spaces, 2 storage buildings are 2-story, the rest are 1-story



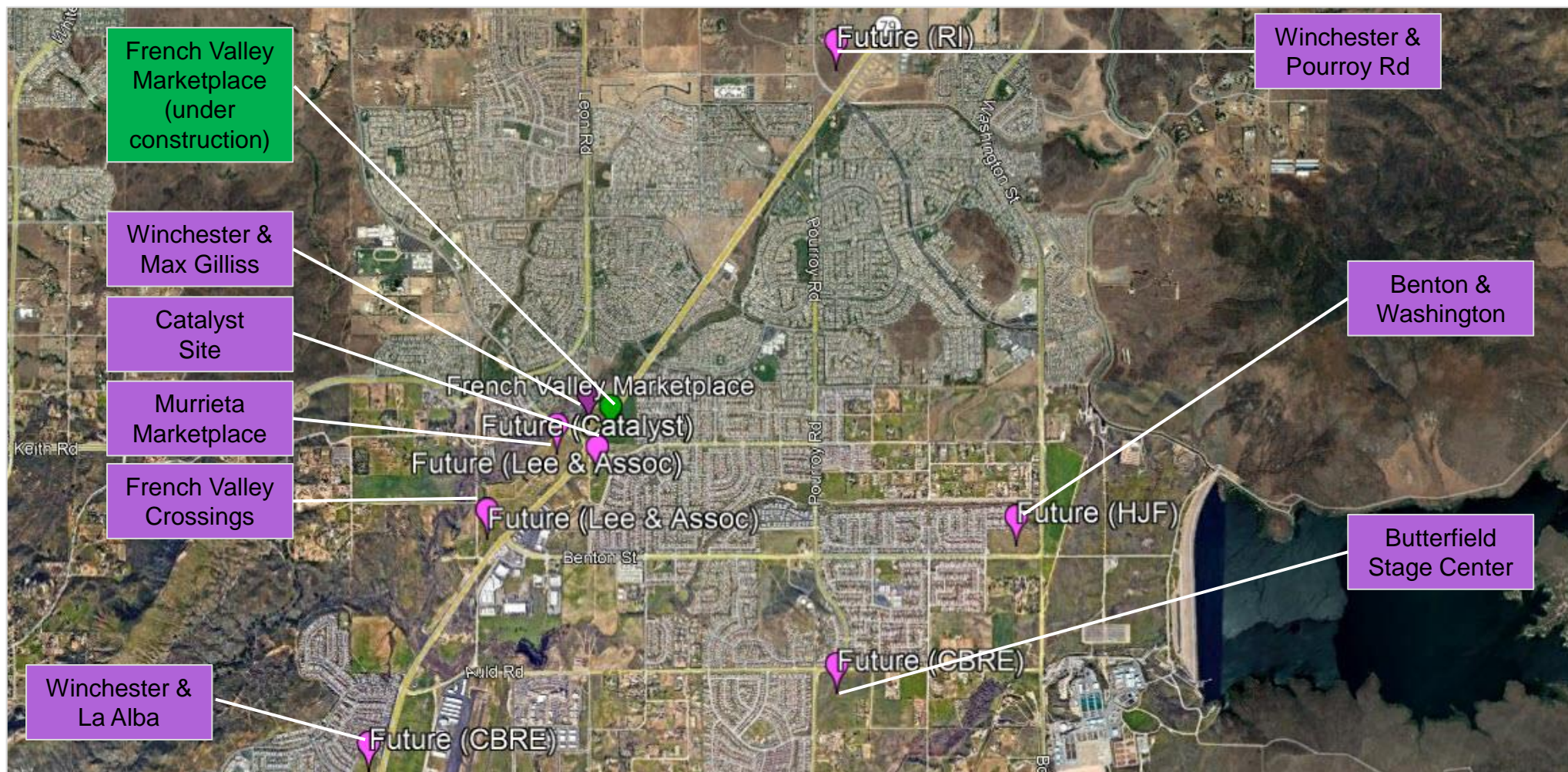
Representative In-Line Tenants



# Future Retail Centers – French Valley

Total 1.39M sf of future space (not including 133K sf French Valley Marketplace now under construction)

- Murrieta Marketplace – 504K sf, 29.3 acres
- French Valley Crossings – 124K sf (est), 14.2 acres
- Winchester & Pourroy – 56K sf, +/-6.4 acres (est)
- Benton & Washington – 148K (est), +/-17 acres
- Butterfield Stage Center – 158K sf, +/-17 acres
- Catalyst site – 165K sf (est), +/-19 acres
- Winchester & La Alba – 87K sf (est), +/-10 acres
- Winchester & Max Gillis - +/-150K sf (est), +/-17 acres





# RETAIL MARKET TRENDS

---

# Direct Quotes on the Local Retail Market



Local retail agents were interviewed regarding the state of the local market, future trends, and opportunities for retail at Wingsweep:

**“Wingsweep is a tertiary location. You might get a gas station, c-store and a quick-serve restaurant, but that’s going to be it.”**

**“No pad user is going to go for a ground lease at Wingsweep. You’ll have to get creative.”**

**“Developing Wingsweep is not going to be a “no-brainer.” It’s too far out there with not enough drive-by or daytime population.”**

**“Gelson’s and Whole Foods just aren’t interested in coming to Temecula, we’ve been trying for years. There’s already a Trader Joe’s and they’re not looking for another location.”**

**“Generally, retail is pretty strong in the area, but it’s “pockety.” Retailers look closely at traffic patterns, traffic counts, tenant mix and the demographics.”**

**“Love the festive-retail and destination center concept. Restaurants are looking to create the next generation of dining experiences. Flex-kitchens and shared dining would be great for a new generation of Millennial chefs.”**

**“New centers need to be at \$3.50 to \$4.00 per square foot to pencil, which is tough when existing centers have space for \$1.50 to \$3.00.”**

- 
- A map of Southern California divided into 15 numbered regions. Region 13, located in the south-central part of the state near the Colorado River, is highlighted with a red border and a red star. Other regions are outlined in black. The map includes major cities, highways, and natural areas like Joshua Tree National Park and Mojave National Preserve.

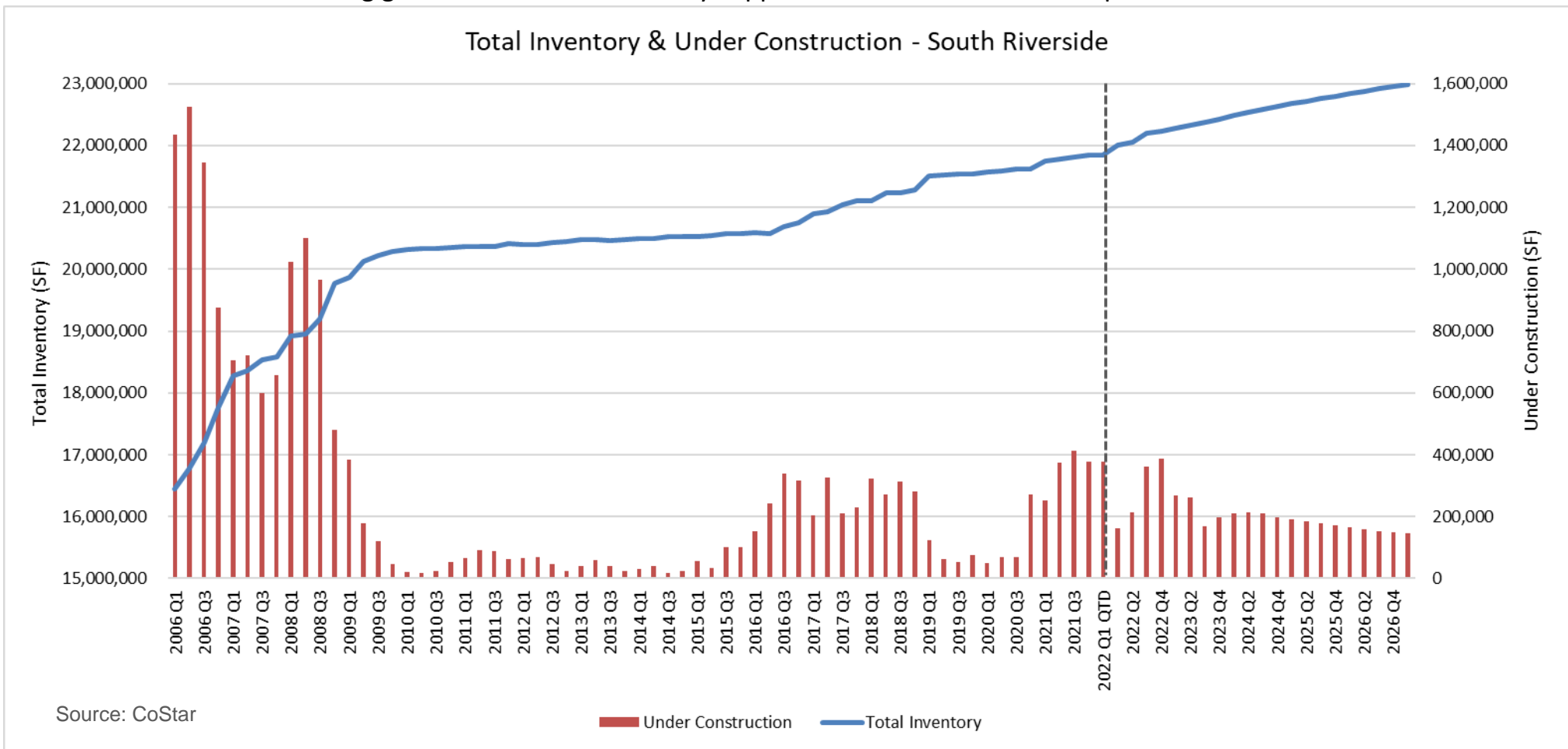
Clarity Real Estate Advisors



# Total Inventory & New Construction – S. Riverside



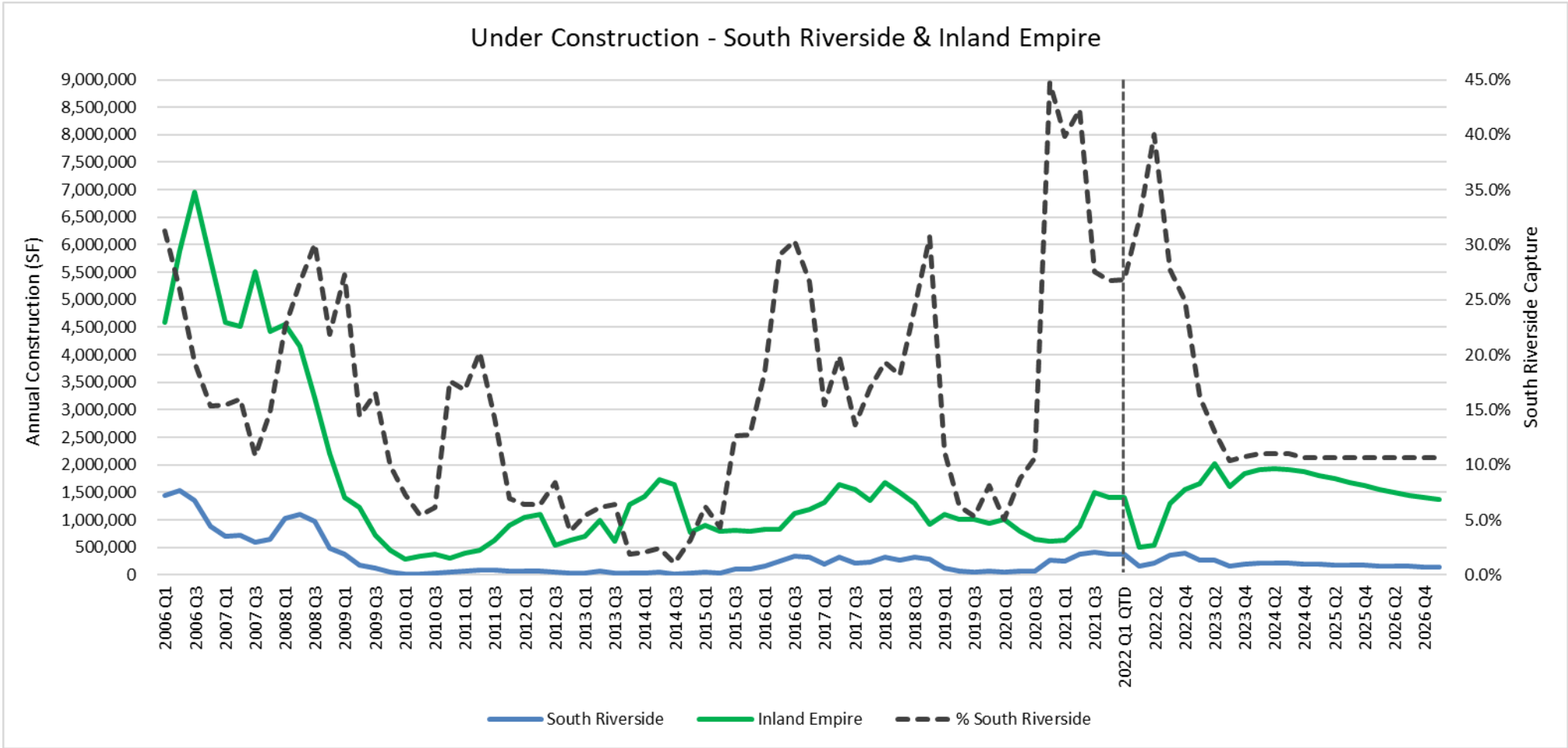
- Since 2006, the total inventory of retail space in the South Riverside market has increased from 16.4M sf to 21.8M sf, an average of 360K sf per year. However, the vast majority of the new supply was added in a 4-year spurt from the beginning of 2006 through the end of 2009 when 3.85M sf was added, or 962K sf/year.
- From the beginning of 2010 through the end of 2021, only an additional 1.52M sf was added, or 127K sf per year.
- The retail growth from 2006 through 2009 followed a period of rapid housing growth. From 2003 through 2005, 12.5K building permits were issued in South Riverside, which is three times what might have otherwise been expected based on long-term market trends. In comparison, just 2,065 permits were issued in the 3-year period from 2019 through 2021.
- The level of recent housing growth does not necessarily support the need for new retail space in the CMA.



# Total Inventory & New Construction – S. Riverside

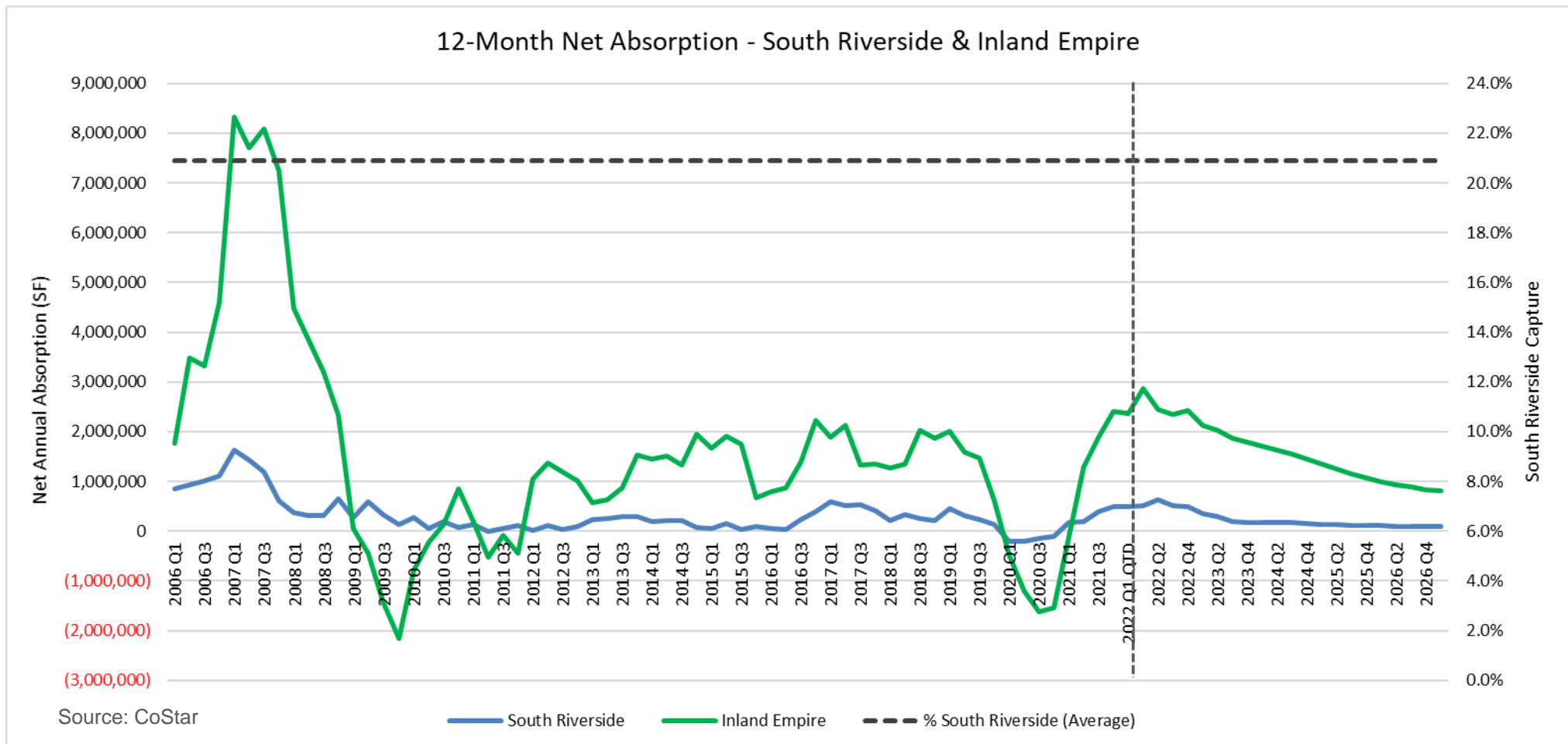


- Since 2006, in any given quarter, the South Riverside market has had an average of 293K sf of retail space under construction; however, the average is skewed by the fact there was an average of 760K sf in any given quarter from the beginning of 2006 through the end of 2009. Since 2010, there has been an average of just 118K sf under construction in any given quarter.
- Since 2006, the IE as a whole has averaged 1.66M sf under construction in any given quarter; although like with the South Riverside market, the average is skewed upward by significant building from 2006 through 2009.
- It is important to note that the figures in the graph below represent retail space under construction at any given point in time. It does not represent the actual new supply brought to market. Because a retail center can take anywhere from 6 to 12 months to build, the square footage under construction can show up in multiple quarters.



# 12-Month Absorption – S. Riverside vs. IE

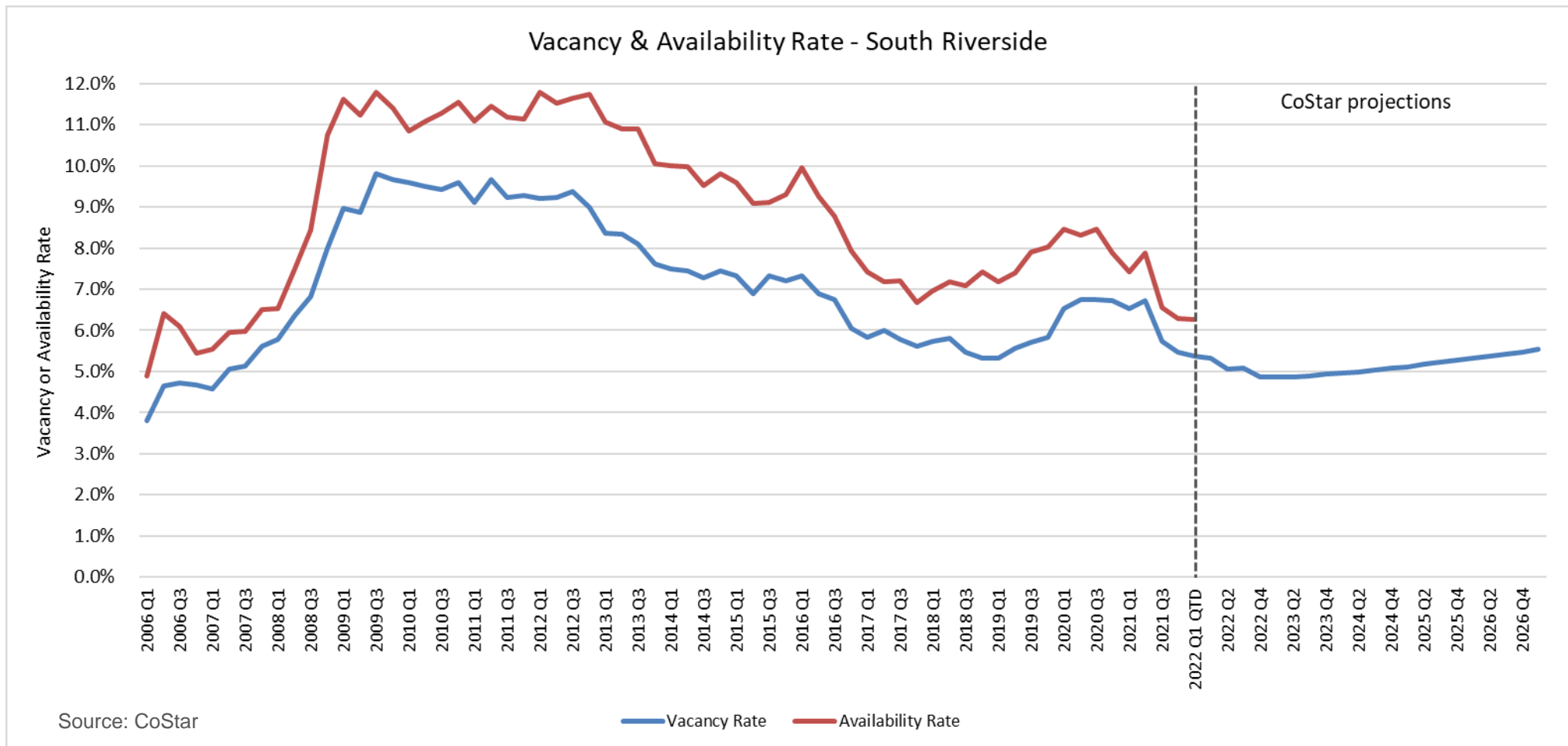
- Since 2006, the South Riverside market has absorbed a net average of 302K sf of retail space per year, but much of that occurred from 2006 through 2008 with an average of 791K sf per year. Since 2009, the average has been 189K sf per year.
- In the IE as a whole, the market has averaged 1.53M sf per year since 2006, but from 2006 through 2008 the average was 4.72M per year and since 2009 the average has been just 793K sf per year.





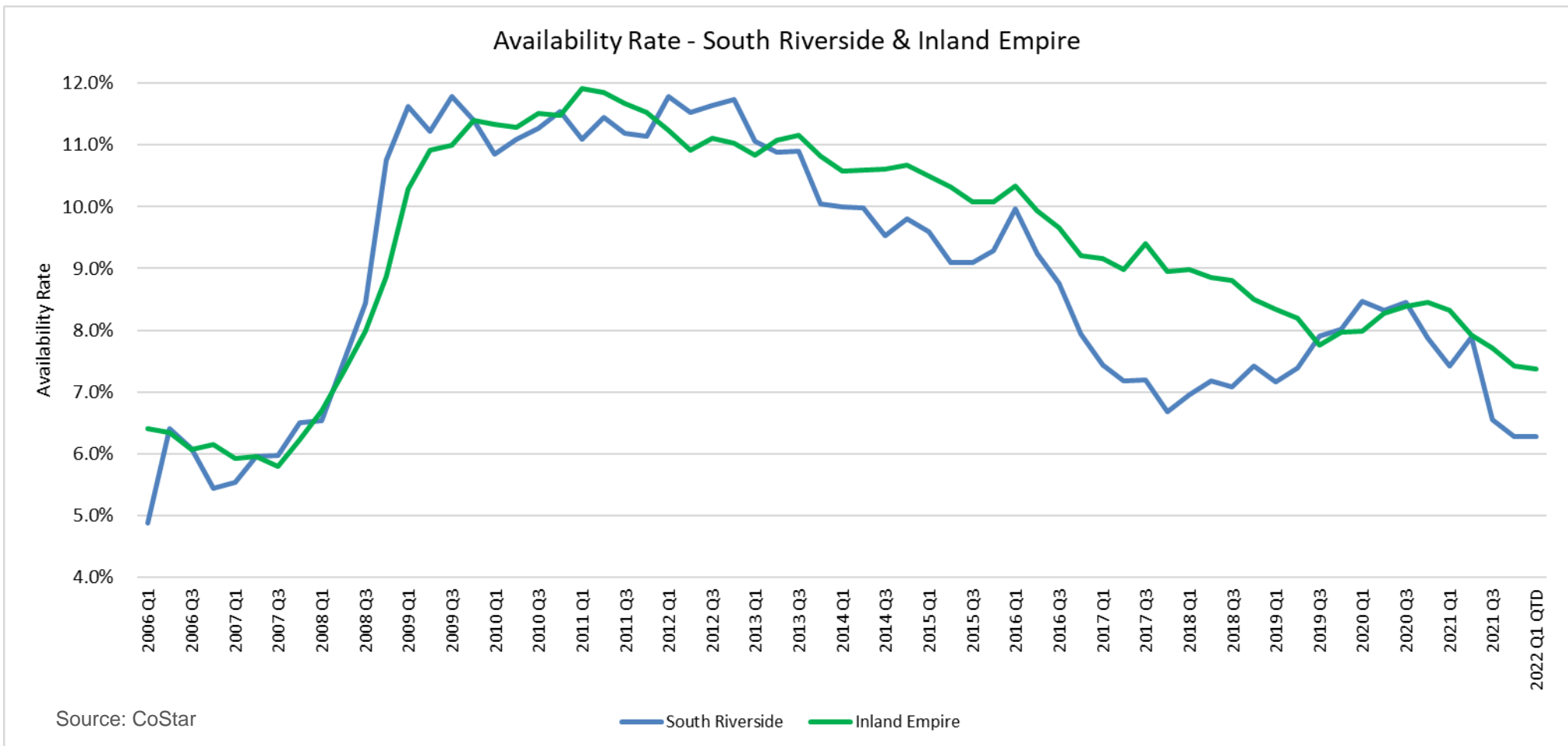
# Vacancy & Availability – South Riverside

- Over the last 15 years, the vacancy rate in the South Riverside market has ranged from 4% to 10% and the availability rate has ranged from 5% to almost 12%. The vacancy rate is unoccupied space while the availability rate is unoccupied space plus sub-lease space and/or upcoming available space.
- With the construction of several new retail centers, and then COVID-related challenges, the vacancy and availability rates ticked up in 2019 and 2020 but have since come down. The current vacancy rate is 5.4% and the availability rate is 6.3%.
- CoStar is projecting steady vacancy at around 5% over the next 5 years; however, Clarity expects that the vacancy rate will rise into the 6% to 7% range as more space is delivered while COVID continues to take a toll on storefront shops.



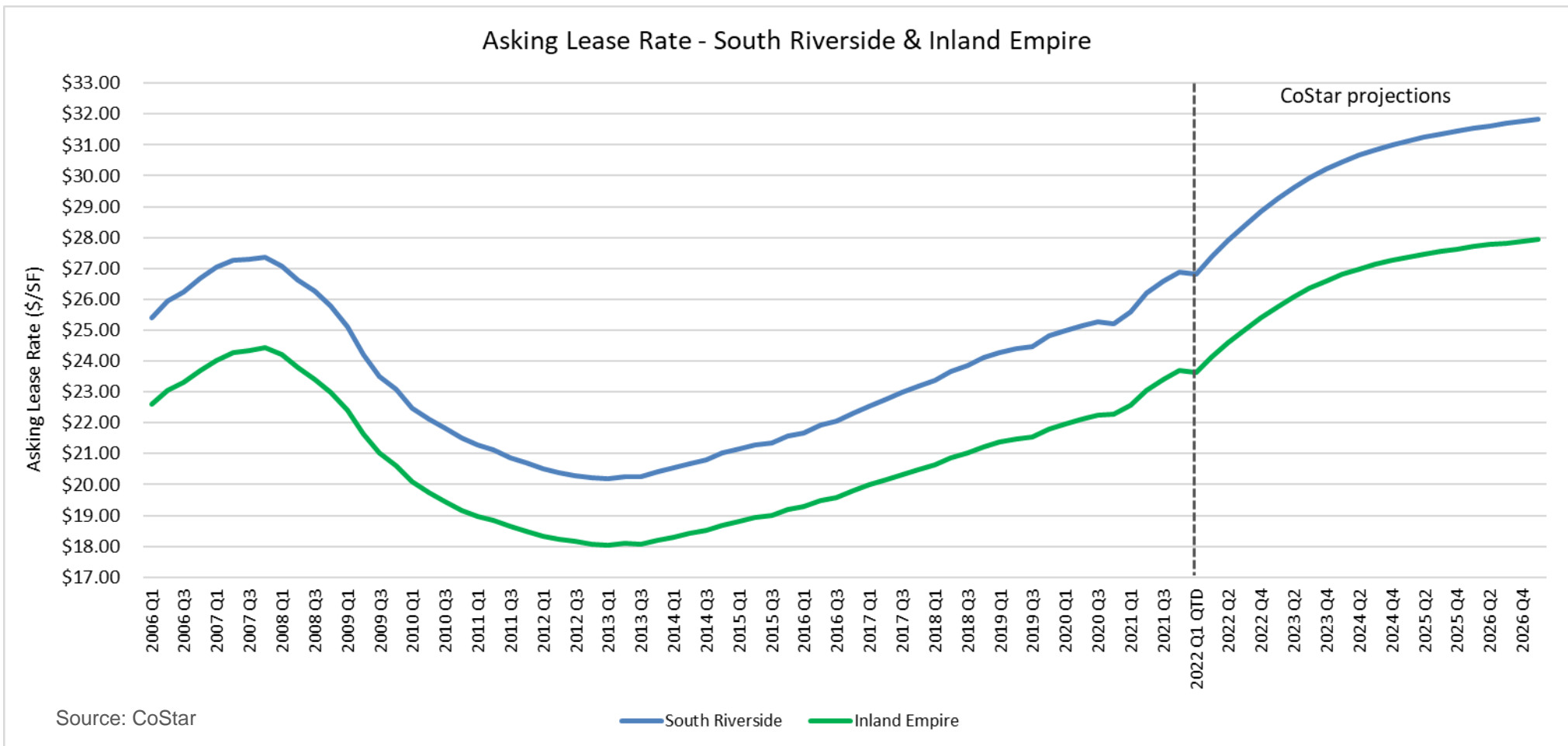
# Availability – South Riverside vs. IE

- The big jump in vacancy and availability rates in both South Riverside and the IE from 2007 to 2010 was driven by a huge increase in supply in both areas coupled with the crash of the housing market starting in 2007 and then the impact of the Great Recession in the late 2000s.
- Over the last 15 years, the retail availability rate in South Riverside has tracked relatively closely with the rate in the IE as a whole. The exception was from 2016 through 2018 when there was little new retail construction in the South Riverside market and continuing new development in other parts of the IE that kept availability rates higher in the overall market.
- As new supply came on-line in the South Riverside market in 2019 and 2020, along with the initial impact of COVID in 2020, the availability rate rose in the South market relative to the IE.



# Asking Lease Rates – South Riverside vs. IE

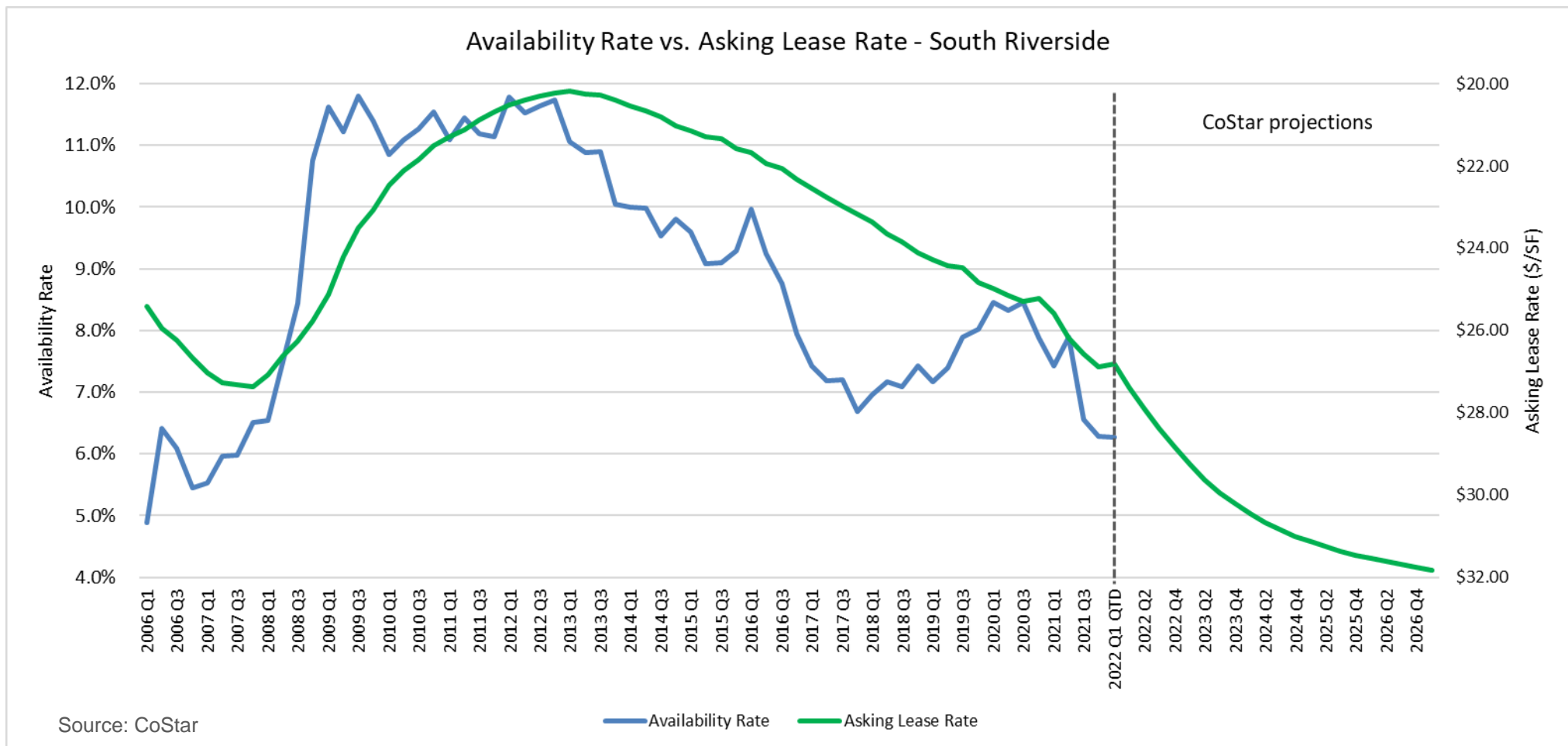
- A strong economy and rapid housing growth lead to rising asking retail rents in 2006 and into 2007. However, extensive new retail development from 2006 through 2009 brought too much new supply to market, and then the Great Recession hit, driving asking lease rates down.
- It took 14 years for asking lease rates to return to their 2007 high, and that's not adjusted for inflation, so real rents today are still down compared to 2007.
- CoStar is projecting fairly robust rent growth over the next 3 years. However, we believe that a continued shift to more on-line retail spending, and the expectation of more retail supply coming to market, will keep rent growth at levels below those projected by CoStar.





# Lease Rates vs. Availability – So. Riverside vs. IE

- As would be expected, there is an inverse relationship between the availability of retail space and asking lease rates – when availability rates rise, lease rates fall, and vice-versa. The righthand axis in the chart below is inverted – the lowest rents are at the top and the highest rents are at the bottom.
- As availability rose in 2007 through 2010, asking rents declined. As availability declined in the 2010s, lease rates rose. CoStar is projecting continued rent growth generally along the trend line of the last 10 years. However, we believe that rent increases will be much more moderate based on new supply coming to market and continued brick-and-mortar retail challenges (COVID, on-line shopping and delivery-based services).



# APPENDIX / LIMITING CONDITIONS

---

# Limiting Conditions

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

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

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

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

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

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



# Clarity Real Estate Advisors

CLARITY  
REAL ESTATE ADVISORS

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

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

Pete is the leading real estate market advisor in the western U.S. Pete incorporates his decades of market experience and insights into every assignment; benefiting clients with his keen analytical eye, early-cycle trend-spotting capabilities, and also the wisdom that comes with having been through multiple market cycles. Pete originally founded Reeb Development Consulting in 1996 to provide clients with insightful, timely, and innovative real estate market advisory services, rebranding in 2020 as Clarity Real Estate Advisors. Pete has been a part of three of the biggest names in the real estate market advisory sector; starting his career at Robert Charles Lesser & Co (RCLCo); later becoming a Partner at The Meyers Group (now Zonda), while also serving as President; and later joining John Burns Real Estate Consulting as a Principal. Pete advises public and private homebuilders, land owners and developers, entitlement groups, investors, private equity firms, and the public sector. Pete has a B.A. in Economics and Public Policy from Pomona College, which is consistently rated as one of the top ten private colleges in the country.



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

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

