

Report for:

NOD Study Areas Economic Analysis South Bay Cities

Prepared for: SCAG

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Table of Contents

Executive Summary	iii
Introduction	1
Study Area Market Profiles	3
Rosecrans and Normandie Intersection	3
PCH Corridor	7
Inglewood Avenue Corridor	12
Regional Real Estate Analysis	17
Retail	17
Office	23
Residential	26
Applied NOD Demand Analysis	28
Rosecrans and Normandie Intersection	28
PCH Corridor	38
Inglewood Avenue Corridor	42
Other Demand Considerations	46
Appendix	50

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Executive Summary

The South Bay Subregion: NOD Feasibility Study for the South Bay Cities Council of Governments (SBCCOG) and the Southern California Association of Governments (SCAG) NOD Feasibility Study is intended to further the understanding of the economics of compact neighborhood centers and determine how future NOD can be leveraged to achieve the goals set forth in the SSBS as demonstrated by evaluating the Study Areas. Task 4, this third and final report applies the NOD concept to the main study area, the Rosecrans and Normandie Intersection, and alternative study areas, a 1.25 mile section of PCH in Hermosa Beach and Inglewood Avenue between Century Boulevard and Imperial Highway.

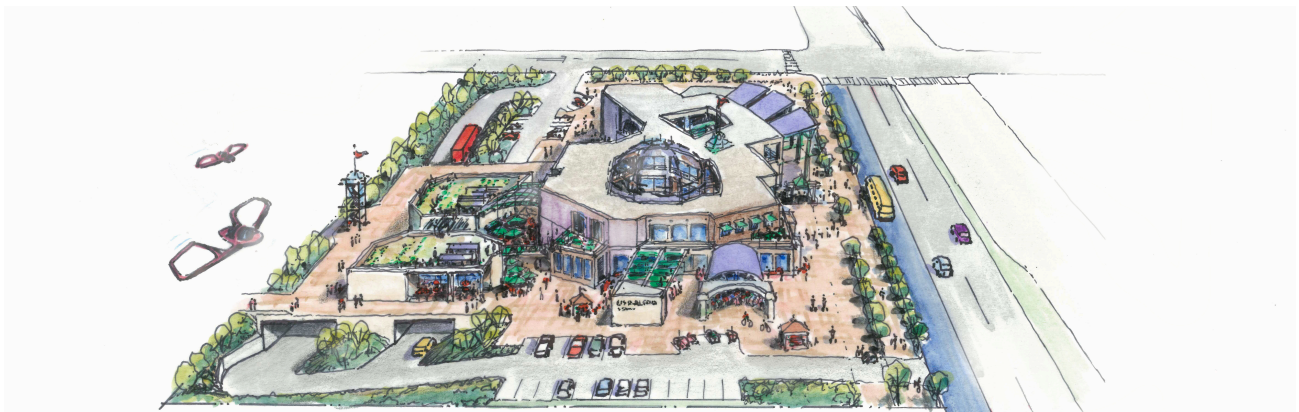
Findings

A principal objective of this analysis is to evaluate market potentials for retail formats which could draw a high proportion of their support from pedestrian, bicycle, and electric vehicle transportation, thus reducing automobile trips and total miles driven for commercial trips. Based on our analysis, Pro Forma believes there is potential for the NOD concept to fundamentally reshape the design and tenanting of strip/neighborhood retail shopping centers. However, its delivery will have some inherent challenges in the areas we studied in the South Bay.

In our last phase of analysis, we identified a market opportunity for a pedestrian serving mixed-use center (retail, office, personal services) drawing a majority of support from within a half-mile radius. The concept was to provide consumers with a diverse mix of retail and personal services as well as have a limited amount of office space that would create an attractive environment that would generate a large volume of repeat visitation from non-vehicular based trip modes.

A general prototype for a NOD complex could range from 30,000 to 50,000 square feet in size (although some would be larger or smaller), likely anchored by a small format grocery/limited general merchandise store along with a variety of other smaller common short trip stores. We believe that the successful emergence of these smaller format retailers is paramount to the success of the NOD concept. To compete with existing conventional, automotive-oriented retail, the NOD center will require the emergence of new formats for retail merchandise stores, probably in the 500 to 5,000 square feet size range, including clothing, shoes, technology items, or other specialty merchandise that could pair with various personal services and food and beverage offerings that currently operate in small formats.

NOD will require the emergence of new, smaller format retail merchandise stores



Source: RBF

In the following pages we set forth market demands for prototype facilities at the three sites under consideration based on our commercial market analysis. At present, the population densities and buying power at the Rosecrans and Normandie intersection site and at the Inglewood Corridor site could provide sufficient market support for a pedestrian oriented facility given current supply and NOD demand assumptions. However, they are not financially viable given current cost and revenue assumptions and would require significant support from outside the half mile area in order to achieve established sales per square foot targets. In contrast the PCH Corridor site, located in Hermosa Beach, has enough population density and buying power to support a financially feasible NOD within close proximity to an illustrative site location, but has practical difficulties in terms of land availability and existing oversupply of competitive facilities.

Our demand analysis also demonstrates the importance of effective capture of the quarter mile market area. A challenge to the NOD concept will be delivering a product that will fundamentally change mode choices. While the half-mile area is widely considered the

outward bound of pedestrian travel, we anticipate that the quarter-mile radius will provide the most pedestrian based users. We also believe that further use of bicycles (or bicycle street infrastructure that encourages bike ridership) and the proliferation of neighborhood electric vehicles will be critical for long term NOD success. Mid-range electric vehicles, or other non-auto options, will also be acutely important for NOD to evolve into a number of centers with unique specializations working as a network within the larger South Bay area.

NODs must provide an attractive well designed environment residents want to visit

To succeed the NOD must somehow become the stylish, cool place to be. We believe it will be important that the physical design and branding of the initial center help create synergies with the diverse new format tenant mix. Furthermore, any allowance of new residential to replace mid-corridor under-performing retail would be beneficial to a NOD concept in a number of significant ways. First, it would add some population density within the most likely active pedestrian market shed (quarter mile area). Second, it would eliminate retail supply. In some cases, this will provide opportunities to focus new retail supply that can achieve higher sales per square foot within a smaller floor plate at targeted NOD locations. Finally, it may alter the perception of some corridors as a more pedestrian friendly environment.

Allowance for new residential to replace mid corridor under-performing retail will be beneficial to the NOD concept

It is important to note that the emergence of new retail forms is not unprecedented. As noted in subsequent analysis, many retailers are exploring these new small formats as a way to penetrate markets they previously could not gain entry to. Other evolving retail formats include the Apple Store, which in many ways revolutionized the way a retailer could construct an interface with their consumers while protecting their brand. The Apple Store currently has the highest sales per square foot sales of any retailer, over twice Tiffany and Co. (the second highest). Finally, Rick Caruso (who conceived of the Grove in Los Angeles and developed it) studied streets around the world and appropriated the most attractive and comforting elements from places people like to walk. His concept, along with other lifestyle centers that entered the market over a decade ago, has radically redesigned the way malls are built throughout the country putting the pedestrian experience at the forefront of the consumer experience. These and other examples help support the notion that the market desires a more walkable, small-format retail experience.

While we found the NOD concept is technically feasible, it not likely achievable at the present time at the site locations under evaluation. A potential strategy might be to target NOD in coastal communities that benefit from higher densities and household incomes and also have residents who are used to operating in a constrained parking environment. The success of one NOD center that can effectively charge rent premiums over comparable strip/neighborhood retail shopping centers will provide a model for other developers to repeat the development prototype throughout the South Bay. Local cities could encourage the development typology by reducing parking standards or providing additional development incentives. Other strategies might include shared parking facilities that could be used by multiple NOD tenants. In all, the concept can be adjusted to fit specific market potentials throughout the South Bay. Further research would be required to find alternative site locations where the concept is both marketable and financially feasible. Previous research, which included a housing component on the Marine Avenue Corridor located in the cities of Lawndale and Hawthorne previously, confirmed the NOD concept based on a larger corridor development program.

**Emergence of new
retail formats is not
unprecedented**

Introduction

The Compass Blueprint Program identifies that a modest change in just two percent of the land area in Southern California can be leveraged to produce significant positive results in terms of efficient mobility, improved air quality, enhanced livability, and sustained prosperity in the region. The key element of the strategy is to encourage the creation of dense, walkable centers where residents can live, work, and shop.

The actual implementation of these strategies, however, has to happen locally, with policy changes that work for local jurisdictions. Realizing that the region's fragmented jurisdictional construct, with each city trying to maintain its own interests and competing for limited fiscal resources, SCAG has engaged its sub-regional council of governments and their member cities to look at specific opportunity areas within the region in a manner that is cognizant of issues related to each community. If development options for these opportunity areas take into account local issues and deliver solutions that also fulfill the Compass Blueprint goals, then it is a true win-win scenario.

In response to Compass Blueprint and SB 375 the SBCCOG has developed a unique mobility and land use strategy that considers both the suburban context of the South Bay region and the limited public transit service infrastructure required to support traditional transit oriented development (TOD) strategies. The research conducted to address these challenges, which has been ongoing since 2004, culminated in the adoption of an alternative mobility and land use strategy known as the Sustainable South Bay Strategy (SSBS). The SSBS is the basis for a sub-regional Sustainable Communities Strategy consistent with SB 375.

The Sustainable South Bay Strategy and Neighborhood Oriented Development (NOD)

The mobility strategy is based on creating policy that supports various alternative forms of transportation that includes encouraging residents to utilize public transportation, walking, bicycling, and local use vehicles (LUV). The land use component is based on promoting a neighborhood oriented development (NOD) strategy. NOD refers to a process of developing a compact, mixed commercial node in the center of each residential neighborhood that will provide a cluster of commercial destinations within walking distance of every residence. Most South Bay cities are organized around a grid street pattern of major arterials at one mile intervals. Those major intersections are the candidates for NOD.

As such, the existing urban pattern in the South Bay can produce a number of walkable centers in a three (3) mile square, which is also at a distance consistent with LUV use. Past SBCCOG research suggests that these development priority areas should be targeted where the buildings are old with low assessed value compared to the underlying property and where the nearest major intersection contains low density, auto oriented destinations. Using this strategy, these centers should be capable of collectively capturing a significant portion of residents' trips, which supports Compass Blueprint goals without increasing the residential density in the South Bay region.

Neighborhood Oriented Development Feasibility Study

This study is intended to further the understanding of the economics of compact neighborhood centers and determine how future NOD can be leveraged to achieve the goals set forth in the SSBS as demonstrated by evaluating the Study Areas. Through three reports the NOD Feasibility study analyzes the economics that will shape future Neighborhood Oriented Development (NOD) in the South Bay.

This first report, the Base Conditions Report, documents and evaluates the existing conditions of three Study Areas: (1) the Rosecrans and Normandie Intersection in the City of Gardena; (2) 1.25 miles of the Pacific Coast Highway between Artesia Boulevard and Anita

Street in the City of Hermosa Beach (PCH Corridor); and (3) Inglewood Avenue, located between Century Boulevard and Imperial Highway, in the Lennox district of the unincorporated area of Los Angeles County represents the final study area (Inglewood Avenue Corridor).

The second report, NOD Economics, explores the required economics to create a functioning neighborhood oriented development. The report explore neighborhood functions that may be included in an NOD based on demand and travel behavior, reviews future retail development trends, and establishes the size and parameters for retail, service, and business-oriented uses in an illustrative NOD.

In this third and final report, NOD Study Areas Economic Analysis Report, the illustrative NOD is applied to the three study areas. We first summarize current market conditions in each study area that will impact the feasibility of NOD. The focus of the applied analysis will be the application of NOD within the Rosecrans and Normandie Study Area. In general, we use the Rosecrans and Normandie study area as well as the other study areas as case studies to estimate near-term potential of NOD in the South Bay. This analysis is Task 4 of the South Bay Subregion: NOD Feasibility Study for the South Bay Cities Council of Governments (SBCCOG) and the Southern California Association of Governments (SCAG).

Study Area Market Profiles

In the following section, Pro Forma Advisors has identified key socioeconomic indicators to better understand NOD potential in the various South Bay studies area. Specifically, this report includes population, household, income, and age data from the US Census gathered via ESRI, as well as SCAG Regional Transportation Forecast data to project households and populations in each of the geographic areas. Geographies analyzed include a half-mile radius of each of the intersections, which represents the areas in which residents can walk to the NOD node and a three-mile radius of each of the intersections, which coincides with the 3-mile average trip of a Local Use Vehicle (LUV). The city or other county jurisdiction data is also provided as a benchmark for understanding the scale and context of each of the study areas.

Rosecrans and Normandie Intersection

Demographics

Population and Households

There are 12,600 residents living within 4,200 households within the half-mile of the Rosecrans and Normandie intersection. This specific 1/2 mile area has a lower household count than other areas because almost a quarter of the area is used for industrial and other commercial uses.

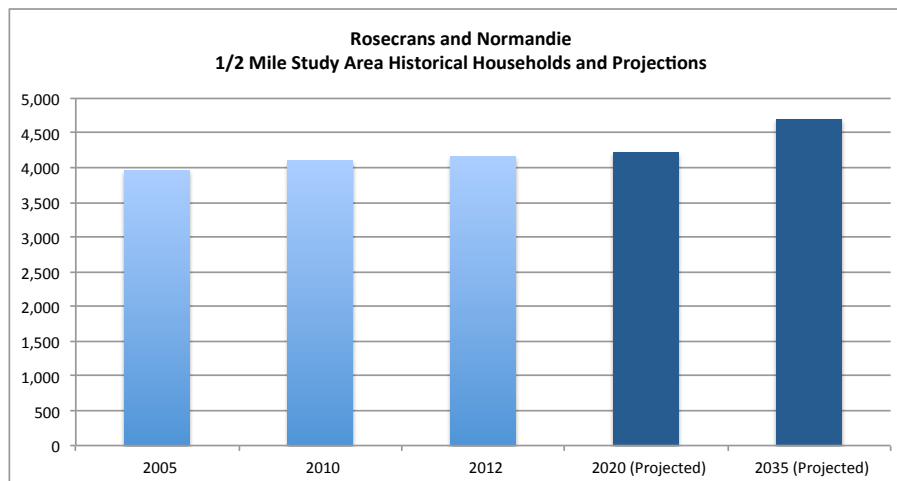
Across the next 25 years, the 1/2 mile area is expected to add 1,600 residents in 540 households.

The three mile focus area is substantially larger with almost 280,000 residents in 87,000 households. The three mile focus area extends up to Inglewood, to Wilmington Avenue, encompassing West Compton, and much of Compton, beyond the 405 to the south and west, encompassing all of the City of Gardena as well as North Torrance, Lawndale, and Hawthorne. The larger 3-mile area will add 41,000 new residents in approximately 12,000 new households.

Rosecrans and Normandie Intersection Population and Households

Population	2000	2010	2012	2020 /1	2035 /1	Historical CAGR '00 - '12	Projected CAGR '12 - '35
Population							
1/2-Mile Focus Area	12,245	12,442	12,610	12,758	14,259	0.25%	0.5%
3-Mile Focus Area	270,459	273,590	276,003	283,822	317,197	0.17%	0.6%
City of Gardena	57,860	58,829	59,003	59,700	66,200	0.16%	0.5%
Households							
1/2 Mile Focus Area	3,956	4,108	4,159	4,221	4,699	0.4%	0.5%
3-Mile Focus Area	86,495	86,853	87,428	90,065	98,935	0.1%	0.5%
City of Gardena	20,382	20,558	20,583	21,000	23,200	0.1%	5.2%

1/ 1/2 Mile and 3-Mile focus area projections are based on anticipated rate of household growth from approximated areas using SCAG TAZ data.



Source: ESRI, SCAG, Pro Forma Advisors

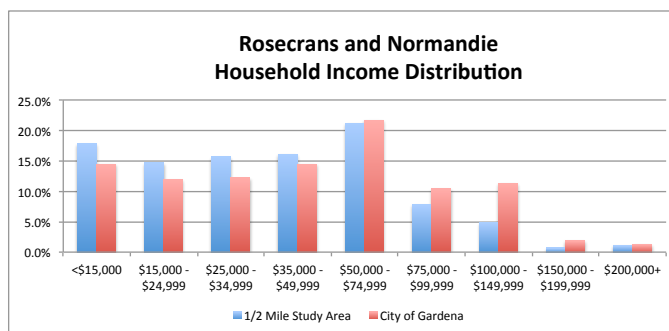
Income

The 1/2 mile area has an average household income of \$46,000, almost 20 percent lower than the City of Gardena. As shown in the chart, the 1/2 mile area has a larger share of households making under \$50,000 relative to the City. The area's income is also 36 percent lower than Los Angeles County's average household income of \$73,000.

The 3-mile focus area income is closer inline with the City of Gardena's at an average of \$54,000 per household.

Rosecrans and Normandie Intersection Household Income

2012 Household Income	1/2 Mile Focus Area	3-Mile Focus Area	City of Gardena
Average Household Income	\$46,470	\$54,480	\$57,387



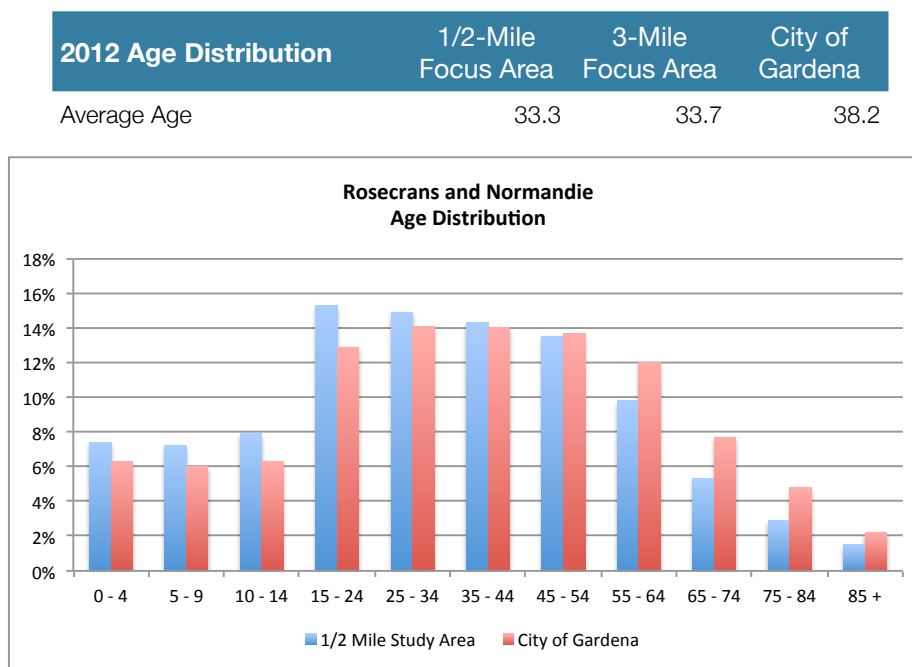
Source: US Census, ESRI, Pro Forma Advisors

Age

The average age in the 1/2 mile study area is 33.3, almost 5 years less than the average in Gardena. The area has 27 percent of its residents under 18 relative to only 22 percent in the City.

The 3-mile area is in line with the 1/2 mile area, with an average age of 33.7 years.

Rosecrans and Normandie Intersection Age Distribution



Source: US Census, ESRI, Pro Forma Advisors

In-Place Employment

Existing Neighborhood Functions will provide competition for new NOD. Conversely, additional retail and personal services can be supported by existing in-place employment within the various study area. Pro Forma utilized InfoUSA to attain current estimates for in-place jobs and firm information by NAICS code. The following table presents a summary of all reported businesses within a half-mile of the Rosecrans and Normandie intersection. In this case, the summary level data will be scrutinized in more detail in subsequent portions of the analysis. However, there are couple key takeaways from this broader level of information. First, the ratio of employment to residents is approximate 40 percent (total estimated in-place employment divided by total estimated population. This ratio closely resembles the countywide ratio, which is approximately 40 percent. This suggests that the Rosecrans and Normandie Study Area has fairly even distribution of households and employment in the area despite the separation of land uses that characterizes the half-mile area. Second, the data help illustrate the industrial character of the employment base, which was discussed in relation to the land use analysis. While there is a significant number of jobs the NOD might be challenged to attract these workers due to the concentration of businesses in the northwest area of the half-mile focus area, which is challenged by access issues to the intersection.

Rosecrans and Normandie Intersection In-Place Jobs

In-Place Jobs by Industry 1/2 Mile (NAICS)	Firms	Percent	Jobs	Percent
Agriculture, Forestry, Fishing & Hunting	1	0.2%	2	0.0%
Mining	0	0.0%	0	0.0%
Utilities	0	0.0%	0	0.0%
Construction	19	6.1%	89	1.8%
Manufacturing	48	15.4%	1,614	33.2%
Wholesale Trade	38	12.3%	465	9.6%
Retail Trade	51	16.5%	434	8.9%
Motor Vehicle & Parts Dealers	10	3.3%	60	1.2%
Furniture & Home Furnishings Stores	3	1.0%	42	0.9%
Electronics & Appliance Stores	4	1.3%	125	2.6%
Bldg Material & Garden Equipment & Supplies Dealers	1	0.5%	64	1.3%
Food & Beverage Stores	8	2.5%	26	0.5%
Health & Personal Care Stores	4	1.3%	22	0.4%
Gasoline Stations	2	0.6%	10	0.2%
Clothing & Clothing Accessories Stores	4	1.4%	16	0.3%
Sport Goods, Hobby, Book, & Music Stores	5	1.6%	14	0.3%
General Merchandise Stores	3	0.8%	13	0.3%
Miscellaneous Store Retailers	5	1.7%	39	0.8%
Nonstore Retailers	2	0.5%	4	0.1%
Transportation & Warehousing	14	4.5%	488	10.0%
Information	3	1.1%	14	0.3%
Finance & Insurance	7	2.4%	55	1.1%
Real Estate, Rental & Leasing	10	3.1%	47	1.0%
Professional, Scientific & Tech Services	14	4.5%	80	1.6%
Management of Companies & Enterprises	0	0.0%	0	0.0%
Administrative & Support & Waste Management & Remediation Services	11	3.6%	208	4.3%
Educational Services	1	0.2%	62	1.3%
Health Care & Social Assistance	11	3.5%	186	3.8%
Arts, Entertainment & Recreation	3	1.1%	588	12.1%
Accommodation & Food Services	22	7.1%	231	4.7%

In-Place Jobs by Industry 1/2 Mile (NAICS)	Firms	Percent	Jobs	Percent
Accommodation	3	0.9%	6	0.1%
Food Services & Drinking Places	19	6.2%	225	4.6%
Other Services (except Public Administration)	44	14.0%	198	4.1%
Automotive Repair & Maintenance	20	6.3%	82	1.7%
Public Administration	2	0.7%	22	0.5%
Unclassified Establishments	12	3.8%	83	1.7%
Total	311	100%	4,866	100%

Source: InfoUSA, Pro Forma Advisors

PCH Corridor

Demographics

Population and Households

The PCH Corridor 1/2 Mile Focus Area has approximately 28,000 residents in 12,700 households. The half-mile focus area extends beyond the City of Hermosa Beach boundaries into Manhattan Beach to the north and Redondo Beach to the east and south. The City of Hermosa Beach has almost 20,000 residents in 9,700 households. It is worth noting that Hermosa Beach has a small average household size of 2.05. The half-mile area is only slightly higher at 2.19 persons per household.

Between 2012 and 2035, the PCH Corridor 1/2 Mile Focus Area is expected to add only 780 new residents in 253 new households. Also, SCAG does not project any growth for the area in the long term.

The PCH Corridor 3-Mile Focus Area encompasses the majority of the coastal cities from El Segundo to Torrance. The area includes more than half of the City of Torrance. The PCH 3-Mile Focus Area includes 270,000 residents in approximately 110,000 households.

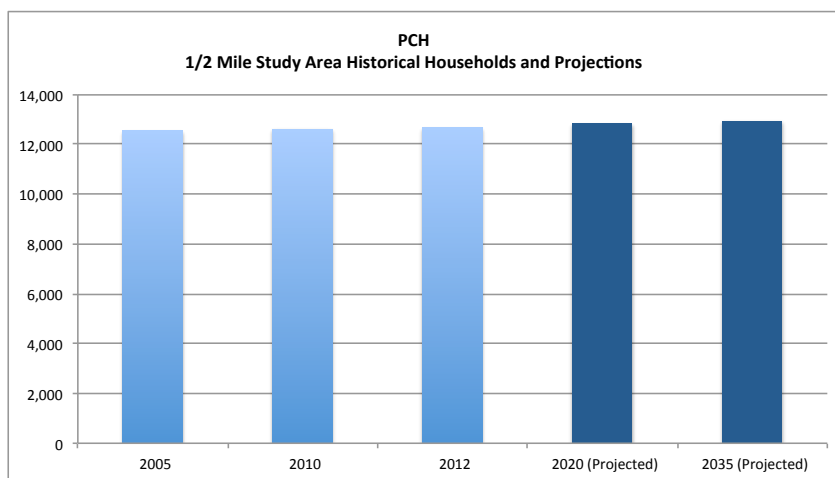
The PCH Corridor 3-Mile Focus Area is expected to add 20,000 new residents in 6,200 new households between 2012 and 2035.



PCH Corridor Population and Households

Population	2000	2010	2012	2020 /1	2035 /1	Historical CAGR '00 - '12	Projected CAGR '12 - '35
Population							
1/2-Mile Focus Area	26,350	27,677	27,882	28,258	28,658	0.47%	0.1%
3-Mile Focus Area	256,236	267,200	268,782	276,012	289,712	0.40%	0.3%
Hermosa Beach	18,566	19,506	19,780	19,600	19,700	0.53%	0.0%
Households							
1/2 Mile Focus Area	12,551	12,610	12,681	12,842	12,934	0.1%	0.1%
3-Mile Focus Area	104,119	104,887	105,294	107,928	111,481	0.1%	0.2%
Hermosa Beach	9,476	9,550	9,663	9,600	9,600	0.2%	3.1%

1/ 1/2 Mile and 3-Mile focus area projections are based on anticipated rate of household growth from approximated areas using SCAG TAZ data.



Source: ESRI, SCAG, Pro Forma Advisors

Income

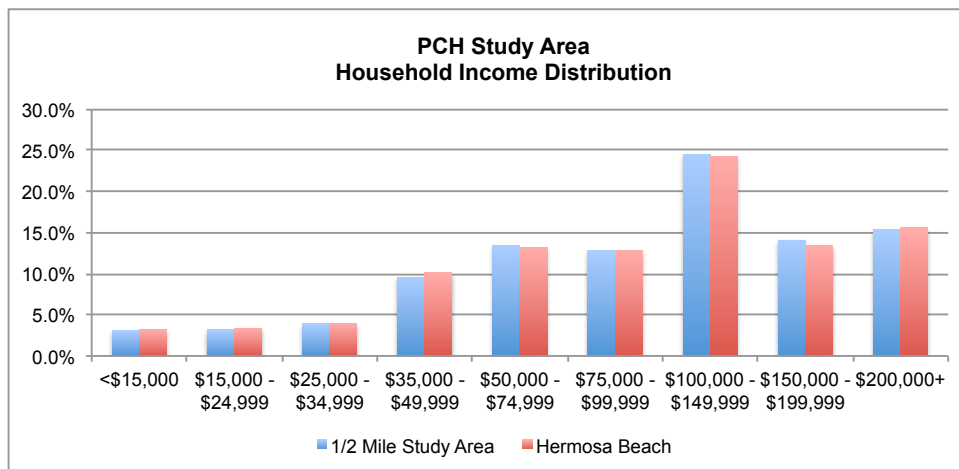
Many of the South Bay coastal cities have very strong average household income. The PCH Corridor 1/2 Mile Focus Area has an average household income of \$126,000, a very similar figure to the city of Hermosa Beach. These stronger incomes may be helpful for the NOD strategy in that there may likely be a larger amount of spending for the households.

In the larger 3-Mile Focus Area household income is \$54,000. While this is less than half the average household income in the PCH Corridor 1/2 Mile area this figure is more in line with the County of Los Angeles average income.



PCH Corridor Household Income

2012 Household Income	1/2 Mile Focus Area	3-Mile Focus Area	Hermosa Beach
Average Household Income	\$126,210	\$54,480	\$125,655



Source: US Census, ESRI, Pro Forma Advisors

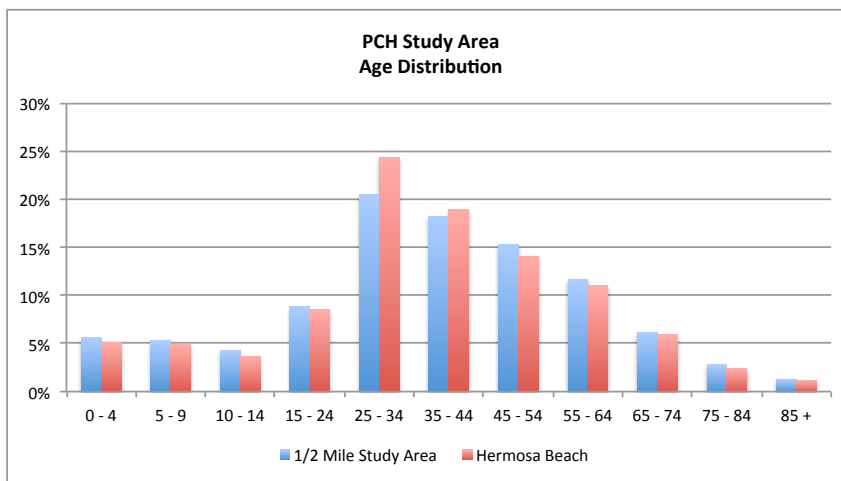
Age

The average age in the PCH Corridor 1/2 Mile Focus Area is 33.3. This is almost 4 years younger than the City of Hermosa Beach. The 3-Mile Focus Area's average age is inline with the PCH Corridor 1/2 Mile Focus Area, at 33.7.

All of the geographies have less than 1 in 5 residents under the age of 18, but there is a larger share of residents in the 25 to 34 category than most communities.

PCH Corridor Age Distribution

2012 Age Distribution	1/2-Mile Focus Area	3-Mile Focus Area	Hermosa Beach
Average Age	33.3	33.7	36.9



Source: US Census, ESRI, Pro Forma Advisors

In-Place Employment

The PCH Corridor half-mile area, similar to the Rosecrans and Normandie half-mile area, has a relatively similar balance between in-place employment and residents. In the PCH Corridor half-mile area, there is a slightly lower ratio of in-place employment to population with the area's estimated employment/population ratio equalling approximately 36 percent. Major employment concentrations within the half-mile include retail trade and food services along PCH and in the beach area. Unlike the Rosecrans and Normandie half-mile area, where the development options are focused at an intersection, this half-mile area is much larger geographically and is illustrative of the half-mile area around the corridor. Similar to many areas throughout the South Bay, there is no defined employment center within the PCH area. Rather businesses and jobs are dispersed throughout the area. Specific areas targeted for NOD will have to be further evaluated to better understand the in-place employment dynamics at play for that location.

PCH Corridor In-Place Employment

In-Place Jobs by Industry 1/2 Mile (NAICS)	Firms	Percent	Jobs	Percent
Agriculture, Forestry, Fishing & Hunting	6	0.4%	9	0.1%
Mining	0	0.0%	0	0.0%
Utilities	2	0.1%	55	0.5%
Construction	102	5.9%	330	2.8%
Manufacturing	23	1.3%	81	0.7%
Wholesale Trade	48	2.8%	244	2.1%
Retail Trade	234	13.6%	1,262	10.9%
Motor Vehicle & Parts Dealers	19	1.1%	98	0.8%
Furniture & Home Furnishings Stores	8	0.5%	37	0.3%
Electronics & Appliance Stores	27	1.6%	77	0.7%

Market Profile

In-Place Jobs by Industry 1/2 Mile (NAICS)	Firms	Percent	Jobs	Percent
Bldg Material & Garden Equipment & Supplies Dealers	19	1.1%	82	0.7%
Food & Beverage Stores	29	1.7%	327	2.8%
Health & Personal Care Stores	14	0.8%	68	0.6%
Gasoline Stations	3	0.2%	15	0.1%
Clothing & Clothing Accessories Stores	32	1.9%	108	0.9%
Sport Goods, Hobby, Book, & Music Stores	29	1.7%	232	2.0%
General Merchandise Stores	7	0.4%	51	0.4%
Miscellaneous Store Retailers	46	2.7%	167	1.4%
Nonstore Retailers	1	0.0%	1	0.0%
Transportation & Warehousing	32	1.9%	353	3.0%
Information	38	2.2%	173	1.5%
Finance & Insurance	126	7.3%	551	4.8%
Real Estate, Rental & Leasing	115	6.7%	754	6.5%
Professional, Scientific & Tech Services	235	13.6%	926	8.0%
Management of Companies & Enterprises	0	0.0%	2	0.0%
Administrative & Support & Waste Management & Remediation Services	84	4.9%	329	2.8%
Educational Services	54	3.1%	893	7.7%
Health Care & Social Assistance	83	4.8%	699	6.0%
Arts, Entertainment & Recreation	45	2.6%	321	2.8%
Accommodation & Food Services	167	9.7%	2,563	22.1%
Accommodation	15	0.9%	278	2.4%
Food Services & Drinking Places	153	8.9%	2,285	19.7%
Other Services (except Public Administration)	233	13.5%	1,024	8.8%
Automotive Repair & Maintenance	61	3.6%	205	1.8%
Public Administration	35	2.1%	833	7.2%
Unclassified Establishments	60	3.5%	189	1.6%
Total	1,722	100%	11,591	100%

Source: InfoUSA, Pro Forma Advisors

Inglewood Avenue Corridor

Demographics

Population and Households

The Inglewood Avenue Corridor 1/2-Mile Focus Area has a population of approximately 32,000 in 8,500 households. The half-mile area extends beyond the boundaries of the Lennox Census Designated Place (CDP), an unincorporated area of Los Angeles County. The area has a large persons per household figure of 3.89, 30 percent higher than the Los Angeles County average of 2.98 persons per household. Thus the area may have a higher persons per acre density than other areas.

All geographies have lost residents between 2000 and 2010. However, in the Inglewood 1/2 Mile Area this may be largely due to smaller household sizes, as the area did gain households between the period.

Between 2012 and 2035, the Inglewood Avenue 1/2-Mile Focus Area is expected to gain 6,100 new residents and 1,300 new households.

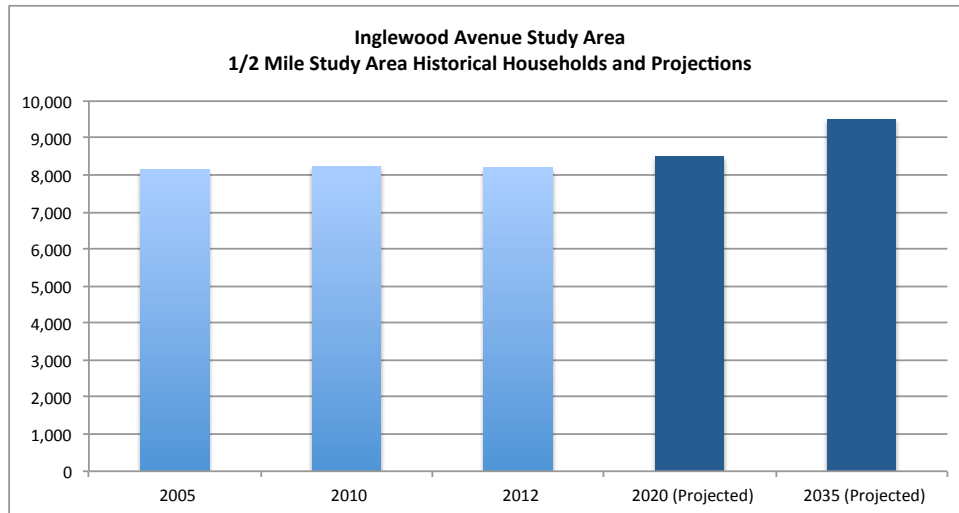
The Inglewood Avenue 3-Mile Focus Area contains 360,000 residents in 120,000 households. The area extends up to Slauson Avenue to the north (and just touches the southern tip of Culver City), to Normandie Avenue on the east, Manhattan Beach Boulevard to the south, and the Pacific Coast Highway to the west, encompassing the City of Inglewood, Hawthorne, and the majority of El Segundo.

Between 2012 and 2035, the Inglewood Avenue 3-Mile Focus Area is expected to add 36,000 new residents and 12,000 new households.

Inglewood Avenue Corridor Population and Households

Population	2000	2010	2012	2020 /1	2035 /1	Historical CAGR '00 - '12	Projected CAGR '12 - '35
Population							
1/2-Mile Focus Area	32,687	32,154	32,143	33,414	38,248	-0.14%	0.8%
3-Mile Focus Area	327,458	321,659	321,722	331,441	358,079	-0.15%	0.5%
Lennox CDP	23,262	22,753	22,966	24,121	30,187	-0.11%	1.2%
Households							
1/2 Mile Focus Area	8,146	8,222	8,195	8,494	9,506	0.05%	0.6%
3-Mile Focus Area	110,719	109,158	109,041	112,696	120,724	-0.13%	0.4%
Lennox CDP	5,163	5,250	5,289	5,561	6,831	0.20%	7.9%

1/ 1/2 Mile and 3-Mile focus area projections are based on anticipated rate of household growth from approximated areas using SCAG TAZ data.



Source: ESRI, SCAG, Pro Forma Advisors

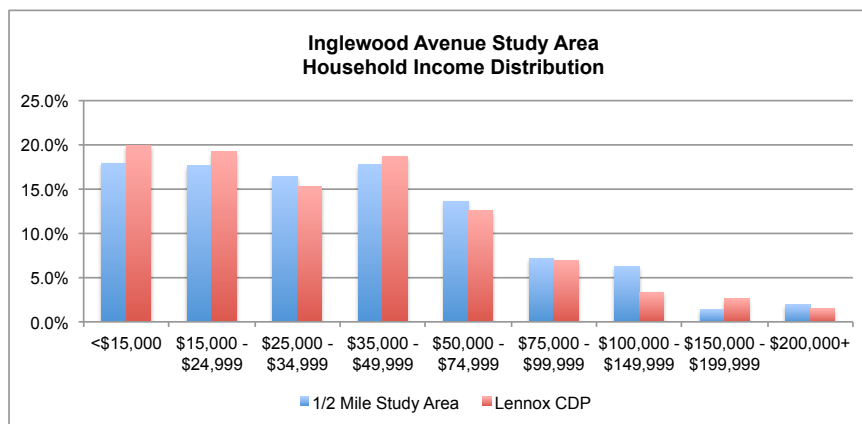
Income

The Inglewood Avenue 1/2-Mile Focus Area has an average household income of \$48,000. The Lennox CDP's average household income is slightly lower at \$45,000. These Inglewood Avenue focus areas have average household incomes relatively lower than the other study areas and Los Angeles County's estimated 2012 average of \$73,000. This is due to the larger share of low-income households. In the Inglewood 1/2 Mile Area 52 percent of households make under \$35,000.

The Inglewood Avenue 3-Mile Focus Area has a somewhat higher average household income of \$62,000. 40 percent of households make under \$35,000, while the majority of households have incomes greater than \$50,000 annually.

Inglewood Avenue Corridor Household Income

2012 Household Income	1/2 Mile Focus Area	3-Mile Focus Area	Lennox CDP
Average Household Income	\$48,024	\$61,512	\$44,848



Source: US Census, ESRI, Pro Forma Advisors

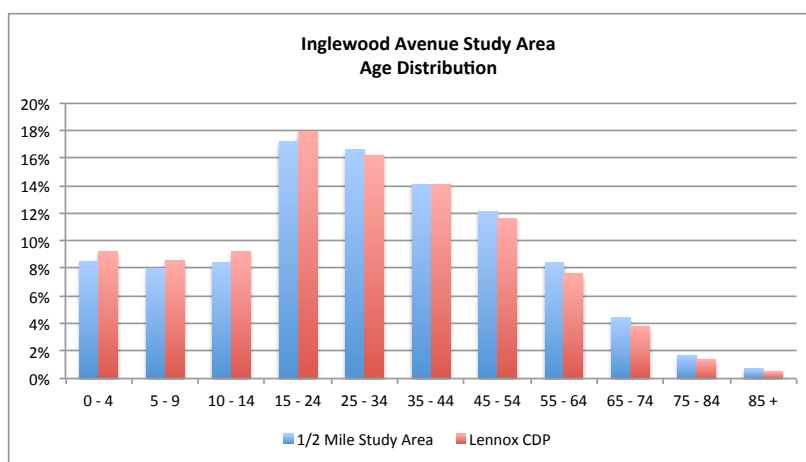
Age

The Inglewood Avenue 1/2 Mile Focus Area and the Lennox CDP have a much younger population than the other study areas. The Inglewood Avenue 1/2 Mile Focus Area has an average age of 29.7, while the Lennox CDP has an average age of 28.0. Approximately a third of the population is under the age of 18 in both the half-mile area and Lennox CDP.

With an average age of 33.8, the Inglewood Avenue 3-Mile Focus Area is more in line with the average age of the other study areas.

Inglewood Avenue Corridor Age Distribution

2012 Age Distribution	1/2-Mile Focus Area	3-Mile Focus Area	Lennox CDP
Average Age	29.7	33.8	28.0



Source: US Census, ESRI, Pro Forma Advisors

In-Place Employment

The Inglewood Avenue half-mile area, unlike Rosecrans and Normandie and the PCH half-mile area, has a significantly higher number of residents relative to in-place jobs. The area's estimated employment/population ratio is approximately 16 percent. There are a number of employment concentrations that include retail trade, transportation & warehousing, educational services, health care & social assistance, and food services & drinking places. In this case, employment uses area almost exclusively located along arterials and distributed throughout the study area. We would anticipate the ratio of in-place employment to residents would decrease even further at specific locations along Inglewood Avenue. This may also provide opportunities for specific Neighborhood Functions that are not currently servicing the study area's residents. Specific sites will have to be further evaluated to better understand the in-place employment and associated firms in terms of relative competition and employee support to future NOD.

Inglewood Avenue Corridor In-Place Jobs

In-Place Jobs by Industry 1/2 Mile (NAICS)	Firms	Percent	Jobs	Percent
Agriculture, Forestry, Fishing & Hunting	0	0.0%	0	0.0%
Mining	0	0.0%	0	0.0%
Utilities	1	0.1%	2	0.0%
Construction	22	3.2%	97	1.9%
Manufacturing	19	2.7%	101	2.0%
Wholesale Trade	33	4.9%	143	2.8%
Retail Trade	130	19.1%	639	12.7%
Motor Vehicle & Parts Dealers	18	2.6%	57	1.1%
Furniture & Home Furnishings Stores	7	1.0%	20	0.4%
Electronics & Appliance Stores	8	1.2%	47	0.9%
Bldg Material & Garden Equipment & Supplies Dealers	6	0.8%	28	0.6%
Food & Beverage Stores	35	5.2%	231	4.6%
Health & Personal Care Stores	9	1.4%	80	1.6%
Gasoline Stations	7	1.0%	31	0.6%
Clothing & Clothing Accessories Stores	14	2.0%	44	0.9%
Sport Goods, Hobby, Book, & Music Stores	5	0.7%	12	0.2%
General Merchandise Stores	5	0.7%	48	1.0%
Miscellaneous Store Retailers	16	2.4%	35	0.7%
Nonstore Retailers	2	0.2%	3	0.1%
Transportation & Warehousing	59	8.6%	430	8.6%
Information	8	1.2%	55	1.1%

Market Profile

In-Place Jobs by Industry 1/2 Mile (NAICS)	Firms	Percent	Jobs	Percent
Finance & Insurance	32	4.6%	117	2.3%
Real Estate, Rental & Leasing	39	5.7%	169	3.4%
Professional, Scientific & Tech Services	67	9.8%	301	6.0%
Management of Companies & Enterprises	1	0.1%	4	0.1%
Administrative & Support & Waste Management & Remediation Services	33	4.8%	193	3.8%
Educational Services	10	1.4%	730	14.5%
Health Care & Social Assistance	51	7.5%	855	17.0%
Arts, Entertainment & Recreation	3	0.5%	7	0.1%
Accommodation & Food Services	70	10.3%	722	14.4%
Accommodation	12	1.7%	155	3.1%
Food Services & Drinking Places	58	8.6%	568	11.3%
Other Services (except Public Administration)	97	14.2%	322	6.4%
Automotive Repair & Maintenance	30	4.4%	120	2.4%
Public Administration	2	0.3%	94	1.9%
Unclassified Establishments	7	1.0%	41	0.8%
Total	684	100%	5,022	100%

Source: InfoUSA, Pro Forma Advisors

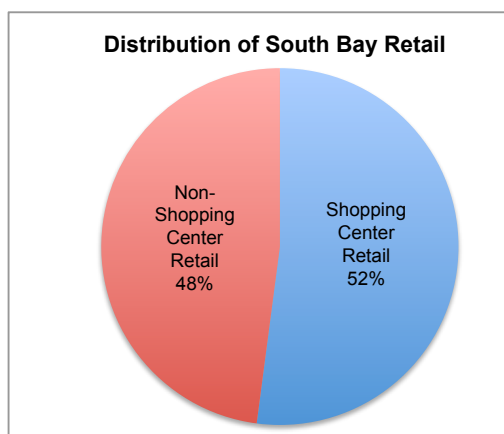
Regional Real Estate Analysis

To better understand the context of each of the study areas, the Regional Real Estate Analysis provides a regional overview of retail, office, and residential land uses. The analysis evaluates real estate performance in the South Bay and within the study area cities of Gardena, Hermosa Beach, and the unincorporated Lennox community.

Retail

South Bay Trends

Throughout the South Bay market there is 35.5 million square feet of retail located in shopping centers and 32.7 million square feet of retail located outside of shopping centers. Retail located outside of a shopping center can be stand-alone, small to large retail boxes, such as the Starbucks on Artesia Boulevard in Redondo Beach or Target on W. Redondo Boulevard in Gardena, but is often small-scale storefront retail such as found along Hawthorne Boulevard. As to be expected, the average building size of retail located outside of a shopping center was approximately 6,900 square feet at the end of 2012, while the average size of buildings (not the complete property) was 23,000 square feet for retail in a shopping center.



South Bay Shopping Center Retail

The South Bay has a strong retail market. Before the recession, South Bay shopping center retail had an extremely low vacancy rate of 2.0 percent in 2006. Vacancies rate doubled between 2006 and 2009 and have slowly crept higher, but overall remain very low. The South Bay's current vacancy rate of 4.5 percent is 135 basis points below the Los Angeles average market.

1.5 million square feet of retail has been delivered within the South Bay between 2006 and 2012 and, on a net basis, 431,000 square feet of new shopping center retail has been occupied. While occupancy has remained fairly strong, the impacts of the recession can be seen in changes in average rents. Rents peaked at almost \$27.00 per square foot in 2007, falling to approximately \$23.00 per square foot in 2010. With improvements in the economy rents have fluctuated at approximately \$24.00 per square foot.

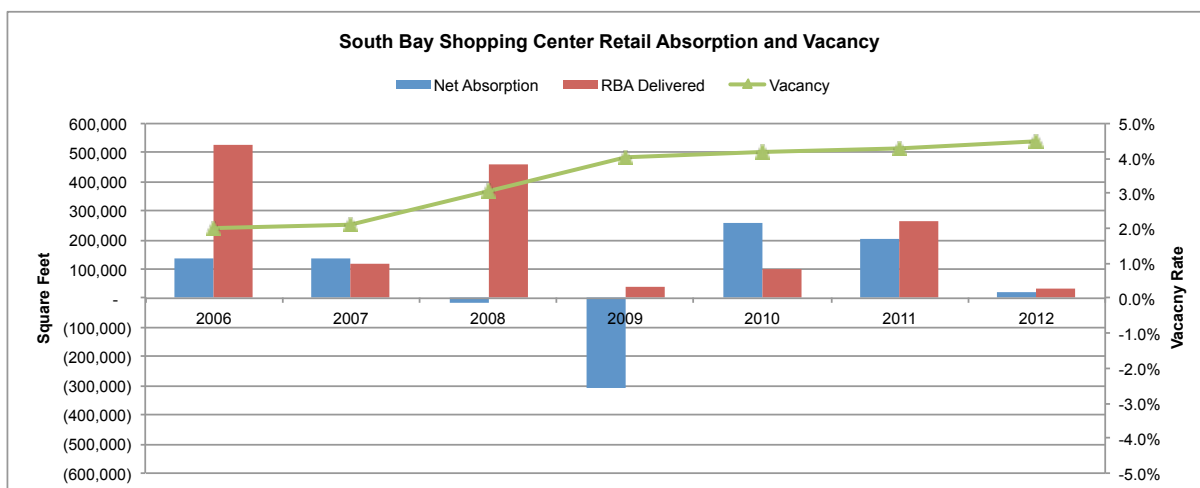
South Bay Non-Shopping Center Retail

Non-shopping center retail has performed in the same fashion as shopping center retail across the last six years.

Approximately 1.2 million square feet of non-shopping center retail space has been delivered to market since 2006, almost 80 percent of deliveries between 2006 and 2009. Before the recession 800,000 square feet of space was absorbed, but since 2008 almost 1.1 million square feet of non-shopping center retail has been vacated. On a net basis, 260,000 square feet of non-shopping retail space has been vacated across the last six years.

South Bay Shopping Center and Non-Shopping Center Retail Trends

Period	# Bldgs	Total RBA	Total Vacant %	Total Net Absorption	# Delivered	RBA Delivered	# Under Const	RBA Under Const	Total Average Rate (FS)
Shopping Center Retail									
2006	1,468	34,480,905	2.0%	136,321	27	525,441	16	390,116	\$22.55
2007	1,480	34,600,507	2.1%	138,217	12	119,602	17	442,050	\$23.94
2008	1,500	35,059,659	3.1%	-17,288	20	459,152	2	9,152	\$26.54
2009	1,505	35,098,903	4.0%	-306,482	5	39,244	2	20,513	\$24.76
2010	1,509	35,198,160	4.2%	258,059	4	99,257	7	203,376	\$23.47
2011	1,522	35,463,329	4.3%	201,976	13	265,169	6	38,149	\$24.46
2012	1,528	35,504,212	4.5%	20,314	5	34,883	3	20,821	\$23.78
Non-Shopping Center Retail									
2006	4,836	32,834,150	3.6%	52,228	12	202,022	11	326,750	\$23.72
2007	4,846	33,132,408	2.4%	755,539	16	360,809	10	241,633	\$22.85
2008	4,837	33,378,055	2.9%	-223,358	15	389,870	8	42,025	\$22.72
2009	4,815	33,123,254	3.8%	-497,767	13	84,801	4	33,766	\$21.85
2010	4,789	32,853,889	3.8%	-99,741	4	33,766	3	8,197	\$20.90
2011	4,766	32,646,914	3.8%	-268,105	7	40,701	5	55,418	\$20.18
2012	4,762	32,674,689	3.9%	20,117	7	86,668	7	97,026	\$19.93



Source: CoStar and Pro Forma Advisors

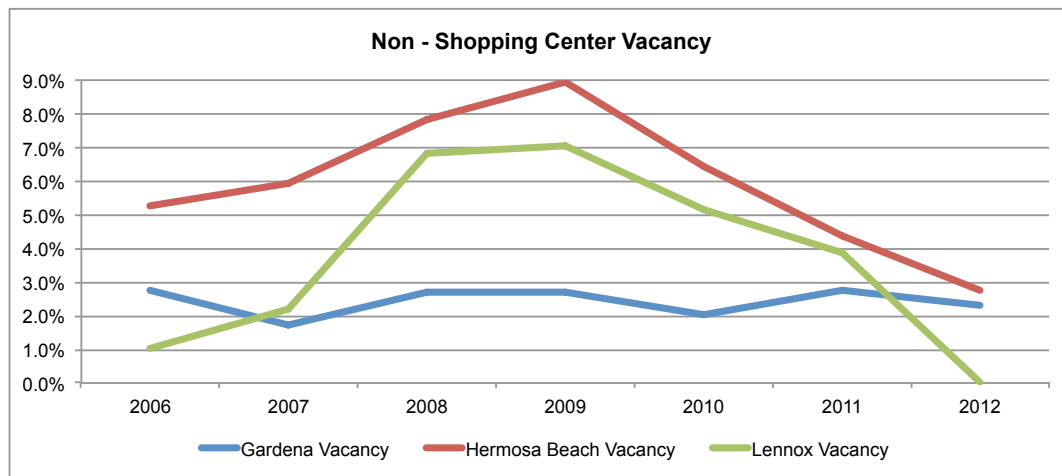
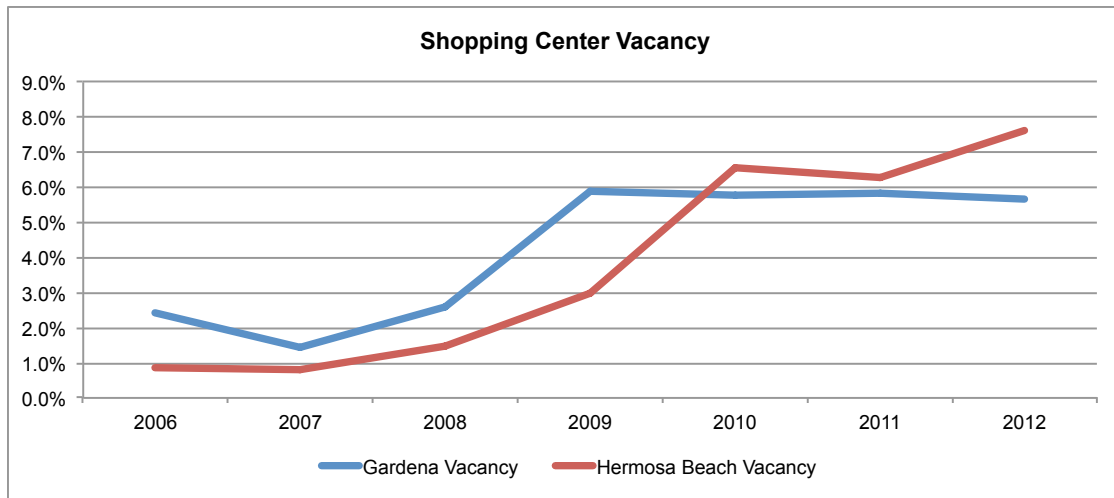
More affordable than shopping center space and with less new space delivered, non-shopping center retail has been negatively impacted by the recession, but less so than retail within shopping center space. In 2006, non-shopping center space had slightly higher vacancy rates than shopping center retail. In 2012, non-shopping center space had an average vacancy rate of 3.9 percent in 2012, relative to 4.5 percent for shopping center retail.

Study Area City Retail

The table below presents a summary of shopping center and non-shopping center space in the cities of Gardena, Hermosa Beach, and the unincorporated Lennox area. South Bay retail is presented as a comparison. CoStar reports only three properties within the Lennox area. There are additional retail locations located in the area, but they are not well represented by the CoStar survey data. Data is presented under the non-shopping center for all reported properties.

Shopping Center and Non-Shopping Center Retail

2012 Year End	# Bldgs	Total RBA	Total Vacant %	Total Net Absorption	# Delivered	RBA Delivered	# Under Const	RBA Under Const	Total Average Rate (FS)
Shopping Center Retail									
Gardena	115	1,654,201	5.7%	32,597	3	19,736	1	7,500	\$22.03
Hermosa Beach	14	234,874	7.7%	7,265	-	-	-	-	\$24.03
South Bay	1,522	35,463,329	4.3%	201,976	13	265,169	6	38,149	\$24.46
Non-Shopping Center Retail									
Gardena	353	2,147,288	2.3%	4,667	-	-	3	59,266	\$17.29
Hermosa Beach	103	512,959	2.8%	19,261	1	6,324	-	-	\$39.08
Lennox	3	49,014	0.0%	-	-	-	-	-	\$22.20
South Bay	4,762	32,674,689	3.9%	20,117	7	86,668	7	97,026	\$19.93



Source: CoStar and Pro Forma Advisors

Gardena Retail

The City of Gardena represents less than 5 percent of the South Bay shopping center gross leasable area and almost 7 percent of South Bay non-shopping center retail space. Shopping center retail had extremely low vacancy rates before the start of the recession near 2.0 percent, but rates have more than tripled, and currently stand at 5.7 percent. Current Gardena shopping center lease rates are approximately \$22.00.

Almost 56 percent of all retail space in Gardena is non-shopping center retail. Non-shopping center retail lease rates are approximately 20 percent lower than shopping center retail, at approximately \$17.00. Non-shopping center retail was less impacted by the recession and currently has a lower vacancy rate than shopping center retail.

Hermosa Beach Retail

With a total of 750,000 square feet of retail, Hermosa Beach has a limited amount of retail. Following the pattern of the rest of the South Bay, Hermosa Beach shopping center retail had a very low vacancy rate below 1 percent before the recession, but with almost 25,000 square feet of shopping center vacated, on a net basis, the vacancy rate has grown to 7.7 percent.

Premium retail in Hermosa Beach is located in small-scale store fronts along Pier Avenue and along Hermosa Avenue near the intersection of Hermosa and Pier Avenues. Non-shopping center retail makes up approximately 70 percent of the Hermosa Beach retail market and performs better than shopping center retail. The preeminence of non-shopping center retail in the City likely arises from several factors, including that the greatest amount of foot traffic (both resident and tourist) in Hermosa Beach is at the beach, thus, businesses desire to locate as close to the beach as possible and, as a premium coastal city, high land values may discourage the development of larger shopping centers in Hermosa Beach. Non-shopping center vacancy rates are lower than shopping center vacancy rates. And, while this is similar in the South Bay due to the economic climate, in Hermosa Beach lease rates for non-shopping center retail are 60 percent higher than for shopping center retail, with average full service non-shopping center lease rates at \$39 and average full-service shopping center lease rates at \$24.

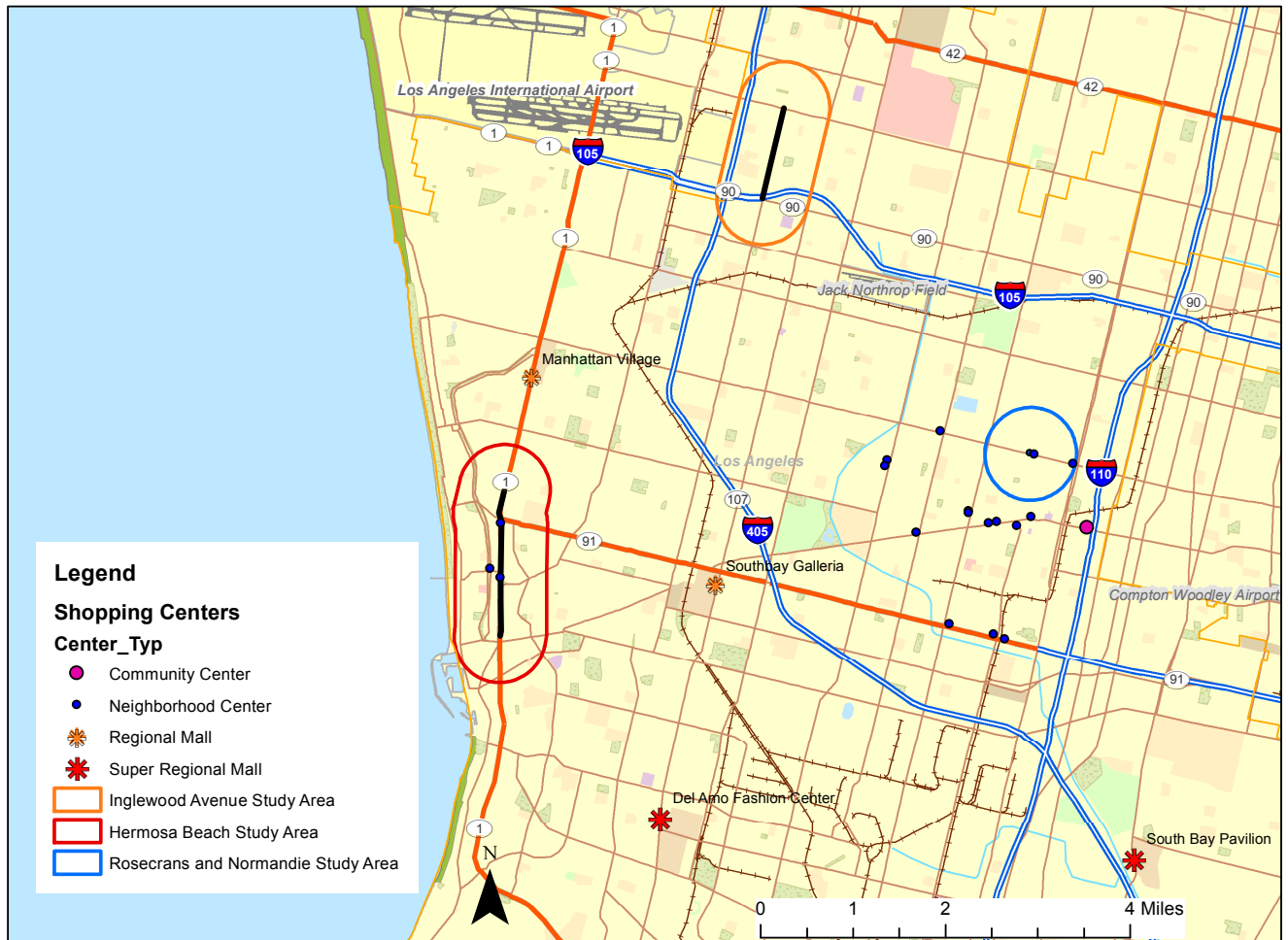
South Bay coastal cities often have unique retail market characteristics relative to other more suburban inland areas. In Hermosa, Manhattan Beach, and Redondo, premium retail is often located in the smaller store fronts located in the downtown areas, closer to the ocean, rather than in traditional shopping centers. **With a greater precedent of shopping in smaller-store fronts, residents in coastal cities may be more apt to shop at the NOD concept of the South Bay Sustainability Strategy than residents of inland suburbs.** However, high land values may also make it more difficult to aggregate the parcels needed to create the scale for a NOD.

Lennox Retail

CoStar only reports three retail buildings in the Lennox area, all categorized as non-shopping center retail, with 49,000 square feet of rentable building area. The vacancy rate has fluctuated between 1 percent and 7 percent between 2006 and 2012, however with the limited amount of space reported this equates to vacant space of a max of 3,000 square feet, equivalent to about one small storefront. CoStar reports a current lease rate of approximately \$22.00. Interestingly, the reported lease rate is 30 percent higher than Gardena's average non-shopping center lease rate and inline with Gardena's shopping center lease rates. With a limited amount of retail in the area, Lennox retailers are higher performing than average, despite lower incomes in the area. These findings are inline with the SBCCOG Sustainability concept that by limiting retail, a smaller retail footprint, that still meets the diversity of residents' needs, can be higher performing.

The following maps reflect major shopping centers: super-regional and regional shopping centers throughout the South Bay and existing community, neighborhood, power and specialty shopping centers in the cities of Hermosa Beach and Gardena. There are no non-strip center shopping centers in the Lennox area, and greater Lennox area. The study areas relative to major shopping center retail in the South Bay.

Study Area Cities' Major Shopping Centers



Source: CoStar, ESRI, Pro Forma Advisors

There are no regional or super regional shopping centers in either Gardena or Hermosa Beach. In both cities, much of the larger regional shopping center purchases, such as shoes and apparel, furnishing, and general merchandise purchases are made in other cities. Gardena has 16 major shopping centers, one community center and the rest neighborhood shopping centers. Hermosa Beach has three neighborhood shopping centers and residents patronize community shopping centers in Manhattan Beach and Torrance or Hawthorne, for larger home purchases.

Office

South Bay Region

The South Bay submarket (excluding LAX) contains approximately 39 million square feet of office space in 1,400 buildings. Approximately 1/3 of the market is Class A space while the remaining is split fairly evenly between Class B & C properties.

The South Bay market has had fairly high office vacancy rates, above 10 percent, across most of the last decade. Exceptions were an average vacancy rate of 9 percent in 2000 before the dot.com bust and when the market began to tighten during the housing boom. Vacancy rates increased steadily during the recession and peaked at 13.2 percent in 2011.

Between 2000 and 2012 total net absorption of office space has been negative, i.e. more businesses have vacated space than leased new space. In the height of the market, between 2004 and 2007, 1.7 million square feet of space was absorbed, but since 2007 a total of 1.4 million square feet was vacated.

Between 2000 and 2012 2.6 million square feet of office space was delivered to the market in approximately 100 buildings. The majority of this space, 1.7 million, was delivered in larger buildings delivered between 2000 and 2002. These deliveries, in combination with the dot.com bust, contributed to the increasing vacancy rate in the market.

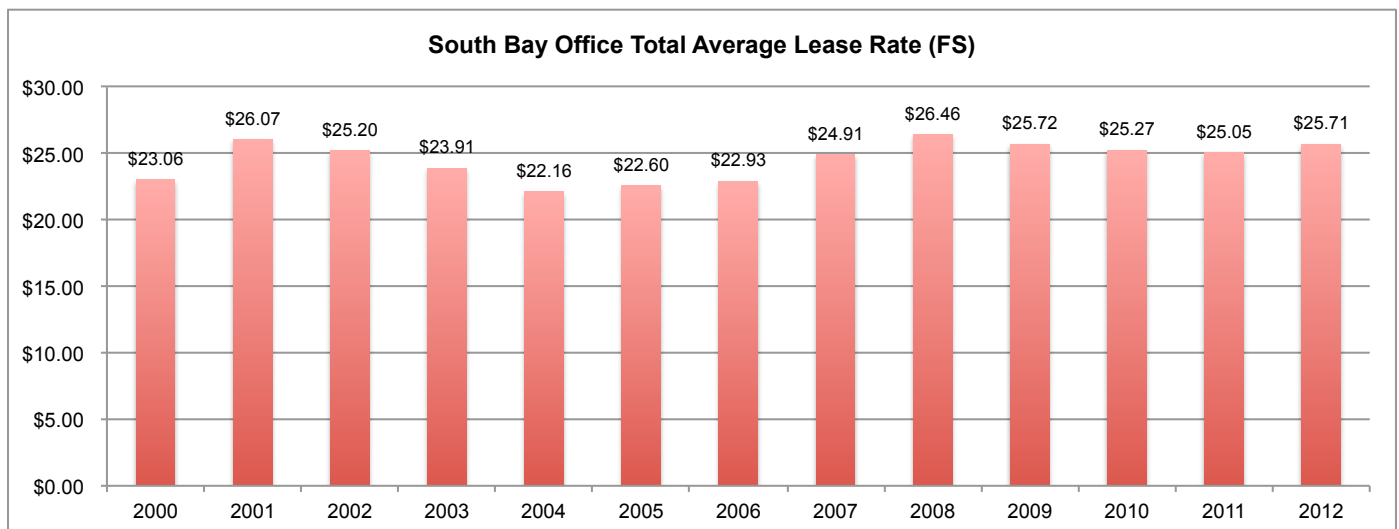
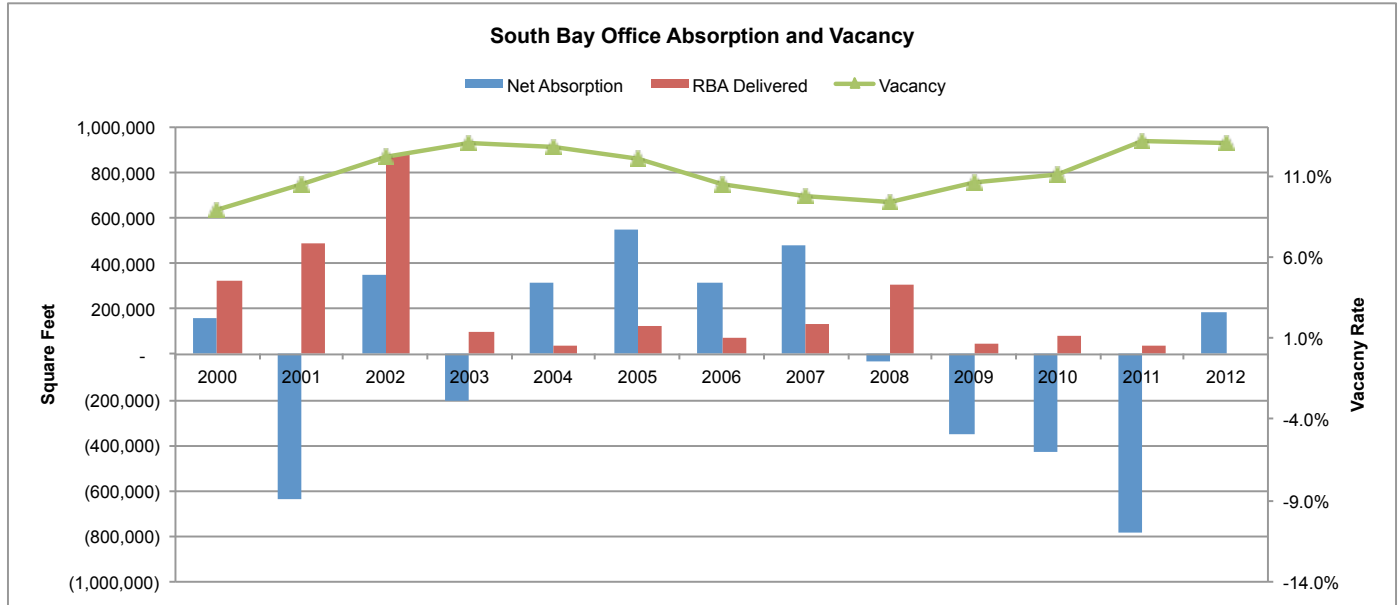
Across the South Bay average full service office rents are \$25.70 per square foot annually. Rates peaked at approximately \$26.50 in 2008, before the impacts of the recession took hold, and have declined three percent to their current level.

South Bay Office Market Trends (Excluding LAX Office)

	# Bldgs	Total RBA	Total Vacant %	Total Net Absorption	# Delivered	RBA Delivered	# Under Const	RBA Under Const	Total Average Rate (FS)
2000	1,316	37,730,801	8.9%	161,294	8	322,244	9	872,505	\$23.06
2001	1,324	38,220,754	10.5%	-637,492	8	489,953	6	875,143	\$26.07
2002	1,329	38,950,897	12.2%	346,264	6	875,143	1	80,024	\$25.20
2003	1,331	39,039,429	13.0%	-203,049	3	99,808	3	34,907	\$23.91
2004	1,333	39,055,688	12.8%	314,971	3	34,907	11	116,231	\$22.16
2005	1,343	39,107,392	12.1%	548,198	12	125,931	5	105,078	\$22.60
2006	1,345	39,033,780	10.4%	313,999	4	71,104	17	133,470	\$22.93
2007	1,359	38,776,905	9.7%	484,040	17	133,470	28	311,942	\$24.91
2008	1,383	39,070,056	9.4%	-28,229	27	305,242	3	43,880	\$26.46
2009	1,384	39,043,196	10.6%	-351,643	4	49,030	6	85,514	\$25.72
2010	1,385	39,084,945	11.1%	-425,019	6	83,270	5	38,386	\$25.27
2011	1,388	38,995,641	13.2%	-781,014	5	38,386	1	321,450	\$25.05
2012	1,387	38,910,641	13.1%	186,193	-	-	2	338,374	\$25.71



Source: CoStar and Pro Forma Advisors



Source: CoStar and Pro Forma Advisors

South Bay Office Conclusions

Major new office developments at the beginning of the last decade, in combination with the dot.com bust, bumped up the vacancy rates throughout the South Bay. The market improved with the housing boom, but the continued delivery of new office projects left the market with a large supply of office and high vacancy rates. The recession further eroded the market and the market hit a high of

vacant office space in 2011. In 2012, the market appears to be improving, but there is a substantial amount of vacant office space on the market.

The following section compares the office performance of the study area cities. The Lennox CDP has not been included as there is limited office within this area.

Study Area Cities

The City of Gardena's 2.9 millions square feet of office represents a fairly large share of the South Bay office market, approximately 7.4 percent. The market was fairly strong, with vacancy rates below 10 percent through 2006, but the market has been significantly impacted by the recession. Absorption varied across the last decade and 120,000 square feet has been vacated on a net basis since 2006. Vacancy rates grew from 9.5 percent in 2006 to a peak of 14 percent in 2011. Lease rates followed a similar pattern of growth, moving from \$21.74 per square foot (full service) in 2002 to a peak of \$25.20 per square foot in 2008. Rates have fallen closer to \$22.50 per square foot in 2012.

With a total of 437,000 square feet of office space, Hermosa Beach has a much smaller office market, but higher average lease rates than the average South Bay market. The office market in Hermosa Beach is characterized by smaller office properties, with an average size of 10,400 square feet relative to 24,000 square feet in Gardena and 28,000 square feet across the South Bay.

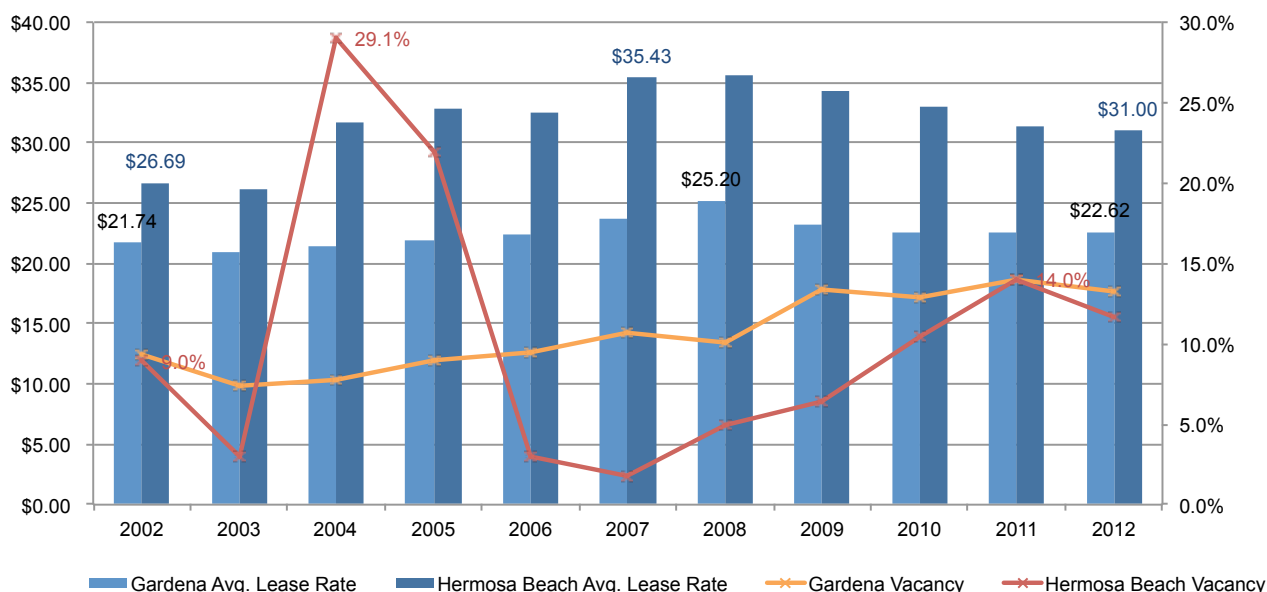
The smaller supply of office creates larger swings in the office vacancy rate in Hermosa Beach. Currently Hermosa Beach has a vacancy rate of 11.7 percent, below the South Bay average, but vacancy was reported as high as 29.1 percent in 2004, due to a vacancy in a large building (the Hermosa Beach Pavilion).

Interestingly, the Hermosa Beach office market vacancy somewhat improved during the recession, this could be due to the growth of smaller start up companies during the recession. Lease rates contracted inline with the overall South Bay market. Lease rates grew from \$26.70 to a peak of \$35.43 in 2007, but have fallen down to a new low of \$31.00 in 2012. While rents do not appear to have bottomed improvements in the market area likely to increase lease rates across the long term.

2011 Year End Study Area City Comparison

2011 Year End	# Bldgs	Total RBA	Total Vacant %	Total Net Absorption	# Delivered	RBA Delivered	# Under Const	RBA Under Const	Total Average Rate (FS)
Gardena	118	2,900,528	14.0%	-78,417	-	-	-	-	\$22.59
Hermosa Beach	42	436,665	14.0%	27,266	-	-	-	-	\$31.35
South Bay	1,388	38,995,641	13.2%	-781,014	5	38,386	1	321,450	\$25.05

Gardena and Hermosa Beach Office Trends



Source: CoStar and Pro Forma Advisors

Residential

Home Sale Activity

83,770 homes were sold in Los Angeles County in 2011. The median home price (for both single family and multi-family units) was \$330,000, up 4.76 percent from 2011.

In the City of Gardena, 292 homes were sold at a median home price of \$290,000 in 2012. The table below presents 2012 home sale activity by zip code. Approximately 74 percent of homes sold in Gardena were single family, while 26 percent were condominiums. Single family homes sold for a median price of \$300,000 while condominiums sold a median price of \$183,000. As shown in the next section, new homes sell substantially higher than the median.

In the City of Hermosa Beach, 242 homes sold in 2012 for a median price of \$957,000, a 2.2 percent reduction from the average price in 2011. As shown in the home sales by zip code table, 55 percent of homes sold in the 90254 zip code were single family homes, while 46 percent were condominiums. The median single family home sale price in the Hermosa Beach zip code was \$1.1 million, a 3.6 percent reduction over 2011. The median condominium unit home sale price was \$760,000. Newer homes in the area sell at a significant premium, upwards of 50-100% above resale units.

The Lennox/Inglewood area had limited sales in 2012, only 46 reported. Single family homes, with a median price of \$225,000, made up the majority of these sales. Condominiums sold for a low median price of \$106,000, a decrease of over 54.6% over 2011. It is worth noting that the low amount of condominiums sold, 6, may be compromising the condo median home price.

2012 For-Sale Home Activity by Zip Code

Area	Zip Code	Single Family Homes			Condominiums			SF Resale Only
		Sales	Median Price	Price % Change YoY	Sales	Median Price	Price % Change YoY	Median Home Price Per SF
Gardena	90247	158	\$295,000	5.40%	97	189000	-0.50%	\$228
Gardena	90248	60	\$282,000	-4.60%	10	\$181000	6.50%	\$205
Gardena	90249	165	\$311,000	0.20%	30	\$162000	0.90%	\$235
Hermosa Beach	90254	131	\$1,060,000	-3.60%	106	\$758,000	-6.70%	\$660
Lennox/Inglewood	90304	40	\$225,000	2.00%	6	\$1,060,000	-54.90%	\$227
Los Angeles County		59,561	\$340,000	4.60%	19,617	\$285,000	2.60%	\$237

Source: Dataquick and Pro Forma Advisors

Active Projects

Hanley Wood reports on active for-sale projects (these typically contain 10+ units for sale). There are 2 active projects in Gardena and no active projects in the Lennox area or Hermosa Beach.

While there are likely new homes in Hermosa Beach the city is mostly built out, so new homes are usually built only a few at a time, as others are demolished, and would not show up in Hanley Wood's data. According to the RedFin there are three new construction homes in Hermosa Beach at this time, they are all single family homes that range from 2,600 to 7,000 square feet and from \$1.4 million to \$14 million in price.

As a small are any new units in Lennox are also likely to be built on a smaller scale. There are no new construction homes reported by RedFin at this time.

Active Home Sale Projects

City	Housing Type	Project Name	Builder Name	Price Range	Sq. Ft. Range
Gardena	Single Family	GARDENA VILLAGE	Cal Coast Development	\$660,000-\$715,000	1,850-2,090
Gardena	Townhouse	1600 AT ARTESIA SQUARE	MBK Homes	\$399,990-\$559,990	1,706-2,212

Source: Hanley-Wood Market Intelligence

Applied NOD Demand Analysis

In this section Pro Forma Advisors evaluates the market potentials for NOD. The Rosecrans Avenue and Normandie Avenue intersection was given specific attention as it is the focus of this study. Two other intersections were selected: Inglewood Avenue and Century Boulevard (Inglewood Avenue Corridor) and PCH and Artesia Boulevard (PCH Corridor). These two intersections were selected per our findings in the base conditions analysis, i.e., both intersections have properties with lower intensity and lower improvement to land value ratios. The two intersections will be used to test the NOD demand in the other study areas relative to the Rosecrans and Normandie intersection. It is important to note that this analysis is highly illustrative as it assumes aggressive capture by an evolving development that has not been fully tested in the marketplace. To generate this level of capture, the NOD development will have to be attractive to those individuals that desire to stay within a close proximity of their place of residence to shop and work.

Rosecrans and Normandie Intersection

Supply Fundamentals

NOD Retail

Pro Forma conducted market reconnaissance on the competitive retail supply within the half-mile radius of the Rosecrans and Normandie intersection. We focused exclusively on the half-mile area as the NOD's competitive market. The NOD will compete with the following established retail locations for business within the half-mile area as well as the broader three-mile area. In total, we estimate there is approximately 130,000 square feet of retail in the half-mile area. While there is some retail oriented to the immediate surroundings, the majority of the retail is oriented to the auto pass-by traffic. Slightly over 50 percent of the rentable building area (RBA) was developed in the 1960s with an additional third of the RBA delivered in the 1990s, with very little recent retail development. The following tables summarize existing retail locations (both in and not within shopping centers) as well as existing tenants, land requirements, and estimates of available parking spaces based on development at major/minor intersections within the half-mile area.

Rosecrans and Normandie Competitive Retail Supply

Half-Mile Radius

1/2 Mile Retail Supply (Intersection/Address)	RBA	Leased	Tenants	Year Built	Land Area (AC)	Parking Spaces
Rosecrans/Normandie						
1310 W Rosecrans Ave	19,360	100%	Rick's Drive In	1963	1.8	92
1312-1346 W Rosecrans Ave	17,653	93%	Please See Next Table	1964	1.6	60
1353 W Rosecrans Ave	8,385	100%	Please See Next Table	1957	0.6	43
1408 W Rosecrans Ave	846	100%	Valero Gas Station	1982	0.4	7
Subtotal	46,244					
Marine/Normandie						
1401 Marine Ave	1,768	100%	Mini Mart	1974	0.4	20

1/2 Mile Retail Supply (Intersection/Address)	RBA	Leased	Tenants	Year Built	Land Area (AC)	Parking Spaces
15032 S Normandie Ave	<u>2,238</u>	0%	Pro Graphics	1960	0.1	NA
Subtotal	4,006					
139th/Normandie						
13800 S Normandie Ave	4,000	25%	Top of the Line Barber	1992	0.8	40
13805 S Normandie Ave	3,417	100%	Auto Explosion	1962	0.3	10
13850 S Normandie Ave	1,821	100%	MC Automotive	1992	0.8	14
13890 S Normandie Ave	1,612	100%	Pronto Burger	1992	0.8	18
1335 W 141st St	2,000	100%	Lloyds Nursery	1949	0.4	NA
14114 S Normandie Ave	<u>4,180</u>	17%	A&M Tobacco	2012	0.4	28
Subtotal	17,030					
Vermont/Rosecrans						
1000 W Rosecrans Ave	2,412	100%	Jack in the Box	1992	0.3	4
1010-1096 W Rosecrans Ave	27,303	70%	<i>Please See Next Table</i>	1993	1.4	80
1040 W Rosecrans Ave	5,500	100%	Ace Beauty/Subway/Taco Mexico	1992	0.5	29
1078 W Rosecrans Ave	2,660	100%	Long John Silver/KFC	1993	1.2	95
1150 W Rosecrans Ave	2,637	100%	Popeyes	1984	0.5	25
14015 S Vermont Ave	3,820	100%	Quigley Market	1950	1.4	8
14105 S Vermont Ave	1,643	0%	None	1950	0.3	23
14225 S Vermont Ave	<u>3,125</u>	100%	Yoshinoya	2004	0.3	NA
Subtotal	49,100					
Western/Rosecrans						
1520 W Rosecrans Ave	6,336	100%	All Furniture/Design	1961	0.3	3
1560 W Rosecrans Ave	8,400	100%	Gardena Body Shop	1960	0.8	6
1718 W Rosecrans Ave	<u>3,436</u>	100%	Auto (Unnamed)	1964	0.2	NA
Subtotal	18,172					
Total	134,552					

Source: CoStar and Pro Forma Advisors

Rosecrans and Normandie Detailed Tenant Survey

Half-Mile Radius

Tenant Detail by Address		
1010-1096 W Rosecrans Ave	Jc Hawaiian Bbq	1312-1346 W Rosecrans Ave
5 & Up	L.A. Donuts	99 Cents Plus
7 Heaven	L.A. International	Gustavo Insurance
Ace Beauty Salon	Louisiana Cajun Fish Mark	El Salvadorian Restaurant
Armen Karapetian	Louisiana Fish Market	PWS Laundry
Cash N Dash Financial Services	Mail N More	Pro Nail & Hair
Checkmate Staffing Inc.	Precise Nutrition Llc	Auto Stereo
Chinatown Express	Promenade Quick Stop	Louisiana Fried Chicken
CiCi's Pizza	S&A \$1 Store	Pizza Hut
Coin Laundry	Second Hand Store	Rick's Drive-in
Excellence In Economic Investment	Service Annex	
Gaby's And Leo's Salon	Sky Wireless	1353 W Rosecrans Ave
Game Town	Taco Mix	El Virrey
Gardena Office Supply	Video	Farmer's Liquor
General Financial And Insurance Service	Waterhouse Purified Drinking Water	Peruvian Restaurant
Hair & Nail Salon		Sandy's Nails
Hair Nails		Silvia's Donuts

Source: CoStar and Pro Forma Advisors

NOD Personal Services

Based on an in-depth analysis of InfoUSA data there are a number of personal service Neighborhood Functions (as identified by their NAICS code). The following table identifies the ten firms engaging in activities that would be desirable to include in a NOD, thus would compete with providing those services to the half-mile market area. We identified firms engaging in child care, salon, and laundry related services.

Rosecrans and Normandie Competitive Personal Services Supply

Half-Mile Radius

1/2 Mile Area Personal Services

Child Day Care Services

Wallace Family Childcare

Escalante Family Day Care

Toliver Family Day Care

Hair, Nail, and Skin Care Services

Top of the Line

Gaby's and Leo's Salon

Pro Nails

Sandy's Nail Salon

Dry-cleaning and Laundry Services

Bonita La Vanderia

PWS Cleaner

Source: InfoUSA and Pro Forma Advisors

Office

There is very limited pure commercial office space available within the half-mile area. In fact, based on CoStar's database there is only property that is leasing office space. The building, which is located within a primarily industrial area, is currently 100 percent occupied by the Asian Community Service Center. The space has 16,180 square feet of RBA and was developed in 1969. CoStar designates the property as Class C office space. This designation reflects an older property that has fallen into some state of obsolescence.

Demand Estimates

NOD Retail

The following tables provide a quantitative assessment of the demand potentials for the Rosecrans and Normandie intersection. The calculations are based on a number of factors including the most recent taxable sales data provided by the State of California at the County level, sociodemographic data provided by ESRI, and capture estimates established by Pro Forma. Capture estimates are aggressive based on a high quality development that will attract nearby residents to the illustrative NOD. Please see Task 3 for a more detailed explanation of these capture assumptions. Other NOD support items are based on the concept that while the Core Functions will drive the retail development, there is the potential for each center to specialize in other retail functions that typically draw from a larger market area. The total demand takes into account reported retail sales within the half-mile area as estimated by ESRI. The total demand for new retail space assumes that the new NOD concept will be able to effectively recapture a high percentage of the retail sales leaking outside the immediate market area.

Rosecrans and Normandie NOD Retail Demand Estimate (Half-Mile)

Half-Mile Radius

Retail Categories	Sales per HH	Market Area HH Sales	Capture	Total Demand
Core Functions				
Food and Beverage Stores				
Supermarkets and Other Grocery Stores	\$4,890	\$2,740	50%	\$5,627,960
Convenience Stores	\$170	\$100	50%	\$205,400
Specialty Food Stores	\$230	\$130	25%	\$133,510
Beer, Wine, and Liquor Stores	\$210	\$120	50%	\$246,480
Health and Personal Care Stores (Drug)	\$2,070	\$1,160	50%	\$2,382,640
Food Services and Drinking Places				
Full-Service Restaurants	\$1,560	\$870	50%	\$1,786,980
Limited-Service Eating Places	\$1,450	\$810	50%	\$1,663,740
Drinking Places (Alcoholic Beverages)	\$50	\$30	50%	\$61,620
Subtotal	\$10,630	\$5,960		\$12,108,330
Other NOD Support				
Clothing and Clothing Accessories Stores	\$2,150	\$1,200	15%	\$739,440
Sporting, Hobby, Book, and Music Stores	\$690	\$390	35%	\$560,742
General Merchandise Stores	\$2,940	\$1,640	25%	\$1,684,280
Subtotal	\$5,780	\$3,230		\$2,984,462



Retail Categories	Sales per HH	Market Area HH Sales	Capture	Total Demand
Total				\$15,092,792

Source: ESRI Business Analyst, State Board of Equalization, Department of Finance, and Pro Forma Advisors

Rosecrans and Normandie NOD Retail Demand Estimate (Three-Mile)

Three-Mile Radius

Retail Categories	Sales per HH	Market Area HH Sales	Capture	Total Demand
Core Functions				
Food and Beverage Stores				
Supermarkets and Other Grocery Stores	\$4,890	\$3,210	5.0%	\$13,939,907
Convenience Stores	\$170	\$110	5.0%	\$477,692
Specialty Food Stores	\$230	\$150	2.5%	\$325,699
Beer, Wine, and Liquor Stores	\$210	\$140	5.0%	\$607,971
Health and Personal Care Stores (Drug)	\$2,070	\$1,360	5.0%	\$5,906,004
Food Services and Drinking Places				
Full-Service Restaurants	\$1,560	\$1,020	5.0%	\$4,429,503
Limited-Service Eating Places	\$1,450	\$950	5.0%	\$4,125,518
Drinking Places (Alcoholic Beverages)	\$50	\$30	5.0%	\$130,280
Subtotal	\$10,630	\$6,970		\$29,942,572
Other NOD Support				
Clothing and Clothing Accessories Stores	\$2,150	\$1,410	1.5%	\$1,836,941
Sporting, Hobby, Book, and Music Stores	\$690	\$450	3.5%	\$1,367,935
General Merchandise Stores	\$2,940	\$1,930	2.5%	\$4,190,657
Subtotal	\$5,780	\$3,790		\$7,395,533
Total				\$37,338,105

Source: ESRI Business Analyst, State Board of Equalization, Department of Finance, and Pro Forma Advisors

Rosecrans and Normandie NOD Retail Demand Estimate (Less Supply)

Three-Mile Radius

Retail Categories	Total	1/2 Mile Supply (1)	Retail Gap	Sales Per SF	Demand SF
Core Functions					
Food and Beverage Stores					
Supermarkets and Other Grocery Stores (2)	\$20,250,958	\$6,111,738	\$14,139,220	\$550	25,700
Specialty Food Stores	\$459,209	\$114,661	\$344,548	\$350	1,000
Beer, Wine, and Liquor Stores	\$854,451	\$162,046	\$692,405	\$250	2,800
Health and Personal Care Stores (Drug)	\$8,288,644	\$1,597,643	\$6,691,001	\$800	8,400
Food Services and Drinking Places					
Full-Service Restaurants	\$6,216,483	\$4,311,812	\$1,904,671	\$550	3,500
Limited-Service Eating Places	\$5,789,258	\$7,158,430	-\$1,369,173	\$500	-
Drinking Places (Alcoholic Beverages)	\$191,900	\$46,773	\$145,127	\$500	300
Subtotal	\$42,050,902	\$19,503,103	\$22,547,799		41,700
Other NOD Support					
Clothing and Clothing Accessories Stores	\$2,576,381	\$2,733,712	-\$157,331	\$350	-
Sporting, Hobby, Book, and Music Stores	\$1,928,677	\$586,990	\$1,341,687	\$350	3,800
General Merchandise Stores	\$5,874,937	\$1,956,707	\$3,918,230	\$350	11,200
Subtotal	\$10,379,995	\$5,277,409	\$5,102,586		15,000
Total	\$52,430,897	\$24,780,512	\$27,650,385		56,700

1 Total retail sales as estimated by ESRI Business Analysis (2010)

2 Inclusive of Convenience Stores

Source: ESRI Business Analyst, State Board of Equalization, Department of Finance, and Pro Forma Advisors

NOD Personal Services

NOD personal service demand estimates are calculated based on the previously established demand factors less current personal services in the half-mile radius of the the Rosecrans and Normandie intersection.

Rosecrans and Normandie NOD Personal Services Estimate (Less Supply)

Half-Mile Radius

	Businesses Per HH	Demand (Firms)	Supply	Service Gap
Non-Retail Sales				
Commercial banking	0.0004	1.6	-	1.6
Offices of physicians, except mental health	0.0029	11.9	-	11.9
Offices of dentists	0.0016	6.5	-	6.5
Child day care services	0.0005	2.0	3.0	-
Fitness and recreational sports centers	0.0002	0.8	-	-
Hair, nail, and skin care services	0.0007	3.0	4.0	-
Coin-operated laundries and dry-cleaners	0.0001	0.4	1.0	-
Dry-cleaning and laundry services	0.0003	1.1	1.0	-
Total	0.0066	27.3		20.0
Average Firm Size (Square Feet)		600		600
Total Square Feet (Rounded)		16,400		12,500

Source: InfoUSA, and Pro Forma Advisors

Office

Similar to personal services, NOD office demand estimates are calculated based on the previously established demand factor less current available office space in the half-mile radius of the the Rosecrans and Normandie intersection. In this instance, Pro Forma did not identify any competitive office space as the office space provided in the NOD is thought to be smaller shared workspace versus more traditional office space that might be available within the larger 3-mile market area.

Rosecrans and Normandie NOD Office Demand Estimate

Three-Mile Radius

Office Demand Estimate	
Household Employment	95,888
Percent of Households in Office Jobs	11%
Households in Office Jobs	10,172

Office Demand Estimate	
Percent of Households in Office Jobs Commuting over 10 Miles to Work	53%
Households in Office Jobs Commuting over 10 Miles to Work	5,391
NOD Capture of Office Jobs Commuting over 10 Miles to Work	1.0%
Office Job Recapture (Rounded)	50
Office Demand Assumption	175
Office Space Demand at NOD (1)	8,750

¹ Pro Forma did not include a competitive supply due to the unique office space thought to be provided within the NOD.

Source: CoStar, OnTheMap (US Census), and Pro Forma Advisors

Summary

The following table presents an illustrative development plan based on the assumption that the NOD would be a high quality unique market offering that would be able to attract a high percent of residents from within a three-mile radius of the Rosecrans and Normandie intersection. We believe that the actual development program would likely be developed at a smaller scale, but the demand analysis does demonstrate that there is an opportunity for NOD in the marketplace. Some key findings include:

- At the Rosecrans and Normandie intersection there is a high level of retail leakage based on the demand for numerous retail offerings that do not align with the current auto oriented retail available (e.g. fast food versus sit down restaurant).
- Within the larger South Bay area there is high percent of residents that commute more than 10 miles to work. Given traffic and the rising cost of gas there could be an opportunity to create an office format that could capture a small percent of those office users who no longer want to commute long distances.
- The availability of limited personal services and relatively high population density in the study area provides an opportunity to attract more local serving businesses. However, the development would have to be attractive enough to capture the local market whom is currently going outside the half-mile area to satisfy these purchases.
- In total, programing at the Rosecrans and Normandie intersection could be approximately 80,000 square feet. This demand is likely aggressive, but will be utilized to begin to visualize the NOD concept for the South Bay.

NOD Overview

Illustrative Rosecrans and Normandie NOD Program

Demand Estimate

Commercial Development	Square Feet
Retail	56,700
Retail: Service	12,500
Office (1)	8,750
Total	77,950

¹ This estimates depends on the NOD ability to recapture employees either currently working further than 10 miles from the primary residence in the South Bay.

Source: Pro Forma Advisors

PCH Corridor

Pro Forma has estimated order of magnitude demand for the PCH Corridor based on a hypothetical NOD development located at the southeast corner of the Pacific Coast Highway and Artesia boulevard. The site location includes approximately 4 acres within four parcels.

Demand Estimates

NOD Retail

The following tables provide a quantitative assessment of the demand potentials for the PCH and Artesia intersection. The calculations are based on the same methodology previously discussed in the Rosecrans and Normandie intersection. The area household population within a half and three mile radius of the illustrative site location has significantly higher median incomes and the existing supply in the area suggests that there is demand for additional target retail based on the purchasing power of the local market area. There might be an opportunity to create a focused niche retail offering that would fill a current gap in the market, but further research would be required as there is significant competition within the area and the site is already planned for development.

PCH and Artesia NOD Retail Demand Estimate (Less Supply)

Three-Mile Radius

Retail Categories	Total	1/2 Mile Supply (1)	Retail Gap	Sales Per SF	Demand SF
Core Functions					
Food and Beverage Stores					
Supermarkets and Other Grocery Stores (2)	\$30,463,035	\$22,145,555	\$8,317,480	\$550	15,100
Specialty Food Stores	\$687,807	\$121,901	\$565,906	\$350	1,600
Beer, Wine, and Liquor Stores	\$1,270,412	\$1,093,488	\$176,924	\$250	700
Health and Personal Care Stores (Drug)	\$12,470,857	\$7,679,922	\$4,790,935	\$800	6,000
Food Services and Drinking Places					
Full-Service Restaurants	\$9,385,158	\$18,263,771	-\$8,878,613	\$550	-
Limited-Service Eating Places	\$8,731,087	\$7,372,494	\$1,358,593	\$500	2,700
Drinking Places (Alcoholic Beverages)	\$300,735	\$447,536	-\$146,801	\$500	-
Subtotal	\$63,309,091	\$57,124,667	\$6,184,424		26,100
Other NOD Support					
Clothing and Clothing Accessories Stores	\$3,878,819	\$6,041,909	-\$2,163,091	\$350	-
Sporting, Hobby, Book, and Music Stores	\$2,901,995	\$988,644	\$1,913,351	\$350	5,500
General Merchandise Stores	\$8,855,154	\$2,636,824	\$6,218,330	\$350	17,800
Subtotal	\$15,635,967	\$9,667,377	\$5,968,590		23,300

Retail Categories	Total	1/2 Mile Supply (1)	Retail Gap	Sales Per SF	Demand SF
Total	\$78,945,058	\$66,792,044	\$12,153,014		49,400

1 Total retail sales as estimated by ESRI Business Analysis (2010)

2 Inclusive of Convenience Stores

Source: ESRI Business Analyst, State Board of Equalization, Department of Finance, and Pro Forma Advisors

NOD Personal Services

NOD personal service demand estimates are calculated based on the previously established demand factors less current personal services in the half-mile radius of the the PCH and Artesia intersection. In this instance, the number of businesses exceeded the maximum number of firms that can be accessed from the InfoUSA database. As such, the supply estimates reflect an approximate quarter mile versus half mile area and is likely undercounting some NOD personal services.

PCH and Artesia NOD Personal Services Estimate (Less Supply)

Quarter-Mile Radius

	Businesses Per HH	Demand (Firms)	Supply	Service Gap
Non-Retail Sales				
Commercial banking	0.0004	1.5	1.0	-
Offices of physicians, except mental health	0.0029	11.0	3.0	8.0
Offices of dentists	0.0016	5.9	11.0	-
Child day care services	0.0005	1.8	1.0	-
Fitness and recreational sports centers	0.0002	0.7	1.0	-
Hair, nail, and skin care services	0.0007	2.7	6.0	-
Coin-operated laundries and dry-cleaners	0.0001	0.4	-	-
Dry-cleaning and laundry services	0.0003	1.0	3.0	-
Total	0.0066	25.1		8.0
Average Firm Size (Square Feet)		600		600
Total Square Feet (Rounded)		15,100		4,800

Source: InfoUSA, and Pro Forma Advisors

Office

Similar to personal services, NOD office demand estimates are calculated based on the previously established demand factor. In this instance, Pro Forma did not identify any competitive office space. However, there are a number of condo office spaces that are being leased to smaller firms and individuals that might indirectly compete with the illustrative NOD. Utilizing the CoStar database it is difficult to quantify this products supply in the market.

PCH and Artesia NOD Office Demand Estimate

Three-Mile Radius

Office Demand Estimate	
Household Employment	70,972
Percent of Households in Office Jobs	20%
Households in Office Jobs	14,194
Percent of Households in Office Jobs Commuting over 10 Miles to Work	48%
Households in Office Jobs Commuting over 10 Miles to Work	6,785
NOD Capture of Office Jobs Commuting over 10 Miles to Work	1.0%
Office Job Recapture (Rounded)	70
Office Demand Assumption	175
Office Space Demand at NOD (1)	12,250

¹ Pro Forma did not include a competitive supply do to the unique office space thought to be provided within the NOD.

Source: CoStar, OnTheMap (US Census), and Pro Forma Advisors

Summary

The following table presents illustrative NOD demand estimates. Similar to the Rosecrans and Normandie intersection, existing competition appears to be a barrier to NOD at this site location, but there is opportunity because much of the retail and services is auto oriented. Unlike the Rosecrans and Normandie intersection there is significant residential spending within the quarter-mile market area, but this spending is currently being captured by existing competitive supply. There is potential demand for office space assuming the development could recapture those individuals commuting 10 miles or more to work who live in the immediate area.

Illustrative PCH and Artesia NOD Program

Demand Estimate

Commercial Development	Square Feet
Retail	0
Retail: Service	4,800
Office (1)	12,500
Total	17,300

¹ This estimates depends on the NOD ability to recapture employees either currently working further than 10 miles from the primary residence in the South Bay.

Source: Pro Forma Advisors

Inglewood Avenue Corridor

Pro Forma has estimated order of magnitude demand for the Inglewood Corridor based on a hypothetical NOD development located at the intersection of Inglewood Avenue and Century Boulevard. Pro Forma previously identified several properties near this location that were vacant or had a low improvement value in our base conditions analysis.

Demand Estimates

NOD Retail

The following tables provide a quantitative assessment of the demand potentials for the Inglewood and Century intersection. The calculations are based on the same methodology previously discussed. Similar to the Rosecrans and Normandie intersection, the limited supply and potential demand of some retail spending provides opportunity to recapture local spending currently being lost outside the market area. The most significant demand is coming from grocery related purchases. There are a number of smaller specialty grocers in the marketplace, but it appears that there is sufficient demand for additional supply oriented towards NOD. Other strong demand appears to come from general merchandise purchases. This category of spending would align with the NOD concept if it could be oriented to provide a wide variety of offerings based on consumer preferences within the identified market areas.

Inglewood and Century NOD Retail Demand Estimate (Less Supply)

Three-Mile Radius

Retail Categories	Total	1/2 Mile Supply (1)	Retail Gap	Sales Per SF	Demand SF
Core Functions					
Food and Beverage Stores					
Supermarkets and Other Grocery Stores (2)	\$18,642,077	\$3,211,477	\$15,430,600	\$550	28,100
Specialty Food Stores	\$424,924	\$248,791	\$176,133	\$350	500
Beer, Wine, and Liquor Stores	\$775,779	\$6,165,555	-\$5,389,776	\$250	-
Health and Personal Care Stores (Drug)	\$7,594,053	\$239,415	\$7,354,638	\$800	9,200
Food Services and Drinking Places					
Full-Service Restaurants	\$5,746,219	\$5,802,128	-\$55,909	\$550	-
Limited-Service Eating Places	\$5,321,295	\$12,349,620	-\$7,028,325	\$500	-
Drinking Places (Alcoholic Beverages)	\$202,717	\$-	\$202,717	\$500	400
Subtotal	\$38,707,064	\$28,016,986	\$10,690,078		38,200
Other NOD Support					
Clothing and Clothing Accessories Stores	\$2,383,472	\$1,655,249	\$728,223	\$350	2,100
Sporting, Hobby, Book, and Music Stores	\$1,784,681	\$920,720	\$863,961	\$350	2,500
General Merchandise Stores	\$5,395,364	\$292,299	\$5,103,065	\$350	14,600

Retail Categories	Total	1/2 Mile Supply (1)	Retail Gap	Sales Per SF	Demand SF
Subtotal	\$9,563,517	\$2,868,268	\$6,695,249		19,200
Total	\$48,270,581	\$30,885,254	\$17,385,327		57,400

1 Total retail sales as estimated by ESRI Business Analysis (2010)

2 Inclusive of Convenience Stores

Source: ESRI Business Analyst, State Board of Equalization, Department of Finance, and Pro Forma Advisors

NOD Personal Services

NOD personal service demand estimates are calculated based on the previously established demand factors less current personal services in the half-mile radius of the the Inglewood and Century intersection.

Inglewood and Century NOD Personal Services Estimate (Less Supply)

Half-Mile Radius

	Businesses Per HH	Demand (Firms)	Supply	Service Gap
Non-Retail Sales				
Commercial banking	0.0004	1.5	-	1.5
Offices of physicians, except mental health	0.0029	11.3	4.0	7.3
Offices of dentists	0.0016	6.1	1.0	5.1
Child day care services	0.0005	1.9	1.0	-
Fitness and recreational sports centers	0.0002	0.8	1.0	-
Hair, nail, and skin care services	0.0007	2.8	7.0	-
Coin-operated laundries and dry-cleaners	0.0001	0.4	-	-
Dry-cleaning and laundry services	0.0003	1.0	-	1.0
Total	0.0066	25.9		15.0
Average Firm Size (Square Feet)		600		600
Total Square Feet (Rounded)		15,600		9,000

Source: InfoUSA, and Pro Forma Advisors

Office

NOD office demand estimates are calculated based on the previously established demand factor less current available office space in the half-mile radius of the the Inglewood and Century intersection. Once again, Pro Forma did not identify any competitive office space as the office space provided in the NOD is thought to be smaller shared workspace versus more traditional office space that might be available within the local market area.

Inglewood and Century NOD Office Demand Estimate

Three-Mile Radius

Office Demand Estimate	
Household Employment	98,540
Percent of Households in Office Jobs	11%
Households in Office Jobs	10,453
Percent of Households in Office Jobs Commuting over 10 Miles to Work	59.70%
Households in Office Jobs Commuting over 10 Miles to Work	6,240
NOD Capture of Office Jobs Commuting over 10 Miles to Work	1.0%
Office Job Recapture (Rounded)	60
Office Demand Assumption	175
Office Space Demand at NOD (1)	10,500

¹ Pro Forma did not include a competitive supply do to the unique office space thought to be provided within the NOD.

Source: CoStar, OnTheMap (US Census), and Pro Forma Advisors

Summary

The following table presents illustrative NOD demand estimates. Similar to the Rosecrans and Normandie Intersection the location appears to provide sufficient demand for the NOD concept. This is largely due to a lack of NOD retail offerings, some personal service demand, as well as a larger office-using workforce within 3 miles that commute over 10 miles to work. Similar to the Rosecrans and Normandie intersection, the NOD would require significant market support from the 3 mile market area.

Illustrative Inglewood and Century NOD Program

Demand Estimate

Commercial Development	Square Feet
Retail	57,400
Retail: Service	9,000
Office (1)	10,500
Total	76,900

¹ This estimates depends on the NOD ability to recapture employees either currently working further than 10 miles from the primary residence in the South Bay.

Source: Pro Forma Advisors

Other Demand Considerations

Pro Forma created a hypothetical demand model to illustrate the importance of market capture within the quarter mile market area. Assuming the NOD could be anchored by a small grocery store or specialty market, the following illustrates how repeat visitation and the capture of additional spending could benefit the NOD concept. Assuming 15,000 square feet of a well performing grocer with aggressive sales per square feet, it could lead to annual sales of \$10.5 million. According to the US Grocery Shopping Trends report (2012), the average cost per transaction is \$50. This would lead to over 200,000 transactions per year at the NOD. Assuming the NOD could effectively capture an additional \$5 in average spending per trip at one of the numerous other offerings (coffee shop, dry cleaners, specialty retail, etc.) the additional sales generated could support an additional 3,500 square feet. In total, these transactions alone would support 77 percent of the NOD.

Demand Analysis of Grocery Anchored NOD

Illustrative Analysis

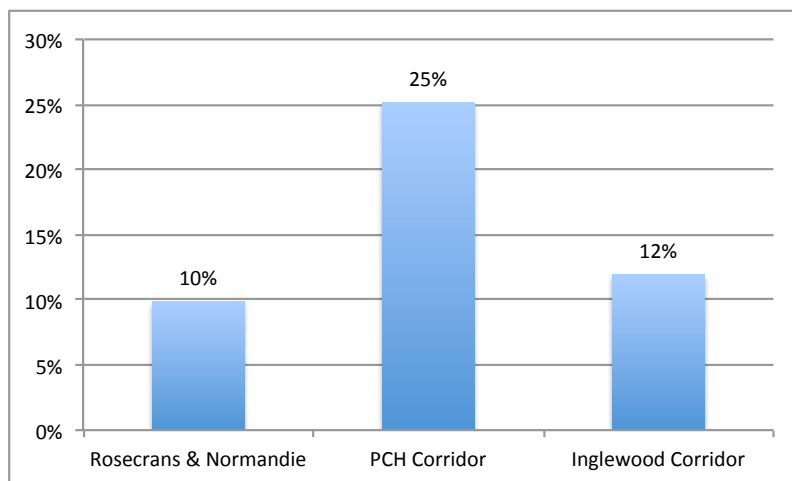
Assumptions	
Square Feet (SF)	15,000
Sales per SF	\$700
Total Sales	\$10,500,000
Average Cost per Receipt (Transaction)	\$50
Annual Transactions	210,000
Additional NOD Capture per Transaction	\$5
Additional Sales	\$1,050,000
Assumed Sales per SF	\$300
Additional Supportable SF	3,500
Total Anchor Driven Demand	18,500
Other (Difference)	5,500
NOD Programming Retail	24,000

Source: Pro Forma Advisors

As such, there is great importance placed on attracting one or more high transaction based anchors to help generate support for other uses in the NOD (either grocer or other drug/retail offering). As noted, the PCH corridor has the greatest ability to support a NOD given its density and household income. Using the illustrative site analysis, and the illustrative NOD program described above, the quarter mile household population could support 25 percent of the sales assuming the center could capture half of their grocery spending. This capture would translate into the quarter mile households walking to get their groceries around once a week and capturing additional spending. The following chart demonstrates how each corridor compares in terms of their ability to support the NOD from the demand in the quarter mile market area.

Demand Analysis of Grocery Anchored NOD

Illustrative Analysis



Source: Pro Forma Advisors

Applied NOD Financial Analysis

Pro Forma evaluated the financial feasibility of the market supportable NOD at the Rosecrans and Normandie intersection, and the illustrative NOD prototype within all three study areas. Each model has been designated and associated with a specific node or corridor location with adjustments to market inputs.

The basic characteristics of the NOD program at the Rosecrans and Normandie intersection include:

- 56,700 square feet of retail
- 12,500 square feet of personal service commercial
- 8,750 square feet of office

The basic characteristics of the illustrative NOD program tested within all three study areas include:

- 24,900 square feet of retail
- 9,000 square feet of personal service commercial
- 10,500 square feet of office

The measurement criteria for evaluating feasibility of the alternative models is the internal rate of return (IRR). IRR is calculated including an assumed land cost reflecting current values, specifically \$50 per square foot on Rosecrans and Normandie corridor, \$45 on the Inglewood Boulevard corridor, \$150 per square foot on the PCH corridor. The market inputs assume average attainable rents for office and retail space depending on each corridor's current conditions. IRRs in the 10 to 20 percent range (after allowing for developer's profit estimated at 15 percent) indicate feasibility for income properties, while residential or other sales projects require over 12 percent. Identified IRRs range from 4.5 percent for the Rosecrans and Normandie intersection, to 11.4 percent for hypothetical NOD development in the PCH corridor.

After conducting some sensitivity analysis, average asking rents for retail and office rents in the Rosecrans and Normandie and Inglewood corridors would have to increase by over 20 percent to be financially viable and would also likely require some subsidy from the public sector. This analysis helps demonstrate that while the hypothetical NOD is not financially feasible today, it could be achievable if the development could achieve premium rents over current market values in the Rosecrans and Normandie and Inglewood corridors. While the previous analysis demonstrated that there was too much competitive supply for a NOD in the PCH corridor, the illustrative analysis shows that it is financially feasible in the area. It is important to note that this analysis does not constitute a site specific evaluation, but rather an illustrative analysis to demonstrate order-of-magnitude comparison of relative feasibility given current market conditions and the availability of redevelopable land.

Financial Summary Rosecrans and Normandie (Studied) NOD

Financial Feasibility Estimate

Assumptions	
Total Land Area	
Square Feet	155,900
Acres	3.58
Retail & Personal Service	
Square Feet	69,200
Rent (NNN/SF/Year)	\$21.00
Office	
Square Feet	8,750
Rent (Modified Gross/SF/Year)	\$23.00
Total Parking	126
Internal Rate of Return	4.5%

Source: Pro Forma Advisors

Financial Summary of Illustrative NOD within all Study Areas

Financial Feasibility Estimate

Assumptions	Rosecrans and Normandie Corridor	Inglewood Corridor	PCH Corridor
Total Land Area			
Square Feet	43,560	43,560	43,560
Acres	1.00	1.00	1.00
Retail & Personal Service			
Square Feet	33,000	33,000	33,000
Rent (NNN/SF/Year)	\$21.00	\$19.00	\$42.00
Office			
Square Feet	10,500	10,500	10,500
Rent (Modified Gross/SF/Year)	\$23.00	\$20.00	\$33.00
Total Parking	109	109	109
Internal Rate of Return	6.7%	5.5%	11.4%

Source: Pro Forma Advisors

Appendix

Appendix



Rosecrans and Normandie (Studied) NOD Financial

Existing Use(s)			
Land Area	3.58 acres or	155,900 s.f.	
Existing Bldg. Area	77,950 s.f.		
Proposed Development			
Land Area	3.58 acres or	155,900 s.f.	
Retail Office Mixed Use			
Retail GLA	69,200 s.f.		
Office GLA	8,750 s.f.		
Retail Rent	\$ 21.00 /s.f./Yr. (NNN)		
Office Rent	\$ 23.00 /s.f./Yr. (Modified Gross)		
Parking			
Surface Parking	69 @	\$ 4,500 /space	
Structure/Podium	126 @	\$ 17,500 /space	

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total
Inflation	3.00%	1.00	1.03	1.06	1.09	1.13	1.16	1.19	1.23	1.27	1.30	1.34	1.38
INCOME PRODUCTS (Mixed Use)													
Retail													
Occupancy	0%	0%	0%	65%	75%	85%	95%	95%	95%	95%	95%	95%	
Occupied GLA (s.f.)	-	-	-	44,980	51,900	58,820	65,740	65,740	65,740	65,740	65,740	65,740	65,740
Office													
Occupancy	0%	0%	0%	50%	75%	80%	90%	90%	90%	90%	90%	90%	
Occupied GLA (s.f.)	-	-	-	4,375	6,563	7,000	7,875	7,875	7,875	7,875	7,875	7,875	7,875
REVENUES													
Rental Revenues													
<i>Thousands of Dollars</i>													
Retail	\$ -	\$ -	\$ -	\$ 1,032	\$ 1,227	\$ 1,432	\$ 1,648	\$ 1,698	\$ 1,749	\$ 1,801	\$ 1,855	\$ 1,911	
Office	\$ -	\$ -	\$ -	\$ 110	\$ 170	\$ 187	\$ 216	\$ 223	\$ 229	\$ 236	\$ 243	\$ 251	
Rental Revenues (1)	\$ -	\$ -	\$ -	\$ 1,142	\$ 1,397	\$ 1,619	\$ 1,865	\$ 1,921	\$ 1,978	\$ 2,038	\$ 2,099	\$ 2,162	\$ 16,219
OPERATING EXPENSES													
<i>Thousands of Dollars</i>													
Fixed													
Retail	5.00%	\$ -	\$ -	\$ 52	\$ 61	\$ 72	\$ 82	\$ 85	\$ 87	\$ 90	\$ 93	\$ 96	
Office	25.00%	\$ -	\$ -	\$ 27	\$ 42	\$ 47	\$ 54	\$ 56	\$ 57	\$ 59	\$ 61	\$ 63	
Total Operating Expenses (3)	\$ -	\$ -	\$ -	\$ 79	\$ 104	\$ 118	\$ 136	\$ 141	\$ 145	\$ 149	\$ 154	\$ 158	\$ 1,184
Net Operating Income (4)	\$ -	\$ -	\$ -	\$ 1,063	\$ 1,293	\$ 1,500	\$ 1,728	\$ 1,780	\$ 1,833	\$ 1,888	\$ 1,945	\$ 2,003	\$ 15,035
DEVELOPMENT COSTS													
<i>Thousands of Dollars</i>													
Site Development													
Demolition													
Existing Structures @	\$ 10.00 /s.f.	\$ -	\$ 827	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Relocation Costs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Site Prep./Grading	\$ 2.00 /s.f.	\$ -	\$ 331	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Other In-Tract Costs ¹	\$ 120,000 /acre	\$ -	\$ 456	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Site Development Costs (6)	\$ -	\$ -	\$ 1,613	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,613
Hard Costs													
Retail (with TI) @	\$ 150 /s.f.	\$ -	\$ 11,012	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Office (with TI) @	\$ 150 /s.f.	\$ -	\$ 1,392	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Parking													
Podium	\$ 17,500	\$ -	\$ 2,339	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Surface	\$ 4,500 /Space	\$ -	\$ 329	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Subterranean	\$ 32,000 /Space	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Sub-Total (7)		\$ -	\$ 15,073	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,073
Total Hard Costs (8) = (6)+(7)	\$ -	\$ -	\$ 16,687	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,687
Soft Costs													
A&E	6.00% of (8)	\$ -	\$ 1,001	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Contingency	5.00% of (8)	\$ -	\$ 834	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Overhead	5.00% of (8)	\$ -	\$ 834	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Taxes / Insurance	1.00% of (8)	\$ -	\$ 167	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Sub-Total (9)		\$ -	\$ 2,837	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,837
Construction Financing	7.00% of (8)+(9)	\$ -	\$ 1,367	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,367
Builder Profit	15.00% of (8)	\$ -	\$ 2,503	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,503
Sub-Total (10)		\$ -	\$ 3,870	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,870
Total Soft Costs (11) = (9)+(10)	\$ -	\$ -	\$ 6,706	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,706
Total Devpt. Costs (12) = (8)+(11)	\$ -	\$ -	\$ 23,393	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,393
Land Costs @	\$ 50.00 /s.f.	\$ 7,795											\$ 7,795
CASH FLOWS													
Cash Flow Before Sale													
Sale @ Blended Cap. Rate of	6.5%	\$ (7,795)	\$ -	\$ (23,393)	\$ 1,063	\$ 1,293	\$ 1,500	\$ 1,728	\$ 1,780	\$ 1,833	\$ 1,888	\$ 1,945	\$ 2,003
Cost of Sale	3%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (925)
Cash Flow After Sale		\$ (7,795)	\$ -	\$ (23,393)	\$ 1,063	\$ 1,293	\$ 1,500	\$ 1,728	\$ 1,780	\$ 1,833	\$ 1,888	\$ 1,945	\$ 31,902
PROJECT IRR = 4.5%													

¹ 'In-tract' costs include infrastructure costs, impact fees and entitlement fees



Rosecrans and Normandie IllustrativeNOD Financial

Existing Use(s)			
Land Area	1.00 acres or	43,560 s.f.	
Existing Bldg. Area	21,780 s.f.		
Proposed Development			
Land Area	1.00 acres or	43,560 s.f.	
Retail Office Mixed Use			
Retail GLA	33,000 s.f.		
Office GLA	10,500 s.f.		
Retail Rent	\$ 21.00 /s.f./Yr. (NNN)		
Office Rent	\$ 23.00 /s.f./Yr. (Modified Gross)		
Parking			
Surface Parking	39 @ \$ 4,500 /space		
Structure/Podium	70 @ \$ 17,500 /space		

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total
Inflation	3.00%	1.00	1.03	1.06	1.09	1.13	1.16	1.19	1.23	1.27	1.30	1.34	1.38

INCOME PRODUCTS (Mixed Use)													
Retail													
Occupancy	0%	0%	0%	65%	75%	85%	95%	95%	95%	95%	95%	95%	
Occupied GLA (s.f.)	-	-	-	21,450	24,750	28,050	31,350	31,350	31,350	31,350	31,350	31,350	31,350
Office													
Occupancy	0%	0%	0%	50%	75%	80%	90%	90%	90%	90%	90%	90%	
Occupied GLA (s.f.)	-	-	-	5,250	7,875	8,400	9,450	9,450	9,450	9,450	9,450	9,450	9,450

REVENUES													
Retail Revenues													
Retail	\$ -	\$ -	\$ -	\$ 492	\$ 585	\$ 683	\$ 786	\$ 810	\$ 834	\$ 859	\$ 885	\$ 911	
Office	\$ -	\$ -	\$ -	\$ 132	\$ 204	\$ 224	\$ 260	\$ 267	\$ 275	\$ 284	\$ 292	\$ 301	
Rental Revenues (1)	\$ -	\$ -	\$ -	\$ 624	\$ 789	\$ 907	\$ 1,046	\$ 1,077	\$ 1,109	\$ 1,143	\$ 1,177	\$ 1,212	\$ 9,083

OPERATING EXPENSES													
Fixed													
Retail	5.00%	\$ -	\$ -	\$ -	\$ 25	\$ 29	\$ 34	\$ 39	\$ 40	\$ 42	\$ 43	\$ 44	\$ 46
Office	25.00%	\$ -	\$ -	\$ -	\$ 33	\$ 51	\$ 56	\$ 65	\$ 67	\$ 69	\$ 71	\$ 73	\$ 75
Total Operating Expenses (3)		\$ -	\$ -	\$ -	\$ 58	\$ 80	\$ 90	\$ 104	\$ 107	\$ 111	\$ 114	\$ 117	\$ 121
Net Operating Income (4)		\$ -	\$ -	\$ -	\$ 567	\$ 709	\$ 817	\$ 941	\$ 970	\$ 999	\$ 1,029	\$ 1,060	\$ 1,091

DEVELOPMENT COSTS													
Site Development													
Demolition													
Existing Structures @	\$ 10.00 /s.f.	\$ -	\$ -	\$ 231	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Relocation Costs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Site Prep./Grading	\$ 2.00 /s.f.	\$ -	\$ -	\$ 92	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other In-Tract Costs ¹	\$ 120,000 /acre	\$ -	\$ -	\$ 127	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Site Development Costs (6)		\$ -	\$ -	\$ 451	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 451

Hard Costs													
Retail (with TI) @	\$ 150 /s.f.	\$ -	\$ -	\$ 5,251	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Office (with TI) @	\$ 150 /s.f.	\$ -	\$ -	\$ 1,671	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Parking													
Podium	\$ 17,500	\$ -	\$ -	\$ 1,300	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Surface	\$ 4,500 /Space	\$ -	\$ -	\$ 185	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subterranean	\$ 32,000 /Space	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sub-Total (7)		\$ -	\$ -	\$ 8,407	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,407
Total Hard Costs (8) = (6)+(7)		\$ -	\$ -	\$ 8,858	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,858
Soft Costs													
A&E	6.00% of (8)	\$ -	\$ -	\$ 531	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contingency	5.00% of (8)	\$ -	\$ -	\$ 443	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Overhead	5.00% of (8)	\$ -	\$ -	\$ 443	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes / Insurance	1.00% of (8)	\$ -	\$ -	\$ 89	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sub-Total (9)		\$ -	\$ -	\$ 1,506	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,506
Construction Financing	7.00% of (8+9)	\$ -	\$ -	\$ 725	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 725
Builder Profit	15.00% of (8)	\$ -	\$ -	\$ 1,329	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,329
Sub-Total (10)		\$ -	\$ -	\$ 2,054	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,054
Total Soft Costs (11) = (9)+(10)		\$ -	\$ -	\$ 3,560	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,560
Total Devpt. Costs (12) = (8)+(11)		\$ -	\$ -	\$ 12,418	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,418

Land Costs @	\$ 50.00 /s.f.	\$ 2,178											\$ 2,178
CASH FLOWS													
Cash Flow Before Sale		\$ (2,178)	\$ -	\$ (12,418)	\$ 567	\$ 709	\$ 817	\$ 941	\$ 970	\$ 999	\$ 1,029	\$ 1,060	\$ 1,091
Sale @ Blended Cap. Rate of	6.5%												\$ 16,791
Cost of Sale	3%												\$ (504)
Cash Flow After Sale		\$ (2,178)	\$ -	\$ (12,418)	\$ 567	\$ 709	\$ 817	\$ 941	\$ 970	\$ 999	\$ 1,029	\$ 1,060	\$ 17,378

PROJECT IRR = 6.7%

¹ 'in-tract' costs include infrastructure costs, impact fees and entitlement fees

Source: Pro Forma Advisors



PCH Illustrative NOD Financial

Existing Use(s)		
Land Area	1.00 acres or	43,560 s.f.
Existing Bldg. Area	21,780 s.f.	
Proposed Development		
Land Area	1.00 acres or	43,560 s.f.
Retail Office Mixed Use		
Retail GLA	33,000 s.f.	
Office GLA	10,500 s.f.	
Retail Rent	\$ 42.00 /s.f./Yr. (NNN)	
Office Rent	\$ 33.00 /s.f./Yr. (Modified Gross)	
Parking		
Surface Parking	39 @ \$ 4,500 /space	
Structure/Podium	70 @ \$ 17,500 /space	

		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Inflation	3.00%	1.00	1.03	1.06	1.09	1.13	1.16	1.19	1.23	1.27	1.30	1.34	1.38

INCOME PRODUCTS (Mixed Use)													
Retail													
Occupancy	0%	0%	0%	65%	75%	85%	95%	95%	95%	95%	95%	95%	95%
Occupied GLA (s.f.)	-	-	-	21,450	24,750	28,050	31,350	31,350	31,350	31,350	31,350	31,350	31,350
Office													
Occupancy	0%	0%	0%	50%	75%	80%	90%	90%	90%	90%	90%	90%	90%
Occupied GLA (s.f.)	-	-	-	5,250	7,875	8,400	9,450	9,450	9,450	9,450	9,450	9,450	9,450

REVENUES													
Rental Revenues													
Retail	\$ -	\$ -	\$ -	\$ 984	\$ 1,170	\$ 1,366	\$ 1,572	\$ 1,619	\$ 1,668	\$ 1,718	\$ 1,770	\$ 1,823	\$ 1,876
Office	\$ -	\$ -	\$ -	\$ 189	\$ 292	\$ 321	\$ 372	\$ 384	\$ 395	\$ 407	\$ 419	\$ 432	\$ 444
Rental Revenues (1)	\$ -	\$ -	\$ -	\$ 1,174	\$ 1,462	\$ 1,687	\$ 1,945	\$ 2,003	\$ 2,063	\$ 2,125	\$ 2,189	\$ 2,254	\$ 2,320

OPERATING EXPENSES													
Fixed													
Retail	5.00%	\$ -	\$ -	\$ -	\$ 49	\$ 58	\$ 68	\$ 79	\$ 81	\$ 83	\$ 86	\$ 88	\$ 91
Office	25.00%	\$ -	\$ -	\$ -	\$ 47	\$ 73	\$ 80	\$ 93	\$ 96	\$ 99	\$ 102	\$ 105	\$ 108
Total Operating Expenses (3)		\$ -	\$ -	\$ -	\$ 97	\$ 132	\$ 149	\$ 172	\$ 177	\$ 182	\$ 188	\$ 193	\$ 199
Net Operating Income (4)		\$ -	\$ -	\$ -	\$ 1,077	\$ 1,331	\$ 1,538	\$ 1,773	\$ 1,826	\$ 1,881	\$ 1,937	\$ 1,995	\$ 2,055

DEVELOPMENT COSTS													
Site Development													
Demolition													
Existing Structures @	\$ 10.00 /s.f.	\$ -	\$ -	\$ 231	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Relocation Costs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Site Prep./Grading	\$ 2.00 /s.f.	\$ -	\$ -	\$ 92	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other In-Tract Costs ¹	\$ 120,000 /acre	\$ -	\$ -	\$ 127	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Site Development Costs (6)		\$ -	\$ -	\$ 451	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Hard Costs													
Retail (with TI) @	\$ 150 /s.f.	\$ -	\$ -	\$ 5,251	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Office (with TI) @	\$ 150 /s.f.	\$ -	\$ -	\$ 1,671	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Parking													
Podium	\$ 17,500	\$ -	\$ -	\$ 1,300	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Surface	\$ 4,500 /Space	\$ -	\$ -	\$ 185	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subterranean	\$ 32,000 /Space	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sub-Total (7)		\$ -	\$ -	\$ 8,407	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Hard Costs (8) = (6)+(7)		\$ -	\$ -	\$ 8,858	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Soft Costs													
A&E	6.00% of (8)	\$ -	\$ -	\$ 531	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contingency	5.00% of (8)	\$ -	\$ -	\$ 443	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Overhead	5.00% of (8)	\$ -	\$ -	\$ 443	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes / Insurance	1.00% of (8)	\$ -	\$ -	\$ 89	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sub-Total (9)		\$ -	\$ -	\$ 1,506	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Construction Financing	7.00% of (8+9)	\$ -	\$ -	\$ 725	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Builder Profit	15.00% of (8)	\$ -	\$ -	\$ 1,329	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sub-Total (10)		\$ -	\$ -	\$ 2,054	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Soft Costs (11) = (9)+(10)		\$ -	\$ -	\$ 3,560	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Devpt. Costs (12) = (8)+(11)		\$ -	\$ -	\$ 12,418	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Land Costs @	\$ 150.00 /s.f.	\$ 6,534											
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CASH FLOWS													
Cash Flow Before Sale													
Sale @ Blended Cap. Rate of	6.5%	\$ (6,534)	\$ -	\$ (12,418)	\$ 1,077	\$ 1,331	\$ 1,538	\$ 1,773	\$ 1,826	\$ 1,881	\$ 1,937	\$ 1,995	\$ 2,055
Cost of Sale	3%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash Flow After Sale		\$ (6,534)	\$ -	\$ (12,418)	\$ 1,077	\$ 1,331	\$ 1,538	\$ 1,773	\$ 1,826	\$ 1,881	\$ 1,937	\$ 1,995	\$ 2,055

PROJECT IRR = 11.4%

¹ "in-tract" costs include infrastructure costs, impact fees and entitlement fees

Source: Pro Forma Advisors



Inglewood Corridor Illustrative NOD Financial

Existing Use(s)		
Land Area	1.00 acres or	43,560 s.f.
Existing Bldg. Area	21,780 s.f.	
Proposed Development		
Land Area	1.00 acres or	43,560 s.f.
Retail Office Mixed Use		
Retail GLA	33,000 s.f.	
Office GLA	10,500 s.f.	
Retail Rent	\$ 19.00 /s.f./Yr. (NNN)	
Office Rent	\$ 20.00 /s.f./Yr. (Modified Gross)	
Parking		
Surface Parking	39 @ \$ 4,500 /space	
Structure/Podium	70 @ \$ 17,500 /space	

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total
Inflation 3.00%	1.00	1.03	1.06	1.09	1.13	1.16	1.19	1.23	1.27	1.30	1.34	1.38	

INCOME PRODUCTS (Mixed Use)													
Retail													
Occupancy	0%	0%	0%	65%	75%	85%	95%	95%	95%	95%	95%	95%	
Occupied GLA (s.f.)	-	-	-	21,450	24,750	28,050	31,350	31,350	31,350	31,350	31,350	31,350	31,350
Office													
Occupancy	0%	0%	0%	50%	75%	80%	90%	90%	90%	90%	90%	90%	
Occupied GLA (s.f.)	-	-	-	5,250	7,875	8,400	9,450	9,450	9,450	9,450	9,450	9,450	9,450

REVENUES													
Retail Revenues													
Retail	\$ -	\$ -	\$ -	\$ 445	\$ 529	\$ 618	\$ 711	\$ 733	\$ 755	\$ 777	\$ 801	\$ 825	
Office	\$ -	\$ -	\$ -	\$ 115	\$ 177	\$ 195	\$ 226	\$ 232	\$ 239	\$ 247	\$ 254	\$ 262	
Rental Revenues (1)	\$ -	\$ -	\$ -	\$ 560	\$ 707	\$ 813	\$ 937	\$ 965	\$ 994	\$ 1,024	\$ 1,055	\$ 1,086	\$ 8,140

OPERATING EXPENSES													
Fixed													
Retail	5.00%	\$ -	\$ -	\$ -	\$ 22	\$ 26	\$ 31	\$ 36	\$ 37	\$ 38	\$ 39	\$ 40	\$ 41
Office	25.00%	\$ -	\$ -	\$ -	\$ 29	\$ 44	\$ 49	\$ 56	\$ 58	\$ 60	\$ 62	\$ 64	\$ 65
Total Operating Expenses (3)		\$ -	\$ -	\$ -	\$ 51	\$ 71	\$ 80	\$ 92	\$ 95	\$ 98	\$ 101	\$ 104	\$ 107
Net Operating Income (4)		\$ -	\$ -	\$ -	\$ 509	\$ 636	\$ 733	\$ 845	\$ 870	\$ 896	\$ 923	\$ 951	\$ 980

DEVELOPMENT COSTS													
Site Development													
Demolition													
Existing Structures @	\$ 10.00 /s.f.	\$ -	\$ -	\$ 231	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Relocation Costs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Site Prep./Grading	\$ 2.00 /s.f.	\$ -	\$ -	\$ 92	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other In-Tract Costs ¹	\$ 120,000 /acre	\$ -	\$ -	\$ 127	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Site Development Costs (6)		\$ -	\$ -	\$ 451	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 451

Hard Costs													
Retail (with TI) @	\$ 150 /s.f.	\$ -	\$ -	\$ 5,251	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Office (with TI) @	\$ 150 /s.f.	\$ -	\$ -	\$ 1,671	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Parking													
Podium	\$ 17,500	\$ -	\$ -	\$ 1,300	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Surface	\$ 4,500 /Space	\$ -	\$ -	\$ 185	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subterranean	\$ 32,000 /Space	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sub-Total (7)		\$ -	\$ -	\$ 8,407	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,407
Total Hard Costs (8) = (6)+(7)		\$ -	\$ -	\$ 8,858	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,858

Soft Costs													
A&E	6.00% of (8)	\$ -	\$ -	\$ 531	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contingency	5.00% of (8)	\$ -	\$ -	\$ 443	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Overhead	5.00% of (8)	\$ -	\$ -	\$ 443	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes / Insurance	1.00% of (8)	\$ -	\$ -	\$ 89	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sub-Total (9)		\$ -	\$ -	\$ 1,506	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,506
Construction Financing	7.00% of (8)+(9)	\$ -	\$ -	\$ 725	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 725
Builder Profit	15.00% of (8)	\$ -	\$ -	\$ 1,329	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,329
Sub-Total (10)		\$ -	\$ -	\$ 2,054	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,054
Total Soft Costs (11) = (9)+(10)		\$ -	\$ -	\$ 3,560	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,560
Total Devpt. Costs (12) = (8)+(11)		\$ -	\$ -	\$ 12,418	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,418

Land Costs @	\$ 45.00 /s.f.	\$ 1,960											\$ 1,960
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CASH FLOWS													
Cash Flow Before Sale													
Sale @ Blended Cap. Rate of	6.5%	\$ (1,960)	\$ -	\$ (12,418)	\$ 509	\$ 636	\$ 733	\$ 845	\$ 870	\$ 896	\$ 923	\$ 951	\$ 980
Cost of Sale	3%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash Flow After Sale		\$ (1,960)	\$ -	\$ (12,418)	\$ 509	\$ 636	\$ 733	\$ 845	\$ 870	\$ 896	\$ 923	\$ 951	\$ 15,597

PROJECT IRR = 5.5%

¹ "in-tract" costs include infrastructure costs, impact fees and entitlement fees