

Refined Market Analysis
Tustin Town Center

Prepared for:

City of Tustin

Prepared by:

Keyser Marston Associates, Inc.

April 29, 2008

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TABLE OF CONTENTS

I.	Executive Summary	1
	A. Retail.....	3
	B. Office.....	4
	C. Residential	5
II.	Introduction.....	7
	A. Objective	7
	B. Methodology.....	7
	C. Background of Study Areas.....	8
III.	Demographic and Economic Factors	11
	A. Population	11
	B. Households	12
	C. Income Distribution	13
	D. Age Distribution	15
	E. Race/Ethnic Distribution.....	16
	F. Employment	17
	G. Housing Units	18
	H. Building Permit Activity	19

TABLE OF CONTENTS CONT'D

IV. Market Conditions by Land Use21

 A. Retail..... 21

 B. Office..... 25

 C. Residential 27

V. Absorption Analysis by Land Use.....30

 A. Retail..... 31

 B. Office..... 32

 C. Residential 35

VI. Limiting Conditions 36

I. EXECUTIVE SUMMARY

The Center City, Southern Gateway, and West Village Study Areas (Study Areas) located in the City of Tustin enjoy a strategic location within central Orange County, with access and visibility to major freeways, employment centers, and event destinations. The majority of the land area within the Study Areas is dedicated to multi-family residential, low-level retail and office, and light industrial uses. These uses are generally housed in older buildings, where the retail and office uses are located in one-story strip centers or small stand-alone buildings.

Attraction of new real estate development to the Study Areas must overcome a few constraints. While these constraints were analyzed in detail by previous studies, key findings affecting the potential for new development are summarized here:

- Land within the Study Areas is predominantly built-out, with less than 2.5 acres of vacant land available for new development. Assemblage of small parcels for large-scale development may be difficult due to multiple property owners and high acquisition and relocation costs.
- The inner core of the 1-mile radius is characterized by a large rental and low income population. The median household income within the 1-mile trade ring is \$52,000. This income level is far below comparable trade areas including the 5-mile trade ring, the City of Tustin (City), Orange County (County), and the State of California (State). Areas with low household incomes typically have less available income to pay for housing which can affect residential developments by lowering home sales prices and rents. In addition, areas with low incomes have less discretionary income and spending potential, which draws in lower-end retailers. Areas with a large percentage of renters are typically more transient in nature.

Notwithstanding these challenges, Keyser Marston Associates, Inc. (KMA) believes that there is a potential for the introduction of new development within the Study Areas. This conclusion is supported by the following key factors:

- Newport Avenue, a major north-south arterial, currently dead-ends at the southern terminus in the Southern Gateway study area. However, Tustin's Capital Improvement Plan currently includes the extension of Newport Avenue south to Edinger Avenue within the next five to seven years. Due to better traffic circulation, the extension of Newport Avenue would promote a positive commercial business environment and act as a potential catalyst for new development.

- Areas within Orange County that will continue to experience the largest share of new population growth include Tustin and Irvine, primarily due to the redevelopment of the former military bases. According to the Southern California Association of Governments (SCAG), the number of Tustin residents is expected to grow to 88,788 by 2030. Projected increases will be largely due to new residential developments at Tustin Legacy.
- On a national and regional level, there is increasing interest in “in-fill” residential and mixed-use developments as a desirable housing option. Although new in-fill and mixed-use developments have been stalled by the current downturn in the housing market, this fundamental trend is expected to continue. Examples of in-fill intensification in the City include Arbor Walk, Prospect Village, and The Cottages.
- As the County builds out, the Study Areas’ location and access from the I-5 and SR-55 freeways presents a high visibility benefit to many potential developers. Developers throughout California are pursuing freeway visible sites to build new retail and mixed-use developments, and according to the City, have already shown strong interest in the Study Areas.

In addition to vacant areas, larger development sites may be planned and implemented by the Redevelopment Agency through lot configuration and consolidation; and adaptive re-use, repositioning, and increased densification of sites and existing buildings throughout the Study Areas. Potential sites may include Tustin High School, Red Hill Plaza, El Camino Plaza, and areas along Newport Avenue.

KMA estimated the potential long-term demand for the major land uses through 2030. The absorption estimates are detailed in the following sections and are summarized below.

Projected Absorption Analysis by Land Use, Study Areas, 2008-2030				
	Low		High	
I. Annual Space Demand				
A. Retail Space	900 SF	5.2%	2,200 SF	6.3%
B. Restaurant Space	<u>300</u> SF	<u>1.7%</u>	<u>800</u> SF	<u>2.3%</u>
Subtotal	1,200 SF	7.0%	3,000 SF	8.6%
C. Office Space	<u>16,000</u> SF	<u>93.0%</u>	<u>32,000</u> SF	<u>91.4%</u>
Total Annual Space Demand	17,200 SF	100.0%	35,000 SF	100.0%
II. Total Space Demand	378,000 SF		770,000 SF	
III. Total Housing Unit Demand				
A. Multi-family	761 units	100.0%	1,141 units	100.0%
B. Single-family	<u>0</u> units	<u>0.0%</u>	<u>0</u> units	<u>0.0%</u>
Total Housing Unit Demand	761 units	100.0%	1,141 units	100.0%

A. Retail Potential

It is KMA's conclusion that short term (within five years) demand for new retail/restaurant uses within the Study Areas is weak. Mid- (five to 10 years) to long-term (10 to 20 years) demand is deemed moderate. The primary sources of market support for retail space within the Study Areas are community residents and the existing and future workforce.

A shopping center's size and orientation are generally determined by the market characteristics of the trade area served by the center. KMA's retail market analysis indicates that the Study Areas are able to support additional retail and restaurant development in the range of 26,000 to 65,000 SF through 2030. According to typical shopping center criteria, these estimates may support the development of a neighborhood shopping center within the Study Areas.

TYPICAL SHOPPING CENTER CRITERIA				
Center	General Concept	Range of SF	Range of Acreage	Primary Trade
Superregional	Similar to regional center, but larger with more variety	800,000+	60 to 120	5 to 25 miles
Regional	General merchandise, typically an enclosed mall	400,000 to 800,000	40 to 100	5 to 15 miles
Lifestyle	Upscale national chain specialty stores; dining and entertainment generally in an outdoor setting	250,000 to 600,000	10 to 40	8 to 12 miles
Community	General merchandise and convenience	150,000 to 500,000	10 to 40	3 to 6 miles
Power	Dominant anchors with few small tenants	80,000 to 250,000	25 to 80	5 to 10 miles
Neighborhood	Convenience	30,000 to 150,000	3 to 15	3 miles
Source: ICSC Shopping Center Definitions				

Although the Study Areas contain approximately 280,500 SF of existing neighborhood retail space, existing residents do not have a full-service grocery or drug store located within any of these centers. Planning and implementation efforts by Tustin’s Redevelopment Agency could help to redevelop and reposition existing shopping centers to accommodate more efficient layouts of retail space in shopping center and dining facilities.

Additional suggestions for possible categories of retail uses within the Study Areas include:

- Ground floor retail/restaurant uses incorporated into new mixed-use developments. The amount and types of uses that can be supported will depend on the amount of new residential and office development undertaken in the Study Areas.
- With strong taxable retail sales in the Specialty Stores category, this market niche may have a strong potential for both short- and long-term development within the Study Areas. In addition, the West Village can build upon the existing Jewelry Exchange. The current mix of retail lacks cohesive marketing, but presents an opportunity for branding the center as a “jewelry row.”

B. Office Space Potential

KMA concludes that short-term demand for office space in the Study Areas is moderately weak, with potential for development in the long-term. The fallout from the implosion of the subprime mortgage industry, in addition to new office construction, has increased the County’s office market’s vacancy rate.

Office employment in Orange County is highly concentrated in the Greater Airport Area (Corona Del Mar, Costa Mesa, Fountain Valley, Irvine, Newport Beach, and portions of Santa Ana and Tustin). However, the Study Areas within the City are not currently established as an office node. KMA finds, overall, that the Study Areas may have difficulty attracting large-scale office users unless a site or sites are made available for a higher density development. Therefore, it is anticipated that the Study Areas will yield minimal demand for office space at least in the short-term. Office space in the Study Areas is limited within Center City and Southern Gateway to small local-serving professional and business services dispersed among neighborhood retail strip centers and free-standing buildings.

Total demand for new office space within the 3-mile radius of the Study Areas is estimated to be 7,125,000 SF through 2030. Given the Study Areas high visibility and access, KMA estimates that the Study Areas' can capture 5% to 10% of this demand through 2030, equivalent to 356,000 to 713,000 SF. Short-term demand for office space would most likely continue from small professional and business services that are local-serving. In addition, there may be demand for small in-fill office condominium developments if financing remains positive for owner-users. New office uses in the Study Areas will require supporting amenities such as retail and restaurant uses.

The Tustin Hospital and Medical Center anchors the Southern Gateway study area, and as such, could provide opportunities for new development and increased access to additional medical services. However, based on KMA's interviews with office leasing agents, the Medical Center has a high vacancy rate (30%). The office leasing agents also note that medical office demand throughout the Study Areas is weak due to the current high vacancy rates. These vacancy rates could be attributed to many factors, including poor marketing and/or management of the buildings, the elimination of medical services, and lack of amenities to serve potential users. Center City (directly adjacent to City Hall) may be a candidate for finance, insurance, and real estate (FIRE) type professional businesses that utilize office space.

C. Residential Potential

Housing units within the City are projected to increase by approximately 5,100 through 2030, to a total of about 29,900 units, as compared to Tustin's Housing Element build-out projections of 30,984 units. KMA estimates that the Study Areas have the possibility to capture 20% to 30% of these new units over the long-term, or approximately 760 to 1,140 units.

It is KMA's conclusion that there is a strong potential for multi-family residential development in the Study Areas in the short- and long-term, with weak demand for single-family units in the short-term. For both the low and high capture scenarios, KMA

allocated 100% of the new units as multi-family and assumed no new development of single-family through 2030, pursuant to the Study Objectives. Since the Study Areas are located in the City's urban core, it seems appropriate that the residential make-up of the Study Areas is predominately multi-family. Despite the lack of available land, additional multi-family housing units within the Study Areas may be possible through increased densification and adaptive re-use and repositioning of sites and existing buildings. Small-lot single-family homes require minimum lot sizes of at least 4,500 SF and with the limited availability of large developable sites; it does not appear conducive to estimate that the Study Areas can add additional single-family homes.

The rental market should remain stable and occupancy levels high due to the impact of the rise in home foreclosures and new credit restrictions in residential lending. However, the City should focus efforts on the development of for-sale multi-family opportunities. Expanding homeownership opportunities within the Study Areas may improve income levels, increase neighborhood stability, and attract retailers.

II. INTRODUCTION

Keyser Marston Associates, Inc. (KMA) is serving as real estate economist on a multi-disciplinary team of consultants advising the City of Tustin (City) in the preparation of a refined market analysis for the Neighborhoods of Tustin Town Center. The Neighborhoods of Tustin Town Center are comprised of three (3) study areas: Center City, Southern Gateway, and West Village.

A. Objective

The objective of the KMA analysis was to refine the market analysis completed by the Urban Land Institute (ULI) Advisory Services Panel in 2006. The KMA analysis documents real estate market conditions by land use, demographic and economic trends, and potential supply and demand projections for residential, retail, and office uses.

B. Methodology

KMA undertook the following key tasks in preparation of this report:

- Conduct field surveys of the Study Areas and surrounding trade area;
- Review demographic and economic trends for the trade rings surrounding the mid-point of the Study Areas (Newport Avenue and Interstate-5 freeway) in comparison to the City of Tustin, Orange County (County), and State of California (State). Per KMA's discussion with the City, the intersection of Newport Avenue and the Interstate-5 (I-5) freeway was chosen as the mid-point to compare the Study Areas to obtain results more similar to the City of Tustin;
- Assess residential, retail, and office space market conditions within the Study Areas and surrounding trade area based on third-party data sources;
- Review taxable retail sales for the Study Areas and the City;
- Participate in interviews with local real estate professionals; and
- Review existing and planned developments within the Study Areas.

C. Background on Study Areas

In 2006, the City of Tustin invited the ULI Advisory Services Panel to review and study approaches for revitalizing three (3) study areas in the central and southwestern part of the City. These three areas are described as follows:

Center City

The Center City study area (Center City) was revised from ULI's 2006 study and is now bounded by Sixth Street and San Juan Avenue on the north, El Camino Real and I-5 on the south and the west, and includes areas just east of Red Hill Avenue. Key demographic findings for Center City in 2008 are as follows:

Center City, 2008	
Population	3,088
Housing Units	1,101
Multi-Family	82.3%
Single-Family	17.4%
Average Household Size	2.79
Median Household Income	\$50,016
Housing Tenure	
Owner-Occupied	22.0%
Renter-Occupied	75.2%
Source: Claritas, Inc.	

Existing properties within Center City were generally built in the 1960s and 1970s and include a mix of low-density single-family homes, strip retail, local-serving office, and light industrial uses. Center City is anchored by two shopping centers, Red Hill Plaza and El Camino Plaza, both of which are located along major commercial streets of Red Hill Avenue and El Camino Real. In addition, the study area is also served by two adjacent shopping centers, Tustin Plaza and Larwin Square. Large institutional uses within Center City include Tustin High School and Lambert Elementary School. New developments underway include Tustin Cottages, a residential townhome development along El Camino Real next to Tustin High School, and an assisted congregate care facility on Red Hill and San Juan Avenues.

Center City contains two vacant sites. A 0.52-acre site is located at 13742 Red Hill Avenue, adjacent to the Red Hill Plaza shopping center, with the other site located at 1062 El Camino Real, adjacent to the I-5 Freeway. Based on interviews conducted with

the Board of Tustin’s School District (as part of the Urban Land Institute Advisory Panel), Tustin High School situated on 39.4 acres in the study area was identified as being currently underutilized. At the time, Tustin Unified School District (School District) representatives were looking to determine the highest and best use for the property. While the City and the School District entered into a Letter of Intent for the possible relocation of Tustin High School to the Tustin Legacy development, the School District appears to be currently focused on a possible master plan for the renovation of the high school in its current location.

Southern Gateway

The Southern Gateway study area (Southern Gateway) is bounded by State Route-55 freeway (SR-55), I-5, Red Hill Avenue, and Newport Avenue. At approximately 136 acres, Southern Gateway consists primarily of multi-family residential housing units constructed in the 1960s and 1970s. The following presents key demographic findings for the study area for 2008:

Southern Gateway, 2008	
Population	9,997
Housing Units	3,545
Multi-Family	91.2%
Single-Family	8.4%
Average Household Size	3.55
Median Household Income	\$48,445
Housing Tenure	
Owner-Occupied	12.5%
Renter-Occupied	66.8%
Source: Claritas, Inc.	

Retail space in Southern Gateway is located along the major commercial corridors of Newport and Walnut Avenues. Southern Gateway contains one neighborhood retail center, the Tustin Freeway Center, located on Newport Avenue and the I-5 Freeway. The center does not contain any major anchor tenants and experiences high vacancy rates, despite having good freeway visibility. Large institutional uses within Southern Gateway include the Tustin Hospital and Medical Center. The most recent development in Southern Gateway is Arbor Walk, a residential condominium development developed by the Olson Company, located on Newport Avenue between Walnut and Sycamore Avenues.

KMA conducted site visits and visual surveys of the study area and found that there are no vacant or underutilized sites in Southern Gateway.

West Village

The West Village study area (West Village) is the most western of the three Study Areas, located on the Tustin-Santa Ana border, west of the SR-55 freeway between McFadden Avenue on the south and Main Street on the north. Key demographic findings for the study area for 2008 include:

West Village, 2008	
Population	8,867
Housing Units (1)	2,594
Multi-Family	83.7%
Single-Family	2.2%
Average Household Size	3.52
Median Household Income	\$43,306
Housing Tenure	
Owner-Occupied	23.2%
Renter-Occupied	73.8%
(1) Includes 352 mobile homes. Source: City of Tustin. Source: Claritas, Inc.	

Encompassing approximately 167 acres, West Village contains a mixture of large and small scale multi-family residential housing units and three manufactured home communities. The main commercial corridor is McFadden Avenue, with the Diamond Center as the only major retail center in the study area. The Jewelry Exchange currently provides little in terms of neighborhood retail, such as grocery, convenience retail, and services.

According to the City, West Village currently has two vacant sites: 16801 McFadden Avenue (0.44 acres) and 15700 Tustin Village Way. However, development plans for a new 15,000-SF commercial building at 15700 Tustin Village Way is currently in the building permit process.

III. DEMOGRAPHIC AND ECONOMIC FACTORS

In order to understand potential future growth in the Study Areas, KMA reviewed the demographic and economic factors for 1-, 3-, and 5-mile rings around the mid-point of the Study Areas (Newport Avenue and I-5) and compared them to the City of Tustin, Orange County, and State of California. The demographic and economic analyses provide insight into key factors affecting land uses within the Study Areas. Unless otherwise stated, all demographic data was provided by Claritas, Inc.

The key findings of the demographic and economic analysis are summarized as follows:

A. Population

- Current 2008 estimates by Claritas, Inc. indicate that Center City’s resident population decreased at a rate of *negative* 0.80% per year since 2000. The West Village study area has also decreased during the same time period at a rate of *negative* 0.33%. By contrast, the Southern Gateway study area increased in population by 1.83% since 2000 and is the only Study Area projected to yield a positive growth rate through 2013.
- Population within a 5-mile radius of the Study Areas is anticipated to yield the highest growth rate of the three geographic radii (1.33% forecasted increase through 2013). The City is forecasted to increase by 0.86%, slightly lower than the County (0.99%) and State (1.29%).

Population Growth		
<u>Geography</u>	<u>Average Annual Rate</u>	
	<u>2000-2008</u>	<u>2008-2013</u>
Center City	-0.80%	-0.44%
Southern Gateway	1.83%	1.75%
West Village	-0.33%	-0.61%
1-Mile Ring (1)	0.64%	0.77%
3-Mile Ring (1)	0.62%	0.82%
5-Mile Ring (1)	1.27%	1.33%
City of Tustin	0.80%	0.86%
Orange County	0.99%	1.13%
State of California	1.29%	1.39%

(1) From the intersection of Newport Avenue and I-5.
Source: Claritas, Inc.

B. Households

- Current 2008 household estimates indicate that households within Center City and West Village have declined by 0.86% and 1.26% since 2000, respectively. The number of households in Southern Gateway has increased by 1.3% since 2000, and is anticipated to increase by 1.21% through 2013. Similar to population forecasts through 2013, Center City and West Village are expected to decline in the number of households, by approximately 1.00%.
- The 1-mile and 3-mile trade areas have yielded minimal growth rates of 0.12% and 0.46% since 2000, and this trend is expected to continue through 2013. By comparison, the 5-mile radius has grown at a rate of 1.28% since 2000 and is anticipated to maintain a similar growth rate through 2013.
- The City has increased by 0.56% since 2000 and is forecasted to grow 0.63% annually through 2013. The County has increased by 0.81% since 2000 and is expected to increase by 0.90% through 2013.

Average Annual Household Growth Rates		
<u>Geography</u>	<u>Historical Growth 2000-2008</u>	<u>Forecasted Growth 2008-2013</u>
Center City	-1.26%	-0.93%
Southern Gateway	1.30%	1.21%
West Village	-0.86%	-1.00%
1-Mile Ring (1)	0.12%	0.26%
3-Mile Ring (1)	0.46%	0.61%
5-Mile Ring (1)	1.28%	1.24%
City of Tustin	0.56%	0.63%
Orange County	0.81%	0.90%
State of California	1.13%	1.23%
(1) From the intersection of Newport Avenue and I-5. Source: Claritas, Inc.		

- Center City (2.79) has a smaller average household size than those of the Southern Gateway (3.55) and West Village (3.52). Southern Gateway and West Village's average households sizes are in-line with those of the 3-mile and 5-mile trade areas, with 3.51 and 3.54, respectively.

- Center City’s household size is reflective of the overall citywide average of approximately 2.8 persons per household. The County is slightly higher with 3.04 persons per household.

Average Household Size, 2008	
<u>Geography</u>	<u>Average Household Size</u>
Center City	2.79
Southern Gateway	3.55
West Village	3.52
1-Mile Ring (1)	3.15
3-Mile Ring (1)	3.54
5-Mile Ring (1)	3.51
City of Tustin	2.87
Orange County	3.04
State of California	2.91

(1) From the intersection of Newport Avenue and I-5.
Source: Claritas, Inc.

C. Income Distribution

- Of the three Study Areas, the West Village contains the lowest per capita and median household incomes. West Village yields a per capita income (PCI) of \$13,700 and Southern Gateway yields a \$15,900 PCI, both of which are significantly lower than all other geographies surveyed.
- Incomes, both per capita and median, are shown to increase as the geography expands, e.g., 3-mile, 5-mile, City, and County. All yield significantly higher incomes than the Study Areas and 1-mile trade area.
- The City’s median household income in 2008 is approximately \$70,000. The County yields a higher median household income of \$73,000.

Per Capita and Median Household Incomes, 2008		
<u>Geography</u>	<u>Per Capita Income (PCI)</u>	<u>Median Household Income</u>
Center City	\$21,716	\$50,016
Southern Gateway	\$15,856	\$48,445
West Village	\$13,734	\$43,306
1-Mile Ring (1)	\$20,046	\$52,066
3-Mile Ring (1)	\$24,449	\$64,501
5-Mile Ring (1)	\$26,580	\$71,231
City of Tustin	\$32,464	\$69,969
Orange County	\$31,895	\$73,295
State of California	\$27,345	\$59,163

(1) From the intersection of Newport Avenue and I-5.
Source: Claritas, Inc.

- According to current estimates, West Village contains the highest number of households earning less than \$50,000 of the three Study Areas. This amounts to approximately 61% of all households within the West Village.
- About 50% of all households in Center City and Southern Gateway earn less than \$50,000.
- Nearly 25% of all households in Center City earn more than \$75,000. By comparison, 15.9% and 21.3% of all households earn more than \$75,000 in Southern Gateway and West Village, respectively.

Distribution of Household Income, 2008					
Geography	\$24.9K and Less	\$25K to \$49.9K	\$50K to \$74.9K	\$75K to \$99.9K	\$100K and Over
Center City	14.1%	35.9%	24.6%	12.1%	13.3%
Southern Gateway	17.0%	35.4%	26.3%	11.6%	9.7%
West Village	24.6%	36.3%	24.3%	10.1%	4.8%
1-Mile Ring (1)	16.7%	31.3%	23.8%	13.4%	14.8%
3-Mile Ring (1)	14.4%	24.2%	19.6%	13.1%	28.6%
5-Mile Ring (1)	13.3%	20.8%	18.7%	14.3%	32.8%
City of Tustin	11.2%	22.2%	20.8%	14.4%	31.4%
Orange County	12.9%	19.8%	18.5%	14.5%	34.2%
State of California	20.1%	23.1%	18.5%	12.9%	25.4%

(1) From the intersection of Newport Avenue and I-5.
Source: Claritas, Inc.

D. Age Distribution

- Median age in 2008 for the Southern Gateway and West Village study areas are lower than those of the Center City study area and 1-mile, 3-mile, and 5-mile radii. The Center City Study Area is most comparable to the citywide median age, of about 34 years old.

Median Age, 2008			
Geography	Median Age		% Change
	2000	2008	
Center City	31.1	33.6	8.1%
Southern Gateway	27.2	29.0	6.9%
West Village	26.8	28.1	5.1%
1-Mile Ring (1)	29.6	31.5	6.4%
3-Mile Ring (1)	29.2	31.1	6.4%
5-Mile Ring (1)	29.7	32.0	7.9%
City of Tustin	31.8	33.8	6.5%
Orange County	33.3	35.7	7.1%
State of California	33.3	34.6	4.1%

(1) From the intersection of Newport Avenue and I-5.
Source: Claritas, Inc.

- Empty nesters (45 to 64) and seniors (65 and above) represent a total of 37% to 48% of the Study Areas' population. An older population may also be indicative of the higher household incomes.

Age Distribution, 2008				
<u>Geography</u>	<u>17 and Under</u>	<u>18 to 44</u>	<u>45 to 64</u>	<u>65 and Above</u>
Center City	26.2%	26.0%	30.1%	17.8%
Southern Gateway	30.7%	30.8%	28.3%	10.2%
West Village	34.2%	28.7%	26.5%	10.6%
1-Mile Ring (1)	29.1%	43.2%	20.2%	7.5%
3-Mile Ring (1)	30.6%	41.3%	20.2%	7.9%
5-Mile Ring (1)	29.0%	41.3%	21.7%	7.9%
City of Tustin	27.7%	24.2%	30.9%	17.3%
Orange County	26.2%	22.8%	29.8%	21.2%
State of California	26.0%	24.6%	28.6%	20.8%

(1) From the intersection of Newport Avenue and I-5.
Source: Claritas, Inc.

E. Race/Ethnic Distribution

- In terms of racial distribution, the Study Areas are primarily Caucasian (ranging between 43% to 51%), followed by persons of Other races (ranging between 27% to 51%).
- The West Village contains the highest Hispanic population with 83%, followed by the Southern Gateway study area with 67%. The 1-mile, 3-mile, and 5-mile areas all contain about 50% to 60% Hispanic population.
- The City of Tustin is approximately 55% Caucasian and contains an ethnic Hispanic population of approximately 40%.
- The 1-mile, 3-mile, and 5-mile trade areas model similar racial and ethnic distributions.

Racial/Ethnic Distribution, 2008						
Geography	Racial Distribution				Total	Hispanic Ethnicity
	Caucasian	African American	Asian (1)	Other (2)		
Center City	50.6%	4.8%	17.7%	26.9%	100.0%	40.8%
Southern Gateway	42.7%	2.3%	15.9%	39.0%	100.0%	67.6%
West Village	43.0%	2.6%	3.9%	50.5%	100.0%	83.3%
1-Mile Ring (3)	48.2%	3.2%	14.1%	34.5%	100.0%	56.6%
3-Mile Ring (3)	49.1%	1.8%	11.4%	37.6%	100.0%	58.7%
5-Mile Ring (3)	49.3%	1.7%	15.4%	33.6%	100.0%	51.5%
City of Tustin	54.6%	2.7%	17.5%	25.1%	100.0%	39.9%
Orange County	60.7%	1.8%	16.4%	21.1%	100.0%	33.2%
State of California	56.1%	6.3%	12.6%	25.1%	100.0%	36.5%

(1) Includes Hawaiian Native and other Pacific Islanders Alone.
(2) Includes American Indian, Alaskan Native, persons of Some Other Race Alone, and persons of Two or More Races.
(3) From the intersection of Newport Avenue and I-5.
Source: Claritas, Inc.

F. Employment

- In 2007, the largest employment sectors within the three-mile ring are Trade, Transportation, and Utilities (TTU) (30%) and Professional and Business Services (20%). These two sectors reflect 50% of total employment within the 3-mile ring. By comparison, the same two employment sectors represent 33% and 36% of total employment for the County and the State, respectively.
- A review of data provided by the City's Business License Division revealed that:
 - Center City's largest employers are comprised of educational facilities and retail services. Within Center City, the largest retail service employers are Bally Total Fitness and Curtain Call Dinner Theatre, which employ a total of 150 individuals. The Lambert Elementary School and Tustin High School employ another 180 individuals.
 - The largest source of employment in the Southern Gateway is from the Tustin Hospital and Medical Center, with 200 employees.
 - The Jewelry Exchange is the largest employer in the West Village employing about 150 individuals, followed by the Heideman Elementary School with 38 employees.

- It is important to note that those employed in the above identified businesses may or may not be residents within the Study Areas.

Employment Trends by Industry, 2007 ⁽¹⁾								
Industry	3-Mile Ring ⁽²⁾		Orange County			State of California		
	Total	% of Total	Total	% of Total	Average Annual 2000-2007	Total	% of Total	Average Annual 2000-2007
Trade, Transportation, and Utilities	46,983	29.7%	279,900	18.3%	0.5%	2,990,600	19.4%	0.6%
Professional and Business Services	32,311	20.4%	277,900	18.1%	1.4%	2,293,700	14.9%	0.1%
Manufacturing	23,646	14.9%	183,900	12.0%	-2.3%	1,487,200	9.6%	-3.4%
Educational and Health Services	19,857	12.5%	145,600	9.5%	3.5%	1,710,300	11.1%	2.8%
Finance, Insurance, and Information	15,563	9.8%	161,400	10.5%	1.5%	1,394,600	9.0%	-0.3%
Government	7,682	4.8%	163,400	10.7%	1.2%	2,536,000	16.5%	1.0%
Construction	6,889	4.3%	102,700	6.7%	3.9%	895,600	5.8%	2.2%
Other Services	3,188	2.0%	48,300	3.1%	1.4%	516,900	3.4%	0.7%
Leisure and Hospitality	2,256	1.4%	169,800	11.1%	2.2%	1,563,800	10.1%	2.1%
Natural Resources and Mining	48	0.0%	600	0.0%	-2.2%	25,900	0.2%	-0.4%
Total Employment	158,423	100.0%	1,533,500	100.0%	1.1%	15,414,600	100.0%	0.5%

(1) Reflects employment by place of work, as of December 2007.
(2) From the intersection of Newport Avenue and I-5.
Source: Claritas, Inc.

G. Housing Units

- According to Claritas, Inc, approximately 27% of the estimated 27,000 housing units in the City are located within the Study Areas.
- The predominant housing type in the Study Areas is multi-family, at 87% of the total estimated housing units within the Study Areas. By contrast, single-family units represent only 8% of all housing units in the Study Areas. These housing type ratios have remained constant since 2000. Approximately 352 of the total units located in the Study Areas are mobile homes, all within the West Village.
- The Southern Gateway contains the largest percentage of multi-family units at 91%, while Center City has the largest number of single-family homes at 17% of the total number of units in the Study Areas.
- Southern Gateway's occupancy rate, at 79%, is the lowest of the Study Areas.
- A survey of housing tenure reveals that approximately 13% to 23% of housing units within the Study Areas' are owner-occupied. In comparison, 47% and 59% represent owner-occupied homes in the City and County, respectively.

Housing Tenure, 2008		
	Occupancy	
	Owner	Renter
Center City	22.0%	75.2%
Southern Gateway	12.5%	66.8%
West Village	23.2%	73.8%
1-Mile Radius (1)	28.2%	62.6%
3-Mile Radius (1)	49.8%	46.2%
5-Mile Radius (1)	54.4%	41.9%
City of Tustin	46.9%	46.2%
Orange County	59.4%	37.0%
State of California	54.2%	39.9%
Source: Claritas, Inc.		

H. Building Permit Activity

Non-Residential Building Permits

- During the 2002 to 2005 time period, issuance of retail building permits within the City was steady, averaging about \$3.0 million in retail building valuations. In 2006, retail building permit valuations within the City significantly increased to approximately \$24 million. This increase in valuation may be attributable to the new retail development that has occurred at The District at Tustin Legacy.
- The only non-residential building permits that have been issued in the Study Areas are for two (2) small retail centers, with a building valuation of approximately \$774,000 combined.
- Office building permits in the City increased from 2002 to 2004, with no activity in 2005. Then in 2006, office building permits were issued, with a valuation of nearly \$2 million.
- The annual number of building permits issued by the City for other non-residential uses, including institutional and miscellaneous non-residential structures, has remained relatively consistent since 2002, peaking in 2006.

- The City has not issued any building permits for hotel/motel uses throughout the four-year period (2002 to 2006). The City issued building permits for industrial development with a value amount of less than \$1 million in 2006.
- Overall non-residential building permit activity in the City experienced an average annual change of 43% from 2002 to 2006. By comparison, the County's non-residential building permit activity experienced a 23% average annual change for the same time period. However, the City's overall non-residential building permit activity is only about 2.5% of the County's totality.

Residential Building Permits

- According to the Construction Industry Research Board, residential building permit activity in the City for single-family homes has increased dramatically from 2002 to 2006 with an average increase of 283%, or a total of 1,200 single-family home permits. However, while the City has experienced growth in new housing units, the actual number of housing units decreased by a total of 24 units. This change can be attributable to the closure of MCAS Tustin and the demolition and loss of former military housing units. The County's residential building permit activity, by contrast, has decreased at an average rate of nearly 13% during the same time period. Since 2002, the Study Areas have not issued any single-family building permits.
- Residential building permit activity for multi-family units within the City has experienced some disparity since 2002. The City issued permits for 19 multi-family units in 2003 and then followed with no permits issued in 2004 or 2005. Multi-family building permits in the County also decreased by about 5% since 2002. Since 2002, the Study Areas have issued building permits for 213 multi-family units, of which only three (3) units were in 2006.

IV. MARKET CONDITIONS BY LAND USE

A. Retail Market Conditions

In evaluating retail market demand growth, KMA conducted site visits and visual analysis of the different retail centers within the Study Areas, reviewed third party market data commentary for the County, and taxable retail sales trends for the City and Study Areas.

Orange County

In 2007, retailers continued to expand briskly especially in lifestyle centers, power centers, and mixed-use in-fill projects with retail components. The following is a summary of the key retail market indicators in Orange County:

- Retail space inventory has increased by 10.8 million SF since 2001.
- Vacancy has dropped 3.5% since 2001, with a healthy (low) vacancy rate of 4.4% during the first quarter of 2008.
- Average asking lease rates increased to \$2.65/SF, or 6.3% since 2001.

Overall, Orange County has an inventory of 83.5 million SF of retail space, of which 40 million SF of inventory is located within community and neighborhood shopping centers. Over the past 10 years an average of 800,000 SF of retail space was developed annually in the County. In the Tustin/Irvine trade area nearly 270,000 SF of retail space has been absorbed annually over the last 20 years. Completed in 2007, The District at Tustin Legacy is a 1.1 million SF retail, lifestyle, and entertainment center in Orange County.

Study Areas

The Study Areas are located within the Central Market Area (CMA), as defined by CB Richard Ellis (CBRE), and include the Cities of Anaheim, Garden Grove, Orange, and portions of Santa Ana and Tustin. As of first quarter 2008, the CMA had 69,512 SF of *negative* net absorption. Vacancy increased from 2.7% at the end of 2007 to 3.4%. The average lease rate increased from \$2.14/SF to \$2.29/SF, or an increase of 7.0%, for the same time period. Overall, the CMA experienced an average annual increase of 5.9% in average lease rates since 2001.

KMA surveyed retail building sales of 25,000 SF or greater from January 2007 to January 2008 within a 5-mile radius of the Study Areas. The search generated nine (9) sales that ranged between \$47/SF to \$378/SF, with a median of \$88/SF. KMA also

surveyed available retail space within the Study Areas and found asking rents ranging from \$0.75/SF/NNN to \$3.20/SF/NNN with the majority of retail space hovering around \$1.50/SF/NNN. Since the Study Areas are predominantly built-out, there was only one retail land sale within a 5-mile radius of the Study Areas priced at \$95/SF for 0.68 acres.

With high vacancies and low asking rents, many of the retail centers within the Study Areas appear to be under-performing. KMA conducted site visits and found that many of the Study Areas' retail centers experience high vacancy rates and deferred maintenance. A survey of the Study Areas' available retail space reveals an average asking lease rate of \$1.80/SF/month compared to CMA's higher average of \$2.65/SF/month. Additionally, many of the retail establishments within the Study Areas lack strong anchors. Red Hill Plaza's previous anchor, Drug Emporium, has closed and the space is now under lease by Super Value Stores to Big Lots.

Without large land sites, many of the major national retailers most likely chose centers within larger and more prominent shopping centers, such as Tustin/Irvine Market Place, Irvine Culver Center, Irvine Spectrum, Westfield's MainPlace, South Coast Village, and the recently opened District at Tustin Legacy. This illustrates why the only widely known retail tenants in the three Study Areas consist of Aaron Brothers, AutoZone, Bally's Total Fitness, and Souplantation.

In general, the large inventory of rental apartments and lower household incomes within the Study Areas is a disincentive for new retailers and prospective retail developers. The Study Areas recently completed two retail developments and have another in the planning process. However, these developments collectively contain less than a total of 33,000 SF. The retail developments can be summarized as follows:

- *Tustin Strata Center:* contains approximately 10,500 SF of retail space located at 14111 Newport Avenue in Southern Gateway. Plans for an additional 2,800 SF are currently pending approval by the City's Planning Department. The completed portion of retail space within the center is subdivided into spaces ranging between 1,200 SF and 1,800 SF. Asking lease rates range between \$3.25/SF and \$3.50/SF NNN. This center is located in Southern Gateway.
- *Makena Retail Center:* contains 7,400 SF of retail space. This center is located in the Center City study area.
- *Nunos Brothers Retail Center:* is a recently approved retail development proposed to contain 15,000 SF. This center is located at 15761 Tustin Village Way in the West Village study area.

Taxable Retail Sales Analysis

KMA examined the taxable retail sales by retail category for the City of Tustin from 2002 to 2007 in comparison to the taxable retail sales for each individual Study Area. Retail sales categories analyzed include:

KMA Retail Category	Definition
General Merchandise	Variety stores, department stores, and general merchandise
Comparison Goods	Apparel stores, home furnishings and appliances, and specialty goods
Eating and Drinking	Restaurants with or without liquor
Convenience Goods	Food stores, grocery stores without or without alcohol, drug stores, and package liquor stores
Home Improvement	Lumber/building materials, hardware stores, plumbing/electrical supplies, and farm construction equipment
Other Retail Stores	Second-hand stores, garden supplies, watercraft dealers, airplane dealers, fuel, and ice dealers

With 30% of the City's population, the Study Areas' share of taxable retail sales only account for 11% of the City's total taxable retail sales. Further analysis of taxable retail sales identified a few key trends:

- On an average annual basis, taxable retail sales in the City of Tustin grew at a rate of 1.9% over the past five years, from \$6.3 million to \$6.9 million. Taxable retail sales for all three Study Areas grew at a higher rate of 2.7% annually for the same period.

Average Annual Change, Taxable Retail Sales, 2002-2007

<u>Retail Categories</u>	<u>Average Annual Change, 2002-2007</u>	
	<u>City of Tustin</u>	<u>Study Areas</u>
General Merchandise	5.4%	2.5%
Comparison Goods		
Apparel	5.1%	16.9%
Home Furnishings & Appliances	-3.3%	1.4%
Specialty Retail	1.9%	1.3%
Subtotal Comparison Goods	0.8%	1.3%
Convenience Goods (1)	-2.6%	1.2%
Eating and Drinking	3.4%	5.3%
Home Improvement	-0.2%	7.2%
Other Retail Stores	<u>8.3%</u>	<u>7.3%</u>
Total Retail Sales	1.6%	2.7%

(1) Adjustments have been made to reflect total sales for food and drugs.
Typically an estimated 30% for food and 70% for drugs is taxable.

Source: Muniservices, LLC

- With 28% of the citywide total, the Study Areas are strong in the Specialty Retail sector. Much of the Study Areas' strength in this category is related to sales activity in West Village.
- Similarly, Other Retail Stores represented 28% of the citywide total for 2007.
- Apparel sales within the Study Areas posted the largest yearly gain, at 17% annually, despite accounting for only 0.3% of Tustin's sales in this category.
- The Study Areas are weak in the General Merchandise and Home Furnishings and Appliances categories. Their share in these sectors is just under 1% of the City total.
- Approximately 11% of the City's Convenience Goods sales occur in the Study Areas.

Taxable Retail Sales Comparison, 2007

<u>Retail Categories</u> (000s)	<u>City of Tustin</u>	<u>Study Areas</u>	<u>Percent of Tustin</u>
General Merchandise	\$142,571	\$812	0.6%
Comparison Goods			
Apparel	\$60,314	\$159	0.3%
Home Furnishings & Appliances	\$84,610	\$1,865	2.2%
Specialty Retail	<u>\$154,549</u>	<u>\$43,415</u>	<u>28.1%</u>
Subtotal Comparison Goods	\$299,473	\$45,439	15.2%
Convenience Goods (1)	\$87,186	\$9,518	10.9%
Eating and Drinking	\$144,114	\$21,640	15.0%
Home Improvement	\$60,403	\$3,726	6.2%
Other Retail Stores	<u>\$9,845</u>	<u>\$2,759</u>	<u>28.0%</u>
Total Retail Sales	\$743,591	\$83,895	11.3%

(1) Adjustments have been made to reflect total sales for food and drugs.
Typically an estimated 30% for food and 70% for drugs is taxable.

Source: Muniservices, LLC

B. Office Market Conditions

Orange County Office Market

According to the CB Richard Ellis (CBRE) Office Marketview report for the 1st quarter 2008, the following are some of the key office market indicators for Orange County:

- The direct vacancy rate increased from 6.6% in 2006 to 13% at the beginning of 2008. The overall vacancy rate including subleased space increased from 10.8% to 14.7%.
- The Orange County office market experienced 1,103,400 SF of *negative* absorption as of 1st quarter 2008.

- Even with the increased inventory, average asking rents continued to escalate in 2008 to \$2.72/SF from \$2.46/SF in 2006 a 13% increase. Even with higher lease rates, the overall effective rate may be lower due to larger landlord concessions.
- Approximately 4.2 million SF of office space was completed in 2007 with 1.7 million SF anticipated to be completed in 2008. The majority of the new office space was completed in Orange County's Greater Airport market area.

In 2007, the credit market crisis in subprime loans took a toll on the Orange County office market's vacancy levels and absorption. Subprime firms like Ameriquest, New Century Mortgage, and Impac Mortgage vacated space and laid-off thousands of workers. Impac Mortgage alone put 200,000 SF of their headquarters up for sublease. This increase of inventory from the subprime industry along with new construction in 2007 contributed to the increase of vacancy levels in Orange County.

Office Employment Uses

While job growth and, more specifically, office-using employment are key drivers of office market absorption, the health of select industries greatly impacts the local and regional office markets. Orange County is one of the nation's leading office markets with a diverse economic base, with a healthy mix of large and small businesses. Orange County's economy includes strong representation by firms associated with financial services, aerospace, research and development, government and tourism. The tourist and entertainment industry is one of the largest in the nation.

Office submarkets in Orange County are benefiting the most from large employment levels in the Trade, Transportation, and Utilities (TTU) and Professional and Business-related firms.

Although 13% of those employed within a 3-mile radius of the Study Areas work in education and health services. One medical office leasing agent does not see strong support for development of additional medical office space in the short-term. According to the leasing agent, the Tustin Hospital and Medical Center, in Southern Gateway, is no longer used as a hospital but continues to exist as a medical office building and is currently 70% occupied. Occupancy rates of two nearby medical office buildings on Newport Avenue are even lower at 60% occupancy. The high vacancy rates could be attributed to several factors, including poor marketing and/or management of buildings, the elimination of medical services, and lack of amenities to serve potential users.

Study Areas

The Study Areas are a part of CBRE's Central Market Area (CMA) which includes Anaheim, Garden Grove, Orange, and portions of Santa Ana and Tustin. As of 1st quarter 2008, the CMA had approximately 226,000 SF of *negative* net absorption. Vacancy increased from 7% to 13% from the end of 2006 to 1st quarter 2008. The average lease rate increased from \$2.06/SF to \$2.40/SF or an increase of 18% for the same time period.

KMA surveyed office building sales built after 1970 and with 25,000 SF or more from January 2007 to January 2008 within a 5-mile radius from the Study Areas. The search generated 16 sales, where the price per SF ranged between \$128/SF to \$486/SF, with a median of \$248/SF.

The Study Areas do not contain any true-format office space and, as such, are not recognized as potential office sites. Additionally, due to the Study Areas close proximity to the future Tustin Legacy development and other well known office centers such as Irvine Spectrum, the possibility of new large format office development is unlikely. Existing office uses within the Study Areas are limited to small medical or professional and business services located in neighborhood retail strip centers and free-standing buildings.

C. Residential Market Conditions

Owner-Occupied Housing

The current national homeowner market is in decline. Federal government reports that sales of new single-family homes fell 5% in December 2007 to the lowest rate in nearly 13 years. The median sales price also dropped sharply in the U.S., with the median sales price of a home in the U.S. falling 11% to \$219,000 between November and December 2007. According to Merrill Lynch, home prices nationally are predicted to fall 15% in 2008, an additional 10% decrease in 2009, with even more depreciation likely in 2010. However, the National Association of Realtors (NAR) expects housing prices to remain flat throughout 2008.

In the Southern California market, the number of homes sold in December 2007 was down 45% from 2006. Since the beginning of summer 2007, credit has tightened considerably for jumbo loans or loans in excess of \$417,000. Sales financed with jumbo loans represented about 22% of the transactions in December 2007, compared to nearly 40% from the previous year.

The Orange County residential market was also extremely strong for most of the decade but with the implosion of the subprime market and the resulting tightening of the lending

standards, the housing market cooled by the end of 2007. In fact, the California Association of Realtors (CAR) reported that in Orange County the median house prices for 2007 fell for the first time in 12 years. CAR reported that the median price of an existing single-family detached home was \$596,519 in February 2008, down 14% from February 2007. Single-family attached homes also experienced lower median sales prices at \$381,249 for February 2008, a decrease of 19% the previous year.

According to DataQuick Information Systems, the following are some additional key facts for the Orange County residential homeowner market for 2007:

- The number of new home sales decreased 22% to 4,044.
- The median price of condominiums declined 34% to \$447,000 and the number of sales declined 34% to 6,751.
- The number of all home sales declined 31% to 27,294.
- Tustin's 92780 zip code, which includes all three Study Areas, showed a 4% gain in median home price from 2006, while the 92782 Tustin zip code showed a 9% decline.

Within Center City, several new in-fill residential developments have been developed, such as, the Olson Company's 63-unit Arbor Walk, the Cottages (currently under construction), and Warrington Homes. Any future new in-fill development will compete with the master-planned communities at Tustin Legacy, which include numerous amenities. Tustin Legacy will also provide over 800 affordable units to very-low to moderate income households.

According to DataQuick, Tustin zip code 92780 (includes all Study Areas) had approximately 4.48 foreclosures per 1,000 homes for the 1st quarter 2008. Tustin's zip code 92782, by contrast, had 1.95 foreclosures for every 1,000 homes for the same period. Rising numbers of home foreclosures and new credit restrictions may stabilize the rental market and rental occupancy levels.

As of April 2008, the City of Tustin reported foreclosure activity of 26 Real Estate Owned (REO) and 19 short sales. Of these, six (6) REOs and three (3) short sales occurred in the West Village. There were two (2) REOs and two (2) short sales in Center City, with four (4) REOs just outside Center City's western border. Although no foreclosure activity was reported for Southern Gateway, there was one (1) short sale just outside of the Southern Gateway's eastern border.

KMA surveyed single-family land sales greater than 1-acre from January 2005 to January 2008 within a 5-mile radius from the mid-point of the Study Areas. The search generated four (4) land sales ranging between \$37/SF to \$61/SF, with a median of \$46/SF, all of which were located outside of the Study Areas.

Renter-Occupied Housing

Forces impairing the homeowner market may benefit and stabilize certain segments of the rental market. Tighter mortgage underwriting criteria and rising residential foreclosure activity are expected to generate adequate rental housing demand.

According to Marcus & Millichap’s National Housing Group 2008 Forecast, Orange County is currently ranked 10th in effective rent growth at 5.5% from \$1,374 in 2006 to \$1,449 in 2007. Marcus & Millichap also projects Orange County to have one of the lowest vacancy rates (4%), ranking fifth in the U.S.

According to Claritas, it is estimated that 80% of all the housing units in the Study Areas are rentals. After surveying available apartment rental units in the Study Areas, KMA found that the residential rents in the Study Areas are some of the most affordable in all of Orange County. The West Village had the most affordable rents with average asking rates for a two-bedroom unit at \$1,359 or \$1.38/SF. The Southern Gateway study area has two-bedroom units with asking rental rates of \$1,609 or \$1.59/SF; and Center City at \$1,552, or \$1.77/SF. In all three Study Areas, parking and overcrowding were cited as key issues by the ULI’s 2006 Advisory Services Panel report, especially in certain West Village neighborhoods.

Average Rents by Unit Type	Center City	Southern Gateway	Western Village
One Bedroom Units:			
Average Rent	\$1,350	\$1,324	\$1,064
Rent/SF	\$1.94	\$1.74	\$1.46
Two Bedroom Units:			
Average Rent	\$1,552	\$1,609	\$1,359
Rent/SF	\$1.77	\$1.59	\$1.38

In addition, KMA surveyed apartment building sales with a minimum of 25 units from January 2006 to January 2008 within a 5-mile radius from the mid-point of the Study Areas. The search generated 16 building sales that ranged between \$82,000/unit to \$363,000/unit, with a median of \$187,000/unit. Based on the low capitalization rates provided in the comparables, it appears that Tustin is well received by investors of apartment buildings.

KMA also surveyed multi-family land sales greater than 1-acre from January 2005 to January 2008 within a 5-mile radius from the mid-point of the Study Areas. The search retrieved five (5) sales that ranged between \$66/SF to \$155/SF, with a median of \$83/SF.

V. ABSORPTION ANALYSIS BY LAND USE

KMA estimated the potential long-term demand for retail, office, and residential land uses within the Study Areas for the period 2008 to 2030. Given the uncertainty associated with a 20-year time horizon and the nature of the real estate demand and development, these estimates should not be interpreted as precise annual market absorption projections. The purpose of these forecast ranges is to assist the City in determining where new development and redevelopment efforts should be focused. It should be noted, that because the Study Areas are predominately built-out, redevelopment of existing uses will likely be required in order to achieve such projections.

Achievable absorption was projected assuming “low” and “high” scenarios. The “low” scenario reflects the absorption level that could be achieved if growth trends remained at their current level. The “high” scenario reflects the result of aggressive strategies to encourage development of the land uses considered.

The following sections discuss the development potential for each land use category in greater detail.

A. Retail Space Demand

Growth in retail space demand is dependent upon the increase of population in a given market area and the amount a person spends within the various retail sectors. The Study Areas possess competitive advantages in capturing demand growth due to their location and visibility. KMA's retail space demand analysis for the Study Areas consists of the following steps:

- Claritas, Inc.'s projection of population growth within a 3-mile radius of the Study Areas to 2030 and the average per capita income for 2008 provide the basic inputs into the demand forecast. With an increase of 42,000 residents through 2030 and an average per capita income of approximately \$24,400, the increase in personal income within the 3-mile radius of the Study Areas is estimated to be \$1.02 billion through 2030.
- To determine the low and high scenarios of estimated personal spending within the Study Areas, KMA applied the following:
 - KMA estimated per capita income to spending by retail category based upon the percent of retail sales for each category for the City in 2007.
 - KMA estimated capture rates of 1.0% to 3.0% for each retail category for the Study Areas to determine estimated annual spending. Capture rates of 2.0% to 5.0% were used to estimate annual spending in restaurants. The capture rates were based on the Study Areas' percent share of the City's taxable retail sales for each retail category.
 - Additional retail spending within the 3-mile radius is estimated to be \$4.2 to \$8.5 million through 2030. Spending within restaurant establishments for the same time period is estimated to be \$1.6 to \$4.1 million.
- The estimated growth in retail and restaurant spending is then converted to retail and restaurant space demand by applying industry standards of estimated sales productivity per SF for each category. For retail space, estimated sales productivity ranged from \$300 to \$500 per SF. For restaurant space, estimated sales productivity ranged from \$400 to \$450 per SF.
- KMA also analyzed projections of new office workers and their potential spending within the Study Areas to determine additional office-worker supported retail and restaurant space within the Study Areas. Additional retail and restaurant space demand from new office workers is estimated at a low of 11,600 SF and a high of 34,800 SF.

In total, the Study Areas are able to support additional retail and restaurant development in the range of 1,200 to 3,000 SF annually to 2030, of which 900 SF to 2,200 SF is for retail and 300 SF to 800 SF is for restaurant space.

RETAIL AND RESTAURANT SPACE DEMAND, 2008-2030				
	Low		High	
I. Estimated Retail Space Demand				
New Residents	10,500	SF	21,200	SF
New Office Workers	8,900	SF	26,600	SF
Total Retail Space Demand through 2030	19,400	SF	47,800	SF
Annual Retail Space Demand through 2030	900	SF	2,200	SF
II. Estimated Restaurant Space Demand				
New Residents	3,700	SF	9,300	SF
New Office Workers	<u>2,700</u>	SF	<u>8,200</u>	SF
Total Restaurant Space Demand through 2030	6,400	SF	17,500	SF
Annual Restaurant Space Demand through 2030	300	SF	800	SF

B. Office Demand Analysis

KMA estimated office space demand within the Study Areas based on the estimated number of new employees and capture of future office space for the 3-mile radius. The steps taken are summarized as follows:

- KMA estimated the growth of new employees within the 3-mile radius based on average annual growth rates by industry in Orange County between 2000 and 2007. A total of approximately 224,200 employees will work within the 3-mile radius by 2030, representing a growth of an estimated 73,500 new jobs. Approximately 50% of the new employment increase is expected to occur in Trade, Transportation, and Utilities; and in the Professional and Business Services.

INCREASE OF NEW EMPLOYEES, 3-MILE RADIUS				
	Number of Employees <u>2007</u> (1)	Average Annual Rate <u>2007-2030</u> (2)	Number of Employees <u>2030</u>	% of Total
Trade, Transportation, and Utilities	46,983	1.0%	59,065	26%
Professional and Business Services	32,311	2.0%	50,951	23%
Manufacturing	23,646	0.0%	23,646	11%
Educational and Health Services	19,857	3.5%	43,807	20%
Finance, Insurance, and Information	15,563	2.0%	24,541	11%
Construction	6,889	3.0%	13,596	6%
Other Services	3,188	2.0%	5,027	2%
Leisure and Hospitality	2,256	2.0%	3,557	2%
Natural Resources and Mining	<u>48</u>	<u>0.0%</u>	<u>48</u>	<u>0%</u>
Total	150,741	8.3%	224,239	100%

(1) Source: Claritas, Inc. Reflects employment by place of work within a 3-mile ring from the intersection of Newport Avenue and I-5.

(2) KMA estimate for 3-mile ring based on review of annual growth rates in Orange County for each employment category between 2000 and 2007. See Table IV-9.

- KMA then applied a percentage to each employment category that would likely occupy office space.
- Given these percentages, KMA then calculated the number of new office users that would demand office space from each employment category to 2030. The results show that approximately 28,500 new employees within the 3-mile radius will need office space.
- To estimate the amount of office square footage needed to accommodate the increase in new office users in the 3-mile radius, KMA estimates that each new office user will need 250 SF of office space. A total of approximately 7.13 million SF of space is needed within the 3-mile radius.

OFFICE SPACE DEMAND TO 2030, 3-MILE RADIUS				
	Number of Employees Added/(Lost)	Portion Using Office Space (1)	Number of New Office Users	# of SF Per Person @ 250 (2)
Trade, Transportation, and Utilities	12,082	20%	2,416	604,000 SF
Professional and Business Services	18,640	75%	13,980	3,495,000 SF
Manufacturing	0	5%	0	0 SF
Educational and Health Services	23,950	20%	4,790	1,197,000 SF
Finance, Insurance, and Information	8,978	75%	6,734	1,683,000 SF
Construction	6,707	5%	335	84,000 SF
Other Services	1,839	10%	184	46,000 SF
Leisure and Hospitality	1,301	5%	65	16,000 SF
Natural Resources and Mining	0	0%	0	0 SF
Total	73,498	39%	28,505	7,125,000 SF

(1) KMA assumption.
(2) Reflects rentable SF of office space. KMA assumption.

- Based on the Study Areas' historical share of the 3-mile radius' office space, KMA estimates that the Study Areas could potentially capture 5% to 10% of new office space demand through 2030, as neighboring office developments continue to build out and surrounding areas become more competitive due to enhanced amenities, access, and services.

Projected office space demand for the Study Areas is estimated at a total of 356,000 SF (low) to 713,000 SF (high) of office space demand through 2030, or 16,000 to 32,000 SF annually.

Office Space Demand, 2008-2030		
	Low	High
I. Estimated Office Demand		
Office Space Demand through 2030, 3-Mile Radius	7,125,000 SF	7,125,000 SF
Study Areas Capture @	5.0% (1)	10.0% (1)
II. Total Office Space Demand through 2030, Study Areas	356,000 SF	713,000 SF
III. Annual Office Space Demand through 2030, Study Areas	16,000 SF	32,000 SF

(1) KMA assumption.

C. Residential Demand Analysis – Single-Family vs. Multi-Family

Based on Claritas, Inc.’s housing unit average annual growth rate for Tustin, the City is projected to have a total of approximately 29,900 housing units through 2030, an increase of about 5,100 new units from 2000, or 0.61% annually. To illustrate the Study Areas’ capture of these new housing units, KMA’s residential demand analysis includes the following steps:

- Combined, the Study Areas’ represent 27% of the City’s total housing units. However, as the Study Areas continue to build out, KMA estimates the Study Areas to capture 20% (low) to 30% (high) of the City’s 5,100 new housing units, for a total of approximately 760 to 1,140 units.

Housing Unit Demand, 2009-2030			
	<u>Percent of Total</u>	<u>Study Areas Capture</u>	
		<u>Low 20%</u>	<u>High 30%</u>
Multi-Family	100%	761	1,141
Single-Family	<u>0%</u>	<u>0</u>	<u>0</u>
Total	100%	761	1,141

- Under both low and high scenarios, KMA allocated 100% of the new units as multi-family and assumed no new development of single-family homes through 2030. Since the Study Areas are located in the City’s urban core, it seems appropriate that the residential make-up of the Study Areas is predominately multi-family. Small-lot single-family homes require minimum lot sizes of at least 4,500 SF and with the limited availability of large developable sites; it does not appear conducive to estimate that the Study Areas can add additional single-family homes.
- The existing number of other residential housing units, which consists of mobile homes and recreational vehicles, is approximately 5% of the Study Areas total housing inventory. For this analysis, KMA has assumed that these other housing units will not continually increase through 2030.

Despite the lack of available land, additional multi-family housing units within the Study Areas may be possible through increased densification and adaptive re-use and repositioning of sites and existing buildings.

VI. LIMITING CONDITIONS

1. The analysis contained in this document is based, in part, on data from secondary sources such as state and local government, planning agencies, real estate brokers, and other third parties. While KMA believes that these sources are reliable, we cannot guarantee their accuracy.
2. The analysis assumes that neither the local nor national economy will experience a major recession. If an unforeseen change occurs in the economy, the conclusions contained herein may no longer be valid.
3. The findings are based on economic rather than political considerations. Therefore, they should be construed neither as a representation nor opinion that government approvals for development can be secured.
4. Development opportunities are assumed to be achievable during the specified time frame. A change in development schedule requires that the conclusions contained herein be reviewed for validity.
5. The development concept will not vary significantly from that identified in this analysis.
6. Any estimates of development costs, capitalization rates, income, and/or expense projections are based on the best available project-specific data as well as the experiences of similar projects. They are not intended to be projections of the future for the specific project. No warranty or representation is made that any of the estimates or projections will actually materialize.
7. The analysis, opinions, recommendations and conclusions of this document are KMA's informed judgment based on market and economic conditions as of the date of this report. Due to the volatility of market conditions and complex dynamics influencing the economic conditions of the building and development industry, conclusions and recommended actions contained herein should not be relied upon as sole input for final business decisions regarding current and future development and planning.

APPENDIX

TABLE III-1

**POPULATION CHARACTERISTICS BY AREA, 2008 ESTIMATE
TUSTIN TOWN CENTER REFINED MARKET ANALYSIS
CITY OF TUSTIN/FIELD PAOLI**

	<u>Study Areas</u>			<u>1-Mile Ring</u> (1)	<u>3-Mile Ring</u> (1)	<u>5-Mile Ring</u> (1)	<u>City of Tustin</u>	<u>Orange County</u>	<u>State of California</u>
	<u>Center City</u>	<u>Southern Gateway</u>	<u>West Village</u>						
Population	3,088	9,997	8,867	39,649	212,109	626,610	71,955	3,080,180	37,525,630
Historical Population Growth, 1990-2000 <i>Average Annual Rate</i>	1.07%	-0.85%	4.28%	0.94%	1.69%	1.55%	2.89%	1.68%	1.30%
Historical Population Growth, 2000-2008 <i>Average Annual Rate</i>	-0.80%	1.83%	-0.33%	0.64%	0.62%	1.27%	0.80%	0.99%	1.29%
Forecasted Population Growth, 2008-2013 <i>Average Annual Rate</i>	-0.44%	1.75%	-0.61%	0.77%	0.82%	1.33%	0.86%	1.13%	1.39%

(1) From the intersection of Newport Avenue and I-5.

TABLE III-2

**OVERVIEW OF HOUSEHOLD AND INCOME CHARACTERISTICS BY AREA, 2008 ESTIMATE
TUSTIN TOWN CENTER REFINED MARKET ANALYSIS
CITY OF TUSTIN/FIELD PAOLI**

	<u>Study Areas</u>			<u>1-Mile Ring</u> (1)	<u>3-Mile Ring</u> (1)	<u>5-Mile Ring</u> (1)	<u>City of Tustin</u>	<u>Orange County</u>	<u>State of California</u>
	<u>Center City</u>	<u>Southern Gateway</u>	<u>West Village</u>						
Households	1,070	2,813	2,517	12,496	59,356	175,462	24,914	997,448	12,588,862
Historical Household Growth, 2000-2008 <i>Average Annual Rate</i>	-1.26%	1.30%	-0.86%	0.12%	0.46%	1.28%	0.56%	0.81%	1.13%
Forecasted Household Growth, 2008-2013 <i>Average Annual Rate</i>	-0.93%	1.21%	-1.00%	0.26%	0.61%	1.24%	0.63%	0.90%	1.23%
Average Household Size	2.79	3.55	3.52	3.15	3.54	3.51	2.87	3.04	2.91
Median Household Income	\$50,016	\$48,445	\$43,306	\$52,066	\$64,501	\$71,231	\$69,969	\$73,295	\$59,163
Per Capita Income (PCI)	\$21,716	\$15,856	\$13,734	\$20,046	\$24,449	\$26,580	\$32,464	\$31,895	\$27,345
Aggregate Personal Income	\$67.1 Million	\$158.5 Million	\$121.8 Million	\$794.8 Million	\$5.2 Billion	\$16.7 Billion	\$2.3 Billion	\$98.2 Billion	\$1,026.1 Billion
Households Over \$75,000	25.4%	21.3%	14.8%	28.2%	41.8%	47.2%	45.8%	48.7%	38.3%
Households under \$50,000	50.0%	52.4%	60.9%	48.0%	38.6%	34.1%	33.4%	32.7%	43.2%

(1) From the intersection of Newport Avenue and I-5.

TABLE III-3

**DISTRIBUTION OF HOUSEHOLD INCOME BY AREA, 2008 ESTIMATE
TUSTIN TOWN CENTER REFINED MARKET ANALYSIS
CITY OF TUSTIN/FIELD PAOLI**

	<u>\$24.9K and Less</u>	<u>\$25K to \$49.9K</u>	<u>\$50K to \$74.9K</u>	<u>\$75K to \$99.9K</u>	<u>\$100K and Over</u>	<u>Total</u>
Center City	14.1%	35.9%	24.6%	12.1%	13.3%	100.0%
Southern Gateway	17.0%	35.4%	26.3%	11.6%	9.7%	100.0%
West Village	24.6%	36.3%	24.3%	10.1%	4.8%	100.0%
1-Mile Ring (1)	16.7%	31.3%	23.8%	13.4%	14.8%	100.0%
3-Mile Ring (1)	14.4%	24.2%	19.6%	13.1%	28.6%	100.0%
5-Mile Ring (1)	13.3%	20.8%	18.7%	14.3%	32.8%	100.0%
City of Tustin	11.2%	22.2%	20.8%	14.4%	31.4%	100.0%
Orange County	12.9%	19.8%	18.5%	14.5%	34.2%	100.0%
State of California	20.1%	23.1%	18.5%	12.9%	25.4%	100.0%

(1) From the intersection of Newport Avenue and I-5.

TABLE III-4

**AGE DISTRIBUTION BY AREA, 2008 ESTIMATE
TUSTIN TOWN CENTER REFINED MARKET ANALYSIS
CITY OF TUSTIN/FIELD PAOLI**

	<u>17 and Under</u>	<u>18 to 44</u>	<u>45 to 64</u>	<u>65 and Above</u>	<u>Total Population</u>	<u>Median Age</u>
Center City	26.2%	26.0%	30.1%	17.8%	100.0%	33.6
Southern Gateway	30.7%	30.8%	28.3%	10.2%	100.0%	29.0
West Village	34.2%	28.7%	26.5%	10.6%	100.0%	28.1
1-Mile Ring (1)	29.1%	43.2%	20.2%	7.5%	100.0%	31.5
3-Mile Ring (1)	30.6%	41.3%	20.2%	7.9%	100.0%	31.1
5-Mile Ring (1)	29.0%	41.3%	21.7%	7.9%	100.0%	32.0
City of Tustin	27.7%	24.2%	30.9%	17.3%	100.0%	33.8
Orange County	26.2%	22.8%	29.8%	21.2%	100.0%	35.7
State of California	26.0%	24.6%	28.6%	20.8%	100.0%	34.6

(1) From the intersection of Newport Avenue and I-5.

TABLE III-5

**AGE DISTRIBUTION BY AREA, 2000
TUSTIN TOWN CENTER REFINED MARKET ANALYSIS
CITY OF TUSTIN/FIELD PAOLI**

	<u>17 and Under</u>	<u>18 to 44</u>	<u>45 to 64</u>	<u>65 and Above</u>	<u>Total Population</u>	<u>Median Age</u>
Center City	26.4%	31.2%	29.1%	13.4%	100.0%	31.1
Southern Gateway	31.1%	37.4%	23.9%	7.7%	100.0%	27.2
West Village	33.7%	35.6%	20.6%	10.1%	100.0%	26.8
1-Mile Ring (1)	29.1%	48.1%	16.1%	6.7%	100.0%	29.6
3-Mile Ring (1)	31.3%	45.4%	16.1%	7.2%	100.0%	29.2
5-Mile Ring (1)	30.4%	45.2%	17.3%	7.0%	100.0%	29.7
City of Tustin	26.8%	29.8%	29.2%	14.2%	100.0%	31.8
Orange County	27.0%	25.8%	29.4%	17.8%	100.0%	33.3
State of California	27.3%	25.4%	29.0%	18.3%	100.0%	33.3

(1) From the intersection of Newport Avenue and I-5.

TABLE III-6

**RACIAL/ETHNIC DISTRIBUTION BY AREA, 2008 ESTIMATE
TUSTIN TOWN CENTER REFINED MARKET ANALYSIS
CITY OF TUSTIN/FIELD PAOLI**

	Racial Distribution				Total	Hispanic Ethnicity
	<u>Caucasian</u>	<u>African American</u>	<u>Asian</u> (1)	<u>Other</u> (2)		
Center City	50.6%	4.8%	17.7%	26.9%	100.0%	40.8%
Southern Gateway	42.7%	2.3%	15.9%	39.0%	100.0%	67.6%
West Village	43.0%	2.6%	3.9%	50.5%	100.0%	83.3%
1-Mile Ring (3)	48.2%	3.2%	14.1%	34.5%	100.0%	56.6%
3-Mile Ring (3)	49.1%	1.8%	11.4%	37.6%	100.0%	58.7%
5-Mile Ring (3)	49.3%	1.7%	15.4%	33.6%	100.0%	51.5%
City of Tustin	54.6%	2.7%	17.5%	25.1%	100.0%	39.9%
Orange County	60.7%	1.8%	16.4%	21.1%	100.0%	33.2%
State of California	56.1%	6.3%	12.6%	25.1%	100.0%	36.5%

(1) Includes Hawaiian Native and other Pacific Islanders Alone.

(2) Includes American Indian, Alaskan Native, persons of Some Other Race Alone, and persons of Two or More Races.

(3) From the intersection of Newport Avenue and I-5.

TABLE III-7

**DISTRIBUTION OF HOUSEHOLD TENURE BY HOUSEHOLD TYPE AND AREA, 2008 ESTIMATE
TUSTIN TOWN CENTER REFINED MARKET ANALYSIS
CITY OF TUSTIN/FIELD PAOLI**

	<u>Center City</u>	<u>Southern Gateway</u>	<u>West Village</u>	<u>1-Mile Ring</u> (1)	<u>3-Mile Ring</u> (1)	<u>5-Mile Ring</u> (1)	<u>City of Tustin</u>	<u>Orange County</u>	<u>State of California</u>
Total Units	1,101	3,545	2,594	13,761	61,813	182,187	26,767	1,034,428	13,381,303
<u>Housing Type</u> (2)									
Single-Family	17.4%	8.4%	2.2%	18.6%	44.2%	47.4%	31.4%	50.4%	56.9%
Multi-Family	82.3%	91.2%	83.7%	78.0%	53.5%	50.2%	65.2%	46.3%	38.3%
Other (includes mobile homes)	0.3%	0.4%	14.2%	3.4%	2.4%	2.3%	3.3%	3.3%	4.8%
<u>Occupancy/Tenure</u> (2)									
Total Occupied Housing Units	97.2%	79.3%	97.0%	90.8%	96.0%	96.3%	93.1%	96.4%	94.1%
Owner-Occupied	22.0%	12.5%	23.2%	28.2%	49.8%	54.4%	46.9%	59.4%	54.2%
Renter-Occupied	75.2%	66.8%	73.8%	62.6%	46.2%	41.9%	46.2%	37.0%	39.9%

(1) From the intersection of Newport Avenue and I-5.

(2) Percent of Total Units.

TABLE III-8

**DISTRIBUTION OF HOUSEHOLD TENURE BY HOUSEHOLD TYPE AND AREA, 2000
TUSTIN TOWN CENTER REFINED MARKET ANALYSIS
CITY OF TUSTIN/FIELD PAOLI**

	<u>Center City</u>	<u>Southern Gateway</u>	<u>West Village</u>	<u>1-Mile Ring</u> (1)	<u>3-Mile Ring</u> (1)	<u>5-Mile Ring</u> (1)	<u>City of Tustin</u>	<u>Orange County</u>	<u>State of California</u>
Total Units	1,213	3,105	2,782	13,522	59,564	164,271	25,486	969,484	12,214,549
<u>Housing Type</u> (2)									
Single-Family	17.4%	8.5%	2.0%	18.8%	44.0%	47.9%	31.7%	50.6%	56.4%
Multi-Family	82.4%	91.1%	83.6%	77.7%	53.6%	49.6%	64.8%	46.1%	39.0%
Other (includes mobile homes)	0.2%	0.4%	14.3%	3.5%	2.3%	2.5%	3.6%	3.3%	4.7%
<u>Occupancy/Tenure</u> (2)									
Total Occupied Housing Units	97.5%	80.9%	96.9%	91.5%	96.1%	96.5%	93.5%	96.5%	94.2%
Owner-Occupied	21.8%	12.6%	23.3%	28.6%	49.2%	54.0%	46.4%	59.3%	53.6%
Renter-Occupied	75.7%	68.3%	73.6%	62.9%	46.9%	42.5%	47.1%	37.2%	40.6%

(1) From the intersection of Newport Avenue and I-5.

(2) Percent of Total Units.

TABLE III-9

**EMPLOYMENT TRENDS BY INDUSTRY AND AREA, 2007 ⁽¹⁾
TUSTIN TOWN CENTER REFINED MARKET ANALYSIS
CITY OF TUSTIN/FIELD PAOLI**

	3-Mile Ring ⁽²⁾		Orange County			State of California		
	Total	% of Total	Total	% of Total	Average Annual 2000-2007	Total	% of Total	Average Annual 2000-2007
Trade, Transportation, and Utilities	46,983	29.7%	279,900	18.3%	0.5%	2,990,600	19.4%	0.6%
Professional and Business Services	32,311	20.4%	277,900	18.1%	1.4%	2,293,700	14.9%	0.1%
Manufacturing	23,646	14.9%	183,900	12.0%	-2.3%	1,487,200	9.6%	-3.4%
Educational and Health Services	19,857	12.5%	145,600	9.5%	3.5%	1,710,300	11.1%	2.8%
Finance, Insurance, and Information	15,563	9.8%	161,400	10.5%	1.5%	1,394,600	9.0%	-0.3%
Government	7,682	4.8%	163,400	10.7%	1.2%	2,536,000	16.5%	1.0%
Construction	6,889	4.3%	102,700	6.7%	3.9%	895,600	5.8%	2.2%
Other Services	3,188	2.0%	48,300	3.1%	1.4%	516,900	3.4%	0.7%
Leisure and Hospitality	2,256	1.4%	169,800	11.1%	2.2%	1,563,800	10.1%	2.1%
Natural Resources and Mining	48	0.0%	600	0.0%	-2.2%	25,900	0.2%	-0.4%
Total Employment	158,423	100.0%	1,533,500	100.0%	1.1%	15,414,600	100.0%	0.5%

(1) Reflects employment by place of work, as of December 2007.

(2) From the intersection of Newport Avenue and I-5.

TABLE III-10

**MAJOR EMPLOYERS BY STUDY AREA, 2008
TUSTIN TOWN CENTER REFINED MARKET ANALYSIS
CITY OF TUSTIN/FIELD PAOLI**

<u>Employer</u>	<u>Employment Sector</u>	<u>Number of Jobs</u>
<u>Center City Study Area</u>		
Bally Total Fitness	Service Retail	50
Curtain Call Dinner Theatre	Service Retail	100
Lambert Elementary	Institutional/Educational	56
Tustin High School	Institutional/Educational	<u>126</u>
Total Number of Jobs by Largest Employers - Center City		332
<u>Southern Gateway Study Area</u>		
R-Ranch Market		30
Tustin Hospital and Medical Center	Institutional/Medical	<u>200</u>
Total Number of Jobs by Largest Employers - Southern Gateway		230
<u>West Village Study Area</u>		
Jewelry Exchange		150
Heideman Elementary	Institutional/Educational	<u>38</u>
Total Number of Jobs by Largest Employers - West Village Study Area		188

TABLE III-11

NON-RESIDENTIAL BUILDING PERMITS VALUATION: CITY AND COUNTY, 2002-2006
TUSTIN TOWN CENTER REFINED MARKET ANALYSIS
CITY OF TUSTIN

	Non-Residential Building Permit Valuation					Average Annual
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	
<u>City of Tustin</u>						
Hotels & Motels	\$0	\$0	\$0	\$0	\$0	0.0%
Office	\$1,184,293	\$3,875,516	\$6,423,044	\$0	\$1,989,813	13.9%
Retail	\$3,953,665	\$3,742,162	\$2,578,741	\$1,591,451	\$23,651,492	56.4%
Industrial	\$0	\$0	\$0	\$0	\$992,000	N/A
Other Non-Residential (1)	<u>\$2,373,021</u>	<u>\$3,505,785</u>	<u>\$2,078,959</u>	<u>\$3,079,153</u>	<u>\$5,128,094</u>	<u>21.2%</u>
Total	\$7,510,979	\$11,123,463	\$11,080,744	\$4,670,604	\$31,761,399	43.4%
% of County	1.3%	2.5%	2.2%	0.6%	2.5%	
<u>Orange County</u>						
Hotels & Motels	\$34,508,507	\$0	\$28,173,267	\$22,828,551	\$118,610,799	36.2%
Office	\$150,425,268	\$117,573,839	\$132,912,476	\$313,125,431	\$578,238,266	40.0%
Retail	\$202,730,946	\$82,969,116	\$118,876,378	\$135,779,290	\$178,958,325	-3.1%
Industrial	\$61,671,815	\$67,721,224	\$26,334,998	\$26,861,210	\$90,908,164	10.2%
Other Non-Residential (1)	<u>\$114,152,995</u>	<u>\$183,488,952</u>	<u>\$198,067,133</u>	<u>\$233,000,172</u>	<u>\$316,699,020</u>	<u>29.1%</u>
Total	\$563,489,531	\$451,753,131	\$504,364,252	\$731,594,654	\$1,283,414,574	22.8%

(1) Includes new construction of institutional and miscellaneous non-residential structures.

TABLE III-12

**RESIDENTIAL BUILDING PERMITS: CITY AND COUNTY, 2002-2006
TUSTIN TOWN CENTER REFINED MARKET ANALYSIS
CITY OF TUSTIN**

	Residential Building Permits (Units)					Total	Average Annual
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>		
<u>City of Tustin</u>							
Single-Family Units	3	5	254	308	648	1,218	283.4%
Multi-Family Units	<u>54</u>	<u>19</u>	<u>0</u>	<u>0</u>	<u>106</u>	<u>179</u>	<u>18.4%</u>
Total Units	57	24	254	308	754	1,397	90.7%
% of County	0.5%	0.3%	2.7%	4.3%	9.0%	3.0%	
<u>Orange County</u>							
Single-Family Units	6,423	5,565	4,395	4,058	3,735	24,176	-12.7%
Multi-Family Units	<u>5,597</u>	<u>3,746</u>	<u>4,927</u>	<u>3,148</u>	<u>4,636</u>	<u>22,054</u>	<u>-4.6%</u>
Total Units	12,020	9,311	9,322	7,206	8,371	46,230	-8.6%

TABLE III-13

PROJECTED GROWTH, TUSTIN AND ORANGE COUNTY, 2015 TO 2030
 TUSTIN TOWN CENTER REFINED MARKET ANALYSIS
 CITY OF TUSTIN/FIELD PAOLI

	<u>2015</u>	<u>2020</u>	<u>2025</u>	<u>2030</u>	<u>Rate</u>	<u>Absolute</u>
Population						
Tustin	84,774	86,580	88,270	88,788	0.31%	4,014
Orange County	3,369,745	3,433,609	3,494,394	3,552,742	0.35%	182,997
Households						
Tustin	27,183	27,462	27,732	27,909	0.18%	726
Orange County	1,046,473	1,063,976	1,081,421	1,098,474	0.32%	52,001
Employment						
Tustin	56,428	60,070	63,176	64,401	0.88%	7,973
Orange County	1,801,602	1,848,135	1,887,542	1,921,806	0.43%	120,204

TABLE IV-1

RETAIL SPACE PROFILE BY SUBMARKET, ORANGE COUNTY, 2008 ⁽¹⁾
 TUSTIN TOWN CENTER REFINED MARKET ANALYSIS
 CITY OF TUSTIN/FIELD PAOLI

<u>Orange County</u>	<u>Total GLA SF ⁽²⁾</u>		<u>SF Under Construction</u>	<u>Average Asking Lease Rate ⁽³⁾</u>	<u>Vacancy Rate</u>
Central County	27,747,547	33.2%	439,600	\$2.29	3.4%
Central Coast	14,644,704	17.5%	0	\$2.54	4.5%
North County	14,156,389	17.0%	0	\$2.85	3.6%
South County	17,397,445	20.8%	675,000	\$3.02	5.9%
West County	<u>9,553,898</u>	<u>11.4%</u>	<u>419,536</u>	<u>\$2.38</u>	<u>5.1%</u>
Totals/Average	83,499,983	100.0%	1,534,136	\$2.65	4.4%

(1) As of 1st quarter 2008.

(2) GLA = Gross Leaseable Area.

(3) Rent per SF per month, triple net (NNN).

TABLE IV-2

**RETAIL MARKET OVERVIEW, ORANGE COUNTY, 2001-2008
TUSTIN TOWN CENTER REFINED MARKET ANALYSIS
CITY OF TUSTIN/FIELD PAOLI**

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008 (1)</u>	<u>Change, 2001 - 2008</u>	
									<u>Absolute</u>	<u>Average Annual</u>
Rentable Area (SF)	72,673,190	74,042,373	75,322,379	76,471,065	76,235,914	77,306,101	83,517,969	83,499,983	10,826,793	2.0%
Vacancy Rate	7.9%	6.2%	5.1%	4.4%	3.0%	3.5%	4.1%	4.4%	-3.5%	-
Net Change in Supply	1,151,946	1,369,183	1,280,006	1,148,686	(235,151)	1,070,187	6,211,868	(17,986)	-	1,546,685
Average Asking Lease Rate (2)	\$1.73	\$1.84	\$1.91	\$2.29	\$2.32	\$2.51	\$2.63	\$2.65	\$0.92	6.3%

(1) As of 1st quarter 2008.

(2) Per SF/month triple-net.

TABLE IV-3

**RETAIL MARKET OVERVIEW, CENTRAL ORANGE COUNTY, 2001-2008 (1)
TUSTIN TOWN CENTER REFINED MARKET ANALYSIS
CITY OF TUSTIN/FIELD PAOLI**

	<u>2001</u>	<u>2002</u> (2)	<u>2003</u>	<u>2004</u>	<u>2005</u> (2)	<u>2006</u>	<u>2007</u>	<u>2008</u> (3)	<u>Change, 2001-2008</u>	
									<u>Absolute</u>	<u>Average Annual</u>
<u>Central Orange Subarea</u>										
Rentable Area (SF)	23,538,981	23,331,083	24,329,816	24,501,826	24,535,077	24,535,077	27,868,924	27,747,547	4,208,566	2.4%
Vacancy Rate	7.4%	5.9%	4.9%	4.5%	2.9%	3.3%	2.7%	3.4%	-4.0%	-
Average Asking Lease Rate (4)	\$1.53	\$1.60	\$1.61	\$1.89	\$2.07	\$2.22	\$2.14	\$2.29	\$0.76	5.9%

(1) Central Orange County includes the Cities of Tustin, Orange, and Santa Ana.

(2) Based on 3rd Quarter data.

(3) Based on 1st Quarter data.

(4) Per SF/Month, net leases.

TABLE IV-4

**RETAIL BUILDING SALES COMPARABLES
 JANUARY 2005 TO PRESENT ⁽¹⁾
 TUSTIN TOWN CENTER REFINED MARKET ANALYSIS
 CITY OF TUSTIN/FIELD PAOLI**

<u>Sale Date</u>	<u>Address</u>	<u>City</u>	<u>Sale Price</u>	<u>Land Area</u>		<u>Building Area ⁽²⁾</u>		<u>Cap Rate</u>	<u>Year Built</u>
				<u>Acres</u>	<u>\$/SF</u>	<u>SF</u>	<u>\$/SF</u>		
07/27/07	1350 W Edinger Ave	Santa Ana	\$13,200,000	6.40	\$47	92,266	\$143	N/A	1964
04/23/07	1501 N Tustin Ave	Santa Ana	\$10,500,000	0.64	\$378	35,000	\$300	6.3%	2004
12/14/06	1800-1840 N Bristol St	Santa Ana	\$20,500,000	4.98	\$95	107,687	\$190	6.6%	1958
12/06/06	Red Hill Ave	Tustin	\$16,000,000	N/A	N/A	75,457	\$212	6.4%	2005
06/01/06	2431 N Tustin Ave	Santa Ana	\$6,100,000	2.86	\$49	26,171	\$233	5.2%	1976
02/28/06	1935-1975 E 17th St	Santa Ana	\$11,750,000	4.42	\$61	61,787	\$190	5.8%	1997
02/23/06	3310-3398 S Bristol St	Santa Ana	\$25,100,000	5.04	\$114	66,804	\$376	5.9%	1986
06/08/05	2880 Michelle Dr	Irvine	\$15,450,000	4.33	\$82	41,000	\$377	6.8%	2003
04/29/05	15415 Jeffrey Rd	Irvine	\$27,600,000	5.51	\$115	56,792	\$486	N/A	1980
		Minimum	\$6,100,000	0.64	\$47	26,171	\$143	5.2%	1958
		Maximum	\$27,600,000	6.40	\$378	107,687	\$486	6.8%	2005
		Median	\$15,450,000	4.70	\$88	61,787	\$233	6.3%	1986
		Average	\$16,244,444	4.27	\$118	62,552	\$279	6.1%	1986

(1) Within a 5-mile radius of Newport Avenue and I-5.

(2) Building SF of 25,000 or higher.

TABLE IV-5

RETAIL DEVELOPMENT ACTIVITY, STUDY AREAS, JANUARY 2006 TO PRESENT
 TUSTIN TOWN CENTER REFINED MARKET ANALYSIS
 CITY OF TUSTIN/FIELD PAOLI

	Center City	Southern Gateway	West Village	Total
Completed	Makena Retail 7,400 SF	Tustin Strata 10,472 SF 14071-81 Newport Ave	0 SF	17,872 SF
Approved	0 SF	Tustin Strata 2,800 SF 14111 Newport Ave	Nunos Brothers 15,000 SF	17,800 SF
Total	7,400 SF	13,272 SF	15,000 SF	35,672 SF

TABLE IV-6

TOTAL TAXABLE RETAIL SALES, CENTER CITY STUDY AREA, 2002 - 2007 ⁽¹⁾
TUSTIN TOWN CENTER REFINED MARKET ANALYSIS
CITY OF TUSTIN/FIELD PAOLI

Retail Categories (\$000s)	2002	2003	2004	2005	2006	2007	Change, 2002-2007	
							Average Annual	Total
General Merchandise	\$120	\$272	\$213	\$125	\$112	\$119	-0.3%	-1.3%
Comparison Goods								
Apparel	\$62	\$64	\$65	\$78	\$103	\$90	7.5%	43.3%
Home Furnishings & Appliances	\$24	\$16	\$0	\$0	\$1	\$42	12.4%	79.3%
Specialty Retail	<u>\$8,212</u>	<u>\$7,485</u>	<u>\$6,911</u>	<u>\$6,806</u>	<u>\$6,428</u>	<u>\$6,535</u>	<u>-4.5%</u>	<u>-20.4%</u>
Subtotal Comparison Goods	\$8,298	\$7,565	\$6,975	\$6,884	\$6,532	\$6,666	-4.3%	-19.7%
Convenience Goods (1)	\$4,949	\$4,359	\$3,496	\$3,474	\$4,160	\$3,963	-4.3%	-19.9%
Eating and Drinking	\$9,343	\$10,348	\$10,342	\$11,070	\$11,423	\$12,177	5.4%	30.3%
Home Improvement	\$124	\$200	\$2,149	\$3,046	\$3,483	\$3,703	97.2%	2882.6%
Other Retail Stores	<u>\$819</u>	<u>\$819</u>	<u>\$770</u>	<u>\$721</u>	<u>\$736</u>	<u>\$629</u>	<u>-5.1%</u>	<u>-23.2%</u>
Total Retail Sales	\$23,654	\$23,562	\$23,945	\$25,320	\$26,446	\$27,257	2.9%	15.2%
Business and Personal Services	\$2,075	\$2,572	\$1,799	\$3,277	\$3,471	\$2,788	6.1%	34.3%
Other Outlets	\$11,615	\$11,240	\$11,085	\$12,309	\$14,321	\$14,076	3.9%	21.2%
Total	\$37,345	\$37,374	\$36,828	\$40,907	\$44,238	\$44,121	3.4%	18.1%

(1) Calculated by 3rd quarter benchmark years.

(2) Adjustments have been made to reflect total sales for food and drugs. Typically an estimated 30% for food and 70% for drugs is taxable.

TABLE IV-7

TOTAL RETAIL SALES, SOUTHERN GATEWAY STUDY AREA, 2002 - 2007
TUSTIN TOWN CENTER REFINED MARKET ANALYSIS
CITY OF TUSTIN/FIELD PAOLI

Retail Categories (\$000s)	2002	2003	2004	2005	2006	2007	Change, 2002-2007	
							Average Annual	Total
General Merchandise	\$596	\$661	\$688	\$683	\$719	\$693	3.1%	16.2%
Comparison Goods								
Apparel	\$10	\$62	\$84	\$131	\$177	\$61	42.3%	483.4%
Home Furnishings & Appliances	\$1,716	\$1,982	\$2,065	\$1,936	\$1,939	\$1,823	1.2%	6.2%
Specialty Retail	<u>\$1,233</u>	<u>\$1,160</u>	<u>\$1,225</u>	<u>\$1,276</u>	<u>\$1,211</u>	<u>\$1,406</u>	<u>2.7%</u>	<u>14.0%</u>
Subtotal Comparison Goods	\$2,960	\$3,203	\$3,374	\$3,343	\$3,328	\$3,290	2.1%	11.1%
Convenience Goods (1)	\$2,420	\$2,964	\$3,204	\$3,398	\$3,864	\$3,824	9.6%	58.0%
Eating and Drinking	\$7,131	\$7,332	\$7,934	\$8,440	\$8,626	\$9,117	5.0%	27.9%
Home Improvement	\$2,498	\$2,262	\$1,196	\$10	\$13	\$14	-64.7%	-99.5%
Other Retail Stores	<u>\$514</u>	<u>\$621</u>	<u>\$1,280</u>	<u>\$1,292</u>	<u>\$1,230</u>	<u>\$1,294</u>	<u>20.3%</u>	<u>151.8%</u>
Total Retail Sales	\$16,118	\$17,042	\$17,676	\$17,167	\$17,779	\$18,230	2.5%	13.1%
Business and Personal Services	\$958	\$926	\$987	\$888	\$672	\$632	-8.0%	-34.0%
Other Outlets	\$8,946	\$12,032	\$13,059	\$13,797	\$13,966	\$12,467	6.9%	39.4%
Total	\$26,022	\$30,000	\$31,722	\$31,852	\$32,417	\$31,329	3.8%	20.4%

(1) Calculated by 3rd quarter benchmark years.

(2) Adjustments have been made to reflect total sales for food and drugs. Typically an estimated 30% for food and 70% for drugs is taxable.

Source: Muniservices, Llc.

Prepared by: Keyser Marston Associates, Inc.

Filename: Tustin/Tustin Market Analysis Tables_8-1-08/9/10/2008;hrm

TABLE IV-8

TOTAL RETAIL SALES, WEST VILLAGE STUDY AREA, 2002 - 2007
TUSTIN TOWN CENTER REFINED MARKET ANALYSIS
CITY OF TUSTIN/FIELD PAOLI

Retail Categories (\$000s)	2002	2003	2004	2005	2006	2007	Change, 2002-2007	
							Average Annual	Total
General Merchandise	\$0	\$0	\$0	\$0	\$0	\$0	0.0%	0.0%
Comparison Goods								
Apparel	\$0	\$0	\$0	\$1	\$0	\$9	N/A	N/A
Home Furnishings & Appliances	\$0	\$0	\$0	\$0	\$0	\$0	0.0%	0.0%
Specialty Retail	<u>\$31,343</u>	<u>\$32,323</u>	<u>\$35,519</u>	<u>\$36,248</u>	<u>\$36,079</u>	<u>\$35,475</u>	<u>2.5%</u>	<u>13.2%</u>
Subtotal Comparison Goods	\$31,343	\$32,323	\$35,519	\$36,249	\$36,079	\$35,483	2.5%	13.2%
Convenience Goods (1)	\$1,596	\$1,622	\$1,697	\$2,002	\$1,690	\$1,732	1.6%	8.5%
Eating and Drinking	\$260	\$360	\$394	\$322	\$326	\$346	5.9%	33.2%
Home Improvement	\$4	\$0	\$7	\$8	\$7	\$9	16.3%	112.5%
Other Retail Stores	<u>\$607</u>	<u>\$583</u>	<u>\$656</u>	<u>\$599</u>	<u>\$1,034</u>	<u>\$837</u>	<u>6.6%</u>	<u>38.0%</u>
Total Retail Sales	\$33,810	\$34,888	\$38,272	\$39,179	\$39,136	\$38,408	2.6%	13.6%
Business and Personal Services	\$0	\$0	\$9	\$12	\$1	\$0	N/A	N/A
Other Outlets	\$1,309	\$1,457	\$1,685	\$2,642	\$2,506	\$2,481	13.6%	89.5%
Total	\$35,119	\$36,345	\$39,967	\$41,833	\$41,644	\$40,888	3.1%	16.4%

(1) Calculated by 3rd quarter benchmark years.

(2) Adjustments have been made to reflect total sales for food and drugs. Typically an estimated 30% for food and 70% for drugs is taxable.

Source: Muniservices, Llc.

Prepared by: Keyser Marston Associates, Inc.

Filename: Tustin/Tustin Market Analysis Tables_8-1-08/9/10/2008;hrrm

TABLE IV-9

TOTAL RETAIL SALES, CITY OF TUSTIN, 2002 - 2007 ⁽¹⁾
TUSTIN TOWN CENTER REFINED MARKET ANALYSIS
CITY OF TUSTIN/FIELD PAOLI

Retail Categories (\$000s)	2002	2003	2004	2005	2006	2007	Change, 2002-2007	
							Average Annual	Total
General Merchandise	\$109,665	\$111,524	\$115,755	\$113,671	\$120,574	\$142,571	5.4%	30.0%
Comparison Goods								
Apparel	\$46,925	\$48,263	\$51,538	\$51,919	\$51,367	\$60,314	5.1%	28.5%
Home Furnishings & Appliances	\$100,053	\$97,395	\$60,364	\$87,950	\$88,741	\$84,610	-3.3%	-15.4%
Specialty Retail	<u>\$140,361</u>	<u>\$143,679</u>	<u>\$153,958</u>	<u>\$150,000</u>	<u>\$153,774</u>	<u>\$154,549</u>	<u>1.9%</u>	<u>10.1%</u>
Subtotal Comparison Goods	\$287,338	\$289,338	\$265,860	\$289,869	\$293,883	\$299,473	0.8%	4.2%
Convenience Goods (2)	\$99,246	\$72,881	\$73,119	\$74,477	\$80,675	\$87,186	-2.6%	-12.2%
Eating and Drinking	\$121,768	\$118,293	\$125,578	\$129,929	\$132,754	\$144,114	3.4%	18.4%
Home Improvement	\$61,118	\$60,467	\$72,166	\$67,352	\$66,094	\$60,403	-0.2%	-1.2%
Other Retail Stores	<u>\$6,622</u>	<u>\$5,645</u>	<u>\$7,292</u>	<u>\$8,371</u>	<u>\$9,711</u>	<u>\$9,845</u>	<u>8.3%</u>	<u>48.7%</u>
Total Retail Sales	\$685,757	\$658,147	\$659,769	\$683,668	\$703,690	\$743,591	1.6%	8.4%
Business and Personal Services	\$55,650	\$54,165	\$59,403	\$65,844	\$66,702	\$67,460	3.9%	21.2%
Other Outlets	\$903,479	\$926,568	\$933,399	\$1,035,206	\$981,801	\$994,258	1.9%	10.0%
Total	\$1,644,885	\$1,638,880	\$1,652,571	\$1,784,717	\$1,752,193	\$1,805,309	1.9%	9.8%

(1) Calculated by 3rd quarter benchmark years.

(2) Adjustments have been made to reflect total sales for food and drugs. Typically an estimated 30% for food and 70% for drugs is taxable.

TABLE IV-10

TOTAL RETAIL SALES, STUDY AREAS AS A PERCENT OF CITY, 2007
 TUSTIN TOWN CENTER REFINED MARKET ANALYSIS
 CITY OF TUSTIN/FIELD PAOLI

Retail Categories (\$000s)	City of Tustin	Percent of Total	Study Areas			Total Study Areas	Percent of Tustin	Capture Rates (1)	
			Center City	Southern Gateway	West Village			Low	High
General Merchandise	\$142,571	7.9%	\$119	\$693	\$0	\$812	0.6%	0.04%	0.09%
Comparison Goods									
Apparel	\$60,314	3.3%	\$90	\$61	\$9	\$159	0.3%	0.01%	0.02%
Home Furnishings & Appliances	\$84,610	4.7%	\$42	\$1,823	\$0	\$1,865	2.2%	0.10%	0.21%
Specialty Retail	<u>\$154,549</u>	<u>8.6%</u>	<u>\$6,535</u>	<u>\$1,406</u>	<u>\$35,475</u>	<u>\$43,415</u>	<u>28.1%</u>	<u>0.53%</u>	<u>1.06%</u>
Subtotal Comparison Goods	\$299,473	16.6%	\$6,666	\$3,290	\$35,483	\$45,439	15.2%	0.64%	1.28%
Convenience Goods (2)	\$87,186	4.8%	\$3,963	\$3,824	\$1,732	\$9,518	10.9%	0.53%	1.05%
Eating and Drinking	\$144,114	8.0%	\$12,177	\$9,117	\$346	\$21,640	15.0%	1.20%	2.40%
Home Improvement	\$60,403	3.3%	\$3,703	\$14	\$9	\$3,726	6.2%	0.21%	0.41%
Other Retail Stores	<u>\$9,845</u>	<u>0.5%</u>	<u>\$629</u>	<u>\$1,294</u>	<u>\$837</u>	<u>\$2,759</u>	<u>28.0%</u>	<u>0.15%</u>	<u>0.31%</u>
Total Retail Sales	\$743,591	41.2%	\$27,257	\$18,230	\$38,408	\$83,895	11.3%	4.65%	9.29%
Business and Personal Services	\$67,460	3.7%	\$2,788	\$632	\$0	\$3,420	5.1%	0.19%	0.38%
Other Outlets	\$994,258	55.1%	\$14,076	\$12,467	\$2,481	\$29,024	2.9%	1.61%	3.22%
Total	\$1,805,309	100.0%	\$44,121	\$31,329	\$40,888	\$116,339	6.4%	6.44%	12.89%

(1) Capture rates not inclusive of Jewelry Stores sales in the West Village Study Area.

(2) Adjustments have been made to reflect total sales for food and drugs. Typically an estimated 30% for food and 70% for drugs is taxable.

TABLE IV-11

STUDY AREAS RETAIL SALES TRENDS, 2002-2007
TUSTIN TOWN CENTER REFINED MARKET ANALYSIS
CITY OF TUSTIN/FIELD PAOLI

Retail Categories (\$000s)	2002		2007		Change, 2002-2007	
	Taxable Sales	% of Total	Taxable Sales	% of Total	Absolute	Average Annual
General Merchandise	\$716	0.7%	\$812	1.0%	\$95	2.5%
Comparison Goods						
Apparel	\$73	0.1%	\$159	0.1%	\$86	16.9%
Home Furnishings & Appliances	\$1,739	1.8%	\$1,865	1.6%	\$126	1.4%
Specialty Retail	<u>\$40,788</u>	<u>41.4%</u>	<u>\$43,415</u>	<u>37.3%</u>	<u>\$2,627</u>	<u>1.3%</u>
Subtotal Comparison Goods	\$42,600	43.3%	\$45,439	39.1%	\$2,839	1.3%
Convenience Goods (1)	\$8,966	9.1%	\$9,518	8.2%	\$553	1.2%
Eating and Drinking	\$16,734	17.0%	\$21,640	18.6%	\$4,906	5.3%
Home Improvement	\$2,626	2.7%	\$3,726	3.2%	\$1,100	7.2%
Other Retail Stores	<u>\$1,939</u>	<u>2.0%</u>	<u>\$2,759</u>	<u>2.4%</u>	<u>\$820</u>	<u>7.3%</u>
Total Retail Sales	\$73,582	74.7%	\$83,895	72.1%	\$10,313	2.7%
Business and Personal Services	\$3,033	3.1%	\$3,420	2.9%	\$387	2.4%
Other Outlets	\$21,871	22.2%	\$29,024	24.9%	\$7,153	5.8%
Total	\$98,486	100.0%	\$116,339	100.0%	\$17,853	3.4%

(1) Adjustments have been made to reflect total sales for food and drugs. Typically an estimated 30% for food and 70% for drugs is taxable.

TABLE IV-12

OFFICE SPACE PROFILE BY SUBMARKET, ORANGE COUNTY, 2008 ⁽¹⁾
TUSTIN TOWN CENTER REFINED MARKET ANALYSIS
CITY OF TUSTIN/FIELD PAOLI

<u>Orange County</u>	<u>Total GLA SF ⁽²⁾</u>		<u>YTD SF Net Absorption</u>	<u>SF Under Construction</u>	<u>Average Asking Lease Rate ⁽³⁾</u>	<u>Vacancy Rate</u>
Central County	16,490,571	16.6%	(226,354)	0	\$2.43	13.4%
Greater Airport Area	46,821,719	47.2%	(652,498)	244,000	\$2.88	13.6%
North County	8,438,987	8.5%	(122,033)	75,000	\$2.40	10.9%
South County	22,517,194	22.7%	(58,276)	352,155	\$2.76	13.6%
West County	<u>4,925,589</u>	<u>5.0%</u>	<u>(44,282)</u>	<u>0</u>	<u>\$2.29</u>	<u>5.9%</u>
Totals/Average	99,194,060	100.0%	(1,103,443)	671,155	\$2.72	13.0%

(1) As of 1st Quarter 2008

(2) GLA = Gross Leaseable Area.

(3) Rent per SF per month, full-service gross (FSG).

TABLE IV-13

**OFFICE SPACE MARKET FACTORS, ORANGE COUNTY, 2001-2008
TUSTIN TOWN CENTER REFINED MARKET ANALYSIS
CITY OF TUSTIN/FIELD PAOLI**

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008 (1)</u>	<u>Change, 2001-2008</u>	
									<u>Absolute</u>	<u>Average Annual</u>
Rentable Area (SF)	88,869,596	90,670,876	90,922,298	91,618,794	92,636,741	94,477,692	98,248,100	99,194,060	10,324,464	1.6%
Vacancy Rate	14.8%	15.8%	14.1%	10.6%	6.2%	6.6%	11.0%	13.0%	-1.8%	-
Net Change in Supply	4,475,581	1,801,280	251,422	696,496	1,017,947	1,840,951	3,770,408	945,960	-	1,474,923
Average Asking Lease Rate (1)	\$2.22	\$2.04	\$1.96	\$2.05	\$2.16	\$2.46	\$2.78	\$2.72	\$0.50	2.9%
Net Absorption YTD	(686,154)	883,098	2,652,079	3,271,660	4,668,984	(86,164)	(1,250,070)	(1,103,443)	-	1,043,749

(1) Per SF/month full-service gross.

TABLE IV-14

**OFFICE MARKET OVERVIEW, 2001-2007 ⁽¹⁾
TUSTIN TOWN CENTER REFINED MARKET ANALYSIS
CITY OF TUSTIN/FIELD PAOLI**

	<u>2001</u> ⁽²⁾	<u>2002</u> ⁽²⁾	<u>2003</u>	<u>2004</u>	<u>2005</u> ⁽²⁾	<u>2006</u>	<u>2007</u>	<u>2008</u> ⁽³⁾	<u>Change, 2001-2008</u>	
									<u>Absolute</u>	<u>Average Annual</u>
<u>Central Orange Subarea</u>										
Rentable Area (SF)	16,232,701	16,216,828	16,450,716	16,528,465	16,488,465	16,450,627	16,490,571	16,490,571	257,870	0.2%
Vacancy Rate	11.9%	12.2%	11.5%	7.0%	4.6%	7.0%	11.2%	10.9%	-1.0%	-
Average Asking Lease Rate ⁽⁴⁾	\$1.76	\$1.71	\$1.70	\$1.72	\$1.80	\$2.06	\$2.46	\$2.40	\$0.64	4.5%

(1) Central Orange County includes the Cities of Tustin, Orange, and Santa Ana.

(2) Based on 3rd Quarter data.

(3) Based on 1st Quarter data.

(4) Per SF/Month, net leases.

TABLE IV-15

**OFFICE BUILDING SALES COMPARABLES, JANUARY 2007 TO PRESENT (1)
TUSTIN TOWN CENTER REFINED MARKET ANALYSIS
CITY OF TUSTIN/FIELD PAOLI**

<u>Sale Date</u>	<u>Address</u>	<u>City</u>	<u>Sale Price</u>	<u>Land Area</u>		<u>Building Area (2)</u>		<u>Cap Rate</u>	<u>Year Built</u>
				<u>Acres</u>	<u>\$/SF</u>	<u>SF</u>	<u>\$/SF</u>		
09/27/07	5 Peters Canyon Rd	Irvine	\$51,000,000	9.55	\$123	155,484	\$328	N/A	2000
08/24/07	18301 Von Karman Ave	Irvine	\$112,000,000	0.75	\$3,414	230,605	\$486	6.0%	1989
08/23/07	450 W 4th St	Santa Ana	\$3,953,000	1.06	\$85	30,857	\$128	N/A	1982
08/07/07	200 E Sandpointe Ave	Santa Ana	\$39,750,000	2.31	\$395	150,660	\$264	N/A	1983
07/31/07	2742 Dow Ave	Tustin	\$11,200,000	N/A	N/A	51,588	\$217	N/A	1979
07/27/07	14511 Myford Rd	Tustin	\$21,800,000	4.99	\$100	85,340	\$255	6.9%	1978
07/19/07	14661 Franklin Ave	Tustin	\$10,459,000	0.94	\$254	41,130	\$254	N/A	1987
07/03/07	3 Imperial Promenade	Santa Ana	\$83,000,000	3.22	\$592	246,763	\$336	N/A	1991
06/25/07	14402 Franklin Ave	Tustin	\$15,310,000	3.27	\$108	70,445	\$217	N/A	1979
06/14/07	17780 Fitch	Irvine	\$12,050,000	1.80	\$154	50,023	\$241	6.3%	1984
05/18/07	18551 Von Karman Ave	Irvine	\$21,500,000	3.96	\$125	74,094	\$290	5.2%	1985
05/16/07	500 W Santa Ana Rd	Santa Ana	\$7,316,000	0.92	\$183	36,781	\$199	N/A	1982
04/18/07	1801 E Edinger Ave	Santa Ana	\$8,400,000	2.57	\$75	52,565	\$160	5.0%	1988
03/26/07	4 Hutton Centre Dr	Santa Ana	\$64,125,000	2.70	\$545	210,041	\$305	7.0%	1988
03/19/07	2000 E 4th St	Santa Ana	\$6,900,000	1.49	\$106	34,080	\$202	6.1%	1983
02/13/07	2030 E 4th St	Santa Ana	\$6,259,000	1.83	\$78	39,551	\$158	7.7%	1974
		Minimum	\$3,953,000	0.75	\$75	30,857	\$128	5.0%	1974
		Maximum	\$112,000,000	9.55	\$3,414	246,763	\$486	7.7%	2000
		Median	\$13,680,000	2.31	\$125	61,505	\$248	6.2%	1984
		Average	\$29,688,875	2.76	\$423	97,500	\$253	6.3%	1985

(1) Within a 5-mile radius of Newport Avenue and I-5.

(2) Survey represents buildings built after 1970 and containing 25,000 SF or more.

Source: CoStar Comps., Inc.

Prepared by: Keyser Marston Associates, Inc.

Filename: Tustin\Tustin Market Analysis Tables_8-1-08\9/10/2008;hrm

TABLE IV-16

APARTMENT MARKET RENTS, CENTER CITY AREA, CITY OF TUSTIN
 TUSTIN TOWN CENTER REFINED MARKET ANALYSIS
 CITY OF TUSTIN

<u>Complex</u>	<u>Average Rents by Bedroom Type</u>						<u>Number of Units</u>
	<u>One Bedroom</u>			<u>Two Bedroom</u>			
	<u>Unit SF</u>	<u>Monthly Rent</u>	<u>Rent/SF</u>	<u>Unit SF</u>	<u>Monthly Rent</u>	<u>Rent/SF</u>	
Creekside Meadows	815	\$1,415	\$1.74	993	1,675	\$1.69	628
Pacific Pointe	N/A	\$1,050	N/A	N/A	\$1,200	N/A	N/A
Minimum	815	\$1,050	\$1.74	993	\$1,200	\$1.69	628
Maximum	815	\$1,415	\$1.74	993	\$1,675	\$1.69	628
Median	815	\$1,233	\$1.74	993	\$1,438	\$1.69	628
Average	815	\$1,233	\$1.74	993	\$1,438	\$1.69	628

TABLE IV-17

**APARTMENT MARKET RENTS, SOUTHERN GATEWAY AREA, CITY OF TUSTIN
TUSTIN TOWN CENTER REFINED MARKET ANALYSIS
CITY OF TUSTIN**

<u>Complex</u>	<u>Average Rents by Bedroom Type</u>						<u>Number of Units</u>	<u>Year Built</u>
	<u>One Bedroom</u>			<u>Two Bedroom</u>				
	<u>Unit SF</u>	<u>Monthly Rent</u>	<u>Rent/SF</u>	<u>Unit SF</u>	<u>Monthly Rent</u>	<u>Rent/SF</u>		
Briarwood	767	\$1,283	\$1.67	1,013	\$1,613	\$1.59	192	1972
Kenyon Pointe	N/A	\$1,250	N/A	N/A	\$1,395	N/A	71	N/A
Nogal Feliz	800	\$1,400	\$1.75	1,100	\$1,650	\$1.50	72	1969
Pasadena Village	800	\$1,175	\$1.47	1,200	\$1,500	\$1.25	172	1977
Archstone Tustin	669	\$1,375	\$2.05	885	\$1,550	\$1.75	160	1987
Vista Del Rey	750	\$1,426	\$1.90	930	\$1,949	\$2.10	116	N/A
Walnut East	850	\$1,340	\$1.58	1,175	\$1,605	\$1.37	118	1970
Minimum	669	\$1,175	\$1.47	885	\$1,395	\$1.25	71	1969
Maximum	850	\$1,426	\$2.05	1,200	\$1,949	\$2.10	192	1987
Median	784	\$1,340	\$1.71	1,057	\$1,605	\$1.55	118	1972
Average	773	\$1,321	\$1.74	1,051	\$1,609	\$1.59	129	1975

TABLE IV-18

**APARTMENT MARKET RENTS, WESTERN VILLAGE AREA, CITY OF TUSTIN
TUSTIN TOWN CENTER REFINED MARKET ANALYSIS
CITY OF TUSTIN**

Complex	Average Rents by Bedroom Type						Number of Units	Year Built
	One Bedroom			Two Bedroom				
	Unit SF	Monthly Rent	Rent/SF	Unit SF	Monthly Rent	Rent/SF		
Park Place	N/A	N/A	N/A	935	1,525	\$1.63	246	N/A
Monterey Pines	N/A	\$1,017	N/A	N/A	\$1,400	N/A	N/A	N/A
El Presidio	800	\$1,025	\$1.28	1,000	\$1,300	\$1.30	76	N/A
The Alders	700	\$1,150	\$1.64	1,023	\$1,365	\$1.33	131	1970
Stonebrook	N/A	\$1,060	N/A	N/A	\$1,300	N/A	N/A	N/A
Mark VII	N/A	\$1,025	N/A	N/A	\$1,310	N/A	N/A	N/A
The Segovia	N/A	\$1,100	N/A	N/A	\$1,310	N/A	86	1976
Chatham Village	735	\$1,070	\$1.46	1,077	\$1,363	\$1.27	350	N/A
Minimum	700	\$1,017	\$1.28	935	\$1,300	\$1.27	76	1970
Maximum	800	\$1,150	\$1.64	1,077	\$1,525	\$1.63	350	1976
Median	735	\$1,060	\$1.46	1,012	\$1,336	\$1.32	131	1973
Average	745	\$1,064	\$1.46	1,009	\$1,359	\$1.38	178	1973

TABLE IV-19

**APARTMENT BUILDING SALES COMPARABLES, JANUARY 2006 TO PRESENT ⁽¹⁾
TUSTIN TOWN CENTER REFINED MARKET ANALYSIS
CITY OF TUSTIN**

Sale Date	Address	City	Sale Price	Land Area		Building Area		Units		Cap Rate	Year Built	Name
				Acres	\$/SF	SF	\$/SF	Total	\$/Unit			
11/12/07	2414 N Tustin Ave	Santa Ana	\$74,300,000	12.7	\$134	334,358	\$222	406	\$183,005	4.5%	1971	Villas at Tustin
08/31/07	1235 W Town and Country Rd	Orange	\$101,500,000	5.0	\$471	248,712	\$408	280	\$362,500	4.0%	1963	Windsor at Main Place
05/24/07	1201-1233 E Wilshire Ave	Santa Ana	\$16,575,000	4.2	\$91	93,482	\$177	164	\$101,067	5.3%	N/A	Wilshire Apartments
05/04/07	1600-1610 N Mabury St	Santa Ana	\$5,270,000	2.4	\$50	33,675	\$156	25	\$210,800	4.1%	1963	Unavailable
02/13/07	16282 E Main St	Tustin	\$43,032,000	9.6	\$103	218,760	\$197	246	\$174,927	3.1%	1969	Park Place
11/16/06	100 N Ross St	Santa Ana	\$17,250,000	3.3	\$121	142,122	\$121	199	\$86,683	6.0%	1978	Rosswood Villa
10/30/06	3091-3099 W Chapman Ave	Orange	\$91,500,000	4.7	\$446	258,769	\$354	278	\$329,137	N/A	2006	Alexan Pacific Grove
10/17/06	727 S Lyon St	Santa Ana	\$30,250,000	7.3	\$95	154,340	\$196	188	\$160,904	5.9%	1971	La Serena
09/22/06	14251-14351 Browning Ave	Tustin	\$11,500,000	4.1	\$64	69,900	\$165	60	\$191,667	3.3%	1969	Unavailable
06/06/06	13802 Tustin East Dr	Tustin	\$123,000,000	4.1	\$689	84,944	\$1,448	628	\$195,860	5.0%	1970	Portola Terrace
05/12/06	1501 N Ross St	Santa Ana	\$3,400,000	0.2	\$394	11,906	\$286	30	\$113,333	N/A	1980	Ross Towers
05/01/06	2801 N Bristol St	Santa Ana	\$22,200,000	5.0	\$101	121,812	\$182	122	\$181,967	4.8%	1969	Palm Terrace Apartments
05/01/06	14441-14471 Red Hill Ave	Tustin	\$5,735,000	1.9	\$70	29,966	\$191	27	\$212,407	4.7%	1963	Terrace Apartments
04/17/06	100 N Ross St	Santa Ana	\$16,250,000	3.3	\$114	142,122	\$114	199	\$81,658	N/A	1978	Rosswood Villa
01/06/06	802 W Pine St	Santa Ana	\$6,000,000	0.6	\$220	22,000	\$273	29	\$206,897	4.9%	1987	Unavailable
01/05/06	14421 Red Hill Ave	Tustin	\$7,250,000	2.1	\$78	27,471	\$264	30	\$241,667	3.1%	1964	Unavailable
		Minimum	\$3,400,000	0.2	\$50	11,906	\$114	25	\$81,658	3.1%	1963	
		Maximum	\$123,000,000	12.7	\$689	334,358	\$1,448	628	\$362,500	6.0%	2006	
		Median	\$16,912,500	4.1	\$109	107,647	\$196	176	\$187,336	4.7%	1970	
		Average	\$35,938,250	4.4	\$203	124,646	\$297	182	\$189,655	4.5%	1973.4	

(1) Within a 5-mile radius of Newport Avenue and I-5.

TABLE IV-20

**MULTI-FAMILY RESIDENTIAL LAND SALES, JANUARY 2005 TO PRESENT (1)
TUSTIN TOWN CENTER REFINED MARKET ANALYSIS
CITY OF TUSTIN**

<u>Sale Date</u>	<u>Address</u>	<u>City</u>	<u>Sale Price</u>	<u>Land Area</u>			<u>Proposed Use</u>
				<u>Acres</u>	<u>SF</u>	<u>\$/SF</u>	
06/14/07	Murphy Ave	Irvine	\$3,500,000	1.2	52,708	\$66.40	Apartment Units - Subsidized
01/17/07	2838 Kelvin Ave	Irvine	\$4,000,000	1.4	60,984	\$65.59	Apartment Units
11/09/05	Michelson Dr	Irvine	\$40,000,000	7.0	304,920	\$131.18	Apartment Units - Condo
10/24/05	2552 Kelvin Ave	Irvine	\$10,500,000	2.9	126,324	\$83.12	Apartment Units
01/14/05	18883 Von Karman Ave	Irvine	\$13,000,000	1.9	84,071	\$154.63	Apartment Units - Condo
		Minimum	\$3,500,000	1.2	52,708	\$65.59	
		Maximum	\$40,000,000	7.0	304,920	\$154.63	
		Median	\$10,500,000	1.9	84,071	\$83.12	
		Average	\$14,200,000	2.9	125,801	\$100.19	

(1) Within a 5-mile radius of Newport Avenue and I-5.

TABLE IV-21

**SINGLE FAMILY LAND SALES, JANUARY 2005 TO PRESENT (1)
TUSTIN MARKET ANALYSIS
CITY OF TUSTIN**

<u>Sale Date</u>	<u>Address</u>	<u>City</u>	<u>Sale Price</u>	<u>Site Area</u>		<u>Land Type</u>	<u>Proposed Use</u>
				<u>Acres</u>	<u>\$/SF</u>		
1/6/05	Fairhaven Ave	Santa Ana	\$7,485,500	3.7	\$46.32	Residential	Single Family Development
11/22/05	Bamboo (W of Jeffrey Rd)	Irvine	\$3,285,660	1.6	\$46.30	Residential	Single Family Development
12/5/05	Waterspout	Irvine	\$3,182,967	1.2	\$60.89	Residential	Single Family Development
12/23/05	2800 Farmers Dr	Santa Ana	\$15,000,000	9.2	\$37.45	Residential	Single Family Development
		Minimum	\$3,182,967	1.2	\$37.45		
		Maximum	\$15,000,000	9.2	\$60.89		
		Median	\$5,385,580	2.7	\$46.31		
		Average	\$7,238,532	3.9	\$47.74		

(1) Within 5-mile radius of Newport Avenue and I-5.

TABLE IV-22

**HISTORICAL COMPARISON OF EXISTING MEDIAN HOME PRICES
TUSTIN TOWN CENTER REFINED MARKET ANALYSIS
CITY OF TUSTIN**

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u> (1)	<u>Change, 2000-2008</u>	
										<u>Percent Increase</u>	<u>Average Annual</u>
City of Tustin	\$233,250	\$287,500	\$345,000	\$409,000	\$530,750	\$603,500	\$599,000	\$466,500	\$575,000	146.5%	11.9%
Orange County	\$255,000	\$309,000	\$360,000	\$436,000	\$436,000	\$616,000	\$635,000	\$560,000	\$520,000	103.9%	9.3%

(1) As of January 2008.

TABLE IV-23

**MINIMUM INCOME REQUIRED BY HOUSEHOLD, CITY OF TUSTIN AND ORANGE COUNTY
TUSTIN TOWN CENTER REFINED MARKET ANALYSIS
CITY OF TUSTIN**

	<u>City of Tustin</u>		<u>Orange County</u>	
Median Sales Price (January 2008)		\$575,000		\$520,000
Loan Balance (Less Down Payment)		\$460,000		\$416,000
Total Monthly Mortgage Payment		\$2,908		\$2,629
Property Tax @	1.15% of Value	\$551	1.15% of Value	\$498
Insurance @	0.25% of Value	\$120	0.25% of Value	\$108
HOA Fees @	\$50 /Month	<u>\$50</u>	\$50 /Month	<u>\$50</u>
Additional Monthly Expenditures		\$721		\$657
Total Monthly Costs		\$3,628		\$3,286
Income Allocation @	33.0%	\$131,940	33.0%	\$119,493
Minimum Income Required (Rounded)		\$132,000		\$119,000

Home Loan Assumptions:

Down Payment @	20.0%
Interest Rate @	6.5%
Term (Years) @	30

TABLE IV-24

**RESIDENTIAL DEVELOPMENT ACTIVITY, STUDY AREAS, JANUARY 2006 TO PRESENT
TUSTIN TOWN CENTER REFINED MARKET ANALYSIS
CITY OF TUSTIN/FIELD PAOLI**

	Center City	Southern Gateway	West Village	Total
Completed		Arbor Walk 63 units Townhomes 100,953 SF		63 units 100,953 SF
Under Construction	The Cottages / 93 units Nevis Homes 153,958 SF			93 units 153,958 SF
Approved	American 201 units Senior Living 168,628 SF			201 units 168,628 SF
Under Review			Alders 2 units Apartments N/A SF	2 units N/A SF
Total	294 units 322,586 SF	63 units 100,953 SF	2 units N/A SF	359 units 423,539 SF

TABLE V-1

**ESTIMATE OF RETAIL/RESTAURANT SPACE DEMAND, 1-MILE RING, 2008-2030 (1)
TUSTIN TOWN CENTER REFINED MARKET ANALYSIS
CITY OF TUSTIN/FIELD PAOLI**

Projected Total Population, 2030	46,982
Total Population Growth, 2008-2030	7,333
Average Per Capita Income, 2008	\$20,046
Increase in Aggregate Personal Income, 2008-2030	\$146,996,000

	Allocation of Per Capita Income to Spending (2)	Assumed Capture Rate within Study Area (3)		Estimated Spending		Sales Productivity Per SF (4)	Retail Space Demand (SF)	
		Low	High	Low	High		Low	High
		I. Growth Generated Demand						
A. Retail Space								
General Merchandise and Comparison Goods	24.5%	1.5% -	3.0%	\$540,000 -	\$1,080,000	\$350	1,500 SF -	3,100 SF
Convenience Goods	4.8%	1.0% -	2.0%	\$71,000 -	\$142,000	\$450	200 SF -	300 SF
Subtotal Retail							1,700 SF -	3,400 SF
B. Restaurant Space								
Eating and Drinking	8.0%	2.0% -	5.0%	\$235,000 -	\$587,000	\$400	600 SF -	1,500 SF

(1) From the intersection of Newport Avenue and I-5.

(2) Based on the percent of total taxable sales for the City of Tustin, 2007.

(3) Based on the Study Areas' percent share of Tustin taxable retail sales for each category.

(4) Industry standards and KMA assumption.

TABLE V-2

**ESTIMATE OF RETAIL/RESTAURANT SPACE DEMAND, 1 to 3-MILE RING, 2008-2030 ⁽¹⁾
TUSTIN TOWN CENTER REFINED MARKET ANALYSIS
CITY OF TUSTIN/FIELD PAOLI**

Projected Total Population, 2030	206,804
Total Population Growth, 2008-2030	34,344
Average Per Capita Income, 2008	\$25,462
Increase in Aggregate Personal Income, 2008-2030	\$874,442,000

	Allocation of Per Capita Income to Spending ⁽²⁾	Assumed Capture Rate within Study Areas ⁽³⁾		Estimated Spending		Sales Productivity Per SF ⁽⁴⁾	Retail Space Demand (SF)	
		Low	High	Low	High		Low	High
		I. Growth Generated Demand						
A. Retail Space								
General Merchandise and Comparison Goods	24.5%	1.5% -	3.0%	\$3,212,000 -	\$6,423,000	\$400	8,000 SF -	16,100 SF
Convenience Goods	4.8%	1.0% -	2.0%	\$422,000 -	\$845,000	\$500	800 SF -	1,700 SF
Subtotal Retail							8,800 SF -	17,800 SF
B. Restaurant Space								
Eating and Drinking	8.0%	2.0% -	5.0%	\$1,396,000 -	\$3,490,000	\$450	3,100 SF -	7,800 SF

(1) From the intersection of Newport Avenue and I-5.

(2) Based on allocation of income to total retail sales within Study Areas, 2007.

(3) Based on the Study Areas' percent share of Tustin taxable retail sales for each category.

(4) Industry standards and KMA assumption.

TABLE V-3

**RETAIL/RESTAURANT SPACE DEMAND FROM OFFICE WORKERS
TUSTIN TOWN CENTER REFINED MARKET ANALYSIS
CITY OF TUSTIN/FIELD PAOLI**

	<u>Low</u>	<u>High</u>
I. Number of New Office Workers - Study Areas		
Number of New Office Workers through 2030 (1)	28,505	28,505
Study Areas Capture @	5.0% (2)	10.0% (2)
Subtotal - New Office Workers, Study Areas, through 2030	1,425	2,850
II. Annual Office Worker Spending - Study Areas		
Estimate of Annual Office Worker Spending - Retail (3)	\$6,219	\$6,219
Estimate of Annual Office Worker Spending - Restaurant (3)	\$1,910	\$1,910
Spending by Study Areas Office Workers - Retail	\$8,863,000	\$17,726,000
Spending by Study Areas Office Workers - Restaurant	\$2,722,000	\$5,444,000
Estimated Capture in Study Areas	40% (4)	60% (4)
Estimated Spending in Study Areas - Retail	\$3,545,000	\$10,636,000
Estimated Spending in Study Areas - Restaurant	\$1,089,000	\$3,266,000
Estimated Sales Productivity (Sales/SF)	\$400 (4)	\$400 (4)
III. Total Office Worker-Supported Retail Space Demand through 2030	8,900 SF	26,600 SF
Total Office Worker-Supported Restaurant Space Demand through 2030	2,700 SF	8,200 SF

(1) See Table V-5.

(2) KMA assumption. See Table V-6.

(3) Based on data provided by ICSC Office Work Retail Spending report, 2003. Adjusted by KMA to reflect 2008 dollars as follows:

<u>Suburban Area:</u>	<u>2003</u>	<u>2008</u>
Shopper Goods	\$3,115	\$3,700
Convenience Goods	\$2,121	\$2,519
Subtotal - Retail	\$5,236	\$6,219
Lunches	\$1,080	\$1,283
Dinner/Drinks	\$528	\$627
Subtotal - Restaurant	\$1,608	\$1,910
Escalation Factor @	3.5%	

Estimate is adjusted to reflect employee share of vacation and holidays. Total work days estimated to equate to 240 days.

(4) KMA assumption.

TABLE V-4

SUMMARY OF RETAIL/RESTAURANT SPACE DEMAND, 2008-2030 (1)
TUSTIN TOWN CENTER REFINED MARKET ANALYSIS
CITY OF TUSTIN/FIELD PAOLI

	<u>Low</u>	<u>High</u>
I. Estimated Retail Space Demand		
New Residents		
1-Mile Ring	1,700 SF	3,400 SF
1 to 3-Mile Ring	<u>8,800</u> SF	<u>17,800</u> SF
Subtotal New Residents	10,500 SF	21,200 SF
New Office Workers	<u>8,900</u> SF	<u>26,600</u> SF
Total Retail Space Demand through 2030	19,400 SF	47,800 SF
Annual Retail Space Demand through 2030	900 SF	2,200 SF
II. Estimated Restaurant Space Demand		
New Residents		
1-Mile Ring	600 SF	1,500 SF
1 to 3-Mile Ring	<u>3,100</u> SF	<u>7,800</u> SF
Subtotal New Residents	3,700 SF	9,300 SF
New Office Workers	<u>2,700</u> SF	<u>8,200</u> SF
Total Restaurant Space Demand through 2030	6,400 SF	17,500 SF
Annual Restaurant Space Demand through 2030	300 SF	800 SF

(1) From the intersection of Newport Avenue and I-5.

TABLE V-5

**ESTIMATE OF ADDITIONAL OFFICE SPACE NEEDED THROUGH 2030, 3-MILE RING
TUSTIN TOWN CENTER REFINED MARKET ANALYSIS
CITY OF TUSTIN/FIELD PAOLI**

	Number of Employees 2007 ⁽¹⁾	Average Annual Rate 2007-2030 ⁽²⁾	Number of Employees 2030	% of Total	Number of Employees Added/(Lost)	Portion Using Office Space ⁽³⁾	Number of New Office Users	# of SF Per Person @ 250 ⁽⁴⁾
Trade, Transportation, and Utilities	46,983	1.0%	59,065	26%	12,082	20%	2,416	604,000 SF
Professional and Business Services	32,311	2.0%	50,951	23%	18,640	75%	13,980	3,495,000 SF
Manufacturing	23,646	0.0%	23,646	11%	0	5%	0	0 SF
Educational and Health Services	19,857	3.5%	43,807	20%	23,950	20%	4,790	1,197,000 SF
Finance, Insurance, and Information	15,563	2.0%	24,541	11%	8,978	75%	6,734	1,683,000 SF
Construction	6,889	3.0%	13,596	6%	6,707	5%	335	84,000 SF
Other Services	3,188	2.0%	5,027	2%	1,839	10%	184	46,000 SF
Leisure and Hospitality	2,256	2.0%	3,557	2%	1,301	5%	65	16,000 SF
Natural Resources and Mining	48	0.0%	48	0%	0	0%	0	0 SF
Total	150,741	8.3%	224,239	100%	73,498	39%	28,505	7,125,000 SF
							Average Annual	323,864 SF

(1) Source: Claritas, Inc. Reflects employment by place of work within a 3-mile ring from the intersection of Newport Avenue and I-5.

(2) KMA estimate for 3-mile ring based on review of annual growth rates in Orange County for each employment category between 2000 and 2007. See Table IV-9.

(3) KMA assumption.

(4) Reflects rentable SF of office space. KMA assumption.

TABLE V-6

**SUMMARY OF OFFICE SPACE DEMAND
TUSTIN TOWN CENTER REFINED MARKET ANALYSIS
CITY OF TUSTIN/FIELD PAOLI**

	<u>Low</u>	<u>High</u>
I. Estimated Office Demand		
Office Space Need through 2030	7,125,000 SF	7,125,000 SF
Study Areas Capture @	5.0% (1)	10.0% (1)
II. Total Office Space Demand through 2030	356,000 SF	713,000 SF
III. Annual Office Space Demand through 2030	16,000 SF	32,000 SF

(1) KMA assumption.

TABLE V-7

**TOTAL HOUSING UNIT DEMAND ANALYSIS, STUDY AREAS, 2008-2030
TUSTIN TOWN CENTER REFINED MARKET ANALYSIS
CITY OF TUSTIN/FIELD PAOLI**

Year	Tustin Projected Total Housing Units			Study Areas Capture of Projected Tustin Growth (2)			
	Annual Increase		Total Inventory	20.0%	Low	30.0%	High
	Percent (1)	Absolute					
2000			25,486				
2001	0.61%	157	25,643				
2002	0.61%	158	25,757				
2003	0.61%	158	25,893				
2004	0.61%	159	26,031				
2005	0.61%	160	26,169				
2006	0.61%	161	26,307				
2007	0.61%	162	26,447				
2008	0.61%	163	26,587		7,240		7,240
2009	0.61%	163	26,728	33	7,273	49	7,289
2010	0.61%	164	26,869	33	7,306	49	7,338
2011	0.61%	165	27,012	33	7,339	50	7,388
2012	0.61%	166	27,155	33	7,372	50	7,438
2013	0.61%	167	27,299	33	7,405	50	7,488
2014	0.61%	168	27,444	34	7,439	50	7,538
2015	0.61%	169	27,589	34	7,473	51	7,589
2016	0.61%	170	27,735	34	7,506	51	7,640
2017	0.61%	171	27,882	34	7,541	51	7,691
2018	0.61%	171	28,030	34	7,575	51	7,742
2019	0.61%	172	28,179	34	7,609	52	7,794
2020	0.61%	173	28,328	35	7,644	52	7,846
2021	0.61%	174	28,478	35	7,679	52	7,898
2022	0.61%	175	28,629	35	7,714	53	7,951
2023	0.61%	176	28,781	35	7,749	53	8,004
2024	0.61%	177	28,933	35	7,784	53	8,057
2025	0.61%	178	29,087	36	7,820	53	8,110
2026	0.61%	179	29,241	36	7,856	54	8,164
2027	0.61%	180	29,396	36	7,892	54	8,218
2028	0.61%	181	29,552	36	7,928	54	8,272
2029	0.61%	182	29,708	36	7,964	55	8,326
2030	0.61%	183	29,866	37	8,001	55	8,381
Total		5,081		761		1,141	

(1) Based on housing unit annual average growth rate for Tustin, 2000-2008. Source: Claritas, Inc.

(2) KMA estimation of low and high capture rates based on combined Study Areas share of Tustin's total number of residential units.

TABLE V-8

**TOTAL SPACE DEMAND, 2008-2030 (1)
TUSTIN TOWN CENTER REFINED MARKET ANALYSIS
CITY OF TUSTIN/FIELD PAOLI**

	<u>Low</u>	<u>High</u>
I. Annual Space Demand		
A. Retail Space	900 SF 5.2%	2,200 SF 6.3%
B. Restaurant Space	<u>300</u> SF <u>1.7%</u>	<u>800</u> SF <u>2.3%</u>
Subtotal	1,200 SF 7.0%	3,000 SF 8.6%
C. Office Space	<u>16,000</u> SF <u>93.0%</u>	<u>32,000</u> SF <u>91.4%</u>
Total Annual Space Demand	17,200 SF 100.0%	35,000 SF 100.0%
II. Total Space Demand, 2008-2030	378,000 SF	770,000 SF
III. Total Housing Unit Demand		
A. Multi-family	761 units	1,141 units
B. Single-family	0 units	0 units
C. Other	<u>0</u> units	<u>0</u> units
IV. Total Housing Units	761 units	1,141 units

(1) From the intersection of Newport Avenue and I-5.