MONTCLAIR

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MONTCLAIR GENERAL PLAN UPDATE

REAL ESTATE MARKET ANALYSIS

JANUARY, 2019

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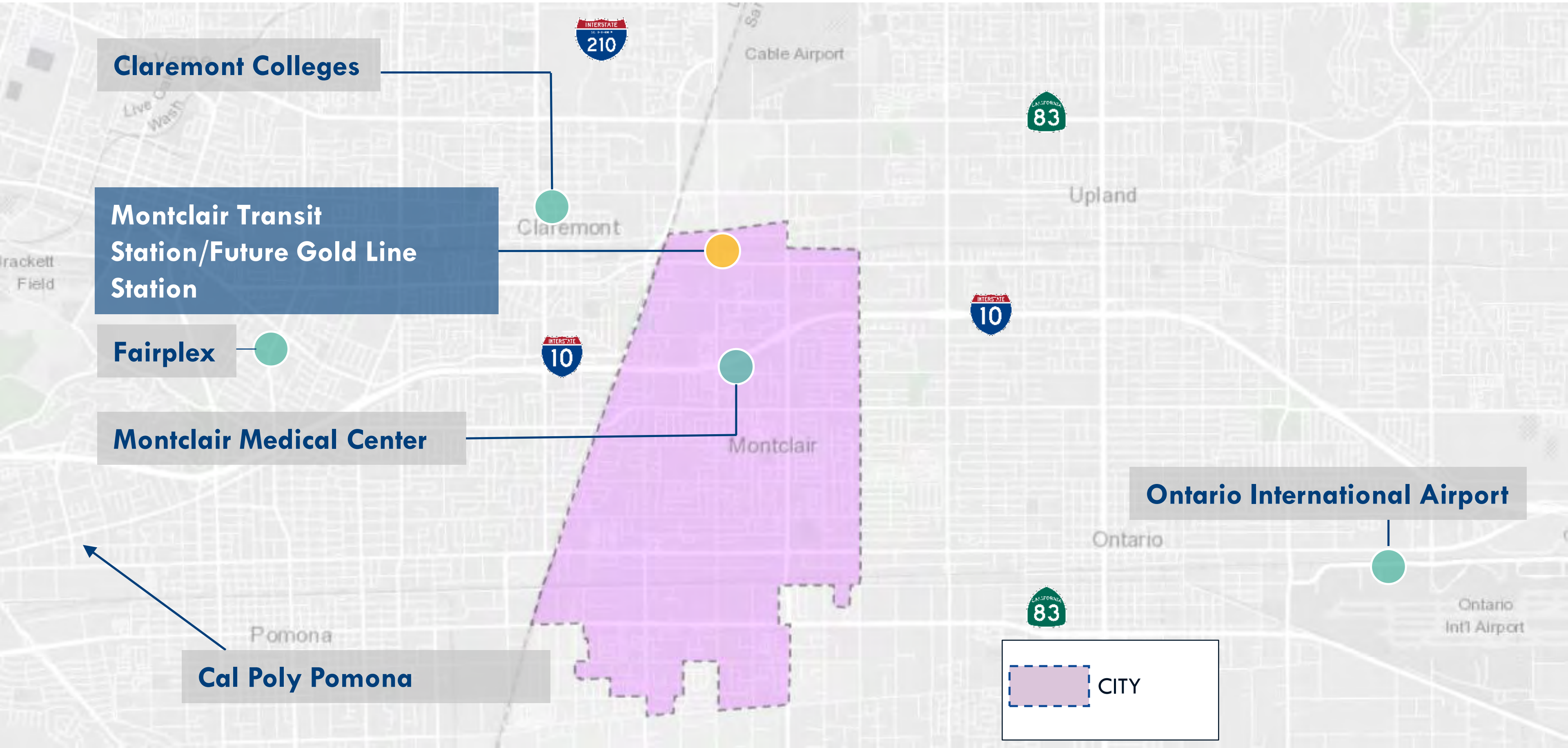
Montclair Context

The City of Montclair (the "City"), located in southwestern San Bernardino County, is located near Claremont's educational institutions, the Ontario International Airport and the Pomona Fairplex.

MONTCLAIR AND SURROUNDING AREAS



* HR&A previously evaluated market conditions in the Specific Plan Study Area in northern Montclair.

Market Analysis Context

HR&A Advisors, Inc. ("HR&A") has prepared a citywide market supply and demand analysis that builds on its previous market analysis for the City for the Montclair Place District in mid-2018.

MONTCLAIR PLACE SPECIFIC PLAN MARKET ANALYSIS

Demographic + Socioeconomic Context

Multifamily	Supply Analysis	Citywide Demand *to 2035*	Place SP Capture
Office	Supply Analysis	Citywide Demand *to 2035*	Place SP Capture
Hospitality	Supply Analysis	Citywide Demand *to 2035*	Place SP Capture

Placemaking Considerations

+

GENERAL PLAN CONSOLIDATED MARKET ANALYSIS

Focus Area Land Use Overview

Revised Demand Estimates through 2040

Retail	Supply Analysis	Citywide Demand *to 2040*	Focus Area Captures
Industrial/ Flex	Supply Analysis	Citywide Demand *to 2040*	Focus Area Capture

The City is commencing its General Plan Update process at an opportune time in its history. The planned Gold Line extension increases accessibility to employment centers like Pasadena and Los Angeles as well as the entirety of the Metro Rail network.

METRO GOLD LINE EXTENSION

Context and Demographic Overview

Context

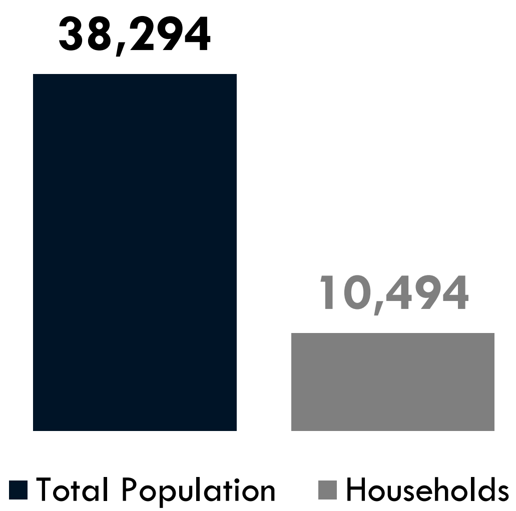
Demographic and Employment Profile

Market Analysis

Demographics | Population and Households

There are approximately 38,000 residents and 10,500 households in the City of Montclair. Average household size is 3.6, which is higher than what is found in both LA County and San Bernardino County.

MONTCLAIR POPULATION AND HOUSEHOLDS
(2016)



AVERAGE HOUSEHOLD SIZE (2016)

3.6
CITY OF MONTCLAIR

3.0
LA COUNTY

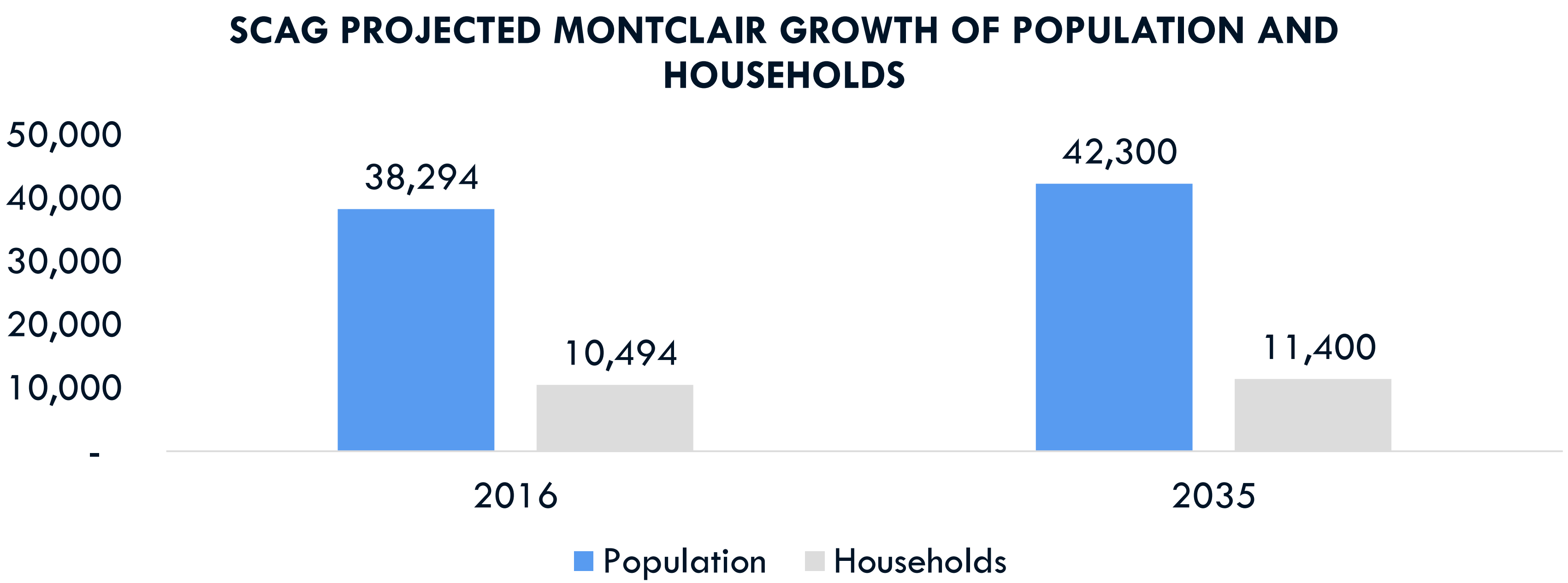
3.3
SAN BERNARDINO COUNTY

	Population Growth (2000-2016, CAGR)	Household Growth (2000-2016, CAGR)
City of Montclair	0.92%	1.11%
LA County	0.34%	0.29%
San Bernardino County	1.31%	0.99%

Source: ACS 2016 (5-Year Estimates)

Demographics | Population and Households

SCAG projects that the Montclair's population and households will grow to approximately 42,300 and 11,400, respectively, by 2035. This represents a rate of growth that is well below what is expected for San Bernardino County.



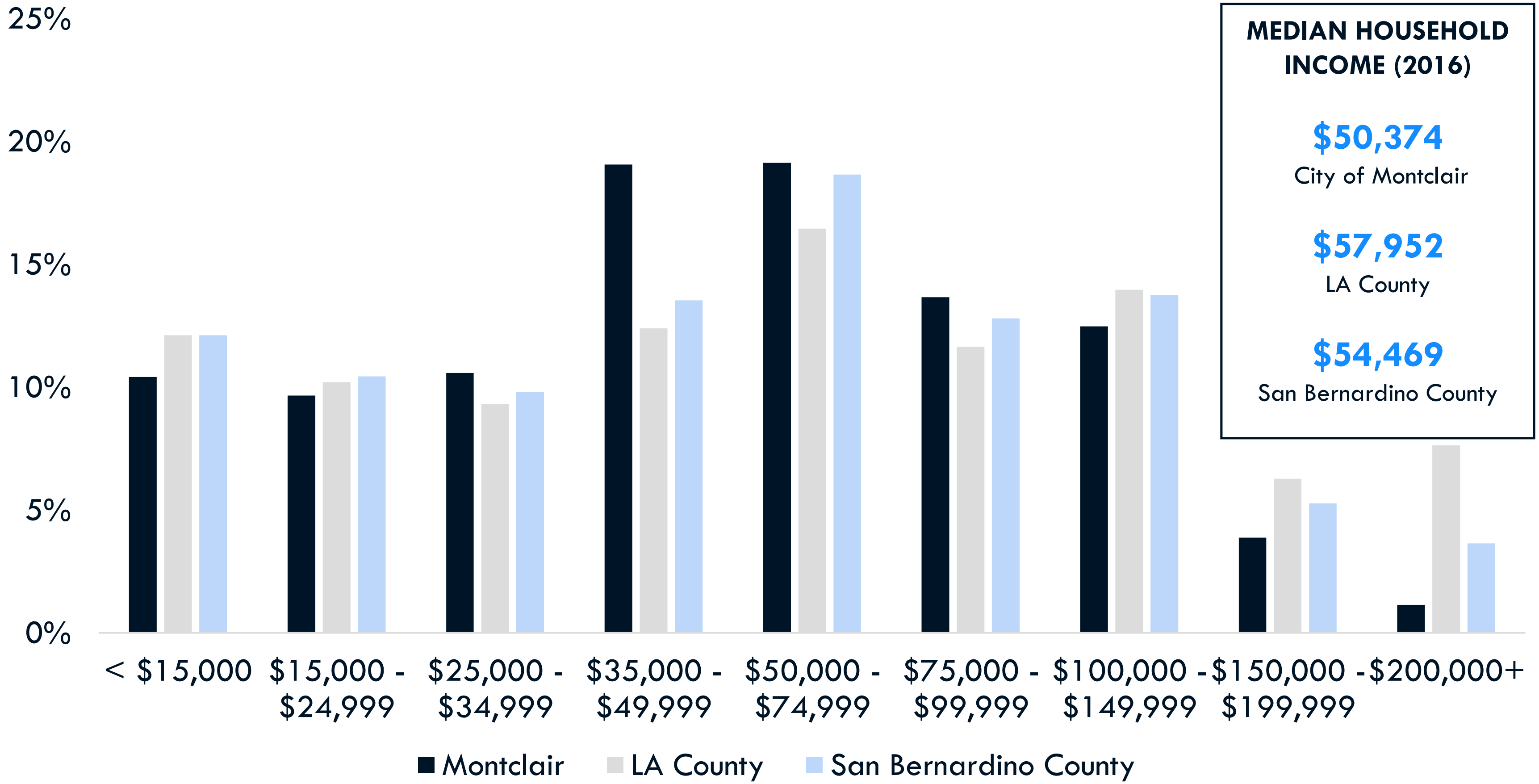
	Projected Population Growth (2016-2035, CAGR)	Projected Household Growth (2016-2035, CAGR)
City of Montclair	0.53%	0.44%
Los Angeles County	0.54%	0.79%
San Bernardino County	1.19%	1.52%

Source: SCAG, ACS 2016 (5-Year)

Demographics | Household Income

Compared with LA County and San Bernardino County, the City of Montclair has a significantly higher share of households earning between $35,000 and $49,999 annually and relatively lower proportion of households earning $150,000 or more annually.

SHARE OF HOUSEHOLDS BY ANNUAL HOUSEHOLD INCOME (2016)



MEDIAN HOUSEHOLD INCOME (2016)

$50,374
City of Montclair

$57,952
LA County

$54,469
San Bernardino County

Source: ACS 2016 (5-Year Estimates)

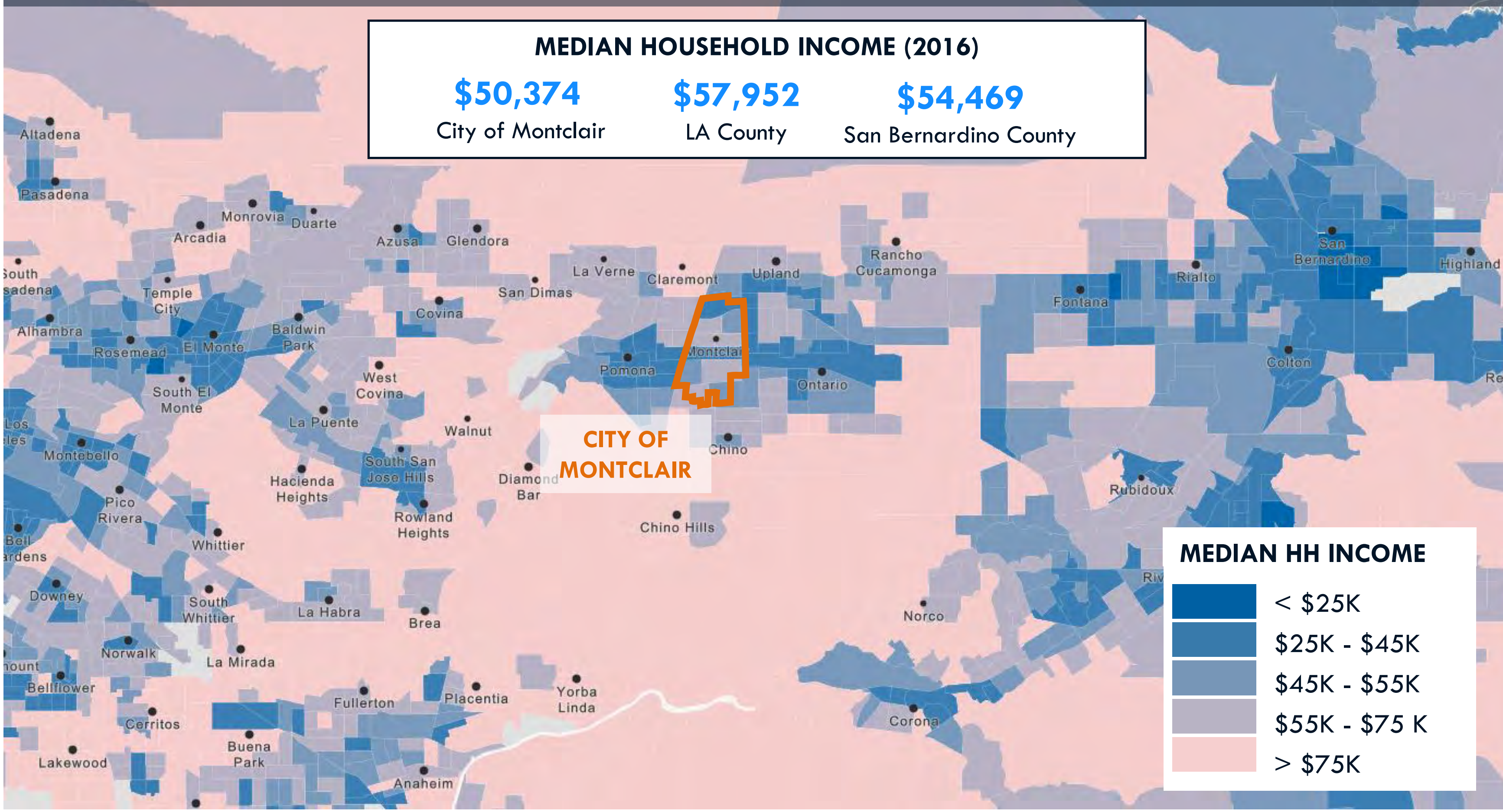
Demographics | Household Income

Montclair is a solidly middle income city surrounded by lower density, higher income communities.

MEDIAN HOUSEHOLD INCOME BY CENSUS TRACT (2016)

MEDIAN HOUSEHOLD INCOME (2016)

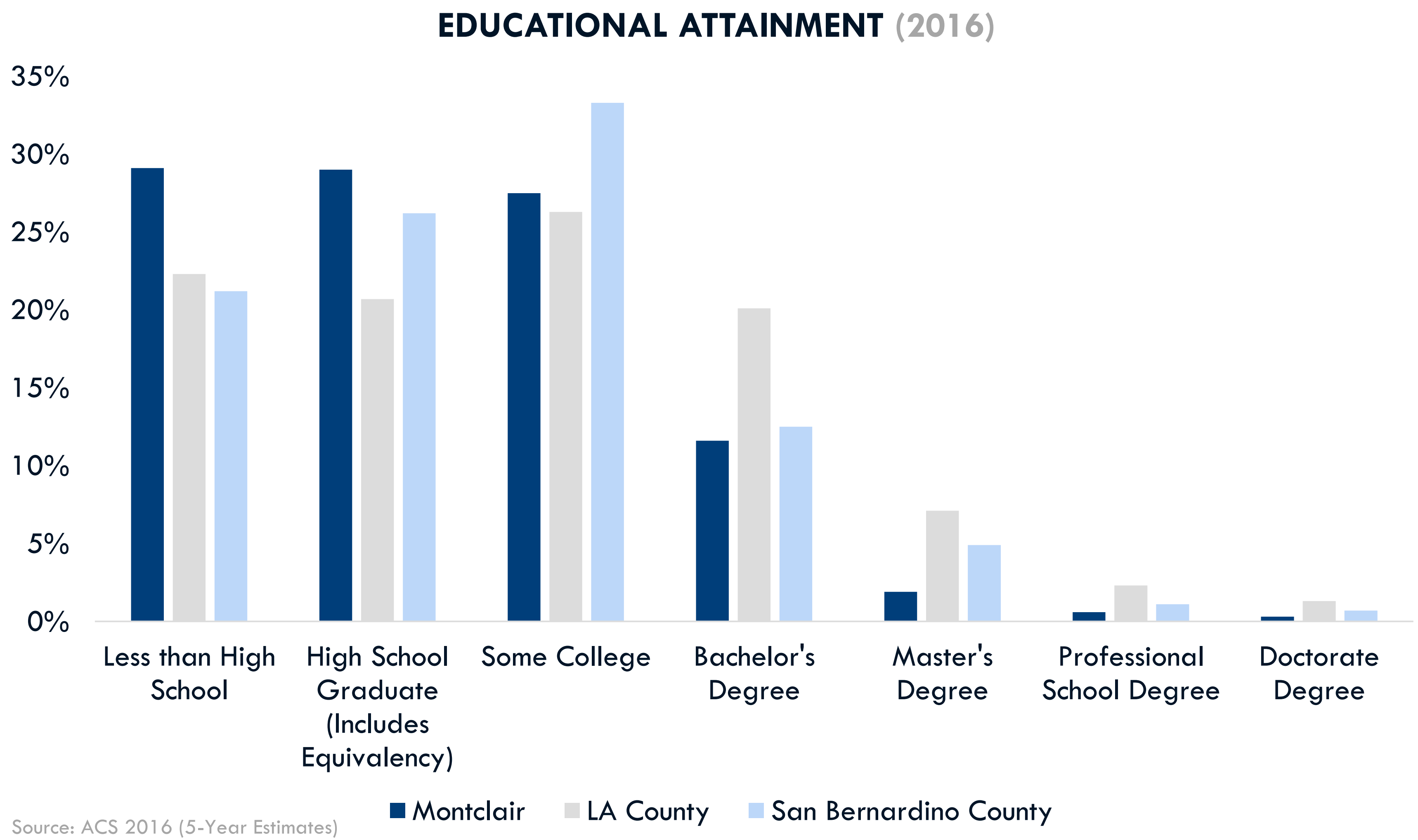
$50,374	$57,952	$54,469
City of Montclair	LA County	San Bernardino County



Source: ACS 2016 (5-Year Estimates)

Demographics | Educational Attainment

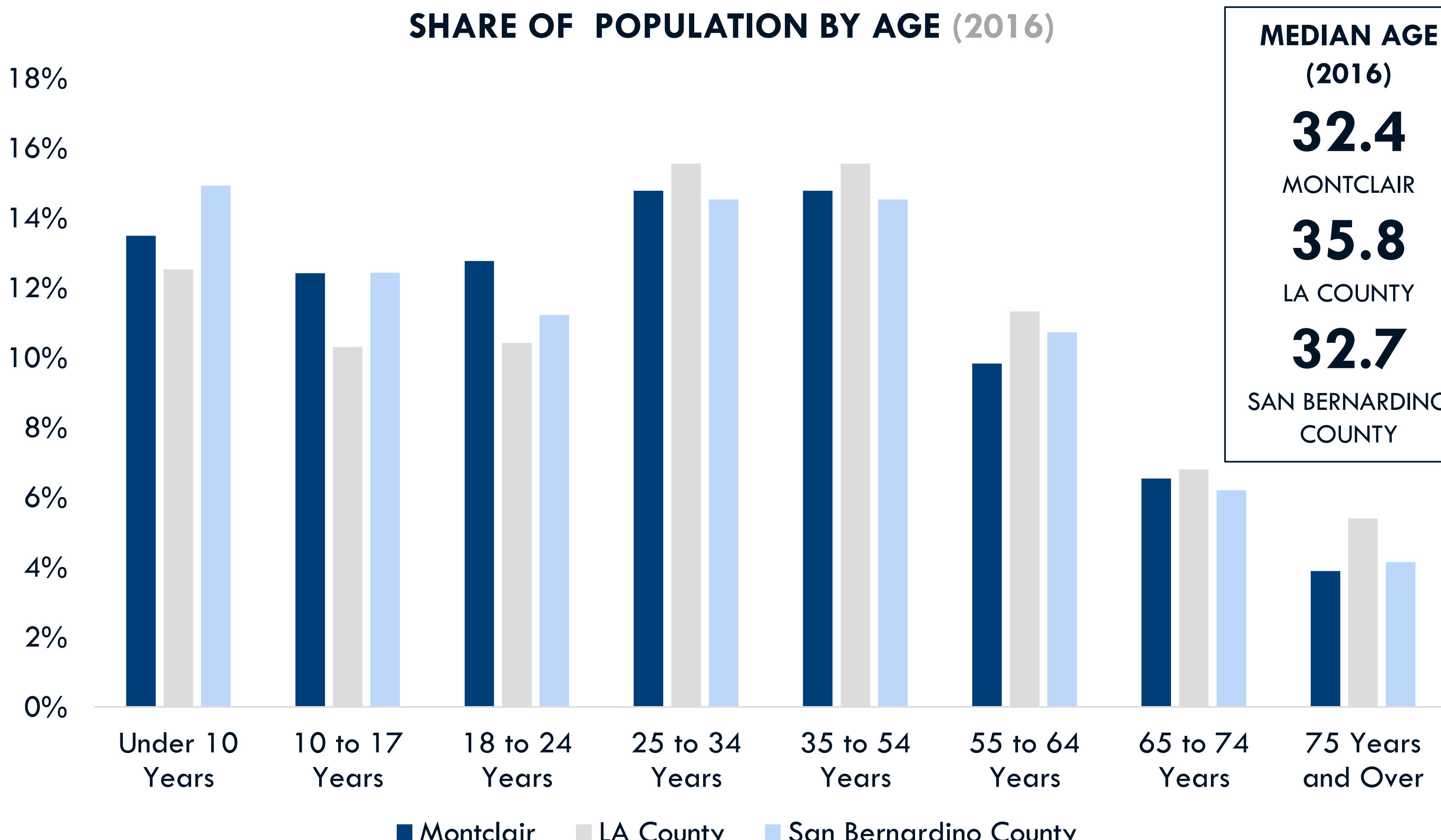
More than half of Montclair residents over the age of 25 have not completed a college degree, but the proportion of college-educated residents is largely on par with San Bernardino County.



Source: ACS 2016 (5-Year Estimates)

Demographics | Age

The City of Montclair also contains a moderately higher than average proportion of residents between the ages of 18 and 24, and a marginally lower share of residents 55 years and older.



MEDIAN AGE (2016)

32.4
MONTCLAIR

35.8
LA COUNTY

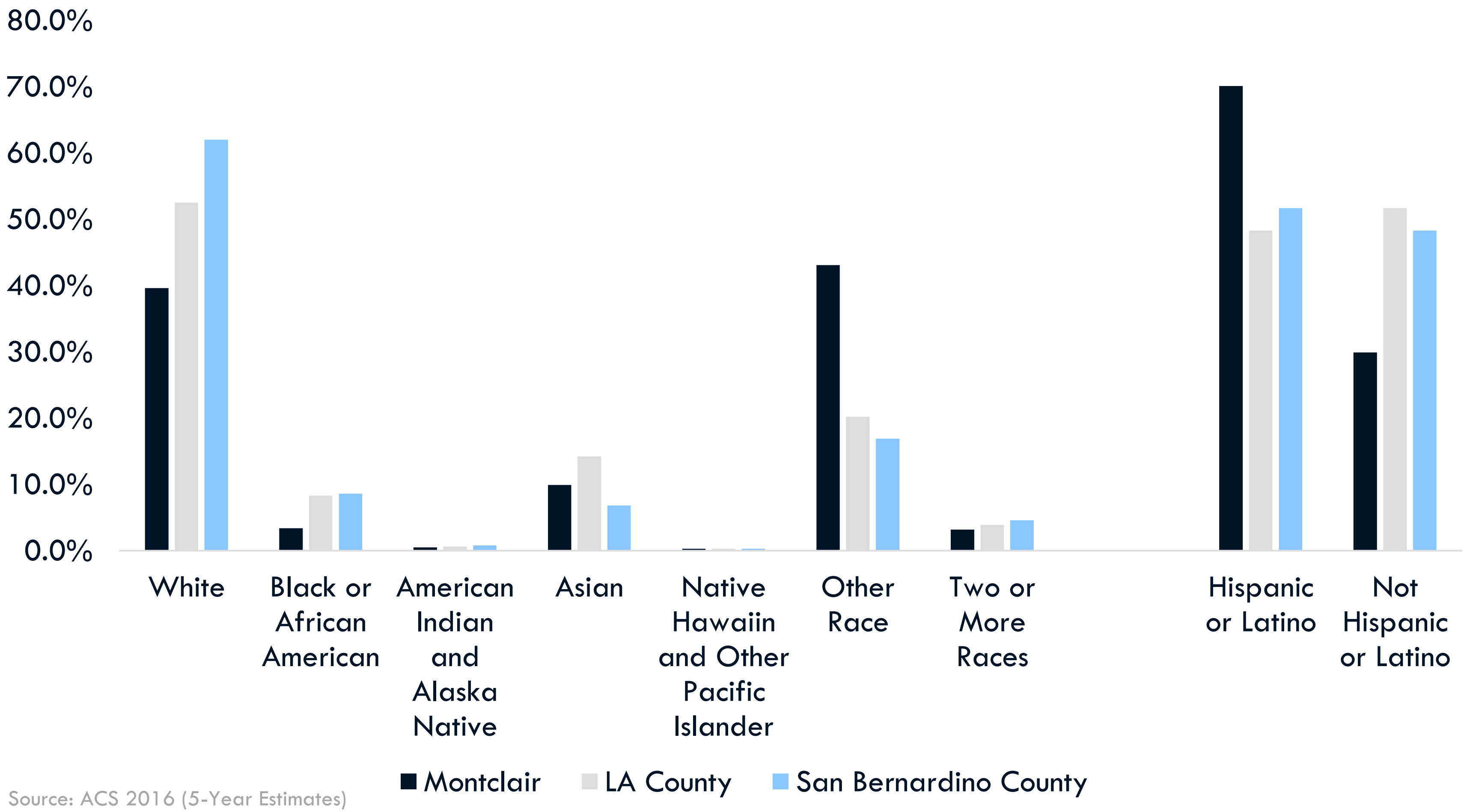
32.7
SAN BERNARDINO COUNTY

Source: ACS 2016 (5-Year Estimates)

Demographics | Race & Ethnicity

Montclair is home to a much higher proportion of residents identifying as Hispanic or Latino than both LA and San Bernardino Counties, but there is a significantly lower proportion of Black or African American residents.

POPULATION BY RACE AND ETHNICITY (2016)

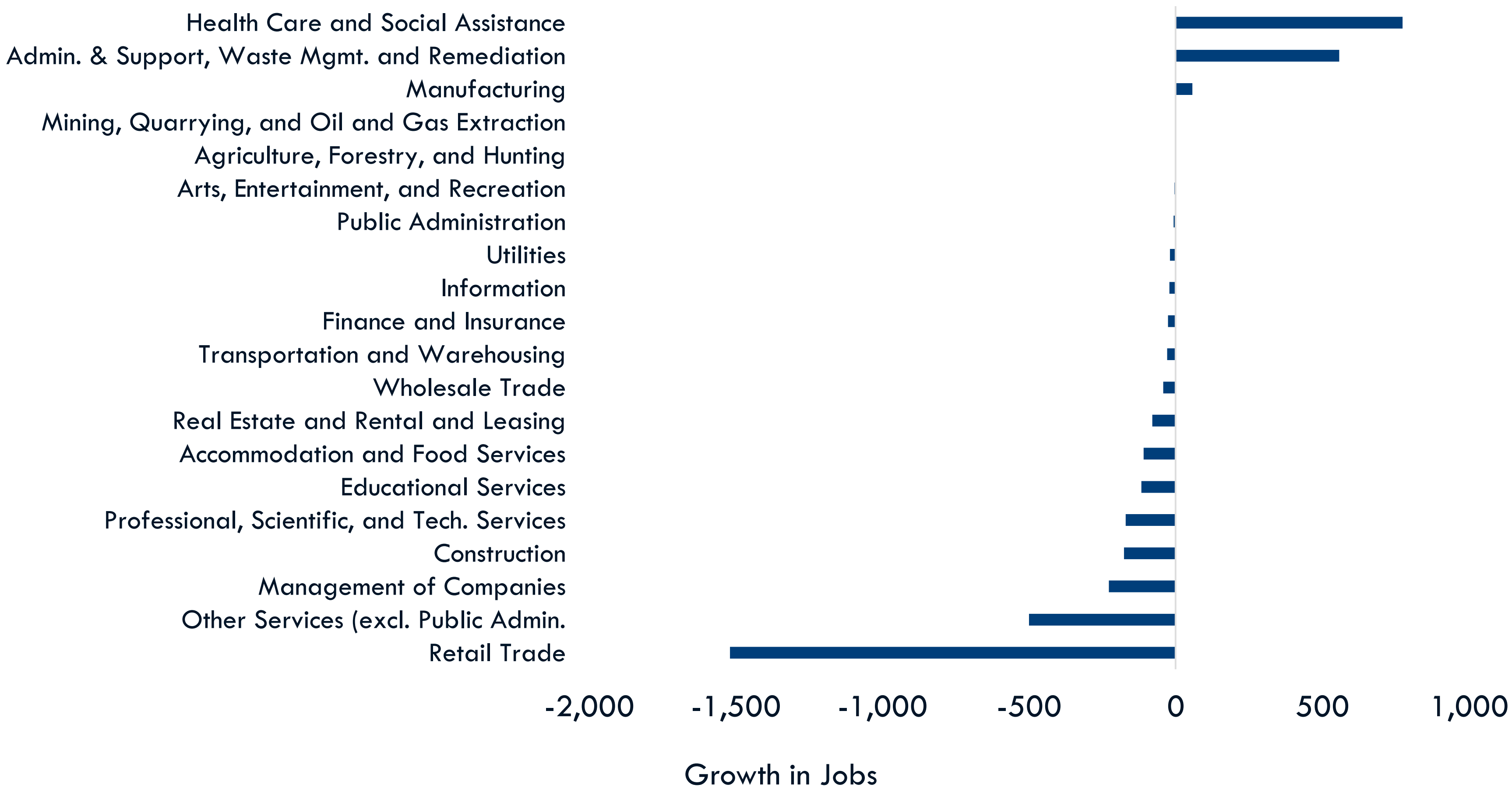


Source: ACS 2016 (5-Year Estimates)

Employment | Change in Jobs in Montclair

Montclair has lost approximately 3,500 jobs since 2006 (for a net loss of approximately 1,700), with the greatest losses seen in Retail Trade, Other Services, and Management of Companies. Health Care and Administration & Support sectors are driving job growth.

CHANGE IN JOBS IN CITY OF MONTCLAIR (2006-2015)

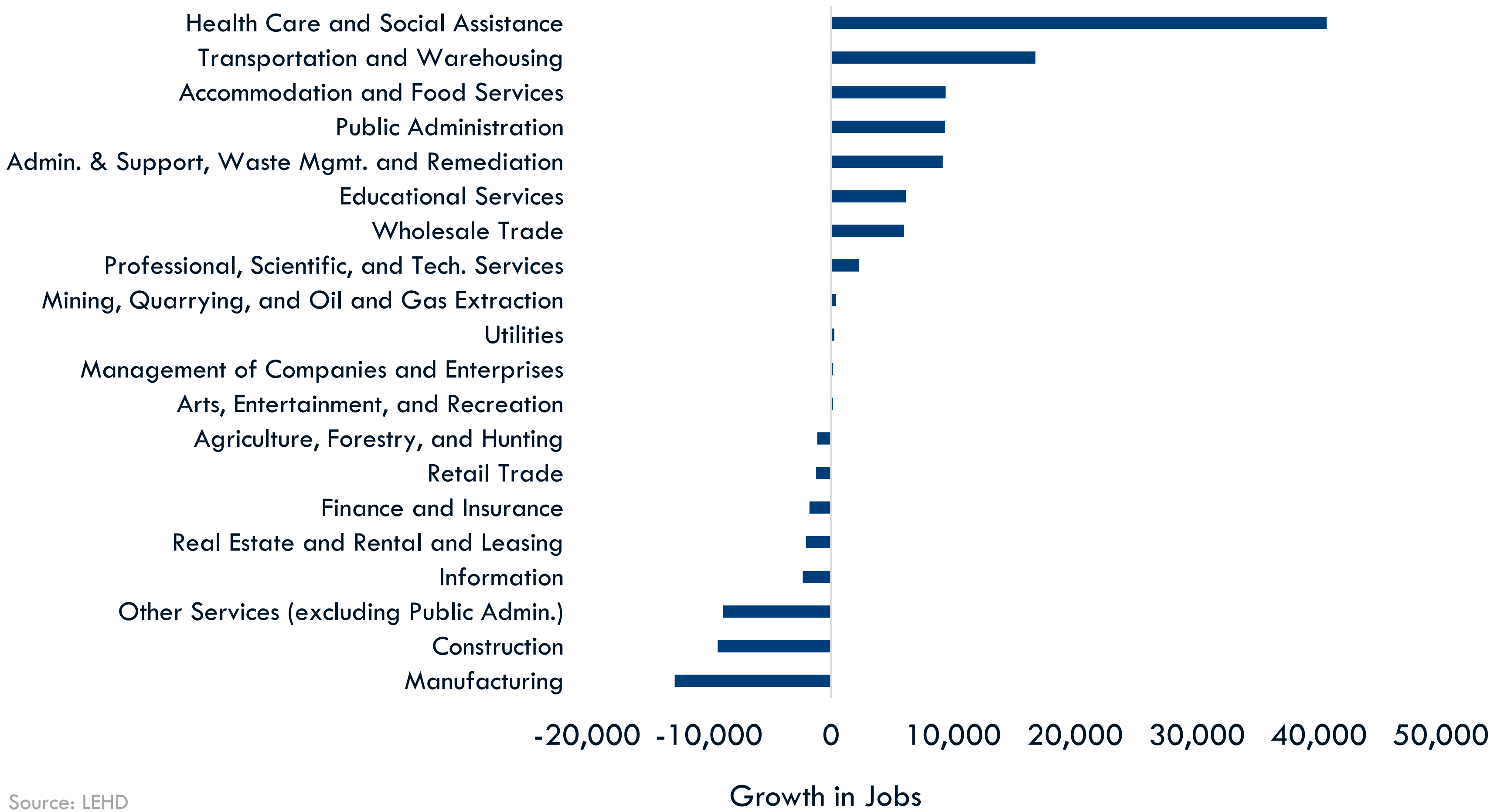


Source: LEHD

Employment | Change in Jobs in San Bernardino County

San Bernardino County, on the other hand, has seen a net increase of approximately 61,500 jobs within that same period, which has been largely driven by Health Care & Social Assistance as well as Transportation & Warehousing.

CHANGE IN JOBS IN SAN BERNARDINO COUNTY (2006-2015)

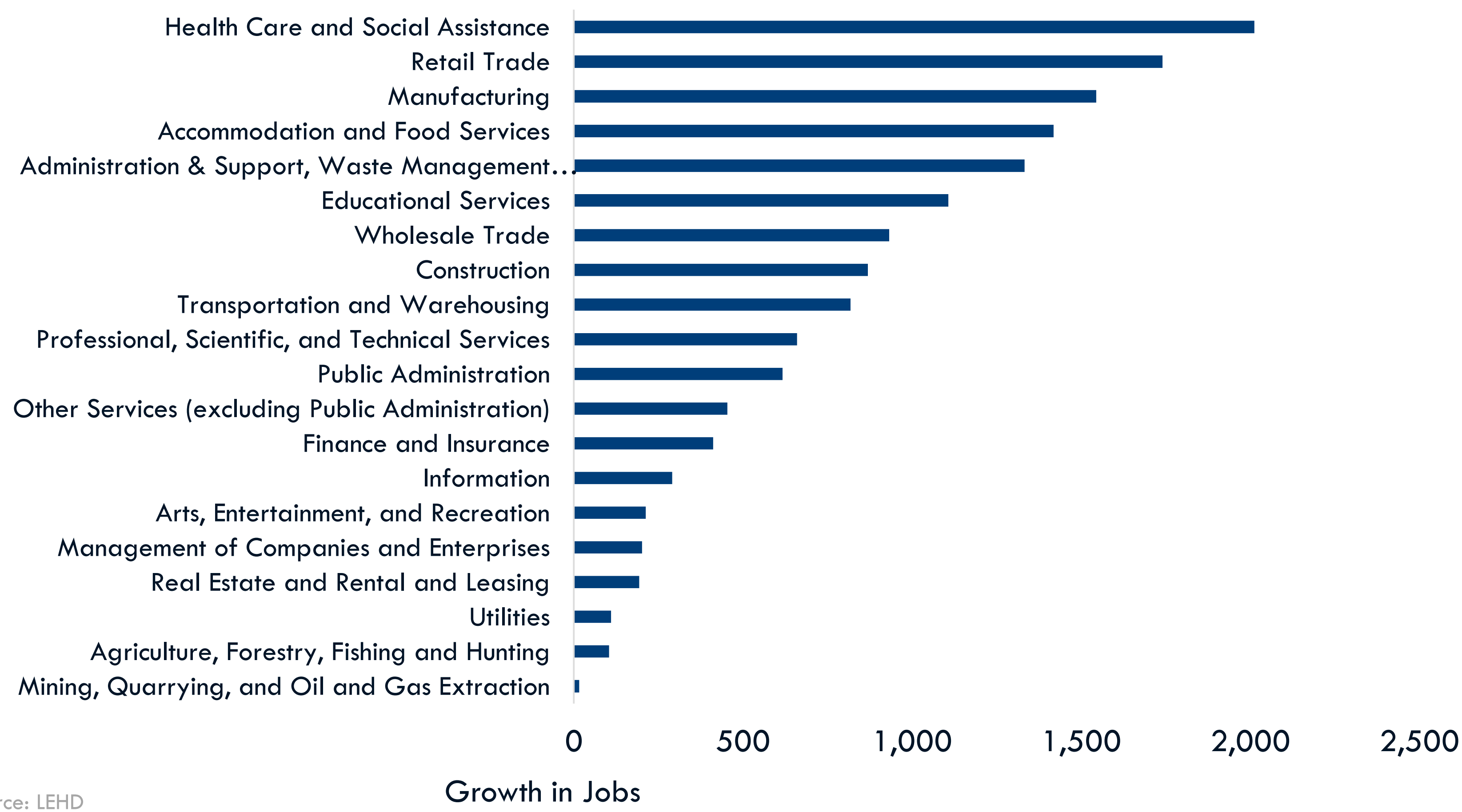


Source: LEHD

Demographics | Montclair Resident Employment Sectors

The top industry sectors of employment for Montclair residents are Health Care/Social Assistance, Retail Trade, and Manufacturing.

TOP EMPLOYMENT SECTORS OF MONTCLAIR RESIDENTS (2015)

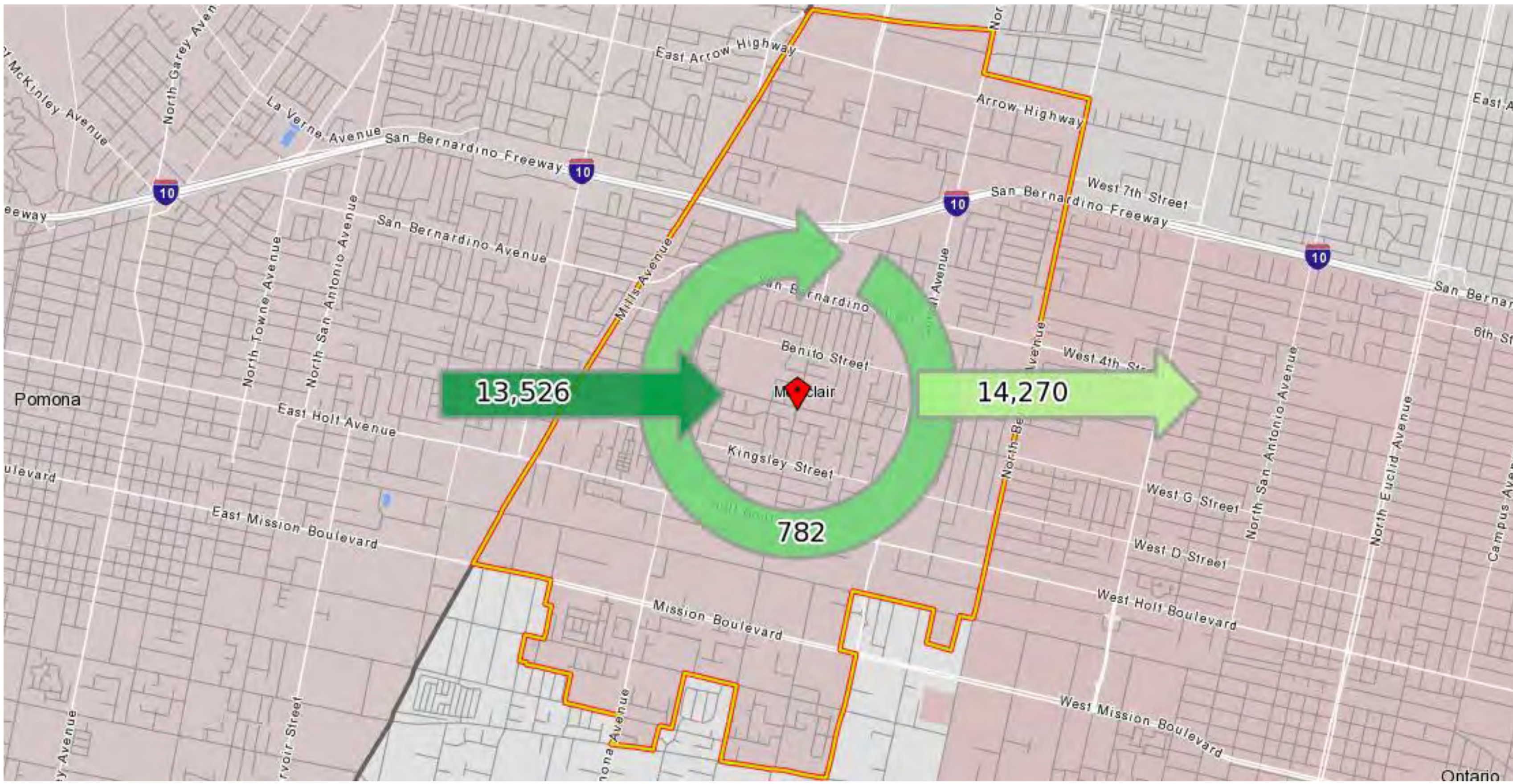


Source: LEHD

Employment | Commuter Inflow/Outflow

The vast majority of Montclair residents are employed outside of the City of Montclair, with only approximately 780 residents who both live and work inside the City.

COMMUTER INFLOW/OUTFLOW MAP (2015)

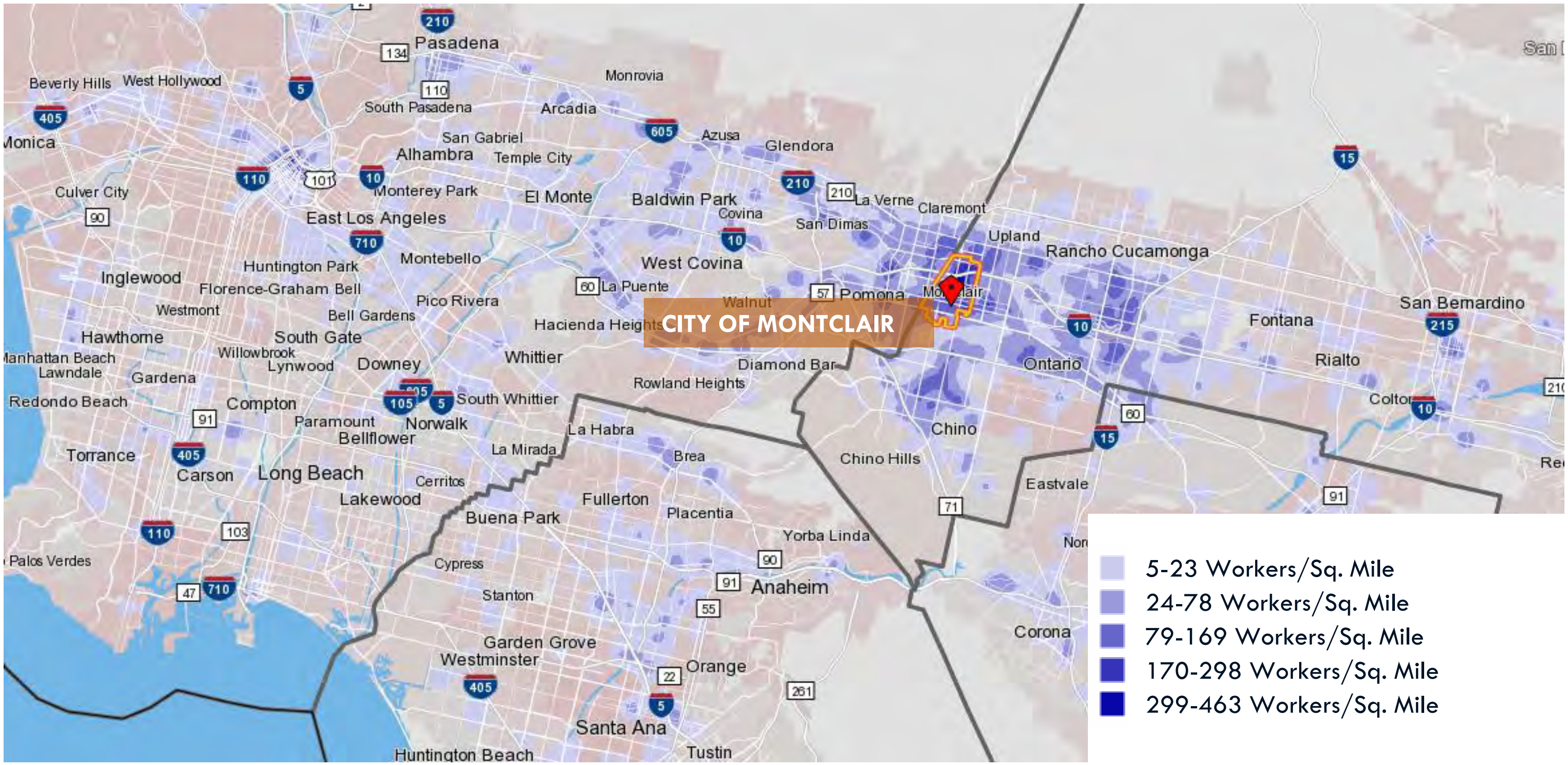


Source: LEHD

Employment | Commuter Inflow/Outflow

Nearly 40% of Montclair residents work within 10 miles of the City, with strong concentrations of workers within communities along the I-10 and I-210 corridors, suggesting that many existing residents may find the Gold Line useful for their commutes.

WHERE MONTCLAIR RESIDENTS WORK – JOB DENSITY MAP (2015)



Source: LEHD

Demographics | Key Findings and Considerations

- **City of Montclair is a solidly middle-class community that is surrounded by higher-income communities.**
- **Population and households are expected to grow at a rate that is aligned with projections for Los Angeles County,** but substantially lower than what is expected for San Bernardino County.
- **The rate of growth, however, will likely be affected by the introduction of Gold Line light rail service,** which could make Montclair an attractive place to live for those who currently work in employment centers along the existing Gold Line corridor, such as Pasadena and Downtown Los Angeles.
- The vast majority of **Montclair residents work outside of the City of Montclair,** with strong concentrations of residents employed in areas within 10 miles of Montclair, which suggests that existing Montclair residents may also find the Gold Line useful for their commutes.
- **Despite job growth in several sectors within San Bernardino County, Montclair has seen significant job losses of 1,700 net jobs since 2006**. Job growth in Montclair has been driven by Health Care & Social Assistance and Administration & Support.

Context and Demographic Overview

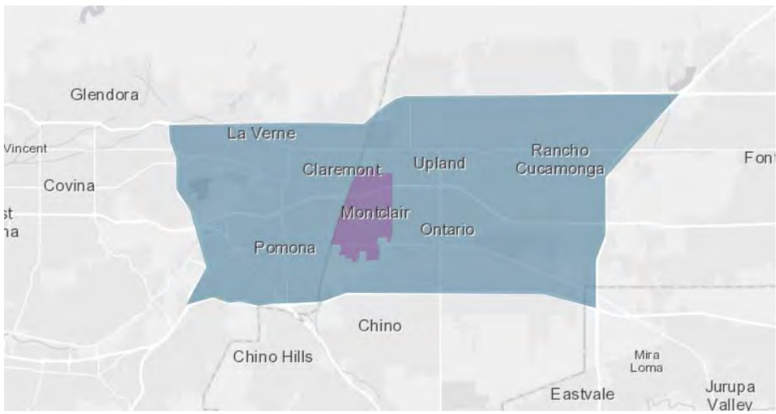
Market Analysis

- **Competitive Market Areas**
- Focus Area Land Use Overview
- Residential
- Hotel
- Office
- Industrial/Flex
- Retail

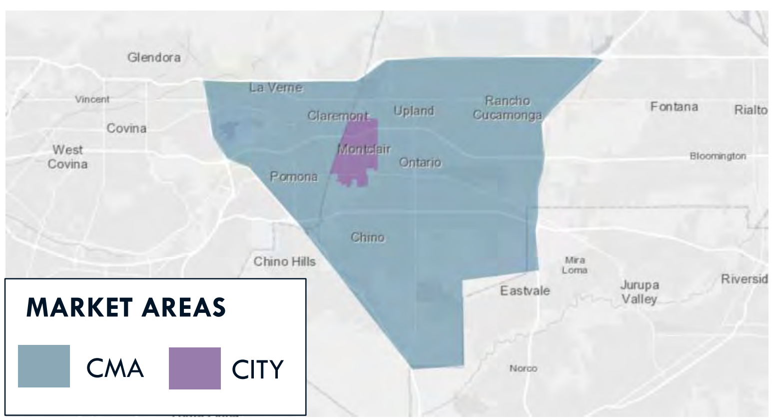
Competitive Market Areas

This study evaluates the existing supply and potential future demand for residential, office, hotel, industrial/flex, and retail within the context of competitive market areas (CMA), which differ by land use.

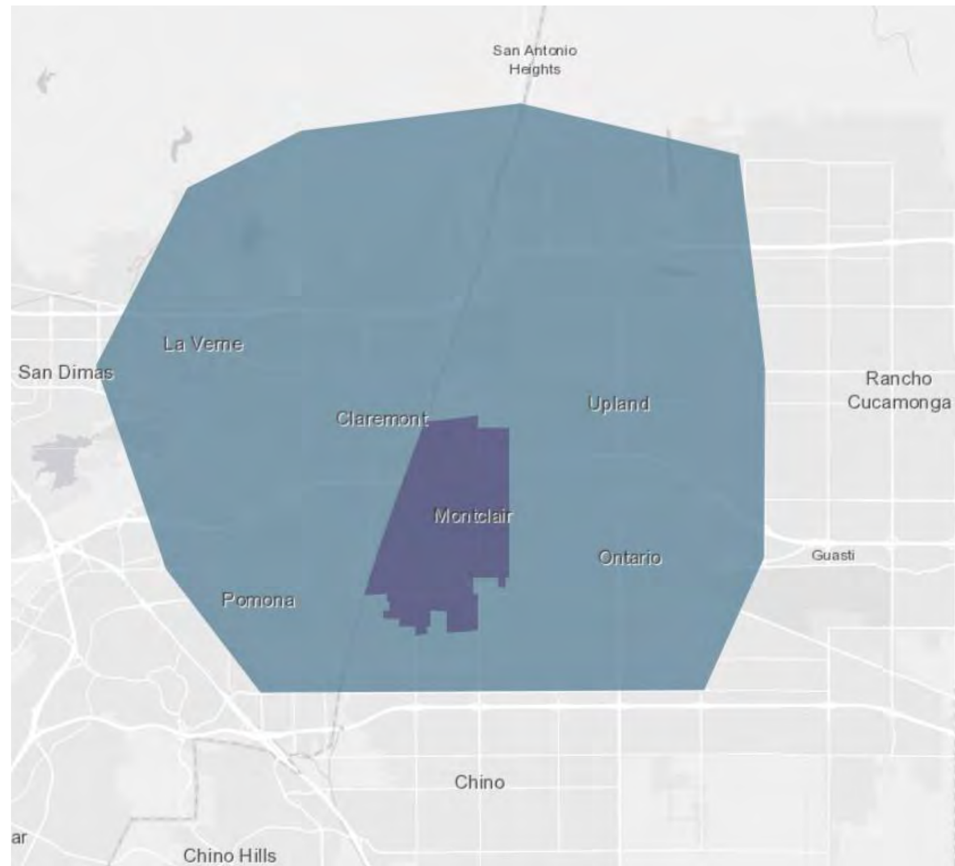
RESIDENTIAL AND HOTEL CMA



OFFICE AND INDUSTRIAL CMA



RETAIL CMA



Context and Demographic Overview

Market Analysis

Competitive Market Areas

Focus Area Land Use Overview

Residential

Hotel

Office

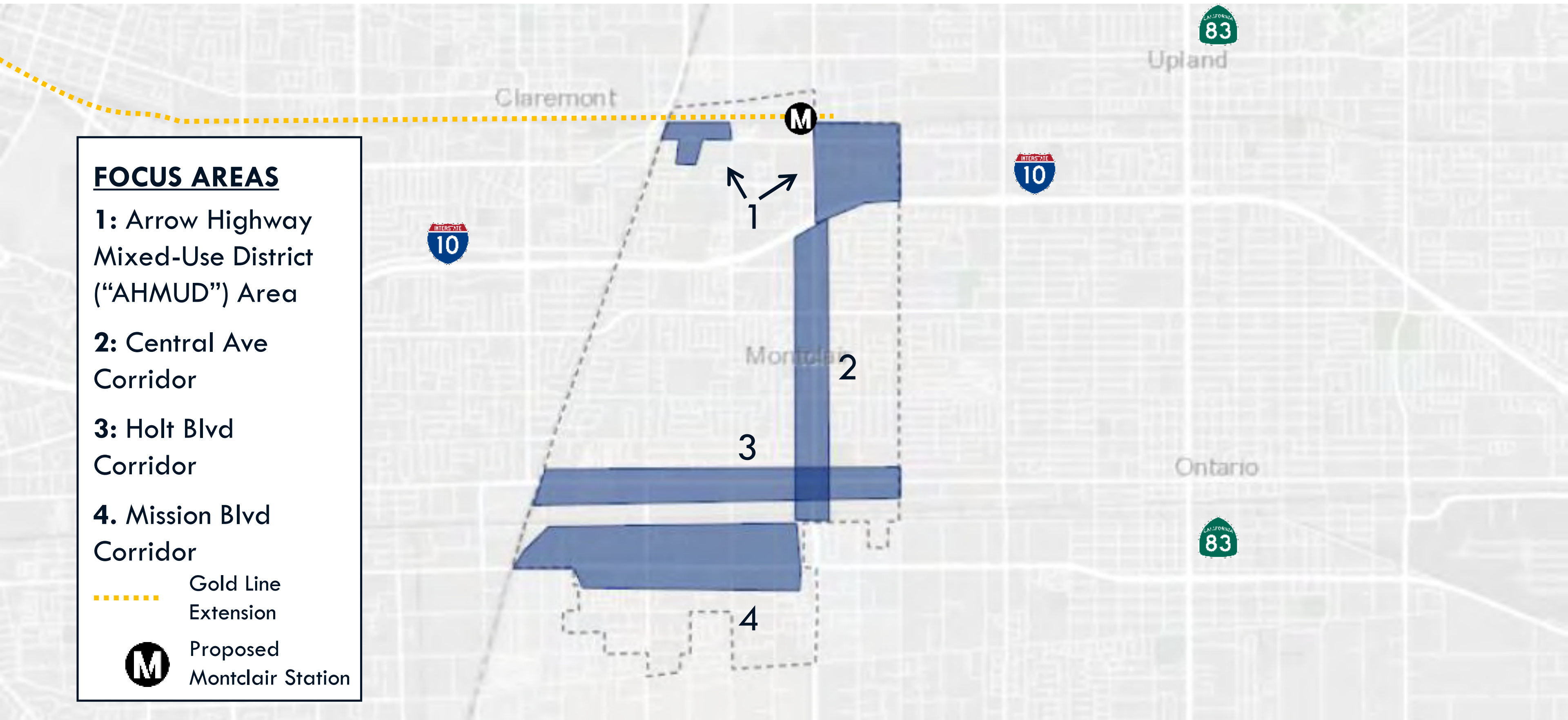
Industrial/Flex

Retail

Montclair Context | General Plan Focus Areas

HR&A assessed market conditions in the City of Montclair as a whole and four Focus Area which are anticipated to accommodate the City's future growth potential based on their current land use mix.

GENERAL PLAN FOCUS AREAS



Source: Esri; HR&A Advisors

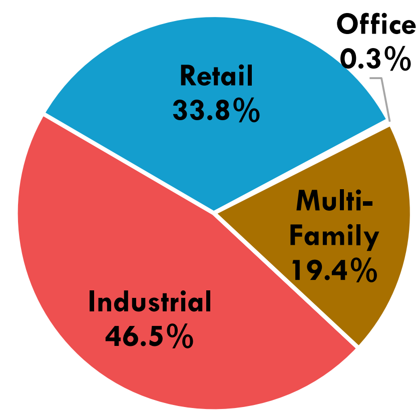
Arrow Highway Mixed-Use District ("AHMUD") Focus Area | Inventory

The AHMUD focus area is dominated by industrial and retail land uses, with one multi-family mobile home park. The AHMUD area contains 1.9 million SF of rentable building area, 19% of the total 10.7 million SF of rentable building area in the City of Montclair.

ARROW HIGHWAY MIXED USE DISTRICT

Land Use Distribution

Land Use Inventory by Sq. Ft.



1.9M *Rentable SF*

18% *of Montclair's total rentable SF*

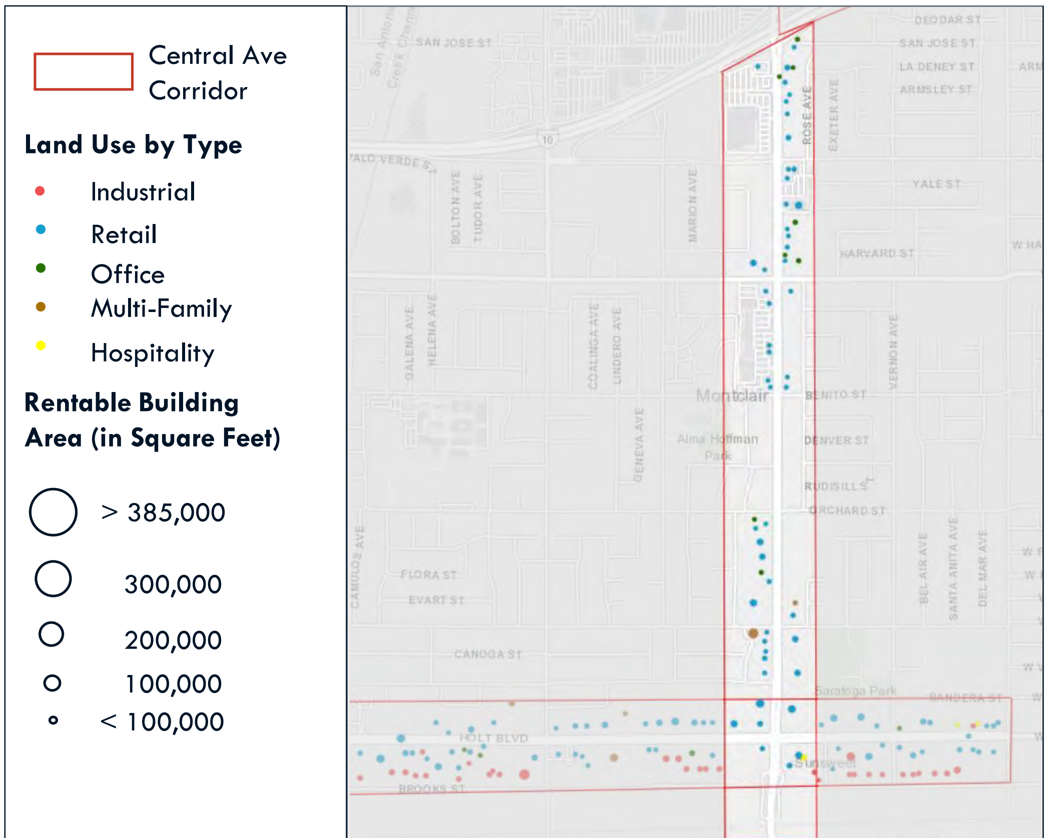
Source: CoStar; Esri. Note that CoStar only accounts for rentable square footage and does not constitute all inventory of built square footage that may exist.

Central Ave Corridor | Inventory

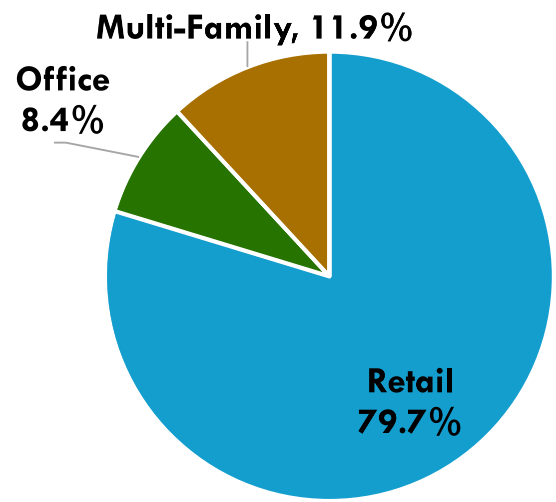
The majority of the Central Avenue corridor is retail, with some small format office and multi-family developments scattered from north to south. The Central Ave corridor has 445,000 SF of rentable building area, 4% of the total rentable building area in the City.

CENTRAL AVENUE CORRIDOR

Land Use Distribution



Land Use Inventory by Sq. Ft.



445K *Rentable SF*

4% *of Montclair's total rentable SF*

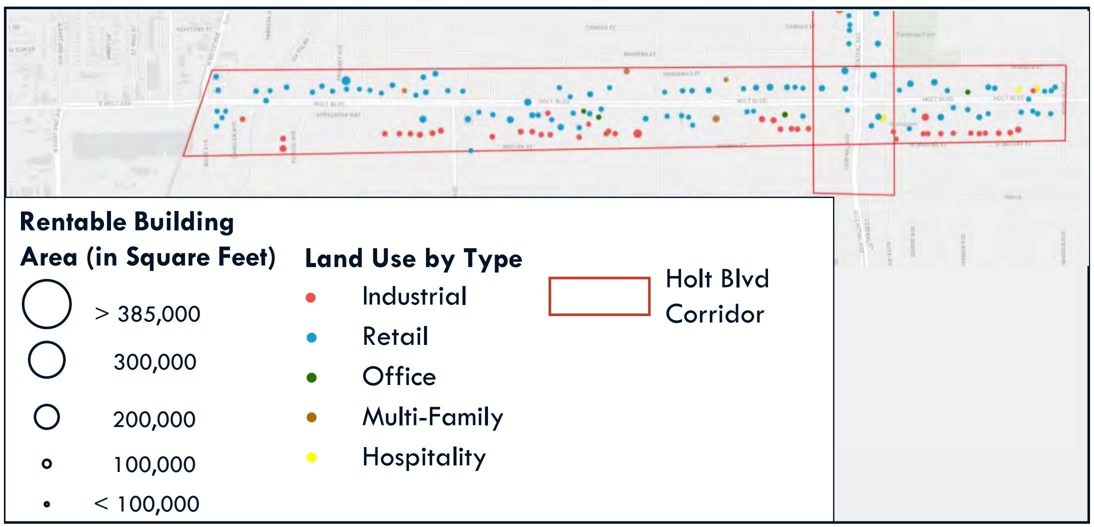
Source: CoStar; Esri. Note that CoStar only accounts for rentable square footage and does not constitute all inventory of built square footage that may exist.

Holt Boulevard Corridor | Inventory

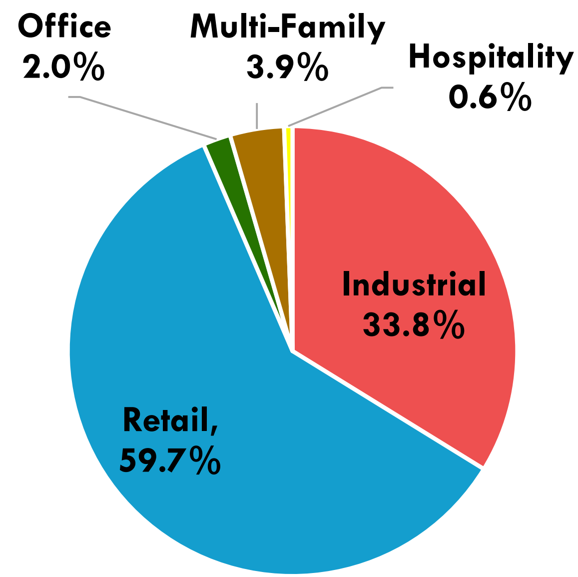
About 60% of Holt Boulevard is dedicated to retail with a concentration of small format industrial spaces to the south. The Holt Blvd corridor has 1.6 million SF of rentable building area, comprising 15% of the total rentable building area in Montclair.

HOLT BOULEVARD CORRIDOR

Land Use Distribution



Land Use Inventory by Sq. Ft.



1.6M *Rentable SF*

15% *of Montclair's total rentable SF*

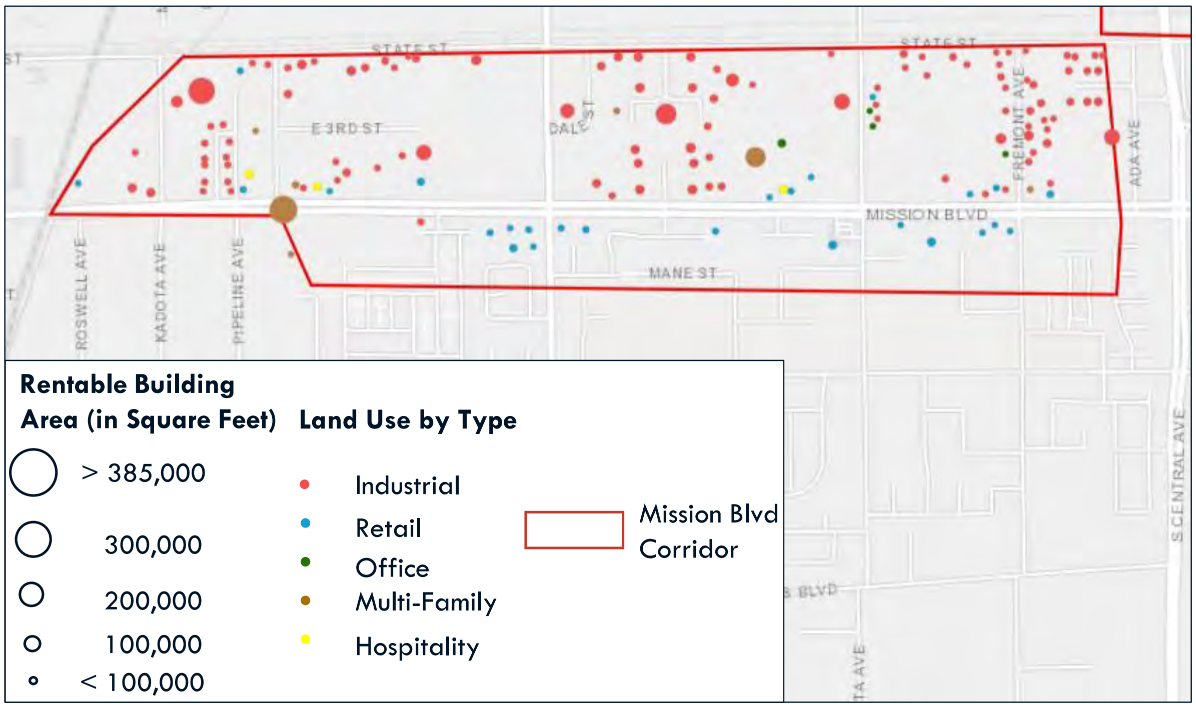
Source: CoStar; Esri. Note that CoStar only accounts for rentable square footage and does not constitute all inventory of built square footage that may exist.

Mission Boulevard Corridor | Inventory

Mission Blvd has the highest share of industrial among the Focus Areas with around 1.7M square feet of small format buildings between Mission Blvd and State. Mission Blvd has 2.3 million SF of rentable building area, comprising 22% of the City's rentable area.

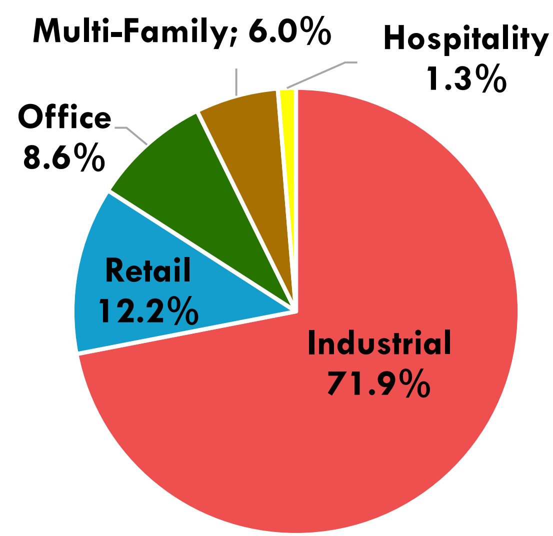
MISSION BOULEVARD CORRIDOR

Land Use Distribution



Source: CoStar; Esri. Note that CoStar only accounts for rentable square footage and does not constitute all inventory of built square footage that may exist.

Land Use Inventory by Sq. Ft.



2.3M *Rentable SF*

22% *of Montclair's total rentable SF*

Context and Demographic Overview

Market Analysis

- Competitive Market Areas
- Focus Area Land Use Overview
- **Residential**
- Hotel
- Office
- Industrial/Flex
- Retail

Residential | Montclair Inventory

Of the approximately 11,200 housing units in the City of Montclair, 61% are single-family homes, and 8% are townhomes. The remaining 30% are part of multi-family buildings.

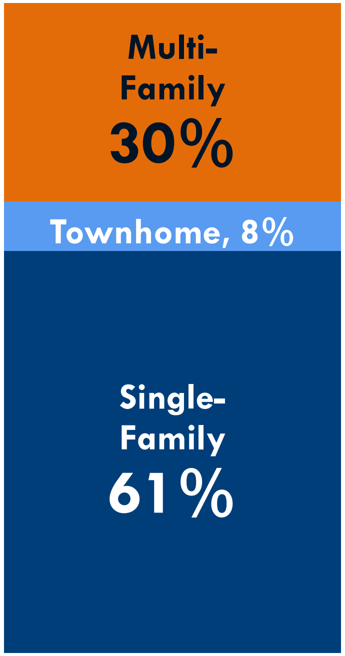
The Lexington Townhomes, rental apartments adjacent to Montclair Place. Built 1974.

The District at Arrow Station, new for-sale townhomes near the Montclair Transit Center. Built 2016.

HOUSING UNITS IN MONTCLAIR BY TYPE

11,200

TOTAL HOUSING UNITS

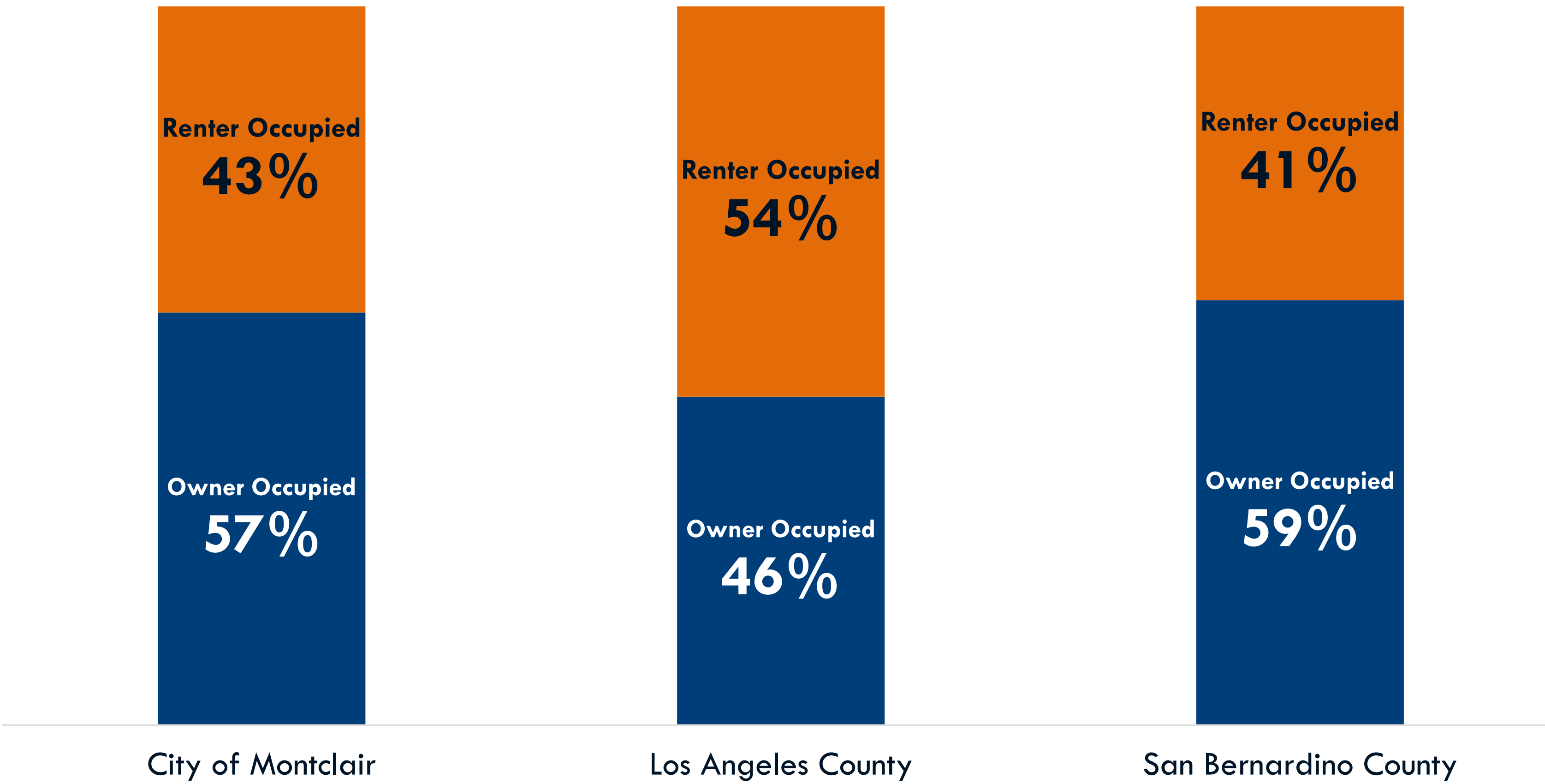


Source: CoStar, ACS 2016 (5-Year)

Residential | Tenure

While the majority of housing units are owner-occupied, nearly 43% are renter-occupied. This owner/renter split is generally aligned with what is found in San Bernardino County.

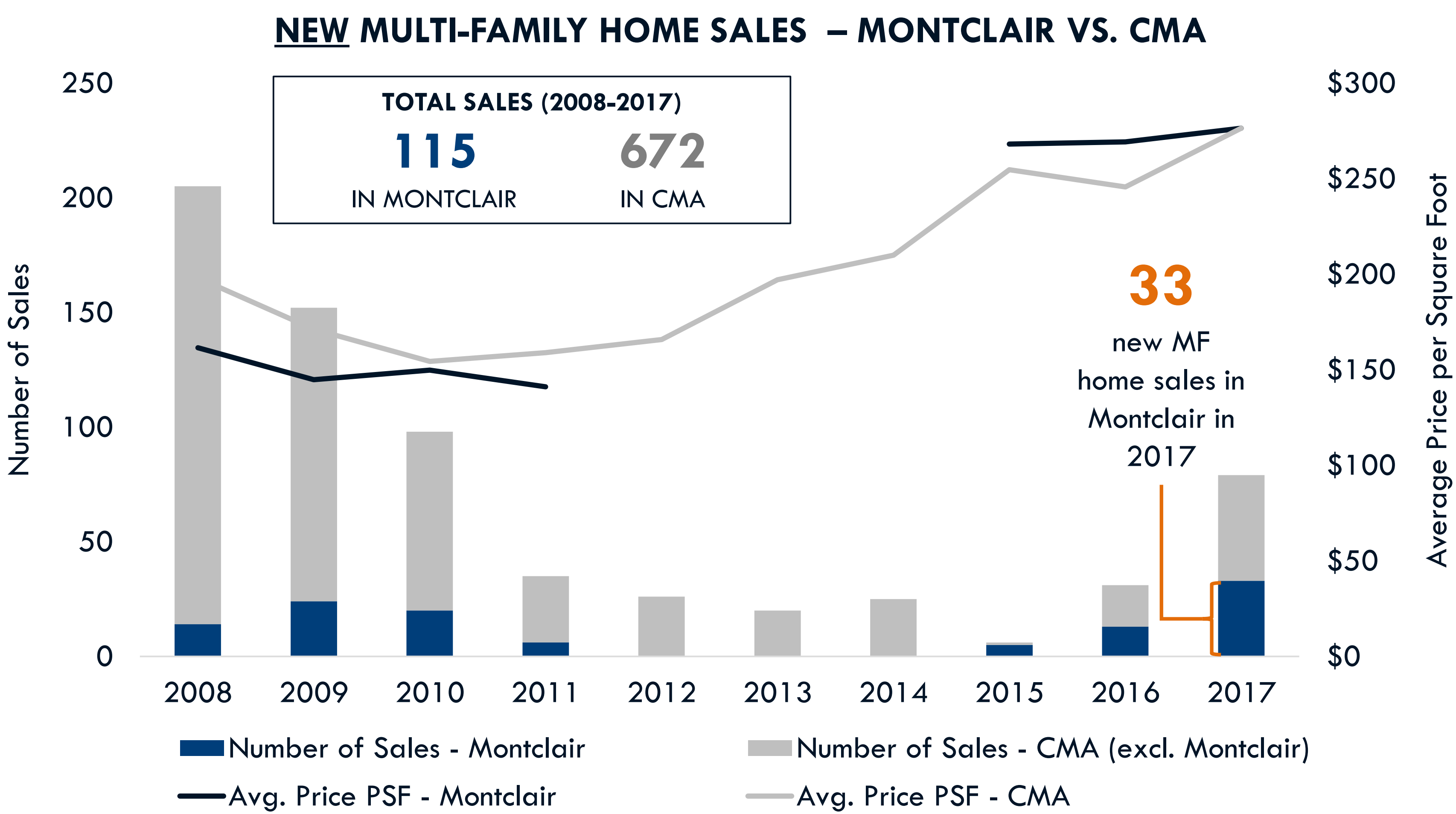
HOUSING TENURE



Source: US Census ACS 2016 (5-Year Estimates)

Residential | New Multi-Family For-Sale Performance, Montclair vs. CMA

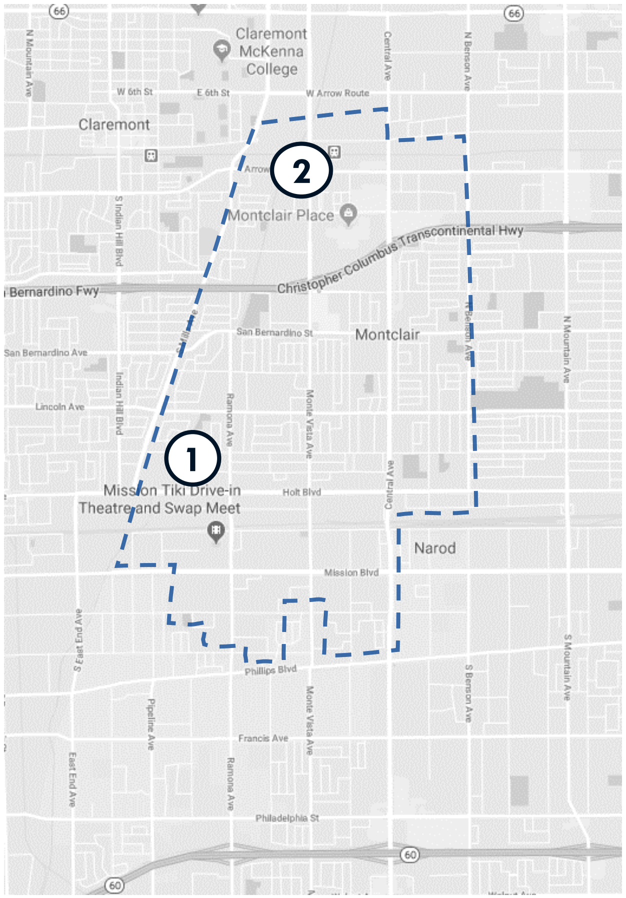
Sales of new multi-family homes in Montclair in 2017 accounted for over 40% of total new multi-family home sales in the Competitive Market Area ("CMA"), and average per square foot prices have either met or exceeded the CMA average in recent years.



Source: DataQuick

Residential | New Multi-Family For-Sale in Montclair

Newer for-sale multi-family units (built since 2010) are primarily found in the Bellafina gated community and The District at Arrow Station; homes at the latter are selling at an approximately 45% per-square-foot premium over the former.



Source: RedFin

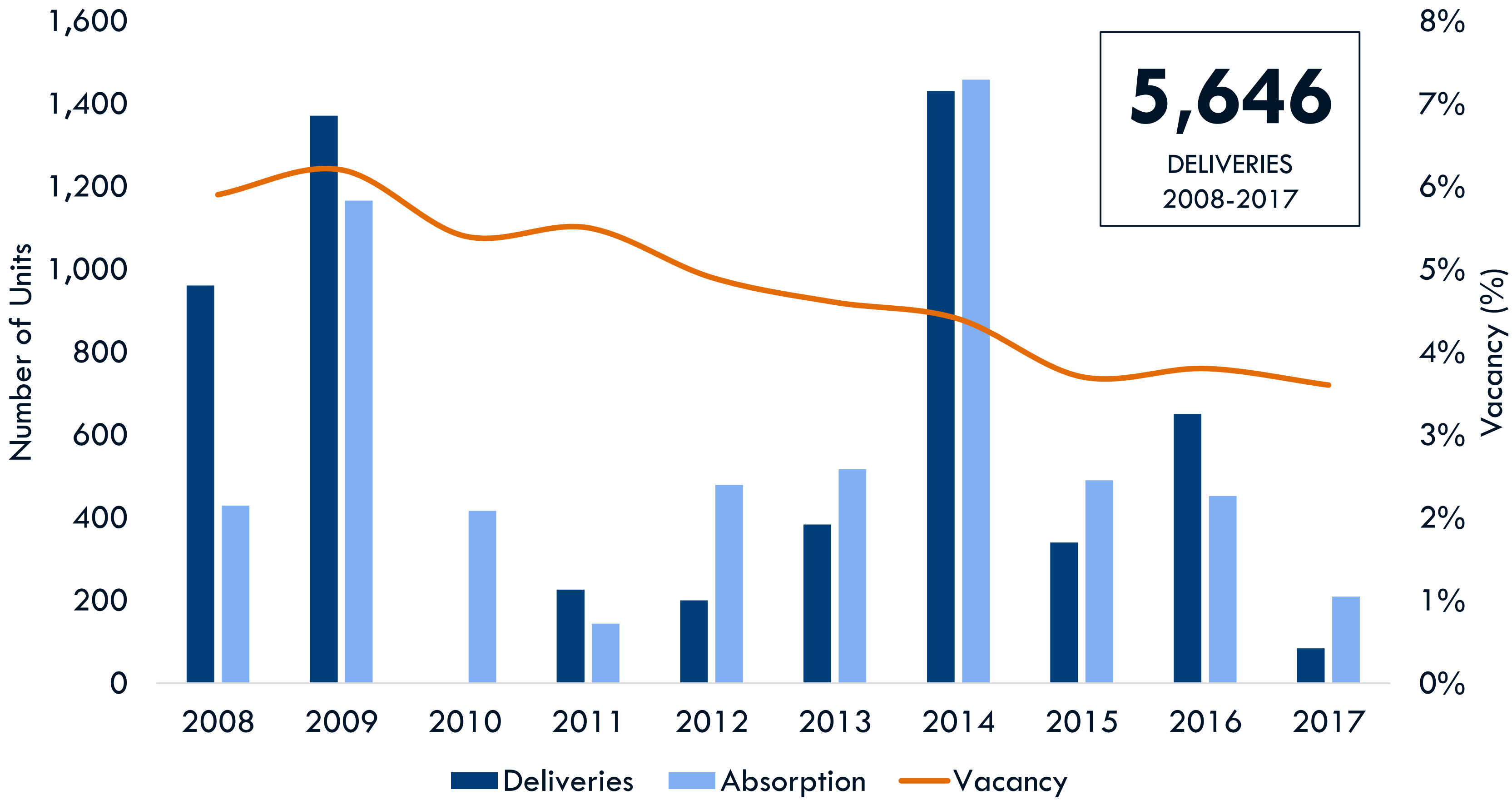
	BELLAFINA	THE DISTRICT AT ARROW STATION
YEAR BUILT	2010	First units completed 2016; others still under construction
# OF UNITS	106	129 (99 multi-family units and 30 single-family detached)
AVG. UNIT SIZE*	2,185 SF	1,295 SF
AVG. PRICE/SF*	$187	$273
KEY FEATURES	• 3-story detached townhomes within gated community • Attached parking garage • Community park, playground	• 3-story attached townhomes • Pool and clubhouse • Located within walking distance of the Montclair Transit Center

** Average unit size and price per square foot derived from publicly available records for sales occurring in 2015 through 2017.*

Residential | CMA Rental Performance

The CMA as a whole has seen significant deliveries and strong net absorption, leading to very low vacancy in recent years; this suggests strong demand in the larger market.

CMA APARTMENT DELIVERIES, ABSORPTION, AND VACANCY

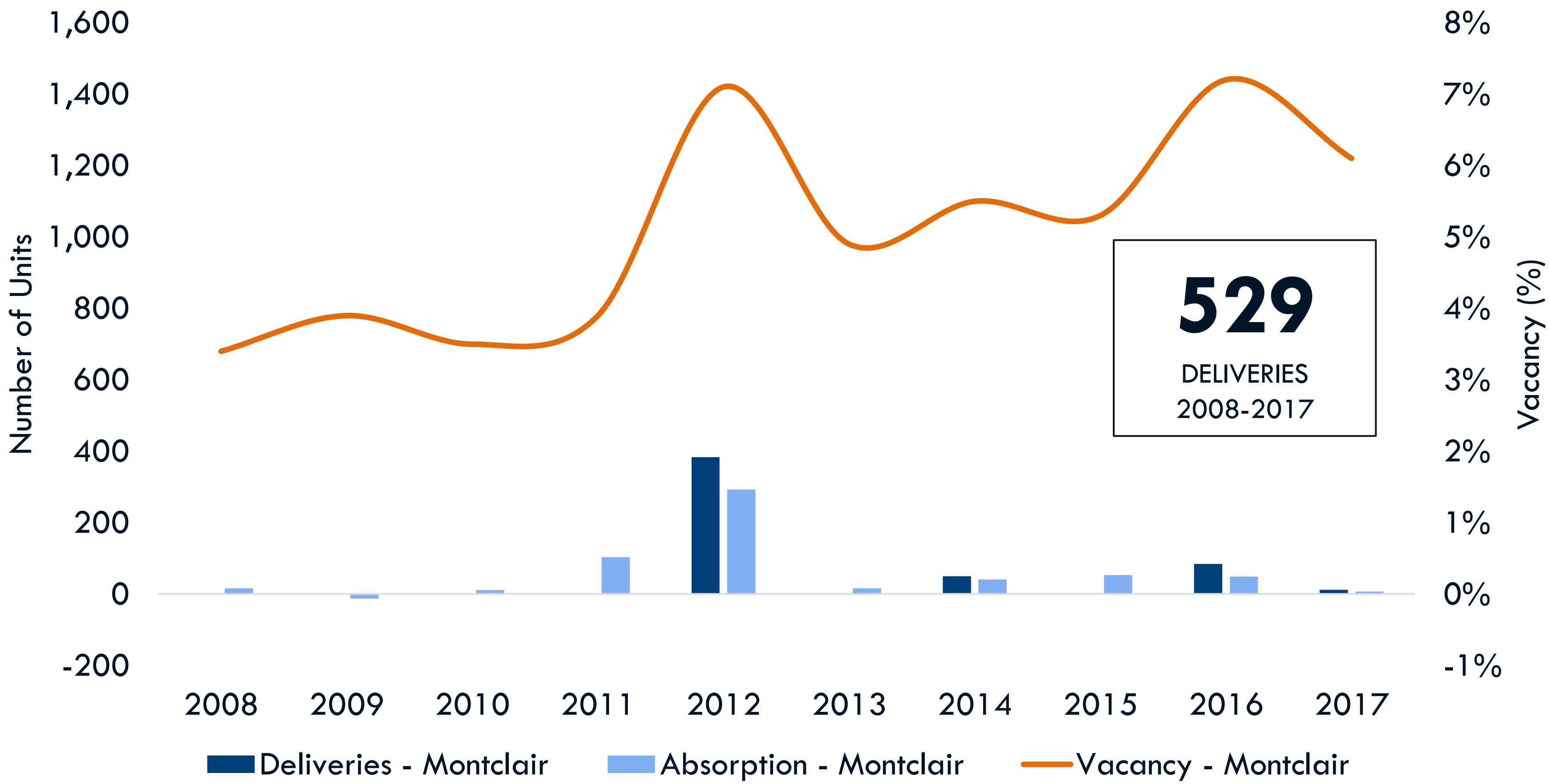


Source: CoStar

Residential | Montclair Rental Performance

Montclair has seen few deliveries since 2008, but absorption has been fairly strong, bringing vacancy to below 6% in 2017. As vacancies in the CMA drop lower, Montclair may be well positioned to capture spillover demand.

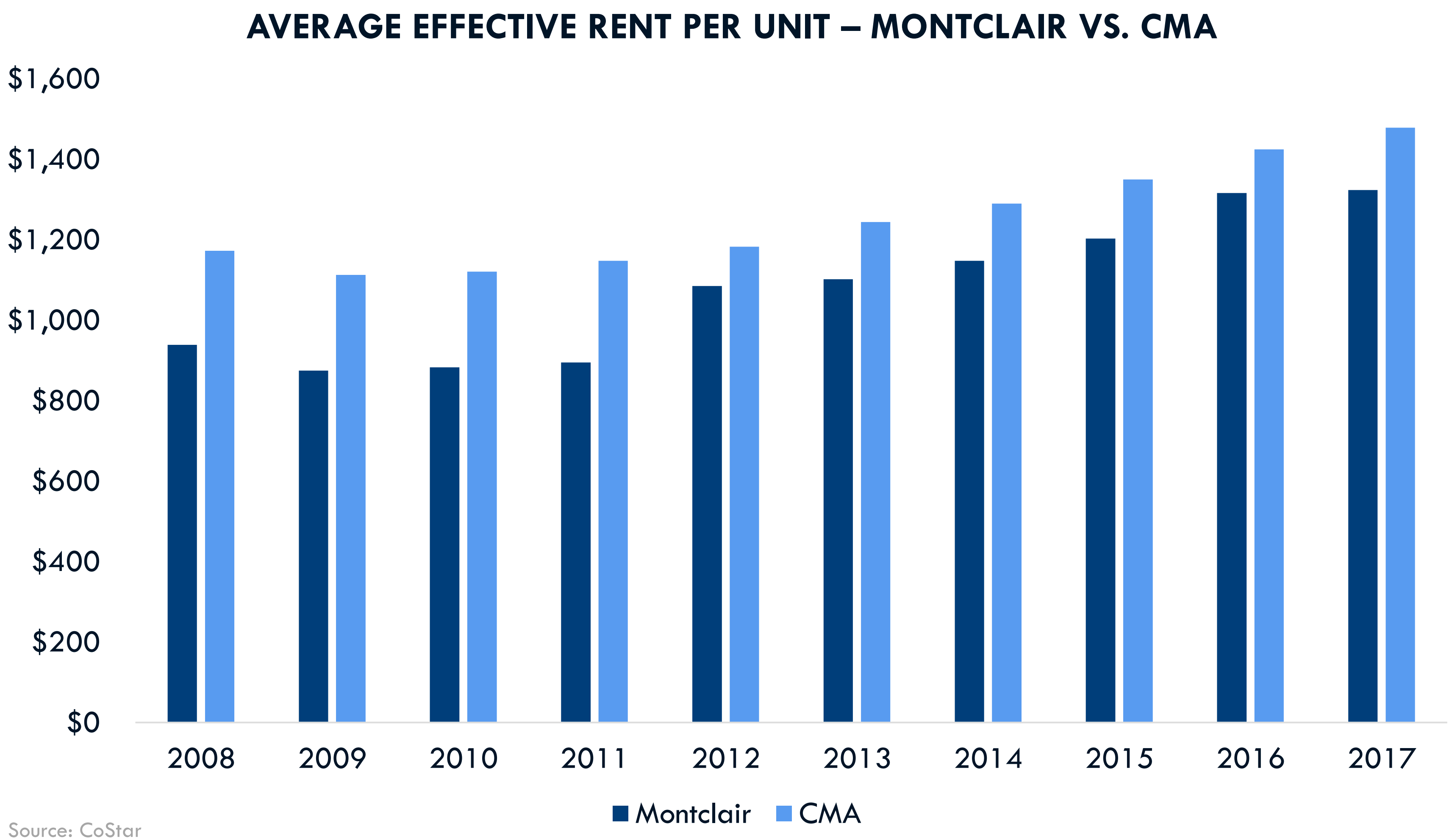
MONTCLAIR APARTMENT DELIVERIES, ABSORPTION AND VACANCY



Source: CoStar

Residential | Rental Rates

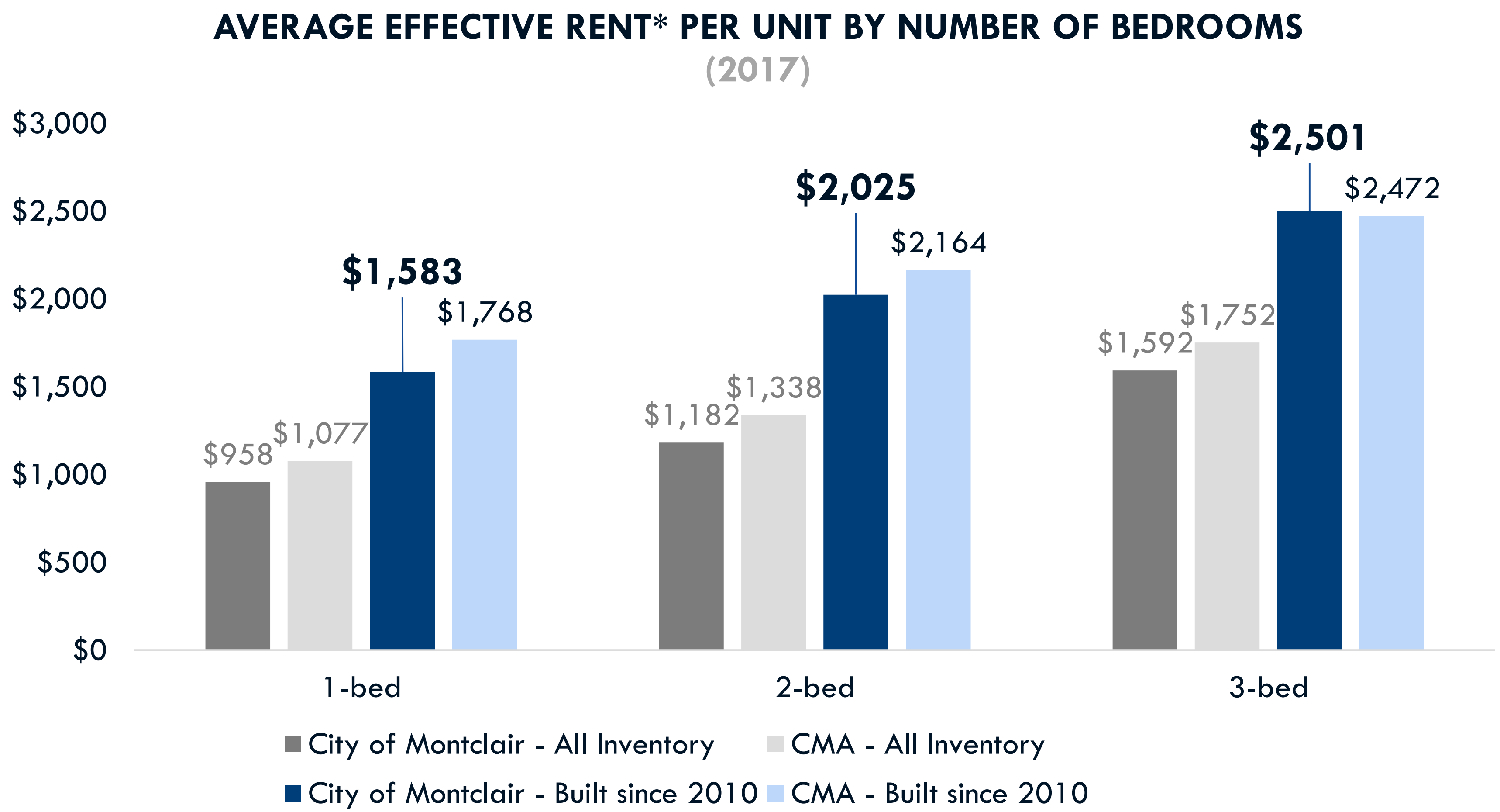
Average per-unit rental rates in Montclair have been growing faster than in the CMA and are now only moderately below the CMA average.



Source: CoStar

Residential | Rental Rates in Montclair vs. CMA

However, when only accounting for more recently built apartment units (since 2010), Montclair's average rental rates generally align with or exceed the CMA average.



**Average rent for units built since 2010 in Montclair based on data from only one building (4914 Olive Street), due to limited new inventory in the City of Montclair.*

Source: CoStar

Residential | Rental Deliveries

Of the approximately 5,650 apartment units delivered in the CMA since 2008, approximately 50% are two bedroom units and nearly 40% are one-bedroom units. The remainder are 3-bedroom.*

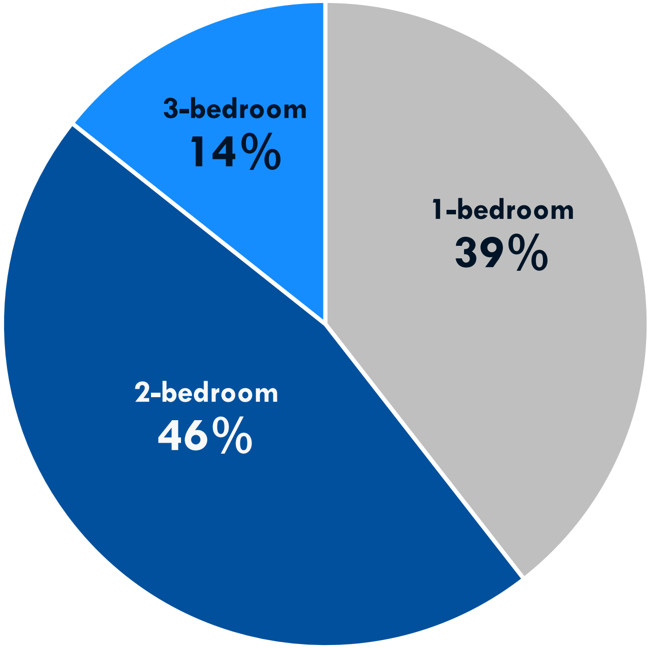
5,646

DELIVERIES

2008-2017

UNIT MIX OF DELIVERIES IN CMA

(2008-2017)



**Studio and four-bedroom units account for less than 5% of overall deliveries and have been excluded from this chart.*

Source: CoStar

Residential | Recent Apartment Deliveries, CMA

Recent developments in Montclair, such as the Paseos at Montclair North, demonstrate the market support for newer rental product and higher rents; average per square foot rental rates are only moderately below comparable developments in the CMA.

	MONTCLAIR **4914 OLIVE ST**	**POMONA** **180 E MONTEREY AVE**	**LA VERNE** **2777 FOOTHILL BLVD**
YEAR BUILT	2013	2014	2014
# OF UNITS	383 (13 studio, 122 1-bed, 176 2-bed, 50 3-bed)	349 (107 studio, 110, 1-bed, 132 2-bed)	172 (68 1-bed, 84 2-bed, 20 3-bed)
AVG UNIT SIZE	991 SF	812 SF	934 SF
AVERAGE MO. RENT PER UNIT / PER SQ. FT.	**$1,930 / $1.95**	**$1,750 / $2.43**	**$2,100 / $2.24**
LOCATION	• Walking distance to the existing Montclair Transit Center	• One block away from Metrolink Pomona Station in a walkable “downtown” environment	• Proximate to a number of retail centers, but not in a highly walkable environment

Source: CoStar

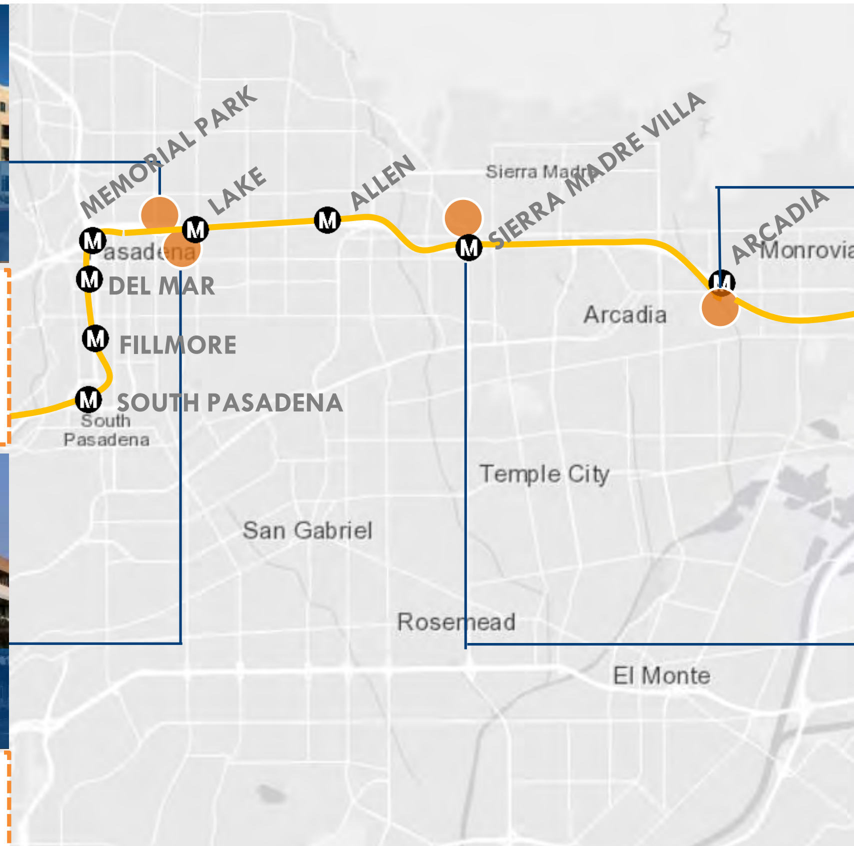
Residential Supply | Recent Apartment Deliveries at Existing Gold Line Stations

Recent deliveries near Metro Gold Line Stations in communities west of the CMA suggest that supportable rents could be substantially higher once the Gold Line extension to Montclair is complete.

RECENT DELIVERIES AT GOLD LINE STATIONS (2016-17)

131 units, 23 studio, 65 1-bed, 43 2-bed)
Avg. Unit Size: 730 SF
Avg. Mo Rent: $2,250/$3.08

82 units (18 studio, 36 1-bed, 28 2-bed)
Avg. Unit Size: 831 SF
Avg. Mo Rent: $2,984/$3.59



154 units, (11 studio, 71 1-bed, 72 2-bed)
Avg. Unit Size: 934 SF
Avg. Mo Rent: $2,777/$2.97

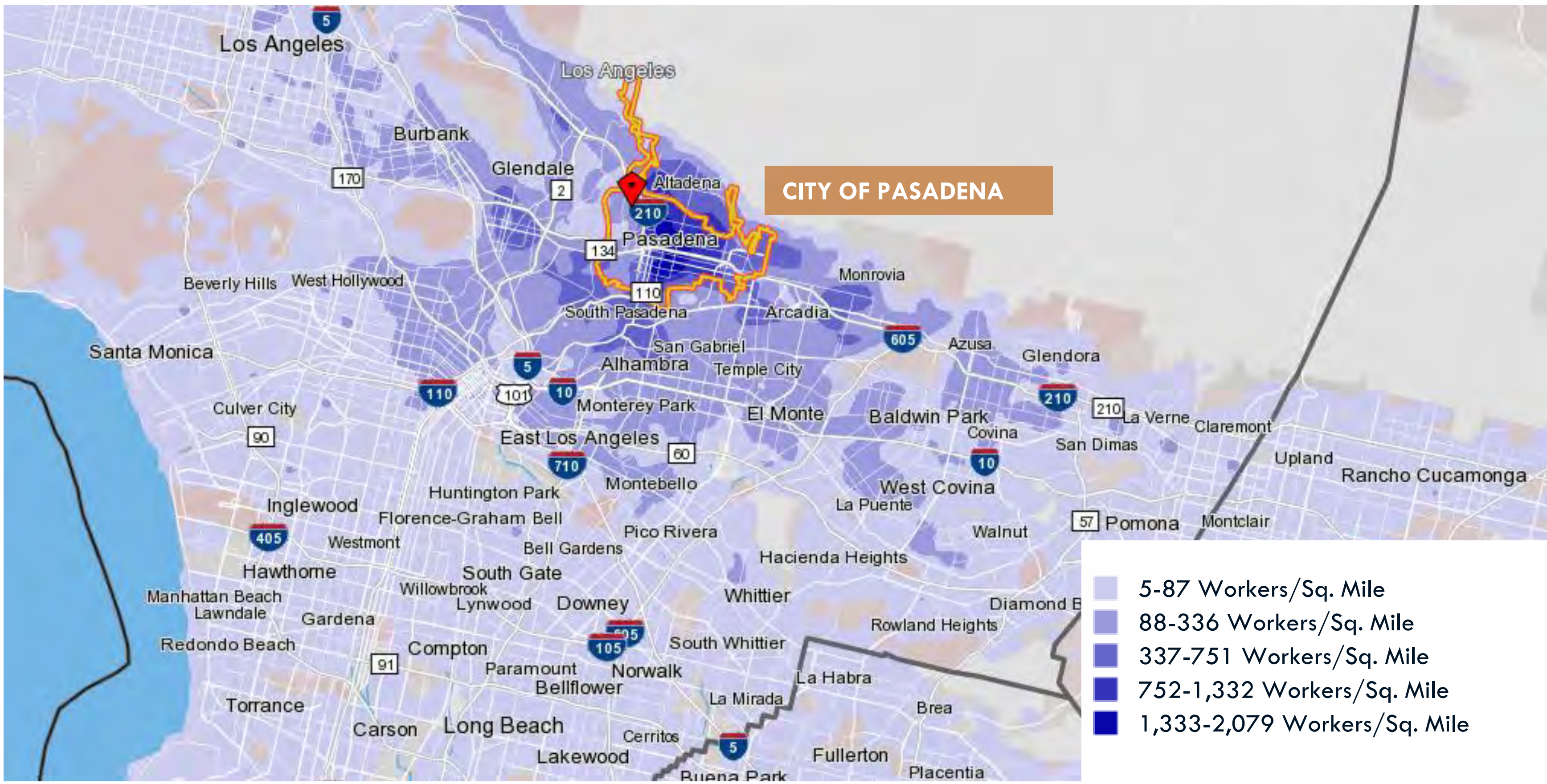
212 units (8 studio, 156 1-bed, 48 2-bed)
Avg. Unit Size: 839 SF
Avg. Mo Rent: $2,619/$3.12

Source: CoStar

Residential | Commuter Inflow/Outflow

Similarly, people who currently work in employment centers along the existing Gold Line, such as the City of Pasadena, may consider Montclair as an attractive – and less costly – place to live, particularly those who are facing increasingly high housing costs.

WHERE PASADENA WORKERS LIVE – WORKER DENSITY MAP (2015)

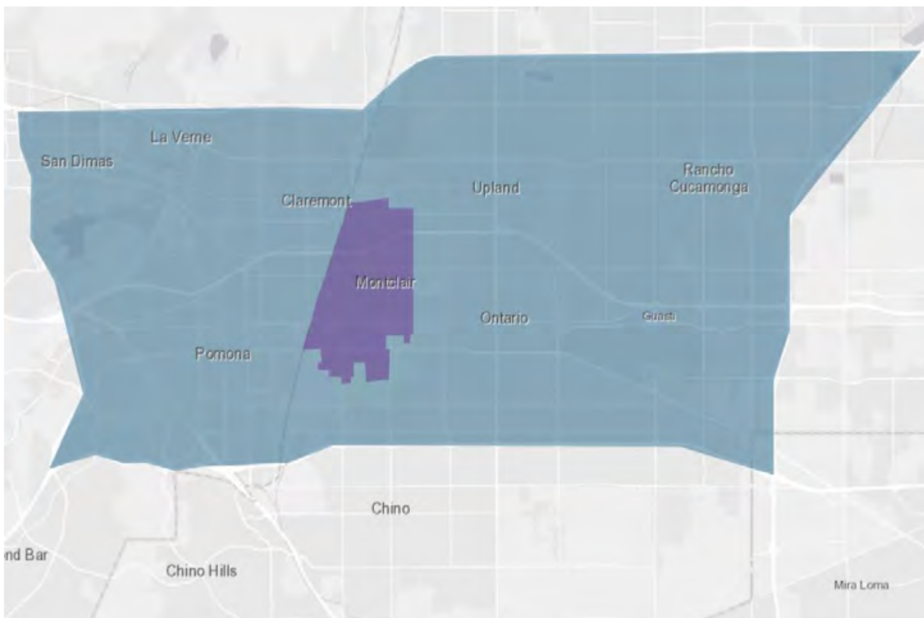


Source: LEHD

Residential | Demand Methodology

HR&A estimated the market-supportable demand for new residential* units within the City based on projected household growth and turnover within the Competitive Market Area.

METHODOLOGY FOR ESTIMATING FUTURE DEMAND FOR RESIDENTIAL UNITS



DEMAND GEOGRAPHIES

CMA

CITY

Estimate likely **Household Growth** by income

Estimate likely **Household Turnover** by income

↓

Determine Share of **Owners and Renters** who are willing to move

↓

Allocate demand for the housing type based on rent and home price

↓

Estimate Montclair's likely capture

↓

Allocate demand to Focus Area

*We believe the prohibitive nature of single-family home development in a fully built-out city such as Montclair (e.g. high costs of redeveloping existing land uses for single-family homes and lower general fund revenues) would make single-family home developments unlikely.

Residential | Total Demand

HR&A's analysis found potential support for 5,325 to 7,580* new multi-family units in Montclair through 2040. The Focus Areas could capture 40-60% of these units, with the rest going to areas like the Montclair Place and North Montclair Downtown Specific Plan Areas

	Citywide Demand Low Range 2018-2040 (new units)	Citywide Demand High Range 2018-2040 (new units)
For Sale	825	530
For Rent	4,500	7,050
TOTAL UNITS	5,325	7,580
~40% of Total Units	2,130	3,030
~60% of Total Units	3,195	4,550

*The figures for the demand analysis presented here are rounded and as such do not sum out exactly.

Residential | Corridors Demand

While highly dependent on land use policy, the Focus Areas could expect to capture 40 to 60 percent of future citywide housing demand.* Based on the current proportional fair share captures rates, future citywide demand has been allocated to the Focus Areas.

~40% of Citywide Demand

2,130 – 3,030 UNITS

AHMUD 410 – 580 units	CENTRAL 160 – 230 units
MISSION 1,050 – 1,490 units	HOLT 510 – 730 units

~60% of Citywide Demand

3,195 – 4,550 UNITS

AHMUD 615 – 880 units	CENTRAL 240 - 345 units
MISSION 1,570 – 2,230 units	HOLT 770 – 1,095 units

*The figures for the demand analysis presented here are rounded and as such do not sum out exactly.

Residential | Key Findings and Considerations

- The declining affordability of western submarkets is pushing growth farther east and creating a **high demand for housing in the Montclair area.**
- HR&A estimates a demand for between 5,300 and 7,500 new multi-family housing units in the City of Montclair through 2040.
- The **extension of the Gold Line** to Montclair will driving demand for new housing towards the Gold Line and Metrolink stations, in and around the **North Montclair Downtown and Montclair Place District Specific Plan Areas.**
- With large, underutilized, developable sites along citywide corridors, there are still opportunities for the **Focus Areas to capture between 40% and 60% of citywide housing demand.**
- Housing development in Focus Areas in the Southern portion of the City, further from the Gold Line and Metrolink stations, may provide more opportunities for **naturally-occurring or restricted affordable housing.**

Context and Demographic Overview

Market Analysis

Competitive Market Areas

Focus Area Land Use Overview

Residential

Hotel

Office

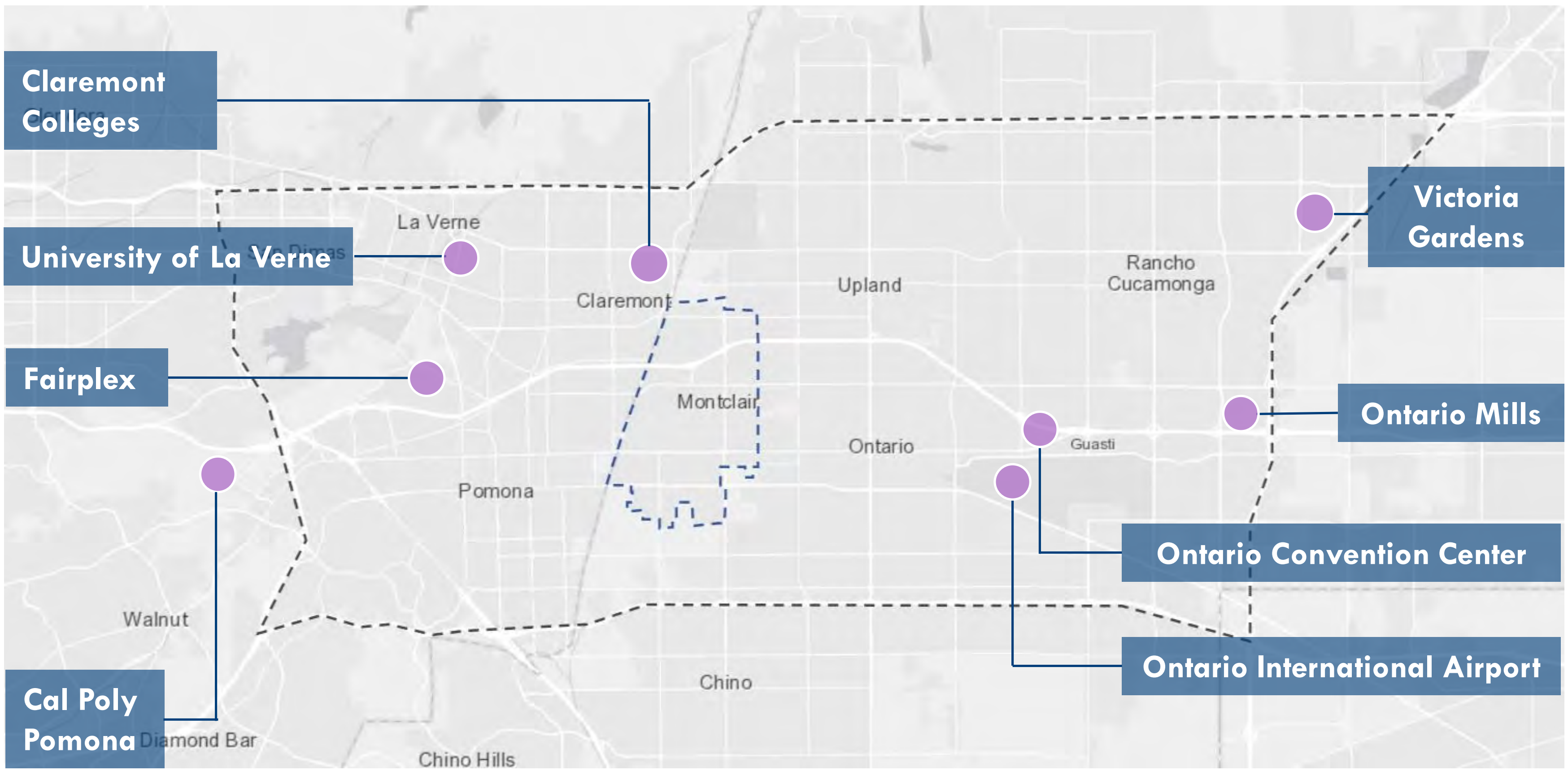
Industrial/Flex

Retail

Hotel | Regional Assets

The Competitive Market Area ("CMA") includes a range of destinations that drive hotel demand including the Ontario International Airport, Fairplex in Pomona, large retail destinations in Ontario and Rancho Cucamonga, a variety of educational institutions, and employment centers.

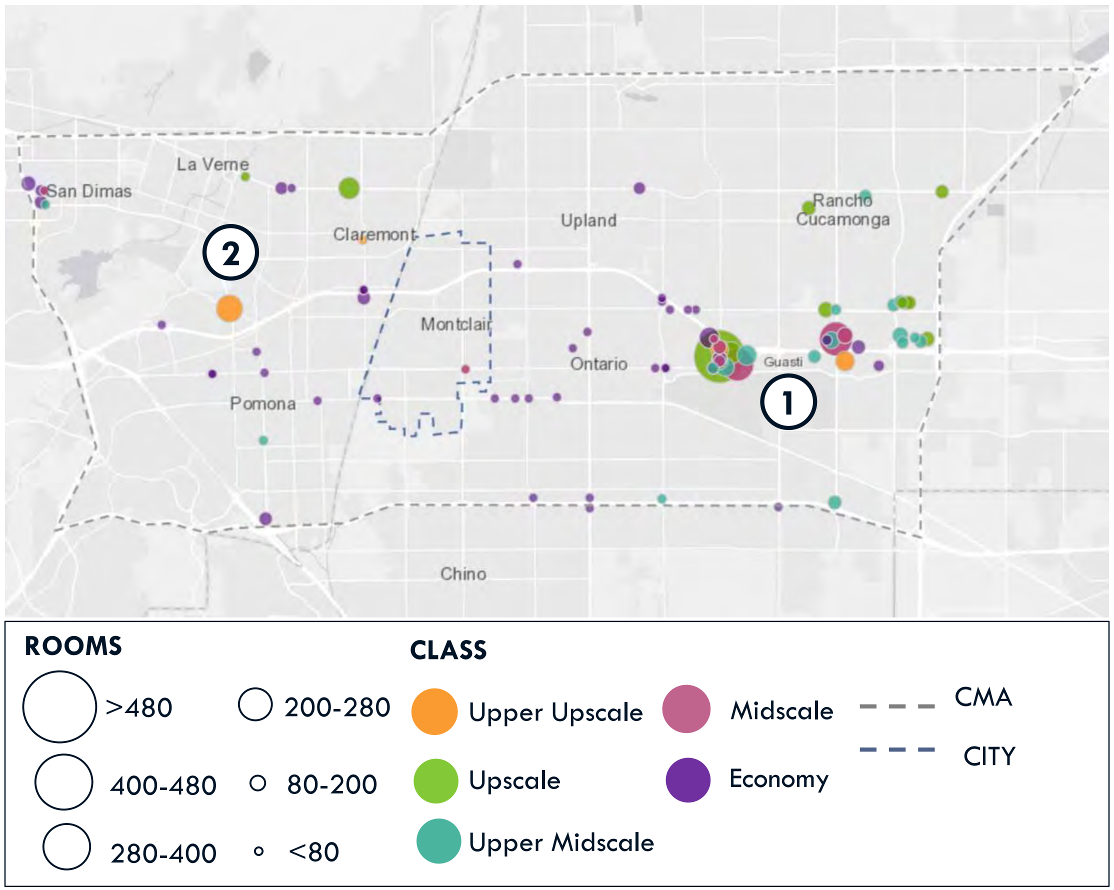
CMA MAP OF KEY ANCHORS



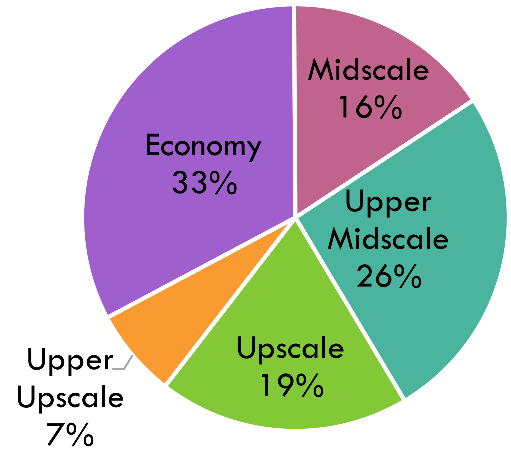
Hotel | CMA Inventory

Most hotels in the CMA are concentrated in proximity to the Ontario International Airport. Midscale and economy category properties are situated along Freeway corridors.

CMA HOTEL INVENTORY



CMA CLASS BREAKDOWN

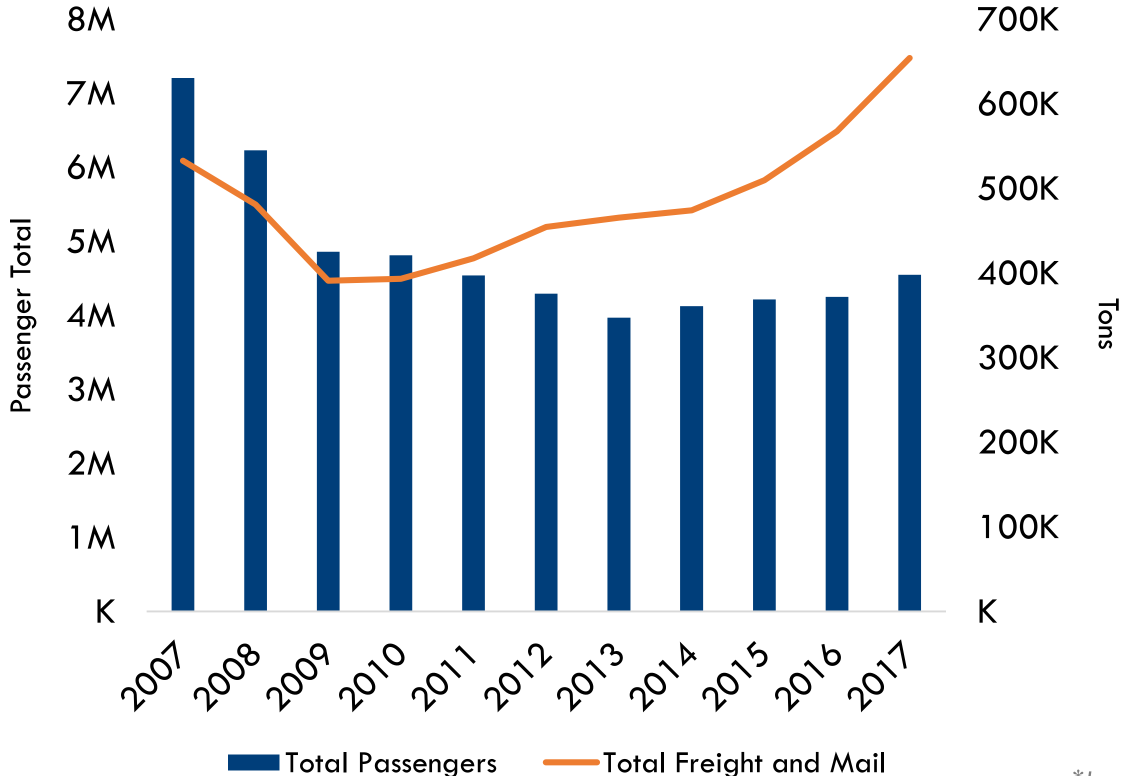


1. The dense hotel cluster close to the Ontario airport includes hotels of various classes and sizes.
2. The largest upper upscale hotel in the CMA, the Sheraton Grand, is near the Pomona Fairplex.

Source: STR

In 2018, the growing Ontario International Airport became an international gateway with the arrival of China Airlines which will launch non-stop passenger service between Taiwan and Ontario.

ONTARIO PASSENGER AND CARGO TOTALS



January 2016 – January 2017 Increase*

10%

PASSENGER VOLUME

22%

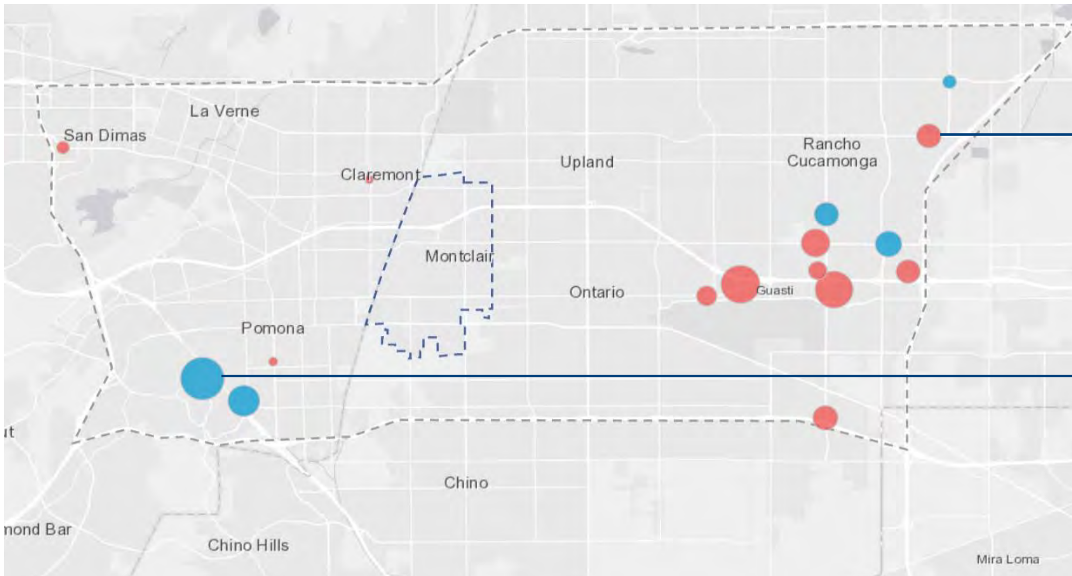
CARGO VOLUME

**Increase in passenger and cargo volume during month of January 2016 compared to month of January 2017*

Hotel | Recently Delivered and Pipeline

While recently delivered hotels are located in the existing Rancho Cucamonga and Ontario cluster to the east, there are 660 rooms in the pipeline in the CMA. Two hotels are planned in Pomona to provide additional space for the many guests visiting Fairplex.

CMA RECENTLY DELIVERED & PIPELINE (2007-2017)



ROOMS

>200 | 90-120 | 160-200 | 50-90 | 120-160 | <50

BUILDING STATUS

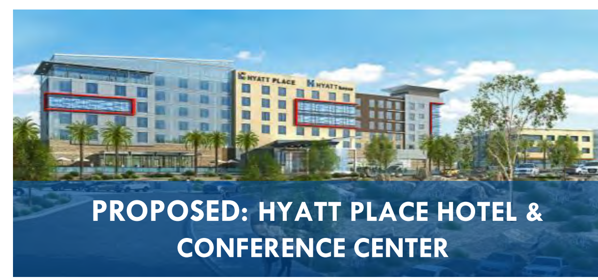
Planned, Proposed

Recently Delivered

CMA

CITY

Features: 118 rooms, 1,300 SF meeting space, restaurant and bar, pool
Visitors: Clients, employees, those visiting family and friends



Features: 200 rooms located in a **mixed-use business park** with office & retail
Visitors: Guests to the Fairplex

Source: STR

Hotel | Montclair Inventory

There is very little hotel inventory in Montclair, with the few existing hotels in the Economy and Midscale categories, and close to the 60 freeway.

	ONTARIO INN **5361 HOLT BLVD**	**WELCOME INN** **4118 MISSION BLVD**
		
CLASS	Midscale	Economy
YEAR BUILT	1986	1963
ROOMS	67	36

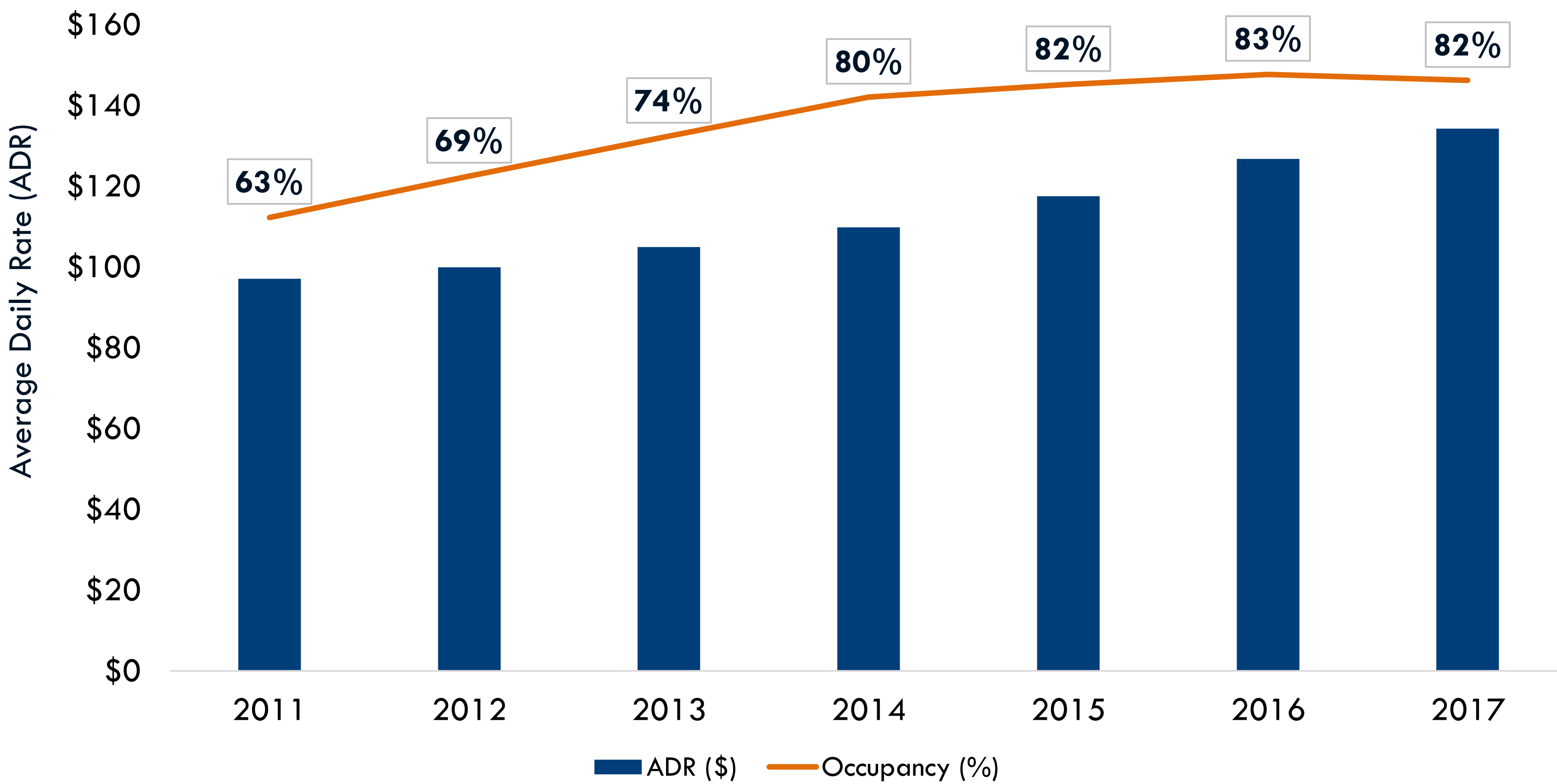
- Hotels in Montclair have a small amount of rooms and minimal amenities.
- Hotels in Montclair are older and in lower class categories.

Source: STR

Hotel | CMA Performance

Average daily rates (ADRs) have been consistently rising in the CMA, and are currently at $134 per night. Occupancy rates have been maintained above 80% in the last several years.

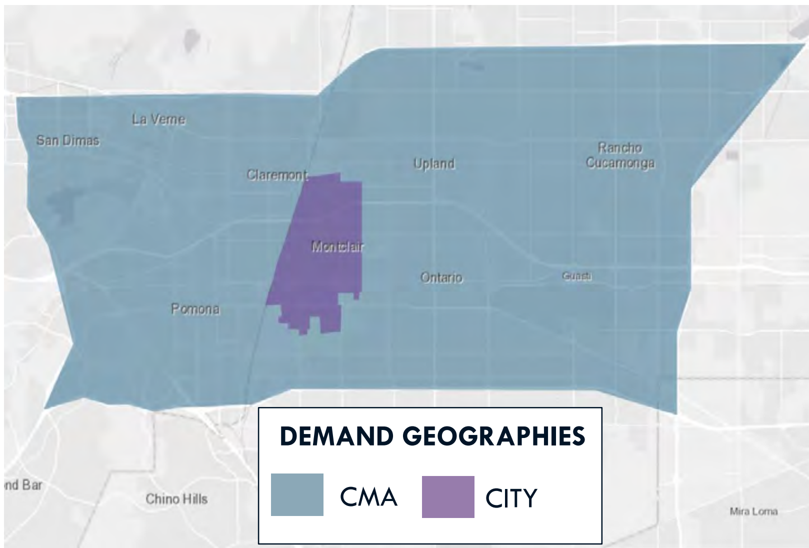
ADR AND OCCUPANCY RATES IN THE CMA (2011-2017)



Source: STR

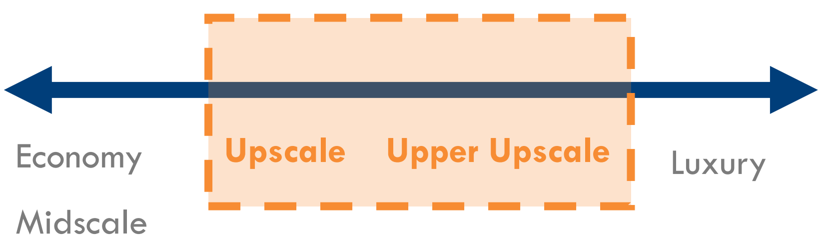
Hotel | Demand Methodology

Future hotel room demand was estimated based on the projected growth of employees and residents in the CMA. HR&A estimates that a hotel in the upscale to upper upscale range will compete with other hotels in the CMA.



Hotel Product Range

COMPETITIVE MARKET



CMA resident and employee projected growth and historical demand growth to determine a weighted demand driver growth rate.

↓

Apply the growth rate to the current number of occupied room nights to estimate future demand for rooms.

↓

Assuming a 75% occupancy rate threshold, determine how many new hotel rooms are needed to meet future demand.

↓

Estimate **the Montclair likely capture.**

Hotel | Demand

HR&A's analysis found potential support for up to 300 new upscale-upper upscale hotel rooms through 2040. This demand could be easily absorbed in development of one to two hotels in the City.

	2018-2030 (Keys)	2030-2040 (Additional Keys)	2018-2040 (Cumulative Keys)
CITYWIDE HOTEL DEMAND UPSCALE-UPPER UPSCALE	**150 - 200**	**70 - 100**	**220 - 300**

Source: STR, HR&A Advisors

Hotel | Key Findings and Considerations

- In the CMA, **average daily rates have been rising, and occupancy rates have peaked.** There is significant hotel development near the Ontario International Airport and a localized hotel boom in Pomona.
- Hotel demand in the CMA is **primarily driven by the Fairplex anchor to the West, and the Ontario International Airport to the East.**
- There is demand for up to **about 300 hotel rooms in Montclair through 2040.**
- **Development of one or two larger, upscale hotels would capture most of the Citywide demand for new hotels.**
- Hotel development in Montclair is likely to be the **most successful in highly amenitized areas of the City, such as in and around the North Montclair Downtown and Montclair Place District Specific Plan Areas.**
- Hotel development in the **Focus Areas is not as likely to be successful** without significant changes to existing land uses to add amenities such as destination retail, dining, and entertainment options.

Context and Demographic Overview

Market Analysis

Competitive Market Areas

Focus Area Land Use Overview

Residential

Hotel

Office

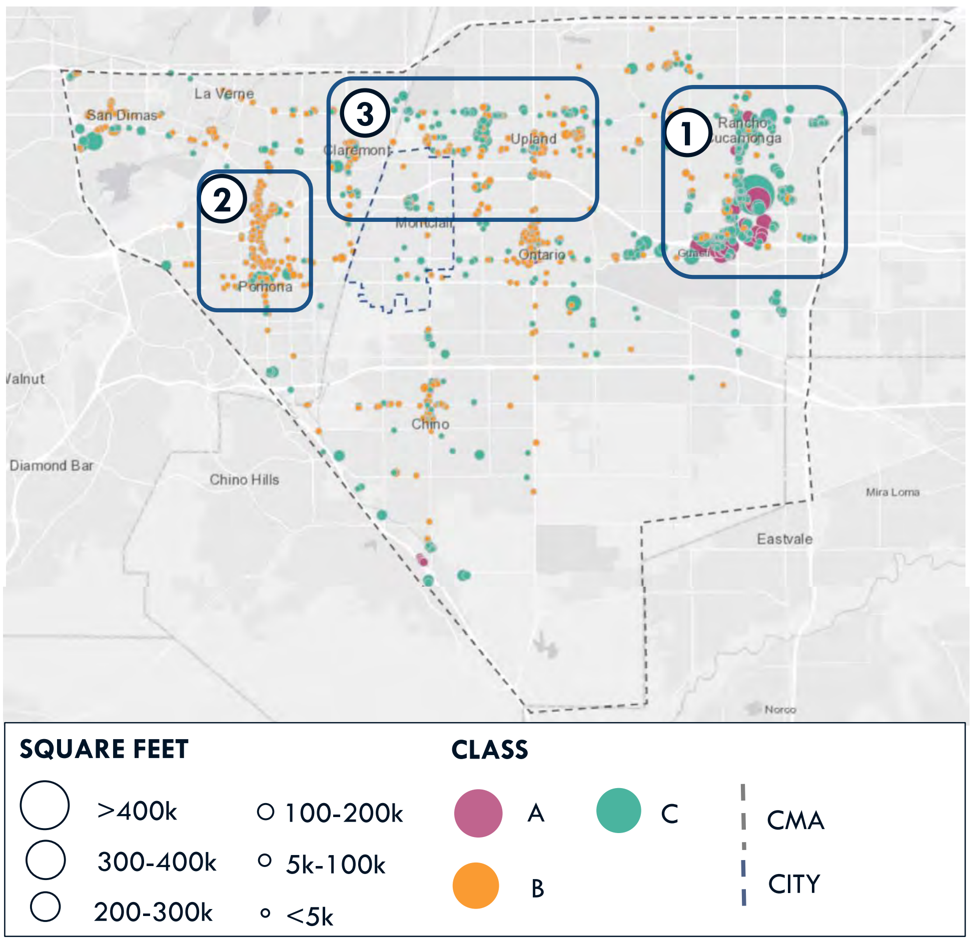
Industrial/Flex

Retail

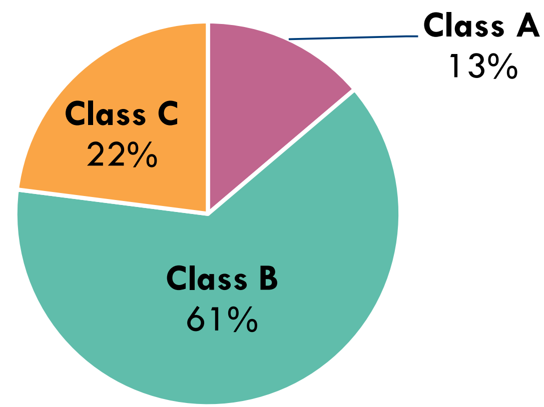
Office | CMA Inventory

The Competitive Market Area ("CMA") has 17 million square feet of office space. There is an established office cluster in Rancho Cucamonga and Ontario and dispersed, smaller, suburban offices along major corridors.

CMA OFFICE INVENTORY



CMA CLASS BREAKDOWN



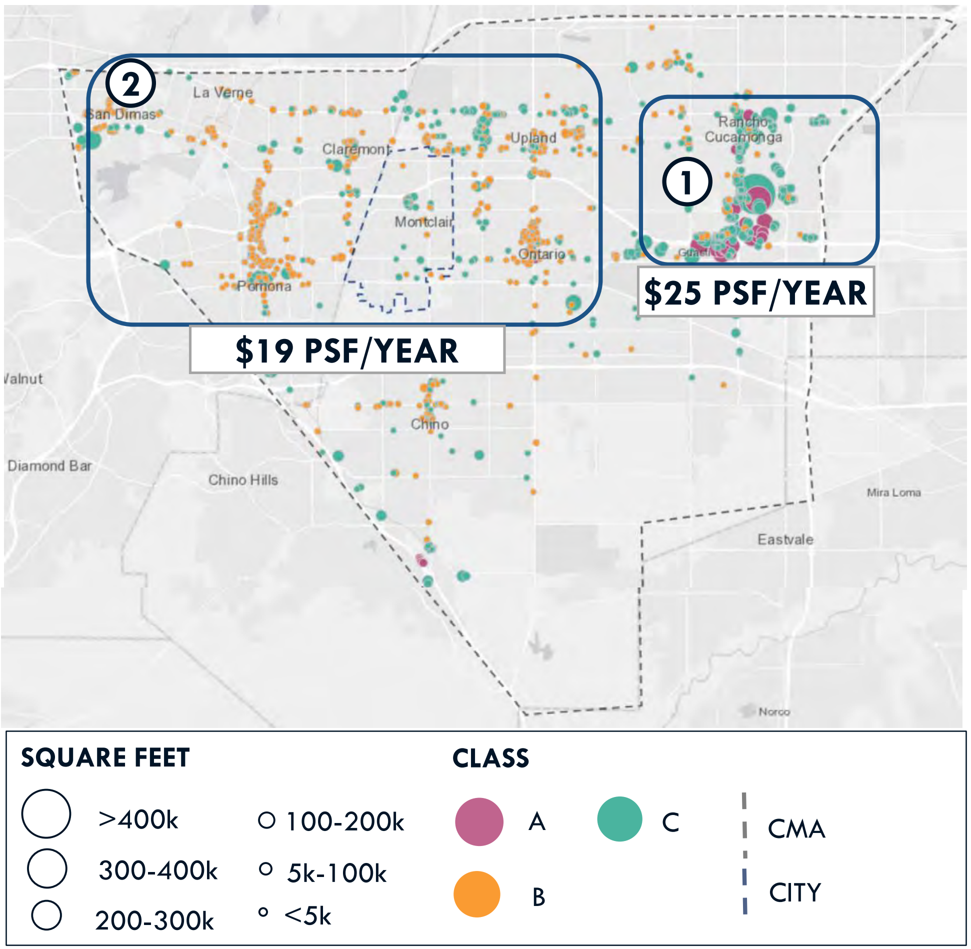
1. Office space in Rancho Cucamonga and Ontario is focused in business parks adjacent to freeways and Ontario International Airport.
2. Office space in Pomona is concentrated near Pomona Valley Hospital, and Western Medical University.
3. Office space in Claremont, Upland, and San Dimas is smaller, storefront office, located in Downtown areas.

Source: CoStar

Office | CMA Inventory

Offices in the Rancho Cucamonga and Ontario cluster have substantially higher rents than offices in Claremont, Upland, Montclair, and San Dimas.

CMA OFFICE INVENTORY



(1) Average current rents in the Ontario/Rancho Cucamonga cluster are at $25 PSF per year.

Most of the inventory is in established office parks and strategically located near the Ontario International Airport, and Victoria Gardens and Ontario Mills malls.

(2) Average rents in the smaller office clusters in other parts of the CMA*, are significantly lower, at $19 PSF per year.

**Average rents include offices from Upland, Claremont, Montclair, Pomona, La Verne and San Dimas.*

Source: CoStar

Office | CMA Inventory

While offices in Ontario and Rancho Cucamonga are in business parks near the Ontario International Airport, offices in Pomona are close to the hospital and offices in Claremont are in the Downtown Village.

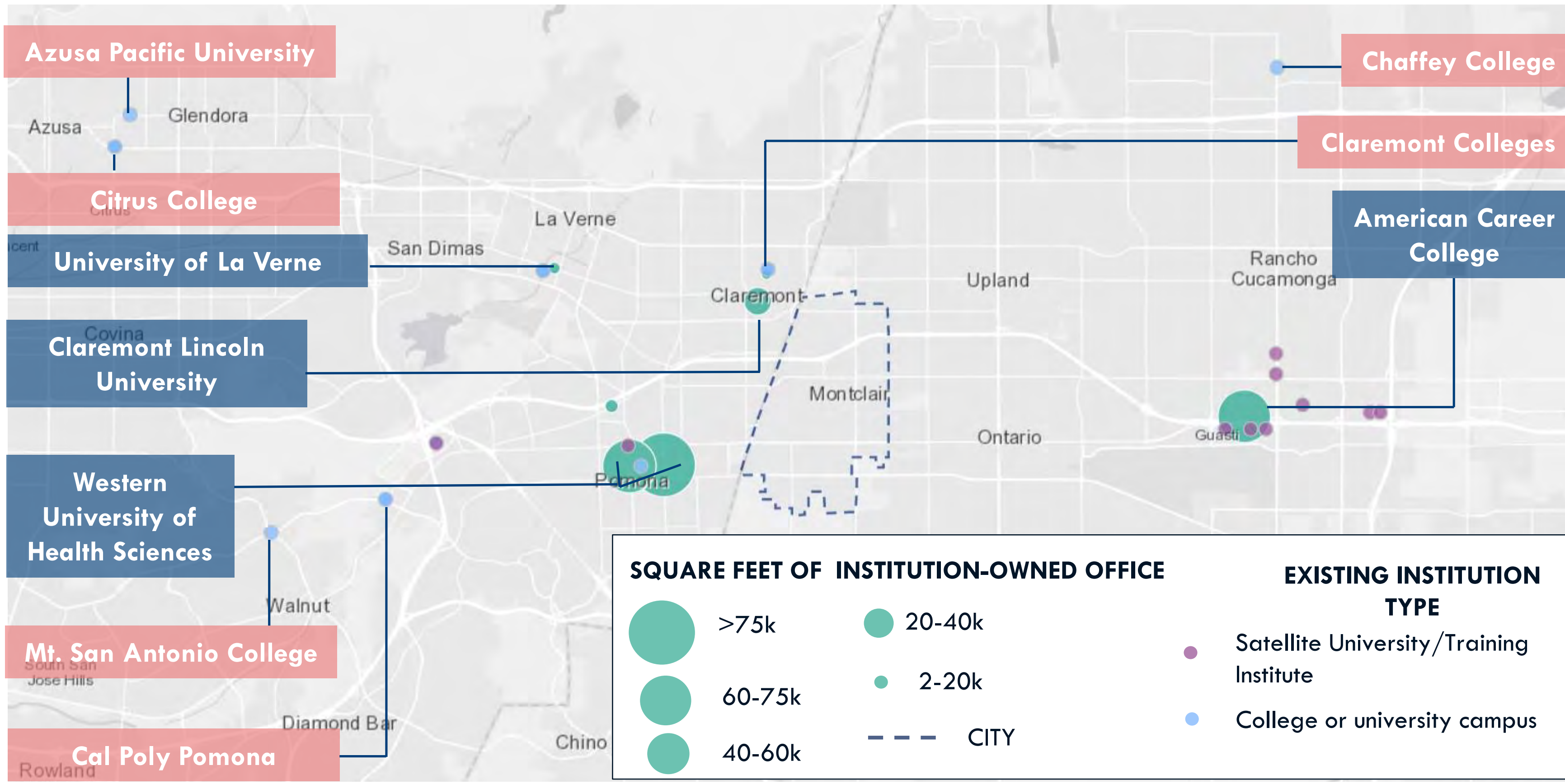
	CLAREMONT 250 W FIRST ST	POMONA 1818 N ORANGE GROVE AVE	ONTARIO 3200 E GUASTI RD
			
TENANTS	Financial services	Medical services	Insurance & Legal services
CLASS	B	B	A
YEAR BUILT	1981	2008	2007
RENTABLE BUILDING AREA (SF)	72,900	21,800	67,700
LOCATION	In Downtown core	Close to hospital	In office park near Airport
AVG RENT PSF PER YEAR	$26	$14	$30

Source: CoStar

Office | Institutional Clusters and Offices

In the CMA, 234,000 square feet of office space is occupied by a university or college, which is 1% of total office square feet in the CMA.

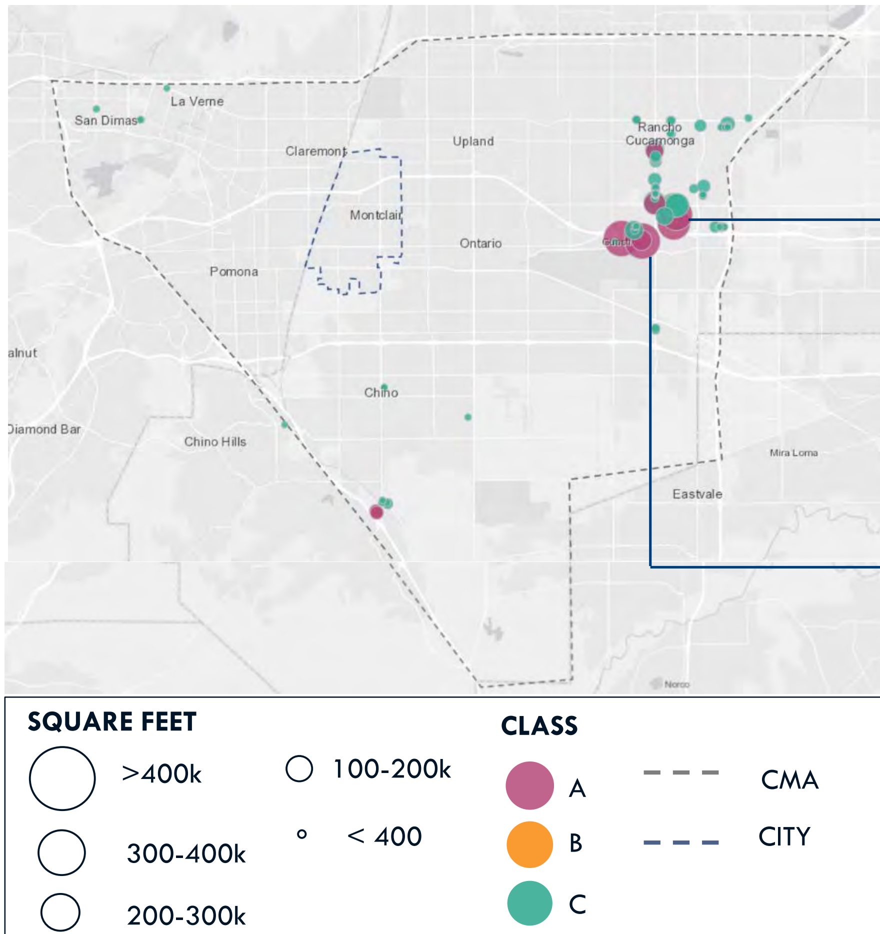
EDUCATIONAL INSTITUTION CLUSTERS & OFFICES



Office | Inventory

In the last decade, there has been 3.2 million square feet of office space delivered, most of which is clustered in Rancho Cucamonga and Ontario.

CMA RECENT DEVELOPMENT (2007-2017)



PIEMONTE CENTER
Class A, $31 PSF, 123,000 SF, Built in 2008

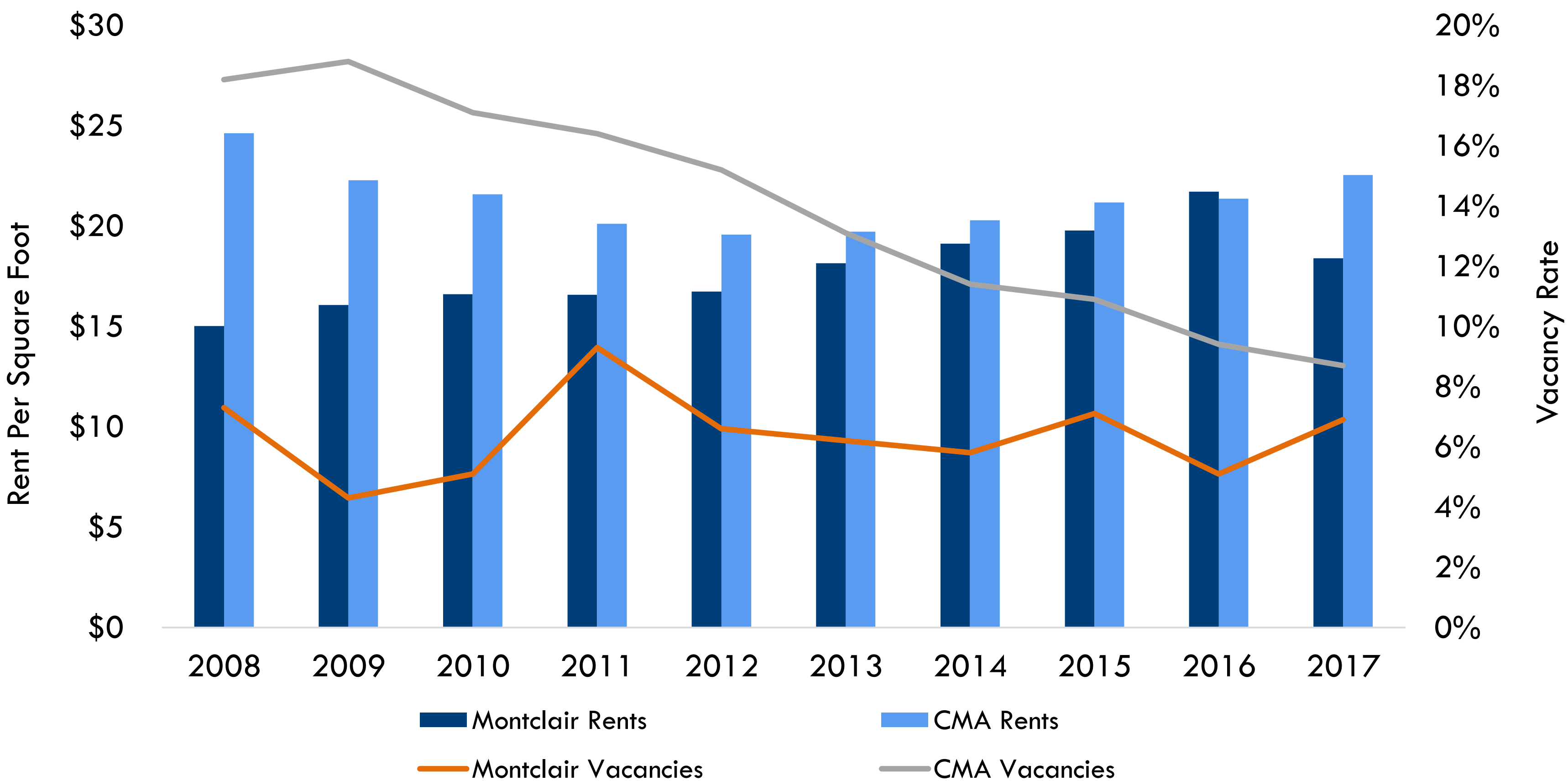
EMPIRE CORPORATE PLAZA
Class A, $32 PSF, 126,900 SF, Built in 2007

Source: CoStar

Office | CMA Performance

In the CMA, vacancies have substantially dropped since the Great Recession, from a high of 18% to approximately 9%. Rents are rising, but are not yet at Pre-Recession levels.

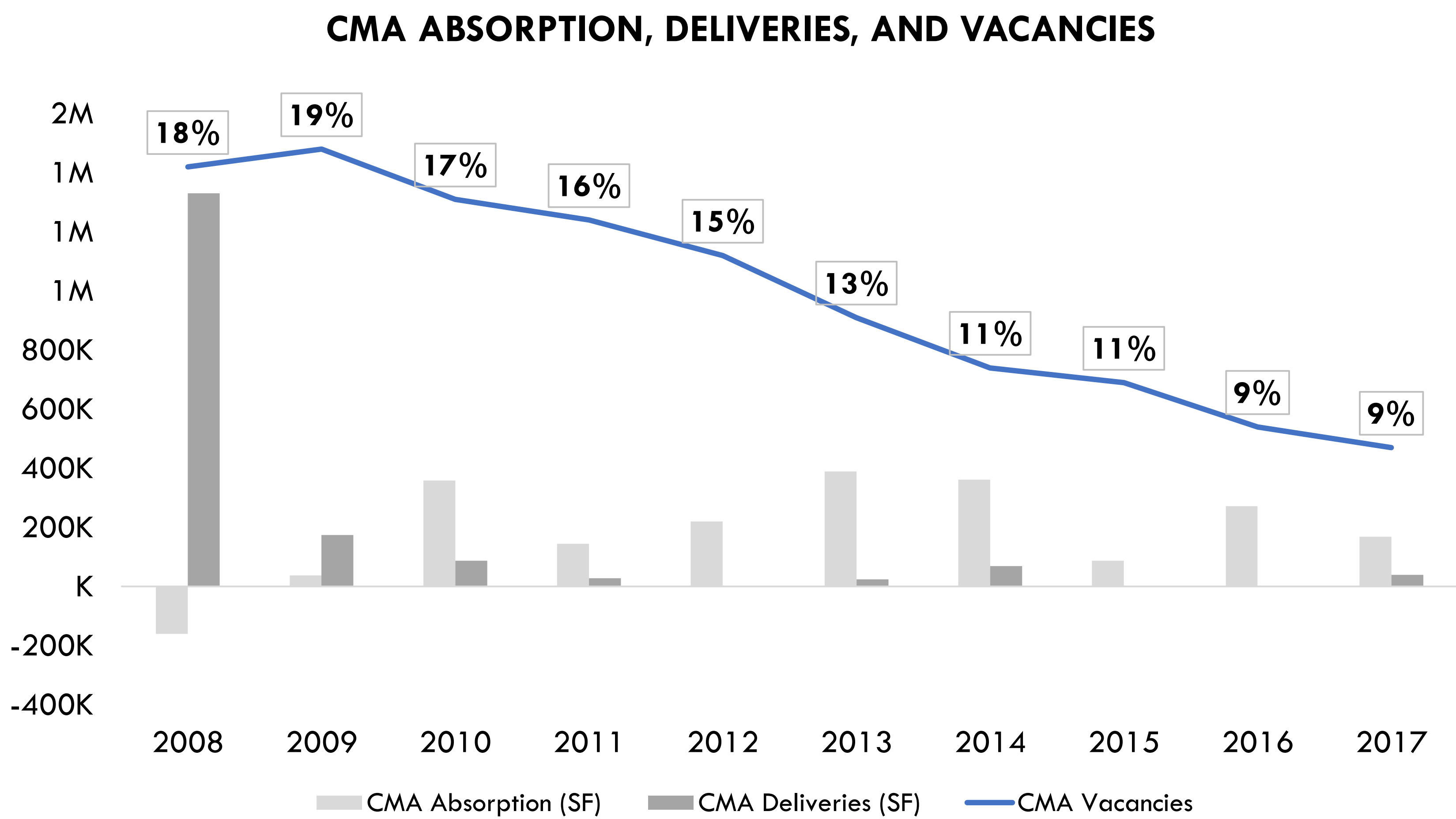
MONTCLAIR AND CMA RENTS AND VACANCIES



Source: CoStar

Office | CMA Performance

A glut of supply delivered prior to the Great Recession is still being absorbed, but vacancies have dropped to healthy levels.

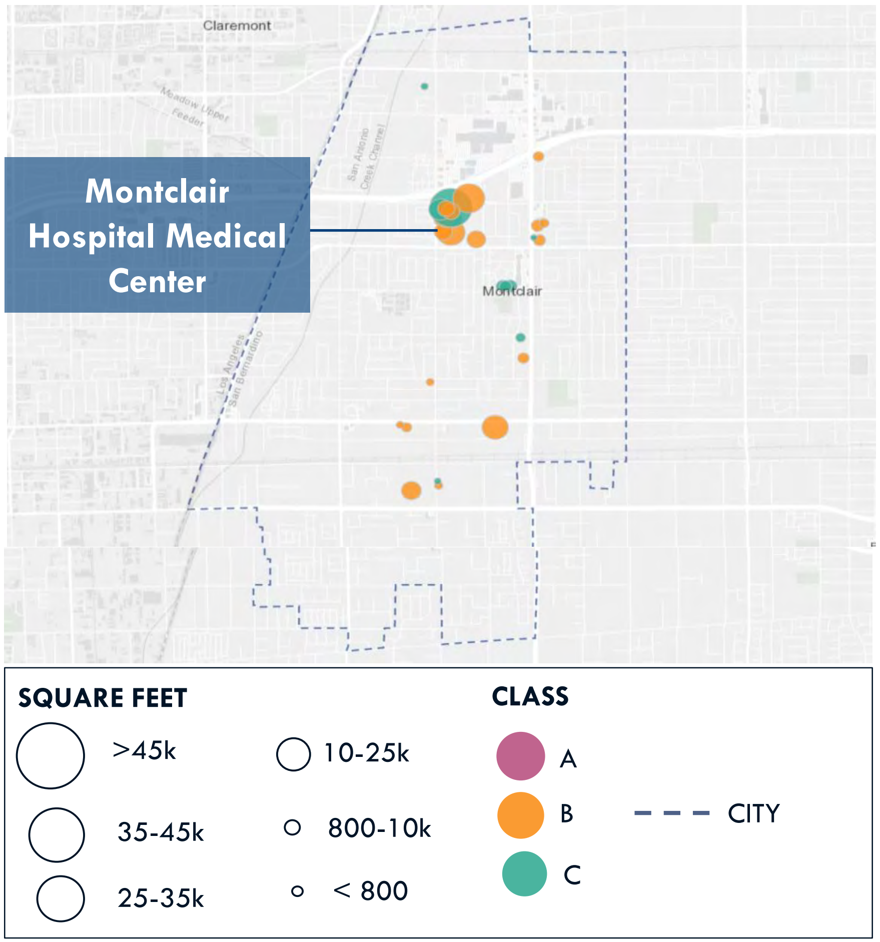


Source: CoStar

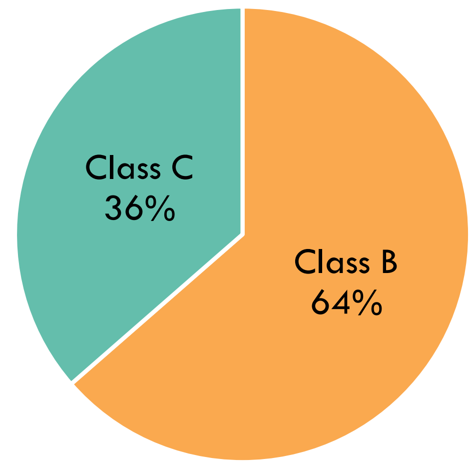
Office | Montclair Inventory

The approximately 350,000 square feet of existing office space in Montclair represents about 2 percent of the CMA inventory.

MONTCLAIR INVENTORY



CLASS BREAKDOWN



- The majority of office space in the City (70%) is medical office and is clustered near the 10 freeway, close to the Montclair Medical center. Only 17% of the office space in the CMA is considered medical office.

Source: CoStar

Office Supply | Montclair Inventory

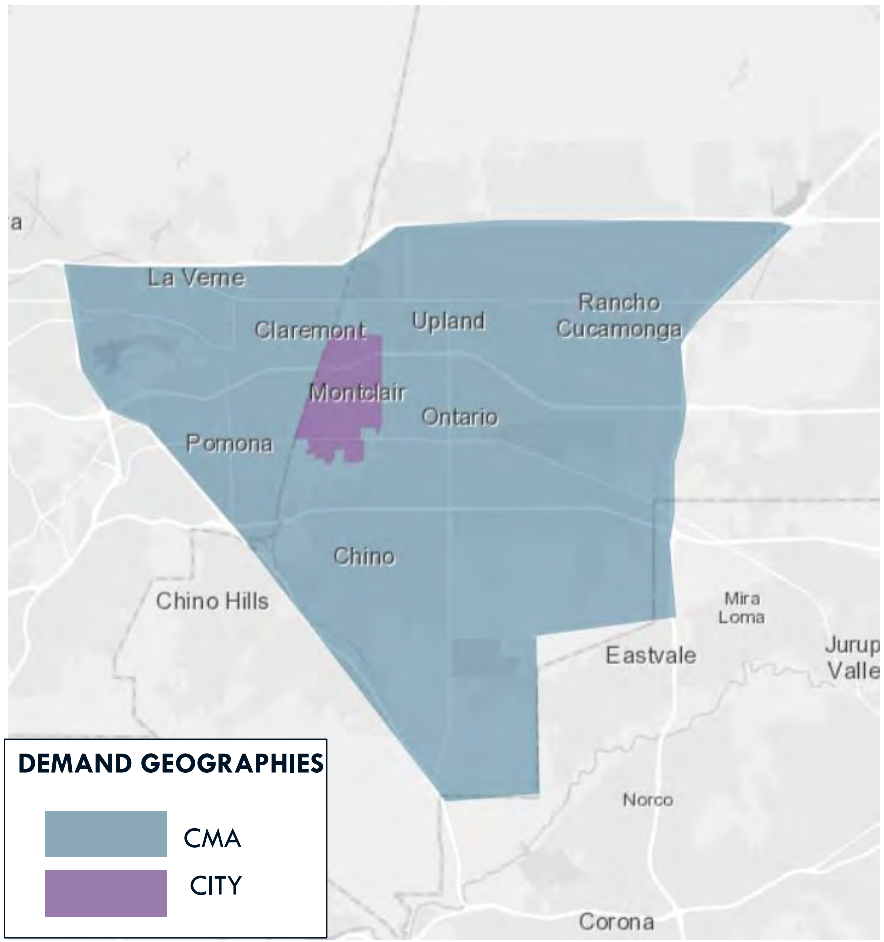
Office inventory in Montclair is mainly low-rise, with many small, resident-serving medical clinics. Office space in the City is older, with only 8% of inventory built since 1990.

	5330 SAN BERNARDINO ST.	5153 HOLT BLVD.	5050 PALO VERDE ST.
			
TENANTS	Medical offices	Medical offices	Financial services
CLASS	B	B	B
YEAR BUILT	1990	2006	1980
RENTABLE BUILDING AREA	7,400	25,000	32,000
AVG RENT PSF PER YEAR	$14	$15	$15

Source: CoStar

Office | Demand Methodology

To determine future market supportable demand for office space in the City, HR&A analyzed future projections for office-using industry sectors in the CMA.



Project Employment Growth in Office-Occupying Industry Sectors in CMA

↓

Apply Square Feet per Employee Factor and Structural Vacancy Factor* to **Approximate Future Demand** for Office Space in CMA

↓

Estimate **Montclair's likely capture**

Office | Total Demand

HR&A's analysis found potential support for 360,000 to 600,000 SF of new office space through 2040. While not enough demand to support the creation of a major employment hub, there is capturable overflow demand from employment centers in the CMA.

	Demand Low Range 2018-2040 (new square footage)	Demand High Range 2018-2040 (new square footage)
Total Citywide Demand	360k	600k
Low Focus Area Capture ~30% of New SF	108k	180k
High Focus Area Capture ~50% of New SF	180k	300k

Office | Focus Area Demand

While highly dependent on land use policy, the Focus Areas could expect to capture 30 to 60 percent of citywide office demand. Based on the current proportional fair share captures rates, future citywide demand has been allocated to the Focus Areas.

~30% of Citywide Demand

108k – 180k SF

→

AHMUD
8,500 – 14,000 SF

CENTRAL
40,000 – 67,000 SF

MISSION
37,500 – 62,000 SF

HOLT
22,000 – 37,000 SF

~50% of Citywide Demand

180k – 300k SF

→

AHMUD
14,000 – 24,000 SF

CENTRAL
67,000 – 111,000 SF

MISSION
62,000 – 104,000 SF

HOLT
37,000 – 61,000 SF

Office | Key Findings and Considerations

- Successful office developments in the CMA have the following characteristics:
  - Freeway-adjacent (10 and 15)
  - Close to the growing Ontario International Airport
  - Located in business parks
- There is an opportunity to capture overflow office demand from the west or east as an increasing professional labor force is attracted to live in or near Montclair due to the Gold Line extension.
- Office development in the Focus Areas is likely to include medical and related local serving businesses.
- Projected demand for new office product suggests that the market could support 360,000 to 600,000 SF of new office space citywide through 2040.
- Given market conditions, development of speculative office is not likely; however, carefully executed built-to-suit developments could be possible.

Context and Demographic Overview

Market Analysis

Competitive Market Areas

Focus Area Land Use Overview

Residential

Hotel

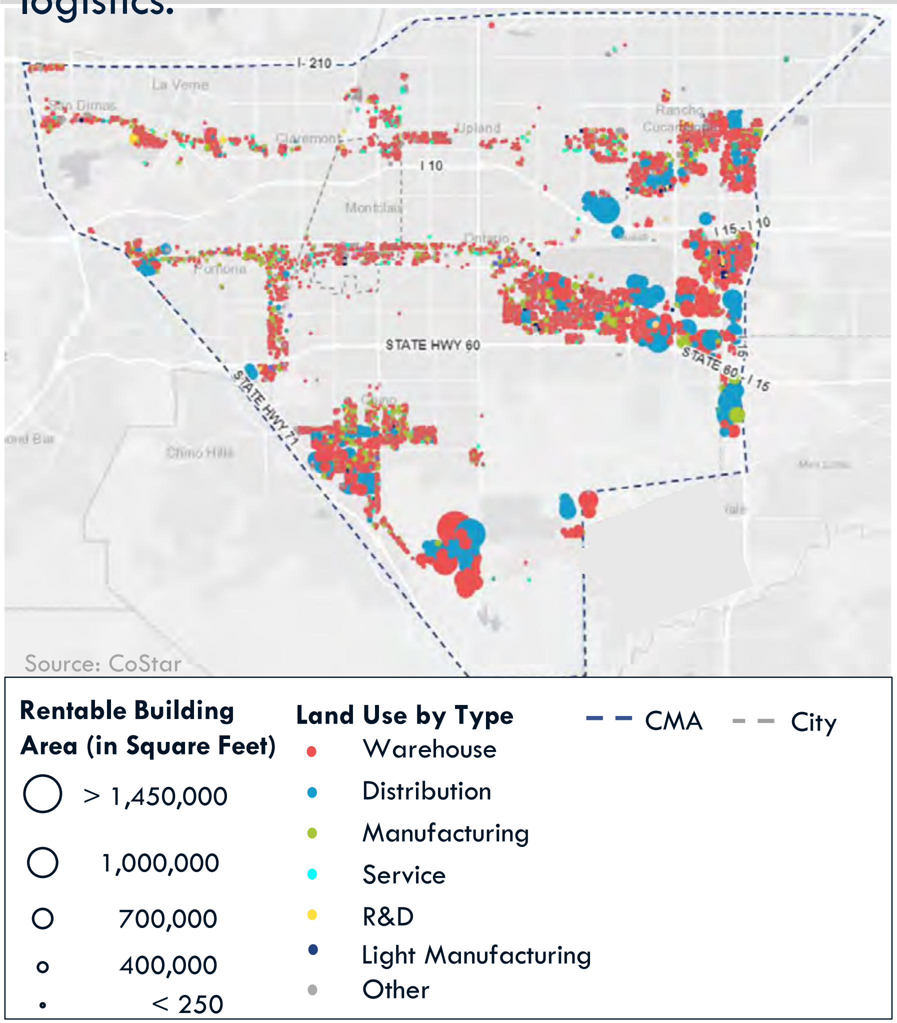
Office

Industrial/Flex

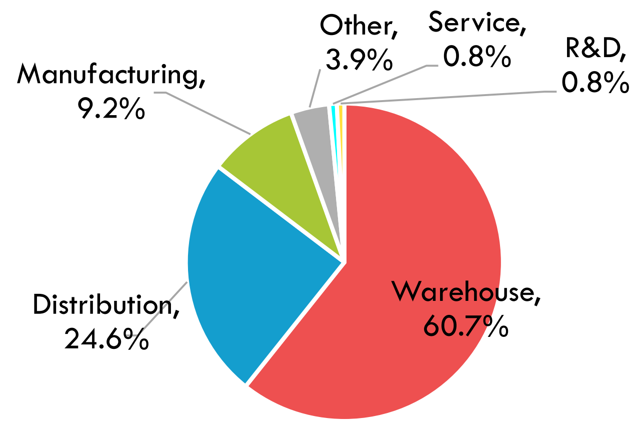
Retail

Industrial/Flex | CMA Inventory

Nearly two-thirds of industrial land use in the Competitive Market Area ("CMA") is dedicated to logistics, a combination of warehouse and distribution. In the last ten years 29 million SF of industrial/flex have been added to the CMA with, 28.5 million SF being logistics.



HISTORICAL INDUSTRIAL/FLEX INVENTORY BY SF



Historical Total SF in the CMA
211 Million SF

Distribution Average Floorplate
265,000 SF

R&D Average Floorplate
28,000 SF

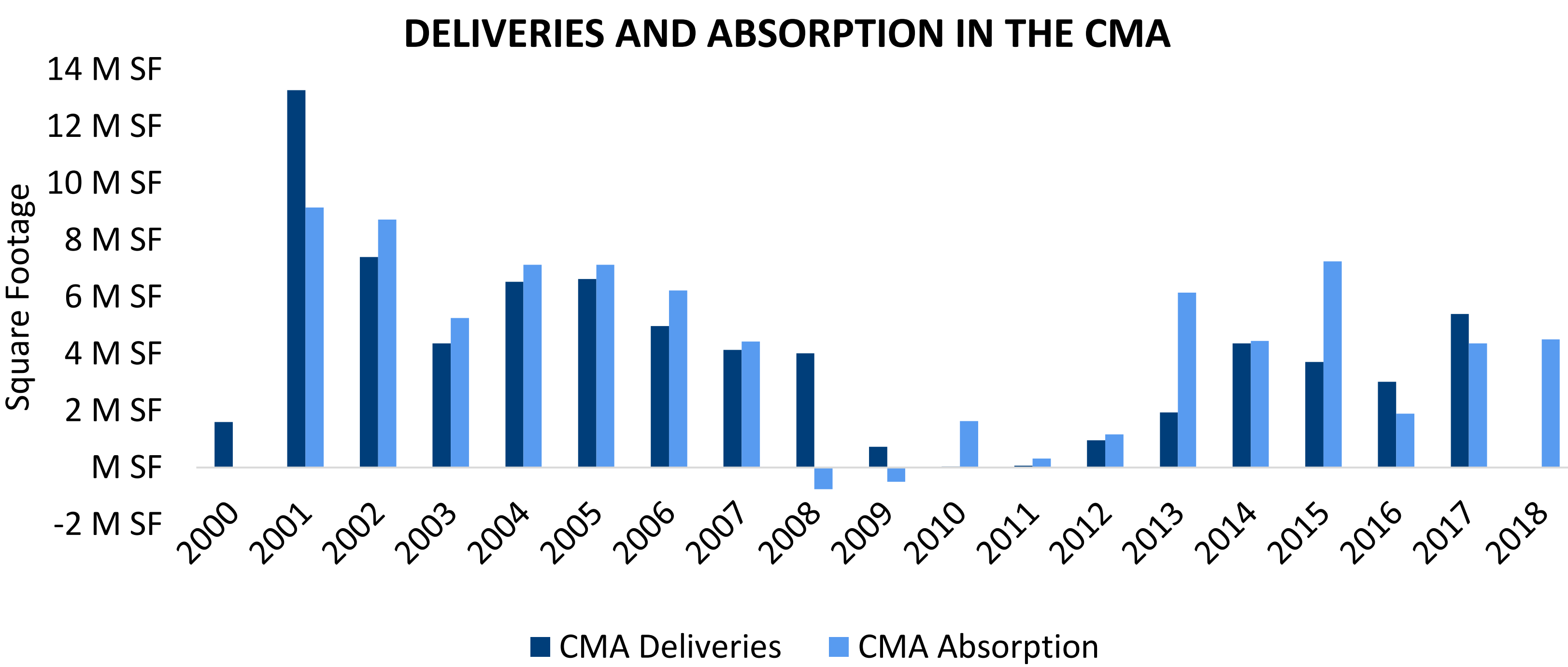
Manufacturing Average Floorplate
43,000 SF

Warehouse Average Floorplate
33,600 SF

Industrial/Flex | CMA Inventory

Deliveries in the CMA have reached pre-recession levels, with almost 5.5 million SF of industrial inventory added in 2017. Even so, inventory growth in the CMA has been slower than in other parts of San Bernardino ("SB") and Riverside counties.

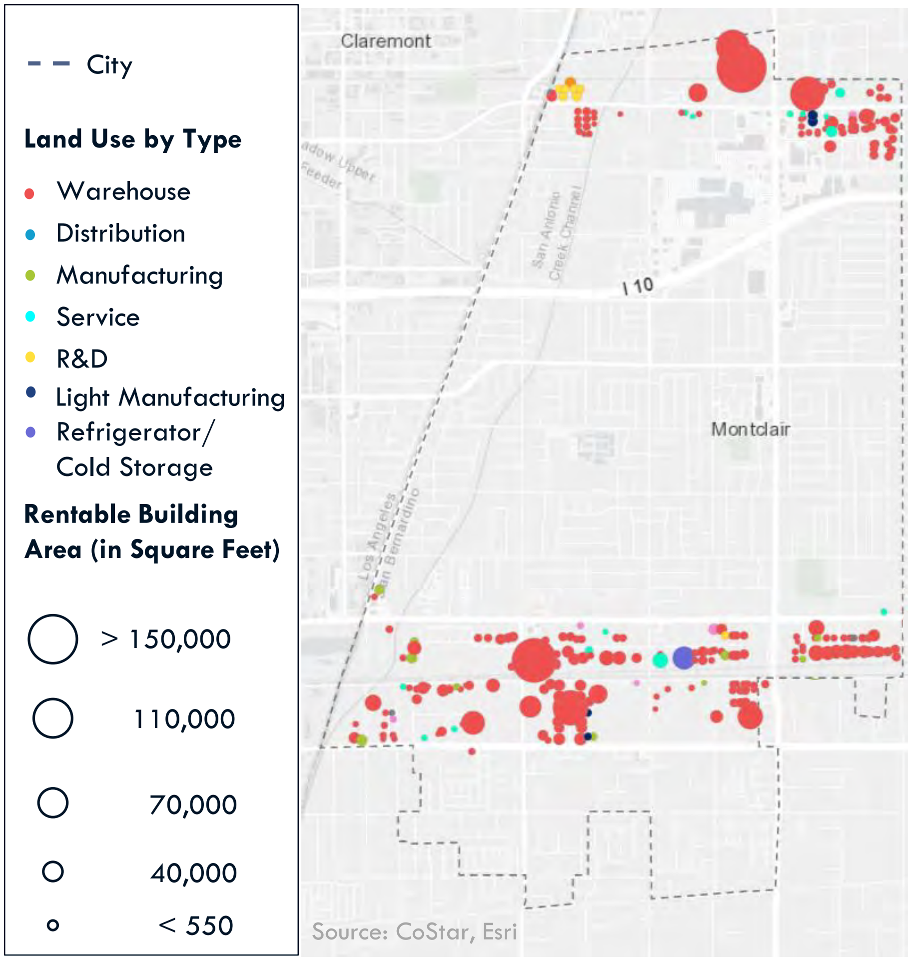
Industrial Inventory Growth 2000-2018 *(CAGR)*	LA County	SB County	Riverside County	CMA
	6.3%	9.9%	10.7%	2.5%



Source: CoStar

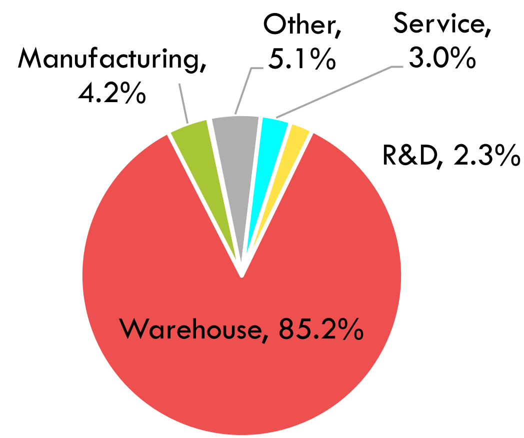
Industrial/Flex | Historical Citywide Inventory

With 4.3 million SF of industrial/flex space, Montclair represents 2% of the CMA inventory; and generally accommodates smaller average floor plates across all categories compared to the CMA.



Source: CoStar, Esri

MONTCLAIR HISTORICAL INDUSTRIAL/FLEX INVENTORY



Historical Total SF in Montclair **4.3 Million SF**

Distribution Average Floorplate 5,000 SF

Manufacturing Average Floorplate 13,000 SF

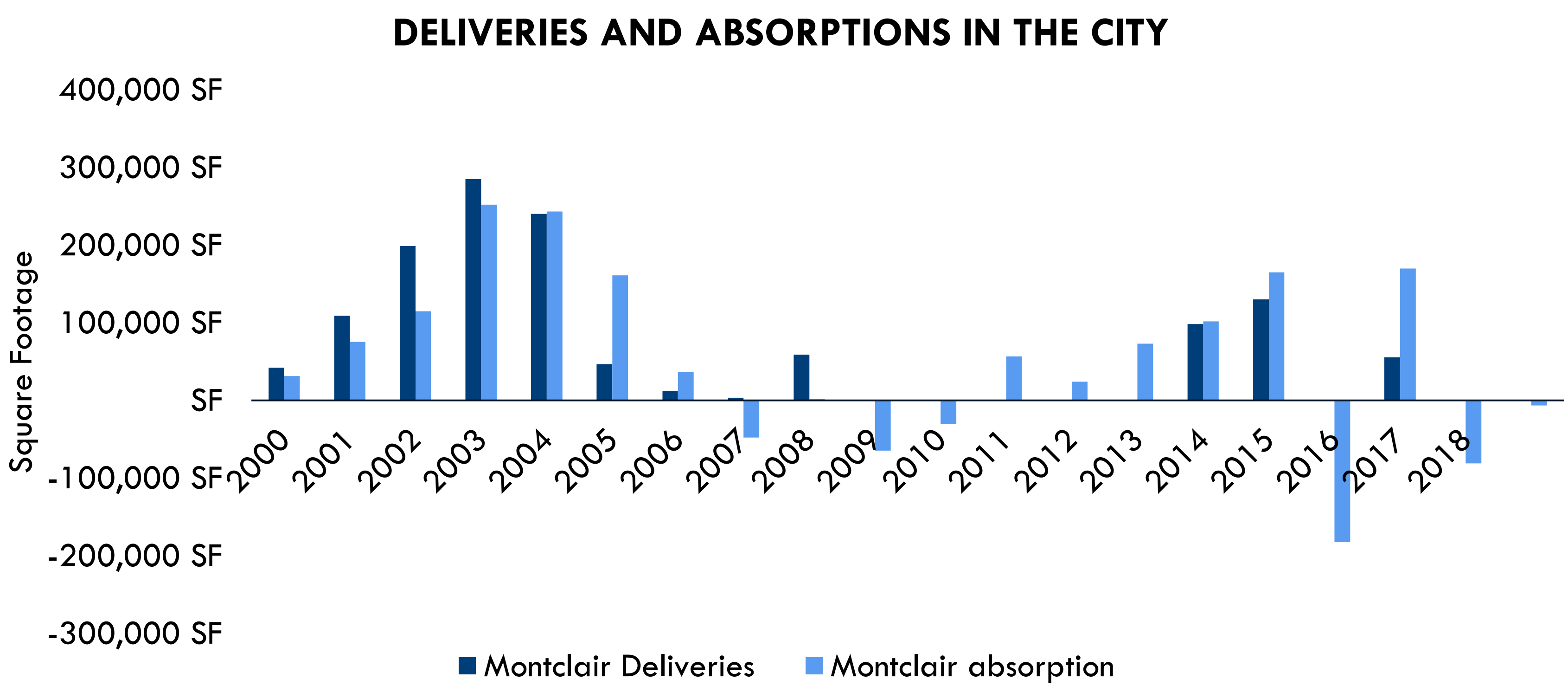
Warehouse Average Floorplate 16,000 SF

R&D Average Floorplate 12,000 SF

Industrial/Flex | Citywide Inventory

Industrial/Flex inventory growth in the CMA and surrounding counties has outpaced inventory growth in the City from 2000 to 2018. In addition, citywide deliveries have slowed significantly since the recession.

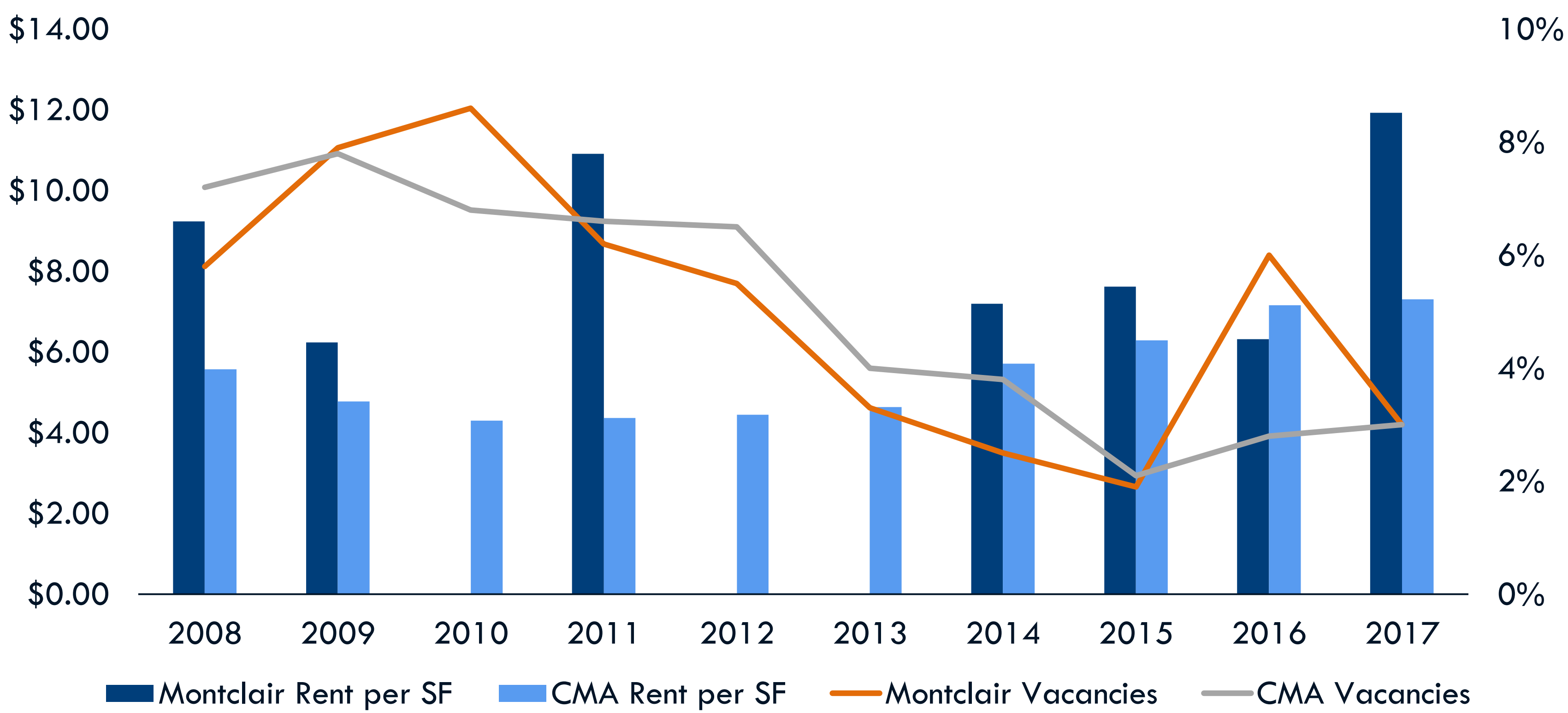
Industrial Inventory Growth 2000-2018 *(CAGR)*	City of Montclair	CMA
	1.8%	2.5%



Industrial/Flex | Rents and Vacancies

Industrial rents in Montclair have historically exceeded rents in the CMA. While the vacancy rate has fluctuated in Montclair, it is currently on par with the industrial vacancy rate in the CMA at about 3% in 2017.

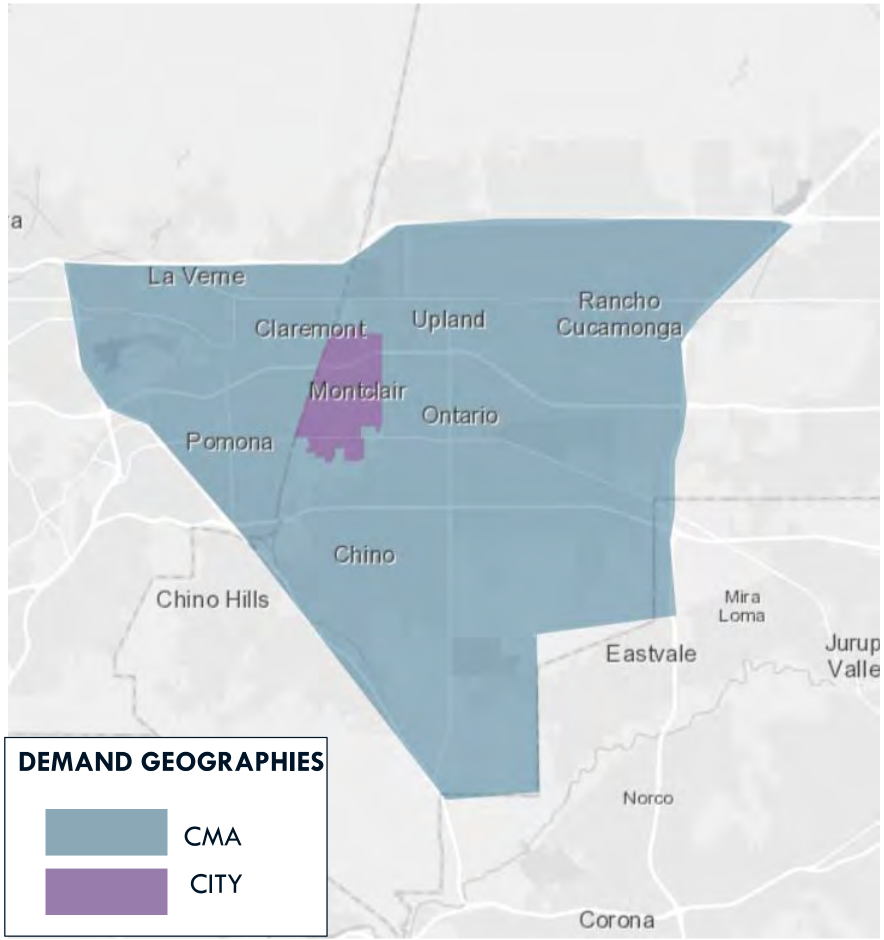
INDUSTRIAL RENTS AND VACANCY (2008-2017)



Source: CoStar

Industrial/Flex | Demand Methodology

To determine future market supportable demand for industrial and flex space in the City, HR&A analyzed future projections for industrial/flex-using industry sectors in the CMA.



Project Employment Growth in Industrial/Flex -Occupying Industry Sectors in CMA

Apply Square Feet per Employee Factor and Structural Vacancy Factor* to **Approximate Future Demand** for Office Space in CMA

Estimate **Montclair's likely capture**

Industrial/Flex | Total Demand

HR&A's analysis found potential support for 750k to 1.9M SF of new industrial and flex space citywide through 2040. Demand for flex space may eventually outpace demand for new industrial space, leading to redevelopment of underutilized industrial sites.

	Demand Low Range **2018-2040** (new square footage)	Demand High Range **2018-2040** (new square footage)
Total Citywide Demand	**750k**	**1.9 million**
Low Focus Area Capture ~70% of New SF	**525k**	**1.3 million**
High Focus Area Capture ~90% of New SF	**675k**	**1.7 million**

Industrial/Flex | Focus Area Demand

Industrial/flex space throughout the City is concentrated in the Arrow Highway Mixed-Use District ("AHMUD") and along Mission Ave. Barring new policies shifting the makeup of land uses, new industrial and flex uses will likely continue to concentrate in these areas.

~70% of Citywide Demand

525k – 1.3M SF

AHMUD **165k – 420k SF**	**CENTRAL** **0 SF**
MISSION **273k – 692k SF**	**HOLT** **87k – 218k SF**

~90% of Citywide Demand

675k to 1.7M SF

AHMUD **215k – 541k SF**	**CENTRAL** **0 SF**
MISSION **350k – 889k SF**	**HOLT** **110k – 280k SF**

Industrial/Flex | Key Findings and Considerations

- The CMA and surrounding counties have seen **tremendous growth in industrial and flex uses** over the last 20 years. Industrial/flex land uses in the CMA tend to be sites with **very large floorplates dedicated to logistics uses.**
- Even with almost 4 million square feet of industrial land in the City, **the industrial inventory in Montclair makes up only about 2 percent of the industrial inventory in the CMA.**
- Industrial and flex uses in the City are **concentrated in the AHMUD and along Mission Ave.** The average floorplate of industrial uses in the **City is significantly smaller than that in the CMA.**
- **Citywide demand for industrial and flex space through 2040 is estimated at 750k to 1.9 million square feet.**
  - Some of the demand for office may be absorbed by flex space since flex can be used to accommodate a variety of employment uses.
- Without policy intervention, **new industrial development will likely focus on logistics uses and occupy a substantial amount of land acreage in the City.**
- The City's industrial land can be redeveloped to **flex space or other land uses, but financial feasibility may be an issue,** especially if contamination issues exist.

Context and Demographic Overview

Market Analysis

Competitive Market Areas

Focus Area Land Use Overview

Residential

Hotel

Office

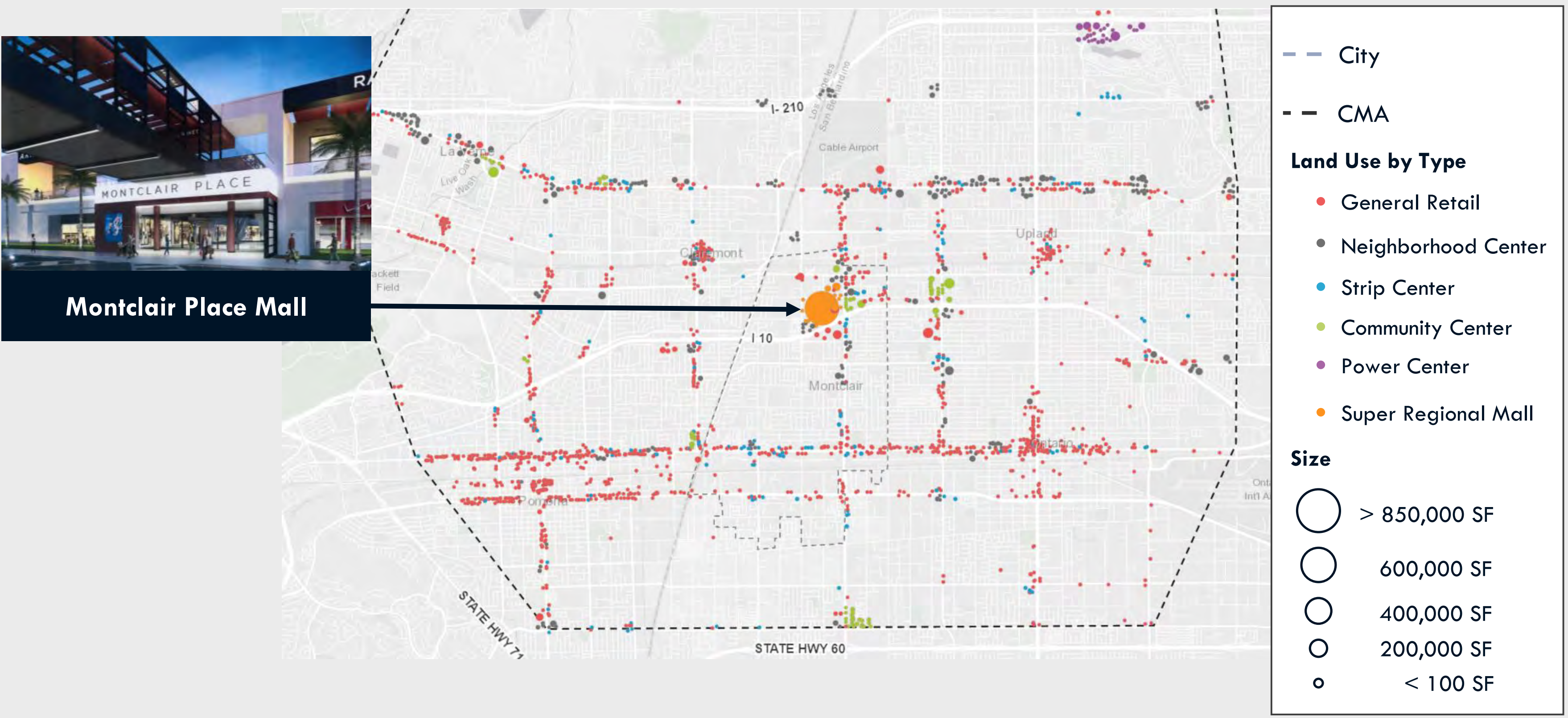
Industrial/Flex

Retail

Retail | Historical Regional Inventory in and outside of Shopping Centers

Montclair has 4.6 million SF of retail, which comprises approximately 23% of the CMA's 20 million SF of retail inventory (see map below). Montclair has a large mall at its center that dominates all other retail in the CMA at 850,000 SF.

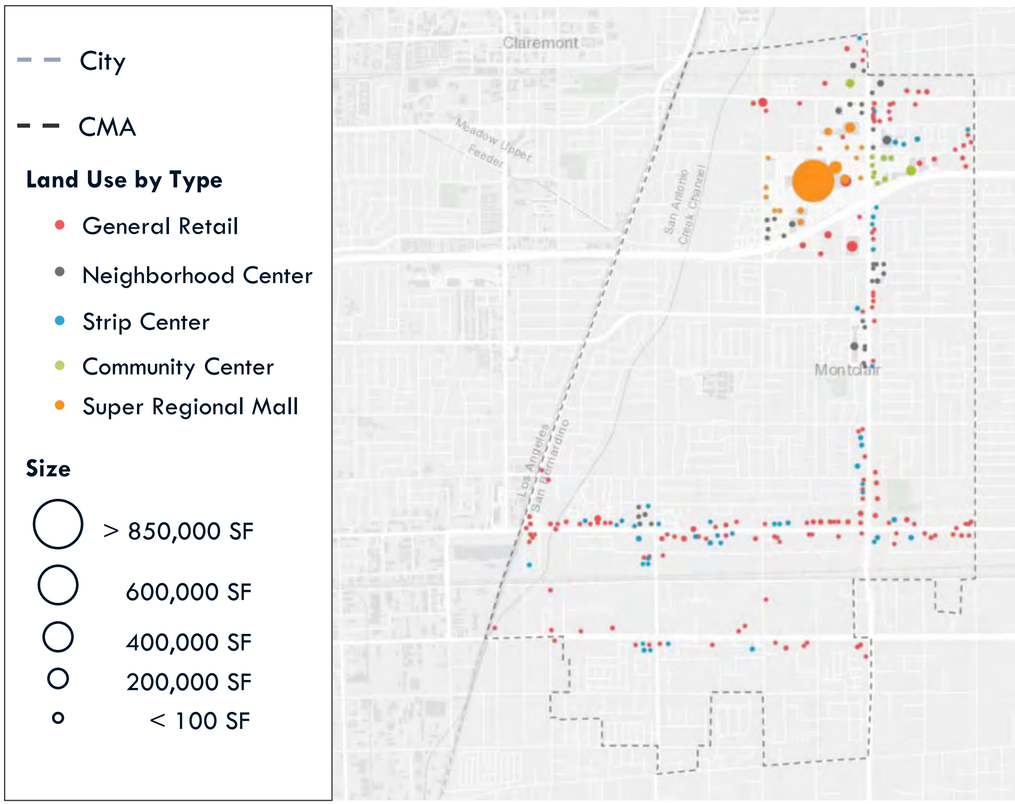
RETAIL INVENTORY IN MONTCLAIR AND SECONDARY MARKET



Source: CoStar, Esri

Nearly three-quarters of all retail in Montclair is old, built between 1960-1990. In the last ten years, Montclair has added 4.5% retail inventory. Of the 4.5 million SF of rentable building area in Montclair, 64% of is in strip malls and the remaining is freestanding.

CHARACTERISTICS OF RETAIL SPACES IN MONTCLAIR

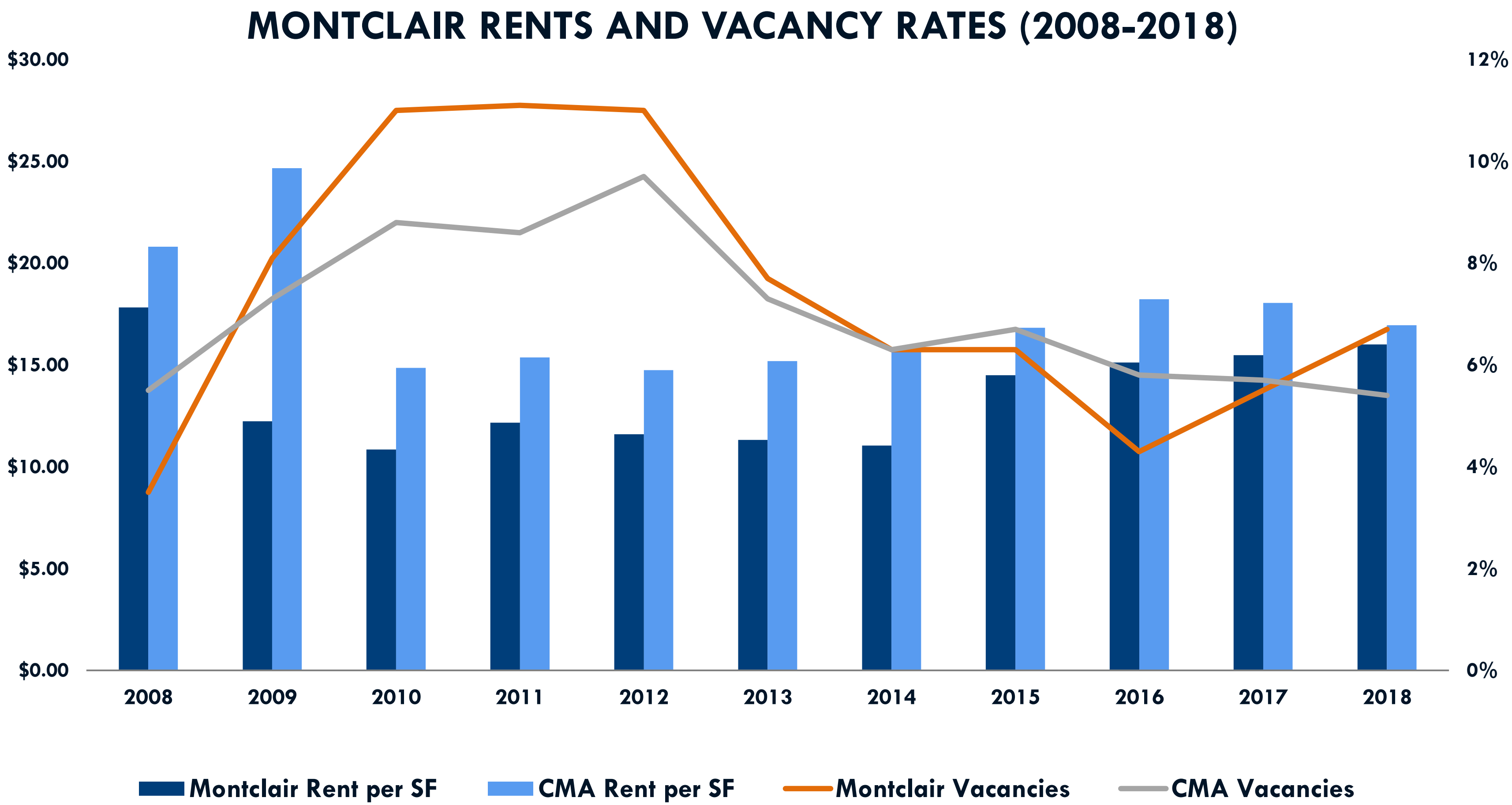


Retail Age Breakdown		
Year Built	Rentable Building Area	Percent of existing total
1910-1960	226,745	5%
1961-1970	1,389,990	32%
1971-1980	559,726	13%
1981-1990	1,126,330	26%
1991-2000	365,417	8%
2001-2010	445,685	10%
2011-2018	194,659	5%

Source: CoStar, Esri

Retail | Citywide Performance

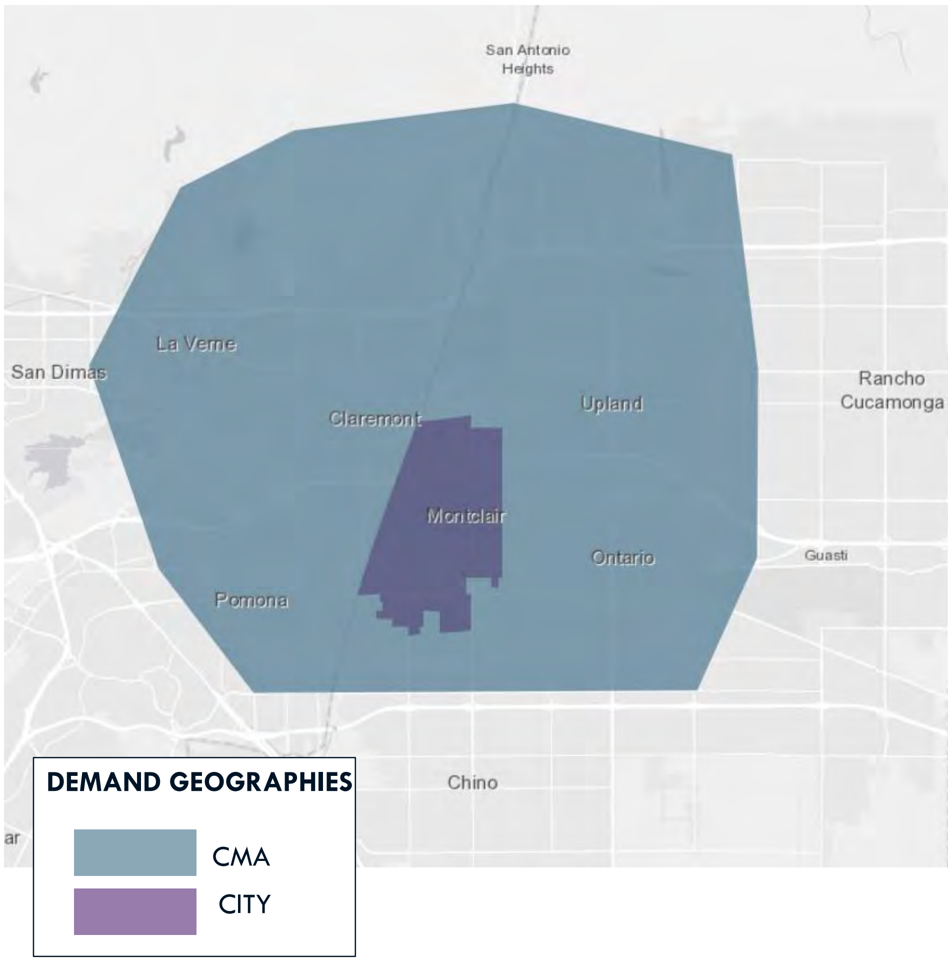
Montclair's retail market has historically performed similar to the Competitive Market. While vacancies have stabilized, rents have not climbed up to pre-recession levels. Retail owners have kept places occupied by keeping rents depressed.



Source: CoStar

Retail Demand Methodology

To estimate Project-level retail demand, HR&A converted current and future spending of residents and employees to supportable retail square footage and applied an appropriate City-level capture rate.



Current Spending of **Residents and Employees** Less: Current Retail Sales = **Current Unmet Demand**

Estimate **Future Resident and Employee Spending** (based on projected household and employee growth)

Convert to **Supportable Retail Square Footage** (based on average sales per square footage)

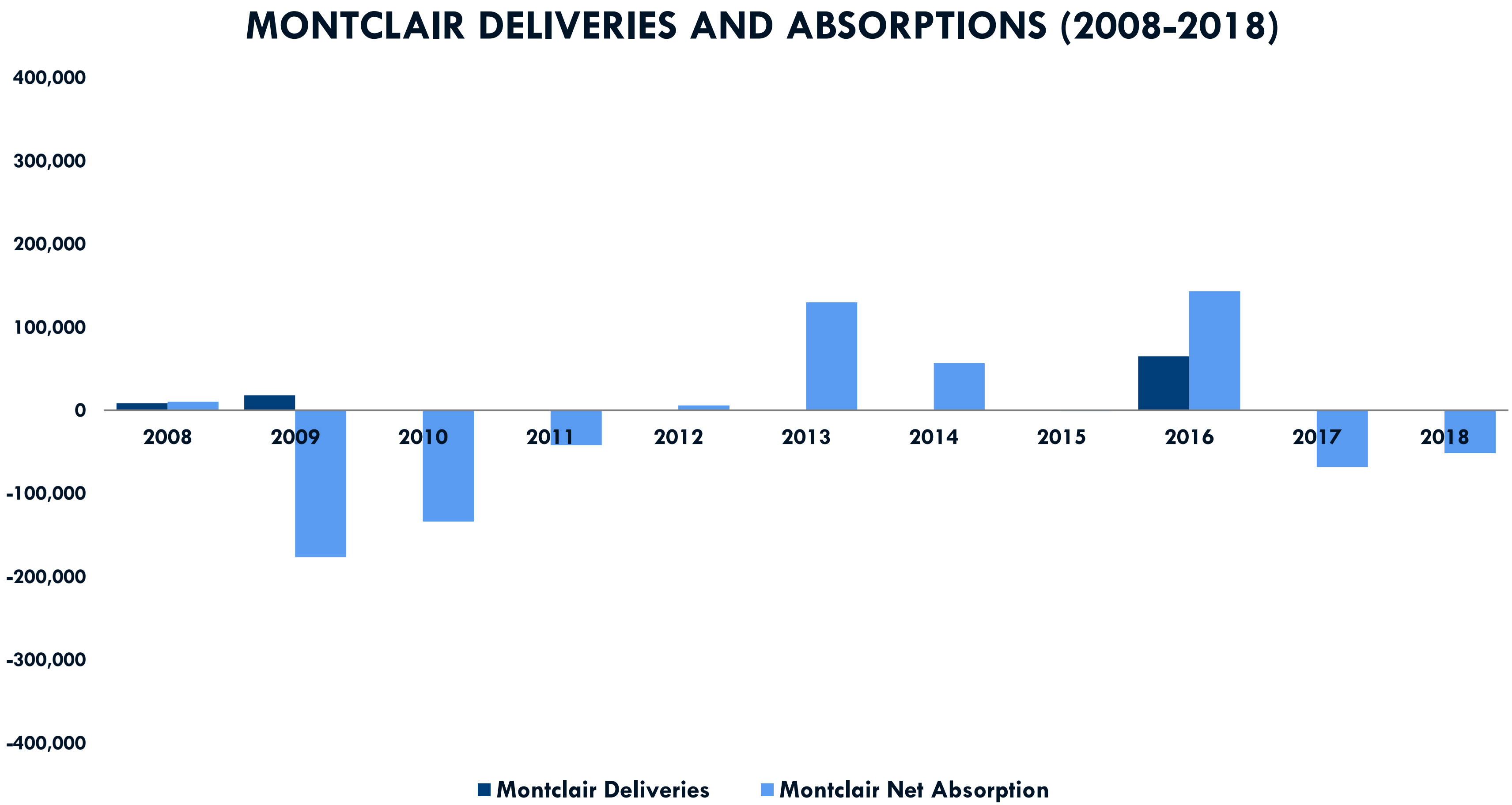
Convert to **Supportable Retail Square Footage** (based on average sales per square footage)

Subtract Planned and Proposed

Current and Projected **Supportable Retail Square Footage**

Retail | Citywide Inventory

There have hardly been any deliveries of retail in Montclair with generally negative absorption. Montclair's largest retail space, the Montclair Place mall, is being repositioned leaving the future of viable retail within the City in question.

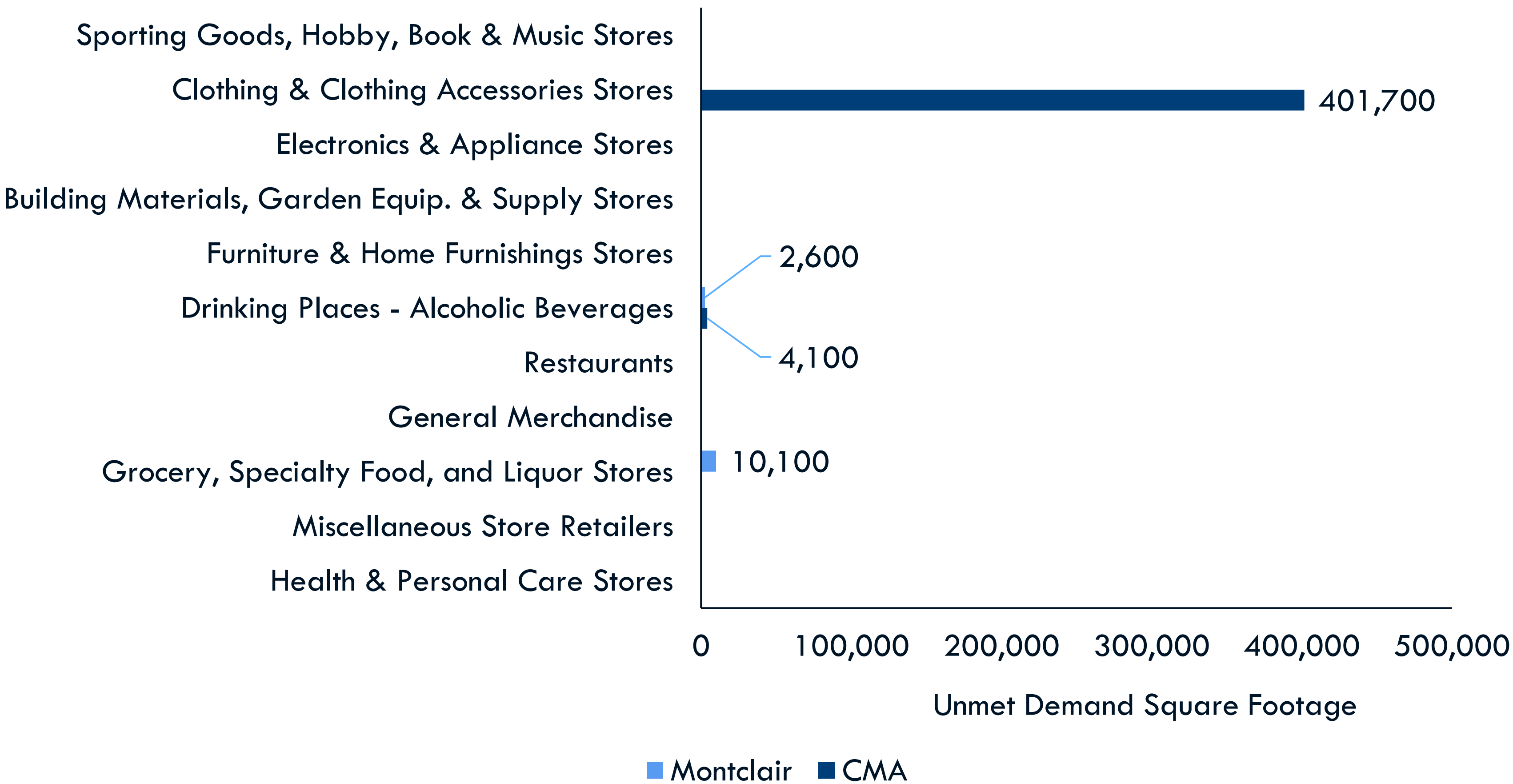


Source: CoStar

Retail | Demand

HR&A estimates that there is current unmet citywide demand for only about 13,000 SF of retail. However, the CMA currently has unmet demand for about 400,000 SF of retail space, focused mostly on clothing stores.

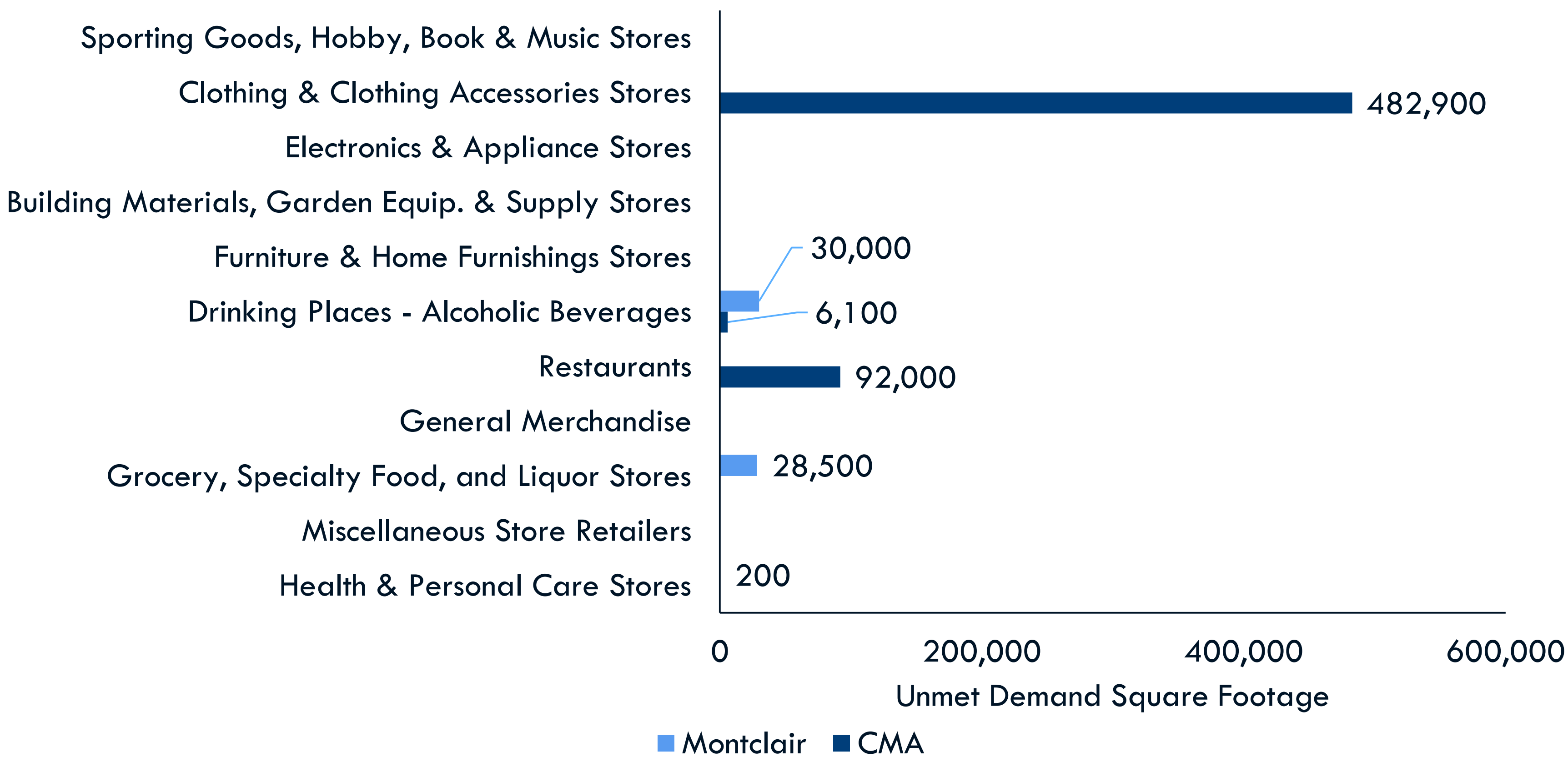
TOTAL UNMET DEMAND (SF) IN THE CITY AND CMA



Retail | Demand

Resident and employment growth in the City and CMA through 2040 will create modest demand across several retail categories. Without significant new demand for retail, redevelopment of underperforming retail space may prove to be a better investment.

FUTURE UNMET DEMAND (SF) IN THE CITY AND CMA



Retail | Key Findings and Considerations

- The City and CMA has a **significant amount of retail space**, primarily concentrated along freeways and commuting corridors.
- The CMA demand for clothing stores is **likely captured within destination retail centers, such as Ontario Mills and Victoria Gardens, which are located immediately outside of the CMA.**
- Even with future resident and employment growth**, there is only a modest demand for new retail space.**
- New retail development should focus on **redevelopment of underperforming retail spaces,** creating higher quality, destination-type retail.
- **New housing development will support additional retail square footage.**