



Emeryville Residential Analysis

Market: San Francisco - Emeryville
Address: 5850 Shellmound Way
Date: December 2021

Agenda

1	Emeryville Residential Market	2
2	Regional Residential Market	7
3	Residential Feasibility Analysis	15
4	Mixed Use Analysis	22



1. Emeryville Residential Market

Emeryville Market Analysis

Emeryville Submarket Overview

- The Emeryville submarket is one of the smallest submarkets in the Bay Area in terms of size and total unit inventory. However, the city's high concentration of business, retail and housing creates an urban feel.
- Emeryville is a premier submarket in the East Bay area due to its proximity to Oakland and San Francisco. Of the 3,500 units in Emeryville, over half are considered high-quality (4 & 5 star) assets.
- Emeryville was hit hard from impacts of COVID-19, with rents decreasing by 13.1% from 2019 to 2020. Since 2020, demand for housing has increased, current vacancy in the Emeryville market is at 4.7%.
- Emeryville is the East Bay's most expensive submarket however is still a more affordable option than San Francisco.
- Outside of the Sherwin Williams residential project, which will bring 500 units to market in 2022, there are no major residential projects in the Emeryville pipeline.

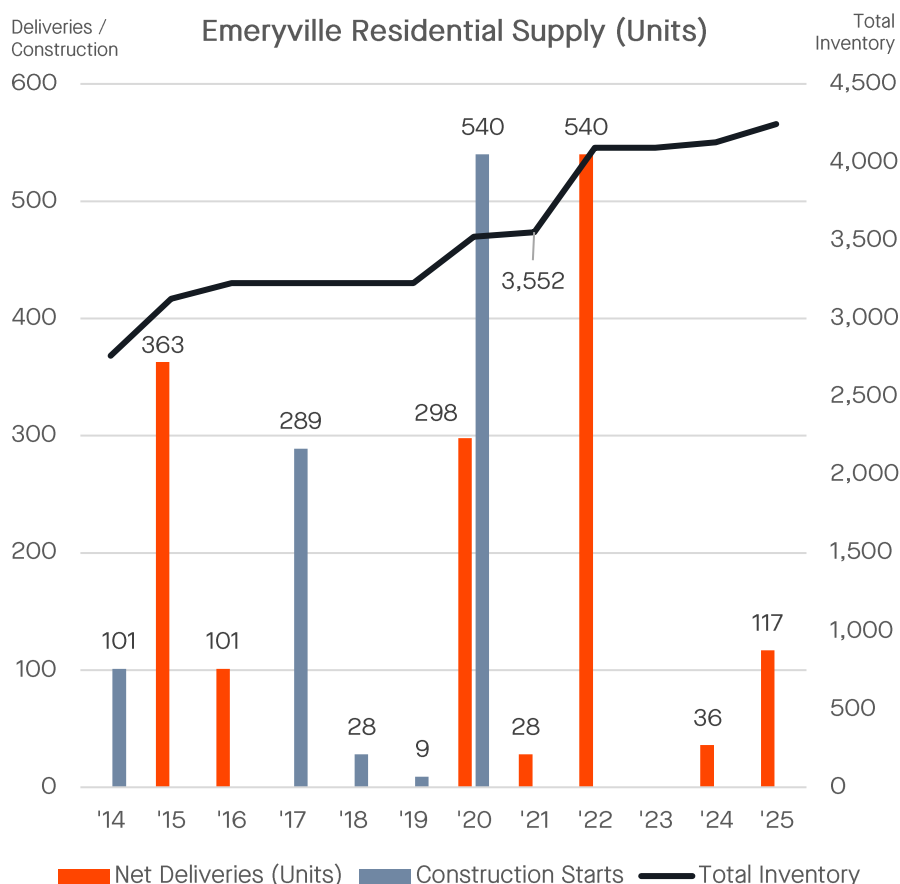


Sources: CoStar

OVERALL SUPPLY GROWTH

Supply Overview

- Over an eight-year time frame (2014-2021), the Emeryville market experienced an average annualized growth of 3.7%. Total inventory grew by 790 units over the eight-year period.
- From 2017 to 2019 there was no growth in the Emeryville housing supply.
- The largest single development in Emeryville over the past 8 years was the Avalon Public Market, a 223-unit mid-rise project which began construction in 2017 and delivered in 2020.
- The Sherwin Williams project, located on Horton Street and Sherwin Avenue, will bring approximately 500 units to market. The project is tentatively scheduled to deliver in 2022.
- Outside of the Sherwin Williams project, there are no residential developments of over 200 units planned in Emeryville.
- In 2015, the 363 units that were delivered in Emeryville consisted of 2 separate developments (Emme Apartments and Parc on Powell).

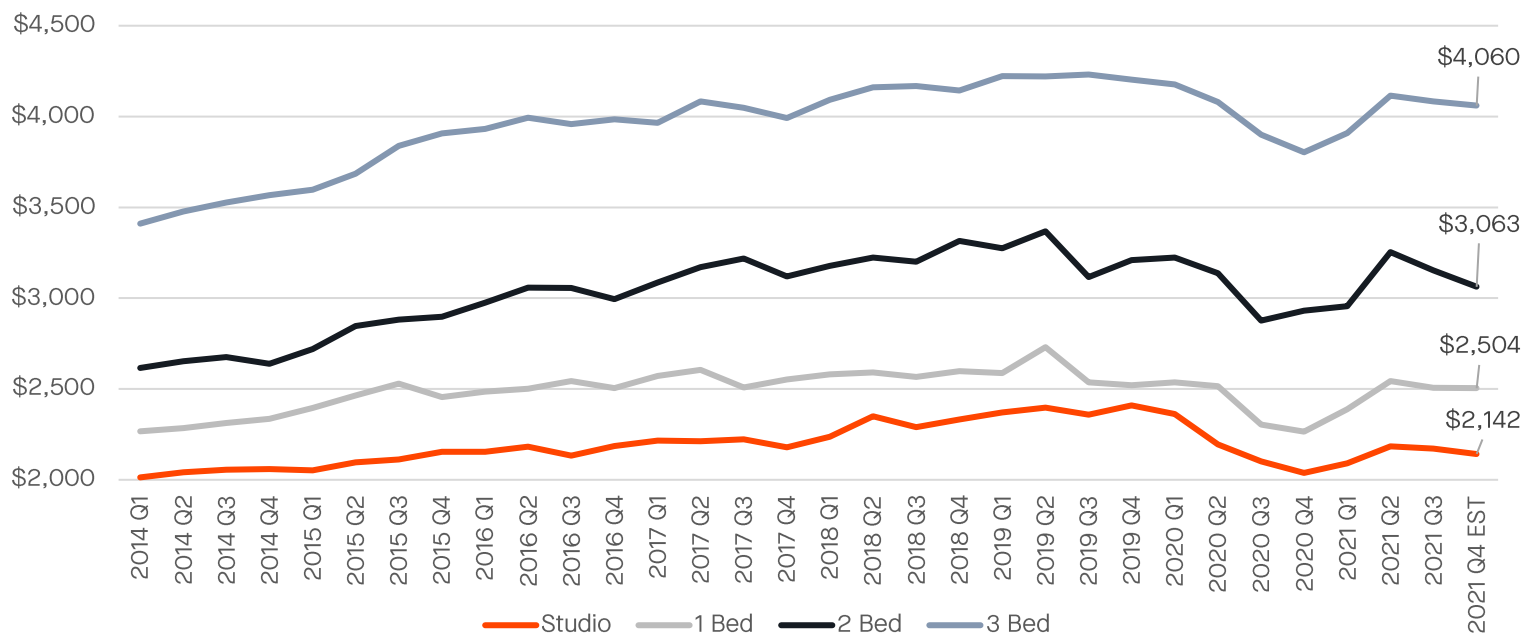


Sources: CoStar, Axiometrics, Property Sites

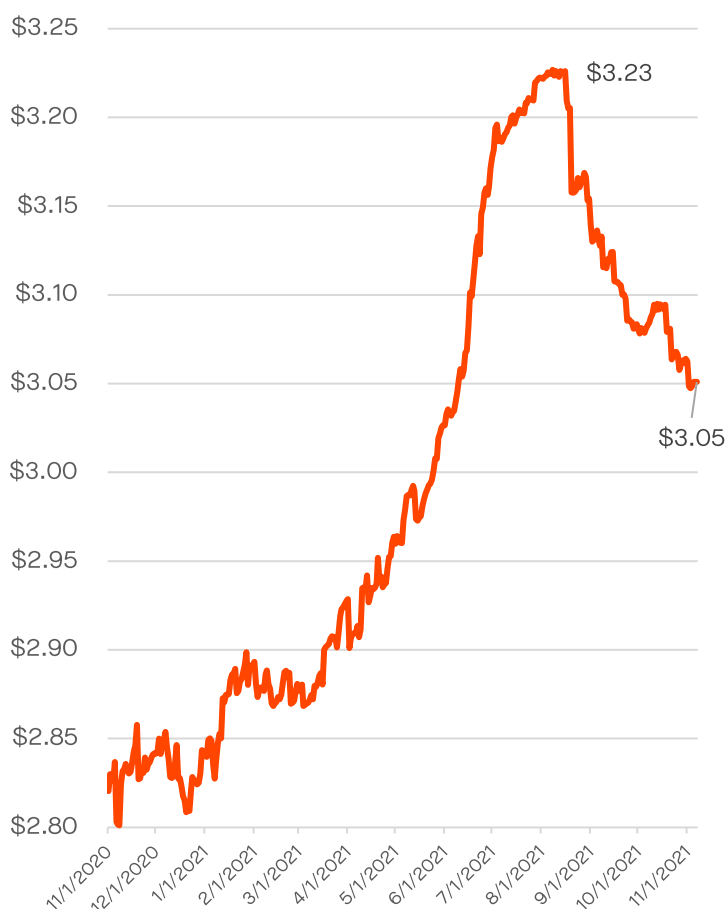


Emeryville Market Rent Analysis

Market Rent Per Unit by Bedroom



Emeryville Rent PSF (Nov 2020 - Nov 2021)



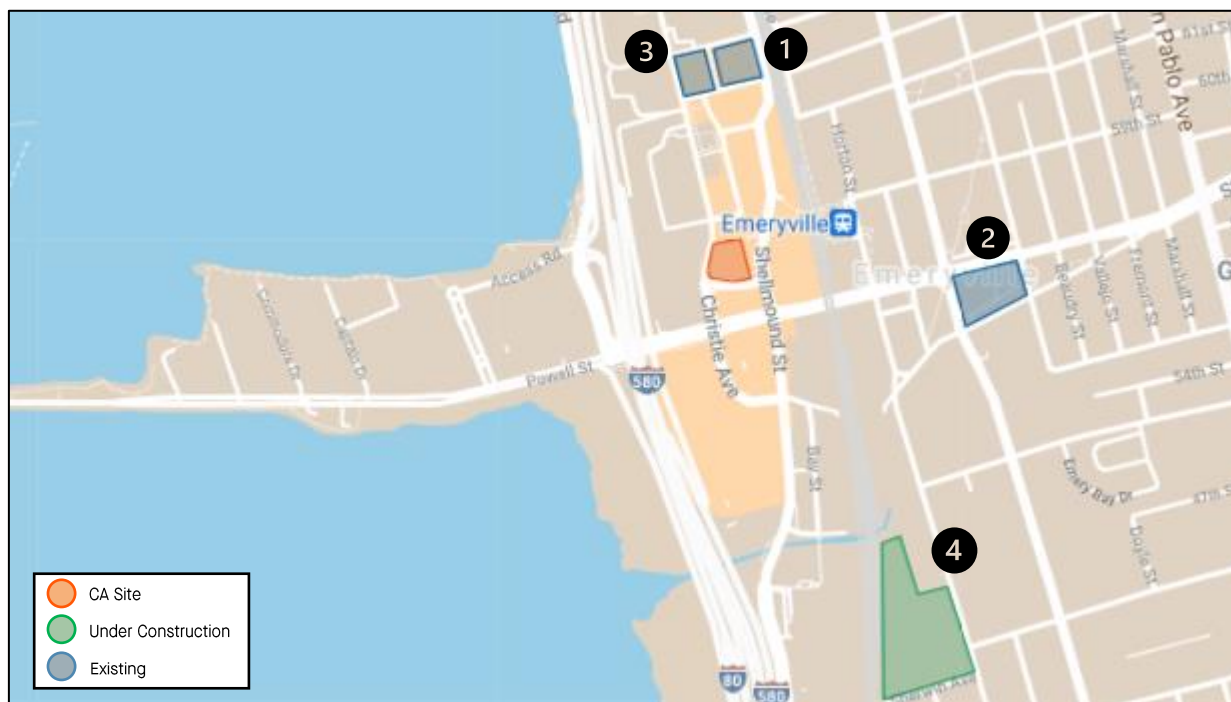
Sources: CoStar, Axiometrics, Property Sites

Emeryville Market Rent Overview

- At \$2,885, average asking in Emeryville for all unit types is significantly higher than most neighboring submarkets in the East Bay. Compared to rents in San Francisco, Emeryville offers residents with significantly discounted rents while maintaining similar quality of product.
- On average, residents are paying \$4,000 per unit for 4 and 5 star properties in San Francisco's South of Market submarket. For similar 4 and 5 star quality properties in Emeryville the average rent is \$3,195, offering residents a 25% discount compared to the South of Market submarket in San Francisco.
- Emeryville was heavily impacted by the pandemic as growth asking rents in 2020 turned negative. Since Q4 2020, rates have steadily increased and are approaching pre-pandemic levels. Year-over-year rent growth in Emeryville is 9.4%.
- While Emeryville asking rents rebounded significantly from the COVID-19 downturn, recent trends show negative growth for all unit types and most notably a 5.5% decrease in per square foot rents over the past 3 months.
- Emeryville is one of the only submarkets in the East Bay that does not currently enforce rent controls (per CoStar).
- From 2014 to 2021, rents in Emeryville experienced on average an annualized growth of 1.47%.



Emeryville Residential Developments



1. Avalon Public Market

Site Description: The Avalon Public Market sits on a 2.25-acre site located on 6301 Shellmound St.

Units: 223

Year Built: 2020

Parking Spaces: Access to 565 covered and 921 surface spaces at the shopping center.

Vacancy: 5.1%

Average Rents:

Studio: \$2,809

1 Bedroom: \$3,238

2 Bedroom: \$3,984

3 Bedroom: \$5,066



2. Parc on Powell

Site Description: Parc on Powell sits on a 2.35-acre site located on 1333 Powell St.

Units: 166

Year Built: 2015

Parking Spaces: Access to retail parking garage.

Vacancy: 2.7%

Average Rents:

Studio: \$2,469

1 Bedroom: \$2,841

2 Bedroom: \$3,537

3 Bedroom: \$4,694



3. Emme Apartments

Site Description: Emme Apartments sits on a 1.21-acre site located on 6350 Christie Ave.

Units: 190

Year Built: 2015

Parking Spaces: 190

Vacancy: 4.0%

Average Rents:

Studio: \$2,047

1 Bedroom: \$2,811

2 Bedroom: \$3,365

3 Bedroom: \$4,492



4. Sherwin Williams

Site Description: The Sherwin Williams project under construction sits on an approximate 8-acre site and will include 74,000 square feet for life science use.

Units: 500

Year Built: Projected 2022

Parking Spaces: ~950



Residential Site Analysis



RESIDENTIAL BUILDINGS	ACRES	DIFFERENCE TO CA SITE	UNIT COUNT	PARKING SPACES	PARKING TO UNIT RATIO	RESIDENTIAL SF
Avalon Public Market	2.25	+0.76	223	Access to over 1,000 spaces	-	222,000
Parc on Powell	2.35	+0.86	166	Access to retail parking lot	-	-204,000
Sherwin Williams	7.90	+6.44	500	~959	1.78	639,800
58Fifty - Residential	1.49		244	146 ^{1,2}	0.6	217,000

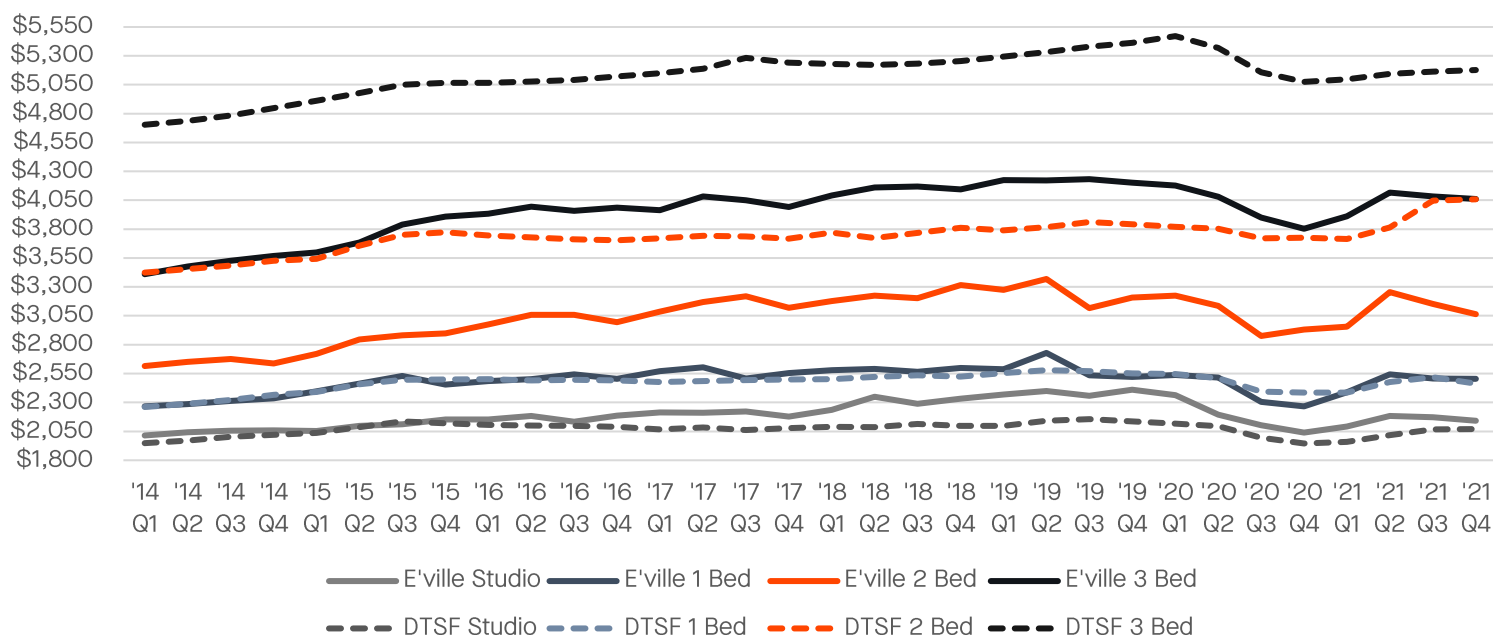
¹The project sits in a Transit Overlay Zone and there for the parking spaces are decreased by 50%, however for underwriting purposes in order to increase revenue, a 1:1 parking to unit ratio was assumed (244 spaces)

²Assumes project receives 10% bonus to parking ratio

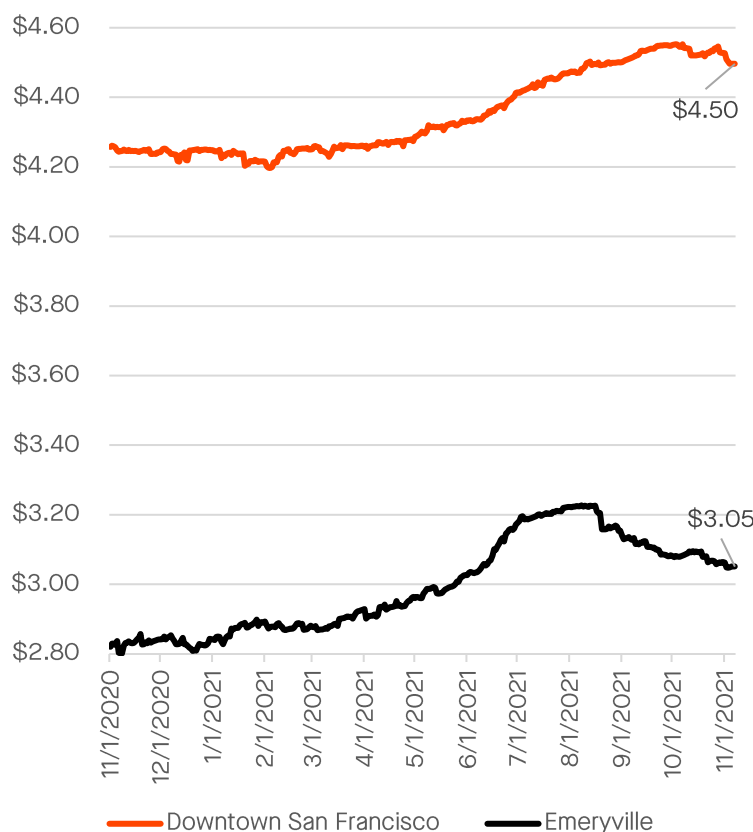
2. Regional Residential Market

Downtown San Francisco Market Rent Analysis

Emeryville & Downtown San Francisco Market Rent by Unit Type



Submarket Daily Rent PSF Trends (Nov 2020 – Nov 2021)



Market Rent Overview Comparison

Submarket	Period	2021 Q3	Vs. Emeryville
Downtown San Francisco	Studio	\$2,068	-4.7%
	1 Bed	\$2,519	0.5%
	2 Bed	\$4,047	28.4%
	3 Bed	\$5,164	26.4%
Emeryville	Studio	\$2,171	-
	1 Bed	\$2,507	-
	2 Bed	\$3,153	-
	3 Bed	\$4,084	-

- Overall, Downtown San Francisco rents experienced less volatile rent growth during the height of the pandemic compared to Emeryville.
- Downtown San Francisco per square foot rents follow a similar trend as Emeryville with a recent decline.
- Downtown San Francisco daily PSF rents are approximately 50% higher than Emeryville and 25% higher than Oakland. Due to the glaring premium in Downtown San Francisco, the rest of the regional analysis will focus on the East Bay submarkets of Berkeley, Oakland and Fremont/Hayward.

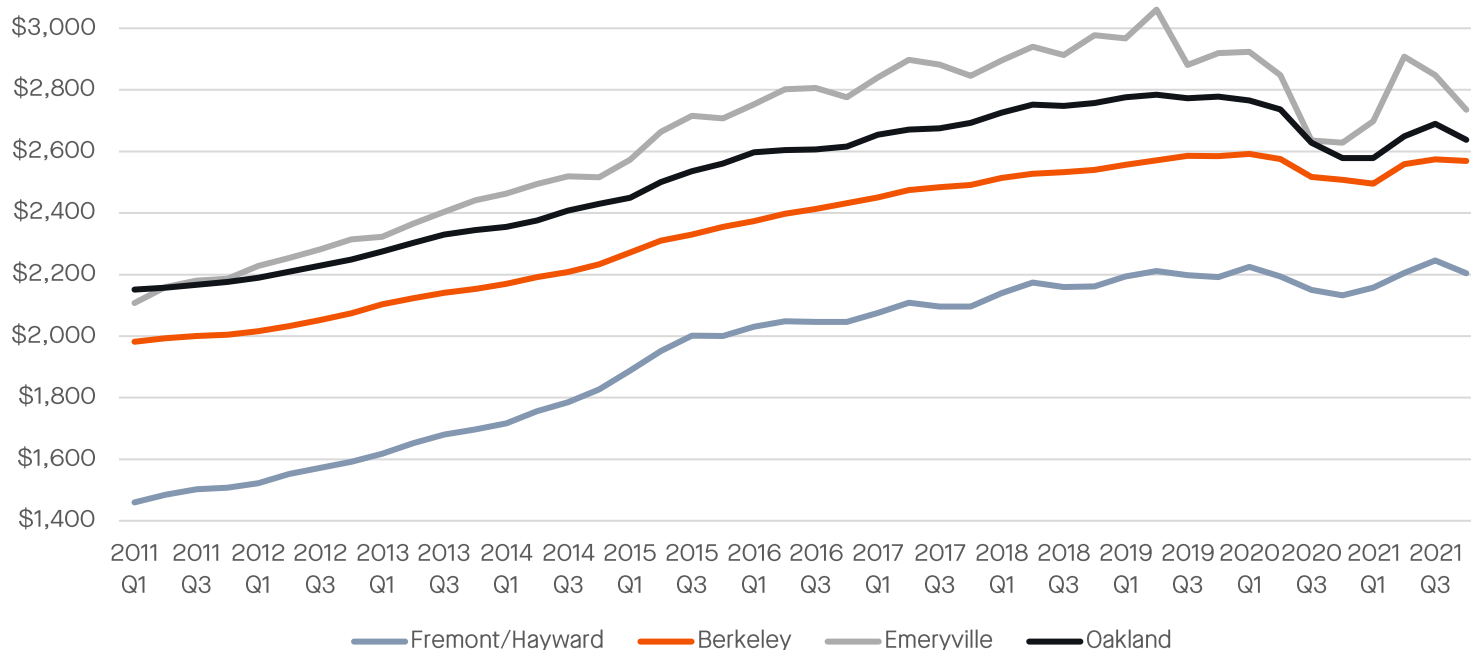
Sources: CoStar



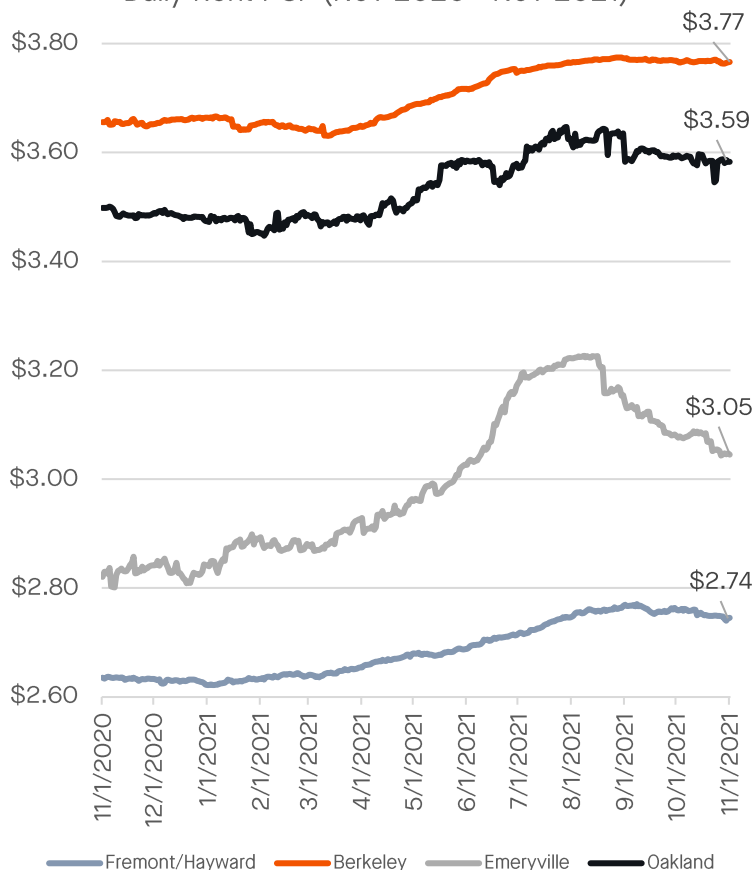
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East Bay Market Rent Analysis

Market Rent Growth (2011-2021)



Daily Rent PSF (Nov 2020 - Nov 2021)



Rent Overview

- As construction costs have risen over the past 10 years, average market rent has followed a similar trend in order to maintain financial feasibility for new development projects.
- From 2011 to 2019, Berkeley, Fremont/Hayward, and Emeryville all experienced considerable growth in average market rent, which includes properties of all sizes and quality.
- As seen in the graph above, COVID-19 had a significant impact on average market rent. The three markets examined all experienced negative rent growth in 2020.
- Compared to the Fremont/Hayward and Berkeley markets, Emeryville was impacted most severely by COVID-19 as average market rents dropped to 2015 levels.
- Recent trends show that in the beginning of 2021, market rents in all three markets began to right-size to pre-pandemic levels. However, in Q3 and Q4 of 2021, average market rents have started to experience negative growth once again. Compared to Berkeley and Fremont/Hayward, Emeryville has the most volatile growth trends with Q4 2021 rents in-line with 2016 rent levels.

Sources: CoStar



East Bay 4 & 5 Star Property Comp Set Overview

Unit Area Comparison (Weighted Avg SF)

Year	Emeryville	Berkeley	Fremont / Hayward	Oakland
Studio	635	530	547	513
1 BR	774	705	713	720
2 BR	1,117	972	1,090	1,060
3 BR	1,372	1,174	1,268	1,400
WAVG	957	785	907	809

Rent per Month (Weighted Avg)

Year	Emeryville	Berkeley	Fremont / Hayward	Oakland
Studio	\$2,632	\$2,641	\$1,818	\$2,349
1 BR	\$2,718	\$3,043	\$2,408	\$3,082
2 BR	\$3,297	\$4,361	\$3,199	\$3,721
3 BR	\$4,116	\$5,603	\$2,867	\$4,856
WAVG	\$3,076	\$3,521	\$2,749	\$3,220

Rent PSF (Weighted Avg)

Year	Emeryville	Berkeley	Fremont / Hayward	Oakland
Studio	\$4.15	\$4.98	\$3.32	\$4.58
1 BR	\$3.51	\$4.32	\$3.38	\$4.28
2 BR	\$2.95	\$4.49	\$2.94	\$3.51
3 BR	\$3.00	\$4.77	\$2.26	\$3.47
WAVG	\$3.34	\$4.60	\$3.05	\$4.14

Year Built (Weighted Avg)

Market	Year Built
Emeryville	2011
Berkeley	2016
Fremont / Hayward	2015
Oakland	2018

Data Set Overview

Criteria:

- 4 & 5 star properties
- 50+ units
- Completed after 2000

	Emeryville	Berkeley	Fremont / Hayward	Oakland
Property Count	9	14	13	16
Unit Count	1,715	1,690	2,992	4,159

East Bay Property Overview

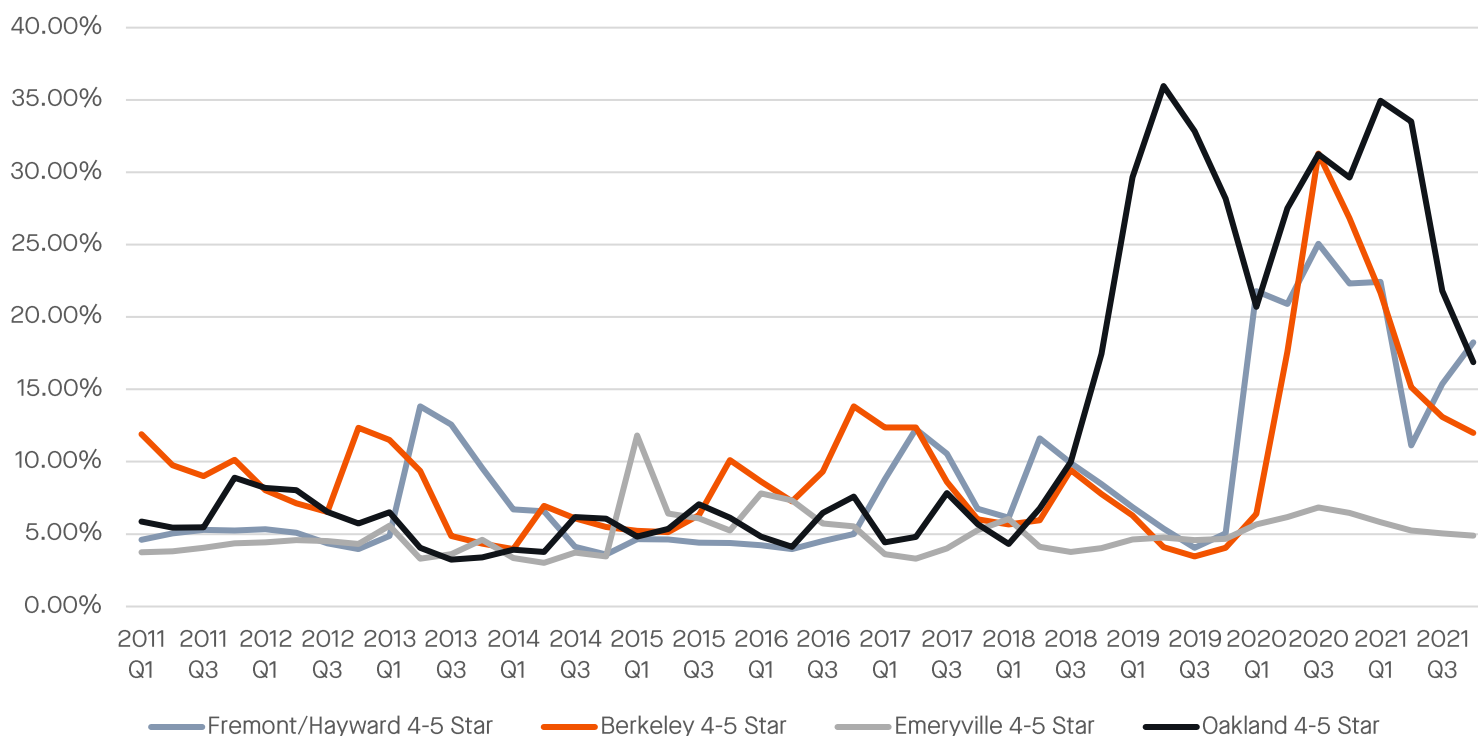
- Emeryville unit areas are considerably larger in comparison to unit areas in Berkeley, Fremont/Hayward and Oakland. Outside of 3-bedroom apartments in Oakland, Emeryville has the largest unit areas for each unit type in all three submarkets.
- On a weighted basis across all unit types, Emeryville unit areas are 50 to 172 square feet larger than the three other East Bay Markets.
- Based on the properties included in the data set, Emeryville rents on a chunk rent and PSF basis are significantly lower than Berkeley and Oakland.
- The Fremont/Hayward market represents the lowest rents in the data set examined. However, the Fremont/Hayward market is a notably less urban market compared to Emeryville, Berkeley and Oakland.
- Based on the properties included in the data set, Emeryville has the oldest inventory with the average year built in 2011.
- The Fremont/Hayward is the largest submarket included in terms of inventory, however the majority of the housing stock in Fremont/Hayward is below 4 & 5 star quality. There have only been three 4 & 5 star residential developments in Fremont/Hayward since 2018.

Sources: CoStar



East Bay 4 & 5 Star Property Vacancy

4 & 5 Star Vacancy



Total Inventory Growth (Unit Count / % Growth)

Year	Fremont/ Hayward	Berkeley	Oakland	Emeryville
2011	44,491 / 0.0%	15,645 / 0.0%	12,870 / 0.0%	2,587 / 0.0%
2012	44,491 / 0.0%	15,788 / 0.9%	12,870 / 0.0%	2,576 / -0.4%
2013	44,832 / 0.8%	15,826 / 0.2%	12,870 / 0.0%	2,752 / 6.8%
2014	44,832 / 0.0%	15,935 / 0.7%	12,966 / 0.7%	2,752 / 0.0%
2015	44,832 / 0.0%	16,206 / 1.7%	13,071 / 0.8%	3,115 / 13.2%
2016	44,827 / 0.0%	16,514 / 1.9%	13,126 / 0.4%	3,216 / 3.2%
2017	45,078 / 0.6%	16,605 / 0.6%	13,217 / 0.7%	3,216 / 0.0%
2018	45,470 / 0.9%	16,879 / 1.7%	13,889 / 5.1%	3,216 / 0.0%
2019	45,470 / 0.0%	16,899 / 0.1%	16,139 / 16.2%	3,216 / 0.0%
2020	46,410 / 2.1%	17,226 / 1.9%	17,448 / 8.1%	3,514 / 9.3%
2021	47,379 / 2.1%	17,594 / 2.1%	20,071 / 15.0%	3,542 / 0.8%

Sources: CoStar

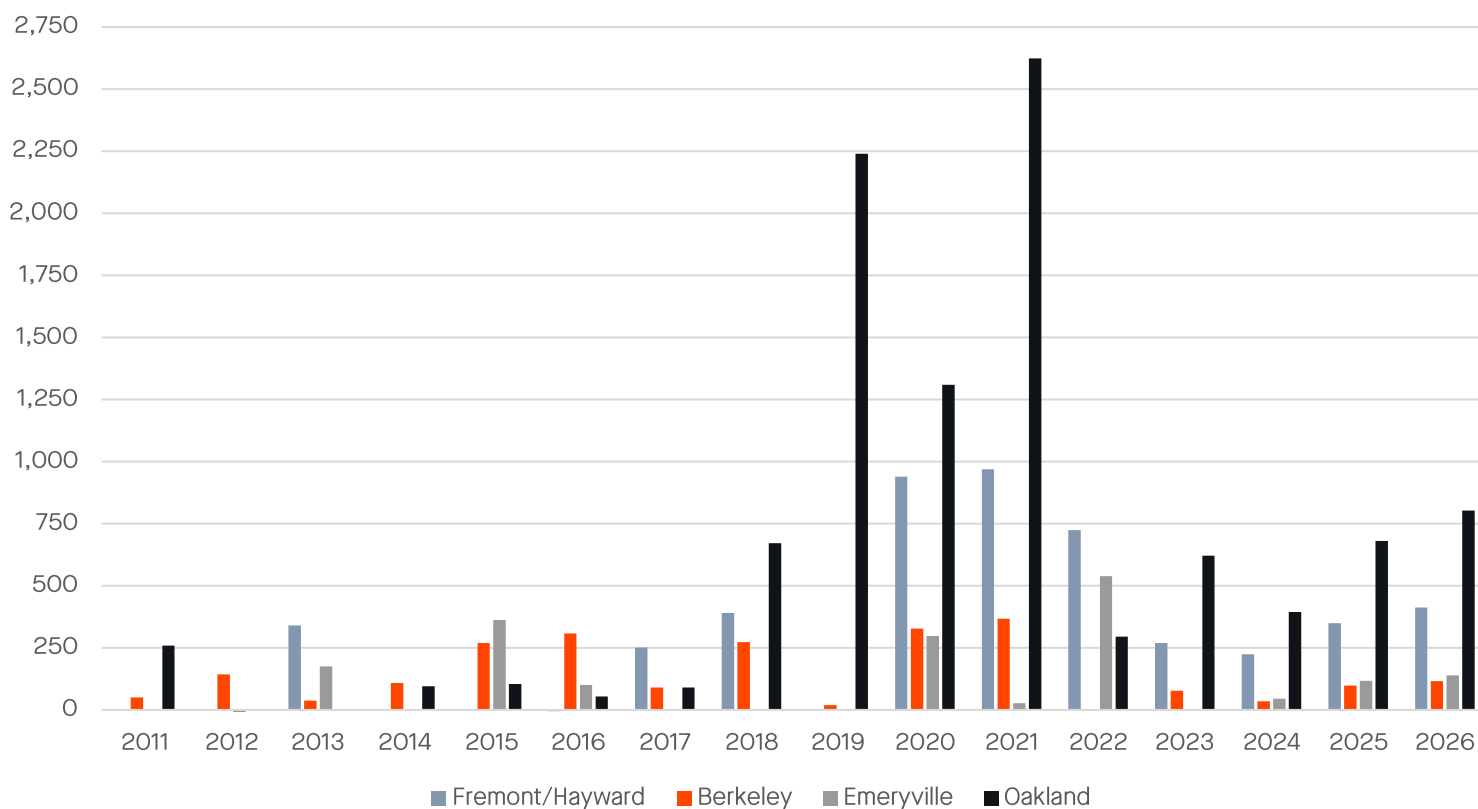
Pipeline Overview

- Overall, the East Bay residential inventory have experienced slight growth over a 10-year time period. Notably, the largest market, Fremont/Hayward, experienced 0% year-over-year growth 6 out of the past 11 years.
- Out of the Berkeley, Fremont/Hayward, and Emeryville markets, Berkeley has experienced the most consistent year-over-year growth from 2011 to 2021.
- Rising construction costs, lengthy permitting processes and supply chain constraints are contributing factors to the lack of inventory growth in the East Bay residential market.
- When examining 4 & 5 star (high-quality) assets in each market, Emeryville properties have had the most stable vacancy from 2018 to 2021 compared to Fremont/Hayward and Berkeley.



East Bay Development Pipeline

Total Net Deliveries (2011 – 2021)



Total Net Deliveries (2011 – 2026)

Period	Fremont/Hayward	Berkeley	Emeryville	Oakland
2011	0	51	0	259
2012	0	143	-11	0
2013	341	38	176	0
2014	0	109	0	96
2015	0	270	363	105
2016	-5	308	101	55
2017	251	91	0	91
2018	391	274	0	672
2019	0	20	0	2,240
2020	940	327	298	1,309
2021	969	368	28	2,623
2022	724	-2	539	295
2023	269	78	-1	621
2024	225	35	45	395
2025	350	98	117	680
2026	413	116	139	803

Sources: CoStar

East Bay Pipeline Overview

- Oakland and Berkeley represent the submarkets with the most active pipeline in terms of yearly deliveries.
- The Bay Area as a region faces development difficulties due to some of the highest construction costs in the world. However, Oakland and Berkeley have proven that efficient buildings in terms unit size paired with PSF rents higher than \$4.00 PSF/month can create residential development opportunity.
- The Fremont/Hayward and Emeryville submarkets have experienced minor inventory growth over the past 10 years. In comparison to Berkeley and Oakland, Fremont/Hayward and Emeryville have significantly larger units and lower rents on a PSF basis.



Fremont/Hayward Proposed/Under Construction Developments

The Beacon – 3510 Beacon Ave, Fremont CA

- The 275-unit luxury apartment building is near completion and located in downtown Fremont and is currently accepting pre-leases.
- Based on comparable 4 & 5 star properties in Fremont/Hayward, The Beacon is offering rents significantly higher than the market average for a similar product.

Rent per Month

Year	The Beacon	Fremont / Hayward (WAVG)
Studio	\$2,850 - \$3,160	\$1,818
1 BR	\$3,033 - \$4,999	\$2,408
2 BR	\$3,786 - \$6,377	\$3,199
3 BR	N/A	\$2,867
WAVG	\$3,076	\$2,749

Bay Rock Fremont Apartments – 39150 Fremont Blvd, Fremont CA

- The 240-unit luxury apartment building is located in downtown Fremont and is expected to deliver in November 2023.
- The property will include approximately 5,500 square feet of retail space and has not disclosed rents or unit sizes.



Fremont Hub – 4020 Fremont Hub, Fremont CA

- The 303-unit proposed apartment building is located in downtown Fremont and is expected to deliver in November 2024.
- The property will be part of the first phase of a larger master plan which will include several commercial and residential developments in an effort to create an “urban plaza”.



Maple & Main – 22455 Main St, Hayward CA

- The 314-unit proposed apartment building is located on a 3.36-acre site in downtown Hayward and is expected to deliver in November 2023.
- The property will be part of the first phase of a larger mixed use master plan for the site. Along with the 314-unit apartment building, the first phase will include retail space, a 504-stall parking garage and a 48,000 square foot medical office building.



Lincoln Landing, 22301 Foothill Rd, Hayward CA

- The 474-unit apartment building under construction is located on a 9-acre site in downtown Hayward and is expected to deliver in the Spring of 2022.
- The property will be part of a mixed use development plan that will include 82,000 square feet of retail space. As a part of the project, the developer donated nearly \$1.7M to the city's trust fund for creation of affordable housing.



Hayward Mission, 29497- 29553 Mission Blvd, Hayward CA

- The 140-unit affordable housing development is under construction and is expected to deliver in June of 2023.
- The project will include 1,800 square feet of retail space and a 2,700 square foot daycare center.

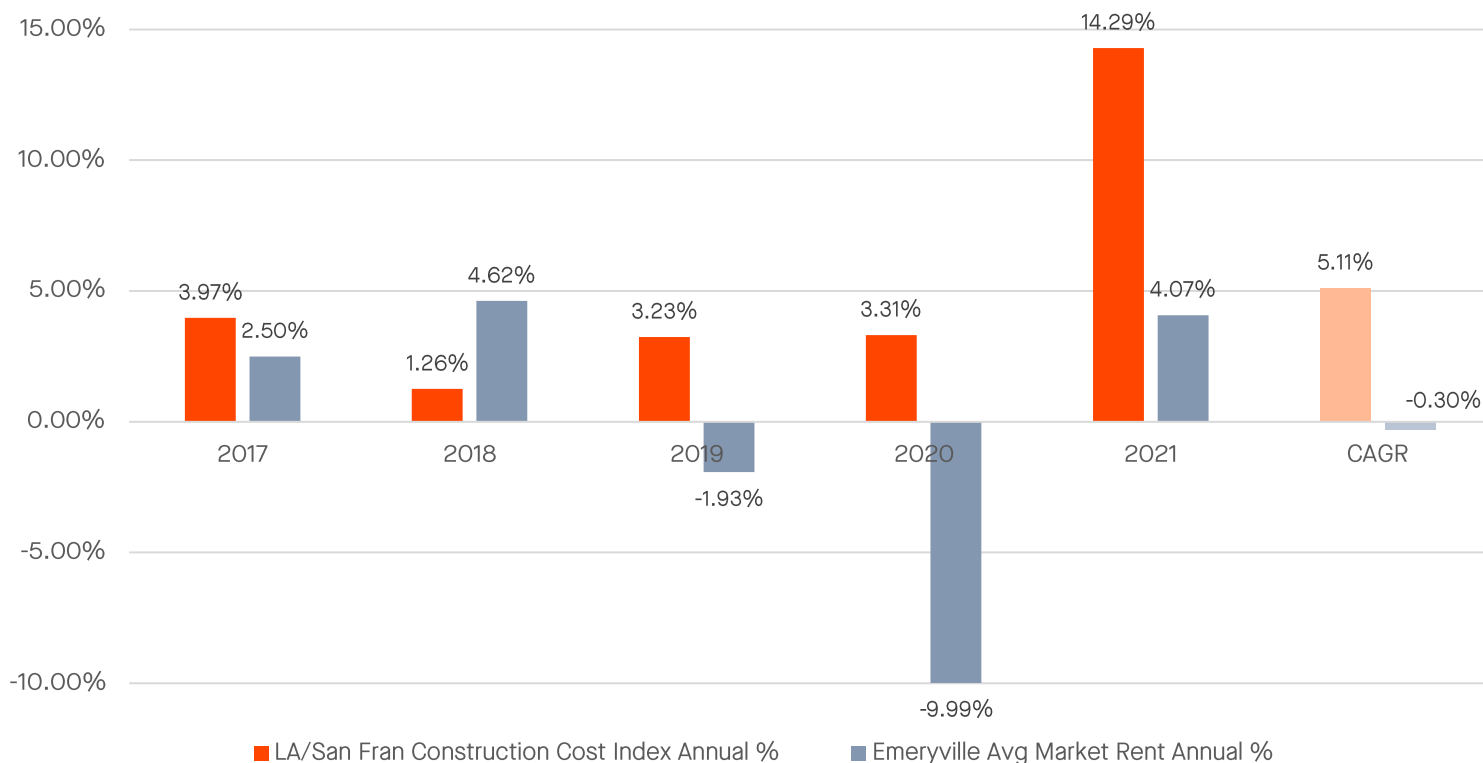


Sources: CoStar, property sites, developer sites, San Francisco Business Times



California Construction Cost Index

California Construction Cost Index vs Emeryville Average Market Rent Growth



Year	CA Construction Cost Index	Annual %
2016	6,344	-
2017	6,596	3.97%
2018	6,679	1.26%
2019	6,895	3.23%
2020	7,123	3.31%
2021	8,141	14.29%

Year	Emeryville Avg Market Rent	Annual %
2016	\$2,776	-
2017	\$2,846	2.50%
2018	\$2,977	4.62%
2019	\$2,920	-1.93%
2020	\$2,628	-9.99%
2021	\$2,735	4.07%

Construction Cost Overview

- California Construction Cost Index (CCCI):
 - Based on Building Cost Index
 - Catalogs average costs for San Francisco and Los Angeles
 - Produced by Engineering News Record
- From November 2016 to November 2021, the CCCI has experienced 28% growth. Over the same time period, average market rental rates in Emeryville have fluctuated and currently are at 2016 rent levels largely due to the impacts of COVID-19 on the rental market.
- Construction costs grew by 14.29% from 2020 to 2021, likely resulting from supply chain and labor shortages.
- Since 2019, construction cost annual growth has outpaced average rental rate growth in Emeryville.
- The combination of extraordinary growth in construction costs and rental rate uncertainties in Emeryville has contributed to the current difficulties of achieving financial feasibility for residential development in Emeryville.

Sources: DGS Real Estate Services Divisions, CoStar



3. Residential Feasibility Analysis



Underwriting Methodology

UNDERWRITING METHODOLOGY

	2021 Update	Primary Comp	4 & 5 Star Comps	4 & 5 Star Comps	4 & 5 Star Comps
	5850 Shellmound Way	Avalon Public Market	Emeryville	Berkeley	Oakland
Studios					
Avg. SF	451	604	635	530	513
Rent	\$2,200	\$2,809	\$2,632	\$2,641	\$2,349
Rent PSF	\$4.88	\$4.65	\$4.15	\$4.98	\$4.58
1 Bedroom					
Avg. SF	676	762	774	705	720
Rent	\$2,904	\$3,238	\$2,718	\$3,043	\$3,082
Rent PSF	\$4.29	\$4.25	\$3.51	\$4.32	\$4.28
2 Bedroom					
Avg. SF	989	1,122	1,117	972	1,060
Rent	\$3,746	\$3,984	\$3,297	\$4,361	\$3,721
Rent PSF	\$3.78	\$3.55	\$2.95	\$4.49	\$3.51
3 Bedroom					
Avg. SF	1,288	1,392	1,372	1,174	1,400
Rent	\$4,933	\$5,066	\$4,116	\$5,603	\$4,856
Rent PSF	\$3.83	\$3.64	\$3.00	\$4.77	\$3.47

Sources: CoStar, Axiometrics, Property Sites

TESTED PROGRAM	AFFORDABLE?	SF/UNIT	UNIT COUNT	MONTHLY RENT	VS PRIMARY COMP
Studio	No	451	16	\$2,200	-21.7%
1 BR Apartment	No	676	67	\$2,904	-10.3%
2 BR Apartment	No	989	79	\$3,746	-6.0%
3 BR Apartment	No	1,288	18	\$4,933	-2.6%
4 BR Apartment	No	1,452	16	\$5,500	N/A

Rental Assumptions

- The Avalon Public Market ("APM"), a 223-unit mid-rise property that was delivered in 2020, garners the highest chunk rents¹ in the Emeryville market and serves as the primary comp for 58Fifty if it were a residential development.
- Rents for the 58Fifty were guided by APM per square foot rents, on a chunk rent basis the tested rents are slightly below the chunk rents at APM. In order to generate additional revenue to cover the high construction costs in the Bay Area building area efficiency is critical. The unit sizes for the contemplated 58Fifty program are considerably smaller than its primary comp APM. Based on CA Venture's previously delivered residential buildings and CA standards of development, the property will be highly amenitized and would bring a luxury product to the market. Therefore, on a per square foot basis the tested rents for all unit types are higher than per square foot rents at APM.
- In comparison to the Emeryville market average, tested rents for 58Fifty are significantly higher on a chunk rent and per square foot rent basis.
- 12% of the available units have been allocated as affordable units (4% low income, 8% very low income), in accordance with Section 9_4.204 (d)(1) of the Planning regulations.

¹Total rent per month, not including concessions



Construction Costs

SAN FRANCISCO CONSTRUCTION COST OVERVIEW

The Bay Area is the most expensive region in U.S. to build an apartment building

Across the world, only Tokyo and Hong Kong rank higher in project costs than the Bay Area region.

Sources: Turner & Townsend (via Times Herald)

Average construction hard costs of \$330 per square foot

According to a Turner & Townsend 2020 study of Bay Area construction costs, the average cost of an apartment project was \$425,000 per unit. The current housing crisis has been exacerbated by construction costs driving rents higher and discouraging further development.

Sources: Turner & Townsend (via Times Herald), Invest SF, RLB Building Consultants (via Times Herald)

Labor shortage and supply chain issues driving construction costs

Construction labor costs in the Bay Area have risen to \$105 per hour, second to NYC as the top-paid region for construction workers. Costs for glass, steel and lumber have materially increased, a trend that is expected to continue. RLB Building Consultants forecasts a 7% increase in Bay Area construction costs when the economy returns to full strength.

Sources: Invest SF, RLB Building Consultants (via Times Herald)

Complex approval processes and potential for delays

California has notable high barriers to entry for new development, complex approval processes along with labor scarcity have led to unexpected delays.

Sources: Invest SF, RLB Building Consultants (via Times Herald)

DEVELOPMENT BUDGET COMPARISON

PROJECT COSTS	2020 UNDERWRITE		2021 UNDERWRITE		% DIFFERENCE
	COSTS	GROSS PSF	COSTS	GROSS PSF	
Land Cost	22,148,308	69	22,148,308	69	0.0%
Hard Cost	107,238,051	335	110,669,861	346	3.2%
Soft Costs	34,590,068	108	34,337,860	107	-0.7%
Land, Hard & Soft Costs (Excl. Interest Carry)	163,976,427	513	167,156,029	523	1.9%

Construction Cost Assumptions

- CA Ventures worked with a third-party contractor to gather updated construction costings in the Emeryville area. Based on construction data as of September 2021, CA was provided two updated development budgets for the project. The difference in the updated project budgets was approximately 5% in hard costs. Permitting fees are included in the soft cost figures and were sourced from the Emeryville Master Fee Schedule.
 - Option 1: Hard Costs per square foot: \$328 PSF / Total Hard Costs: \$105.6M
 - Option 2: Hard Costs per square foot: \$308 PSF / Total Hard Costs: \$99.4M
 - Hard costs in the table above were escalated by 3% YoY (assuming a 2023 construction start) and include an industry standard 5% contingency
- For modeling purposes, the lower development budget (Option 2) was selected for the base case in order to provide the project with the best opportunity to achieve financial feasibility.
- Compared to the 2020 underwrite of the contemplated project, hard costs grew by 3.2%.
- Land costs are based on a previously negotiated and agreed upon purchase price with the land seller at \$22M and approximately \$148,000 is closing costs. Below provides a high-level overview of recent transactions in the Emeryville area:

Address	Zoned	Current Use	Approx Site Area (Acres)	Approx Site Area (SF)	Purchase Price	Price per Acre	Price per Land SF	Transaction Date
5850 Shellmound Way	MUR	Office	1.49	65,000	\$22,000,000	\$14,770,000	\$340	
Primary Comp Totals			3.00	131,000	\$53,190,000	\$17,730,000	\$410	
MUR Totals			7.46	326,000	\$90,470,000	\$12,130,000	\$280	
Primary Comps								
6101 Christie Ave	MUR	Office	0.51	22,000	\$6,900,000	\$13,530,000	\$310	9/1/2021
5900 Shellmound St	MUR	Parking	0.38	17,000	\$10,790,000	\$28,390,000	\$630	1/1/2021
Sherwin Street	MUR	Vac Land	0.59	26,000	\$13,500,000	\$22,880,000	\$520	12/1/2020
6330 Christie Ave	MUR	Land	1.52	66,000	\$22,000,000	\$14,470,000	\$330	11/1/2016
Others - Large Sites								
1650 65th Street	I	Office	5.00	218,000	\$50,750,000	\$10,150,000	\$230	9/1/2019
BMR Portfolio	Various	Various	11.90	518,000	\$135,050,000	\$11,350,000	\$260	3/1/2019



Emeryville Permitting Fee Assumptions

Item		Fee	Multiplier	To be paid to City of Emeryville	Source/Description of Calculation
Building					
Building Permit Fee		\$110,669,861	0.80%	\$885,359	Emeryville Master Fee Schedule
General Plan Maintenance Fee		\$110,669,861	0.50%	\$553,349	Emeryville Master Fee Schedule
Technology Fee		\$110,669,861	0.10%	\$110,670	Emeryville Master Fee Schedule
Plan Check Fee		\$885,359	65.00%	\$575,483	Emeryville Master Fee Schedule
Fire Department Plan Review		\$885,359	40.00%	\$354,144	
Environmental Review				\$30,000	
California Bldg. Standards Commission Fee			\$ 1.00	\$374	\$1 per \$25,000 of permit valuation
Contingency			5.00%	\$125,450	
Total				\$2,634,829	
Impact					
Affordable Housing		0	0	\$0	
Parks impact fee		\$3,984	244	\$972,096	
Transportation impact fee		\$1,720	244	\$419,680	
Retail impact fee		\$12	8,662	\$102,125	
School impact fee		\$4	8,662	\$38,286	
Energy Conservation Fee			12.50%	\$110,670	12.50% of building permit fee
Env. Impact Report Fee				\$302,871	Quoted
Contingency			5.00%	\$76,609	Emeryville Rates and Fee Schedules
Total				\$2,022,337	
Utility Connection Fees					
Water Tap Fee		\$14,612	244	\$3,565,328	
Sewage tap fee		\$1,499	244	\$365,756	
Electrical Permit		\$885,359	20.00%	\$177,072	
Plumbing Permit		\$885,359	18.00%	\$159,365	
Mechanical Permit		\$885,359	17.00%	\$150,511	
Service Availability Charge					
Contingency			5.00%	\$220,902	
Total				\$4,638,933	
Other					
School Fees		\$4 ¹	215,570	\$879,526	Emeryville Master Fee Schedule
School Fees (Retail)		\$1 ²	8,662	\$5,717	Emeryville Master Fee Schedule
Building Standards Commission		\$1	6,861	\$6,861	
Estimated Deposits		\$100,000	1	\$100,000	
Contingency			5.00%	\$49,605	
Total				\$1,041,708	
TOTAL				\$10,337,807	

¹Increased to \$4.00 from \$3.79 in 2020 underwrite

²Increased to \$1.00 from \$0.61 in 2020 underwrite



Residential Investment Highlights – Base Case

PROGRAM	AFFORDABLE	SF/UNIT	UNIT COUNT	MONTHLY RENT
Studio	No	451	19	\$2,200
1 BR Apartment	No	676	76	\$2,904
2 BR Apartment	No	989	85	\$3,746
3 BR Apartment	No	1,288	19	\$4,933
4 BR Apartment	No	1,452	16	\$5,500
Studio	Yes	451	3	\$1,209
1 BR Apartment	Yes	671	11	\$1,382
2 BR Apartment	Yes	969	13	\$1,562
3 BR Apartment	Yes	1,305	2	\$1,779
Total / WAVG		883	244	\$3,294

Stabilized NOI	Year 1	Year 2	Year 3	Year 4
Pro Forma	2025-26	2026-27	2027-28	2028-29
Occupancy%	95%	95%	95%	95%

Operating Revenue

Rental Revenue	10,514,281	10,777,138	11,046,566	11,322,730
Vacancy	(525,714)	(538,857)	(552,328)	(566,137)
Retail Revenue	559,565	576,023	592,966	610,409
Parking Revenue	417,240	429,757	442,650	455,929
RUBS Revenue	312,930	322,318	331,987	341,947
Other Revenue	122,000	125,660	129,430	133,313
Total Operating Revenue	11,400,302	11,692,039	11,991,271	12,298,192

Operating Expenses

Management Fee (3.0%)	342,009	350,761	359,738	368,946
General and Administrative	85,400	87,535	89,723	91,966
Marketing	97,600	100,040	102,541	105,105
Insurance	109,800	112,545	115,359	118,243
Taxes	1,603,959	1,636,039	1,668,759	1,702,135
Utilities	329,400	337,635	346,076	354,728
Payroll	582,893	597,465	612,402	627,712
Maintenance	173,120	177,448	181,884	186,431
Turnover	61,000	62,525	64,088	65,690
Total Operating Expenses	3,385,181	3,461,993	3,540,571	3,620,955

Net Operating Income	8,015,120	8,230,046	8,450,701	8,677,237
Unlevered Return on Cost	4.64%	4.76%	4.89%	5.02%

SOURCES & USES	%	AMOUNT
<u>Sources</u>		
Common Equity	40.0%	\$68,605,767
Senior Debt	60.0%	\$102,908,000
Total Sources	100.0%	\$171,513,767
<u>Uses</u>		
Land Costs	12.9%	\$22,148,308
Hard Costs	64.5%	\$110,669,861
Soft Costs	22.6%	\$38,695,598
Total Uses	100%	\$171,513,767

Findings

Key Return Metrics & Exit Assumptions:

EXIT ASSUMPTIONS	
Hold Period	2 years
Exit Cap Rate	4.00%
RETURNS	
ROC Spread (Year 2)	76 bps
Equity Multiple	1.43x
Levered IRR	9.59%

Capital Markets

- Based on the investment profile of the contemplated property it is unlikely that the project will garner the necessary interest from capital markets for the following reasons:
- Risks surrounding the rising construction costs and lack of certainty in renter appetite for high rents.
- Based on conversations with capital partners, for a project to gain support from capital markets the typical return criteria includes return on cost (ROC) near 6% and an IRR of at least 18%.
- The Emeryville residential market is largely unproven in terms of historical transactions and development. There have been very few large-scale trades have been completed in the submarket and the pipeline for residential development remains low in comparison to neighboring submarkets.
- Concerns surrounding achieving underwritten assumptions paired with low return upside.



Residential Investment Highlights – Reduced Affordable (8%)

PROGRAM	AFFORDABLE	SF/UNIT	UNIT COUNT	MONTHLY RENT
Studio	No	451	19	\$2,200
1 BR Apartment	No	676	79 (+2)	\$2,904
2 BR Apartment	No	989	91 (+6)	\$3,746
3 BR Apartment	No	1,288	19	\$4,933
4 BR Apartment	No	1,452	16	\$5,500
Studio	Yes	451	3	\$1,209
1 BR Apartment	Yes	671	8 (-3)	\$1,382
2 BR Apartment	Yes	969	7 (-6)	\$1,562
3 BR Apartment	Yes	1,305	2	\$1,779
Total / WAVG		883	244	\$3,368

SOURCES & USES	%	AMOUNT
<u>Sources</u>		
Common Equity	40.0%	\$68,605,767
Senior Debt	60.0%	\$102,908,000
Total Sources	100.0%	\$171,513,767
<u>Uses</u>		
Land Costs	12.9%	\$22,148,308
Hard Costs	64.5%	\$110,669,861
Soft Costs	22.6%	\$38,695,598
Total Uses	100%	\$171,513,767

Stabilized NOI	Year 1	Year 2	Year 3	Year 4
Pro Forma	2025-26	2026-27	2027-28	2028-29
Occupancy%	95%	95%	95%	95%
Operating Revenue				
Rental Revenue	10,751,336	11,020,119	11,295,622	11,578,012
Vacancy	-537,567	-551,006	-564,781	-578,901
Retail Revenue	559,565	576,023	592,966	610,409
Parking Revenue	417,240	429,757	442,650	455,929
RUBS Revenue	312,930	322,318	331,987	341,947
Other Revenue	122,000	125,660	129,430	133,313
Total Operating Revenue	11,625,504	11,922,871	12,227,874	12,540,710
Vs. Base Case	+225,202	+230,832	+236,603	+242,518
Operating Expenses				
Management Fee (3.0%)	348,765	357,686	366,836	376,221
General and Administrative	85,400	87,535	89,723	91,966
Marketing	97,600	100,040	102,541	105,105
Insurance	109,800	112,545	115,359	118,243
Taxes	1,603,959	1,636,039	1,668,759	1,702,135
Utilities	329,400	337,635	346,076	354,728
Payroll	582,893	597,465	612,402	627,712
Maintenance	173,120	177,448	181,884	186,431
Turnover	61,000	62,525	64,088	65,690
Total Operating Expenses	3,391,937	3,468,918	3,547,669	3,628,231
Net Operating Income	8,233,567	8,453,953	8,680,206	8,912,480
Unlevered Return on Cost	4.76%	4.89%	5.02%	5.16%

Description of Alternate Scenario

- Affordable housing requirement decreased from 12% of all units to 8% of all units

Findings

- Key Return Metrics & Exit Assumptions:

EXIT ASSUMPTIONS	
Hold Period	2 years
Exit Cap Rate	4.00%
RETURNS	
	(Diff to Base)
ROC Spread	89 bps (+13 bps)
Equity Multiple	1.50x (+7 bps)
Levered IRR	10.94% (+1.3%)

Impact

- By reducing the amount of affordable units from 20% of all units to 10% of all units, the annual revenue experienced a significant increase (+\$225,202 in the first year of operations).
- Capital markets concerns outlined on the previous slide are likely to remain due to the concerns around achieving high rental rates with growing construction costs in an unproven market.



Residential Investment Highlights – Removal of Permitting Fees

PROGRAM	AFFORDABLE	SF/UNIT	UNIT COUNT	MONTHLY RENT
Studio	No	451	19	\$2,200
1 BR Apartment	No	676	76	\$2,904
2 BR Apartment	No	989	85	\$3,746
3 BR Apartment	No	1,288	19	\$4,933
4 BR Apartment	No	1,452	16	\$5,500
Studio	Yes	451	3	\$1,209
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2 BR Apartment	Yes	969	13	\$1,562
3 BR Apartment	Yes	1,305	2	\$1,779
Total / WAVG		883	244	\$3,294

Stabilized NOI	Year 1	Year 2	Year 3	Year 4
Pro Forma	2025-26	2026-27	2027-28	2028-29
Occupancy%	95%	95%	95%	95%

Operating Revenue

Rental Revenue	10,514,281	10,777,138	11,046,566	11,322,730
Vacancy	(525,714)	(538,857)	(552,328)	(566,137)
Retail Revenue	559,565	576,023	592,966	610,409
Parking Revenue	417,240	429,757	442,650	455,929
RUBS Revenue	312,930	322,318	331,987	341,947
Other Revenue	122,000	125,660	129,430	133,313
Total Operating Revenue	11,400,302	11,692,039	11,991,271	12,298,192

Operating Expenses

Management Fee (3.0%)	342,009	350,761	359,738	368,946
General and Administrative	85,400	87,535	89,723	91,966
Marketing	97,600	100,040	102,541	105,105
Insurance	109,800	112,545	115,359	118,243
Taxes	1,603,959	1,636,039	1,668,759	1,702,135
Utilities	329,400	337,635	346,076	354,728
Payroll	582,893	597,465	612,402	627,712
Maintenance	173,120	177,448	181,884	186,431
Turnover	61,000	62,525	64,088	65,690
Total Operating Expenses	3,385,181	3,461,993	3,540,571	3,620,955

Net Operating Income	8,015,120	8,230,046	8,450,701	8,677,237
Unlevered Return on Cost	4.96%	5.09%	5.23%	5.37%

SOURCES & USES	%	AMOUNT
<u>Sources</u>		
Common Equity	40.0%	\$64,165,407
Senior Debt	60.0%	\$96,248,000
Total Sources	100.0%	\$160,413,407 (-\$11.1M)
<u>Uses</u>		
Land Costs	13.8%	\$22,148,308
Hard Costs	69.0%	\$110,669,861
Soft Costs	17.2%	\$27,595,238
Total Uses	100%	\$160,413,407 (-\$11.1M)

Description of Alternate Scenario

- Removal of \$10.3M in permitting fees

Findings

- Key Return Metrics & Exit Assumptions:

EXIT ASSUMPTIONS	
Hold Period	2 years
Exit Cap Rate	4.00%
RETURNS	(Diff to Base)
ROC Spread (Year 2)	109 bps (+33 bps)
Equity Multiple	1.52x (+9 bps)
Levered IRR	11.21% (+1.6%)

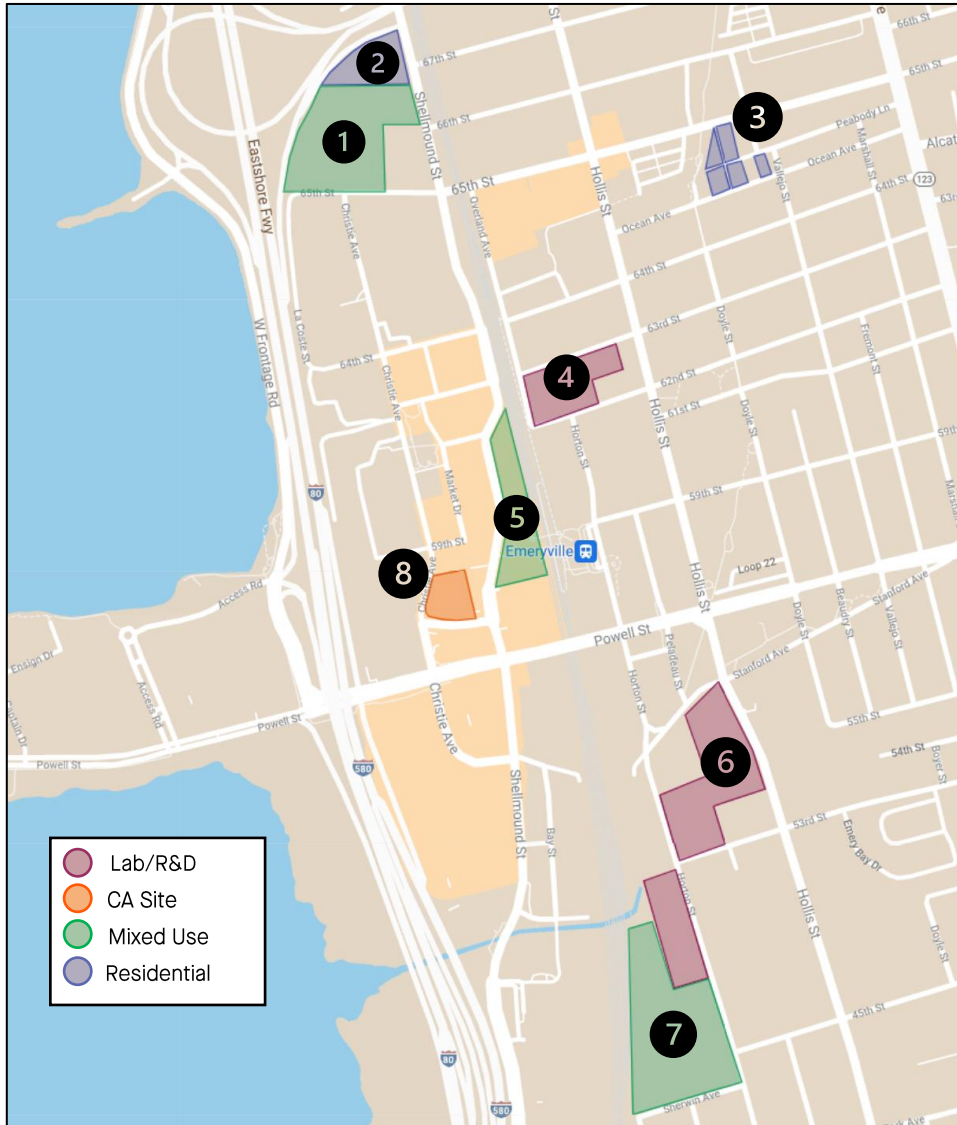
Impact

- By removing approximately \$10.3M in permitting fees the projects return on cost spread grew by 33 basis points in comparison to the base case.
- Capital markets concerns outlined on the base case slide are likely to remain due to the concerns around achieving high rental rates with growing construction costs in an unproven market.



4. Mixed Use Analysis

Emeryville Planned Developments



- 1 The Atrium – Mixed Use Project
- 2 Bayview Emeryville Apartments – Residential Project
- 3 Ocean Avenue Townhomes, Ocean Lofts, Baker Metal Live/Work, Multi-Unit Residential Project & Oceanview Townhomes – Residential Projects
- 4 EmeryStation Overland – Lab/R&D
- 5 Public Market – Mixed Use Project
- 6 Emeryville Center of Innovation– Lab/R&D
- 7 Sherwin Williams – Mixed Use Project
- 8 Emeryville Life Science Tower

Mixed-Use Site Analysis

MIXED USE PROJECTS	ACRES	DIFFERENCE TO CA SITE	UNIT COUNT	PARKING SPACES	RESIDENTIAL SF	LAB/R&D SF
The Atrium ^{1,2}	7.28	+5.82	144	1,641	200,000	750,000
Public Market	2.50	+1.04	18	953	-	396,724
Sherwin Williams	7.90	+6.44	~500	~959	639,800	74,000
Emeryville Life Science Tower	1.49			~430		~350,000

¹Typical Life Science floor plate of approximately 40,000 SF

²Recently withdrew planning application, developer chose not to move forward with proposed mixed-use project

COMMENTARY

Site Comparisons

- The 5850 Shellmound Way land site is materially smaller in comparison to all other planned mixed-use projects. Given the size and asymmetries of the site, in order to achieve a mixed-use building with a residential component, both uses would have to be constructed within the same building. Each of the other proposed mixed-use projects in Emeryville sit on a large enough land plot to allow for distinct separation between life science building(s) and residential building(s).
- Based on national and local broker guidance, a mix of residential and life science use *within the same building* is extremely uncommon and not recommended.
- The construction of a life science building is already extremely costly due to enhanced safety measures including advanced HVAC and MEP systems, fume hoods, and highly specific tenant fit-outs. Under the unprecedented occurrence in which the building would house residents, additional safety and structural enhancement measures would be required to take place, further adding to costs and likely driving the project to financial infeasibility.
- The ability to lease both life science space and residential units would be difficult and unsafe due to the heavy use of hazardous materials within the building. It is unlikely that larger life science tenants, or growing life science tenants backed by large corporations, would lease at a mixed use building due to the risks and liabilities that would accompany conducting research with residents in the building.
- Due to the unprecedented nature of a mixed-use life science and residential building, and the risks that accompany such a development, it is unlikely that this project would garner support from capital markets.

Sources: City of Emeryville, Emeryville Eye



Life Science Tenant Preferences

In order to best understand the Emeryville life science market, CA Ventures has been working with the Bay Area based commercial real estate firm, Kidder Mathews, for approximately 9 months. The team at Kidder Mathews has provided CA Ventures with extensive market information as well as detailed guidance on Bay Area life science tenant preferences. Based on conversations had and information shared, both parties have come to the conclusion that a mix of uses on the 5850 Shellmound Way site is infeasible both from a design perspective and tenant preferences. The following letter was provided by the life science team at Kidder Mathews:

Dear Emeryville City Council,

We write to you today to address the future redevelopment of 5850 Shellmound Street in Emeryville, located at the south end of the Public Market between the Emeryville Amtrak station and Highway 580. Our life science team at Kidder Mathews' (Rico Cheung, Tim Mason, James Bennett, and Kyle Hipple) have been working with CA Ventures and advising them on this opportunity for the past 9 months, and our team has more than 80 years of collective real estate experience, nearly all of which has been focused on the life science industry. It is our firm belief that 5850 Shellmound Street is a premier location for life science development, as it offers excellent proximity to nearby amenities, public transit, highway 580, and it would be a tremendous addition to the City's greater life science hub. Emeryville has been a burgeoning and highly sought after market for life science companies given the immediacy to San Francisco, but more importantly, the proximity to UC Berkeley, which is one of the bay area's key heartbeats that helps lead the bay area in being a world leader in life science innovation. However, a severe shortage in vacancy in recent years has forced companies to expand their geographical search and explore alternative markets.

With regards to 5850 Shellmound becoming a mixed-use development, we strongly believe combining residential and life science would diminish the locations highest and best use. For starters, we have never seen a mixed-use development incorporating life science and residential within the same building, whether it's the greater bay area, San Diego, Boston, or elsewhere. Given the parcel is limited to 1.49 acres, the residential and life science components would have to be constructed within the same building. However, life science companies require the use of a wide variety of hazardous materials, and occasionally a vivarium, and although strict safety measures are in place, housing children and adults within the same complex would create an unprecedented level of risk and liability. Tenants can't afford to gamble on this scenario and risk the health and safety of others, nor are they equipped to handle the financial burden of business interruption, and prospective tenants would surely factor this into their consideration and ultimately forgo this opportunity. Given this enormous risk, we cannot imagine a scenario in which a mixed-use development would be feasible for this location. Building and safety codes required for life science buildouts are already a costly expense as it stands today, and the increased safety measures that would be needed to accommodate both life science and residential would make the redevelopment financially impractical. The additional safety precautions would also create a more inefficient building for both components, further diminishing its highest and best use.

With our teams collective experience and support in helping grow the bay area life science industry over the past 25 years, we once again believe this property is undeniably best suited for life science, and we hope you take this into consideration.

Kidder Mathews
Rico Cheung, Executive Vice President



FOR MORE INFORMATION, VISIT US AT WWW.CA-VENTURES.COM

This document contains forward-looking statements, which are statements concerning future events, financial performance, or conditions. The information contained herein (including, without limitation, the information reflected in those forward-looking statements) is based in large part on estimates and projections prepared by CA Ventures, LLC (“CA”) that (1) are subject to significant business, economic, and competitive uncertainties and contingencies that may ultimately be beyond CA’s control and that cannot be predicted with accuracy; and (2) may not be realized. Past performance is not indicative of future results, and there can be no assurance that the financial information or results described in the estimates and projections contained herein can or will be attained or maintained. Actual results and conditions may vary materially from those described in the forward-looking statements, estimates, and projections contained herein.

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