

March 22, 2024

CONFIDENTIAL

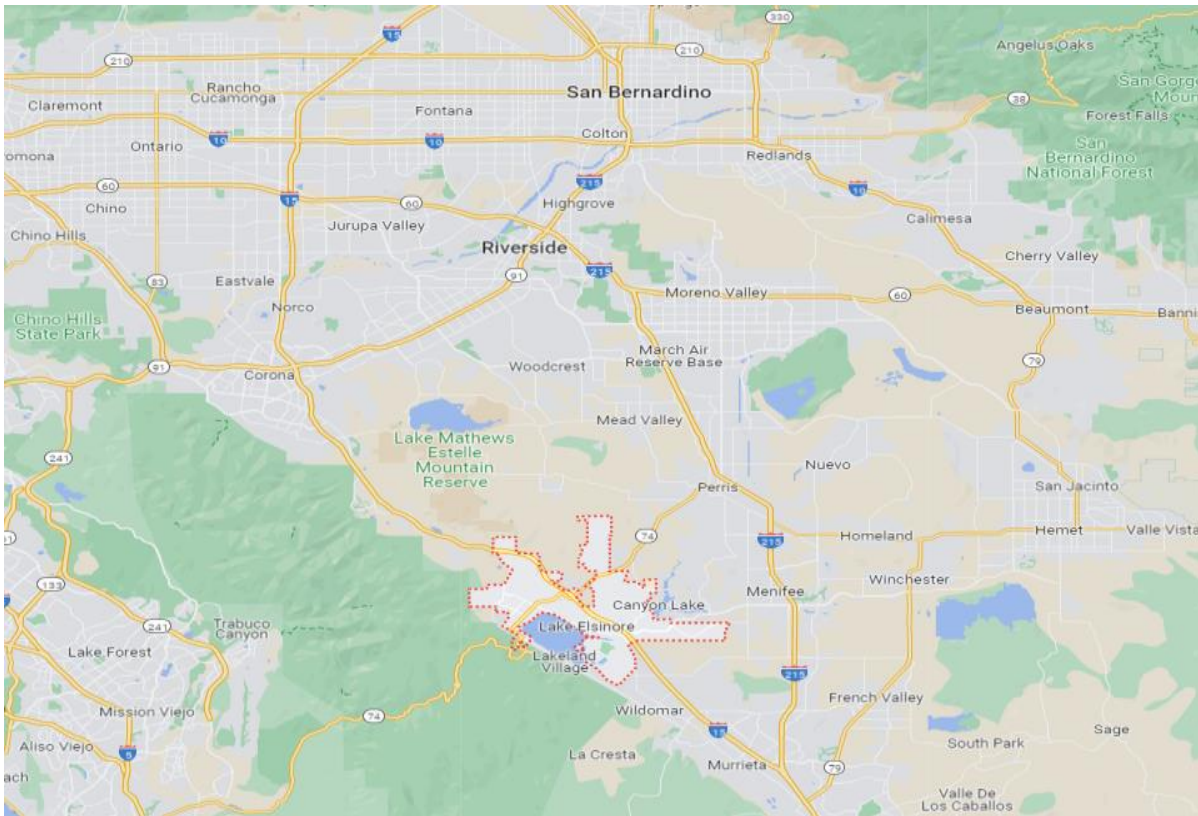
Ms. Gina Gonzalez
CITY OF LAKE ELSINORE
301 N. Spring Street
Lake Elsinore, CA 92550

Sent via email: ggonzalez@lake-elsinore.org

Subject: Proposal for Analysis of Office Demand in Lake Elsinore, California

1. BACKGROUND AND OBJECTIVES

The purpose of this analysis is to analyze the market for office uses in the City of Lake Elsinore. You have asked us to test the level of unmet demand for office uses and to identify future opportunities to capture office users in the City. A regional map showing the City of Lake Elsinore follows:



2. SCOPE OF WORK

To accomplish your goals, we will conduct the following scope of work:

- **Definition of Competitive Market Area:** Based on travel patterns and the City's boundaries, define appropriate competitive markets for office uses. We will consider a larger trade area than just the City given the competitive nature of the market and travel distances. This may include the I-15 corridor from Temecula to Corona.
- **Economic & Housing Market Update (Brief):** Summarize overall economic and demographic conditions in the City of Lake Elsinore, with a focus on projected conditions over the next few years. Items analyzed will include job and household growth, etc. This will set the stage for understanding how the office markets are likely to perform going forward.
- **Commercial Real Estate Broker Interviews:** Interview local commercial brokers to generate qualitative insights on the office market.
- **Office Market Overview:** Summarize the office market in the City of Lake Elsinore and competitive market area by compiling and analyzing macro-level statistics such as leasing activity, absorption, lease rates, vacancy, etc. This will help lay the foundation from which office planning can commence.
- **Office Competitive Analysis:** Confirm a suitable competitive market trade area and inventory competitive existing, planned and under construction office buildings. We will research size, location type (business park or freestanding), access, quality, age and condition, rental/vacancy rates, etc.
- **Office Demand Assessment:** To determine the potential demand for additional office space in the local submarket, we will conduct an analysis based on metro level job growth projections that are refined by our model to be relevant for the submarket and subject property. We first examine the existing job base, the number of jobs within various industry sectors, and determine the approximate mix that typically occupies office space. This estimate is checked by interviews with brokers and we draw from our own experience in other analyses. We then compare the job projections for the next five years with the current existing job base, and the net increase represents potential demand for additional office development. The net increase in employment is then translated into total square feet of office space demanded by applying an office square footage per employee factor (determined by conversations with brokers, resources such as ULI, typical parking ratio requirements, and our own experience).
- **Key Conclusions and Recommendations:** Estimate a supportable amount of office space in Lake Elsinore going forward. Recommend a reasonable array of tenant types, space sizes and lease rates based on the research conducted above. Comment on the potential lease-up.

3. DELIVERABLES AND TIMING

Our research will be presented in a concise, presentation-style market report (the "Report," which term includes any drafts and the final thereof) that includes both written findings and key illustrative exhibits such as trend graphs, positioning charts, maps, photos, etc. **We anticipate delivering a draft of the Report within approximately six weeks** after our receipt from you of the Initial Payment (as such term is defined below).

4. TEAM RESOURCES

The Zonda Advisory team resources for the services under this Agreement include the following:

Tim Sullivan, Chief Advisory Officer, oversees the advisory services we conduct throughout the country. Mr. Sullivan is an expert in residential and mixed-use feasibility studies, strategic planning and product development and has conducted market analyses all over the United States and northern hemisphere in his 40 years of experience in the Real Estate Industry.

Evan Forrest, Vice President. Mr. Forrest has over 18 years in the Real Estate Industry. Mr. Forrest has sourced, developed, performed feasibility analysis, and positioned real estate (residential, commercial, retail, industrial, etc.) throughout the country as well as assisting with capital raises and expert witness cases.

Shaun McCutcheon, Vice President. Mr. McCutcheon has 21 years of experience in the Real Estate Industry and specializes in market analysis for our residential and commercial consulting assignments. Mr. McCutcheon regularly works all over the United States on a variety of asset types.

5. FEE REQUIREMENTS

Professional Fees: \$22,000. Such fees include one kickoff call and one conference call to review findings. Additional meetings will be billed at our standard hourly rates. **(Upon concurrent approval of both Office Demand Analysis and Retail Demand Analysis (see separate proposal) by the Client, the fee for each study shall be set at \$19,000)**

Direct Expenses. Zonda Advisory will be reimbursed for all out of pocket costs, including but not limited to travel, mileage, copies and data costs.

Non-Itemized Administrative Fee. Client also will be charged and responsible for an administrative fee equal to 4% of the professional fees under this proposal.

Initial Payment. Zonda Advisory requires from Client a payment equal to 50% of the above-specified estimated professional fees (the "Initial Payment").

Balance Invoice. Zonda Advisory will submit an invoice for the balance due for the professional fees plus expenses and the non-itemized administrative fee. This balance invoice is due upon delivery of the first Draft Report. Any delay or inaccurate information provided by the Client that causes additional analysis or additional work that is outside the scope of this engagement, if any, will be billed separately at Zonda Advisory's then-current rates.

Termination Prior to Research Completion. If for some reason the Client decides to end this engagement before completion, upon written notification thereof, Zonda Advisory will stop work immediately and bill for work completed to date.