Moreno Valley Mall Redevelopment Program

New Housing & Hospitality Demand Analysis

RIVERSIDE COUNTY - INLAND EMPIRE

11.11.22

KEY POINTS

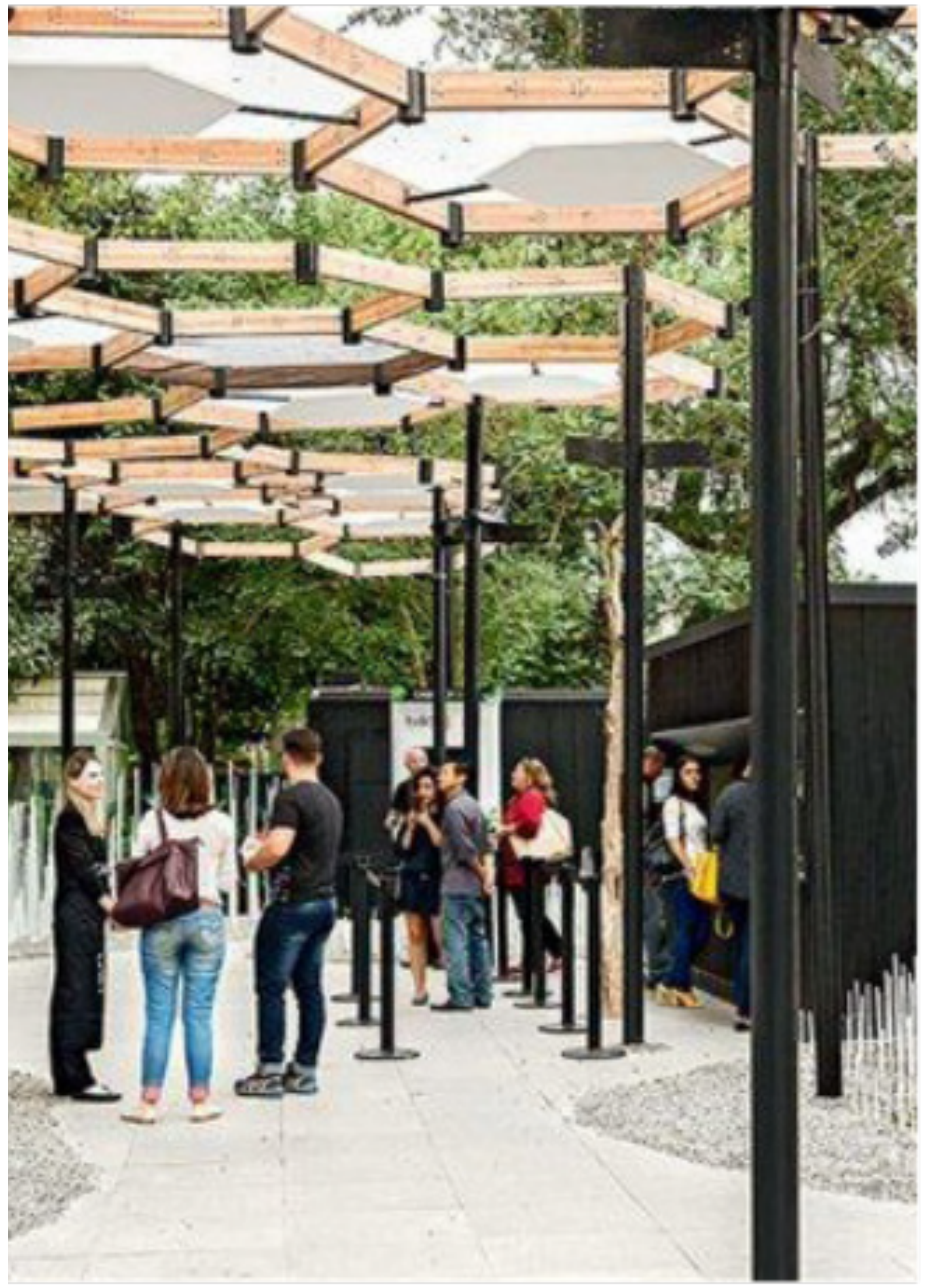
- Moreno Valley Mall is a major a retail and entertainment destination, serving the diverse and growing population of Riverside County.

- The Mall has evolved over several decades, from the original shopping center to the present master-plan of approx. 83 acres with approx. 1.03-million sq. ft. of commercial uses.

- The growth in the greater metro area, known as the Inland Empire, has been strong with average annual growth rates for San Bernardino at **4.6%** and **6.8%** for Riverside County.

- The City of Moreno Valley in particular is experiencing growth and change in many areas, especially prevalent along west edge of the City.

- The Redevelopment Program at the Moreno Valley Mall, featuring up to 1,627 apartment and 270 hotel room units besides various additional facilities, will be supplying a considerable portion of the new residential and hospitality development needed in the Riverside County.



- The interrelation of these uses into one cohesive experience will be the defining element of the Program and create an **economic and social hub for the Inland Empire.**

- The incorporation of job-creating uses and housing within the area will also drive use of the site by creating a walkable environment that is focused on the people.

- Therefore the Program is regarded by - not only the Moreno Valley but - the entire Inland Empire community as well as the City and County officials as a significant contribution that is **responding to the increasing demand** in the area.

- Moreno Valley Mall is identified in the "MoVal 2040 General Plan Land Use Element" as *Center Mixed Use* and is envisioned to be integrated, pedestrian-oriented places with a mix of uses including retail, dining, entertainment, offices, lodging, high density residential, recreational, and cultural facilities that cater to both motorists passing through and residents of surrounding neighborhoods.

- It is envisioned that new development should allow for a mixture of residential, commercial, hospitality, and other uses combined with existing entertainment and retail to attract residents and visitors throughout all times of the day and night.

1600+ Apartment Units
270 Key Hotel Capacity

MALL GLA	GLA
LEVEL 1	226,215 SF
LEVEL2	202,153 SF
FOOD HALL (REDEVELOPED)	24,000 SF
RETAIL (FORMER SEARS)	146,140 SF
RETAIL (FORMER GOTTCHALKS)	152,600 SF
RETAIL (PLAZA LEVEL)	40,000 SF
RETAIL (AUTO CENTER)	-16,344 SF
REDEVELOPED RETAIL	774,764 SF
EXISTING THEATER	68,200 SF
EXISTING MACY'S	155,105 SF
EXISTING JC PENNEY	154,289 SF
EXISTING RETAIL	377,594 SF
NEW RETAIL	40,000 SF
TOTAL RETAIL	1,192,358 SF

NEW HOSPITALITY DISTRICT	GLA
OFFICE 3 LEVELS	60,000 SF
HOTEL A -150 KEYS RESTAURANT & CONFERENCE CENTER 5 LEVELS	110,000 GBA
HOTEL B - 120 KEYS 3 LEVELS	72,000 GBA

NEW RESIDENTIAL DISTRICT	
RESIDENTIAL 7 LEVELS/596 UNITS	689,400 SF
RESIDENTIAL 5 LEVELS/216 UNITS	252,200 SF
RESIDENTIAL 7 LEVELS/565 UNITS	646,100 SF
RESIDENTIAL 4 LEVELS/250 UNITS	280,000 SF

THE INLAND EMPIRE

INLAND EMPIRE - A Market Overview

- The Inland Empire has seen extensive improvement in its industrial real estate sector, but multifamily has been equally hot.
- The market's proximity to the ports of Los Angeles and Long Beach has turned logistics into the area's main economic driver.
- As Southern California's most affordable market, continued population increases—nearly 350,000 residents added in the past decade—coupled with the rise of logistics, have pushed up housing demand.
- Rent development was at 1.2 percent on a trailing three-month basis as of June, just above the U.S. figure, while the average stood at $2,164, well above the $1,706 U.S. rate.
- Employment gains in Riverside and San Bernardino counties were also solid, up **6.2%** year-over-year as of May, outpacing national improvement by 150 basis points.
- Continued increases in e-commerce and some easing of supply chain disruptions have pushed the Inland Empire to lead the nation in industrial rent growth and average vacancy.

- Demand has boosted investment to unprecedented levels, with nearly $3.2 billion in multifamily assets trading in the Inland Empire in the 12 months ending in June.

- Meanwhile, development remained typically modest, with only 184 units delivered in the first half of 2022 and a little more than 4,000 units under construction as of June.

RESIDENTIAL STATISTICS

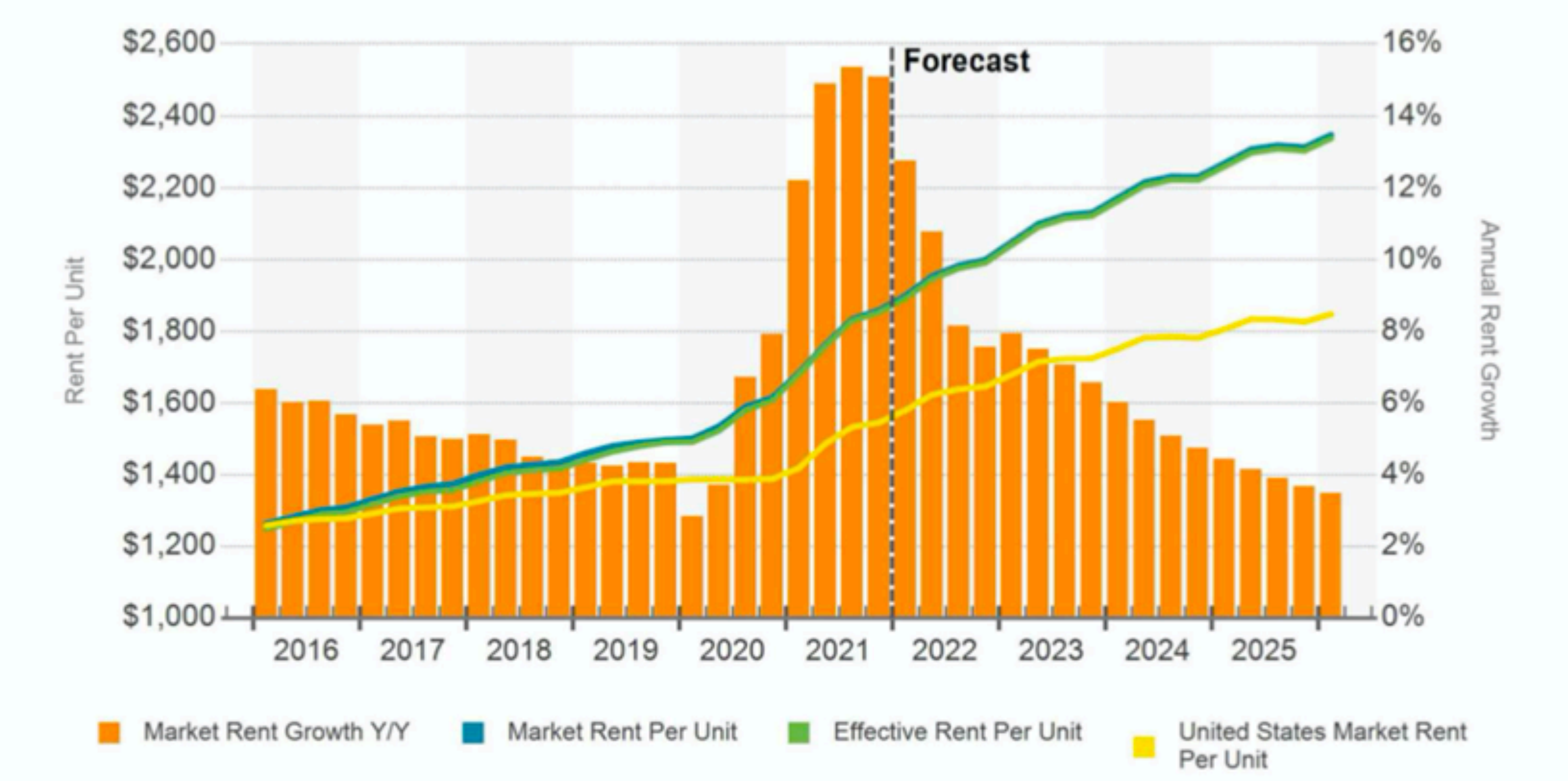
• The Overall Supply & Demand table below indicates that a sustained growth will also be met with a sustained absorption as more multi-family units are developed and delivered into the market.

OVERALL SUPPLY & DEMAND

	Inventory			Absorption		
Year	Units	Growth	% Growth	Units	% of Inv	Construction Ratio
2026	178,102	2,097	1.2%	1,310	0.7%	1.6
2025	176,005	2,209	1.3%	1,489	0.8%	1.5
2024	173,796	1,921	1.1%	1,616	0.9%	1.2
2023	171,875	2,197	1.3%	1,727	1.0%	1.3
2022	169,678	2,539	1.5%	1,865	1.1%	1.4
YTD	167,177	38	0%	(20)	0%	-
2021	167,139	973	0.6%	1,621	1.0%	0.6
2020	166,166	1,553	0.9%	6,080	3.7%	0.3
2019	164,613	2,099	1.3%	1,233	0.7%	1.7
2018	162,514	2,236	1.4%	1,404	0.9%	1.6
2017	160,278	1,082	0.7%	923	0.6%	1.2
2016	159,196	983	0.6%	1,292	0.8%	0.8
2015	158,213	1,368	0.9%	2,409	1.5%	0.6
2014	156,845	2,924	1.9%	3,280	2.1%	0.9
2013	153,921	50	0%	1,227	0.8%	0
2012	153,871	587	0.4%	956	0.6%	0.6
2011	153,284	(80)	-0.1%	(139)	-0.1%	0.6
2010	153,364	488	0.3%	1,737	1.1%	0.3

The anticipated rent per unit is expected to continue to trend upward while the growth rates are expected to be around 9%-13% in the future.

MARKET RENT PER UNIT & RENT GROWTH



The apartment submarket for the Inland Empire has improved in recent years. During this current economic cycle, the supply has fallen well short of demand with the expansion of the logistics industry in this area. Job growth for all industries in the market has been stagnate during the pandemic but is expected to grow on average 2.0%-3.0% per year.

RIVERSIDE COUNTY

RESIDENTIAL STATISTICS

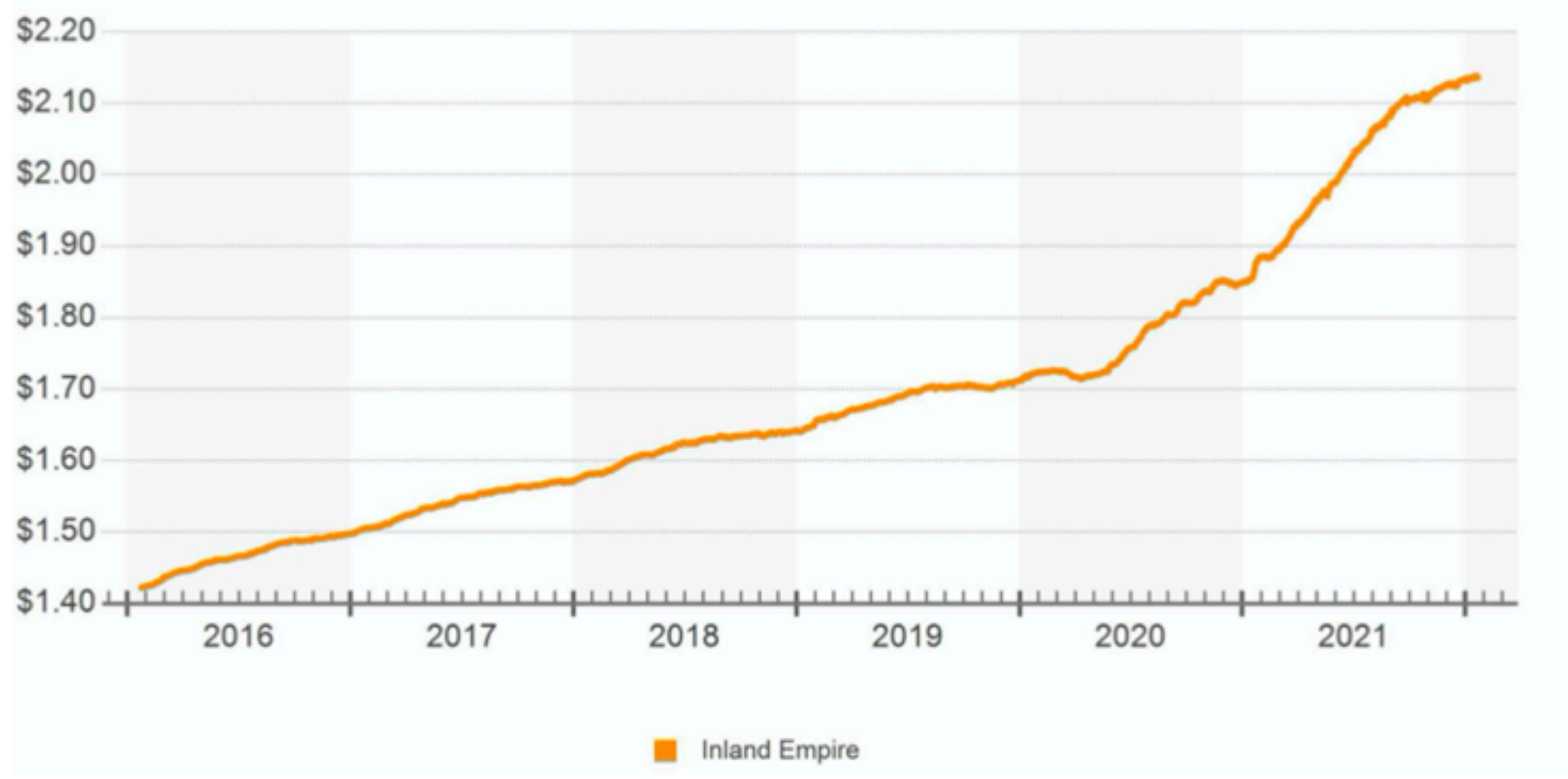
2021-2029 Housing Needs: According to government reports, the total number of units needed in the close proximity of the Moreno Valley Mall Redevelopment Program is **nearly 80,000.**

- The Regional Housing Needs Allocation (RHNA) plans reflect the “fair share” of a region’s projected housing needs.
- According to the Southern California Association of Governments (SCAG) Final Regional Housing Needs Assessment Allocation Plan for the 2021-2029 planning period, the allocation for the unincorporated County of Riverside is a total of **40,647** housing units. The City of Moreno Valley is largely surrounded by unincorporated areas of the County.
- The State of California’s Housing and Community Development (HCD) Department certified the City of Moreno Valley’s Housing Element on Tuesday, October 11, 2022.
- The City of Moreno Valley has a regional housing need allocation (RHNA) of **13,627** housing units of which 5,830 are for lower-income households.
- The neighboring City of Riverside has a regional housing need allocation (RHNA) of **23,964** housing units, of which 7,925 are for lower-income households.

RESIDENTIAL STATISTICS

- There are 8 distinct submarkets in the Inland empire, 5 of which positioned within Riverside County.
- The *Submarket Rent* data indicates that all the submarkets within the Inland Empire are experiencing growth in effective rents from a low of **8.9%** for the outlying markets of the Inland Empire to **16.7%** for Southwest Riverside County.

DAILY ASKING RENT PER SQ. FT.



SUBMARKET INVENTORY

		Inventory				12 Month Deliveries				Under Construction			
No.	Submarket	Bldgs	Units	% Market	Rank	Bldgs	Units	Percent	Rank	Bldgs	Units	Percent	Rank
1	Greater Ontario/Rancho...	707	39,387	23.6%	2	1	203	0.5%	2	4	2,181	5.5%	1
2	Outlying Riverside County	58	1,079	0.6%	8	0	0	0%	-	0	0	0%	-
3	Outlying San Bernardino...	731	12,539	7.5%	5	0	0	0%	-	3	412	3.3%	3
4	Palm Springs	620	14,548	8.7%	4	0	0	0%	-	2	136	0.9%	7
5	Riverside/Corona	778	38,594	23.1%	3	2	143	0.4%	4	5	718	1.9%	2
6	San Bernardino	1,221	40,390	24.2%	1	4	365	0.9%	1	2	356	0.9%	4
7	San Jacinto	237	8,376	5.0%	7	2	140	1.7%	5	1	220	2.6%	5
8	Southwest Riverside Cou...	124	12,264	7.3%	6	1	160	1.3%	3	1	170	1.4%	6

SUBMARKET RENT

		Asking Rents				Effective Rents					
No.	Market	Per Unit	Per SF	Rank	Yr. Growth	Per Unit	Per SF	Rank	Yr. Growth	Concession	Rank
1	Greater Ontario/Rancho...	$2,297	$2.51	1	15.6%	$2,289	$2.51	1	15.7%	0.3%	2
2	Outlying Riverside County	$887	$1.16	8	8.9%	$883	$1.16	8	8.9%	0.4%	1
3	Outlying San Bernardino...	$1,237	$1.46	7	11.6%	$1,234	$1.45	7	11.7%	0.3%	3
4	Palm Springs	$1,477	$1.72	6	13.9%	$1,473	$1.71	6	14.0%	0.3%	6
5	Riverside/Corona	$1,956	$2.26	3	15.2%	$1,950	$2.25	3	15.5%	0.3%	4
6	San Bernardino	$1,562	$1.89	4	9.8%	$1,558	$1.88	4	9.9%	0.3%	5
7	San Jacinto	$1,583	$1.80	5	14.3%	$1,579	$1.79	5	14.3%	0.3%	7
8	Southwest Riverside Cou...	$2,184	$2.31	2	16.7%	$2,179	$2.31	2	16.7%	0.2%	8

SUBMARKET VACANCY & ABSORPTION

		Vacancy			12 Month Absorption			
No.	Submarket	Units	Percent	Rank	Units	% of Inv	Rank	Construc. Ratio
1	Greater Ontario/Rancho...	763	1.9%	2	411	1.0%	3	0.5
2	Outlying Riverside County	50	4.6%	8	3	0.3%	5	-
3	Outlying San Bernardino...	271	2.2%	5	(10)	-0.1%	8	-
4	Palm Springs	301	2.1%	3	(6)	0%	7	-
5	Riverside/Corona	1,022	2.6%	6	479	1.2%	1	0.3
6	San Bernardino	775	1.9%	1	455	1.1%	2	0.8
7	San Jacinto	174	2.1%	4	102	1.2%	4	1.4
8	Southwest Riverside Cou...	382	3.1%	7	1	0%	6	163.6

HOSPITALITY STATISTICS

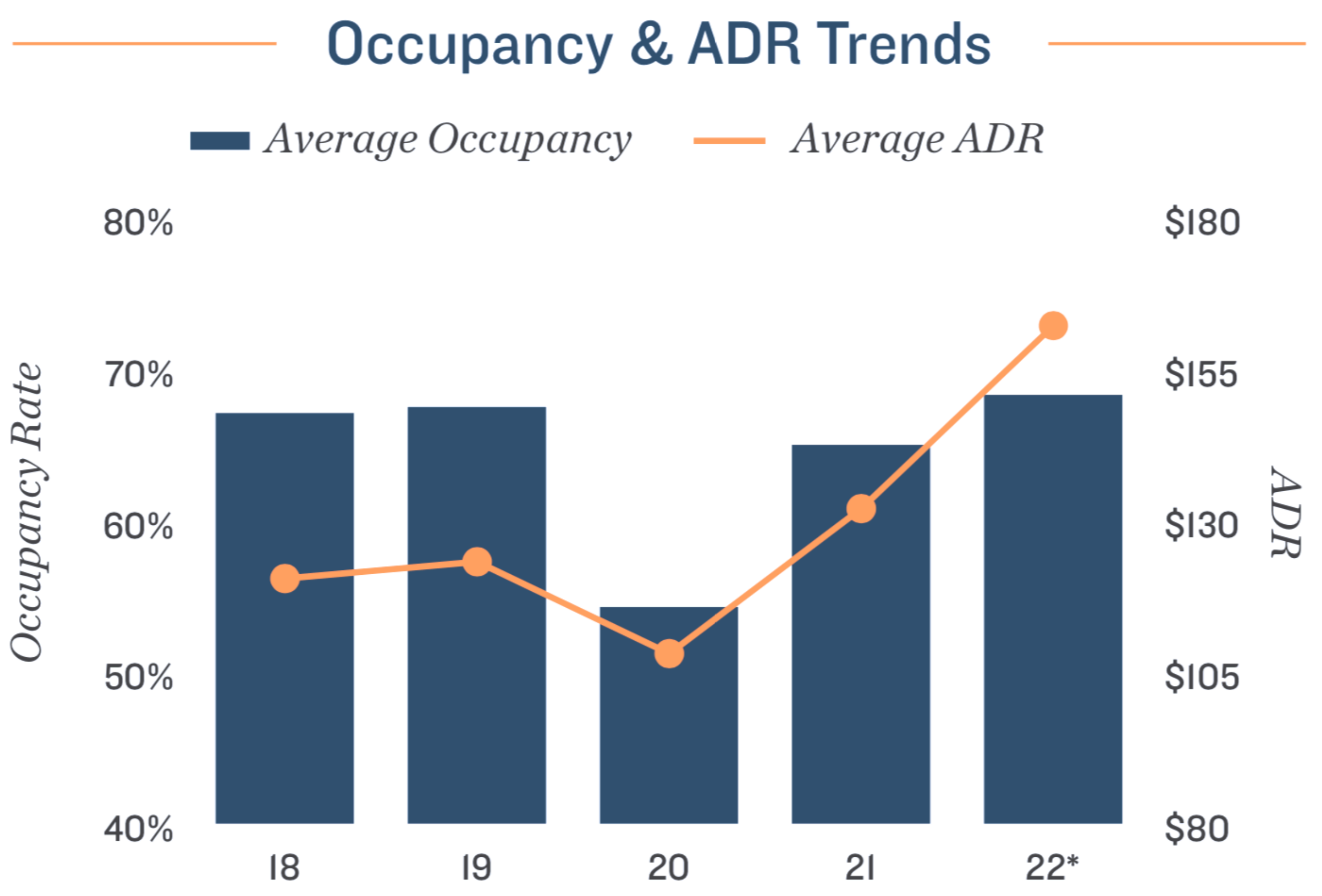
Conceptual Rendering of Moreno Valley Mall Hyatt

- The Inland Empire recorded the largest increase in hotel pricing across major U.S. markets during the trailing 12-month interval ended in May, a rise that coincided with upscale and other higher-tier properties account- ing for roughly 20 percent of total deal flow.

- The 12 percent gain lifted the local mean price point to $160,700 per room, a figure that is still roughly $70,000 to $90,000 per key below other Southern California markets.

- Hotel Occupancy Rates for the existing facilities in Riverside County

	2018		2019		2020		2021	
	Occ.	ADR	Occ.	ADR	Occ.	ADR	Occ	ADR
Residence Inn Riverside/Moreno Valley					76%-80%	$137-$142	86%-90%	$160-$165
Holiday Day Inn Express &Suites Moreno Valley - Riverside			65%-69%	$120-$125	70%-74%	$115-$120	80%-84%	$125-$130
Hampton Inn & Suites Moreno Valley	79%-83%	$140-$145	82%-86%	$140-$145	72%-76%	$115 -%119	84% 88%	$130-$135
Farifield Inn & Suites Moreno Valley			57%-61%	$125-$130	52%-56%	$125 -$130	82%-86%	$138-$143
Courtyard by Marriott Moreno Valley	75%-79%	$138-$143	77%-81%	$138-$143	51%-55%	$111-$116	74%-78%	$132-$137



Occupancy Analysis: Midyear 2021 - Midyear 2022

- The recent improvement in hotel demand was highlighted by the Riverside and San Bernardino Center submarket, which boasted a **77.9% occupancy rate** over the trailing 12-month interval ending in May.
- Upper upscale hotels registered the most pronounced gain among classes, as occupancy rose 2,010 basis points to **58.2%**.


MORENO VALLEY
Mamacita
live
work
stay
URBAN
RESTAURANT
THE OASIS

THANK YOU

SOURCES:

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