



2nd Quarter 2018

Tapestry Project to Transform Mojave River Valley

The "California Dream" of homeownership will be positively affected in the Mojave River Valley thanks to a master planned community known as, Tapestry.

The 9,430 acre development site lies between Ranchero Road and Highway 138 in the City of Hesperia and will house 15,663 rooftops upon its 25 year projected completion date. Additional development will include two town centers, police and fire stations, eight elementary schools, two middle and high schools, library and 390 acres of parks.

Tapestry was designed favoring innovation and development making it the first community whose homes will utilize recycled water and solar energy. The progressive community will bring with it a lifestyle the Mojave River Valley has yet to see while complementing its rich terrain and unparalleled desert views making it the last and largest entitled master-planned community in the Los Angeles Basin.

Community creator, Terra Verde Group projects Tapestry to bring an estimated 48,000 people to the Mojave River Valley over the next two and half decades.

Responding to growing demand and market conditions, Terra Verde group has strategized the phases of development and will build accordingly. With 9 phases, not expected to be built in sequential order, 700 to 800 homes are estimated to sell each year beginning in 2020.

Terra Verde Group Director of Development, John Ohanian states, "Tapestry is coming at a perfect time

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and we've developed a strategy to create a community lifestyle with a variety of housing elements, not just a bunch of buildings placed together. In addition to the hundreds of millions of dollars of infrastructure improvements that will come with the Tapestry development, the project will help create jobs and a vibrant addition to Hesperia when we begin construction of homes, parks, schools and retail centers beginning in 2020."

To stay up to date on exciting projects and market activity follow us on Facebook and sign up for our email alerts by contacting our Marketing Coordinator, Kelly Brady at: kbrady@lee-associates.com



For questions, or to obtain additional copies, please contact Donald P. Brown, President/Broker BRE# 01223230 - Lee & Associates Commercial Real Estate (760) 684-4203 or dbrown@lee-associates.com

Please call Donald P. Brown if you need a market analysis of your property Main: (760) 241-5211 / Private: (760) 684-4203 / Cell: (760) 954-9841

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INDICATORS AT A GLANCE

GDP Growth

3.0% pace in '18, up from 2.3% in '17

Interest Rates

10-year T-notes at 3.3%

By end '18

Inflation

2.6% in '18 up from 2.1% in '17

Unemployment

Dropped to 3.8% in May

Manufacturing Growth

Increasing 3% in '17

2.8% in '18



Landlord Alerts

AB 2847

Would authorize a lessor to collect rent from a lessee who is still in possession of commercial real estate property after the agreement has expired. The collected rent will not be a form of agreement in renewing the lease and instead applied to mitigating damages.

AB 2618

Beginning January 1, 2020 the Department of Consumer Affairs could potentially be required to administer a certification program for landlords and property managers to provide education to landlords and property managers on fair housing practices, obligations of landlords, and tenant rights. The bill would make this certification effective for a period of 2 years and would provide for renewal if certain requirements are met.

Split Property Tax Roll

California Calls and League of Women Voters filed the split roll tax initiative in December 2017. The proposal will require all business properties to be reassessed to 2020 values and additionally reassessed every three years thereafter. Long time commercial property owners will be impacted due to costs and uncertainty of value on their property whether they purchased recently or decades ago. In addition, businesses will see their lease rates increase as landlords pass the increases in property tax on to their tenant.

Office & Industrial Market at a Glance

Office: total RBA is 9,724,266 SF and 873,401 available SF. There are a total of 1,229 buildings. The vacancy rate is 9.0% with a Q2 net absorption of 23,697 SF and the average lease rate is \$1.46/psf MG.

Industrial: total RBA is 28,669,511 SF with 1,932,700 available SF. There are a total of 1,223 buildings. The vacancy rate is 6.4% with a Q2 net absorption of (14,808) SF and an average lease rate of \$0.85/psf NNN.

Retail: total RBA is 34,147,592 SF with 2,967,779 available SF. There are a total of 2,800 buildings. The vacancy rate is 8.6% with a Q2 net absorption of 23,193 SF and an average lease rate of \$1.22/psf NNN.

The condition of the High Desert commercial real estate market has continued to improve, with steady absorption for the foreseeable future. We are seeing momentum improve quarterly. The Inland Empire has been a top five market for developers since 4th Quarter of 2011.

Information Provided by CoStar.

Completed Lease Transactions

Tenant	Size	Address	Leasing Rates
Key City Insurance	6,038 SF	12421 Hesperia Rd. Victorville	\$0.85 NNN
Storage Use	5,280 SF	17525 Alder St. Hesperia	\$0.50 MG
Keller Williams Realty	5,100 SF	17270 Bear Valley Rd. Victorville	\$1.00 NNN
Reliable Renovation	3,800 SF	10180 I Ave. Hesperia	\$0.72 MG
AVT-Car Care	3,000 SF	22275 Pawnee Rd. Apple Valley	\$0.45 G
Just Go Enterprises	2,500 SF	10968 I Ave. Hesperia	\$0.60 G
Desert Guy Construction	2,500 SF	17359 Darwin Ave. Hesperia	\$0.60 MG
Route 66 Escrow	2,368 SF	17270 Bear Valley Rd. Victorville	\$1.25 NNN

Featured Properties



**FOR SALE All or Part
Stoddard Wells Industrial Park**

42.55 Acres Stoddard Wells Rd.
Sale Price: \$6,950,000



**FOR SALE / FOR LEASE
Industrial Warehouse**

14749 Hesperia Rd. Victorville, CA
Sale Price \$1,850,000
Lease Price: \$0.70psf NNN



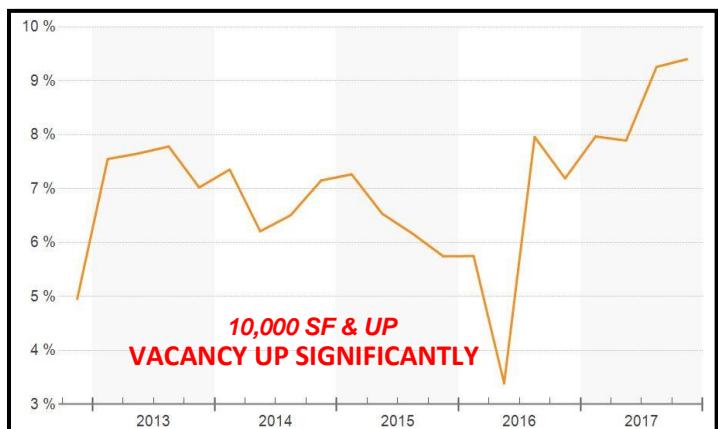
**FOR SALE
NNN Retail Center**

15770 Mojave Dr. Victorville, CA
Sale Price: \$2,750,000

ECONOMIC INDICATORS, BUSINESS NOTES, AND PREDICTIONS:

- Nonresidential permitting in the first quarter of 2018 was 43.5% higher than during the same period in 2017 with industrial and office space being the highest.
- The Inland Empire is currently seeing \$352,000 as the median home price and a rental price of \$1,300/month making the growth rate lower than Los Angeles and Orange Counties.
- The U.S. dollar has strengthened in the recent months making the prices of U.S. made goods rise in foreign countries.
- Auto insurance rates are rapidly rising as the cost to fix mechanisms on new cars become more expensive and adjusters are increasing the costs accordingly.
- Crude oil is currently trading at \$75 per barrel which is a \$10 increase from June. Oil trading should pull back a bit and can be expected to drop to \$65 to \$70 per barrel by the end of July.
- The average annual wage in the Inland Empire increased by 1.7 percent since the 3rd quarter of 2017. This figure shows white-collar related industries experienced wage growth, whereas the region's largest industries which include education, health, transport and warehouse saw declining wages.
- Consumer spending has seen a boost in recent economic growth as taxable sales in the region grew 5.8% from the 4th quarter of 2017.

Industrial Building Vacancy Rate



Present & Past Clients of Don Brown:

- *Desert Community Bank
- *Western Realty Property
- *Weddington Heritage
- *Equitable Companies LLC
- *City of Victorville
- *City of Barstow
- *County of San Bernardino
- *City of Adelanto
- *Enterprise Funding Corp.
- *Pacific Western Bank
- *Alaska Federal Credit Union
- *Town of Apple Valley
- *Choice Medical Group
- *Citizens Business Bank
- *Hudson Realty Advisors
- *Lewis Retail Centers
- *Chino Commercial Bank
- *Space Center Incorporated
- *Nutro Products
- *Farmers Insurance
- *General Atomics
- *World Premier Investments



For a Property Evaluation or Further Information contact:

DONALD P. BROWN

President/Broker

Lee & Associates Inland Empire North (760)684.4203

dbrown@lee-associates.com