

NEW DEVELOPMENT

Residential Development

Residential Project Entitlements

Commercial and Industrial Development

Commercial and Industrial Entitlements

The Forecast



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Residential Development

Santa Clarita Valley

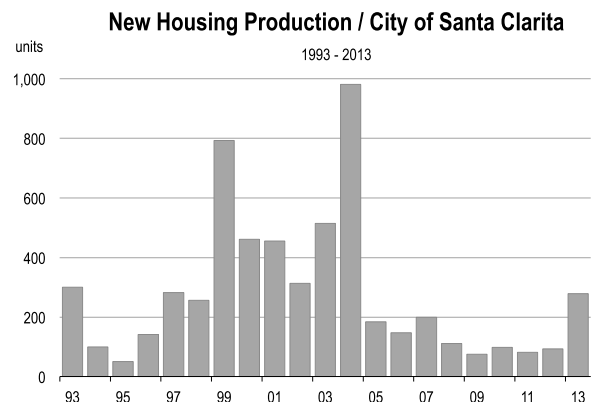
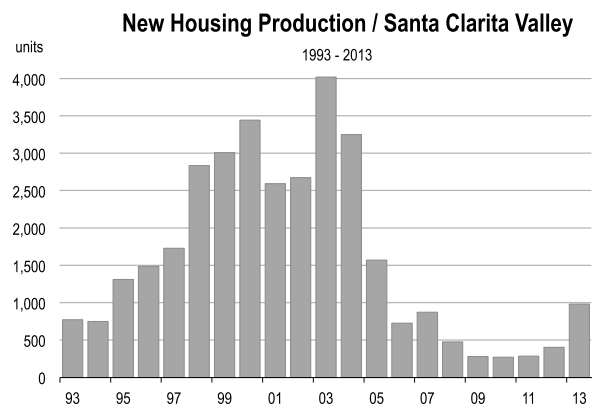
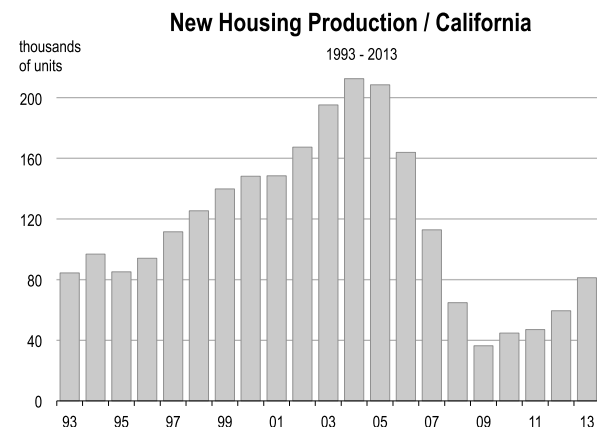
During 2013, an estimated 985 total residential units were authorized through the permitting process in the Santa Clarita Valley. This represents a large percent increase in new housing starts over 2012. The peak of home building occurred in 2003 when 4,029 units were permitted. Compared to this level, new housing in the Valley is still depressed, off 76 percent from the peak.

Housing production increased substantially within the city limits of Santa Clarita. A total of 278 units were started in 2013, compared to just 93 in 2012. However, when compared to the 981 units that were started in 2004, building activity remains virtually negligible.

In general, the development of new housing in California has not improved much. Last year, there was a 36 percent increase in new

housing starts in the State, but new housing still remains muted. Consequently, there is more crowded housing in California today compared to recent history.

A break out in new housing is due this year and next. Inland areas of the state have not begun participating much yet but that condition is due to change in 2014. Most of the current action in new home development—particularly apartments—is concentrated in the coastal markets where land is more scarce and demand among the twenty-something generation is rising.



New Residential Units Permitted		Santa Clarita and San Fernando Valleys								2004 - 2013
City	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
--- number of units permitted ---										
Santa Clarita										
Single-Family Units	981	184	147	199	111	75	98	81	93	278
Multi-Family Units	621	6	0	24	31	30	20	0	0	0
Total Units	1,602	190	147	223	142	105	118	81	93	278
Unincorporated Santa Clarita Valley										
Total Units	1,654	1,384	583	653	336	176	154	206	237	707
Santa Clarita Valley										
Total Units	3,256	1,574	730	876	478	281	272	287	330	985
City of Burbank										
Single-Family Units	33	71	66	40	47	9	15	8	7	7
Multi-Family Units	309	253	248	144	272	6	3	15	22	0
Total Units	342	324	314	184	319	15	18	23	29	7
City of Calabasas										
Single-Family Units	160	234	63	8	2	2	0	2	1	3
Multi-Family Units	0	0	0	0	0	0	75	0	65	0
Total Units	160	234	63	8	2	2	75	2	66	3
City of Glendale										
Single-Family Units	2	10	2	65	26	12	7	11	11	11
Multi-Family Units	75	289	157	576	230	125	92	227	80	152
Total Units	77	299	159	641	256	137	99	238	91	163
City of Hidden Hills										
Single-Family Units	5	7	3	5	3	1	3	2	4	3
Multi-Family Units	0	0	0	0	0	0	0	0	0	0
Total Units	5	7	3	5	3	1	3	2	4	3
City of San Fernando										
Single-Family Units	14	14	13	12	4	5	3	2	1	0
Multi-Family Units	46	0	0	37	0	0	0	0	22	10
Total Units	60	14	13	49	4	5	3	2	23	10
City of Los Angeles (portion in San Fernando Valley)										
Single-Family Units	563	600	728	532	246	157	204	159	269	326
Multi-Family Units	3,109	2,865	4,046	2,698	2,008	788	1,073	1,792	1,903	3,093
Total Units	3,672	3,465	4,774	3,230	2,254	945	1,277	1,952	2,172	3,419
San Fernando Valley										
Single-Family Units	892	1,187	1,300	828	328	186	232	184	286	343
Multi-Family Units	4,847	2,967	4,098	3,492	2,510	919	1,243	2,034	2,070	3,255
Total Units	5,739	4,154	5,398	4,320	2,838	1,105	1,475	2,219	2,356	3,598

Source: Construction Industry Research Board, The Siracusa Company, California Economic Forecast

San Fernando Valley

In the 2013 calendar year, 3,598 total residential permits were issued in the San Fernando Valley. This is an increase of 35 percent over 2012, but is still 33 percent below the peak that was reached in 2006. The 2012 growth was due largely to gains in multi family housing, which increased by 1,186 units. Single-family permits increased slightly, up by only 57 units over the year.

Much of the new activity occurred in the portion of Los Angeles City that lies within the San Fernando Valley, which was characterized by 57 new single-family units and 1,190 new multi-family units. In the City of Glendale, a large number of new multi-family units were authorized, generating a substantial increase in total permit activity. After a spike in units last year, the City of Calabasas had the largest decrease in units this year, with only 3 authorized single-family units.

The Status of New Residential Project Entitlements

Santa Clarita Valley

Among the principal projects in the Santa Clarita Valley, there are 2,796 units in developments that have started construction and 7,445 units in approved projects that have not yet begun construction. Moreover, there are approximately 19,995 units that are in larger conceptual or not yet approved projects.

A total of 30,236 units are in various stages of the formal entitlement process. The majority of the units are in Newhall Ranch.

Newhall Ranch

Newhall Ranch is located west of the Magic Mountain amusement park and south of the Santa Clara River. The approximately 20,000 home community is being developed by Newhall

New Development Summary Santa Clarita Valley

	Total Residential Units in Principal Projects			February 2014
	Total Units	Units Approved in Projects not Under Construction	Units in Projects Currently Under Construction	Units in Planning but not yet Entitled
Santa Clarita Valley				
Newhall Ranch	20,885	5499	0	15,386
Valencia / Santa Clarita	6,326	850	2,565	2911
Saugus	160	0	160	0
Castaic	1698	0	0	1698
Canyon Country	1025	1005	20	0
Newhall	142	91	51	0
Total	30,236	7,445	2,796	19,995

Sources: *The City of Santa Clarita and The Siracusa Report*

Land over 30 years. Newhall Ranch will be built within four distinct villages: Landmark, Mission, Homestead, and Potrero, each of which requires a separate EIR. Each village will have an array of detached and attached homes, commercial and business centers, schools, parks, public services and major open space.

Last October, the Los Angeles County Board of Supervisors approved the environmental impact report for Mission Village which consists of 1.56 million square feet of commercial and retail space, 4,055 housing units, an elementary school, 580 acres of open space, and three preserves for the rare spineflower species of flower.

Landmark Village is also approved and will include 1,444 housing units, retail centers, and parks. The tentative maps for Landmark and Mission villages are approved, but the communities are in litigation. Actual groundbreaking is anticipated to occur within 12-18 months.

In addition to the Villages within the Newhall Ranch Specific Plan, two additional villages, Entrada and Legacy (formerly Stevenson Ranch Phase 5), will be developed on the west side. These projects are currently planned to provide a combined estimated 5,000 additional homes.

River Village

RiverVillage (approximately 1,100 homes) is located east of Bouquet Canyon Road and north of the Santa Clara River in the City of Santa Clarita. Approximately 290 homes out of 430 single family homes are occupied to date. New single family home sales continue at Lennar's Lexington neighborhood and at Charleston

by KB Home. Charleston opened in May of last year and sold out of the 54 homes in their community in the first 2 months of 2014. Two additional areas of RiverVillage are still yet to be developed and are currently planned for attached product on the north side of Newhall Ranch Road. One area will be built by Beazer Homes and is anticipated to enter the market in late 2014 or early 2015.

Northlake

The Northlake Specific Plan was approved for 3,623 residential units, both single family and multi-family, on 1,330 acres located in Castaic and remains consistent with the One Valley One Vision (OVOV) Area Plan approved in 2012. The plan also calls for 450 acres of open space, school sites, and a golf course. NorthLake Associates, LLC recently acquired the property and intends to build Northlake as approved by the County of Los Angeles.

Golden Valley Ranch

The Golden Valley project (499 units) is being developed by Pardee Homes on Golden Valley Road, south of the Antelope Valley Freeway. The project is separated into five single-family detached neighborhoods and a senior restricted neighborhood. No significant activity has taken place since grading was completed in 2007. The developer, Pardee, plans to begin construction this year with models open in late 2014.

Fair Oaks Ranch

Fair Oaks Ranch in Canyon Country is a Pardee development, consisting of six primary neighborhoods: Mayfair, Woodglen, Hearthstone, Fairmont, Oak Crest, and

Laurel Park. Mayfair and Woodglen have been completely built out. The remaining four neighborhoods are under construction. These six neighborhoods total 1,062 homes, of which approximately 15 remain to be built and sold.

West Creek/West Hills

West Creek and West Hills, a 2,300 home community, is located on the west side of San Francisquito Creek and north of Decoro Drive. With close to 1,000 homes occupied to date, new home sales continue in Toscana in West Creek as well as Mosaic and Capri in West Hills, all single-family homes being built by Lennar Homes. D.R. Horton introduced three new single-family home neighborhoods in April of last year in West Hills – Highgate, Belmont and Monument. This will leave two single family and three attached neighborhoods remaining to be

built at some point in the future as the market dictates.

Keystone

Keystone (499 units) is located at the future intersection of Newhall Ranch Road and Golden Valley Road, and is being developed by Brookfield Homes. The project consists of 96 single family detached homes and 403 multi-family units. Brookfield Homes has filed a modification with the City that would adjust the unit types to 119 single family detached homes and 380 single-family detached condominium units, but would not alter the remaining project components. The Planning Commission approved this revision in 2013 and an extension was granted for up to 4 years. The developer is anticipating grading to begin in early 2014.

Principal Residential Projects in the Santa Clarita Valley by City and/or Town February 2014

Project Name	Units to be built	Type	Project Status
<u>Santa Clarita Valley</u>			
Newhall			
Valle Di Oro	51	79 Detached Homes	Under Construction
Valencia			
Whittaker Bermite	2,911	Mixed Development	Site remediated with DTSC
West Creek/West Hills	1,002	2,300 Multi-family and single family homes	Under Construction
Vista Canyon	1,100	Mixed use	In litigation
River Village	583	430 single family and 670 multi family homes	Under Construction
Soledad Village (Villa Metro)	252	315 Townhomes	Under Construction
<u>Unincorporated Area/Northern LA County</u>			
Canyon Country			
Golden Valley	499	499 Multi-family and single family homes	Construction begin 2014
Keystone	499	96 single family & 403 multi-family units	Grading begin early 2014
Fair Oaks Ranch	15	1,062 single family homes	Under construction
Newhall Ranch			
Newhall Ranch	20,885	Master planned community	Groundbreaking 12-18 months
Castaic			
Northlake	3,900	Single-family and multi-family homes	Pending market conditions

Sources: *The Siracusa Report, City of Santa Clarita and The California Economic Forecast*

Vista Canyon

The 185-acre approved project is located west of the intersection of Sand Canyon Road and State Route 14 in the City of Santa Clarita. The land use plan includes four primary components: a town center, a corporate office campus, a transit station, and surrounding residential neighborhoods. The “town center oriented project” will be comprised of retail shops, restaurants, entertainment, parks, trails, and residential neighborhoods.

The project has been approved for a mixed-use/transit-oriented development consisting of up to 1,100 residential units and up to 950,000 square feet of commercial, retail, theater, and hotel uses within three planning areas. Vista Canyon is currently in litigation, and the Appellate Courts are anticipated to make a decision in the summer of 2014.

Whittaker Bermite

In May 1995, the Santa Clarita City Council approved the Porta Bella Specific Plan, creating vested land use entitlements. These entitlements allow the development of 1,244 single-family residential units and 1,667 multi-family residential units, as well as 96 acres of commercial and business/office park uses. Development of the site will require the construction of millions of dollars of public infrastructure (roads, parks, schools, etc.) at the developer’s expense. The site, is currently being remediated in coordination with the Whittaker Corporation and DTSC.

Villa Metro

Villa Metro is located on the north side of Soledad Canyon road at the intersection of Gladding Way, and is comprised of 315 new homes being built by The New Home Company. The project opened in August of 2013 with three new home neighborhoods comprised of small lot detached homes and in October, the fourth neighborhood comprised of 22 Live/Work Lofts opened as well. Sales have done well since the opening, with 129 units of the total 315 already sold. 63 units are currently under construction now, with the remaining units expected to begin soon.

Commercial and Industrial Development***Santa Clarita Valley***

New commercial and industrial investment rose significantly in 2013 after falling in 2012. After only \$2.3 million in the value of total new investments in structures, the market bounced back in 2013 with a total of \$22.1 million. Accounting for renovations to existing structures, non-residential investment totaled \$66 million in 2012. Alterations totaled \$44.8 million in 2013, the highest amount since 2008.

The increase in commercial and industrial investment over last year can be attributed to a jump in new commercial structures. In general, the non-residential building market has struggled to recover over the last few years. Industrial vacancy rates are tight, but office rates remain elevated, moderating the need for additional space this year. However, because of

expected employment growth, more industrial product is needed this year in the Valley, and more office product will be needed within three years.

Commercial and Industrial Entitlements

Santa Clarita Valley

Currently, there are 7.3 million square feet of approved commercial and industrial projects in the Santa Clarita Valley. Approximately 795,000 square feet is under construction. There is an additional 1.5 million square feet of commercial and industrial space pending approval.

Henry Mayo Newhall Memorial Hospital Expansion

There are currently plans to expand the Henry Mayo Newhall memorial Hospital. These call for a total of 327,363 additional square feet to the existing hospital campus, including a new 127,323 square foot inpatient building

and 3 medical office buildings totaling 200,000 square feet. The new inpatient building will add an additional 120 patient beds. Construction on the parking structure, which began in April 2010, is now complete. Construction on an 80,000 square foot medical building began in January 2013, and will be completed in May 2014. An underground parking structure will begin construction in Spring of 2014 and will be completed by the Spring of 2015. Completion of the entire project could take up to 15 years.



Real New Commercial & Industrial Investment			City of Santa Clarita				2006 - 2013	
	2006	2007	2008	2009	2010	2011	2012	2013
--- thousands of dollars ---								
Santa Clarita								
Commercial Investment	65,573	45,767	73,953	5,301	3,198	8,037	0	16,819
Industrial Investment	27,696	0	9,074	0	0	7,653	0	1,210
Other Investment	42,301	14,472	19,247	1,132	2,076	65,424	1,630	4,065
Total New Investment	135,570	60,239	102,274	6,433	5,274	81,113	1,630	22,095
 Renovations	 54,066	 41,570	 56,358	 36,176	 37,173	 29,813	 20,674	 44,831
Total Commercial & Industrial	189,636	101,810	158,633	42,609	42,447	110,926	22,305	66,926

Source: Construction Industry Research Board

"Other Investment" includes private medical, educational, religious, agricultural and other categories

Sterling Gateway

Sterling Gateway is a planned 75 acre business park consisting of 36 lots. The park will offer multiple industrial buildings ranging from 5,936 to 12,285 square feet square feet. Current plans call for up to 1.3 million square feet of new industrial space. The business park will be located at the terminus of Witherspoon Parkway along the western edge of the existing Witherspoon Parkway. The project is situated one mile west of Interstate 5 at Hasley Canyon Exit and 1.5 miles north of Highway 126 at Commerce Center Drive Exit. Tentative tract maps have been approved. The developers are expecting to start land development mid 2014 with construction set to commence in early 2015.

Needham Ranch (Gates King Project)

Needham Ranch is a proposed subdivision of a 508-acre project site located in southern Newhall into 106 lots that will change the land use designations in several areas of the site. These changes will eliminate the residential and commercial designations from the site, and will increase the area designated as industrial from 187.8 acres to about 215.8 acres.

Sixty-eight lots are proposed to be industrial/business park lots; three lots, which comprise about 12.2 acres, would accommodate three water tanks to serve site development; 2.1 acres would accommodate the helipad site; 33.2 acres would consist of City dedicated trail and natural slope lots; and 174.4 acres would be dedicated to the City as a wilderness park and permanent open space. The remainder of the site of 53.7 acres would consist of public streets (19.1



Source: <http://www.sterlinggateway.com/pages/Sterlinghome.html>

acres), the MTA (14 acres) and SCE (19.3 acres) rights of way and 49.8 acres to be owned and maintained by the POA.

Full build-out of the site under the applicant's modified proposal would involve the development of approximately 203.2 acres with industrial uses. This acreage would accommodate up to 4.2 million square feet of industrial space. The project is under a 15 year development agreement that was approved July 15, 2009.

The project is fully entitled and all permits have been approved, and the applicants are currently in discussions with potential users and developers to begin the development process. As the markets have improved, the applicants have received an influx in interest in the project and hope to begin the project soon with construction occurring within the next 12 months.

Disney | ABC Studios at the Ranch

Disney | ABC Studios at The Ranch will be constructed on a 56-acre portion of the property, which accounts for approximately 6% of the entire 890-acre Golden Oak Ranch property. The project would provide development of

New Commercial and Industrial Development Summary February 2014

Total Approved Industrial & Commercial Square Feet in Principal Projects

	— Square Feet —		
	Pending	Approved	Total
Commerical	178,100	2,551,841	2,729,941
Industrial	1,360,000	4,753,421	6,113,421
Total	1,538,100	7,305,262	8,843,362

Summary Status of Commercial and Industrial Development

Square feet under construction	795,238
Square feet approved/not in construction	6,510,024
Square feet in planning (not yet approved)	1,538,100

Source: The City of Santa Clarita, California Economic Forecast

Principal Commercial & Industrial Projects in the Santa Clarita Valley February 2014

Project Name/Developer	Square Feet	Type	Project Status
Industrial			
Gates King	4,200,000	Industrial Park	Park Consturction to commence soon
Sterling Gateway	1,300,000	Industrial Park	Construction to commence early 2015
Disney ABC Studios at the Ranch	510,000	Movie Studio	Approvals granted 1/2014
Gateway V	425,546	Industrial Lots	Construction anticipated shortly
Commercial			
Vista Canyon	950,000	Commercial Center	In Ligation
Henry Mayo Newhall Hospital	327,363	Hospital	Construction to commence Spring 2014
Riverview Court	120,823	Office	On Hold Pending Market Conditions
Gateway V	180,024	Retail/commerical lots	Construction anticipated shortly

Source: California Economic Forecast

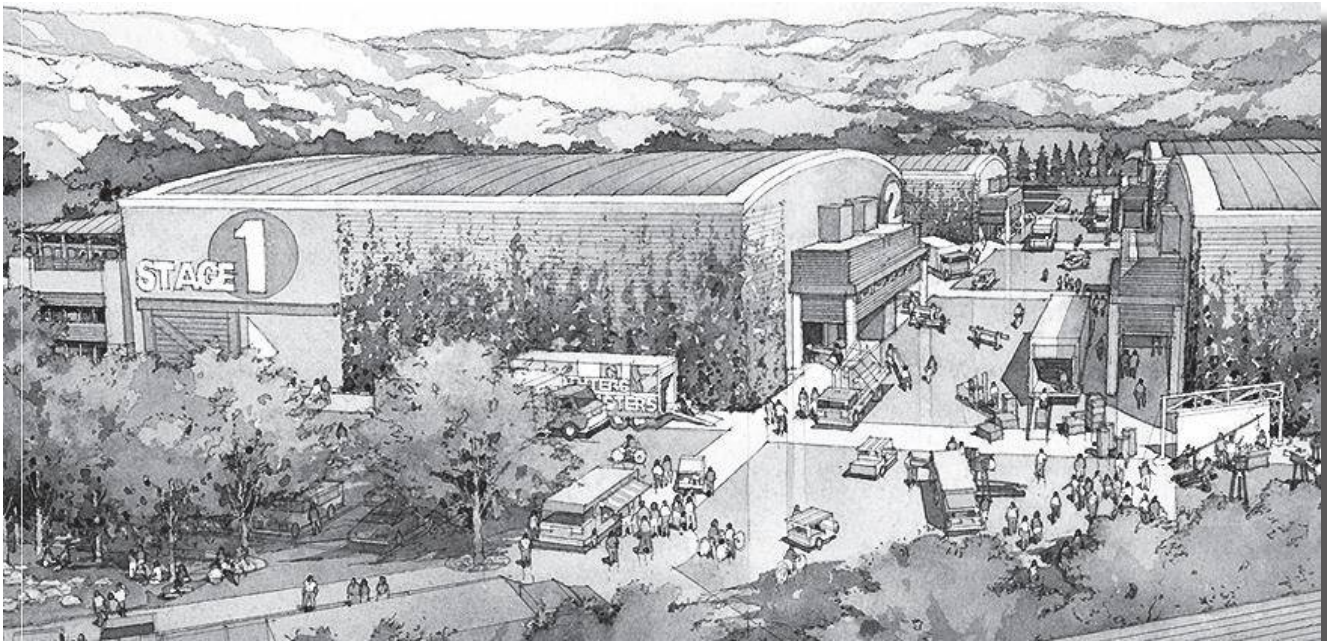
state-of-the-art studio uses and associated film and television production facilities on the westernmost portion of the Ranch.

As of January, 2014, the developers are still deciding between two different construction plans. One plan would result in 8 sound stages and 510,000 square feet of indoor studio facilities, while the other would include 12 sound stages and 555,960 square feet of indoor studio facilities.

The draft EIR was released in May, 2013 and the County Board of Supervisors granted tentative approval for the two different versions of the project in late August. An approval by the Los Angeles County Board of Supervisors in January of this year granted permission for the construction of either plan.

Gateway V

Starwood LLC is developing Gateway V, a 650,000 square foot development located at the main entrance to Valencia Commerce Center. The development is comprised of 6 land parcels available for sale including 3 industrial parcels totaling 425,546 square feet and 3 retail/commercial parcels totaling 180,024 square feet. The project is part of Valencia Gateway, the largest master planned center for Business Technology and Industry in Los Angeles County. Construction is anticipated to begin shortly, with buildings expected to be completed by the end of 2014 or early 2015.



Disney | ABC Studios at the Ranch, 510,000 square feet

Source: <http://www.studiosattheranch.com/tour>

The Forecast

Our predicted levels of housing production usually have the greatest forecast errors of all economic indicators we evaluate. This is because production of a housing unit is defined as a permit, which the builder must acquire from the municipality or county. There can be many delays associated with the timing of acquiring a permit, including final architectural approval, site issues, tract map delays, and final map recordation. Furthermore, demand fluctuations and/or financing conditions may cause a builder to delay acquiring permits.

Over the past two years, new housing development has improved. There have been

more detached homes started, and plans to start new projects will materialize this year. Because of the low levels of production during the housing bust, new units will need to be developed at a rather rapid pace. Furthermore, because the Newhall Ranch project is finally clearing a number of barriers that has prevented the first villages from breaking ground, land development efforts for the project, Legacy Village and Entrada are just about underway. There will be a surge in new housing starts beginning in 2018 and continuing for many years.

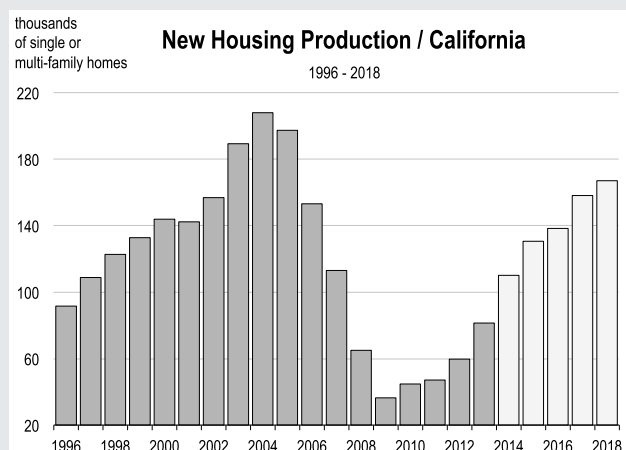
Considering population and employment growth in the region, we know that more housing will be needed and constructed over a broader range

New Housing Rebound Should Accelerate in California

The new housing industry is due for a break out, this year and in 2015. The coastal counties are the key areas for production right now, but inland areas of the state will begin participating in the housing rebound this year and in 2015. Clearly, job formation is accelerating in the San Joaquin Valley, the Inland Empire, and the Sacramento Valley. More employment opportunities stimulate housing demand, which should rise sharply over the next 3 years.

Total housing production in 2013 was 81,350 units. The forecast has new starts rising to 110,000 in 2014 and nearly 131,000 in 2015.

As inland areas of the state strengthen, and population growth accelerates, demand for homes should expand over the next 3 years.



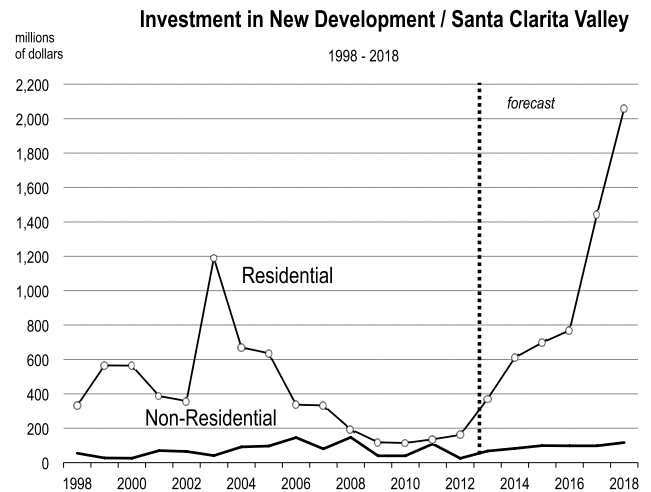
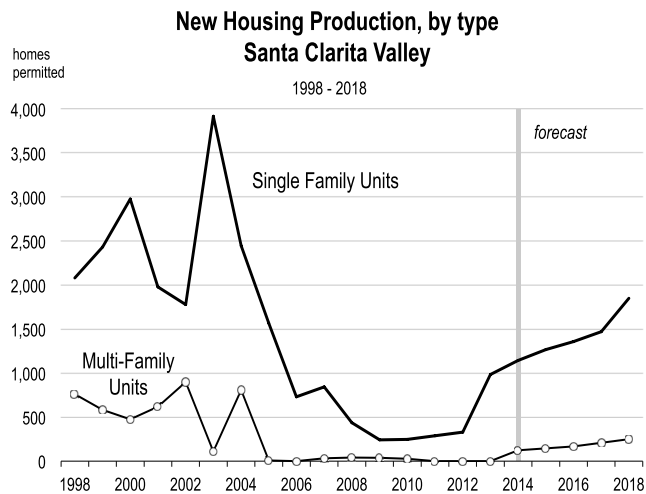
of time. And we know that the large Newhall Ranch and other westside Valley development is coming. Over the next five-year period, the number of new homes produced or under construction is becoming more predictable.

Non-residential structures will rise gradually through 2018, increasing at a relative rapid rate thereafter when development at the Valencia Commerce Center accelerates.

Our forecast of new home production from 2014 to 2018 calls for nearly 8,000 new housing units in the Santa Clarita Valley. New housing as part of Newhall Ranch is assumed to become more noticeable by 2018. Investment in land improvements and infrastructure soar in 2017 and 2018 in anticipation of Newhall Ranch and other development west of the I-5.

New Development Forecast	Santa Clarita Valley					History 2009-2013
	2009	2010	2011	2012	2013	
New Residential Development						
City of Santa Clarita	<i>--number of units permitted--</i>					
Single Family Units	111	75	98	81	115	
Multiple Family Units	31	30	20	0	0	
Total Units	142	105	118	81	115	
Santa Clarita Valley						
Total Units	281	272	287	330	985	
Commercial and Industrial Investment						
	<i>--millions of constant 2013 dollars--</i>					
Santa Clarita Valley	40	40	109	25	67	
percent change	42.8	42.2	112.9	25.7	67.0	

Source: California Economic Forecast, March 2014



New Development Forecast		Santa Clarita Valley				Forecast 2014-2019	
		2014	2015	2016	2017	2018	2019
New Residential Development							
City of Santa Clarita							
		--number of units permitted--					
	Single Family Units	163	272	275	256	277	302
	Multiple Family Units	48	118	120	108	122	137
	Total Units	211	390	395	364	399	439
Santa Clarita Valley							
	Total Units	1,265	1,412	1,526	1,681	2,102	3,228
Commercial and Industrial Investment							
		--millions of constant 2013 dollars--					
	Santa Clarita Valley	83	100	98	98	117	229
	percent change	81.0	94.8	91.3	89.7	105.5	202.4

Source: California Economic Forecast, March 2014