Los Angeles Site Selection

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Model: 3.CF

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EXECUTIVE SUMMARY

Overview

In preparing this document, there are quite a few different variables and assumptions to account for when looking at the current sites and possible future ones. Below, you will find an outline of how I sorted my research and added a few extra thoughts on the process.

Goals

1. Visit existing sites and take notes of design, location, and type of store (sales, service, service plus).
2. Identify potential site locations around Tesla retail stores, service centers, and/or delivery hubs.

Questions

1. Due to limited supply of stand alone parking in the LA area, are we allowed to approach shopping malls, hotels, churches, and federal buildings for use of their parking lots/structures?
2. Are we able to work with local brokers to obtain accurate market information along with potential spaces?
3. When looking for relocation, shall I assume that Tesla wants to add more Service Plus centers, retail stores, or stand alone delivery hubs including ancillary parking?

Assumptions and ideas when searching for space

1. When searching for ancillary parking (especially within Los Angeles), get creative with where you can look!
2. When searching for Pop-up sites, find high foot traffic and luxury locations to attract the target consumer.
3. Find old car dealerships or auto repair sites that have failed

Creative Ideas

1. Shopping malls and hotels are welcomed possibilities for ancillary parking. Delivery hubs could partner with hotels and possibly offer perks such as a complimentary night, similar to the Volvo Overseas Delivery Program.
2. Reach out to Class A retail locations (The Grove, Americana at Brand, Westfield mall) to employ Tesla Mobile Design Centers. We want to have a high foot traffic area targeted towards the correct consumer. These locations will benefit from our popup shops because we can attract more consumers. Tesla could also include a social media campaign.
3. Mobile Design Center sent to the beaches of Southern California during a hot summer day. Will need to obtain traffic data from LA county beaches to find out when the population has been historically highest.
4. Use automated car elevator garages for CPO Tesla's

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CURRENT SITE NOTES

Forward

Before finding potential site locations, it was beneficial to visit some current spaces provided by Shae in order to gain a greater understanding of the types of centers (sales, service, service plus). I have noted a few findings below regarding each property I visited.

Findings

Santa Monica-Promenade – Showroom (Sales only) | 1227 Third Street Promenade, Santa Monica, CA 90401

1. This was the first site I visited. I noticed that due to the store being at the end of the promenade, the foot traffic was quite low. On the next page in the **location recommendations** section, you will see a photo of an active listing more towards the middle of the promenade to compare.
2. There were only two parking spaces on the backside of the building for the Tesla test drive vehicles.
3. The employees were very kind and welcoming as I entered the store.

West Los Angeles-Santa Monica Blvd – Service Center (Service only) | 11163 Santa Monica Boulevard, Los Angeles, CA 90025

1. This is the service center right off of the 405. In 2008, this location was the first Tesla Sales store opened!
2. Parking space is very limited here and felt quite congested due to the small alleyway width.

The Tesla Gallery at Nordstrom The Grove (Gallery)

1. From the service center, I decided to eat at The Grove and ended up stumbling upon the Tesla Gallery inside Nordstrom!
2. This was great to see as it offered a creative standpoint in showcasing the car right where the target consumer would generally shop.

Los Angeles-Centinela – Service Plus (Sales, Service, and Delivery Bay) | 5840 W. Centinela Ave, Los Angeles, CA 90045

1. After fighting through traffic, I made it to the Tesla Service Plus center.
2. I pulled into the single in/out driveway and was greeted by a gentleman standing on the side. I kindly asked if I could tour around the property, but was told that this service area was for owners only.
3. Upon initial research on Costar, I found that there is only 1.5 years left on the lease which will expire in November 2018. Are we planning to renew this space?

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LOCATION RECOMMENDATIONS

In this section, I will be offering the different steps I take to finding a location. The first step will be showcased around the SM store and offers suggestions for ancillary parking, a relocation, and a pop-up. The second step will be showcased with the Centinela store and dives deeper into selecting a specific property in order to start an in-depth market analysis.

Santa Monica-Promenade – Showroom (sales only) | 1227 Third Street Promenade, Santa Monica, CA 90401

Photos	Address	Description	Why would this space be beneficial to Tesla?
	1401 Santa Monica Blvd 1 Mile from Tesla retail store ~ 6 minute drive	Available to rent "daily, weekly or monthly" according to the listing sign. Former car dealership site now sitting vacant with approximately 22,651 SF according to Costar. Right on Santa Monica Blvd and has excellent visibility.	This lot could supplement the current Tesla retail store as a prime located delivery hub. A store could also be setup or placed inside the existing building on site. Additionally, if needed, this could act as a storage area for Tesla CPO vehicles.
 	Santa Monica Airport - http://barkerhangar.com/about.html 5.2 miles from Tesla Service Plus ~ 17 minute drive	Boasting 35,000 square feet, the Barker Hangar provides a perfect venue arena for larger scaled events. It is "uniquely suited for events as diverse as concerts, retail sales, awards shows, trade shows and gala dinners."	Finding suitable delivery hubs for the future of Tesla's sales is going to be required. With the soon release of Model 3, tons of customers will be expecting their vehicles to be delivered on time and in style. Similar to the Culver City delivery hub leased out from 3Lab, the Barker Hangar would provide a centrally located delivery hub to the West-side.
	Various 3rd Street Promenade Locations 1 mile from Tesla retail store ~ 7 minute walk	Numerous retail locations for lease on the promenade. Space ranging from 3,000 - 5,000 with a few having options for 2 floors.	Upon arriving to the 3rd Street Promenade retail store, I noticed that foot traffic was dramatically reduced due to it being located towards the end of the street. If the store was to be relocated, I would be looking for spaces closer to the mall area at the south end of the Promenade. This would allow for higher foot traffic and possibly increased sales (opinion). The photo to the left is foot traffic in front of a possible retail listing towards the middle of 3rd street promenade. Compare that to the photo I took of the current Tesla store. Both were taken within a 5 minute time span.
	Santa Monica Place (Bottom of 3rd Street Promenade) http://www.santamonicaplace.com 2 miles from Tesla retail store location ~ 15 minute walk	"Amazing stores, breath-taking views, delicious food and a fresh, open-air design. Santa Monica Place is a shopping and dining destination that's just right for this iconic beach city." Includes Nordstroms, ArcLight Cinemas, Louis Vuitton, Nike, and more.	In the photo to the left, I photoshopped a Tesla Mobile Design Center in the courtyard of Santa Monica Place. With the amount of winter and summer time foot traffic and the correct target demographic due to upscale surrounding stores, this would be an optimal place to show off Tesla in its natural element!

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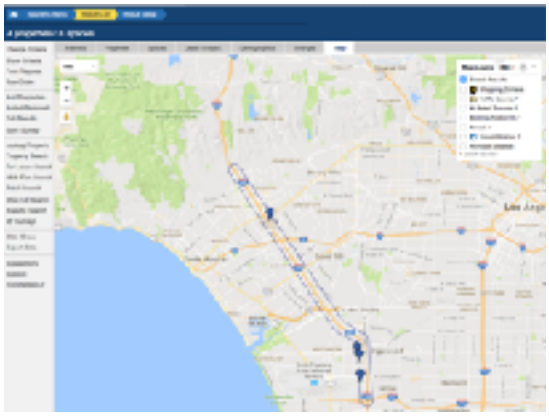
Los Angeles-Centinela Service Plus (sales, service, and delivery bay) | 5840 W. Centinela Ave, Los Angeles, CA 90045

Search Criteria

Upon noticing that the lease of the Centinela Service Plus location will be expiring soon (November 2018), I created a corridor search (right) on Costar to identify potential relocation sites. I decided to search for both industrial and retail spaces between 10,000sf (approximate size of West LA service center) and 30,000sf (approximate size of Centinela Service Plus location). Additionally, I made sure each property was within a minute drive of an on/off ramp from the 405.



Choosing a subject property

To the right, you will find a chart summarizing three sites that met the search criteria. For consideration of interview time, I will focus on one property.

1977 South Sepulveda Blvd stood out to me as it just recently came on the market and is categorized as a 5 building flex complex which could be a great replacement or expansion of the current service and/or service plus center.

For the next portion of this document, I will provide some research on this subject property.

*Obtained from Costar

Address	RSF Available	Rent/SF/mo	2017 Med HH Income	2017 Median Home Value
5300 W 104th St	14,750	1.4/mg	43173	371,474
704-712 S Hindry Ave	31,080	1.19/nnn	47,845	460,623
1977 S Sepulveda Blvd	26,000	2.25/nnn	81,221	817,554

PROPERTY SUMMARY | 1977 SOUTH SEPULVEDA BLVD

Building

Type	2 Star Industrial		
RBA	26,000 SF	Year Built	1949
Stories	1		
Typical Floor	26,000 SF		
Class	C		
Taxes	$0.34/SF (2016)		
Walk Score®	Very Walkable (84)		
Transit Score®	Good Transit (64)		

Land

Land Acres	0.75 AC	Land SF	32,799 SF
Bldg FAR	0.79		
Zoning	AM2		
Parcel	4523-005-005		

Location

Zip	90025
Submarket	Westside Ind
Submarket Cluster	Westside Ind
Market	Los Angeles
County	Los Angeles
State	California
CBSA	Los Angeles-Long Beach-Glendale, CA
DMA	Los Angeles, CA-NV

For Lease »

Smallest Space	2,500 SF	Industrial Avail	26,000 SF
Max Contiguous	26,000 SF		
# of Spaces	5		
Vacant	0 SF		
% Leased	100%		
Asking Rent	$2.25/SF Triple Net		

Space »

Floor	SF Available	Use	Rent
P 1st	5,000 SF	Industrial	$2.95/NNN
P 1st	5,000 SF	Industrial	$2.25/NNN
P 1st	10,000 SF	Industrial	$2.95/NNN
P 1st	3,500 SF	Industrial	$2.25/NNN
P 1st	2,500 SF	Industrial	$2.95/NNN

Market Conditions »

Vacancy Rates	Current	YOY Change
Current Building	0.0%	-
Submarket 1-3 Star	1.1%	↓ 1.9%
Market Overall	2.2%	↑ 0.2%
Asking Rents Per SF		
Submarket 1-3 Star	$1.06	↑ 10.0%
Market Overall	$0.77	↑ 5.5%
Submarket Leasing Activity		
12 Mo. Leased SF	300,991	↓ 60.2%
Months on Market	2.7	↓ 1.2 mo

Submarket Sales Activity	Current	Prev Year
12 Mo. Sales Volume (Mil)	$218.5	$166.4
12 Mo. Price Per SF	$515	$255

Property Contacts »

Recorded Owner	Carey-partlin Llc
Primary Leasing	Lee & Associates

Assessment »

2016 Assessment		
Improvements	$117,745	$4.53/SF
Land	$-87,058	$14.94/SF
Total Value	$304,751	$17.02/SF

Traffic »

Collection Street	Cross Street	Traffic Vol	Year	Distance
S Sepulveda Blvd	N Grange Ave SE	22,906	2015	0.04 mi
S Sepulveda Blvd	Mississippi Ave ...	24,611	2015	0.11 mi
I-405	Santa Monica B...	292,021	2015	0.15 mi
Interstate Hwy 405	Santa Monica B...	325,000	2010	0.15 mi
N Grange Ave	Beloit Ave NE	4,116	2009	0.16 mi

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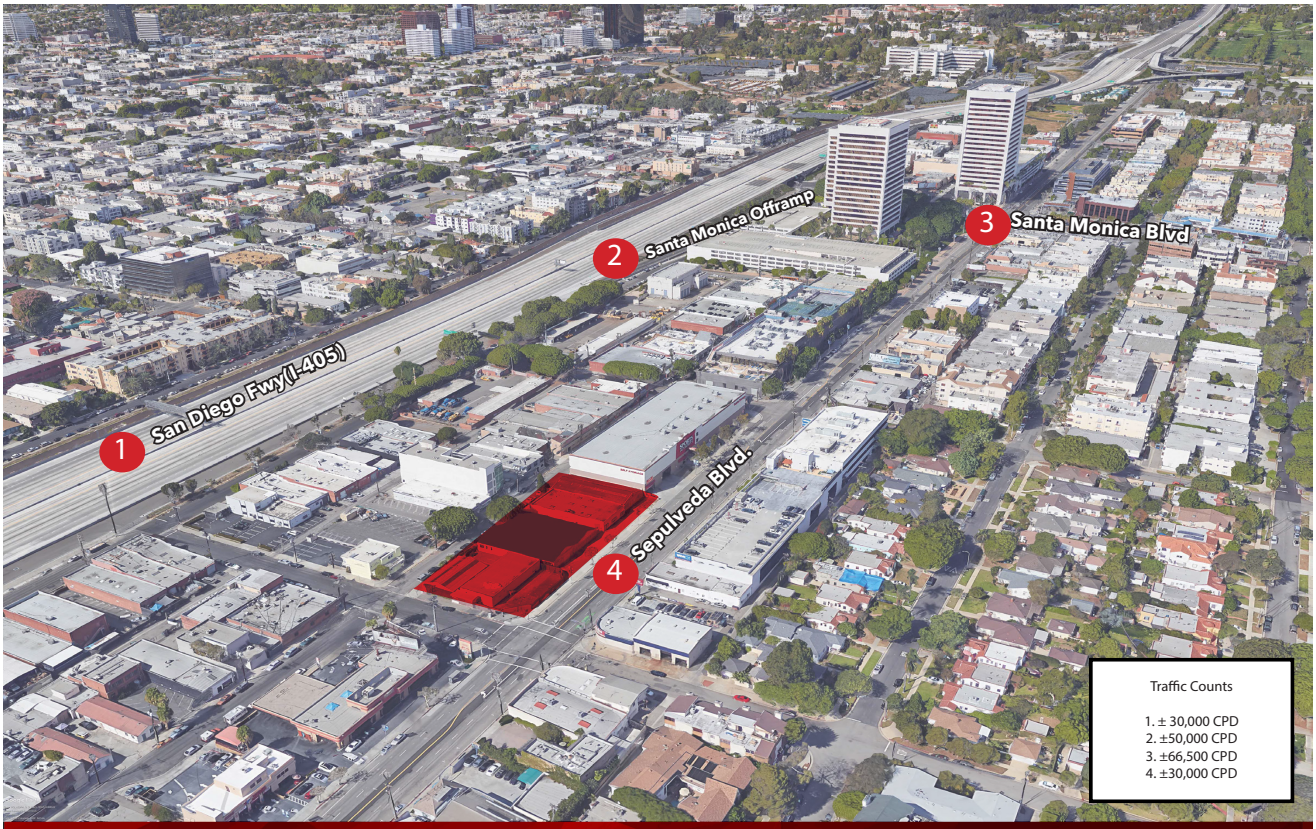
OVERHEAD VIEW OF SUBJECT PROPERTY



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LEE & WEST LA
MAKE A REAL ESTATEMENT
BRE 01222000

property **photos**

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SUBJECT PROPERTY DEMOGRAPHIC INFO

The info shown below was obtained with a 1 and 5-mile radius of the subject property. Demographic data pulled from Costar is sourced from the United States Census Bureau and DataMetrix.

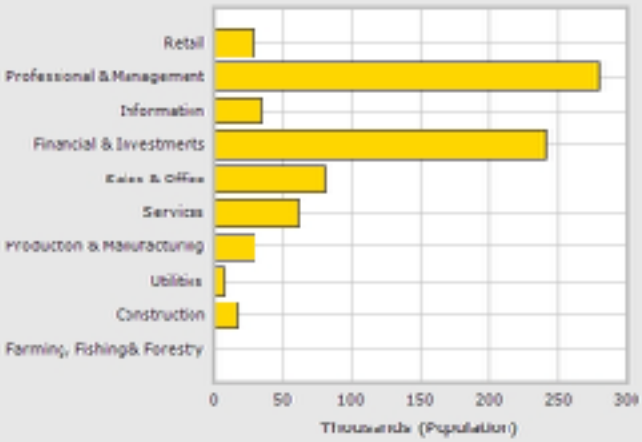
5-Mile Radius | Quick Stats

Upon initial review of the statistics, Tesla can assume that the target consumer will live within driving range of this site. Notable metrics include the average age and median household income which increases as the radius increases due to the addition of Hollywood Hills and Beverly Hills neighborhoods.

Population	1 Mile	3 Mile	5 Mile
2017 Total Population:	44,265	308,165	636,927
2022 Population:	45,573	315,271	651,137
Pop Growth 2017-2022:	2.95%	1.31%	2.23%
Average Age:	38.40	38.90	40.00
Households			
2017 Total Households:	21,214	138,350	292,429
HH Growth 2017-2022:	2.78%	1.18%	2.10%
Median Household Inc:	$81,221	$81,787	$84,902
Avg Household Size:	2.00	2.10	2.13
2017 Avg HH Vehicles:	1.00	2.00	2.00
Housing			
Median Home Value:	$817,554	$573,134	$942,871
Median Year Built:	1971	1965	1963

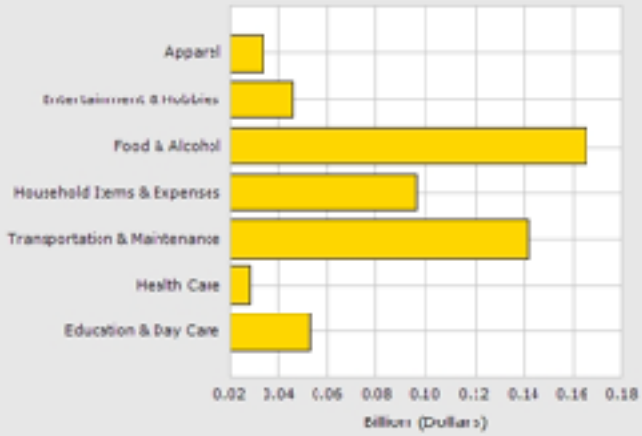
5-Mile Radius | Individuals Employed by Occupation

Another great key indicator for this property are the main occupations surrounding the site. Professional/Management comes in just above 275,000 people and Financial and Investments at approximately 247,000.



1-Mile Radius | Consumer Spending Totals

I like to look at this metric to understand what our target consumer is spending their money on most. Upon initial review, although the primary spending is on Food and Alcohol, Transportation and Maintenance comes in second at a little over $140,000,000.



GENERAL WESTSIDE INDUSTRIAL SUMMARY

Costar produces quarterly reports for each real estate product type. I was able to obtain the Q1 - 2017 industrial report for Los Angeles and have attached it below. This gives me a good starting basis when researching a market.

First Quarter 2017 – Los Angeles

Los Angeles Industrial Market

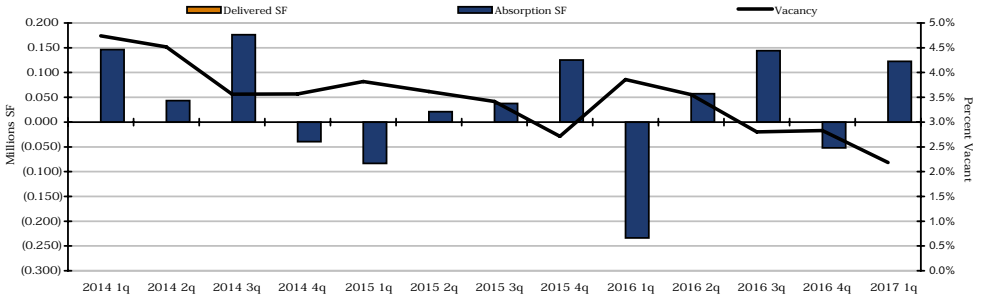
CoStar

Westside Market

MARKET HIGHLIGHTS - Flex & Warehouse

Deliveries, Absorption & Vacancy

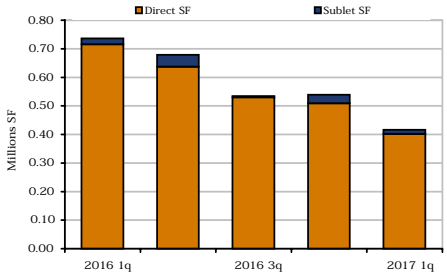
Historical Analysis, Flex and Warehouse



Source: CoStar Property®

Vacant Space

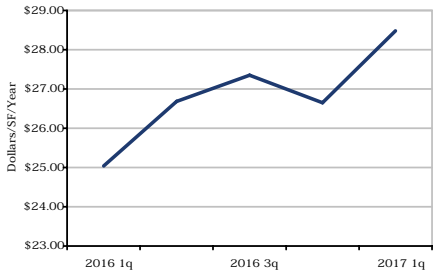
Historical Analysis, Flex and Warehouse



Source: CoStar Property®

Quoted Rental Rates

Historical Analysis, Flex and Warehouse



Source: CoStar Property®

	Existing Inventory		Vacancy		Net	Delivered Inventory		UC Inventory		Quoted
Period	# Bldgs	Total RBA	Vacant SF	Vacancy %	Absorption	# Bldgs	Total RBA	# Bldgs	Total RBA	Rates
2017 1q	1,188	19,032,610	416,087	2.2%	122,720	0	0	0	0	$28.48
2016 4q	1,188	19,032,610	538,807	2.8%	(52,143)	0	0	0	0	$26.65
2016 3q	1,191	19,080,260	534,314	2.8%	144,254	0	0	0	0	$27.35
2016 2q	1,191	19,080,260	678,568	3.6%	57,397	0	0	0	0	$26.68
2016 1q	1,191	19,080,260	735,965	3.9%	(233,859)	0	0	0	0	$25.04
2015 4q	1,192	19,095,742	517,588	2.7%	125,295	0	0	0	0	$24.39
2015 3q	1,193	19,105,742	652,883	3.4%	37,726	0	0	0	0	$23.56
2015 2q	1,193	19,105,742	690,609	3.6%	20,872	0	0	0	0	$22.55
2015 1q	1,194	19,124,142	729,881	3.8%	(83,280)	0	0	0	0	$22.58
2014 4q	1,195	19,160,865	683,324	3.6%	(39,595)	0	0	0	0	$22.77
2014 3q	1,198	19,201,243	684,107	3.6%	176,439	0	0	0	0	$22.20
2014 2q	1,199	19,207,983	867,286	4.5%	43,323	0	0	0	0	$21.21
2014 1q	1,199	19,207,983	910,609	4.7%	146,482	0	0	0	0	$20.42
2013 4q	1,199	19,207,983	1,057,091	5.5%	(26,641)	0	0	0	0	$19.24
2013 3q	1,199	19,207,983	1,030,450	5.4%	(240,981)	0	0	0	0	$18.77
2013 2q	1,199	19,207,983	789,469	4.1%	(50,109)	0	0	0	0	$18.58

Source: CoStar Property®

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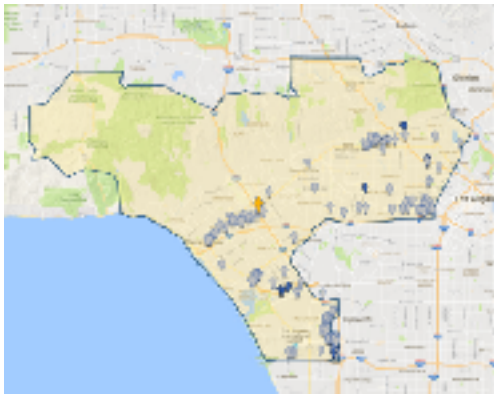
SUBJECT PROPERTY COMPARABLE MARKET RESEARCH

In order to conduct my market research, I selected industrial properties both fully leased out and active listings. To gain a good understanding of where our initial rent offer needs to be, I did not cap the rent criteria. Square footage criteria was set between 15,000 and 30,000.

174 Properties / 18 Spaces



The Westside industrial market is hot. With vacancy rates just below 2% it is safe to assume finding and leasing property will be competitive.

The “Months on Market” and “Probability of Leasing in Months” graphs correlate as months decrease the probability increases drastically.

After a substantial drop in asking rent during 2016, we can see it beginning to creep back up with Westside 1-3 Star’s averaging $1.86/sf. To further investigate this, I would select only “2 Star” buildings comparable to the subject property.

Industrial	1073 S Sepulveda Blvd	Westside 1-3 Star	Westside	Los Angeles
Buildings	1	[illegible]	[illegible]	[illegible]
Existing SF	[illegible]	[illegible]	[illegible]	[illegible]
Average Building SF	[illegible]	[illegible]	[illegible]	[illegible]
Under Construction	-	-	-	[illegible]
Leasing				
Rent Per SF	-	$1.36	$1.36	[illegible]
Vacancy Rate	3.0%	1.1%	1.0%	[illegible]
Available Spaces	5	51	51	[illegible]
Available SF	[illegible]	[illegible]	[illegible]	[illegible]
12 Mo. Absorption SF	[illegible]	[illegible]	[illegible]	[illegible]
12 Mo. Leasing SF	[illegible]	[illegible]	[illegible]	[illegible]
Sales Past Year				
Properties	-	[illegible]	[illegible]	[illegible]
Sales Volume (Mil.)	-	[illegible]	[illegible]	[illegible]
Avg Sale Price (Mil)	-	[illegible]	[illegible]	[illegible]
Sale Price Per SF	-	[illegible]	[illegible]	[illegible]
Cap Rate	-	[illegible]	[illegible]	[illegible]

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SUBJECT PROPERTY LEASE ANALYSIS

Below is a summary if Tesla were to lease this property for a 5-year term at asking rent. Please note this is only a cash flow analysis based off the rent, but can be expanded to include many more deal details such as tenant improvements, allowances, rent abatement, etc.

Proposal Summary Tenant Perspective

1977 S Sepulveda Blvd
Los Angeles, CA 90025

DEAL: Tenant Not Disclosed | Floors 1, 1, 1, 1, 1 - Suit
MODEL: Tenant 1st Proposal

SPACE DETAILS

Use:	Industrial
Floor / Suite:	1, 1, 1, 1, 1 / Studio A
Rentable SF:	26,000

LEASE TERMS

Lease Start:	7/1/2017
Lease End:	6/30/2022
Term:	5 Years
Starting Rent:	$2.25 / RSF
Rent Increases:	3% Annual Steps

Free Rent:	None
Service Type:	Triple Net (NNN)
Operating Exp:	$0.34 / RSF (3% inflation)
Improvements:	None

KEY METRICS	RSF
Proposal Effective Rent / Yr:	$2.41
Concessions Value:	$0.00

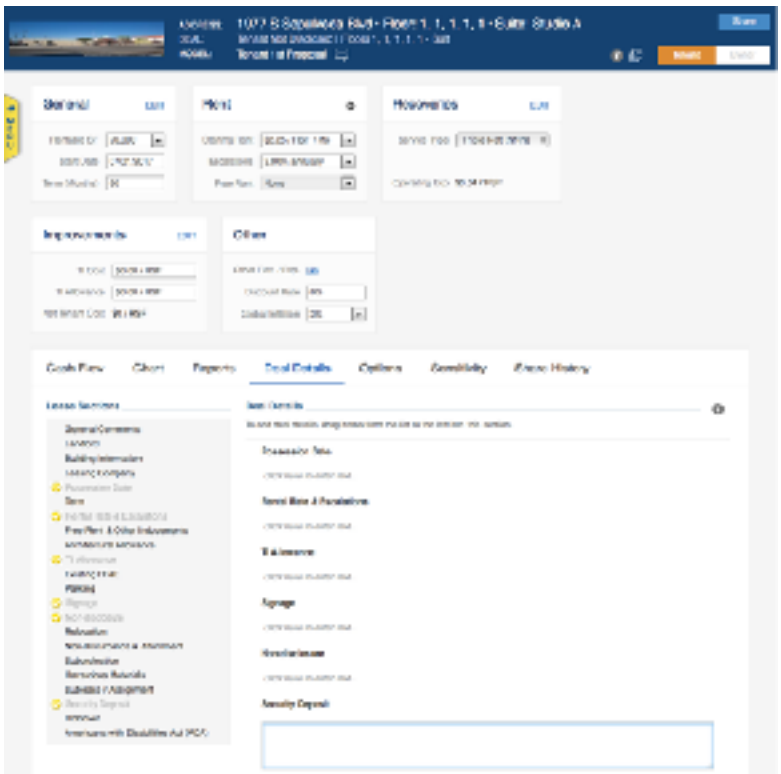
CASH FLOW METRICS	Total	RSF
Present Value (7/1/2017 @ 6%):	$3,271,552	
Total Cash Flow:	$3,775,076	
Average Cash Flow / Yr:	$755,015	$29.04
Year 1 Cash Flow:	$711,053	$27.35

HEAD COUNT (10)	Per Head
Square Feet:	2,600 RSF
Present Value:	$327,155
Total Cash Flow:	$377,508
Average Cash Flow / Yr:	$75,502
Year 1 Cash Flow:	$71,105

CASH FLOW

	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Base Rent	702,000	723,060	744,752	767,094	790,107	3,727,013
Total Base Rent	**702,000**	**723,060**	**744,752**	**767,094**	**790,107**	**3,727,013**
Recoveries	9,053	9,324	9,604	9,892	10,189	48,062
Total Rent	**711,053**	**732,384**	**754,356**	**776,987**	**800,296**	**3,775,076**
Cash Flow	**711,053**	**732,384**	**754,356**	**776,987**	**800,296**	**3,775,076**
Cumulative Cash Flow	**711,053**	**1,443,437**	**2,197,793**	**2,974,780**	**3,775,076**	**3,775,076**

The analysis contained herein is based on assumptions and estimates which have not been (or cannot be) independently verified and are subject to change. No representation or warranty is made as to the accuracy or completeness of the analysis and all information herein is provided as is. The analysis herein should not be construed as investment, tax or legal advice.

CoStar 6/15/2017

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