

RELIGIOUS FACILITIES

Market Briefing

MARCH 2017





Executive Summary

On the strength of raising land values, the trend of religious facilities being sold to real estate developers continued in 2016. Total sales volume for all religious facilities and schools in Southern California was \$277 million in 2016. Yet more than \$100 million of the total sales volume represented facilities purchased for their land value. As attendance and “giving” are generally in decline, at least 13 organizations sold their real estate to developers.

One broker commented that many urban facilities should be renamed “Our Lady of Redevelopment”.

Total sales volume was 38 % above the total of \$200 million seen in 2015 and 326% above the total volume of \$65 million experienced in 2010. Our data source for this briefing is Costar Group, Inc. and our region of study is Los Angeles, Orange, San Bernardino, Riverside and San Diego Counties.



The market was more active in 2016 with a total of 86 religious facility and school sales in Southern California over the \$500,000 threshold. There were 73 sales in 2014 and 79 in 2015. The average price per square foot of a religious facility in 2016 was \$235, 12 percent above the average price per square foot of \$209 in 2015. The low point was set in 2012 when the average price per square foot was \$148.

Market time to sell a property averaged 386 days in 2016, above the average of 264 days seen in 2015. Religious facilities typically take longer to sell as several figureheads in the organization might need to approve the sale. In addition, properties selling to developers often take one to two years to close escrow while the developer gains entitlements. One property in Whittier took over four years to sell while the buyer was seeking permits to operate a counseling center. Market time has historically been highest in the Inland Empire where it took 374 days to sell a property in 2015 and 373 days in 2016.

At the beginning of 2016, there were 98 religious facilities or schools for sale or in escrow in Southern California. The high watermark was set in 2010 when 188 properties were available for sale.

Naturally, some religious organizations are concerned that the market is near a peak. One broker we recently spoke with reported having several organizations “interested” in acquiring a facility, yet each is worried that any economic downturn would cause a drop off in donations. Another reported that church attendance is declining because the young people simply aren’t going.

Of the 86 sales in 2016, less than 20 were purchased by known religious organizations with the highest price paid being \$2.65 million in La Puente. The average price per square foot for these religious facility use (owner-user) buyers was \$152.

Multiple entities occupying one property is a trend that is gaining momentum as prices continue to increase. Not unlike having a room-mate to help make rent or mortgage payments, dual or multiple occupation of a religious facility lowers the cost of occupancy. Often a religious organization will occupy a property during Sunday with a private school occupying the property during the remainder of the week.

Total sales volume for religious facilities and schools in Southern California in 2016 was \$277 million.

Market Overview

2016 STATISTICS

The highest sales price paid in Los Angeles County in 2016 was \$22.6 million for a vacant, former school in El Segundo. In Orange County, the highest price paid was \$19 million for the former Marywood Catholic Center. Each of these properties was purchased to be redeveloped with single family homes. In the Inland Empire, the highest price paid was ~\$28.3 million for the Emissaries of Divine Light facility (85 acres) in Corona. The property was purchased to be redeveloped with a world-class wellness resort.

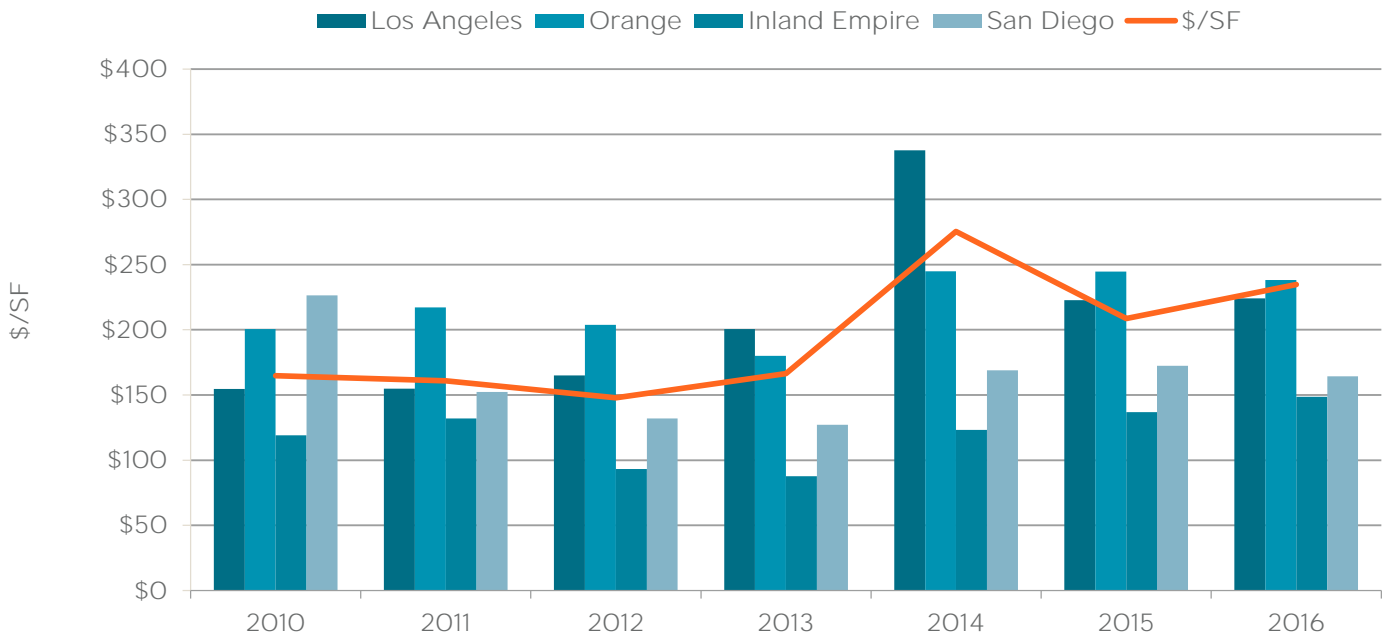
Clearly redevelopment activity is artificially forcing up the average price per square foot of a religious

facility or school sale. In San Diego, one smaller facility sold for \$752 per square foot (the site will soon be built with apartments). In Pasadena, a former Church of Religious Science Center sold for \$870 per square foot (also apartments).

Charter schools accounted for at least five transactions in 2016, four of the five being in Los Angeles County. Two of these charter schools sold above the \$9 million threshold, both in the City of Los Angeles. Religious schools or foreign language schools accounted for at least four transactions. The highest sale in Orange County involved the Camden Academy (K-7) in Mission Viejo at \$5 million.



SOUTHERN CALIFORNIA AVERAGE PRICE PER SQUARE FOOT



Source: Costar
 *Data based on transactions \$500,000 and greater

STATISTICS BY COUNTY

The average price per square foot of a religious facility or school was \$235 in 2016, 12 percent above \$209 per square foot seen in 2015. The low end of the range was seen in the Inland Empire at \$149 per square foot, the high end was in Orange County at \$245 per square foot.

There were 47 sales of religious facilities in Los Angeles County in 2016, and only 11 in San Diego County. The average age of a religious facility selling in Southern California in 2015 was 58 years old.

Smaller facilities tend to sell at a higher price per square foot and vice versa for larger facilities (a phenomenon that is typical to real estate). Land to building ratio is often recognized in transaction price per square foot, as properties with larger land areas have room for additional parking, or expansion. Location remains to be among the primary drivers of value for religious properties. Congregations are commonly regional in nature and a facility will benefit from a location near freeways, off-ramps and main traffic arteries. The number of households near a facility, and average household income, typically also effect value.

RELIGIOUS FACILITY SALES

SILVER LAKE



| | | | |
|------------|--------------------------|--------------------|-------------|
| Location: | 2828 Glendale blvd | Sale Price | \$4,250,000 |
| Sale Date | December-16 | Building Size (SF) | 10,000 |
| Seller | Hallelujah Prayer Center | Price Per SF | \$425 |
| Buyer | Play Silver Lake | Site Size (Acres) | 0.70 |
| Year Built | 1971 | Days on Market | 730 |

LA PUENTE



| | | | |
|------------|------------------------------------|--------------------|-------------|
| Location: | 400 N. Sunset Ave | Sale Price | \$2,650,000 |
| Sale Date | April-16 | Building Size (SF) | 19,055 |
| Seller | Pacific SW District of Lutheran Ch | Price Per SF | \$139 |
| Buyer | Hillside Bible Baptist Church | Site Size (Acres) | 1.40 |
| Year Built | 1962 | Days on Market | Ukn |

ANAHEIM



| | | | |
|------------|----------------------------|--------------------|-------------|
| Location: | 2641 W. La Palma Ave | Sale Price | \$2,595,000 |
| Sale Date | February-16 | Building Size (SF) | 12,692 |
| Seller | Gregory & Monika Malone | Price Per SF | \$204 |
| Buyer | Korean Gospel Broadcasting | Site Size (Acres) | 0.78 |
| Year Built | 1979 | Days on Market | Ukn |

SAN BERNARDINO



| | | | |
|------------|------------------------------------|--------------------|-------------|
| Location: | 17977 Merrill Ave | Sale Price | \$2,975,000 |
| Sale Date | June-16 | Building Size (SF) | 21,844 |
| Seller | Principles of Faith Christian Ctr. | Price Per SF | \$136 |
| Buyer | Loveland Church | Site Size (Acres) | 1.83 |
| Year Built | 2002 | Days on Market | 710 |

GRAND TERRACE



| | | | |
|------------|----------------------------------|--------------------|-------------|
| Location: | 12408 S. Mt. Vernon Ave | Sale Price | \$2,300,000 |
| Sale Date | August-16 | Building Size (SF) | 24,500 |
| Seller | SE California Conf. 7th Day Adv. | Price Per SF | \$94 |
| Buyer | the Foursquare Church | Site Size (Acres) | 3.64 |
| Year Built | 1960s | Days on Market | Ukn |

SAN FERNANDO



| | | | |
|------------|-----------------------------|--------------------|-------------|
| Location: | 768 N. Alexander ST | Sale Price | \$2,000,000 |
| Sale Date | June-16 | Building Size (SF) | 13,178 |
| Seller | North Oaks Church of Christ | Price Per SF | \$152 |
| Buyer | Ministros En Su Presencia | Site Size (Acres) | 0.72 |
| Year Built | 1960 | Days on Market | N/A |

LOS ANGELES



| | | | |
|------------|--------------------------|--------------------|-------------|
| Location: | 731 West 80th St | Sale Price | \$1,600,000 |
| Sale Date | February-16 | Building Size (SF) | 12,107 |
| Seller | Amazing Grace Outreach | Price Per SF | \$132 |
| Buyer | Mission Evangelica Siloe | Site Size (Acres) | 0.51 |
| Year Built | 1923 | Days on Market | N/A |

SCHOOL SALES

According to Costar, there were 35 sales of schools in Southern California in 2016. The highest price paid for a charter school was ~\$9.5 in Los Angeles.

LOS ANGELES



| | | | |
|------------|--------------------------------|--------------------|-------------|
| Location: | 3200 W. Adams Blvd | Sale Price | \$9,478,500 |
| Sale Date | May-16 | Building Size (SF) | 37,250 |
| Seller | Pacific Charter School Develop | Price Per SF | \$254 |
| Buyer | Math & Science College Prepat | Site Size (Acres) | 1.78 |
| Year Built | 1997 | Days on Market | N/A |

LOS ANGELES



| | | | |
|------------|--------------------------------|--------------------|-------------|
| Location: | 10000 S. Western Ave | Sale Price | \$9,043,316 |
| Sale Date | November-16 | Building Size (SF) | 22,326 |
| Seller | Charter School Solutions TA, L | Price Per SF | \$405 |
| Buyer | Alta Public Charter School | Site Size (Acres) | 1.05 |
| Year Built | 1999 | Days on Market | N/A |

SYLMAR



| | | | |
|------------|------------------------------|--------------------|-------------|
| Location: | 13570 Eldridge Ave | Sale Price | \$6,400,000 |
| Sale Date | December-16 | Building Size (SF) | 28,706 |
| Seller | Concordia Jr High School | Price Per SF | \$223 |
| Buyer | Discovery Charter Prepaptory | Site Size (Acres) | 3.87 |
| Year Built | 1962 | Days on Market | N/A |

SOLANA BEACH



| | | | |
|------------|------------------------------|--------------------|-------------|
| Location: | 1010 Solana Dr | Sale Price | \$6,250,000 |
| Sale Date | May-16 | Building Size (SF) | 15,881 |
| Seller | Leport Real Estate LLC | Price Per SF | \$394 |
| Buyer | SDORI Charter School Propert | Site Size (Acres) | 2.13 |
| Year Built | 1983 | Days on Market | Ukn |

MISSION VIEJO



| | | | |
|------------|-----------------------|--------------------|-------------|
| Location: | 24741 s. Chrisanta Dr | Sale Price | \$5,000,000 |
| Sale Date | September-16 | Building Size (SF) | 22,000 |
| Seller | Margaret Heimer | Price Per SF | \$227 |
| Buyer | EPR Properties REIT | Site Size (Acres) | 2.81 |
| Year Built | 1980 | Days on Market | Ukn |

INDIO



| | | | |
|------------|--------------------------------|--------------------|-------------|
| Location: | 40700 Yucca Ln | Sale Price | \$3,990,000 |
| Sale Date | October-16 | Building Size (SF) | 39,000 |
| Seller | County of Riverside | Price Per SF | \$102 |
| Buyer | Christian School of the Desert | Site Size (Acres) | 26,207.00 |
| Year Built | 1925 | Days on Market | Ukn |

ACTIVE LISTINGS



10455 Pomerado Rd

Los Angeles

\$36,000,000

277,919 SF

\$130 Per SF



3464 W. 1st St

Los Angeles

\$13,000,000

21,935 SF

\$593 Per SF



26800 Newport Rd

Menifee

\$8,750,000

44,667 SF

\$196 Per SF



507 Pacific Ave

Long Beach

\$6,000,000

31,654 SF

\$190 Per SF



42655 State Hwy 74

Hemet

\$6,150,000

27,000 SF

\$228 Per SF



305 Rose Ave

Venice

\$5,600,000

6,802 SF

\$823 Per SF



44130 20th St West

Lancaster

\$4,950,000

20,060 SF

\$247 Per SF



22230 Meyler St

Torrance

\$4,950,000

21,814 SF

\$227 Per SF



17244 Randall Ave

Fontana

\$4,750,000

33,000 SF

\$144 Per SF



1617 W. La Palma Ave

Anaheim

\$4,500,000

13,192 SF

\$341 Per SF



5401 Fairmont Blvd

Yorba Linda

\$4,495,000

14,000 SF

\$321 Per SF



12612 Buaro St

Garden Grove

\$4,490,000

10,566 SF

\$425 Per SF



6030 El Rancho Dr

Whittier

\$4,250,000

34,628 SF

\$123 Per SF



1518 Brookhollow Dr

Santa Ana

\$4,200,000

20,000 SF

\$210 Per SF



1249 E. Carson St

Carson

\$4,100,000

21,472 SF

\$191 Per SF



1306 W. 2nd St

Santa Ana

\$4,000,000

7,628 SF

\$524 Per SF



1282 N. Fairfax Ave

West Hollywood

\$4,000,000

15,524 SF

\$258 Per SF



7764 McGroarty St

Tujunga

\$3,500,000

17,784 SF

\$197 Per SF



1820 S. Del Mar Ave

San Gabriel

\$3,498,000

5,437 SF

\$643 Per SF



350 N. Garey Ave

Pomona

\$3,100,000

78,058 SF

\$40 Per SF

REDEVELOPMENT OF RELIGIOUS FACILITIES

Benefitting from high land values, there were several sales of older religious facilities in 2016 where the buyer will redevelop the property (often as apartments). Infill properties with medium or high-density residential zoning tend to be in greatest demand by developers.

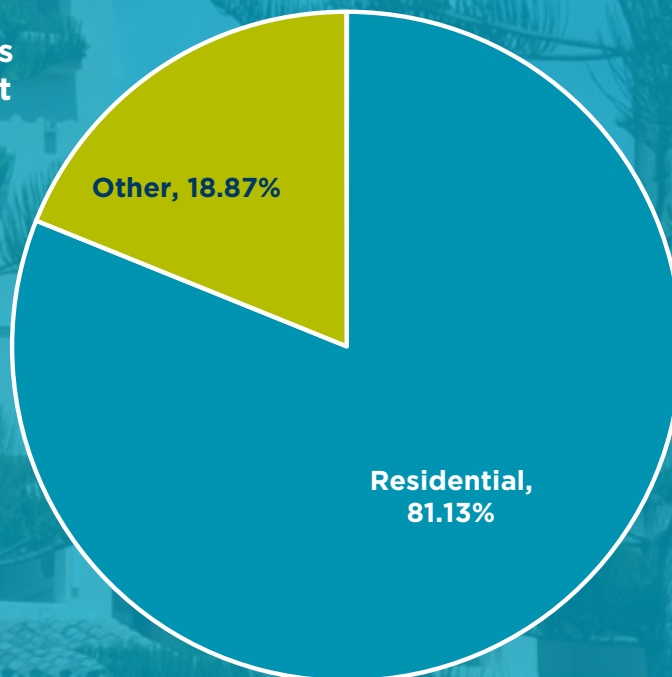
Because these properties sold for land value, the prices per square foot indicated below would not represent normal market metrics for religious facilities or schools selling to another owner-user. Ultimately, the zoning of the underlying land is critical to the value of a religious facility or school.

RELIGIOUS FACILITIES SOLD FOR REDEVELOPMENT

| Organization | City | Year Blt. | Bldg SF: | Sale Date: | Price: | Redevelopment Plan: |
|--------------------------------------|-------------|-----------|----------|------------|--------------|---------------------|
| Roman Catholic (Marywood Center) | Orange | 1964 | 100,000 | 2/9/2016 | \$19,000,000 | Residential |
| LA Korean Methodist Church | Los Angeles | 1925 | 25,201 | 7/1/2016 | \$16,774,500 | Residential |
| University Religious Conference | Los Angeles | 1951 | 17,930 | 6/29/2016 | \$10,300,000 | Residential |
| Family Resource Ministries | La Mirada | 1961 | 35,560 | 1/21/2016 | \$5,285,000 | SFRs |
| Pasadena Church of Religious Science | Pasadena | 1946 | 5,751 | 5/31/2016 | \$5,000,000 | Residential |
| Emissaries of Divine Light | Glen Ivy | 1984 | 4,943 | 1/13/2016 | \$28,273,500 | Wellness Resort |
| Balboa City School | San Diego | 1963 | 25,264 | 3/13/2016 | \$3,790,000 | Condominiums |

Source: Costar

Redevelopment Plan for Religious Facilities Sold for Redevelopment



ABOUT CUSHMAN & WAKEFIELD

Cushman & Wakefield is a leading global real estate services firm that helps clients transform the way people work, shop, and live. Our 43,000 employees in more than 60 countries help investors and occupiers optimize the value of their real estate by combining our global perspective and deep local knowledge with an impressive platform of real estate solutions. Cushman & Wakefield is among the largest commercial real estate services firms with revenue of \$5 billion across core services of agency leasing, asset services, capital markets, facility services (C&W Services), global occupier services, investment & asset management (DTZ Investors), project & development services, tenant representation, and valuation & advisory. To learn more, visit www.cushmanwakefield.com or follow @CushWake on Twitter.

ABOUT DAN GABAY

Dan Gabay is a Senior Director at Cushman & Wakefield and specializes in the valuation and advisory of institutional use properties (religious facilities, public assembly facilities and schools). With a career in appraisal spanning 30 years, Dan has also appraised numerous multifamily and commercial properties, and proposed developments. Dan's experience renders him uniquely qualified to appraise religious facilities, many of which are situated on land zoned for residential uses. Clients served include:

- Alliance Bank of Arizona
- Bank of Oklahoma
- Bank of Hope
- California Bank & Trust
- Comerica Bank
- Community Bank
- East West Bank
- Farmers & Merchants Bank
- Orange County Museum of Art
- Orange County High School of the Arts
- The Bishop of the Protestant Episcopal Church LA
- Wells Fargo



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Times on the market statistics have been corrected eliminating outliers that would skew the data. This analysis excludes properties under \$500,000 and that were non arm's length transactions.