

REGIONAL HQ LOCATION
FOR SALE

NAICapital
COMMERCIAL REAL ESTATE SERVICES, WORLDWIDE



OFFERING MEMORANDUM
9320-9328 TELSTAR AVENUE, EL MONTE, CA

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INVESTMENT HIGHLIGHTS

The Offering

As exclusive agents, NAI Capital is pleased to present this opportunity to acquire the fee simple interest in The Telstar Building located at 9320-9328 Telstar Ave., El Monte, CA 91731 (the "Property").

This is a rare opportunity for an owner/user to purchase a two-story, adaptive reuse, suburban office building which is situated in the center of the San Gabriel Valley. Built in 1975, the $\pm 246,912$ SF concrete tilt-up structure has approximately 165,466 SF of office and 81,446 SF of warehouse space. Currently there are two short term leases in place, 1) ending in August 2019 with Los Angeles County in $\pm 178,776$ SF and 2) ending in October 2020 with Vibes Base Enterprises in 68,136 square feet.



Property Summary

Property Address:	9320-9328 Telstar Avenue, El Monte, CA 91731
Building Size:	246,912 SF
Land Area:	346,283 SF or 7.95 Acres
Price:	Contact Broker
APN Parcel #:	8595-003-016
Product Type:	Office/Warehouse
Parking:	3.2 to 1 (office) and 1 to 1 (warehouse) total of 630 spaces

Key Features

- Rare large office/flex building; there is very limited available inventory in this size range anywhere in the San Gabriel Valley.
- El Monte has one of the strongest labor markets within the San Gabriel Valley.
- An amazing opportunity in respect to size, access, parking and public transportation.
- Market rate lease value: Market rents would be approximately \$2.10 MG PSF/ month for office space over 200,000 SF
- Abundant free parking: 630 spaces on site, approximately 84 of them are covered spaces
- Strong Submarket: With limited available space in excess of 50,000 SF in the region, and no new office supply being delivered in the foreseeable future, the market dynamics and expectations for rent growth are high for large tenants seeking high quality space.
- Existing Daycare facility: a rare amenity for an on-site daycare facility to accommodate 80 children.

PROPERTY SUMMARY

Strategic Location/San Gabriel Valley

Property Location

The asset is centrally located in the San Gabriel Valley area of Los Angeles County with excellent access to Rosemead Boulevard, Interstate 10, and the 605 Freeway which provides easy access for employees and visitors to destinations throughout Southern California. All four major Los Angeles Airports are easily accessible from the property. Situated in the Flair Park triangle, the property is across the street from 240,000 square feet of Class “A” office space at 3350 and 3400 Aerojet Avenue, where Los Angeles County has long-term leases.

El Monte

The City of El Monte is fifteen minutes from downtown Los Angeles, is pro-business, and offers numerous amenities. Demographics are approximately 40% Asian, 45% Hispanic and 15% Caucasian. With its excellent public transportation, abundant labor force and proximity to three major freeways (10, 60 and 605), Flair Park is an excellent headquarters office site.



Vehicular Access and Loading: The Property has two entrances from Telstar Avenue located at the northeast and northwest corners of the site. Truck loading is provided at the northeast corner of the property including five exterior dock positions serving an exterior dock platform. One additional grade level loading door is provided on the west elevation.

Construction Detail

Original Building:	1975
Second Level Expansion & Parking Structure:	1989
Renovation:	2005-06



PROPERTY SUMMARY

Construction: The Telstar Building is a conventional tilt-up reinforced concrete structure with anodized aluminum framed windows and entrances. The exterior surfaces are painted. The column spacing is 30' by 30' in the two-story office areas and 40' deep by 60' wide in the warehouse area. The shipping and receiving area at the northeast corner of the building has 12' ceiling clear height which increases to 24' in the warehouse.

Roof: The roof and skylights at Telstar were replaced in 2005. The building has three roof areas consisting of the primary roof over the second level offices and warehouse areas, the lower level lobby roof and shipping and receiving dock office roof. The main building and lower dock office roofs have mineral surfaced built-up roof assemblies with a reflective aluminum service coating. The lobby office area roof is a 3-ply built-up asphalt roof assembly with a flood coat and gravel surfacing. The main roof has 39 skylights.

HVAC: There are 42 Primary roof-mounted units (most of them Carrier) packaged systems, split systems and heat pumps which range in size from three to 28-tons cooling capacity. Twenty-nine of the systems were installed in 2001. There are also 8, small, tenant-owned, computer room split systems sized between one and three tons. The HVAC systems distribute conditioned air through rigid and flexible ducts to the ceiling-mounted diffusers or directly into open warehouse areas. Temperature is controlled by wall-mounted thermostats.



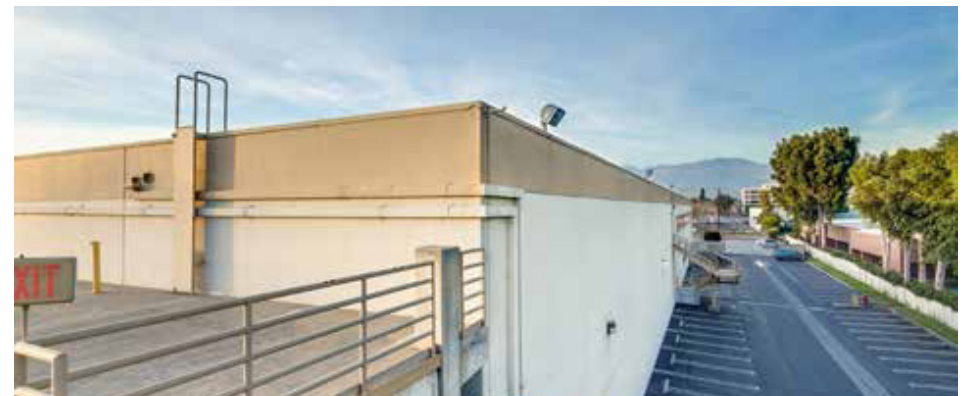
Fire/Life Safety: The building is protected by automatic, wet-type fire sprinkler systems. The monitoring systems audit sprinkler flow and tamper switches, pull-stations, smoke detectors and HVAC duct and smoke sensors and are contracted to third party monitoring companies. The first level system is rated .25 GPM/SF for 3000 SF, 110 PSI static pressure and 56 PSI residual pressure at the riser. The second level system is rated .44 GPM/SF for 2000 SF, 110 PSI static pressure and 56 PSI residual. Both systems have a discharge volume of 1680 GPM.

The garage has a fire standpipe system with fire hoses located throughout the garage. The system is equipped with an electric fire pump rated 100 GPM and 7 1/2 HP. The systems have a double backflow prevention device at the curb.

Electrical/Lighting: Electrical service is provided through a utility-owned pad-mounted transformer on the east side of the property that serves exterior-mounted, main switchgear. The service is rated 4000 amp 277/480 volts, 3-phase. The main switchgear feeds multiple electric room sub panels throughout the building.

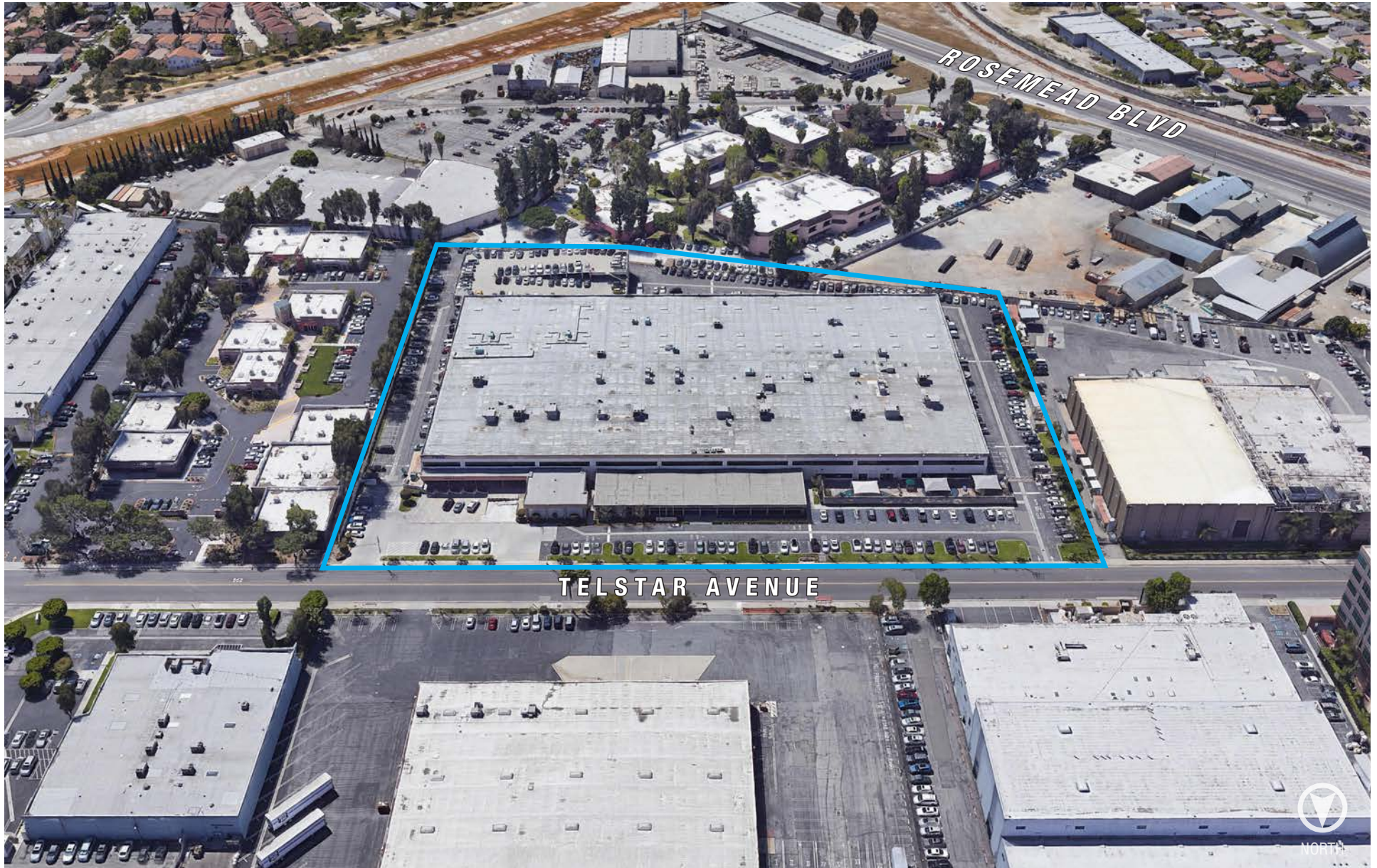
Interior lighting is provided by T8 fluorescent fixtures in the office areas and high bay style HID fixtures in the warehouse.

Elevator: The building is equipped with one passenger and one freight elevator. The freight elevator is a Pflow Freight Lift System with a 3,500-pound rating.

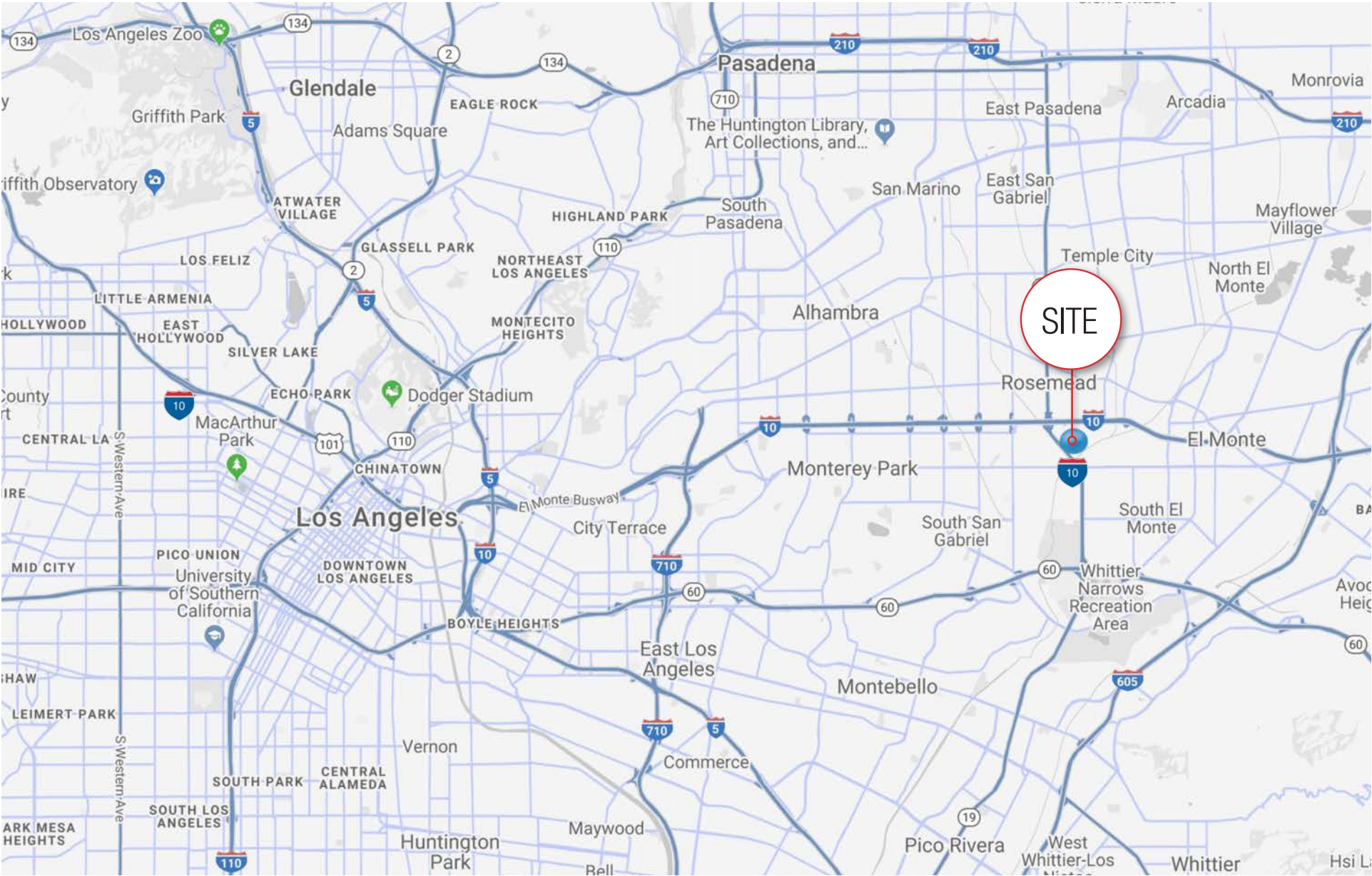


PROPERTY PHOTOS

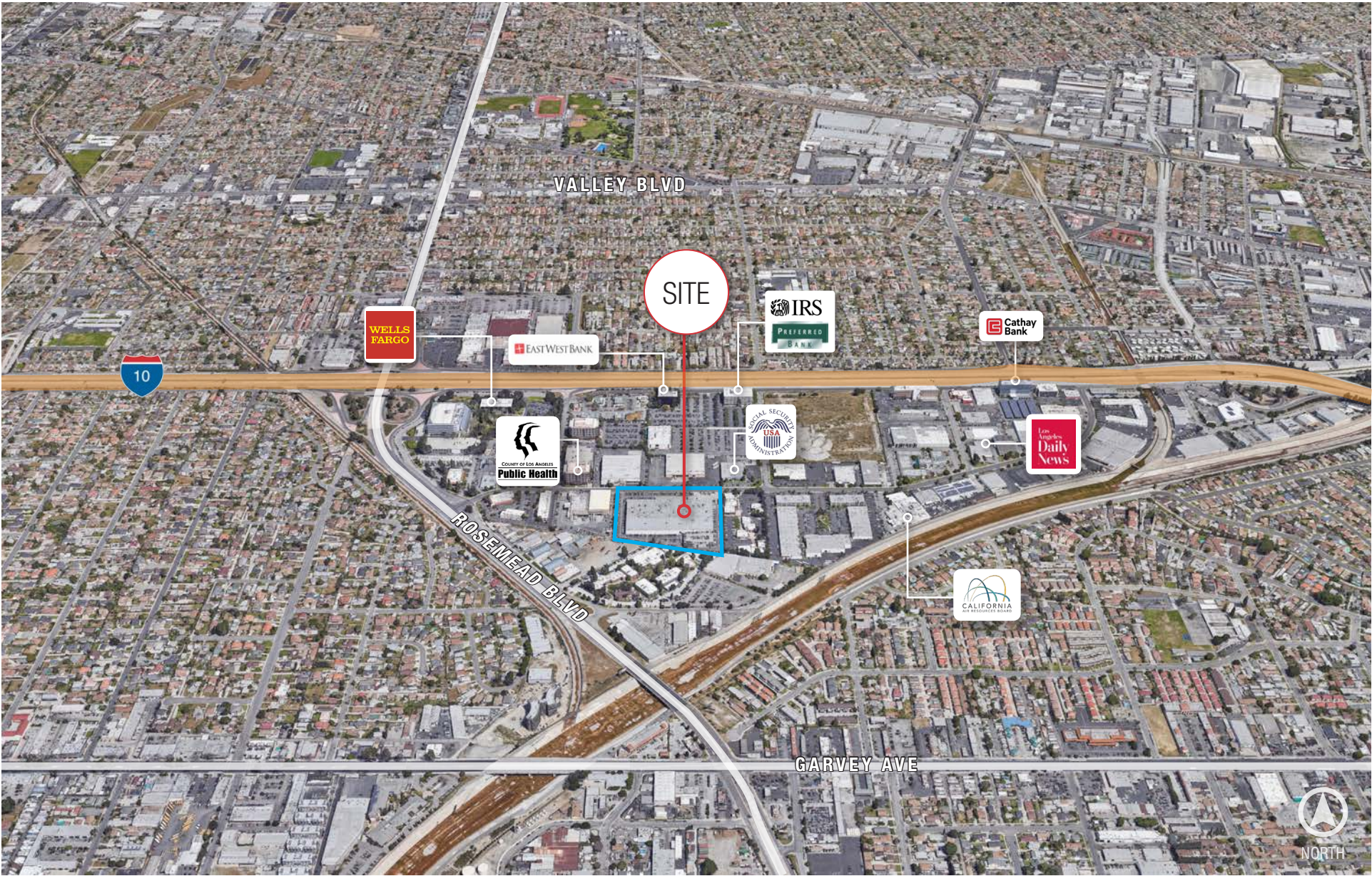




LOCATION MAP



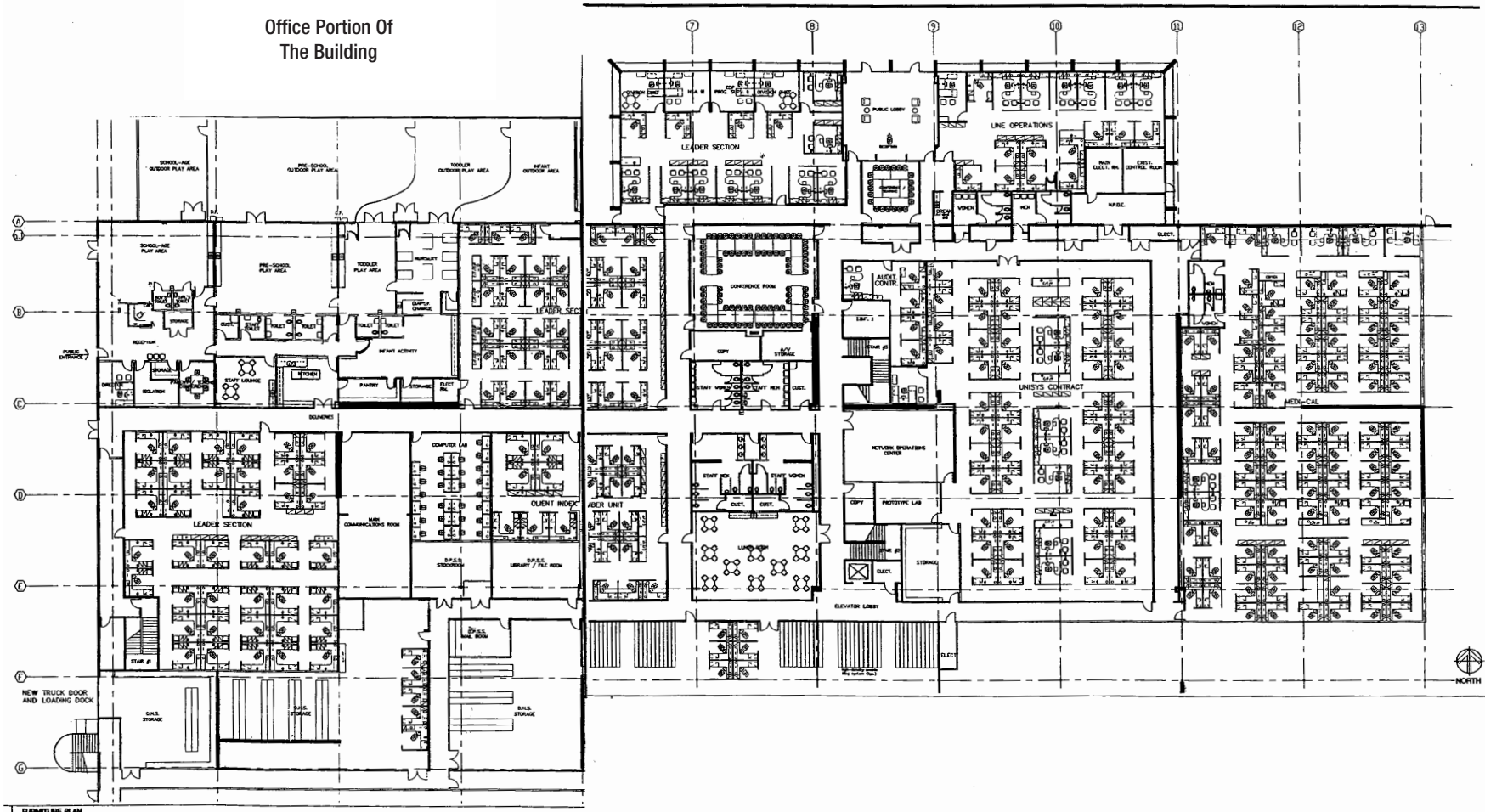
AREA MAP



FLOOR PLAN

1st Floor

Office Portion Of
The Building



Response	Percentage
Doing a good job	65%
Not doing a good job	35%



COST OF OWNERSHIP

SALES ANALYSIS
9320-9328 Telstar
El Monte, CA

12-Aug-19
FOR: Prospect User
BY: R. Scott Martin

Size of Building	246,912 SF		
Sales Price:			\$60,000,000
Down Payment:	25%		\$15,000,000
Loan Amount:			\$45,000,000
	Loan Assumptions:	Amortized Over Due in:	
	4.00%	25 10	
Monthly Loan Payment:			\$237,527
Monthly Expenses:			
	Janitorial:	\$0.05	\$8,939
	Trash:		\$480
	Electric:	\$0.25	\$44,694
	Insurance:	\$0.03	\$7,407
	Taxes:		\$58,900
	Maintenance	\$0.03	\$7,407
	Management	0%	\$0
			\$127,828
Tenant Recapture:	CAM Cost	0%	\$0
Total monthly obligation:		Breakeven	\$1.48
Additional Income:	Sq .Ft.	Rate	
Vibes to Oct, 2020	68,136	\$0.68	\$46,332
User Space	178,776	\$0.00	\$0
Total	246,912		\$46,332.48
Owners obligation:	(BREAKEVEN)		\$319,022 monthly
Owner's rate/sq. ft.			\$1.78 /month Full Gross
Annual Obligation for			
Cash on Cash return:	4%		\$4,428,259.42
			\$369,022 addition mthly payment
Owner's rate/sq. ft:			\$2.06 /monthly Full Gross

SALE COMPARABLES



**800 N Brand Blvd
Glendale, CA 91203**

Sale Date	11/29/2018
Sale Price	\$160,000,000
Price/SF	\$303.41
Bldg Size	527,336 SF
Bldg Type	Class A Office
Year Built	1990
Cap Rate	-



**505 N Brand Blvd
Glendale, CA 91203**

Sale Date	8/31/2018
Sale Price	\$93,500,000
Price/SF	\$292.31
Bldg Size	319,865 SF
Bldg Type	Office
Year Built	1986
Cap Rate	5.60%



**301 N Lake Ave
Pasadena, CA 91101**

Sale Date	12/6/2018
Sale Price	\$82,000,000
Price/SF	\$361.13
Bldg Size	227,067 SF
Bldg Type	Class A Office
Year Built	1989
Cap Rate	-



**4 Hutton Centre Dr
Santa Ana, CA 92707**

Sale Date	7/8/2019
Sale Price	\$55,400,000
Price/SF	\$255.46
Bldg Size	216,864 SF
Bldg Type	Class A Office
Year Built	1988
Cap Rate	-



**100 W Broadway
Long Beach, CA 90802**

Sale Date	11/26/2018
Sale Price	\$60,500,000
Price/SF	\$287.51
Bldg Size	210,428 SF
Bldg Type	Class A Office
Year Built	1985
Cap Rate	5.70%



**27200 Tourney Rd
Valencia, CA 91355**

Sale Date	2/7/2019
Sale Price	\$41,500,000
Price/SF	\$197.68
Bldg Size	209,939 SF
Bldg Type	Class A Office
Year Built	1985
Cap Rate	5.90%



**5515 E La Palma Ave
Anaheim, CA 92807**

Sale Date	1/15/2019
Sale Price	\$40,648,000
Price/SF	\$260.76
Bldg Size	155,880 SF
Bldg Type	Class B Office
Year Built	1978
Cap Rate	5.00%



**20750 Ventura Blvd
Woodland Hills, CA 91364**

Sale Date	9/7/2018
Sale Price	\$34,400,000
Price/SF	\$222.42
Bldg Size	154,660 SF
Bldg Type	Class B Office
Year Built	1986
Cap Rate	-

SALE COMPARABLES



**1800 E Imperial Hwy
Brea, CA 92821**

Sale Date	4/18/2019
Sale Price	\$33,500,000
Price/SF	\$230.29
Bldg Size	145,467 SF
Bldg Type	Class B Office
Year Built	1987
Cap Rate	-



**700 N Central Ave
Glendale, CA 91203**

Sale Date	10/19/2018
Sale Price	\$28,000,000
Price/SF	\$205.50
Bldg Size	136,253 SF
Bldg Type	Class A Office
Year Built	1979
Cap Rate	-



**1382 Bell Ave
Tustin, CA 92780**

Sale Date	6/5/2019
Sale Price	\$25,000,000
Price/SF	\$208.33
Bldg Size	120,000 SF
Bldg Type	Light Manufacturing
Year Built	1986
Cap Rate	-



**70 S Lake Ave
Pasadena, CA 91101**

Sale Date	12/24/2018
Sale Price	\$44,000,000
Price/SF	\$377.82
Bldg Size	116,458 SF
Bldg Type	Class A Office
Year Built	1982
Cap Rate	2.80%



**14192 Franklin Ave
Tustin, CA 92780**

Sale Date	7/10/2019
Sale Price	\$19,800,000
Price/SF	\$207.42
Bldg Size	95,458 SF
Bldg Type	Class A Office
Year Built	1979
Cap Rate	-



**1370 Valley Vista Dr
Diamond Bar, CA 91765**

Sale Date	6/21/2019
Sale Price	\$22,250,000
Price/SF	\$254.70
Bldg Size	87,358 SF
Bldg Type	Class B Office
Year Built	1988
Cap Rate	-



**1333 S Mayflower Ave
Monrovia, CA 91016**

Sale Date	11/1/2018
Sale Price	\$18,500,000
Price/SF	\$218.70
Bldg Size	84,589 SF
Bldg Type	Class B Office
Year Built	1982
Cap Rate	-



**27042 Towne Centre Dr
Foothill Ranch, CA 92610**

Sale Date	5/8/2019
Sale Price	\$19,750,000
Price/SF	\$237.33
Bldg Size	83,218 SF
Bldg Type	Class B Office
Year Built	1998
Cap Rate	6.56%

AREA OVERVIEW

Los Angeles, CA

Location Overview

The City of El Monte lies within the San Gabriel Valley in eastern Los Angeles County. Historically known as “The End of the Santa Fe Trail,” this area earned a reputation as a contemporary local commercial and industrial hub. El Monte sits approximately 18 miles northeast of Downtown Los Angeles beside the San Gabriel River. The City encompasses 9.6 square miles and enjoys a pleasant Mediterranean climate.

Population & Income

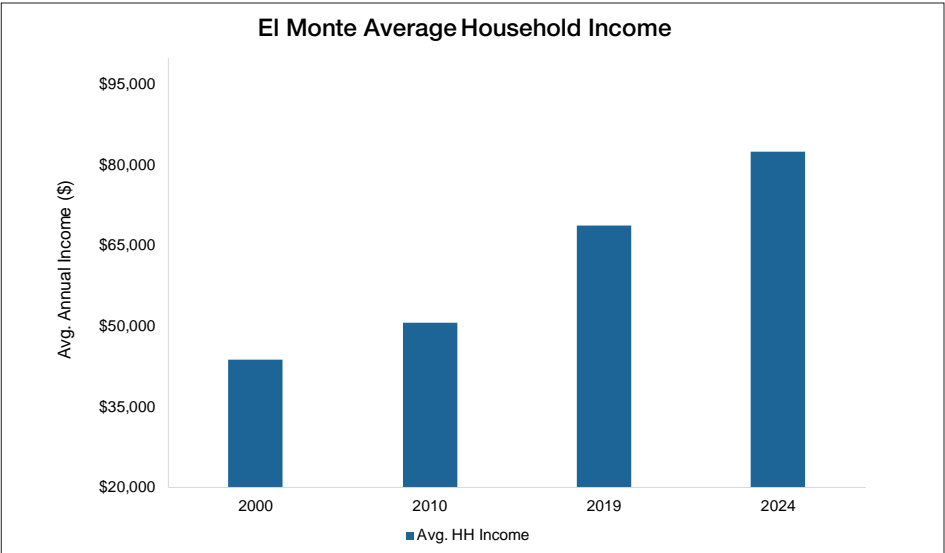
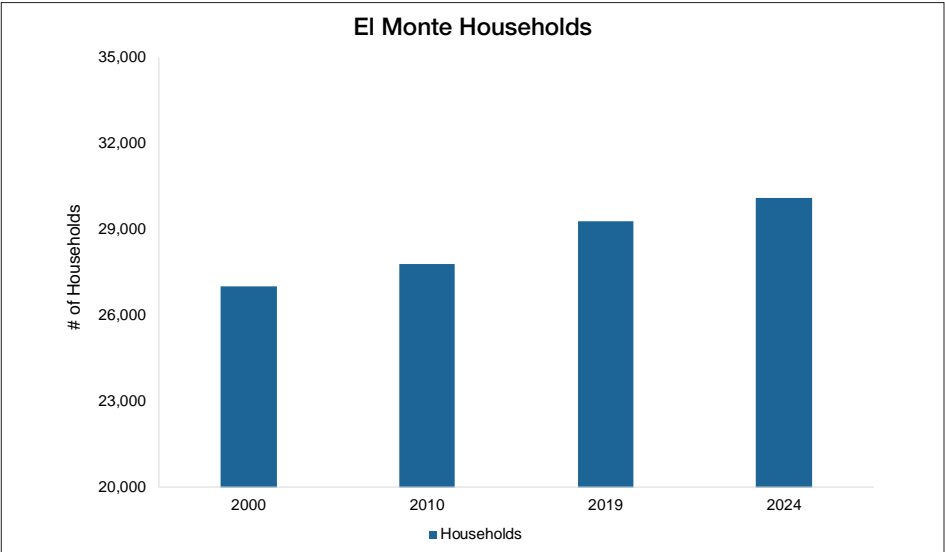
Fast Facts:

- Population: 116,196
- Households: 29,264
- Average Household Income: \$68,680
- Median Home Value: \$502,075
- Median Age: 34

Source: Applied Geographic Solutions

El Monte is the 9th largest city in Los Angeles County, 51st largest city in California, with just over 116K residents and 29K households. The City expects to grow 0.6%, adding 818 households by 2024. Overall, residents are moderately educated as 33.1% of adults attended some college and 13.8% earned a bachelor’s degree or higher.

Area households enjoy a median annual income of \$50,804, which is forecast to increase 3.2% to \$59,031 per year by 2024.



AREA OVERVIEW

Transportation & Access

Highways and Roads

- Interstate 10
- Interstate 210
- Interstate 605
- SR 60
- SR 164
- Ramona Blvd.
- Garvey Ave.
- Santa Anita Ave.
- Valley Blvd.
- Peck Rd.
- Tyler Ave.

Public Transit

- Los Angeles Metropolitan Transportation Authority
- Foothill Transit
- El Monte Transit
- Silver Line El Monte Station
- Metrolink San Bernardino Line

Airports

- San Gabriel Airport (El Monte)
- Ontario International Airport – 32 miles
- Hollywood Burbank Airport – 33 miles
- LAX – 35 miles
- Port of Long Beach – 37 miles
- Port of Los Angeles – 33 miles

Economy & Employment

Fast Facts:

- Total Businesses: 3,780
- Total Employees: 26,875
- Company Headquarter Businesses: 15
- Unemployment Rate: 4.7%
- Avg. daytime population aged 16+: 66,221

El Monte prides itself on being a business-friendly city that attracts international corporations through its Foreign Trade Zone. This affords area businesses both small and large numerous advantages, including reduced US customs dues, the ability to defer customs duties in some circumstances, and increased cash flow on imports.

El Monte's labor pool consists of about 43% white collar workers and 57% blue collar. This breaks down to 23.5% in service jobs, 21.9% sales and office positions, and 21.9% production, transport, and material moving. Several local educational institutions, such as Rio Hondo College's El Monte Education Center, provide businesses with a constant supply of skilled workers.

Top Employers	Employees	% of Workforce
El Monte City Elementary School District	1,500	3.12%
El Monte Union High School District	1,400	2.91%
Mountain View Elementary School District	1,000	2.08%
Longo -Toyota-Lexus-Scion	840	1.75%
City of El Monte	505	1.05%
McGill Corporation	460	0.96%
Staffing Solutions	266	0.55%
Asian Pacific Health Care Venture Inc.	260	0.54%
The Home Depot	244	0.51%
Sam's Club	203	0.42%

Source: City of Palm Desert CAFR, 2018

OFFICE MARKET

OFFICE MARKET

Flair Park is the oldest and most mature business park of all the major submarkets in the San Gabriel Valley. Over the past 25 years, it has become a focal point for foreign capital owner/users and investors. Investors from Indonesia, China, Taiwan and Korea have helped make Flair Park an international marketplace. As an example, the former Edward's Steak House has been converted into a radio/television production center for the Asian community. The California Institute for Chinese Performing Arts is complete and performances are being held. The exceptional demand has generated the lowest office vacancy in the San Gabriel Valley at under _____. With no available land for office buildings, the demand for space is expected to drive strong future rent growth.

Flair Park is anchored by Wells Fargo's operations center on the west with 600,000 square feet, along with the County of Los Angeles various department uses, establishing Flair Park as a major operational hub for one of the nation's largest banks and largest employer in Los Angeles County. The area has always been a great attraction to Los Angeles agencies, as well as the State of California, due to its central access, bus lines, available parking and attractive rents. The other corporate anchor in the park is Cathay Bank, with its 100,000 square-foot, seven-story office building at the eastern end.*

The Western San Gabriel Valley (Western SGV) historically has had one of the lowest vacancy rates of any LA office submarket. Even in the depths of the recession, vacancies remained below 7%, nearly 500 basis points lower than in LA as a whole.

Fundamentals remain tight thanks to the combination of healthy demand and limited new development. Local government entities are well represented here. The LA departments of Health, Public Services, Community Development, and Public Schools all occupy spaces in excess of 100,000 SF in the submarket, while the California State Insurance Commission has a 80,000 SF facility in Monterey Park. The largest office lease over the past two years is LA County Health Departments' expansion into 68,000 SF at The Alhambra Business Park. Public utility holding company Edison International and its subsidiary, Southern California Edison, are headquartered in Rosemead, and Union Bank has a large presence in Monterey Park. Both of those employers own their facilities, however, so state and local government entities are the primary drivers of office demand.

Asking rents here are much lower than the metro average, making the San Gabriel Valley an affordable alternative to employment hubs on the Westside and in Downtown. Employers also often draw on workers from Inland Empire, where the cost of living is much lower. Speculative development is virtually unheard of in the submarket, and the only significant construction this cycle has been of owner/user buildings. The largest delivery over the past 10 years was the county's 130,000 SF Gateway at Alhambra building, fully occupied by the LA Community Development Commission. The largest project underway now is the 62,000 SF Garvey Media Center in Rosemead, which is owned and will be fully occupied by Chinese publishing company Asia-Pacific California upon completion later in 2019.**

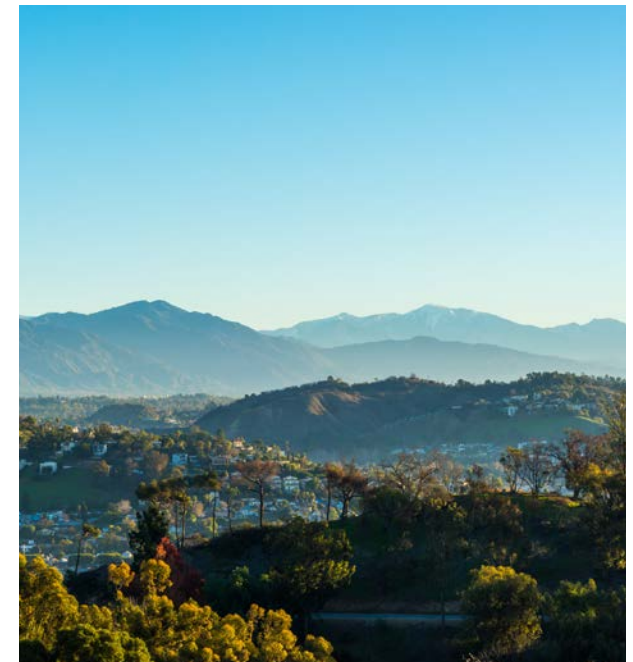
The distribution of jobs by industry in San Gabriel

Valley is similar to Los Angeles County as a whole. The largest share of employment is in health care services, accounting for 14.6% of wage and salary jobs, followed by professional and business services, which hold a 12.9% share. Other large industry sectors are retail trade, leisure and hospitality and the public sector.

Total employment in the San Gabriel Valley is expected to reach to 698,676 jobs this year, equivalent to a 1.1% annual gain, and with an additional gain of 0.8% in 2019 bringing total wage and salary employment up to 704,093 jobs. The average annual wage in 2017 (the latest year for which actual annual data are available) in the San Gabriel Valley was \$54,770.

*West San Gabriel Valley Office Market (Source Co Costar)

**Employment and Unemployment (source Cal-Poly Pomona)



MARKET OUTLOOK

2Q 2019 Los Angeles Office

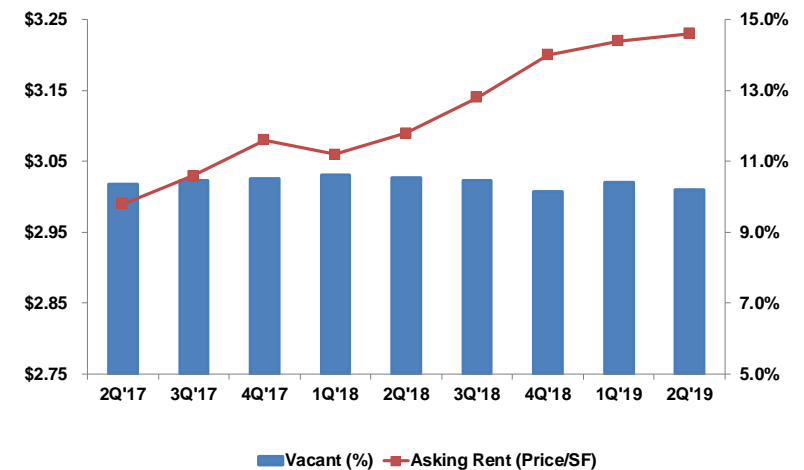
Market Overview

The Los Angeles office market has continued to set new records with a construction boom, a decline in vacancy and high asking rents. Construction is at a level not seen since the early 1990s, with over 7.0M SF under construction. Since last year at this time, 1.6M SF of new construction has been added to the inventory, averaging 319,082 SF per quarter. This quarter the vacancy rate fell by 20 basis points over the prior quarter to 10.2%, down 30 basis points over 2Q 2018, while the average asking rent ticked up again to the highest level on record. At \$3.23/SF FSG the average asking rent is up 4.5% over 2Q 2018 – surpassing the prior peak reached in 2008 by 15.7%. However, record high asking rents are having an impact on leasing velocity. On a year-over-year basis, leasing activity has seen a decline each of the past two quarters. This quarter leasing activity totaled 5.3M SF, down 20.8% over 2Q 2018. Last quarter was down 14.9% from Q1 2018. Nevertheless, large lease transactions continue to get done in the marketplace and landlords, who are bullish due to strong market fundamentals, are continuing to raise rents.

Trends to Watch

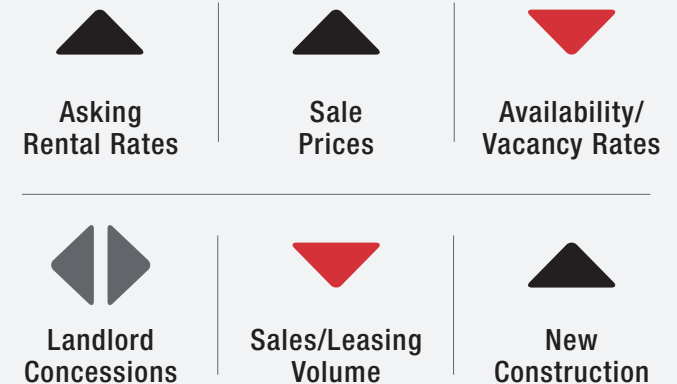
The occupancy rate is a mere 300 basis points below the peak of 92.8% reached in 3Q 2007. Surpassing that milestone may not come quickly in today's market. Tenants are simply utilizing less space more efficiently with an eye on cost and location. According to CoreNet Global, North American offices now average 151 SF per worker, down from 176 SF in 2012 and 225 SF in 2010. Tenants seek higher-density offices with communal areas, open space, and fewer private offices. These factors are contributing to a slower growth in occupancy as tenants move into new space. Location is also an important factor. The outlook for amenity-rich office projects in markets such as Silicon Beach, LA Downtown, and Hollywood remains positive. To remain competitive in today's marketplace, landlords are taking their cue from tenants who want creative office space that goes beyond the traditional four walls and are willing to build it. Tenants are coming into these projects and, so far, are willing to pay the lease rate.

Average Asking Rent and Vacancy Trends



Source: NAI Capital Research, Applied Geographic Solutions
*Projections

Market Outlook



MARKET OUTLOOK

2Q 2019 Los Angeles Industrial

Market Overview

At mid-year 2019 the industrial market in Los Angeles County saw yet another recordsetting quarter of rent growth and low vacancy. The average asking rent hit \$1.01/SF, representing a solid 5.2% increase over 1Q 2019 – up 18.8% from 2Q 2018. The vacancy rate at 2.3% remained extremely low – among the lowest in the nation. A shortage of available inventory for sale or lease continued to strain the industrial market and placed upward pressure on asking rents while depressing transaction volume. The nearly 16.0M SF total leasing volume was down 46.5% from last year at this time and annual sales were down 15.7%. Year to date, 46.2% of the 840K SF of new construction deliveries have been leased.

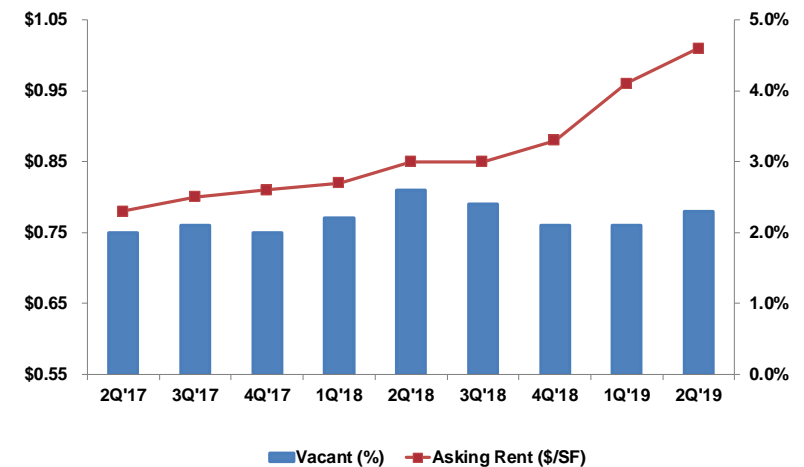
Trends to Watch

The ongoing economic expansion reached its 121st month, becoming the longest in U.S. history. The economy continues to grow steadily, and the result has been felt this cycle in the Los Angeles industrial market, which has achieved the highest asking rents ever. Ecommerce continues to be one of the main drivers of demand

for industrial space in the region. Globally, ecommerce is poised to grow to \$24T by 2025. Ecommerce sales still account for just 12% of all U.S. retail sales, indicating room for growth for ecommerce and demand for warehouse/distribution space.

In the short term, the trade war with China could impact the volume of cargo coming in at the Ports as Americans buy less from China and turn to other non-tariffed Asian countries. The latest figures available from the Ports of Los Angeles and Long Beach as of May 2019 show import cargo volume, a key indicator of demand for industrial space, down 2.9% over this time last year. According to the Census Bureau, during the first five months of the year, the United States imported 12% fewer goods from China during the same time period a year ago. But imports from Vietnam are up 36%, and they increased 23% from Taiwan, 14% from Bangladesh, and 12% from South Korea. Despite the trade war, the industrial market will continue to see increasing sale prices, steady leasing activity on limited available space for lease, and rising rents through 2019.

Average Asking Rent and Vacancy Trends



Source: NAI Capital Research, Applied Geographic Solutions
*Projections

Market Outlook

▲
**Asking
Rental Rates**

▲
**Sale
Prices**

◀▶
**Availability/
Vacancy Rates**

▼
**Landlord
Concessions**

◀▶
**Sales/Leasing
Volume**

◀▶
**New
Construction**

THE TELSTAR BUILDING INVESTMENT OPPORTUNITY

9320-9328 TELSTAR AVENUE, EL MONTE, CA



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