



APPRAISAL REPORT



VANGUARD REALTY ADVISORS

Subject Property

Office/Retail Building
2384 San Diego Avenue
San Diego, California 92110

Prepared For

David Leonhardi
President
13881 Danielson Street
Poway, California 92064

January 4, 2021

David Leonhardi
President
13881 Danielson Street
Poway, California 92064

RE: Office/Retail Building
2384 San Diego Avenue
San Diego, California 92110
Vanguard File No: [VRA-20912](#)

Mr. Leonhardi:

In accordance with your request, Vanguard Realty Advisors conducted an appraisal of the above captioned property. The property is valued using generally accepted appraisal principles and theory. This report conforms to the current Uniform Standards of Professional Appraisal Practice (USPAP).

This is an Appraisal Report as defined by USPAP Standards Rule 2-2(a). This format provides a detailed description of the appraisal process and subject property but a summarized description of the market area, market data, highest & best use and valuation sections. The appraisal service was performed in such a manner that the results of the analysis, opinion, or conclusion are that of a disinterested third party.

The purpose of this appraisal is to develop an opinion of the As-Is Market Value (Fee Simple). The intended use of this appraisal is to assist the client with internal business decisions related to a possible sale of this asset. The intended user is the Deputy Sheriffs' Association of San Diego County.

All other uses and users are prohibited. Receipt of a copy of the appraisal by any third party does not mean that the party is an intended user of the appraisal. Such parties are advised to obtain an appraisal from an appraiser of their own choosing if they require an appraisal for their own use. Additionally, this appraisal is not a land or building survey and should not be relied upon for such a purpose.

The subject is a single-tenant office/retail building located in the Old Town neighborhood of incorporated San Diego, California. The improvements were constructed in 1972. The improvements total 6,888 square feet and are situated on a 0.1673-acre site. The improvements are average quality and in average condition. The property is configured as a museum for the San Diego County Sheriff's Department. Each floor is open leading to various displays, gift shop, office areas with kitchenettes, restrooms, etc. There is also an open courtyard with some law enforcement vehicles displayed. The property also includes an elevator. It is most suitable as an office building. The subject is currently 100.0% occupied by the owner. The site and improvements are discussed further in the attached report.

The following table conveys the final opinion of value that is developed in this appraisal:

MARKET VALUE CONCLUSION			
VALUATION SCENARIO	INTEREST APPRAISED	DATE	VALUE
As-Is Market Value	Fee Simple	December 11, 2020	\$2,400,000

The valuation conclusion(s) represents the value of the real property only, no personal property and/or intangible business assets have been included in this analysis.

Novel Coronavirus (COVID-19)

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organization as a global health emergency in January 2020, is causing heightened instability in both the local and global market. Originating in Wuhan, China, the outbreak continues to develop, and cases are progressively being detected around the world and impacting global financial markets. Currently, the United States has more reported coronavirus cases than other country in the world.

All real estate sectors have been impacted. Tourism, entertainment, retail and office sectors have been impacted first, due to the increased response by local and global authorities including home quarantine, stay at home orders, restriction of travel and growing international concern. As such, the Market Analysis section of this appraisal has been expanded with the most recent data published by Marcus & Millichap, Matthews Real Estate Investment Services, and other sources as they become available. We have also included market participant interviews conducted after the awareness of COVID-19 and its potential impact on real estate sectors. It should be noted, however, new information is on-going and new information will likely be published between the report date of this appraisal and date in which the client conducts their internal review.

The following extraordinary assumptions and hypothetical conditions were made in developing our opinion(s) of value. It is noted that the use of an extraordinary assumption and/or hypothetical condition may have affected the assignment results.

Extraordinary Assumptions

No Extraordinary Assumptions were made for this assignment.

Hypothetical Conditions

No Hypothetical Conditions were made for this assignment.

If there are any specific questions or concerns regarding the attached appraisal report, or if Vanguard Realty Advisors can be of additional assistance, please contact the individuals listed below.

Sincerely,

Vanguard Realty Advisors



Russell W. McCoy, MAI
Certified General Real Estate Appraiser
State of California License #AG028414
(Expires 10/25/21)
760.707.5732 (direct)
rmccoy@vracommercial.com



Matthew K. Reynolds
Certified General Real Estate Appraiser
State of California License #AG041942
(Expires 1/18/21)
760.707.5731 (direct)
mreynolds@vracommercial.com



Jeff E. Keenan
Certified General Real Estate Appraiser
State of California License #AG044597
(Expires 6/1/22)
760.707.5310 (direct)
jkeenan@vracommercial.com

TABLE OF CONTENTS

LETTER OF TRANSMITTAL

INTRODUCTION

Executive Summary	1
Subject Property Photographs	4
Identification Of Appraisal Assignment	8
Purpose & Intended Users	8
Subject Property Sale History	9
Property Taxes & Assessments	9
Subject Zoning Information	10
Scope of Work	13

DESCRIPTIONS & EXHIBITS

Regional Description	16
Local Area Analysis	22
Site Description	26
Exhibits	29
Improvement Description	33
Market Analysis – COVID-19 Market Impact	36
Market Analysis – Subject Sector Supply & Demand Statistics	48
Highest & Best Use Analysis	52

VALUATION METHODS

Sales Comparison Approach	55
Improved Sales Comparable Location Map & Datasheets	56
Improved Sales Comparison Table	63
Sales Approach Conclusion	65
Income Approach	66
Direct Capitalization Method	66
Rent Comparable Map & Photographs	67
Market Rent Conclusion	69
Lease Comparison Table/Adjustment Grid	69
Capitalization Rate Analysis	73
Income Approach Conclusion	76
Reconciliation of Value Conclusions	77
Certification	79
Assumptions & Limiting Conditions	81

ADDENDA

84

- A. Engagement Letter
- B. Qualifications of Appraiser(s) and Appraiser License(s)

EXECUTIVE SUMMARY

PROPERTY IDENTIFICATION

Name	Office/Retail Building	
Property	Commercial - Office/Retail	
Address	2384 San Diego Avenue	
City, State Zip	San Diego, California 92110	*Old Town Neighborhood
County	San Diego County	
MSA	San Diego-Carlsbad-San Marcos	
Market / Submarket	San Diego / Old Town/Sports Arena/Point Loma	
Geocode	32.751082,-117.192944	
Census Tract	0065-.00	

SITE DESCRIPTION

Number of Parcels	1	
Assessor Parcel Number	443-513-33	
Land Area	Square Feet	Acres
Usable	7,288	0.1673
Total	7,288	0.1673
Zoning	Old Town Commercial-Community (OTCC-2-1)	
Shape	Irregular	
Topography	Flat to sloping at street grade	
Flood Zone	Zone X (Unshaded)	
Seismic Zone	Highest Risk	

IMPROVEMENT DESCRIPTION

Tenancy	Single-Tenant
Net Rentable Area (NRA)	6,888
Gross Building Area (GBA)	6,888
Ground Floor SF	3,444
Total Buildings	1
Floors	2
Year Built	1972 / Year Renovated Over time
Actual Age	49 Years
Effective Age	20 Years
Economic Life	50 Years
Remaining Useful Life	30 Years
Building Class	D
Land To Building Ratio	1.06 : 1
Site Coverage Ratio	47.3%
Parking	0.6 / 1,000 SF NRA

QUALITATIVE ANALYSIS

Site Quality	Average
Site Access	Average
Site Exposure	Average
Site Utility	Average
Building Quality	Average
Building Condition	Average
Building Appeal	Average

HIGHEST & BEST USE

As Vacant	Hold for future development
As Improved	Office use

EXPOSURE & MARKETING TIME

Exposure Time	12 Months or Less
Marketing Time	12 Months or Less

INVESTMENT INDICATORS

Current Occupancy	100.0%	
Stabilized Occupancy / Stabilized Vacancy & Credit Loss	95.0%	5.0%
Occupied SF	6,888	
Direct Capitalization NOI	\$135,142	\$19.62/SF
Capitalization Rate (OAR) Conclusion	6.00%	

VALUE CONCLUSION

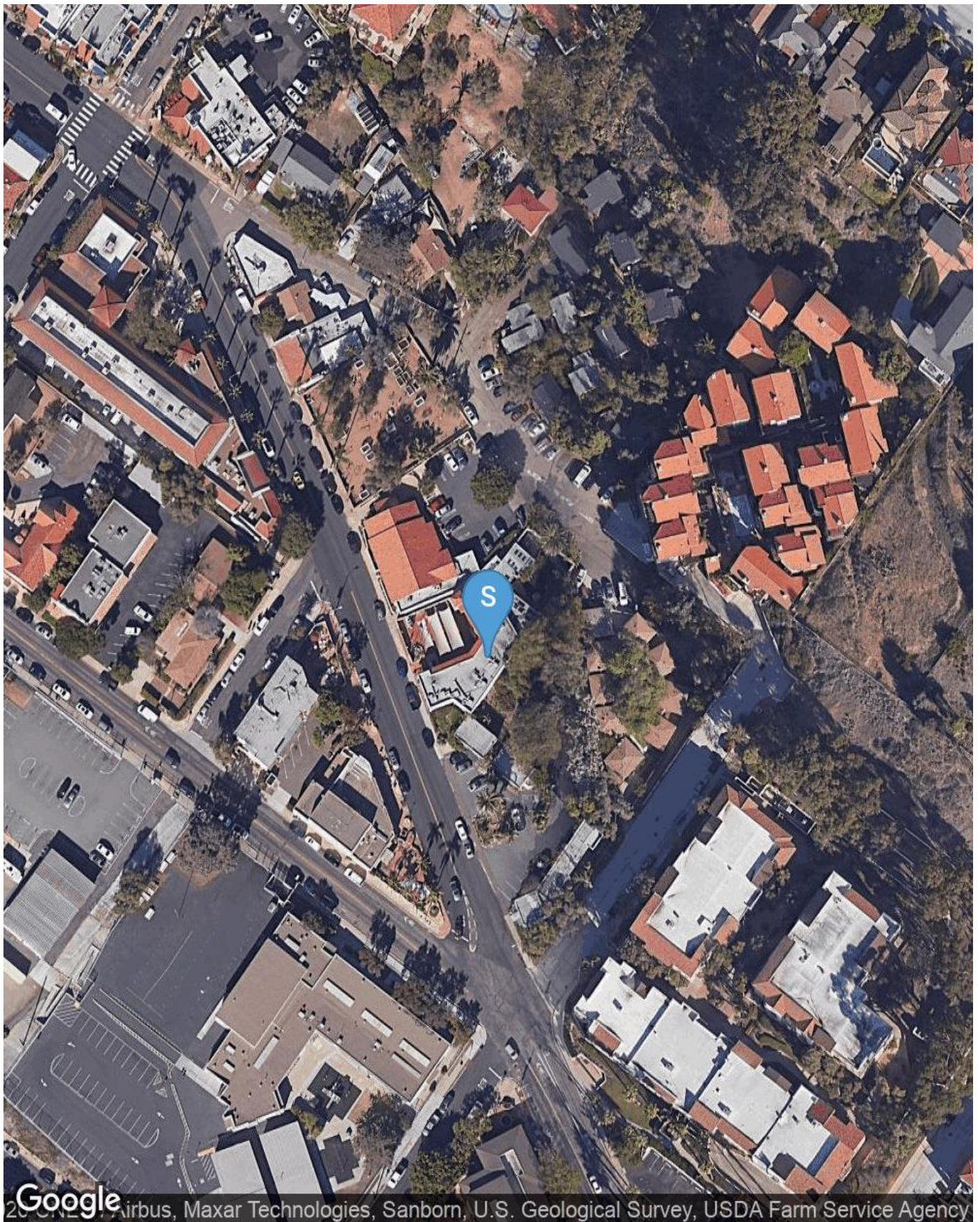
VALUATION SCENARIOS	AS-IS MARKET VALUE
Interest	Fee Simple
Date	December 11, 2020
Cost Approach	Not Presented
Sales Comparison Approach	\$2,410,000
Income Capitalization Approach	\$2,250,000
FINAL VALUE CONCLUSION	\$2,400,000

Novel Coronavirus (COVID-19)

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AERIAL PHOTOGRAPH



SUBJECT PROPERTY PHOTOGRAPHS



View east of subject across San Diego Ave



View south on San Diego Ave – subject on left



View north on San Diego Ave – subject on right



South elevation



North elevation



West elevation along San Diego Ave



General exterior view



General exterior view



General exterior view



Elevator



Interior views – gift shop



Gift shop



Display area



Display area



Display area



Office area



Office area



Kitchen



Kitchen



Restroom



Bathroom with shower

IDENTIFICATION OF ASSIGNMENT

Property Identification

The subject is a single-tenant office/retail building located in the Old Town neighborhood of incorporated San Diego, California. The improvements were constructed in 1972. The improvements total 6,888 square feet and are situated on a 0.1673-acre site. The improvements are average quality and in average condition. The property is configured as a museum for the San Diego County Sheriff's Department. Each floor is open leading to various displays, gift shop, office areas with kitchenettes, restrooms, etc. There is also an open courtyard with some law enforcement vehicles displayed. The property also includes an elevator. It is most suitable as an office building. The subject is currently 100.0% occupied by the owner.

The property is located at 2384 San Diego Avenue in San Diego, San Diego County, California. The assessor parcel number is: 443-513-33. An abbreviated legal description of the subject property per public records is as follows:

Legal Description:	LOT 1 TR 5598	APN:	443-513-33-00
County:	SAN DIEGO, CA	Alternate APN:	
Census Tract / Block:	65.00 / 2	Subdivision:	PLUMMER SUB
Township-Range-Sect:		Map Reference:	/
Legal Book/Page:	443-51	Tract #:	5598
Legal Lot:	1	School District:	SAN DIEGO
Legal Block:	509	School District Name:	SAN DIEGO
Market Area:		Munic/Township:	
Neighbor Code:			

Client Identification

The client is David Leonhardi.

Purpose, Intended Use and Intended User

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Deductions & Discounts

No deductions or discounts were required in forming an as-is value opinion.

Personal Property & Intangibles

There is no personal property (FF&E) or intangible items included in this valuation.

Property & Sales History

The subject property is currently under the ownership of Honorary Deputy Sheriff’s Association of San Diego, according to the San Diego County records. According to county records there has been no transfer of ownership for the subject property in the past three years and there is no known pending sale or listing of the subject. Please note that this information is included only to satisfy the requirements of USPAP. It is not intended as a guarantee to the chain of title and a title search should be performed by a title company should a definitive abstract be desired.

Taxes & Assessments

The subject’s assessed values and property taxes for the current year are summarized in the following table:

TAXES & ASSESSMENT (2021)						
TAX RATE AREA	8001				TAX RATE	1.2298%
ASSESSOR PARCEL #	LAND	IMPROVEMENTS	TOTAL	EXEMPTIONS	TAXABLE	BASE TAX
443-513-33	\$351,336	\$756,027	\$1,107,363	\$1,107,363	\$0	\$0
Subtotal	\$351,336	\$756,027	\$1,107,363	\$1,107,363	\$0	\$0
Subtotal \$/NRA	\$51.01	\$109.76	\$160.77	\$160.77	\$0.00	\$0.00
ADDITIONAL TAX CHARGES						
Direct Assessments						\$29
Total Additional Tax Charges \$/NRA / Total					\$0.00	\$29
TOTAL BASE TAX & ADDITIONAL TAX CHARGES \$/NRA / \$ TOTAL					\$0.00	\$29

Source: [San Diego County Assessment & Taxation](#)

The subject property owner is exempt from paying property taxes.

In California, reassessments of property values occur upon sale of a property due to the passage of Proposition 13 in July of 1978. If this has not occurred during the tax year, properties are limited to a maximum increase in assessed value of 2% per year. Taxes are based upon 1% of full cash value plus any amounts necessary to satisfy general obligation bonds or other indebtedness.

Due to California law, property tax comparables are not relevant or included in real estate appraisals. This is due to that taxes are based on the hypothetical sale of a subject property and the current tax rate, as sales trigger a reassessment at the actual sale price in California.

Since a typical user/buyer would not be exempt from paying property taxes, property taxes are forecasted based on the current rate multiplied by the value indications of the Income Approach plus current direct assessments.

Zoning

The subject’s zoning information is shown in the following table:

ZONING	
Designation	Old Town Commercial-Community (OTCC-2-1)
Zoning Authority	City of San Diego
Permitted Uses	Multi-family, retail, commercial services, restaurants, office, museums and interpretive centers
Current Use	Museum/Office
Current Use Legally Permitted	Yes
Conforming Use	The subject appears to be a legal and conforming use. A zoning letter from the applicable zoning/ planning department is recommended if further assurance is needed.
Zoning Change	Not Likely
Max Permitted Height	30' within two stories
Max Permitted Floor Area Ratio (FAR)	1.0
Parking Spaces Required	None- properties with frontage on San Diego Avenue that do not have secondary street access are not required to provide parking on site.
Parking Spaces Provided	4
Min Permitted Yard Setbacks	
Front (Feet)	None
Rear (Feet)	0'-10'
Side (Feet)	0'-10'

Source: City of San Diego Planning & Zoning Department

It is noted that detailed zoning studies are performed by a zoning or land use expert, including attorneys, City/County land use planners, City/County compliance officers, surveyors, or architects. The depth of our zoning reporting correlates with the scope of this assignment only and this appraisal is not intended to be a final determination of compliance, as we are not experts in this field and that determination is outside the scope of the assignment. The client is advised to obtain a zoning letter from the City/County if further assurance is needed. We note that this appraisal is not intended to be a detailed determination of compliance, as that determination is beyond the scope of this real estate appraisal assignment.

Exposure & Marketing Time

The following information is used to estimate exposure time and marketing time for the subject:

EXPOSURE & MARKETING TIME				
SOURCE		YEAR/QUARTER	MONTHS RANGE	AVERAGE
San Diego Office	PwC			
Current Quarter		2020 Q4	3.0 to 12.0	6.5
Last Quarter		2020 Q3	3.0 to 12.0	6.6
Four Quarters Ago		2019 Q4	1.0 to 12.0	4.7
Sales Comparables			3.0 to 15.2	7.3
OVERALL AVERAGE				6.9
Exposure Period Conclusion				12 Months or Less
Marketing Time Conclusion				12 Months or Less

Exposure & Marketing Time Conclusion

Considering ongoing impact of COVID-19, a reasonable estimate of exposure time for the subject is estimated to be 12 months or less and marketing time of 12 months or less. This is above the comparables; however, marketing times are likely going to be longer than in the past given the uncertainty of COVID-19.

Definition of Market Value

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently, knowledgeably, and assuming that the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. Buyer and seller are typically motivated;
2. Both parties are well informed or well advised, and acting in what they consider their own best interests;
3. A reasonable time is allowed for exposure in the open market;
4. Payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto; and
5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.¹

¹ The Dictionary of Real Estate Appraisal, Sixth Edition, Appraisal Institute, Chicago, Illinois, 2015

Property Rights Appraised

The property rights appraised constitute the fee simple interest.

Fee Simple Interest - Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power and escheat.²

Value Scenarios

As-Is Value – The estimate of the value of real property in its current physical condition, use, and zoning as of the appraisal date.³

² The Dictionary of Real Estate Appraisal, Sixth Edition, Appraisal Institute, Chicago, Illinois, 2015

³ The Dictionary of Real Estate Appraisal, Sixth Edition, Appraisal Institute, Chicago, Illinois, 2015

SCOPE OF WORK

The scope of work for this appraisal assignment is outlined below:

- ▶ The appraisal analyzes the regional and local area profiles including employment, population, household income and real estate trends. The local area was inspected to consider external influences on the subject.
- ▶ The appraisal analyzes legal and physical features of the subject including site size, improvement size, flood zone, seismic zone, site zoning, easements, encumbrances, site access and site exposure.
- ▶ The appraisal includes an office market analysis for the San Diego Market and Old Town/Sports Arena/Point Loma Submarket using vacancy, absorption, supply and rent data. Conclusions were drawn for the subject's competitive position given its physical and locational features, current market conditions and external influences.
- ▶ The appraisal includes a Highest and Best Use analysis and conclusions have been completed for the highest and best use of the subject property As Vacant and As Improved. The analysis considered legal, locational, physical and financial feasibility characteristics of the subject site and existing improvements.
- ▶ In selecting applicable approaches to value, the appraiser considered the agreed upon appraisal scope and assessed the applicability of each traditional approach given the subject's characteristics and the intended use of the appraisal. As a result, this appraisal developed Sales Comparison and Income (Direct Capitalization) approaches. The values presented represent the As-Is Market Value (Fee Simple)
- ▶ The assignment was prepared as an Appraisal Report in accordance with USPAP Standards Rules 2, with the analysis stated within the document and representing a fully described level of analysis. This format is designed to inform the reader of all factors influencing the property's value in a clear and concise manner. The report is also intended to comply with the requirements of the Code of Professional Ethics of the Appraisal Institute, the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (if applicable), and Title XI Regulations (if applicable).
- ▶ The author of this report are aware of the Competency Rule of USPAP and meets the standards.

Parties Providing Assistance

No one provided real property appraisal assistance to the individuals signing this report.

Sources of Information

Unless otherwise noted later in this appraisal report, the following sources were contacted to obtain relevant information:

INFORMATION PROVIDED	
Property/Tax	San Diego County Tax Assessor
Zoning	City of San Diego Zoning
Site Size	San Diego County Tax Assessor
Building Size	See Improvements Description section
Supply & Demand	CoStar
Flood Map	RealQuest
Demographics	STDB On-Line
Comparable Information	CoStar and confirmed by local agents

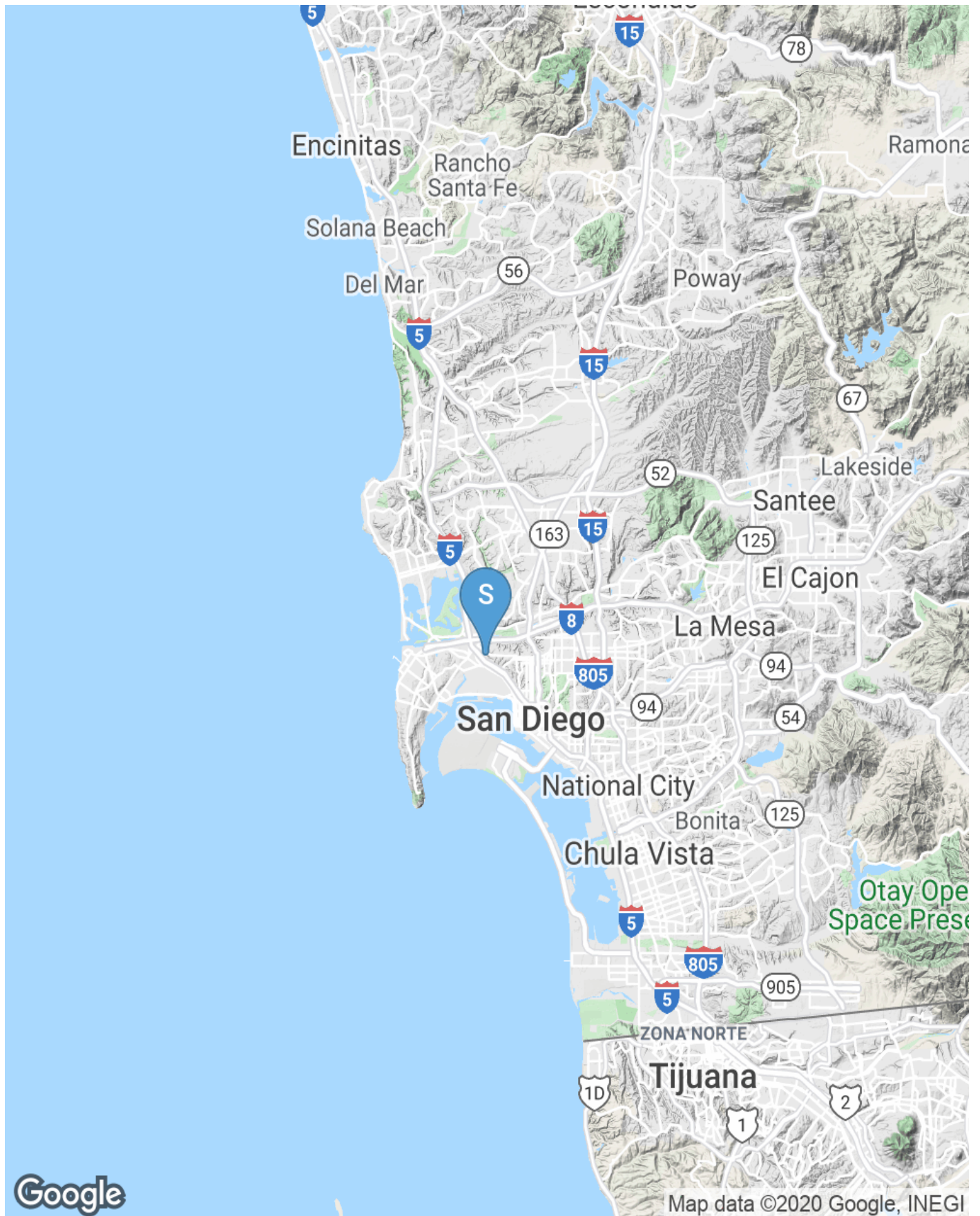
The lack of the unavailable items could affect the results of this analysis. As part of the general assumptions and limiting conditions, the subject is assumed to have no adverse easements, significant items of deferred maintenance (unless otherwise noted in the Improvements Description section), or be impacted by adverse environmental conditions.

All necessary information was provided for this analysis.

Subject Property Inspection

PROPERTY INSPECTION			
APPRAISER	INSPECTED	EXTENT	DATE
Russell W. McCoy, MAI	Yes	Interior & Exterior	December 11, 2020

REGIONAL AREA MAP



REGIONAL AREA ANALYSIS

San Diego County/San Diego-Carlsbad-San Marcos MSA

The subject is located in San Diego County, within incorporated San Diego (Old Town Neighborhood). The San Diego region comprises the San Diego-Carlsbad-San Marcos MSA. San Diego County comprises 18 incorporated cities and covers an area of approximately 4,500 square miles. It is bordered by Orange and Riverside Counties to the north, Mexico to the south, Imperial County to the east and the Pacific Ocean to the west. The county seat (city of San Diego) was first established in 1850. With approximately 70 miles of coastline and a mild year-round climate, San Diego County is a very popular place to visit and to live. The region's population has a rather diverse civilian and military mix, with military bases and significant private employment centers. The geography of the region is also rather diverse, with beach communities, desert and mountain ranges.



Population & Housing

A summary of population and housing information for the county is shown below:

2020 POPULATION & HOUSING						
County/City	Total Population	5-Year Change	Total Household	Total Housing Units	Total Occupied	Vacancy Rate
State of California	39,782,870	1.7%	38,929,988	14,329,863	13,272,939	7.4%
San Diego						
Carlsbad	114,463	1.8%	113,548	47,629	44,349	6.9%
Chula Vista	272,202	3.4%	270,545	86,785	83,316	4.0%
Coronado	21,381	-14.4%	17,558	9,740	7,511	22.9%
Del Mar	4,268	0.1%	4,268	2,630	2,087	20.6%
El Cajon	104,393	1.0%	101,911	36,282	35,123	3.2%
Encinitas	62,183	0.3%	61,655	26,625	24,802	6.8%
Escondido	153,008	1.1%	150,634	49,211	47,691	3.1%
Imperial Beach	28,055	1.8%	27,568	10,146	9,646	4.9%
La Mesa	59,966	0.6%	59,309	26,929	25,216	6.4%
Lemon Grove	26,526	0.8%	26,180	9,139	8,633	5.5%
National City	62,099	1.6%	56,071	17,290	16,239	6.1%
Oceanside	177,335	0.6%	176,399	66,078	62,073	6.1%
Poway	49,338	0.1%	48,788	16,932	16,294	3.8%
San Diego	1,430,489	2.7%	1,373,607	549,070	522,400	4.9%
San Marcos	97,209	4.1%	95,454	32,460	30,900	4.8%
Santee	57,999	2.9%	56,748	21,248	20,618	3.0%
Solana Beach	13,838	1.0%	13,838	6,594	5,947	9.8%
Vista	102,928	3.8%	100,814	32,874	31,537	4.1%
Balance Of County	505,675	-0.4%	476,050	179,217	165,057	7.9%
Incorporated	2,837,680	2.2%	2,754,895	1,047,662	994,382	5.1%
County Total	3,343,355	1.8%	3,230,945	1,226,879	1,159,439	5.5%

Source: CA Dept. Finance

According to state estimates, the 2020 population of San Diego County was 3,343,355, making it the 2nd largest county in the state. San Diego's population increased 1.8% over the past five years, slightly above the

state growth rate. Incorporated San Diego is the largest city within the region, followed by Chula Vista and Oceanside. San Marcos experienced the highest growth rate of 4.1%. Cities with moderate to high growth generally reflect the availability of vacant land and additions to housing over the past five years.

According to *CoreLogic*, the median sale price of a single-family home in San Diego County was \$730,000 during October 2020 (most recent figure available). This median reflects 15.9% increase from the median during the same period in 2019.

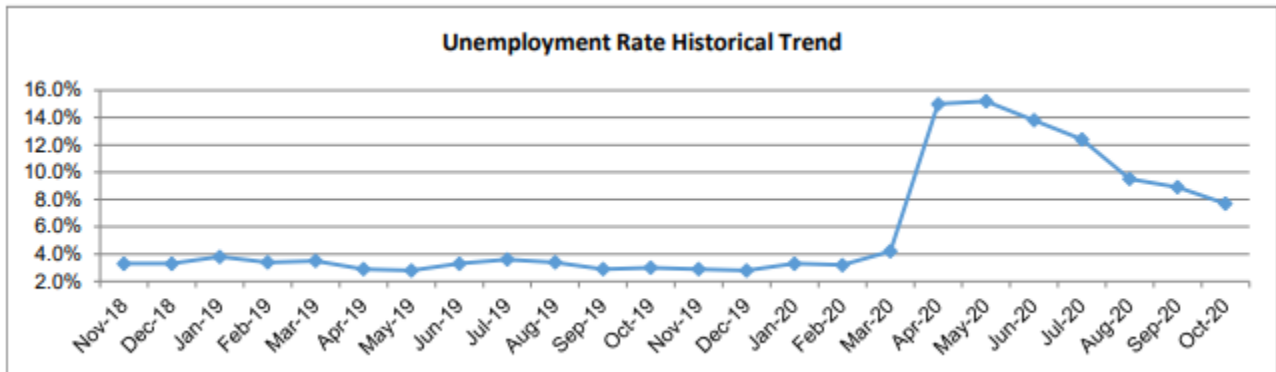
MSA Employment Trends

Industry employment the subject’s MSA decreased 7.0% between October 2019 and October 2020. The only increases were seen in the Construction and Professional & Business Services sectors, with increase at or above 1.7%.

The unemployment rate in San Diego County was 7.7% in October 2020, down from a revised 8.9% in September 2020, and above the year-ago estimate of 3.0%. This compares with an unadjusted unemployment rate of 9.0% for California and 6.6% for the nation during the same period. A summary of employment by sector and historical unemployment for the MSA is shown in the following table and graph

MSA EMPLOYMENT BY SECTOR		
Sector	Total Jobs	% Change
Construction	85,900	2.6%
Professional & Business Services	264,200	1.7%
Education & Health Services	208,600	-4.6%
Finance	73,900	-4.9%
Manufacturing	109,500	-5.6%
Trade, Transportation & Utilities	209,400	-6.2%
Government	235,100	-6.8%
Information	20,000	-14.5%
Other Services	45,700	-18.7%
Leisure & Hospitality	155,400	-23.6%
Total	1,417,600	-7.0%

Source: CA Employment Development Dept. (San Diego-Carlsbad MSA - October 2020)



Top Employers

A summary of the top employers for San Diego County is shown in the following table:

LARGEST EMPLOYERS - SAN DIEGO COUNTY		
Employer Name	Location	Industry
32nd St Naval Station	San Diego	Federal Government-National Security
Barona Casino	Lakeside	Casinos
Barona Resort	Lakeside	Resorts
Coronado Naval Amphibious Base	Coronado	Military Bases
General Dynamics Nassco	San Diego	Ship Builders & Repairers (Mfrs)
Hairspray	San Diego	Cosmetics & Perfumes-Retail
Kaiser Permanente	San Diego	Clinics
Kaiser Permanente Medical Grp	San Diego	Hospitals
Kyocera Communications Inc	San Diego	Electronic Equipment & Supplies-Mfrs
Marine Corps Recruit Depot	San Diego	Military Bases
Merchants Building Maintenance	San Diego	Janitor Service
Palomar Health Downtown Campus	Escondido	Hospitals
Palomar Pomerado Health Rehab	Escondido	Rehabilitation Services
San Diego County Sheriff	Santee	Police Departments
San Diego Naval Medical Ctr	San Diego	Military Bases
Scripps Clinic	La Jolla	Clinics
Scripps Research Institute	La Jolla	Research Service
Sea World-San Diego	San Diego	Amusement & Theme Parks
Sharp Grossmont Hospital	La Mesa	Hospitals
Sharp Mary Birch Hosp-Women	San Diego	Hospitals
Sharp Memorial Hospital	San Diego	Hospitals
Sycuan Casino	El Cajon	Casinos
Tyco Health Care	San Diego	Manufacturers
Utc Aerospace Systems	Chula Vista	Aircraft Components-Manufacturers
Viejas Casino & Outlet Ctr	Alpine	Casinos

Source: <http://www.labormarketinfo.edd.ca.gov/majorer/MajorER.asp>

Taxable Retail Sales

As shown in the following table, trends in consumer spending indicate economic recovery is taking place. Taxable retail sales growth turned negative in 2008 and 2009. The most recent annual figures available are from 2013, where sales increased 2.3% over the last year. Overall, the growth rates since 2010 have been positive, indicating positive economic growth.

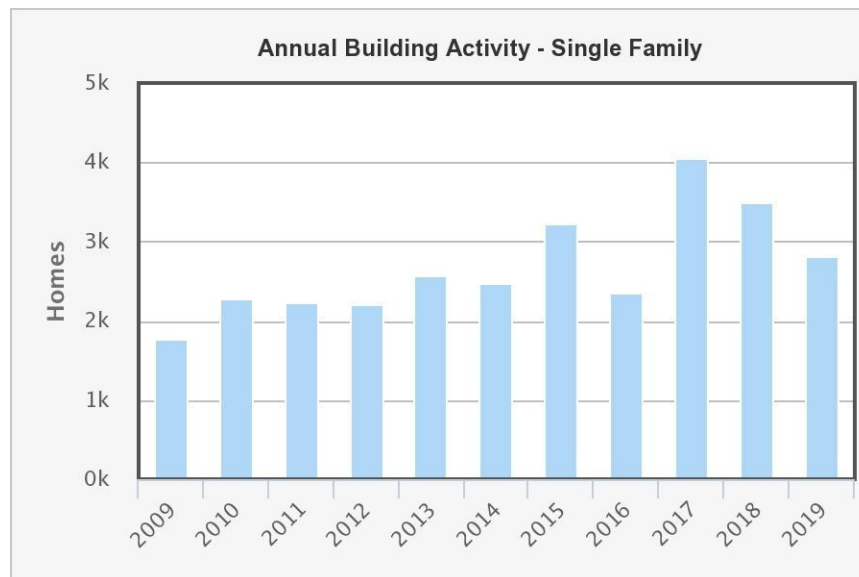
TAXABLE RETAIL SALES (In \$1,000's)		
Year	San Diego County	% Change
2006	\$47,835,514	2.5%
2007	\$47,485,988	-0.7%
2008	\$45,329,136	-4.5%
2009	\$39,728,657	-12.4%
2010	\$41,623,636	4.8%
2011	\$45,090,382	8.3%
2012	\$47,947,036	6.3%
2013	\$50,297,311	4.9%
2014	\$52,711,639	4.8%
2015	\$54,185,588	2.8%
2016	\$55,407,867	2.3%

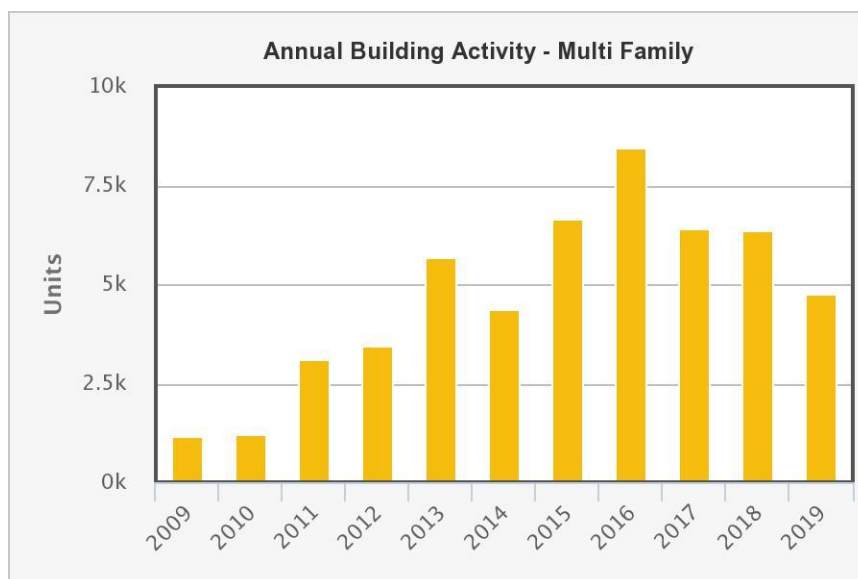
Source: <http://www.boe.ca.gov/news/tsalescont.htm>

Building Permits

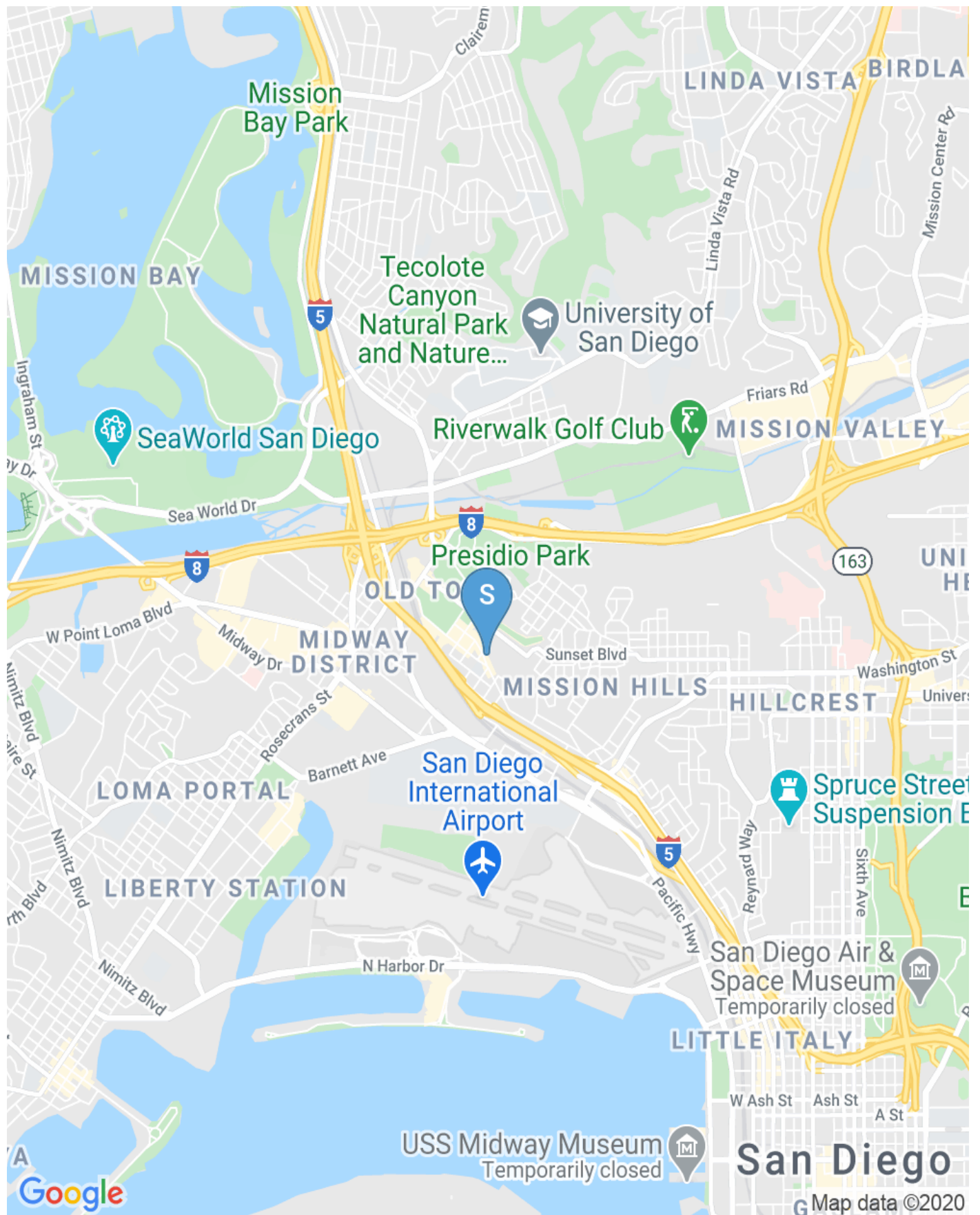
Another economic indicator is trends in residential building permits. When building permits are issued, construction employment increases as homes are constructed. Other real estate-related employment sectors have increases following construction as properties are sold or leased. Other retail sector jobs are then created once residential units are occupied by owner or renters.

The following tables summarize permit activity in San Diego County as of November 2019. Overall, the data suggests relatively strong growth in building activity, with 2016 and 2017 reflecting peaks since 2009.





LOCAL AREA MAP



LOCAL AREA ANALYSIS

Overview

The subject property is located in the city of San Diego within the Old Town/Sports Arena/Point Loma Submarket. The city of San Diego was incorporated in 1850 and currently covers an area of approximately 331 square miles. It is located in the southwest area of San Diego County. The city is bordered by the cities of Del Mar, Solana Beach and Encinitas to the north, Chula Vista, National City and Mexico to the south, Lemon Grove and El Cajon to the east and the Pacific Ocean to the west.

San Diego's main economic bases are military and defense-related activities, tourism, international trade, and manufacturing. The presence of the University of California, San Diego (UCSD), with the affiliated UCSD Medical Center has helped make the area a center of research in biotechnology. Tourist attractions include: Balboa Park, Belmont amusement park, San Diego Zoo, San Diego Safari Park, and Sea World San Diego. San Diego's Spanish and Mexican heritage is reflected in the many historic sites across the city, such as Mission San Diego de Alcalá and Old Town Historic Park.

Transportation

Primary freeway linkage to the area is via Interstate 15, Interstate 805 and State Route 94. Main arterials in the market area include Imperial Avenue, Hilltop Drive and Market Street. The subject is approximately 6.4 miles southeast of San Diego International Airport. Other public modes of transportation can be found throughout the market area.

Commercial Real Estate

The subject's immediate area generally contains tourist-oriented land uses such as general retail/gift stores, restaurants, museums, hotels, as well as general office and some multi-family uses. A more detailed description of commercial real estate supply and demand which is relevant to the subject is provided in the following Market Analysis section.

Demographics

The following information reflects the demographics for the subject's area.

LOCAL AREA DEMOGRAPHICS							
DESCRIPTION	1 MILE	3 MILES	5 MILES	DESCRIPTION	1 MILE	3 MILES	5 MILES
POPULATION TOTAL				HOUSEHOLDS			
2000 Census	13,224	129,696	396,067	2000 Census	4,130	58,602	171,820
2010 Census	12,848	142,680	412,428	2010 Census	4,133	63,998	183,528
2020 Estimate	13,673	156,569	442,269	2020 Estimate	4,383	70,652	197,978
2025 Projection	14,778	164,583	461,074	2025 Projection	4,987	74,755	207,931
Δ 2000-2010	(2.8%)	10.0%	4.1%	Δ 2000-2010	0.1%	9.2%	6.8%
Δ 2010-2020	6.4%	9.7%	7.2%	Δ 2010-2020	6.0%	10.4%	7.9%
Δ 2020-2025	8.1%	5.1%	4.3%	Δ 2020-2025	13.8%	5.8%	5.0%
Total Daytime Population	30,872			HOUSEHOLDS BY INCOME (2020 ESTIMATE)			
HOUSING UNITS				< \$15,000			
Total (2020 Estimate)	4,637	75,935	215,845	\$15,000 - \$24,999	5.1%	6.1%	6.8%
Owner Occupied	42.3%	34.1%	31.4%	\$25,000 - \$34,999	5.7%	5.9%	6.6%
Renter Occupied	52.2%	59.0%	60.3%	\$35,000 - \$49,999	12.4%	10.0%	10.7%
Vacant Housing Units	5.5%	7.0%	8.3%	\$50,000 - \$74,999	13.6%	16.3%	17.1%
Total (2025 Projection)	5,265	80,182	226,213	\$75,000 - \$99,999	10.7%	12.7%	12.6%
Owner Occupied	38.4%	33.6%	31.0%	\$100,000 - \$149,999	14.5%	19.5%	17.5%
Renter Occupied	56.3%	59.7%	60.9%	\$150,000 - \$199,999	10.1%	10.1%	9.6%
Vacant Housing Units	5.3%	6.8%	8.1%	\$200,000+	19.5%	11.1%	10.3%
AVERAGE HOUSEHOLD INCOME				AVERAGE HOUSEHOLD SIZE			
2020 Estimate	\$131,193	\$108,566	\$103,369	2020 Estimate Estimate	2.20	1.96	2.09
2025 Projection	\$145,006	\$122,850	\$115,603	2025 Projection Projector	2.15	1.96	2.08
Δ 2020-2025	10.5%	13.2%	11.8%	Δ 2020-2025	(2.3%)	0.0%	(0.5%)
MEDIAN HOUSEHOLD INCOME				MEDIAN HOME VALUE			
2020 Estimate	\$84,712	\$80,392	\$75,018	2020 Estimate	\$1,115,237	\$715,880	\$694,640
2025 Projection Projector	\$98,420	\$91,212	\$82,710	2025 Projection	\$1,169,441	\$797,419	\$758,883
Δ 2020-2025	16.2%	13.5%	10.3%	Δ 2020-2025	4.9%	11.4%	9.2%
PER CAPITA INCOME				AVERAGE HOME VALUE			
2020 Estimate	\$46,519	\$50,980	\$47,071	2020 Estimate	\$1,172,843	\$802,662	\$819,068
2025 Projection	\$53,043	\$57,847	\$52,898	2025 Projection	\$1,227,328	\$875,833	\$886,019
Δ 2020-2025	14.0%	13.5%	12.4%	Δ 2020-2025	4.6%	9.1%	8.2%

Source: Sites To Do Business Online

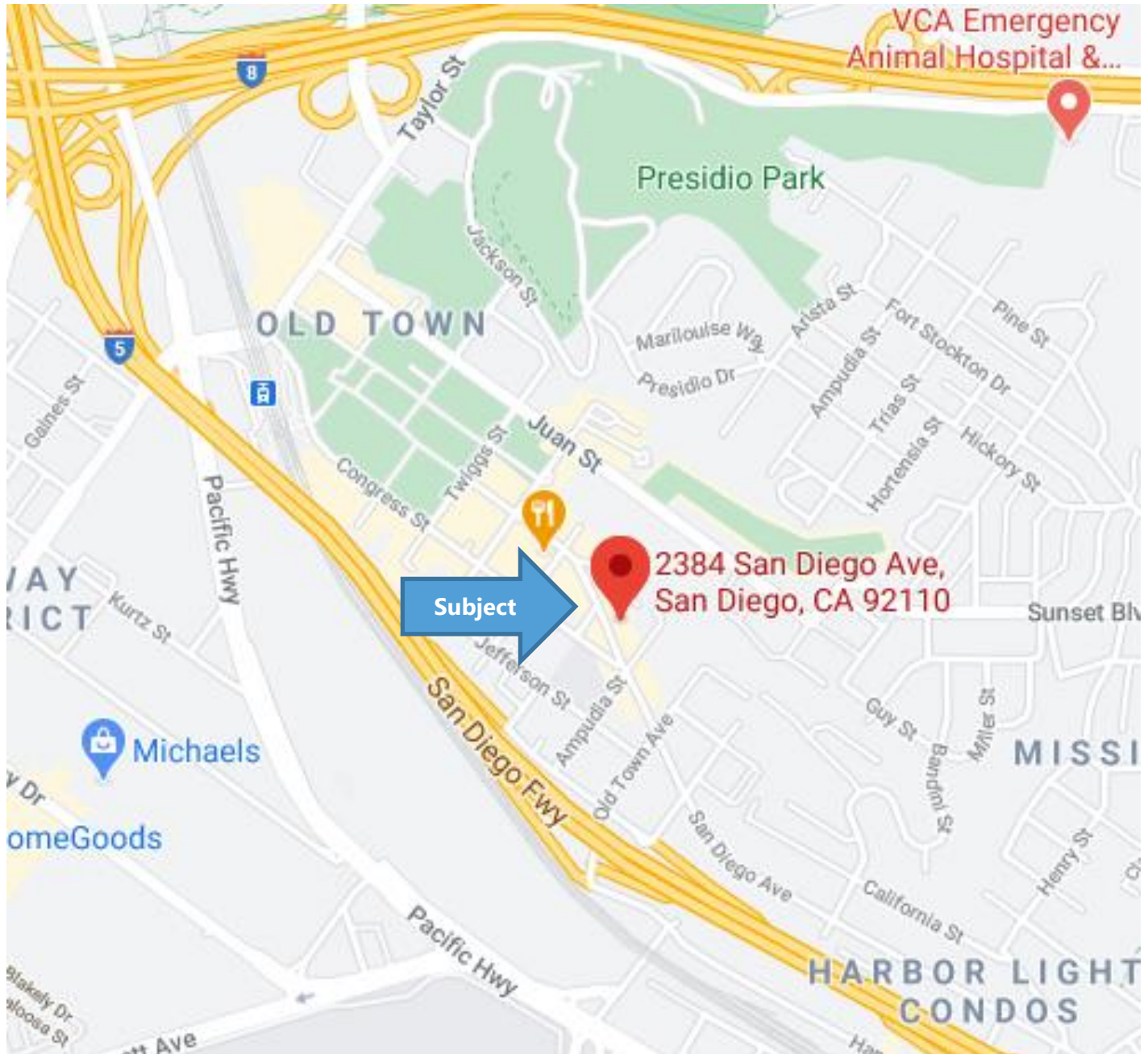
As shown in the previous table, the market area has experienced moderate to high population growth. Median household incomes are estimated at \$84,712 in the 1.0-mile ring, \$80,392 in the 3.0-mile ring and \$75,018 in the 5.0-mile ring. Incomes are at or above the State median. A majority of housing units is occupied by renters in the 5.0-mile radius. Median home value estimates are highest in the 1.0-mile ring.

Immediate Neighborhood

The subject is located in a commercial and residential node along the eastern side of San Diego Avenue in the Old Town neighborhood of incorporated San Diego. The Old Town neighborhood has nine hotels, 32 restaurants and more than 100 specialty shops. There are 12 art galleries and 27 historic buildings and sites, including Old Town San Diego State Historic Park, Presidio Park, and the Mormon Battalion Visitor Center. The area also contains Heritage Park, a county park showcasing historic buildings which were moved to the site from other locations, including several Victorian homes and San Diego's first synagogue, Temple Beth Israel.

Major transportation arterials in the immediate neighborhood are San Diego Avenue and Pacific Highway. The subject has average freeway linkage as Interstates 5 and 8, are located within a somewhat close proximity. The immediate area is nearly 100% built-out. The majority of the developments in the area were built between the 1950's to the 1980's, with average to good appeal levels. Any new development in the area will primarily come from redeveloping/razing existing buildings. The subject is surrounded by commercial and residential developments. Overall, the subject conforms well to other properties in the area.

The following is an immediate neighborhood map:



Area Summary

Past economic conditions caused significant declines in employment, increases in unemployment and depressed prices & rents in nearly all real estate sectors. However, by all accounts, including growth in employment, building permits, taxable sales and the rate of unemployment, the region and market area has recovered from the recession. The overall long-term outlook for the region and market area is moderate to strong economic growth. Additional information relating to the competitive position of the subject, as well as the potential impact of the COVID-19 outbreak, is provided in the Market Analysis section.

SITE DESCRIPTION

The subject site consists of one parcel and has 7,288 SF (0.1673 AC) of land area. The area is estimated based on County records via RealQuest. There is no surplus or excess land noted on the subject site. If a professional survey is completed it could result in more precise measurements. Unless otherwise noted, the appraisal will utilize the usable site area.

Number of Parcels	1	
Assessor Parcel	443-513-33	
Land Area	Square Feet	Acres
Usable	7,288	0.1673
Total Land Area	7,288	0.1673
Excess/Surplus Land	No	
Corner	No	
Site Topography	Flat to sloping at street grade	
Site Shape	Irregular	
Site Quality	Average	
Site Access	Average	
Site Exposure	Average	
Site Utility	Average	
Utilities	All available	

Adjacent Properties

North	Office
South	Office
East	Older residential
West	San Diego Avenue followed by office/retail uses

Accessibility Access to the subject site is considered average overall.

STREET & TRAFFIC DETAIL

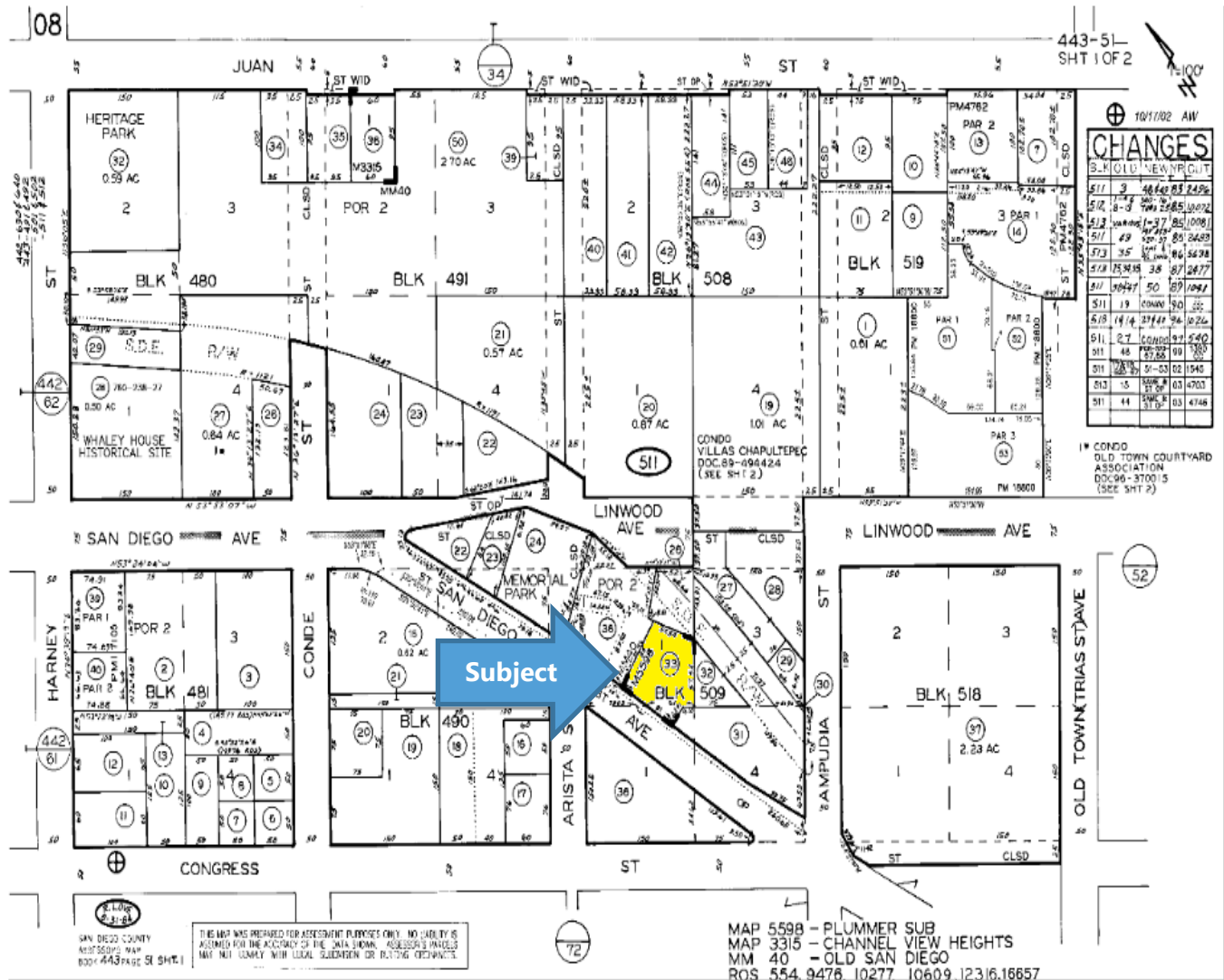
Street Improvements	Type	Direction	Lanes	Streetlights	Curbs	Sidewalks	Parking	Center Lane	Bike Lane
San Diego Avenue	Commercial arterial	two-way	2	x	x	x	x		
Frontage									
San Diego Avenue	82'								
Traffic Counts	Location	Date	Source	Count					
San Diego Avenue	Arista Street	2018	CoStar	6,335					
	TOTAL			6,335					

Exposure & Visibility	Exposure of the subject is average.
Flood Plain	Zone X (Unshaded). This is referenced by Panel Number 060295-06073C1614H, dated December 20, 2019. Zone X (unshaded) is a moderate and minimal risk area. Areas of moderate or minimal hazard are studied based upon the principal source of flood in the area. However, buildings in these zones could be flooded by severe, concentrated rainfall coupled with inadequate local drainage systems. Local storm water drainage systems are not normally considered in a community's flood insurance study. The failure of a local drainage system can create areas of high flood risk within these zones. Flood insurance is available in participating communities, but is not required by regulation in these zones. Nearly 25% of all flood claims filed are for structures located within these zones. Minimal risk areas outside the 1% and 0.2% annual chance floodplains. No BFEs or base flood depths are shown within these zones. (Zone X (unshaded) is used on new and revised maps in place of Zone C.)
Seismic	The subject is in a highest risk area. All properties in California are subject to some degree of seismic risk. The Alquist-Priolo Special Studies Zone Act of 1972 was enacted by the State of California to regulate development near active earthquake faults. The Act required the State Geologist to delineate earthquake fault zones along known faults in California. Cities and counties affected by the identified zones must limit certain development projects within the zones unless geologic investigation demonstrates that the sites are not threatened by surface displacement from future faulting. The Alquist-Priolo maps identify areas at risk of having surface ruptures; they do not address seismic risk due to soil composition or distance from an active fault. According to information provided by the California Department of Conservation, the subject property <u>is not</u> located within the boundaries of an Alquist-Priolo Earthquake Special Studies Zone. The appraisers are not qualified in the determination of seismic risk, and the client is advised to consult a geotechnical expert in the determination of seismic risk.
Easements	A preliminary title report was not available for review. During the property inspection, no adverse easements or encumbrances were noted. This appraisal assumes that there are no adverse easements present. If questions arise, further research is advised.
Soils	A detailed soils analysis was not available for review. Based on the development of the subject, it appears the soils are stable and suitable for the existing improvements.
Hazardous Waste	We have not conducted an independent investigation to determine the presence or absence of toxins on the subject property. If questions arise, the reader is strongly cautioned to seek qualified professional assistance in this matter. Please see the Assumptions and Limiting Conditions for a full disclaimer.

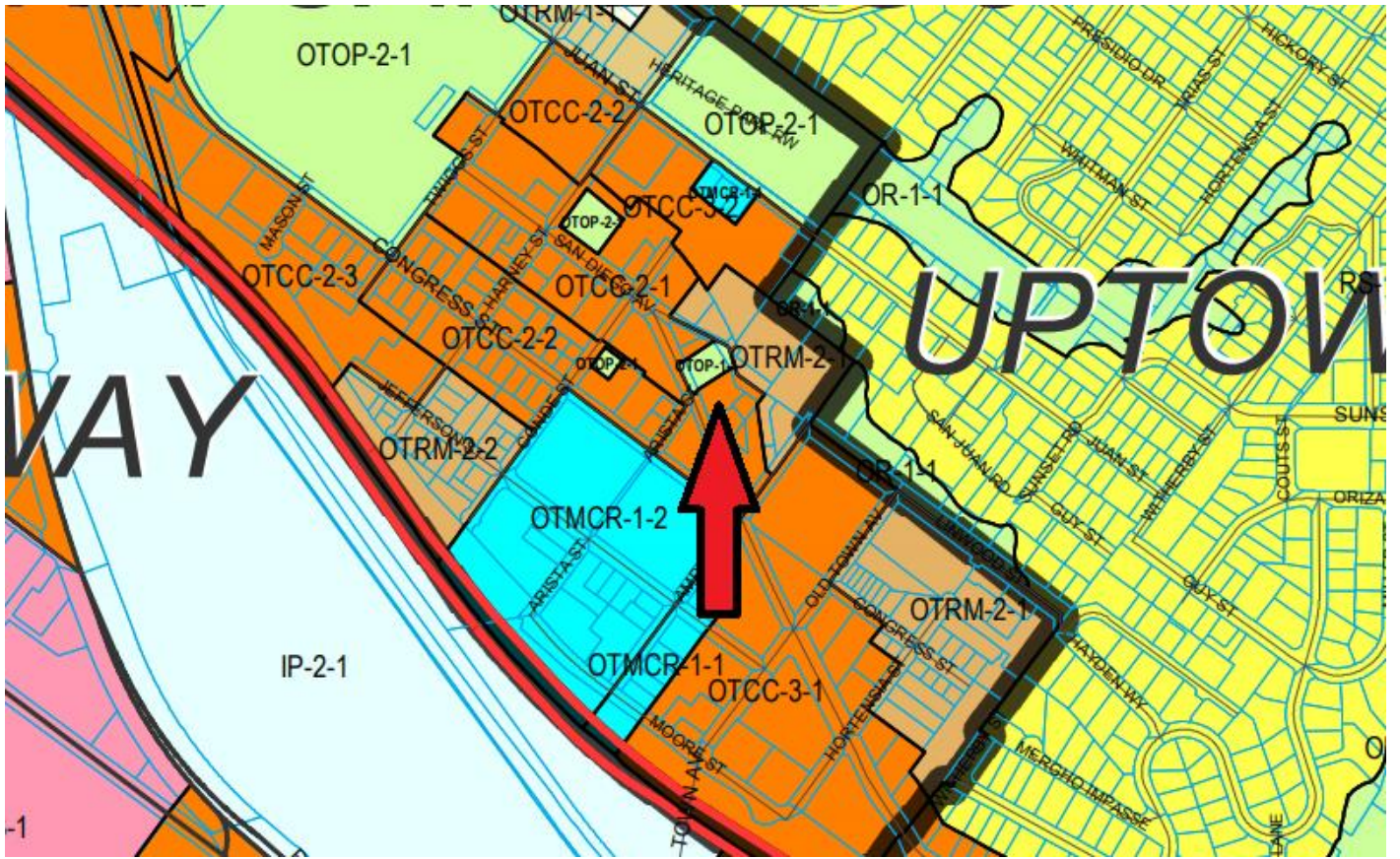
Site Rating

Overall, the subject site is considered a good office site in terms of its location, exposure, and access to employment, education and shopping centers, recognizing its location along a commercial arterial (San Diego Avenue) in the Old Town neighborhood of San Diego.

PLAT MAP



ZONING MAP



FLOOD MAP

Flood Map Report

For Property Located At



2384 SAN DIEGO AVE, SAN DIEGO, CA 92110-2834

Report Date: 01/04/2021

County: SAN DIEGO, CA

Flood Zone Code	Flood Zone Panel	Panel Date
X	060295 - 06073C1614H	12/20/2019
Special Flood Hazard Area (SFHA) Within 250 ft. of multiple flood zones?	Community Name	
Out	No	SAN DIEGO

Flood Zone Description:

Zone X-An area that is determined to be outside the 100- and 500-year floodplains.



FAULT ZONE MAP

The screenshot displays a web application interface for 'Earthquake Zones of Required Investigation'. At the top right, there is a link to 'CGS Homepage'. The main area shows a map of San Diego with a search bar at the top left containing '2384 San Diego Ave, San Diego'. Below the search bar, there are navigation icons for home, search, and help. A pop-up window is centered on the map, providing details for the selected address: 2384 SAN DIEGO AVE. The pop-up lists the APN (4435133300), City (SAN DIEGO), and Street Address (2384 SAN DIEGO AVE). It also provides information on three hazard zones: Fault Zone (NOT WITHIN an Earthquake Fault Zone), Liquefaction Zone (NOT EVALUATED), and Landslide Zone (NOT EVALUATED). A 'Zoom to' link is visible at the bottom of the pop-up.

Earthquake Zones of Required Investigation CGS Homepage

2384 San Diego Ave, San Diego X 🔍

Show search results for 2384 San Die...

Address: 2384 SAN DIEGO AVE

APN	4435133300
City	SAN DIEGO
Street Address	2384 SAN DIEGO AVE
Fault Zone	This parcel is NOT WITHIN an Earthquake Fault Zone.
Liquefaction Zone	This parcel has NOT been EVALUATED by CGS for liquefaction hazards.
Landslide Zone	This parcel has NOT been EVALUATED by CGS for seismic landslide hazards.

[Zoom to](#) ⋮

IMPROVEMENT DESCRIPTION

Overview

The subject is a single-tenant office/retail building located in the Old Town neighborhood of incorporated San Diego, California. The improvements were constructed in 1972. The improvements total 6,888 square feet and are situated on a 0.1673-acre site. The improvements are average quality and in average condition. The property is configured as a museum for the San Diego County Sheriff's Department. Each floor is open leading to various displays, gift shop, office areas with kitchenettes, restrooms, etc. There is also an open courtyard with some law enforcement vehicles displayed. The property also includes an elevator. It is most suitable as an office building. The subject is currently 100.0% occupied by the owner.

Property Type	Office/Retail
Tenancy	Single-Tenant
Net Rentable Area (NRA)	6,888
Gross Building Area (GBA)	6,888
Ground Floor SF	3,444
Total Buildings	1
Floors	2
Year Built	1972 (Renovated Over time)
Age/Life Analysis	
Actual Age	49
Effective Age	20
Economic Life	50
Remaining Useful Life	30
Building Quality	Average
Building Condition	Average
Building Appeal	Average
Building Class	D
Land to Building Ratio	1.06 : 1
Site Coverage Ratio	47%
Floor Area Ratio (FAR)	0.95
Total Parking Spaces	4 - Surface spaces
Parking Ratio	0.6 / 1,000 SF NRA

Size	<p>The following sources of size information were considered:</p> <p>RealQuest/County record: 6,888 square feet CoStar: 7,000 square feet Appraiser Measurements: N/A- could not measure due to setbacks Rentable Size Used: 6,888 square feet</p>
Foundation	Concrete slab
Framing/Exterior Walls	Wood frame
Roof	Flat
Elevator	One passenger elevator
Heating, Ventilation, & Air Conditioning (HVAC)	Central HVAC
Insulation	Assumed to be standard and to code for both walls and ceilings
Lighting	Fluorescent and incandescent
Electrical	Assumed adequate and to code
Interior Walls	Drywall
Doors and Windows	Standard storefront windows and doors, glass in aluminum frames
Ceilings	Painted drywall
Plumbing	Standard plumbing for an office building
Floor Covering	Hard wood, carpet, ceramic tile, linoleum
Fire Protection	None
Interior Finish/Build-Out	The subject is a two-story, multi-tenant office/retail building that is currently configured as a museum for the San Diego Sheriff's Department. Each floor is open leading to various displays, gift shop, office areas with kitchenettes, restrooms, etc. There is also an open courtyard with some law enforcement

	vehicles displayed. The property also includes an elevator. It is most suitable as an office building.
Site Improvements	The parking lot is not marked and there are a few cars parked in the courtyard as display vehicles. CoStar indicates the site has four parking spaces, which appears reasonable.
Landscaping	Minimal- shrubs
Signage	On the subject building only
Parking	There are 4 surface parking spaces, or 0.6 spaces per 1,000 square feet, which is below market standards (2.0-4.0 per 1,000 SF) for similar office building properties but is legally permissible as noted in the Zoning Analysis section.
Site Coverage Ratio	47.3% (3,444 SF footprint / 7,288 SF site), which is within market standards (35%-60%) for similar office building buildings in the area.
Deferred Maintenance	No significant forms of deferred maintenance were noted on the property inspection. A full inspection by a qualified inspector is recommended if further assurance is needed.
Functional Design	The building has a functional office design with typical site coverage and below average on-site parking. The overall functional design is rated as average.
ADA Comment	This analysis assumes that the subject complies with all ADA requirements. Please refer to the Assumptions and Limiting Conditions section.
Hazardous Materials	A Phase I report was not provided. This appraisal assumes that the improvements are constructed free of all hazardous waste and toxic materials, including (but not limited to) unseen asbestos and mold. Please refer to the Assumptions and Limiting Conditions section regarding this issue.
Summary	The information presented above is a basic description of the subject property improvements. This information is utilized in the valuation of the property. Reliance has been placed upon information provided by the owner (or owner's representative) and other sources deemed to be reliable. It is assumed that there are no hidden defects, and that all structural components are functional and operational. If questions arise regarding the integrity of the structure or its operational components, consult additional professional resources.

MARKET ANALYSIS

COVID-19 MARKET IMPACT

The following discussion relates to the COVID-19 outbreak and the likely impact on the economy and commercial real estate sectors.

CDC Summary

On January 30, 2020, the International Health Regulations Emergency Committee of the World Health Organization (WHO) declared the outbreak a “public health emergency of international concern” (PHEIC). On January 31, Health and Human Services Secretary Alex M. Azar II declared a public health emergency (PHE) for the United States to aid the nation’s healthcare community in responding to COVID-19. On March 11, WHO publicly characterized COVID-19 as a pandemic. On March 13, the President of the United States declared the COVID-19 outbreak a national emergency.

Marcus & Millichap Publication

The following are excerpts from *Marcus & Millichap – Beyond the Global Health Crisis Regional Report for the West Coast* published in Summer 2020:

Retail Sector

Pandemic Poses Many Challenges to Retailers and Property Owners; Strength of Local Economies Helps the Sector to Weather the Health Crisis

Industry to go through a reshuffling period. The pandemic has proved to be particularly difficult for the retail sector as states ordered the closure of nonessential businesses in March and consumers considerably curbed spending. As lockdowns gradually lift, shoppers are flocking to retailers faster than anticipated, though many hurdles remain in place for the industry. Social distancing measures present a challenge, particularly in the food and beverage category as some restaurants may not be able to continue under reduced capacity. This will weigh on experiential retailers as well, a segment that has grown rapidly in recent years as consumer preferences evolved. Heavy debt loads also present difficulties as bankruptcies over the coming months will soften property metrics, though the strength of the region’s retail sector heading into the downturn will act as a buffer.

Gradual reopening to buoy the sector. With multiple tech centric markets on the West Coast and a relatively high percentage of affluent households, consumer spending will drive a stabilization of the retail sector. Nonessential businesses have begun to reopen across most markets, which will help to put local economies on a path toward recovery, supporting local retail. In contrast with other regions, supply growth was moderate over the past cycle on the West Coast, contributing to favorable property fundamentals before the pandemic. Markets that are prime tourist destinations including

Orange County and San Diego could face a longer path to recovery as visitors account a substantial share of retail sales in these metros. Seattle, Portland and the Bay Area could see less of an impact with a healthy employment base and elevated median household income, though new laws present a risk for investors. In San Francisco, a retail vacancy tax was passed in March for storefronts that sit empty for more than six months, though implementation is now delayed until 2022. A temporary ban on commercial evictions is also in place in San Francisco, while other states and local jurisdictions have implemented measures that suspend evictions.

Investors to target certain segments. With numerous construction projects hitting pause along the West Coast, many delivery schedules are expected to be delayed until next year. The reduction in inventory growth will lessen the impact from shuttered storefronts. Vacated space creates opportunities for investors, with some choosing to redevelop dated assets for last-mile logistics space or into another asset class. A trend had been building in recent years, bringing more mixed-use development to the region, which has the benefit of generating more foot traffic for retailers. Investors will target these deals when available as they could fare better through economic turmoil. Buyers will also continue to gravitate to single-tenant net lease properties with a national credit retailer to hedge risks, as well as grocery-anchored plazas.

Office Sector

Working Remotely Quickly Becomes the Norm During Stay-at-Home Orders, Though Will Be a Temporary Fix for Majority of Companies

Remote-working options grow in popularity. The pandemic forced office closures and drove workers to quickly transition to working from home, testing companies' capabilities of adapting quickly to managing a digital workforce. Major tech companies have transitioned seamlessly, with some reconsidering their space requirements moving forward. Facebook, with a presence across all three states, announced that over the next decade as much as half of its workforce will transition to working remotely. Twitter has also developed new policies that allow much of its staff to permanently work from home. Other firms could follow suit, though this will not be a structural shift for office/work models. Many companies are likely to offer a hybrid working model that still maintains an office footprint while providing the flexibility that workers are demanding. As economies begin to reopen and companies attempt to bring back workers, firms will likely reconfigure their floor plans and limit occupancy over the coming months. In Seattle, office occupancy will be restricted to 25 percent of the building's capacity per King County's reopening plans.

Suburban office movement gaining steam. The tech-centric economies of the West Coast helped to reshape multiple metros and carried those markets out of the financial crisis at a faster rate than the nation. Across the West Coast, the office outlook remains positive with a robust mix of strong companies that continue to hire highly

skilled talent. Of the 10 lowest vacancy rates in the nation for the major markets in the first quarter, five were on the West Coast, headlined by Seattle, which has the tightest operations. San Francisco and Portland registered low vacancy rates in the first quarter as well at 10 percent and 10.3 percent, respectively. Los Angeles also came in near a decadelong low in the first quarter with large leases in place by tech titans and major entertainment firms, which as in other markets contributes to downstream growth in other asset classes.

Challenges ahead for fundamentals and investors. Over the near term, office leasing will slow across the West Coast as businesses hold off on making long-term commitments. Vacancies are likely to drift upward as a result. The pre-leasing of projects under development has been strong, though, which could help property metrics in some markets as roughly two-thirds of space that was scheduled for delivery this year has been signed for. A slowdown in completions will also bode well for property metrics, particularly as speculative office developments, which were on the rise, are put on hold in San Francisco, Portland and other markets. Sales activity will also pull back as it has become increasingly difficult to underwrite deals in the current economic environment. Many investors are on the sidelines as cash flows are uncertain, and they will closely watch rent growth over the coming months to gauge performance as the buyer/seller gap widens.

Industrial Sector

Lockdowns Push Consumers to Online Shopping at Faster Pace, Supporting Long-Term Demand for Industrial Space

Reopening factories and trade routes bolster coastal metros. Trade flows have declined nationally by roughly one-quarter since the start of the pandemic, weighing on West Coast industrial markets more connected to global commerce. Imports and exports will pick up over the summer months as more factories reopen, putting more people back to work in San Diego, Portland and the Bay Area. A return to more normal levels of production and shipping will also benefit industrial space in inland metros that serve as important linkages to the rest of the country, namely Riverside-San Bernardino. While domestic production is reactivating, global shipping companies have reduced the number of vessels at sea. An accumulation of exports could raise the short-term need for industrial storage space in and around the ports of Los Angeles and Seattle-Tacoma.

E-commerce perseverance underscores demand for certain industrial assets. As shelter-in-place orders stretched on since March and a consumer preference to avoid public places has climbed, e-commerce adoption has accelerated rapidly, bolstering a range of logistics and online shopping tenants. Home delivery of groceries from services including Amazon, Target, Walmart, and Instacart has been vital to providing residents under lockdown with essential goods and will continue to be widely used long after the pandemic ends. The move to home delivery of pharmaceuticals and other perishables on top of groceries has also raised the need

for refrigerated space. These trends will power demand for both urban infill space that can serve as last-mile logistics facilities as well as for cold-storage assets. To support these digital services, firms also require a robust online infrastructure. The pandemic has emphasized the importance of a digitally connected world, not just because more people are shopping online but also from the widespread adoption of remote working, fueling demand for data centers. All three of these industrial property subtypes are garnering greater investor interest at a time when the income prospects for other real estate assets have been disrupted.

Region's industrial markets some of the nation's strongest. Through the health crisis the industrial sector overall has exhibited strength and resiliency as space demand remains healthy and the outlook continues to be positive. Many of the West Coast metros had exceptionally tight vacancy heading into the crisis, which positioned markets favorably as headwinds mounted. Prior to the current economic situation, strong supply growth across many markets this year was anticipated to push vacancy rates higher. Much of this was from developers adding more speculative space than in recent years. However, health precautions and interruptions to supply lines will delay some projects while others may be adjusted. Nonetheless, tenant demand continues to be robust, taking updated and modern space off the market quickly.

Apartment Sector

Apartments Prove to be More Resilient During the Downturn, Though Risks Remain as Clarity on the Crisis Emerges

Less-impacted employment sectors help stabilize rental housing. As the West Coast advances through the health crisis and states begin to reopen their economies in phases, the multifamily sector may prove to be a more durable asset class as long-term demand drivers remain intact. Over the near term the sector does face challenges from historic unemployment, which could push vacancy higher as state and local eviction moratoriums expire over the coming months. Despite the greater financial hardships faced by many, collections remained stable nationally, according to the National Multifamily Housing Council, as more than 90 percent of renters partially or fully made their rent payment in May. Markets with a robust tech, financial and government workforce could be more insulated from greater turmoil as these sectors have been less impacted by the crisis. This will benefit property performance in Sacramento, San Francisco, Portland and Seattle as many higher-paid workers have been able to adapt to a work-from-home environment more rapidly.

Eviction moratoriums create challenges. State and local jurisdictions have rolled out new public policy in an effort to keep tenants in their units, presenting numerous challenges for property owners. California has given local governments greater latitude in issuing eviction moratoriums and rent relief, leading to restrictive policies in San Francisco, Los Angeles and other metros. Tenants

facing an eviction in California will have 60 days beyond the expiration of the state of emergency before any action is taken. Those impacted by the pandemic in San Francisco are currently allowed to forgo monthly rent payment during the state of emergency and cannot be evicted for overdue bills after the emergency orders expire. Enhanced tenant protections have been rolled out in Seattle as well, where renters are allowed forbearance on payments for an additional six months after the emergency orders are lifted, creating complications for owners. Similar laws apply to Oregon and the Portland metro, building uncertainty for private investors.

Construction shutdowns to taper supply growth. Delivery schedules will be extended as many projects were forced to hit pause or felt the brunt of a reduced workforce. As demand is anticipated to soften, this will provide welcome relief to many markets as the construction pipeline has swelled in recent years. Completions could still reach a new high across several markets this year, though many of those deliveries will be of Class A stock that will have little impact on the broader market. Rent growth will likely taper and could turn negative, though, as many of these new units will need to increase concessions to attract new residents. Headwinds and uncertainties will slow deal flow over the near term, but as more clarity emerges investors could quickly return, favoring the long-term growth prospects.

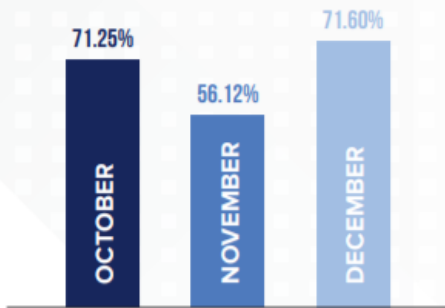
Matthews Real Estate Investment Services: Investor Outlook

The following are excerpts from a *Matthews Real Estate Investment Services* report published in December 2020:

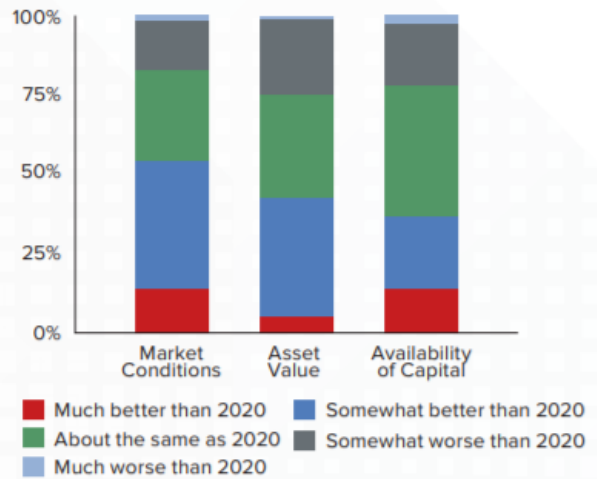


IMPROVED OPTIMISM SURROUNDING CRE PERFORMANCE

Investors predict CRE improvement in the next 12 months

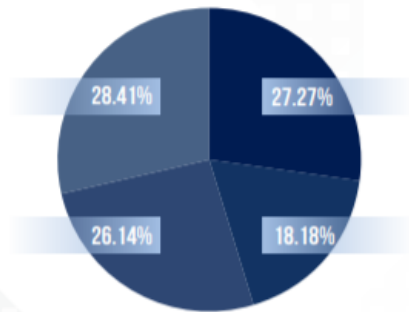


INVESTORS PREDICT CRE FUNDAMENTALS WILL IMPROVE IN 2021



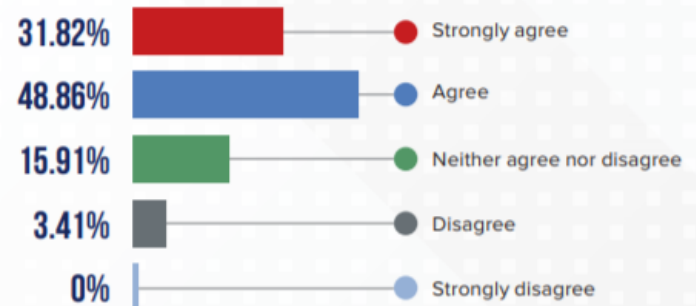
EXPECTED CAPITAL COMMITMENTS IN REAL ESTATE IN 2021

Investor budget plans to invest or finance



- 27.27%** Frozen for a few months
- 18.18%** Reduced compared to the 2020 budget
- 26.14%** Remained unchanged compared to the 2020 budget
- 28.41%** Increased compared to the 2020 budget

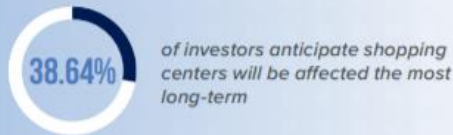
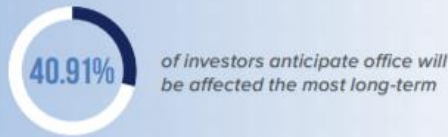
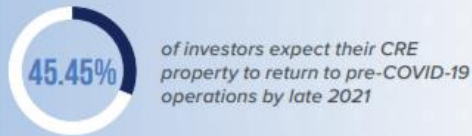
IF A VACCINE BECOMES WIDELY AVAILABLE TO THE GENERAL PUBLIC IN 2021, 80.68% OF INVESTORS AGREE IT WILL TURN THE ECONOMY TOWARDS RECOVERY



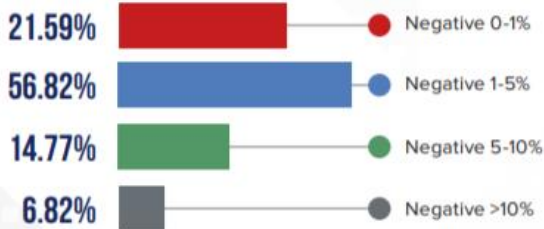
THE PROPERTY TYPES THAT WILL EMERGE THE STRONGEST FROM THE CRISIS

- #1 INDUSTRIAL - 30.68%**
- #2 MULTIFAMILY- 25.00%**
- #3 HEALTHCARE - 29.55%**

COVID-19 WILL CONTINUE TO IMPACT CRE IN 2021



ANTICIPATED IMPACT OF COVID-19 ON GDP GROWTH IN 2021



THE PROMINENT TRENDS INVESTORS PREDICT IN 2021



OFFICE

- > Reduction of office square footage
- > Decrease demand for traditional office space
- > Increase in office vacancy



MULTIFAMILY

- > Increase demand for ADU's
- > Feasible locations for living and working
- > Migration away from Class A multifamily housing
- > Increase in rental housing for unemployed
- > Rent control for multifamily



RETAIL

- > Increase demand for drive-thrus & drive-thrus in unfamiliar places
- > Increase in outdoor dining
- > Retail pick-up windows
- > Utilizing retail for last-mile delivery
- > Increase in retail vacancy
- > Shifting retail preferences



INDUSTRIAL

- > Increase in data REITs
- > Increase investment in data centers
- > Increase in industrial absorption
- > Demand for centrally located distribution space



OVERALL CRE

- > Continued alternations in CRE for social distancing
- > Decrease rent rates
- > Increase in adaptive reuse
- > CRE implications from the permanency from telework
- > People & businesses migrating from large urban cities
- > Higher taxes & inflation
- > Pricing will be more important than quality
- > Lease language modifications
- > Increase in value-add investment
- > Tenant renegotiation

79.55% OF INVESTORS ARE CONCERNED ABOUT BIDEN'S TAX PLAN AS IT RELATES TO THE 1031 EXCHANGE PROGRAM AND OTHER TAX BREAKS IN 2021.

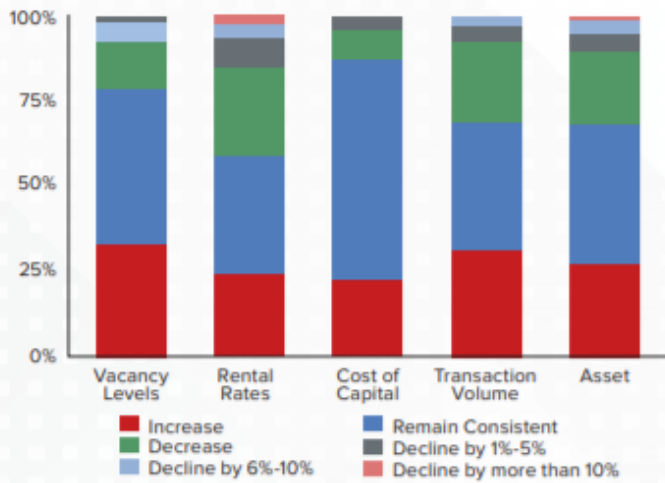
BEST OPPORTUNITY FOR INVESTMENT IN 2021

Investors planning to be active see strong corporate guaranteed single tenant net lease properties as the best opportunity in 2021

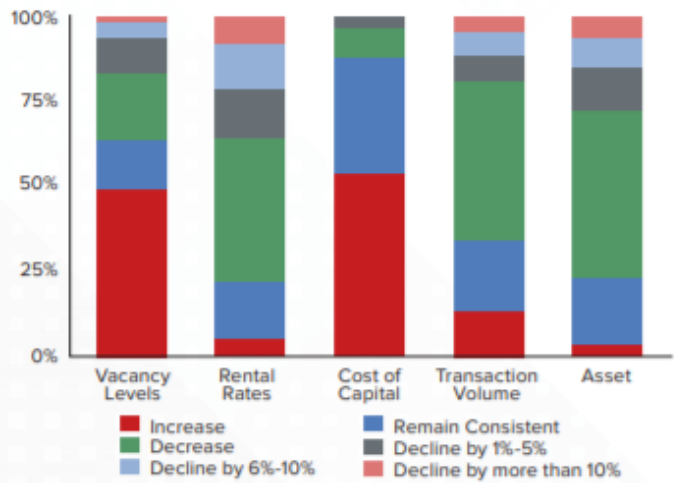


IMPACT ON CRE FUNDAMENTALS PER SECTOR OVER THE NEXT 12 MONTHS

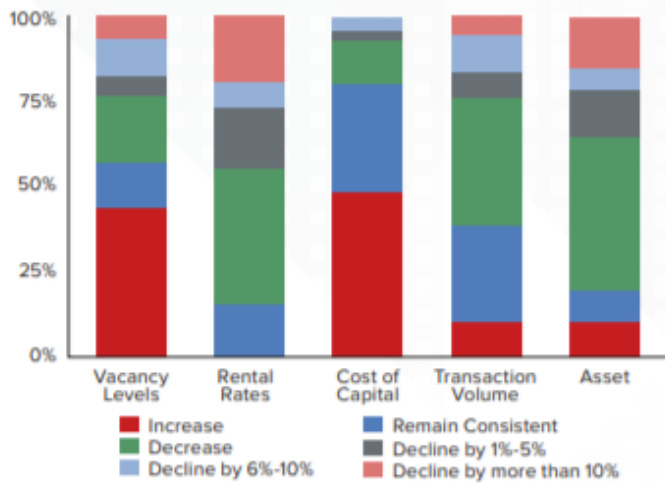
MULTIFAMILY



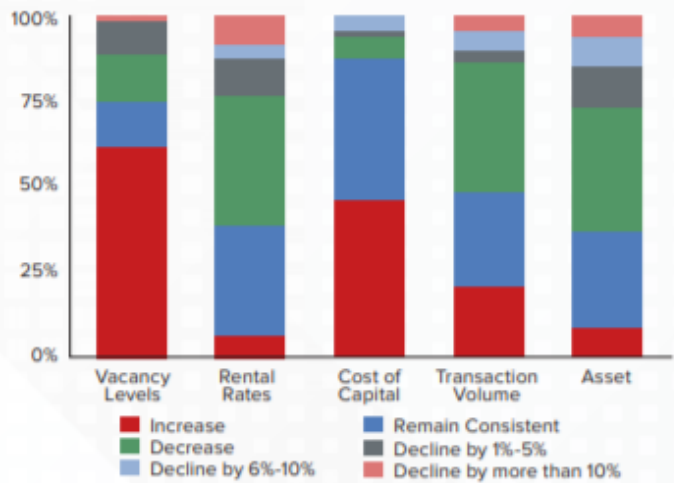
OFFICE



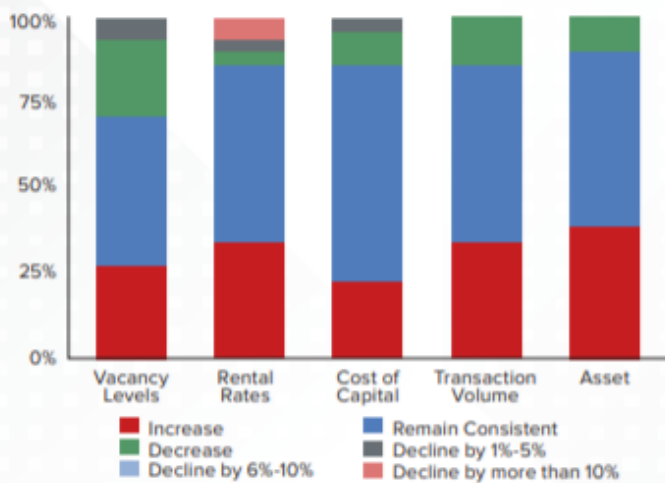
SHOPPING CENTERS



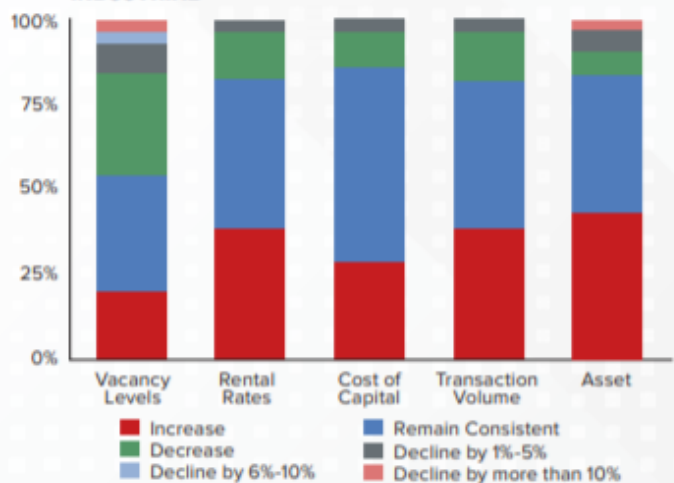
RETAIL



HEALTHCARE



INDUSTRIAL



Other Factors to Consider

Other factors to consider include future Federal, State and City legislation enacted due to the impact of COVID-19. Such legislation could impact landlords, tenants and owner-occupied properties. Many states, including California, have issued shelter-in-place orders and other travel restrictions. Force majeure clauses in leases may also impact the ability of landlords to collect rent. Some large retailers that have ceased and/or limited business operations have already announced they will not be paying rent.

COVID-19 Market Participant Interviews

Lastly, we have conducted several interviews with brokers. The following interviews were conducted after COVID-19 became a national health crisis:

Mike Hilton is a broker with Gateway Business Properties. Mr. Hilton specializes in industrial properties in the Los Angeles Market. We interviewed Mr. Hilton in connection with a recent assignment. He indicated that COVID-19 is having a negative impact on pricing and anticipates a minimum of a 10% discount from pre COVID-19 prices, but it is too early to say for certain.

Ryan Harchut is a broker with Gateway Business Properties. Mr. Harchut specializes in industrial properties in the Los Angeles Market and was also recently interviewed in connection with a recent assignment. He indicated that COVID-19 is likely to have a short-term negative impact (did not state a specific amount) on pricing; however, he expects the market to recover quickly.

Derek Stephens is a broker with Marcus and Millichap. Mr. Stephens specializes in industrial properties in the Los Angeles Market and was also recently interviewed in connection with a recent assignment. In regard to COVID-19, he stated that industrial development is better suited to bounce back than other product types. Online sales of goods will only increase moving forward and there is new demographics getting used to ordering online due to social distancing (ages 55+). He also said that some manufacturing will probably come back to the U.S. to reduce our reliance on China.

Zach Zanello is a broker with Gateway Business Properties. Mr. Zanello specializes in industrial properties in the Los Angeles Market and was also recently interviewed in connection with a recent assignment. He indicated that COVID-19 has "slowed down the market"; however, it is difficult to predict what will happen in the future.

Rooney Daschbach is a broker with Cushman Wakefield. Mr. Daschbach specializes in industrial properties in the Los Angeles Market and was also recently interviewed in connection with a recent assignment. In regard to COVID-19, he indicated that the market is on hold for the most part. He also stated that SBA financing is still available but conventional financing is a challenge.

Joe Schuchert is a broker with SRS National Net Lease Group. Mr. Schuchert specializes in net leased properties and was recently interviewed in connection with an appraisal of a Dollar General in California. Mr. Schuchert had previously sold this property in September 2017 at a 6.30% cap rate. Mr. Schuchert acknowledged that the ongoing COVID-19 situation could have an adverse effect on retail/net leased properties; however, he would not comment any further as he could not quantify any negative impact as the situation is still developing. Nevertheless, this participant opined a current cap rate range of 6.50% to 6.75%

for this property, suggesting a 3.1% to 6.7% decrease in value. While the higher cap rate range is partially attributable to a shorter lease term versus in 2017, it may also reflect the ongoing COVID-19 situation.

Andrew Lara is a broker with DAUM Commercial. Mr. Lara specializes in industrial properties in the Los Angeles Market and was recently interviewed in connection with a recent assignment. In regard to COVID-19, he indicated that industrial development is better suited to bounce back than other product types. He recently brokered a sale that was in escrow when the national emergency was declared. The buyer requested an approximate 6.00% discount and the seller granted it.

Greg Guglielmino is a broker with Lee & Associates. Mr. Guglielmino specializes in the acquisition and disposition of single and multi-tenant healthcare and office investment properties. We spoke with Mr. Guglielmino in reference to a bid request for the appraisal of an industrial/flex building located in Valencia, CA. At the time we spoke with Mr. Guglielmino (April 17, 2020), he was in the final stages of negotiating a sale-leaseback of the property for the owner (seller currently owner-occupies the building) and was within one week of opening escrow. Due to the current COVID-19 Pandemic and the market uncertainty this has caused, the buyer requested a 20% reduction in the purchase price, which was granted by the seller. It should be noted that Mr. Guglielmino's client is in a somewhat specialized business, which is the research and development of Radio Isotopes for medical purposes.

Kyle Williams is a broker with Ashwill Associates. Mr. Williams specializes in industrial properties in the Orange County Market and is the listing broker for a pending sale to an owner-user of an industrial building used for an autobody business. He noted that industrial properties with a CUP for auto body repair are extremely rare and almost nonexistent in Northern Orange County area. In regards to the COVID-19 pandemic, Mr. Williams indicated that he has not seen much of a negative impact on the pricing of industrial properties in the Orange County market at the current time and that pricing has remaining consistent with historic lows in interest rates and the CARES Act paying six months towards SBA. He says that this has motivated some buyers even more so.

Ryan Yatman is a broker with Secured Properties Inc. Mr. Yatman specializes in retail properties/property management in the Los Angeles Market and was recently interviewed in connection with a recent assignment. Regarding COVID-19, he indicated that the situation "has obliterated our retail rent collections". Almost all retail businesses are closed, including restaurants. While retail tenants are struggling, the property owners he represents are still fine in terms of finances and he does not anticipate panic selling. That being said, Mr. Yatman indicated that if an owner was forced to sell in the current market, buyers have already begun factoring in discounts. Additionally, there would be upward pressure on cap rates although the exact impact has yet to be determined.

Nicholas Chang is a broker with NAI Capital Commercial. Mr. Chang specializes in industrial properties in the Inland Empire Market. Mr. Chang acknowledged that the ongoing COVID-19 situation will likely have a negative impact on the overall market, however, he felt the impact would be much less severe in the industrial sector. He stated that in general he would expect a 5% to 10% decrease in sales prices and asking rents for the overall market across all property types.

Mr. Chang did mention that he and his staff have been making contact with all their current and past industrial clients to gauge the impact the ongoing COVID-19 situation is having in real time. Mr. Chang advised that several of his clients who are involved with manufacturing, packaging and distribution of products for

businesses deemed essential by the government have reported positive earnings. He advised us that two of his clients were awarded multi-million-dollar contracts in March and April by major grocery store chains to help meet the increased demand, as people shelter at home and restaurants are closed. Mr. Chang also felt industrial storage yards would be somewhat insulated from the ongoing COVID-19 situation, as the demand for vehicle/equipment storage is in constant demand.

Drew Glickman is a broker with GZ Commercial Real Estate and specializes in commercial real estate in the Santa Monica and Venice Beach areas of Los Angeles County. Mr. Glickman sold an office building located in Santa Monica to an owner-user. The sale closed in December 2019 for \$6,738,000. Mr. Glickman indicated he did not think the property would have sold for less post-COVID-19 awareness given its coastal location and low supply. He indicated during the last recession, properties with coastal locations were essentially "recession proof". He thought it perhaps could have sold 3.5% lower if it were a different seller that was highly motivated to sell this property; however, this seller would not have agreed to a sale price lower than \$6,738,000.

Mark Zorn is a broker with Colliers International. Mr. Zorn specializes in industrial properties in the Inland Empire Market. Mr. Zorn acknowledged that the ongoing COVID-19 situation will likely have a negative impact on the overall market, however, he felt the impact would be much less severe in the industrial sector. He could not quantify any negative impact as the situation is still developing.

Mattison Behr is a broker with Lee & Associates. Mr. Behr specializes in industrial properties in the Los Angeles Market. He indicated that due to the COVID-19 pandemic market rents have had about a 10% drop prior to this pandemic. However, the overall sale prices of buildings have not been significantly affected.

John Mulrooney is a broker with Lee & Associates. Mr. Mulrooney specializes in industrial properties in the Inland Empire Market. He indicated that the sale price and lease rates in the industrial market in the area have not been negatively affected by the COVID-19 pandemic. As of now. However, he did report that industrial land sales should be down 25% to 30% due to COVID-19.

Tom Underhill is a broker with Coldwell Banker Commercial NRT. Mr. Underhill specializes in industrial properties in the Orange County Market. He felt the COVID-19 has had a drastic effect on the current Real Estate market. From what he has seen, everything has stopped or been severely interrupted. He indicated that there is however lots of money available in the hands of wealthy investors and owner-users.

We are aware of the pending sale of a 14-unit apartment building located in El Cajon. The owner purchased the property in early 2018 and performed significant upgrades. It was then listed for sale in early 2020 (pre COVID-19 crisis) for \$3,850,000. The seller received offers between \$3,600,000 and \$3,750,000 but turned these down since they wanted to sell if for \$3,800,000. After the COVID-19 crisis became apparent, the seller agreed to sell the property for \$3,500,000 assuming it was a fast sale. The listing broker believed a price closer to \$3,600,000 could have been achieved with a longer marketing time. This infers a price discount of 0% to 8% between the pre-COVID-19 offers and the seller's pre-COVID acceptance price of \$3,800,000.

Steve Bridge is a broker/investor with FTK, Inc. Mr. Bridge specializes in industrial properties in Lompoc, CA, which a more isolated area of Santa Barbara County. Mr. Bridge stated that industrial lease rates and sale prices have been stable through the COVID-19 pandemic.

Morris Sobhani is a real estate investor. Mr. Sobhani owns the Wine Ghetto Sobhani Industrial Park located in Lompoc, CA. Mr. Sobhani stated that COVID-19 has had no discernable impact on lease rates or property values in the area.

We are aware of a 9-unit apartment in San Diego that the owner purchased in 2016 for \$1,575,000 then performed significant renovations to reposition the property. It was placed on the market in January 2020 with a listing price of \$2,560,000. It was previously in escrow at the full asking price; however, the buyer cancelled their offer due to COVID-19 concerns.

Joshua Linn is a broker with *Beitler Commercial*. Mr. Linn specializes in industrial properties in the Ventura County Market. We interviewed Mr. Linn for an appraisal assignment in Camarillo that we were working on in October 2020. Mr. Linn stated that COVID-19 put a bit of a pause on the market in the early stages with people being forced into quarantine. But overall, he had many buyers who were not impacted by the restrictions and were or still are currently looking for buildings. With low inventory and all-time low market rates, the demand is very strong according to Mr. Linn.

Jim Meaney is a broker with *CBRE*. Mr. Meaney specializes in industrial properties in the Ventura County Market. We interviewed Mr. Meaney for an appraisal assignment in Camarillo that we were working on in October 2020. He stated that COVID-19 has had no effect on marketing times, sale prices, cap rates or lease rates for industrial properties.

Scott Caswell is a broker with *Lee & Associate*. Mr. Caswell specialized in industrial properties in the Los Angeles Market. We interviewed Mr. Caswell for an appraisal assignment in Chatsworth that we were working on in October 2020. He mentioned that the COVID-19 outbreak stopped the market for approximately 4-5 months; however, there was a strong comeback and all empty space they had listed has since been leased.

Daniel Glazer is a broker with *Lee & Associates*. Mr. Glazer specializes in industrial properties in the Inland Empire Market. We interviewed Mr. Glazer for an appraisal assignment in Ontario that we were working on in October 2020. Mr. Glazer stated that COVID-19 slowed down the industrial market somewhat in the early stages due to quarantine requirements, however, he stated the market is currently strong with limited buildings available and high demand from owner-users.

Michael Daniels is a broker with *Kidder Mathews*. Mr. Daniels specializes in industrial properties in the Inland Empire Market. We interviewed Mr. Daniels for an appraisal assignment in Ontario that we were working on in October 2020. Mr. Daniels stated that COVID-19 had no negative impact whatsoever on the industrial market. He advised that the buyer had been searching for buildings for over a month and the lack of available product made it competitive and difficult. He stated that companies involved in warehousing and distribution are in need of warehouses and many companies are increasing their footprint to be able to keep up with the increased online sales demand.

Greg Dyer is a broker with *CBRE*. Mr. Dyer specializes in industrial properties in the Los Angeles Market. We interviewed Mr. Dyer for an appraisal assignment in Hawthorne that we were working on in October 2020. Mr. Dyer stated that COVID-19 had limited impact on industrial properties. The reduced interest rate and impact to alternative real estate property types have driven people to industrial.

Daniel Stratton is the broker with *Stratton International*. Mr. Stratton specializes in industrial properties in the Los Angeles Market. We interviewed Mr. Stratton for an industrial storage appraisal assignment in San Fernando that we were working on in October 2020. Mr. Stratton felt COVID-19 had not negatively impacted the industrial market, especially for smaller-scale storage yard sites.

Aidan James is a broker with *Inland Pacific*. Mr. James specializes in industrial properties in the San Diego Market. We interviewed Mr. James for an industrial property appraisal assignment in El Cajon in October 2020. He opined that the COVID-19 outbreak did not have any effect on the pricing of an industrial building that he represents.

Charley Black is a broker with *Lee & Associates*. Mr. Black specializes in industrial properties in the Temecula Valley Market. We interviewed Mr. Black for several industrial property appraisal assignments in Murrieta in October 2020. He opined that the COVID-19 outbreak did not have any impact on industrial product. He mentioned that there was a slowdown in April and May. But since that time, there has been heavy demand and industrial properties are currently selling for above the values pre pandemic.

Jon Talia is a broker with *Marcus & Millichap*. Mr. Talia specializes in single-tenant net leased properties nationally. He stated that he has not seen any shift in cap rates for net-leased fast-food restaurants as a result of the COVID-19 pandemic. He said that all cash deals are still experiencing short market times of 30 days from list to close with deals involving financing closing within 75 days of being listed.

Lior Regenstreif is a broker with *Marcus & Millichap*. Mr. Regenstreif specializes in single-tenant net leased properties nationally. We interviewed Mr. Regenstreif for a proposed Starbucks appraisal assignment in Santa Rosa in October 2020. This participant suggested that demand for Starbucks and other fast-food restaurants with drive-thru service has remained strong and stable throughout the recent COVID-19 pandemic with cap rates in the low-4.00% range, say 4.00% to 4.50%, averaging around 4.25%. If price appropriately, they sell very quickly.

Bill Asher is a broker with *Hanley Investment Group*. Mr. Asher specializes in single-tenant net leased properties nationally. We interviewed Mr. Asher for a proposed Starbucks appraisal assignment in Santa Rosa in October 2020. Mr. Asher provided us with list of 25 Starbucks restaurants located through northern and central California that sold in the last three years. The sales had remaining lease terms from three to 15 years and indicated cap rates ranging from 3.56% to 5.23%, averaging 4.51%. Mr. Asher indicated that demand for this property type has remained strong despite the COVID-19 crisis.

Guadalupe Pickard is a broker with *Re/Max Big Bear*. Ms. Pickard specializes in commercial and residential properties in the Big Bear Lake area. We interviewed Ms. Pickard for an appraisal assignment in Big Bear Lake in October 2020. Ms. Pickard indicated that market activity for residential properties has increased dramatically after the COVID-19 pandemic as people have looked to move out of high populated city areas and into less populated areas like Big Bear. She indicated that there is little supply to account for the high demand at the current time.

Jaron Eliopoulos is a broker with Touchstone Commercial Partners. Mr. Eliopoulos specializes in commercial properties in the San Francisco area. We interviewed Mr. Eliopoulos for a retail and multi-family appraisal assignment in the Hayes Valley neighborhood of San Francisco in October 2020. He indicated that it is difficult to determine the negative impact on retail rents/values will be and how long tenants will be unable to pay

rent in certain instances. The implications on high-end retail tenants is unknown as of present time but he anticipates rents will likely slide for the next five years.

Mark Campana is a broker with Anchor Realty. Mr. Campana specializes in commercial properties in the San Francisco area and recently sold a mixed-use property. We interviewed Mr. Campana for a retail and multi-family appraisal assignment in the Hayes Valley neighborhood of San Francisco in October 2020. He indicated that lease rates have decreased between 10% and 20% since April for retail space, cap rates have increased and gross rent multipliers have dropped.

Justin Null is a broker with *Lee & Associates*. Mr. Null specializes in commercial properties in the Inland Empire. We interviewed Mr. Null for an industrial food processing appraisal assignment in Perris, California, in October 2020. Mr. Null reported that the COVID-19 outbreak has created an environment where cold storage facilities were already scarce in the market and have since become an even more highly sought-after product.

Clint Lukens is a broker with *Clint Lukens Realty*. Mr. Lukens. specializes in commercial properties in the Los Angeles Market. We interviewed Mr. Luken for an office appraisal assignment in the East Hollywood/Silverlake area of Los Angeles in October 2020. He mentioned that there was limited inventory in the area and that values have stayed strong throughout the COVID-19 pandemic.

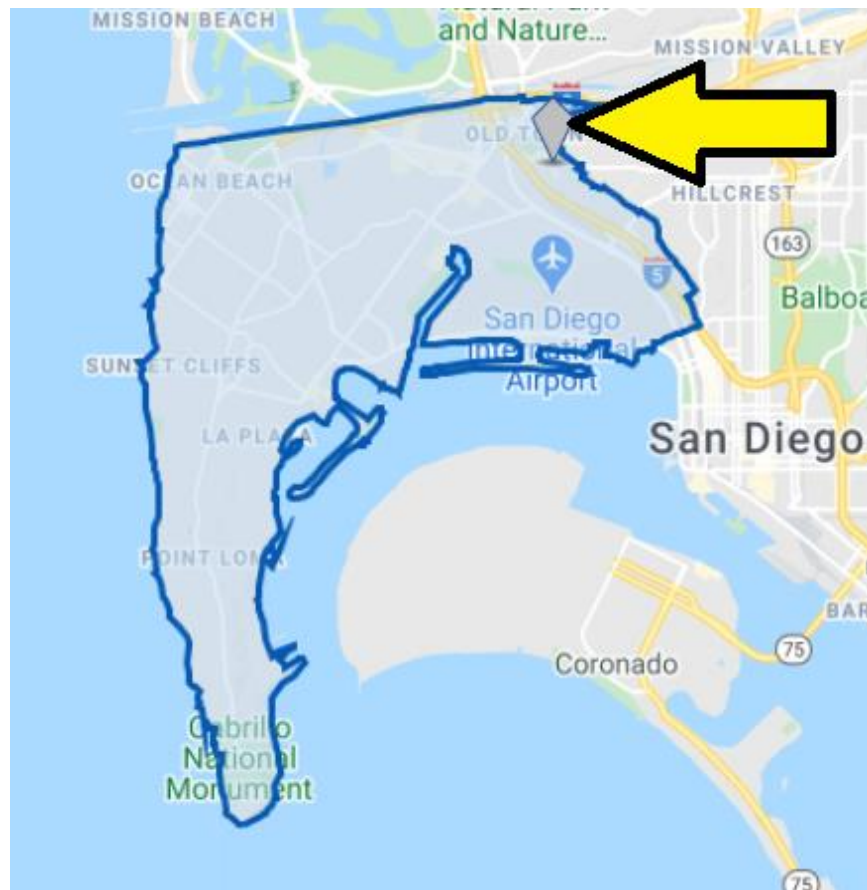
We are aware of a recent lease on a recording studio in Woodland Hills. The landlord reported the tenant's lease was up for renewal at the beginning of the COVID-19 pandemic and that annual increases have historically been based on 3%. However, the landlord renewed the tenant's lease for five years but did not increase their rent due to the pandemic.

We are aware of a pending sale of an office building in West Sacramento. The property was in contract at the full list price of \$550,000; however, the buyer canceled escrow due to COVID-19. The property is now in contract for \$525,000, or a 4.5% decrease.

SUBJECT SECTOR SUPPLY & DEMAND STATISTICS

In this section, market conditions which influence the subject property are analyzed. An overview of office supply and demand conditions for the San Diego Market and Old Town/Sports Arena/Point Loma Submarket are presented.

In order to analyze supply and demand characteristics of this area, reliance is placed on information compiled by *CoStar*, which is the most comprehensive database for commercial properties in the San Diego. The map below shows the boundaries of the Old Town/Sports Arena/Point Loma Submarket, followed by an office supply and demand analysis for the market and submarket:



A summary of current and historical supply and demand statistics for the market and submarket is summarized in the following table:

OFFICE MARKET AND SUBMARKET DATA SUMMARY (7 YEARS)					
INVENTORY SUPPLY (SF)				VACANCY (%)	
QTR	YEAR	MARKET	SUBMARKET	MARKET	SUBMARKET
Q3	2020	118,412,713	2,915,777	11.1%	3.3%
Q2	2020	117,587,943	2,915,777	9.8%	2.9%
Q1	2020	117,587,943	2,915,777	9.5%	2.8%
Q4	2019	117,479,920	2,915,777	9.1%	3.4%
	2018	117,265,763	2,929,738	9.4%	5.4%
	2017	116,983,825	2,937,676	9.7%	5.7%
	2016	117,186,814	2,927,270	9.9%	5.4%
	2015	116,741,498	2,927,270	11.0%	7.6%
	2014	116,151,604	2,919,503	11.2%	8.6%
	2013	115,320,833	2,909,097	11.7%	8.1%
	2012	114,617,659	2,909,097	12.1%	7.1%
RENT \$/SF			NET ABSORPTION (SF)		
QTR	YEAR	MARKET	SUBMARKET	MARKET	SUBMARKET
Q3	2020	\$2.89	\$2.79	(700,453)	(10,904)
Q2	2020	\$2.91	\$2.94	(427,813)	(5,239)
Q1	2020	\$2.91	\$2.98	(457,556)	17,423
Q4	2019	\$2.84	\$2.94	373,711	21,258
	2018	\$2.72	\$2.49	613,951	4,670
	2017	\$2.66	\$2.40	18,649	365
	2016	\$2.57	\$2.40	1,576,355	67,001
	2015	\$2.45	\$2.31	807,032	33,653
	2014	\$2.33	\$2.23	1,290,072	(4,243)
	2013	\$2.16	\$1.91	1,123,167	(27,649)
	2012	\$2.11	\$1.96	1,545,057	(123,322)

Source: CoStar Property®

Supply

As shown in the previous table, the San Diego Market contains a substantial amount of office supply as of the most recent quarter. The Old Town/Sports Arena/Point Loma Submarket accounts for 2.5% of the total market. The following table illustrates recent deliveries to the market and submarket:

DELIVERIES (SF)					
QTR	YEAR	MARKET	% OF TOTAL	SUBMARKET	% OF TOTAL
Q3	2020	843,816	0.7%	0	0.0%
Q2	2020	0	0.0%	0	0.0%
Q1	2020	51,353	0.0%	0	0.0%
Q4	2019	78,000	0.1%	0	0.0%
	2018	671,733	0.6%	0	0.0%
	2017	786,908	0.7%	10,406	0.4%
	2016	552,744	0.5%	0	0.0%
	2015	1,153,473	1.0%	7,767	0.3%
	2014	997,432	0.9%	10,406	0.4%

The following table is a summary of under construction activity in the market and submarket:

UNDER CONSTRUCTION (SF)						
QTR	YEAR	MARKET	BUILDINGS	SUBMARKET	BUILDINGS	
Q3	2020	2,245,778	15	0	0	
Q3	2019					
Q3	2018	1,065,498	15	0	0	
Q3	2017	707,798	14	0	0	
Q3	2016	1,124,772	21	10,406	1	

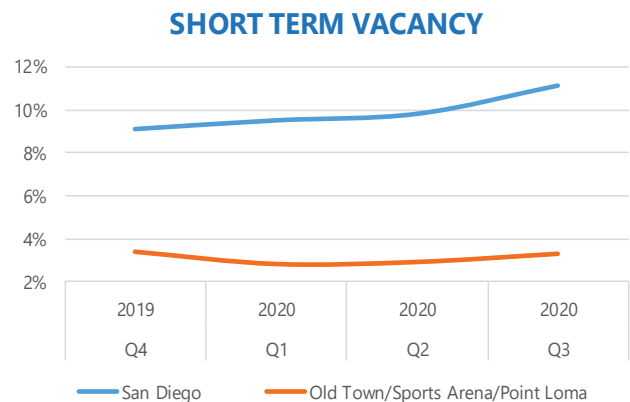
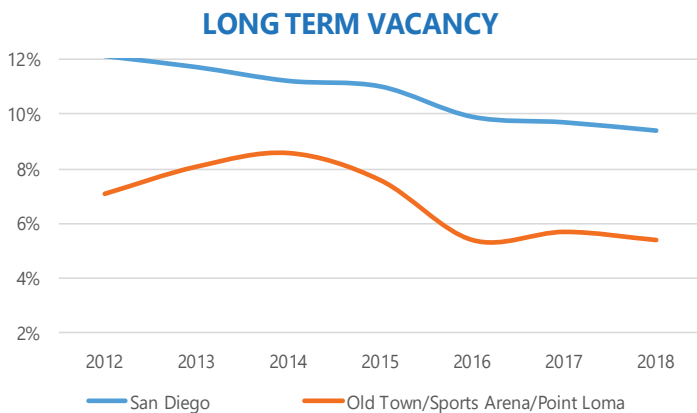
Demand

Demand for office properties is best indicated by trends in vacancy, asking rents and net absorption. The following is a discussion of each item:

Vacancy

Vacancy in the San Diego Market averaged 11.1% in the most recent quarter. Vacancy in the Old Town/Sports Arena/Point Loma Submarket averaged 3.3% during this period and has historically well below the market as a whole. Vacancy levels have increased notably from the start of the recession but have generally trended downward since reaching peaks in 2013.

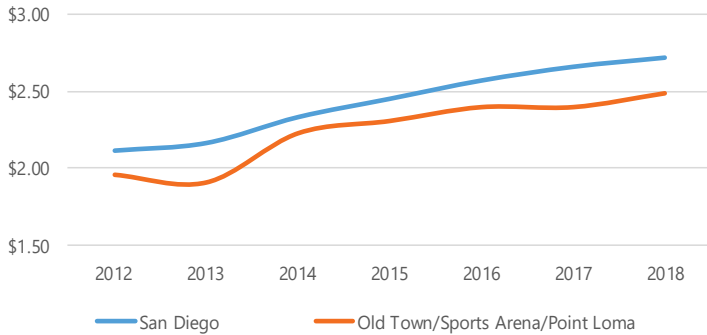
The following graphs provide visual illustration of the long-term and short-term office vacancy for the Market and Submarket:



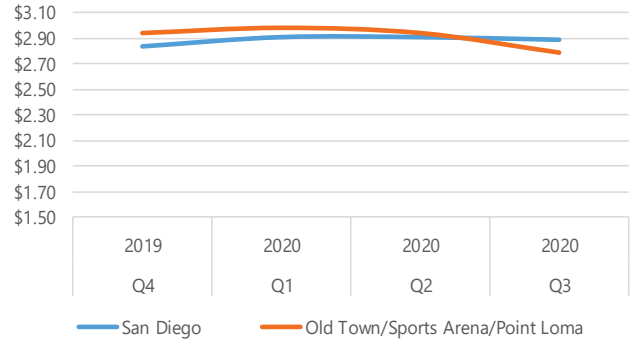
Asking Rents

Asking rents changed by 1.8% in the market over the last year and 18.0% over the last five years. Asking rents in the submarket changed by 3.7% over the last year and by 20.8% over the last five years. The following graphs provide visual illustration of the long-term and short-term office asking rent for the Market and Submarket:

LONG TERM RENT



SHORT TERM RENT



Net Absorption

Absorption levels declined significantly in the market following the start of the recession. Absorption trends after the start of the recessions generally mirror trends in vacancy but has for the most part been positive.

Strengths and Weaknesses of the Subject Property

The following chart summarizes the major property strengths and weaknesses:

STRENGTHS, WEAKNESSES, OPPORTUNITIES & THREATS	
STRENGTHS/OPPORTUNITIES	WEAKNESSES/THREATS
Old Town location with San Diego Avenue frontage	Uncertainty in the market due to COVID-19
Smaller scale building appeal to more buyers	Interest rates are likely to increase
Open floor plan	

Summary & Conclusions

The statistics presented in this Market Analysis occurred before the COVID-19 virus was declared a public health emergency concern and a pandemic by the World Health Organization. Market conditions had been gradually improving until the current health crisis became apparent. The effect COVID-19 will have on the real estate market in the region is currently on-going and will largely depend on both the scale and longevity of the outbreak. We have taken these factors into consideration in our comparable selection and adjustments for market conditions.

HIGHEST & BEST USE ANALYSIS

The highest and best use of the subject property provides the foundation for the valuation section. Highest and best use is defined in the 6th edition of *The Dictionary of Real Estate Appraisal* (Appraisal Institute, Chicago, 2015), as follows:

The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.

Highest and best use analysis uses the following steps for the subject:

- ▶ Highest & Best Use As Vacant
- ▶ Determination of the ideal improvements
- ▶ Highest & Best Use As Improved
- ▶ Conclusion of the Highest & Best Use

The analysis of highest and best use can be thought of as the logical end of a spectrum of market analysis procedures, running from the macroeconomic overview of a general market study, through more detailed marketability studies and analyses of financial feasibility, to the formal analysis of highest and best use. In theory, the highest and best use is commonly described as that reasonable and most profitable use that will support its highest present value. The highest and best use, or most profitable use, must be legally permissible, physically possible, financially feasible, and maximally productive.

This section develops the highest and best use of the subject property As-Vacant and As Improved.

AS-VACANT ANALYSIS

In this section, the highest and best use of the subject as-vacant is concluded after taking into consideration financial feasibility, maximal productivity, marketability, legal, and physical factors.

Legally Permissible

Private restrictions, zoning, building codes and environmental regulations are considered, if applicable to the subject site. The legal factors influencing the highest and best use of the subject site are primarily government regulations such as zoning ordinances. We are aware of no adverse private restrictions or environmental regulations. Permitted uses of the subject's Old Town Commercial-Community (OTCC-2-1) include multi-family, retail, commercial services, restaurants, office, museums and interpretive centers. No zoning change is anticipated for the subject; therefore, uses outside of those permitted by the OTCC-2-1 zoning are not considered moving forward in the as-vacant analysis.

Physically Possible

The test of what is physically possible for the subject site considers physical and locational characteristics that influence its highest and best use. In terms of physical features, the subject site totals 0.1673-acres (7,288 SF), it is irregular in shape and has a flat to sloping topography. The site has average exposure and average overall access. The subject property is within a commercial location of San Diego. This area is generally experiencing positive economic growth. Development immediately surrounding the subject includes commercial and residential. There are no physical limitations that would prohibit development of any of the by-right uses on the site.

Financial Feasibility

Based on the analysis of the subject's market and an examination of costs, a newly constructed office building is concluded to be financially feasible based on the supply and demand conditions presented in the Market Analysis section and the fact that speculative construction is taking place. Other legally permitted uses are also likely financially feasible. That being said, a speculative build is not prudent under the current environment until more data is available on the impact of COVID-19 on commercial real estate demand.

Maximum Productivity

There is only one use that creates value and at the same time conforms to the requirements of the first three tests. Financial feasibility, maximal productivity, marketability, legal, and physical factors have been considered and the highest and best use of the subject site as-vacant is concluded to be hold for future development.

AS IMPROVED ANALYSIS

The legal factors influencing the highest and best use of the subject property are primarily governmental regulations such as zoning and building codes. The subject's improvements were constructed in 1972 and appear to be a legal, conforming use. The physical and location characteristics of the subject improvements have been previously discussed in this report. The project is of average quality construction and in average condition. Therefore, the property as improved, meets the physical and location criteria as the highest and best use of the property.

Alternative Uses

In addition to legal and physical considerations, analysis of the subject property as-improved requires consideration of alternative uses. The five possible alternative treatments of the property are:

Demolition – This is not warranted, as the improvements contribute substantial value to the site.

Expansion – This is not possible since no excess or surplus land exists.

Renovation – This is not warranted, as the improvements are in average condition and renovation may not be financially feasible.

Conversion – This is not applicable since the subject's design do not lend themselves well to an alternative use.

Continued Use As-Improved – At the present time, among the five alternative uses, office use is the Highest and Best Use of the subject As Improved.

Buyer Profile

The most likely buyer would be an owner-user or partial owner-user.

VALUATION METHODS

The appraisal process, which is applied to most real estate properties, is designed to evaluate all factors that influence value. Regional and market area information has been presented to inform the reader of general outside influences that may affect value. In addition, the site and improvements have been described in detail. The interaction of the site and improvements establishes the utility and desirability of the entire property. The Highest and Best Use section evaluates the effect of legal, physical, and market considerations that influence the use of the property. The following paragraphs discuss the various methods used to value the subject property.

Cost Approach

This approach is based upon the principle that the value of the property is significantly related to its physical characteristics, and that no one would pay more for a facility than it would cost to build a similar facility in today's market on a comparable site. This approach is not applicable due to the age of the improvements and lack of land sales. The exclusion of this approach is not detrimental to the credibility or reliability of the final value conclusion.

Sales Comparison Approach

This approach is based on the principle of substitution. This principle states that no one would pay more for the subject property than the value of similar property in the market. This approach analyzes sales of comparable properties with regard to the nature and condition of each sale. Comparisons are made for varying physical characteristics. This approach is meaningful and is developed.

Income Approach

The Income Approach is based on the premise that properties similar to the subject are income producing, and that investors purchase these properties based upon their income-producing ability. In the Income Approach, market rents for the subject property are estimated, the applicable operating expenses are deducted, and the resulting net income is capitalized into a value estimate. This method is known as Direct Capitalization. This approach is meaningful and is developed.

Methods Developed

Based on the agreed upon scope with the client, the subject's specific characteristics and the interest appraised, this appraisal developed Sales Comparison and Income (Direct Capitalization) approaches. The values presented represent the As-Is Market Value (Fee Simple) This appraisal does not develop the Cost Approach or the Discounted Cash Flow Method of the Income Approach. The exclusion of these approaches/methods is not detrimental to the credibility or reliability of the final value conclusion.

The Valuation will be presented in the following order:

- ▶ Sales Comparison Approach
- ▶ Income Approach
- ▶ Insurable Replacement Cost Estimate (see Addenda)

Analysis of Value Conclusions

The approaches used to value the subject property will be correlated into a final value opinion in the Analysis of Value Conclusions section.

SALES COMPARISON APPROACH

In the Sales Comparison Approach, the value of a property is estimated by comparing it with similar, recently sold properties in the surrounding or competing areas. Inherent in this approach is the principle of substitution, which holds that when a property is replaceable in the market, its value tends to be set by the cost of buying an equally desirable property, assuming that no costly delay occurs in making the substitution.

Through the analysis of sales of verified arm's-length transactions, market value and price trends are identified. The sales utilized are comparable to the subject in physical, functional, and economic characteristics.

Comparable Selection

Comparable sales are presented, which were selected due to their similarity in physical, locational, and qualitative attributes. They represent the best data available to the appraiser as of the date of this report. Emphasis was given to the subject's location and similarly positioned properties. ***When possible, we have attempted to obtain the listing/selling brokers' opinion on changes in market conditions between the date of the sale and the COVID-19 outbreak.***

Unit of Comparison

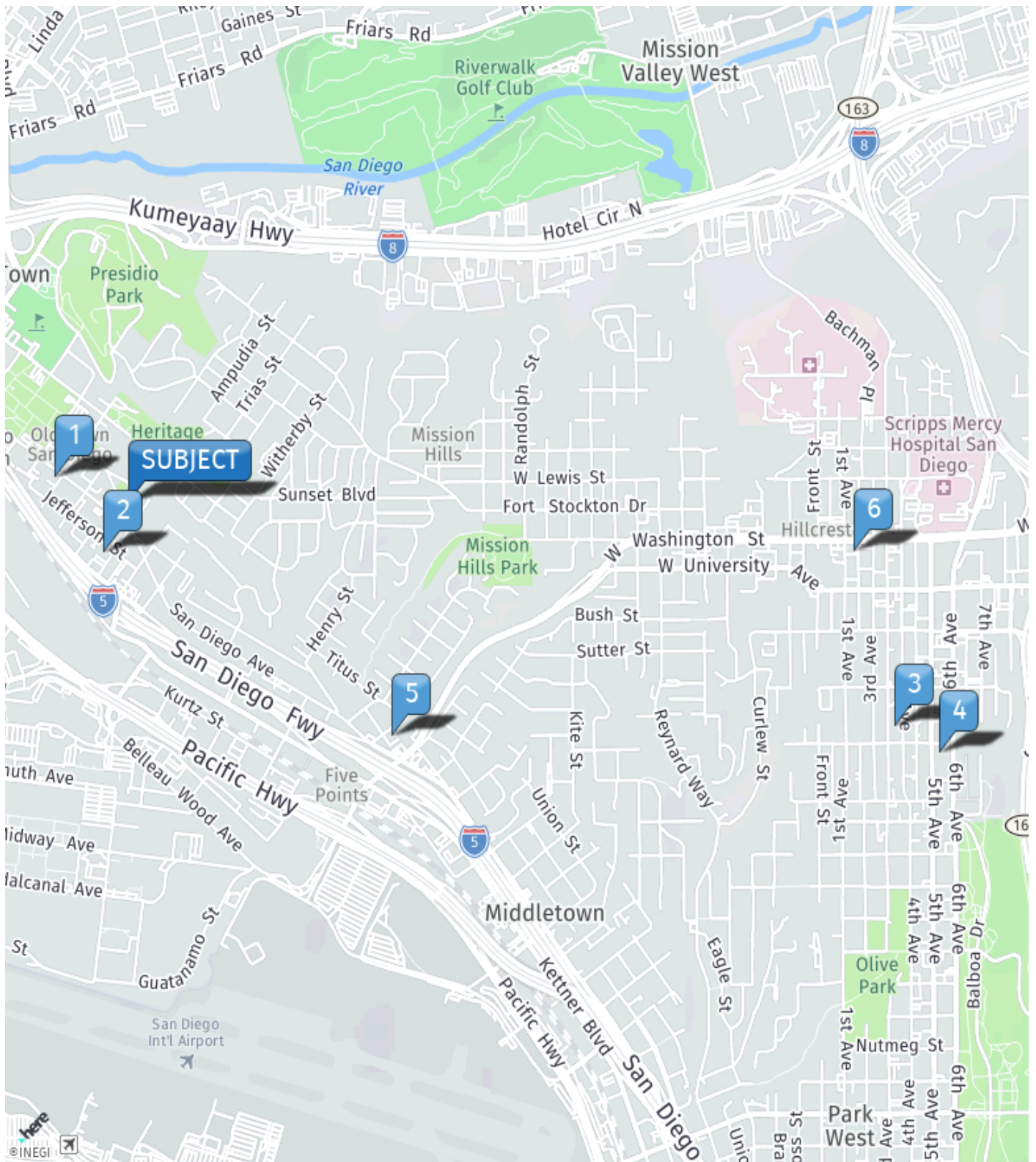
The most relevant unit of comparison is the price PSF of rentable area. This best reflects the unit of comparison used by buyers and sellers in this market for the subject property type.

Adjustments

Adjustments to the comparable sales were considered and made when warranted for property rights transferred, conditions of sale, financing terms, expenditures after purchase, market conditions, location and other physical characteristics. These adjustments are explained later in this section.

Presentation

The comparable property attributes are presented on the following location map and datasheets. Following the datasheets is an adjustment grid, explanation of adjustments and conclusion for the subject.



COMPARABLE	LABEL	ADDRESS	MILES FROM SUBJECT
COMPARABLE 1	1	2505 Congress St, San Diego, CA, 92110	0.2
COMPARABLE 2	2	3886 Ampudia St, San Diego, CA, 92110	0.1
COMPARABLE 3	3	3636 4th Ave, San Diego, CA, 92103	1.9
COMPARABLE 4	4	3585 5th Ave, San Diego, CA, 92103	2.0
COMPARABLE 5	5	1899 Mckee St, San Diego, CA, 92110	0.8
COMPARABLE 6	6	3969 1st Ave, San Diego, CA, 92103	1.7

Office

Comparable 1

Sale Information

Buyer	ALC Investments LLC	
Seller	Sundance Financial Inc	
Sale Date	12/19/2019	
Transaction Status	Recorded	
Sale Price	\$3,700,000	\$385 /SF NRA
Analysis Price	\$3,700,000	\$385 /SF NRA
Recording Number	0596217	
Rights Transferred	Fee Simple	
Financing	Cash to Seller	
Conditions of Sale	None	
Marketing Time	93 days	



Property

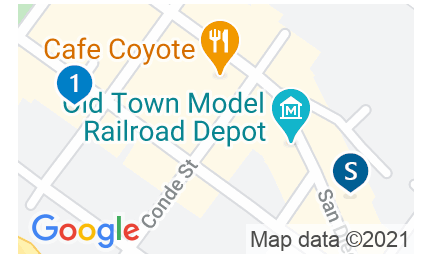
Type	Office
Gross Building Area (GBA)	9,620 SF
Net Rentable Area (NRA)	9,620 SF
Buildings	1 Building, 2 Floors
Parking	25 Spaces (2.6/1,000 SF NRA)
Year Built	1981
Land Area	0.3444 Acres (15,002 SF)
Site Coverage Ratio	32.06%
FAR	0.64

2505 Congress St
San Diego, CA 92110

County
San Diego

Submarket
Old Twn/S Arena/Pt Loma

APN
442-570-33



Confirmation

Name	Derek Applbaum
Company	Colliers International
Phone Number	858-677-5331
Affiliation	Listing Broker

Remarks

The property represents an office building that sold to an owner user. The buyer will reportedly occupy the property in second quarter 2020.

Office

Comparable 2

Sale Information

Buyer	Jim & Hung Chu Nguyen	
Seller	Friend Family Trust	
Sale Date	1/6/2020	
Transaction Status	Recorded	
Sale Price	\$1,729,000	\$576 /SF NRA
Analysis Price	\$1,729,000	\$576 /SF NRA
Recording Number	0004382	
Rights Transferred	Fee Simple	
Financing	Cash to Seller	
Conditions of Sale	None	
Marketing Time	231 days	



Property

Type	Office, Loft/Creative Space
Gross Building Area (GBA)	3,000 SF
Net Rentable Area (NRA)	3,000 SF
Buildings	1 Building, 2 Floors
Parking	10 Spaces (3.3/1,000 SF NRA)
Year Built	1988
Land Area	0.11 Acres (4,791 SF)
Site Coverage Ratio	35.9%
FAR	0.63

3886 Ampudia St
San Diego, CA 92110

County
San Diego

Submarket
Old Twn/S Arena/Pt Loma

APN
443-721-51



Confirmation

Name	Bud Marsh
Company	Colliers International
Phone Number	858-677-5379
Affiliation	Listing Brok

Remarks

The property represents a two-story creative office building that sold to an owner-user. It has 15-foot ceilings, four restrooms and a kitchen and is in good condition. It was previously utilized as a photography studio.

Office

Comparable 3

Sale Information

Buyer	3636 LLC	
Seller	4th Avenue Building LLC	
Sale Date	6/5/2019	
Transaction Status	Recorded	
Sale Price	\$4,300,000	\$326 /SF NRA
Analysis Price	\$4,300,000	\$326 /SF NRA
Recording Number	0216566	
Rights Transferred	Leased Fee	
Financing	Cash to Seller	
Conditions of Sale	None	
Marketing Time	237 days	



Income Analysis

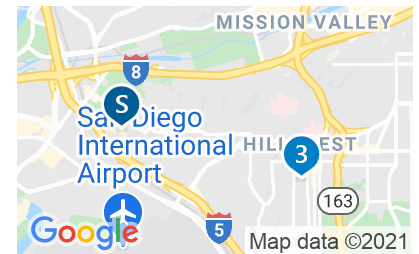
Occupancy	100.0%	
Rent Income	\$308,256	\$23.38 /SF NRA
Gross Income	\$308,256	\$23.38 /SF NRA
Effective Gross Income	\$308,256	\$23.38 /SF NRA
Expenses	(\$117,415)	(\$8.91) /SF NRA
Net Operating Income	\$190,841	\$14.48 /SF NRA
Cap Rate	4.44%	

3636 4th Ave
San Diego, CA 92103

County
San Diego

Submarket
Uptown West/Park West

APN
452-285-18



Property

Type	Office
Gross Building Area (GBA)	13,184 SF
Net Rentable Area (NRA)	13,184 SF
Buildings	1 Building, 3 Floors
Parking	32 Spaces (2.4/1,000 SF NRA)
Year Built	1984
Land Area	0.31 Acres (13,503 SF)
Site Coverage Ratio	32.55%
FAR	0.98

Confirmation

Name	Peter Wright
Company	Quality First Commercial
Phone Number	619-243-8450
Affiliation	Listing Broker

Remarks

The property represents a multi-tenant office building that sold to an owner-user. The building was 100% occupied at the time of sale. At the time of sale, the buyer intended to occupy the building in mid 2021.

Mixed-Use Property

Comparable 4

Sale Information

Buyer	3585 Fifth Ave LLC	
Seller	Sigmon & Co LLC	
Sale Date	2/7/2020	
Transaction Status	Recorded	
Sale Price	\$2,050,000	\$408 /SF NRA
Analysis Price	\$2,050,000	\$408 /SF NRA
Recording Number	0065007	
Rights Transferred	Fee Simple	
Financing	Cash to seller	
Conditions of Sale	None	
Marketing Time	212 days	

Property

Type	Multi-Family, Office, Office/Residential
Gross Building Area (GBA)	5,023 SF
Net Rentable Area (NRA)	5,023 SF
Buildings	1 Building, 2 Floors
Parking	8 Spaces
Year Built	1971
Land Area	0.11 Acres (4,791 SF)
Site Coverage Ratio	52.18%
FAR	1.05
Shape	Rectangular
Topography	Level
Corner	No

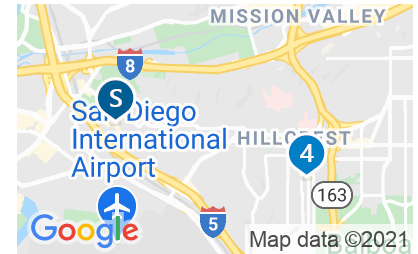


3585 5th Ave
San Diego, CA 92103

County
San Diego

Submarket
Uptown West/Park West

APN
452-407-02



Confirmation

Name	Derek Applbaum
Company	Colliers International
Phone Number	858-677-5331
Affiliation	Listing Broker

Remarks

The property represents a mixed-use building that sold to an owner-user. It has first floor office space and a second floor 3-bed/3-bath apartment unit that is also being marketed as office space.

Office

Comparable 5

Sale Information

Buyer	BF Investments LLC	
Seller	The Regents of the University of CA	
Sale Date	7/16/2019	
Transaction Status	Recorded	
Sale Price	\$5,000,000	\$443 /SF NRA
Analysis Price	\$5,000,000	\$443 /SF NRA
Recording Number	0285961	
Rights Transferred	Fee Simple	
Financing	Cash to Seller	
Conditions of Sale	None	
Marketing Time	89 days	



Property

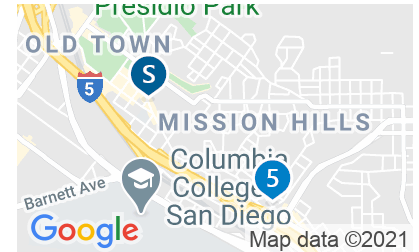
Type	Office
Gross Building Area (GBA)	11,298 SF
Net Rentable Area (NRA)	11,298 SF
Buildings	1 Building, 2 Floors
Parking	41 Spaces (3.6/1,000 SF NRA)
Year Built	1987
Land Area	0.52 Acres (22,651 SF)
Site Coverage Ratio	24.94%
FAR	0.50
Building Class	C

1899 Mckee St
San Diego, CA 92110

County
San Diego

Submarket
Old Twn/S Arena/Pt Loma

APN
451-591-32



Confirmation

Name	Shawn Lorentzen
Company	JLL
Phone Number	858-410-1222
Affiliation	Buying Broker

Remarks

The property represents an office building that sold to an owner-user. The buyer will renovate and occupy the first floor and will lease the second floor.

Office

Comparable 6

Sale Information

Buyer	TBD	
Seller	TBD	
Transaction Status	Listing	
Sale Price	\$3,400,000	\$363 /SF NRA
Analysis Price	\$3,400,000	\$363 /SF NRA
Recording Number	TBD	
Rights Transferred	Leased Fee	
Financing	TBD	
Conditions of Sale	TBD	
Marketing Time	456 days	

Income Analysis

Occupancy	48.0%
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Property

Type	Office
Gross Building Area (GBA)	9,354 SF
Net Rentable Area (NRA)	9,354 SF
Buildings	1 Building, 2 Floors
Parking	15 Spaces (1.6/1,000 SF NRA)
Year Built	1967 (Renovated Over time)
Land Area	0.24 Acres (10,454 SF)
Site Coverage Ratio	44.74%
FAR	0.89

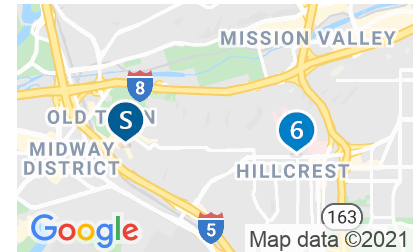


3969 1st Ave
San Diego, CA 92103

County
San Diego

Submarket
Uptown West/Park West

APN
444-661-26



Confirmation

Name	Brian Jenkins
Company	Commercial Asset Advisors
Phone Number	858-360-3000
Affiliation	Listing Broker

Remarks

The property represents an office building that is currently listed for sale. The first floor is occupied by a single tenant (Karma Relaxation Spa). They have a lease in place through September 2023. The second floor is vacant.

Adjustment Analysis

The comparables have been summarized on the previous data sheets. The comparables are now adjusted for major differences from the subject. The adjustments are not intended to be exact measurements of the differences but an attempt to bracket the reasonable range of conclusions. A grid outlining the adjustments applied to the comparables is provided below, followed by a brief description of the adjustments and adjustments considered:

IMPROVED SALES COMPARISON TABLE							
SUBJECT	COMP 1	COMP 2	COMP 3	COMP 4	COMP 5	COMP 6	
Name	Office/Retail Building	Office	Office	Office	Mixed-Use Property	Office	Office
Address	2384 San Diego Avenue	2505 Congress St	3886 Ampudia St	3636 4th Ave	3585 5th Ave	1899 Mckee St	3969 1st Ave
City	San Diego	San Diego	San Diego	San Diego	San Diego	San Diego	San Diego
State	CA	CA	CA	CA	CA	CA	CA
Zip	92110	92110	92110	92103	92103	92110	92103
County	San Diego	San Diego	San Diego	San Diego	San Diego	San Diego	San Diego
Submarket	Old Town/Sports Arena/Point Loma	Old Twn/S Arena/Pt Loma	Old Twn/S Arena/Pt Loma	Uptown West/Park West	Uptown West/Park West	Old Twn/S Arena/Pt Loma	Uptown West/Park West
SALE INFORMATION							
Transaction Price	\$3,700,000	\$1,729,000	\$4,300,000	\$2,050,000	\$5,000,000	\$3,400,000	
Transaction Price \$/SF NRA	\$385	\$576	\$326	\$408	\$443	\$363	
Property Rights ¹	Fee Simple	Fee Simple	Leased Fee 10%	Fee Simple	Fee Simple	Leased Fee	
Financing ²	Cash to Seller	Cash to Seller	Cash to Seller	Cash to seller	Cash to Seller	TBD	
Sale Conditions ³	None	None	None	None	None	TBD	(5%)
Expenditures After Sale ⁴	\$0	\$0	\$0	\$0	\$0	\$0	
Market Conditions ⁵	12/19/2019 (5.0%)	1/6/2020 (5.0%)	6/5/2019 (5.0%)	2/7/2020 (5.0%)	7/16/2019 (5.0%)	-	
Sale Status	Recorded	Recorded	Recorded	Recorded	Recorded	Listing	
Recording Number	596217	04382	216566	65007	285961	TBD	
Marketing Status	Open Market	Open Market	Open Market	Open Market	Open Market	Open Market	
Marketing Period (Days)	93 Days	231 Days	237 Days	212 Days	89 Days	456 Days	
Total Transactional Adjustments	(\$19) (5%)	(\$29) (5%)	\$15 5%	(\$20) (5%)	(\$22) (5%)	(\$18) (5%)	
Adjusted \$/SF (NRA)	\$366	\$547	\$341	\$388	\$421	\$345	
PHYSICAL INFORMATION							
NRA (SF)	6,888	9,620	3,000 (5%)	13,184 5%	5,023	11,298 5%	9,354
Year Built/Ren	1972 / Over time	1981	1988	1984	1971	1987	1967 / Over time
Location	Average	Average	Average	Average	Average	Average	Average
Quality	Average	Average	Average	Average	Average	Average	Average
Condition	Average	Average	Good (10%)	Average	Average	Good (10%)	Average
Parking Ratio	0.6	2.6 (5%)	3.3 (10%)	2.4 (5%)	2.0 (5%)	3.6 (10%)	1.6
Total Physical Adjustments	(\$18) (5%)	(\$137) (25%)	\$0 0%	(\$19) (5%)	(\$63) (15%)	\$0 0%	
Adjusted SF (NRA)	\$348	\$410	\$341	\$369	\$358	\$345	

Property Rights Transferred

Comparables 1, 2, 4, 5 and 6 reflect similar property rights and require no adjustments. Please note that although Comparable 6 is leased fee, it is only 48% leased and is being marketed to owner-users. Therefore, no adjustment is warranted. Comparable 3 sold 100% leased to multiple tenants. The buyer is an owner-user but will not occupy the property until approximately two years after purchasing the property. As leased properties typically sell for less than fee simple property rights, an upward 10% adjustment is made.

Financing

All of the sale transactions were cash to seller, with no favorable financing. Therefore, no adjustments are necessary.

Sale Condition

None of the properties were foreclosed properties and all sales are believed to be arm's length. However, Comparable 6 reflects a listing rather than a closed sale. As listings typically sell below the asking price, this comparable has been adjusted downward 5% for this condition. No other conditions of sale adjustments are needed.

Expenditures After Purchase

This reflects the expenses that the buyer incurs after purchase (deferred maintenance, HVAC repairs, etc.). No adjustments are warranted based on review of the sales.

Market Conditions (Time)

The full impact of the ongoing health crisis relating to COVID-19 is not known; however, all sectors have been impacted in one way or another. Appreciation was occurring prior to awareness of the crisis; however, current market values are likely lower. As noted in the Market Analysis section, several market participant interviews were conducted regarding the impact of COVID-19. Several would not opine a specific amount, but nearly all agreed the impact was negative. Based on the market participant interviews, we have applied a market conditions adjustment of -5% to all the comparables. The exception would include comparables that sold in 2018 or early 2019, as appreciation between these dates and the date of value appears to generally be offset by the impact of COVID-19.

Size

The size adjustment considers significant differences in building size. All else being equal, smaller buildings will sell at a higher price per square foot than larger buildings. Comparable 2 is smaller and is adjusted downward 5%. Comparables 3 and 5 are larger and are adjusted upward 5%.

Year Built

This adjustment accounts for year built and effective age. All of the comparables generally have similar effective ages, requiring no adjustment.

Location

This adjustment is made for differences in submarket characteristics (vacancy & asking rent) and freeway access & linkage. All of the comparables have similar locations and require no adjustments for location.

Quality & Condition

This adjustment is made to account for differences in construction quality, physical condition and appeal. All of the comparables are generally similar in construction quality; however, Comparables 2 and 5 are superior in physical condition. Therefore, these comparables have been adjusted downward accordingly by 10%. The remaining comparables are similar, requiring no adjustments.

Parking Ratio

This adjustment accounts for differences in parking ratio. Comparables 1, 2, 3, 4 and 5 have notably superior parking ratios and have been adjusted downward according by 5% to 10%. The remaining comparables are similar, requiring no adjustment.

Sales Comparison Approach Conclusion

The comparable sales indicate an overall unadjusted unit value range from \$326 PSF to \$576 PSF, and an average of \$417 PSF. After adjustments, the comparables indicate a narrower range for the subject property from \$341 PSF to \$410 PSF, and \$362 PSF on average.

Based on general bracketing, the comparable sales support an adjusted unit value range from \$341 PSF to \$410 PSF, with a unit value of \$350 PSF concluded for the subject property. This conclusion generally places most weight on the adjusted price of Comparable 1, as is most similar in terms of location and/or required a minimal amount of net and gross adjustment.

The following table summarizes the analysis of the comparables, reports the reconciled price per SF value conclusion, and presents the concluded value of the subject property by the Sales Comparison Approach:

IMPROVED SALES COMPARISON APPROACH CONCLUSION (NRA)							
TRANSACTION	PRICE	ADJUSTMENT			FINAL	NET	GROSS
		TRANSACTIONAL ¹	ADJUSTED	PROPERTY ²		ADJ	ADJ
1	\$385	(5%)	\$366	(5%)	\$348	(10%)	10%
2	\$576	(5%)	\$547	(25%)	\$410	(29%)	30%
3	\$326	5%	\$341	0%	\$341	5%	25%
4	\$408	(5%)	\$388	(5%)	\$369	(10%)	10%
5	\$443	(5%)	\$421	(15%)	\$358	(19%)	30%
6	\$363	(5%)	\$345	0%	\$345	(5%)	5%
HIGH	\$576	5%	\$547	0%	\$410	5%	30%
AVG	\$417	(3%)	\$401	(8%)	\$362	(11%)	18%
MED	\$397	(5%)	\$377	(5%)	\$353	(10%)	18%
LOW	\$326	(5%)	\$341	(25%)	\$341	(29%)	5%
SUBJECT SF (NRA)		\$/SF CONCLUSION		VALUE			
6,888		x		\$350 =		\$2,410,800	
INDICATED VALUE (ROUNDED TO NEAREST \$10,000)				\$350		\$2,410,000	

¹Cumulative ²Additive

INCOME APPROACH

DIRECT CAPITALIZATION METHOD

The first step in the Income Capitalization Approach is to estimate the subject's potential gross income. Potential gross income consists of rent income, tenant expense reimbursements (depending on lease structure) and other miscellaneous sources.

Potential Gross Income

Potential gross rental income is projected based on an analysis of market rent. Market rent is determined by an analysis of leasing activity at similar properties in the subject's market area, which comprise direct competition. The following market rent analysis is conducted on a dollar per square foot per month basis, reflecting market behavior.

Selection of Comparables

The comparables include leases and listings in other similar buildings in the subject market area. A total of five rent comparables have been selected. The comparables bracket the subject in location and physical characteristics and are deemed the best data available to the appraiser as of the date of this report.

Adjustments

A modified gross (MG) lease structure is assumed for the subject. This is consistent with four of the five rent comparables. Comparable 4 is a triple net (NNN) lease structure and has been adjusted upward by \$0.50 to reflect a MG structure based on a paired rent analysis with the other comparables.

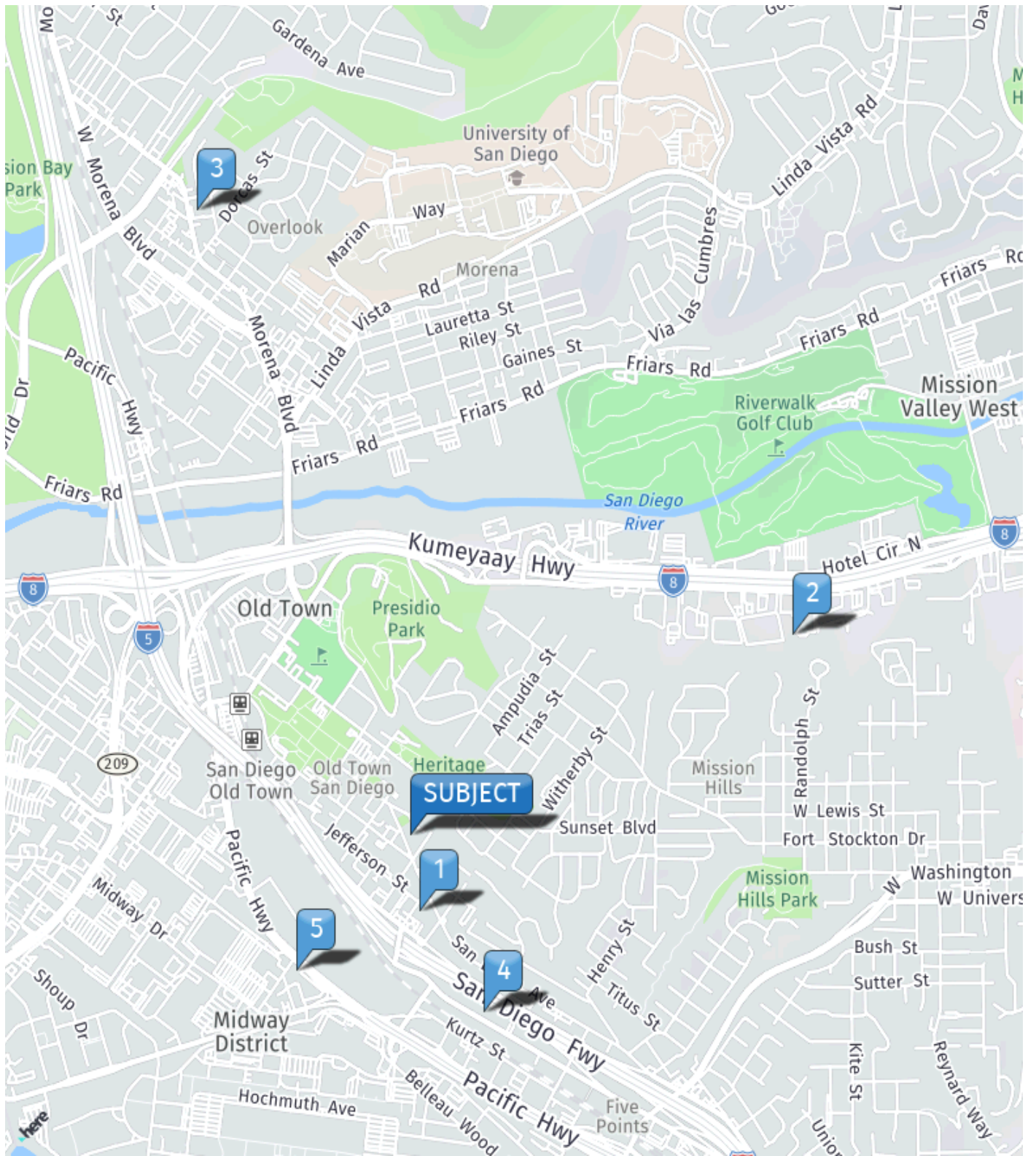
Comparables reporting tenant improvement allowances and abated rent have been adjusted downward based on the reported amounts amortized over the lease term (if applicable).

The full impact of the ongoing health crisis relating to COVID-19 is not known; however, all sectors have been impacted in one way or another. Asking rent appreciation was occurring prior to awareness of the crisis; however, current market rents are likely lower. As noted in the Market Analysis section, several market participant interviews were conducted regarding the impact of COVID-19. Several would not opine a specific decrease in market values, but nearly all agreed the impact was negative. This would also translate into lower asking/market rent. Therefore, based on the market participant interviews, we have applied a leased date adjustment of -5% to all the comparables. The exception is comparables transacting in 2018 and early 2019, as this impact is offset by increases in asking rent between this period and the date of value. Any listings have been adjusted downward to reflect likely concessions in the final negotiations.

Other adjustments are for differences in location and physical characteristics, which are shown on the following Rent Comparable Summation Table. An upward/downward adjustment of 5% to 10% is applied to the comparables with inferior/superior physical characteristics.

Presentation

A location map and rent comparable photographs are provided on the following pages. Following the photographs is a presentation of the comparables & adjustments applied and conclusion of market rent.



COMPARABLE	LABEL	ADDRESS	MILES FROM SUBJECT
COMPARABLE 1	1	2251 San Diego Ave, San Diego, CA, 92110	0.2
COMPARABLE 2	2	1565 Hotel Circle S, San Diego, CA, 92108	1.0
COMPARABLE 3	3	1277-1287 Morena Blvd, San Diego, CA, 92110	1.5
COMPARABLE 4	4	2110 Hancock St, San Diego, CA, 92110	0.4
COMPARABLE 5	5	4250 Pacific Hwy, San Diego, CA, 92110	0.4

LEASE COMPARABLE PHOTOGRAPHS



COMPARABLE 1



COMPARABLE 2



COMPARABLE 3



COMPARABLE 4



COMPARABLE 5

Discussion of Rent Comparables

The comparables have rents ranging between \$1.55 and \$2.88 per square foot (PSF), with an average of \$2.15 PSF and median of \$2.00 PSF. The comparables bracket the subject in location and physical characteristics. Comparables 1, 4 and 5 are nearest the subject and are most similar in condition and tenant appeal. In order to help narrow a market rent conclusion for the subject, the comparables are adjusted for significant differences in lease structure, market conditions, location and other physical differences. These adjustments were explained previously in this section.

Adjustment Summary Market Rent Conclusion

Based on general bracketing, the comparable leases support an adjusted market rent range from \$1.86 PSF to \$2.48 PSF, with a market rent of \$2.30 PSF concluded for the subject property. The following tables summarize the comparables & adjustments applied and market rent conclusion.

OWNER USER LEASE COMPARISON TABLE										
	SUBJECT	COMP 1		COMP 2		COMP 3		COMP 4		COMP 5
Name	Office/Retail Building	Office		Office		Retail/Office		Office/Retail		Office
Address	2384 San Diego Avenue	2251 San Diego Ave		1565 Hotel Circle S		1277-1287 Morena Blvd		2110 Hancock St		4250 Pacific Hwy
City	San Diego	San Diego		San Diego		San Diego		San Diego		San Diego
State	CA	CA		CA		CA		CA		CA
Zip	92110	92110		92108		92110		92110		92110
County	San Diego	San Diego		San Diego		San Diego		San Diego		San Diego
Submarket	Old Town/Sports Arena/Point Loma	Old Twn/S Arena/Pt Loma		Mission Valley		Pacific Beach/Morena Ret		Old Twn/S Arena/Pt Loma		Old Twn/S Arena/Pt Loma
Floor/Suite	-	120		320		1287		301		126
LEASE INFORMATION										
Rent (\$/SF/Mo.) -	-	\$2.88		\$2.00		\$1.55		\$1.55		\$2.75
Tenant	-	Knox Services		Apreva Hospice		Best Friend Veterinary Imaging Inc.		TBD		TBD
Start Date	-	12/1/2019 -5%		9/1/2020 0%		5/1/2020 0%		- -5%		- -5%
Space Type	Office	Office		Office		Office		Office		Office
Lease Type	-	New		New		New		Listing		Listing
Lease Str.	-	MG		MG		MG		NNN \$0.50		MG
Size (SF)	6,888	3,509		6,592		3,500		7,422		7,212
Term (Yrs.)	-	2		1.5		2		-		-
Avg. Escalation	-	0.0%		3.0%		0.0%		0.0%		0.0%
Free Rent	-	None \$0.00		None \$0.00		None \$0.00		None \$0.00		None \$0.00
TI's (\$/SF)	-	None \$0.00		None \$0.00		None \$0.00		None \$0.00		None \$0.00
BUILDING INFORMATION										
Year Built/Ren	1972 / Over time	1974 / 2008		1984 / Over time		Unknown (1970's est.)		1992		1972 / 2000
Location	Average	Average		Fair 10%		Fair 10%		Below Average 5%		Average
Quality	Average	Average		Average		Average		Average		Average
Condition	Average	Above Average (5%)		Average		Fair 10%		Fair 10%		Average
Parking Ratio	0.6	3.2 (10%)		3.6 (10%)		1.3		0.2		2.5 (5%)
Total Building Adjustments		(\$0.41) (15%)		\$0.00 0%		\$0.31 20%		\$0.30 15%		(\$0.13) (5%)
Adjusted Rent (\$/SF/Mo.)		\$2.33		\$2.00		\$1.86		\$2.27		\$2.48

MARKET RENT CONCLUSION							
	LEASE RATE	ADJUSTMENT				NET ADJ	GROSS ADJ
		LEASE ¹	ADJUSTED	BUILDING ¹	FINAL		
1	\$2.88	(5%)	\$2.74	(15%)	\$2.33	(19%)	20%
2	\$2.00	0%	\$2.00	0%	\$2.00	0%	20%
3	\$1.55	0%	\$1.55	20%	\$1.86	20%	20%
4	\$1.55	27%	\$1.97	15%	\$2.27	46%	52%
5	\$2.75	(5%)	\$2.61	(5%)	\$2.48	(10%)	10%
HIGH	\$2.88	27%	\$2.74	20%	\$2.48	46%	52%
AVG	\$2.15	3%	\$2.17	3%	\$2.19	7%	24%
MED	\$2.00	0%	\$2.00	0%	\$2.27	0%	20%
LOW	\$1.55	(5%)	\$1.55	(15%)	\$1.86	(19%)	10%
		AVG CONTRACT		ASKING		CONCLUSION	
Owner User		-		-	Modified Gross	\$2.30	

Contract Rent Analysis

The subject is owner-occupied and there is no contract rent to analyze.

Potential Gross Rent Conclusion

The subject is owner-occupied; therefore, market rent is used to project potential gross rent income. With this conclusion, potential gross rent income is projected as shown in the following table:

OCCUPIED SPACE							
TENANT	NRA (SF)	CATEGORY	CONTRACT	MARKET	CONT V MKT	\$/SF (YR.)	\$/YEAR
Owner Occupied User	6,888	Owner User	-	\$2.30	-	\$27.60	\$190,109
OCCUPIED SUBTOTALS	6,888	-	-	\$2.30	-	\$27.60	\$190,109
TOTAL	6,888	-	-	\$2.30	-	\$27.60	\$190,109

Reimbursable Operating Expense Income

Income is forecasted based on MG structure, where the tenant pays for their own utilities and interior maintenance/janitorial directly. Since the subject is a single-tenant building, it is assumed that the tenant will pay these items directly. Therefore, no income from this source is forecasted.

Other Income

We are aware of no other income sources.

Total Potential Gross Income

With the previous conclusions of potential gross rent and other income, total potential gross income is forecasted at \$190,109 for our pro-forma projection. This equates to \$27.60 PSF.

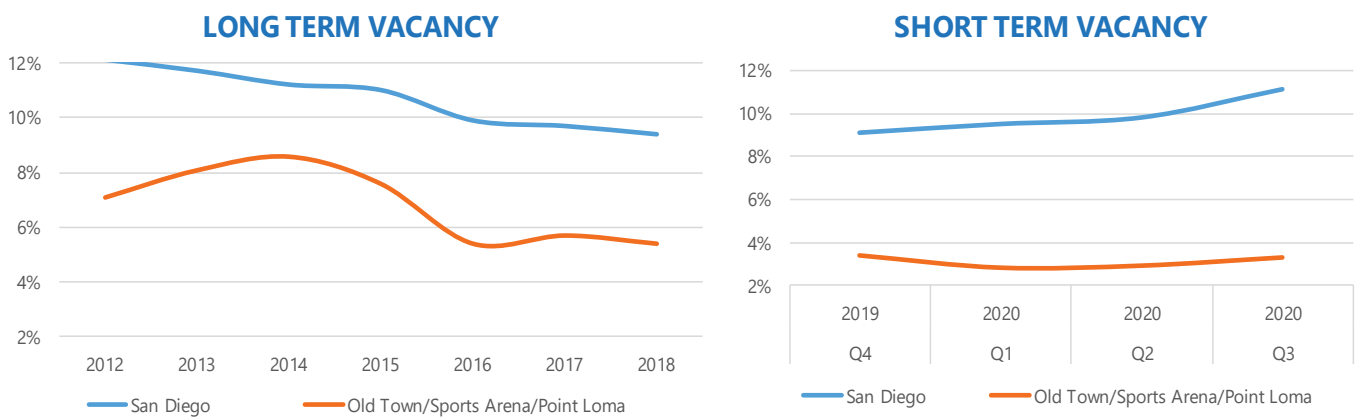
Vacancy and Credit Loss

The vacancy and credit loss reflects the likelihood of lost revenues, due to non-payment of rent. This includes lost revenue due to vacancies as well as credit loss (non-payment by tenants). The estimate of vacancy and

credit loss is over the economic life of the property, and is not over a short term. It also includes vacancy lag, which is the time necessary to release space after a vacancy occurs.

The subject is currently 100.0% occupied. As discussed in the Market Analysis section, vacancy in the San Diego Market averaged 11.1% in the most recent quarter. Vacancy in the Old Town/Sports Arena/Point Loma Submarket averaged 3.3% during this period and has historically well below the market as a whole. Vacancy levels have increased notably from the start of the recession but have generally trended downward since reaching peaks in 2013.

The following tables provide visual illustration of the long-term and short-term vacancy for the market and submarket.



In final analysis, a vacancy and credit loss factor of 5.0% is used. This is above the current submarket and lower than market vacancy; however, the concluded vacancy assumes a vacancy and credit loss factor a potential buyer would assign over a typical investor-holding period and also takes into account the vacancy factor used by buyers in the market.

Effective Gross Income

With the previous conclusions of total potential gross income and vacancy, effective gross income is forecasted at \$180,603 for our pro-forma projection. This equates to \$26.22 PSF.

Operating Expenses

In this case, landlord operating expenses include property taxes, insurance, repairs & maintenance, management and administrative. Following proper appraisal methodology, a reserve for replacement is also deducted. To forecast these items, expense comparables are analyzed, as no historical income/expenses were provided.

2019 BOMA OFFICE SURVEY - SOUTHERN CA

	Min	Max	Average	Median
Rental Income	\$21.73	\$47.30	\$29.79	\$30.68
Total Income	\$23.73	\$49.36	\$33.17	\$32.79
Detailed Operating Expenses				
Property Taxes	\$2.13	\$4.54	\$3.80	\$3.30
Insurance	\$0.29	\$0.60	\$0.68	\$0.44
Utilities				
Electricity	\$1.09	\$2.69	\$1.68	\$1.93
Gas	\$0.05	\$0.15	\$0.06	\$0.08
Chilled Water/HVAC	\$0.16	\$1.28	\$0.67	\$0.26
Water & Sewer	\$0.09	\$0.24	\$0.14	\$0.17
<i>Total Utilities</i>	<i>\$1.43</i>	<i>\$3.13</i>	<i>\$2.14</i>	<i>\$2.26</i>
Janitorial	\$1.40	\$2.27	\$1.84	\$1.76
Repairs & Maintenance				
Bldg Repairs/Maint.	\$1.39	\$2.77	\$2.35	\$2.02
Roads & Grounds	\$0.10	\$0.43	\$0.16	\$0.20
<i>Total Repairs & Maint.</i>	<i>\$1.49</i>	<i>\$3.20</i>	<i>\$2.51</i>	<i>\$2.22</i>
Administrative/Security				
Management %	4.2%	4.8%	4.4%	5.2%
Management PSF	\$0.99	\$2.37	\$1.47	\$1.69
Other Admin.	\$0.07	\$0.54	\$0.45	\$0.20
Security	\$0.09	\$0.76	\$0.95	\$0.39
<i>Total Admin./Security</i>	<i>\$1.15</i>	<i>\$3.67</i>	<i>\$2.87</i>	<i>\$2.28</i>
Total Operating Expenses	\$9.11	\$14.98	\$13.01	\$12.29

Includes 167 office properties in Southern California

OFFICE EXPENSE SUMMARY

	Min	Max	Average	Median
Size	3,040	117,168	35,332	30,654
Year Built	1925	2007	1983	1985
Expense Year	2016	2018	2017	2017
Expense Category				
Property Taxes	\$0.39	\$3.34	\$1.72	\$1.60
Insurance	\$0.15	\$1.26	\$0.33	\$0.25
Utilities	\$0.15	\$4.67	\$2.09	\$1.77
Janitorial	\$0.50	\$1.83	\$1.03	\$0.98
Repairs & Maintenance	\$0.02	\$4.76	\$1.78	\$1.60
Management	1.3%	18.6%	5.1%	3.0%
Administrative	\$0.09	\$1.12	\$0.51	\$0.54
Other	\$0.18	\$0.91	\$0.43	\$0.36
Total	\$4.27	\$12.08	\$7.31	\$6.63

Survey includes 35 office buildings. Min, max, average and median exclude properties reporting no expense.

An analysis of each expense item is provided on the next table:

EXPENSE CONCLUSIONS				
OPERATING EXPENSES	%EGR	\$/SF NRA	TOTAL	COMMENT
Taxes	15.4%	\$4.03	\$27,729	The concluded amount is based on California's Proposition 13, which reflects a stabilized assessed value multiplied by the current ad valorem tax rate.
Insurance	1.1%	\$0.30	\$2,066	The concluded amount is based on the expense comparable information.
Repairs & Maintenance	6.3%	\$1.65	\$11,365	The concluded amount is based on the expense comparable information.
Cleaning & Janitorial	0.0%	\$0.00	\$0	Given the concluded lease structure, it is assumed the tenant will pay this expense directly and no expense is forecasted.
Utilities	0.0%	\$0.00	\$0	Given the concluded lease structure, it is assumed the tenant will pay this expense directly and no expense is forecasted.
Management Fees	2.0%	\$0.52	\$3,612	The concluded amount is based on 2.0% of the concluded Effective Gross Income.
Reserves	0.4%	\$0.10	\$689	The concluded amount is based on \$0.10/SF of the subject's building area.
TOTAL OPERATING EXPENSES	25.2%	\$6.60	\$45,461	

Expense/NOI Conclusion

The net operating income equals the effective gross income less the total expenses. The net operating income for the subject is \$135,142 based on the previous conclusions of potential gross income, vacancy and expenses. This equates to \$19.62 PSF.

Direct Capitalization

The next step in the Income Capitalization Approach is capitalization of net income into an expression of value. Direct capitalization is a method used to convert a single year's income estimate into a value indication. This conversion is accomplished in one step, by dividing the income estimate by an appropriate income capitalization rate.

In this method, no precise allocation is made between the return on and the return of capital because the method does not simulate investor assumptions or forecasts concerning the holding period, the pattern of income, or changes in value of the original investment. However, a satisfactory rate of return for the investor and recapture of the capital invested are implicit in the rates applied in direct capitalization because they are derived from similar investment properties.

The income capitalization rates reflect the relationship between income and value and are derived from market data. It is essential that the properties used as comparables reflect risk, income, expense, and physical and location characteristics that are similar to the property being appraised. Consequently, income capitalization rates must be extracted from properties that reflect similar income-expense ratios, risk characteristics, and expectations as to change in income and value over a typical investment-holding period.

The following methods are used in determining an appropriate overall capitalization rate:

Market Extraction

Not all of the sale comparables used in the Sales Comparison Approach reported overall capitalization rate information, as they either reflected fee simple property rights or some were owner-user sales. Therefore, several supplemental comparables are analyzed and summarized in the following table:

MARKET EXTRACTION METHOD					
	COMP 3	SUP 1	SUP 2	SUP 3	SUP 4
Name	Office	Office	Retail/Office	Office	Office
Address	3636 4th Ave	2121 5th Ave	4201-4207 Park Blvd & 1816-1818 Howard Ave	3043 4th Ave	2870 5th Ave
City	San Diego	San Diego	San Diego	San Diego	San Diego
State	CA	CA	CA	CA	CA
NRA (SF)	13,184	12,620	5,200	17,302	7,865
Year Built/Ren	1984	1980	Unknown	1968	1983
Sale Date	6/5/2019	12/2/2019	11/1/2019	9/20/2019	2/1/2019
Sale Price	\$4,300,000	\$3,500,000	\$1,675,000	\$8,675,000	\$3,050,000
Price/SF	\$326	\$277	\$322	\$501	\$388
Occupancy	100%	100%	100%	100%	100%
Capitalization Rate	4.44%	5.90%	6.11%	5.90%	6.67%
HIGH	6.67%				
AVERAGE	5.80%				
LOW	4.44%				

The cap rate comparables indicate a range from 4.44% to 6.67% with an average of 5.80%. The comparables reflect sales of similar properties located in the market. The comparables reflect sales occurring between February 2019 and December 2019 and range between 5,200 and 17,302 SF.

In conclusion, the market extraction method brackets the subject’s applicable capitalization rate from 4.44% to 6.67%, and is supportive of a capitalization rate conclusion for the subject presented in the Capitalization Rate Conclusion section.


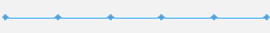
National Survey

The most recent PwC survey reports cap rates ranging from 5.25% to 8.00% in the San Diego Office Market. The average rate of 6.40% reflects a decrease of three basis points over the previous quarter and a six-point increase from the same period in 2019. The survey does not necessarily capture the subject’s overall risk and cash flow considerations but does demonstrate the stable trend in rates. A summary of this information is shown in the following table:

NATIONAL INVESTOR SURVEY			
CAPITALIZATION RATE (OAR)	YEAR/QUARTER	RANGE	AVERAGE
San Diego Office			PwC
Current Quarter	2020 Q4	5.25% to 8.00%	6.40%
Last Quarter	2020 Q3	5.25% to 8.00%	6.43%
Four Quarters Ago	2019 Q4	5.25% to 8.00%	6.34%

Band of Investment Technique

To analyze the capitalization rate from a financial position, the Band of Investment Technique is used. Available financing information from lenders and the sales comparables indicates the following terms. Equity dividend rates vary depending upon motivations of buyers and financing terms. The previous terms and an appropriate equity dividend rate are used in the Band of Investments calculations presented on the following tables:

BAND OF INVESTMENT					
ASSUMPTIONS					
Interest Rate	4.50%		Ten Year Treasury	250 bp	
Loan Amortization Period	25 Years		<u>Current 10-Yr. Treasury</u>	0.87%	(as of report date)
Loan-To-Value-Ratio	80.00%		6-Mos Trend		
Mortgage Constant	0.06670		<u>Current 1-Mo. LIBOR</u>	0.00%	(as of report date)
			6-Mos Trend		
CALCULATION					
Mortgage Component	80%	x	6.67%	=	0.0534
Equity Component	20%	x	6.50%	=	0.0130
INDICATED CAPITALIZATION RATE					6.64%

Capitalization Rate Conclusion

Taking all factors into consideration, the following table summarizes the various capitalization rate indicators and provides the final capitalization rate conclusion. Primary emphasis was placed on the Market Extraction Method, with support from the balance of the data.

CAPITALIZATION RATE CONCLUSION					
COMPONENT	RANGE			AVERAGE	
Market Extraction	4.44%	to	6.67%	5.80%	
National Investor Surveys Average	5.25%	to	8.00%	6.40%	
Band of Investment Calculation				6.64%	
CONCLUDED CAPITALIZATION RATE					6.00%

Conclusion - Direct Capitalization

The Direct Capitalization Summary Table summarizing the information discussed in this section of the report is as follows:

DIRECT CAPITALIZATION							
OCCUPIED SPACE							
TENANT	NRA (SF)	CATEGORY	CONTRACT	MARKET	CONT V MKT	\$/SF (YR.)	\$/YEAR
Owner Occupied User	6,888	Owner User	-	\$2.30	-	\$27.60	\$190,109
OCCUPIED SUBTOTALS	6,888	-	-	\$2.30	-	\$27.60	\$190,109
TOTAL	6,888	-	-	\$2.30	-	\$27.60	\$190,109
GROSS RENTAL REVENUE							
RENTAL REVENUE				%PGR	%EGR	\$/SF (YR.)	\$/YEAR
Potential Base Rent				100%	105%	\$27.60	\$190,109
TOTAL RENTAL REVENUE						\$27.60	\$190,109
POTENTIAL GROSS REVENUE						\$27.60	\$190,109
ALL VACANCY LOSS				%PGR	%EGR	\$/SF (YR.)	\$/YEAR
Rental Revenue				5.0%	5.3%	(\$1.38)	(\$9,505)
TOTAL VACANCY & CREDIT LOSS				5.0%	5.3%	(\$1.38)	(\$9,505)
EFFECTIVE GROSS REVENUE						\$26.22	\$180,603
OPERATING EXPENSES				%PGR	%EGR	\$/SF (YR.)	\$/YEAR
Taxes				14.6%	15.4%	(\$4.03)	(\$27,729)
Insurance				1.1%	1.1%	(\$0.30)	(\$2,066)
Repairs & Maintenance				6.0%	6.3%	(\$1.65)	(\$11,365)
Cleaning & Janitorial						-	\$0
Utilities						-	\$0
Management Fees				1.9%	2.0%	(\$0.52)	(\$3,612)
Reserves				0.4%	0.4%	(\$0.10)	(\$689)
TOTAL OPERATING EXPENSES				23.9%	25.2%	(\$6.60)	(\$45,461)
NET OPERATING INCOME						\$19.62	\$135,142
Capitalization Rate							6.00%
Capitalized Value							\$2,252,364
INDICATED VALUE (ROUNDED TO NEAREST \$10,000)						\$327	\$2,250,000

RECONCILIATION OF VALUE CONCLUSIONS

Based on the agreed upon scope with the client, the subject's specific characteristics and the interest appraised, this appraisal developed Sales Comparison and Income (Direct Capitalization) approaches. The values presented represent the As-Is Market Value (Fee Simple).

The Reconciliation of Value Conclusions is the final step in the appraisal process and involves the weighing of the individual valuation techniques in relationship to their substantiation by market data, and the reliability and applicability of each valuation technique to the subject property. Below, the individual strengths and weaknesses of each approach are analyzed.

Cost Approach

The Cost Approach is not applicable due to the age of the improvements and lack of land sales.

Sales Comparison Approach

The Sales Comparison Approach is based on a comparison of similar properties that have sold recently in the subject's market. A comparative analysis of the sale price per square foot was used in the Sales Comparison Approach. The strength of this approach depends on the quality and comparability of the market data. The more reliable the comparable sales data, the more accurate the value estimate. This approach contained good samples of data, with recent sales of similar-scale buildings in the subject's submarket and similar areas of the market. This approach also best reflects the analysis an owner-user would perform, which is the most likely buyer of the subject. Therefore, this approach is given most emphasis.

Income Approach

The Income Approach most closely resembles the type of analysis utilized by investors of income producing properties. Nearly all participants involved in buying and selling leased commercial buildings are mainly concerned with the income producing capability of the property. This approach contained good samples of data; however, this approach does not best reflect the type of analysis an owner-user would perform in making their purchasing discussions. As an owner-user is the most likely buyer of the subject, this approach is given supportive weight.

Reconciliation

After considering all factors relevant to the valuation of the subject property, with most weight placed on the Sales Comparison Approach, the final value opinion is as follows:

RECONCILIATION OF VALUES	
VALUATION SCENARIOS	AS-IS MARKET VALUE
Interest	Fee Simple
Date	December 11, 2020
SALES COMPARISON APPROACH	
SALES COMPARISON APPROACH	
Indicated Value	\$2,410,000
\$/SF NRA	\$350
INCOME CAPITALIZATION APPROACH	
DIRECT CAPITALIZATION	
NOI	\$135,142
NOI \$/SF NRA	\$20
Capitalization Rate (OAR)	6.00%
Indicated Value	\$2,250,000
\$/SF NRA	\$327
INCOME CAPITALIZATION CONCLUSION	\$2,250,000
\$/SF NRA	\$327
FINAL VALUE CONCLUSION	
FINAL VALUE CONCLUSION	\$2,400,000
\$/SF NRA	\$348

Novel Coronavirus (COVID-19)

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organization as a global health emergency in January 2020, is causing heightened instability in both the local and global market. Originating in Wuhan, China, the outbreak continues to develop, and cases are progressively being detected around the world and impacting global financial markets. Currently, the United States has more reported coronavirus cases than other country in the world.

All real estate sectors have been impacted. Tourism, entertainment, retail and office sectors have been impacted first, due to the increased response by local and global authorities including home quarantine, stay at home orders, restriction of travel and growing international concern. As such, the Market Analysis section of this appraisal has been expanded with the most recent data published by Marcus & Millichap, Matthews Real Estate Investment Services, and other sources as they become available. We have also included market participant interviews conducted after the awareness of COVID-19 and its potential impact on real estate sectors. It should be noted, however, new information is on-going and new information will likely be published between the report date of this appraisal and date in which the client conducts their internal review.

CERTIFICATION

We certify that, to the best of my knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- We have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- This appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.
- Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
- Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the *Code of Professional Ethics and Standards of Professional Appraisal Practice* of the Appraisal Institute, and the *Uniform Standards of Professional Appraisal Practice*, as set forth by the Appraisal Standards Board of the Appraisal Foundation.
- Russell W. McCoy, MAI, has, and Matthew K. Reynolds and Jeff E. Keenan have not, made a personal interior and exterior inspection of the property that is the subject of this report.
- No one provided significant real property appraisal assistance to the persons signing this certification.
- We have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- This appraisal was prepared in conformance with the requirements of the State of California and the client.

The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives. As of the date of this report, Russell W. McCoy, MAI, has completed the continuing education program of the Appraisal Institute. As of the date of this report, Matthew K. Reynolds has completed the Standards and Ethics Education Requirement of the Appraisal Institute for Candidate for Designation.



Russell W. McCoy, MAI
Certified General Real Estate Appraiser
State of California License #AG028414



Matthew K. Reynolds
Certified General Real Estate Appraiser
State of California License #AG041942



Jeff E. Keenan
Certified General Real Estate Appraiser
State of California License #AG044597

ASSUMPTIONS & LIMITING CONDITIONS

It is noted that the use of an extraordinary assumption and/or hypothetical condition may have affected the assignment results. This appraisal is subject to the following assumptions and limiting conditions:

Extraordinary Assumptions

- ▶ No Extraordinary Assumptions were made for this assignment.

Hypothetical Conditions

- ▶ No Hypothetical Conditions were made for this assignment.

General Assumptions and Conditions

- ▶ No preliminary title report or survey was provided and the subject has been identified by the physical street address, assessor's parcel numbers and other descriptions herein. If further verification is required, a preliminary title report and survey by a registered surveyor is advised.
- ▶ Site area and building area estimates are based on the appraiser's inspection, data provided by the owner/client and public record. Square footage figures are approximate but considered sufficient for appraisal purposes. If the square footage estimates were sufficiently different, it could affect the value estimate. In cases where accurate measurements could not be obtained, owner/client-provided data and public records are relied upon. If the client requires more certainty, the services of an independent surveyor or the like should be considered. We reserve the right to change our opinion of value if better size data is later provided.
- ▶ It is assumed that the subject property is in compliance with all applicable federal, state and local laws, ordinances, regulations, building standards, use restrictions and zoning unless the lack of compliance is stated in the appraisal report. Determining and reporting on such compliance were not part of the scope of work for this assignment.
- ▶ It is assumed that all water, sewer facilities and utilities (whether existing or proposed) are or will be in good working order, are safe for use, and are or will be sufficient to serve the current or proposed uses of the subject property or any structures or other improvements. Determining and reporting on such matters were not part of the scope of work for this assignment.
- ▶ All facts and data set forth in this report are true and accurate to the best of the appraiser's knowledge and belief. The appraisal is based upon the assumption that data which is of public record or which has been secured through interviews with owners, agents or other informed persons is true and correct. The appraisers reserve the right to make appropriate revisions in the event of discovery of additional or more accurate data.
- ▶ The appraiser reserves the right to make such adjustments to the analyses, opinions and conclusions set forth in this report as may be required by consideration of additional data or more reliable data that may become available.

- ▶ We assume no responsibility for matters legal in character, nor do we render any opinion as to title, which is assumed to be marketable. All existing liens, encumbrances, and assessments have been disregarded, unless otherwise noted, and the property is appraised as though free and clear, under responsible ownership, and competent management.
- ▶ The exhibits in this report are included to assist the reader in visualizing the property. We have made no survey of the property and assume no responsibility in connection with such matters.
- ▶ Unless otherwise noted herein, it is assumed that there are no encroachments, zoning, or restrictive violations existing in the subject property.
- ▶ The appraisers assume no responsibility for determining if the property requires environmental approval by the appropriate governing agencies, nor if it is in violation thereof, unless otherwise noted herein.
- ▶ Information presented in this report has been obtained from reliable sources, and it is assumed that the information is accurate.
- ▶ This report shall be used for its intended purpose only, and by the party to whom it is addressed. Possession of this report does not include the right of publication.
- ▶ The appraisers may not be required to give testimony or to appear in court by reason of this appraisal, with reference to the property in question, unless prior arrangements have been made therefore.
- ▶ The statements of value and all conclusions shall apply as of the dates shown herein.
- ▶ The appraisers have no present or contemplated future interest in the property which is not specifically disclosed in this report.
- ▶ Neither all, nor any part of, the contents of this report shall be conveyed to the public through advertising, public relations, news, sales, or other media without the written consent or approval of the authors. This applies particularly to value conclusions and to the identity of the appraisers and the firm with which he or she is connected.
- ▶ This report must be used in its entirety. Reliance on any portion of the report independent of others, may lead the reader to erroneous conclusions regarding the property values. No portion of the report stands alone without approval from the authors.
- ▶ The valuation stated herein assumes professional management and operation of the buildings throughout the lifetime of the improvements, with an adequate maintenance and repair program.
- ▶ The appraisers are not qualified to detect the presence of toxic or hazardous substances or materials which may influence or be associated with the property or any adjacent properties, has made no investigation or analysis as to the presence of such materials, and expressly disclaims any duty to note the degree of fault. Vanguard Realty Advisors, LLC, and its principals, agents, employees, shall not be liable for any costs,

expenses, assessments, or penalties, or diminution in value, property damage, or personal injury (including death) resulting from or otherwise attributable to toxic or hazardous substances or materials, including without limitation hazardous waste, asbestos material, formaldehyde, or any smoke, vapors, soot, fumes, acids, alkalis, toxic chemicals, liquids, solids or gasses, waste materials or other irritants, contaminants or pollutants.

- ▶ The appraisers assume no responsibility for determining if the subject property complies with the Americans with Disabilities Act (ADA). Vanguard Realty Advisors, LLC, its principals, agents, and employees, shall not be liable for any costs, expenses, assessments, penalties or diminution in value resulting from non-compliance. This appraisal assumes that the subject meets an acceptable level of compliance with ADA standards; if the subject is not in compliance, the eventual renovation costs and/or penalties would negatively impact the present value of the subject. If the magnitude and time of the cost were known today, they would be reduced from the reported value conclusion.
- ▶ An on-site inspection of the subject property was conducted. No evidence of asbestos materials on-site was noted. A Phase 1 Environmental Assessment was not provided for this analysis. This analysis assumes that no asbestos or other hazardous materials are stored or found in or on the subject property. If evidence of hazardous materials of any kind occur, the reader should seek qualified professional assistance. If hazardous materials are discovered and if future market conditions indicate an impact on value and increased perceived risk, a revision of the concluded values may be necessary.
- ▶ The appraisers are not experts in estimating insurable value for insurance policy purposes. If this appraisal contains an insurable value or replacement cost new estimate, it is provided only as a courtesy for the client. Such estimates are based solely on the Marshall Valuation Cost Estimation Manual and should not be relied upon for purposes of insurance underwriting.
- ▶ A detailed soils study was not provided for this analysis. The subject's soils and sub-soil conditions are assumed to be suitable based upon a visual inspection, which did not indicate evidence of excessive settling or unstable soils. No certification is made regarding the stability or suitability of the soil or sub-soil conditions.
- ▶ The liability of Vanguard Realty Advisors, LLC, its principals, agents, and employees is limited to the client and only up the amount of the fees actually collected by Vanguard Realty Advisors, LLC, in conjunction with this assignment. Further, there is no accountability, obligation, or liability to any third party. If this report is placed in the hands of anyone other than the client, the client shall make such party aware of all limiting conditions and assumptions of the assignment and related discussions. The appraisers are in no way responsible for any costs incurred to discover or correct any deficiency in the property.

ADDENDA

- A. Engagement Letter
- B. Qualifications of Appraiser(s) and Appraiser License(s)

Addenda Item A

HD&A MUSEUM

VANGUARD REALTY ADVISORS

— COMMERCIAL REAL ESTATE APPRAISAL & CONSULTING FIRM —

800.511.4130 • PHONE • www.vracommercial.com • FAX • 877.298.5059

Date: November 13, 2020

**Client Identification/
Appraisal Addressee:** David Leonhardi
President
13881 Danielson Street
Poway CA 92064

**Party Responsible
For Payment:** Same as client identification
Email: rparrott@dsasd.org

Property Contact: Rachel Parrott (Phone: (858) 486-9009)

Mr. Leonhardi:

Thank you for considering Vanguard Realty Advisors, LLC, for the assignment identified in the attached Professional Service Agreement. Please sign one copy of the agreement and return it to me, thereby indicating your authorization for us to proceed with this assignment. Unless otherwise indicated on the attached agreement, payment is also due prior to starting the appraisal.

The following is a list of information we will need to begin our analysis. Please forward with the agreement or as soon as possible.

- Payment in full
- Building operating expense statements (2018, 2019 & 2020) (if available)
- Title Report (if available)
- Cost estimate for any building or site repairs needed (if applicable)

Our ability to honor the terms of this agreement will require your response by November 27, 2020. If you have questions regarding the enclosed, please feel free to contact me at (760) 520-3322 or jsims@vracommercial.com. We are looking forward to serving you.

Respectfully,

VANGUARD REALTY ADVISORS, LLC



Jason O. Sims

PROFESSIONAL SERVICE AGREEMENT

Project:	Office/Retail Building
Location:	2384 San Diego Avenue San Diego, CA 92110
Intended Use and User of the Appraisal:	The intended use of this appraisal is to assist the client with internal business decisions related to a possible sale of this asset. The intended user is the Deputy Sheriffs' Association of San Diego County.
Property Rights Appraised:	Fee simple
**Assumptions & Limiting Conditions:	<p>The appraiser(s) may not be required to give testimony or to appear in court by reason of this appraisal, with reference to the property in question, unless prior arrangements have been made.</p> <p>A full copy of Vanguard Realty Advisors, LLC's additional Assumptions & Limiting Conditions is available upon request.</p>
Presentation:	An appraisal report 1 PDF copy via email will be prepared in accordance with the Appraisal Institute, FIRREA (if applicable) and USPAP. The scope of the report will include the following: All Applicable Approaches. The report will present the as-is market value as of our date of inspection. A copy of the Assumptions and Limiting Conditions, which appear in the report, is available upon request.
Professional Fee:	\$3,600 Please send check to our Corporate Office below: Vanguard Realty Advisors Attn: Accounting Department 6106 Innovation Way Carlsbad, CA 92009 Note: To pay using a wire transfer or credit card, please email Jason O. Sims at jsims@vracommercial.com to request a secured payment link.
Consultation:	The above fee includes one hour of consultation. Additional consultation with client or client's representatives will be billed at the hourly rate of \$300.
Retainer:	\$0
Terms:	Accounts which are 60 days overdue will accrue a late payment charge of 1.5% per month, compounded monthly. In the event that either party commences any legal action relating to the provisions of the Agreement, including collection, the prevailing party shall be entitled to its actual attorney's fees and costs, including those incurred upon appeal. This agreement shall be governed by and construed in accordance with the laws of the State of CA, and the venue of any action arising from this agreement shall be in San Diego County, CA.
Delivery:	21 business days from the date we receive the fully executed Professional Service Agreement, payment in full and the requested materials.
Modification or Cancellation:	Any changes in the assignment will be mutually agreed upon, in writing, and the fee set forth above will be adjusted accordingly, if necessary. If the assignment is cancelled, for any reason, prior to

completion, for all time expended prior to cancellation, the client will be billed at the rate of \$300 per hour. If the client delays completion of the assignment beyond 90 days, the fee will be renegotiated.

Hazardous Waste
Disclaimer:

Vanguard Realty Advisors, LLC, does not assume any duty to analyze or examine the property or adjacent property for the possible presence of toxic or hazardous substances or materials and accepts no liability regarding the issue. This appraisal report will contain a comprehensive disclaimer to this effect.

Liability:

Vanguard Realty Advisors, LLC's, responsibilities are rendered, and limited to, the client, and its liability is limited to the fee actually received for the services requested herein.

I, Jason O. Sims, a representative of Vanguard Realty Advisors, LLC, agree to the above terms, assuming the Professional Service Agreement is returned by November 27, 2020.



Date: **11/13/20**

Jason O. Sims

I, David Leonhardi, agree to the above stated terms and authorize Vanguard Realty Advisors, to prepare the above referenced appraisal.

Date: 11/17/20



David Leonhardi

**Reflects one of many general assumptions and limiting conditions of the appraisal. A full copy of Vanguard Realty Advisors, LLC's Assumptions and Limiting Conditions is available upon request.

Addenda Item B



QUALIFICATIONS OF RUSSELL W. MCCOY, MAI

PRINCIPAL | VANGUARD REALTY ADVISORS, LLC
COMMERCIAL REAL ESTATE VALUATION & ADVISORY SERVICES

Tax ID# 45-2191855

6106 Innovation Way, Carlsbad, CA 92009

(760) 707-5732 – direct

rmccoy@vracommercial.com

www.vracommercial.com

Mr. McCoy began his appraisal career in December 1998 and has been appraising commercial real estate in Southern California since January 2001. He has appraised nearly every property type and concentrated primarily on office, retail, industrial, lodging, commercial land, mixed-use projects, and apartments. Some notable properties appraised include the following:

- Pacific Center, High-Rise Office, San Diego
- 550 South Hope, High-Rise Office, Los Angeles
- Manulife Plaza, High-Rise Office, Los Angeles
- 2.5-Acre Redevelopment Site, Newport Beach
- Yosemite Resort Site, Fish Camp
- Burbank Town Center, Burbank
- Ocean Palms Beach Resort, Carlsbad
- La Costa Resort Site, Carlsbad
- La Jolla Plaza, High-Rise Office, San Diego
- 6300 Wilshire, High-Rise Office, Los Angeles
- Plaza At Arboretum, Class A Apt, Santa Monica
- 1.6 Million Square Foot Dist. Warehouse, Perris
- Queen Mary Moorage Leasehold, Long Beach
- Desert Crossing Shopping Center, Palm Desert
- Casa Madrona Hotel, Sausalito
- Sorrento Science Park, San Diego

Mr. McCoy became an MAI member of the appraisal institute in 2007 and has held various positions at PGP Valuation. In the most recent position, Mr. McCoy produced appraisals and performed review assignments in connection with the appraisal order and review platform for the FDIC. While headquartered in Southern California since 2001, Mr. McCoy has performed assignments in numerous other states (Arizona, Utah, Oregon, Colorado, Idaho, Texas, Georgia, Florida, North Carolina, Virginia and Ohio). Mr. McCoy has also performed expert witness testimony for bankruptcy and arbitration hearings.

Education

Graduate: Utah State University, Logan, Utah

Bachelor of Science in Finance, minor in Accounting

Real estate courses & seminars sponsored by the Appraisal Institute:

Course 120, Appraisal Procedures

Course 310, Basic Income Capitalization

Course 410, National Uniform Standards of Appraisal Practice

Course 420, Business Practices & Ethics

Course 510, Advanced Income Capitalization

Course 520, Highest & Best Use and Market Analysis

Course 530, Advanced Sales Comparison and Cost Approaches

Course 540, Report Writing and Valuation Analysis

Course 550, Advanced Applications

The Appraiser as an Expert Witness: Preparation & Testimony
Uniform Appraisal Standards for Federal Land Acquisitions

Other related education:

Passed comprehensive exam for MAI designation in February 2005

Real Estate Experience

Position

Principal

Company

Vanguard Realty Advisors, LLC
6106 Innovation Way
Carlsbad, CA 92009

Valuation Services Director

PGP Valuation, Inc.
(2001 to 2011)
5796 Armada Dr, Ste A
Carlsbad, CA 92008

Real Estate Appraiser

Jorgensen Appraisal (1999-2000)
9677 South 700 East, Ste C
Sandy, UT 84070

Other Professional References

Todd Liebow, MAI
Valuation Forensics Group
(503) 349-5200

Tonnie Blinks
Sunrise Mortgage
(619) 298-9775

Mark Lawwill, MAI
Colliers International
(360) 823-5264

Donald L. Johnson, MAI
Wells Fargo Bank
(770) 319-5237

Richard Walcott
Rabobank
(916) 878-4812

David E. Pietka, MAI
Pietka Consulting, Inc.
(503) 206-1071

Jim Towers
Review Appraiser
(909) 335-1735

Marshall Meager, MAI
Wells Fargo Bank
(916) 787-9371

Lisa Kimbro, MAI
Union Bank
(714) 565-5618

John M. Romney, MAI
Zions First National Bank
(801) 844-7336

Professional Organizations

MAI - Appraisal Institute, Designation #12467 (June 25, 2007) – Account #403951



Business, Consumer Services & Housing Agency
BUREAU OF REAL ESTATE APPRAISERS
REAL ESTATE APPRAISER LICENSE

Russell W. McCoy

has successfully met the requirements for a license as a residential and commercial real estate appraiser in the State of California and is, therefore, entitled to use the title:

“Certified General Real Estate Appraiser”

This license has been issued in accordance with the provisions of the Real Estate Appraisers' Licensing and Certification Law.

BREA APPRAISER IDENTIFICATION NUMBER: AG 028414

Effective Date: October 26, 2019

Date Expires: October 25, 2021


Jim Martin, Bureau Chief, BREA

3046942



QUALIFICATIONS OF MATTHEW K. REYNOLDS

**PRINCIPAL | VANGUARD REALTY ADVISORS, LLC
COMMERCIAL REAL ESTATE VALUATION & ADVISORY
SERVICES**

Tax ID# 45-2191855
(800) 511-4130 – office
(760) 855-3959 – direct/mobile
(877) 298-5059 – fax
mreynolds@vracommercial.com
www.vracommercial.com

Starting in 2001, Mr. Reynolds has worked extensively throughout California and the nation. He has worked in offices in Southern California and Northern California. He has appraised nearly every property type and concentrated on office, retail, industrial, hospitality, commercial, land, mixed-use projects, apartments and more. Please refer to www.vracommercial.com to view the different types of commercial properties that Vanguard has appraised throughout California. Mr. Reynolds has also worked extensively throughout the nation. He is one of the foremost experts when it comes to the valuation of net leased properties and hotels across the nation. He has traveled to almost every state appraising single-tenant, build-to-suit NNN fast food restaurants, dine-in restaurants, drugstores, dollar stores and freestanding retail buildings. He leads a dedicated specialty practice group focused on examining cap rate trends, strength of tenancy, leases, and more. Currently, Mr. Reynolds serves as a Principal with Vanguard Realty Advisors, the largest independent commercial appraisal firm serving California. Some notable properties appraised include the following:

- Moffet Park, Class A Office Park, 715,988 SF, Sunnyvale
- 550 South Hope, High-Rise Office, Downtown Los Angeles
- Large Industrial Development, Bayview District of San Francisco
- Home Depot Center, Shopping Center in Atascadero
- Manulife Plaza, High-Rise office, Downtown Los Angeles
- Portfolio of Walgreens in the various districts of San Francisco
- Oakmead Terrace, Class A Office Park, Sunnyvale,
- Multiple commercial buildings in South of Market in San Francisco
- 1.2 million SF, Northridge Burbank Town Center, Regional Power Center in Burbank
- College Manor Apartment, SDSU Student Housing, San Diego
- Terraces at Paseo Colorado, 391-Unit Apartment Complex, Pasadena
- Former Howard Hughes Residence & Headquarters, 61,120 SF in Hollywood
- Entire City Block along Harrison Street in Chinatown in Oakland
- Various single-tenant NNN properties across the nation (over 40 states)
- Sunset & Vine, Mixed-Use Development, Hollywood
- Heritage Corporate Center, 727,679 SF Business Park, Santa Fe Springs
- 6300 Wilshire, High-Rise Office, Downtown Los Angeles,
- The Metropole Building, Historic Building, San Jose,
- Ramona Terrace Estates Mobile Home Park, Ramona
- Barker Block, Condominium Development, Los Angeles
- Extra Space Portfolio, Self-Storage, Various States
- 24-Hour Fitness Corporate Headquarters, Carlsbad
- Renaissance Towers, High-Rise Apartments, Los Angeles

Education

Graduate: California State University, San Marcos
Bachelor of Science in Business Administration with an emphasis in Finance

Real estate courses & seminars sponsored by the Appraisal Institute:

Course 410, National Uniform Standards of Appraisal Practice
Course 420, Business Practices & Ethics
Course 510, Advanced Income Capitalization
Course 520, Highest & Best Use and Market Analysis
Course 530, Advanced Sales Comparison and Cost Approaches
Course 540, Report Writing and Valuation Analysis
Course 550, Advanced Applications



Business, Consumer Services & Housing Agency
BUREAU OF REAL ESTATE APPRAISERS
REAL ESTATE APPRAISER LICENSE

Matthew K. Reynolds

has successfully met the requirements for a license as a residential and commercial real estate appraiser in the State of California and is, therefore, entitled to use the title:

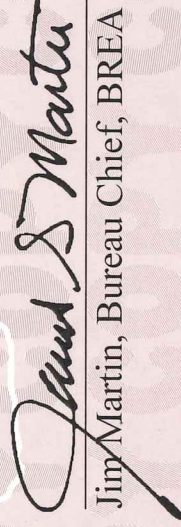
“Certified General Real Estate Appraiser”

This license has been issued in accordance with the provisions of the Real Estate Appraisers' Licensing and Certification Law.

BREA APPRAISER IDENTIFICATION NUMBER: AG 041942

Effective Date: January 19, 2019

Date Expires: January 18, 2021


Jim Martin, Bureau Chief, BREA

3044630



QUALIFICATIONS OF JEFF KEENAN

APPRAISER | VANGUARD REALTY ADVISORS, LLC
COMMERCIAL REAL ESTATE VALUATION & ADVISORY SERVICES

Tax ID# 45-2191855

2385 Camino Vida Roble, Suite 205, Carlsbad, CA 92011

(760) 268-1134 – office

(760) 707-5310 – direct

jkeenan@vracommercial.com

www.vracommercial.com

Mr. Keenan began his appraisal career in May 2003 and has been appraising commercial real estate in Arizona and Southern California since March 2007. He has appraised various property types and concentrated primarily on office, retail, industrial, commercial land, and apartments. Some notable properties appraised include the following:

- Bashas Corporate Office Complex, Chandler, AZ
- Mixed-Use Project, Newport Beach, CA
- Justice of the Peace Courthouse, Mesa, AZ
- Quail Creek Apartments, Mesa, AZ
- Shopping Center, Temecula, CA
- Distribution Warehouse, Phoenix, AZ
- Cold Storage Facility, San Diego, CA
- Corporate Office Complex- Carlsbad, CA
- Hotel- La Quinta, CA
- Retail Center, Newport Beach, CA
- Industrial Condominium Project, Chandler, CA
- Church of Scientology, Mesa, AZ
- Contractor Storage Yards, Inland Empire, CA
- Medical Office Building, Imperial Beach, CA
- American Legion Post Peoria, AZ
- Veterinary Clinic, Phoenix, AZ
- Proposed Mixed-Use Project- San Francisco, CA
- Mixed-Use Developments- San Francisco, CA

Education

Graduate: Metropolitan State University, Denver, CO

Bachelor of Science in Finance

Real estate courses & seminars sponsored by the Arizona School of Real Estate and Business:

Course 101, Introduction to Appraisal Practice

Course 102, Intermediate and Advanced Appraisal Techniques

Course 103, Introduction to Income Property Analysis and Valuation

Course 104 (Part 1), Income Property Analysis and Valuation

Course 104 (Part 2), Environmental Concerns/Land planning and zoning

National Uniform Standards of Appraisal Practice

Real Estate Experience

Position

Real Estate Appraiser

Company

Vanguard Realty Advisors, LLC

2385 Camino Vida Robles, Ste 205

Carlsbad, CA 92011

Real Estate Appraiser

Steele & Associates (2006 to 2009)
8669 E. San Alberto Dr., Ste 200
Scottsdale, AZ 85258

Real Estate Analyst

Glover Valuation Group (2003-2006)
2444 E. Southern Ave.
Mesa, AZ 85204

Other Professional References

Darren Ringel, MAI
CB Richard Ellis
(415) 986-7259

Marcus DiFiore
Wells Fargo Bank
(760) 931-3531

Mark Steele, MAI
Steele & Associates
(480) 998-1332

Ryan Gallagher
Commercial Valuation Consultants
(303) 420-1052

Troy Glover, MAI
Glover Valuation Group
(480) 545-8908



Business, Consumer Services & Housing Agency
BUREAU OF REAL ESTATE APPRAISERS
REAL ESTATE APPRAISER LICENSE

Jeff E. Keenan

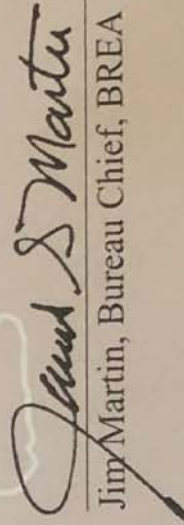
has successfully met the requirements for a license as a residential and commercial real estate appraiser in the State of California and is, therefore, entitled to use the title:

“Certified General Real Estate Appraiser”

This license has been issued in accordance with the provisions of the Real Estate Appraisers' Licensing and Certification Law.

BREA APPRAISER IDENTIFICATION NUMBER: AG 044597

Effective Date: June 2, 2020
Date Expires: June 1, 2022


Jim Martin, Bureau Chief, BREA

3052311