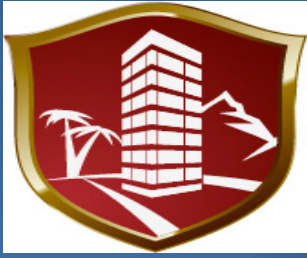


Real Estate Appraisal, Appraisal Report



Real Estate Advisory

Commercial Property Solutions

APPRAISAL REPORT, REAL ESTATE APPRAISAL

Of
11011 Garfield Place, South Gate, CA 90280



11011 Garfield Place, South Gate,
Los Angeles County, CA, 90280

As of
October 17, 2018

Prepared For
FMC Lending, Inc.
380 Beach Road, Suite D
Burlingame, CA, 94010

Prepared by
REAL ESTATE ADVISORY, LLC.

File Name:
RE180541



REAL ESTATE ADVISORY, LLC.

177 Riverside Ave Ste A #1883
Newport Beach, CA, 92663

REAL ESTATE ADVISORY, LLC.

November 7, 2018

FMC Lending, Inc.
380 Beach Road, Suite D
Burlingame, CA, 94010

Re: Appraisal Report, Real Estate Appraisal

11011 Garfield Place, South Gate, Los Angeles County, CA, 90280

File Name: RE180541

Dear Sir/Madam,

At your request, we have prepared an appraisal for the above-referenced property, which may be briefly described as follows:

The subject property comprises one, 1-story, metal frame and masonry, industrial building, on a $\pm 17,981$ SF, mostly rectangular parcel, based on public record.

The GBA for the subject building improvements is 5,280 SF, according to public record, and according to appraisers' measurements.

The measurements and improvements sketch supplied in the appraisal report are for appraiser purposes of comparison to the comparable sales analyzed in the Sales Comparison Analysis. The supplied sketch is not an architectural rendering of the subject building improvements and is not to be considered as such, as the appraiser is not a licensed architect. The gross building area stated in the report may or may not agree with the GBA published by the tax assessor, CoStar, the MLS or the builder for the subject.

The subject contains $\pm 1,344$ SF of office area, per appraisers' measurements, equivalent to $\pm 25\%$ of the GBA.

The subject property is currently tenant-occupied. The current use is auto body shop.

The subject contains a spray booth with an area of ± 398 SF; the spray booth was installed by the tenant and would leave with the tenant in the event of termination of tenancy, based on a



conversation with the tenant. Therefore, the spray booth has not been considered in the value conclusion of this report.

This appraisal report was prepared with the intent to conform with Federal Reserve Board, Federal Regulation 12 CFR 564, the Uniform Standards of Professional Practice (USPAP) as provided by the Appraisal Foundation, and the federal bank regulating agencies, Title XI of the Federal Financial Institution Reform, Recovery and Enforcement Act (FIRREA) and Standard Appraisal Policies and Procedures. In addition, this report complies with the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute, applicable state regulations, and the appraisal guidelines. Also, the appraiser has not relied on conclusions which are based on characteristics related to race, color, religion, national origin, gender, marital status, familial status, age, receipt of public assistance income, handicap, or group homogeneity.

To report the assignment results, we use the appraisal report option of Standards Rule 2-2(a) of USPAP. Accordingly, this report contains summary discussions of the data, reasoning, and analyses which are used in the appraisal process, while supporting documentation is retained in our work file. The depth of discussion contained in this report is specific to the needs of the intended user and intended use of the appraisal.

The purpose of the appraisal is to develop an opinion of the **Current** "As Is" Market Value of the Leased Fee interest of the subject property.

The intended use of this report is for the sole and exclusive use of the intended users to assist in business, credit and lending decisions. This report is not intended for any other use.

The intended user of this report is the client, FMC Lending, Inc. Use of this report by others is not intended by the appraiser.

Please reference page 19 of this report for important information regarding the scope of research and analysis for this appraisal, including property identification, inspection, highest and best use analysis and valuation methodology.

We certify that we have no present or contemplated future interest in the property beyond this estimate of value.

The appraisers have not performed any prior services regarding the subject within the previous three years of the appraisal date.

Your attention is directed to the Limiting Conditions and Assumptions section of this report (page 17). Acceptance of this report constitutes an agreement with these conditions and assumptions. In particular, we note the following:



Hypothetical Conditions:

- None

Extraordinary Assumptions:

An extraordinary assumption is an assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions.

Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property such as market conditions or trends; or about the integrity of data used in an analysis. (USPAP, 2010-2011 ed.) (Dictionary, 5th Edition)

Extraordinary Assumptions:

- Personal property has not been considered in this appraisal.
- The property at the time of inspection had a paint booth. No environmental (Phase I) or geotechnical reports were provided for review. We assume the site is to be free of any environmental hazards and that the land is suitable, from a geotechnical standpoint (soils), for the existing development.

Based on the appraisal described in the accompanying report, subject to the Limiting Conditions and Assumptions, Extraordinary Assumptions and Hypothetical Conditions (if any), we have made the following value conclusion(s):

Current "As Is" Market Value:

The "As Is" market value of the Leased Fee estate of the property, as of October 17, 2018, is

Eight Hundred Fifty Five Thousand Dollars (\$855,000)



REAL ESTATE ADVISORY, LLC.

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Newport Beach, CA, 92663

Exposure time is the estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based on an analysis of past events assuming a competitive and open market.”

Source: The Dictionary of Real Estate, 5th Edition (Appraisal Institute, 2009)

The market exposure time in the 24 months preceding October 17, 2018, for industrial buildings up to 10,000 SF, within a 5-mile radius of the subject property, would have been approximately 1 to 11 months. In addition, a typical marketing period for the subject in its “As Is” condition is also estimated to be 1 to 11 months, which is considered reasonable for the subject property, in our opinion.

Respectfully submitted,
Real Estate Advisory, LLC.

Tim Thibodeaux, CGA
California-AG009087
Expiration date
January 5, 2019

Jason Doherty, AT
California-3003185
Expiration date
June 24, 2019



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Summary of Important Facts and Conclusions

GENERAL

Subject: 11011 Garfield Place, South Gate, CA, 90280

The subject property comprises one, 1-story, metal frame and masonry, industrial building, on a $\pm 17,981$ SF, mostly rectangular parcel, based on public record.

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The subject property is currently tenant-occupied. The current use is auto body shop.

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Owner: Carlos A. Salas and Rossana Salas husband and wife as Trustees of the Salas Family Trust

Legal Description: See attached Addenda

Assessor's Parcel No.: 6234-007-008



Date of Report: November 7, 2018

Intended Use: The intended use of this report is for the sole and exclusive use of the intended users to assist in business, credit and lending decisions. This report is not intended for any other use.

Intended User(s): The intended user of this report is the client, FMC Lending, Inc. Use of this report by others is not intended by the appraiser..

Sale History: The subject property has not sold in the last three years.

Current Listing/Contract(s): The subject property is not currently listed for sale.



Transaction History

History Record #: 1

Finance:

Mtg Recording 08/06/2008 Mtg Loan Type: CONV

Date:

Mtg Document #: 1412588 Mtg Rate Type:

Document Type: DEED OF TRUST Mtg Term:

Lender: * OTHER INSTITUTIONAL Mtg Rate:

LENDERS

Loan Amount: \$500,000 Borrower Vesting: // PT

ARM Rider Pre-payment

Indicator: Penalty Indicator:

Initial Rate Reset Interest Only

Cap: Indicator:

Payment Option Negative

Indicator: Amortization

ARM Rate Change Indicator:

ARM Index Type:

Frequency:

ARM Maximum % ARM Initial Rate

Rate: Change Date:

ARM Rate Change ARM Rate Change

Margin: Limit:

ARM Rate Change ARM Payment

Interval: Change Date:

Borrower 1: SALAS CARLOS A & R FAM
TRUST

Borrower 2:

Borrower 3:

Borrower 4:

History Record #: 2

Sale:

Sale Recording 03/14/2005 Sale Price:

Date:

Sale Date: Sale Price Type:

Rec. Document #: 574292 Multi/Split Sale:

Document Type: DEED (REG) Other Document #:

Title Company:

Buyer: SALAS FAMILY TRUST

Seller: OWNER RECORD



History Record #: 3

Finance:

Mtg Recording Date:	03/11/2005	Mtg Loan Type:	CONV
Mtg Document #:	563920	Mtg Rate Type:	FIXED
Document Type:	DEED OF TRUST	Mtg Term:	20 YEARS
Lender:	METWEST COM'L LNDR	Mtg Rate:	
Loan Amount:	\$257,750	Borrower Vesting:	// PT
ARM Rider Indicator:		Pre-payment Penalty Indicator:	
Initial Rate Reset Cap:		Interest Only Indicator:	
Payment Option Indicator:		Negative Amortization Indicator:	
ARM Rate Change Frequency:		ARM Index Type:	
ARM Maximum % Rate:		ARM Initial Rate Change Date:	
ARM Rate Change Margin:		ARM Rate Change Limit:	
ARM Rate Change Interval:		ARM Payment Change Date:	
Borrower 1:	SALAS FAMILY TRUST		
Borrower 2:			
Borrower 3:			
Borrower 4:			

History Record #: 4

Sale:

Sale Recording Date:	09/20/2001	Sale Price:	
Sale Date:	08/31/2001	Sale Price Type:	UNKNOWN
Rec. Document #:	1778063	Multi/Split Sale:	
Document Type:	GRANT DEED	Other Document #:	
Title Company:			
Buyer:	SALAS CARLOS A		
Seller:	SALAS ALFONSO		



History Record #: 5			
Sale:			
Sale Recording	04/10/1995	Sale Price:	\$268,000
Date:			
Sale Date:		Sale Price Type:	FULL
Rec. Document #:	500098	Multi/Split Sale:	
Document Type:	GRANT DEED	Other Document #:	
Title Company:	ORANGE COAST TITLE CO		
Buyer:	SALAS ALFONSO; SILVEYRA SILVIA		
Seller:	OTANI TRUST		
Finance:			
Mtg Recording	04/10/1995	Mtg Loan Type:	CONV
Date:			
Mtg Document #:	500099	Mtg Rate Type:	FIXED
Document Type:	DEED OF TRUST	Mtg Term:	
Lender:	LENDER SELLER	Mtg Rate:	
Loan Amount:	\$238,000	Borrower Vesting:	// JT
ARM Rider		Pre-payment	
Indicator:		Penalty Indicator:	
Initial Rate Reset		Interest Only	
Cap:		Indicator:	
Payment Option		Negative	
Indicator:		Amortization	
		Indicator:	
ARM Rate Change		ARM Index Type:	
Frequency:			
ARM Maximum %		ARM Initial Rate	
Rate:		Change Date:	
ARM Rate Change		ARM Rate Change	
Margin:		Limit:	
ARM Rate Change		ARM Payment	
Interval:		Change Date:	
Borrower 1:	SALAS ALFONSO; SILVEYRA SILVIA		
Borrower 2:			
Borrower 3:			
Borrower 4:			

**History Record #: 6**

Sale:

Sale Recording 09/24/1984 Sale Price: \$112,500

Date:

Sale Date: Sale Price Type: FULL

Rec. Document #: 1136831 Multi/Split Sale:

Document Type: DEED (REG) Other Document #:

Title Company:

Buyer: OTANI TONY U & KYOKO

Seller:

Finance:

Mtg Recording 09/24/1984 Mtg Loan Type: PRIVATE PARTY

Date:

Mtg Document #: Mtg Rate Type:

Document Type: Mtg Term:

Lender: Mtg Rate:

Loan Amount: \$175,000 Borrower Vesting: //

ARM Rider Pre-payment

Indicator: Penalty Indicator:

Initial Rate Reset Interest Only

Cap: Indicator:

Payment Option Negative

Indicator: Amortization

ARM Rate Change ARM Index Type:

Frequency: ARM Initial Rate

ARM Maximum % ARM Initial Rate

Rate: Change Date:

ARM Rate Change ARM Rate Change

Margin: Limit:

ARM Rate Change ARM Payment

Interval: Change Date:

Borrower 1: OTANI TONY U

Borrower 2: OTANI KYOKO

Borrower 3:

Borrower 4:

History Record #: 7

Sale:

Sale Recording 09/24/1984 Sale Price: \$112,500

Date:

Sale Date: Sale Price Type: FULL

Rec. Document #: 1136830 Multi/Split Sale:

Document Type: DEED (REG) Other Document #:

Title Company:

Buyer: OTANI TONY U & KYOKO

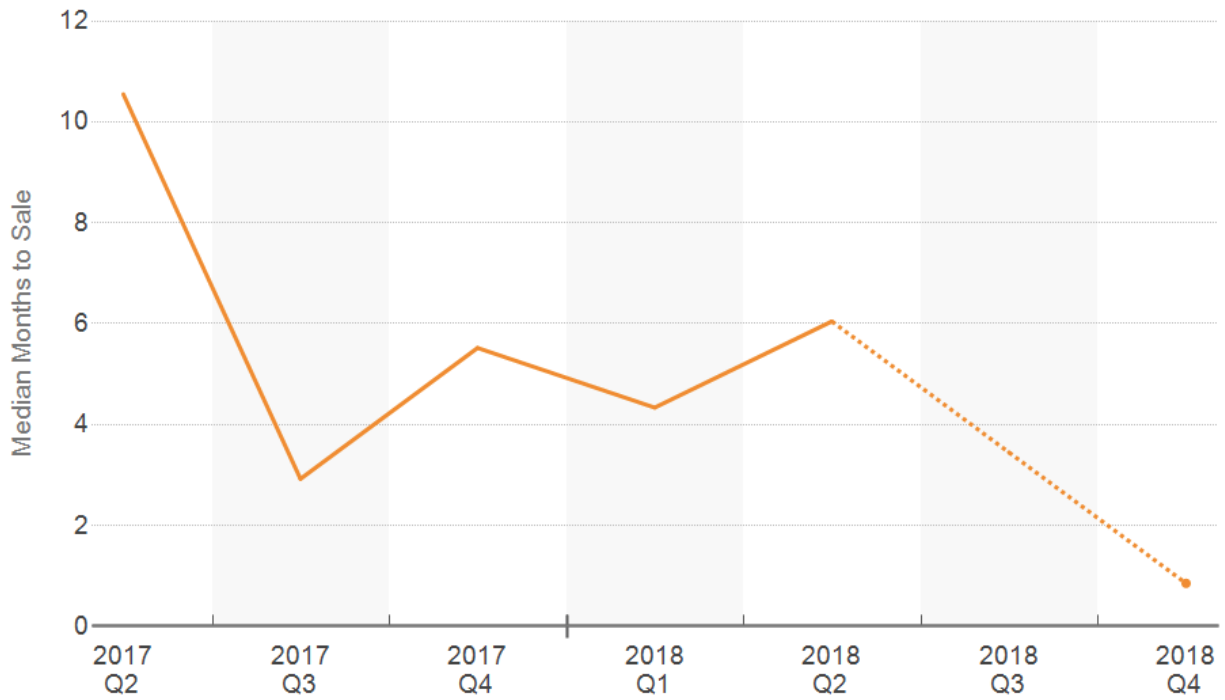
Seller: HENNESSEY CHARLES A



Exposure Time

Months to Sale

1Y 3Y 5Y 10Y All





Land:

Land Summary						
Parcel ID	Gross Land Area (Acres)	Gross Land Area (Sq Ft)	Usable Land Area (Acres)	Usable Land Area (Sq Ft)	Topography	Shape
6234-007-008	0.41	17,981	0.41	17,981	Level	Mostly Rectangular
Totals	0.41	17,981	0.41	17,981		

Improvements:

Building Summary						
Building Name/ID	Year Built	Condition	Number of Stories	Gross Building Area	Rentable Area	
11011 Garfield Place	1948/1954	Average	1.0	5,280	5,280	
Totals				5,280	5,280	

Zoning: M2 – Light Manufacturing, Hollydale Village Specific Plan

Highest and Best Use of the Site: Industrial

Highest and Best Use as Improved: Industrial

Type of Value: Market Value

VALUE INDICATIONS

Land Value: N/A
Cost Approach: N/A
Sales Comparison Approach: \$825,000
Income Approach:
Direct Capitalization \$855,000

Reconciled Value(s):	As Is	As Complete	As Stabilized
Value Conclusion(s)	\$855,000	N/A	N/A

Effective Date (s) October 17, 2018
 Property Rights Leased Fee



Definition of Market Value

Market value means 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 and knowledgeably, and assuming 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 U.S. 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.

Source: Code of Federal Regulations, CFR › Title 12 › Chapter I › Part 34 › Subpart C › Section 34.42

Definition of As Is Market Value

As is market value is defined as, “The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal’s effective date.”

Source: Appraisal Institute, The Dictionary of Real Estate Appraisal, 6th ed. (Chicago: Appraisal Institute, 2015); also, Interagency Appraisal and Evaluation Guidelines, Federal Register, 75 FR 77449, December 10, 2010, page 77471

Definition of Property Rights Appraised

Fee simple interest is defined as, “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.”

Source: Appraisal Institute, The Dictionary of Real Estate Appraisal, 6th ed. (Chicago: Appraisal Institute, 2015)

Leased fee interest is defined as, “A freehold (ownership interest) where the possessory interest has been granted to another party by creation of a contractual landlord-tenant relationship (i.e., a lease).” Lease is defined as: “A contract in which rights to use and occupy land or structures are transferred by the owner to another for a specified period of time in return for a specified rent.”

Source: Appraisal Institute, The Dictionary of Real Estate Appraisal, 6th ed. (Chicago: Appraisal Institute, 2015)



Limiting Conditions and Assumptions

Acceptance of and/or use of this report constitutes acceptance of the following limiting conditions and assumptions; these can only be modified by written documents executed by both parties.

This appraisal is to be used only for the purpose stated herein. While distribution of this appraisal in its entirety is at the discretion of the client, individual sections shall not be distributed; this report is intended to be used in whole and not in part.

No part of this appraisal, its value estimates or the identity of the firm or the appraiser(s) may be communicated to the public through advertising, public relations, media sales, or other media.

All files, work papers and documents developed in connection with this assignment are the property of Real Estate Advisory, LLC.. Information, estimates and opinions are verified where possible, but cannot be guaranteed. Plans provided are intended to assist the client in visualizing the property; no other use of these plans is intended or permitted.

No hidden or unapparent conditions of the property, subsoil or structure, which would make the property more or less valuable, were discovered by the appraiser(s) or made known to the appraiser(s). No responsibility is assumed for such conditions or engineering necessary to discover them. Unless otherwise stated, this appraisal assumes there is no existence of hazardous materials or conditions, in any form, on or near the subject property.

Unless otherwise stated in this report, the existence of hazardous substances, including without limitation asbestos, polychlorinated biphenyl, petroleum leakage, or agricultural chemicals, which may or may not be present on the property, was not called to the attention of the appraiser, nor did the appraiser become aware of such during the appraiser's inspection. The appraiser has no knowledge of the existence of such materials on or in the property unless otherwise stated. The appraiser, however, is not qualified to test for such substances. The presence of such hazardous substances may affect the value of the property. The value opinion developed herein is predicated on the assumption that no such hazardous substances exist on or in the property or in such proximity thereto, which would cause a loss in value. No responsibility is assumed for any such hazardous substances, nor for any expertise or knowledge required to discover them.

Unless stated herein, the property is assumed to be outside of areas where flood hazard insurance is mandatory. Maps used by public and private agencies to determine these areas are limited with respect to accuracy. Due diligence has been exercised in interpreting these maps, but no responsibility is assumed for misinterpretation.

Good title, free of liens, encumbrances and special assessments is assumed. No responsibility is assumed for matters of a legal nature.



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Necessary licenses, permits, consents, legislative or administrative authority from any local, state or Federal government or private entity are assumed to be in place or reasonably obtainable.

It is assumed there are no zoning violations, encroachments, easements or other restrictions which would affect the subject property, unless otherwise stated.

The appraiser(s) are not required to give testimony in Court in connection with this appraisal. If the appraisers are subpoenaed pursuant to a court order, the client agrees to pay the appraiser(s) Real Estate Advisory, LLC.'s regular per diem rate plus expenses.

Appraisals are based on the data available at the time the assignment is completed. Amendments/modifications to appraisals based on new information made available after the appraisal was completed will be made, as soon as reasonably possible, for an additional fee.

Americans with Disabilities Act (ADA) of 1990

A civil rights act passed by Congress guaranteeing individuals with disabilities equal opportunity in public accommodations, employment, transportation, government services, and telecommunications. Statutory deadlines become effective on various dates between 1990 and 1997. Real Estate Advisory, LLC. has not made a determination regarding the subject's ADA compliance or non-compliance. **Non-compliance could have a negative impact on value, however this has not been considered or analyzed in this appraisal.**



Scope of Work

According to the Uniform Standards of Professional Appraisal Practice, it is the appraiser's responsibility to develop and report a scope of work that results in credible results that are appropriate for the appraisal problem and intended user(s). Therefore, the appraiser must identify and consider:

- the client and intended users;
- the intended use of the report;
- the type and definition of value;
- the effective date of value;
- assignment conditions;
- typical client expectations; and
- typical appraisal work by peers for similar assignments.

This appraisal is prepared for FMC Lending, Inc.. The problem to be solved is to estimate the current 'As Is' market value for financing purposes.

The intended use of this report is for the sole and exclusive use of the intended users to assist in business, credit and lending decisions. This report is not intended for any other use.

The intended user of this report is the client, FMC Lending, Inc. Use of this report by others is not intended by the appraiser..

SCOPE OF WORK

Report Type:	This is an Appraisal Report as defined by Uniform Standards of Professional Appraisal Practice under Standards Rule 2-2(a). This format provides a summary or description of the appraisal process, subject and market data and valuation analyses.
Property Identification:	The subject has been identified by the legal description and the assessors' parcel number.
Inspection:	A complete interior and exterior inspection of the subject property has been made, and photographs taken.
Market Area and Analysis of Market Conditions:	A complete analysis of market conditions has been made.
Highest and Best Use Analysis:	A complete as vacant and as improved highest and best



use analysis for the subject has been made. Physically possible, legally permissible and financially feasible uses were considered, and the maximally productive use was concluded.

Type of Value:

Market Value

Valuation Analyses

Cost Approach:

A cost approach was not applied as the age of the improvements makes the depreciation difficult to accurately measure.

Sales Comparison Approach:

A sales approach was applied as there is adequate data to develop a value estimate and this approach reflects market behavior for this property type.

Income Approach:

An income approach was applied, as the subject is an income-producing property and there is adequate data to develop a value estimate with this approach.

Significant Real Property
Appraisal Assistance:

Jason Doherty, Trainee License # 3003185, expiration date June 24, 2019, provided significant real property appraisal assistance to the person signing this certification, consisting of performing a personal interior and exterior inspection of the property, preliminary analysis, data collection, identification and analysis of the comparables, the highest and best use analysis, application of the approaches to value, final value conclusion and report preparation, under the supervision of the person signing the report.

Hypothetical Conditions:

- None

Extraordinary Assumptions:

- Personal property has not been considered in this appraisal.



Market Area Analysis

Market Area Location and Boundaries

The County of Los Angeles is the most populous county in both the United States and the state of California, the country's most populous state. Its population is larger than that of 42 individual U.S. states. It has 88 incorporated cities and many unincorporated areas and, at 4,084 square miles, it is larger than the combined areas of the U.S. states of Delaware and Rhode Island. The county is home to more than a quarter of California residents and is one of the most ethnically diverse counties in the U.S. Its county seat, the City of Los Angeles, is also its most populous city at about four million.

According to the County of Los Angeles, <https://www.lacounty.gov/government/geography-statistics/statistics>, the county has an area of 4,084 square miles. Los Angeles County borders 70 miles of coast on the Pacific Ocean and encompasses mountain ranges, valleys, forests, islands, lakes, rivers, and desert. The Los Angeles River, Rio Hondo, the San Gabriel River and the Santa Clara River flow in Los Angeles County, while the primary mountain ranges are the Santa Monica Mountains and the San Gabriel Mountains. The western extent of the Mojave Desert begins in the Antelope Valley, in the northeastern part of the county.

According to the US Census Bureau, the population of Los Angeles County was 9,818,605, as of the 2010 census. The current population is estimated to be 10,241,335, according to the County of Los Angeles, <https://www.lacounty.gov/government/geography-statistics/statistics>. Most of the population of Los Angeles County is located in the south and southwest, with major population centers in the Los Angeles Basin, San Fernando Valley and San Gabriel Valley. Other population centers are found in the Santa Clarita Valley, Pomona Valley, Crescenta Valley and Antelope Valley.

Los Angeles County includes San Clemente Island and Santa Catalina Island, which are part of the Channel Islands archipelago off the Pacific Coast.

Major Employers

According to <http://www.laalmanac.com>, major employers in Los Angeles County, as of 2017, include:

County of Los Angeles	108,500
Los Angeles Unified School District	90,800
University of California, Los Angeles	63,500
City of Los Angeles (including DWP)	61,900
Federal Government (non-Defense Dept.)*	43,900
Kaiser Permanente	36,400
State of California (non-education)	30,000
University of Southern California	20,100



Northrop Grumman Corp.	16,600
Providence Health & Services	15,200
Target Corp.	15,000
Ralphs / Food 4 Less (Kroger Co.)	14,900
Los Angeles Community College District	14,300
Albertsons / Vons / Pavilions	13,000
Walt Disney Co.	13,000
Long Beach Unified School District	12,800
Los Angeles County Metropolitan Transportation Authority	12,000
Bank of America	12,500
Cedars-Sinai Medical Center	12,200
NBCUniversal	12,000

Market Area and Property Characteristics

South Gate is the 17th largest city in Los Angeles County, California, with 7.4 square miles. It is located 7 miles southeast of Downtown Los Angeles, and is part of the Gateway Cities region of southeastern Los Angeles County.

The estimated population, as of July 2017, was 95,430. The city was incorporated on January 20, 1923, and it became known as the "Azalea City" when it adopted the flower as its symbol in 1965.

In 1990, South Gate was one of ten US communities to receive the All-America City Award from the National Civic League. According to the United States Census Bureau, the city has a total area of 7.4 square miles. 7.2 square miles of it is land and 0.1 square miles of it is water. The total area is 1.59% water.

The Los Angeles River runs through the eastern part of South Gate.

Climate

South Gate has a semi-arid Mediterranean climate with mild winters and hot, dry summers. The average annual precipitation is 14.8 inches per year with most occurring between November and April. Temperatures range from a low of 40 °F to a high of 110 °F.

Economy

South Gate was the location of a General Motors automobile manufacturing facility called South Gate Assembly which was built in 1936. Originally built to manufacture Buick, Oldsmobile, and Pontiac vehicles, it was converted to war production after 1940, and was the primary supplier of aircraft engines for the B-24 Liberator, Douglas C-47 Skytrain, and the Douglas C-54 Skymaster, as the Douglas and Consolidated companies has aircraft manufacturing facilities in Long Beach and San Diego.



During the 1950s, it was GM's highest producing facility. The plant was closed in 1982 and is now the location of South East High School as of 2005.

South Gate's commercial activity is concentrated in the following zones:

Tweedy Mile (on Tweedy Blvd. from Alameda St to Atlantic Ave.)
Firestone Blvd. (from Alameda St. to Garfield Ave.)
El Paseo (Corner of Firestone Blvd. and Garfield Ave.)
Hollydale (on Garfield Ave. from I-105 to Imperial Hwy.)

Infrastructure

Roads

Interstate 710
Imperial Highway

Buses

South Gate is served by Metro Local and Metro Rapid buses. The City of South Gate operates the Get Around Town Express (GATE) to provide local service.

City parks

South Gate offers nine city parks.

South Gate Park covers a total of 96.8 acres and is the largest park within the city limits. This park is used to carry out most of the Parks and Recreation Department's community programs. There are a total of six different facilities at this park, some of which can be rented out for a variety of events. These facilities include the Municipal Auditorium, Girls Club House, 9 hole Par 3 Golf Course, Senior Recreation Center, Swim Stadium, and Sports Center. The site also features athletic fields, outdoor basketball courts, two playgrounds, tennis courts, a skate park, several shaded areas for picnics, and a Jr. Hockey Rink. The park closes at 10:00 pm.

Hollydale Regional Park covers 56.0 acres, has a playground, tennis courts, a baseball field, soccer fields, a picnic area (groups of 50+ by reservation only), and an Equestrian Center that is also available for rent. The park closes at sunset.

Cesar Chavez Park covers 9.0 acres, has two playgrounds and a pergola. No reservation needed for picnics. The park closes at sunset.

Circle Park covers 4.0 acres and is a neighborhood park. It has a small playground, a ball field and a grass area.

Hollydale Community Park covers 2.2 acres, it has a playground, outdoor basketball courts, and a Community Center.



State Street Park covers 0.8 acres and only has a grass fields. is a neighborhood park.

Gardendale Tot Lot covers 0.45 acres, and is a neighborhood park. It has a playground and a small grass area.

Triangle Park covers 0.3 acres, has a pergola, a seating area, a bike rack, and a drinking fountain.

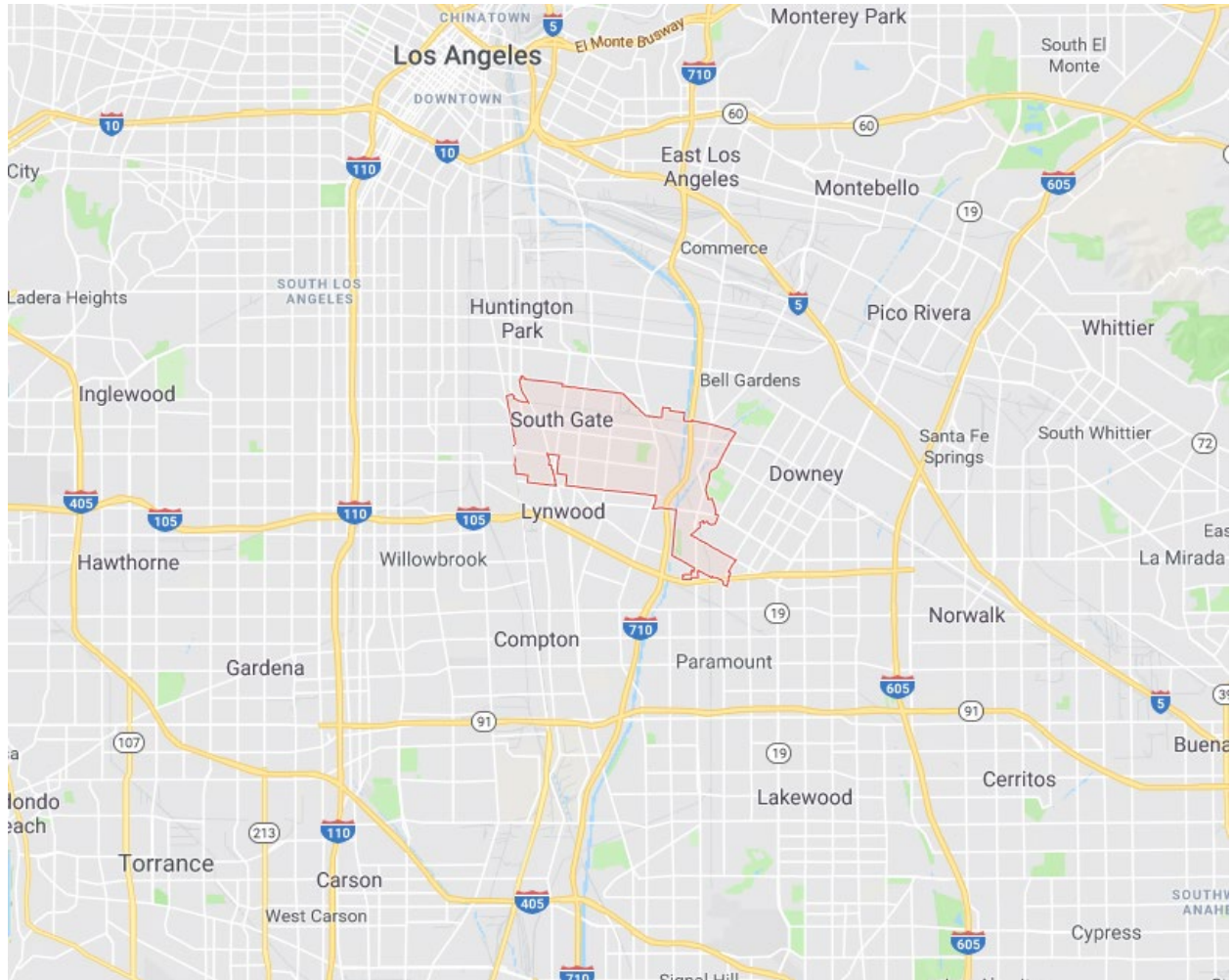
Stanford Park covers 0.19 acres and is a neighborhood park. It has a playground and a small grass area.

Education

Schools located in South Gate include: 18 public (13 elementary, 3 high school and 2 middle high school) and two parochial schools. Adult Education classes are conducted at both the junior and senior high schools. The City is also served by 3 community colleges (Compton, Cerritos and East Los Angeles—main campus and South Gate satellite) and 3 California State Universities (Dominguez Hills, Long Beach and Los Angeles.)

Public schools

Most of South Gate is served by the Los Angeles Unified School District public school system. A small section of South Gate is served by the Paramount Unified School District and Downey Unified School District.



Housing Trends

The median home value in South Gate is \$428,600. South Gate home values have gone up 4.0% over the past year and Zillow predicts they will rise 5.7% within the next year.

The median list price per square foot in South Gate is \$376, which is lower than the Los Angeles-Long Beach-Anaheim Metro average of \$432. The median price of homes currently listed in South Gate is \$434,900 while the median price of homes that sold is \$436,000.

Source: <https://www.zillow.com/>, November 2018

The average rent for an apartment in South Gate is \$1,157, a 1% increase compared to the previous year, when the average rent was \$1,140.



Studio apartments in South Gate rent for \$923 a month, while 1-bedroom apartments ask on average \$1,189 a month; the average rent for a 2-bedroom apartment is \$1,345.

Source: <https://www.rentcafe.com>, November 2018

Income Trends

Income & Poverty	South Gate city, California	Los Angeles County, California	California
Population estimates, July 1, 2017, (V2017)	95,430	10,163,507	39,536,653
PEOPLE			
Income & Poverty			
Median household income (in 2016 dollars), 2012-2016	\$45,522	\$57,952	\$63,783
Per capita income in past 12 months (in 2016 dollars), 2012-2016	\$15,287	\$29,301	\$31,458
Persons in poverty, percent	△ 20.3%	△ 16.3%	△ 13.3%

Source: US Census Bureau, November 2018

Unemployment Trends

The total labor force for the City of South Gate was 43,500, as of September 2018, according to the State Employment Development Department. The total number of employed was 41,400, with the unemployment rate at 5.0%, slightly above the Los Angeles County rate of 4.8%.

Land Use Trends

The subject property is located in a mature suburban neighborhood, approximately 8.0 miles southeast of Downtown Los Angeles.

Surrounding uses are a mix of mainly industrial, automotive, retail, single- and multifamily residential, and supporting commercial uses.



Industrial Market Analysis

Overview

Los Angeles Industrial

12 Mo Deliveries in SF

5.6 M

12 Mo Net Absorption in SF

(449 K)

Vacancy Rate

2.6%

12 Mo Rent Growth

6.7%

The exceptionally tight LA industrial market finally showed vacancy expansion, as a number of large-scale move-outs generated negative absorption in 18Q1 and 18Q2. While this much vacant space hitting the market would rattle most metros, LA is an extremely stable market with persistent demand and slow supply growth.

Three consecutive years of 8%-plus rent growth prior to 18Q2 is testament to the market's robust fundamentals. Investors here continue to accept low returns in exchange for stability and liquidity, as extremely low cap rates have persisted in 18Q3.

KEY INDICATORS

Current Quarter	RBA	Vacancy Rate	Asking Rent	Availability Rate	Net Absorption SF	Deliveries SF	Under Construction
Logistics	618,915,934	2.6%	\$12.10	4.8%	700,368	67,326	4,031,334
Specialized Industrial	254,142,310	2.0%	\$12.26	4.0%	103,885	0	189,464
Flex	58,063,700	5.6%	\$19.99	7.7%	(83,502)	0	0
Market	931,121,944	2.6%	\$12.63	4.8%	740,751	67,326	4,220,798
Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When	Trough	When
Vacancy Change (YOY)	0.5%	4.0%	2.9%	5.5%	2010 Q1	2.1%	2017 Q4
Net Absorption SF	(449 K)	4,056,410	676,173	14,720,332	2014 Q3	(11,629,759)	2009 Q2
Deliveries SF	5.6 M	5,577,162	3,654,043	13,350,695	2002 Q1	779,694	2011 Q1
Rent Growth	6.7%	3.6%	2.9%	9.2%	2017 Q2	-4.9%	2009 Q4
Sales Volume	\$5.2 B	\$2.9B	N/A	\$5.8B	2018 Q3	\$969.8M	2009 Q3



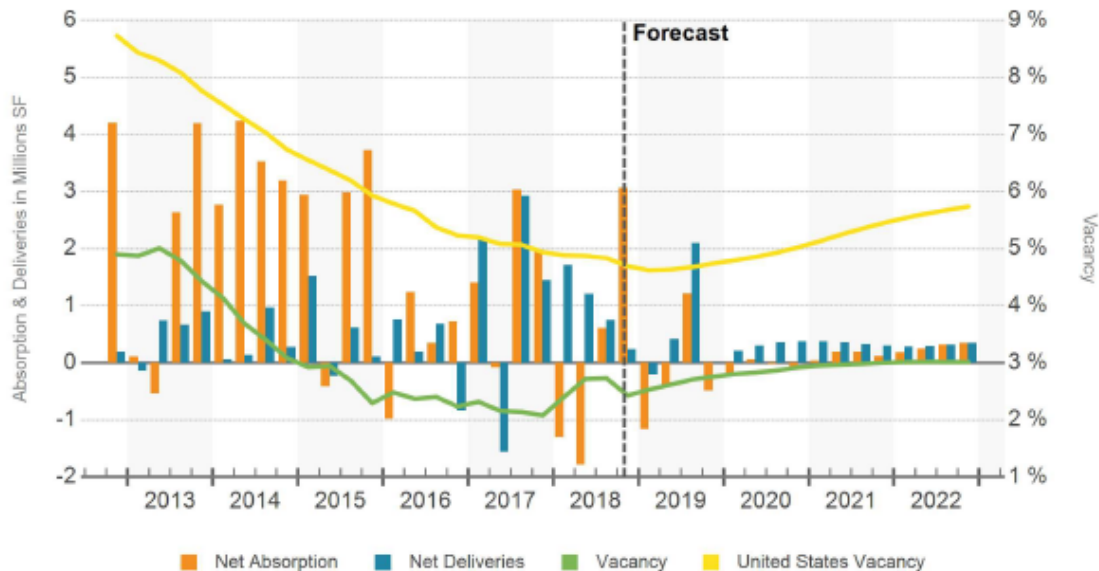
Leasing

Los Angeles Industrial

LA is one of the largest industrial markets in the nation—with over 930 million SF of inventory. Yet available industrial space is scarce in LA, particularly newer and larger buildings suitable for modern-day logistics companies. Few buildings have delivered this cycle, and many of those were build-to-suit and released. The effects of supply constraints on this market cannot be overemphasized: With few developable sites, vacancies in LA remain among the lowest in the nation—despite more than one million SF of negative absorption in 18Q1 and 18Q2, respectively. Persistent industrial demand stemming from port activities, coupled with the difficulty of bringing new industrial product to market, should ensure LA fundamentals remain among the strongest in the nation.

LA is the primary point of entry for goods manufactured in Asia and shipped to the United States, and demand for its industrial space, and particularly logistics inventory, correlates with international trade trends. Even with the expansion of the Panama Canal, the ports of LA and Long Beach are expected to stay busy with imports from Asia. Much of this product will continue to be transported through the metro to the Inland Empire, where land is cheap and logistics development has skyrocketed this cycle. However, LA's proximity to the ports and large, diverse economy help ensure a healthy outlook. Accordingly, many of the largest recent leases have come from third-party logistics firms. In one of 2018's largest deals, Damco Logistics Services leased nearly one million SF at the Goodman Gateway in Santa Fe Springs.

NET ABSORPTION, NET DELIVERIES & VACANCY

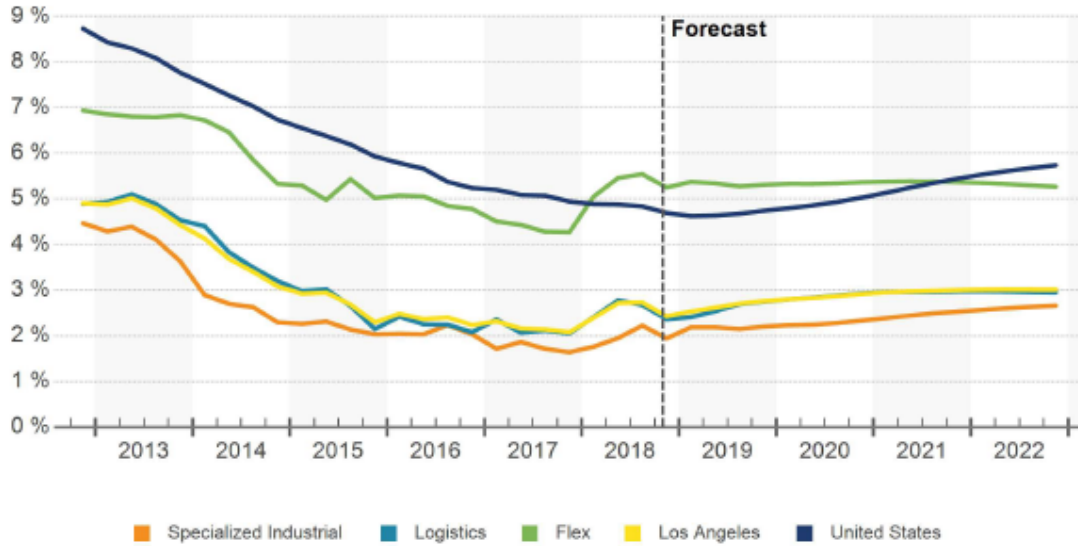




Leasing

Los Angeles Industrial

VACANCY RATE





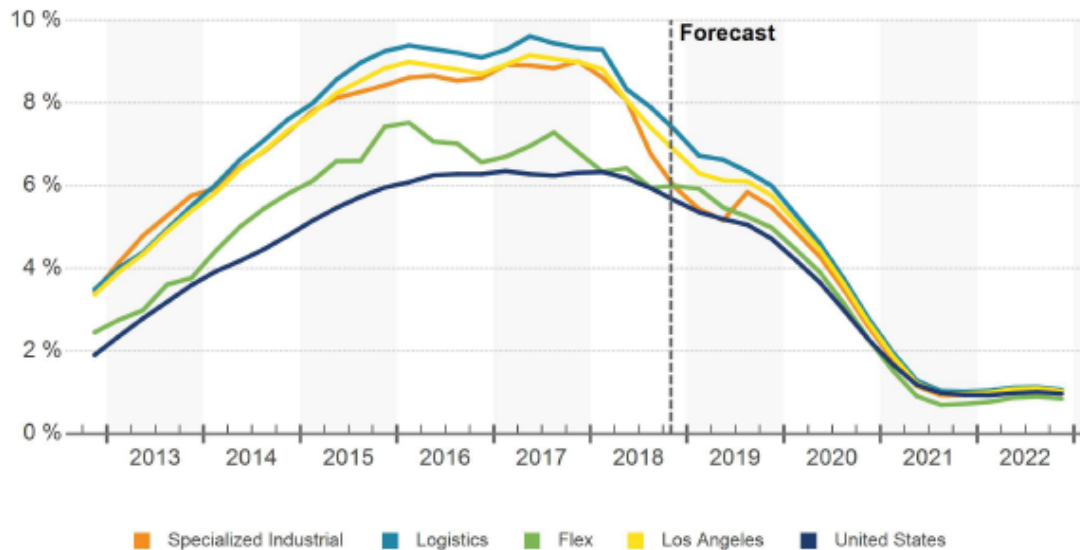
Rent

Los Angeles Industrial

Industrial rents have been growing by more than 6% since the start of 2014, as Los Angeles remains one of the most desired markets. Rent growth peaked at over 9% in 17Q2, but most recently decelerated to 6.7%. A ramp-up in new supply in the coming years has started to alleviate some of the supply constraints, yet LA should still rank near the top of national metros for rent gains.

Big-block space, which is exceedingly rare in LA, has generated most of the gains to date and could continue to over perform given the lack of options for tenants. Flex buildings, heavily concentrated in the Westside submarket, have seen lower rent gains, but these buildings can often ask for rents comparable to 3 Star office space.

MARKET RENT GROWTH (YOY)

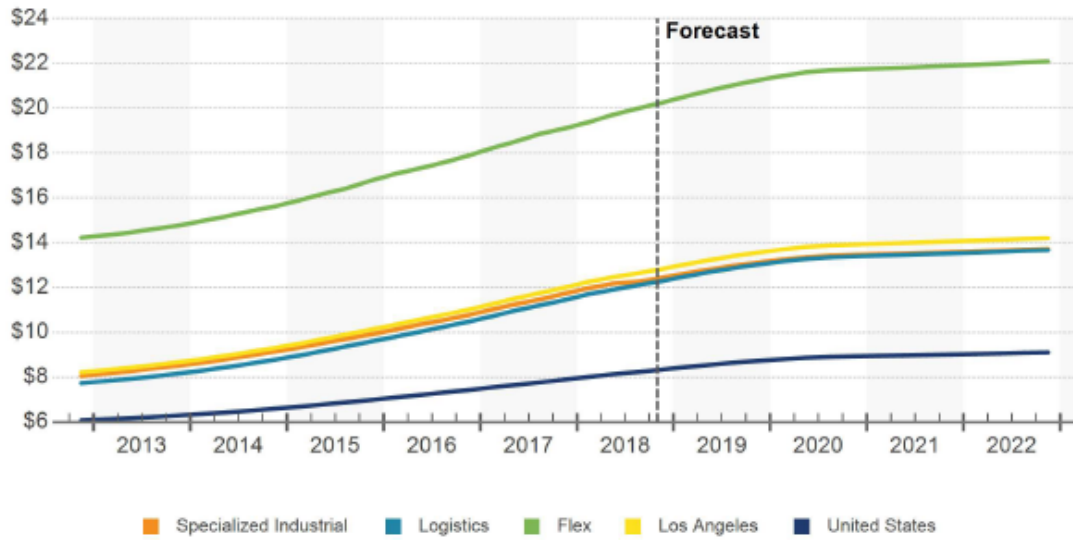




Rent

Los Angeles Industrial

MARKET RENT PER SQUARE FOOT





Construction

Los Angeles Industrial

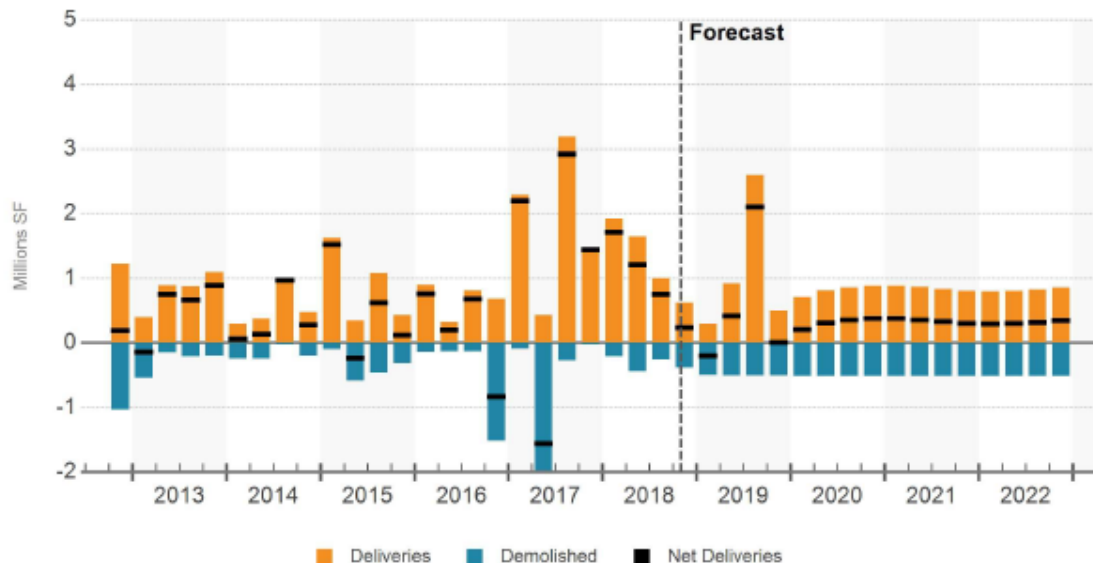
Industrial construction continues to grow in Los Angeles midway into 2018. Over 4.7 million SF of new product delivered in 2017, and a similar amount is projected to deliver in 2018 and 2019. For most of the cycle prior to 2017, an average of less than two million SF delivered annually.

Bringing new product to Los Angeles is traditionally a challenge and one of the key reasons the nearby Inland Empire has evolved into one of the hottest industrial markets in the country. A paucity of developable land and an onerous permitting process tend to keep a lid on development even during periods of peak demand growth. The arrival of several major new logistics projects, including more than one million SF in the three buildings at the Goodman Logistics Center in Santa Fe Springs and more than one million SF in four buildings at the Arcadia Logistics Center make 2017 and 2018 the busiest years for new industrial construction in LA in over a decade. In a sign of the intense demand for big-block logistics space in the market, both developments are fully

leased.

Due to the difficulty in developing new, modern supply, much of LA's industrial inventory tends to be in properties that are smaller and older than might be considered normal for such a prominent national distribution market. Only about 20% of the metro's industrial space is in buildings of 250,000 SF or more, well below the percentage in other large industrial markets. For example, in Atlanta, Dallas-Fort Worth, and Chicago, buildings of that size comprise at least a third of inventory. The value in most assets here lies in their proximity to the ports and to the 22 million residents of Southern California, not in the property itself. On the other hand, the few big box warehouses that do deliver tend to lack competition and maintain a significant leasing advantage. These circumstances should bode well for the Goodman Logistics Center El Monte—a two building logistics facility with over 1.2 million SF of industrial space that recently broke ground.

DELIVERIES & DEMOLITIONS





Sales

Los Angeles Industrial

Transaction activity remains extremely busy in the Los Angeles industrial market. As of September 2018, 12-month sales volume in Los Angeles reached \$5.3 billion—about 10% of the nation's volume. Outsized rent growth in LA's industrial market has led to increased liquidity, driving rapid cap rate compression and price gains. Investors in the market have been motivated by a multitude of reasons exemplified in some of the largest recent transactions.

Expansion is one motivating factor for recent sales. For example, Kite Pharma purchased a 160,000 SF flex building in Santa Monica for \$130 million (\$815/SF) from Agensys in April. Gilead Sciences, the parent company of Kite Pharma, has been expanding throughout the world, and Kite Pharma will occupy the entire three-story building, which is located near its Santa Monica headquarters. The price paid for this facility is a record high for the market for a building this size, and continued expansion of the biotech industry in LA could bode well for other flex properties.

Another motivating factor is the ability to secure a tenant. For example, Morgan Stanley purchased a new 500,000 SF distribution center in Torrance for \$102 million (\$200/SF), sold and developed by Bridge Development Partners. Morgan Stanley valued the asset's prime location near the ports. While the property was vacant at the time of sale, Morgan Stanley was able to secure Nordstrom as a tenant soon after closing.

One unique sale involves a 94,000 SF warehouse in El

Segundo. NantHealth purchased the warehouse for \$50 million (\$531/SF). NantHealth is affiliated with the L.A. Times, who recently moved its operations to the neighboring building. While redevelopment efforts have not been disclosed, the high price for this building signals that it will likely no longer be used as a warehouse.

A more common motivation involves steady cash flow. Rexford Industrial, for example, purchased a 700,000 SF distribution building in Commerce for \$121 million (\$174/SF), sold and occupied by Supervalu. Supervalu, a high-quality and credit tenant, has the building leased for the next 20 years on a triple-net basis, so Rexford was motivated by the attractive long-term cash flow.

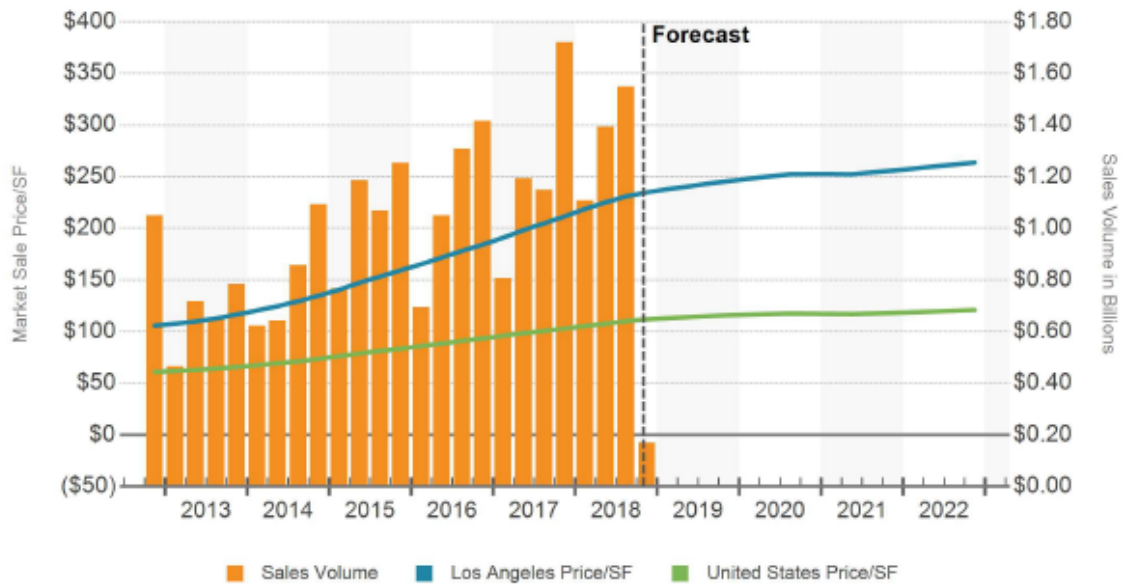
Acquiring aging industrial assets in LA to redevelop for multifamily or creative office use has also been a popular investor strategy this cycle. The Healthcare of Ontario Pension Plan implemented that strategy when it purchased a six-property portfolio Downtown for \$328.1 million in June 2017. Of the properties involved, two are mature industrial buildings that are being repurposed into a mixed-use development known as ROW DTLA. Upon completion, ROW will feature more than 1.4 million SF of creative office and retail space. Similarly, in 2016 the Harridge Development Group acquired the LA Times Olympic printing plant in Central Los Angeles for \$120 million (at a 3.5% cap rate). The facility is leased to the Times through 2023 and is in Downtown's burgeoning Arts District. More of these sales, but in smaller scale, are prevalent in the Westside Submarket.



Sales

Los Angeles Industrial

SALES VOLUME & MARKET SALE PRICE PER SF



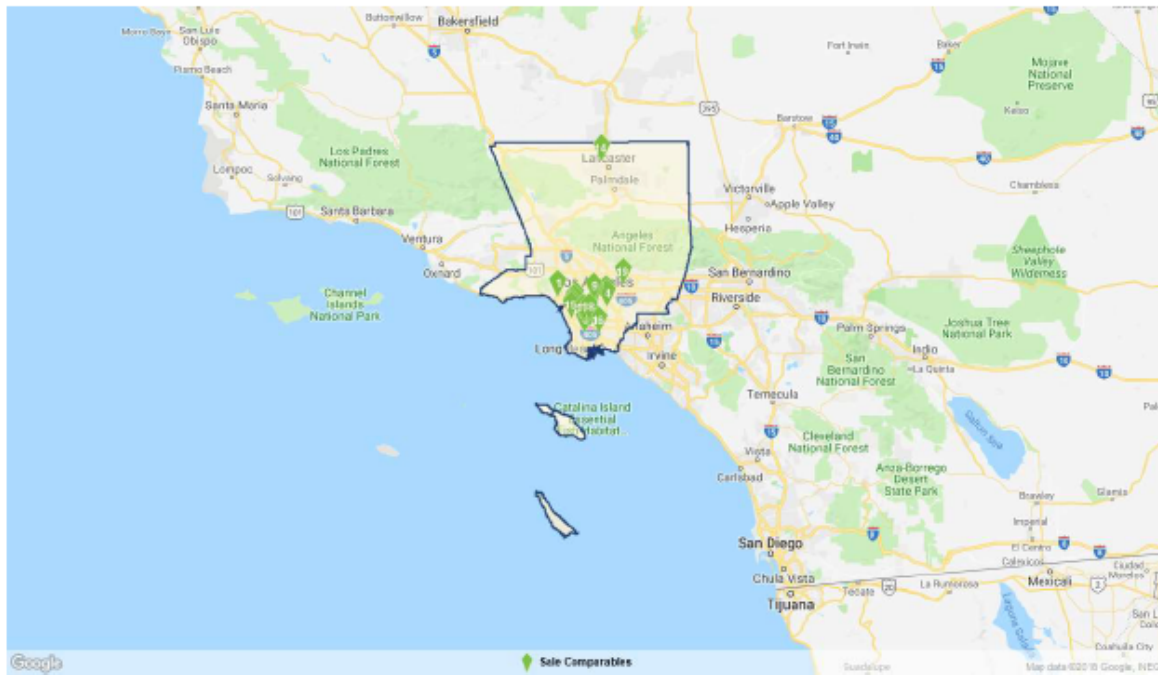


Sales Past 12 Months

Los Angeles Industrial

Sale Comparables	Avg. Cap Rate	Avg. Price/SF	Avg. Vacancy At Sale
1,795	5.2%	\$194	8.5%

SALE COMPARABLE LOCATIONS



SALE COMPARABLES SUMMARY STATISTICS

Sales Attributes	Low	Average	Median	High
Sale Price	\$40,197	\$5,100,221	\$2,330,000	\$130,000,000
Price Per SF	\$11	\$194	\$198	\$7,200
Cap Rate	1.3%	5.2%	4.8%	13.9%
Time Since Sale in Months	0.0	6.0	5.8	12.0
Property Attributes	Low	Average	Median	High
Building SF	280	20,743	8,775	762,850
Ceiling Height	8'	16'8"	16'	60'
Docks	0	2	0	270
Vacancy Rate At Sale	0%	8.5%	0%	100%
Year Built	1900	1965	1962	2018
Star Rating	★ ★ ★ ★ ★	★ ★ ★ ★ ★ 1.7	★ ★ ★ ★ ★	★ ★ ★ ★ ★



Economy

Los Angeles Industrial

Job growth trailed the nation over the last 12 months, as firms face a tight labor market and housing affordability continues to induce negative domestic migration. Unemployment, which is persistently higher than the national average, is now down to 4.5%. With the metro at or near full employment, finding new workers will be a challenge for many businesses. Population growth has also slowed to less than 0.2% in 2017 and many aging Baby Boomers are near retirement.

Recent population trends are characterized by outward domestic migration that is nearly offset by inward international migration, according to the U.S. Census. A lack of housing affordability will continue to push low-income households to outlying regions, including the Inland Empire, while there is less certainty about future international migration due to improved economic conditions for middle-class residents in parts of Asia and Latin America as well as conflicting national and local immigration policies.

After years of subpar wage growth from 2010 to 2014, LA County's wages accelerated in 2015 and continued to expand through 2017. Further pressure on wages may continue as businesses compete for workers. Furthermore, businesses in the cities of LA, Santa Monica, Pasadena, and unincorporated portions of the county will see an increase in the minimum wage over the next five years that will outpace the statewide mandate. Wage growth began to translate into income growth in 2016, when the annual median household income reached \$61,000. While income has hardly kept up with home prices, it has spurred growth in spending online, automobiles, at dining establishments and, to a lesser extent, at traditional retail stores.

The county's demographic makeup in terms of educational attainment may make it more challenging for businesses looking for highly skilled, tech-savvy workers. Only 30% of residents hold a bachelor's degree, compared to 40% in the largest 10 metros across the nation, but this proportion is growing. While recent job growth has favored many lower-paying sectors, such as health services and leisure and hospitality, businesses across many sectors have been transitioning to a higher proportion of high-skilled occupations. Computer and mathematical occupations, such as software developers and engineers, are among the most in-demand occupations based on both employment and wage growth in recent years. Much of the hiring for these workers is happening in the West Coast submarkets synonymous with Silicon Beach, where companies like Hulu, Snapchat, and Electronic Arts have major operations and startup activity is prevalent.

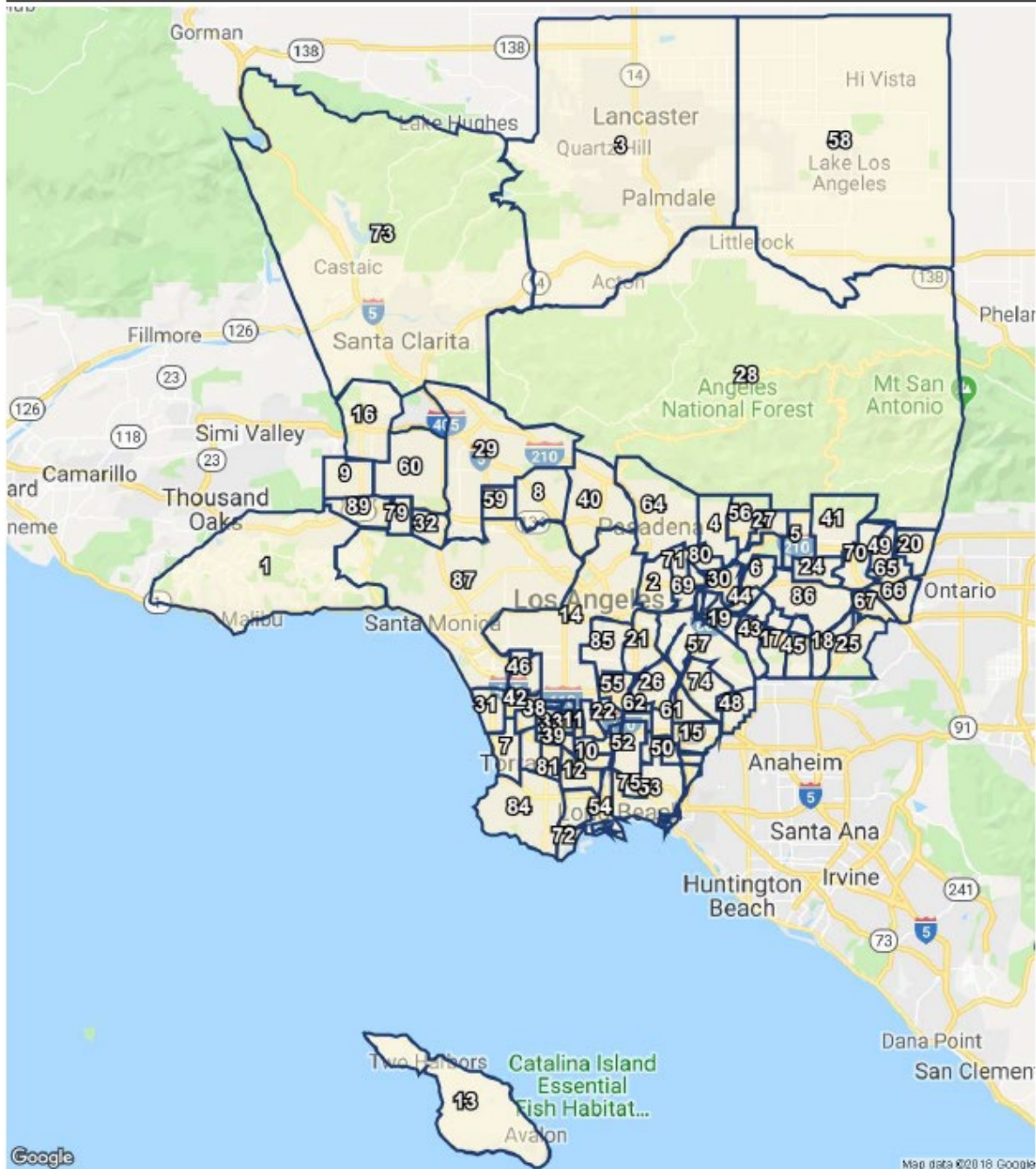
Logistics and transportation companies are not exempt from difficulties in finding highly skilled workers. In LA County, where warehouse space is generally more expensive than in neighboring Inland Empire, stacking is much more important and that encourages newer high-tech capital like robotics and skilled workers that can utilize warehouse management systems. Furthermore, demand for these workers and warehouse space will continue to rise as goods entering and exiting through the twin ports of LA has been growing. Loaded TEU's reached an all-time high in 2017, with counts up 5.4% in 2017. However, escalating trade tensions between the United States and its major trading partners could negatively impact trade flows.



Submarkets

Los Angeles Industrial

LOS ANGELES SUBMARKETS





Submarkets

Los Angeles Industrial

SUBMARKET INVENTORY

No.	Submarket	Inventory				12 Month Deliveries				Under Construction			
		Bldgs	SF (000)	% Market	Rank	Bldgs	SF (000)	Percent	Rank	Bldgs	SF (000)	Percent	Rank
1	Agoura Hills/Westlake Vill...	139	3,533	0.4%	59	0	0	0%	-	0	-	-	-
2	Alhambra	204	4,638	0.5%	55	0	0	0%	-	0	-	-	-
3	Antelope Valley	423	10,382	1.1%	25	2	34	0.3%	18	1	43	0.4%	15
4	Arcadia/Sierra Madre	149	1,670	0.2%	73	0	0	0%	-	0	-	-	-
5	Azusa	350	8,598	0.9%	32	2	138	1.6%	11	1	146	1.7%	9
6	Baldwin Park	331	4,799	0.5%	54	0	0	0%	-	0	-	-	-
7	Beach Cities	94	2,859	0.3%	65	0	0	0%	-	0	-	-	-
8	Burbank	1,139	15,107	1.6%	16	0	0	0%	-	0	-	-	-
9	Canoga Park	370	5,997	0.6%	43	0	0	0%	-	0	-	-	-
10	Carson Central	267	20,382	2.2%	9	0	0	0%	-	1	412	2.0%	4
11	Carson North	130	5,356	0.6%	46	0	0	0%	-	0	-	-	-
12	Carson South	170	12,818	1.4%	21	0	0	0%	-	0	-	-	-
13	Catalina Island	1	2	0%	87	0	0	0%	-	0	-	-	-
14	Central Los Angeles	5,020	94,458	10.1%	1	3	177	0.2%	8	3	315	0.3%	5
15	Cerritos	349	14,124	1.5%	17	0	0	0%	-	1	71	0.5%	14
16	Chatsworth	649	19,892	2.1%	11	0	0	0%	-	0	-	-	-
17	City of Industry Cent	258	12,013	1.3%	22	11	706	5.9%	2	1	156	1.3%	8
18	City of Industry East	326	23,691	2.5%	7	0	0	0%	-	0	-	-	-
19	City of Industry West	73	5,260	0.6%	47	0	0	0%	-	0	-	-	-
20	Claremont	26	664	0.1%	79	0	0	0%	-	0	-	-	-
21	Commerce	984	48,808	5.2%	4	0	0	0%	-	0	-	-	-
22	Compton East	133	2,663	0.3%	68	0	0	0%	-	0	-	-	-
23	Compton West	223	14,048	1.5%	18	0	0	0%	-	0	-	-	-
24	Covina	220	2,479	0.3%	70	0	0	0%	-	1	95	3.9%	13
25	Diamond Bar	2	33	0%	85	0	0	0%	-	0	-	-	-
26	Downey	303	7,574	0.8%	36	0	0	0%	-	0	-	-	-
27	Duarte	70	1,454	0.2%	75	0	0	0%	-	0	-	-	-
28	East LA Cnty Outlying	3	27	0%	86	0	0	0%	-	0	-	-	-
29	East San Ferndo Vily	2,484	47,643	5.1%	5	2	235	0.5%	7	0	-	-	-
30	El Monte	425	9,798	1.1%	29	2	67	0.7%	15	2	1,235	12.6%	1
31	El Segundo	286	10,672	1.1%	24	0	0	0%	-	0	-	-	-
32	Encino	1	2	0%	88	0	0	0%	-	0	-	-	-
33	Gardena Central	481	9,866	1.1%	28	2	150	1.5%	10	0	-	-	-
34	Gardena East	186	6,360	0.7%	42	0	0	0%	-	1	112	1.8%	11
35	Gardena NE	248	6,383	0.7%	41	0	0	0%	-	0	-	-	-
36	Gardena North	357	5,065	0.5%	51	1	41	0.8%	17	0	-	-	-
37	Gardena North Central	166	3,941	0.4%	57	0	0	0%	-	0	-	-	-
38	Gardena NW	11	118	0%	84	0	0	0%	-	0	-	-	-
39	Gardena South	236	4,842	0.5%	53	0	0	0%	-	0	-	-	-
40	Glendale	674	9,975	1.1%	27	0	0	0%	-	0	-	-	-
41	Glendora	68	940	0.1%	78	0	0	0%	-	0	-	-	-
42	Hawthorne	292	8,691	0.9%	31	0	0	0%	-	0	-	-	-

Source: CoStar, November 2018



Industrial Submarket Analysis

Overview

			Downey Industrial	
12 Mo Deliveries in SF	12 Mo Net Absorption in SF	Vacancy Rate	12 Mo Rent Growth	
0	(14.6 K)	1.8%	6.8%	

KEY INDICATORS

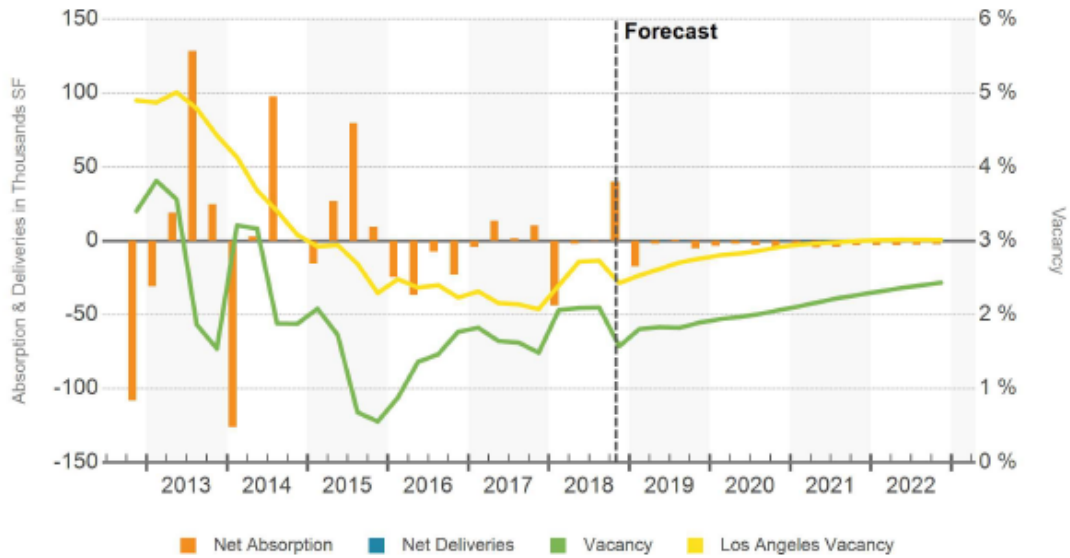
Current Quarter	RBA	Vacancy Rate	Asking Rent	Availability Rate	Net Absorption SF	Deliveries SF	Under Construction
Logistics	4,856,285	1.3%	\$10.45	1.3%	(5,425)	0	0
Specialized Industrial	2,450,920	2.7%	\$10.96	5.0%	30,496	0	0
Flex	266,727	1.3%	\$18.10	1.3%	0	0	0
Submarket	7,573,932	1.8%	\$10.89	2.5%	25,071	0	0
Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When	Trough	When
Vacancy Change (YOY)	0.2%	2.5%	2.1%	5.0%	2010 Q3	0.6%	2015 Q4
Net Absorption SF	(14.6 K)	(14)	(8,021)	201,298	2006 Q3	(279,863)	2003 Q1
Deliveries SF	0	15,607	480	195,959	2009 Q1	0	2018 Q3
Rent Growth	6.8%	3.6%	3.0%	9.3%	2017 Q2	-4.6%	2009 Q4
Sales Volume	\$32.5 M	\$16.4M	N/A	\$79.5M	2018 Q3	\$3.0M	2010 Q4



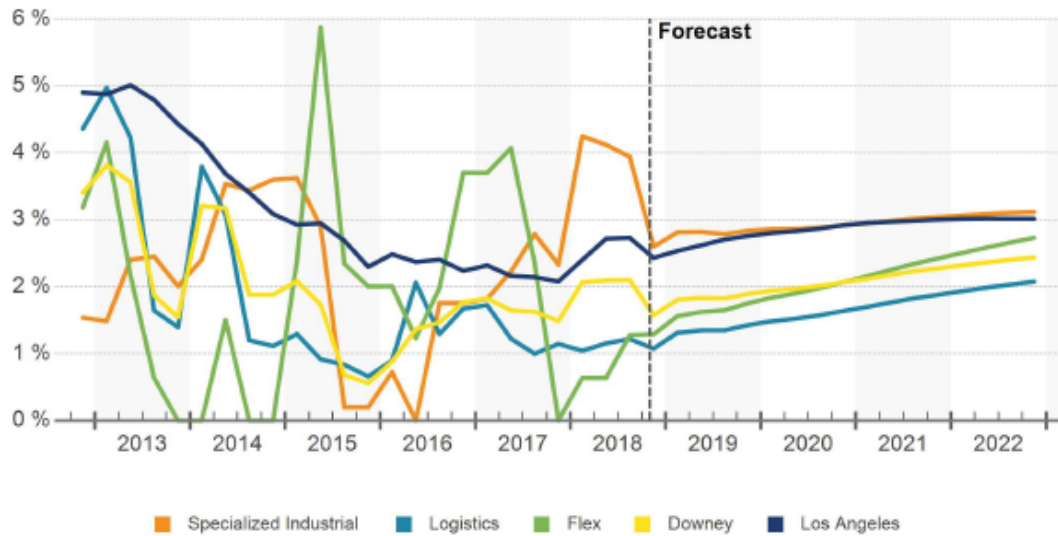
Leasing

Downey Industrial

NET ABSORPTION, NET DELIVERIES & VACANCY



VACANCY RATE

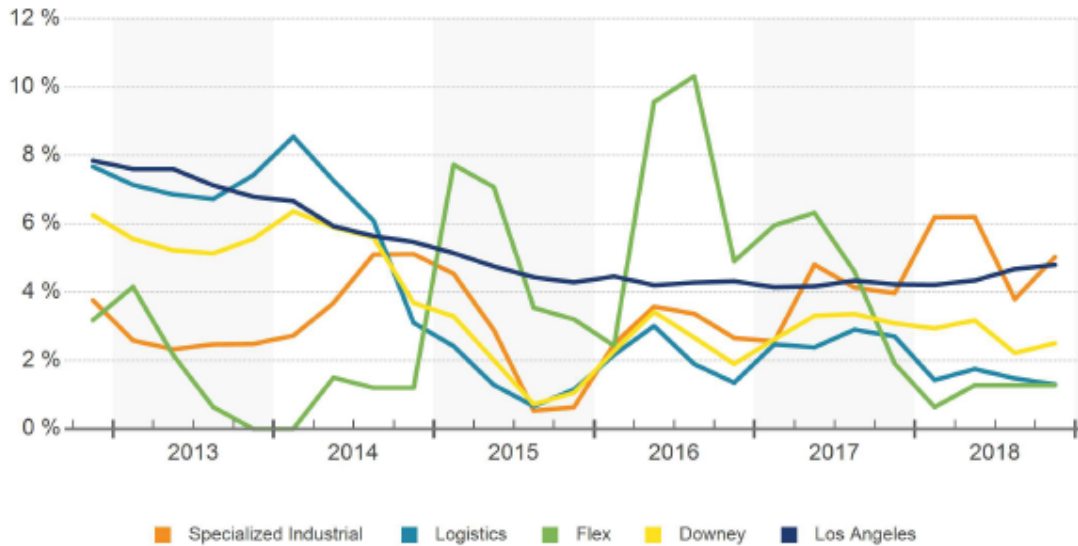




Leasing

Downey Industrial

AVAILABILITY RATE



3 STAR MOST ACTIVE BUILDINGS IN SUBMARKET - PAST 12 MONTHS

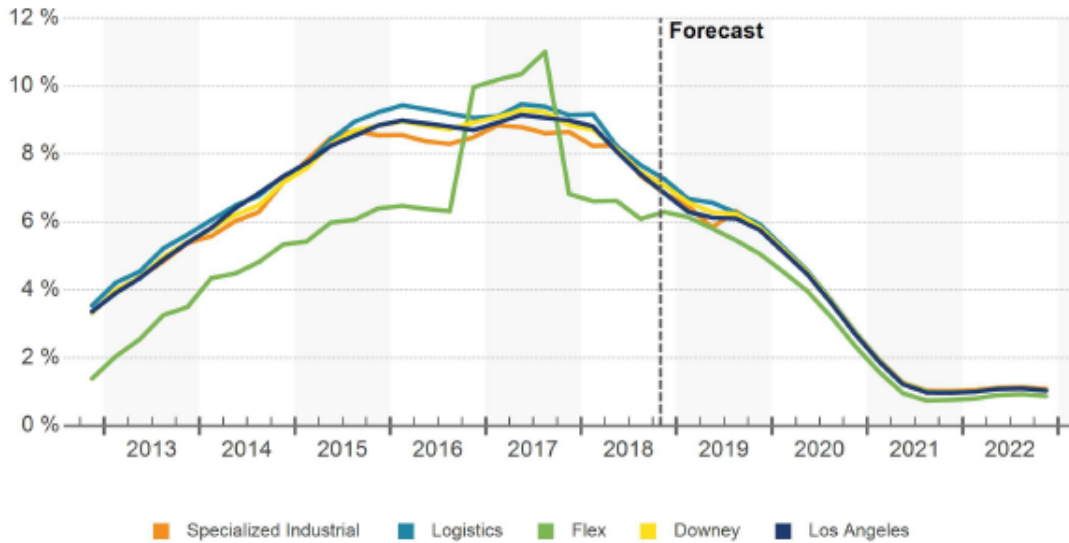
Property Name/Address	Rating	RBA	Deals	SF	Vacancy (QTD)	Net Absorption SF (QTD)
Cornerstone Commerce Center 9220-9288 Hall Rd	★★★★☆	195,959	3	14,551	1.7%	4,408
12020 Woodruff Ave	★★★★☆	99,255	2	20,124	8.7%	0
12000 Woodruff Ave	★★★★☆	45,523	1	7,723	0%	0
12401 Woodruff Ave	★★★★☆	38,434	1	1,740	4.8%	0
12010 Woodruff Ave	★★★★☆	54,756	1	8,064	0%	0
11905 Regentview Ave	★★★★☆	87,570	1	58,300	0%	0



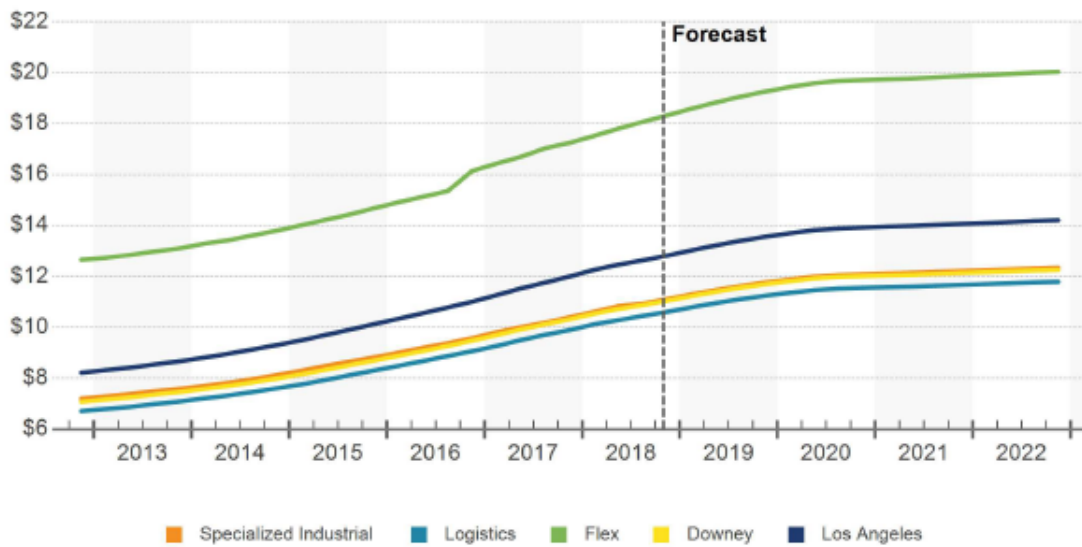
Rent

Downey Industrial

MARKET RENT GROWTH (YOY)



MARKET RENT PER SQUARE FOOT

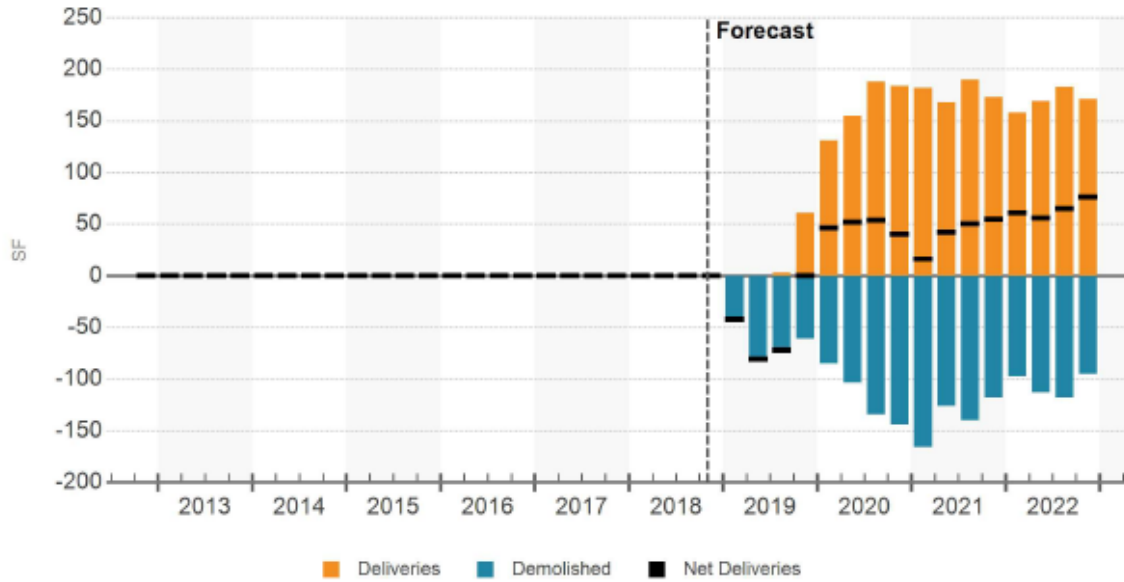




Construction

Downey Industrial

DELIVERIES & DEMOLITIONS





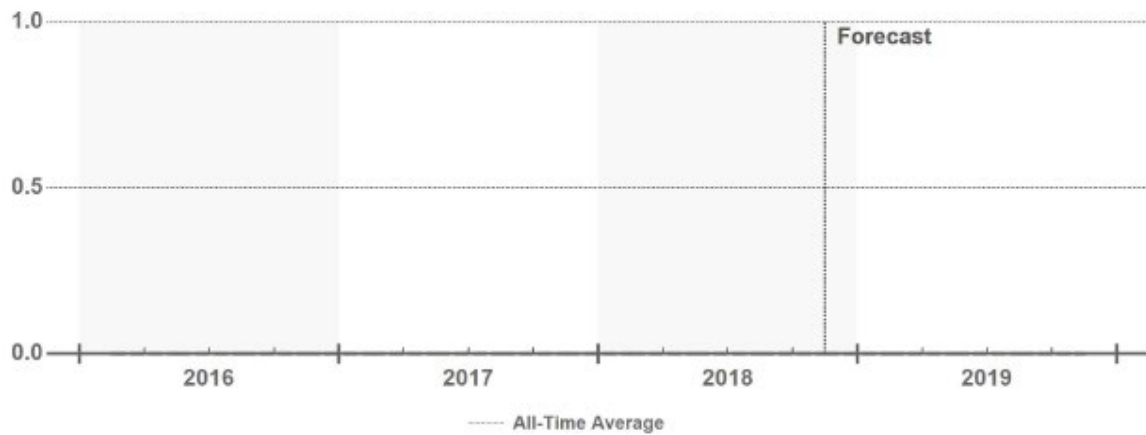
Construction

All-Time Annual Avg. SF	Delivered SF Past 4 Qtrs	Delivered SF Next 4 Qtrs	Downey Industrial Proposed SF Next 4 Qtrs
0	0	0	0

PAST 4 QUARTERS DELIVERIES, UNDER CONSTRUCTION, & PROPOSED



PAST & FUTURE DELIVERIES IN SQUARE FEET

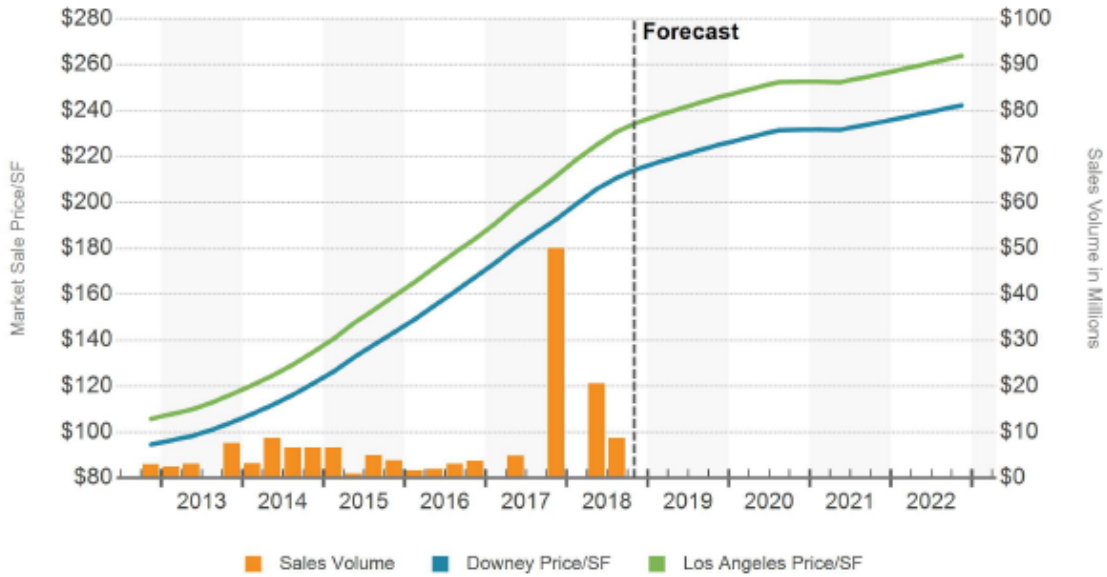




Sales

Downey Industrial

SALES VOLUME & MARKET SALE PRICE PER SF



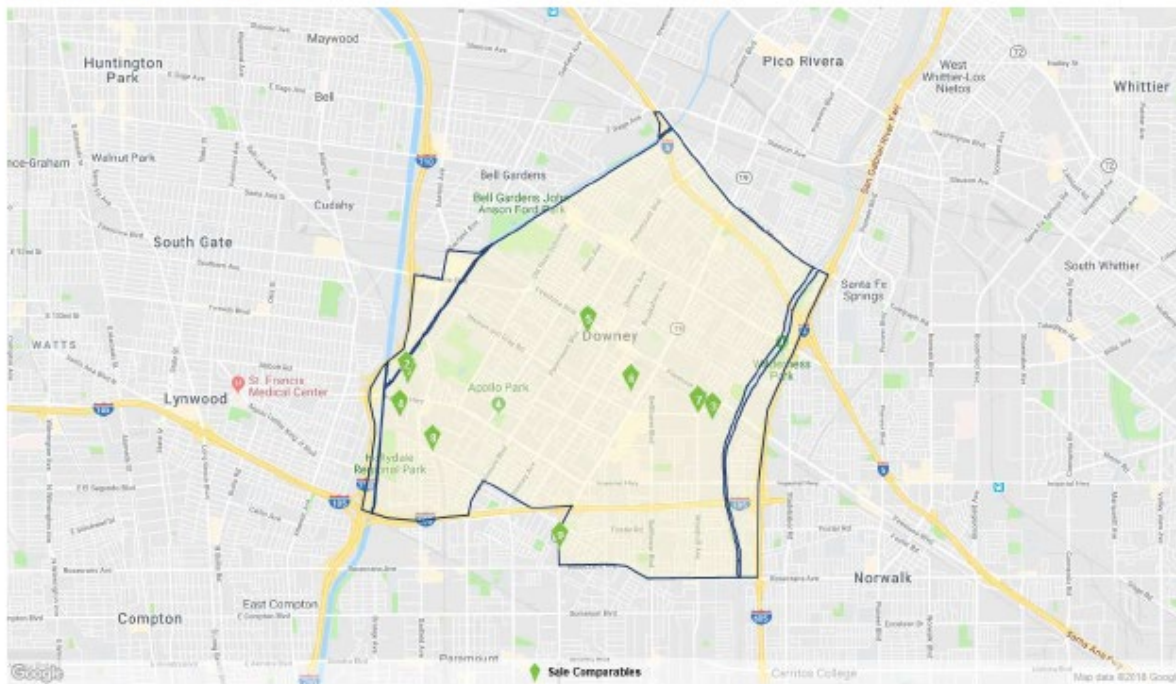


Sales Past 12 Months

Downey Industrial

Sale Comparables	Avg. Cap Rate	Avg. Price/SF	Avg. Vacancy At Sale
9	4.6%	\$181	31.9%

SALE COMPARABLE LOCATIONS



SALE COMPARABLES SUMMARY STATISTICS

Sales Attributes	Low	Average	Median	High
Sale Price	\$805,000	\$3,606,488	\$2,010,000	\$8,950,000
Price Per SF	\$129	\$181	\$188	\$255
Cap Rate	4.5%	4.6%	4.6%	4.6%
Time Since Sale in Months	1.4	5.9	5.7	11.0
Property Attributes	Low	Average	Median	High
Building SF	2,550	19,896	12,525	44,550
Ceiling Height	12'	18'6"	14'	43'
Docks	0	4	0	13
Vacancy Rate At Sale	0%	31.9%	0%	100%
Year Built	1950	1965	1967	1988
Star Rating	★★★★★	★★★★★ 1.9	★★★★★	★★★★★



Sales Past 12 Months

Downey Industrial

RECENT SIGNIFICANT SALES

Property Name - Address	Property				Sale				
	Rating	Yr Built	Bldg SF	Vacancy	Sale Date	Price	Price/SF	Cap Rate	
1 10633 Ruchti Rd	★ ★ ★ ★ ★	1983	44,550	0%	6/15/2018	\$8,950,000	\$201	-	
2 10615 Ruchti Rd	★ ★ ★ ★ ★	1988	44,500	100%	4/4/2018	\$7,500,000	\$189	-	
3 11937 Regentview Ave	★ ★ ★ ★ ★	1988	30,331	0%	8/22/2018	\$8,678,378	\$220	4.6%	
4 11120 Scott Ave	★ ★ ★ ★ ★	1987	21,755	0%	6/28/2018	\$2,940,000	\$135	-	
5 8121 Pivot St	★ ★ ★ ★ ★	1971	9,400	0%	9/19/2018	\$2,010,000	\$214	-	
6 8714-8718 Cleta St	★ ★ ★ ★ ★	1968	12,525	100%	12/15/2017	\$1,800,000	\$144	-	
7 11904-11908 Woodruff Ave	★ ★ ★ ★ ★	1952	10,240	0%	12/1/2017	\$1,325,000	\$129	4.5%	
8 11518 Center St	★ ★ ★ ★ ★	1988	2,550	0%	5/11/2018	\$650,000	\$255	-	
9 13406-13348 Lakewood...	★ ★ ★ ★ ★	1950	3,216	0%	4/17/2018	\$605,000	\$188	-	



Supply & Demand Trends

Downey Industrial

OVERALL SUPPLY & DEMAND

Year	Inventory			Net Absorption		
	SF	SF Growth	% Growth	SF	% of Inv	Construction Ratio
2022	7,574,350	258	0%	(11,820)	-0.2%	-
2021	7,574,092	163	0%	(15,587)	-0.2%	-
2020	7,573,929	192	0%	(12,883)	-0.2%	-
2019	7,573,737	(195)	0%	(24,403)	-0.3%	-
2018	7,573,932	0	0%	(6,663)	-0.1%	-
YTD	7,573,932	0	0%	(21,406)	-0.3%	-
2017	7,573,932	0	0%	21,505	0.3%	0
2016	7,573,932	0	0%	(91,885)	-1.2%	-
2015	7,573,932	0	0%	99,985	1.3%	0
2014	7,573,932	0	0%	(25,352)	-0.3%	-
2013	7,573,932	0	0%	140,883	1.9%	0
2012	7,573,932	0	0%	(52,603)	-0.7%	-
2011	7,573,932	(36,816)	-0.5%	107,133	1.4%	-
2010	7,610,748	0	0%	(129,772)	-1.7%	-
2009	7,610,748	0	0%	(34,567)	-0.5%	-
2008	7,610,748	195,959	2.6%	110,813	1.5%	1.8
2007	7,414,789	(147,560)	-2.0%	2,199	0%	-
2006	7,562,349	0	0%	41,962	0.6%	0

Rent & Vacancy

Downey Industrial

OVERALL RENT & VACANCY

Year	Market Rent				Vacancy		
	Per SF	Index	% Growth	Vs Hist Peak	SF	Percent	Ppts Chg
2022	\$12.26	167	1.0%	15.8%	184,292	2.4%	0.2%
2021	\$12.13	166	1.0%	14.9%	172,214	2.3%	0.2%
2020	\$12.01	164	2.7%	14.1%	156,464	2.1%	0.2%
2019	\$11.69	160	5.8%	11.8%	143,389	1.9%	0.3%
2018	\$11.05	151	7.1%	6.6%	119,181	1.6%	0.1%
YTD	\$10.89	149	5.5%	5.2%	133,924	1.8%	0.3%
2017	\$10.32	141	8.8%	0%	112,518	1.5%	-0.3%
2016	\$9.48	129	8.9%	-8.8%	134,023	1.8%	1.2%
2015	\$8.70	119	8.8%	-18.6%	42,138	0.6%	-1.3%
2014	\$8.00	109	7.2%	-29.0%	142,123	1.9%	0.3%
2013	\$7.48	102	5.4%	-38.3%	116,771	1.5%	-1.9%
2012	\$7.08	97	3.3%	-45.8%	257,654	3.4%	0.7%
2011	\$6.85	93	1.2%	-50.6%	205,051	2.7%	-1.9%
2010	\$6.77	92	-3.2%	-52.5%	349,000	4.6%	1.7%
2009	\$6.99	95	-4.6%	-47.6%	219,228	2.9%	0.5%
2008	\$7.33	100	-0.3%	-40.8%	184,661	2.4%	1.1%
2007	\$7.35	100	3.4%	-40.4%	99,515	1.3%	-2.0%
2006	\$7.11	97	4.3%	-45.1%	249,274	3.3%	-0.6%



Sale Trends

Downey Industrial

OVERALL SALES

Year	Completed Transactions (1)						Market Pricing Trends (2)		
	Deals	Volume	Turnover	Avg Price	Avg Price/SF	Avg Cap Rate	Price/SF	Price Index	Cap Rate
2022	-	-	-	-	-	-	\$242.31	263	6.3%
2021	-	-	-	-	-	-	\$234.99	255	6.2%
2020	-	-	-	-	-	-	\$231.71	251	6.1%
2019	-	-	-	-	-	-	\$225.08	244	5.9%
2018	-	-	-	-	-	-	\$214.59	233	5.7%
YTD	7	\$29.3 M	2.1%	\$4,190,483	\$187.67	4.6%	\$212.69	231	5.7%
2017	11	\$55.0 M	6.3%	\$5,504,776	\$118.12	5.1%	\$192.67	209	5.8%
2016	11	\$10.3 M	1.6%	\$1,467,857	\$127.44	-	\$167.52	182	6.0%
2015	17	\$16.3 M	8.5%	\$2,724,652	\$84.43	6.0%	\$143.46	156	6.2%
2014	11	\$25.0 M	3.3%	\$2,776,667	\$106.99	6.3%	\$121.24	132	6.7%
2013	10	\$13.2 M	3.7%	\$1,881,964	\$66.10	-	\$104.32	113	7.1%
2012	18	\$11.4 M	4.8%	\$1,568,571	\$92.76	-	\$94.60	103	7.3%
2011	3	\$5.7 M	0.9%	\$2,827,500	\$89.48	-	\$87.60	95	7.7%
2010	6	\$3.0 M	1.0%	\$610,000	\$65.16	7.5%	\$82.65	90	8.0%
2009	50	\$11.1 M	4.6%	\$2,768,750	\$77.04	6.0%	\$80.79	88	8.3%
2008	19	\$21.3 M	2.4%	\$1,757,264	\$118.46	5.7%	\$92.17	100	7.8%
2007	9	\$8.8 M	4.1%	\$1,459,333	\$84.77	-	\$105.89	115	7.0%

(1) Completed transaction data is based on actual arms-length sales transactions and levels are dependent on the mix of what happened to sell in the period.
(2) Market price trends data is based on the estimated price movement of all properties in the market, informed by actual transactions that have occurred.

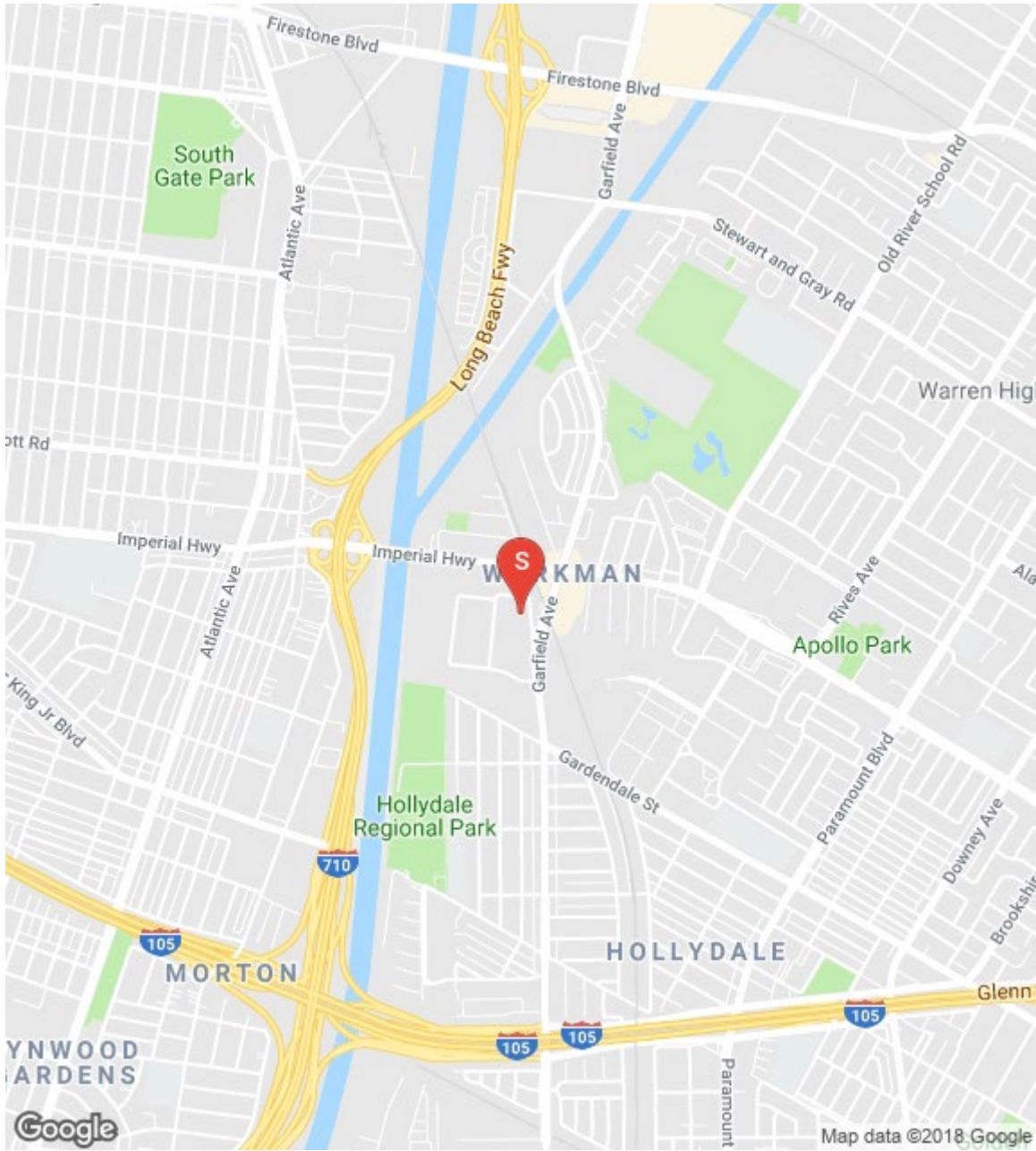
Source: CoStar, November 2018



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Location Map

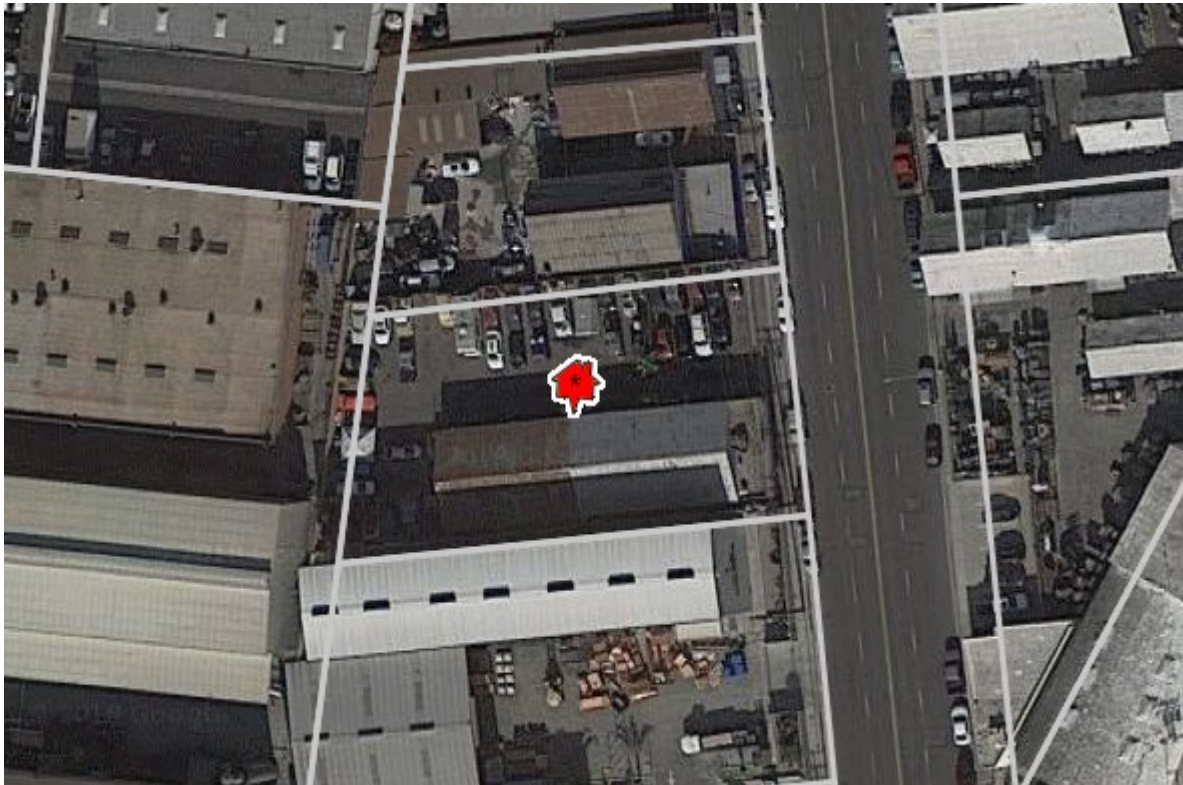




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Aerial Map

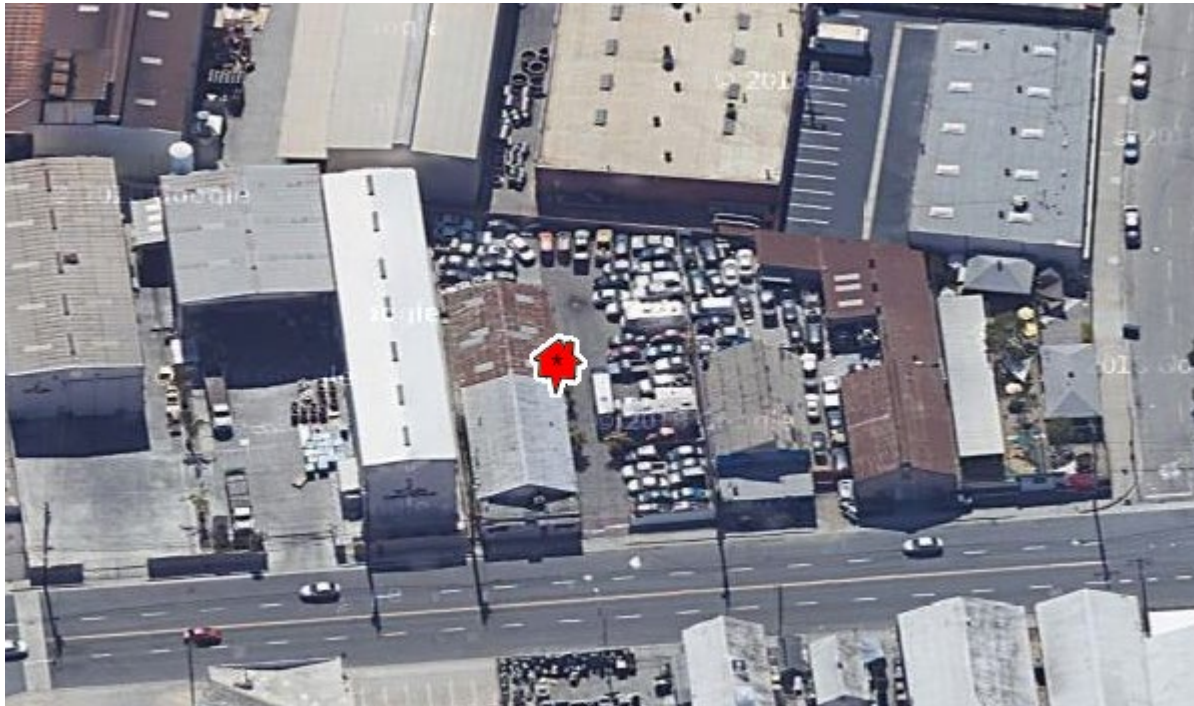




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Aerial Map





Property Description

The subject property comprises one, 1-story, metal frame and masonry, industrial building, on a $\pm 17,981$ SF, mostly rectangular parcel, based on public record.

The GBA for the subject building improvements is 5,280 SF, according to public record, and according to appraisers' measurements.

The measurements and improvements sketch supplied in the appraisal report are for appraiser purposes of comparison to the comparable sales analyzed in the Sales Comparison Analysis. The supplied sketch is not an architectural rendering of the subject building improvements and is not to be considered as such, as the appraiser is not a licensed architect. The gross building area stated in the report may or may not agree with the GBA published by the tax assessor, CoStar, the MLS or the builder for the subject.

The subject contains $\pm 1,344$ SF of office area, per appraisers' measurements, equivalent to $\pm 25\%$ of the GBA.

The subject property is currently tenant-occupied. The current use is auto body shop.

The subject contains a spray booth with an area of ± 398 SF; the spray booth was installed by the tenant and would leave with the tenant in the event of termination of tenancy, based on a conversation with the tenant. Therefore, the spray booth has not been considered in the value conclusion of this report.

Land Summary						
Parcel ID	Gross Land Area (Acres)	Gross Land Area (Sq Ft)	Usable Land Area (Acres)	Usable Land Area (Sq Ft)	Topography	Shape
6234-007-008	0.41	17,981	0.41	17,981	Level	Mostly Rectangular
Totals	0.41	17,981	0.41	17,981		

SITE

Location:	Average
Current Use of the Property:	Industrial
Site Size:	Total: 0.41 acres; 17,981 square feet
	Usable: 0.41 acres; 17,981 square feet



Shape:	Rectangular
Frontage/Access:	<p>The subject property has average access, with access to the site via one curb cut, and frontage as follows:</p> <ul style="list-style-type: none">• Garfield Place: ± 100 feet <p>The subject parcel has an average depth of ± 195 feet. It is an interior lot.</p>
Visibility:	Average
Topography:	Level
Soil Conditions:	The soil conditions observed at the subject site appear to be adequate for development.
Utilities:	<p>Electricity: The site is served by public electricity. Sewer: City sewer Water: City water Natural Gas: City gas</p> <p>Adequacy: The subject's utilities appear to be typical and adequate for the market area.</p>
Site Improvements:	<ul style="list-style-type: none">• Typical landscaping. Subject has a rolling gate front entrance.
Flood Zone:	<p>The subject is located in an area mapped by the Federal Emergency Management Agency (FEMA). The subject is located in FEMA flood zone X500L, which is not classified as a flood hazard area.</p> <p>FEMA Map Number: 060163-06037C1820F FEMA Map Date: September 26, 2008</p> <p>Zone X500L - Zone X500 Protected By Levee. X500 - an area inundated by 500-year flooding, an area inundated by 100-year flooding with average depths of less than 1 foot or with drainage areas less than 1 square mile; or an area protected by levees from 100-year flooding. Insurance purchase is not required in this zone. The appraisers are not experts in this matter and are reporting data from FEMA maps and public record.</p>



Wetlands/Watershed: No wetlands were observed during our site inspection.

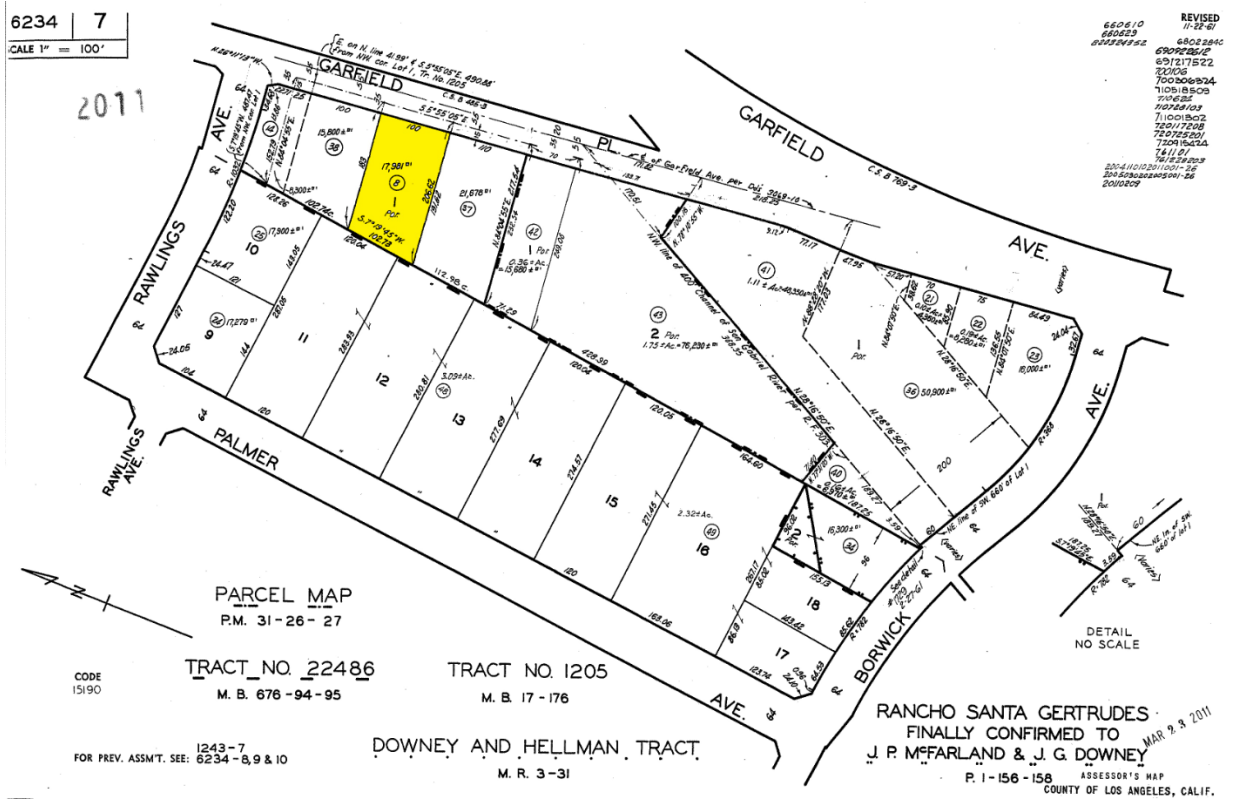
Environmental Issues: There are no known adverse environmental conditions on the subject site. Please reference Limiting Conditions and Assumptions.

Encumbrance /
Easements: There no known adverse encumbrances or easements. Please reference Limiting Conditions and Assumptions.

Site Comments: The site appears to have average and typical utility.



Plat Map





IMPROVEMENTS DESCRIPTION

Development/Property Name: 11011 Garfield Place, South Gate, CA 90280

Property Type: Industrial

Overview: The subject property comprises one, 1-story, metal frame and masonry, industrial building, on a $\pm 17,981$ SF, mostly rectangular parcel, based on public record.

The GBA for the subject building improvements is 5,280 SF, according to public record, and according to appraisers' measurements.

The measurements and improvements sketch supplied in the appraisal report are for appraiser purposes of comparison to the comparable sales analyzed in the Sales Comparison Analysis. The supplied sketch is not an architectural rendering of the subject building improvements and is not to be considered as such, as the appraiser is not a licensed architect. The gross building area stated in the report may or may not agree with the GBA published by the tax assessor, CoStar, the MLS or the builder for the subject.

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Building Name/ID	Year Built	Building Summary			Gross Building Area	Rentable Area
		Condition	Number of Stories			
11011 Garfield Place	1948/1954	Average	1.0		5,280	5,280
Totals					5,280	5,280



GENERAL - 11011 GARFIELD PLACE, SOUTH GATE, CA 90280

Building Identification:	11011 Garfield Place, South Gate, CA 90280
Building Description:	Industrial Building
Building Class:	S/C
Construction:	Metal frame and masonry
Construction Quality:	Average
Year Built:	1948/1954, per assessor's public record
Renovations:	None known or observed
Actual Age:	64 years
Effective Age:	30 years
Economic Life:	60 years
Remaining Useful Life:	30 years
Condition:	Average
Appeal/Appearance:	Average
Areas, Ratios & Numbers:	Number of Stories: 1.00 Gross Building Area: 5,280 Gross Leasable Area: 5,280 Rentable Area: 5,280 Number of Units: 1 Building Efficiency Ratio: 100.0%

FOUNDATION, FRAME & EXTERIOR - 11011 GARFIELD PLACE, SOUTH GATE, CA 90280

Foundation:	Concrete slab
Basement/Sublevels:	0 square feet; 0 sublevel(s)
Structural Frame:	Metal and masonry



Exterior:	Metal and masonry
Windows:	Aluminum
Roof/Cover:	Pitched; flat / Metal; roll composition
Service Access/ Overhead Doors:	1 x 16 feet wide, 11 feet high; 1 x 12 feet wide, 11 feet high; 1 x 12 feet wide; 10 feet high

INTERIOR - 11011 GARFIELD PLACE, SOUTH GATE, CA 90280

Interior Layout:	Average
Floor Cover:	Tile, concrete and laminate
Walls:	Metal and drywall
Ceiling:	Acoustic, drywall and metal
Ceiling Height:	Warehouse area - truss height 11 feet (middle), 9 feet (edge)
Lighting:	A mix of fluorescent and incandescent lighting

MECHANICAL SYSTEMS - 11011 GARFIELD PLACE, SOUTH GATE, CA 90280

Heating:	None
Cooling:	None
Electrical:	Adequate
Plumbing Condition:	Average
Sprinkler:	No
Security:	None



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PARKING

Parking Type and
Number of Spaces: Type: Open paved surface parking
Spaces: 11 tandem spaces, 12 single spaces

Parking Ratio: Condition: Average
4.36

PROPERTY ANALYSIS

Design & Functional
Utility: Average

Deferred Maintenance: There is some deferred maintenance to the subject property. The estimated cost to cure is considered to be minimal and is reflected in the overall value conclusion in this report.

Capital Improvements: None known or observed



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Americans With Disabilities Act

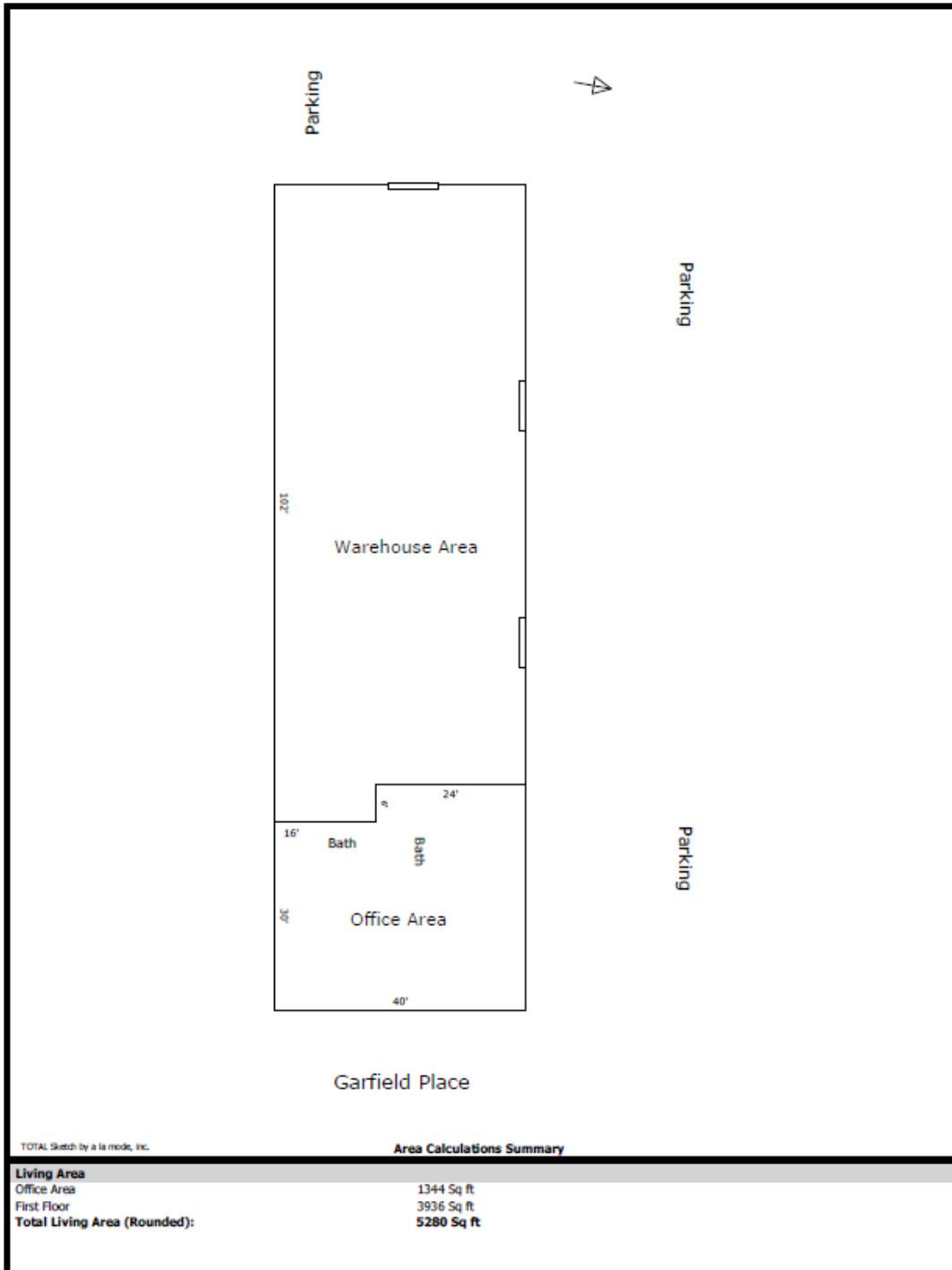
Please reference the Limiting Conditions and Assumptions section of this report on page 18.

Hazardous Substances

Please reference the Limiting Conditions and Assumptions section of this report on page 17.



Improvements Sketch





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Subject Photographs



View of Subject Property



Front View of Subject



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Side View of Subject



Side View of Subject



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Typical View of Subject Warehouse Area



Typical View of Subject Office Area



Typical View of Subject Office Area



View of Typical Bathroom



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View of Deferred Maintenance



Typical View of Subject Parking Area



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View of Garfield Place, Looking Northwest



View of Garfield Place, Looking Southeast



Assessment and Taxes

In California, privately held real property is typically assessed at 100% of full cash value (which is interpreted to mean market value of the fee simple estate) as determined by the County Assessor. Generally, a reassessment occurs only when a property is sold (or transferred), or when new construction occurs (as differentiated from replacing existing construction).

Assessments for properties that were acquired before 1975-1976 were stabilized as of the tax year 1975-1976. Property taxes are limited by state law to 1% of the assessed value plus voter-approved obligations and special assessments. If no sale (or transfer) occurs or no new building takes place, assessments may not increase more than 2% annually.

Taxes are payable in two equal installments, which become delinquent after December 10 and April 10 respectively. The following table provides a summary of the current tax data and the effective tax rate for the subject according to the County Assessor.

Taxing Authority Los Angeles County

Assessment Year 2018-2019

Real Estate Assessment and Taxes					
Tax ID	Land	Improvements	Total	Tax Rate	Taxes
6234-007-008	\$350,549	\$61,015	\$411,564	1.149088%	\$5,954
Totals	\$350,549	\$61,015	\$411,564		\$5,954

According to Ms. Carolyn at the Los Angeles County Auditor-Controller/Treasurer-Tax Collector office, (213) 974-2111, the Special Assessments for the subject property are approximately \$1,225, which are included in the taxes shown in the above table.

There are defaulted taxes for the subject in the amount of approximately \$6,912, per the Los Angeles County Auditor-Controller/Treasurer-Tax Collector office, <https://vcheck.ttc.lacounty.gov>.



Zoning

LAND USE CONTROLS	
Zoning Code	M2
Zoning Description	Light Manufacturing, Hollydale Village Specific Plan
Zoning Density/FAR	Minimum 0.25; maximum 2.0
Actual Density of Use	0.51
Current Use Legally Conforming	The subject property appears to be legally non-conforming. We reserve the right to amend the value conclusion in this report, should new information be provided.
Zoning Change Likely	No
Zoning Comments	Required Building Setbacks: Primary Frontage 10ft Side Street 10ft Interior PL 0ft NL/NM Adjacent PL - Industrial/ Manufacturing Uses 30ft NL/NM Adjacent PL - All Other Uses 20ft



4.5 Light Manufacturing (M2) Zone

A. Purpose

In the Specific Plan area, the parcels within the Light Manufacturing (M2) Zone are located just south of Imperial Highway and are a part of the larger Imperial Industrial District, as designated in the General Plan, which extends to the Los Angeles River to the west and Rio Hondo to the north. The M2 Zone is intended to provide for a range of job-producing industrial, commercial, and light manufacturing activities, while serving as a transitional zone between the most intensive industrial uses to the north of Imperial Highway and residential uses to the south. The intent of the Light Manufacturing (M2) Zone is to implement, and it is consistent with, the Manufacturing/ Distribution Place type in the General Plan.

B. Land Use Regulations

The land use regulations for the Light Manufacturing (M2) Zone contained in Chapter 11.21 (Land Use Types) of the Comprehensive Zoning Code (CZC) apply to all development in the M2 Zone in the Hollydale Village Specific Plan area with the following additions and exceptions:

1. Office/Research and Development (R&D) Uses. The following uses shall be conditionally permitted in the M2 Zone within the Specific Plan area:

a) Medical Services, Medical/Dental/Holistic

2. Vehicle Sales/Repair Uses. The following uses shall be permitted in the M2 Zone within the Specific Plan area:

- a) Vehicle Services, Limited Repair
- b) Vehicle Parts Store

The following uses shall be conditionally permitted in the M2 Zone within the Specific Plan area:

- c) Vehicle Fueling Station, pursuant to Chapter 11.45 (Vehicle Fueling Stations) of the CZC
- d) Vehicle Sales, New
- e) Parking, Fleets

3. Limitations on Use. The following uses are prohibited in the M2 Zone within the Specific Plan area:

- a) Organic Fertilizer Manufacturer
- b) Outdoor Vending, Kiosks/Carts

C. Development and Design Standards



The development provisions for the M2 Zone contained in Chapter 11.24 (Commercial Industrial Zones) of the CZC apply to all development in the M2 Zone in the Hollydale Village Specific Plan area. The general property standards contained in Chapter 11.30 (General Property Standards) of the CZC also apply.

According to the City of South Gate Comprehensive Zoning Code, permitted uses under the M2 zoning designation include, but are not limited to, the following:

Public/Community Garden (A-P) (3)
Antenna/Communication Facility
Fire/Police Substation
Power Distribution Substation
Public/Government Building
Transit Station/Stop (3)
Office - Business Support Services
Office - Research & Development
Banquet Facility/Catering
Commercial Recreation, Indoor
Adult-Oriented Establishments
Ambulance/Patrol/Dispatch Service (6)
Animal Sales and Services
Drive-Through Service (7)
Dry Cleaning/Laundry, Agency
Food Market/Specialty Market
Nursery (Plant Cultivation)
Outdoor Vending, Kiosks/Carts(4)
Repair, Fix-it Shop/Footwear/Garments
Restaurant, Dine In and Take Out
Retail Sales, General
Vehicle Services, Repair/Storage (3)
Aircraft/Missile Factory
Assembly/Bottling/Distribution Plant
Light Manufacturing
Bookbinding
Contractor Office and Services, Full
Electrical Generating Plant/Peaker Plants (D)
Foundry, Ferrous and Nonferrous
Food Processing
Grinding Shops, Milling
General Manufacturing/Assembly
Machine Shop, Limited
Manufacturing, Light



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Petroleum Products/Wholesale Storage of Petroleum
Pumping Plant/Pipe Line Booster
Punch Press

Vehicle Parts Store – subject to CUP

- (3) Limited to second 2nd story or behind ground floor street frontage use with minimum 30-foot depth from face of storefronts.
- (4) Subject to location conditions of Section 11.42.020.



Highest and Best Use

Highest and best use may be defined as the reasonably probable and legal use of vacant land or improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value.

1. **Legally Permissible:** What uses are permitted by zoning and other legal restrictions?
2. **Physically Possible:** To what use is the site physically adaptable?
3. **Financially Feasible:** Which possible and permissible use will produce any net return to the owner of the site?
4. **Maximally Productive.** Among the feasible uses which use will produce the highest net return, (i.e., the highest present worth)?

Highest and Best Use of As Vacant

Legally Permissible

The subject is zoned M2, Light Manufacturing, within the Hollydale Village Specific Plan. The M2 zoning designations allow for a variety of retail, industrial, automotive service, office, and other supporting commercial uses.

Physically Possible

The site is mostly rectangular, has level topography and utilities are available to site; most development would be physically possible.

Financially Feasible and Maximally Productive

The immediate surrounding uses are a mix of mainly industrial, automotive, retail, single- and multifamily residential, and supporting commercial uses. The most feasible use and maximally productive use would most likely be a commercial use.

Although a complete feasibility study is beyond the scope of this report, it appears that the highest and best use of the site, as vacant, is Industrial.

Highest and Best Use as Improved

The site is currently improved with one, 1-story, metal and masonry, industrial building. The current use is auto body shop, which appears to be a permitted use. As previously mentioned, a complete



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feasibility study is beyond the scope of this report. However, based upon our understanding of the market, it appears that the highest and best use, as improved, is Industrial use.



Valuation Methodology

Three basic approaches may be used to arrive at an estimate of market value. They are:

1. The Cost Approach
2. The Income Approach
3. The Sales Comparison Approach

Cost Approach

The Cost Approach is summarized as follows:

$$\begin{array}{r} \text{Cost New} \\ - \text{Depreciation} \\ + \text{Land Value} \\ \hline = \text{Value} \end{array}$$

Income Approach

The Income Approach converts the anticipated flow of future benefits (income) to a present value estimate through a capitalization and/or a discounting process.

Sales Comparison Approach

The Sales Comparison Approach compares sales of similar properties with the subject property. Each comparable sale is adjusted for its inferior or superior characteristics. The values derived from the adjusted comparable sales form a range of value for the subject. By process of correlation and analysis, a final indicated value is derived.

Final Reconciliation

The appraisal process concludes with the Final Reconciliation of the values derived from the approaches applied for a single estimate of market value. Different properties require different means of analysis and lend themselves to one approach over the others.

Analyses Applied

A **cost analysis** was considered and was not developed because the age of the improvements makes the depreciation difficult to accurately measure.

A **sales comparison analysis** was considered and was developed because there is adequate data to develop a value estimate and this approach reflects market behavior for this property type.



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An **income analysis** was considered and was developed because, the subject is an income-producing property and there is adequate data to develop a value estimate with this approach.



Sales Comparison Approach

The Sales Comparison Approach is based on the premise that a buyer would pay no more for a specific property than the cost of obtaining a property with the same quality, utility, and perceived benefits of ownership. It is based on the principles of supply and demand, balance, substitution and externalities. The following steps describe the applied process of the Sales Comparison Approach.

The market in which the subject property competes is investigated; comparable sales, contracts for sale and current offerings are reviewed.

The most pertinent data is further analyzed, and the quality of the transaction is determined.

The most meaningful unit of value for the subject property is determined.

Each comparable sale is analyzed and where appropriate, adjusted to equate with the subject property.

The value indication of each comparable sale is analyzed, and the data reconciled for a final indication of value via the Sales Comparison Approach.

Comparables

We have researched six comparables for this analysis; these are documented on the following pages followed by a location map and analysis grid. All sales have been researched through numerous sources, inspected and verified by a party to the transaction where possible.



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Comp	Address City	Grantor Grantee	Price Date	Price Per SF GBA	Year Built Construction
Subject	11011 Garfield Place South Gate	N/A N/A	-- N/A	-- 5,280	1948/1954 Metal frame and masonry
1	11518 Center Street South Gate	Casey Family Trust Raul Valera	\$650,000 5/11/2018	\$254.90 2,550	1968 Concrete block/masonry
2	2830-2860 Norton Avenue Lynwood	Edr Properties Llc 10501 Eastborne Avenue Llc	\$752,000 4/17/2017	\$122.08 6,160	1948 Metal
3	10614 Dolores Avenue South Gate	Jiwani Family Trust AVALON 15 LLC	\$440,000 2/16/2017	\$110.00 4,000	1951 Metal
4	11005 Garfield Place South Gate	Efurd John W Iii Trust Carlos A Salas	\$650,000 3/22/2017	\$79.74 8,152	1957 Metal and masonry
5	6013-6015 State Street Huntington Park	RUSH ANTHONY A RESIDENTTEA LLC	\$594,000 1/25/2018	\$151.92 3,910	1946 Metal and masonry siding
6	8400-8414 Otis Street South Gate	LEEK RUSSELL J (TE) & NOREEN Active	\$1,000,000 Active	\$301.11 3,321	1949 Metal



Comparable 1



Transaction

ID	4211	Date	5/11/2018
Address	11518 Center Street	Price	\$650,000
City	South Gate	Price Per SF	\$254.90
State	CA	Transaction Type	Closed Sale
Tax ID	6243-021-016	Financing	Cash
Grantor	Casey Family Trust	Property Rights	Fee Simple
Grantee	Raul Valera	Days on Market	NA
Legal Description	NA	Comm Lease Notes	NA

Site

Acres	0.2	Topography	Level
Land SF	9,760	Zoning	M3
Road Frontage	NA	Flood Zone	NA
Shape	Irregular	Encumbrance or	NA
Utilities	NA	Environmental Issues	NA

Improvements & Financial Data

Source For SF Area	NA	PGI	NA
Rentable Area	NA	EGI	NA
No. of Units	NA	Expense Ratio	NA
Year Built	1968	NOI	NA
Renovations	NA	Cap Rate	
Condition	Average	EGIM	

Comments

NA



Comparable 2



Transaction

ID	4212	Date	4/17/2017
Address	2830-2860 Norton Avenue	Price	\$752,000
City	Lynwood	Price Per SF	\$122.08
State	CA	Transaction Type	Closed Sale
Tax ID	6170-016-005	Financing	Conventional
Grantor	Edr Properties Llc	Property Rights	Fee Simple
Grantee	10501 Eastborne Avenue	Days on Market	151
Legal Description	TRACT # 92 1/2 VAC ST	Comm Lease Notes	NA

Site

Acres	0.3	Topography	Level
Land SF	10,933	Zoning	NA
Road Frontage	NA	Flood Zone	NA
Shape	Rectangular	Encumbrance or	NA
Utilities	NA	Environmental Issues	NA

Improvements & Financial Data

Source For SF Area	NA	PGI	NA
Rentable Area	NA	EGI	NA
No. of Units	NA	Expense Ratio	NA
Year Built	1948	NOI	NA
Renovations	NA	Cap Rate	
Condition	Average	EGIM	

Comments

NA



Comparable 3



Transaction

ID	4213	Date	2/16/2017
Address	10614 Dolores Avenue	Price	\$440,000
City	South Gate	Price Per SF	\$110.00
State	CA	Transaction Type	Closed Sale
Tax ID	6207-034-022	Financing	Conventional
Grantor	Jiwani Family Trust	Property Rights	Fee Simple
Grantee	AVALON 15 LLC	Days on Market	253
Legal Description	TRACT NO 7046 LOTS	Comm Lease Notes	NA

Site

Acres	0.1	Topography	Level
Land SF	5,000	Zoning	M3
Road Frontage	NA	Flood Zone	NA
Shape	Rectangular	Encumbrance or	NA
Utilities	NA	Environmental Issues	NA

Improvements & Financial Data

Source For SF Area	NA	PGI	NA
Rentable Area	4,000	EGI	NA
No. of Units	NA	Expense Ratio	NA
Year Built	1951	NOI	NA
Renovations	NA	Cap Rate	
Condition	Average	EGIM	

Comments

NA



Comparable 4



Transaction

ID	4214	Date	3/22/2017
Address	11005 Garfield Place	Price	\$650,000
City	South Gate	Price Per SF	\$79.74
State	CA	Transaction Type	Closed Sale
Tax ID	6234-007-038	Financing	Conventional
Grantor	Efurd John W Iii Trust	Property Rights	Fee Simple
Grantee	Carlos A Salas	Days on Market	71
Legal Description	Lengthy description - on	Comm Lease Notes	NA

Site

Acres	0.4	Topography	Level
Land SF	15,800	Zoning	NA
Road Frontage	NA	Flood Zone	NA
Shape	Mostly Rectangular	Encumbrance or	NA
Utilities	NA	Environmental Issues	NA

Improvements & Financial Data

Source For SF Area	NA	PGI	NA
Rentable Area	NA	EGI	NA
No. of Units	NA	Expense Ratio	NA
Year Built	1957	NOI	NA
Renovations	NA	Cap Rate	
Condition	Average	EGIM	

Comments

NA



Comparable 5



Transaction

ID	4215	Date	1/25/2018
Address	6013-6015 State Street	Price	\$594,000
City	Huntington Park	Price Per SF	\$151.92
State	CA	Transaction Type	Closed Sale
Tax ID	6310-024-004	Financing	Private Financing
Grantor	RUSH ANTHONY A	Property Rights	Leased Fee
Grantee	RESIDENTTEA LLC	Days on Market	116
Legal Description	TRACT # 3158 LOTS 5	Comm Lease Notes	NA

Site

Acres	0.1	Topography	Level
Land SF	6,252	Zoning	M2
Road Frontage	NA	Flood Zone	NA
Shape	Rectangular	Encumbrance or	NA
Utilities	NA	Environmental Issues	NA

Improvements & Financial Data

Source For SF Area	NA	PGI	NA
Rentable Area	NA	EGI	NA
No. of Units	NA	Expense Ratio	NA
Year Built	1946	NOI	NA
Renovations	NA	Cap Rate	
Condition	Average	EGIM	

Comments

NA



Comparable 6



Transaction

ID	4216	Date	NA
Address	8400-8414 Otis Street	Price	\$1,000,000
City	South Gate	Price Per SF	\$301.11
State	CA	Transaction Type	Listing
Tax ID	6215-005-001	Financing	NA
Grantor	LEEK RUSSELL J (TE) &	Property Rights	NA
Grantee	NA	Days on Market	NA
Legal Description	TRACT # 3411 LOT 9	Comm Lease Notes	NA

Site

Acres	0.6	Topography	Level
Land SF	24,000	Zoning	M2
Road Frontage	NA	Flood Zone	NA
Shape	Mostly Square	Encumbrance or	NA
Utilities	NA	Environmental Issues	NA

Improvements & Financial Data

Source For SF Area	NA	PGI	NA
Rentable Area	NA	EGI	NA
No. of Units	NA	Expense Ratio	NA
Year Built	1949	NOI	NA
Renovations	NA	Cap Rate	
Condition	Average	EGIM	

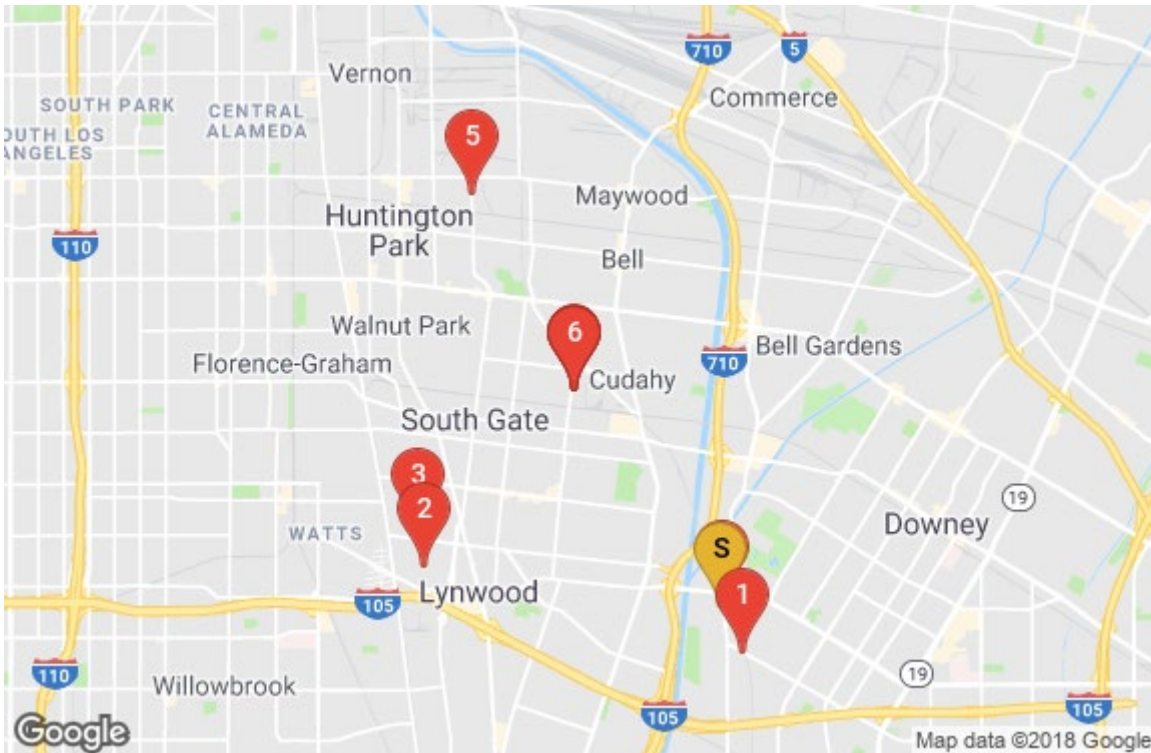
Comments

NA



Comparables Map

It should be noted that Comparable 4 is adjacent to the subject property.



Analysis Grid

The above sales have been analyzed and compared with the subject property. We have considered adjustments in the areas of:

- Property Rights Sold
- Financing
- Conditions of Sale
- Market Trends
- Location
- Physical Characteristics

On the following page is a sales comparison grid displaying the subject property, the comparables and the adjustments applied.



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Analysis Grid		Comp 1		Comp 2		Comp 3		Comp 4		Comp 5		Comp 6	
Address	11011 Garfield Place	11518 Center Street	2830-2860 Norton Avenue	10614 Dolores Avenue	11005 Garfield Place	6013-6015 State Street	8400-8414 Otis Street						
City	South Gate	South Gate	Lynwood	South Gate	South Gate	Huntington Park	South Gate						
State	CA	CA	CA	CA	CA	CA	CA						
Date	10/17/2018	5/11/2018	4/17/2017	2/16/2017	3/22/2017	1/25/2018	Active						
Price	N/A	\$650,000	\$752,000	\$440,000	\$650,000	\$594,000	\$1,000,000						
GBA	5,280	2,550	6,160	4,000	8,152	3,910	3,321						
GBA Unit Price	N/A	\$254.90	\$122.08	\$110.00	\$79.74	\$151.92	\$301.11						
Transaction Adjustments													
Property Rights	N/A	Fee Simple	0.0%	Fee Simple	0.0%	Fee Simple	0.0%	Fee Simple	0.0%	Leased Fee	0.0%	Active	0.0%
Financing	N/A	Cash	0.0%	Conventional	0.0%	Conventional	0.0%	Conventional	0.0%	Private Financing	0.0%	Active	0.0%
Conditions of Sale	N/A	Conventional	0.0%	Conventional	0.0%	Conventional	0.0%	Conventional	0.0%	Conventional	0.0%	Active	-10.0%
Adjusted GBA Unit Price		\$254.90	\$122.08	\$110.00	\$79.74	\$151.92	\$271.00						
Market Trends Through	10/17/2018	0.0%	0.0%	10.0%	10.0%	10.0%	0.0%						
Adjusted GBA Unit Price		\$254.90	\$134.29	\$121.00	\$87.71	\$151.92	\$271.00						
Location	Average	Similar	Similar	Similar	Similar	Similar	Similar						
% Adjustment		0%	0%	0%	0%	0%	0%						
Age/Condition	#N/A	Similar	Similar	Similar	Similar	Inferior	Similar						
% Adjustment		0%	0%	0%	0%	5%	0%						
GBA	5,280	2,550	6,160	4,000	8,152	3,910	3,321						
% Adjustment		-15%	0%	0%	15%	0%	-10%						
Ceiling Height	11 feet truss ht	12'	12'-22'	12'	12'	18'-24'	14'						
% Adjustment		0%	-5%	0%	0%	-5%	0%						
Office %	25%	N/A	10%	4%	N/A	10%	3%						
% Adjustment		0%	0%	0%	0%	0%	0%						
Quality	Average	Superior	Similar	Similar	Similar	Similar	Similar						
% Adjustment		-30%	0%	0%	0%	0%	0%						
Land To Building Ratio	3.41	3.83	1.77	1.25	1.94	1.60	7.23						
% Adjustment		0%	15%	15%	15%	15%	-30%						
Adjusted GBA Unit Price		\$140.20	\$147.71	\$139.15	\$118.41	\$167.11	\$162.60						
Net Adjustments		-45.0%	10.0%	15.0%	35.0%	10.0%	-40.0%						
Gross Adjustments		45.0%	20.0%	15.0%	35.0%	20.0%	40.0%						



Comparable Sale Adjustments

Property Rights

Accounts for leased fee, fee simple, leasehold, partial interest, etc. A transaction price is predicated on the real property interests conveyed. Many types of real estate, particularly income producing properties, are sold subject to existing leases. The revenue generating potential of a property is fixed or limited by the terms of an existing lease. In the valuation process, adjustments must be made to reflect the difference between contract rent and market rent and how this difference affects the property price. The rights appraised herein pertain to the Fee Estate. The closed sales were either Fee Simple or Leased Fee estate; no adjustments are warranted.

Financing

Accounts for seller financing, or assumption of existing financing, at non-market terms. Adjustments for financing terms are warranted when a property is purchased using nonmarket financing arrangements. Non-market financing can include seller carried notes or assumable loans with interest rates below terms currently achievable. Consideration was given to the influence of financing terms and arrangements. The financing terms appeared to be market oriented and equivalent to cash, hence no adjustments are applied.

Conditions of Sale

Accounts for extraordinary motivation of buyer or seller. An adjustment is warranted for condition of sale when a transaction involves atypical motivations that affect the price of the property.

Comparable 2 comprises a 6,160 SF industrial building, on a ±10,933 SF parcel, identified as APN 6170-016-005, based on public record.

The sale of Comparable 2 also involved an adjacent, ±21,731 SF, excess land parcel, identified as APN 6170-016-006, which was sold together with APN 6170-016-005, based on a conversation with the listing broker for Comparable 2.

The two parcels sold on separate deeds, according to public record. Per the listing broker for Comparable 2, APN 6170-016-005, including the industrial building, would probably have sold for around the same price per SF of building, were it sold separately, without the existence of the excess land parcel. Therefore, no adjustment was made for conditions of sale, for Comparable 2.

Comparable 3 sold for \$450,000, based on CoStar public record; however, according to assessor's public record, Comparable 3 sold for \$440,000. For the purposes of this report, we



have used the sale price according to assessor's record. We reserve the right to amend the value conclusion in this report, should new information be provided.

Listing 6 is an active listing. Based on a conversation with the listing broker for Listing 6, Listing 6 is currently under contract for \$900,000.

According to CoStar public record, and also according to the listing broker for Listing 6, there is some ground contamination to the property, which has been factored into the purchase price.

Per the listing broker for Listing 6, there is also some damage to the building, with a cost to cure of approximately \$20,000, which will be remediated as part of the sale. A downward adjustment was made for Listing 6 to reflect the reported contract price.

We did not obtain any other information which suggests distressed seller conditions or other unusual circumstances that would affect the property sales. No other adjustments were warranted for sale conditions.

Economic Trends

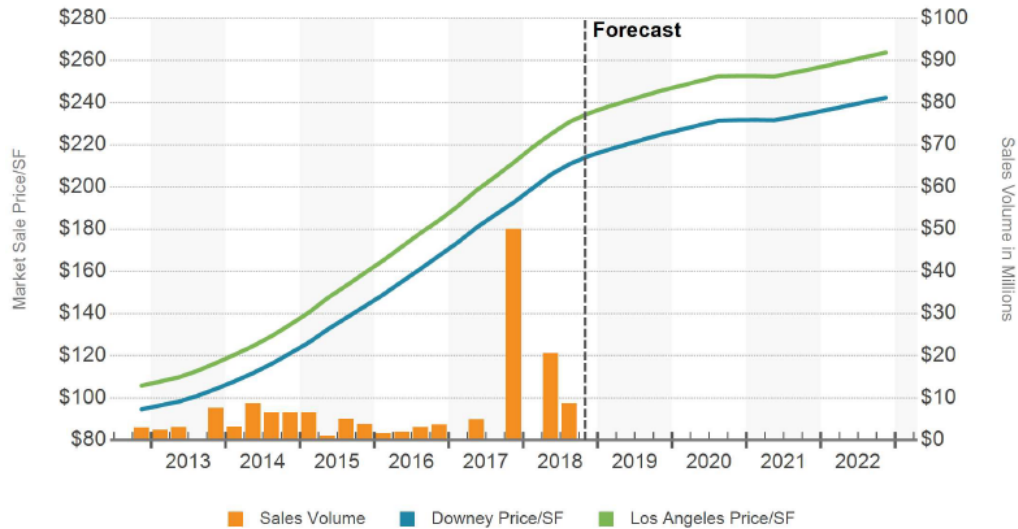
Accounts for changes in the economic environment over time that affect the appreciation and depreciation of real estate.

Comparables 2, 3 and 4 sold in April, February and March 2017 respectively, according to public record.

The following graph shows the average sale price per SF, for industrial buildings in the Downey Industrial submarket, since 2013.



SALES VOLUME & MARKET SALE PRICE PER SF



Source: CoStar, November 2018

Based on the above, it appears that the average sale price per SF, for industrial buildings in the Downey Industrial submarket, has increased since 2017. Upward adjustments were made for Comparables 2, 3 and 4.

No other adjustments were warranted.

Location

Accounts for market or submarket area influences on sale price; surrounding land use influences. The economic location adjustment is a percentage adjustment that is estimated by reviewing income demographics by area.

All the comparables are located within a 3-mile radius of the subject, in neighborhoods considered to be comparable to that of the subject; no adjustments were warranted.

Age/Condition

Accounts for effective age; physical condition. Adjustments are required to reflect differences in age and condition of the building that affect the price of real estate. Typically age and condition are directly related, and an adjustment is appropriate because a buyer will make a deduction for increased age or unusual levels of depreciation.

The building improvements for Comparable 1 were constructed in 1968, according to public record. We tried but were unable to reach the parties involved in the sale of Comparable 1. We have made the assumption that Comparable 1 was in a similar condition to that of the



subject at the time of sale; we reserve the right to amend the value conclusion, should new information be provided. No adjustment was made.

The building improvements for Comparable 2 were constructed between 1946 and 1953, based on public record. We tried but were unable to reach the parties involved in the sale of Comparable 2. We have made the assumption that Comparable 2 was in a similar condition to that of the subject at the time of sale; we reserve the right to amend the value conclusion, should new information be provided. No adjustment was made.

The building improvements for Comparable 3 were constructed in 1951, according to public record. We tried but were unable to reach the parties involved in the sale of Comparable 2. We have made the assumption that Comparable 2 was in a similar condition to that of the subject at the time of sale; we reserve the right to amend the value conclusion, should new information be provided. No adjustment was made.

The building improvements for Comparable 4 were constructed in 1957, according to public record. Based on appraisers' experience, Comparable 4 was in a slightly inferior condition to that of the subject at the time of sale. A downward adjustment was made for Comparable 4.

The building improvements for Comparable 5 were constructed between 1946 and 1952, according to public record. Based on a conversation with the listing broker for Comparable 5, there were no recent renovations to Comparable 5 prior to sale. No adjustment was made.

The building improvements for Listing 6 were constructed in 1949, according to public record. Based on a conversation with the listing broker for Listing 6, there have been no recent renovations to Listing 6. We tried but were unable to reach the parties involved in the sale of Comparable 6. No adjustment was made for Comparable 6. Per the listing broker for Listing 6, there is some damage to the building, with a cost to cure of approximately \$20,000, which will be remediated as part of the sale. No adjustment was made.

GBA

Accounts for inverse relationship that often exists between building size and unit value. Typically, the price per square foot of a smaller building will be higher than the sales price per square foot of a larger building. This assumption is based upon the principle of "economy of scale", which is predicated upon the inverse relationship between size and price. Consequently, the smaller the size of a building, the higher the price per square foot. Adjustments for size are considered when there is a wide range in size between the comparable sales and the subject's building size.

Comparable 1 and Listing 6 have a superior GBA, relative to the subject, based on public record; downward adjustments were made.



Comparable 4 has an inferior GBA compared to the subject, according to public record; an upward adjustment was made.

The GBA for Comparable 2 is 6,320 SF, based on CoStar public record; however, according to assessor's public record, the GBA for Comparable 2 is 6,160 SF. We tried but were unable to reach the parties involved in the sale of Comparable 2. For the purposes of this report, we have used the GBA according to assessor's public record. We reserve the right to amend the value conclusion in this report, should new information be provided. No adjustment was made.

No other adjustments were warranted.

Ceiling Height

Comparables 2 and 5 appear to have superior ceiling clearance height, compared to that of the subject, based on public record; downward adjustments were made.

No other adjustments were applied.

Office Area Ratio

It appears that there is no indication of office area ratio for Comparables 1, 2 and 4, according to public record. We tried but were unable to reach the parties involved in the sale of Comparables 1, 2 and 4.

We have assumed that the office area ratios for Comparables 1, 2 and 4 are similar to that of the subject.

In addition, based on a conversation with the listing broker for Comparable 5, office area ratio does not typically have a significant impact on value for industrial buildings in the subject market area.

No adjustments were warranted.

Quality

The building improvements for Comparable 1 are constructed of concrete block, according to public record; a downward adjustment was made.

All the other comparables appear to be of similar quality construction, relative to the subject. No other adjustments were made.

Land-To-Building Ratio

Comparables 2, 3, 4 and 5 all have inferior land-to-building ratio, compared to that of the subject, based on public record; upward adjustments were made.



Listing 6 has a superior land-to-building ratio, relative to that of the subject, according to public record; a downward adjustment was made.

Sales Comparison Approach Conclusion

Value Ranges & Reconciled Value				
Number of Comps:	6	Unadjusted	Adjusted	% Δ
	Low:	\$79.74	\$118.41	49%
	High:	\$301.11	\$167.11	-45%
	Average:	\$169.96	\$145.86	-14%
	Median:	\$137.00	\$143.96	5%
Reconciled Value/Unit Value:			\$145.00	
Subject Size:			5,280	
Indicated Value:			\$765,600	
Reconciled Final Value:			\$765,600	
Seven Hundred Sixty Five Thousand Six Hundred Dollars				

All the value indications have been considered and, in the final analysis, consideration is given to the average and median of the comparables, in arriving at our value conclusion by the sales comparison approach.

We have arrived at our final reconciled per gba value of \$145.00.



Reconciled Subject Value by Sales Comparison Approach	\$765,600
Less Delinquent Taxes Owed	(\$6,912)
Final Reconciled Subject Value by Sales Comparison Approach	\$758,688
Surplus Rent	<u>\$62,415</u>
Total	\$821,103
Final Reconciled Subject Value by Sales Comparison Approach (Rounded)	\$825,000

Rent Analysis

Rent Surplus/Loss

PRESENT WORTH OF RENT GAIN OR LOSS											
Tenant Name	Unit Area Square Feet	Actual Rent Per Month	Contract Rent PSF	Market Rent PSF	Market Rent Per Month	Rent Gain	Months Remaining	Factor 10.00%	Present Worth		
Ramiro Roque	5,280	\$6,500	\$1.23	\$0.95	\$ 5,016	\$ 1,484	52	42.06	\$	62,415	
									Total Present Worth of Rent Gain/Loss:	\$	62,415

The overall rent surplus (gain) is based at 475 basis points above the reported cap rate. This additional rate of basis points is due to risk associated with a non-credit worthy tenant and the chance of the tenant walking from the current lease. This analysis is displayed above. The overall rent surplus associated with the subject property is \$62,415 which has been added from the overall market value.



Income Approach

The Income Approach to value is based on the present worth of the future rights to income. This type of analysis considers the property from an investor's point of view, the basic premise being that the amount and quality of the income stream are the basis for value of the property.

Direct Capitalization Analysis

The steps involved in capitalizing the subject's net operating income are as follows:

- Develop the subject's Potential Gross Income (PGI) through analysis of the subject's actual historic income and an analysis of competitive current market income rates.
- Estimate and deduct vacancy and collection losses to develop the Effective Gross Income (EGI).
- Develop and subtract operating expenses to derive the Net Operating Income (NOI).
- Develop the appropriate capitalization rate (R_o).
- Divide the net operating income by the capitalization rate for an estimate of value through the income approach.

Potential Gross Income (PGI)

Current Income

The subject property is tenant-occupied.

Based on a lease agreement provided, which was signed February 1, 2018, the lease term commenced March 1, 2018, for a period of 5 years, terminating March 1, 2023.

The monthly rent is \$6,500, modified gross, with the owner paying tax and insurance expenses, and the tenant paying maintenance and utilities. According to the market rents the current rate is considered be surplus rent; therefore, a rent analysis has been included.

The table below outlines actual rental income for the subject property, based on the lease agreement provided, along with market-derived income for the subject.



Income Summary						
Unit/Space Type	Appraisal			Budget		
	Amount	\$/SF	\$/Unit	Amount	\$/SF	\$/Unit
Industrial	\$60,192	\$11.40	\$60,192	\$78,000	\$14.77	\$78,000
Totals	\$60,192	\$11.40	\$60,192	\$78,000	\$14.77	\$78,000

Lease Structure

In a MG (Modified Gross) or IG (Industrial Gross) lease, the lessee typically pays for all metered utilities, and sometimes the maintenance and repair of the interior of their unit; this includes the plumbing, HVAC, electrical wiring and related components, fixtures, interior walls, ceilings, floors, windows, doors, and plate glass.

The lessee also typically pays for all common area maintenance if applicable. The common areas include parking and loading areas, trash areas, roadways, sidewalks, walkways, parkways, driveways, landscaped areas, striping, bumpers, irrigation systems, common area lighting facilities (including utilities), fences and gates, exterior signs and trash disposal.

The lessor is typically responsible for the property taxes; building insurance; repairs and maintenance, which can sometimes include the interior of the unit; management; and reserves.

Market Rent

Market Rent Comparables

We have researched three comparables for this analysis; these are documented on the following pages followed by a location map and analysis. All sales have been researched through numerous sources, inspected and verified by a party to the transaction.



Rent Comparable 1

5631 Leeds St

South Gate, CA 90280 - Downey Ind Submarket



LEASE	
SF Leased:	10,000 SF
Sign Date:	Jun 2017
Space Use:	Industrial
Lease Type:	Direct
Floor:	1st Floor
Suite:	5631-B

RENTS	
Asking Rent:	\$10.80/IG

PROPERTY EXPENSES	
Taxes:	\$0.89/SF (2017)

LEASE TERM	
Start Date:	Aug 2017

TIME ON MARKET	
Date On Market:	Jun 2017
Date Off Market:	Aug 2017
Months on Market:	2 Mos

TIME VACANT	
Date Vacated:	Jun 2017
Date Occupied:	Aug 2017
Months Vacant:	2 Months

LEASING REP
Salvador Torres
 12817 Danbrook Dr
 Whittier, CA 90602
 Salvador Torres (562) 945-3527

MARKET AT LEASE

Vacancy Rates	2017 Q2	YOY
Current Building	50.0%	▲ 50.0%
Submarket 1-3 Star	1.8%	▲ 0.3%
Market Overall	2.2%	▼ 0.3%

Same Store Asking Rent/SF	2017 Q2	YOY
Current Building	\$10.80	-
Submarket 1-3 Star	\$10.01	▲ 9.2%
Market Overall	\$11.53	▲ 9.2%

Submarket Leasing Activity	2017 Q2	YOY
12 Mo. Leased SF	141,251	▲ 36.2%
Months On Market	1.5	▼ 2.1

PROPERTY		
Property Type:	Industrial	Rentable Area: 20,000 SF
Status:	Built 1963	Stories: 1
Tenancy:	Multi	Floor Size: 20,000 SF
Class:	C	Ceiling Height: 12'-30'
Construction:	Metal	Vacancy at Lease: 50.0%
Parking:	12 Surface Spaces a...	Land Acres: 1.00



Rent Comparable 2

1 **9400-9416 Burtis St**
South Gate, CA 90280 - Lynwood Ind Submarket



LEASE	
SF Leased:	3,600 SF
Sign Date:	Aug 2018
Space Use:	Industrial
Lease Type:	Direct
Floor:	1st Floor
Suite:	9402

RENTS	
Asking Rent:	\$11.04/IG

PROPERTY EXPENSES	
Taxes:	\$0.89/SF (2017)

LEASE TERM	
Start Date:	Sep 2018
Expiration Date:	Sep 2020
Lease Term:	2 Years

TIME ON MARKET	
Date On Market:	Feb 2018
Date Off Market:	Aug 2018
Months on Market:	6 Months

TIME VACANT	
Date Vacated:	Mar 2018
Date Occupied:	Sep 2018
Months Vacant:	5 Months



LEASING REP
Penta Pacific Properties
9500-9520 Norwalk Blvd
Santa Fe Springs, CA 90670-2930
Doug Wells (562) 908-8012 X203

MARKET AT LEASE

Vacancy Rates	2018 Q3	YOY
Current Building	0.0%	↔ 0.0%
Submarket 2-4 Star	0.2%	▼ 1.8%
Market Overall	2.7%	▲ 0.6%

Same Store Asking Rent/SF	2018 Q3	YOY
Current Building	\$11.04	▲ 15.0%
Submarket 2-4 Star	\$9.57	▲ 7.8%
Market Overall	\$12.63	▲ 7.4%

Submarket Leasing Activity	2018 Q3	YOY
12 Mo. Leased SF	467,224	▲ 22.6%
Months On Market	1.8	▼ 1.7

PROPERTY			
Property Type:	Industrial	Rentable Area:	31,525 SF
Status:	Built 1979	Stories:	1
Tenancy:	Multi	Floor Size:	31,525 SF
Class:	C	Ceiling Height:	18'
Construction:	Reinforced Concrete	Vacancy at Lease:	0.0%
Parking:	61 free Surface Spa...	Land Acres:	1.48



Rent Comparable 3

5580-5600 Imperial Hwy
South Gate, CA 90280 - Downey Ind Submarket



LEASE	
SF Leased:	6,000 SF
Sign Date:	Jul 2018
Space Use:	Industrial
Lease Type:	Direct
Floor:	1st Floor

RENTS	
Asking Rent:	\$9.84/IG

PROPERTY EXPENSES	
Taxes:	\$0.44/SF (2017)

LEASE TERM	
Start Date:	Sep 2018



TIME ON MARKET	
Date On Market:	Jun 2018
Date Off Market:	Jul 2018
Months on Market:	2 Months

TIME VACANT	
Date Vacated:	Jul 2018
Date Occupied:	Sep 2018
Months Vacant:	2 Months

LEASING REP
Lee & Associates
500 Citadel Dr, Suite 140
Commerce, CA 90040-1575
Jeffrey S. Hubbard (323) 767-2037

MARKET AT LEASE

Vacancy Rates	2018 Q3	YOY
Current Building	0.0%	+- 0.0%
Submarket 1-3 Star	2.3%	▲ 0.5%
Market Overall	2.7%	▲ 0.6%

Same Store Asking Rent/SF	2018 Q3	YOY
Current Building	\$9.84	▲ 26.2%
Submarket 1-3 Star	\$10.96	▲ 7.3%
Market Overall	\$12.63	▲ 7.4%

Submarket Leasing Activity	2018 Q3	YOY
12 Mo. Leased SF	115,459	▼ 2.2%
Months On Market	4.5	▼ 0.4

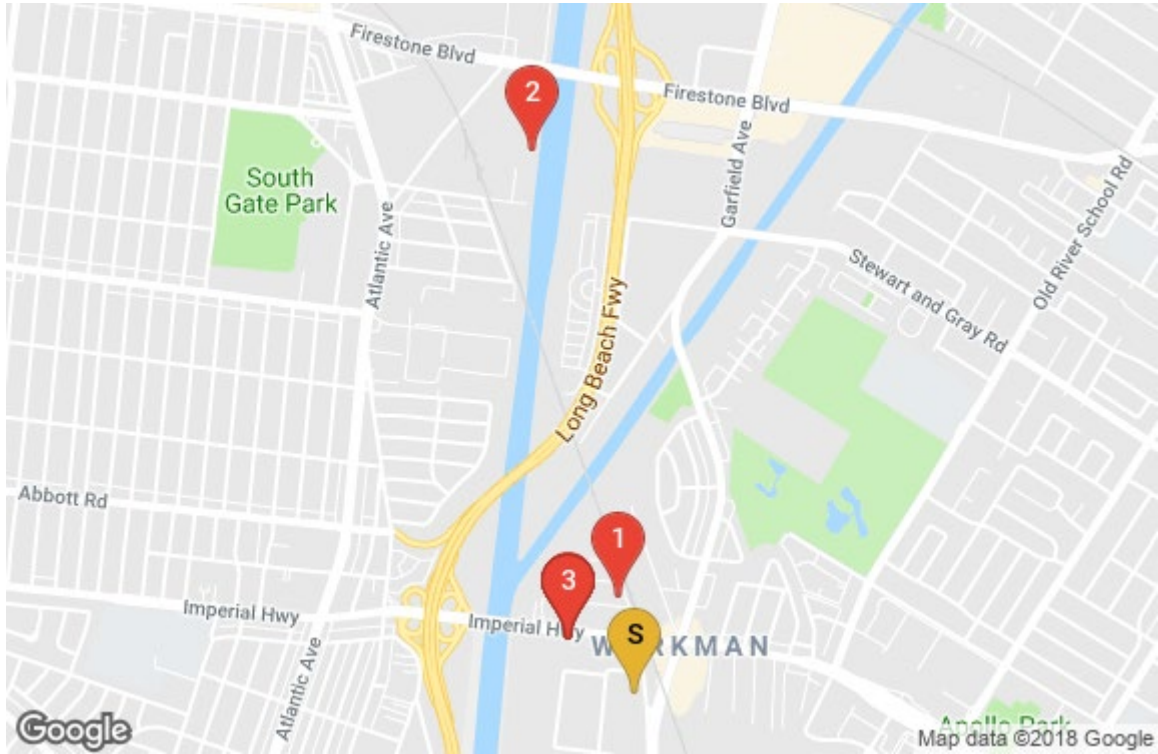
PROPERTY			
Property Type:	Industrial	Rentable Area:	30,000 SF
Status:	Built 1958	Stories:	1
Tenancy:	Multi	Floor Size:	30,000 SF
Class:	C	Ceiling Height:	18'
Construction:	Reinforced Concrete	Vacancy at Lease:	0.0%
Parking:	60 free Surface Spa...	Land Acres:	1.27



REAL ESTATE ADVISORY, LLC.

177 Riverside Ave Ste A #1883
Newport Beach, CA, 92663

Rent Comparables Map





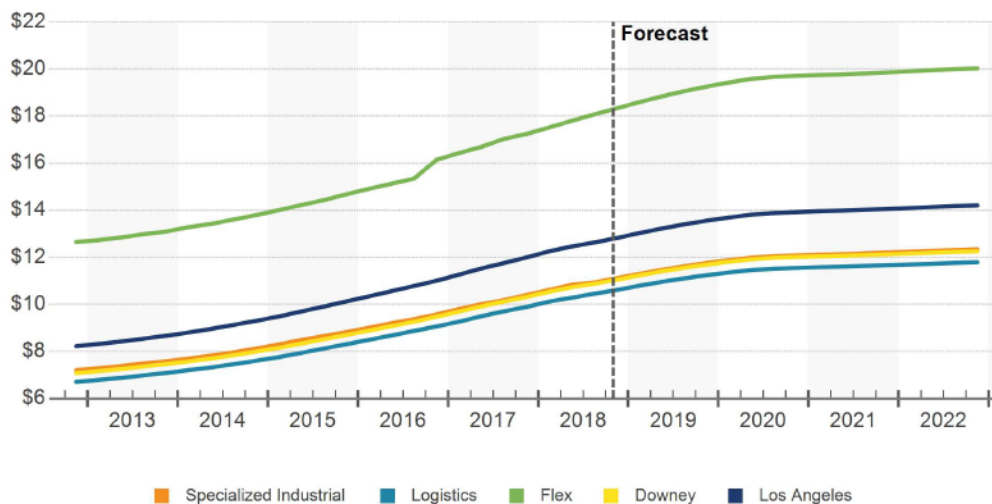
Comparable Rent Adjustments

Rent Comparable 1 leased in June 2017, with a monthly asking rent of \$0.90 per SF, industrial gross, for a unit area of 10,000 SF, based on CoStar public record.

We tried but were unable to reach the parties involved in the leasing of Rent Comparable 1. We have assumed that the monthly starting rent for Rent Comparable 1 was \$0.90, industrial gross; we reserve the right to amend the value conclusion in this report, should new information be provided.

Rent Comparable 1 leased in June 2017, based on public record. The following graph shows the average market rent per SF, for industrial buildings in the Downey Industrial submarket, since 2013.

MARKET RENT PER SQUARE FOOT



Based on the above, it appears that the average market rent per SF, for industrial buildings in the Downey Industrial submarket, has increased by around 10%. A 10% upward adjustment was made for economic trend.

Rent Comparable 1 is located in South Gate; no adjustment was made for location.

The building improvements for Rent Comparable 1 were constructed between 1963 and 1965, according to public record. We have assumed that Rent Comparable 1 was in a similar condition to that of the subject at the time of leasing; we reserve the right to amend the value



conclusion in this report, should new information be provided. No adjustment was made for condition.

The ceiling height for Rent Comparable 1 is superior to that of the subject; a 5% downward adjustment was made.

We have assumed that the office area ratio for Rent Comparable 1 was similar to that of the subject at time of leasing.

In addition, based on a conversation with the listing broker for Sale Comparable 5, office area ratio does not typically have a significant impact on value for industrial buildings in the subject market area. No adjustment was made.

The construction quality of the building improvements for Rent Comparable 1 appears to be similar to those of the subject. No adjustment was made.

In addition, Rental 1 is a freestanding building like the subject; therefore, no adjustment is necessary.

After a net upward adjustment of 5%, the adjusted monthly rent per SF, for Rent Comparable 1, is **\$0.95**, industrial gross.



Rent Comparable 2 leased in August 2018, with a monthly rent of \$0.90 per SF, industrial gross, for a 3-year lease term, with 3% annual escalations, 1 week's free rent and no tenant improvements, for a unit area of 3,600 SF, according to the leasing broker for Rent Comparable 2. Based on the above, the monthly effective rent per SF for Rent Comparable 2 is \$0.92, industrial gross.

Rent Comparable 2 is located in Lynwood. Based on conversations with brokers active in the subject market area, Lynwood is considered to be comparable to the subject location. No adjustment was made for location.

The building improvements for Rent Comparable 2 were constructed in 1979, according to public record. There were minor renovations to Rent Comparable 2 prior to leasing, based on a conversation with the leasing broker. No adjustment was warranted for condition.

The unit area for Rent Comparable 2 is similar to that of the subject building, based on CoStar public record; no adjustment was made for unit size.

The ceiling clearance height for Rent Comparable 2 is superior to that of the subject, based on public record, and also according to the leasing broker for Rent Comparable 2. A 5% downward adjustment was made.

The office area ratio for Rent Comparable 2 was approximately 3%, per the leasing broker for Rent Comparable 2. As previously outlined, based on a conversation with the listing broker for Sale Comparable 5, office area ratio does not typically have a significant impact on value for industrial buildings in the subject market area. No adjustment was made.

The construction quality of the building improvements for Rent Comparable 2 appears to be superior to that of the subject, being of concrete construction. Based on conversations with brokers active in the subject market area, industrial buildings of concrete construction might typically sell or rent for around 20% to 30% higher than industrial buildings of metal construction, in the subject market area. A 20% downward adjustment was made.

In addition, Rental 2 is an inline industrial building; therefore, an upward of 30% was applied.

After a net downward adjustment of 0%, the adjusted monthly rent per SF, for Rent Comparable 2, is **\$0.90**, industrial gross.



Rent Comparable 3 leased in July 2018, with a monthly asking rent of \$0.82 per SF, modified gross, for a unit area of 6,000 SF, based on CoStar public record.

We tried but were unable to reach the parties involved in the leasing of Rent Comparable 3. We have assumed that the monthly starting rent for Rent Comparable 3 was \$0.82, modified gross; we reserve the right to amend the value conclusion in this report, should new information be provided.

Rent Comparable 3 is located in South Gate. No adjustment was made for location.

The building improvements for Rent Comparable 3 were constructed between 1973 and 1975, according to assessor's public record, or in 1958, based on CoStar public record. We have assumed that Rent Comparable 3 was in a similar condition to that of the subject at the time of leasing; we reserve the right to amend the value conclusion in this report, should new information be provided. No adjustment was made for condition.

The unit area for Rent Comparable 3 is similar to that of the subject building, based on public record; no adjustment was made for unit size.

The ceiling clearance height for Rent Comparable 3 is superior to that of the subject, according to public record; a 5% downward adjustment was made.

It appears that there is no indication of office area ratio for Rent Comparable 3. As previously outlined, based on a conversation with the listing broker for Sale Comparable 5, office area ratio does not typically have a significant impact on value for industrial buildings in the subject market area. No adjustment was made.

The construction quality of the building improvements for Rent Comparable 3 appears to be superior to those of the subject. Based on conversations with brokers active in the subject market area, industrial buildings of concrete construction might typically sell or rent for around 20% to 30% higher than industrial buildings of metal construction, in the subject market area. A 20% downward adjustment was made.

In addition, Rental 3 is an inline industrial building; therefore, an upward of 30% was applied.

After a net upward adjustment of 5%, the adjusted monthly rent per SF, for Rent Comparable 1, is **\$0.82**, modified gross.



Based on conversations with brokers active in the subject market area, a typical monthly per SF rent, for industrial buildings similar to the subject, in the subject neighborhood, might be around \$0.60 to \$1.00, modified gross.

Market Rent Reconciliation

Based on the above analysis, and with the relatively high land-to-building ratio of the subject property, we have reconciled to a monthly per SF market rent of **\$0.95**, modified gross, as of October 17, 2018, for the subject. Most weight is given to Rental 1 since it is the most similar to the subject.

Potential Gross Income Summary

Potential Gross Income - Occupied Space							
Occupied Space	SF	Units	Contract Rent	Contract Rent/SF	Market Rent	Market Rent/SF	Contract V. Mkt. Rent
11011 Garfield Place	5,280	1	\$78,000	\$14.77	\$60,192	\$11.40	0.0%
Occupied Space Totals	5,280	1	\$78,000	\$14.77	\$60,192	\$11.40	129.6%
Commercial Totals	5,280	1	\$78,000	\$14.77	\$60,192	\$11.40	129.6%
*Contract Rent = Annualized rent as of appraisal date							
Potential Gross Income - Vacant Space							
Potential Gross Rent Vacant Space	SF	Units			Market Rent	Market Rent/SF	
11011 Garfield Place	0	0			\$0	\$0.00	
Vacant Space Totals	0	0			\$0	\$0.00	
Potential Gross Income Summary							
Market Rent		Market Rent					
Market PGI For Occupied Space		\$60,192	Contract Rent For Occupied Space		\$78,000		
Market PGI For Vacant Space		\$0	Market PGI For Vacant Space		\$0		
Market Potential Gross Income		\$60,192	Contract & Market PGI		\$78,000		
Market PGI per SF		\$11.40	Contract & Market PGI per SF		\$14.77		
			Contract to Market Ratio		129.6%		



Other Income

Other Income is projected at \$0.

Vacancy and Collection Loss

The following table shows the average vacancy rate for industrial buildings up to 10,000 SF, within a 3-mile radius of the subject property, in the 18 months preceding the effective date of this report.

Properties	Survey	Min	Max
Existing SF	216,400	2,303	26,940
Vacancy Rate	1.5%	0.0%	32.4%
Rent Per SF	\$21.90	\$9.60	\$27.00
12 Mo. Absorption	-	-	-
12 Mo. Leasing SF	-	-	-

Source: CoStar, November 2018

The following table shows the vacancy rate for industrial buildings in the Downey Industrial submarket.

Downey Industrial	
Vacancy Rate	12 Mo Rent Growth
1.8%	6.8%

Source: CoStar, November 2018

Based on conversations with brokers active in the subject market area, a typical vacancy rate, for industrial buildings similar to the subject, in the subject neighborhood, might be around 1.00% to 3.00%.



Based on a review of market conditions, conversations with brokers active in the subject market area, and the subject's operating history, we have projected vacancy and collection loss at 2.00%.

Effective Gross Income

Potential Gross Income	\$60,192
Other Income	\$0
Less: Vacancy & Collection Loss	2.00%
Effective Gross Income	\$58,988

Expenses

Based on the lease agreement provided, the tenant is responsible for maintenance and utility expenses, with the owner paying taxes and insurance. We were provided with a record of annual insurance expense for the subject property.

The following Expense Summary table outlines annual expenses provided by the subject property owner, along with market-derived annual expenses.

Expense Summary								
Expense	Appraisal				Budget			
	Amount	\$/SF	\$/Unit	% EGI	Amount	\$/SF	\$/Unit	% EGI
Taxes	\$11,205	\$2.12	\$11,205	19.0%	\$5,954	\$1.13	\$5,954	10.1%
Insurance	\$957	\$0.18	\$957	1.6%	\$957	\$0.18	\$957	1.6%
Management	\$1,863	\$0.35	\$1,863	3.2%	\$0	\$0.00	\$0	0.0%
Repairs and Maintenance	\$3,168	\$0.60	\$3,168	5.4%	\$0	\$0.00	\$0	0.0%
Reserves	\$528	\$0.10	\$528	0.9%	\$0	\$0.00	\$0	0.0%
Totals	\$17,721	\$3.36	\$17,721	30.0%	\$6,911	\$1.31	\$6,911	11.7%

Industrial buildings similar to the subject, in the subject neighborhood, typically tend to be owner-user.

The following table outlines expense data from the 2018 Penner Industrial Expense Guide.

Please note that this survey reflects business parks ranging in size from 23,500 to 247,000 square feet. The units in these complexes are generally incubator size in nature; ranging from 1,000 to 2,500 square feet. The age of the building improvements ranges from 1973 to 1989.

**2018 Survey Statistics (Annual)**

Expense Category	Range - Low	Range - High	Average	Median	Std Dev
Taxes	\$0.48	\$2.48	\$0.96	\$0.81	\$0.56
Insurance	\$0.10	\$0.13	\$0.11	\$0.11	\$0.01
Utilities	\$0.12	\$0.42	\$0.25	\$0.23	\$0.10
Trash Removal	\$0.18	\$0.47	\$0.30	\$0.29	\$0.09
Grounds Maintenance	\$0.08	\$0.38	\$0.17	\$0.14	\$0.09
Repairs & Maintenance	\$0.26	\$0.93	\$0.62	\$0.61	\$0.18
Management Fee	\$0.33	\$0.93	\$0.67	\$0.69	\$0.20
Miscellaneous	\$0.01	\$0.37	\$0.10	\$0.06	\$0.10
Reserves	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Totals:	\$2.35	\$5.65	\$3.19	\$3.12	\$0.92
Expenses As % of EGI	24.7%	43.6%	30.4%	29.4%	5.3%
Management Fee	3.0%	8.2%	6.6%	7.8%	1.9%
Non-Operating Expenses:					
Commissions	\$0.00	\$0.26	\$0.09	\$0.07	\$0.09

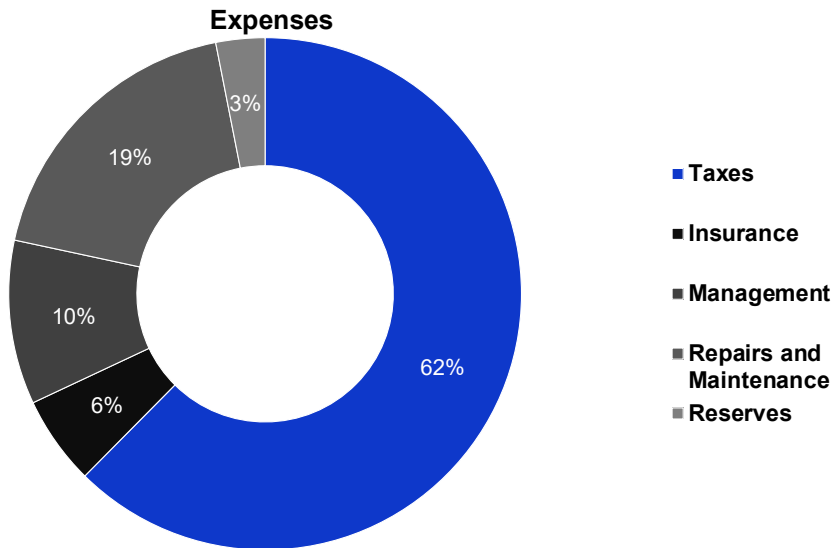
The calculation of the **property tax** is a circular process. Taxes are based on an assumed transfer of the property if sold as of the date of valuation.

The subject **insurance** appears to be outside the typical market range, based on the above market expense survey. The subject insurance expense of \$0.18 per SF annually has been used in market expense projection in this report.

Based on the above market expense survey, we have projected annual **repairs and maintenance** at \$0.60 per SF for the subject property.

Based on conversations with market participants, and based on appraisers' previous experience, a typical **management** percentage rate of effective gross income (EGI), for industrial properties similar to the subject, might be around 3.00% to 5.00%, though many owners may handle management of the property themselves. In addition, industrial buildings similar to the subject typically appear to be owner-user properties. For the purposes of this report, we have projected management at 3.00% of EGI for the subject.

Based on appraisers' previous experience, **reserves** expenses are typically between \$0.10 per SF and \$0.20 per SF annually. We have projected reserves at \$0.10 per SF for the subject property.

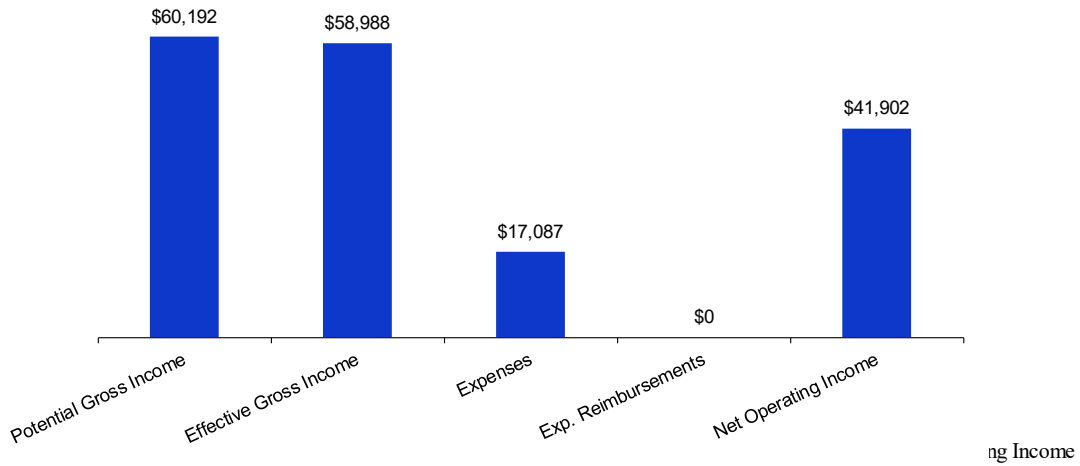


Net Operating Income

Effective Gross Income	\$58,988
Less: Expenses	\$17,087
Add: Expense Reimbursements	\$0
Net Operating Income	\$41,902



Cash Flow Profile



Cash Flow	Potential Gross Income	Effective Gross Income	Expenses	Exp. Reimbursements	NOI
Amount	\$60,192	\$58,988	\$17,087	\$0	\$41,902

Capitalization Rate

The capitalization rate is the factor that converts the stabilized net operating income (NOI) to a present value. It is the ratio of net income to value or sale price.

$$\text{NOI} \div \text{Sale Price} = \text{Capitalization Rate}$$

For example, if a property sells for \$500,000, and has a stabilized NOI of \$50,000, the indicated capitalization rate is 10%.



Market Extracted Rates

The table below details capitalization rates extracted from the market.

Comparable Sale Cap Rates						
Comparable	City	Price	Date	NOI	Cap Rate	
1	South Gate	\$650,000	5/11/2018	N/A	N/A	
2	Lynwood	\$752,000	4/17/2017	N/A	N/A	
3	South Gate	\$440,000	2/16/2017	N/A	4.30%	
4	South Gate	\$650,000	3/22/2017	N/A	N/A	
5	Huntington Park	\$594,000	1/25/2018	N/A	N/A	
6	South Gate	\$1,000,000	Active	N/A	N/A	

The following tables show cap rates, and cap rate average, for industrial buildings between up to 10,000 SF, within a 7-mile radius of the subject property, in the 24 months preceding October 17, 2018.

Address	City	State	Sale Status	Property Type	Sale Price	Recording Date	Price/SF	Size(SF)	Land(AC)	Land(SF)	Actual Cap	Yr Bld/Ren	Zip	Secondary Type	Zoning
301-319 E South St	Long Beach	CA	Sold	Industrial	\$1,600,000	02/06/16	\$220.02	7,272	0.29	12,632	9.87	1946	90805	Warehouse	LBCMR
120 W El Segundo Blvd	Los Angeles	CA	Sold	Industrial	\$1,335,000	11/01/16	\$136.20	9,802	0.61	26,667	7.18	1967	90061	Warehouse	M1, L.A. County
530 Montebello Way	Montebello	CA	Sold	Industrial	\$1,425,000	03/30/17	\$185.26	7,692	0.45	19,602	6.82	1979	90640	Showroom	M1
9912 Pioneer Blvd	Santa Fe Springs	CA	Sold	Industrial	\$1,250,000	07/03/17	\$138.89	9,000	0.63	27,373	6.40	1977	90670	Manufacturing	SSML*
15333-15337 Illinois Ave	Paramount	CA	Sold	Industrial	\$1,275,000	11/02/16	\$132.81	9,600	0.34	14,810	6.00	1998	90723	Warehouse	PAM2*
530 E Airline Way	Gardena	CA	Sold	Industrial	\$1,250,000	12/12/17	\$156.25	8,000	0.57	24,829	6.00	1957	90248	Manufacturing	LCM2-M1*
10614 Dolores Ave	South Gate	CA	Sold	Industrial	\$450,000		\$112.50	4,000	0.11	5,000	4.30	1951	90280	Warehouse	M3, South Gate

Sales	Survey	Min	Max
Sale Price Per SF	\$188	\$32	\$691
Avg Sale Price (Mil.)	\$1.1	\$0.2	\$3.2
Cap Rate	6.0%	4.0%	9.9%
Percent Leased	96.6%	0.0%	100%

Based on information from brokers active in the subject market area, a typical cap rate for industrial buildings similar to the subject, in the subject neighborhood, might be approximately 5.00% to 6.00%.

Capitalization Rate Conclusion

Based on the above, and due to the relatively high land-to-building ratio of the subject property, we have concluded to a rate of 5.25%.



Capitalization to Value

Income Capitalization Analysis					
Unit/Space Type	Income	Method	Units/SF	Annual	% of PGI
Industrial	\$60,192	\$/Year	5,280	\$60,192	100.0%
			Total Rental Income:	\$60,192	100.0%
			Other Income:	\$0	0.0%
			Potential Gross Income:	\$60,192	100%
			Vacancy & Collection Loss:	\$1,204	2.00%
			Effective Gross Income (EGI):	\$58,988	98.0%
Expense	Amount	Method	Annual	\$/SF	
Taxes	\$10,664	\$/Year	\$10,664	\$2.02	
Insurance	\$957	\$/Year	\$957	\$0.18	
Management	3.0%	% of EGI	\$1,770	\$0.34	
Repairs and Maintenance	\$3,168	\$/Year	\$3,168	\$0.60	
Reserves	\$528	\$/Year	\$528	\$0.10	
			Total Expenses:	\$17,087	\$3.24
			Expense Ratio (Expenses/EGI):	28.97%	
			Expense Reimbursements:	\$0	
			Net Expense Ratio	28.97%	
			Net Operating Income (NOI):	\$41,902	\$7.94
			Capitalization Rate:	5.25%	
			Value (NOI/Cap Rate):	\$798,124	\$151.16
			Rounded:	\$798,124	\$151.16

Direct Capitalization Analysis Conclusion

Based on the above analysis detailed above, as of October 17, 2018 we have reconciled to a direct capitalization approach value of:

\$798,124



Reconciled Subject Value by Income Direct Capitalization Approach	\$798,124
Less Delinquent Taxes Owed	(\$6,912)
Final Reconciled Subject Value by Income Direct Capitalization Approach	\$791,212
Surplus Rent	<u>\$62,415</u>
Total	\$853,627
Final Reconciled Subject Value by Income Direct Capitalization Approach (Rounded)	\$855,000

Rent Analysis

Rent Surplus/Loss

PRESENT WORTH OF RENT GAIN OR LOSS									
Tenant Name	Unit Area Square Feet	Actual Rent Per Month	Contract Rent PSF	Market Rent PSF	Market Rent Per Month	Rent Gain	Months Remaining	Factor 10.00%	Present Worth
Ramiro Roque	5,280	\$6,500	\$1.23	\$0.95	\$ 5,016	\$ 1,484	52	42.06	\$ 62,415
Total Present Worth of Rent Gain/Loss:									\$ 62,415

The overall rent surplus (gain) is based at 475 basis points above the reported cap rate. This additional rate of basis points is due to risk associated with a non-credit worthy tenant and the chance of the tenant walking from the current lease. This analysis is displayed above. The overall rent surplus associated with the subject property is \$62,415 which has been added from the overall market value.



Final Reconciliation

The process of reconciliation involves the analysis of each approach to value. The quality of data applied, the significance of each approach as it relates to market behavior and defensibility of each approach are considered and weighed. Finally, each is considered separately and comparatively with each other.

Value Indications

Land Value:	N/A
Cost Approach:	N/A
Sales Comparison Approach:	\$760,000
Income Approach:	
Direct Capitalization	\$790,000



Cost Approach

The cost approach is most reliable for newer properties that have no significant amount of accrued depreciation. Due to the age of the subject improvements, estimates of depreciation are subjective, limiting the reliability of this approach. Additionally, the cost approach is not typically used by market participants, except for new properties. Further, there is a limited market for sites similar to the subject, which would limit the reliability of a land value estimate. Accordingly, the cost approach is not used in this analysis.

Sales Comparison Approach

The sales comparison approach is most reliable in an active market when an adequate quantity and quality of comparable sales data are available. In addition, it is typically the most relevant method for owner-user properties, because it directly considers the prices of alternative properties with similar utility for which potential buyers would be competing.

The subject property is tenant-occupied as of the effective date of this report. Therefore, the sales comparison approach is given secondary weight in the conclusion of value.

Income Capitalization Approach

The income capitalization approach is usually given greatest weight when evaluating investment properties. The value indication from the income capitalization approach is supported by market data regarding income, expenses and required rates of return.

As outlined above, the subject property is tenant-occupied as of the effective date of this report. Therefore, the income capitalization approach is given primary weight in the conclusion of value.



REAL ESTATE ADVISORY, LLC.

177 Riverside Ave Ste A #1883
Newport Beach, CA, 92663

Value Conclusion

Based on the data and analyses developed in this appraisal, we have reconciled to the following value conclusion(s), as of October 17, 2018, subject to the Limiting Conditions and Assumptions of this appraisal.

Reconciled Value(s): Premise: As Is
Interest: Leased Fee
Value Conclusion: \$855,000
Eight Hundred Fifty Five Thousand Dollars



Certification Statement

We certify that, to the best of our 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 future interest in the property that is the subject of this report and have no personal interest with respect to the parties involved.
- 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.
- We have no bias with respect to the property that is the subject of this report, or to the parties involved with this assignment.
- 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 estimate, 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 Uniform Standards of Professional Appraisal Practice (USPAP).
- Tim Thibodeaux has not made a personal interior and exterior inspection of the property that is the subject of this report.
- Jason Doherty, Trainee License # 3003185, expiration date June 24, 2019, performed an interior and exterior inspection of the subject property, and provided significant real property appraisal assistance to the person(s) signing this certification.



REAL ESTATE ADVISORY, LLC.

177 Riverside Ave Ste A #1883
Newport Beach, CA, 92663

- We certify sufficient competence to appraise this property through education and experience, in addition to the internal resources of the appraisal firm.

Tim Thibodeaux, CGA
California-AG009087
Expiration date
January 5, 2019

Jason Doherty, AT
California-3003185
Expiration date
June 24, 2019



Addenda

Legal Description

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE CITY OF EXETER, IN THE COUNTY OF TULARE, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

PARCEL 1 OF PARCEL MAP NO 4973, IN THE CITY OF EXETER, COUNTY OF TULARE, STATE OF CALIFORNIA, AS PER MAP THEREOF RECORDED SEPTEMBER 10, 2009, IN BOOK 50, PAGE 78 OF PARCEL MAPS, TULARE COUNTY RECORDS

EXCEPTING THEREFROM, AS TO A PORTION OF SAID LAND, ALL OIL, GAS AND MINERALS SUBSTANCES AND RIGHTS, IN, UNDER OR APPERTAINING TO THE EAST 55 FEET OF SAID PREMISES, HOWEVER THAT THE RAILROAD COMPANY, ITS SUCCESSORS OR ASSIGNS SHALL HAVE NO RIGHT TO GO UPON SAID PREMISES FOR THE PURPOSE OF DRILLING, DIGGING OR EXCAVATING THEREIN OR THEREON FOR ANY OF SUCH SUBSTANCES AS RESERVED IN THE DEED FROM MINKLER SOUTHERN RAILROAD COMPANY, A CORPORATION, DATED JULY 8, 1940, RECORDED SEPTEMBER 7, 1940 IN BOOK 911, PAGE 72 OF OFFICIAL RECORDS,

ALSO EXCEPTING THEREFROM, AS TO A PORTION OF SAID LAND, ALL OIL, GAS AND MINERAL SUBSTANCES AND RIGHTS, IN, UNDER OR APPERTAINING TO SAID LAND PROVIDING, HOWEVER, THAT THE RAILWAY COMPANY, SHALL HAVE NO RIGHT TO GO UPON SAID LAND FOR THE PURPOSE OF DRILLING, DIGGING OR EXCAVATING THEREIN OR THEREON FOR ANY OF SUCH SUBSTANCES AS RESERVED IN THE DEED FROM MINKLER SOUTHERN RAILWAY COMPANY, A CORPORATION, TO DIAMOND K VINEYARDS, INC, DATED FEBRUARY 11, 1942, RECORDED OCTOBER 13, 1943 IN BOOK 1047, PAGE 82 OF OFFICIAL RECORDS

ALSO EXCEPTING THEREFROM, AS TO A PORTION OF SAID LAND, ALL OIL, GAS, AND OTHER HYDROCARBON AND MINERAL SUBSTANCES (EXCEPT WATER) LYING NOT LESS THAN 100 FEET BELOW THE SURFACE OF SAID REAL PROPERTY, AS RESERVED BY THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY, A CORPORATION, IN DEED DATED, JUNE 14, 1946, RECORDED SEPTEMBER 18, 1946 FILE NO 31415, OFFICIAL RECORDS

ALSO EXCEPTING THEREFROM, AS TO A PORTION OF SAID LAND, ALL OIL, GAS AND OTHER HYDROCARBON AND MINERAL SUBSTANCES LYING NOT LESS THAN 100 FEET BELOW THE SURFACE OF SAID LAND, PROVIDED THAT SANTA FE, ITS SUCCESSORS AND ASSIGNS, SHALL NOT HAVE THE RIGHT TO GO UPON THE SURFACE OF SAID LAND FOR THE PURPOSE OF EXTRACTING SAID OIL, GAS OR OTHER HYDROCARBON AND MINERALS SUBSTANCES NOR FOR ANY PURPOSE IN CONNECTION THEREWITH, BUT SHALL HAVE RIGHT TO EXTRACT AND REMOVE SAID OIL, GAS AND OTHER HYDROCARBON AND MINERAL SUBSTANCES BY MEANS OF SLANT-DRILLED WELLS LOCATED ON ADJACENT OR NEARBY LAND, OR BY ANY OTHER MEANS WHICH SHALL NOT REQUIRE ENTRY UPON THE SURFACE OF SAID LAND, AS RESERVED BY THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY, A KANSAS CORPORATION, BY DEED RECORDED MARCH 20, 1952 IN BOOK 1581, PAGE 60 OF OFFICIAL RECORDS

ALSO EXCEPTING THEREFROM, AS TO A PORTION OF SAID LAND, ALL OIL, GAS AND OTHER HYDROCARBON AND MINERAL SUBSTANCES LYING NOT LESS THAN 100 FEET BELOW THE SURFACE OF THE HEREINABOVE DESCRIBED LAND, PROVIDED THAT SANTA FE, ITS SUCCESSORS AND ASSIGNS SHALL NOT HAVE THE RIGHT TO GO UPON THE SURFACE OF SAID LAND FOR THE PURPOSE OF EXTRACTING SAID OIL, GAS OR OTHER HYDROCARBON AND MINERAL SUBSTANCES, NOR FOR ANY PURPOSE IN CONNECTION THEREWITH, BUT SHALL HAVE THE RIGHT TO EXTRACT AND REMOVE SAID OIL, GAS AND OTHER HYDROCARBON AND MINERAL SUBSTANCES BY MEANS OF SLANT-DRILLED WELLS LOCATED ON ADJACENT OR NEARBY LAND, OR BY ANY OTHER MEANS WHICH SHALL NOT REQUIRE ENTRY UPON THE SURFACE OF SAID LAND, AS RESERVED BY THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY, A KANSAS CORPORATION, IN DEED RECORDED 12, 1955 IN BOOK SEPTEMBER 12, 1955 IN BOOK 1860, PAGE 103 OF OFFICIAL RECORDS



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EXCEPTING THEREFROM ALL MINERALS, INCLUDING, WITHOUT LIMITING THE GENERALITY THEREOF, OIL, GAS AND OTHER HYDROCARBON SUBSTANCES, AS WELL AS METALLIC OR OTHER SOLID MINERALS AS RESERVED BY THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY IN DEED RECORDED OCTOBER 9, 1990 AS DOCUMENT NO 66924 OF OFFICIAL RECORDS.

APN: 136-100-048-000



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Qualifications of the Appraisers



REAL ESTATE ADVISORY, LLC.

177 Riverside Ave Ste A #1883
Newport Beach, CA, 92663

Resume

TIM THIBODEAUX

State of California - Certified General Real Estate Appraiser
License Number AG009087 (Expires 01/05/2021)

State of Washington – Certified General Real Estate Appraiser
License Number 1102335 (Expires 01/05/2019)

State of New York - Certified General Real Estate Appraiser
License Number 46000049757 (Expires 08/30/2019)

State of Nevada – Certified General Real Estate Appraiser
License A.0207394-CG (7/31/2020)

State of Texas – Certified General Real Estate Appraiser
License TX 1380631 (08/31/2020)

State of Georgia – Certified General Real Property Appraiser
License 376417 (1/31/2019)

California Real Estate Broker License 01764592 (Expires
09/24/2022)

Email- tim@realestateadvisory.com

Office

177 Riverside Ave Ste A #1883
Newport Beach, CA 92663

Commercial Appraiser since 1994
Residential Appraiser since 1991

FHA/HUD Approved Appraiser



Master Builders Association - Member
Cell Phone 714 271-9427
Office 310 997-2908

Employment

Independent Real Estate Appraiser	1991 to Present
Real Estate Broker Triple Diamond Group	2006 to Present
Real Estate Broker Royal Realty	2012 to Present
Senior Appraiser- Integra Realty Resources	4/12 to 12/14

Certifications and Affiliations

California Certified General Appraiser	AG009087
California Real Estate Broker	01764592
HUD Approved Appraiser	California

Education

California State University Long Beach	1986	B.S. Real Estate Finance
California State University Long Beach	1984	B.A. Political Science
California State University Dominguez Hills	1987	6 units M.S. Quality Assurance

Scope of Experience

Multi-Family Units	Apartments	Manufacture Homes
Office Buildings	Commercial Buildings	Vacant Land
Planned Unit Developments	Desk & Field Reviews	Retail Strip Centers
Mixed Use	Proposed Construction	Retail Buildings
Contractor's Yard	Vehicle Related Properties	Cold Storage Units
Industrial Buildings	Retrospective Appraisals	Condominiums
Bankruptcy Court Appraisals	Dated of Death Appraisals	Storage Units
Shopping Centers	Churches	Gas Stations
Boarding Homes	Proposed Future Value	Bars
Divorce Litigation	Single Family Residences	Tax Appeals
Bowling Centers	Attorney Service Appraisals	Expert Witness
Storefront Retail	Manufacture Buildings	Restaurants Bldg



Nightclubs	Employee Relocation Appraisals	Estate Planning
Waterfront Properties	New Construction (plans & specs)	2-4 Units
PMI Removal	FHA Appraisals	Foreclosures
Strip Centers	Warehouses Buildings	Loss Mitigation

Specialized Real Estate Appraisal Courses

<u>Professional Appraisal Courses</u>	<u>Date</u>	<u>Organization</u>
Advanced Sales and Cost Approaches	2010	Appraisal Institute
Residential Case Study	1993	Appraisal Institute
Basic Capitalization	1993	Appraisal Institute
Appraisal Procedures	1993	Appraisal Institute
Standard of Professional Practice	1993	Appraisal Institute
Real Estate Law	1984-1986	CSULB
Appraisal Principles	1984-1986	CSULB
Manufactured Housing Appraisal	2004	Lincoln Graduate School

Continued Education

<u>Professional Appraisal Courses</u>	<u>Date</u>	<u>Organization</u>
Vineyard Valuation 2018	2018	Appraisal Institute
Supporting Your Adjustments	2018	McKissock
USPAP	2018	McKissock
Valuation of Conservation Easements	2018	American Society of Farm Managers & Rural Appraisers
Laws and Regulations for CA Appraisers	2016	McKissock
USPAP	2016	McKissock
Dirty Dozen	2016	McKissock
Supervisor -Trainee Course for CA	2016	McKissock
Laws for Nevada Appraisers	2016	McKissock
CREL Examination Heads Up for Bank Collateral Risk Managers	2015	Society of Chief Appraisers
Residential Appraising For Banks	2015	Society of Chief Appraisers
USPAP	2015	Appraisal Institute
Completing Today's FHA Appraisals	2014	U.S. Department of Housing
Residential & Commercial Valuation of Solar	2014	Appraisal Institute
USPAP	2012	Appraisal Institute
Federal & State Laws & Regulations	2012	Real Estate Trainers
USPAP Hypothetical Conditions and	2012	Appraisal Institute



Extraordinary Assumptions		
OREA Update and Enforcement Issues	2010	Appraisal Institute
National USPAP Update Course	2010/2012	Appraisal Institute
Completing Today's FHA Appraisals	2010	U.S. Department of Housing
Advanced Sales and Cost Approaches	2010	Appraisal Institute
Business Practices and Ethics	2009	Appraisal Institute
Verification of Data	2008	Appraisal Institute
Appraisal of Residential Property for Foreclosure & Preforeclosure	2008	Appraisal Institute
Building Transferable Skillsets	2008	Appraiser Training
National USPAP Update Course	2008	Appraisal Institute
Stats & Graphs Appraisal	2008	Appraisal Institute
How Residential & Gen. Appraisers Can Prosper in the Future	2008	Appraisal Institute
Appraising in a Declining or Changing Market	2007	Appraisal Institute
Liability Management for Residential Appraisers	2007	Appraisal Institute
USPAP Update Seminar	2006	Acheson Courses
Complete the New Fannie URAR Form	2005	Tomonelli & Associates
Paperless Office	2004	A la Mode
Forming Filling	2004	A la Mode
Appraisal Principles & Techniques	2004	Real Estate Trainers
National USPAP Update	2004	Valuation 2004
The Future of the Appraisal Business	2004	Valuation 2004
AVMs and AVMs Application Guidelines	2004	Valuation 2004
Liability and the Appraiser	2004	Valuation 2004
Diversifying Your Appraisal Practice	2004	Valuation 2004
National USPAP Course	2002	Real Estate Trainers
Appraisal Principles & Techniques	2002	Real Estate Trainers
Fair Housing	2002	N/A
Capitalization & Cash Flow	2000	Real Estate Trainers
AVM	2000	McKissock Data System
FHA	2000	McKissock Date System
The Appraiser as an Expert Witness	2000	Appraisal Institute
R/E Appraisal Fundamentals II	1996	Real Estate Trainers
Litigation and Expert Witness	1996	Appraisal Institute
FHA 203K	1996	Acheson Courses
Reviewing Residential Reports	1996	Jim Morgan & Associates
USPAP Update Seminar	1996	Appraisal Institute
Federal & State Laws & Regulations	1996	Appraisal Institute
HUD/FHA Policies & Procedures	1995	Jim Morgan & Associates
Real Estate Appraiser #101	1991	Premier Schools, Inc.



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JASON DOHERTY

Work History

CREA - Real Estate Advisory
CREA - TMG Realty Advisors

2016 - Present
2015-2016

Education

Harlow College – NCTJ Postgraduate Certificate in Newspaper Journalism
London Metropolitan University – BA (Honours) French/Film Studies

Courses

2016-2017 7-Hour USPAP National Update

2014-2015 15-Hour National Uniform Standards of Professional Appraisal Practice

Basic Appraisal Principles

Basic Appraisal Procedures

Residential Appraiser Site Valuation and Cost Approach

Residential Market Analysis and Highest & Best Use

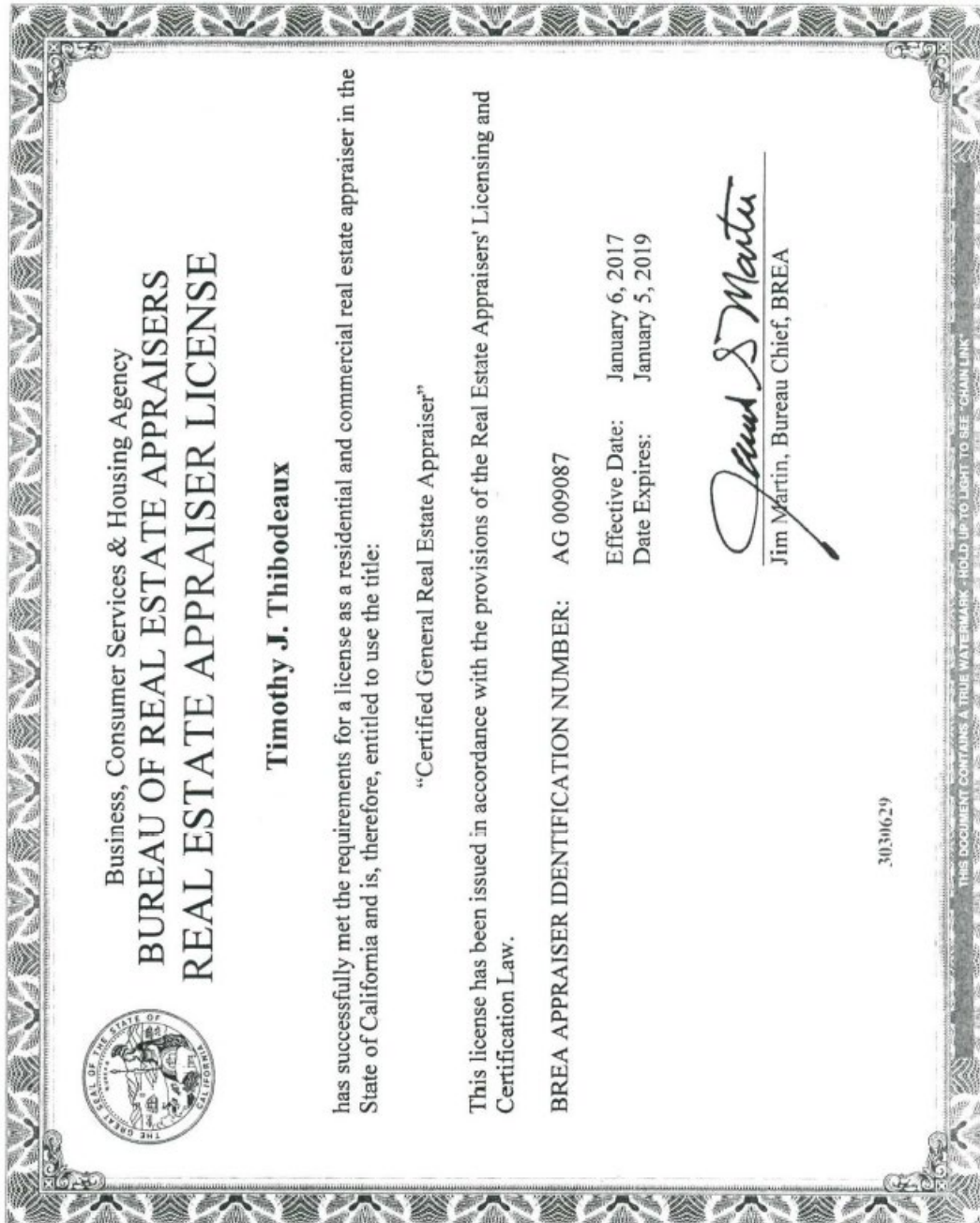
Residential Report Writing and Case Studies

Residential Sales Comparison and Income Approaches

Supervisor-Trainee Course for California



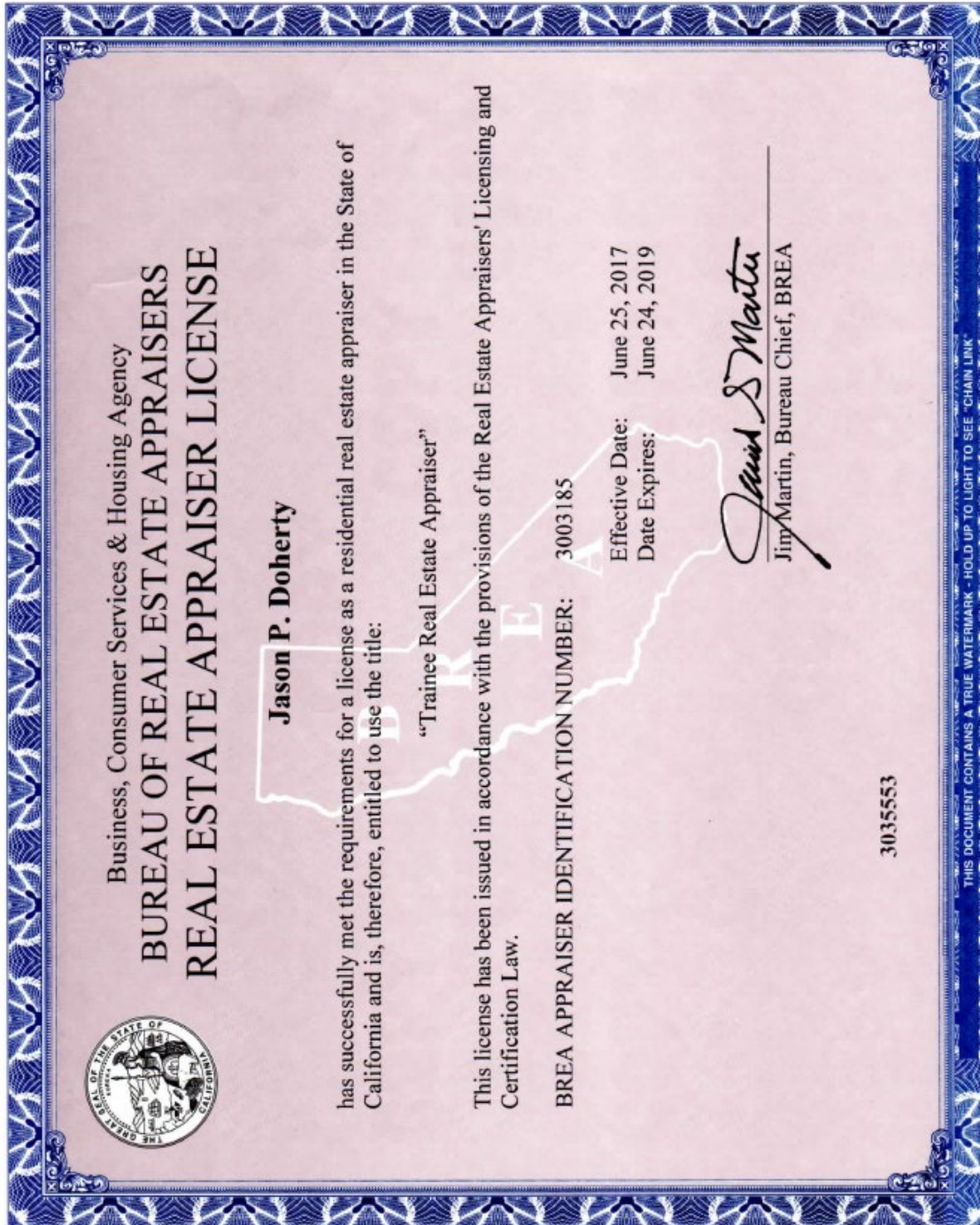
Appraisers' Licenses





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Glossary

This glossary contains the definitions of common words and phrases, used throughout the appraisal industry, as applied within this document. Please refer to the publications listed in the **Works Cited** section below for more information.

Works Cited:

- Appraisal Institute. *The Appraisal of Real Estate*. 13th ed. Chicago: Appraisal Institute, 2008. Print.
- Appraisal Institute. *The Dictionary of Real Estate Appraisal*. 5th ed. 2010. Print.

Band of Investment

A technique in which the capitalization rates attributable to components of a capital investment are weighted and combined to derive a weighted-average rate attributable to the total investment. (Dictionary, 5th Edition)

Common Area

1. The total area within a property that is not designed for sale or rental but is available for common use by all owners, tenants, or their invitees, e.g., parking and its appurtenances, malls, sidewalks, landscaped areas, recreation areas, public toilets, truck and service facilities.
2. In a shopping center, the walkways and areas onto which the stores face and which conduct the flow of customer traffic. (ICSC) (Dictionary, 5th Edition)

Common Area Maintenance (CAM)

1. The expense of operating and maintaining common areas; may or may not include management charges and usually does not include capital expenditures on tenant improvements or other improvements to the property.

- CAM can be a line-item expense for a group of items that can include maintenance of the parking lot and landscaped areas and sometimes the exterior walls of the buildings.
- CAM can refer to all operating expenses.
- CAM can refer to the reimbursement by the tenant to the landlord for all expenses reimbursable under the lease. Sometimes reimbursements have what is called an administrative

load. An example would be a 15% addition to total operating expenses, which are then prorated among tenants. The administrative load, also called an administrative and marketing fee, can be a substitute for or an addition to a management fee.

2. The amount of money charged to tenants for their shares of maintaining a center's common area. The charge that a tenant pays for shared services and facilities such as electricity, security, and maintenance of parking lots. The area maintained in common



by all tenants, such as parking lots and common passages. The area is often defined in the lease and may or may not include all physical area to be paid for by all tenants. Items charged to common area maintenance may include cleaning services, parking lot sweeping and maintenances, snow removal, security, and upkeep. (ICSC) (Dictionary, 5th Edition)

Debt Coverage Ratio (DCR)

The ratio of net operating income to annual debt service ($DCR = NOI/Im$), which measures the relative ability of a property to meet its debt service out of net operating income; also called debt service coverage ratio (DSCR). A larger DCR indicates a greater ability for a property to withstand a downturn in revenue, providing an improved safety margin for a lender. (Dictionary, 5th Edition)

Discount Rate

A yield rate used to convert future payments or receipts into present value; usually considered to be a synonym for yield rate. (Dictionary, 5th Edition)

Effective Age

The age of property that is based on the amount of observed deterioration and obsolescence it has sustained, which may be different from its chronological age. (Dictionary, 5th Edition)

Effective Date

1. The date on which the analyses, opinion, and advice in an appraisal, review, or consulting service apply.

2. In a lease document, the date upon which the lease goes into effect. (Dictionary, 5th Edition)

Exposure Time

1. The time a property remains on the market.
2. The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based on an analysis of past events assuming a competitive and open market. (Dictionary, 5th Edition)

External Obsolescence

An element of depreciation; a diminution in value caused by negative externalities and generally incurable on the part of the owner, landlord, tenant. (Dictionary, 5th Edition)

Extraordinary Assumption

An assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions. Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property such as market conditions or trends; or about the integrity of data used in an analysis. (USPAP, 2010-2011 ed.) (Dictionary, 5th Edition)

Fee Simple Estate

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. (Dictionary, 5th Edition)

Functional Obsolescence

The impairment of functional capacity of a property according to market tastes and standards. (Dictionary, 5th Edition)

Functional Utility

The ability of a property or building to be useful and to perform the function for which it is intended according to current market tastes and standards; the efficiency of a building's use in terms of architectural style, design and layout, traffic patterns, and the size and type of rooms. (The Appraisal of Real Estate, 13th Edition)

Gross Building Area (GBA)

Total floor area of a building, excluding unenclosed areas, measured from the exterior of the walls of the above-grade area. This includes mezzanines and basements if and when typically included in the region. (Dictionary, 5th Edition)

Gross Leasable Area (GLA)

Total floor area designed for the occupancy and exclusive use of tenants, including basements and mezzanines; measured from the center of joint partitioning to the outside wall surfaces. (Dictionary, 5th Edition)

Highest & Best Use

The reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, financially feasible, and that

results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity. Alternatively, the probable use of land or improved property—specific with respect to the user and timing of the use—that is adequately supported and results in the highest present value. (Dictionary, 5th Edition)

Highest and Best Use of Land or a Site as Though Vacant

Among all reasonable, alternative uses, the use that yields the highest present land value, after payments are made for labor, capital, and coordination. The use of a property based on the assumption that the parcel of land is vacant or can be made vacant by demolishing any improvements. (Dictionary, 5th Edition)

Highest and Best Use of Property as Improved

The use that should be made of a property as it exists. An existing improvement should be renovated or retained as is so long as it continues to contribute to the total market value of the property, or until the return from a new improvement would more than offset the cost of demolishing the existing building and constructing a new one. (Dictionary, 5th Edition)

Hypothetical Condition

That which is contrary to what exists but is supposed for the purpose of analysis. Hypothetical conditions assume conditions contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property,



such as market conditions or trends; or about the integrity of data used in an analysis. (Dictionary, 5th Edition)

Leased Fee Interest

A freehold (ownership interest) where the possessory interest has been granted to another party by creation of a contractual landlord-tenant relationship (i.e., a lease). (Dictionary, 5th Edition)

Market Area

The area associated with a subject property that contains its direct competition. (Dictionary, 5th Edition)

Market Rent

The most probably rent that a property should bring is a competitive and open market reflecting all conditions and restrictions of the lease agreement, including permitted uses, use restrictions, expense obligations, term, concessions, renewal and purchase options, and tenant improvements (TIs). (Dictionary, 5th Edition)

Market Value

The major focus of most real property appraisal assignments. Both economic and legal definitions of market value have been developed and refined.

1. The most widely accepted components of market value are incorporated in the following definition: The most probable price that the specified property interest should sell for in a competitive market after a reasonable exposure time, as of a specified date, in cash, or in terms equivalent to cash, under all conditions requisite to a fair sale, with the buyer and seller each

acting prudently, knowledgeably, for self-interest, and assuming that neither is under duress.

2. Market value is described in the Uniform Standards of Professional Appraisal Practice (USPAP) as follows: A type of value, stated as an opinion, that presumes the transfer of a property (i.e., a right of ownership or a bundle of such rights), as of a certain date, under specific conditions set forth in the definition of the term identified by the appraiser as applicable in an appraisal. (USPAP, 2010-2011 ed.) USPAP also requires that certain items be included in every appraisal report. Among these items, the following are directly related to the definition of market value:

- Identification of the specific property rights to be appraised.
- Statement of the effective date of the value opinion.
- Specification as to whether cash, terms equivalent to cash, or other precisely described financing terms are assumed as the basis of the appraisal.
- If the appraisal is conditioned upon financing or other terms, specification as to whether the financing or terms are at, below, or above market interest rates and/or contain unusual conditions or incentives. The terms of above—or below—market interest rates and/or other special incentives must be clearly set forth; their contribution to, or negative influence on, value must be described and estimated; and the market data supporting the opinion



- of value must be described and explained.
3. The following definition of market value is used by agencies that regulate federally insured financial institutions in the United States: The most probable price that a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and the seller each acting prudently and knowledgeably, and assuming 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:
 - Buyer and seller are typically motivated;
 - Both parties are well informed or well advised, and acting in what they consider their best interests;
 - A reasonable time is allowed for exposure in the open market;
 - Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
 - 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. (12 C.F.R. Part 34.42(g); 55 Federal Register 34696, August 24, 1990, as amended at 57 Federal Register 12202, April 9, 1992; 59 Federal Register 29499, June 7, 1994)
 4. The International Valuation Standards Council defines market value for the

- purpose of international standards as follows: The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion. (International Valuation Standards, 8th ed., 2007)
5. Market value is the amount in cash, or on terms reasonably equivalent to cash, for which in all probability the property would have sold on the effective date of the appraisal, after a reasonable exposure of time on the open competitive market, from a willing and reasonably knowledgeable seller to a willing and reasonably knowledgeable buyer, with neither acting under any compulsion to buy or sell, giving due consideration to all available economic uses of the property at the time of the appraisal. (Uniform Standards for Federal Land Acquisitions) (Dictionary, 5th Edition)

Marketing Time

An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of the appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal. (Advisory Opinion 7 of the Standards Board of The Appraisal Foundation and Statement on Appraisal Standards No. 6, "Reasonable Exposure Time in Real Property and Personal Property Market Value Opinions" address the



determination of reasonable exposure and marketing time). (Dictionary, 5th Edition)

Net Operating Income (NOI)

The actual or anticipated net income that remains after all operating expenses are deducted from effective gross income but before mortgage debt service and book depreciation are deducted. (Dictionary, 5th Edition)

Obsolescence

One cause of depreciation; an impairment of desirability and usefulness caused by new inventions, changes in design, improved processes for production, or external factors that make a property less desirable and valuable for a continued use; may be either functional or external. (Dictionary, 5th Edition)

Parking Ratio

A ratio of parking area or parking spaces to an economic or physical unit of comparison. Minimum required parking ratios of various land uses are often stated in zoning ordinances. (Dictionary, 5th Edition)

Scope of Work

The type and extent of research and analyses in an assignment. (Dictionary, 5th Edition)

Stabilized Occupancy

An expression of the expected occupancy of a property in its particular market considering current and forecasted supply and demand, assuming it is priced at market rent. (Dictionary, 5th Edition)

Tenant Improvements (TIs)

Rentable Area

For office buildings, the tenant's pro rata portion of the entire office floor, excluding elements of the building that penetrate through the floor to the areas below. The rentable area of a floor is computed by measuring to the inside finished surface of the dominant portion of the permanent building walls, excluding any major vertical penetrations of the floor. Alternatively, the amount of space on which the rent is based; calculated according to local practice. (Dictionary, 5th Edition)

Replacement Cost

The estimated cost to construct, at current prices as of the effective appraisal date, a substitute for the building being appraised, using modern materials and current standards, design, and layout. (Dictionary, 5th Edition)

1. Fixed improvements to the land or structures installed and paid for use by a lessee.
2. The original installation of finished tenant space in a construction project; subject to periodic change for succeeding tenants. (Dictionary, 5th Edition)

Vacancy and Collection Loss

A deduction from potential gross income (PGI) made to reflect income reductions due to vacancies, tenant turnover, and non-payment of rent; also called vacancy and credit loss or vacancy and



contingency loss. Often vacancy and collection loss is expressed as a percentage of potential gross income and should reflect the competitive market. Its treatment can differ according to the interest being appraised, property type, capitalization method, and whether the property is at stabilized occupancy. (Dictionary, 5th Edition)