



**Valbridge**  
PROPERTY ADVISORS

## Appraisal Report

Lion's Club  
12415 Murphy Avenue  
San Martin, Santa Clara County, California 95037

Report Date: March 15, 2018



FOR:

Mr. Eric Peterson  
County of Santa Clara  
Airport Business Manager, Roads and Airport Dept.  
2500 Cunningham Avenue  
San Jose, CA 95148

### **Valbridge Property Advisors**

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Valbridge File Number:  
CA02-18-0019-004



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March 15, 2018

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Mr. Eric Peterson  
Airport Business Manager, Roads and Airport Dept.  
County of Santa Clara  
2500 Cunningham Avenue  
San Jose, CA 95148

RE: Appraisal Report  
Lion's Club  
12415 Murphy Avenue  
San Martin, Santa Clara County, California 95037

Dear Mr. Peterson:

In accordance with your request, we have performed an appraisal of the above referenced property. This appraisal report sets forth the pertinent data gathered, the techniques employed, and the reasoning leading to our value opinions. This letter of transmittal is not valid if separated from the appraisal report.

The property is known as the Lion's Club, located at 12415 Murphy Avenue in San Martin, Santa Clara County, California 95037. The subject is further identified as Assessor's Parcel Number (APN) 825-11-017. The site currently measures 5.0 gross acres, and 4.64 net acres. The rear portion of the site, measuring approximately 1.87 acres is planned for acquisition by the Santa Clara Valley Water District. For this appraisal, we have made the assumption that this acquisition has already occurred. The site area estimated for this report, therefore, is approximately 2.77 acres, or 120,661 square feet. Given that this is not the actual site size of the property currently, this assumption represents a hypothetical condition, assumed for purposes of analysis. The site is improved with a 6,000-square-foot meeting hall, which was 100% occupied at the time of our inspection.

The client has requested that we provide an as-is fee simple market value, as well as the fair market rent. These are hypothetical values as we have been requested to make the assumption that a planned acquisition by the Santa Clara Valley Water District has already occurred.

We developed our analyses, opinions, and conclusions and prepared this report in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation; the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute; and the requirements of our client as we understand them.

The client in this assignment is County of Santa Clara and also the sole intended user of this report. The intended use is for internal evaluation purposes regarding a possible lease or sale of the property and no other use. The value opinions reported herein are subject to the definitions, assumptions and limiting conditions, and certification contained in this report.

The acceptance of this appraisal assignment and the completion of the appraisal report submitted herewith are subject to the General Assumptions and Limiting Conditions contained in the report. The findings and conclusions are further contingent upon the following extraordinary assumptions and/or hypothetical conditions which might have affected the assignment results:

#### Extraordinary Assumptions:

- None.

#### Hypothetical Conditions:

- The subject site area currently measures about 4.64 net acres. The rear portion of the site, measuring approximately 1.87 acres is planned for acquisition by the Santa Clara Valley Water District. For this appraisal, we have made the assumption that this acquisition has already occurred. The site area estimated for this report, therefore, is approximately 2.77 acres, or 120,661 square feet. Given that this is not the actual site size of the property currently, this assumption represents a hypothetical condition, assumed for purposes of analysis.

Based on the analysis contained in the following report, our value conclusions are summarized as follows:

Value Conclusions		
Component	Hypothetical	Hypothetical
Value Type	Market Value	Fair Market Rent
Property Rights Appraised	Fee Simple	Fee Simple
Effective Date of Value	March 3, 2018	March 3, 2018
<b>Value Conclusion</b>	<b>\$740,000</b>	<b>\$4,800 per month NNN</b> <b>\$0.80/square foot/month NNN</b>

Respectfully submitted,  
 Valbridge Property Advisors



Brian A. Spohr  
 Appraiser  
 California Certified License #AG3002079



Yvonne J. Broszus, MAI  
 Director  
 California Certified License #AG019587

# Table of Contents

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Cover Page	
Letter of Transmittal	
Table of Contents .....	i
Summary of Salient Facts .....	ii
Aerial and Front Views.....	iv
Location Map .....	v
Introduction.....	1
Scope of Work .....	4
Regional and Market Area Analysis.....	6
City and Neighborhood Analysis .....	10
Site Description .....	14
Improvements Description .....	18
Subject Photos.....	20
Assessment and Tax Data .....	22
Market Analysis .....	23
Highest and Best Use.....	25
Sales Comparison Approach.....	27
Income Capitalization Approach.....	45
Reconciliation.....	64
General Assumptions and Limiting Conditions .....	65
Certification – Brian A. Spohr.....	72
Certification – Yvonne J. Broszus, MAI.....	73
Addenda .....	74
Subject Photographs.....	75
Glossary .....	76
Qualifications .....	82
Valbridge Property Advisors Company Information and Office Locations.....	86

# Summary of Salient Facts

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## Property Identification

Property Name	Lion's Club
Property Address	12415 Murphy Avenue San Martin, Santa Clara County, California 95037
Latitude & Longitude	37.076, -121.5961
Tax Parcel Number	825-11-017
Property Owner	County of Santa Clara

## Site

Zoning	Rural Residential - minimum 5-acre lot size (RR-5Ac)
FEMA Flood Map No.	06085C-0628H
Flood Zone	D
Primary Usable Land Area	2.770 acres

## Existing Improvements

Property Use	Armory, Club, Lodge Facility
Investment Class	C
Occupancy Type	Single Tenant
Gross Building Area (GBA)	6,000 sf
Net Rentable Area (NRA)	6,000 sf
Number of Units	1
Number of Buildings	1
Number of Stories	1
Year Built	1980
Condition	Average
Construction Class	C - Concrete Block
Construction Quality	Average
Surface Parking	40 spaces

## Valuation Opinions

Highest & Best Use - As Vacant	Residential or Quasi-Public
Highest & Best Use - As Improved	Existing
Reasonable Exposure Time	6 months or less
Reasonable Marketing Time	6 months or less

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<b>Value Indications</b>		
<b>Approach to Value</b>	<b>Hypothetical</b>	<b>Hypothetical</b>
Cost	Not Developed	
Sales Comparison	\$750,000	
Income Capitalization		
Direct Capitalization	\$720,000	
<b>Value Conclusions</b>		
<b>Component</b>	<b>Hypothetical</b>	<b>Hypothetical</b>
Value Type	Market Value	Fair Market Rent
Property Rights Appraised	Fee Simple	Fee Simple
Effective Date of Value	March 3, 2018	March 3, 2018
<b>Value Conclusion</b>	<b>\$740,000</b>	<b>\$4,800 per month NNN</b> <b>\$0.80/square foot/month NNN</b>

Our findings and conclusions are further contingent upon the following extraordinary assumptions and/or hypothetical conditions which might have affected the assignment results:

#### Extraordinary Assumptions:

- None.

#### Hypothetical Conditions:

- The subject site area currently measures about 4.64 net acres. The rear portion of the site, measuring approximately 1.87 acres is planned for acquisition by the Santa Clara Valley Water District. For this appraisal, we have made the assumption that this acquisition has already occurred. The site area estimated for this report, therefore, is approximately 2.77 acres, or 120,661 square feet. Given that this is not the actual site size of the property currently, this assumption represents a hypothetical condition, assumed for purposes of analysis.



## Aerial and Front Views

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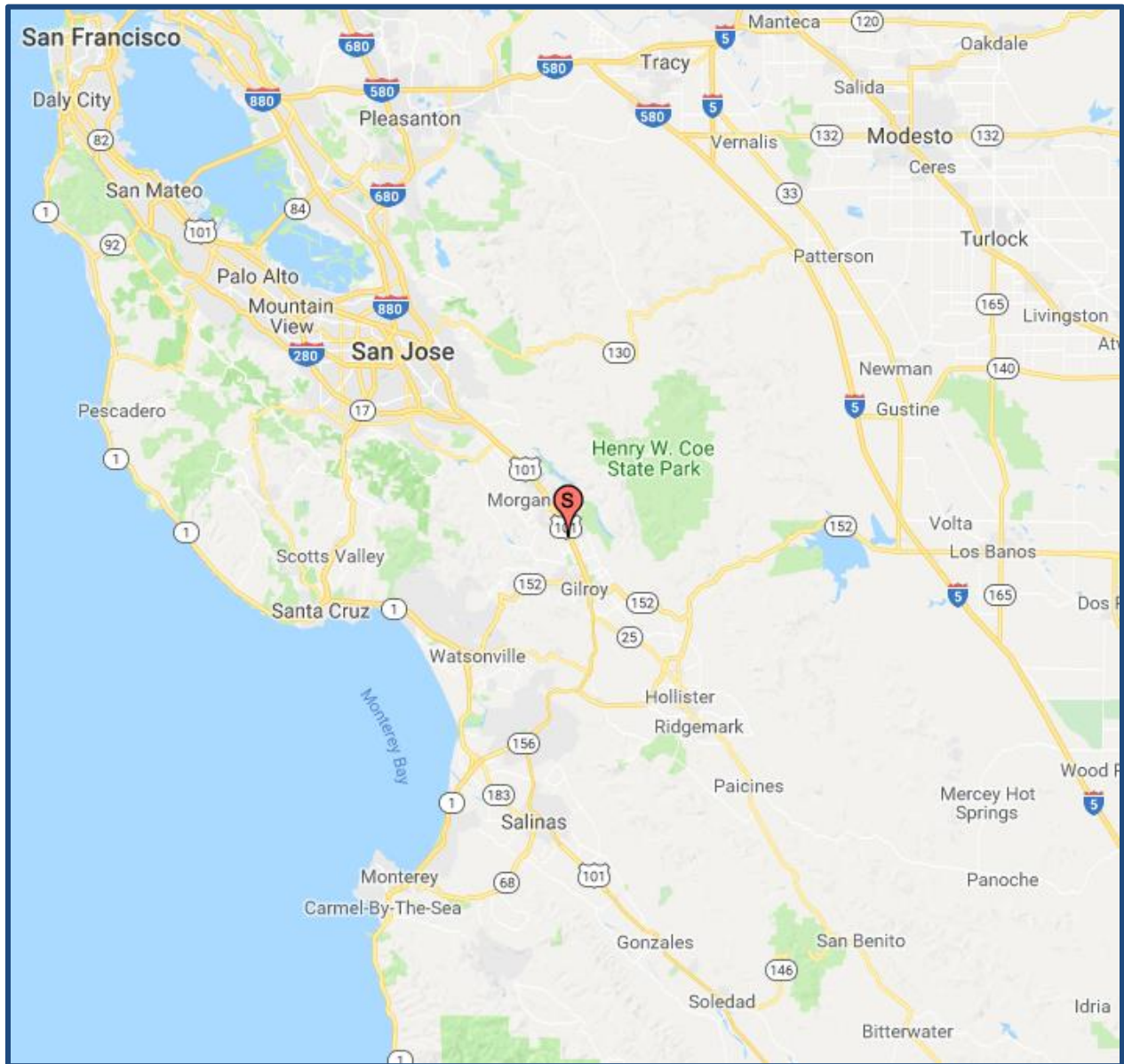
**AERIAL VIEW**



**FRONT VIEW**



# Location Map





# Introduction

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## Client and Intended Users of the Appraisal

The client in this assignment is the County of Santa Clara, and the sole intended user of this report is our client.

## Intended Use of the Appraisal

The intended use of this report is for internal decision making purposes regarding a potential new lease or sale of the property, and no other use.

## Real Estate Identification

The subject property is located at 12415 Murphy Avenue, San Martin, Santa Clara County, California 95037. The subject property is further identified by Assessor Parcel Number 825-11-017.

## Legal Description

We reviewed a legal description for the entire site provided in a preliminary title report prepared by First American Title Company and dated April 30, 2014. The legal description identifies the subject as APN 825-11-017.

## Use of Real Estate as of the Effective Date of Value

As of the effective date of value, the subject was a meeting hall/community club property.

## Use of Real Estate as Reflected in this Appraisal

Same as above.

## Ownership of the Property

According to a Preliminary Title Report, title to the subject property is vested in the County of Santa Clara.

## History of the Property

Ownership of the subject property has not changed within the past three years.

## Listings/Offers/Contracts

The subject is not currently listed for sale or under contract for sale.

## Type and Definition of Value

The appraisal problem (the term "Purpose of Appraisal" has been retired from appraisal terminology) is to develop an opinion of the market value of the subject property. "Market Value," as used in this appraisal, is defined as "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 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, each acting in what they consider their own 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 sale concessions granted by anyone associated with the sale.”<sup>1</sup>*

The value conclusions apply to the value of the subject property under the market conditions presumed on the effective date(s) of value.

Please refer to the Glossary in the Addenda section for additional definitions of terms used in this report.

### Valuation Scenarios, Property Rights Appraised, and Effective Dates of Value

Per the scope of our assignment we developed opinions of value for the subject property under the following scenarios of value:

Valuation Scenario	Effective Date of Value
Hypothetical Market Value of the Fee Simple Interest	March 3, 2018
Hypothetical Fair Market Rent	March 3, 2018

We completed an appraisal inspection of the subject property on March 3, 2018.

### Date of Report

The date of this report is March 15, 2018, which is the same as the date of the letter of transmittal.

### List of Items Requested but Not Provided

- Legal description for proposed acquisition by Santa Clara Valley Water District

### Assumptions and Conditions of the Appraisal

The acceptance of this appraisal assignment and the completion of the appraisal report submitted herewith are subject to the General Assumptions and Limiting Conditions contained in the report. The findings and conclusions are further contingent upon the following extraordinary assumptions and/or hypothetical conditions which might have affected the assignment results.

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<sup>1</sup> Source: *Code of Federal Regulations, Title 12, Banks and Banking, Part 722.2-Definitions*

Extraordinary Assumptions

- None.

Hypothetical Conditions

- The subject site area currently measures about 4.64 net acres. The rear portion of the site, measuring approximately 1.87 acres is planned for acquisition by the Santa Clara Valley Water District. For this appraisal, we have made the assumption that this acquisition has already occurred. The site area estimated for this report, therefore, is approximately 2.77 acres, or 120,661 square feet. Given that this is not the actual site size of the property currently, this assumption represents a hypothetical condition, assumed for purposes of analysis.

## Scope of Work

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The elements addressed in the Scope of Work are (1) the extent to which the subject property is identified, (2) the extent to which the subject property is inspected, (3) the type and extent of data researched, (4) the type and extent of analysis applied, (5) the type of appraisal report prepared, and (6) the inclusion or exclusion of items of non-realty in the development of the value opinion. These items are discussed as below.

### Extent to Which the Property Was Identified

The three components of the property identification are summarized as follows:

- Legal Characteristics - The subject was legally identified via a preliminary title report, assessor's records, assessor parcel number, and maps.
- Economic Characteristics - Economic characteristics of the subject property were identified via information provided by our client, as well as a comparison to properties with similar locational and physical characteristics.
- Physical Characteristics - The subject was physically identified via an appraisal inspection that consisted of interior and exterior observations.

### Extent to Which the Property Was Inspected

We inspected the subject on March 3, 2018. The improvements were not measured during the course of the inspection; however, we have relied upon previous measurements performed by our firm.

### Type and Extent of Data Researched

We researched and analyzed: (1) market area data, (2) property-specific market data, (3) zoning and land-use data, and (4) current data on comparable listings and transactions. We also interviewed people familiar with the subject market/property type.

### Type and Extent of Analysis Applied (Valuation Methodology)

We observed surrounding land use trends, the condition of any improvements, demand for the subject property, and relevant legal limitations in concluding a highest and best use. We then valued the subject based on that highest and best use conclusion.

Appraisers develop an opinion of property value with specific appraisal procedures that reflect three distinct methods of data analysis: the cost approach, sales comparison approach, and income capitalization approach. One or more of these approaches are used in all estimations of value.

- Cost Approach - In the cost approach, the value indication reflects the sum of current depreciated replacement or reproduction cost, land value, and an appropriate entrepreneurial incentive or profit.
- Sales Comparison Approach - In the sales comparison approach, value is indicated by recent sales and/or listings of comparable properties in the market, with the appraiser analyzing the impact of material differences in both economic and physical elements between the subject and the comparables.

- Income Capitalization Approach - In the income capitalization approach, value is indicated by the capitalization of anticipated future income. There are two types of capitalization: direct capitalization and yield capitalization, more commonly known as discounted cash flow (DCF) analysis.
- Approaches Applied - All of these approaches to value were considered. We assessed the availability of data and applicability of each approach to value within the context of the characteristics of the subject property and the needs and requirements of the client. Based on this assessment the Sales Comparison and Income Capitalization Approaches were developed. The Cost Approach was not used because market participants rarely employ the Cost Approach in their buy/sell decision making processes for properties like the subject. Further discussion of the extent of our analysis and the methodology of each approach is provided later in the respective valuation sections.

### Appraisal Conformity and Report Type

We developed our analyses, opinions, and conclusions and prepared this report in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation; the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute; and the requirements of our client as we understand them. This is an Appraisal Report as defined by the Uniform Standards of Professional Appraisal Practice under Standards Rule 2-2a.

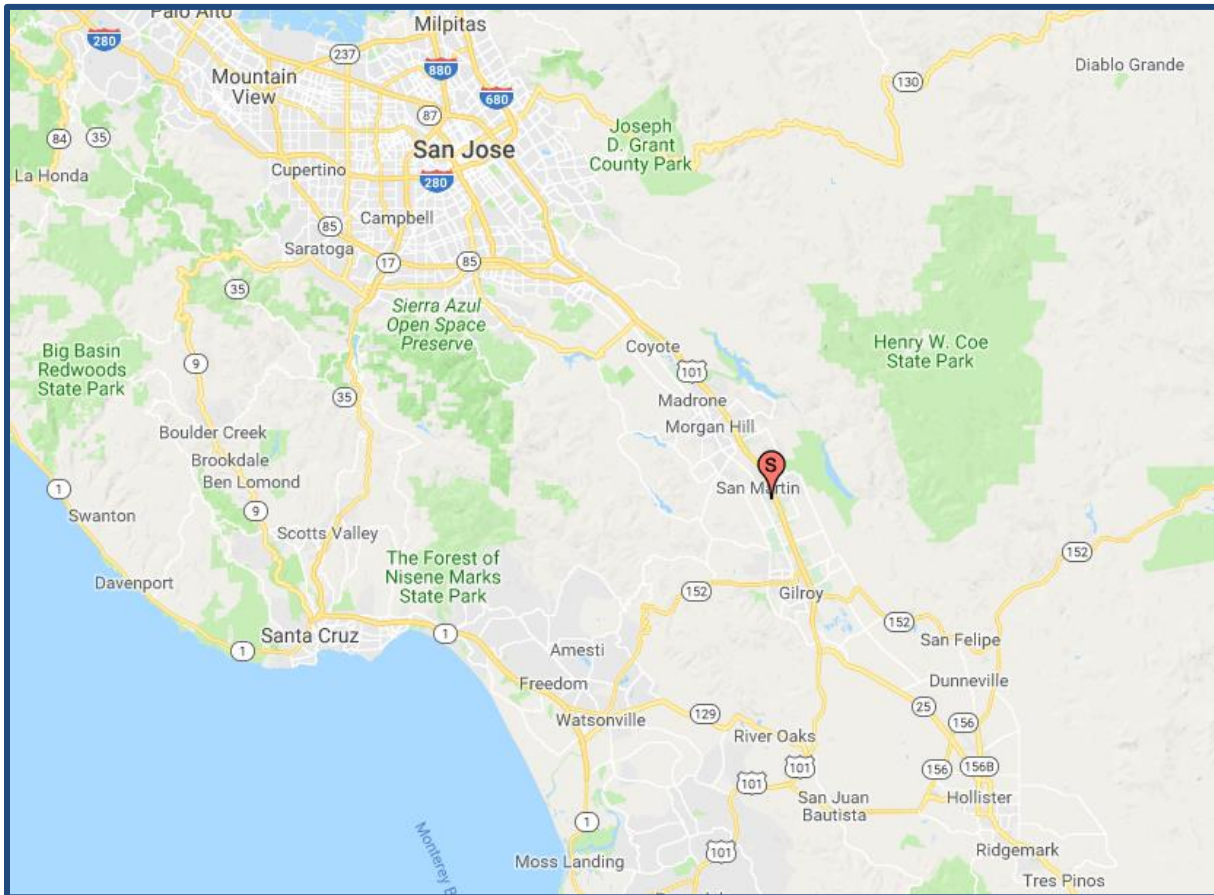
### Personal Property/FF&E

All items of non-realty are excluded from this analysis. The opinion of market value developed herein is reflective of real estate only.



# Regional and Market Area Analysis

**REGIONAL MAP**



## Overview

The subject property is located in the San Francisco Bay Region, an area which is comprised of the nine counties bordering the San Francisco Bay. According to the State of California Department of Finance, the area had a combined population of approximately 7.71 million as of January 1, 2017. The Department of Finance characterizes the San Francisco Bay Area by a moderate climate, diversified economy and one of the highest standards of living in the United States.

## Population

Santa Clara County is the most populous of the nine counties comprising the San Francisco Bay Region, with an estimated 1,938,180 residents as of January 1, 2017 according to the State of California Department of Finance. San Jose is the largest city in the county and the third largest in California, surpassing San Francisco.

According to the Site to Do Business projections, presented on the following page, the county's population is expected to increase 1.2% between 2017 and 2022, while San Martin will increase approximately 1.0% over the same period.

## Population

Area	2000	2010	Annual % Change 2000 - 10	Estimated 2017	Projected 2022	Annual % Change 2017 - 22
United States of America	281,421,906	308,745,538	1.0%	327,514,334	341,323,594	0.8%
California	33,871,648	37,253,956	1.0%	39,611,295	41,298,900	0.9%
Santa Clara County	1,682,585	1,781,642	0.6%	1,958,087	2,075,690	1.2%
San Martin	6,504	7,027	0.8%	7,499	7,863	1.0%

Source: Site-to-Do-Business (STDB Online)

## Transportation

Excellent transportation routes and linkages to all major cities within the region and throughout the state are primary reasons for the advancement of business activity in the Bay Area, including Santa Clara County.



Air service in the area is provided by Norman Y. Mineta San Jose International Airport, which accommodated almost 12.5 million passengers in 2017. San Francisco and Oakland airports are also within an hour's drive from most portions of the county. Although air travel is down over the past two years, in 2010, San Jose International Airport completed the first phase of a two-phase expansion with the goal of increasing service to 17.3 million travelers a year, at a cost of \$1.3 billion. Planning for the second phase, nine additional gates and a new concourse extension at the south end of Terminal B, began early in 2018.

The area has a well-developed freeway system although traffic congestion is unquestionably one of the negative aspects. The county's transportation network also includes a number of expressways, which provide streamlined access to most interior locations. Lawrence Expressway, San Tomas Expressway and Foothill Expressway run north-south, while Central Expressway and Montague Expressway run roughly east-west.

## Employment

High-technology employment and a skilled workforce translate into relatively high-income levels, and Santa Clara County is one of the most affluent metropolitan regions in the nation. Silicon Valley's economy is stable, although its narrow range of driving industries has kept recent growth very slow.

Significant employment sectors within Santa Clara County include manufacturing; professional, scientific, and technical services; health care; retail; and educational services. Some of the largest employers are associated with the computer industry such as Adobe, Apple, AMD, and Hewlett-Packard; hospitals such as the VA Medical Center, Kaiser Permanente, and the San Jose Medical

Center; space and aerotech including NASA and Lockheed Martin; and educational facilities such as San Jose State University and Stanford University School of Medicine.

### Employment by Industry - Santa Clara County

Industry	2017 Estimate	Percent of Employment
Agriculture/Mining	6,643	0.70%
Construction	51,243	5.40%
Manufacturing	167,015	17.60%
Wholesale trade	19,928	2.10%
Retail trade	85,406	9.00%
Transportation/Utilities	27,520	2.90%
Information	34,162	3.60%
Finance/Insurance/Real Estate Services	44,601	4.70%
Services	491,556	51.80%
Public Administration	20,877	2.20%
<b>Total</b>	<b>948,950</b>	<b>100.0%</b>

*Source: Site-to-Do-Business (STDB Online)*

### Unemployment

The unemployment rate in Santa Clara County is currently less than the rates of the state and nation. The County unemployment rate was 2.7% as of December 2017. The State of California was at 4.9% in October 2017 while the nation was at 4.1% for the same time period. Unemployment rates locally and nationwide have been on a decreasing trend over the last several years

### Median Household Income

In Santa Clara County, San Jose, the county seat, ranks first out of the entire nation in terms of median household income for major metropolitan areas. San Francisco, about 50 miles to the north of San Jose, also ranked as one of the wealthiest cities in the nation: it holds the number two spot with a median household income of about 9% less than San Jose.

Total median household income for the region is presented in the following table. Overall, the subject compares unfavorably to the state and the country.

### Median Household Income

Area	Estimated 2017	Projected 2022	Annual % Change 2017 - 22
United States of America	\$56,124	\$62,316	2.2%
California	\$65,223	\$74,370	2.8%
Santa Clara County	\$99,069	\$108,576	1.9%
San Martin	\$105,627	\$114,215	1.6%

*Source: Site-to-Do-Business (STDB Online)*

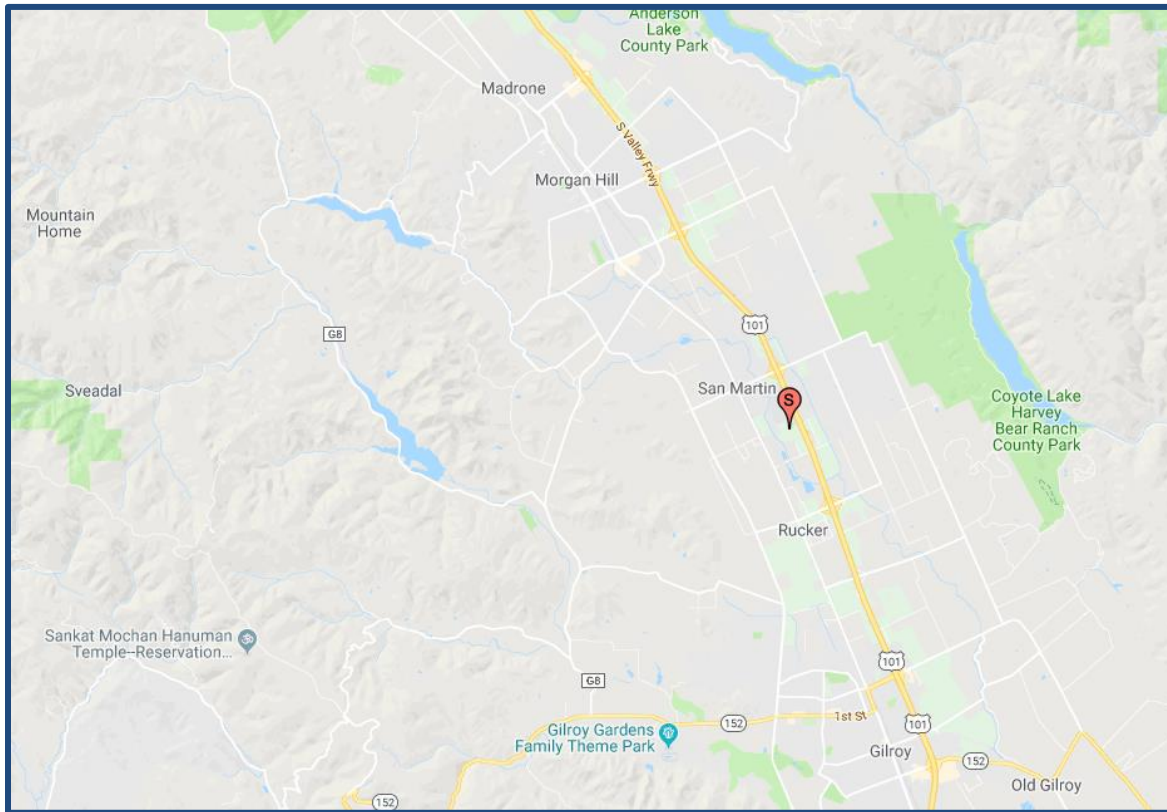
### Conclusions

Historically, the Santa Clara County region has been considered a desirable place to both live and work. Physical features and a strong local economy attract both businesses and residents. It is a

worldwide leader in technology and a regional employment center, with an increasingly diversified economy. While traffic congestion will continue to be a problem, residents remain among the most affluent in the country.

# City and Neighborhood Analysis

**NEIGHBORHOOD MAP**



## City Overview

San Martin is an unincorporated area located in the jurisdiction of Santa Clara County. It lies between Morgan Hill to the north, and Gilroy to the south. San Francisco is approximately 80 miles north of San Martin and Monterey is about 55 miles to the southwest. San Martin, along with neighboring Morgan Hill and Gilroy, is located in an area typically known as the “South Valley” area.

The City of Morgan Hill was incorporated in 1906, and is situated in southern Santa Clara County along Highway 101. Gilroy is located about 10 miles south of Morgan Hill, in the farthest southern portion of Santa Clara County. The economies of the South Valley Area have traditionally been based on agriculture, but industrial and residential expansions have been making inroads into agricultural land for the past six years. With the rapid growth of Silicon Valley in the northern portion of the county, the character of South County has changed. Demand for the less expensive and available commercial land and housing in the cities of Morgan Hill, Gilroy, and the unincorporated areas, such as San Martin where the subject is located, substantially increased during the past three years. These communities have become a popular alternative to the more expensive areas of Silicon Valley to the north.

The unincorporated area of San Martin is serviced by two major arterials: Highway 101, also known as the “South Valley Freeway,” and the Monterey Highway, also known as Monterey Road, which was formerly old Highway 101. The South Valley Freeway was constructed around the cities of Morgan



Hill and Gilroy, thereby reducing old Highway 101 to a “business” highway. There are two major arterials leading from Highway 101 to Monterey Road in the unincorporated area of San Martin. San Martin Avenue is the first exit south of Morgan Hill. Masten Avenue is the following exit to the south. The San Martin area has slowly become the “estate home Mecca” of the South County due to the more relaxed building requirements of the county. Morgan Hill and Gilroy both have growth control measures in place that limit growth in all areas, including residential, due to sewer issues. Residential use in San Martin is supported by septic system, not sewer. Also, water to San Martin properties is provided by individual wells, rather than a city water system.

Most properties in San Martin are designated for either rural residential or agricultural uses. Small portions of the area, however, have a commercial/industrial overlay that permit a limited amount of commercial or industrial development.

### Neighborhood Location and Boundaries

The subject neighborhood is located in the San Martin section of San Martin. The neighborhood is bounded by West San Martin Avenue to the north, Freeway 101 to the east, Fitzgerald Avenue to the south, and Monterey Highway to the west.

## Demographics

The following table depicts the area demographics in San Martin within a one-, three-, and five-mile radius from the subject. The subject neighborhood demographics are attractive to a variety of users including the existing use.

### Neighborhood Demographics

Radius	1 mile	3 miles	5 miles
<b>Population Summary</b>			
2000 Population	1,957	12,664	67,215
2010 Population	2,108	13,375	74,756
2017 Population	2,250	14,672	85,022
2022 Population Estimate	2,358	15,503	91,741
Annual % Change (2017 - 2022)	0.9%	1.1%	1.5%
<b>Housing Unit Summary</b>			
2000 Housing Units	528	4,123	21,029
% Owner Occupied	66.7%	74.0%	66.8%
% Renter Occupied	28.8%	22.1%	30.7%
2010 Housing Units	590	4,545	24,106
% Owner Occupied	59.7%	67.2%	62.6%
% Renter Occupied	33.7%	25.9%	32.7%
2017 Housing Units	614	4,863	26,675
% Owner Occupied	58.8%	66.9%	62.3%
% Renter Occupied	35.5%	27.2%	34.5%
2022 Housing Units	643	5,133	28,767
% Owner Occupied	58.3%	66.5%	61.9%
% Renter Occupied	35.6%	27.3%	34.7%
Annual % Change (2017 - 2022)	0.9%	1.1%	1.5%
<b>Income Summary</b>			
2017 Median Household Income	\$101,970	\$101,754	\$92,059
2022 Median Household Income Estimate	\$110,450	\$110,146	\$103,571
Annual % Change	1.6%	1.6%	2.4%
2017 Per Capita Income	\$39,059	\$42,563	\$38,058
2022 Per Capita Income Estimate	\$43,951	\$47,642	\$42,937
Annual % Change	2.4%	2.3%	2.4%

## Transportation Routes

Within the immediate area of the subject, transportation access helps define the character of its development. Major travel and commuter routes within the area of the subject include East San Martin Avenue and Monterey Highway. Access to the area is considered average.

## Neighborhood Land Use

The subject neighborhood is located in an area with primarily residential and agricultural land uses. An approximate breakdown of the development in the area is as follows:

### LAND USES

Use	Percentage
Agricultural:	25%
Residential:	30%
Commercial:	5%
Industrial:	10%
Vacant:	30%

## Immediate Environs

The area has primarily a residential and agricultural character. The immediate neighborhood, however, also has an industrial character due to the proximity of the South County Airport, which is located immediately east of the subject, on the east side of Murphy Avenue. Despite the subject's location adjacent to the airport, the subject is not located within the Airport Safety Zone. Besides the airport, the majority of uses in the immediate area are either rural residential or agricultural.

The residential uses consist mostly of single-family detached dwelling units varying in size, in livable area, style, age, design, quality, amenities and condition. Many of these homes are situated on acreage lots. The predominant age appears to be between 10 and 50 plus years old. The majority of improvements are older farmhouses and ranch homes. Agricultural uses include row crops, greenhouses, horse properties and grazing land.

## Conclusions

In summary, the subject is located in an unincorporated area of Santa Clara County known as San Martin. The area is a combination of residential and agricultural uses and is between the Cities of Morgan Hill and Gilroy. Overall, the South County is a popular alternative to the more expensive areas of Silicon Valley. San Martin provides a rural atmosphere, yet is still in close proximity to Silicon Valley to the north. The property uses immediately surrounding the subject replicate those found in the entire San Martin area. The subject is considered compatible with the existing uses in the area. Overall, the subject neighborhood is well-suited for the existing use.

## Site Description

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### Site Characteristics

Location:	12415 Murphy Avenue in San Martin, CA 95037
APN:	825-11-017 (a portion thereof)
Site Area:	120,661 gross square feet, or 2.77 gross acres; and 120,661 net square feet, or 2.77 net acres. The site area represents a hypothetical condition as the current site area is actually 5.0 gross acres, or 4.64 net acres.
Shape:	Irregular
Topography:	Generally level
Utilities:	The site is not serviced by a municipal water or sewer system. These utilities are provided by a well and a septic system. This is typical of properties located in the county. Electricity is provided to the site.
Off-Site Improvements:	The street frontage is unimproved, which is typical of properties located in the county.
Interior or Corner:	Interior
Signalized Intersection:	No

### Flood Zone Data

Flood Map Panel/Number:	06085C-0628H
Flood Map Date:	05-18-2009
Flood Zone:	D Zone D represents an unstudied area in which flood hazards are undetermined but flooding is possible
Site Area in Flood:	0.00%

### Other Site Conditions

Soil Type:	Assumed clean
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**Environmental Issues:** We make no representations as to the presence of toxins and hazardous materials on the subject site. We are appraising the site as if clean. If this is of concern to any reader of this report, it is our recommendation that an environmental report be obtained from the appropriate professionals qualified to issue such opinions.

**Easements/Encroachments:** A Preliminary Title Report did not disclose any easements or encumbrances that would materially affect the value of the subject

**Earthquake Zone:** The property is not located in an Alquist-Priolo Special Studies Zone for earthquake hazard. Earthquake hazard is typical for the overall area.

### Adjacent Land Uses

**North:** Open agricultural/ranch land with a stable  
**South:** Residential property  
**East:** South County Municipal Airport, followed by Freeway 101  
**West:** Across Llagas Road: mixed industrial and residential/ranch properties

### Site Ratings

**Access:** Average  
**Visibility:** Average

### Zoning Designation

**Zoning Jurisdiction:** County of Santa Clara  
**Zoning Classification:** RR-5Ac, Rural Residential - minimum 5-acre lot size  
**General Plan Designation:** Rural Residential

**Permitted Uses:** Residential and agricultural uses, as well as some public/quasi-public uses like the subject with a use permit.

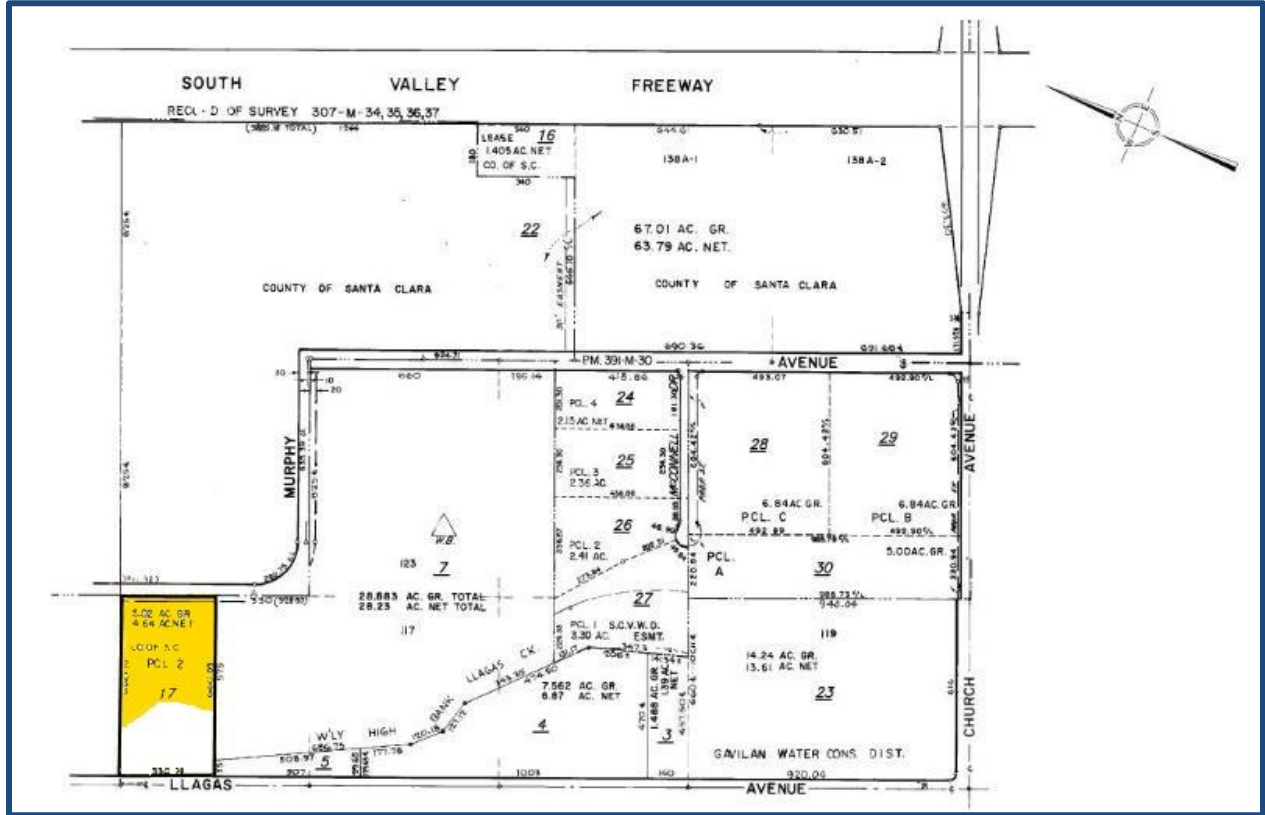
**Zoning Comments:** The zoning and General Plan are compatible.



### Analysis/Comments on Site

In summary, the subject site currently consists of 5.0 gross acres. A near-term acquisition of the rear portion of the property, however, will reduce the site size to about 2.77 acres. For this appraisal, we have applied a hypothetical condition, assuming the site measures 2.77 acres. The site is level, will have an irregular configuration and an interior block location. The site is assumed to be environmentally clean. Overall, the site is well-suited for the existing use.

**TAX/PLAT MAP**



## Improvements Description

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### Improvement Characteristics

Property Type:	Assembly-Meeting Place
Property Subtype:	Armory, Club, Lodge Facility
Occupancy Type:	Single Tenant
Tenancy:	Single-Tenant
Number of Buildings:	1
Number of Stories:	1
Construction Class:	C - Concrete Block per Marshall Valuation Service
Construction Quality:	Average
Gross Building Area (GBA):	6,000 SF (based on On-site measurements)

### Ratios & Parking

Land-to-Building Ratio:	20.11 to 1 (Usable Land/GBA)
Floor Area Ratio (FAR):	0.05 (based on GBA)
Parking Spaces:	40
Parking Ratio on GBA:	6.7 (per 1,000 sf of GBA)

### Age / Life

Year Built:	1980
Condition:	Average
Actual Age:	38 years
Effective Age:	27 years
Typical Building Life:	50 years
Remaining Economic Life:	23 years

### Structural Characteristics

Foundation:	Concrete slab
Building Frame:	Masonry and wood frame
Exterior Walls:	Concrete block
Roof Type / Material:	Pitched/ Composition shingle

### Interior Characteristics

Floors:	Vinyl tile
Walls:	Painted concrete block
Ceiling:	Texture-sprayed gypsum board
Lighting:	Recessed fluorescent fixtures

## Mechanical Systems

Electrical:	Assumed adequate and typical for intended use.
Plumbing:	Assumed adequate and typical for intended use, and appear to accommodate handicapped persons.
Heating:	HVAC
Air Conditioning:	HVAC
Fire Protection/Sprinklers:	Wet system

## Site Improvements

Site Improvements: Site improvements include a commercial building and parking lot.

Landscaping: Average

## Legal, Conforming Status

Legally Permitted Use:	Yes
Conforms to Parking:	Yes

Conformity Conclusion: The subject has a Use Permit allowing the current use. It is likely that the subject could obtain a permit for other similar types of public/quasi-public uses as well.

## Deferred Maintenance

The property is well maintained. No significant items of deferred maintenance were noted.

## Analysis/Comments on Improvements

The subject building represents a meeting hall built circa 1980. The interior is improved with an open hall or community room, and full-scale commercial kitchen. The interior of the building is sprinklered. An exterior water tank provides the water for the sprinkler system. The site is also improved with a playground, which is appealing to this user type, as well as to religious and daycare users. The building would be desirable for many public/quasi-public users that require a high level of parking. Overall, the improvements are well designed and are functional for their intended quasi-public use. They would appeal to a variety of other users.

## Subject Photos

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Side exterior and parking lot



Meeting Hall





Meeting hall



Playground

*Additional photos are included in the Addenda*

# Assessment and Tax Data

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## Assessment Methodology

The State of California has provided for a unified system to assess real estate for property taxes. Assessment Districts are established on a county basis to assess real estate within the county. The appraised property falls under the taxing jurisdiction of Santa Clara County and is subject to both general taxes and direct assessments.

## Assessed Values and Property Taxes

The subject is not assessed taxes because it is owned by a public entity. However, if it were leased or sold into private ownership, we would expect the taxes to be the same as neighboring properties as well as being assessed direct assessments.

## General Taxes

The amount of General Taxes due is quantified by multiplying the assessed value by the tax rate. In the State of California, real estate is assessed at 100% of market value as determined by the County Assessor's Office. The tax rate consists of a base rate of 1% plus any bonds or fees approved by the voters. The County Tax Rate for the subject property is 1.21516%.

## Direct Assessments

Direct assessments are tax levies that are not dependent upon the assessed value of the property. They are levied regardless of assessment.

## Current and Future Taxes

Proposition 13 was passed by voters in June 1978 and substantially changed the taxation of real estate in California. This constitutional amendment rolled back the base year for assessment purposes to the tax year 1975-1976. Annual increases in assessed value are limited to 2% per year, regardless of the rate of inflation. Real estate is subject to re-appraisal to current market value upon a change in ownership or new construction. Property assessments in years subsequent to a change of ownership or new construction are referred to as factored base values.

Proposition 8, which passed in 1979, states that the Assessor shall lower tax roll values to fair market value whenever the assessed value exceeds fair market value. It mandates that the lower of fair market value or factored base value be placed on the assessment roll. When fair market values are enrolled, the Assessor reassesses the property annually until such time as fair market value again equals or exceeds the factored base year value. For properties that have been owned for several years, the assessed value may not reflect the current fair market value. Furthermore, due to adjustments following a Prop 8 reduction, increases in assessed value can increase substantially more than 2% per year until the assessment again matches the factored base year value.

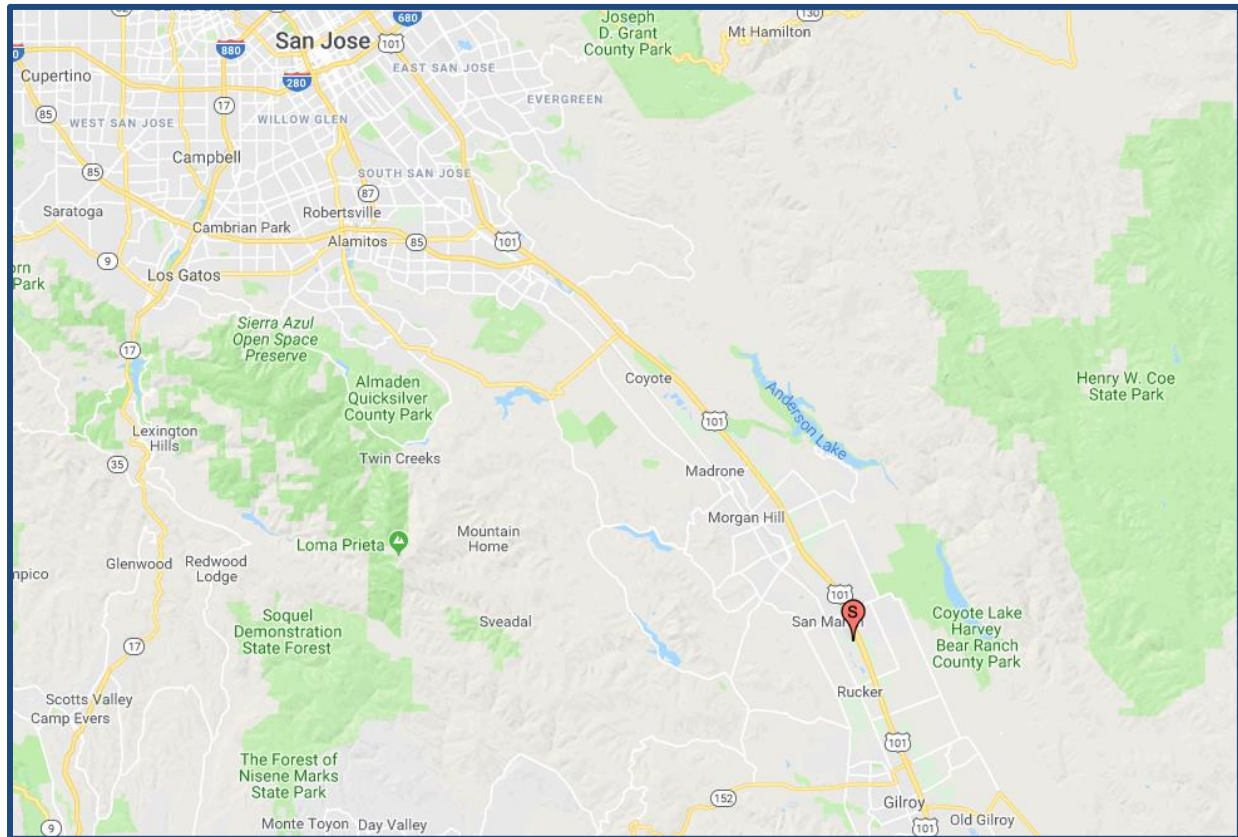
## Conclusions

The subject is not assessed taxes because it is owned by a public entity. However, if it were leased or sold into private ownership, we would expect the property taxes to be based on a tax rate of about 1.21516%, the same as neighboring properties.



# Market Analysis

## MARKET AREA MAP



### Public Facility Market Overview

As discussed later in this report, the highest and best use for the subject is for continuing the existing use, as a meeting facility for public or non-profit users. Some potential users might include community groups, such as the Lion's Club, schools, churches or other public and/or non-profit users.

Meeting halls are special purpose properties. Organizations using meeting halls rely on their membership to support the uses and services provided on-site. Support is typically through voluntary financial contributions, plus direct payment of fees for specific services. As more services are provided, the income potential of a facility increases.

A growing trend with meeting halls or fraternal organizations is declining membership. Younger people are not as interested in getting involved with these types of organizations as they once were. For example, in 1980, there were 1.6 million members nationwide who belonged to Elks lodges. According to their website, there are currently 850,000 members. Other groups such as the American Legions and Masons are experiencing the same trend. As a result, many of these clubs are being sold for alternative uses, or for redevelopment.

In Santa Clara County, many of these facilities are built on land zoned for residential land. With residential land prices increasing dramatically over the past several years, the land value for redevelopment to residential use far exceeds the value of the property for the existing meeting hall use. A relatively recent example includes the Los Gatos Elks Lodge, which sold in December 2013 to a residential land developer. The 8,000-square-foot building is located on 60,000 square feet of land.

While the demand by fraternal organizations for public/quasi-public facilities is declining, there is a growing demand of these types of facilities by religious organizations, especially in less expensive areas of the county, such as San Martin. This is directly tied to the relatively low values of San Martin as compared to other areas of the county. It is also tied to the growing population of both Morgan Hill and Gilroy. This is evident by recent sales, some of which are included in our forthcoming analysis. In addition, demand for land in the subject's market by religious organizations is also evident by several recent or pending land purchases by such organizations. The price paid for these sites is in-line with the price paid for similarly-zoned residential sites, purchased for residential development.

When an improved facility sells or rents, it is typically because the particular organization has either outgrown or become too small for the facility, neighborhood characteristics have changed causing a change in the highest and best use, or the facility has fully depreciated. Most public or non-profit organizations will try to re-locate close to their present location.

One significant issue in evaluating a facility used for meetings or congregations is the availability of parking. Many facilities were constructed years ago when the parking requirement was not as stringent as it is today. If an organization ceases use temporarily a property that does not provide sufficient on-site parking, future users could have difficulty in obtaining a new conditional use for that use. The value of meeting places without adequate parking can be depressed because of this factor. On the flip side, facilities with adequate parking are very desirable.

In summary, the market for meeting halls like the subject is tied to the overall strength of the residential and commercial markets and to the strength of the economy in general. The residential and commercial markets have been strengthening, with both improved properties and land values increasing. We expect the overall market for land and facilities like the subject will continue to receive good demand as the economy continues to strengthen.

## Highest and Best Use

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The Highest and Best Use of a property is the use that is legally permissible, physically possible, and financially feasible which results in the highest value. An opinion of the highest and best use results from consideration of the criteria noted above under the market conditions or likely conditions as of the effective date of value. Determination of highest and best use results from the judgment and analytical skills of the appraiser. It represents an opinion, not a fact. In appraisal practice, the concept of highest and best use represents the premise upon which value is based.

### Analysis of Highest and Best Use As If Vacant

The primary determinants of the highest and best use of the property as if vacant are the issues of (1) Legal permissibility, (2) Physical possibility, (3) Financial feasibility, and (4) Maximum productivity.

#### Legally Permissible

The subject site is zoned RR-5Ac, Rural Residential - minimum 5-acre lot size which controls the general nature of permissible uses but is appropriate for the location and physical elements of the subject property, providing for a consistency of use with the general neighborhood. The location of the subject property is appropriate for the uses allowed, as noted previously, and a change in zoning is unlikely. There are no known easements, encroachments, covenants or other use restrictions that would unduly limit or impede development.

#### Physically Possible

The physical attributes allow for a number of potential uses. Elements such as size, shape, availability of utilities, known hazards (flood, environmental, etc.), and other potential influences are described in the Site Description and have been considered. There are no items of a physical nature that would materially limit appropriate and likely development.

#### Financially Feasible

The probable use of the site for development conforms to the pattern of land use in the market area. A review of published yield, rental and occupancy rates suggest that there is a balanced supply and demand is sufficient to support construction costs and ensure timely absorption of additional inventory in this market. Therefore, near-term speculative development of the subject site is financially feasible.

#### Maximally Productive

Among the financially feasible uses, the use that results in the highest value (the maximally productive use) is the highest and best use. Considering these factors, the maximally productive use as though vacant is for residential or quasi-public use.

#### Conclusion of Highest and Best Use As If Vacant

The conclusion of the highest and best use as if vacant is for residential or quasi-public use.

### Analysis of Highest and Best Use as Improved

In determining the highest and best use of the property as improved, the focus is on three possibilities for the property: (1) continuation of the existing use, (2) modification of the existing use, or (3) demolition and redevelopment of the land.

Retaining the improvements as they exist meets the tests for physical possibility, legal permissibility and financial feasibility. The improvements are in average condition and any alternative use of the existing improvements is unlikely to be economically feasible. The market value of the property as improved exceeds the combination of vacant site value plus cost of demolition of the improvements. Therefore demolition and redevelopment of the site is not maximally productive.

#### Conclusion of Highest and Best Use As Improved

The highest and best use of the subject property, as improved, is the existing use.

#### Most Probable Buyer

As of the date of value, the most probable tenant and user of the subject property is a non-profit organization, and the most probable buyer would be an owner-user.

# Sales Comparison Approach

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## Methodology

The sales comparison approach develops an indication of market value by analyzing closed sales, listings, or pending sales of properties similar to the subject, focusing on the difference between the subject and the comparables using all appropriate elements of comparison. This approach is based on principles of supply and demand, balance, externalities, and substitution, or 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.

## Unit of Comparison

The primary unit of comparison selected depends on the appraisal problem and nature of the property. The primary unit of comparison in the market for assembly-meeting place properties such as the subject property is price per square foot of gross building area or price per square foot.

## Elements of Comparison

Elements of comparison are the characteristics or attributes of properties and transactions that cause the prices of real estate to vary. The primary elements of comparison considered in sales comparison analysis are as follows: (1) property rights conveyed, (2) financing terms, (3) conditions of sale, (4) expenditures made immediately after purchase, (5) market conditions, (6) location, and (7) physical characteristics.

## Comparable Sales Data

To obtain and verify comparable sales and listings of assembly-meeting place properties, we conducted a search of public records, field surveys, interviews with knowledgeable real estate professionals in the area, as well as a review of our internal database.

We included six sales in our analysis, as these sales were judged to be the most comparable to develop an indication of market value for the subject property. We primarily focused our search on recent sales of local properties with similar characteristics, such as quasi-public, religious and daycare uses, as well as those with a low FAR.

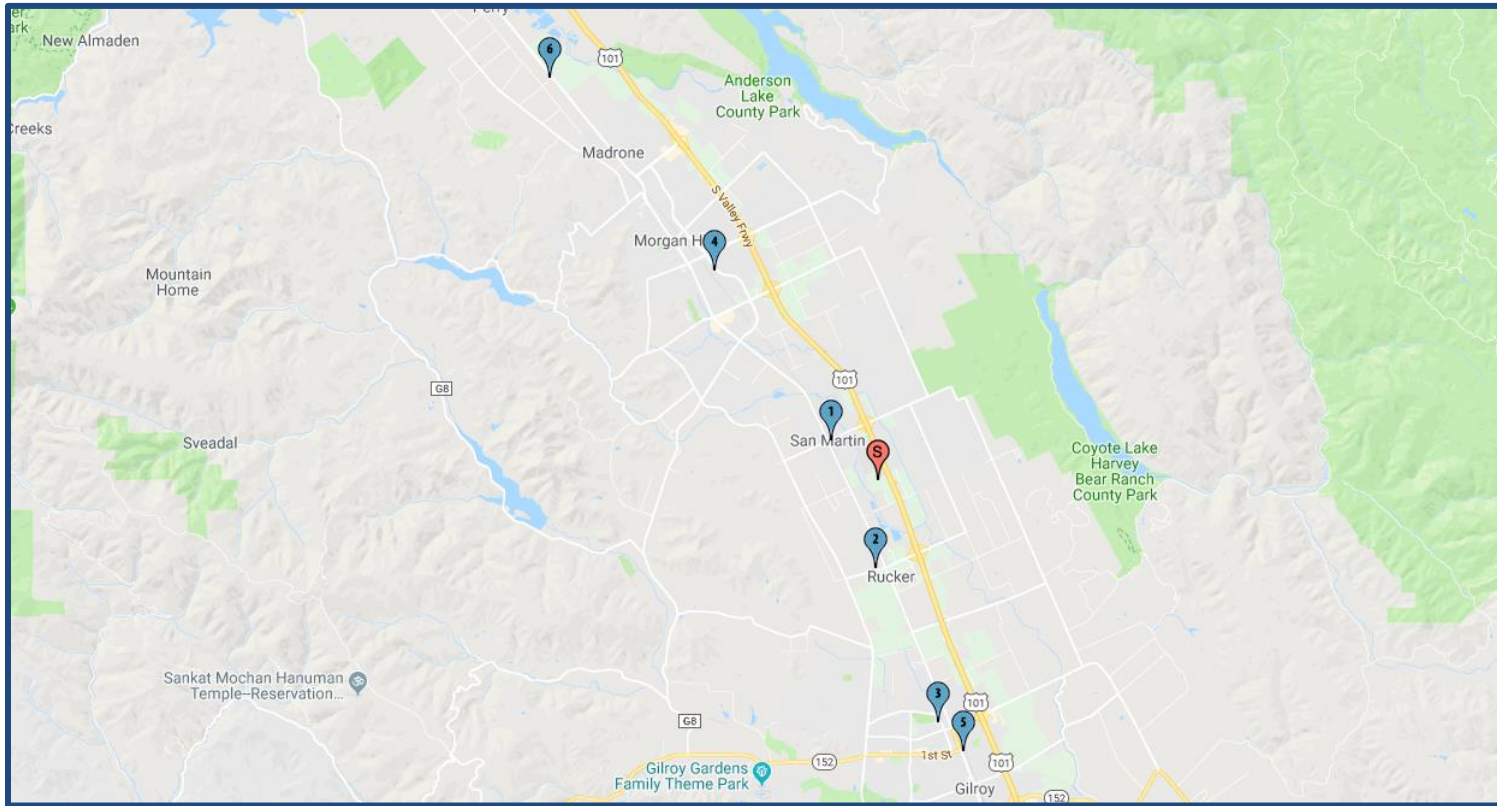
The following is a table summarizing each sale comparable and a map illustrating the location of each in relation to the subject. Details of each comparable follow the location map.



### Improved Sales Summary

Comp. No.	Date of Sale	Location	Year Built	Unadjusted			
				GBA	Sale Price	PSF	
1	February-16	40 East San Martin	San Martin, California	N/A	7,534	\$915,000	\$121.45
2	September-15	255 Fitzgerald Avenue	San Martin, California	1979	22,720	\$1,199,000	\$52.77
3	December-15	8531 Church Street	Gilroy, California	1975	5,630	\$1,100,000	\$195.38
4	May-14	16705 Butterfield Boulevard	Morgan Hill, California	2006	10,400	\$1,575,000	\$151.44
5	July-17	7880 Monterey Road	Gilroy, California	1950	2,474	\$650,000	\$262.73
6	April-14	1 Live Oak Avenue	San Jose, California	1957	7,235	\$2,150,000	\$297.17

### COMPARABLE SALES MAP



### SALE COMPARABLE 1



#### Property Identification

<b>Property/Sale ID</b>	127760/434165
<b>Address</b>	40 East San Martin
<b>City, State Zip</b>	San Martin, California 95046
<b>County</b>	Santa Clara
<b>Tax ID</b>	825-02-137

#### Transaction Data

<b>Sale Date</b>	February 19, 2016	<b>Property Rights</b>	Fee Simple
<b>Sale Status</b>	Recorded	<b>Financing</b>	Cash to Seller
<b>Grantor</b>	Weston Family Trust	<b>Conditions of Sale</b>	Typical
<b>Grantee</b>	Surinder Singh/Balwinder Kaur	<b>Recording Number</b>	0023224281
		<b>Sale Price</b>	\$915,000

#### Property Description

<b>Gross Building SF</b>	7,534	<b>Flr. Area Ratio (FAR)</b>	0.09
<b>Net Rentable SF</b>	7,534	<b>Usable Land to Bldg</b>	11.63
<b>Building Condition</b>	Average	<b>Visibility</b>	Good
<b>Building Quality</b>	Average	<b>Corner/Interior</b>	Corner
<b>Construction Class</b>	S - Steel Frame	<b>Flood Hazard Zone</b>	D
<b>Usable Acres</b>	2.01		

#### Physical Indicators

<b>\$/SF GBA</b>	\$121.45
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## Remarks

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This property is improved with a 7,534-square-foot metal building. The building has a small office, kitchen area, large workshop area, store front windows, and two bathrooms. The underlying site measures 87,599 square feet for an FAR of 9%. The site is also improved with a cyclone perimeter fence and multiple gates. The property has its own septic, but is within the San Martin County Water District.

The property sold February 19, 2016 for \$915,000 or \$121.45 per square foot. It was marketed for approximately 10 months at an asking price of \$970,000. This site has potential for many uses, and it may require a use permit from the County Planning Department. The buyer is working with the County on a use permit, which may be a two-year process. The buyer wants to utilize the site for pick-up of Mercedes vans which they sell online. The sale was as-is, all-cash with nothing unusual about it.

## SALE COMPARABLE 2



### Property Identification

<b>Property/Sale ID</b>	128560/434607
<b>Address</b>	255 Fitzgerald Avenue
<b>City, State Zip</b>	San Martin, California 95046
<b>County</b>	Santa Clara
<b>Tax ID</b>	779-15-010

### Transaction Data

<b>Sale Date</b>	September 18, 2015	<b>Financing</b>	Conventional
<b>Sale Status</b>	Recorded	<b>Conditions of Sale</b>	Typical
<b>Grantor</b>	Valerie Filice	<b>Recording Number</b>	23129453
<b>Grantee</b>	Little Uvas LLC	<b>Sale Price</b>	\$1,199,000
<b>Property Rights</b>	Fee Simple		

### Property Description

<b>Gross Building SF</b>	22,720	<b>Flr. Area Ratio (FAR)</b>	0.08
<b>Net Rentable SF</b>	22,720	<b>Usable Land to Bldg</b>	13.09
<b>Building Condition</b>	Average	<b>Access</b>	Average
<b>Building Quality</b>	Average	<b>Visibility</b>	Average
<b>Construction Class</b>	S - Steel Frame	<b>Corner/Interior</b>	Interior
<b>Year Built</b>	1979	<b>Flood Hazard Zone</b>	AE
<b>Usable Acres</b>	6.83		

### Physical Indicators

<b>\$/SF GBA</b>	\$52.77	<b>Occupancy at Sale</b>	0.0%
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## Remarks

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This property consists of a single parcel improved with multiple industrial/agriculture warehouse/storage buildings located along Fitzgerald Avenue in San Martin, west of Monterey Road. The site has a trapezoid shape and an interior lot configuration with approximately 800 feet of frontage along Fitzgerald Avenue and an average depth of 360 feet. The site is one parcel interior, to the west, of Monterey Road. The site is fenced and has a well and septic system.

The underlying site contains 297,515 gross square feet or 6.83 gross acres. The improvements consist of two metal warehouse buildings and a metal barn constructed circa 1979. The industrial buildings contain 16,000 and 6,720 square feet, respectively; and the metal barn contains 5,625 square feet. The buildings are fully sprinklered and feature grade-level loading doors and about 5% office. The floor area ratio is 8%. There is adequate parking onsite. The property is zoned Rural Residential.

Little Uvas LLC purchased this property in October 2015 from Valerie Filice. The property sold below the asking price of \$1,500,000. The sale price was \$1,199,000 or \$52.77 per square foot of building area or \$4.03 per square foot of land. The buyer is an owner-user who obtained a \$900,000 loan from Pinnacle Bank. The buyer intends to use the property for their winery.

### SALE COMPARABLE 3



#### Property Identification

<b>Property/Sale ID</b>	130584/435785
<b>Address</b>	8531 Church Street
<b>City, State Zip</b>	Gilroy, California 95020
<b>County</b>	Santa Clara
<b>Tax ID</b>	790-26-048

#### Transaction Data

<b>Sale Date</b>	December 4, 2015	<b>Financing</b>	Cash to Seller
<b>Grantor</b>	CHOOSE LIFE MINISTRIES	<b>Conditions of Sale</b>	Typical
<b>Grantee</b>	8531 CHURCH STREET LLC	<b>Recording Number</b>	0023174409
<b>Property Rights</b>	Fee Simple	<b>Sale Price</b>	\$1,100,000

#### Property Description

<b>Gross Building SF</b>	5,630	<b>Usable Acres</b>	0.69
<b>Net Rentable SF</b>	5,630	<b>Flr. Area Ratio (FAR)</b>	0.19
<b>Building Condition</b>	Average	<b>Usable Land to Bldg</b>	5.34
<b>Building Quality</b>	Average	<b>Access</b>	Average
<b>Construction Class</b>	D - Wood Frame	<b>Visibility</b>	Fair to Average
<b>Year Built</b>	1975	<b>Corner/Interior</b>	Interior
<b>Pkg/1,000 SF GBA</b>	3.2	<b>Flood Hazard Zone</b>	X

#### Physical Indicators

<b>\$/SF GBA</b>	\$195.38
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## Remarks

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The property consists of a single parcel measuring 30,056 square feet. The site has an interior location, with average access. The site is improved with a religious facility built in 1975 of average quality wood frame construction and measuring 5,630 square feet. This equates to a FAR of 19%. On-site parking is provided at a ratio of 3.2 per 1,000.

This property sold December 4, 2015 for \$1,100,000 or \$195.38 per square foot. The buyer was the current tenant who had a first right of refusal. The seller believed they sold the property for below market and had an appraisal performed which valued the property at \$1,280,000. The buyer ultimately made the sale due to their relationship. The buyer planned to continue utilizing the property for preschool and religious services. The property had no outstanding maintenance issues and the sale was reported to be as is with no concessions.

### SALE COMPARABLE 4



#### Property Identification

<b>Property/Sale ID</b>	77458/424089
<b>Address</b>	16705 Butterfield Boulevard
<b>City, State Zip</b>	Morgan Hill, California 95037
<b>County</b>	Santa Clara
<b>Tax ID</b>	817-11-062

#### Transaction Data

<b>Sale Date</b>	May 28, 2014	<b>Property Rights</b>	Fee Simple
<b>Sale Status</b>	Recorded	<b>Financing</b>	Typical
<b>Grantor</b>	Apostolic Assembly Faith Christ Jesus	<b>Conditions of Sale</b>	Typical
<b>Grantee</b>	Confidential Pending Sale	<b>Recording Number</b>	0022643522
		<b>Sale Price</b>	\$1,575,000

#### Property Description

<b>Gross Building SF</b>	10,400	<b>Usable Acres</b>	1.60
<b>Net Rentable SF</b>	10,400	<b>Flr. Area Ratio (FAR)</b>	0.15
<b>Building Quality</b>	Average to Good	<b>Usable Land to Bldg</b>	6.70
<b>Construction Class</b>	D - Wood Frame	<b>Access</b>	Average
<b>Year Built</b>	2006	<b>Visibility</b>	Good
<b>Pkg/1,000 SF GBA</b>	6.7		

#### Physical Indicators

<b>\$/SF GBA</b>	\$151.44
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## Remarks

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This is a worship facility constructed in 2006 for such use. The improvements include an open sanctuary with chair seating of up to 300 (with overflow seating capacity of 500). The improvements also include a commercial kitchen, classrooms, offices, baptistery, alarm, sensor lights, corner signage, 6 bathrooms, and a 1,500 s.f. covered entry area. The building is fully sprinklered and has security cameras. The building is approved for education and day care use.

The buyer is another religious organization that will continue the worship use. The property has been available for several years. The original asking price was \$1,950,000, which was subsequently reduced to \$1,750,000. The seller received all cash, although it was an 'out-of-pocket' transaction relative to the existing loan.



### SALE COMPARABLE 5



#### Property Identification

<b>Property/Sale ID</b>	129580/435177
<b>Address</b>	7880 Monterey Road
<b>City, State Zip</b>	Gilroy, California 95020
<b>County</b>	Santa Clara
<b>Tax ID</b>	841-02-010

#### Transaction Data

<b>Sale Date</b>	July 7, 2017	<b>Financing</b>	Conventional
<b>Sale Status</b>	Recorded	<b>Conditions of Sale</b>	Typical
<b>Grantor</b>	Eva M Carpenter Trust	<b>Recording Number</b>	23700389
<b>Grantee</b>	PH Realty LLC	<b>Sale Price</b>	\$650,000
<b>Property Rights</b>	Fee Simple		

#### Property Description

<b>Gross Building SF</b>	2,474	<b>Usable Acres</b>	0.39
<b>Net Rentable SF</b>	2,474	<b>Fir. Area Ratio (FAR)</b>	0.15
<b>Building Condition</b>	Average	<b>Usable Land to Bldg</b>	6.87
<b>Building Quality</b>	Average	<b>Access</b>	Average
<b>Construction Class</b>	C - Concrete Tilt-Up	<b>Visibility</b>	Average
<b>Year Built</b>	1950	<b>Corner/Interior</b>	Interior
<b>Pkg/1,000 SF GBA</b>	2.8	<b>Flood Hazard Zone</b>	X

#### Physical Indicators

<b>\$/SF GBA</b>	\$262.73
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## Remarks

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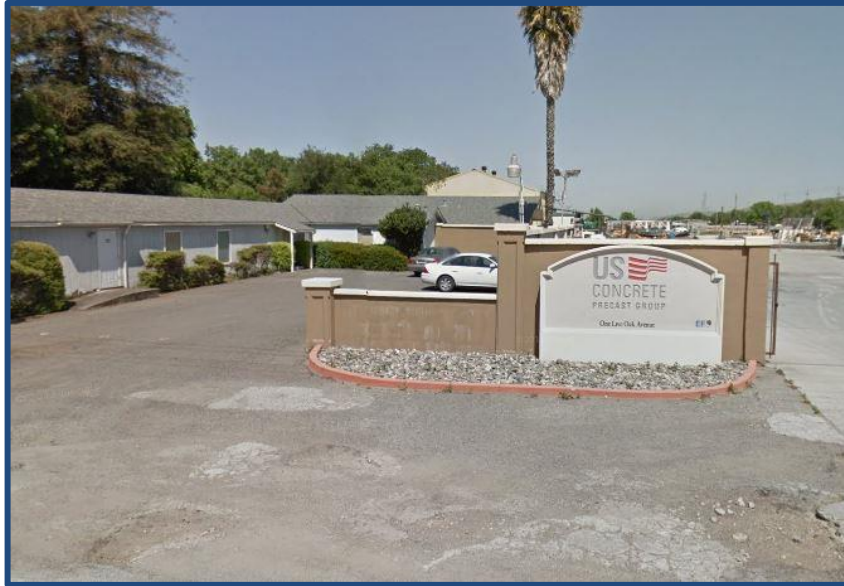
This property consists of a single parcel of land improved with a single-story, single-tenant retail building situated along Monterey Road in Gilroy, California. The property contains 2,474 square feet of building area designated for single-tenant restaurant use. The building was constructed in 1950 and is in overall average condition. The property has an interior parcel configuration, a generally rectangular shape, and is bordered by the Southern Pacific Railroad to the east. The site is in proximity to Gilroy Prep School and South Valley Middle school as well as Highway 101 via Leavesley Road.

The underlying site contains 17,000 gross square feet or 0.39 acres, indicating an overall floor area ratio (FAR) of 0.15. On-site parking is available with a total of 7 surface parking spaces, indicating an overall parking ratio of 2.83 parking spaces per 1,000 square feet of building area. The site is designated as part of the Downtown area in the Gilroy General Plan with a zoning and land use designation in the Expansion District.

PH Realty LLC purchased this property from the Eva M Carpenter Trust in July 2017. At the time of sale, this property was vacant, with no tenant in place. The former tenant, Fosters, had vacated this property prior to its sale.

This property sold on July 7, 2017, with a total sale price of \$650,000. This sale involved conventional financing and was reportedly unaffected by any unusual conditions of sale.

## SALE COMPARABLE 6



### Property Identification

<b>Property/Sale ID</b>	130611/435794
<b>Address</b>	1 Live Oak Avenue
<b>City, State Zip</b>	San Jose, California 95037
<b>County</b>	Santa Clara
<b>Tax ID</b>	712-07-055

### Transaction Data

<b>Sale Date</b>	April 25, 2014	<b>Financing</b>	Conventional
<b>Sale Status</b>	Recorded	<b>Conditions of Sale</b>	Typical
<b>Grantor</b>	Anello V N Living Trust	<b>Recording Number</b>	22577214
<b>Grantee</b>	R J Mendes & D R 2008 Trust/Peixoto Family Trust	<b>Days on Market</b>	90
<b>Property Rights</b>	Leased Fee	<b>Sale Price</b>	\$2,150,000

### Property Description

<b>Gross Building SF</b>	7,235	<b>Fir. Area Ratio (FAR)</b>	0.03
<b>Net Rentable SF</b>	7,235	<b>Usable Land to Bldg</b>	35.58
<b>Building Quality</b>	Average	<b>Access</b>	Average
<b>Construction Class</b>	D - Wood Frame and S - Steel Frame	<b>Visibility</b>	Average
<b>Usable Acres</b>	5.91	<b>Corner/Interior</b>	Interior
		<b>Flood Hazard Zone</b>	D

### Physical Indicators

<b>\$/SF GBA</b>	\$297.17
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## Remarks

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This is an industrial yard property located in the City of San Jose, just north of Morgan Hill. The site has a rectangular shaped and an interior lot configuration with approximately 275 feet of frontage along Live Oak Avenue and a depth of 910 feet. The site abuts railroad tracks to the east and consists of a mixture of asphalt, concrete, and crushed base rock.

The underlying site contains 257,440 gross square feet or 5.91 gross acres. The improvements consist of a wood-frame office building measuring 4,235 square feet and a metal warehouse building measuring 3,000 square feet. The floor area ratio is 3.0%. Parking is considered adequate. The property is zoned Heavy Industrial and the General Plan land use designation is Agriculture.

This is the sale of the property to an investor. Concurrent with the close of escrow, the buyer negotiated and signed a 5-year lease renewal with the existing tenant. The tenant, Oldcastle Precast Inc. is a credit tenant that makes precast concrete structures such as sound walls.

The lease terms are \$14,000 per month plus NNN costs of \$2,500-\$3,000 per month. There are 3% annual increases, and there was no free rent or TIs given. The PGI was \$168,000. After deducting 5% for vacancy and collection loss and 3% for management and reserves, the NOI was \$154,812. This equates to a capitalization rate of 7.2%.

The property was marketed for approximately three months at an asking price of \$9.00 per square foot on the land. The buyer obtained conventional financing with Wells Fargo.

## Sales Comparison Analysis

When necessary, adjustments were made for differences in various elements of comparison, including property rights conveyed, financing terms, conditions of sale, expenditures made immediately after purchase, market conditions, location, and other physical characteristics. If the element in comparison is considered superior to that of the subject, we applied a negative adjustment. Conversely, a positive adjustment to the comparable was applied if inferior. A summary of the elements of comparison follows.

### Transaction Adjustments

Transaction adjustments include: (1) real property rights conveyed, (2) financing terms, (3) conditions of sale, and (4) expenditures made immediately after purchase. These items, which are applied prior to the market conditions and property adjustments, are discussed as follows:

#### Real Property Rights Conveyed

In the case of the subject property, the fee simple interest is considered.

Sale 6 reflects the leased fee interest and sold with a long-term lease to a credit tenant, warranting downward adjustment. No other adjustments are warranted for this element of comparison.

#### Financing Terms

The transaction price of one property may differ from that of an identical property due to different financial arrangements. Sales involving financing terms that are not at or near market terms require adjustments for cash equivalency to reflect typical market terms. A cash equivalency procedure discounts the atypical mortgage terms to provide an indication of value at cash equivalent terms.

All of the comparable sales involved typical market terms by which the sellers received cash or its equivalent and the buyers paid cash or tendered typical down payments and obtained conventional financing at market terms for the balance. Therefore, no adjustments for this category were required.

#### Conditions of Sale

Atypical conditions of sale may result in a price that is higher or lower than a normal transaction. Such atypical conditions of sale often occur in conjunction with sales between related parties or those in which one of the parties is atypically motivated to complete the transaction. Additionally, a downward adjustment may be applied to a listing price, which usually reflects the upper limit of value.

The sale comparables do not indicate any condition of sale adjustments were warranted for atypical conditions or for-sale listings.

#### Expenditures Made Immediately After Purchase

A knowledgeable buyer considers expenditures required upon purchase of a property, as these costs affect the price the buyer agrees to pay. Such expenditures may include: costs to cure deferred maintenance, costs to demolish and remove any portion of the improvements, costs to petition for a zoning change, costs to remediate environmental contamination and/or costs to occupy or stabilize the property. The relevant figure is not the actual cost incurred, but the cost anticipated by both the buyer and seller.

The parties to the sale comparables did not anticipate expenditures immediately after purchase; no adjustments were required.

### Market Conditions Adjustment

Market conditions change over time because of inflation, deflation, fluctuations in supply and demand, or other factors. Changing market conditions may create a need for adjustment to comparable sale transactions completed during periods of dissimilar market conditions.

Discussions with market participants and a review of market data indicated overall market conditions for assembly-meeting place properties have been improving with recent transactions confirming this trend. As such, we applied an adjustment to each comparable based on a factor of 5.00% per year.

### Property Adjustments

Property adjustments are usually expressed quantitatively as percentages or dollar amounts that reflect the differences in value attributable to the various characteristics of the property. In some instances, however, qualitative adjustments are used. These adjustments are based on locational and physical characteristics and are applied after the application of transaction and market conditions adjustments.

Our reasoning for the property adjustments made to each sale comparable follows. The discussion will analyze each adjustment category deemed applicable to the subject property.

#### Location

Location adjustments may be required when the locational characteristics of a comparable are different from those of the subject. These characteristics can include general neighborhood characteristics, freeway accessibility, street exposure, corner- versus interior-lot location, neighboring properties, view amenities, and other factors.

Sale 1 has a superior San Martin location, relative to the subject, due to its position near a more highly trafficked intersection, and warrants a downward adjustment. Sale 2 has an inferior San Martin location, relative to the subject, due to its position in a more rural setting, and warrants an upward adjustment. Sales 3, 4, 5, and 6 warrant varying downward adjustments for their superior Gilroy, Morgan Hill, and San Jose locations, relative to the subject's San Martin location.

#### Size

The size adjustment addresses variance in the gross building area of the comparables and that of the subject, as a larger building typically commands a lower sale price per unit than a smaller building. This inverse relationship is due, in part, to the principle of "economies of scale."

Sales 2 and 4 have larger sizes, relative to the subject, and warrant varying upward adjustments. Sale 5 has a smaller size, relative to the subject, and warrants a downward adjustment. No other adjustments are warranted for this element of comparison.

#### Age/Condition

All else being equal, older properties typically command a lower price per square foot than newer properties. However, although a property may be physically older than another property, the effective age may be similar to a newer property and no adjustment may be indicated. This may be



due to the older property being well maintained or a recent renovation. We based the adjustments to the comparables on effective age rather than physical age. This takes the overall condition of a property into consideration.

Sale 4 has a superior age/condition, relative to the subject, and warrants a downward adjustment. No other adjustments are warranted for this element of comparison.

#### Construction Quality

The subject property consists of average quality concrete block construction.

Sales 1 and 2 have inferior construction qualities, relative to the subject, and warrant upward adjustments. No other adjustments are warranted for this element of comparison.

#### Land-to-Building Ratio

The subject property has a land-to-building ratio of 33.69-to-1.

Sales 1, 2, 3, 4, and 5 have lower land-to-building ratios, relative to the subject, and warrant varying upward adjustments. Sale 6 has a higher land-to-building ratio, relative to the subject, and warrants a downward adjustment.

### Sales Comparison Approach Value Indication

From the market data available, we used assembly-meeting place sales in competitive market areas which were adjusted based on pertinent elements of comparison. The following table summarizes the unadjusted and adjusted sale prices:

#### **Improved Sales Statistics**

<b>Metric</b>	<b>Unadjusted</b>	<b>Adjusted</b>
Minimum Sale Price per Sq. Ft.	\$52.77	\$94.81
Maximum Sale Price per Sq. Ft.	\$297.17	\$163.00
Median Sale Price per Sq. Ft.	\$173.41	\$130.71
Mean Sale Price per Sq. Ft.	\$180.16	\$134.67

The most comparable of the sales used were numbers 1, 2, 3 and 4, with adjusted prices of \$133.81, \$94.81, \$163.00, and \$125.98 per square foot. The adjusted prices for these sales ranged from \$94.81 to \$163.00 per square foot, with an average of \$134.67 per square foot and a median of \$130.71 per square foot.

Based on the adjusted prices and the most comparable sale, a unit value for the subject property of \$125.00 per square foot has been selected. This indicated a preliminary as is fee simple market value indication of \$750,000 (rounded).

### Hypothetical Fee Simple Market Value Indication

Based on this analysis, the sales comparison indication is summarized as follows:

<b>Improved Sales Comparison Approach Value Indication</b>					
Reasonable Adjusted Comparable Range					
6,000 sf	x	\$94.81	=		\$568,871
6,000 sf	x	\$163.00	=		\$977,980
<b>Hypothetical Fee Simple Market Value Indication</b>					
6,000 sf	x	<b>\$125.00</b>	=		<b>\$750,000</b>

# Income Capitalization Approach

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## Methodology

The income capitalization approach is developed by converting anticipated future income into a present value by a capitalization process. There are two types of capitalization: direct capitalization and yield capitalization, more commonly known as discounted cash flow (DCF) analysis.

Income-producing properties, by nature, are developed and purchased for investment purposes, where earning power, including an income stream and return of investment, are the most critical elements affecting value. The forecast of income and selection of appropriate rate(s) are therefore important aspects of the valuation process. The process of developing the income approach consists of the following analyses: Market Rent Analysis, Income Analysis, Vacancy Analysis, Expense Analysis, and Rate Analysis.

## Application of Methodology

Given the nature of the property in question, in this appraisal, we employed the direct capitalization method to develop an indication of market value.

## Estimate of Market Rent

To develop an opinion of market rent, we surveyed representatives of comparable and competitive properties in the local market area, focusing on those offering the greatest similarity in terms of location, size and market appeal.

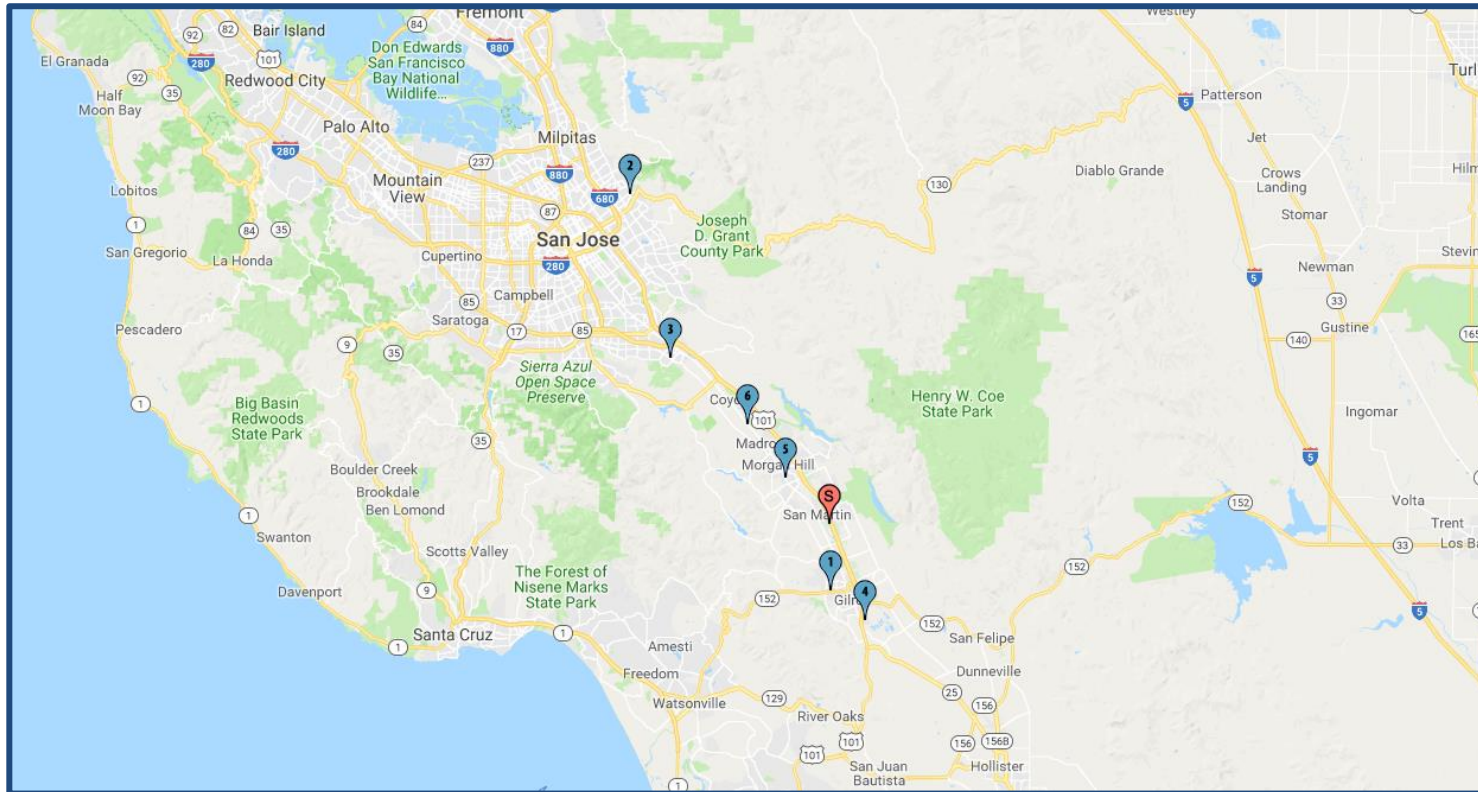
We used six rent comparables to derive an appropriate market rent for the subject property. We primarily focused our search on recent leases of local properties with similar characteristics, such as quasi-public, religious and daycare uses, as well as those with a low FAR.

Following is a table summarizing each rent comparable and a map illustrating the location of each comparable in relation to the subject. Details of each comparable follow the location map.

### Rent Comparable Summary

Comp. No.	Date of Survey / Lease	Location	Year Built	Leased Area (SF)	Rental Rate / SF	Lease Structure
1	December-17	8110-8120 Westwood Drive Gilroy, California	1980	3,990	\$0.75	NNN
2	October-17	218 Kirk Avenue San Jose, California	1960	11,000	\$1.27	MG
3	February-16	196 Martinvale Lane San Jose, California	1991	6,075	\$1.00	IG
4	November-15	230 Mayock Road Gilroy, California	1990	4,000	\$1.00	Gross
5	August-14	16410 Monterey Road Morgan Hill, California	1956	2,726	\$2.02	NNN
6	April-14	1 Live Oak Avenue San Jose, California	1957	7,235	\$1.94	NNN

### RENT COMPARABLE LOCATION MAP



## RENT COMPARABLE 1



### Property Identification

<b>Property/Rent ID</b>	130587/11864
<b>Address</b>	8110-8120 Westwood Drive
<b>City, State Zip</b>	Gilroy, California 95020
<b>County</b>	Santa Clara
<b>Tax ID</b>	790-41-055

### Transaction Data

<b>Lessor</b>	Filice Estate Vineyards	<b>Tenant Imp./SF</b>	\$0.00
<b>Lessee</b>	John Anagnostakis	<b>Concessions Detail</b>	6 Months Free
<b>Tenant SF</b>	3,990	<b>Rent Escalation</b>	3% annual
<b>Commencement</b>	December 1, 2017		
<b>Expiration</b>	November 30, 2022		
<b>Term (mos.)</b>	60		
<b>Lease Type</b>	NNN		

### Rental Rates

<b>Initial Rent/SF</b>	\$0.75
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### Property Description

<b>Net Rentable SF</b>	7,980	<b>Flr. Area Ratio (FAR)</b>	0.10
<b>Year Built</b>	1980	<b>Land to Bldg Ratio</b>	9.99
<b>Building Quality</b>	Average	<b>Access</b>	Good
<b>Building Condition</b>	Average	<b>Visibility</b>	Good
<b>Usable Acres</b>	1.83	<b>Corner/Interior</b>	Corner

**Remarks**

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This is a multi-tenant retail property located at 8110-8120 Westwood Drive in Gilroy. The site has an L-shape and also has frontage along First Street. The site consists of a single parcel measuring 79,714 square feet. The improvements consist of two retail buildings constructed in 1980. One building is a single-tenant building with frontage along First Street, and the other is divided into two units with frontage along Westwood Drive. The improvements total 7,980 square feet, which equates to a FAR of 10%. On-site parking appears sufficient for this use.

This is the lease of a retail unit measuring 3,990 square feet. The lease commenced December 1, 2017 at \$0.75 per square foot on a monthly NNN basis. The initial term is for 60 months and the tenant was given the first six months rent free. There are 3% annual increases.



## RENT COMPARABLE 2



### Property Identification

<b>Property/Rent ID</b>	129558/11431
<b>Address</b>	218 Kirk Avenue
<b>City, State Zip</b>	San Jose, California 95127
<b>County</b>	Santa Clara
<b>Tax ID</b>	599-39-109, 599-39-099, and 599-39-007

### Transaction Data

<b>Lessor</b>	Mao Ge Bascom LLC	<b>Lease Type</b>	Mod. Gross
<b>Lessee</b>	River of Life Church Group	<b>Rent Escalation</b>	3% annual increases
<b>Tenant SF</b>	11,000		
<b>Commencement</b>	October 8, 2017	<b>Rental Rates</b>	
<b>Expiration</b>	October 7, 2022	<b>Initial Rent/SF</b>	\$1.27
<b>Term (mos.)</b>	60		

### Property Description

<b>Net Rentable SF</b>	11,965	<b>Flr. Area Ratio (FAR)</b>	0.20
<b>Year Built</b>	1960	<b>Land to Bldg Ratio</b>	5.02
<b>Building Quality</b>	Average	<b>Access</b>	Average
<b>Building Condition</b>	Average	<b>Visibility</b>	Good
<b>Pkg/1,000 SF NRA</b>	4.2	<b>Corner/Interior</b>	Corner
<b>Usable Acres</b>	1.38		

## Remarks

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This property consists of three contiguous parcels improved with a church plus two small homes and support buildings located along the east side of Kirk Avenue in San Jose. The site has a rectangular shape and a corner lot configuration at the intersection of Kirk Avenue and Summit Avenue. The site has approximately 300 feet of frontage along Kirk Avenue and 175 feet of frontage along Summit Avenue. The site is proximate to Alum Rock Avenue and the neighborhood is residential in nature.

The underlying site contains approximately 60,113 gross square feet or 1.38 gross acres. The church contains approximately 11,000 square feet and was constructed circa 1960. The floor area ratio is 18%. The property is under the jurisdiction of Santa Clara County and is zoned Single-Family Residential. The General Plan land use designation is Urban Service Area.

The River of Life Church Group leased this property in July 2017 for a term of five years. The lease commenced in October 2017 at an initial monthly rental rate of \$1.17 per square foot of rentable (11,000) church space, modified gross. The tenant pays increases in real estate taxes and CAMs. The terms of the lease call for 3% annual increases.

### RENT COMPARABLE 3



#### Property Identification

<b>Property/Rent ID</b>	102832/5666
<b>Address</b>	196 Martinvale Lane
<b>City, State Zip</b>	San Jose, California 95119
<b>County</b>	Santa Clara
<b>Tax ID</b>	706-01-082

#### Transaction Data

<b>Lessor</b>	LFM Properties/Giacomazzi Trusts	<b>Lease Type</b>	Industrial Gross
<b>Lessee</b>	Centro Armonia Preschool	<b>Renewal Detail</b>	One Five-Year Option
<b>Tenant SF</b>	6,075	<b>Rent Escalation</b>	4% Annual Increases
<b>Commencement</b>	February 1, 2016	<b>Rental Rates</b>	
<b>Expiration</b>	January 31, 2021	<b>Initial Rent/SF</b>	\$1.00
<b>Term (mos.)</b>	60		

#### Property Description

<b>Net Rentable SF</b>	6,075	<b>Flr. Area Ratio (FAR)</b>	0.23
<b>Year Built</b>	1991	<b>Land to Bldg Ratio</b>	4.37
<b>Building Quality</b>	Average	<b>Access</b>	Good
<b>Building Condition</b>	Average	<b>Visibility</b>	Good
<b>Pkg/1,000 SF NRA</b>	3.5	<b>Corner/Interior</b>	Interior
<b>Usable Acres</b>	0.61		

## Remarks

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This property is located on the southeast side of Martinvale Lane between Santa Teresa Boulevard to the south and Via Del Oro to the north, in San Jose, California. The property is improved with one single-story, single-tenant daycare facility. The building was originally constructed for office use and has since been converted to a daycare. Overall, the building has office improvements with additional daycare improvements that consist of fenced playground areas to the front and rear, two food preparation/break room areas, and two children toilet areas. The improvements were constructed circa 1991 and contain 6,075 square feet.

According to the owner, the current tenant invested approximately \$100,000 in tenant improvements for the previous daycare tenant. The daycare is demised into an entry along the southern side to the reception area that opens to the office area and hallway. There is one private office, two breakroom areas, a set of men's and woman's restrooms, two toilet and wash areas, and three open office areas. Additionally there are two toilet areas for the daycare and two kitchenettes with sinks. The underlying site contains 0.61 acres or 26,572 square feet, indicating an FAR of 23%. On-site parking is comprised of 21 marked surface spaces of which one is designated for handicap parking. The parking ratio equates to approximately 3.5/1,000 square feet of building area.

This is a lease for 6,075 square feet of space for a five year lease term. The lease was signed in October 2015 and commenced in February 2016. The initial rental rate is \$1.00 per square foot per month, industrial gross. The rent structure is as follows: \$1.00 per square foot per month, industrial gross; for the first three months. \$1.50 per square foot per month, industrial gross; for three months. \$2.00 per square foot per month, industrial gross; for six months. \$2.40 per square foot per month, industrial gross; for 12 months and 4% annual increases thereafter. The tenant received three months free rent and minimal tenant improvements.

## RENT COMPARABLE 4



### Property Identification

<b>Property/Rent ID</b>	103685/6017
<b>Address</b>	230 Mayock Road
<b>City, State Zip</b>	Gilroy, California 95020
<b>County</b>	Santa Clara
<b>Tax ID</b>	841-76-004

### Transaction Data

<b>Lessor</b>	Mario Faris	<b>Lease Type</b>	Gross
<b>Lessee</b>	St. Francis Electric		
<b>Tenant SF</b>	4,000	<b>Rental Rates</b>	
<b>Commencement</b>	November 1, 2015	<b>Initial Rent/SF</b>	\$1.00
<b>Expiration</b>	December 31, 2019		
<b>Term (mos.)</b>	50		

### Property Description

<b>Net Rentable SF</b>	10,000	<b>Flr. Area Ratio (FAR)</b>	0.19
<b>Year Built</b>	1990	<b>Land to Bldg Ratio</b>	5.18
<b>Building Quality</b>	Average	<b>Access</b>	Fair
<b>Building Condition</b>	Average	<b>Visibility</b>	Below Average
<b>Pkg/1,000 SF NRA</b>	2.0	<b>Corner/Interior</b>	Interior
<b>Usable Acres</b>	1.19		

## Remarks

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This property consists of a single parcel improved with a single-story industrial building located at the end of the cul-de-sac of Mayock Road within the Obata Business Park in the City of Gilroy. The site has a rectangular shape and a cul-de-sac lot configuration with below-average access and visibility.

The underlying site contains 51,836 gross square feet or 1.19 gross acres. The improvements contain 10,000 square feet and were constructed circa 1990. The improvements are Class S (metal construction) and are in average condition. The interior has approximately 20% finished areas with the remaining space open manufacturing/warehouse area. There are four metal roll up grade level loading doors. The floor area ratio is 19%. The low site coverage could allow for future expansion. There are a total of 20 onsite parking stalls for a ratio of 2.0 stalls per 1,000 square feet of building area. The property is zoned and has a General Plan land use designation of General Industrial.

St. Francis Electric leased a 4,000 square foot industrial unit at this property in November 2015 for a term of four years. The initial monthly rental rate was \$1.00 per square foot of rentable building area, gross. The equivalent triple net rental rate is estimated at \$0.85 per square foot. The lease includes a 15,000 square foot yard. Approximately 2,000 square feet is built-out as office space and 2,000 square feet as industrial space.



### RENT COMPARABLE 5



#### Property Identification

<b>Property/Rent ID</b>	22405/4084
<b>Address</b>	16410 Monterey Road
<b>City, State Zip</b>	Morgan Hill, California 95037
<b>County</b>	Santa Clara
<b>Tax ID</b>	817-02-020

#### Transaction Data

<b>Lessor</b>	Stephen Truong	<b>Lease Type</b>	NNN
<b>Lessee</b>	Lessee		
<b>Tenant SF</b>	2,726	<b>Rental Rates</b>	
<b>Commencement</b>	August 3, 2014	<b>Initial Rent/SF</b>	\$2.02
<b>Expiration</b>	August 2, 2016		
<b>Term (mos.)</b>	24		

#### Property Description

<b>Net Rentable SF</b>	2,726	<b>Usable Acres</b>	0.55
<b>Year Built</b>	1956	<b>Flr. Area Ratio (FAR)</b>	0.11
<b>Building Quality</b>	Average	<b>Land to Bldg Ratio</b>	8.79
<b>Building Condition</b>	Good to Excellent	<b>Visibility</b>	Average
<b>Pkg/1,000 SF NRA</b>	10.3	<b>Corner/Interior</b>	Mid-Block

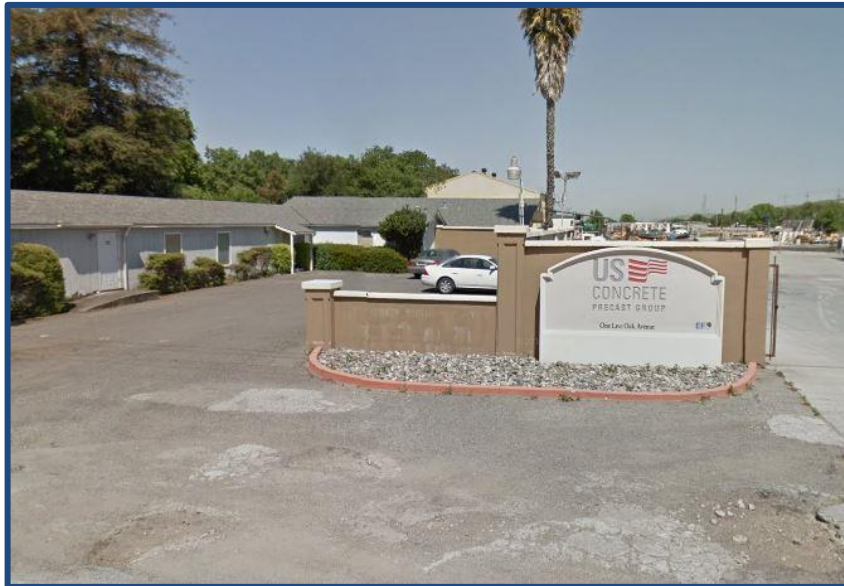
## Remarks

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This property consists of a single parcel with a restaurant building located in Morgan Hill. It has a mid-block lot configuration, a rectangular shape, and approximately 80 feet of frontage along Monterey Road. According to 2012 MPSI estimates, vehicle traffic counts per day near the property were 22,641 along Monterey Road. The underlying site measures 23,958 square feet or 0.55 acres. The improvements measure 2,726 square feet, were originally constructed circa 1957, and were most recently remodeled in 2010. It has two ADA-compliant restrooms, a security system on premise, a sound stereo system, recessed lighting, central air conditioning and heater. The zoning is Light Commercial-Residential (CL-R) which allows for multi-purpose uses. The parking ratio is approximately 10 stalls per 1,000 square feet of building area.

The restaurant leased in August of 2014 for a two year term. The initial monthly rental rate is \$2.02 NNN per square foot of building area.

## RENT COMPARABLE 6



### Property Identification

<b>Property/Rent ID</b>	130611/11879
<b>Address</b>	1 Live Oak Avenue
<b>City, State Zip</b>	San Jose, California 95037
<b>County</b>	Santa Clara
<b>Tax ID</b>	712-07-055

### Transaction Data

<b>Lessor</b>	R J Mendes & D R 2008 Trust/Peixoto Family Trust	<b>Tenant Imp./SF</b>	\$0.00
<b>Lessee</b>	Oldcastle Precast Inc.	<b>Concessions Detail</b>	None
<b>Tenant SF</b>	7,235	<b>Rent Escalation</b>	3% annual
<b>Commencement</b>	April 1, 2014	<b>Rental Rates</b>	
<b>Expiration</b>	March 31, 2019	<b>Initial Rent/SF</b>	\$1.94
<b>Term (mos.)</b>	60		
<b>Lease Type</b>	NNN		

### Property Description

<b>Net Rentable SF</b>	7,235	<b>Land to Bldg Ratio</b>	35.58
<b>Building Quality</b>	Average	<b>Access</b>	Average
<b>Usable Acres</b>	5.91	<b>Visibility</b>	Average
<b>Flr. Area Ratio (FAR)</b>	0.03	<b>Corner/Interior</b>	Interior

## Remarks

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This is an industrial yard property located in the City of San Jose, just north of Morgan Hill. The site has a rectangular shape and an interior lot configuration with approximately 275 feet of frontage along Live Oak Avenue and a depth of 910 feet. The site abuts railroad tracks to the east and consists of a mixture of asphalt, concrete, and crushed base rock.

The underlying site contains 257,440 gross square feet or 5.91 gross acres. The improvements consist of a wood-frame office building measuring 4,235 square feet and a metal warehouse building measuring 3,000 square feet. The floor area ratio is 3.0%. Parking is considered adequate. The property is zoned Heavy Industrial and the General Plan land use designation is Agriculture.

This is a 5-year lease renewal to Oldcastle Precast Inc., a credit tenant that makes precast concrete structures such as sound walls. The initial rent is \$14,000 per month on a NNN basis. There are 3% annual increases and there was no free rent or Tis given.

## Market Rent Analysis

When necessary, adjustments were made for differences in the various elements of comparison, including lease structure, market conditions, location, size and other relevant factors. If the element in comparison is considered superior to that of the subject, we applied a negative adjustment. Conversely, a positive adjustment is applied if inferior. A summary of the elements of comparison follows.

## Transaction Adjustments

Transaction adjustments include: expense structure, concessions, tenant improvement allowances and conditions of lease. These items, which are applied prior to the market conditions and property adjustments, are discussed as follows:

### Expense Structure

The market rent estimate is based on a triple net lease structure.

Rentals 2, 3, and 4 have other lease structures which warrant downward adjustments in order to reflect a NNN lease. No other adjustments are warranted for this element of comparison.

### Rental Concessions

No rent comparables were reporting rental concessions untypical of their respective market upon the date of value. Therefore, no adjustments due to rental concessions were required.

### Tenant Improvement Allowances

The rent comparables do not include any leases with over-base-level tenant improvement allowances. Therefore, no tenant improvement allowance adjustments were required.

### Conditions of Lease

No atypical conditions of lease were noted and the for-lease listing rates were reported as representative of consummated market transactions.

## Market Conditions Adjustment

Market conditions change over time because of inflation, deflation, fluctuations in supply and demand, or other factors. Changing market conditions may create a need for adjustment to comparable rent transactions consummated during periods of dissimilar market conditions.

Discussions with market participants and a review of market data indicated overall market conditions for assembly-meeting place properties have been improving with recent transactions confirming this trend. As such, we applied an adjustment to each comparable based on a factor of 5.00% per year.

## Property Adjustments

Property Adjustments are usually expressed quantitatively as percentages or dollar amounts that reflect differences in rental rates attributable to the various characteristics of the property. In some instances, however, qualitative adjustments are used. Property adjustments are based on locational and physical characteristics and are made after the application of transaction and market conditions adjustments.

Our reasoning for the adjustments made, which were based on our market research, best judgement, and experience in the appraisal of similar properties, is discussed below:

#### Location

Location adjustments may be required when the locational characteristics of a comparable are different from those of the subject. These characteristics can include general neighborhood characteristics, freeway accessibility, street exposure, corner versus interior lot location, neighboring properties, view amenities, and other factors.

Each of the comparables has a superior Gilroy, Morgan Hill or San Jose location, relative to the subject's San Martin location, and warrant varying downward adjustments.

#### Tenant Space Size

The size adjustment addresses variance in the rentable area of the comparables and that of the subject, as larger lease space typically commands a lower rental rate per unit than does a smaller space. This inverse relationship is due, in part, to the principle of "economies of scale."

Rentals 1, 4, and 5 have smaller sizes relative to the subject and warrant varying downward adjustments. Rental 2 has a larger size, relative to the subject, and warrants an upward adjustment. No other adjustments are warranted for this element of comparison.

#### Age/Condition

All else being equal, older properties typically command a lower price per square foot than newer properties. However, although a property may be physically older than another property, the effective age may be similar to a newer property and no adjustment may be indicated. This may be due to the older property being well maintained or a recent renovation. We based the adjustments to the comparables on effective age rather than physical age. This takes the overall condition of a property into consideration.

Rental 5 has a superior age/condition, relative to the subject, and warrants a downward adjustment. No other adjustments are warranted for this element of comparison.

#### Construction Quality

The subject property consists of average quality concrete block construction.

Rentals 4 and 6 have inferior construction qualities, relative to the subject, and warrant upward adjustments. No other adjustments are warranted for this element of comparison.

#### Land-to-Building Ratio

The subject property has a usable land-to-building ratio of 33.69-to-1.

Rentals 1, 2, 3, 4, and 5 have lower land-to-building ratios, relative to the subject, and warrant varying upward adjustments. No other adjustments are warranted for this element of comparison.



## Conclusions

From the market data available, we used six rent comparables, which were adjusted based on pertinent elements of comparison. The following table summarizes the unadjusted and adjusted rental rates:

### Rent Comparable Statistics

Metric	Unadjusted	Adjusted
Minimum Rental Rate	\$0.75	\$0.57
Maximum Rental Rate	\$2.02	\$1.28
Median Rental Rate	\$1.14	\$0.85
Mean Rental Rate	\$1.33	\$0.87

The most comparable rents were rentals 1, 2, 3 and 4, with adjusted prices of \$0.57, \$0.85, \$0.66, and \$0.85 per square foot. The adjusted rental rates for these comparables ranged from \$0.57 to \$1.28 per square foot, with an average of \$0.87 per square foot and a median of \$0.85 per square foot.

Based on the adjusted prices and the most comparable rentals, a unit value for the subject property of \$0.80 per square foot has been selected.

## Income Analysis

The income analysis encompasses a review of the existing subject leases (if any) and comparison to market rent levels as established in the preceding analysis, as well as additional income sources, expense recoveries, and rent escalations. The sum of all income develops potential gross income (PGI).

### Subject Lease Analysis

The market rent is estimated at \$0.80 per square foot on a monthly triple net basis, as discussed above. It is our understanding that the subject is currently occupied on a month-to-month tenancy, at a minimal rent of \$100 per month. This is a non-market lease arrangement, possibly reflecting the non-profit and/or community organization (Lion's Club) that occupies the property. In any case, given the month-to-month tenancy, as well as the below-market rental arrangement, we have applied market rent in our analysis of the subject.

### Potential Rental Income (PGI)

Potential rental income during the first year of the analysis was projected at \$57,600.

## Vacancy/Collection Loss

Given the subject's location and the market data presented, a stabilized vacancy of 5.0% was projected. In addition, a collection loss of 3.0% was applied.

### Effective Gross Income (EGI)

Effective gross income consists of the annual income from all sources remaining after vacancy and collection loss has been applied. The combination of revenue, vacancy, and collection loss estimates discussed in the prior sections indicated a stabilized effective gross income projection of \$52,992 for the subject property.

## Expense Analysis

Operating expenses represent deductions from the effective gross income that are necessary to maintain the leasing operations of the property. The subject property lease is based on a triple net lease structure, whereby the tenant pays all operating expenses. The owner, however, still has responsibility for management expenses, as well as reserves for capital replacements. These expenses are estimated at 3% and 2%, respectively, given the single-tenant nature of the property, as well as the property's age and condition.

### Stabilized Net Operating Income (NOI)

Net operating income consists of the income that remains after all operating expenses are deducted from effective gross income, but before mortgage debt service, and other non-periodic leasing and capital expenditures. The stabilized net operating income calculation is presented in the following table:

#### Stabilized Net Operating Income Schedule

Category	NRA		Per Sq. Ft.		Total	% of EGI
<b>Total Potential Rental Income</b>	<b>6,000 sf</b>	<b>x</b>	<b>\$9.60</b>	<b>=</b>	<b>\$57,600</b>	<b>108.7%</b>
<b>Potential Gross Income (PGI)</b>			<b>\$9.60</b>		<b>\$57,600</b>	<b>108.7%</b>
Less: Vacancy & Collection Loss	@	8.0%	\$0.77		\$4,608	8.7%
<b>Effective Gross Income (EGI)</b>			<b>\$8.83</b>		<b>\$52,992</b>	<b>100.0%</b>
<b>Non-Reimbursable Expenses</b>						
Landlord Costs			\$0.26		\$1,590	3.0%
Replacement Reserves			\$0.18		\$1,060	2.0%
<b>Total Non-Reimbursable Expenses</b>			<b>\$0.44</b>		<b>\$2,650</b>	<b>5.0%</b>
<b>Less: Total Operating Expenses</b>			<b>\$0.44</b>		<b>\$2,650</b>	<b>5.0%</b>
<b>Stabilized Net Operating Income (NOI)</b>			<b>\$8.39</b>		<b>\$50,342</b>	<b>95.0%</b>

## Direct Capitalization Analysis

The income capitalization approach to value is based on the premise that a direct relationship exists between the value of a property and the stabilized level of net income it is capable of generating. Direct capitalization is the process of converting a stabilized income stream into an estimate of value and is obtained by applying an overall capitalization rate (OAR) to the net operating income (NOI) before debt service. The direct capitalization rate is the ratio between a single year's net operating income expectancy and the total property price or value.

### Overall Capitalization Rate (OAR)

Sale 1 was included in the Sales Comparison Approach. Because most properties such as the subject do not sell as leased investment, we have included supplemental comparables for this analysis. The overall capitalization rates exhibited by comparable sales are presented in the table on the following page.

### Market Overall Capitalization Rate (OAR) Comparables

Comp. No.	Date of Sale	Location	Year Built	Sale Price	Occupancy at Time of Sale	Actual OAR
1	April-14	1 Live Oak Avenue	San Jose, California	N/A	\$2,150,000	100.0% 7.2%
2	May-17	8440 Murray Avenue	Gilroy, California	1991	\$2,690,500	100.0% 7.0%
3	November-16	15585 Monterey Highway	Morgan Hill, California	1977	\$1,625,000	100.0% 6.1%
4	July-16	2928 Alum Rock Avenue	San Jose, California	1967	\$1,241,000	100.0% 5.2%

**Comparable 1**, at 7.2%, is the sale of a leased investment in San Jose. The property sold with a new lease in place to a credit tenant. This comparable has a superior location, relative to the subject, providing increased income security. Capitalization rates have decreased since the time of sale. Overall, a lower capitalization rate is supported for the subject.

**Comparable 2**, at 7.0%, is the sale of a leased investment in Gilroy. The property sold with a new lease in place. This comparable has a similar to superior location, relative to the subject, providing increased income security. Overall, this comparable suggests a similar to somewhat higher capitalization rate is supported for the subject.

**Comparable 3**, at 6.1%, is the sale of a leased investment in Morgan Hill. No other information is available on the income security. This comparable has a superior location, relative to the subject, providing increased income security. Overall, a higher capitalization rate is supported for the subject.

**Comparable 4**, at 5.2%, is the sale of a leased investment in San Jose. The lease was signed in 1998 and expires in 2020, and appears to be below market, indicating upside potential. This comparable has a superior location, relative to the subject, providing increased income security. Overall, a higher capitalization rate is supported for the subject.

#### Overall Capitalization Rate Conclusion

Based on our analysis, an overall capitalization rate of 7.0% was used for the Fee Simple Interest.

#### Hypothetical Fee Simple Market Value Indication

The direct capitalization calculation is presented as follows:

#### Direct Capitalization Technique Value Indication

Stabilized Net Operating Income (NOI)	\$50,342
Divided by Overall Capitalization Rate	÷ 7.00%
<b>Hypothetical Fee Simple Market Value Indication</b>	<b>\$720,000</b>

# Reconciliation

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## Summary of Value Indications

The indicated values from the approaches used and our concluded market values for the subject property are summarized in the following table.

<b>Value Indications</b>		
<b>Approach to Value</b>	<b>Hypothetical</b>	<b>Hypothetical</b>
Cost	Not Developed	
Sales Comparison	\$750,000	
Income Capitalization		
Direct Capitalization	\$720,000	
<b>Value Conclusions</b>		
<b>Component</b>	<b>Hypothetical</b>	<b>Hypothetical</b>
Value Type	Market Value	Fair Market Rent
Property Rights Appraised	Fee Simple	Fee Simple
Effective Date of Value	March 3, 2018	March 3, 2018
<b>Value Conclusion</b>	<b>\$740,000</b>	<b>\$4,800 per month NNN</b> <b>\$0.80/square foot/month NNN</b>

To reach a final opinion of value, we considered the reliability and relevance of each value indication based upon the quality of the data and applicability of the assumptions underlying each approach. Given the availability and reliability of data within the Sales Comparison Approach, we gave this approach primary weight in arriving at our final value conclusions. Furthermore, assembly-meeting place properties such as the subject property are typically purchased by owner-users, who primarily rely upon the methods employed by the Sales Comparison Approach.

## Exposure Time and Marketing Periods

Based on statistical information about days on market, escrow length, and marketing times gathered through national investor surveys, sales verification, and interviews of market participants, marketing and exposure time estimates of 6 months or less are considered reasonable and appropriate for the subject property.

## General Assumptions and Limiting Conditions

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This appraisal is subject to the following limiting conditions:

1. The legal description – if furnished to us – is assumed to be correct.
2. No responsibility is assumed for legal matters, questions of survey or title, soil or subsoil conditions, engineering, availability or capacity of utilities, or other similar technical matters. The appraisal does not constitute a survey of the property appraised. All existing liens and encumbrances have been disregarded and the property is appraised as though free and clear, under responsible ownership and competent management unless otherwise noted.
3. Unless otherwise noted, the appraisal will value the property as though free of contamination. Valbridge Property Advisors | Hulberg and Associates will conduct no hazardous materials or contamination inspection of any kind. It is recommended that the client hire an expert if the presence of hazardous materials or contamination poses any concern.
4. The stamps and/or consideration placed on deeds used to indicate sales are in correct relationship to the actual dollar amount of the transaction.
5. Unless otherwise noted, it is assumed there are no encroachments, zoning violations or restrictions existing in the subject property.
6. The appraiser is not required to give testimony or attendance in court by reason of this appraisal, unless previous arrangements have been made.
7. Unless expressly specified in the engagement letter, the fee for this appraisal does not include the attendance or giving of testimony by Appraiser at any court, regulatory, or other proceedings, or any conferences or other work in preparation for such proceeding. If any partner or employee of Valbridge Property Advisors | Hulberg and Associates is asked or required to appear and/or testify at any deposition, trial, or other proceeding about the preparation, conclusions or any other aspect of this assignment, client shall compensate Appraiser for the time spent by the partner or employee in appearing and/or testifying and in preparing to testify according to the Appraiser's then current hourly rate plus reimbursement of expenses.
8. The values for land and/or improvements, as contained in this report, are constituent parts of the total value reported and neither is (or are) to be used in making a summation appraisal of a combination of values created by another appraiser. Either is invalidated if so used.

9. The dates of value to which the opinions expressed in this report apply are set forth in this report. We assume no responsibility for economic or physical factors occurring at some point at a later date, which may affect the opinions stated herein. The forecasts, projections, or operating estimates contained herein are based on current market conditions and anticipated short-term supply and demand factors and are subject to change with future conditions.
10. The sketches, maps, plats and exhibits in this report are included to assist the reader in visualizing the property. The appraiser has made no survey of the property and assumed no responsibility in connection with such matters.
11. The information, estimates and opinions, which were obtained from sources outside of this office, are considered reliable. However, no liability for them can be assumed by the appraiser.
12. Possession of this report, or a copy thereof, does not carry with it the right of publication. Neither all, nor any part of the content of the report, or copy thereof (including conclusions as to property value, the identity of the appraisers, professional designations, reference to any professional appraisal organization or the firm with which the appraisers are connected), shall be disseminated to the public through advertising, public relations, news, sales, or other media without prior written consent and approval.
13. No claim is intended to be expressed for matters of expertise that would require specialized investigation or knowledge beyond that ordinarily employed by real estate appraisers. We claim no expertise in areas such as, but not limited to, legal, survey, structural, environmental, pest control, mechanical, etc.
14. This appraisal was prepared for the sole and exclusive use of the client for the function outlined herein. Any party who is not the client or intended user identified in the appraisal or engagement letter is not entitled to rely upon the contents of the appraisal without express written consent of Valbridge Property Advisors | Hulberg and Associates and Client. The Client shall not include partners, affiliates, or relatives of the party addressed herein. The appraiser assumes no obligation, liability or accountability to any third party.
15. Distribution of this report is at the sole discretion of the client, but third-parties not listed as an intended user on the face of the appraisal or the engagement letter may not rely upon the contents of the appraisal. In no event shall client give a third-party a partial copy of the appraisal report. We will make no distribution of the report without the specific direction of the client.
16. This appraisal shall be used only for the function outlined herein, unless expressly authorized by Valbridge Property Advisors | Hulberg and Associates.



17. This appraisal shall be considered in its entirety. No part thereof shall be used separately or out of context.
18. Unless otherwise noted in the body of this report, this appraisal assumes that the subject property does not fall within the areas where mandatory flood insurance is effective. Unless otherwise noted, we have not completed nor have we contracted to have completed an investigation to identify and/or quantify the presence of non-tidal wetland conditions on the subject property. Because the appraiser is not a surveyor, he or she makes no guarantees, express or implied, regarding this determination.
19. The flood maps are not site specific. We are not qualified to confirm the location of the subject property in relation to flood hazard areas based on the FEMA Flood Insurance Rate Maps or other surveying techniques. It is recommended that the client obtain a confirmation of the subject property's flood zone classification from a licensed surveyor.
20. If the appraisal is for mortgage loan purposes 1) we assume satisfactory completion of improvements if construction is not complete, 2) no consideration has been given for rent loss during rent-up unless noted in the body of this report, and 3) occupancy at levels consistent with our "Income and Expense Projection" are anticipated.
21. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures which would render it more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them.
22. Our inspection included an observation of the land and improvements thereon only. It was not possible to observe conditions beneath the soil or hidden structural components within the improvements. We inspected the buildings involved, and reported damage (if any) by termites, dry rot, wet rot, or other infestations as a matter of information, and no guarantee of the amount or degree of damage (if any) is implied. Condition of heating, cooling, ventilation, electrical and plumbing equipment is considered to be commensurate with the condition of the balance of the improvements unless otherwise stated. Should the client have concerns in these areas, it is the client's responsibility to order the appropriate inspections. The appraiser does not have the skill or expertise to make such inspections and assumes no responsibility for these items.
23. This appraisal does not guarantee compliance with building code and life safety code requirements of the local jurisdiction. It is assumed that all required licenses, consents, certificates of occupancy or other legislative or administrative authority from any local, state or national governmental or private entity or organization have been or can be obtained or renewed for any use on which the value conclusion contained in this report is based unless specifically stated to the contrary.

24. When possible, we have relied upon building measurements provided by the client, owner, or associated agents of these parties. In the absence of a detailed rent roll, reliable public records, or "as-built" plans provided to us, we have relied upon our own measurements of the subject improvements. We follow typical appraisal industry methods; however, we recognize that some factors may limit our ability to obtain accurate measurements including, but not limited to, property access on the day of inspection, basements, fenced/gated areas, grade elevations, greenery/shrubbery, uneven surfaces, multiple story structures, obtuse or acute wall angles, immobile obstructions, etc. Professional building area measurements of the quality, level of detail, or accuracy of professional measurement services are beyond the scope of this appraisal assignment.
25. We have attempted to reconcile sources of data discovered or provided during the appraisal process, including assessment department data. Ultimately, the measurements that are deemed by us to be the most accurate and/or reliable are used within this report. While the measurements and any accompanying sketches are considered to be reasonably accurate and reliable, we cannot guarantee their accuracy. Should the client desire a greater level of measuring detail, they are urged to retain the measurement services of a qualified professional (space planner, architect or building engineer). We reserve the right to use an alternative source of building size and amend the analysis, narrative and concluded values (at additional cost) should this alternative measurement source reflect or reveal substantial differences with the measurements used within the report.
26. In the absence of being provided with a detailed land survey, we have used assessment department data to ascertain the physical dimensions and acreage of the property. Should a survey prove this information to be inaccurate, we reserve the right to amend this appraisal (at additional cost) if substantial differences are discovered.
27. If only preliminary plans and specifications were available for use in the preparation of this appraisal, then this appraisal is subject to a review of the final plans and specifications when available (at additional cost) and we reserve the right to amend this appraisal if substantial differences are discovered.
28. Unless otherwise stated in this report, the value conclusion is predicated on the assumption that the property is free of contamination, environmental impairment or hazardous materials. Unless otherwise stated, the existence of hazardous material was not observed by the appraiser and the appraiser has no knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation, or other potentially hazardous materials may affect the value of the property. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required for discovery. The client is urged to retain an expert in this field, if desired.

29. The Americans with Disabilities Act ("ADA") became effective January 26, 1992. We have not made a specific compliance survey of the property to determine if it is in conformity with the various requirements of the ADA. It is possible that a compliance survey of the property, together with an analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this could have a negative effect on the value of the property. Since we have no direct evidence relating to this issue, we did not consider possible noncompliance with the requirements of ADA in developing an opinion of value.
30. This appraisal applies to the land and building improvements only. The value of trade fixtures, furnishings, and other equipment, or subsurface rights (minerals, gas, and oil) were not considered in this appraisal unless specifically stated to the contrary.
31. No changes in any federal, state or local laws, regulations or codes (including, without limitation, the Internal Revenue Code) are anticipated, unless specifically stated to the contrary.
32. Any income and expense estimates contained in the appraisal report are used only for the purpose of estimating value and do not constitute prediction of future operating results. Furthermore, it is inevitable that some assumptions will not materialize and that unanticipated events may occur that will likely affect actual performance.
33. Any estimate of insurable value, if included within the scope of work and presented herein, is based upon figures developed consistent with industry practices. However, actual local and regional construction costs may vary significantly from our estimate and individual insurance policies and underwriters have varied specifications, exclusions, and non-insurable items. As such, we strongly recommend that the Client obtain estimates from professionals experienced in establishing insurance coverage. This analysis should not be relied upon to determine insurance coverage and we make no warranties regarding the accuracy of this estimate.
34. The data gathered in the course of this assignment (except data furnished by the Client) shall remain the property of the Appraiser. The appraiser will not violate the confidential nature of the appraiser-client relationship by improperly disclosing any confidential information furnished to the appraiser. Notwithstanding the foregoing, the Appraiser is authorized by the client to disclose all or any portion of the appraisal and related appraisal data to appropriate representatives of the Appraisal Institute if such disclosure is required to enable the appraiser to comply with the Bylaws and Regulations of such Institute now or hereafter in effect.

35. You and Valbridge Property Advisors | Hulberg and Associates both agree that any dispute over matters in excess of \$5,000 will be submitted for resolution by arbitration. This includes fee disputes and any claim of malpractice. The arbitrator shall be mutually selected. If Valbridge Property Advisors | Hulberg and Associates and the client cannot agree on the arbitrator, the presiding head of the Local County Mediation & Arbitration panel shall select the arbitrator. Such arbitration shall be binding and final. In agreeing to arbitration, we both acknowledge that, by agreeing to binding arbitration, each of us is giving up the right to have the dispute decided in a court of law before a judge or jury. In the event that the client, or any other party, makes a claim against Hulberg and Associates or any of its employees in connections with or in any way relating to this assignment, the maximum damages recoverable by such claimant shall be the amount actually received by Valbridge Property Advisors | Hulberg and Associates for this assignment, and under no circumstances shall any claim for consequential damages be made.
36. Valbridge Property Advisors | Hulberg and Associates shall have no obligation, liability, or accountability to any third party. Any party who is not the "client" or intended user identified on the face of the appraisal or in the engagement letter is not entitled to rely upon the contents of the appraisal without the express written consent of Valbridge Property Advisors | Hulberg and Associates. "Client" shall not include partners, affiliates, or relatives of the party named in the engagement letter. Client shall hold Valbridge Property Advisors | Hulberg and Associates and its employees harmless in the event of any lawsuit brought by any third party, lender, partner, or part-owner in any form of ownership or any other party as a result of this assignment. The client also agrees that in case of lawsuit arising from or in any way involving these appraisal services, client will hold Valbridge Property Advisors | Hulberg and Associates harmless from and against any liability, loss, cost, or expense incurred or suffered by Valbridge Property Advisors | Hulberg and Associates in such action, regardless of its outcome.
37. The Valbridge Property Advisors office responsible for the preparation of this report is independently owned and operated by Hulberg and Associates. Neither Valbridge Property Advisors, Inc., nor any of its affiliates has been engaged to provide this report. Valbridge Property Advisors, Inc. does not provide valuation services, and has taken no part in the preparation of this report.
38. If any claim is filed against any of Valbridge Property Advisors, Inc., a Florida Corporation, its affiliates, officers or employees, or the firm providing this report, in connection with, or in any way arising out of, or relating to, this report, or the engagement of the firm providing this report, then (1) under no circumstances shall such claimant be entitled to consequential, special or other damages, except only for direct compensatory damages, and (2) the maximum amount of such compensatory damages recoverable by such claimant shall be the amount actually received by the firm engaged to provide this report.

39. This report and any associated work files may be subject to evaluation by Valbridge Property Advisors, Inc., or its affiliates, for quality control purposes.
40. Acceptance and/or use of this appraisal report constitutes acceptance of the foregoing general assumptions and limiting conditions.

## Certification – Brian A. Spohr

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

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
4. The undersigned has not performed 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.
5. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
6. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. My 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 value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
8. My analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
9. Brian A. Spohr has personally inspected the subject property.
10. No one provided significant real property appraisal assistance to the person signing this certification, unless otherwise noted.
11. The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
12. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
13. As of the date of this report, the undersigned has completed the Standards and Ethics Education Requirement for Candidates/Practicing Affiliates of the Appraisal Institute.



Brian A. Spohr  
Appraiser  
California Certified License #AG3002079

## Certification – Yvonne J. Broszus, MAI

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

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
4. The undersigned has not performed 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.
5. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
6. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. My 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 value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
8. My analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
9. Yvonne J. Broszus, MAI did not personally inspect the subject property.
10. No one provided significant real property appraisal assistance to the person signing this certification, unless otherwise noted.
11. The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
12. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
13. As of the date of this report, the undersigned has completed the continuing education program for Designated Members of the Appraisal Institute.



Yvonne J. Broszus, MAI  
Director  
California Certified License #AG019587



# Addenda

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Subject Photos

Glossary

Qualifications

- Brian A. Spohr - Appraiser
- Yvonne J. Broszus, MAI - Director

Information on Valbridge Property Advisors

Office Locations

Subject Photographs



Kitchen



Restroom



Restrooms and exterior



Entrance and parking lot



Murphy Avenue looking north



Murphy Avenue looking south

## Glossary

Definitions are taken from The Dictionary of Real Estate Appraisal, 6<sup>th</sup> Edition (Dictionary), the Uniform Standards of Professional Appraisal Practice (USPAP), and Building Owners and Managers Association International (BOMA).

### Absolute Net Lease

A lease in which the tenant pays all expenses including structural maintenance, building reserves, and management; often a long-term lease to a credit tenant. (Dictionary)

### Amortization

The process of retiring a debt or recovering a capital investment, typically through scheduled, systematic repayment of the principal; a program of periodic contributions to a sinking fund or debt retirement fund. (Dictionary)

### As Is Market Value

The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date. (Dictionary)

### Base Rent

The minimum rent stipulated in a lease. (Dictionary)

### Base Year

The year on which escalation clauses in a lease are based. (Dictionary)

### Building Common Area

In office buildings, the areas of the building that provide services to building tenants but which are not included in the office area or store area of any specific tenant. These areas may include, but shall not be limited to, main and auxiliary lobbies, atrium spaces at the level of the finished floor, concierge areas or security desks, conference rooms, lounges or vending areas, food service facilities, health or fitness centers, daycare facilities, locker or shower facilities, mail rooms, fire control rooms, fully enclosed courtyards outside the exterior walls, and building core and service areas such as fully enclosed mechanical or equipment rooms. Specifically excluded from building common area are floor common areas, parking space, portions of loading docks outside the building line, and major vertical penetrations. (BOMA)

### Building Rentable Area

The sum of all floor rentable areas. Floor rentable area is the result of subtracting from the gross measured area of a floor the major vertical penetrations on that same floor. It is generally fixed for the life of the building and is rarely affected by changes in corridor size or configuration. (BOMA)

### Certificate of Occupancy (COO)

A formal written acknowledgment by an appropriate unit of local government that a new construction or renovation project is at the stage where it meets applicable health and safety codes and is ready for commercial or residential occupancy. (Dictionary)

### Common Area Maintenance (CAM)

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. (Dictionary)

The amount of money charged to tenants for their shares of maintaining a [shopping] center's common area. The charge that a tenant pays for shared services and facilities such as electricity, security, and maintenance of parking lots. Items charged to common area maintenance may include cleaning services, parking lot sweeping and maintenance, snow removal, security and upkeep. (ICSC – International Council of Shopping Centers, 4<sup>th</sup> Ed.)

### Condominium

A multiunit structure, or a unit within such a structure, with a condominium form of ownership. (Dictionary)

### Conservation Easement

An interest in real estate restricting future land use to preservation, conservation, wildlife habitat, or some combination of those uses. A conservation easement may permit farming, timber harvesting, or other uses of a rural nature as well as some types of conservation-oriented development to continue, subject to the easement. (Dictionary)

### Contributory Value

A type of value that reflects the amount a property or component of a property contributes to the value of another asset or to the property as a whole.

The change in the value of a property as a whole, whether positive or negative, resulting from the addition or deletion of a property component. Also called deprival value in some countries. (Dictionary)

### 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* typically indicates a greater ability for a property to withstand a reduction of income, providing an improved safety margin for a lender. (Dictionary)

### Deed Restriction

A provision written into a deed that limits the use of land. Deed restrictions usually remain in effect when title passes to subsequent owners. (Dictionary)

### Depreciation

- 1) In appraisal, a loss in property value from any cause; the difference between the cost of an improvement on the effective date of the appraisal and the market value of the improvement on the same date.
- 2) In accounting, an allocation of the original cost of an asset, amortizing the cost over the asset's life; calculated using a variety of standard techniques. (Dictionary)

### Disposition Value

The most probable price that a specified interest in property should bring under the following conditions:

- Consummation of a sale within a specified time, which is shorter than the typical exposure time for such a property in that market.
- The property is subjected to market conditions prevailing as of the date of valuation;
- Both the buyer and seller are acting prudently and knowledgeably;
- The seller is under compulsion to sell;
- The buyer is typically motivated;
- Both parties are acting in what they consider to be their best interests;
- An adequate marketing effort will be made during the exposure time;
- Payment will be made in cash in U.S. dollars (or the local currency) 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. (Dictionary)

### Easement

The right to use another's land for a stated purpose. (Dictionary)

### EIFS

Exterior Insulation Finishing System. This is a type of exterior wall cladding system. Sometimes referred to as dry-vit.

### Effective Date

- 1) The date on which the appraisal or review opinion applies. (SVP)
- 2) In a lease document, the date upon which the lease goes into effect. (Dictionary)

### Effective Gross Income (EGI)

The anticipated income from all operations of the real estate after an allowance is made for vacancy and collection losses and an addition is made for any other income. (Dictionary)

### Effective Rent

Total base rent, or minimum rent stipulated in a lease, over the specified lease term minus rent concessions; the rent that is effectively paid by a tenant net of financial concessions provided by a landlord. (TIs). (Dictionary)

### EPDM

Ethylene Propylene Diene Monomer Rubber. A type of synthetic rubber typically used for roof coverings. (Dictionary)

### Escalation Clause

A clause in an agreement that provides for the adjustment of a price or rent based on some event or index. e.g., a provision to increase rent if operating expenses increase; also called *escalator clause*, *expense recovery clause* or *stop clause*. (Dictionary)

### Estoppel Certificate

A signed statement by a party (such as a tenant or a mortgagee) certifying, for another's benefit, that certain facts are correct, such as that a lease exists, that there are no defaults, and that rent is paid to a certain date. (Black's) In real estate, a buyer of rental property typically requests estoppel certificates from existing tenants. Sometimes referred to as an *estoppel letter*. (Dictionary)

### Excess Land

Land that is not needed to serve or support the existing use. The highest and best use of the excess land may or may not be the same as the highest and best use of the improved parcel. Excess land has the potential to be sold separately and is valued separately. (Dictionary)

### Excess Rent

The amount by which contract rent exceeds market rent at the time of the appraisal; created by a lease favorable to the landlord (lessor) and may reflect unusual management, unknowledgeable or unusually motivated parties, a lease execution in an earlier, stronger rental market, or an agreement of the parties. (Dictionary)

### Expense Stop

A clause in a lease that limits the landlord's expense obligation, which results in the lessee paying operating expenses above a stated level or amount. (Dictionary)

### Exposure Time

- 1) The time a property remains on the market.
- 2) The estimated length of time that 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; Comment: Exposure time is a retrospective opinion based on an analysis of past events assuming a competitive and open market. (Dictionary)

### Extraordinary Assumption

An assumption, directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser's opinions or conclusions. Comment: 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, 2016-2017 ed.)

### 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)

### Floor Common Area

In an office building, the areas on a floor such as washrooms, janitorial closets, electrical rooms, telephone rooms, mechanical rooms, elevator lobbies, and public corridors which are available primarily for the use of tenants on that floor. (BOMA)

### Full Service (Gross) Lease

A lease in which the landlord receives stipulated rent and is obligated to pay all of the property's operating and fixed expenses; also called a *full service lease*. (Dictionary)

### Furniture, Fixtures, and Equipment (FF&E)

Business trade fixtures and personal property, exclusive of inventory. (Dictionary)

### Going-Concern Value

An outdated label for the market value of all the tangible and intangible assets of an established and operating business with an indefinite life, as if sold in aggregate; more accurately termed the *market value of the going concern* or *market value of the total assets of the business*. (Dictionary)

### Gross Building Area (GBA)

- 1) 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 market area of the type of property involved.
- 2) Gross leasable area plus all common areas.
- 3) For residential space, the total area of all floor levels measured from the exterior of the walls and including the superstructure and substructure basement; typically does not include garage space. (Dictionary)

### Gross Measured Area

The total area of a building enclosed by the dominant portion (the portion of the inside finished surface of the permanent outer building wall which is 50% or more of the vertical floor-to-ceiling dimension, at the given point being measured as one moves horizontally along the wall), excluding parking areas and loading docks (or portions of same) outside the building line. It is generally not used for leasing purposes and is calculated on a floor by floor basis. (BOMA)

### Gross Up Method

A method of calculating variable operating expenses in income-producing properties when less than 100% occupancy is assumed. Expenses reimbursed based on the amount of occupied space, rather than on the total building area, are described as "grossed up." (Dictionary)

### Gross Retail Sellout

The sum of the separate and distinct market value opinions for each of the units in a condominium, subdivision development, or portfolio of properties, as of the date of valuation. The aggregate of retail values does not represent the value of all the units as though sold together in a single transaction; it is simply the total of the individual market value conclusions. Also called the *aggregate of the retail values*, *aggregate retail selling price* or *sum of the retail values*. (Dictionary)

### Ground Lease

A lease that grants the right to use and occupy land. Improvements made by the ground lessee typically revert to the ground lessor at the end of the lease term. (Dictionary)

### Ground Rent

The rent paid for the right to use and occupy land according to the terms of a ground lease; the portion of the total rent allocated to the underlying land. (Dictionary)



### HVAC

Heating, ventilation, air conditioning (HVAC) system. A unit that regulates the temperature and distribution of heat and fresh air throughout a building. (Dictionary)

### Highest and Best Use

- 1) The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.
- 2) The use of an asset that maximizes its potential and that is possible, legally permissible, and financially feasible. The highest and best use may be for continuation of an asset's existing use or for some alternative use. This is determined by the use that a market participant would have in mind for the asset when formulating the price that it would be willing to bid. (IVS)
- 3) [The] highest and most profitable use for which the property is adaptable and needed or likely to be needed in the reasonably near future. (Uniform Appraisal Standards for Federal Land Acquisitions) (Dictionary)

### Hypothetical Condition

- 1) A condition that is presumed to be true when it is known to be false. (SVP – Standards of Valuation Practice, effective January 1, 2015)
- 2) A condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis. Comment: Hypothetical conditions are 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. (USPAP, 2016-2017 ed.) (Dictionary)

### Industrial Gross Lease

A type of modified gross lease of an industrial property in which the landlord and tenant share expenses. The landlord receives stipulated rent and is obligated to pay certain operating expenses, often structural maintenance, insurance and real property taxes, as specified in the lease. There are significant regional and local differences in the use of this term. (Dictionary)

### Insurable Value

A type of value for insurance purposes. (Typically this includes replacement cost less basement excavation, foundation, underground piping and architect's fees.) (Dictionary)

### Investment Value

The value of a property to a particular investor or class of investors based on the investor's specific requirements. Investment value may be different from market value because it depends on a set of investment criteria that are not necessarily typical of the market. (Dictionary)

### Just Compensation

In condemnation, the amount of loss for which a property owner is compensated when his or her property is taken. Just compensation should put the owner in as good a position pecuniarily as he or she would have been if the property had not been taken. (Dictionary)

### Leased Fee Interest

The ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversionary right when the lease expires. (Dictionary)

### Leasehold Interest

The right held by the lessee to use and occupy real estate for a stated term and under the conditions specified in the lease. (Dictionary)

### Lessee (Tenant)

One who has the right to occupancy and use of the property of another for a period of time according to a lease agreement. (Dictionary)

### Lessor (Landlord)

One who conveys the rights of occupancy and use to others under a lease agreement. (Dictionary)

### Liquidation Value

The most probable price that a specified interest in property should bring under the following conditions:

- Consummation of a sale within a short time period.
- The property is subjected to market conditions prevailing as of the date of valuation.
- Both the buyer and seller are acting prudently and knowledgeably.
- The seller is under extreme compulsion to sell.
- The buyer is typically motivated.
- Both parties are acting in what they consider to be their best interests.
- A normal marketing effort is not possible due to the brief exposure time.
- Payment will be made in cash in U.S. dollars (or the local currency) or in terms of financial arrangements comparable thereto.
- 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. (Dictionary)

### Loan to Value Ratio (LTV)

The ratio between a mortgage loan and the value of the property pledged as security, usually expressed as a percentage. (Dictionary)

### Major Vertical Penetrations

Stairs, elevator shafts, flues, pipe shafts, vertical ducts, and the like, and their enclosing walls. Atria, lightwells and similar penetrations above the finished floor are included in this definition. Not included, however, are vertical penetrations built for the private use of a tenant occupying office areas on more than one floor. Structural columns, openings for vertical electric cable or telephone distribution, and openings for plumbing lines are not considered to be major vertical penetrations. (BOMA)

### Market Rent

The most probable rent that a property should bring in a competitive and open market reflecting the conditions and restrictions of a specified lease agreement, including the rental adjustment and revaluation, permitted uses, use restrictions, expense obligations; term, concessions, renewal and purchase options and tenant improvements (TIs). (Dictionary)

### Market Value

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 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 own best interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in United States 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.

(Dictionary)

### 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 an appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal. (Advisory

Opinion 7 of the Appraisal 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)

### Master Lease

A lease in which the fee owner leases a part or the entire property to a single entity (the master lease) in return for a stipulated rent. The master lessee then leases the property to multiple tenants. (Dictionary)

### Modified Gross Lease

A lease in which the landlord receives stipulated rent and is obligated to pay some, but not all, of the property's operating and fixed expenses. Since assignment of expenses varies among modified gross leases, expense responsibility must always be specified. In some markets, a modified gross lease may be called a *double net lease*, *net net lease*, *partial net lease*, or *semi-gross lease*. (Dictionary)

### Operating Expense Ratio

The ratio of total operating expenses to effective gross income (TOE/EGI); the complement of the net income ratio, i.e.,  $OER = 1 - NIR$  (Dictionary)

### Option

A legal contract, typically purchased for a stated consideration, that permits but does not require the holder of the option (known as the *optionee*) to buy, sell, or lease real estate for a stipulated period of time in accordance with specified terms; a unilateral right to exercise a privilege. (Dictionary)

### Partial Interest

Divided or undivided rights in real estate that represent less than the whole, i.e., a fractional interest such as a tenancy in common, easement, or life interest. (Dictionary)

### Pass Through

A tenant's portion of operating expenses that may be composed of common area maintenance (CAM), real property taxes, property insurance, and any other expenses determined in the lease agreement to be paid by the tenant. (Dictionary)

### Potential Gross Income (PGI)

The total income attributable to property at full occupancy before vacancy and operating expenses are deducted. (Dictionary)



### Prospective Future Value Upon Completion

A prospective market value may be appropriate for the valuation of a property interest related to a credit decision for a proposed development or renovation project. According to USPAP, an appraisal with a prospective market value reflects an effective date that is subsequent to the date of the appraisal report. ... The prospective market value –as completed- reflects the property's market value as of the time that development is expected to be complete. (Dictionary)

### Prospective Future Value Upon Stabilization

A prospective market value may be appropriate for the valuation of a property interest related to a credit decision for a proposed development or renovation project. According to USPAP, an appraisal with a prospective market value reflects an effective date that is subsequent to the date of the appraisal report ...The prospective market value – as stabilized – reflects the property's market value as of the time the property is projected to achieve stabilized occupancy. For an income-producing property, stabilized occupancy is the occupancy level that a property is expected to achieve after the property is exposed to the market for lease over a reasonable period of time and at comparable terms and conditions to other similar properties. (Dictionary)

### Replacement Cost

The estimated cost to construct, at current prices as of a specific date, a substitute for a building or other improvements, using modern materials and current standards, design, and layout. (Dictionary)

### Reproduction Cost

The estimated cost to construct, at current prices as of the effective date of the appraisal, an exact duplicate or replica of the building being appraised, using the same materials, construction standards, design, layout, and quality of workmanship and embodying all of the deficiencies, superadequacies, and obsolescence of the subject building. (Dictionary)

### Retrospective Value Opinion

A value opinion effective as of a specified historical date. The term *retrospective* does not define a type of value. Instead, it identifies a value opinion as being effective at some specific prior date. Value as of a historical date is frequently sought in connection with property tax appeals, damage models, lease renegotiation, deficiency judgments, estate tax, and condemnation. Inclusion of

the type of value with this term is appropriate, e.g., "retrospective market value opinion." (Dictionary)

### Sandwich Leasehold Estate

The interest held by the sandwich leaseholder when the property is subleased to another party; a type of leasehold estate. (Dictionary)

### Sublease

An agreement in which the lessee in a prior lease conveys the right of use and occupancy of a property to another, the sublessee, for a specific period of time, which may or may not be coterminous with the underlying lease term. (Dictionary)

### Subordination

A contractual arrangement in which a party with a claim to certain assets agrees to make his or her claim junior, or subordinate, to the claims of another party. (Dictionary)

### Surplus Land

Land that is not currently needed to support the existing use but cannot be separated from the property and sold off for another use. Surplus land does not have an independent highest and best use and may or may not contribute value to the improved parcel. (Dictionary)

### Triple Net (Net Net Net) Lease

An alternative term for a type of net lease. In some markets, a net net net lease is defined as a lease in which the tenant assumes all expenses (fixed and variable) of operating a property except that the landlord is responsible for structural maintenance, building reserves, and management; also called *NNN lease, net net net lease, or fully net lease*. (Dictionary)

(The market definition of a triple net lease varies; in some cases tenants pay for items such as roof repairs, parking lot repairs, and other similar items.)

### Usable Area

The measured area of an office area, store area, or building common area on a floor. The total of all the usable areas for a floor shall equal floor usable area of that same floor. (BOMA)

### Value-in-Use

The value of a property assuming a specific use, which may or may not be the property's highest and best use on the effective date of the appraisal. Value in use may or may not be equal to market value but is different conceptually. (Dictionary)

## Qualifications

## Qualifications of Brian A. Spohr Appraiser

Valbridge Property Advisors | Northern California



### *Independent Valuations for a Variable World*

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#### State Certifications

Certified General  
State of California

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#### Education

Bachelor of Arts  
Political Science  
California State University,  
Chico

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#### Membership/Affiliations

Member: Appraisal Institute      Practicing Affiliate

#### Appraisal Institute & Related Courses

- National USPAP
- Appraisal Principles
- Appraisal Procedures
- Market Analysis and Highest and Best Use
- Appraiser Site Valuation and Cost Approach
- Sales Comparison Approach and Income Approach
- Report Writing and Case Studies
- Business Practices and Ethics

#### Experience

##### **Appraiser**

Valbridge Property Advisors | Northern California (2017-present)

##### **Appraiser Trainee**

Valbridge Property Advisors | Northern California (2014-2017)

##### **Analyst**

Valbridge Property Advisors | Northern California (2013-2014)

##### **Analyst**

Hulberg & Associates, Inc. (2012-2013) (joined to create Valbridge in 2013)

Mr. Spohr has performed valuation services for a variety of property types including: retail buildings (community, specialty, neighborhood and strip), office buildings (professional and medical/dental), vacant land, agricultural land, warehouses, manufacturing, light industrial, research and development, apartments, single-family, condominiums, subdivisions, auto dealerships, service stations, worship facilities, food processing facilities, and other types of special purpose properties.

## Qualifications of Yvonne J. Broszus, MAI

### Director

Valbridge Property Advisors | Northern California



### *Independent Valuations for a Variable World*

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#### State Certifications

Certified General  
State of California

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#### Education

Bachelor of Science,  
Marketing  
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Member: Appraisal Institute MAI Designation  
Chairman: AI Fall Conference Committee (2006)  
AI Spring Litigation Conference (2017)

Committee Member: AI Spring Litigation Conference (2014-current)  
AI Silicon Valley Subchapter (2006-07)  
AI Fall Conference (2004, 2005)

Award: AI Claudia B. Carleton Leadership Award

#### Appraisal Institute & Related Courses

Continuing education courses taken through the Appraisal Institute and other real estate organizations.

#### Experience

##### **Director**

Valbridge Property Advisors | Northern California (2013-Present)

##### **Vice President**

Hulberg & Associates, Inc. (1988-2013)  
(joined to create Valbridge in 2013)

Appraisal/valuation and consulting assignments include: retail buildings (community, specialty, neighborhood and strip), office buildings (professional and medical/dental), vacant and agricultural land, warehouses, manufacturing, light industrial, research and development, apartments, single-family, condominiums, subdivisions, mobile home parks, auto dealerships, service stations, worship facilities, truck stops, food processing and cold storage facilities, fixed base operators at airports, and other special purpose properties.

Ms. Broszus has provided valuation services in a wide variety of complex civil litigation cases involving real estate. These matters have included condemnation issues, contract disputes, bankruptcy/creditors matters, and environmental lawsuits, among other issues. She also specializes in property tax appeals, having helped clients recover millions of dollars in property tax refunds.

Qualified as an expert witness, Ms. Broszus has testified in state and federal courts, major arbitrations, and at Assessment Appeal Board hearings. She is a highly experienced forensic appraiser.

## Company Information on Valbridge Property Advisors

- **Valbridge is the Largest, Independent, National, Commercial real estate valuation and advisory services firm in North America:**
  - Total number of MAIs (200 on staff)
  - Total number of office locations (70 across the U.S.)
  - Total number of staff (675 strong)
  
- **Valbridge covers the U.S. from coast to coast.**
  
- **Valbridge services all property types, including special-purpose properties.**
  
- **Valbridge provides independent valuation services. We are not owned by a brokerage firm or investment company.**
  
- **Every Valbridge office is led by a senior managing director who holds the MAI designation of the Appraisal Institute.**
  
- **Valbridge is owned by our local office leaders.**
  
- **Valbridge welcomes single-property assignments as well as portfolio, multi-market and other bulk-property engagements.**







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