



**Valbridge**  
PROPERTY ADVISORS

## Appraisal Report

Little League baseball fields on Cunningham Avenue  
Cunningham Avenue  
San Jose, Santa Clara County, California 95148

Report Date: March 15, 2018



FOR:

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

### **Valbridge Property Advisors**

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Valbridge File Number:  
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March 15, 2018

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

RE: Appraisal Report  
Little League baseball fields on Cunningham Avenue  
Cunningham Avenue  
San Jose, Santa Clara County, California 95148

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 subject property, as referenced above, is located on Cunningham Avenue and is further identified as a portion of Assessor's Parcel Number (APN) 491-13-019. The exact site area was not provided to us by the client. Per the appraiser's measurements from Google Earth, the subject contains approximately 4.65 acres or 202,554 square feet.

The subject property represents portion of the Reid Hillview Airport property and is currently improved with three baseball diamonds. The property is zoned as IP-Industrial Park by the City of San Jose, as is the remainder of Reid-Hillview Airport. The General Plan designation for the site is Public/ Quasi Public but the County of Santa Clara plans to request a change to the City's General Plan to allow commercial uses on the site. Our appraisal of the subject is based on the hypothetical condition that the subject's permitted uses represents those allowed by the planned commercial zoning and General Plan designation.

The purpose of this appraisal assignment is to develop an opinion of the fair market rent of the property. 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.

Eric Peterson is our client in this assignment and he, along with the County of Santa Clara, is the sole intended user of the appraisal and report and no others. The intended use is for preparation of a long-term business plan for the airport 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:**

- We were not provided with a site survey and have relied on our own measurements from Google Earth for site size. If at a later time the site size is shown to be different, then the report and value conclusion may need to be revisited.

**Hypothetical Conditions:**

- Per our client’s request, we have assumed the subject is not part of the operating airport but its own separate property, and that approvals have been granted for a zoning change to Commercial General (CG) and a General Plan amendment to Neighborhood/ Community Commercial.

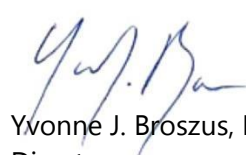
Based on the analysis contained in the following report, our value conclusions are summarized as follows:

<b>Ground Rent Conclusion</b>	
<b>Component</b>	<b>As Is</b>
Value Type	Fair Market Rent
Property Rights Appraised	N/A
Effective Date of Value	January 22, 2018
<b>Annual Fair Market Rent</b>	<b>\$638,250</b>
<b>Fair Market Rent/ Month</b>	<b>\$53,188 psf</b>

Respectfully submitted,  
Valbridge Property Advisors



Maria Aji, PhD  
Senior Appraiser  
California Certified License #AG027130



Yvonne J. Broszus, MAI  
Director  
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# Summary of Salient Facts

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## Property Identification

Property Name	Little League baseball fields on Cunningham Avenue
Property Address	Cunningham Avenue San Jose, Santa Clara County, California 95148
Latitude & Longitude	37.336501, -121.81837
Tax Parcel Number	a portion of 491-13-019
Property Owner	The County of Santa Clara

## Site

Existing Zoning	Industrial Park (IP)
Proposed Zoning	Commercial General (CG)
FEMA Flood Map No.	06085C0254H
Flood Zone	X
Primary Land Area	4.650 acres

## Valuation Opinions

Highest & Best Use - As Vacant	Commercial development
Highest & Best Use - As Improved	Commercial development
Reasonable Exposure Time	9-12 months
Reasonable Marketing Time	9-12 months

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## Ground Rent Conclusion

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Property Rights Appraised	N/A
Effective Date of Value	January 22, 2018
<b>Annual Fair Market Rent</b>	<b>\$638,250</b>
<b>Fair Market Rent/ Month</b>	<b>\$53,188 psf</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:

- We were not provided with a site survey and have relied on our own measurements from Google Earth for site size. If at a later time the site size is shown to be different, then the report and value conclusion may need to be revisited.

### Hypothetical Conditions:

- Per our client's request, we have assumed the subject is not part of the operating airport but its own separate property, and that approvals have been granted for a zoning change to Commercial General (CG) and a General Plan amendment to Neighborhood/ Community Commercial.

## Aerial and Front Views

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**AERIAL VIEW**



**FRONT VIEW**





# Introduction

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## Client and Intended Users of the Appraisal

Eric Peterson is our client in this assignment and he, along with the County of Santa Clara, is the sole intended user of the appraisal and report and no others.

## Intended Use of the Appraisal

The intended use of this report is for preparation of a long-term business plan for the airport and no other use.

## Real Estate Identification

The subject property is located at Cunningham Avenue, San Jose, Santa Clara County, California 95148. The subject property is further identified as a portion of APN 491-13-019. The subject is a part of the Reid-Hillview Airport.

## Legal Description

We were not provided with a legal description of the subject. A recent survey was not available. The site size and description are based upon our own measurements from Google Earth (See Extraordinary Assumption).

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

As of the effective date of value, the subject was an excess portion of the Reid-Hillview Airport and used as Little League baseball fields.

## Use of Real Estate as Reflected in this Appraisal

The use that is reflected in the valuation is as vacant commercial land.

## Ownership of the Property

According to public records, title to the subject property is vested in Santa Clara County, Roads and Airport Department.

## History of the Property

Ownership of the subject property has not changed within the past three years. We have considered and analyzed the known history of the subject in the development of our opinions and conclusions.

## Listings/Offers/Contracts

The subject is not currently listed for sale or under contract for sale. We are unaware of any offers purchase the subject property.

## Type and Definition of Value

The purpose of this appraisal is to estimate the fair market rent for the subject property. "Fair market rent," as used in this appraisal, is defined as "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).”<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 market rent for the subject property under the following scenarios of value:

Valuation Scenario	Effective Date of Value
As-Is Fair Market Rent of the Subject Land	January 22, 2018

We completed an appraisal inspection of the subject property on January 22, 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

- Preliminary Title Report, Site Survey

## 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:

### Extraordinary Assumptions:

- We were not provided with a site survey and have relied on our own measurements from Google Earth for site size. If at a later time the site size is shown to be different, then the report and value conclusion may need to be revisited.

### Hypothetical Conditions:

- Per our client’s request, we have assumed the subject is not part of the operating airport but its own separate property, and that approvals have been granted for a zoning change to Commercial General (CG) and a General Plan amendment to Neighborhood/ Community Commercial.

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<sup>1</sup> *The Dictionary of Real Estate Appraisal*, Sixth Edition, (Appraisal Institute, 2015), 140

## 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 an aerial map provided by the client.
- Economic Characteristics - Economic characteristics of the subject property were identified via information provided by the client, discussion with active market participants, as well as a comparison to properties with similar locational and physical characteristics.
- Physical Characteristics - The subject was physically identified via a physical property inspection by Maria Aji, PhD.

### Extent to Which the Property Was Inspected

We inspected the subject on January 22, 2018.

### 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 lease 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, demand for the subject property, and relevant legal limitations in concluding a highest and best use. Ground rent is typically estimated based on the fee simple land value under the Highest and Best Use and an appropriate rate of return. This is the common method to estimate ground rent. Alternatively, fair market rent of the property via the Rent Comparison Approach can also be estimated. These two approaches are the most relevant in estimating fair market rent for vacant land.

### 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.



## 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 Jose	911,461	952,705	0.5%	1,042,940	1,103,315	1.2%

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)

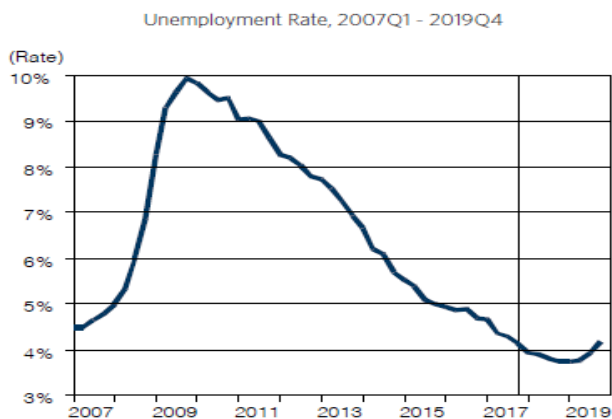
### Unemployment

The unemployment rate in Santa Clara County is currently less than the rates of the state and nation. The County unemployment rate was 2.6% as of December 2017. The State of California was at 4.2% 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, as shown in the table below.

### Unemployment Rates

Area	YE 2010	YE 2011	YE 2012	YE 2013	YE 2014	YE 2015	YE 2016	YE 2017
United States of America	9.3%	8.5%	7.9%	6.7%	5.6%	5.0%	4.7%	4.1%
California	11.0%	9.6%	8.0%	6.6%	5.6%	5.1%	4.2%	4.2%
Santa Clara County	8.4%	7.0%	5.5%	4.3%	3.7%	3.3%	2.6%	2.6%
San Jose	9.4%	7.8%	6.1%	4.8%	4.1%	3.7%	2.9%	2.9%

Source: Bureau of Labor Statistics - Year End - National & State Seasonally Adjusted



Sources: U.S. Bureau of Labor Statistics and UCLA Anderson Forecast

The information below was obtained from the "UCLA Anderson Forecast for the Nation: December 2017 Report," presented by the UCLA Anderson School of Management.

The forecast for 2018 is sunny, while 2019 will be cloudy according to the Anderson School of Management. The national GDP is growing at a strong rate and is expected to continue to do so into through the second quarter of 2018, but then as the

unemployment rate drops below 4% and employment growth slows due to a shortage of labor, growth will drop back to the 2% growth rate seen previously. By the end of 2019, the cloudy prediction is for a growth rate of 1.5% or possibly lower.

#### Monetary Policy in the Post-Yellen Era

The Janet Yellen era is coming to an end with Jerome Powell's appointment; however, his views on monetary policy are very similar to hers on monetary policy and not many changes are expected on that front. That said, on regulatory policy, Powell is anticipated to be more open than Yellen when it comes to reconsidering the 2009-2012 financial crisis regulations. Therefore, it is anticipated that the gradual interest rate normalization policy that has been underway for a year will continue well into 2019 with a 25 basis point increase from the current 1.375% rate in December and three more increases in 2018. By the end of 2019, the federal funds rate will likely approximate 3%.

Powell's Fed will also continue the policy of gradually shrinking the Fed's balance sheet, which began in October – quantitative easing that expanded the balance sheet from \$800 billion to over four trillion dollars over several years, now with a target of tightening back to \$2.5-\$3.0 trillion.

#### Inflation

It appears that the second quarter slowdown in inflation was transitory and inflation will continue in excess of 2% at a steady pace for the foreseeable future. The primary source for the rising inflation rate will be a significant rebound in wage growth, which after creeping along around 2%, is forecast to accelerate to approximately 4% by late 2018 on a year-over-year basis.

Real consumption spending is maintaining its strength experienced in 2016 by increasing 2.7% and 2.8% in 2017 and 2018, respectively. However, as auto sales slow in 2019 consumption growth will slip back to 2.2%. However, it is forecast by the Anderson report that as long as stock and house prices remain elevated, the consumer, or at least the high-end consumer, will remain in good shape. In the case of the lower end consumer they are encouraged by Walmart reporting a strong 2.7% increase in year-over-year same store sales in their latest quarter.

#### Global Economy

In response to a recovering global economy, real exports are recovering from the near zero growth of 2015 and 2016. Real exports are estimated to increase by 3.2% this year and 4.5% and 4.1% in 2018 and 2019, respectively.

The real risk to our export forecast and for that matter the entire forecast is political. In less than a year, President Trump has dismantled the Trans Pacific Partnership (TPP) trade treaty and the global climate accord. The North American Free Trade Treaty (NAFTA) could be next. Leaving NAFTA is not so simple because it would undo countless supply chains among the three countries (U.S., Canada and Mexico) involved, and the gross trade volumes among the three NAFTA partners amounts to over one trillion dollars per year. Especially hard hit would be the U.S. automobile industry where parts cross borders several times in the manufacturing of a single automobile. In the view of the Anderson Report, should the U.S. leave NAFTA, the growth outlook would deteriorate and the chance of a recession in late 2018 or 2019 would significantly increase.

#### The California Forecast

In the September 2017 quarterly UCLA Anderson forecast essay UCLA Anderson Forecast Director and Senior Economist Jerry Nickelsburg states that the forecast for California's unemployment is for

continued growth, but that is likely due to the federal administration’s difficulty getting legislation through Congress and a result of more job seekers brought into the market, rather than more jobs being available. The tightening of immigration rules is expected to have a significant effect in California; however, protections already in place will lessen the effect. California is expected to grow at a rate slightly faster than the US as a whole, and be at a 4.5% unemployment rate by the end of 2019.

### 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 favorably 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 Jose	\$88,028	\$100,012	2.7%

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

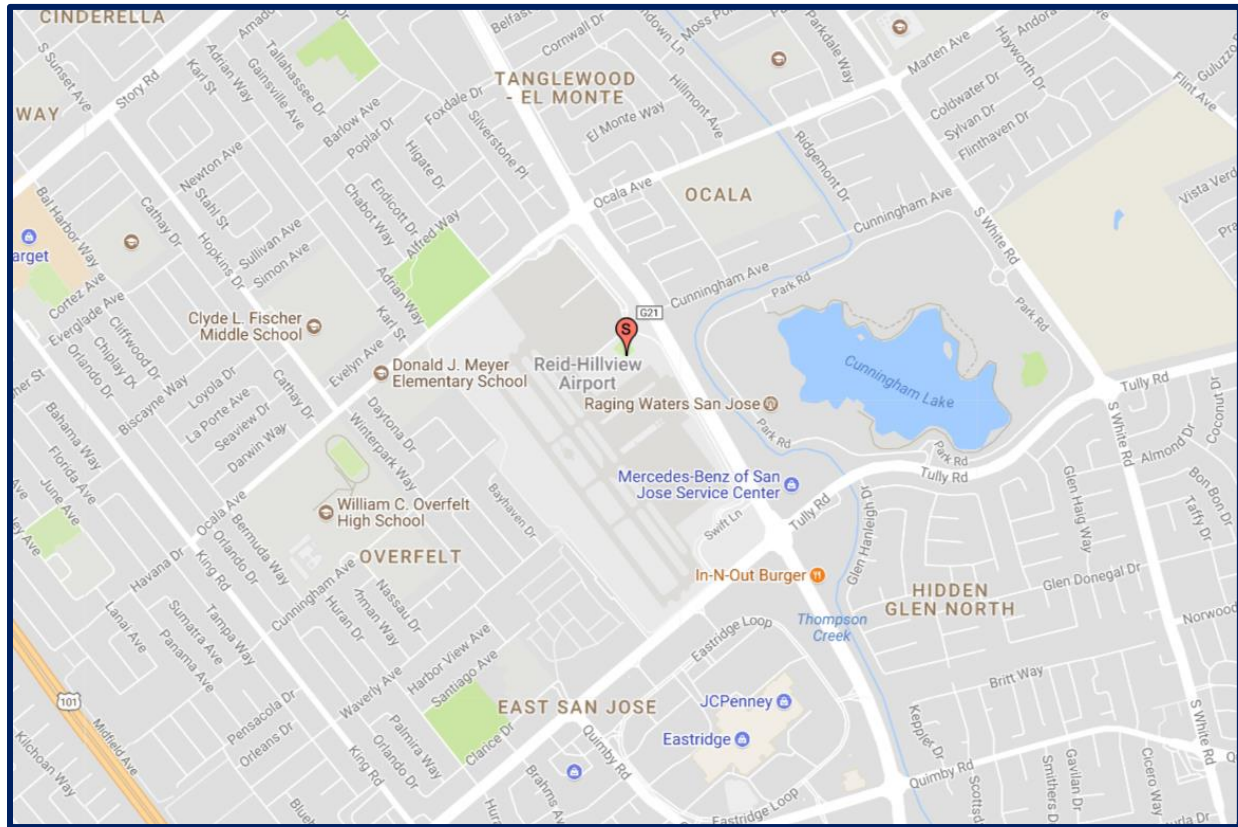
### Conclusions

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.

The election of Donald Trump signaled a change in economic policy. In the short run that will likely bring with it more real growth and inflation along with higher interest rates. However, because the economy is operating at or close to full employment, the growth spurt is expected to be short-lived. There is uncertainty in the long-term economic forecast. Nevertheless, in the short term, 2018 is expected to be another prosperous year as we continue to say goodbye to the effects of the financial crisis.

# City and Neighborhood Analysis

## NEIGHBORHOOD MAP



The subject is located in the City of San Jose. San Jose is the largest city in the county and is the County Seat. Historically, San Jose was a support city for the surrounding agricultural industry, acting as a cannery and distribution center. More recently, San Jose served as a bedroom community for Sunnyvale and Santa Clara (the original "Silicon Valley"), providing affordable housing for workers. Today, San Jose has come into its own right as an industrial and commercial center.

San Jose is located in the heart of "Silicon Valley," in the central portion of Santa Clara County. San Jose is bordered by the City of Santa Clara and the San Francisco Bay to the north, the City of Morgan Hill to the south, and the cities of Saratoga and Cupertino to the west.

San Jose is the largest city in Santa Clara County, both in terms of population and area. The Urban Service Area is approximately 87,000 acres, of which 20% is vacant or unused. About 40% of this vacant land is designated for residential development. These residential land reserves will enable San Jose to accommodate demands for new housing created by future economic development.

Newer industrial development in San Jose consists of administrative offices, research and development, and light manufacturing uses, replacing many of the heavier manufacturing uses that historically characterized the central city industrial areas. In fact, some of the older, heavy-industrial



development is being rehabilitated and converted to new, high-technology uses. Most of San Jose's industrial development has a low-profile, landscaped industrial park character.

San Jose has excellent access to local transportation and is served by many regional transportation networks. Interstate 280 runs within the central region of the city in an east-west direction and provides access to the San Mateo peninsula and San Francisco to the northwest. Interstate 280 eventually turns into Interstate 680, where it crosses east of Highway 101. At this point it veers northeast toward the East Bay and Tri-Valley areas of Alameda County. Interstate 880 originates in the East Bay and slashes through San Jose where it changes into Highway 17 and continues onward toward the Pacific Ocean and Santa Cruz.

The Bayshore Freeway, Highway 101, traverses the city in a generally north-south direction and also links to the peninsula and San Francisco with San Jose. The Stevens Creek Freeway, Highway 85, runs along the western boundary of the city and links the two major east-west routes. Highway 85 was recently extended from Interstate 280 south to the southern portions of San Jose, Los Gatos, and Saratoga. This extension has dramatically improved access to these desirable residential areas with the northern employment centers in Mountain View. Similarly, Highway 237 runs in an east-west direction through the northern portion of San Jose connecting Mountain View to the west with the City of Milpitas to the east.

The San Jose downtown core has undergone major renovation and revitalization over the last 15 years. Improvements to the freeway system, as well as construction of the new light rail system, have significantly improved access to the downtown core from other areas of the city and county. Other major downtown public projects include the Children's Discovery Museum, the new San Jose Convention Center, as well as the San Jose Arena, home of the San Jose Sharks of the National Hockey League and also the San Jose Barracuda of the American Hockey League, who began to play in San Jose with the 2015-16 season.

Today, San Jose's revitalized Downtown Core has evolved into financial, office, cultural and entertainment centers. Outside the Downtown Core Area, commercial development exists in the form of neighborhood and community commercial centers, strip commercial developments along arterial streets, and regional shopping centers.

### Reid Hillview Airport

The Reid Hillview Airport is one of the most significant land uses in the immediate area. The airport consists of approximately 179 acres and another 19 acres are controlled through easements. It is located about five miles east of San Jose International Airport in an urban area surrounded by residential and commercial uses. The airport has two parallel runways measuring approximately 3,100 feet in length and two parallel taxiways. These runway lengths will only support small aircraft; they do not support corporate jets. Given the surrounding uses, it is unlikely that the runways will be extended to support larger aircraft.

The airport also includes an air traffic control tower and a terminal building, facilities for fixed base operator (FBO) tenants and hangars and tie-down spaces, rented to aircraft owners. The airport does not have a restaurant operator, or other food-service provider. This is uncommon as most other general aviation airports have some sort of food provider on-site. The lack of a food provider

negatively affects the appeal of the airport for transient traffic, as many recreational pilots fly to airports for a meal.

The proximity of the residential uses and the Eastridge Mall to this airport has been of public concern for many years. This resulted in a somewhat tumultuous time over the past three decades. During this time, the County considered closing the airport several times. Several studies were conducted to explore the possibility. The legal options relating to a potential sale or lease of the airport, however, would be extremely complex and lengthy. Likely for this reason, there is no current or anticipated motivation to pursue this course of action.

Reid Hillview Airport is currently home to several hundred aircraft, multiple Fixed Based Operators (FBOs), and a flight school. In addition, there are other general aviation tenants at the airport that lease land directly from the airport. There are no private corporate leaseholders of land at the airport, as the airport does not serve this market segment.

Operations at the airport have increased over the past five years, but still remain lower than the levels experienced 10 years ago. The recent increase is likely due, at least in part, to the overall growth in the economy. Additionally, Reid Hillview may be taking overflow from nearby San Jose International for smaller aircrafts.

### Neighborhood Location and Boundaries

The subject neighborhood is located in the east section of San Jose. The area is urban in nature. The neighborhood is bounded by Highway 680 and Alum Rock Avenue to the north, the city limits of San Jose to the east and south, and Highway 101 to the west.

### Immediate Environs

The subject's immediate environs include a mix of uses, including public, residential, retail and entertainment uses. The Reid-Hillview Airport is a dominate use in the immediate area. The airport is located immediately to the north, south and east of the subject. South of the subject, at the intersection of Capitol Expressway and Tully Road is a vacant commercial land site that is planned for future commercial development. We anticipate a retail development similar to one of the other corner sites at this intersection. To the east, across Capitol Expressway from the subject, is a Mercedes Benz auto dealership and Cunningham Park as well as single family homes.

Access to the area is good. Highways 680 and 101 are located about two miles from the subject via both Capitol Expressway and Tully Road. Capitol Expressway has four lanes of traffic in each direction, plus turn lanes at the intersection with Tully Road and Cunningham Avenue. Both intersections are fully signalized. Average daily traffic on Capitol, in the subject's area, is about 78,000 vehicles on Capitol Expressway. This is an especially high level of traffic providing visibility to the subject site. Overall, the subject has good visibility and is easily accessible to both public and private transportation.

The area around the subject has experienced growth over the past two decades, especially at the Capitol and Tully intersection. The Mercedes dealership and a neighborhood shopping center were built, on the northeast and southeast corners of the intersection, respectively, in the early 2000s. This dealership is reported to be the most successful new Mercedes dealership launch in Mercedes Benz

history. This may be partly attributed to the high traffic in the area. It is also likely attributable to high-income residential developments and population growth in the Silver Creek area, a few miles to the south. The shopping center, tenanted with mostly national, credit tenants, had no vacancies at the time of inspection. This is indicative of the overall area, which appears to have a low vacancy rate of less than 5%. At the southwest corner of the intersection is an infinity auto dealership which was constructed in 2008.

A super-regional shopping center, Eastridge Shopping Center, is located near the southwest corner of Capitol and Tully. Eastridge has been experiencing a steady decline in profitability in recent years, a trend that increased with the recent renovations and expansions of other regional malls in the San Jose Metropolitan Area. The owners of Eastridge Mall have plans to invest \$90 million into updating the property, including demolishing 307,000 square feet of existing space and then building the same amount of space, but including an 80,000-square-foot movie cinema, and an outdoor promenade section which would feature rows of shops in a village style, similar to Santa Clara's new Santana Row shopping center. The mall has been undergoing renovations throughout 2017 and at present time.

Tully Road is the predominant retail corridor in the area. There are no other retail uses traveling north on Capitol Expressway until Story Road, about one mile north of the subject. Most of Capitol Expressway in the area of the subject has no uses with direct access from the roadway. Access from Capitol Expressway is provided from side access roads. This type of indirect access is less desirable for retail users who prefer direct access from the major roadway.

In summary, the subject is located in an area with a variety of uses. The airport and nearby commercial uses are most dominant. Most retail uses are located to the south, along Tully Road. The subject has some visibility from Capitol Expressway, which is a major arterial in the area. It is anticipated that the corner located south of the airport will also eventually be developed with a retail use, providing retail linkage between the retail uses along Tully Road and the subject.

## Demographics

The table on the following page depicts the area demographics in San Jose within a one-, three-, and five-mile radius from the subject. As shown in the following table, the total population and total households within a 1-mile radius are projected to increase at 0.8% between 2017 and 2022, while within a 3- and 5-mile radius, each are projected to increase at 1.0% to 1.1%. Median household income is projected to increase at 2.4%, 2.6% and 2.3% within the 1-, 3-, and 5-mile radius from the subject between 2017 and 2022. These demographics support a variety of commercial uses.

### Neighborhood Demographics

Radius	1 mile	3 miles	5 miles
<b>Population Summary</b>			
2000 Population	31,068	256,962	483,826
2010 Population	29,616	254,965	505,217
2017 Population	31,294	273,577	548,529
2022 Population Estimate	32,503	287,202	578,715
Annual % Change (2017 - 2022)	0.8%	1.0%	1.1%
<b>Housing Unit Summary</b>			
2000 Housing Units	5,969	60,073	130,885
% Owner Occupied	75.9%	63.6%	59.8%
% Renter Occupied	23.6%	35.3%	38.4%
2010 Housing Units	6,128	64,747	148,768
% Owner Occupied	67.0%	56.5%	53.9%
% Renter Occupied	30.4%	40.0%	41.7%
2017 Housing Units	6,327	68,029	158,519
% Owner Occupied	65.8%	55.3%	52.7%
% Renter Occupied	32.3%	41.9%	43.9%
2022 Housing Units	6,571	71,441	167,611
% Owner Occupied	65.6%	54.9%	52.2%
% Renter Occupied	32.3%	42.0%	44.0%
Annual % Change (2017 - 2022)	0.8%	1.0%	1.1%
<b>Income Summary</b>			
2017 Median Household Income	\$68,548	\$68,752	\$76,451
2022 Median Household Income Estimate	\$77,145	\$77,983	\$85,505
Annual % Change	2.4%	2.6%	2.3%
2017 Per Capita Income	\$17,510	\$22,844	\$29,269
2022 Per Capita Income Estimate	\$19,754	\$25,857	\$33,363
Annual % Change	2.4%	2.5%	2.7%

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

### Transportation Routes

Within the immediate area of the subject, transportation access helps define the character of its development. Tully Road and Capitol Expressway are the major travel and commuter routes within the area of the subject, with average daily traffic counts of 30,000 and 78,000 vehicles, respectively. Capitol Expressway carries four lanes of traffic in each direction while Tully Road carries three. Major transportation in the larger area includes Highway 101, Highway 680, and Alum Rock Avenue about two miles from the subject. Access to the area is considered average.

## Neighborhood Land Use

The subject neighborhood is located in an area with primarily commercial land uses along primary arterials such as Capitol Expressway and Tully Road and residential uses along secondary roadways. An approximate breakdown of the development in the area is as follows:

### LAND USES

Use	Percent
Developed	95%
Built up:	95%
Residential:	70%
Retail:	15%
Public/ Quasi-Public:	10%
Industrial:	0%
Vacant:	5%

## Conclusions

The subject is located along Cunningham Avenue on the Reid-Hillview Airport in East San Jose. The area is suburban in nature and is primarily a residential area. San Jose is a desirable city to both live and work. Access to local and regional transportation networks is considered good. The short and long-term prospective of the subject area appears good. Overall, the subject neighborhood is in the stable stage of its life cycle.

## Site Description

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The subject site is a 4.65-acre parcel located on Cunningham Avenue. The subject is portion of the Reid-Hillview Airport consisting of approximately 179 acres with 19 additional acres controlled through easements. The subject is separated from the operations of the Reid-Hillview Airport by a fence that surrounds the subject property. However, from a regulatory perspective the site is part of the County's airport property and is subject to regulations in the Comprehensive Land Use Plan and the Master Plan for the Reid Hillview Airport, which apply to potential development options.

The characteristics of the site are summarized as follows:

### Site Characteristics

Location:	A 4.65-acre parcel located on Cunningham Avenue
Gross Land Area:	4.65 Acres or 202,554 SF
Usable Land %:	100.0%
Shape:	Irregular
Average Depth:	405 feet
Topography:	Generally level
Drainage:	Assumed adequate
Grade:	At street grade
Utilities:	All available to the site

Off-Site Improvements: Swift Avenue and Cunningham Avenue are paved roadways that carry one lane of traffic in each direction. Capitol Expressway is a fully improved roadway with sidewalks, curbs, gutters, streetlights, and landscaping. Capitol Expressway carries four lanes of traffic in each direction, north and south.

Interior or Corner: Corner  
 Signalized Intersection: No: Traffic signal nearby that enhances access to the site

### Street Frontage / Access

Frontage Road	Primary	Secondary
Street Name:	Cunningham Avenue	Swift Avenue
Street Type:	Residential/ Commercial	Industrial
Frontage (Linear Ft.):	500	391

### Flood Zone Data

Flood Map Panel/Number: 06085C0254H  
 Flood Map Date: 05-18-2009

Flood Zone: D  
Zone X: areas outside the 1% annual chance floodplain, areas of 1% annual chance sheet flow flooding where average depths are less than 1 foot, areas of 1% annual chance stream flooding where the contributing drainage area is less than 1 square mile, or areas protected from the 1% annual chance flood by levees. No Base Flood Elevations or depths are shown within this zone. Insurance purchase is not required.

### Other Site Conditions

Soil Type: We have not been provided a geotechnical report for the subject property. Based on our physical inspection, soil conditions appear stable.

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 was not provided to the appraiser for review. We assume that there are no easements or encumbrances that would materially affect the value of the subject, either positively or negatively.

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: Public/Quasi-Public (Reid-Hillview Airport)/ Retail  
South: Public/Quasi-Public (Reid-Hillview Airport)  
East: Commercial (Raging Waters San Jose and Cunningham Lake)  
West: Public/Quasi-Public (Reid-Hillview Airport)

### Site Ratings

Access: Average to Good  
Visibility: Average to Good

## Zoning Designation

Zoning Jurisdiction:	City of San Jose
Existing Zoning Classification:	IP, Industrial Park
Proposed Zoning Classification:	CG, Commercial General
Existing General Plan Designation:	Public/ Quasi Public
Proposed General Plan Designation:	Neighborhood/ Community Commercial (NCC)
Permitted Uses:	A variety of commercial uses (hypothetical condition)

## Zoning Comments:

As previously noted, the subject site represents an out-parcel of the Reid Hillview Airport. The subject property is under the jurisdiction of the City of San Jose and is zoned Industrial Park. The General Plan land use designation is Public/ Quasi-Public.

On February 14, 2014, the property owner, County of Santa Clara, filed an application for the rezoning of a portion of the Reid Hillview Airport from IP to CG Commercial General Zoning District. More specifically, the owners are interested in re-zoning the site to a district that conforms with the General Plan designation of Neighborhood/ Community Commercial, to facilitate future development of an excess 13.5 acre portion of the larger property, that also includes the subject of this appraisal.

We understand that any changes to the City of San Jose's General Plan, Specific Plans, zoning codes and building regulations that may affect land use within the Reid-Hillview Airport Influence Area (AIA) must be reviewed by the Airport Land Use Commission (ALUC) for consistency with its adopted Comprehensive Land Use Plan (CLUP). All areas within an AIA are potentially subject to aircraft overflights, noise, height and safety considerations. It is our understanding that the proposal to change the subject's zoning was reviewed and was found consistent with the adopted CLUP for the Reid-Hillview Airport.

Below we provide a description of the existing zoning and land use designation as well as the proposed zoning and land use designation.

### Existing Zoning and General Plan

The Industrial Park zoning designation is intended for a wide variety of industrial users such as research and development, manufacturing, assembly, testing, and offices. In addition, warehouse retail uses are allowed, where they are compatible with adjacent industrial uses and will not constrain future use of the subject site for industrial purposes. When located within an area with a combined industrial/ commercial general plan designation, a broader range of uses, both free-standing and in combination with others, will be considered, including uses such as retail, church/religious assembly, social and community centers, recreational uses, or similar uses but only when the non-industrial use does not result in the imposition of additional constraints on neighboring industrial users in the exclusively industrial areas.

The Public/ Quasi-Public land use category is used to designate public land uses, including schools, colleges, corporation yards, homeless shelters, libraries, fire stations, water treatment facilities, convention centers and auditoriums, museums, governmental offices and airports. Joint



development projects which include public and private participation - such as a jointly administered public/private research institute or an integrated convention center/hotel/ restaurant complex - are allowed. The appropriate intensity of development can vary considerably depending on potential impacts on surrounding uses and the particular Public/ Quasi-Public use developed on the site.

#### Proposed Zoning

The Commercial General zoning district is intended to serve the needs of the general population. This district allows for a full range of retail and commercial uses with a local or regional market. Development is expected to be auto-accommodating and includes larger commercial centers as well as regional malls.

Allowed uses include retail sales, child day care centers, medical offices, veterinary clinics, hotels or motels, laundromat, personal services, general business offices, financial institutions, and other conforming uses.

The minimum lot area is one acre. The minimum front setback is 15 feet and side setback at a corner is 12.5 feet. The maximum building height is 65 feet.

#### Proposed General Plan

The Neighborhood/ Community Commercial land use designation supports a very broad range of commercial activity, including commercial uses that serve the communities in neighboring areas, such as neighborhood serving retail and services and commercial/professional office development. Neighborhood/ Community Commercial uses typically have a strong connection to and provide services and amenities for the nearby community and should be designed to promote that connection with an appropriate urban form that supports walking, transit use and public interaction. General office uses, hospitals and private community gathering facilities are also allowed in this designation. The maximum FAR is 3.5 (1 to 5 stories).

Per our client's request, we have assumed zoning change approval to Commercial General (CG) and a General Plan amendment to Neighborhood/ Community Commercial (See Hypothetical Condition). Given the subject's gateway location to the airport, the subject represents a good site for commercial development. The commercial uses considered most compatible with the airport include lodging, dining and supporting retail uses. Reportedly, airport users have also expressed interest in these uses, as very little of these uses are currently located on or adjacent to the airport currently.

#### Analysis/Comments on Site

The subject consists of a vacant corner parcel of land located on Cunningham and Swift Avenues, adjacent to the intersection with Capitol Expressway. The site is irregular in shape and has 500 feet of frontage along Cunningham Avenue and 391 feet of frontage along Swift Avenue. Swift Avenue runs parallel to Capitol Expressway and is separated from that roadway by a 10-foot landscape strip that has not been maintained and is now mostly either vacant dirt or overgrown with weeds. We assume the site is environmentally clean and that the soils could support development. The site is vacant besides minimal landscaping and baseball diamonds.

The underlying site contains 202,554 gross square feet or 4.65 gross acres. The property zoning is Industrial Park and the General Plan land use designation is Public/ Quasi-Public; however, per our

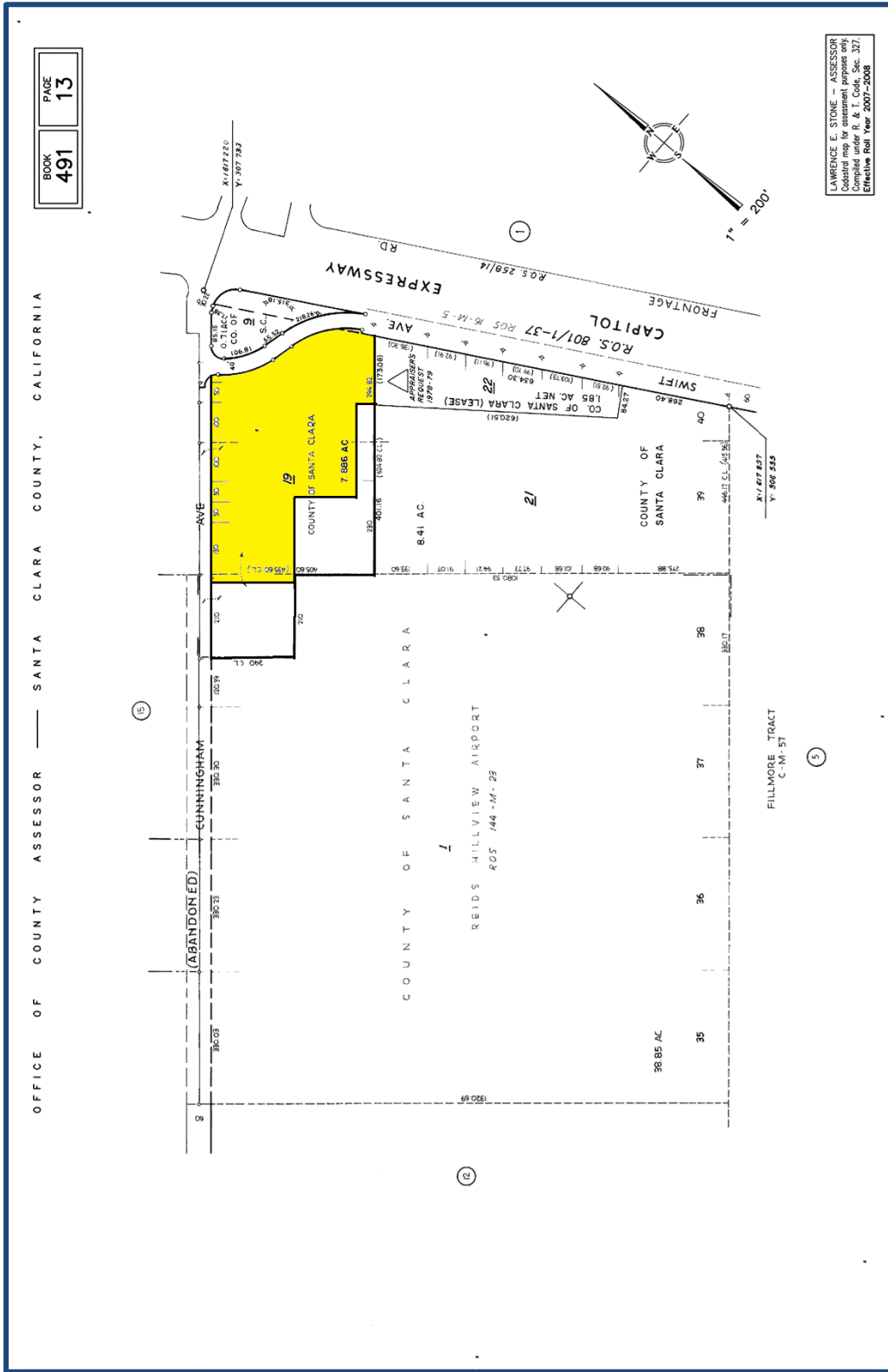
client's request, we have assumed zoning change approval to Commercial General and a General Plan amendment to Neighborhood/ Community Commercial (See Hypothetical Condition).

The site is currently improved with three baseball fields. These represent minor site improvements that do not contribute to the value of the property.

It is our understanding that the site is not located within the flight pattern of the Reid Hillview Airport. For this report, therefore, we assume that the subject's use or development would not be negatively impacted as a result of the airport's adjacent location.

Overall, the subject site conforms to the area and is well suited for a variety of commercial uses, including a retail use.

**TAX/PLAT MAP (APPROXIMATION OF PARCEL LINES)**



## Subject Photos

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Front View of Subject Property



Front View of Subject Property

# 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.

## Assessed Values and Property Taxes

The subject is owned by the County of Santa Clara and is not currently taxed. If the property were leased by a private party, the property would be re-assessed at full market value and the possessory interest would be taxed at rates similar to other properties in the area.

## 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 area is 1.293160%.

## Direct Assessments

Direct assessments are tax levies that are not dependent upon the assessed value of the property. They are levied regardless of assessment. According to the Santa Clara County Tax Collector's Office, the direct assessments for the subject area are as follows: Evergreen Elementary assessment, Santa Clara Valley Water District flood and safe clean water assessments, San Jose sewer sanitation and storm assessment, San Jose library assessment, Santa Clara County mosquito-vector control assessments, San Francisco Bay Restoration Authority assessment, and Santa Clara Valley Open Space Authority assessments.

## 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 percent 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.

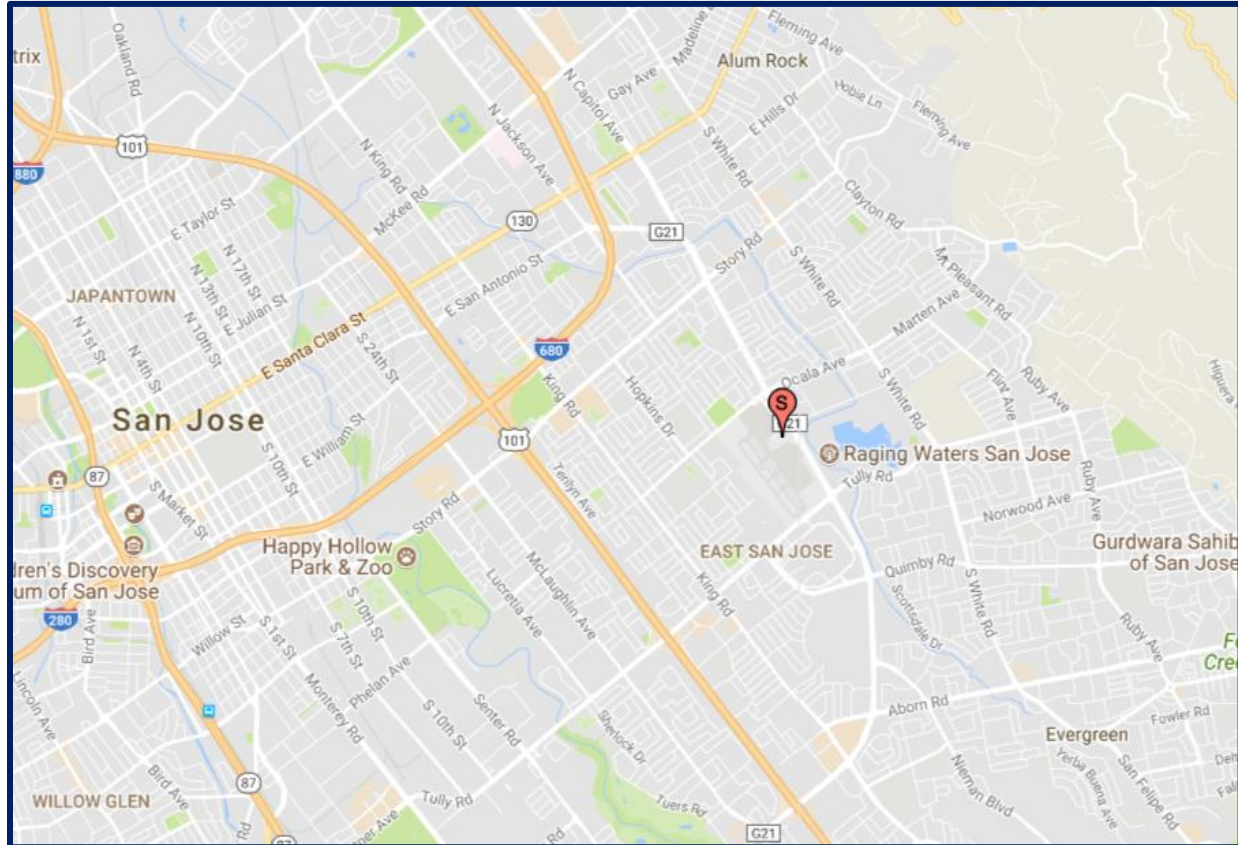
Proposition 8, which passed in 1979, states that the Assessor shall lower tax roll values to fair market value whenever the assessed value exceeds fair market value. It mandates that the lower of fair market value or factored base value be placed on the assessment roll. When fair market values are enrolled, 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 property is not currently taxed because it is under government ownership. If the property is leased to a private party, it will be re-assessed at full market value and the possessory interest would be taxed at rates similar to other properties in the area.

# Market Analysis

## MARKET AREA MAP



In this appraisal, the subject property represents vacant commercial land. A discussion of the Santa Clara County Retail market as well as of the commercial land market is warranted.

### Santa Clara County Retail Market

Santa Clara County is one of the strongest job markets in the United States. The unemployment rate as of the end of the fourth quarter 2017 stood at a mere 2.6%, with an all-time high of one million employed. The County has added nearly 208,000 new jobs across many sectors since bottoming out in mid-2009. Putting this in perspective, Santa Clara County has created more new jobs since 2010 than the combined population of the cities of Sunnyvale and Cupertino.

According to Costar statistics, the retail market experienced positive net absorption of 433,597 square feet in the fourth quarter of 2017. The South Bay/ San Jose metro retail vacancy rate decreased slightly in the fourth quarter of 2017 to 4.2%. At the end of the fourth quarter 2017, there was a total of 3,347,267 square feet of vacant retail space in the South Bay/ San Jose metro.

Average quoted asking rental rates in the South Bay/ San Jose metro are down over previous quarter levels, and up from their levels four quarters ago. Quoted rents ended the fourth quarter of 2017 at \$2.68 per square foot per month, NNN, \$0.01 below the \$2.69 per square foot reported in the third

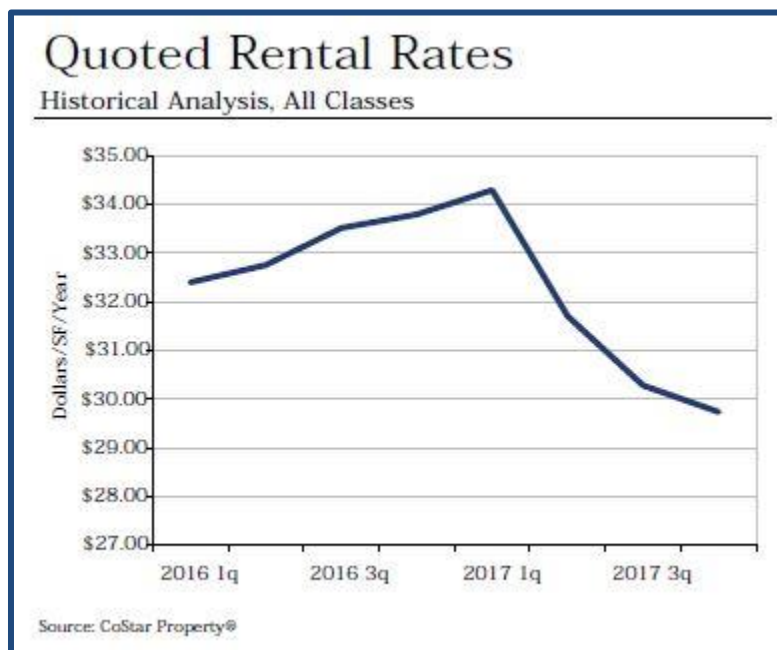
quarter of 2017. We anticipate that deal activity will continue to rise and rental rates will continue to grow for quality space.

### South San Jose Submarket

We next turn our attention to the subject's submarket area and competition. Demand for retail space in the subject's market area is considered good. The South San Jose submarket had a total inventory of 27,727,053 square feet at the end of the fourth quarter 2017, with a total of 271,619 square feet under construction. Vacancy in the South San Jose submarket is low, which we estimate to be less than 5%.

The average asking rate for retail space in the submarket for the quarter was \$2.48 per square foot per month, NNN, a decrease of 14% over the previous year. This compares to the Silicon Valley average of \$2.68 per square foot, NNN, which saw a 5.39% increase during this period. The submarket is performing below the overall Silicon Valley market in which it competes. Still, there is good retail activity in the subject's immediate area, especially along the areas main thoroughfares including Tully Road.

The chart below shows the decline in quoted rental rates in the South San Jose submarket since the first quarter of 2017. As can be seen, the asking rental rate had been slowly increasing between the first quarter 2016 to the first quarter 2017. From the first quarter 2017 to fourth quarter 2017, a decreasing trend in rental rates is shown.

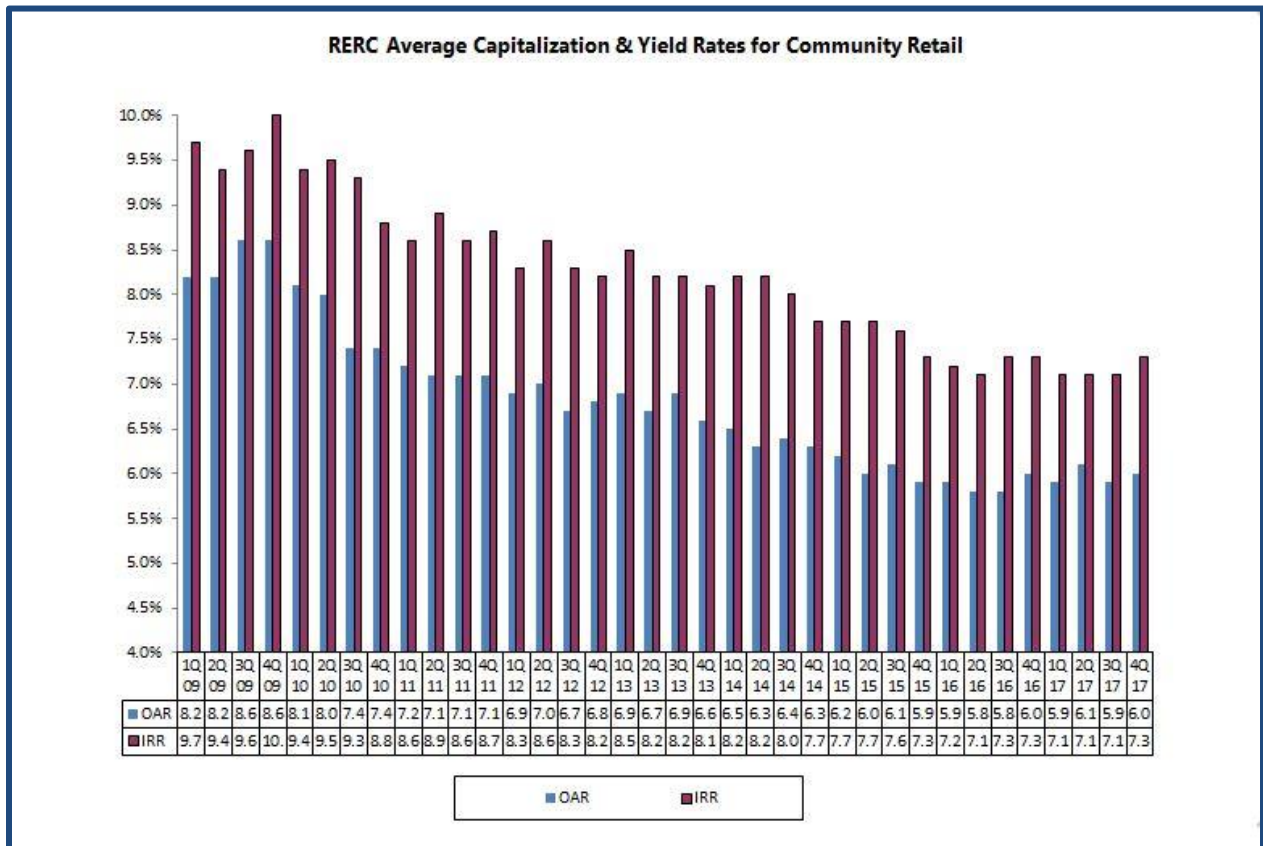


Based on our analysis, retail buildings in the subject's market area sell for \$300 to \$600+ per square foot, depending on income, size, location, quality, and other factors. Capitalization rates for these types of investments range from 4.5% to 6%. South San Jose generally under performs more desirable Silicon Valley locations such as Cupertino and Sunnyvale, and demand for space in South San Jose is considered average in comparison to the overall South Bay metro given the city's good access to regional transportation and central location.



### Capitalization & Yield Rate Trends

We have also considered the historical average capitalization and yield rates for retail strip centers over the past several years, as reported by the RERC. The historical rates are illustrated in the table below.



Rates were low in 2007, consistent with the peak of the commercial real estate market. At that time, the average cap rate was as low as 6.5%. Rates gradually increased in 2008 and 2009 and ultimately peaked in the Fourth Quarter of 2009 with an average cap rate of 8.6%. Throughout 2010, 2011, 2012 and 2013, rates have decreased and fluctuated between 6.6% and 8.1%. The average capitalization rate for fourth quarter of 2017 was 6.0%. The table below shows the national range for the overall community retail cap rate in the third quarter 2017.

### RERC Published Rates for Community Retail - 4th Quarter 2017

	Current		Year Ago	
	Range	Average	Range	Average
Discount Rate (IRR)	6.5% - 8.0%	7.3%	5.5% - 9.5%	7.3%
<b>Overall Cap Rate (OAR)</b>	<b>5.5% - 7.0%</b>	<b>6.0%</b>	<b>5.0% - 7.3%</b>	<b>6.0%</b>
Terminal Cap Rate	6.0% - 7.5%	6.5%	5.5% - 8.0%	6.6%
Rental Growth	2.0% - 3.0%	2.8%	2.0% - 6.0%	2.8%
Expense Growth	2.0% - 3.0%	2.6%	2.0% - 3.0%	2.8%

## Commercial Land Overview

The commercial land market in the subject area is characterized by good demand and an undersupply of available properties for development. Most sites that sell are typically previously developed sites with functionally obsolete improvements. For many development sites, the improvements have either run out of economic life and/or represent a low FAR. Buyers in the marketplace consist of owner-users looking for sites to accommodate their business, as well as developers looking to build speculative projects.

Land values have increased over the past several years, as demand has increased for new space, and as rental rates have climbed upwards. This mirrors improvements in the overall economy. Values for sites like the subject reflect a wide range of value, depending in large part on the development costs and challenges to be faced by the developer. The feasibility of a project is evaluated based on the total development costs. Overall, the cost to develop a site significantly impacts the land value.

Based on our research of land values in the subject's area, we estimate that land values have increased about 30% since 2013. This is consistent with the increase in rental rates during this time. Commercial land values typically range from \$40-\$200+ per square foot of land area, depending on location, FAR, construction costs and land use entitlements, among other factors. Value is also frequently quoted on a price per square foot of allowable building area or FAR foot.

At the high end of this range is commercial land in prime location and high traffic areas, as well as for sites where high FARs are likely. The subject is expected to compete at the low end of the range.

## Conclusion

The retail market is currently strong in Santa Clara County. Investor and owner-user demand for commercial space in the Bay Area is considered good. Likely, we will continue to see positive trends for the Santa Clara County commercial market. Rents and occupancy will likely remain strong and grow, however, at a slower rate than in the past few years, while sale volume remains high and cap rates remain low.

Santa Clara County finds itself among the strongest markets in the United States given that employment in the region has increased substantially since the beginning of the current cycle. Thus, office properties will remain a preferred investment over other property types given the location and proximity to Silicon Valley.

We believe the outlook for commercial property, especially well located product has historically been and is still, positive. Overall, the subject is a large commercial site with good visibility through a highly trafficked arterial. The site is suited for destination retail or service commercial / semi-industrial use. Given the paucity of other similar sites that are available we opine that the subject would be well received if placed on the market for sale at market value.

## 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

In this appraisal, the subject site is proposed to be rezoned to Commercial General (CG) 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 adjacent airport use has the greatest impact on the potential uses for the subject. The airport considers the subject site a commercial site given its gateway location to the airport. We consider a commercial use as the most probable legally permissible use. Allowed uses include retail sales, child day care centers, medical offices, veterinary clinics, hotels or motels, laundromats, personal services, general business offices, financial institutions, and other conforming uses.

The location of the subject property is appropriate for the uses allowed by the proposed zoning and General Plan, and a change in zoning is likely to be approved. 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.

The subject has good exposure from Capitol Expressway. Exposure is highly desirable for a variety of retail users. The site's location, however, lacks any direct linkage with other retail uses. This could change in the future, however, as additional excess land sites located to the south of the subject are also being considered by the airport for future commercial development. It is our understanding that the availability of those sites would coincide with the availability of the subject site. Development of those sites would link the subject with other retail and commercial uses along Capitol Expressway.

The size and configuration of the site could accommodate a variety of uses. The size of the subject would likely be too large for a single retail use, such as a hotel/motel use, or a single restaurant. The site could accommodate a variety of supporting uses on a single site, or could be subdivided into smaller sites.

### Financially Feasible

After determining the uses that are physically possible and legally permissible, an appraiser considers the uses that are likely to produce an adequate return on investment based on a cost/benefit analysis or through direct market observation. Further, it is the appraiser's opinion the use of the subject site should generally conform to surrounding uses, which primarily consist of industrial as well as commercial uses.

The land uses consistent with the subjects' physical and legal requirements is redevelopment, most likely with retail or office use, similar to that which already exist in the surrounding area.

The San Jose commercial market is strong at present, but mostly for prime commercial sites. The subject represents a secondary site for commercial development in the area. Nonetheless, development with a commercial use, for owner-use, as well as certain types of speculative development, are financially feasible at present.

### 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 commercial development, such as a future mixed-use development, including a hotel/motel, restaurants, supporting retail and other service commercial uses.

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

The conclusion of the highest and best use as if vacant is for commercial development.

### Most Probable Buyer

As of the date of value, the most probable buyer of the subject property is a commercial developer.

## Appraisal Methodology

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There are two alternative ways to develop an opinion of Fair Market Rent for the subject site: 1) the rental comparables approach, and, 2) by estimating the fee simple value of the subject land, at its highest and best use, and then applying an appropriate rate of return.

Ground rent is often estimated as a percentage of the underlying fee simple land value. So, as a method of estimating ground rent for the subject site, we must first value the fee interest in the land. A rate of return is then selected and applied to arrive at an annualized ground rent indication for the subject land.

Fee simple land value is estimated by comparing the subject property with similar unimproved parcels of land, which were available for similar types of development at the time of sale as the subject, mostly low intensity commercial development. This type of development represents the subject's highest and best use as discussed earlier.

To estimate the fair market rent of the subject land, we have focused on the approach discussed above. We have also cross-checked our conclusion of market rent through recent leases of commercial sites, sites that had similar development potential and use, as well as similar physical and functional features as the subject property.

# Land Valuation

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## Methodology

Site value is most often estimated using the sales comparison approach. This 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 the 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 unit of comparison depends on land use economics and how buyers and sellers use the property. The unit of comparison in this analysis is price per square foot of land area.

## 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

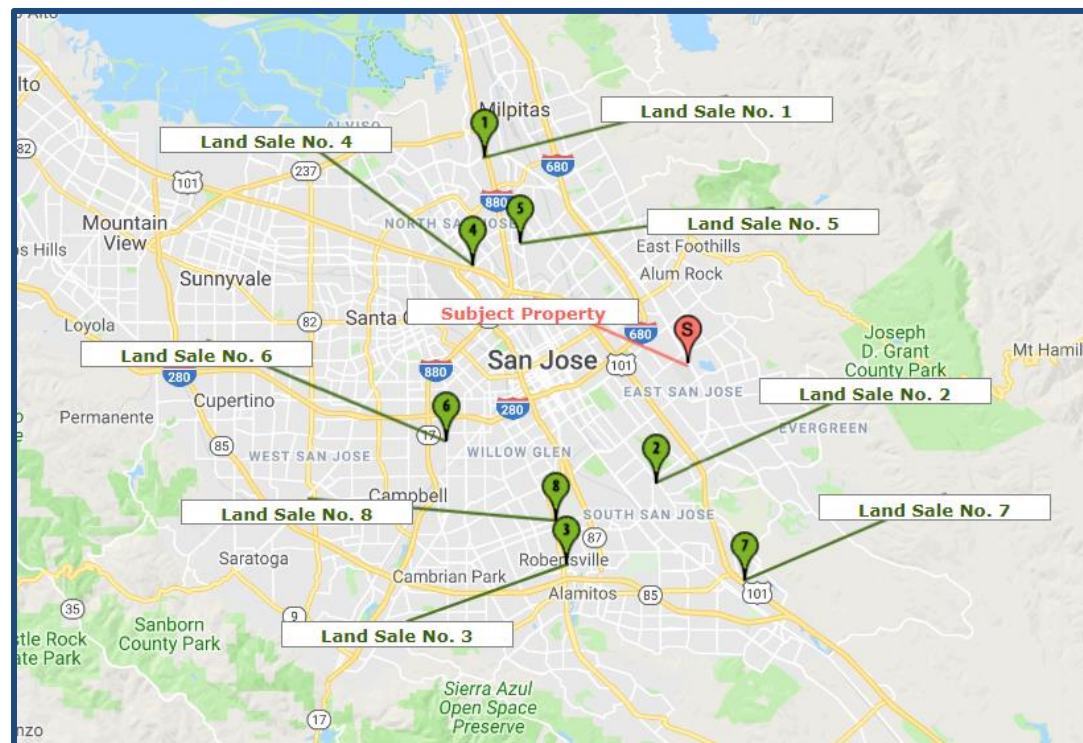
To obtain and verify comparable sales of vacant land properties, we conducted a search of public records, field surveys, interviews with knowledgeable real estate professionals in the area, and a review of our internal database.

We included eight 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. While these comparables were selected from the broader market area, they were similar in use, development potential and physical characteristics. 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.

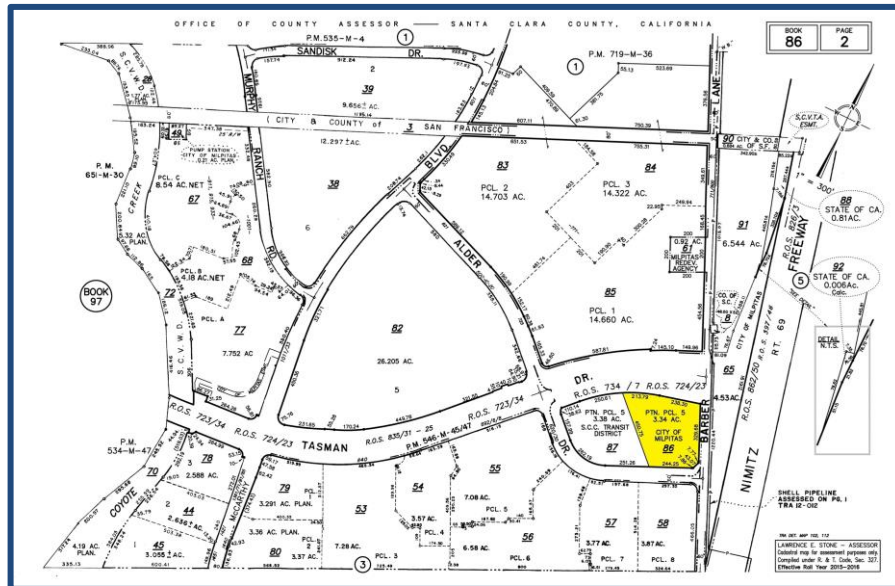
**Land Sales Summary**

Comp. No.	Date of Sale	Usable Acres	Location	Zoning	Proposed Use	Sales Price Actual	Per Sq. Ft.
1	October-16	3.340	Northwest corner of Alder Drive and Barber Lane Milpitas, California	MP with RE Overlay	Hotel	\$7,000,000	\$48.11
2	September-15	1.620	3167-3195 Senter Rd San Jose, California	A	School	\$2,700,000	\$38.26
3	September-15	2.866	4606 Almaden Expressway San Jose, California	CN	Redevelopment	\$7,500,000	\$48.46
4	May-14	5.970	2103 North First Street San Jose, California	TEC	Hotel	\$12,200,000	\$46.91
5	November-14	13.903	1040 East Brokaw Road and 1633 Oakland Road San Jose, California	A(PD)	Retail	\$23,000,000	\$37.98
6	May-17	1.330	1015 South Bascom Avenue San Jose, California	CN	Mixed Use	\$4,290,000	\$74.05
7	December-15	5.860	5855 Silver Creek Valley Place San Jose, California	A(PD)	Development of a VA Clinic	\$11,896,000	\$46.60
8	July-15	0.917	1110 Foxworthy Avenue San Jose, California	CN	Retail	\$2,100,000	\$52.56

**COMPARABLE SALES MAP**



## COMPARABLE SALE 1



### Property Identification

<b>Property/Sale ID</b>	112741/430708
<b>Property Type</b>	Mixed Use Land
<b>Address</b>	Northwest corner of Alder Drive and Barber Lane
<b>City, State Zip</b>	Milpitas, California 95035
<b>County</b>	Santa Clara
<b>Latitude/Longitude</b>	37.414222/-121.914280
<b>Tax ID</b>	086-02-086

### Transaction Data

<b>Sale Date</b>	October 2016	<b>Buyer</b>	Hospitality Group
<b>Sale Status</b>	Recorded	<b>Recording Number</b>	23466618
<b>Grantor</b>	Milpitas City Hall	<b>Sale Price</b>	\$7,000,000
<b>Grantee</b>	Lodging Dynamics		

### Property Description

<b>Gross SF</b>	145,490	<b>Zoning Jurisdiction</b>	City of Milpitas
<b>No. of Units</b>	195	<b>Zoning Code</b>	MP with RE Overlay
<b>Density (Units/Ac)</b>	58.38	<b>Zoning Description</b>	Industrial with a Recreation and Entertainment Overlay District
<b>Corner/Interior</b>	Corner		
<b>Shape</b>	Irregular		
<b>Use Designation</b>	Industrial Park		

### Indicators

<b>\$/Gross SF</b>	\$48.11	<b>\$/Unit</b>	\$35,897
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## Remarks

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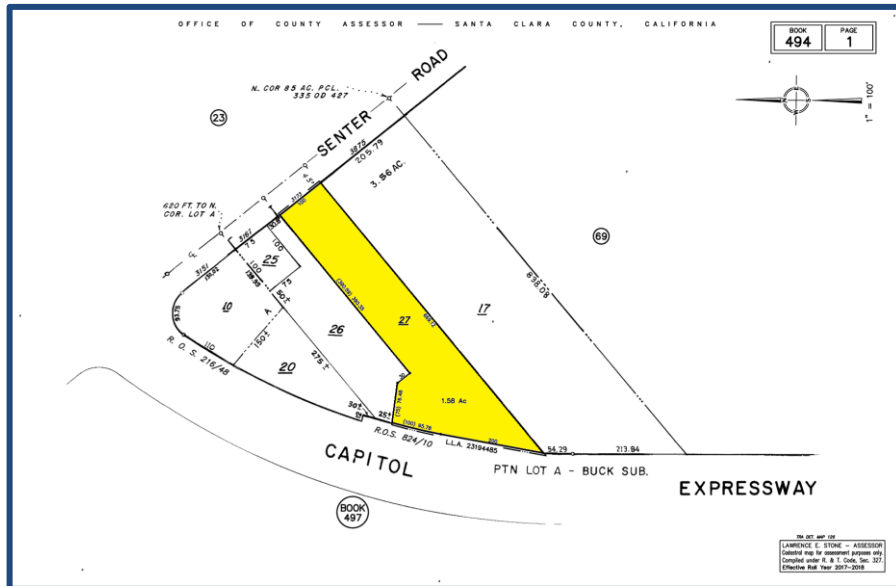
This property consists of a single parcel located in a primarily industrial and R&D area of Milpitas. The site is situated adjacent to Tasman Drive, and although it does not have access from Tasman Drive it does have very good visibility. In addition, the property is visible from Highway 880. While an industrial and R&D use is in conformity with the area, the visibility would also be considered by a potential buyer.

Due to the location near businesses as well as Levis Stadium and the visibility, the development of a hotel in this neighborhood and location appears to be a use other than industrial/ R&D and is supported by the neighborhood. A portion of the site is not level, located at the Tasman Drive frontage. This area cannot be built upon; however, it is a small area and would be used for landscaping. Otherwise, the site is level, has a corner lot configuration and is essentially fully developable.

The underlying site contains 145,490 gross square feet or 3.34 gross acres. The property is zoned Industrial with a Recreation and Entertainment Overlay and the General Plan land use designation is Industrial Park.

Lodging Dynamics Hospitality Group purchased this property in October 2016 from Milpitas City Hall. The recorded sales price was \$7,000,000 or \$48.11 per square foot of land. The buyer is a hospitality group that manages hotels around the country. The buyer intends to develop a hotel onsite. Currently there are pending plans for a 5-story, 195-unit All-Suites Hotel. The price of a hotel key is approximately \$46,667.

## COMPARABLE SALE 2



### Property Identification

<b>Property/Sale ID</b>	49226/435163
<b>Property Type</b>	Land Other
<b>Address</b>	3167-3195 Senter Road
<b>City, State Zip</b>	San Jose, California 95111
<b>County</b>	Santa Clara
<b>Latitude/Longitude</b>	37.291956/-121.833195
<b>Tax ID</b>	494-01-022, 024

### Transaction Data

<b>Sale Date</b>	September 2015	<b>Grantee</b>	Launchpad Development Company
<b>Sale Status</b>	Recorded	<b>Recording Number</b>	23094023
<b>Grantor</b>	Cry Out Christian Fellowship	<b>Sale Price</b>	\$2,700,000

### Property Description

<b>Gross SF</b>	70,566	<b>Use Designation</b>	Public/Quasi-Public
<b>No. of Units</b>	0	<b>Zoning Jurisdiction</b>	City of San Jose
<b>Proposed Bldg SF</b>	9,260	<b>Zoning Code</b>	PQP
<b>Corner/Interior Shape</b>	Interior Irregular	<b>Zoning Description</b>	Public/Quasi-Public

### Indicators

<b>\$/Gross SF</b>	\$38.26	<b>\$/SF of Bldg Area</b>	\$291.58
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**Remarks**

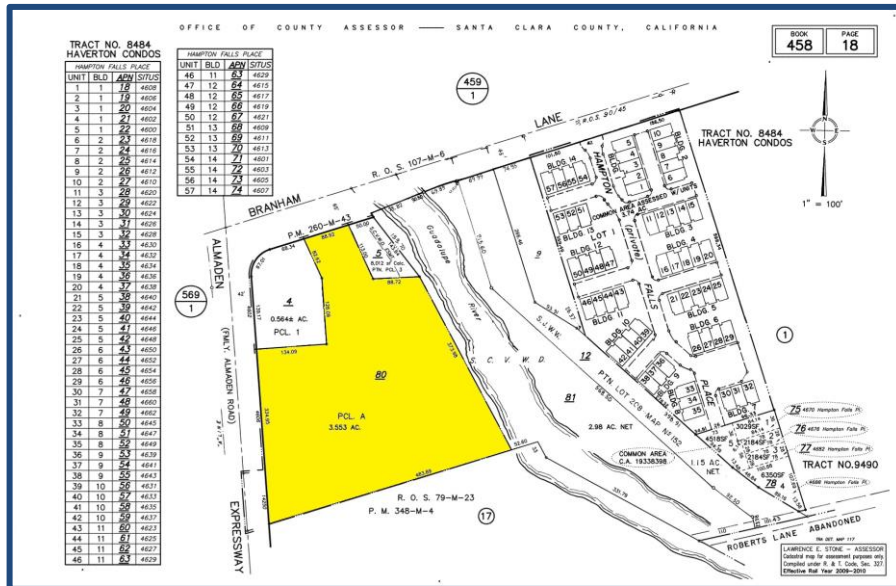
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This property consists of two adjacent parcels of land improved with a 3,640-square-foot religious facility in San Jose. The sites have irregular and elongated rectangular shapes and interior parcel configurations. There is approximately 300 feet of frontage along Capitol Expressway, 100 feet of frontage along Senter Road, and a maximum depth of 669 feet. Access is provided via Senter Road. It is unknown if the sites have access via Capitol Expressway.

The underlying site contains 1.62 acres or 70,566 gross square feet. The zoning and General Plan land use designation is Public/Quasi-Public.

Launchpad Development Company purchased this property from the Cry Out Christian Fellowship in September 2015. The land was purchased by an owner-user for school development. The improvements were in fair condition; however, the value was in the land. There were no entitlements at the time of sale.

### COMPARABLE SALE 3



#### Property Identification

<b>Property/Sale ID</b>	78403/428136
<b>Property Type</b>	Commercial
<b>Property Name</b>	Summer Winds Nursery
<b>Address</b>	4606 Almaden Expressway
<b>City, State Zip</b>	San Jose, California 95118
<b>County</b>	Santa Clara
<b>Latitude/Longitude</b>	37.261566/-121.874894
<b>Tax ID</b>	458-18-080

#### Transaction Data

<b>Sale Date</b>	September 2015	<b>Grantee</b>	Rubicon Point Partners LLC
<b>Sale Status</b>	Recorded	<b>Recording Number</b>	23093781
<b>Grantor</b>	Uccelli George Jr (TE) and Elisa Varni Noona (TE)	<b>Sale Price</b>	\$7,500,000

#### Property Description

<b>Gross SF</b>	154,769	<b>Use Designation</b>	Neighborhood/Community
<b>No. of Units</b>	200		Commercial
<b>Density (Units/Ac)</b>	0.28	<b>Zoning Jurisdiction</b>	San Jose
<b>Proposed Bldg SF</b>	5,050	<b>Zoning Code</b>	CN
<b>Corner/Interior</b>	Through Lot	<b>Zoning Description</b>	Commercial Neighborhood
<b>Shape</b>	Irregular		

#### Indicators

<b>\$/Gross SF</b>	\$48.46	<b>\$/SF of Bldg Area</b>	\$1,485.15
<b>\$/Unit</b>	\$37,500		

## Remarks

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This property consists of a single parcel improved with a metal nursery building located on the eastern side of Almaden Expressway just south of the intersection with Branham Lane in San Jose. The site has a through-lot configuration with approximately 335 feet of frontage along Almaden Expressway and 85 feet of frontage along Branham Lane. The Guadalupe River abuts the eastern side of the parcel.

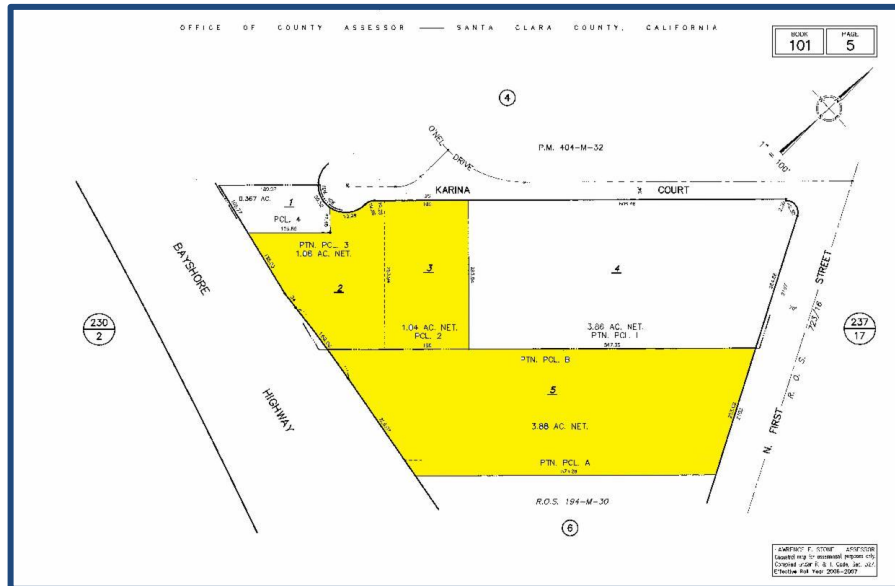
The underlying site contains 154,769 gross square feet or 3.55 gross acres. As a result of the riparian setbacks from the Guadalupe River, the estimated net developable area is 124,849 square feet or 2.87 acres. The improvements contain 5,050 square feet and were constructed circa 2012. The property is zone Commercial Neighborhood, which allows redevelopment with retail, offices, or hotels. The General Plan land use designation is Neighborhood Community Commercial which in conformance with zoning.

Subsequent to this sale, the buyer entitled the property for residential development. More specifically the entitlements were for a 150,000-square-foot, 200-unit assisted living facility. The buyer in this transaction sold the property as entitled to the Alliance Residential company for \$12,750,000 or \$90 per gross square foot. Approvals were received through a Conditional Use Permit.

Rubicon Point Partners LLC purchased this property in September 2015 from Uccelli George Jr (TE) and Elisa Varni Noona (TE). The sale price was \$7,500,000 or \$48.46 per gross square feet of site area. The buyer is an investor who will hold the property for future redevelopment of the site.

SummerWinds Garden Center was leasing and occupying the property at the time of sale with 6 months remaining on the lease-term and a 10-year option coming up for renewal. The new lease includes a mutual option to terminate the lease two years after the lease commencement date. The starting rental rate is reported at \$30,000 or \$0.19 per square foot NNN flat for three years. After that a 3% annual increase is reported.

### COMPARABLE SALE 4



#### Property Identification

<b>Property/Sale ID</b>	109720/423983
<b>Property Type</b>	Hotel, Motel
<b>Property Name</b>	Proposed Hyatt Hotel Site
<b>Address</b>	2103 North First Street
<b>City, State Zip</b>	San Jose, California 95131
<b>County</b>	Santa Clara
<b>Latitude/Longitude</b>	37.374056/-121.919381
<b>Tax ID</b>	101-05-002, 003 & 005

#### Transaction Data

<b>Sale Date</b>	May 2014	<b>Grantee</b>	HPHH San Jose (Hyatt)
<b>Sale Status</b>	Recorded	<b>Recording Number</b>	22609591
<b>Grantor</b>	MP Properties Associates, LLC	<b>Sale Price</b>	\$12,200,000

#### Property Description

<b>Gross SF</b>	260,053	<b>Use Designation</b>	Transit Employment Center (TEC)
<b>No. of Units</b>	330	<b>Zoning Jurisdiction</b>	City of San Jose
<b>Density (Units/Ac)</b>	55.28	<b>Zoning Code</b>	TEC
<b>Corner/Interior</b>	Through Lot	<b>Zoning Description</b>	Transit Employment Center
<b>Shape</b>	L-Shaped		

#### Indicators

<b>\$/Gross SF</b>	\$46.91	<b>\$/Unit</b>	\$36,970
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## Remarks

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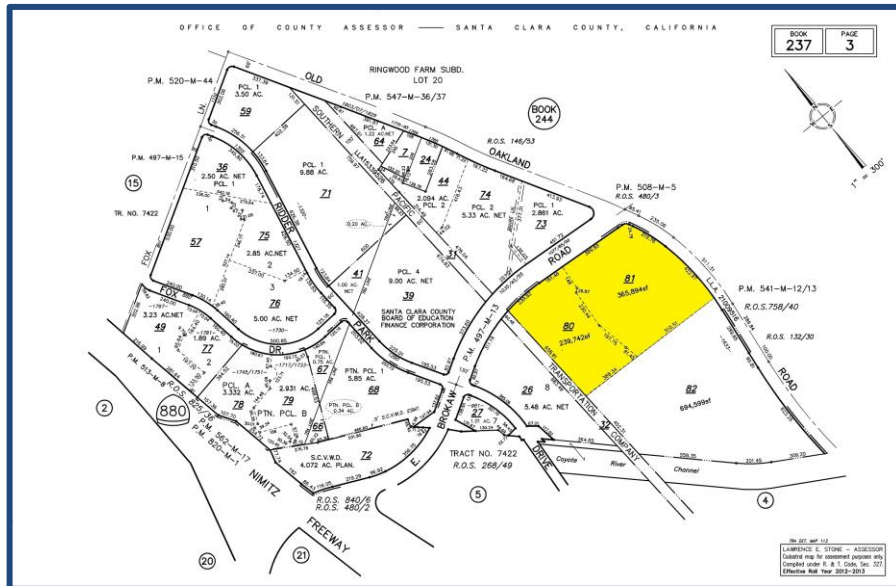
This property consists of three contiguous parcels improved with a former automobile rental lot located in San Jose. The site has an L-shape and a through-lot configuration between North First Street and Karina Court. The site has approximately 250 feet of frontage along North First Street and 285 feet of frontage along Karina Court. According to 2014 MPSI estimates, vehicle traffic counts per day near the property were 37,340 along North first Street.

The underlying site measures 260,053 square feet or 5.97 acres and is accessible from North First Street and Karina Court. The site is located in proximity to Peery Arrillaga's proposed two-million-square-foot office project. The property is zoned Light Industrial (LI) and the General Plan land use designation is Transit Employment Center (TEC).

Hyatt purchased this property in May 2014 from MP Properties Associates, LLC. The sale price was \$12,200,000 or \$46.91 per square foot of land. The buyer plans to construct two hotels, with 330 guest rooms combined.

The contract date was May 2013, and the property sold contingent on, and with, entitlements. Hyatt obtained the entitlements for their proposed hotel project. The property closed escrow in May 2014. There is to be surface parking only.

### COMPARABLE SALE 5



#### Property Identification

<b>Property/Sale ID</b>	116694/428065
<b>Property Type</b>	Retail
<b>Property Name</b>	Brokaw Plaza
<b>Address</b>	1040 East Brokaw Road and 1633 Oakland Road
<b>City, State Zip</b>	San Jose, California 95131
<b>County</b>	Santa Clara
<b>Latitude/Longitude</b>	37.382037/-121.896748
<b>Tax ID</b>	237-03-080 and 237-03-081

#### Transaction Data

<b>Sale Date</b>	November 2014	<b>Grantee</b>	Brokaw Ventures II, LLC
<b>Sale Status</b>	Recorded	<b>Recording Number</b>	22768803
<b>Grantor</b>	Markovits & Fox, Inc.	<b>Sale Price</b>	\$23,000,000

#### Property Description

<b>Gross SF</b>	605,636	<b>Zoning Jurisdiction</b>	(MUC)
<b>Proposed Bldg SF</b>	145,000	<b>Zoning Code</b>	A(PD)
<b>Corner/Interior</b>	Corner	<b>Zoning Description</b>	Planned Development
<b>Shape</b>	Rectangular		
<b>Use Designation</b>	Mixed Use Commercial		

#### Indicators

<b>\$/Gross SF</b>	\$37.98	<b>\$/SF of Bldg Area</b>	\$158.62
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## Remarks

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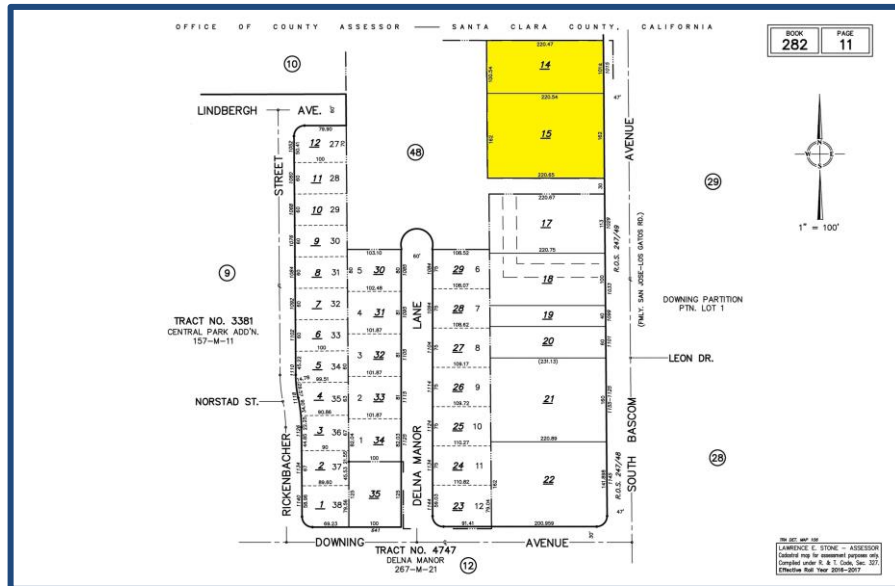
This property consists of two contiguous parcels improved with two older two story R&D buildings located along the south side of East Brokaw Road in San Jose. The site has a rectangular shape and a corner lot configuration at the signalized intersection of East Brokaw Road and Oakland Road. The site has approximately 850 feet of frontage along East Brokaw Road (with two curb cuts) and 650 feet of frontage along Oakland Road (with one curb cut). The property abuts railroad tracks to the west.

The underlying site contains 605,636 gross square feet or 13.9 gross acres. The improvements contain approximately 130,000 square feet and were constructed circa 1998. The property is zoned Planned Development and the General Plan land use designation is Mixed Use Commercial (MUC). The Planned Development Zoning District allows for the development of up to 650 multi-family residential units and up to 150,000 square feet of commercial uses or up to 300,000 square feet of office/R&D uses on a 27.4 gross acre site. The sale property is a portion of the 27.4 acres. The larger development also included approximately 150,000 square feet of retail development, for which this property was sold.

Brokaw Ventures II, LLC purchased this property in November 2014 from Markovits & Fox, Inc. The sale price was \$23,000,000 or \$1,654,261 per acre or \$37.98 per square foot of land. The buyer plans to develop a shopping center onsite with 145,000 square feet of retail space. Subsequent to the purchase, a portion of the center was leased to Ross Stores and Sprouts Market. Additional retail space is available for lease. The buyer obtained a \$19,550,000 loan from Pacific Coast Capital Partners.

The existing buildings onsite were vacant at the time of sale. The property was previously ground leased, with the lessee constructing the buildings. However, the landlord bought out the leasehold interest so that the property could be sold for redevelopment. This property was part of a larger mixed-use development plan that included residential uses on other adjacent sites.

### COMPARABLE SALE 6



#### Property Identification

<b>Property/Sale ID</b>	108312/430898
<b>Property Type</b>	Commercial
<b>Address</b>	1015 South Bascom Avenue
<b>City, State Zip</b>	San Jose, California 95128
<b>County</b>	Santa Clara
<b>Latitude/Longitude</b>	37.307690/-121.932348
<b>Tax ID</b>	282-11-014 & 282-11-015

#### Transaction Data

<b>Sale Date</b>	May 2017	<b>Grantee</b>	Green Valley Corporation
<b>Sale Status</b>	Recorded	<b>Recording Number</b>	23637713
<b>Grantor</b>	Satellite Healthcare Inc.	<b>Sale Price</b>	\$4,290,000

#### Property Description

<b>Gross SF</b>	57,935	<b>Zoning Jurisdiction</b>	Neighborhood/Community
<b>No. of Units</b>	165	<b>Zoning Code</b>	Commercial
<b>Density (Units/Ac)</b>	124.06	<b>Zoning Description</b>	City of San Jose
<b>Corner/Interior</b>	Interior		CN
<b>Shape</b>	Generally Rectangular		Commercial
<b>Use Designation</b>	NCC-		Neighborhood

#### Indicators

<b>\$/Gross SF</b>	\$74.05	<b>\$/Unit</b>	\$15,024
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## Remarks

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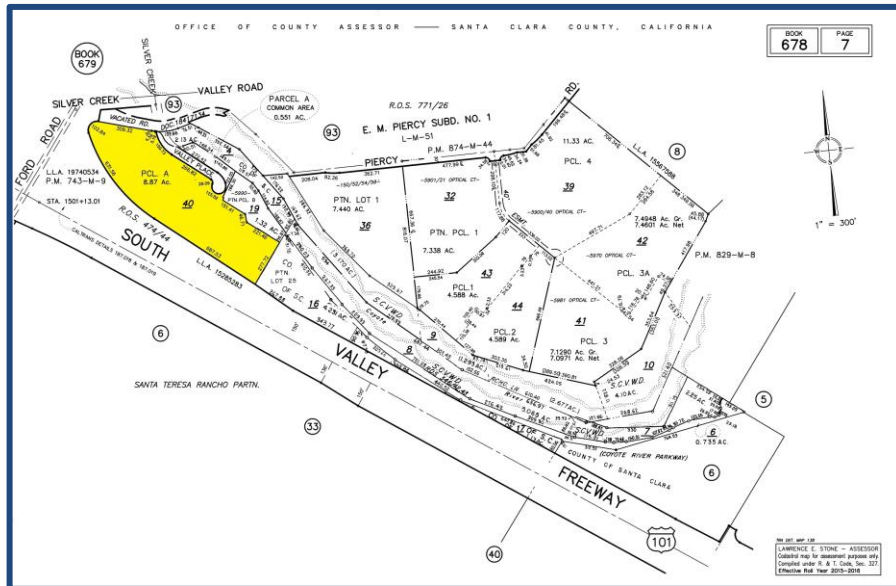
This property consists of two contiguous parcels of commercial land located along the west side of South Bascom Avenue in San Jose. The site is situated one parcel south of Lindaire Avenue. The site has an interior lot configuration and a rectangular shape. The site has approximately 265 feet of frontage along South Bascom Avenue and a depth of 220 feet. The property is in proximity to Santa Clara Valley Medical Center, and is across the street from a public library and community center.

The underlying site contains 1.33 gross acres or 57,935 gross square feet. The property is zoned Commercial Neighborhood and the General Plan designation is Neighborhood/Community Commercial.

The site sold on May 1, 2017 for a purchase price of 4,290,000 or \$74.05 per square foot of land. The buyer is Barry Swenson Development and Construction, who envisions the site as a destination development. The buyer wishes to develop with residential, but does not believe this is possible.

The parcel is not entitled for development, but the City of San Jose is working to put an urban village overlay on the site, which would bring building height limits of 50 feet to somewhere between 70 to 90 feet high. This was an all cash sale.

## COMPARABLE SALE 7



### Property Identification

<b>Property/Sale ID</b>	113994/428410
<b>Property Type</b>	Commercial
<b>Address</b>	5855 Silver Creek Valley Place
<b>City, State Zip</b>	San Jose, California 95138
<b>County</b>	Santa Clara
<b>Latitude/Longitude</b>	37.255486/-121.791097
<b>Tax ID</b>	678-07-040 (Portion)

### Transaction Data

<b>Sale Date</b>	December 2015	<b>Grantee</b>	San Jose VA, LLC
<b>Sale Status</b>	Recorded	<b>Recording Number</b>	23175789
<b>Grantor</b>	San Gabriel Interests, LP	<b>Sale Price</b>	\$11,896,000

### Property Description

<b>Gross SF</b>	255,262	<b>Zoning Jurisdiction</b>	Commercial
<b>Corner/Interior</b>	Interior	<b>Zoning Code</b>	City of San Jose
<b>Shape</b>	Irregular	<b>Zoning Description</b>	A(PD)
<b>Use Designation</b>	CIC, Combined Industrial		Planned Development

### Indicators

<b>\$/Gross SF</b>	\$46.60
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## Remarks

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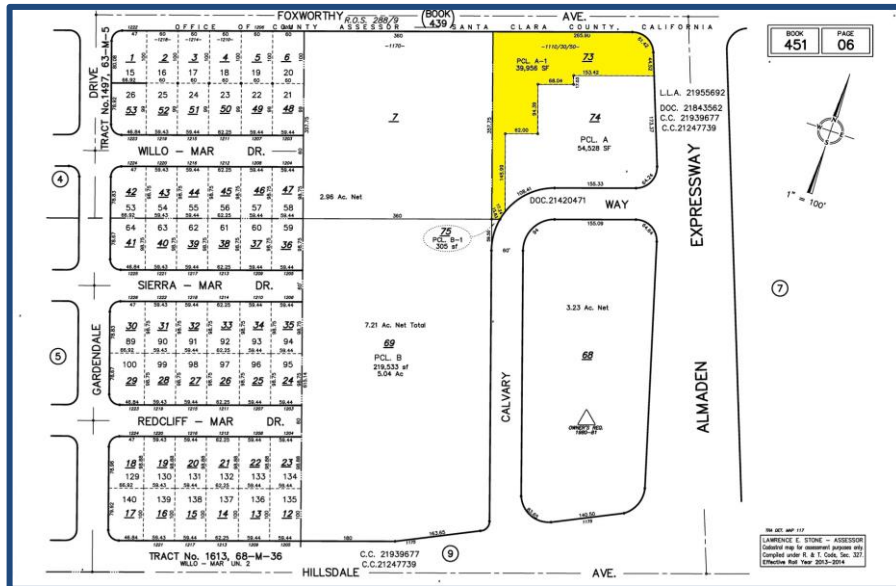
This property consists of a single parcel of vacant commercial land located on the east side of Highway 101 along the Silver Creek Valley Road freeway off-ramp in San Jose. The site has an irregular shape and a cul-de-sac lot configuration with appropriately 270 feet of frontage along Silver Creek Valley Place and 650 feet of frontage along the Highway off-ramp. The site has good visibility from and access to Highway 101. The property is mostly level and rough graded. All utilities are available at the street. The property is adjacent to the Coyote Creek Trail to the east.

The underlying site contains 255,262 gross square feet or 5.86 gross acres. The property is zoned Planned Development and the General Plan land use designation is Combined Industrial Commercial.

San Jose VA, LLC went into contract to purchase this property in December 2013 from San Gabriel Interests, LP. The property sold above the asking price of \$10,210,480 or \$40 per square foot of land. The sale price was \$11,896,000 or \$47 per square foot of land.

The property sold fully entitled for a 92,000-square-foot VA clinic. The property was on the market approximately 90 days before going into contact. The property closed two years after going into contact because the buyer was obtaining entitlements. There were no development issues, no contamination, and nothing unusual about the property or the transaction.

### COMPARABLE SALE 8



#### Property Identification

<b>Property/Sale ID</b>	116695/428066
<b>Property Type</b>	Retail
<b>Address</b>	1110 Foxworthy Avenue
<b>City, State Zip</b>	San Jose, California 95118
<b>County</b>	Santa Clara
<b>Latitude/Longitude</b>	37.277741/-121.880348
<b>Tax ID</b>	451-06-073

#### Transaction Data

<b>Sale Date</b>	July 2015	<b>Grantee</b>	1110 Foxworthy LLC
<b>Sale Status</b>	Recorded	<b>Recording Number</b>	23033476
<b>Grantor</b>	SHP Almaden II LLC	<b>Sale Price</b>	\$2,100,000

#### Property Description

<b>Gross SF</b>	39,956	<b>Zoning Jurisdiction</b>	Commercial
<b>Proposed Bldg SF</b>	9,750	<b>Zoning Code</b>	City of San Jose
<b>Corner/Interior</b>	Corner	<b>Zoning Description</b>	CN
<b>Shape</b>	Irregular		Commercial Neighborhood
<b>Use Designation</b>	Neighborhood/Community		

#### Indicators

<b>\$/Gross SF</b>	\$52.56
<b>\$/SF of Bldg Area</b>	\$215.38

**Remarks**

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This property consists of a single parcel located along the south side of Foxworthy Avenue in San Jose. The site has an irregular shape and a corner lot configuration at the signalized intersection of Foxworthy Avenue and Almaden Expressway. The site has approximately 297 feet of frontage along Foxworthy Avenue (with one curb cut) and 75 feet of frontage along Almaden Expressway. The property has good access, visibility and exposure; however, this particular parcel is irregular in shape and has minimal frontage along Almaden Expressway.

The underlying site contains 39,956 gross square feet or 0.92 gross acres. The property is a pad space of a larger development that is anchored by Walgreen's. The property is zoned Commercial Neighborhood and the General Plan land use designation is Neighborhood/ Community Commercial.

1110 Foxworthy LLC purchased this property in July 2015 from SHP Almaden II LLC. The sale price was \$2,100,000 or \$52.56 per square foot of land or \$215.38 per square foot of proposed building area. The property sold with permits for two retail buildings containing 3,000 square feet and 6,750 square feet, for a total of 9,750 square feet.

## Land 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 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

Real property rights conveyed influence sale prices and must be considered when analyzing a sale comparable. With one exception, the appraised value and sale comparables all reflect the fee simple interest with no adjustments required. The leased fee interest was transferred for Comparable 3 and an adjustment was made later, under interim income.

### 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

When the conditions of sale are atypical, the result may be a price that is higher or lower than that of a normal transaction. Adjustments for conditions of sale usually reflect the motivations of either a buyer or a seller who is under duress to complete the transaction. Another more typical condition of sale involves the downward adjustment required to a comparable property's for-sale 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 that will have to be made upon purchase of a property because these costs affect the price the buyer agrees to pay. Such expenditures may include: (1) costs to demolish and remove any portion of the improvements, (2) costs to petition for a zoning change, and/or (3) costs to remediate environmental contamination.

The relevant figure is not the actual cost incurred, but the cost that was anticipated by both the buyer and seller. Unless the sales involved expenditures anticipated upon the purchase date, no adjustments to the comparable sales are required for this element of comparison.



The parties to these transactions did not anticipate expenditures were required immediately after purchase; therefore, no adjustments were warranted.

### 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 vacant land have been improving with recent transactions confirming this trend. As such, we applied an adjustment to each comparable based on a factor of 3% per year. No adjustment was made to Comparable 6 as this was a very recent sale, having closed escrow within a year from the date of value.

### 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 transaction and market conditions adjustments.

Our reasoning for the property adjustments made to each sale comparable follows. The discussion analyzes 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.

The subject site is located in south San Jose and has average to good access and visibility.

We have closely examined the location of the comparable sales and that of the subject. While some areas have property values that are generally lower, the specific location of the majority of the comparables within those areas did not justify an adjustment.

Nonetheless, we rate the location of Comparable 6 on South Bascom Avenue as superior and a downward adjustment was justified.

#### Size

The size adjustment addresses variance in the physical size of the comparables and that of the subject areas. Typically, a larger parcel commands a lower price per unit than a smaller parcel. This is due to economies of scale.

The subject site consists of 4.65 acres, and is considered overall similar to Comparables 1, 4 and 7. Comparables 2, 3, 6 and 8 are smaller sites, and a downward adjustment for size is warranted, while an upward adjustment was made to Comparable 5 for its much larger size.

### Shape/ Depth/ Site Utility

The subject site consists of an irregular tract considered similar enough to the land sales to not warrant any adjustment for this category. However, Comparable 3 has an inferior site utility due to riparian creek setbacks. Thus, an upward adjustment is warranted. Comparables 2 and 8 have a much inferior configuration, warranting an adjustment in this category.

### Topography

The subject has a generally level topography. This is similar to each of the comparables analyzed in this report.

### Frontage/ Visibility

The subject has visibility from Capitol Expressway but is located somewhat away from the intersection of Cunningham and Capitol, and as such its frontage is considered average.

Comparables 1, 3, 5 and 7 had superior visibility, either due to location within a high-trafficked thoroughfare or due to freeway visibility. These comparables were adjusted downward in this category. No other adjustments were made.

### Zoning/ Development Potential

The highest and best use of sale comparables should be very similar to that of the subject property. When comparables with the same zoning as the subject are lacking or scarce, parcels with slightly different zoning, but a highest and best use similar to that of the subject may be used as comparables. These comparables may require an adjustment for differences in utility if the market supports such adjustment.

The subject site has Commercial zoning (hypothetical condition) which is similar to the comparable sales. Thus, no adjustment is warranted.

### Interim Income

A small downward adjustment was made to Comparable Sale 3 on account of interim income from a property lease. No other adjustments were warranted.

### Entitlements

Comparables 4, 7 and 8 sold with entitlements in place, and a downward adjustment is warranted. No other adjustments were made.

## Summary of Adjustments

Presented on the following page is a summary of the adjustments made to the sale comparables. As noted earlier, these quantitative adjustments were based on our market research, best judgment, and experience in the appraisal of similar properties.

### LAND SALES ADJUSTMENT GRID

Subject		Sale # 1	Sale # 2	Sale # 3	Sale # 4	Sale # 5	Sale # 6	Sale # 7	Sale # 8
Sale ID		430708	435163	428136	423983	428065	430898	428410	428066
Date of Value & Sale	January-18	October-16	September-15	September-15	May-14	November-14	May-17	December-15	July-15
Unadjusted Sales Price		\$7,000,000	\$2,700,000	\$7,500,000	\$12,200,000	\$23,000,000	\$4,290,000	\$11,896,000	\$2,100,000
Usable Acres	4.650	3.340	1.620	2.866	5.970	13.903	1.330	5.860	0.917
<b>Unadjusted Sales Price per Gross Sq. Ft.</b>		<b>\$48.11</b>	<b>\$38.26</b>	<b>\$48.46</b>	<b>\$46.91</b>	<b>\$37.98</b>	<b>\$74.05</b>	<b>\$46.60</b>	<b>\$52.56</b>
<b>Transactional Adjustments</b>									
<b>Property Rights Conveyed</b>	<i>N/A</i>	<i>Fee Simple</i>		<i>Leased Fee</i>	<i>Fee Simple</i>	<i>Fee Simple</i>	<i>Fee Simple</i>	<i>Fee Simple</i>	<i>Fee Simple</i>
Adjustment		-	-	-	-	-	-	-	-
Adjusted Sales Price		\$48.11	\$38.26	\$48.46	\$46.91	\$37.98	\$74.05	\$46.60	\$52.56
<b>Financing Terms</b>	<i>Cash to Seller</i>	<i>Typical</i>		<i>Conventional</i>	<i>Cash</i>	<i>Conventional</i>	<i>Cash to Seller</i>	<i>Unknown</i>	<i>Typical</i>
Adjustment		-	-	-	-	-	-	-	-
Adjusted Sales Price		\$48.11	\$38.26	\$48.46	\$46.91	\$37.98	\$74.05	\$46.60	\$52.56
<b>Conditions of Sale</b>	<i>Typical</i>	<i>Typical</i>	<i>None</i>	<i>None</i>	<i>Typical</i>	<i>Typical</i>	<i>Typical</i>	<i>Typical</i>	<i>Typical</i>
Adjustment		-	-	-	-	-	-	-	-
Adjusted Sales Price		\$48.11	\$38.26	\$48.46	\$46.91	\$37.98	\$74.05	\$46.60	\$52.56
<b>Expenditures after Sale</b>					<i>\$0</i>				
Adjustment		-	-	-	-	-	-	-	-
Adjusted Sales Price		\$48.11	\$38.26	\$48.46	\$46.91	\$37.98	\$74.05	\$46.60	\$52.56
<b>Market Conditions Adjustments</b>									
<b>Elapsed Time from Date of Value</b>		<i>1.30 years</i>	<i>2.32 years</i>	<i>2.32 years</i>	<i>3.65 years</i>	<i>3.21 years</i>	<i>0.73 years</i>	<i>2.10 years</i>	<i>2.50 years</i>
Market Trend Through	January-18	3.9%	7.0%	7.0%	11.0%	9.7%	-	6.4%	7.6%
<b>Analyzed Sales Price</b>		<b>\$50.01</b>	<b>\$40.94</b>	<b>\$51.85</b>	<b>\$52.08</b>	<b>\$41.65</b>	<b>\$74.05</b>	<b>\$49.56</b>	<b>\$56.53</b>
<b>Physical Adjustments</b>									
<b>Location</b>	<i>Cunningham Avenue</i>	<i>Northwest corner of Alder Drive and Barber Lane</i>	<i>3167-3195 Senter Rd</i>	<i>4606 Almaden Expressway</i>	<i>2103 North First Street</i>	<i>1040 East Brokaw Road and 1633 Oakland Road</i>	<i>1015 South Bascom Avenue</i>	<i>5855 Silver Creek Valley Place</i>	<i>1110 Foxworthy Avenue</i>
	<i>San Jose, California</i>	<i>Milpitas, California</i>	<i>San Jose, California</i>	<i>San Jose, California</i>	<i>San Jose, California</i>	<i>San Jose, California</i>	<i>San Jose, California</i>	<i>San Jose, California</i>	<i>San Jose, California</i>
Adjustment		-	-	-	-	-	-10.0%	-	-
<b>Size</b>	<i>4.650 acres</i>	<i>3.340 acres</i>	<i>1.620 acres</i>	<i>2.866 acres</i>	<i>5.970 acres</i>	<i>13.903 acres</i>	<i>1.330 acres</i>	<i>5.860 acres</i>	<i>0.917 acres</i>
Adjustment		-	-20.0%	-10.0%	-	10.0%	-20.0%	-	-20.0%
<b>Shape/Depth/ Site Utility</b>	<i>Irregular</i>	<i>Irregular</i>	<i>Long and narrow</i>	<i>Riparian setbacks</i>	<i>L-Shaped</i>	<i>Rectangular</i>	<i>Generally Rectangular</i>	<i>Irregular</i>	<i>Irregular</i>
Adjustment		-	10.0%	10.0%	-	-	-	-	10.0%
<b>Frontage/ Visibility</b>	<i>Average</i>	<i>Freeway</i>	<i>Average</i>	<i>Good</i>	<i>Average</i>	<i>Good Freeway</i>	<i>Average</i>	<i>Freeway</i>	<i>Below Typical</i>
Adjustment		-10.0%	-	-10.0%	-	-10.0%	-	-10.0%	-
<b>Zoning</b>	<i>CG</i>	<i>MP with RE Overlay</i>	<i>A</i>	<i>CN</i>	<i>TEC</i>	<i>A(PD)</i>	<i>CN</i>	<i>A(PD)</i>	<i>CN</i>
Adjustment		-	-	-	-	-	-	-	-
<b>Interim Income</b>	<i>No</i>	<i>None</i>	<i>None</i>	<i>Interim Income</i>	<i>No</i>				
Adjustment		-	-	-5.0%	-	-	-	-	-
<b>Entitlements</b>					<i>Contingent</i>			<i>With Entitlements</i>	<i>With Entitlements</i>
Adjustment		-	-	-	-20.0%	-	-	-20.0%	-20.0%
Net Physical Adjustment		-10.0%	-10.0%	-15.0%	-20.0%	-	-30.0%	-30.0%	-30.0%
<b>Adjusted Sales Price per Gross Square Foot</b>		<b>\$45.01</b>	<b>\$36.84</b>	<b>\$44.07</b>	<b>\$41.66</b>	<b>\$41.65</b>	<b>\$51.83</b>	<b>\$34.69</b>	<b>\$39.57</b>

## Conclusion

From the market data available, we used eight land sales in competitive market areas which were adjusted based on pertinent elements of comparison. The following table summarizes the unadjusted and adjusted unit prices:

### Land Sale Statistics

Metric	Unadjusted	Adjusted
Minimum Sales Price per Gross Square Foot	\$37.98	\$34.69
Maximum Sales Price per Gross Square Foot	\$74.05	\$51.83
Median Sales Price per Gross Square Foot	\$47.51	\$41.66
Mean Sales Price per Gross Square Foot	\$49.12	\$41.92

The comparables form an adjusted range of \$35 to \$52 per square foot of land area with an average and median of \$42 per square foot. They bracket the subject in terms of development potential and physical characteristics. Comparables 1 and 6 are the most recent sales. Comparables 1 and 5 are the most comparable properties, based on the small number of adjustment made.

The subject is a 4.65-acre site, with a secondary location, away from other retail at present. Its location is better suited for destination retail. Based on the adjusted prices and the most comparable sales, a unit value for the subject property near the best comparables for the subject and near the average and median of the comparables was considered appropriate, at \$42 per square foot of land area.

At the concluded value of \$42 per square foot, the estimated market value of the subject land is estimated at \$8,510,000 (rounded), summarized as follows:

### Land Value Indication

#### Reasonable Adjusted Comparable Range

4.650 acres	x	\$40.00 psf	=	\$8,102,160
4.650 acres	x	\$45.00 psf	=	\$9,114,930

#### Market Value Opinion

4.650 acres	x	<b>\$42.00 psf</b>	=	<b>\$8,510,000</b>
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## Estimate of Market Ground Rent

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As discussed, most ground leases are structured and expressed as a percentage return of the land value. In the previous section, the value of the land is estimated at \$8,510,000 (rounded). The next step, therefore, is to estimate an appropriate rate of return to the land.

Rates of return in ground leases do not significantly change over time. Changes over time are reflected in the base land value. The land value also accounts for a variety of other factors related to the land. The primary factor that can impact the rate of return is the terms of the ground lease. Most ground leases include fixed percentage or CPI adjustments every 5 or 10 years. Some ground leases include revaluation clauses that resets the ground rent every 20 or 25 years based on the property's land value at that time. If the terms of the ground lease are more favorable to the tenant, the rate of return is typically near the high end of the range initially since the tenant could pay more in the form of higher rent for the favorable ground lease terms all else being equal (i.e. closer to 10%). If the terms are more favorable to the landlord, the rate of return is typically near the low-end of the range. Since revaluation clauses are not desirable from a tenant's standpoint, such clauses would put downward pressure on the rate of return. The lack of a revaluation clause would put upward pressure on the rate of return. Also, if the ground lease does not subordinate to mortgage financing, the required rate of return can decrease from 0.5 to 1.0 percentage points, since leasehold financing becomes more difficult.

Historically, ground rates of return have ranged in the 7.0%-10.0% range. Recently, the range has trended downward, with some rates extending down to 5% or 6.0%. Typically the upper range is selected for smaller sites in prime locations, or sites that are suited for fast-food restaurants. Larger sites or sites with weaker demand would warrant a rate of return at the lower end of the range. More information on the appropriate rate of return for the subject is provided in the section that follows.

### Analysis of Rate of Return Comparables

In selecting a rate of return, we researched the local market for recent ground leases of land. There are only a limited number of ground leases so we expanded our search to the entire San Francisco Bay Area. We also went back a few years. Based on our research, several rate of return comparables were found, which have been included in the table on the following page. They range between 6.5% and 8.6%.

Comparable 1, with the lowest rate of return, relates to a 33-year ground lease extension from Menlo Park. The remaining lease term had diminished to 22 years when the tenant approached the land owner (City of Menlo Park) to extend the lease term to 33 years, so that they could continue to use the real estate as collateral in financing negotiations. Based on lease terms, and use, we would expect a higher rate of return for the subject.

GROUND LEASE RATES OF RETURN

No.	Location	(SF) Acres	Lease Date	Annual Rent	Lease Term	Ground Rent/SF	Rate of Return	Tenant/Comments
1	1000 El Camino Real Menlo Park	65,545 1.50	Nov-15	\$699,500	33 yrs	\$0.89	6.5%	Office building; 33-yr extension. CPI increase every two years.
2	Hope, Villa and Evelyn Ave Mountain View	71,195 1.63	May-17	\$800,000	55 yrs	\$0.94	8.6%	City-owned land proposed for high-density mixed-use development. Annual CPI adjustment.
3	Charleston and N Shoreline Mountain View	412,863 9.48	Apr-11	\$693,610	53 yrs	\$0.14	7.0%	Google: 3% annual increase; four 10-yr options.
4	15400 Los Gatos Blvd Los Gatos	88,427 2.03	Nov-11	N/A	N/A	N/A	8.0%	Palo Alto Medical Foundation building
5	4110 N 1st Street/ Holger Way San Jose	57,543 1.32	Jan-11		25 yrs	\$0.28	8.3%	CVS Pharmacy: 10% increase in yr 16.

Comparable 2 with the highest rate of return, is a site from the downtown Mountain View submarket, targeted for very high density development. The higher rate reflects the very active interest in Mountain View real estate development at present. It also reflects the comparable's more central commercial district location. All of these are deemed superior traits. A lower rate would be justified for the subject based on its tertiary location.

Similarly, Comparables 4 and 5 had superior commercial locations that warrant a higher rate of return.

Comparable 3 is a 2011, long-term ground lease from Moffett Boulevard in Mountain View. The parcel is a 9.48-acre site owned by the City of Mountain View. The site is encumbered with a variety of easements and is also known to be contaminated. The ground rent will commence when entitlements are received, for a proposed office building. The lease is for 53 years with a 3% annual increase.

Considering the subject's size and secondary commercial location, as well as the site encumbrances, a rate towards the lower end of the range is indicated. In conclusion, a rate of return of 7.5% is considered reasonable for the subject.

### Market Rent Estimate

At the concluded 7.5% rate of return, the market ground rent for the subject is estimated at \$638,250 per year, as shown below. This represents a monthly rent of \$53,188 or \$0.26 per square foot of land area.

<b>Land Value Indication</b>			
<b>Reasonable Adjusted Comparable Range</b>			
4.650 acres	x	\$40.00 psf =	\$8,102,160
4.650 acres	x	\$45.00 psf =	\$9,114,930
<b>Market Value Opinion</b>			
4.650 acres	x	<b>\$42.00 psf =</b>	<b>\$8,510,000</b>
		Multiply by ROR :	7.5%
<b>Annual Fair Market Rent</b>			<b>\$638,250</b>

### Cross-Check

In the following section, we have included several rent comparables that were used to derive an appropriate Fair Market Rent for the subject property. The following table summarizes each of these rent comparables.

### Rent Comparable Summary

Comp. No.	Date of Survey / Lease	Comp. Type	Property Name	Location		Leased Acres	Rental Rate / SF	Lease Structure
1	Pending	Lease	Ground Lease	Almaden Expressway (Confidential)	San Jose, California	13.5	\$0.34	NNN
2	May-16	Lease	Ground Lease	715 Capitol Expressway Auto Mall	San Jose, California	1.02	\$0.34	NNN
3	April-16	Lease	Summer Winds Nursery	4606 Almaden Expressway	San Jose, California	3.6	\$0.19	NNN
4	July-15	Lease	Car Wash Ground Lease	375 South Spruce Avenue	South San Francisco, California	0.4	\$0.21	NNN
5	May-15	Lease	McCarthy Ranch Ground Lease	41 Ranch Drive	Milpitas, California	0.6	\$0.30	NNN
6	December-15	Lease	Woodhams Center	4525-4545 Stevens Creek Boulevard	Santa Clara, California	1.99	\$0.64	Gross



The rent comparables selected from the available market data present an unadjusted range of \$0.19 to \$0.64 per square foot of land area. Converting the gross leases to their NNN equivalent, the range is \$0.19 to \$0.58 per square foot, NNN.

Considering the subject location, access, size, and use, we have concluded that the fair market rent of \$0.26 per square foot, estimated earlier is supported by the comparable leases.

#### Conclusion of Fair Market Rent

The estimated fair market rent for the subject property is \$0.26 per square foot of land area, or \$53,188 monthly or \$638,250 annually, NNN. This rate is concluded for a ten-year lease, based on an as is basis, without additional concessions and with a CPI annual increase.

## Fair Market Rent Conclusion

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Based on this appraisal, the estimated fair market rent for the subject property, as of the date of value of January 22, 2018 is as summarized in the table below.

### Ground Rent Conclusion

<b>Component</b>	<b>As Is</b>
Value Type	Market Value
Property Rights Appraised	Fair Market Rent
Effective Date of Value	January 22, 2018
<b>Annual Fair Market Rent</b>	<b>\$638,250</b>
<b>Fair Market Rent/ Month</b>	<b>\$53,188 psf</b>

This is an initial rate, with "triple net" expense terms and a long lease term of at least 40 years. We would also expect rent increases during the term, such as annual CPI increases, or cumulative CPI increases every 5 or 10 years. We would also expect a revaluation of the rent every 10 or 20 years.

### 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 9-12 months and 9-12 months, respectively, 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 – Maria Aji, PhD

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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. Maria Aji, MAI 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.



Maria Aji, PhD  
Senior Appraiser  
California Certified License #AG027130

## 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 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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Glossary

Qualifications

- Maria Aji, PhD - Senior Appraiser
- Yvonne J. Broszus, MAI - Director

Information on Valbridge Property Advisors

Office Locations

## 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 percent 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 Maria Aji, PhD Senior Appraiser

Valbridge Property Advisors | Northern California



### *Independent Valuations for a Variable World*

#### State Certifications

Certified General  
State of California

#### Education

Ph.D.  
Urban and Regional Planning  
University of Southern California,  
Los Angeles, CA,

Master of Community Planning  
University of Cincinnati

Diploma in Economics  
National University of Greece  
Athens, Greece

Certificate in International  
Marketing and Export Techniques  
Organization for the Promotion of  
Exports  
Athens, Greece

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San Jose, CA 95113

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#### Experience

##### **Senior Appraiser**

Valbridge Property Advisors | Northern California  
(2015-Present)

##### **Appraiser**

Valbridge Property Advisors | Northern California  
(2013-2014)

Hulberg & Associates, Inc. (2001-2013)  
(joined to create Valbridge in 2013)  
San Jose, CA

##### **Associate Appraiser**

The Property Sciences Group, Inc. (1998-2001)  
San Jose, CA

##### **Researcher**

Nanyang Technological University, Business School  
(1994-1995)  
Singapore

##### **Market Research Director**

Grubb & Ellis Company (1993-1994)  
San Jose, CA

##### **Economic/Planning Consultant**

Gruen Gruen & Associates (1992-1993)  
San Francisco, CA

##### **Research Associate**

Practical Research for Planning, Inc., Pasadena, CA  
(1991-1992)  
Pasadena, CA

Appraisal/valuation and consulting assignments include: professional/ medical offices, shopping centers, mixed-use projects, gas stations, oil-changing facilities, vacant land, single family homes, apartments, condominiums, vacant land, light industrial, manufacturing, and research and development buildings, condominiums, warehouses, industrial parks, mini-storage facilities, vacant land, and 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  
Santa Clara University

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#### Membership/Affiliations

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)

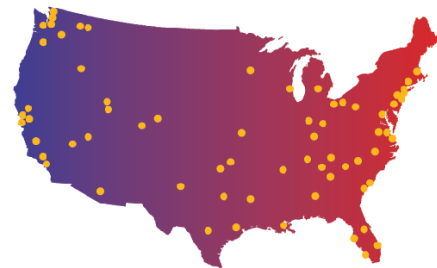
Appraisal/valuation and consulting assignments include: retail buildings (community, specialty, neighborhood and strip), office buildings (professional and medical/dental), vacant and agricultural land, warehouses, manufacturing, light industrial, research and development, apartments, single-family, 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 national commercial real estate valuation and advisory services firm in North America:
  - Total number of MAIs (200 on staff)
  - Total number of office locations (68 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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