



Valbridge
PROPERTY ADVISORS

Restricted Appraisal Report

Northeast Corner Parcel
Cunningham Avenue and John Montgomery Drive
San Jose, Santa Clara County, California 95148

Report Date: July 26, 2018



FOR:

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

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Valbridge File Number:
CA02-18-0019-008



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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: Restricted Appraisal Report
Cunningham Avenue and John Montgomery Drive
San Jose, Santa Clara County, California 95148

Dear Mr. Peterson:

In accordance with your request, we have prepared an appraisal of the above-referenced property, presented in a restricted appraisal report format. This appraisal report sets forth the pertinent data gathered, the techniques employed, and the reasoning leading to our value opinions.

The subject property, as referenced above, is located at Cunningham Avenue and John Montgomery Drive, San Jose, Santa Clara County, California 95148 and is further identified as a portion of Assessor Parcel Numbers (APNs) 491-15-005, 491-15-017, 491-15-022, 491-15-023, 491-15-031, 491-15-032, 491-15-033, 491-15-034, and 491-15-035. The exact site area was not provided to us by the client. Per the appraiser's aerial measurements from Google Earth, the subject contains approximately 9.5 acres or 413,820 square feet.

The subject property represents a portion of the Reid Hillview Airport property and is currently improved with various office and commercial buildings, and airplane hangars. 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 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 represent those allowed by the planned commercial zoning and General Plan designation.

The purpose of this appraisal assignment is to develop an opinion of the retrospective fair market rent of the property. The date of value, January 22, 2018, corresponds to the same date that other appraisals were prepared for other portions of the larger airport. 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 along with the County of Santa Clara are the sole intended users of the appraisal and report and no others and no others. The intended use is for preparation of a long-term business plan for the airport. The value opinions reported herein are subject to the definitions, assumptions and limiting conditions, and certification contained in this report.

Identification of the Problem to be Solved

Property Name:	Northeast Corner Parcel
Address:	Cunningham Avenue and John Montgomery Drive San Jose, Santa Clara County, California 95148
Assessor's Parcel Number:	Portion of APNs 491-15-005, 491-15-017, 491-15-022, 491-15-023, 491-15-031, 491-15-032, 491-15-033, 491-15-034, and 491-15-035
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).
Client/Intended User:	Eric Peterson is our client in this assignment and along with the County of Santa Clara are the sole intended users of this appraisal and report and no others,
Intended Use:	For preparation of a long-term business plan for the airport.
Effective Date of Value Opinion:	January 22, 2018
Date of Inspection:	February 9, 2018 and July 18, 2018
Date of Report Preparation:	July 26, 2018
Property Rights Appraised:	Fee Simple
Type and Definition of Value:	The purpose of this appraisal is to estimate the retrospective 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)." ¹

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.

Extraordinary Assumptions:

We were not provided with a site survey and have relied on our own measurements from Google Earth for the site size. For purposes of this report, we assume that the actual area to be leased corresponds relatively closely to the areas estimated in this report. If the leased areas vary significantly from those estimated within this report, a revision to our rent conclusion could be necessary.

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.

The subject site is currently improved with a variety of site improvements (i.e. paving) and building improvements. For purposes of this report, we assume that the site is vacant and ready for development.

Additionally, please refer to all the General Assumptions and Limiting Conditions at the end of this report, to which the opinions and conclusions of this appraisal are subject.

Use of Real Estate

As of the Date of Value:

As of the effective date of value, the subject was part of the Reid-Hillview Airport, and was improved with various commercial and office buildings, and airplane hangars, and was also used for open airplane storage and airport support uses, as of the effective date of appraisal.

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

As Reflected in this Appraisal:

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

**Highest and Best Use
As Vacant:**

Destination related commercial development.

As Improved:

Not evaluated. The site is presumed to be vacant.

History of the Property:

According to public records title to the subject property is vested in Santa Clara County, Roads and Airport Department. The subject property has not been sold, listed or entertained offers for purchase within the past three years.

Scope of Work

Report Development Procedures:

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

Report Option:

This appraisal is presented in a Restricted Appraisal Report format and is prepared in accordance with Standards Rule 2-2(b) of the Uniform Standards of Professional Appraisal Practice. Use of the report is limited to the client only and the rationale for how the appraiser arrived at the opinions and conclusions set forth may not be understood properly without additional information in the appraiser's workfile. It is assumed that the client understands the restricted utility of the Restricted Appraisal Report.

Approaches Applied

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 most 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 the subject land.

Site Description

Site Area:

413,820 square feet, or 9.50 acres (based on appraiser's estimates)

Shape and Topography:	The subject has a generally rectangular shape and level topography.
Flood Zone Data:	06085C0254H dated 05-18-2018; X and AO, We estimate that less than 20% of the site is located within the flood zone (AO).
Parcel Location:	The parcel has a corner lot configuration at the intersection of Cunningham Avenue and John Montgomery Drive.
Overall Visibility:	Average
Utilities:	All available to the site
On Site Improvements:	The property is improved with various buildings which include office and airplane hangars, as well as a small commercial center.
Off-Site Improvements:	<p>There is no sidewalk, curbs, gutters, streetlights, and landscaping along John Montgomery Drive or Cunningham Avenue. John Montgomery Drive carries one lane of traffic in each direction, north and south. It is possible in the future that some site area will be lost due to the installation of curbs, gutters and sidewalks along this thoroughfare. Cunningham Avenue carries one lane of traffic in each direction.</p> <p>Capitol Expressway is a fully improved roadway with sidewalk, curbs, gutters, streetlights, and landscaping. This roadway carries four lanes of traffic in each direction, north and south.</p>
Zoning:	IP, Industrial Park
Comments on Site:	<p>The subject site consists of a portion of nine contiguous parcels located along the north side of Cunningham Avenue in San Jose. The subject has historically been part of the Reid-Hillview Airport and used by the Santa Clara County Roads and Airports Department for Fixed Based Operators.</p> <p>The site has a generally rectangular shape and a corner lot configuration at the intersection of Cunningham Avenue and John Montgomery Drive. The site has approximately 315 feet of frontage along Cunningham Avenue and 1,555 feet of frontage along John</p>

Montgomery Drive, an interior street, running parallel to Capitol Expressway. The subject enjoys some visibility from highly trafficked Capitol Expressway, however, access is indirect, which is less desirable for retail uses.

The underlying site contains 413,820 gross square feet or 9.5 gross acres. The subject is level and is assumed environmentally clean. 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 a zoning change to Commercial General and a General Plan amendment to Neighborhood/Community Commercial (See Hypothetical Condition).

The site is currently improved with various office and airplane hangar buildings. These represent minor site improvements that do not contribute to the value of the property.

Site access is provided via curb cuts along John Montgomery Drive. Access from Capitol Expressway is provided from side access roads only, such as Cunningham and Ocala Avenues. This type of indirect access is less desirable for retail users who prefer direct access from the major roadway; however it is typical for the area. The site does have visibility from Capitol Expressway due to long exposure along this thoroughfare.

The size of the subject property is likely too large for a single retail or general commercial use, but the site could accommodate a variety of supporting uses on a single site or could be subdivided into smaller sites. We note that Robert Fowler Way bisects the subject property into a south and a north site and could potentially provide additional access to the subject. This additional access point might facilitate leasing of the property to two tenants, instead of one, a tenant for the north and one for the south site.

A portion of the site is located within the Turning Safety Zone of the adjacent, Reid Hillview Airport. This zone has some restrictions on development, and permitted development on the subject site would be guided by its proximity to the airport's runways. The restrictions are not significant, however, and would likely have a negligible impact on the utility, marketability and value of the subject.

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

Subject photographs and other property exhibits can be found in the *Addenda* of this report.

Summary of the Valuation Technique(s) Used

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 simple 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/ industrial sites with similar development potential and use, as well as similar physical and functional features as the subject property.

Land Sales Comparison Analysis

From the market data available, we used eight land sales in competitive market areas which were adjusted based on pertinent elements of comparison.

Land Sales Summary

Comp. No.	Date of Sale	Usable Acres	Location		Zoning	Proposed Use	Sales Price Actual	Per Sq. Ft.
1	January-16	2.500	452 Aborn Road	San Jose, California	R-1-2 (PD)	Industrial Yard	\$3,000,000	\$27.55
2	June-17	6.224	2829 Monterey Highway	San Jose, California	HI, LI	Mini storage	\$10,500,000	\$38.73
3	November-16	2.420	210 Umbarger Road	San Jose, California	IP	Equipment Yard	\$3,200,000	\$30.36
4	February-17	4.443	2059-2063 Oakland Road	San Jose, California	IP	Future Industrial Development	\$5,287,500	\$27.32
5	February-16	4.640	1850 Stone Avenue	San Jose, California	HI		\$4,200,000	\$20.78
6	February-16	16.980	Santa Teresa Boulevard, between San Ignacio Avenue and Great Oaks Boulevard	San Jose, California	IP	Hospital and Medical Office	\$23,443,636	\$31.70
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	September-15	1.620	3167-3195 Senter Road	San Jose, California	PQP	School	\$2,700,000	\$38.26

The comparables have been adjusted for pertinent elements of comparison. The following table summarizes the unadjusted and adjusted unit prices:

Land Sale Statistics

Metric	Unadjusted	Adjusted
Minimum Sales Price per Usable Square Foot	\$20.78	\$24.20
Maximum Sales Price per Usable Square Foot	\$46.60	\$34.68
Median Sales Price per Usable Square Foot	\$31.03	\$29.27
Mean Sales Price per Usable Square Foot	\$32.66	\$29.15

The comparables form an adjusted range of \$24 to \$35 per square foot of land area with an average and median of \$29 per square foot. They bracket the subject in terms of development potential and physical characteristics. Comparables 2 and 4 are the most recent sales, having closed escrow within less than one year from the date of value. Comparables 2, 6 and 7 were the most comparable properties, based on size, while Sales 1, 3, 4, 6 and 7 required the lowest number of adjustments.

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 \$30 per square foot of land area.

At the concluded value of \$30 per square foot, the estimated market value of the subject land is estimated at \$12,410,000 (rounded), summarized as follows:

Land Value Indication				
Reasonable Adjusted Comparable Range				
9.500 acres	x	\$28.00 psf	=	\$11,586,960
9.500 acres	x	\$32.00 psf	=	\$13,242,240
Market Value Opinion				(Rounded)
9.500 acres	x	\$30.00 psf	=	\$12,410,000

As discussed, most ground leases are structured and expressed as a percentage return of the land value. The next step, therefore, is to estimate an appropriate rate of return to the land.

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 include 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 below. They range between 6.5% and 8.6%.

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.

Based on the above comparables, 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 \$930,750 per year, as shown below. This represents a monthly rent of \$77,563 or \$0.187 per square foot of land area.

Land Value Indication			
Reasonable Adjusted Comparable Range			
9.500 acres	x	\$28.00 psf	= \$11,586,960
9.500 acres	x	\$32.00 psf	= \$13,242,240
Market Value Opinion			
9.500 acres	x	\$30.00 psf	= \$12,410,000
		Multiplied by ROR :	7.5%
Estimated Annual Fair Market Rent			\$930,750

Cross-Check

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

Rent Comparable Summary

Comp. No.	Date of Survey / Lease Name	Property Location	Location	Range	Leased SF	Rental Rate / SF	Lease Structure
1	April-16	Summer Winds Nursery	4606 Almaden Expressway	San Jose, California	154,769	\$0.19	NNN
2	April-16	Contractor's yard	2040 South 7th Street	San Jose, California	67,800	\$0.15	Gross
3	May-15	FedEx Parking	696 East Trimble Road	San Jose, California	178,845	\$0.18	NNN
4	July-15	Equipment Rental	2066 S 10th Street	San Jose, California	130,680	\$0.25	NNN
5	July-15	Car Wash	375 S Spruce St	South San Francisco	18,000	\$0.21	NNN
6	March-18	Equipment Rental	2233 S 7th Street	San Jose, California	423,899	\$0.12	NNN

The rent comparables selected from the available market data present an unadjusted range of \$0.12 to \$0.25 per square foot of land area. Considering the subject location, access, size, and use, we have concluded that the fair market rent of \$0.19 per square foot, estimated earlier, is supported by the comparable leases.

Fair Market Rent Conclusions

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.

Value Conclusions

Component	As Is
Value Type	Fair Market Rent
Property Rights Appraised	N/A
Effective Date of Value	January 22, 2018
Fair Market Rent Conclusion (annual)	\$930,750
Monthly Fair Market Rent	\$77,562.50

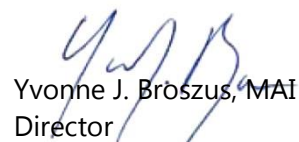
This is an initial rate, with “triple net” expense terms and a long lease term of at least 40 years. We would also expect rent increases during the term, such as annual CPI increases, or cumulative CPI increases every 5 or 10 years. We would also expect a revaluation of the rent every 10 or 20 years.

This value is not considered valid if separated from the rest of this report, and must be accompanied by all sections of this in order for the value opinions set forth above to be valid.

Respectfully submitted,
Valbridge Property Advisors



Maria Aji, PhD
Senior Appraiser
California Certified License #AG027130



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

General Assumptions and Limiting Conditions

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'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

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. Maria Aji 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, Ph.D.
Senior Appraiser
California Certified License #AG027130

Certification – Yvonne J. Broszus, MAI

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 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

Subject Photos

Glossary

Qualifications

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

Information on Valbridge Property Advisors

Office Locations

Subject Photographs



View of subject property from the intersection of
Cunningham Avenue and John Montgomery
Drive



Front view of subject property



View of subject property



View of subject property



Street scene facing north on John Montgomery
Drive



Street scene facing south on John Montgomery
Drive

Glossary

Definitions are taken from The Dictionary of Real Estate Appraisal, 6th 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, 4th 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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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

State Certifications

Certified General
State of California

Education

Bachelor of Science,
Marketing
Santa Clara University

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Valbridge Property Advisors |
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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)

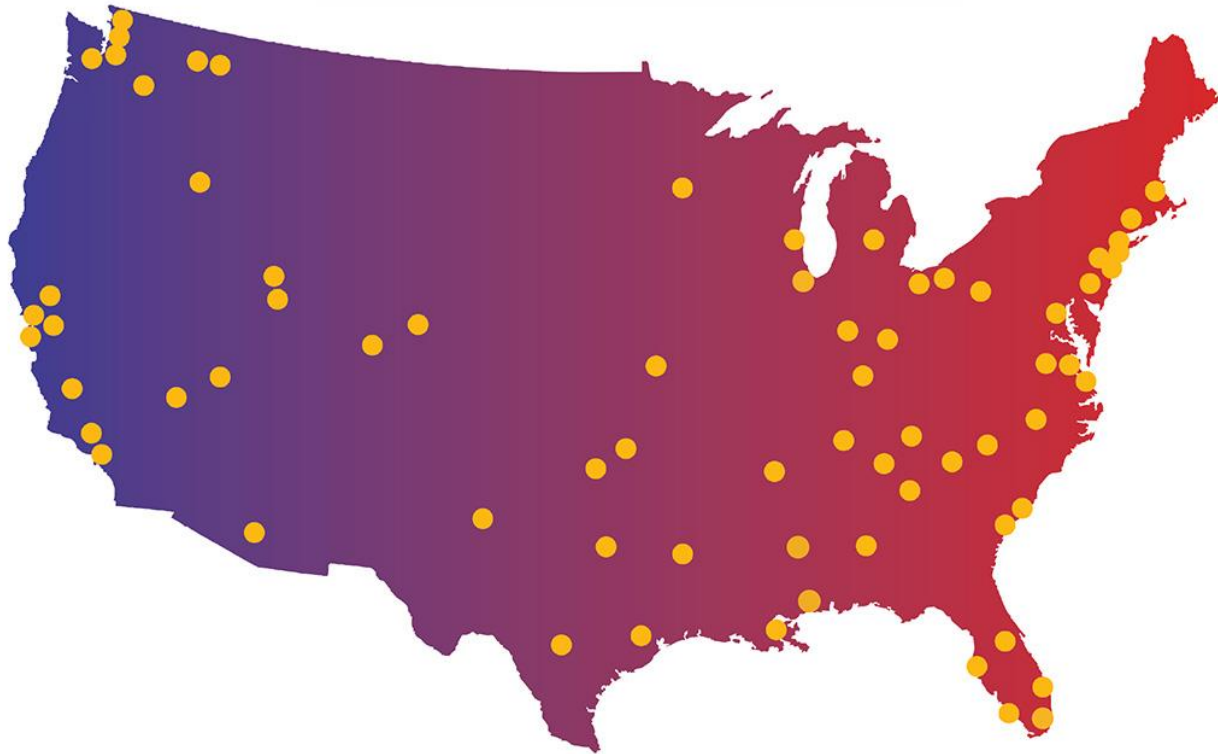
Appraisal/valuation and consulting assignments include: retail buildings (community, specialty, neighborhood and strip), office buildings (professional and medical/dental), vacant and agricultural land, warehouses, manufacturing, light industrial, research and development, apartments, single-family, 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.



Valbridge
PROPERTY ADVISORS



FAST FACTS

COMPANY INFORMATION

- Valbridge is the largest independent national commercial real estate valuation and advisory services firm in North America.
 - Total number of MAI-designated appraisers (200+ on staff)
 - Total number of office locations (70+ across U.S.)
 - Total number of staff (675+ strong)
- Valbridge covers the entire 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.



Valbridge

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