



Valbridge
PROPERTY ADVISORS

Appraisal Report

Reid Hillview Airport FBO Land
Cunningham Avenue
San Jose, Santa Clara County, California 95148

Report Date: May 4, 2018



FOR:

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

Valbridge Property Advisors

55 South Market Street, Suite 1210
San Jose, CA 95113
408.279.1520 phone
408.279.3428 fax
valbridge.com

Valbridge File Number:
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55 South Market Street, Suite 1210
San Jose, CA 95113
408.279.1520 phone
408.279.3428 fax
valbridge.com

May 4, 2018

Yvonne J. Broszus, MAI
408.279.1520, ext. 7135
ybroszus@valbridge.com

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

RE: Appraisal Report
Reid Hillview Airport FBO Land
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 the Reid Hillview Airport, in the northeast quadrant of the airport. It is further identified as Assessor's Parcel Numbers (APNs) 491-15-005, 015, -017, -018, -019, -020, -021, -022, -023, -030, -031, -032, -034, -038, and 039. The subject is an approximate 18-acre or 784,080-square-foot site. The subject site represents land designated for Fixed Base Operator (FBO) use. The parcels are currently leased under long-term leases that will expire in 2021. At that time, the County may re-evaluate the configuration and rent potential of this area.

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

The client in this assignment is the County of Santa Clara, and the intended user of this report is our client and no others. The intended use is for preparation of a long term business plan 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:

- A site survey was not available for our review. The larger site, including all the parcels, taxiways and interior streets, can be configured in various ways. 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:

- 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.

Based on the analysis contained in the following report, our value conclusion is summarized as follows:

Value Conclusion

Component	Land Only
Value Type	Market Rent
Effective Date of Value	February 9, 2018
Value Conclusion	\$0.35/s.f./year

Respectfully submitted,
Valbridge Property Advisors



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

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Summary of Salient Facts

Property Identification

Property Name	Reid Hillview FBO Land
Property Address	Cunningham Avenue San Jose, Santa Clara County, California 95148
Latitude & Longitude	37.33558, -121.820237
Tax Parcel Numbers	491-15-005, 015, -017, -018, -019, -020, -021, -022, -023, -
Property Owners	County of Santa Clara

Site

Zoning	Industrial Park (IP)
FEMA Flood Map No.	06085C 0254H
Flood Zone	AO and D
Primary Land Area	18 acres
Highest & Best Use - As Vacant	FBO use and development
Reasonable Exposure Time	12 Months
Reasonable Marketing Time	12 months

Value Conclusion

Component	Land Only
Value Type	Market Rent
Effective Date of Value	February 9, 2018
Value Conclusion	\$0.35/s.f./year

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:

- A site survey was not available for our review. The larger site, including all the parcels, taxiways and interior streets, can be configured in various ways. 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:

- 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.

Aerial and Front Views

AERIAL VIEW



FRONT VIEW



Introduction

Client and Intended Users of the Appraisal

The client in this assignment is the County of Santa Clara, and the intended user of this report is our client and no others.

Intended Use of the Appraisal

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

Real Estate Identification

The subject property is located along Cunningham Avenue, San Jose, Santa Clara County, California 95148. The subject property is further identified by Assessor Parcel Numbers 491-15-005, 015, -017, -018, -019, -020, -021, -022, -023, -030, -031, -032, -034, -038, and 039. The subject site represents land designated for Fixed Base Operator (FBO) use.

Legal Description

A recent survey was not available. The site size and description is based upon public records and plats provided.

Use of Real Estate as of the Effective Date of Value

As of the effective date of value, the subject use was for Fixed Base Operators (FBOs), as part of the larger airport.

Use of Real Estate as Reflected in this Appraisal

The subject use is an airport-related use for Fixed Base Operators (FBOs).

Ownership of the Property

According to the County Assessor, title to the subject property is vested in the County of Santa Clara.

History of the Property

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

Listings/Offers/Contracts

The subject is not currently listed for sale or under contract for sale. It is our understanding that one of the existing leaseholds is currently listed for sale. Information on this reported listing was not available.

Type and Definition of Value

The purpose of this appraisal is to estimate the market rent for the subject property. "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

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

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

Valuation Scenario	Effective Date of Value
Market Rent of the Underlying Land Only	February 9, 2018

We completed an appraisal inspection of the subject property on February 9, 2018.

Date of Report

The date of this report is May 4, 2018, which is the same as the date of the letter of transmittal.

List of Items Requested but Not Provided

- 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

- A site survey was not available for our review. The larger site, including all the parcels, taxiways and interior streets, can be configured in various ways. 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

- 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.

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

Scope of Work

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

Extent to Which the Property Was Identified

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

- Legal Characteristics - The subject was legally identified via a map provided by our client.
- Economic Characteristics - Economic characteristics of the subject property were identified via market participant surveys, our company database, third party sources, and information from our client, as well as a comparison to properties with similar locational and physical characteristics.
- Physical Characteristics - The subject was physically identified via an appraisal inspection by Yvonne Broszus, MAI, that consisted of exterior observations.

Extent to Which the Property Was Inspected

We inspected the subject on February 9, 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 transactions. We also interviewed people familiar with the subject market/property type.

Type and Extent of Analysis Applied (Valuation Methodology)

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

There are two primary methodologies available for the estimation of land rent: (1) Direct Comparison, and (2) Return on Land Value. While other methods, such as Extraction and Allocation, are applicable under limited conditions, one or more of these approaches are used in most circumstances to derive an indication of land value.

In the case of the subject, there are no relevant land sales as virtually all FBO sites are ground leased from government agencies. Sales of FBO sites like the subject sites do not occur. The most relevant method of estimating the subject's underlying land rent, therefore, is through a direct comparison of rents on airports similar to the subject (Direct Comparison Approach). The rent comparables are analyzed and adjusted to reflect differences relative to the subject.

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%
Total	948,950	100.0%

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

Unemployment

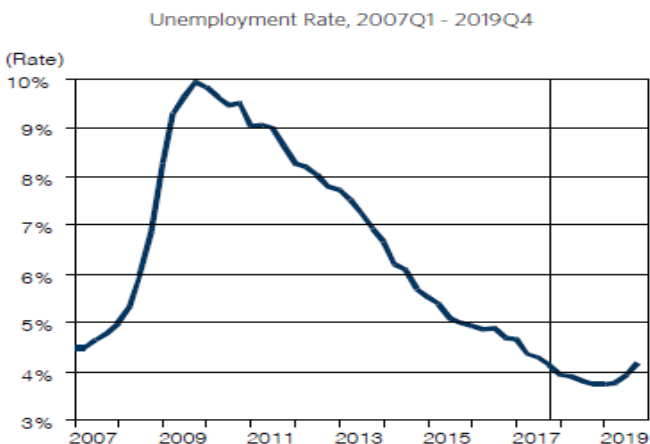
The unemployment rate in Santa Clara County is currently less than the rates of the state and nation. The County unemployment rate was 2.6% as of December 2017. The State of California was at 4.2% while the Nation was at 4.1% for the same time period. Unemployment rates locally and nationwide have been 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

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



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

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)

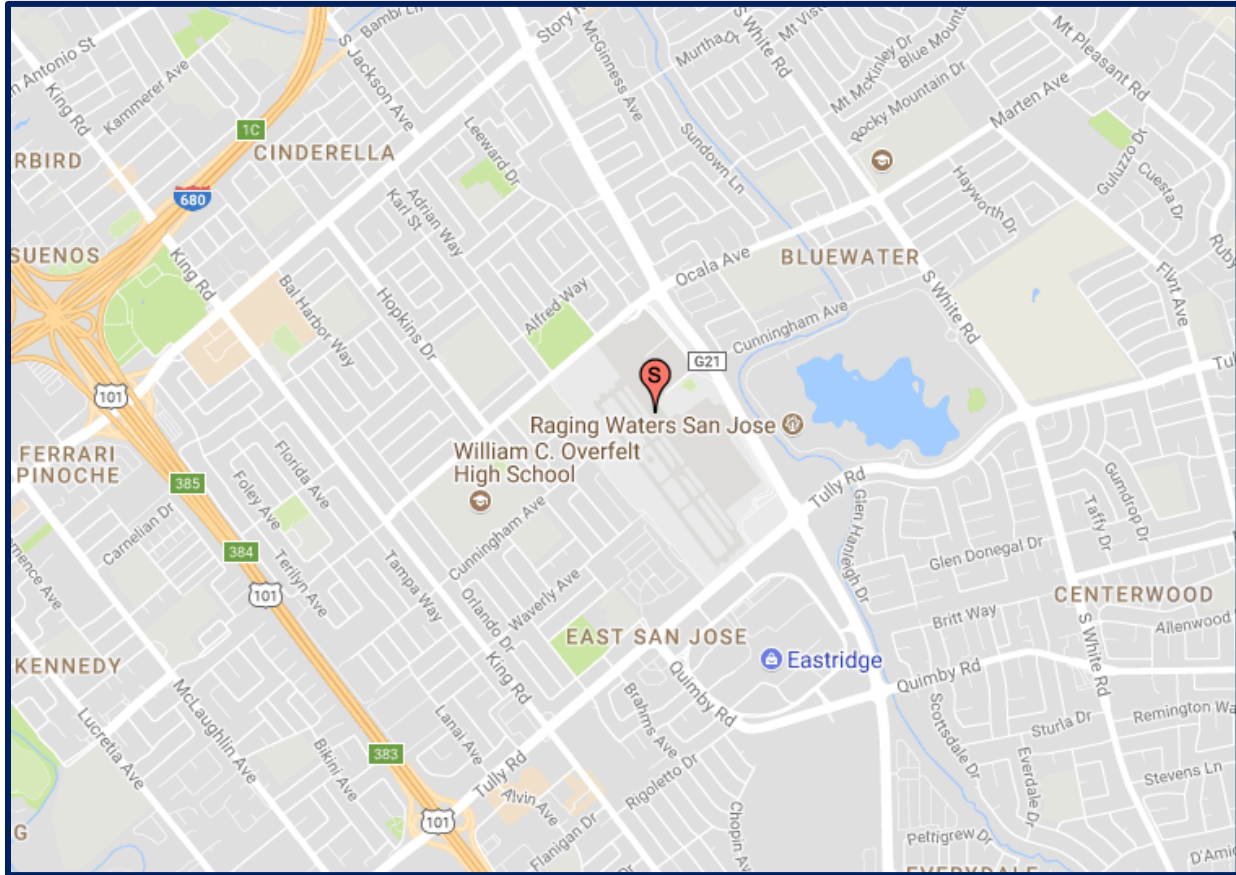
Conclusions

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.

Neighborhood Location and Boundaries

The subject neighborhood is located in the East San Jose section of San Jose. The area is suburban in nature. The neighborhood is bounded by Story Road to the north, White Road to the east, Aborn Road to the south, and Highway 101 to the west.

Demographics

The following table depicts the area demographics in San Jose within a one-, three-, and five-mile radius from the subject.

Neighborhood Demographics

Radius	1 mile	3 miles	5 miles
Population Summary			
2000 Population	35,972	261,692	488,430
2010 Population	34,208	258,099	510,798
2017 Population	35,972	276,794	554,670
2022 Population Estimate	37,262	290,698	585,330
Annual % Change (2017 - 2022)	0.7%	1.0%	1.1%
Housing Unit Summary			
2000 Housing Units	6,839	61,456	132,607
% Owner Occupied	73.0%	62.6%	59.5%
% Renter Occupied	26.4%	36.4%	38.7%
2010 Housing Units	6,990	65,915	150,933
% Owner Occupied	64.0%	55.5%	53.6%
% Renter Occupied	33.2%	41.0%	41.9%
2017 Housing Units	7,200	69,195	160,873
% Owner Occupied	62.7%	54.3%	52.5%
% Renter Occupied	34.9%	42.9%	44.1%
2022 Housing Units	7,457	72,689	170,170
% Owner Occupied	62.6%	53.9%	52.0%
% Renter Occupied	34.8%	43.0%	44.3%
Annual % Change (2017 - 2022)	0.7%	1.0%	1.1%
Income Summary			
2017 Median Household Income	\$63,988	\$67,228	\$76,609
2022 Median Household Income Estimate	\$72,942	\$76,787	\$85,785
Annual % Change	2.7%	2.7%	2.3%
2017 Per Capita Income	\$15,906	\$22,524	\$29,481
2022 Per Capita Income Estimate	\$17,975	\$25,503	\$33,635
Annual % Change	2.5%	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. Major travel and commuter routes within the area of the subject include Tully and Story Roads as well as Capitol Expressway and Highway 101. Access to the area is considered good.

Neighborhood Land Use

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

LAND USES

Use	Percentage
Residential:	50%
Retail:	15%
Office:	5%
Industrial:	5%
Public:	10%
Recreational:	10%
Vacant:	5%

Several significant land uses are located in the immediate area. These include the Eastridge Shopping Center, located immediately south of Reid Hillview Airport, Lake Cunningham Regional Park (with Raging Waters Waterpark), located east of the subject, and of course, the subject airport. There are also several schools, as the area is primarily a residential area.

The subject is located on the east side of the airport, adjacent to the runways. The uses surrounding the subject site include a residential neighborhood to the north and east, and the airport property to the west and south.

Reid Hillview Airport

Reid Hillview Airport is one of the significant land uses in the immediate area. The airport 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 3,100 and 3,099 feet in length. 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 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 subject has an area that was formerly improved for restaurant use, but this area has been gutted.

The proximity of the residential uses and the Eastridge Mall to the subject 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. At this time, there is no current plan to pursue this course of action.

Reid Hillview Airport is currently home to about 487 based aircraft. Total operations in 2017 were 163,327, which represents an increase of about 4% since 2013, when operations were about 156,522. Prior to 2013, from 2010 to 2013, operations increased significantly by 43%. Additional information on the traffic at Reid Hillview is provided later in the market overview section of this report.

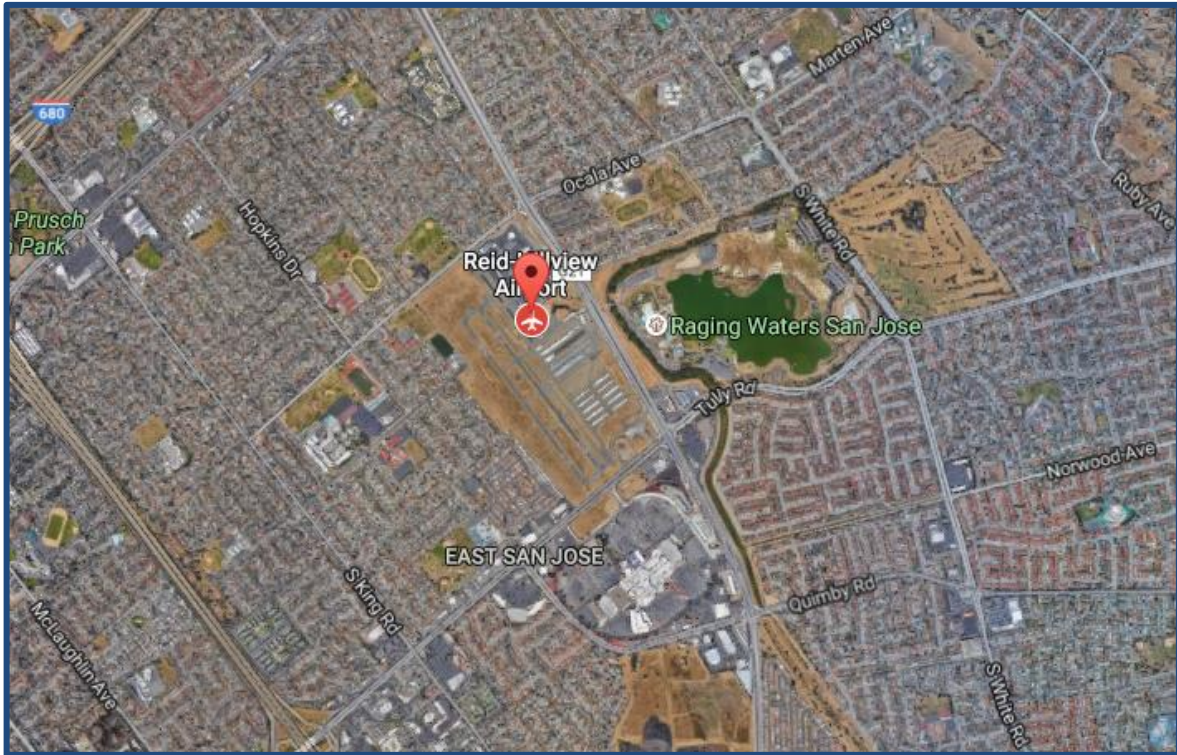
Operations at Reid Hillview are likely the result of many factors. One factor is the overall economy, which is very strong in the Bay Area currently. An additional factor is overflow from nearby San Jose International for smaller planes. Competition from other airports is also factor.

The FBO area of Reid Hillview is currently encumbered by nine separate leases, some of which are controlled by related entities. There are four businesses that operated as Fixed Based Operators (FBOs) that sell fuel. 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.

Summary

In summary, the subject is located on Reid Hillview Airport, in East San Jose. The area is suburban in nature and is primarily a residential area. Residential uses border the subject site on two sides. Operations at the airport have fluctuated over the years, but are higher than the levels experienced 10 years ago. The current level is likely due, at least in part, to the overall growth in the economy. In conclusion, the long-term prospective of the area, as well as the subject airport, appear good. The subject neighborhood is in the stable stage of its life cycle.

REID-HILLVIEW AIRPORT



Property Identification

Airport Code	RHV
Property Type	General Aviation Airport
Property Name	Reid-Hillview Airport
Address	2500 Cunningham Avenue
City, State Zip	San Jose, CA 95148
County	Santa Clara County

Property Description

Based Aircraft	487	Current Occupancy	74%
Annual Operations	163,327	Terminal?	Yes
Towered?	Yes	Restaurant?	No

Remarks

Reid-Hillview airport is located four miles southeast of downtown San Jose, California. It has two asphalt runways, the first which measures 3,100 x 75 ft and the second of which measures 3,099 x 75 ft. The size of the runways restricts the type of airplanes that can use the airport. The airport is designated as a reliever airport for San Jose International Airport, meaning that it is designated to provide relief or additional capacity to the primary airport and to accommodate aviation aircraft in the area.

The airport currently is 100% occupied in the hangars. About 30% of the hangars are box hangars; 70% of the hangars are T-hangars. The total number of based aircraft is 487.

The current configuration of the FBO land area includes nine separate parcels, which were originally leased to separate businesses. Over the years, several of the businesses have merged or are now controlled by related entities. There are now four Fixed Base Operators (FBOs) that sell fuel. Additional leaseholds and business exist. All FBO leaseholds expire in 2021.

Site Description

The subject site is located on the Reid Hillview airport, at the northeast portion of the airport. The characteristics of the site are summarized as follows:



Site Characteristics

Location:	The Reid Hillview Airport, at the northeast portion of the airport.
Gross Land Area:	18 Acres or 784,080 SF
Shape:	Irregular, but mostly rectangular
Topography:	Generally level
Drainage:	Assumed adequate
Grade:	At street grade
Utilities:	All to site

Flood Zone Data

Flood Map Panel/Number:	06085C 0254H
Flood Map Date:	05-18-2009

Flood Zone:	AO and D
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AO: areas subject to inundation by 1%-annual-chance shallow flooding (usually areas of ponding) where average depths are between one and three feet. Base Flood Elevations (BFEs) derived from detailed hydraulic analyses are shown in this zone. Mandatory flood insurance purchase requirements and floodplain management standards apply. About 10% of the property, along the road frontage, is in flood zone AO. "D" is areas where flood

hazards are undetermined, but possible. Flood insurance requirements will be determined when specific flood risk is identified. Please see the flood map included on page 21.

Site Area in Flood: 10.00%

Other Site Conditions

Soil Type: Those that appear suitable for development

Environmental Issues: The water table is high in at least some areas of the airport, which can cause accelerated wear-and-tear on paving.

Earthquake Zone: While all of California is prone to earthquakes, the subject is not in an Alquist-Priolo fault zone.

Adjacent Land Uses

North: Single-family residential across Ocala Avenue

South: Reid Hillview Airport terminal and hangars

East: Single-family residential across Capitol Expressway

West: Reid Hillview Airport runways

Site Ratings

Access: Average

Visibility: Average

Zoning Designation

Zoning Jurisdiction: City of San Jose

Zoning Classification: IP, Industrial Park

General Plan Designation: Public/Quasi-Public

Permitted Uses: A variety of industrial

Zoning Comments: The zoning code allows a variety of industrial uses, but mostly applies to R&D, manufacturing and warehouse uses. Any use without a permanent fully-enclosed building onsite is only allowed with a conditional use permit. Other potential uses for the property under the zoning, either outright permitted or with a conditional use permit, include various forms of neighborhood agriculture, seasonal sales, day care centers, post-secondary schools, religious assemblies, recycling uses, off-street parking, and renewable power systems.

The Public/Quasi-Public General Plan designation is more restrictive and reflects the actual airport use of the property. Other uses generally permitted with this land use designation include schools, colleges, corporation yards, homeless shelters, public utilities, libraries, and other governmental uses.

The subject is also governed by the Airport Land Use Plan (ALUP) specific to Reid Hillview. This plan indicates that the northerly portion of the subject is in the Inner Safety Zone, and the remainder of the subject is in the Sideline Safety Zone. These zones restrict the uses and number of persons permitted on the property.

In summary, the IP zoning of the subject permits a variety of industrial uses. However, the General Plan and ALUP are much more restrictive and would be the main guiding documents in evaluating potential legal uses for the property.

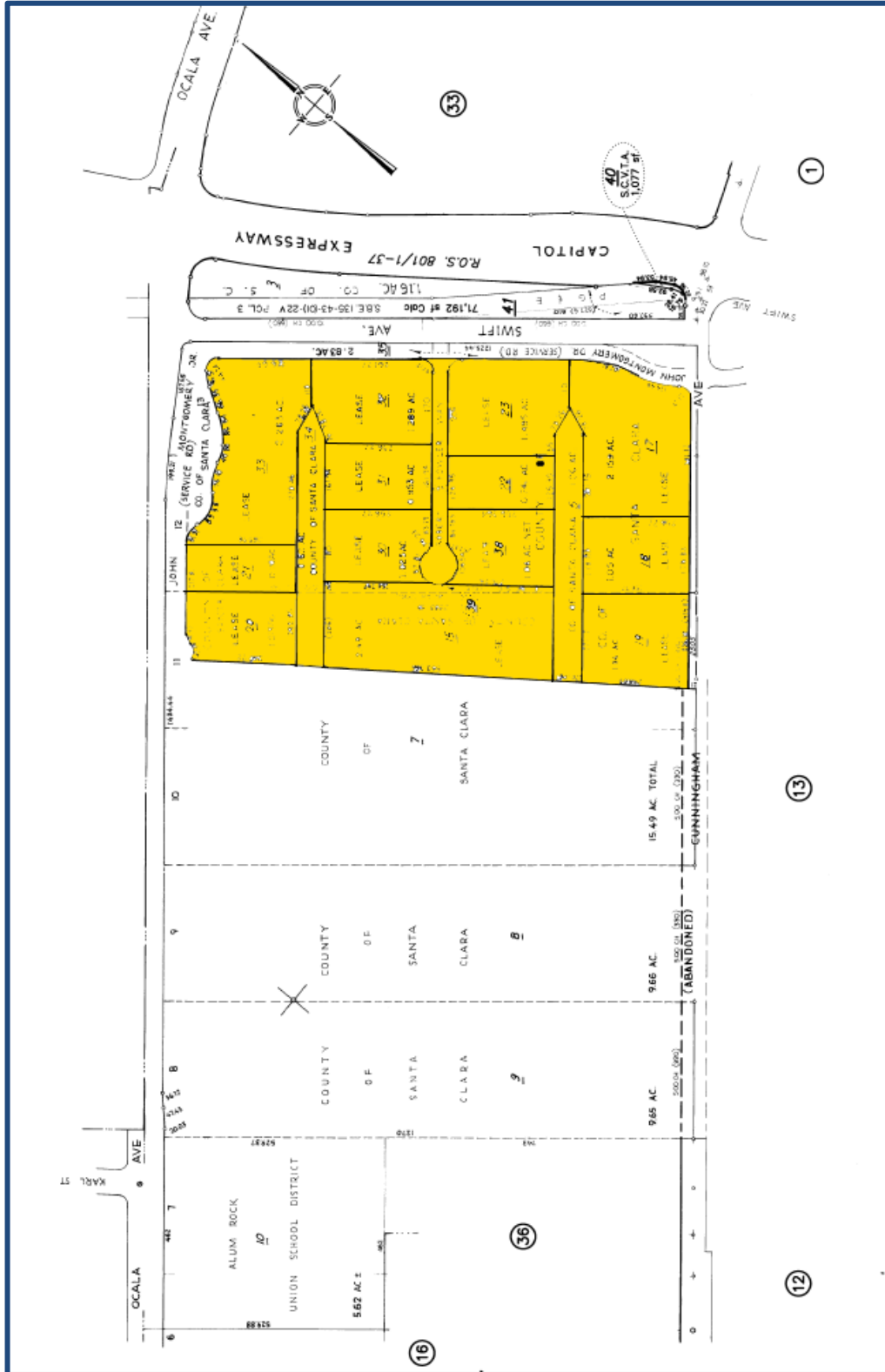
The subject's potential uses are further restricted by the Federal Aviation Administration (FAA) given the specific location of the property "inside" the airport fenced area. Uses in this area are restricted to airport-related uses.

Analysis/Comments on Site

The subject site includes about 18 acres, including the existing leasehold areas as well as the taxiways and an interior street. The area is based on our measurements, as a site survey was not available for our review. The subject area can be reconfigured in a variety of ways, depending on how many leasehold areas are created. Currently, the site is divided into 13 parcels, but leased as 9 leasehold areas. The lessees include four Fixed Base Operators that sell fuel and other airport businesses.

The site is level and at grade and utilities are available and in place. Part of the subject is in the flood zone, but this has a negligible impact on the subject's development potential and rental value. Uses on the property are restricted to airport-related uses. The current use is for FBO and airport-related uses. The improvements currently located on the site are not included in this appraisal. Our market rent estimate assumes that the site is vacant and available for development.

TAX/PLAT MAP



FLOOD MAP



Subject Photos



South taxiway looking east.



North taxiway looking westerly towards runways from east end of airport.



Northeast area of subject area, looking north.



Southwest area of subject, looking north.

Assessment and Tax Data

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. Any property taxes due on the subject, however, would be for possessory interests caused by the creation of leasehold interests. The fee interest of the property is not assessable. For this reason, there is no reported assessed value for the property.

For purposes of this market rent analysis, the rent for each individual unit is based on the tenant paying the possessory interest tax for its interest in the property. This is typical in the subject's market.

Market Analysis

Aviation Market Overview

The aviation market is a limited, specialized market. It is segmented into two main categories: commercial and general aviation (GA). Commercial flights represent regularly scheduled flights made by major commercial air carriers. General aviation flights consist of mostly private flights that are not necessarily regularly scheduled. It includes all operations, except commercial air carrier traffic and military operations.

The general aviation market is further segmented into 1) Fixed Based Operators (FBOs) and 2) private or corporate owner-users. An FBO is a privately-owned entity that provides aviation support services to other businesses at an airport. These services typically include fueling services, but may also include aircraft storage, maintenance services, a flight school, etc. Most airports have only one or two FBOs operating at the airport, as the level of business typically does not warrant additional competition.

The table on the following page shows the total aviation and general aviation operations in the United States from 2000 through 2015.

NATIONAL AIRPORT OPERATIONS IN TOWERED AIRPORTS

Calendar Year	Itinerant					Local			Total Operations	Total GA Operations	% Change GA
	Air Carrier	Air Taxi	General Aviation	Military	Total	Civil	Military	Total			
2000	15,130,733	10,819,571	22,269,071	1,422,028	49,641,403	16,621,631	1,419,080	18,040,711	67,682,114	38,890,702	-
2001	14,177,655	10,836,776	21,274,300	1,507,820	47,796,551	16,220,728	1,447,706	17,668,434	65,464,985	37,495,028	-3.59
2002	13,309,745	11,160,855	21,386,443	1,554,228	47,411,271	16,063,361	1,520,585	17,583,946	64,995,217	37,449,804	-0.12
2003	12,667,389	11,601,690	20,152,454	1,532,263	45,953,796	15,152,056	1,492,834	16,644,890	62,598,686	35,304,510	-5.73
2004	13,140,372	12,395,387	19,726,898	1,471,943	46,734,600	14,849,783	1,457,885	16,307,668	63,042,268	34,576,681	-2.06
2005	13,467,204	12,437,123	19,151,192	1,389,814	46,445,333	14,774,016	1,445,191	16,219,207	62,664,540	33,925,208	-1.88
2006	13,356,029	11,848,397	18,811,006	1,360,726	45,376,158	14,479,620	1,419,181	15,898,801	61,274,959	33,290,626	-1.87
2007	13,687,788	11,581,071	18,335,008	1,296,229	44,900,096	14,560,618	1,377,542	15,938,160	60,838,256	32,895,626	-1.19
2008	13,544,809	10,604,907	17,013,618	1,275,590	42,438,924	13,589,686	1,228,865	14,818,551	57,257,475	30,603,304	-6.97
2009	12,732,804	9,412,534	15,283,655	1,308,053	38,737,046	12,229,985	1,272,041	13,502,026	52,239,072	27,513,640	-10.10
2010	12,722,700	9,436,641	14,846,037	1,319,936	38,325,314	11,629,445	1,323,870	12,953,315	51,278,629	26,475,482	-3.77
2011	12,861,792	9,177,953	14,475,524	1,306,753	37,822,022	11,481,565	1,294,867	12,776,432	50,598,454	25,957,089	-1.96
2012	12,818,415	8,903,614	14,398,052	1,320,069	37,440,150	11,556,479	1,267,679	12,824,158	50,264,308	25,954,531	-0.01
2013	12,845,544	8,796,539	14,125,183	1,245,620	37,012,886	11,730,379	1,272,093	13,002,472	50,015,358	25,855,562	-0.38
2014	13,170,730	8,309,287	13,942,764	1,287,421	36,710,202	11,679,412	1,235,488	12,914,900	49,625,102	25,622,176	-0.90
2015	13,943,870	7,768,282	13,856,043	1,296,433	36,864,628	11,679,293	1,181,549	12,860,842	49,725,470	25,535,336	-0.34
2016	14,544,132	7,513,991	13,929,858	1,341,127	37,329,108	11,629,359	1,170,742	12,800,101	50,129,209	25,559,217	0.09
2017	13,920,487	6,581,925	12,929,643	1,230,147	34,662,202	11,033,271	1,128,194	12,161,465	46,823,667	23,962,914	-6.25

Source: US Department of Transportation: FAA Operations & Performance Data

The data on the previous page shows that General Aviation (GA) operations are significantly lower than they were 10 years ago. However, over the past seven years the declines have been modest, albeit almost entirely declines, with a significant dip again in 2017.

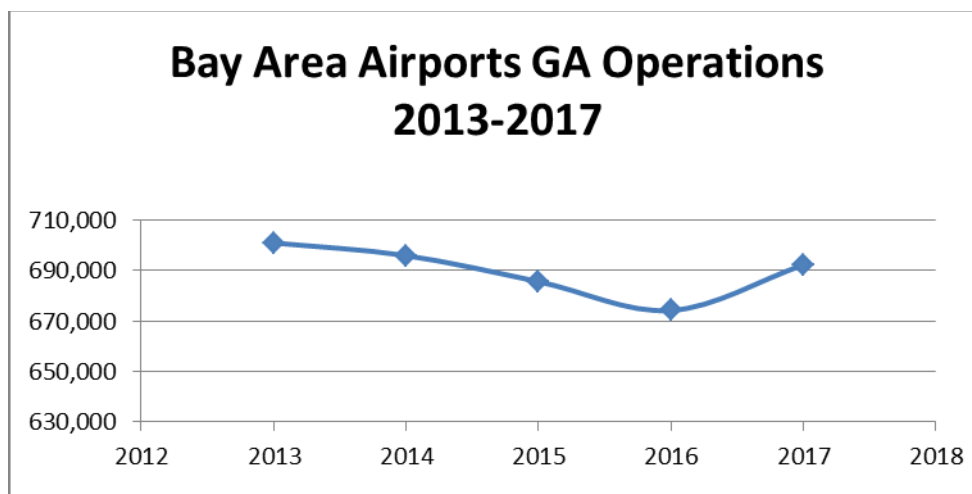
A report prepared by Kamala I. Shetty and R. John Hansman, titled “Current and Historical Trends in General Aviation in the United States,” published by MIT International Center for Air Transportation (ICAT), in August 2012, indicated that there are different drivers at play in the general aviation market as compared to the commercial market. These factors include economics, the volatility of fuel prices, increased use of internet in business (hence, decreasing business travel), tax incentives for aircraft ownership, the costs of owning and operating personal aircraft, the total private pilot and GA aircraft populations, along with many others. These factors are likely to remain a dominant force in the industry in the future, as the report indicates that 75% of airports with GA operations are expected to experience no growth from 2006 levels through 2025.

In the San Francisco Bay Area, General Aviation operations at reliever airports like the subject have mostly followed the trends of the nation, which are consistent with the predictions of the MIT report. As seen from the table and chart below, GA operations for six of the surveyed airports have been relatively flat over the past five years.

Operations at Bay Area Reliever Airports

Year	RHV	E16	Palo Alto	Livermore	Hayward	Concord	Total for Region	% Change
2013	156,522	33,914	175,622	155,752	95,664	83,603	701,077	-
2014	138,006	32,522	174,270	144,256	108,305	98,683	696,042	-0.72%
2015	145,003	33,538	170,392	116,067	117,557	103,127	685,684	-1.51%
2016	150,645	33,166	152,353	115,916	107,242	114,893	674,215	-1.70%
2017	163,327	31,958	147,928	128,827	100,257	120,044	692,341	2.62%

Source: County of Santa Clara, Roads and Airport Department & US Department of Transportation: FAA Operations & Performance Data

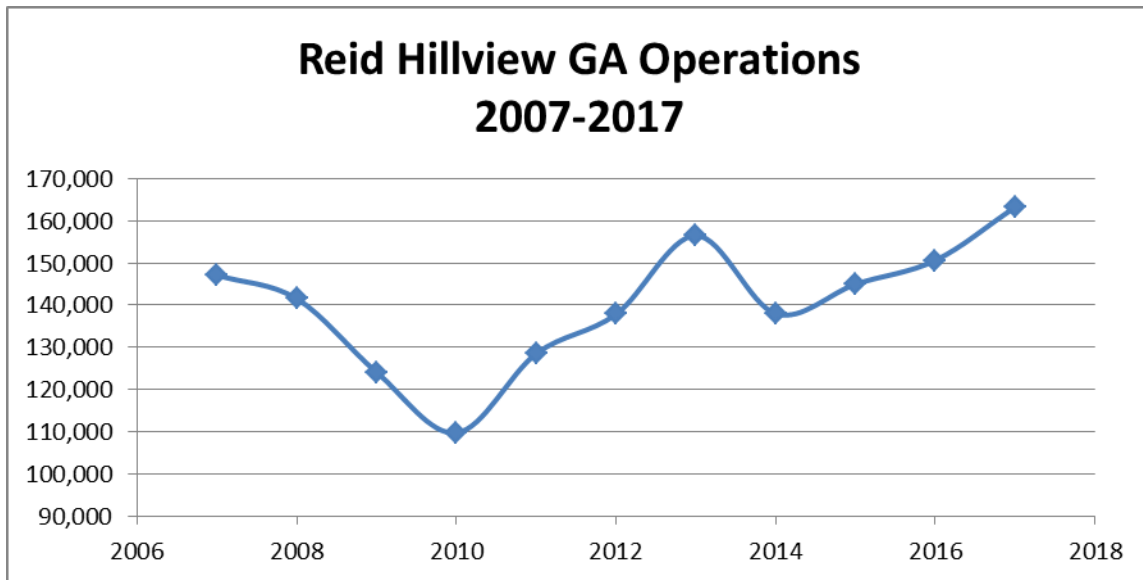


Reid Hillview fared somewhat better than the overall national and local market, as 2015 to 2017 posted operation increases of 5.6% to 8.42%. When looking at longer time periods, however, operations today are only slightly better than what they were 10 years ago (11%). Clearly, the challenges for the industry as a whole are also evident at Reid Hillview.

OPERATIONS AT REID HILLVIEW AIRPORT

Year	Operations	% Change
2007	147,098	-
2008	141,542	-3.78
2009	124,110	-12.32
2010	109,747	-11.57
2011	128,557	17.14
2012	137,902	7.27
2013	156,522	13.50
2014	138,006	-11.83
2015	145,003	5.07
2016	150,645	3.89
2017	163,327	8.42

Source: County of Santa Clara, Roads and Airport Department



Most operations at the reliever airports in the Bay Area are generated by smaller, single-engine aircraft. This type of aircraft does not require the longer runway length as do larger jets. The length of an airport's runway, therefore, can limit the type of aircraft that can land and use the airport. The surrounding community, and proximity to residential areas, can also impact the type of aircraft that can land at the airport.

Typically, Fixed Base Operators, or FBOs, provide a wide variety of aviation services. One of the most important services is the selling of fuel. The number of fuel provides on an airport will impact the profitability of each operator, thereby impacting his ability to pay the underlying rent. We surveyed several airports in the Bay Area, as well as one that is included later in our rent survey, that generate over 100,000 operations per year to determine the most common number of FBOs per airport, as a function of operations and the number of based aircraft. The results of our survey are presented on the following page.

Selected Airports with Annual Operations over 100,000

Airport		# Annual Operations	# Based Airplanes	# Fuel Providers	Operations/ Fuel Provider	Based Plane/ Fuel Provider
Palo Alto Airport	Palo Alto	191,625	427	2	95,813	214
San Carlos Airport	San Carlos	108,040	389	1	108,040	389
Livermore Municipal Airport	Livermore	129,285	508	1	129,285	508
Hayward Executive Airport	Hayward	116,800	452	2	58,400	226
Buchanon Field	Concord	120,044	396	3	40,015	132
Gillespie Field	El Cajon (San Diego)	226,665	562	4	56,666	141
	Minimum	108,040	135	1	40,015	132
	Maximum	226,665	562	4	129,285	508
	Mean	133,159	456	2	81,370	268
	Median	123,043	424	2	77,106	220

Source: County of Santa Clara, Roads and Airport Department & US Department of Transportation: FAA Operations & Performance Data

As seen from the survey, the number of fuel provides typically ranges from 1 to 4, with 1 and 2 being the most common. The mean and median number of operations for each provider is 81,370 and 77,106, respectively. The mean and median number of based aircraft per fuel provider is 268 and 220, respectively.

The subject currently has annual operations of about 163,327, and 487 based aircraft. The level of operations and number of based aircraft suggest 2 fuel providers would be ideal. This would result in about 81,664 operations per fuel provided, as about 244 based aircraft per fuel provider. This is in-line with the mean and medians of local airports with operations over 100,000.

Currently, there are 4 fuel providers at the airport. This number of providers is not supported by the number of operations and number of based aircraft, and likely is negatively impacting each of these businesses, which likely diminishes their ability to pay a fair rate of return on the underlying land.

Land rates at airports depend on land use. At the subject, the current land rate for FBO use is \$0.217 per square foot per year. The rate was set in 2000 at \$0.21 per square foot and over the years has remained flat. Beginning in 2016, annual CPI increases were established and remain in place under the expiration of the existing leases in 2021. This current rate specifically reflects the FBO use of the property. Land rates for other types of uses, such as commercial, non-aviation uses, are higher.

Based on our survey presented later, land rents for FBO or aviation uses typically range between \$0.14 and \$0.36 per square foot per year. Typical lease terms are 35 or more years. A long lease term is necessary to enable the tenant to invest in the property and then to recapture and depreciation that investment over a normal holding period. Lease terms of 40-50 years are more common as a result.

In summary, the general aviation market is a limited, specialized market that is influenced by the general economy as well as the aviation industry. Overall flight activity for the general aviation market has trended downward somewhat over the past five years. The forecast for the industry is for relatively stable, or flat, activity for the next 5 to 10 years. Traffic at the subject, however, has

outperformed the market, with overall increases. Given the strong economy in the subject's area, we expect the subject to perform the same as, or better, than the overall market in the foreseeable future.

Highest and Best Use

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

Analysis of Highest and Best Use As If Vacant

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

Legally Permissible

The subject site is zoned IP, Industrial Park which controls the general nature of permissible uses. The location of the subject property “inside” the fenced area of the airport results in a use restriction to airport-related uses. The subject is well-suited for these types of uses. There are no known easements, encroachments, covenants or other restrictions that would unduly limit or impede development.

Physically Possible

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

Financially Feasible

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

The level of operations and the number of based aircraft at the airport best support a maximum of two FBOs that sell fuel. The resulting land area for each FBO operator would be about 8.5 acres.

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 to configure the site into two FBO sites, with potentially smaller sites for other aviation uses, for development by the individual tenants.

Conclusion of Highest and Best Use As If Vacant

The conclusion of the highest and best use as if vacant is to subdivide the site into several sites for FBO and aviation use and development.

Analysis of Highest and Best Use as Improved

The subject is appraised assuming that it is vacant. An analysis of the highest and best use as improved, therefore, is beyond the scope of this assignment.

Most Probable Lessee

As of the date of value, the most probable lessee(s) or tenant(s) of the subject property are two Fixed Base Operators (FBOs). The most likely users would be members of the local community, as well as visitors to the area, arriving by plane.

Direct Comparison Approach

To develop an opinion of Market Rent, we have utilized a Direct Comparison Approach. The direct comparison approach develops an indication of market rent by analyzing consummated leases, listings, or pending leases of properties similar to the subject, focusing on the difference between the subject and the comparables using all appropriate elements of comparison. This approach is based on principles of supply and demand, balance, externalities, and substitution.

The first step in the Direct Comparison Approach is to research and analysis comparable rental properties. In our search for comparable, we have focused on properties with a similar highest and best use as the subject. These represent properties designated for FBO or aviation-related uses on airports.

There are few leases of FBO properties in the subject's area given that there are few airports in any regions, and leases to FBO or aviation-related uses are typically long-term and thus do not transact often. Yet, a direct comparison to leases of these types of uses represents the best and most reliable method available in estimating market rent for the subject.

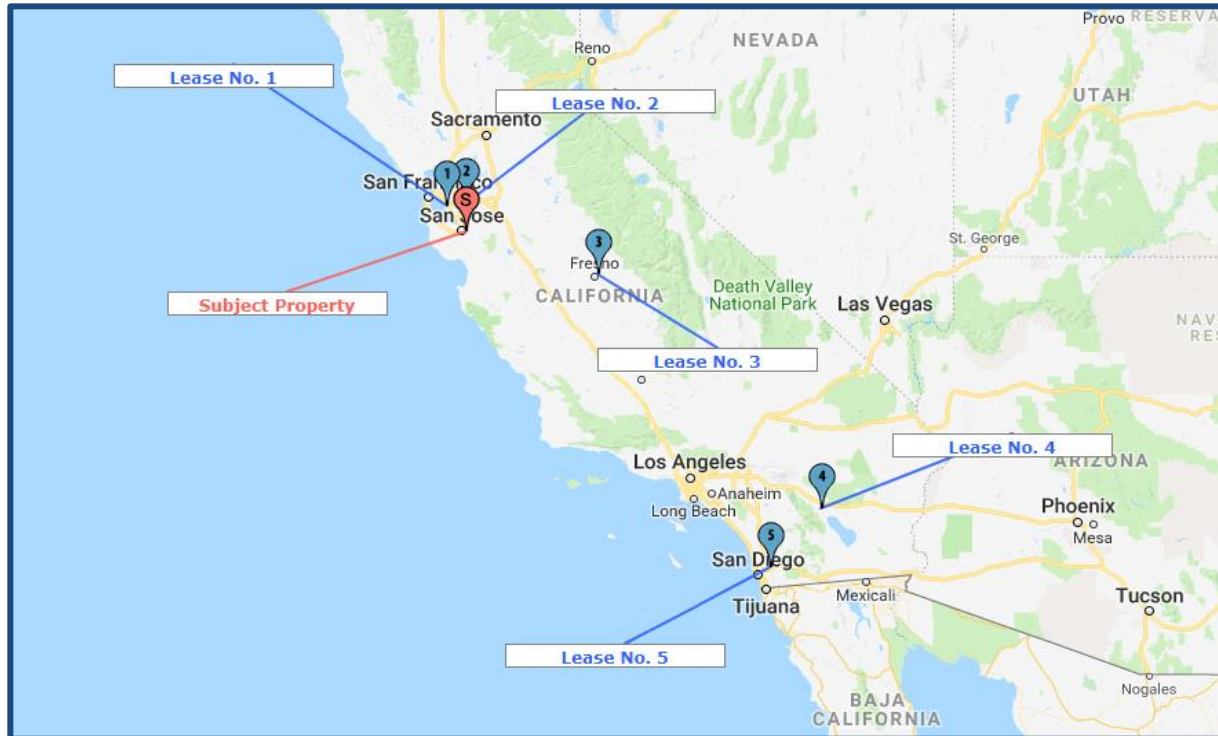
In our search for comparable properties, we searched for FBO sites that were located on airports that are similar to Reid Hillview in terms of runway length, number of based aircraft, and amenities available to pilots.

The most comparable leases are summarized in the table on the following page, followed by a map displaying the location of each comparable in relation to the subject. Summary sheets detailing each comparable are then included, followed by a map. Analysis of the comparables is provided after the individual summary sheets.

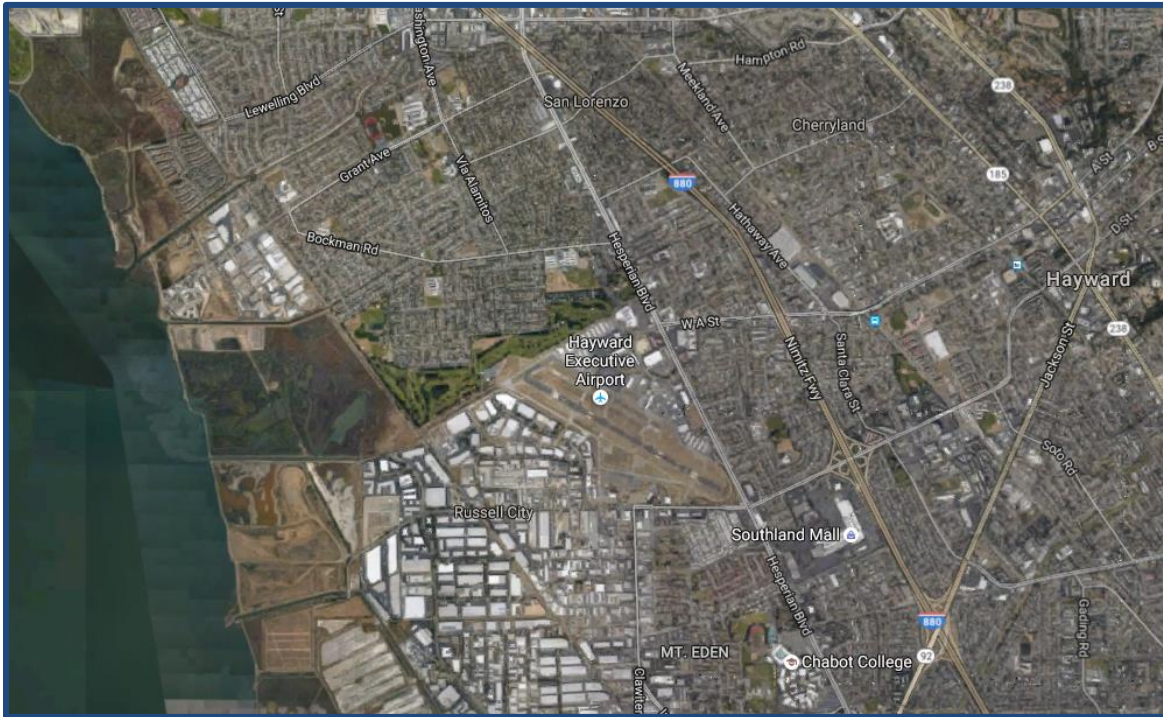
Rent Comparable Summary

Comp. No.	Date of Survey / Lease	Comp. Type	Property Name	Location	Annual Operations	# Based Aircraft	Leased Area (Acres)	Rental Rate / SF
1	January-14	Lease	Hayward Executive Airport	Hayward, California	116,800	452	7.23	\$0.32
2	December-13	Lease	Livermore Airport	Livermore, California	117,530	462	11.14	\$0.36
3	November-14	Lease	Fresno Yosemite Int'l Airport	Fresno, California	99,645	179	1.48	\$0.30
4	October-15	Lease	Jacqueline Cochrane Airport	Thermal, California	76,285	48	4.40	\$0.35
5	Available	Listing	Gillespie Field Airport	El Cajon, California	226,665	562	7.14	\$0.32

RENT COMPARABLE LOCATION MAP



RENT COMPARABLE 1



Property Identification

Property/Rent ID	113789/4544
Property Name	Hayward Executive Airport
Address	20301 Skywest Drive
City, State Zip	Hayward, California 94541
County	Alameda

Transaction Data

Lessor	Hayward Executive Airport	Term (mos.)	600
Lessee	Meridian Companies	Lease Type	Ground Lease
Tenant SF	314,939		
Lease Status	Executed	Rental Rates	
Commencement	January 1, 2014	Rent/SF	\$0.32
Expiration	December 31, 2063		

Property Description

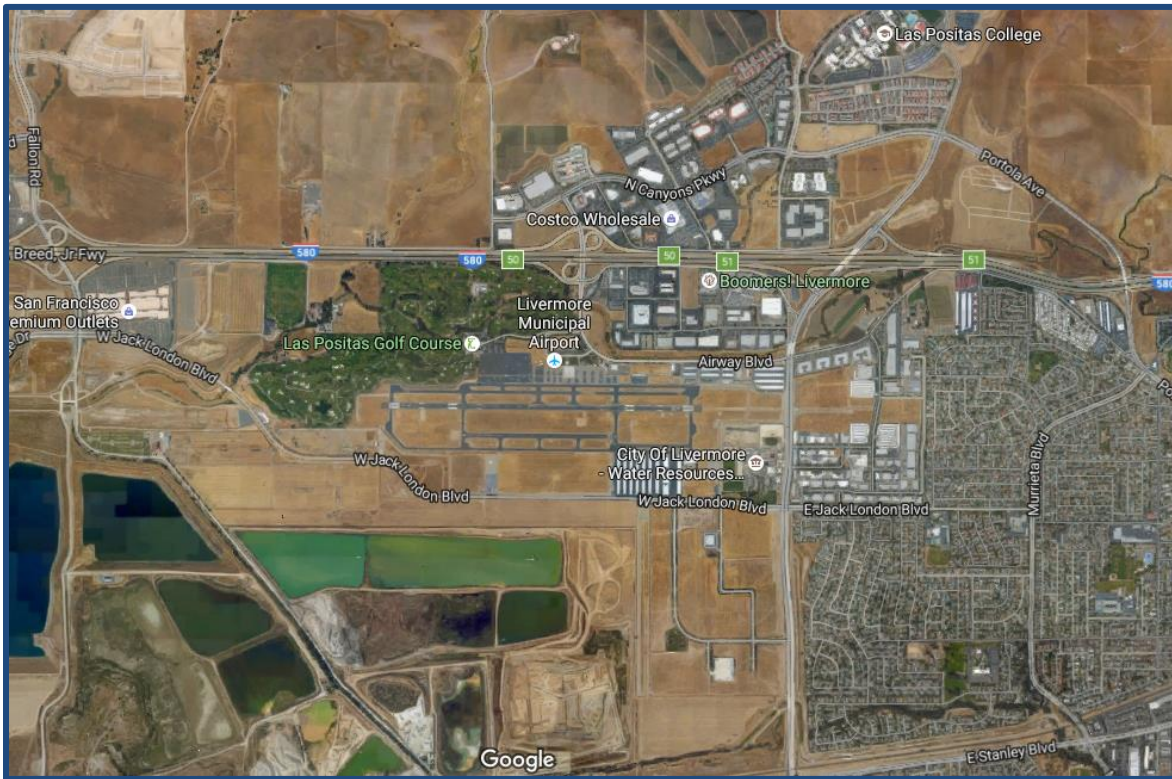
Gross Acres	543.00
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Remarks

Hayward Executive Airport is located about two miles west of downtown Hayward. It has two asphalt runways. One is 5,694 by 150 feet, the second is 3,107 by 75 feet. The airport was a former military airport and is now designated as a reliever airport, meaning that it is designated to provide relief or additional capacity to the primary airports in the area (such as San Francisco International, San Jose International, and Oakland International) and to accommodate general aviation aircraft in the area.

This lease, which represents Phase I, is 7.23 acres (314,939 sf) in size and includes the construction of a 122,500 sf aircraft parking apron, one 18,000-sf aircraft storage hangar, and an attached 3,000-sf passenger terminal with reception area, pilot lounge, weather briefing room, and administrative offices. This phase will also include the construction of an above-ground fuel storage facility with a capacity of 30,000 gallons, a 40-vehicle parking lot, and a two-lane entrance road that connects to West Winton Avenue. The tenant indicates an estimate of \$5.6 million to build out the improvements for Phase I.

RENT COMPARABLE 2



Property Identification

Property/Rent ID	113792/4548
Property Name	Livermore Airport
Address	36 Terminal Circle
City, State Zip	Livermore, California 94551
County	Alameda

Transaction Data

Lessor	Livermore Airport	Lease Type	Ground Lease
Lessee	Five Rivers Aviation, LLC	Renewal Options	Yes
Tenant SF	485,258	Renewal Detail	2, 5-year periods
Lease Status	Executed		
Commencement	December 1, 2013	Rental Rates	
Expiration	November 30, 2048	Rent/SF	\$0.36
Term (mos.)	420		

Property Description

Gross Acres	650.00
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Remarks

Livermore Municipal Airport is located about three miles northwest of downtown Livermore, California. It has two asphalt runways which are parallel to each other. The first is 5,253 by 100 ft, the second is 2,699 by 75 ft. The airport is designated as a reliever airport, meaning that it is designated to provide relief or additional capacity to the primary airports in the area (such as San Francisco International, San Jose International, and Oakland International) and to accommodate general aviation aircraft in the area. The airport has about 400 hangars onsite and is 100% occupied. There is a waiting list. It is a busy airport with a high number of based aircraft, likely due to the relatively low rental rates for the region. The immediate area is rural, but in the path of development.

This lease is a 35-year lease renewal with two additional 5-year options under the same conditions as the original lease.

RENT COMPARABLE 3



Property Identification

Property/Rent ID	113791/4547
Property Name	Fresno Yosemite International Airport
Address	5175 E Clinton Way
City, State Zip	Fresno, California 93727
County	Fresno

Transaction Data

Lessor	Fresno Yosemite International Airport	Term (mos.)	240
Lessee	ROAM	Lease Type	Ground Lease
Tenant SF	64,402	Rental Rates	
Lease Status	Executed	Rent/SF	\$0.30
Commencement	November 1, 2014		
Expiration	October 31, 2034		

Property Description

Gross Acres	1,728
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Remarks

Fresno Yosemite International Airport is a joint civil-military airport located in the heart of Fresno. It is 1,728 acres in size and has two runways and a helipad. The runways are 9,539 and 8,008 feet long. Fresno airport has multiple commercial airlines using the airport including Alaska Airlines, American Airlines, Delta, and United – however total operations for the airport for 2017 were still under 100,000.

This ground lease starts on the Effective date and ends 20 years after the Date of Beneficial Occupancy (date a certificate of occupancy is issued for the new improvements or 12 months from the effective date, whichever is earlier).

RENT COMPARABLE 4



Property Identification

Property/Rent ID	130303/11757
Property Name	Jacqueline Cochrane Airport
Address	56-850 Higgins Drive
City, State Zip	Thermal, California 92274
County	Riverside

Transaction Data

Lessor	County of Riverside	Lease Type	Ground Lease
Lessee	Desert Jet Center	Renewal Options	Yes
Tenant SF	191,664	Renewal Detail	1 5-year option
Lease Status	Executed		
Lease Signed	October 6, 2015		
Commencement	November 1, 2015		
Expiration	October 31, 2050		
Term (mos.)	420		

Rental Rates

Rent/SF	\$0.35
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Property Description

Gross Acres	1,850.00
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Remarks

Jacqueline Cochran Regional Airport is located in Thermal, California in the Coachella Valley, about 20 miles southeast of Palm Springs. It has two asphalt runways, one of which is 8,500 feet long and the other is 4,995 feet long. While the airport only has 44 based aircraft and had only about 76,000 operations last year, there are 4 fuel providers.

This is the lease of vacant land on which to build an FBO - approximate 7,000-sf office building and 22,500-sf hangar with approximately 2,700 sf of maintenance stop for servicing aircraft, and a fuel station, with an additional 10,000 of hangar space to be built within the first five years of the lease. Monthly rent of \$5,596.80 plus fuel flowage fee of 10 cents per gallon (12 cents minus 2 cents per gallon for on-time payment of rent/fee). Rent has CPI adjustment annually, and adjusts to market July 1, 2020 and every 5 years afterwards.

RENT COMPARABLE 5



Property Identification

Property/Rent ID	130359/11785
Property Name	Gillespie Field Airport
Address	N Marshall Ave
City, State Zip	El Cajon, California 92020
County	San Diego

Transaction Data

Lessor	County of San Diego	Term (mos.)	360
Lessee	Velocity CEA SD LLC	Lease Type	Ground Lease
Tenant SF	311,018		
Lease Status	Executed		
Commencement	March 1, 2018		
Expiration	February 29, 2048		

Rental Rates

Rent/SF	\$0.32
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Property Description

Gross Acres	758.00
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Remarks

Gillespie Field is located in El Cajon, 10 miles northeast of downtown San Diego. It is 758 acres in size and has three asphalt runways measuring 5,342 feet, 4,145 feet and 2,738 feet long. The airport is the home of the San Diego Air and Space Museum Gillespie Field Annex, which displays many vintage and modern airplanes as well as a replica of the Spirit of St. Louis.

This lease represents the purchase and renegotiation of a ground lease on the airport. Velocity is purchasing the FBO/ground lease from the previous leaseholder, and plans to do substantial capital improvements. Therefore they are looking to extend the previous lease to a new full 30-year term. The base monthly rent starts at \$8211 per month until December 1, 2018 when it adjusts to \$8,568, which is the same as the existing lease. Thereafter base monthly rent will adjust on the same schedule and terms contained in the existing lease. As part of the new lease, lessee is required to meet a minimum capital investment requirement of \$907,375 (which reportedly is well within their plans for upgrading the property).

Market Rent Analysis

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

Transaction Adjustments

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

Expense Structure

The market rent estimate is based on a triple net lease structure. As the rent comparables exhibited rental rates negotiated on the same basis, no expense structure adjustments were warranted.

Rental Concessions

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

Conditions of Lease

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

Market Conditions Adjustment

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

The rent comparables range in signing dates from 2013 to a current listing. General market conditions have improved significantly since that time, and land for most types of uses has increased as well. However, the aviation market remained relatively flat. Recognizing the general increase in market and economic conditions, as well as the fact that the subject airport has outperformed the market over the past 5 years, we have applied a 3% annual increase to each of the comparables to reflect current market conditions.

Property Adjustments

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

Our reasoning for the adjustments made was based on our market research, best judgement, and experience in the appraisal of similar properties.

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 location adjustment considers only the general, regional location of the subject airport. Factors such as the specific activity of the airport and the airport physical characteristics are considered later.

All the surveyed airports required upward adjustment relative to the subject's regional location. Our adjustments considered factors such as the population and median household incomes of the areas, as well as general economic activity. The adjustments for this factor ranged between 20% and 40%, recognizing the desirable regional location of the subject within Silicon Valley.

Leased Area

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

The subject consists of about 18 acres and is best suited for 2 FBOs that provide fuel, and possibly other smaller tenants. Considering this configuration, we made a downward adjustment to Comparable 3, which is about 1.5 acres in size. The other comparables were more similar in size to the most likely configurations of the subject and thus required no size adjustment.

Rent Escalations

Most FBO and aviation leases have either annual CPI increases, or cumulative CPI increases every five years. Many long-term leases also include re-valuation clauses every 20 to 25 years. This represents the lease terms that we would also expect for the subject, and the terms upon which the market rent estimate is based. No adjustment is necessary, therefore, for this factor.

Lease Term

Most leases require an investment by the tenant in the airport, such as building construction and site improvements. These improvements typically have useful lives of over 40 years. A tenant must have sufficient number of years in which he can amortize and depreciate his investment in the property. If a sufficient lease term is not provided, the value of the underlying land is negatively impacted.

Most of the leases surveyed included lease terms of over 40 years. Comparable 3, however, had a shorter term and thus required an upward adjustment for this factor. The other comparables had terms of 40 to 50 years and required no adjustment.

Airport Operations and Number of Based Aircraft

The level of activity at an airport will impact the businesses that operate there, and thus impact the rent for the facility. In evaluating the level of airport activity, we considered both the level of operations as well as the number of based aircraft. Comparables 1 and 2, the Hayward Executive Airport and the Livermore Airport, are considered the most similar to the subject in this regard. Therefore, no adjustment was made for the level of airport activity for these comparables. Comparables 3 and 4 required upward adjustments in this category, while Comparable 5 required a downward adjustment.

Longest Runway Length

The length of the longest airport runway impacts the type of aircraft that can use the facility, and thus the type of businesses that can operate at the facility. Reid Hillview has a runway length of 3,100 feet, which cannot accommodate most modern jets. All the other airports surveyed had longer runways and thus could attract a wider variety of aircraft and businesses. For this reason, each of these comparables was adjusted downward to reflect the subject's runway limitations.

Summary of Adjustments

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

RENT COMPARABLE ADJUSTMENT GRID

		Rental 1	Rental 2	Rental 3	Rental # 4	Rental # 5
Comparable ID		4544	4548	4547	11757	11785
Date of Value & Survey/Lease Date		January-14	December-13	November-14	October-15	Available
Property Name	Reid Hillview FBO Land	Hayward Executive	Livermore Airport	Fresno Yosemite	Jacqueline Cochrane	Gillespie Field Airport
Land Area (acres)	18 acres	7.23	11.14	1.48	4.4	7.14
Annual Rental Rate		\$0.32	\$0.36	\$0.30	\$0.35	\$0.32
Transactional Adjustments						
Expense Structure	<i>NNN</i>	<i>NNN</i>	<i>NNN</i>	<i>NNN</i>	<i>NNN</i>	<i>NNN</i>
	<i>Annual Expenses (PSF)</i>	<i>\$0.00</i>	<i>\$0.00</i>	<i>\$0.00</i>	<i>\$0.00</i>	<i>\$0.00</i>
Rent Concessions						
Adjustment		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Effective Rental Rate		\$0.32	\$0.36	\$0.30	\$0.35	\$0.32
Conditions of Lease						
Adjustment		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Adjusted Rental Rate		\$0.32	\$0.36	\$0.30	\$0.35	\$0.32
Market Conditions Adjustments						
Elapsed Time from Date of Value		<i>4.08 years</i>	<i>4.17 years</i>	<i>3.25 years</i>	<i>2.33 years</i>	<i>0.00 years</i>
Market Trend Through	February-18	12.3%	12.5%	9.8%	7.0%	-
Analyzed Rental Rate		\$0.36	\$0.41	\$0.33	\$0.37	\$0.32
Property Adjustments						
Regional Location	<i>Reid Hillview</i>	<i>Hayward</i>	<i>Livermore</i>	<i>Fresno Yosemite</i>	<i>J Cochrane</i>	<i>Gillespie Field Airport</i>
Adjustment		20.0%	30.0%	30.0%	25.0%	40.0%
Leased Area	<i>377,164 sf for 2 FBOs</i>	<i>314,939 sf</i>	<i>485,258 sf</i>	<i>64,402 sf</i>	<i>191,664 sf</i>	<i>311,018 sf</i>
Adjustment		-	-	-10.0%	-	-
Rent Escalations	<i>Typical</i>	<i>Typical</i>	<i>Typical</i>	<i>Typical</i>	<i>CPI</i>	<i>Market</i>
Adjustment		-	-	-	-	-
Lease Term	<i>40+ years</i>	<i>50.0 years</i>	<i>45.0 years</i>	<i>20.0 years</i>	<i>40.0 years</i>	<i>Market</i>
Adjustment		-	-	20.0%	-	-
Airport Ops/Based Aircraft	<i>163,327 487</i>	<i>Similar</i>	<i>Similar</i>	<i>Inferior</i>	<i>Inferior</i>	<i>Superior</i>
Adjustment		-	-	10.0%	25.0%	-20.0%
Longest Runway Length	<i>3,100</i>	<i>5,694</i>	<i>5,253</i>	<i>9,539</i>	<i>8,500</i>	<i>5,342</i>
Adjustment		-25.0%	-25.0%	-30.0%	-30.0%	-25.0%
Net Physical Adjustment		-5.0%	5.0%	20.0%	20.0%	-5.0%
Adjusted Annual Rental Rate		\$0.34	\$0.43	\$0.40	\$0.45	\$0.30

Conclusions

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

Rent Comparable Statistics

Metric	Unadjusted	Adjusted
Minimum Rental Rate	\$0.30	\$0.30
Maximum Rental Rate	\$0.36	\$0.45
Median Rental Rate	\$0.32	\$0.40
Mean Rental Rate	\$0.33	\$0.38

The comparables indicated a potential range of market rent ranging from \$0.30 to \$0.45 per square foot per year. Comparables 1 and 2, at \$0.34 and \$0.43, respectively, are considered most similar to the subject, given their San Francisco Bay Area location.

Considering current market conditions, as well as the specific attributes of the subject airport, we conclude to a rate of \$0.35 per square foot per year. This is based on a typical lease term of at least 40 years, with annual CPI increases, or cumulative CPI increases every five years. A revaluation clause every 10 to 20 years is also market supported.

Value Conclusion

Component	Land Only
Value Type	Market Rent
Effective Date of Value	February 9, 2018
Value Conclusion	\$0.35/s.f./year

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 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.

9. 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.
10. 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.
11. 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.
12. 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.
13. 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.
14. 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.
15. This appraisal shall be used only for the function outlined herein, unless expressly authorized by Valbridge Property Advisors | Hulberg and Associates.
16. This appraisal shall be considered in its entirety. No part thereof shall be used separately or out of context.
17. 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.

18. 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.
19. 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.
20. 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. 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.
21. 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.
22. 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.
23. 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.
24. This appraisal applies to the land 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.

25. 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.
26. 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.
27. 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.
28. 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.
29. 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.

30. 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.
31. 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.
32. This report and any associated work files may be subject to evaluation by Valbridge Property Advisors, Inc., or its affiliates, for quality control purposes.
33. Acceptance and/or use of this appraisal report constitutes acceptance of the foregoing general assumptions and limiting conditions.

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 not performed services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
5. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
6. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
8. My analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
9. Yvonne J. Broszus, MAI 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 continuing education program for Designated Members of the Appraisal Institute.



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

Addenda

Glossary

Qualifications

- Yvonne J. Broszus, MAI - Director

Information on Valbridge Property Advisors

Office Locations

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% 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 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

Contact Details

408-279-1520 ext. 7135 (p)
408-279-3428 (f)
ybroszus@valbridge.com (e)

Valbridge Property Advisors |
Northern California
55 South Market, Suite 1210
San Jose, CA 95113

www.valbridge.com

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.

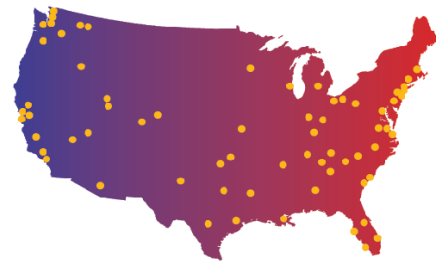
- Valbridge services all property types, including special-purpose properties.

- 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.





ALABAMA

4732 Woodmere Boulevard
Montgomery, AL 36106
334.277.5077

ARIZONA

6061 E. Grant Road
Suite 121
Tucson, AZ 85712
520.321.0000

CALIFORNIA

4915 Calloway Drive
Suite 101
Bakersfield, CA 93312
661.587.1010

1370 N. Brea Boulevard
Suite 255
Fullerton, CA 92835
714.449.0852

2813 Coffee Road
Suite E-2
Modesto, CA 95355
209.569.0450

99 S. Lake Avenue
Suite 21
Pasadena, CA 91101
626.744.0428

3353 Bradshaw Road
Suite 213
Sacramento, CA 95827
916.361.2509

55 South Market Street
Suite 1210
San Jose, CA 95113
408.279.1520

3160 Crow Canyon Place
Suite 245
San Ramon, CA 94583
925.327.1660

COLORADO

7445 E. Peakview Avenue
Centennial, CO 80111
303.443.9600

23272 Two Rivers Road
Unit 101
Basalt, CO 81621
970.340.1016

1099 Main Avenue
Suite 311
Durango, CO 81301

CONNECTICUT

6 Central Row
Third Floor
Hartford, CT 06103-2701
860.246.4606

17 Covewood Drive
Norwalk, CT 06853
203.286.6520

FLORIDA

2240 Venetian Court
Naples, FL 34109
239.514.4646

FLORIDA (cont'd.)

8200 NW 41st Street
Suite 200
Doral, FL 33166
305.639.8029

603 Hillcrest Street
Orlando, FL 32803
407.839.3626

1100 16th Street N
St. Petersburg, FL 33705
727.894.1800

2711 Poinsettia Avenue
West Palm Beach, FL 33407
561.833.5331

GEORGIA

2675 Paces Ferry Road
Suite 145
Atlanta, GA 30339
678.644.4853

IDAHO

1459 Tyrell Lane
Suite B
Boise, ID 83706
208.336.1097

1875 N. Lakewood Drive
Suite 100
Coeur d'Alene, ID 83814
208.292.2965

ILLINOIS

566 W. Lake Street
Suite 240
Chicago, IL 60661
312.288.8687

INDIANA

820 Fort Wayne Avenue
Indianapolis, IN 46204
317.687.2747

KANSAS

10990 Quivira Road
Suite 100
Overland Park, KS 66210
913.451.1451

KENTUCKY

900 Wessex Place
Suite 306
Louisville, KY 40222
502.585.3651

LOUISIANA

512 North Causeway Boulevard
Metairie, LA 70001
504.207.7730

MARYLAND

11100 Dovedale Court
Marriottsville, MD 21104
443.333.5522

MASSACHUSETTS

260 Bear Hill Road
Suite 106
Waltham MA 02451
781.790.5645

MICHIGAN

1420 Washington Blvd.
Suite 301
Detroit, MI 48226
313.986.3313.

2127 University Park Drive
Suite 390
Okemos, MI 48864
517.336.0001

MINNESOTA

222 South 9th Street
Suite 825
Minneapolis, MN 55402
612.253.0650

MISSOURI

10990 Quivira Road
Suite 100
Overland Park, KS 66210
913.451.1451

NEVADA

3034 S. Durango Drive
Suite 100
Las Vegas, NV 89117
702.242.9369

NEW JERSEY

2740 Route 10 West, Suite 204
Morris Plains, NJ 07950
973.970.9333

3500 Route 9 South, Suite 202
Howell, NJ 07731
732.807.3113

NEW YORK

424 West 33rd Street
Suite 630
New York, NY 10001
212.268.1113

NORTH CAROLINA

412 E. Chatham Street
Cary, NC 27511
919.859.2666

4530 Park Road, Suite 100
Charlotte, NC 28209
704.376.5400

OHIO

1655 W. Market Street
Suite 130
Akron, OH 44313
330.899.9900

8291 Beechmont Ave.,
Suite B
Cincinnati, OH 45255
513.785.0820

1422 Euclid Avenue
Suite 1070
Cleveland, OH 44115
216.367.9690

OKLAHOMA

6525 N. Meridian Avenue
Suite 309
Oklahoma City, OK 73116
405.603.1553

6666 South Sheridan Road
Suite 104
Tulsa, OK 74133
918.712.9992

PENNSYLVANIA

150 S. Warner Road
Suite 440
King of Prussia, PA 19406
215.545.1900

4701 Baptist Road
Suite 304
Pittsburgh, PA 15227
412.881.6080

SOUTH CAROLINA

610 N. Main Street
Greenville, SC 29601
864.233.6277

920 Bay Street
Suite 26
Beaufort, SC 29902
843.342.2302

1250 Fairmont Avenue
Mt. Pleasant, SC 29464
843.881.1266

TENNESSEE

112 Westwood Place
Suite 300
Brentwood, TN 37027
615.369.0670

701 Broad Street
Suite 209
Chattanooga, TN 37402
423.285.8435

213 Fox Road
Knoxville, TN 37922
865.522.2424

6750 Poplar Avenue
Suite 706
Memphis, TN 38138
901.753.6977

TEXAS

High Point Center
12225 Greenville Avenue
Suite 490
Dallas, TX 75243
214.446.1611

974 Campbell Road
Suite 204
Houston, TX 77024
713.467.5858

2731 81st Street
Lubbock, TX 79423
806.744.1188

111 Soledad
Suite 800
San Antonio, TX 78205
210.227.6229

UTAH

260 South 2500 West
Suite 301
Pleasant Grove, UT 84062
801.492.9328

1100 East 6600 South
Suite 201
Salt Lake City, UT 84121
801.262.3388

20 North Main
Suite 304
St. George, UT 84770
435.773.6300

VIRGINIA

656 Independence Parkway
Suite 220
Chesapeake, VA 23320
757.410.1222

7400 Beaufort Springs Drive
Suite 300
Richmond, VA 23225
804.672.4473

5107 Center Street
Unit 2B
Williamsburg, VA 23188
757.345.0010

WASHINGTON

18728 Bothell Way, NE
Suite B
Bothell, WA 98011
425.450.0040

2927 Colby Avenue
Suite 100
Everett, WA 98201
425.258.2611

419 Berkeley Avenue
Suite A
Fircrest, WA 98466
253.274.0099

8378 W. Grandridge Boulevard
Suite 110-D
Kennewick, WA 99336
509.221.1540

506 Second Avenue
Suite 1001
Seattle, WA 98104
206.209.3016

324 N. Mullan Road
Spokane Valley, WA 99206
509.747.0999

WISCONSIN

12660 W. North Avenue
Brookfield, WI 53005
262.782.7990

CORPORATE OFFICE

2240 Venetian Court
Naples, FL 34109

239-325-8234 phone
239-325-8356 fax

valbridge.com