



Valbridge
PROPERTY ADVISORS

Appraisal Report

A Portion of Block 15, Downtown Sunnyvale
South Mathilda Avenue north of West Iowa Avenue
Sunnyvale, Santa Clara County, California 94086

Report Date: October 5, 2017



FOR:

Related California
Mr. Andrew Schorfhaar
44 Montgomery Street #1300
San Francisco, CA 94104

Valbridge Property Advisors

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October 5, 2017

Maria Aji, PhD
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Mr. Andrew Schorfhaar
Related California
44 Montgomery Street #1300
San Francisco, CA 94104

RE: Appraisal Report
A Portion of Block 15, Downtown Sunnyvale
South Mathilda Avenue north of West Iowa Avenue
Sunnyvale, Santa Clara County, California 94086

Dear Mr. Schorfhaar:

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 along South Mathilda Avenue north of West Iowa Avenue, Sunnyvale, Santa Clara County, California 94086 and is further identified as Assessor Parcel Numbers (APNs) 165-13-045, 165-13-046, 165-13-068, 165-13-069, 135-13-073, and 165-13-074. The subject site contains 62,533 square feet or 1.44 acres and is improved with several structures that add interim value to the subject property as a whole.

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.

Related California is our client in this assignment and along with the City of Sunnyvale will be the sole intended users of this appraisal and report and no others. The intended use is for establishing the market value of the land in order to assist in negotiations of a long-term ground lease and no other use. The value opinions reported herein are subject to the definitions, assumptions and limiting conditions, and certification contained in this report.

This is an as is appraisal of the subject land, without any proposed entitlements or for any specific project, but considering the existing Specific Plan designation of the property for very high-density residential development.

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 with information on the size of the subject property was not provided to us for review. We have estimated the subject area based on tools available through public records, Google Earth and the assessor plat map. It is an extraordinary assumption of this report that the estimated subject area is correct. If a future site survey reveals a different site area, the estimated value of the subject property will need revisiting.

Hypothetical Conditions:

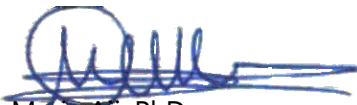
- The six parcels are appraised as if assembled. However, the six parcels were not assembled, albeit were under one ownership, as of the date of value. This valuation scenario, therefore, represents a hypothetical condition, assumed for purposes of analysis, as requested by the client.

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

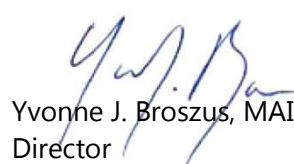
Value Conclusions

| Component | As Is |
|---------------------------|---------------------|
| Value Type | Market Value |
| Property Rights Appraised | Fee Simple |
| Effective Date of Value | April 26, 2017 |
| Value Conclusion | \$9,380,000 |
| | \$149.94 psf |

Respectfully submitted,
Valbridge Property Advisors



Maria Aji, PhD
Senior Appraiser
California Certified License #AG027130



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

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Summary of Salient Facts

Property Identification

| | |
|----------------------|---|
| Property Name | A Portion of Block 15, Downtown Sunnyvale |
| Property Address | South Mathilda Avenue north of West Iowa Avenue Sunnyvale, Santa Clara County, California, 94086 |
| Latitude & Longitude | 37.373895, -122.035934 |
| Census Tract | 5086.01 |
| Tax Parcel Numbers | 165-13-045, 165-13-046, 165-13-068, 165-13-069, 135-13-073, and 165-13-074 |
| Property Owner | City of Sunnyvale |

Site

| | |
|--------------------|------------------------------|
| Zoning | Downtown Specific Plan (DSP) |
| FEMA Flood Map No. | 06085C0206H |
| Flood Zone | X |
| Primary Land Area | 1.436 acres |

Valuation Opinions

| | |
|--------------------------------|---|
| Highest & Best Use - As Vacant | High-density residential or mixed-use commercial/ residential development |
| Reasonable Exposure Time | 6 months |
| Reasonable Marketing Time | 6 months |

Value Conclusions

| Component | As Is |
|---------------------------|---------------------|
| Value Type | Market Value |
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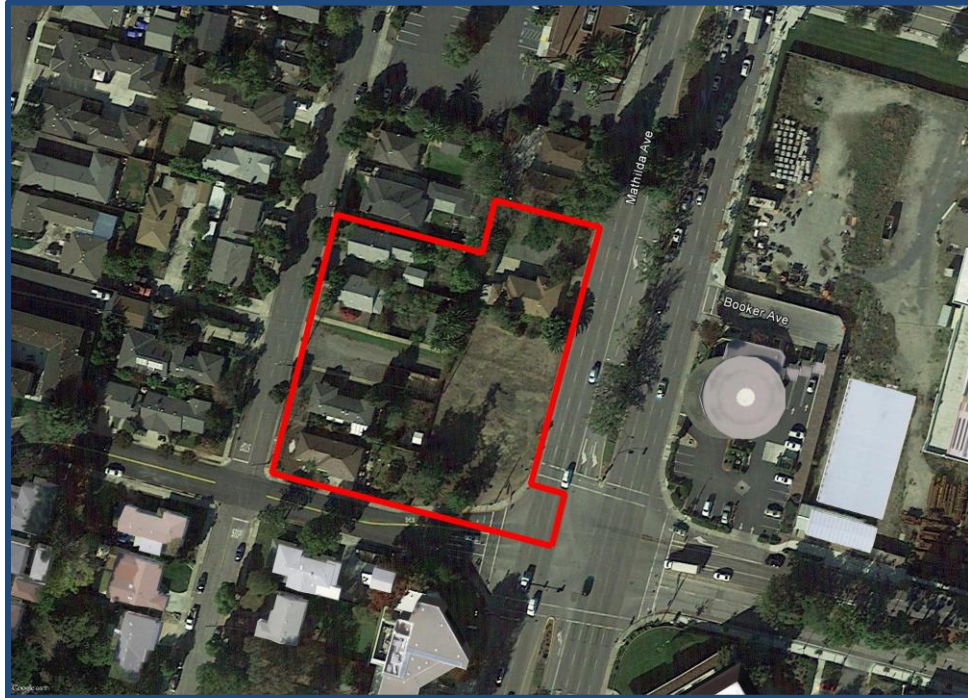
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Hypothetical Conditions:

- The six parcels are appraised as if assembled. However, the six parcels were not assembled, albeit were under one ownership, as of the date of value. This valuation scenario, therefore, represents a hypothetical condition, assumed for purposes of analysis, as requested by the client.

Aerial and Front Views

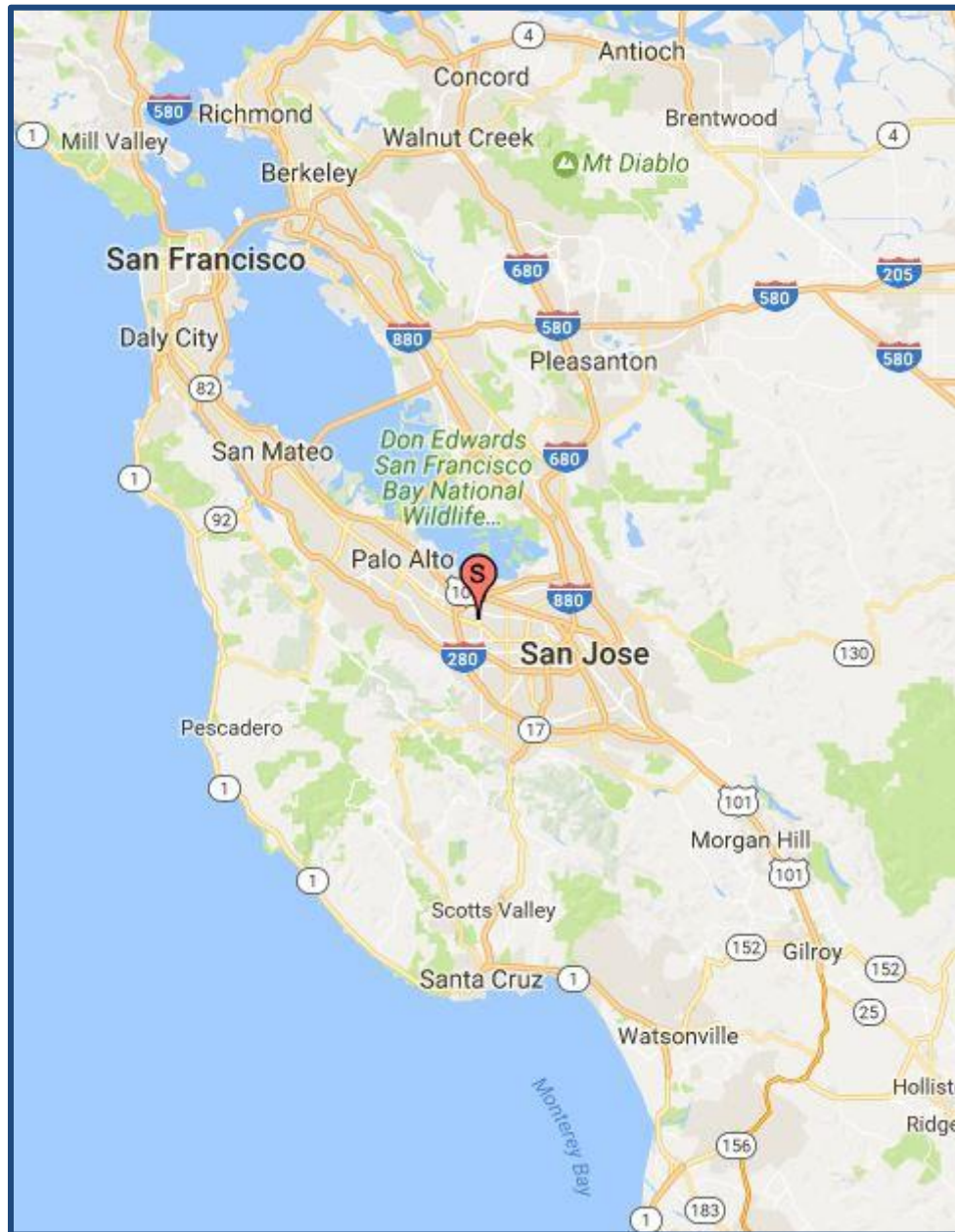
AERIAL VIEW



FRONT VIEW



Location Map



Introduction

Client and Intended Users of the Appraisal

Related California is our client in this assignment and along with the City of Sunnyvale will be the sole intended users of this appraisal and report and no others.

Intended Use of the Appraisal

The intended use of this report is for establishing the market value of the land in order to assist in negotiations of a long-term ground lease and no other use.

Real Estate Identification

The subject property is located along South Mathilda Avenue north of West Iowa Avenue, Sunnyvale, Santa Clara County, California 94086. The subject property is further identified by Assessor Parcel Numbers (APNs) 165-13-045, 165-13-046, 165-13-068, 165-13-069, 135-13-073, and 165-13-074.

Legal Description

We were not provided with a legal description of the subject. We assume that the legal description would correspond to the Assessor's Parcel Numbers.

Use of Real Estate as of the Effective Date of Value

As of the effective date of value, the subject was improved with several residences some of which were occupied.

Use of Real Estate as Reflected in this Appraisal

The subject is multi-family land for redevelopment.

Ownership of the Property

According to public records, title to the subject property is vested in the City of Sunnyvale.

History of the Property

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

Listings/Offers/Contracts

The subject is not currently listed for sale or under contract for sale. We are unaware of any offers to purchase the subject property. We note, however, that Related California is in negotiations with the City to lease the subject site, with the intention to develop an affordable housing project.

Type and Definition of Value

The appraisal problem (the term "Purpose of Appraisal" has been retired from appraisal terminology) is to develop an opinion of the market value of the subject property. "Market Value," as used in this

appraisal, is defined as “the most probable price that a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus.” Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- *Buyer and seller are typically motivated.*
- *Both parties are well informed or well advised, each acting in what they consider their own best interests;*
- *A reasonable time is allowed for exposure in the open market;*
- *Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and*
- *The price represents the normal consideration for the property sold unaffected by special or creative financing or sale concessions granted by anyone associated with the sale.”¹*

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

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

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 |
|---|-------------------------|
| As Is Market Value of the Fee Simple Interest | August 22, 2017 |

We completed an appraisal inspection of the subject property on August 22, 2017.

Date of Report

The date of this report is October 6, 2017, which is the same as the date of the letter of transmittal.

List of Items Requested but Not Provided

- Preliminary Title Report
- Site survey

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

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 with information on the size of the subject property was not provided to us for review. We have estimated the subject area based on tools available through public records, Google Earth and the assessor plat map. It is an extraordinary assumption of this report that the estimated subject area is correct. If a future site survey reveals a different site area, the estimated value of the subject property will need revisiting.

Hypothetical Conditions

- The six parcels are appraised as if assembled. However, the six parcels were not assembled, albeit were under one ownership, as of the date of value. This valuation scenario, therefore, represents a hypothetical condition, assumed for purposes of analysis, as requested by the client.

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 addresses and Assessor Parcel Numbers (APNs) provided by the client.
- Economic Characteristics - Economic characteristics of the subject property were identified via information provided by the client, discussion with active market participants, as well as a comparison to properties with similar locational and physical characteristics.
- Physical Characteristics - The subject was physically identified via a physical property inspection by Maria Aji, PhD.

Extent to Which the Property Was Inspected

We inspected the subject property on August 22, 2017.

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 four primary methodologies available for the estimation of land value: (1) Sales Comparison, (2) Land Residual Method, (3) Ground Rent Capitalization, and (4) Subdivision Development Method (Discounted Cash Flow). 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.

- Sales Comparison Approach - In the sales comparison approach, value is indicated by recent sales and/or listings of comparable properties in the market, with the appraiser analyzing the impact of material differences in both economic and physical elements between the subject and the comparables.

- Direct Capitalization: Land Residual Method - The land residual methodology involves estimating the residual net income to the land by deducting from total potential income the portion attributable to the improvements, assuming development of the site at its highest and best use. The residual income is capitalized at an appropriate rate, resulting in an indication of land value.
- Direct Capitalization: Ground Rent Capitalization – A market derived capitalization rate is applied to the net income resulting from a ground lease. This can represent the leased fee or fee simple interest, depending on whether the income potential is reflective of a lease in place or market rental rates.
- Yield Capitalization: Subdivision Development Method – Also known as Discounted Cash Flow Analysis (DCF), the methodology is most appropriate for land having multiple lot development in the near term as the highest and best use. The current site value is represented by discounting the anticipated cash flow to a present value, taking into consideration all necessary costs of development, maintenance, administration, and sales throughout the absorption period.

All of these approaches to value were considered. We assessed the availability of data and applicability of each approach to value within the context of the characteristics of the subject property and the needs and requirements of the client. Based on this assessment, we relied upon the sales comparison approach. The Sales Comparison Approach is the most relevant approach in valuing the fee simple interest in land. Further discussion of the extent of our analysis and the methodology of the approach used is provided later in the valuation section.

Appraisal Conformity and Report Type

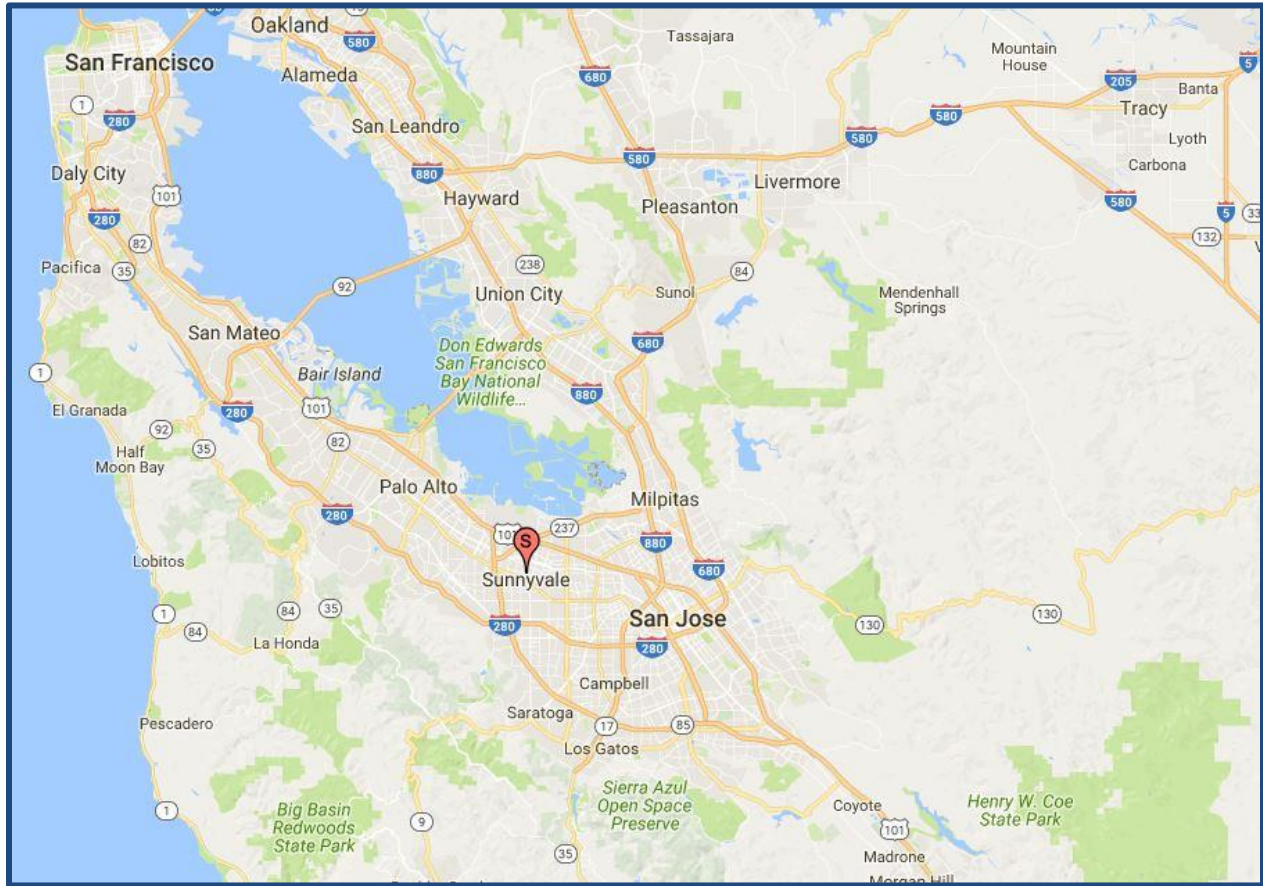
We developed our analyses, opinions, and conclusions and prepared this report in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation; the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute; and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

Personal Property/FF&E

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

Regional and Market Area Analysis

REGIONAL MAP



Overview

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

Population

Santa Clara County is the most populous of the nine counties comprising the San Francisco Bay Region, with an estimated 1,938,180 residents as of January 1, 2017⁶ according to the State of California Department of Finance. San Jose is the largest city in the county and the third largest in California, surpassing San Francisco.

According to the Site to Do Business projections, presented on the following page, the county's population is expected to increase 1.4% between 2016 and 2021, while Sunnyvale will increase approximately 1.4% over the same period.

Population

| Area | 2000 | 2010 | Annual % Change 2000 - 10 | Estimated 2016 | Projected 2021 | Annual % Change 2016 - 21 |
|--------------------|-------------|-------------|---------------------------------|-------------------|-------------------|---------------------------------|
| United States | 281,421,906 | 308,745,538 | 1.0% | 323,580,626 | 337,326,118 | 0.8% |
| California | 33,871,648 | 37,253,956 | 1.0% | 38,986,171 | 40,718,391 | 0.9% |
| Santa Clara County | 1,682,585 | 1,781,642 | 0.6% | 1,911,024 | 2,043,021 | 1.4% |
| Sunnyvale | 131,018 | 140,031 | 0.7% | 151,310 | 162,186 | 1.4% |

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 9.8 million passengers in 2015. 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, San Jose International Airport has embarked on a \$1.8 billion expansion that will eventually allow the airport to handle 17.3 million travelers a year.

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 | 2016 Estimate | Percent of Employment |
|--|----------------|-----------------------|
| Agriculture/Mining | 6,369 | 0.66% |
| Construction | 48,764 | 5.04% |
| Manufacturing | 180,468 | 18.66% |
| Wholesale trade | 21,244 | 2.20% |
| Retail trade | 88,565 | 9.16% |
| Transportation/Utilities | 26,524 | 2.74% |
| Information | 37,645 | 3.89% |
| Finance/Insurance/Real Estate Services | 45,054 | 4.66% |
| Services | 491,595 | 50.82% |
| Public Administration | 21,107 | 2.18% |
| Total | 967,335 | 100.0% |

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

Unemployment

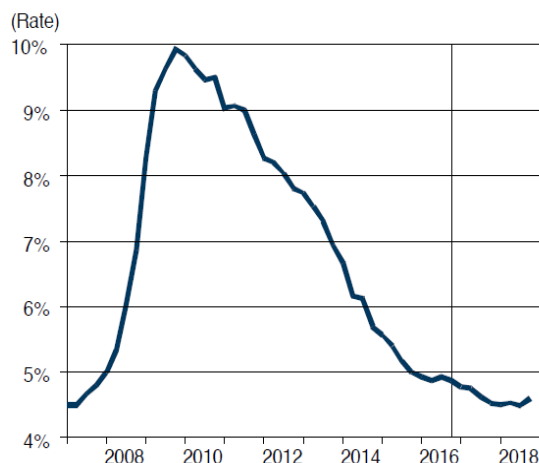
The unemployment rate in Santa Clara County is currently less than the rates of the state and nation. The County unemployment rate was 3.5% as of June 2017 (most recent available). The State of California was at 4.9% while the Nation was at 4.5% for the same time period. Unemployment rates locally and nationwide have been on a decreasing trend over the last several years, as shown in the table below.

Unemployment Rates

| Area | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017-Jun |
|--------------------|-------|-------|-------|------|------|------|------|----------|
| United States | 9.7% | 9.1% | 8.3% | 7.6% | 6.5% | 5.4% | 4.8% | 4.5% |
| California | 11.8% | 12.1% | 11.0% | 9.6% | 8.0% | 6.6% | 5.6% | 4.9% |
| Santa Clara County | 9.6% | 8.4% | 7.0% | 5.5% | 4.3% | 3.7% | 3.3% | 3.5% |
| Sunnyvale | 8.7% | 7.6% | 6.3% | 4.9% | 3.8% | 3.3% | 3.0% | 3.1% |

Source: Bureau of Labor Statistics - Year End - Not Seasonally Adjusted

Figure 7 Unemployment Rate, 2007Q1-2018Q4F



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

The information below was obtained from the "December 2016 Economic Outlook," presented by the UCLA Anderson School of Management, and an article obtained from *The Balance* titled, "US Economic Outlook: For 2017 and Beyond".

The forecast for 2017 and 2018 total employment growth is 1.8% and 1.3%, respectively. Payrolls will grow at about the same rate over the forecast horizon. Real personal income growth is forecast to be 3.6% in 2017 and 3.8% 2018.

The unemployment rate is forecast to fall to around 4.5% by the end of 2017 and remain there through 2018. That's better than the 4.7% rate in 2016, and the Fed's 6.7% target.

However, most job growth is in low-paying retail and food service industries. Many people have been out of work for so long that they find it difficult to return to the high-paying jobs they used to have. That means structural unemployment increased. Federal Reserve Chair Janet Yellen admits a lot of workers are part-time which makes the unemployment rate seem artificially low. She considers the real unemployment rate, which is usually double the official rate, to be more accurate.

Inflation

With year-over-year core inflation already rising above 2% (in comparison to the 1.5% rate in 2016, and the 0.7% inflation experienced in 2015), it is not surprising that this rate is expected to accelerate to at least 2.5% as oil prices rebound. Therefore, if the 2017 forecast is right about the economy operating at full employment with an unemployment rate of 4.5%, inflation reaching 2.5% or higher, and the prospect of a one trillion dollar annual federal deficit, we are not surprised to see that interest rates are expected to increase.

Interest Rates

The Federal Open Market Committee (FOMC) first raised the federal funds rate to 0.5% in December 2015 and raised interest rates again in December 2016 to 0.75%. The rate was raised to 1.25% in June 2017. It is anticipated to raise the rate again to 1.5% in 2017, 2.0% in 2018 and 3.0% in 2019.

The federal funds rate controls short-term interest rates. These include banks' prime rate, the LIBOR, most adjustable-rate and interest-only loans, and credit card rates. Therefore, as the federal funds rate increases it will change some of the terms by which we borrow money and access credit.

The Federal Reserve Board said it would start selling \$4 trillion in Treasuries after the federal funds rate has normalized to about 2.0%. When it does start selling Treasuries, there will be more supply, which should raise the yield on the 10-year Treasury note. That in turn will drive up long-term interest rates, such as fixed-rate mortgages and corporate bonds. But Treasury yields also depend on demand for the dollar. If demand is high, yields will drop, and vice-versa. As the global economy improves, demand for this ultra-safe investment is falling. As a result, long-term and fixed interest rates are expected to rise in 2017 and beyond.

Jobs

The Bureau of Labor Statistics publishes the BLS Occupational Outlook Summary for U.S. employment each decade. It goes into great detail about each industry and occupation. Overall, the BLS expects total employment to increase by 20.5 million jobs from 2010-2020. While 88% of all occupations will experience growth, the fastest growth will occur in healthcare, personal care and social assistance, and construction. Furthermore, jobs requiring a master's degree will grow the fastest while those that only need a high school diploma will grow the slowest.

The BLS assumes that the economy will fully recover from the recession by 2020 and that the labor force will return to full employment or an unemployment rate between 4.0-5.0%. The biggest growth (5.7 million jobs) will occur in healthcare and other forms of social assistance as the American population ages.

The next largest increase (2.1 million jobs) will occur in professional and technical occupations. Most of this is in computer systems design, especially mobile technologies, and management, scientific,

and technical consulting. Businesses will need advice on planning and logistics, implementing new technologies, and complying with workplace safety, environmental, and employment regulations. Other substantial increases will occur in education (1.8 million jobs), retail (1.7 million jobs) and hotel/restaurants (1 million jobs). Another area is miscellaneous services (1.6 million jobs). That includes human resources, seasonal and temporary workers, and waste collection.

As housing recovers, construction will add 1.8 million jobs while other areas of manufacturing will lose jobs due to technology and outsourcing.

Political Forces

Contrary to prior expectations, stocks soared and interest rates surged on the election of Donald Trump. Put bluntly, the markets are now anticipating stronger real growth, and at least for a while, higher inflation and higher interest rates.

Writing on behalf of the UCLA Anderson Forecast, Senior Economist David Shulman makes the following policy assumptions, in what he labels a "first pass at Trumponomics."

- \$300 billion/year annual, mostly higher-end personal tax cuts, effective in Q3.
- \$200 billion/year corporate tax cut effective in Q3, with \$50 billion of revenues associated with the repatriation of foreign earnings that quarter.
- \$20 billion/year infrastructure program, effective in Q4.
- \$20 billion in higher defense spending in 2018.
- \$20 billion/year Medicaid/ACA cuts, effective in Q4.
- Relaxed energy, environmental and financial regulation.
- Modest changes to immigration, except for border wall/fence.
- Modest changes to trade policy, yielding net reductions in food and aircraft exports phasing in starting mid-2017.

Shulman says that the net result of these policies is "a massive fiscal stimulus on an economy at or very close to full employment." He also notes that it is the direction that a host of liberal economists have been advocating for half a decade, though with a different mix of tax cuts and spending. Shulman says that in response to higher inflation and the exploding federal deficit the long-quiescent Fed will become more aggressive, raising the federal funds rate to over 2.0% by the end of 2017 and 3.0% by the end of 2018.

With \$500 billion in tax cuts arriving in the third quarter of 2017, the Forecast calls for GDP growth to accelerate from its recent 2.0% growth path to 3.0% for about four consecutive quarters then will slide back to 2.0%. Growth will be hampered by the difficulties of stimulating an economy operating at near full employment and the bite of higher interest rates. Employment will continue to grow on the order of 140,000 jobs per month in 2017 and 120,000 per month in 2018. "To be sure, if the new administration follows through with its campaign rhetoric to engage in mass deportations, job growth and the economic activity associated with it would be far slower than what we forecast," Shulman writes.

The details of the forecast fall into three categories: the good, the bad and the ugly. As for the "good," Shulman writes that the economic growth envisioned will be powered by rising consumption along with equipment and defense spending. On the negative side, housing activity will be a casualty, as the spike in long-term interest rates and the prospect of further increases dampen demand. Regarding any potentially "ugly" ramifications of the new administration's policies, Shulman believes that minor tweaks to trade policy will modestly reduce imports (mostly in the auto sector) and trigger modest retaliatory actions affecting aircraft and farm exports. As a result, imports continue to rise and exports flat line. Shulman emphatically points out that the Forecast does not assume a major trade war with U.S. partners around the world. But the slowdown in trade will only be the beginning, as the global economy becomes more protectionist.

The California Forecast

In his quarterly California forecast essay, Senior Economist Jerry Nickelsburg eschews his traditional data-oriented report and cites the various unknowns regarding the state's economy, providing ruminations on some of the impacts of the anticipated policies of the Donald Trump presidency.

Nickelsburg's first observation takes into account the U.S. forecast for increased defense spending. "The increase in defense spending will be disproportionately directed to California, as sophisticated airplanes, weaponry, missiles and ships require the technology that is produced here," writes Nickelsburg. "Moreover, there are few places to build the proposed 150 new warships, and San Diego is one of them. Regionally, we expect a positive impact in the Bay Area and in coastal Southern California." The U.S. forecast also calls for increased infrastructure spending. While California needs funding for projects, such as the Western Electrical Grid, water infrastructure and road repairs, it's unclear how much of this federal spending will be directed to the state. Nickelsburg notes the size of the California congressional contingent and its influence regarding funding, but also recognizes the fact that California is a sanctuary state with many sanctuary cities. President-elect Trump has said he will block funds to sanctuary cities, so how much funding headed to the state remains to be seen.

As for the employment environment, Nickelsburg writes that despite its current 5.5% unemployment rate, the state is basically at full employment. Where the state will find people to fill new jobs remains to be seen, as the new administration is expected to oppose an expansion of the skilled worker visa program. Instead, expect wages to rise to induce skilled workers to come to California from other states. This in turn will lead to increased demand for housing, pushing prices higher for home buyers. Rents, however, may see a decrease, if the new administration proceeds with its intended plans for mass deportations.

Such deportations will also have an impact on the Central Valley and the state's agriculture sector. It's estimated that as many as half of California's farm workers are undocumented. If these workers are deported, California's farmers will have trouble harvesting their crops, while paying much higher wages to their documented farm workers.

Uncertainty around trade policies clouds the forecast. Depending on how these policies shake down, the reverberations will likely be felt throughout the California economy.

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 2016 | Projected 2021 | Annual % Change 2016 - 21 |
|--------------------|-------------------|-------------------|------------------------------|
| United States | \$54,149 | \$59,476 | 2.0% |
| California | \$62,554 | \$71,566 | 2.9% |
| Santa Clara County | \$94,301 | \$104,424 | 2.1% |
| Sunnyvale | \$101,150 | \$109,245 | 1.6% |

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

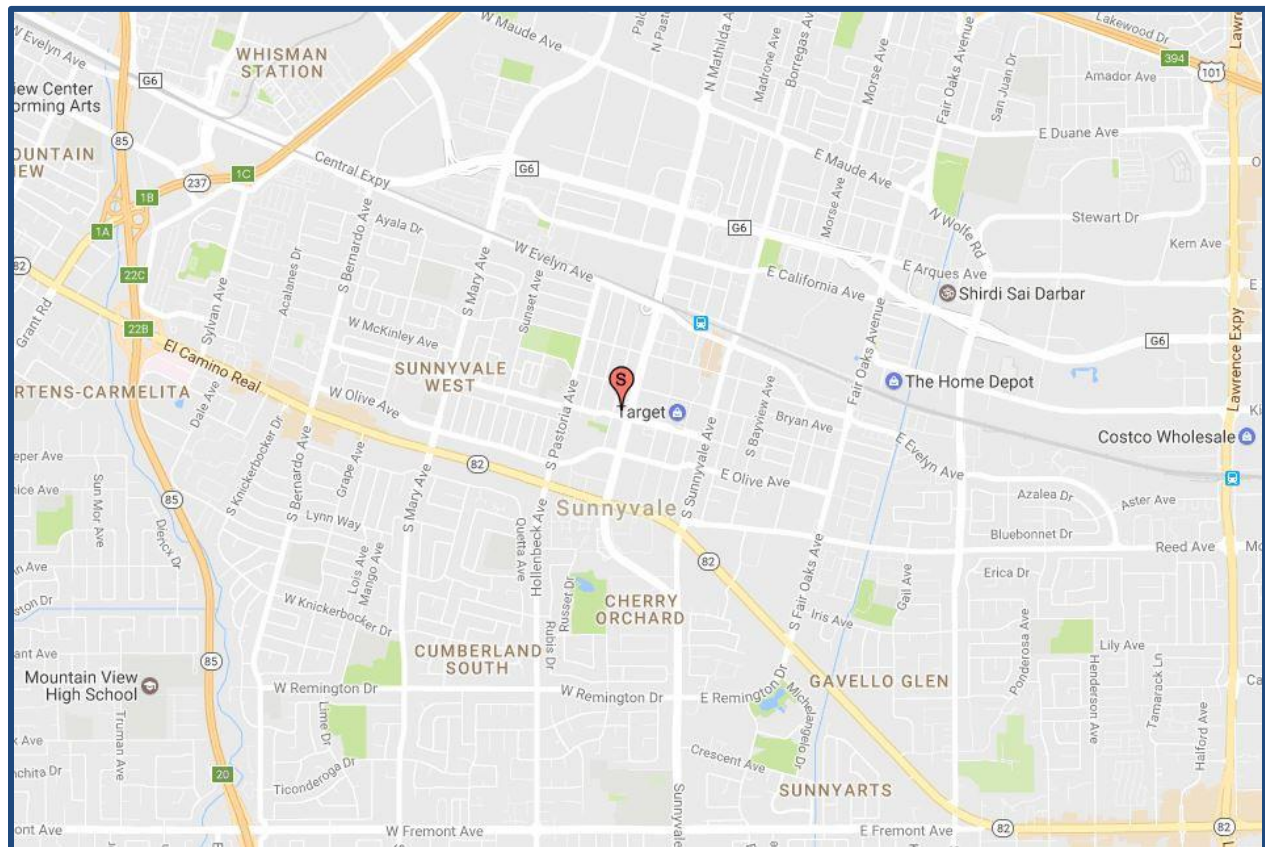
Conclusions

Historically, the Santa Clara County region has been considered a desirable place to both live and work. Physical features and a strong local economy attract both businesses and residents. It is a worldwide leader in technology and a regional employment center, with an increasingly diversified economy. While traffic congestion will continue to be a problem, residents remain among the most affluent in the country.

The election of Donald Trump signaled a major regime change in economic policy. In the short run that will 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. Nevertheless, in the short-term 2017 is expected to be a prosperous year as we continue to say goodbye to the effects of the financial crisis.

City and Neighborhood Analysis

NEIGHBORHOOD MAP



City Overview

The subject is located in the City of Sunnyvale. Sunnyvale is a progressive community, known for low crime rates, the quality of municipal services and proximity to a large number of high-technology employers. Sunnyvale is located in the "heart" of Silicon Valley and is home to many of the valley's leading high-technology companies. The community lies 45 miles south of San Francisco and seven miles north of San Jose. Sunnyvale is bounded by San Francisco Bay to the north, Mountain View and Los Altos to the west, Santa Clara to the east and Cupertino to the south.

The city encompasses 24 square miles. There are numerous parks, shopping malls and an attractive community center. Sunnyvale has a reputation as a particularly desirable place to live and work. The city has one of the lowest crime rates in the nation and has long been acknowledged as one of the best-managed cities in the country. In fact, Sunnyvale has been recognized by the White House as a model for effective government.

The community enjoys convenient access from nearby freeways. Highways 101 and 280 provide ready access to the San Francisco Peninsula and other Silicon Valley communities. Highway 85 links Highways 101 and 280, continuing through the West Valley. Highway 237, which was recently upgraded to a full freeway, provides a direct route to the East Bay. Finally, San Jose International

Airport is within a few minutes' drive, and San Francisco International Airport is less than an hour to the northwest.

The Valley Transportation Authority completed construction on the westerly extension of the Tasman Light Rail Transit (LRT) line in 1999. This portion of the LRT extends westward from the station at Tasman Drive and Great America Parkway in Santa Clara. It travels east-west along Tasman Drive, and then it travels in a northwesterly direction through Sunnyvale's Moffett Park area and along the southern perimeter of Moffett Federal Airfield, before reaching its downtown Mountain View terminus. The addition of the LRT to Sunnyvale was extremely positive, spurring significant redevelopment with higher density projects, particularly on former Lockheed-Martin land east of Moffett Field where Yahoo and Juniper Networks have their headquarters.

High-technology firms include industry leaders in fields ranging from advanced satellite construction to bio-technology. However, the most important sector of the local economy is related to semiconductor research, design and manufacturing. The city's workforce consists of a significant number of employees commuting from outlying areas. A high ratio of jobs-to-households and low unemployment translates to exceptionally strong demand for housing. According to the Association of Bay Area Governments (ABAG)'s 2009 forecast, the City of Sunnyvale is expected to add 12,810 households between 2010 and 2035. The workforce is relatively young, well-educated and relatively affluent. Approximately half the workforce holds college degrees.

Sunnyvale has earned a strong reputation as a positive place to do business. As a result, the city is expected to add a large number of jobs: 32,010, between 2010 and 2035 according to the same ABAG 2009 forecast cited above.

Recreational opportunities within Sunnyvale include Baylands County Park and Sunnyvale Municipal Golf Course. Shoreline Park offers a network of trails, an 18-hole championship golf course and saltwater lake for sailing and windsurfing. Shoreline Amphitheater is the region's premiere outdoor entertainment center with 20,000 seats and draws hundreds of thousands annually to concerts and special performances.

The largest and most recent development in the city is the Sunnyvale Town Center. This redevelopment area is located within the downtown core and encompasses an area between Mathilda Avenue to the west, Washington Avenue to the north, Iowa Avenue to the south and Sunnyvale Avenue to the east. This rectangular section of the downtown is being transformed with new and redeveloped retail, office, and residential uses. The project is anchored by Macy's (177,000 s.f.) and Target (180,656 s.f.) with an additional 576,525 square feet of retail shop space and 275,000 square feet of office space. There are plans for a 2,624-seat Cinema and 292 residential units. Construction is ongoing at this time, and completion is several years away. Some legal hurdles still remain, which could delay the project even further. However, once built, the project should significantly boost the vitality of the Downtown Core.

Neighborhood Location and Boundaries

The subject neighborhood is located near the downtown section of Sunnyvale, proximity to the Sunnyvale Town Center as well as the Civic Center. The area is suburban in nature. The neighborhood is bounded by West Evelyn Avenue to the north, South Sunnyvale Avenue to the east, El Camino Real to the south, and South Mary Avenue to the west.

Immediate Environs

The subject's immediate neighborhood is best described as mixed, with residential and commercial uses along primary roads and residential neighborhoods dominating secondary streets. The Sunnyvale Town Center dominates the entire area to the immediate northeast of the subject property. The Sunnyvale Town Center consists of an extensive redevelopment project consisting of 1.7 million square feet of retail and restaurant space (including big-box anchor tenants such as Macy's, Target, and a movie theater), office space, residential units, and a hotel.

The area to the south of the subject is dominated by residential neighborhoods. To the east of the subject, and fronting South Mathilda Avenue, are multi-tenant office buildings, and public/civic buildings including the Sunnyvale public library, the fire and police station, and the Sunnyvale Nova Office Center.

Within proximity to the subject and located on the corners of South Mathilda Avenue and West Iowa Avenue are bank branches including Bank of the West and Chase. Land uses along South Mathilda Avenue, north of the subject, are improved with high-density, newer mixed-use buildings towards the east (Sunnyvale Town Center) and older commercial buildings and residential dwellings west. The area bordering to Sunnyvale Town Center to the north also consists of older commercial buildings, including small retail, office and some residences.

The subject has good access to local and regional transportation networks. South Mathilda Avenue is a primary commercial roadway within the subject's neighborhood providing access to El Camino Real (S.R. 82) south and Highway 101 north (approximately 1.5 miles from the subject). In addition, El Camino Real provides access to Highway 85 approximately 1.5 miles west of the subject. The Sunnyvale Caltrain Station is located several blocks north of the subject, within walking distance.

Demographics

The following table depicts the area demographics in Sunnyvale within a one-, three-, and five-mile radius from the subject. As shown in the table below, the total population and total households within a 1-mile radius are projected to increase at 1.7% between 2016 and 2021, while within a 3- and 5-mile radius, each are projected to increase 1.4%. Median household income is projected to increase at 1.5%, 1.5% and 1.6% within the 1-, 3-, and 5-mile radius from the subject between 2016 and 2021. These demographics support a variety of residential uses.

Neighborhood Demographics

| Radius | 1 mile | 3 miles | 5 miles |
|---------------------------------------|-----------|-----------|-----------|
| Population Summary | | | |
| 2000 Population | 28,754 | 190,862 | 391,528 |
| 2010 Population | 31,055 | 203,833 | 417,348 |
| 2016 Population | 34,058 | 220,795 | 449,184 |
| 2021 Population Estimate | 36,997 | 237,171 | 480,795 |
| Annual % Change (2016 - 2021) | 1.7% | 1.4% | 1.4% |
| Household Summary | | | |
| 2000 Households | 12,474 | 77,289 | 153,950 |
| % Owner Occupied | 36.5% | 46.5% | 50.0% |
| % Renter Occupied | 61.4% | 50.6% | 47.2% |
| 2010 Households | 12,883 | 79,286 | 158,785 |
| % Owner Occupied | 34.5% | 45.3% | 49.0% |
| % Renter Occupied | 60.6% | 49.8% | 46.4% |
| 2016 Households | 13,887 | 84,566 | 168,585 |
| % Owner Occupied | 33.0% | 44.0% | 47.7% |
| % Renter Occupied | 63.7% | 52.2% | 48.5% |
| 2021 Households Estimate | 15,017 | 90,456 | 179,832 |
| % Owner Occupied | 32.6% | 43.6% | 47.3% |
| % Renter Occupied | 64.0% | 52.6% | 48.8% |
| Annual % Change (2016 - 2021) | 1.6% | 1.4% | 1.3% |
| Income Summary | | | |
| 2016 Median Household Income | \$100,402 | \$103,942 | \$104,365 |
| 2021 Median Household Income Estimate | \$108,366 | \$112,231 | \$112,886 |
| Annual % Change | 1.5% | 1.5% | 1.6% |
| 2016 Per Capita Income | \$52,196 | \$52,736 | \$52,731 |
| 2021 Per Capita Income Estimate | \$56,389 | \$56,865 | \$56,954 |
| Annual % Change | 1.6% | 1.5% | 1.6% |

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 El Camino Real and South Mathilda Avenue. Major travel and commuter routes within the larger area include Central Expressway, Highways 85 and 101, and Route 237. Access to the area is considered good.

Neighborhood Land Use

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

LAND USES

| Use | Percent |
|--------------|---------|
| Developed | 95.00% |
| Residential: | 30.00% |
| Retail: | 20.00% |
| Office: | 45.00% |
| Industrial: | 0.00% |
| Vacant: | 5.00% |

Conclusions

The subject is located near the downtown area of Sunnyvale in proximity to the Sunnyvale Town Center. This is a desirable location for residences and businesses alike. The neighborhood has good access to both local and regional transportation. The neighborhood is best characterized as "mixed" with commercial uses along primary roads and residential neighborhoods dominating secondary streets. The subject has frontage along South Mathilda Avenue, a main commercial thoroughfare, and represents a corner site that benefits from its proximity to shopping centers, residential neighborhoods, and local and regional transportation networks.

Overall, the location is viewed as a good location for more intensive development in the future, and the subject neighborhood is in the redevelopment stage of its life cycle, where older properties are replaced with higher densities and more intensive uses. This is evidenced by the new high-rise development that has taken place across the street from the subject, within the Sunnyvale Town Center and along El Camino Real. The long-term outlook for the subject neighborhood and the subject property is good.

Site Description

The subject site is located on south Mathilda Avenue north of West Iowa Avenue, Sunnyvale, Santa Clara County, California 94086. The subject consists of six APNs with areas as follows:

| Address | APN | Lot Size |
|---------------------------|------------|---------------|
| 402 Charles Avenue | 165-13-045 | 9,490 |
| 396 Charles Avenue | 165-13-046 | 9,490 |
| 397 South Mathilda Avenue | 165-13-068 | 9,583 |
| 403 South Mathilda Avenue | 165-13-069 | 6,970 |
| 406 Charles Avenue | 165-13-073 | 10,500 * |
| 388 Charles Avenue | 165-13-074 | 16,500 * |
| | | 62,533 |

* Estimated from Google Earth and Plat Maps

We note that the area of APNs 165-13-073 and -074 has been estimated by the appraiser with the help of tools such as Google Earth, RealQuest and from assessor's plat maps. Moreover, we have deducted the estimated area located on the street that will be required as street dedication upon property redevelopment. It is an extraordinary assumption of this report that the estimated site area reflects the actual size of the subject property.

The characteristics of the site are summarized as follows:

Site Characteristics

Location: South Mathilda Avenue north of West Iowa Avenue, Sunnyvale, Santa Clara County, California 94086

Gross Land Area: 1.44 Acres or 62,533 SF

Usable Land %: 100.0%

Shape: Irregular

Topography: Generally level

Drainage: Assumed adequate

Grade: At street grade

Utilities: All available to the site

Off-Site Improvements: South Mathilda Avenue is a fully improved arterial roadway with sidewalks, curbs, gutters, streetlights, and landscaping. This roadway carries four lanes of traffic in each direction, north and south. West Iowa Avenue is a fully improved major collector roadway which carries two lanes of traffic in each direction, east and west.

Interior or Corner: Double Corner
 Signalized Intersection: Yes: Traffic signal at the site that enhances access

Street Frontage / Access

| Frontage Road | Primary | Secondary |
|---------------------------|-----------------------|------------------|
| Street Name: | South Mathilda Avenue | West Iowa Avenue |
| Street Type: | Arterial | Major Collector |
| Frontage (Linear Ft.): | 295 | 230 |
| Traffic Count (Cars/Day): | ±10,850 | None available |

Flood Zone Data

Flood Map Panel/Number: 06085C0206H
 Flood Map Date: 05-18-2009

Flood Zone: X

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

Other Site Conditions

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

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

Easements/Encroachments: A Preliminary Title Report that makes reference to easements and encumbrances on record was not provided to the appraisers for review. To the best of our knowledge, there are no easements or restrictions that would affect the utility, marketability and, therefore, value of the subject property.

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

Adjacent Land Uses

| | |
|--------|----------------------------|
| North: | Commercial and residential |
| South: | Commercial and residential |
| East: | Commercial |
| West: | Residential |

Site Ratings

| | |
|-------------|------|
| Access: | Good |
| Visibility: | Good |

Zoning Designation

| | |
|---------------------------|--|
| Zoning Jurisdiction: | City of Sunnyvale |
| Zoning Classification: | DSP, Downtown Specific Plan |
| General Plan Designation: | Downtown Specific Plan |
| Permitted Uses: | Office, retail, mixed-use and very high-density residential uses |

Zoning Comments:

The Downtown Specific Plan (DSP) is intended to provide a vibrant and interesting center which includes the concentration of many activities vital to sustaining the economic strength, regional prominence, and visual image of the city. This district is designed to create employment and housing opportunities in an urban setting and provides a center for social interaction for residents of the city.

The purposes of the DSP district are to protect and promote the public health, safety, peace, comfort and general welfare; establish the procedure for adoption of the orderly physical development of the district; conserve property values and maintain the historic architectural and cultural qualities of properties within the district; and protect the character and stability of adjacent residential neighborhoods.

This district is divided into sub-districts, referred to as blocks. The subject makes up a portion of Block 15. The designated primary uses and development intensities in Block 15 are summarized below:

| District | Block | Primary Uses | Max. Residential Units | Max. Office (total sq. ft.) | Max. Retail/ Restaurant/ Entertainment (total sq. ft.) |
|-------------------------|-------|-------------------------------|------------------------|-----------------------------|--|
| West of Mathilda | 15 | Very-high-density residential | 152 | 0 | 10,000 |

Block 15 is designated mostly for residential development at a very high density. A total of 152 units are approved for Block 15 or an approved density of 54 dwelling units per acre. According to Momoko Ishijima of the City of Sunnyvale Planning Department, the maximum number of units that could likely be approved on the subject property is 71 units. Additional ground level retail is also possible.

Regulations for lot area, building height and lot coverage is summarized below:

| Block | Min. Lot Size (acre) | Max. Height | Max. Stories | Max. Lot Coverage |
|-------|-------------------------|------------------------|------------------|----------------------|
| 15 | 0.75 | 30-50 ft. ⁷ | 2-4 ⁷ | Per SDP ¹ |

Development Standards for West of Mathilda are as follows:

| Blocks 15 | |
|--|--|
| Primary uses allowed | High-density residential retail |
| Minimum development area | 0.75 acre |
| Maximum residential units | Block 15 - 152 units |
| Approximate maximum density | 51, 54, 58 du/acre |
| Maximum lot coverage | 100% |
| Maximum height | 50 ft. (4 stories) on Mathilda and 30 ft. (3 stories) along Charles |
| Required right-of-way dedications | 33 ft. along Mathilda Avenue |
| Mathilda | 0 ft. (after 33 ft. dedication) |
| Charles Ave. | 10 ft. |
| Side | 6 ft. |
| Rear | 10 ft. |
| Minimum landscaped area | Minimum 20% of lot area |
| Minimum useable open space | 50 sq. ft./unit |
| Type of parking | Below-grade structures or podium parking if structure is completely hidden from public view. Parking requirements vary by use as specified in the DSP. |
| Special design features | Neighborhood Gateway at Iowa/Mathilda, McKinley /Mathilda and Washington/Mathilda |

Based on these development guidelines, namely the setback requirements and the height restrictions that will impact development of the subject property, it is likely that less than 71 units might eventually be approved on the subject property.

We also note that a density bonus of 35% is awarded for a 100% affordable project, along with a 5% density bonus for a green building. Therefore 100 units could potentially be approved on the

subject property based on an affordable project, or a density of 72.9 du/ac. However, according to Suzanne Ise from the City's Housing Department, the allowable density on the site will ultimately depend on the actual site area, as identified by a formal site survey.

According to Suzanne Ise, there is no BMR requirement for rental projects. Market rate rental would only be subject to the Housing Impact Fee of \$18 per square foot, which applies to net new habitable square feet in rental projects approved on or after September 14, 2015. The City has a BMR for-sale requirement that applies to any for-sale developments of eight or more units, city-wide. So if a developer were looking at the subject site for a for-sale housing project (condos or any kind of residential subdivision), they would have to provide 12.5% of the homes as BMR homes, affordable to buyers at a median income level.

According to Mrs. Ishijima, any proposed project on the subject site would also be required to go through staff review with a formal application at which time development requirements and process would be identified.

The subject is owned by the City of Sunnyvale. As a city property, if the City of Sunnyvale were to surplus it to any buyer, rather than going through the affordable housing process itself (what the city is currently doing with Related California), the Surplus Lands Act requirements would apply at a minimum.

The California Surplus Land Act requires that when cities, counties, transit agencies and other local agencies sell or lease their land, they must prioritize it for affordable housing development. As such, development of the subject property as vacant land to be transacted by the City of Sunnyvale is subject to the Surplus Lands Act and requires that 25% of the units must be affordable to lower income families – at or below 80% AMI. This BMR requirement is double that of properties not owned by public agencies (12.5%) and will be considered in our valuation of the subject.

Analysis/Comments on Site

The subject property is a generally rectangular piece of land with an area of 62,533 square feet. The property has a corner location with frontage along three city streets. The site is level and has good site utility. All urban utilities are in place. We note that the assembled parcel represents individual parcels some of which have improvements, as will be discussed next. When combining all the sites together, the highest value of the subject property is for redevelopment.

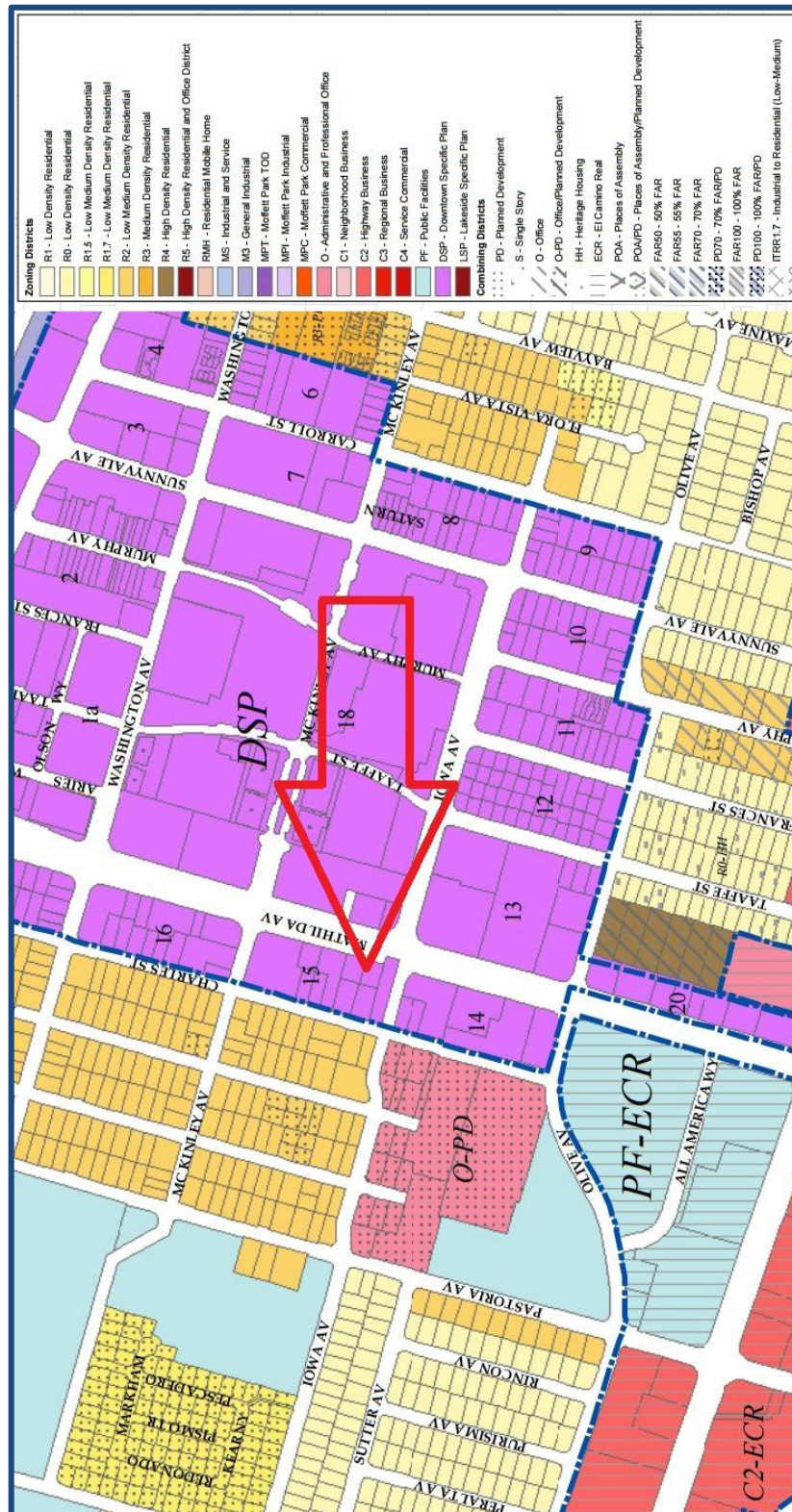
The zoning encourages high-density residential development or mixed-use retail/ residential uses. A maximum of 71 units can be developed on the subject, based on its size and approved density for the subject's block (Block 15). A density bonus of 35% is awarded for a 100% affordable project; therefore, 100 units could potentially be approved on the subject property based on affordable project, or a density of 72.9%. We also note that development of the subject property as vacant land to be transacted by the City of Sunnyvale is subject to the Surplus Lands Act and requires that 25% of the units must be affordable to lower income families – at or below 80% AMI. This has an impact on the value of the subject property and has been considered in our valuation of Scenario One.

Overall, the subject is suitable for a variety of uses, including residential and mixed-use.

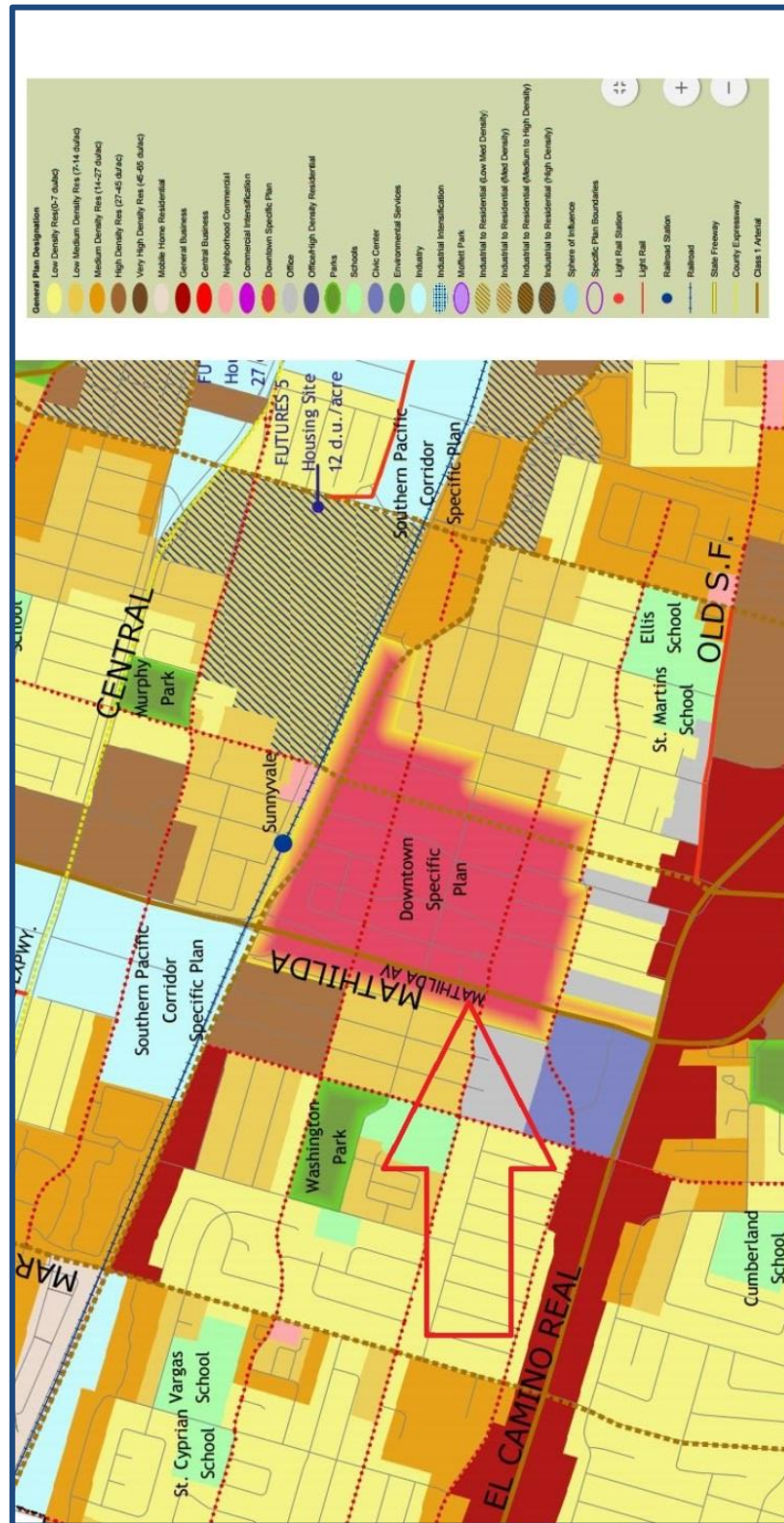
TAX/PLAT MAP



ZONING MAP



GENERAL PLAN



Subject Photos



View of subject property located at the intersection of W. Iowa and Charles Street



Closer view of subject land



View of subject property located along Charles Street



View of subject property along Mathilda Avenue

Additional photos are included in the Addenda

Improvements Description

Inspection of the improvements was beyond the scope of this assignment. Thus, only a brief description of the improvements is included in the paragraphs that follow.

The subject is improved with five single-family residences. The improvements on site were not inspected, but from the exterior it appears that the structures are located on four of the six APNs. More specifically APN 165-13-045 is improved with a two-bedroom and one-bathroom, single-family residence, constructed in 1948 with a living area of 917 square feet. APN 165-13-046 is improved with a three-bedroom and two-bathroom single-family residence, constructed in 1930, with a living area of 1,292 square feet. APN 165-13-073 is improved with a three-bedroom and one-bathroom single-story home with a living area of 1,151 square feet. Finally, APN 165-13-074 is improved with two residences, the area of which was unknown. Some small auxiliary structures were noted as well.

The improvements appeared partially occupied as of the date of value. They are in fair to average condition and add no value to the subject property, other than interim value. It is likely that the improved parcels could be worth slightly more with the existing improvements on a standalone basis, but the unimproved parcels would be worth substantially less; their small size prevents development at the 54 du/ac intended density. So, when combining all the sites together, the highest value of the subject property is for redevelopment.

Overall, while a complete Highest and Best Use as improved was beyond the scope of this assignment, it is believed that the value of the subject property is in the land for redevelopment, as assembled.

Proposed Project

The subject is proposed to be developed with an affordable housing project with a total of 92 units. The project will consist of one-two- and three-bedroom rental units, targeted to individuals earning 30% and 60% of the AMI. Approximately 25% of the units will be set-aside for special-needs households, which may include seniors, the developmentally disabled or other at-risk households. The term of the affordability will be 55 years. The project will also include a small commercial component of 5,000 square feet of retail space along the Mathilda Avenue frontage.

The project design is anticipated to be attractive, compatible with the surrounding neighborhood and the improvements will incorporate Green Building and energy efficiency requirements. The project will also incorporate appropriate community spaces, amenities and services for the target population, such as child care, vocational counseling and/or a health care.

The project will be constructed by Related California Companies on a long-term ground lease with the City. The City received 10 proposals and wound up interviewing the top 4 scoring teams. They then had a second round of interviews with the top two teams before they finally selected the Related team. Terms such as lease price and city funding request was part of one of the scoring categories, but not the determinative scoring criteria. Other categories included capacity and relevant experience of the development team, local knowledge, depth of affordability of proposed project, project concept and design quality, etc.

The project's cost is estimated at \$56 million, and construction could start in 2019, with anticipated completion in 2020.

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 and is subject to both general taxes and direct assessments.

Assessed Values and Property Taxes

The subject property is not currently taxed because it is under government ownership. When the property is ground leased for a term of 35 years or more, it will be re-assessed for the possessory interest created and taxed at rates similar to other properties in the area.

General Taxes

The amount of General Taxes due is quantified by multiplying the assessed value by the tax rate. In the State of California, real estate is assessed at 100% of market value as determined by the County Assessor's Office. The tax rate consists of a base rate of 1% plus any bonds or fees approved by the voters. The County Tax Rate for the subject area is 1.1595%.

Direct Assessments

Direct assessments are tax levies that are not dependent upon the assessed value of the property. They are levied regardless of assessment. According to the Santa Clara County Tax Collector's Office, the direct assessments for the subject property are as follows: Fremont Union High School District assessment, mosquito-vector control assessments, Santa Clara Valley Water District flood and safe clean water assessments, and Sunnyvale School District assessment.

Current and Future Taxes

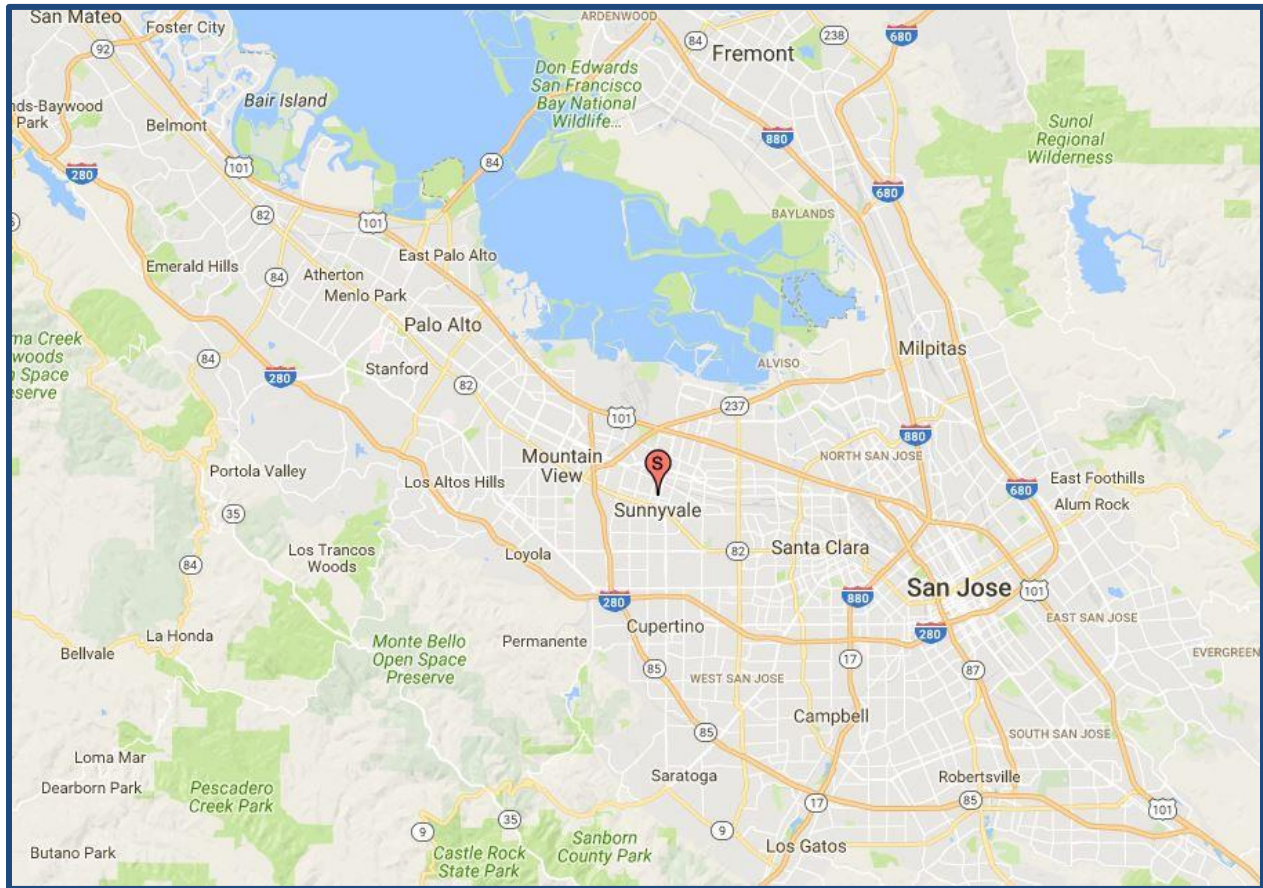
Proposition 13 was passed by voters in June 1978 and substantially changed the taxation of real estate in California. This constitutional amendment rolled back the base year for assessment purposes to the tax year 1975-1976. Annual increases in assessed value are limited to 2% per year, regardless of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

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

Conclusions

The subject property is not currently taxed because it is under government ownership. When the property is ground leased for a term of 35 years or more, it will be re-assessed for the possessory interest value and taxed at rates similar to other properties in the area.

MARKET AREA MAP

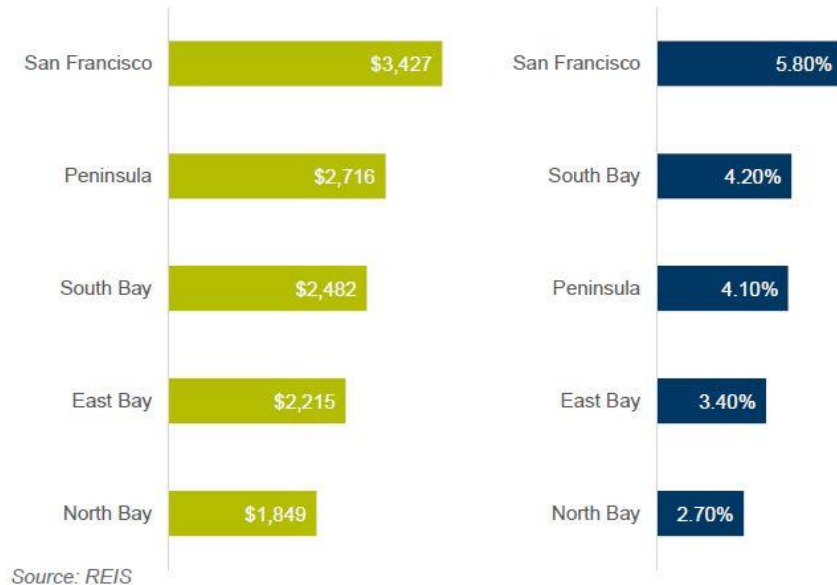


Bay Area Multifamily Vacancy and Rent Trends

Apartment communities in the Bay Area ended Q1 2017 with a total market vacancy of 4.1%, an increase of 30 basis points from the previous year. Increase in labor force and new construction has been the biggest contributors to keeping the vacancy rate stable. San Francisco leads the Bay Area with the highest average apartment rental rate, at \$3,427. Following San Francisco is the Peninsula with an average rental rate of \$2,716 and the South Bay at \$2,482. Average asking rents modestly changed year over year.

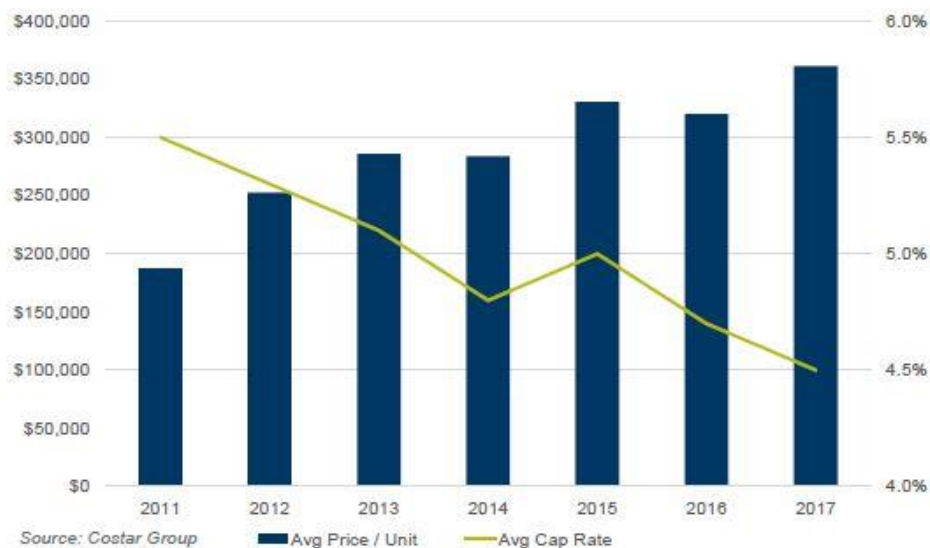
Construction projects accounting for approximately 33,000 units over the next five years are expected to provide some relief to the Bay Area's housing shortage and will increase the housing inventory to 483,000 units. About a third of these units are projected to be delivered by the end of 2017.

RENTS & VACANCY BY SUBMARKET



PRICING & CAP RATES

Bay Area's first quarter 2017 range was 3.0% to 5.9% while averaging at 4.5%. The annual cap rate decreased by approximately 80 BPS and continued to trend lower than 2009's high of 6.3%.



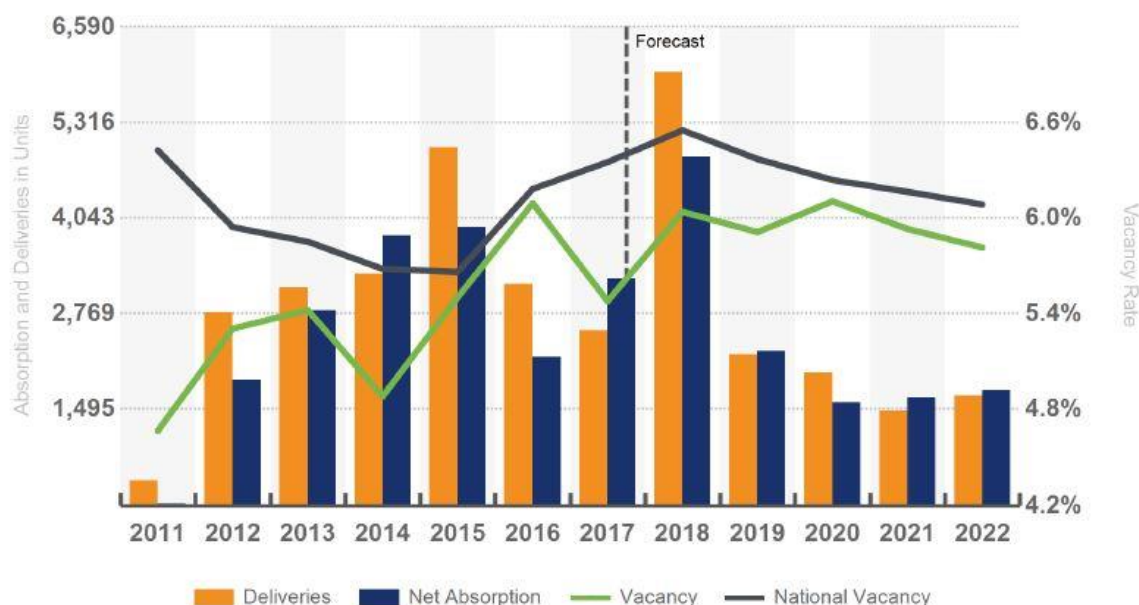
Santa Clara County Multifamily Overview

Silicon Valley was historically considered a supply-constrained submarket and at the center of one of the world's hottest economies. But construction has surged, relatively speaking, in this submarket since 2013. As a result, vacancies have fluctuated over the last few years and were above both the historical and metro averages at the end of 2016. The metro's major employers--Google with around 1,700 employees and LinkedIn with around 1,200 employees in the area, among others--pay top dollar to attract the most talented programmers in the world, and residents here are extremely affluent as a result.

Fundamentals have begun to feel pressure from the surge in new supply. Thanks to the booming tech market and several years of minimal construction, apartment vacancies fell below prerecession levels in 2014. However, with apartment developers active in this market once again, supply outstripped demand in 2015 and the start of 2016. Over 8,000 units have hit the market since the start of 2015, and there is still a significant amount of construction underway and in the pipeline. Vacancies have risen due to this new supply and have in fact risen above the historical average.

However, absorption gains have been impressive in recent years. Demand has grown at an exceptional pace over the past four years, thanks to the market's outstanding employment growth. A booming labor market has bolstered population growth. In fact, expansion in the local resident base has significantly outpaced the national average since 2007. This has translated to outsized demand for residential units, which has persisted in recent quarters. This has allowed new units hitting the market lease up quickly keeping vacancies relatively in check.

NET ABSORPTION, NET DELIVERIES AND VACANCY RATE



A supply wave is surging in the metro. Over 12,000 units have completed here since the beginning of 2012 and more than 2,000 in 2016 alone—the highest level of construction seen in recent memory. Over 8,500 units were under construction as of March 2017 and scheduled to deliver over the next few years. Completion of these units will mark this as one of the most active periods of inventory

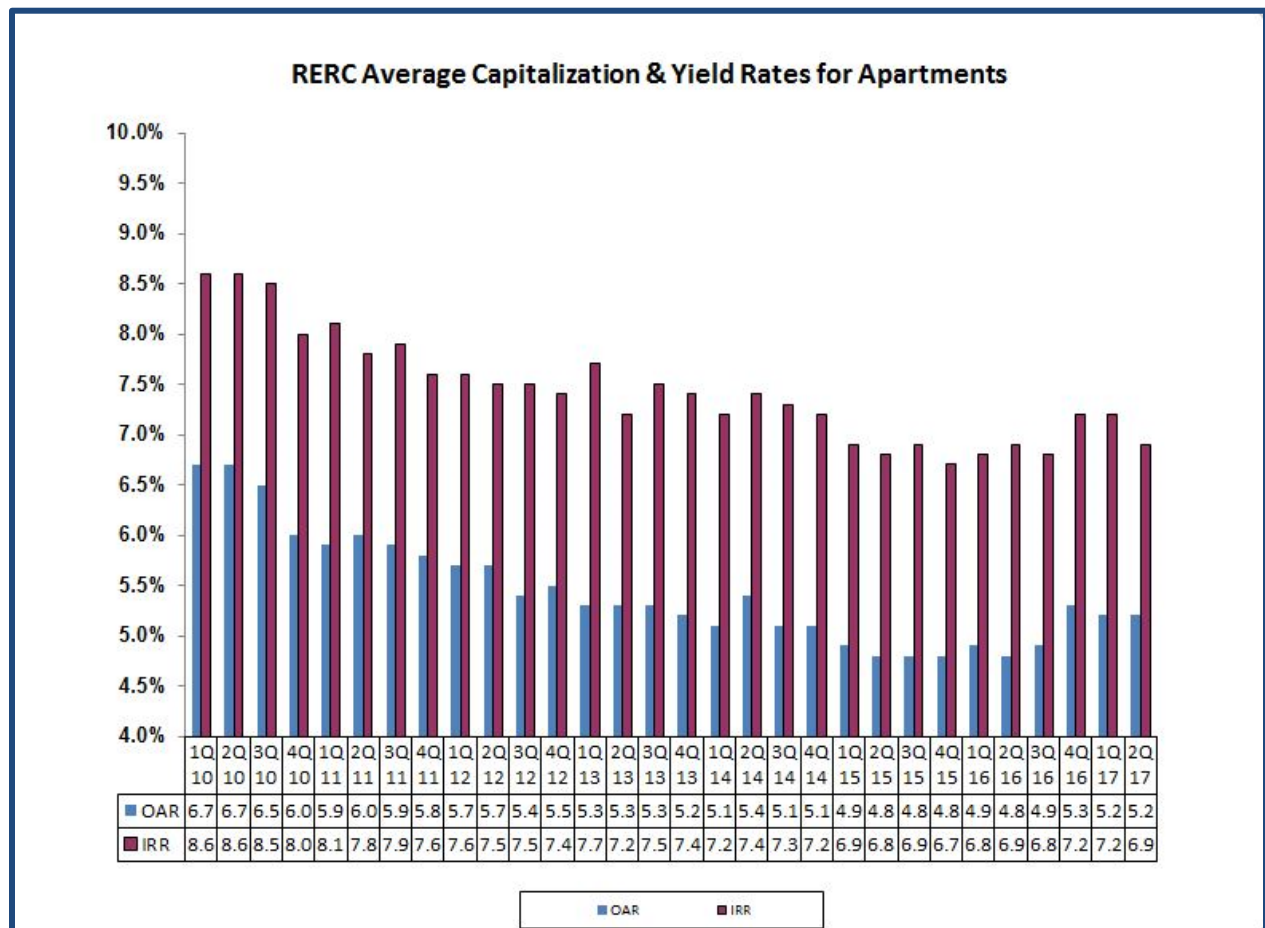
growth on record, surpassing even the 1998–2000 peak years of the tech boom. This area is home to a number of large, expanding tech employers that are attracting both tenants and developers.

The surge in new supply over the last few years is due partly to the ease of developing new projects relative to San Francisco or the East Bay. Supply risk is generally rare for any property type in the Bay Area, but San Jose's supply growth was actually slightly above the National Index over the past 10 years. There are land constraints and tight zoning policies at play in San Jose, but building constraints are not as strict here as in San Francisco. San Jose contains more developable land than does San Francisco or even many parts of the East Bay, where uneven terrain limits development.

From 2011 to 2015, San Jose experienced some of the strongest consistent rent growth in the nation. However, growth began to slow in all Bay Area markets toward the end of 2015, and in fact, San Jose posted around 2% of negative growth quarter-over-quarter, bringing year-over-year growth in 2016 slightly negative as well. Per-unit rents, however, are still the third highest in the country, trailing only neighboring San Francisco and the New York metro.

Capitalization & Yield Rate Trends

We have also considered the historical average capitalization and yield rates for apartment properties over the last five years, as reported by the Real Estate Research Corp. ("RERC"). The historical rates are illustrated in the following table.



Rates were at their highest in 2009, consistent with the peak of the commercial real estate market. At the time, the average cap rate was about 7.6% and the average yield rate was about 9.2%. Rates decreased significantly after 2009. The average cap rate as of the Second Quarter of 2017 was 5.2% and the average yield rate was 6.9%.

Cap rates have increased over the past year and appear to be stabilizing, somewhat. Historically, the spread between capitalization and yield rates has been anywhere from about 100 to 200 basis points. Over the past five years, the spread has averaged about 200 basis points; that is, yield rates have been about around 2.0 percentage points higher than capitalization rates.

Investment Trends

The Bay Area remains near the top of many commercial real estate investors' wish lists, and this is driving demand for product in the region. San Francisco/Peninsula, Silicon Valley and East Bay were among the top 20 markets in the first quarter of 2017 in terms of volume, ranking 7th, 11th and 19th, respectively, according to Real Capital Analytics. The Bay Area holds the 3rd position, trailing the New York and Los Angeles metros. The Bay Area has one of the strongest regional economies in the United States and its position as a global gateway market has attracted near record levels of investment, both foreign and domestic.

The Bay Area investment market closed the first quarter of 2017 with over \$6.6 billion of total sales for the quarter, only slightly below its \$6.8 billion three-year quarterly average. Though total quarterly dollar volume remains high, the total number of properties traded decreased to 113 in the first quarter 2017 vs. 178 in the first quarter of 2016. Strong demand from investors continued to exert downward pressure on cap rates across all property types. The average cap rate declined 40 basis points to 5.5% from the first quarter of 2016.

The Bay Area continues to be an attractive long-term option for the real estate investors. Over the past five years, the price per square foot (psf) has averaged \$325 psf across retail, office, and industrial property types. In the first quarter of 2017, retail has made the most gains at \$95 above the five year average of \$359 psf, followed by office at \$63 above \$405 psf, then industrial at \$42 above \$185 psf. The average price per unit for apartments has also increased over the same period, from \$229,000 per unit to \$361,000 per unit. Strong demand is expected through 2017 which will lead to higher sales volume and continued price appreciation.

| MARKET | PROPERTIES SOLD | SALES VOLUME | TOTAL SF (excludes MF) | TOTAL UNITS MULTI-FAMILY | AVERAGE CAP | OFFICE CAP | INDUSTRIAL CAP | RETAIL CAP | MULTI-FAMILY CAP |
|-------------------|-----------------|-----------------|------------------------|--------------------------|-------------|-------------|----------------|-------------|------------------|
| East Bay | 21 | \$641M | 2.3M | 600 | 6.8% | 7.2% | NA | 6.2% | 5.5% |
| North Bay | 10 | \$624M | 1.3M | 800 | 6.6% | 7.0% | NA | 5.5% | 4.5% |
| San Francisco CBD | 23 | \$2,307M | 3.2M | 70 | 4.6% | 4.7% | NA | 3.2% | 3.7% |
| Peninsula | 9 | \$783M | 1.4M | 60 | 3.0% | NA | NA | NA | 3.0% |
| Silicon Valley | 50 | \$2,329M | 5.8M | 1,550 | 5.9% | 6.1% | 5.2% | 5.5% | 4.0% |
| TOTAL | 113 | \$6,683M | 14.0M | 3,080 | 5.5% | 5.5% | 5.2% | 5.7% | 4.5% |

Closed transactions valued at over \$10 million
 Source: Cushman & Wakefield Research, Real Capital Analytics

Silicon Valley, the location of the subject property leads the Bay Area Market with increasing trends in properties sold (50), sales volume (\$2,329M), and total of multifamily units (1,550).

Affordable Housing

There are roughly 265 low income housing apartment complexes which contain 27,539 affordable apartments for rent in Santa Clara County. Many of these rental apartments are income based housing with about 7,451 apartments that set rent based on your income. Often referred to as "HUD apartments", there are 5,608 Project-Based Section 8 subsidized apartments in Santa Clara County. There are 22,746 other low income apartments that don't have rental assistance but are still considered to be affordable housing for low income families.

The HUD funded Public Housing Agencies that serve Santa Clara County are the Housing Authority of the County of Santa Clara and Housing Authority of the City of San Jose. The HUD-funded Public Housing Agency that is located in but may not directly serve Santa Clara County is the Burbank Housing Authority.

In the high-priced Bay Area, even some households that bring in six figures a year can be considered "low income." That's according to the U.S. Department of Housing and Urban Development, which recently released its 2017 income limits — a threshold that determines who can qualify for affordable and subsidized housing programs such as Section 8 vouchers. San Francisco and San Mateo counties have the highest limits in the Bay Area — and among the highest such numbers in the country. A family of four with an income of \$105,350 per year is considered "low income." A \$65,800 annual income is considered "very low" for a family the same size, and \$39,500 is "extremely low." The median income for those areas is \$115,300.

Other Bay Area counties are not far behind. In Alameda and Contra Costa counties, \$80,400 for a family of four is considered low income while in Santa Clara County \$84,750 is the low-income threshold for a family of four.

The new federal income limits are higher than last year and previous years, a reflection of the rising incomes and cost of living in the Bay Area. The increases will allow people at the upper tiers of the "low-income" limits access to some affordable housing programs from which they were previously disqualified." We've significantly increased income limits at every income level — that means more housing opportunity (because it) broadens the pool of individuals and families (who are considered low income)," said Ed Cabrera, a regional public affairs officer for HUD. "I think it's fair to say that these income limits are one way to gauge livability and affordability." Jeff Levin, policy director for East Bay Housing Organizations, said the market has shifted "dramatically" over the past two decades, forcing renters to spend significantly more on average than they have in previous years.

Michael Santero, director of asset management for San Jose-based First Community Housing, said it is easy to see the increased need for affordable housing right now, as more people flock to affordable housing programs offered by First Community Housing and others in the face of rapidly rising housing costs. While the new HUD income limits broaden the group of people eligible for such programs, it doesn't help alleviate the demand for such housing. It's up to developers and cities to provide more supply.

Some Bay Area cities have seen average rents soften a bit, but they are still higher than much of the country. According to ApartmentList.com, the median monthly cost of a two-bedroom apartment was \$2,550 in San Jose by the end of last year. In Oakland, it was around \$2,500, and in San

Francisco, it was a cool \$4,550. Even places in the East Bay suburbs, where many have flocked to find rent relief, were expensive. Pleasanton's median for a two-bedroom was \$2,770, and in Concord, it was \$1,900 per month. Not surprisingly, the Bay Area HUD income limits are higher than other metropolitan areas in the country.

There is one affordable project currently approved in Sunnyvale, the Edwina Benner Plaza at 460 Persian Drive. This is a 66-unit, four story project developed by MidPen Housing. Originally only 32 of the units would have been available to Sunnyvale residents, but with some additional funding, 42 of the 66 total units will be made available to those who live and work in the city. The remaining units will be reserved for households referred by agencies that are providing funding to the project, such as the Santa Clara County Office of Supportive Housing and the Housing Authority of the County of Santa Clara. MidPen Housing began construction in the spring and will be completed sometime next year.

Residential Land Market

Residential land values are directly tied to supply and demand of current housing product. Land values vary depending on location, size, permitted uses, and allowable density. Unfortunately, there are no meaningful statistics for residential land values in Santa Clara County and the subject's submarket of Sunnyvale. However, with the prices of homes going up, land prices have also experienced a notable upward trend over the past several years. Sunnyvale and Mountain View are experiencing explosive growth, in large part due to Google, and they both command some of the highest home prices in the area. As discussed above, home prices are expected to continue to increase over the next year, which puts upward pressure on land values.

Residential land is typically purchased contingent on project approval or with entitlements in place. When contingent upon approvals, the risk to a developer is significantly reduced. Prices for land purchased without this contingency are typically lower than for land purchased on contingency. The price differential is especially large as the risk increases. We note that citizen participation in planning activities is very high in certain municipalities; thus, the approval process for residential projects can become political, long and arduous. It is not uncommon for new projects to take three to four years for development approval.

The Sunnyvale land market has been very active over the past 18 months. Several land transactions took place, many of which had short escrows without a tentative map approval contingency. The real estate brokers we spoke with indicated that marketing periods were short, under two months, and there were multiple offers which resulted to contract prices that were at or above the asking rate.

Buyer types in Sunnyvale range from the individual developer to the large scale national housing developer, depending on the size of the site. Well-located, small sites are still in demand from small local buyers, while national builders are very actively seeking land sites that are over three acres in size. If a property has easy access, no topography or geologic issues, and has infrastructure available and multi-family residential zoning, the property will be in better demand. In addition, higher density land for affordable development of mixed-use sites is exhibiting better demand than for-sale housing in certain submarkets.

Conclusion

Apartment properties have remained a preferred investment over other property types due to their favorably perceived risk/return position. Inventory of apartment projects available for sale has not met investor demand. The demand for housing in the entire Bay Area remains high and projected demand far exceeds supply. As a result of increasing rental rates and demand for multi-family investments, sales volume has increased. Nevertheless, most market participants have noted that property values have remained relatively stable with fluctuating increases and decreases over the past year. These same brokers anticipate positive market trends over the next several years.

Likely, we will continue to see positive trends for the Santa Clara County and Sunnyvale multi-family markets. Rents and occupancy will remain strong and grow, while sale volume remains high and cap rates remain low. Apartment properties have remained a preferred investment over other property types due to their favorably perceived risk/return position, and we believe that the outlook for apartments has historically been, and is still, positive.

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 DSP, Downtown Specific Plan which controls the general nature of permissible uses but is appropriate for the location and physical elements of the subject property, providing for a consistency of use with the general neighborhood. The location of the subject property is appropriate for the uses allowed, as noted previously, and a change in zoning is unlikely. There are no known easements, encroachments, covenants or other use restrictions that would unduly limit or impede development.

Regulations for the development of the site have been discussed earlier in the report. The planning department envisions residential development at a high density of 54 units per acre, and has pre-approved this density in the subject's block (Block 15). Higher density could be approved for affordable projects. The probability of the site's current zoning changing is unlikely.

As noted in the zoning section of this report, the maximum number of units that can be developed on the subject site is 54 dwelling units per acre. However, a density increase of up to 35% can be achieved with density bonus (per the Density Bonus Ordinance). This results in a maximum density of 72.9 dwelling units per acre, or a maximum of 100 affordable units can be developed on the subject site.

We note that the subject site represents a municipality's surplus land, and the City requires affordable development on the site; the City Council designated the property to be for affordable housing. More specifically, residential development of the subject is required to provide 25% of the housing for extremely low, very low and low-income families. This is a burden to a future buyer/developer of the subject property and has been considered in our appraisal to offset the potential bonus density.

Physically Possible

The subject site is irregular in shape and contains 62,533 square feet or 1.44 acres. All urban utilities are available to the site. The site has good visibility and good street frontage along three city streets. According to flood plain maps, the property is not located in a flood hazard area. To the best of our knowledge, the subject property is environmentally clean. The physical attributes of the subject site support a variety of uses including commercial, residential and mixed use commercial/ residential uses.

Financially Feasible

The probable use of the site for multifamily development conforms to the pattern of land use in the market area. A review of published yield, rental and occupancy rates suggest that there is an undersupply 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 market demand for the development of the appraised site is considered strong, when considering the undersupply of land in Sunnyvale and larger Santa Clara County. As mentioned earlier, the demand for residential properties in Santa Clara County remain strong, as exhibited in both the low vacancy rate and the high rental rates for residential properties in this county. Therefore, feasibility of developing the site in current market conditions is strong.

There is limited land available for new development in Sunnyvale at present, and the City encourages higher-density projects, close to the downtown area as well as to public transportation, to accommodate population growth. In the past three to four years, the City has approved a large number of residential projects, including several high-density, mixed-use projects, in excess of 30 dwelling units per acre. A large number of these projects are in the final stages of the entitlement process or currently under construction.

Apartment rents are on the rise as well; however, the rental market is reaching a plateau due to the large number of rental units that have been completed or are currently under construction in the broader Santa Clara County. Thus, rents appear to be flattening out, and minor rent increases are forecasted in the near term. Still, however, apartments are the most desirable asset among investors.

Considering the number of projects currently into construction, as well as forecasted strong demand, it appears that residential construction is financially feasible now and will continue to be so in the next two to three years. Pent up demand exists, with most homes selling at or above the asking price, often with multiple offers in place. Therefore, residential development of the subject site is financially feasible.

Maximally Productive

Among the financially feasible uses, the use that results in the highest value (the maximally productive use) is the highest and best use.

As we discussed throughout this report, as of the date of value there was momentum in Santa Clara County, and cities are encouraging very-high-density development, especially in the downtown areas or around transit corridors.

The residential market is currently on the rise, as marketing times are declining, and sale prices are increasing. Rents are on the rise as well. The subject is located in Sunnyvale, a desirable area due to its proximity to freeways, Caltrain, City Center, as well as its proximity to major employment centers in the Bay Area. These are desirable characteristics of the subject site and would support medium/high-density residential development.

Considering these factors, the maximally productive use of the subject site as though vacant, is for multi-family residential development, at the maximum density permitted by municipal guidelines, either on a standalone basis or as part of an assemblage with adjacent properties.

As noted in the zoning section of this report, the maximum number of units that can be developed, based on the current density for a market rate project (54 du/ac) is 71 while with a bonus density (per the Density Bonus Ordinance) is 100 units (72 du/ac). We will utilize this density and number of units in our land valuations later in the report.

Conclusion of Highest and Best Use As If Vacant

The conclusion of the highest and best use as if vacant is for high-density residential or mixed-use commercial/ residential development, at the maximum density permitted by municipal guidelines.

Analysis of Highest and Best Use as Improved

An analysis of the highest and best use as improved is beyond the scope of this assignment. It appears, however, that the improvements are dated and with low FAR, and as such, they add interim value to the land; they can continue to generate interim income until entitlements are received. The highest and best use of the subject property as assembled is for demolition of the improvements and redevelopment once entitlements are received.

Most Probable Buyer

As of the date of value, the most probable buyer of the subject property under Scenario One is a developer or possibly an affordable housing builder. The most likely users would be a number of residential tenants.

Land Valuation – As Is

Methodology

Site Value is most often estimated using the sales comparison approach. This approach develops an indication of market value by analyzing closed sales, listings, or pending sales of properties similar to the subject, focusing on the difference between the subject and the comparables using all appropriate elements of comparison. This approach is based on the principles of supply and demand, balance, externalities, and substitution, or the premise that a buyer would pay no more for a specific property than the cost of obtaining a property with the same quality, utility, and perceived benefits of ownership.

The subject property is a 1.44-acre, high-density residential site. For purposes of this appraisal, the Sales Comparison Approach has been employed to estimate the market value of the subject site. Sufficient sales data was available that it was felt this method yielded a reliable result. This is the method that would most often be applied by a typical buyer of this type of property.

Typically, there are three main categories that land sells under: 1) “as-is,” 2) “contingent on receiving entitlements,” and 3) as “fully entitled.” Of course, this is a simplification, and there are various stages in between, but for purposes of this discussion and the valuation assignment, these are the main categories. We have appraised the subject property as is (without entitlements), as a redevelopment site. This is not the typical scenario for the subject since most buyers would seek to purchase residential land either contingent on entitlements or as already entitled. These are the most common contract structures for land sale transactions in the marketplace.

This is an as-is” valuation of the subject land without any proposed entitlements or a proposed project in mind, but considering the existing Specific Plan designation of the property for very high-density residential development (54 du/ac).

Unit of Comparison

The unit of comparison depends on land use economics and how buyers and sellers use the property. The unit of comparison in this analysis is price per square foot of land area.

Elements of Comparison

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

Comparable Sales Data

As discussed in the zoning section of this report, the City of Sunnyvale pre-approved Block 15 at a density of 54 dwelling units per acre, with a maximum of 71 units likely permitted on the subject under market rate development.

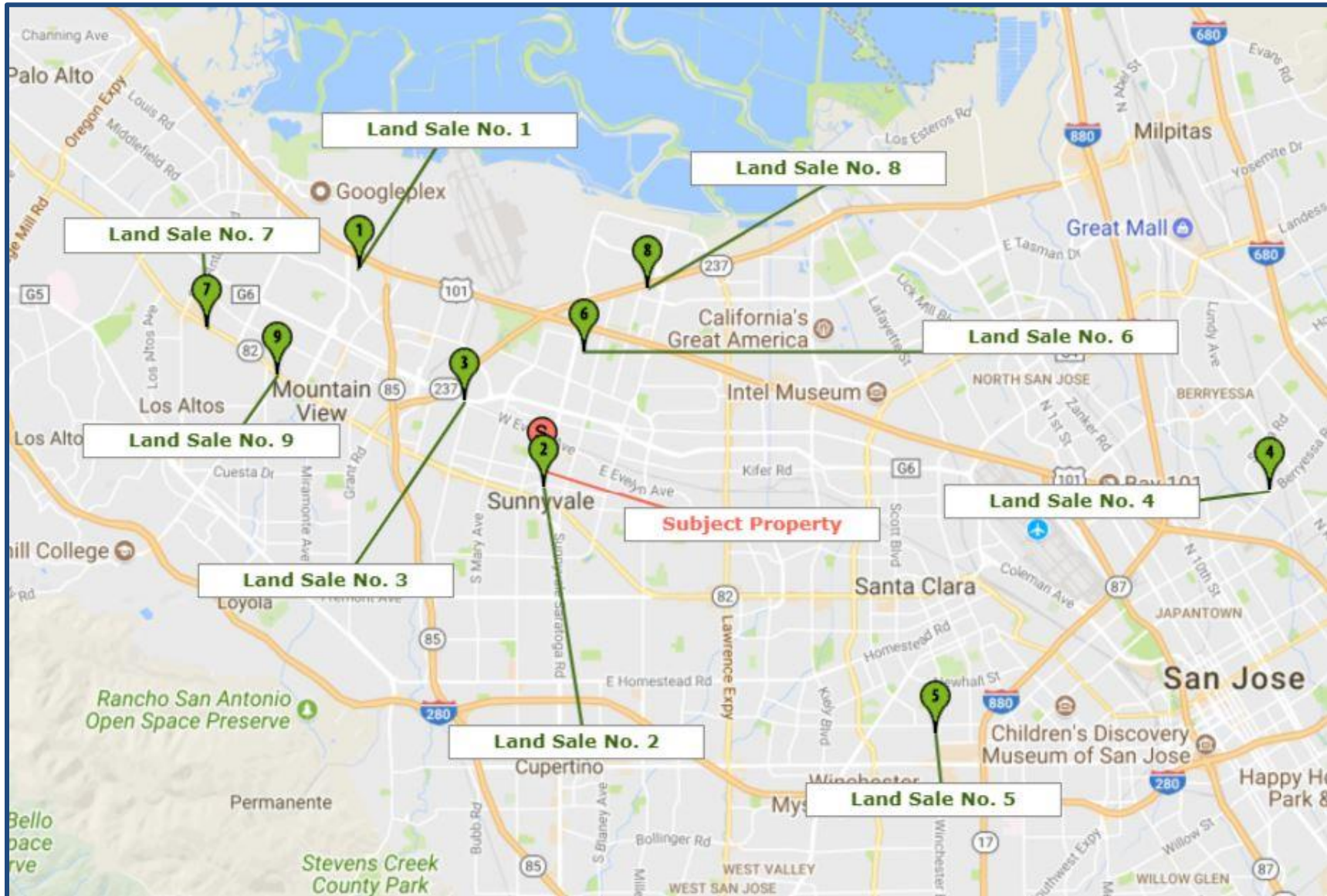
To obtain and verify comparable sales of vacant land properties, we conducted a search of public records, field surveys, interviews with knowledgeable real estate professionals in the area, and a review of our internal database.

We included several sales in our analysis, as these sales were judged to be the most comparable to develop an indication of market value for the subject property. While some of the Comparable Sales were purchased for affordable development, the sites sold without a recorded deed restriction. The following is a table summarizing each sale comparable and a map illustrating the location of each in relation to the subject. Details of each comparable follow the location map.

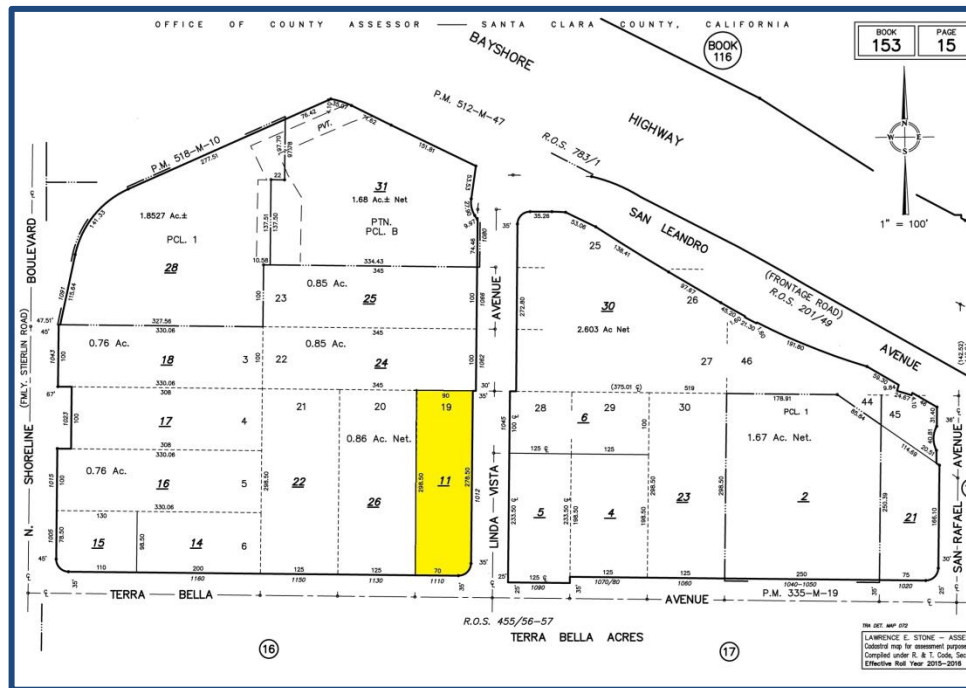
Land Sales Summary

| Comp. No. | Date of Sale | Usable Acres | Usable Sq. Ft. | Location | | Zoning | Density du/ac | Sales Price Actual | Per Sq. Ft. | Per Unit |
|-------------|--------------|--------------|----------------|-----------------------------|---------------|---------|---------------|--------------------|-------------|-------------|
| 1 | March-17 | 0.616 | 26,820 | 1110 Terra Bella Avenue | Mountain View | MM | 100+ | \$7,650,000 | \$285.23 | \$123,387 * |
| 2 | December-16 | 0.423 | 18,426 | 528 South Mathilda Avenue | Sunnyvale | DSP | 89.83 | \$3,300,000 | \$179.09 | \$86,842 |
| 3 | June-16 | 1.933 | 84,201 | 779 East Evelyn Avenue | Mountain View | R4 | 60.01 | \$11,525,000 | \$136.87 | \$99,353 |
| 4 | August-16 | 6.300 | 274,428 | NEC of Sierra and Berryessa | San Jose | A(PD) | 87.46 | \$40,000,000 | \$145.76 | \$72,595 |
| 5 | April-16 | 1.863 | 81,152 | 100 North Winchester Blvd | Santa Clara | OG | 49.38 | \$12,145,000 | \$149.66 | \$132,011 |
| 6 | November-16 | 1.200 | 52,272 | 740-746 San Aleso Avenue | Sunnyvale | MS | 98.33 | \$5,299,267 | \$101.38 | \$44,909 |
| 7 | September-15 | 0.447 | 19,484 | 4880 El Camino Real | Los Altos | CT | 46.95 | \$4,000,100 | \$205.30 | \$190,481 |
| 8 | April-15 | 1.314 | 57,235 | 460 Persian Drive | Sunnyvale | R4 (PD) | 47.95 | \$7,561,145 | \$132.11 | \$120,018 |
| 9 | April-15 | 0.487 | 21,223 | 1701-1707 El Camino Real | Mountain View | P-38 | 100.57 | \$5,200,000 | \$245.02 | \$106,122 |
| * Estimated | | | | | | | | | | |

COMPARABLE SALES MAP



COMPARABLE SALE 1



Property Identification

| | |
|--------------------|---------------------------------|
| Property/Sale ID | 121123/430543 |
| Property Type | Multi-Family |
| Address | 1110 Terra Bella Avenue |
| City, State Zip | Mountain View, California 94043 |
| County | Santa Clara |
| Latitude/Longitude | 37.408712/-122.075791 |
| Tax ID | 153-15-011 |

Transaction Data

| | | | |
|--------------------|----------------------------|-------------------------|---------------|
| Sale Date | Mar-2017 | | Housing Corp) |
| Sale Status | Recorded | Recording Number | Unavailable |
| Grantor | Red Tower Capital | Sale Price | \$7,650,000 |
| Grantee | Terra Bella LLC (Palo Alto | | |

Property Description

| | | | |
|------------------------|-------------|----------------------------|-----------------------|
| Gross Acres | 0.62 | Use Designation | General Industrial |
| Gross SF | 26,820 | Zoning Jurisdiction | City of Mountain View |
| Corner/Interior | Corner | Zoning Code | MM |
| Shape | Rectangular | Zoning Description | General Industrial |

Indicators

| | |
|--------------------|-----------------|
| \$/Gross SF | \$285.24 |
|--------------------|-----------------|

Remarks

This property consists of a single parcel located along the north side of Terra Bella Avenue in Mountain View. The site has a rectangular shape and a corner lot configuration at the intersection of Terra Bella Avenue and Linda Vista Avenue. The site has approximately 80 feet of frontage along Terra Bella Avenue and 290 feet of frontage along Linda Vista Avenue (with two curb cuts). The underlying site contains 26,820 gross square feet or 0.62 gross acres.

The property is improved with two buildings but they will be demolished for redevelopment. While both buildings were vacant as of the time of sale, the tenant at 1012 Linda Vista is still pay rent (\$14,000 per month) through August 2018, when the lease expires.

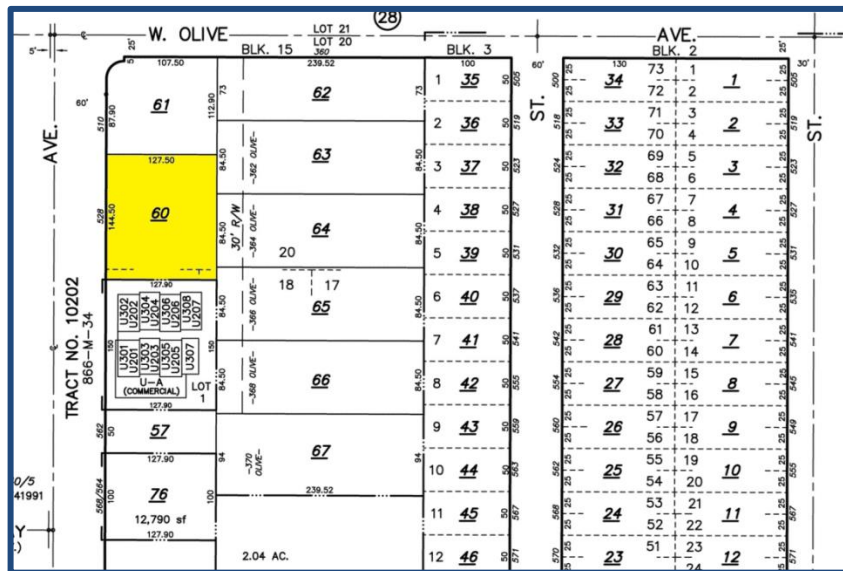
The property is situated in an industrial area that has been seen as a potential change area for larger scale residential conversion. Last year several council members urged the city to study the Terra Bella area for residential zoning, as the City grapples with crushing demand for housing. This idea has gained a lot of support from nearby property owners, including Google who have approached the city with their support for housing. Based on our conversation with the City's Economic Development Director, high-density residential development is reasonably likely for the immediate area.

This property sold in a double escrow transaction. More specifically, the property was contracted for sale in March 3, 2017 between Red Tower Capital (buyer) and Mina Yousseff. The property was marketed based on office/ industrial use by Colliers and was listed on the market with no offer price. Colliers is the broker (dual agent for seller/buyer), with the assignment being confidential at this stage, so the brokers cannot be contacted. We believe, however, that the sale price is \$6,000,000 or \$224 per square foot of land area.

Subsequently, an agreement for assignment for purchase was negotiated in March 20, 2017 between Terra Bella LLC and Red Tower Capital. The sale price to Terra Bella LLC is \$7,650,000, or \$285 per square foot of land area. Both escrows will close on the same day (double escrow) which will be sometime in the end of April. The PSA allows for assignment without requiring seller's consent.

The buyer (Palo Alto Housing Corporation) intends to build affordable housing at a very high density of over 100 units/acre. We note, however, that the existing zoning does not permit residential but the City has expressed interest to allow residential development, especially an affordable project. This is an as is sale, without entitlements.

COMPARABLE SALE 2



Property Identification

| | |
|---------------------------|-----------------------------|
| Property/Sale ID | 121358/430636 |
| Property Type | Multi-Family |
| Address | 528 South Mathilda Avenue |
| City, State Zip | Sunnyvale, California 94086 |
| County | Santa Clara |
| Latitude/Longitude | 37.371026/-122.035867 |
| Tax ID | 209-29-060 |

Transaction Data

| | | | |
|--------------------|--|-------------------------|-------------------------|
| Sale Date | Dec-2016 | Grantee | Family |
| Sale Status | Recorded | Recording Number | Silicon Sage Builders |
| Grantor | Robert C McPherson & Karen Van Gronlingen | Sale Price | 23541639 \$3,300,000 |

Property Description

| | | | |
|---------------------------|----------|----------------------------|------------------------|
| Gross Acres | 0.42 | Shape | Rectangular |
| Gross SF | 18,426 | Use Designation | Downtown Specific Plan |
| No. of Units | 38 | Zoning Jurisdiction | City of Sunnyvale |
| Density (Units/Ac) | 89.83 | Zoning Code | DSP |
| Corner/Interior | Interior | Zoning Description | Downtown Specific Plan |

Indicators

| | | | |
|--------------------|----------|----------------|----------|
| \$/Gross SF | \$179.09 | \$/Unit | \$86,842 |
|--------------------|----------|----------------|----------|

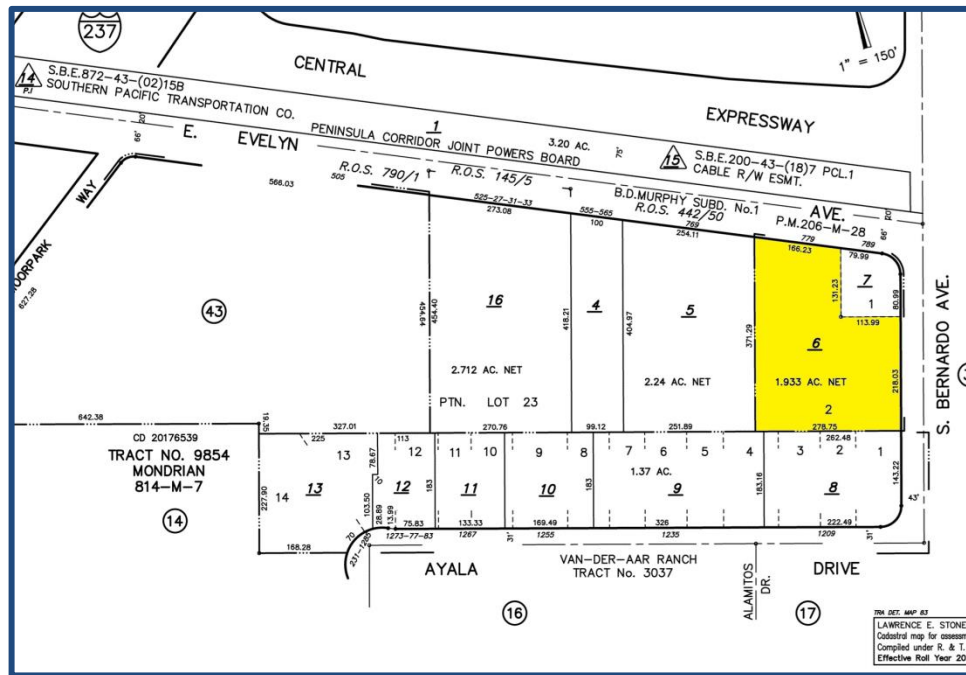
Remarks

This property consists of a single parcel improved with an 8-unit apartment building located along the east side of South Mathilda Avenue in Sunnyvale. The site has a rectangular shape and an interior lot configuration one parcel south of West Olive Avenue. The site has approximately 145 feet of frontage along South Mathilda Avenue and a depth of 128 feet. The property is proximate to downtown Sunnyvale and the Sunnyvale Caltrain Station.

The underlying site contains 18,426 gross square feet or 0.42 gross acres. The improvements contain approximately 5,276 square feet, were constructed circa 1950, and consist of all one-bedroom apartment units. The property zoning and General Plan land use designation are Downtown Specific Plan.

This property was purchased for redevelopment to a 34-unit apartment building. Entitlements were not in place for the proposed project, although the underlying zoning already allowed residential use. The property sold in December 2016 for \$3,300,000 or \$86,842 per proposed unit or \$179.09 per square foot of land.

COMPARABLE SALE 3



Property Identification

| | |
|---------------------------|---------------------------------|
| Property/Sale ID | 120617/430192 |
| Property Type | Multi-Family |
| Address | 779 East Evelyn Avenue |
| City, State Zip | Mountain View, California 94041 |
| County | Santa Clara |
| Latitude/Longitude | 37.385777/-122.052877 |
| Tax ID | 161-15-006 |

Transaction Data

| | | | |
|--------------------|----------------------|-------------------------|--------------|
| Sale Date | Jun-2016 | Recording Number | 23322208 |
| Sale Status | Recorded | Sale Price | \$11,525,000 |
| Grantor | Petri Estate Co | | |
| Grantee | Evelyn Avenue Family | | |

Property Description

| | | | |
|---------------------------|-------------|----------------------------|--------------------------|
| Gross Acres | 1.93 | Shape | L-Shaped |
| Gross SF | 84,201 | Use Designation | High Density Residential |
| No. of Units | 116 | Zoning Jurisdiction | City of Mountain View |
| Density (Units/Ac) | 60.01 | Zoning Code | R4 |
| Corner/Interior | Through Lot | Zoning Description | High Density Residential |

Indicators

| | | | |
|--------------------|----------|----------------|----------|
| \$/Gross SF | \$136.87 | \$/Unit | \$99,353 |
|--------------------|----------|----------------|----------|

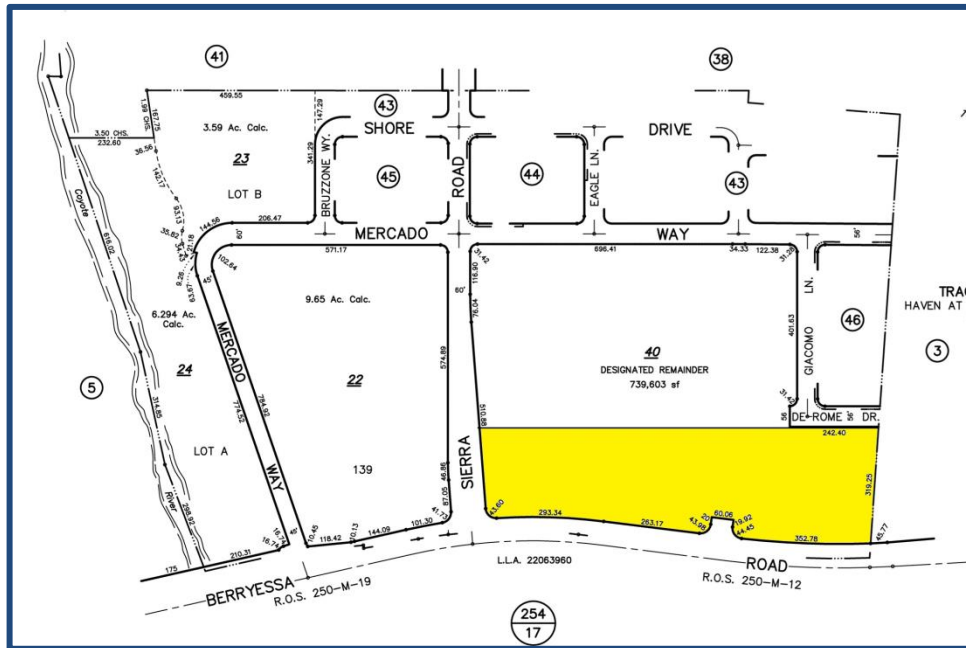
Remarks

This property consists of a single parcel improved with two office buildings located along the south side of East Evelyn Avenue in Mountain View. The site has an L-shape and a through-lot configuration with approximately 166 feet of frontage along East Evelyn Avenue (with one curb cut) and 218 feet of frontage along South Bernardo Avenue (with two curb cuts). The property is across East Evelyn Avenue from Caltrain railroad tracks.

The underlying site contains 84,201 net square feet or 1.93 net acres. The existing improvements contain a total of 29,700 square feet and were constructed circa 1974 and 2001. The property zoning and General Plan land use designation are High Density Residential.

The buyer (ROEM) plans to construct 116 affordable housing units, financing the project through a City of Mountain View affordable housing subsidy.

COMPARABLE SALE 4



Property Identification

| | |
|---------------------------|-----------------------------|
| Property/Sale ID | 121506/430724 |
| Property Type | Multi-Family |
| Address | NEC of Sierra and Berryessa |
| City, State Zip | San Jose, California 95133 |
| County | Santa Clara |
| Latitude/Longitude | 37.370490/-121.878730 |
| Tax ID | 241-04-040 (Portion) |

Transaction Data

| | | | |
|--------------------|---------------------|-------------------------|--------------|
| Sale Date | Aug-2016 | Recording Number | Properties |
| Sale Status | Recorded | Sale Price | Unavailable |
| Grantor | Bumb and Associates | | \$40,000,000 |
| Grantee | Western National | | |

Property Description

| | | | |
|---------------------------|---------|----------------------------|--------------------------|
| Gross Acres | 6.30 | Shape | Generally Rectangular |
| Gross SF | 274,428 | Use Designation | High Density Residential |
| No. of Units | 551 | Zoning Jurisdiction | City of San Jose |
| Density (Units/Ac) | 87.46 | Zoning Code | A(PD) |
| Corner/Interior | Corner | Zoning Description | Planned Development |

Indicators

| | | | |
|--------------------|----------|----------------|----------|
| \$/Gross SF | \$145.76 | \$/Unit | \$72,595 |
|--------------------|----------|----------------|----------|

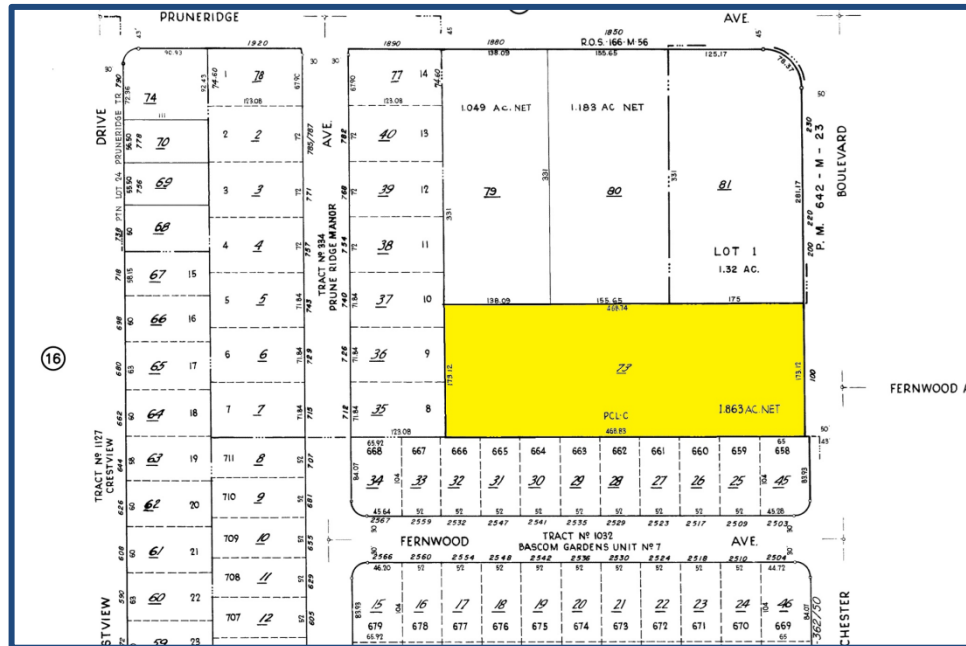
Remarks

This property represents a 6.3-acre portion of the larger Flea Market site, identified as Blocks 9, 10 and 11 of the North Village, located along the north side of Berryessa Road in San Jose. The site has a long rectangular shape and a corner lot configuration at the signalized intersection of Berryessa Road and Sierra Road. The site has approximately 1,100 feet of frontage along Berryessa Road and 250 feet of frontage along Sierra Road.

The property is located adjacent to the proposed Berryessa BART station. The area is in the redevelopment stage of its life cycle, where older industrial uses are replaced with high-density residential development or mixed-use commercial residential development. This is a result of the extension of the BART line within the area and anticipated BART service to commence in 2017/ 2018.

Western National Properties went into contract to purchase this property in August 2016 from Bumb and Associates. Escrow closed in April 2017 at a sale price of \$40,000,000 or \$72,595 per proposed unit, or \$145.76 per square foot of land. The property sold shovel ready at the time of sale. The buyer intends to develop 551 apartment units onsite. Entitlements were in place for 551 units at a density of 87.46 units per acre. Additionally 37,000 square feet of retail space will be developed on the ground floor. The site is exempt from affordability requirement.

COMPARABLE SALE 5



Property Identification

| | |
|---------------------------|--------------------------------|
| Property/Sale ID | 119212/429489 |
| Property Type | Commercial |
| Address | 100 North Winchester Boulevard |
| City, State Zip | Santa Clara, California 95050 |
| County | Santa Clara |
| Latitude/Longitude | 37.328678/-121.951003 |
| Tax ID | 303-16-073 |

Transaction Data

| | | | |
|--------------------|--|-------------------------|---------------------------|
| Sale Date | Apr-2016 | Grantee | USA Properties Fund, Inc. |
| Sale Status | Recorded | | (Santa Clara 632, LLC) |
| Grantor | Rubicon Investments, Inc. (Santa Atrium Professional) | Recording Number | 23262198 |
| | | Sale Price | \$12,145,000 |

Property Description

| | | | |
|---------------------------|----------|----------------------------|---------------------|
| Gross Acres | 1.86 | Shape | Rectangular |
| Gross SF | 81,152 | Use Designation | Regional Commercial |
| No. of Units | 92 | Zoning Jurisdiction | City of Santa Clara |
| Density (Units/Ac) | 49.38 | Zoning Code | OG |
| Corner/Interior | Interior | Zoning Description | General Office |

Indicators

| | | | |
|--------------------|----------|----------------|-----------|
| \$/Gross SF | \$149.66 | \$/Unit | \$132,011 |
|--------------------|----------|----------------|-----------|

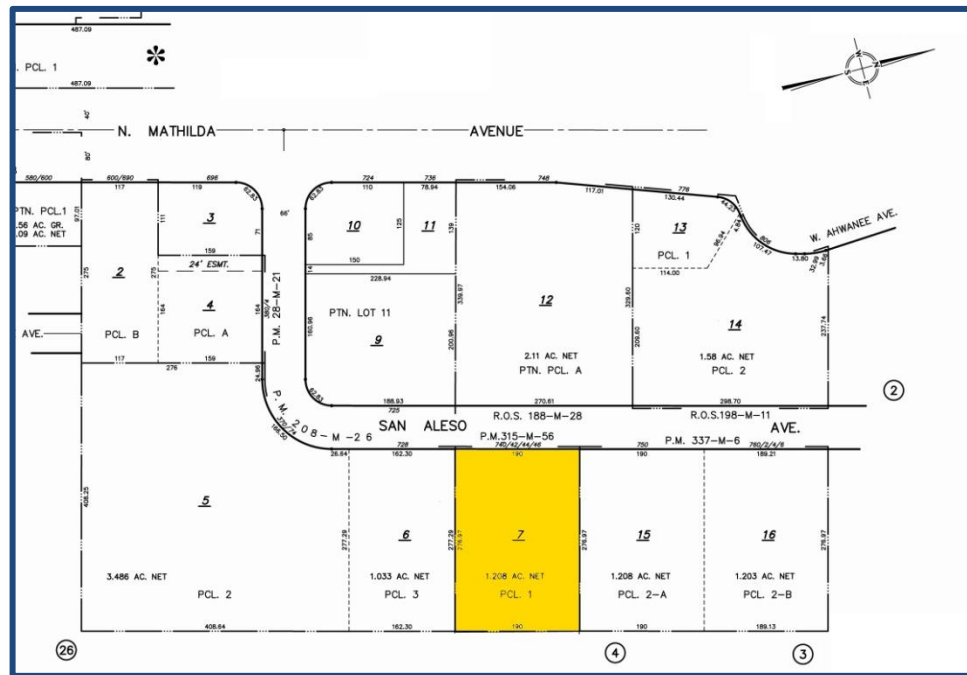
Remarks

This property consists of a single parcel improved with a three-story multi-tenant office building located along the west side of North Winchester Boulevard in Santa Clara. The site has a rectangular shape and a T-intersection lot configuration one parcel interior, to the south, of Pruneridge Avenue, and directly across Winchester Boulevard from Fernwood Avenue. The site has approximately 175 feet of frontage along North Winchester Boulevard (with two curb cuts) and a depth of 470 feet. The property abuts single family residential uses to the south and west.

The underlying site contains 81,152 net square feet or 1.86 net acres. The improvements contain 63,953 square feet and were constructed circa 1968 and renovated in 2008. The floor area ratio is 79%. There are approximately 100 onsite surface parking spaces and 100 covered spaces for a parking ratio of 3.3 spaces per 1,000 square feet. The property is zoned General Office and the General Plan land use designation is Regional Commercial.

USA Properties Fund, Inc. (Santa Clara 632, LLC) purchased this property in April 2016 from Rubicon Investments, Inc. (Santa Atrium Professional). The property sold below the asking price of \$12,250,000. The sale price was \$12,145,000 or \$149.66 per square foot of land or \$132,011 per proposed unit. Close of escrow was contingent upon entitlements. The buyer intends to construct 92 senior apartment units.

COMPARABLE SALE 6



Property Identification

| | |
|---------------------------|-----------------------------|
| Property/Sale ID | 121166/430508 |
| Property Type | Multi-Family |
| Address | 740-746 San Aleso Avenue |
| City, State Zip | Sunnyvale, California 94085 |
| County | Santa Clara |
| Latitude/Longitude | 37.394348/-122.027175 |
| Tax ID | 204-01-007 |

Transaction Data

| | | | |
|--------------------|--|-------------------------|--|
| Sale Date | Nov-2016 | Grantee | CalAtlantic Group, Inc/CalAtlantic Homes |
| Sale Status | Recorded | Recording Number | 23512731 |
| Grantor | DPM San Aleso LLC/Dollinger Properties | Sale Price | \$5,299,267 |

Property Description

| | | | |
|---------------------------|----------|----------------------------|------------------------|
| Gross Acres | 1.20 | Shape | Rectangular |
| Gross SF | 52,272 | Use Designation | Industry |
| No. of Units | 118 | Zoning Jurisdiction | City of Sunnyvale |
| Density (Units/Ac) | 98.33 | Zoning Code | MS |
| Corner/Interior | Interior | Zoning Description | Industrial and Service |

Indicators

| | | | |
|--------------------|----------|----------------|----------|
| \$/Gross SF | \$101.38 | \$/Unit | \$44,909 |
|--------------------|----------|----------------|----------|

Remarks

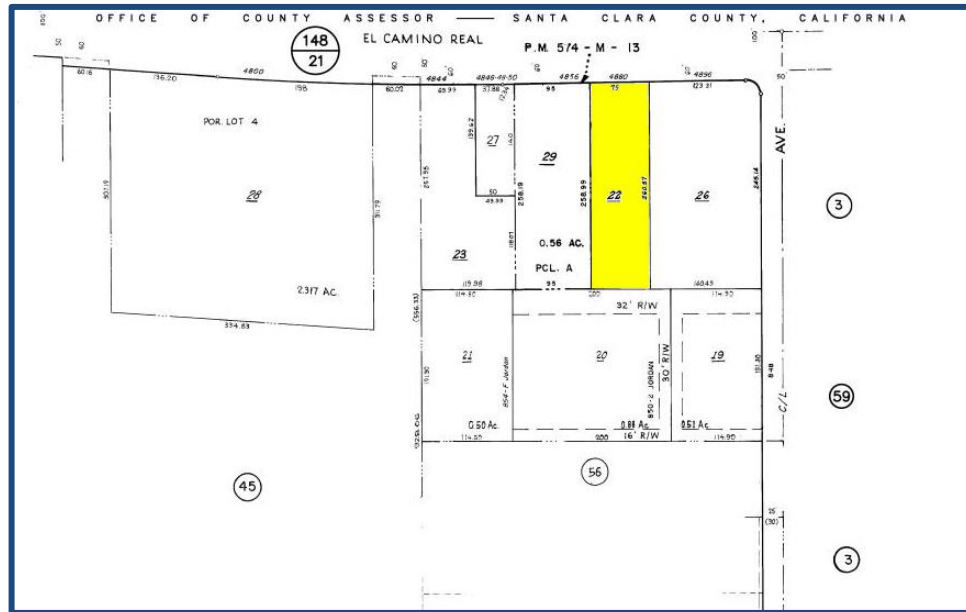
This property consists of a single parcel improved with a single-story manufacturing building located along the east side of San Aleso Avenue in the Peery Park area of Sunnyvale. The site has a rectangular shape and an interior lot configuration with approximately 190 feet of frontage along San Aleso Avenue and a depth of 277 feet. The property has good freeway access to Highway 101.

The underlying site contains 52,272 net square feet or 1.21 net acres. The improvements contain 18,316 square feet and were constructed circa 1973. The property is zoned Industrial and Service and the General Plan land use designation is Industry.

CalAtlantic Group, Inc./ CalAtlantic Homes purchased this property in November 2016 from DPM San Aleso LLC/ Dollinger Properties. The sale price was \$5,299,267 or \$44,909 per proposed unit or \$101.38 per square foot of land.

The buyer purchased the property for residential redevelopment. At the time of sale, the buyer had submitted plans for a 118-unit multi-family residential project with 96 condominiums and 22 duet units.

COMPARABLE SALE 7



Property Identification

| | |
|---------------------------|-----------------------------|
| Property/Sale ID | 24001/430469 |
| Property Type | Planned Development (PUD) |
| Address | 4880 El Camino Real |
| City, State Zip | Los Altos, California 94022 |
| County | Santa Clara |
| Latitude/Longitude | 37.398490/-122.109070 |
| Tax ID | 170-02-022 |

Transaction Data

| | | | |
|--------------------|----------------------------|-------------------------|-------------|
| Sale Date | Sep-2015 | Grantee | Lola, LLC |
| Sale Status | Recorded | Recording Number | 23078256 |
| Grantor | Yuans Brothers Corporation | Sale Price | \$4,000,100 |

Property Description

| | | | |
|---------------------------|----------|----------------------------|-------------------------|
| Gross Acres | 0.45 | Shape | Rectangular |
| Gross SF | 19,484 | Use Designation | Thoroughfare Commercial |
| No. of Units | 21 | Zoning Jurisdiction | City of Los Altos |
| Density (Units/Ac) | 46.95 | Zoning Code | CT |
| Corner/Interior | Interior | Zoning Description | Commercial Thoroughfare |

Indicators

| | | | |
|--------------------|----------|----------------|-----------|
| \$/Gross SF | \$205.30 | \$/Unit | \$190,481 |
|--------------------|----------|----------------|-----------|

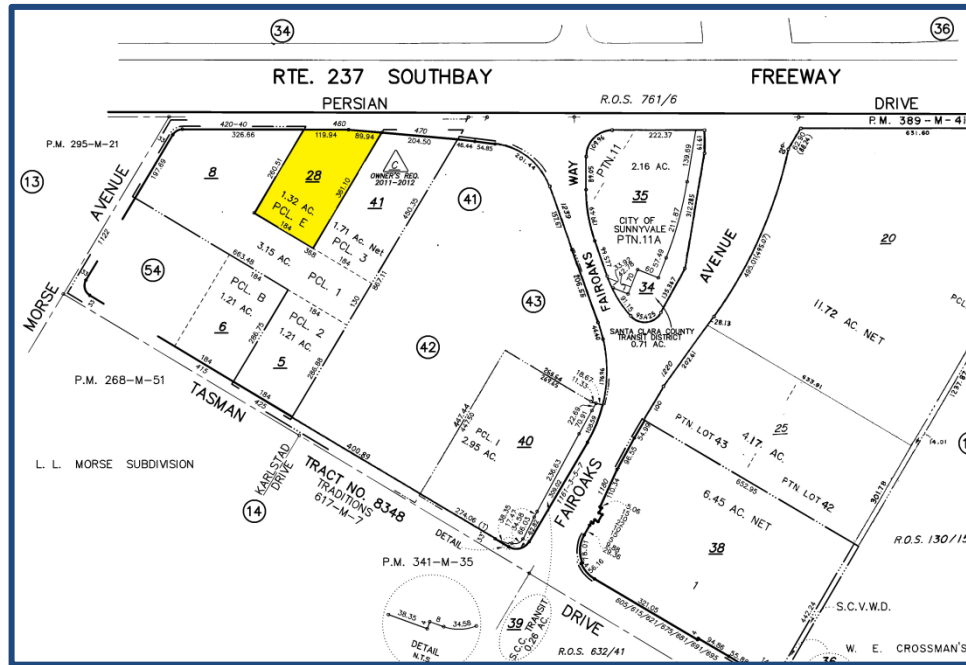
Remarks

This property consists of a single parcel improved with an older retail building located along the south side of El Camino Real in Los Altos. The site has a rectangular shape and an interior lot configuration one parcel west of Jordan Avenue. The site has approximately 75 feet of frontage along El Camino Real (with one curb cut) and a depth of 260 feet. The property has good access to regional transportation corridors and benefits from its proximity to nearby commercial amenities and the San Antonio Center.

The underlying site contains 19,484 gross square feet or 0.44 gross acres. The improvements were constructed circa 1938 and contain 1,980 square feet. At the time of sale, this property was zoned 'CT, Commercial Thoroughfare,' with a compatible General Plan Land Use designation of 'Thoroughfare Commercial.' This zoning and General Plan Land Use designation allow for a wide variety of land uses, including both commercial land uses and high-density residential land uses.

Lola, LLC purchased this property in September 2015 from Yuans Brothers Corporation. The sale price was \$4,000,100 or \$205.30 per square foot of land or \$190,481 per proposed unit. Although improved at the time of sale, the property was purchased for its land value. At the time of sale, there was a 21-unit residential condominium project proposed for this site; if approved, the project would have a residential density of 47.73 dwelling units per acre.

COMPARABLE SALE 8



Property Identification

| | |
|---------------------------|-----------------------------|
| Property/Sale ID | 112274/425584 |
| Property Type | Residential (Single-Family) |
| Address | 460 Persian Drive |
| City, State Zip | Sunnyvale, California 94089 |
| County | Santa Clara |
| Latitude/Longitude | 37.405256/-122.013284 |
| Tax ID | 110-29-028 |

Transaction Data

| | | | |
|--------------------|---|-------------------------|-------------------------|
| Sale Date | Apr-2015 | Grantee | Trust |
| Sale Status | Recorded | Recording Number | MP Land Holdings |
| Grantor | Baboolal B. Patel and Gitaben B. Patel Revocable | Sale Price | 22906240 \$7,561,145 |

Property Description

| | | | |
|------------------------------|-----------------------|----------------------------|---|
| Gross Acres | 1.31 | Use Designation | Industrial to Residential (High Density) |
| Gross SF | 57,235 | Zoning Jurisdiction | City of Sunnyvale |
| No. of Units | 63 | Zoning Code | R4 (PD) |
| Density (Units/Ac) | 47.95 | Zoning Description | High Density Residential (Planned Development) |
| Corner/Interior Shape | Interior Trapezoid | | |

Indicators

| | | | |
|--------------------|----------|----------------|-----------|
| \$/Gross SF | \$132.11 | \$/Unit | \$120,018 |
|--------------------|----------|----------------|-----------|

Remarks

This property consists of a single parcel improved with an industrial building located along the south side of Persian Drive in Sunnyvale. The site has a trapezoid shape and an interior lot configuration with approximately 210 feet of frontage along Persian Drive and an average depth of 310 feet. The property has freeway visibility along Highway 237.

The underlying site contains 57,235 gross square feet or 1.31 gross acres. The improvements contain 24,240 square feet, are single story, and were constructed circa 1969. The property is zoned High Density Residential - Planned Development (R4-PD) and the General Plan land use designation is Industrial to Residential (high density).

The property was quietly marketed for sale as a residential development site by CBRE, unpriced. The property was not widely marketed per the broker since the property owner was sensitive about not disturbing the existing tenants.

The property was on the market for four-to-five weeks. The broker reported that 11 to 12 offers were received. The highest offer was \$8,400,000, contingent on the buyer obtaining tentative map approvals and with a close of escrow in 12 months.

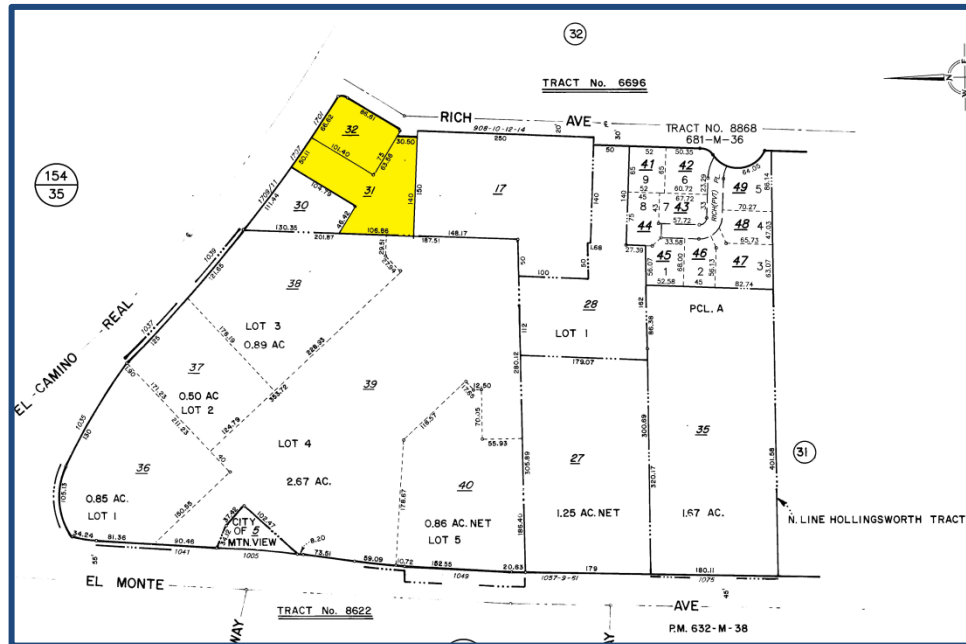
On January 6, 2015, MidPen Housing and the seller signed a letter of intent to sell the property to MidPen Housing for \$7,561,145, or \$132 per square foot of land area. The close of escrow was 60 days from the execution of a purchase agreement and the close of escrow was not contingent on the buyer's receipt of entitlements. The buyer reported that this would allow the tenants to remain until the end of their lease terms (last lease expires in December 2017).

The buyer planned to put together a conceptual plan for 63 affordable housing units. In our conversation with the Sunnyvale Planning Department, a planner reported that studios and one-bedroom units were expected.

That said, the subject is already zoned for residential use and there is little land use risk, though there would still be costs and effort to go through the planning process with the city to finalize a project. The seller reportedly chose the buyer's offer since the buyer offered a 60-day close.

The project was approved January 25, 2016.

COMPARABLE SALE 9



Property Identification

| | |
|---------------------------|---------------------------------|
| Property/Sale ID | 47377/426144 |
| Property Type | Commercial |
| Address | 1701-1707 El Camino Real |
| City, State Zip | Mountain View, California 94040 |
| County | Santa Clara |
| Latitude/Longitude | 37.390243/-122.093752 |
| Tax ID | 189-33-031 & 032 |

Transaction Data

| | | | |
|--------------------|-----------------------------|-------------------------|-------------------------|
| Sale Date | Apr-2015 | Grantee | Palo Alto Housing Corp. |
| Sale Status | Recorded | Recording Number | Unavailable |
| Grantor | El Camino MV Holdings (LLC) | Sale Price | \$5,200,000 |

Property Description

| | | | |
|------------------------------|------------------|----------------------------|--|
| Gross Acres | 0.49 | Use Designation | Mixed Use Corridor |
| Gross SF | 21,223 | Zoning Jurisdiction | City of Mountain View |
| No. of Units | 49 | Zoning Code | P-38 |
| Density (Units/Ac) | 100.57 | Zoning Description | Planned Community/El Camino Precise Plan |
| Corner/Interior Shape | Corner Irregular | | |

Indicators

| | |
|--------------------|-----------|
| \$/Gross SF | \$245.02 |
| \$/Unit | \$106,122 |

Remarks

This vacant property consists of two irregular-shaped and level parcels at the northwest corner of El Camino Real and Rich Avenue in Mountain View. The site has approximately 120 feet of frontage along West El Camino Real (with one curb cut) and 125 feet of frontage along Rich Avenue (with one curb cut). The underlying site measures 22,440 gross square feet but has only 21,223 net square feet, according to a survey for a vesting tentative map submitted to the City of Mountain View for a proposed development.

All city utilities were available to the property at the time of sale. Offsites, except for sidewalks on the Rich Avenue frontage, were in. El Camino Real is a major commercial/residential corridor with significant traffic, and the property is impacted by this location. Still, the property is located within the City of Mountain View Precise Plan, and this has an impact on value.

Palo Alto Housing Corp. purchased this property in April 2015 from El Camino MV Holdings (LLC). According to the listing broker, the new buyer plans to construct 49 affordable housing units for veterans. There were no such approvals in place at the time of sale; however, the City of Mountain View had already approved acquisition funding prior to the sale for an affordable development as well as a change for the subject's location that would allow for a more intensive higher density use. The likelihood of obtaining entitlements for a 49-unit housing project is strong. The buyer purchased all cash with the understanding that funding for the development would be available soon after the close of escrow.

As of the date of sale, the seller had applied to the city to construct a 24-unit condominium project, which included a 20% state density bonus; still there were no approvals at the time of sale. The development was under review and has since been placed on hold pending the buyer's proposal for an affordable housing development through the city's Notice of Funding Availability (NOFA) process.

This property was purchased for \$5.2 million, all cash, as discussed above. The property was not actively marketed. Escrow commenced in early November of 2014 and closed by early April of 2015. The property last sold in December 2013 for \$1.6 million. The previous sale, according to the seller's broker, was the result of an unsolicited offer; the property was not offered for sale and had not been marketed. The broker stated that the difference between the sale price in 2013 and the most recent sale was due to a change in anticipated intensity of use and the seller's desire to sell the property quickly to recover funds that had unexpectedly been spent.

The seller had purchased the property when it was in foreclosure. The seller, a developer, had estimated the most likely development use and density for the property as a mixed-use development of retail and only seven residential units and concluded that they would accept an offer of \$1.8 million based upon this anticipated use. Because the buyer was able to close the escrow quickly, the seller accepted \$1.6 million. The result was that the seller was able to recover the initial foreclosure sales price plus funds expanded during the holding period. It was after the close of escrow that the allowed use of the property changed, allowing for a more intense use and higher value.

Land Sales Comparison Analysis

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

Transaction Adjustments

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

Real Property Rights Conveyed

Real property rights conveyed influence sale prices and must be considered when analyzing a sale comparable. The appraised value reflects the fee simple interest. The sale comparables reflect either the fee simple or the leased fee interest; they were all, however, purchased for demolition of the improvements and redevelopment and not for their income generating ability. Thus, no adjustments were required.

Financing Terms

The transaction price of one property may differ from that of an identical property due to different financial arrangements. Sales involving financing terms that are not at or near market terms require adjustments for cash equivalency to reflect typical market terms. A cash equivalency procedure discounts the atypical mortgage terms to provide an indication of value at cash equivalent terms. All of the sale comparables involved typical market terms by which the sellers received cash or its equivalent and the buyers paid cash or tendered typical down payments and obtained conventional financing at market terms for the balance. Therefore, no adjustments for this category were required.

Conditions of Sale

When the conditions of sale are atypical, the result may be a price that is higher or lower than that of a normal transaction. Adjustments for conditions of sale usually reflect the motivations of either a buyer or a seller who is under duress to complete the transaction. Another more typical condition of sale involves the downward adjustment required to a comparable property's for-sale listing price, which usually reflects the upper limit of value.

Comparable 8 was characterized as a quiet sale, as it was not widely listed on the market for sale. An upward adjustment was made to the comparable. The remaining sale comparables do not indicate any condition of sale adjustments were warranted for atypical conditions or for-sale listing.

Expenditures Made Immediately After Purchase

A knowledgeable buyer considers expenditures required upon purchase of a property, as these costs affect the price the buyer agrees to pay. Such expenditures may include: costs to demolish and remove any portion of the improvements, costs to petition for a zoning change, and/or costs to remediate environmental contamination.

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

Comparable 3 was a leased property and the buyer anticipated cost of lease buy out of the amount of \$500,000. An adjustment was made to this comparable. The parties to the remaining transactions did not anticipate expenditures were required immediately after purchase; therefore, no adjustments were warranted to the remaining comparables.

Market Conditions Adjustment

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

Discussions with market participants and a review of market data indicated overall market conditions for vacant land properties have been improving with recent transactions confirming this trend. As such, we applied an adjustment to the comparables that closed escrow more than a year from the date of value on a factor of 5% per year. Comparables 1, 2 and 6 represent recent transactions and no adjustment was made.

Property Adjustments

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

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

Location

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

The subject site is located along South Mathilda Avenue with good access and good visibility. We rate the San Jose and Santa Clara location of Comparables 4 and 5 as inferior as rent and property values are lower in these locations, and we have upward adjusted these two comparables as appropriate. Also rated inferior is the location of Comparable 6 in Sunnyvale, within a heterogeneous industrial area, while Comparable 8 is impacted by freeway traffic noise. Both comparables were also adjusted as appropriate.

We rate the Mountain View location of Comparables 1, 3 and 9 as superior, as property values and rents are higher, and a downward adjustment was made.

No adjustment was made for the rest of the comparables in this category.

Size

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

The subject site consists of 1.44 acres of useable land. Comparables 1, 2 7 and 9 are much smaller in size sites and required a downward adjustment in this category. Comparable 4 is a much larger property and an upward adjustment is warranted as appropriate. No adjustment was made to the rest of the comparables in this category,

Corner Exposure

Tracts with major street influence tend to bring higher prices than otherwise comparable secondary locations. Additionally, tracts featuring corner influence typically command higher prices in the market place, as opposed to interior locations. For retail users, the hard corner of an intersection may be marketed to a fairly large pool of small users (e.g. service stations, fast food restaurants, etc.) for sale.

The subject site has a double corner location and is superior to the comparables that have an interior block location. Thus, we were inclined to upward adjust Comparables 2, 3, 5, 6, 7 and 8 upward in this category.

Topography

The subject has a generally level topography. All of the comparables are similar in this respect and no adjustment for topography is warranted.

Zoning

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

The subject site is zoned Downtown Specific Plan and permits retail, residential and mixed-use development. We rate the industrial zoning for Comparables 1 and 6 as inferior, as a General Plan amendment was required to develop the sites residentially. However, the City was in the process of rezoning the entire block of Comparable 1 to allow residential development. Therefore, no adjustment was made to this comparable. Comparable 6 was upward adjusted in this category.

Density

The subject has a current density of approximately 54 dwelling units per acre. Comparables 1, 2, 4, 5 and 9 were higher density sites and a downward adjustment was warranted. The remaining sales have relatively similar densities and merit no adjustments.

Entitlements

Land sold with approvals typically command a higher price than comparable land sold without approvals. As of the date of value, and under the as is scenario, the subject was not approved/entitled. However, the City had pre-approved development at the density of 54 dwelling units per acre, which reduces risk for the developer; this should be considered in our analysis.

Comparables 4 and 5 had superior entitlements or closed escrow contingent on entitlements, and an adjustment is merited. The adjustment is slightly lower than the typical adjustment made to account for the reduced risk due to the subject's pre-approved density.

Summary of Adjustments

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

LAND SALES ADJUSTMENT GRID

| Subject | | Sale # 1 | Sale # 2 | Sale # 3 | Sale # 4 | Sale # 5 | Sale # 6 | Sale # 7 | Sale # 8 | Sale # 9 |
|---|--|--------------------------------|----------------------------------|-------------------------------|------------------------------------|---|---|--|--|---|
| Sale ID | | 430543 | 430636 | 430192 | 430724 | 429489 | 430508 | 430469 | 425584 | 426144 |
| Date of Value & Sale | August-17 | March-17 | December-16 | June-16 | August-16 | April-16 | November-16 | September-15 | April-15 | April-15 |
| Unadjusted Sale Price | | \$7,650,000 | \$3,300,000 | \$11,525,000 | \$40,000,000 | \$12,145,000 | \$5,299,267 | \$4,000,100 | \$7,561,145 | \$5,200,000 |
| Usable Acres | 1.436 | 0.616 | 0.423 | 1.933 | 6.300 | 1.863 | 1.200 | 0.447 | 1.314 | 0.487 |
| Unadjusted Sales Price per Gross Sq. Ft. | | \$285.23 | \$179.09 | \$136.87 | \$145.76 | \$149.66 | \$101.38 | \$205.30 | \$132.11 | \$245.02 |
| Transactional Adjustments | | | | | | | | | | |
| Property Rights Conveyed | <i>Fee Simple</i> | <i>Fee Simple</i> | <i>Fee Simple</i> | <i>Fee Simple</i> | <i>Fee Simple</i> | <i>Leased Fee</i> | <i>Leased Fee</i> | <i>Fee Simple</i> | <i>Leased Fee</i> | <i>Fee Simple</i> |
| Adjusted Sales Price | | \$285.23 | \$179.09 | \$136.87 | \$145.76 | \$149.66 | \$101.38 | \$205.30 | \$132.11 | \$245.02 |
| Financing Terms | <i>Cash to Seller</i> | | <i>Typical</i> | | <i>Unknown</i> | <i>Conventional</i> | <i>Typical</i> | <i>Conventional</i> | <i>Typical</i> | <i>Cash</i> |
| Adjustment | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Adjusted Sales Price | | \$285.23 | \$179.09 | \$136.87 | \$145.76 | \$149.66 | \$101.38 | \$205.30 | \$132.11 | \$245.02 |
| Conditions of Sale | <i>Typical</i> | <i>Typical</i> | <i>Typical</i> | <i>Typical</i> | <i>Typical</i> | <i>Typical</i> | <i>Typical</i> | <i>Typical</i> | <i>Quiet</i> | <i>See Comments</i> |
| Enter % Adj. | | | | | | | | | 5.0% | |
| Adjusted Sales Price | | \$285.23 | \$179.09 | \$136.87 | \$145.76 | \$149.66 | \$101.38 | \$205.30 | \$145.20 | \$245.02 |
| Expenditures after Sale | | | | \$500,000 | | | | | \$0 | |
| Adjustment | | 0 | 0 | 0.04 | 0 | 0 | 0 | 0 | 0 | 0 |
| Adjusted Sales Price | | \$285.23 | \$179.09 | \$142.81 | \$145.76 | \$149.66 | \$101.38 | \$205.30 | \$138.71 | \$245.02 |
| Market Conditions Adjustments | | | | | | | | | | |
| Elapsed Time from Date of Value | | 0.42 years | 0.66 years | 1.22 years | 1.06 years | 1.39 years | 0.73 years | 1.96 years | 2.38 years | 2.38 years |
| Market Trend Through | August-17 | - | - | 5.8% | 5.0% | 6.7% | - | 9.5% | 11.6% | 11.6% |
| Physical Adjustments | | | | | | | | | | |
| Location | <i>South Mathilda Avenue north of West Iowa Avenue Sunnyvale, California</i> | <i>1110 Terra Bella Avenue</i> | <i>528 South Mathilda Avenue</i> | <i>779 East Evelyn Avenue</i> | <i>NEC of Sierra and Berryessa</i> | <i>100 North Winchester Boulevard Santa Clara, California</i> | <i>740-746 San Alejo Avenue Sunnyvale, California</i> | <i>4880 El Camino Real Los Altos, California</i> | <i>460 Persian Drive Sunnyvale, California</i> | <i>1701-1707 El Camino Real Mountain View, California</i> |
| Adjustment | | -10.0% | - | -10.0% | 20.0% | 10.0% | 10.0% | -20.0% | 5.0% | -10.0% |
| Size | <i>1.436 acres</i> | <i>0.616 acres</i> | <i>0.423 acres</i> | <i>1.933 acres</i> | <i>6.300 acres</i> | <i>1.863 acres</i> | <i>1.200 acres</i> | <i>0.447 acres</i> | <i>1.314 acres</i> | <i>0.487 acres</i> |
| Adjustment | | -10.0% | -10.0% | - | 20.0% | - | - | -10.0% | - | -10.0% |
| Shape/Depth | <i>Irregular</i> | <i>Rectangular</i> | <i>Rectangular</i> | <i>L-Shaped</i> | <i>Generally Rectangular</i> | <i>Rectangular</i> | <i>Rectangular</i> | <i>Rectangular</i> | <i>Trapezoid</i> | <i>Irregular</i> |
| Adjustment | | - | - | - | - | - | - | - | - | - |
| Corner Exposure | <i>Double Corner</i> | <i>Corner</i> | <i>Interior</i> | <i>Soft Corner</i> | <i>Corner</i> | <i>Interior</i> | <i>Interior</i> | <i>Interior</i> | <i>Interior</i> | <i>Corner</i> |
| Adjustment | | - | 5.0% | 5.0% | - | 5.0% | 5.0% | 5.0% | 5.0% | - |
| Topography | <i>Generally level</i> | <i>Level</i> | <i>Level</i> | <i>Level</i> | <i>Level</i> | <i>Level</i> | <i>Level</i> | <i>Level</i> | <i>Level</i> | <i>Level</i> |
| Adjustment | | - | - | - | - | - | - | - | - | - |
| Zoning | <i>DSP</i> | <i>MM</i> | <i>DSP</i> | | <i>A(PD)</i> | <i>OG</i> | <i>MS</i> | <i>CT</i> | <i>R4 (PD)</i> | <i>P-38</i> |
| Adjustment | | - | - | - | - | - | 10.0% | - | - | - |
| Density | | <i>100+</i> | <i>89.83</i> | <i>60.01</i> | <i>87.46</i> | <i>49.38</i> | <i>98.33</i> | <i>46.95</i> | <i>47.95</i> | <i>100.57</i> |
| Adjustment | | -20.0% | -10.0% | - | -10.0% | - | -10.0% | - | - | -20.0% |
| Entitlements | | <i>No</i> | <i>No</i> | <i>No</i> | <i>Shovel ready</i> | <i>Contingent</i> | <i>No</i> | <i>No</i> | <i>No</i> | <i>No</i> |
| Adjustment | | - | - | - | -25.0% | -15.0% | - | - | - | - |
| Net Physical Adjustment | | -40.0% | -15.0% | -5.0% | 5.0% | - | 15.0% | -25.0% | 10.0% | -40.0% |
| Adjusted Sales Price per Gross Square Foot | | \$171.14 | \$152.23 | \$143.59 | \$160.70 | \$159.64 | \$116.59 | \$168.59 | \$170.28 | \$164.09 |

Conclusion

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

Land Sale Statistics

| Metric | Unadjusted | Adjusted |
|---|------------|----------|
| Minimum Sales Price per Gross Square Foot | \$101.38 | \$116.59 |
| Maximum Sales Price per Gross Square Foot | \$285.23 | \$171.14 |
| Median Sales Price per Gross Square Foot | \$149.66 | \$160.70 |
| Mean Sales Price per Gross Square Foot | \$175.60 | \$156.32 |

After adjusting the comparables for various differences with the subject, a unit value range from approximately \$116.59 to \$171.14 per square foot of land area is noted. An average of \$156 per square foot is also evidenced.

Comparables 2 and 8 are drawn from Sunnyvale, the subject's submarket, and were given greater consideration. Comparables 1 and 2 are the most recent Sales in the sample and provide an indication of current market conditions for vacant residential land; Comparables 3 and 5 are very similar in overall density.

Based on these factors, with additional consideration given to the sales' adjusted average price per unit, we feel that a market value of the land ranging between \$145 and \$160 per square foot is reasonable. In light of the above factors, we have concluded a unit value of \$150 per square foot to be appropriate for the subject site. This value is towards the lower end of the adjusted range but takes into consideration the higher BMR requirement for the subject, being a City-owned property. We remind the reader that development of the subject property as vacant land to be transacted by the City of Sunnyvale is subject to the Surplus Lands Act and requires that 25% of the units are made available to lower income households.

Based on this analysis, the land value indication is summarized as follows:

Land Value Indication

| | | | | |
|--------------------------------------|---|---------------------|---|--------------------|
| Reasonable Adjusted Comparable Range | | | | |
| 1.436 acres | x | \$145.00 psf | = | \$9,067,285 |
| 1.436 acres | x | \$160.00 psf | = | \$10,005,280 |
| Market Value Opinion | | | | (Rounded) |
| 1.436 acres | x | \$150.00 psf | = | \$9,380,000 |

Valuation Summary

The indicated value and our concluded market value for the subject property is summarized in the following table:

| Value Conclusions | |
|---------------------------|---------------------|
| Component | As Is |
| Value Type | Market Value |
| Property Rights Appraised | Fee Simple |
| Effective Date of Value | April 26, 2017 |
| Value Conclusion | \$9,380,000 |
| | \$149.94 psf |

Exposure Time and Marketing Periods

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

General Assumptions and Limiting Conditions

This appraisal is subject to the following limiting conditions:

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

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

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

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

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

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

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

Certification – Maria Aji, PhD

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

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

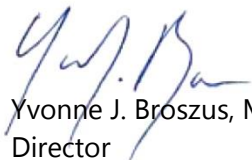


Maria Aji, Ph.D.
Appraiser
California Certified License #AG027130

Certification – Yvonne J. Broszus, MAI

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

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



Yvonne J. Broszus, MAI
Director

California Certified License #AG019587

Addenda

Subject Photos

Glossary

Qualifications

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

Information on Valbridge Property Advisors

Office Locations

Subject Photographs



View of existing improvements



View of vacant land



View of vacant land



View of vacant land



View of vacant land



View of existing improvements



Street scene looking north along
Charles Street from the subject



Street scene looking west along
West Iowa Avenue from the subject



Street scene looking south along
Charles Street from the subject



Street scene looking south along
South Mathilda Avenue from the subject



Street scene looking north along
South Mathilda Avenue from the subject

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 Maria Aji, PhD

Senior Appraiser

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State of California

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Qualifications of Yvonne J. Broszus, MAI
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Ms. Broszus has provided valuation services in a wide variety of complex civil litigation cases including 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.

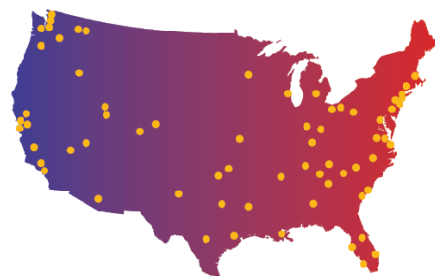
Qualified as an expert witness, Ms. Broszus has testified in state and federal courts, as well as in major arbitrations and at Assessment Appeal Board hearings. She is a highly experienced forensic appraiser.



FAST FACTS

Company Information on Valbridge Property Advisors

- Valbridge is the largest national commercial real estate valuation and advisory services firm in North America:
 - Total number of MAIs (200 on staff)
 - Total number of office locations (68 across the U.S.)
 - Total number of staff (675 strong)
- Valbridge covers the U.S. from coast to coast.
- Valbridge services all property types, including special-purpose properties.
- Valbridge provides independent valuation services. We are not owned by a brokerage firm or investment company.
- Every Valbridge office is led by a senior managing director who holds the MAI designation of the Appraisal Institute.
- Valbridge is owned by our local office leaders.
- Valbridge welcomes single-property assignments as well as portfolio, multi-market and other bulk-property engagements.





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