

101 ASH

101 Ash Street
San Diego, California 92101

APPRAISAL REPORT

Date of Report: July 9, 2025

Colliers File #: SAN250179

Client File #: ORDER NO. 4000254159



PREPARED FOR

Mike Keagy, MAI
Principal Appraiser/Program Manager - Valuations
City of San Diego - Economic Development Real Estate Division
1200 Third Ave
San Diego, CA 92101

PREPARED BY

COLLIERS INTERNATIONAL
VALUATION & ADVISORY SERVICES

LETTER OF TRANSMITTAL

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July 9, 2025

Mike Keagy, MAI
Principal Appraiser/Program Manager - Valuations
City of San Diego - Economic Development Real Estate Division
1200 Third Ave
San Diego, CA 92101

RE: 101 Ash
101 Ash Street
San Diego, California 92101

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Mr. Keagy:

Pursuant with our engagement, the above captioned property was appraised utilizing best practice appraisal principles for this property type. This appraisal report satisfies the scope of work and requirements agreed upon by City of San Diego - Economic Development Real Estate Division and Colliers International Valuation & Advisory Services.

The date of this report is July 9, 2025. At the request of the client, this appraisal is presented in an Appraisal Report format as defined by *USPAP* Standards Rule 2-2(a). My appraisal format provides a summary description of the appraisal process, subject and market data and valuation analyses.

The purpose of this appraisal is to develop an opinion of the As-Is Market Value of the subject property's fee simple interest. The following table conveys the final opinion of market value of the subject property that is developed within this appraisal report, **but the reader is cautioned that the value is highly dependent on Extraordinary Assumptions regarding various costs as outlined in this letter (if additional or more current figures become available, I reserve the right to review and consider impacts to my opinions).** In addition the reader is cautioned that the methodology applied in my analysis is highly sensitive to the demolition costs/asbestos abatement estimate. A mere 12.3%~ reduction in these costs would result in a 100% increase of the As-Is Market Value indication. It is highly recommended that the client obtain current independent estimates of the demolition costs/asbestos abatement achievable without prevailing wage conditions.

Value Type	Interest Appraised	Date of Value	Value
Market Value As-Is	Fee Simple	June 12, 2025	\$3,940,000

The subject property is a 21-story office building situated on a 1.38 acre site comprising a full city block at 101 Ash Street in downtown San Diego, California. The building consists of 324,048 SF of Gross Building Area, approximately 300,000 SF of Net Rentable Area, served by a 2-level partial subterranean parking garage situated below the building. Built in 1967, the subject was occupied by office users for many years until approximately 2016. Due to the presence of asbestos containing materials (ACMs) that were disturbed in the building, the building was vacated and has remained unoccupied since. It is our opinion that the building has reached the end of its economic life and is in overall fair condition, below the level of local office market competitors, and requires renovation or conversion in order to be marketable. However, the various ACMs require abatement or removal prior to or in conjunction with renovation, conversion, or demolition of the building. A May 2025 estimate by Swinerton, a large contractor, indicates total asbestos removal costs at \$40.8million (including prevailing wage requirements) prior to conversion to apartments - we estimate a 25%~ reduction to approximately \$30.6million to reflect "market costs" exclusive of prevailing wage. A mid-2022 report provided by the client estimates total costs for asbestos removal and building demolition to be over \$27million (excluding prevailing wage requirements). For this appraisal, these figures are assumed to be reasonable, which is an Extraordinary Assumption.

The subject has potential for conversion to a multifamily property (apartment units). There is a current proposal to convert the subject to 250 "affordable" apartment units, including 25% (62 units) 3BD units to conform to the Tax Credit Allocation committee's definition of a "Large Family" project. In downtown San Diego, 3 BD units are very rare and therefore we apply a market-based unit mix by splitting each of the 3 BD units into a studio unit and a 1 BD unit, resulting in a total of 312 units for analysis purposes. The subject's projected market-based unit mix is summarized in the table below:

Projected Apt Unit Mix				
Unit Types	No. Units	% of Total	Unit Size (SF)	NRA (SF)
STUDIO / 1 BA	119	38.1%	381	45,339
1 BD / 1 BA	22	7.1%	650	14,300
1 BD / 1 BA	51	16.3%	668	34,068
1 BD / 1 BA	52	16.7%	700	36,400
2 BD / 1 BA	68	21.8%	813	55,284
Total/Average	312	100%	594	185,391
Total Apt Net Rentable Area (NRA)				185,391
Commercial Space				24,000
Common Areas/Hallways/Mechanical				114,657
Total Gross Building Area (GBA)				324,048

As indicated by the analysis conducted in this report, a potential conversion to market rate apartments is not feasible at this time.

The analyses, opinions and conclusions communicated within this appraisal report were developed based upon the requirements and guidelines of the current Uniform Standards of Professional Appraisal Practice (USPAP), the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute.

The report, in its entirety, including all assumptions and limiting conditions, is an integral part of, and inseparable from, this letter.

USPAP defines an Extraordinary Assumption as, "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."

USPAP defines a Hypothetical Condition as, "that 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."

The Extraordinary Assumptions and/or Hypothetical Conditions that were made during the appraisal process to arrive at my opinion of value are fully discussed below. I advise the client to consider these issues carefully given the intended use of this appraisal, as their use might have affected the assignment results.

EXTRAORDINARY ASSUMPTIONS

Square Footage - I was not provided with building plans or a full engineering report detailing the building size and measurements. We have utilized the Gross Building Area (GBA) square footage and Net Rentable Area (NRA) square footage based on excerpts from various reports provided by the client. If it is found that the subject's square footages vary greatly from those utilized within this report, the assignment results could be affected.

Asbestos Remediation/Abatement Costs - A May 2025 estimate by Swinerton, a large contractor, indicates total asbestos removal costs at \$40.8million (including prevailing wage requirements) prior to conversion to apartments - we estimate a 25%~ reduction to approximately \$30.6million to reflect "market costs" exclusive of prevailing wage. A mid-2022 report provided by the client estimates total costs for asbestos removal and building demolition to be over \$27million (excluding prevailing wage requirements). For this appraisal, these figures are assumed to be reasonable, which is an Extraordinary Assumption. Should questions arise, I advise the client to seek estimates from qualified contractors/engineers with expertise in asbestos matters and high rise demolition.

Potential Apartment Unit Mix/Commercial Space - I assume that the projected market-based unit mix (see prior pages) can be achieved at the subject, and that approximately 29,000 SF of space on the 1st floor of the building can yield 24,000 SF of NRA for potential rental to multiple commercial tenants. For office->apartment conversions, the increased mass of residential kitchens and restrooms and their associated plumbing components can sometimes cause structural concerns. Appraisers do not have structural engineering training and are not qualified to evaluate such matters. Further research is advised.

Parking Garage - It is unknown whether or not the demolition cost estimate includes demolition of the parking garage component, but it is assumed that it does. There may be some cost savings if the parking garage component is not demolished. In addition, if the parking garage component is not demolished, it might contribute to the value of the subject property but would likely impact the potential footprint of a future building on the site, and could impact/limit the achievable size/height of a future building. Appraisers do not have structural engineering training and are not qualified to evaluate such matters. Further research is advised.

No other Extraordinary Assumptions are made for this analysis.

HYPOTHETICAL CONDITIONS

No Hypothetical Conditions were applied for this assignment.

My opinion of value reflects current conditions and the likely actions of market participants as of the date of value. It is based on the available information gathered and provided to us, as presented in this report, and does not predict future performance. Changing market or property conditions can and likely will have an effect on the subject's value.

The signature below indicates my assurance to the client that the development process and extent of analysis for this assignment adhere to the scope requirements and intended use of the appraisal. If you have any specific questions or concerns regarding the attached appraisal report, or if Colliers International Valuation & Advisory Services can be of additional assistance, please contact the individuals listed below.

Sincerely,

COLLIERS INTERNATIONAL VALUATION & ADVISORY SERVICES

A handwritten signature in blue ink, appearing to read 'Rob Detling', with a stylized flourish at the end.

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Engagement Letter
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Grant Deed
Valuation Glossary
Qualifications of Appraiser
Qualifications of Colliers International Valuation & Advisory Services

General Information

Property Name	101 Ash
Address	101 Ash Street
City	San Diego
State	California
Zip Code	92101
County	San Diego
Core Based Statistical Area (CBSA)	San Diego-Carlsbad, CA
Market	San Diego
Submarket	Downtown
Longitude	-117.163377
Latitude	32.719481
Number Of Parcels	2
Assessor Parcels	533-424-14-00 and 533-424-11-00
Total Taxable Value	\$0
Census Tract Number	53.02

Site Information

Land Area	Acres	Square Feet
Usable	1.38	60,000
Unusable	0.00	0
Excess	0.00	0
Surplus	0.00	0
Total	1.38	60,000
Topography	Sloping at street grade	
Shape	Rectangular	
Access	Average	
Exposure	Average	
Current Zoning	Centre City Planned District-CORE (CCPD-CORE)	
Flood Zone	Zone X (Shaded)	
Seismic Zone	High Risk	

Improvement Information

Existing Improvements

Total Number Of Buildings	1
Number Of Stories	21 (19 usable)
Year Built	1967
Gross Building Area (GBA)	324,048
Net Rentable Area (NRA)	300,000
Quality	Average
Condition	Fair
Marketability	Fair
Type Of Construction	Steel Frame/Concrete
Parking Type	Garage
Number Of Parking Spaces	240

Potential Conversion to Apartments

Number Of Units	312
Average Unit Size	594 SF
Net Rentable Area SF (NRA)	185,391 SF
Development Density	226.5 Units/Acre (312 Units / 1.38 Acres)
Number Of Apartment Buildings	1
Number Of Non-Residential Buildings	0
Total Number Of Buildings	1
Property Amenities	clubhouse, fitness center, business center, laundry rooms

Highest & Best Use

As Vacant	Hold for development of a multi-residential property (as market conditions warrant)
As Improved	Demolition

Exposure Time & Marketing Period

Exposure Time	12 Months or Less
Marketing Period	12 Months or Less

Valuation Summary

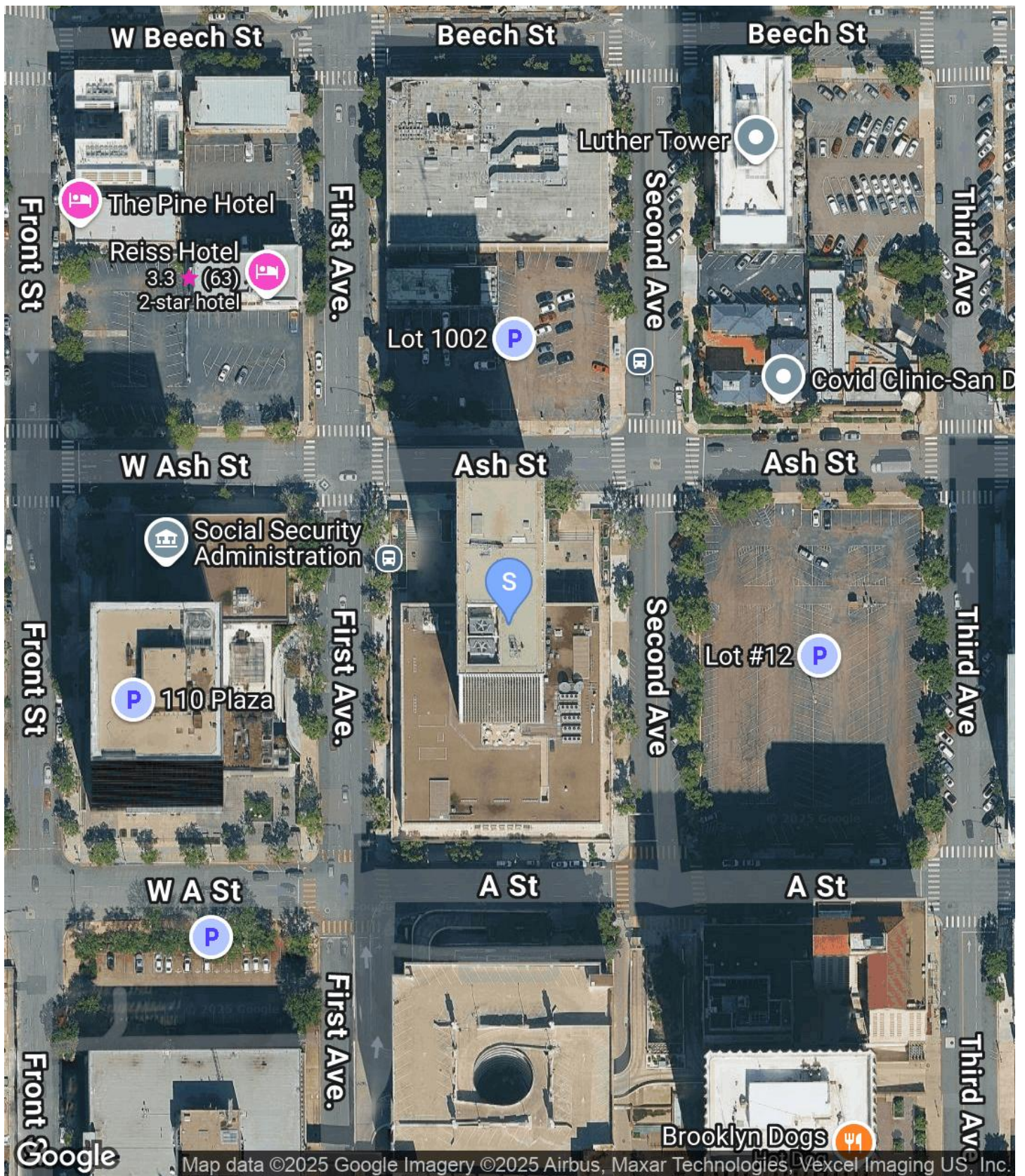
Valuation Indices	Market Value As-Is
Interest Appraised	Fee Simple
Date of Value	June 12, 2025

Final Value Conclusion

Final Value	\$3,940,000
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Land Valuation

Land Value As Vacant	\$36,000,000
Value/SF	\$600.00





VIEW OF SUBJECT AT FIRST AVE & A ST



NORTHEAST ENTRY



VIEW ALONG WEST SIDE FROM ASH ST



SECOND AVE PARKING GARAGE ENTRY/EXIT



VIEW ALONG EAST SIDE FROM ASH ST



GROUND LEVEL INTERIOR VIEW



GROUND LEVEL INTERIOR VIEW



4TH FLOOR INTERIOR VIEW



9TH FLOOR INTERIOR VIEW



14TH FLOOR INTERIOR VIEW



VIEW TO NORTHWEST FROM FLOOR 19



VIEW TO NORTH FROM FLOOR 19



VIEW TO SOUTH FROM FLOOR 19



VIEW TO NORTHEAST FROM FLOOR 9

PROPERTY IDENTIFICATION

The subject property is a 21-story office building situated on a 1.38 acre site comprising a full city block at 101 Ash Street in downtown San Diego, California. The building consists of 324,048 SF of Gross Building Area, approximately 300,000 SF of Net Rentable Area, served by a 2-level partial subterranean parking garage situated below the building. Built in 1967, the subject was occupied by office users for many years until approximately 2016. Due to the presence of asbestos containing materials (ACMs) that were disturbed in the building, the building was vacated and has remained unoccupied since. The assessor's parcel numbers are: 533-424-14-00 and 533-424-11-00.

The legal description of the subject property is presented in the Addenda.

CLIENT IDENTIFICATION

The client of this specific assignment is City of San Diego - Economic Development Real Estate Division.

PURPOSE

The purpose of this appraisal is to develop an opinion of the As-Is Market Value of the subject property's fee simple interest.

INTENDED USE

The intended use of this appraisal is to assist the client in making internal business decisions related to this asset.

INTENDED USERS

City of San Diego - Economic Development Real Estate Division is the only intended user of this report. Use of this report by Third-Parties and other unintended users is not permitted. This report must be used in its entirety. Reliance on any portion of the report independent of others, may lead the reader to erroneous conclusions regarding the property values. Unless approval is provided by the authors no portion of the report stands alone.

ASSIGNMENT DATES

Date of Report	July 9, 2025
Date of Inspection	June 12, 2025
Valuation Date - As-Is	June 12, 2025

PERSONAL INTANGIBLE PROPERTY

No personal property or intangible items are included in this valuation.

PROPERTY AND SALES HISTORY

Current Owner

The City of San Diego is the current owner of the subject property.

Three-Year Sales History

Research of the applicable public records and private data services revealed that the subject property has not sold or transferred within the past three years.

Subject Sale Status

No information regarding any pending sales or options has been provided to us. The subject may be under an agreement of sale or license to an affordable housing developer.

DEFINITIONS

This section summarizes the definitions of value, property rights appraised, and value scenarios that are applicable for this appraisal assignment. All other applicable definitions for this assignment are located in the Valuation Glossary section of the Addenda.

DEFINITIONS OF VALUE

Given the scope and intended use of this assignment, the following definition of value is applicable:

Market Value

The most probable price which 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, knowledgeably, and assuming that 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:

1. Buyer and seller are typically motivated;
2. Both parties are well informed or well advised, and acting in what they consider their own best interests;
3. A reasonable time is allowed for exposure in the open market;
4. Payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto; and
5. 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.¹

PROPERTY RIGHTS APPRAISED

The property rights appraised constitute the fee simple interest.

VALUE SCENARIOS**As-Is Value**

The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date.²

¹ Office of Comptroller of the Currency (OCC), Title 12 of the Code of Federal Regulation, Part 34, Subpart C - Appraisals, 34.42 (g); Office of Thrift Supervision (OTS), 12 CFR 564.2 (g); This is also compatible with the FDIC, FRS and NCUA definitions of market value.

² The Dictionary of Real Estate Appraisal, Seventh Edition, Appraisal Institute, Chicago, Illinois, 2022

INTRODUCTION

The appraisal development and reporting processes requires gathering and analyzing information about those assignment elements necessary to properly identify the appraisal problem to be solved. The scope of work decision must include the research and analyses that are necessary to develop credible assignment results given the intended use of the appraisal. Sufficient information includes disclosure of research and analyses performed and might also include disclosure of research and analyses not performed. The scope of work for this appraisal assignment is outlined below:

- › The appraiser analyzed the regional and local area economic profiles including employment, population, household income, and real estate trends. The local area was further studied to assess the general quality and condition, and emerging development trends for the real estate market. The immediate market area was inspected and examined to consider external influences on the subject.
- › The appraiser confirmed and analyzed legal and physical features of the subject property including sizes of the site and improvements, flood plain data, seismic zone, zoning, easements and encumbrances, access and exposure of the site, and construction materials and condition of the improvements. This process also included estimating the remaining economic life of the improvements, analysis of the subject's site coverage and parking ratios compared to market standards, a process to identify deferred maintenance and a conclusion of the subject's overall functional utility.
- › The appraiser completed an apartment market analysis that included national, market and sub-market overviews. The market overview analyzed supply/demand conditions using vacancy, absorption, supply change and rent change statistics. Conclusions were drawn regarding the subject property's competitive position given its physical and locational characteristics, the economic conditions and external influences.
- › The appraiser conducted a Highest and Best Use analysis, determining the highest and best use of the subject property As-Vacant and As-Improved. The analysis considered legal, locational, physical and financial feasibility characteristics of the subject property. Development of the Highest and Best Use As-Improved explored potential alternative treatments of the property including demolition, expansion, renovation, conversion, and continued use "as-is."
- › The appraiser confirmed and analyzed physical features of the subject and tax and assessment records. This information as well as trends established by market indicators was used to forecast performance of the subject.
- › Selection of the valuation methods was based on the identifications required in USPAP relating to the intended use, intended users, definition and date of value, relevant property characteristics and assignment conditions. As a result, this appraisal developed the Income (Direct Capitalization) approaches to value. The resulting value indicators were reconciled within the Analysis of Value Conclusions section. The appraisal develops an opinion of the As-Is Market Value of the subject property's fee simple interest. The reasoning for including or excluding traditional approaches to value is developed within the Valuation Methodology section.
- › Reporting of this appraisal is in an Appraisal Report format as required in USPAP Standard 2. The appraiser's analysis and conclusions are summarized within this document.
- › I understand the Competency Rule of USPAP and the author of this report meets the standards.
- › No one provided significant real property appraisal assistance to appraiser signing this certification.

SOURCES OF INFORMATION

The following sources were contacted to obtain relevant information:

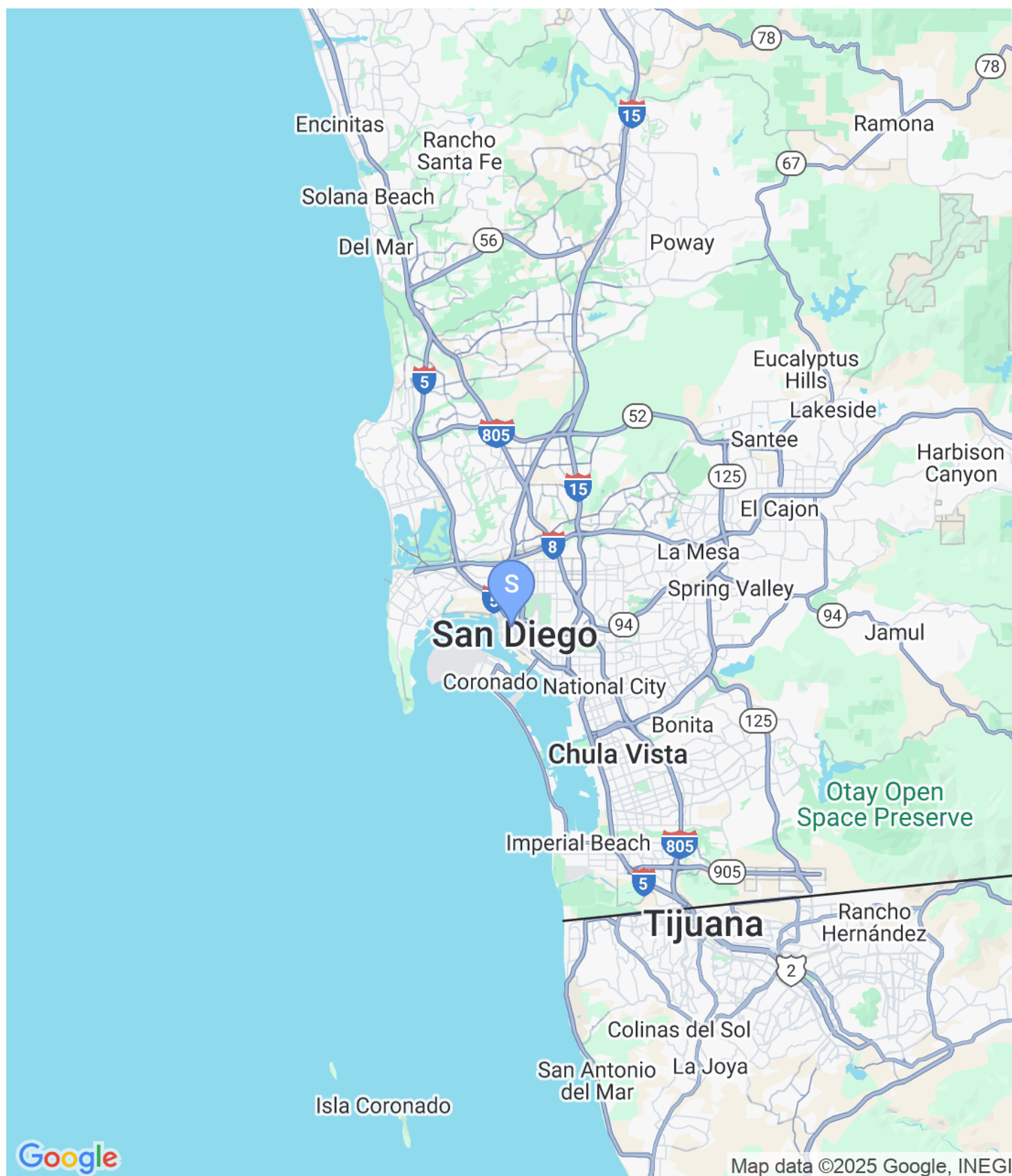
Sources of Information	
Item	Source
Tax Information	San Diego County Tax Assessor
Zoning Information	City of San Diego Zoning Code
Site Size Information	San Diego County Tax Assessor
Building Size Information	San Diego County Tax Assessor
New Construction	City of San Diego / San Diego County
Flood Map	InterFlood
Demographics	Pitney Bowes/Gadberry Group - GroundView®
Comparable Information	See Comparable Datasheets for details
Legal Description	Grant Deed from RealQuest
Other Property Data	San Diego County Property Records
Rent Roll (Dated June 25, 2025)	Property Contact
Income/Expense Statements (2019, 2020 & T-12)	Property Contact

SUBJECT PROPERTY INSPECTION

The following table illustrates the Colliers International professionals involved with this appraisal report and their status related to the property inspection.

Subject Property Inspection			
Appraiser	Inspected	Extent	Date of Inspection
Rob Detling, MAI	Yes	Exterior Only	June 12, 2025

The City of San Diego provided all interior photographs presented in this appraisal report – it is my understanding that the interior photographs were taken in June 2025.



INTRODUCTION

The San Diego-Chula Vista-Carlsbad, CA Metropolitan Statistical Area is in the southwestern corner of the state of California. The MSA is comprised of only San Diego County. The MSA contains the principal city of San Diego. From north to south, San Diego County extends from the southern borders of Orange County and Riverside County to the Mexico-United States border and Baja, California. From west to east, San Diego County stretches from the Pacific Ocean to its boundary with Imperial County. The defense, technology, manufacturing, and tourism sectors are the most prominent industries in the region. With its mild year-round weather and natural deep water harbor location, the city has established a long association with the U.S. Navy. San Diego is home to the largest concentration of U.S. military in the world. It is the homeport to over 60% of the ships of the U.S. Pacific Fleet, and over one third of the combat power of the U.S. Marine Corps. The region is home to 16 naval and military installations of the U.S. Navy, U.S. Marine Corps and the U.S. Coast Guard. These include the Naval Base San Diego, Marine Corps Base Camp Pendleton, Marine Corps Air Station Miramar, and Naval Air Station North Island.



Tourism plays a large part in the economics of the San Diego metropolitan area. The beaches, Belmont Park, San Diego Zoo, San Diego Wild Animal Park, and SeaWorld San Diego are some of the attractions that lure over 30 million annual visitors into the region. The region is home to the second largest cruise ship industry in California, which generates an estimated \$2 million annually from purchases of food, fuel, supplies and maintenance services. High-technology research and manufacturing jobs continue to be supplied by the well-educated and innovative base found in the communities of Southern California. The wireless cellular company, Qualcomm, is one of two Fortune 500 companies in the region and is the largest private sector technology employer in the area. Other wireless manufacturers in the MSA include LG Electronics, Kyocera International, Novatel Wireless, and ESET. More than 400 biotechnology companies, including Neurocrine Bioscience, Nventa Biopharmaceutical, and BD Biosciences are headquartered in the region. There are also several non-profit biotechnology and healthcare institutions in the region, such as the Salk Institute for Biological Studies, Scripps Research Institute, West Wireless Health Institute and Sanford-Burnham Institute. International trade is heavily dependent upon the Port of San Diego. The port operates without tax dollars and has been responsible for \$1.5 billion in public improvements. The port oversees a cruise ship terminal, 17 public parks, various wildlife reserves, the Harbor Police Department, and the leases of more than 600 tenant and sub-tenant businesses around San Diego Bay. The port also contains two maritime cargo terminals and is an important link to the international shipping trade. National City Marine Terminal is the primary port of entry for Honda, Acura, Volkswagen, Isuzu and Mitsubishi Fuso vehicles.

DEMOGRAPHIC ANALYSIS

The following is a demographic study of the region sourced by *Esri ArcGIS®*, an on-line resource center that provides information used to analyze and compare the past, present, and future trends of geographical areas. Demographic changes are often highly correlated to changes in the underlying economic climate. Periods of economic uncertainty necessarily make demographic projections somewhat less reliable than projections in more stable periods. These projections are used as a starting point, but we also consider current and localized market knowledge in interpreting them within this analysis. Please note that our demographics provider sets forth income projections in constant dollars which, by definition, reflect projections after adjustment for inflation.

We are aware of other prominent demographic data providers that project income in current dollars, which do not account for inflation. A simple comparison of projections for a similar market area made under the constant and current dollar methodologies can and likely will produce data points that vary, in some cases, widely. Further, all forecasts, regardless of demographer methodology(ies), are subjective in the sense that the reliability of the forecast is subject to modeling and definitional assumptions and procedures.

Population

According to Esri ArcGIS®, a Geographic Information System (GIS) Company, the San Diego-Chula Vista-Carlsbad metropolitan area had a 2024 population of 3,299,130 and experienced an annual growth rate of 0.0%, which was higher than the California annual growth rate of 0.0%. The metropolitan area accounted for 8.3% of the total California population (39,530,491). Within the metropolitan area the population density was 783.6 people per square mile compared to the lower California population density of 253.6 people per square mile and the lower United States population density of 95.8 people per square mile.

POPULATION			
YEAR	US	CA	CBSA
2020 Population	331,839,624	39,556,486	3,299,853
2024 Population	338,440,954	39,530,491	3,299,130
2029 Population	344,873,411	39,717,178	3,309,386
2020-2024 CAGR	0.5%	(0.0%)	(0.0%)
2024-2029 CAGR	0.4%	0.1%	0.1%

Source: Esri ArcGIS®

POPULATION DENSITY			
YEAR	US	CA	CBSA
2024 Per Square Mile	95.8	253.6	783.6
2029 Per Square Mile	97.6	254.8	786.0

Source: Esri ArcGIS®

Education

The California State University system is comprised of 23 campuses spanned throughout the state with over 425,000 students enrolled and is the largest senior system of higher education in the United States. The campus in San Diego is the fourth largest and enrolls over 31,000 students annually. The University of California, San Diego is a public research university in the La Jolla neighborhood of San Diego. The University of California, San Diego is the seventh oldest of the 10 University of California campuses and offers over 200 undergraduate and graduate degree programs.

Household Trends

The 2024 Households number of households in the metropolitan area was 1,176,566. The number of households in the metropolitan area is projected to grow by 0.5% annually, increasing the number of households to 1,206,153 by 2029 Households. The 2024 average household size for the metropolitan area was 2.71, which was 7.11% larger than the United States average household size of 2.53 for 2024. The average household size in the metropolitan area is anticipated to retract by 0.45% annually, reducing the average household size to 2.65 by 2029.

NUMBER OF HOUSEHOLDS			
YEAR	US	CA	CBSA
2024 Households	130,716,571	13,641,471	1,176,566
2029 Households	134,930,577	13,903,885	1,206,153
2024-2029 CAGR	0.6%	0.4%	0.5%

Source: Esri ArcGIS®

AVERAGE HOUSEHOLD SIZE			
YEAR	US	CA	CBSA
2024	2.53	2.83	2.71
2029	2.50	2.79	2.65
2024-2029 CAGR	(0.24%)	(0.28%)	(0.45%)

Source: Esri ArcGIS®

The San Diego-Chula Vista-Carlsbad metropolitan area had 46.34% renter occupied units, compared to the lower 45.08% in California and the lower 35.64% in the United States.

HOUSING UNITS			
	US	CA	CBSA
Owner Occupied	64.36%	54.92%	53.66%
Renter Occupied	35.64%	45.08%	46.34%

Source: Esri ArcGIS®

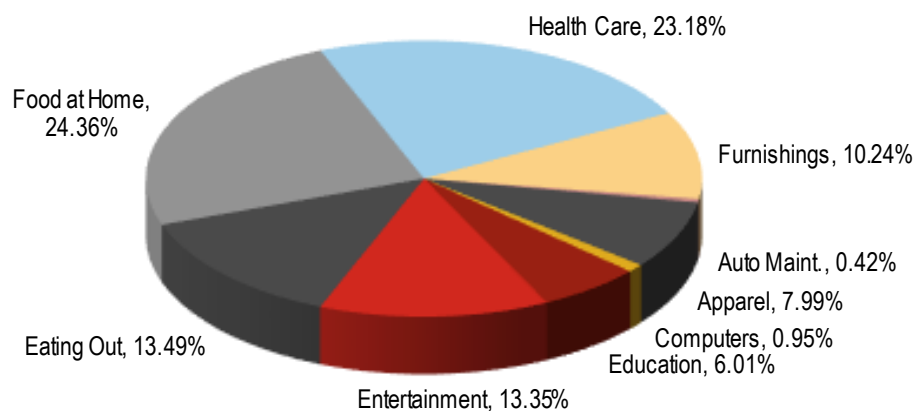
The 2024 median household income for the metropolitan area was \$104,597, which was 32.29% higher than the United States median household income of \$79,068. The median household income for the metropolitan area is projected to grow by 2.47% annually, increasing the median household income to \$118,151 by 2029.

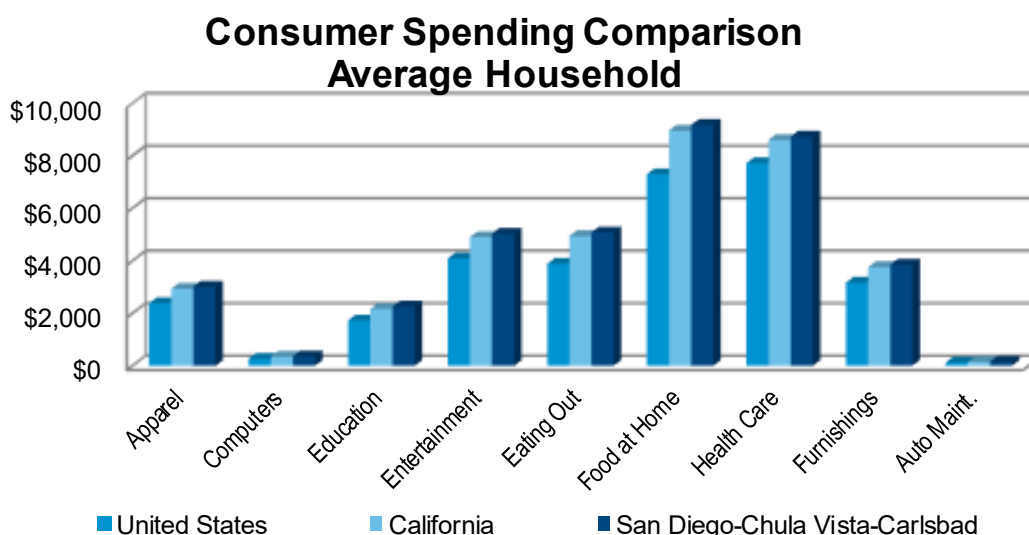
As is often the case when the median household income levels are higher than the national average, the cost-of-living index is also higher. According to the American Chamber of Commerce Researchers Association (ACCRA) Cost of Living Index, the San Diego-Carlsbad, CA MSA's cost of living is 142.7 compared to the national average score of 100. The ACCRA Cost of Living Index compares groceries, housing, utilities, transportation, health care and miscellaneous goods and services for over 300 urban areas.

MEDIAN HOUSEHOLD INCOME			
YEAR	US	CA	CBSA
2024	\$79,068	\$97,646	\$104,597
2029	\$91,442	\$111,538	\$118,151
2024-2029 CAGR	2.95%	2.70%	2.47%

Source: Esri ArcGIS®

Consumer Spending San Diego-Chula Vista-Carlsbad





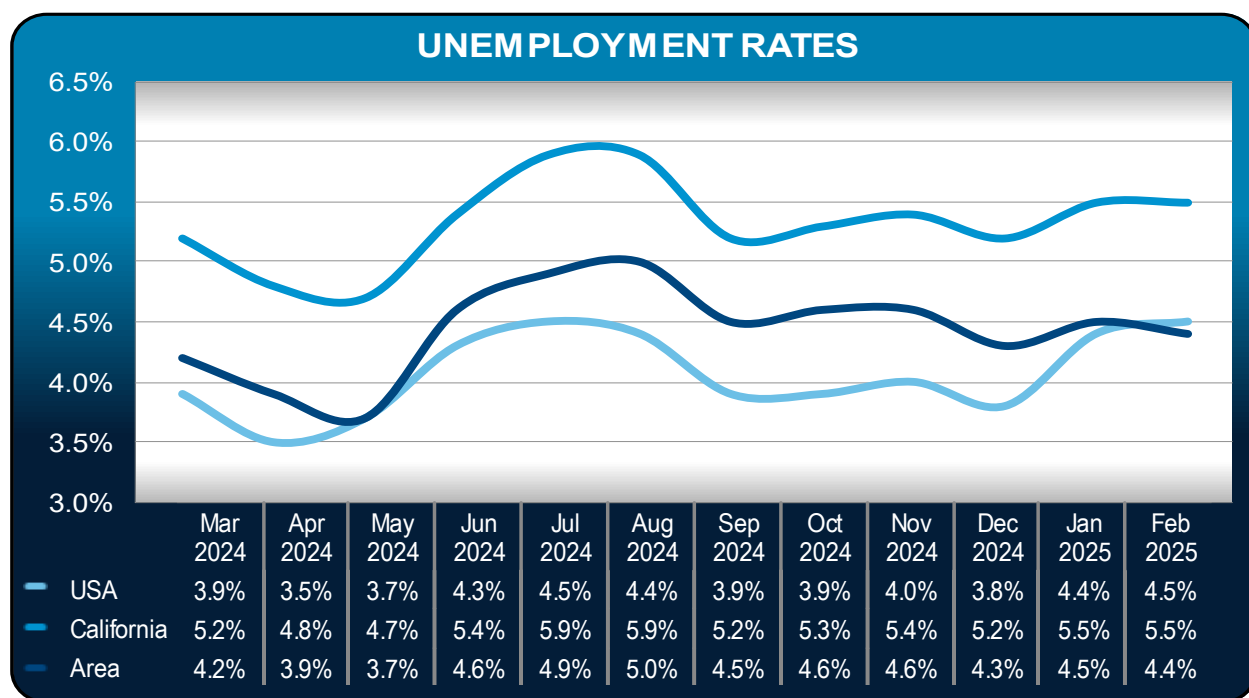
EMPLOYMENT

Total employment has increased annually over the past decade in the state of California by 0.8% and increased annually by 0.8% in the area. From 2022 to 2023 unemployment increased in California by 0.4% and increased by 0.3% in the area. In the state of California unemployment has decreased over the previous month by 0.0% and decreased by 0.1% in the area.

EMPLOYMENT & UNEMPLOYMENT STATISTICS 2014 - 2023

TOTAL EMPLOYMENT					UNEMPLOYMENT RATE		
Year	California		San Diego-Carlsbad, CA Metropolitan Statistical Area		United States*	California	San Diego-Carlsbad, CA Metropolitan Statistical Area
	Total	% Δ Yr Ago	Total	% Δ Yr Ago			
2014	17,282,882	2.2%	1,438,867	1.5%	6.2%	7.6%	6.5%
2015	17,670,862	2.2%	1,468,531	2.1%	5.3%	6.2%	5.2%
2016	17,996,065	1.8%	1,489,981	1.5%	4.9%	5.5%	4.8%
2017	18,278,266	1.6%	1,509,527	1.3%	4.4%	4.8%	4.1%
2018	18,485,264	1.1%	1,527,624	1.2%	3.9%	4.3%	3.4%
2019	18,621,924	0.7%	1,531,374	0.2%	3.7%	4.1%	3.3%
2020	17,039,764	(8.5%)	1,399,656	(8.6%)	8.1%	10.1%	9.4%
2021	17,564,851	3.1%	1,444,711	3.2%	5.3%	7.3%	6.5%
2022	18,393,880	4.7%	1,527,496	5.7%	3.6%	4.3%	3.5%
2023	18,551,783	0.9%	1,548,825	1.4%	3.6%	4.7%	3.8%
CAGR	0.8%	-	0.8%	-	-	-	-

Source: U.S. Bureau of Labor Statistics *Unadjusted Non-Seasonal Rate



The preceding chart depicts unemployment trends in the region, California, and the U.S. Overall levels of unemployment in the region displayed a relatively consistent trend throughout the past three months. By the end of February 2025, unemployment in the region was 0.9% lower than California's and 0.1% lower than the national average.

TOP EMPLOYERS		
EMPLOYER NAME	EMPLOYEES	INDUSTRY
U.C. San Diego	35,802	Education
Sharp Healthcare	19,468	Healthcare/Social Assistance
San Diego County	17,954	Public Administration
City of San Diego	11,820	Public Administration
General Atomics	6,745	Professional/Scientific/Technical Services
San Diego State University	6,454	Education
Rady Children's Hospital-San Diego	5,711	Healthcare/Social Assistance
San Diego Community College District	5,400	Education
Sempra Energy	5,063	Utilities
YMCA of San Diego County	5,057	Healthcare/Social Assistance

Source: <https://www.sandiegocounty.gov/>

The preceding chart depicts the top employers in San Diego County. Principal employers are spread throughout diverse sectors, including education, healthcare/social assistance, and public administration. The U.C. San Diego (University of California, San Diego) is the largest employer in the county. The university had revenues of \$5.4 billion in the 2018-2019 fiscal year, of which 21 percent was generated from contracts and grants, mainly from the federal government for research. The second largest employer is Sharp Healthcare, a not-for-profit regional healthcare group in San Diego. The network consists of four acute-care hospitals, three specialty hospitals, three affiliated medical groups, and a health plan. Sharp Healthcare has over 19,400 employees, including approximately 2,600 physicians. The third largest employer is San Diego County, with a workforce of 17,954.

UCLA ANDERSON ECONOMIC AND EMPLOYMENT FORECASTS (DATED JUNE 18, 2025)

We have used UCLA Anderson Forecast as a trusted source for forecasting the current economic conditions that face California and our region. The following publications summarize the current sentiment of economists and real estate professionals.

Key Takeaways

- Given the unprecedented levels of uncertainty, UCLA Anderson Forecast economists say the national forecast is subject to numerous risks. The unemployment rate and inflation are predicted to rise, while GDP growth is expected to slow.
- In California, they say, the economic picture is even more concerning. The unemployment rate is more than a full percentage point above the U.S. rate, and sectors that have historically driven the state's growth are either stagnating or contracting.

The UCLA Anderson Forecast's second quarterly report of 2025 presents a sobering view of the economic landscape for both the United States and California.

The national economy, while resilient in early 2025, faces a period of deceleration owing to aggressive trade policies, fiscal instability and labor market disruptions. Meanwhile, California is already experiencing a mild contraction, with job losses and stagnation in key sectors undermining the state's economic momentum.

At the national level, the economy is grappling with a volatile policy environment. The effective tariff rate remains elevated at approximately 15%, and the threat of further escalation looms. These tariffs are increasing costs across manufacturing and trade-related sectors, contributing to inflation and weakening the competitiveness of U.S. goods.

In California, where the economy has, up to this year, consistently been outperforming the nation as a whole, the economic picture is even more concerning. The state lost 50,000 payroll jobs in the first four months of 2025, and the unemployment rate remains above 5.3%, more than a full percentage point higher than the national average.

The National Forecast

The current national economic forecast is subject to numerous risks, given the unprecedented levels of economic and geopolitical uncertainty. Geopolitical tensions remain elevated because of ongoing conflicts around the world, including in Ukraine, Iran and Gaza. Concerns about a broader conflict in the Middle East persist, and China's 2027 deadline to annex Taiwan is looming.

In addition, tensions between the U.S. and China have increased as the U.S. has taken a more hostile stance toward China's geopolitical and economic agendas. The trajectory of tariffs remains unpredictable. Many tariffs are imposed merely to provoke a reaction, and as observed with the temporary decoupling from China, this strategy does not always yield the desired results. Other tariffs are implemented to promote domestic industries in the name of national security and are likely to be more enduring.

As tariffs shook financial markets, a rapid sell-off in the Treasury market prompted the administration to pause most of the newly announced tariffs. While this stemmed the bleeding, yields on U.S. government debt continued to climb as the administration criticized the independence of the Federal Reserve.

Furthermore, the pending House of Representatives bill on taxes and spending contains Section 899 — the so-called "revenge tax" — which would give the administration new discretionary powers to tax foreign entities at will and which will make the U.S. an even less desirable place for investment. This situation, in which the U.S.

will need to borrow increasingly larger amounts while simultaneously increasing its perceived investment risk, suggests that greater strains are likely to appear within the financial system.

Although the national labor market showed strength through the spring with robust job growth and low unemployment claims, this momentum is not expected to last. The unemployment rate is projected to rise to 4.6% by the end of the year, with further increases likely to continue into 2026.

Inflation, which had been moderating, is expected to exceed a 4% seasonally adjusted annual rate in the second half of 2025 as tariff-related costs ripple through supply chains. Long-term interest rates are also on the rise, with the 10-year Treasury note projected to peak at 4.7% before gradually declining.

Real GDP growth, which contracted slightly in the first quarter, is expected to slow to near zero in the second half of the year, with only modest recovery anticipated through 2027.

The California Economy

The sectors that have historically driven California's superior growth — technology, durable goods manufacturing, entertainment and logistics — are either stagnant or contracting. Health care, education and government, which supported growth in 2024, have likely reached their peak.

The housing sector is also under pressure, with deportations reducing the construction workforce and rising input costs owing to tariffs and high interest rates constraining new home development. Despite strong demand and rising prices, new permits remain subdued, and developers are cautious amid economic uncertainty.

The logistics sector, a major employer in regions such as Los Angeles and the Inland Empire, is also slowing. A surge in port traffic earlier this year was driven by pre-tariff stockpiling, and with no sustained growth in trade volumes expected, logistics employment is unlikely to expand in 2025.

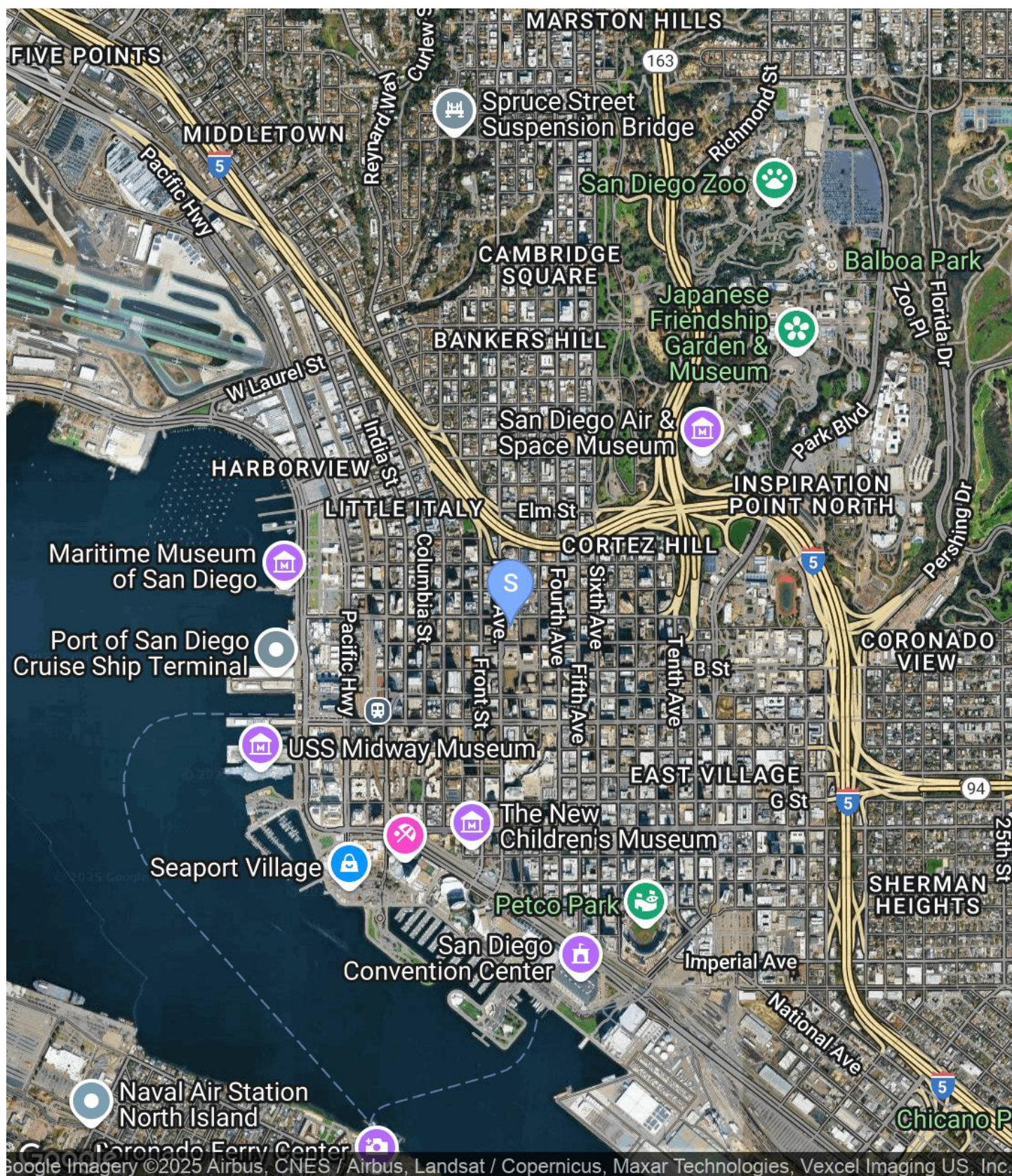
The California economy is forecast to grow slower than the U.S. economy in 2025, with several quarters of negative job growth. A recovery from California's 2025 economic doldrums could begin in mid-2026, and economic growth is expected to increase in 2027.

The unemployment rate is expected to hit a peak of 6.1% this year. The averages for 2025, 2026 and 2027 are expected to be 5.8%, 5.6% and 4.4%, respectively. The forecast for 2025, 2026 and 2027 is for total employment growth rates to be 0.1%, 0.8% and 2.5%, respectively. Non-farm payroll jobs are expected to grow at a rate of -0.1%, 0.4% and 1.9%, respectively, during the same three years. Real personal income is forecast to grow by 1.6% in 2025, 1.3% in 2026 and 2.7% in 2027.

Higher interest rates, a shortage of construction labor and the rebuilding of damaged and destroyed homes lowered California's residential construction forecast from March. The expectation is for permitted new units to be 102,000 this year and grow to 115,000 by the end of 2027. This level of homebuilding means that the prospect of the private sector building out of the housing affordability problem over the next three years is nil.

SUMMARY

San Diego County boasts a robust and diverse economy. International trade plays a significant role, with a substantial portion of containerized goods passing through the area. The economy is diversified across various sectors, including aerospace, entertainment, biomedical services, consumer products, and tourism. While the region enjoys economic strength, uncertainties surrounding Federal Reserve policy and local-level policies could impact the demand for real estate properties in San Diego County and its surrounding areas in the foreseeable future.



INTRODUCTION

In this section of the report, I provide details about the local area and describe the influences that bear on the real estate market as well as the subject property. A map of the local area is presented on the prior page. Below are insights into the local area based on fieldwork, interviews, demographic data and experience working in this market. The subject property is located within San Diego, in San Diego County. The subject's immediate area is characterized as a mixed-use area consisting of predominantly residential development and retail uses located within proximity along main thoroughfares.

DEMOGRAPHIC PROFILE

Below is a demographic study of the area, sourced by Pitney Bowes/Gadberry Group - GroundView® and geographical areas. Please note that our demographics provider sets forth income projections in constant dollars which, by definition, reflect projections after adjustment for inflation. We are aware of other prominent demographic data providers that project income in current dollars, which do not account for inflation. A simple comparison of projections for a similar market area made under the constant and current dollar methodologies can and likely will produce data points that vary, in some cases, widely.

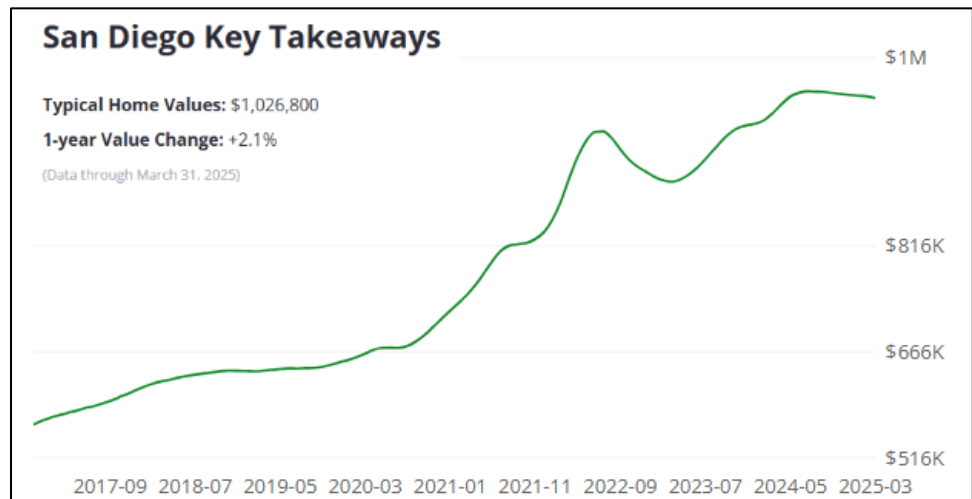
LOCAL AREA DEMOGRAPHICS							
DESCRIPTION	1 MILE	3 MILES	5 MILES	DESCRIPTION	1 MILE	3 MILES	5 MILES
POPULATION				AVERAGE HOUSEHOLD INCOME			
2010 Population	35,639	170,852	453,388	2024	\$135,412	\$133,251	\$122,883
2020 Population	45,931	181,898	466,096	2029	\$151,649	\$151,693	\$141,510
2024 Population	50,536	186,078	469,073	Change 2024-2029	11.99%	13.84%	15.16%
2029 Population	57,207	194,051	479,308	MEDIAN HOUSEHOLD INCOME			
Change 2010-2020	28.88%	6.47%	2.80%	2024	\$94,540	\$93,690	\$86,059
Change 2020-2024	10.03%	2.30%	0.64%	2029	\$105,156	\$105,336	\$100,305
Change 2024-2029	13.20%	4.28%	2.18%	Change 2024-2029	11.23%	12.43%	16.55%
NUMBER OF HOUSEHOLDS				PER CAPITA INCOME			
2010 Households	20,421	77,291	173,407	2024	\$82,620	\$66,468	\$52,266
2020 Households	26,696	86,080	188,260	2029	\$95,118	\$77,830	\$61,814
2024 Households	30,256	90,702	194,489	Change 2024-2029	15.13%	17.09%	18.27%
2029 Households	35,383	97,696	205,019	HOUSEHOLDS BY INCOME (2022)			
Change 2010-2020	30.73%	11.37%	8.57%	Less than \$15,000	13.18%	8.62%	8.48%
Change 2020-2024	13.34%	5.37%	3.31%	\$15,000 - \$24,999	6.25%	6.61%	6.53%
Change 2024-2029	16.95%	7.71%	5.41%	\$25,000 - \$34,999	5.80%	6.13%	6.97%
HOUSING UNITS				\$35,000 - \$49,999	5.76%	7.27%	8.50%
Owner Occupied	6,910	25,660	61,495	\$50,000 - \$74,999	13.05%	14.88%	15.75%
Renter Occupied	23,346	65,042	132,994	\$75,000 - \$99,999	10.40%	12.65%	13.19%
HOUSING UNITS BY YEAR BUILT				\$100,000 - \$149,999	17.02%	18.94%	18.51%
Built 2020 or Later	481	785	1,111	\$150,000 - \$199,999	10.93%	10.01%	9.23%
Built 2010 to 2019	7,037	10,132	15,082	\$200,000 or More	17.61%	14.89%	12.83%
Built 2000 to 2009	10,646	15,161	22,790	HOUSING BY UNITS IN STRUCTURE			
Built 1990 to 1999	2,485	6,662	15,068	1, Detached	1,032	23,790	65,048
Built 1980 to 1989	2,848	12,382	29,758	1, Attached	560	6,695	17,996
Built 1970 to 1979	2,024	12,013	33,058	2	323	2,979	5,673
Built 1960 to 1969	1,192	7,915	21,454	3 or 4	578	4,752	12,110
Built 1950 to 1959	902	7,295	24,350	5 to 9	897	10,449	26,260
Built 1940 to 1949	442	4,742	12,861	10 to 19	1,519	8,235	19,162
Built 1939 or Earlier	2,970	19,747	31,544	20 to 49	3,240	9,840	16,350
HOME VALUES				50 or More	22,668	29,726	43,005
Average	\$1,130,706	\$1,195,099	\$1,073,179	Mobile Home	161	318	1,356
Median	\$952,628	\$1,049,863	\$936,052	Boat, RV, Van, etc.	49	49	113

Source: Esri ArcGIS®

As noted in the table on the previous page, positive population growth (2.15%) is anticipated to occur in the subject's immediate market area (5.0-mile radius) between 2024 and 2029.

Residential Development

There is a significant amount of single-and multi-family residential development located in the subject's immediate area. Uses include single-family homes, apartment complexes, condominiums, townhomes, and manufactured home communities. The figure at right is provided by Zillow.com. Zillow reports states: "The typical home value of homes in San Diego is \$1,026,800. This value is seasonally adjusted and only includes the middle price tier of homes. San Diego home values have gone up 2.1% over the past year."



SUBJECT PROPERTY ANALYSIS

The following discussion draws context and analysis on how the subject property is influenced by the local and immediate areas.

Subject Property Analysis

The uses adjacent to the property are noted below:

North – surface parking lot across Ash Street

South – parking garage across W A Street

East – surface parking lot across Second Avenue

West – office building across First Avenue

Access

The subject site has frontage on all of the surrounding streets (the subject is situated on a full city block). Based on my field work, the subject's access is rated average and similar when compared to other properties with which it competes.

SUMMARY

The subject is in an established area of downtown San Diego, California. The subject's market area is anticipated to have positive population growth in the upcoming few years within its immediate 1.0-mile radius. Residential uses present in the subject's immediate area generally consists of multiresidential development and mixed-use developments. Retail and commercial development are located in the immediate area along connector streets and major thoroughfares. Overall, the condition and appeal of the neighborhood is generally average/good.

General Description	The subject site consists of 2 parcels. As noted below, the subject site has 60,000 SF (1.38 AC) of land area. The area is estimated based on the assessor's parcel map, and may change if a professional survey determines more precise measurements. Going forward, our valuation analyses will utilize the usable site area. The following discussion summarizes the subject site size and characteristics.	
Assessor Parcels	See Multiple Parcel Chart For Breakdown	
Number Of Parcels	2	
Land Area	Acres	Square Feet
Primary Parcel	1.38	60,000
Unusable Land	0.00	0
Excess Land	0.00	0
Surplus Land	0.00	0
Total Land Area	1.38	60,000
Shape	See Multiple Parcel Chart For Breakdown	
Topography	Sloping at street grade	
Adjacent Use North	surface parking lot	
Adjacent Use South	parking garage	
Adjacent Use East	surface parking lot	
Adjacent Use West	hi-rise office building	
Zoning	Centre City Planned District-CORE (CCPD-CORE)	
Drainage	Assumed Adequate	
Utilities	All available to the site	

Street Improvements	Street	Direction	No. Lanes	Street Type	Curbs	Sidewalks	Streetlights	Center Lane	Gutters	Other
Ash Street	Primary Street	one-way	three-lane	minor arterial	✓	✓	✓		✓	
W A Street	Primary Street	one-way	three-lane	minor arterial	✓	✓	✓		✓	
Second Ave	Secondary Street	one-way	three-lane	connector street	✓	✓	✓		✓	
First Ave	Secondary Street	one-way	three-lane	connector street	✓	✓	✓		✓	

Frontage	The subject site comprises a full city block and has approximately 200 linear feet of frontage along both Ash St and W A St, and approximately 300 linear feet of frontage along both First Ave and Second Ave.
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Multiple Parcel Site Description Grid

Parcel	Usable		Excess		Surplus		Total		Shape	Access	Exposure	Flood Plain
	SF	AC	SF	AC	SF	AC	SF	AC				
533-424-14-00	52,500	1.21	0	0.00	0	0.00	52,500	1.21	L-Shaped	Average	Average	Zone X (Shaded)
533-424-11-00	7,500	0.17	0	0.00	0	0.00	7,500	0.17	Rectangular	Average	Average	Zone X (Shaded)
Total	60,000	1.38	0	0.00	0	0.00	60,000	1.38				

Accessibility

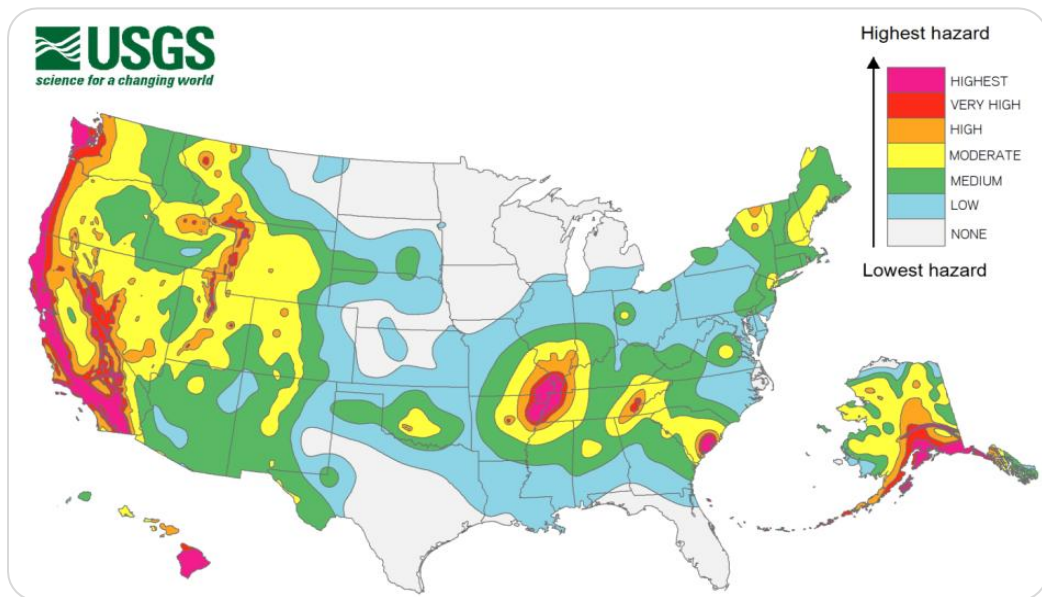
The accessibility of the subject is rated as average. The subject is accessed from four streets, with the parking garage access points along First and Second Avenues.

Exposure

The subject has average exposure, as it is located on a city block in downtown San Diego. The project's exposure rating takes into account its average visibility and its average traffic count.

Seismic

The subject is in a high risk zone. The following graphic displays the seismic zones throughout the country.

**Flood Zone**

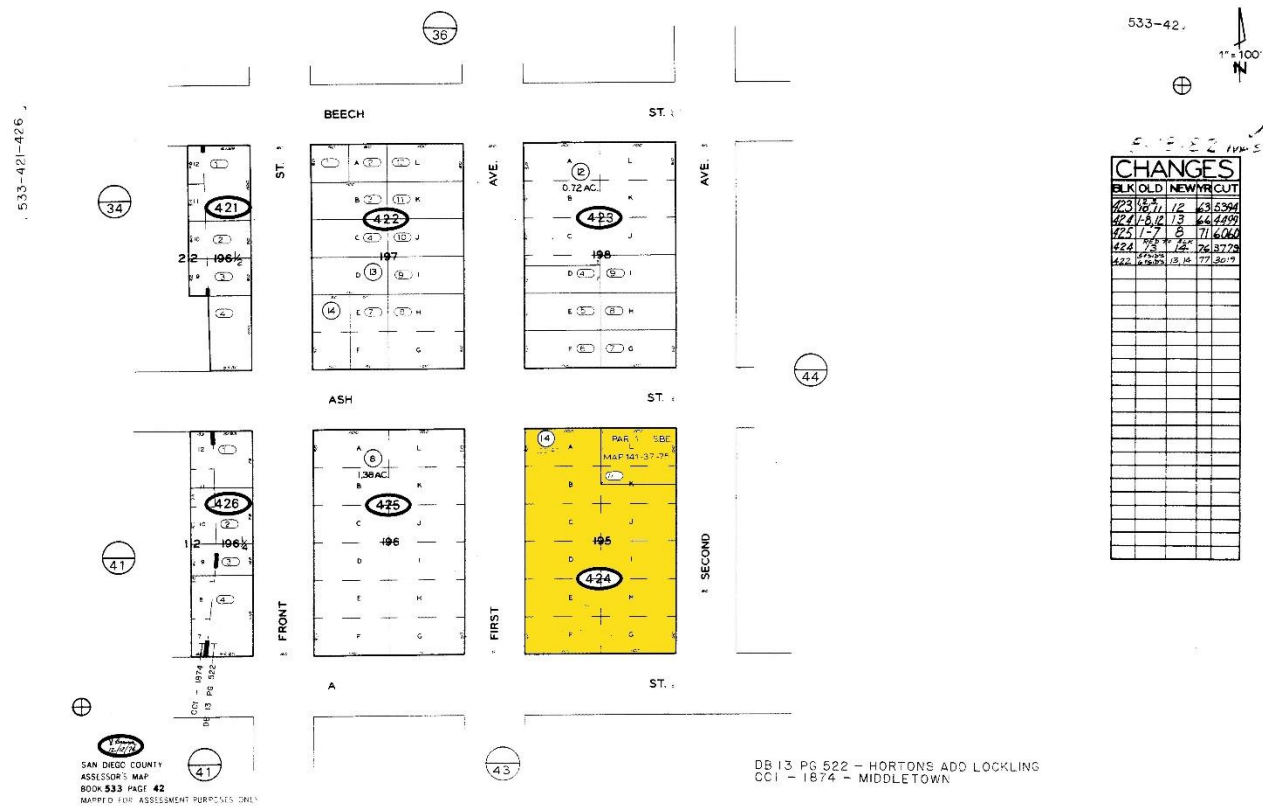
The subject site falls within the Zone X (Unshaded) flood zone. This is referenced by Community Number 06073, Panel Number 06073C1619G, dated May 16, 2012. The flood zone is defined as follows: Zone X (unshaded) is a moderate and minimal risk area. Areas of moderate or minimal hazard are studied based upon the principal source of flood in the area. However, buildings in these zones could be flooded by severe, concentrated rainfall coupled with inadequate local drainage systems. Local stormwater drainage systems are not normally considered in a community's flood insurance study. The failure of a local drainage system can create areas of high flood risk within these zones. Flood insurance is available in participating communities, but is not required by regulation in these zones. Nearly 25-percent of all flood claims filed are for structures located within these zones. Minimal risk areas outside the 1-percent and .2-percent-annual-chance floodplains. No BFEs or base flood depths are shown within these zones. (Zone X (unshaded) is used on new and revised maps in place of Zone C.)

Easements

A preliminary title report was not available for review. During the on-site inspection, no adverse easements or encumbrances were noted. This appraisal assumes that there is no negative value impact on the subject improvements. If questions arise regarding easements, encroachments, or other encumbrances, further research is advised.

Soils	A detailed soils analysis was not available for review. Based on the development of the subject, it appears the soils are stable and suitable for the existing improvements.
Hazardous Waste	Asbestos Containing Materials (ACMs) are reported to be present throughout the subject improvements, as the subject is 1967 construction. If questions arise, the reader is strongly cautioned to seek qualified professional assistance in this matter. Please see the Assumptions and Limiting Conditions for a full disclaimer.
Conclusion	Overall, the subject's location is rated as average/good. This location rating considers the subject's general market area (San Diego), its submarket (Downtown) and the surrounding uses and immediate neighborhood. It also takes into account the subject's exposure and access to employment centers, educational facilities, and shopping centers. All of these characteristics provide supporting uses for the subject site making it desirable for multifamily development. Overall, there are no known factors that would limit the site's development according to its highest and best use.

PLAT MAP



Introduction

The information presented below is a basic description of the existing improvements and potential apartment improvements. This information is used in the valuation of the property. Reliance has been placed upon information provided by sources deemed dependable for this analysis. It is assumed that there are no hidden defects, and that all structural components are functional and operational, unless otherwise noted. If questions arise regarding the integrity of the improvements or their operational components, it may be necessary to consult additional professional resources.

IMPROVEMENT DESCRIPTION

Existing Improvements

Property Type	High Rise Office
Total Number of Buildings	1
Number of Stories	21 (19 usable)
Gross Building Area (GBA)	324,048 SF
Net Rentable Area (NRA)	300,000 SF
Parking Total	240 (Garage)
Parking Garage Spaces	240
Parking Comment	Parking is adequate and is consistent with the other projects in the market
Parking Spaces/1,000 SF NRA	0.800
Year Built	1967
Age/Life Analysis	
Actual Age	58 Years
Effective Age	60 Years
Economic Life	60 Years
Remaining Life	0 Years
Quality	Average
Condition	Fair
Marketability	Fair

Potential Conversion to Apartments

Property Type	Multifamily - Mid/High-Rise Housing
Number of Units	312
Average Unit Size	594 SF
Total Number of Buildings	1
Number of Stories	21 (19 usable)
Development Density	226.5 Units/Acre (312 Units / 1.38 Acres)
Net Rentable Area (NRA)	185,391 SF
Amenities	clubhouse, fitness center, business center, laundry rooms
Basic Construction	Steel Frame
Foundation	Reinforced concrete piers
Framing	Structural steel with concrete encasement
Exterior Walls	Concrete/glass
Roof Type / Cover	Flat with parapet walls / Sealed membrane

Projected Apt Unit Mix				
Unit Types	No. Units	% of Total	Unit Size (SF)	NRA (SF)
STUDIO / 1 BA	119	38.1%	381	45,339
1 BD / 1 BA	22	7.1%	650	14,300
1 BD / 1 BA	51	16.3%	668	34,068
1 BD / 1 BA	52	16.7%	700	36,400
2 BD / 1 BA	68	21.8%	813	55,284
Total/Average	312	100%	594	185,391
Total Apt Net Rentable Area (NRA)				185,391
Commercial Space				24,000
Common Areas/Hallways/Mechanical				114,657
Total Gross Building Area (GBA)				324,048

Insulation	Exact type unknown, assumed adequate (R-type) and to code for both walls and ceilings.
Plumbing	Existing plumbing on each floor for restrooms. Potential apartments are assumed to include standard residential restrooms and kitchens, with laundry on each floor.
Air Conditioning/Heating	Roof mounted HVAC systems
Hot Water	Central boiler. Potential apartments are assumed to receive service from shared electric water heaters.
Lighting	Fluorescent and Incandescent
Electrical	Each potential apartment unit to be submetered.
Interior Walls	Painted and medium textured finish on gypsum board.
Ceilings	T-bar mounted acoustic ceiling tiles. Potential apartments are assumed to have standard residential drywall finish.
Windows	The subject's glazing is fixed pane (no operable windows).
Doors	Exterior doors are typically metal with peepholes. Interior doors are hollow, painted wood.
Flooring	Floor coverings appear to be commercial grade carpet/tile/vinyl/stone. The potential apartments are assumed to have standard residential floor coverings such as carpet or vinyl plank or ceramic tile.
Elevators	The building contains several passenger elevators.
Project Amenities	The potential common amenities are assumed to include: clubhouse, fitness center, business center, laundry rooms.
Unit Amenities	Each unit features: air conditioning, dishwasher, garbage disposal, parking garage, range/stove.
Appliances	Each potential apartment unit is assumed to be equipped with an electric oven/range combination, garbage disposal, dishwasher, microwave, and refrigerator/freezer.
Laundry	The potential apartment laundry rooms are assumed to include washer/dryer sets allowing payment via coin or card.

Countertops	The potential apartment units are assumed to include solid surface (quartz or similar) countertops.
Cabinets	Typical wood cabinetry
Fire Protection	The subject has a fire sprinkler system and smoke alarms. Whether the existing systems are functional/adequate/to code is unknown. The potential apartment units are assumed to include modernized fire sprinkler/monitoring systems.
Landscaping	The subject has limited area for landscaping, consisting of ground level areas along the north side of the property.
Property Signage	There is monument style signage along Ash Street at the entrance of the subject.
Deferred Maintenance	Deferred maintenance is measured as the cost of repairing or restoring the item to new or reasonably new condition. Based on information provided by the client, there are various items of deferred maintenance at the subject property. The subject also has various ACMs (asbestos containing materials) that require abatement or removal prior to renovation, conversion, or demolition of the building. A May 2025 estimate by Swinerton indicates total asbestos removal costs at \$40.8million (including prevailing wage requirements) prior to conversion to apartments - we estimate a 25%~ reduction to approximately \$30.6million to reflect "market costs" exclusive of prevailing wage. A mid-2022 report provided by the client estimates total costs for asbestos removal and building demolition to be over \$27million (excluding prevailing wage requirements).
Hazardous Materials	This appraisal assumes that the improvements are constructed free of all hazardous waste and toxic materials, other than asbestos (see above). Please refer to the Assumptions and Limiting Conditions section regarding this issue.
ADA Compliance	This analysis assumes that the subject complies with all ADA requirements. Please refer to the Assumptions and Limiting Conditions section regarding this issue.
Conclusion	The subject improvements are in fair condition for their age and for the surrounding neighborhood and require significant renovation or conversion in order to be marketable as office space or apartment units.

INTRODUCTION

Assessment of real property is established by an assessor that is an appointed or elected official charged with determining the value of each property. The assessment is used to determine the necessary rate of taxation required to support the municipal budget. A property tax is a levy on the value of property that the owner is required to pay to the municipality in which it is situated. Multiple jurisdictions may tax the same property. The subject property is located within San Diego County. The assessed value and property tax for the current year are summarized in the following table.

Assessment & Taxes							
Tax Year	2024/25				Tax Rate	1.228040%	
Tax Rate Area	08242				Taxes Current	Yes	
APN	Land	Impv	Personal	Total	Exemptions	Taxable	Base Tax
533-424-14-00	\$0	\$0	\$0	\$0	\$0	\$0	\$0
533-424-11-00	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Totals	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total/Unit	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total/SF (NRA)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Additional Tax Charges							
Misc Charges (Vector, Mosq, Wtr Stdb, Wtr Avail)							\$20
Downtown- Cortez PBID							\$51,455
Total Additional Tax Charges							\$51,475
Total Base Tax & Additional Tax Charges							\$51,475
Total Base Tax & Additional Tax Charges Per Unit							\$165
Total Base Tax & Additional Tax Charges Per SF (NRA)							\$0.28

Source: San Diego County Assessment & Taxation

SUBJECT PROPERTY ANALYSIS

In California, reassessments of property values occur upon sale of a property due to the passage of Proposition 13 in July of 1978. If this has not occurred during the tax year, properties are limited to a maximum increase in assessed value of 2% per year. Taxes are based upon 1% of full cash value plus any amounts necessary to satisfy general obligation bonds or other indebtedness.

It is noted that the subject is not assessed as it is owned by a public entity (City of San Diego).

It is noted that for estimating the ad valorem property tax for the subject, no weight is placed on the in-place taxes reflected in the current tax bill. The ad valorem property taxes in this appraisal are based on Proposition 13, which assumes a sale that triggers reassessment of a property's assessed taxable value. The projected taxes are calculated using a circular formula based on the indicated value developed later in the Income Approach (Direct Capitalization Method). The resulting value is multiplied by the current tax rate (1.228040% tax rate) to determine the projected market taxes. As such, the concluded taxes represent 100% of the developed market taxes (no exemptions).

In addition, the subject is responsible for the associated direct levies (additional tax charges). The additional tax charges will also be added to the concluded Real Estate Taxes, as those charges would remain in place after a potential sale.

INTRODUCTION

Zoning requirements typically establish permitted and prohibited uses, building height, lot coverage, setbacks, parking and other factors that control the size and location of improvements on a site. The zoning characteristics for the subject property are summarized below:

Zoning Summary	
Municipality Governing Zoning	City of San Diego Planning & Zoning Department
Current Zoning	Centre City Planned District-CORE (CCPD-CORE)
Permitted Uses	Permitted uses within this zoning district primarily include a wide range of uses that include multiresidential, hospitality, and commercial development. In addition the subject is located in Tier 1 of SD Complete Communities Housing Solutions, providing for unlimited residential FAR.
Prohibited Uses	Industrial
Current Use	Office
Is Current Use Legally Permitted?	Yes
Zoning Change	Not Likely
Proposed Use	Multifamily
Is Proposed Use Legally Permitted?	Yes

ZONING CONCLUSIONS

Based on the interpretation of the zoning ordinance, the subject property’s existing office use is an outright permitted use that could be rebuilt if unintentionally destroyed.

INTRODUCTION

The market analysis section provides a comprehensive study of supply/demand conditions, examines transaction trends, and interprets ground level information conveyed by market participants. Based on these findings and an analysis of the subject property, conclusions are drawn with regard to the subject's competitive position within the marketplace. Below is a list of the various sections covered in the following Apartment Market Analysis:

- › San Diego (REIS)
- › Downtown Apartment Submarket
- › Competitive Dataset Analysis
- › Subject Property Analysis
- › Explanation of Statewide Rent Control Ordinances
- › Summary of Market Analysis
- › Downtown San Diego Office Submarket (Class B & C)

In this section, an overview of market conditions which influence the marketability of the subject property, as a multi-family site will be considered. Our analysis relies primarily on the following two sources of data:

- REIS, Inc., a specialist in multifamily market research which contains a proprietary database with detailed information on commercial real properties in neighborhoods and metropolitan markets throughout the U.S. REIS provides information such as vacancy rates, rent levels, cap rate, new construction and other trends and is relied upon by a wide range of real estate professionals.
- REIS refers to the market as the San Diego Metro Area and the subject's submarket as the Downtown submarket, as highlighted and outlined in the map below.

SAN DIEGO APARTMENT MARKET

The following is an analysis of supply/demand trends in the San Diego Apartment Market using information provided by REIS, widely recognized as a credible source for tracking market statistics. The table below presents historical data for key market indicators.

SAN DIEGO HISTORICAL STATISTICS (LAST TEN YEARS)							
PERIOD	SUPPLY	ADDED SUPPLY	NET ABSORPTION	VACANCY	ASKING RENT	ACTUAL RENT	Δ HSLDS
2015	190,731 Units	2,953 Units	1,612 Units	3.4%	\$1,601/Unit	\$1,572/Unit	0.4%
2016	194,186 Units	3,455 Units	3,422 Units	3.4%	\$1,678/Unit	\$1,637/Unit	0.3%
2017	196,178 Units	1,992 Units	976 Units	3.8%	\$1,733/Unit	\$1,666/Unit	0.1%
2018	201,363 Units	5,185 Units	4,128 Units	4.3%	\$1,834/Unit	\$1,756/Unit	0.5%
2019	206,137 Units	4,774 Units	4,765 Units	4.2%	\$1,911/Unit	\$1,824/Unit	0.6%
2020	208,704 Units	2,567 Units	2,048 Units	4.4%	\$1,906/Unit	\$1,821/Unit	(0.7%)
2021	212,467 Units	3,763 Units	4,536 Units	3.9%	\$2,250/Unit	\$2,160/Unit	1.3%
2022	215,799 Units	3,332 Units	3,999 Units	3.6%	\$2,540/Unit	\$2,444/Unit	0.8%
2023	217,845 Units	2,046 Units	295 Units	4.3%	\$2,571/Unit	\$2,470/Unit	0.5%
2024	220,061 Units	2,216 Units	2,088 Units	4.3%	\$2,620/Unit	\$2,519/Unit	0.7%
CAGR	1.44%	-	-	-	5.05%	4.83%	0.41%

Source: REIS®

Over the past ten years the San Diego apartment market inventory significantly increased by 16.9% while households nominally expanded by 4.5%. These trends have resulted in stable market conditions where there is balance in prevailing apartment supply/demand conditions. This is evident by the significant positive absorption (14.6% change), moderate increase in the vacancy rate (0.9% change) and considerable increase of the actual

average rent (60.2% change) over this time period. Analysis of the data indicates the San Diego apartment market has gone through three distinctive trends over the past ten years.

TEN YEAR HISTORICAL TREND ANALYSIS						
PERIOD	ADDED SUPPLY	NET ABSORPTION	VACANCY	ASKING RENT	ACTUAL RENT	Δ HSLDS
2015-2024	32,283 Units	27,869 Units	3.4%→4.3%	\$1,601→\$2,620	\$1,572→\$2,519	4.5%
10 Yrs	16.9%	14.6%	0.9%	63.6%	60.2%	
SUBTRENDS						
2015-2018	13,585 Units	10,138 Units	3.4%→4.3%	\$1,601→\$1,834	\$1,572→\$1,756	1.4%
4 Yrs	7.1%	5.3%	0.9%	14.5%	11.7%	
2019-2019	4,774 Units	4,765 Units	4.2%→4.2%	\$1,911→\$1,911	\$1,824→\$1,824	0.6%
1 Yrs	2.3%	2.3%	0.0%	0.0%	0.0%	
2020-2024	13,924 Units	12,966 Units	4.4%→4.3%	\$1,906→\$2,620	\$1,821→\$2,519	2.5%
5 Yrs	6.7%	6.2%	(0.1%)	37.4%	38.3%	

The four year period from 2015 to 2018 was highlighted with significantly increased supply and nominally expanded households. These key factors had an offsetting impact that resulted in significant positive absorption, moderate increase of vacancy rates and considerable increase of actual rent achieved in the market.

The next one year period from 2019 to 2019 featured significantly increased supply and expanded households. This had an offsetting impact that resulted in significant positive absorption, stability of vacancy rates and stable of actual rent levels.

The most recent five year period from 2020 to 2024 was marked by significantly increased supply. This caused an offsetting impact that resulted in significant positive net absorption, moderate decrease of vacancy rates and considerable increase of actual rent levels.

The table on the following page summarizes the trailing four quarter performance of the San Diego market.

SAN DIEGO TRAILING FOUR QUARTER PERFORMANCE							
PERIOD	SUPPLY	ADDED SUPPLY	NET ABSORPTION	VACANCY	ASKING RENT	ACTUAL RENT	Δ HSLDS
2024 Q1	218,428 Units	583 Units	422 Units	4.4%	\$2,596/Unit	\$2,493/Unit	0.1%
2024 Q2	218,728 Units	300 Units	409 Units	4.3%	\$2,608/Unit	\$2,505/Unit	0.1%
2024 Q3	219,190 Units	462 Units	378 Units	4.4%	\$2,619/Unit	\$2,516/Unit	0.2%
2024 Q4	220,061 Units	871 Units	879 Units	4.3%	\$2,620/Unit	\$2,519/Unit	0.2%

Source: REIS®

As of Q4 2024 the San Diego market has a total apartment inventory of 220,061 units with 9,463 units vacant indicating a current vacancy rate of 4.3%. There was 871 units completed last quarter, whereas there were 2,216 units added in the last year.

Over the past four quarters the San Diego apartment market has experienced an increase of supply and nominally expanded households. These key factors had an offsetting impact that resulted in positive net absorption, decrease of vacancy rates and increase of actual rent achieved in the market.

Key supply/demand statistics for the most recent quarter, last year and historical averages are summarized below.

SAN DIEGO MARKET TREND ANALYSIS			
	Q4 2024	2024	AVG LAST 10
Total Units	220,061	220,061	206,347
Vacant Units	9,463	9,463	8,171
Market Vacancy	4.3%	4.3%	4.0%
Construction Growth Rate	0.4%	1.0%	1.4%
Absorption Rate	0.4%	0.9%	1.3%
Average Asking Rent/Unit	\$2,620	\$2,620	\$2,064
Average Actual Rent/Unit	\$2,519	\$2,519	\$1,987
Asking vs Attained	96.1%	96.1%	96.2%
Effective Concessions	3.9%	3.9%	3.8%

Source: REIS®

Vacancy

The Q4 2024 vacancy rate (4.3%) is consistent with last year (4.3%) and consistent with the average vacancy over the past ten years (4.0%). The historic vacancy trend indicates long-term demand for apartment units in the San Diego market.

Supply

The inventory grew by 0.4% during Q4 2024, whereas the growth rate was 1.0% last year. Over the past ten years the San Diego apartment market grew at a CAGR of 1.4%. Based on this evidence it appears that supply side issues do not represent a threat to the stability of supply/demand conditions in the market.

SAN DIEGO CONSTRUCTION ACTIVITY SUMMARY			
STATUS	NO. OF PROJECTS	UNITS	% OF SUPPLY
Under Construction	3	92	0.0%
Planned or Proposed	3	7	0.0%
TOTAL	6	99	0.0%

Source: REIS®

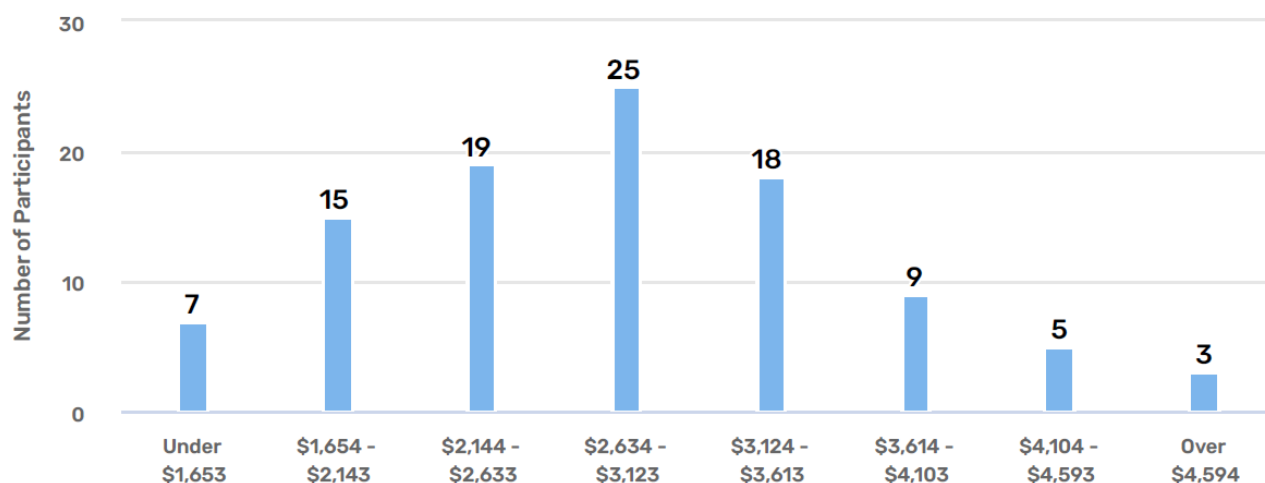
DOWNTOWN APARTMENT SUBMARKET OVERVIEW

The Downtown submarket, one of fifteen distinct geographic concentrations within San Diego, contains 17,731 market rate rental units, with asking rent levels near the top of the region. However, vacancy in the Downtown submarket is also the highest in the region. The Downtown San Diego submarket has 8.0% of the metro's total inventory of market rate rental apartments. In the ten-year period beginning with Q2 2015, new additions to the submarket totaled 9,939 units, amounting to an annualized inventory growth rate of 8.6%; over the same period, the metro growth rate has been 1.7%.

Submarket Name	REIS Rank*	Inventory Units	Inventory Buildings	Asking Rent Units	Vacancy
Balboa Park/West of I-15	295	8,542	305	\$2,295	6.5%
Clairemont/Linda Vista Mission	482	31,163	151	\$2,875	4.6%
Downtown San Diego	599	17,731	101	\$3,111	8.3%
El Cajon/Santee/Lakeside	698	16,501	267	\$1,996	2.2%
Escondido/San Marcos	466	12,816	128	\$2,063	1.5%
La Jolla/University City	670	19,619	80	\$3,168	3.6%
La Mesa/Spring Valley/Lemon Grove	639	14,990	162	\$2,221	3.4%
Mira Mesa/Rancho Bernardo	715	18,899	110	\$2,741	6.3%
Mission Bay/Pacific Beach	700	2,700	64	\$2,441	5.9%
National City/Chula Vista	102	25,951	220	\$2,533	3.6%
North Beaches	280	12,785	108	\$3,062	5.5%
Ocean Beach/Point Loma Blvd.	176	4,348	46	\$2,859	6.4%
Oceanside	729	11,770	106	\$2,318	4.4%
San Diego/East of I-15	547	8,016	176	\$1,930	3.2%
Vista	684	16,647	142	\$2,433	5.9%

The chart below summarizes asking rent distribution from low rents to high rents Downtown, with most participant rents concentrated between \$1,654 and \$3,613.

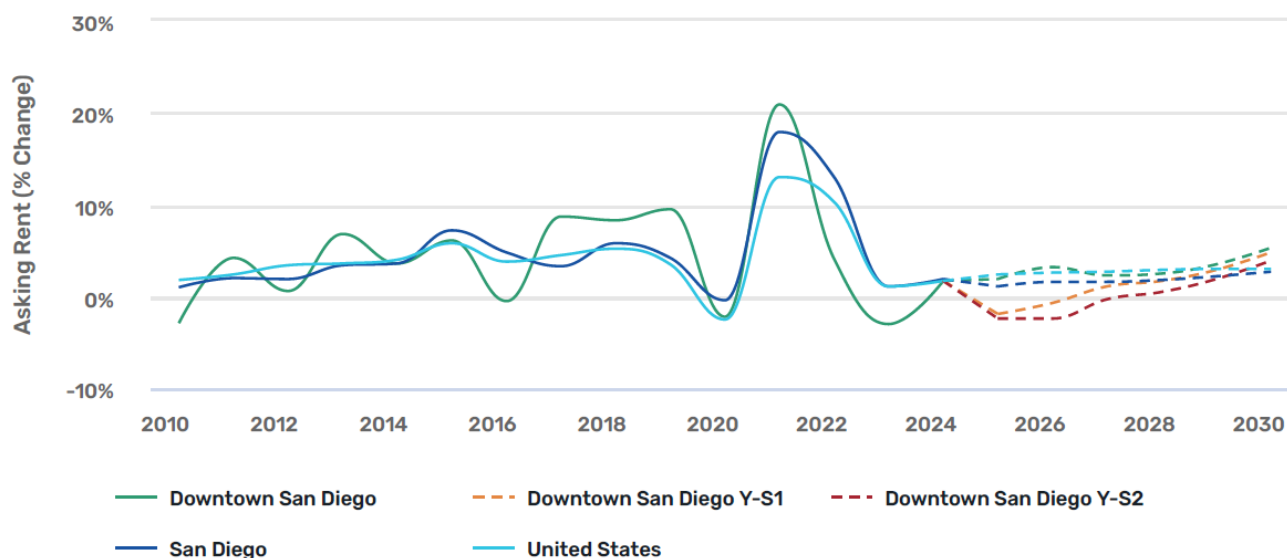
Asking Rent Distribution Per Unit



Low	25%	Mean	Median	75%	High
\$1,429	\$2,259	\$3,111	\$2,771	\$3,379	\$4,381

According to REIS, monthly movement in average asking rent during the first quarter was varied, with March's downtick of 1.3% bringing the final figure to \$3,130. Average asking rents in the submarket continued to fall by 0.6% in April to \$3,111. Mean unit prices in the submarket are as follows: studios \$2,238, one bedrooms \$2,897, two bedrooms \$3,973, and three bedrooms \$4,371. Over the past twelve months, asking rents have fallen a total of 0.6%, down from \$3,128. The Downtown San Diego submarket's April asking rent levels are higher than the metro's average of \$2,599, while asking rent growth in April compares unfavorably to the metro average of 0.1%. Effective rents, which exclude the value of concessions offered to prospective tenants, declined by 0.5% during April to an average of \$2,924.

Scenarios: Asking Rent Per Unit

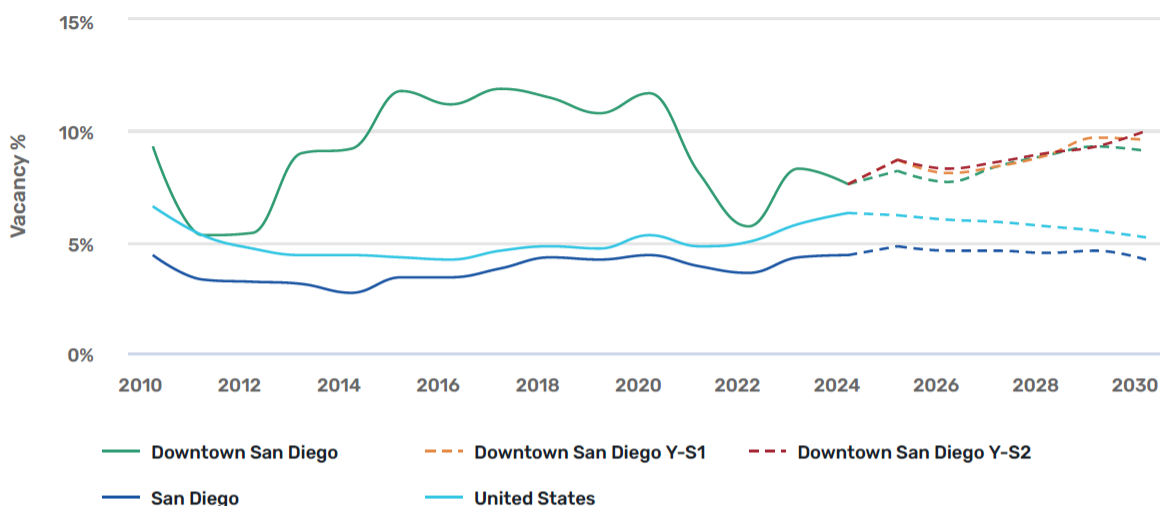
[View Full Table in Appendix](#)


	Downtown San Diego			San Diego	United States
Year	% Change	S1 - % Change ¹	S2 - % Change ²	% Change	% Change
2025	1.9%	-1.9%	-2.4%	1.1%	2.4%
2026	3.2%	-0.7%	-2.4%	1.6%	2.6%
2027	2.3%	1.1%	-0.3%	1.6%	2.7%
2028	2.5%	1.7%	0.5%	1.8%	2.9%
2029	3.5%	2.9%	1.9%	2.2%	3.0%
2030	5.3%	4.8%	3.9%	2.7%	3.0%

1: Y-S1 is Moody's Analytics CRE "downside scenario 1". That corresponds to, and is consistent with, Moody's Analytics "Downside - 90th Percentile (S3)".

2: Y-S2 is Moody's Analytics CRE "downside scenario 2". That corresponds to, and is consistent with, Moody's Analytics "Downside - 96th Percentile (S4)".

Scenarios: Vacancy

[View Full Table in Appendix](#)


	Downtown San Diego			San Diego	United States
Year	% Vacant	S1 - % Vacant ¹	S2 - % Vacant ²	% Vacant	% Vacant
2025	8.2%	8.7%	8.7%	4.8%	6.2%
2026	7.7%	8.1%	8.3%	4.6%	6.0%
2027	8.4%	8.4%	8.6%	4.6%	5.9%
2028	8.9%	8.9%	9.0%	4.5%	5.7%
2029	9.3%	9.7%	9.3%	4.6%	5.5%
2030	9.1%	9.6%	10.0%	4.2%	5.2%

1: Y-S1 is Moody's Analytics CRE "downside scenario 1". That corresponds to, and is consistent with, Moody's Analytics "Downside - 90th Percentile (S3)".

2: Y-S2 is Moody's Analytics CRE "downside scenario 2". That corresponds to, and is consistent with, Moody's Analytics "Downside - 96th Percentile (S4)".

According to the most recent REIS report available, the Downtown Submarket reports a projected average annual vacancy of 8.2% for 2025, which is at the high end of the range for the metro area. Vacancy is expected to remain elevated over the next several years. The reported projected average rent change in the subject's submarket is 1.9% for 2025 (current year) and is expected to increase going forward over the next few years. The following chart compares the apartment inventory, unit mix, and corresponding rents in the Downtown Submarket, Metro Area, West Region and US.

Unit Mix: Inventory and Current Rent (as of Apr 2025)

	Inventory		Current Asking Rent	
	Inventory %	Avg. Unit Size in SF	Asking Rent per Unit	Asking Rent per SF
Studio				
Downtown San Diego	20.7%	499	\$2,238	\$4.49
San Diego	5.1%	475	\$1,988	\$4.19
Western Region	8.1%	533	\$1,706	\$3.20
United States	5.9%	567	\$1,694	\$2.99
1 Bedroom				
Downtown San Diego	46.1%	755	\$2,897	\$3.84
San Diego	39.8%	723	\$2,295	\$3.18
Western Region	43.6%	781	\$1,993	\$2.55
United States	45.1%	818	\$1,711	\$2.09
2 Bedroom				
Downtown San Diego	30.8%	1,144	\$3,973	\$3.47
San Diego	47.9%	1,007	\$2,802	\$2.78
Western Region	42.6%	1,097	\$2,418	\$2.20
United States	42.4%	1,154	\$2,062	\$1.79
3 Bedroom				
Downtown San Diego	2.4%	1,250	\$4,371	\$3.50
San Diego	7.2%	1,247	\$3,340	\$2.68
Western Region	5.7%	1,384	\$2,972	\$2.15
United States	6.6%	1,464	\$2,595	\$1.77

COMPETITIVE DATASET ANALYSIS

The following table summarizes the results of a vacancy survey of directly competing properties to the subject that was confirmed during development of this assignment.

Vacancy Survey as of June 2025			
Project	Units	Vacant Units	Vacancy
Ariel Suites	224	11	4.9%
Simone Little Italy	395	63	15.9%
Vera Cortez Hill	299	21	7.0%
Allegro Towers	207	4	1.9%
Diega	617	37	6.0%
Total/Average	1,742	136	7.8%

Source: Colliers International Valuation & Advisory Services

As noted in the table above, the competitive market rate dataset shows a vacancy rate of 7.8% as of June 2025.

General Vacancy Conclusion

As summarized in the table below this market analysis relied on various published data sources and field research for assessing how supply/demand conditions influence the long-term vacancy estimate of the subject.

General Vacancy Conclusion		
REIS	1Q 2025	Last Yr
San Diego	4.3%	4.4%
Downtown	8.4%	7.6%
Competitive Set	7.8%	-
General Vacancy Rate Conclusions		7.0%

The REIS Downtown submarket level analysis reported an average vacancy rate of 7.6% last year (2024) and forecasts similar elevated vacancy over the next five years (2026-2030). The competitive market rate dataset

shows a vacancy rate average of 7.8% as of June 2025. Based on our analysis of supply/demand trends and considering the submarket forecasted annual vacancy over the next five years, a general annual physical vacancy rate of 7.0% (rounded) is concluded. It is noted that this only accounts for annual physical vacancy and does not include any credit loss or concessions, which will be concluded later.

SUMMARY OF MARKET ANALYSIS

This market analysis has examined historical and current supply/demand trends for the subject property type on market and submarket levels. Further, the subject's competitive dataset was profiled and analyzed to gain perspective of supply/demand conditions for properties in direct competition with the subject. Market participant interviews were conducted to provide ground level support of what is really occurring in the marketplace. The subject is a multifamily property and the market generally classifies the subject as an investment property. Overall, based on interviews with planners and brokers, and Colliers International Valuation & Advisory Services market survey, there is sufficient demand for the improvements. The depth of demand for the subject property is anticipated to be sufficient based on continuing economic and population growth in the subject's area.

RENT STABILIZATION LEGISLATION

The California Tenant Protection Act of 2019 (AB 1482)

The California Legislature passed Assembly Bill (AB) 1482, a measure which limits landlords/operators from increasing rents more than 5%, plus local inflation, in any one year, in cities that don't already have rent control laws. The bill only applies to properties over 15 years old, and does not include single family homes, unless they're owned by a corporation, and duplexes where the owner lives in one of the units. Governor Gavin Newsome signed the bill into law in the 4th Quarter 2019, and went into effect on January 1, 2020, and expires on January 1, 2030. The statewide rent increase limitations are summarized below:

- The landlord may raise the rent up to 5% plus the applicable Consumer Price Index (CPI) or 10%, whichever is lower. Percentage change in the CPI would mean the percentage change from April 1 of the prior year to March 31 of the current year for the region in which the rental property is located. The calculation must be from the lowest gross rental rate charged for the unit at any time during the 12 months prior to the effective date of increase.
- For renters who have lived in the unit for more than 12 months, the landlord may raise the rent up to two times within that period, as long as the total increases do not exceed the state's rent cap.
- AB1482 does not affect the landlord's right to raise the rent to market once a tenant vacates the unit. However, once a new renter is placed in the unit, any future rent increases on that tenant will be subject to the rent cap.
- The landlord may choose the initial rent for the new tenant. But once the new renter is in the unit, any future rent increases will be subject to the rent cap.

Given that the subject reflects projected extensive renovation and conversion, it is our understanding that the California state rent control measures will not be applicable to the subject for a period of 15 years following completion.

DOWNTOWN OFFICE SUBMARKET OVERVIEW – CLASS B & C

The following is an analysis of supply/demand trends in the Downtown Class B and C Office submarket using information provided by CoStar. The table below presents historical data for key market indicators.

DOWNTOWN HISTORICAL STATISTICS (LAST TEN YEARS)					
PERIOD	SUPPLY	NEW CONSTRUCTION	NET ABSORPTION	VACANCY	ASKING RENT
2015	4,706,719 SF	0 SF	(315,217) SF	12.3%	\$2.06/SF
2016	4,706,719 SF	0 SF	96,040 SF	14.2%	\$2.22/SF
2017	4,706,719 SF	0 SF	(117,766) SF	15.1%	\$2.36/SF
2018	4,706,719 SF	0 SF	(59,547) SF	16.7%	\$2.37/SF
2019	4,706,719 SF	0 SF	(33,381) SF	17.6%	\$2.43/SF
2020	4,708,461 SF	1,742 SF	(32,636) SF	19.3%	\$2.61/SF
2021	4,708,461 SF	0 SF	(94,344) SF	20.9%	\$2.54/SF
2022	4,708,461 SF	0 SF	(2,252) SF	21.6%	\$2.42/SF
2023	4,708,461 SF	0 SF	(36,086) SF	22.5%	\$2.31/SF
2024	4,708,461 SF	0 SF	6,569 SF	22.1%	\$2.16/SF
CAGR	0.0%	-	-	-	0.5%

*Supply numbers based on information which is amended/updated on an on-going basis by Costar.

Source: Costar®

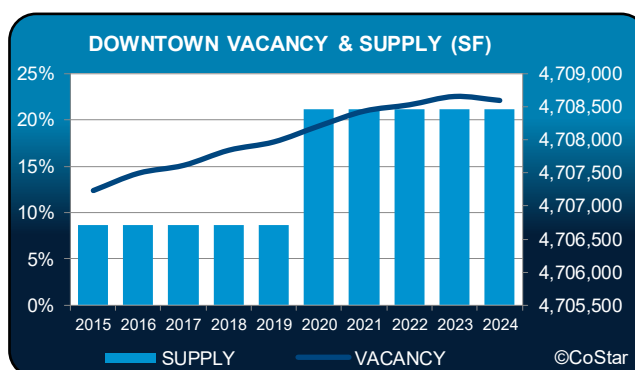
Over the past ten years the Downtown Office submarket was soft where there was imbalance in prevailing Office supply/demand conditions. Over this time period the submarket inventory slightly increased by 0.0%. Further there was significant negative absorption (-12.5% change), increase in the vacancy rate (9.7% change) and minimal increase of the asking average rent (4.9% change).

Analysis of the data indicates the Downtown Office submarket has gone through two distinctive trends over the past ten years.

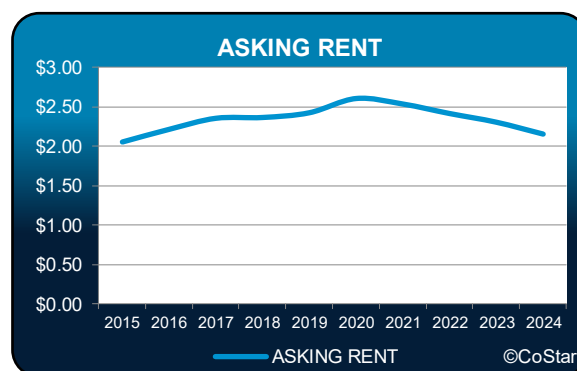
TEN YEAR HISTORICAL TREND ANALYSIS				
PERIOD	ADDED SUPPLY	NET ABSORPTION	VACANCY	ASKING RENT
2015-2024	1,742 SF	(588,620) SF	12.3%→22.1%	\$2.06→\$2.16
10 Yrs	0.0%	-12.5%	9.7%	4.9%
2015-2020	1,742 SF	(462,507) SF	12.3%→19.3%	\$2.06→\$2.61
6 Yrs	0.0%	-9.8%	7.0%	26.7%
2021-2024	0 SF	(126,113) SF	20.9%→22.1%	\$2.54→\$2.16
4 Yrs	0.0%	-2.7%	1.2%	-15.0%

The six year period from 2015 to 2020 was highlighted with slightly increased supply, significant negative absorption, substantial increase of vacancy rates and considerable increase of asking rent in the submarket. The most recent four year period from 2021 to 2024 featured stable supply, negative absorption, moderate increase of vacancy rates and considerable decrease of asking rent levels. [S.Market.SubTrend.3](#)

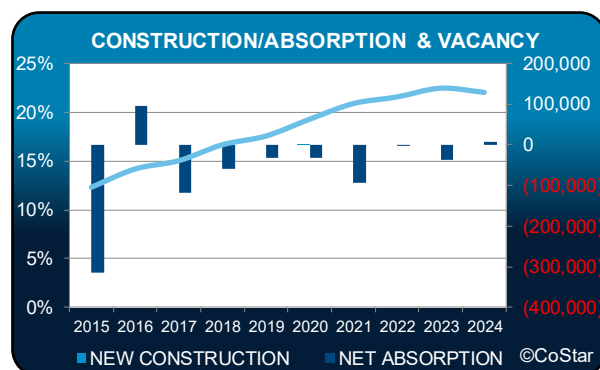
Over the past ten years the submarket had a compound annual growth rate (CAGR) of 0.0% per year. Vacancy has ranged from 12.3% to 22.5% with an average of 18.2%. Vacancy increased from 12.3% in 2015 to 19.3% in 2020, increased from 20.9% in 2021 to 22.1% in 2024



Over the past ten years asking rent has experienced a CAGR of 0.5%. Asking rent hit a low of \$2.06/SF in 2015 and a high in 2020 at \$2.61/SF.



In the past ten years a total of 1,742 SF were added to the supply with -588,620 SF of net absorption achieved during the same period.



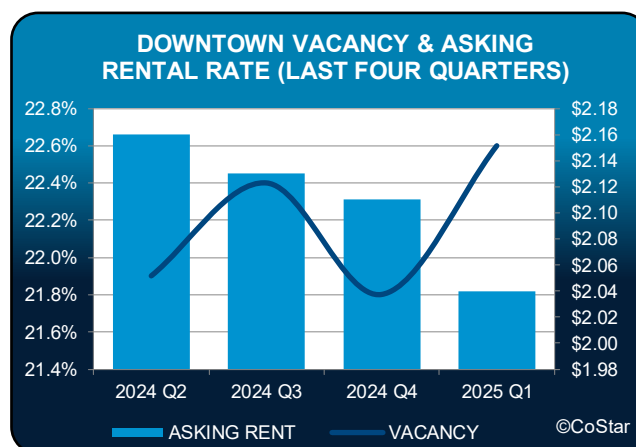
The following table summarizes the trailing four quarter performance of the Downtown submarket.

DOWNTOWN TRAILING FOUR QUARTER PERFORMANCE					
PERIOD	SUPPLY	NEW CONSTRUCTION	NET ABSORPTION	VACANCY	ASKING RENT
2024 Q2	4,708,461 SF	0 SF	8,262 SF	21.9%	\$2.16/SF
2024 Q3	4,708,461 SF	0 SF	(25,861) SF	22.4%	\$2.13/SF
2024 Q4	4,708,461 SF	0 SF	28,564 SF	21.8%	\$2.11/SF
2025 Q1	4,708,461 SF	0 SF	(34,120) SF	22.6%	\$2.04/SF

Source: Costar®

As of Q1 2025 the Downtown submarket has a total Office inventory of 4,708,461 SF with 1,062,588 SF vacant indicating a current vacancy rate of 22.6%. There was no additional inventory delivered last quarter, nor were there any new deliveries in the last year.

Over the past four quarters the Downtown office submarket has experienced no growth of supply. There was also negative net absorption, increase in vacancy rates and decrease of asking rent in the marketplace.



Key supply/demand statistics for the most recent quarter, last year and historical averages are summarized below.

DOWNTOWN MARKET TREND ANALYSIS			
	Q1 2025	2024	Last 10
Total SF	4,708,461	4,708,461	4,707,590
Vacant SF	1,062,588	1,038,216	857,488
Market Vacancy	22.6%	22.1%	18.2%
Construction Growth Rate	0.0%	0.0%	0.0%
Absorption Rate	(0.7%)	0.1%	(1.3%)
Average Asking Rent/SF	\$2.04	\$2.16	\$2.35

Source: Costar®

Vacancy

The Q1 2025 vacancy rate (22.6%) is slightly higher than last year (22.1%) and higher than the average vacancy over the past ten years (18.2%). The historic vacancy trend indicates somewhat weak long-term demand for office space in the Downtown submarket. The most recent vacancy trends demonstrate inferior market conditions in comparison to the historic trend and suggest continued soft demand moving forward.

Supply

There was no new inventory added during Q1 2025, nor were there any new deliveries in the last year.

Absorption

During Q1 2025 net absorption was -0.7% and net absorption was 0.1% over the last year. The Downtown office market has established an overall trend of somewhat weak absorption (-1.3%) over the past ten years. The historic absorption trend indicates somewhat weak long-term demand for office space in the Downtown submarket. The most recent absorption trends demonstrate similar market conditions in comparison to the historic trend and suggest continued soft demand moving forward.

Sales Transactions

The recent office sales transactions in downtown San Diego demonstrate low investor/user demand for office buildings and concerns regarding a long-term secular shift away from the Downtown office market. The chart on the next page summarizes the recent transactions:

OFFICE SALES SUMMATION TABLE						
COMPARABLE	SUBJECT	COMPARABLE 1	COMPARABLE 2	COMPARABLE 3	COMPARABLE 4	COMPARABLE 5
Name	101 Ash	Wells Fargo Tower	225 Broadway	101 W Broadway	Five Thirty B	Tower 180
Address	101 Ash St	401 B St	225 Broadway	101 West Broadway	530 B Street	104 & 124 Broadway
City	San Diego	San Diego	San Diego	San Diego	San Diego	San Diego
State	CA	CA	CA	CA	CA	CA
Zip	92101	92101	92101	92101	92101	92101
County	San Diego	San Diego	San Diego	San Diego	San Diego	San Diego
PHYSICAL INFORMATION						
Property Type	Office	Office	Office	Office	Office	Office
NRA (SF)	300,000	487,934	363,102	420,346	250,181	384,999
Land Area (AC)	1.38	1.0	1.3	1.3	0.7	0.9
Land Area (SF)	60,000	43,996	57,064	57,063	30,056	39,204
L:B Ratio	0.2	0.1	0.2	0.1	0.1	0.1
Location	Average/Good	Good	Average/Good	Average	Average	Average
Quality	Average	Average/Good	Average	Average	Average	Average/Good
Condition	Fair	Average/Good	Average/Good	Average	Average	Good
Exposure	Average	Average	Average	Average/Good	Average	Average
Access	Average	Average	Average	Average	Average	Average
Year Built	1963	1984	1974	1984	1966	1963
Year Renovated	-	-	-	1993	2018	2020
SALE INFORMATION						
Date		4/11/2025	12/31/2024	11/27/2024	10/25/2024	12/21/2023
Status		Recorded	Recorded	Recorded	Recorded	Recorded
Recording Number		93757	359740	332941	292552	356598
Marketing Period		3 Mos.	2 Mos.	2 Mos.	-	12 Mos.
Rights Transferred		Leased Fee	Leased Fee	Leased Fee	Leased Fee	Leasehold
Transaction Price		\$40,000,000	\$48,000,000	\$43,933,000	\$27,500,000	\$61,000,000
Analysis Price		\$40,000,000	\$48,000,000	\$43,933,000	\$27,500,000	\$61,000,000
\$/SF NRA		\$82	\$132	\$105	\$110	\$158
Occupancy		46.3%	83.9%	80.9%	77.0%	-

It is notable that all of the sales are newer construction, or have had recent renovations in comparison to the subject. It is also notable that Comparables 1-4 sold with occupancy levels from 46.3% to 83.9%.

Comparable 5 sold with minimal occupancy other than ground level retail/commercial leases, as the building had undergone full re-glazing, full lobby/reception renovation, and interior demolition taking most of the office floors to shell condition. Most of the ACMs in the building were also removed or encapsulated during the renovation process. The buyer purchased the property via a lender-facilitated sale following a lengthy escrow that was negotiated in early 2023. The buyer has plans for a mixed hotel/multi-residential conversion that has not yet begun due to market conditions.

The 530 B Street transaction was to a buyer that plans a phased multi-residential conversion as leases expire at the 77%~ occupied building.

The subject is 0% leased and office absorption is negative in the Downtown submarket in recent years. Hypothetically if the subject property were 50%~ leased, with some moderate common area and exterior renovations complete, and without any significant asbestos conditions it might possibly transact in the range of \$60/SF to \$80/SF at the high end, or \$18,000,000 to \$24,000,000 based on the subject's 300,000~ SF NRA.

Later in this report in the Income Approach some "market" cost estimates for the building are presented for the conceptual conversion to multi-residential (with ground level commercial component), totaling over \$37mil:

Elevator Lobbies/Commercial/Amenities: \$6,643,852

Asbestos Demolition & Abatement: \$30,616,777

Much of the work included in these estimates would likely be unnecessary for a moderate renovation of the existing office building. However, even if the costs could be reduced by 50% to the \$18.6mil range, the market would not likely view a moderate renovation of the existing office building to be feasible, due to a typical minimum requirement for 10% entrepreneurial profit and typical lease-up costs:

- \$20-\$50 per leased SF for tenant improvements
- Concessions of 0.5 to 1.0 month free rent for each year of the lease term
- Leasing commissions of 6% to 8% of the base rent

For example, a low end \$20/SF tenant improvement allowance for 50% of the building would cost an additional \$3,000,000 (300,000 SF NRA x 50% x \$20)

Concessions of 3 months free rent for 50% of the building on 3-5 year lease terms would cost \$1,125,000 (300,000 SF NRA x 50% x 3 months x \$2.50 market rent).

Leasing commissions at 6% of base rent for 50% of the building on a 4-year average lease term would cost \$1,123,200 (300,000 SF NRA x 50% x 48 months x \$2.60 average market rent over term x 6%).

In addition, carrying costs during a several year hypothetical absorption period would be incurred. The result of undertaking a moderate conversion would be no entrepreneurial profit, so a moderate renovation of the subject office building is not considered a viable option.

Downtown Submarket Conclusion

Per CoStar: "Downtown is in the midst of a record-high injection of new inventory as the Central Business District attempts to create a new biotech cluster that has been firmly entrenched in the UC San Diego area. IQHQ's Research and Development District and Stockdale's Campus at Horton total 2.4 million SF, much of which is geared toward life science users, and RaDD finished construction in early 2025. No office or lab leases have been announced for either project as of the first quarter. As a result, the headline vacancy rate has increased to 34.8%. However, it is likely that the rate is already higher than the headline level, given the amount of space that is not occupied or available.

Those projects arrive in an environment of depressed demand. Although net absorption was positive during 24 Q4, that was the only quarter in more than four years that saw more than just marginal positive absorption. Most quarters have recorded occupancy losses. Larger tenants that have signed new leases have increasingly rightsized their footprints into smaller, more efficient office spaces or have left Downtown altogether. The amount of available space has increased by nearly 3.2 million SF since the end of 2019, representing 35.9% of Downtown's inventory. That is more than twice as much space as was available pre-pandemic.

One solution to rein in rising vacancy and availability is the conversion of occupancy-challenged buildings into other uses. Several towers have sold in recent quarters, including three Irvine Company properties. Although the conversion path is complicated by pricing, layout, and size, among other factors, that could help mitigate the excess available space here.

Given the waning demand and supply-side pressure, rent growth has measured 0.3% year over year, and few areas of San Diego offer the level of concessions that are typical here. More than one month of free rent per year has been typical for securing long-term leases. Given the demand environment, rent growth is not expected to turn the corner in the coming quarters.

Although market participants hope that Downtown's long-term prospects will improve, particularly with the vibrant cultural amenities and sprawling multifamily properties filled with younger renters, it is likely to be a challenging stretch for area landlords. Barring last-minute pre-leasing, it will be difficult for Downtown to avoid vacancy falling

below 35% in the coming quarters. At the same time, distressed sales and conversions could place downward pressure on rents.”

EXPOSURE TIME

Exposure time is defined as "The estimated length of time 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; a retrospective opinion based on an analysis of past events assuming a competitive and open market" (The Dictionary of Real Estate Appraisal, Appraisal Institute, 2015). Reasonable exposure time is impacted by the aggressiveness and effectiveness of a property's exposure to market participants, availability and cost of financing, and demand for similar investments. Exposure time is best established based the recent history of marketing periods for comparable sales, discussions with market participants and information from published surveys. The following information was taken into consideration to develop estimates of exposure time and marketing period for the subject property:

Exposure Time & Marketing Period			
Source	Quarter	Range	Avg
PriceWaterhouse Coopers			
Pacific Region Apartment	2Q 25	0.0 to 10.0	4.4
Market Participant	2Q 25	2.0 to 12.0	6.0
Comparable Office Sales Dataset		2.0 to 12.0	4.75
Average		1.3 to 11.3	5.1

The availability of acquisition financing factors into exposure time. In recent quarters, financing has been available for well-positioned commercial real estate, particularly for stabilized assets within core MSAs and owner/user deals. For second tier or marginal properties, financing has been available but subject to more stringent requirements. Based on review of the local capital market, we conclude that adequate financing options would have been available to consummate a sale of the property on the date of value.

Because of the rise in interest rates, market transactions are occurring less frequently when compared to prior years. Our concluded exposure time and marketing period are based on our interviews with various brokers, property owners, investors, and market participants in the subject's market area.

Exposure Time Conclusion

The preceding information generally supports an exposure time range from 2 to 12 months for office properties. The subject property is of average quality and is in fair condition and requires significant renovation or demolition, reducing the likely universe of potential buyers. Considering these factors, a reasonable estimate of exposure time for the subject property is 12 months or less.

Marketing Period Conclusion

Marketing period is very similar to exposure time, but reflects a projected time period to sell the property, rather than a retrospective estimate. We have reviewed open listings and discussed the market with local participants, and given the nature of the subject property, we feel that a time period of 12 months or less is supported for the subject's marketing period.

INTRODUCTION

The highest and best use of an improved property is defined as that reasonable and most probable use that will support its highest present value. The highest and best use, or most probable use, must be legally permissible, physically possible, financially feasible, and maximally productive. This section develops the highest and best use of the subject property As-Vacant and As-Improved.

AS-VACANT ANALYSIS

Legal Factors

The legal factors that possibly influence the highest and best use of the subject site are discussed in this section. Private restrictions, zoning, building codes, historic district controls, and environmental regulations are considered, if applicable to the subject site. Permitted uses of the subject's CCPD-CORE (Centre City Planned District-CORE) zoning were listed in the Zoning Analysis section and include a wide range of uses that include multi-residential, hospitality, and commercial development. In addition the subject is located in Tier 1 of SD Complete Communities Housing Solutions, providing for unlimited residential FAR. The potential uses that meet the requirements of the legal permissibility test are office, hospitality, multi-residential, and mixed use projects.

Physical & Locational Factors

Regarding physical characteristics, the subject site is rectangular in shape and has sloping topography with average access and average exposure. The subject is surrounded by offices and parking lots/garages, commercial development and nearby multi-residential and mixed use projects. Given the subject's location and surrounding uses, the subject site is desirable for multifamily development. Of the outright permitted uses, physical and locational features best support development of a multi-residential property (as market conditions warrant) for the site's highest and best use as-vacant.

Feasibility Factors

The financial feasibility of those uses that meet the legal and physical tests discussed is analyzed further in this section. Supply and demand conditions affect the financial feasibility of possible uses. Indicators of feasibility, which typically indicate favorable or non-favorable supply and demand conditions, include construction financing and proposed projects. There has been some new apartment development throughout the region, noting that multifamily projects are in relatively strong demand due to the high cost of home ownership currently (reflective of high home prices and/or high mortgage interest rates), which limit shelter options for a portion of the general public in this immediate market. However, due to softening in effective rents and increased vacancy concerns, multi-family development has slowed in the past year. Current financial feasibility factors generally support a hold prior to development of the subject site.

As-Vacant Conclusion

Based on the previous discussion, the subject's highest and best use as-vacant is concluded to be hold for development of a multi-residential property (as market conditions warrant).

AS-IMPROVED ANALYSIS

Legal Factors

The subject property, as-improved, is a high-rise office project that is zoned CCPD-CORE (Centre City Planned District-CORE). The subject's improvements represent a legal, conforming use. The legal factors influencing the highest and best use of the property support the subject's use as-improved.

Physical & Locational Factors

The physical and location characteristics of the subject improvements have been previously discussed in this report. In summary, the subject's improvements were constructed in 1967, are negatively impacted by asbestos containing materials, and have a remaining economic life of 0 years based on my estimate. The project is of

average quality construction and in fair condition. The subject improvements as-improved are sufficiently supported by site features including its rectangular shape, sloping topography, average access and average exposure. The subject's location supports the subject improvements as-improved with similar and homogeneous developments present in the subject's immediate market area. However, the subject's aged improvements with asbestos containing materials are not supported as the subject's use as-improved.

Alternative Uses & Feasibility Factors

In addition to legal and physical considerations, analysis of the subject property as-improved requires the treatment of two important issues: 1) consideration of alternative uses for the property; and 2) the marketability of the most probable use. The five possible alternative treatments of the property are demolition, expansion, renovation, conversion, and the subject's use as-improved.

- › **Demolition** The subject office building is approximately 58 years old and we conclude that the subject improvements (due to asbestos containing materials) do not contribute value above the current land value. Therefore, demolition appears applicable in this case.
- › **Expansion** The subject property comprises approximately 1.38 acres (60,000 SF) and is improved with a high-rise office development. The subject site does not contain additional site area for expansion. Therefore, expansion of the subject is not considered a viable option.
- › **Renovation** The subject property is approximately 58 years old and is in fair condition. Some of the office floors at the subject may be in serviceable/marketable condition. There may be a scenario involving reduced scope/costs associated with asbestos abatement and limited or phased renovation of the existing office improvements that results in a financially feasible/maximally productive alternative to demolition. However, at the present time, demand for Class B & C office space in downtown San Diego is somewhat limited and absorption is not occurring at a significant rate. A limited and/or phased renovation of the office improvements at the subject may be a viable option. However, the feasibility of said renovation would depend on the scope of work and the associated costs. Appraisers are not qualified to opine on many of the matters involved in determining potential renovation scenarios. I tested a moderate renovation scenario within the Office Market Analysis section of this report, and this scenario was not financially feasible.
- › **Conversion** Conversion to multi-family (with a ground level commercial component) is evaluated in the Income Approach section of this report and is not feasible at this time.
- › **Continued Use "As-Is"** The final option is the continued use of the property "As-Is." As indicated, the office improvements are at the end of their life, and demolition is considered to be the Highest & Best Use As-Improved.

Among the five alternative uses, demolition is supported to be the subject property's Highest and Best Use.

Marketability Factors

As previously indicated in the Market Analysis, the subject property has fair marketability. The condition of the property reflects fair maintenance and appeal. In general office supply/demand conditions and immediate market area trends do not support viable short or long-term operations of the subject's use as-improved.

As-Improved Conclusion

Legal, physical, and market considerations have been analyzed to evaluate the highest and best use of the property. This analysis is presented to evaluate the type of use that will generate the greatest level of future benefits possible from the property. Based on the previous discussion, the highest and best use of the subject property as-improved is concluded to be demolition.

INTRODUCTION

The following presentation of the appraisal process deals directly with the valuation of the subject property. The following paragraphs describe the standard approaches to value that were considered for this analysis.

INCOME APPROACH

The Income Approach is based on the premise that properties are purchased for their income producing potential. It considers both the annual return on the invested principal and the return of the invested principal. This valuation technique entails careful consideration of contract rents currently in place, projected market rents, other income sources, vacancy allowances, and projected expenses associated with the efficient operation and management of the property. The relationship of these income estimates to property value, either as a single stream or a series of projected streams, is the essence of the income approach. The two fundamental methods of this valuation technique include Discounted Cash Flow and Direct Capitalization.

- **Discounted Cash Flow (DCF)** - The DCF analysis models a property's performance over a buyer's investment horizon from the date of acquisition through the projected sale of the property at the end of the forecasted holding period. Net cash flows from property operations and the reversion are discounted at a rate reflective of the property's economic and physical risk profile.
- **Direct Capitalization**
This method analyzes the relationship of one year's stabilized net operating income to total property value. The stabilized net operating income is capitalized at a rate that implicitly considers expected growth in cash flow and growth in property value over a buyer's investment horizon. The implied value may be adjusted to account for non-stabilized conditions or required capital expenditures to reflect an as is value.

Development of the Income Approach is a specific scope requirement of this assignment. Characteristics specific to the subject property warrant that this valuation technique is developed. The subject is an investment property; therefore, the Income Approach represents the decision making process of knowledgeable buyers and sellers of this property type. The Direct Capitalization method is used in this analysis. Discounted Cash Flow analysis does not contribute substantially to estimating value beyond the direct capitalization method and is not used in this analysis.

SALES COMPARISON APPROACH

The Sales Comparison Approach is based on the principle of substitution, which asserts that no one would pay more for a property than the value of similar properties in the market. This approach analyzes comparable sales by applying transactional and property adjustments in order to bracket the subject property on an appropriate unit value comparison. The sales comparison approach is applicable when sufficient data on recent market transactions is available. Alternatively, this approach may offer limited reliability because many properties have unique characteristics that cannot be accounted for in the adjustment process. Development of the Sales Comparison Approach is not a specific scope requirement of this assignment. Characteristics specific to the subject property do not warrant that this valuation technique to be developed. Due to unique characteristics of the subject being appraised and lack of market transactions of like substitute comparable properties, insufficient sales data is available to provide a credible value opinion by the Sales Comparison Approach. Based on this reasoning, the Sales Comparison Approach is not presented within this appraisal.

LAND VALUATION

Development land in the subject marketplace is most often valued utilizing the Sales Comparison Approach. Development of the subject site value is a specific scope requirement of this assignment. Characteristics specific to the subject property warrant that a site value is developed. Due to land value trends in the subject market

area, the subject site is valued to test highest & best use considerations. Within the Site Valuation section, the subject is valued as one marketable economic site.

COST APPROACH

The Cost Approach is a set of procedures through which a value indication is derived for the fee simple estate by estimating the current cost to construct a reproduction of (or replacement for) the existing structure, including an entrepreneurial incentive or profit; deducting depreciation from the total cost; and adding the estimated land value. Adjustments may then be made to the indicated value of the fee simple estate in the subject property to reflect the value of the property interest being appraised. For investment properties, this valuation technique is most often relied upon as a test of financial feasibility for proposed construction.

Development of the Cost Approach is not a specific scope requirement of this assignment. Characteristics specific to the subject property do not warrant that this valuation technique is developed. The Cost Approach has limited applicability due to the age of the improvements and lack of market based data to support an estimate of accrued depreciation. Knowledgeable buyers and sellers typically do not rely on this valuation technique for income-producing properties similar to the subject. Based on the preceding information, the Cost Approach will not be presented.

RECONCILIATION OF VALUE CONCLUSIONS

The Income (Direct Capitalization). approaches are used to value the subject property, which will be reconciled into the final opinion of market value in the Analysis of Value Conclusions section.

INTRODUCTION

Given the appraisal problem and defined scope of work, the following table summarizes the value scenarios and Income Approach methods developed within this appraisal report:

Income Approach Value Scenarios			
Value Scenario	Methods Used		
	Direct Cap	DCF	EGIM
As-Is Market Value	✓		✓

As previously discussed within the Valuation Methods section, the Direct Capitalization method is used in this analysis, and Discounted Cash Flow analysis is not developed.

Income Approach Framework

The following identifies the primary sections and order in which the Income Approach is developed.

- › Apartment Rent Analysis
- › Income & Expense Analysis
- › Investment Market Analysis
- › Direct Capitalization
- › Adjustments to Value
- › Income Approach Reconciliation

SUBJECT INFORMATION**Assumptions Regarding Subject Utility Structure**

- › **Hot Water** - Not included in the rent
- › **Cold Water** - Included in the rent
- › **Sewer** - Included in the rent
- › **Trash Removal** - Included in the rent
- › **Gas** - Not included in the rent
- › **Electricity** - Not included in the rent
- › **Telephone/ Cable/Internet** - Not included in the rent

ANALYSIS OF RENT COMPARABLES**Unit of Comparison**

The analysis is conducted on a rent per month basis, reflecting market behavior. This unit of comparison is predominantly used in this market.

Selection of Comparables

A complete search of the area was conducted in order to find the most comparable complexes in terms of age, appeal, condition, number of units, and amenities. For this reason, we expanded our radius search to include luxury apartments that have been recently built. The rent comparables are located in the subject's local area and range from 0.1 to 0.4 miles from the subject site, with an average distance of 0.3 miles. The subject is in fair condition with fair appeal for the market area considering its new construction. Overall, the comparables selected in this analysis are generally similar to the subject property.

Concessions

Based on our market survey, some of the rent comparables are currently offering concessions. Please see data sheets for details.

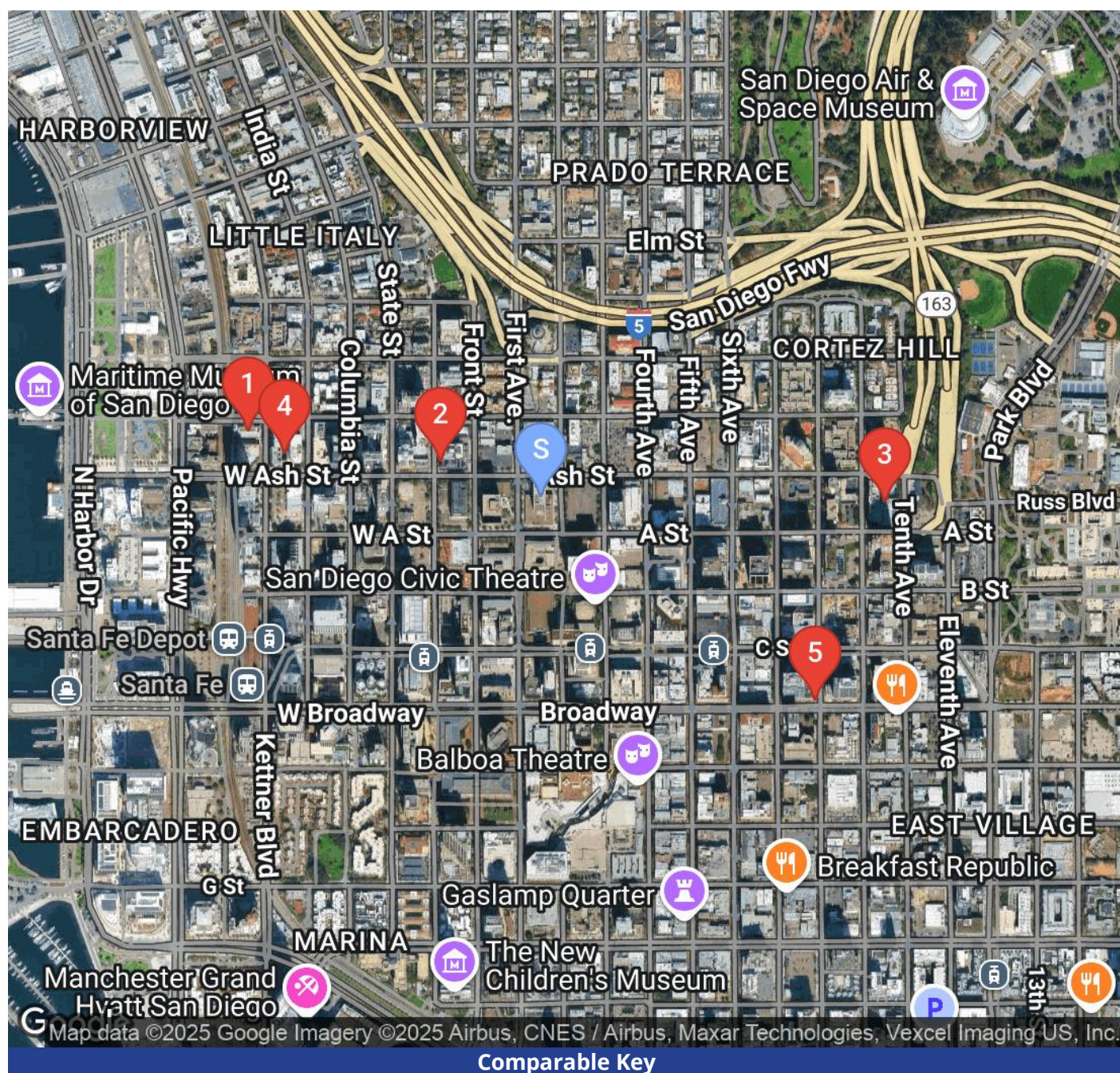
Presentation

The following presentation summarizes the comparables most similar to the subject property. A Rent Comparable Summation Table, Rent Comparable Location Map, Comparable Photographs, and analysis of the rent comparables is presented on the following pages.

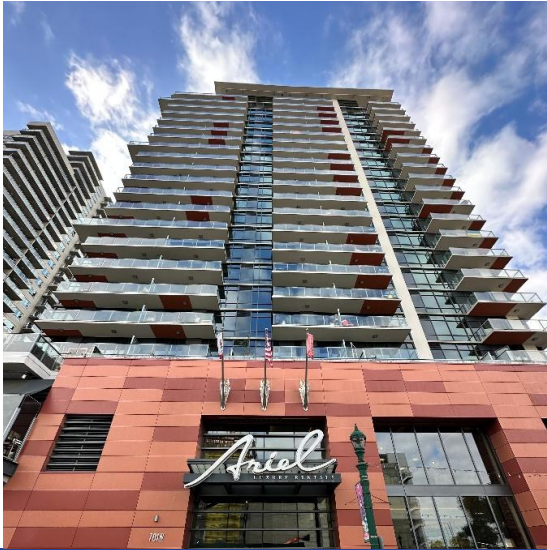
Rent Summation Table

Comparable	Subject	Comparable 1	Comparable 2	Comparable 3	Comparable 4	Comparable 5
Name	101 Ash	Ariel Suites	Simone Little Italy	Vera Cortez Hill	Allegro Towers	Diega
Address	101 Ash Street	701 W. Beech Street	1401 Union Street	1399 9th Avenue	1455 Kettner Boulevard	702 Broadway
City	San Diego	San Diego	San Diego	San Diego	San Diego	San Diego
State	CA	CA	CA	CA	CA	CA
Zip	92101	92101	92101	92101	92101	92101
Physical Information						
Number of Units	312	224	395	299	207	617
NRA	185,391	162,089	336,073	230,715	178,944	546,420
Year Built	1967	2013	2023	1973	2006	2021
Average SF/Unit	594	724	851	772	864	886
Location	Average/Good	Average/Good	Average/Good	Average/Good	Average/Good	Average/Good
Appeal	Good (Renovated)	Good	Good/Excellent	Average	Good	Good/Excellent
Quality	Good (Renovated)	Good	Good/Excellent	Average/Good	Good	Good/Excellent
Condition	Good (Renovated)	Good	Good/Excellent	Average	Good	Good/Excellent
Rent Information						
Occupancy	100.0%	95.0%	84.0%	93.0%	98.0%	94.0%
Rent Type	Market Rent	Market Rent	Market Rent	Market Rent	Market Rent	Market Rent
\$/Unit Average	\$0	\$2,911	\$5,175	\$2,449	\$2,720	\$3,838
\$/SF Average	\$0.00	\$4.02	\$6.08	\$3.17	\$3.15	\$4.33
Studio \$/Unit Avg	-	\$2,280	\$3,483	\$1,997	\$2,445	\$2,610
1 BD \$/Unit Avg	-	\$2,735	\$4,663	\$2,386	\$2,445	\$3,448
2 BD \$/Unit Avg	-	\$3,395	\$6,280	\$3,035	\$3,295	\$4,526

RENT COMPARABLE LOCATION MAP



RENT COMPARABLE PHOTOGRAPHS



RENT COMPARABLE 1



RENT COMPARABLE 2



RENT COMPARABLE 3



RENT COMPARABLE 4



RENT COMPARABLE 5

DISCUSSION OF RENTAL ADJUSTMENTS

Adjustments for differences between the subject property and the comparables can be made quantitatively or qualitatively. Adjustments for some differences can be derived from the market and are addressed below. Other items for which dollar adjustments are more difficult to derive are addressed in the Qualitative Adjustments paragraph.

Adjustments

The subject property and the comparables vary to some degree in terms of physical characteristics, project amenities, unit amenities, parking, laundry, and utilities. The following grid illustrates the quantitative adjustments applied to the comparables (when necessary) in order to make the comparables similar to the subject in terms of these features.

Rent Comparable Adjustment Table												
	\$ Adj.	Subject		Comp 1		Comp 2		Comp 3		Comp 4		Comp 5
Physical Project Features												
Age	\$50	58	12	(\$100)	2	(\$100)	52	(\$50)	19	(\$100)	4	(\$100)
Number of Units	\$10	312	224	\$0	395	\$0	299	\$0	207	(\$10)	617	\$10
Physical Subtotal Adjustment				(\$100)		(\$100)		(\$50)		(\$110)		(\$90)
Project Amenities												
Swimming Pool	\$25	No	Yes	(\$25)	Yes	(\$25)	Yes	(\$25)	Yes	(\$25)	Yes	(\$25)
Fitness Center	\$25	Yes	Yes	\$0	Yes	\$0	Yes	\$0	Yes	\$0	Yes	\$0
Project Amenities Subtotal Adjustment				(\$25)		(\$25)		(\$25)		(\$25)		(\$25)
Unit Amenities												
Air Conditioning	\$25	Yes	Yes	\$0	Yes	\$0	Yes	\$0	Yes	\$0	Yes	\$0
Dishwasher	\$25	Yes	Yes	\$0	Yes	\$0	Yes	\$0	Yes	\$0	Yes	\$0
Unit Amenities Subtotal Adjustment				\$0		\$0		\$0		\$0		\$0
Laundry												
Common Laundry	\$10	Yes	No	\$10	No	\$10	Yes	\$0	Yes	\$0	No	\$10
Washer/Dryer In-Unit	\$50	No	Yes	(\$50)	Yes	(\$50)	No	\$0	Yes	(\$50)	Yes	(\$50)
Laundry Subtotal Adjustment				(\$40)		(\$40)		\$0		(\$50)		(\$40)
Parking Included in Rent												
Parking Garage	\$100	Yes	Yes	\$0	Yes	\$0	Yes	\$0	No	\$100	No	\$100
Parking Subtotal Adjustment				\$0		\$0		\$0		\$100		\$100
Utilities Included in Rent												
Electricity	\$30	No	No	\$0	No	\$0	No	\$0	No	\$0	No	\$0
Water	\$25	Yes	Yes	\$0	No	\$25	Yes	\$0	Yes	\$0	No	\$25
Hot Water	\$20	No	No	\$0	No	\$0	Yes	(\$20)	No	\$0	No	\$0
Sewer	\$20	Yes	Yes	\$0	No	\$20	Yes	\$0	Yes	\$0	No	\$20
Garbage	\$20	Yes	Yes	\$0	No	\$20	Yes	\$0	Yes	\$0	No	\$20
Utilities Subtotal Adjustment				\$0		\$65		(\$20)		\$0		\$65
Total Adjustments				(\$165)		(\$100)		(\$95)		(\$85)		\$10

RENT COMPARABLE ADJUSTMENT GRID

The following tables adjust the comparables to the subject property quantitatively.

Rent Comparable Adjustment Summary												
Comparable 1	No.	Avg	Eff. Rent	Adjustments						Total	Adjusted	
	Units	Size	\$/Unit	Physical	Project	Unit	Laundry	Parking	Utilities	Adj	\$/Unit	\$/SF
STUDIO / 1 BA	1	350	\$2,280	(\$100)	(\$25)	\$0	(\$40)	\$0	\$0	(\$165)	\$2,115	\$6.04
1 BD / 1 BA	119	641	\$2,735	(\$100)	(\$25)	\$0	(\$40)	\$0	\$0	(\$165)	\$2,570	\$4.01
1 BD / 1 BA	60	719	\$2,735	(\$100)	(\$25)	\$0	(\$40)	\$0	\$0	(\$165)	\$2,570	\$3.58
2 BD / 1 BA	40	935	\$3,395	(\$100)	(\$25)	\$0	(\$40)	\$0	\$0	(\$165)	\$3,230	\$3.46
2 BD / 2 BA	1	1,140	\$4,995	(\$100)	(\$25)	\$0	(\$40)	\$0	\$0	(\$165)	\$4,830	\$4.24
2 BD / 2 BA	1	1,145	\$5,000	(\$100)	(\$25)	\$0	(\$40)	\$0	\$0	(\$165)	\$4,835	\$4.22
2 BD / 2 BA	1	1,290	\$6,375	(\$100)	(\$25)	\$0	(\$40)	\$0	\$0	(\$165)	\$6,210	\$4.81
3 BD / 2 BA	1	1,395	\$8,000	(\$100)	(\$25)	\$0	(\$40)	\$0	\$0	(\$165)	\$7,835	\$5.62
Comparable 2												
STUDIO / 1 BA	70	570	\$3,483	(\$100)	(\$25)	\$0	(\$40)	\$0	\$65	(\$100)	\$3,383	\$5.94
1 BD / 1 BA	223	770	\$4,663	(\$100)	(\$25)	\$0	(\$40)	\$0	\$65	(\$100)	\$4,563	\$5.93
2 BD / 2 BA	89	1,176	\$6,280	(\$100)	(\$25)	\$0	(\$40)	\$0	\$65	(\$100)	\$6,180	\$5.26
2 BD / 2.5 BA	13	1,523	\$15,508	(\$100)	(\$25)	\$0	(\$40)	\$0	\$65	(\$100)	#####	####
Comparable 3												
STUDIO / 1 BA	97	570	\$1,997	(\$50)	(\$25)	\$0	\$0	\$0	(\$20)	(\$95)	\$1,902	\$3.34
1 BD / 1 BA	115	750	\$2,386	(\$50)	(\$25)	\$0	\$0	\$0	(\$20)	(\$95)	\$2,291	\$3.05
2 BD / 2 BA	87	1,025	\$3,035	(\$50)	(\$25)	\$0	\$0	\$0	(\$20)	(\$95)	\$2,940	\$2.87
Comparable 4												
STUDIO / 1 BA	22	612	\$2,445	(\$110)	(\$25)	\$0	(\$50)	\$100	\$0	(\$85)	\$2,360	\$3.86
1 BD / 1 BA	62	667	\$2,445	(\$110)	(\$25)	\$0	(\$50)	\$100	\$0	(\$85)	\$2,360	\$3.54
1 BD / 2 BA	56	977	\$2,445	(\$110)	(\$25)	\$0	(\$50)	\$100	\$0	(\$85)	\$2,360	\$2.42
2 BD / 2 BA	67	1,037	\$3,295	(\$110)	(\$25)	\$0	(\$50)	\$100	\$0	(\$85)	\$3,210	\$3.10
Comparable 5												
STUDIO / 1 BA	78	584	\$2,610	(\$90)	(\$25)	\$0	(\$40)	\$100	\$65	\$10	\$2,620	\$4.49
1 BD / 1 BA	255	735	\$3,448	(\$90)	(\$25)	\$0	(\$40)	\$100	\$65	\$10	\$3,458	\$4.70
2 BD / 1 BA	7	972	\$3,783	(\$90)	(\$25)	\$0	(\$40)	\$100	\$65	\$10	\$3,793	\$3.90
2 BD / 2 BA	277	1,107	\$4,545	(\$90)	(\$25)	\$0	(\$40)	\$100	\$65	\$10	\$4,555	\$4.11

MARKET RENT ANALYSIS

The following tables summarize the various indicators of market rent and provide the market rent analysis and conclusions for the subject property.

Studio Unit Conclusion

Comp	Unit Type	Unit Size	Rent/Month		Adjusted Rent/Month		Net
			\$/Unit	\$/SF	\$/Unit	\$/SF	Adj %
3	STUDIO / 1 BA	570	\$1,997	\$3.50	\$1,902	\$3.34	-4.8%
1	STUDIO / 1 BA	350	\$2,280	\$6.51	\$2,115	\$6.04	-7.2%
4	STUDIO / 1 BA	612	\$2,445	\$4.00	\$2,360	\$3.86	-3.5%
5	STUDIO / 1 BA	584	\$2,610	\$4.47	\$2,620	\$4.49	0.4%
2	STUDIO / 1 BA	570	\$3,483	\$6.11	\$3,383	\$5.94	-2.9%
Low		350	\$1,997	\$3.50	\$1,902	\$3.34	-7.2%
High		612	\$3,483	\$6.51	\$3,383	\$6.04	0.4%
Average		537	\$2,563	\$4.92	\$2,476	\$4.73	-3.6%
Median		570	\$2,445	\$4.47	\$2,360	\$4.49	-3.5%
Subject Analysis & Conclusions							

				Asking Rent		Actual Rent		Recently Leased			Concluded Rent	
Units	Vac	Unit Type	Size	\$/Unit	\$/SF	\$/Unit	\$/SF	Units	\$/Unit	\$/SF	\$/Unit	\$/SF
119	0	STUDIO / 1 BA	381	\$0	\$0.00	\$0	\$0.00	0	-		\$2,096	\$5.50

Analysis and Conclusions

The rent comparables range in size from 350 SF to 612 SF, with an average unit size of 537 SF. The rent comparables' unadjusted rent per month ranges from \$1,997 to \$3,483, with an average rent of \$2,563. After applying adjustments to the comparables for differences in amenities, laundry, parking and utilities, the rent comparables' rent per month ranges from \$1,902 to \$3,383, with an average rent of \$2,476. However the predominant range is \$1,902 to \$2,620 as Comparable 2 is an outlier.

There are (119) STUDIO / 1 BA subject units of 381 SF, which is much smaller than most of the rent comparables but the subject's projected renovated condition warrants some offsetting consideration. Primary emphasis is placed on the adjusted rent comparable range. Therefore, a market rent of \$2,096 is estimated for this 381 SF floor plan.

1 Bedroom Unit Conclusion

Comp	Unit Type	Unit Size	Rent/Month		Adjusted Rent/Month		Net
			\$/Unit	\$/SF	\$/Unit	\$/SF	Adj %
3	1 BD / 1 BA	750	\$2,386	\$3.18	\$2,291	\$3.05	-4.0%
4	1 BD / 1 BA	667	\$2,445	\$3.67	\$2,360	\$3.54	-3.5%
1	1 BD / 1 BA	641	\$2,735	\$4.27	\$2,570	\$4.01	-6.0%
1	1 BD / 1 BA	719	\$2,735	\$3.81	\$2,570	\$3.58	-6.0%
5	1 BD / 1 BA	735	\$3,448	\$4.69	\$3,458	\$4.70	0.3%
2	1 BD / 1 BA	770	\$4,663	\$6.06	\$4,563	\$5.93	-2.1%
4	1 BD / 2 BA	977	\$2,445	\$2.50	\$2,360	\$2.42	-3.5%
Low		641	\$2,386	\$2.50	\$2,291	\$2.42	-6.0%
High		977	\$4,663	\$6.06	\$4,563	\$5.93	0.3%
Average		751	\$2,980	\$4.02	\$2,882	\$3.89	-3.6%
Median		735	\$2,735	\$3.81	\$2,570	\$3.58	-3.5%
Subject Analysis & Conclusions							

				Asking Rent		Actual Rent		Recently Leased			Concluded Rent	
Units	Vac	Unit Type	Size	\$/Unit	\$/SF	\$/Unit	\$/SF	Units	\$/Unit	\$/SF	\$/Unit	\$/SF
22	0	1 BD / 1 BA	650	\$0	\$0.00	\$0	\$0.00	0	-		\$2,438	\$3.75
51	0	1 BD / 1 BA	668	\$0	\$0.00	\$0	\$0.00	0	-		\$2,505	\$3.75
52	0	1 BD / 1 BA	700	\$0	\$0.00	\$0	\$0.00	0	-		\$2,625	\$3.75

Analysis and Conclusions

The rent comparables range in size from 641 SF to 977 SF, with an average unit size of 751 SF. The rent comparables' unadjusted rent per month ranges from \$2,386 to \$4,663, with an average rent of \$2,980. After applying adjustments to the comparables for differences in amenities, laundry, parking and utilities, the rent comparables' rent per month ranges from \$2,291 to \$4,563, with an average rent of \$2,860. However, the predominant range is \$2,291 to \$3,458 as Comparable 2 is an outlier.

For the subject's three 1BD unit types, which are 650, 668, and 700 SF, we apply market rents of \$3.75/SF, consistent with the adjusted range of the most similar comparables.

2 Bedroom Unit Conclusion

Comp	Unit Type	Unit Size	Rent/Month		Adjusted Rent/Month		Net Adj %
			\$/Unit	\$/SF	\$/Unit	\$/SF	
1	2 BD / 1 BA	935	\$3,395	\$3.63	\$3,230	\$3.46	-4.9%
5	2 BD / 1 BA	972	\$3,783	\$3.89	\$3,793	\$3.90	0.3%
3	2 BD / 2 BA	1,025	\$3,035	\$2.96	\$2,940	\$2.87	-3.1%
4	2 BD / 2 BA	1,037	\$3,295	\$3.18	\$3,210	\$3.10	-2.6%
5	2 BD / 2 BA	1,107	\$4,545	\$4.11	\$4,555	\$4.11	0.2%
2	2 BD / 2 BA	1,176	\$6,280	\$5.34	\$6,180	\$5.26	-1.6%
Low		935	\$3,035	\$2.96	\$2,940	\$2.87	-4.9%
High		1,176	\$6,280	\$5.34	\$6,180	\$5.26	0.3%
Average		1,042	\$4,056	\$3.85	\$3,985	\$3.78	-1.9%
Median		1,031	\$3,589	\$3.76	\$3,512	\$3.68	-2.1%

Subject Analysis & Conclusions

Units	Vac	Unit Type	Size	Asking Rent		Actual Rent		Recently Leased		Concluded Rent	
				\$/Unit	\$/SF	\$/Unit	\$/SF	Units	\$/Unit	\$/SF	\$/Unit
68	0	2 BD / 1 BA	813	\$0	\$0.00	\$0	\$0.00	0	-		\$3,049
											\$3.75

Analysis and Conclusions

The rent comparables range in size from 935 SF to 1,176 SF, with an average unit size of 1,042 SF. The rent comparables' unadjusted rent per month ranges from \$3,035 to \$6,280, with an average rent of \$4,056. After applying adjustments to the comparables for differences in amenities, laundry, parking and utilities, the rent comparables' rent per month ranges from \$2,940 to \$6,180, with an average rent of \$3,985. However, the predominant range is \$2,940 to \$4,555 as Comparable 2 is an outlier.

There are (68) 2 BD / 1 BA subject units of 813 SF which is smaller than the rent comparables. Therefore, a market rent of \$3,049 (\$3.75/SF) is estimated for the 813 SF floor plan.

POTENTIAL RENTAL INCOME

The gross rental income equals the total gross income and is based on the rent conclusions presented previously and is summarized in the following table.

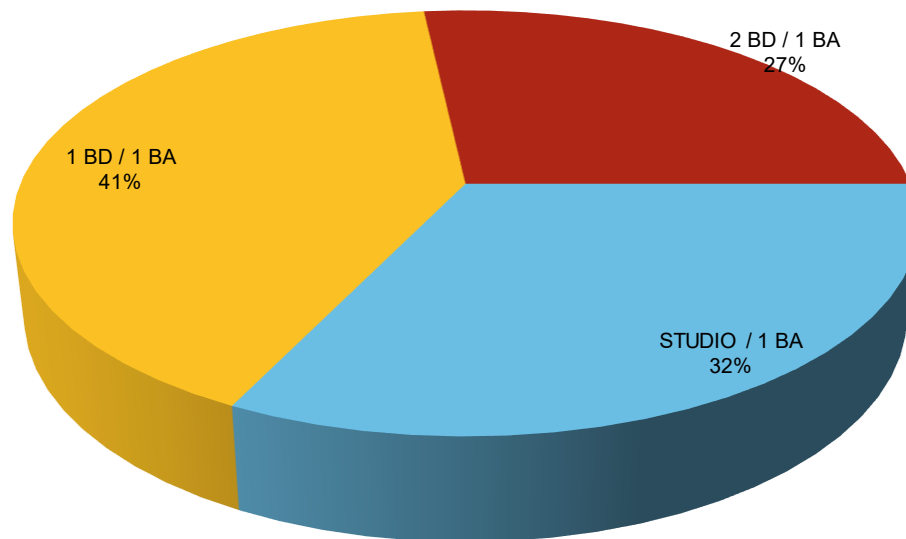
Apartment Potential Gross Income

Unit Type	Units	Vac	SF	Asking Rent			Contract Rent (Blended) ¹			Concluded Market Rent			Contract V. Market
				\$/Unit (Mo.)	Monthly	Annually	\$/Unit (Mo.)	Monthly	Annually	\$/Unit (Mo.)	Monthly	Annually	
STUDIO / 1 BA	119	0	381	\$0	\$0	\$0	\$0	\$0	\$0	\$2,096	\$249,365	\$2,992,374	0.0%
1 BD / 1 BA	22	0	650	\$0	\$0	\$0	\$0	\$0	\$0	\$2,438	\$53,625	\$643,500	0.0%
1 BD / 1 BA	51	0	668	\$0	\$0	\$0	\$0	\$0	\$0	\$2,505	\$127,755	\$1,533,060	0.0%
1 BD / 1 BA	52	0	700	\$0	\$0	\$0	\$0	\$0	\$0	\$2,625	\$136,500	\$1,638,000	0.0%
2 BD / 1 BA	68	0	813	\$0	\$0	\$0	\$0	\$0	\$0	\$3,049	\$207,315	\$2,487,780	0.0%
Total	312			\$0	\$0	\$0	\$0	\$0	\$0	\$2,483	\$774,560	\$9,294,714	0.0%

¹ Contract + Market (Vacant Units Projected At Market Level)

TOTAL INCOME BY TYPE

The graph below segregates the subject property's income by type.

Percent of Total Income by Type**INCOME & EXPENSE ANALYSIS**

The preceding section addressed potential risks associated with the cash flow of the subject property. Having addressed potential risks, it is appropriate to analyze other income operating expenses. Operating expenses include those items necessary to maintain the subject property and generate income at the forecasted level. Expenses associated with debt financing, depreciation, or other accounting items are disregarded. The following section provides supporting information and discusses the individual expense conclusions for the subject property.

OTHER INCOME

In the following section, I analyzed and made conclusions for the other income items of the subject property.

Other Income Analysis & Conclusions

Utility Reimbursements						Analysis
Year	Subject			Inc. Comps		
	Total	\$/Unit	%EGI	Comp	\$/Unit	
2024	\$1	\$0	33.3%	1	\$1,057	The concluded amount is all inclusive of income associated with utility reimbursements, typically electricity and gas (if available). The conclusion is based on the expense comparables.
				2	-	
				3	\$818	
				4	\$1,057	
				5	\$1,060	
Conclusion	\$312,000	\$1,000	3.6%	Avg	\$998	
Commercial Income						Analysis
Year	Subject			Inc. Comps		
	Total	\$/Unit	%EGI	Comp	\$/Unit	
2024	\$1	\$0	33.3%	1	-	This projection is based on 24,000~ SF of commercial space at market NNN rents of \$1.75/SF per month.
				2	-	
				3	-	
				4	-	
				5	-	
Conclusion	\$504,000	\$1,615	5.8%	Avg	-	

Vacancy, Credit Loss and Concessions

Vacancy was discussed in depth in the market analysis section of this report. Please reference that discussion for a full analysis. As previously concluded in that section, we estimated a physical vacancy of 7.0% for the subject property.

Credit Loss - This typically ranges from 0.5% to 3.0% for properties in the area. For this category we estimate a credit loss factor of 1.0% for the subject and reflects the subject's project size.

Concessions - Concessions are offered as needed in the market. This typically ranges from 0.0% to 2.0% for properties in the immediate area. It is noted that some of properties in the immediate area utilize leasing software such as Lease Rent Optimizer or Yieldstar to limit the need for offering direct concessions (typically larger assets). In the lease-up phase, it is typical to offer concessions to accelerate the absorption of units, which is common for new construction projects. After achieving stabilization, concessions are reduced and only offered as needed (typically for units not rented in 30-60 days). For this category we estimate no concession loss factors for the subject.

Overall, for this analysis we have estimated a 1.0% deduction for credit loss and no deduction for concessions. Therefore, **a total economic vacancy rate of 8.0% is used.** My conclusions incorporated into the cash flow model are summarized in the tables which follow:

Income Loss	
General Vacancy Rate	7.0%
Credit Loss Conclusion	1.0%
Concessions	0.0%
Total	8.0%

Analysis of Operating Expenses

Expenses are estimated based on one or more of the following sources: (1) historical or projected operation of the subject; (2) comparable expense properties; (3) published operating sources; or (4) individual suppliers. The expense comparables reflect varying accounting methods with respect to individual line items and reserves for replacement expenses. On a line-item basis, due to the variances in accounting and classification, their applicability is diminished. The following section provides supporting information and discusses the individual

expense conclusions for the subject property. The operating expenses for the subject property were presented previously. The following chart summarizes comparable expenses.

Expense Comparables													
Comparable	Comp 1		Comp 2		Comp 3		Comp 4		Comp 5		Low	High	Avg
City	San Diego		San Diego		San Diego		San Diego		San Diego		-	-	-
State	CA		CA		CA		CA		CA		-	-	-
Expense Year	2024		2024		2024		2024		2025		2024	2025	2024
Actual/Budget	Actual		Actual		Actual		Actual		Proforma		-	-	-
Units	442		224		264		270		151		151	442	270
Year Built	2022		2013		2013		2021		2024		2013	2024	2019
Rental Income	\$38,974		\$34,229		\$33,548		\$43,630		\$41,337		\$33,548	\$43,630	\$38,344
Utility Reimbursements	\$1,057		-		\$818		\$1,057		\$1,060		\$818	\$1,060	\$998
Other Income	\$1,377		\$4,034		\$4,314		\$1,592		\$2,715		\$1,377	\$4,314	\$2,807
Other Income % EGI	3.7%		10.5%		11.7%		3.9%		6.3%		3.7%	11.7%	7.2%
EGI (\$/Unit)	\$37,615		\$38,259		\$36,912		\$40,688		\$43,046		\$36,912	\$43,046	\$39,304
Expense Items	\$/Unit	%EGI	\$/Unit	%EGI	\$/Unit	%EGI	\$/Unit	%EGI	\$/Unit	%EGI	Low	High	Avg
Real Estate Taxes	\$4,354	11.6%	\$5,928	15.5%	\$4,718	12.8%	\$6,263	15.4%	\$6,528	15.2%	\$4,354	\$6,528	\$5,558
Additional Tax Charges	-	-	\$8	0.0%	\$47	0.1%	-	-	-	-	\$8	\$47	\$27
Operating Expenses	\$7,681	20.4%	\$8,771	22.9%	\$9,492	25.7%	\$8,452	20.8%	\$8,589	20.0%	\$7,681	\$9,492	\$8,597
Reserves	-	-	-	-	-	-	-	-	-	-	\$0	\$0	-
Total Expenses (\$/Unit)	\$12,034	32.0%	\$14,706	38.4%	\$14,257	38.6%	\$14,715	36.2%	\$15,118	35.1%	\$12,034	\$15,118	\$14,166

Conclusion of Operating Expenses

In the following section I discuss the individual expense conclusions for the subject property.

Expense Analysis & Conclusions

Real Estate Taxes

Year	Subject			Expense Comps		
	Total	\$/Unit	%EGI	Comp	\$/Unit	%EGI
				1	\$4,354	11.6%
				2	\$5,928	15.5%
				3	\$4,718	12.8%
				4	\$6,263	15.4%
				5	\$6,528	15.2%
Conclusion	\$1,407,382	\$4,511	15.1%	Avg	\$5,558	14.1%

Analysis

The concluded expense is all inclusive of costs associated with real estate taxes. The concluded taxes are based on California's Proposition 13. As such, the concluded taxes represent 100% of the concluded stabilized value indicated by the Direct Capitalization Method multiplied by the current ad valorem tax rate. Please refer to the Assessments and Taxes section for additional details.

Additional Tax Charges

Year	Subject			Expense Comps		
	Total	\$/Unit	%EGI	Comp	\$/Unit	%EGI
				1	-	-
				2	\$8	0.0%
				3	\$47	0.1%
				4	-	-
				5	-	-
Conclusion	\$51,475	\$165	0.6%	Avg	\$27	0.1%

Analysis

The concluded additional tax charges are based on the projected direct levies for the subject. Please refer to the Assessments and Taxes section for additional details.

Operating Expenses

Year	Subject			Expense Comps		
	Total	\$/Unit	%EGI	Comp	\$/Unit	%EGI
				1	\$7,681	20.4%
				2	\$8,771	22.9%
				3	\$9,492	25.7%
				4	\$8,452	20.8%
				5	\$8,589	20.0%
Conclusion	\$2,049,682	\$6,569	22.0%	Avg	\$8,597	22.0%

Analysis

The concluded expense is all inclusive of costs associated with operating expenses. The conclusion is based on the expense comparable information.

Reserves

Year	Subject			Expense Comps		
	Total	\$/Unit	%EGI	Comp	\$/Unit	%EGI
				1	-	-
				2	-	-
				3	-	-
				4	-	-
				5	-	-
Conclusion	\$78,000	\$250	0.8%	Avg	-	-

Analysis

Reserves for replacements are not typical cash expenditures, but rather the annualized cost of major expense in the future. The expense conclusion considers the subject's age and condition and typical standards. The conclusion is based on the expense comparable information.

Total Expenses	Low	High
Expense Comparables \$/Unit	\$12,034	\$15,118
Expense Comparables %EGI	32.0%	38.6%
Total Expenses \$/Unit	\$11,495	
Total Expenses %EGI	38.5%	
Total Expenses	\$3,586,540	

Conclusion

The projected expenses fall below the expense comparables on a \$/Unit basis but at the high end of the range on a %EGI basis. Overall, the projected expenses are considered reasonable for the conceptual market-based unit mix at the subject.

INVESTMENT MARKET ANALYSIS

Development of Capitalization Rate

The going-in capitalization rate, also known as overall rate (OAR), can be determined using several sources and methods. In developing my opinion of OAR, the following techniques were used:

- › Comparable Sales (Sales Comparison Approach)
- › Investor Surveys
- › Band of Investment Technique

Comparable Sales

The following table presents a summary of the comparable sales used ahead in the Sales Comparison Approach, and the capitalization rates from each of those sales.

Capitalization Rate Comparables (OAR)									
Name	City	St	Sale Date	Yr Blt	Units	Avg Unit SF	\$/Unit	Sale Price	Cap Rate
1 Sixth & G	San Diego	CA	December 16, 2024	2008	106	773	\$419,811	\$44,500,000	5.00%
2 Seventh & G	San Diego	CA	December 16, 2024	2006	145	684	\$365,517	\$53,000,000	5.00%
3 Market Street Village	San Diego	CA	November 12, 2024	2006	229	763	\$358,952	\$82,200,000	-
4 Simone Little Italy	San Diego	CA	December 16, 2024	2023	395	850	\$716,457	\$283,000,469	4.65%
5 Windsor Rancho PQ	San Diego	CA	July 18, 2024	2022	331	1,011	\$504,532	\$167,000,000	4.75%
Low			July 2024						4.65%
High			December 2024						5.00%
Average			November 2024						4.85%
Median			December 2024						4.88%
Indicated Capitalization Rate (OAR)									5.00%

For this analysis, we have provided five primary sales comparables. It is noted that Sale Comparables #3 did not provide or disclose financial information, including the capitalization rate. The sales comparables report a collective capitalization rate range from 4.65% to 5.00%, with an average of 4.85% and a median of 4.88%. The reader is advised that in order to be consistent with our analysis of the Direct Capitalization method, effort was made to report and analyze capitalization rates based on anticipated income rather than actual cap rates based on historical income. To our knowledge, the comparable sales report cap rates that are based on the anticipated next 12 months of net operating income (with taxes adjusted based on market value, reserves, etc.), which is similar to the methodology we have utilized in this income approach.

Multifamily Market Participant Survey & Broker Interviews

A local real estate market survey, including interviews with various brokers, was conducted within the past two months of our effective date of value for additional knowledge of the subject property's submarket and the greater Southern California market. Feedback from these participants can provide additional investment considerations and support for determining our concluded capitalization rate and market conditions adjustment. In addition to the brokers noted in the Sales Comparison approach, below are some of the multifamily brokers we have interviewed in recent months.

MARKET PARTICIPANT INTERVIEWS

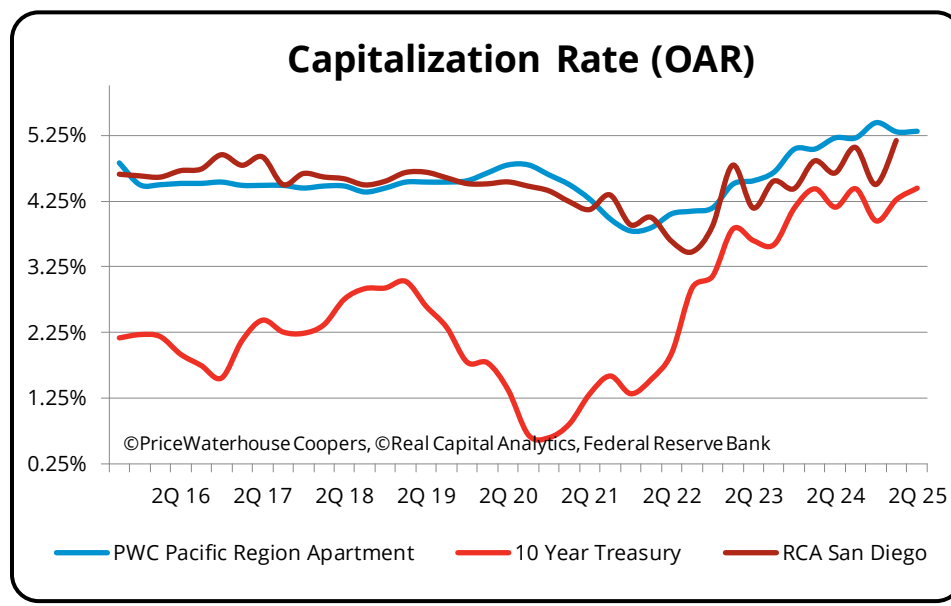
NAME	TITLE	COMPANY	SURVEY DATE
Gabe Munson	Associate Director	New mark	2Q 25 (April 2025)
Matt Sirianni	Director, Capital Markets	Fident Capital, Inc.	2Q 25 (April 2025)
Kalli Knight	Associate Vice President	Colliers	2Q 25 (April 2025)
Joseph Grabiec	Executive Managing Director	Institutional Property Advisors (IPA)	2Q 25 (April 2025)
Greg Harris	Executive Managing Director	Institutional Property Advisors (IPA)	2Q 25 (April 2025)
Austin Herlihy	Executive Vice President	Colliers	2Q 25 (April 2025)
Kip Malo	Managing Director	JLL Capital Markets	1Q 25 (March 2025)
Tyler Sinks	Senior Vice President	Northmarq	1Q 25 (March 2025)
Hunter Combs	Managing Director	Walker & Dunlop	1Q 25 (March 2025)
Rudy Medina	Development Director	Next Space Development	1Q 25 (March 2025)
Joey Padon	Senior Associate	CBRE	1Q 25 (February 2025)
Connor Canale	Associate	CBRE	1Q 25 (February 2025)
Blake Matsuda	Vice President	Eastdil Secured	1Q 25 (January 2025)
Eugene Chong	Senior Vice President	Eastdil Secured	1Q 25 (January 2025)
Peter Scepanovic	Executive Vice President	Colliers	1Q 25 (January 2025)
Casper Rooney	Associate	Marcus & Millichap	1Q 25 (January 2025)

Based on recent meetings and/or conversations with some active apartment brokers and information from developers in the Southern California region, as well as with market participants at the most recent (2025) National Multifamily Housing Council (NMHC) Annual Meeting, interest rates remain elevated which have continued to keep transactions relatively limited when compared to sales prior to 2022. The higher mortgage interest rates has caused shifts in the commercial real estate market, including multifamily. The general sentiment is that capitalization rates have been compressed in prior years leading up to this because of historically low interest rates, and during this period it is anticipated that overall market values will have to adjust and come down and thus placing upward pressure on capitalization rates as a result of rising mortgage rates. We have asked brokers about general capitalization rate ranges, but most participants did not want to go on record with specific capitalization rates or narrow ranges. Furthermore, many of the brokers have not been willing, or been able to disclose partial or all financial information on sales when surveyed, including capitalization rates. As a result, we are unable to provide direct quotes from brokers we have surveyed. The general capitalization rate range reported to us was broadly stated to range between 4.5%-6% for the general region (excluding assets with significant rents below market and/or potential income upside).

A representative at CBRE, Joey Padon, who is a part of the brokerage team that is marketing an affordable property that is currently in contract, noted that capitalization rates for affordable properties are generally similar to market properties in primary markets of Southern California. A representative at Eastdil Secured, Blake Matsuda, who is a part of the brokerage team that recently sold a “trophy” multifamily asset (The Royce Park Place; 3301 Michelson Drive, Irvine, CA) in Orange County, as well as one that recently closed (Skyline at MacArthur Place; 15 MacArthur Place, Santa Ana, CA), reported that luxury, Class A multifamily projects in prime coastal California submarkets are trending towards a 4.50%-5% range, and based on if in-place rents are close to market. Class B and C multifamily assets in primary California submarkets, are trending towards a 5%-6% range. The general variance in capitalization rates is attributed to specific submarket/location, asset class rating, and in-place rent levels relative to market rents. Overall, brokers and other market participants in the immediate area suggest that higher capitalization rates are likely going forward if interest rates remain elevated (when compared to prior years). But with recent interest rate cuts, more apartment sales activity is anticipated in the upcoming months if mortgage rates decline from prior monthly rates and may compress capitalization rates from their current levels.

Investor Surveys

The potential investor pool for the subject asset includes national, regional and local investors. While all of these groups place emphasis on local cap rates, regional and national investors would also strongly consider national cap rate trends from investor surveys due to the potential to invest in other regions that are offering competitive rates of return. The following graph provides a historical illustration of capitalization rate statistics as surveyed by investors that I considered to be relevant to the subject property.



The following table provides the most recent survey results from investors.

Capitalization Rate Surveys (OAR)				
Source	Quarter	Range		Avg
PriceWaterhouse Coopers				
Pacific Region Apartment	2Q 25	4.50%	to 6.50%	5.31%
Real Capital Analytics				
San Diego	1Q 25			5.17%
10 Year Treasury	2Q 25	-	-	4.45%
Average		4.50%	to 6.50%	5.31%

Band of Investment Technique

Because most properties are purchased with debt and equity capital, the overall capitalization rate must satisfy the market return requirements of both investment positions. Lenders must anticipate receiving a competitive interest rate commensurate with the perceived risk of the investment or they will not make funds available. Lenders also require that the principal amount of the loan be repaid through amortization payments. Similarly, equity investors must anticipate receiving a competitive equity cash return commensurate with the perceived risk or they will invest their funds elsewhere.

To analyze the capitalization rate from a financial position, the Band of Investment Technique is used. Available financing information indicates the following terms:

Band of Investment Assumptions

Loan Amortization Period	30 Years
Interest Rate	5.75%
Loan-to-Value (LTV) Ratio	65%
Mortgage Constant	7.00%

Equity dividend rates vary depending upon motivations of buyers and financing terms. In areas where demand far exceeds supply, investors are willing to achieve lower equity returns in Year 1 (and earlier years) of the investment. An asset of the subject's caliber is likely to warrant an equity dividend rate towards the lower- or middle-end of the national average range noted in the table above given its location in Southern California.

Based on interviews with various senior executives of Colliers International, equity dividend rates for product such as the subject typically range between 4% to 10% in the west region. Our 6.00% equity component reflects a Year-1 equity dividend and not an equity yield over the holding period, which would be much higher. The previous terms and an appropriate equity dividend rate are used in the Band of Investments calculations, which are presented on the following chart.

Band of Investment Calculation

Mortgage Component	65%	x	7.00%	=	4.552%
Equity Component	35%	x	6.00%	=	2.100%
Indicated Capitalization Rate					6.652%
Indicated Capitalization Rate					6.65%

Overall, the Band of Investment is taken into consideration; however, it should be noted investors rarely employ the band of investment approach as it does not account for loans with a substantial interest-only component, which are frequently found on the market. Further it fails to reflect the leveraged equity returns most investors base their purchasing decisions upon. Finally, it doesn't dynamically consider changes over time. This is a weakness, especially in the current market when the economy is moving quickly with inflationary pressures.

Capitalization Rate Conclusion

For investments of the subject's general size and price, and when sales activity is brisk with relative market stability, the Market Extraction Method is most often relied upon by buyers and sellers to develop cap rate decisions. In this analysis, sufficient recent sales data was available indicating good support for the capitalization rate developed by the Market Extraction Method. In this analysis, most weight is given to the Market Extraction Method and Investor Surveys. National and regional survey data warrants supporting application for the subject property; however, it helps establish general macro trends for this type of investment property.

The Band of Investments Technique has limitations. Taking all factors into consideration, including the changes in interest rates, the following table summarizes the various capitalization rate indicators and provides the final capitalization rate conclusion. The table below summarizes the various capitalization rate indicators and provides the final capitalization rate conclusion.

Capitalization Rate Conclusion (OAR)

Source	Quarter	Range	Avg
Comparable Sales		4.65% to 5.00%	4.85%
Investor Surveys	2Q 25	4.50% to 6.50%	5.31%
Band of Investment Technique			6.65%
Average		4.58% to 5.75%	5.60%
Capitalization Conclusion			5.00%

ADJUSTMENTS TO VALUE

To reflect conditions in effect at the subject property as the date of value, adjustments to the capitalized value were necessary for lease up costs. The following discussion summarizes my support of the value adjustments.

Lease-Up Analysis

A stabilized physical occupancy level estimate of 93.0% (excludes credit loss and concessions) was developed and concluded in our analysis. As such, lease-up costs associated with the subject achieving stabilization are warranted in arriving at the As-Is Value.

Based on information provided to us from the developer/owner representatives and management companies, demand for the subject units is expected to be adequate for the immediate area.

Absorption rates at most projects are targeted at 10-30 units per month by developers, but these levels are not always achieved due to market conditions. We have estimated a conservative average absorption rate of 15 units per month.

To assist the lease-up, a marketing/concession allowance of \$2,500/unit is projected. We have also applied a profit component of 10% of the lost rents. These costs are deducted from the indicated stabilized value, the following table summarizes the subject's remaining lease-up and projected absorption costs.

The table below shows the estimated absorption costs for the subject.

Lease-Up Analysis					
Total Units		312	Units Occupied		0
Absorption Rate Units/Month		15	PGI/Unit/Month		\$2,483
Stabilized Occupancy (287 Units)		92.0%	Discount Rate		4.00%
Month	Units Absorbed	Units Remaining	Units Occupied	Rent Loss (Per Month)	Present Value of Rent Loss
1	15	272	15	\$675,257	\$673,014
2	15	257	30	\$638,019	\$633,786
3	15	242	45	\$600,780	\$594,812
4	15	227	60	\$563,542	\$556,090
5	15	212	75	\$526,303	\$517,619
6	15	197	90	\$489,065	\$479,397
7	15	182	105	\$451,826	\$441,423
8	15	167	120	\$414,588	\$403,696
9	15	152	135	\$377,350	\$366,215
10	15	137	150	\$340,111	\$328,979
11	15	122	165	\$302,873	\$291,986
12	15	107	180	\$265,634	\$255,235
13	15	92	195	\$228,396	\$218,726
14	15	77	210	\$191,157	\$182,456
15	15	62	225	\$153,919	\$146,424
16	15	47	240	\$116,680	\$110,630
17	15	32	255	\$79,442	\$75,073
18	15	17	270	\$42,204	\$39,750
19	15	2	285	\$4,965	\$4,661
20	2	0	287	\$0	\$0
Total Lost Rental Income					\$6,319,972
Mktg/Concessions @ \$2,500/Unit					\$717,500
Profit @ 10.0% of \$7,037,472					\$703,747
Total Lost Income					\$7,740,000

Rounded to nearest \$10,000

Conversion Costs + Asbestos Costs

The client provided excerpts from various reports, including estimates prepared by Swinerton, a large general contractor, in May 2025. The estimates are designated as ROM (rough order magnitude) w/ Prevailing Wage, and indicate the following component costs:

Elevator Lobbies/Commercial/Amenities: \$8,858,469

Residential Units (250 units): \$83,661,428 (\$313,730/unit)

Asbestos Demolition & Abatement: \$40,822,369

Because the general market would not have the Prevailing Wage requirement, it is reasonable to adjust these costs down by 20% to 30%, so with a 25% reduction, the approximate costs more reflective of what the general market would expect are:

Elevator Lobbies/Commercial/Amenities: \$6,643,852

Residential Units (250 units): \$62,746,071 (\$250,984/unit)

Asbestos Demolition & Abatement: \$30,616,777

For purposes of the valuation I have applied these costs, with a further reduction to the Residential Units costs to \$200,000/unit based on data from a few other conversion projects completed or planned in San Diego and Los Angeles metro areas. The resulting total costs for conversion and asbestos items are **\$99,660,629**. Even with these reduced costs, there is no positive residual value to the project when a minimum 8% entrepreneurial profit is included, as displayed in the table on the following page. Therefore the market would not consider the market rate multi-residential conversion to be feasible at this time.

DIRECT CAPITALIZATION

This method analyzes the relationship of one year's net operating income to total property value. The net operating income is capitalized at a rate that implicitly considers expected growth in property value over a buyer's investment horizon. The implied value may be adjusted to account for non-stabilized conditions or required capital expenditures to reflect an as is value or residual to the project.

Direct Capitalization Summation Table

Unit Type	SF/Unit	Units	\$/SF	\$/Unit	Total
STUDIO / 1 BA	381	119	\$5.50	\$2,096	\$2,992,374
1 BD / 1 BA	650	22	\$3.75	\$2,438	\$643,500
1 BD / 1 BA	668	51	\$3.75	\$2,505	\$1,533,060
1 BD / 1 BA	700	52	\$3.75	\$2,625	\$1,638,000
2 BD / 1 BA	813	68	\$3.75	\$3,049	\$2,487,780
Potential Rental Income			\$50.14	\$29,791	\$9,294,714
Total Rental Income			\$50.14	\$29,791	\$9,294,714
Other Income					
Utility Reimbursements			\$1.68	\$1,000	\$312,000
Commercial Income			\$2.72	\$1,615	\$504,000
Total Other Income			\$4.40	\$2,615	\$816,000
Potential Gross Income (PGI)			\$54.54	\$32,406	\$10,110,714
Income Loss	%PGI		\$/SF	\$/Unit	Total
Vacancy	(7.0%)		(\$3.51)	(\$2,085)	(\$650,630)
Collection Loss	(1.0%)		(\$0.50)	(\$298)	(\$92,947)
Commercial Vacancy & Credit Loss	(10.0%)		(\$0.27)	(\$162)	(\$50,400)
Total Income Loss	(7.9%)		(\$4.28)	(\$2,545)	(\$793,977)
Effective Gross Income (EGI)	92.1%		\$50.25	\$29,861	\$9,316,737
Expense Items	%PGI	%EGI	\$/SF	\$/Unit	Total
Real Estate Taxes	(13.9%)	(15.1%)	(\$7.59)	(\$4,511)	(\$1,407,382)
Additional Tax Charges	(0.5%)	(0.6%)	(\$0.28)	(\$165)	(\$51,475)
Operating Expenses	(20.3%)	(22.0%)	(\$11.06)	(\$6,569)	(\$2,049,682)
Reserves	(0.8%)	(0.8%)	(\$0.42)	(\$250)	(\$78,000)
Total Expenses	(35.5%)	(38.5%)	(\$19.35)	(\$11,495)	(\$3,586,540)
Net Operating Income (NOI)	56.7%	61.5%	\$30.91	\$18,366	\$5,730,197
Capitalization Rate					5.00%
Capitalized Value					\$114,603,942
Indicated Value as if Stabilized			\$618	\$367,308	\$114,600,000
Lease- Up Costs					
Rent Loss	(62.5%)	(67.8%)	(\$34)		(\$6,319,972)
Marketing	(7.1%)	(7.7%)	(\$4)		(\$717,500)
Total Lease-Up Costs	(69.6%)	(75.5%)	(\$38)		(\$7,037,472)
Entrepreneurial Profit	(7.0%)	(7.6%)	(\$4)		(\$703,747)
Total Lease-Up Costs	(76.6%)	(83.1%)	(\$42)		(\$7,741,219)
Indicated Value as if Conversion Complete			\$576	\$342,500	\$106,860,000
Conversion Costs + Asbestos Costs + 8% Profit	(1064.5%)	(1155.3%)	(\$581)		(\$107,633,479)
Residual Value			(\$4)	(\$2,468)	(\$770,000)

Rounded to nearest \$10,000

RECONCILIATION OF INCOME APPROACH VALUES

An opinion of market value was developed by the Direct Capitalization method of the income approach. The Direct Capitalization analysis is considered reliable because it mirrors the sentiment of participants in the multi-family asset class. The analysis conducted indicates that conversion to a market rate multi-family (with ground level commercial component) project is not feasible at this time.

INTRODUCTION

Land value is influenced by a number of factors; most prominent of which is development and use potential. These factors, as well as others, are considered in the following analysis.

UNIT OF COMPARISON

The most relevant unit of comparison is the price per square foot. This indicator best reflects the analysis used by buyers and sellers in this market for land with similar utility and zoning in this marketplace.

COMPARABLE SELECTION

A search was made for similar land sales in terms of proximity to the subject, size, location, development potential, and date of sale. In selecting comparables, emphasis was placed on confirming recent sales of commercial sites that are similar to the subject property in terms of location and physical characteristics. It is noted that there have been a limited number of multifamily land sales in San Diego, and that several of the recently constructed projects reflect land acquisitions or redevelopment plans that have been approved years prior to development. Overall, the selected sales represent the best comparables available.

RELEVANT LISTINGS OR PENDING SALES

An attempt to find relevant listings and/or pending sales was made. Given the current volatility in many real estate submarkets, we searched for relevant listings and/or pending sales as they can help provide additional support to the value conclusion(s) when market conditions are changing. That said, we have included one comparable listing and there are pending land sales in contract that we were aware of based on our search and interview with commercial brokers at this time.

ADJUSTMENT PROCESS

Quantitative adjustments are made to the comparable sales. The following adjustments or general market trends were considered for the basis of valuation.

Transactional Adjustments

Dollar adjustments to the comparable sales were considered and made when warranted for transactional adjustments in the sequence shown below:

Property Rights Transferred	The valuation of the subject site was completed on a fee simple basis. If warranted, leased fee, leasehold and/or partial interest land sales were adjusted accordingly.
Financing Terms	The subject site was valued on a cash equivalent basis. Adjustments were made to the comparables involving financing terms atypical of the marketplace.
Conditions of Sale	This adjustment accounts for extraordinary motivation on the part of the buyer or seller often associated with distressed sales and/or assemblages.
Expenditures After Purchase	Adjustments were applied if site conditions warranted expenditures on the part of the buyer to create a buildable site. Examples include costs for razing pre-existing structures, general site clearing and/or mitigation of environmental issues.
Market Conditions	Market conditions adjustments were based on a review of historical sales data, market participant interviews and review of current versus historical pricing. The federal funds rate increased 525 basis points (bps) within an approximate 16+ month period, from March 2022 through July 2023, and are summarized in the table below:

Meeting date	Rate change	Target range
March 15-16, 2022	+25 basis points	0.25-0.5 percent
May 3-4, 2022	+50 basis points	0.75-1 percent
June 14-15, 2022	+75 basis points	1.50-1.75 percent
July 26-27, 2022	+75 basis points	2.25-2.5 percent
Sept. 20-21, 2022	+75 basis points	3-3.25 percent
Nov. 1-2, 2022	+75 basis points	3.75-4 percent
Dec. 13-14, 2022	+50 basis points	4.25-4.5 percent
Jan. 31-Feb. 1, 2023	+25 basis points	4.5-4.75 percent
March 21-22, 2023	+25 basis points	4.75-5 percent
May 2-3, 2023	+25 basis points	5-5.25 percent
July 25-26, 2023	+25 basis points	5.25-5.5 percent

Source: Fed's board of governors

In September 2024, the Federal Reserve Chairman, Jerome Powell, announced a 50 basis points (bps) rate cut to the Federal Funds Rate to 4.75%-5.00%, making this the first change to rates in over a year. Following the September meeting, the Federal Reserve reduced rates again by 25 basis points (bps) in November 2024, and again recently in December 2024. The rate changes are summarized in the table below:

Meeting date	Rate change	Target range
Sept. 17-18, 2024	-50 basis points	4.75-5 percent
Nov. 6-7, 2024	-25 basis points	4.5-4.75 percent
Dec. 17-18, 2024	-25 basis points	4.25-4.5 percent

Source: Fed's board of governors

The federal funds rate is the interest rate charged by banks to borrow from each other overnight, and the Federal Reserve influences this rate through monetary policy decisions. And when the Federal Reserve raises or lowers the federal funds rate, mortgage rates have typically followed accordingly in a similar direction. The federal funds rate influences the broader cost of borrowing, which in turn can affect what lenders charge for mortgages. That said, mortgage rates are not directly tied to the Federal Reserve policy on rates and are more connected to the 10-year Treasury bond yield. So, despite recent federal reserve rate reductions, current mortgage rates have fluctuated in recent months and have even increased.

Essentially, a higher mortgage rate makes it more expensive for investors to borrow money. The opposite is typically true when rates are lowered, and the cost of debt is cheaper. Financial leverage is the use of borrowed money (debt) to finance an asset with the expectation that the income or capital gain from an asset will exceed the cost of borrowing (debt). Many multifamily investors typically rely on leverage and multifamily financing, and thus mortgage rates can impact multifamily transactions and/or asset price.

The multifamily market was generally seeing steady and/or strong growth from year to year prior to early 2022 when mortgage rates were at or near historic lows. However, as mortgage rates increased, the velocity and quantity of multifamily transactions declined in recent years. This was, however, partially offset due to positive rent growth and strong demand in some markets in California. Current multifamily mortgage rates remain higher today than in prior years; however, it is reported that debt maturities may lead to more multifamily sales in the upcoming years. Because sales will lag, we may not see the full extent of these changes to market conditions for several months where there is enough critical mass to see a pattern of change. For this analysis, no market conditions adjustments are made.

Property Adjustments

Quantitative percentage adjustments are also made for location and physical characteristics such as size, shape, access, exposure, topography, zoning and overall utility. Where possible the adjustments applied are based on paired data or other statistical analysis. For example, location adjustments are based primarily on review of land values in the market areas for the comparables relative to the subject. It should be stressed that the adjustments are subjective in nature and are meant to illustrate my logic in deriving a value opinion for the subject site.

Land Sales Summation Table

Comparable	Subject	Comparable 1	Comparable 2	Comparable 3	Comparable 4	Comparable 5
Name	101 Ash	Development Site	Redevelopment Site	Development Site	Commercial Land	Redevelopment Site
Address	101 Ash Street	1563 5th Ave	1014 Broadway	744 Seventh Ave	124 Beech Street	1844 India Street
City	San Diego	San Diego	San Diego	San Diego	San Diego	San Diego
State	CA	CA	CA	CA	CA	CA
Zip	92101	92101	92101	92101	92101	92101
County	San Diego	San Diego	San Diego	San Diego	San Diego	San Diego
APN	533-424-14-00 and 533-424-11-00	533-383-13-00	534-195-06-00	535-101-07-00	533-363-04	533-232-01-00, 533-232-18-00

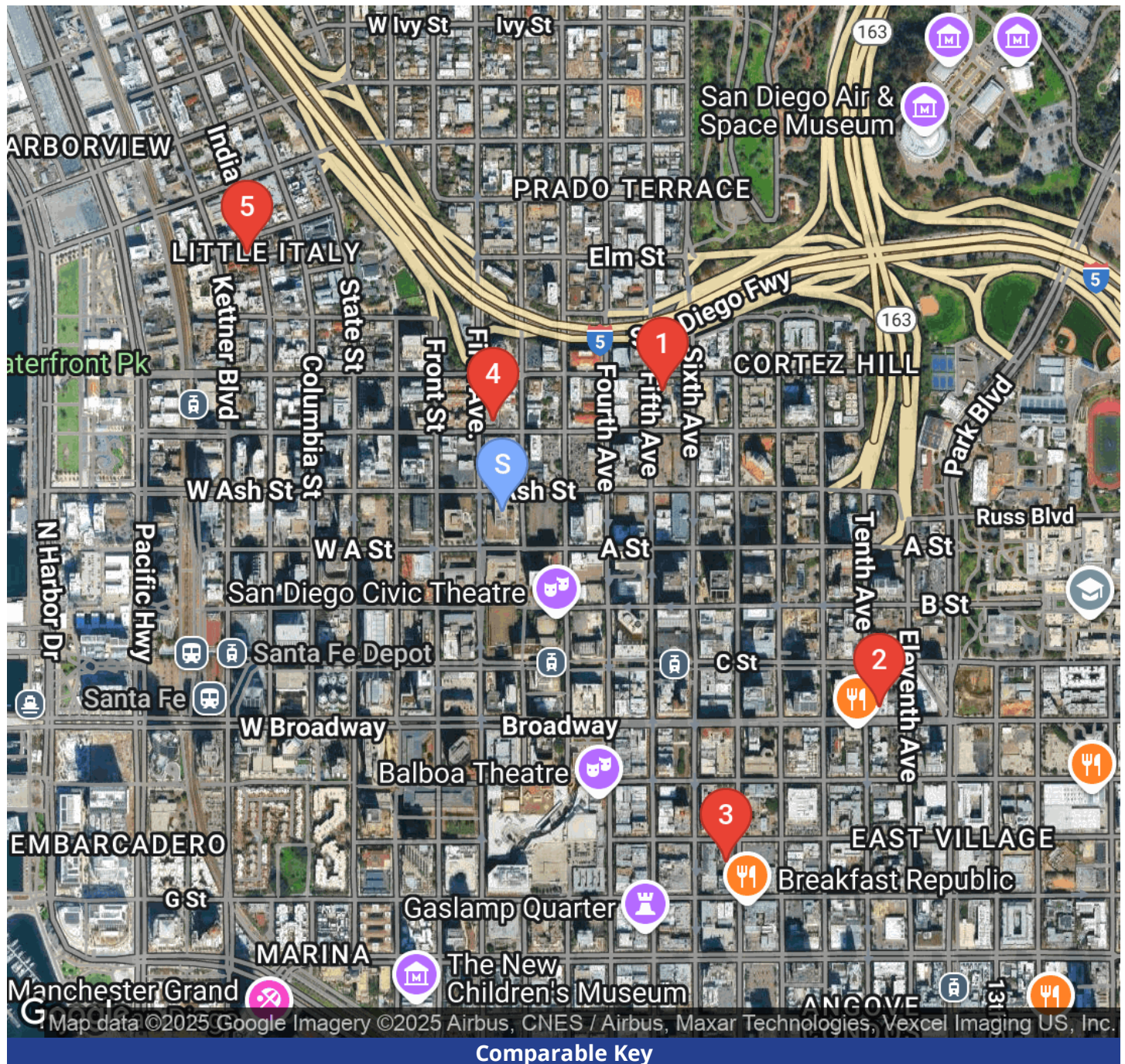
Physical Information

SF	60,000	15,349	9,583	5,000	10,019	19,500
Location	Average/Good	Average	Average	Average	Average/Good	Excellent
Exposure	Average	Fair/Average	Average	Average	Average	Average/Good
Access	Average	Fair/Average	Average	Average	Average	Average/Good
Shape	Rectangular	Rectangular	Square	Rectangular	Rectangular	Irregular
Site Utility Rating	Average	Average	Average	Average	Average	Average

Sale Information

Date		4/10/2025	10/14/2024	6/28/2024	10/10/2023	11/4/2024
Status		Pending	Recorded	Recorded	Recorded	Recorded
Rights Transferred		Fee Simple	Leased Fee	Fee Simple	Fee Simple	Leased Fee
Transaction Price		\$5,700,000	\$3,850,000	\$2,950,000	\$6,500,000	\$17,900,000
Analysis Price		\$5,700,000	\$3,850,000	\$2,950,000	\$6,500,000	\$17,900,000
\$/SF Land		\$371.36	\$401.75	\$590.00	\$648.77	\$917.95

LAND SALES LOCATION MAP



Comp	Distance	Address	Sale Date	ACRES	SF	\$/SF
Subject	-	101 Ash Street, San Diego, CA	-	1.38	60,000	-
No. 1	0.2 Miles	1563 5th Ave, San Diego, CA	4/10/2025	0.35	15,349	\$371.36
No. 2	0.5 Miles	1014 Broadway, San Diego, CA	10/14/2024	0.22	9,583	\$401.75
No. 3	0.5 Miles	744 Seventh Ave, San Diego, CA	6/28/2024	0.12	5,000	\$590.00
No. 4	0.1 Miles	124 Beech Street, San Diego, CA	10/10/2023	0.23	10,019	\$648.77
No. 5	0.4 Miles	1844 India Street, San Diego, CA	11/4/2024	0.45	19,500	\$917.95

Comparable 1

Location Information

Name	Development Site
Address	1563 5th Ave
City, State, Zip Code	San Diego, CA, 92101
County	San Diego
MSA	San Diego-Chula Vista-Carlsbad, CA
APN	533-383-13-00

Sale Information

Buyer	Confidential
Seller	Confidential
Transaction Date	04/10/2025
Transaction Status	Pending
Transaction Price	\$5,700,000
Analysis Price	\$5,700,000
Recording Number	Pending
Rights Transferred	Fee Simple
Financing	All Cash
Conditions of Sale	Arms-Length
Marketing Time	6 Months

Physical Information

Location	Average
Site Size (Net)	0.35 Acres (15,349 SF)
Site Size (Gross)	0.35 Acres (15,349 SF)
Zoning	NC
Shape	Rectangular
Topography	Gentle Slope
Access	Fair/Average
Exposure	Fair/Average
Corner	Yes
Utilities	Yes



Development Site

Analysis Information

Price	<u>\$/Acre</u>	<u>\$/SF</u>
Gross	\$16,193,182	\$371.36
Net	\$16,193,182	\$371.36

Confirmation

Name	Victor Krebs
Company	Colliers International
Source	Seller's Broker
Date / Phone Number	04/30/2025 +1 858 677 5316

Remarks

This gradually sloping site is located at the SEC of 5th Ave and Cedar St in the Cortez Hill area of downtown San Diego. It is located in Tier 1 of San Diego Complete Communities Housing Solutions, allowing for unlimited residential FAR. It is improved with old surface parking operated by ABM Parking Services and a very old service station building and fueling canopy.

Comparable 2

Location Information

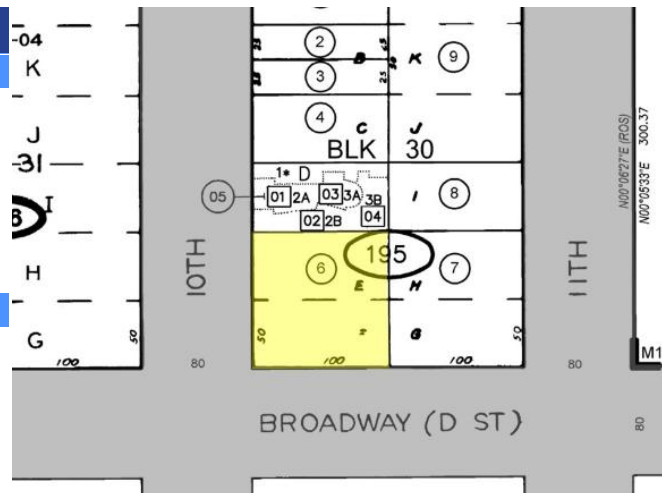
Name	Redevelopment Site
Address	1014 Broadway
City, State, Zip Code	San Diego, CA, 92101
County	San Diego
MSA	San Diego-Chula Vista-Carlsbad, CA
APN	534-195-06-00

Sale Information

Buyer	Agricultura Coal LLC
Seller	Integrity Owners Inc
Transaction Date	10/14/2024
Transaction Status	Recorded
Transaction Price	\$3,850,000
Analysis Price	\$3,850,000
Recording Number	275858
Rights Transferred	Leased Fee
Financing	All Cash
Conditions of Sale	1031 Exchange
Marketing Time	3 Months

Physical Information

Location	Average
Site Size (Net)	0.22 Acres (9,583 SF)
Site Size (Gross)	0.22 Acres (9,583 SF)
Zoning	CCPD-ER
Shape	Square
Topography	Generally Level
Access	Average
Exposure	Average
Corner	Yes
Utilities	Yes



Redevelopment Site

Analysis Information

Price	\$/Acre	\$/SF
Gross	\$17,500,000	\$401.75
Net	\$17,500,000	\$401.75

Confirmation

Name	Matthew Wenzel
Company	Marcus & Millichap
Source	Seller's Broker
Date / Phone Number	12/10/2024 +1 562 436 5800

Remarks

This corner site is improved with an old single-story multi-tenant commercial building, and has rooftop billboards. However it is located in Tier 1 of San Diego Complete Communities Housing solutions, which allows for unlimited residential FAR. The existing improvements provide some interim income to offset holding/demolition costs.

Comparable 3

Location Information

Name	Development Site
Address	744 Seventh Ave
City, State, Zip Code	San Diego, CA, 92101
County	San Diego
MSA	San Diego-Chula Vista-Carlsbad, CA
APN	535-101-07-00

Sale Information

Buyer	EAGLECREW, LP
Seller	Hpi 744 7th Avenue Llc
Transaction Date	06/28/2024
Transaction Status	Recorded
Transaction Price	\$2,950,000
Analysis Price	\$2,950,000
Recording Number	164657
Rights Transferred	Fee Simple
Financing	All Cash
Conditions of Sale	Arms-Length

Physical Information

Location	Average
Site Size (Net)	0.12 Acres (5,000 SF)
Site Size (Gross)	0.12 Acres (5,000 SF)
Zoning	CCPD-ER
Shape	Rectangular
Topography	Generally Level
Access	Average
Exposure	Average
Corner	No
Utilities	No



Development Site

Analysis Information

Price	<u>\$/Acre</u>	<u>\$/SF</u>
Gross	\$25,652,174	\$590.00
Net	\$25,652,174	\$590.00

Confirmation

Name	Confidential
Company	Confidential
Source	Assessor
Date / Phone Number	07/30/2024 Confidential

Remarks

This small lot is a mid-block location improved with a surface parking lot on the west side of Seventh Ave, about a half block south of F Street. The site is located in Tier 1 of San Diego Complete Communities Housing Solutions, and allows for unlimited residential FAR. The site previously sold for \$2,150,000 in November 2018.

Comparable 4

Location Information

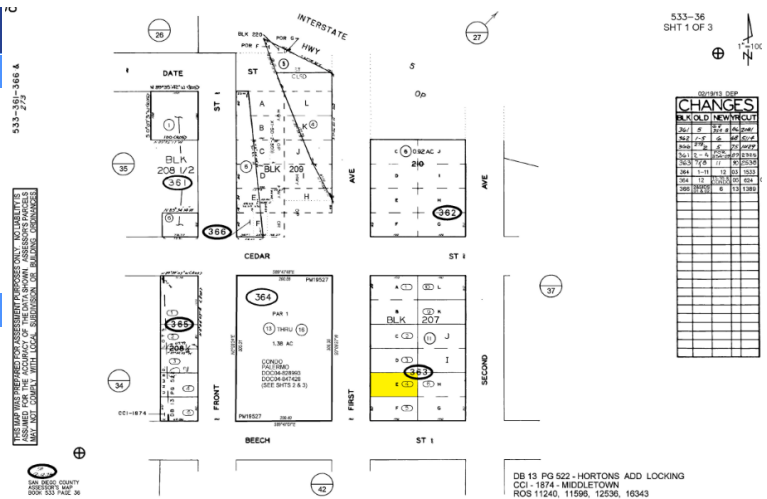
Name	Commercial Land
Address	124 Beech Street
City, State, Zip Code	San Diego, CA, 92101
County	San Diego
MSA	San Diego-Chula Vista-Carlsbad, CA
APN	533-363-04

Sale Information

Buyer	First & Beech Venture Owner LLC
Seller	First & Beech Corner LLC
Transaction Date	10/10/2023
Transaction Status	Recorded
Transaction Price	\$6,500,000
Analysis Price	\$6,500,000
Recording Number	110013
Rights Transferred	Fee Simple
Financing	Conventional
Conditions of Sale	Assumed Arms-Length

Physical Information

Location	Average/Good
Site Size (Net)	0.23 Acres (10,019 SF)
Site Size (Gross)	0.23 Acres (10,019 SF)
Zoning	CCPDR
Shape	Rectangular
Topography	Generally Level
Access	Average
Exposure	Average
Corner	No
Utilities	No



Commercial Land

Analysis Information

	Price	\$/Acre	\$/SF
Gross		\$28,260,870	\$648.77
Net		\$28,260,870	\$648.77

Confirmation

Name	Confidential
Company	CoStar, Public Records
Source	CoStar
Date / Phone Number	10/26/2024 Confidential

Remarks

This represents the October 2023 sale of a CCPD zoned commercial site located on the northern side of Beech Avenue, between First Avenue to the West and Second Avenue to the east in the downtown community of the city of San Diego. The site consists of one parcel -APN 533-363-04. The site is zoned CCPD-R for commercial uses as dictated by the City of San Diego. It is rectangular shaped. The site was being utilized as a parking lot prior to sale. The site was entitled at the time of sale (22 story, 220 apartment units). There were no reported environmental concerns present at the time of sale. The purchase price was \$4,500,000.

Comparable 5**Location Information**

Name	Redevelopment Site
Address	1844 India Street
City, State, Zip Code	San Diego, CA, 92101
County	San Diego
MSA	San Diego-Chula Vista-Carlsbad, CA
APN	533-232-01-00, 533-232-18-00

Sale Information

Buyer	1844 India St LLC
Seller	H G Daniels Company
Transaction Date	11/4/2024
Transaction Status	Recorded
Transaction Price	\$17,900,000
Analysis Price	\$17,900,000
Recording Number	306387
Rights Transferred	Leased Fee
Conditions of Sale	Arms-Length

Physical Information

Location	Excellent
Site Size (Net)	0.45 Acres (19,500 SF)
Site Size (Gross)	0.45 Acres (19,500 SF)
Shape	Irregular
Topography	Gentle Slope
Access	Average/Good
Exposure	Average/Good
Corner	Yes
Utilities	Yes

**Redevelopment Site****Analysis Information**

Price	\$/Acre	\$/SF
Gross	\$39,955,357	\$917.95
Net	\$39,955,357	\$917.95

Confirmation

Name	JJ Abraham
Company	The Abraham Companies
Source	Buyer
Date / Phone Number	01/15/2025 +1 949 500 6772

Remarks

This site is situated along the south side of W Fir St between India Street and Kettner Ave in the desirable Little Italy district of downtown San Diego. The property is situated in Tier 1 of San Diego Complete Communities Housing solutions, allowing for unlimited residential FAR. The two residences on site and the commercial building on site will be demolished for the development of a 27-story residential tower (153 units) above a parking garage and 9,300~ SF of retail.

Land Sales Adjustment Table

Comparable	Subject	Comparable 1	Comparable 2	Comparable 3	Comparable 4	Comparable 5
Name	101 Ash	Development Site	Redevelopment Site	Development Site	Commercial Land	Redevelopment Site
Address	101 Ash Street	1563 5th Ave	1014 Broadway	744 Seventh Ave	124 Beech Street	1844 India Street
City	San Diego	San Diego	San Diego	San Diego	San Diego	San Diego
APN	533-424-14-00 and 533-424-11-00	533-383-13-00	534-195-06-00	535-101-07-00	533-363-04	533-232-01-00, 533-232-18-00
SF	60,000	15,349	9,583	5,000	10,019	19,500
Location	Average/Good	Average	Average	Average	Average/Good	Excellent
Exposure	Average	Fair/Average	Average	Average	Average	Average/Good
Access	Average	Fair/Average	Average	Average	Average	Average/Good
Shape	Rectangular	Rectangular	Square	Rectangular	Rectangular	Irregular
Site Utility Rating	Average	Average	Average	Average	Average	Average
Zoning	CCPD-CORE	NC	CCPD-ER	CCPD-ER	CCPDR	-
Sale Information						
Date		4/10/2025	10/14/2024	6/28/2024	10/10/2023	11/4/2024
Status		Pending	Recorded	Recorded	Recorded	Recorded
Rights Transferred		Fee Simple	Leased Fee	Fee Simple	Fee Simple	Leased Fee
Analysis Price		\$5,700,000	\$3,850,000	\$2,950,000	\$6,500,000	\$17,900,000
Price/SF		\$371.36	\$401.75	\$590.00	\$648.77	\$917.95
Transactional Adjustments						
Property Rights		0%	0%	0%	0%	0%
Financing		0%	0%	0%	0%	0%
Conditions of Sale		0%	0%	0%	0%	0%
Expenditures After the Sale		0%	0%	0%	0%	0%
Market Conditions¹		-1%	-2%	-3%	-5%	-2%
Subtotal Transactional Adj Price		\$367.65	\$393.72	\$572.30	\$616.33	\$899.59
Property Adjustments						
Location		10%	10%	10%	0%	-20%
Size		5%	10%	10%	10%	5%
Exposure		5%	0%	0%	0%	-5%
Access		5%	0%	0%	0%	-5%
Shape		0%	0%	0%	0%	0%
Site Utility Rating		0%	0%	0%	0%	0%
Zoning		0%	0%	0%	0%	0%
Subtotal Property Adjustment		25%	20%	20%	10%	-25%
Total Adjusted Price		\$459.56	\$472.46	\$686.76	\$677.96	\$674.69
Statistics	Unadjusted	Adjusted				
Low	\$371.36	\$459.56				
High	\$917.95	\$686.76				
Median	\$590.00	\$674.69				
Average	\$585.97	\$594.29				

¹ Market Conditions Adjustment: -3%

Date of Value (for adjustment calculations): 6/12/25

LAND VALUE CONCLUSION

The comparable land sales indicate an adjusted value range from \$459.56 to \$686.76/SF, with a median of \$674.69/SF and an average of \$594.29/SF. The range of total gross adjustment applied to the comparables was from 15% to 37%, with an average gross adjustment across all comparables of 25%. The level of total adjustment applied to the comparables is considered to be moderate. Overall, the availability of market data and extent of analysis was adequate to develop a reasonably credible opinion of land value. The adjustment process for each comparable land sale is discussed in the following paragraphs.

It is noted that since 2Q 2022, and particularly in recent months, mortgage interest rates have significantly increased and fluctuated. Market sentiment from apartment brokers and investors report that near future transactions will be pricing in the change in mortgage interest rates, which may impact capitalization rates based on the cost of capital.

Comparable 1 (\$459.56/SF adjusted) required a total downward transaction adjustment of -1%. This comparable is adjusted downward for softening market conditions. This site has an inferior location, size, access, and exposure. It is also a pending sale, not yet closed.

Comparable 2 (\$472.46/SF adjusted) required a total downward transaction adjustment of -2%. This comparable is adjusted downward for softening market conditions. This site has an inferior location and size.

Comparable 3 (\$686.76/SF adjusted) required a total downward transaction adjustment of -3%. This comparable is adjusted downward for softening market conditions. This site has an inferior location and size.

Comparable 4 (\$677.96/SF adjusted) required a total downward transaction adjustment of -5%. This comparable is adjusted downward for softening market conditions. This comparable has inferior size.

Comparable 5 (\$674.69/SF adjusted) required a total downward transaction adjustment of -2%. This comparable is adjusted downward for softening market conditions. This site has a very superior location, as well as superior access/exposure. Size, however, is inferior.

Taking all of the previously discussed factors into consideration, the market value of the land is concluded at **\$600 per square foot**. The following table summarizes the analysis of the comparables, reports the reconciled price per square foot value conclusion, and presents the concluded land value of the subject site, with deductions for demolition costs/asbestos abatement, contingency, and minimum expected level of entrepreneurial profit to arrive at the residual As-Is Market Value.

The reader is reminded that is methodology is highly sensitive to the demolition costs/asbestos abatement estimate. A mere 12.3%~ reduction in these costs would result in a 100% increase of the As-Is Market Value indication. It is highly recommended that the client obtain current independent estimates of the demolition costs/asbestos abatement achievable without prevailing wage conditions. The chart on the following page summarizes the analysis and presents the As-Is Market Value opinion.

Calculation of Land Value								
	Analysis	Adjustment				Net	Gross	Overall
Comp	Price	Transactional ¹	Adjusted	Property ²	Final	Adj %	Adj %	Comparison
1	\$371.36	-1%	\$367.65	25%	\$459.56	24%	26%	Primary
2	\$401.75	-2%	\$393.72	20%	\$472.46	18%	22%	Primary
3	\$590.00	-3%	\$572.30	20%	\$686.76	16%	23%	Primary
4	\$648.77	-5%	\$616.33	10%	\$677.96	4%	15%	Primary
5	\$917.95	-2%	\$899.59	-25%	\$674.69	-27%	37%	Secondary
Low	\$459.56					Average		\$594.29
High	\$686.76					Median		\$674.69
Component			Subject SF	\$/SF Conclusion			Value	
Total Property			60,000	x	\$600.00	=	\$36,000,000	
Demolition Costs/Asbestos Abatement (June 2022 estimate)								(\$27,760,000)
Contingency (5%)								(\$1,388,000)
Entrepreneurial Profit (10%)								(\$2,914,800)
As-Is Market Value								\$3,940,000

¹Cumulative ²Additive

Rounded to nearest \$10,000

INTRODUCTION

The Reconciliation of Value Conclusions is the final step in the appraisal process and involves the weighing of the individual valuation techniques in relationship to their substantiation by market data, and the reliability and applicability of each valuation technique to the subject property. Understanding the profiles of potential buyers and their typical reliance on each approach to value strongly influences the weighting process.

In the open market, the subject property type would command most interest from national and regional buyers that are actively pursuing similar large development opportunities. Specific buyers known to be active for this property type primarily include pension funds and REITs with a "value add" orientation, regional and national developers. The most probable buyer is a national and regional developer.

As previously discussed, the **Cost Approach** is not provided due to the age of the subject. Development of the Cost Approach is not a specific scope requirement of this assignment. Based on these factors, the Cost Approach was not presented.

The **Income Approach** to value is generally considered to be the best and most accurate measure of the value of income-producing properties. In this analysis, to evaluate the subject's conversion potential to multi-family (with ground level commercial component) the Direct Capitalization method was developed and reconciled into a final Income Approach value. The value estimate by this approach best reflects a commonly used analysis that knowledgeable buyers and sellers carry out in their decision-making processes regarding this type of property. Sufficient market data was available to reliably estimate gross income, vacancy, expenses and capitalization rate for the subject property. The analysis indicates that conversion is not financially feasible at this time.

The **Sales Comparison Approach** was developed to arrive at an opinion of Land Value, and sufficient data was available in downtown San Diego to support a reliable analysis.

PRESENTATION OF VALUE CONCLUSIONS

My opinion of value reflects current conditions and the likely actions of market participants as of the date of value. It is based on the available information gathered and provided to us, as presented in this report, and does not predict future performance. Changing market or property conditions can and likely will have an effect on the subject's value.

The following table summarizes my final opinion of the As-Is Market Value of the subject property's fee simple interest.

The reader is reminded that the methodology applied in my analysis is highly sensitive to the demolition costs/asbestos abatement estimate. A mere 12.3%~ reduction in these costs would result in a 100% increase of the As-Is Market Value indication. It is highly recommended that the client obtain current independent estimates of the demolition costs/asbestos abatement achievable without prevailing wage conditions.

Analysis of Value Conclusions	
Valuation Indices	Market Value As-Is
Interest Appraised	Fee Simple
Date of Value	June 12, 2025
Final Value Conclusion	\$3,940,000
Exposure Time	12 Months or Less
Marketing Period	12 Months or Less

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

- › The statements of fact contained in this report are true and correct.
- › The reported analyses, opinions, and conclusions of the signer are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- › The signer of this report has 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.
- › Rob Detling, MAI has performed no services, as an appraiser or in any other capacity regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- › The signer is not biased with respect to the property that is the subject of this report or to the parties involved with this assignment.
- › The engagement in this assignment was not contingent upon developing or reporting predetermined results.
- › The 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 the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- › The reported analysis, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice* and the *Code of Professional Ethics and Standards of Professional Appraisal Practice* of the Appraisal Institute.
- › Rob Detling, MAI personally inspected the property that is the subject of this report.
- › No one provided significant real property appraisal assistance to appraiser signing this certification.

The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

As of the date of this report Rob Detling, MAI completed the continuing education program for Designated Members of the Appraisal Institute.



Rob Detling, MAI
Managing Director | Specialty Practices
Certified General Real Estate Appraiser
State of California License #AG039101
+1 858 860 3852
rob.detling@colliers.com

July 9, 2025
Date

This appraisal is subject to the following assumptions and limiting conditions:

- › The appraiser may or may not have been provided with a survey of the subject property. If further verification is required, a survey by a registered surveyor is advised.
- › I assume no responsibility for matters legal in character, nor do we render any opinion as to title, which is assumed to be marketable. All existing liens, encumbrances, and assessments have been disregarded, unless otherwise noted, and the property is appraised as though free and clear, under responsible ownership, and competent management.
- › The exhibits in this report are included to assist the reader in visualizing the property. I have made no survey of the property and assume no responsibility in connection with such matters.
- › Unless otherwise noted herein, it is assumed that there are no encroachments, zoning, or restrictive violations existing in the subject property.
- › The appraiser assumes no responsibility for determining if the property requires environmental approval by the appropriate governing agencies, nor if it is in violation thereof, unless otherwise noted herein.
- › Information presented in this report has been obtained from reliable sources, and it is assumed that the information is accurate.
- › This report shall be used for its intended purpose only, and by the party to whom it is addressed. Possession of this report does not include the right of publication.
- › The appraiser may not be required to give testimony or to appear in court by reason of this appraisal, with reference to the property in question, unless prior arrangements have been made therefore.
- › The statements of value and all conclusions shall apply as of the dates shown herein.
- › There is no present or contemplated future interest in the property by the appraiser which is not specifically disclosed in this report.
- › Without the written consent or approval of the author neither all, nor any part of, the contents of this report shall be conveyed to the public through advertising, public relations, news, sales, or other media. This applies particularly to value conclusions and to the identity of the appraiser and the firm with which the appraiser is connected.
- › This report must be used in its entirety. Reliance on any portion of the report independent of others, may lead the reader to erroneous conclusions regarding the property values. Unless approval is provided by the author no portion of the report stands alone.
- › The valuation stated herein assumes professional management and operation of the buildings throughout the lifetime of the improvements, with an adequate maintenance and repair program.
- › The liability of Colliers International Valuation & Advisory Services, its principals, agents, and employees is limited to the client. Further, there is no accountability, obligation, or liability to any third party. If this report is placed in the hands of anyone other than the client, the client shall make such party aware of all limiting conditions and assumptions of the assignment and related discussions. The appraiser is in no way responsible for any costs incurred to discover or correct any deficiency in the property.
- › The appraiser is not qualified to detect the presence of toxic or hazardous substances or materials which may influence or be associated with the property or any adjacent properties, has made no investigation or analysis as to the presence of such materials, and expressly disclaims any duty to note the degree of fault. Colliers International Valuation & Advisory Services and its principals, agents, employees, shall not be liable for any costs, expenses, assessments, or penalties, or diminution in value, property damage, or

personal injury (including death) resulting from or otherwise attributable to toxic or hazardous substances or materials, including without limitation hazardous waste, asbestos material, formaldehyde, or any smoke, vapors, soot, fumes, acids, alkalis, toxic chemicals, liquids, solids or gasses, waste materials or other irritants, contaminants or pollutants.

- › The appraiser assumes no responsibility for determining if the subject property complies with the *Americans with Disabilities Act (ADA)*. Colliers International Valuation & Advisory Services, its principals, agents, and employees, shall not be liable for any costs, expenses, assessments, penalties or diminution in value resulting from non-compliance. This appraisal assumes that the subject meets an acceptable level of compliance with *ADA* standards; if the subject is not in compliance, the eventual renovation costs and/or penalties would negatively impact the present value of the subject. If the magnitude and time of the cost were known today, they would be reduced from the reported value conclusion.
- › An on-site exterior inspection of the subject property was conducted. A Phase 1 Environmental Assessment was not provided for this analysis, but various asbestos containing materials (ACMs) are reported to be present at the subject. This analysis assumes that no other hazardous materials are stored or found in or on the subject property. If evidence of hazardous materials of any kind occurs, the reader should seek qualified professional assistance. If hazardous materials are discovered and if future market conditions indicate an impact on value and increased perceived risk, a revision of the concluded values may be necessary.
- › A detailed soils study was not provided for this analysis. The subject's soils and sub-soil conditions are assumed to be suitable based upon a visual inspection, which did not indicate evidence of excessive settling or unstable soils. No certification is made regarding the stability or suitability of the soil or sub-soil conditions.

Engagement Letter
Excerpts from Client Provided Materials
Grant Deed
Valuation Glossary
Qualifications of Appraiser
Qualifications of Colliers International Valuation & Advisory Services



ORDER NO. 4000254159

Issued on Thursday, May 29, 2025 PDT

Created on Thursday, May 29, 2025 PDT by Alaysja Clark

SUPPLIER:

Colliers International Holdings Inc
9820 Willow Creek Road Suite 300
San Diego, CA 92131
United States

TOTAL AMOUNT

SHIP TO:

REAL ESTATE ASSETS DEPT
1200 THIRD AVE STE 1700
San Diego, CA 92101-4199
United States

BILL TO:

REAL ESTATE ASSETS DEPARTMENT
1200 THIRD AVE
STE 1700
SAN DIEGO, CA 92101
United States

ATTENTION OF:

Nicole Chalfant
Asset Class:

Payment Terms:

Payment Terms: Net 30 Days

Payment Terms:

Requester: Alaysja Clark
PR No.: PR352224

LINE ITEM DETAILS (1 LINE ITEM)

NO.	DESCRIPTION	PART NUMBER	QTY	NEED-BY DATE	UNIT PRICE	DISCOUNT	NET AMOUNT	CHARGES	TAXES	AMOUNT
1	Purpose: Appraisal Services Property: ...	appraisal	each	Monday, June 30, 2025 PDT	\$1.00 USD		USD		\$0.00 USD	USD

Full Description: Purpose: Appraisal Services

Property: Appraisal of 101 Ash St., SD

Principal RE Appraiser - Mike Keagy, MAI, Valuations; Economic Development Real Estate
Division

Supervising Property Agent: - Terrell Brown, Municipal Assets; Economic Development Real Estate
Division

Deputy Director - Lucy Contreras; Economic Development Real Estate Division

Bill To: Economic Development Real Estate Division

Attn: Darianna Daniels

1200 Third Ave., 17th Floor

San Diego, CA 92101

Billing Contact: Darianna Daniels (realestateap@sandiego.gov)

Requestor: Mike Keagy, MAI - Valuations; Economic Development Real Estate Division

TAX CODE	TAXES	RATE	TAX AMOUNT	AMOUNT
IO_CA000000000	0%	0.0%	\$0.00 USD	\$0.00 USD

Req. Line No.: 1

TOTAL AMOUNT**TERMS AND CONDITIONS OF PURCHASE**

City's Terms and Provisions Related to Its Prevailing Wage and Living Wage Ordinances

Purchase Orders Executed on or After January 1, 2015

By performing the services detailed in this purchase order, Contractor is entering into a contract with the City. Contractor certifies that he or she is aware of the wage provisions described herein and shall comply with such provisions before commencing services.

A. PREVAILING WAGES. Pursuant to San Diego Municipal Code section 22.3019, construction, alteration, demolition, repair and maintenance work performed under this Contract is subject to State prevailing wage laws. For construction work performed under this Contract cumulatively exceeding \$25,000 and for alteration, demolition, repair and maintenance work performed under this Contract cumulatively exceeding \$15,000, Contractor and its subcontractors shall comply with State prevailing wage laws including, but not limited to, the requirements listed below. This requirement is in addition to the requirement to pay Living Wage pursuant to San Diego Municipal Code Chapter 2, Article 2, Division 42. Contractor must determine which per diem rate is highest for each classification of work (i.e. Prevailing Wage Rate or Living Wage Rate), and pay the highest of the two rates to their employees. Living Wage applies to workers who are not subject to Prevailing Wage Rates.

1. Compliance with Prevailing Wage Requirements. Pursuant to sections 1720 through 1861 of the California Labor Code, Contractor and its subcontractors shall ensure that all workers who perform work under this Contract are paid not less than the prevailing rate of per diem wages as determined by the Director of the California Department of Industrial Relations (DIR). This includes work performed during the design and preconstruction phases of construction including, but not limited to, inspection and land surveying work.

1.1. Copies of such prevailing rate of per diem wages are on file at the City of San Diego's Equal Opportunity Contracting Department and are available for inspection to any interested party on request. Copies of the prevailing rate of per diem wages also may be found at

<http://www.dir.ca.gov/OPRL/DPreWageDetermination.htm>. Contractor and its subcontractors shall post a copy of the prevailing rate of per diem wages determination at each job site and shall make them available to any interested party upon request.

1.2. The wage rates determined by the DIR refer to expiration dates. If the published wage rate does not refer to a predetermined wage rate to be paid after the expiration date, then the published rate of wage shall be in effect for the life of this Contract. If the published wage rate refers to a predetermined wage rate to become effective upon expiration of the published wage rate and the predetermined wage rate is on file with the DIR, such predetermined wage rate shall become effective on the date following the expiration date and shall apply to this Contract in the same manner as if it had been published in said publication. If the predetermined wage rate refers to one or more additional expiration dates with additional predetermined wage rates, which expiration dates occur during the life of this Contract, each successive predetermined wage rate shall apply to this Contract on the date following the expiration date of the previous wage rate. If the last of such predetermined wage rates expires during the life of this Contract, such wage rate shall apply to the balance of the Contract.

2. Penalties for Violations. Contractor and its subcontractors shall comply with California Labor Code section 1775 in the event a worker is paid less than the prevailing wage rate for the work or craft in which the worker is employed. This shall be in addition to any other applicable penalties allowed under Labor Code sections 1720 - 1861.

3. Payroll Records. Contractor and its subcontractors shall comply with California Labor Code section 1776, which generally requires keeping accurate payroll records, verifying and certifying payroll records, and making them available for inspection. Contractor shall require its subcontractors to also comply with section 1776. Contractor and its subcontractors shall submit weekly certified payroll records online via the City's web-based Labor Compliance Program. Contractor is responsible for ensuring its subcontractors submit certified payroll records to the City. Contractor and its subcontractors shall also furnish the records specified in Labor Code section 1776 directly to the Labor Commissioner in the manner required in Labor Code section 1771.4.

4. Apprentices. Contractor and its subcontractors shall comply with California Labor Code sections 1777.5, 1777.6 and 1777.7 concerning the employment and wages of apprentices. Contractor shall be held responsible for their compliance as well as the compliance of their subcontractors with sections 1777.5, 1777.6 and 1777.7.

5. Working Hours. Contractor and its subcontractors shall comply with California Labor Code sections 1810 through 1815, including but not limited to: (i) restrict working hours on public works contracts to eight hours a day and forty hours a week, unless all hours worked in excess of 8 hours per day are compensated at not less than 1 1/2 times the basic rate of pay; and (ii) specify penalties to be imposed on design professionals and subcontractors of \$25 per worker per day for each day the worker works more than 8 hours per day and 40 hours per week in violation of California Labor Code sections 1810 through 1815.

6. Required Provisions for Subcontracts. Contractor shall include at a minimum a copy of the following provisions in any contract they enter into with a subcontractor: California Labor Code sections 1771, 1771.1, 1775, 1776, 1777.5, 1810, 1813, 1815, 1860 and 1861.

7. Labor Code Section 1861 Certification. Contractor in accordance with California Labor Code section 3700 is required to secure the payment of compensation of its employees and by signing this Contract, Contractor certifies that "I am aware of the provisions of Section 3700 of the California Labor Code which require every employer to be insured against liability for workers' compensation or to undertake self-insurance in accordance with the provisions of that code, and I will comply with such provisions before commencing the performance of the work of this Contract."

8. Labor Compliance Program. The City has its own Labor Compliance Program authorized in August 2011 by the DIR. The City will withhold contract payments when payroll records are delinquent or deemed inadequate by the City or other governmental entity, or it has been established after an investigation by the City or other governmental entity that underpayment(s) have occurred. For questions or assistance, please contact the City of San Diego's Equal Opportunity Contracting Department at 619-236-6000.

9. Contractor and Subcontractor Registration Requirements. This project is subject to compliance monitoring and enforcement by the DIR. A Contractor or subcontractor shall not be qualified to bid on, be listed in a bid proposal, subject to the requirements of Section 4104 of the Public Contract Code, or enter into any contract for public work, as defined in this chapter of the Labor Code unless currently registered and qualified to perform the work pursuant to Section 1725.5. In accordance with Labor Code section 1771.1(a), "[i]t is not a violation of this section for an unregistered contractor to submit a bid that is authorized by Section 7029.1 of the Business and Professions Code or by Section 10164 or 20103.5 of the Public Contract Code, provided the contractor is registered to perform public work pursuant to Section 1725.5 at the time the contract is awarded."

9.1. A Contractor's inadvertent error in listing a subcontractor who is not registered pursuant to Labor Code section 1725.5 in a response to a solicitation shall not be grounds for filing a bid protest or grounds for considering the bid non-responsive provided that any of the following apply: (1) the subcontractor is registered prior to bid opening; (2) within twenty-four hours after the bid opening, the subcontractor is registered and has paid the penalty registration fee specified in Labor Code section 1725.5; or (3) the subcontractor is replaced by another registered contractor pursuant to Public Contract Code section 4107.

9.2. A Contract entered into with any Contractor or subcontractor in violation of Labor Code section 1771.1(a) shall be subject to cancellation, provided that a Contract for public work shall not be unlawful, void, or voidable solely due to the failure of the awarding body, Contractor, or any subcontractor to comply with the requirements of section 1725.5 of this section.

9.3. By submitting a bid or proposal to the City, Contractor is certifying that he or she has verified that all subcontractors used on this public works project are registered with the DIR in compliance with Labor Code sections 1771.1 and 1725.5, and Contractor shall provide proof of registration for themselves and all listed subcontractors to the City at the time of bid or proposal due date or upon request.

10. Stop Order. For Contractor or its subcontractor(s) engaging in the performance of any public work contract without having been registered in violation of Labor

Code sections 1725.5 or 1771.1, the Labor Commissioner shall issue and serve a stop order prohibiting the use of the unregistered Contractor or unregistered subcontractor(s) on ALL public works until the unregistered Contractor or unregistered subcontractor(s) is registered. Failure to observe a stop order is a misdemeanor.

11. List of all Subcontractors. The City may ask Contractor for the most current list of subcontractors (regardless of tier), along with their DIR registration numbers, utilized on this contract at any time during performance of this contract, and Contractor shall provide the list within ten (10) working days of the City's request. Additionally, Contractor shall provide the City with a complete list of all subcontractors utilized on this contract (regardless of tier), within ten working days of the completion of the contract, along with their DIR registration numbers. The City shall withhold final payment to Contractor until at least 30 days after this information is provided to the City.

12. Exemptions for Small Projects. There are limited exemptions for installation, alteration, demolition, or repair work done on projects of \$25,000 or less. The Contractor shall still comply with Labor Code sections 1720 et. seq. The only recognized exemptions are listed below:

12.1. Registration. The Contractor will not be required to register with the DIR for small projects. (Labor Code section 1771.1).

12.2. Certified Payroll Records. The records required in Labor Code section 1776 shall be required to be kept and submitted to the City of San Diego, but will not be required to be submitted online with the DIR directly. The Contractor will need to keep those records for at least three years following the completion of the contract. (Labor Code section 1771.4).

12.3. List of all Subcontractors. The Contractor shall not be required to hire only registered subcontractors and is exempt from submitting the list of all subcontractors that is required in section 11 above. (Labor Code section 1773.3).

B. Living Wages. This Contract is subject to the City's Living Wage Ordinance (LWO), codified in San Diego Municipal Code Chapter 2, Article 2, Division 42. Contractor agrees to require all of its subcontractors, sublessees, and concessionaires subject to the LWO to comply with the LWO and all applicable regulations and rules.

1. Payment of Living Wages. Pursuant to San Diego Municipal Code section 22.4220(a), Contractor and its subcontractors shall ensure that all workers who perform work under this Contract are paid not less than the required minimum hourly wage rates and health benefits rate unless an exemption applies.

1.1 Copies of such living wage rates are available on the City website at <https://www.sandiego.gov/purchasing/programs/livingwage/>. Contractor and its subcontractors shall post a notice informing workers of their rights at each job site or a site frequently accessed by covered employees in a prominent and accessible place in accordance with San Diego Municipal Code section 22.4225(e).

1.2 LWO wage and health benefit rates are adjusted annually in accordance with San Diego Municipal Code section 22.4220(b) to reflect the Consumer Price Index. Service contracts, financial assistance agreements, and City facilities agreements must include this upward adjustment of wage rates to covered employees on July 1 of each year.

2. Compensated Leave. Pursuant to San Diego Municipal Code section 22.4220(c), Contractor and its subcontractors shall provide a minimum of eighty (80) hours per year of compensated leave. Part-time employees must accrue compensated leave at a rate proportional to full-time employees.

3. Uncompensated Leave. Contractor and its subcontractors must also permit workers to take a minimum of eighty (80) hours of uncompensated leave per year to be used for the illness of the worker or a member of his or her immediate family when the worker has exhausted all accrued compensated leave.

4. Enforcement and Remedies. City will take any one or more of the actions listed in San Diego Municipal Code section 22.4230 should Contractor or its subcontractors are found to be in violation of any of the provisions of the LWO.

5. Payroll Records. Contractor and its subcontractors shall submit weekly certified payroll records online via the City's web-based Labor Compliance Program. Contractor is responsible for ensuring its subcontractors submit certified payroll records to the City.

5.1 For contracts subject to both living wage and prevailing wage requirements, only one submittal will be required. Submittals by a Contractor and all subcontractors must comply with both ordinance requirements.

6. Certification of Compliance. San Diego Municipal Code section 22.4225 requires each Contractor to fill out and file a living wage certification with the Living Wage Program Manager within thirty (30) days of Award of the Contract.

7. Annual Compliance Report. Contractor and its subcontractors must file an annual report documenting compliance with the LWO pursuant to San Diego Municipal Code section 22.4225(d). Records documenting compliance must be maintained for a minimum of three (3) years after the City's final payment on the service contract or agreement.

8. Exemption from Living Wage Ordinance. Pursuant to San Diego Municipal Code section 22.4215, this Contract may be exempt from the LWO. For a determination on this exemption, Contractor must complete the Living Wage Ordinance Application for Exemption.

C. Highest Wage Rate Applies. Contractor is required to pay the highest applicable wage rate where more than one wage rate applies."

LEGAL TERMS AND CONDITIONS OF PURCHASE

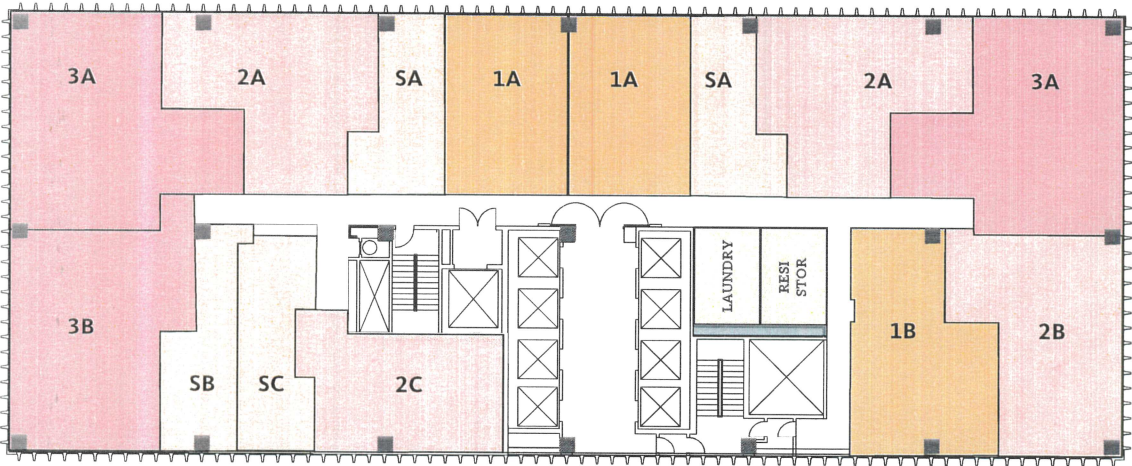
<https://www.sandiego.gov/purchasing/vendor>

AREA TABULATIONS

Level	Fl. Ht.	UNIT BREAKDOWN							NON-RESI	COMMON AREAS					
		STUDIOS	1 BR	2 BD	3 BD	Total	Total	Floor Plate	RSF	Lobby/ Amenity	Circulation	MEP/BOH	Shaft	Parking	Gross
		381	668	813	1,081	units/flr	RSF/flr	Efficiency		Area	(Core/Circ)	Area	Area	spaces	Enclosed
		RSF	RSF	RSF	RSF			(RSF/GSF)	RSF	(GSF)	(GSF)	(GSF)	(FAR)		Area
Roof	288.50'											2,000			
21	13.50'											2,000			
20	13.50'											2,000			
19	13.50'	4	3	4	3	14	10,023	86.5%	175	600	995		1,090		11,793
18	13.50'	4	3	4	3	14	10,023	86.5%	175	600	995		1,090		11,793
17	13.50'	4	3	4	3	14	10,023	86.5%	175	600	995		1,090		11,793
16	13.50'	4	3	4	3	14	10,023	86.5%	175	600	995		1,090		11,793
15	13.50'	4	3	4	3	14	10,023	86.5%	175	600	995		1,090		11,793
14	13.50'	4	3	4	3	14	10,023	86.5%	175	600	995		1,090		11,793
13	13.50'	4	3	4	3	14	10,023	86.5%	175	600	995		1,090		11,793
12	13.50'	4	3	4	3	14	10,023	86.5%	175	600	995		1,090		11,793
11	13.50'	4	3	4	3	14	10,023	86.5%	175	600	995		1,090		11,793
10	13.50'	4	3	4	3	14	10,023	86.5%	175	600	995		1,090		11,793
9	13.50'	4	3	4	3	14	10,023	86.5%	175	600	995		1,090		11,793
8	13.50'	4	3	4	3	14	10,023	86.5%	175	600	995		1,090		11,793
7	13.50'	4	3	4	3	14	10,023	86.5%	175	600	995		1,090		11,793
6	13.50'	4	3	4	3	14	10,023	86.5%	175	600	995		1,090		11,793
5	13.50'	4	3	4	3	14	10,023	86.5%	175	600	995		1,090		11,793
4	13.50'	4	3	4	3	14	10,023	86.5%	175	600	995		1,090		11,793
3	13.50'	4	3	4	3	14	10,023	86.5%	175	600	995		1,090		11,793
2	15.00'	-	1	-	11 *	12	14,230	57.0%	5,000	8,000	4,000	2,500	1,090		33,730
1	17.00'							79.2%	30,460	3,000	2,000	3,000	1,090		38,460
A	14.50'							0.0%	-	1,600	1,000	11,200	1,090	74	13,800
B	11.50'							0.0%	-		1,000	11,200	1,090	166	12,200
SUBTOTALS		68	52	68	62	250	184,621	74.7%	38,435	22,800	24,915	29,900	22,890	240	298,671
		units	units	units	units	units	RSF	efficiency	RSF	SF	SF	SF	SF	cars	SF
RSF SUBTOTALS		25,908	34,736	55,284	67,022	738	average			Indoor Amenity Target:					
		rsf	rsf	rsf	rsf		unit RSF			7,500	GSF @ 30sf/unit				
MIX % SUBTOTALS		27%	21%	27%	25%	100%									

Note: All existing areas are estimated
* Podium level units are 700 SF average 1 BR size, 1230 SF average 3 BR

PROGRAM PLANS



TOWER UNIT LEGEND

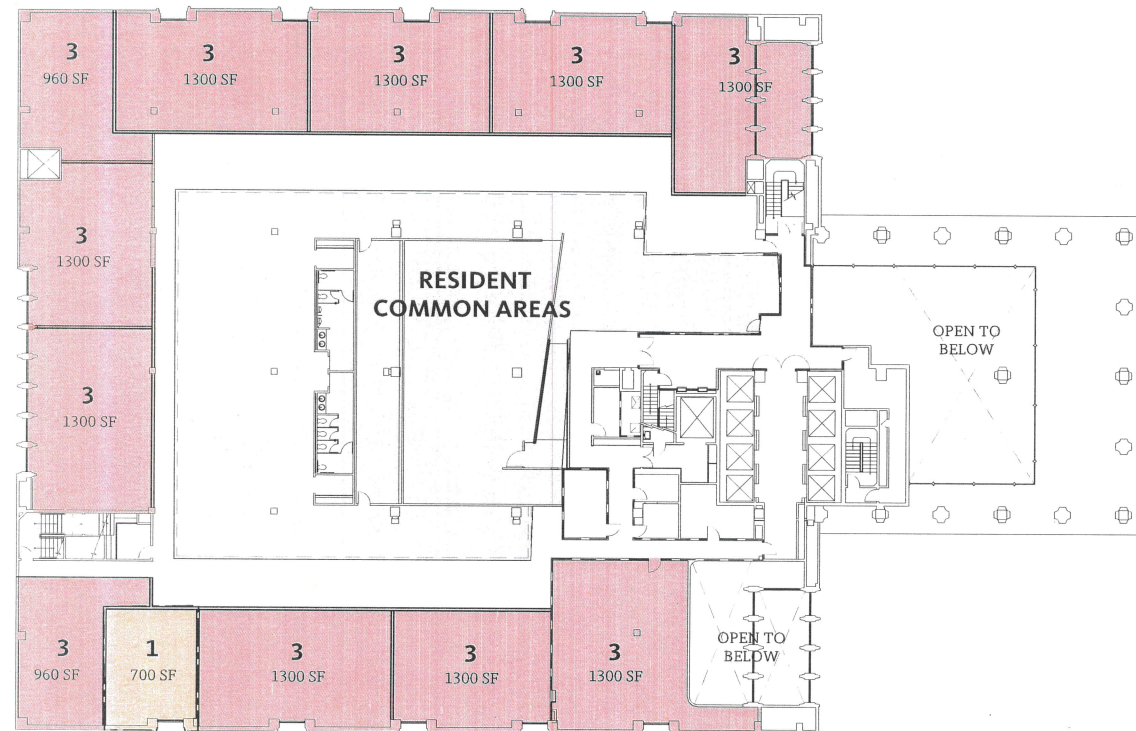
- STUDIO UNIT (381 SF AVG)
- 1 BEDROOM (668 SF AVG)
- 2 BEDROOM (813 SF AVG)
- 3 BEDROOM (1081 SF AVG)

TYPICAL TOWER LEVEL
LEVELS 03-21 (QTY: 19)

- 4 STUDIOS
- 3 1 BEDROOMS
- 4 2 BEDROOMS
- 3 3 BEDROOMS
- 14 UNITS PER LEVEL



PROGRAM PLANS



PODIUM UNITS LEGEND

- STUDIO UNIT (N/A)
1 BEDROOM (700 SF AVG)
2 BEDROOM (N/A)
3 BEDROOM (1,230 SF AVG)

RESIDENT COMMONS AREAS

PODIUM LEVEL 2

- 0 - STUDIOS
1 - 1 BEDROOMS
0 - 2 BEDROOMS
11- 3 BEDROOMS
12 UNITS PER LEVEL



101 Ash - cREate
San Diego, CA

Gensler

ROM - w/Prevailing Wage

May 21, 2025

Description UNIFORM 2	Quantity	1 Food Hall C&S 19,427 GSF		2 Daycare 4,000 GSF		3 Residential 223,891 GSF		4 Amenity 16,000 GSF		5 Elevator Lobbies 6,741 GSF		6 Demo & Abatement 272,865 GSF		TOTAL 272,862 GSF	
		Unit	Cost	Unit	Cost	Unit	Cost	Unit	Cost	Unit	Cost	Unit	Cost	Unit	Cost
A10 FOUNDATIONS			\$8,215		\$0.42 /GSF									\$68,292	\$0.25 /GSF
A20 BASEMENT CONSTRUCTION			\$88,491		\$4.30 /GSF									\$88,491	\$0.31 /GSF
B10 SUPERSTRUCTURE			\$98,064		\$4.89 /GSF		\$2,496,395		\$11.18 /GSF		\$47,681		\$4,889 /GSF	\$2,737,008	\$10.04 /GSF
B20 EXTERIOR ENCLOSURE			\$45,670		\$2.35 /GSF		\$4,511,041		\$20.19 /GSF		\$12,185		\$1.25 /GSF	\$4,597,406	\$16.87 /GSF
B30 ROOFING							\$230,830		\$1.03 /GSF					\$230,830	\$0.86 /GSF
C10 INTERIOR CONSTRUCTION							\$18,770,135		\$84.02 /GSF					\$18,770,135	\$68.87 /GSF
C20 INTERIOR FINISHES							\$8,555,178		\$38.30 /GSF					\$8,555,178	\$31.39 /GSF
D10 CONVEYING SYSTEMS							\$438,857		\$2.86 /GSF					\$438,857	\$2.34 /GSF
D20 PLUMBING SYSTEMS			\$205,343		\$10.57 /GSF		\$7,590,112		\$33.98 /GSF		\$52,979		\$5.44 /GSF	\$7,641,503	\$28.84 /GSF
D30 HVAC SYSTEMS			\$187,182		\$9.44 /GSF		\$10,202,402		\$45.67 /GSF					\$10,411,533	\$58.20 /GSF
D40 FIRE PROTECTION							\$2,145,785		\$9.41 /GSF					\$2,145,785	\$7.87 /GSF
D50 ELECTRICAL SYSTEMS			\$137,314		\$7.07 /GSF		\$10,242,613		\$45.85 /GSF					\$10,408,200	\$58.19 /GSF
E10 EQUIPMENT			\$54,371		\$2.80 /GSF		\$86,933		\$3.89 /GSF					\$78,675	\$3.59 /GSF
F10 FURNISHINGS							\$2,840,332		\$12.71 /GSF					\$2,840,332	\$10.42 /GSF
G10 SPECIAL CONSTRUCTION			\$1,054,242		\$54.37 /GSF						\$794,484		\$81.56 /GSF	\$6,880,248	\$25.24 /GSF
G20 SITE PREPARATION														\$34,258,018	\$125.69 /GSF
G30 SITE IMPROVEMENTS														\$434,967	\$1.60 /GSF
Subtotal			\$1,872,931		\$96.41 /GSF		\$70,208,437		\$314.28 /GSF		\$907,529		\$53.14 /GSF	\$111,900,459	\$410.55 /GSF
General Requirements			\$44,394		\$2.39 /GSF		\$1,126,225		\$7.29 /GSF		\$22,481		\$2.31 /GSF	\$2,722,000	\$10.17 /GSF
SD1	1.13%		\$21,539		\$1.11 /GSF		\$2,594		\$0.65 /GSF		\$10,437		\$1.45 /GSF	\$1,286,855	\$4.72 /GSF
General Conditions			\$92,656		\$4.74 /GSF		\$3,620,613		\$16.45 /GSF		\$44,606		\$4.58 /GSF	\$5,290,900	\$20.18 /GSF
Subtotal			\$159,991		\$8.24 /GSF		\$5,997,404		\$26.85 /GSF		\$77,524		\$7.96 /GSF	\$9,558,855	\$35.07 /GSF
Insurance (ICF)	1.02%		\$20,726		\$1.07 /GSF		\$777,300		\$3.48 /GSF		\$10,046		\$1.39 /GSF	\$1,278,683	\$4.55 /GSF
Contractor Contingency	5.00%		\$102,483		\$5.29 /GSF		\$3,449,157		\$17.23 /GSF		\$46,755		\$5.11 /GSF	\$4,134,510	\$22.51 /GSF
Contractor Fee	3.00%		\$58,472		\$3.88 /GSF		\$2,428,130		\$12.66 /GSF		\$34,570		\$3.75 /GSF	\$4,590,139	\$16.54 /GSF
Total			\$198,891		\$10.24 /GSF		\$7,455,587		\$33.37 /GSF		\$96,373		\$9.89 /GSF	\$11,882,954	\$43.60 /GSF
			\$2,231,813		\$114.88 /GSF		\$83,461,428		\$374.61 /GSF		\$1,081,425		\$110.98 /GSF	\$133,342,248	\$489.22 /GSF

Units
NRSF
\$/Unit
\$/NRSF

250
180,950
\$553,369
\$726.65

46

RECORDING REQUESTED BY:
Chicago Title Company
Commercial Division

AND WHEN RECORDED
MAIL TO:
The City of San Diego
Attn: Director, Department of Real
Estate and Airport Management
1200 Third Ave. Suite 1700, MS 51A
San Diego, CA 92101-4199

DOC# 2022-0316872



Aug 04, 2022 08:00 AM
OFFICIAL RECORDS
Ernest J. Dronenburg, Jr.,
SAN DIEGO COUNTY RECORDER
FEES: \$0.00 (SB2 Atkins: \$0.00)
PCOR: AFNF
PAGES: 7

THIS SPACE FOR RECORDER'S USE

GRANT DEED

(Please fill in document title(s) on this line)

- 1 ☐ Exempt from fee per GC27388.1 due to being recorded in connection with concurrent transfer that is subject to the imposition of documentary transfer tax, or,
- 2 ☐ Exempt from fee per GC27388.1 due to being recorded in connection with a transfer that was subject to documentary transfer tax which was paid on document recorded previously on _____ (date*) as document number _____ of Official Records, or,
- 3 ☒ Exempt from fee per GC27388.1 due to the maximum fees being paid on documents in this transaction, or,
- 4 ☐ Exempt from fee per GC27388.1 due to the maximum fees having been paid on documents in the transaction(s) recorded previously on _____ (date*) as document number(s) _____ of Official Records, or,
- 5 ☐ Exempt from fee per GC27388.1, document transfers real property that is a residential dwelling to an owner-occupier, or, document is recorded in connection with concurrent transfer that is a residential dwelling to an owner-occupier, or,
- 6 ☐ Exempt from fee per GC27388.1 due to it being recorded in connection with a transfer of real property that is a residential dwelling to an owner-occupier. The recorded document transferring the dwelling to the owner-occupier was recorded on _____ (date*) as document number(s) _____
- 7 ☒ Exempt from fee per GC27388.1 due to being executed or recorded by the federal government in accordance with the Uniform Federal Lien Registration Act, by the state, or any county, municipality or other political subdivision of the state, or,
- 8 ☐ Exempt from the fee per GC 27388.1 (a) (1); Not related to real property, or,
- 9 ☐ Exempt from fee under GC27388.1 for the following reasons: _____

THIS PAGE ADDED TO PROVIDE SENATE BILL 2 EXEMPTION INFORMATION
(Additional recording fee applies)

Recording requested by:

CHICAGO TITLE COMPANY

After recording, mail to:

Mail TAX STATEMENT TO:

THE CITY OF SAN DIEGO

Attention: Director, Department of Real Estate
and Airport Management

1200 Third Avenue, Suite 1700, MS 51A

San Diego, CA 92101-4199

00177657-993-902

SPACE ABOVE THIS LINE FOR RECORDER'S USE

APNs: 533-424-11-00, 533-424-14

Presented for recording by, and for the benefit of, the City of San Diego

Exempt from Recording Fees per Cal. Govt. Code §§ 6103 and 27383

Exempt from Documentary Transfer Tax per Cal. Revenue and Taxation Code § 11922

DTT-# *maffea*

GRANT DEED

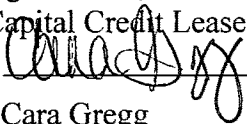
For good and valuable consideration, the receipt and sufficiency of which are acknowledged, **Wilmington Trust, National Association, as trustee of CGA Capital Credit Lease-Backed Pass-Through Trust, Series 2017-CTL-1** ("Grantor"), GRANTS and conveys to the **City of San Diego**, a California municipal corporation ("Grantee"), all that improved real property described in Exhibit "A" attached to this Grant Deed, together with all rights and appurtenances thereto, subject to (i) nondelinquent taxes and assessments; and, (ii) all matters of record or visible from an inspection of the property or which an accurate survey of the property would disclose. This Grant Deed may be signed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

[remainder of this page intentionally left blank]

IN WITNESS WHEREOF, Grantor and Grantee have signed this Grant Deed, to be effective upon its recordation in the Official Records of the San Diego County Recorder's Office.

GRANTOR:

Wilmington Trust, National Association, as trustee of
CGA Capital Credit Lease-Backed Pass-Through Trust, Series 2017-CTL-1

By:  _____

Name: Cara Gregg

Title: Assistant Vice President

This is to certify that the interest in the real property conveyed by this instrument to the City of San Diego, a municipal corporation, is hereby accepted by the undersigned officer on behalf of the City of San Diego pursuant to authority conferred by Resolution No. 250320, adopted by the Council of the City of San Diego on October 1, 1979, and the grantee consents to recordation thereof by its duly authorized officer.

GRANTEE:

THE CITY OF SAN DIEGO,
a California municipal corporation

By: _____

Penny Maus

Director, Department of Real Estate and Airport Management

APPROVED AS TO FORM:

Mara W. Elliott, City Attorney

By: _____

Kevin Reisch

Senior Chief Deputy City Attorney

NOTARY ACKNOWLEDGMENT

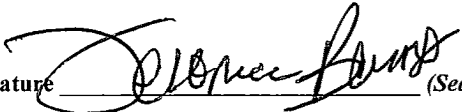
A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF Maryland)
COUNTY OF Baltimore)
On 8/21/2022 (date), before me, Cara Gregg *notary public*
(name and title of notary public), personally appeared Vice President (Asst)

(name of signer), who proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that he/she executed the same in his/her authorized capacity, and that by his/her signature on the instrument, the person, or the entity upon behalf of which the person acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature  (Seal)

VERONICA M. BARNES
NOTARY PUBLIC
BALTIMORE CITY COUNTY
MARYLAND
My Commission Expires June 27, 2024

IN WITNESS WHEREOF, Grantor and Grantee have signed this Grant Deed, to be effective upon its recordation in the Official Records of the San Diego County Recorder's Office.

GRANTOR:

Wilmington Trust, National Association, as trustee of
CGA Capital Credit Lease-Backed Pass-Through Trust, Series 2017-CTL-1

By: _____


Name: _____

Title: _____

This is to certify that the interest in the real property conveyed by this instrument to the City of San Diego, a municipal corporation, is hereby accepted by the undersigned officer on behalf of the City of San Diego pursuant to authority conferred by Resolution No. 250320, adopted by the Council of the City of San Diego on October 1, 1979, and the grantee consents to recordation thereof by its duly authorized officer.

GRANTEE:

THE CITY OF SAN DIEGO,
a California municipal corporation

By:  _____

Penny Mats
Director, Department of Real Estate and Airport Management

APPROVED AS TO FORM:

Mara W. Elliott, City Attorney

By:  _____

Kevin Reisch
Senior Chief Deputy City Attorney

NOTARY ACKNOWLEDGMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA)

COUNTY OF San Diego)

On August 4, 2022 (date), before me, Teresa Dolores Morse, Notary Public
(name and title of notary public), personally appeared Penny Maus

(name of signer), who proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that ~~he~~she executed the same in his/her authorized capacity, and that by ~~his~~her signature on the instrument, the person, or the entity upon behalf of which the person acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature Teresa Dolores Morse (Seal)

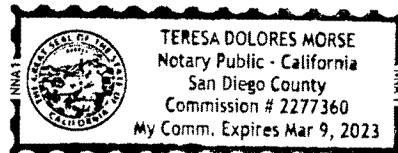


EXHIBIT "A"

LEGAL DESCRIPTION

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE CITY OF SAN DIEGO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

PARCEL 1: (APN: 533-424-14-00)

LOTS A, B, C, D, E, F, G, H, I, J AND K IN BLOCK 195 OF HORTON'S ADDITION, IN THE CITY OF SAN DIEGO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF MADE BY L. L. LOCKLING ON FILE IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY.

EXCEPTING FROM SAID LOT K THE NORTHERLY ONE-HALF THEREOF.

PARCEL 2: (APN: 533-424-11-00)

LOT L AND THE NORTHERLY ONE-HALF OF LOT K IN BLOCK 195 OF HORTON'S ADDITION, IN THE CITY OF SAN DIEGO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF MADE BY L. L. LOCKLING ON FILE IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY.

Valuation Glossary 2024

Unless specified otherwise, these definitions were extracted or paraphrased from the following sources or publications:

- The Dictionary of Real Estate Appraisal, Seventh Edition, Appraisal Institute, Chicago, Illinois, 2022 (Dictionary).
- Uniform Standards of Professional Appraisal Practice, 2024 Edition (USPAP).
- The Appraisal of Real Estate, Fifteenth Edition, Appraisal Institute, Chicago, Illinois, 2020 (15th Edition).

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)*

Ad Valorem Tax

A real estate tax based on the assessed value of the property, which is not necessarily equivalent to its market value. *(15th Edition)*

Arm's-length Transaction

A transaction between unrelated parties who are each acting in his or her own best interest. *(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)*

Assessed Value

The value of a property according to the tax rolls in ad valorem taxation; may be higher or lower than market value, or based on an assessment ratio that is a percentage of market value. *(Dictionary)*

Average Daily Room Rate (ADR)

In the lodging industry, the net rooms revenue derived from the sale of guest rooms divided by the number of paid occupied rooms. *(Dictionary)*

Band of Investment

A technique in which the capitalization rates attributable to components of an investment are weighted and combined to derive a weighted-average rate attributable to the total investment. *(Dictionary)*

Cash-Equivalent Price

The sale price of a property that is equivalent to what a cash buyer would pay. *(Dictionary)*

Common Area

The total area within a property that is not designed for sale or rental but is available for common use by all owners, tenants, or their invitees, e.g., parking and its appurtenances, malls, sidewalks, landscaped areas, recreation areas, public toilets, truck and service facilities. *(Dictionary)*

Contract Rent

The actual rental income specified in a lease. *(15th Edition)*

Cost Approach

A set of procedures through which a value indication is derived for the fee simple estate by estimating the cost new as of the effective date of the appraisal to construct a reproduction of (or replacement for) the existing structure, including an entrepreneurial incentive; deducting depreciation from the total cost; and adding the estimated land value. The contributory value of any site improvements that have not already been considered in the total cost can be added on a depreciated-cost basis. Adjustments may then be made to the indicated value of the fee simple estate in the subject property to reflect the value of the property rights being appraised. *(Dictionary)*

Curable Functional Obsolescence

An element of depreciation; a curable defect caused by a flaw involving the structure, materials, or design, which can be practically and economically corrected. *(Dictionary)*

Debt Coverage Ratio (DCR)

The ratio of net operating income to annual debt service, 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)*. *(Dictionary)*

Deferred Maintenance

Items of wear and tear on a property that should be fixed now to protect the value or income-producing ability of a property. *(Dictionary)*

Depreciation

In appraisal, a loss in the value of improvements from any cause; the difference between the cost of an improvement on the effective date of the appraisal and the value of the improvement on the same date. *(Dictionary)*

Direct Costs

Expenditures for the labor and materials used in the construction of improvements; also called *hard costs*. *(Dictionary)*

Discounted Cash Flow (DCF) Analysis

The procedure in which a discount rate is applied to a set of projected income streams and a reversion. The analyst specifies the quantity, variability, timing, and duration of the income streams and the quantity and timing of the reversion, and discounts each to its present value at a specified yield rate. *(Dictionary)*

Discount Rate

A rate of return on capital used to convert future payments or receipts into present value. *(Dictionary)*

Disposition Value

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

1. Consummation of a sale within a specified time, which is shorter than the typical exposure time for such a property in that market.
2. The property is subjected to market conditions prevailing as of the date of valuation.
3. Both the buyer and seller are acting prudently and knowledgeably.
4. The seller is under compulsion to sell.
5. The buyer is typically motivated.
6. Both parties are acting in what they consider their best interests.
7. An adequate marketing effort will be made during the exposure time.
8. Payment will be made in cash in U.S. dollars (or the local currency) or in terms of financial arrangements comparable thereto.
9. 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.

This definition can also be modified to provide for valuation with specified financing terms. *(Dictionary)*

Easement

The right to use another's land for a stated purpose. Access or right-of-way easements may be acquired by private parties or public utilities. Governments may be the beneficiaries of easements placed on privately owned land that is dedicated to conservation, open space, or preservation. *(15th Edition)*

Economic Life

The period over which improvements to real estate contribute to property value. *(Dictionary)*

Effective Age

The age of property that is based on the amount of observed deterioration and obsolescence it has sustained, which may be different from its chronological age. *(Dictionary)*

Effective Date

The date on which the appraisal or review opinion applies (SVP) *(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 Gross Income Multiplier (EGIM)

The ratio between the sale price (or value) of a property and its effective gross income. *(Dictionary)*

Effective Rent

The total base rent, or minimum rent stipulated in a lease, over the specified lease term minus rent concessions - e.g. free rent, excessive tenant improvements, moving allowances, lease buyouts, cash allowances, and other lease incentives. *(15th Edition)*

Eminent Domain

The right of government to take private property for public use upon the payment of just compensation. The Fifth Amendment of the U.S. Constitution, also known as the *takings clause*, guarantees payment of just compensation upon appropriation of private property. *(Dictionary)*

Entrepreneurial Incentive

The amount an entrepreneur expects or wants to receive as compensation for providing coordination and expertise and assuming the risks associated with the development of a project. Entrepreneurial incentive is the expectation of future reward as opposed to the profit actually earned on the project. *(Dictionary)*

Entrepreneurial Profit

A market-derived figure that represents the amount an entrepreneur received for his or her contribution to a past project to compensate for his or her time, effort, knowledge, and risk; the difference between the total cost of a property (cost of development) and its market value (property value after completion), which represents the entrepreneur's compensation for the risk and expertise associated with development. An entrepreneur is motivated by the prospect of future value enhancement (i.e., the entrepreneurial incentive). An entrepreneur who successfully creates value through new development, expansion, renovation, or an innovative change of use is rewarded by entrepreneurial profit. Entrepreneurs may also fail and suffer losses. *(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 lessor and may reflect superior management, a lease execution in an earlier, stronger rental market, or an agreement of the parties. Due to the higher risk inherent in the receipt of excess rent, it may be calculated separately and capitalized or discounted at a higher rate in the income capitalization approach. *(15th Edition)*

Expense Stop

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

Exposure Time

An opinion, based on supporting market data, of the 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. (*USPAP*)

Extraordinary Assumption

An assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions. Uncertain information might include physical, legal, or economic characteristics of the subject property; or conditions external to the property, such as market conditions or trends; or the integrity of data used in an analysis. An extraordinary assumption may be used in an assignment only if:

- It is required to properly develop credible opinions and conclusions;
- The appraiser has a reasonable basis for the extraordinary assumption;
- Use of the extraordinary assumption results in a credible analysis; and
- The appraiser complies with the disclosure requirements set forth in USPAP for extraordinary assumptions. (*USPAP*)

External Obsolescence

A type of depreciation; a diminution in value caused by negative external influences and generally incurable on the part of the owner, landlord, or tenant. The external influence may be either temporary or permanent. There are two forms of external obsolescence: economic and locational. (*Dictionary*)

Fair Market Value

In nontechnical usage, a term that is equivalent to the contemporary usage of *market value*.

As used in condemnation, litigation, income tax, and property tax situations, a term that is similar in concept to market value but may be defined explicitly by the relevant agency or interpreted differently by court precedent. (*Dictionary*)

Feasibility Analysis

A study of the cost-benefit relationship of an economic endeavor. (*USPAP*)

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 Area Ratio (FAR)

The relationship between the above-ground floor area of a building, as described by the zoning or building code, and the area of the plot on which it stands; in planning and zoning, often expressed as a decimal, e.g., a ratio of 2.0 indicates that the permissible floor area of a building is twice the total land area. (*Dictionary*)

Functional Obsolescence

The impairment of functional capacity of improvements according to market tastes and standards. (*Dictionary*)

Functional Utility

The ability of a property or building to be useful and to perform the function for which it is intended according to current market tastes and standards; the efficiency of a building's use in terms of architectural style, design and layout, traffic patterns, and the size and type of rooms. (*Dictionary*)

Furniture, Fixtures, and Equipment (FF&E)

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

Going-concern

An established and operating business having an indefinite future life. (*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)

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. (*Dictionary*)

Gross Leasable Area (GLA)

Total floor area designed for the occupancy and exclusive use of tenants, including basements and mezzanines; measured from the center of joint partitioning to the outside wall surfaces. (*Dictionary*)

Gross Living Area (GLA)

Total area of finished, above-grade residential space area; calculated by measuring the outside perimeter of the structure and includes only finished, habitable, above-grade living space. (Finished basements and attic areas are not generally included in total gross living area. Local practices, however, may differ.) (*Dictionary*)

Highest & Best Use

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. 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). *(Dictionary)*

Hypothetical Condition

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. 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)*

Income Capitalization Approach

In the income capitalization approach, an appraiser analyzes a property's capacity to generate future benefits and capitalizes the income into an indication of present value. The principle of anticipation is fundamental to this approach. Techniques and procedures from this approach are used to analyze comparable sales data and to measure obsolescence in the cost approach. *(15th Edition)*

Incurable Functional Obsolescence

An element of depreciation; a defect caused by a deficiency or superadequacy involving the structure, materials, or design that cannot be practically or economically corrected as of the effective date of the appraisal. *(Dictionary)*

Indirect Costs

Expenditures or allowances for items other than labor and materials that are necessary for construction, but are not typically part of the construction contract. Indirect costs may include administrative costs, professional fees, financing costs and the interest paid on construction loans, taxes and the builder's or developer's all-risk insurance during construction, and marketing, sales, and lease-up costs incurred to achieve occupancy or sale. Also called *soft costs*. *(Dictionary)*

Interim Use

The use contemplated by the market participants that the subject real estate can be put to while waiting for certain subsequent factors to occur. *(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)*

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 reversion right when the lease expires. *(Dictionary)*

Leasehold Estate

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)*

Legal Nonconforming Use

A use that was lawfully established and maintained, but no longer conforms to the use regulations of its current zoning; sometimes known as a legally nonconforming use. *(Dictionary)*

Liquidation Value

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

1. Consummation of a sale within a short time period.
2. The property is subjected to market conditions prevailing as of the date of valuation.
3. Both the buyer and seller are acting prudently and knowledgeably.
4. The seller is under extreme compulsion to sell.
5. The buyer is typically motivated.
6. Both parties are acting in what they consider to be their best interests.
7. A normal marketing effort is not possible due to the brief exposure time.
8. Payment will be made in cash in U.S. dollars (or the local currency) or in terms of financial arrangements comparable thereto.
9. 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.

This definition can also be modified to provide for valuation with specified financing terms. *(Dictionary)*

Market Area

The geographic region from which a majority of demand comes and in which the majority of competition is located. Depending on the market, a market area may be further subdivided into components such as primary, secondary, and tertiary market areas, or the competitive market area may be distinguished from the general market area. *(Dictionary)*

Market Rent

The most probable rent that a property should bring in a competitive and open market under all conditions requisite to a fair lease transaction, the lessee and lessor each acting prudently and knowledgeably, and assuming the rent is not affected by undue stimulus. *(Dictionary)*

Market Study

An analysis of the market conditions of supply, demand, and pricing for a specific property type in a specific area. *(Dictionary)*

Market Value (Most Common Non-FRT)

The most probable price, as of a specific date, in cash, or in terms equivalent to cash, or in other precisely revealed terms, for which the specified property rights should sell after reasonable exposure in a competitive market under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably, and for self-interest, and assuming that neither is under undue distress. *(Dictionary)*

Market Value (Interagency Guidelines)

The most probable price which 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:

1. buyer and seller are typically motivated;
2. both parties are well informed or well advised, and acting in what they consider their own best interests;
3. a reasonable time is allowed for exposure in the open market;
4. payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
5. 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. (12 CFR, Part 34, Subpart C - Appraisals, 34.42(h)).

Marketability Analysis

The study of how a specific property is expected to perform in a specific market. A marketability analysis expands on a market analysis by addressing a specific property. *(Dictionary)*

Neighborhood Analysis

The objective analysis of observable or quantifiable data indicating discernible patterns of urban growth, structure, and change that may detract from or enhance property values; focuses on four sets of considerations that influence value: social, economic, governmental, and environmental factors. *(Dictionary)*

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*, *triple net lease*, or *fully net lease*. *(Dictionary)*

Net Operating Income (NOI)

The actual or anticipated net income that remains after all operating expenses are deducted from effective gross income but before mortgage debt service and book depreciation are deducted. Note: This definition mirrors the convention used in corporate finance and business valuation for EBITDA (earnings before interest, taxes, depreciation, and amortization). *(15th Edition)*

Obsolescence

One cause of depreciation; an impairment of desirability and usefulness caused by new inventions, changes in design, improved processes for production, or external factors that make a property less desirable and valuable for a continued use; may be either functional or external. *(Dictionary)*

Off-site Costs

Costs incurred in the development of a project excluding on-site costs such as grading and construction of the building and other improvements; also called *common costs* or *off-site improvement costs*. *(Dictionary)*

On-site Costs

Costs incurred for the actual construction of buildings and improvements on a particular site. *(Dictionary)*

Overage Rent

The percentage rent paid over and above the guaranteed minimum rent or base rent; calculated as a percentage of sales in excess of a specified breakeven sales volume. *(15th Edition)*

Overall Capitalization Rate (OAR)

The relationship between a single year's net operating income expectancy and the total property price or value. *(Dictionary)*

Parking Ratio

The ratio of parking area or parking spaces to an economic or physical unit of comparison. Minimum required parking ratios for various land uses are often stated in zoning ordinances. *(Dictionary)*

Potential Gross Income (PGI)

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

Potential Gross Income Multiplier (PGIM)

The ratio between the sale price (or value) of a property and its annual potential gross income. *(Dictionary)*

Present Value (PV)

The value of a future payment or series of future payments discounted to the current date or to time period zero. *(Dictionary)*

Prospective Opinion of Value

A value opinion effective as of a specified future date. The term does not define a type of value. Instead, it identifies a value opinion as effective at some specific future date. An opinion of value as of a prospective date is frequently sought in connection with projects that are proposed, under construction, or under conversion to a new use, or those that have not achieved sellout or a stabilized level of long-term occupancy. *(Dictionary)*

Qualitative Adjustment

An indication that one property is superior, inferior, or similar to another property. Note that the common usage of the term is a misnomer in that an adjustment to the sale price of a comparable property is not made. Rather, the indication of a property's superiority or inferiority to another is used in relative comparison analysis, bracketing, and other forms of qualitative analysis. *(Dictionary)*

Quantitative Adjustment

In the application of the sales comparison and income capitalization approaches, a numerical (dollar or percentage) adjustment to the sale price, rent, or expense amount of a comparable property to account for the effect on value of a difference between each comparable property and the subject property. *(Dictionary)*

Rentable Area

The amount of space on which the rent is based; calculated according to local practice. *(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)*

Replacement Cost for Insurance Purposes

The estimated cost, at current prices as of the effective date of valuation, of a substitute for the building being valued, using modern materials and current standards, design and layout for insurance coverage purposes guaranteeing that damaged property is replaced with a new property (i.e., depreciation is not deducted). *(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 or similar materials, construction standards, design, layout, and quality of workmanship and embodying all 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)*

Sales Comparison Approach

The process of deriving a value indication for the subject property by comparing sales of similar properties to the property being appraised, identifying appropriate units of comparison, and making adjustments to the sale prices (or unit prices, as appropriate) of the comparable properties based on relevant, market-derived elements of comparison. The sales comparison approach may be used to value improved properties, vacant land, or land being considered vacant when an adequate supply of comparable sales is available. *(Dictionary)*

Scope of Work

The type and extent of research and analysis in an appraisal or appraisal review assignment. Scope of work includes, but is not limited to:

- The extent to which the property is identified;
- The extent to which tangible property is inspected;
- The type and extent of data researched; and
- The type and extent of analysis applied to arrive at opinions or conclusions. *(USPAP)*

Shopping Center Types

Neighborhood Shopping Center: The smallest type of shopping center, generally with a gross leasable area of between 30,000 and 100,000 square feet. Typical anchors include supermarkets. Neighborhood shopping centers offer convenience goods and personal services and usually depend on a market population support of 3,000 to 40,000 people.

Community Shopping Center: A shopping center of 100,000 to 400,000 square feet that usually contains one junior department store, a variety store, discount or department store. A community shopping center generally has between 20 and 70 retail tenants and a market population support of 40,000 to 150,000 people.

Regional Shopping Center: A shopping center of 300,000 to 900,000 square feet that is built around one or two full-line department stores of approximately 200,000 square feet each plus small tenant spaces. This type of center is typically supported by a minimum population of 150,000 people.

Super-Regional Center: A large center of 600,000 to 2.0 million square feet anchored by three or more full-line department stores. This type of center is typically supported by a population area of 300,000 people. *(15th Edition)*

Sum of the Retail Values

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 sold together in a single transaction; it is simply the total of the individual market value conclusions. An appraisal has an effective date, but summing the sales prices of multiple units over an extended period of time will not be the value on that one day unless the prices are discounted to make the value equivalent to what another developer or investor would pay for the bulk purchase of the units. Also called the *aggregate of the retail values* or *aggregate retail selling price*. (Dictionary)

Superadequacy

An excess in the capacity or quality of a structure or structural component; determined by market standards. (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)

Tenant Improvements (TIs)

1. Fixed improvements to the land or structures installed for use by a lessee.
2. The original installation of finished tenant space in a construction project; subject to periodic change for succeeding tenants. (Dictionary)

Usable Area

The area that is actually used by the tenants measured from the inside of the exterior walls to the inside of walls separating the space from hallways and common areas. (Dictionary)

Useful Life

The period of time over which a structure or a component of a property may reasonably be expected to perform the function for which it was designed. (Dictionary)

Vacancy and Collection Loss

A deduction from potential gross income (PGI) made to reflect income deductions due to vacancies, tenant turnover, and nonpayment of rent; also called *vacancy and credit loss* or *vacancy and contingency loss*. (Dictionary)

Yield Capitalization

A method used to convert future benefits into present value by (1) discounting each future benefit at an appropriate yield rate, or (2) developing an overall rate that explicitly reflects the investment's income pattern, holding period, value change, and yield rate. (Dictionary)



Rob A. Detling, MAI

Area of Expertise

Rob A. Detling joined Colliers International Valuation & Advisory Services in March 2003.

Rob is the Southern California leader of the CIVAS Manufactured Housing Community practice group and has completed appraisals, market studies, rent control studies, and consulting assignments on hundreds of communities throughout California and the western states, ranging from older mobile home and trailer parks with functional obsolescence to new Manufactured Housing and Recreational Vehicle subdivisions. In 2007, Rob was the lead appraiser on the Affordable Residential Communities (ARC) portfolio of 276 communities in 23 states, a public REIT that was taken private via private equity and CMBS securitization.

Rob also has significant valuation experience across all commercial property types. He maintains expertise in valuation of core and value-add assets for clients requiring ARGUS Valuation DCF. He also performs legal consulting and has been qualified as an expert witness by courts in California, Illinois, and Nevada.

Rob attended Brigham Young University where he received a bachelor's degree in management from the Marriott School. He lived in the Dominican Republic for 2 years, speaks fluent Spanish, and has worked on valuation assignments in Latin America.

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BUREAU OF REAL ESTATE APPRAISERS
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Robin A. Detling

has successfully met the requirements for a license as a residential and commercial real estate appraiser in the State of California and is, therefore, entitled to use the title:

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This license has been issued in accordance with the provisions of the Real Estate Appraisers' Licensing and Certification Law.

BREA APPRAISER IDENTIFICATION NUMBER:

AG 039101

Effective Date:

December 16, 2023

Date Expires:

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Angela Jemmot
Angela Jemmot, Bureau Chief, BREA

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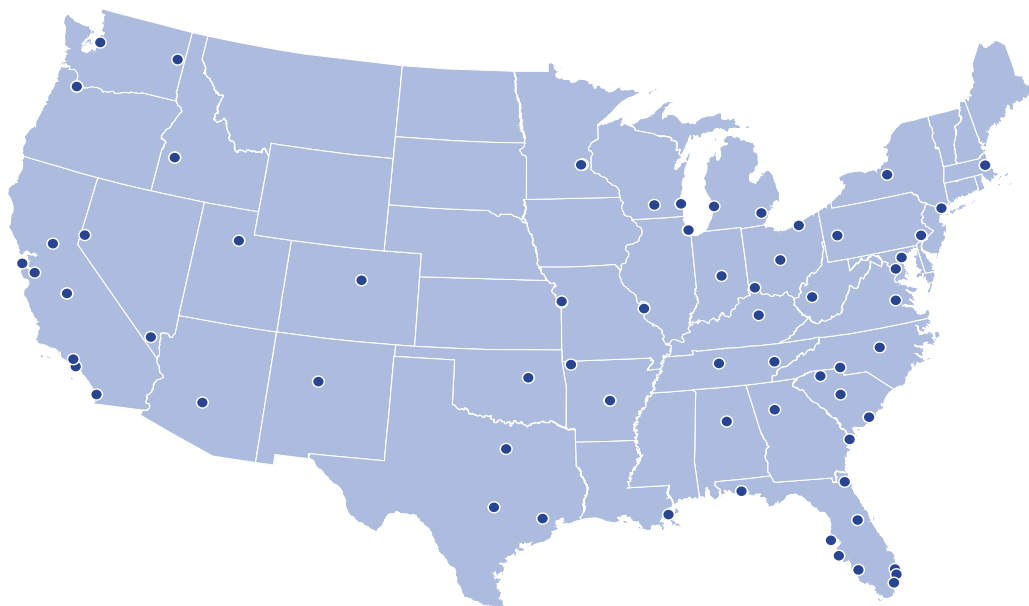
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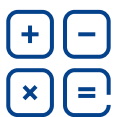


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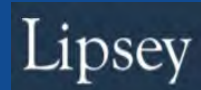
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