

**The insight you need. The independence you trust.**

## **Existing Office Building for Proposed Adaptive Reuse**

21-Story Office Property  
101 Ash Street  
San Diego, California 92101-3017

BBG File #0125006555

### **Prepared For**

Ms. Lindsay Janke  
MRK Partners  
838 Spy Glass Point  
Pocatello, ID 83204-4478

### **Report Date**

July 11, 2025

### **Prepared By**

BBG, Inc., Los Angeles Office  
700 S. Flower Street, Suite 1014  
Los Angeles, CA 90017  
5167848669

Client Manager: Mary Ann Barnett, MAI  
MBarnett@bbgres.com

### **BBG Website**

[bbgres.com](http://bbgres.com)



July 11, 2025

Ms. Lindsay Janke  
MRK Partners  
838 Spy Glass Point  
Pocatello, ID 83204-4478

Re: Appraisal of Real Property  
**Existing Office Building for Proposed Adaptive Reuse**  
101 Ash Street  
San Diego, California 92101-3017  
**BBG File #0125006555**

Dear Ms. Janke:

We have prepared an Appraisal Report of the above-referenced property. The subject property is a 21-story office building originally built in 1968 and containing 350,331 square feet of gross building area. The property is situated on a 60,000 square foot (or a 1.4-acre) site. There are 19 floors of usable office area; the top two floors are for mechanical equipment. Additionally, the subject features a subterranean garage with 238 parking spaces.

In 2016, the City of San Diego entered into a 20-year, \$127 million lease-to-own agreement for the 101 Ash Street property, intending to use it for city offices. The building, previously occupied by Sempra Energy, was believed to be in good condition, requiring minimal renovations. However, after acquiring the building in January 2017, the buyers noted the existence of asbestos and outdated systems, typical of buildings of the age of the subject. As of the Appraisal Date, the subject property is in the planning stages for conversion to an affordable housing site.

As of the valuation date of this report, the owner of record is the City of San Diego. The subject is not currently listed for sale, nor is it under a sales contract.

As of the Appraisal Date, the subject property is currently under consideration for conversion into affordable multi-family. Due to the current market conditions, new office development is not financially feasible, while multi-family development is considered feasible but likely on a 3-5 year horizon due to surrounding development activity. As such, the maximally productive use of the site, as if vacant, is to hold for future multi-family development within that timeframe. Given the uncertainty associated with both public and private funding sources, as well as permitting and the current state of the property, we have determined that conversion may or may not be financially feasible. As such, we consider the current use as office to be financially feasible.

This Appraisal Report was prepared to conform with the requirements of the Uniform Standards of Professional Appraisal Practice (USPAP). This report has been written in accordance with the Code of Ethics and the Standards of Professional Practice of the Appraisal Institute. In addition, this report is intended to be in compliance with additional requirements of MRK Partners (client) as applicable. This report is intended to be used by the intended user(s) named herein; no other party may rely upon the opinions presented in this report.

#### EXTRAORDINARY ASSUMPTION(S) AND HYPOTHETICAL CONDITION(S)

The values presented within this appraisal report are subject to the extraordinary assumptions and hypothetical conditions listed below. Pursuant to the requirement within Uniform Standards of Professional Appraisal Practice Standards, it is stated here that the use of any extraordinary assumptions and/or hypothetical conditions might have affected the assignment results.

<b>Extraordinary Assumption(s)</b>	This appraisal employs no extraordinary assumptions.
<b>Hypothetical Condition(s)</b>	This appraisal employs no hypothetical conditions.

Based on the analysis undertaken, the following value opinion(s) have been developed.<sup>1</sup>

MARKET VALUE CONCLUSION(S)			
Appraisal Premise	Interest Appraised	Date of Value	Value Conclusion
Market Value - As Is	Fee Simple	April 7, 2025	\$60,900,000
Land Value - As-if-Vacant and Available for Development	Fee Simple	April 7, 2025	\$12,000,000

This letter must remain attached to the report, which should be transmitted in its entirety, in order for the value opinion(s) set forth above to be relied upon by the intended user(s).

BBG, Inc. appreciates the opportunity to have performed this appraisal assignment on your behalf. If we may be of further service, please contact the Client Manager.

Sincerely,



Brian Tankersley, MAI, MRICS  
CA Certified General Appraiser  
License #: AG 043877  
213-634-1385  
btankersley@bbgres.com

<sup>1</sup> Our values are subject to the assumptions, conditions and limitations articulated in the "Standard Assumptions and Limiting Conditions" section of this report.

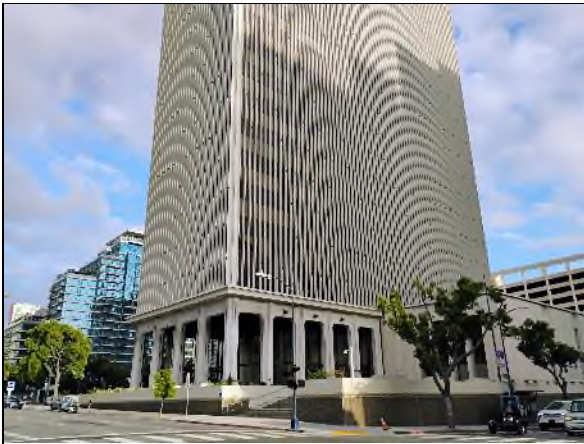
# TABLE OF CONTENTS

Subject Property .....	1
Summary of Salient Facts.....	3
Property Transaction History .....	5
Scope of Work .....	6
Environmental, Social and Governance.....	8
Regional Overview .....	12
Market Area Overview .....	15
Site Description .....	17
Improvements Description .....	22
Property Assessment and Tax Analysis .....	25
Market Analysis .....	27
Highest and Best Use .....	37
Valuation Process .....	39
Land Valuation.....	40
Cost Approach .....	48
Income Capitalization Approach .....	51
Reconciliation and Final Value .....	62
Certification .....	64
Standard Assumptions and Limiting Conditions .....	65
Addenda .....	69



---

## SUBJECT PROPERTY



## AERIAL PHOTOGRAPH



---

# SUMMARY OF SALIENT FACTS

APPRAISAL INFORMATION	
Client	MRK Partners 838 Spy Glass Point, Pocatello, ID 83204-4478
Intended User(s)	This appraisal report may only be relied upon by the client and intended user(s) named herein MRK Partners and CTAC and City of San Diego.
Intended Use	This appraisal is to be used for asset valuation purposes.
Property Rights Appraised	As Is Market Value - Fee Simple Land Value - As-if-Vacant and Available for Development
Date of Inspection	April 7, 2025
Marketing Time (Months)	12
Exposure Time (Months)	12
Owner of Record	the City of San Diego
Most Probable Purchaser	Local or regional investor
Highest and Best Use	
If Vacant	Hold for development
As Improved	Office Facility

PROPERTY DATA	
Property Name	Existing Office Building for Proposed Adaptive Reuse
Address	101 Ash Street San Diego, California 92101-3017
Location	The subject property is situated on an entire city block, on the southern side of Ash Street, between First Avenue and Second Avenue, in the City and County of San Diego, CA.
Property Description	Office (Professional Office) 21-Story Office Property
County	San Diego County
Parcel Number	533-424-14-00
Census Tract No.	0053.02
Site Area	
Primary Site	60,000 square feet      (1.38 acres)
Zoning	CCPD-CORE; Centre City Planned District - Core
Flood Zone/Map Number/Date	Zone X (Unshaded)      06073C1881H      December 20, 2019
Year Built	1968
Type of Construction	Reinforced steel and concrete
Number of Buildings	1
Gross Building Area	350,331 square feet
Total Number of Tenants	0
Occupancy	0.0%
Overall Condition	Average
Overall Quality	Average/Good
Overall Design/Functionality	Average

FINANCIAL INDICATORS AND PRO FORMA OPERATING DATA		
Financial Indicators		
Current Occupancy		0.00%
Stabilized Occupancy		70.00%
Stabilized Collection Loss		1.00%
Overall Capitalization Rate		8.50%
Pro Forma Operating Data	Total	Per SF
Effective Gross Income	\$9,910,864	\$28.29
Operating Expenses	\$3,377,480	\$9.64
Expense Ratio	34%	
Net Operating Income	\$6,533,384	\$18.65

VALUE INDICATIONS			
1) As Is as of April 7, 2025			
Cost Approach	\$60,900,000	\$173.84	Per Square Foot (NRA)
Land Value - As-if-Vacant and Available for Development	\$12,000,000	\$200.00	Per Square Foot of Land
Sales Comparison Approach	Not Developed		
Income Capitalization Approach			
Direct Capitalization	\$52,300,000	\$149.29	Per Square Foot (NRA)
Approach Reliance	Cost Approach		
Value Conclusion - As Is	\$60,900,000	\$173.84	Per Square Foot (NRA)
Insurable Replacement Cost	Not Developed		
Exposure Time (Months)	12		
Marketing Time (Months)	12		

**Note:** Our values are subject to the assumptions, conditions and limitations articulated in the “Standard Assumptions and Limiting Conditions” section of this report.

EXTRAORDINARY ASSUMPTION(S) AND HYPOTHETICAL CONDITION(S)	
The values presented within this appraisal report are subject to the extraordinary assumptions and hypothetical conditions listed below. Pursuant to the requirement within Uniform Standards of Professional Appraisal Practice Standards, it is stated here that the use of any extraordinary assumptions and/or hypothetical conditions might have affected the assignment results.	
Extraordinary Assumption(s)	This appraisal employs no extraordinary assumptions.
Hypothetical Condition(s)	This appraisal employs no hypothetical conditions.

---

# PROPERTY TRANSACTION HISTORY

## Recent Transaction

Sale Date	08/04/2022
Deed Book/Page	316872
Sale Price	\$86,000,000
per SF (GBA)	\$245.48
per SF (NRA)	\$245.48
Grantor	Wilmington Trust National Association
Grantee	City of San Diego

## Recent Transaction

Sale Date	January 3, 2017
Deed Book/Page	0002646
Sale Price	\$72,440,000
per SF (GBA)	\$206.78
Grantor	The Gas & Electric Headquarters Bldg-SD, LP
Grantee	101 Ash, LLC

On January 3, 2017, a partnership between Doug Manchester and Shapery Enterprises completed the \$72.44 Million sale of 101 Ash Street in downtown San Diego. The property was acquired by a new partnership between Cisterra Partners and Shapery Enterprises. The majority owner of the subject property was to be Cisterra.

Concurrently with the sale, Cisterra signed a 20-year lease-to-own agreement with the City of San Diego with ownership automatically transferring to the City of San Diego upon lease expiration. Under the agreement, the city would pay Cisterra \$6.4 million annually, and would assume responsibility for all capital improvements, operations, and building management. Cisterra would also provide \$5.0 million to the City to make tenant improvements to the building.

Following the agreement, the city took possession of the building in January 2017. After acquiring the building in January 2017, the buyers noted the existence of asbestos and outdated systems, typical of buildings of the age of the subject, leading them to vacate the property in 2020. Coupled with legal disputes over the transaction's validity, these problems prompted the city to cease lease payments and seek a resolution. In July 2022, the City Council approved a settlement to purchase the building outright for \$86 million, effectively ending the lease-to-own arrangement and transferring full ownership to the city.

## Comments

There have been no other known transactions of the subject property within the three years prior to the effective date of this appraisal.<sup>2</sup> Additionally, the property is not currently listed for sale, nor is it under a sales contract.

---

<sup>2</sup> <https://timesofsandiego.com/politics/2025/01/27/san-diego-city-council-advances-redevelopment-of-101-ash-street-building/>

---

# SCOPE OF WORK

The scope of work best defines the needs of the client(s) and intended user(s) of the report and dictates what factors an appraiser considered during the valuation process. The scope of work summarized below has been deemed acceptable as it meets or exceeds both the expectations of parties who are regularly intended users for similar assignments and what an appraiser's peers' actions would be in performing the same or a similar assignment. As such, the scope of work summarized below is deemed appropriate for this assignment based on its parameters and will produce credible assignment results. Additional scope details are included in appropriate sections of this report.

SCOPE OF THE INVESTIGATION																							
General and Market Data Analyzed	<ul style="list-style-type: none"><li>Regional economic data and trends</li><li>Market analysis data specific to the subject property type</li><li>Published survey data</li><li>Market Area demographic data</li><li>Comparable cost, sale, rental, expense, and capitalization rate data</li><li>Floodplain status</li><li>Zoning information</li><li>Assessor's information</li><li>Interviewed professionals knowledgeable about the subject's property type and market</li></ul>																						
Inspection Details	Brian Tankersley, MAI, inspected the exterior of the subject property.																						
Property Specific Data Requested and Received	<table><tr><th colspan="2">PROPERTY DATA RECEIVED</th></tr><tr><td>Building Size</td><td></td></tr></table>	PROPERTY DATA RECEIVED		Building Size																			
PROPERTY DATA RECEIVED																							
Building Size																							
Data Requested, but not Provided	<table><tr><th colspan="2">DATA REQUESTED, BUT NOT PROVIDED</th></tr><tr><td>Site plan</td><td></td></tr><tr><td>Phase 1 ESA</td><td></td></tr><tr><td>ALTA survey</td><td></td></tr></table>	DATA REQUESTED, BUT NOT PROVIDED		Site plan		Phase 1 ESA		ALTA survey															
DATA REQUESTED, BUT NOT PROVIDED																							
Site plan																							
Phase 1 ESA																							
ALTA survey																							
Data Sources	<table><tr><th colspan="2">DATA SOURCES</th></tr><tr><td>Site Size</td><td>Assessor's Records</td></tr><tr><td>Building Size</td><td>Property Contact</td></tr><tr><td>Tax Data</td><td>Assessor's Records</td></tr><tr><td>Zoning Information</td><td>Planning Dept</td></tr><tr><td>Flood Status</td><td>FEMA</td></tr><tr><td>Demographics Reports</td><td>Claritas</td></tr><tr><td>Comparable Land Sales</td><td>BBG Files, Public Records, CoStar</td></tr><tr><td>Construction Cost Data</td><td>Marshall and Swift</td></tr><tr><td>Comparable Improved Leases</td><td>BBG Files, Public Records, CoStar</td></tr><tr><td>Preliminary Report - Stevens Systems Inc</td><td>Property Contact</td></tr></table>	DATA SOURCES		Site Size	Assessor's Records	Building Size	Property Contact	Tax Data	Assessor's Records	Zoning Information	Planning Dept	Flood Status	FEMA	Demographics Reports	Claritas	Comparable Land Sales	BBG Files, Public Records, CoStar	Construction Cost Data	Marshall and Swift	Comparable Improved Leases	BBG Files, Public Records, CoStar	Preliminary Report - Stevens Systems Inc	Property Contact
DATA SOURCES																							
Site Size	Assessor's Records																						
Building Size	Property Contact																						
Tax Data	Assessor's Records																						
Zoning Information	Planning Dept																						
Flood Status	FEMA																						
Demographics Reports	Claritas																						
Comparable Land Sales	BBG Files, Public Records, CoStar																						
Construction Cost Data	Marshall and Swift																						
Comparable Improved Leases	BBG Files, Public Records, CoStar																						
Preliminary Report - Stevens Systems Inc	Property Contact																						



---

## VALUATION METHODOLOGY

<b>Most Probable Buyer</b>	To apply the most relevant valuation methods and data, the appraiser must first determine the most probable buyer of the subject property. Based on the analyses presented, the most probable buyer of the subject property would be a(n) Owner-User
<b>Valuation Methods Utilized</b>	This appraisal employs the Cost Approach, the Sales Comparison Approach (to establish the valuation of the subject's site), and the Income Capitalization Approach. Based on our analysis and knowledge of the subject property type and relevant investor profiles, it is our opinion that these approaches would be considered meaningful and applicable in developing a credible value conclusion.

---

## DEFINITIONS

Pertinent definitions, including the definition of market value, are included in the glossary, located in the *Addenda* of this report. The following definition of market value is used by agencies that regulate federally insured financial institutions in the United States:

<b>Market Value</b>	<p>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 are the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:</p> <ul style="list-style-type: none"><li>• Buyer and seller are typically motivated;</li><li>• Both parties are well informed or well advised, and acting in what they consider their own best interests;</li><li>• A reasonable time is allowed for exposure in the open market;</li><li>• Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and</li><li>• 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. <sup>[1]</sup></li></ul>
---------------------	--

---

## LEVEL OF REPORTING DETAIL

Standards Rule 2-2 (Real Property Appraisal, Reporting) contained in USPAP requires each written real property appraisal report to be prepared as either an Appraisal Report or a Restricted Appraisal Report.

This report is prepared as an **Appraisal Report**. An Appraisal Report must at a minimum summarize the appraiser's analysis and the rationale for the conclusions.

---

<sup>[1]</sup> (Interagency Appraisal and Evaluation Guidelines; December 10, 2010, Federal Register, Volume 75 Number 237, Page 77472)

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE

## Overview

Environmental, Social and Governance (ESG) has become a standard criterion in the global real estate sector, excepting the United States. The European Union has adopted specific, conduct-based directives on ESG. In the US, while there has been a scattering of ESG regulations within specific markets there has been no industry wide or politically enacted regulations. Nevertheless, market participants are increasingly concerned with environmental risks, sustainable construction, carbon neutrality, social responsibilities, and governance of their companies, partners, and vendors.

Principles for Responsible Investment provides the following summary of approaches to responsible investment for direct and indirect real estate investors.

 ENVIRONMENTAL	 SOCIAL	 GOVERNANCE
<ul style="list-style-type: none"><li>▪ Biodiversity and habitat</li><li>▪ Climate change</li><li>▪ Land contamination</li><li>▪ Energy consumption</li><li>▪ Greenhouse gas emissions</li><li>▪ Indoor environmental quality</li><li>▪ Location and associated infrastructure</li><li>▪ Materials</li><li>▪ Pollution prevention</li><li>▪ Resilience to catastrophe/disaster</li><li>▪ Renewable energy</li><li>▪ Sustainable procurement</li><li>▪ Waste management</li><li>▪ Water consumption</li></ul>	<ul style="list-style-type: none"><li>▪ Community development</li><li>▪ Controversial tenants</li><li>▪ Health and well-being of occupants, contractors and the local community</li><li>▪ Human rights</li><li>▪ Accessibility</li><li>▪ Inclusion and diversity</li><li>▪ Labour standards and working conditions</li><li>▪ Social enterprise partnering</li><li>▪ Stakeholder relations</li><li>▪ Occupier amenities – showers, changing rooms</li></ul>	<ul style="list-style-type: none"><li>▪ Anti-bribery and money laundering</li><li>▪ Cybersecurity</li><li>▪ Board diversity</li><li>▪ Independence of board members</li><li>▪ Remuneration policy (including ESG-linked incentives)</li><li>▪ Data protection and privacy</li><li>▪ Legal and regulatory fines</li><li>▪ ESG clauses in contracts</li><li>▪ Asset data collection framework and/or management systems</li><li>▪ Procurement standards and requirements</li><li>▪ Tenant engagement frameworks</li></ul>

Furthermore, PRI provides examples of how these issues may affect property valuations.

ADDITIONAL CAPITAL EXPENDITURES	Equipment upgrades to improve energy performance
INCREASED COSTS	Higher insurance premiums due to physical risk factors
FUTURE INCOME UNCERTAINTY	Tenant and leasing disruption due to extreme weatherevents
OBSOLESCENCE RISK	Buildings that do not meet minimum energy performancestandards set by legislation



---

## Environmental

Both physical and transition risks must be analyzed for each property and market. Physical risks are hazards caused by changing climate such as floods, fires, rising temperatures, and rising sea levels. Transition risks involve the responses to climate change by humans and society. An example of transition risk is New York's Local Law 97 which requires most buildings over 25,000 square feet to meet energy and greenhouse gas emissions by 2024 with additional requirements in 2030. Transition risks are regulatory, economic and social changes that could affect asset values.

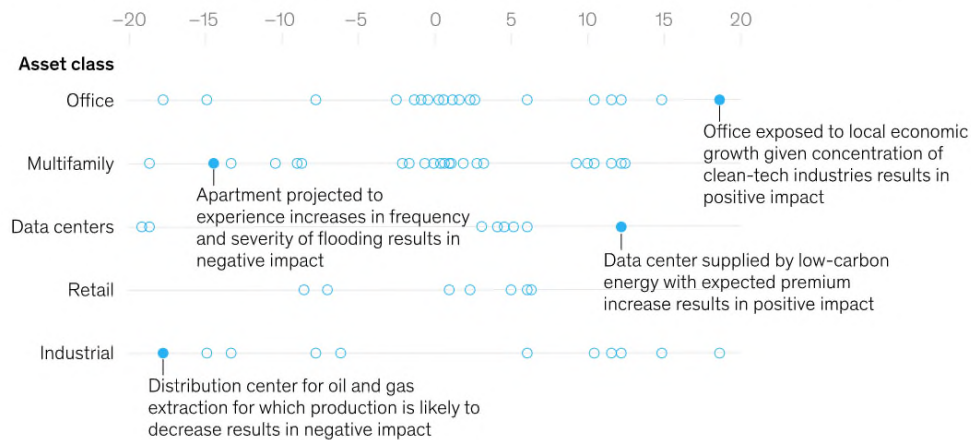
According to *Climate Risk and the Opportunity for Real Estate* by McKinsey & Company,

The combination of this economic transition and the physical risks of climate change has created a significant risk of mispricing real estate across markets and asset classes. For example, a major North American bank conducted analysis that found dozens of assets in its real-estate portfolio that would likely be exposed to significant devaluations within the next ten years due to factors including increased rates of flooding and job losses due to the climate transition. Additionally, a study of a diversified equity portfolio found that, absent mitigating actions, climate risks could reduce annual returns toward the end of the decade by as much as 40 percent. Leading real-estate players will figure out which of their assets are mispriced and in what direction and use this insight to inform their investment, asset management, and disposition choices. They will also decarbonize their assets, attracting the trillions of dollars of capital that has been committed to net zero and the thousands of tenants that have made similar commitments. They will then create new revenue sources related to the climate transition.

Building climate intelligence is central to value creation and strategic differentiation in the real-estate industry. But the reverse is also true: real estate is central to global climate change mitigation efforts. Real estate drives approximately 39 percent of total global emissions. Approximately 11 percent of these emissions are generated by manufacturing materials used in buildings (including steel and cement), while the rest is emitted from buildings themselves and by generating the energy that powers buildings. Real-estate owners and investors will need to improve their climate intelligence to understand the potential impact of revenue, operating costs, capital costs, and capitalization rate on assets. This includes developing the analytical capabilities to consistently assess both physical and transition risks. Analyses should encompass both direct effects on assets and indirect effects on the markets, systems, and societies with which assets interact.

The following chart from McKinsey& Co. shows examples of physical and transition risks, and their potential effects on value.

Illustrative chart and examples of physical and transition risk effects on equity value of assets, %



## Social

According to *ESG Real Estate Insights* by Deloitte,

Recently, the “S” in ESG has received growing attention as the COVID-19 pandemic put greater emphasis on the social factor. Since real estate companies have a significant social impact, they should consider the “S” as a value driver. Social aspects in real estate include, for example, participation in the rehabilitation of public spaces, affordable housing, social housing or care centers as well as ensuring security in buildings and assuring human rights. From an internal perspective, social elements may also comprise ensuring workplace safety, fostering high standards in labor practices, responsible marketing, and promoting diversity across the company. Incorporating social considerations can increase companies’ ability to attract talent – especially among millennials. The risk of neglecting social elements can lead to a lack of reputation, lost work, higher employee turnover, increased operating costs, and may threaten the ability to operate.

## Governance

The “G” in ESG and how it pertains to commercial real estate is convoluted. Governance in commercial real estate has little to do with individual assets or portfolios, and more to do with how a commercial real estate company is structured, led, and how decisions are made. Governance concerns itself with how an ESG focused entity approaches risk management and longer-term planning. It may also concern itself with how individuals who manage properties make decisions to build tenant and community trust.

From a bigger picture, the “G” truly focuses on the boardroom and according to *ESG Real Estate Insights* by Deloitte,

Regarding the “G” in ESG, governance scrutiny is central to companies’ ability to continue business operations. While promoting corporate governance can present an opportunity for real estate companies in order to drive long-term value, not addressing governance considerations carries high risks – reaching from penalties and fines to a loss of reputation and market penetration.

Governance elements include, among others, compliance with governance rules and guidelines, ensuring adequate and transparent remuneration, promoting transparent disclosure of governance issues, taking action against corruption, fostering diversity in management and governing bodies, as well as establishing and communicating organizational values. A corporate culture of ethics, compliance, and integrity is the foundation to create a positive long-term impact.

---

**Relevance to Subject Property**

The subject property is typical construction for the property type and date of development. There are no significant green improvements at the subject property and given the use of the property, there is minimal consideration for positive or negative ESG factors.

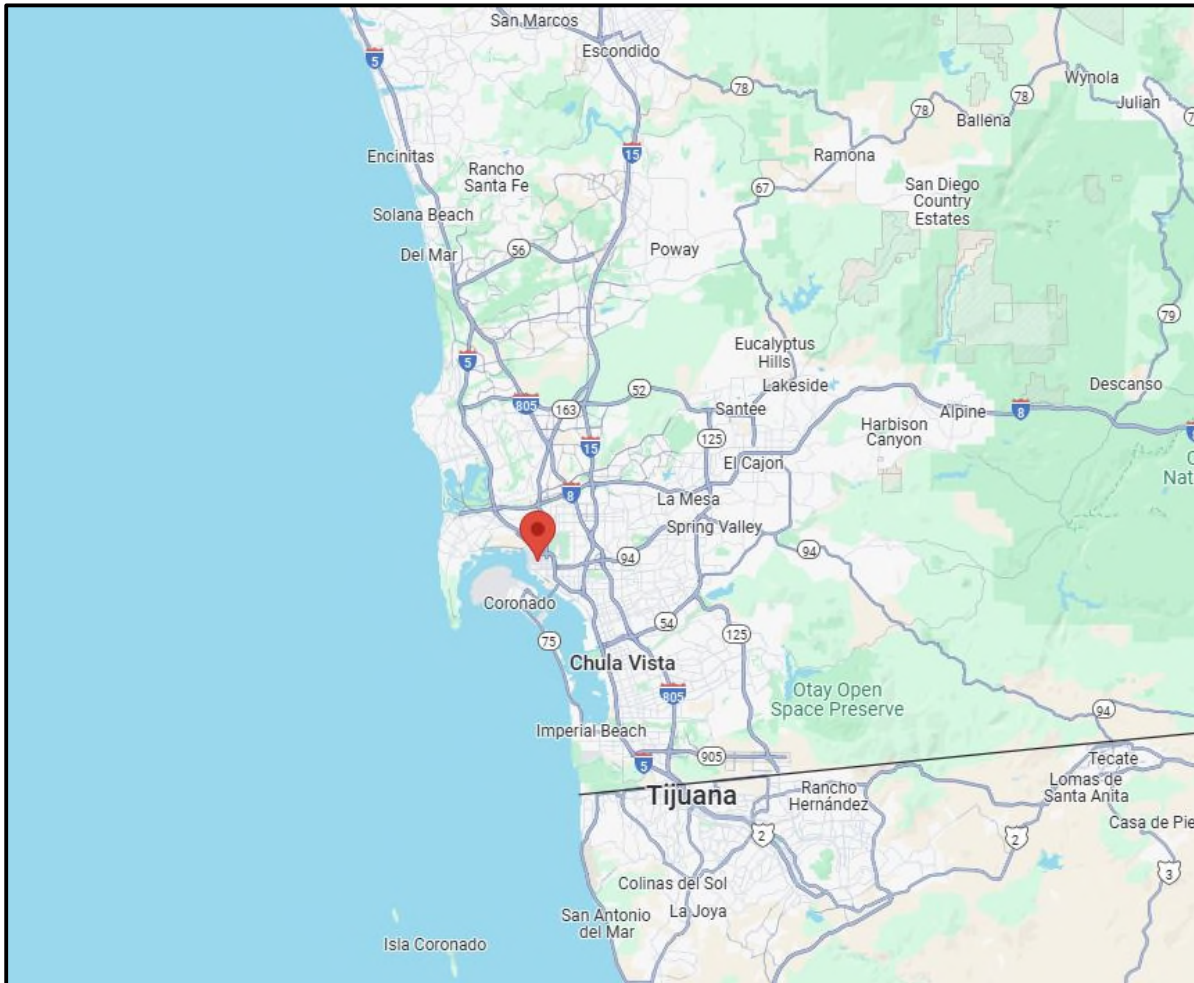
---

# REGIONAL OVERVIEW

## AREA OVERVIEW

The subject is located within the city limits of San Diego, California in the San Diego-Carlsbad metropolitan statistical area (MSA).

### REGIONAL MAP



## ECONOMIC & DEMOGRAPHIC PROFILE

The following profile of the San Diego-Carlsbad MSA was provided by Economy.com, a leading provider of economic, financial, and industry information.

Economy.com's core assets of proprietary editorial and research content as well as economic and financial databases are a source of information on national and regional economies, industries, financial markets, and demographics. The company is staffed with economists, data specialists, programmers, and online producers who create a proprietary database.

---

Economy.com's approach to the analysis of the U.S. economy consists of building large-scale, simultaneous-equation econometric models, which they simulate and adjust with local market information, creating a model of the U.S. macroeconomy that is both top-down and bottom-up. As a result, those variables that are national in nature are modeled nationally while those that are regional in nature are modeled regionally. Thus, interest rates, prices, and business investment are modeled as national variables; key sectors such as labor markets (employment, labor force), demographics (population, households, and migration), and construction activity (housing starts and sales) are modeled regionally and then aggregated to national totals. This approach allows local information to influence the macroeconomic outlook. Therefore, changes in fiscal policy at the national level (changes in tax rates, for example) are translated into their corresponding effects on state economies. At the same time, the growth patterns of large states, such as California, New York, and Texas, play a major role in shaping the national outlook.

In addition, on a regional basis, the modeling system is explicitly linked to other states through migration flows and unemployment rates. Economy.com's model structure also takes into account migration between states.

Economy.com provides the following Los Angeles-Long Beach-Glendale metro area economic summary as of **February 2025**, the most recent available.

## **RECENT PERFORMANCE**

San Diego-Carlsbad is spinning its wheels. Seemingly strong gains for much of the year have been revised away, and payrolls are now flat on a year-ago basis. Manufacturing is bleeding jobs, marred by high interest rates and cost-cutting in tech, and healthcare has softened considerably. On the other hand, the core driver of tourism has made progress, leaving payrolls within arm's reach of their prior high. Finally, the housing market is showing renewed signs of life. Home sales have ticked modestly higher over the past year, and permit issuance was higher last year than at any point this decade.

## **VISITORS**

Tourism will remain the cornerstone of SAN's economy, but the year ahead will prove challenging. Data from the TSA show that visitor volumes are still climbing, though the pace has moderated recently. Inflation has weighed on travel plans and has started to relent only recently. Near-term vacation plans have pulled back slightly, according to the Conference Board, and headwinds are building against international travel, which is especially important for SAN. A trade war between the U.S. and Mexico would hurt the Mexican economy and ding cross-border travel, and anti-immigration rhetoric may encourage would-be vacationers to travel elsewhere.

Still, longer-term prospects remain bright given SAN's tourism draws and a reinvigorated cruise presence. The metro area is expecting an influx of visitors as two major cruise lines will make SAN a home port for the first time in 2027. Travelers staying in SAN before and after cruises will help modestly boost tourism payrolls.

## **TECH**

The expected pause in interest rate cuts spells trouble for SAN's tech firms. The metro area's tech sector has struggled with elevated borrowing costs, with payrolls dropping more than they did statewide since mid-2022. Last year's rate cuts provided some relief, but the rates will be steadier this year as tariffs and reduced immigration put increased upward pressure on costs. This will disproportionately hurt SAN's biotech industry, as many of these firms have yet to bring products to market and face large capital expenditures in research and development that are hamstrung by high interest rates.

Still, there is reason for optimism. Venture capital funding experienced a revival in 2024 amid reduced borrowing costs, with PitchBook reporting a nearly 50% increase in deal value statewide. The post-pandemic construction boom in life sciences and biotech lab space is still working through the pipeline, and more than a dozen new facilities will

---

be completed this year. This will give the industry plenty of runway to expand once interest rates pull back and valuations improve.

## **POLICY CHANGES**

Changes to U.S. trade and immigration policy will harm the SAN economy disproportionately. More restrictive immigration policy would sap the economy of necessary foreign-born workers and weaken demographic trends. Changes to U.S. trade policy will also be a significant weight. Retaliatory measures will dent exports, where SAN ranks just outside the top quartile among metro areas and divisions for export dependence. Biotech would be hamstrung more than most other industries under a trade war, with the industry especially reliant on exports.

## **CONCLUSION**

San Diego-Carlsbad will grow in line with the California and U.S. economies through 2025. Tourism will pull back, and far less aggressive interest rate cuts will hamper the tech recovery. Over the long run, high costs will cap population gains, but an outsize collection of high-wage drivers will help SAN keep pace with California.



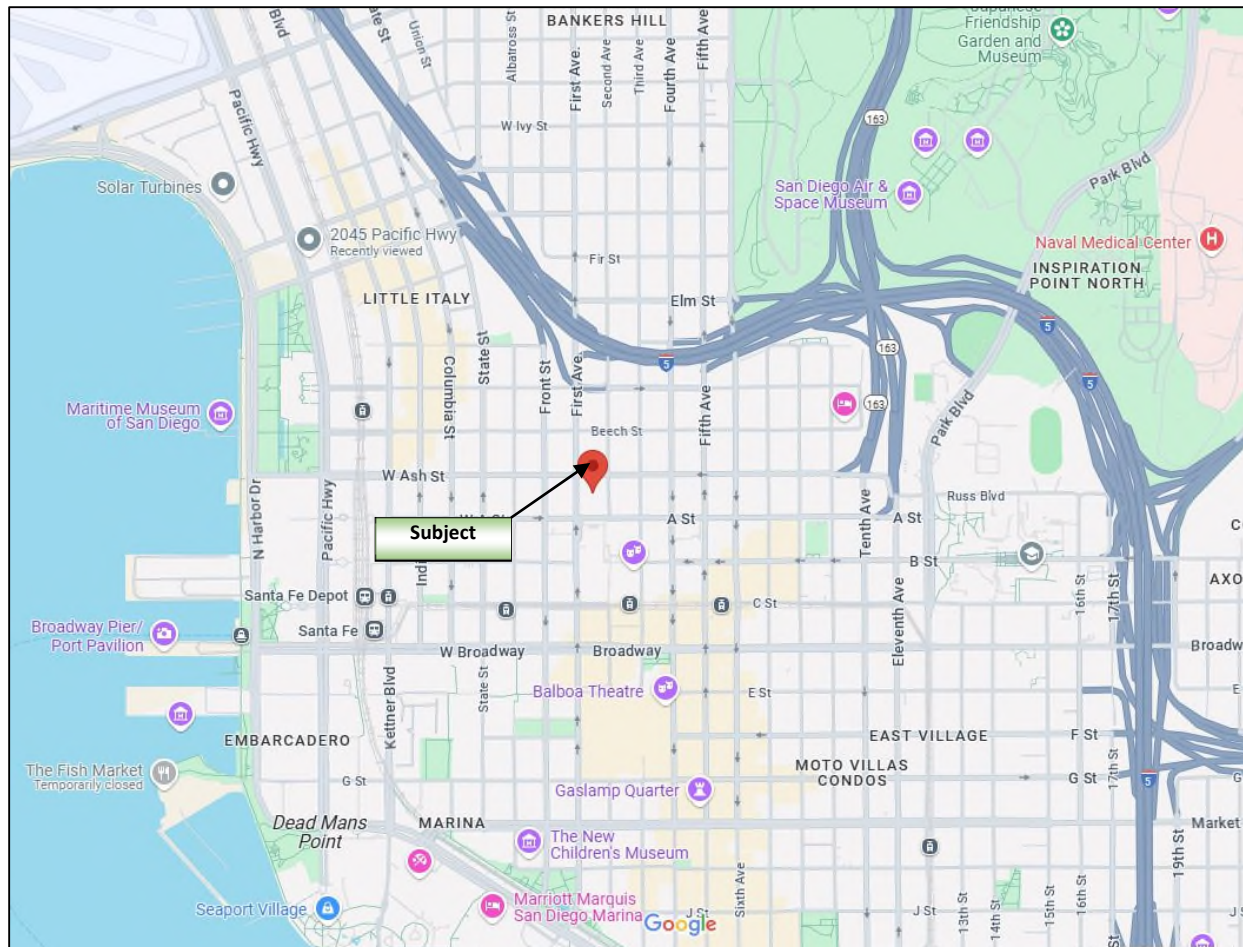
---

# MARKET AREA OVERVIEW

## GENERAL DESCRIPTION

The subject property is situated on an entire city block, on the southern side of Ash Street, between First Avenue and Second Avenue, in the City and County of San Diego, CA. The neighborhood is bounded by Interstate 5 to the north, Interstate 5 to the east, W Broadway to the south, and Front Street to the west. The subject's location within the defined area is shown in the map below.

## MARKET AREA MAP



## ACCESS

Freeway access is provided by Interstate 5. Primary east-west access throughout the area includes Cedar Street, Beech Street, Ash Street, A Street, B Street, and C Street. North-south access to the area is provided primarily by Front Street and First Avenue through Eleventh Avenue.

Public transportation within the city of San Diego is provided by MTS, which features bus, train and trolley service. In addition, San Diego International Airport is located just northwest of the neighborhood.

---

## **LAND USE AND SUPPORTIVE DEVELOPMENT**

The land use patterns in Downtown San Diego reflect a dense, mixed-use urban environment that blends historical preservation with modern development. The area is characterized by a combination of commercial, residential, and entertainment spaces, with a strong emphasis on tourism and nightlife. Ground floors are typically occupied by restaurants, bars, shops, and entertainment venues, creating a bustling street-level experience, especially along Fifth Avenue. Above the street level, many buildings house offices, hotels, and upscale residential units, contributing to the district's growing population of downtown residents. The preservation of Victorian-era architecture alongside newer developments has created a distinct architectural character, while the walkable grid layout and proximity to public transit encourage pedestrian traffic.

## **EMPLOYMENT**

San Diego's top employers are a mix of government, military, healthcare, education, and technology sectors, reflecting the city's diverse economic base. The U.S. Navy is the largest employer in the region, with San Diego serving as a major hub for naval operations and defense-related industries. The presence of numerous military installations, including Naval Base San Diego, fuels related employment in defense contracting, with companies like General Atomics and Northrop Grumman being major contributors. Healthcare is another leading sector, with large employers such as Scripps Health, UC San Diego Health, and Kaiser Permanente providing significant job opportunities in medical services, research, and administration. Higher education is a crucial employer as well, with institutions like the University of California, San Diego (UCSD) and San Diego State University (SDSU) generating jobs in academics, research, and support services. The city's thriving technology and biotech sectors, concentrated in areas like Sorrento Valley and La Jolla, include companies like Qualcomm, Illumina, and Dexcom, making San Diego a leader in innovation and high-tech development. Government agencies, including the City of San Diego and San Diego Unified School District, also provide a large number of public sector jobs, rounding out the city's major employment sectors.

## **CONCLUSION**

The neighborhood associated with the subject property is afforded an average level of access, both on a regional and local basis and is considered a viable location for well-conceived commercial real estate projects. This is based on the general area's recreational amenities, the area's average accessibility, and the existence of many successful commercial projects. We conclude that the neighborhood will continue to adequately support the subject property well into the foreseeable future.

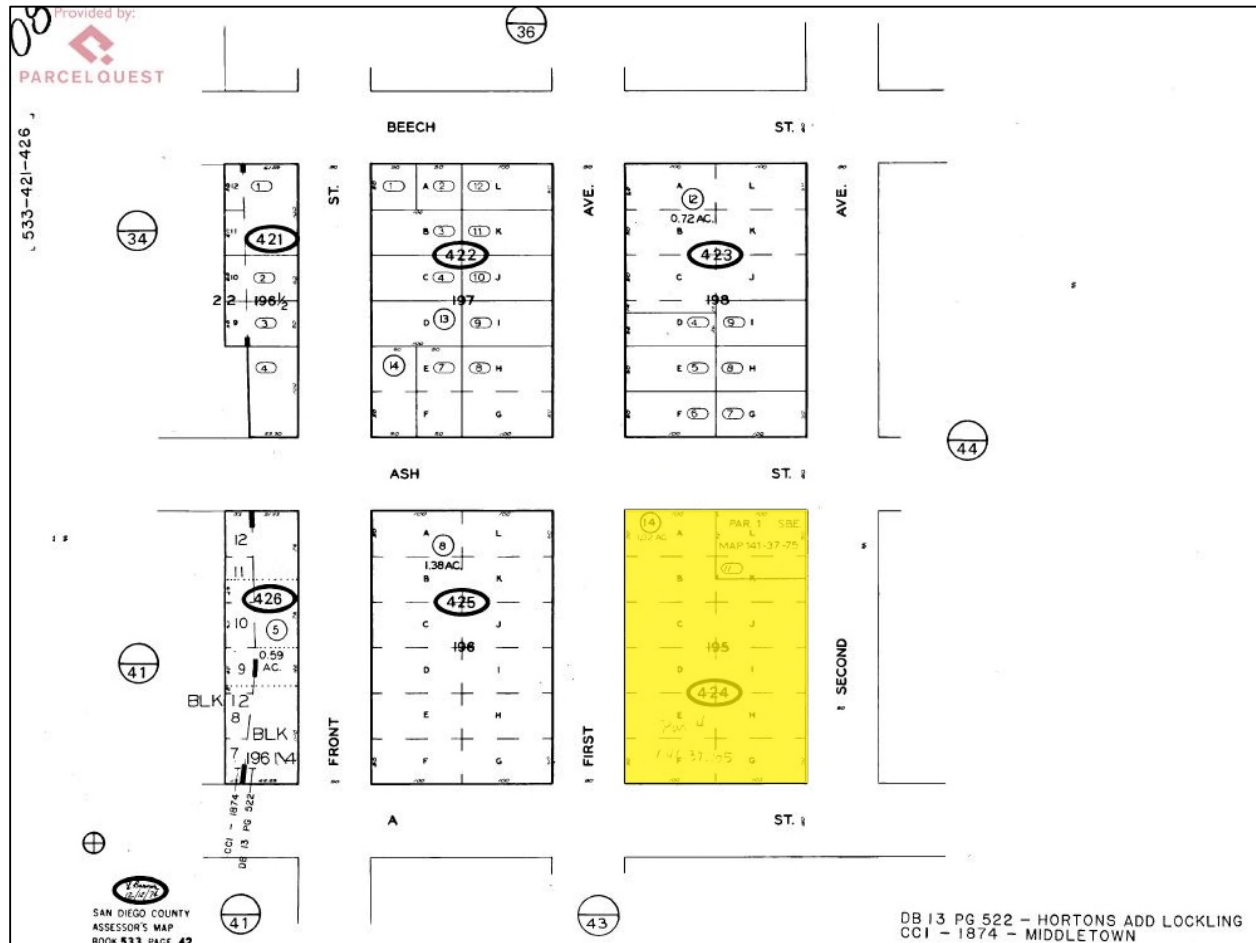


---

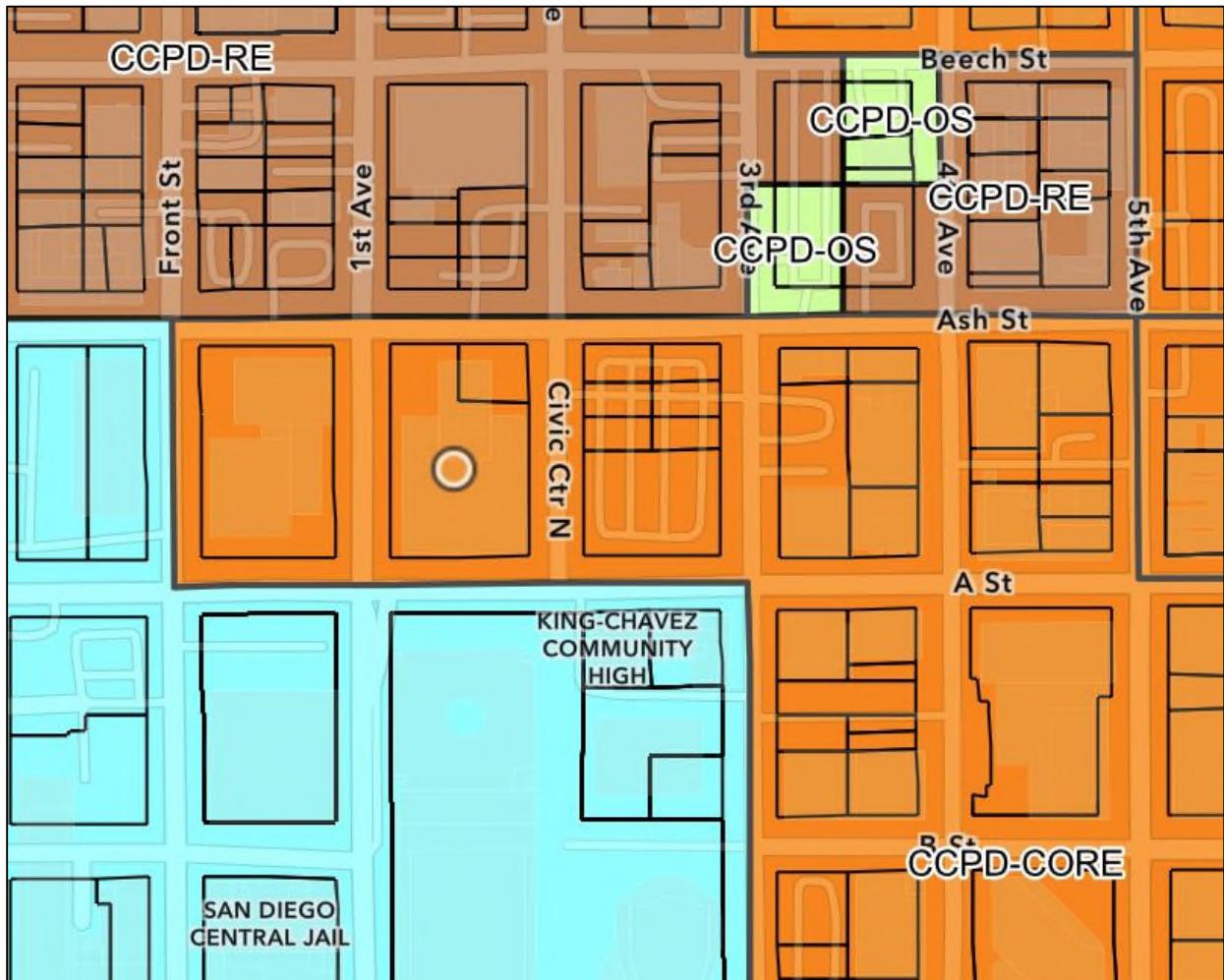
# SITE DESCRIPTION

GENERAL SITE DESCRIPTION OVERVIEW			
Location	The subject property is situated on an entire city block, on the southern side of Ash Street, between First Avenue and Second Avenue, in the City and County of San Diego, CA.		
Parcel Number	533-424-14-00		
Latitude, Longitude	32.719481, -117.163377		
Site Area	60,000 square feet	(1.38 acres)	
Configuration	Rectangular		
Topography	Level		
Drainage	Appears adequate		
Utilities/Municipal Services	All available to site.		
Off-Site Improvements	Completed		
Flood Zone(s)	<u>Zone</u>	<u>Map</u>	<u>Date</u>
	Zone X (Unshaded)	06073C1881H	December 20, 2019
	Zone X Unshaded (Outside 500Y) is a Non-Special Flood Hazard Area (NSFHA) of minimal flood hazard, usually depicted on Flood Insurance Rate Maps (FIRM) as above the 500-year flood level. This is an area in a low to moderate risk flood zone that is not in any immediate danger from flooding caused by overflowing rivers or hard rains. In communities that participate in the National Flood Insurance Program (NFIP), flood insurance is available to all property owners and renters in this zone.		
Census Tract No.	0053.02		
Soil/Subsoil Conditions	We did not receive nor review a soil report. However, we assume that the soil's load-bearing capacity is sufficient to support existing and/or proposed structure(s). We did not observe any evidence to the contrary during our physical inspection of the property.		
Environmental Concerns	The inspecting appraiser did not observe any environmental issues and for the purpose of this appraisal, it is specifically assumed that none exist. No independent environmental studies were provided. This appraisal assignment was engaged to determine the market value of the property, independent of any potential environmental issues. In the event the property is determined to be impacted by environmental concerns, it could affect our appraisal conclusions.		
Easements, Encroachments and Deed Restrictions	A title report was not provided, however, we are unaware of any detrimental easements, encroachments or other restrictions that would adversely affect the site's use or marketability.		
Hazards Nuisances	None observed or reported		
Frontage	200 feet along Ash Street		
Access	The subject is accessible from Ash Street; the garage is accessible from First Avenue.		
Visibility	Good/Excellent		
Surrounding Land Uses	High intensity office and employment centers (to the east and south); San Diego Central Jail (to the west and south); park and open space (to the north).		
Opportunity Zone	No		
Site Utility	Average/Good		

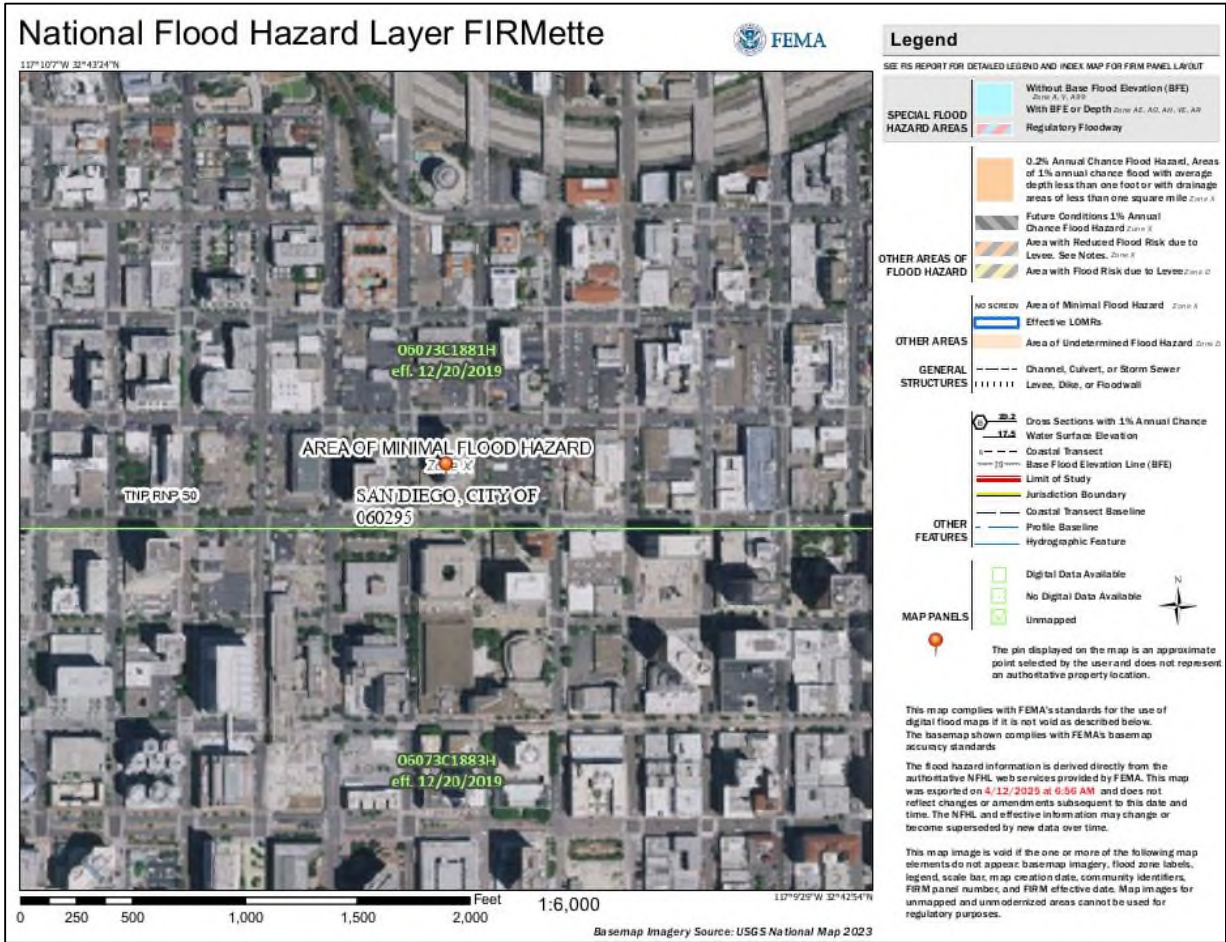
ZONING	
<b>Designation</b>	CCPD-CORE
<b>Description</b>	Centre City Planned District - Core
<b>Zoning Intent</b>	This district serves as a high-intensity office and employment center. The district operates as a center of regional importance and as a primary hub for businesses, communications, offices, and hotels with fewer restrictions on building bulk and tower separation than in other districts. Mixed-use development shall be accommodated as an important component of the area's vitality. Retail, educational, entertainment, residential, civic, governmental, and cultural uses are permitted. Within the C District, a minimum of 40 percent of the ground-floor street frontage shall contain commercial uses.
<b>Compliance</b>	The subject is a legal conforming use in this zoning district.
ZONING REQUIREMENTS	
Permitted Uses	Office; Multi-family use; Educational Facilities; Hospitals; Intermediate Care Facilities and Nursing Facilities;
Minimum Lot Size	None
Minimum Lot Width	None
Front (min. ft.)	15 feet
Rear, alley/no alley (min. ft.)	15 feet
Side (min. ft.) interior	15 feet



## ZONING MAP



FLOOD MAP



# IMPROVEMENTS DESCRIPTION

The subject building, a 21-story former institutional headquarters office building, was constructed by San Diego Gas & Electric Company in 1968 as its corporate headquarters. According to the Preliminary Report prepared by Stevenson Systems, Inc., it contains 350,331 rentable square feet, including the two levels of subterranean parking (floors A and B) for 240 cars. The building areas shown in the Stevenson Systems report are as follows:

101 Ash Street				REPORT DATE: 4/15/15		
PRELIMINARY						
FLOATING FACTOR CALCULATION SUMMARY						
FLOOR	TOTAL AREA MEASURED	USABLE AREA (Single Occ.) (Multi Occ.)		RENTABLE AREA	LOAD/ADD-ON FACTOR (Single Occ.) (Multi Occ.)	
B	11717.85	11717.85	11717.85	11717.85	1.0000	1.0000
A	14564.64	14564.64	14564.64	14564.64	1.0000	1.0000
1	37582.30	37582.30	37582.30	37582.30	1.0000	1.0000
2	35383.09	35383.09	35383.09	35383.09	1.0000	1.0000
3	13483.43	13483.43	13483.43	13483.43	1.0000	1.0000
4	13483.65	13483.65	13483.65	13483.65	1.0000	1.0000
5	13483.65	13483.65	13483.65	13483.65	1.0000	1.0000
6	13483.65	13483.65	13483.65	13483.65	1.0000	1.0000
7	13483.65	13483.65	13483.65	13483.65	1.0000	1.0000
8	13483.65	13483.65	13483.65	13483.65	1.0000	1.0000
9	13483.65	13483.65	13483.65	13483.65	1.0000	1.0000
10	13483.65	13483.65	13483.65	13483.65	1.0000	1.0000
11	13483.65	13483.65	13483.65	13483.65	1.0000	1.0000
12	13483.65	13483.65	13483.65	13483.65	1.0000	1.0000
13	13483.65	13483.65	13483.65	13483.65	1.0000	1.0000
14	13483.65	13483.65	13483.65	13483.65	1.0000	1.0000
15	13483.65	13483.65	13483.65	13483.65	1.0000	1.0000
16	13483.65	13483.65	13483.65	13483.65	1.0000	1.0000
17	13483.65	13483.65	13483.65	13483.65	1.0000	1.0000
18	13483.65	13483.65	13483.65	13483.65	1.0000	1.0000
19	13483.65	13483.65	13483.65	13483.65	1.0000	1.0000
20	13508.65	13508.65	13508.65	13508.65	1.0000	1.0000
21	8353.28	8353.28	8353.28	8353.28	1.0000	1.0000
TOTALS	350331.56	350331.56	350331.56	350331.56	1.0000	



GENERAL IMPROVEMENT DESCRIPTION OVERVIEW	
<b>Address</b>	101 Ash Street San Diego, California 92101-3017
<b>Property Description</b>	Office (Professional Office) 21-Story Office Property
<b>Year Built</b>	1967
<b>Number of Buildings</b>	1
<b>Number of Stories</b>	21
<b>Building Construction Class (MVS)</b>	Class A
<b>Gross Building Area</b>	350,331 square feet
<b>Floor-Area Ratio</b>	5.84
<b>Elevator(s)</b>	Eight passenger and one service elevator which serves all floors, except the 21st.
<b>Ingress/Egress</b>	The subject is accessible from Ash Street; the garage is accessible from First Avenue.
<b>Parking</b>	
<b>Garages</b>	240
<b>Total Parking Spaces</b>	240
<b>Parking Ratio</b>	0.69 spaces per 1,000 SF of gross building area.
<b>ADA Compliance</b>	The property was constructed prior to implementation of Federal ADA regulations; we assume the property is not fully ADA compliant.

CONSTRUCTION DETAIL	
<b>General Layout</b>	The subject is a 21-story office building, with 19 floors of usable office space and top two floors used for mechanical equipment.
<b>Foundation</b>	Reinforced concrete slab
<b>Construction</b>	Reinforced steel and concrete
<b>Floor Structure</b>	Reinforced concrete
<b>Exterior Walls</b>	Concrete block
<b>Roof Type</b>	Lightweight concrete and metal deck
<b>Roof Cover</b>	Built-up composition. Re-roofed in 1993

INTERIOR DETAIL	
<b>Interior Walls</b>	Drywall
<b>Ceilings</b>	2 x 4 acoustical tile
<b>Floor Coverings</b>	Wood and carpet
<b>Lighting</b>	Fluorescent and Incandescent

MECHANICAL DETAIL	
<b>Heating</b>	HVAC
<b>Cooling</b>	HVAC
<b>Plumbing</b>	Assumed to code and adequate.
<b>Electrical</b>	Assumed to code and adequate.
<b>Fire Protection</b>	Although the building has partial fire sprinkler coverage, according to the Kitchell's "101 Ash Street Building Condition Assessment Report," "[f]ire sprinkler system is currently not integrated with the fire alarm system and is lacking areas of coverage in certain rooms of the facility" (p. 37).

---

SITE IMPROVEMENTS	
Parking Type	Subterranean Garage
Landscaping	A variety of trees, shrubbery and grass

---

SUMMARY	
Building Condition	Average  We did not inspect the roof of the building(s) nor make a detailed inspection of the mechanical systems. We are not qualified to render an opinion as to the adequacy or condition of these components. The client is urged to retain an expert in this field if detailed information is needed about the adequacy and condition of mechanical systems.
Building Quality	Average/Good
Design and Functionality	Average
Actual Age	57 years
Expected Economic Life	60 years
Effective Age	30 years
Remaining Economic Life	30 years

---



---

# PROPERTY ASSESSMENT AND TAX ANALYSIS

## PROPERTY ASSESSMENT AND TAX DATA

Assessment and real estate tax information were provided by the Los Angeles County Assessor's office. In the state of California, multifamily properties are assessed at 100.0% of the actual market appraised value, as estimated by the County Assessor, when there is a change in ownership of the property. If the real estate is a leased investment type property, the fee simple value is analyzed at market income. If the property happens to be a leased investment whereas its higher and better use or value would be its fee simple interest, it is assessed as if fee simple, not leased fee. A reassessment generally occurs when a property is sold or transferred or when new construction occurs. A refinancing of a property without a change in ownership does not trigger reassessment.

In some cases, a property may transfer to family members or relatives without triggering a change of ownership re-assessment. Organizational changes among vested property owners may also avoid re-assessments under certain circumstances.

When a property is purchased in an arm's length transaction or any transaction considered to warrant a change in ownership re-assessment by the Assessor, the property is re-assessed at its market value. The new assessment typically equals the purchase price. It may be adjusted for items including special credits or for cash equivalency.

The general rule for long-term ground leases is that a reassessment is made at the time of assigning or terminating a lease if the remaining term is more than 35 years.

New construction is assessed by combining the direct construction cost with the previously assessed value.

In several other states, property tax analysis is properly accomplished by making comparisons with similar properties. This is not appropriate in California for market value appraisal purposes. Reporting property assessments and taxes on other properties serves no purpose toward tax and assessment estimation for the subject property and can only mislead the user of the appraisal. Thus, California tax comparables should not be reported in a USPAP compliant appraisal; therefore, we do not provide property tax comparables.

Assessments for properties that were acquired before the tax year 1975-1976 were stabilized as of the tax year 1975-1976. The basic property tax levy is limited by state law to 1 percent of the assessed value however voter-approved obligations and special assessments tend to increase the effective tax rate significantly above one percent. If no sale or transfer occurs or no new construction takes place, assessed values may not increase by more than 2 percent annually. Taxes are payable in two equal installments, on February 1 and November 1, which become delinquent after December 10 and April 10, respectively.

The subject property is identified by parcel number 533-424-14-00.

The following table summarizes the subject's projected real property taxes, which we have based on our stabilized value from the Income Capitalization Approach:

REAL ESTATE ASSESSMENT AND TAXES		
Tax ID No.		BBJ Projection
533-424-14-00		\$76,900,000
Tax Value Subtotal		\$76,900,000
Assessed Value @	100.00%	\$76,900,000
General Tax Rate	per \$100	1.2280
<b>Property Taxes</b>		<b>\$944,363</b>
<b>Total Taxes</b>		<b>\$944,363</b>
<b>Total Taxes PSF</b>		<b>\$2.70</b>

Real estate taxes and assessments for the current tax year and our proforma property taxation based on the concluded as is market value are shown in the table above. The definition of Market Value requires the appraisers to analyze the subject as if a sale were occurring, even if it is not. Upon a sale of the subject, the subject property would incur a substantial increase in its assessed value and the future tax liability; however, this would be anticipated by a prudent purchaser of this property and is accounted for in the selection of capitalization rate within the Income Approach section of this report.

---

# MARKET ANALYSIS

## SAN DIEGO OFFICE MARKET

Costar is the source for the following data. The data reflects conditions of 2024 Q4, the most recent data available. The initial discussion provides information on the overall San Diego Office market, followed by the subject's submarket. The subject is located within the Downtown submarket, which will be discussed later in this report.

CoStar's forecast scenarios include its Houseview Base Case, introduced in 2023, and several algorithmic forecast scenarios. These have been produced using CoStar's internal econometric property sector models based on inputs from Oxford Economics' macroeconomic models in its North American Cities and Regions service published in September 2024.

The Houseview Base Case forecast scenario is based on the Algorithmic Base Case below, where manual interventions are made to the property sector forecasts to account for structural and cyclical impacts in the commercial real estate markets that are not adequately reflected in macroeconomic forecasts. For example, tighter financial conditions have resulted in higher cap rates and steeper valuation losses. At the same time, low office utilization rates caused by the adoption of hybrid work arrangements have weakened fundamentals beyond what headline job gains or losses encapsulate. These interventions result in forecasts that are better aligned with the professional views of CoStar's property sector specialists.

The Houseview offers two accompanying scenarios: the Houseview Moderate Upside and the Houseview Severe Downside. The former provides a more optimistic view of the economy, with job gains and economic growth moderately improved over the Houseview Base Case. At the same time, the latter sees a more muted economic environment.

The Algorithmic Base Case forecast is based on the Oxford Economics baseline forecast, which reflects moderate economic growth throughout 2024, driven by a solid labor market and the strong state of household balance sheets. GDP is expected to grow by 2.7% in 2024 and 2.0% in 2025, an upgrade from the previous quarter's forecast. Job gains have been slowing and are expected to continue to slow for the next few years as the labor market rebalances. Firms are projected to add 2.2 million positions in 2024, compared to 2.9 million in 2023 and 1.5 million in 2025. The unemployment rate is expected to end the year at 4.3%, staying there through mid-2026 and declining through the forecast period to about 4.2%.

Headline and core inflation are expected to continue easing through the next four quarters but remain above the Federal Reserve's 2% target rate throughout 2024. The Federal Reserve is expected to continue to lower rates after beginning its easing cycle with a surprise 50 basis point cut. The path to its neutral rate is expected to be bumpy due to seasonality and base effects. Capital markets remain calm. Spreads between BBB corporate bonds and the 10-year Treasury stay between 1.0% and 1.25% through the end of the forecast period.

CoStar also offers a forecast based on the 2024Q3 Algorithmic Moderate Upside scenario, which sees economic activity surprising to the upside over the coming year under a concerted global strengthening of demand. The Moderate Upside has the economy reaccelerating to 3% in 2025 compared to 2% in the Algorithmic Base Case forecast and adding about 3.3 million jobs in 2024 before slowing to 2.5 million in 2025. The unemployment rate will fall to a historic low of 2.4% by the end of this year before rising to 3.1% in 2025 and around 3.5% in the longer term.

The Algorithmic Moderate Downside scenario envisions conditions where higher inflation, higher interest rates, and weakening consumer confidence cause a contraction in economic output in the fourth quarter of 2024. The economy will grow by 2.2% in 2024 compared to 2.7% in the Algorithmic Base Case scenario and will contract by 0.4% in 2025.

---

Activity remains sluggish, and the economy will not return to its 2024Q3 level until late 2026. Financial market turmoil unfolds, as well as weaker consumer confidence and reduced business investment.

Job losses will begin in the fourth quarter of 2024 and continue through the end of 2026, with employment falling by about 1.8 million jobs during that time. The unemployment rate rises to 4.2% by the end of 2024, 5.9% by the end of 2025, and 6.8% by 2026. The shock to aggregate demand and the labor market leads to slower inflation, weaker asset prices, and higher bond yields, leading to deteriorating financial conditions, with risk spreads widening to 200 basis points by early 2025 before easing slowly into 2026.

The Algorithmic Interest Rate Shock forecast consists of the same economic forecast as the Moderate Downside scenario but delivers a shock to the BBB corporate bond yield as a proxy for a sudden increase in risk originating in financial markets or from significant and unexpected geopolitical events. In this scenario, higher risk spreads of about 300 basis points by late 2025 drive cap rates higher, which causes sharper near-term property value losses before recovering.

The Algorithmic Severe Downside scenario envisions a severe global recession that might occur during a major geopolitical crisis impacting supply chains, commodity prices and domestic consumer and business sentiment. This combination results in a severe and prolonged contraction in output and employment, which spills over to reduced capital accumulation and total factor productivity.

In this scenario, the economy begins to contract sharply in the fourth quarter of 2024 and is in recession through mid-2026, with GDP falling about 7% peak through the trough. Job losses start immediately and continue through early 2025, with more than 7.3 million positions lost during that time. The unemployment rate will rise to 10% by mid-2026 and remain elevated through the decade's end. The surge in unemployment and prolonged economic weakness triggers a sharp increase in personal and corporate insolvencies, and asset prices plummet. Risk spreads widen to about 425 basis points in mid- to late-2025 before recovering.

Costar rates office properties using a star rating, in which 1 and 2-star properties generally equate to the more traditional Class C rating; 3-star properties generally equate to Class B; and 4 and 5-star properties generally equate to Class A.

Class A – They are characterized by high quality construction and finishes, high occupancy levels, sophisticated amenities, and top rental rates. A+ properties would suggest "trophy" properties with the characteristics noted above.

Class B – These properties are regarded as modern (although not necessarily new) buildings, or old (i.e., Class C) structures recently renovated to modern standards. Good locations, reasonably high occupancy levels, and competitive rental rates characterize these buildings.

Class C – The lowest quality available in the market are found in Class C buildings. These buildings are generally old, but in fair condition. Rental rates are the lowest within the market and amenities are minimal.

## KEY INDICATORS AT A GLANCE

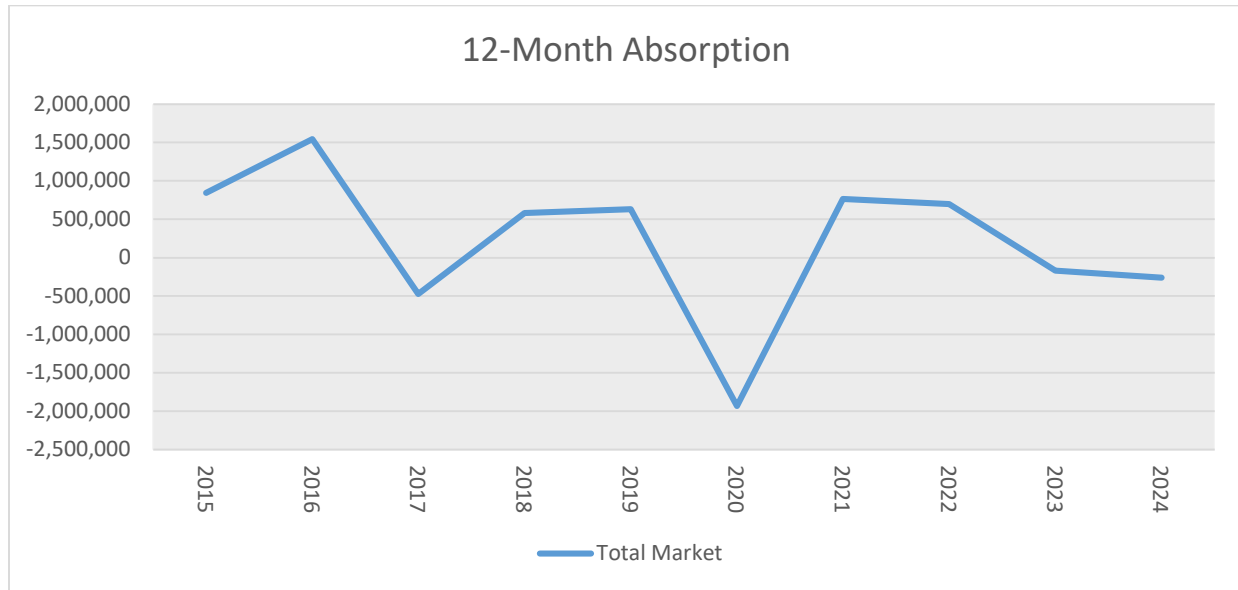
	PRIOR QUARTER	CURRENT QUARTER	COMPARISON
Vacancy (%)	11.89%	11.78%	decreased 11 Basis Points
Absorption (SF)	84,024	99,624	increased 15,600 SF
Quoted Rental Rates (\$/SF/Year)	\$40.53	\$40.66	increased \$0.13 PSF
Inventory (SF)	119,264,785	119,220,798	decreased 43,984 SF
Net Deliveries (SF)	332,838	-43,987	decreased 376,825 SF
Under Construction (SF)	3,082,208	3,149,993	increased 67,785 SF

## SAN DIEGO OFFICE MARKET STATISTICS

PERIOD	EXISTING INVENTORY (SF)	VACANCY %	NET ABSORPTION (SF)	NET COMPLETIONS (SF)	UNDER CONST. (SF)	QUOTED RATES (\$/SF/YEAR)
2024 Q4	119,220,798	11.78%	99,624	-43,987	3,149,993	\$40.66
2024 Q3	119,264,785	11.89%	84,024	332,838	3,082,208	\$40.53
2024 Q2	118,931,947	11.72%	96,894	714,862	3,499,511	\$40.52
2024 Q1	118,217,085	11.27%	-541,727	-16,865	4,309,946	\$40.50
2024	119,220,798	11.78%	-261,185	986,848	3,149,993	\$40.66
2023	118,233,950	10.82%	-171,888	87,643	4,249,946	\$40.40
2022	118,146,307	10.61%	696,793	180,036	3,745,979	\$39.49
2021	117,966,271	11.06%	762,761	317,150	4,013,041	\$38.70
2020	117,649,121	11.47%	-1,932,711	1,154,762	3,701,593	\$37.47

The San Diego Office market ended the fourth quarter with a vacancy rate of 11.78%. The vacancy rate decreased over the previous quarter, with net absorption totaling 99,624 square feet in the fourth quarter. Rental rates increased compared to the previous quarter, ending fourth quarter at \$40.66. A total of -43,987 square feet was delivered to the market, with 3,149,993 square feet still under construction at the end of the quarter.

## ABSORPTION



Net absorption for the overall San Diego Office market was 99,624 square feet in the fourth quarter 2024. That compares to 84,024 square feet in the third quarter 2024, 96,894 square feet in the second quarter 2024, and -541,727 square feet in the first quarter 2024. Net absorption in the market over the prior 12 months totaled -261,185 square feet.

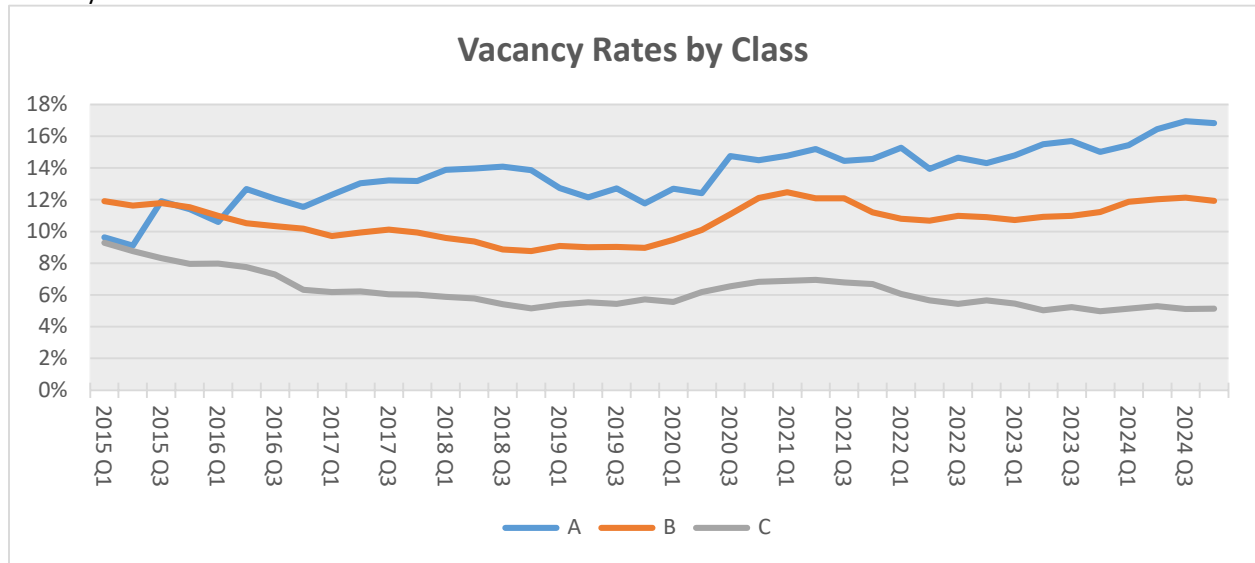
The Class A (4 & 5 Star) Office market recorded net absorption of 45,842 square feet in the fourth quarter 2024, compared to 158,244 square feet in the third quarter 2024, 308,663 square feet in the second quarter 2024, and -147,264 square feet in the first quarter 2024.

The Class B (3 Star) Office market recorded net absorption of 61,856 square feet in the fourth quarter 2024, compared to -103,595 square feet in the third quarter 2024, -130,079 square feet in the second quarter 2024, and -334,547 square feet in the first quarter 2024.

The Class C (1 & 2 Star) Office market recorded net absorption of -8,074 square feet in the fourth quarter 2024, compared to 29,375 square feet in the third quarter 2024, -81,690 square feet in the second quarter 2024, and -59,916 square feet in the first quarter 2024.

Net absorption for the Downtown submarket was 77,375 square feet in the fourth quarter 2024. That compares to -38,480 square feet in the third quarter 2024, -122,150 square feet in the second quarter 2024, and -110,716 square feet in the first quarter 2024.

## Vacancy



Vacancy for the overall San Diego Office market decreased to 11.78% in the fourth quarter 2024. That compares to 11.89% in the third quarter 2024, 11.72% in the second quarter 2024, and 11.27% in the first quarter 2024.

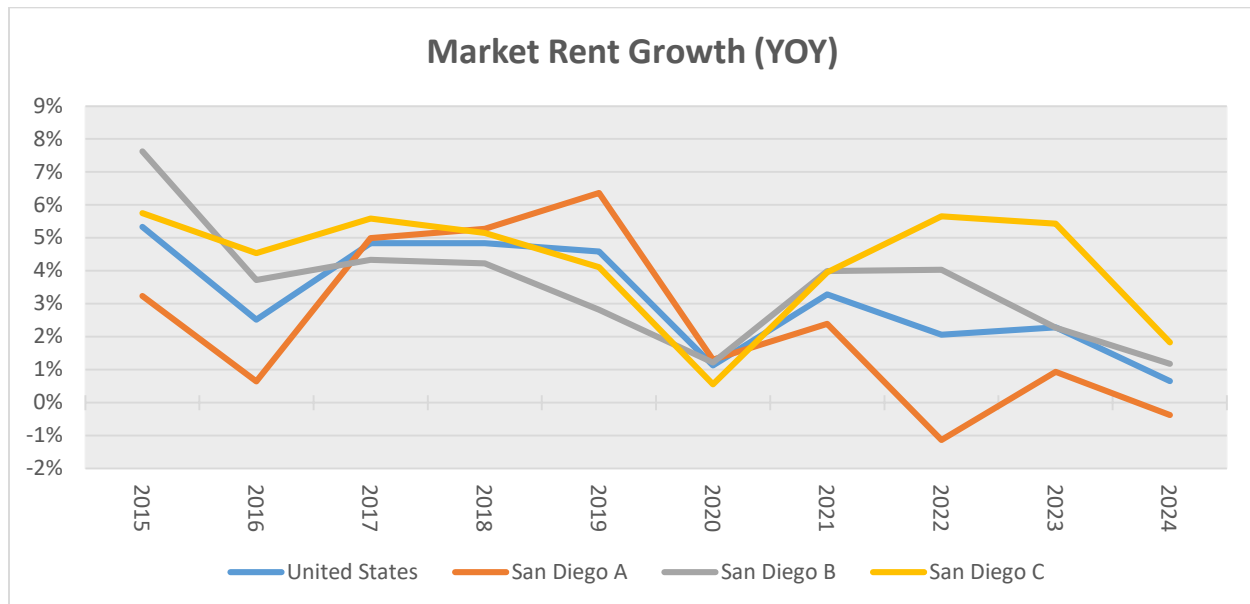
Class A (4 & 5 Star) projects reported a vacancy rate of 16.83% at the end of the fourth quarter 2024, 16.95% at the end of the third quarter 2024, 16.45% at the end of the second quarter 2024, and 15.43% at the end of the first quarter 2024.

Class B (3 Star) projects reported a vacancy rate of 11.93% at the end of the fourth quarter 2024, 12.12% at the end of the third quarter 2024, 12.02% at the end of the second quarter 2024, and 11.87% at the end of the first quarter 2024.

Class C (1 & 2 Star) projects reported a vacancy rate of 5.14% at the end of the fourth quarter 2024, 5.12% at the end of the third quarter 2024, 5.29% at the end of the second quarter 2024, and 5.14% at the end of the first quarter 2024.

The overall vacancy rate in the San Diego Downtown submarket at the end of the fourth quarter 2024 was 30.98%. The vacancy rate was 31.74% at the end of the third quarter 2024, 29.53% at the end of the second quarter 2024 and 27.25% at the end of the first quarter 2024.

## RENTAL RATES



The rental rates shown below are per square foot per year on a full service gross basis.

The average asking rental rate for available Office space, all classes, was \$40.66 psf at the end of the fourth quarter 2024 in the San Diego market area. This represented a 0.3% increase in quoted rental rates from the end of the third quarter 2024, when rents were reported at \$40.53.

The average quoted rate within the Class A (4 & 5 Star) sector was \$50.73 at the end of the fourth quarter 2024, while Class B (3 Star) rates stood at \$37.65, and Class C (1 & 2 Star) rates at \$32.17. At the end of the third quarter 2024, Class A (4 & 5 Star) rates were \$50.40 , Class-B (3 Star) rates were \$37.60, and Class C (1 & 2 Star) rates were \$32.19.

The average quoted asking rental rate in San Diego's Downtown district was \$41.51 at the end of the fourth quarter 2024. In the third quarter 2024, quoted rates were \$41.22.

## INVENTORY & CONSTRUCTION

During the fourth quarter 2024, a total of -43,987 square feet was completed in the San Diego market area. This compares to a total of 332,838 square feet completed in the third quarter 2024, a total of 714,862 square feet completed in the second quarter 2024, and -16,865 square feet completed in the first quarter 2024.

There was 3,149,993 square feet of Office space under construction at the end of the fourth quarter 2024.



SUBTYPE	EXISTING INVENTORY (SF)	NET DELIVERIES (12 MONTHS)	UNDER CONSTRUCTION (SF)
Class A (4 & 5 Star)	37,382,543	1,224,371	3,149,993
Class B (3 Star)	52,201,147	-159,164	0
Class C (1 & 2 Star)	29,637,108	-78,359	0
<b>Total</b>	<b>119,220,798</b>	<b>986,848</b>	<b>3,149,993</b>

## MARKET OUTLOOK

The San Diego Office market ended the fourth quarter 2024 with a vacancy rate of 11.78%. The vacancy rate decreased over the previous quarter, with net absorption totaling 99,624 square feet in the fourth quarter 2024. Rental rates increased \$0.13 PSF over the previous quarter and ended at \$40.66. A total of -43,987 square feet was delivered in the quarter, with 3,149,993 square feet still under construction at the end of the quarter.

## DOWNTOWN OFFICE MARKET

### KEY INDICATORS AT A GLANCE

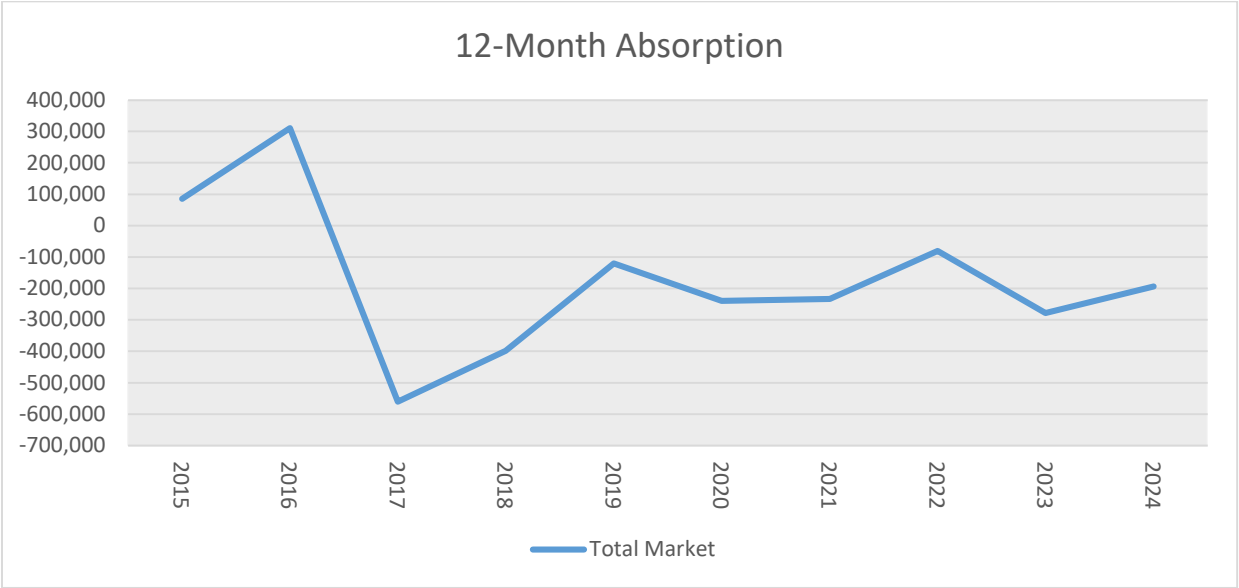
	PRIOR QUARTER	CURRENT QUARTER	COMPARISON
Vacancy (%)	31.74%	30.98%	decreased 76 Basis Points
Absorption (SF)	-38,480	77,375	increased 115,855 SF
Quoted Rental Rates (\$/SF/Year)	\$41.22	\$41.51	increased \$0.29 PSF
Inventory (SF)	14,971,699	14,917,722	decreased 53,977 SF
Net Deliveries (SF)	414,811	-53,977	decreased 468,788 SF
Under Construction (SF)	2,011,501	2,011,501	no change SF

## DOWNTOWN OFFICE MARKET STATISTICS

PERIOD	EXISTING INVENTORY (SF)	VACANCY %	NET ABSORPTION (SF)	NET COMPLETIONS (SF)	UNDER CONST. (SF)	QUOTED RATES (\$/SF/YEAR)
2024 Q4	14,917,722	30.98%	77,375	-53,977	2,011,501	\$41.51
2024 Q3	14,971,699	31.74%	-38,480	414,811	2,011,501	\$41.22
2024 Q2	14,556,888	29.53%	-122,150	288,753	2,426,312	\$41.42
2024 Q1	14,268,135	27.25%	-110,716	0	2,715,065	\$41.56
2024	14,917,722	30.98%	-193,971	649,587	2,011,501	\$41.51
2023	14,268,135	26.47%	-278,615	-8,000	2,715,065	\$41.42
2022	14,276,135	24.56%	-81,133	-14,913	2,715,065	\$41.33
2021	14,291,048	24.08%	-233,158	325,744	2,478,827	\$42.07
2020	13,965,304	20.63%	-239,266	305,884	2,804,571	\$42.45

The Downtown Office market ended the fourth quarter with a vacancy rate of 30.98%. The vacancy rate decreased over the previous quarter, with net absorption totaling 77,375 square feet in the fourth quarter. Rental rates increased compared to the previous quarter, ending fourth quarter at \$41.51. A total of -53,977 square feet was delivered to the market, with 2,011,501 square feet still under construction at the end of the quarter.

ABSORPTION



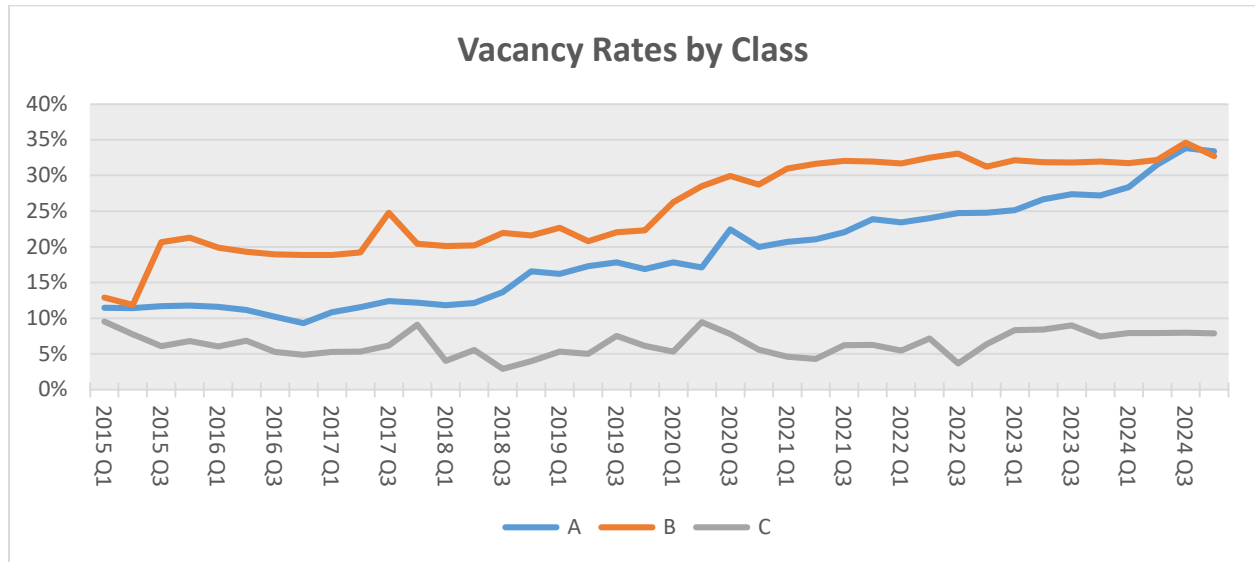
Net absorption for the overall Downtown Office market was 77,375 square feet in the fourth quarter 2024. That compares to -38,480 square feet in the third quarter 2024, -122,150 square feet in the second quarter 2024, and -110,716 square feet in the first quarter 2024. Net absorption in the market over the prior 12 months totaled -193,971 square feet.

The Class A (4 & 5 Star) Office market recorded net absorption of 49,776 square feet in the fourth quarter 2024, compared to 42,228 square feet in the third quarter 2024, -107,526 square feet in the second quarter 2024, and -111,171 square feet in the first quarter 2024.

The Class B (3 Star) Office market recorded net absorption of 25,961 square feet in the fourth quarter 2024, compared to -79,652 square feet in the third quarter 2024, -15,077 square feet in the second quarter 2024, and 7,189 square feet in the first quarter 2024.

The Class C (1 & 2 Star) Office market recorded net absorption of 1,638 square feet in the fourth quarter 2024, compared to -1,056 square feet in the third quarter 2024, 453 square feet in the second quarter 2024, and -6,734 square feet in the first quarter 2024.

## VACANCY



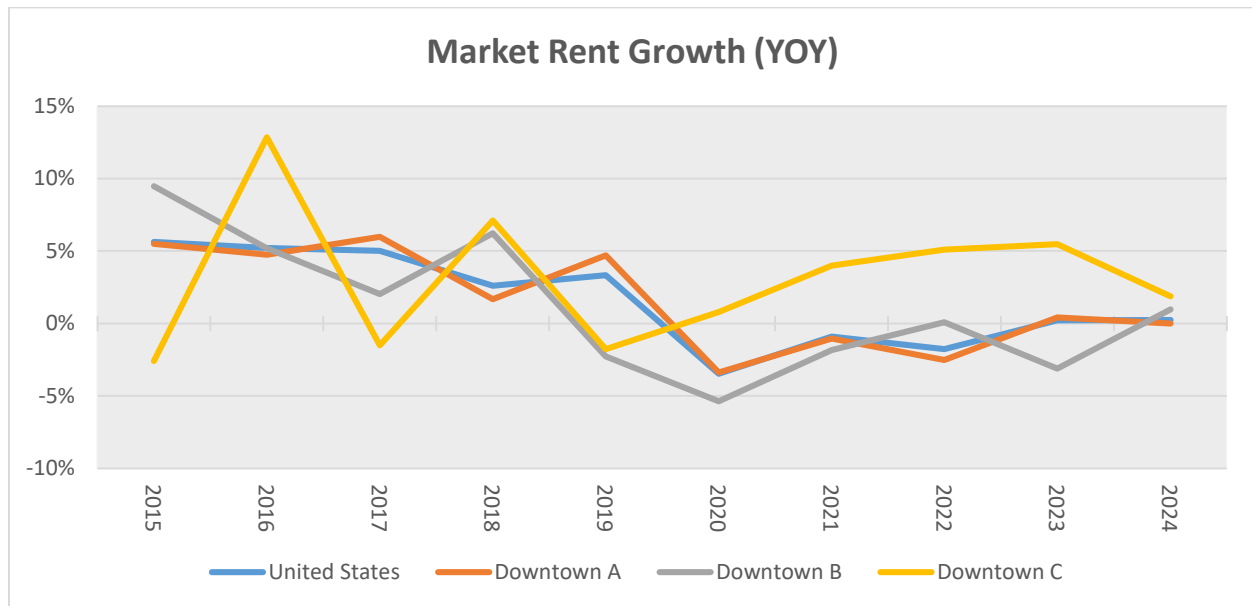
Vacancy for the overall Downtown Office market decreased to 30.98% in the fourth quarter 2024. That compares to 31.74% in the third quarter 2024, 29.53% in the second quarter 2024, and 27.25% in the first quarter 2024.

Class A (4 & 5 Star) projects reported a vacancy rate of 33.36% at the end of the fourth quarter 2024, 33.84% at the end of the third quarter 2024, 31.51% at the end of the second quarter 2024, and 28.36% at the end of the first quarter 2024.

Class B (3 Star) projects reported a vacancy rate of 32.69% at the end of the fourth quarter 2024, 34.59% at the end of the third quarter 2024, 32.16% at the end of the second quarter 2024, and 31.70% at the end of the first quarter 2024.

Class C (1 & 2 Star) projects reported a vacancy rate of 7.87% at the end of the fourth quarter 2024, 7.99% at the end of the third quarter 2024, 7.91% at the end of the second quarter 2024, and 7.94% at the end of the first quarter 2024.

## RENTAL RATES



The rental rates shown below are per square foot per year on a full service gross basis. The average asking rental rate for available Office space, all classes, was \$41.51 psf at the end of the fourth quarter 2024 in the Downtown market area. This represented a 0.7% increase in quoted rental rates from the end of the third quarter 2024, when rents were reported at \$41.22. The average quoted rate within the Class A (4 & 5 Star) sector was \$45.54 at the end of the fourth quarter 2024, while Class B (3 Star) rates stood at \$29.55, and Class C (1 & 2 Star) rates at \$32.79. At the end of the third quarter 2024, Class A (4 & 5 Star) rates were \$45.16, Class-B (3 Star) rates were \$29.51, and Class C (1 & 2 Star) rates were \$32.80.

## INVENTORY & CONSTRUCTION

During the fourth quarter 2024, a total of -53,977 square feet was completed in the Downtown market area. This compares to a total of 414,811 square feet completed in the third quarter 2024, a total of 288,753 square feet completed in the second quarter 2024, and 0 square feet completed in the first quarter 2024.

There were 2,011,501 square feet of Office space under construction at the end of the fourth quarter 2024.

SUBTYPE	EXISTING INVENTORY (SF)	NET DELIVERIES (12 MONTHS)	UNDER CONSTRUCTION (SF)
Class A (4 & 5 Star)	10,385,941	703,564	2,011,501
Class B (3 Star)	3,219,790	-53,977	0
Class C (1 & 2 Star)	1,311,991	0	0
<b>Total</b>	<b>14,917,722</b>	<b>649,587</b>	<b>2,011,501</b>

## DOWNTOWN MARKET OUTLOOK

The Downtown Office market ended the fourth quarter 2024 with a vacancy rate of 30.98%. The vacancy rate decreased over the previous quarter, with net absorption totaling 77,375 square feet in the fourth quarter 2024. Rental rates increased \$0.29 PSF over the previous quarter and ended at \$41.51. A total of -53,977 square feet was delivered in the quarter, with 2,011,501 square feet still under construction at the end of the quarter.

---

# HIGHEST AND BEST USE

## INTRODUCTION

The highest and best use is the reasonable, probable, and legal use of vacant land or an improved property that is physically possible, legally permissible, appropriately supported, financially feasible and that results in the highest value. These criteria are often considered sequentially. The tests of legal permissibility and physical possibility must be applied before the remaining tests of financial feasibility and maximal productivity. A financially feasible use is precluded if it is legally prohibited or physically impossible. If a reasonable possibility exists that one of the prior, unacceptable conditions can be changed, is it appropriate to proceed with the analysis with such an assumption.

## HIGHEST AND BEST USE CRITERIA

The site's highest and best use is analyzed both as vacant and as improved, and if improvements are proposed then an as proposed analysis is required. In all cases, the property's highest and best use must meet four criteria: (1) legally permissible; (2) physically possible; (3) financially feasible; and (4) maximally productive.

## HIGHEST AND BEST USE AS VACANT

### LEGALLY PERMISSIBLE

Legal restrictions include deed restrictions, CC&R's, lease encumbrances, zoning requirements, building codes, historic district controls and environmental regulations, and were previously analyzed to determine legally permitted uses. Legally, the subject is zoned CCPD-CORE. Permitted uses include Office; Multi-family use; Educational Facilities; Hospitals; Intermediate Care Facilities and Nursing Facilities. No other legal restrictions have been identified that would limit development of the property beyond the development standards stipulated by municipal code.

### PHYSICALLY POSSIBLE

Size, shape, topography, soil condition, availability of utilities, transportation access, surrounding uses, and locational characteristics were previously analyzed to determine which legal land uses are physically possible and which are best to conform to the physical and locational aspects of the site and its setting with respect to the neighborhood and community. Overall, the physical site attributes result in adequate utility, and the property could be developed with a variety of legally-conforming uses. Given the surrounding uses and location, the site is best suited for high-rise office development.

### FINANCIALLY FEASIBLE

Financial feasibility is determined by the relationship of supply and demand for the legally probable land uses versus the cost to create them. Given the current state of the office market, office development is not considered to be financially feasible at this time. Further, there are a number of multi-family projects currently under development in the nearby area. As such, multi-family development is considered to be financially feasible, albeit with a development timeframe of 3-5 years.

---

### **MAXIMALLY PRODUCTIVE**

Overall, the maximally productive highest and best use as if vacant is to hold for development, most likely for multi-family use to be evaluated in a 3-5 year timeline.

### **HIGHEST AND BEST USE AS IMPROVED**

#### **LEGALLY PERMISSIBLE**

As improved, the subject property appears to be a legally-conforming use.

#### **PHYSICALLY POSSIBLE**

The subject is currently improved with a 350,331-square foot office property on a 1.38-acre site that conforms to its surrounding uses. Continued use of the improvements for office use is physically possible.

#### **FINANCIALLY FEASIBLE**

As of the Appraisal Date, the subject property is currently under consideration for conversion into affordable multi-family. Given the uncertainty associated with both public and private funding sources, as well as permitting and the current state of the property, we have determined that conversion may or may not be financially feasible. As such, we consider the current use as office to be financially feasible, although possibly as an interim use of the existing improvements.

### **MAXIMALLY PRODUCTIVE**

Maximally productive use is office use.

---

# VALUATION PROCESS

Valuation in the appraisal process generally involves three techniques, including the Cost Approach, Sales Comparison Approach and the Income Capitalization Approach.

These three valuation methods are defined in the following table:

VALUATION METHODS	DEFINITION
<b>Cost Approach</b>	In this approach, value is based on adding the contributing value of any improvements (after deductions for accrued depreciation) to the value of the land as if it were vacant based on its highest and best use. If the interest appraised is other than fee simple, additional adjustments may be necessary for non-realty interest and/or the impact of existing leases or contracts.
<b>Sales Comparison Approach</b>	In this approach, recent sales of similar properties in the marketplace are compared directly to the subject property. This comparison is typically accomplished by extracting “units of comparison”, for example, price per square foot, and then analyzing these units of comparison for differences between each comparable and the subject. The reliability of an indication found by this method depends on the quality of the comparable data found in the marketplace.
<b>Income Capitalization Approach</b>	In this approach, a property is viewed through the eyes of a typical investor, whose primary objective is to earn a profit on the investment principally through the receipt of expected income generated from operations and the ultimate resale of the property at the end of a holding period.

---

## VALUATION METHODS UTILIZED

This appraisal employs the Cost Approach, the Sales Comparison Approach (to establish the valuation of the subject’s site), and the Income Capitalization Approach. Based on our analysis and knowledge of the subject property type and relevant investor profiles, it is our opinion that these approaches would be considered meaningful and applicable in developing a credible value conclusion.

The valuation process is concluded by analyzing each approach to value used in the appraisal. When more than one approach is used, each approach is judged based on its applicability, reliability, and the quantity and quality of its data. A final value opinion is chosen that either corresponds to one of the approaches to value, or is a correlation of all the approaches used in the appraisal.

---



# LAND VALUATION

## METHODOLOGY

The Sales Comparison Approach is employed to develop an opinion of land value. In the Sales Comparison Approach, we developed an opinion of value by comparing similar, recently sold sites in the surrounding or competing area to the subject property. In order to determine the value of the subject property, these comparable sales and/or listings are then evaluated and adjusted based on their differences when compared to the subject property. Inherent in this approach is the principle of substitution, which states that when a property is replaceable in the market, its value tends to be set at the cost of acquiring an equally desirable substitute property, assuming that no costly delay is encountered in making the substitution.

The Sales Comparison Approach to value requires the following sequential steps:

<b>Unit of Comparison</b>	A unit of comparison (i.e. price per square foot, price per acre, price per dwelling unit) must be selected for comparable analysis of the sales and the subject. The selected unit of comparison must be consistent with market behavior.
<b>Search for Sales</b>	Research must be done to locate comparable sales, listings and contracts of sites that are similar to the subject. Similarities may include size, utility, zoning, physical characteristics, location and the date of the sale.
<b>Confirmation</b>	All sales must be confirmed to verify that the data used is accurate, and that all of the sales, listings or contracts represent arm's-length transactions.
<b>Comparison</b>	Each of the sales that is chosen for this valuation is considered generally similar to the subject. Therefore, each difference between the comparables and the subject must be identified, and then adjusted for the various differences. All adjustments are made to the comparables as they relate to the subject property.
<b>Reconciliation</b>	Once the comparables have been adjusted, a value must be concluded based on the indications produced from the analysis of the comparables.

## UNITS OF COMPARISON

Based on market behavior observed, the most appropriate unit of comparison for this analysis is price per square foot.

## COMPARABLE LAND SALES

On the following pages, we present a summary of the properties that we compared to the subject property, a map showing their locations, and the adjustment process.

## EXISTING OFFICE BUILDING FOR PROPOSED ADAPTIVE REUSE APPRAISAL



## COMPARABLE LAND SALES SUMMARY

SUMMARY OF LAND SALES							
Comp No.	Property / Location	Date of Sale / Status	Property Rights	Site Size (Net Acres)	Zoning	Sale Price	Price per SF (Net)
1	2401 Pacific Hwy 2401 Pacific Highway San Diego, CA	Mar-25 Closed	Fee Simple	0.64	CCDC-MC, Mixed Commercial	\$6,500,000	\$233.16
2	Urban Infill Lot - Pay Parking Lot 744 Seventh Avenue San Diego, CA	Jul-24 Closed	Fee Simple	0.11	CCPD-ER, Employment/Residential Mixed-Use	\$2,950,000	\$589.18
3	4620 Pacific Hwy 4620 Pacific Highway San Diego, CA	Oct-23 Closed	Fee Simple	0.42	A70, Limited Agriculture	\$9,000,000	\$491.94
4	124 Beech Street - Multifamily Development 124 Beech Street San Diego, CA	Oct-23 Closed	Fee Simple	0.23	CCPD-R, CBD Residential	\$6,500,000	\$648.77
5	1452 K Street 1452 K Street San Diego, CA	Mar-23 Closed	Fee Simple	0.46	CCPD-NC, Center-City Planned District, Neighborhood Mixed-Use	\$7,350,000	\$363.16
Subj.	Existing Office Building for Proposed Adaptive Reuse 101 Ash Street San Diego, California	---	---	1.38	CCPD-CORE, Centre City Planned District - Core	---	---

---

COMMENTS
----------

1 - This is a sale of a 0.64-acre commercial lot for \$6,500,000 or \$233.16 per square foot. A 4-story, 107,000-square-foot self-storage facility will be developed at the site.
---

2 - This is the sale of a 0.11-acre parcel developed as a parking lot within the downtown area of San Diego, CA. The site is reportedly leased until 2026, with the site being leased short term for many years in anticipation of the site being developed by the owner. The current lessee was the purchaser. The site sold for \$589.18/SF.
--

3 - A rare development or re-use opportunity in Old Town. Located steps away from the prime Old Town Historic Park and many area hotels. This site is ready for development. Directly across from Old Town Transit Center. Surrounded by multiple hotels including The Hilton Garden Inn and E-Z 8 Motel.
---

4 - Vacant parking lot in downtown San Diego sold for \$648.77/SF. Buyer's will build a 22-story 220-unit multi-family property.
--

5 - This is the sale of a 0.46-acre parcel of mixed use zoning land that sold for \$363.16/SF. Center-City Planned District, Neighborhood Mixed-Use zoning allows for both ground floor commercial and residential uses on higher levels.
---

## COMPARABLE LAND SALES ADJUSTMENT GRID

COMPARABLE LAND SALE ADJUSTMENTS						
	Subject	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5
Property / Location	Existing Office Building for Proposed Adaptive Reuse 101 Ash Street San Diego, California	2401 Pacific Hwy 2401 Pacific Highway San Diego, CA	Urban Infill Lot - Pay Parking Lot 744 Seventh Avenue San Diego, CA	4620 Pacific Hwy 4620 Pacific Highway San Diego, CA	124 Beech Street - Multifamily Development 124 Beech Street San Diego, CA	1452 K Street 1452 K Street San Diego, CA
Date of Sale / Status	---	Mar-25 Closed	Jul-24 Closed	Oct-23 Closed	Oct-23 Closed	Mar-23 Closed
Property Rights	---	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Site Size (Acres)	1.38	0.64	0.11	0.42	0.23	0.46
Site Size (SF)	60,000	27,878	5,007	18,295	10,019	20,239
Sale Price	-----	\$6,500,000	\$2,950,000	\$9,000,000	\$6,500,000	\$7,350,000
Zoning	CCPD-CORE, Centre	CCDC-MC	CCPD-ER	A70	CCPD-R	CCPD-NC
Property Use	Professional Office	Commercial	Commercial	Commercial	Commercial	Commercial
Unadjusted Price per SF	-----	\$233.16	\$589.18	\$491.94	\$648.77	\$363.16
Transactional Adjustments						
Property Rights Conveyed	---	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Adjustment		0%	0%	0%	0%	0%
Subtotal		\$233.16	\$589.18	\$491.94	\$648.77	\$363.16
Financing Terms						
Adjustment		0%	0%	0%	0%	0%
Subtotal		\$233.16	\$589.18	\$491.94	\$648.77	\$363.16
Conditions of Sale						
Adjustment		0%	0%	0%	0%	0%
Subtotal		\$233.16	\$589.18	\$491.94	\$648.77	\$363.16
Expenditures Immed After Sale						
Adjustment		0%	0%	0%	0%	0%
Subtotal		\$233.16	\$589.18	\$491.94	\$648.77	\$363.16
Market Conditions	Apr-25	Mar-25	Jul-24	Oct-23	Oct-23	Mar-23
Adjustment		0%	0%	0%	0%	0%
Subtotal		\$233.16	\$589.18	\$491.94	\$648.77	\$363.16
Total Transactional Adjustments		0%	0%	0%	0%	0%
Adjusted Price per SF		\$233.16	\$589.18	\$491.94	\$648.77	\$363.16
Property Adjustments						
Location		0%	0%	-10%	0%	0%
	60,000	27,878	5,007	18,295	10,019	20,239
Net Site Size (SF)		-15%	-30%	-20%	-25%	-20%
	CCPD-CORE, Centre City Planned District - Core	CCDC-MC	CCPD-ER	A70	CCPD-R	CCPD-NC
Zoning / Intended Use		-20%	-20%	0%	-20%	-20%
Total Property Adjustments		-35%	-50%	-30%	-45%	-40%
Indication for Subject per SF		\$151.55	\$294.59	\$344.36	\$356.82	\$217.90

## ADJUSTMENT PROCESS

The sales that we have utilized represent the best available information that could be compared to the subject property. The major elements of comparison for an analysis of this type include the property rights conveyed, the financial terms incorporated into a particular transaction, the conditions or motivations surrounding the sale, changes in market conditions since the sale, the location of the real estate, its physical traits and the economic characteristics of the property.

---

## **DISCUSSION OF ADJUSTMENTS**

### **TRANSACTIONAL ADJUSTMENTS**

#### **PROPERTY RIGHTS CONVEYED**

This adjustment accounts for any impact that the property rights transferred to the buyer may have on sale price. For leased fee properties, the length of leases in place and the relationship of market to contract rent could impact value. Some properties may have stronger appeal to an owner-user or an investor, resulting in a premium or discount associated with fee simple property rights. If a buyer acquires the leasehold interest in a comparable, then an adjustment may be necessary that accounts for the impact to the of ground rent and/or risk associated with the expiration of the ground lease to the sale price.

All of the comparables were considered similar to the subject and no adjustments were required for this category.

#### **FINANCING TERMS**

This category accounts for differences in financing terms associated with the transaction. Financing arrangements that may require an adjustment include mortgage assumptions (at favorable interest rates), seller buydowns, installment sales, wrap-around loans, or any other atypical financing arrangements that do not represent cash-equivalent terms.

All of the comparables were considered similar to the subject and no adjustments were required for this category.

#### **TERMS/CONDITIONS OF SALE**

Adjustments for conditions of sale typically reflect various motivations of the buyer and/or seller. This may include such factors as seller distress (short sale, REO, auction) or buyer motivation (assemblage, etc.). In some situations, the conditions of sale may significantly affect transaction prices. Properties that are listed for sale may require adjustments herein to account for any disparity between asking prices and the achievable sale price anticipated.

All of the comparables were considered similar to the subject and no adjustments were required for this category.

#### **EXPENDITURES IMMEDIATELY AFTER SALE**

In order to arrive at the effective sale price, the actual sale price of each comparable is adjusted to account for any expenditures planned by the buyer immediately after sale, such as capital expenditures, cost to cure deferred maintenance, or lease-up costs.

All of the comparables were considered similar to the subject and no adjustments were required for this category.

#### **MARKET CONDITIONS**

This adjustment category accounts for differences in economic conditions between the effective date of appraisal and the transaction date of the comparable, such as may be caused by changing supply and demand factors, rental rates, vacancy rates and/or capitalization rates.

All of the comparables were considered similar to the subject and no adjustments were required for this category.

### **SUMMARY OF TRANSACTIONAL ADJUSTMENTS**

All of the comparables were considered similar to the subject and no adjustments were required for this category.

---

## PROPERTY ADJUSTMENTS

### LOCATION

The appeal of a property's location to users of and/or investors in a particular property type can influence value significantly. This factor broadly considers the impact of demographics, geographical attributes, access to transportation networks and local land use trends on pricing. Comparisons of location can often be derived, or even quantified, by examining rent, vacancy, capitalization rate, and land value trends in the subject and directly competitive areas.

Comparable No. 3 was regarded superior to the subject and received a downward adjustment of 10%.

### NET SITE SIZE (SF)

Size and pricing typically have an inverse relationship, whereby larger sites tend to achieve lower pricing on a per-square-foot basis. This is attributable to economies of scale, as well as the narrower pool of prospective buyers for a larger property.

Comparable No. 1 was regarded superior to the subject and received a downward adjustment of 15%. Comparable No. 2 was regarded superior to the subject and received a downward adjustment of 30%. Comparable No. 3 was regarded superior to the subject and received a downward adjustment of 20%. Comparable No. 4 was regarded superior to the subject and received a downward adjustment of 25%. Comparable No. 5 was regarded superior to the subject and received a downward adjustment of 20%.

### ZONING / INTENDED USE

The value of vacant land is largely contingent upon its potential use. This factor considers the uses permitted by the applicable development standards, per the subject's zoning designation. The maximum density to which a property can be developed typically impacts total value positively; however, depending upon property type, location, and type of construction higher permitted densities can have an inverse relationship to pricing on a per-unit or per-square-foot basis. We have applied a downward adjustment to all land sale comparables that can accommodate residential development to reflect the fact that the subject property is in the downtown core area that is primarily geared towards office use.

Comparable No. 1 was regarded superior to the subject and received a downward adjustment of 20%. Comparable No. 2 was regarded superior to the subject and received a downward adjustment of 20%. Comparable No. 4 was regarded superior to the subject and received a downward adjustment of 20%. Comparable No. 5 was regarded superior to the subject and received a downward adjustment of 20%.

### SUMMARY OF PROPERTY ADJUSTMENTS

Comparable No. 1 was regarded superior to the subject and received a downward adjustment of 35%. Comparable No. 2 was regarded superior to the subject and received a downward adjustment of 50%. Comparable No. 3 was regarded superior to the subject and received a downward adjustment of 30%. Comparable No. 4 was regarded superior to the subject and received a downward adjustment of 45%. Comparable No. 5 was regarded superior to the subject and received a downward adjustment of 40%.



---

## LAND VALUE CONCLUSION

SALES SUMMARY	UNADJUSTED	ADJUSTED
Minimum	\$233.16	\$151.55
Maximum	\$648.77	\$356.82
Average	\$465.24	\$273.04
Median	\$491.94	\$294.59
Standard Deviation	\$151.02	\$77.94

After adjustments, the comparable land sales reflect a range from \$151.55 to \$356.82 per square foot, with an average of \$273.04 per square foot. We have placed the most reliance on Sales 1, 2, 4 and 5 due to their proximity to the subject property, and have placed the least reliance on Sale 3 due to its Old Town location. Based on the data available and the analyses presented, the indicated value of the land by the Sales Comparison Approach is \$255.00 per square foot, calculated in the following table.

LAND VALUE CONCLUSION	
Indicated Value per SF	\$255.00
Land Area (SF)	x 60,000
<b>Indicated Value</b>	<b>\$15,300,000</b>
<b>Rounded to nearest \$100,000</b>	<b>\$15,300,000</b>
<b>Per SF (Net)</b>	<b>\$255.00</b>

To reach our “Land Value Conclusion – As If Vacant and Available for Development” we deduct from our land value conclusion the cost of demolition of the existing building, as shown in the following table. Given that the Marshall Valuation Service provides a range for the cost of demolition per square foot, we have chosen the middle of the range as our estimate for the demolition cost:

LAND VALUE CONCLUSION - AS IF VACANT AND AVAILABLE FOR DEVELOPMENT	
<b>Indicated Land Value - As Is</b>	\$15,300,000
<b>Less Demolition Expense:</b>	
Demolition Costs (\$7.75 to \$11.40 per square foot GBA)	\$9.50 per square foot
Existing Building GBA	x 350,331 square feet
<b>Total Demolition Cost</b>	<b>(\$3,328,145)</b>
<b>Adjusted Value - As Is</b>	<b>\$11,971,856</b>
<b>Rounded to nearest \$100,000</b>	<b>\$12,000,000</b>
Demolition Cost Source: Marshall Valuation Service, Section 66, Page 11 (Dec-23)	

---

# COST APPROACH

## METHODOLOGY

The Cost Approach is based on the principle of substitution, which states that no prudent person will pay more for a property than the cost of acquiring a site and constructing, without undue delay, an equally desirable and useful property. The steps have been outlined in the Valuation Process section of this report.

## REPLACEMENT COST NEW

Our estimate of replacement cost new (RCN) is based on the Calculator Section in Marshall Valuation Service (MVS), a nationally recognized publication containing construction costs for all types of building and site improvements, and where available, cost comparables and the developer's budget. Base costs are revised monthly and adjustment factors are provided to reflect regional and local cost variations. The subject is considered to be a Class A Office, and is judged to be of Average quality relative to the rating of MVS.

## MARSHALL VALUATION SERVICE

### BASE BUILDING COSTS

The published costs include all direct costs for the base structure and the following indirect costs:

- Plans, specifications, and building permits, including engineer's and architect's fees;
- Interest on construction loan during the construction period;
- Sales tax on materials; and
- Contractor's overhead and profit, including worker's compensation, fire and liability insurance, unemployment insurance, etc.

These base building costs (shell), adjusted for any unique building characteristics and cost multipliers, are presented in the cost summary table at the end of this section.

### INDIRECT COSTS

Indirect costs not included in Base Building Costs include such items as developer overhead, property taxes, permanent loan fees, legal costs, developer fees, contingencies, and lease-up and marketing costs. Research into these costs leads to the conclusion that an average property requires an allowance for other indirect costs of between 5% and 15% percent of Base Building Costs plus Site Improvement Costs. We have estimated indirect costs of 15% in our analysis.

### ENTREPRENEURIAL INCENTIVE

Entrepreneurial incentive, also referred to as entrepreneurial profit or developer's profit if realized, represents the expectation of future profit required to motivate an entrepreneur to develop or improve a property. Anticipated entrepreneurial incentive varies widely between individual projects depending on location and market conditions, but generally lies within the range of 10% to 20% of direct and indirect building and site costs. In this analysis, we estimated entrepreneurial incentive at 20% of replacement cost. This figure has been applied to all estimates and comparables if used.

---

## ACCRUED DEPRECIATION

Three different sources of depreciation may affect the existing improvements:

<b>Physical Deterioration</b>	As discussed in the <i>Improvements Description</i> section, our inspection of the property did not reveal any significant items of deferred maintenance, so <i>curable</i> physical depreciation does not appear to exist. We have used the economic age-life method to develop an opinion of physical deterioration. In the Improvements Description section of this report, we developed an opinion that the effective age of the subject to be 30 years and the economic life to be 60 years, which results in <i>incurable</i> physical deterioration of 50.0% (effective age ÷ economic life).
<b>Functional Obsolescence</b>	The subject improvements are constructed utilizing modern materials and techniques. Furthermore, the design and layout of the property is consistent with current market standards. As such, no functional obsolescence affects the existing improvements.
<b>External Obsolescence</b>	As we show below, market rents do not support even the shell replacement cost. Accordingly, we provide a feasibility analysis at the end of the Cost Approach section to determine the external obsolescence.
<b>Total Depreciation</b>	The sum of these elements of accrued depreciation amounts to 50.0%, which is deducted from the RCN.

## CONCLUSION

The following table(s) provides a summary of the Cost Approach and concludes a market value opinion.

COST APPROACH SUMMARY				
Replacement Cost New (RCN)	Area (SF)	\$/SF	Subtotal	Total Cost
Building Improvements				
Base Cost (Shell)	350,331	\$151.00	\$52,899,981	
Subtotal			\$52,899,981	
Multipliers				
Current Cost		1.050		
Local Area		1.190		
Area Multiplier		1.000		
Story Height		1.000		
Product of Multipliers			x 1.250	
<b>Adjusted Base Building Cost</b>				\$66,124,976
<b>Total Direct Costs</b>				\$66,124,976
Plus Other Indirect Costs (% of Direct Costs)	15%			\$9,918,746
<b>Subtotal Replacement Cost New (RCN)</b>				<b>\$76,043,723</b>
Plus Entrepreneurial Profit (% of RCN)	20%			<b>\$15,208,745</b>
<b>Total Replacement Cost New (RCN)</b>				<b>\$91,252,467</b>
per square foot				\$260.48
<b>Less Accrued Depreciation</b>				
Physical				
Curable (Deferred Maintenance)			\$0	
Incurable				
Effective Age (Years)	30			
Economic Life	60			
Total Incurable Physical Depreciation	50.0%		\$45,626,234	
Functional Obsolescence	0.0%		\$0	
External Obsolescence	0.0%		\$0	
<b>Total</b>	50.0%			<b>\$45,626,234</b>
<b>Depreciated Value of the Improvements</b>				<b>\$45,626,234</b>
per square foot				\$130.24
<b>Plus Land Value</b>				<b>\$15,300,000</b>
<b>Indicated Value by Cost Approach</b>				<b>\$60,926,234</b>
<b>Rounded to nearest \$100,000</b>				<b>\$60,900,000</b>
per square foot				\$173.84
<b>Source: Marshall Valuation Service</b>				
Type: Office Buildings (Shell)	Section: 15	Class: A		
Date: Nov-2023	Page: 34	Quality: Average		

---

# INCOME CAPITALIZATION APPROACH

## GENERAL PROCESS

In the Income Capitalization Approach, the appraiser concludes to a value indication for the subject by converting a projected net operating income into a single present value by using either the direct capitalization or yield capitalization method.

In direct capitalization, the estimated net operating income is divided by a market-driven capitalization rate to provide an indication of value. In yield capitalization, a series of income streams are discounted over a holding period to estimate a present value. The yield capitalization approach is referred to as a discounted cash flow analysis, and is most useful for properties that are not stabilized or expect to have large fluctuations in the income stream over a holding period.

The Income Capitalization Approach to value requires the following sequential steps:

<b>Estimate Economic Gross Income</b>	Estimate the economic gross income for the subject’s space based on existing leases and market data.
<b>Estimate Effective Gross Income</b>	Estimate a proper vacancy and credit loss for the subject’s market, then deduct this rent loss from the estimated economic gross income to arrive at an effective gross income.
<b>Estimate the Net Operating Income</b>	Calculate the net operating income by deducting the estimated operating expenses (fixed and variable) and a provision for replacement of short-lived building components from the estimated effective gross income.
<b>Value Indication</b>	Convert the net operating income into a value indication by using a market-derived capitalization rate in the case of direct capitalization and/or a market-derived discount rate in the yield capitalization analysis (discounted cash flow analysis). The yield capitalization approach also forecasts the anticipated future income streams and estimates a reversion price at the end of a presumed holding period. These future income streams are then discounted to a present value using a market-extracted discount rate based on investor expectations based on the risks associated with a property.

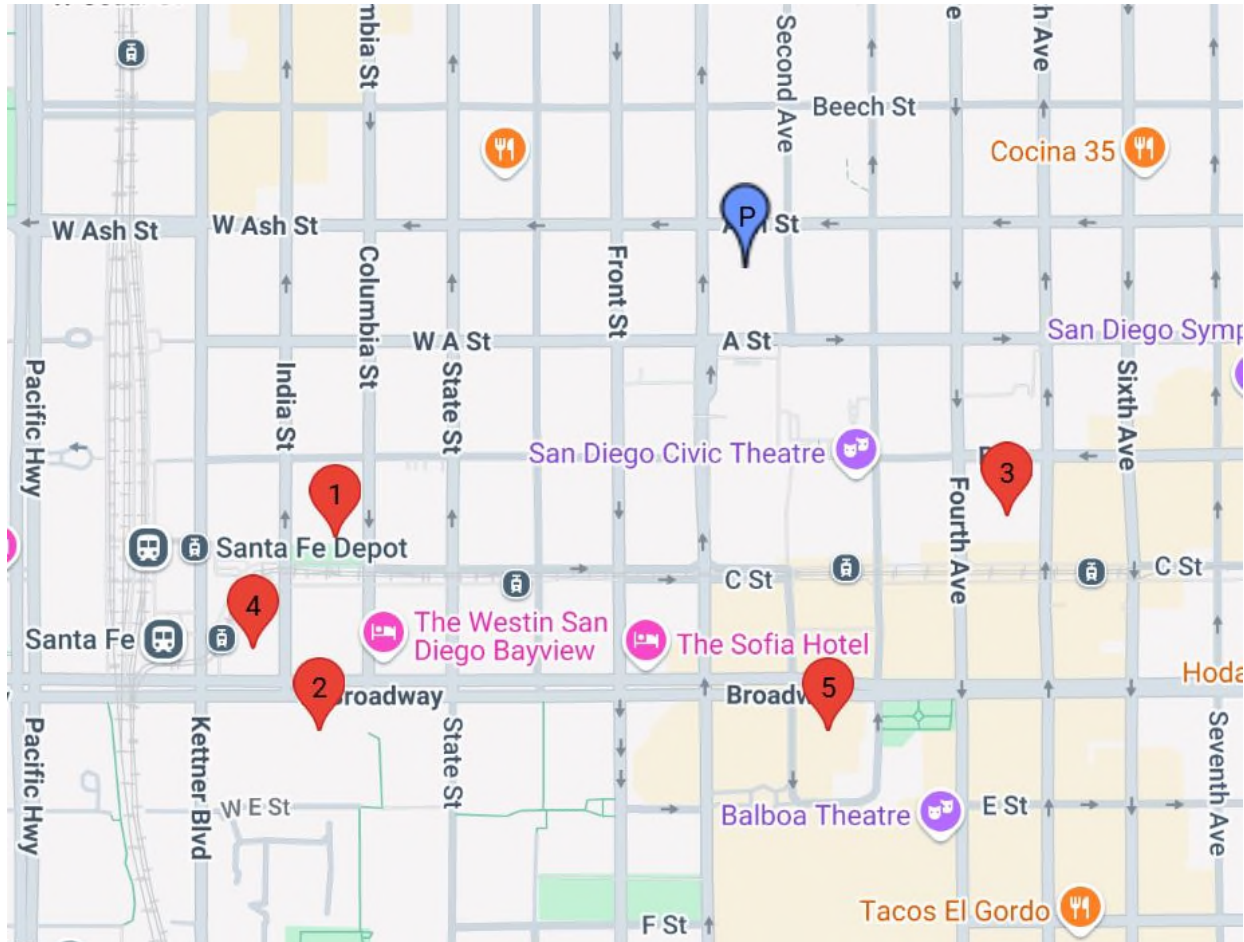
---

## MARKET RENT

### COMPETING RETAIL CENTERS

To estimate the market rental rate of the office space in the subject, the rental rates of similar centers in the subject and surrounding areas have been analyzed. These rental rates are summarized below, and the pertinent details of each are located in the Exhibits section of this report.

### COMPARABLE LEASE MAP AND LEASE SURVEY



COMPARABLE LEASE SURVEY									
Comp No.	Property Name / Location	Property Use	Bldg. Size (SF Gross)	Year Built	Lease Start	Lease Term	Unit Size (SF)	Lease Rate (\$/SF/Yr)	Expense Structure
Lease 1	550 Corporate Plaza 550 West C Street San Diego, CA	Professional Office	346,000	1976	Dec-2024	67 mos.	43,460	\$41.52	Modified Gross
Lease 2	Koll Center 501 West Broadway San Diego, CA	Professional Office	394,031	1989	Nov-2024	N/A	2,319	\$42.00	Gross
Lease 3	Wells Fargo Plaza 401 B Street San Diego, CA	Professional Office	487,934	1984	Apr-2024	N/A	3,552	\$37.80	Gross
Lease 4	One America Plaza 600 West Broadway San Diego, CA	Professional Office	622,580	1991	Dec-2023	N/A	5,181	\$42.00	Gross
Lease 5	NBC Building 225 Broadway San Diego, CA	Professional Office	363,102	1974	Jun-2023	N/A	2,670	\$39.60	Gross
	Minimum			1974				\$37.80	
	Maximum			1991				\$42.00	
	Average			1983				\$40.58	
	<b>Subject</b>		350,331	1968					



## LEASE COMPARABLE ADJUSTMENT GRIDS

LEASE ADJUSTMENT GRID - OFFICE					
	Lease 1	Lease 2	Lease 3	Lease 4	Lease 5
Property Name	550 Corporate Plaza	Koll Center	Wells Fargo Plaza	One America Plaza	NBC Building
Property Address	550 West C Street San Diego, 92101	501 West Broadway San Diego, 92101	401 B Street San Diego, 92101	600 West Broadway San Diego, 92101	225 Broadway San Diego, 92101
Representative Lease	City of San Diego	Office Tenant	Office Tenant	Office Tenant	Selman Leichenger Edson Hsu Newman & Moore LLP
Tenant					
Unit Size (SF)	43,460	2,319	3,552	5,181	2,670
Lease Start Date	Dec-24	Nov-24	Apr-24	Dec-23	Jun-23
Lease Term (mos)	67	N/A	N/A	N/A	N/A
Lease Rate (\$/SF/Yr)	\$41.52	\$42.00	\$37.80	\$42.00	\$39.60
Expense Structure	Modified Gross	Gross	Gross	Gross	Gross
\$ Adjustment	\$2.08	\$0.00	\$0.00	\$0.00	\$0.00
Conditions of Lease					
Market Conditions	Dec-24	Nov-24	Apr-24	Dec-23	Jun-23
<b>Cumulative Adjusted Rent</b>	<b>\$43.60</b>	<b>\$42.00</b>	<b>\$37.80</b>	<b>\$42.00</b>	<b>\$39.60</b>
Location	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Unit Size	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
YOC	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Condition	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
<b>Subtotal Net Adjustments</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>
<b>Adjusted Lease Rate per Sq.Ft.</b>	<b>\$43.60</b>	<b>\$42.00</b>	<b>\$37.80</b>	<b>\$42.00</b>	<b>\$39.60</b>

Given the proximity of the lease comparables to the subject property, we have placed reliance on all comparables.

Lease Summary - Office	Adjusted
Minimum	\$37.80
Maximum	\$43.60
Average	\$41.00
<b>Concluded Market Rent</b>	<b>\$41.00</b>
<b>Concluded Expense Structure</b>	<b>Gross</b>

## MARKET RENT CONCLUSIONS

Based upon the preceding data and analysis, a summary of the concluded market rents utilized within the following analysis is presented within the following table.

MARKET RENT CONCLUSION	
	Office
Net Rentable Area (SF)	350,331
Percent of Total Area	100%
Comparable Lease Rate Range	\$37.80 - \$43.60
<b>Concluded Market Rent (\$/SF)</b>	<b>\$41.00</b>
Expense Structure	Gross
Concessions	1 month
Annual Escalations	3%
Tenant Improvements (\$/SF)	
New	\$20.00
Renewal	\$10.00
Leasing Commissions (%)	
New	6%
Renewal	3%
Average Lease Term (years)	5

## POTENTIAL GROSS RENTAL INCOME CONCLUSION

Potential gross rental income based on market rents is shown in the following table.

POTENTIAL GROSS RENTAL INCOME			
Tenancy Type	Total Area (SF)	Market Rent	
		\$/SF	Annual \$
Office	350,331	\$41.00	\$14,363,571
<b>Total/Avg.</b>	<b>350,331</b>	<b>\$41.00</b>	<b>\$14,363,571</b>

## VACANCY AND COLLECTION LOSS

Occupancy data for the market, submarket, lease comparables and the subject, as well as the concluded occupancy/vacancy for the subject, is shown in the following table.

VACANCY CONCLUSION	
Market Occupancy	88%
Submarket Occupancy	69%
Lease Comparables Occupancy Range	100%–100%
Lease Comparable Average Occupancy	100%
Subject's Current Occupancy	0%
<b>Subject's Stabilized Occupancy</b>	<b>70.0%</b>
<b>Subject's Stabilized Vacancy Loss</b>	<b>30.0%</b>

We have projected a total vacancy loss for the subject property of 30.0%. We believe that this accurately reflects the extraordinary high vacancy rate for Class A office properties in the subject's submarket.

We also estimate a nominal level of collection loss of 1.0%.

## COMPARABLE EXPENSE DATA

Each of the respective expense items is projected in consideration of actual historical operations and market data. The following table summarizes the expenses from other multi-tenant office properties in the market area. Although an attempt was made to categorize expenses on a similar basis to the subject, the nature of the raw data prevented such in some categories, especially with regard to the level of detail. The management fee for a property is typically based upon a percentage of the EGI, which is denoted separately.

EXPENSE COMPARABLES												
Comparable No.	1			2			3			4		
State	Southern California			Southern California			Southern California			Southern California		
Year Built	1982/2016			2005			N/A			N/A		
Rentable Area	90,108			1,024,277			41,000			43,968		
Year Operations	2022			2022 T12			2023			2023		
Occupancy	64.60%			85%			100%			100%		
<b>INCOME</b>	<b>Amount</b>	<b>\$/SF</b>	<b>% EGI</b>	<b>Amount</b>	<b>\$/SF</b>	<b>% EGI</b>	<b>Amount</b>	<b>\$/SF</b>	<b>% EGI</b>	<b>Amount</b>	<b>\$/SF</b>	<b>% EGI</b>
<b>INCOME</b>												
Gross Potential Rent	\$2,913,745	\$32.34		\$45,423,501	\$44.35		\$1,129,005	\$27.54		\$3,108,647	\$70.70	
Vacancy & Collection Loss	\$0	\$0.00		\$0	\$0.00		\$0	\$0.00		\$0	\$0.00	
<b>Effective Gross Income</b>	<b>\$2,913,745</b>	<b>\$32.34</b>		<b>\$45,423,501</b>	<b>\$44.35</b>		<b>\$1,129,005</b>	<b>\$27.54</b>		<b>\$3,108,647</b>	<b>\$70.70</b>	
<b>EXPENSES</b>												
Real Estate Taxes	\$245,567	\$2.73		\$5,290,069	\$5.16		\$83,052	\$2.03		\$268,833	\$6.11	
Insurance	\$56,021	\$0.62		\$1,607,053	\$1.57		\$13,960	\$0.34		\$31,306	\$0.71	
Utilities	\$237,803	\$2.64		\$2,138,534	\$2.09		\$26,145	\$0.64		\$174,362	\$3.97	
Repairs & Maintenance	\$85,567	\$0.95		\$2,965,124	\$2.89		\$157,761	\$3.85		\$164,838	\$3.75	
Payroll	\$146,942	\$1.63		\$2,072,962	\$2.02		\$0	\$0.38		\$0	\$0.00	
Administrative & General	\$23,482	\$0.26		\$2,602,760	\$2.54		\$15,630	\$0.38		\$608	\$0.01	
Management	\$133,644	\$1.48	5%	\$1,271,502	\$1.24	3%	\$55,591	\$1.36	5%	\$61,069	\$1.39	2%
Replacement Reserves	\$0	\$0.00		\$0	\$0.00		\$0	\$0.00		\$0	\$0.00	
<b>Total Expenses</b>	<b>\$929,026</b>	<b>\$10.31</b>	<b>32%</b>	<b>\$17,948,004</b>	<b>\$17.52</b>	<b>40%</b>	<b>\$352,139</b>	<b>\$8.59</b>	<b>31%</b>	<b>\$701,016</b>	<b>\$15.94</b>	<b>23%</b>
<b>NET OPERATING INCOME</b>	<b>\$1,984,719</b>	<b>\$22.03</b>		<b>\$27,475,497</b>	<b>\$26.82</b>		<b>\$776,866</b>	<b>\$18.95</b>		<b>\$2,407,631</b>	<b>\$54.76</b>	

## OPERATING EXPENSE ANALYSIS AND PROJECTIONS

Typically, the best source of information to estimate pro forma operations for the property is the actual historical performance of the subject. However, since the subject property has been vacant, the pro forma operations for the subject were estimated according to comparable operations within the market. Each of the respective expense items is estimated in the following analysis with consideration given to comparable expense data from the local market.

OPERATING EXPENSE COMPARISON AND CONCLUSION			
Expense Item	Expense Comps		BBG
	Range	Average	Forecast
Real Estate Taxes	\$2.03–\$6.11	\$4.01	\$2.69
	\$83,052–\$5,290,069	\$1,471,880	\$943,135
Insurance	\$0.34–\$1.57	\$0.81	\$1.00
	\$13,960–\$1,607,053	\$427,085	\$350,331
Utilities	\$0.64–\$3.97	\$2.33	\$2.00
	\$26,145–\$2,138,534	\$644,211	\$700,662
Repairs & Maintenance	\$0.95–\$3.85	\$2.86	\$1.25
	\$85,567–\$2,965,124	\$843,323	\$437,914
Payroll	\$0.38–\$2.02	\$1.35	\$1.35
	\$146,942–\$2,072,962	\$1,109,952	\$472,947
Administrative & General	\$0.01–\$2.54	\$0.80	\$0.25
	\$608–\$2,602,760	\$660,620	\$87,583
Management	\$1.24–\$1.48	\$1.37	\$0.85
	\$55,591–\$1,271,502	\$380,452	\$297,326
Replacement Reserves	-	\$0.00	\$0.25
	\$000	\$0	\$87,583
<b>Total Operating Expenses Per SF</b>	<b>\$8.59–\$17.52</b>	<b>\$13.09</b>	<b>\$9.64</b>
<b>Total Operating Expenses</b>	<b>\$2,139–\$17,948,004</b>	<b>\$4,982,546</b>	<b>\$3,377,480</b>

#### COMMENTS

<b>Real Estate Taxes</b>	Taxes were previously concluded in the tax section of this report.
<b>Insurance</b>	This category includes property and casualty insurance that is required or typical at the subject and similar properties. We have projected an insurance expense that is slightly above the average of the comparables to reflect rising insurance costs in the market.
<b>Utilities</b>	This expense accounts for any utilities expense associated with the ongoing operations of the property. We have projected a utilities expense that consistent with the comparable data.
<b>Repairs &amp; Maintenance</b>	This expense accounts for routine repairs and maintenance of the buildings and site improvements. We have projected this expense to be within the range of the expense comp data.
<b>Payroll</b>	A payroll expense consistent with the comparable data has been projected.
<b>Administrative &amp; General</b>	This category includes office-related expenses, legal and professional fees, licensing fees, and other non-reimbursable landlord expenses. We have projected an expense that is consistent with the comparable data.
<b>Management</b>	This category accounts for off-site management performed by the owner or third-party management company. Comparables show an expense for this category ranging from 2% to 5% of EGI. A rate of 3% of EGI has been projected, which is consistent with the market data and comparables.
<b>Replacement Reserves</b>	None of the comparables reported a line item for replacement reserves. The subject has not reported a line item for replacement reserves. Our projection is based on interviews with market participants including brokers and underwriters for similar properties at \$0.25 per square foot of building area.

## PRO FORMA OPERATIONS

Following is a summary of the income and expense projections for the subject which is a summation of the preceding analysis. The Pro Forma – As Stabilized analysis presented below assumes that the subject property has been fully leased at market rents.

PRO FORMA - AS STABILIZED		FY 2026	
Income		\$	Per SF
Gross Potential Rent		\$14,363,571	\$41.00
Recoveries		\$0	\$0.00
<b>Total Potential Gross Income</b>		<b>\$14,363,571</b>	<b>\$41.00</b>
Less Vacancy Loss	30.0%	(\$4,309,071)	-\$12.30
Less Collection Loss	1.0%	(\$143,636)	-\$0.41
<b>Effective Gross Income (EGI)</b>		<b>\$9,910,864</b>	<b>\$28.29</b>
<b>Expenses</b>			
Real Estate Taxes		\$943,135	\$2.69
Insurance		\$350,331	\$1.00
Utilities		\$700,662	\$2.00
Repairs & Maintenance		\$437,914	\$1.25
Payroll		\$472,947	\$1.35
Administrative & General		\$87,583	\$0.25
Management	3.0%	\$297,326	\$0.85
Replacement Reserves		\$87,583	\$0.25
<b>Total Expenses</b>	<b>34.1%</b>	<b>\$3,377,480</b>	<b>\$9.64</b>
<b>NET OPERATING INCOME (NOI)</b>		<b>\$6,533,384</b>	<b>\$18.65</b>

## DIRECT CAPITALIZATION

Direct capitalization is a method used to convert a projected single year's income expectancy into an indication of value. Dividing a property's net operating income by an appropriate market-derived capitalization rate provides a value indication. This capitalization rate is known as the overall rate.

There are several methods that can be used in deriving an overall rate that can be used to capitalize the net operating income that was projected in the previous Pro Forma Operating Statement.

## MARKET DERIVATION

When adequate data is available, the overall rate is best derived from the comparable sales employed in the Sales Comparison Approach. However, since the sales utilized in the Sales Comparison Approach did not report capitalization rates, we have expanded our survey to include additional supplemental recent sales of office properties that report capitalization rates.

MARKET DERIVED CAPITALIZATION RATE SUMMARY								
No.	Property / Location	Date of Sale	Year Built	Occup.	Sale Price	Sale Price PSF	NOI PSF	Capitalization Rate
1	4025 Camino del Rio S, San Diego, CA	Jun-24	1986	100%	\$9,800,000	\$201.77	\$16.54	8.20%
2	2300 Boswell Rd, San Diego, CA	Dec-24	1992 / 2013	94%	\$29,500,000	\$222.36	\$23.42	10.53%
3	7863 La Mesa Blvd, La Mesa, CA	Dec-24	1987	100%	\$4,195,000	\$274.18	\$19.19	7.00%
4	40810 County Center Dr, Temecula, CA	Jun-24	2004	100%	\$6,072,000	\$205.80	\$13.83	6.72%
5	1111 6th Ave, San Diego, CA	Mar-24	1935/2017	80%	\$7,850,000	\$111.19	\$9.91	8.91%
6	9577 Chesapeake Dr, San Diego, CA	Mar-24	1990	100%	\$17,000,000	\$314.81	\$26.76	8.50%
Low								6.72%
High								10.53%
Median								8.35%
Average								8.31%
<b>Appraiser's Concluded Range</b>								<b>8.50% - 8.75%</b>

The sales above indicate a wide range of capitalization rates from 6.72% to 10.53% with an average of 8.31%, including replacement reserves. The lowest capitalization rate is reported by Sale #4, which is one of the newer properties. The highest capitalization rate is reflected by Sale #2. The subject represents a large Class A office property that has experienced vacancy for an extended period of time. Therefore, the subject should achieve a capitalization rate above the average of the sales. Based on the data available and the analyses presented, the subject warrants a capitalization rate between **8.50% and 8.75%**.

## INVESTOR SURVEYS

INVESTOR SURVEYS		
Survey/Investment Type	OAR Range	Average
PwC Real Estate Investor Survey (1Q25)		
CBD Office	5.00% - 9.50%	7.28%
Situs RERC Real Estate Report (4Q24)		
CBD Office	6.00% - 8.50%	7.30%
RealtyRates.com Investor Survey (1Q25)		
Office	5.93% - 13.59%	9.67%
<b>Indicated OAR:</b>	<b>5.00% - 13.59%</b>	<b>8.08%</b>

The subject property represents a Class A property in a primary market. Due to the size of the property, it would not likely attract the attention of institutional investors. However, as previously mentioned, given the risk associated with the subject due to its vacancy, it should attract a capitalization rate above the average of the investor surveys.

## BAND OF INVESTMENT

The band of investment calculation is summarized in the following table.

BAND OF INVESTMENT				
Loan Parameters				
Loan-to-Value (LTV)				75%
Amortization Period (yrs)				25
Interest Rate				6.50%
Mortgage Constant				0.08102
Equity Dividend Rate				10.00%
Calculation				
0.75 LTV	x	0.08102	Mortgage Constant	= 0.06077
0.25 Equity	x	0.10000	Equity Dividend Rate	= 0.02500
<b>Capitalization Rate</b>				<b>8.58%</b>

## CAPITALIZATION RATE SUMMARY AND CONCLUSIONS

The capitalization rates derived from the various techniques are summarized in the following table.

SUMMARY CAPITALIZATION RATE AND CONCLUSION	
Method	Capitalization Rate
Market Extraction	8.50% - 8.75%
Investor Surveys	8.08%
Band of Investment	8.58%
<b>Primary Weight</b>	<b>Market Extraction</b>
<b>Secondary Weight</b>	<b>Investor Surveys</b>
<b>Capitalization Rate Conclusion</b>	<b>8.50%</b>

Typically, most weight is placed on the rates derived from sources most closely associated with the subject's immediate market, that is, comparable sales, particularly if the comparable sales have a similar risk profile to the subject property. Based on all available data sources, we conclude to an 8.50% capitalization rate.

## VALUE INDICATION FROM DIRECT CAPITALIZATION – AS STABILIZED

A value indication by the Direct Capitalization Method is calculated by dividing the net operating income (NOI), derived earlier in this section by the appropriate capitalization rate. Our conclusion via the Direct Capitalization Method is as follows.

The Value Conclusion – As Stabilized analysis presented below assumes that the subject property has been fully leased at market rents.

DIRECT CAPITALIZATION METHOD VALUE CONCLUSION - AS STABILIZED		
<b>NET OPERATING INCOME</b>	<b>\$6,533,384</b>	<b>\$18.65</b>
Based on Most Probable Rate of 8.50%	\$76,863,344	\$219.40
<b>Indicated Stabilized Value</b>	<b>\$76,863,344</b>	
<b>Rounded to nearest \$100,000</b>	<b>\$76,900,000</b>	<b>\$219.51</b>



Given that the subject is vacant, to reach our Value Conclusion – As Is, we deduct from our As Stabilized value the following lease-up expenses. Our lease-up deduction anticipates a 15-month rent loss to account for the lease-up period, as well as 10% entrepreneurial profit, in addition to the tenant improvements expense and the leasing commission expense, as shown in the following table.

LEASE UP ADJUSTMENT					
Estimated Downtime					15 months
Rent Loss and Lost Recoveries from Downtime	\$9,910,864	x	125%		\$12,388,580
Tenant Improvements	350,331 SF	x	\$20.00	PSF	\$7,006,620
Leasing Commissions	6.0%		5	yrs	\$2,973,259
Entrepreneurial Incentive (as % of lease-up cost)			10%		\$2,236,846
<b>Total Lease Up Adjustment</b>					<b>\$24,605,305</b>
<b>Rounded</b>					<b>\$24,605,000</b>

DIRECT CAPITALIZATION METHOD VALUE CONCLUSION - AS IS	
<b>Market Value - As Stabilized</b>	\$76,900,000
<b>Less:</b>	
Rent Loss and Lost Recoveries from Downtime	(\$12,388,580)
Tenant Improvements	(\$7,006,620)
Leasing Commission	(\$2,973,259)
Entrepreneurial Profit (10%)	(2,236,846)
<b>Adjusted Value - As Is</b>	\$52,294,695
<b>Rounded to nearest \$100,000</b>	<b>\$52,300,000</b>

# RECONCILIATION AND FINAL VALUE

## SUMMARY OF VALUE INDICATIONS

VALUE INDICATIONS			
1) As Is as of April 7, 2025			
Cost Approach	\$60,900,000	\$173.84	Per Square Foot (NRA)
Land Value - As-if-Vacant and Available for Development	\$12,000,000	\$200.00	Per Square Foot of Land
Sales Comparison Approach	Not Developed		
Income Capitalization Approach			
Direct Capitalization	\$52,300,000	\$149.29	Per Square Foot (NRA)
Approach Reliance	Cost Approach		
Value Conclusion - As Is	\$60,900,000	\$173.84	Per Square Foot (NRA)
Insurable Replacement Cost	Not Developed		
Exposure Time (Months)	12		
Marketing Time (Months)	12		

**Note:** Our values are subject to the assumptions, conditions and limitations articulated in the “Standard Assumptions and Limiting Conditions” section of this report.

## MARKET VALUE - VALUATION RELIANCE

The Cost Approach is relevant for valuation of the subject property because purchasers of this type of real estate typically consider the cost of constructing a substitute property when making purchase decisions. An adequate number of comparable land sales were available to develop an opinion of land value. Cost data is reliable since cost figures are based on the current, actual costs to construct the subject property. Additionally, the Cost Approach is the most reliable indicator of the market value associated with the utilization of an existing building shell of an office property such as the subject for adaptive reuse. Therefore, the Cost Approach is utilized as the primary indication of value in this appraisal.

A Sales Comparison Approach was not performed.

The Income Approach is the valuation method most commonly used by investors in making purchase decisions for properties like the subject and Direct Capitalization is the primary valuation method used by investors in sale transactions of properties similar to the subject. There was good quality data available for development of the appropriate rental and capitalization rates. Although the subject is vacant, an investor would likely capitalize the anticipated income for the subject property in order to derive a value based on a required return on investment. Therefore, the Direct Capitalization method was performed as a support for the Cost Approach.

---

## FINAL OPINION(S) OF VALUE

Based on the inspection of the property and the investigation and the analysis undertaken, we have developed the following value opinion(s).<sup>3</sup>

MARKET VALUE CONCLUSION(S)			
Appraisal Premise	Interest Appraised	Date of Value	Value Conclusion
Market Value - As Is	Fee Simple	April 7, 2025	\$60,900,000
Land Value - As-if-Vacant and Available for Development	Fee Simple	April 7, 2025	\$12,000,000

## MARKETING TIME AND EXPOSURE TIME

We believe the concluded market value for the subject property is consistent with an anticipated marketing time and exposure time of 12 months. Our opinion of value is consistent with recent sales and the return parameters are considered adequate to generate investor interest in the property. Our estimate is reasonably consistent with historic exposure times, and is considered a reasonable estimate of the exposure time for the subject. Additionally, a time of 12 months is typically quoted as an adequate marketing time by area brokers, given proper pricing and an adequate commitment to marketing. Furthermore, market conditions are not expected to change dramatically in the short term, so a marketing time equal to the historic exposure time is considered a reasonable expectation. Based on these factors, our conclusion of 12 months for an adequate marketing time and exposure time is considered reasonable.

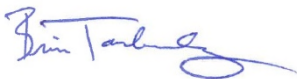
<sup>3</sup> Our values are subject to the assumptions, conditions and limitations articulated in the "Standard Assumptions and Limiting Conditions" section of this report.

---

# CERTIFICATION

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

1. The statements of fact contained in this report are true and correct.
  2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
  3. I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved with this assignment.
  4. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
  5. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
  6. My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of 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.
  7. This appraisal assignment was not based upon a requested minimum valuation, a specific valuation, or the approval of a loan.
  8. My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice, as well as the requirements of the state of California.
  9. The reported analyses, opinions, and Value Indications were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics, the Standards of Professional Practice of the Appraisal Institute.
  10. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
  11. As of the date of this report, Brian Tankersley, MAI,MRICS has completed the continuing education program for Designated Members of the Appraisal Institute.
  12. Brian Tankersley, MAI,MRICS has made a personal inspection of the property that is the subject of this report.
  13. Giorgi Areshidze provided significant real property appraisal assistance to the person signing this certification.
  14. Brian Tankersley, MAI,MRICS has not provided 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 the agreement to perform this assignment.
- 



Brian Tankersley, MAI,MRICS  
CA Certified General Appraiser  
License #: AG 043877  
213-634-1385  
btankersley@bbgres.com

---

# STANDARD ASSUMPTIONS AND LIMITING CONDITIONS

This appraisal report has been made with the following general assumptions:

- 1) Notwithstanding that Appraiser may comment on, analyze or assume certain conditions in the appraisal, BBG, Inc. shall have no monetary liability or responsibility for alleged claims or damages pertaining to: (a) title defects, liens or encumbrances affecting the property; (b) the property's compliance with local, state or federal zoning, planning, building, disability access and environmental laws, regulations and standards; (c) building permits and planning approvals for improvements on the property; (d) structural or mechanical soundness or safety; (e) contamination, mold, pollution, storage tanks, animal infestations or other hazardous conditions affecting the property; and (f) other conditions and matters for which licensed real estate appraisers are not customarily deemed to have professional expertise. Accordingly:
  - a) The Appraiser has not conducted any engineering or architectural surveys in connection with this appraisal assignment. Information reported pertaining to dimensions, sizes, and areas is either based on measurements taken by the Appraiser or the Appraiser's staff or was obtained or taken from referenced sources and is considered reliable. The Appraiser and BBG, Inc. shall not be monetarily liable or responsible for or assume the costs of preparation or arrangement of geotechnical engineering, architectural, or other types of studies, surveys, or inspections that require the expertise of a qualified professional.
  - b) Unless otherwise stated in the report, only the real property is considered, so no consideration is given to the value of personal property or equipment located on the premises or the costs of moving or relocating such personal property or equipment. Further, unless otherwise stated, it is assumed that there are no subsurface oil, gas or other mineral deposits or subsurface rights of value involved in this appraisal, whether they are gas, liquid, or solid. Further, unless otherwise stated, it is assumed that there are no rights associated with extraction or exploration of such elements considered. Unless otherwise stated it is also assumed that there are no air or development rights of value that may be transferred.
  - c) Any legal description or plats reported in the appraisal are assumed to be accurate. Any sketches, surveys, plats, photographs, drawings or other exhibits are included only to assist the intended user to better understand and visualize the subject property, the environs, and the competitive data. BBG, Inc. has made no survey of the property and assumes no monetary liability or responsibility in connection with such matters.
  - d) Title is assumed to be good and marketable, and in fee simple, unless otherwise stated in the report. The property is considered to be free and clear of existing liens, easements, restrictions, and encumbrances, except as stated. Further, BBG, Inc. assumes there are no private deed restrictions affecting the property which would limit the use of the subject property in any way.
  - e) The appraisal report is based on the premise that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless otherwise stated in the appraisal report; additionally, that all applicable zoning, building, and use regulations and restrictions of all types have been complied with unless otherwise stated in the appraisal report. Further, it is assumed that all required licenses, consents, permits, or other legislative or administrative authority, local, state, federal and/or private entity or organization have been or can be obtained or renewed for any use considered in the value opinion. Moreover, unless otherwise stated herein, it is assumed that there are no encroachments or violations of any zoning or other regulations affecting the subject property, that the utilization of the land and improvements is within the boundaries or property lines of the property described, and that there are no trespasses or encroachments.

- 
- f) The American Disabilities Act (ADA) became effective January 26, 1992. The Appraiser has not made a specific compliance survey or analysis of the property to determine whether or not it is in conformity with the various detailed requirements of ADA. It is possible that a compliance survey of the property and a detailed analysis of the requirements of the ADA would reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this fact could have a negative impact upon the value of the property. Since the Appraiser has no direct evidence relating to this issue, possible noncompliance with the requirements of ADA was not considered in estimating the value of the property.
  - g) No monetary liability or responsibility is assumed for conformity to specific governmental requirements, such as fire, building, safety, earthquake, or occupancy codes, except where specific professional or governmental inspections have been completed and reported in the appraisal report.
  - h) It is assumed the subject property is not adversely affected by the potential of floods; unless otherwise stated herein. Further, it is assumed all water and sewer facilities (existing and proposed) are or will be in good working order and are or will be of sufficient size to adequately serve any proposed buildings.
  - i) Unless otherwise stated within the appraisal report, the depiction of the physical condition of the improvements described therein is based on visual inspection. No monetary liability or responsibility is assumed for (a) the soundness of structural members since no engineering tests were conducted; (b) the condition of mechanical equipment, plumbing, or electrical components, as complete tests were not made; and (c) hidden, unapparent or masked property conditions or characteristics that were not clearly apparent during the Appraiser's inspection.
  - j) If building improvements are present on the site, it is assumed that no significant evidence of termite damage or infestation was observed during physical inspection, unless so stated in the appraisal report. Further, unless so stated in the appraisal report, no termite inspection report was available. No monetary liability or responsibility is assumed for hidden damages or infestation.
  - k) Unless subsoil opinions based upon engineering core borings were furnished, it is assumed there are no subsoil defects present, which would impair development of the land to its maximum permitted use or would render it more or less valuable. No monetary liability or responsibility is assumed for such conditions or for engineering which may be required to discover them.
  - l) BBG, Inc., excepting employees of BBG Assessment, Inc., and the appraiser(s) are not experts in determining the presence or absence of hazardous substances toxic materials, wastes, pollutants or contaminants (including, but not limited to, asbestos, PCB, UFFI, or other raw materials or chemicals) used in construction or otherwise present on the property. BBG, Inc. and the appraiser(s) assume no monetary liability or responsibility for the studies or analyses which would be required to determine the presence or absence of such substances or for loss as a result of the presence of such substances. The Client is free to retain an expert on such matters in this field; however, Client retains such expert at Client's own discretion, and any costs and/or expenses associated with such retention are the responsibility of Client.
  - m) BBG, Inc. is not an expert in determining the habitat for protected or endangered species, including, but not limited to, animal or plant life (such as bald eagles, gophers, tortoises, etc.) that may be present on the property. BBG, Inc. assumes no monetary liability or responsibility for the studies or analyses which would be required to determine the presence or absence of such species or for loss as a result of the presence of such species. The Appraiser hereby reserves the right to alter, amend, revise, or rescind any of the value opinions contained within the appraisal report based upon any subsequent endangered species impact studies, research, and investigation that may be provided. However, it is assumed that no environmental impact studies were either requested or made in conjunction with this analysis, unless otherwise stated within the appraisal report.
- 2) If the Client instructions to the Appraiser were to inspect only the exterior of the improvements in the appraisal process, the physical attributes of the property were observed from the street(s) as of the
-

---

inspection date of the appraisal. Physical characteristics of the property were obtained from tax assessment records, available plans, if any, descriptive information, and interviewing the client and other knowledgeable persons. It is assumed the interior of the subject property is consistent with the exterior conditions as observed and that other information relied upon is accurate.

- 3) If provided, the opinion of insurable replacement cost is included at the request of the Client and has not been performed by a qualified insurance agent or risk management underwriter. This cost estimate should not be solely relied upon for insurable replacement cost purposes. The Appraisers are not familiar with the definition of insurable replacement cost from the insurance provider, the local governmental underwriting regulations, or the types of insurance coverage available. These factors can impact cost estimates and are beyond the scope of the intended use of this appraisal. The Appraisers are not cost experts in cost estimating for insurance purposes.
- 4) The dollar amount of any value opinion herein rendered is based upon the purchasing power and price of the United States Dollar as of the effective date of value. This appraisal is based on market conditions existing as of the date of this appraisal.
- 5) The value opinions reported herein apply to the entire property. Any proration or division of the total into fractional interests will invalidate the value opinions, unless such proration or division of interests is set forth in the report. Any division of the land and improvement values stated herein is applicable only under the program of utilization shown. These separate valuations are invalidated by any other application.
- 6) Any projections of income and expenses, including the reversion at time of resale, are not predictions of the future. Rather, they are BBG, Inc.'s best estimate of current market thinking of what future trends will be. No warranty or representation is made that such projections will materialize. The real estate market is constantly fluctuating and changing. It is not the task of an appraiser to estimate the conditions of a future real estate market, but rather to reflect what the investment community envisions for the future in terms of expectations of growth in rental rates, expenses, and supply and demand. The forecasts, projections, or operating estimates contained herein are based on current market conditions, anticipated short-term supply and demand factors, and a continued stable economy. These forecasts are, therefore, subject to changes with future conditions.
- 7) The Appraiser assumes no monetary liability or responsibility for any changes in economic or physical conditions which occur following the effective date of value within this report that would influence or potentially affect the analyses, opinions, or conclusions in the report. Any subsequent changes are beyond the scope of the report.
- 8) Any proposed or incomplete improvements included in the appraisal report are assumed to be satisfactorily completed in a workmanlike manner or will be thus completed within a reasonable length of time according to plans and specifications submitted.
- 9) If the appraisal report has been prepared in a so-called "public non-disclosure" state, real estate sales prices and other data, such as rents, prices, and financing, are not a matter of public record. If this is such a "non-disclosure" state, although extensive effort has been expended to verify pertinent data with buyers, sellers, brokers, lenders, lessors, lessees, and other sources considered reliable, it has not always been possible to independently verify all significant facts. In these instances, the Appraiser may have relied on verification obtained and reported by appraisers outside of our office. Also, as necessary, assumptions and adjustments have been made based on comparisons and analyses using data in the report and on interviews with market participants. The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.
- 10) Although the Appraiser has made, insofar as is practical, every effort to verify as factual and true all information and data set forth in this report, no responsibility is assumed for the accuracy of any information furnished the Appraiser either by the Client or others. If for any reason, future investigations should prove any data to be in substantial variance with that presented in this report, the Appraiser reserves the right to alter or change any or all analyses, opinions, or conclusions and/or opinions of value.

- 
- 11) The right is reserved by the Appraiser to make adjustments to the analyses, opinions, and conclusions set forth in the appraisal report as may be required by consideration of additional or more reliable data that may become available. No change of this report shall be made by anyone other than the Appraiser. The Appraiser shall have no monetary liability or responsibility for any unauthorized change(s) to the report.
  - 12) The submission of the appraisal report constitutes completion of the services authorized and agreed upon. Such appraisal report is submitted on the condition the Client will provide reasonable notice and customary compensation, including expert witness fees, relating to any subsequent required attendance at conferences, depositions, or judicial or administrative proceedings. In the event the Appraiser is subpoenaed for either an appearance or a request to produce documents, a best effort will be made to notify the Client immediately. The Client has the sole responsibility for obtaining a protective order, providing legal instruction not to appear with the appraisal report and related work files, and will answer all questions pertaining to the assignment, the preparation of the report, and the reasoning used to formulate the opinion of value. Unless paid in whole or in part by the party issuing the subpoena or by another party of interest in the matter, the Client is responsible for all unpaid fees resulting from the appearance or production of documents regardless of who orders the work.
  - 13) Client shall not disseminate, distribute, make available or otherwise provide any Appraisal Report prepared hereunder to any third party (including without limitation, incorporating or referencing the Appraisal Report, in whole or in part, in any offering or other material intended for review by other parties) except to (a) any third party expressly acknowledged in a signed writing by Appraiser as an "Intended User" of the Appraisal Report provided that either Appraiser has received an acceptable release from such third party with respect to such Appraisal Report or Client provides acceptable indemnity protections to Appraiser against any claims resulting from the distribution of the Appraisal Report to such third party, (b) any third party service provider (including rating agencies and auditors) using the Appraisal Report in the course of providing services for the sole benefit of an Intended User, or (c) as required by statute, government regulation, legal process, or judicial decree. In the event Appraiser consents, in writing, to Client incorporating or referencing the Appraisal Report in any offering or other materials intended for review by other parties, Client shall not distribute, file, or otherwise make such materials available to any such parties unless and until Client has provided Appraiser with complete copies of such materials and Appraiser has approved all such materials in writing. Client shall not modify any such materials once approved by Appraiser. In the absence of satisfying the conditions of this paragraph with respect to a party who is not designated as an Intended User, the receipt of an Appraisal Report by such party shall not confer any right upon such party to use or rely upon such report, and Appraiser shall have no liability for such unauthorized use or reliance upon such report. In the event Client breaches the provisions of this paragraph, Client shall indemnify, defend and hold Appraiser, and its affiliates and their officers, directors, employees, contractors, agents and other representatives (Appraiser and each of the foregoing an "Indemnified Party" and collectively the "Indemnified Parties"), fully harmless from and against all losses, liabilities, damages and expenses (collectively, "Damages") claimed against, sustained or incurred by any Indemnified Party arising out of or in connection with such breach, regardless of any negligence on the part of any Indemnified Party in preparing the Appraisal Report.



## The Insight you need. The Independence you trust.

### About BBG

BBG is an independent, third-party provider of commercial real estate valuation, advisory, environmental, and engineering services.

With over **50 offices nationwide**, our team of experts offers local expertise across the country to help you meet your objectives throughout the real estate lifecycle; from acquisition to disposition.

Our **4,500 active clients** include commercial real estate professionals, investors, lenders, attorneys, accountants, and corporations.

### Our Expertise

#### Nationwide Reach

Our services are available nationwide for all commercial property types. We deliver on both individual transactions and large portfolios.

#### Customer-Centric

BBG's commitment to best-in-class customer service includes one point of contact to streamline the process and expedite completion.

#### Unbiased Independence

We guarantee an independent perspective free from potential conflicts of interest.



*"I could easily give this business to 2-3 firms, but BBG does such a phenomenal job. The service I get is beyond - way beyond - outstanding."*

- Global Financial Services Provider

### Specialty Practices

- + Affordable Multifamily
- + Healthcare
- + Right of Way
- + Manufactured Housing Communities & RV Parks
- + Financial Reporting
- + Cannabis
- + Hospitality
- + Car Wash
- + Seniors Housing

**REQUEST A QUOTE**  
**[bbgres.com](https://bbgres.com)**

## Local Expertise. Across The Country.

### 50 Offices Nationwide



## Services

BBG's **valuation and assessment services** offer deep expertise in the following practice areas:

### Valuation

- + Appraisal Services
  - Single Asset & Portfolios
- + Appraisal Review
- + Appraisal Management
- + Lease and Cost Analysis
- + Insurance Valuation
- + Arbitration & Consulting
- + Estate Planning
- + Feasibility Studies
- + Highest and Best Use Studies
- + Evaluation
- + Investment Analysis
- + Tax Appeals
- + Litigation Support
- + Manufactured Housing & Campgrounds

### Advisory

- + ASC 805 Business Combinations
- + ASC 840 Leases
- + Purchase Price Allocations
- + Portfolio Valuations for Reporting Net Asset Values (NAV)
- + Public and Non-traded REIT Valuations
- + Valuations for Litigation & Litigation Support
- + Sale-Leaseback Valuation Analysis
- + Valuations for Bankruptcy/Fresh Start Accounting
- + Cost Segregation Analysis

### Assessment

- + Environmental Due Diligence
  - + Phase I/II ESA
  - + TSA, RSA, & other Streamlined Services
- + Property Condition Reports
  - + Debt/Equity
- + Construction Risk Management
- + Survey Services
- + Zoning Services
- + Seismic Services
- + HUD
- + Energy Efficiency Services
- + Indoor Air Quality
  - + IAQ/Radon
  - + ACM/LBP

---

# ADDENDA

Glossary .....A

Letter of Engagement ..... B

Metropolitan Area Description ..... C

Comparable Land Sales ..... D

Comparable Improved Sales ..... E

Comparable Leases ..... F

Appraiser Qualifications and Licenses..... G



---

## GLOSSARY

**Appraisal:** (noun) the act or process of developing an opinion of value; an opinion of value. (adjective) of or pertaining to appraising and related functions such as appraisal practice or appraisal services.<sup>7</sup>

**Appraisal Practice:** valuation services performed by an individual acting as an appraiser, including but not limited to appraisal and appraisal review.<sup>7</sup>

**Appraisal Review:** (noun) the act or process of developing an opinion about the quality of another appraiser's work (i.e., a report, part of a report, a workfile, or some combination of these), that was performed as part of an appraisal or appraisal review assignment, (adjective) of or pertaining to an opinion about the quality of another appraiser's work that was performed as part of an appraisal or appraisal review assignment.<sup>7</sup>

**Appraiser:** one who is expected to perform valuation services competently and in a manner that is independent, impartial and objective.<sup>7</sup>

**Appraiser's Peers:** other appraisers who have expertise and competency in a similar type of assignment.<sup>7</sup>

**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.<sup>1</sup>

**Asset:**

1. Any item, the rights to which may have economic value, including financial assets (cash or bonds), business interests, intangible assets (copyrights and trademarks), and physical assets (real estate and personal property).
2. In general business usage, something owned by a business and reflected in the owner's business sheet.

**Asset:** A resource controlled by the entity as a result of past events and from which future economic benefits are expected to flow to the entity.<sup>2</sup>

**Assignment:** a valuation service that is provided by an appraiser as a consequence of an agreement with a client.<sup>7</sup>

**Assignment Conditions:** Assumptions, extraordinary assumptions, hypothetical conditions, laws and regulation, jurisdictional exceptions, and other conditions that affect the scope of work.<sup>7</sup>

**Assignment Elements:** Specific information needed to identify the appraisal or appraisal review problem: client and any other intended users, intended use of the appraiser's opinions and conclusions, type and definition of value; effective date of the appraiser's opinions and conclusions; subject of the assignment and its relevant characteristics; and assignment conditions.<sup>7</sup>

**Assignment Results:** An appraiser's opinions or conclusions, not limited to value, that were developed when performing an appraisal assignment, an appraisal review assignment, or a valuation service other than an appraisal or appraisal review.<sup>7</sup>

**Bias:** a preference or inclination that precludes an appraiser's impartiality, independence, or objectivity in an assignment.<sup>7</sup>

**Business Enterprise:** an entity pursuing an economic activity.<sup>7</sup>

**Business Equity:** the interests, benefits, and rights inherent in the ownership of a business enterprise or a part thereof in any form (including, but not necessarily limited to, capital stock, partnership interests, cooperatives, sole proprietorships, options, and warrants).<sup>7</sup>

**Capital Expenditure:** Investments of cash (or the creation of liability) to acquire or improve an asset, e.g., land, buildings, building additions, site improvements, machinery, equipment; as distinguished from cash outflows for expense items that are normally considered part of the current period's operations. Also referred to as Cap Ex.<sup>1</sup>

**Cash Equivalency Analysis:** An analytical process in which the sale price of a transaction with nonmarket financing or financing with unusual conditions or incentives is converted into a price expressed in terms of cash or its equivalent.<sup>1</sup>

**Client:** the party or parties (i.e., individual, group or entity) who engage an appraiser by employment or contract in a specific assignment, whether directly or through an agent.<sup>7</sup>

**Condominium Ownership:** A form of fee ownership of separate units or portions of multiunit buildings that provides for formal filing and recording of a divided interest in real estate.<sup>1</sup>

**Confidential Information:**

1: information that is either:

- Identified by the client as confidential when providing it to a valuer and that is not available from any other source, or
- Classified as confidential or private by applicable law or regulation.

2: Information that is either

- Identified by the client as confidential when providing it to an appraiser and that is not available from any other source; or
- Classified as confidential or private by applicable law or regulation \*
- NOTICE: For example, pursuant to the passage of the Gramm-Leach-Bliley Act in November 1999, some public agencies have adopted privacy regulations that affect appraisers. The Federal Trade Commission (FTC) issued two rules. The first rule (16 CFR 313) focuses on the protection of "non-public personal information" provided by consumers to those involved in financial activities "found to be closely related to banking or usual in connection with the transaction of banking." These activities include "appraising real or personal property." The second rule (16 CFR 314) requires appraisers to safeguard customer non-public personal information. Significant liability exists for appraisers should they fail to comply with these FTC rules.<sup>7</sup>

**Cost:** the actual or estimated amount required to create, reproduce, replace or obtain a property.<sup>7</sup>

**Cost Approach:** A set of procedures through which a value indication is derived for the fee simple interest in a property by estimating the current cost 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. Adjustments may then be made to the indicated fee simple value of the subject property to reflect the value of the property interest being appraised.<sup>1</sup>

**Credible:** worthy of belief.<sup>7</sup>

**Deferred Maintenance:** Items of wear and tear on a property that should be fixed now to protect the value or income-producing ability of the property, such as a broken window, a dead tree, a leak in the roof, or a faulty roof that must be completely replaced. These items are almost always curable.<sup>1</sup>

**Disposition Value:** The most probable price that a specified interest in real property should bring under the following conditions: 1) Consummation of a sale within a specific time, which is short 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 to be 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 of 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.<sup>1</sup>

**Economic Life:** The period over which improvements to real estate contribute to property value.<sup>1</sup>

**Effective Date:** the date to which the appraiser's analysis, opinions and conclusions apply, also referred to as date of value.<sup>7</sup>

**Effective Gross Income Multiplier (EGIM):** The ratio between the sale price (or value) of a property and its effective gross income.<sup>1</sup>

**Effective Rent:** Total base rent, or minimum rent stipulated in a lease, over the specified lease term minus rent concessions, the rent that is effectively paid by a tenant net of financial concessions provided by a landlord.<sup>1</sup>

**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 the market value on the effect date of the appraisal.<sup>7</sup>

**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.<sup>7</sup>

**Fair Market Value:**

1. In nontechnical usage, a term that is equivalent to the contemporary usage of market value.
2. 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. For example, one definition of *fair market value* provided by the Internal Revenue Service for certain purposes is as follows: The price at which the property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of relevant facts. The fair market value of a particular item of property includible in the decedent's gross estate is not to be determined by a forced sale price. Nor is the fair market value of an item of property to be determined by the sale price of the item in a market other than that in which such item is most commonly sold to the public, taking into account the location of the item wherever appropriate. (IRS Regulation §20.2031-1)<sup>1</sup>

**Fair Share:**

1. A share of a fund or deposit that is divided or distributed proportionately.
2. A share of a burden or obligation that is divided proportionately; e.g., a tenant in a multitenant building or development may be required to pay a pro rata share of the building's operating expenses based on the number of square feet the tenant occupies. In a shopping center, the tenant's share of operating costs is often stated as a fraction, with the gross leasable area of the tenant's premises as the numerator and the gross leasable area or gross leased area of the entire shopping center as the denominator.
3. The share of a trade area that a retail facility is likely to capture; assumes that capture is a function of property size as a proportion of the overall inventory of competitive space in the trade area, i.e., that the facility captures a "fair share" of the trade area.<sup>1</sup>

**Fair Value:**

1. The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. (FASB)
2. The estimated price for the transfer of an asset or liability between identified knowledgeable and willing parties that reflects the respective interests of those parties. (This does not apply to valuations for financial reporting.) (IVS).<sup>1</sup>
3. The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.<sup>2</sup>

**Feasibility Analysis:** a study of the cost benefit relationship of an economic endeavor.<sup>1</sup>

**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.<sup>1</sup>

**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.<sup>1</sup>

**Going Concern:**

1. An established and operating business having an indefinite future life.
2. An organization with an indefinite life that is sufficiently long that, over time, all currently incomplete transformations [transforming resources from one form to a different, more valuable form] will be completed.<sup>1</sup>

**Gross Building Area (GBA):**

1. Total floor area of a building, excluding unenclosed areas, measured from the exterior of the walls of the above-grade area. This includes mezzanines and basements if and when typically included in the market area of the type of property involved.
2. Gross leasable area plus all common areas.
3. For residential space, the total area of all floor levels measured from the exterior of the walls and including the super structure and substructure basement; typically does not include garage space.<sup>1</sup>

**Highest and Best Use:**

1. The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.
2. The use of an asset that maximizes its potential and that is possible, legally permissible, and financially feasible. The highest and best use may be for continuation of an asset's existing use or for some alternative use. This is determined by the use that a market participant would have in mind for the asset when formulating the price that it would be willing to bid. (IVS).
3. [The] highest and most profitable use for which the property is adaptable and needed or likely to be needed in the reasonably near future. (Uniform Appraisal Standards for Federal Land Acquisitions)<sup>1</sup>

**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.<sup>7</sup>

**Income Capitalization Approach:** Specific appraisal techniques applied to develop a value indication for a property based on its earning capability and calculated by the capitalization of property income.<sup>1</sup>

**Inspection:** Personal observation of the exterior or interior of the real estate that is the subject of an assignment performed to identify the property characteristics that are relevant to the assignment, such as amenities, general physical condition, and functional utility. Note that this is not the inspection process performed by a licensed or certified building inspector.<sup>1</sup>

**Insurable Value:** A type of value for insurance purposes.<sup>1</sup>

**Intangible Property (intangible Assets):** Nonphysical assets, including but not limited to franchises, trademarks, patents, copyrights, goodwill, equities, securities, and contracts as distinguished from physical assets such as facilities and equipment.<sup>7</sup>

**Intended Use:** the user(s) of an appraiser's reported appraisal or appraisal review assignment results, as identified by the appraiser based on communication with the client at the time of the assignment.<sup>7</sup>

**Intended User:** the client and any other party as identified, by name or type, as users of the appraisal or appraisal review report by the appraiser, based on communication with the client at the time of the assignment.<sup>7</sup>

**Internal Rate of Return ("IRR"):** The annualized yield rate or rate of return on capital that is generated or capable of being generalized within an investment of portfolio over a period of ownership. Alternatively, the indicated return of capital associated with a projected or pro forma income stream. The discount rate that equates the present value of the net cash flows of a project with the present value of the capital investment. It is the rate at which the Net Present Value (NPV) equals zero. The IRR reflects both the return on invested capital and the return of the original investment, which are basic considerations of potential investors. Therefore, deriving the IRR from analysis of market transactions of similar properties having comparable income patterns is a proper method for developing market discount rates for use in valuations to arrive at Market Value. Used in discounted cash flow analysis to find the implied or expected rate of return of the project, the IRR is the rate of return which gives a zero net present value (NPV). See also equity yield rate (YE); financial management rate of return (FMRR); modified internal rate of return (MIRR); yield rate (Y).<sup>1</sup>

**Investment Value:** 1) 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. 2) The value of an asset to the owner or a prospective owner for individual investment or operational objectives. (IVS)<sup>1</sup>

**Jurisdictional Exception:** an assignment condition established by applicable law or regulation, which precludes an appraiser from complying with a part of USPAP.<sup>7</sup>

**Leasehold Interest:** The right held by the lessee to use and occupy real estate for a stated term and under the conditions specified in the lease.<sup>1</sup>

**Leased Fee Interest:** The ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversionary right when the lease expires.<sup>1</sup>

**Liquidation Value:** The most probable price that a specified interest in real

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 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.<sup>1</sup>

**Load Factor:** A measure of the relationship of common area to useable area and therefore the quality and efficiency of building area layout, with higher load factors indicating a higher percentage of common area to overall rentable space than lower load factors; calculated by subtracting the amount of usable area from the rentable area and then dividing the difference by the usable area:<sup>1</sup>

Load Factor =

$$\frac{(\text{Rentable Area} - \text{Useable Area})}{\text{Useable Area}}$$

**Market Value:** a type of value stated as an opinion, that presumes the transfer of a property (i.e., a right of ownership or a bundle of such rights), as of a certain date, under specific conditions set forth in the value definition that is identified by the appraiser as applicable in an appraisal.<sup>7</sup>

**Market Value "As If Complete" On The Appraisal Date:** Market value as if complete on the effective date of the appraisal is an estimate of the market value of a property with all construction, conversion, or rehabilitation hypothetically completed, or under other specified hypothetical conditions as of the date of the appraisal. With regard to properties wherein anticipated market conditions indicate that stabilized occupancy is not likely as of the date of completion, this estimate of value should reflect the market value of the property as if complete and prepared for occupancy by tenants.

**Market Value "As Is" On The Appraisal Date:** Value As Is -The value of specific ownership rights to an identified parcel of real estate as of the effective date of the appraisal; relates to what physically exists and is legally permissible and excludes all assumptions concerning hypothetical market conditions or possible rezoning. See also effective date; prospective value opinion.

**Market Value of the Total Assets of the Business:** The market value of the total assets of the business is the market value of all of the tangible and intangible assets of a business as if sold in aggregate as a going concern. This assumes that the business is expected to continue operations well into the future.<sup>4</sup>

**Marketing Time:** An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal. (Advisory Opinion 7 of the Appraisal Standards Board of The Appraisal Foundation and Statement on Appraisal Standards No. 6, "Reasonable Exposure Time in Real Property Market Value Opinions" address the determination of reasonable exposure and marketing time.).<sup>3</sup>

**Mass Appraisal:** the process of valuing a universe of properties as of a given date using standard methodology, employing common data and allowing for statistical testing.<sup>7</sup>

**Mass Appraisal Model:** a mathematical expression of how supply and demand factors interact in a market.<sup>7</sup>

**Misleading:** intentionally or unintentionally misrepresenting, misstating or concealing relevant facts or conclusions.<sup>7</sup>

**Net Lease:** A lease in which the landlord passes on all expenses to the tenant. See also lease.<sup>1</sup>

**Net Rentable Area (NRA):** 1) The area on which rent is computed. 2) The

Rentable Area of a floor shall be computed by measuring to the inside finished surface of the dominant portion of the permanent outer building walls, excluding any major vertical penetrations of the floor. No deductions shall be made for columns and projections necessary to the building. Include space such as mechanical room, janitorial room, restrooms, and lobby of the floor.<sup>5</sup>

**Penetration Ratio (Rate):** The rate at which stores obtain sales from within a trade area or sector relative to the number of potential sales generated; usually applied to existing facilities. Also called: penetration factor.<sup>1</sup>

**Personal Inspection:** a physical observation performed to assist in identifying relevant property characteristics in a valuation service.<sup>7</sup>

**Personal Property:** any tangible or intangible article that is subject to ownership and not classified as real property, including identifiable tangible objects that are considered by the general public as being "personal", such as furnishings, artwork, antiques, gems and jewelry, collectibles, machinery and equipment, and intangible property that is created and stored electronically such as plans for installation art, choreography, emails or designs for digital tokens.<sup>7</sup>

**Physical Characteristics:** attributes of a property that are observable or measurable as a matter of fact, as distinguished from opinions and conclusions, which are the result of some level of analysis or judgement.<sup>7</sup>

**Price:** the amount asked, offered or paid for a property.<sup>7</sup>

**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 being 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 yet achieved sellout or a stabilized level of long-term occupancy.<sup>1</sup>

**Real Estate:** an identified parcel or tract of land, including improvements, if any.<sup>7</sup>

**Real Property:** the interests, benefits and rights inherent in the ownership of real estate.<sup>7</sup>

**Reconciliation:** A phase of a valuation assignment in which two or more value indications are processed into a value opinion, which may be a range of value, a single point estimate, or a reference to a benchmark value.<sup>1</sup>

**Relevant Characteristics:** features that may affect a property's value or marketability such as legal, economic or physical characteristics.<sup>7</sup>

**Reliable Measurement:** [The IAS/IFRS framework requires that] neither an asset nor a liability is recognized in the financial statements unless it has a cost or value that can be measured reliably.<sup>2</sup>

**Remaining Economic Life:** The estimated period over which existing improvements are expected to contribute economically to a property; an estimate of the number of years remaining in the economic life of a structure or structural components as of the effective date of the appraisal; used in the economic age-life method of estimating depreciation.<sup>1</sup>

**Replacement Cost:** The estimated cost to construct, at current prices as of the effective appraisal date, a substitute for the building being appraised, using modern materials and current standards, design, and layout.<sup>1</sup>

**Report:** any communication, written or oral, of an appraisal or appraisal review that is transmitted to the client or a party authorized by the client upon completion of an assignment.<sup>7</sup>

**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."<sup>1</sup>

**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 as though vacant when an adequate supply of comparable sales is available.<sup>1</sup>

**Scope of Work:** the type and extent of research and analyses in an appraisal or appraisal review assignment.<sup>7</sup>

**Signature:** personalized evidence indicating authentication of the work performed by the appraiser and the acceptance of the responsibility for content, analyses and the conclusions in the report.<sup>7</sup>

**Stabilized value:** A value opinion that excludes from consideration any abnormal relationship between supply and demand such as is experienced in boom periods when cost and sale price may exceed the long-term value, or during periods of depression, when cost and sale price may fall short of long-term value. It is also a value opinion that excludes from consideration any transitory condition that may cause excessive construction costs, e.g., a premium paid due to a temporary shortage of supply.

**Substitution:** The principle of substitution states that when several similar or commensurate commodities, goods, services are available, the one with the lowest price will attract the greatest demand and widest distribution. This is the primary principle upon which the cost and sales comparison approaches are based.<sup>3</sup>

**Total Assets of a Business:** Total assets of a business is defined by the Appraisal Institute as “the tangible property (real property and personal property, including inventory and furniture, fixtures and equipment) and intangible property (cash, workforce, contracts, name, patents, copyrights, and other residual intangible assets, to include capitalized economic profit).”

**Use Value:**

The value of a property assuming a specific use, which may or may not be the property’s highest and best use on the effective date of the appraisal. Use value may or may not be equal to market value but is different conceptually.<sup>1</sup>

**Valuation Service:** a service pertaining to an aspect of property value, regardless of the type of service and whether it is performed by appraisers or by others.<sup>7</sup>

**Value:** the monetary relationship between properties and those who buy and sell, or use those properties, expressed as an opinion of the worth of a property at a given time.<sup>7</sup>

**Workfile:** data, information and documentation necessary to support the appraiser’s opinions and conclusions and to show compliance with USPAP.<sup>7</sup>

<sup>1</sup> Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed. (Chicago: Appraisal Institute 2010). <sup>2</sup> Appraisal Institute, *International Financial Reporting Standards for Real Property Appraiser*, IFRS Website, [www.ifrs-ebooks.com/index.html](http://www.ifrs-ebooks.com/index.html). <sup>3</sup> Appraisal Institute, *The Appraisal of Real Estate*, 13th ed. (Chicago: Appraisal Institute 2008). <sup>4</sup> This definition is taken from “Allocation of Business Assets Into Tangible and Intangible Components: A New Lexicon,” *Journal of Real Estate Appraisal*, January 2002, Volume LXX, Number 1. This terminology is to replace former phrases such as: value of the going concern. <sup>5</sup> Financial Publishing Company, *The Real Estate Dictionary*, 7 ed. <sup>6</sup> U.S. Treasury Regulations. <sup>7</sup> USPAP 2020-2021



---

## LETTER OF ENGAGEMENT

March 21, 2025

Ms. Lindsay Janke  
Project Manager  
MRK Partners  
838 Spy Glass Point  
Pocatello, ID 83204  
Phone: 949-400-3956  
Email: ljanke@mrkpartners.com

**RE: Appraisal Report of Office Building (Existing) proposed for Adaptive Reuse to Rental Housing,  
located at 101 Ash Street, San Diego, CA 92101**

Dear Ms. Janke :

We are pleased to submit this proposal and our Terms and Conditions for the Appraisal Report of the above referenced real estate.

## PROPOSAL SPECIFICATIONS

<b>Valuation Premise:</b>	Form an opinion of the Market Value; As-Is and Market Value subject to A Hypothetical Condition, as cleaned of asbestos, as well as Hypothetical Market Value, as if vacant site (land)
<b>Subject Property:</b>	101 Ash Street, San Diego, CA 92101
<b>Property Rights Appraised:</b>	Fee Simple Interest
<b>Intended Use:</b>	Asset Valuation
<b>Intended Users:</b>	MRK Partners and CTAC and City of San Diego
<b>Scope of Work:</b>	Income, Sales Comparison and Cost Approaches to value, as required <ul style="list-style-type: none"><li>• Review physical and economic attribute information of the subject property</li><li>• Conduct market research of relevant supply and demand factors</li><li>• Research and analysis sales of similar properties</li><li>• Estimate building replacement cost as all forms of depreciation</li><li>• Estimate the Market Value subject to a hypothetical condition that the property is free from contamination</li><li>• Estimate the Market Value As-Is</li><li>• Prepare a draft appraisal report with findings which will be discussed with you on or before April 10, 2025</li><li>• If required, a final report will be transmitted</li></ul>
<b>Inspection:</b>	BBG Inspection (exterior only)
<b>Appraisal Standards:</b>	Uniform Standards of Professional Appraisal Practice (USPAP) and Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute, as well as CTAC Appraisal Guidelines for Adaptive Reuse applications for funding, dated December 11, 2024
<b>Report Type:</b>	Appraisal Report
<b>Report Format::</b>	Narrative

**Fee & Timing**  
**(please make selection):**

- ☐ \$18,000 in 9 Business Days from engaged.  
☒ \$15,000 in 14 Business Days from engaged.

*Timing starts at acceptance and receipt of critical information. Fee(s) includes up to two hours of consultation time after delivery of the final reports. Any time incurred thereafter will be billed at an hourly rate.*

\*Please indicate below who is responsible for payment:

Name: Lindsay Janke  
Company: MRK Partners, Inc.  
Address: 5230 Pacific Concourse Drive, Suite 350, Los Angeles, CA 90045  
Phone: 949-400-3956  
Email: ljanke@mrkpartners.com

Signature:   
50% at Engagement

**Retainer:**

**Payment Terms:**

Final payment is due and payable upon delivery of the draft report. Final report will be delivered upon request once the final payment has been received. Fee quoted includes all expenses

**Payment Options:**

- Credit card (a 3% fee is applied) which is the quickest payment method to verify.
- Wire or ACH payment which are the second quickest payment methods. See below information for sending the wire or ACH
- A check mailed to BBG, Inc., 8343 Douglas Avenue, Suite 700, Dallas, TX 75225 – This method is the slowest option as it takes time to receive, process and confirm the funds.

If you would like to pay by credit card, please pay invoice online directly from our website at [bbgres.com/pay-your-invoice/](http://bbgres.com/pay-your-invoice/)

1. A 3% convenience fee is automatically applied to all credit card payments.
2. Please add Accounting BBG email ([eft@bbgres.com](mailto:eft@bbgres.com)) as correspondent for remitting payment (BBG Email Contact), so that we can get this applied to our system in a timely manner.
3. Please include the BBG Invoice # in your credit card submission. If you have not yet received an invoice number, please use the drop-down tool to select 'Property Details' and include the address of the property.
4. A copy of the receipt will be sent directly to you once the payment has been made.

If you choose to pay by wire or ACH, please let us know once the wire or ACH has been initiated and forward the bank confirmation if able.

**Be sure to include the address as a reference whenever sending any wire payment.**

**BBG Appraisal Wiring and ACH Instructions:**

Bank of America Account # 488038497058  
Payment via ACH Routing # 111000025  
Payment via Wire Routing # 026009593  
Bank Address: Bank of America  
6019 Berkshire Lane  
Dallas, TX 75225

Due to the limited capability to provide complete remittance details in ACH and Wire payments, please send all payment remittance details, including applicable invoice numbers, to [eft@bbgres.com](mailto:eft@bbgres.com) to ensure timely and accurate payment application.

**Report Copies:** 1 Draft PDF and 1 Final PDF

**Report Delivery Recipients:** If any other person(s) are authorized to be included on delivery of the report, please include their information in the space below:

**Name(s):** Lindsay Janke, Kelly Moden

**Email(s):** ljanke@mrkpartners.com, kmoden@createdevelopmentre.com

**Acceptance Date:** Date of Execution

**Property Information Request:** The following list of items will be needed within 2 days in order to meet the above referenced delivery date:

- Capital Expenses Recently Completed & Anticipated
- Acquisition information
- "As Built" Survey
- Floor Plans of building
- Legal Description
- Site Plan
- Title Policy (if possible)
- Cost to Clean/asbestos report (provided)
- Tax Bill(s) for Account Numbers & any pending Appeal Correspondence (if applicable)

Do not provide Personally Identifiable Information (PII) to BBG, Inc. or any of its agents. PII is any piece of information meant to identify a specific individual. This includes data such as a Social Security number, driver's license number and financial account numbers.

The attached Terms and Conditions of the Engagement are deemed part of this Appraisal Services Agreement and are incorporated fully herein by reference and shall apply to any appraisal reports, contract or orders into which they are incorporated. In addition, with respect to any appraisal report, any use of or reliance on the appraisal by any party, regardless of whether the use or reliance is authorized or known by BBG, Inc. and its agents, servants, employees, principals, affiliated companies and all those in privity with them, constitutes acceptance of such Terms and Conditions of the Engagement, as well as acceptance of all other appraisal statements, limiting conditions and assumptions stated in the appraisal report. Use of this appraisal report constitutes acknowledgement and acceptance of the Terms and Conditions of the Engagement, special assumptions (if any), extraordinary assumptions (if any), and hypothetical conditions (if any) on which this estimate of market value is based. This appraisal report has been prepared for the exclusive benefit of the client. It may not be used or relied upon by any other party. Any other party who is not the identified client within this report who uses or relies upon any information in this report does so at their own risk.

Client acknowledges and agrees that BBG may anonymize all property and operational information ("Client Data") provided and aggregate with other anonymized data from other Clients and/or other sources and use such aggregated, anonymized Client Data in existing or future BBG product offerings. BBG shall process the Client Data in a manner that renders the form and source of the Client Data unidentifiable to any other Client or third party.

We appreciate this opportunity to be of service to you on this assignment. If you have additional questions, please contact us.



As Agent for BBG, Inc.

Mary Ann Barnett, MAI  
Senior Managing Director- Affordable Multifamily  
Practice Leader

Valuation

8343 Douglas Avenue, Suite 700, Dallas, TX 75225

P 214-269-0522 C 214-499-6992

E MBarnett@bbgres.com

**AGREED AND ACCEPTED**



Client Signature

3/26/2025

Date

## Terms and Limiting Conditions of the Engagement

---

The Terms and Conditions of the Engagement are deemed part of the attached Proposal Specifications and Appraisal and Consulting Services Agreement and are incorporated fully therein, and shall apply to any appraisal services, consulting services, oral testimony, reports, contracts, or orders into which they may be incorporated.

### A) Definitions. In the Terms and Conditions of the Engagement:

1. "BBG, Inc." means BBG, Inc. and its agents, successors, assigns, servants, employees, principals, affiliated companies and all those in privity with them.
2. "Appraiser" means the appraiser(s) performing part or all of the appraisal services and/or signing an appraisal report. "Appraiser" may also mean "Consultant" in a consulting assignment.
3. "Appraisal and Consulting Services Agreement" means any written agreement with Client for performance of the appraisal services by Appraiser, including any agreement entered into electronically.
4. "Client" means any party identified expressly as a client in an Appraisal and Consulting Services Agreement and also any party identified expressly as a client by the Appraiser in an appraisal report.
5. "Appraisal" means any appraisal or consulting report(s) prepared by or oral report and/or testimony presented by BBG, Inc.
6. "Report" means a written or oral report prepared by and/or oral testimony presented by BBG, Inc.

### B) Venue and Jurisdiction

**THIS APPRAISAL AND CONSULTING SERVICES AGREEMENT WILL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE DOMESTIC SUBSTANTIVE LAWS OF THE STATE OF TEXAS, WITHOUT GIVING EFFECT TO ANY CHOICE OR CONFLICT OF LAW PROVISION. IF ANY ACTION RELATING TO THIS APPRAISAL AND CONSULTING SERVICES AGREEMENT OR THE CONTEMPLATED TRANSACTIONS IS BROUGHT BY A PARTY HERETO AGAINST ANY OTHER PARTY HERETO, THE PREVAILING PARTY IN SUCH ACTION WILL BE ENTITLED TO RECOVER ALL REASONABLE EXPENSES RELATING THERETO (INCLUDING REASONABLE ATTORNEYS' FEES AND EXPENSES) FROM THE NON-PREVAILING PARTY.**

Each party to this Appraisal and Consulting Services Agreement (a) hereby irrevocably submits to the exclusive jurisdiction and venue of the state courts located in Dallas County, Texas (or, if but only if such court lacks jurisdiction, the United States District Court for the Northern District of Texas) for the purpose of any Action between any of the parties hereto arising in whole or in part under or in connection with this Appraisal and Consulting Services Agreement, any Ancillary Agreement, or the Contemplated Transactions, (b) hereby waives and agrees not to assert any claim that he, she or it is not subject personally to the jurisdiction of the above-named courts or that any such Action brought in the above-named courts should be dismissed on grounds of forum non conveniens. Notwithstanding the foregoing, a party hereto may commence any Action in a court other than the above-named courts solely for the purpose of enforcing an order or judgment issued by the above-named courts.

### C) Limitations of Liability

It is expressly agreed that in any action which may be brought against BBG, Inc., arising out of, relating to, or in any way pertaining to this engagement, this Appraisal and Consulting Services Agreement, or any services, reports, information, or opinions contained therein or presented, BBG, Inc. shall not be responsible or liable for any incidental or consequential losses, unless the same was fraudulent or prepared with gross negligence. It is further agreed that the collective liability of BBG, Inc. in any such action shall not exceed the fees paid for the preparation of the respective report or services unless the same was fraudulent or prepared with gross negligence. Finally, it is agreed that the fees charged herein are in reliance upon the foregoing limitations of liability.

Client hereby agrees to indemnify, defend, protect, and hold BBG, Inc. harmless from and against all claims, damages, losses and expenses, including attorneys' fees, expenses and costs, incurred upon investigating and defending any claim, action or proceeding arising from, or in any way connected to, relating to, or in any way pertaining to this engagement, this Appraisal and Consulting Services Agreement, or any services, reports, information, or opinions contained therein or presented.

Further, you acknowledge that any opinions and conclusions expressed by professionals employed by BBG, Inc. related to this agreement are representations made by them as employees and not as individuals. BBG, Inc.'s

## Terms and Limiting Conditions of the Engagement

---

responsibility is limited to you as a Client. The use of BBG, Inc.'s product by third parties is not intended unless expressly stated and shall be solely at the risk of you and/or third parties. BBG, Inc. acknowledges that Client will be the end-user of, and can rely upon, the opinion and conclusions of BBG, Inc.

### D) Confidentiality

The parties agree that (i) this Appraisal and Consulting Services Agreement and the terms contained herein, (ii) opinions or valuation conclusions, (iii) the identity of the analyst or the firm and any reference to the professional organization of which the appraiser is affiliated or to the designations thereof, and (iv) all information regarding the property of whatever nature made available to either party by the other (including all versions of BBG, Inc.'s final report and all prior drafts of same) and methods of each party revealed during the performance of the Services (altogether, collectively, the "Confidential Information") shall be treated as strictly confidential. Accordingly, neither party nor any employee, agent or affiliate thereof shall disclose the same to any third party without the written consent of other party and approval of Appraiser; provided, however, that, a party shall not hereby be precluded from disclosure of Confidential Information that may be compelled by legal requirements, or from disclosing this Appraisal and Consulting Services Agreement (and the terms contained herein) to its attorneys, accountants, auditors, lenders, and other professionals who may be bound to that party by duties of confidence.

Do not provide Personally Identifiable Information (PII) to BBG, Inc. or any of its agents. PII is any piece of information meant to identify a specific individual. This includes data such as a Social Security number, driver's license number and financial account numbers.

### E) General Assumptions and Limiting Conditions

Appraisal services have been provided with the following general assumptions:

1. Notwithstanding that the Appraiser may comment on, analyze or assume certain conditions in the appraisal or consulting assignment, BBG, Inc. shall have no monetary liability or responsibility for alleged claims or damages pertaining to: (a) title defects, liens or encumbrances affecting the property; (b) the property's compliance with local, state or federal zoning, planning, building, disability access and environmental laws, regulations and standards; (c) building permits and planning approvals for improvements on the property; (d) structural or mechanical soundness or safety; (e) contamination, mold, pollution, storage tanks, animal infestations or other hazardous conditions affecting the property; and (f) other conditions and matters for which licensed real estate appraisers are not customarily deemed to have professional expertise. Accordingly:
  - a) The Appraiser has not conducted any engineering or architectural surveys in connection with this appraisal or consulting assignment. Information reported pertaining to dimensions, sizes, and areas is either based on measurements taken by the Appraiser or the Appraiser's staff or was obtained or taken from referenced sources and is considered reliable. The Appraiser and BBG, Inc. shall not be monetarily liable or responsible for or assume the costs of preparation or arrangement of geotechnical engineering, architectural, or other types of studies, surveys, or inspections that require the expertise of a qualified professional.
  - b) Unless otherwise stated in the written report or oral report, only the real property is considered, so no consideration is given to the value of personal property or equipment located on the premises or the costs of moving or relocating such personal property or equipment. Further, unless otherwise stated, it is assumed that there are no subsurface oil, gas or other mineral deposits or subsurface rights of value involved in this appraisal, whether they are gas, liquid, or solid. Further, unless otherwise stated, it is assumed that there are no rights associated with extraction or exploration of such elements considered. Unless otherwise stated it is also assumed that there are no air or development rights of value that may be transferred.
  - c) Any legal description or plats reported in the appraisal are assumed to be accurate. Any sketches, surveys, plats, photographs, drawings or other exhibits are included only to assist the intended user to better understand and visualize the subject property, the environs, and the competitive data. BBG, Inc. has made no survey of the property and assumes no monetary liability or responsibility in connection with such matters.
  - d) Title is assumed to be good and marketable, and in fee simple, unless otherwise stated in the report. The property is considered to be free and clear of existing liens, easements, restrictions, and encumbrances,

## Terms and Limiting Conditions of the Engagement

---

- except as stated. Further, BBG, Inc. assumes there are no private deed restrictions affecting the property which would limit the use of the subject property in any way, except as stated.
- e) The appraisal report is based on the premise that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless otherwise stated in the report; additionally, that all applicable zoning, building, and use regulations and restrictions of all types have been complied with unless otherwise stated in the report. Further, it is assumed that all required licenses, consents, permits, or other legislative or administrative authority, local, state, federal and/or private entity or organization have been or can be obtained or renewed for any use considered in the value opinion. Moreover, unless otherwise stated herein, it is assumed that there are no encroachments or violations of any zoning or other regulations affecting the subject property, that the utilization of the land and improvements is within the boundaries or property lines of the property described, and that there are no trespasses or encroachments.
  - f) The American Disabilities Act (ADA) became effective January 26, 1992. The Appraiser has not made a specific compliance survey or analysis of the property to determine whether it is in conformity with the various detailed requirements of ADA. It is possible that a compliance survey of the property and a detailed analysis of the requirements of the ADA would reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this fact could have a negative impact upon the value of the property. Since the Appraiser has no direct evidence relating to this issue, possible noncompliance with the requirements of ADA was not considered in estimating the value of the property.
  - g) No monetary liability or responsibility is assumed for conformity to specific governmental requirements, such as fire, building, safety, earthquake, or occupancy codes, except where specific professional or governmental inspections have been completed and reported in the appraisal report or oral report.
  - h) It is assumed the subject property is not adversely affected by the potential of floods unless otherwise stated herein. Further, it is assumed all water and sewer facilities (existing and proposed) are or will be in good working order and are or will be of sufficient size to adequately serve any existing or proposed buildings.
  - i) Unless otherwise stated within the appraisal report or oral report, the depiction of the physical condition of the improvements described therein is based on visual inspection. No monetary liability or responsibility is assumed for (a) the soundness of structural members since no engineering tests were conducted; (b) the condition of mechanical equipment, plumbing, or electrical components, as complete tests were not made; and (c) hidden, unapparent or masked property conditions or characteristics that were not clearly apparent during the Appraiser's or Consultant's inspection.
  - j) If building improvements are present on the site, it is assumed that no significant evidence of termite damage or infestation was observed during physical inspection, unless so stated in the appraisal report or oral report. Further, unless so stated in the report or oral report, no termite inspection report was available. No monetary liability or responsibility is assumed for hidden damages or infestation.
  - k) Unless subsoil opinions based upon engineering core borings were furnished, it is assumed there are no subsoil defects present, which would impair development of the land to its maximum permitted use or would render it more or less valuable. No monetary liability or responsibility is assumed for such conditions or for engineering which may be required to discover them.
  - l) BBG, Inc., excepting employees of BBG Assessment, Inc., and the appraiser(s) are not experts in determining the presence or absence of hazardous substances toxic materials, wastes, pollutants or contaminants (including, but not limited to, asbestos, PCB, UFFI, or other raw materials or chemicals) used in construction or otherwise present on the property. BBG, Inc. and the appraiser(s) assume no monetary liability or responsibility for the studies or analyses which would be required to determine the presence or absence of such substances or for loss as a result of the presence of such substances. The Client is free to retain an expert on such matters in this field; however, Client retains such expert at Client's own discretion, and any costs and/or expenses associated with such retention are the responsibility of Client.
  - m) BBG, Inc. is not an expert in determining the habitat for protected or endangered species, including, but not limited to, animal or plant life (such as bald eagles, gophers, tortoises, etc.) that may be present on the property. BBG, Inc. assumes no monetary liability or responsibility for the studies or analyses which would be required to determine the presence or absence of such species or for loss as a result of the presence of such species. The Appraiser hereby reserves the right to alter, amend, revise, or rescind any of the value



## Terms and Limiting Conditions of the Engagement

---

- opinions contained within the appraisal report based upon any subsequent endangered species impact studies, research, and investigation that may be provided. However, it is assumed that no environmental impact studies were either requested or made in conjunction with this analysis, unless otherwise stated within the report.
2. If the Client instructions to the Appraiser were to inspect only the exterior of the improvements in the appraisal process, the physical attributes of the property were observed from the street(s) as of the inspection date of the appraisal. Physical characteristics of the property were obtained from tax assessment records, available plans, if any, descriptive information, and interviewing the client and other knowledgeable persons. It is assumed the interior of the subject property is consistent with the exterior conditions as observed and that other information relied upon is accurate.
  3. If provided, the opinion of insurable replacement cost is included at the request of the Client and has not been performed by a qualified insurance agent or risk management underwriter. This cost estimate should not be solely relied upon for insurable replacement cost purposes. The Appraisers are not familiar with the definition of insurable replacement cost from the insurance provider, the local governmental underwriting regulations, or the types of insurance coverage available. These factors can impact cost estimates and are beyond the scope of the intended use of this appraisal. The Appraisers are not cost experts in cost estimating for insurance purposes.
  4. The dollar amount of any value opinion herein rendered is based upon the purchasing power and price of the United States Dollar as of the effective date of value. Any appraisal report is based on market conditions existing as of the effective date.
  5. Any value opinions reported or expressed apply to the entire property. Any proration or division of the total into fractional interests will invalidate the value opinions, unless such proration or division of interests is set forth in the report. Any division of the land and improvement values stated herein is applicable only under the program of utilization shown. These separate valuations are invalidated for any other application.
  6. Any projections of income and expenses, including the reversion at time of resale, are not predictions of the future. Rather, they are BBG, Inc.'s best estimate of current market thinking of what future trends will be. No warranty or representation is made that such projections will materialize. The real estate market is constantly fluctuating and changing. It is not the task of an appraiser to estimate the conditions of a future real estate market, but rather to reflect what the investment community envisions for the future in terms of expectations of growth in rental rates, expenses, and supply and demand. The forecasts, projections, or operating estimates contained herein are based on current market conditions, anticipated short-term supply and demand factors, and a continued stable economy. These forecasts are, therefore, subject to changes with future conditions.
  7. The Appraiser assumes no monetary liability or responsibility for any changes in economic or physical conditions which occur following the effective date of value within this report that would influence or potentially affect the analyses, opinions, or conclusions in the report. Any subsequent changes are beyond the scope of the report.
  8. Any proposed or incomplete improvements included in the appraisal report are assumed to be satisfactorily completed in a workmanlike manner or will be thus completed within a reasonable length of time according to plans and specifications submitted.
  9. If the appraisal report has been prepared in a so-called "public non-disclosure" state, real estate sales prices and other data, such as rents, prices, and financing, are not a matter of public record. If this is such a "non-disclosure" state, although extensive effort has been expended to verify pertinent data with buyers, sellers, brokers, lenders, lessors, lessees, and other sources considered reliable, it has not always been possible to independently verify all significant facts. In these instances, the Appraiser may have relied on verification obtained and reported by appraisers outside of our office. Also, as necessary, assumptions and adjustments have been made based on comparisons and analyses using data in the report and on interviews with market participants. The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.
  10. Although the Appraiser has made, insofar as is practical, every effort to verify as factual and true all information and data set forth in this report, no responsibility is assumed for the accuracy of any information furnished the Appraiser either by the Client or others. If for any reason, future investigations should prove any data to be in substantial variance with that presented in this report, the Appraiser reserves the right to alter or change any or all analyses, opinions, or conclusions and/or opinions of value.



## Terms and Limiting Conditions of the Engagement

---

11. The right is reserved by the Appraiser to make adjustments to the analyses, opinions, and conclusions set forth in the appraisal report as may be required by consideration of additional or more reliable data that may become available. No change of this report shall be made by anyone other than the Appraiser or Consultant. The Appraiser shall have no monetary liability or responsibility for any unauthorized change(s) to the report.
12. The submission of the appraisal report constitutes completion of the services authorized and agreed upon unless other services are provided for in this agreement. Such report is submitted on the condition the Client will provide reasonable notice and customary compensation, including expert witness fees, relating to any subsequent required attendance at conferences, depositions, or judicial or administrative proceedings, unless otherwise defined herein. In the event the Appraiser is subpoenaed for either an appearance or a request to produce documents, a best effort will be made to notify the Client immediately. Unless paid in whole or in part by the party issuing the subpoena or by another party of interest in the matter, the Client is responsible for all unpaid fees resulting from the appearance or production of documents regardless of who orders the work. A payment agreement must be reached in advance of the Appraiser providing such services.
13. Client shall not disseminate, distribute, make available or otherwise provide any appraisal report prepared hereunder to any third party (including without limitation, incorporating or referencing the report, in whole or in part, in any offering or other material intended for review by other parties) except to (a) any third party expressly acknowledged in a signed writing by Appraiser as an "Intended User" of the report provided that either Appraiser has received an acceptable release from such third party with respect to such report or Client provides acceptable indemnity protections to Appraiser against any claims resulting from the distribution of the report to such third party, (b) any third party service provider (including rating agencies and auditors) using the report in the course of providing services for the sole benefit of an Intended User, or (c) as required by statute, government regulation, legal process, or judicial decree. In the event Appraiser consents, in writing, to Client incorporating or referencing the report in any offering or other materials intended for review by other parties, Client shall not distribute, file, or otherwise make such materials available to any such parties unless and until Client has provided Appraiser with complete copies of such materials and Appraiser has approved all such materials in writing. Client shall not modify any such materials once approved by Appraiser. In the absence of satisfying the conditions of this paragraph with respect to a party who is not designated as an Intended User, the receipt of a report by such party shall not confer any right upon such party to use or rely upon such report, and Appraiser shall have no liability for such unauthorized use or reliance upon such report. In the event Client breaches the provisions of this paragraph, Client shall indemnify, defend and hold Appraiser, and its affiliates and their officers, directors, employees, contractors, agents and other representatives (Appraiser and each of the foregoing an "Indemnified Party" and collectively the "Indemnified Parties"), fully harmless from and against all losses, liabilities, damages and expenses (collectively, "Damages") claimed against, sustained or incurred by any Indemnified Party arising out of or in connection with such breach, regardless of any negligence on the part of any Indemnified Party in preparing the report.

MRK Partners, Inc. and Affiliated Companies  
STANDARD ADDENDUM TO PROPERTY SERVICE CONTRACTS

**Last Updated: January 17, 2025**

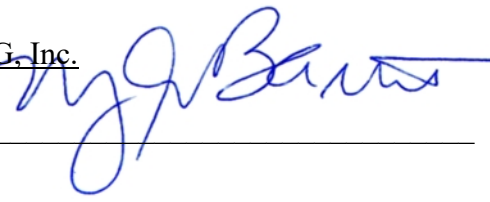
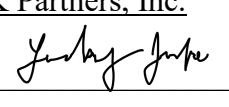
This Addendum shall be fully incorporated as if stated therein to that certain Letter of Engagement for an Appraisal Report for the Existing Office Building located at 101 Ash Street, San Diego, CA 92101 (“Agreement”) dated March 26, 2025, by and between MRK Partners, Inc. (“Company”) and BB (“Contractor”). Where there is conflict between the terms of this Addendum and the terms of the Agreement, this Addendum shall supersede. Any changes or alterations to this Addendum must be made in writing and must be signed by both Parties.

1. INDEMNITY

To the fullest extent permitted by law, Contractor shall indemnify, defend, and hold harmless Company, its subsidiaries, parent companies, successors, assigns and other parties to be determined by Company, and agents and employees of any of them from and against claims, damages, losses and expenses, including but not limited to attorney’s fees, arising out of or resulting from performance of the work or services under the Agreement, but only to the extent caused in whole or in part by negligent acts or omissions of Contractor, anyone directly or indirectly employed by them or anyone for whose acts they may be liable, regardless of whether or not such claim, damage, loss or expense is caused in part by a party indemnified hereunder. Such obligation shall not be construed to negate, abridge, or reduce other rights or obligations of indemnity which would otherwise exist as to a part or person described in this Paragraph.

2. INSURANCE:

Prior to the commencement of any work, Contractor shall secure, purchase, and maintain, at its own expense, the full insurance coverage, to include, but not necessarily be limited to, Workers Compensation and General Liability Insurance, and limits of liability in the amounts typical to the industry. These insurance requirements and the obligations of the indemnification agreement that is part of this contract shall also apply to anyone hired by Contractor to the work or services under the Agreement.

<u>BBG, Inc.</u>	<u>MRK Partners, Inc.</u>
By: 	By: 
_____ Print or Type Name, Title <b>Mary Ann Barnett, MAI</b> <b>Senior Managing Director- Affordable Multifamily Practice Leader</b> <b>Valuation</b> <b>8343 Douglas Avenue, Suite 700, Dallas, TX 75225</b> <b>P 214-269-0522 C 214-499-6992</b> <b>E <a href="mailto:MBarnett@bbgres.com">MBarnett@bbgres.com</a></b>	_____ Lindsay Janke, Project Manager _____ Print or Type Name, Title

---

## METROPOLITAN AREA DESCRIPTION

## ECONOMIC DRIVERS



## EMPLOYMENT GROWTH RANK

**2023-2025**  
**288**  
 4th quintile

**2023-2028**  
**293**  
 4th quintile

Best=1, Worst=410

## RELATIVE COSTS

**LIVING**  
**135%**
**BUSINESS**  
**129%**

U.S.=100

## VITALITY

**RELATIVE**  
**0.58**  
 Rank: 44

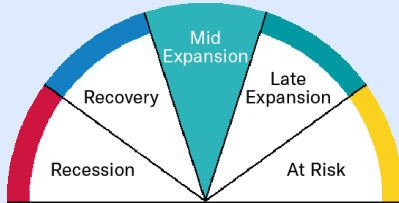
Best=1, Worst=403

## QUALITY

**OF LIFE**  
**9**

Best=1, Worst=378

## BUSINESS CYCLE STATUS



## STRENGTHS &amp; WEAKNESSES

## STRENGTHS

- » Highly trained, well-educated labor force.
- » Beneficiary of buildup of Pacific naval forces and unmanned aerial vehicles.
- » R&D clusters underpin healthy demand for office space.

## WEAKNESSES

- » High costs hinder net migration gains.
- » Significantly overvalued housing market and low and falling affordability.

## FORECAST RISKS

SHORT TERM



LONG TERM


**RISK EXPOSURE**  
**2025-2030** **274** 4th quintile *Most=1, Least=403*

## UPSIDE

- » Innovation fuels even bigger job gains in knowledge-based industries.
- » New cruise terminal unleashes significant uptick in visitors, driving a pickup in leisure/hospitality employment.

## DOWNSIDE

- » Large-scale deportations further stymie job growth and reignite price pressures.
- » Federal Reserve pauses interest rate cuts, leading to renewed weakness in tech.

## MOODY'S RATING

**NR**

COUNTY

## ANALYSIS

**Recent Performance.** San Diego-Carlsbad is spinning its wheels. Seemingly strong gains for much of the year have been revised away, and payrolls are now flat on a year-ago basis. Manufacturing is bleeding jobs, marred by high interest rates and cost-cutting in tech, and healthcare has softened considerably. On the other hand, the core driver of tourism has made progress, leaving payrolls within arm's reach of their prior high. Finally, the housing market is showing renewed signs of life. Home sales have ticked modestly higher over the past year, and permit issuance was higher last year than at any point this decade.

**Visitors.** Tourism will remain the cornerstone of SAN's economy, but the year ahead will prove challenging. Data from the TSA show that visitor volumes are still climbing, though the pace has moderated recently. Inflation has weighed on travel plans and has started to relent only recently. Near-term vacation plans have pulled back slightly, according to the Conference Board, and headwinds are building against international travel, which is especially important for SAN. A trade war between the U.S. and Mexico would hurt the Mexican economy and ding cross-border travel, and anti-immigration rhetoric may encourage would-be vacationers to travel elsewhere.

Still, longer-term prospects remain bright given SAN's tourism draws and a reinvigorated cruise presence. The metro area is expecting an influx of visitors as two major cruise lines will make SAN a home port for the first time in 2027. Travelers staying in SAN before and after cruises will help modestly boost tourism payrolls.

**Tech.** The expected pause in interest rate cuts spells trouble for SAN's tech firms. The metro area's tech sector has struggled with elevated borrowing costs, with payrolls dropping more than they did statewide since mid-2022. Last year's rate cuts provided some

relief, but the rates will be steadier this year as tariffs and reduced immigration put increased upward pressure on costs. This will disproportionately hurt SAN's biotech industry, as many of these firms have yet to bring products to market and face large capital expenditures in research and development that are hamstrung by high interest rates.

Still, there is reason for optimism. Venture capital funding experienced a revival in 2024 amid reduced borrowing costs, with PitchBook reporting a nearly 50% increase in deal value statewide. The post-pandemic construction boom in life sciences and biotech lab space is still working through the pipeline, and more than a dozen new facilities will be completed this year. This will give the industry plenty of runway to expand once interest rates pull back and valuations improve.

**Policy changes.** Changes to U.S. trade and immigration policy will harm the SAN economy disproportionately. More restrictive immigration policy would sap the economy of necessary foreign-born workers and weaken demographic trends. Changes to U.S. trade policy will also be a significant weight. Retaliatory measures will dent exports, where SAN ranks just outside the top quartile among metro areas and divisions for export dependence. Biotech would be hamstrung more than most other industries under a trade war, with the industry especially reliant on exports.

**San Diego-Carlsbad will grow in line with the California and U.S. economies through 2025. Tourism will pull back, and far less aggressive interest rate cuts will hamper the tech recovery. Over the long run, high costs will cap population gains, but an outside collection of high-wage drivers will help SAN keep pace with California.**

Colin Seitz

February 2025

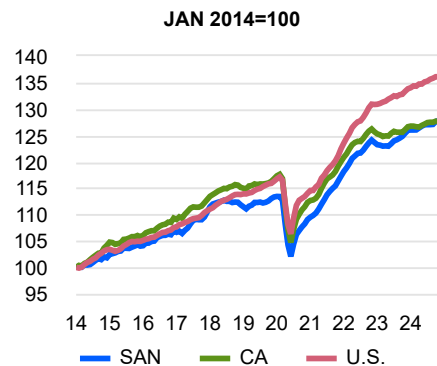
2018	2019	2020	2021	2022	2023	INDICATORS	2024	2025	2026	2027	2028	2029
254.0	263.9	262.7	282.9	286.3	290.6	Gross metro product (C17\$ bil)	300.1	305.8	310.3	315.7	321.8	328.3
4.3	3.9	-0.5	7.7	1.2	1.5	% change	3.3	1.9	1.5	1.7	1.9	2.0
1,482.2	1,503.1	1,385.8	1,442.0	1,531.2	1,552.1	Total employment (ths)	1,564.4	1,579.5	1,586.1	1,588.2	1,590.0	1,592.6
2.1	1.4	-7.8	4.1	6.2	1.4	% change	0.8	1.0	0.4	0.1	0.1	0.2
3.4	3.2	9.4	6.5	3.5	3.9	Unemployment rate (%)	4.5	4.2	3.8	3.8	3.7	3.8
3.9	5.0	8.8	7.5	2.0	6.0	Personal income growth (%)	6.0	4.2	4.6	4.2	3.8	4.0
80.0	83.4	87.2	92.1	97.7	103.7	Median household income (\$ ths)	104.7	108.1	112.0	115.8	119.0	122.1
3,281.6	3,285.4	3,295.3	3,279.8	3,291.4	3,300.9	Population (ths)	3,310.9	3,316.7	3,318.7	3,316.7	3,313.1	3,308.7
0.4	0.1	0.3	-0.5	0.4	0.3	% change	0.3	0.2	0.1	-0.1	-0.1	-0.1
-3.6	-12.6	-3.3	-25.7	1.1	-3.6	Net migration (ths)	-3.4	-7.5	-11.1	-14.9	-16.3	-16.5
3,489	3,019	2,900	3,227	3,517	3,049	Single-family permits (#)	3,486	5,245	5,388	5,301	5,027	4,763
6,345	5,197	6,572	6,821	5,829	8,420	Multifamily permits (#)	8,449	6,157	6,090	5,951	5,826	5,760
5.9	2.7	4.9	15.4	18.1	5.1	FHFA house price index (% change)	6.8	1.5	1.8	2.6	3.3	3.5

# ECONOMIC HEALTH CHECK

3-MO MA	Jul 24	Aug 24	Sep 24	Oct 24	Nov 24	Dec 24
Employment, change, ths	1.4	1.4	2.0	1.7	0.2	-0.2
Unemployment rate, %	4.5	4.5	4.5	4.5	4.6	4.6
Labor force participation rate, %	62.1	62.0	62.0	62.0	62.0	61.9
Average weekly hours, #	33.6	33.7	33.8	33.7	33.8	33.7
Industrial production, 2012=100	106.7	107.1	107.1	106.6	106.2	106.4
Residential permits, single-family, #	2,915	2,750	3,349	3,687	4,238	3,844
Residential permits, multifamily, #	5,449	5,846	8,469	12,911	11,910	11,144
Dec/Dec	Dec 19	Dec 20	Dec 21	Dec 22	Dec 23	Dec 24
Employment, change, ths	20.4	-136.9	124.0	47.8	13.4	8.4
<div>Stronger than prior 3-mo MA</div> <div>Unchanged from prior 3-mo MA</div> <div>Weaker than prior 3-mo MA</div>						

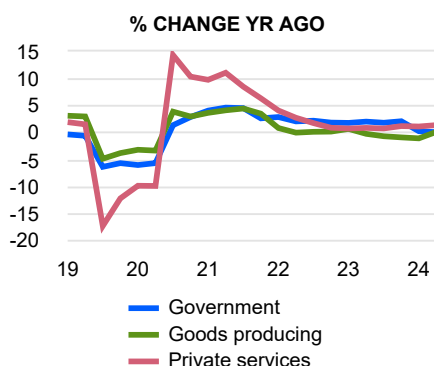
Sources: BLS, Census Bureau, Moody's Analytics

# BUSINESS CYCLE INDEX



Source: Moody's Analytics

# INDUSTRY EMPLOYMENT



Sources: BLS, Moody's Analytics

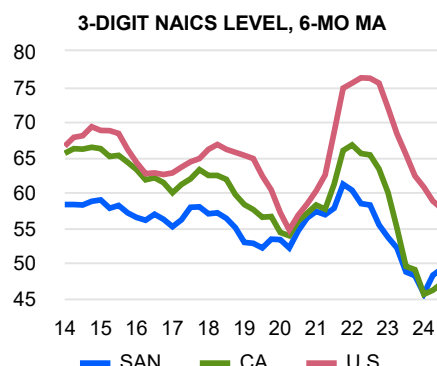
# CURRENT EMPLOYMENT TRENDS

% CHANGE YR AGO, 3-MO MA

	Dec 23	Jun 24	Dec 24
Total	0.9	0.7	0.6
Mining	0.0	33.4	-8.4
Construction	4.0	2.6	2.0
Manufacturing	-1.9	-3.4	-3.6
Trade	0.1	0.3	0.8
Trans/Utilities	2.3	0.4	-0.5
Information	-4.0	-6.0	-5.1
Financial Activities	-4.6	-2.2	0.6
Prof & Business Svcs.	-4.3	-3.4	-0.4
Edu & Health Svcs.	6.1	5.5	4.7
Leisure & Hospitality	3.4	2.2	0.3
Other Services	3.9	2.8	-0.2
Government	1.7	1.8	0.2

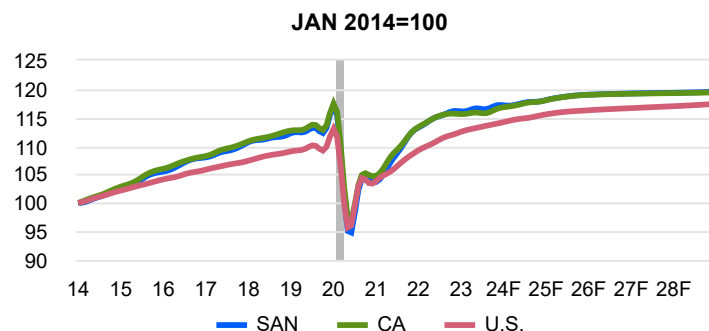
Sources: BLS, Moody's Analytics

# DIFFUSION INDEX



Sources: BLS, Moody's Analytics

# RELATIVE EMPLOYMENT PERFORMANCE



Sources: BLS, Moody's Analytics

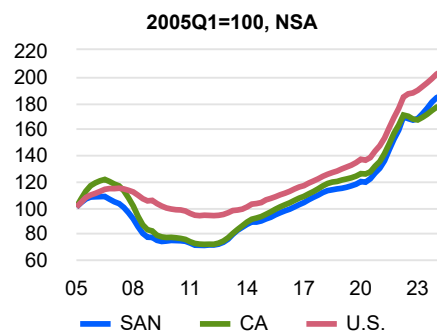
# RELATIVE EMPLOYMENT FORECAST

VS. 6 MO PRIOR

2-Yr	5-Yr
↔	↔
↔	↔
↔	↔

Sources: BLS, Moody's Analytics

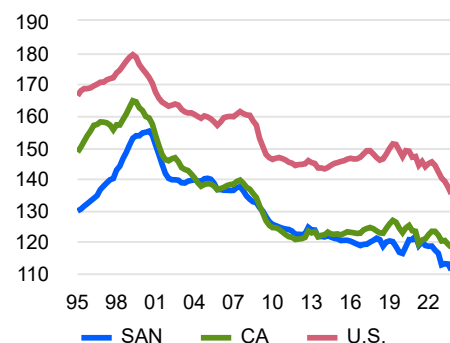
# HOUSE PRICE



Sources: FHFA, Moody's Analytics

# RENTAL AFFORDABILITY

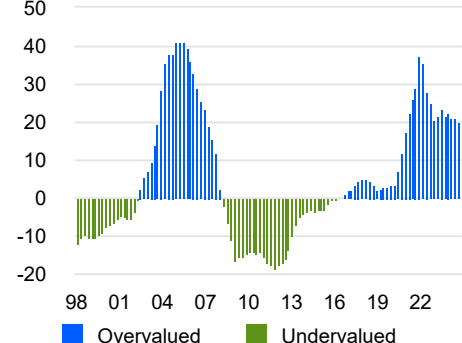
GREATER THAN 100=MORE AFFORDABLE



Sources: Census Bureau, BLS, Moody's Analytics

# HOUSE PRICE TRENDS

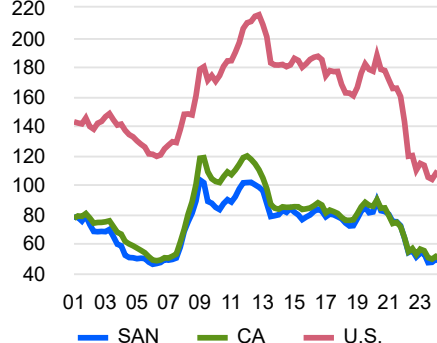
%



Sources: Moody's Analytics

# HOUSING AFFORDABILITY

GREATER THAN 100=MORE AFFORDABLE



Sources: NAR, Moody's Analytics

## TOP EMPLOYERS

32nd St. Naval Station	>10,000
Collins Aerospace	>10,000
MCCS MCRD San Diego Marine Corps	>10,000
University of California	>10,000
Kaiser Permanente Vandever Med	5,000-9,999
San Diego Community College	5,000-9,999
UC San Diego Health	5,000-9,999
Merchants Building Maintenance	1,000-4,999
Page One SEO	1,000-4,999
Scripps Research Institute	1,000-4,999
SDG & E	1,000-4,999
Sharp Memorial Hospital	1,000-4,999
Sony Electronics Inc.	1,000-4,999
VA San Diego Healthcare System	1,000-4,999
General Dynamics NASSCO	1,000-4,999
Illumina Inc.	1,000-4,999
Rady Children's Hospital	1,000-4,999
Scripps Mercy Hospital San Diego	1,000-4,999
Seaworld San Diego	1,000-4,999
Sharp Grossmont Hospital	1,000-4,999

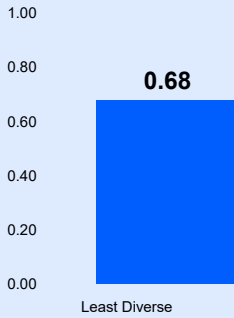
Sources: 2024 State of California

## PUBLIC

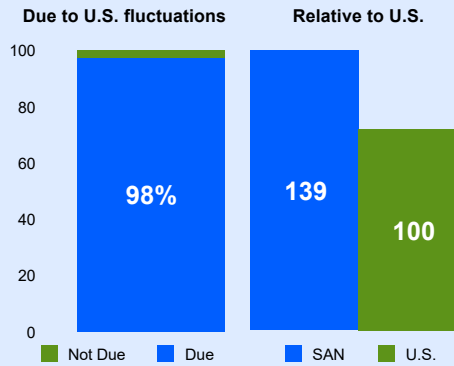
Federal	47,118
State	58,198
Local	146,001
2023	

## INDUSTRIAL DIVERSITY

Most Diverse (U.S.)

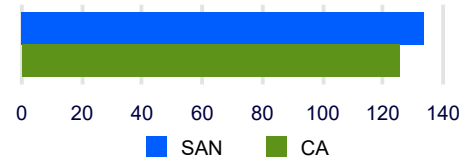


## EMPLOYMENT VOLATILITY



## ENTREPRENEURSHIP

BROAD-BASED START-UP RATE; U.S.=100



Sources: Census Bureau, Moody's Analytics, 2022

## EXPORTS

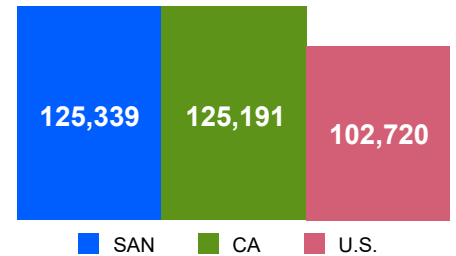
Product - 2019	\$ mil
Food and kindred products	ND
Chemicals	2,347.4
Primary metal manufacturing	ND
Fabricated metal products	ND
Machinery, except electrical	2,337.1
Computer and electronic products	3,694.4
Transportation equipment	1,662.3
Miscellaneous manufacturing	4,411.0
Other products	5,321.8
Total	19,774.1

Destination - 2022	\$ mil
Africa	205.8
Asia	7,985.4
European Union	3,288.7
Canada & Mexico	ND
South America	348.5
Rest of world	ND
Total	24,657.9
% of GDP	8.3
Rank among all metro areas	79

Sources: BEA, International Trade Administration, Moody's Analytics

## PRODUCTIVITY

REAL OUTPUT PER WORKER, \$



Sources: BEA, Moody's Analytics, 2022

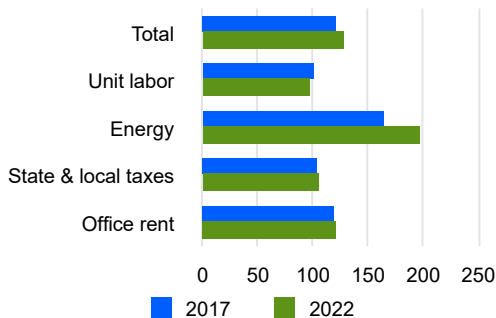
## COMPARATIVE EMPLOYMENT AND INCOME

Sector	% OF TOTAL EMPLOYMENT			AVERAGE ANNUAL EARNINGS		
	SAN	CA	U.S.	SAN	CA	U.S.
Mining	0.0	0.1	0.4	\$25,916	\$88,575	\$181,917
Construction	5.9	5.1	5.2	\$80,053	\$89,170	\$77,604
Manufacturing	7.1	7.2	8.1	\$122,252	\$137,245	\$100,233
Durable	72.5	64.8	62.1	ND	\$161,854	\$102,888
Nondurable	27.5	35.2	37.9	ND	\$94,144	\$95,935
Transportation/Utilities	2.6	4.6	4.6	\$47,328	\$67,471	\$64,074
Wholesale Trade	2.7	3.7	3.9	\$106,637	\$107,508	\$107,061
Retail Trade	9.0	8.9	9.8	\$45,978	\$49,938	\$43,636
Information	1.3	2.9	1.9	\$172,052	\$226,963	\$147,064
Financial Activities	4.6	4.5	5.8	\$49,899	\$69,359	\$60,198
Prof. and Bus. Services	17.3	15.4	14.3	\$104,014	\$106,280	\$88,706
Educ. and Health Services	16.4	18.1	16.8	\$67,766	\$69,429	\$67,977
Leisure and Hosp. Services	13.1	11.3	10.6	\$41,842	\$48,318	\$37,546
Other Services	3.7	3.3	3.8	\$42,458	\$45,388	\$44,257
Government	16.3	14.8	14.8	\$112,198	\$115,368	\$92,363

Sources: Percent of total employment — BLS, Moody's Analytics, 2024, Average annual earnings — BEA, Moody's Analytics, 2022

## BUSINESS COSTS

U.S.=100



Source: Moody's Analytics

## EMPLOYMENT

HIGH-TECH

	Ths	% of total
SAN	139.0	8.9
U.S.	8,351.1	5.3

HOUSING-RELATED

	Ths	% of total
SAN	171.4	11.0
U.S.	15,584.5	9.9

Source: Moody's Analytics, 2024

## LEADING INDUSTRIES BY WAGE TIER

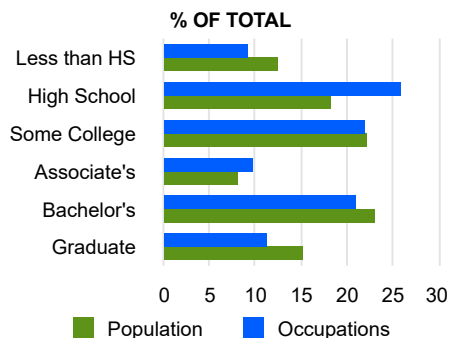
NAICS	Industry	Location Quotient	Employees (ths)
GVF	Federal Government	1.6	47.4
5417	Scientific research & development svcs.	4.9	43.4
6211	Offices of physicians	1.0	29.9
5415	Computer systems design & related svcs.	1.1	27.6
GVL	Local Government	1.0	141.1
ML	Total Military Personnel	4.6	93.1
GVS	State Government	1.0	53.8
5613	Employment services	1.0	37.8
7225	Restaurants and other eating places	1.1	122.4
6241	Individual and family services	1.6	45.4
4451	Grocery stores	0.9	27.1
5617	Services to buildings and dwellings	1.1	25.3

High (blue), Mid (yellow), Low (orange)

Source: Moody's Analytics, 2023

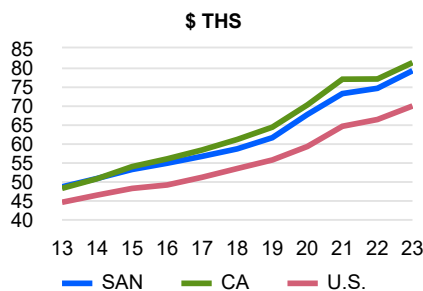


## SKILLS MISMATCH



Sources: Census Bureau, ACS, Moody's Analytics, 2018

## PER CAPITA INCOME



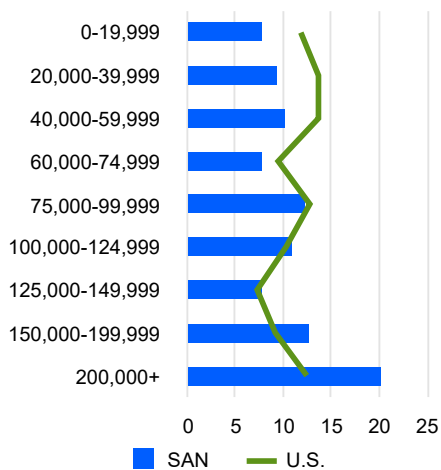
Sources: BEA, Moody's Analytics

## ECONOMIC DISENFRANCHISEMENT

Index	2021	Rank*
Gini coefficient	0.47	168
Palma ratio	3.4	96
Poverty rate	10.6%	306

\*Most unequal=1, Most equal=403

## HOUSEHOLDS BY INCOME, %



Sources: Census Bureau, ACS, Moody's Analytics, 2023

## MIGRATION FLOWS

### INTO SAN DIEGO CA

	Number of Migrants
Riverside CA	11,224
Los Angeles CA	9,731
Anaheim CA	5,939
San Jose CA	2,932
Oakland CA	2,845
Phoenix AZ	2,790
New York NY	2,519
San Francisco CA	2,481
Seattle WA	2,212
Washington DC	2,203
<b>Total in-migration</b>	<b>112,882</b>

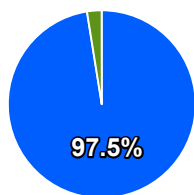
### FROM SAN DIEGO CA

Riverside CA	17,201
Los Angeles CA	7,113
Anaheim CA	4,901
Phoenix AZ	4,817
Las Vegas NV	3,275
Dallas TX	2,658
Washington DC	2,376
Virginia Beach VA	2,341
Seattle WA	2,222
Houston TX	2,197
<b>Total out-migration</b>	<b>139,747</b>

**Net migration -26,865**

## COMMUTER FLOWS

### RESIDENTS WHO WORK IN SAN

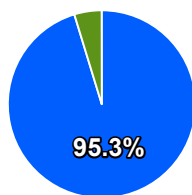


### Top Outside Sources of Jobs

San Diego CA	Share
Anaheim CA	0.7
Riverside CA	0.5
Los Angeles CA	0.4

## COMMUTER FLOWS

### WORKERS WHO LIVE IN SAN

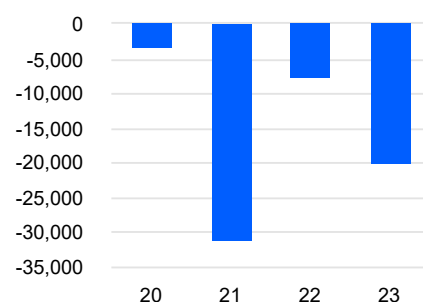


### Top Outside Sources of Workers

San Diego CA	Share
Riverside CA	3.0
Anaheim CA	0.7
Los Angeles CA	0.3
El Centro CA	0.1

Sources: Census Bureau, Moody's Analytics, avg 2016-2020

## NET MIGRATION, #, SAN

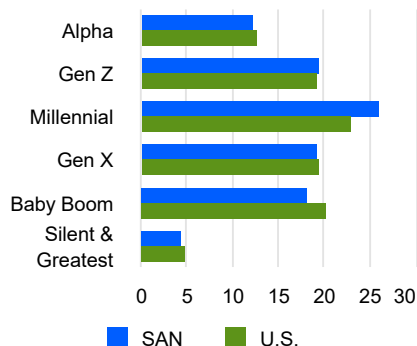


	2020	2021	2022	2023
Domestic	-6,327	-33,741	-15,956	-30,745
Foreign	3,028	2,708	8,431	10,767
<b>Total</b>	<b>-3,299</b>	<b>-31,033</b>	<b>-7,525</b>	<b>-19,978</b>

Sources: IRS (top), 2022, Census Bureau, Moody's Analytics

## GENERATIONAL BREAKDOWN

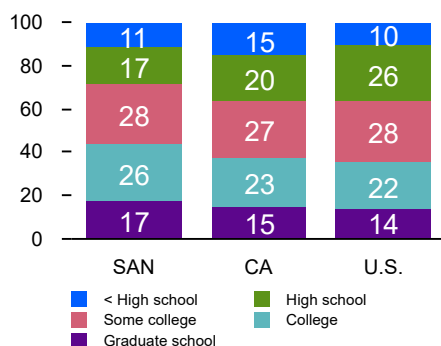
### POPULATION BY GENERATION, %



Sources: Census Bureau, Moody's Analytics, 2023

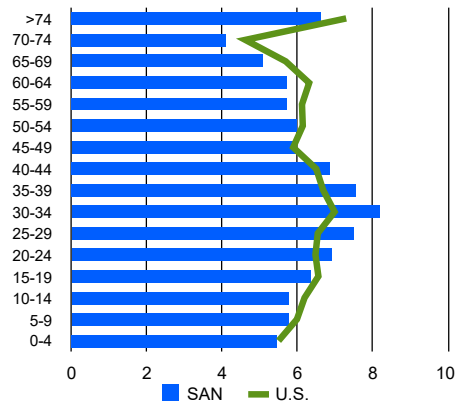
## EDUCATIONAL ATTAINMENT

### % OF ADULTS 25 AND OLDER



Sources: Census Bureau, ACS, Moody's Analytics, 2023

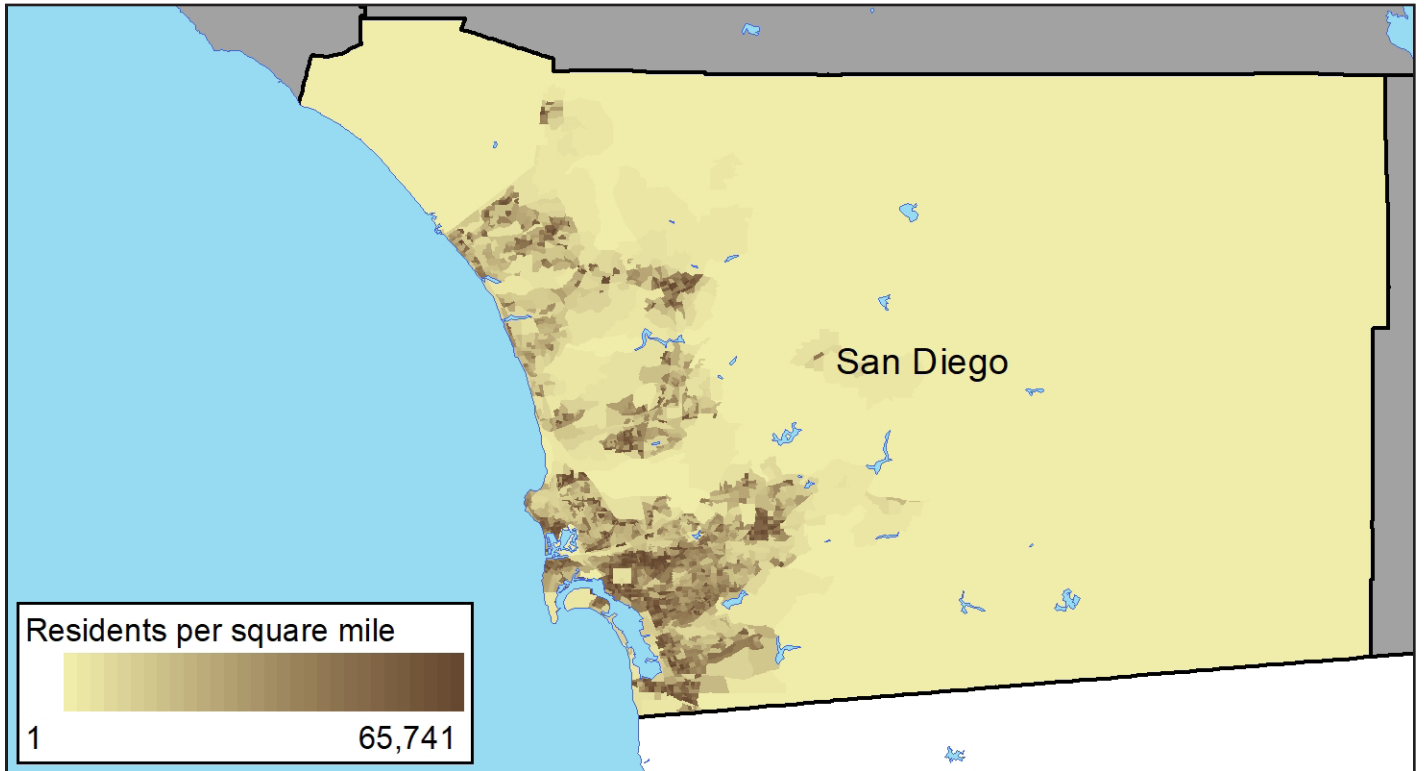
## POPULATION BY AGE, %



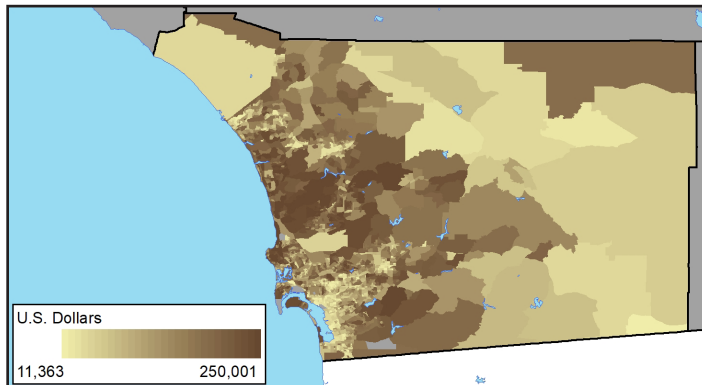
Sources: Census Bureau, Moody's Analytics, 2023

## GEOGRAPHIC PROFILE

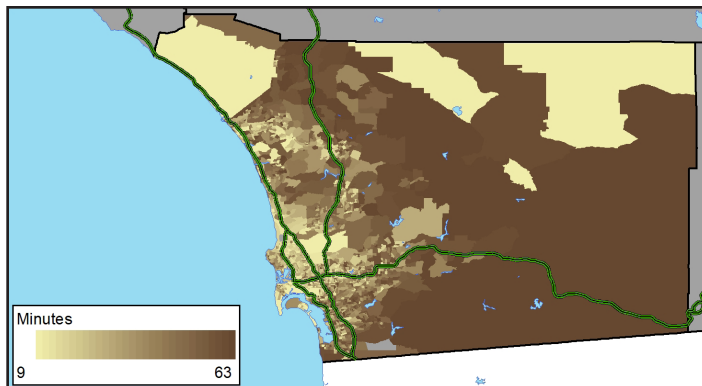
## POPULATION DENSITY



## MEDIAN HOUSEHOLD INCOME



## MEDIAN COMMUTE TIME



## POPULATION & HOUSING CHARACTERISTICS

		Units	Value	Rank*
Total area	sq mi		4,525.7	58
Total water area	sq mi		319.0	70
Total land area	sq mi		4,206.6	59
Land area - developable	sq mi		2,019.0	53
Land area - undevelopable	sq mi		2,187.7	67
Population density	pop. to developable land		777.3	36
Total population	ths		3,270.0	12
U.S. citizen at birth	% of population		74.8	371
Naturalized U.S. citizen	% of population		13.8	14
Not a U.S. citizen	% of population		9.3	50
Median age			37.6	277
Total housing units	ths		1,262.0	15
Owner occupied	% of total		51.0	354
Renter occupied	% of total		42.6	13
Vacant	% of total		6.4	294
1-unit, detached	% of total		49.8	376
1-unit, attached	% of total		10.0	42
Multifamily	% of total		36.7	24
Median year built			1981	

\* Areas & pop. density, out of 410 metro areas/divisions, including metros in Puerto Rico, all others, out of 403 metros.

Sources: Census Bureau, Moody's Analytics, 2023 except land area 2010

Sources: ACS, Moody's Analytics



## About Moody's Analytics

In an increasingly interconnected and complex operating environment, organizations face challenges decoding the intricacies of the global economy. Moody's Analytics Economics team delivers timely and in-depth data, forecasts and analysis of the global economy's latest developments and trends—empowering organizations and policymakers to identify and manage risks, seize new growth opportunities, respond to geopolitical threats, and thrive in an ever-evolving landscape.

The Economics team has more than 35 years of dedicated experience in economic forecasting and research. Leveraging our team's global coverage and local expertise, our economists provide unrivalled insight on pivotal economic topics, including labor markets, housing and consumer spending, among others, across the Americas, Europe, the Middle East, and APAC. We also provide real-time monitoring of economic indicators, scenario analysis, and thought leadership on critical themes such as monetary and fiscal policy and sovereign risk—all of which support decision makers and policymakers in strategic planning, product and sales forecasting, stress testing, credit risk management, and investment decisions.

By combining economic modeling, expansive data resources, and innovative technology solutions, we equip business leaders with critical insights to navigate the complexities of an ever-changing economic landscape. Recognized for our industry-leading solutions and commitment to quality, client service, and integrity, more than 1,000 organizations worldwide—including multinational corporations, governments, financial institutions, real estate firms, and professional investors—trust us to help them turn today's risks into tomorrow's opportunities.

Learn how Moody's Analytics can help drive your success at [www.economy.com](http://www.economy.com)

### **DISCLAIMER:**

Please attribute information in this document to Moody's Analytics, which is a division within Moody's that is separate from Moody's Ratings. Accordingly, the viewpoints expressed herein do not reflect those of Moody's Ratings.

**CREDIT RATINGS ISSUED BY MOODY'S CREDIT RATINGS AFFILIATES ARE THEIR CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND MATERIALS, PRODUCTS, SERVICES AND INFORMATION PUBLISHED OR OTHERWISE MADE AVAILABLE BY MOODY'S (COLLECTIVELY, "MATERIALS") MAY INCLUDE SUCH CURRENT OPINIONS. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT OR IMPAIRMENT. SEE APPLICABLE MOODY'S RATING SYMBOLS AND DEFINITIONS PUBLICATION FOR INFORMATION ON THE TYPES OF CONTRACTUAL FINANCIAL OBLIGATIONS ADDRESSED BY MOODY'S CREDIT RATINGS. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS, NON-CREDIT ASSESSMENTS ("ASSESSMENTS"), AND OTHER OPINIONS INCLUDED IN MOODY'S MATERIALS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S MATERIALS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. AND/OR ITS AFFILIATES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND MATERIALS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND MATERIALS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND MATERIALS DO NOT COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS, ASSESSMENTS AND OTHER OPINIONS AND PUBLISHES OR OTHERWISE MAKES AVAILABLE ITS MATERIALS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.**

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS, AND MATERIALS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS AND INAPPROPRIATE FOR RETAIL INVESTORS TO USE MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS OR MATERIALS WHEN MAKING AN INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT. FOR CLARITY, NO INFORMATION CONTAINED HEREIN MAY BE USED TO DEVELOP, IMPROVE, TRAIN OR RETRAIN ANY SOFTWARE PROGRAM OR DATABASE, INCLUDING, BUT NOT LIMITED TO, FOR ANY ARTIFICIAL INTELLIGENCE, MACHINE LEARNING OR NATURAL LANGUAGE PROCESSING SOFTWARE, ALGORITHM, METHODOLOGY AND/OR MODEL.

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND MATERIALS ARE NOT INTENDED FOR USE BY ANY PERSON AS A BENCHMARK AS THAT TERM IS DEFINED FOR REGULATORY PURPOSES AND MUST NOT BE USED IN ANY WAY THAT COULD RESULT IN THEM BEING CONSIDERED A BENCHMARK.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the credit rating process or in preparing its Materials.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY CREDIT RATING, ASSESSMENT, OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

Moody's Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody's Investors Service, Inc. have, prior to assignment of any credit rating, agreed to pay Moody's Investors Service, Inc. for credit ratings opinions and services rendered by it. MCO and all MCO entities that issue ratings under the "Moody's Ratings" brand name ("Moody's Ratings"), also maintain policies and procedures to address the independence of Moody's Ratings' credit ratings and credit rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold credit ratings from Moody's Investors Service, Inc. and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at [ir.moody.com](http://ir.moody.com) under the heading "Investor Relations — Corporate Governance — Charter and Governance Documents - Director and Shareholder Affiliation Policy."

Moody's SF Japan K.K., Moody's Local AR Agente de Calificación de Riesgo S.A., Moody's Local BR Agência de Classificação de Risco LTDA, Moody's Local MX S.A. de C.V., I.C.V., Moody's Local PE Clasificadora de Riesgo S.A., and Moody's Local PA Clasificadora de Riesgo S.A. (collectively, the "Moody's Non-NRSRO CRAs") are all indirectly wholly-owned credit rating agency subsidiaries of MCO. None of the Moody's Non-NRSRO CRAs is a Nationally Recognized Statistical Rating Organization.

Additional terms for Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657 AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors.

Additional terms for India only: Moody's credit ratings, Assessments, other opinions and Materials are not intended to be and shall not be relied upon or used by any users located in India in relation to securities listed or proposed to be listed on Indian stock exchanges.

Additional terms with respect to Second Party Opinions and Net Zero Assessments (as defined in Moody's Ratings Rating Symbols and Definitions): Please note that neither a Second Party Opinion ("SPO") nor a Net Zero Assessment ("NZA") is a "credit rating". The issuance of SPOs and NZAs is not a regulated activity in many jurisdictions, including Singapore. JAPAN: In Japan, development and provision of SPOs and NZAs fall under the category of "Ancillary Businesses", not "Credit Rating Business", and are not subject to the regulations applicable to "Credit Rating Business" under the Financial Instruments and Exchange Act of Japan and its relevant regulation.

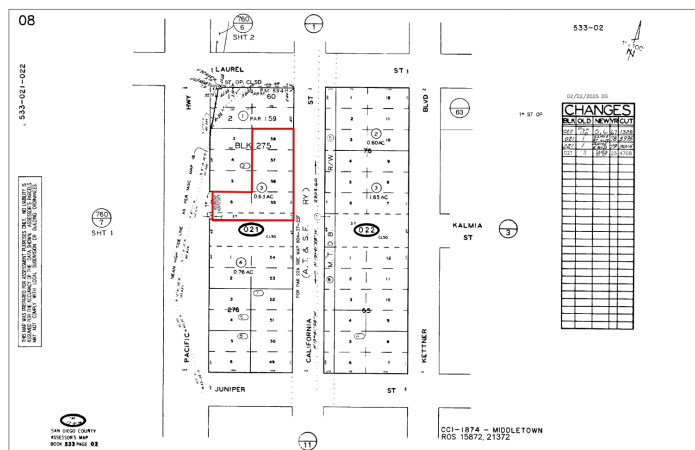
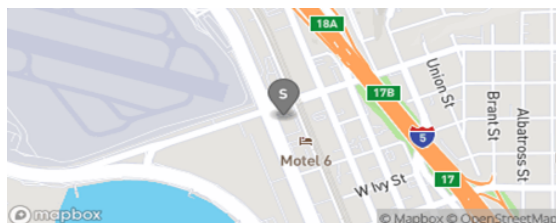
PRC: Any SPO: (1) does not constitute a PRC Green Bond Assessment as defined under any relevant PRC laws or regulations; (2) cannot be included in any registration statement, offering circular, prospectus or any other documents submitted to the PRC regulatory authorities or otherwise used to satisfy any PRC regulatory disclosure requirement; and (3) cannot be used within the PRC for any regulatory purpose or for any other purpose which is not permitted under relevant PRC laws or regulations. For the purposes of this disclaimer, "PRC" refers to the mainland of the People's Republic of China, excluding Hong Kong, Macau and Taiwan.

---

## COMPARABLE LAND SALES

**Sale #1**

**2401 Pacific Hwy**  
 2401 Pacific Highway  
 San Diego, CA 92101  
 San Diego County  
 BBG Property #1179791



Property Data			
Property Type/Use	Land Commercial	Lat/Long	32.729285 / -117.1732
Parcel ID #	533-021-03-00	Census Tract	0058.02
Opportunity Zone	No	Frontage	n/a
Gross Land Area	27,878 SF 0.64 Acres	Net Land Area	27,878 SF 0.64 Acres
Flood Panel	06073C1881H Dated December 20, 2019	Flood Designation	Zone X (Unshaded)
Utilities		Terrain / Topography	
Easements / Encroachments	n/a		
Comments	n/a		

Sale Transaction Data for BBG Event #1357499 on 3/6/2025					Net Area	Gross Area
Transaction Date	3/6/2025	Consideration	\$6,500,000	Price PSF	\$233.16	\$233.16
Sale Status	Closed	Adjustments	\$0	Price Per Acre	\$10,156,396	\$10,156,396
		Cash Equivalent Price	\$6,500,000			
Property Rights	Fee Simple					
Transaction Component	Real Estate					
Tenancy	Vacant					
Grantor	Denzo 2401 Pch Llc					
Grantee	2401 Pacific Highway, LLC					
Comments	This is a sale of a 0.64-acre commercial lot for \$6,500,000 or \$233.16 per square foot. A 4-story, 107,000-square-foot self-storage facility will be developed at the site.					
Verification	4/8/2025 CoStar					

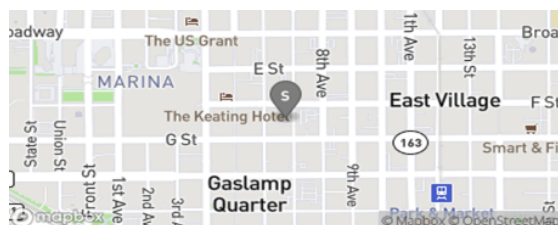
**Sale #2**
**Urban Infill Lot - Pay Parking Lot**

744 Seventh Avenue

San Diego, CA 92101

San Diego County

BBG Property #267544



Property Data			
Property Type/Use	Land Commercial	Lat/Long	32.713160 / -117.1586
Parcel ID #	535-101-07	Census Tract	0053.01
Opportunity Zone	No	Frontage	n/a
Gross Land Area	5,007 SF 0.11 Acres	Net Land Area	5,007 SF 0.11 Acres
Flood Panel	Dated	Flood Designation	
Utilities	All available to site.	Terrain / Topography	Generally level
Easements / Encroachments	There are no known detrimental easements, encroachments or other restrictions that would adversely affect the site's use or marketability.		
Comments	Parking Lot		

Sale Transaction Data for BBG Event #1259393 on 7/28/2024					Net Area	Gross Area
Transaction Date	7/28/2024	Consideration	\$2,950,000	Price PSF	\$589.18	\$589.18
Sale Status	Closed	Adjustments	\$0	Price Per Acre	\$25,664,471	\$25,664,471
		Cash Equivalent Price	\$2,950,000			
Property Rights	Fee Simple					
Transaction Component	Real Estate					
Tenancy	Vacant					
Grantor	HPI 744 7th Avenue LLC					
Grantee	Eaglecrew, LP					
Comments	This is the sale of a 0.11-acre parcel developed as a parking lot within the downtown area of San Diego, CA. The site is reportedly leased until 2026, with the site being leased short term for many years in anticipation of the site being developed by the owner. The current lessee was the purchaser. The site sold for \$589.18/SF.					
Verification	10/23/2024 Seller/previous appraisal					

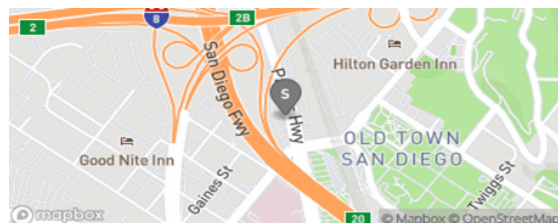
**Sale #3**
**4620 Pacific Hwy**

4620 Pacific Highway

San Diego, CA 92110-2703

San Diego County

BBG Property #1179787

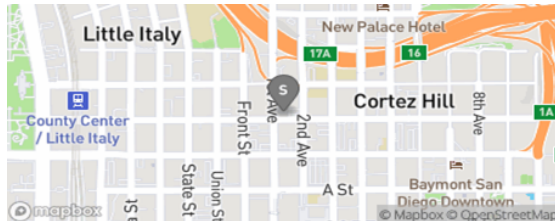
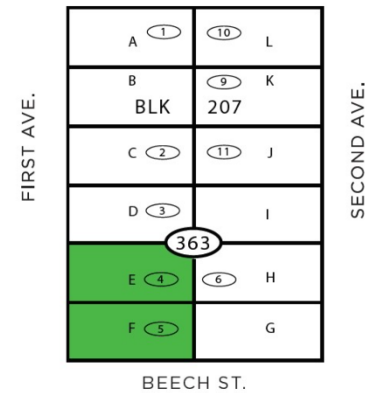


Property Data			
Property Type/Use	Land Commercial	Lat/Long	32.756261 / -117.2015
Parcel ID #		Census Tract	0065.00
Opportunity Zone	No	Frontage	n/a
Gross Land Area	18,295 SF 0.42 Acres	Net Land Area	18,295 SF 0.42 Acres
Flood Panel		Flood Designation	
	Dated		
Utilities		Terrain / Topography	
Easements / Encroachments	n/a		
Comments	n/a		

Sale Transaction Data for BBG Event #1357494 on 10/28/2023					Net Area	Gross Area
Transaction Date	10/28/2023	Consideration	\$9,000,000	Price PSF	\$491.94	\$491.94
Sale Status	Closed	Adjustments	\$0	Price Per Acre	\$21,428,806	\$21,428,806
		Cash Equivalent Price	\$9,000,000			
Property Rights	Fee Simple					
Transaction Component	Real Estate					
Tenancy	Vacant					
Grantor	Georgakopoulos Family L L C					
Grantee	Viewpoint Development LLC					
Comments	A rare development or re-use opportunity in Old Town. Located steps away from the prime Old Town Historic Park and many area hotels. This site is ready for development. Directly across from Old Town Transit Center. Surrounded by multiple hotels including The Hilton Garden Inn and E-Z 8 Motel.					
Verification	4/8/2025 CoStar and Loopnet					

**Sale #4**
**124 Beech Street - Multifamily Development**

124 Beech Street  
 San Diego, CA 92101  
 San Diego County  
 BBG Property #841045


**Tax Map**


Property Data			
Property Type/Use	Land Commercial	Lat/Long	32.721103 / -117.1636
Parcel ID #	533-363-04, 533-363-05	Census Tract	0056.01
Opportunity Zone	No	Frontage	n/a
Gross Land Area	10,019 SF 0.23 Acres	Net Land Area	10,019 SF 0.23 Acres
Flood Panel	Dated	Flood Designation	
Utilities	All available to site.	Terrain / Topography	Generally level
Easements / Encroachments	There are no known detrimental easements, encroachments or other restrictions that would adversely affect the site's use or marketability.		
Comments	The site is approved for a 220-unit multifamily development		

Sale Transaction Data for BBG Event #1259405 on 10/4/2023					Net Area	Gross Area
Transaction Date	10/4/2023	Consideration	\$6,500,000	Price PSF	\$648.77	\$648.77
Sale Status	Closed	Adjustments	\$0	Price Per Acre	\$28,260,306	\$28,260,306
		Cash Equivalent Price	\$6,500,000			
Property Rights	Fee Simple					
Transaction Component	Real Estate					
Tenancy	Vacant					
Grantor	First & Beech Corner LLC					
Grantee	First and Beech Venture Owner, LLC					
Comments	Vacant parking lot in downtown San Diego sold for \$648.77/SF. Buyer's will build a 22-story 220-unit multi-family property.					
Verification	10/23/2024 County Public Record; Costar					





---

## COMPARABLE IMPROVED SALES

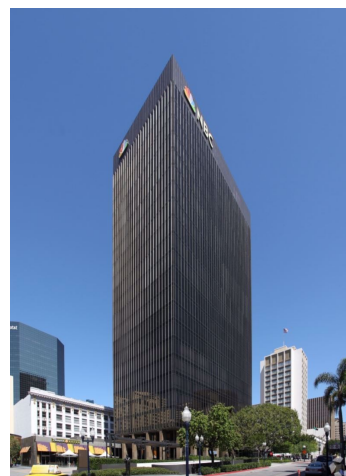
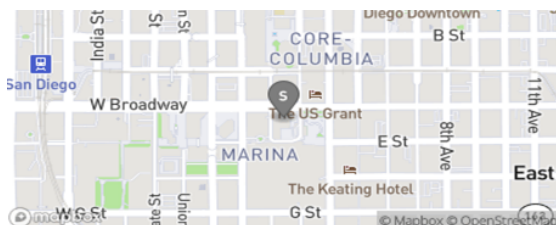
**Sale #1**
**NBC Building**

225 Broadway

San Diego, CA 92101

San Diego County

BBG Property #170343


**Property Data**
**Improvement Details**

Property Type/Use	Office	Lat/Long	32.715320 / -117.1625
	Professional Office		
Legal	Lots A through L which comprises all of Block 41 of Honon's Addition, in the Gty of San Diego, Gmnty of San Diego, State of California, according to Map thereof by L.L. Lockling, filed in the Office of the County Recorder of San Diego County.		
Parcel ID #	Parcel: 533-610-16	Number of Buildings	1
Year Built	1974	Year Renovated	2001
Quality	Good	Condition	Good
Class	Class A	Construction Details	Steel frame
Gross Building Area	363,102 SF	Rentable Area	363,102 SF
Number of Stories	22	Floor Area Ratio	6.36
Opportunity Zone	No	Census Tract	
Parking	Garage: 500 Total: 500	Parking Ratio	1.38:1,000 SF of Rentable Area
Site Size (Gross)	57,064 SF (1.31 acres)	Site Size (Net)	57,064 SF (1.31 acres)

**Sale Transaction Data for BBG Event #1357561 on 12/31/2024**

				PSF (GBA)	PSF (Rentable)
Transaction Date	12/31/2024	Consideration	\$48,000,000	\$132.19	\$132.19
Sale Status	Closed	Adjustments	\$0	\$0.00	\$0.00
Occupancy at TOS	1%	Cash Equivalent Price	\$48,000,000	\$132.19	\$132.19
Property Rights	Leased Fee				
Transaction Component	Real Estate				
Tenancy	Multiple				
Grantor	225 Broadway LLC				
Grantee	United XYZ LLC				
Comments	The Irvine Company sold this 363,102 square foot office building to XYZ.rent for \$48 million, or \$132 per square foot. Occupancy was not reported.				
Verification	4/8/2025				
	CoStar and Loopnet				

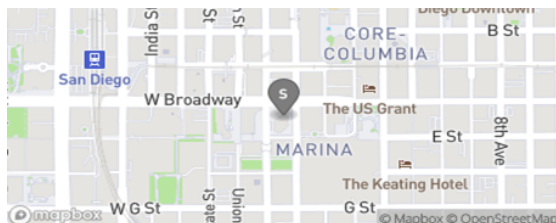
**Sale #2**
**101 W Broadway**

101 West Broadway

San Diego, CA 92101

San Diego County

BBG Property #1179583


**Property Data**
*Improvement Details*

Property Type/Use	Office Professional Office	Lat/Long	32.715233 / -117.1642
Parcel ID #		Number of Buildings	0
Year Built	1984	Year Renovated	1993
Quality		Condition	Average/Good
Class		Construction Details	
Gross Building Area	420,346 SF	Rentable Area	420,346 SF
Number of Stories	0	Floor Area Ratio	7.37
Opportunity Zone	No	Census Tract	0053.02
Site Size (Gross)	57,064 SF (1.31 acres)	Site Size (Net)	57,064 SF (1.31 acres)

**Sale Transaction Data for BBG Event #1357547 on 11/27/2024**

				PSF (GBA)	PSF (Rentable)
Transaction Date	11/27/2024	Consideration	\$43,933,000	\$104.52	\$104.52
Sale Status	Closed	Adjustments	\$0	\$0.00	\$0.00
Occupancy at TOS	81%	Cash Equivalent Price	\$43,933,000	\$104.52	\$104.52
Property Rights	Leased Fee				
Transaction Component	Real Estate				
Tenancy	Multiple				
Grantor	101 West Broadway LLC				
Grantee	Stockton Blvd Partners LLC				
Comments	The Irvine Company sold this 420,346 square foot office building to Saca Development for \$43,933,000, or \$104.52 per square foot. At the time of the sale, the property was 81% occupied.				
Verification	4/8/2025				
	CoStar				

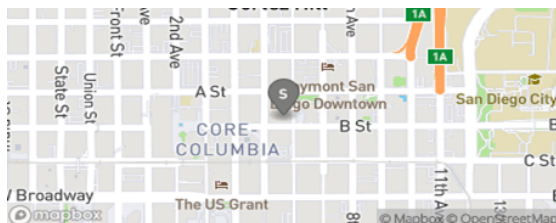
**Sale #3**
**530 B St - Residential Conversion**

530 B Street

San Diego, CA 92101-4407

San Diego County

BBG Property #1179832


**Property Data**
*Improvement Details*

Property Type/Use	Office Professional Office	Lat/Long	32.718074 / -117.1596
Parcel ID #		Number of Buildings	0
Year Built	1962	Year Renovated	1992
Quality		Condition	Average
Class		Construction Details	
Gross Building Area	250,181 SF	Rentable Area	250,181 SF
Number of Stories	24	Floor Area Ratio	8.32
Opportunity Zone	No	Census Tract	0053.01
Site Size (Gross)	30,056 SF (0.69 acres)	Site Size (Net)	30,056 SF (0.69 acres)

**Sale Transaction Data for BBG Event #1357555 on 10/25/2024**

				PSF (GBA)	PSF (Rentable)
Transaction Date	10/25/2024	Consideration	\$27,500,000	\$109.92	\$109.92
Sale Status	Closed	Adjustments	\$0	\$0.00	\$0.00
Occupancy at TOS	77%	Cash Equivalent Price	\$27,500,000	\$109.92	\$109.92
Property Rights	Leased Fee				
Transaction Component	Real Estate				
Tenancy	Multiple				
Grantor	SFII 530B, LLC				
Grantee	530B JV Owner LLC				
Comments	Swift Real Estate Partners sold this 250,181 square foot office building to Ambient Communities, Inc for \$27.5 million, or \$109.92 per square foot. The buyer reportedly plans to convert the building into 180 residential units over time as the current tenants phase out. The building was reportedly 77% leased at the time of sale.				
Verification	4/8/2025				
	CoStar and Press Release				

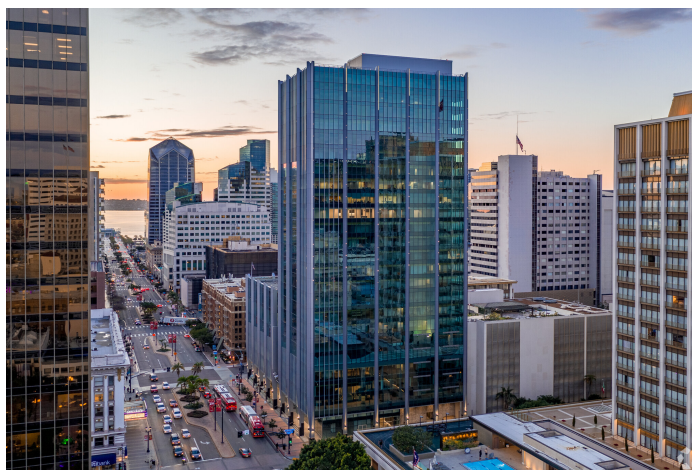
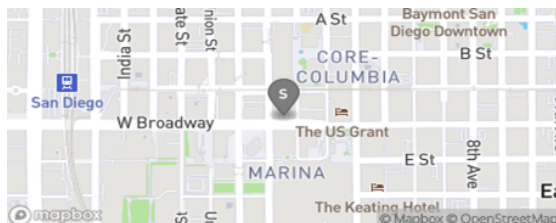
**Sale #4**
**180 Broadway**

180 West Broadway

San Diego, CA 92101

San Diego County

BBG Property #1179970


**Property Data**
*Improvement Details*

Property Type/Use	Office Professional Office	Lat/Long	32.715920 / -117.1634
Parcel ID #		Number of Buildings	0
Year Built	1963	Year Renovated	2020
Quality		Condition	Good/Excellent
Class		Construction Details	
Gross Building Area	387,627 SF	Rentable Area	387,627 SF
Number of Stories	0	Floor Area Ratio	12.90
Opportunity Zone	No	Census Tract	0053.02
Site Size (Gross)	30,056 SF (0.69 acres)	Site Size (Net)	30,056 SF (0.69 acres)

**Sale Transaction Data for BBG Event #1357702 on 12/15/2023**

				PSF (GBA)	PSF (Rentable)
Transaction Date	12/15/2023	Consideration	\$61,000,000	\$157.37	\$157.37
Sale Status	Closed	Adjustments	\$0	\$0.00	\$0.00
Occupancy at TOS	1%	Cash Equivalent Price	\$61,000,000	\$157.37	\$157.37
Property Rights	Leasehold				
Transaction Component	Real Estate				
Tenancy	Multiple				
Grantor	Tower 180 Owner, LLC				
Grantee	T180 SD Owner, LLC				
Comments	This is a sale of a 387,627 square foot office building for \$61 million (\$157.37 per square foot) for adaptive reuse. The property will be repurposed into multi-family and hospitality use. This was a distressed sale as the lender facilitated the deal but never formally took title of the property. A total of three APNs sold, two of which sold fee simple (533-515-08 and 533-515-02), and the third APN was a leasehold (533-515-03) due to a ground lease. Occupancy was not reported.				
Verification	4/8/2025 CoStar				

---

# COMPARABLE LEASES

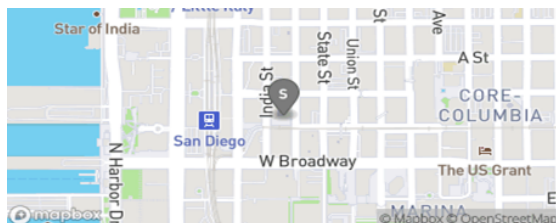
**Lease #1**
**550 Corporate Plaza**

550 West C Street

San Diego, CA 92101

San Diego County

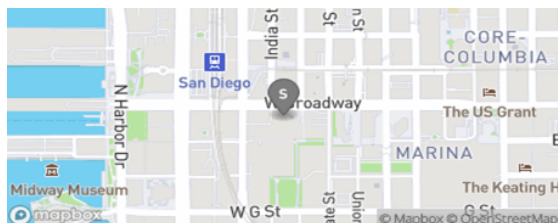
BBG Property #118553



Property DataHERE									
Improvement Details									
Property Type/Use		Office		Lat/Long		32.717060 / -117.1678			
		Professional Office							
Legal		LOTS 1, 2, 11, AND 12 IN BLOCK 5 OF MIDDLETOWN, IN THE CITY OF SAN DIEGO, COUNTY OF SAN DIEGO, State of California, ACCORDING TO MAP THEREOF MADE BY J. E. JACKSON ON FILE IN THE OFFICE OF THE COUNTY CLERK OF SAN DIEGO COUNTY.							
Parcel ID #		Parcel: 533-481-08		Number of Buildings		1			
Year Built		1976		Year Renovated		N/A			
Quality		Good		Condition		Good			
Class		Class A		Construction Details		Steel frame, concrete panel and reflective glass exterior			
Gross Building Area		346,000 SF		Rentable Area		346,000 SF			
Number of Stories		22		Floor Area Ratio		5.76			
Opportunity Zone		No		Census Tract		53			
Parking		Garage: 688 Total: 688							
Site Size (Gross)		60,112 SF (1.38 acres)		Site Size (Net)		60,112 SF (1.38 acres)			
Leases									
Commence	Suite	Tenant	Leased Area	Rent \$/SF/Year	Term (Mos)	TI (PSF)	Escalations	Comments	
12/1/2024		City of San Diego	43,460 SF	\$41.52 Modified Gross	67				

**Lease #2**
**Koll Center**

501 West Broadway  
 San Diego, CA 92101  
 San Diego County  
 BBG Property #170345



Property DataHERE								
Improvement Details								
Property Type/Use		Office		Lat/Long		32.715330 / -117.1679		
		Professional Office						
Legal	Parcel I of Parcel Map No. 16788, in the City of San Diego, County of San Diego, State of California, filed in the Office of the County Recorder of San Diego County, February 26, 1992.							
Parcel ID #	Parcel: 533-538-13			Number of Buildings	1			
Year Built	1989			Year Renovated	N/A			
Quality	Good			Condition	Good			
Class	Class A			Construction Details	Steel frame			
Gross Building Area	394,031 SF			Rentable Area	394,031 SF			
Number of Stories	21			Floor Area Ratio	4.92			
Opportunity Zone	No			Census Tract				
Parking	Garage: 720 Total: 720							
Site Size (Gross)	80,150 SF (1.84 acres)			Site Size (Net)	80,150 SF (1.84 acres)			
Leases								
Commence	Suite	Tenant	Leased Area	Rent \$/SF/Year	Term (Mos)	TI (PSF)	Escalations	Comments
11/26/2024		Office Tenant	2,319 SF	\$42.00 Gross	12			



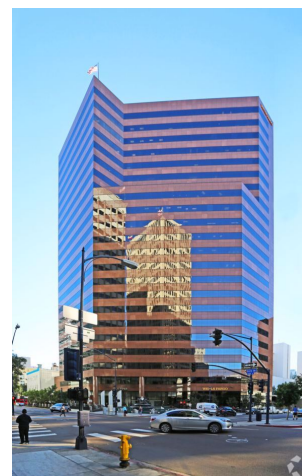
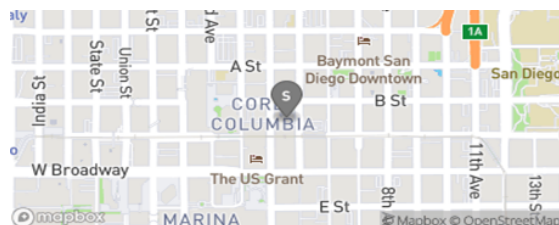
**Lease #3**
**Wells Fargo Plaza**

401 B Street

San Diego, CA 92101

San Diego County

BBG Property #107191



Property DataHERE								
Improvement Details								
Property Type/Use	Office Professional Office	Lat/Long	32.717260 / -117.1606					
Legal	Lots A, B, C, J, K and Lin Block 17 of Horton's Addition in the City of San Diego, County of San Diego, State of California, according to Map thereof filed in the Office of the County Recorder of San Diego County.							
Parcel ID #	APN 533-522-11	Number of Buildings	1					
Year Built	1984	Year Renovated	2005					
Quality	Average/Good	Condition	Good					
Class	Class A	Construction Details						
Gross Building Area	487,934 SF	Rentable Area	487,934 SF					
Number of Stories	24	Floor Area Ratio	11.09					
Opportunity Zone	No	Census Tract						
Site Size (Gross)	43,996 SF (1.01 acres)	Site Size (Net)	43,996 SF (1.01 acres)					
Comments	This comparable known as Wells Fargo Plaza represents a 487,934 SF Class A office building located at 401 B Street. The 24-story office building is located within the "core" district of downtown San Diego. Amenities include two 3rd floor conference rooms, fire and life safety systems, and 24-hour security with card key access, among other amenities. The building, which was built in 1984 and received an extensive lob-by renovation in 2005, earned the prestigious Office Building of the Year award from 1990 to 1993 and 1996. The major tenants include DLA Piper LLP (US) in approximately 76,630 SF on several floors, San Diego Association of Governments (68,999 SF), and Kimley-Horn & Associates Inc. in 20,083 SF on the 6th floor.							
Leases								
Commence	Suite	Tenant	Leased Area	Rent \$/SF/Year	Term (Mos)	TI (PSF)	Escalations	Comments
4/13/2024		Office Tenant	3,552 SF	\$37.80 Gross	12			

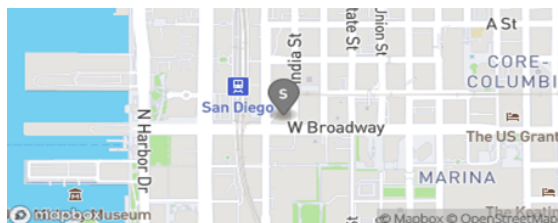
**Lease #4**
**One America Plaza**

600 West Broadway

San Diego, CA 92101

San Diego County

BBG Property #356778



Property DataHERE								
Improvement Details								
Property Type/Use	Office Professional Office	Lat/Long	32.716060 / -117.1687					
Legal	PARCELS 1, 2 & 4 IN THE CITY OF SAN DIEGO, COUNTY OF SAN DIEGO, State of California, AS SHOWN ON PAGE 15843 IN BOOK OF PARCEL MAPS, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY OCTOBER 26, 1989.							
Parcel ID #	Parcel: 533-474-04, 05 & 07	Number of Buildings	1					
Year Built	1991	Year Renovated	N/A					
Quality	Excellent	Condition	Good					
Class	Class A	Construction Details	Steel frame					
Gross Building Area	622,580 SF	Rentable Area	622,580 SF					
Number of Stories	34	Floor Area Ratio	17.22					
Opportunity Zone	No	Census Tract						
Parking	Garage: 500 Total: 500							
Site Size (Gross)	36,155 SF (0.83 acres)	Site Size (Net)	36,155 SF (0.83 acres)					
Leases								
Commence	Suite	Tenant	Leased Area	Rent \$/SF/Year	Term (Mos)	TI (PSF)	Escalations	Comments
12/13/2023		Offi	5,181 SF	\$42.00 Gross	12			

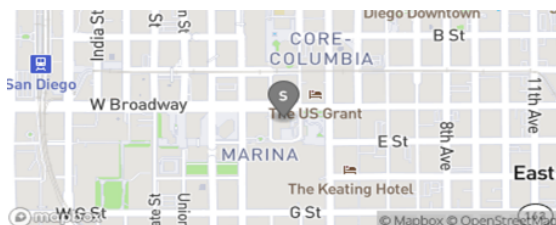
**Lease #5**
**NBC Building**

225 Broadway

San Diego, CA 92101

San Diego County

BBG Property #170343



Property DataHERE								
Improvement Details								
Property Type/Use	Office Professional Office			Lat/Long		32.715320 / -117.1625		
Legal	Lots A through L which comprises all of Block 41 of Honon's Addition, in the Gty of San Diego, Gmnty of San Diego, State of California, according to Map thereof by L.L. Lockling, filed in the Office of the County Recorder of San Diego County.							
Parcel ID #	Parcel: 533-610-16			Number of Buildings		1		
Year Built	1974			Year Renovated		2001		
Quality	Good			Condition		Good		
Class	Class A			Construction Details		Steel frame		
Gross Building Area	363,102 SF			Rentable Area		363,102 SF		
Number of Stories	22			Floor Area Ratio		6.36		
Opportunity Zone	No			Census Tract				
Parking	Garage: 500 Total: 500			Parking Ratio		1.38:1,000 SF of Rentable Area		
Site Size (Gross)	57,064 SF (1.31 acres)			Site Size (Net)		57,064 SF (1.31 acres)		
Leases								
Commence	Suite	Tenant	Leased Area	Rent \$/SF/Year	Term (Mos)	TI (PSF)	Escalations	Comments
6/28/2023		Selman Leichenger Edson Hsu Newman & Moore LLP	2,670 SF	\$39.60 Gross	12			

---

## **APPRAISER QUALIFICATIONS AND LICENSES**

## Profile

Brian is a Managing Director at BBG in the Los Angeles office. He has over 20 years of real property valuation and consulting experience covering domestic and international markets including travel, leisure and hospitality developments, mixed-use commercial properties, residential and development land. He has served real estate owners, developers and investors including REITs, funds and private equity. He was instrumental in the professional and technical development of financial reporting valuations previously. He has performed services across major markets in North America as well as Asia/Pacific, Europe, Latin America, the Middle East and Africa.

Mr. Tankersley is a designated member of the Appraisal Institute as well as a Member of the Royal Institution of Chartered Surveyors and holds degrees from the University of San Diego including a Bachelors of Arts in Business Economics and a Masters of Science in Real Estate. He is a certified general state licensed appraiser in California, Hawaii, Arizona, Nevada, Oregon and Alaska. Prior to BBG, Mr. Tankersley was with Big 4 accounting firm.

---

## Professional Affiliations

State of California (License No. AG043877)  
State of Hawaii (License No. CGA 0000999)  
State of Arizona (License No. 31795)  
State of Nevada (License No. A.205827-CG)  
State of Oregon (License No. C001116)  
State of Alaska (License No. 115475)  
State of Idaho (License No. 6461472)  
State of Arizona (License No. CGA-2001108)  
State of Colorado (License No. CG200003935)  
State of Washington (License No. 25001075)

Designated Member of The Appraisal Institute (MAI)  
Member of the Royal Institution of Chartered Surveyors (MRICS)

---

## Education

Master of Science in Real Estate, University of San Diego, May 2006  
Bachelor of Arts in Business Economics, University of San Diego, May 1999

---

## Representative Clients

- Private equity fund primarily investing in hospitality and leisure properties
- Public Real Estate Investment Trust investing in retail and office
- Private hospitality developer
- Golf course developer with former PGA course designer
- United States Government Entity acquiring and developing mission supporting properties
- Timeshare developer and operator
- Private equity firm investing in limited, full and select-service hospitality
- Attorneys representing property tax appeal applicant
- Financial institution lending on investment properties
- City government leasing city-owned property to concession operators





Business, Consumer Services & Housing Agency  
**BUREAU OF REAL ESTATE APPRAISERS**  
**REAL ESTATE APPRAISER LICENSE**

**Brian M. Tankersley**

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:


“Certified General Real Estate Appraiser”

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

BREA APPRAISER IDENTIFICATION NUMBER: AG 043877

Effective Date: June 6, 2024

Date Expires: June 5, 2026

  
Angela Jemmott, Bureau Chief, BREA

3076721