

# APPRAISAL REPORT

VACANT RESTAURANT/BANQUET HALL  
12361 Chapman Avenue  
Garden Grove, Orange County, California 91768  
CBRE, Inc. File No. 16-251LA-0081

Danny Wei  
Executive Vice President  
SCG AMERICA  
11999 Harbor Boulevard  
Garden Grove, California 92840

[www.cbre.com/valuation](http://www.cbre.com/valuation)

**CBRE**



February 6, 2016

Danny Wei  
Executive Vice President  
SCG AMERICA  
11999 Harbor Boulevard  
Garden Grove, California 92840RE: Appraisal of Vacant Restaurant/Banquet Hall  
12361 Chapman Avenue  
Garden Grove, Orange County, California 91768  
CBRE, Inc. File No. 16-251LA-0081

Dear Mr. Wei:

At your request and authorization, CBRE, Inc. has prepared an appraisal of the market value of the referenced property. Our analysis is presented in the following Appraisal Report.

The subject is a vacant 10,883-sf restaurant/banquet hall located at 12361 Chapman Avenue in Garden Grove, California. The improvements were constructed in 1984, renovated in 2002 and are situated on a 0.48-acre site. The subject has been vacant for over five years. The property is located adjacent to the Hyatt Regency Orange County. The subject does not have parking on-site; however, there is a reciprocal parking agreement for 50 parking spaces located on the neighboring parcel. It should be noted the City of Garden Grove requires 109 parking spaces for the restaurant use. There was proposal for the remaining 59 parking spaces to be located 580 feet away on a parcel owned by a public entity of the City of Garden Grove. It was reported by the City of Garden Grove that it is uncertain if this proposal for additional parking spaces will be approved. There is no timeline for development of the additional parking space and it was not assumed in our valuation.

Please note the subject is in contract for sale at \$2,200,000 per the listing agent. The sale is awaiting approval from the City of Garden Grove. It was reported by the City of Garden Grove that there are several conditions in the purchase contract that will most likely not be approved. The main issue is not having enough parking to meet current parking regulation for 10,883-sf restaurant/banquet hall. In this case, we have assumed land value for the subject taking into consideration the easement for 50 parking spaces. Further, there is limited demand for a large 10,883-sf restaurant/banquet hall at this location. This will be discussed in further detail within this appraisal report.

Based on the analysis contained in the following report, the market value of the subject is concluded as follows:

<b>MARKET VALUE CONCLUSION</b>			
Appraisal Premise	Interest Appraised	Date of Value	Value Conclusion
Market Value "As Is"	Fee Simple Estate	January 12, 2016	\$1,100,000
Compiled by CBRE			

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

The following appraisal sets forth the most pertinent data gathered, the techniques employed, and the reasoning leading to the opinion of value. The analyses, opinions and conclusions were developed based on, and this report has been prepared in conformance with, the guidelines and recommendations set forth in the Uniform Standards of Professional Appraisal Practice (USPAP), the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.

The intended use and user of our report are specifically identified in our report as agreed upon in our contract for services and/or reliance language found in the report. No other use or user of the report is permitted by any other party for any other purpose. Dissemination of this report by any party to non-client, non-intended users does not extend reliance to any other party and CBRE will not be responsible for unauthorized use of the report, its conclusions or contents used partially or in its entirety.

It has been a pleasure to assist you in this assignment. If you have any questions concerning the analysis, or if CBRE can be of further service, please contact us.

Respectfully submitted,

CBRE - VALUATION & ADVISORY SERVICES



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## Certification

We certify to the best of our 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 our personal, impartial and unbiased professional analyses, opinions, and conclusions.
3. We have no present or prospective interest in or bias with respect to the property that is the subject of this report and have no personal interest in or bias with respect to the parties involved with this assignment.
4. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
5. Our 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.
6. This appraisal assignment was not based upon a requested minimum valuation, a specific valuation, or the approval of a loan.
7. Our 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.
8. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
9. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
10. As of the date of this report, James M. Bray, MAI and Donna Bradley, MAI have completed the continuing education program for Designated Members of the Appraisal Institute.
11. As of the date of this report, Michelle J. Bates has completed the Standards and Ethics Education Requirement of the Appraisal Institute for Practicing Affiliate/Candidate for Designation Members.
12. Donna Bradley, MAI and James M. Bray, MAI have and Michelle J. Bates has not made a personal inspection of the property that is the subject of this report.
13. Michelle J. Bates provided significant real property appraisal assistance to the persons signing this report. This included data gathering, market area research, valuation analyses, and the write-up portions of the report. All valuation analyses and conclusions concerning the real estate that are set forth in this report were reviewed and/or completed by James M. Bray, MAI and Donna Bradley, MAI.
14. Valuation & Advisory Services operates as an independent economic entity within CBRE, Inc. Although employees of other CBRE, Inc. divisions may be contacted as a part of our routine market research investigations, absolute client confidentiality and privacy were maintained at all times with regard to this assignment without conflict of interest.
15. James M. Bray, MAI, Donna Bradley, MAI, and Michelle J. Bates have not provided any services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.



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James M. Bray, MAI  
California State Certified General  
Lic. No. AG039243 (Expires 1/5/2018)



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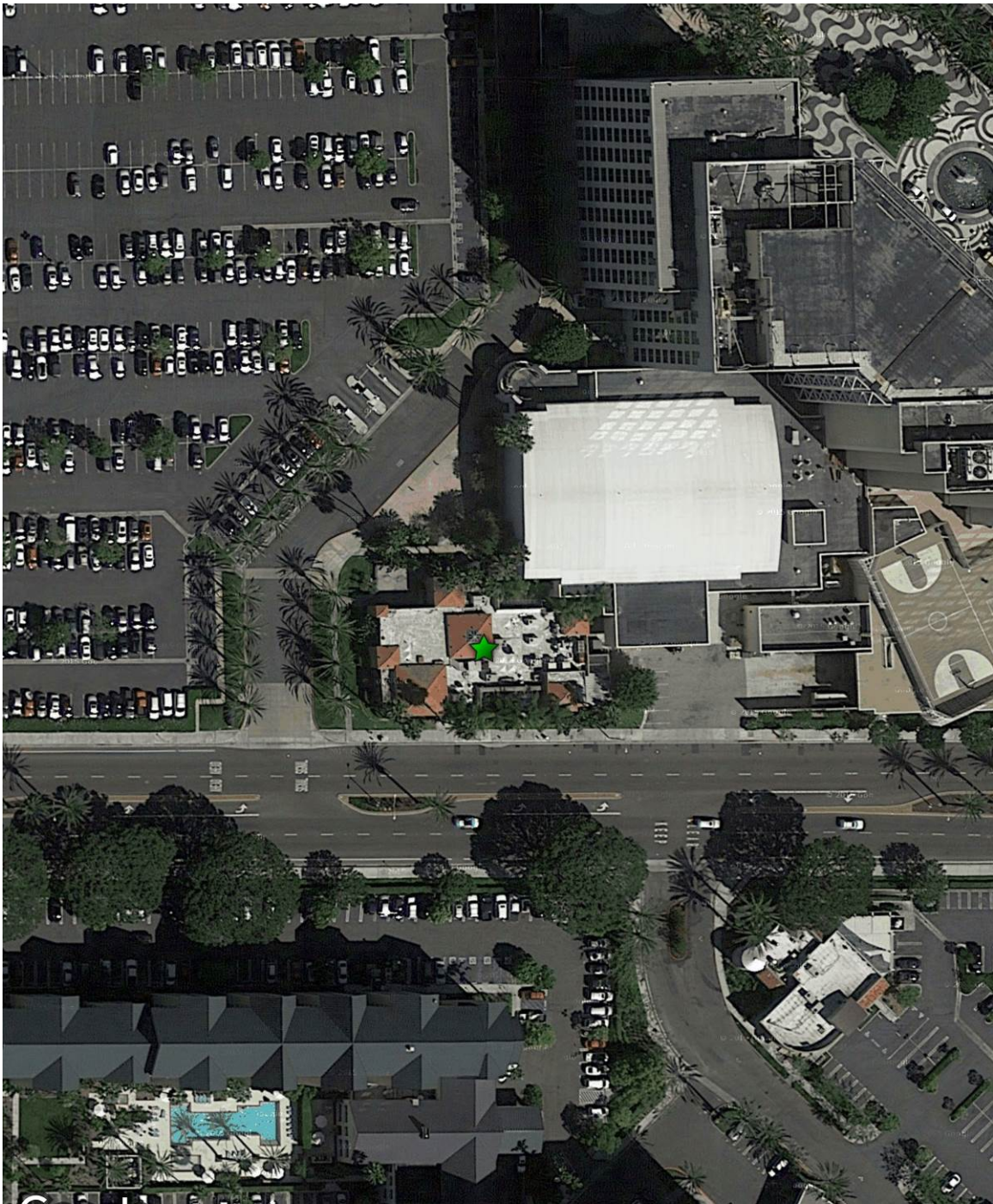
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Michelle J. Bates  
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## Subject Photographs



Imagery ©2016 , DigitalGlobe, U.S. Geological Survey, USDA Farm Service Agency

Aerial View





Exterior View of Subject



Exterior View of Subject



Exterior View of Subject



Front Entrance



Street View of Chapman Avenue



Street View of Chapman Avenue



Bar Area



Dance Floor



Seating Area



Seating Area



Kitchen



Seating Area





Secondary Exit



Outdoor Patio



Exterior View of Subject



Exterior View of Subject



Adjacent Hotel/Convention Center



Reciprocal Parking Area

## Executive Summary

<b>Property Name</b>	Vacant Restaurant/Banquet Hall		
<b>Location</b>	12361 Chapman Avenue, Garden Grove, Orange County, California 91768		
<b>Highest and Best Use</b>	Develop with a Free-Standing Restaurant		
As If Vacant	Develop with a Free-Standing Restaurant		
As Improved	Redevelop with a Free-Standing Restaurant		
<b>Property Rights Appraised</b>	Fee Simple Estate		
<b>Date of Report</b>	February 6, 2016		
<b>Date of Inspection</b>	January 12, 2016		
<b>Estimated Exposure Time</b>	9 Months		
<b>Estimated Marketing Time</b>	9 Months		
<b>Land Area</b>	0.48 AC		20,708 SF
<b>Improvements</b>			
Property Type	Retail		(Restaurant)
Number of Buildings	1		
Number of Stories	2		
Gross Leasable Area	10,883 SF		
Year Built	1984	Renovated:	2002
Condition	Average		
<b>Buyer Profile</b>	Owner-User		
<b>VALUATION</b>		<b>Total</b>	<b>Per SF</b>
Land Value (As if Vacant)		\$1,100,000	\$53.12

### CONCLUDED MARKET VALUE

Appraisal Premise	Interest Appraised	Date of Value	Value
Market Value "As Is"	Fee Simple Estate	January 12, 2016	\$1,100,000

Compiled by CBRE

## STRENGTHS, WEAKNESSES, OPPORTUNITIES AND THREATS (SWOT)

### Strengths/ Opportunities

- The subject is located adjacent to the Hyatt Regency Hotel & Convention Center and numerous other hotels

### Weaknesses/ Threats

- The subject is a large second generation restaurant. This significantly larger than most restaurants in the immediate area. Further, it was reported most national restaurant chains require smaller restaurants in the 5,000-6,000 sf size range.
- The current configuration of the floorplan is divided between a large dance/event area and a restaurant. There is a limited pool of buyers/tenants that can utilize the current configuration.
- It was reported by the City of Garden Grove economic development department that there have been many public disturbance issues related to a night club use at the subject. The

Garden Grove Redevelopment Agency acquired the property in November 2010 because of too many public disturbances at the subject.

- The subject lacks on-site parking and has a parking easement for 50 parking spaces. The property owner must pay \$2,473 per month for the maintenance fees for the parking lot next door (50 spaces). At this time, there are no available parking spaces that can be readily utilized by a new operator were to occupy the subject. Further, there is not timeline for development of new parking spaces on the former landfill site according to the City of Garden Grove.
- The subject lacks Harbor Boulevard visibility, which is a major thoroughfare in the region. Several major national tenants have rejected the subject because of this factor.
- The subject is a second generation restaurant and would require significant amount of capital to be reconfigured.

### EXTRAORDINARY ASSUMPTIONS

An extraordinary assumption is defined as “an assumption directly related to a specific assignment, which, if found to be false, could alter the appraiser’s opinions or conclusions. Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property such as market conditions or trends; or about the integrity of data used in an analysis.”<sup>1</sup> The use of these extraordinary assumptions may have affected the assignment results.

- We have assumed the parking easement agreement is valid and enforceable.
- We have assumed the prior listing information provided by the listing agent, Mr. Ian Brown, and the City of Garden Grove to be accurate.
- The appraisers did not measure the subject property. We have relied upon the prior listing and appraisal for the building square footage. Should this information be incorrect, this will affect the value conclusions provided.
- Based upon several conversations with Greg Blodgett/SR Property Manager with the City of Garden Grove and Karl Hill/Community Development, the most likely use of the subject would be to redevelop the subject with a smaller freestanding full-service restaurant with an approximate building size of ±5,000 square feet. This was based upon the following factors:
  1. The city of Garden Grove indicated that the current improvements would require at least 109 parking spaces or higher depending on how much dance floor and other event space a future operator would require. Without securing additional parking, a restaurant or banquet hall use would not be allowed. A parking analysis would be required to determine if a parking variance could be obtained.
  2. Without a parking analysis of the Hyatt and the subject (PUD-104-82), the city of Garden Grove indicated it was difficult to forecast the maximum allowable building square footage for the subject if redeveloped. With 50 parking spaces and a parking ratio of 10.0 spaces per 1,000 sf, a 5,000-sf restaurant would meet the current parking regulations.
  3. Another option would be to reduce the size of the existing improvements to meet current parking regulations. The appraisers are not cost estimators or engineers can

<sup>1</sup> Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 5<sup>th</sup> ed. (Chicago: Appraisal Institute, 2010), 73.



not estimate the costs to redesign the existing improvements. No cost estimates are available for review. In this case, it is estimated it cost prohibited and a potential buyer would choose to redevelop the subject with a new modern restaurant.

Given these factors, we have concluded the highest and best use is to redevelop the subject property. Should any of this information be incorrect, this may have affected the value conclusions provided in this report.

## HYPOTHETICAL CONDITIONS

A hypothetical condition is defined as “that which is contrary to what exists but is supposed for the purpose of analysis. Hypothetical conditions assume conditions contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis.”<sup>2</sup>

- None noted

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<sup>2</sup> *Dictionary of Real Estate Appraisal*, 97.

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## Introduction

### OWNERSHIP AND PROPERTY HISTORY

Title to the property is currently vested in the name of the City of Garden Grove, who acquired title to the property in May 2015, as recorded in document 269268 of the Orange County Deed Records. This was a non-arm's length transfer from the former Garden Grove Redevelopment Agency to the City of Garden Grove. The property was purchased by the Garden Grove Agency For Community Development in November 2010 for \$2,400,000. This most recent sale transaction of the subject appears to have been arm's length and reasonable based upon market conditions at that time.

To the best of our knowledge, there has been no other ownership transfer of the property during the previous three years. The subject was listed for sale at \$2,700,000 in August 2013. Please note the subject is in contract for sale at \$2,200,000 per the listing agent. The sale is awaiting approval from the city of Garden Grove and it was reported it is unlikely this sale will be approved. Limited consideration was given to the pending sales price.

### INTENDED USE OF REPORT

This appraisal is to be used for internal decision making purposes, and no other use is permitted.

### INTENDED USER OF REPORT

This appraisal is to be used by SGA America, and no other user may rely on our report unless as specifically indicated in the report.

Intended Users - the intended user is the person (or entity) who the appraiser intends will use the results of the appraisal. The client may provide the appraiser with information about other potential users of the appraisal, but the appraiser ultimately determines who the appropriate users are given the appraisal problem to be solved. Identifying the intended users is necessary so that the appraiser can report the opinions and conclusions developed in the appraisal in a manner that is clear and understandable to the intended users. Parties who receive or might receive a copy of the appraisal are not necessarily intended users. The appraiser's responsibility is to the intended users identified in the report, not to all readers of the appraisal report.<sup>3</sup>

### PURPOSE OF THE APPRAISAL

The purpose of this appraisal is to estimate the market value of the subject property.

### DEFINITION OF VALUE

The current economic definition of market value agreed upon by agencies that regulate federal financial institutions in the U.S. (and used herein) is as follows:

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<sup>3</sup> Appraisal Institute, The Appraisal of Real Estate, 14th ed. (Chicago: Appraisal Institute, 2013), 50.



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

1. buyer and seller are typically motivated;
2. both parties are well informed or well advised, and acting in what they consider their own best interests;
3. a reasonable time is allowed for exposure in the open market;
4. payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
5. the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.<sup>4</sup>

## INTEREST APPRAISED

The value estimated represents fee simple interest and defined as follows:

*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>5</sup>

## SCOPE OF WORK

This Appraisal Report is intended to comply with the reporting requirements set forth under Standards Rule 2 of USPAP. The scope of the assignment relates to the extent and manner in which research is conducted, data is gathered and analysis is applied. CBRE, Inc. completed the following steps for this assignment:

### Extent to Which the Property is Identified

The property is identified through the following sources:

- postal address
- assessor's records
- legal description

### Extent to Which the Property is Inspected

The extent of the inspection included the interior and exterior of the subject as well as the surrounding environs on the date of inspection.

### Type and Extent of the Data Researched

CBRE reviewed the following:

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<sup>4</sup> Interagency Appraisal and Evaluation Guidelines; December 10, 2010, Federal Register, Volume 75 Number 237, Page 77472.

<sup>5</sup> *Dictionary of Real Estate Appraisal*, 78.

- applicable tax data
- zoning requirements
- flood zone status
- demographics
- income and expense data
- comparable data

### Type and Extent of Analysis Applied

CBRE, Inc. analyzed the data gathered through the use of appropriate and accepted appraisal methodology to arrive at a probable value indication via each applicable approach to value. The steps required to complete each approach are discussed in the methodology section.

### Data Resources Utilized in the Analysis

<b>DATA SOURCES</b>	
<i>Item:</i>	<i>Source(s):</i>
<b>Site Data</b>	
Size	Orange County Tax Assessor
<b>Improved Data</b>	
Building Area	Listing Brochure and Prior Appraisal
Area Breakdown/Use	CBRE Site Inspection
No. Bldgs.	CBRE Site Inspection
Parking Spaces	Parking Easement & Prior Appraisal
Year Built/Developed	Public Record
<b>Economic Data</b>	
Deferred Maintenance:	N/A
Building Costs:	Marshall Valuation Services
Income Data:	N/A
Expense Data:	N/A
<b>Other</b>	
Prior Appraisal	Lidgard & Associates Incorporated
Parking Easement	Poonam LLC & Atrium Plaza LLC
<b>Data Not Provided</b>	
Purchase Contract	Not provided
Preliminary Title Report	Not provided
Compiled by CBRE	

### EXPOSURE/MARKETING TIME

Current appraisal guidelines require an estimate of a reasonable time period in which the subject could be brought to market and sold. This reasonable time frame can either be examined historically or prospectively. In a historical analysis, this is referred to as exposure time. Exposure time always precedes the date of value, with the underlying premise being the time a property would have been on the market prior to the date of value, such that it would sell at its appraised value as of the date of value. On a prospective basis, the term marketing time is most often used. The exposure/marketing time is a function of price, time, and use. It is not an isolated estimate of time alone.

In consideration of these factors, we have analyzed the following:

- exposure periods for comparable sales in Southern California;
- marketing time information from the PwC (*Korpacz*); and
- the opinions of market participants.

<b>EXPOSURE/MARKETING TIME DATA</b>		
Investment Type	Exposure/Mktg. (Months)	
	Range	Average
Comparable Sales Data	0.0 - 11.0	5.5
<i>PwC Strip Shopping Center</i>		
National Data	2.0 - 12.0	5.6
Local Market Professionals	6.0 - 12.0	9.0
<b>CBRE Exposure Time Estimate</b>	<b>9 Months</b>	
<b>CBRE Marketing Period Estimate</b>	<b>9 Months</b>	
CBRE National Investor Survey & PwC Real Estate Survey		

We have reviewed the assumptions and conclusions reached, particularly the income estimates and rates of return and the potential impact on exposure/marketing time. Based on these analyses, we have concluded an exposure/marketing time of **9 months** or less would be considered reasonable for the subject. Please note the subject has been on the market for an extended period of time due to termination of the redevelopment agency and approval process by the city of Garden Grove.

This exposure/marketing time reflects current economic conditions, current real estate investment market conditions, the terms and availability of financing for real estate acquisitions, and property and market-specific factors. It assumes that the subject is (or has been) actively and professionally marketed. The marketing/exposure time would apply to all valuation premises included in this report.



# Area Analysis



Moody's Economy.com provides the following Orange County, CA metro area economic summary as of December 2015.

ANAHEIM-SANTA ANA-IRVINE, CA - ECONOMIC INDICATORS												
Indicators	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Gross Metro Product (C\$B)	197.8	201.3	204.6	210.3	215.1	221.4	228.7	236.3	243.2	249.8	255.4	260.5
% Change	-5.8	1.8	1.6	2.8	2.3	2.9	3.3	3.3	2.9	2.7	2.2	2.0
Total Employment (Ths)	1,383.4	1,366.6	1,382.6	1,419.8	1,459.5	1,495.7	1,544.0	1,579.4	1,615.0	1,646.8	1,667.3	1,677.2
% Change	-7.1	-1.2	1.2	2.7	2.8	2.5	3.2	2.3	2.2	2.0	1.2	0.6
Unemployment Rate (%)	8.8	9.6	8.9	7.7	6.3	5.5	4.4	4.0	3.9	3.8	3.9	4.0
Personal Income Growth (%)	-4.9	1.2	5.4	7.4	1.0	3.4	5.1	6.5	6.7	6.0	4.6	4.0
Median Household Income (\$ Ths)	74.3	72.4	72.2	73.5	75.7	76.3	77.9	80.4	83.7	87.1	89.8	92.1
Population (Ths)	2,987.2	3,018.1	3,056.3	3,089.9	3,121.9	3,145.5	3,173.2	3,203.7	3,233.0	3,262.2	3,291.6	3,320.8
% Change	1.0	1.0	1.3	1.1	1.0	0.8	0.9	1.0	0.9	0.9	0.9	0.9
Net Migration (000)	5.5	8.6	18.3	13.8	11.8	5.5	7.8	10.1	8.6	8.2	8.0	7.7
Single-Family Permits	1,341.0	1,624.0	1,822.0	2,271.0	3,670.0	3,714.0	3,625.2	3,549.9	4,307.6	4,624.3	4,494.0	4,623.4
Multifamily Permits	802.0	1,510.0	2,530.0	3,811.0	6,752.0	5,577.0	6,900.3	2,357.9	4,157.8	4,254.3	3,763.9	3,928.6
Fhfa House Price (1995Q1=100)	237.9	238.6	229.4	229.3	257.4	284.5	299.3	304.7	309.4	315.4	324.6	339.3

Source: Moody's Economy.com

## RECENT PERFORMANCE

Orange County's economy has slowed since the start of 2015. Key industries such as business/professional services, healthcare, and finance are taking a breather. Job growth has

been limited primarily to leisure/hospitality and government. As a result of weak gains in employment and wages, estimated personal income growth has slowed by one-half since early 2015. At 4.1% in November, the unemployment rate is at a cycle low and well below the state and national averages.

## HIGH TECH

Thanks to its highly educated workforce and its universities, Orange County has a highly effective infrastructure for fostering growth in technology businesses such as biotech, computer and electronic product manufacturing, medical device makers, and IT companies. Venture capital entities such as OCTANE, which connects entrepreneurs and investors, are important conduits for new investment and hiring. For example, Harbor MedTech, a skin wound treatment maker, recently raised \$10 million through OCTANE. Meanwhile, Greenwave Systems, a smart technology provider, received an investment of \$45 million from Singapore Technologies Telemedia to accelerate its global expansion. Startups are an especially potent source of job creation, and Orange County's universities, particularly the University of California Irvine, position the area well for startup growth as students and faculty spin off their academic research ideas into private companies.

## UC IRVINE

UC Irvine will provide the skilled labor needed to sustain strong growth in knowledge-based industries. Moreover, California's improving fiscal position and the strength of UC's endowment fund bode well for staff and faculty payroll additions. Governor Jerry Brown has proposed a 5.4% increase in funding in fiscal 2016-2017 for the UC system. Meanwhile, enrollment has been increasing, and applications for the fall semester at UC system universities reached an all-time high. For UC Irvine, applications are 10% higher from a year earlier. Hiring will continue in 2016 as the growing student population warrants expansion of faculty and program offerings.

Further, as part of the UC system's agreement with the state, UC Irvine will enroll 650 more resident students and their tuition will be capped at its current level for this year. Although an increase in nonresident tuition puts UC among the nation's most expensive public universities, strong demand from prospective students will ensure that enrollment does not suffer. More student spending will benefit consumer industries such as retail and leisure/hospitality in coming years.

## REAL ESTATE

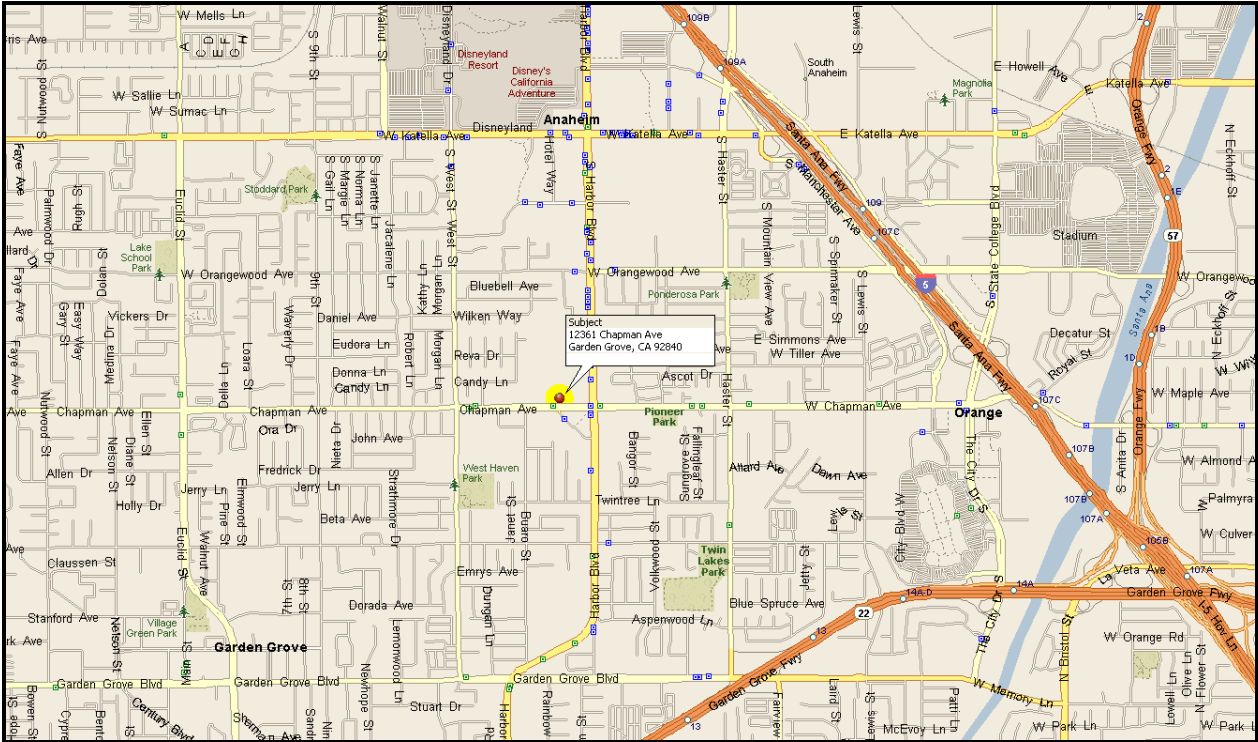
The near-term outlook for Orange County's commercial real estate markets is upbeat, as expansion tests the limits of real estate inventory. According to Colliers International, available office and industrial real estate space is shrinking in Orange County-the vacancy rate is 2.9% for the industrial market and 12.8% for the office market. The retail vacancy rate increased slightly to 4.6% in the fourth quarter of 2015, but it is still lower than last year's vacancy rate since surging

in-migration is supporting consumer spending and new retail investment. In the office market, the low vacancy rate stems from a dearth of new supply and gradual improvement in office-using industries. Construction remains limited, but activity will pick up as rents increase.

## **CONCLUSION**

Orange County's expansion will moderate and job growth will slow to an average pace as manufacturing and tech hiring cools. The real estate market will continue to strengthen, however, thanks to strong demand and a dearth of supply. Longer term, Orange County's high costs will constrain its prospects to the U.S. average.

# Neighborhood Analysis



## LOCATION

The subject is located within the larger Anaheim Resort District, in Garden Grove. The Anaheim Convention Center and Disneyland are located 1.7 and 2.3 miles to the north, respectively. Disneyland is the most significant tourist attraction in California, attracting approximately 14 million visitors per year. It is the second largest amusement park in the world, second on to Disney World in Florida. Not surprisingly, the success of Disneyland has spurred the development of a major tourism industry in Anaheim, including over 160 hotels and over 300 restaurants, and the park is the single largest generator of demand for the Anaheim lodging market.

## BOUNDARIES

The neighborhood boundaries are detailed as follows:

- North:** Chapman Avenue
- South:** Garden Grove Boulevard, 22 Freeway
- East:** San Diego (5) Freeway
- West:** West Street



## LAND USE

The subject property is located on the north side of Chapman Avenue, just west side of Harbor Boulevard. The subject is a portion of a larger site, which includes the Hyatt Regency and several restaurants. Surrounding hotels include the Homewood Suites, Wyndham, Marriott Suites and Sheraton to the south. Residence Inn by Marriott, Hampton Inn, Hilton Garden Inn and Embassy Suites are located to the north. Located on Harbor Boulevard to the south, the 600-Room Great Wolf Lodge and Water Park is currently under construction. Various older commercial buildings, limited service motels and fast food line Harbor Boulevard. Directly to the west of the subject and along the side streets are older single family homes and apartments. Directly on the corner of Chapman Avenue and Harbor Boulevard are several full service restaurants.

Farther, to the north of the subject and surrounding the Anaheim Convention Center are the larger convention hotels which include the Doubletree Suites, Hilton, Marriott, Sheraton @ the Park and the Clarion hotel.

At the intersection of Katella Avenue and Harbor Boulevard, the SpringHill Suites and Hyatt Place were recently completed, and the Residence Inn and Hyatt House area under construction.

## GROWTH PATTERNS

There are a number of plans and proposed areas for expansion. Whether or not they occur and/or timing of the projects are fluid. The following are current projects/areas of growth:

### DISNEYLAND PARK EXPANSION

Disney owns 88 acres for a Future Third Theme Park along Harbor Boulevard, south of Katella Avenue. There are only a handful of parcels left in the Anaheim Resort for hotel development and with all this growth over the next few years. There is demand for more hotel product based on area occupancy rates in the mix 70 to low 80 percent range.

In August 2015, Disney's CEO, Bob Iger announced that Star Wars-themed lands will be coming to Anaheim. These authentic lands will have two signature attractions, including the ability to take the controls of one of the most recognizable ships in the galaxy, the *Millennium Falcon*, on a customized secret mission, and an epic *Star Wars* adventure that puts guests in the middle of a climactic battle. This will be a single-themed park on approximately 14 acres of expansion land. Location and timing have not been released.

### ANAHEIM CONVENTION CENTER EXPANSION:

On September 14, 2010, the City of Anaheim passed an ordinance creating the Anaheim Tourism Improvement District Fee, which is a 2% fee on all room revenue – which came into effect on November 1, 2010. This fee will fund marketing for the Anaheim Convention Center, thereby freeing up "General Fund" dollars within the City to allocate towards the next two phases

of expansion of the Anaheim Convention Center. At 1.6 million SF (800,000 of which is exhibit space), it already is the largest single convention facility on the entire West Coast.

As of March 11, 2014 the Anaheim City Council approved 200,000 SF of flex space ACC expansion, as well as the financing plan and design-build contract. The project expected to be complete by 2017.

Overall, the Convention Center has a long-term Master Plan consisting of 7 expansion phases over time, bringing the total meeting space in excess of 4 million square feet. These two expansion phases that are already funded will bring the total space up to almost 2 million square feet.

#### **ARTIC AND ARC:**

The Anaheim Regional Transportation Intermodal Center (ARTIC) will be a major hub for the California High Speed Rail network, which received substantial Federal Funding from the Obama Administration. The City of Anaheim is the furthest ahead in moving forward with plans for High Speed Rail. The first phase has already been approved and funded to the tune of \$183.8M. Construction is set to begin on ARTIC by year-end 2012, with completion set for 2014. Architectural plans have already been permitted, the Environmental Impact Report was certified on September 28, 2010 and the City is already soliciting bids for construction through an RFQ process. This transportation hub is a vision for the future, as the High Speed Rail network is built out, Anaheim will be at the Center of the network, based on the plan adopted by the High Speed Rail Authority of California...essentially connecting Anaheim to Los Angeles, Las Vegas, San Francisco and San Diego. Please see the attached Fact Sheet titled "ARTIC Factsheet 10-07-10".

The Anaheim Rapid Connection (ARC), which is an above ground monorail system connecting ARTIC to the Anaheim Resort will terminate at the Convention Center.

#### **GREAT WOLF LODGE AND WATER PARK**

The company broke ground in May 2014 on the Great Wolf Lodge in Garden Grove that will feature a 121,000-square-foot indoor water park – the company's largest – along with a 603-room hotel and conference center. Besides being indoors, Great Wolf will be unusual in another way: Only hotel guests will be able to use the water park.

The \$250 million development, which is scheduled to open in late 2015, has been years in the making, delayed by the recession and one of the worst downturns in tourism and hospitality history. But industry experts say the time is ripe for the project, as water parks, particularly indoor attractions, enjoy a major resurgence.

Much like Disneyland, the Great Wolf Lodge is a destination visit, where people stay two or three days rather than the typical day trip for an outdoor water park.

Another draw will be Great Wolf's unique water park offerings. In the Howlin' Tornado, up to three people can drop into a six-story funnel which will send them swishing and swirling 30 feet

up the sides of the funnel before making a safe splash landing. The Wolf Tail will have a two-story free-fall drop and then a 360-degree loop in an enclosed tube slide. The resort also will offer non-water activities. That includes Storytelling time at night, when guests can bring their children down to the lobby to listen to stories being read. There is MagiQuest, which is a sort of electronic scavenger hunt in which children use a radio-frequency identification “magic wand” to discover and illuminate items throughout the resort. Children also can pamper themselves at the Scoops Day Spa, where they can get manicures and pedicures.

**ACCESS**

Access to the subject property is convenient. Harbor Boulevard, Chapman Avenue, Katella Avenue and Haster Street all give access to the nearby Santa Ana (5) Freeway and Garden Grove (22) Freeway.

**DEMOGRAPHICS**

Selected neighborhood demographics in 1-, 3-, and 5-mile radii from the subject are shown in the following table:

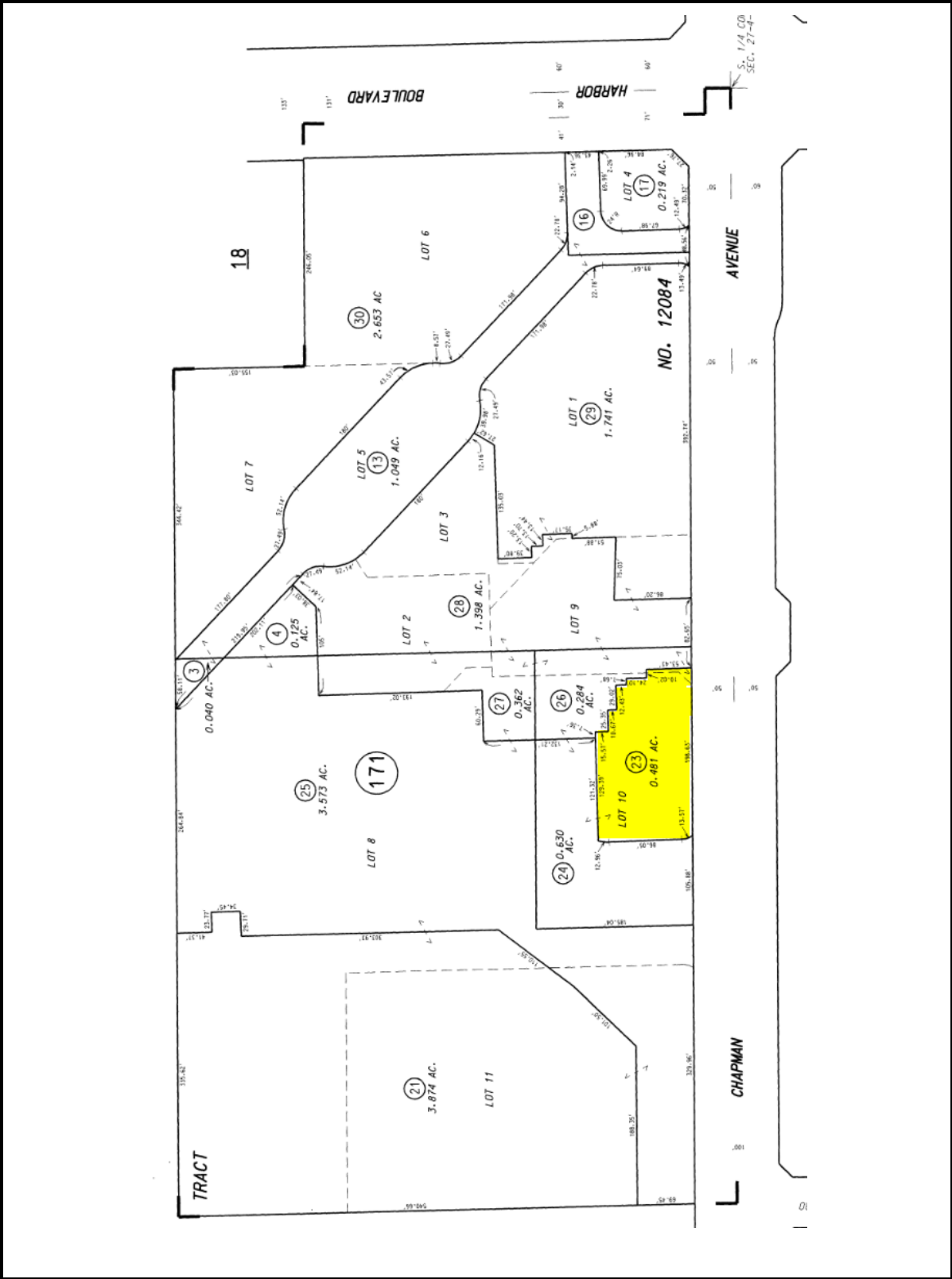
<b>SELECTED NEIGHBORHOOD DEMOGRAPHICS</b>			
12361 Chapman Avenue Garden Grove, CA	1 Mile	3 Miles	5 Miles
<b>Population</b>			
2020 Population	40,248	288,128	885,454
2015 Population	38,528	275,811	848,360
2010 Population	37,026	264,295	814,299
2000 Population	36,416	258,597	807,505
Annual Growth 2015 - 2020	0.88%	0.88%	0.86%
Annual Growth 2010 - 2015	0.80%	0.86%	0.82%
Annual Growth 2000 - 2010	0.17%	0.22%	0.08%
<b>Households</b>			
2020 Households	10,143	75,693	232,484
2015 Households	9,661	72,167	221,677
2010 Households	9,222	68,967	211,717
2000 Households	9,267	67,385	209,648
Annual Growth 2015 - 2020	0.98%	0.96%	0.96%
Annual Growth 2010 - 2015	0.93%	0.91%	0.92%
Annual Growth 2000 - 2010	-0.05%	0.23%	0.10%
<b>Income</b>			
2015 Median Household Income	\$58,888	\$56,547	\$53,466
2015 Average Household Income	\$71,614	\$70,264	\$68,018
2015 Per Capita Income	\$17,958	\$18,385	\$17,773
Age 25+ College Graduates - 2015	4,411	32,801	93,598
Age 25+ Percent College Graduates - 2015	18.4%	18.8%	17.5%
Source: Nielsen/Claritas			

## CONCLUSION

As shown above, the population within the subject neighborhood has shown limited popular growth over the past five to ten years due to the built up nature of the area. However, area growth of demand generators like the Convention Center and Disneyland Park are significant. The Disneyland Resort continues to inject capital into their Resort and surrounding area, which ultimately benefits the neighborhood. As discussed, continued growth in the Resort area is expected in the future.



PLAT MAP



## Site Analysis

The following chart summarizes the salient characteristics of the subject site.

<b>SITE SUMMARY</b>			
<b>Physical Description</b>			
Gross Site Area	0.48 Acres	20,708 Sq. Ft.	
Net Site Area	0.48 Acres	20,708 Sq. Ft.	
Primary Road Frontage	Chapman Avenue	200 Feet	
Excess Land Area	None	n/a	
Surplus Land Area	None	n/a	
Shape	Irregular		
Topography	Level		
Primary Traffic Counts (24 hrs.)	Chapman Avenue @ Buaro Street	22,029	Year: 2014
Zoning District	PUD-104-82		
Flood Map Panel No. & Date	06059C0141J	3-Dec-09	
Flood Zone	Zone X (Shaded)		
Adjacent Land Uses	Commercial and residential uses		
Earthquake Zone	N/A		
<b>Comparative Analysis</b>		<b><u>Rating</u></b>	
Visibility	Average		
Functional Utility	Assumed adequate		
Traffic Volume	Average		
Adequacy of Utilities	Assumed adequate		
Landscaping	Average		
Drainage	Assumed adequate		
<b>Utilities</b>	<b><u>Provider</u></b>	<b><u>Adequacy</u></b>	
Water	City of Garden Grove	Yes	
Sewer	City of Garden Grove	Yes	
Natural Gas	Southern California Gas Co.	Yes	
Electricity	Southern California Edison	Yes	
Telephone	Various	Yes	
Mass Transit	OCTA	Yes	
<b>Other</b>	<b><u>Yes</u></b>	<b><u>No</u></b>	<b><u>Unknown</u></b>
Detrimental Easements	<i>Preliminary Title Report Not Provided</i>		X
Encroachments	<i>Preliminary Title Report Not Provided</i>		X
Deed Restrictions	<i>Preliminary Title Report Not Provided</i>		X
Reciprocal Parking Rights	<i>See Comments</i>		
Source: RealQuest, Interflood, Orange County Tax Assessor, City of Garden Grove			

## INGRESS/EGRESS

Ingress and egress is available to the site via Chapman Avenue.

Chapman Avenue, at the subject, is an east/west street that has a dedicated width of 100 feet and is improved with two lanes of traffic in each direction. Street improvements include asphalt paving and concrete curbs, gutters and sidewalks, and street lighting. Street parking is permitted.

## ENVIRONMENTAL ISSUES

CBRE, Inc. is not qualified to detect the existence of potentially hazardous material or underground storage tanks which may be present on or near the site. The existence of hazardous materials or underground storage tanks may affect the value of the property. For this appraisal, CBRE, Inc. has specifically assumed that the property is not affected by any hazardous materials that may be present on or near the property.

## ADJACENT PROPERTIES

The adjacent land uses are summarized as follows:

North:	Parking Lot
South:	Homewood Suites (Hilton)
East:	Hyatt Regency
West:	Parking Lot/Multifamily Residential

## CONCLUSION

The subject site has good access and visibility from Chapman Avenue in Garden Grove. The size of the site is typical for the area and use, and there are no known detrimental uses in the immediate vicinity. Overall, there are no known factors which are considered to prevent the site from development to its highest and best use, as if vacant.

**FLOOD PLAIN MAP**

Flood Zone Code	Flood Zone Panel	Panel Date
X500	060220 - 06059C0141J	12/03/2009
Special Flood Hazard Area (SFHA)	Within 250 ft. of multiple flood zones?	Community Name
Out	No	

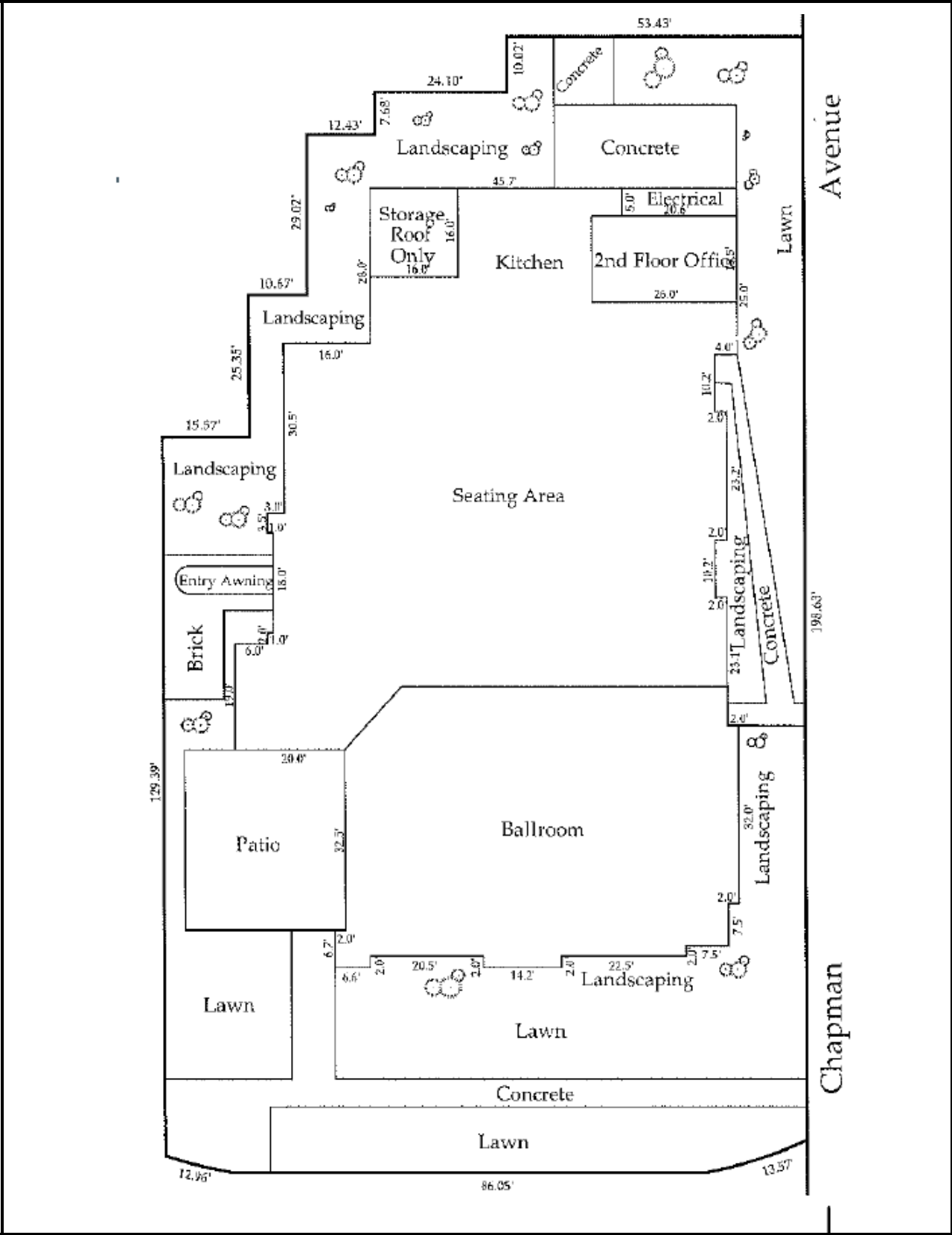
**Flood Zone Description:**

Zone X (500-year)-An area inundated by 500-year flooding; an area inundated by 100-year flooding with average depths of less than 1 foot or with drainage areas less than 1 square mile; or an area protected by levees from 100-year flooding.





IMPROVEMENTS LAYOUT



## Improvements Analysis

The following chart shows a summary of the improvements.

IMPROVEMENTS SUMMARY		
Property Type	Retail	(Restaurant)
Number of Buildings	1	
Number of Stories	2	
Year Built	1984	Renovated: 2002
Gross Leasable Area	10,883 SF	
Site Coverage	50.6%	
Land-to-Building Ratio	1.9 : 1	
Parking Spaces (via easement):	50	
Parking Ratio (per 1,000 SF GLA )	4.59	

Source: Prior Appraisal. CBRE Inspection, Parking Easement

### YEAR BUILT

The subject was built in 1984 and was most recently renovated in 2002.

### CONSTRUCTION CLASS

Building construction class is as follows:

D - Wood frame, floor and structure; considered combustible

The construction components are assumed to be in working condition and adequate for the building. The overall quality of the facility is considered to be average for the neighborhood and age. However, CBRE, Inc. is not qualified to determine structural integrity and it is recommended that the client/reader retain the services of a qualified, independent engineer or contractor to determine the structural integrity of the improvements prior to making a business decision.

### FOUNDATION/FLOOR STRUCTURE

The foundation is assumed to be of adequate load-bearing capacity to support the improvements. The floor structure is summarized as follows:

Ground Floor: Concrete slab on compacted fill

### EXTERIOR WALLS

The exterior walls are wood frame with stucco exterior. Retail storefronts are plate glass set in anodized aluminum frames.

### ROOF COVER

The building has a plywood deck roof supported by a wood frame truss structure with rolled asphalt and tile.

## INTERIOR FINISHES

The typical interior finish of the retail shop space is summarized as follows:

Floor Coverings:	Ceramic tile and wood over concrete, and sealed concrete flooring.
Walls:	Textured and painted sheetrock.
Ceilings:	Combination textured and painted sheetrock and suspended acoustical tile.
Lighting:	Standard commercial fluorescent fixtures.
Summary:	The interior areas are typical building standard retail showroom finish, and are commensurate with competitors in the area. The space is in average condition, but will likely require some tenant retrofit prior to occupancy.

## BALCONY/MEZZANINE/PATIO AREAS

Any potential balcony/mezzanine space is not included within the net rentable area calculations.

## ELEVATOR/STAIR SYSTEM

The subject represents a ground floor retail use. As such, there are no elevators or stairwells.

## HVAC

The HVAC system is roof mounted package units. It is assumed to be in good working order and adequate for the building.

## ELECTRICAL

The electrical system is assumed to be in good working order and adequate for the building.

## PLUMBING

The plumbing system is assumed to be in good working order and adequate for the building.

## PUBLIC RESTROOMS

The public restrooms appear to be standard builder's grade with sinks, individual stalls and a basic finish-out with ceramic tile floors, painted drywall, drop acoustical tile ceiling and overhead fluorescent lighting. They are regarded adequate for the property and are assumed built to local code.

## **LIFE SAFETY AND FIRE PROTECTION**

Fire protection equipment consists of fire alarms and fire sprinklers. It is assumed the improvements have adequate fire alarm systems, fire exits, fire extinguishers, fire escapes and/or other fire protection measures to meet local fire marshal requirements. CBRE, Inc. is not qualified to determine adequate levels of safety & fire protection, whereby it is recommended that the client/reader review available permits, etc. prior to making a business decision.

## **SECURITY**

The security is an alarm.

## **PARKING AND DRIVES**

The property has no on-site parking. All neighboring parking spaces and vehicle drives are asphalt paved and considered to be in average condition. Patron parking areas are provided in the neighboring parking lot. The number of on-site parking spaces is legally non-conforming for the existing use and is not typical of the market. Please note the lack of parking will be discussed in further detail.

## **LANDSCAPING**

Landscaping is considered to be in average condition and well maintained.

## **OUTDOOR SITE IMPROVEMENTS**

The property includes an outdoor patio that can seat 49 people.

## **FUNCTIONAL UTILITY**

The overall layout of the property is considered functional in utility.

## **ADA COMPLIANCE**

All common areas of the property appear to have handicap accessibility. The client/reader's attention is directed to the specific limiting conditions regarding ADA compliance.

## **FURNITURE, FIXTURES AND EQUIPMENT**

The property currently has a full kitchen including stainless steel food preparation counters, exhaust hoods, dishwasher station, food preparation line, bar sinks, and walk-in cooler and freezer facilities. Any personal property items contained in the property are not considered to contribute significantly to the overall value of the real estate.

## **ENVIRONMENTAL ISSUES**

CBRE, Inc. is not qualified to detect the existence of any potentially hazardous materials such as lead paint, asbestos, urea formaldehyde foam insulation, or other potentially hazardous



construction materials on or in the improvements. The existence of such substances may affect the value of the property. For the purpose of this assignment, we have specifically assumed there are no hazardous materials that would cause a loss in value to the subject.

### DEFERRED MAINTENANCE

We were not provided with a property condition report. The subject has been vacant for many years and has not been maintained. We strongly suggest a property condition report be conducted to determine the amount and cost of deferred maintenance. For the purpose of this appraisal, we have assumed the subject to be in average condition.

### ECONOMIC AGE AND LIFE

CBRE, Inc.'s estimate of the subject improvements effective age and remaining economic life is depicted in the following chart:

<b>ECONOMIC AGE AND LIFE</b>	
Actual Age	32 Years
Effective Age	30 Years
MVS Expected Life	55 Years
Remaining Economic Life	25 Years
Accrued Physical Incurable Depreciation	54.5%
Compiled by CBRE	

The remaining economic life is based upon our on-site observations and a comparative analysis of typical life expectancies as published by Marshall and Swift, LLC, in the Marshall Valuation Service cost guide. While CBRE, Inc. did not observe anything to suggest a different economic life, a capital improvement program could extend the life expectancy.

### CONCLUSION

The improvements are in average overall condition. Overall, there are no known factors that adversely impact the marketability of the improvements.

## Zoning

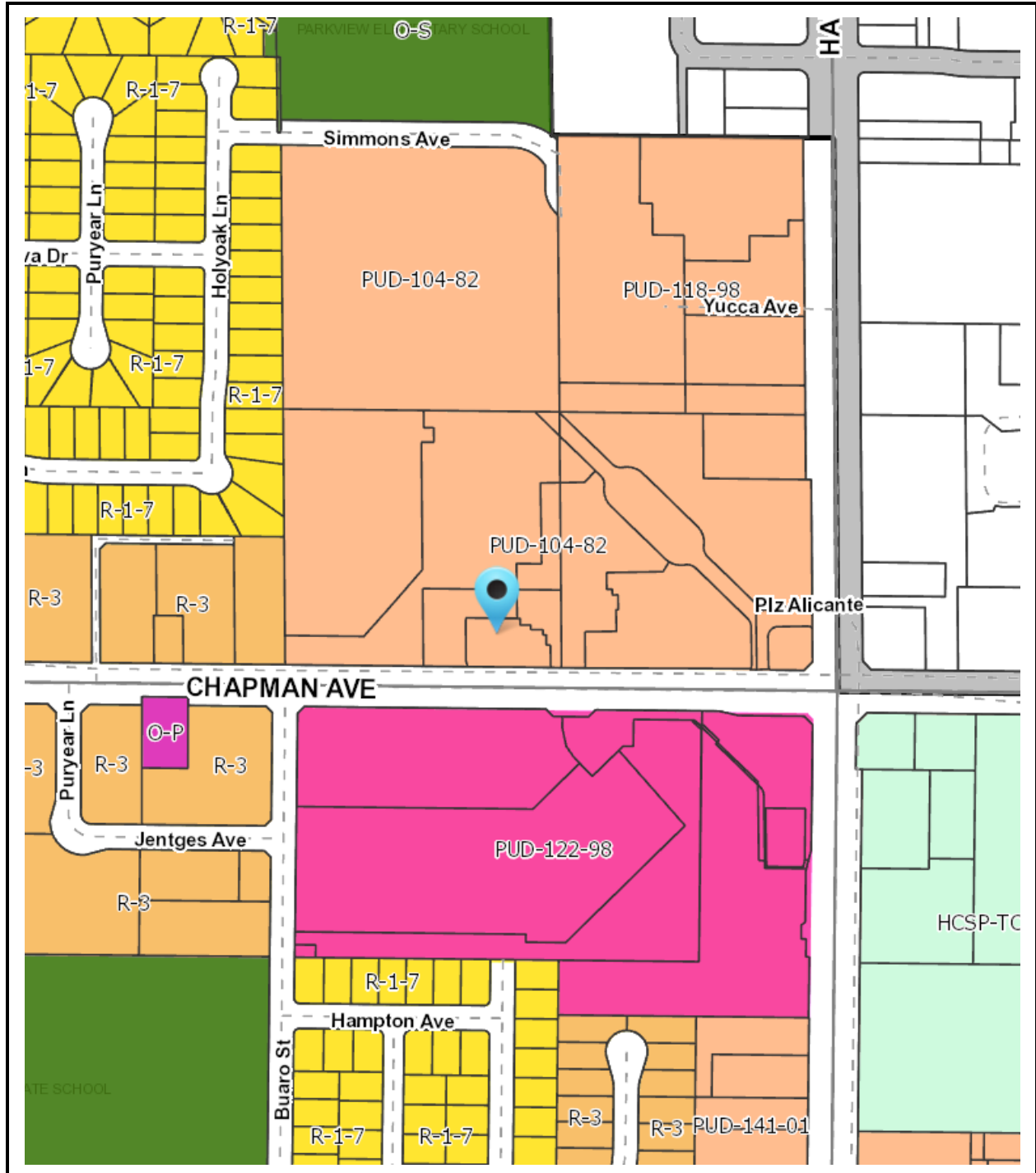
The following chart summarizes the subject's zoning requirements.

<b>ZONING SUMMARY</b>	
Current Zoning	PUD-104-82
Legally Conforming	No - See Comments
Uses Permitted	Development of a regional mixed use complex including hotel, restaurants, offices, and other incidental uses.
Zoning Change	Not likely
<b>Category</b>	<b>Zoning Requirement</b>
Parking Requirements	10 spaces / 1,000 SF of Bldg.
Subject's Actual Parking	4.59 spaces / 1,000 SF of Bldg.
Source: City of Garden Grove Planning & Zoning Dept.	

### ANALYSIS AND CONCLUSION

The improvements represent an illegal and nonconforming use without the required parking according to the city of Garden Grove. The restaurant has been vacant for over 5 years, and the City of Garden Grove reported they will only approve a similar restaurant/banquet hall use if the site has the required parking spaces. An additional 59 parking spaces will be required to bring the subject up to code. It is uncertain if these parking spaces can be obtained. Additional information may be obtained from the appropriate governmental authority. For purposes of this appraisal, CBRE has assumed the information obtained is correct.

ZONING MAP



## Tax and Assessment Data

In California, privately held real property is typically assessed at 100% of full cash value (which is interpreted to mean market value of the fee simple estate) as determined by the County Assessor. Generally, a reassessment occurs only when a property is sold (or transferred) or when new construction occurs (as differentiated from replacing existing construction). Assessments for properties that were acquired before the tax year 1975-1976 were stabilized as of the tax year 1975-1976. Property taxes are limited by state law to 1% of the assessed value plus voter-approved obligations and special assessments. If no sale (or transfer) occurs or no new building takes place, assessments may not increase by more than 2% annually. The following table summarizes the actual assessment and market value (land value).

<b>AD VALOREM TAX INFORMATION</b>		
<u>Assessor's Market Value</u>	<u>2015/2016</u>	<u>Market Value</u>
233-171-23	\$2,558,411	
Subtotal	\$2,558,411	\$1,100,000
Assessed Value @	100%	100%
	\$2,558,411	\$1,100,000
General Tax Rate (per \$100 A.V.)	-	1.15
General Tax:	\$0	\$12,650
Special Assessments:	-	20
Effective Tax Rate (per \$100 A.V.)	-	1.151818
<b>Total Taxes</b>	<b>\$0</b>	<b>\$12,670</b>
Source: Orange County Assessor's Office		

## CONCLUSION

Since the subject is owned by the city of Garden Grove, no property taxes assessed to the subject. We have assumed that the subject to be sold to an owner-user or investor. For purposes of this analysis, CBRE, Inc. assumes a property tax rate of 1.15% with a \$20/year special assessment. If the subject sold for the value estimate in this report, a reassessment at that value would most likely occur, with tax increases limited to two percent annually thereafter until the property is sold again. The consequences of this reassessment have been considered in the appropriate valuation sections.

## Market Analysis

### DEMOGRAPHIC ANALYSIS

Demand for retail properties is a direct function of demographic characteristics analyzed on the following pages.

#### Housing, Population and Household Formation

The following table illustrates the population and household changes for the subject neighborhood with primary focus on the 3-mile radius.

<b>POPULATION AND HOUSEHOLD PROJECTIONS</b>			
	1 Mile	3 Miles	5 Miles
<b>Population</b>			
2020 Population	40,248	288,128	885,454
2015 Population	38,528	275,811	848,360
2010 Population	37,026	264,295	814,299
2000 Population	36,416	258,597	807,505
Annual Growth 2015 - 2020	0.88%	0.88%	0.86%
Annual Growth 2010 - 2015	0.80%	0.86%	0.82%
Annual Growth 2000 - 2010	0.17%	0.22%	0.08%
<b>Households</b>			
2020 Households	10,143	75,693	232,484
2015 Households	9,661	72,167	221,677
2010 Households	9,222	68,967	211,717
2000 Households	9,267	67,385	209,648
Annual Growth 2015 - 2020	0.98%	0.96%	0.96%
Annual Growth 2010 - 2015	0.93%	0.91%	0.92%
Annual Growth 2000 - 2010	-0.05%	0.23%	0.10%

Source: Nielsen/Claritas

As shown, the subject's neighborhood is experiencing moderate positive increases in both population and households.

#### Income Distributions

Household income available for expenditure on consumer items is a primary factor in determining the retail supply and demand levels in a given market area. In the case of this study, a projection of household income identifies (in gross terms) the market from which the subject submarket draws. The following table illustrates estimated household income distribution for the subject neighborhood.

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**HOUSEHOLD INCOME DISTRIBUTION**


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Households by Income Distribution - 2015	1 Mile	3 Miles	5 Miles
Less than \$15K	7.33%	10.06%	10.35%
\$15K - \$25K	8.62%	10.59%	10.90%
\$25K - \$35K	11.29%	9.88%	10.56%
\$35K - \$50K	15.00%	13.83%	15.05%
\$50K - \$75K	20.14%	19.79%	19.60%
\$75K - \$100K	15.98%	13.95%	12.71%
\$100K - \$150K	16.00%	14.71%	13.73%
\$150K - \$250K	3.96%	5.58%	5.73%
\$250K - \$500K	1.31%	1.35%	1.14%
\$500K or more	0.36%	0.25%	0.21%

Source: Nielsen/Claritas

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The following table illustrates the median and average household income levels for the subject neighborhood.

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**HOUSEHOLD INCOME LEVELS**


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Income	1 Mile	3 Miles	5 Miles
2015 Median Household Income	\$58,888	\$56,547	\$53,466
2015 Average Household Income	\$71,614	\$70,264	\$68,018
2015 Per Capita Income	\$17,958	\$18,385	\$17,773

Source: Nielsen/Claritas

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### Retail Sales Volumes

The following table illustrates retail sales for the subject's market area at given radii intervals from the subject.



RETAIL EXPENDITURES (\$000's)									
SUBJECT'S SUBMARKET									
Product Sample	1 Mile			3 Miles			5 Miles		
	2015	2020	%/Yr	2015	2020	%/Yr	2015	2020	%/Yr
All Retail Stores	354,142	379,853	1.4%	2,615,708	2,788,089	1.3%	7,944,912	8,464,514	1.3%
Grocery Stores	64,866	69,085	1.3%	477,866	507,001	1.2%	1,468,828	1,557,887	1.2%
Eating Places	29,354	31,201	1.2%	216,357	228,588	1.1%	657,196	693,708	1.1%
Drinking Places	711	754	1.2%	5,290	5,562	1.0%	16,086	16,896	1.0%
Health and Personal Care Stores	24,577	26,712	1.7%	183,600	198,048	1.5%	562,573	606,451	1.5%
Building Material & Garden Equipment & Supplies	6,995	7,839	2.3%	52,117	57,775	2.1%	157,046	174,088	2.1%
Hardware Stores	899	1,010	2.4%	6,675	7,432	2.2%	20,128	22,411	2.2%
Lawn & Garden Equipment & Supplies Dealers	1,187	1,345	2.5%	8,832	9,907	2.3%	26,612	29,835	2.3%
Furniture Stores	4,902	5,407	2.0%	36,688	39,950	1.7%	111,048	120,821	1.7%
Other Home Furnishing Stores	3,566	3,970	2.2%	26,743	29,400	1.9%	80,616	88,573	1.9%
Household Appliance Stores	1,101	1,350	4.2%	8,140	9,899	4.0%	24,604	29,941	4.0%
Radio/TV/Other Electronics Stores	5,106	7,007	6.5%	37,646	51,180	6.3%	114,741	155,967	6.3%
Department Stores (Excluding Leased)	30,065	33,667	2.3%	220,614	245,217	2.1%	673,459	748,009	2.1%
Clothing and Clothing Accessory Stores	26,782	29,485	1.9%	195,462	213,593	1.8%	596,292	651,076	1.8%
Shoe Stores	4,346	4,688	1.5%	31,371	33,693	1.4%	96,541	103,620	1.4%
General Merchandise Stores	58,752	65,215	2.1%	432,000	476,307	2.0%	1,321,165	1,455,683	2.0%
Warehouse Clubs and Superstores	29,177	32,195	2.0%	215,020	235,830	1.9%	658,691	721,999	1.9%
Full Service Restaurants	9,119	9,656	1.2%	67,780	71,175	1.0%	205,324	215,403	1.0%
Fast Food Restaurants	9,461	9,981	1.1%	68,933	72,499	1.0%	210,151	220,831	1.0%
Jewelry Stores	4,400	5,095	3.0%	33,751	38,292	2.6%	101,118	114,560	2.5%
Book Stores	3,025	3,480	2.8%	22,937	26,068	2.6%	71,200	80,772	2.6%
Gift, Novelty, and Souvenir Shops	1,123	1,262	2.4%	8,343	9,293	2.2%	25,336	28,190	2.2%
Florists	2,598	3,011	3.0%	19,478	22,249	2.7%	58,462	66,750	2.7%
Hobby, Toy, and Game Shops	2,333	2,599	2.2%	17,056	18,844	2.0%	51,948	57,324	2.0%
Sporting Goods Stores	3,444	3,988	3.0%	25,259	28,900	2.7%	76,563	87,397	2.7%
Camera/Photographic Supply Stores	421	557	5.8%	3,093	4,065	5.6%	9,390	12,326	5.6%
Luggage and Leather Goods Stores	407	517	4.9%	3,045	3,810	4.6%	9,138	11,421	4.6%
Sew/Needlework/Piece Goods Stores	615	657	1.3%	4,597	4,853	1.1%	13,874	14,622	1.1%
Convenience Stores	2,889	3,102	1.4%	21,226	22,711	1.4%	65,372	69,976	1.4%
Home Centers	3,300	3,699	2.3%	24,573	27,264	2.1%	74,038	82,155	2.1%
Nursery and Garden Centers	1,066	1,202	2.4%	7,920	8,842	2.2%	23,881	26,654	2.2%
Computer and Software Stores	2,091	2,791	5.9%	15,465	20,433	5.7%	47,159	62,245	5.7%
Clothing Accessory Stores	413	457	2.0%	3,029	3,326	1.9%	9,192	10,090	1.9%
Auto Dealers	73,457	72,975	-0.1%	545,712	539,864	-0.2%	1,623,088	1,601,495	-0.3%
Automotive Part, Accessories & Tire Stores	3,333	3,157	-1.1%	24,606	23,206	-1.2%	74,071	69,884	-1.2%
Gasoline Stations with Convenience Stores	27,535	28,154	0.4%	201,180	205,027	0.4%	612,128	624,273	0.4%
Gasoline Stations without Convenience Stores	8,197	8,205	0.0%	59,835	59,657	-0.1%	181,014	180,518	-0.1%
Electronic Shopping and Mail Order	14,473	16,910	3.2%	107,614	124,536	3.0%	328,371	379,607	2.9%
Total Accommodation and Food Services	42,545	45,192	1.2%	315,334	332,082	1.0%	955,867	1,005,726	1.0%

Source: Nielsen/Claritas

The annual rate of change for All Retail Stores is indicated as 1.4%, 1.3% and 1.3% on a 1-, 3-, and 5-mile radii, respectively. When excluding the Auto Dealers category, the rate of change for all retail is 1.8%, 1.7% and 1.7%, respectively. As noted, demand for most retail products is expected to increase over the next five years. The following table shows the range of growth and/or contraction and corresponding category for each radius.

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**RETAIL EXPENDITURE TRENDS**


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**Minimum Growth Categories**

Automotive Part, Accessories & Tire Stores (1 Mile)	-1.1%
Automotive Part, Accessories & Tire Stores (3 Miles)	-1.2%
Automotive Part, Accessories & Tire Stores (5 Miles)	-1.2%

**Maximum Growth Categories**

Radio/TV/Other Electronics Stores (1 Mile)	6.5%
Radio/TV/Other Electronics Stores (3 Miles)	6.3%
Radio/TV/Other Electronics Stores (5 Miles)	6.3%

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Source: Nielsen/Claritas

**Outlook**

Based on this analysis, the immediate area surrounding the subject is projected to experience moderate, positive growth relative to households, population, income levels and retail expenditures into the near future. Given the area demographics, it appears that demand for both comparable surrounding area retail properties and the subject will continue to be favorable.

## MARKET OVERVIEW – SOUTHERN CALIFORNIA

Southern California is one of the largest retail markets in the United States and contains a wide range of property types and tenants.

SOUTHERN CALIFORNIA RETAIL SNAPSHOT								
Rank	Market	Stock	Completions		Availability		Net Absorption	TW Rent Index
		Current (SF x 1000)	Level (SF x 1000)	Rate (%)	Level (SF x 1000)	Rate (%)	Level (SF x 1000)	Level (\$)
1	Bakersfield	11,169	106	1.0	1,329	11.9	59	18.63
2	Los Angeles	140,307	147	0.1	10,383	7.4	412	29.51
3	Orange County	68,227	3	0.0	4,230	6.2	178	28.79
4	Riverside	80,667	209	0.3	10,406	12.9	639	26.30
5	San Diego	61,230	5	0.0	5,449	8.9	-92	24.32
6	Ventura	18,693	0	0.0	1,925	10.3	149	26.70

Source: Baseline Outlook data as of 3Q-2015

Los Angeles County has the largest retail inventory levels, followed by Riverside (includes San Bernardino, commonly known as the Inland Empire), Orange County and San Diego. Ventura and Bakersfield are substantially smaller than the other four markets. Vacancy rates have stabilized, but are well above levels seen over the last few years. Bakersfield and the Inland Empire have the highest vacancy.

Southern California retail capitalization rates for sales closing in the third quarter reflected a slight increase, up 6 basis points (bp), from 5.51% in the second quarter of 2015 to 5.57% in the third quarter of 2015. The data is from the CBRE Valuation & Advisory Services (VAS) database from 2006 through Q3 2015.

SOUTHERN CALIFORNIA RETAIL									
Avg. Cap Rate - Quarter									
County	2013 Q3	2013 Q4	2014 Q1	2014 Q2	2014 Q3	2014 Q4	2015 Q1	2015 Q2	2015 Q3
Los Angeles	6.37	6.21	5.02	5.71	5.44	5.44	5.16	5.67	5.55
Orange	5.82	5.31	4.91	4.94	5.08	5.07	5.68	5.02	5.21
Riverside	6.91	6.33	6.77	6.11	6.01	5.45	5.83	5.83	5.76
San Bernardino	7.59	6.08	7.27	5.77	6.10	6.78	6.92	5.98	5.87
San Diego	5.46	6.32	5.00	6.12	5.86	5.51	5.98	5.03	5.61
Grand Total	6.47	6.11	5.77	5.70	5.58	5.55	5.62	5.51	5.57
Change	0.04	-0.37	-0.34	-0.07	-0.12	-0.03	0.07	-0.11	0.06

Source: CBRE

The number of single-tenant, net-leased (STNL) transactions remained high in the third quarter with private investors purchasing properties with stable cash flow at lower yields. In general, cap rates for these net lease deals ranged from 3.25% to 6.0%. The largest portfolio transaction was that of Eagle Canyon Capital's purchase of 68 CVS drug stores across the country from American

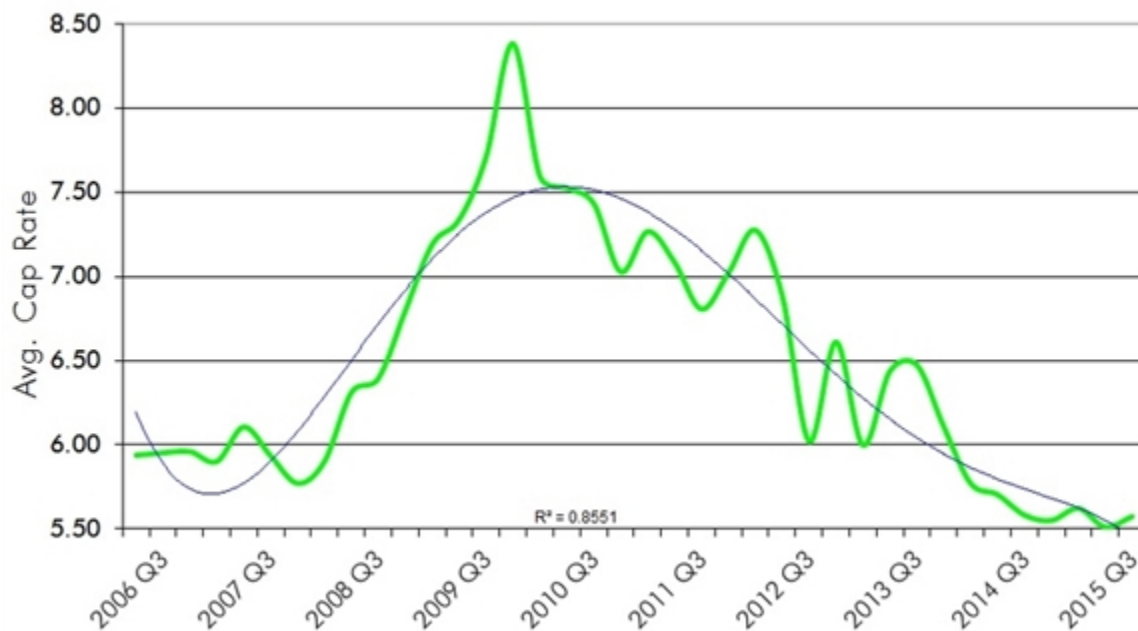
Realty Capital Properties (now operating as VEREIT) for a reported \$318.2 million. The average OAR was estimated to be approximately 6.2%.

The number of lifestyle center sales transactions continued to increase in Southern California in the third quarter, including the purchase of The Shoppes at Chino Hills by Dunhill Partners for a reported \$147 million from MX3 Ventures. The property is anchored by Barnes & Noble, Victoria's Secret, and Trader Joe's. Based on the existing income in place, the reported OAR was approximately 5.50%.

Real estate in Beverly Hills continues to be in high demand, albeit very low yields. Harbor Group International purchased a STNL retail property at 357 North Beverly Drive for a reported \$40 million, or \$2,828/sf. Fully leased by H&M through 2029, based on existing income in place, the reported OAR was slightly more than 3.0%.

The chart below summarizes the data (we have used a polynomial trend line<sup>6</sup>).

**Southern California Retail  
Cap Rate Trend – Quarterly Average**



Source: CBRE

<sup>6</sup> A polynomial trend line is a curved line that is used when data fluctuates. It is useful, for example, for analyzing gains and losses over a large data set. R-squared value: A number from 0 to 1 that reveals how closely the estimated values for the trend line correspond to your actual data. A trend line is most reliable when its R-squared value is at or near 1. It is also known as the coefficient of determination.

Southern California retail listings have an average asking cap rate of 6.04%, a slight increase from 5.93% last quarter. We found 51 centers (down from 69 last quarter) over 50,000 SF for sale, of which 27 had asking cap rates. The listings total approximately \$961 million, rounded, in volume. This survey does not take into account un-priced offerings.

<b>RETAIL FOR SALE</b>			
Market	Average Cap Rate	Total Asking Price \$/M	# of Properties
Los Angeles	5.50%	\$273	14
San Diego	6.24%	\$103	6
Orange	5.96%	\$190	6
Inland Empire	6.26%	\$395	25
Total	6.53%	\$961	51
Properties over 50,000 SF			

## MARKET SUMMARY – ORANGE COUNTY 3RD QUARTER 2015

 Vacancy Rate  
4.4%

 Net Absorption  
157,012 SF

 Construction  
400,000 SF

 Lease Rate  
\$2.10 NNN
**RESTAURANT TRENDS**

California supports a thriving restaurant and quick service industry with over 68,144 locations statewide and a projected \$72.3 billion in annual sales for 2015. The food service and drinking places segment recorded the highest year-over-year increase for the summer with a growth of 9.0% in July. Restaurant trends are projected to continue to grow through 2015 as consumers increasingly incorporate restaurants and eating out into their daily lives. The market has begun to see culinary themes like local sourcing, sustainability and health conscious choices topping the list of menu trends for the year. These ideas reflect wider lifestyle choices that many Americans are striving for and has translated into more unique food space tenants.

**PROJECTED DEVELOPMENT ON THE RISE**

The Orange County region currently has 6 major projects in its development pipeline. The largest of these is the 300,000 sq. ft. Westgate Plaza in Anaheim and the 250,000 sq. ft. Town Center development in Yorba Linda. While no firm date on when construction will begin, both centers are highly anticipated and are projected to break ground sometime in 2016.

**POSITIVE NET ABSORPTION IN ALL CENTER TYPES**

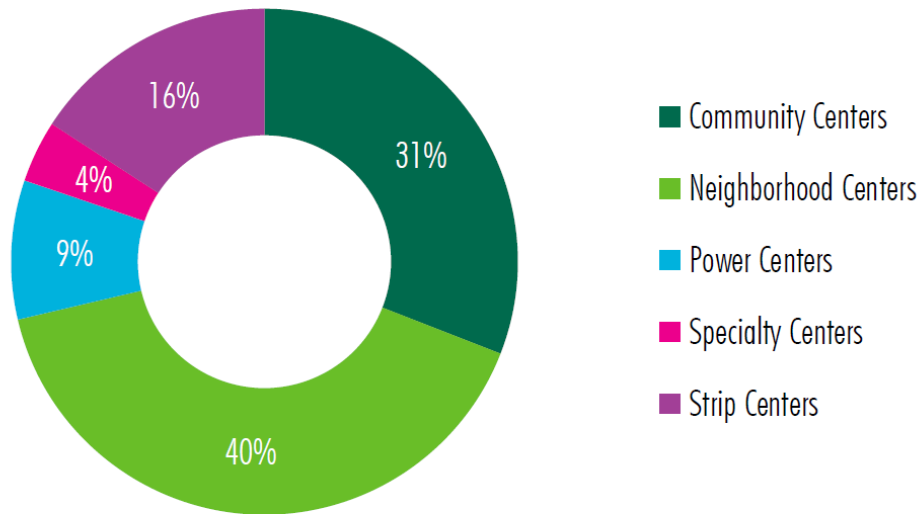
Orange County saw positive net absorption for Q3 2015 in all of its major retail center categories. Following two quarters of negative absorption, this has put Orange County's overall year-to-date numbers back into the black. The largest amount of absorption leasing activity was seen in neighborhood and specialty centers with a footprint of 120,693 sq. ft. and 28,952 sq. ft. Power and strip centers also posted positive net absorption of 4,142 sq. ft. and 2,455 sq. ft. The smallest amount of positive net absorption was seen in community centers with a recorded 770 sq. ft.

The U.S. retail market ended Q3 2015 on a positive note with the retailer and restaurant segment posting a 2.2% year-over-year increase. These improvements are likely to help offset the slowdown experienced in factories and oil fields, signaling continued economic growth for Q3 2015. Consumer spending accounts for 70% of the nation's overall economic output and economists predict that these sturdy retail numbers will help to keep the economy in its forward motion.

The Orange County retail market experienced only slight changes from Q2 2015 as the market remains stable but not very dynamic. The overall vacancy rate for Q3 2015 decreased, ending 20 basis points (bps) below Q2 2015 at 4.4%. The average asking lease rate fell two cents two cents below Q2 2015, ending Q3 2015 at \$2.10 per square foot. The region recorded positive net absorption, ending Q3 2015 with 157,012 square feet.



Figure 1: Vacant Space Distribution



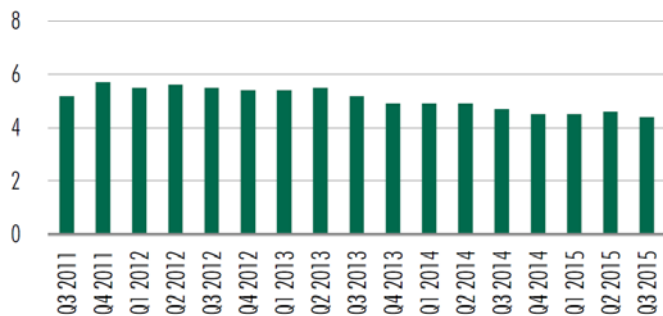
Source: CBRE Research, Q3 2015.

Vacancy Rates

Orange County’s overall retail vacancy decreased from Q2 2015, recording 4.4% for Q3 2015. This reflects a quarter-over-quarter decrease of 20 bps and a year-over-year decrease of 30 bps. Four of Orange County’s five major submarkets experienced decreases in vacancy with the only increase being minimal. North Orange County posted the largest decrease dropping 80 bps to 4.5%. Central Orange County posted the next largest, decreasing 20 bps to 5.6%. Both South and West Orange County decreased by 10 bps ending Q3 2015 at 3.6% and 4.4%, respectively. Although Central Coast was the only submarket with an increase, it still maintains the lowest overall vacancy in the region recording 2.7%, an increase of 10 bps.

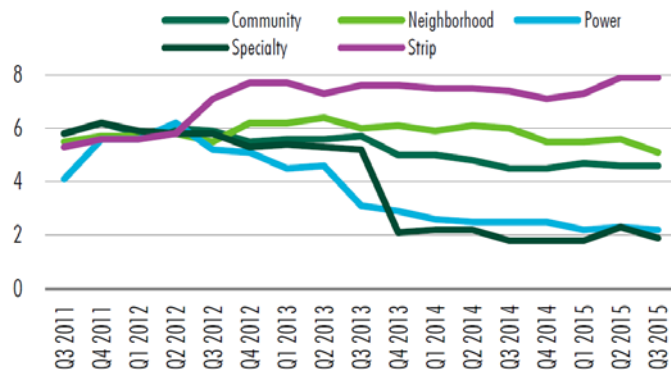
Of Orange County’s five retail center types, there was no increase in vacancy experienced. Specialty and power centers maintained the lowest overall vacancy rates for the

Figure 6: Overall Vacancy (%)



Source: CBRE Research, Q3 2015.

Figure 7: Vacancy Rate by Center Type (%)



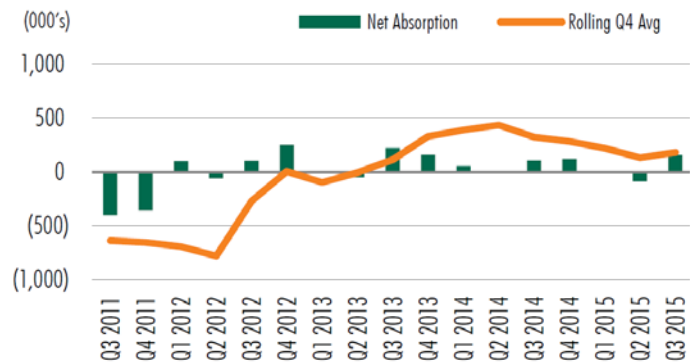
Source: CBRE Research, Q3 2015.

region posting 1.9% and 2.2%, decreases of 40 bps and 10 bps, respectively. Neighborhood centers also saw a decrease for Q3 2015, dropping 50 bps to 5.1%. Both community centers and specialty centers saw no change from Q2 2015 with recorded rates of 4.6% and 7.9%.

### Absorption

Orange County generated positive net absorption for Q3 2015, recording 157,142 square feet. This bumped the region into the black for its year-to-date numbers, which totaling 61,286 square feet. This positive absorption is greatly credited to tenants moving into the North Orange County submarket whose total net footprint was positive 105,312 square feet in Q3 2015, bringing the year-to-date total to 141,024 square feet. Central Orange County generated the next highest absorption, ending Q3 2015 with positive 34,531 square feet. South and West Orange County also recorded positive net absorption with 18,231 square feet and 6,954 square feet. The only submarket to see negative absorption was the Central Coast which ended Q3 2015 with negative 8,016 square feet. While Central Coast was the only market to experience negative absorption, it still maintains a positive year-to-date total with 2,550 square feet.

Figure 8: Net Absorption (SF)

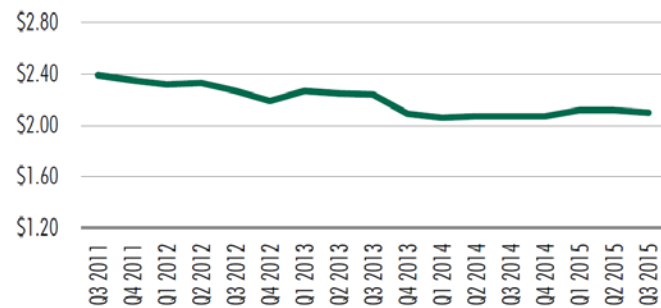


Source: CBRE Research, Q3 2015.

### Average Asking Lease Rates

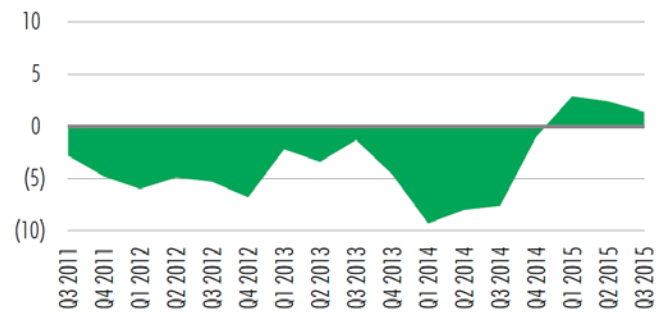
Orange County’s average asking lease rates experienced an overall decrease in Q3 2015 posting \$2.10 per square foot. Although four cents lower than previous estimates, this rate is largely due to Class A property rates being withheld. Of the region’s five major submarkets, three saw decreases in average asking lease rates. The Central Coast submarket maintained the highest asking lease rate and experienced the only increase for Q3 2015 posting a rate of \$2.83 per square foot. North Orange County saw the largest loss decreasing from \$1.91 per square foot in Q2 2015 to \$1.81 per square foot for Q3 2015. The South and West Orange County submarkets also saw decreases with recorded rates of \$2.35 per square foot and \$2.18 per square foot, respectively. The only submarket that remained unchanged was Central Orange County which ended Q3 2015 at \$1.94 per square foot.

Figure 4: Asking Lease Rate (\$PSF/MO/NNN)



Source: CBRE Research, Q3 2015.

Figure 5: Year-Over-Year Rent Growth (%)



Source: CBRE Research, Q3 2015.

Power centers continued to post the highest asking lease rate increasing to \$2.82 per square foot for Q3 2015. Specialty centers and community centers posted the next highest asking rates with \$2.47 per square foot and \$2.28 per square foot. Neighborhood centers saw a decrease of five cents for Q3 2015 recording \$1.98 per square foot, respectively. Strip centers once again posted the lowest rate, decreasing to \$1.94 per square foot for Q3 2015.

Figure 10: Market Statistics

Submarket	Sq. Ft. GLA	Overall Vacancy (%)	Current Net Absorption (Sq. Ft.)	YTD Net Absorption (Sq. Ft.)	Under Construction (Sq. Ft.)	Construction Deliveries (Sq. Ft.)	Avg Asking Lease Rate (SPSF/MO/NNN)
Central County	29,127,954	5.6	34,531	(67,095)	0	0	1.94
Central Coast	13,170,056	2.7	(8,016)	2,550	0	0	2.83
North County	14,586,854	4.5	105,312	141,024	400,000	0	1.80
South County	17,942,185	3.6	18,231	(7,121)	0	0	2.35
West County	9,862,666	4.4	6,954	(8,072)	0	0	2.18
<b>Orange County</b>	<b>84,689,715</b>	<b>4.4</b>	<b>157,012</b>	<b>61,286</b>	<b>400,000</b>	<b>0</b>	<b>2.10</b>

Source: CBRE Research, Q3 2015.

Figure 11: Key Transactions

Occupier	Industry Sector	Location	Total Sq. Ft.
Maiselle Fine Furnishings	Home Furnishings	South Orange County	33,287
*Confidential	Banking	South Orange County	22,500
Home Goods	Home Furnishings	Central Coast	20,550
Fresh & Easy	Grocer	West Orange County	15,850
Rite Aid	Drug Store	South Orange County	14,564

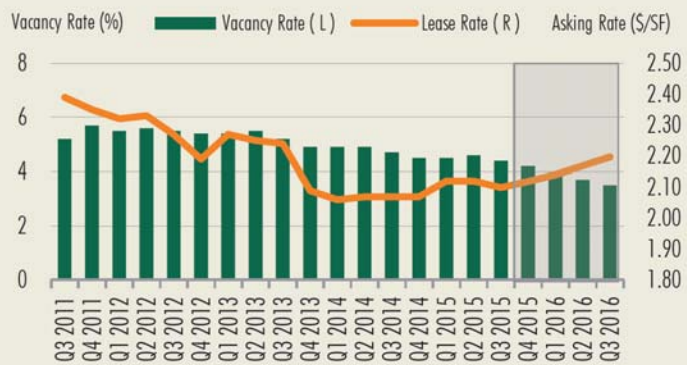
\*Renewal

Source: CBRE Research, Q3 2015

Figure 12: Market Outlook

Although, the Orange County retail market has not experienced large changes over the last few quarters, it remains stable with an overall positive outlook. According to CBRE EA, Orange County’s vacancy rate is projected to drop into the 3.0% range in 2016 with demand and leasing activity gradually increasing. While unexpected, the region’s decrease in overall asking lease rates is projected to be a fluke and rates are expected to continue to increase through 2016, reaching \$2.20 per sq. ft. by Q3 2016.

12-Month Forecast



Source: CBRE Econometric Advisors, Q3 2015.

## Forecast

The Orange County Market Trends Forecast from CBRE Econometric Advisors (CBRE-EA) includes historical trends and projections. The following charts are followed by a brief discussion of each.

RETAIL MARKET & DEMOGRAPHIC TRENDS											
Year	Total Employment (Jobs x 1000)	Pers. Income (Billions of \$)	Population (x 1000)	Shopping Center Supply		Est. Avail. Rate (%)	Est. Net Absorption (SF x 1000)	TW Rent Index (\$/SF)	TW Rent Inflation (%)	Retail Sales (Millions of \$)	
				Stock (SF x 1000)	Compl. (SF x 1000)					Goods/ Rests.	Grocery Stores
1985	992	42.3	2,200	48,587	2,238	na	na	na	na	8,340	1,922
1986	1,039	45.6	2,256	50,533	1,946	na	na	na	na	8,913	2,056
1987	1,092	49.6	2,307	52,737	2,204	na	na	na	na	9,583	2,210
1988	1,151	54.5	2,360	53,740	1,003	na	na	na	na	10,421	2,403
1989	1,160	58.3	2,403	54,991	1,251	3.8	na	17.04	na	11,066	2,565
1990	1,177	61.6	2,435	56,423	1,136	5.2	322	18.09	6.2	11,615	2,699
1991	1,146	63.1	2,475	57,328	905	5.0	956	18.13	0.2	11,907	2,790
1992	1,134	67.0	2,516	58,162	834	6.6	-102	17.98	-0.8	12,580	2,968
1993	1,125	67.9	2,549	58,403	241	8.3	-771	17.49	-2.7	12,740	3,018
1994	1,147	70.8	2,585	58,659	256	7.1	935	17.54	0.3	13,226	3,137
1995	1,171	74.5	2,622	58,967	308	6.8	437	17.92	2.2	13,835	3,287
1996	1,205	81.1	2,674	60,454	1,487	6.0	1,902	18.46	3.0	14,921	3,556
1997	1,265	87.7	2,744	61,033	579	4.9	1,169	19.52	5.7	15,974	3,809
1998	1,326	95.3	2,796	61,749	716	4.6	892	20.04	2.7	17,183	4,096
1999	1,365	103.0	2,836	61,984	235	4.3	435	22.05	10.0	18,414	4,397
2000	1,406	110.4	2,871	62,690	706	2.8	1,586	23.56	6.8	19,565	4,675
2001	1,406	112.7	2,897	63,563	873	4.2	-20	24.37	3.4	19,942	4,777
2002	1,418	117.8	2,919	64,191	628	3.3	1,150	24.58	0.9	20,747	4,980
2003	1,444	125.7	2,937	64,739	548	4.2	-23	25.11	2.2	21,972	5,282
2004	1,476	134.2	2,943	65,454	715	3.8	909	26.67	6.2	23,267	5,593
2005	1,505	143.6	2,937	65,975	521	3.2	955	26.66	0.0	24,694	5,935
2006	1,531	150.5	2,929	66,371	396	3.6	121	30.84	15.7	25,723	6,176
2007	1,517	151.6	2,943	66,988	617	3.3	776	32.73	6.1	25,921	6,241
2008	1,457	151.4	2,973	67,624	636	5.1	-657	27.52	-15.9	25,951	6,301
2009	1,360	144.6	3,002	67,942	318	8.1	-1,676	27.92	1.5	25,008	6,133
2010	1,375	150.4	3,037	67,955	13	8.1	-40	25.61	-8.3	25,902	6,366
2011	1,389	156.9	3,074	67,995	40	8.8	-400	26.53	3.6	26,909	6,630
2012	1,439	173.8	3,106	68,069	74	8.3	418	26.30	-0.9	29,445	7,265
2013	1,470	171.9	3,135	68,170	101	7.4	641	28.79	9.5	29,131	7,170
2014	1,514	178.1	3,158	68,214	44	6.5	639	28.66	-0.5	30,043	7,382
2015	1,557	187.2	3,189	68,241	27	5.8	485	28.98	1.1	31,389	7,710
2016	1,592	199.9	3,212	68,500	259	4.6	1,101	30.40	4.9	33,245	8,173
2017	1,623	213.3	3,227	68,978	478	3.8	996	32.17	5.8	35,205	8,662
2018	1,635	222.4	3,218	69,570	592	3.5	738	33.90	5.4	36,530	8,993
2019	1,642	230.7	3,233	70,214	644	3.8	409	35.25	4.0	37,749	9,310
2020	1,661	241.4	3,282	70,855	641	4.1	420	36.19	2.7	39,322	9,727

Source: Baseline Outlook data as of Q3 2015

Vacancy peaked from 2009 to 2012 at 8.1% to 8.2% respectively, reaching 8.6% in 2011. Over the last five years, vacancy averaged 7.8%, and is projected to remain stable, on average, through 2020 at 4.3%.

Between 2008 and 2014 rental rates increased from \$27.52 to \$28.66 PSFY, an annual compound change of 0.31%. Going forward, rents are predicted to increase to \$36.19 PSFY in 2020, a 3.96% annual compounded change from 2014.

## Highest and Best Use

In appraisal practice, the concept of highest and best use represents the premise upon which value is based. The four criteria the highest and best use must meet are:

- legally permissible;
- physically possible;
- financially feasible; and
- maximally productive.

The highest and best use analysis of the subject is discussed below.

### AS VACANT

#### Legally Permissible

The legally permissible uses were discussed in the Site Analysis and Zoning Sections. A restaurant use requires 10 spaces per 1,000 square feet of building space. The subject has a parking easement for 50 spaces in the adjoining parking lot. The subject would be limited to approximately 5,000 square feet due to the limited parking available.

#### Physically Possible

The subject is adequately served by utilities, and has an adequate shape and size, sufficient access, etc., to be a separately developable site. There are no known physical reasons why the subject site would not support any legally probable development (i.e. it appears adequate for development).

Existing structures on similar sites provides additional evidence for the physical possibility of development.

#### Financially Feasible

Potential uses of the site include hotel, restaurant, office, and incidental uses. The determination of financial feasibility is dependent primarily on the relationship of supply and demand for the legally probable land uses versus the cost to create the uses. Several restaurants have been constructed across Chapman Avenue near the subject. Oggi's constructed a 5,100 square foot restaurant in 2008. Other restaurants in the immediate area include Red Robin (5,815 SF), Joe's Crab Shack (6,573 SF), and Outback Steakhouse (6,358 SF). As discussed in the market analysis, the subject retail market is generally stabilized. Given the subject's location next to several hotels, the most feasible use would be for a restaurant use of approximately 5,000 square feet.

#### Maximally Productive - Conclusion

The final test of highest and best use of the site as if vacant is that the use be maximally productive, yielding the highest return to the land.



Based on the information presented above and upon information contained in the market and neighborhood analysis, we conclude that the highest and best use of the subject as if vacant would be the development of a restaurant property. Our analysis of the subject and its respective market characteristics indicate the most likely buyer, as if vacant, would be an owner-user or developer that would construct a freestanding full-service restaurant.

### **Ideal Improvement**

We have assumed the ideal improvement for the subject is a freestanding full-service restaurant with an approximate building size of  $\pm 5,000$  square feet. We contacted Karl Hill with the economic development department of the City of Garden Grove. He agreed that would be the most likely size given the parking requirement for restaurants.

### **AS IMPROVED**

#### **Legally Permissible**

The site has been improved with a restaurant/banquet hall that is an illegal and nonconforming use. Additional parking spaces would be required. The City of Garden Grove requires 10 spaces per 1,000 square feet for a restaurant use. The subject has a parking easement for only 50 spaces.

#### **Physically Possible**

The layout and positioning of the improvements are not considered functional for restaurant use. The subject is 10,883 square feet, which is significantly larger than most restaurants in the area. The current configuration of the subject is a restaurant with a dance floor area. The City of Garden Grove indicated that a dance hall use would most likely not be approved. It is assumed the subject can be used as a restaurant only. While it would be physically possible for a wide variety of uses, based on the legal restrictions and the design of the improvements, the continued use of the property for restaurant/banquet user would not be allowed. The most functional use would be a reduction of the existing improvements or rebuilt prior to occupancy by a new tenant.

#### **Financially Feasible**

The financial feasibility of a restaurant property is based on the amount of rent which can be generated, less operating expenses required to generate that income; if a residual amount exists, then the land is being put to a productive use. The subject is 10,883 square feet and does not conform to current parking regulations. Greg Blodgett with the City of Garden Grove indicated a restaurant use with dance floor will likely not be approved by the City, especially since a dance floor requires additional parking beyond the restaurant requirements. Karl Hill with the City of Garden Grove reported that most restaurants in the immediate area are 5,000 to 6,000 square feet and were constructed by national tenants to their specifications. He believed the subject would be leased to a national tenant who would construct their own building of 5,000 to 6,000 square feet. The subject is significantly larger than most restaurants requirements and the current parking regulations restrict its current use a restaurant/dance hall. Based upon the current

configuration of the subject and conversations with the City of Garden Grove, the continued utilization of the improvements for restaurant purposes is not considered financially feasible.

### **Maximally Productive - Conclusion**

Based on the foregoing, the highest and best use of the property, as improved, is to redevelop the current improvements as a restaurant of approximately 5,000 to 6,000 square feet. This is due to the parking requirements from the City of Garden Grove and the functional obsolescence of the current configurations. The parking easement is for 50 spaces only and it is uncertain if more spaces can be obtained. In addition, the subject is nearly twice as large as most restaurant requirements and there are few users that can accommodate a restaurant of this size. Our analysis of the subject and its respective market characteristics indicate the most likely buyer, as improved, would be an owner-user or developer that would redevelop the site. This is based upon conversations with the City of Garden Grove economic development department and the legally permissible uses of the site.

## Appraisal Methodology

In appraisal practice, an approach to value is included or omitted based on its applicability to the property type being valued and the quality and quantity of information available.

### **COST APPROACH**

The cost approach is based on the proposition that the informed purchaser would pay no more for the subject than the cost to produce a substitute property with equivalent utility. This approach is particularly applicable when the property being appraised involves relatively new improvements that represent the highest and best use of the land, or when it is improved with relatively unique or specialized improvements for which there exist few sales or leases of comparable properties.

### **SALES COMPARISON APPROACH**

The sales comparison approach utilizes sales of comparable properties, adjusted for differences, to indicate a value for the subject. Valuation is typically accomplished using physical units of comparison such as price per square foot, price per unit, price per floor, etc., or economic units of comparison such as gross rent multiplier. Adjustments are applied to the physical units of comparison derived from the comparable sale. The unit of comparison chosen for the subject is then used to yield a total value. Economic units of comparison are not adjusted, but rather analyzed as to relevant differences, with the final estimate derived based on the general comparisons.

### **INCOME CAPITALIZATION APPROACH**

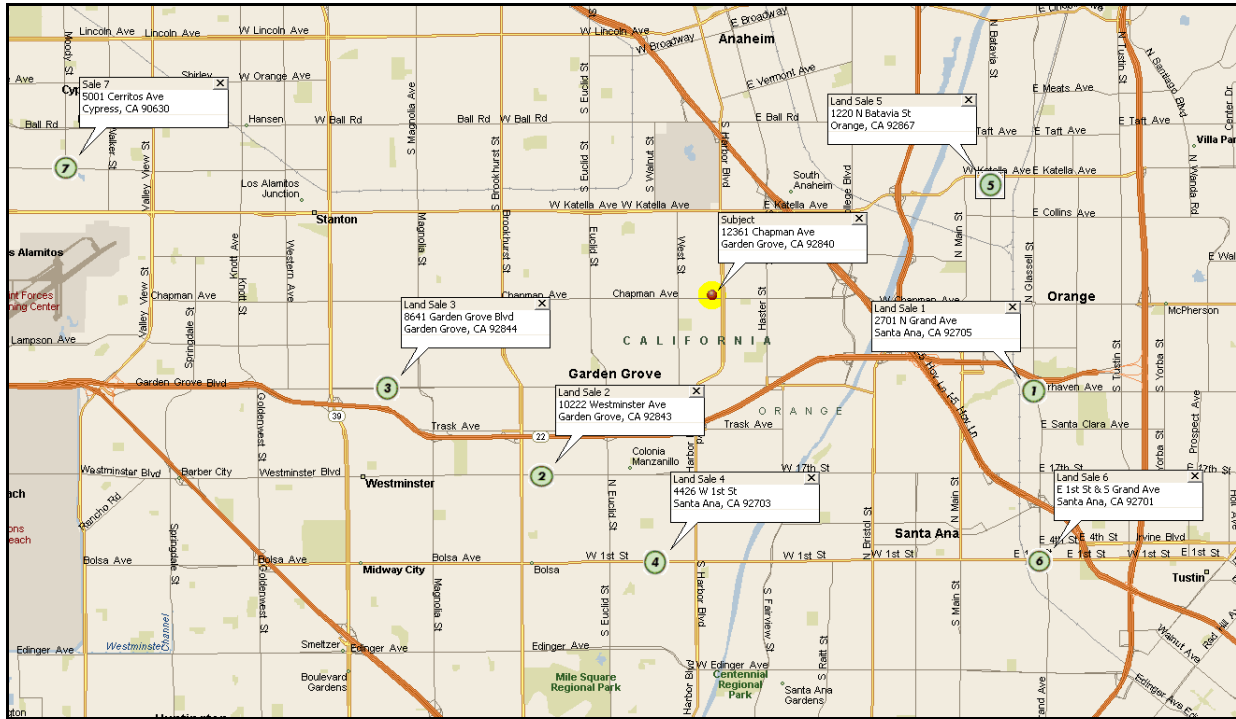
The income capitalization approach reflects the subject's income-producing capabilities. This approach is based on the assumption that value is created by the expectation of benefits to be derived in the future. Specifically estimated is the amount an investor would be willing to pay to receive an income stream plus reversion value from a property over a period of time. The two common valuation techniques associated with the income capitalization approach are direct capitalization and the discounted cash flow (DCF) analysis.

### **METHODOLOGY APPLICABLE TO THE SUBJECT**

In valuing the subject, only the sales comparison approach (land value) was applicable and has been utilized.

## Land Value

The following map and table summarize the comparable data used in the valuation of the subject site. A detailed description of each transaction is included in the addenda. The land sales utilized represent the best data available for comparison with the subject and were selected from the immediate area of the subject.



**SUMMARY OF COMPARABLE LAND SALES**

No.	Property Location	Transaction Type	Date	Zoning	Actual Sale Price	Adjusted Sale Price <sup>1</sup>	Size (SF)	Price Per SF
1	2701 N. Grand Avenue, Santa Ana, CA	Sale	Jan-14	Retail	\$725,000	\$725,000	22,651	\$32.01
2	10222 Westminster Avenue, Garden Grove, CA	Sale	Jul-13	Medical Office	\$1,900,000	\$1,900,000	43,560	\$43.62
3	8641 Garden Grove Blvd., Garden Grove, CA	Sale	Jun-13	Retail	\$1,099,000	\$1,099,000	27,661	\$39.73
4	4426 W 1st Street, Santa Ana, CA	Sale	Mar-13	Retail	\$1,000,000	\$1,050,000	23,901	\$43.93
5	1220 North Batavia Avenue, Orange, CA	Sale	Feb-13	Retail	\$975,000	\$975,000	33,933	\$28.73
6	1st St @ Grand Avenue, Santa Ana, CA	Sale	Jan-16	Retail	\$1,975,000	\$1,975,000	33,999	\$58.09
7	5001 Cerritos Avenue, Cypress, CA	Sale	May-15	Medical Office	\$950,000	\$950,000	22,651	\$41.94
Subject	12361 Chapman Avenue, Garden Grove, California	---	---	Retail	---	---	20,708	---

<sup>1</sup> Adjusted sale price for cash equivalency and/or development costs (where applicable)

Compiled by CBRE

## DISCUSSION/ANALYSIS OF LAND SALES

### Land Sale One

Land Sale 1 is the January 2014 sale of 0.52-acres of commercial land at the northeast corner of Fairhaven and Grand Avenue in the city of Santa Ana. The site is located just south of the SR-22 Freeway within a Big Lots anchored retail center. The broker indicated the site had issues with ingress/egress otherwise the price would have been higher around \$35-\$40 per square foot. It is believed the buyer intends to construct a restaurant on the site.

A positive adjustment was applied for inferior market conditions at time of sale (3.0%/year). A positive adjustment was applied for inferior ingress/egress.

### Land Sale Two

Land sale 2 is a 1.0-acre site located in the city of Garden Grove. Specifically, it is at the southwest corner of Westminster Avenue and Hope Street, with a second, non-contiguous site on the west side of Hope Street, south of Westminster Avenue. Surrounding land uses include commercial development on Westminster Avenue, with residential development on Hope Street and other secondary and tertiary streets. The corner parcel is L-shaped with extensive street frontage relative to its depth. The mid-block site is rectangular in shape. The site is zoned for commercial uses. The property sold in July 2013 for \$1,900,000 or \$43.62 per site square foot. The buyer has since constructed a medical office building for his practice. A positive adjustment was applied for inferior market conditions at time of sale (3.0%/year).

Due to its highly similar features, no net or absolute adjustments were required for this comparable when compared to the subject property.

### Land Sale Three

Land Sale 3 is the June 2013 sale of a corner parcel located in the city of Garden Grove. Specifically, the site is located at the northwest corner of Adelle Street and Garden Grove Boulevard. Traffic counts approximate 33,000 vehicles per day along Garden Grove Boulevard. Physically, the site contains 0.64-acres or 27,661 square-feet, is rectangular in shape and level with the adjacent street grade. All utilities are readily available and the site is commercially zoned. A positive adjustment was applied for inferior market conditions at time of sale (3.0%/year).

Due to its highly similar features, no net or absolute adjustments were required for this comparable when compared to the subject property.

### Land Sale Four

Land Sale 4 is the sale of a 0.55-acre parcel located at the SEC of W 1<sup>st</sup> Street and S Newhope Avenue, in the city of Santa Ana. At the time of sale, the site was improved with older commercial buildings, including a LP Gas selling station; however, the listing agent reported the sale to be based 100% on land value with no contributory value or off-set attributed to the

improvements. The site was marketed as being ideal for gas station and/or fast-food retail use. According to CoStar, the buyer plans on removing the existing improvements and constructing a carwash on the site. The cost estimated to remove the existing improvements is \$50,000 and has been included in the total acquisition cost analyzed herein. According to Mel Wagstaff, there were no environmental issues that required remediation prior to re-development. It was further noted the sale involved a prolonged escrow period of approximately one year while the buyer processed entitlements for the carwash facility. The actual marketing time prior to entering escrow was 6 months. A positive adjustment was applied for inferior market conditions at time of sale (3.0%/year). Please note we accounted for the prolonged escrow period in our adjustment.

Due to its highly similar features, no net or absolute adjustments were required for this comparable when compared to the subject property.

### Land Sale Five

Land Sale 5 is a 0.78-acre land sale is located at the southwest corner of West Katella Avenue and North Batavia Street in the city of Orange. The buyer was Farmer Boys Food, Inc. and a Farmer Boys fast food restaurant is expected to be built with construction beginning in August 2013. The proposed restaurant building is expected to be between 2,800 to 3,200 square feet and will take approximately five months to construct. The property sold for \$975,000 and, according to CoStar, had an original asking price of \$1,200,000. The buyer paid all cash to the seller.

A positive adjustment was applied for inferior market conditions at time of sale (3.0%/year). This site is triangular and has limited frontage along Katella Avenue. A large positive adjustment was applied under shape/corner.

### Land Sale Six

Land Sale 6 is a 0.78-acre commercial site located at the northeast corner of 1<sup>st</sup> Street and Grand Avenue in the city of Santa Ana. The property sold for \$1,975,000 and, according to CoStar, had an original asking price of \$2,380,000. The buyer paid all cash to the seller.

A positive adjustment was applied for larger parcel size. This site has superior visibility as compared to the subject. Traffic counts along 1<sup>st</sup> Avenue and Grans Avenue are significantly higher than Chapman. A negative adjustment was applied.

### Land Sale Seven

Land Sale 7 sold for \$950,000 on 5/29/2015. This is a 22,651-sf vacant lot on the corner of Moody St and Cerritos Ave. Details of the transaction were confirmed with the sellers agent. According to the agent, this site was previously developed as a gas station, but the site was declared "clean". The buyer purchased the site to construct a dental office, which was under construction as of mid-December 2015.



A positive adjustment was applied for inferior market conditions at time of sale (3.0%/year). This site has inferior visibility as compared to the subject and a positive adjustment was applied.

### SUMMARY OF ADJUSTMENTS

Based on our comparative analysis, the following chart summarizes the adjustments warranted to each comparable.

LAND SALES ADJUSTMENT GRID								Subject
Comparable Number	1	2	3	4	5	6	7	---
Transaction Type	Sale	Sale	Sale	Sale	Sale	Sale	Sale	---
Transaction Date	Jan-14	Jul-13	Jun-13	Mar-13	Feb-13	Jan-16	May-15	---
Proposed Use	Retail	Medical Office	Retail	Retail	Retail	Retail	Medical Office	Retail
Actual Sale Price	\$725,000	\$1,900,000	\$1,099,000	\$1,000,000	\$975,000	\$1,975,000	\$950,000	---
Adjusted Sale Price <sup>1</sup>	\$725,000	\$1,900,000	\$1,099,000	\$1,050,000	\$975,000	\$1,975,000	\$950,000	---
Size (Acres)	0.52	1.00	0.63	0.55	0.78	0.78	0.52	0.48
Size (SF)	22,651	43,560	27,661	23,901	33,933	33,999	22,651	20,708
<b>Price (\$ PSF)</b>	<b>\$32.01</b>	<b>\$43.62</b>	<b>\$39.73</b>	<b>\$43.93</b>	<b>\$28.73</b>	<b>\$58.09</b>	<b>\$41.94</b>	
Property Rights Conveyed								
Financing Terms <sup>1</sup>			4.5%					
Conditions of Sale								
Market Conditions (3.0%/yr.)	6.0%	8.0%	18.0%	9.0%	9.0%		2.0%	
<b>Subtotal</b>	<b>\$33.93</b>	<b>\$47.11</b>	<b>\$49.02</b>	<b>\$47.89</b>	<b>\$31.32</b>	<b>\$58.09</b>	<b>\$42.78</b>	
Size		5.0%			2.5%	2.5%		
Shape/Corner					30.0%			
Access/Traffic Counts	15.0%					-15.0%	5.0%	
Frontage								
Topography								
Location								
Zoning/Density								
Utilities								
Highest & Best Use								
Total Other Adjustments	15.0%	5.0%	0.0%	0.0%	32.5%	-13%	5%	
<b>Value Indication for Subject</b>	<b>\$39.02</b>	<b>\$49.46</b>	<b>\$49.02</b>	<b>\$47.89</b>	<b>\$41.50</b>	<b>\$50.83</b>	<b>\$44.92</b>	
<i>Absolute Adjustment</i>	21%	13%	23%	9%	42%	18%	7%	

<sup>1</sup> Adjusted sale price for cash equivalency and/or development costs (where applicable)

Compiled by CBRE

## CONCLUSION

Based on the preceding analysis, all of the land sales warrant consideration. We estimate the value range for the subject site to be \$45 to \$50 per site square foot. The following table presents the valuation conclusion:

<b>CONCLUDED LAND VALUE</b>			
\$ PSF		Subject SF	Total
\$45.00	x	20,708	= \$931,860
\$50.00	x	20,708	= \$1,035,400
<b>Subtotal Value:</b>			<b>\$980,000</b>
<b>Subtract: Demolition Costs (\$5.00/sf)</b>			<b>(\$54,000)</b>
<b>Add: Value of Parking Easement</b>			<b>\$170,000</b>
<b>Land Value (As If Vacant)</b>			<b>\$1,100,000</b>
			(Rounded \$ PSF) \$53.12
Compiled by CBRE			

In the following sections, we will explain the value of the parking easement.

### Contributory Value of Parking Easement (50 Spaces)

Please note the subject site has easement rights to 50 parking spaces located to the parcel next door. The monthly rental rate is \$2,473/month and increases 2.5% per year. The overall cost is ±\$50 per space per month, which is below-market for this area. In this case, we have assumed a 4.0% cap rate. We estimate the value of the 50 parking spaces is as follows:

<b>INCOME VALUE OF PARKING EASEMENT</b>	
<b>Monthly Rental Rate</b>	<b>\$2,473</b>
<b>Annual Rental Rate</b>	<b>\$29,676</b>
<b>Cap Rate</b>	<b>4.0%</b>
<b>Income Value of 50 Parking Spaces</b>	<b>\$740,000</b>
<b>Value Per Space</b>	<b>\$14,800</b>
<b>Value Per Land SF (350 sf x 50 sp.)</b>	<b>\$44.85</b>
Compiled by CBRE	

We have assumed each parking space requires 350 square feet. This equates to an equivalent site area of 17,500 sf (50 spaces x 350 square feet) for the 50 parking spaces. The following table is the cost to re-create 50 parking spaces next to the subject.

<b>COST VALUE OF PARKING EASEMENT</b>	
<b>Land Value (\$45/sf x 17,500 sf)</b>	<b>\$787,500</b>
<b>Paving/Site Improvements (\$7/sf)</b>	<b>\$122,500</b>
<b>Cost of 50 Parking Spaces</b>	<b>\$910,000</b>
<b>Value Per Space</b>	<b>\$18,200</b>
<b>Value Per Land SF (350 sf x 50 sp.)</b>	<b>\$52.00</b>
Compiled by CBRE	

If we deduct the value of the easement from the cost to recreate the parking spaces, this will derive the contributory value of the parking easement. The contributory value of the parking easement is added to our land value, since the parking easement runs with the land.

<b>CONTRIBUTORY VALUE OF PARKING EASEMENT</b>	
<b>Cost of 50 Parking Spaces</b>	<b>\$910,000</b>
<b>Income Value of 50 Parking Spaces</b>	<b>(\$740,000)</b>
<b>Contributory Value of 50 Parking Spaces</b>	<b>\$170,000</b>
<b>Value Per Space</b>	<b>\$3,400</b>
<b>Value Per Land SF (350 sf x 50 sp.)</b>	<b>\$9.71</b>
Compiled by CBRE	

**RECONCILIATION OF VALUE**

Due the conclusions from the highest and best use analysis, the subject was valued as land only. In the sales comparison approach, the subject is compared to similar properties that have been sold recently or for which listing prices or offers are known. The sales used in this analysis are comparable to the subject being commercial zoned parcels along major thoroughfares. The required adjustments were based on reasonable and well-supported rationale. In addition, market participants are currently analyzing purchase prices on similar properties as they relate to available substitutes in the market. Therefore, the sales comparison approach is considered to provide a reliable value indication and has been given primary emphasis in the final value reconciliation since the most likely buyer would be an owner-user or developer that would redevelop the property with a freestanding full-service restaurant.

Based on the foregoing, the market value of the subject has been concluded as follows:

<b>MARKET VALUE CONCLUSION</b>			
<b>Appraisal Premise</b>	<b>Interest Appraised</b>	<b>Date of Value</b>	<b>Value Conclusion</b>
Market Value "As Is"	Fee Simple Estate	January 12, 2016	\$1,100,000
Compiled by CBRE			

**Reconciliation of Value**

Please note the subject is in contract for sale at \$2,200,000 per the listing agent. The sale is awaiting approval from the city of Garden Grove. The sale is awaiting approval from the city of Garden Grove and it was reported it is unlikely this sale will be approved. Limited consideration was given to the pending sales price.

## Assumptions and Limiting Conditions

1. Unless otherwise specifically noted in the body of the report, it is assumed that title to the property or properties appraised is clear and marketable and that there are no recorded or unrecorded matters or exceptions to title that would adversely affect marketability or value. CBRE, Inc. is not aware of any title defects nor has it been advised of any unless such is specifically noted in the report. CBRE, Inc., however, has not examined title and makes no representations relative to the condition thereof. Documents dealing with liens, encumbrances, easements, deed restrictions, clouds and other conditions that may affect the quality of title have not been reviewed. Insurance against financial loss resulting in claims that may arise out of defects in the subject's title should be sought from a qualified title company that issues or insures title to real property.
2. Unless otherwise specifically noted in the body of this report, it is assumed: that the existing improvements on the property or properties being appraised are structurally sound, seismically safe and code conforming; that all building systems (mechanical/electrical, HVAC, elevator, plumbing, etc.) are in good working order with no major deferred maintenance or repair required; that the roof and exterior are in good condition and free from intrusion by the elements; that the property or properties have been engineered in such a manner that the improvements, as currently constituted, conform to all applicable local, state, and federal building codes and ordinances. CBRE, Inc. professionals are not engineers and are not competent to judge matters of an engineering nature. CBRE, Inc. has not retained independent structural, mechanical, electrical, or civil engineers in connection with this appraisal and, therefore, makes no representations relative to the condition of improvements. Unless otherwise specifically noted in the body of the report: no problems were brought to the attention of CBRE, Inc. by ownership or management; CBRE, Inc. inspected less than 100% of the entire interior and exterior portions of the improvements; and CBRE, Inc. was not furnished any engineering studies by the owners or by the party requesting this appraisal. If questions in these areas are critical to the decision process of the reader, the advice of competent engineering consultants should be obtained and relied upon. It is specifically assumed that any knowledgeable and prudent purchaser would, as a precondition to closing a sale, obtain a satisfactory engineering report relative to the structural integrity of the property and the integrity of building systems. Structural problems and/or building system problems may not be visually detectable. If engineering consultants retained should report negative factors of a material nature, or if such are later discovered, relative to the condition of improvements, such information could have a substantial negative impact on the conclusions reported in this appraisal. Accordingly, if negative findings are reported by engineering consultants, CBRE, Inc. reserves the right to amend the appraisal conclusions reported herein.
3. Unless otherwise stated in this report, the existence of hazardous material, which may or may not be present on the property was not observed by the appraisers. CBRE, Inc. has no knowledge of the existence of such materials on or in the property. CBRE, Inc., however, is not qualified to detect such substances. The presence of substances such as asbestos, urea formaldehyde foam insulation, contaminated groundwater or other potentially hazardous materials may affect the value of the property. The value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field, if desired.

We have inspected, as thoroughly as possible by observation, the land; however, it was impossible to personally inspect conditions beneath the soil. Therefore, no representation is made as to these matters unless specifically considered in the appraisal.

4. All furnishings, equipment and business operations, except as specifically stated and typically considered as part of real property, have been disregarded with only real property being considered in the report unless otherwise stated. Any existing or proposed improvements, on or off-site, as well as any alterations or repairs considered, are assumed to be completed in a workmanlike manner according to standard practices based upon the information submitted to CBRE, Inc. This report may be subject to amendment upon re-inspection of the subject subsequent to repairs, modifications, alterations and completed new construction. Any estimate of Market Value is as of the date indicated; based upon the information, conditions and projected levels of operation.
5. It is assumed that all factual data furnished by the client, property owner, owner's representative, or persons designated by the client or owner to supply said data are accurate and correct unless otherwise specifically noted in the appraisal report. Unless otherwise specifically noted in the appraisal report, CBRE, Inc. has no reason to believe that any of the data furnished contain any material error. Information and data referred to in this paragraph include, without being limited to, numerical street addresses, lot and block numbers, Assessor's Parcel Numbers, land dimensions, square footage area of the land, dimensions of the improvements, gross building areas, net rentable areas, usable areas, unit count, room count, rent schedules, income data, historical operating expenses, budgets, and related data. Any material error in any of the above data could have a substantial impact

on the conclusions reported. Thus, CBRE, Inc. reserves the right to amend conclusions reported if made aware of any such error. Accordingly, the client-addressee should carefully review all assumptions, data, relevant calculations, and conclusions within 30 days after the date of delivery of this report and should immediately notify CBRE, Inc. of any questions or errors.

6. The date of value to which any of the conclusions and opinions expressed in this report apply, is set forth in the Letter of Transmittal. Further, that the dollar amount of any value opinion herein rendered is based upon the purchasing power of the American Dollar on that date. This appraisal is based on market conditions existing as of the date of this appraisal. Under the terms of the engagement, we will have no obligation to revise this report to reflect events or conditions which occur subsequent to the date of the appraisal. However, CBRE, Inc. will be available to discuss the necessity for revision resulting from changes in economic or market factors affecting the subject.
7. CBRE, Inc. assumes no private deed restrictions, limiting the use of the subject in any way.
8. Unless otherwise noted in the body of the report, it is assumed that there are no mineral deposit or subsurface rights of value involved in this appraisal, whether they be gas, liquid, or solid. Nor are the rights associated with extraction or exploration of such elements considered unless otherwise stated in this appraisal report. Unless otherwise stated it is also assumed that there are no air or development rights of value that may be transferred.
9. CBRE, Inc. is not aware of any contemplated public initiatives, governmental development controls, or rent controls that would significantly affect the value of the subject.
10. The estimate of Market Value, which may be defined within the body of this report, is subject to change with market fluctuations over time. Market value is highly related to exposure, time promotion effort, terms, motivation, and conclusions surrounding the offering. The value estimate(s) consider the productivity and relative attractiveness of the property, both physically and economically, on the open market.
11. Any cash flows included in the analysis are forecasts of estimated future operating characteristics are predicated on the information and assumptions contained within the report. Any projections of income, expenses and economic conditions utilized in this report are not predictions of the future. Rather, they are estimates of current market expectations of future income and expenses. The achievement of the financial projections will be affected by fluctuating economic conditions and is dependent upon other future occurrences that cannot be assured. Actual results may vary from the projections considered herein. CBRE, Inc. does not warrant these forecasts will occur. Projections may be affected by circumstances beyond the current realm of knowledge or control of CBRE, Inc.
12. Unless specifically set forth in the body of the report, nothing contained herein shall be construed to represent any direct or indirect recommendation of CBRE, Inc. to buy, sell, or hold the properties at the value stated. Such decisions involve substantial investment strategy questions and must be specifically addressed in consultation form.
13. Also, unless otherwise noted in the body of this report, it is assumed that no changes in the present zoning ordinances or regulations governing use, density, or shape are being considered. The property is appraised assuming that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, state, nor national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimates contained in this report is based, unless otherwise stated.
14. This study may not be duplicated in whole or in part without the specific written consent of CBRE, Inc. nor may this report or copies hereof be transmitted to third parties without said consent, which consent CBRE, Inc. reserves the right to deny. Exempt from this restriction is duplication for the internal use of the client-addressee and/or transmission to attorneys, accountants, or advisors of the client-addressee. Also exempt from this restriction is transmission of the report to any court, governmental authority, or regulatory agency having jurisdiction over the party/parties for whom this appraisal was prepared, provided that this report and/or its contents shall not be published, in whole or in part, in any public document without the express written consent of CBRE, Inc. which consent CBRE, Inc. reserves the right to deny. Finally, this report shall not be advertised to the public or otherwise used to induce a third party to purchase the property or to make a "sale" or "offer for sale" of any "security", as such terms are defined and used in the Securities Act of 1933, as amended. Any third party, not covered by the exemptions herein, who may possess this report, is advised that they should rely on their own independently secured advice for any decision in connection with this property. CBRE, Inc. shall have no accountability or responsibility to any such third party.
15. Any value estimate provided in the report applies to the entire property, and any pro ration or division of the title into fractional interests will invalidate the value estimate, unless such pro ration or division of interests has been set forth in the report.

16. The distribution of the total valuation in this report between land and improvements applies only under the existing program of utilization. Component values for land and/or buildings are not intended to be used in conjunction with any other property or appraisal and are invalid if so used.
17. The maps, plats, sketches, graphs, photographs and exhibits included in this report are for illustration purposes only and are to be utilized only to assist in visualizing matters discussed within this report. Except as specifically stated, data relative to size or area of the subject and comparable properties has been obtained from sources deemed accurate and reliable. None of the exhibits are to be removed, reproduced, or used apart from this report.
18. No opinion is intended to be expressed on matters which may require legal expertise or specialized investigation or knowledge beyond that customarily employed by real estate appraisers. Values and opinions expressed presume that environmental and other governmental restrictions/conditions by applicable agencies have been met, including but not limited to seismic hazards, flight patterns, decibel levels/noise envelopes, fire hazards, hillside ordinances, density, allowable uses, building codes, permits, licenses, etc. No survey, engineering study or architectural analysis has been made known to CBRE, Inc. unless otherwise stated within the body of this report. If the Consultant has not been supplied with a termite inspection, survey or occupancy permit, no responsibility or representation is assumed or made for any costs associated with obtaining same or for any deficiencies discovered before or after they are obtained. No representation or warranty is made concerning obtaining these items. CBRE, Inc. assumes no responsibility for any costs or consequences arising due to the need, or the lack of need, for flood hazard insurance. An agent for the Federal Flood Insurance Program should be contacted to determine the actual need for Flood Hazard Insurance.
19. Acceptance and/or use of this report constitutes full acceptance of the Contingent and Limiting Conditions and special assumptions set forth in this report. It is the responsibility of the Client, or client's designees, to read in full, comprehend and thus become aware of the aforementioned contingencies and limiting conditions. Neither the Appraiser nor CBRE, Inc. assumes responsibility for any situation arising out of the Client's failure to become familiar with and understand the same. The Client is advised to retain experts in areas that fall outside the scope of the real estate appraisal/consulting profession if so desired.
20. CBRE, Inc. assumes that the subject analyzed herein will be under prudent and competent management and ownership; neither inefficient or super-efficient.
21. It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless noncompliance is stated, defined and considered in the appraisal report.
22. No survey of the boundaries of the property was undertaken. All areas and dimensions furnished are presumed to be correct. It is further assumed that no encroachments to the realty exist.
23. The Americans with Disabilities Act (ADA) became effective January 26, 1992. Notwithstanding any discussion of possible readily achievable barrier removal construction items in this report, CBRE, Inc. has not made a specific compliance survey and analysis of this property to determine whether it is in conformance with the various detailed requirements of the ADA. It is possible that a compliance survey of the property together with a detailed analysis of the requirements of the ADA could reveal that the property is not in compliance with one or more of the requirements of the ADA. If so, this fact could have a negative effect on the value estimated herein. Since CBRE, Inc. has no specific information relating to this issue, nor is CBRE, Inc. qualified to make such an assessment, the effect of any possible non-compliance with the requirements of the ADA was not considered in estimating the value of the subject.
24. Client shall not indemnify Appraiser or hold Appraiser harmless unless and only to the extent that the Client misrepresents, distorts, or provides incomplete or inaccurate appraisal results to others, which acts of the Client approximately result in damage to Appraiser. Notwithstanding the foregoing, Appraiser shall have no obligation under this Section with respect to any loss that is caused solely by the active negligence or willful misconduct of a Client and is not contributed to by any act or omission (including any failure to perform any duty imposed by law) by Appraiser. Client shall indemnify and hold Appraiser harmless from any claims, expenses, judgments or other items or costs arising as a result of the Client's failure or the failure of any of the Client's agents to provide a complete copy of the appraisal report to any third party. In the event of any litigation between the parties, the prevailing party to such litigation shall be entitled to recover, from the other, reasonable attorney fees and costs.



**ADDENDA**

Addendum A

**LAND SALE DATA SHEETS**

Property Name Retail Land  
 Address 2701 N. Grand Avenue  
 Santa Ana, CA 92705  
 United States

Government Tax Agency Orange  
 Govt./Tax ID 390-171-03

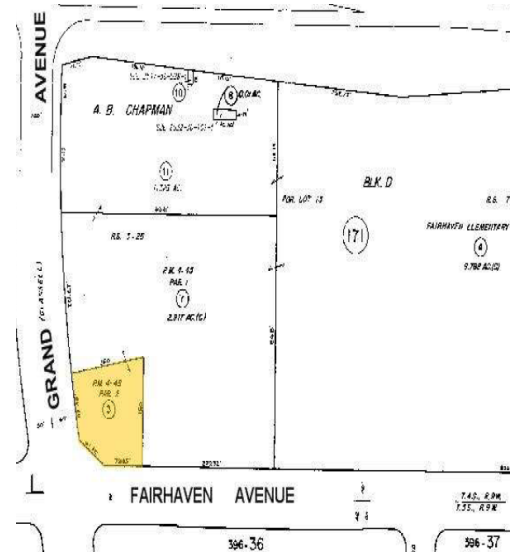
**Site/Government Regulations**

	Acres	Square feet
Land Area Net	0.520	22,651
Land Area Gross	0.520	22,651

Site Development Status	N/A
Shape	Irregular
Topography	Level, At Street Grade
Utilities	Yes

Maximum FAR	N/A
Min Land to Bldg Ratio	N/A
Maximum Density	N/A
Frontage Distance/Street	128 ft N Grand Avenue

General Plan	N/A
Specific Plan	N/A
Zoning	C5
Entitlement Status	N/A



**Sale Summary**

Recorded Buyer	Michael Daskalakis	Marketing Time	6 Month(s)
True Buyer	N/A	Buyer Type	N/A
Recorded Seller	Bizhan Yaghoobia	Seller Type	N/A
True Seller	N/A	Primary Verification	Mike Cocos -714-996-3000
Interest Transferred	N/A	Type	Sale
Current Use	Vacant	Date	1/1/2014
Proposed Use	Retail	Sale Price	\$725,000
Listing Broker	Mike Cocos	Financing	Other(See Comments)
Selling Broker	714-996-3000	Cash Equivalent	\$725,000
Doc #	10982	Capital Adjustment	N/A
		Adjusted Price	\$725,000

**Transaction Summary plus Five-Year CBRE View History**

Transaction Date	Transaction Type	Buyer	Seller	Price	Cash Equivalent Price/sf
01/2014	Sale	Michael Daskalakis	Bizhan Yaghoobia	\$725,000	N/A
12/2010	Sale	N/A	Yaghoobia Bizhan	\$575,000	N/A

Units of Comparison

\$32.01 / sf  
\$1,394,231.00 / ac

N/A / Unit  
N/A / Allowable Bldg. Units  
N/A / Building Area

Financial

No information recorded

Map & Comments



This represents the January 2014 sale of 0.52 acres of commercial land at the northeast corner of Fairhaven and Grand Avenue in the city of Santa Ana. The site is located just south of the 22 Freeway in a Big Lots anchored retail center. The broker indicated the site had issues with ingress/egress otherwise the price would have been higher around \$35-\$40 per square foot. It is believed the buyer intends to construct a restaurant on the site.

Property Name Commercial Land  
 Address 10222 Westminster Avenue  
 Garden Grove, CA 92843  
 United States

Government Tax Agency Orange  
 Govt./Tax ID 099-162-28

**Site/Government Regulations**

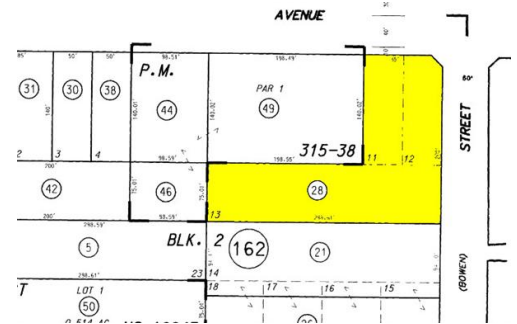
	Acres	Square feet
Land Area Net	1.000	43,560
Land Area Gross	1.000	43,560

Site Development Status	Raw
Shape	Irregular
Topography	Level, At Street Grade
Utilities	All to site

Maximum FAR	0.00
Min Land to Bldg Ratio	N/A
Maximum Density	0.00 per ac

Frontage Distance/Street	85 ft Westminster
Frontage Distance/Street	200 ft Hope

General Plan	N/A
Specific Plan	N/A
Zoning	C-1, Garden Grove
Entitlement Status	None



**Sale Summary**

Recorded Buyer	Hun Nguyen	Marketing Time	0 Month(s)
True Buyer	N/A	Buyer Type	End User
Recorded Seller	Assoc. of Vietnamese Buddists Nun	Seller Type	Private Investor
True Seller	N/A	Primary Verification	Public Record
Interest Transferred	Fee Simple/Freehold	Type	Sale
Current Use	Vacant Lot	Date	7/31/2013
Proposed Use	Medical Office	Sale Price	\$1,900,000
Listing Broker	Tan Ho-Long Coast Realty	Financing	Market Rate Financing
Selling Broker	Anh N. Tran Nguyen-Long Coast Realty	Cash Equivalent	\$1,900,000
Doc #	0458487	Capital Adjustment	\$0
		Adjusted Price	\$1,900,000

**Transaction Summary plus Five-Year CBRE View History**

Transaction Date	Transaction Type	Buyer	Seller	Price	Cash Equivalent Price/sf
07/2013	Sale	Hun Nguyen	Assoc. of Vietnamese Buddists Nun	\$1,900,000	N/A

Units of Comparison

\$43.62 / sf  
 \$1,900,000.00 / ac

N/A / Unit  
 N/A / Allowable Bldg. Units  
 N/A / Building Area

Map & Comments



This is the sale of a 1.0-acre site located in the city of Garden Grove. Specifically, it is at the southwest corner of Westminster Avenue and Hope Street, with a second, non-contiguous site on the west side of Hope Street, south of Westminster Avenue. Surrounding land uses include commercial development on Westminster Avenue, with residential development on Hope Street and other secondary and tertiary streets. The corner parcel is L-shaped with extensive street frontage relative to its depth. The mid-block site is rectangular in shape. The site is zoned for commercial uses. The property sold in July 2013 for \$1,900,000 or \$43.62 per site square foot. The buyer has since constructed a medical office building for his practice.

Property Name 8641 Garden Grove Blvd.  
 Address 8641 Garden Grove Blvd.  
 Garden Grove, CA 92844  
 United States

Government Tax Agency Orange  
 Govt./Tax ID 133-464-08

**Site/Government Regulations**

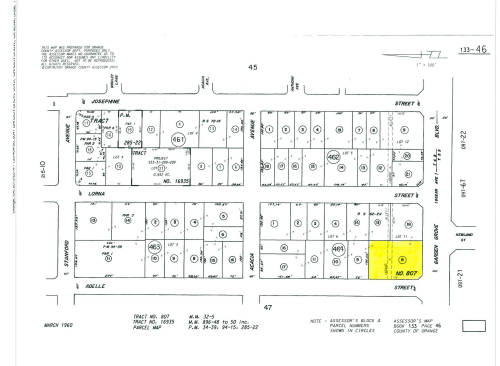
	Acres	Square feet
Land Area Net	0.630	27,661
Land Area Gross	0.630	27,661

Site Development Status	N/A
Shape	Rectangular
Topography	Generally Level
Utilities	to site

Maximum FAR N/A  
 Min Land to Bldg Ratio N/A  
 Maximum Density N/A

Frontage Distance/Street	N/A Garden Grove
Frontage Distance/Street	N/A Adelle

General Plan N/A  
 Specific Plan N/A  
 Zoning C-2  
 Entitlement Status N/A



**Sale Summary**

Recorded Buyer	Geo Dandelion LLC	Marketing Time	N/A
True Buyer	N/A	Buyer Type	N/A
Recorded Seller	Tony, Bruce, Steven Nguyen	Seller Type	N/A
True Seller	N/A	Primary Verification	Co-star, no brokers
Interest Transferred	N/A	Type	Sale
Current Use	vacant land	Date	6/25/2013
Proposed Use	commercial	Sale Price	\$1,099,000
Listing Broker	None	Financing	Cash to Seller
Selling Broker	None	Cash Equivalent	\$1,099,000
Doc #	0383827	Capital Adjustment	N/A
		Adjusted Price	\$1,099,000

**Transaction Summary plus Five-Year CBRE View History**

Transaction Date	Transaction Type	Buyer	Seller	Price	Cash Equivalent Price/sf
06/2013	Sale	Geo Dandelion LLC	Tony, Bruce, Steven Nguyen	\$1,099,000	N/A



**Units of Comparison**

\$39.73 / sf  
\$1,730,709.00 / ac

N/A / Unit  
N/A / Allowable Bldg. Units  
N/A / Building Area

**Financial**

**No information recorded**

**Map & Comments**



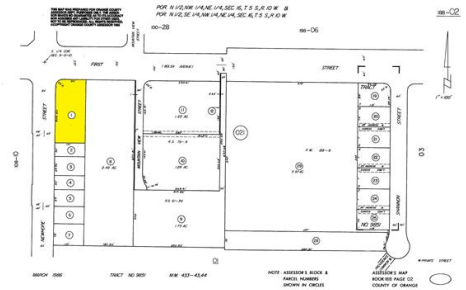
This comparable represents the June, 2013 sale of a corner located parcel in the city of Garden Grove. Specifically, the site is located at the northwest corner of Adelle Street and Garden Grove Boulevard. Traffic counts approximate 33,000 vehicles per day along Garden Grove Boulevard. Physically, the site contains .64-acres or 27,661 square-feet, is rectangular in shape and level with the adjacent street grade. All utilities are readily available and the site is commercially zoned. Calls were made to the buyer, but we were unable to reach the contact and as such, the sale was confirmed by a review of information obtained from Costar and public records.

Property Name Commercial Land  
 Address 4426 W 1st Street  
 Santa Ana, CA 92703  
 United States

Government Tax Agency Orange  
 Govt./Tax ID 188-021-01

**Site/Government Regulations**

	Acres	Square feet
Land Area Net	0.549	23,901
Land Area Gross	0.549	23,901



Site Development Status	N/A
Shape	Rectangular
Topography	Level, At Street Grade
Utilities	All to site

Maximum FAR	N/A
Min Land to Bldg Ratio	N/A
Maximum Density	N/A

General Plan	N/A
Specific Plan	N/A
Zoning	Commercial
Entitlement Status	N/A

**Sale Summary**

Recorded Buyer	Elba, Inc.	Marketing Time	6 Month(s)
True Buyer	N/A	Buyer Type	Private Investor
Recorded Seller	Pablo Bailon	Seller Type	N/A
True Seller	N/A	Primary Verification	Listing agent
Interest Transferred	N/A	Type	Sale
Current Use	Various commercial	Date	3/4/2013
Proposed Use	Unknown	Sale Price	\$1,000,000
Listing Broker	Mel Wagstaff; Sperry Van Ness, 714.392.0806	Financing	Cash to Seller
Selling Broker	Same	Cash Equivalent	\$1,000,000
Doc #	0133013	Capital Adjustment	\$50,000
		Adjusted Price	\$1,050,000

**Transaction Summary plus Five-Year CBRE View History**

Transaction Date	Transaction Type	Buyer	Seller	Price	Cash Equivalent Price/sf
03/2013	Sale	Elba, Inc.	Pablo Bailon	\$1,000,000	N/A

Units of Comparison

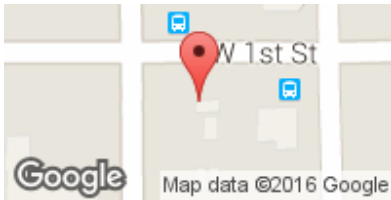
\$43.93 / sf  
 \$1,913,614.00 / ac

N/A / Unit  
 N/A / Allowable Bldg. Units  
 N/A / Building Area

Financial

No information recorded

Map & Comments



This comparable reflects the sale of a .55 acre parcel located at the SEC of W 1st Street and S Newhope Avenue, in the city of Santa Ana. At the time of sale, the site was improved with older commercial buildings, including a LP Gas selling station; however the listing agent reported the sale to be based 100% on land value with no contributory value or off-set attributed to the improvements. The site was marketed as being ideal for gas station and/or fast-food retail use. According to CoStar, the buyer plans on removing the existing improvements and constructing a carwash on the site. The cost estimated to remove the existing improvements is \$50,000 and has been included in the total acquisition cost analyzed herein. According to Mel Wagstaff, there were no environmental issues that required remediation prior to re-development. It was further noted the sale involved a prolonged escrow period of approximately one year while the buyer processed entitlements for the carwash facility. The actual marketing time prior to entering escrow was 6 mos. +/-.

Property Name Commercial Land  
 Address 1220 North Batavia Avenue  
 Orange, CA 92867  
 United States

Government Tax Agency Orange  
 Govt./Tax ID 375-011-04

**Site/Government Regulations**

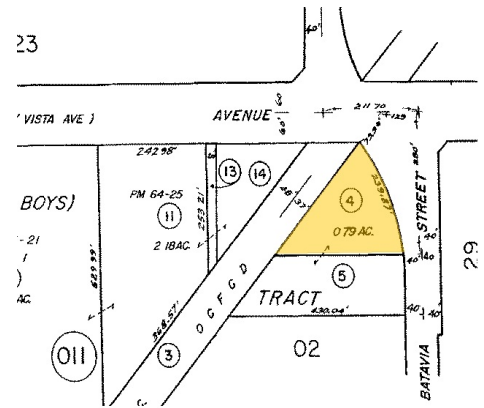
	Acres	Square feet
Land Area Net	0.779	33,933
Land Area Gross	0.779	33,933

Site Development Status	N/A
Shape	Triangular
Topography	Level, At Street Grade
Utilities	All to site

Maximum FAR	N/A
Min Land to Bldg Ratio	N/A
Maximum Density	N/A

Frontage Distance/Street	231 ft North Batavia
Frontage Distance/Street	183 ft East Katella

General Plan	N/A
Specific Plan	N/A
Zoning	C-R
Entitlement Status	N/A



**Sale Summary**

Recorded Buyer	Farmer Boys Food, Inc.	Marketing Time	16 Month(s)
True Buyer	N/A	Buyer Type	Corporation
Recorded Seller	John Valentine	Seller Type	N/A
True Seller	N/A	Primary Verification	Justin McMahon, CBRE 949-725-8500
Interest Transferred	N/A	Type	Sale
Current Use	Vacant	Date	2/28/2013
Proposed Use	Fast Food Restaurant	Sale Price	\$975,000
Listing Broker	Nathan Holthouser, Marcus & Millichap 949-419-3237	Financing	Cash to Seller
Selling Broker	Nathan Holthouser, Marcus & Millichap 949-419-3237	Cash Equivalent	\$975,000
Doc #	0123216	Capital Adjustment	N/A
		Adjusted Price	\$975,000

**Transaction Summary plus Five-Year CBRE View History**

Transaction Date	Transaction Type	Buyer	Seller	Price	Cash Equivalent Price/sf
02/2013	Sale	Farmer Boys Food, Inc.	John Valentine	\$975,000	N/A

**Sale** **Land - Retail/Commercial** **No. 5**

**Units of Comparison**

\$28.73 / sf	N/A / Unit
\$1,251,604.62 / ac	N/A / Allowable Bldg. Units
	N/A / Building Area

**Financial**

No information recorded

**Map & Comments**



This 0.78 acre land sale is located at the southwest corner of West Katella Avenue and North Batavia Street in the city of Orange, CA. The buyer was Farmer Boys Food, Inc. and a Farmer Boys fast food restaurant is expected to be built with construction beginning in August 2013. The proposed restaurant building is expected to be between 2,800 to 3,200 square feet and will take approximately five months to construct. The property sold for \$975,000 and, according to Costar, had an original asking price of \$1,200,000. The buyer paid all cash to the seller.

Property Name 1st St @ Grand Avenue  
 Address 1st St @ Grand Avenue  
 Santa Ana, CA 92701  
 United States

Government Tax Agency Orange

Govt./Tax ID 398-456-02, 398-456-04, 398-456-14, 398-456-18, 398-456-03, 398-456-19



**Site/Government Regulations**

	Acres	Square feet
Land Area Net	0.781	33,999
Land Area Gross	N/A	N/A

Site Development Status	Finished
Shape	Irregular
Topography	Level, At Street Grade
Utilities	To the site

Maximum FAR	N/A
Min Land to Bldg Ratio	N/A
Maximum Density	N/A

General Plan	N/A
Specific Plan	C-2
Zoning	N/A
Entitlement Status	N/A

**Sale Summary**

Recorded Buyer	Our Lady Of Guadalupe Church	Marketing Time	9 Month(s)
True Buyer	N/A	Buyer Type	End User
Recorded Seller	N/A	Seller Type	Private Investor
True Seller	N/A	Primary Verification	Lee & Associates Randy Dalby
Interest Transferred	Fee Simple/Freehold	Type	Sale
Current Use	Used Car Sales	Date	1/21/2016
Proposed Use	None	Sale Price	\$1,975,000
Listing Broker	Lee & Associates Randy Dalby	Financing	All Cash
Selling Broker	N/A	Cash Equivalent	\$1,975,000
Doc #	0026620	Capital Adjustment	\$0
		Adjusted Price	\$1,975,000

**Transaction Summary plus Five-Year CBRE View History**

Transaction Date	Transaction Type	Buyer	Seller	Price	Cash Equivalent Price/sf
01/2016	Sale	Our Lady Of Guadalupe Church	N/A	\$1,975,000	N/A

Units of Comparison

\$58.09 / sf  
\$2,530,429.21 / ac

N/A / Unit  
N/A / Allowable Bldg. Units  
N/A / Building Area

Financial

No information recorded

Map & Comments



This is a 0.78-acre commercial parcel is located at the northeast corner of 1st Avenue and Grand Avenue in the city of Santa Ana. The property sold for \$1,975,000. According to CoStar, it had an original asking price of \$2,380,000. The buyer paid all cash to the seller. The marketing time was 9 months.



Property Name Office Land  
 Address 5001 Cerritos Avenue  
 Cypress, CA 90630  
 United States

Government Tax Agency Orange  
 Govt./Tax ID 241-186-07

**Site/Government Regulations**

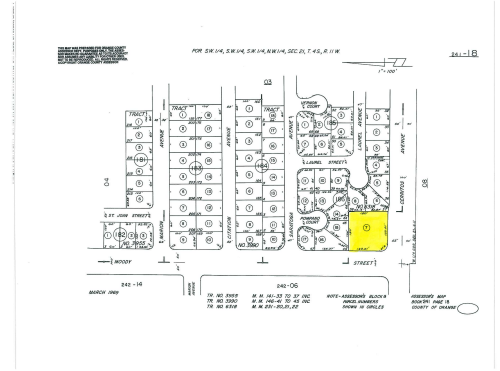
	Acres	Square feet
Land Area Net	0.520	22,651
Land Area Gross	0.520	22,651

Site Development Status	N/A
Shape	Rectangular
Topography	Generally Level
Utilities	All to site

Maximum FAR	N/A
Min Land to Bldg Ratio	N/A
Maximum Density	N/A

Frontage Distance/Street	150 ft Cerritos Avenue
Frontage Distance/Street	150 ft Moody Street

General Plan	N/A
Specific Plan	N/A
Zoning	Office
Entitlement Status	N/A



**Sale Summary**

Recorded Buyer	Ty and Susan Caldwell	Marketing Time	20 Month(s)
True Buyer	N/A	Buyer Type	N/A
Recorded Seller	Patterson Cypress	Seller Type	N/A
True Seller	N/A	Primary Verification	Greg Williams - Coldwell Banker 562-495-6070
Interest Transferred	Fee Simple/Freehold	Type	Sale
Current Use	Vacant land	Date	5/29/2015
Proposed Use	5,996 SF Office	Sale Price	\$950,000
Listing Broker	Greg Williams - Coldwell Banker	Financing	Cash to Seller
Selling Broker	N/A	Cash Equivalent	\$950,000
Doc #	279788	Capital Adjustment	\$0
		Adjusted Price	\$950,000

**Transaction Summary plus Five-Year CBRE View History**

Transaction Date	Transaction Type	Buyer	Seller	Price	Cash Equivalent Price/sf
05/2015	Sale	Ty and Susan Caldwell	Patterson Cypress	\$950,000	N/A

## Units of Comparison

\$41.94 / sf  
\$1,826,923.08 / ac

N/A / Unit  
N/A / Allowable Bldg. Units  
N/A / Building Area

## Financial

No information recorded

## Map &amp; Comments

This is a corner site located on the NEC of Moody Street and Cerritos Avenue. It is a level vacant site. There are approved plans for a 5,996 SF office building with parking at a 5 to 1 ratio.

**Addendum B**

**RECIPORCAL PARKING EASEMENT**

**RECIPROCAL ACCESS AND  
PARKING AGREEMENT**

**LIDGARD AND ASSOCIATES**  
APPRAISERS-CONSULTANTS

## GRANT OF RECIPROCAL ACCESS AND PARKING EASEMENTS

This GRANT OF RECIPROCAL ACCESS AND PARKING EASEMENTS (the "Agreement") is dated as of the 30th day of June, 2000, and is made by and among ANGELI, LLC, a California limited liability company, and POONAM, LLC, a California limited liability company (collectively "Angeli/Poonam"), and ATRIUM PLAZA, LLC, a California limited liability company ("Atrium Plaza").

### RECITALS

A. Angeli/Poonam are the owners of the fee simple interest in that certain parcel of real property more particularly described on Exhibit "A" attached hereto and incorporated herein commonly known as 12361 Chapman Avenue, Garden Grove, California (the "Chapman Parcel").

B. Atrium Plaza is the owner of the fee simple interest, and is a holder of easement rights, in those certain parcels of real property more particularly described on Exhibit "B" attached hereto and incorporated herein, commonly known as 100 and 300 Alicante Plaza, Garden Grove, California (collectively "Alicante Plaza Parcels").

C. Angeli/Poonam desire to grant to Atrium Plaza, and Atrium Plaza desires to grant to Angeli/Poonam, for the benefit of the Alicante Plaza Parcels and the Chapman Parcel, respectively, reciprocal easements for vehicular and pedestrian access to, on and over the Chapman Parcel and the Alicante Plaza Parcels, respectively, and reciprocal easements for parking thereon.

### AGREEMENT

NOW, THEREFORE, for valuable consideration, the receipt and adequacy of which are hereby acknowledged, including the mutual covenants of the parties contained in this Agreement, Angeli/Poonam and Atrium Plaza agree as follows:

#### I.

### DEFINITIONS

"Access Easements." The easements granted under Section 2.1(a) below.

"Angeli/Poonam." Angeli, LLC, a California limited liability company, and Poonam, LLC, a California limited liability company, and their grantees, successors and assigns.

"Atrium Plaza." Atrium Plaza, LLC, a California limited liability company, and its grantees, successors and assigns.

"Drainage Easements." The easements granted under Section 2.2 below.

"Easements." The Access Easements, the Drainage Easements, the Parking Easements, and the easements granted under Section 2.3 below.

**"Owner" or "Owners."** The owner or owners, at any time, of the fee simple interest of a Parcel, including, without limitation, the parties hereto.

**"Parcel" and "Parcels."** The Chapman Parcel, the Alicante Plaza Parcels, or both.

**"Parking Areas."** Those portions of the Parcels which are not occupied by buildings or other structures, and which are designated as parking areas on Exhibit "C" attached hereto for each Parcel, as those areas may be modified from time to time.

**"Parking Easements."** The easements granted under Section 2.1(b) below.

## II.

### EASEMENTS

2.1 **Easements for Ingress, Egress and Parking.** Angeli/Poonam, on behalf of themselves and their grantees, successors and assigns, as the Owners of the Chapman Parcel, and Atrium Plaza, on behalf of itself and its grantees, successors and assigns, as the Owner of the Alicante Plaza Parcels, hereby grant to each other, and their respective grantees, successors and assigns, the following easements, on, over and across their respective Parcels:

(a) A nonexclusive easement of ingress and egress for vehicular and pedestrian traffic for purposes incidental and accessory to the business operations conducted on the Parcel(s) benefitted thereby, but only on, through and over those areas consisting of driveways, walkways, and the Parking Areas; and

(b) A nonexclusive easement for parking in the Parking Areas on the burdened Parcel(s) for vehicular parking, which parking shall be in connection with the business conducted on the benefitted Parcel(s).

The easements granted herein shall include the right of vehicular and pedestrian access, ingress and egress on and over driveways and walkways at curb cuts, and entry ways to the Parking Areas.

Upon the occurrence of the lot line adjustment referenced in Section 2.4 hereof, then in addition to the foregoing, and with respect solely to the grant of the Parking Easement by Atrium Plaza for the benefit of the Owner of the Chapman Parcel, the Owner of the Chapman Parcel shall have the right to designate fifty (50) parking spaces on the parcel on the Alicante Plaza Parcels for use only by patrons of the business conducted thereon. Such designated parking spaces shall be located as indicated on Exhibit "D" attached hereto, and may be relocated on the Alicante Plaza Parcels to an area closest to the Chapman Parcel with the consent of the Owner of the Chapman Parcel, in the event that the Owner of the Alicante Plaza Parcels reconfigures the Parking Area on the vehicle site-flow on the Alicante Plaza Parcels causing the elimination of any of the fifty (50) designated parking spaces. The Owner of the Chapman Parcel shall have the right to erect directional signage and signage identifying such designated parking spaces as for patrons of the business conducted thereon only (subject to the approval of the Owner of the Alicante Plaza Parcels as to design and exact location, which consent shall not be unreasonably withheld or delayed), with the cost of such signage to be borne by the owner of the Chapman Parcel.

During such periods as the Owner of the Chapman Parcel is operating a business open to the general public thereon, such Owner shall pay to the Owner of the Alicante Plaza Parcels a fee (the "Maintenance/Parking Fee") equal to the sum of One Thousand Six Hundred Sixty-six Dollars (\$1,666) per month, or part thereof (which shall increase two point five percent (2.5) per year), that such business is conducted and open to the general public, payable in advance, on the later of the first (1st) day of each calendar month, or the date on which such business operations commence. During such periods as the Chapman Parcel is not open for business to the general public, the Owner thereof shall not be obligated to pay the fee specified in this paragraph.

The Owner of the Chapman Parcel shall, within five (5) days after the date of that business is first commenced with the general public on the Chapman Parcel, deposit with the Owner of the Alicante Plaza Parcels the sum of Ten Thousand Dollars (\$10,000) which shall be held as security for the payment of the Maintenance/Parking Fee (the "Security Deposit"). In the event the Owner of the Chapman Parcel fails to pay any installment of the Maintenance/Parking Fee when due, the Owner of the Chapman Parcel shall not be in default of its obligations hereunder unless and until the Owner of the Alicante Plaza Parcels has delivered to the Owner of the Chapman Parcel written notice of such alleged default, specifying the amount and date of such default, and the Owner of the Chapman Parcel has not cured such alleged default within fifteen (15) days thereafter by paying that portion of the Maintenance/Parking Fee owing. Upon each occurrence of a default in the payment of the Maintenance/Parking Fee, the Owner of the Alicante Plaza Parcels may use all or any part of the Security Deposit to pay delinquent payments due hereunder to cure such default. The use of the Security Deposit shall be without prejudice to any other remedy provided by law. The Owner of the Chapman Parcel shall pay to the Owner of the Alicante Plaza Parcels, within five (5) days of demand, the amount which will restore the Security Deposit to its original amount. No interest shall accrue on the Security Deposit. The Security Deposit may be co-mingled with other funds of the Owner of the Alicante Plaza Parcels.

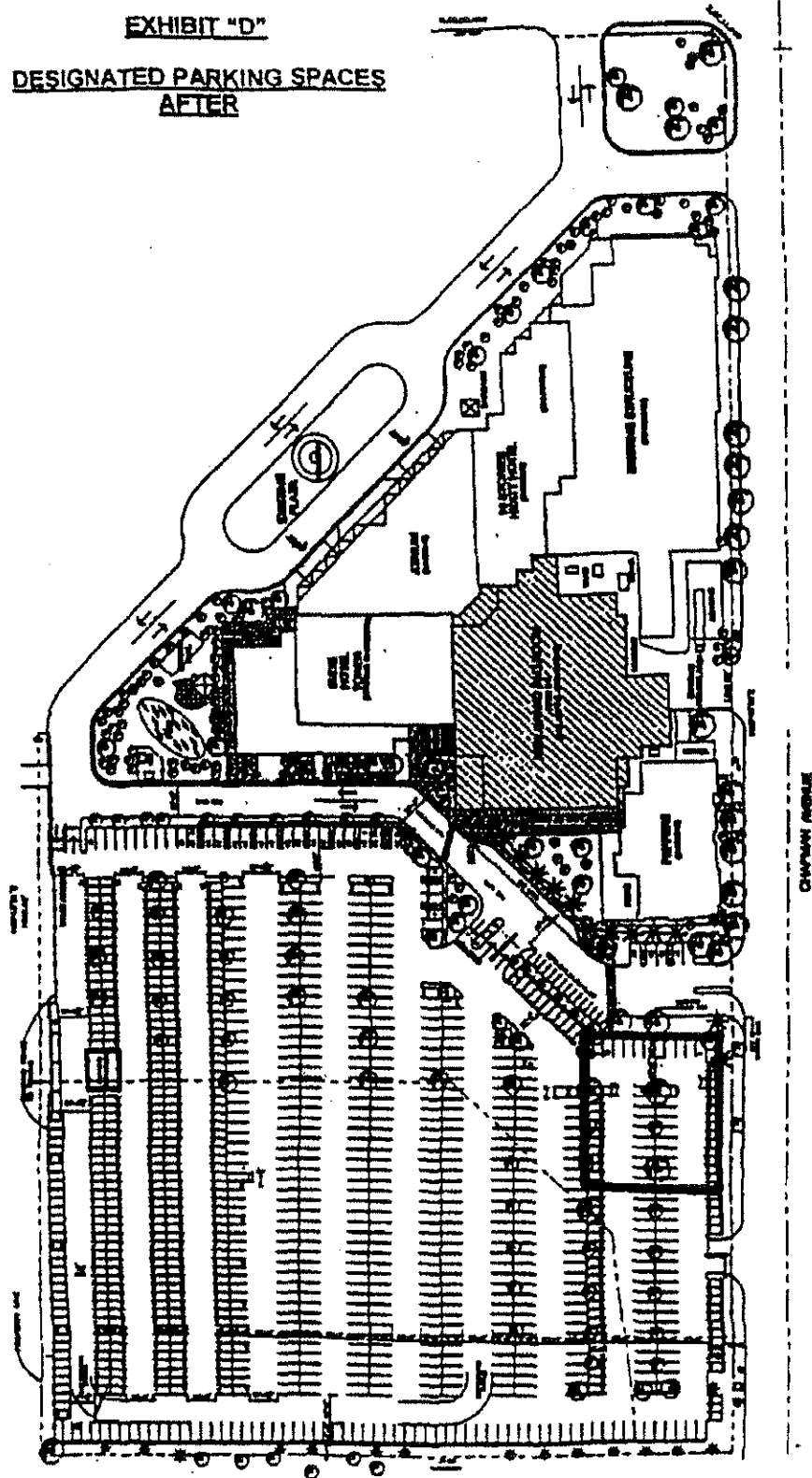
The payment of the Maintenance/Parking Fee shall be in lieu of any maintenance costs or obligations, parking charges or other fees for, or related to, such use, and the Owner of the Alicante Plaza Parcels shall provide the Owner of the Chapman Parcel with such tokens or validations as may be required for the guests, invitees and employees of the business conducted on the Chapman Parcel to utilize the Parking Areas on the Alicante Plaza Parcels without charge.

2.2 Easements for Drainage. Angeli/Poonam, on behalf of themselves and their grantees, successors and assigns, and Atrium Plaza, on behalf of itself and its grantees, successors and assigns, hereby grants to the other, a nonexclusive easement over the Chapman Parcel and the Alicante Plaza Parcels, respectively, which easement shall be for the purpose of providing drainage for normal surface water runoff.

2.3 Easement for Loading, Unloading and Trash Receptacles. Atrium Plaza, on behalf of itself and its grantees, successors and assigns, hereby grants to the Owner of the Chapman Parcel a nonexclusive easement on and over the area designated and utilized on the Alicante Plaza Parcels for the loading and unloading of supplies and materials (but excluding the use of any loading docks) and for the placement of trash receptacles, for the sole purpose of the loading and unloading of supplies and materials used, and the placement of trash receptacles (and the emptying of trash therein, and the removal of trash therefrom) thereon, in connection with the business conducted on the Chapman Parcel. The Owner of the Chapman Parcel shall not store any materials in such loading and unloading area, and shall promptly move all items so delivered therefrom to the Chapman Parcel. In addition, neither the Owner of the Chapman Parcel, nor any of its employees, invitees or guests shall be permitted to block, whether temporarily or



**EXHIBIT "D"**  
**DESIGNATED PARKING SPACES**  
**AFTER**





# ALTA/AC.S.M. LAND TITLE SURVEY

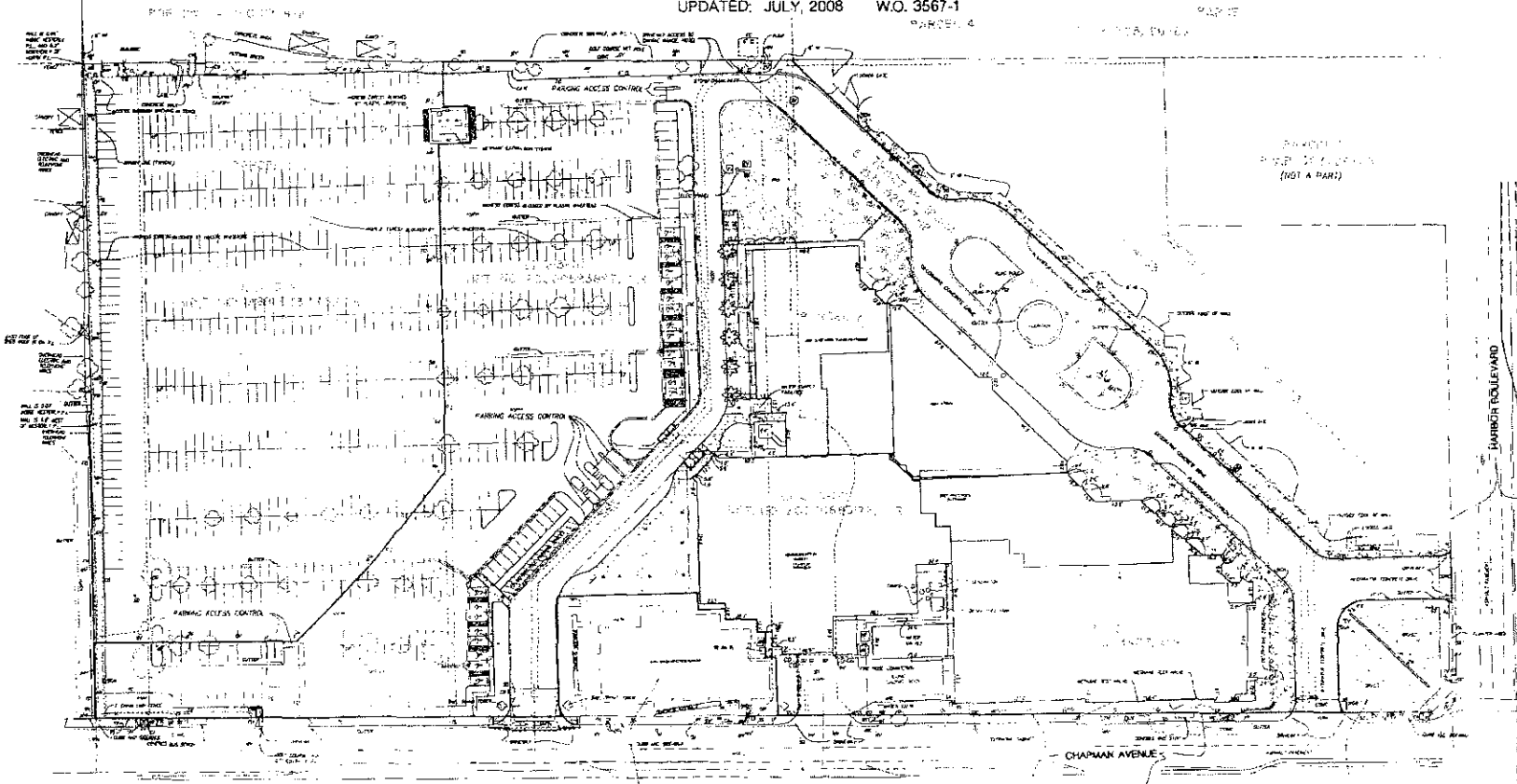
CITY OF GARDEN GROVE, COUNTY OF ORANGE, STATE OF CALIFORNIA

DATE OF SURVEY: JULY 16, 1997 W.O. 2671-9

UPDATED: AUGUST, 2004 AND SEPTEMBER, 2004 W.O. 2671-9

UPDATED: MARCH, 2007 W.O. 3302-1T

UPDATED: JULY, 2008 W.O. 3567-1



PREPARED FOR:  
**GARDERE WYNNE SEWELL, LLP**  
 1601 ELM STREET  
 3000 THANKSGIVING TOWER  
 DALLAS, TX 75201

PREPARED BY:



**HUNSAKER & ASSOCIATES, INC.**  
 PLANNING • ENGINEERING • SURVEYING  
 10000 WILSON AVENUE, SUITE 100  
 DALLAS, TEXAS 75243

**NOTE**

STRUCTURES AND IMBEDDED STRUCTURES SHOWN NEED THE APPROVAL OF THE APPLICABLE JURISDICTIONAL AGENCIES AND NEIGHBORS IN WRITING OF ANY LINE OF CHAPMAN AVENUE AND HARBOUR BOULEVARD.

**LEGEND**

1. UNDEVELOPED PROPERTY	21. ELEC. W/OUT	41. UNDEVELOPED PROPERTY	61. TRANSFORMER
2. ESTATE OF GARDNER	22. EDGE OF PAVEMENT	42. LIGHT POLE	62. TRANSFORMER SERVICE POLE
3. AREA 100'	23. ELEC. W/IN	43. WIRELINE SERVICE MAST	63. TRANSFORMER
4. FREE ZONING	24. EDGE OF AC. SIGN	44. MASTHEAD POLE	64. TRANSFORMER
5. APPLIC. OF CONDEMS	25. EDGE OF DRIVE	45. MASTHEAD POLE	65. TRANSFORMER
6. CABLE T.V. DISH	26. FIRE HYDRANT	46. TELEPHONE POLE	66. TRANSFORMER
7. CABLE TV DISH	27. FIRE CONNECTION	47. POWER POLE	67. TRANSFORMER
8. CABLE TV DISH	28. FIRE CONNECTION	48. MASTHEAD POLE	68. TRANSFORMER
9. UNPAVED DRIVE	29. FIRE CONNECTION	49. MASTHEAD POLE	69. TRANSFORMER
10. SEWER CONNECTION	30. DRIVE ALLEY	50. MASTHEAD POLE	70. TRANSFORMER
11. DRIVEWAY	31. SIDE WALK	51. DRIVEWAY	71. TRANSFORMER
12. DRIVEWAY	32. ELEC. W/OUT	52. DRIVEWAY	72. TRANSFORMER
13. ELEC. W/OUT	33. ELEC. W/OUT	53. DRIVEWAY	73. TRANSFORMER
14. ELEC. W/OUT	34. ELEC. W/OUT	54. DRIVEWAY	74. TRANSFORMER
15. ELEC. W/OUT	35. ELEC. W/OUT	55. DRIVEWAY	75. TRANSFORMER
16. ELEC. W/OUT	36. ELEC. W/OUT	56. DRIVEWAY	76. TRANSFORMER
17. ELEC. W/OUT	37. ELEC. W/OUT	57. DRIVEWAY	77. TRANSFORMER
18. ELEC. W/OUT	38. ELEC. W/OUT	58. DRIVEWAY	78. TRANSFORMER
19. ELEC. W/OUT	39. ELEC. W/OUT	59. DRIVEWAY	79. TRANSFORMER
20. ELEC. W/OUT	40. ELEC. W/OUT	60. DRIVEWAY	80. TRANSFORMER

Addendum C

**LEGAL DESCRIPTION**

# Property Detail Report

For Property Located At :  
12361 CHAPMAN AVE, GARDEN GROVE, CA 92840-3920



## Owner Information

Owner Name: CITY OF GARDEN GROVE  
Mailing Address: 11222 ACACIA PKWY, GARDEN GROVE CA 92840-5208 C004  
Vesting Codes: // CO

## Location Information

Legal Description: TR NO 12084 LOT 10 POR OF LOT AND POR OF LOT 9 (LLA 02-885172 PAR 1 AND LLA 00-523827 PAR 1 POR OF PAR)  
County: ORANGE, CA APN: 233-171-23  
Census Tract / Block: 884.02 / 1 Alternate APN:  
Township-Range-Sect: Subdivision:  
Legal Book/Page: Map Reference: /  
Legal Lot: 10 Tract #: 12084  
Legal Block: School District: GARDEN GROVE  
Market Area: 64 School District Name:  
Neighbor Code: Munic/Township:

## Owner Transfer Information

Recording/Sale Date: 05/26/2015 / 05/22/2015 Deed Type: GRANT DEED  
Sale Price: 1st Mtg Document #:  
Document #: 269268

## Last Market Sale Information

Recording/Sale Date: 11/05/2010 / 11/05/2010 1st Mtg Amount/Type: /  
Sale Price: \$2,400,000 1st Mtg Int. Rate/Type: /  
Sale Type: FULL 1st Mtg Document #:  
Document #: 589876 2nd Mtg Amount/Type: /  
Deed Type: GRANT DEED 2nd Mtg Int. Rate/Type: /  
Transfer Document #: Price Per SqFt:  
New Construction: Multi/Split Sale:  
Title Company: FIDELITY NATIONAL TITLE CO  
Lender:  
Seller Name: MELROSS LLC

## Prior Sale Information

Prior Rec/Sale Date: 01/16/2004 / 01/15/2004 Prior Lender:  
Prior Sale Price: Prior 1st Mtg Amt/Type: /  
Prior Doc Number: 38581 Prior 1st Mtg Rate/Type: /  
Prior Deed Type: GRANT DEED

## Site Information

Land Use: TAX EXEMPT Acres: 0.48 County Use: EXEMPT (8)  
Lot Area: 20,708 Usable Lot:  
Lot Width/Depth: x Lot Shape:  
Commercial Units: Bldg Width/Depth: x Site Influence:  
# of Buildings: 1 Building Class: Sewer Type:  
Zoning: Water Type: Topography:  
Water District: ORANGE CO

## Tax Information

Total Value: \$2,558,411 Assessed Year: 2015 Property Tax:  
Land Value: \$1,678,958 Improved %: 34% Tax Area: 18156  
Improvement Value: \$879,453 Appraisal Dist:  
Total Taxable Value: Fire Dist:  
Market Value: Garbage Dist: Tax Exemption:  
Equal Rate:  
Equal Year:

Addendum D

**PRÉCIS METRO REPORT - ECONOMY.COM, INC.**

ECONOMIC DRIVERS			EMPLOYMENT GROWTH RANK		RELATIVE COSTS		VITALITY						
TOURIST DESTINATION	MEDICAL CENTER	FINANCIAL CENTER	2014-2016 <b>46</b> 1st quintile	2014-2019 <b>72</b> 1st quintile	LIVING <b>146%</b>	BUSINESS <b>104%</b>	RELATIVE <b>107%</b>	RANK <b>101</b>					
			Best=1, Worst=408		U.S.=100%		U.S.=100% Best=1, Worst=401						
BUSINESS CYCLE STATUS					ANALYSIS								
<p>» EXPANSION</p> <p>Recovery</p> <p>At Risk</p> <p>Moderating Recession</p> <p>In Recession</p>					<p><b>Recent Performance.</b> Anaheim-Santa Ana-Irvine's economy has slowed since the start of 2015. Key industries such as business/professional services, healthcare, and finance are taking a breather. Job growth has been limited primarily to leisure/hospitality and government. As a result of weak gains in employment and wages, estimated personal income growth has slowed by one-half since early 2015. At 4.1% in November, the unemployment rate is at a cycle low and well below the state and national averages.</p> <p><b>High tech.</b> Thanks to its highly educated workforce and its universities, ANA has a highly effective infrastructure for fostering growth in technology businesses such as biotech, computer and electronic product manufacturing, medical device makers, and IT companies. Venture capital entities such as OCTANE, which connects entrepreneurs and investors, are important conduits for new investment and hiring. For example, Harbor MedTech, a skin wound treatment maker, recently raised \$10 million through OCTANE. Meanwhile, Greenwave Systems, a smart technology provider, received an investment of \$45 million from Singapore Technologies Telemedia to accelerate its global expansion. Startups are an especially potent source of job creation, and ANA's universities, particularly the University of California Irvine, position the area well for start-up growth as students and faculty spin off their academic research ideas into private companies.</p> <p><b>UC Irvine.</b> UC Irvine will provide the skilled labor needed to sustain strong growth in knowledge-based industries. Moreover, California's improving fiscal position and the strength of UC's endowment fund bode well for staff and faculty payroll additions. Governor Jerry Brown has proposed a 5.4% increase in funding in fiscal 2016-2017 for the UC system. Meanwhile, enrollment has been increasing, and applications for the fall semester at UC system universities reached an all-time high. For UC Irvine, applications are 10% higher from a year earlier. Hiring will continue in 2016 as the growing student population warrants expansion of faculty and program offerings.</p> <p>Further, as part of the UC system's agreement with the state, UC Irvine will enroll 650 more resident students and their tuition will be capped at its current level for this year. Although an increase in nonresident tuition puts UC among the nation's most expensive public universities, strong demand from prospective students will ensure that enrollment does not suffer. More student spending will benefit consumer industries such as retail and leisure/hospitality in coming years.</p> <p><b>Real estate.</b> The near-term outlook for ANA's commercial real estate markets is upbeat, as expansion tests the limits of real estate inventory. According to Colliers International, available office and industrial real estate space is shrinking in Orange County—the vacancy rate is 2.9% for the industrial market and 12.8% for the office market. The retail vacancy rate increased slightly to 4.6% in the fourth quarter of 2015, but it is still lower than last year's vacancy rate since surging in-migration is supporting consumer spending and new retail investment. In the office market, the low vacancy rate stems from a dearth of new supply and gradual improvement in office-using industries. Construction remains limited, but activity will pick up as rents increase.</p> <p><b>Anaheim-Santa Ana-Irvine's expansion will moderate and job growth will slow to an average pace as manufacturing and tech hiring cools. The real estate market will continue to strengthen, however, thanks to strong demand and a dearth of supply. Longer term, ANA's high costs will constrain its prospects to the U.S. average.</b></p>								
STRENGTHS & WEAKNESSES					<p><i>Abhilasha Singh</i> December 2015</p> <p>1-866-275-3266 help@economy.com</p>								
<p><b>STRENGTHS</b></p> <p>» Financial services hub for Southern California.</p> <p>» Lower office rents than in San Diego or Los Angeles give professional services a leg up.</p> <p>» Well-diversified economy.</p> <p>» World-class universities and laboratories.</p> <p><b>WEAKNESSES</b></p> <p>» High business and living costs make it difficult to attract and retain firms and workers.</p> <p>» Traffic congestion and no capacity for more air passenger and cargo service.</p>													
FORECAST RISKS													
SHORT TERM		LONG TERM											
RISK EXPOSURE 2015-2020		<b>50</b> 1st quintile			Highest=1 Lowest=401								
<p><b>UPSIDE</b></p> <p>» Stronger macroeconomy leads to expansion of commoditized business services.</p> <p>» Enrollment and development at UC Irvine are stronger than expected.</p> <p>» Low gas prices, stronger regional and Mexican economies, and Disneyland boost tourism.</p> <p><b>DOWNSIDE</b></p> <p>» Higher mortgage rates trigger industry layoffs.</p> <p>» A venture capital bust halts growth in the tech sector.</p>													
MOODY'S RATING													
<b>NR</b>													
2009	2010	2011	2012	2013	2014	INDICATORS		2015	2016	2017	2018	2019	2020
197.8	201.3	204.6	210.3	215.1	221.4	Gross metro product (C09\$ bil)		228.7	236.3	243.2	249.8	255.4	260.5
-5.8	1.8	1.6	2.8	2.3	2.9	% change		3.3	3.3	2.9	2.7	2.2	2.0
1,383.4	1,366.6	1,382.6	1,419.8	1,459.5	1,495.7	Total employment (ths)		1,544.0	1,579.4	1,615.0	1,646.8	1,667.3	1,677.2
-7.1	-1.2	1.2	2.7	2.8	2.5	% change		3.2	2.3	2.2	2.0	1.2	0.6
8.8	9.6	8.9	7.7	6.3	5.5	Unemployment rate (%)		4.4	4.0	3.9	3.8	3.9	4.0
-4.9	1.2	5.4	7.4	1.0	3.4	Personal income growth (%)		5.1	6.5	6.7	6.0	4.6	4.0
74.3	72.4	72.2	73.5	75.7	76.3	Median household income (\$ ths)		77.9	80.4	83.7	87.1	89.8	92.1
2,987.2	3,018.1	3,056.3	3,089.9	3,121.9	3,145.5	Population (ths)		3,173.2	3,203.7	3,233.0	3,262.2	3,291.6	3,320.8
1.0	1.0	1.3	1.1	1.0	0.8	% change		0.9	1.0	0.9	0.9	0.9	0.9
5.5	8.6	18.3	13.8	11.8	5.5	Net migration (ths)		7.8	10.1	8.6	8.2	8.0	7.7
1,341	1,624	1,822	2,271	3,670	3,714	Single-family permits (#)		3,625	3,550	4,308	4,624	4,494	4,623
802	1,510	2,530	3,811	6,752	5,577	Multifamily permits (#)		6,900	2,358	4,158	4,254	3,764	3,929
237.9	238.6	229.4	229.3	257.4	284.5	FHFA house price (1995Q1=100)		299.3	304.7	309.4	315.4	324.6	339.3

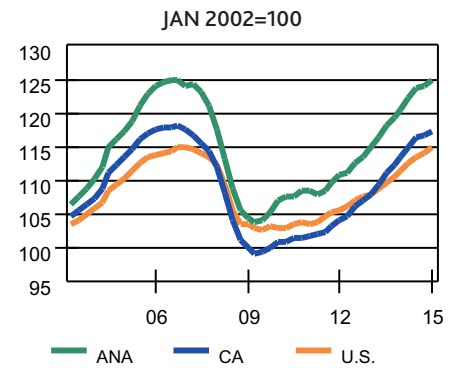


**ECONOMIC HEALTH CHECK**

3-MO MA						
	Jun 15	Jul 15	Aug 15	Sep 15	Oct 15	Nov 15
Employment, change, ths	3.3	3.3	4.0	4.1	2.9	1.0
Unemployment rate, %	4.3	4.3	4.3	4.2	4.2	4.1
Labor force participation rate, %	63.5	63.5	63.5	63.4	63.3	63.3
Employment-to-population ratio, %	60.7	60.8	60.8	60.7	60.7	60.7
Average weekly hours, #	35.2	35.2	35.4	35.4	35.4	ND
Industrial production, 2007=100	105.7	105.7	106.1	106.1	105.9	105.5
Residential permits, single-family, #	5,303	4,707	4,087	3,359	3,688	4,207
Residential permits, multifamily, #	9,687	8,610	6,704	6,089	6,209	6,791
	Better than prior 3-mo MA	Unchanged from prior 3-mo MA	Unchanged from prior 3-mo MA	Unchanged from prior 3-mo MA	Worse than prior 3-mo MA	Worse than prior 3-mo MA

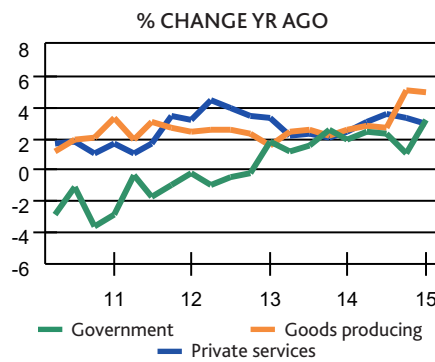
Sources: BLS, Census Bureau, Moody's Analytics

**BUSINESS CYCLE INDEX**



Source: Moody's Analytics

**CURRENT EMPLOYMENT TRENDS**

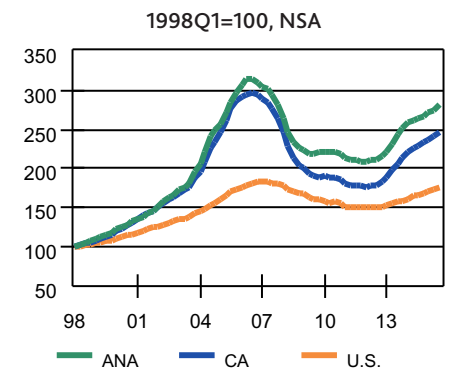


Sources: BLS, Moody's Analytics

	% CHANGE YR AGO, 3-MO MA		
	Mar 15	Jul 15	Nov 15
Total	3.3	3.4	2.7
Construction	4.7	8.1	8.2
Manufacturing	1.7	3.7	2.6
Trade	1.5	1.8	1.1
Trans/Utilities	4.5	5.7	4.4
Information	-2.5	-1.3	-0.5
Financial Activities	3.9	1.5	0.2
Prof & Business Svcs.	4.1	3.0	1.2
Edu & Health Svcs.	5.0	6.5	4.4
Leisure & Hospitality	3.3	2.1	3.7
Other Services	8.1	9.4	5.2
Government	2.3	1.8	3.1

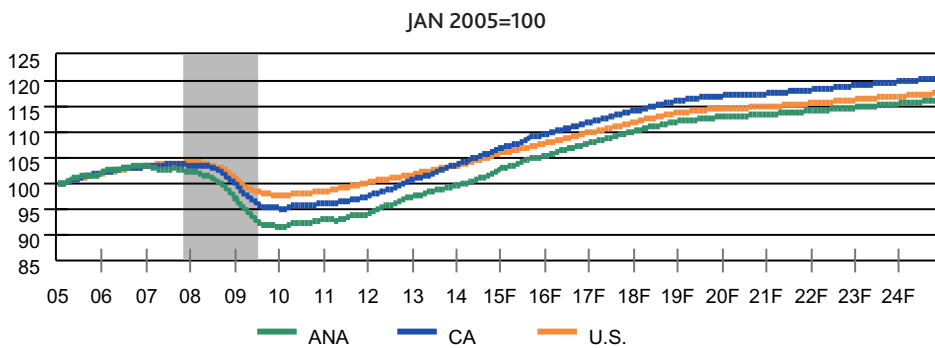
Sources: BLS, Moody's Analytics

**HOUSE PRICE**



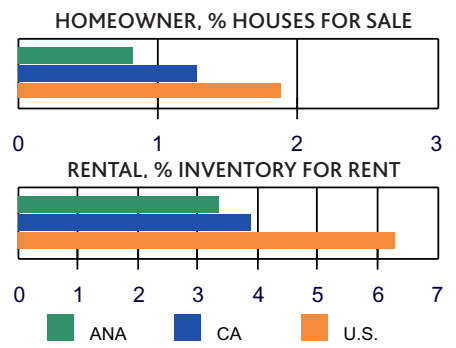
Sources: FHFA, Moody's Analytics

**RELATIVE EMPLOYMENT PERFORMANCE**



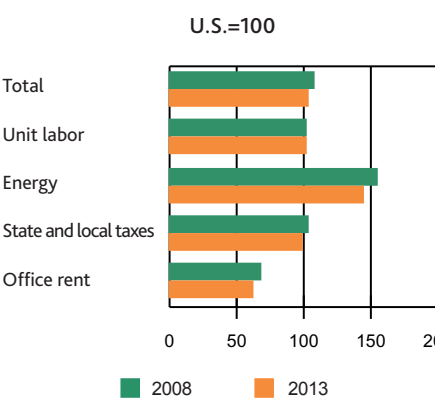
Sources: BLS, Moody's Analytics

**VACANCY RATES**



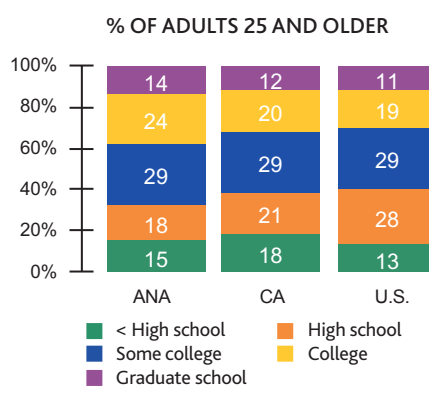
Sources: Census Bureau, ACS, Moody's Analytics, 2014

**BUSINESS COSTS**



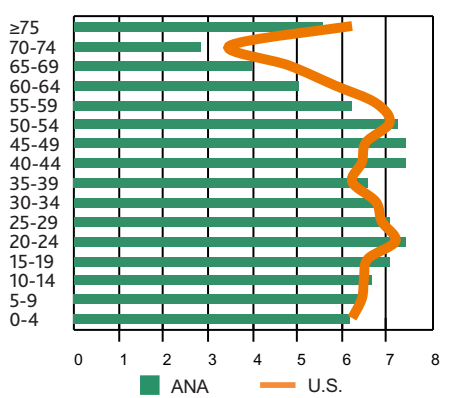
Source: Moody's Analytics

**EDUCATIONAL ATTAINMENT**



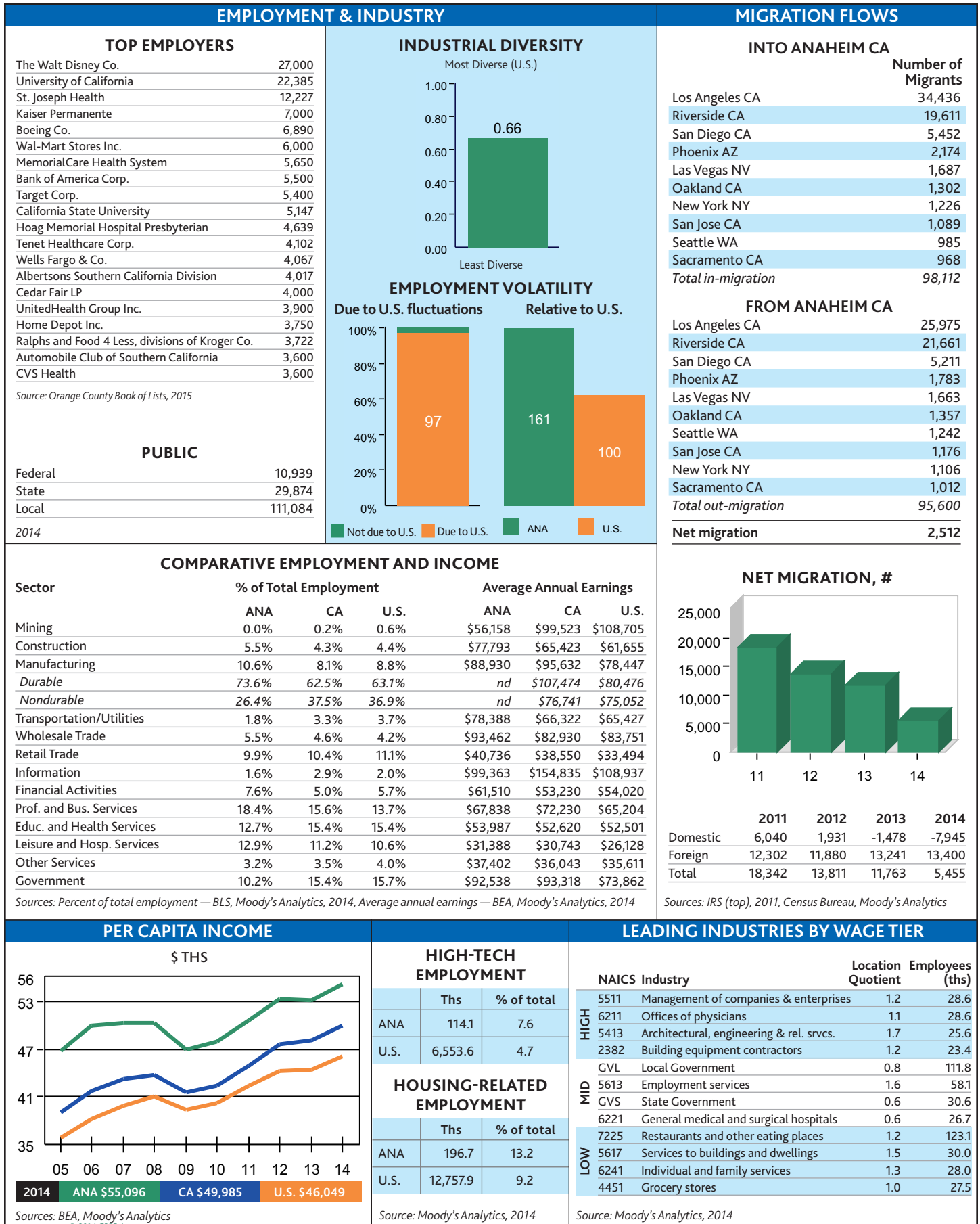
Sources: Census Bureau, Moody's Analytics, 2014

**POPULATION BY AGE, %**



Sources: Census Bureau, Moody's Analytics, 2014





Addendum E

**CLIENT CONTRACT INFORMATION**

December 8, 2015

**Donna Bradley, MAI**  
Director

Danny Wei  
Executive Vice President  
**INVESTEL HARBOR RESORTS, LLC**  
11999 Harbor Boulevard  
Garden Grove, CA 92840  
Phone: 626.475.0707  
Email: dannywei@sgcamerica.com

RE: Assignment Agreement  
Restaurant  
Vacant Restaurant, 12361 Chapman Avenue  
Garden Grove, CA 92840

Dear Mr. Wei:

We are pleased to submit this proposal and our Terms and Conditions for this assignment.

### PROPOSAL SPECIFICATIONS

**Purpose:** To estimate the Market Value of the referenced real estate

**Premise:** As Is

**Rights Appraised:** Fee Simple

**Intended Use:** Internal Decision Making purposes

**Intended User:** The intended user is INVESTEL HARBOR RESORTS, LLC, and such other parties and entities (if any) expressly recognized by CBRE as "Intended Users" (as further defined herein).

**Reliance:** Reliance on any reports produced by CBRE under this Agreement is extended solely to the client signing below and to other parties and entities expressly acknowledged in a signed writing by CBRE as Intended Users of the respective reports, provided that any conditions to such acknowledgement required by CBRE or hereunder have been satisfied. Parties or entities other than Intended Users who obtain a copy of the report or any portion thereof, whether as a result of its direct dissemination or by any other means, may not rely upon any opinions or conclusions contained in the report or such portions thereof, and CBRE will not be responsible for any unpermitted use of the report, its conclusions or contents or have any liability in connection therewith.

**Inspection:** CBRE will conduct a physical inspection of the exterior of the subject property, and its surrounding environs on the effective date of appraisal. The interior of the subject property will not be inspected.

<b>Valuation Approaches:</b>	All three traditional approaches to value will be considered and utilized.
<b>Report Type:</b>	Standard Appraisal Report
<b>Appraisal Standards:</b>	USPAP
<b>Appraisal Fee:</b>	\$5,000
<b>Expenses:</b>	Fee includes all associated expenses
<b>Retainer:</b>	A retainer of \$5,000 is required
<b>Payment Terms:</b>	The fee is considered earned upon delivery of the initial report.
<b>Delivery Instructions:</b>	CBRE encourages our clients to join in our environmental sustainability efforts by accepting an electronic copy of the report.  An Adobe PDF file via email will be delivered to dannywei@sgcamerica.com. The client has requested One (1) bound final copy (ies).
<b>Delivery Schedule:</b>	
<b>Preliminary Value:</b>	Not Required
<b>Draft Report:</b>	Not Required
<b>Final Report:</b>	30 business days after the Start Date
<b>Start Date:</b>	The appraisal process will start upon receipt of your signed agreement, the retainer, and the property specific data.
<b>Acceptance Date:</b>	These specifications are subject to modification if this proposal is not accepted within 5 business days from the date of this letter.

When executed and delivered by all parties, this letter, together with the Terms and Conditions and the Specific Property Data Request attached hereto and incorporated herein, will serve as the Agreement for appraisal services by and between CBRE and Client. Each person signing below represents that it is authorized to enter into this Agreement and to bind the respective parties hereto.

Danny Wei  
Assignment Agreement  
Page 3 of 7  
December 8, 2015

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

Sincerely,

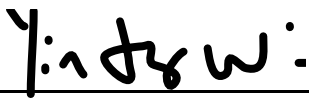
**CBRE, Inc.**  
**Valuation & Advisory Services**



Donna Bradley, MAI  
Director  
As Agent for CBRE, Inc.  
CA State Certification No. AG009911  
T 949.725.8415  
donna.bradley@cbre.com

**AGREED AND ACCEPTED**

**FOR INVESTEL HARBOR RESORTS, LLC:**



\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Name

\_\_\_\_\_  
Title

\_\_\_\_\_  
Phone Number

\_\_\_\_\_  
E-Mail Address

## TERMS AND CONDITIONS

1. The Terms and Conditions herein are part of an agreement for appraisal services (the "Agreement" ) between CBRE, Inc. (the "Appraiser") and the client signing this Agreement, and for whom the appraisal services will be performed (the "Client"), and shall be deemed a part of such Agreement as though set forth in full therein. The Agreement shall be governed by the laws of the state where the appraisal office is located for the Appraiser executing this Agreement.
2. Client shall be responsible for the payment of all fees stipulated in the Agreement. Payment of the appraisal fee and preparation of an appraisal report (the "Appraisal Report, or the "report") are not contingent upon any predetermined value or on an action or event resulting from the analyses, opinions, conclusions, or use of the Appraisal Report. Final payment is due as provided in the Proposal Specifications Section of this Agreement. If a draft report is requested, the fee is considered earned upon delivery of the draft report. It is understood that the Client may cancel this assignment in writing at any time prior to delivery of the completed report. In such event, the Client is obligated only for the prorated share of the fee based upon the work completed and expenses incurred (including travel expenses to and from the job site), with a minimum charge of \$500. Additional copies of the Appraisal Reports are available at a cost of \$250 per original color copy and \$100 per photocopy (black and white), plus shipping fees of \$30 per report.
3. If Appraiser is subpoenaed or ordered to give testimony, produce documents or information, or otherwise required or requested by Client or a third party to participate in meetings, phone calls, conferences, litigation or other legal proceedings (including preparation for such proceedings) because of, connected with or in any way pertaining to this engagement, the Appraisal Report, the Appraiser's expertise, or the Property, Client shall pay Appraiser's additional costs and expenses, including but not limited to Appraiser's attorneys' fees, and additional time incurred by Appraiser based on Appraiser's then-prevailing hourly rates and related fees. Such charges include and pertain to, but are not limited to, time spent in preparing for and providing court room testimony, depositions, travel time, mileage and related travel expenses, waiting time, document review and production, and preparation time (excluding preparation of the Appraisal Report), meeting participation, and Appraiser's other related commitment of time and expertise. Hourly charges and other fees for such participation will be provided upon request. In the event Client requests additional appraisal services beyond the scope and purpose stated in the Agreement, Client agrees to pay additional fees for such services and to reimburse related expenses, whether or not the completed report has been delivered to Client at the time of such request.
4. Appraiser shall have the right to terminate this Agreement at any time for cause effective immediately upon written notice to Client on the occurrence of fraud or the willful misconduct of Client, its employees or agents, or without cause upon 30 days written notice.
5. In the event Client fails to make payments when due then, from the date due until paid, the amount due and payable shall bear interest at the maximum rate permitted in the state where the office is located for the Appraiser executing the Agreement. In the event either party institutes legal action against the other to enforce its rights under this Agreement, the prevailing party shall be entitled to recover its reasonable attorney's fees and expenses. Each party waives the right to a trial by jury in any action arising under this Agreement.
6. Appraiser assumes there are no major or significant items or issues affecting the Property that would require the expertise of a professional building contractor, engineer, or environmental consultant for Appraiser to prepare a valid report. Client acknowledges that such additional expertise is not covered in the Appraisal fee and agrees that, if such additional expertise is required, it shall be provided by others at the discretion and direction of the Client, and solely at Client's additional cost and expense.
7. In the event of any dispute between Client and Appraiser relating to this Agreement, or Appraiser's or Client's performance hereunder, Appraiser and Client agree that such dispute shall be resolved by means of binding arbitration in accordance with the commercial arbitration rules of the American Arbitration Association, and judgment upon the award rendered by an arbitrator may be entered in any court of competent jurisdiction. Depositions may be taken and other discovery obtained during such arbitration proceedings to the same extent as authorized in civil judicial proceedings in the state where the office of the Appraiser executing this Agreement is located. The arbitrator shall be limited to awarding compensatory damages and shall have no authority to award punitive, exemplary or similar damages. The prevailing party in the arbitration proceeding shall be entitled to recover its expenses from the losing party, including costs of the arbitration proceeding, and reasonable attorney's fees. Client acknowledges that Appraiser is being retained hereunder as an independent contractor to perform the services described herein and nothing in this Agreement shall be deemed to create any other relationship

between Client and Appraiser. This engagement shall be deemed concluded and the services hereunder completed upon delivery to Client of the Appraisal Report discussed herein.

8. All statements of fact in the report which are used as the basis of the Appraiser's analyses, opinions, and conclusions will be true and correct to Appraiser's actual knowledge and belief. Appraiser does not make any representation or warranty, express or implied, as to the accuracy or completeness of the information or the condition of the Property furnished to Appraiser by Client or others. The conclusions and any permitted reliance on and use of the Appraisal Report shall be subject to the assumptions, limitations, and qualifying statements contained in the report.
9. Appraiser shall have no responsibility for legal matters, including zoning, or questions of survey or title, soil or subsoil conditions, engineering, or other similar technical matters. The report will not constitute a survey of the Property analyzed.
10. Client shall provide Appraiser with such materials with respect to the assignment as are requested by Appraiser and in the possession or under the control of Client. Client shall provide Appraiser with sufficient access to the Property to be analyzed, and hereby grants permission for entry unless discussed in advance to the contrary.
11. The data gathered in the course of the assignment (except data furnished by Client) and the report prepared pursuant to the Agreement are, and will remain, the property of Appraiser. With respect to data provided by Client, Appraiser shall not violate the confidential nature of the Appraiser-Client relationship by improperly disclosing any proprietary information furnished to Appraiser. Notwithstanding the foregoing, Appraiser is authorized by Client to disclose all or any portion of the report and related data as may be required by statute, government regulation, legal process, or judicial decree, including to appropriate representatives of the Appraisal Institute if such disclosure is required to enable Appraiser to comply with the Bylaws and Regulations of such Institute as now or hereafter in effect.
12. Unless specifically noted, in preparing the Appraisal Report the Appraiser will not be considering the possible existence of asbestos, PCB transformers, or other toxic, hazardous, or contaminated substances and/or underground storage tanks (collectively, "Hazardous Material") on or affecting the Property, or the cost of encapsulation or removal thereof. Further, Client represents that there is no major or significant deferred maintenance of the Property that would require the expertise of a professional cost estimator or contractor. If such repairs are needed, the estimates are to be prepared by others, at Client's discretion and direction, and are not covered as part of the Appraisal fee.
13. In the event Client intends to use the Appraisal Report in connection with a tax matter, Client acknowledges that Appraiser provides no warranty, representation or prediction as to the outcome of such tax matter. Client understands and acknowledges that any relevant taxing authority (whether the Internal Revenue Service or any other federal, state or local taxing authority) may disagree with or reject the Appraisal Report or otherwise disagree with Client's tax position, and further understands and acknowledges that the taxing authority may seek to collect additional taxes, interest, penalties or fees from Client beyond what may be suggested by the Appraisal Report. Client agrees that Appraiser shall have no responsibility or liability to Client or any other party for any such taxes, interest, penalties or fees and that Client will not seek damages or other compensation from Appraiser relating to any such taxes, interest, penalties or fees imposed on Client, or for any attorneys' fees, costs or other expenses relating to Client's tax matters.
14. Appraiser shall have no liability with respect to any loss, damage, claim or expense incurred by or asserted against Client arising out of, based upon or resulting from Client's failure to provide accurate or complete information or documentation pertaining to an assignment ordered under or in connection with this Agreement, including Client's failure, or the failure of any of Client's agents, to provide a complete copy of the Appraisal Report to any third party.
15. LIMITATION OF LIABILITY. EXCEPT TO THE EXTENT ARISING FROM SECTION 16 BELOW, OR SECTION 17 IF APPLICABLE, IN NO EVENT SHALL EITHER PARTY OR ANY OF ITS AFFILIATE, OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, OR CONTRACTORS BE LIABLE TO THE OTHER, WHETHER BASED IN CONTRACT, WARRANTY, INDEMNITY, NEGLIGENCE, STRICT LIABILITY OR OTHER TORT OR OTHERWISE, FOR ANY SPECIAL, CONSEQUENTIAL, PUNITIVE, INCIDENTAL OR INDIRECT DAMAGES AND AGGREGATE DAMAGES IN CONNECTION WITH THIS AGREEMENT FOR EITHER PARTY (EXCLUDING THE OBLIGATION TO PAY THE FEES REQUIRED HEREUNDER) SHALL NOT EXCEED THE GREATER OF THE TOTAL FEES PAYABLE TO APPRAISER UNDER THIS AGREEMENT OR TEN THOUSAND DOLLARS (\$10,000). THIS LIABILITY LIMITATION SHALL NOT APPLY IN THE EVENT OF A FINAL FINDING BY AN ARBITRATOR OR A COURT OF COMPETENT JURISDICTION THAT SUCH LIABILITY IS THE RESULT OF A PARTY'S FRAUD OR WILLFUL MISCONDUCT.

16. 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 (i) 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, (ii) any third party service provider (including rating agencies and Client's auditors) using the Appraisal Report in the course of providing services for the sole benefit of Client, or (iii) 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, in no event shall the receipt of an Appraisal Report by such party extend any right to the party to use and rely on such report, and Appraiser shall have no liability for such unauthorized use and reliance on any Appraisal 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.
17. In the event Client incorporates or references the Appraisal Report, in whole or in part, in any offering or other material intended for review by other parties, Client shall indemnify, defend and hold each of the Indemnified Parties harmless from and against any Damages in connection with (i) any transaction contemplated by this Agreement or in connection with the appraisal or the engagement of or performance of services by any Indemnified Party hereunder, (ii) any actual or alleged untrue statement of a material fact, or the actual or alleged failure to state a material fact necessary to make a statement not misleading in light of the circumstances under which it was made with respect to all information furnished to any Indemnified Party or made available to a prospective party to a transaction, or (iii) an actual or alleged violation of applicable law by Client (including, without limitation, securities laws) or the negligent or intentional acts or omissions of Client (including the failure to perform any duty imposed by law); and will reimburse each Indemnified Party for all reasonable fees and expenses (including fees and expenses of counsel) (collectively, "Expenses") as incurred in connection with investigating, preparing, pursuing or defending any threatened or pending claim, action, proceeding or investigation (collectively, "Proceedings") arising therefrom, and regardless of whether such Indemnified Party is a formal party to such Proceeding. Client agrees not to enter into any waiver, release or settlement of any Proceeding (whether or not any Indemnified Party is a formal party to such Proceeding) without the prior written consent of Appraiser (which consent will not be unreasonably withheld or delayed) unless such waiver, release or settlement includes an unconditional release of each Indemnified Party from all liability arising out of such Proceeding.
18. Time Period for Legal Action. Unless the time period is shorter under applicable law, except in connection with paragraphs 16 and 17 above, Appraiser and Client agree that any legal action or lawsuit by one party against the other party or its affiliates, officers, directors, employees, contractors, agents, or other representatives, whether based in contract, warranty, indemnity, negligence, strict liability or other tort or otherwise, relating to (a) this Agreement or the Appraisal Report, (b) any services or appraisals under this Agreement or (c) any acts or conduct relating to such services or appraisals, shall be filed within two (2) years from the date of delivery to Client of the Appraisal Report to which the claims or causes of action in the legal action or lawsuit relate. The time period stated in this section shall not be extended by any incapacity of a party or any delay in the discovery or accrual of the underlying claims, causes of action or damages.



## SPECIFIC PROPERTY DATA REQUEST

In order to complete this assignment under the terms outlined, CBRE, Inc., Valuation & Advisory Services, will require the following specific information for the property:

1. Current title report or title holder name
2. Legal description
3. Survey and/or plat map
4. Site plan for the existing development
5. Building plans and specifications, including square footage
6. Current county property tax assessment or tax bill
7. Details on any sale, contract, or listing of the property within the past three years
8. Engineering studies, soil tests or environmental assessments
9. Ground lease, if applicable
10. Details regarding the development costs, including land cost, if developed within the past three years
11. Historical sales volumes, if applicable
12. Three-year and YTD expenses
13. Current year expense budget
14. Details regarding capital expenditures made within the last 12 months, or scheduled for the next 12 months
15. Any previous market/demand studies or appraisals
16. Name and telephone number of property contact for physical inspection and additional information needed during the appraisal process
17. Any other information that might be helpful in valuing this property

Any other information that might be helpful in valuing this property

If any of the requested data and information is not available, CBRE, Inc., reserves the right to extend the delivery date by the amount of time it takes to receive the requested information or make other arrangements. Please have the requested information delivered to the following:

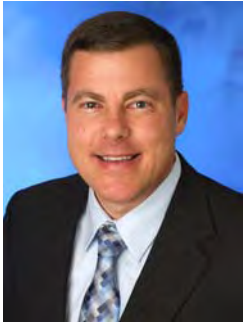
Donna Bradley, MAI  
Director  
CBRE, Inc.  
Valuation & Advisory Services  
3501 Jamboree Road, Suite 100  
Newport Beach, CA 92660

Addendum F

**QUALIFICATIONS**

# PROFESSIONAL PROFILE

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## **JAMES M. BRAY, MAI, CCIM**

Director

Southern California Region

Valuation and Advisory Services

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James M. Bray, MAI, CCIM, is a Director in the Valuation & Advisory Services Group in the Southern California Region. Mr. Bray has extensive experience in the commercial real estate industry. Mr. Bray's appraisal and consulting assignments include large industrial/R&D complexes, automotive/RV dealerships, private country clubs/daily fee golf courses, yacht clubs/health clubs, special use/religious facilities, high/mid-rise office and mixed-use developments. In addition, Mr. Bray is registered on the Appraisal Institute's SBA Going Concern Registry as a qualified appraiser for going concern valuations.

Mr. Bray is a qualified appraiser under IRS guidelines for the valuation of partial interests in real property held in limited partnerships, LLCs and as tenants in common. Mr. Bray has completed numerous assignments involving partnership buyouts, estate planning and gift tax purposes. As well as, California property tax appeals, fair market rent studies for rent disputes/arbitration and cost segregation studies for the reclassification of IRS depreciation schedules.

Over the span of his career, Mr. Bray has worked with a variety of financial institutions, private lenders, developers, private investors, CPA's, estate attorneys and corporate clients. It is his goal to set the standard for maintaining the highest level of quality and integrity on all appraisal assignments.

## **CLIENTS REPRESENTED**

- JP Morgan Chase
- Torrey Pines Bank
- City National Bank
- Mission Federal Credit Union
- Provident Bank
- San Diego Private Bank
- Chino Commercial Bank
- Hornick, Voris & Kuhn, LLP
- Barger & Wolen LLP
- CII Asset Management
- CWC Capital Asset Management
- First Enterprise Bank
- O'Hara CPAs
- OneWest Bank
- RERC
- VW Credit
- American Honda Finance
- BBCN Bank
- Cox Castle Nicholson LLP
- Morgan Stanley Bank
- MidFirst West
- Hess & Hess Law Firm

## **CREDENTIALS**

### **Professional Affiliations/Accreditations/Certifications**

- Designated Member of the Appraisal Institute (MAI)  
San Diego Chapter
- Certified General Real Estate Appraiser, State of California  
License AG 039243
- California Real Estate Broker, State of California  
License No. 01403556
- Certified Commercial Investment Member (CCIM)  
License No. 08983228

## **EDUCATION**

- San Diego State University  
Master of Arts, Economics
- San Diego State University  
Bachelor of Arts, Economics, Minor in Finance



# PROFESSIONAL PROFILE

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## REPRESENTATIVE ASSIGNMENTS

### Property

- Gateway II Office Building
- Orange County District Attorney Building
- Saddleback Medical Center
- Champions of the West
- Green Dragon
- Coast Walk
- Tesla Dealership
- Santa Monica Chevrolet
- Brecht American Mini
- CarMax
- Avila Beach Resort Golf Course
- Coto de Caza Golf & Resort
- Del Mar Country Club
- Talega Golf Course
- Morgan Run Club & Resort
- Mountain High Ski Resort (leasehold)
- The Tennis Club at Monarch Beach
- Aliso Creek Golf Course & Inn
- The Commons at Aliso Town Center (Mixed-Use)
- Cathedral City Marketplace
- One Broadway Plaza (Proposed High Rise)
- Prospect Point Office Building
- The Lido (Mixed-Use Development)
- Cabrillo Isle Marina (leasehold)
- Ventura Isle Marina (leasehold)
- Seaforth Marina (leasehold)
- High Seas Fuel Dock (leasehold)

### Location

- Chula Vista
- Santa Ana
- Laguna Hills
- San Diego
- La Jolla
- La Jolla
- Newport Beach
- Santa Monica
- Escondido
- Escondido
- Avila Beach
- Coto de Caza
- Rancho Santa Fe
- San Clemente
- Rancho Santa Fe
- Wrightwood
- Dana Point
- Laguna Beach
- Aliso Viejo
- Cathedral City
- Santa Ana
- La Jolla
- San Monica
- Harbor Island (San Diego)
- Ventura
- Mission Bay (San Diego)
- Shelter Island (San Diego)

# PROFESSIONAL PROFILE

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## **MICHELLE J. BATES**

Valuation Associate  
Valuation and Advisory Services

T. +1 858 5462611  
Michelle.Bates@cbre.com  
www.cbre.com/Michelle.Bates

### **CLIENTS REPRESENTED**

- JPMorgan Chase
- Bank of America
- Torrey Pines Bank
- BBCN Bank
- Citigroup
- City National Bank
- Morgan Stanley Bank
- Mission Federal Credit Union

Michelle Bates is an associate of the Valuation & Advisory Services Group's San Diego office. She provides research and analysis for a variety of property types in the Southern California region. Her past assignments include office buildings, apartment complexes, industrial parks, retail centers, and golf courses. She was the recipient of the San Diego Chapter of the Appraisal Institute Scholarship in 2013. Ms. Bates began her career in the CBRE Newport Beach office assisting a brokerage team.

## **CREDENTIALS**

### **Professional Affiliations/Accreditations/Certifications**

- Candidate for Designation of the Appraisal Institute San Diego Chapter
- NAIOP Developing Leader
- Trainee Real Estate Appraiser, State of California License AT 3001403

## **EDUCATION**

- University of San Diego
  - Bachelor of Business Administration, Real Estate and Business Administration

# PROFESSIONAL PROFILE



## **DONNA M. BRADLEY, MAI**

Director

Valuation and Advisory Services

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[donna.bradley@cbre.com](mailto:donna.bradley@cbre.com)

[www.cbre.com/Donna.Bradley](http://www.cbre.com/Donna.Bradley)

Donna Bradley, MAI, has been actively engaged in the valuation and consulting services segment of the commercial real estate industry since 1986, receiving her MAI designation in 1992. As a production appraiser with over 25 years of experience, Ms. Bradley specializes in institutional investment grade properties in Southern California. Her appraisal practice at CBRE concentrates on hospitality, which includes resorts, full service hotels, boutique hotels, limited service motels as well as general commercial property such as apartment, retail and office properties and other income-producing property types. She is currently a part of the Hospitality & Gaming Group at CBRE. Ms. Bradley has been with CBRE since 1991.

## CLIENTS REPRESENTED

- Alta Pacific Bank
- Ashford Hospitality
- Bank of America
- Boston Private Bank & Trust
- Cathay Bank
- Chhatrala Group
- CIM Group
- Cornerstone Real Estate Advisers
- Deutsche Bank
- East West Bank
- Europho AG
- Far East Bank
- Farmers & Merchants
- First Choice Bank
- First Commercial Bank
- Hanmi Bank
- Hansji Corporation
- J Street Hospitality
- Mutual of Omaha Bank
- Northern Trust Bank
- Ohana Real Estate Investors
- Pacific Western Bank
- PNC Bank
- Preferred Bank
- Prospera Hotels
- State Bank of India
- Strategic Property Advisors
- Union Bank

## CREDENTIALS

### Professional Affiliations/Accreditations/Certifications

- Appraisal Institute, Designated Member (MAI)
- Certified General Real Estate Appraiser
  - State of California, No. AG009911
  - State of Hawaii, No. 936

## EDUCATION

- University of California at Irvine, Bachelor of Arts; Economics



# PROFESSIONAL PROFILE

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## REPRESENTATIVE ASSIGNMENTS

### Property

- Canary Hotel
- Crescent Hotel
- Fairmont
- Fairmont Orchid
- Four Seasons Hualalai Resort and Spa
- Hard Rock Hotel
- Hilton Bayfront
- Hilton Torrey Pines
- Hotel Angeleno
- Humphrey's Half Moon Inn Shelter Island
- Hyatt Regency Resort and Spa
- Kona Kai Resort Shelter Island
- Kona Village
- Korakia Pension
- Luxe Rodeo Drive
- Marriott
- Marriott
- Mission Inn Hotel and Spa
- Montage Hotel
- Montage Resort and Spa
- Renaissance Esmeralda
- Residence Inn Gaslamp
- Saguaro Resort
- Se San Diego (now Hotel Palomar)
- Sheraton Mission Valley
- Terranea Resort
- The Bristol
- The Fairmont
- The Thompson
- US Grant Hotel

### Location

- Santa Barbara
- Beverly Hills
- Newport Beach
- Kailua-Kona
- Kailua-Kona
- San Diego
- San Diego
- La Jolla
- Brentwood
- San Diego
- Waikiki
- San Diego
- Kailua-Kona
- Palm Springs
- Beverly Hills
- La Jolla
- Riverside
- Riverside
- Beverly Hills
- Laguna Beach
- Indian Wells
- San Diego
- Palm Springs
- San Diego
- San Diego
- Rancho Palos Verdes
- San Diego
- Newport Beach
- Beverly Hills
- San Diego