

APPRAISAL REPORT

PARCEL 1
11390-11400 STANFORD AVENUE
GARDEN GROVE, CALIFORNIA
APN: 090-154-57 (PORTION)



**R. P. LAURAIN
& ASSOCIATES**
INCORPORATED

APPRAISAL REPORT

PARCEL 1
11390-11400 STANFORD AVENUE
GARDEN GROVE, CALIFORNIA
APN: 090-154-57 (portion)

Effective Date
of
Market Value Study
March 15, 2023

Prepared for
CITY OF GARDEN GROVE
11222 Acacia Parkway
Garden Grove, CA 92842

Prepared by
R. P. LAURAIN & ASSOCIATES, INC.
3353 Linden Avenue, Suite 200
Long Beach, California 90807

Date of Report
March 23, 2023

R . P . L A U R A I N
& A S S O C I A T E S

INCORPORATED



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March 23, 2023

City of Garden Grove
11222 Acacia Parkway
Garden Grove, CA 92842

Attention: Mr. Paul Guerrero
Real Property

Subject: Parcel 1
11390-11400 Stanford Avenue
Garden Grove, California
APN: 090-154-57 (portion)

In accordance with your request and authorization, I have personally inspected and appraised the above-referenced property. The appraisal study included (1) an inspection of the subject property, (2) a review of market data, and (3) the valuation analysis.

The subject property is located at the southwest corner of Stanford Avenue and Eighth Street, in the Civic Center area of the City of Garden Grove. The subject property identified herein as Parcel 1 contains 96,073 square feet of land area. The site has a corner location on two secondary streets. The subject property was recently re-zoned and is located in the CC-3 (Civic Center Core Mixed Use) zone district. The subject site is currently improved with (1) a bank building occupied by a credit union containing 3,926 square feet, and (2) a police annex (office) building containing 5,938 square feet, occupied by the City of Garden Grove Police Department plus related on-site improvements (RV storage building, parking areas, landscaping, paving, etc.).

It will be demonstrated in the accompanying report, however, that the maximally productive use, and therefore, the highest and best use of the subject property is multiple family residential development in accordance with the existing zoning.

City of Garden Grove
Attention: Paul Guerrero
March 23, 2023
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After considering the various factors which influence value, the fee simple market value of the subject property, as of March 15, 2023, is estimated at:

EIGHT MILLION FIVE HUNDRED FIFTY THOUSAND DOLLARS
\$8,550,000

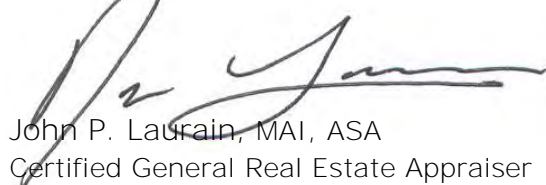
The foregoing value is subject to the assumptions and limiting conditions set forth in the Preface Section, and the valuation study in the Valuation Analysis Section. No portion of this report shall be amended or deleted.

This appraisal complies with the reporting requirements set forth in the Uniform Standards of Professional Appraisal Practice, under Standard Rule 2-2(a), for an Appraisal Report. This report has been submitted in duplicate; an electronic (PDF) copy has also been provided.

If you have any questions regarding the report, please contact the undersigned at your convenience.

Very truly yours,

R. P. LAURAIN & ASSOCIATES, INC.



John P. Laurain, MAI, ASA
Certified General Real Estate Appraiser
California Certification No. AG 025754

JPL:jlr

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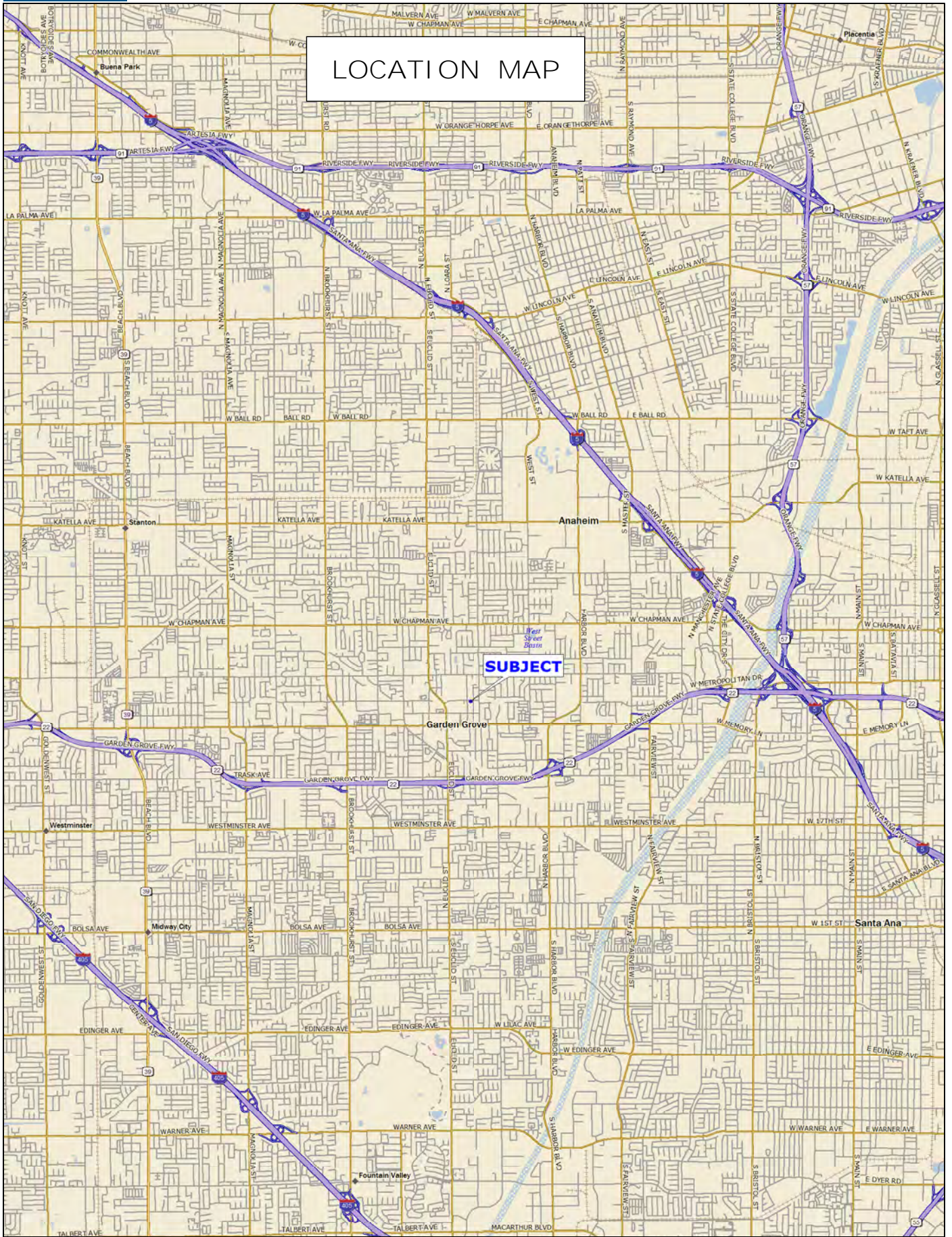
Summary of Land Value Indicators
Land Sales Data and Photographs
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Additional Photographs
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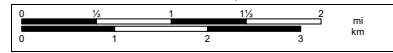
PREFACE

LOCATION MAP



SUBJECT

Scale 1 : 81,250

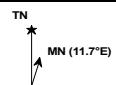


1" = 1.28 mi Data Zoom 12-0

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DATE OF VALUE

The date of value (effective date) employed in this report, and all opinions and computations expressed herein, are based on March 15, 2023. Said date being generally concurrent with the inspection of the subject property, and the valuation analysis process.

PURPOSE OF THE APPRAISAL

The purpose of this appraisal report is to express an estimate of market value, in fee simple, for the subject property, absent any liens, leases, or other encumbrances, as of the date of value set forth above. The definition of market value is set forth in the following portion of this section following the heading **"Terms and Definitions."**

Further, it is the purpose of this appraisal report to describe the subject property, and to render an opinion of the highest and best use based on (1) the character of potential development of the property appraised, (2) the requirements of local governmental authorities affecting the subject property, (3) the reasonable demand in the open market for properties similar to the subject property, and (4) the location of the subject property considered with respect to other existing and competitive districts within the immediate and general subject market area.

Further, it is the purpose of this appraisal report to provide an outline of certain factual and inferential information which was compiled and analyzed in the process of completing this appraisal study.

PROPERTY RIGHTS APPRAISED

The property rights appraised herein are those of the fee simple interest. Fee simple is defined as, "An absolute fee; a fee without limitations to any particular class of heirs, or restrictions, but subject to the limitations of eminent domain, escheat, police power, and taxation. An inheritable estate."

INTENDED USER OF APPRAISAL

It is understood that the intended user of the appraisal will be the client, the City of Garden Grove, and specific representatives thereof.

INTENDED USE OF APPRAISAL

It is understood that this appraisal will be utilized by the City of Garden Grove and specific representatives thereof to establish the market value of the subject property for the possible disposition (sale) of the property appraised.

CERTIFICATION

The undersigned does hereby certify that:

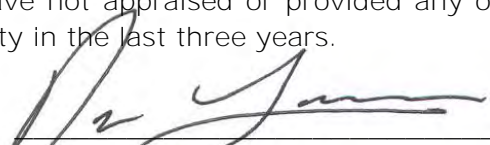
I have personally inspected the subject property; I have no present or contemplated future interest in the real estate which is the subject of this appraisal report. Also, I have no personal interest or bias with respect to the subject matter of this appraisal report, or the parties involved in this assignment.

My engagement in this assignment and the amount of compensation are not contingent upon the reporting or development 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 predetermined or stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal. Also, to the best of my knowledge and belief the statements of fact contained in this appraisal report, upon which the analyses, opinions, and conclusions expressed herein are based, are true and correct.

This appraisal report sets forth all of the assumptions and limiting conditions (imposed by the terms of this assignment or by the undersigned), affecting my personal, impartial, and unbiased professional analyses, opinions, and conclusions.

The reported analyses, opinions, and conclusions, were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institutes, and the Uniform Standards of Professional Appraisal Practice. As of the date of this report I have completed the continuing education program for Designated Member of the Appraisal Institute, the State of California and the American Society of Appraisers; note that duly authorized representatives of said organizations have the right to review this report. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

No one other than the undersigned prepared the analyses, conclusions, and opinions for this appraisal study. Abigail Pensaw assisted with market research, the appraisal inspection, and the valuation analysis. No other person provided significant professional assistance. I have not appraised or provided any other services pertaining to the subject property in the last three years.



John P. Laurain, MAI, ASA
Certified General Real Estate Appraiser
California Certification No. AG 025754
Renewal Date: April 16, 2025

SCOPE OF THE APPRAISAL

The appraiser, in connection with the following appraisal study, has:

1. Been retained, and has accepted the assignment, to make an objective analysis and valuation study of the subject property and to report, without bias, the estimate of fair market value. The subject property is particularly described in the following portion of this report in the section entitled Subject Property Description.
2. Toured the general area by automobile to become acquainted with the extent, condition, and quality of nearby developments, sales and offerings in the area, density and type of development, topographical features, economic conditions, trends toward change, etc.
3. Walked within the subject property, and some of the nearby neighborhood, to become acquainted with the current particular attributes, or shortcomings, of the subject property.
4. Completed an inspection of the subject property for the purpose of becoming familiar with certain physical characteristics.
5. Made a visual observation concerning public streets, access, drainage, and topography of the subject property.
6. Obtained information regarding public utilities and sanitary sewer available at the subject site.
7. Made, or obtained from other qualified sources, calculations on the area of land contained within the subject property. Has made, or caused to be made, plats and plot plan drawings of the subject property, and has checked such plats and plot plan drawings for accuracy and fair representation.
8. Taken photographs of the subject property, together with photographs of the immediate environs.
9. Made, or caused to be made, a search of public records for factual information regarding recent sales of the subject property.

SCOPE OF THE APPRAISAL (Continued)

10. Reviewed current maps, zoning ordinances, and other material for additional background information pertaining to the subject property, and sale properties.
11. Attempted to visualize the subject property as it would be viewed by a willing and informed buyer, as well as a willing and informed seller.
12. Interviewed various persons, in both public and private life, for factual and inferential information helpful in this appraisal study.
13. Formed an opinion of the highest and best use applicable to the subject property appraised herein.
14. Made, or caused to be made, a search for recent sales of comparable properties. Has viewed, confirmed the sale price, and obtained certain other information pertaining to each sale property contained in this report.
15. Formed an estimate of market value of the subject property, as of the date of value expressed herein, by application the Sales Comparison Approach; the Cost and Income Capitalization Approaches were not considered applicable in the subject case.
16. Prepared and delivered this appraisal report in accordance with the Uniform Standards of Professional Appraisal Practice, and in summation of all the activities outlined above.

ASSUMPTIONS AND LIMITING CONDITIONS

This appraisal is made with the following understanding as set forth in items No. 1 through 17, inclusive:

1. That this narrative Appraisal Report is intended to comply with reporting requirements set forth in the Uniform Standards of Professional Appraisal Practice, under Standard Rule 2-2(a), for an Appraisal Report. The information contained in this appraisal report is specific to the needs of the client; no responsibility is assumed for the unauthorized use of this report.
2. That title to the subject property is assumed to be good and merchantable. Liens and encumbrances, if any, have not been deducted from the final estimate of value. The subject property has been appraised as though under responsible ownership. The legal description is assumed accurate.
3. That the appraiser assumes there are no hidden or unapparent conditions of the subject property, subsoil, structures, or other improvements, if any, which would render them more or less valuable, unless otherwise stated. Further, the appraiser assumes no responsibility for such conditions or for the engineering which might be required to discover such conditions. That mechanical and electrical systems and equipment, if any, except as otherwise may be noted in this report, are assumed to be in good working order. The property appraised is assumed to meet all governmental codes, requirements, and restrictions, unless otherwise stated.
4. That no soils report of the subject property was provided to the appraiser; therefore information, if any, provided by other qualified sources pertaining to these matters is believed accurate, but no liability is assumed for such matters. Further, information, estimates and opinions furnished by others and contained in this report pertaining to the subject property and market data were obtained from sources considered reliable and are believed to be true and correct. No responsibility, however, for the accuracy of such items can be assumed by the appraiser.

ASSUMPTIONS AND LIMITING CONDITIONS (Continued)

5. That unless otherwise stated herein, it is assumed there are no encroachments, easements, soil toxics/contaminants, or other physical conditions adversely affecting the value of the subject property.
6. That no report(s) pertaining to mold, organic toxins, or chemical substances at the subject property was provided to the appraiser; therefore, information, if any, provided by other qualified sources pertaining to these matters is believed accurate, but no liability is assumed by the appraiser for such matters. That unless otherwise stated herein, the subject property has been appraised assuming the absence of mold, organic toxins, the presence of asbestos, or other organic and/or chemical substances which may adversely affect the value of the subject property.
7. That no opinion is expressed regarding matters which are legal in nature or which require specialized investigation or knowledge ordinarily not employed by real estate appraisers, even though such matters may be mentioned in the report.
8. That no oil rights have been included in the opinion of value expressed herein. Further, that oil rights, if existing, are assumed to be at least 500 feet below the surface of the land, without the right of surface entry.
9. That the distribution of the total valuation in this report between land and improvements, if any, applies only under the existing program of utilization. The separate valuations for land and improvements must not be used in conjunction with any other appraisal and are invalid if so used.
10. That the valuation of the property appraised is based upon economic and financing conditions prevailing as of the date of value set forth herein. Further, the valuation assumes good, competent, and aggressive management of the subject property.
11. That the appraiser has conducted a visual inspection of the subject property and the market data properties. Should subsequent information be provided relative to changes or differences in (1) the quality of title, (2) physical condition or characteristics of the property, and/or (3) governmental

ASSUMPTIONS AND LIMITING CONDITIONS (Continued)

restrictions and regulations, which would increase or decrease the value of the subject property, the appraiser reserves the right to amend the final estimate of value.

12. That the appraiser, by reason of this appraisal, is not required to give testimony in court or at any governmental or quasi-governmental hearing with reference to the property appraised, unless contractual arrangements have been previously made therefor.
13. That drawings, plats, maps, and other exhibits contained in this report are for illustration purposes only and are not necessarily prepared to standard engineering or architectural scale.
14. That this report is effective only when considered in its entire form, as delivered to the client. No portion of this report will be considered binding if taken out of context.
15. That possession of this report, or a copy thereof, does not carry with it the right of publication, nor shall the contents of this report be copied or conveyed to the public through advertising, public relations, sales, news, or other media, without the written consent and approval of the appraiser, particularly with regard to the valuation of the property appraised and the identity of the appraiser, or the firm with which he is connected, or any reference to the Appraisal Institute, or the American Society of Appraisers, or designations conferred by said organizations.
16. That the form, format, and phraseology utilized in this report, except the Certification, and Terms and Definitions, shall not be provided to, copied, or used by, any other real estate appraiser, real estate economist, real estate broker, real estate salesperson, property manager, valuation consultant, investment counselor, or others, without the written consent and approval of Ronald P. Laurain.
17. That this appraisal study is considered completely confidential and will not be disclosed or discussed, in whole or in part, with anyone other than the client, or persons designated by the client.

TERMS AND DEFINITIONS

Certain technical terms have been used in the following report which are defined, herein, for the benefit of those who may not be fully familiar with said terms.

MARKET VALUE (or Fair Market Value):

Market value is sometimes referred to as Fair Market Value; the latter is a legal term and a common synonym of Market Value. Market value as defined in Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) is defined as follows:

"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."

SALES COMPARISON APPROACH:

One of the three accepted methods of estimating Market Value. This approach consists of the investigation of recent sales of similar properties to determine the price at which said properties sold. The information so gathered is judged and considered by the appraiser as to its comparability to the subject properties. Recent comparable sales are the basis for the Sales Comparison Approach.

TERMS AND DEFINITIONS (Continued)

COST-SUMMATION APPROACH:

Another accepted method of estimating Market Value. This approach consists of estimating the new construction cost of the building and yard improvements and making allowances for appropriate amount of depreciation. The depreciated reconstruction value of the improvements is then added to the Land Value estimate gained from the Sales Comparison Approach. The sum of these two figures is the value indicated by the Cost-Summation Approach.

INCOME CAPITALIZATION APPROACH:

The Income Capitalization Approach consists of capitalizing the net income of the property under study. The capitalization method studies the income stream, allows for (1) vacancy and credit loss, (2) fixed expenses, (3) operating expenses, and (4) reserves for replacement, and estimates the amount of money which would be paid by a prudent investor to obtain the net income. The capitalization rate is usually commensurate with the risk, and is adjusted for future depreciation or appreciation in value.

DEPRECIATION:

Used in this appraisal to indicate a lessening in value from any one or more of several causes. Depreciation is not based on age alone, but can result from a combination of age, condition or repair, functional utility, neighborhood influences, or any of several outside economic causes. Depreciation applies only to improvements. The amount of depreciation is a matter for the judgment of the appraiser.

HIGHEST AND BEST USE:

Used in this appraisal to describe that private use which will (1) yield the greatest net return on the investment, (2) be permitted or have the reasonable probability of being permitted under applicable laws and ordinances, and (3) be appropriate and feasible under a reasonable planning, zoning, and land use concept.

SUBJECT PROPERTY DESCRIPTION

SUBJECT PROPERTY



Aerial photograph of the subject property (Parcel 1).

VESTEE: City of Garden Grove

ADDRESS: 11390-11400 Stanford Avenue
Garden Grove, CA 92840

LEGAL DESCRIPTION: Parcel 1, per map recorded in Book 300, Page 09 of Maps, in the office of the County Recorder, County of Orange, California.

COMMENT: The subject property identified herein as Parcel 1 represents the north portion of the larger Assessor's Parcel Number (APN) 090-154-57.

SITE DESCRIPTION

LOCATION: The subject property is located at the southwest corner of Stanford Avenue and Eighth Street, in the City of Garden Grove.

LAND SHAPE: Effectively rectangular land configuration.

DIMENSIONS: Various dimensions, **per Assessor's map.**

LAND AREA: 96,073 square feet, per information provided by the City of Garden Grove.

TOPOGRAPHY: Effectively level.

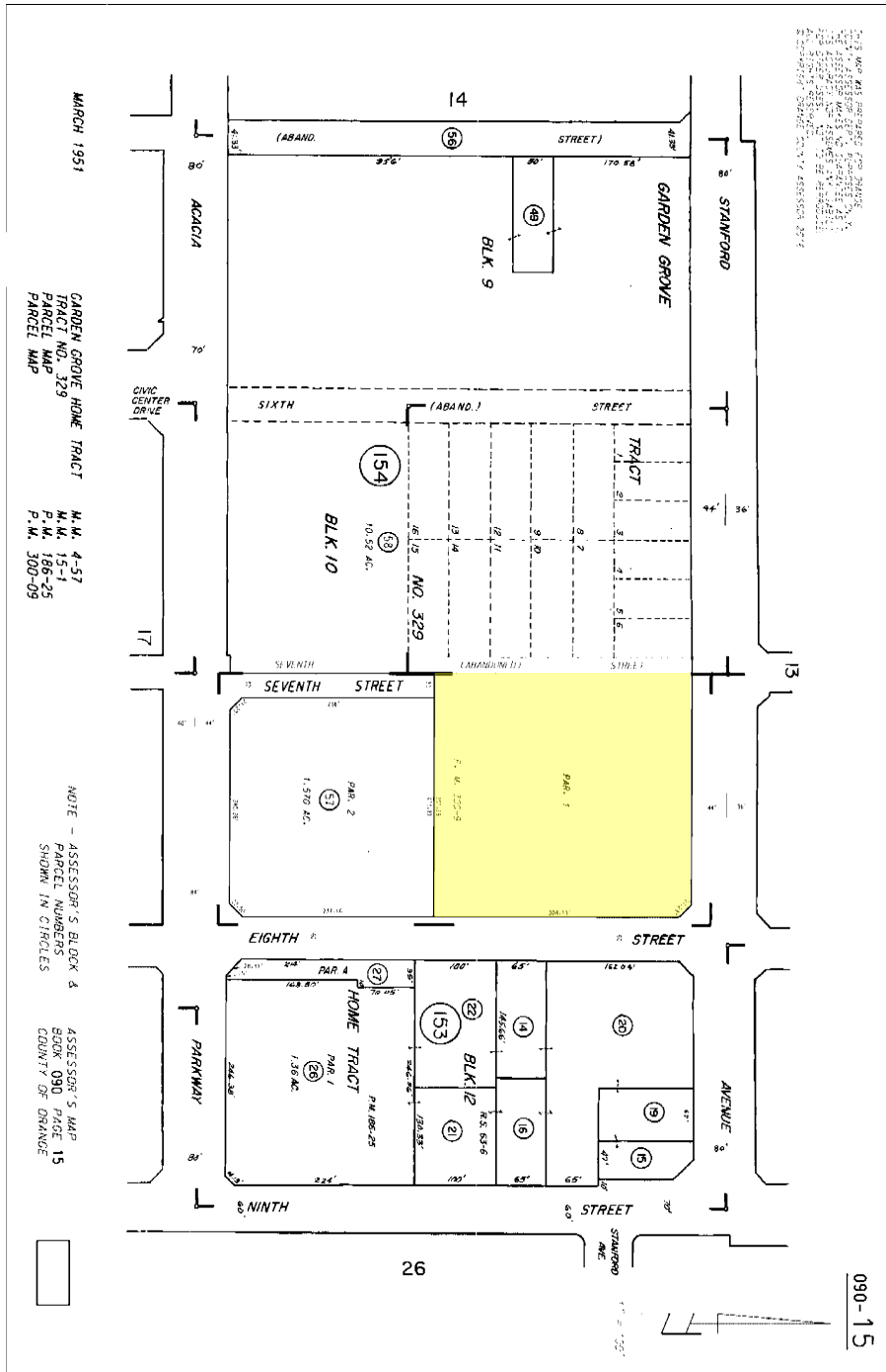
DRAINAGE: Appears to be adequate.

FLOOD HAZARD: The subject property is located on FEMA Flood Zone Map 06059C0143J, dated December 3, 2009; per said map, the subject site is located in Flood Zone X, an area of 0.2% chance of flood. Flood insurance (for improved properties) is not federally required by lenders for loans on properties in Flood Zone X.

SOIL STABILITY: Appears to be adequate based on the subject development, as well as developments in the immediate area. A soils report, however, was not provided for review.

SOIL CONTAMINATION: None known or observed, however, an environmental assessment report was not provided for review. The subject site has been appraised as though free of soil contaminants requiring remediation.

APN: 090-154-57 (portion)



R. P. LAURAIN
& ASSOCIATES
APPRAISERS - ANALYSTS

SITE DESCRIPTION (Continued)

OIL/MINERAL RIGHTS: The subject appraisal specifically excludes any existing oil or mineral rights. Further, oil or mineral rights, if existing, are assumed to be at least 500 feet below the surface of the land, without the right of surface entry.

EARTHQUAKE FAULT: While the greater Southern California area is prone to earthquakes, no seismic or geological studies were provided for review. No responsibility is assumed for the possible impact of seismic activity or earthquakes.

FRONTAGE: The subject property has 295± feet of frontage on Stanford Avenue and 304.13 feet of frontage on Eighth Street.

RIGHT OF WAY WIDTH: Stanford Avenue: 80 feet.
Eighth Street: 60 feet.

STREET SURFACING: Asphalt paved traffic lanes.

CURB, GUTTER, SIDEWALK: Concrete curbs, gutters, and sidewalks.

STREET LIGHTS: Street lights mounted ornamental standards.

UTILITIES: Water, gas, electric power, telephone service, and sanitary sewer are available in the immediate area.

ENCROACHMENTS: None apparent, however, a survey pertaining to the subject property was not provided for review.

SITE DESCRIPTION (Continued)

EASEMENTS: A Preliminary Title Report was not provided for review. Easements, if existing, are assumed to be located along the property boundaries and/or not interfering with the existing or any future highest and best use development. It is **assumed there are no "cross-lot" or "blanket"** easements which will preclude a highest and best use development.

ILLEGAL USES: None observed.

PRESENT USE: Credit Union of Southern California and City of Garden Grove Police annex facility.

ZONING: The subject property was recently re-zoned per Ordinance No. 2925 to be within the CC-3 (Civic Center Core Mixed Use) zone district which "is established to encourage civic, educational, commercial, high-density residential, and compatible uses that enliven the **City's core and work together to create a walkable, lively district that encourages interaction and engagement in community activities. Shared parking facilities, pedestrian orientation of buildings, high-quality architecture, pedestrian-scale landscaping, pathways, and signage reinforce the goal to create places where people, not cars, predominate."**

The permitted base density was also recently increased from 42 units per acre to 60 units per acre, which base density is before consideration of any affordable housing or other bonus incentives. The minimum lot size is 15,000 square feet. The site is within a 75-foot height district, with a 45-foot height limitation along certain property boundaries.

SITE DESCRIPTION (Continued)

HIGHEST AND BEST USE: The reader is referred to the first portion of the Valuation Analysis Section for a discussion regarding the highest and best use of the subject site.

IMPROVEMENTS

COMMENT: The subject property is improved with a bank building utilized by a credit union, a public annex building utilized by the Garden Grove Police Department, an RV storage building, paved parking areas, landscaping, etc. It will be demonstrated in the Valuation Analysis Section, however, that the highest and best use of the subject property is demolition and clearing of the existing building and site improvements to make way for a multiple family residential development.

BANK BUILDING: The bank building is located at 11390 Stanford Avenue and is occupied by Credit Union of Southern California. The building contains 3,925 square feet and is in overall average-good condition. Construction details include concrete block exterior walls; rolled asphalt roofing; anodized frame windows and doors; acoustic tile set in T-bar and drywall ceilings; ceramic tile and carpet floor coverings; painted drywall interior walls; two 2-piece restroom facilities; and a forced air heating and cooling system.

IMPROVEMENTS (Continued)

ANNEX BUILDING: The annex building is located at 11400 Stanford Avenue and is currently occupied by the Garden Grove Police Department. The building contains 5,937 square feet and is in overall average condition. Construction details include wood frame and stucco construction; rolled asphalt roofing; anodized frame windows and doors; acoustic tile set in T-bar ceilings; ceramic tile and carpet floor coverings; two 3-piece restrooms; and a forced air heating and cooling system.

OWNERSHIP HISTORY

COMMENT: Information regarding the date of acquisition by the City of Garden Grove was not provided to the appraiser. The acquisition of the property by a public agency, however, may not be reflective of, or relevant to, the current fair market value.

ASSESSMENT DATA

ASSESSOR'S PARCEL NO.: 090-154-57 (entire parcel)*

ASSESSED VALUATIONS: Land: \$1,428,607
Improvements: \$1,145,612

TAX RATE AREA: 18030

TAX YEAR: 2022-2023

REAL ESTATE TAXES: \$3,897.02*

*As noted, the subject property represents a portion of the larger APN. Real estate taxes will be adjusted in the event the subject property is sold to a private party. The adjusted **real estate taxes will be 1.02±% of the sale price, or Assessor's "cash value."** In the absence of a sale, transfer, or capital improvements, the maximum allowable increase in the assessed valuations is 2% per year, per Real Estate Tax Initiative of 1978 (Proposition 13).

NEIGHBORHOOD ENVIRONMENT

LOCATION: The subject property is located in the central portion of the City of Garden Grove, in the Civic Center area. The immediate area is developed with certain public uses (library, city hall, police department, etc.), as well as private uses. The subject property is located within a quarter mile of the Garden Grove Fire Department, City Hall, and Garden Grove High School.

ACCESS: Major north-south thoroughfares in the subject area include Euclid Street, Harbor Avenue, and Brookhurst Street. Major east-west thoroughfares include Garden Grove Boulevard, Trask Avenue, and Lampson Avenue. The Santa Ana (5) Freeway is located approximately three miles to the east and the Garden Grove (22) Freeway is located approximately 0.75 miles to the south of the subject property. Said freeways are part of the greater freeway network serving the Southern California region.

LAND USES: The immediate neighborhood is zoned CC-3 (Civic Center Core). Primary streets are generally developed with multiple family residential uses as well as certain commercial retail, office, and related uses. The majority of secondary streets in the immediate subject area are developed with multiple family residential developments. Further, as stated, there are various public uses in the immediate area.

The City of Garden Grove encompasses 18 square miles populated by just under 175,000 residents within the corporate limits of the City. The predominant land use in the City is residential (51%), followed by commercial and industrial (14%). Office use make up less than 1% of the land within the city limits. The remaining land area is open space, institutional/-government, vacant land parcels, and street and railroad rights of way.

NEIGHBORHOOD ENVIRONMENT (Continued)

BUILT-UP: The subject neighborhood is effectively 95% built-up, including public parks, public facilities, parking lots and school sites.

PRICE RANGE: Single family residential properties generally range from \$500,000 to exceeding \$800,000, exclusive of condominium developments.

The indicated price range is dependent upon the various elements of comparability which include location, building size, building condition, design, number of bedrooms and baths, and the overall land size.

PRICE TREND: There was an upward value trend affecting residential properties in the greater subject market area from the first part of 2013 through the mid portion of 2018, after which the rate of increase subsided. Residential property values, however, continued to increase, though at lower rates of appreciation, from the first portion of 2019 through the first portion of 2020, after which there was a significant decrease in residential sales activity and property values. Note that single family residential property values were not negatively affected by the COVID-19 pandemic and **resultant "Stay-at-home" orders (lockdown)**, which began in March 2020, however, certain multiple family properties experienced a stabilization in pricing and sales volumes due, in part, to rent ordinances which precluded rent increases in certain markets.

While the number of sale transactions decreased at the start of the lockdown, a number of agents, as well as various published articles, have indicated that after some limited activity, residential buying activity surged, with many residential property listings receiving multiple **offers, sometimes at "above asking" prices.**

NEIGHBORHOOD ENVIRONMENT (Continued)

PRICE TREND: (continued)

In the first portion of 2021, there was a significant increase in the single family residential market, which experienced annual increases in property values in excess of 20%. Said increases continued through the latter portion of 2021, due to historically low mortgage interest rates, as well as a lack of inventory. Multiple family residential properties likewise saw some slight increases in property values throughout 2021. In the first portion of 2022 the rate of appreciation for single family properties began to decrease slightly, and the market generally stabilized in the latter portion of 2022 through the present time, due primarily to inflationary concerns and a significant rise in interest rates. Multiple family residential property values remained relatively stable through the first portion of 2022, however, based on discussions with brokers and other market participants there has been a **"softening" in the multiple family residential market**, especially for vacant land parcels, from the mid portion of 2022 through the present time, due primarily to the rise in interest rates and difficulty in obtaining construction financing.

AGE RANGE:

The age range of residential buildings in the immediate and general subject market area is generally from 25 to 70 years. Single family residential properties within the immediate subject market area range from effectively new to 70 years.

OTHER:

The availability and adequacy of public facilities, transportation, schools, commercial facilities, recreational opportunities, and residential housing are rated fair-average. The City of Garden Grove provides police protection and fire protection. Refer to the CoStar Central OC West market report, as well as the Orange County Regional Data, in the Addenda Section.

VALUATION ANALYSIS

VALUATION ANALYSIS

The purpose of this valuation study is the estimation of market value of the subject property, as of the date of value set forth herein. Prior to the application of the appraisal process, which in this case employs the Sales Comparison Approach, it is necessary to consider and analyze the highest and best use of the subject property.

HIGHEST AND BEST USE ANALYSIS:

The 14th Edition of The Appraisal of Real Estate, by the Appraisal Institute, defines highest and best use on Page 332, as follows:

"The reasonably probable use of property that results in the highest **value.**"

In the process of forming an opinion of highest and best use, consideration must be given to various environmental and political factors such as zoning restrictions, probability of zone change, private deed restrictions, location, land size and configuration, topography, and the character/quality of land uses in the immediate and general subject market area.

There are four basic criteria utilized in the highest and best use analysis of a property as if vacant, as well as presently improved. The four criteria are summarized as follows:

1. Physically possible.
2. Legally permissible.
3. Financially feasible.
4. Maximally productive.

The foregoing are typically considered sequentially; for example, a specific use may prove to be maximally productive, however, if it is not legally permissible, or physically possible, the productivity is irrelevant.

The subject property is located at the southwest corner of Stanford Avenue and Eighth Street, in the Civic Center area of the City of Garden Grove. The subject property identified herein as Parcel 1 contains 96,073 square feet of land area. The site has a corner location on two secondary streets.

VALUATION ANALYSIS (Continued)

HIGHEST AND BEST USE ANALYSIS: (Continued)

The site has a generally rectangular land configuration. The subject property is rated average-good with respect to overall corner location/access.

All public utilities including water, gas, electric power, telephone, as well as sanitary sewer are available to the site. The physical characteristics of the subject parcel are considered adequate to accommodate legally permissible uses.

The subject property was recently re-zoned and is located in the CC-3 (Civic Center Core Mixed Use) zone district. The permitted base development density, before affordable housing or other incentives and bonuses, is 60 units per acre. The subject site contains 96,073 square feet, or 2.206 acre, allowing a base density of 132 units. The minimum lot size is 15,000 square feet and the maximum building height is generally 75 feet, however, the height is reduced to 45 feet along property boundaries.

The subject property is currently improved with (1) a bank building occupied by a credit union containing 3,926 square feet, and (2) a police annex (office) building containing 5,938 square feet, occupied by the City of Garden Grove Police Department, and related on-site improvements (RV storage building, parking areas, landscaping, paving, etc.). Said uses are considered legally permissible, with the credit union occupancy considered as a pre-existing legal nonconforming use. The buildings contain 9,864 total square feet.

The credit union building was leased for \$5,390 per month (effective December 1, 2019), or \$1.37 per square foot of building area, with a one-year option. The police annex building is a public use. For the purpose of a feasibility analysis, the value as improved has been considered assuming a conversion of the police annex building to an office use.

Under the feasibility study a rental rate at or above the upper end of office rental rates of \$2.50 per square foot has been employed. A vacancy factor of 5% and an expense ratio of 35% is applied to derive the net operating income (NOI). The NOI is then capitalized at 5.0% in the feasibility analysis to derive an indicated value of \$3,654,612, as follows:

VALUATION ANALYSIS (Continued)

HIGHEST AND BEST USE ANALYSIS: (Continued)

Annual Market Rent:					
9,864 sf x	\$2.50	x	12	=	\$ 295,920
Vacancy rate:	5%			-	14,796
Effective Gross Income:					<u>\$ 281,124</u>
Expenses:	35%			-	98,393
Net Operating Income:					<u>\$ 182,731</u>
Capitalization Rate:					5.0%
Indicated Value as Improved:					\$ 3,654,612

As stated, the subject site contains 96,073 square feet of land area. The foregoing value of \$3,654,612 equates to \$38.04 per square foot of land area, as presently improved.

It will be demonstrated in the latter portion of this section that the value of the underlying land, as if vacant and available for a private highest and best use development, is \$89.00 per square foot, adjusted to \$8,550,000. As such, it is apparent that the value of the subject site, as if vacant, significantly exceeds the value as improved.

After considering the physical characteristics of the subject property, as well as the legally permissible and financially feasible uses, the maximally productive use, and therefore, the highest and best use of the subject property is multiple family residential development at or near the maximum allowable density. Any interim value of the existing improvements is considered offset by demolition and clearing of the same to make way for a highest and best use multiple family residential development. The subject property has been appraised accordingly.

VALUATION ANALYSIS (Continued)

VALUATION METHODS:

There are three conventional methods (approaches) which can be used to estimate value. They are the Sales Comparison Approach, Cost-Summation Approach, and Income Capitalization Approach. The reader is referred to the last portion of the Preface Section, following the heading "Terms and Definitions," for a brief description of each approach to value.

There are three conventional methods (approaches) which can be used to estimate value. They are the Sales Comparison Approach, Cost-Summation Approach, and Income Capitalization Approach. The Sales Comparison Approach is the only valuation method considered reliable as an indicator of land value.

SALES COMPARISON APPROACH:

The Sales Comparison Approach takes into account properties which have sold in the open market. This approach, whether applied to vacant or improved property, is based on the Principle of Substitution which states, "The maximum value of a property tends to be set by the cost of acquiring an equally desirable substitute property, assuming no costly delay is encountered in making the substitution." Thus, the Sales Comparison Approach attempts to equate the subject property with sale properties by reviewing and weighing the various elements of comparability.

The Sales Comparison Approach has been applied to the subject property after an investigation was conducted of reasonably comparable industrial land having recently sold within the immediate and general subject market area. The reader is referred to the Market Data Section for detailed information pertaining to each sale property. Refer also to the Market Data Map in the Market Data Section, for an illustration of the location of each sale property.

The reader is referred to the summary of Land Value Indicators on the following page. The sale properties surveyed consist of effectively vacant land parcels, and improved parcels acquired for redevelopment, ranging in size from 20,366 to 244,466 square feet. The purchase prices per square foot of land area range from \$74.31 to \$147.30. The sales are set forth in chronological order and took place between February 2021 and December 2022. Due to the lack of sale properties in the immediate subject area it was necessary to expand the geographical and chronological search parameters.

LAND VALUE INDICATORS:

<u>Data</u>	<u>Date</u>	<u>Zoning</u>	<u>Land Size</u>	<u>Corner</u>	<u>Sale Price</u>	<u>Units Density</u>	<u>\$ Per SF \$/Unit</u>
1	2-21	R3	27,989 sf	no	\$2,080,000	18 28 du/ac	\$74.31 \$115,556
			7935-7941 Greenleaf Ave., Whittier				
2	7-21	HDR	244,466 sf	yes	\$19,500,000 entitled	139 25 du/ac	\$79.77 \$140,288
			445 S. Van Buren St., Placentia				
3	9-21	CC-3	41,778 sf	yes	\$3,800,000	58 60 du/ac	\$90.96 \$65,517
			11432 Stanford Ave., Garden Grove				
4	10-21	CCA	33,750 sf	yes	\$3,220,000 entitled	23 30 du/ac	\$95.41 \$140,000
			2212 E. 7th St., Long Beach				
5	12-21	R-4	46,440 sf	no	\$4,800,000 entitled	24 23 du/ac	\$103.36 \$200,000
			13800 Milton Ave., Westminster				
6	3-22	R3-1XL-CPIO	20,503 sf	yes	\$2,650,000	25 53 du/ac	\$129.25 \$106,000
			1627 Beacon St., San Pedro				
7	12-22	C2-1	20,366 sf	yes	\$3,000,000 entitled	36 77 du/ac	\$147.30 \$83,333
			16101 S. Figureroa St., Gardena				

VALUATION ANALYSIS (Continued)

SALES COMPARISON APPROACH: (Continued)

Financing and Cash Equivalency Adjustments:

Sale properties are adjusted for financing arrangements involved in transactions which are not market-typical. A cash equivalency adjustment is generally made in those cases where the cash down payment is generally less than 10% of the purchase price and the financing is other than conventional. The less-than-typical cash down payment, combined with other than conventional financing (such as seller financing), could influence a higher purchase price.

All of the sale properties involved all cash transactions, conventional or construction financing which were deemed typical of the market with the exception of Data 7, which involved seller financing based on a short-term (six month) "bridge" loan. **The listing agent indicated the buyer has been unable to obtain construction financing and is currently in default on the short term loan and, absent the seller loan the asking price would have been reduced.** As such, a downward adjustment of 20% is applied to Data 7 for seller financing. A cash equivalency adjustment, therefore, has not been applied to any of the sale transactions.

Market Conditions:

An adjustment for market conditions (date of sale) is appropriate when certain sales occur during a rising or declining market. The adjustments are based upon observations of the real estate market and value appreciation/declining cycles dating back more than 15 years.

Real estate trends affecting residential properties in the subject market area experienced an upward value trend starting in 2013 and the rate of increase accelerated in 2015 through 2021. Note that single family residential property values were not negatively affected by the COVID-19 pandemic and resultant **"Stay-at-home" orders (lockdown), which began in March 2020**, however, certain multiple family properties experienced a stabilization in pricing and sales volumes due, in part, to rent ordinances which precluded rent increases in certain markets, which stabilization is not necessarily reflected in certain data.

VALUATION ANALYSIS (Continued)

SALES COMPARISON APPROACH: (Continued)

Multiple family residential properties saw some slight increases in property values throughout 2021. In the first portion of 2022 the rate of appreciation for single family properties began to decrease slightly, and the market generally stabilized in the latter portion of 2022 through the present time, due primarily to inflationary concerns and a significant rise in interest rates. Multiple family residential property values remained relatively stable through the first portion of 2022, however, based on discussions with brokers and other market participants there has been a “softening” in the multiple family residential market, especially for vacant land parcels, from the mid portion of 2022 through the present time, due primarily to the rise in interest rates and difficulty in obtaining construction financing.

The reader is referred to the following CoStar graph pertaining to various multiple family residential markets in the general subject area. The reader is also referred to excerpts from the Multiple Family Submarket report, Central OC West, as obtained from CoStar, in the Addenda Section containing additional data and information pertaining to multiple family residential trends.



VALUATION ANALYSIS (Continued)

SALES COMPARISON APPROACH: (Continued)

Based on the foregoing, the market conditions adjustment applied to the sale properties is based on the following schedule:

January-December 2021:	+ 6.0% per year,	or	+ 0.5% per month
January-June 2022:	0.0% per year,	or	0.0% per month
January-December 2022:	- 6.0% per year,	or	- 0.50% per month
January-March 2023:	- 6.0% per year,	or	- 0.50% per month

Given the current uncertainty in the market due to recent inflationary and interest rate concerns, the adjustments for market conditions are applied to the various sale properties beginning the first full month following the date of sale through and including March 2023.

Elements of Comparability:

All of the sales employed herein conveyed title to the fee simple interest, and represent arms-length transactions. After viewing all of the land sale properties, an analysis was made of the various elements of comparability. Some of those elements include, but are not limited to, the following:

General location.	Corner location/access.
Best use/zoning.	Topography.
Development density.	Plans or entitlements.
Land size.	Off-site improvements.
Land configuration and utility.	Improvements/demolition

As stated, the marketability of each sale property was considered. Marketability is the practical aspect of selling a property in view of all the elements constituting value, and certain economic and financing conditions prevailing as of the date of sale.

It should be noted that the above elements of comparability were not assigned equal weight in making the analysis of each property. The general location, best use/zoning density, land configuration, corner location/access, freeway proximity, and improvements/demolition were considered the most important factors when analyzing the various sale properties, in the subject case.

VALUATION ANALYSIS (Continued)

SALES COMPARISON APPROACH: (Continued)

The reader is referred to the Land Sales Comparison Grid on the following page. As stated, quantitative adjustments have been applied to the various sale properties for market conditions (date of sale). The elements of comparability have been considered on a qualitative basis due to the lack of direct market evidence regarding quantitative adjustments in the subject market. Note that the various elements of comparability were not assigned similar weight; the overall comparability of each sale property is set forth on the bottom of the Comparison Grid.

Data 1 and 7, located in Whittier and Gardena, respectively, are deemed inferior to the subject property regarding general location. Data 6, located in San Pedro with an ocean view, is deemed superior with respect to location. The remaining sell properties are considered generally similar regarding location.

Note that larger properties, whether improved or vacant land, sometimes sell at overall lower rates per square foot in accordance with general economic principals, however, this is partially offset when considering the development density. As such, Data 1, 4 and 7, which represent smaller lot and block parcels, are deemed superior to the subject site (on a rate per square foot basis). Conversely, Data 2, representing a larger acreage parcel, is deemed inferior with respect to land size, on a rate per square foot basis.

The subject property has a base development density of 60 units per acre, or one unit per 726 square feet of land area. In such consideration, Data 7, having a higher development density, is deemed superior to the subject property when considered on a rate per square foot basis. Data 1, 2, 4 and 5, having lower development densities, are deemed inferior accordingly. Data 3 and 6 are considered to have generally comparable development densities.

MARKET ANALYSIS COMPARISON GRID

Data		1	2	3	4	5	6	7
Purchase price:		\$2,080,000	\$19,500,000	\$3,800,000	\$3,220,000	\$4,800,000	\$25	\$36
Rate per sq. ft.:		\$74.31	\$79.77	\$90.96	\$95.41	\$103.36	\$129.25	\$147.30
Property rights:	fee simple	fee simple	fee simple	fee simple	fee simple	fee simple	fee simple	fee simple
Conditions of sale:	-----	typical	typical	typical	typical	typical	typical	typical
Financing:	-----	cash	typical	typical	0.0%	typical	cash	seller -20%
Date of sale:	-----	2-21	7-21	9-21	10-21	12-21	3-22	12-22
Market conditions:	-----	0.50%	-2.00%	-3.00%	-3.50%	-4.50%	-4.50%	-1.50%
Adjusted unit rate:								
Rate per sq. ft.:		\$74.68	\$78.17	\$88.23	\$92.07	\$98.71	\$123.43	\$115.63
Comparability:	<u>Subject</u>							
General location:	average	Sale is: inferior	Sale is: similar	Sale is: similar	Sale is: similar	Sale is: similar	Sale is: superior	Sale is: inferior
Land size (sf):	96,073	superior	inferior	similar	superior	similar	superior	superior
Best use / zoning density:	MFR: 60 du/ac	inferior	inferior	similar	inferior	inferior	similar	superior
Land configuration:	typical	similar	inferior	sl. inferior	sl. inferior	similar	similar	sl. inferior
Corner location / access:	avg. -good	inferior	inferior	similar	similar	inferior	similar	similar
Topography:	level	similar	similar	similar	similar	similar	similar	similar
Improvements/demolition:	interim	similar	similar	similar	similar	similar	similar	similar
Plans/Entitlements:	no	similar	superior	similar	superior	superior	similar	superior
Off-site improvements:	average	similar	similar	similar	similar	similar	similar	similar
	Data	1	2	3	4	5	6	7
Overall comparability:		inferior	inferior	slightly inferior	superior	superior	superior	superior

VALUATION ANALYSIS (Continued)

SALES COMPARISON APPROACH: (Continued)

The subject property has a rectangular land configuration. Data 2 is has an irregular land configuration and is deemed inferior, while Data 3, 4, and 7 have slightly irregular land configurations and are deemed slightly inferior.

The subject property has a corner location and overall access is rated average-good. Data 1, 2 and 5, having inside locations, are deemed inferior regarding corner location/access.

Data 2, 4 and 5 sold as entitled sites and Data 7 sold with "ready to issue" plans. Said sale properties are deemed superior regarding plans/entitlements.

No other adjustments were warranted in the subject case.

The reader is referred to the following array of the land sale properties utilized herein. The sales are placed in order within the array by rating with respect to overall comparability, i.e. superior, similar, inferior. Based on the foregoing, the market conditions adjusted unit rates applicable to the land sale properties range from \$43.84 to \$88.58 per square foot of land area, as follows:

<u>Data</u>	<u>Overall Comparability</u>	<u>Rate Per SF Land</u>
6	superior	\$123.43
7	superior	\$115.63
5	superior	\$ 98.71
4	superior	\$ 92.07
Subject	- - -	\$ 89.00
3	slightly inferior	\$ 88.23
2	inferior	\$ 78.17
1	inferior	\$ 74.68

All of the sale properties were considered helpful in the analysis, however, it is noted that Data 3 is located across the street from the subject property, and is in the same zone district. The selling broker indicated, however, that the buyer of Data 3 is proposing a senior residential care facility. Further, Data 3 is deemed superior regarding market conditions (and was adjusted downward 3.0%), but is deemed slightly inferior regarding land configuration. As such, the implied rate applicable to the subject property is considered to be slightly above the market conditions adjusted rate of \$88.23 indicated by Data 3.

VALUATION ANALYSIS (Continued)

SALES COMPARISON APPROACH: (Continued)

Based on the foregoing, the unit rate considered applicable to the subject property, is estimated at \$89.00 per square foot of land area, as follows:

Land Value:

96,073 SF @ \$89.00 = \$8,550,497.

Adjusted: \$8,550,000.

FINAL ESTIMATE OF VALUE:

Based on the foregoing valuation, the fee simple market value of the subject property, as of March 15, 2023, is estimated at:

\$8,550,000

MARKETING EXPOSURE:

The marketing exposure of a particular property is a direct function of supply and demand within a particular market segment. Generally, a higher demand results in a shorter marketing period. During the course of market research for the subject valuations, interviews were conducted with parties involved in the transactions employed in the Sales Comparison Approach. Based on said interviews, as well interviews with real estate brokers specializing in the subject market area, the marketing exposure estimated for the subject property, assuming an aggressive and comprehensive marketing program, is approximately 3 to 9 months.

MARKET DATA

MARKET DATA SUMMARY

LAND VALUE INDICATORS

<u>Data</u>	<u>Date</u>	<u>Zoning</u>	<u>Land Size</u>	<u>Corner</u>	<u>Sale Price</u>	<u>Units Density</u>	<u>\$ Per SF \$/Unit</u>
1	2-21	R3	27,989 sf	no	\$2,080,000	18 28 du/ac	\$74.31 \$115,556
2	7-21	HDR	244,466 sf	yes	\$19,500,000 entitled	139 25 du/ac	\$79.77 \$140,288
3	9-21	CC-3	41,778 sf	yes	\$3,800,000	58 60 du/ac	\$90.96 \$65,517
4	10-21	CCA	33,750 sf	yes	\$3,220,000 entitled	23 30 du/ac	\$95.41 \$140,000
5	12-21	R-4	46,440 sf	no	\$4,800,000 entitled	24 23 du/ac	\$103.36 \$200,000
6	3-22	R3-1XL-CPIO	20,503 sf	yes	\$2,650,000	25 53 du/ac	\$129.25 \$106,000
7	12-22	C2-1	20,366 sf	yes	\$3,000,000 entitled	36 77 du/ac	\$147.30 \$83,333

MARKET DATA # 1

7935-7941 Greenleaf Avenue
Whittier



GRANTOR:	SNW Development, Inc.	APN:	8141-027-015, 036
GRANTEE:	KK Properties Group, LLC	LAND SIZE:	27,989 sq.ft
SALE DATE:	February 24, 2021	ZONING:	R3
DOC. NO.:	309619	TOPOGRAPHY:	Effectively level
SALE PRICE:	\$2,080,000	PRESENT USE:	Vacant land
TERMS:	All cash	BLDG. IMPS.:	None

VALUE INDICATION: \$74.31 per SF land

MARKET DATA # 2

445 South Van Buren Street
Placentia



GRANTOR:	Placentia VB, LLC	APN:	346-164-22, 25, 26
GRANTEE:	LCG-Placentia, LLC	LAND SIZE:	244,466 sq.ft
SALE DATE:	July 30, 2021	ZONING:	HDR
DOC. NO.:	484216	TOPOGRAPHY:	Effectively level
SALE PRICE:	\$19,500,000	PRESENT USE:	139 townhomes in construction phase
TERMS:	All cash	BLDG. IMPS.:	Demolished subsequent to sale

VALUE INDICATION: \$79.77 per SF land

MARKET DATA # 3

11432 Stanford Avenue
Garden Grove



GRANTOR:	Lora L. Umphress, et al	APN:	090-153-19
GRANTEE:	Threek Investments, LLC	LAND SIZE:	41,778 sq.ft
SALE DATE:	September 22, 2021	ZONING:	CC-3
DOC. NO.:	589096	TOPOGRAPHY:	Effectively level
SALE PRICE:	\$3,800,000	PRESENT USE:	SFRs scheduled for demolition
TERMS:	\$600,000 private	BLDG. IMPS.:	Older SFRs

VALUE INDICATION: \$90.96 per SF land

MARKET DATA # 4

2212 East 7th Street
Long Beach



GRANTOR:	Project Verve, LLC	APN:	7262-027-001, 2, 3, 16
GRANTEE:	ADC Long Beach, LLC	LAND SIZE:	33,750 sq.ft
SALE DATE:	October 15, 2021	ZONING:	CCA
DOC. NO.:	1559441	TOPOGRAPHY:	Effectively level
SALE PRICE:	\$3,220,000	PRESENT USE:	23 apartment units in construction phase
TERMS:	All cash	BLDG. IMPS.:	Demolished subsequent to sale

VALUE INDICATION: \$95.41 per SF land

MARKET DATA # 5

13800 Milton Avenue
Westminster



GRANTOR:	Milton Avenue 24, LLC	APN:	203-311-13, 16, 24
GRANTEE:	RHF Holding Group	LAND SIZE:	46,440 sq.ft
SALE DATE:	December 17, 2021	ZONING:	R4
DOC. NO.:	757372	TOPOGRAPHY:	Effectively level
SALE PRICE:	\$4,800,000	PRESENT USE:	Vacant land
TERMS:	All cash	BLDG. IMPS.:	None

VALUE INDICATION: \$103.36 per SF land

MARKET DATA # 6

1627 Beacon Street
San Pedro



GRANTOR:	1627 Beacon LLC	APN:	7456-019-027
GRANTEE:	Redondo 100 LLC	LAND SIZE:	20,503 sq.ft
SALE DATE:	March 31, 2022	ZONING:	R3-1XL-CPIO
DOC. NO.:	358254	TOPOGRAPHY:	Effectively Level
SALE PRICE	\$2,650,000	PRESENT USE:	Vacant lot
TERMS:	All cash	BLDG. IMPS.:	None
VALUE INDICATION:		\$129.25 per SF land	

MARKET DATA # 7

16101 South Figueroa Boulevard
Gardena



GRANTOR:	Sarashaool, LLC	APN:	6120-023-034
GRANTEE:	Alondra Property, LLC	LAND SIZE:	20,366 sq.ft
SALE DATE:	December 20, 2022	ZONING:	C2-1
DOC. NO.:	1186616	TOPOGRAPHY:	Effectively level
SALE PRICE:	\$3,000,000	PRESENT USE:	Vacant land
TERMS:	\$2,136,240 seller	BLDG. IMPS.:	None

VALUE INDICATION: \$147.30 per SF land

MARKET DATA MAP



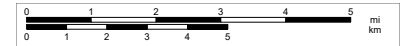
Data use subject to license.

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Scale 1 : 187,500



1" = 2.96 mi

Data Zoom 10-1

ADDENDA

See Photo No. 1 on first page of Subject Property Description Section.



PHOTO NO. 2: View looking southeasterly at the subject property from Stanford Avenue.



PHOTO NO. 3: View looking southwesterly at subject property from the intersection of Stanford Avenue and Eighth Street.



PHOTO NO. 4: View looking southeasterly at the bank facility.



PHOTO NO. 5: View looking southeasterly at the annex building.



PHOTO NO. 6: View looking west along Stanford Avenue.



PHOTO NO. 7: View looking east along Stanford Avenue.



PHOTO NO. 8: View looking south along Eighth Street.



PHOTO NO. 9: View looking north along Eighth Street.

COSTAR MULTIPLE FAMILY
SUBMARKET REPORT EXCERPT



Multi-Family Submarket Report

Central OC West of I-5

Orange County - CA

PREPARED BY

John Laurain
Vice President



12 Mo. Delivered Units

865

12 Mo. Absorption Units

(413)

Vacancy Rate

4.7%

12 Mo. Asking Rent Growth

2.8%

Orange County's government is located in Santa Ana. The area is strategically located along several arterial freeways which provide easy access into Orange County's primary employment nodes further south and toward the coast.

Demand has filtered into new supply which has helped keep the vacancy rate at 4.7%, while averaging only 3.3% over the past five years. Yet, overall demand has been negative since the start of 2022 as household formation has ground to a halt due to factors including high rents, persistent inflation and high interest rates. Central OC West does have a heavy pipeline consisting of about 1,100 units which should apply upward pressure to the vacancy rate, at least in the near-term forecast. In fact, the pipeline reached its highest level in the past decade at the start of 2023 before Park on First

delivered.

Rents are up 2.8% year over year, although rent growth has moderated off its peak of 12.9% in early 2022. Historically high rent growth, although since retreating, has placed further pressure on renters by necessity in the submarket who have fewer affordable options to choose from.

Investors have shown steady interest in the submarket over the years. However, recently implemented rent control in the city of Santa Ana could deter some investors as the law mandates a rent cap of 3% annually or 80% of inflation. Similarly, rising interest rates have led many investors to show more restraint due to a period of pricing discovery.

KEY INDICATORS

Current Quarter	Units	Vacancy Rate	Asking Rent	Effective Rent	Absorption Units	Delivered Units	Under Constr Units
4 & 5 Star	7,214	13.9%	\$2,838	\$2,804	49	603	765
3 Star	12,485	3.4%	\$2,324	\$2,314	(14)	0	353
1 & 2 Star	21,600	2.4%	\$1,751	\$1,744	(7)	0	0
Submarket	41,299	4.7%	\$2,209	\$2,194	28	603	1,118

Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When	Trough	When
Vacancy Change (YOY)	3.1%	3.8%	4.8%	6.3%	2009 Q4	1.4%	2021 Q4
Absorption Units	(413)	168	360	1,641	2010 Q3	(535)	2022 Q4
Delivered Units	865	201	588	1,423	2010 Q3	0	2018 Q3
Demolished Units	0	11	13	190	2007 Q4	0	2022 Q4
Asking Rent Growth (YOY)	2.8%	3.2%	2.0%	12.9%	2022 Q1	-5.0%	2009 Q4
Effective Rent Growth (YOY)	2.4%	3.2%	1.9%	13.3%	2022 Q1	-5.3%	2009 Q4
Sales Volume	\$215M	\$245.9M	N/A	\$551.4M	2022 Q1	\$37.3M	2011 Q4

The vacancy rate has shifted by 3.0% year over year after a net of -400 units have been absorbed in the past 12 months. Absorption fell every quarter in 2022 as many renters have been financially squeezed out of the submarket due to rising rents coupled with persistent inflation and rising interest rates. Net absorption in luxury communities has been marginal year over year while it has plummeted in 2 and 3 Star properties over that period.

Many landlords have also noted that many renters are reluctant to move due to concern about finding another rental that isn't costlier. That is compelling some landlords to try to create vacancy in their communities so that they have more room to raise rents on the vacant unit. Looking ahead, supply additions are likely to apply further upward pressure to the rate heading in the coming quarters.

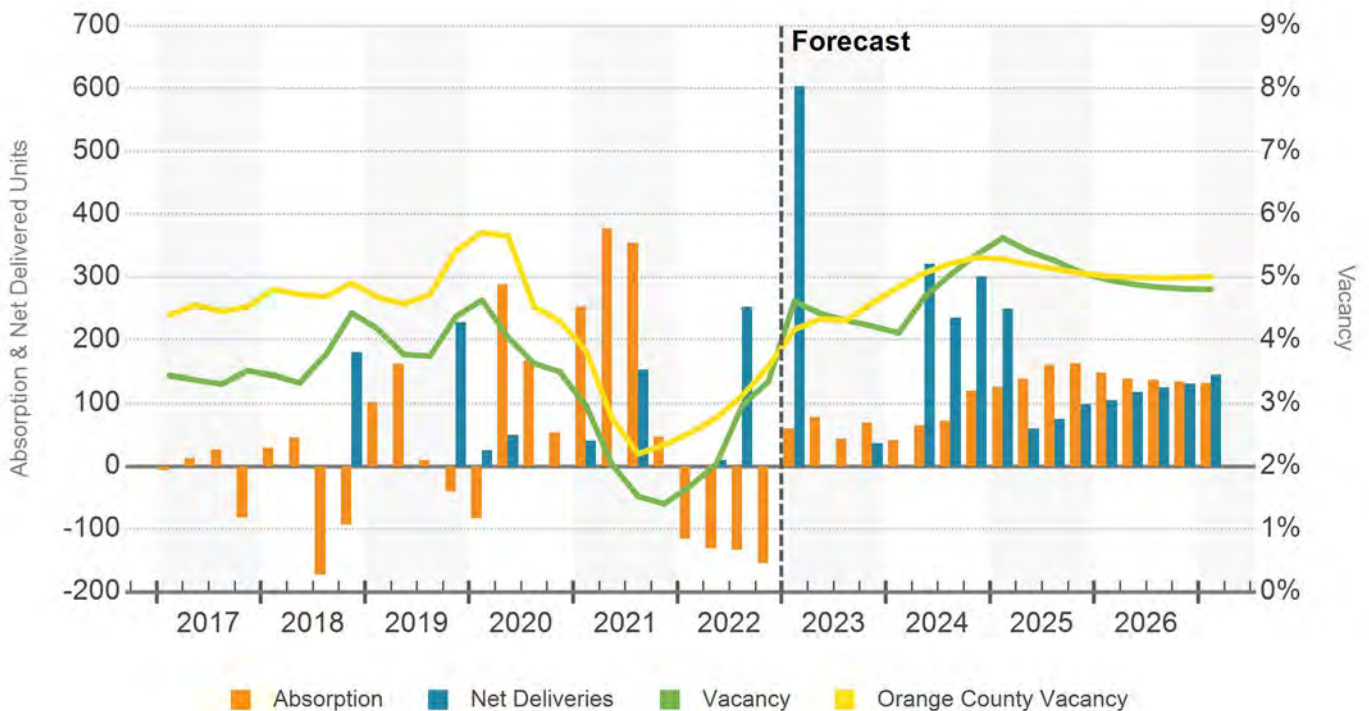
Downtown Santa Ana continues to gentrify and add restaurants, theaters and shops in the hope of attracting younger residents and visitors to the area. Apartment developers have joined the fray, looking to secure renters that are interested in the area's centrality and

affordability. In addition to gentrification downtown, work is underway on the \$400 million light rail project called the OC Streetcar that will connect Downtown Santa Ana with Garden Grove, providing another outlet for residents to expand their employment opportunities when the line opens in 2023.

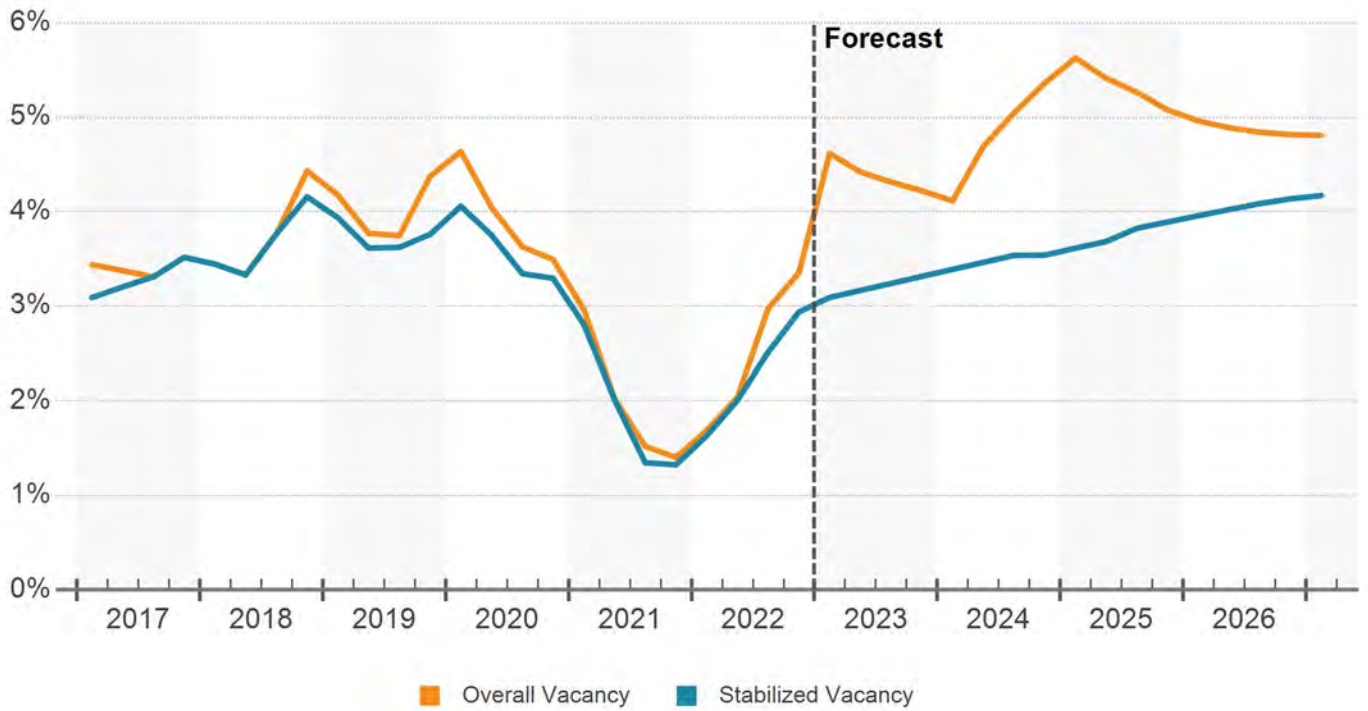
The submarket also includes a few Opportunity Zones, primarily in Downtown Santa Ana. The city hopes that developers will be enticed to build and renovate buildings in these areas due to the federal program's tax benefits, and several investors have done so with commercial properties.

Santa Ana passed rent control in November 2021 that covers properties built before 1996. The rent cap is set at 3% annually or 80% of inflation on these units, whichever is less. The city was the first to pass rent control in Orange County. And while other cities throughout the county had been considering this measure, the deceleration in rent growth across the region has made it less of a priority. Santa Ana followed up the rent control measure with a rental registry. The registry will track available units and rent increases.

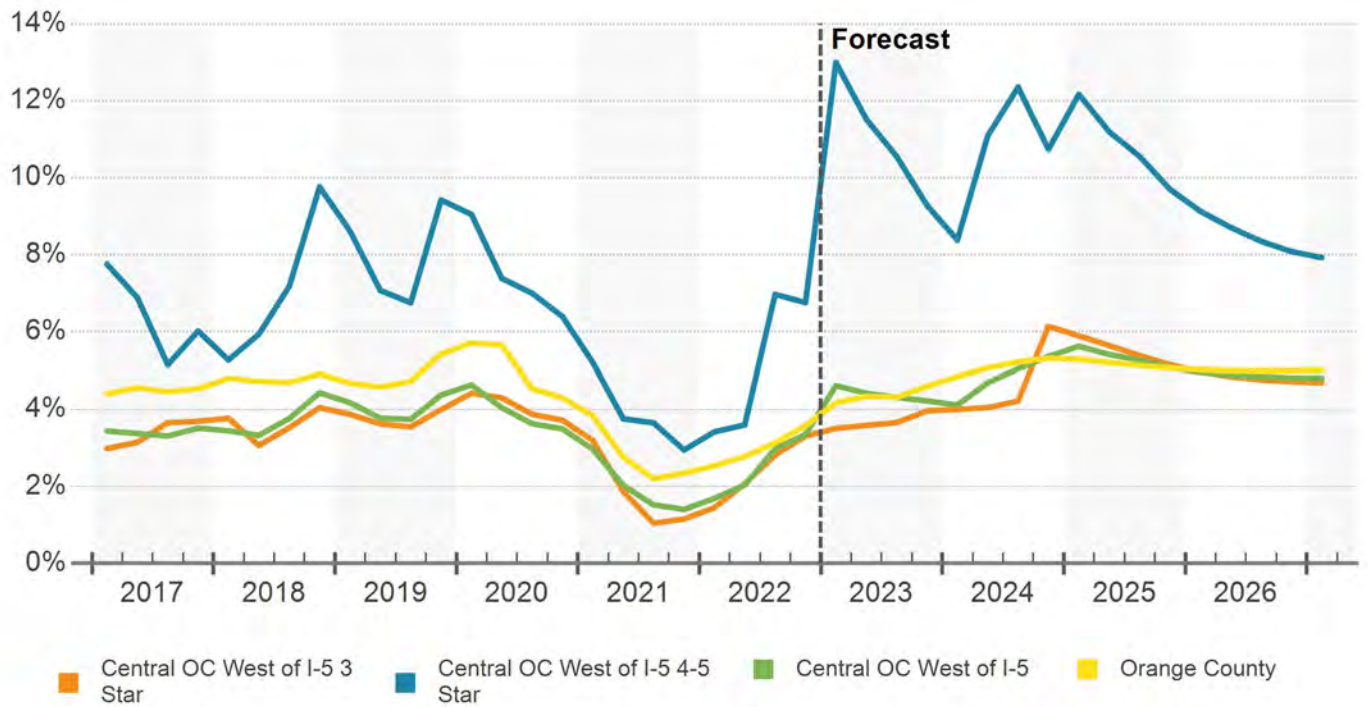
ABSORPTION, NET DELIVERIES & VACANCY



OVERALL & STABILIZED VACANCY



VACANCY RATE



VACANCY BY BEDROOM



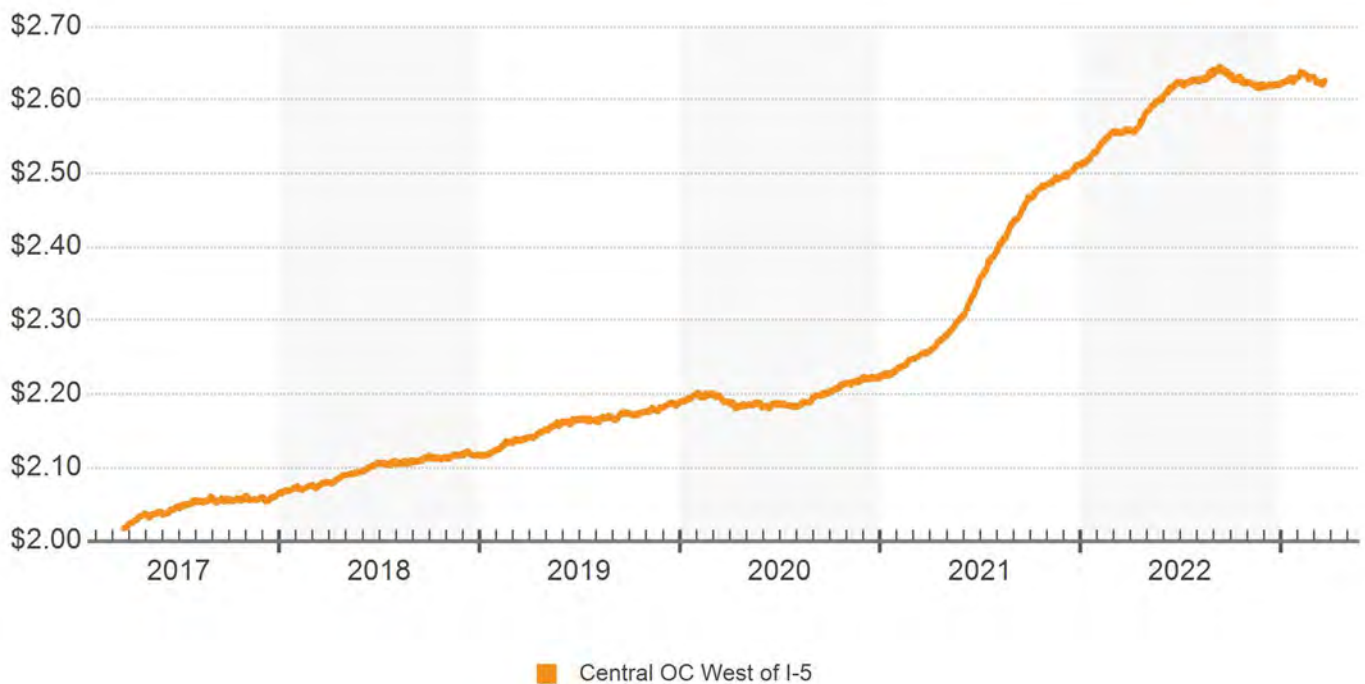
Year-over-year rent growth currently sits at 2.8%, compared with the five-year average of 4.8%. Annual rent growth has moderated from its historical peak of 12.9% in early 2022, following the county-wide trend as demand has fallen. Average rents have been largely flat since mid-2022.

Luxury apartments, although seeing the most consistent demand in the past year, have seen rent growth moderate most notably. Properties rated 1 & 2 Star will be most affected by the recently passed rent control in the city of Santa Ana because the vast majority were built before 1995. Most 3 Star communities also fall

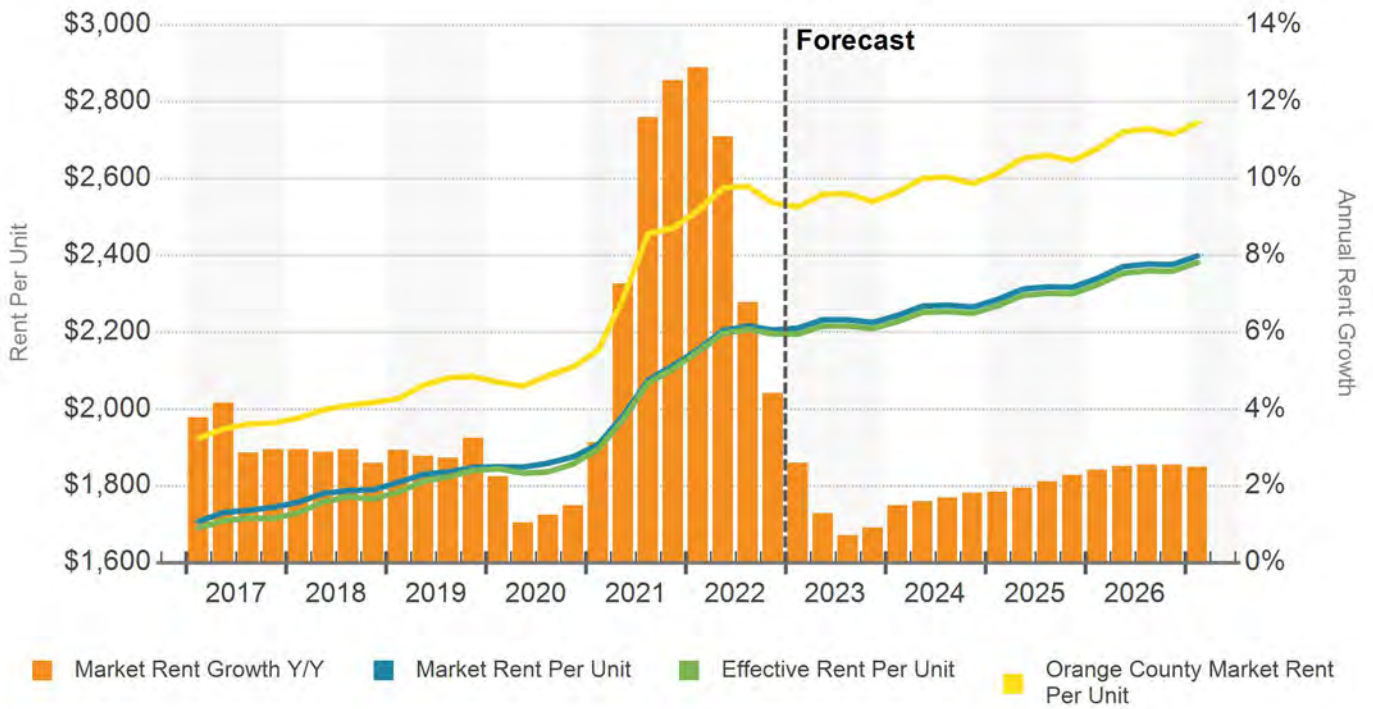
under that umbrella.

Median household income in Central OC West is among the lowest in the metro. Residents with lower-than-average incomes might be most comfortable in 1 & 2 Star and 3 Star apartments, where rent still makes up about 35% of income. Inventory rated 4 & 5 Star in the submarket is often out of reach for many residents, accounting for more than 50% of a renter's household income. This has caused many new developments to look outside the submarket for renters, while also being more permissive of higher rent-to-income ratios than what was seen in the past.

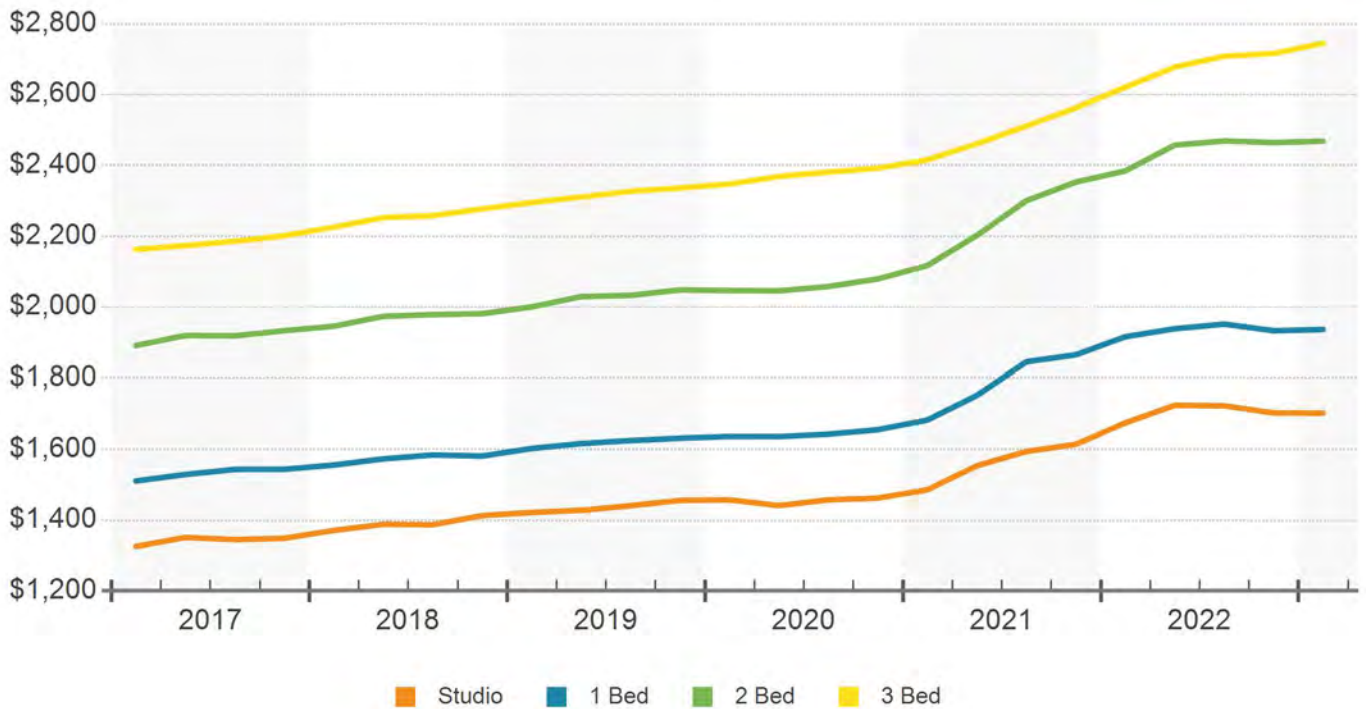
DAILY ASKING RENT PER SF



MARKET RENT PER UNIT & RENT GROWTH



MARKET RENT PER UNIT BY BEDROOM



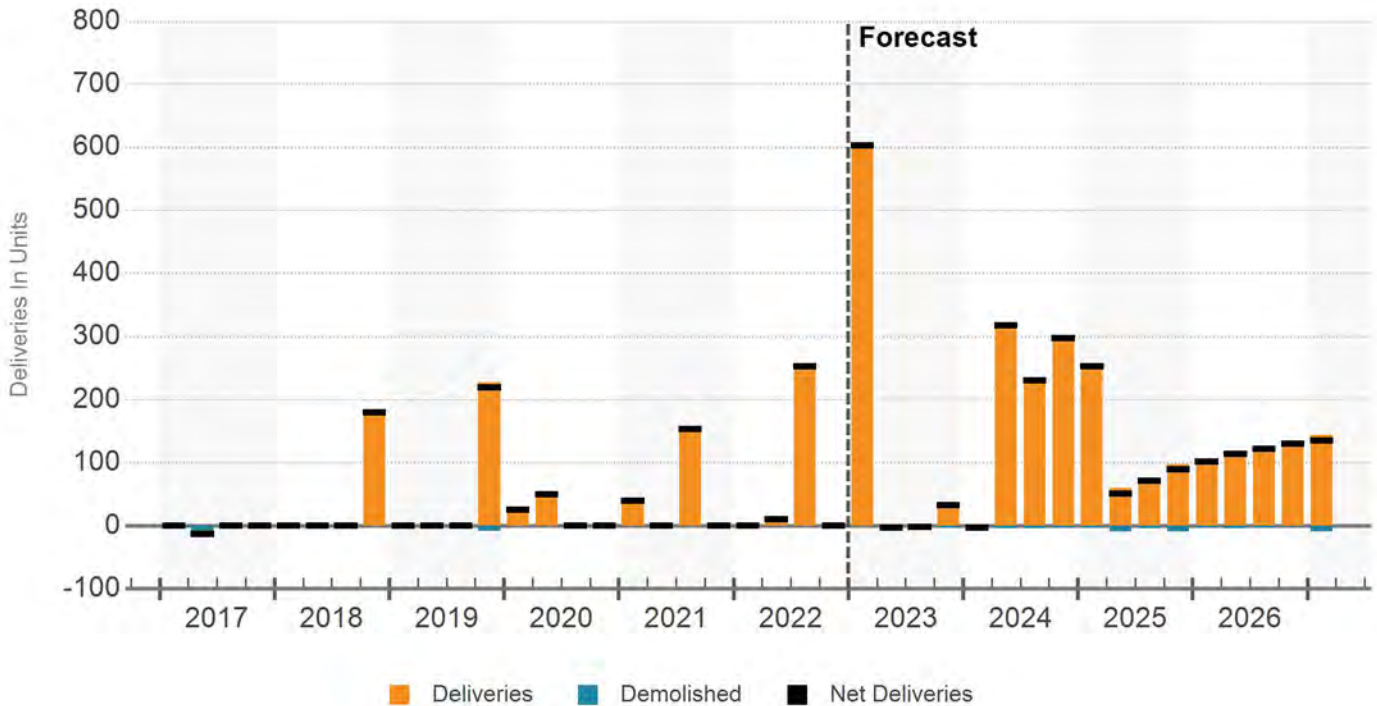
After a long drought in the pipeline, development activity has picked up in Central OC West of I-5 in recent years and much of it is concentrated in Opportunity Zones in Santa Ana. All told, a net of about 1,500 units have opened over the past five years, and roughly 1,100 units are under construction. That level, which has reached its highest level in 10 years, will apply upward pressure to vacancy as those properties begin delivering this year.

One of the largest recent projects was Park on First at Prentice Park in Santa Ana. The 603-unit property opened at the beginning of 2023 offering one month free on 12-month leases. The property is adjacent to I-5 and is within a mile of downtown Santa Ana and the Amtrak station. Amenities are similar to other new construction in Orange County, and it includes a gateway to the Santa Ana Zoo. It is one of the largest communities in the submarket.

DWS Group and Legacy Partners broke ground on the 226-unit Bloom in the southern part of Santa Ana in early 2021. It is scheduled to open in 2023 and is within striking distance of South Coast Plaza and high-paying jobs in Irvine, Tustin and Costa Mesa.

While not the norm, some developers are building outside Santa Ana city limits. Bonanni Development is building 300 units at 12736 Beach Blvd in Stanton called VRV. The low-rise project is expected to open by mid-2023. Bonanni is also building Cloud House in Stanton. The project will include more than 300 units. The central feature of the development is the rooftop skydeck, which is one of the largest in Orange County. Included on the sixth level of the parking structure, the expansive roof deck will be equipped with a lounge, pool and spa and fitness studio. The project will also include ground floor leasing, co-working spaces, and multiple courtyards throughout with its scheduled opening in 2024.

DELIVERIES & DEMOLITIONS



Central OC West of I-5 is often among the top targets for investors in Orange County, and the submarket has averaged 66 market-rate deals annually over the past five years. Although foreign investors have shown interest in the submarket occasionally, sales activity is driven by local and national capital. Transactional pricing has averaged about \$330,000/unit during the past 12 months, which is substantially lower than the Orange County average. Properties typically sell at a cap rate near 4%. The average size of communities to have sold in the past year was about 20 units.

Newly passed rent control could hinder investment in the near term, as local and middle-market investors are interested in Santa Ana properties built in 1995 or earlier. Similarly, rising interest rates have made investment less attractive given the cost of debt, and investment activity has taken a step back since the middle of 2022.

Investment volume has averaged \$335 million annually over the past five years, with a 12-month peak of \$551 million over that period. Buyers have received an average discount of roughly 7% off the asking price in

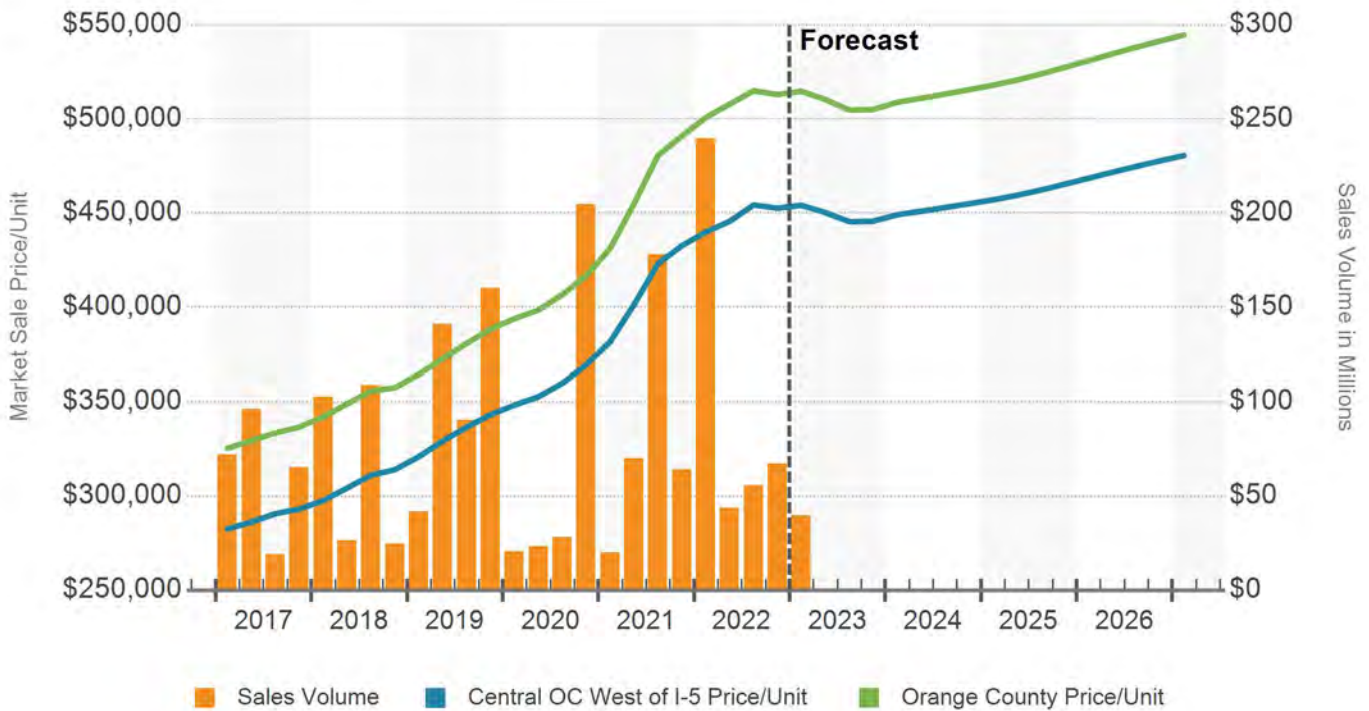
the past year, which is higher than historical trends.

Private local investors were involved on both ends of the sale for the Village Courtyard Apartments located at 8080 Bever Pl in Stanton at the end of 2022. The 58-unit community sold for \$19 million, or about \$328,000/unit, at a 3.2% cap rate. That was one of the lower cap rates in recent quarters here.

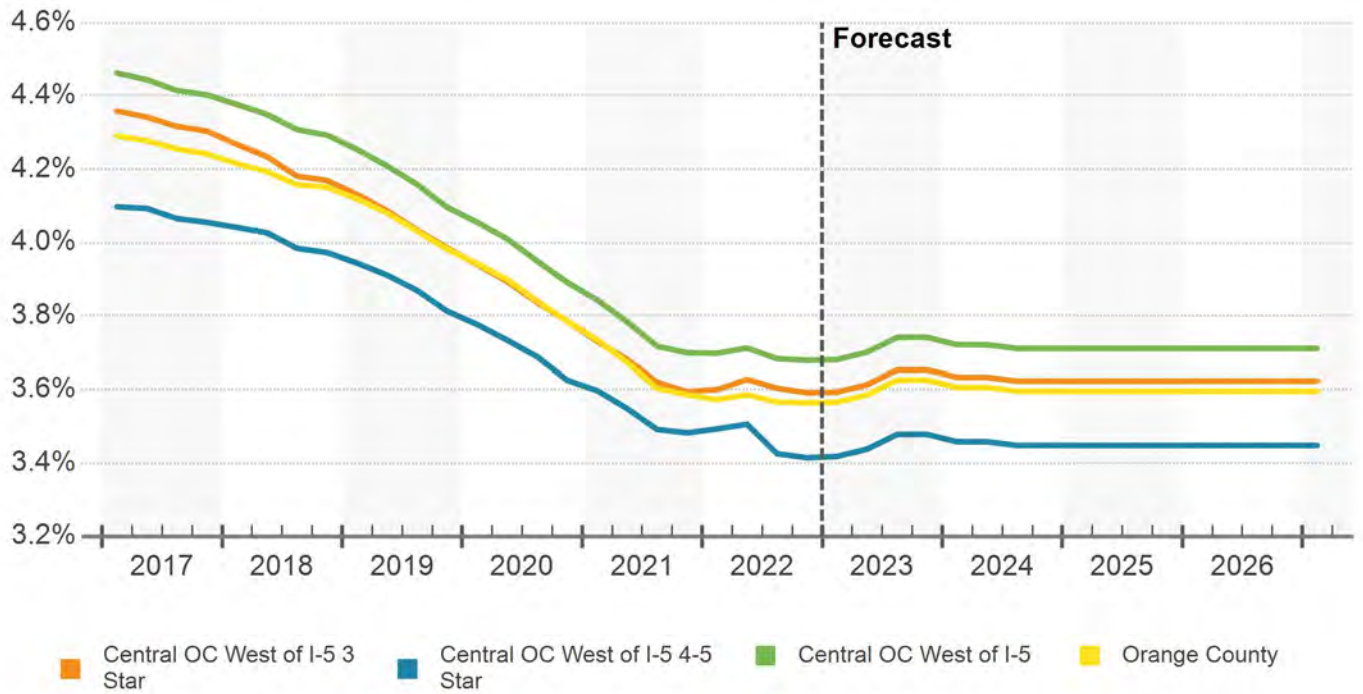
During 22Q3, a private investor purchased the 15-unit community located at 13871 Shady Ln in Garden Grove for \$7.7 million, or about \$516,000/unit, at a 4.1% cap rate. There was a credit of roughly \$210,000 to cover the cost of deferred maintenance. The buyer will likely undertake a capital improvement program. The property last sold in 2011 for \$3.2 million.

A private investor acquired the 25-unit Garden Apartments located at 7920 Trask Ave in Westminster during 22Q2 for \$9.3 million, or about \$372,000/unit, at a 3.96% cap rate. The buyer was expected to improve the units. This deal represented the seller's downleg in a 1031 exchange.

SALES VOLUME & MARKET SALE PRICE PER UNIT



MARKET CAP RATE



Sales Past 12 Months

Central OC West of I-5 Multi-Family

Sale Comparables

Avg. Price/Unit (thous.)

Average Price (mil.)

Average Vacancy at Sale

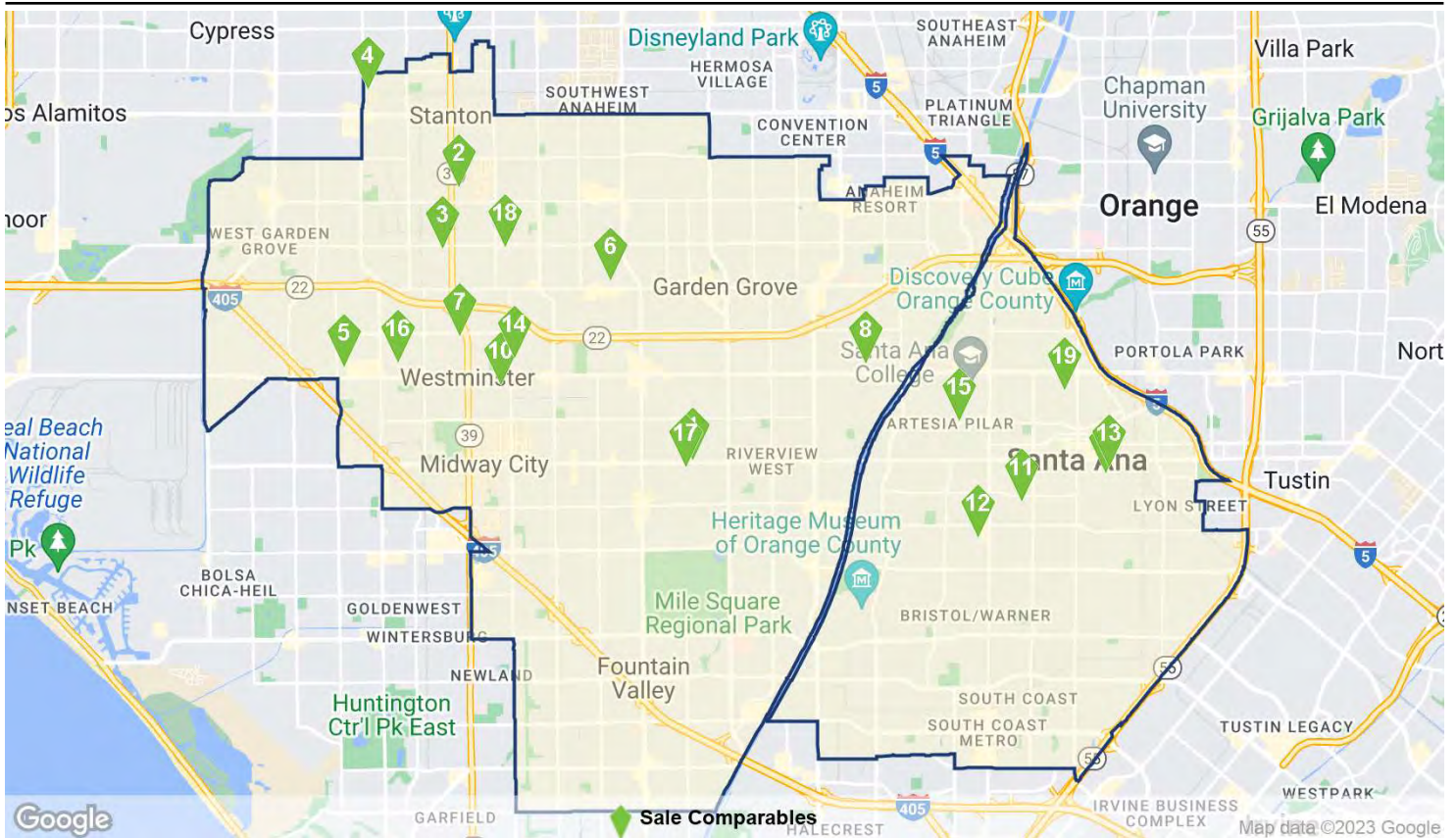
46

\$324

\$4.7

1.7%

SALE COMPARABLE LOCATIONS



SALE COMPARABLES SUMMARY STATISTICS

Sales Attributes	Low	Average	Median	High
Sale Price	\$1,500,000	\$4,674,674	\$2,750,000	\$20,000,000
Price/Unit	\$189,928	\$324,336	\$309,167	\$516,000
Cap Rate	3.2%	4.5%	4.3%	10.0%
Vacancy Rate At Sale	0%	1.7%	0%	6.8%
Time Since Sale in Months	0.3	6.3	6.4	12.0
Property Attributes	Low	Average	Median	High
Property Size in Units	5	14	10	60
Number of Floors	1	1	2	2
Average Unit SF	163	823	845	2,205
Year Built	1906	1966	1963	1988
Star Rating	★★★★★	★★★★★ 2.1	★★★★★	★★★★★

Sales Past 12 Months

Central OC West of I-5 Multi-Family

RECENT SIGNIFICANT SALES

Property Name/Address	Property Information				Sale Information				
	Rating	Yr Built	Units	Vacancy	Sale Date	Price	Price/Unit	Price/SF	
1 Bolsa West Apartments 10621 Bolsa Ave	★★★★★	1977	60	0%	11/17/2022	\$20,000,000	\$333,333	\$262	
2 Village Courtyard Apartments 8080 Bever Pl	★★★★★	1971	58	0%	10/5/2022	\$19,025,000	\$328,017	\$370	
3 Kwan Yin Apartments 7932 Lampson Ave	★★★★★	1963	45	6.8%	1/17/2023	\$16,785,000	\$373,000	\$343	
4 Heritage Point 10680 Knott Ave	★★★★★	1964	28	0%	6/8/2022	\$10,390,000	\$371,071	\$383	
5 13872 La Pat Pl	★★★★★	1963	30	3.3%	3/2/2023	\$10,000,000	\$333,333	\$465	
6 Acacia Villa Apartments 9832-9858 Acacia Ave	★★★★★	1962	24	4.2%	12/15/2022	\$10,000,000	\$416,666	\$404	
7 Garden Apartments 7920 Trask Ave	★★★★★	1964	25	0%	6/9/2022	\$9,300,000	\$372,000	\$487	
8 13871 Shady Ln	★★★★★	1986	15	0%	8/15/2022	\$7,740,000	\$516,000	\$414	
9 502 E Pine St	★★★★★	1982	18	0%	9/28/2022	\$6,215,000	\$345,277	\$319	
10 8361 15th St	★★★★★	1963	20	0%	9/13/2022	\$5,960,000	\$298,000	\$480	
11 Richland Apartments 1003 Richland Ave	★★★★★	1986	17	0%	6/27/2022	\$5,500,000	\$323,529	\$267	
10 8361 15th St	★★★★★	1963	20	0%	5/12/2022	\$5,300,000	\$265,000	\$427	
12 1140 S Poplar St	★★★★★	1960	20	0%	3/31/2022	\$5,000,000	\$250,000	\$331	
13 520 E Walnut St	★★★★★	1983	16	0%	8/30/2022	\$4,975,000	\$310,937	\$320	
14 13784-13792 Newland	★★★★★	1964	10	0%	7/20/2022	\$4,200,000	\$420,000	\$427	
15 1629 Civic Center Dr W	★★★★★	1987	13	0%	8/8/2022	\$4,100,000	\$315,384	\$333	
16 13811 Cherry St	★★★★★	1978	8	0%	11/22/2022	\$3,650,000	\$456,250	\$475	
17 15052 Ward St	★★★★★	1981	7	0%	9/7/2022	\$3,425,000	\$489,285	\$482	
18 12551 Adelle St	★★★★★	1970	12	0%	4/1/2022	\$3,350,000	\$279,166	\$127	
19 1408 N Broadway St	★★★★★	1929	12	0%	5/16/2022	\$3,250,000	\$270,833	\$329	

ORANGE COUNTY
REGIONAL DATA



ORANGE COUNTY PROFILE

PLACE/LAND USE



799

LAND AREA
(SQ MILES)



4,040

PERSONS
PER SQ MILE



42

MILES OF
COASTLINE



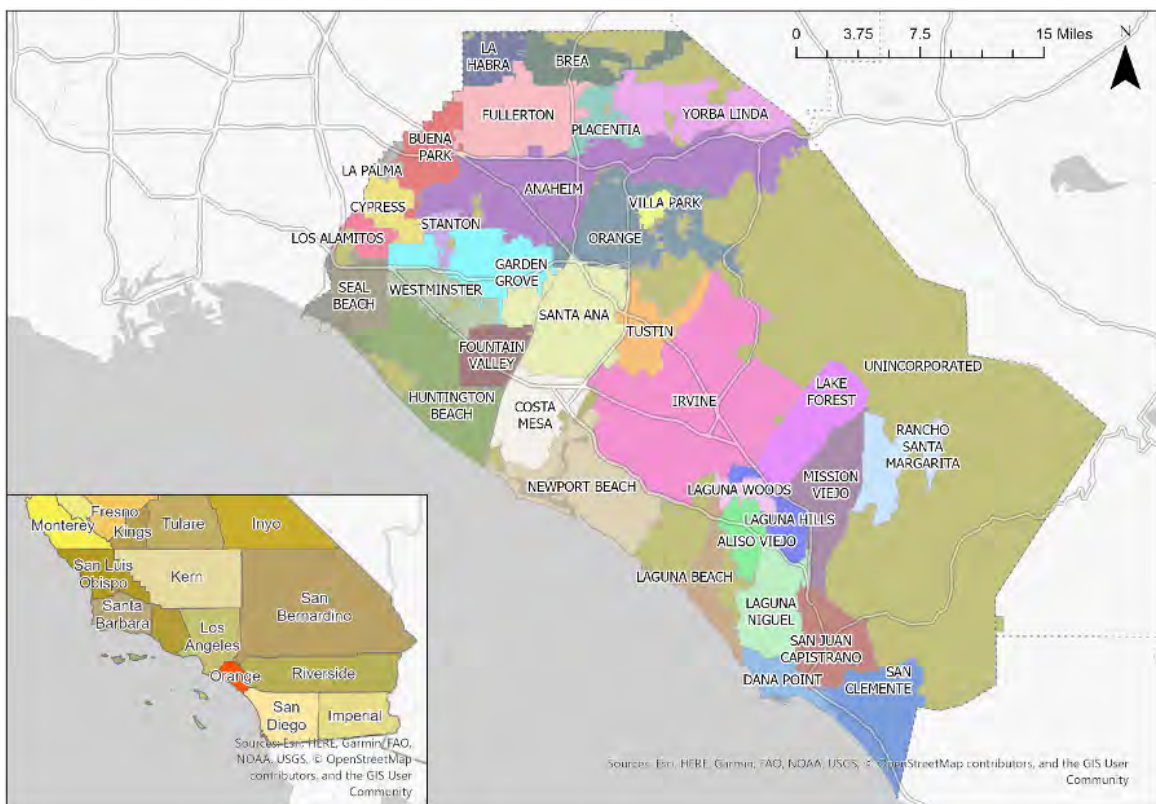
34

CITIES
& SEVERAL LARGE
UNINCORPORATED
AREAS

ORANGE COUNTY HAS 8% OF CALIFORNIA'S POPULATION
BUT ONLY 0.5% OF ITS LAND AREA

Southern California, which spans over 42,000 square miles with 209 cities and a population of over 22 million people, remains a global travel and business destination with a diverse culture and economy. Located in the heart of Southern California, Orange County neighbors nearly every county in the region, allowing access to the region's lucrative job market and entrepreneurial business environment.

SOUTHERN CALIFORNIA AND ORANGE COUNTY, 2020



Orange County had a population of 3,228,519 in 2020, making it the sixth-largest county in the nation. After growing from a bedroom community into an economic powerhouse and then dramatically recovering from the Great Recession, Orange County faces perhaps its greatest economic challenge. While the COVID-19 pandemic may rival the Great Recession in its economic impact, Orange County’s demonstrated economic resilience, combined with its broad range of competitive advantages and industry clusters, suggests the region is well-positioned to weather these disruptions.

POPULATION DENSITY

Orange County had an average population density of 4,040 residents per square mile, 6.0 percent more than in 2010. Orange County is significantly denser than neighboring counties.

ORANGE COUNTY POPULATION PER SQUARE MILE, 2020

COUNTY	POPULATION PER SQUARE MILE
Orange	4,040
Los Angeles	2,527
Riverside	339
San Bernardino	109
San Diego	797
California (Statewide)	163

Source: California Department of Finance, Demographic Research Unit





ORANGE COUNTY PROFILE

PEOPLE/DEMOGRAPHICS/DIVERSITY



3,222,498

**CURRENT
POPULATION**
(2020)



3,696,326

**PROJECTED
POPULATION**
(2060)



**PERCENT GROWTH IN
POPULATION**

ORANGE COUNTY - 6TH LARGEST COUNTY IN THE U.S.

Orange County's population is large and growing; it is the third-largest county in California and the sixth-largest in the nation. It has more residents than 21 states, including Utah, Iowa, Nevada, Arkansas, and Mississippi.

BECOMING OLDER

Orange County's average age continues to increase as younger populations shrink, and older populations increase in overall size. The county had a median age of 38.3 years in 2018, higher than the national average (38.2 years), which it lagged the previous year, and well above the state average (36.7 years).

NEW BIRTHS, INTERNATIONAL MIGRATION FUELING GROWTH

Natural increase - births minus deaths - has driven population growth in Orange County for decades, with population growth averaging 22,656 since 2010. While foreign immigration remains strong, averaging 15,169 annually since 2010, net migration, on the other hand, has turned increasingly negative due in large part to high housing costs. Orange County's strong labor market, research universities, and high quality of life continue to attract immigrants from around the world. 30 percent of the county's population was foreign-born in 2018, compared to only 6 percent in 1970.

OLDER POPULATION SET TO EXPAND

Residents aged 65 and older are the only segment of the population expected to see growth between 2020 and 2060, at which point they are projected to represent 25 percent of the county's population.

TOP 10 COUNTRIES OF ORIGIN, 2018

COUNTRY	FOREIGN-BORN POPULATION
Mexico	303,392
Vietnam	157,670
Korea	75,793
China	61,238
Philippines	52,954
India	36,507
Iran	24,147
Taiwan	23,142
El Salvador	22,023
Canada	13,913

Source: U.S. Census Bureau, American Community Survey, 1-Year Estimates, Table B05006

ORANGE COUNTY REMAINS A STANDOUT IN SOUTHERN CALIFORNIA

BY THE NUMBERS SNAPSHOT: ORANGE COUNTY CHARACTERISTICS COMPARED TO REGIONAL PEERS, 2020

COUNTY	MEDIAN HOUSEHOLD INCOME	MEDIAN AGE	POVERTY LEVEL (%)	MEAN COMMUTE TIME (IN MINUTES)
Orange	\$89,759	38.3	10.5%	28.3
San Diego	\$79,079	36.1	11.4%	26.6
Los Angeles	\$68,093	36.7	14.1%	32.2
Riverside	\$66,964	35.8	12.7%	33.6
San Bernardino	\$63,857	33.6	14.9%	31.7
California (Statewide)	\$75,277	36.7	12.8%	30.2

Source: Economic Modeling Specialists International; U.S. Census Bureau, American Community Survey, 1-year Estimates

ECONOMY/BUSINESS COMMUNITY/LABOR MARKET

ORANGE COUNTY'S ECONOMY DEMONSTRATING RESILIENCE IN THE FACE OF UNCERTAINTY



EVEN DURING COVID-19, OC'S UNEMPLOYMENT RATE OUTPERFORMING REGIONAL PEERS

ORANGE COUNTY INCOME AND UNEMPLOYMENT RATE REGIONAL COMPARISON

	MEDIAN HOUSEHOLD INCOME	UNEMPLOYMENT RATE (JULY 2020)
Orange	\$89,759	12.3%
Los Angeles	\$68,093	18.2%
Riverside	\$66,964	13.7%
San Bernardino	\$63,857	13.1%
San Diego	\$79,079	12.3%
California	\$75,277	13.7%
United States	\$61,937	10.5%

Source: U.S. Census Bureau, American Community Survey, 1-Year Estimates, Table B19013; California Employment Development Department

ORANGE COUNTY'S LARGEST EMPLOYERS WILL PLAY KEY ROLE IN RECOVERY

LARGEST EMPLOYERS IN ORANGE COUNTY, 2020

COMPANY	EMPLOYMENT IN ORANGE COUNTY
The Walt Disney Co.	32,000
University of California, Irvine	24,174
County of Orange	17,365
St. Joseph Health	14,000
Kaiser Permanente	8,200
Albertsons Southern California Division	7,535
Boeing Co.	6,500
Hoag Memorial Hospital Presbyterian	6,500
Walmart Inc.	6,200
Target Corp.	6,000
MemorialCare Health System	5,400
Bank of American Corp.	5,000
Edwards Lifesciences Corp.	4,998
California State University-Fullerton	4,349
Irvine Company	4,120
Home Depot Inc.	4,100
Cedar Fair LP	4,000
Children's Hospital of Orange County	3,938
Costco Wholesale Corp.	3,915
UnitedHealth Group Inc.	3,900



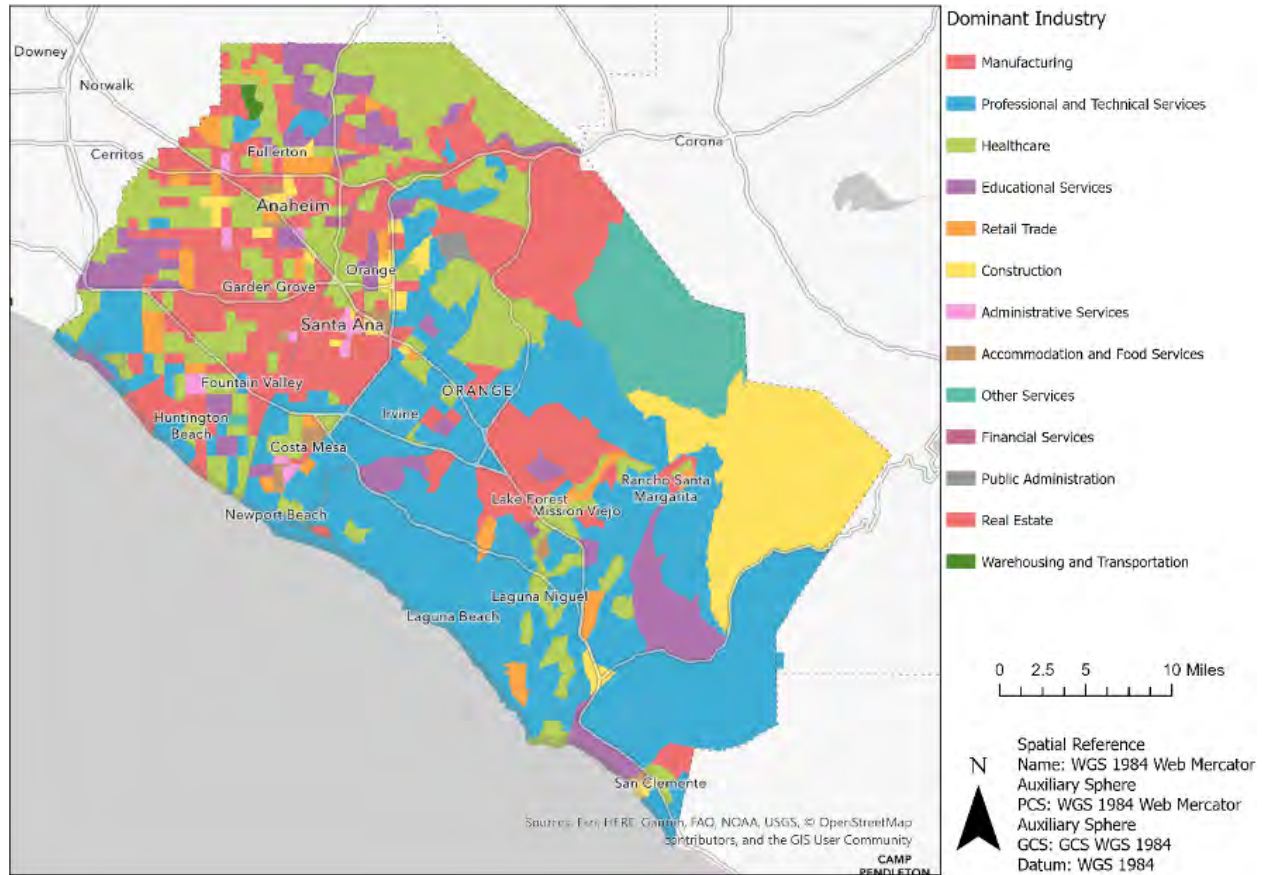
Source: Orange County Business Journal, 2020 Book of Lists



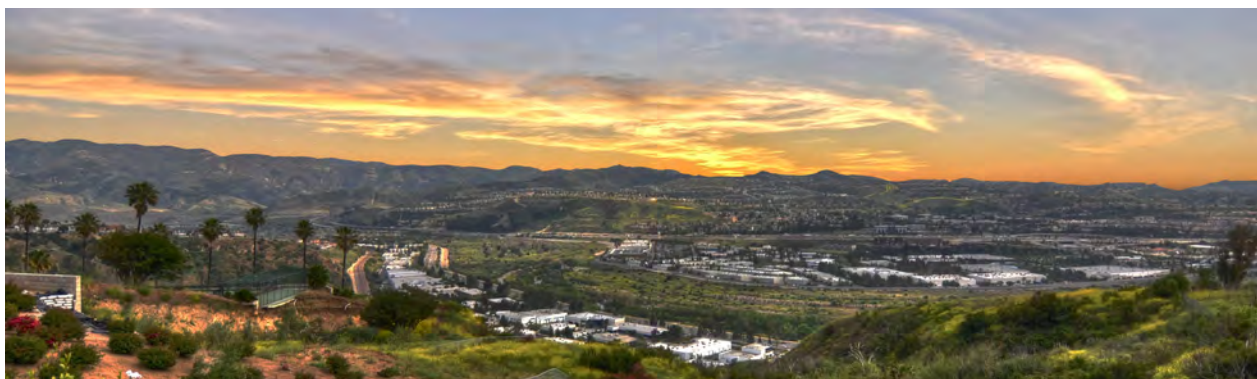
ORANGE COUNTY PROFILE

ORANGE COUNTY'S DIVERSE INDUSTRY SECTORS: MANUFACTURING AND HEALTHCARE IN CENTRAL OC, PROFESSIONAL AND TECHNICAL DOMINATE IN SOUTH AND ALONG COAST

DOMINANT INDUSTRY BY CENSUS TRACT IN ORANGE COUNTY, 2020



Tied for second place nationally for its diversity of high-tech sectors, Orange County maintains a diverse mix of industry clusters, ranging from tourism and real estate to medical devices and aerospace equipment. The following table highlights industry location quotients in Orange County. Location quotients highlight how concentrated an industry is compared to the national average; a quotient of 2.5 means industry is two and a half times more concentrated in a particular region than the national average.



TOP ORANGE COUNTY INDUSTRIES BY LOCATION QUOTIENT, 2020

	LOCATION QUOTIENT
Amusement Parks and Arcades	12.60
Apparel Knitting Mills	5.57
Medical Equipment and Supplies Manufacturing	5.47
Audio and Video Equipment Manufacturing	4.92
Land Subdivision	4.82
Cut and Sew Apparel Manufacturing	3.99
Semiconductor and Other Electronic Component Manufacturing	3.20
Manufacturing and Reproducing Magnetic and Optical Media	3.11
Navigational, Measuring, Electromedical, and Control Instruments Manufacturing	2.99
Electric Lighting Equipment Manufacturing	2.63
Computer and Peripheral Equipment Manufacturing	2.56
Nondepository Credit Intermediation	2.47
Offices of Real Estate Agents and Brokers	2.37
Drugs and Druggists' Sundries Merchant Wholesalers	2.34
Other Investment Pools and Funds	2.30
Activities Related to Real Estate	2.24
Building Finishing Contractors	2.22
Machine Shops; Turned Product; and Screw, Nut, and Bolt Manufacturing	2.19
Apparel, Piece Goods, and Notions Merchant Wholesalers	2.18
Other Schools and Instruction	2.17
Coating, Engraving, Heat Treating, and Allied Activities	2.17
Activities Related to Credit Intermediation	2.13
Other Transportation Equipment Manufacturing	2.10
Aerospace Product and Parts Manufacturing	2.07
Medical and Diagnostic Laboratories	2.01

Source: Economic Modeling Specialists International



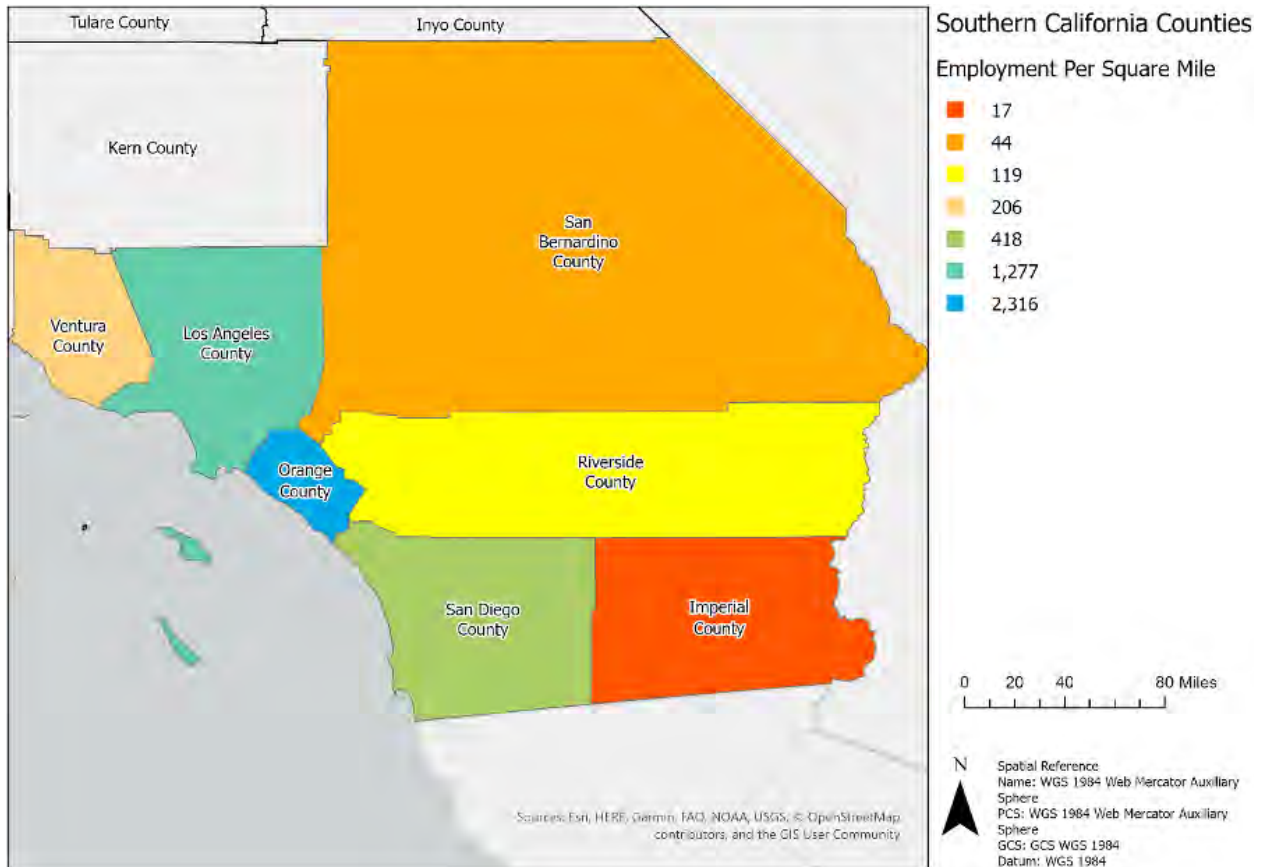
ORANGE COUNTY PROFILE

GROSS REGIONAL PRODUCT AND EMPLOYMENT COMPARISON BY SOUTHERN CALIFORNIA COUNTY, 2019

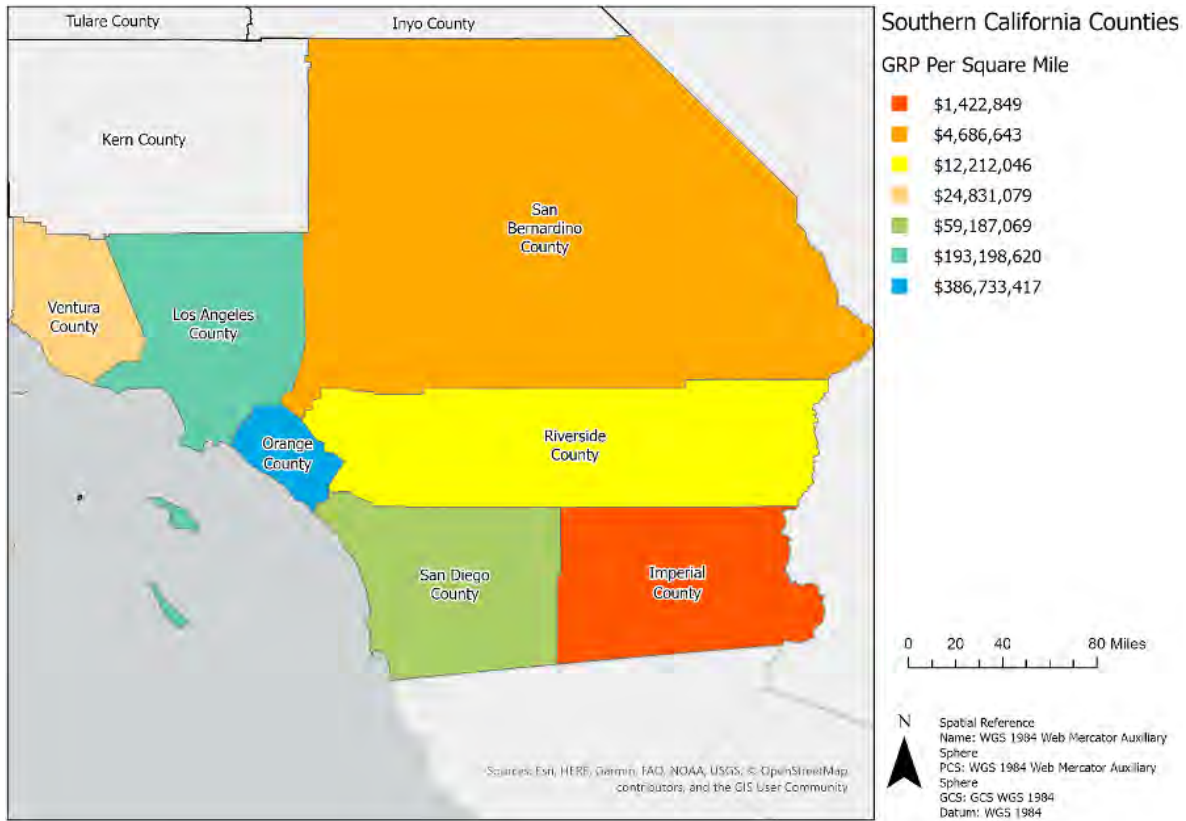
COUNTY	TOTAL POPULATION	TOTAL EMPLOYMENT	TOTAL REGIONAL PRODUCT (\$ IN B)	EMPLOYMENT PER CAPITA	GRP PER CAPITA	GRP PER SQUARE MILE	EMPLOYMENT PER SQUARE MILE	MEDIAN HOUSEHOLD INCOME
Orange	3,222,498	1,850,669	\$309	0.57	\$95,888	\$386,733,417	2,316	\$89,759
Los Angeles	10,253,716	5,180,777	\$784	0.51	\$76,435	\$193,198,620	1,277	\$68,093
San Diego	3,351,786	1,757,819	\$249	0.52	\$74,381	\$59,187,069	418	\$79,079
San Bernardino	2,192,203	875,106	\$94	0.40	\$42,887	\$4,686,643	44	\$63,857
Riverside	2,440,124	860,924	\$88	0.35	\$36,137	\$12,212,046	119	\$66,964

Source: Economic Modeling Specialists International; California State University, Fullerton

EMPLOYMENT PER SQUARE MILE BY SOUTHERN CALIFORNIA COUNTY, 2020



GROSS REGIONAL PRODUCT PER SQUARE MILE BY SOUTHERN CALIFORNIA COUNTY, 2020

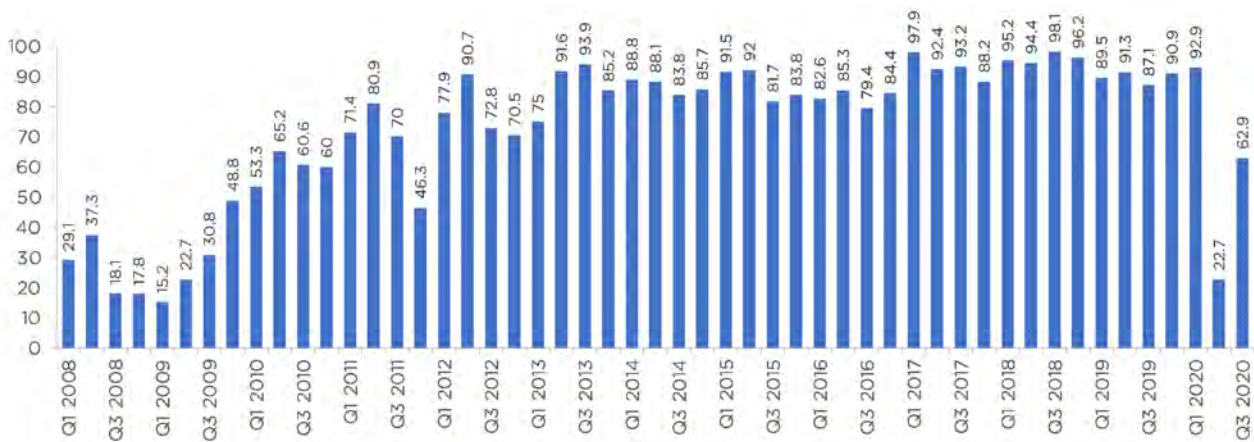


AFTER COVID PLUNGE, OCBX SEES LARGEST IMPROVEMENT SINCE GREAT RECESSION

The Orange County Business Expectations Index (OCBX) provides the results of a survey of Orange County business executives regarding their projected future business activity. After hitting 92.9 at the start of the year, the OCBX sank to 22.7 as stay-at-home orders resulted in massive business disruptions and painted a bleak outlook. However, it jumped back to 62.9 by the third quarter of 2020; 24.3 percent of surveyed businesses expected to get back to pre-pandemic activity levels by the end of the year, while 20 percent put the recovery further out until after 2021.

ORANGE COUNTY BUSINESS EXPECTATIONS INDEX, Q1 2008 - Q3 2020

AN INDEX ABOVE 50 INDICATES EXPANSION



Source: California State University, Fullerton

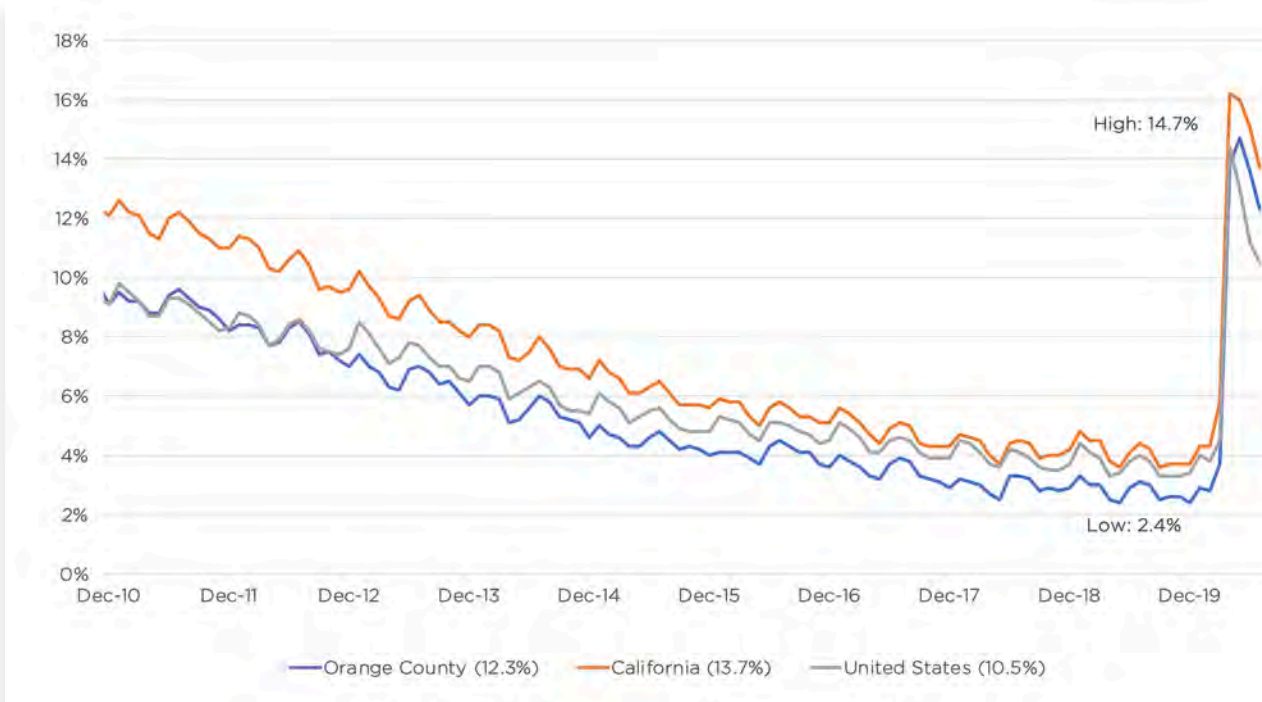


EMPLOYMENT

Orange County unemployment skyrocketed during the COVID-19 pandemic; its July 2020 unemployment rate of 12.3 percent was 9.2 percentage points higher than July 2019. While the unemployment rate has dropped from its May 2020 peak of 14.7 percent, it remains at a historically high level. The county's July unemployment rate was 1.4 percentage points low than the state average but 1.8 percentage points higher than the national average. Over the past year, employment in Orange County has declined by 191,600 jobs to 1,384,200, with 75 percent of these losses - 144,400 jobs - occurring from March 2020 to July 2020. Total unemployment increased by 283 percent over the same time period, reaching 194,400 in July.

COVID-19 PUSHES UNEMPLOYMENT RATES WELL ABOVE RECESSION-ERA HIGHS

UNEMPLOYMENT RATE IN ORANGE COUNTY, CALIFORNIA AND UNITED STATES, 2010-2020



Source: California Employment Development Department, Bureau of Labor Statistics

Orange County had 522,156 unique job postings between July 2019 and July 2020, with a median posting duration of 33 days and an average advertised of \$50,000. Irvine continued to drive the demand for labor with over 125,000 job postings during the same time period, followed by Santa Ana (52,947) and Anaheim (51,529). Employers with the most job openings included University of California, Anthem, and Marriott International Inc., reflecting the county's competitive advantages in higher education, healthcare, and hospitality.

COVID-19 slashed job postings in Orange County, with monthly job postings falling from 140,585 in July 2019 to 80,877 by July 2020. Between July 2019 and July 2020, Registered Nurses had the highest number of job postings (22,906) in Orange County, followed by Software Developers and Software Analysts and Testers (22,714).



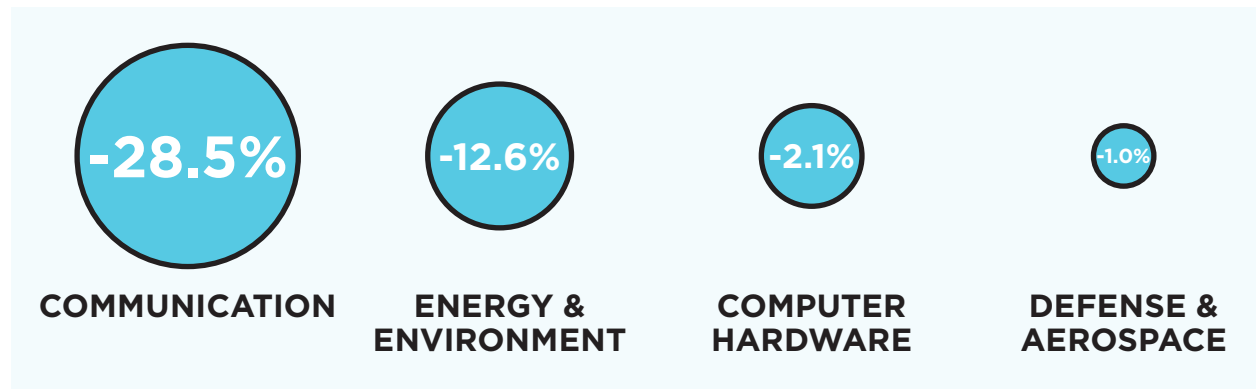
ECONOMY

The 10 Orange County industry clusters highlighted below account for more than half of all county employment. Together, these clusters created more than 180,000 jobs between 2011 and 2019, totaling more than 1 million jobs as of 2019.

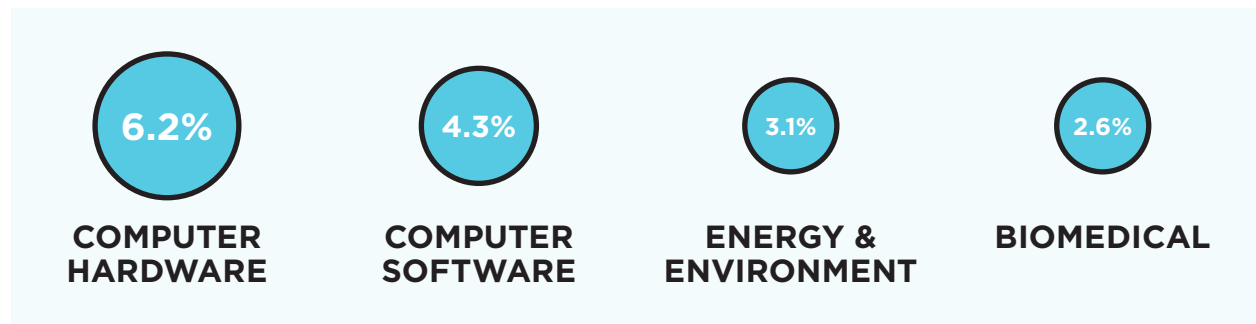
The most significant percentage growth over the past 10 years occurred in:



Four industry clusters saw employment declines since 2011:



Between 2018 and 2019, industries with the fastest salary growth included:

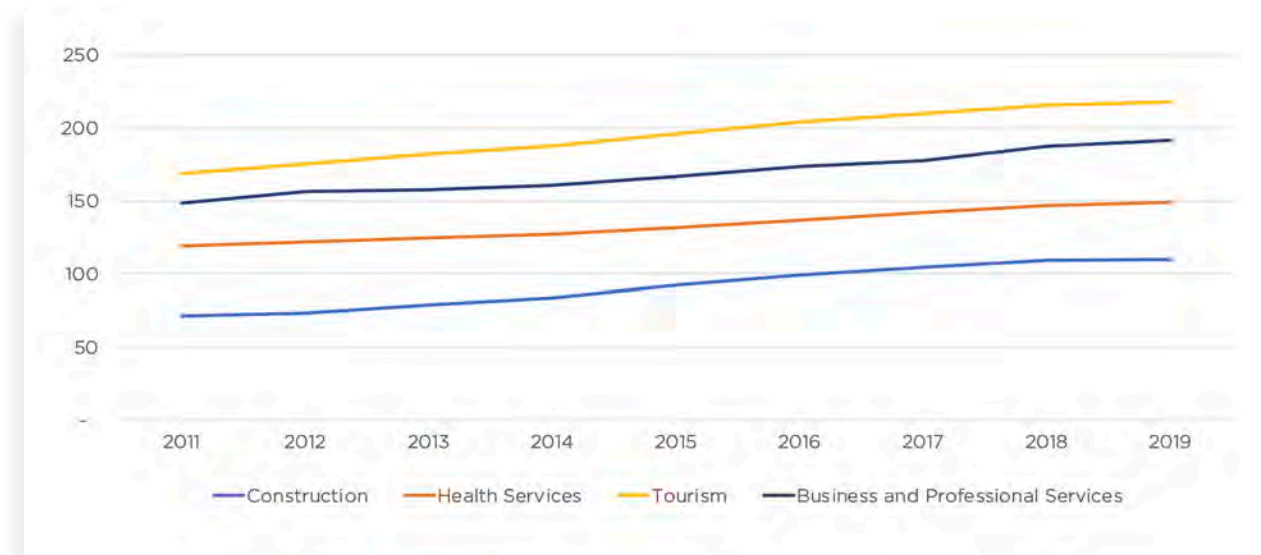


All industry clusters have seen earnings improve since 2011, with the fastest growth taking place in Computer Hardware (33.5 percent) and Construction (27.7 percent).

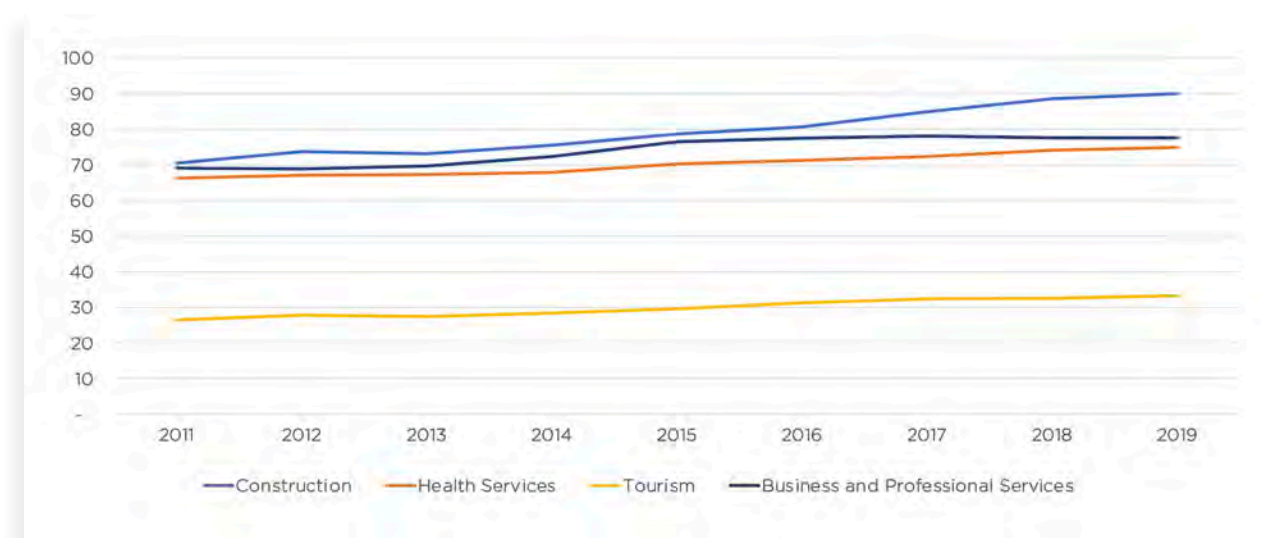
PRE-COVID-19 DATA SHOW THAT MAJOR ORANGE COUNTY SECTORS CONTINUED TO GROW

EMPLOYMENT AND AVERAGE SALARIES IN ORANGE COUNTY CLUSTERS WITH MORE THAN 50,000 JOBS, 2011-2019

Jobs, In Thousands



Salaries, In Thousands



Sources:

California Employment Development Department

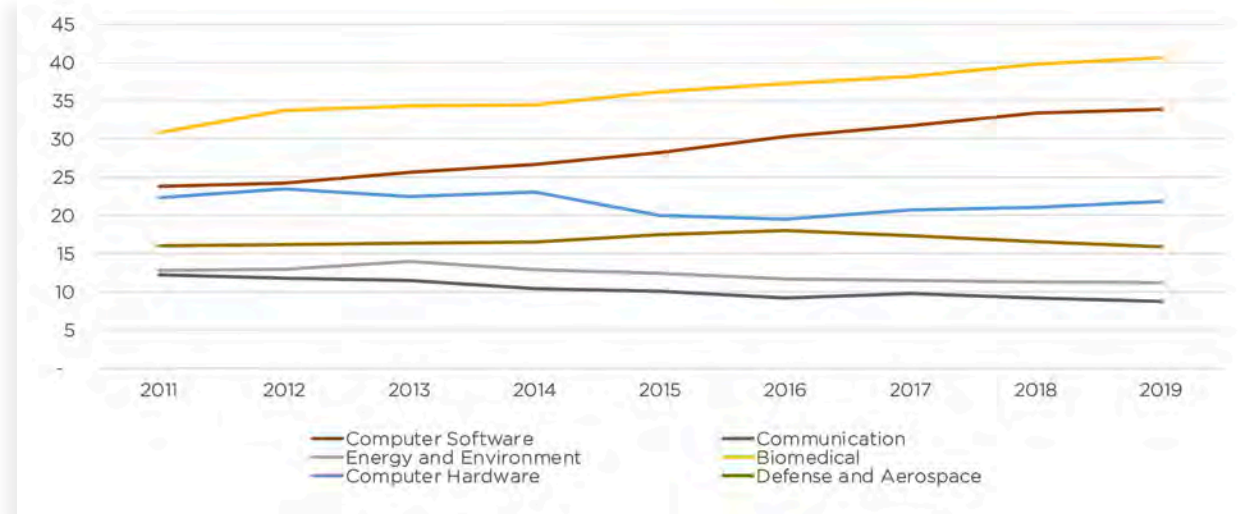
U.S. Inflation Calculator, reporting Consumer Price Index (CPI-U) data provided by the U.S. Department of Labor, Bureau of Labor Statistics (www.usinflationcalculator.com)



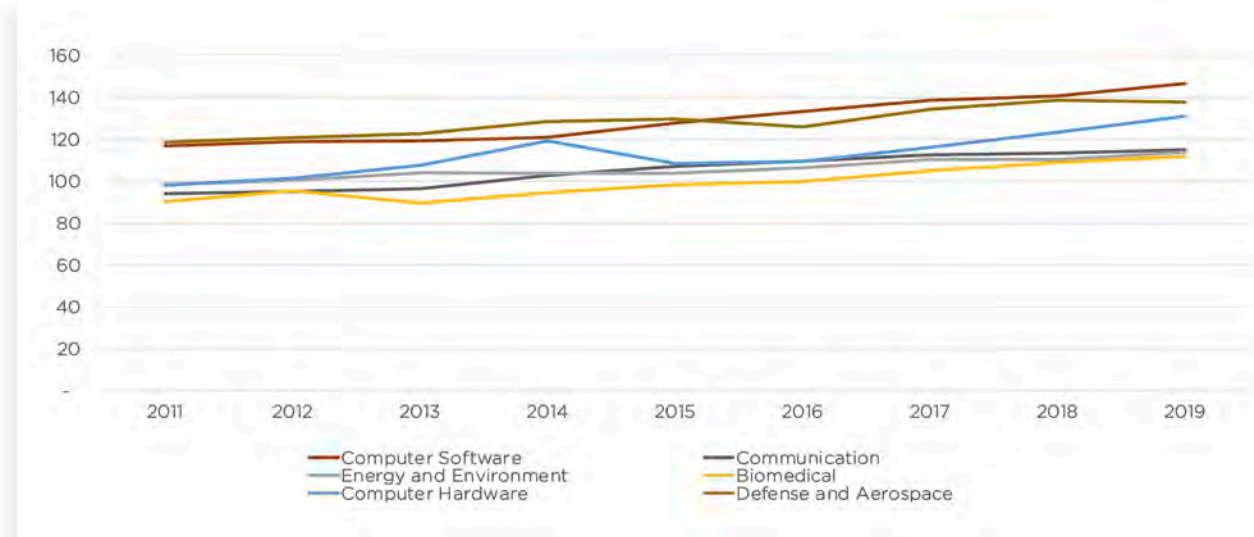
ECONOMY

EMPLOYMENT AND AVERAGE SALARIES IN ORANGE COUNTY CLUSTERS WITH 50,000 JOBS OR FEWER, 2011-2019

Jobs, In Thousands



Salaries, In Thousands



Sources:

California Employment Development Department

U.S. Inflation Calculator, reporting Consumer Price Index (CPI-U) data provided by the U.S. Department of Labor, Bureau of Labor Statistics (www.usinflationcalculator.com)

DATA NOTES:

Average salaries have been inflation-adjusted to 2019 dollars.



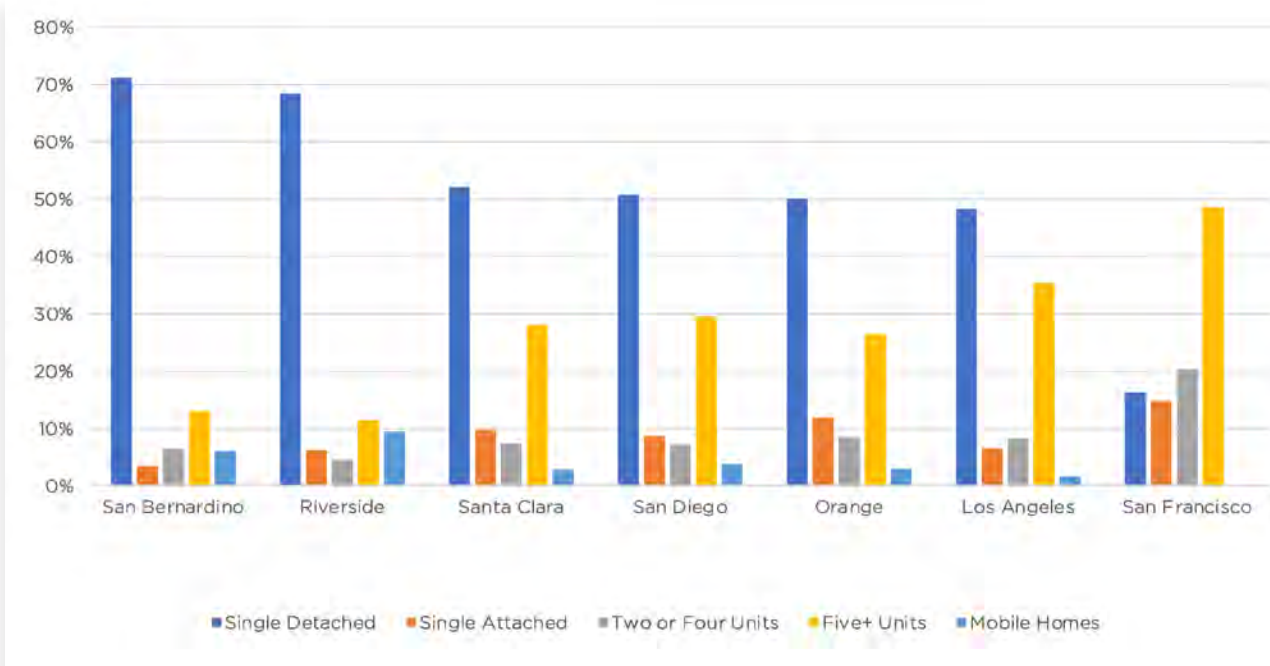
HOUSING

HOUSING LANDSCAPE

More than half (51 percent) of Orange County’s housing consists of single-family detached homes, the result of a trend stretching back decades; multi-unit housing accounts for only 33.7 percent of the county’s housing structures. Similar trends are seen in all peer regions except San Francisco, where multi-unit housing dominates, and San Bernardino and Riverside, which have significantly higher proportions of single-family detached housing.

MULTI-UNIT HOMES GROW IN IMPORTANCE AS SINGLE-FAMILY HOUSING SUPPLY STAYS TIGHT

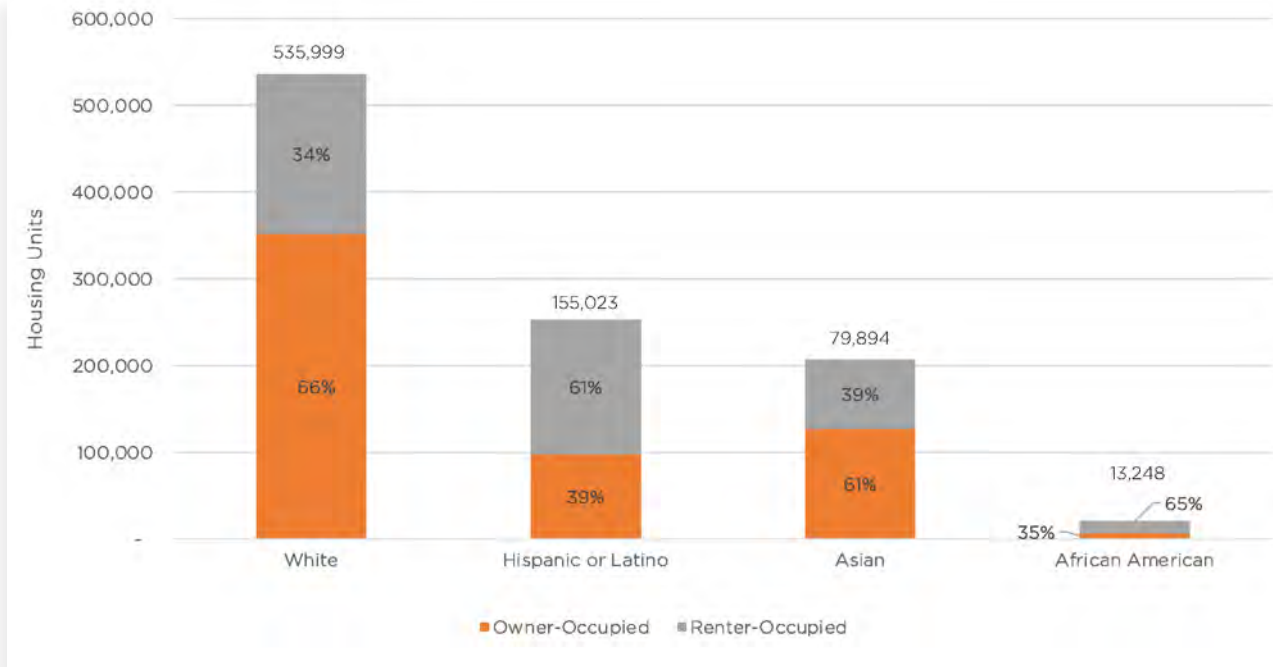
HOUSING STRUCTURES BY TYPE FOR PEER CALIFORNIA REGIONS, 2020



Source: State of California, Department of Finance, E-5 Population and Housing Estimates for Cities, Counties and the State – January 1, 2011-2020. Sacramento, California, May 2020.

Orange County’s homeownership rate was largely unchanged from 2017 to 2018 at 57 percent, slightly above the state rate of 55 percent, yet below the national rate of 64 percent. White communities had the highest rate of homeownership at 66 percent, followed by Asians (61 percent) and Hispanics or Latinos (39 percent). Homeownership has a significant effect on the net worth of individuals, especially in Orange County, where residential real estate prices have seen significant appreciation.

OWNER- AND RENTER-OCCUPIED RATES OF HOMEOWNERSHIP BY MAJOR ETHNIC GROUPS IN ORANGE COUNTY, 2018

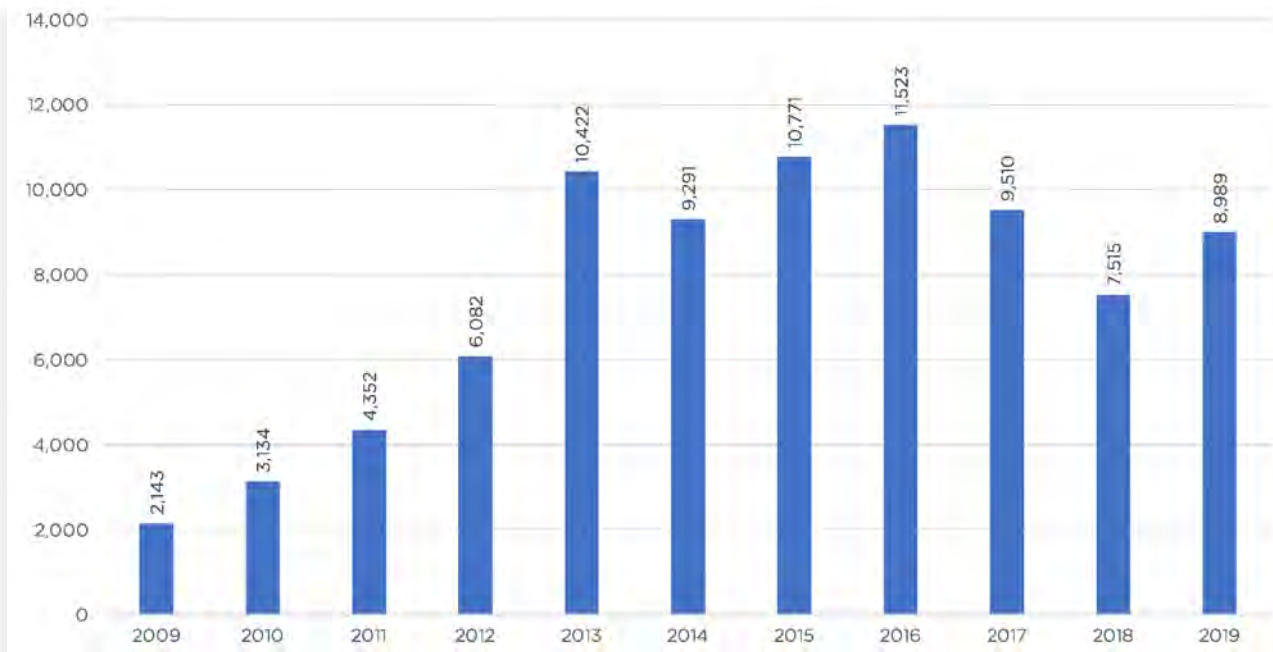


Source: U.S. Census Bureau, American Community Survey, 1-Year Estimates, Table S2502

The number of county building permits increased by 19.6 percent between 2018 and 2019, reaching an annual total of 8,989; this increase reflects the continuing demand to live and work in Orange County. While annual building permits remain well below 2016's total, developers are building more affordable, multifamily housing units, which are crucial for keeping younger workers in Orange County.

BUILDING PERMITS BOUNCE HIGHER IN 2019

ORANGE COUNTY BUILDING PERMIT ANNUAL TRENDS, 2009-2019



Source: U.S. Census Bureau's Building Permits Survey

HOUSING AFFORDABILITY

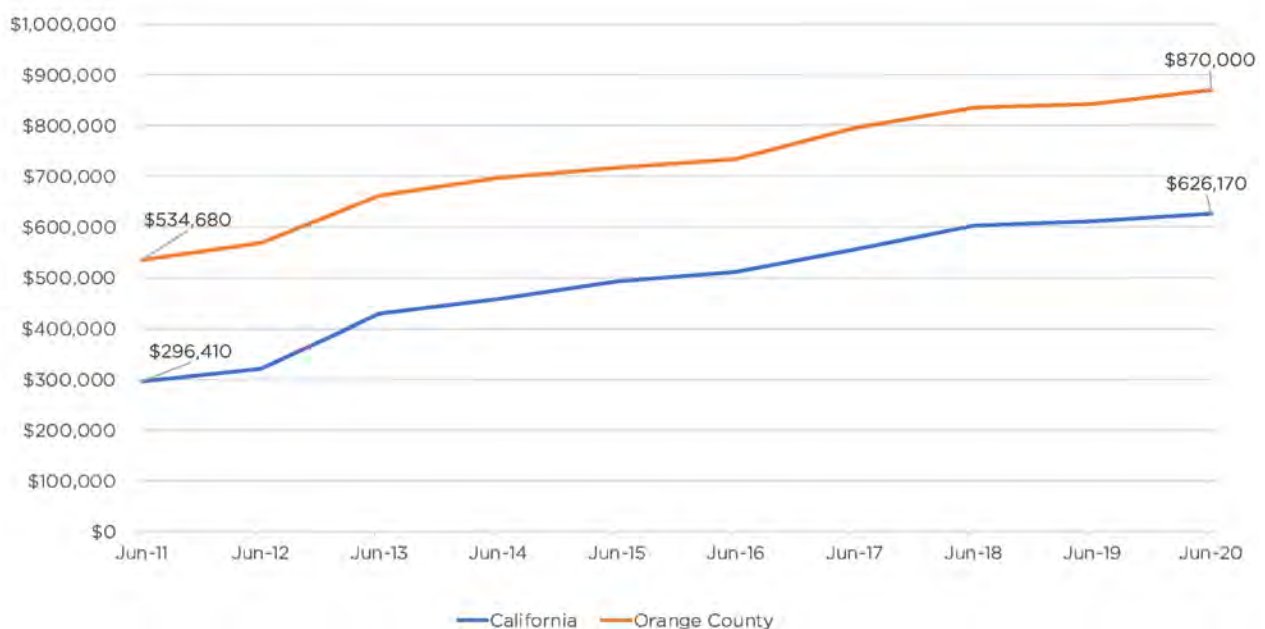
Orange County's median home price grew by 63 percent between June 2011 and June 2020, when it reached a new record high of \$870,000. A first-time home buyer in the county would need a minimum qualifying income of \$110,700 to afford an entry-level home priced at \$730,150. While housing prices continue to reach new highs, the percentage of first-time homebuyers who can afford an entry-level home actually increased from 41 percent in Q2 2019 to 42 percent in Q2 2020. Despite this improvement in affordability, this level of first-time homebuyer affordability remains well below the quarterly average of 59 percent in 2011.

While the full impacts of COVID-19 on Orange County's housing market remain to be seen, many expect to see prices softening as demand drops in the face of an economic downturn. Up to this point, however, rock bottom interest rates have kept demand levels higher, and supply remains tight, which has helped buoy prices in recent months.

While the Great Recession was caused in large part by a bursting housing bubble, the current economic downturn is unlikely to include a similarly dramatic decline in home prices.

HOUSING PRICES CLIMBED HIGHER BEFORE COVID-19 IMPACTS

MEDIAN EXISTING SINGLE-FAMILY HOME SALE PRICE IN ORANGE COUNTY AND CALIFORNIA, JUNE 2011 - JUNE 2020



Source: California Association of Realtors, Current Sales & Price Statistics



HOUSING

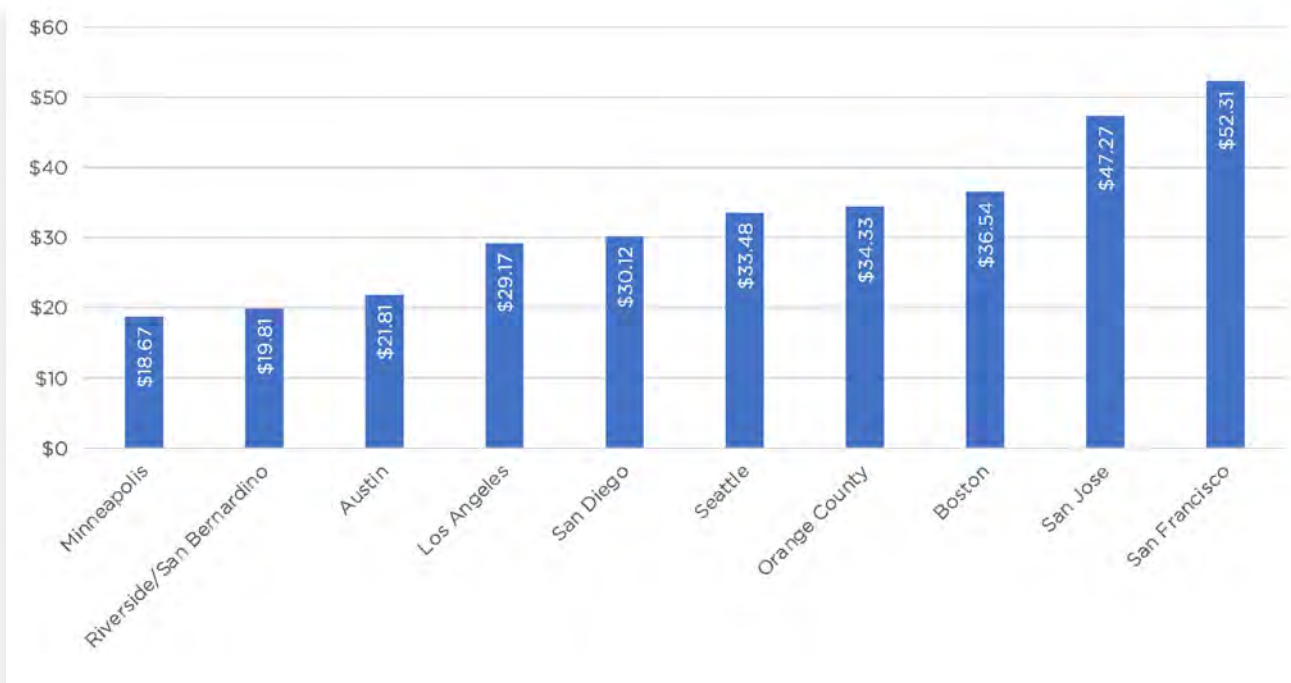
RENTAL AFFORDABILITY

In 2020, a resident of Orange County would have to make \$34.33 an hour, or \$71,406 per year, in order to afford a median-priced one-bedroom apartment. This “housing wage” rose by 9.4 percent over the past year. A minimum-wage worker would need to work 106 hours per week to afford a one-bedroom apartment, 131 hours per week to afford two bedrooms, and 183 hours per week to afford three bedrooms.

While rents in Orange County have been consistently increasing for the past decade, they marked their first decline in the second quarter of 2020. Marred by increasing vacancy and regional labor market exposure to tourism-related job losses, Orange County’s average monthly rent dropped by \$27 to \$2,066 per month. Prior to the pandemic, rents in the region had largely plateaued due to new construction coming online. Looking forward, rent in Orange County is expected to drop further by 0.5 percent, the smallest drop among 30 metro areas. Affordability concerns were already an issue well before the current pandemic and have since only been amplified. COVID-19 will undoubtedly affect the local, regional, and national housing markets, potentially driving up rental demand as was the case during the Great Recession.

ORANGE COUNTY RENTALS SEE LARGE INCREASE IN PRICE

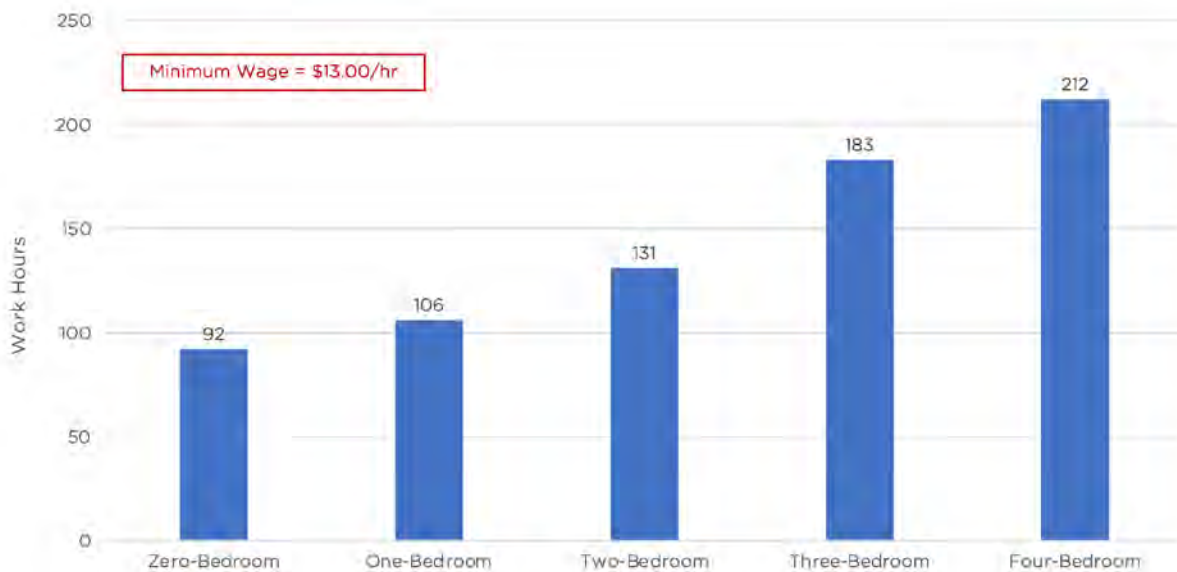
REGIONAL COMPARISON OF THE HOURLY WAGE NEEDED TO AFFORD A ONE-BEDROOM UNIT, 2020



Source: Community Indicators Report analysis of Fair Market Rent data from the U.S. Department of Housing and Urban Development using the methodology of the National Low Income Housing Coalition

WITH CURRENT AFFORDABILITY RATES, RENTERS SHOULD BRACE FOR IMPACTS FROM COVID-19

ORANGE COUNTY WORK HOURS REQUIRED BY HOUSING SIZE FOR MINIMUM WAGE WORKERS, 2020



Source: Community Indicators Report analysis of Fair Market Rent data from the U.S. Department of Housing and Urban Development using the methodology of the National Low Income Housing Coalition

LOW-INCOME RENTERS CONTINUE TO SEE THE MOST SIGNIFICANT RENT BURDEN

ORANGE COUNTY RENTER-OCCUPIED HOUSING COSTS AS A PERCENT OF INCOME, 2018



Source: U.S. Census Bureau, 2018 American Community Survey 5-Year Estimate, Table B25106

QUALIFICATIONS
OF
APPRAISER

R . P . LAURAIN
& ASSOCIATES
APPRAISERS - ANALYSTS

BACKGROUND AND QUALIFICATIONS

John P. Laurain, MAI, ASA
Certified General Real Estate Appraiser
California Certification No. AG 025754

PRESIDENT:

R. P. Laurain & Associates, Inc.
3353 Linden Avenue, Suite 200
Long Beach, California 90807
Office: (562) 426-0477 - Fax: (562) 988-2927
rpla@rplaurain.com

PROFESSIONAL ORGANIZATION AFFILIATIONS:

The Appraisal Institute
MAI Designated Member

American Society of Appraisers
Senior member; hold professional endorsement and
designation "ASA" in urban real estate.

American Arbitration Association
Associate arbitrator in title insurance matter.

Certified General Real Estate Appraiser by the
Office of Real Estate Appraisers, State of California.
Certification No. AG 025754.

APPRAISAL BACKGROUND:

Real estate appraisal and valuation consultation services conducted for public purposes include eminent domain studies, street widening and grade separation (bridge) projects, public school and university expansion projects, relocation studies, housing and public loan programs, Navy housing, senior housing, public bond measures, leasing of publicly-owned properties, Quimby Act park fee studies, Fair Political Practices Commission analyses, budgetary studies, and transfers (exchanges) of properties between public agencies. Private real estate appraisal services have been conducted for lending institutions, insurance companies, attorneys, estates for tax and donation purposes, private subdivision development studies, and other private uses.

BACKGROUND AND QUALIFICATIONS (Continued)

APPRAISAL BACKGROUND: (Continued)

Residential Property:

Residential properties appraised include single family, condominiums, own-your-own, townhouse, low and medium density multiple family, 100+ unit apartment complexes, waterfront properties, boat docks, mobile home parks, vacant single-family lot and acreage parcels, and low to high density vacant land parcels.

Commercial and Industrial Property:

Commercial property appraisal studies have included single and multi-tenant retail, strip centers, shopping centers, low-rise and high-rise office buildings, medical offices, restaurants and fast-food developments, nightclubs, convenience stores, theaters, automobile repair and service facilities, service stations, truck fueling and washing stations, car wash facilities, automobile sales, mixed-use properties including single resident occupancy (SRO) developments, as well as hotel and motel properties, and vacant land.

Industrial property appraisals have included warehouses, light and heavy manufacturing, distribution and transit facilities, food processing, cold storage, lumber yards, recycling centers, open storage, vacant land, remnant and landlocked parcels, properties encumbered with oil and water injection wells, sites with soil contamination and land fill properties.

Special Purpose and Special Use Properties:

Appraisal services and valuation studies of public, quasi-public, special use, and nonprofit facilities include, among others, seaport properties, airport properties (FBO, hangars, warehouse, office, land, etc.), submerged land, river rights-of-way, reservoirs, agricultural land, conservation/mitigation and wetland properties, utility and railroad rights-of-way, flood control channels, city hall buildings and civic center complexes, courthouses, libraries, fire and police stations, post offices, public parking structures, parks, public and private schools, adult learning centers, athletic facilities and gyms, bowling alleys, tennis centers, youth homes, after school facilities, daycare facilities, hospitals, skilled nursing facilities, churches, meeting halls and veteran facilities.

Valuation Methodologies:

In addition to the three conventional valuation methods (Sales Comparison Approach, Cost-Summation Approach, and Income Capitalization Approach), valuation methodologies have included discounted cash flow analyses, leased fee, and leasehold analyses, absorption discounts, deferred maintenance, cost-to-cure, bonus value, excess rent, across-the-fence, value-in-use, fractional interests, hypothetical valuations, and reuse studies.

BACKGROUND AND QUALIFICATIONS (Continued)

APPRAISAL BACKGROUND: (Continued)

Property interests appraised for eminent domain purposes include full and partial takings, as well as severance damage and project benefit studies. Valuation of various types of easements have included permanent surface, street, temporary construction, slope, utility, pipeline and subsurface, aerial, bridge structure, signal light, exclusive and nonexclusive surface rights, multi-layered, battered pilings, tie-back, railroad, drainage ditch, and flood control easements.

Clients:

Real estate research, analysis and appraisal services performed on projects for various public agencies and private corporations while associated with R. P. Laurain & Associates, Inc., since 1986. Following is a partial list of public agencies for which appraisal services have been provided:

Cities:

City of Alhambra	City of Downey	City of Norwalk
City of Anaheim	City of El Monte	City of Oceanside
City of Artesia	City of El Segundo	City of Ontario
City of Arvin	City of Garden Grove	City of Palmdale
City of Azusa	City of Glendale	City of Palm Springs
City of Baldwin Park	City of Hawaiian Gardens	City of Paramount
City of Bell	City of Huntington Beach	City of Pasadena
City of Bell Gardens	City of Huntington Park	City of Perris
City of Bellflower	City of Industry	City of Redondo Beach
City of Beverly Hills	City of Inglewood	City of Riverside
City of Brea	City of Irwindale	City of Rosemead
City of Buena Park	City of Laguna Beach	City of San Juan Capistrano
City of Burbank	City of Laguna Woods	City of San Marino
City of Carson	City of Lakewood	City of Santa Ana
City of Cathedral City	City of La Mirada	City of Santa Fe Springs
City of Chino	City of Lawndale	City of Seal Beach
City of Chino Hills	City of Long Beach	City of Signal Hill
City of Compton	City of Los Alamitos	City of South El Monte
City of Corona	City of Los Angeles	City of South Gate
City of Covina	City of Monrovia	City of Tustin
City of Cudahy	City of Montebello	City of Upland
City of Cypress	City of Monterey Park	City of West Hollywood
City of Diamond Bar	City of Newport Beach	City of Whittier

BACKGROUND AND QUALIFICATIONS (Continued)

APPRAISAL BACKGROUND: (Continued)

Other Public and Quasi-Public Agencies:

Alameda Corridor Engineering Team
Alameda Corridor Transportation Authority
California High Speed Rail Authority
Caltrans
Castaic Lake Water Agency
Hawthorne School District
Kern County
Long Beach Community College District
Long Beach Airport
Long Beach Unified School District
Long Beach Water Department
Los Angeles County Department of Beaches and Harbors
Los Angeles County Chief Executive Office
Los Angeles County Internal Services Department
Los Angeles County Metropolitan Transportation Authority
Los Angeles County Public Works
Los Angeles Unified School District
Los Angeles World Airports
Lynwood Unified School District
Orange County Transportation Authority
Orange County Public Works
Orange County Counsel
Port of Hueneme
Port of Long Beach
Port of Los Angeles
Riverside County Transportation Commission
San Bernardino County
Southern California Edison
State of California, Santa Monica Mountains Conservancy
U. S. Department of the Navy
U. S. Postal Service

Other:

Various attorneys, corporations, lending institutions, and private individuals.

Gold Coast Appraisals, Inc.:

Associate appraiser, as independent contractor, during portions of 1991 and 1992, specializing in appraisal of single family residential through four-unit residential properties.

BACKGROUND AND QUALIFICATIONS (Continued)

EXPERT WITNESS:

Qualified as an expert witness in the Los Angeles County Superior Court, Central District.

Qualified as an expert witness Orange County Superior Court.

Qualified as an expert witness in an arbitration matter before Judicial Arbitration and Mediation Services in the Counties of Los Angeles and Orange.

Provided testimony as an expert witness in conjunction with eminent domain matters before the San Bernardino and Riverside County Superior Courts.

ACADEMIC BACKGROUND:

Cypress Community College - Basic curriculum.

Long Beach Community College - Basic curriculum.

Real estate and related courses taken through and at various Community Colleges, Universities, the Appraisal Institute, and business schools, in accordance with the Continuing Education Requirements of the State of California, as follows:

- Fundamentals of Real Estate Appraisal
- Appraisal Principles and Techniques
- California Real Estate Principles
- Real Estate Appraisal: Residential
- California Real Estate Economics
- Basic Income Capitalization Approach
- Advanced Income Capitalization Approach
- Advanced Market Analysis and Highest & Best Use
- Advanced Applications
- Advanced Concepts and Case Studies
- Quantitative Analysis
- Eminent Domain and Condemnation
- Complex Properties
- Real Estate Escrow
- California Real Estate Law
- Uniform Standards of Professional Appraisal Practice
- Federal and State Laws and Regulations
- Uniform Appraisal Standards for Federal Land Acquisitions (Yellow Book)
- Valuation of Conservation Easements