



# APPRAISAL **REPORT**



## **Subject Property**

### **Industrial Property**

3447-3451 East 14th Street & 1368 Velasco  
Street  
Los Angeles, California 90023

## **Prepared For**

Kevin S. Bemel  
Administrator

**The Estate of Micheal J. Meraz**

March 26, 2025

Kevin S. Bemel  
Administrator

**The Estate of Micheal J. Meraz**

**RE: Industrial Property**

3447-3451 East 14th Street & 1368 Velasco Street  
Los Angeles, California 90023  
Vanguard File No: [VRA-25293](#)

Mr. Bemel:

In accordance with your request, Vanguard Realty Advisors conducted an appraisal of the above captioned property. The property is valued using generally accepted appraisal principles and theory. This report conforms to the current Uniform Standards of Professional Appraisal Practice (USPAP).

This is an Appraisal Report as defined by USPAP Standards Rule 2-2(a). This format provides a detailed description of the appraisal process and subject property but a summarized description of the market area, market data, highest & best use and valuation sections. The appraisal service was performed in such a manner that the results of the analysis, opinion, or conclusion are that of a disinterested third party.

The purpose of this appraisal is to develop an opinion of the Retrospective Value (Leased Fee Estate). The intended use of this appraisal is to assist the client with estate taxes. ***The Estate of Micheal J. Meraz is the only intended user of this report.***

All other intended uses and users are prohibited. Receipt of a copy of the appraisal by any third party does not mean that the party is an intended user of the appraisal. Such parties are advised to obtain an appraisal from an appraiser of their own choosing if they require an appraisal for their own use. Additionally, this appraisal is not a land or building survey and should not be relied upon for such a purpose. Vanguard Realty Advisors will not be responsible for any actions or occurrences as a result of unauthorized use of this report.

The subject is an industrial property located in Los Angeles, California. The improvements were constructed in 1947. The improvements total 4,000 square feet (SF) and are situated on a 0.3618-acre site (15,760 SF). It should be noted that the subject site consists of three parcels. APN 5190-036-016 contains the building improvements while APN 5190-036-015 represents parking for the improvements. APN 5190-036-022 of the site area is considered excess land. The improvements are average quality and in average condition. The property features 15% office finish, warehouse area with 100% HVAC coverage, 16' clear heights and two loading doors. The subject building improvements and APN 5190-036-015 was 100.0% occupied by a single tenant as of retrospective date. The site and improvements are discussed further in the attached report.

The following table conveys the final opinion of value that is developed in this appraisal:

MARKET VALUE CONCLUSION			
VALUATION SCENARIO	INTEREST APPRAISED	EFFECTIVE DATE	VALUE
Retrospective Value	Leased Fee Estate	January 7, 2024	\$1,720,000

The valuation conclusion(s) represents the value of the real property only, no personal property and/or intangible business assets have been included in this analysis.

The following extraordinary assumptions and hypothetical conditions were made in developing our opinion(s) of value. It is noted that the use of an extraordinary assumption and/or hypothetical condition may have affected the assignment results.

***Extraordinary Assumptions***

The use of an extraordinary assumption(s) may have impacted the results of the assignment. We performed an exterior only inspection. There may be issues readily identifiable only by a physical interior inspection that would have a material impact on the market value estimate. Our value conclusion assumes no material issues exist and the subject is in average condition with no deferred maintenance. Further, we relied on public records, CoStar, client information, and other sources for the building size along with other pertinent building information, which we have assumed to be accurate.

***Hypothetical Conditions***

No Hypothetical Conditions were made for this assignment.

If there are any specific questions or concerns regarding the attached appraisal report, or if Vanguard Realty Advisors can be of additional assistance, please contact the individuals listed below.

Sincerely,

**Vanguard Realty Advisors**



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### ADDENDA

- A. Engagement Letter
- B. Qualifications of Appraiser(s) and Appraiser License(s)

75

# EXECUTIVE SUMMARY

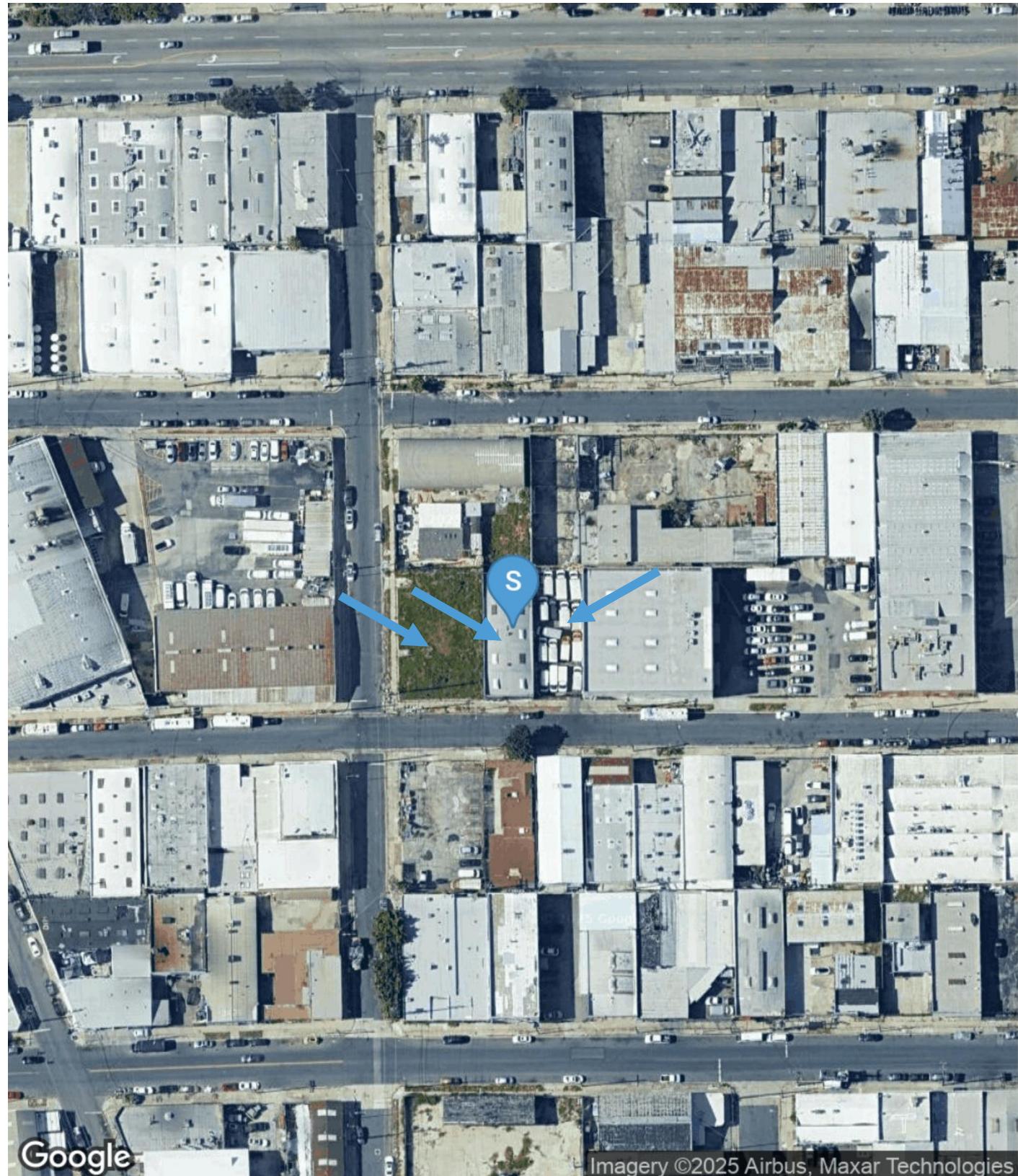
PROPERTY IDENTIFICATION			
Name	Industrial Property		
Property	Industrial - Warehouse		
Address	3447-3451 East 14th Street & 1368 Velasco Street		
City, State Zip	Los Angeles, California 90023		
County	Los Angeles County		
MSA	Los Angeles-Long Beach-Glendale MSA		
Market / Submarket	Los Angeles / Vernon		
Geocode	34.017511,-118.204666		
Census Tract	2051.20		
SITE DESCRIPTION			
Number of Parcels	3		
Assessor Parcel Numbers	5190-036-015, 5190-036-016, 5190-036-022		
Land Area	Square Feet	Acres	
Primary Site Size	8,380	0.19	*3447 & 3451 East 14th Street
Excess Land Site Size	7,380	0.17	*1368 Velasco Street
Total	15,760	0.36	
Zoning	Light Industrial (M2-1-CUGU)		
Shape	Rectangular		
Topography	Level at street grade		
Flood Zone	Zone X (Unshaded)		
Seismic Zone	Highest Risk		
IMPROVEMENT DESCRIPTION			
Tenancy	Single-Tenant		
Net Rentable Area (NRA)	4,000		
Gross Building Area (GBA)	4,000		
Ground Floor SF	4,000		
Total Buildings	1		
Floors	1		
Year Built	1947		
Actual Age	77 Years		
Effective Age	25 Years		
Economic Life	55 Years		
Remaining Useful Life	30 Years		
Land To Building Ratio	3.94 : 1		
Site Coverage Ratio	47.7%		
Office Build Out %	15%	*Estimated	
Clear Height (Feet)	16'		
Ground Level Doors	2		
QUALITATIVE ANALYSIS			
Site Quality	Average		
Site Access	Average		
Site Exposure	Average		
Site Utility	Average		
Building Quality	Average		
Building Condition	Average		
Building Appeal	Average		

# EXECUTIVE SUMMARY

(CONTINUED)

HIGHEST & BEST USE		
Proposed Construction	No	
As Vacant	Industrial development	
As Improved	Continued use as improved	
EXPOSURE & MARKETING TIME		
Exposure Time	12 Months or Less	
Marketing Time	12 Months or Less	
INVESTMENT INDICATORS		
Current Occupancy	100.00%	
Stabilized Occupancy / Stabilized Vacancy & Credit Loss	95.00%	5.0%
Expense Ratio (Expenses/EGR)	20.79%	
Direct Capitalization NOI	\$76,752	\$19.19 PSF
Capitalization Rate (OAR) Conclusion	6.00%	
VALUE CONCLUSION		
VALUATION SCENARIOS		RETROSPECTIVE VALUE
Interest		Leased Fee Estate
Effective Date		January 7, 2024
Cost Approach		Not Presented
Sales Comparison Approach		\$1,640,000
Income Capitalization Approach		\$1,720,000
FINAL VALUE CONCLUSION		\$1,720,000

# AERIAL PHOTOGRAPH



## SUBJECT PROPERTY PHOTOGRAPHS

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Subject exterior (3447 & 3551 E 14<sup>th</sup> Street)



View of 3468 Velasco St site & 3447 Bldg. side



View of 3468 Velasco St site & 3447 Bldg. side



View of 3468 Velasco St site & 3447 Bldg. side



View south on Velasco St – subject on left



View north on Velasco St – subject on right

# SUBJECT PROPERTY PHOTOGRAPHS

(CONTINUED)



View east on 14<sup>th</sup> Street – subject on left



View west on 14<sup>th</sup> Street – subject on right

# IDENTIFICATION OF ASSIGNMENT

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## **Property Identification**

The subject is an industrial property located in Los Angeles, California. The improvements were constructed in 1947. The improvements total 4,000 square feet (SF) and are situated on a 0.3618-acre site (15,760 SF). It should be noted that the subject site consists of three parcels. APN 5190-036-016 contains the building improvements while APN 5190-036-015 represents parking for the improvements. APN 5190-036-022 of the site area is considered excess land. The improvements are average quality and in average condition. The property features 15% office finish, warehouse area with 100% HVAC coverage, 16' clear heights and two loading doors. The subject building improvements and APN 5190-036-015 was 100.0% occupied by a single tenant as of retrospective date.

The property is located at 3447-3451 East 14th Street & 1368 Velasco Street in Los Angeles, Los Angeles County, California. The assessor parcel Numbers are: 5190-036-015, 5190-036-016, 5190-036-022. The legal description of the subject property is as follows:

Lot 106 of Tract No. 5030, in the City of Los Angeles, County of Los Angeles, State of California, as per Map recorded May 1, 1922 in [Book 53 Pages 31 and 32 of Maps](#), in the office of the County Recorder of said County.

Except from said Lot 106 all gas, oil, minerals and other hydrocarbon substances lying 500 feet below the surface of the land, but without the right to use the surface of the land to remove, drill or prospect for same, as reserved by Edith L. Buchanan, a widow, in Deed recorded March 2, 1970 as [Instrument No. 122](#), of Official Records.

APN: [5190-036-015](#)

Lot 107 of Tract No. 5030, in the City of Los Angeles, County of Los Angeles, State of California, as per Map recorded May 1, 1922 in [Book 53 Pages 31 and 32 of Maps](#), in the office of the County Recorder of said County.

APN: [5190-036-016](#)

Lot 108 of Tract No. 5030, in the City of Los Angeles, County of Los Angeles, State of California, as per Map recorded in [Book 53, Pages 31 and 32](#) of Maps, in the office of the County Recorder of said County.

APN: [5190-036-022](#)

## **Client Identification**

The client is The Estate of Micheal J. Meraz.

## **Purpose, Intended Use and Intended User**

The purpose of this appraisal is to develop an opinion of the Retrospective Value (Leased Fee Estate). The intended use of this appraisal is to assist the client with estate taxes. ***The Estate of Micheal J. Meraz is the only intended user of this report.***

All other intended uses and users are prohibited. Receipt of a copy of the appraisal by any third party does not mean that the party is an intended user of the appraisal. Such parties are advised to obtain an appraisal from an appraiser of their own choosing if they require an appraisal for their own use. Additionally, this appraisal is not a land or building survey and should not be relied upon for such a purpose. Vanguard Realty Advisors will not be responsible for any actions or occurrences as a result of unauthorized use of this report.

## **Deductions, Additions & Discounts**

No deductions, additions or discounts were required in forming the retrospective value opinion.

## **Personal Property & Intangibles**

There is no personal property (FF&E) or intangible items included in this valuation.

## **Property & Sales History**

County records show ownership vested to 3447 14th LLC &/14th & Velasco LLC. County records show no transfers of ownership within the last three years. We are aware of no current listing or pending sale of the subject. Please note that this information is included only to satisfy the requirements of USPAP. It is not intended as a guarantee to the chain of title and a title search should be performed by a title company should a definitive abstract be desired.

**Taxes & Assessments**

The subject's assessed values and property taxes for the current year are summarized in the following table:

ASSESSMENT & TAXES						
TAX RATE AREA	12704				TAX RATE	1.199398%
ASSESSOR PARCEL #	LAND	IMPROVEMENTS	TOTAL	EXEMPTIONS	TAXABLE	BASE TAX
5190-036-015	\$298,860	\$0	\$298,860	\$0	\$298,860	\$3,585
5190-036-016	\$298,860	\$381,480	\$680,340	\$0	\$680,340	\$8,160
5190-036-022	\$408,000	\$0	\$408,000	\$0	\$408,000	\$4,894
<b>Subtotal</b>	<b>\$1,005,720</b>	<b>\$381,480</b>	<b>\$1,387,200</b>	<b>\$0</b>	<b>\$1,387,200</b>	<b>\$16,638</b>
<b>Subtotal \$/NRA</b>	<b>\$251.43</b>	<b>\$95.37</b>	<b>\$346.80</b>	<b>\$0.00</b>	<b>\$346.80</b>	<b>\$4.16</b>
ADDITIONAL TAX CHARGES						
Direct Assessments						\$867
Total Additional Tax Charges \$/NRA / Total					<b>\$0.22</b>	<b>\$867</b>
<b>TOTAL BASE TAX \$/NRA / \$ TOTAL</b>					<b>\$4.38</b>	<b>\$17,505</b>

Source: Los Angeles County Assessment & Taxation

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

Due to California law, property tax comparables are not relevant or included in real estate appraisals. This is due to that taxes are based on the hypothetical sale of a subject property and the current tax rate, as sales trigger a reassessment at the actual sale price in California.

Property taxes are forecasted based on the current rate multiplied by the value indications of the Income Approach plus current direct assessments.

## Zoning

The subject's zoning information is shown in the following table:

ZONING	
Designation	Light Industrial (M2-1-CUGU)
Zoning Authority	City of Los Angeles
Permitted Uses	Light industrial, warehouse, manufacturing, limited, commercial, storage yards, animal keeping, etc.
Current Use	Warehouse
Current Use Legally Permitted	Yes
Conforming Use	The subject appears to be a legal and conforming use. A zoning letter from the applicable zoning department is recommended if further assurance is needed.
Zoning Change	Not Likely
Max Permitted Height	N/A
Max Permitted Floor Area Ratio (FAR)	1.5:1
Parking Spaces Required	No on-site parking is required as the subject is located in a reduced parking area (AB 2097).
Parking Spaces Provided	No marked spaces
Max Permitted Site Coverage	None for industrial uses
Min Permitted Site Area (SF)	None for industrial uses
Min Permitted Yard Setbacks	
Front (Feet)	None for industrial uses
Rear (Feet)	None for industrial uses
Side (Feet)	None for industrial uses

Source: City of Los Angeles Planning & Zoning Department

The subject is located in a reduced parking area and qualifies for AB 2097 per ZIMAS. Pursuant to Assembly Bill (AB) 2097, the City of Los Angeles is prohibited from imposing or enforcing minimum parking requirements on any residential, commercial or other development project (excluding event centers, hotels and similar transient lodging) that are within a one-half mile radius of a Major Transit Stop. The Department of City Planning issued a memorandum on December 31, 2022, which serves as guidance for project applicants and staff on the implementation of AB 2097.

It is noted that detailed zoning studies are performed by a zoning or land use expert, including attorneys, City/County land use planners, City/County compliance officers, surveyors, or architects. The depth of our zoning reporting correlates with the scope of this assignment only and this appraisal is not intended to be a final determination of compliance, as we are not experts in this field and that determination is outside the scope of the assignment. The client is advised to obtain a zoning letter from the City/County if further assurance is needed. We note that this appraisal is not intended to be a detailed determination of compliance, as that determination is beyond the scope of this real estate appraisal assignment.

## **Exposure & Marketing Time**

The following information is used to estimate exposure time and marketing time for the subject:

EXPOSURE & MARKETING TIME				
SOURCE	YEAR/QUARTER	MONTHS RANGE		AVERAGE
Pacific Region Warehouse	PwC			
Current Quarter	2024 Q1	1.0	to	6.0
Last Quarter	2023 Q4	1.0	to	6.0
Four Quarters Ago	2023 Q1	1.0	to	6.0
Improved Sales		1.6	to	4.9
<b>OVERALL AVERAGE</b>				<b>3.2</b>
Exposure Period Conclusion		12 Months or Less		
Marketing Time Conclusion		12 Months or Less		

## **Exposure & Marketing Time Conclusion**

Considering the previous indicators of marketing times, a reasonable estimate of exposure time for the subject is estimated to be 12 months or less and marketing time of 12 months or less.

## **Definition of Market Value**

"The fair market value is the price at which the property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of relevant facts. The fair market value of a particular item of property includable in the decedent's gross estate is not to be determined by a forced sale price. Nor is the fair market value of an item of property to be determined by the sale price of the item in a market other than that in which such item is most commonly sold to the public, taking into account the location of the item wherever appropriate."

IRS Regulation §20.2031-1.

## **Property Rights Appraised**

The property rights appraised constitute the leased fee estate interest.

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

## **Value Scenarios**

**Retrospective Value** – A value opinion effective as of a specified historical date. The term does not define a type of value. Instead, it identifies a value opinion as being effective at some specific prior date. Value as of a historical date is frequently sought in connection with property tax appeals, damage models, lease renegotiation, deficiency judgments, estate tax, and condemnation. Inclusion of the type of value with this term is appropriate, e.g., "retrospective market value opinion."<sup>2</sup>

<sup>1</sup> The Dictionary of Real Estate Appraisal, Sixth Edition, Appraisal Institute, Chicago, Illinois, 2015

<sup>2</sup> The Dictionary of Real Estate Appraisal, Sixth Edition, Appraisal Institute, Chicago, Illinois, 2015

# SCOPE OF WORK

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The scope of work for this appraisal assignment is outlined below:

- ▶ The appraisal analyzes the regional and local area profiles including employment, population, household income and real estate trends. The local area was inspected to consider external influences on the subject.
- ▶ The appraisal analyzes legal and physical features of the subject including site size, improvement size, flood zone, seismic zone, site zoning, easements, encumbrances, site access and site exposure.
- ▶ The appraisal includes an industrial market analysis for the Los Angeles Market and Vernon Submarket using vacancy, absorption, supply and rent data. Conclusions were drawn for the subject's competitive position given its physical and locational features, current market conditions and external influences.
- ▶ The appraisal includes a Highest and Best Use analysis and conclusions have been completed for the highest and best use of the subject property As Vacant and As Improved. The analysis considered legal, locational, physical and financial feasibility characteristics of the subject site and existing improvements.
- ▶ In selecting applicable approaches to value, the appraiser considered the agreed upon appraisal scope and assessed the applicability of each traditional approach given the subject's characteristics and the intended use of the appraisal. As a result, this appraisal developed Sales Comparison and Income (Direct Capitalization) Approaches. The values presented represent the Retrospective Value (Leased Fee Estate).
- ▶ The assignment was prepared as an Appraisal Report in accordance with USPAP Standards Rules 2, with the analysis stated within the document and representing a fully described level of analysis. This format is designed to inform the reader of all factors influencing the property's value in a clear and concise manner. The report is also intended to comply with the requirements of the Code of Professional Ethics of the Appraisal Institute, the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (if applicable), and Title XI Regulations (if applicable).
- ▶ The author of this report are aware of the Competency Rule of USPAP and meets the standards.

## **Parties Providing Assistance**

No one provided real property appraisal assistance to the individuals signing this report.

## **Sources of Information**

Unless otherwise noted later in this appraisal report, the following sources were contacted to obtain relevant information:

INFORMATION PROVIDED	
Property Assessment & Tax	Los Angeles County Assessor
Zoning & Land Use Planning	City of Los Angeles Zoning
Site Size	RealQuest
Building Size	Los Angeles County Assessor
Supply & Demand	CoStar
Flood Map	RealQuest
Demographics	STDB On-Line
Comparable Information	CoStar, public record and local agents
Rent Roll	Client
Lease Documents	Client
Legal Description	Preliminary title report
Income/Expense Statements	Property Owner

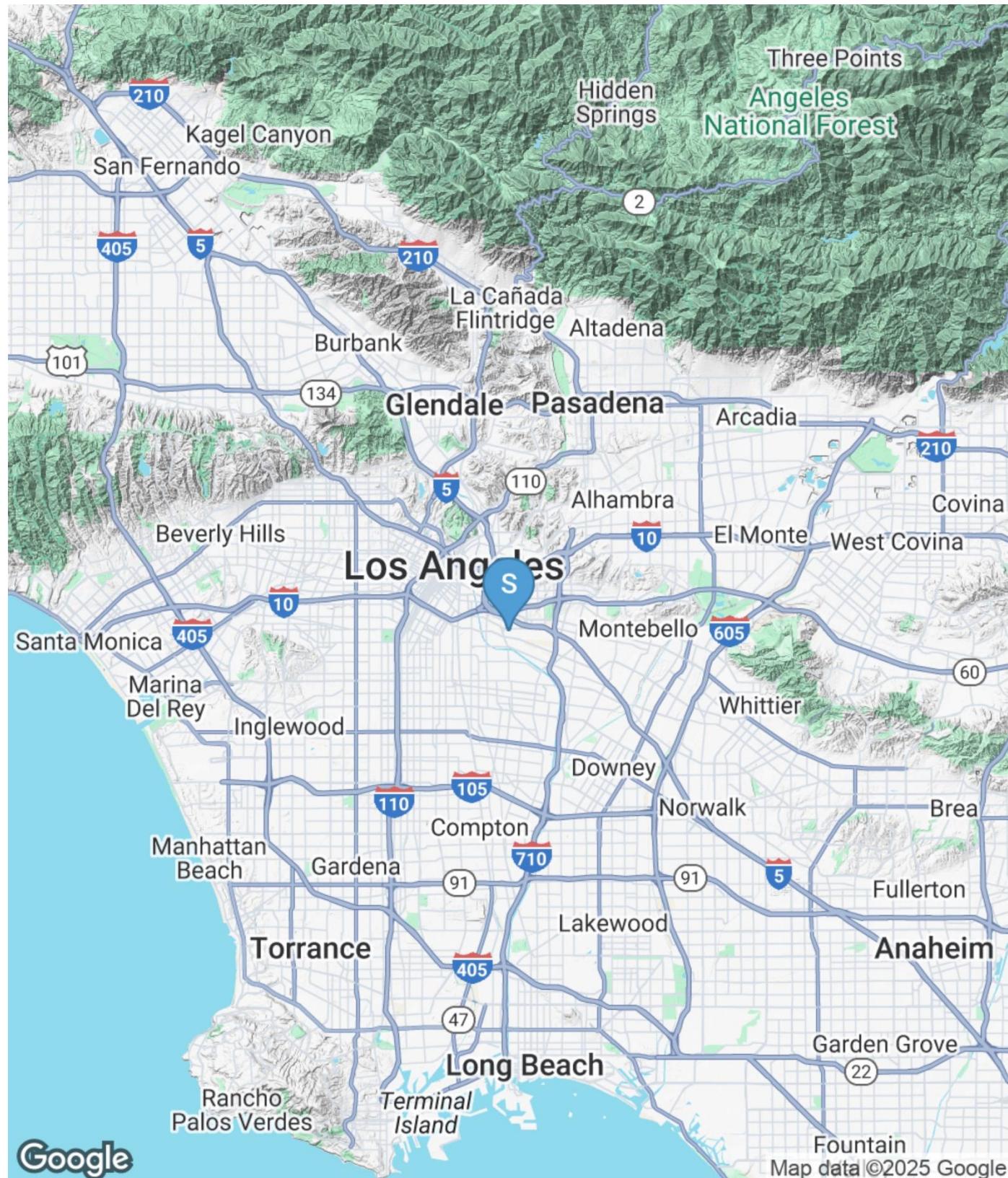
The lack of unavailable items could affect the results of this analysis. As part of the general assumptions and limiting conditions, the subject is assumed to have no adverse easements, significant items of deferred maintenance (unless otherwise noted in the Improvements Description section) or be impacted by adverse environmental conditions.

All necessary information was provided for this analysis.

## **Subject Property Inspection**

PROPERTY INSPECTION			
APPRAYER	INSPECTED	EXTENT	DATE
Matthew Reynolds, MAI	Yes	Exterior	March 14, 2025

# REGIONAL AREA MAP



# REGIONAL AREA ANALYSIS

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## **Los Angeles County/LA-Long Beach-Glendale MSA**

The subject is located in Los Angeles County, within incorporated Los Angeles. There are 58 counties within California. Los Angeles County is one of five counties that form the Greater Los Angeles area. Greater Los Angeles, also referred to as the Los Angeles Basin, is comprised of five counties: Los Angeles, Orange, Riverside, San Bernardino and Ventura. Together, these counties compose four Metropolitan Statistical Areas (MSAs). They are as follows: Los Angeles-Long Beach-Glendale, Santa Ana-Anaheim-Irvine, Oxnard-Thousand Oaks-Ventura, and Riverside-San Bernardino-Ontario. The subject is within the Los Angeles-Long Beach-Glendale MSA.

### ***Population & Housing***

Los Angeles County is the third largest county comprising the region (4,752 square miles), however, it comprises 53.4% of the total population. Its growth rate is below the other counties, reflecting a lower supply of land remaining for development. The Greater Los Angeles region accounts for nearly half of the state's total population:

2022 POPULATION & HOUSING - GREATER LOS ANGELES						
COUNTY	Total Population	5-Year Change	Total Household	Total Housing Units	Occupied	Vacancy Rate
State Total	39,185,605	-1.4%	38,278,915	14,583,998	13,612,650	6.7%
<b>Los Angeles (4,752 sq mi)</b>	9,861,224	-3.8%	9,649,779	3,635,136	3,443,284	5.3%
Orange (948 sq mi)	3,162,245	-1.6%	3,111,788	1,142,380	1,084,168	5.1%
Riverside (7,308 sq mi)	2,435,525	1.0%	2,398,717	863,784	773,390	10.5%
San Bernardino (20,105 sq mi)	2,187,665	0.7%	2,150,308	740,654	675,032	8.9%
Ventura (2,208 sq mi)	833,652	-2.8%	821,261	294,989	280,427	4.9%
<b>Greater LA Total</b>	18,480,311	-2.3%	18,131,853	6,676,943	6,256,301	6.3%

Source: CA Dept. of Finance

Los Angeles County has a total of 3,635,136 housing units, with an average vacancy rate of 5.3%. According to Zillow, the median sale price of a single-family home in Los Angeles County was \$841,358 during October 2023 (most recent figure available). This median reflects a 1.8% increase from the median during the same period in 2022.

### ***MSA Employment Trends***

Industry employment in the subject's immediate MSA increased by 1.6% between October 2022 and October 2023. The largest increases were seen in the Education & Health Services, Leisure & Hospitality, Construction, and Trade, Transportation & Utilities sectors, with increase at or above 1.0%.

The seasonally adjusted unemployment rate in Los Angeles County increased over the month to 5.2% in October 2023, from a revised 5.1% in September 2023, and was above the rate of 4.7% one year ago. Civilian employment declined by 10,000 to 4,756,000 in October 2023, while unemployment increased by 2,000 to 261,000. The civilian labor force decreased by 7,000 over the month to 5,018,000 in October 2023. (All of the above figures are seasonally adjusted.) The unadjusted unemployment rate for the county was 5.0% in October 2023. The California seasonally adjusted unemployment rate was 4.8% in October 2023, 4.7% in September 2023, and 4.1% a year ago in October 2022. The comparable estimates for the nation were 3.9% in October 2023, 3.8% in September 2023, and 3.7% a year ago.

A summary of employment by sector for the MSA is shown in the following table:

MSA EMPLOYMENT BY SECTOR		
Sector	Total Jobs	% Change
Education & Health Services	953,300	6.2%
Leisure & Hospitality	557,500	5.6%
Other Services	161,400	2.5%
Construction	154,700	1.0%
Trade, Transportation & Utilities	852,700	1.0%
Government	578,100	0.9%
Finance	218,900	0.9%
Professional & Business Services	684,200	0.2%
Manufacturing	320,100	-1.1%
Information	205,000	-12.7%
<b>Total</b>	<b>4,692,600</b>	<b>1.6%</b>

Source: CA Employment Development Dept. (LA-Long Beach MSA - October 2023)

## Top Employers

A summary of the top employers for Los Angeles County is shown in the following table:

LARGEST EMPLOYERS - LOS ANGELES COUNTY		
Employer Name	Location	Industry
Ahmc Healthcare Inc	Alhambra	Hospitals
All Nations Church	Lake View Terrace	Churches
American Honda Motor Co Inc	Torrance	Automobile & Truck Brokers (Whls)
California Institute of Tech	Pasadena	Schools-Universities & Colleges Academic
California State-Northridge	Northridge	Schools-Universities & Colleges Academic
Cedars-Sinai Medical Ctr	West Hollywood	Hospitals
Century Plaza Towers	Los Angeles	Office Buildings & Parks
Edison Carrier Solutions	Rosemead	Electric Companies
Fx Networks Llc	Los Angeles	Television-Cable & CATV
Kaiser Sunset	Los Angeles	Hospitals
Lac & Usc Medical Ctr	Los Angeles	Hospitals
Long Beach City Hall	Long Beach	City Government-Executive Offices
Long Beach Memorial Med Ctr	Long Beach	Hospitals
Los Angeles County Sheriff	Monterey Park	Sheriff
Nestle USA Inc	Glendale	Food Products & Manufacturers
Paramount Petroleum Corp	Paramount	Asphalt & Asphalt Products-Manufacturers
Pomona Valley Hospital Med Ctr	Pomona	Hospitals
Pro Parts	Canoga Park	Automobile Parts-Used & Rebuilt (Whls)
Provident Holy Cross Med Ctr	Sylmar	Health Services
Santa Monica College	Santa Monica	Schools-Universities & Colleges Academic
Sony Pictures Entertainment	Culver City	Motion Picture Producers & Studios
Specair	Gardena	Manufacturers
Ucla	Los Angeles	Schools-Universities & Colleges Academic

Source: <http://www.labormarketinfo.edd.ca.gov/majorer/MajorER.asp>

## ***Economy***

The following are excerpts from CoStar regarding the economy for the region.

The Los Angeles economy is vast and comprises substantial portions of the national entertainment, tourism, international trade, fashion, and aerospace industries. An abundance of creative workers and entrepreneurship lends itself to elevated levels of business formation and self-employment. The demographics are diverse in racial and ethnic composition, educational attainment, income, and wealth. L.A. has several major talent generators, including top-tier universities such as USC, UCLA, and Cal Tech that support a growing tech ecosystem.

The labor market is not as tight as other parts of the country and job growth lags due to population losses. Disputes between workers and employers have arisen across various industries, including writers and actors in entertainment, dockworkers and delivery drivers in transportation, and hotel staff in hospitality. While each dispute is occupation-specific, the disputes are further escalated by Los Angeles' high cost of living, which is due to the challenges of building more housing. Companies often cite the challenges in hiring as a motivating factor to relocate to other parts of the country.

The post-pandemic recovery in employment levels was slow relative to the nation due to an acceleration of population losses. Nonfarm payrolls recovered to their February 2020 levels in late 2022, whereas stronger population growth markets experienced more rapid recoveries. The composition of employment by sector has shifted. Most notably, transportation firms have grown payrolls by 12% since February 2020, while information, which includes motion picture and sound recording, payrolls are 10% lower.

The transportation sector sustained growth through the pandemic, as warehousing demands increased by retailers and ecommerce operators. Much of the demand draws from the ports of Los Angeles and Long Beach, which rank first and second in the U.S. in terms of annual containers (TEUs) handled. The twin ports handled 19 million containers in 2022, which if combined, would make them the fifth-busiest port in the world. However, the ports face several potential challenges and trade flows have sharply fallen. Some trade is being diverted to the East Coast, which has been facilitated by the expansion of the Panama Canal in 2016 and which can place many items closer to their destination. U.S. imports from China, a significant place of origin for goods entering through L.A.'s ports, have also been declining since tariffs were imposed in 2018.

The entertainment business is vital to the Los Angeles economy. Los Angeles has benefited from the boom in content creation and social media over the past 10 years. However, programming for the next 12 months will likely be affected by the writer's and actor's strikes.

Tourism is also important for the local economy. Stores, restaurants, and lodging in tourist hotspots like Downtown L.A., Hollywood, Beverly Hills, and Santa Monica are dependent on tourists spending. Los Angeles has more than 50 million visitors per year, but hotel occupancy rates have yet to recover to pre-pandemic levels.

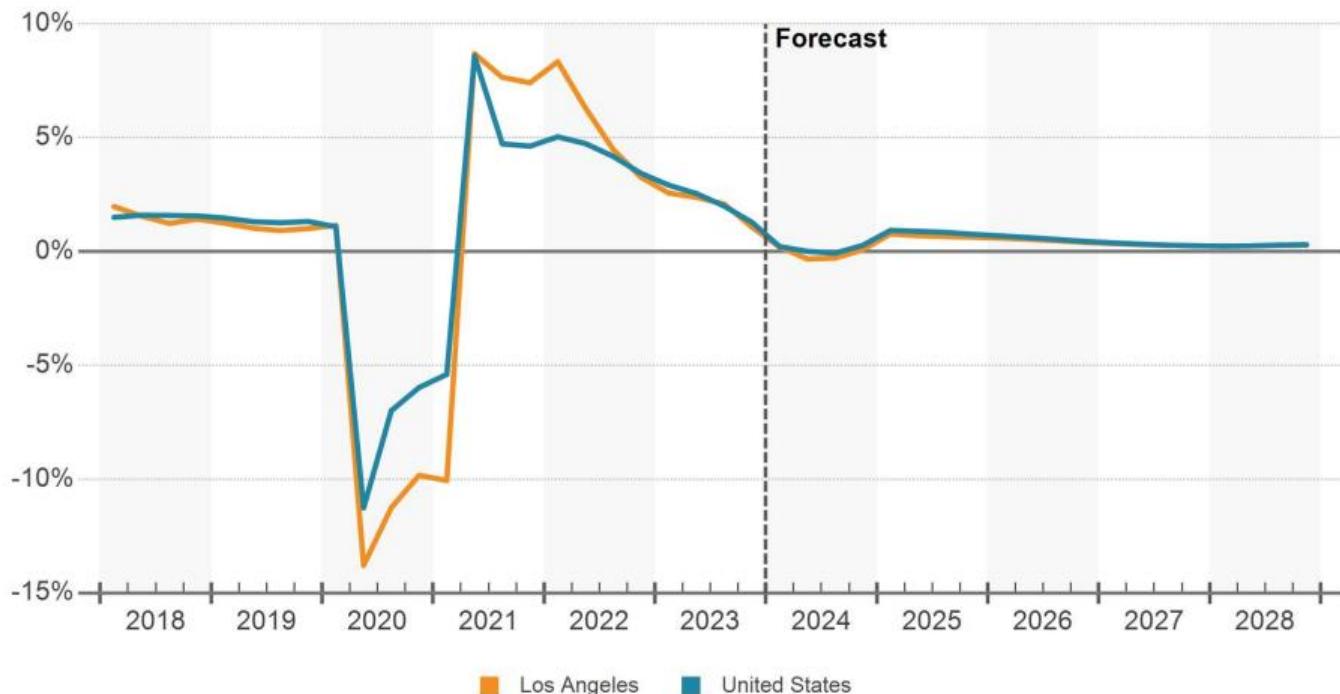
## LOS ANGELES EMPLOYMENT BY INDUSTRY IN THOUSANDS

Industry	CURRENT JOBS		CURRENT GROWTH		10 YR HISTORICAL		5 YR FORECAST	
	Jobs	LQ	Market	US	Market	US	Market	US
Manufacturing	318	0.8	-2.06%	-0.05%	-1.68%	0.71%	-0.72%	0.08%
Trade, Transportation and Utilities	844	1.0	0.71%	0.17%	0.62%	1.06%	-0.07%	0.14%
Retail Trade	414	0.9	1.75%	0.47%	0.12%	0.24%	-0.21%	0.09%
Financial Activities	218	0.8	0.13%	0.54%	0.29%	1.46%	0.03%	0.15%
Government	568	0.8	0.77%	1.53%	0.46%	0.37%	0.18%	0.40%
Natural Resources, Mining and Construction	150	0.6	-1.25%	1.40%	2.22%	2.33%	0.23%	0.29%
Education and Health Services	929	1.2	3.82%	3.01%	2.80%	1.87%	0.95%	0.66%
Professional and Business Services	679	1.0	0.47%	0.71%	1.30%	2.01%	-0.06%	0.51%
Information	220	2.4	-5.57%	-2.74%	0.91%	1.09%	0.77%	0.34%
Leisure and Hospitality	550	1.1	3.74%	2.93%	2.03%	1.48%	1.11%	0.82%
Other Services	159	0.9	1.39%	1.66%	0.64%	0.64%	0.09%	0.27%
<b>Total Employment</b>	<b>4,636</b>	<b>1.0</b>	<b>1.05%</b>	<b>1.26%</b>	<b>1.12%</b>	<b>1.30%</b>	<b>0.33%</b>	<b>0.41%</b>

Source: Oxford Economics

LQ = Location Quotient

## JOB GROWTH (YOY)

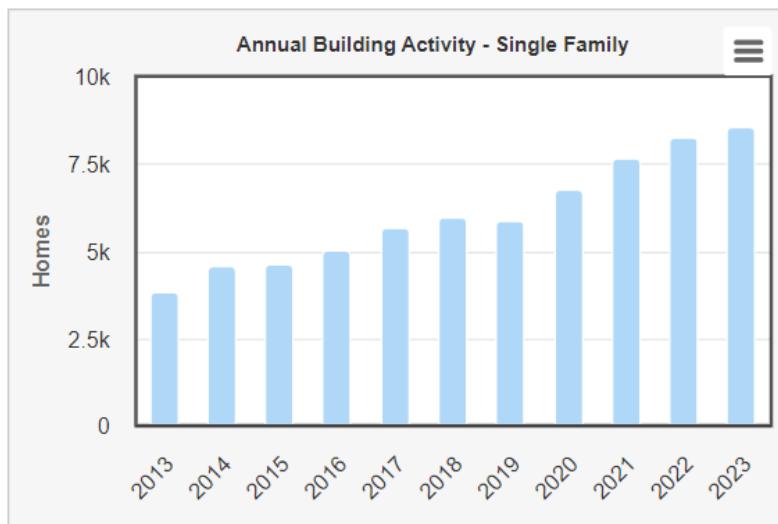


Source: Oxford Economics

## **Building Permits**

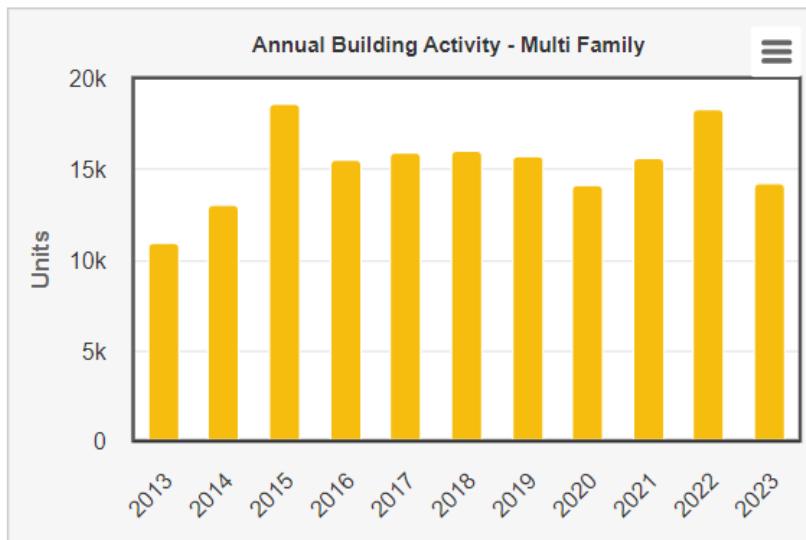
Another economic indicator is trends in residential building permits. When building permits are issued, construction employment increases as homes are constructed. Other real estate-related employment sectors have increases following construction as properties are sold or leased. Other retail sector jobs are then created once residential units are occupied by owners or renters.

The following tables summarize permit activity in Los Angeles County as of November 2023.



Data Source: U.S. Census Bureau, Building Permits Survey

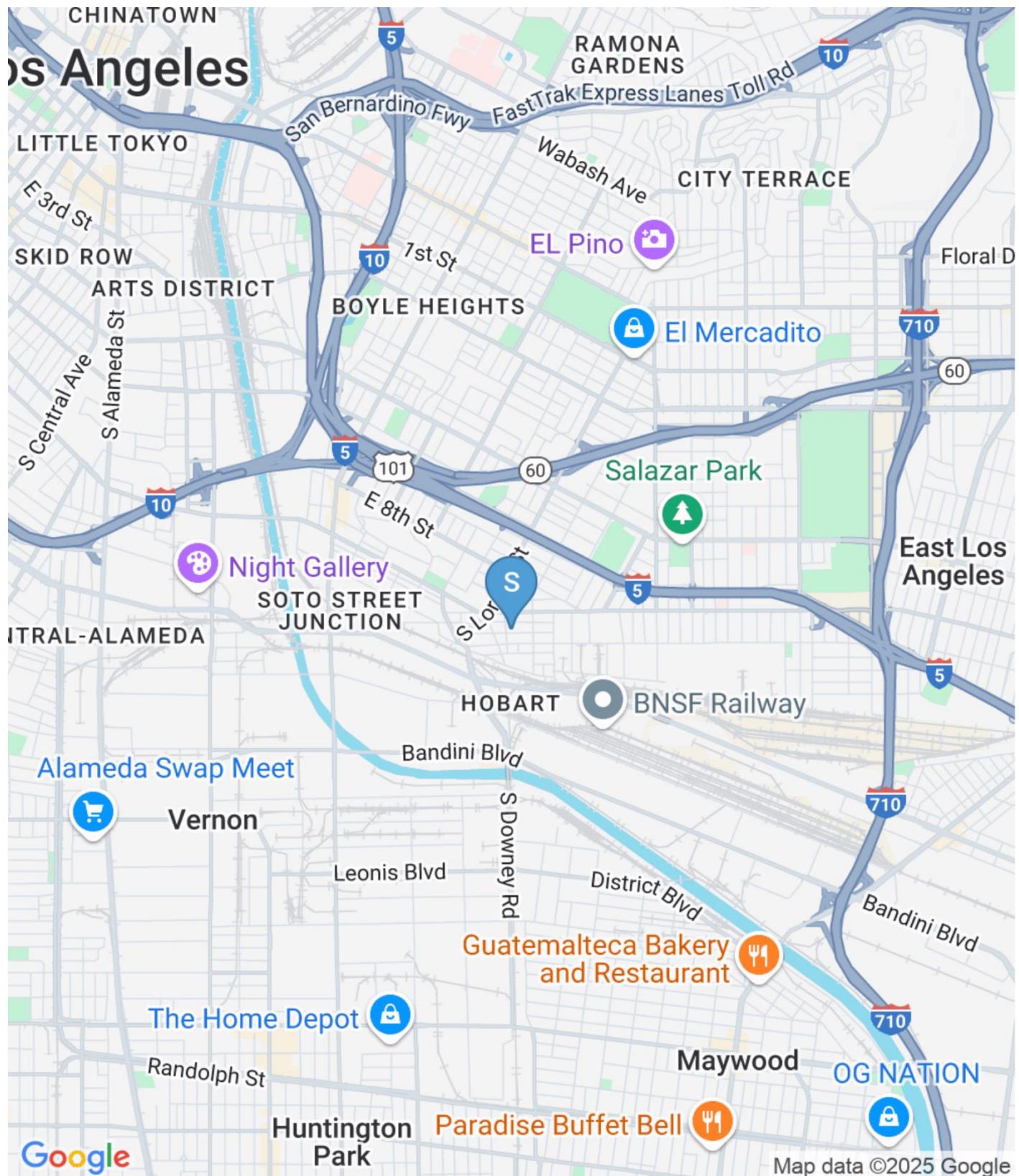
Note: Data for 2023 is preliminary, through November 2023



Data Source: U.S. Census Bureau, Building Permits Survey

Note: Data for 2023 is preliminary, through November 2023

## LOCAL AREA MAP



# LOCAL AREA ANALYSIS

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## Overview

The subject property is located in the city of Los Angeles within the Vernon Submarket. Los Angeles was incorporated in April 1850 and currently covers an area of approximately 503 square miles. It is located in the southwest area of Los Angeles County, approximately 32.4 miles northwest of Downtown Los Angeles. The city is bordered by the cities of Glendale to the north, Vernon to the south, East Los Angeles to the east and West Hollywood/Silver Lake to the west. Los Angeles is a leading world center of business, international trade, entertainment, culture, media, fashion, science, sports, technology, and education.

## Transportation

The city is served by many freeways. The 91 (Riverside Freeway) borders the city to the south, the 605 (San Gabriel Freeway) is at the city's western border and Interstate 5 (Santa Ana Freeway) extends northwest/southeast through the city. Interstate 105 (Century) Freeway runs from Norwalk to the Los Angeles International Airport (LAX). Interstate 405 runs through the west end of the area paralleling the coastline. With Los Angeles' central location in the county, a plethora of other interstates and freeways are easily accessible.

The Los Angeles Metro Rail is an urban rail transit system serving Los Angeles County. It consists of six lines: four light rail lines (the A, C, E and K lines) and two rapid transit (known locally as a subway) lines (the B and D lines), serving a total of 101 stations. It connects with the Metro Busway bus rapid transit system (the G and J lines), the Metrolink commuter rail system, as well as several Amtrak lines. Metro Rail is owned and operated by the Los Angeles County Metropolitan Transportation Authority (Metro). It has been extended significantly since it started service in 1990, and several further extensions are either in the works or being considered. In 2023, the system had a ridership of 61,981,300, or about 184,400 per weekday as of the fourth quarter of 2023.

## Commercial Real Estate Development

Below is a summary of commercial real estate sectors for the subject's market from the most recent CoStar market reports. It is noted that a more detailed analysis of statistics for the subject's property type for the market and submarket is shown in the following Market Analysis section:

The *Los Angeles Industrial Market* is at the center of the 2 billion-SF Southern California industrial market and is a key U.S. industrial hub. Demand draws from the 20 million Southern California residents and from goods entering the twin ports of Los Angeles and Long Beach, which combined handle nearly a third of all imports to the United States. Since reaching record-high occupancy levels and rent growth in early 2021, demand for industrial properties has softened due to a slowing in domestic spending on consumer goods and a sharp decline in imports entering the ports from Asia. Loaded inbound containers have declined by 20% year-to-date compared to the same period in 2022, while the vacancy rate has risen to 4.2% from 2.4% a year ago. Trade-dependent submarkets such as Vernon, Commerce, and Central Los Angeles have experienced the steepest increase in vacancies. Logistics tenants have downsized as they shift their focus from growth to efficiency, often vacating older, less functional industrial properties in these submarkets. Increasing available space is helping tenants negotiate new leases with friendlier terms. Excluding renewals, leasing volume from new leases year-to-date is 5% above 2019-levels, representing an increase in leasing volume of nearly 2 million SF. However, the amount of available space has grown to 60.1 million SF from 42.7 million SF over the same period, causing landlords to taper the pace of rent growth. Year-over-year rent growth has decelerated to 3.7% compared to 12.5% one year ago. However, even these figures mask the true shift in momentum, as

most of the market's most recent year-over-year rent gains were achieved in late 2022 and early 2023. Asking rents fell by 0.1% percent during the third quarter.

The *Los Angeles Office Market* continues to face pains not seen in decades in the fourth quarter. Vacancy, 15.6%, is at its highest level since 1993 and up from 10.1% in early 2020. Recent leasing activity continues at a pace below historical activity, with year-to-date volumes trending around three-quarters of the average activity seen during 2015-19, the five years preceding the pandemic. Tenant commitments have, at best, mitigated the continued rise in vacancy, as numerous tenants continue to vacate or downsize space, whether upon lease expiration or posting space on the sublease market to recoup real estate costs. Sublease space, 11.6 million SF, although having reached a plateau in 2023, is still near its highest level recorded on CoStar and represents 2.6% of inventory. Looking ahead, the outlook for occupancies remains bleak, with vacancy anticipated to continue to reach new heights in the coming years. Rents have seen little movement since early 2020 and have witnessed losses of -0.4% during the past 12 months. Considering the market's weakness, one may have thought landlords would have reduced asking rates further during this time. However, rents can only go so low before executing leases fail to make financial sense. In the current environment, many tenants expect elevated concessions and more tenant improvement dollars than obtained before 2020. Inflation in tenant build-out costs during the past several years has also added pressure to lease economics. According to local market experts, even 10-year leases may have to offer packages worth five to six years of the total rent collected during the lease to attract tenants. Weak market conditions have resulted in developers exercising restraint when commencing new office projects, which has allowed the space under construction, 3.5 million SF, to come down from a recent high of 8.8 million square feet in 2020. Office starts over the past 12 quarters, just over 4.4 million SF, is 40% of the starts activity seen from 17Q4 through 20Q1, the peak 12-quarter period for starts during the last development cycle. Except for 1950 Avenue of the Stars, a 731,000-SF tower underway in Century City, most speculative projects have been small-to-mid-sized midrise creative office projects hoping to attract tenants with the latest generation space. Developers have noticed that newer buildings have fared better with tenant interest since early 2020.

The *Los Angeles Retail Market* continues to grapple with negative demand in response to six consecutive years of population losses and a slow recovery in tourism. Most recently, absorption, which slightly recovered in 2022, has declined by 440,000 SF over the past 12 months, similar to the annual pace from 2018 to 2021. At the same time, rising interest rates are weighing on business formation. Leasing volume from new leases is approximately 10% lower year-to-date compared to the same period in 2022. Availability rates in aggregate have seesawed during this same period as an overwhelming amount of recently vacated space has come from big box store closings, including Sears, which in many cases are not available to lease. Similar to the national trend, availability in spaces over 25,000 SF had been rising for most of the past two years but declined last quarter largely because Target leased 126,000 SF in El Monte at a former Sears Outlet store. The lease is more of an anomaly than a trend as Target announced plans to close stores in major markets and few other retailers are leasing spaces this size. Availability has also risen in smaller spaces, particularly in those ranging from 5,000 SF to 10,000 SF. While demand on the whole has been negative, shifts in post-pandemic shopping behavior have benefitted neighborhood centers. Available spaces in neighborhood centers, which have benefitted from strong demand from a diverse array of tenants including grocers, are declining. Consumer foot traffic has shown a clear preference for convenient centers with easy access and multiple shopping methods. Fitness companies, such as Planet Fitness and Gold's Gym, and boutique gyms, have been actively leasing space in neighborhood centers this year. This trend has benefited demand for retail in suburban submarkets, such as Mid-Cities, Antelope Valley, and those in the San Gabriel Valley, where neighborhood centers make up a larger proportion of the retail inventory. Conversely, availabilities are growing in malls and power centers.

Submarkets in the West, where tech and financial firms are clustered, are experiencing softer demand as workers are spending fewer days near their offices. Overnight travelers also help drive demand to these submarkets, such as the Downtown L.A. and Santa Monica Submarkets. However, tourism remains below pre-pandemic levels due to a slower recovery from international and business travel.

### Demographics

The following information reflects the demographics for the subject's area.

LOCAL AREA DEMOGRAPHICS							
DESCRIPTION	1 MILE	3 MILE	5 MILE	DESCRIPTION	1 MILE	3 MILE	5 MILE
<b>POPULATION TOTAL</b>				<b>HOUSEHOLDS</b>			
2010 Census	24,363	318,244	1,003,988	2010 Census	5,614	79,588	267,078
2020 Census	24,700	307,664	1,001,532	2020 Census	6,394	84,182	294,076
2024 Estimate	23,336	297,783	977,372	2024 Estimate	6,325	84,080	298,763
2029 Projection	22,575	290,870	967,311	2029 Projection	6,300	85,255	308,247
Δ 2010-2020	1.38%	(3.32%)	(0.24%)	Δ 2010-2020	13.89%	5.77%	10.11%
Δ 2020-2024	(5.52%)	(3.21%)	(2.41%)	Δ 2020-2024	(1.08%)	(0.12%)	1.59%
Δ 2024-2029	(3.26%)	(2.32%)	(1.03%)	Δ 2024-2029	(0.40%)	1.40%	3.17%
Total Daytime Population	28,208	325,319	1,105,761	<b>HOUSEHOLDS BY INCOME (2024 ESTIMATE)</b>			
<b>HOUSING UNITS</b>				<\$15,000	12.3%	13.8%	14.2%
Total (2024 Estimate)	6,568	88,364	321,243	\$15,000 - \$24,999	9.2%	8.7%	8.9%
Owner Occupied	25.3%	25.4%	23.7%	\$25,000 - \$34,999	10.3%	9.6%	8.7%
Renter Occupied	71.0%	69.8%	69.3%	\$35,000 - \$49,999	14.6%	11.7%	11.3%
Vacant Housing Units	3.7%	4.8%	7.0%	\$50,000 - \$74,999	14.4%	17.0%	16.2%
Total (2029 Projection)	6,577	89,657	327,539	\$75,000 - \$99,999	17.9%	13.8%	12.7%
Owner Occupied	25.9%	26.0%	24.1%	\$100,000 - \$149,999	12.6%	14.7%	14.3%
Renter Occupied	69.9%	69.0%	70.0%	\$150,000 - \$199,999	4.7%	6.1%	7.1%
Vacant Housing Units	4.2%	4.9%	5.9%	\$200,000+	4.1%	4.6%	6.5%
<b>AVERAGE HOUSEHOLD INCOME</b>				<b>AVERAGE HOUSEHOLD SIZE</b>			
2024 Estimate	\$73,937	\$77,705	\$83,861	2024 Estimate	3.65	3.42	3.14
2029 Projection	\$89,461	\$93,043	\$100,546	2029 Projection	3.54	3.29	3.02
Δ 2024-2029	21.00%	19.74%	19.90%	Δ 2024-2029	(3.01%)	(3.80%)	(3.82%)
<b>MEDIAN HOUSEHOLD INCOME</b>				<b>MEDIAN HOME VALUE</b>			
2024 Estimate	\$54,844	\$57,045	\$58,474	2024 Estimate	\$731,794	\$658,936	\$689,559
2029 Projection	\$68,837	\$69,157	\$71,488	2029 Projection	\$1,117,606	\$867,807	\$870,842
Δ 2024-2029	25.51%	21.23%	22.26%	Δ 2024-2029	52.72%	31.70%	26.29%
<b>PER CAPITA INCOME</b>				<b>AVERAGE HOME VALUE</b>			
2024 Estimate	\$20,085	\$22,549	\$25,925	2024 Estimate	\$875,712	\$737,952	\$778,220
2029 Projection	\$25,020	\$27,891	\$32,340	2029 Projection	\$1,177,899	\$1,019,779	\$1,027,203
Δ 2024-2029	24.57%	23.69%	24.74%	Δ 2024-2029	34.51%	38.19%	31.99%

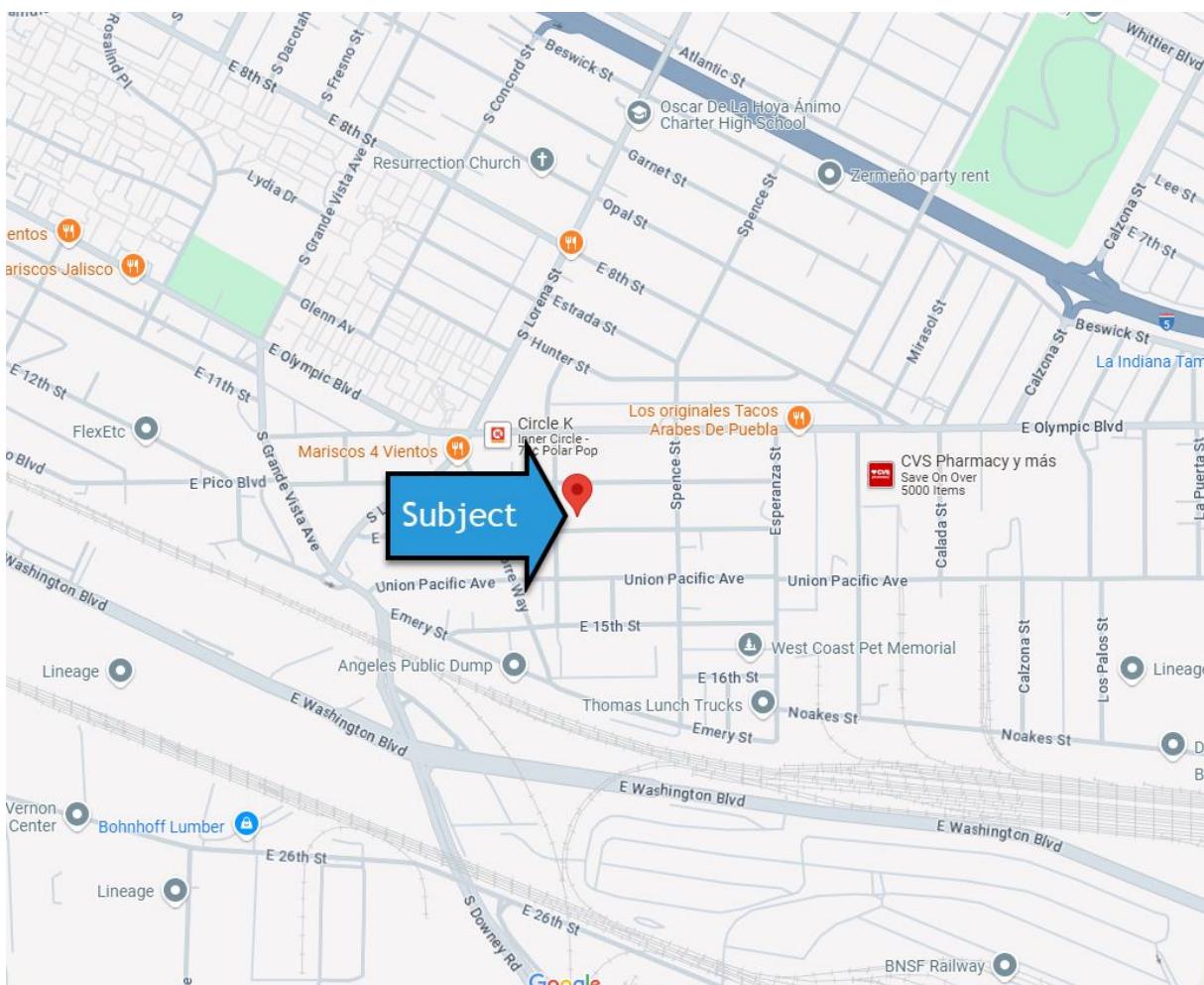
Source: Sites To Do Business Online

As shown in the previous table, the market area has experienced negative population growth. Median household incomes are estimated at \$54,844 in the 1.0-mile ring, \$57,045 in the 3.0-mile ring and \$58,474 in the 5.0-mile ring. A majority of housing units are occupied by renters in the 5.0-mile radius. Median home value estimates are highest in the 1.0-mile ring.

## Immediate Neighborhood

The subject is located in an industrial node along the northeastern corner of Velasco Street and East 14<sup>th</sup> Street in Los Angeles. Major transportation arterials in the immediate neighborhood are Washington Boulevard, Olympic Boulevard, Downey Road and Bandini Boulevard. The subject has good freeway linkage as Interstates 5 & 710 and State Routes 60 & 101, are in proximity to this area of Los Angeles. The immediate area is nearly 100% built-out. The majority of the developments in the area were built between the 1940's and the 1960's, with average appeal levels. Any new development in the area will primarily come from redeveloping/razing existing buildings. The subject is surrounded by industrial developments. Overall, the subject conforms well to other properties in the area.

The following is an immediate neighborhood map:



## Area Summary

The neighborhood is an established industrial area of Los Angeles. The outlook for the neighborhood is for relatively stable performance with only moderate improvement over the next several years. As a result, the demand for existing developments is expected to be adequate. The overall long-term outlook for the region and market area is moderate to strong economic growth. Additional information relating to the competitive position of the subject is provided in the Market Analysis section.

## SITE DESCRIPTION

The subject property consists of three parcels with a total site area of 15,760 SF (0.36 AC) which is based on information obtained from RealQuest. This appraisal has determined that there is 7,380 SF of excess land and no surplus land attributed to the vacant parcel at 1368 Velasco Street. For the purposes of this report, we have relied on this site area and reserve the right to amend our analysis upon receipt of a formal legal plan.

Site Information						
APN	Address	Primary		Total		
		SF	Acres	SF	Acres	
5190-036-015	3451 E 14th St	4,190	0.10	4,190	0.10	
5190-036-016	3447 E 14th St	4,190	0.10	4,190	0.10	
5190-036-022	1368 Velasco St	7,380	0.17	7,380	0.17	
<b>TOTAL</b>		<b>15,760</b>	<b>0.37</b>	<b>15,760</b>	<b>0.37</b>	

<b>Number of Parcels</b>	3			
<b>Assessor Parcels</b>	5190-036-015, 5190-036-016, 5190-036-022			
<b>Land Area</b>	Square Feet	Acres		
Primary Site Size	8,380	0.19		
Excess Land Site Size	7,380	0.17		
<b>Usable Site Size</b>	<b>15,760</b>	<b>0.36</b>		
<b>Total Land Area</b>	<b>15,760</b>	<b>0.36</b>		
<b>Corner</b>	Yes			
<b>Site Topography</b>	Level at street grade			
<b>Site Shape</b>	Rectangular			
<b>Site Quality</b>	Average			
<b>Site Access</b>	Average			
<b>Site Exposure</b>	Average			
<b>Site Utility</b>	Average			
<b>Utilities</b>	All available			
<b>Adjacent Properties</b>				
North	Industrial property			
South	East 14th Street followed by an industrial property			
East	Industrial building			
West	Velasco Street followed by an industrial property			
<b>Accessibility</b>				
Access to the subject site is considered average overall.				

# SITE DESCRIPTION

(CONTINUED)

STREET & TRAFFIC DETAIL											
	Type	Direction	Lanes	Lights	Curbs	Sidewalks	Signals	Median	Parking	Center Lane	Bike Lane
<b>Street Improvements</b>											
East 14th Street	Neighborhood Street	Two-Way	2	x	x	x			x		
Velasco Street	Neighborhood Street	Two-Way	2	x	x	x			x		
<b>Frontage</b>											
East 14th Street	148 feet										
Velasco Street	106 feet										
<b>Exposure &amp; Visibility</b>	Exposure of the subject is average.										
<b>Flood Plain</b>	Zone X (Unshaded). This is referenced by Panel Number 060137 - 06037C1639F, dated September 26, 2008. Zone X (unshaded) is a moderate and minimal risk area. Areas of moderate or minimal hazard are studied based upon the principal source of flood in the area. However, buildings in these zones could be flooded by severe, concentrated rainfall coupled with inadequate local drainage systems. Local storm water drainage systems are not normally considered in a community's flood insurance study. The failure of a local drainage system can create areas of high flood risk within these zones. Flood insurance is available in participating communities, but is not required by regulation in these zones. Nearly 25% of all flood claims filed are for structures located within these zones. Minimal risk areas outside the 1% and 0.2% annual chance floodplains. No BFEs or base flood depths are shown within these zones. (Zone X (unshaded) is used on new and revised maps in place of Zone C.)										
<b>Seismic</b>	The subject is in a highest risk area. While properties in California are considered high risk, it may or may not be identified as being located in Alquist-Priolo Earthquake Special Studies Zone. The Alquist-Priolo Special Studies Zone Act of 1972 was enacted by the State of California to regulate development near active earthquake faults. The Act required the State Geologist to delineate earthquake fault zones along known faults in California. Cities and counties affected by the identified zones must limit certain development projects within the zones unless geologic investigation demonstrates that the sites are not threatened by surface displacement from future faulting. The Alquist-Priolo maps identify areas at risk of having surface ruptures; they do not address seismic risk due to soil composition or distance from an active fault. According to information provided by the California Department of Conservation, the subject property <u>is not</u> located within the boundaries of an Alquist-Priolo Earthquake Special Studies Zone. The appraisers are not qualified in the determination of seismic risk, and the client is advised to consult a geotechnical expert in the determination of seismic risk.										

**Easements**

Based on the provided preliminary title report, and an on-site inspection, no adverse easements or encumbrances were noted. This appraisal assumes that there are no adverse easements present. If questions arise, further research is advised.

**Soils**

A detailed soils analysis was not available for review. Based on the development of the subject, it appears the soils are stable and suitable for the existing improvements.

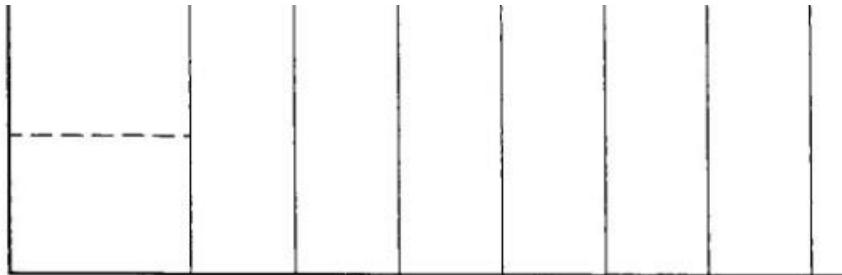
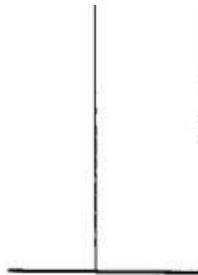
**Hazardous Waste**

I have not conducted an independent investigation to determine the presence or absence of toxins on the subject property. If questions arise, the reader is strongly cautioned to seek qualified professional assistance in this matter. Please see the Assumptions and Limiting Conditions for a full disclaimer.

**Site Rating**

Overall, the subject site is considered average as an industrial site in terms of its location, exposure and access to employment, education and shopping centers, based on its location along a neighborhood street.

## PLAT MAP



50 PICO

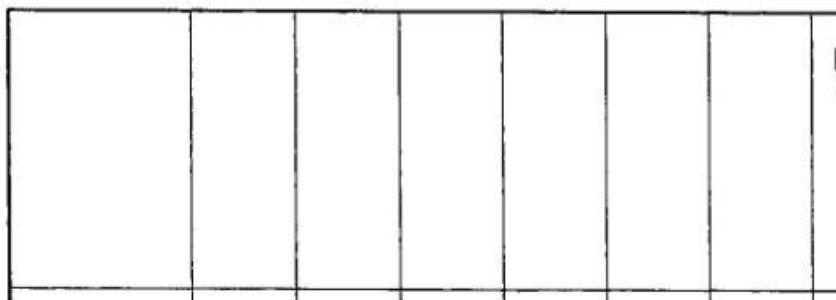
MAPPING AND GIS  
SERVICES  
SCALE 1" = 60'

PG  
33

50  
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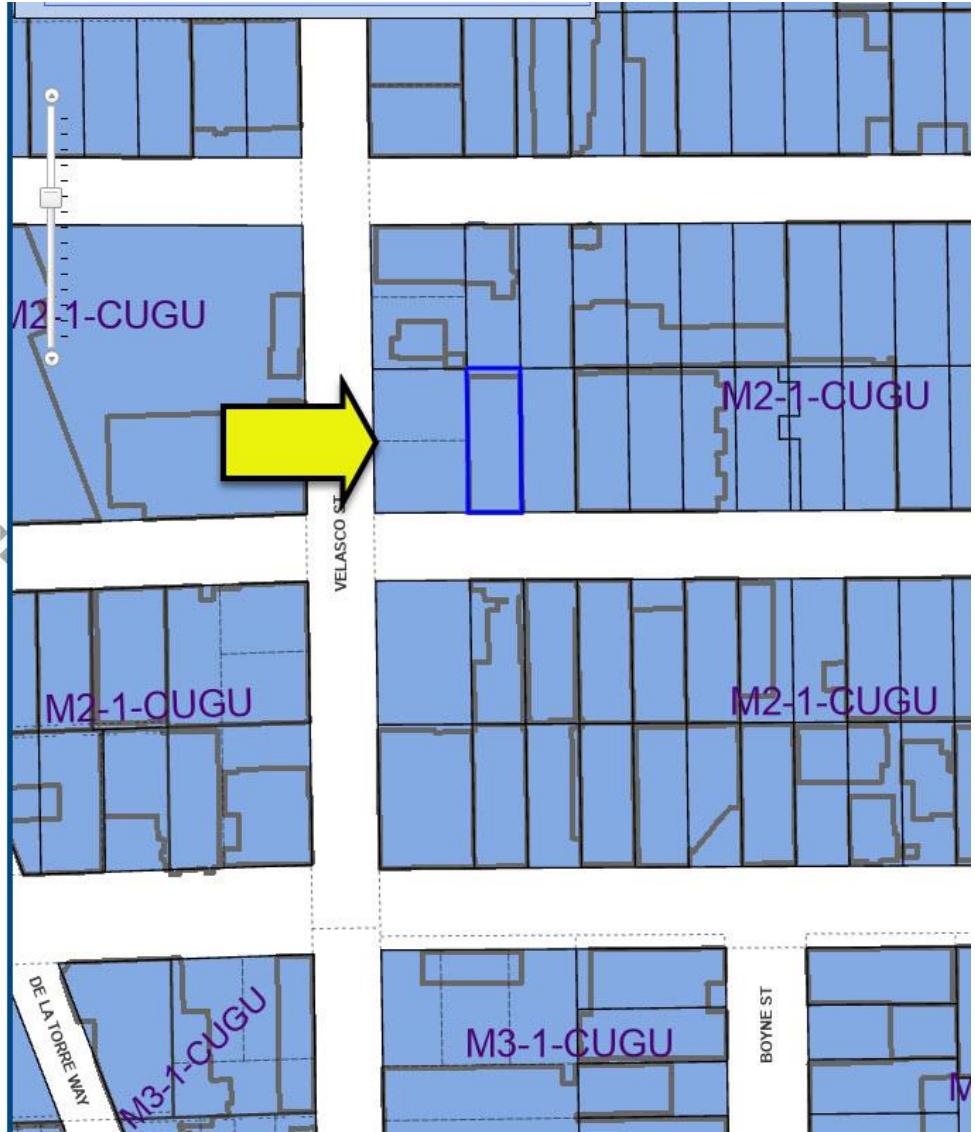
50 VELASCO

50 14TH



# ZONING MAP

Site Address	3447 E 14TH ST
ZIP Code	90023
PIN Number	118-5A225 385
Lot/Parcel Area (Calculated)	4,189.6 (sq ft)
Thomas Brothers Grid	PAGE 675 - GRID B1
Assessor Parcel No. (APN)	5190036016
Tract	TR 5030
Map Reference	M B 53-31/32 (SHT 1 & 2)
Block	None
Lot	107
Arb (Lot Cut Reference)	None
Map Sheet	118-5A225
► Jurisdictional	
► Permitting and Zoning Compliance	
▼ Planning and Zoning	
Special Notes	None
Zoning	M2-1-CUGU
Zoning Information (ZI)	ZI-2452 Transit Priority Area in the City of Los Angeles
Zoning Information (ZI)	ZI-2474 Exide Technologies Buffer (2700 S Indiana 1.7 mile radius)
Zoning Information (ZI)	ZI-2488 Redevelopment Project Area: Adelante Eastside
Zoning Information (ZI)	ZI-2128 State Enterprise Zone: East Los Angeles
Zoning Information (ZI)	ZI-2458 Clean Up Green Up (CUGU): Boyle Heights
Zoning Information (ZI)	ZI-2518 Boyle Heights Interim Control Ordinance
Zoning Information (ZI)	ZI-2498 Local Emergency Temporary Regulations - Time Limits and Parking Relief - LAMC 16.02.1
General Plan Land Use	Light Manufacturing
General Plan Note(s)	Yes
Minimum Density Requirement	No
Hillside Area (Zoning Code)	No
Specific Plan Area	None
Subarea	None
Special Land Use / Zoning	None
Historic Preservation Review	No
HistoricPlacesLA	No
CDO: Community Design	None
Overlay	
CPIO: Community Plan Imp.	None
Overlay	
Subarea	None
CPIO Historic Preservation	No
Review	
CUGU: Clean Up-Green Up	Boyle Heights
HCR: Hillside Construction	No
Regulation	
NSC: Neighborhood Stabilization Overlay	No
POD: Pedestrian Oriented District	None
RBP: Restaurant Beverage Program Eligible Area	None
ASP: Alcohol Sales Program	No
RFA: Residential Floor Area District	None
RIO: River Implementation Overlay	No
SN: Sign District	No



# FLOOD MAP

## Flood Map Report

For Property Located At



RealQuest

3447 E 14TH ST, LOS ANGELES, CA 90023-3817

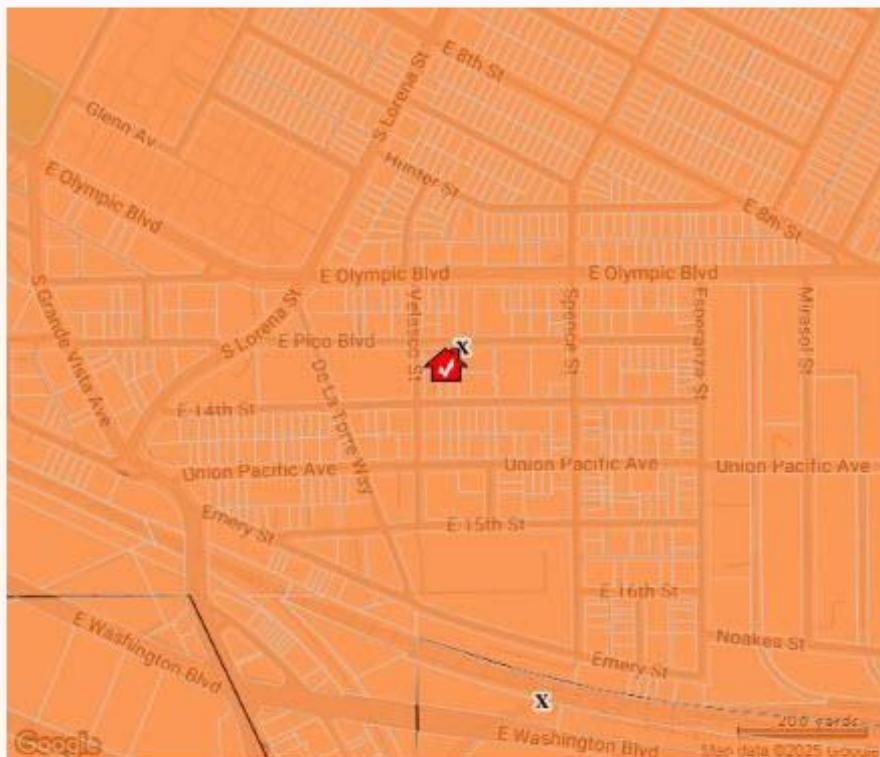
Report Date: 03/24/2025

County: LOS ANGELES, CA

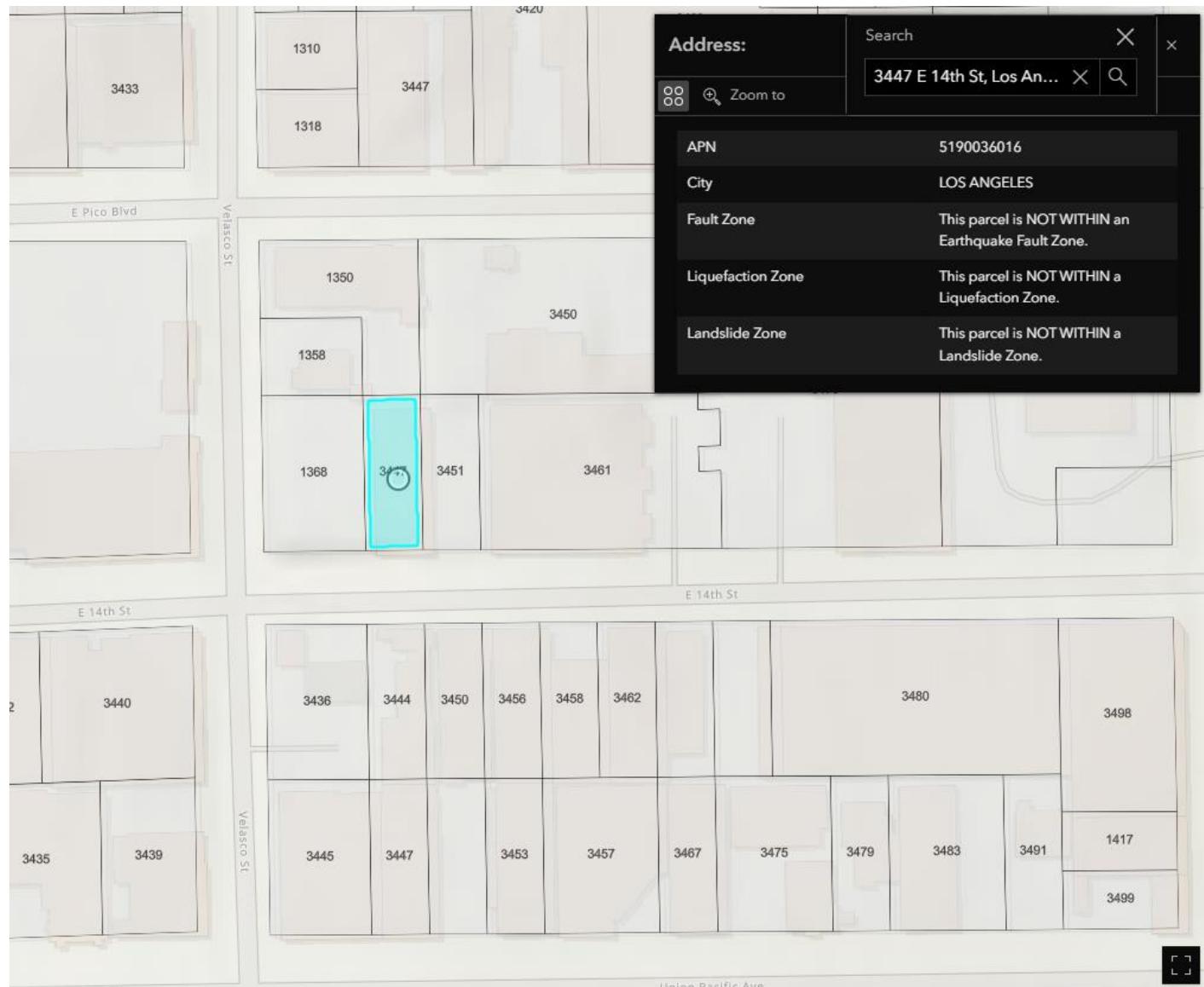
Flood Zone Code	Flood Zone Panel	Panel Date
X	060137 - 06037C1639F	09/26/2008
Special Flood Hazard Area (SFHA) Within 250 ft. of multiple flood zones?		Community Name
Out	No	LOS ANGELES

### Flood Zone Description:

Zone X-An area that is determined to be outside the 100- and 500-year floodplains.



# FAULT ZONE MAP



# SITE PLAN

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# IMPROVEMENT DESCRIPTION

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## Overview

The subject is an industrial property located in Los Angeles, California. The improvements were constructed in 1947. The improvements total 4,000 square feet (SF) and are situated on a 0.3618-acre site (15,760 SF). It should be noted that the subject site consists of three parcels. APN 5190-036-016 contains the building improvements while APN 5190-036-015 represents parking for the improvements. APN 5190-036-022 of the site area is considered excess land. The improvements are average quality and in average condition. The property features 15% office finish, warehouse area with 100% HVAC coverage, 16' clear heights and two loading doors. The subject building improvements and APN 5190-036-015 was 100.0% occupied by a single tenant as of retrospective date.

**Property Type** Industrial - Warehouse

**Tenancy** Single-Tenant

**Net Rentable Area (NRA)** 4,000

**Gross Building Area (GBA)** 4,000

**Ground Floor SF** 4,000

**Total Buildings** 1

**Floors** 1

**Year Built** 1947

## Age/Life Analysis

Actual Age 77

Effective Age 25

Economic Life 55

Remaining Useful Life 30

**Overall Building Quality** Average

**Overall Building Condition** Average

**Overall Building Appeal** Average

**Land to Building Ratio** 3.94 : 1

**Site Coverage Ratio** 47.73% (Based On Primary (Economic) Site Area Only)

**Floor Area Ratio (FAR)** 0.48

**Office Build Out** 15%

*\*Estimated*

**Clear Height (Feet)** 16'

**Grade Level Doors** 2

**Size**

The following sources of size information were considered:

RealQuest/County record:	3,900 square feet
CoStar:	4,000 square feet
Appraiser Measurements:	Did not measure
Rent Roll:	4,000 square feet
Lease Document:	4,000 square feet
<b>Rentable Size Used:</b>	<b>4,000 square feet</b>

*The improvement description below is based on information and photos provided from online sources such as CoStar, LoopNet, Crexi, etc. We assume these photos depict the subject's interior condition and features at the time of our valuation date (January 7, 2024).*

**Foundation**

Concrete slab

**Framing/Exterior Walls**

Masonry frame

**Roof**

Flat

**Elevator**

None

**Heating, Ventilation, & Air**

**Conditioning (HVAC)** Roof-mounted units with a reported 100% HVAC coverage

**Insulation**

Assumed to be standard and to code for both walls and ceilings

**Lighting**

Primarily fluorescent and incandescent fixtures

**Electrical**

Assumed adequate and to code

**Interior Walls**

Unknown

**Doors and Windows**

The building has metal exterior loading doors.

**Ceilings**

Unknown

**Plumbing**

Assumed to be adequate for industrial use

**Floor Covering**

Unknown

# IMPROVEMENT DESCRIPTION

(CONTINUED)

<b>Fire Protection</b>	Unknown
<b>Interior Finish/Build-Out</b>	The subject building is average quality/condition. The interior finish is comprised of office and warehouse space. According to information provided, the warehouse area has 100% HVAC coverage.
<b>Site Improvements</b>	The parking lot/yard area (3451 East 14 <sup>th</sup> Street) is improved with an asphalt paved surface and a security fence.
<b>Landscaping</b>	None
<b>Signage</b>	None
<b>Parking</b>	There are no marked on-site parking spaces. This does conform with zoning requirements as the subject is located in a reduced parking area (AB 2097) where no marked on-site parking is required. Based on the subject's overall site coverage and secure yard/parking lot, there is adequate on-site parking.
<b>Site Coverage Ratio</b>	47.7% (4,000 SF footprint / 15,760 SF site) The reported site coverage does not include the site coverage SF attributed to 1368 Velasco Street as this parcel is valued separately.
<b>Deferred Maintenance</b>	No significant forms of deferred maintenance were noted on the property inspection. A full inspection by a qualified inspector is recommended if further assurance is needed.
<b>Functional Design</b>	The building has a functional industrial design with typical site coverage and adequate on-site parking. The overall functional design is rated as average.
<b>ADA Comment</b>	This analysis assumes that the subject complies with all ADA requirements. Please refer to the Assumptions and Limiting Conditions section.
<b>Hazardous Materials</b>	A Phase I report was not provided. This appraisal assumes that the improvements are constructed free of all hazardous waste and toxic materials, including (but not limited to) unseen asbestos and mold. Please refer to the Assumptions and Limiting Conditions section regarding this issue.

### Summary

The information presented above is a basic description of the subject property improvements. This information is utilized in the valuation of the property. Reliance has been placed upon information provided by the owner (or owner's representative) and other sources deemed to be reliable. It is assumed that there are no hidden defects, and that all structural components are functional and operational. If questions arise regarding the integrity of the structure or its operational components, consult additional professional resources.

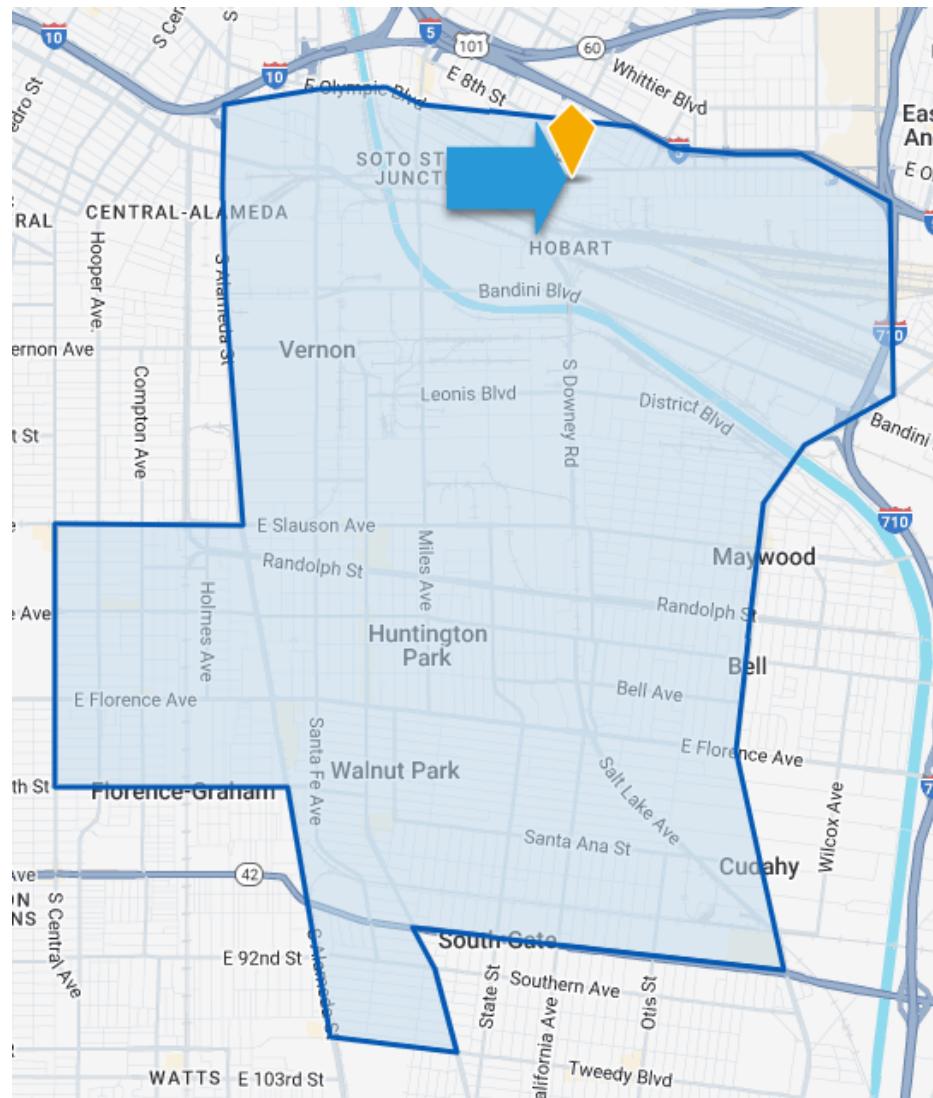
# MARKET ANALYSIS

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## **SUBJECT SECTOR SUPPLY & DEMAND STATISTICS**

In this section, market conditions which influence the subject property are analyzed. An overview of industrial supply and demand conditions for the Los Angeles Market and Vernon Submarket are presented.

In order to analyze supply and demand characteristics of this area, reliance is placed on information compiled by *CoStar*, which is the most comprehensive database for commercial properties in the Los Angeles. The map below shows the boundaries of the Vernon Submarket, followed by an industrial supply and demand analysis for the market and submarket:



A summary of current and historical supply and demand statistics for the market and submarket is summarized in the following table:

INDUSTRIAL MARKET AND SUBMARKET DATA SUMMARY (7 YEARS)					
		INVENTORY SUPPLY (SF)		VACANCY (%)	
QTR	YEAR	MARKET	SUBMARKET	MARKET	SUBMARKET
Q4	2023	1,037,063,581	84,237,085	4.2%	6.1%
Q3	2023	1,034,877,724	84,182,086	3.8%	6.2%
Q2	2023	1,035,749,709	84,533,270	3.8%	6.2%
Q1	2023	1,035,393,008	84,392,806	3.1%	4.5%
	2022	1,034,188,596	84,420,177	2.4%	3.0%
	2021	1,029,829,809	84,701,181	1.9%	3.2%
	2020	1,028,632,762	84,765,098	3.4%	4.7%
	2019	1,026,325,078	84,468,204	2.5%	3.8%
	2018	1,026,664,304	85,005,679	2.3%	4.5%
	2017	1,024,364,709	84,606,249	2.2%	4.4%
	2016	1,019,950,916	84,863,100	2.3%	3.7%
RENT \$/SF					
QTR	YEAR	MARKET	SUBMARKET	MARKET	SUBMARKET
Q4	2023	\$1.64	\$1.38	(1,942,939)	135,778
Q3	2023	\$1.66	\$1.41	(1,167,131)	(375,657)
Q2	2023	\$1.71	\$1.49	(6,597,751)	(1,273,495)
Q1	2023	\$1.68	\$1.57	(6,205,950)	(644,866)
	2022	\$1.69	\$1.25	(935,890)	(723,600)
	2021	\$1.38	\$1.13	16,893,069	1,214,474
	2020	\$1.15	\$0.92	(6,815,975)	(510,381)
	2019	\$1.10	\$0.96	(2,335,448)	64,826
	2018	\$1.03	\$0.80	1,342,895	265,011
	2017	\$0.95	\$0.74	4,844,645	(885,901)
	2016	\$0.86	\$0.69	850,604	118,797

Source: CoStar Property®

## Supply

As shown in the previous table, the Los Angeles Market contains a substantial amount of industrial supply as of the most recent quarter. The Vernon Submarket accounts for 8.1% of the total market. The following table illustrates recent deliveries to the market and submarket:

DELIVERIES (SF)					
QTR	YEAR	MARKET	% OF TOTAL	SUBMARKET	% OF TOTAL
Q4	2023	2,437,828	0.2%	54,999	0.1%
Q3	2023	1,051,167	0.1%	37,670	0.0%
Q2	2023	809,607	0.1%	140,464	0.2%
Q1	2023	1,740,688	0.2%	0	0.0%
	2022	6,906,499	0.7%	69,480	0.1%
	2021	4,977,538	0.5%	0	0.0%
	2020	6,008,777	0.6%	556,931	0.7%
	2019	3,150,054	0.3%	74,435	0.1%
	2018	6,638,669	0.6%	1,110,765	1.3%

The following table is a summary of under construction activity in the market and submarket:

UNDER CONSTRUCTION (SF)					
QTR	YEAR	MARKET	BUILDINGS	SUBMARKET	BUILDINGS
Q4	2023	7,407,910	65	824,201	5
Q4	2022	7,743,939	70	452,439	4
Q4	2021	8,959,457	59	0	0
Q4	2020	5,352,419	59	164,328	2
Q4	2019	5,840,628	53	415,684	4

## Demand

Demand for industrial properties is best indicated by trends in vacancy, asking rents and net absorption. The following is a discussion of each item:

### Vacancy

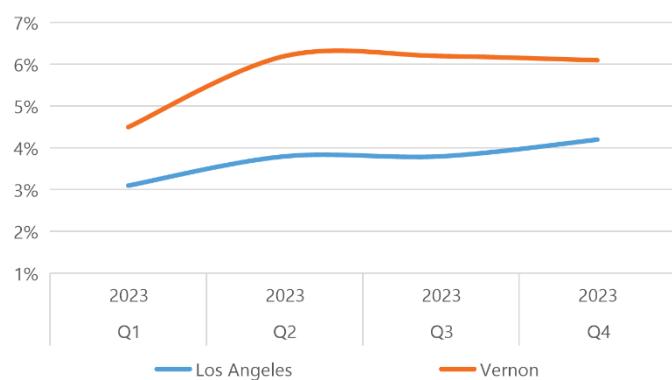
Vacancy in the Los Angeles Market averaged 4.2% in the most recent quarter. Vacancy in the Vernon Submarket averaged 6.1% during this period and has historically been above the market as a whole. Submarket vacancy rates have demonstrated an increasing trend over the last year.

The following graphs provide visual illustration of the long-term and short-term industrial vacancy for the market and submarket:

LONG TERM VACANCY

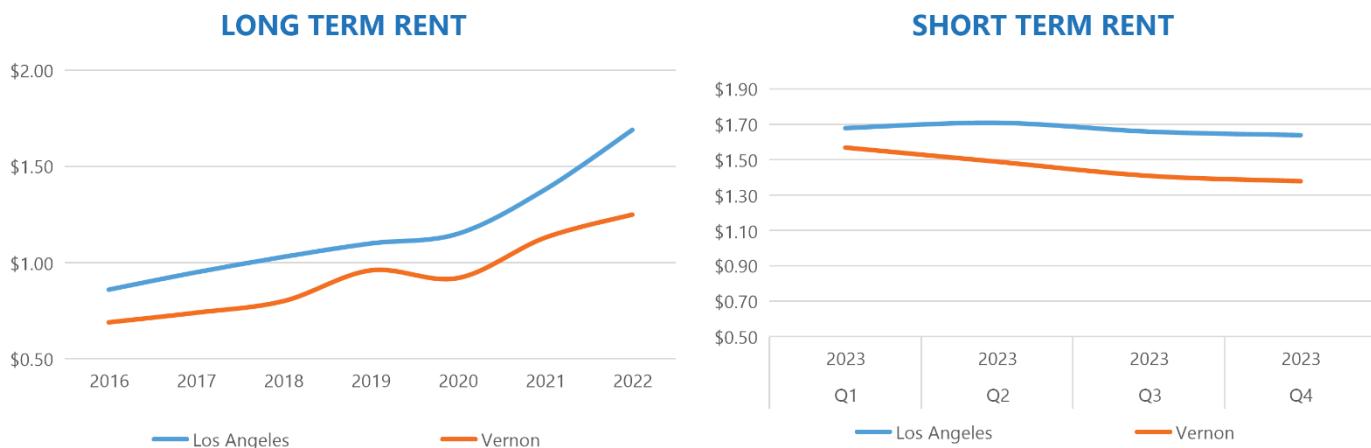


SHORT TERM VACANCY



## Asking Rents

Asking rents changed by -3.0% in the market over the last year and 59.2% over the last five years. Asking rents in the submarket changed by 10.4% over the last year and by 72.5% over the last five years. The following graphs provide visual illustration of the long-term and short-term industrial asking rent for the Market and Submarket:



## Net Absorption

Absorption levels generally mirror trends in vacancy. Net absorption has been negative since 2022 in the market and submarket. The submarket has generally been negative as well.

## Strengths and Weaknesses of the Subject Property

The following chart summarizes the major property strengths and weaknesses:

STRENGTHS, WEAKNESSES, OPPORTUNITIES & THREATS	
STRENGTHS	WEAKNESSES
Secure yard area	Older construction
100% HVAC coverage	Submarket asking rents are below the market
Excess land parcel	Submarket vacancy is above the market
OPPORTUNITIES	THREATS
Asking rents are increasing (submarket)	Inflation concerns
Similar properties are selling at or near list price	Labor shortage
Limited supply of similar properties	Changes in demand of workforce
Smaller-scale property has larger buyer pool	Building material price increase
Interest rates may decrease in 2024	Interest rates increased over the last year

## Summary & Conclusions

Statistics indicate stabilized to weakened industrial demand in the Los Angeles Market and Vernon Submarket. This is evidenced by the trends in vacancy and asking rents. Additionally, other economic indicators are positive, including decreases in the unemployment rate, increases in home prices and growth in taxable retail sales. Based on the supply and demand conditions detailed in this section, a vacancy and credit loss factor of 5.0% is concluded to be reasonable for the subject and is used in the Income Approach section.

# **HIGHEST & BEST USE ANALYSIS**

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The highest and best use of the subject property provides the foundation for the valuation section. Highest and best use is defined in the 7<sup>th</sup> edition of *The Dictionary of Real Estate Appraisal* (Appraisal Institute, Chicago, 2022), as follows:

The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.

Highest and best use analysis uses the following steps for the subject:

- ▶ Highest & Best Use As Vacant
- ▶ Determination of the ideal improvements
- ▶ Highest & Best Use As Improved
- ▶ Conclusion of the Highest & Best Use

The analysis of highest and best use can be thought of as the logical end of a spectrum of market analysis procedures, running from the macroeconomic overview of a general market study, through more detailed marketability studies and analyses of financial feasibility, to the formal analysis of highest and best use. In theory, the highest and best use is commonly described as that reasonable and most profitable use that will support its highest present value. The highest and best use, or most profitable use, must be legally permissible, physically possible, financially feasible, and maximally productive.

This section develops the highest and best use of the subject property As-Vacant and As Improved.

## **AS-VACANT ANALYSIS**

In this section, the highest and best use of the subject as-vacant is concluded after taking into consideration financial feasibility, maximal productivity, marketability, legal, and physical factors.

### ***Legally Permissible***

Private restrictions, zoning, building codes and environmental regulations are considered, if applicable to the subject site. The legal factors influencing the highest and best use of the subject site are primarily government regulations such as zoning ordinances. We are aware of no adverse private restrictions or environmental regulations. Permitted uses of the subject's Light Industrial (M2-1-CUGU) include the following: Light industrial, warehouse, manufacturing, limited, commercial, storage yards, animal keeping, etc.. No zoning change is anticipated for the subject; therefore, uses outside of those permitted by the M2-1-CUGU zoning are not considered moving forward in the as-vacant analysis.

### ***Physically Possible***

The test of what is physically possible for the subject site considers physical and locational characteristics that influence its highest and best use. In terms of physical features, the subject site totals 0.3618-acres (15,760 SF), it is rectangular in shape and has a level topography. The site has average exposure and average overall access. The subject property is within an industrial location of Los Angeles. This area is generally experiencing stable economic growth. Development immediately surrounding the subject includes industrial properties. There are no physical limitations that would prohibit development of any of the by-right uses on the site.

## ***Financial Feasibility***

Based on the analysis of the subject's market and an examination of costs, a newly constructed industrial building is concluded to be financially feasible based on the supply and demand conditions presented in the Market Analysis section and the fact that speculative construction is taking place. Other legally permitted uses are also likely financially feasible.

## ***Maximum Productivity***

There is only one use that creates value and at the same time conforms to the requirements of the first three tests. Financial feasibility, maximal productivity, marketability, legal, and physical factors have been considered and the highest and best use of the subject site as-vacant is concluded to be an industrial development as economic conditions warrant.

## **AS IMPROVED ANALYSIS**

The legal factors influencing the highest and best use of the subject property are primarily governmental regulations such as zoning and building codes. The subject's improvements were constructed in 1947 and appear to be a legal, conforming use. The physical and location characteristics of the subject improvements have been previously discussed in this report. The project is of average quality construction and in average condition. Therefore, the property as improved, meets the physical and location criteria as the highest and best use of the property.

## **Alternative Uses**

In addition to legal and physical considerations, analysis of the subject property as-improved requires consideration of alternative uses. The five possible alternative treatments of the property are:

**Demolition** – This is not warranted, as the improvements contribute substantial value to the site.

**Expansion** – Possible given the low site coverage when including 1368 Velasco Street; however, an analysis under this scenario is outside the scope of the assignment.

**Renovation** – This is not warranted, as the improvements are in average condition and renovation may not be financially feasible.

**Conversion** – This is not applicable since the subject's design do not lend themselves well to an alternative use.

**Continued Use As-Improved** – At the present time, among the five alternative uses, continued use as improved is the Highest and Best Use of the subject As Improved.

## **Buyer Profile**

The most likely buyer would be an investor.

# VALUATION METHODS

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The appraisal process, which is applied to most real estate properties, is designed to evaluate all factors that influence value. Regional and market area information has been presented to inform the reader of general outside influences that may affect value. In addition, the site and improvements have been described in detail. The interaction of the site and improvements establishes the utility and desirability of the entire property. The Highest and Best Use section evaluates the effect of legal, physical, and market considerations that influence the use of the property. The following paragraphs discuss the various methods used to value the subject property.

## **Cost Approach**

This approach is based upon the principle that the value of the property is significantly related to its physical characteristics, and that no one would pay more for a facility than it would cost to build a similar facility in today's market on a comparable site. This approach is not applicable due to the age of the improvements. The exclusion of this approach is not detrimental to the credibility or reliability of the final value conclusion.

## **Sales Comparison Approach**

This approach is based on the principle of substitution. This principle states that no one would pay more for the subject property than the value of similar property in the market. This approach analyzes sales of comparable properties with regard to the nature and condition of each sale. Comparisons are made for varying physical characteristics. This approach is meaningful and is developed.

## **Income Approach**

The Income Approach is based on the premise that properties similar to the subject are income producing, and that investors purchase these properties based upon their income-producing ability. In the Income Approach, market rents for the subject property are estimated, the applicable operating expenses are deducted, and the resulting net income is capitalized into a value estimate. This method is known as Direct Capitalization. This approach is meaningful and is developed.

## **Methods Developed**

Based on the agreed upon scope with the client, the subject's specific characteristics and the interest appraised, this appraisal developed Sales Comparison and Income (Direct Capitalization) Approaches. The values presented represent the Retrospective Value (Leased Fee Estate) This appraisal does not develop the Cost Approach or the Discounted Cash Flow Method of the Income Approach. The exclusion of these approaches/methods is not detrimental to the credibility or reliability of the final value conclusion.

The Valuation will be presented in the following order:

- ▶ Excess Land Valuation (1368 Velasco Street)
- ▶ Sales Comparison Approach
- ▶ Income Approach

## **Analysis of Value Conclusions**

The approaches used to value the subject property will be correlated into a final value opinion in the Analysis of Value Conclusions section.

# **SITE VALUATION – EXCESS LAND**

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This section values the subject's vacant parcel site (1368 Velasco Street) by comparing it with substitute land sales or listings within the local market area or in competitive areas throughout the region. Land value is influenced by a number of factors; most notably development and use potential. These factors, as well as others, are factored in the following analysis.

## **Unit of Comparison**

The most relevant unit of comparison for competing industrial land is price PSF. All of the comparable sales presented in this section were reported on this basis.

## **Adjustments**

Adjustments to the comparable sales were considered and made when warranted for expenditures after purchase, property rights transferred, conditions of sale, financing terms, and market conditions.

1. **Property Rights Transferred** - All of the sales comparables were fee simple sales reflecting the property rights appraised herein per the agreed upon scope of work.
2. **Financing** - The sales all reflected typical cash equivalent, lender-financed transactions and no adjustments were required for financing terms.
3. **Conditions of Sale** - None of the comparables required a condition of sale adjustment, as all were confirmed to be arm's length transactions.
4. **Expenditures After Purchase** - Expenses that the buyer incurs after purchase (demolition, cleanup costs, etc.). No adjustments are warranted based on review of the land sales.
5. **Market Conditions (Time)** - Based on research and interpretation of value trends, the analysis applies an upward market conditions adjustment of 0.25% annually reflecting the relatively consistent appreciation that occurred between the oldest comparable sale date up through the effective valuation date.

## **Quantitative Adjustment Process**

Quantitative percentage adjustments are also made for location and physical characteristics such as size, location quality, access, exposure, as well as other applicable elements of comparison. The adjustments are not intended to be exact measurements of the differences but an attempt to bracket the reasonable range of conclusions. Adjustments of 5% to 20% are applied for slightly inferior/superior to inferior/superior differences from the subject.

## **Comparable Selection**

A thorough search was made for similar land sales in the area. The parameters of the survey were highest and best use, zoning, proximity to the subject, size, and date of sale. In selecting comparables, emphasis was placed on confirming recent sales of sites that are similar to the subject property in terms of location and physical characteristics. Overall, the sales used represent the best comparables available for this analysis.

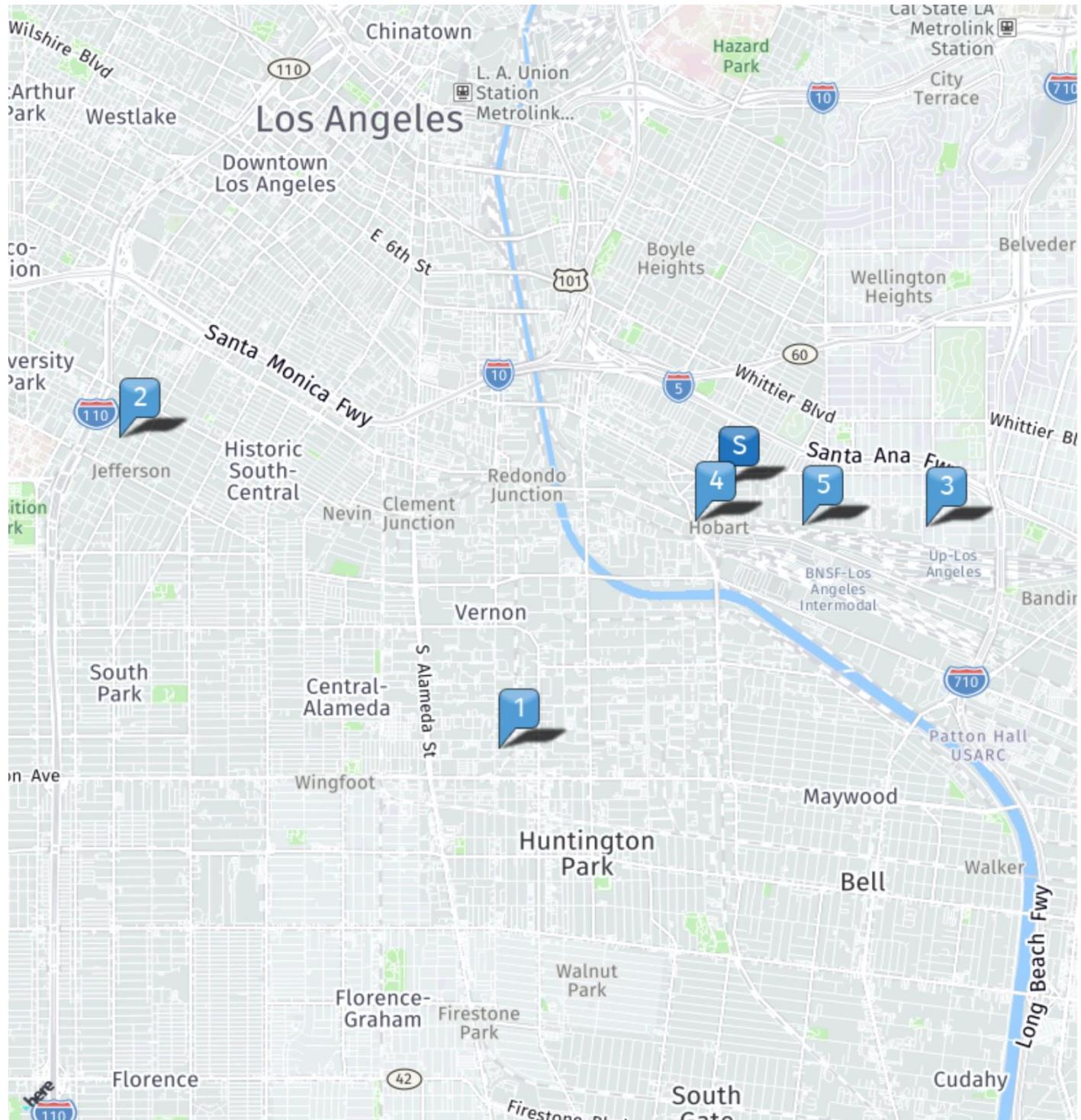
## **Presentation**

The following Land Sales Comparison Table, location map and exhibits summarize the sales data. Following these items, the sales are adjusted for applicable elements of comparison and the site value is concluded.

# SITE VALUATION – EXCESS LAND

(CONTINUED)

LAND SALES COMPARISON TABLE									
	SUBJECT	COMP 1	COMP 2	COMP 3	COMP 4	COMP 5			
Name	Industrial Land	Industrial Land	Industrial Land	Industrial Land	Industrial Land	Industrial Land			
Address	1368 Velasco St	5592-5600 S Santa Fe Ave	3017 S Hill St	1430 S Bonnie Beach Pl	3315 E Washington Blvd	3748 Noakes St			
City	Los Angeles	Vernon	Los Angeles	Commerce	Los Angeles	Los Angeles			
State	CA	CA	CA	CA	CA	CA			
Zip	90023	90058	90007	90023	90023	90023-3223			
County	Los Angeles	Los Angeles	Los Angeles	Los Angeles	Los Angeles	Los Angeles			
Submarket	Vernon	Mid-Cities	Mid-Cities	Commerce	Southeast Los Angeles	Southeast Los Angeles			
Parcel	5190-036-022	6309-005-008; 6309-006-012	5122-010-001	5241-021-008, 5241-021-009, 5241-021-010	5192-023-017; 5192-023-020	5192-018-011; 5192-018-017			
SALE INFORMATION									
Transaction Price	\$1,500,000	\$575,000	\$1,200,000	\$2,000,000	\$1,800,000				
Transaction Price \$/SF	\$88	\$93	\$63	\$68	\$48				
Property Rights <sup>1</sup>	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple			
Financing <sup>2</sup>	Cash to Seller	Cash to Seller	Cash to Seller	Cash to Seller	Cash to seller	Cash to seller			
Sale Conditions <sup>3</sup>	None	None	None	None	None	1031 Exchange			
Expenditures After Sale <sup>4</sup>	\$0	\$0	\$0	\$0	\$0	\$0			
Market Conditions <sup>5</sup>	2/22/2022	6%	10/10/2023	1%	6/11/2021	8%			
Sale Status	Recorded	Recorded	Recorded	Recorded	Recorded	Recorded			
Recording Number	204092	710898	928606	1587368		915317			
Marketing Status	Open Market	Unknown	Open Market	Open Market		-			
Marketing Period (Months)	1.8 Mos.	-	-	19.0 Mos.		-			
Total Transactional Adjustments	\$5	6%	\$1	1%	\$5	7%			
<b>Adjusted \$/SF</b>	<b>\$93</b>		<b>\$94</b>		<b>\$68</b>				
PHYSICAL INFORMATION									
Square Feet	7,380	16,988	6,186	19,187	5%	29,582	5%	37,572	5%
Location	Average	Average	Above Average	(5%)	Average	Average	Average	Average	
Access	Average	Average	Average	Average	Average	Average	Average	Average	
Exposure	Average	Average	Average	Average	Average	Average	Average	Average	
Shape	Rectangular	Rectangular	Rectangular	Rectangular	Triangular	5%	Irregular	10%	
Zoning	M2-1-CUGU	I - C2	M1	M1	M-3	(10%)	M3	(10%)	
Topography	Level	Level	Level	Level	Level		Level		
Total Physical Adjustments	\$0	0%	(\$5) (5%)	\$3	5%	\$0	0%	\$3	5%
<b>Adjusted \$/SF</b>	<b>\$93</b>		<b>\$89</b>		<b>\$71</b>		<b>\$73</b>		<b>\$56</b>



COMPARABLE	LABEL	ADDRESS	MILES FROM SUBJECT
COMPARABLE 1	1	5592-5600 S Santa Fe Ave, Vernon, CA, 90058	2.3
COMPARABLE 2	2	3017 S Hill St, Los Angeles, CA, 90007	4.0
COMPARABLE 3	3	1430 S Bonnie Beach Pl, Commerce, CA, 90023	1.4
COMPARABLE 4	4	3315 E Washington Blvd, Los Angeles, CA, 90023	0.3
COMPARABLE 5	5	3748 Noakes St, Los Angeles, CA, 90023-3223	0.6

## **SITE VALUATION – EXCESS LAND**

**(CONTINUED)**

## LAND SALE EXHIBITS



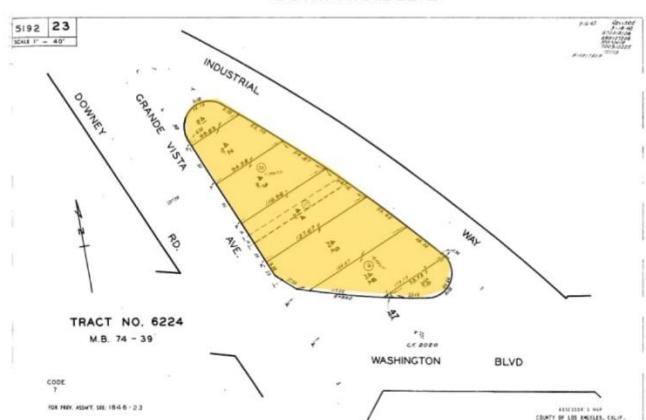
### COMPARABLE 1



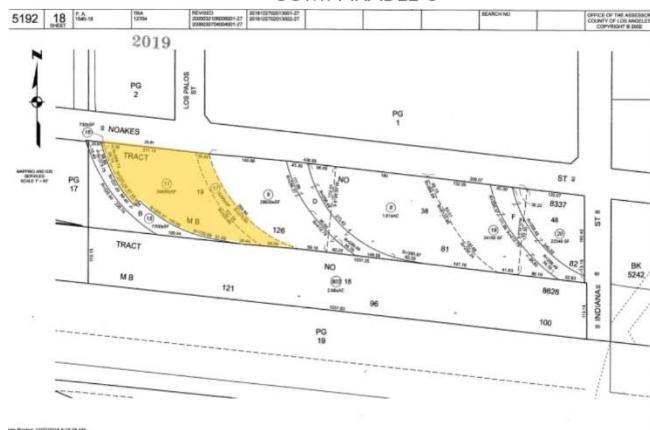
## COMPARABLE 2



### COMPARABLE 3



#### COMPARABLE 4



## COMPARABLE 5

**Land Sales Summary & Conclusion**

The comparable land sales indicate an overall unadjusted value range from \$48 to \$93 PSF, and average of \$72 PSF. After adjustments, the comparables indicate a narrower range for the subject site between \$56 and \$93 PSF with an average of \$76 PSF.

Based on the subject's overall locational and physical features, a unit value conclusion of \$60 PSF is supported. The following table summarizes the comparable land sales analysis and applies the unit value conclusion to the site area to provide an indication of the retrospective land value for the 1368 Velasco Street parcel at the subject property.

LAND SALES COMPARISON APPROACH CONCLUSION (SF)						
TRANSACTION	ADJUSTMENT				NET	GROSS
	PRICE	TRANSACTIONAL <sup>1</sup>	ADJUSTED	PROPERTY <sup>2</sup>	FINAL	ADJ
1	\$88	6%	\$93	0%	\$93	6% 6%
2	\$93	1%	\$94	(5%)	\$89	(4%) 6%
3	\$63	8%	\$68	5%	\$71	13% 13%
4	\$68	7%	\$73	0%	\$73	7% 27%
5	\$48	10%	\$53	5%	\$56	17% 35%
HIGH	\$93	10%	\$94	5%	\$93	17% 35%
AVG	\$72	6%	\$76	1%	\$76	8% 17%
MED	\$68	7%	\$73	0%	\$73	7% 13%
LOW	\$48	1%	\$53	(5%)	\$56	(4%) 0%
<b>1368 Velasco Street</b>	<b>SUBJECT SF</b>		<b>\$/SF</b>		<b>VALUE</b>	
Total Land Area	7,380	x	\$60	=	\$442,800	
INDICATED VALUE (ROUNDED TO NEAREST \$10,000)			\$60		\$440,000	

<sup>1</sup>Cumulative <sup>2</sup>Additive

# SALES COMPARISON APPROACH

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In the Sales Comparison Approach, the value of a property is estimated by comparing it with similar, recently sold properties in the surrounding or competing areas. Inherent in this approach is the principle of substitution, which holds that when a property is replaceable in the market, its value tends to be set by the cost of buying an equally desirable property, assuming that no costly delay occurs in making the substitution.

Through the analysis of sales of verified arm's-length transactions, market value and price trends are identified. The sales utilized are comparable to the subject in physical, functional, and economic characteristics.

## **Comparable Selection**

Comparable sales are presented, which were selected due to their similarity in physical, locational, and qualitative attributes. They represent the best data available to the appraiser as of the date of this report. Emphasis was given to the subject's location and similarly positioned properties.

## **Unit of Comparison**

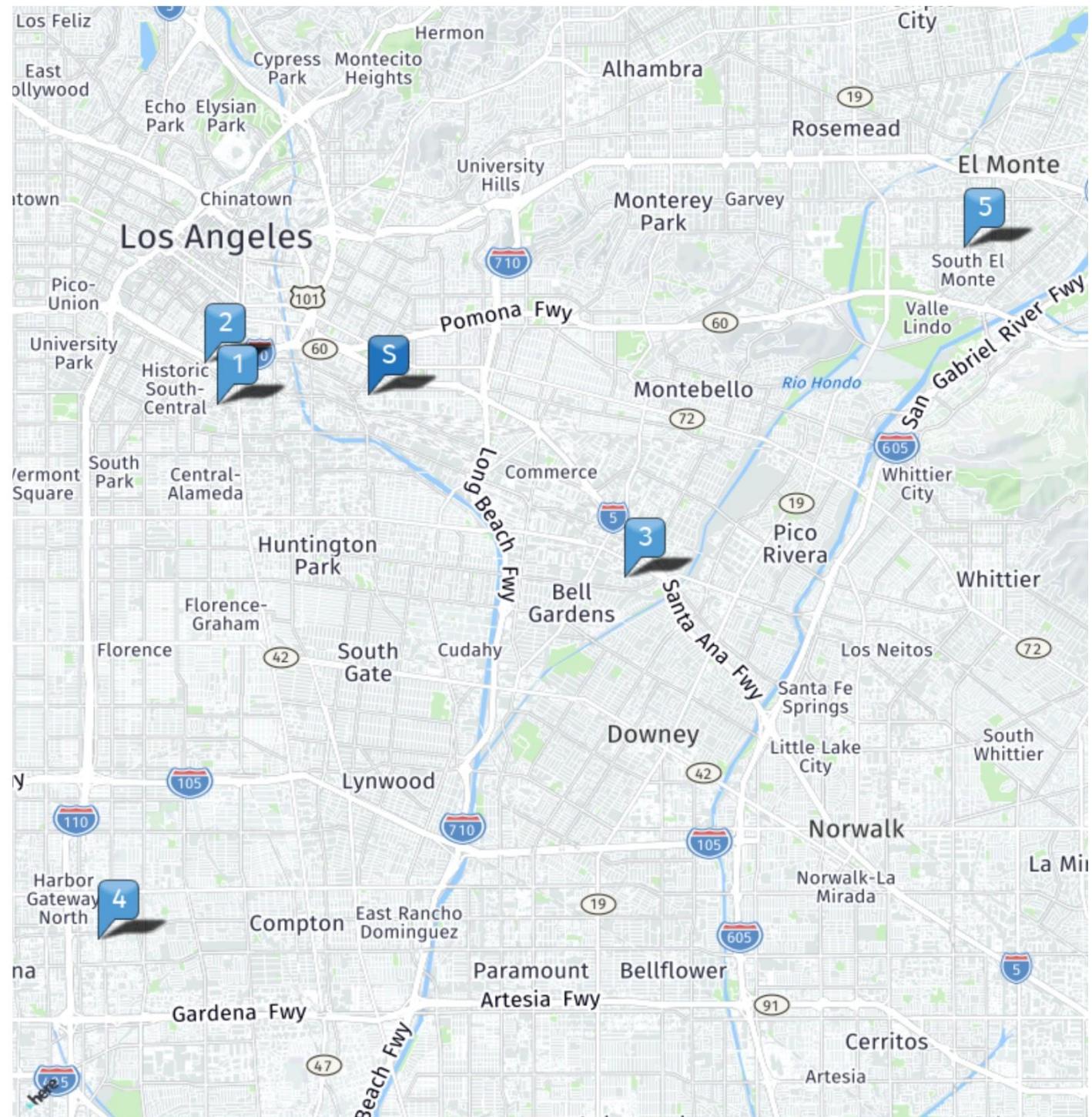
The most relevant unit of comparison is the price PSF of rentable area. This best reflects the unit of comparison used by buyers and sellers in this market for the subject property type.

## **Adjustments**

Adjustments to the comparable sales were considered and made when warranted for property rights transferred, conditions of sale, financing terms, expenditures after purchase, market conditions, location and other physical characteristics. These adjustments are explained later in this section.

## **Presentation**

The comparable property attributes are presented on the following location map and datasheets. Following the datasheets is an adjustment grid, explanation of adjustments and conclusion for the subject.



COMPARABLE	LABEL	ADDRESS	MILES FROM SUBJECT
COMPARABLE 1	1	1540 E 25th St, Los Angeles, CA, 90011	2.4
COMPARABLE 2	2	1327 E 18th Street, Los Angeles, CA, 90021	2.6
COMPARABLE 3	3	6281 Chalet Dr, Commerce, CA, 90040-3703	4.9
COMPARABLE 4	4	147 W 155th St, Gardena, CA, 90248	9.7
COMPARABLE 5	5	10428 Rush St, South El Monte, CA, 91733	9.5

## Industrial Property

Comparable 1

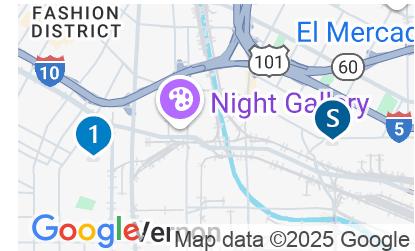
### Sale Information

Buyer	1540e25 Llc	
Seller	Ted R Cooper Properties	
Sale Date	7/21/2023	
Transaction Status	Recorded	
Sale Price	\$2,520,000	\$308 /SF NRA
Analysis Price	\$2,520,000	\$308 /SF NRA
Recording Number	0481508	
Rights Transferred	Fee Simple	
Financing	Cash to Seller	
Conditions of Sale	None	



### Property

Type	Industrial, Warehouse	1540 E 25th St Los Angeles, CA 90011
Gross Building Area (GBA)	8,190 SF	County
Net Rentable Area (NRA)	8,190 SF	Los Angeles
Buildings	1 Building, 1 Floor	Submarket
Parking	12 Spaces (1.5/1,000 SF NRA)	Central Los Angeles
Year Built	1959	APN
Land Area	0.289 Acres (12,591 SF)	5118-018-010; 5118-018-023
Site Coverage Ratio	65.05%	
FAR	0.65	
Shape	Rectangular	
Topography	Level	
Grade Doors	2	
Clear Height	14' Feet	
Office Buildout	15%	



### Confirmation

Name CoStar, Public Records, LoopNet

### Remarks

This is the sale of an industrial property located in Los Angeles, CA. It features a secure yard area.

## Industrial Property

Comparable 2

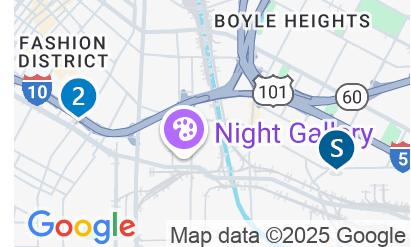
### Sale Information

Buyer	RP 1327 LLC
Seller	ADSM LLC
Sale Date	6/22/2023
Transaction Status	Recorded
Sale Price	\$1,416,000
Analysis Price	\$1,416,000
Recording Number	408152
Rights Transferred	Fee Simple
Financing	Cash to seller
Conditions of Sale	None
Marketing Time	146 days



### Property

Type	Industrial, Industrial Warehouse
Gross Building Area (GBA)	4,500 SF
Net Rentable Area (NRA)	4,500 SF
Buildings	1 Building, 1 Floor
Year Built	1965
Land Area	0.1326 Acres (5,777 SF)
Site Coverage Ratio	77.9%
FAR	0.78
Shape	Rectangular
Topography	Level
Grade Doors	2
Clear Height	14' Feet
Office Buildout	16%



1327 E 18th Street  
Los Angeles, CA 90021

County  
Los Angeles

Submarket  
Central Los Angeles

APN  
5129-001-041

### Confirmation

Name	CoStar, OM & Public Records
Company	Reavis Realty Inc.
Affiliation	Listing Company

### Remarks

This is the sale of an industrial property located in Los Angeles, CA. The property was reportedly sold to an owner-user who was the previous tenant at the property. There were no significant credits or discounts reported. The property was sold 14% below the asking price of \$1,650,000.

## Industrial Property

Comparable 3

### Sale Information

Buyer	Memon's Five LLC	
Seller	Bellinger Development California LLC	
Sale Date	8/14/2023	
Transaction Status	Recorded	
Sale Price	\$3,150,000	\$315 /SF NRA
Analysis Price	\$3,150,000	\$315 /SF NRA
Recording Number	0535037	
Rights Transferred	Leased Fee	
Financing	Cash to Seller	
Conditions of Sale	None	
Marketing Time	76 days	



### Income Analysis

Occupancy	100.0%	
Net Operating Income	\$127,890	\$12.79 /SF NRA
Cap Rate	4.06%	

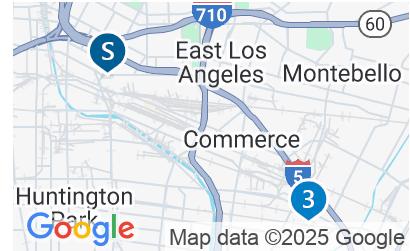
6281 Chalet Dr  
Commerce, CA 90040-3703

County  
Los Angeles  
Submarket  
Commerce

APN  
6357-007-010; 6357-007-017

### Property

Type	Industrial, Warehouse
Gross Building Area (GBA)	10,000 SF
Net Rentable Area (NRA)	10,000 SF
Buildings	1 Building, 1 Floor
Parking	22 Spaces (2.2/1,000 SF NRA)
Year Built	1960
Land Area	0.9 Acres (39,204 SF)
Site Coverage Ratio	25.51%
FAR	0.26
Zoning	M1-Light Manufacturing
Shape	Rectangular
Topography	Level
Dock Doors	2
Clear Height	16' Feet
Office Buildout	50%



### Confirmation

Name	CoStar, Marketing Brochure, Public Records
Company	Canada Pacific
Affiliation	Listing Company

### Remarks

This is the sale of an industrial building located in Commerce, CA. It was purchased as an investment. The tenant had 3+ years remaining on their current lease term. The building features some coolers and freezers for food storage.

## Industrial Property

Comparable 4

### Sale Information

Buyer	Zia Enterprises LLC	
Seller	Audrey S Ellis Trust	
Sale Date	7/12/2023	
Transaction Status	Recorded	
Sale Price	\$925,000	\$308 /SF NRA
Analysis Price	\$925,000	\$308 /SF NRA
Recording Number	0456512	
Rights Transferred	Leased Fee	
Financing	Cash to seller	
Conditions of Sale	None	
Marketing Time	106 days	



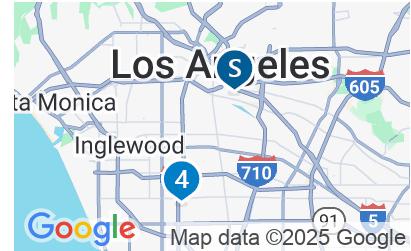
### Income Analysis

Occupancy	100.0%	
Net Operating Income	\$37,000	\$12.33 /SF NRA
Cap Rate	4.00%	

147 W 155th St  
Gardena, CA 90248

### Property

Type	Industrial, Warehouse
Gross Building Area (GBA)	3,000 SF
Net Rentable Area (NRA)	3,000 SF
Buildings	1 Building, 1 Floor
Year Built	1956
Land Area	0.1432 Acres (6,239 SF)
Site Coverage Ratio	48.08%
FAR	0.48
Shape	Rectangular
Topography	Level
Grade Doors	2
Clear Height	12 Feet
Office Buildout	20%



APN  
6129-007-043

### Confirmation

Name CoStar and public records

### Remarks

The property represents an industrial building with front and rear loading. It includes a fenced rear yard with a grade level loading door. It was marketed as a single-tenant investment opportunity or potentially an owner user sale. Details regarding the sale were unavailable.

## Industrial Building

Comparable 5

### Sale Information

Buyer	Forward Capital LLC	
Seller	Tashimani LLC	
Sale Date	6/16/2023	
Transaction Status	Recorded	
Sale Price	\$2,980,000	\$294 /SF NRA
Analysis Price	\$2,980,000	\$294 /SF NRA
Recording Number	0395586	
Rights Transferred	Leased Fee	
Financing	Cash to Seller	
Conditions of Sale	None	
Marketing Time	49 days	



### Income Analysis

Occupancy	100.0%	
Net Operating Income	\$142,742	\$14.10 /SF NRA
Cap Rate	4.79%	

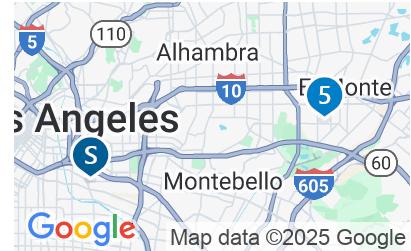
10428 Rush St  
South El Monte, CA 91733

### Property

Type	Industrial	
Gross Building Area (GBA)	10,122 SF	
Net Rentable Area (NRA)	10,122 SF	
Buildings	1 Building, 1 Floor	
Parking	16 Spaces (1.6/1,000 SF NRA)	
Year Built	1968	
Land Area	0.49 Acres (21,344 SF)	
Site Coverage Ratio	47.42%	
FAR	0.47	
Shape	Rectangular	
Topography	Level	
Grade Doors	2	
Clear Height	14'-16' Feet	
Office Buildout	25%	

County  
Los Angeles

Submarket  
South El Monte



APN	
8116-026-026	

### Confirmation

Name	CoStar, Marketing Brochure, Public Records
Company	RubyHome Corporation
Affiliation	Listing Company

### Remarks

This is the sale of an industrial property located in South El Monte, CA. It was purchased as an investment and was 100% occupied by a single-tenant at the time of sale.

## Adjustment Analysis

The comparables have been summarized on the previous data sheets. The comparables are now adjusted for major differences from the subject. The adjustments are not intended to be exact measurements of the differences but an attempt to bracket the reasonable range of conclusions. A grid outlining the adjustments applied to the comparables is provided below, followed by a brief description of the adjustments and adjustments considered:

IMPROVED SALES COMPARISON TABLE						
SUBJECT	COMP 1	COMP 2	COMP 3	COMP 4	COMP 5	
Name	Industrial Property	Industrial Property	Industrial Property	Industrial Property	Industrial Property	Industrial Building
Address	3447 & 3451 E 14th Street	1540 E 25th St	1327 E 18th Street	6281 Chalet Dr	147 W 155th St	10428 Rush St
City	Los Angeles	Los Angeles	Los Angeles	Commerce	Gardena	South El Monte
State	CA	CA	CA	CA	CA	CA
Zip	90023	90011	90021	90040-3703	90248	91733
County	Los Angeles	Los Angeles	Los Angeles	Los Angeles	Los Angeles	Los Angeles
Submarket	Vernon	Central Los Angeles	Central Los Angeles	Commerce	West Rancho Dominguez	South El Monte
SALE INFORMATION						
Transaction Price	\$2,520,000	\$1,416,000	\$3,150,000	\$925,000	\$2,980,000	
Transaction Price \$/SF NRA	\$308	\$315	\$315	\$308	\$294	
Property Rights <sup>1</sup>	Fee Simple	Fee Simple	Leased Fee	Leased Fee	Leased Fee	
Financing <sup>2</sup>	Cash to Seller	Cash to seller	Cash to Seller	Cash to seller	Cash to Seller	
Sale Conditions <sup>3</sup>	None	None	None	None	None	
Expenditures After Sale <sup>4</sup>	\$0	\$0	\$0	\$0	\$0	
Market Conditions <sup>5</sup>	7/21/2023	6/22/2023	8/14/2023	7/12/2023	6/16/2023	
Sale Status	Recorded	Recorded	Recorded	Recorded	Recorded	
Recording Number	481508	408152	535037	456512	395586	
Marketing Status	Unknown	Open Market	Open Market	Open Market	Open Market	
Marketing Period (Days)	-	146 Days	76 Days	106 Days	49 Days	
Total Transactional Adjustments	\$0 0%	\$0 0%	\$0 0%	\$0 0%	\$0 0%	\$0 0%
<b>Adjusted \$/SF (NRA)</b>	<b>\$308</b>	<b>\$315</b>	<b>\$315</b>	<b>\$308</b>	<b>\$294</b>	
PHYSICAL INFORMATION						
NRA (SF)	4,000	8,190 5%	4,500	10,000 5%	3,000	10,122 5%
Year Built/Ren	1947	1959	1965	1960	1956	1968
Location	Average	Average	Average	Average	Average	Average
Quality	Average	Average	Average	Average	Average	Average
Condition	Average	Average	Average	Average	Average	Average
Site Coverage	47.7%	65.1% 5%	77.9% 5%	25.5% (10%)	48.1%	47.4%
Office Buildout	15%	15%	16%	50%	20%	25%
Clear Height	16'	14'	14'	16'	12'	14'-16'
Total Physical Adjustments	\$31 10%	\$16 5%	(\$16) (5%)	\$0 0%	\$15	5%
<b>Adjusted \$/SF (NRA)</b>	<b>\$339</b>	<b>\$331</b>	<b>\$299</b>	<b>\$308</b>	<b>\$309</b>	

## ***Property Rights Transferred***

The comparables reflect both fee simple and leased fee property rights. There are no discernable differences in the property rights of the comparables. As such, no adjustments are warranted.

## ***Financing***

All of the sale transactions were cash to seller, with no favorable financing. Therefore, no adjustments are necessary.

## ***Sale Condition***

None of the properties were foreclosed properties and all sales are believed to be arm's length with no unusual sale conditions. Therefore, no conditions of sale adjustments are needed.

## ***Expenditures After Purchase***

This reflects the expenses that the buyer incurs after purchase (deferred maintenance, HVAC repairs, etc.). No adjustments are warranted based on review of the sales.

## ***Market Conditions (Time)***

All of the comparables generally reflect current market conditions and no adjustments are needed.

## ***Size***

The size adjustment considers significant differences in building size. All else being equal, smaller buildings will sell at a higher price per square foot than larger buildings. Comparables 1, 3 and 5 are larger and have been adjusted upward 5%.

## ***Year Built***

This adjustment accounts for year built and effective age. All of the comparables generally have similar effective ages, requiring no adjustment.

## ***Location***

This adjustment is made for differences in submarket characteristics (vacancy & asking rent) and freeway access & linkage. All of the comparables have similar locations and require no adjustments for location.

## ***Quality & Condition***

This adjustment is made to account for differences in construction quality, physical condition and appeal. All of the comparables are generally similar in construction quality and physical condition; therefore, no adjustments are necessary.

## ***Site Coverage***

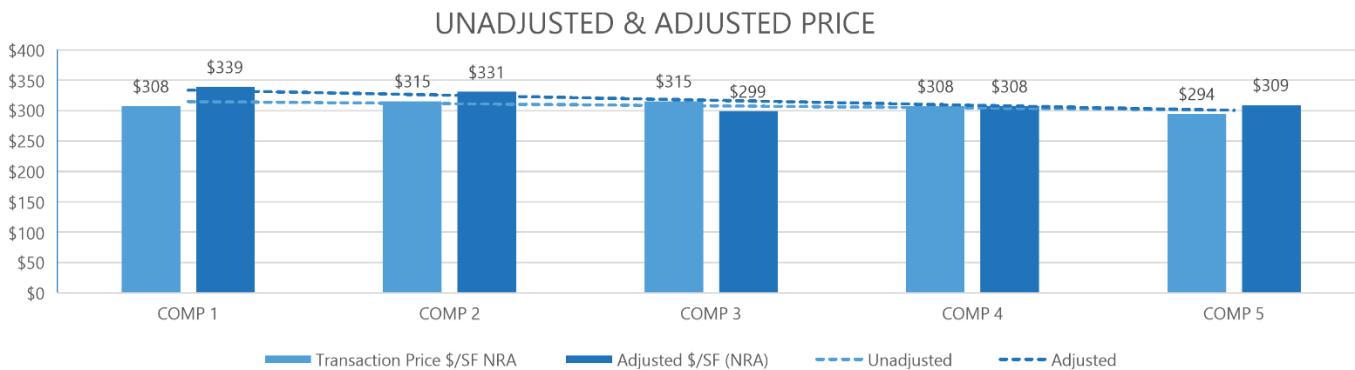
This adjustment accounts for significant differences in site coverage. All else being equal, comparables with lower site coverage will have a higher sale price per square foot. Comparables 1, 2 and 3 have notably lower and higher site coverage and have been adjusted upward/downward by 5% to 10%. The remaining comparables have similar site coverages and require no adjustments.

## ***Clear Height & Office Finish***

These adjustments are made for notable differences in industrial attributes. All the comparables are generally similar, requiring no adjustments.

## **Sales Comparison Approach Conclusion**

The comparable sales indicate an overall unadjusted unit value range from \$294 PSF to \$315 PSF, with an average of \$308 PSF and median of \$308 PSF. After adjustments, the comparables indicate a narrower range for the subject property from \$299 PSF to \$339 PSF, with an average of \$317 PSF and median of \$309 PSF. The following illustrates the unadjusted and adjusted prices of the comparable sales.



Based on general bracketing, the comparable sales support an adjusted unit value range from \$299 PSF to \$339 PSF, with a unit value of \$300 PSF concluded for the subject property. This conclusion generally places most weight on the adjusted prices of the comparables with the most similar utility and/or the least amount of gross and net adjustments (Comparables 1, 2 and 4). Secondary weight is placed on the remaining comparables and the adjusted comparable average/median.

We have added the concluded value opinion of 1368 Velasco Street to our value conclusion below to arrive at our final retrospective value opinion for the subject as a whole.

The following table summarizes the analysis of the comparables, reports the reconciled price per SF value conclusion, and presents the concluded value of the subject property by the Sales Comparison Approach:

# SALES COMPARISON APPROACH

(CONTINUED)

IMPROVED SALES COMPARISON APPROACH CONCLUSION (NRA)						
TRANSACTION PRICE	ADJUSTMENT			FINAL	NET ADJ	GROSS ADJ
	TRANSACTIONAL <sup>1</sup>	ADJUSTED	PROPERTY <sup>2</sup>			
1 \$308	0%	\$308	10%	\$339	10%	10%
2 \$315	0%	\$315	5%	\$331	5%	5%
3 \$315	0%	\$315	(5%)	\$299	(5%)	15%
4 \$308	0%	\$308	0%	\$308	0%	0%
5 \$294	0%	\$294	5%	\$309	5%	5%
<i>HIGH</i> \$315	0%	\$315	10%	\$339	10%	15%
<i>AVG</i> \$308	0%	\$308	3%	\$317	3%	7%
<i>MED</i> \$308	0%	\$308	5%	\$309	5%	5%
<i>LOW</i> \$294	0%	\$294	(5%)	\$299	(5%)	0%
SUBJECT SF (NRA)		\$/SF CONCLUSION			VALUE	
		4,000	x	\$300 =	\$1,200,000	
INDICATED VALUE (ROUNDED TO NEAREST \$10,000)				\$300	\$1,200,000	
1368 Velasco Street Land Value					\$440,000	
INDICATED VALUE (ROUNDED TO NEAREST \$10,000)				\$410	\$1,640,000	

<sup>1</sup>Cumulative <sup>2</sup>Additive

# INCOME APPROACH

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## **DIRECT CAPITALIZATION METHOD**

The first step in the Income Capitalization Approach is to estimate the subject's potential gross income. Potential gross income consists of rent income, tenant expense reimbursements (depending on lease structure) and other miscellaneous sources.

### **Potential Gross Income**

Potential gross rental income is projected based on an analysis of contract rent and market rent. Market rent is determined by an analysis of leasing activity at similar properties in the subject's market area, which comprise direct competition. The following market rent analysis is conducted on a dollar per square foot per month basis, reflecting market behavior.

### **Selection of Comparables**

The comparables include leases and listings in other similar buildings in the subject market area. A total of six rent comparables have been selected. The comparables bracket the subject in location and physical characteristics and are deemed the best data available to the appraiser as of the date of this report.

### **Adjustments**

A modified gross (MG) lease structure is assumed for the subject. This is consistent with the subject's contract and all of the rent comparables.

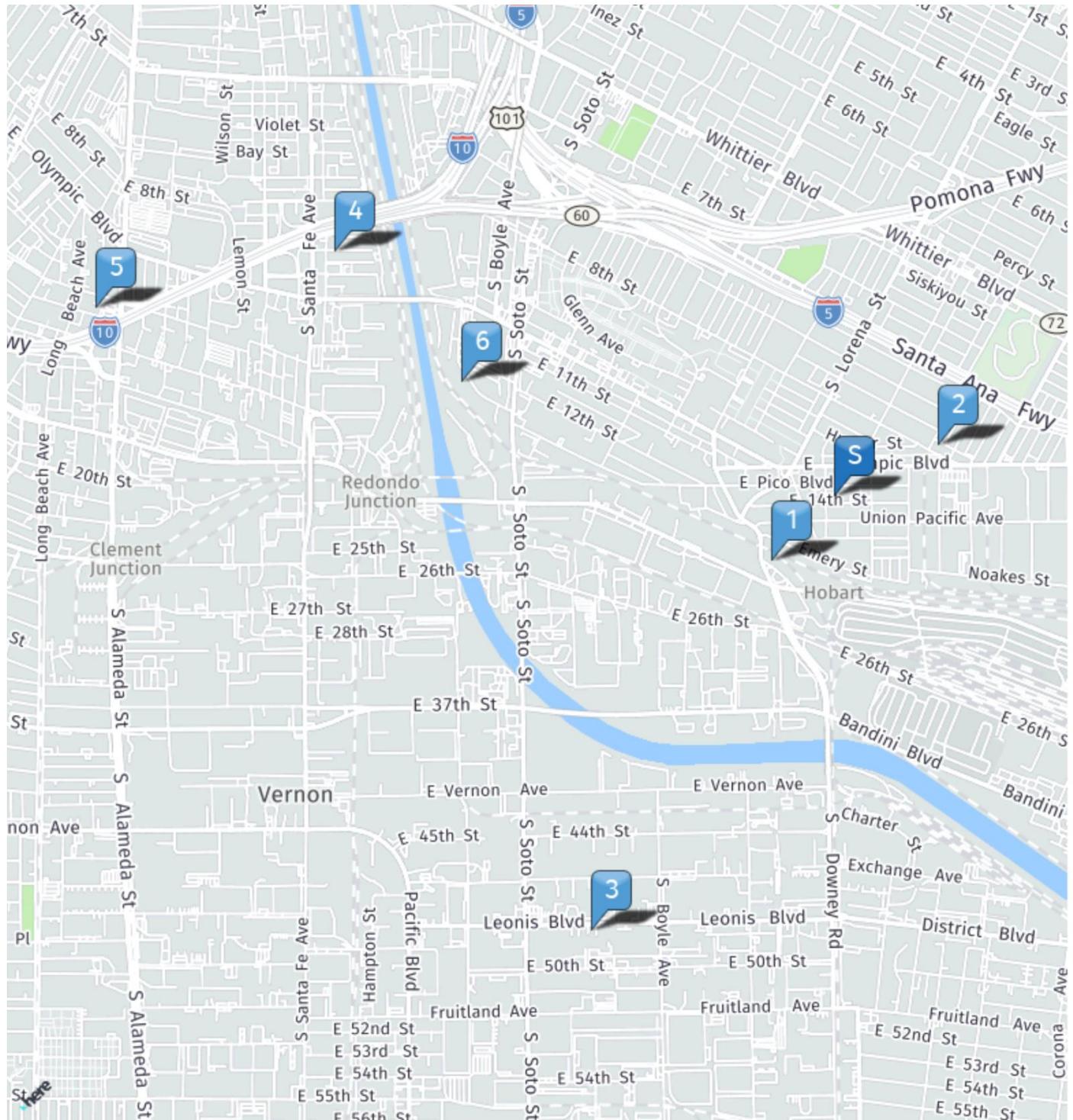
Comparables reporting tenant improvement allowances and abated rent have been adjusted downward based on the reported amounts amortized over the lease term (if applicable).

The comparables all reflect recent lease transactions, requiring no adjustments for lease date.

Other adjustments are for differences in location and physical characteristics, which are shown on the following Rent Comparable Summation Table. An upward/downward adjustment of 5% to 10% is applied to the comparables with inferior/superior physical characteristics.

### **Presentation**

A location map and rent comparable photographs are provided on the following pages. Following the photographs is a presentation of the comparables & adjustments applied and conclusion of market rent.



COMPARABLE	LABEL	ADDRESS	MILES FROM SUBJECT
COMPARABLE 1	1	1712-1728 Industrial Way, Los Angeles, CA, 90023-4306	0.2
COMPARABLE 2	2	3605 E 8th St, Los Angeles, CA, 90023	0.3
COMPARABLE 3	3	2928 Leonis Blvd, Vernon, CA, 90058	1.4
COMPARABLE 4	4	2428-2436 Hunter St, Los Angeles, CA, 90021	1.5
COMPARABLE 5	5	1725 Newton St, Los Angeles, CA, 90021	2.1
COMPARABLE 6	6	1501-1509 Rio Vista Ave, Los Angeles, CA, 90023	1.1

## LEASE COMPARABLE PHOTOGRAPHS



COMPARABLE 1



COMPARABLE 2



COMPARABLE 3



COMPARABLE 4



COMPARABLE 5



COMPARABLE 6

**Discussion of Rent Comparables**

The comparables have rents ranging between \$1.65 and \$2.58 per square foot (PSF), with an average of \$1.97 PSF and median of \$1.96 PSF. The comparables bracket the subject in location and physical characteristics. Comparables 1 and 2 are nearest the subject. Comparables 1 and 3 are most similar in condition and tenant appeal. In order to help narrow a market rent conclusion for the subject, the comparables are adjusted for significant differences in lease structure, market conditions, location and other physical differences. These adjustments were explained previously in this section.

**Adjustment Summary Market Rent Conclusion**

Based on general bracketing, the comparable leases support an adjusted market rent range from \$1.82 PSF to \$2.44 PSF, with a market rental range of \$2.05 - \$2.15 PSF concluded for the subject property. The following tables summarize the comparables & adjustments applied and market rent conclusion.

LEASE COMPARISON TABLE							
	SUBJECT	COMP 1	COMP 2	COMP 3	COMP 4	COMP 5	COMP 6
Name	Industrial Property	Industrial Property	Industrial Property	Industrial Property	Industrial Property	Industrial Building	Industrial Property
Address	3447-3451 East 14th Street & 1368 Velasco Street	1712-1728 Industrial Way	3605 E 8th St	2928 Leonis Blvd	2428-2436 Hunter St	1725 Newton St	1501-1509 Rio Vista Ave
City	Los Angeles	Los Angeles	Los Angeles	Vernon	Los Angeles	Los Angeles	Los Angeles
State	CA	CA	CA	CA	CA	CA	CA
Zip	90023	90023-4306	90023	90058	90021	90021	90023
County	Los Angeles	Los Angeles	Los Angeles	Los Angeles	Los Angeles	Los Angeles	Los Angeles
Submarket	Vernon	Vernon	Vernon	Vernon	Central Los Angeles	Central Los Angeles	Vernon
LEASE INFORMATION							
Rent (\$/SF/Mo.)		\$1.97	\$2.00	\$1.65	\$1.65	\$2.58	\$1.95
Tenant	Real Fake Rooms	Undisclosed	Undisclosed	Undisclosed	Undisclosed	Undisclosed	Good Cash
Start Date	Apr-23	Apr-22	7%	Feb-23	Jun-23	Sep-23	Dec-23
Space Type	Industrial	Industrial		Industrial	Industrial	Industrial	Industrial
Lease Type	New	New		New	New	New	New
Lease Str.	MG	MG		MG	MG	MG	MG
Size (SF)	4,000	6,086	7,476	10,000	5,600	2,320	11,900
Term (Yrs.)	5	3	3	3	3	3	2
Free Rent	None	None	None	None	None	None	None
TI's (\$/SF)	None	None	None	None	None	None	None
Total Lease Adjustments	\$0.00	0%	\$0.14	7%	\$0.17	10%	\$0.00
<b>Adjusted Rent (\$/SF/Mo.)</b>	<b>\$1.97</b>		<b>\$2.14</b>		<b>\$1.82</b>		<b>\$2.32</b>
BUILDING INFORMATION							
NRA (SF)	4,000	6,086	7,476	10,000	11,400	2,320	24,626
Year Built/Ren	1947	1970	1960	1951	1962	1947	2003
Location	Average	Average	Average	Average	Average	Average	Average
Quality	Average	Average	Average	Average	Average	Average	Average
Condition	Average	Average	Above Average	(5%)	Average	Average	Average
Site Coverage	47.7%	37.8%	65.0%	5%	56.3%	67.9%	5%
Office Buildout (B1)	15%	5%	13%	2%	20%	48.3%	64.4%
Clear Height	16'	12'	5%	17'	14'	16'	28'
Total Building Adjustments	\$0.10	5%	\$0.00	\$0.00	\$0.25	15%	\$0.12
<b>Adjusted Rent (\$/SF/Mo.)</b>	<b>\$2.07</b>		<b>\$2.14</b>		<b>\$1.82</b>		<b>\$2.44</b>

MARKET RENT CONCLUSION(S)							
	LEASE RATE	ADJUSTMENT				NET	GROSS
		LEASE <sup>1</sup>	ADJUSTED	BUILDING <sup>1</sup>	FINAL	ADJ	ADJ
1	\$1.97	0%	\$1.97	5%	\$2.07	5%	5%
2	\$2.00	7%	\$2.14	0%	\$2.14	7%	17%
3	\$1.65	10%	\$1.82	0%	\$1.82	10%	10%
4	\$1.65	0%	\$1.65	15%	\$1.90	15%	15%
5	\$2.58	(10%)	\$2.32	5%	\$2.44	(6%)	15%
6	\$1.95	10%	\$2.15	(5%)	\$2.04	4%	25%
HIGH	\$2.58	10%	\$2.32	15%	\$2.44	15%	25%
AVG	\$1.97	3%	\$2.01	3%	\$2.07	6%	15%
MED	\$1.96	4%	\$2.06	3%	\$2.05	6%	15%
LOW	\$1.65	(10%)	\$1.65	(5%)	\$1.82	(6%)	5%
SUBJECT CONTRACT RENT							
Industrial		\$2.13			Modified Gross		\$2.05 - \$2.15

<sup>1</sup>Total Additive Adjustment

### Contract Rent Analysis

Lease information provided is restructured below, followed by a discussion of contract rents and potential gross rent income conclusion for the subject.

RENT ROLL								AS OF JANUARY 2024			
OCCUPIED SPACE				TERMS				LEASE	BASE RENT		
BLDG NO	TENANT NAME	TOTAL NRA (SF)	% OF NRA	TENANT GROUP	START	END	YEARS	STRUCTURE	\$/SF(YR.)	\$/SF(MO.)	ANNUAL
3447	Angel's TJ Tacos Catering LLC	4,000	100.0%	Industrial	Oct-23	Oct-28	5.0	Modified Gross	\$25.50	\$2.13	\$102,000
<b>OCCUPIED SUBTOTALS</b>									<b>\$25.50</b>	<b>\$2.13</b>	<b>\$102,000</b>
TOTAL NRA									\$25.50	\$2.13	\$102,000

The subject's contract rent is \$2.13 PSF on a modified gross lease structure. The current lease commenced in October 2023 and expires in October 2028. Based on our analysis, the current contract rent is at or near market.

### Potential Gross Rent Conclusion

The subject's contract rent falls at or near the market rent conclusion and is used to forecast potential gross rent income. With this conclusion, potential gross rent income is projected as shown in the following table:

OCCUPIED SPACE		NRA (SF)	CATEGORY	CONTRACT	MARKET	\$/SF (YR.)	\$/YEAR
TENANT							
Angel's TJ Tacos Catering LLC		4,000	Industrial	\$2.13	\$2.05 - \$2.15	-	\$25.50
<b>OCCUPIED SUBTOTALS</b>		<b>4,000</b>	-	<b>\$2.13</b>	<b>\$2.05 - \$2.15</b>	-	<b>\$25.50</b>
TOTAL		4,000	-	\$2.13	\$2.05 - \$2.15	-	\$25.50

### Reimbursable Operating Expense Income

Income is forecasted based on MG structure, where the tenant pays for their own utilities and repairs directly. Since the subject is a single-tenant building, it is assumed that the tenant will pay these items directly. Therefore, no income from this source is forecasted.

## Other Income

We are aware of no other income sources.

## Total Potential Gross Income

With the previous conclusions of potential gross rent and other income, total potential gross income is forecasted at \$102,000 for our pro-forma projection. This equates to \$25.50 PSF.

## Vacancy and Credit Loss

The vacancy and credit loss reflects the likelihood of lost revenues, due to non-payment of rent. This includes lost revenue due to vacancies as well as credit loss (non-payment by tenants). The estimate of vacancy and credit loss is over the economic life of the property and is not over the short term. It also includes vacancy lag, which is the time necessary to release space after a vacancy occurs.

As discussed in the Market Analysis section, a vacancy and credit loss factor of 5.0% is used for the analysis.

## Effective Gross Income

With the previous conclusions of total potential gross income and vacancy, effective gross income is forecasted at \$96,900 for our pro-forma projection. This equates to \$24.23 PSF.

## Operating Expenses

In this case, landlord operating expenses include property taxes, insurance, repairs & maintenance, management and administrative. Following proper appraisal methodology, a reserve for replacement is also deducted. To forecast these items, the subject's historical operating expenses and expense comparables are analyzed. The subject's historical expenses are shown in the table below, followed by the expense comparable data.

OPERATING HISTORY									
YEAR	2021			2022			2023		
RENTAL REVENUE	TOTAL	\$/SF	%PRR	TOTAL	\$/SF	%PRR	TOTAL	\$/SF	%PRR
Potential Base Rent	\$17,844	\$4.46	100%	\$50,440	\$12.61	100%	\$59,880	\$14.97	100%
<b>TOTAL RENTAL REVENUE</b>	<b>\$17,844</b>	<b>\$4.46</b>	<b>100%</b>	<b>\$50,440</b>	<b>\$12.61</b>	<b>100%</b>	<b>\$59,880</b>	<b>\$14.97</b>	<b>100%</b>
REIMBURSEMENT REVENUE	TOTAL	\$/SF	%PRR	TOTAL	\$/SF	%PRR	TOTAL	\$/SF	%PRR
<b>POTENTIAL GROSS REVENUE</b>	<b>\$17,844</b>	<b>\$4.46</b>	<b>100%</b>	<b>\$50,440</b>	<b>\$12.61</b>	<b>100%</b>	<b>\$59,880</b>	<b>\$14.97</b>	<b>100%</b>
ALL VACANCY LOSS	TOTAL	\$/SF	%PGR	TOTAL	\$/SF	%PGR	TOTAL	\$/SF	%PGR
Rental Revenue	\$0	-	0%	\$0	-	0%	\$0	-	0%
<b>EFFECTIVE GROSS REVENUE</b>	<b>\$17,844</b>	<b>\$4.46</b>	<b>100%</b>	<b>\$50,440</b>	<b>\$12.61</b>	<b>100%</b>	<b>\$59,880</b>	<b>\$14.97</b>	<b>100%</b>
OPERATING EXPENSES	TOTAL	\$/SF	%EGR	TOTAL	\$/SF	%EGR	TOTAL	\$/SF	%EGR
Taxes	(\$2,128)	(\$0.53)	(12%)	(\$14,991)	(\$3.75)	(30%)	(\$8,753)	(\$2.19)	(15%)
Insurance	(\$1,431)	(\$0.36)	(8%)	(\$1,986)	(\$0.50)	(4%)	(\$1,666)	(\$0.42)	(3%)
Repairs & Maintenance	(\$50,032)	(\$12.51)	(280%)	(\$12,387)	(\$3.10)	(25%)	(\$3,999)	(\$1.00)	(7%)
Management Fees	(\$1,250)	(\$0.31)	(7%)	(\$1,550)	(\$0.39)	(3%)	(\$2,076)	(\$0.52)	(3%)
Reserves	\$0	-	-	\$0	-	-	\$0	-	-
<b>TOTAL OPERATING EXPENSES</b>	<b>(\$54,840)</b>	<b>(\$13.71)</b>	<b>(307%)</b>	<b>(\$30,914)</b>	<b>(\$7.73)</b>	<b>(61%)</b>	<b>(\$16,493)</b>	<b>(\$4.12)</b>	<b>(28%)</b>
<b>NET OPERATING INCOME</b>	<b>(\$36,997)</b>	<b>(\$9.25)</b>	<b>(207%)</b>	<b>\$19,526</b>	<b>\$4.88</b>	<b>39%</b>	<b>\$43,387</b>	<b>\$10.85</b>	<b>72%</b>

## 2022 SO CAL PENNER EXPENSE GUIDE - INDUSTRIAL

EXPENSE ITEM	MINIMUM	MAXIMUM	AVERAGE	MEDIAN
Property Taxes	\$0.52	\$1.73	\$1.04	\$0.99
Insurance	\$0.15	\$0.41	\$0.24	\$0.26
Repairs & Maint./CAM				
Utilities	\$0.16	\$0.58	\$0.31	\$0.31
Trash Removal	\$0.22	\$0.64	\$0.41	\$0.46
Grounds Maint.	\$0.11	\$0.46	\$0.24	\$0.24
Bldg. Repairs & Maint	\$0.24	\$1.13	\$0.70	\$0.68
Total Repairs & Maint.	\$0.73	\$2.81	\$1.66	\$1.69
Management Fee	\$0.26	\$1.07	\$0.81	\$0.83
Miscellaneous	\$0.02	\$0.21	\$0.08	\$0.05
Reserves	\$0.00	\$0.00	\$0.00	\$0.00
Total Expenses PSF	\$2.56	\$5.09	\$3.83	\$3.87
Total as % of EGI	24.3%	37.4%	30.0%	28.9%
Management Fee	2.0%	7.9%	6.4%	7.5%

## INDUSTRIAL EXPENSE COMPARABLES

	Min	Max	Average	Median
<b>Size</b>	<b>5,181</b>	<b>191,415</b>	<b>47,195</b>	<b>33,637</b>
<b>Year Built</b>	<b>1926</b>	<b>2006</b>	<b>1981</b>	<b>1984</b>
<b>Expense Year</b>	<b>2020</b>	<b>2022</b>	<b>2021</b>	<b>2021</b>
<b>Expense Category</b>	<b>PSF/%EGI</b>	<b>PSF/%EGI</b>	<b>PSF/%EGI</b>	<b>PSF/%EGI</b>
Property Taxes	\$0.30	\$5.05	\$1.56	\$1.19
Insurance	\$0.08	\$1.01	\$0.32	\$0.24
Repairs & Maintenance	\$0.12	\$2.38	\$0.90	\$0.73
Management/Admin.	0.3%	8.0%	3.9%	3.6%
Other	\$0.16	\$0.16	\$0.16	\$0.16
<b>Total Operating Expenses</b>	<b>\$1.04</b>	<b>\$7.23</b>	<b>\$3.10</b>	<b>\$2.75</b>

*Survey includes 26 industrial properties. Min, max, average and median exclude properties reporting no expense. Only 1 reported Other expense.*

An analysis of each expense item is provided on the next table:

## EXPENSE CONCLUSIONS

OPERATING EXPENSES	%EGR	\$/SF NRA	TOTAL	COMMENT
Taxes	16.7%	\$4.05	\$16,210	The concluded amount is based on California's Proposition 13, which reflects a stabilized assessed value multiplied by the current ad valorem tax rate.
Insurance	1.7%	\$0.40	\$1,600	The concluded amount is based on the historical expenses and the expense comparable information.
Repairs & Maintenance	0.0%	\$0.00	\$0	Based on the single-tenant makeup of the subject property and the concluded MG lease structure, it is assumed the tenant will cover this expense directly. Therefore, no expense is forecasted.
Management Fees	2.0%	\$0.48	\$1,938	The concluded amount is based on 2.0% of the concluded Effective Gross Income.
Reserves	0.4%	\$0.10	\$400	The concluded amount is based on \$0.10 PSF of the subject's building area.
<b>TOTAL OPERATING EXPENSES</b>	<b>20.8%</b>	<b>\$5.04</b>	<b>\$20,148</b>	

## Expense/NOI Conclusion

The net operating income equals the effective gross income less the total expenses. The net operating income for the subject is \$76,752 based on the previous conclusions of potential gross income, vacancy and expenses. This equates to \$19.19 PSF.

## Direct Capitalization

The next step in the Income Capitalization Approach is capitalization of net income into an expression of value. Direct capitalization is a method used to convert a single year's income estimate into a value indication. This conversion is accomplished in one step, by dividing the income estimate by an appropriate income capitalization rate.

In this method, no precise allocation is made between the return on and the return of capital because the method does not simulate investor assumptions or forecasts concerning the holding period, the pattern of income, or changes in value of the original investment. However, a satisfactory rate of return for the investor and recapture of the capital invested are implicit in the rates applied in direct capitalization because they are derived from similar investment properties.

The income capitalization rates reflect the relationship between income and value and are derived from market data. It is essential that the properties used as comparables reflect risk, income, expense, and physical and location characteristics that are similar to the property being appraised. Consequently, income capitalization rates must be extracted from properties that reflect similar income-expense ratios, risk characteristics, and expectations as to change in income and value over a typical investment-holding period.

The following methods are used in determining an appropriate overall capitalization rate:

## **Market Extraction**

Not all of the sale comparables used in the Sales Comparison Approach reported overall capitalization rate information, as some comparables did not report income information or reflected fee simple property rights. Therefore, three additional supplemental comparables are also analyzed and summarized in the following table:

MARKET EXTRACTION METHOD						
	COMP 3	COMP 4	COMP 5	SUPP 1	SUPP 2	SUPP 3
Name	Industrial Property	Industrial Property	Industrial Building	Industrial Property	Industrial Property	Industrial Property
Address	6281 Chalet Dr	147 W 155th St	10428 Rush St	11633 Tuxford St	2411 Santa Fe Ave	13812 Saticoy St
City	Commerce	Gardena	South El Monte	Sun Valley	Redondo Beach	Panorama City
State	CA	CA	CA	CA	CA	CA
NRA (SF)	10,000	3,000	10,122	3,200	112,363	5,300
Year Built/Ren	1960	1956	1968	1990	1968	1956
Sale Date	Aug-23	Jul-23	Jun-23	Nov-23	Oct-23	Dec-23
Sale Price	\$3,150,000	\$925,000	\$2,980,000	\$1,500,000	\$45,700,000	\$1,900,000
Price/SF	\$315	\$308	\$294	\$469	\$407	\$358
<b>Capitalization Rate</b>	<b>4.06%</b>	<b>4.00%</b>	<b>4.79%</b>	<b>5.82%</b>	<b>5.30%</b>	<b>6.00%</b>
HIGH	6.00%					
<b>AVERAGE</b>	<b>5.00%</b>					
LOW	4.00%					

In conclusion, the market extraction method brackets the subject's applicable capitalization rate from 4.00% to 6.00%, and is supportive of a capitalization rate conclusion for the subject presented in the Capitalization Rate Conclusion section. A conclusion above the average is suggested after placing more weight on the most recent comparables.

### **National Survey**

The investor pool for the subject property likely includes local investors, with a regional or national investor profile viewed as unlikely based on the relatively smaller size and local tenant profile. However, for additional support, the following table summarizes national cap rate trends for similar properties:

NATIONAL INVESTOR SURVEY			
CAPITALIZATION RATE (OAR)	YEAR/QUARTER	RANGE	AVERAGE
Pacific Region Warehouse			PwC
<b>Current Quarter</b>	<b>2024 Q1</b>	<b>4.50% to 6.00%</b>	<b>5.45%</b>
Last Quarter	2023 Q4	4.50% to 6.50%	5.23%
Four Quarters Ago	2023 Q1	3.75% to 5.50%	4.52%

### **Band of Investment Technique**

To analyze the capitalization rate from a financial position, the Band of Investment Technique is used. Available financing information from lenders and the sales comparables indicates the following terms. Equity dividend rates vary depending upon motivations of buyers and financing terms. The previous terms and an appropriate equity dividend rate are used in the Band of Investments calculations presented on the following tables:

BAND OF INVESTMENT			
ASSUMPTIONS			
Interest Rate	6.45%	Ten Year Treasury	200 bp
Loan Amortization Period	25 Years	<u>Current 10-Yr. Treasury</u>	4.45% (As of Report Date)
Loan-To-Value-Ratio	75.00%	6-Mos Trend	
Mortgage Constant	0.08065		
Debt Service Coverage Ratio	0.91040	6-Mos Trend	
CALCULATION			
Mortgage Component	75%	x	8.07%
Equity Component	25%	x	6.50%
<b>INDICATED CAPITALIZATION RATE</b>			<b>7.67%</b>

**Capitalization Rate Conclusion**

Taking all factors into consideration, the following table summarizes the various capitalization rate indicators and provides the final capitalization rate conclusion. Primary emphasis was placed on the Market Extraction Method, with support from the balance of the data.

CAPITALIZATION RATE CONCLUSION				
COMPONENT	RANGE		AVERAGE	
Market Extraction	4.00%	to	6.00%	5.00%
National PwC Investor Surveys	4.50%	to	6.00%	5.45%
Band of Investment Calculation				7.67%
<b>CONCLUDED CAPITALIZATION RATE</b>				<b>6.00%</b>

**Conclusion - Direct Capitalization**

The Direct Capitalization Summary Table summarizing the information discussed in this section of the report is as follows:

DIRECT CAPITALIZATION						
OCCUPIED SPACE						
TENANT	NRA (SF)	CATEGORY	CONTRACT	MARKET	\$/SF (YR.)	\$/YEAR
Angel's TJ Tacos Catering LLC	4,000	Industrial	\$2.13	\$2.05 - \$2.15	-	\$25.50
<b>OCCUPIED SUBTOTALS</b>	<b>4,000</b>	-	<b>\$2.13</b>	<b>\$2.05 - \$2.15</b>	<b>-</b>	<b>\$25.50</b>
TOTAL	4,000	-	\$2.13	\$2.05 - \$2.15	-	\$25.50
GROSS RENTAL REVENUE						
RENTAL REVENUE			%PRR	%PGR	%EGR	\$/SF (YR.)
Potential Base Rent			100%	100%	105%	\$25.50
TOTAL RENTAL REVENUE					\$25.50	\$102,000
POTENTIAL GROSS REVENUE						
ALL VACANCY LOSS			%PGR	%EGR	\$/SF (YR.)	\$/YEAR
Rental Revenue			5.0%	5.3%	(\$1.28)	(\$5,100)
<b>TOTAL VACANCY &amp; CREDIT LOSS</b>			5.0%	5.3%	<b>(\$1.28)</b>	<b>(\$5,100)</b>
EFFECTIVE GROSS REVENUE						
OPERATING EXPENSES			%PGR	%EGR	\$/SF (YR.)	\$/YEAR
Taxes			15.9%	16.7%	(\$4.05)	(\$16,210)
Insurance			1.6%	1.7%	(\$0.40)	(\$1,600)
Management Fees			1.9%	2.0%	(\$0.48)	(\$1,938)
Reserves			0.4%	0.4%	(\$0.10)	(\$400)
TOTAL OPERATING EXPENSES			19.8%	20.8%	(\$5.04)	(\$20,148)
NET OPERATING INCOME						
Capitalization Rate						6.00%
Capitalized Value						\$1,279,204
<b>INDICATED VALUE (ROUNDED TO NEAREST \$10,000)</b>					<b>\$320</b>	<b>\$1,280,000</b>
1368 Velasco Street Land Value						\$440,000
<b>INDICATED VALUE (ROUNDED TO NEAREST \$10,000)</b>					<b>\$430</b>	<b>\$1,720,000</b>

# RECONCILIATION OF VALUE CONCLUSIONS

Based on the agreed upon scope with the client, the subject's specific characteristics and the interest appraised, this appraisal developed Sales Comparison and Income (Direct Capitalization) Approaches. The values presented represent the Retrospective Value (Leased Fee Estate).

The Reconciliation of Value Conclusions is the final step in the appraisal process and involves the weighing of the individual valuation techniques in relationship to their substantiation by market data, and the reliability and applicability of each valuation technique to the subject property. Below, the individual strengths and weaknesses of each approach are analyzed.

## ***Cost Approach***

The Cost Approach is not applicable due to the age of the improvements.

## ***Sales Comparison Approach***

The Sales Comparison Approach is based on a comparison of similar properties that have sold recently in the subject's market. A comparative analysis of the sale price per square foot was used in the Sales Comparison Approach. The strength of this approach depends on the quality and comparability of the market data. The more reliable the comparable sales data, the more accurate the value estimate. In this case, there are limited recent closed sales to analyze in this market. There is also a lack of listing information for similar quality buildings in the market. Therefore, this approach is only given supportive weight.

## ***Income Approach***

The Income Approach most closely resembles the type of analysis utilized by investors of income-producing properties. Nearly all participants involved in buying and selling leased commercial buildings are mainly concerned with the income-producing capability of the property. As the subject property is income-producing and this approach contained the best samples of data, it is given most weight.

## ***Reconciliation***

After considering all factors relevant to the valuation of the subject property, with most weight placed on the Income Approach, the final value opinion is as follows:

RECONCILIATION OF VALUES	
VALUATION SCENARIOS	RETROSPECTIVE VALUE
Interest	Leased Fee Estate
Date	January 7, 2024
SALES COMPARISON APPROACH	
Indicated Value	<b>\$1,640,000</b>
\$/SF NRA	\$410
INCOME CAPITALIZATION APPROACH	
Indicated Value	<b>\$1,720,000</b>
\$/SF NRA	\$430
FINAL VALUE CONCLUSION	
FINAL VALUE CONCLUSION	<b>\$1,720,000</b>
\$/SF NRA	\$430

# CERTIFICATION

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

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- We have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- The appraisal was completed without regard to race, color, religion, national origin, sex, marital status or any other prohibited basis, and will not contain references which could be regarded as discriminatory.
- This appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.
- Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
- Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the *Code of Professional Ethics* and *Standards of Professional Appraisal Practice* of the Appraisal Institute, and the *Uniform Standards of Professional Appraisal Practice*, as set forth by the Appraisal Standards Board of the Appraisal Foundation.
- Matthew K. Reynolds, MAI, has made a personal exterior inspection of the property that is the subject of this report. Ryan J. DeWitt and Russell W. McCoy, MAI, have not made a personal exterior inspection of the property that is the subject of this report.
- No one provided real property appraisal assistance to the individuals signing this report.
- We have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- This appraisal was prepared in conformance with the requirements of the State of California and the client.

The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives. As of the date of this report, Matthew K. Reynolds, MAI and Russell W. McCoy, MAI, have completed the continuing education program of the Appraisal Institute. As of the date of this report, Ryan J. DeWitt has completed the Standards and Ethics Education Requirement of the Appraisal Institute for an affiliate member.



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Matthew K. Reynolds, MAI  
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State of California License #AG041942

Ryan J. DeWitt  
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State of California License #AG044561



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Certified General Real Estate Appraiser  
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# **ASSUMPTIONS & LIMITING CONDITIONS**

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It is noted that the use of an extraordinary assumption and/or hypothetical condition may have affected the assignment results. This appraisal is subject to the following assumptions and limiting conditions:

## **Extraordinary Assumptions**

- ▶ The use of an extraordinary assumption(s) may have impacted the results of the assignment. We performed an exterior only inspection. There may be issues readily identifiable only by a physical interior inspection that would have a material impact on the market value estimate. Our value conclusion assumes no material issues exist and the subject is in average condition with no deferred maintenance. Further, we relied on public records, CoStar, client information, and other sources for the building size along with other pertinent building information, which we have assumed to be accurate.

## **Hypothetical Conditions**

- ▶ No Hypothetical Conditions were made for this assignment.

## **General Assumptions and Conditions**

- ▶ The legal description provided has not been compared with the assessor's records. The analysis assumes that this description accurately represents the subject property. A survey has not been provided to the appraiser. If further verification is required, a survey by a registered surveyor is advised.
- ▶ Site area and building area estimates are based on the appraiser's inspection, data provided by the owner/client and public record. Square footage figures are approximate but considered sufficient for appraisal purposes. If the square footage estimates were sufficiently different, it could affect the value estimate. In cases where accurate measurements could not be obtained, owner/client-provided data and public records are relied upon. If the client requires more certainty, the services of an independent surveyor or the like should be considered. We reserve the right to change our opinion of value if better size data is later provided.
- ▶ It is assumed that the subject property is in compliance with all applicable federal, state and local laws, ordinances, regulations, building standards, use restrictions and zoning unless the lack of compliance is stated in the appraisal report. Determining and reporting on such compliance were not part of the scope of work for this assignment.
- ▶ It is assumed that all water, sewer facilities and utilities (whether existing or proposed) are or will be in good working order, are safe for use, and are or will be sufficient to serve the current or proposed uses of the subject property or any structures or other improvements. Determining and reporting on such matters were not part of the scope of work for this assignment.
- ▶ All facts and data set forth in this report are true and accurate to the best of the appraiser's knowledge and belief. The appraisal is based upon the assumption that data which is of public record, or which has been secured through interviews with owners, agents or other informed persons is true and correct. The appraisers reserve the right to make appropriate revisions in the event of discovery of additional or more accurate data.

- ▶ The appraiser reserves the right to make such adjustments to the analyses, opinions and conclusions set forth in this report as may be required by consideration of additional data or more reliable data that may become available.
- ▶ We assume no responsibility for matters legal in character, nor do we render any opinion as to title, which is assumed to be marketable. All existing liens, encumbrances, and assessments have been disregarded, unless otherwise noted, and the property is appraised as though free and clear, under responsible ownership, and competent management.
- ▶ The exhibits in this report are included to assist the reader in visualizing the property. We have made no survey of the property and assume no responsibility in connection with such matters.
- ▶ Unless otherwise noted herein, it is assumed that there are no encroachments, zoning, or restrictive violations existing in the subject property.
- ▶ The appraisers assume no responsibility for determining if the property requires environmental approval by the appropriate governing agencies, nor if it is in violation thereof, unless otherwise noted herein.
- ▶ Information presented in this report has been obtained from reliable sources, and it is assumed that the information is accurate.
- ▶ This report shall be used for its intended purpose only, and by the party to whom it is addressed. Possession of this report does not include the right of publication.
- ▶ The appraisers may not be required to give testimony or to appear in court by reason of this appraisal, with reference to the property in question, unless prior arrangements have been made, therefore.
- ▶ The statements of value and all conclusions shall apply as of the dates shown herein.
- ▶ The appraisers have no present or contemplated future interest in the property which is not specifically disclosed in this report.
- ▶ Neither all, nor any part of, the contents of this report shall be conveyed to the public through advertising, public relations, news, sales, or other media without the written consent or approval of the authors. This applies particularly to value conclusions and to the identity of the appraisers and the firm with which he or she is connected.
- ▶ This report must be used in its entirety. Reliance on any portion of the report independent of others may lead the reader to erroneous conclusions regarding the property values. No portion of the report stands alone without approval from the authors.
- ▶ The valuation stated herein assumes professional management and operation of the buildings throughout the lifetime of the improvements, with an adequate maintenance and repair program.

- ▶ The appraisers are not qualified to detect the presence of toxic or hazardous substances or materials which may influence or be associated with the property or any adjacent properties, has made no investigation or analysis as to the presence of such materials, and expressly disclaims any duty to note the degree of fault. Vanguard Realty Advisors, LLC, and its principals, agents, employees, shall not be liable for any costs, expenses, assessments, or penalties, or diminution in value, property damage, or personal injury (including death) resulting from or otherwise attributable to toxic or hazardous substances or materials, including without limitation hazardous waste, asbestos material, formaldehyde, or any smoke, vapors, soot, fumes, acids, alkalis, toxic chemicals, liquids, solids or gasses, waste materials or other irritants, contaminants or pollutants.
- ▶ The appraisers assume no responsibility for determining if the subject property complies with the Americans with Disabilities Act (ADA). Vanguard Realty Advisors, LLC, its principals, agents, and employees, shall not be liable for any costs, expenses, assessments, penalties or diminution in value resulting from non-compliance. This appraisal assumes that the subject meets an acceptable level of compliance with ADA standards; if the subject is not in compliance, the eventual renovation costs and/or penalties would negatively impact the present value of the subject. If the magnitude and time of the cost were known today, they would be reduced from the reported value conclusion.
- ▶ An on-site inspection of the subject property was conducted. No evidence of asbestos materials on-site was noted. A Phase 1 Environmental Assessment was not provided for this analysis. This analysis assumes that no asbestos or other hazardous materials are stored or found in or on the subject property. If evidence of hazardous materials of any kind occurs, the reader should seek qualified professional assistance. If hazardous materials are discovered and if future market conditions indicate an impact on value and increased perceived risk, a revision of the concluded values may be necessary.
- ▶ The appraisers are not experts in estimating insurable value for insurance policy purposes. If this appraisal contains an insurable value or replacement cost new estimate, it is provided only as a courtesy for the client. Such estimates are based solely on the Marshall Valuation Cost Estimation Manual and should not be relied upon for purposes of insurance underwriting.
- ▶ A detailed soils study was not provided for this analysis. The subject's soils and sub-soil conditions are assumed to be suitable based upon a visual inspection, which did not indicate evidence of excessive settling or unstable soils. No certification is made regarding the stability or suitability of the soil or sub-soil conditions.
- ▶ The liability of Vanguard Realty Advisors, LLC, its principals, agents, and employees is limited to the client and only up the amount of the fees actually collected by Vanguard Realty Advisors, LLC, in conjunction with this assignment. Further, there is no accountability, obligation, or liability to any third party. If this report is placed in the hands of anyone other than the client, the client shall make such party aware of all limiting conditions and assumptions of the assignment and related discussions. The appraisers are in no way responsible for any costs incurred to discover or correct any deficiency in the property.
- ▶ This analysis assumes that the financial information provided for this appraisal, including rent rolls and historical income and expense statements; accurately reflect the current and historical operations of the subject property.

## **ADDENDA**

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- A. Engagement Letter
- B. Qualifications of Appraiser(s) and Appraiser License(s)

## ***Addenda Item A***

# VANGUARD REALTY ADVISORS

COMMERCIAL REAL ESTATE APPRAISAL & CONSULTING FIRM

800.511.4130 PHONE - [www.vracommercial.com](http://www.vracommercial.com) - FAX 877.298.5059

**Date:** February 19, 2025

**Client Identification/**

**Appraisal Addressee:** The Estate of Micheal J. Meraz  
Kevin S. Bemel, Administrator

**Party Responsible**

**For Payment:** Same as client identification

Mr. Bemel,

Thank you for considering Vanguard Realty Advisors, LLC, for the assignment identified in the attached Professional Service Agreement. Please sign one copy of the agreement and return it to me, thereby indicating your authorization for us to proceed with this assignment. Unless otherwise indicated on the attached agreement, payment is also due prior to starting the appraisal.

The following is a list of information we will need to begin our analysis. Please forward with the agreement or as soon as possible.

- Payment in full
- Leases and any lease amendments as of the retrospective date
- Rent rolls as of the retrospective date
- Historical operating expenses (three years if applicable)
- Title Report (if available)
- Details on any needed repairs (if applicable)
- Floor plans (if available)

Our ability to honor the terms of this agreement will require your response by February 26, 2025. If you have questions regarding the enclosed, please feel free to contact me at (760) 855-3959 or [mreynolds@vracommercial.com](mailto:mreynolds@vracommercial.com). We are looking forward to serving you.

Respectfully,

**VANGUARD REALTY ADVISORS, LLC**



Matthew K. Reynolds, MAI

## **PROFESSIONAL SERVICE AGREEMENT**

Project: **Commercial Properties for The Estate of Micheal J. Meraz**

Location:

<b>1</b>	<b>Commercial Property - 1417 W. Pico Blvd, Los Angeles</b>
<b>2</b>	<b>Industrial Property - 1524 E. 15th Street, Los Angeles</b>
<b>3</b>	<b>Industrial Property - 2212-2222 &amp; 2230 E. Washington Blvd, Los Angeles</b>
<b>4</b>	<b>Commercial Property - 1950 &amp; 1960 S. Santa Fe Ave, Los Angeles</b>
<b>5</b>	<b>Industrial Land - 2131 Long Beach Avenue, Los Angeles</b>
<b>6</b>	<b>Industrial land - 2010 S. Santa Fe Ave. &amp; 2440 E. 15th Street, Los Angeles 90021</b>
<b>7</b>	<b>Commercial property - 2200 E. 15th Street, Los Angeles 90021</b>
<b>8</b>	<b>Industrial land - 2468 E. 16th Street, Los Angeles 90021</b>
<b>9</b>	<b>Commercial land - 941 Broadway, Los Angeles 90012</b>
<b>10</b>	<b>Heavy industrial property - 2900 Lugo Street, Los Angeles 90023</b>
<b>11</b>	<b>Industrial property - 3498 Union Pacific Avenue, Los Angeles 90023-3836</b>
<b>12</b>	<b>Commercial land - 738 E Florence Ave, Los Angeles 90001-2322</b>
<b>13</b>	<b>Industrial property - 3432 E 14th St., Los Angeles 90023</b>
<b>14</b>	<b>Industrial property - 2821 E Washington Blvd., Boyle Heights 90023</b>
<b>15</b>	<b>Industrial property - 3618 Union Pacific Avenue, Los Angeles 90023</b>
<b>16</b>	<b>Industrial land - 3447 &amp; 3451 14th Street and Velasco &amp; 14th Street, Los Angeles 90023</b>
<b>17</b>	<b>Retail property - 1901 S Alameda St, Los Angeles</b>

Intended Use and User The intended use of this appraisal is for estate taxes. The intended user is The Estate of Micheal J. Meraz. of the Appraisal:

Property Rights

Appraised: Fee simple and Leased Fee (each property might be fee simple or leased fee)

*\*\*Assumptions &*

*Limiting Conditions:*

The appraiser(s) may not be required to give testimony or to appear in court by reason of this appraisal, with reference to the property in question, unless prior arrangements have been made.

A full copy of Vanguard Realty Advisors, LLC's additional Assumptions & Limiting Conditions is available upon request.

Presentation:

An Appraisal Report 1 PDF copy via email will be prepared in accordance with the Appraisal Institute, FIRREA (if applicable) and USPAP. The scope of the report will include the following: all applicable approaches. **The report will present the retrospective market values (as of January 7, 2024).** A copy of the Assumptions and Limiting Conditions, which appear in the report, is available upon request.

Professional Fee:

**Please send check to our Corporate Office below:**

**Vanguard Realty Advisors**  
**Attn: Accounting Department**  
**6106 Innovation Way**  
**Carlsbad, CA 92009**

**Or**

## WIRE INSTRUCTIONS

Bank Chase Bank  
Account Name Vanguard Realty Advisors LLC  
Account Number 911971711  
ABA Number 322271627  
Federal Tax ID 45-2191855

**If wire is chosen, please put the subject address in the subject line or put client details so we can identify the wire payment**

Or

**Credit card payment. Please contact Lizeth Lambaria for any credit card payments ([llambaria@vracommercial.com](mailto:llambaria@vracommercial.com)) or 858.220.8887**

Consultation: The above fee includes one hour of consultation. Additional consultation with client or client's representatives will be billed at the hourly rate of \$300.

Delivery: **4.0 to 5.0 weeks from the date we receive the fully executed Professional Service Agreement, payment in full and the requested materials.**

Modification or Cancellation: Any changes in the assignment will be mutually agreed upon, in writing, and the fee set forth above will be adjusted accordingly, if necessary. If the assignment is cancelled, for any reason, prior to completion, for all time expended prior to cancellation, the client will be billed at the rate of \$300 per hour. If the client delays completion of the assignment beyond 90 days, the fee will be renegotiated.

Hazardous Waste Disclaimer: Vanguard Realty Advisors, LLC, does not assume any duty to analyze or examine the property or adjacent property for the possible presence of toxic or hazardous substances or materials and accepts no liability regarding the issue. This appraisal report will contain a comprehensive disclaimer to this effect.

Liability: Vanguard Realty Advisors, LLC's, responsibilities are rendered, and limited to, the client, and its liability is limited to the fee actually received for the services requested herein.

I, Matthew K. Reynolds, MAI, a representative of Vanguard Realty Advisors, LLC, agree to the above terms, assuming the Professional Service Agreement is returned by February 26, 2025.



Date: 2/19/25

Matthew K. Reynolds, MAI

I, The Estate of Micheal J. Meraz - Kevin S. Bemel, Administrator, agree to the above stated terms and authorize Vanguard Realty Advisors, to prepare the above referenced appraisal.

Date: 19 February 2025



The Estate of Micheal J. Meraz  
Kevin S. Bemel, Administrator

\*\*Reflects one of many general assumptions and limiting conditions of the appraisal. A full copy of Vanguard Realty Advisors, LLC's Assumptions and Limiting Conditions is available upon request.

## ***Addenda Item B***



**PRINCIPAL | VANGUARD REALTY ADVISORS, LLC**  
**COMMERCIAL REAL ESTATE VALUATION & ADVISORY SERVICES**  
Tax ID# 45-2191855  
6106 Innovation Way, Carlsbad, CA 92009  
(760) 707-5732 – direct  
rmccoy@vracommercial.com  
www.vracommercial.com

Mr. McCoy began his appraisal career in December 1998 and has been appraising commercial real estate in Southern California since January 2001. He has appraised nearly every property type and concentrated primarily on office, retail, industrial, lodging, commercial land, mixed-use projects, and apartments. Some notable properties appraised include the following:

- Pacific Center, High-Rise Office, San Diego
- 550 South Hope, High-Rise Office, Los Angeles
- Manulife Plaza, High-Rise Office, Los Angeles
- 2.5-Acre Redevelopment Site, Newport Beach
- Yosemite Resort Site, Fish Camp
- Burbank Town Center, Burbank
- Ocean Palms Beach Resort, Carlsbad
- La Costa Resort Site, Carlsbad
- La Jolla Plaza, High-Rise Office, San Diego
- 6300 Wilshire, High-Rise Office, Los Angeles
- Plaza At Arboretum, Class A Apt, Santa Monica
- 1.6 Million Square Foot Dist. Warehouse, Perris
- Queen Mary Moorage Leasehold, Long Beach
- Desert Crossing Shopping Center, Palm Desert
- Casa Madrona Hotel, Sausalito
- Sorrento Science Park, San Diego

Mr. McCoy became an MAI member of the appraisal institute in 2007 and has held various positions at PGP Valuation. In the most recent position, Mr. McCoy produced appraisals and performed review assignments in connection with the appraisal order and review platform for the FDIC. While headquartered in Southern California since 2001, Mr. McCoy has performed assignments in numerous other states (Arizona, Utah, Oregon, Colorado, Idaho, Texas, Georgia, Florida, North Carolina, Virginia and Ohio). Mr. McCoy has also performed expert witness testimony for bankruptcy and arbitration hearings.

### **Education**

Graduate: Utah State University, Logan, Utah  
Bachelor of Science in Finance, minor in Accounting

Real estate courses & seminars sponsored by the Appraisal Institute:

- Course 120, Appraisal Procedures
- Course 310, Basic Income Capitalization
- Course 410, National Uniform Standards of Appraisal Practice
- Course 420, Business Practices & Ethics
- Course 510, Advanced Income Capitalization
- Course 520, Highest & Best Use and Market Analysis
- Course 530, Advanced Sales Comparison and Cost Approaches
- Course 540, Report Writing and Valuation Analysis
- Course 550, Advanced Applications

The Appraiser as an Expert Witness: Preparation & Testimony  
Uniform Appraisal Standards for Federal Land Acquisitions

Other related education:

Passed comprehensive exam for MAI designation in February 2005

**Real Estate Experience**

**Position**

Principal

**Company**

Vanguard Realty Advisors, LLC

6106 Innovation Way

Carlsbad, CA 92009

Valuation Services Director

PGP Valuation, Inc.

(2001 to 2011)

5796 Armada Dr, Ste A

Carlsbad, CA 92008

Real Estate Appraiser

Jorgensen Appraisal (1999-2000)

9677 South 700 East, Ste C

Sandy, UT 84070

**Other Professional References**

Todd Liebow, MAI

Valuation Forensics Group

(503) 349-5200

Tonnie Blinks

Sunrise Mortgage

(619) 298-9775

Mark Lawwill, MAI

Colliers International

(360) 823-5264

Donald L. Johnson, MAI

Wells Fargo Bank

(770) 319-5237

Richard Walcott

Rabobank

(916) 878-4812

David E. Pietka, MAI

Pietka Consulting, Inc.

(503) 206-1071

Jim Towers

Review Appraiser

(909) 335-1735

Marshall Meager, MAI

Wells Fargo Bank

(916) 787-9371

Lisa Kimbro, MAI

Union Bank

(714) 565-5618

John M. Romney, MAI

Zions First National Bank

(801) 844-7336

**Professional Organizations**

MAI - Appraisal Institute, Designation #12467 (June 25, 2007) – Account #403951



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

Russell W. McCoy

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

"Certified General Real Estate Appraiser"

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

BREA APPRAISER IDENTIFICATION NUMBER: AG 028414

Effective Date: October 26, 2023  
Date Expires: October 25, 2025

*Angela Jemmott*  
Angela Jemmott, Bureau Chief, BREA

3071267



**PRINCIPAL | VANGUARD REALTY ADVISORS, LLC  
COMMERCIAL REAL ESTATE VALUATION & ADVISORY SERVICES**

6106 Innovation Way, Carlsbad, CA 92009

(760) 855-3959 – direct/mobile

[mreynolds@vracommercial.com](mailto:mreynolds@vracommercial.com)

[www.vracommercial.com](http://www.vracommercial.com)

Matthew K. Reynolds, MAI, began appraising in 2003 with PGP Valuation. In 2006, PGP Valuation was acquired and became Colliers International. He has worked in various offices (Los Angeles, San Diego, Newport Beach, Carlsbad) throughout California for Colliers International. He has appraised nearly every property type and concentrated on office, retail, industrial, hospitality, commercial, land, mixed-use projects, apartments, and more. In addition to these property types, Mr. Reynolds has developed a specialty expertise on the valuation of single-tenant, build-to-suit net leased (NNN) properties across the nation.

In May 2011, Mr. Reynolds along with Russell W. McCoy, MAI, formed Vanguard Realty Advisors with the genuine desire to provide exceptional analysis and commercial appraisal services while adhering to the highest standards of customer service, quality, and attention to detail. Mr. Reynolds takes pride in building strong client relationships with an impeccable work product and considerable industry knowledge as the foundation. Other specialty expertise for Mr. Reynolds includes performing external outside appraisal reviews for banks and lenders throughout the country and providing fractional interest appraisals.

Currently, Vanguard Realty Advisors has grown to have over +10 appraisers on staff and is considered one of the most active and largest independent (not affiliated with any brokerage/property management) commercial appraisal firms in Southern California and performs over +1,200 appraisal assignments annually. In addition, Vanguard Realty Advisors has grown to have multiple office locations and are in several states.

### **Real Estate Experience**

Company: **Vanguard Realty Advisors**

Position: Principal

Duration: May 2011 to Present

Company: **PGP Valuation / Colliers International**

Position: Appraiser/Senior Appraiser

Duration: October 2003 to May 2011

### **Professional Affiliation & Accreditations**

Member – Appraisal Institute

### **State Certifications**

California Certified General Real Estate Appraiser License (AG 041942)

## **Education**

Graduate: California State University, San Marcos (CSUSM)

Bachelor of Science in Business Administration with an emphasis in Finance

Select Real estate courses & seminars provided by the Appraisal

Institute: Course 410, National Uniform Standards of Appraisal

Practice

Course 420, Business Practices & Ethics

Course 510, Advanced Income Capitalization

Course 520, Highest & Best Use and Market Analysis

Course 530, Advanced Sales Comparison and Cost Approaches

Course 540, Report Writing and Valuation Analysis

Course 550, Advanced Applications

The Appraiser as an Expert Witness: Preparation & Testimony

National USPAP Course (15-hour & 7-hours updates)

Capstone Program

Evaluating Commercial Leases: The Tenant and Terms Both Matter

IRS Valuation Symposium – Valuation of Donated Real Estate, Including Conservation Easements and Other IRS Valuation Assignments

Supervisory Appraiser/Trainee Appraiser Course

Allocating Components in Going Concern Approach

Other Select Real estate courses & seminars provided by McKissock:

Advanced Hotel Appraising – Full Service Hotels

Appraisal of Fast Food Facilities

Appraisal of Self-Storage Facilities

Introduction to Expert Witness Testimony

## **Select Notable Appraisal Assignments**

- College Manor Apartments, SDSU Student Housing Project, San Diego
- Renaissance Towers, High-Rise Apartments, Downtown Los Angeles
- Extra Space Self-Storage Portfolio, Various States
- Barker Block, Large Condominium Project, Arts District of Downtown Los Angeles
- Ramona Terrace Estates Mobile Home Park (MHP), Ramona
- The Metropole Building, Historic Building, San Jose
- Sunset & Vine, Large Mixed-Use Project, Hollywood
- Large Industrial/Office Park (Heritage Corporate Center), 727,679 SF, Santa Fe Springs
- Terraces at Paseo Colorado, 391-Unit Apartment, Pasadena
- Former Howard Hughes Residence & Headquarters, Hollywood
- Entire city block along Harrison Street in Chinatown in Oakland



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

**Matthew K. Reynolds**

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

“Certified General Real Estate Appraiser”

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

BREA APPRAISER IDENTIFICATION NUMBER:

AG 041942

Effective Date: January 19, 2025  
Date Expires: January 18, 2027

*Angela Jemmott*  
\_\_\_\_\_  
Angela Jemmott, Bureau Chief, BREA

3079582



## QUALIFICATIONS OF RYAN J. DEWITT

### REAL ESTATE APPRAISER | VANGUARD REALTY ADVISORS, LLC COMMERCIAL REAL ESTATE VALUATION & ADVISORY SERVICES

Tax ID# 45-2191855

2385 Camino Vida Roble, Suite 205, Carlsbad, CA 92011

(760) 268-1134 – office

(760) 707-5738 – direct/mobile

rdewitt@vracommercial.com

[www.vracommercial.com](http://www.vracommercial.com)

### Education

Graduate: California State University Long Beach

Bachelor of Arts in Communications, with an emphasis in Interpersonal and Organizational.

### Experience

#### **Position**

Real Estate Appraiser

#### **Company**

Vanguard Realty Advisors, LLC

(September 2012 to Present)

2385 Camino Vida Roble, Suite 205  
Carlsbad, CA 92011

Real Estate Appraiser

Grubb & Ellis Landuaer

(2011 to 2012)

625 Broadway, Suite 1000  
San Diego, CA 92101

QC Analyst

Appraiserloft (2010-2011)

16701 W Bernardo Drive

San Diego, CA 92008

### Other Professional References

Kylle Zilka

Precision Property Appraisals

(760) 717-3965

Kent Carpenter, MAI

Hilco Real Estate Appraisal

(619) 787-7891

Marcus Romero

CBRE

(619) 696-8330

Brett Varon

Next Day Appraisals

(310) 720-3402

### Professional Organizations

Appraisal Institute, Associate Membership

### Licensure

Certified General Commercial Appraiser # AG044561

State of California



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

**Ryan J. Dewitt**

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

**B** "Certified General Real Estate Appraiser"

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

**E** BREA APPRAISER IDENTIFICATION NUMBER:

AG 044561

**A** Effective Date: April 12, 2024  
Date Expires: April 11, 2026

*Angela Jemmott*  
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Angela Jemmott, Bureau Chief, BREA

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