

PROFESSIONAL OFFICE BUILDING

4778 - 4790 Dewey Drive
Fair Oaks, California 95628

APPRAISAL REPORT

Date of Report: June 7, 2019
Colliers File #: SMF190307

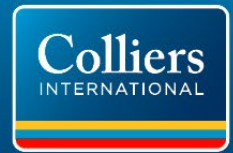


PREPARED FOR
Dan Guth
American River Bank
3100 Zinfandel Drive
Suite 450
Rancho Cordova, CA 95670

PREPARED BY
COLLIERS INTERNATIONAL
VALUATION & ADVISORY SERVICES

LETTER OF TRANSMITTAL

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June 7, 2019

Dan Guth
American River Bank
3100 Zinfandel Drive
Suite 450
Rancho Cordova, CA 95670

RE: Professional Office Building
4778 – 4790 Dewey Drive
Fair Oaks, California 95628

Colliers File #: SMF190307

Mr. Guth:

This appraisal report satisfies the scope of work and requirements agreed upon by American River Bank and Colliers International Valuation & Advisory Services. At the request of the client, this appraisal is presented in an Appraisal Report format as defined by *USPAP* Standards Rule 2-2(a). Our appraisal format provides a summary description of the appraisal process, subject and market data and valuation analyses.

The purpose of this appraisal is to develop an opinion of the As-Is Market Value of the subject property's fee simple interest. The following table conveys the final opinion of market value of the subject property that is developed within this appraisal report:

VALUE TYPE	INTEREST APPRAISED	DATE OF VALUE	VALUE
As-Is Market Value	Fee Simple	May 28, 2019	\$830,000

The subject is an office building totaling 5,710 SF of NRA located on a 0.56-acre site at 4778 – 4790 Dewey Drive in Fair Oaks, California. The improvements were built in 1971, are in average condition and have a remaining economic life of 25 years based on our estimate. The subject property has a single-tenant design that is currently owner-occupied, and has a current occupancy level of 100.0%.

The subject title is currently recorded in the name of Dewey Bldg LLC who acquired title to the property on October 3, 2006 for \$665,000 as recorded in (Doc#61003-1502) of the Sacramento County Deed Records. The subject was appraised in January 2017 for a different client

The analyses, opinions and conclusions communicated within this appraisal report were developed based upon the requirements and guidelines of the current Uniform Standards of Professional Appraisal Practice (USPAP), the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute. The report is intended to conform to the Financial Institutions Reform, Recovery and Enforcement Act (FIRREA) standards the requirements of the U.S. Small Business Administration and the appraisal guidelines of American River Bank.

The report, in its entirety, including all assumptions and limiting conditions, is an integral part of, and inseparable from, this letter. *USPAP* defines an Extraordinary Assumption as, “an assignment specific-assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser’s opinions or conclusions”. *USPAP* defines a Hypothetical Condition as, “that which is contrary to what is known by the appraiser to exist on the effective date of the assignment results but is used for the purpose of analysis”.

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

EXTRAORDINARY ASSUMPTIONS

Building plans and specification were not provided for this report. As a result, the net rentable area of the subject property is relied upon by the appraiser’s measurements taken during the site visit and is consistent with public records. This appraisal assumes that the net rentable area indicated in this report is accurate. Any variance in the reported net rentable area could affect the assignment results.

Colliers International has not observed, yet is not qualified to detect, the existence of potentially hazardous material or underground storage tanks, which may be present on or near the site. The existence of hazardous materials or underground storage tanks may have an effect on the value of the property. For this appraisal, Colliers International has specifically assumed that any hazardous materials and/or underground storage tanks do not affect the property, which may be present on or near the property.

HYPOTHETICAL CONDITIONS

No Hypothetical Conditions were made for this assignment.

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

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

Sincerely,

**COLLIERS INTERNATIONAL
VALUATION & ADVISORY SERVICES**

A handwritten signature in blue ink, appearing to read "Jeffrey Shouse". The signature is fluid and cursive, with a long horizontal stroke at the end.

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Executive Managing Director
Certified General Real Estate Appraiser
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REPORT ORGANIZATION**PROPERTY AND ASSIGNMENT OVERVIEW**

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CERTIFICATION OF APPRAISAL**ASSUMPTIONS & LIMITING CONDITIONS****ADDENDA**

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GENERAL INFORMATION

Property Name	Professional Office Building
Property Type	Office - Office Building
Address	4778 - 4790 Dewey Drive
City	Fair Oaks
State	California
Zip Code	95628
County	Sacramento
Core Based Statistical Area (CBSA)	Sacramento--Roseville--Arden-Arcade, CA
Market	Sacramento
Submarket	Carmichael/Fair Oaks
Latitude	38.650570
Longitude	-121.307794
Number Of Parcels	1
Assessor Parcel	239-0300-048
Total Taxable Value	\$710,000
Census Tract Number	79.04

SITE INFORMATION

Land Area	Acres	Square Feet
Usable	0.56	24,393
Unusable	0.00	0
Excess	0.00	0
<u>Surplus</u>	<u>0.00</u>	<u>0</u>
Total	0.56	24,393
Topography	Level below street grade	
Shape	Rectangular	
Access	Average/Good	
Exposure	Average/Good	
Current Zoning	Limited Commercial (LC)	
Flood Zone	Zone X (Unshaded)	
Seismic Zone	Moderate Risk	

IMPROVEMENT INFORMATION

Net Rentable Area (NRA)	5,710 SF
Gross Building Area SF (GBA)	5,710 SF
Total Number Of Buildings	1
Total Number Of Stories	1
Year Built	1971
Quality	Average
Condition	Average
Type Of Construction	Concrete block
Land To Building Ratio	4.3 : 1
Site Coverage Ratio	23.4%
Parking Type	Surface
Number of Parking Spaces	24
Parking Ratio (Spaces/1,000SF NRA)	4.2/1,000 SF NRA

HIGHEST & BEST USE

As Vacant	Hold For Future Commercial Development
As Improved	Continued Use As An Office Property

EXPOSURE TIME & MARKETING PERIOD

Exposure Time	12 Months
Marketing Period	12 Months

TENANCY INFORMATION

Tenancy	Single-Tenant Owner-Occupied
Occupancy	100.0%
Occupied SF	5,710 SF
Vacant SF	0 SF

VALUATION SUMMARY

VALUATION INDICES	AS-IS MARKET VALUE
INTEREST APPRAISED	FEE SIMPLE
DATE OF VALUE	MAY 28, 2019

INCOME CAPITALIZATION APPROACH

Direct Capitalization	\$820,000
Direct Capitalization \$/SF	\$144/SF
NOI Proforma	\$61,714
NOI \$/SF	\$10.81/SF
Capitalization Rate	7.50%
INCOME CONCLUSION	\$820,000
Income Conclusion \$/SF	\$144/SF

SALES COMPARISON APPROACH

SALES CONCLUSION	\$830,000
Sales Conclusion \$/SF	\$145/SF

FINAL VALUE CONCLUSION

FINAL VALUE	\$830,000
\$/SF	\$145/SF

SWOT ANALYSIS

SWOT is an acronym for the internal strengths and weaknesses of an asset and the environmental (external) opportunities and threats facing that property. Based on our analysis of the subject property we have identified the following strengths, weaknesses, opportunities and threats.

Strengths

- › *The subject is a freestanding building with a single tenant owner/user design.*
- › *The subject has average/good exposure along a well-traveled arterial.*
- › *The subject has two (2) access points from Dewey Drive (primary thoroughfare) and one access point from Selkirk Way (residential street).*
- › *The subject is surrounded by single family residential homes in a higher income area.*

Weaknesses

- › *The subject was built in 1971 and is in average condition.*
- › *The subject is older and requires constant maintenance.*

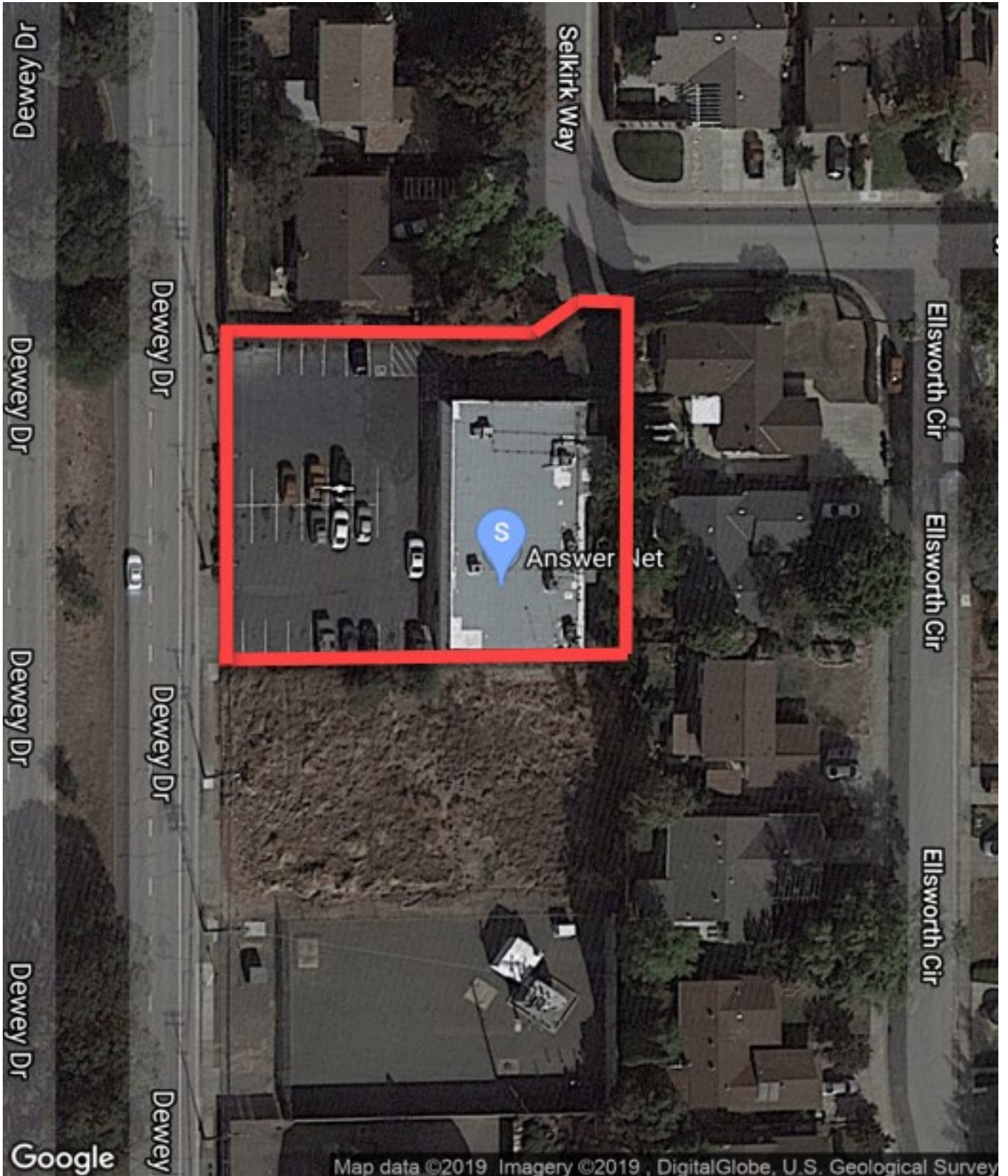
Opportunities

- › *The office submarket has seen increasing rents in the past two years.*

Threats

- › *Interest rates are projected to increase in the near future, which could impact capitalization rates and the availability of competitive financing.*
- › *The subject appeals to mostly owner-users and an increase to interest rates would impact the potential pool of buyers for the subject property.*

AERIAL PHOTOGRAPH



SUBJECT PHOTOGRAPHS



WEST ELEVATION



NORTHWEST ELEVATION



TYPICAL SIDE VIEW OF THE SUBJECT



TYPICAL REAR VIEW OF THE SUBJECT



ACCESS FROM DEWEY DRIVE



ACCESS OFF SELKIRK WAY



FACING SOUTH ALONG DEWEY DRIVE



FACING NORTH ALONG DEWEY DRIVE



FACING NORTH ALONG SELKIRK WAY



FACING EAST ALONG SELKIRK WAY



INTERIOR PRIVATE OFFICE IN 4778 DEWEY DRIVE



INTERIOR PRIVATE OFFICE IN 4778 DEWEY DRIVE



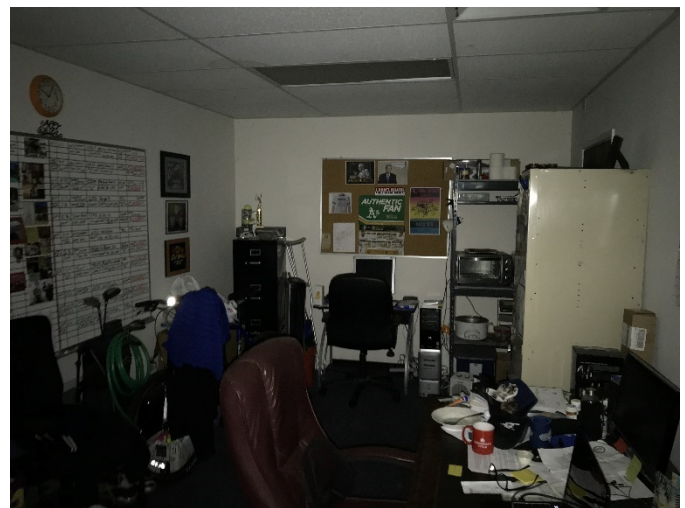
INTERIOR PRIVATE OFFICE IN 4778 DEWEY DRIVE



INTERIOR PRIVATE OFFICE IN 4790 DEWEY DRIVE



CONFERENCE ROOM IN 4790 DEWEY DRIVE



INTERIOR PRIVATE OFFICE IN 4790 DEWEY DRIVE



BREAK ROOM IN 4790 DEWEY DRIVE



INTERIOR OFFICE SPACE IN 4778 DEWEY DRIVE



CONFERENCE ROOM IN 4778 DEWEY DRIVE



BREAK ROOM IN 4778 DEWEY DRIVE



RECEPTION IN 4778 DEWEY DRIVE



RECEPTION IN 4790 DEWEY DRIVE



TYPICAL BATHROOM IN 4778 DEWEY DRIVE



TYPICAL BATHROOM IN 4790 DEWEY DRIVE

PROPERTY IDENTIFICATION

The subject is an office building totaling 5,710 SF of NRA located on a 0.56-acre site at 4778 Dewey Drive in Fair Oaks, California. The improvements were built in 1971, are in average condition and have a remaining economic life of 25 years based on our estimate. The subject property has a single-tenant design that is currently owner-occupied, and has a current occupancy level of 100.0%.

The assessor's parcel number is: 239-0300-048. The legal description of the subject property is as follows:

LEGAL

In the County of Sacramento, State of California

Assessed Owner:

Legal Description: A PARCEL OF LAND LOCATED IN THE STATE OF CALIFORNIA, COUNTY OF SACRAMENTO, WITH A SITUS ADDRESS OF 4778 DEWEY DR, FAIR OAKS, CA 95628-4401 CURRENTLY OWNED BY DEWEY BLDG LLC HAVING A TAX ASSESSOR NUMBER OF 239-0300-048-0000 AND BEING THE SAME PROPERTY MORE FULLY DESCRIBED AS POR NE 1/4 SEC 10, T 9N, R 6E, MDB&M, DESC AS BEG AT SE COR LOT 739 LARCHMONT HILLS UNIT NO 10, TH FROM SD POB N 17%36'E 13.60 FT, TH CURVING LEFT ON AN ARC OF 50 FT RADIUS SUBT BY CHORD BEARING S 85%19'E 22.35 FT, TH S 01%47'50"E 141.94 FT, TH S 86%4 7'58"W 180.06 FT, TH N 01%47'50"W 135FT TO POB EXC POR TO COUNTY R/W PER 4504/554 FORM PAR 239-090-22 AND DESCRIBED IN DOCUMENT NUMBER 61003-1502 DATED 09/28/2006 AND RECORDED 10/03/2006.

Legal Description (Short): POR NE 1/4 SEC 10, T 9N, R 6E, MDB&M, DESC AS BEG AT SE COR LOT 739 LARCHMONT HILLS UNIT NO 10, TH FROM SD POB N 17%36'E 13.60 FT, TH CURVING LEFT ON AN ARC OF 50 FT RADIUS SUBT BY CHORD BEARING S 85%19'E 22.35 FT, TH S 01%47'50"E 141.94 FT, TH S 86%4 7'58"W 180.06 FT, TH N 01%47'50"W 135FT TO POB EXC POR TO COUNTY R/W PER 4504/554 FORM PAR 239-090-22

Subdivision:	Legal Block/Bldg:
Legal Book/Page:	Legal Lot/Unit: 739
Assessor's Parcel #: 239-0300-048-0000	

PROPERTY ADDRESS	MAILING ADDRESS
4778 DEWEY DR FAIR OAKS, CA 95628	3930 COMMERCE AVE WILLOW GROVE PA 19090-1705 C024

SCOPE OF WORK

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

- The appraisers analyzed the regional and local area economic profiles including employment, population, household income, and real estate trends.
- The appraisers confirmed and analyzed legal and physical features of the subject, and how they impact the functionality and overall competitive position of the property.
- The appraisers completed an office supply/demand market analysis of the Sacramento market and Carmichael/Fair Oaks submarket. Conclusions were drawn regarding the subject property's competitive

position given its physical and locational characteristics, the prevailing economic conditions and external influences.

- The appraisers conducted Highest and Best Use analysis and conclusions were drawn for the highest and best use of the subject property As-Vacant and As-Improved.
- The appraisers confirmed and analyzed financial features of the subject property. This information, as well as trends established by confirmed market indicators, was used to forecast performance of the subject property.
- Selection of the valuation methods was based on the identifications required in USPAP relating to the intended use, intended users, definition and date of value, relevant property characteristics and assignment conditions. This appraisal developed the Income (Direct Capitalization) and Sales Comparison approaches to value, which were adjusted and reconciled as appropriate.
- Reporting of this appraisal is in an Appraisal Report format as required in USPAP Standard 2. The appraiser's analysis and conclusions are summarized within this document.
- We understand the Competency Rule of USPAP and the authors of this report meet the standards.
- Daniel Torgersen provided significant real property appraisal assistance to the appraisers signing this certification. Assistance included gathering, analyzing and reporting regional, local area, zoning, and tax information, confirming some of the comparable data, and assisting with portions of the valuation analysis.

SOURCES OF INFORMATION

The following sources were contacted to obtain relevant information:

SOURCES OF INFORMATION	
ITEM	SOURCE
Tax Information	Sacramento County Tax Collector
Zoning Information	Sacramento County Zoning Code
Site Size Information	Sacramento County Assessor
Building Size Information	Sacramento County Assessor, confirmed by measurements taken upon inspection
Year Built	Sacramento County Assessor, confirmed by listing broker from previous sale
Flood Map	RealQuest
Demographics	Pitney Bowes/Gadberry Group - GroundView®
Comparable Information	CoStar Loopnet, local brokers, and appraisal files
Legal Description	Grant Deed from RealQuest

SUBJECT PROPERTY INSPECTION

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

SUBJECT PROPERTY INSPECTION			
APPRAISER	INSPECTED	EXTENT	DATE OF INSPECTION
Jeffrey Shouse, MAI, CRE	Yes	Interior/Exterior	May 28, 2019
Daniel Torgersen	Yes	Interior/Exterior	May 28, 2019

CLIENT IDENTIFICATION

The client of this specific assignment is American River Bank.

PURPOSE

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

INTENDED USE

The intended use of this appraisal is to assist the client with a potential loan that would be collateralized by this asset. This report is not intended for any other use. Reliance on any portion of the report independent of others, may lead the reader to erroneous conclusions regarding the property values. Unless approval is provided by the authors no portion of the report stands alone. This report is specifically not intended for any litigation, arbitration, or any other alternative dispute resolution.

INTENDED USERS

American River Bank is the only intended user of this report. Use of this report by third parties and other unintended users is not permitted. No purchasers or borrowers of the subject property are intended users of this appraisal and no such parties should use or rely on this appraisal for any purpose.

ASSIGNMENT DATES

Date of Report	June 7, 2019
Date of Inspection	May 28, 2019
Valuation Date - As-Is	May 28, 2019

PERSONAL INTANGIBLE PROPERTY

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

PROPERTY AND SALES HISTORY

Current Owner

The subject title is currently recorded in the name of Dewey Bldg LLC who acquired title to the property on October 3, 2006 for \$665,000 as recorded in (Doc#61003-1502) of the Sacramento County Deed Records.

Three-Year Sales History

The subject has not sold in the last three years.

Subject Sale Status

Research of the applicable public records and an interview of the current owner revealed that the subject property is not offered for sale on the open market.

DEFINITIONS OF VALUE

Given the scope and intended use of this assignment, the definition of Market Value is applicable. The definition of Market Value, along with all other applicable definitions for this assignment, is located in the Valuation Glossary section of the Addenda.

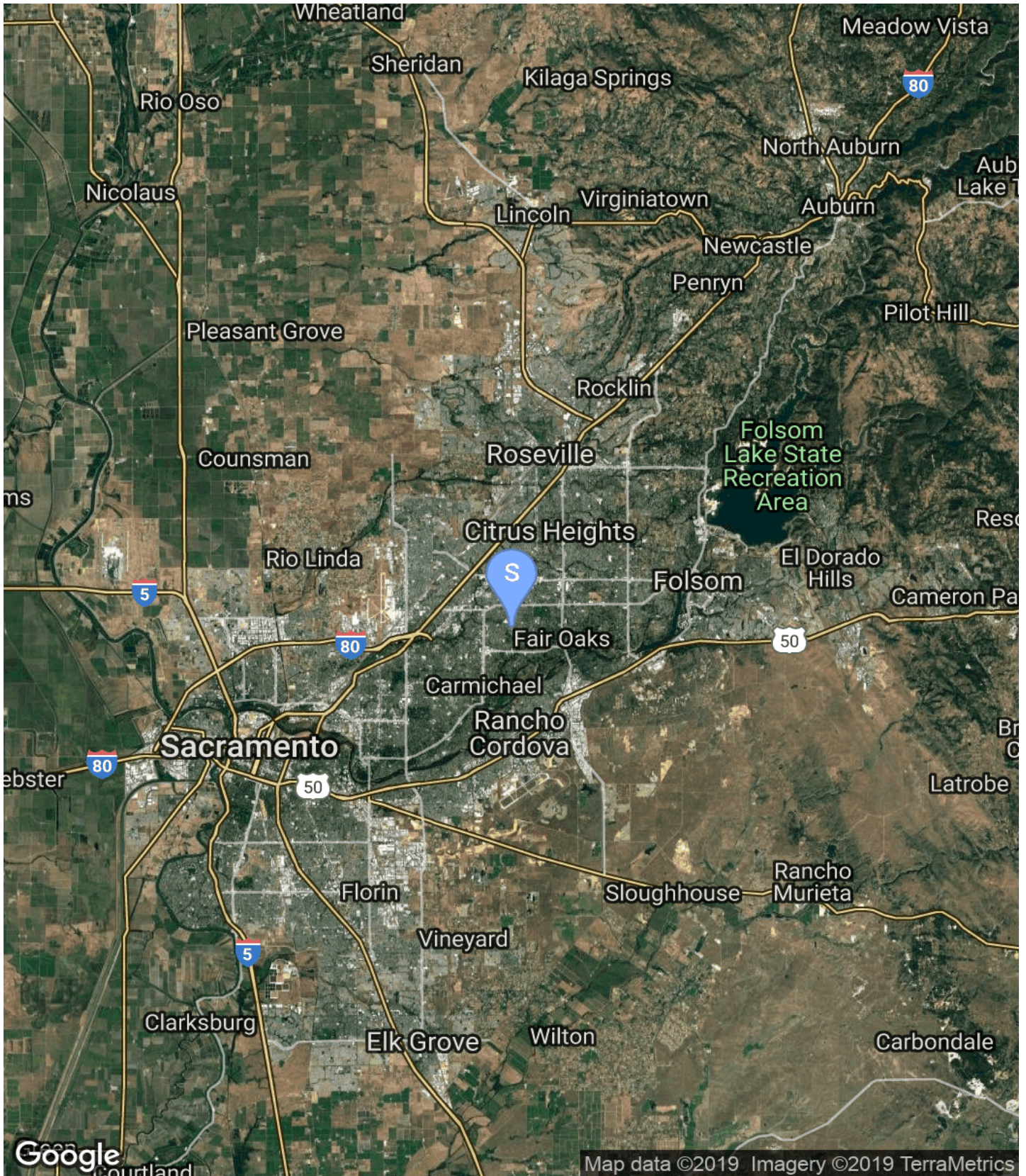
PROPERTY RIGHTS APPRAISED

The property rights appraised constitute the fee simple interest.

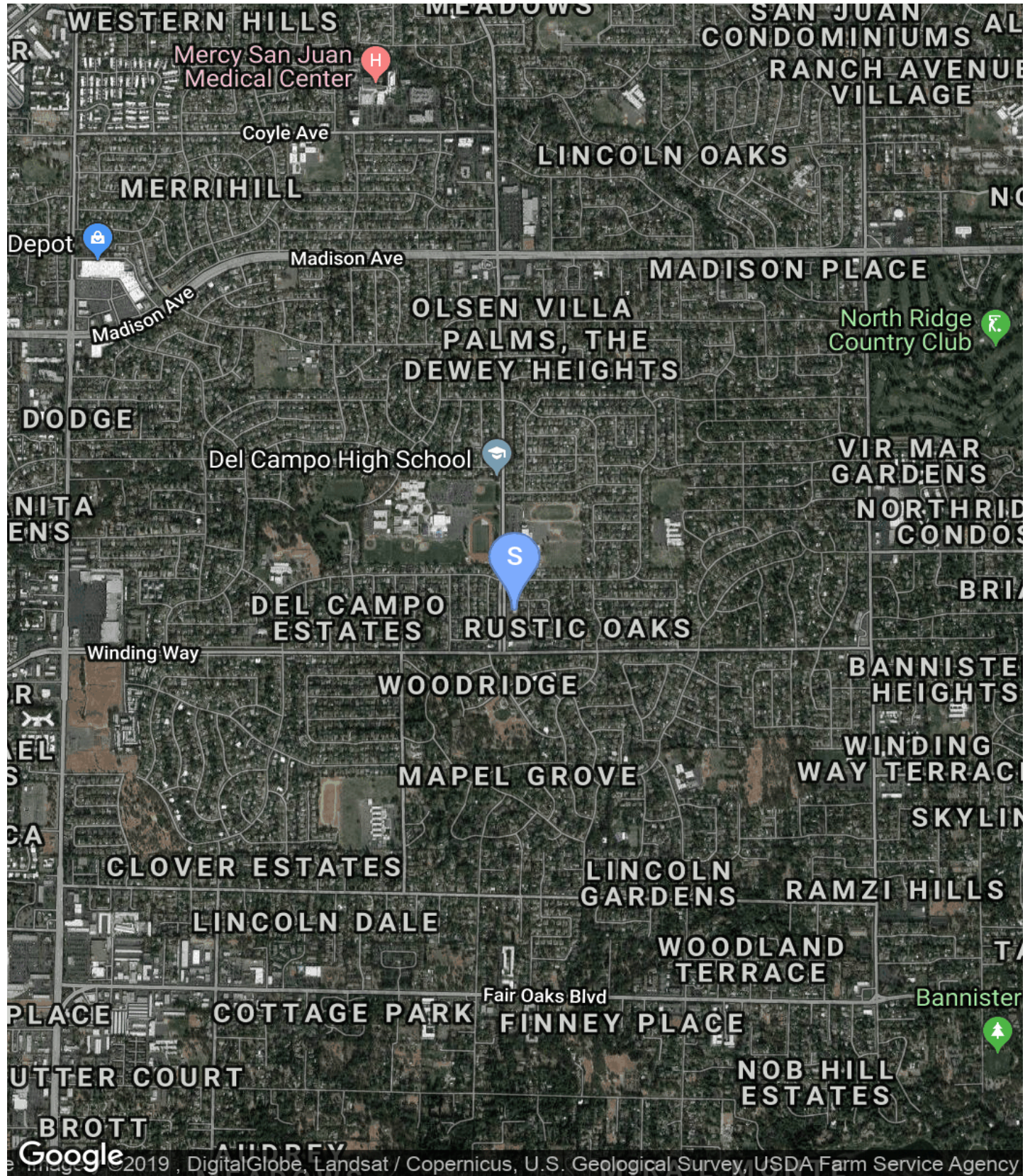
VALUE SCENARIOS

The valuation scenarios developed in this appraisal report include the As-Is Market Value of the subject property's fee simple interest.

REGIONAL MAP



LOCAL AREA MAP



REGIONAL ANALYSIS

The subject property is within Sacramento County in the Sacramento region defined as the Sacramento Metropolitan Statistical Area (MSA), comprised of Yolo, El Dorado, Placer, and Sacramento Counties. Nine counties and the State of Nevada surround or border the Sacramento MSA. The map below highlights the Sacramento area.



The geography of the Sacramento region includes rivers, agricultural lands, and foothills. Elevations within the area range from 15 feet below sea level near the Sacramento-San Joaquin River Delta to 10,000 feet above sea level at the summit of the Sierra-Nevada Mountains. Two major rivers flow through the region, the American River and the Sacramento River. In addition, the Sacramento area lies near the heart of the flat, agricultural lands of the Central Valley. The Central Valley extends south of the Sacramento MSA approximately 400 miles. The southern boundary of the Sacramento area is defined by three bordering counties, including Amador, San Joaquin, and Contra Costa Counties.

A significant advantage of the Sacramento area is its central location to transportation systems. The city of Sacramento is strategically located at the nucleus of several major freeways, including US Highway 50, State Highway 99, and Interstates 5 and 80. These freeways provide access to the San Francisco Bay Area to the west, Southern California to the south, Oregon and Washington to the north, and Nevada to the east. In addition, the Sacramento International Airport and several smaller county airports serve the Sacramento area. The transcontinental Union Pacific Railroad and Amtrak also serve the region. Other modes of transportation in and out of the Sacramento MSA include the Port of Sacramento (a deep-water port) and Greyhound Bus Services. Public transportation in the city of Sacramento and the unincorporated county area is provided by Regional Transit (RT) with an extensive transit network served by buses and an expanding light rail system. The cities of Roseville and Folsom have their own inter-city bus services.

The city of Sacramento, California's state capitol since 1869, is located on the western fringe of Sacramento County and is the largest incorporated city (466,488 – Census 2010) in the Sacramento MSA. Sacramento is also the economic and demographic center of the MSA.

DEMOGRAPHIC ANALYSIS

The following is a demographic study of the region sourced by *Pitney Bowes/Gadberry Group - GroundView®*, an on-line resource center that provides information used to analyze and compare the past, present, and future trends of geographical areas. Demographic changes are often highly correlated to changes in the underlying economic climate. Periods of economic uncertainty necessarily make demographic projections somewhat less reliable than projections in more stable periods. These projections are used as a starting point, but I also consider current and localized market knowledge in interpreting them within this analysis. Please note that my demographics provider sets forth income projections in constant dollars which, by definition, reflect projections after adjustment for inflation. I am aware of other prominent demographic data providers that project income in current dollars, which do not account for inflation. A simple comparison of projections for a similar market area made under the constant and current dollar methodologies can and likely will produce data points that vary, in some cases, widely. Further, all forecasts, regardless of demographer methodology, are subjective in the sense that the reliability of the forecast is subject to modeling and definitional assumptions and procedures.

REGIONAL AREA DEMOGRAPHICS							
YEAR	US	CA	COUNTY	YEAR	US	CA	COUNTY
POPULATION				NUMBER OF HOUSEHOLDS			
2010 Total Population	308,745,538	37,253,956	1,418,788	2018	122,929,625	13,049,105	535,856
2018 Total Population	328,062,672	39,857,821	1,546,463	2023	126,604,011	13,333,173	548,878
2023 Total Population	339,788,898	41,463,447	1,625,277	CAGR	0.6%	0.4%	0.5%
2010 - 2018 CAGR	0.8%	0.8%	1.1%	AVERAGE HOUSEHOLD SIZE			
2018 - 2023 CAGR	0.7%	0.8%	1.0%	2018	2.60	2.99	2.84
POPULATION DENSITY				2023	2.62	3.05	2.92
2018 Per Square Mile	91	252	1,555	CAGR	0.13%	0.38%	0.54%
2023 Per Square Mile	94	262	1,634	HOUSING UNITS			
MEDIAN AGE				Owner Occupied	80,041,309	7,290,968	307,550
2018	37.35	35.40	35.28	Renter Occupied	42,888,316	5,758,137	228,306
2023	38.09	36.21	36.08	AVERAGE HOUSEHOLD INCOME			
CAGR	0.39%	0.46%	0.45%	2018	\$84,367	\$98,603	\$83,783
MEDIAN HOME VALUE				2023	\$100,862	\$117,101	\$102,626
2018	\$183,983	\$405,009	\$270,509	CAGR	3.6%	3.5%	4.1%
PER CAPITA INCOME				MEDIAN HOUSEHOLD INCOME			
2018	\$32,413	\$32,958	\$29,458	2018	\$58,828	\$68,209	\$60,684
2023	\$38,504	\$38,413	\$35,124	2023	\$70,600	\$81,780	\$73,582
CAGR	3.5%	3.1%	3.6%	CAGR	3.7%	3.7%	3.9%

Source: Pitney Bow es/Gadberry Group - GroundView®

POPULATION

According to Pitney Bowes/Gadberry Group - GroundView®, a Geographic Information System (GIS) Company, the Sacramento-Roseville-Folsom metropolitan area had a 2018 total population of 2,349,423 and experienced an annual growth rate of 1.1%, which was higher than the California annual growth rate of 0.8%. The metropolitan area accounted for 5.9% of the total California population (39,857,821).

POPULATION			
YEAR	US	CA	COUNTY
2010 Total Population	308,745,538	37,253,956	1,418,788
2018 Total Population	328,062,672	39,857,821	1,546,463
2023 Total Population	339,788,898	41,463,447	1,625,277
2010 - 2018 CAGR	0.8%	0.8%	1.1%
2018 - 2023 CAGR	0.7%	0.8%	1.0%

Source: Pitney Bow es/Gadberry Group - GroundView®

Within the metropolitan area the population density was 443 people per square mile compared to the lower California population density of 252 people per square mile and the lower United States population density of 91 people per square mile.

POPULATION DENSITY			
YEAR	US	CA	COUNTY
2018 Per Square Mile	91	252	1,555
2023 Per Square Mile	94	262	1,634

Source: Pitney Bowes/Gadberry Group - GroundView®

The 2018 median age for the county was 35.28, which was 5.86% younger than the United States median age of 37.35 for 2018. The median age in the county is anticipated to grow by 0.45% annually, increasing the median age to 36.08 by 2023.

MEDIAN AGE			
YEAR	US	CA	COUNTY
2018	37.35	35.40	35.28
2023	38.09	36.21	36.08
CAGR	0.39%	0.46%	0.45%

Source: Pitney Bowes/Gadberry Group - GroundView®

HOUSEHOLD TRENDS

The 2018 number of households in the county was 535,856. The number of households in the county is projected to grow by 0.5% annually, increasing the number of households to 548,878 by 2023. The 2018 average household size for the county was 2.84, which was 9.27% larger than the United States average household size of 2.6 for 2018. The average household size in the county is anticipated to grow by 0.54% annually, raising the average household size to 2.92 by 2023.

NUMBER OF HOUSEHOLDS			
YEAR	US	CA	COUNTY
2018	122,929,625	13,049,105	535,856
2023	126,604,011	13,333,173	548,878
CAGR	0.6%	0.4%	0.5%

Source: Pitney Bowes/Gadberry Group - GroundView®

AVERAGE HOUSEHOLD SIZE			
YEAR	US	CA	COUNTY
2018	2.60	2.99	2.84
2023	2.62	3.05	2.92
CAGR	0.13%	0.38%	0.54%

Source: Pitney Bowes/Gadberry Group - GroundView®

Sacramento County had 42.61% renter occupied units, compared to the higher 44.13% in California and the lower 34.89% in the United States.

HOUSING UNITS			
	US	CA	COUNTY
Owner Occupied	65.11%	55.87%	57.39%
Renter Occupied	34.89%	44.13%	42.61%

Source: Pitney Bowes/Gadberry Group - GroundView®

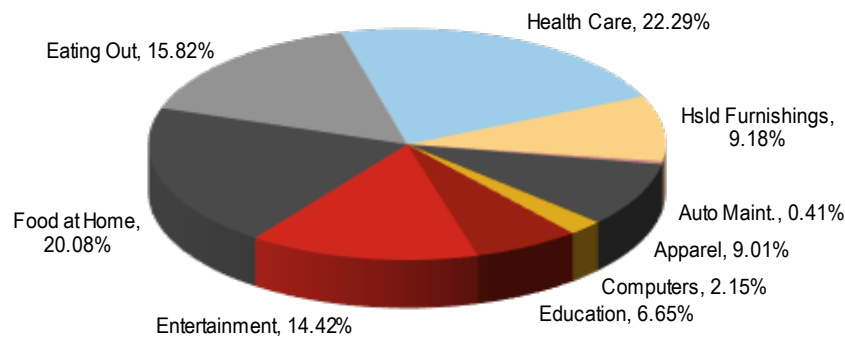
The 2018 median household income for the county was \$60,684, which was 3.2% higher than the United States median household income of \$58,828. The median household income for the county is projected to grow by 3.9% annually, increasing the median household income to \$73,582 by 2023.

MEDIAN HOUSEHOLD INCOME			
YEAR	US	CA	COUNTY
2018	\$58,828	\$68,209	\$60,684
2023	\$70,600	\$81,780	\$73,582
CAGR	3.7%	3.7%	3.9%

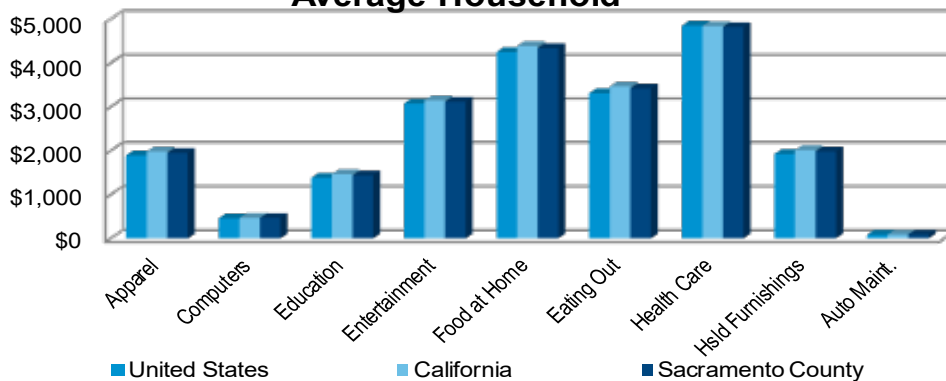
Source: Pitney Bowes/Gadberry Group - GroundView®

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

Consumer Spending Sacramento County



Consumer Spending Comparison Average Household



RECREATIONAL SITES / SPORTS

Major recreation sites throughout the Greater Sacramento Area include Folsom Lake and Lake Tahoe. Folsom Lake is a reservoir located approximately 25 miles northeast of Sacramento in Placer, El Dorado, and Sacramento Counties. The lake is formed by Folsom Dam, constructed in 1955 to control the American River. Folsom Lake is a popular location, especially during the spring and summer seasons, for boating, waterskiing, and jet skiing. Lake Tahoe is also a major tourist attraction for Sacramento residents. Lake Tahoe is a large freshwater lake in the Sierra Nevada Mountains. It is home to a number of ski resorts, summer outdoor

recreation, and tourist attractions. Snow and skiing are a significant part of the Tahoe Area's economy and reputation. Mountain and lake scenery are attractions throughout the year. The Nevada side also includes large casinos. Interstate 80 and Highway 50 provide year-round access from Sacramento. The California Exposition and State Fair is also located in Sacramento.

The Sacramento Region is home to two professional sports teams. In 1985, Sacramento acquired the NBA's Sacramento Kings. As one of the basketball teams in Northern California, the Sacramento Kings are expected to bring constant entertainment to the 17,500 seat Golden 1 Center. This region is also home to the Sacramento River Cats, a AAA minor league baseball Team that is an affiliate of the San Francisco Giants.

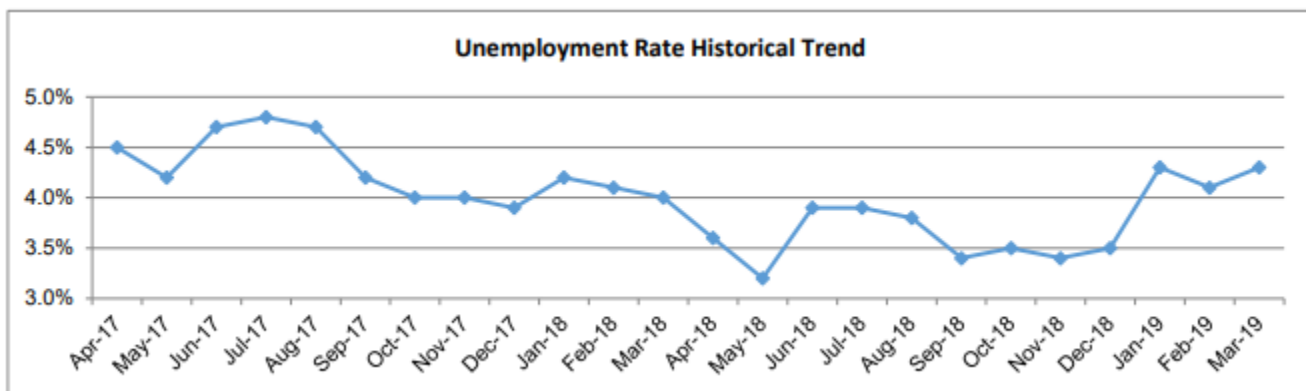
SACRAMENTO KINGS

In late May 2013, the former owners of the Sacramento Kings, NBA basketball team, sold for a record-setting 534-million dollars to the Vivek Ranadive ownership group. After several NBA meetings, the NBA officially ruled that the Kings would remain in Sacramento. As a part of this agreement, the City of Sacramento and the Ranadive ownership group had strict NBA-mandated deadlines for building a new downtown arena. Had the Ranadive owners and City of Sacramento not be able to fulfill the deadlines, the relocation of the Sacramento Kings would again become feasible. After several sites were considered, the City of Sacramento settled on a new arena at the site of Downtown Plaza, a struggling outdoor mall. In May of 2014, the Sacramento City Council approved the partially public financing of the arena and event center, with the Sacramento Kings organization funding \$284 million. The remaining \$223 million is going to be paid for by the sale of government bonds (\$212 million) and parking and development funds (\$11 million). The final cost is estimated to be \$534.6 million. The stadium is structured to hold 17,500 seats for basketball games, and 19,000 for events and concerts, in addition to the 34 luxury suites and 48 loft-style suites. The first event at the stadium occurred in early October 2016.

EMPLOYMENT

Total employment has increased annually over the past decade in the state of California by 1.5% and increased annually by 1.3% in the county. From 2017 to 2018 unemployment decreased in California by 0.6% and decreased by 0.9% in the county. In the state of California unemployment has decreased over the previous month by 0.7% and decreased by 0.7% in the county.

The unemployment rate in the Sacramento--Roseville--Arden-Arcade MSA was 4.3 percent in March 2019, up from a revised 4.1 percent in February 2019, and above the year-ago estimate of 4.0 percent. This compares with an unadjusted unemployment rate of 4.6 percent for California and 3.9 percent for the nation during the same period. The unemployment rate was 4.4 percent in El Dorado County, 3.7 percent in Placer County, 4.3 percent in Sacramento County, and 5.3 percent in Yolo County.



Between February 2019 and March 2019, combined employment in the counties of El Dorado, Placer, Sacramento, and Yolo increased by 1,700 to total 1,022,100 jobs. Government (up 2,300 jobs) led the region in job growth from February to March. Local government accounted for nearly 70.0 percent of the job additions, picking up 1,600 jobs. Professional and business services expanded by 1,100 jobs. Administrative and support and waste services (up 1,200 jobs) was responsible for the expansion. This gain offset a slight loss in professional, scientific, and technical services, which dipped by 100 jobs. Education and health services experienced a gain of 900 jobs. Meanwhile, six major industries reported month-over decline, led by construction (down 1,000 jobs), trade, transportation, and utilities (down 700 jobs), and financial activities (down 400 jobs).

Between March 2018 and March 2019, total jobs in the region increased by 28,300, or 2.8 percent. Education and health services led the year-over gains with an increase of 7,900 jobs. Health care and social assistance (up 7,300 jobs) accounted for 92.4 percent of the growth. Leisure and hospitality advanced by 4,500 jobs. Accommodation and food services gained 4,200 jobs. Arts, entertainment, and recreation picked up 300 jobs. Trade, transportation, and utilities added 4,000 jobs since last March. Retail trade grew by 1,800 jobs. Wholesale trade gained 1,300 jobs. Transportation, warehousing, and utilities was up 900 jobs. Information (down 300 jobs) was the only major industry sector to experience year-over job decline.

Industry	Feb-2019	Mar-2019	Change		Mar-2018	Mar-2019	Change
	Revised	Prelim				Prelim	
Total, All Industries	1,020,400	1,022,100	1,700		993,800	1,022,100	28,300
Total Farm	8,000	8,200	200		7,900	8,200	300
Total Nonfarm	1,012,400	1,013,900	1,500		985,900	1,013,900	28,000
Mining, Logging, and Construction	63,400	62,400	(1,000)		59,500	62,400	2,900
Mining and Logging	500	500	0		400	500	100
Construction	62,900	61,900	(1,000)		59,100	61,900	2,800
Manufacturing	37,400	37,200	(200)		35,000	37,200	2,200
Trade, Transportation & Utilities	160,900	160,200	(700)		156,200	160,200	4,000
Information	12,000	12,000	0		12,300	12,000	(300)
Financial Activities	55,500	55,100	(400)		53,400	55,100	1,700
Professional & Business Services	135,300	136,400	1,100		133,000	136,400	3,400
Educational & Health Services	164,700	165,600	900		157,700	165,600	7,900
Leisure & Hospitality	110,200	109,900	(300)		105,400	109,900	4,500
Other Services	34,500	34,300	(200)		33,400	34,300	900
Government	238,500	240,800	2,300		240,000	240,800	800

EDUCATION

Currently, there are 687 schools in the Greater Sacramento Region enrolling roughly 392,000 students. For graduating seniors opting to continue their education, the area offers numerous universities, colleges, law schools and technical institutes. These include the following:

- California State University, Sacramento (28,000 Students)
- University of California, Davis (30,000 Students)
- American River Junior College
- University of San Francisco (Satellite Campus)
- University of Southern California (Satellite Campus)
- Golden Gate University
- Lincoln Law School of Sacramento
- Northwestern California University School of Law

The importance of higher education within the MSA is well defined with statistics providing evidence of a well-educated workforce. Locally, the University of California at Davis (UC Davis), located in Yolo County, which is part of the University of California education system, enrolled approximately 35,415 students in 2014. UC Davis is ranked as one of the top 10 public universities in the nation and consistently ranks amongst the best universities in the world. Another public institution from the California school system is Sacramento State University that has an approximate enrollment of 30,284 students in 2015. The university offers 60 undergraduate degrees and 40 graduate degrees while its largest academic program is teacher education followed by business.

Other segments of the education industry are local community colleges. The Los Rios Community College District is made up of several two-year colleges that include American River College located in the northeast section of Sacramento, Cosumnes River College located south of the city near Elk Grove, Folsom Lake College located in Folsom and Sacramento City College in downtown Sacramento. There are also several off-campus educational centers located in specific geographic communities throughout the region. Also, in the spectrum of educational options are the numerous private institutions located in the region which include the Art Institute of California-Sacramento, the University of Sacramento, the University of the Pacific and McGeorge School of Law.

SHOPPING

Other linkages throughout the region include the Westfield Galleria Mall located in Roseville, and the Arden Fair Mall in Sacramento. These two malls are the largest malls throughout the entire region. The Westfield Galleria Mall was constructed in 2000, consisting of 1,500,000 square feet of total retail floor area, with a 480,000 square foot expansion scheduled for 2009. The Arden Fair Mall has over 165 tenants, encompassing 1,100,000 square feet of retail space. It was originally built in 1957 as a single-level outdoor mall. However, in 1989 a major structural renovation and physical face-lift was performed, which more than doubled the size of the mall. Both the Westfield Galleria Mall and the Arden Fair Mall are major shopping locations in the Sacramento Region.

ART & CULTURE

The Greater Sacramento Region is also home to an extensive collection of performance halls, museums and art galleries. Some of the most popular include the Mondavi Center, California Musical Theater (home to the Broadway Performance Series that sells over 200,000 tickets per year), the Woodland Opera House, the Crocker Mansion and Art Museum, and the Discovery Museum. The region is also home to the Sleep Train Amphitheater in Yuba County that plays host to some of the biggest names in popular music.

TRANSPORTATION SYSTEMS

The city of Sacramento is strategically located at the nucleus of several major freeways, including US Highway 50, State Highway 99, and Interstates 5 and 80. These freeways provide access to the San Francisco Bay Area to the west, Southern California to the south, Oregon and Washington to the north, and Nevada to the east. In addition, the Sacramento International Airport and several smaller county airports serve the Sacramento area.

The transcontinental Southern Pacific Railroad and Amtrak also serve the region. Other modes of transportation in and out of the Sacramento MSA include the Port of Sacramento (a deep-water port) and Greyhound Bus Services. Public transportation in the city of Sacramento and the unincorporated area of Sacramento County is provided by Regional Transit (RT) with an extensive transit network served by buses and an expanding light rail system. The largest of these is the Sacramento Regional Transit that serves over 18 million bus passengers and roughly 13 million light rail passengers per year.

AIRPORT STATISTICS

The following chart summarizes the local airport statistics.

SACRAMENTO INTERNATIONAL AIRPORT (SMF)		
YEAR	ENPLANED PASSENGERS	% CHG
2007	5,382,463	-
2008	4,986,771	(7.4%)
2009	4,460,600	(10.6%)
2010	4,424,279	(0.8%)
2011	4,370,895	(1.2%)
2012	4,357,899	(0.3%)
2013	4,255,145	(2.4%)
2014	4,384,616	3.0%
2015	4,714,723	7.5%
2016	4,969,366	5.4%
2017	5,341,595	7.5%

Source: U.S. Department of Transportation

SUMMARY

The Sacramento MSA is representative of a typical state capital economy with high levels of government employment and healthcare workers. Job losses occurred in 2008, 2009, and 2010, with recovery in 2011 through 2018. The Sacramento single-family housing market showed improvement since 2013, with median sales price for homes up 4.1% from year-ago figures (current as of April 2019, per Zillow). The multi-family market has fared well, but has slowed due to the recent improvement in the single-family housing market. Demand for retail and office developments has slowly begun to rebound, but recovery is still underway. The industrial segment is healthier and due to limited new development and has improved strongly over the past few years. When compared to the nation and state, the growth and economy in the Sacramento MSA has historically been generally stable due to the large state and local government workforce and skilled labor force. Sacramento's dependence on the government sector continues to stifle a full recovery, despite some positive signs of recovery in the private sector and strong recovery in the single-family housing market.

LOCAL AREA ANALYSIS

In this section of the report, we provide details about the local area and describe the influences that bear on the real estate market as well as the subject property. Below are insights into the local area based on fieldwork, interviews, demographic data and experience working in this market.

DEMOGRAPHIC PROFILE

Below is a demographic study of the area, sourced by *Pitney Bowes/Gadberry Group - GroundView®*, an on-line resource center that provides information used to analyze and compare the past, present, and future trends of properties and geographical areas. Please note that our demographics provider sets forth income projections in constant dollars which, by definition, reflect projections after adjustment for inflation. We are aware of other prominent demographic data providers that project income in current dollars, which do not account for inflation. A simple comparison of projections for a similar market area made under the constant and current dollar methodologies can and likely will produce data points that vary, in some cases, widely. Further, all forecasts, regardless of demographer methodology, are subjective in the sense that the reliability of the forecast is subject to modeling and definitional assumptions and procedures.

LOCAL AREA DEMOGRAPHICS							
DESCRIPTION	1 MILE	3 MILES	5 MILES	DESCRIPTION	1 MILE	3 MILES	5 MILES
POPULATION				AVERAGE HOUSEHOLD INCOME			
2000 Population	15,163	135,171	352,646	2018	\$91,744	\$77,617	\$77,811
2010 Population	14,851	132,757	351,717	2023	\$108,708	\$95,680	\$95,607
2018 Population	16,059	145,524	382,219	Change 2018-2023	18.49%	23.27%	22.87%
2023 Population	16,680	152,161	399,215	MEDIAN HOUSEHOLD INCOME			
Change 2000-2010	(2.06%)	(1.79%)	(0.26%)	2018	\$73,598	\$56,418	\$56,956
Change 2010-2018	8.13%	9.62%	8.67%	2023	\$84,173	\$68,111	\$68,798
Change 2018-2023	3.87%	4.56%	4.45%	Change 2018-2023	14.37%	20.73%	20.79%
POPULATION 65+				PER CAPITA INCOME			
2010 Population	2,801	21,120	49,674	2018	\$35,079	\$30,442	\$28,922
2018 Population	3,002	24,676	58,788	2023	\$40,399	\$36,452	\$34,560
2023 Population	3,529	29,261	69,705	Change 2018-2023	15.16%	19.74%	19.50%
Change 2010-2018	7.18%	16.84%	18.35%	2018 HOUSEHOLDS BY INCOME			
Change 2018-2023	17.55%	18.58%	18.57%	<\$15,000	6.3%	10.9%	10.7%
NUMBER OF HOUSEHOLDS				\$15,000-\$24,999	7.1%	9.8%	9.3%
2000 Households	5,931	55,916	137,484	\$25,000-\$34,999	6.8%	10.4%	10.3%
2010 Households	5,918	54,876	136,639	\$35,000-\$49,999	11.6%	13.3%	13.6%
2018 Households	6,034	56,556	140,679	\$50,000-\$74,999	19.3%	19.1%	19.2%
2023 Households	6,095	57,496	142,983	\$75,000-\$99,999	17.8%	13.0%	13.0%
Change 2000-2010	(0.22%)	(1.86%)	(0.61%)	\$100,000-\$149,999	17.8%	13.1%	13.6%
Change 2010-2018	1.96%	3.06%	2.96%	\$150,000-\$199,999	7.5%	5.5%	5.5%
Change 2018-2023	1.01%	1.66%	1.64%	\$200,000 or greater	5.8%	5.0%	4.8%
HOUSING UNITS (2018)				MEDIAN HOME VALUE			
Owner Occupied	4,146	30,388	80,793	\$301,398	\$259,858	\$248,935	
Renter Occupied	1,862	26,230	59,806	AVERAGE HOME VALUE			
HOUSING UNITS BY YEAR BUILT				\$317,508	\$292,170	\$290,964	
Built 2010 or later	15	332	906	HOUSING UNITS BY UNITS IN STRUCTURE			
Built 2000 to 2009	219	2,337	6,841	1, detached	4,801	31,324	87,404
Built 1990 to 1999	343	3,880	11,959	1, attached	249	5,845	11,566
Built 1980 to 1989	530	9,879	25,377	2	166	1,541	2,844
Built 1970 to 1979	1,446	17,159	40,150	3 or 4	206	4,581	8,450
Built 1960 to 1969	1,877	12,026	24,850	5 to 9	124	4,322	8,330
Built 1950 to 1959	1,399	8,671	24,934	10 to 19	67	2,690	6,190
Built 1940 to 1949	122	1,373	3,921	20 to 49	114	1,491	3,759
Built 1939 or earlier	83	899	1,743	50 or more	281	3,758	7,932
				Mobile home	0	948	3,965
				Boat, RV, van, etc.	0	120	160

Source: Pitney Bowes/Gadberry Group - GroundView®

As noted in the table above, minimal population growth is anticipated to occur in the subject's neighborhood (three-mile radius) between 2018 and 2023. The average and median household income levels in the subject's neighborhood are \$77,617 and \$56,418, respectively. Of the 56,556 households within the subject's neighborhood, 32.1% have an income base between \$50,000 and \$100,000, and 23.6% are above \$100,000.

LOCAL AREA PROFILE

The subject property is located in Fair Oaks, California, within Sacramento County. The subject property is located along Dewey Drive, a popular thoroughfare in the subject's market with access to Interstate 80 within close proximity via Madison Avenue within 1 mile to the north. Along this arterial is commercial development that varies in age, with single family residential development located off of Dewey Drive and Selkirk Way, a lessor traveled arterial. The map below displays the subject and surrounding uses:



RESIDENTIAL DEVELOPMENT

Pitney Bowes reports median and average home values in the subject's neighborhood to be \$259,858 and \$292,170 respectively (Pitney Bowes/Gadberry Group). In late 2012 and early 2013, home values began to appreciate due to an overall economic recovery underway and stricter foreclosure laws implemented in January 2013. This trend has continued through 2018 and into 2019, although the level of growth has decreased over the past few years. This is consistent with the trend seen in the single-family housing market throughout all of Sacramento County and the MSA.

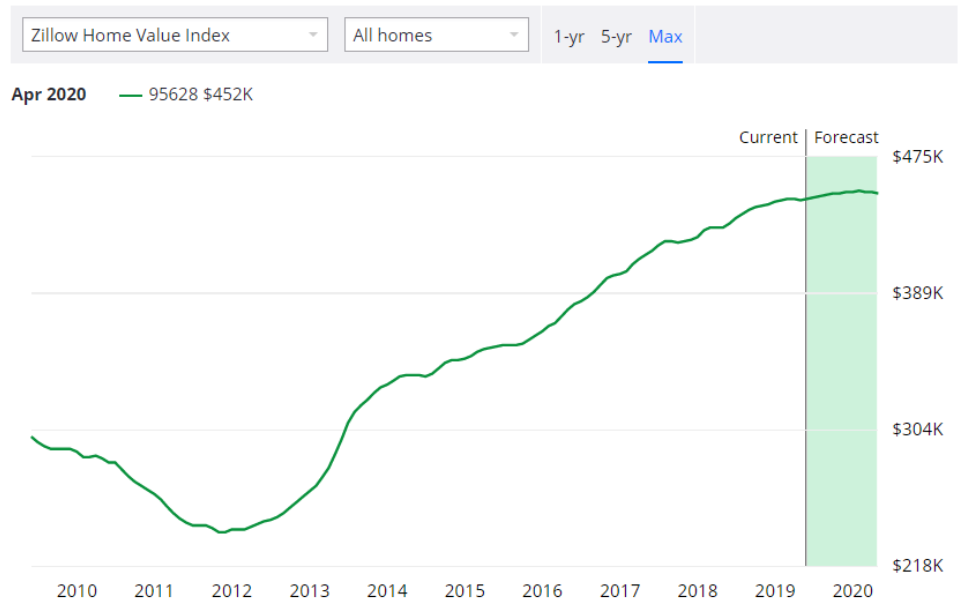
There is a substantial amount of residential development located in the subject's immediate neighborhood. Residential uses include predominantly single-family residences and multi-family uses located within close proximity. Housing in the area is 53.6% owner-occupied and 46.3% renter-occupied. The residences in the area are typically in average condition and vary in age.

According to Zillow.com, home values have gone up 3.9% over the past year and Zillow predicts they will rise an additional 1.0% within the next year. The median home value in 95628 is \$448,200. The median list price per

square foot in 95628 is \$246, which is lower than the Fair Oaks average of \$246. The median price of homes currently listed in 95628 is \$495,600 while the median price of homes that sold is \$426,400. The median rent price in 95628 is \$1,890, which is lower than the Fair Oaks median of \$1,910. The graph below shows the Zillow Home Value Index (ZHVI) for the subject zip code which is the mid-point of estimated home values for the area.

95628 Market Overview

Data through Apr 30, 2019



\$448,200 ZHVI

1.0% 1-yr forecast (Apr 30, 2020)

\$495,600 Median listing price

\$426,400 Median sale price

Multi-family developments within proximity to the subject generally consist of garden style apartment facilities. Apartment complexes in the immediate area include Crestview North Apartments, Windmill Place Apartments, Creekside Oaks Apartments, Brookside Apartments and American River Garden Apartments.

COMMERCIAL DEVELOPMENT

Commercial development in the immediate area is concentrated along Madison Avenue to the north of the subject, the primary thoroughfare. The immediate area is defined as an established residential area with commercial uses along the arterials. Commercial development in the area is concentrated along the major thoroughfares, including Fair Oaks Boulevard, Manzanita Avenue, Madison Avenue, and Sunrise Boulevard. Commercial uses include smaller freestanding retail and office developments, small strip centers, independent and national fast food and sit-down restaurants, banks, gas stations, grocery stores, and auto related shops. There is limited commercial development surrounding the subject. More intensive commercial uses in the area can be found at Madison Avenue and Sunrise Boulevard. The corner of Sunrise Boulevard and Madison Avenue has extensive retail uses that continue north along Sunrise Boulevard to the Sunrise Mall and Citrus Town Center, approximately one mile north of Madison Avenue. Del Campo High School and Will Rogers Middle School are just north of the subject property on Dewey Drive. There is a vacant parcel adjacent to the subject to the south, and a utilities site to the south of that.

COMMUNITY SERVICES/TRANSPORTATION

Community services and facilities are readily available in the surrounding area. These include public services such as fire stations, hospitals, police stations, and schools (all ages). Mercy San Juan Medical Center is within 2 miles north of the subject and BHC Heritage Oaks Hospital is within 2 miles west of the subject. The schools in the subject’s immediate area include Del Camp High School, William Rogers Elementary School, Charles Peck Elementary and Thomas L Kelly Elementary (all within 1 mile of the subject).

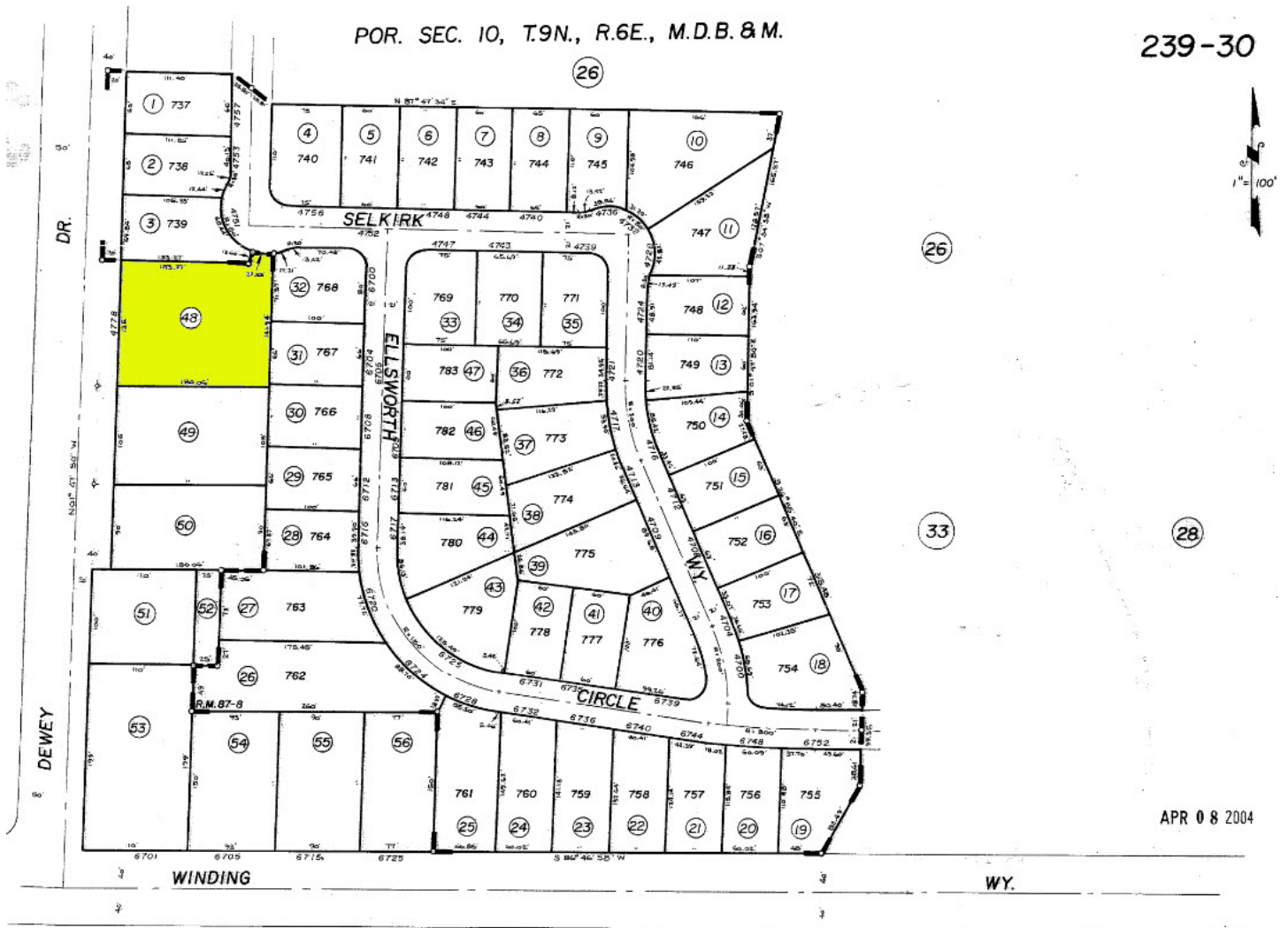
All necessary community services are easily accessible from the subject. The subject is located within 3 miles east of Interstate 80, 3.8 miles east of Business 80 and 10 miles north of Highway 50, providing adequate access to Downtown Sacramento. The subject is approximately 15 miles southeast of the Sacramento International

Airport and 10 miles northeast of downtown Sacramento. The subject is serviced by Regional Transit public transportation. Regional Transit operates 64 bus routes as well as 37.5 miles of light rail. Several bus stops are located along Madison Avenue.

SUMMARY

The subject property is located along a well-traveled arterial, Dewey Drive, in Fair Oaks. Residential uses present in the subject's neighborhood include primarily single family and multi-family development. Commercial developments are located along major thoroughfares and are accessible from the subject. Interstate 80, the Sacramento International Airport, and Downtown Sacramento are in close proximity. The subject property has an average location with respect to commercial services, thoroughfares, public transportation, and community services. The neighborhood is anticipated to remain stable in the foreseeable future.

PLAT MAP

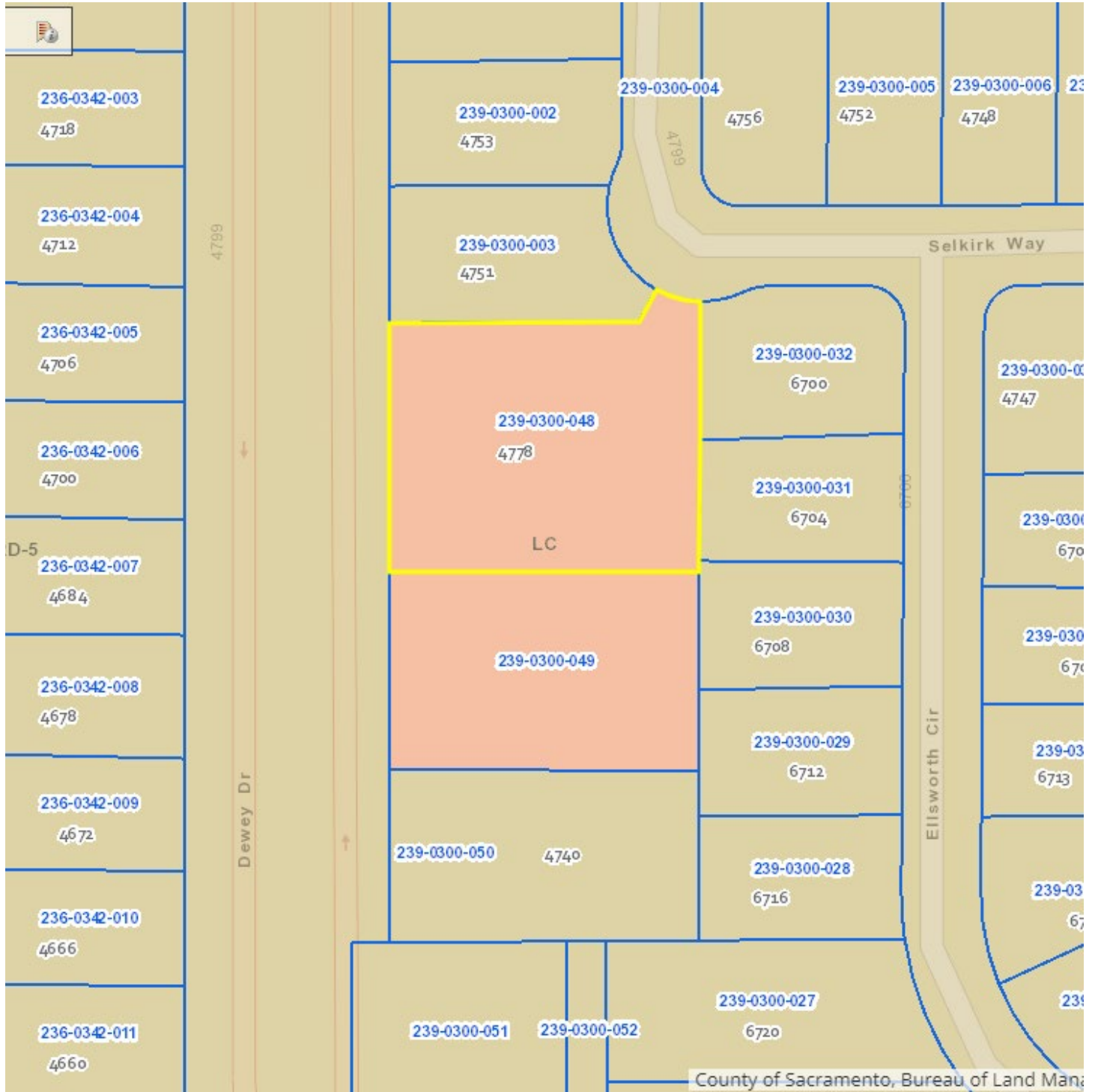


Larchmont Hills Unit No.10, R.M. Bk.87 Pg.8 (4-28-71)

Bk. 247

Assessor's Map Bk.239 Pg.30
County of Sacramento, Calif.

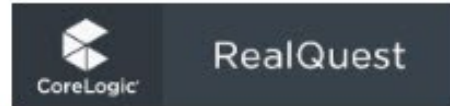
ZONING MAP



FLOOD MAP

Flood Map Report

For Property Located At



4778 DEWEY DR, FAIR OAKS, CA 95628-4401

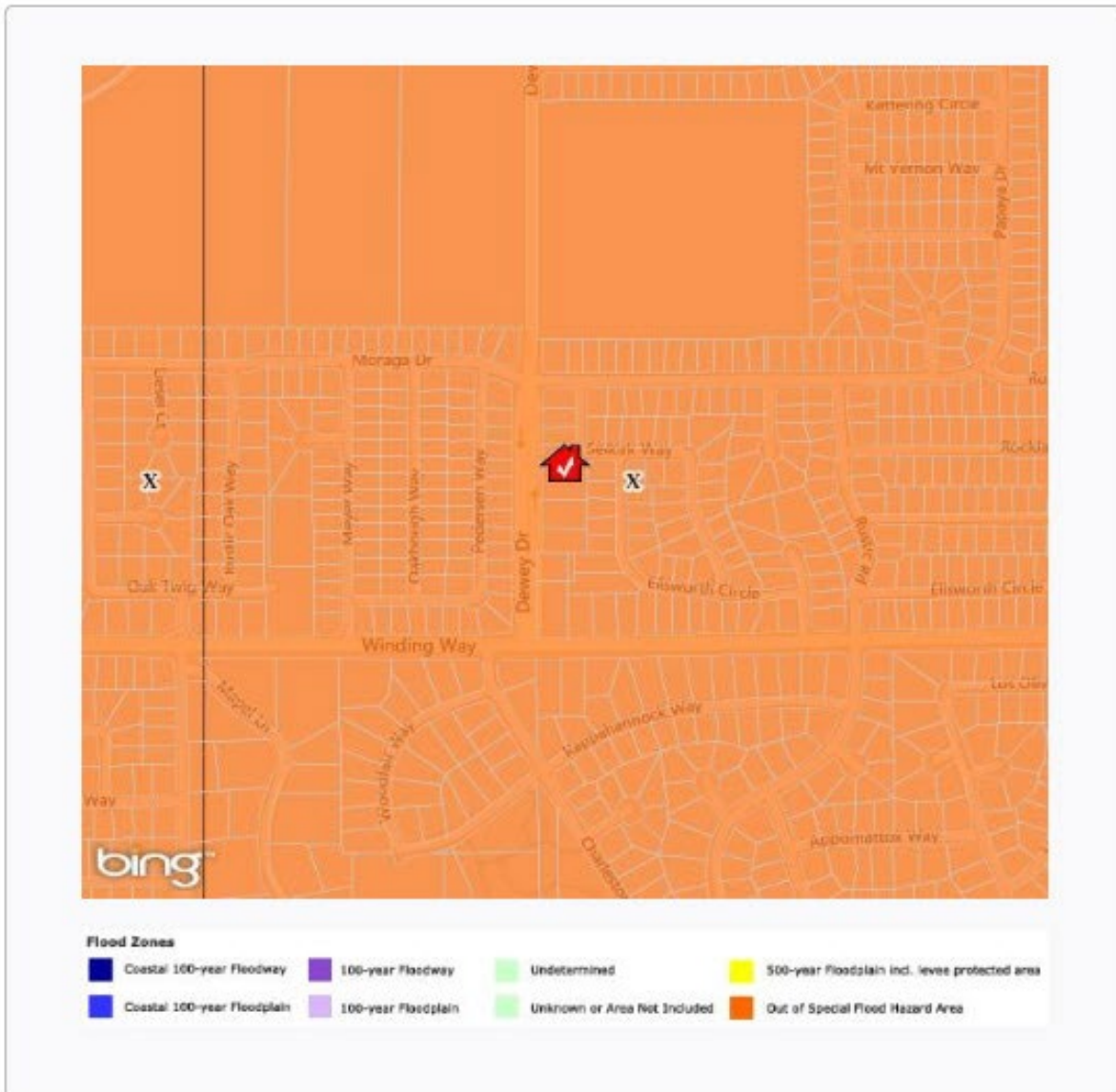
Report Date: 05/22/2019

County: SACRAMENTO, CA

Flood Zone Code	Flood Zone Panel	Panel Date
X	060262 - 06067C0093H	08/16/2012
Special Flood Hazard Area (SFHA)	Within 250 ft. of multiple flood zones?	Community Name
Out	No	SACRAMENTO COUNTY

Flood Zone Description:

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



SITE DESCRIPTION

General Description

The subject site consists of one parcel. As noted below, the subject site has 24,393 SF (0.56 AC) of land area. The area is estimated based on the assessor's parcel map and may change if a professional survey determines more precise measurements. The following discussion summarizes the subject site size and characteristics.

Assessor Parcel 239-0300-048

Number Of Parcels 1

Land Area	Acres	Square Feet
Primary Parcel	0.56	24,393
Unusable Land	0.00	0
Excess Land	0.00	0
Surplus Land	0.00	0
Total Land Area	0.56	24,393

Shape Rectangular - See Plat Map For Exact Shape

Topography Level below street grade

Drainage Assumed Adequate

Utilities All available to the site

Street Improvements

Street	Direction	No. Lanes	Street Type	Curbs	Sidewalks	Streetlights	Center Lane	Gutters
Dewey Drive	two-way	four-lane	major arterial	✓	✓	✓	✓	✓
Selkirk Way	two-way	two-lane	connector street	✓	✓			✓

Frontage Approximately 140' along Dewey Drive and 25' along Selkirk Way

Subject Property Analysis

The uses adjacent to the property are noted below:

- › **North** - Residential Development
- › **South** - Vacant Land
- › **East** - Residential Development
- › **West** - Residential Development, Separated By Dewey Drive

Accessibility

Average/Good - The subject site slopes downward from the street and can be accessed northbound along Dewey Drive via two access points. There is an additional access point at the rear of the site (north lot line) along a residential street (Selkirk Way).

Exposure

Average/Good - The subject is located along a mid-street location with frontage along a major arterial.

Seismic

The U.S. Geological Survey (USGS) produces a seismic hazards map that is considered the standard map for assessing seismic risk. According to the USGS map, the subject property is considered to be within a moderate risk zone.

Additionally, the California Geological Survey has another mapping program as a part of the Alquist-Priolo Earthquake Fault Zoning Act of 1972. As a part of this law, property owners are required to formally disclose that their property lies within the fault zones defined by the California Geological Survey, before selling the property. According to California Geological Survey, the subject is not located within an Alquist-Priolo Fault Zone.

Flood Zone

Zone X (Unshaded). This is referenced by Community Number 060262, Panel Number 06067C0093H, dated August 16, 2012. Zone X (unshaded) is a moderate and minimal risk area. Areas of moderate or minimal hazard are studied based upon the principal source of flood in the area. However, buildings in these zones could be flooded by severe, concentrated rainfall coupled with inadequate local drainage systems. Local stormwater drainage systems are not normally considered in a community's flood insurance study. The failure of a local drainage system can create areas of high flood risk within these zones. Flood insurance is available in participating communities but is not required by regulation in these zones. Nearly 25-percent of all flood claims filed are for structures located within these zones. Minimal risk areas outside the 1-percent and .2-percent-annual-chance floodplains. No BFEs or base flood depths are shown within these zones. (Zone X (unshaded) is used on new and revised maps in place of Zone C.)

Easements

A preliminary title report was provided for review and is included in the addenda. During the on-site inspection, no adverse easements or encumbrances were noted. This appraisal assumes that there is no negative value impact on the subject improvements. If questions arise regarding easements, encroachments, or other encumbrances, further research is advised.

Soils

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

Hazardous Waste

We 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. Colliers International has not observed, yet is not qualified to detect, the existence of potentially hazardous material or underground storage tanks, which may be present on or near the site. The existence of hazardous materials or underground storage tanks may have an effect on the value of the property. For this appraisal, Colliers International has specifically assumed that any hazardous materials and/or underground storage tanks do not affect the property, which may be present on or near the property.

Site Rating

Overall, the subject site is considered an average office site in terms of its location, exposure, and access to employment, education and shopping centers, recognizing its location at the corner of a major arterial and a neighborhood street. The subject site provides adequate utility for office users given the proximity to Downtown Sacramento to the southwest and access to Interstate 80 within three miles to the northwest.

IMPROVEMENT DESCRIPTION

The information presented below is a basic description of the existing improvements using sources deemed dependable for this analysis. It is assumed that there are no hidden defects, and that all structural components are functional and operational, unless otherwise noted.

IMPROVEMENT DESCRIPTION

NO APPRAISER INPUT IS NEEDED ON THIS CHART. HIDE ROWS YOU DO NOT NEED

Property Type	Office - Office Building
Design	Single-Tenant Owner-Occupied - 1 Tenant Space
Number of Buildings	1
Number of Stories	1
Net Rentable Area (NRA)	5,710 SF
Gross Building Area (GBA)	5,710 SF
Site Coverage Ratio	23.4%
Land to Building Ratio	4.3 : 1
Parking	24 (Surface) 4.2/1,000 SF NRA
Year Built	1971
Age/Life Analysis	
Actual Age	48 Years
Effective Age	25 Years
Economic Life	50 Years
Remaining Life	25 Years
Quality	Average
Condition	Average
Basic Construction	Concrete block and wood frame (post and beam)
Foundation	Poured concrete slab
Framing	Wood post and beam
Exterior Walls	Stucco
Roof	Flat - The roof was not inspected. No leaks were observed/reported.
Insulation	Assumed to be standard and to code for both walls and ceilings
Heating	Forced Air
Air Conditioning	HVAC
Lighting	Fluorescent lighting throughout
Interior Walls	Drywall interior walls
Electrical	Assumed adequate and to-code.
Ceilings	2 x 2 acoustical tile

Windows	Glass in aluminum frames
Doors	Two sets of double doors, glass in metal frame
Flooring	Commercial carpeting, vinyl tile in break room and bathroom
Plumbing	Standard plumbing for an office building with one ADA compliant bathroom
Fire Protection	The subject does not have a fire sprinkler system.
Security	There are security cameras located throughout the exterior of the subject property providing 24-hour surveillance
Site Improvements	Concrete paving, concrete sidewalks, concrete curbing, pole mounted lights and low maintenance sprinklered landscaping.
Build Out	The subject property has a typical buildout of a professional office building with commercial carpeting, drywall interior walls, and drop T-Bar ceilings throughout the building. The subject property is served with one ADA compliant bathroom. There are six private offices, a reception area, cubicle area, and break room.
Signage	The subject property has signage near the entrance to the property with visibility along Dewey Drive.
Parking	The subject property has a concrete parking lot that is in average condition. The subject's parking lot provides a ratio of 4.9 spaces per 1,000 SF, which is in compliance with the City of Sacramento zoning code.
Deferred Maintenance	Based on our interview with the property manager and the onsite inspection by the field appraiser, no significant observable deferred maintenance exists. However, it is noted that the streets and parking lot areas are showing some signs of alligating and smaller pot holes. This would most likely need to be repaired over the next few years and is considered as part of an ongoing maintenance program. Therefore no one time deduction is made.
Functional Design	The subject improvements offer average utility to the owner or potential tenants. The site coverage and parking lot are within market standards, noting access to the parking lot is good. The subject has good accessibility to Interstate 80 to the northwest and Highway 50 to the south, providing adequate access to Downtown Sacramento. Overall, the subject has a functional design considering the site and building configurations.

ASSESSMENT & TAXATION

The subject property is located within the Sacramento County municipality. The assessed value and property tax for the current year are summarized in the following table.

ASSESSMENT & TAXES						
Tax Year	2018-2019		Tax Rate	1.212400%		
Tax Rate Area	54304		Taxes Current	Yes		
Taxes SF Basis	Net Rentable Area					
APN	LAND	IMPV	TOTAL	EXEMPTIONS	TAXABLE	BASE TAX
239-0300-048	\$244,000	\$466,000	\$710,000	\$0	\$710,000	\$8,608
Totals	\$244,000	\$466,000	\$710,000	\$0	\$710,000	\$8,608
Total/SF	\$42.73	\$81.61	\$124.34	\$0.00	\$124.34	\$1.51
Additional Tax Charges						
Sacramento Area Flood Control						\$15
CSA 1 Lights Sac Unicorp Zone 1						\$3
Water & Drainage Studies - SCWA 13						\$14
Total Additional Tax Charges						\$31
Total Additional Tax Charges Per SF						\$0.01
Total Base Tax & Additional Tax Charges						\$8,639
Total Base Tax & Additional Tax Charges Per SF						\$1.51

Source: Sacramento County Assessment & Taxation

Subject Property Analysis

The total taxable value for the subject property is \$710,000 or \$124.34/SF. There are no exemptions in place. Total taxes for the property are \$8,639 or \$1.51/SF.

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. In the valuation section, property taxes for the subject are estimated by applying the current tax rate to the concluded value.

According to the Sacramento County Assessor’s Office website and per conversation with a staff member at the county, real estate taxes for the subject property are current as of the date of this report.

Tax Comparables

Real estate taxes in California are set based on market value at the time of sale rather than market value as of the current date. With real estate values generally increasing since Proposition 13 was originated in 1978, it is common for California properties that have been owned for a significant period of time to have a lower real estate tax burden than a property that was recently sold. Therefore, tax comparables are not commonly used in the state of California.

ZONING ANALYSIS

The zoning characteristics for the subject property are summarized below:

ZONING SUMMARY	
Municipality Governing Zoning	Sacramento County Planning & Zoning Department
Current Zoning	Limited Commercial (LC)
Permitted Uses	Apartments (with use permits), grocery stores, auto repair shops, business services & office building uses.
Current Use	Office building
Is Current Use Legally Permitted?	Yes
Zoning Change	Not Likely

ZONING REQUIREMENTS	
Conforming Use	The existing improvements represent a conforming use within this zone.
Minimum Yard Setbacks	
Front (Feet)	None
Rear (Feet)	15
Side (Feet)	5
Maximum Building Height	45 Feet
Parking Requirement	
Spaces Per 1,000 SF	2
Spaces Required	4
Spaces Provided	24

Source: Sacramento County Planning & Zoning Department

Zoning Conclusions

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

Detailed zoning studies are typically performed by a zoning or land use expert, including attorneys, land use planners, or architects. The depth of our analysis correlates directly with the scope of this assignment, and it considers all pertinent issues that have been discovered through our due diligence. Please 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.

MARKET ANALYSIS

This section provides a study of office supply/demand conditions for the Sacramento Market and Carmichael/Fair Oaks Submarket, and market participant interviews. These findings are used to support our conclusions for the competitive position, general vacancy and exposure period for the subject property.

SACRAMENTO OFFICE MARKET

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

SACRAMENTO HISTORICAL STATISTICS (LAST TEN YEARS)						
PERIOD	SUPPLY	NEW CONSTRUCTION	NET ABSORPTION	VACANCY	ASKING RENT	
2009	22,462,818 SF	278,737 SF	36,696 SF	23.1%	\$1.94/SF	
2010	22,911,761 SF	448,943 SF	281,859 SF	23.0%	\$1.81/SF	
2011	22,916,969 SF	5,208 SF	303,291 SF	22.9%	\$1.70/SF	
2012	22,869,721 SF	8,393 SF	699,015 SF	20.2%	\$1.65/SF	
2013	22,949,106 SF	79,385 SF	501,116 SF	17.1%	\$1.60/SF	
2014	22,979,933 SF	30,827 SF	559,984 SF	14.5%	\$1.62/SF	
2015	22,987,824 SF	7,891 SF	233,364 SF	13.6%	\$1.66/SF	
2016	23,265,634 SF	277,810 SF	950,996 SF	11.4%	\$1.69/SF	
2017	23,265,634 SF	0 SF	135,057 SF	10.1%	\$1.72/SF	
2018	23,358,232 SF	92,598 SF	(184,772) SF	9.8%	\$1.81/SF	
CAGR	0.4%	-	-	-	(0.7%)	

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

Source: Costar®

Over the past ten years the Sacramento office market inventory slightly increased by 4.8%. Further there was positive absorption (6.9% change), decrease in vacancy (-5.5% change) and decrease of the asking average rent (-3.6% change). The market declined significantly due to the recession in 2008 but showed signs of stabilization in 2013 and recovery in 2014 through 2018 with decreasing vacancy and positive absorption. Asking rent reached its bottom in 2013, started to recover in 2014, and continued to increase through 2018, noting a 4.5% increase.

The following table summarizes the trailing four quarter performance of the Sacramento market.

SACRAMENTO TRAILING FOUR QUARTER PERFORMANCE						
PERIOD	SUPPLY	NEW CONSTRUCTION	NET ABSORPTION	VACANCY	ASKING RENT	
2018 Q2	23,282,832 SF	7,400 SF	(52,006) SF	9.7%	\$1.80/SF	
2018 Q3	23,290,232 SF	7,400 SF	69,692 SF	9.4%	\$1.83/SF	
2018 Q4	23,358,232 SF	68,000 SF	(251,631) SF	10.8%	\$1.84/SF	
2019 Q1	23,358,232 SF	0 SF	(11,975) SF	10.8%	\$1.85/SF	

Source: Costar®

Over the past four quarters the Sacramento office market has experienced an increase of supply, positive net absorption, relatively flat vacancy rates and increase of asking rent in the marketplace. The vacancy rate is projected to continue to decline as the market absorbs vacant space.

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

SACRAMENTO MARKET TREND ANALYSIS			
	Q1 2019	2018	Last 10
Total SF	23,358,232	23,358,232	22,996,763
Vacant SF	2,528,047	2,296,114	3,808,264
Market Vacancy	10.8%	9.8%	16.6%
Construction Growth Rate	0.0%	0.4%	0.4%
Absorption Rate	(0.1%)	(0.8%)	1.5%
Average Asking Rent/SF	\$1.85	\$1.81	\$1.72

Source: Costar®

The Q1 2019 vacancy rate (10.8%) is similar to last year (9.8%) and lower than the average vacancy over the past ten years (16.6%). There are currently 14 office projects under construction totaling approximately 1,485,937 SF. The impact of this new supply entering the market will depend on the completion dates and it is unknown at this point whether it will have a negative impact on vacancy or average asking rents.

Sacramento Market Conclusion

Based on the preceding analysis, the Sacramento office market has stabilized and recovered over the past four years. The market showed signs of stabilization and recovery in 2014 with positive absorption, increasing asking rent and decreasing vacancy rates. This trend continued in 2015 and into 2019. While construction has decreased considerably over the past seven years, there are currently several projects under construction, indicating more confidence in the office market.

CARMICHAEL/FAIR OAKS OFFICE SUBMARKET OVERVIEW

The following is an analysis of supply/demand trends in the Carmichael/Fair Oaks Office submarket using information provided by CoStar. The table below presents historical data for key submarket indicators.

HISTORICAL STATISTICS (LAST TEN YEARS)					
PERIOD	SUPPLY	NEW CONSTRUCTION	NET ABSORPTION	VACANCY	ASKING RENT
2009	1,999,934 SF	4,729 SF	20,621 SF	13.7%	\$16.49/SF
2010	1,999,934 SF	0 SF	1,369 SF	13.4%	\$16.04/SF
2011	1,999,934 SF	0 SF	(8,163) SF	12.7%	\$15.64/SF
2012	1,999,934 SF	0 SF	18,310 SF	12.6%	\$15.02/SF
2013	1,970,179 SF	0 SF	(13,441) SF	12.6%	\$14.00/SF
2014	1,970,179 SF	0 SF	15,802 SF	11.3%	\$14.93/SF
2015	1,970,179 SF	0 SF	(17,291) SF	12.3%	\$14.99/SF
2016	1,970,179 SF	0 SF	17,468 SF	12.2%	\$14.60/SF
2017	1,970,179 SF	0 SF	(22,590) SF	12.7%	\$15.18/SF
2018	1,970,179 SF	0 SF	(55,630) SF	13.1%	\$15.74/SF
CAGR	(0.1%)	-	-	-	(0.5%)

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

Source: Costar®

Over the past ten years the market had a compound annual growth rate (CAGR) of -0.1% per year. Vacancy has ranged from 11.3% to 13.7% with an average of 12.7%. Vacancy decreased from 13.7% in 2009 to 12.6% in 2012, decreased from 12.6% in 2013 to 11.3% in 2014 and increased from 12.3% in 2015 to 13.1% in 2018.

The following table summarizes the trailing four quarter performance of the Carmichael/Fair Oaks submarket.

TRAILING FOUR QUARTER PERFORMANCE						
PERIOD	SUPPLY	NEW CONSTRUCTION	NET ABSORPTION	VACANCY	ASKING RENT	
2018 Q2	1,970,179 SF	0 SF	(7,955) SF	12.7%	\$15.55/SF	
2018 Q3	1,970,179 SF	0 SF	4,847 SF	12.5%	\$15.84/SF	
2018 Q4	1,970,179 SF	0 SF	(45,349) SF	14.8%	\$15.91/SF	
2019 Q1	1,970,179 SF	0 SF	(25,636) SF	16.1%	\$16.09/SF	

Source: Costar®

Over the past four quarters the Carmichael/Fair Oaks office submarket has experienced a No new supply, negative net absorption, increase in vacancy, nominal increase in asking rent.

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

MARKET TREND ANALYSIS			
	Q1 2019	2018	Last 10
Total SF	1,970,179	1,970,179	1,982,081
Vacant SF	317,307	257,699	251,149
Market Vacancy	16.1%	13.1%	12.7%
Construction Growth Rate	0.0%	0.0%	-0.1%
Absorption Rate	(1.3%)	(2.8%)	(0.2%)
Average Asking Rent/SF	\$16.09	\$15.74	\$15.26

Source: Costar®

The Q1 2019 vacancy rate (16.1%) is similar to last year (13.1%) and lower than the average vacancy over the past ten years (12.7%). There are currently no new office projects under construction.

Carmichael/Fair Oaks Submarket Conclusion

Based on the preceding analysis, the Carmichael/Fair Oaks office submarket has stabilized and shown signs of recovery in the past three years. The submarket began to experience signs of stabilization in 2015 with positive absorption and declining vacancy, followed by continued positive absorption, declining vacancy and increasing asking rents in 2017 and 2018. This trend has flattened over the past four quarters with flat vacancy and asking rents.

BUYER PROFILE

The most likely buyer of the subject is an owner/user or a local investor. The subject is currently 100% occupied with an owner/user. There is measurable demand for this asset class as indicated by the comparables used in the Sales Comparison Approach. The subject is currently 100% occupied with an owner/user. In the current market and based on the design and functional utility of the subject, the most likely purchaser appears to be an owner/user.

STABILIZED VACANCY AND CREDIT LOSS CONCLUSION

The office vacancy rate in the Sacramento market, as of Q1 2019, was 9.8%. The Q1 2019 vacancy rate in the subject's Carmichael/Fair Oaks submarket was 16.1% according to CoStar. The average vacancy in the market was 13.6% over the past ten years and was 20.0% over the last ten years in the submarket.

A 5% to 10% vacancy/credit loss factor is typically used by investors for comparable office properties, depending on market specifics and location. The subject submarket has struggled in the past decade, but vacancy has sharply declined over the past two years, noting flat vacancy over the past four quarters just under 15%. Most owner/users in the current market are applying a 5% vacancy and collection loss, if they perform an income approach at all. Based on the preceding analysis and given the subject property's quality and condition compared

to the immediate area, a 5.0% vacancy/credit loss factor is applied to the subject property, which reflects the actions of typical buyers in this market.

EXPOSURE TIME & MARKETING PERIOD

Exposure time is best established based the recent history of marketing periods for comparable sales, discussions with market participants and information from published surveys. The following table summarizes the information that was taken into consideration to develop an estimate of exposure time and marketing period for the subject property:

EXPOSURE TIME & MARKETING PERIOD						
SOURCE	QUARTER	RANGE		AVG	LAST Q	LAST YR
PriceWaterhouse Coopers						
National Suburban Office	4Q 18	1.0 to	12.0	6.4	6.4	6.5
Comparable Sales Dataset		1.0 to	15.0	8.0		
AVERAGE		1.0 to	13.5	7.2	6.4	6.5

The preceding information generally supports an exposure time range from one to 15 months for office properties. The availability of acquisition financing also factors into exposure time and marketing period. Our review of the local capital market indicate that adequate financing options would have been available to consummate a sale of the subject on the date of value.

Exposure Time Conclusion

12 Months

Marketing Period Conclusion

12 Months

HIGHEST AND BEST USE ANALYSIS

This section develops the highest and best use of the subject property as-vacant and as-improved. The highest and best use, or most probable use, must be legally permissible, physically possible, financially feasible, and maximally productive.

As-Vacant Analysis

Permitted uses of the subject's Limited Commercial (LC) zoning were listed in the Zoning Analysis section. Regarding physical characteristics, the subject site is rectangular and has level topography with average/good access and average/good exposure. The subject site has frontage on a well-traveled arterial and a neighborhood street. The immediate area is developed with office and retail development along major arterials that is interspersed with multi-family complexes and single-family residential development removed from arterials. The market and submarket are experiencing a reduced level of construction activity compared to historical norms, suggesting a lack of financial feasibility. Based on our observations of land development trends for sites with similar zoning and physical characteristics as the subject and analysis of current supply/demand trends, the highest and best use of the subject site as-vacant is hold for future commercial development.

As-Improved Analysis

The subject's office building use (as-improved) is permitted outright by the LC zoning. The legal factors influencing the highest and best use of the subject property support the existing use. The subject's improvements were constructed in 1971 and have a remaining economic life of 25 years based on our estimate. The project is of average quality construction and in average condition, with adequate service amenities. Legal, physical, locational and marketability factors support the existing use as the highest and best use of the subject site.

In addition to legal, physical and locational considerations, analysis of the subject property as-improved requires the treatment of alternative uses for the property. The five possible alternative treatments of the property are demolition, expansion, renovation, conversion, and the subject's use "as-improved". Among the five alternative uses, continued use as an office property is the Highest and Best Use of the subject property as-improved.

VALUATION METHODS

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

Income Approach

The two fundamental methods of this valuation technique include Discounted Cash Flow and Direct Capitalization.

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

Sales Comparison Approach

Characteristics specific to the subject property warrant that this valuation technique to be developed. Development of the Sales Comparison Approach is a specific scope requirement of this assignment. Sufficient sales data is available to provide a credible value estimate by the Sales Comparison Approach. Based on this reasoning, the Sales Comparison Approach is presented within this appraisal.

Land Valuation

Characteristics specific to the subject property do not warrant that a site value is developed. Development of the subject site value is not a specific scope requirement of this assignment. Therefore, this appraisal does not provide valuation of the subject site.

Cost Approach

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

Reconciliation of Value Conclusions

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

INCOME APPROACH

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

Direct Capitalization

The first step in the direct capitalization method is to estimate the subject's durable rental income through reconciliation of market rent analysis. Then, vacancy allowance and operating expenses are estimated based on analysis of the subject and market indicators. Finally, the resulting net operating income is capitalized at an appropriate supported rate. The implied value may be adjusted to account for non-stabilized conditions or required capital expenditures to reflect an as is value.

Rental Income Analysis

In this section, we developed an opinion of the subject's potential rental income through market rent analysis.

Subject Lease Analysis

The subject property is owner-occupied and is therefore unencumbered by an arm's length lease. The rental income conclusion is based solely on market rent analysis.

Market Rent Analysis

This section examines competitive comparable properties within the marketplace to establish our opinion of market rent for the subject property.

Adjustment Process

Quantitative adjustments are made to the comparable leases. The following adjustments or general market trends were considered for the basis of market rent analysis.

Transactional Adjustments	If warranted, the comparable leases were adjusted for varying lease structures, atypical concessions and market conditions. The market rent conclusion is made on a triple net basis, with the tenant responsible for real estate taxes, property insurance, common area maintenance expenses, and management fees.
Concession Adjustment	The adjustment for rent concessions is a basis for creating a comparable market standard free rent of zero to three months and a tenant improvement allowance of \$0/SF - \$20/SF. The differences between free rent and tenant improvements (+/-) is divided by the comparable's lease term and applied to the beginning base rent of the comparable lease. This methodology does not take into account amortization of rental increases over the lease term.
Property Adjustments	Quantitative percentage adjustments were made for location and physical characteristics such as size, quality/appeal, age/condition, exposure, access, and parking ratio. It should be stressed that the adjustments are subjective in nature and are meant to illustrate our logic in deriving a market rent opinion for the subject.

The following table summarizes the market conditions adjustment applied in this analysis.

MARKET CONDITIONS ADJUSTMENT			
Per Year As Of	May 2019	(As-Is)	3%

As discussed in the Market Analysis section, over the past ten years the market had a compound annual growth rate (CAGR) of 0.4% per year. Vacancy has ranged from 9.8% to 23.1% with an average of 16.6%. Vacancy decreased from 23.1% in 2009 to 9.8% in 2018.

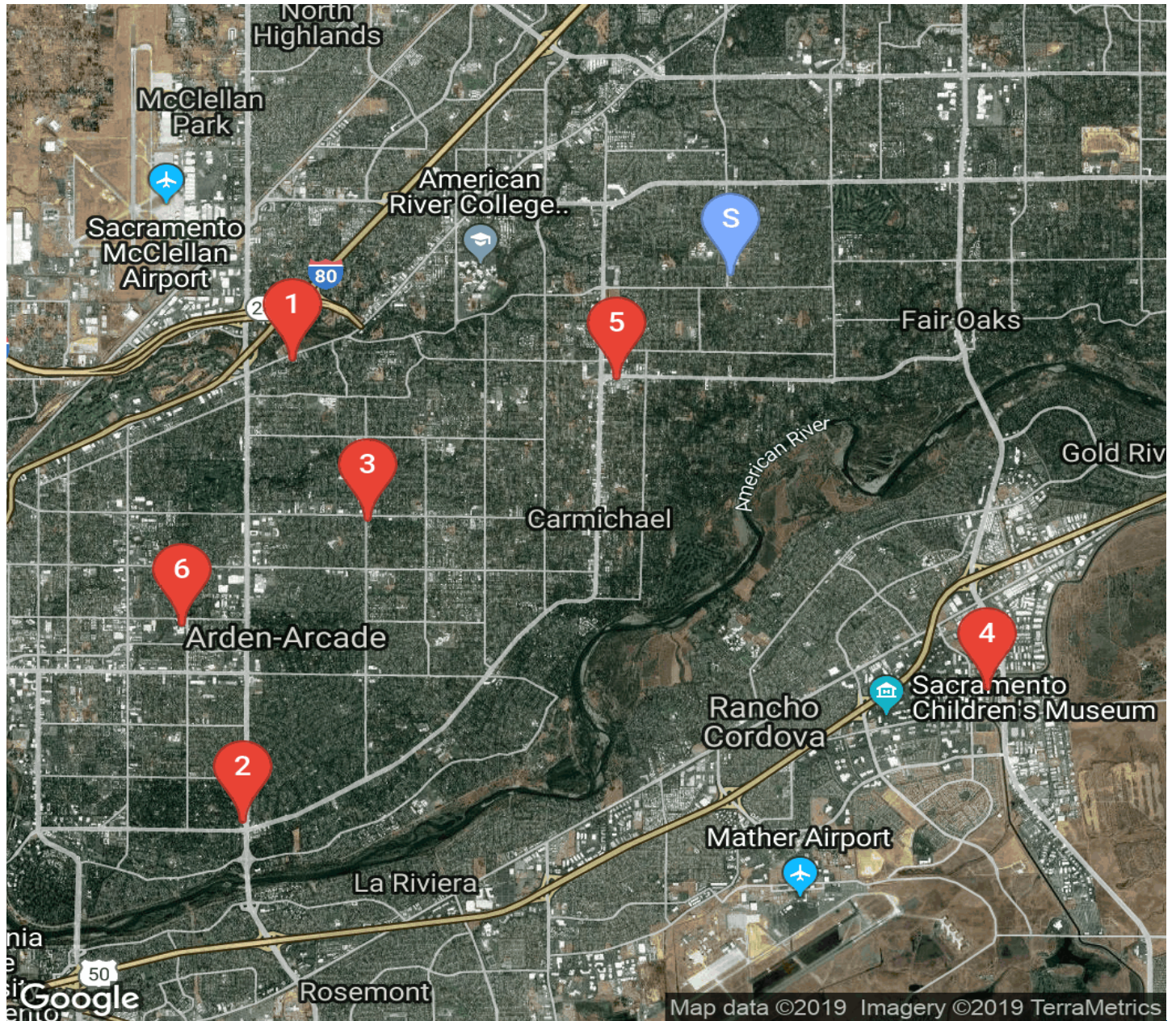
Analysis of Comparable Office Leases

The Office lease analysis is used to derive an opinion of market rent and correlating leasing assumptions for the subject. Due to the limited amount of comparable office product in the subject's immediate area, the search for lease comparables was expanded into neighboring submarkets. The following pages present a summation table of the comparables selected for this analysis, a location map and comparable photographs, the lease comparable adjustment process and our market rent conclusion.

OFFICE LEASE SUMMATION TABLE

COMPARABLE	SUBJECT	LEASE 1	LEASE 2	LEASE 3	LEASE 4	LEASE 5	LEASE 6
Name	Professional Office Building	Office	Watt-Fair Oaks Professional	Nobel Learning Communities	Office	Office with yard	How e Avenue Office Park
Address	4778-4790 Dewey Drive	3808 Auburn Blvd, Ste 54	591 Watt Ave, Ste 200	2820 Eastern Ave	3033 Gold Canal Dr, #200	3936 Wayside Lane	701 How e Ave., B20
City	Fair Oaks	Sacramento	Sacramento	Sacramento	Rancho Cordova	Carmichael	Sacramento
State	CA	CA	CA	CA	CA	CA	CA
Zip	95628	95821	95864	95821	95670	95608	95825
PHYSICAL INFORMATION							
Property Type	Office	Office	Office	Office	Industrial	Office	Office
NRA	5,710	8,194	17,000	7,512	20,484	1,385	3,670
Parking Ratio	4.2	4.00	-	2.13	2.00	5.77	4.00
Year Built	1971	1980	-	1970	1986	1954	1971
LEASE INFORMATION							
Tenant Name		Dignity Health	SmartGuard, Inc	TBD-LISTING	Dignity Health	Double G Supply	RPM Group LLC
Commencement Date		10/1/2018	12/1/2017	LISTING	10/1/2017	10/1/2016	3/7/2017
Rate Type		MG	MG	NNN	NNN	MG	MG
Size (SF)		4,325	3,107	7,512	4,869	1,385	2,000
Term (Yrs)		Neg	5	-	3	3	3
Rent (\$/SF/Mo.)		\$1.45	\$1.33	\$1.50	\$0.60	\$1.01	\$1.40
Avg. Escalation/Yr		3.0%	-	-	-	-	-
Concessions		0	4 Mos.	0	3 Mos.	-	-
TI's (\$/SF)		-	-	-	\$6	-	\$1

RENT COMPARABLE LOCATION MAP



COMPARABLE KEY

COMP	DISTANCE	NAME	ADDRESS	TENANT	LEASE DATE	SF	\$/SF
SUBJECT	-	Professional Office Building	4778 Dewey Drive, Fair Oaks, CA	-	-	-	-
No. 1	3.8 Miles	Office	3808 Auburn Blvd, Ste 54, Sacramento, CA	Dignity Health	Listing	4,325	\$1.45
No. 2	6.6 Miles	Watt-Fair Oaks Professional	591 Watt Ave, Ste 200, Sacramento, CA	SmartGuard, Inc	12/1/2017	3,107	\$1.33
No. 3	3.8 Miles	Nobel Learning Communities	2820 Eastern Ave, Sacramento, CA	TBD-LISTING	4/17/2017	7,512	\$1.50
No. 4	4.5 Miles	Office	3033 Gold Canal Dr, #200, Rancho Cordova, CA	Dignity Health	10/1/2017	4,869	\$0.60
No. 5	1.4 Miles	Office with yard	3936 Wayside Lane, Carmichael, CA	Double G Supply	10/1/2016	1,385	\$1.01
No. 6	7.6 Miles	Howe Avenue Office Park	701 Howe Ave., B20, Sacramento, CA	RPM Group LLC	3/7/2017	2,000	\$1.40

COMPARABLE OFFICE RENT PHOTOGRAPHS



COMPARABLE 1



COMPARABLE 2



COMPARABLE 3



COMPARABLE 4



COMPARABLE 5



COMPARABLE 6

OFFICE LEASE ADJUSTMENT TABLE

COMPARABLE	SUBJECT	LEASE 1	LEASE 2	LEASE 3	LEASE 4	LEASE 5	LEASE 6
Name	Professional Office Building	Office	Watt-Fair Oaks	Nobel Learning Communities	Office	Office with yard	How e Avenue Office Park
Address	4778-4790 Dewey Drive	3808 Auburn Blvd, Ste 54	591 Watt Ave, Ste 200	2820 Eastern Ave	3033 Gold Canal Dr, #200	3936 Wayside Lane	701 How e Ave., B20
City	Fair Oaks	Sacramento	Sacramento	Sacramento	Rancho Cordova	Carmichael	Sacramento
NRA	5,710	8,194	17,000	7,512	20,484	1,385	3,670
Parking Ratio	4.2	4.00	-	2.13	2.00	5.77	4.00
Year Built	1971	1980	-	1970	1986	1954	1971
LEASE INFORMATION							
Tenant Name		Dignity Health	SmartGuard, Inc	TBD-LISTING	Dignity Health	Double G Supply	RPM Group LLC
Commencement Date		10/1/2018	12/1/2017	LISTING	10/1/2017	10/1/2016	3/7/2017
Rate Type		MG	MG	NNN	NNN	MG	MG
Size (SF)		4,325	3,107	7,512	4,869	1,385	2,000
Term (Yrs)		Neg	5.3	-	3.3	3.0	3.0
Rent (\$/SF/Mo.)		\$1.45	\$1.33	\$1.50	\$0.60	\$1.01	\$1.40
Avg. Escalation/Yr		3.0%	-	-	-	-	-
Concessions		0	4 Mos.	0	3 Mos.	-	-
TI's (\$/SF)		-	-	-	\$6	-	\$1
TRANSACTIONAL ADJUSTMENTS							
Lease Type		(\$0.25)	(\$0.25)	\$0.00	\$0.00	(\$0.25)	(\$0.25)
Concessions		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Market Cond./Cond. Of Lease¹		3%	4%	0%	5%	8%	7%
Subtotal Eff Rent		\$1.24	\$1.12	\$1.50	\$0.63	\$0.82	\$1.23
PROPERTY ADJUSTMENTS							
Location		0%	0%	-15%	15%	0%	0%
Size		0%	0%	0%	0%	0%	0%
Quality/Appeal		-5%	-5%	-5%	-5%	0%	0%
Age/Condition		-5%	-5%	0%	-5%	5%	-5%
Exposure		-5%	-5%	-5%	-5%	0%	0%
Access		0%	0%	0%	0%	0%	-5%
Parking Ratio		0%	0%	0%	0%	0%	0%
Subtotal Property Adj		-15%	-15%	-25%	-0%	5%	-10%
TOTAL ADJUSTED RENT		\$1.05	\$0.95	\$1.13	\$0.63	\$0.86	\$1.11
STATISTICS	UNADJUSTED	ADJUSTED	MARKET CONCESSIONS ¹				
LOW	\$0.60	\$0.63	Lease Type	Triple Net			
HIGH	\$1.50	\$1.13	Free Rent	0-3 Mos.			
MEDIAN	\$1.37	\$1.00	TI's	\$0/SF - \$20/SF			
AVERAGE	\$1.22	\$0.96					

¹ Market Conditions Adjustment - Compound annual change in market conditions: 3%

Date of Value (for adjustment calculations): 5/28/19

Office Lease Analysis

The lease comparables indicate an adjusted lease rate range from \$0.63 to \$1.19/SF, with a median of \$1.00/SF and an average of \$0.97/SF. The range of total gross adjustment applied to the comparables was from 31% to 38%, with an average gross adjustment across all comparables of 35%. The level of total adjustment applied to the comparables is considered minimal, an indication that the dataset is applicable to the subject and increases the credibility of the analysis. The adjustment process for each comparable is discussed in the following paragraphs.

Comparables 1, 2, 5 and 6 are on a modified gross lease structure, in which the tenant pays directly for utilities and cleaning and the landlord pays all other expenses, requiring a downward transaction adjustment for reflect a triple net lease structure. A downward \$0.25/SF adjustment is applied to these comparables based on the estimated expense difference to the tenant in order to derive an equivalent triple net lease.

Comparables 3 and 4 are similar to the subject in that they are both triple net lease structures where the landlord pays for all utilities. No adjustment is necessary for these two comparables for lease type.

Comparable 1 (\$1.05/SF as adjusted) required a total downward transaction adjustment of -\$0.21. This comparable required a total downward adjustment of -15% for property characteristics. Adjustments to this comparable include downward adjustments for superior quality, appeal, age/condition and exposure. The total gross adjustment applied to this comparable was 35%. The moderate level of gross adjustments required for this comparable indicates that it can be adequately relied upon for valuation of the subject. This comparable is given primary consideration as a value indicator for the subject.

Comparable 2 (\$0.95/SF as adjusted) required a total downward transaction adjustment of -\$0.21. This comparable required a total downward adjustment of -15% for property characteristics. Adjustments to this comparable include downward adjustments for superior quality/appeal, age/condition and exposure. The total gross adjustment applied to this comparable was 38%. The substantial level of gross adjustments required for this comparable was justified due to the comparable's varying attributes. Considering these factors, this comparable is given secondary consideration as a value indicator for the subject.

Comparable 3 (\$1.19/SF as adjusted) required a total upward transaction adjustment of \$0.09. This comparable required a total downward adjustment of -25% for property characteristics. Adjustments to this comparable include an upward adjustment for location, as well as downward adjustments for superior quality, condition and exposure. The total gross adjustment applied to this comparable was 31%. The moderate level of gross adjustments required for this comparable indicates that it can be adequately relied upon for valuation of the subject. This comparable is given primary consideration as a value indicator for the subject.

Comparable 4 (\$0.63/SF as adjusted) required a total upward transaction adjustment of \$0.03. This comparable required a total downward adjustment of 0% for property characteristics. Adjustments to this comparable include an upward location adjustment and downward adjustments for superior quality, condition and exposure. The total gross adjustment applied to this comparable was 35%. The moderate level of gross adjustments required for this comparable indicates that it can be adequately relied upon for valuation of the subject. This comparable is given primary consideration as a value indicator for the subject.

Comparable 5 (\$0.86/SF as adjusted) required a total downward transaction adjustment of -\$0.19. This comparable required a total upward adjustment of 5% for property characteristics. Adjustments for this comparable include an upward adjustment for age/condition. The total gross adjustment applied to this comparable was 38%. The substantial level of gross adjustments required for this comparable was justified due to the comparable's varying attributes. Considering these factors, this comparable is given secondary consideration as a value indicator for the subject.

Comparable 6 (\$1.11/SF as adjusted) required a total downward transaction adjustment of -\$0.17. This comparable required a total downward adjustment of -10% for property characteristics. Adjustments to this comparable include downward adjustments for condition and access. The total gross adjustment applied to this comparable was 35%. The moderate level of gross adjustments required for this comparable indicates that it can be adequately relied upon for valuation of the subject. This comparable is given primary consideration as a value indicator for the subject.

OFFICE SPACE MARKET RENT CONCLUSION

The comparables indicate an adjusted lease rate range from \$0.63 to \$1.19/SF, with a median of \$1.00/SF and an average of \$0.97/SF.

Comparables 2 and 5 require the most gross adjustments, thus they are given secondary consideration in this analysis. Comparables 1, 3, 4, and 6 require a similar level of gross adjustments and are given primary consideration in this analysis.

Based on the results of the preceding analysis, Comparable 1 (\$1.05/SF adjusted), Comparable 3 (\$1.19/SF adjusted), Comparable 4 (\$0.63/SF adjusted) and Comparable 6 (\$1.11/SF adjusted) are given primary consideration for the lease rate conclusion.

The following table summarizes the analysis of the comparables leases and the subject market rent conclusion.

OFFICE LEASE CONCLUSION TABLE								
LEASE	LEASE RATE	ADJUSTMENT				NET ADJ %	GROSS ADJ %	OVERALL COMPARISON
		TRANSACTIONAL ¹	ADJUSTED	PROPERTY ²	FINAL			
1	\$1.45	(\$0.21)	\$1.24	-15%	\$1.05	-28%	35%	PRIMARY
2	\$1.33	(\$0.21)	\$1.12	-15%	\$0.95	-29%	38%	SECONDARY
3	\$1.50	\$0.09	\$1.59	-25%	\$1.19	-21%	31%	PRIMARY
4	\$0.60	\$0.03	\$0.63	-0%	\$0.63	5%	35%	PRIMARY
5	\$1.01	(\$0.19)	\$0.82	5%	\$0.86	-15%	38%	SECONDARY
6	\$1.40	(\$0.17)	\$1.23	-10%	\$1.11	-21%	35%	PRIMARY
LOW	\$0.63					AVERAGE		\$0.97
HIGH	\$1.19					MEDIAN		\$1.00
								CONCLUSION
Office								\$1.00

¹Cumulative ²Additive (Includes Tenant Adjustments)

POTENTIAL GROSS RENT

Our analysis and conclusions of the subject's potential gross rent are detailed as follows:

POTENTIAL GROSS RENT	
Market Rent	\$1.00
Expense Structure	Triple Net
Contract or Market	Market
POTENTIAL GROSS RENT CONCLUSION	
Annual	\$68,520
SF	5,710
PSF (YR.)	\$12.00
PSF (MO.)	\$1.00

The rental income conclusion is based on an absolute triple net expense structure in which the tenant pays directly for real estate taxes, property insurance, and common area maintenance. As such, there are no expense reimbursements to model and the only landlord expense is a replacement reserve. Historical operating statements were requested from the owner, but not supplied.

VACANCY AND CREDIT LOSS

General vacancy was discussed in depth in the Market Analysis section of this report. Please see the Market Analysis section for a full discussion. Based on the analysis from within that section, a 5.0% vacancy and collection loss is concluded.

CONCLUSION OF OPERATING EXPENSES

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

EXPENSE CONCLUSIONS				
EXPENSE	%EGI	\$/SF	TOTAL	COMMENT
Management Fees	3.0%	\$0.34	\$1,953	The concluded amount is based on 3.0% of the concluded Effective Gross Income.
Reserves	2.2%	\$0.25	\$1,428	The concluded amount is based on \$0.25/SF of the subject's building area.
TOTAL EXPENSES	5.2%	\$0.59	\$3,380	

DEVELOPMENT OF CAPITALIZATION RATE

In developing our opinion of the capitalization rate, also known as overall rate (OAR), the following techniques were used:

- Supplemental Comparable Sales
- Investor Surveys
- Band of Investment Technique

Comparable Sales

The comparables used in the Sales Comparison Approach are fee simple owner/user sales and do not provide cap rate information. The following table presents a summary of supplemental comparable sales that were not used in our Sales Comparison Approach, and the capitalization rates from each of those sales.

SUPPLEMENTAL CAPITALIZATION RATE COMPARABLES (OAR)								
NAME	CITY	ST	SALE DATE	YR BLT	NRA	\$/SF	SALE PRICE	CAP RATE
1 Class C Medical Offices	Carmichael	CA	August 13, 2018	1978	7,005	\$213	\$1,490,000	6.80%
2 Medical Office Complex	Sacramento	CA	August 8, 2018	1977	10,233	\$220	\$2,000,000	7.31%
3 Natomas Professional Center	Sacramento	CA	April 5, 2018	2007	2,965	\$147	\$600,000	7.53%
4 Medical Office Complex	Sacramento	CA	October 27, 2017	1985	12,000	\$164	\$1,595,000	7.57%
5 The Professional Village	Sacramento	CA	March 22, 2017	1959	12,545	\$147	\$1,845,000	7.87%
6 Medical Office Building	Sacramento	CA	March 1, 2017	1980	13,663	\$264	\$2,875,000	7.79%
LOW			March 1, 2017					6.80%
HIGH			August 13, 2018					7.87%
AVERAGE			December 12, 2017					7.48%
MEDIAN			January 15, 2018					7.55%
CONCLUDED CAPITALIZATION RATE (OAR)								7.50%

The secondary comparables used for this analysis indicate a range of capitalization rates from 6.80% to 7.87%, with an average of 7.48% and median of 7.55%. Conversations with brokers familiar with this market area stated that capitalization rates range from 6.75% to 7.75% while noting that rates have stabilized over the last six months. Based on the information above a market capitalization rate at near the high-end of the broker range of 7.5% is concluded. This also considers the subject's age and current condition, as well as the subject's upside potential for increasing rent levels. The overall rate is supported by the comparable range and the increased rents in the PGI section of the report. Based on the preceding analysis, a capitalization rate above 7.25% and below 7.75% is supported for the subject.

Investor Surveys

The following table provides capitalization rate statistics as surveyed by investors that we considered to be relevant to the subject property and our independent market participant survey.

CAPITALIZATION RATE SURVEYS (OAR)						
SOURCE	QUARTER	RANGE	AVG	LAST Q	LAST YR	
PriceWaterhouse Coopers						
National Suburban Office	4Q 18	5.00% to 10.00%	6.63%	6.52%	6.72%	
Real Capital Analytics						
Single Tenant	4Q 18		6.33%	6.27%	6.63%	
Sacramento	4Q 18		5.88%	7.51%	6.68%	
AVERAGE		5.00% to 10.00%	6.28%	6.77%	6.67%	

Given the subject's location in secondary market, a capitalization rate above the national average is warranted.

Band of Investment Technique

Most properties are purchased with debt and equity capital; therefore, the overall capitalization rate must satisfy the market return requirements of both investment positions. Available financing information from lenders and the sales comparables indicates the following terms:

BAND OF INVESTMENT ASSUMPTIONS	
Loan Amortization Period	30 Years
Interest Rate	6.00%
Loan-to-Value (LTV) Ratio	70%
Mortgage Constant	7.19%

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, which are presented on the following chart.

BAND OF INVESTMENT CALCULATION					
Mortgage Component	70%	x	7.19%	=	5.036%
Equity Component	30%	x	7.50%	=	2.250%
Indicated Capitalization Rate					7.286%
INDICATED CAPITALIZATION RATE					7.29%

Capitalization Rate Conclusion

For investments of the subject's general size and price, and when sales activity is brisk with relative market stability, the Market Extraction Method is most often relied upon by buyers and sellers to develop cap rate decisions. National Survey data has limited direct application for the subject property; however, it helps establish general macro trends for this type of investment property. The Band of Investments Technique has limitations, but generally supports the capitalization rate concluded by the Market Extraction Method. In this analysis, most weight is given to the Market Extraction Method as they best reflect the actions of buyers and sellers in the market. Taking all these factors into consideration, the following table summarizes the various capitalization rate indicators and provides the final capitalization rate conclusion.

CAPITALIZATION RATE CONCLUSION (OAR)			
SOURCE	QUARTER	RANGE	AVG
Supplemental Comparable Sales		6.80% to 7.87%	7.48%
Investor Surveys	4Q 18	6.00% to 9.00%	7.50%
Band of Investment Technique			7.29%
AVERAGE		6.40% to 8.44%	7.42%
CAPITALIZATION CONCLUSION (FEE SIMPLE)			7.50%

DIRECT CAPITALIZATION CONCLUSION

The table below summarizes the direct capitalization method and the Income Approach Value conclusion.

DIRECT CAPITALIZATION SUMMATION TABLE					
INCOME ITEMS	%PGI	%EGI	\$/SF(MO.)	\$/SF(YR.)	TOTAL
Base Contract Income			\$1.00	\$12.00	\$68,520
TOTAL RENTAL INCOME			-	-	\$68,520
POTENTIAL GROSS INCOME (PGI)	100.0%	105.3%	\$1.00	\$12.00	\$68,520
VACANCY & CREDIT LOSS					
Rental Income		(5.0%)	(\$0.05)	(\$0.60)	(\$3,426)
Other Income		(5.0%)	-	-	\$0
TOTAL VACANCY & CREDIT LOSS		(5.0%)	(\$0.05)	(\$0.60)	(\$3,426)
EFFECTIVE GROSS INCOME (EGI)	95.0%	100.0%	\$0.95	\$11.40	\$65,094
EXPENSE ITEMS					
Management Fees	(2.9%)	(3.0%)	(\$0.03)	(\$0.34)	(\$1,953)
Reserves	(2.1%)	(2.2%)	(\$0.02)	(\$0.25)	(\$1,428)
TOTAL EXPENSES	(4.9%)	(5.2%)	(\$0.05)	(\$0.59)	(\$3,380)
NET OPERATING INCOME (NOI)	90.1%	94.8%	\$0.90	\$10.81	\$61,714
Capitalization Rate					7.50%
Capitalized Value					\$822,849
AS-IS MARKET VALUE				\$144/SF	\$820,000

Rounded to nearest \$10,000

ADJUSTMENTS TO VALUE

As of the effective valuation date, the subject property was stabilized and there were no observable deferred maintenance items present. Based on analysis of the subject property, there were no value adjustments required in developing our opinion of the As-Is Market Value.

INCOME APPROACH CONCLUSION

The following table summarizes the opinion for market value that were developed by the direct capitalization method of the income approach.

VALUATION INDICES	AS-IS MARKET VALUE
INTEREST APPRAISED	FEE SIMPLE
DATE OF VALUE	MAY 28, 2019
INCOME CAPITALIZATION APPROACH	
Direct Capitalization	\$820,000
Direct Capitalization \$/SF	\$144/SF
NOI Proforma	\$61,714
NOI \$/SF	\$10.81/SF
Capitalization Rate	7.50%
INCOME CONCLUSION	\$820,000
Income Conclusion \$/SF	\$144/SF

SALES APPROACH

The Sales Comparison Approach analyzes comparable sales by applying transactional and property adjustments to bracket the subject property within an appropriate unit value comparison. The most relevant unit of comparison is the price per square foot of NRA, as it best reflects the analysis used by buyers and sellers in this market for improved properties with similar design and utility. We completed a thorough search for similar improved sales in terms of property type, location, physical characteristics, and date of sale. Overall, the sales selected represent the best comparables available for this analysis.

Adjustment Process

The following adjustments or general market trends were considered for the basis of valuation.

Transactional Adjustments

Dollar adjustments to the comparable sales were considered and made when warranted for transactional adjustments including property rights transferred, financing terms, conditions of sale, expenditures after purchase and market conditions. The following table summarizes the market conditions adjustment applied in this analysis.

MARKET CONDITIONS ADJUSTMENT			
Per Year As Of	May 2019	(As-Is)	3%

Over the past two years, occupancy has increased in the Sacramento market based on the CoStar data provided and rents have increased, having an upward impact on property values. The analysis applies an upward market conditions adjustment of 3% annually reflecting the conditions between the oldest comparable sale date up through the effective valuation date.

Property Adjustments

Quantitative percentage adjustments are also made for location and physical characteristics such as size, quality/appeal, age/condition, exposure, access, parking ratio, as well as other applicable elements of comparison. It should be stressed that the adjustments are subjective in nature and are meant to illustrate our logic in deriving a value opinion for the subject.

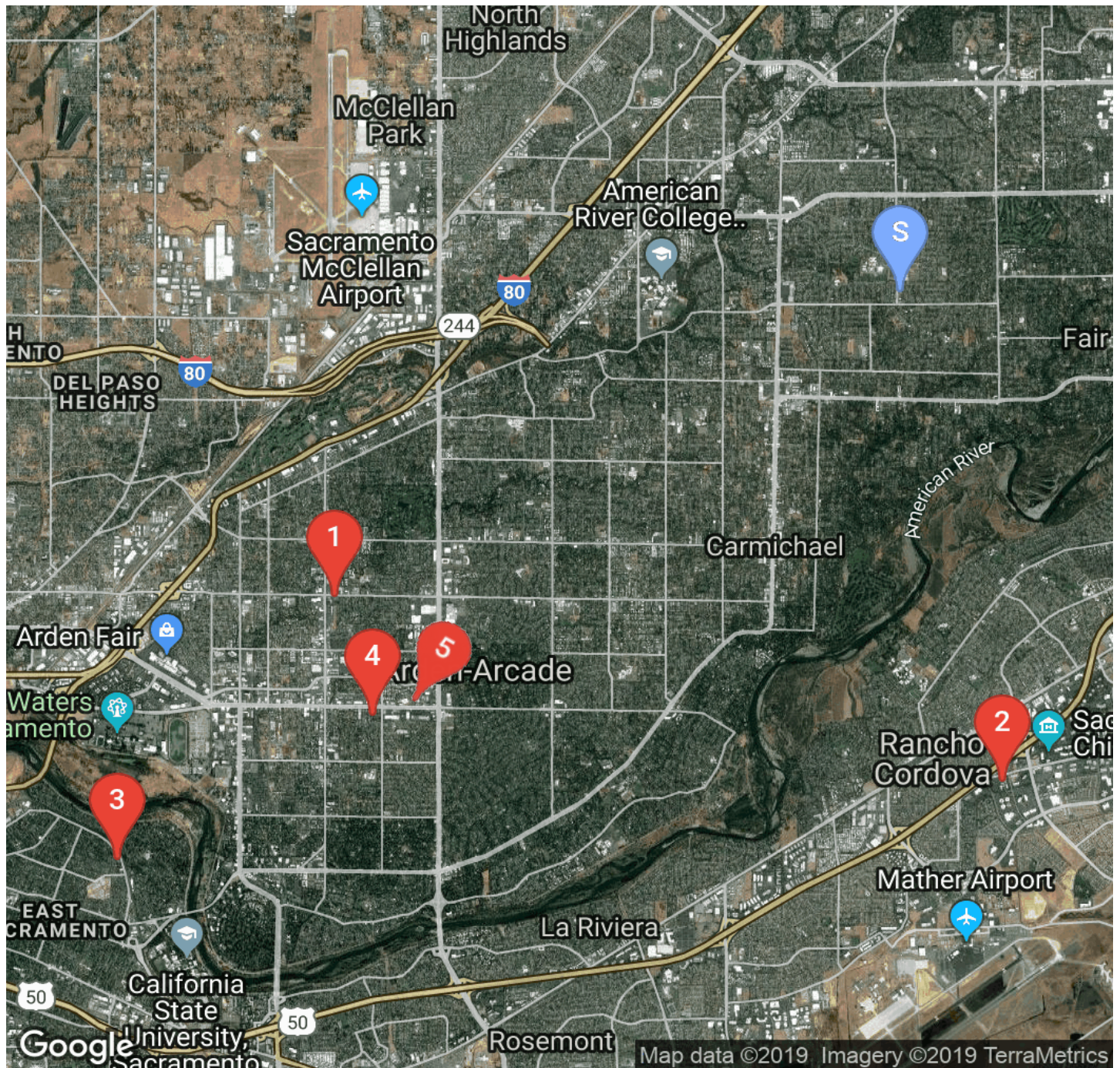
Presentation

The following Sales Summation Table, Location Map and photographs summarize the improved sales data. Following these items, the comparable sales are adjusted for applicable elements of comparison and the opinion of value by the Sales Comparison Approach is concluded.

IMPROVED SALES SUMMATION TABLE

COMPARABLE	SUBJECT	COMPARABLE 1	COMPARABLE 2	COMPARABLE 3	COMPARABLE 4	COMPARABLE 5
Name	Professional Office Building	Office Building	Capital Corporate Center	Medical Office Complex	Professional Office	The Professional Village
Address	4778-4790 Dewey Drive	2628 El Camino Avenue	10680 White Rock Road	5260 Elvas Avenue	1610 Executive Court	3301 Arden Way
City	Fair Oaks	Sacramento	Rancho Cordova	Sacramento	Sacramento	Sacramento
State	CA	CA	CA	CA	CA	CA
Zip	95628	95821	95670	95819	95864	95825
County	Sacramento	Sacramento	Sacramento	Sacramento	Sacramento	Sacramento
PHYSICAL INFORMATION						
Property Type	Office	Office	Office	Office	Office	Office
NRA (SF)	5,710	17,785	13,759	12,000	2,864	12,545
Parking Ratio	4.2	5.7	4.62	5.00	3.1	4.7
Year Built	1971	1960	1989	1985	1968	1959
Year Renovated	-	-	-	-	2007	-
SALE INFORMATION						
Date		LISTING	2/28/2018	10/27/2017	4/4/2017	3/22/2017
Status		Listing	Recorded	Recorded	Recorded	Recorded
Marketing Period		9 Mos.	5 Mos.	7 Mos.	2 Mos.	2 Mos.
Rights Transferred		Leased Fee	Leased Fee	Leased Fee	Fee Simple	Leased Fee
Transaction Price		\$2,160,000	\$2,450,000	\$1,595,000	\$500,000	\$1,845,000
Analysis Price		\$2,160,000	\$2,450,000	\$1,595,000	\$500,000	\$1,845,000
\$/SF NRA		\$121	\$178	\$133	\$175	\$147
NOI/SF NRA		\$6.78	\$11.76	\$10.06	-	\$11.94
Occupancy	100.0%	95.0%	89.0%	100.0%	100.0%	100.0%
Capitalization Rate		5.59%	6.60%	7.57%	Owner User	8.12%

SALES LOCATION MAP



COMPARABLE KEY

COMP	DISTANCE	NAME	ADDRESS	OCC.	SALE DATE	OAR	\$/SF
SUBJECT	-	Professional Office Building	4778 Dew ey Drive, Fair Oaks, CA	100.0%	-	-	-
No. 1	5.7 Miles	Office Building	2628 El Camino Avenue, Sacramento, CA	95.0%	LISTING	5.59%	\$121
No. 2	4.6 Miles	Capital Corporate Center	10680 White Rock Road, Rancho Cordova, CA	89.0%	2/28/2018	6.60%	\$178
No. 3	8.6 Miles	Medical Office Complex	5260 Elvas Avenue, Sacramento, CA	100.0%	10/27/2017	7.57%	\$133
No. 4	6.0 Miles	Professional Office	1610 Executive Court, Sacramento, CA	100.0%	4/4/2017	Owner User	\$175
No. 5	5.9 Miles	The Professional Village	3301 Arden Way, Sacramento, CA	100.0%	3/22/2017	8.12%	\$147

COMPARABLE SALES PHOTOGRAPHS



COMPARABLE 1



COMPARABLE 2



COMPARABLE 3



COMPARABLE 4



COMPARABLE 5

IMPROVED SALES ADJUSTMENT TABLE

COMPARABLE	SUBJECT	COMPARABLE 1	COMPARABLE 2	COMPARABLE 3	COMPARABLE 4	COMPARABLE 5
Name	Professional Office Building	Office Building	Capital Corporate Center	Medical Office Complex	Professional Office	The Professional Village
Address	4778-4790 Dewey Drive	2628 El Camino Avenue	10680 White Rock Road	5260 Elvas Avenue	1610 Executive Court	3301 Arden Way
City, State	Fair Oaks, CA	Sacramento, CA	Rancho Cordova, CA	Sacramento, CA	Sacramento, CA	Sacramento, CA
Zip	95628	95821	95670	95819	95864	95825
NRA (SF)	5,710	17,785	13,759	12,000	2,864	12,545
Parking Ratio	4.2	5.7	4.62	5.00	3.1	4.7
Year Built	1971	1960	1989	1985	1968	1959
Year Renovated	-	-	-	-	2007	-

SALE INFORMATION

Date	LISTING	2/28/2018	10/27/2017	4/4/2017	3/22/2017
Status	Listing	Recorded	Recorded	Recorded	Recorded
Rights Transferred	Leased Fee	Leased Fee	Leased Fee	Fee Simple	Leased Fee
Analysis Price	\$2,160,000	\$2,450,000	\$1,595,000	\$500,000	\$1,845,000
\$/SF NRA	\$121	\$178	\$133	\$175	\$147
NOI/SF NRA	\$6.78	\$11.76	\$10.06	-	\$11.94
Occupancy	100.0%	95.0%	89.0%	100.0%	100.0%

TRANSACTIONAL ADJUSTMENTS

Market Conditions¹	0%	4%	5%	7%	7%
Subtotal Transactional Adj Price	\$121	\$185	\$140	\$187	\$157

PROPERTY ADJUSTMENTS

Location	-10%	-10%	-10%	-10%	-10%
Size	0%	5%	5%	-5%	0%
Quality/Appeal	0%	-5%	0%	5%	0%
Age/Condition	0%	-5%	5%	5%	5%
Exposure	5%	0%	5%	-5%	0%
Access	5%	0%	5%	0%	-5%
Parking Ratio	0%	0%	0%	0%	0%
Subtotal Property Adjustment	0%	-15%	10%	-10%	-10%
TOTAL ADJUSTED PRICE	\$121	\$157	\$154	\$168	\$141

STATISTICS	UNADJUSTED	ADJUSTED
LOW	\$121	\$121
HIGH	\$178	\$168
MEDIAN	\$147	\$154
AVERAGE	\$151	\$148

¹ Market Conditions Adjustment: 3%

Date of Value (for adjustment calculations): 5/28/19

SALES COMPARABLE ANALYSIS

The comparable sales indicate an adjusted value range from \$122 to \$168/SF, with a median of \$154/SF and an average of \$148/SF. The range of total gross adjustment applied to the comparables was from 21% to 37%, with an average gross adjustment across all comparables of 30%. The level of total adjustment applied to the comparables is considered minimal, an indication that the dataset is applicable to the subject and increases the credibility of the analysis. The adjustment process for each comparable sale is discussed in the following paragraphs.

Due to economies of scale, larger properties tend to sell at a lower dollar per square foot amount compared to smaller properties.

Comparable 1 (\$122/SF as adjusted) required a total upward transaction adjustment of 1%. This comparable required adjustments for property characteristics, however these resulted in a net adjustment of 0%. The total gross adjustment applied to this comparable was 21%. The minimal amount of gross adjustments required for

this comparable suggests it is similar to the subject, increasing its applicability for this analysis. Overall this comparable warrants primary consideration as a value indicator for the subject.

Comparable 2 (\$157/SF as adjusted) required a total upward transaction adjustment of 4%. This comparable required a total downward adjustment of -15% for property characteristics. The total gross adjustment applied to this comparable was 29%. The moderate level of gross adjustments required for this comparable indicates that it can be adequately relied upon for valuation of the subject. This comparable is given primary consideration as a value indicator for the subject.

Comparable 3 (\$154/SF as adjusted) required a total upward transaction adjustment of 5%. This comparable required a total upward adjustment of 10% for property characteristics. The total gross adjustment applied to this comparable was 35%. The moderate level of gross adjustments required for this comparable indicates that it can be adequately relied upon for valuation of the subject. This comparable is given primary consideration as a value indicator for the subject.

Comparable 4 (\$168/SF as adjusted) required a total upward transaction adjustment of 7%. This comparable required a total downward adjustment of -10% for property characteristics. The total gross adjustment applied to this comparable was 37%. The substantial level of gross adjustments required for this comparable was justified due to the comparable's varying attributes. Considering these factors, this comparable is given secondary consideration as a value indicator for the subject.

Comparable 5 (\$141/SF as adjusted) required a total upward transaction adjustment of 7%. This comparable required a total downward adjustment of -10% for property characteristics. The total gross adjustment applied to this comparable was 27%. The moderate level of gross adjustments required for this comparable indicates that it can be adequately relied upon for valuation of the subject. This comparable is given primary consideration as a value indicator for the subject.

SALES COMPARISON APPROACH CONCLUSION

The comparable sales indicate an adjusted value range from \$122 to \$168/SF, with a median of \$154/SF and an average of \$148/SF. Comparable 4 requires the most gross adjustments and is given secondary consideration in this analysis while Comps 1, 2, 3 & 5 required the least amount of adjustments and are considered the most similar to the subject in terms of age, condition, size and appeal. Based on the results of the preceding analysis, Comparable 1 (\$122/SF adjusted), Comparable 2 (\$157/SF adjusted), Comparable 3 (\$154/SF adjusted) and Comparable 5 (\$141/SF adjusted) are given primary consideration for the subject's opinion of value.

The following table summarizes the analysis of the comparables, reports the reconciled price per NRA value conclusion, and presents the concluded value of the subject property.

SALES COMPARISON APPROACH CONCLUSION (NRA)									
COMP	ANALYSIS		ADJUSTMENT			FINAL	NET	GROSS	OVERALL
	PRICE	TRANSACTIONAL ¹	ADJUSTED	PROPERTY ²	ADJ %		ADJ %	COMPARISON	
1	\$121	1%	\$122	0%	\$122	1%	21%	PRIMARY	
2	\$178	4%	\$185	-15%	\$157	-12%	29%	PRIMARY	
3	\$133	5%	\$140	10%	\$154	16%	35%	PRIMARY	
4	\$175	7%	\$187	-10%	\$168	-4%	37%	SECONDARY	
5	\$147	7%	\$157	-10%	\$141	-4%	27%	PRIMARY	
LOW	\$122					AVERAGE		\$148	
HIGH	\$168					MEDIAN		\$154	
			SUBJECT SF		\$/SF CONCLUSION			VALUE	
AS-IS MARKET VALUE			5,710	x	\$145/SF	=		\$830,000	

¹Cumulative ²Additive

Rounded to nearest \$10,000

RECONCILIATION OF VALUE CONCLUSIONS

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

As previously discussed, the **Cost Approach** was not presented in this analysis. The exclusion of the Cost Approach does not diminish the credibility of the value conclusion.

The price per square foot method has been presented in the **Sales Comparison Approach**. There have been recent sales of properties similar to the subject in the market area in the current market conditions, which increases the validity of this approach. Recognizing the subject property is occupied with an owner/user, other owner/users would typically give primary weight to the Sales Comparison Approach in determining value. Therefore, primary weight is given to the Sales Comparison Approach in this analysis.

The **Income Approach** to value is generally considered to be the best and most accurate measure of the value of income-producing properties. In this analysis, the Direct Capitalization analysis was developed. The value estimate by this approach best reflects the analysis that knowledgeable buyers and sellers carry out in their decision-making processes regarding this type of property. Sufficient market data was available to reliably estimate gross income, vacancy, expenses and a capitalization rate for the subject property. Recognizing the owner/user nature of the subject property, owner/users would typically give secondary weight to the Income Approach in determining value. Therefore, secondary weight is given to the Income Approach in this analysis.

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

ANALYSIS OF VALUE CONCLUSIONS

VALUATION INDICES	AS-IS MARKET VALUE
INTEREST APPRAISED	FEE SIMPLE
DATE OF VALUE	MAY 28, 2019
Sales Comparison Approach	\$830,000
Income Approach	\$820,000
FINAL VALUE CONCLUSION	\$830,000
\$/SF	\$145/SF
Exposure Time	12 Months
Marketing Period	12 Months

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

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions of the signers are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- The signers of this report has no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.
- Another Colliers professional appraised the subject in January 2017 for a different client. Jeffrey Shouse, MAI, CRE has performed no services, as an appraiser or in any other capacity regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- The signer is not biased with respect to the property that is the subject of this report or to the parties involved with this assignment.
- The engagement in this assignment was not contingent upon developing or reporting predetermined results.
- The compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- The reported analysis, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice* and the *Code of Professional Ethics and Standards of Professional Appraisal Practice* of the Appraisal Institute.
- Jeffrey Shouse, MAI, CRE inspected the property that is the subject of this report. Daniel Torgersen inspected the property that is the subject of this report.
- Daniel Torgersen provided significant real property appraisal assistance to the appraisers signing this certification. Assistance included gathering, analyzing and reporting regional, local area, zoning, and tax information, confirming some of the comparable data, and assisting with portions of the valuation analysis.

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 Jeffrey Shouse, MAI, CRE completed the continuing education program for Designated Members of the Appraisal Institute.



June 7, 2019

Date

Jeffrey Shouse, MAI, CRE
Executive Managing Director
Certified General Real Estate Appraiser
State of California License #AG026208
+1 916 724 5531
jeffrey.shouse@colliers.com

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

- The appraisers may or may not have been provided with a survey of the subject property. If further verification is required, a survey by a registered surveyor is advised.
- 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.
- There is no present or contemplated future interest in the property by the appraisers which is not specifically disclosed in this report.
- Without the written consent or approval of the authors neither all, nor any part of, the contents of this report shall be conveyed to the public through advertising, public relations, news, sales, or other media. This applies particularly to value conclusions and to the identity of the appraisers and the firm with which the appraisers are connected.
- This report must be used in its entirety. Reliance on any portion of the report independent of others, may lead the reader to erroneous conclusions regarding the property values. Unless approval is provided by the authors no portion of the report stands alone.
- The valuation stated herein assumes professional management and operation of the buildings throughout the lifetime of the improvements, with an adequate maintenance and repair program.
- The liability of Colliers International Valuation & Advisory Services, its principals, agents, and employees is limited to the client. Further, there is no accountability, obligation, or liability to any third party. If this report is placed in the hands of anyone other than the client, the client shall make such party aware of all limiting conditions and assumptions of the assignment and related discussions. The appraisers are in no way responsible for any costs incurred to discover or correct any deficiency in the property.
- 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. Colliers International Valuation & Advisory Services and its principals, agents, employees, shall not be liable for any costs, expenses, assessments, or penalties, or diminution in value, property damage, or personal

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

- The appraisers assume no responsibility for determining if the subject property complies with the *Americans with Disabilities Act (ADA)*. Colliers International Valuation & Advisory Services, its principals, agents, and employees, shall not be liable for any costs, expenses, assessments, penalties or diminution in value resulting from non-compliance. This appraisal assumes that the subject meets an acceptable level of compliance with *ADA* standards; if the subject is not in compliance, the eventual renovation costs and/or penalties would negatively impact the present value of the subject. If the magnitude and time of the cost were known today, they would be reduced from the reported value conclusion.
- An on-site 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.
- A detailed soils study was not provided for this analysis. The subject's soils and sub-soil conditions are assumed to be suitable based upon a visual inspection, which did not indicate evidence of excessive settling or unstable soils. No certification is made regarding the stability or suitability of the soil or sub-soil conditions.

Engagement Letter

Property Data - RealQuest

Valuation Glossary

Qualifications of Appraisers

Qualifications of Colliers International Valuation & Advisory Services



May 21, 2019

Jeffrey Shouse
Colliers International
1508 Eureka Rd. Ste 250
Roseville, CA 95661

Via E-mail only: jeff.shouse@colliers.com

Re: Dewey Building LLC
Property Address: 4778 & 4790 Dewey Drive, Fair Oaks, CA 95826
Client: Nate Sterling 916-801-4388

Dear Jeff:

This Letter of Engagement confirms the selection of your appraisal services to develop an appraisal report to assist American River Bank in making a credit decision in a real estate related transaction on the above referenced property.

Project: Dewey Building
Location: 4778 & 4790 Dewey Drive, Fair Oaks CA 95826
Intended Use: Purchase
Intended Users: American River Bank
Contact: Nate Sterling
Enclosed: 1. Flood Certification
2. Lease Agreement(s)
3. Property Operating Statement(s)
4. Preliminary Report
5. Environment Questionnaire

Project Description: Single story 5710 sq ft Commercial Building on a 24,393 sq ft lot. Parking is located in the front of the building

Values Required: 1. Fee Simple
2. As Is- One Economic Unit

Report must include at minimum the following approaches to value:
a. Cost Approach
b. Income Approach
c. Sales Comparison
d. Replacement cost (for insurance purposes)

Report Format: Complete

Correspondence: It is a requirement of this assignment that you copy Tony Kwiatkowski or fax to 3 tkwiatkowski@americanriverbank.com all correspondence you send directly to the client or property contact during this assignment.

It is agreed that your fee for this assignment shall not exceed \$ 3,200 .One PDF format of your report shall be delivered to the undersigned no later than 2 **weeks (not later than May 31, 2019)** and that, if requested, two original signature copies are to be delivered after the report has been reviewed. Failure to deliver the appraisal by the agreed date could result in cancellation of this engagement or a **5% discount of the assignment fee quoted** per day the report is delinquent. Additionally, the Bank shall be under no obligation to accept an appraisal which does not meet the following described requirements.

In order to be acceptable to the Bank, the appraisal must conform to, and satisfy, the requirements of the regulations adopted by the Federal Deposit Insurance Corporation in order to comply with Title XI of the Federal Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA) and the Uniform Standards of Professional Appraisal Practice (USPAP). In accordance with the USPAP, the scope of work must always be sufficient to produce credible assignment results. Further, it is the appraiser's responsibility to ensure that the scope of work performed is sufficient. Please refer to the attached American River Bank's specific assignment requirements.

SPECIFIC ASSIGNMENT REQUIREMENTS:

1. The above engaged appraiser is to sign and certify the appraisal report. The site inspection must be performed by a state certified appraiser within the state in which the subject property is located. Reports with inspections conducted by only an appraiser trainee will not be accepted. All other appraisers or associates who are utilized in completing any part of the report must include copies of their qualifications and current license.
2. A complete interior and exterior inspection of the subject property, with the appraisal report indicating the determination of building size and land area. Representative photographs of the entire subject property are required, including interior and exterior photographs of each building on the site, any other significant site improvements (signs, parking lots), street scenes and any surplus or excess land.
3. A description of the property including a legal description confirmed by the appraiser. Please include purchase agreement and preliminary title report in the report if applicable/available.
4. Disclosure, analysis and reconciliation of all sales, agreements of sale, offers, options or listings of the subject property within three (3) years prior to the effective date of value; to be discussed within the context of the final opinion of market value.
5. The actual physical status of the subject property at the time of the appraisal inspection must be described. The appraiser must report whether the current (or proposed use) conforms to existing zoning regulations and any probable (likely) zoning change.
6. The effective age and remaining economic life for all improved properties must be estimated and included in the report.
7. Any known adverse site condition or improved property condition is to be reported and described in the report. The use of any hypothetical conditions relative to these conditions must be discussed and approved in advance with the undersigned.
8. Site data must include Flood Zone, seismic hazard information and any known environmental issues observed. The report must include an affirmative statement as to whether or not the subject property is located within a designated Flood Hazard Area, including the Panel Number and Map Date. The report must also include an affirmative statement as to whether or not the subject property is located within the Alquist-Priolo Special Earthquake Studies Zone.

9. A thorough Market Analysis is required, including discussion of regional and local data and market conditions as it pertains to the subject property type. Please address neighborhood boundaries and adjacent land uses.
10. Analysis of highest and best use as though vacant and as improved or proposed. Parking conformity must be addressed, If the highest and best use of the property is different than the existing use, please contact American River Bank for possible changes to the scope of work.
11. Disclosure of tax assessment information; current and forecast property taxes.
12. Development of all applicable valuation approaches (Cost, Sales Comparison and Income Capitalization). Clear explanation of reasons for exclusion of any approach not deemed applicable.
13. Calculations of insurable value must be included for improved properties. The insurable value should reflect the full replacement cost new with no discounts applied and does not include any form of depreciation or obsolescence.
14. Subject and all comparables: sales, rentals, etc. must be clearly identified on a map. Photos of all comparable properties analyzed are required.
15. Current rent roll that includes, but is not limited to the tenant name, unit size and lease amount, dates, term escalations and options to renew.
16. The rent survey must include, but not limited to tenant name, unit size, and leased amounts, dates, terms, escalations and options to renew. Pending and asking rental listings are acceptable along with a minimum of three executed lease comparables for each appropriate subject lease category.
17. All data or information provided by borrower or development must be compared to independent and relevant cost and income or expense comparables or other industry specific publications and sources.
18. Adjustment grids for all comparable analyses are required along with adequate detail provided for each individual comparable item used.
19. Income and Expense comparables are required for all properties where Direct Capitalization, or discounted cash flow, is used to indicate value.
20. All appraisals are required to present an "As Is" value of the subject property. Prospective Value opinions must document support for the anticipated absorption period and associated costs (lease-up, development, disposition, profit allowance) and discount rate sufficient to reflect risk. The market value of a construction project must be discounted for absorption time, although the Bank may also request the appraiser to include a value based upon stabilized occupancy. Reporting the aggregate sum of retail values in a multi-unit development as representing the market value of the entire property is unacceptable.
21. If your estimate of the absorption or exposure time exceeds one year, the Bank requires a discounted cash flow analysis. In any event, the date of valuation in all cases must be a current date, typically the same date as the date of your inspection.
22. The report must separate the value of the real estate from the going concern value and furniture, fixtures and equipment value. The value of the real estate must be clearly stated and not include FF&E or business value.
23. Appraisals of occupied multi-tenant residential properties should be valued on a leased fee interest basis. FF&E allocation should be addressed in the value conclusion.
24. A copy of this letter must be included in the appraisal report.
25. A statement is required and must be included in the appraisal report certifying that the appraiser has no direct or indirect interest in the property, that the appraiser has no stake of any sort in the outcome of any decision affecting the property that may be based in whole or in part on the appraisal and that the appraiser has not been influenced by any interested party in determining the estimate of market value.

26. Any additional requirements as discussed and provided in writing, with the bank.

If the above fairly sets out your understanding of this appraisal assignment and the specifications pertaining thereto, please signify by signing below in the space provided and returning this letter to the undersigned.

Sincerely,

Via E-mail Only

[Dan Guth](#)

By acknowledging the receipt of this letter, you agree to the terms of the assignment and the stated delivery date.

Accepted and Agreed to the above this 21 day of May, 2019.

Jeffrey Shouse, MAI, CRE

Appraiser-: Print Name

Signature

Property Detail Report

For Property Located At :

4778 DEWEY DR, FAIR OAKS, CA 95628-4401



RealQuest

Owner Information

Owner Name: DEWEY BLDG LLC
Mailing Address: 3930 COMMERCE AVE, WILLOW GROVE PA 19090-1705 C024
Vesting Codes: //
Purchase Principal Data

Location Information

Legal Description: POR NE 1/4 SEC 10, T 9N, R 6E, MDB&M, DESC AS BEG AT SE COR LOT 739 LARCHMONT HILLS UNIT NO 10, TH FROM SD POB N 17°36'E 13.60 FT, TH CURVING LEFT ON AN ARC OF 50 FT RADIUS SUBT BY CHORD BEARING S 85°19'E 22.35 FT, TH S 01°47'50"E 141.94 FT, TH S 86°47'58"W 180.06 FT, TH N 01°47'50"W 135FT TO POB EXC POR TO COUNTY R/W PER 4504/554 FORM PAR 239-090-22
County: SACRAMENTO, CA APN: 239-0300-048-0000
Census Tract / Block: 79.04 / 3 Alternate APN:
Township-Range-Sect: Subdivision:
Legal Book/Page: Map Reference: 39-C4 /
Legal Lot: 739 Tract #:
Legal Block: School District: SAN JUAN
Market Area: School District Name: SAN JUAN
Neighbor Code: C Munic/Township: SAN JUAN UNIFIED SCHOOL DISTRI

Owner Transfer Information

Recording/Sale Date: / Deed Type:
Sale Price: 1st Mtg Document #:
Document #:

Last Market Sale Information

Recording/Sale Date: 10/03/2006 / 09/28/2006 1st Mtg Amount/Type: \$532,000 / CONV
Sale Price: \$665,000 1st Mtg Int. Rate/Type: /
Sale Type: FULL 1st Mtg Document #: 61003-1503
Document #: 61003-1502 2nd Mtg Amount/Type: /
Deed Type: GRANT DEED 2nd Mtg Int. Rate/Type: /
Transfer Document #: Price Per SqFt: \$116.46
New Construction: Multi/Split Sale:
Title Company: CHICAGO TITLE CO
Lender: BANK OF AMERICA
Seller Name: YETTO J & N FAMILY TRUST

Prior Sale Information

Prior Rec/Sale Date: / Prior Lender:
Prior Sale Price: Prior 1st Mtg Amt/Type: /
Prior Doc Number: Prior 1st Mtg Rate/Type: /
Prior Deed Type:

Property Characteristics

Year Built / Eff: 1971 / 1971 Total Rooms/Offices
Gross Area: 5,710 Total Restrooms:
Building Area: 5,710 Roof Type:
Tot Adj Area: Roof Material:
Above Grade: Construction:
of Stories: 1 Foundation:
Other Improvements: Building Permit Exterior wall:
Basement Area:
Garage Area:
Garage Capacity:
Parking Spaces:
Heat Type:
Air Cond:
Pool:
Quality: AVERAGE
Condition:

Site Information

Zoning: LC Acres: 0.56 County Use: OFFICE-GENERAL (CAA)
Lot Area: 24,393 Lot Width/Depth: x State Use:
Land Use: OFFICE BUILDING Commercial Units: Water Type:
Site Influence: Sewer Type: Building Class:

Tax Information

Total Value: \$710,000 Assessed Year: 2018 Property Tax: \$8,638.94
Land Value: \$244,000 Improved %: 66% Tax Area: 54304
Improvement Value: \$466,000 Tax Year: 2018 Tax Exemption:
Total Taxable Value: \$710,000



CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)
11/23/2016

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER Integro (Canada) Ltd Suite 4800 199 Bay Street Toronto, Ontario M5L 1E8	1-416-619-8000	CONTACT NAME: Mark Rankin PHONE (A/C, No, Ext): 416 619 8076 E-MAIL ADDRESS: mark.rankin@integrogrou.com	FAX (A/C, No): 416 618 8077
INSURED Colliers International Valuation & Advisory Services, LLC 9820 Willow Creek Road, Suite 300 San Diego, CA 92131		INSURER(S) AFFORDING COVERAGE INSURER A: Liberty Mutual Insurance Company	NAIC #
		INSURER B:	
		INSURER C:	
		INSURER D:	
		INSURER E:	
		INSURER F:	

COVERAGES

CERTIFICATE NUMBER: 48508267

REVISION NUMBER:

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL INSD	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS
	COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS-MADE <input type="checkbox"/> OCCUR GEN'L AGGREGATE LIMIT APPLIES PER: <input type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> LOC <input type="checkbox"/> OTHER:						EACH OCCURRENCE \$ DAMAGE TO RENTED PREMISES (Ea occurrence) \$ MED EXP (Any one person) \$ PERSONAL & ADV INJURY \$ GENERAL AGGREGATE \$ PRODUCTS - COMP/OP AGG \$ \$
	AUTOMOBILE LIABILITY <input type="checkbox"/> ANY AUTO <input type="checkbox"/> ALL OWNED AUTOS <input type="checkbox"/> HIRED AUTOS <input type="checkbox"/> SCHEDULED AUTOS <input type="checkbox"/> NON-OWNED AUTOS						COMBINED SINGLE LIMIT (Ea accident) \$ BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE (Per accident) \$ \$
	UMBRELLA LIAB <input type="checkbox"/> OCCUR EXCESS LIAB <input type="checkbox"/> CLAIMS-MADE DED <input type="checkbox"/> RETENTION \$						EACH OCCURRENCE \$ AGGREGATE \$ \$
	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below Y / N <input type="checkbox"/> N / A						PER STATUTE <input type="checkbox"/> OTH-ER <input type="checkbox"/> E.L. EACH ACCIDENT \$ E.L. DISEASE - EA EMPLOYEE \$ E.L. DISEASE - POLICY LIMIT \$
A	Professional Liability			PLTOAA2XRV003	12/01/16	12/01/17	Primary Layer USD1,000,000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)

CERTIFICATE HOLDER**CANCELLATION**

To Whom It May Concern	SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.
	AUTHORIZED REPRESENTATIVE

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ACORD 25 (2014/01)
VanessaC
48508267

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www.colliers.com

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

The Dictionary of Real Estate Appraisal, Sixth Edition, Appraisal Institute, Chicago, Illinois, 2015 (*Dictionary*).

Uniform Standards of Professional Appraisal Practice, 2016-2017 Edition (USPAP).

The Appraisal of Real Estate, Fourteenth Edition, Appraisal Institute, Chicago, Illinois, 2013 (*14th Edition*).

Absolute Net Lease

A lease in which the tenant pays all expenses including structural maintenance, building reserves, and management; often a long-term lease to a credit tenant. (*Dictionary*)

Ad Valorem Tax

A real estate tax based on the assessed value of the property, which is not necessarily equivalent to its market value. (*14th Edition*)

Aggregate of Retail Values (ARV)

The sum of the separate and distinct market value opinions for each of the units in a condominium; subdivision development, or portfolio of properties, as of the date of valuation. The aggregate of retail values does not represent the value of all the units as sold together in a single transaction; it is simply the total of the individual market value conclusions. Also called *sum of the retail values*. (*Dictionary*)

Arm's-length Transaction

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

As-Is Market Value

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

Assessed Value

The value of a property according to the tax rolls in ad valorem taxation; may be higher or lower than market value, or based on an assessment ratio that is a percentage of market value. (*14th Edition*)

Average Daily Room Rate (ADR)

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

Band of Investment

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

Cash-Equivalent Price

The price of a property with nonmarket financing expressed as the price that would have been paid in an all-cash sale. (*Dictionary*)

Common Area

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

Valuation Glossary

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Contract Rent

The actual rental income specified in a lease. *(14th Edition)*

Cost Approach

A set of procedures through which a value indication is derived for the fee simple interest in a property by estimating the current cost to construct a reproduction of (or replacement for) the existing structure, including an entrepreneurial incentive; deducting depreciation from the total cost; and adding the estimated land value. Adjustments may then be made to the indicated fee simple value of the subject property to reflect the value of the property interest being appraised. *(14th Edition)*

Curable Functional Obsolescence

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

Debt Coverage Ratio (DCR)

The ratio of net operating income to annual debt service, which measures the relative ability of a property to meet its debt service out of net operating income; also called *debt service coverage ratio (DSCR)*. *(Dictionary)*

Deferred Maintenance

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

Depreciation

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

Direct Costs

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

Discounted Cash Flow (DCF) Analysis

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

Discount Rate

A rate of return on capital used to convert future payments or receipts into present value; usually considered to be a synonym for *yield rate*. *(Dictionary)*

Disposition Value

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

1. Consummation of a sale within a specified time, which is shorter than the typical exposure time for such a property in that market.
2. The property is subjected to market conditions prevailing as of the date of valuation.
3. Both the buyer and seller are acting prudently and knowledgeably.
4. The seller is under compulsion to sell.
5. The buyer is typically motivated.
6. Both parties are acting in what they consider their best interests.
7. An adequate marketing effort will be made during the exposure time.

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8. Payment will be made in cash in U.S. dollars (or the local currency) or in terms of financial arrangements comparable thereto.

9. The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

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

Easement

The right to use another's land for a stated purpose. Access or right-of-way easements may be acquired by private parties or public utilities. Governments may be the beneficiaries of easements placed on privately owned land that is dedicated to conservation, open space, or preservation. *(14th Edition)*

Economic Life

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

Effective Age

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

Effective Date

The date on which the appraisal or review opinion applies (SVP) *(Dictionary)*

Effective Gross Income (EGI)

The anticipated income from all operations of the real estate after an allowance is made for vacancy and collection losses and an addition is made for any other income. *(Dictionary)*

Effective Gross Income Multiplier (EGIM)

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

Effective Rent

The rental rate net of financial concessions such as periods of free rent during the lease term and above or below-market tenant improvements (TIs). *(14th Edition)*

Eminent Domain

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

Entrepreneurial Incentive

The amount an entrepreneur expects to receive for his or her contribution to a project. Entrepreneurial incentive may be distinguished from entrepreneurial profit (often called *developer's profit*) in that it is the expectation of future profit as opposed to the profit actually earned on a development or improvement. *(Dictionary)*

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Entrepreneurial Profit

A market-derived figure that represents the amount an entrepreneur receives for his or her contribution to a project and risk; the difference between the total cost of a property (cost of development) and its market value (property value after completion), which represents the entrepreneur's compensation for the risk and expertise associated with development. An entrepreneur is motivated by the prospect of future value enhancement (i.e., the entrepreneurial incentive). An entrepreneur who successfully creates value through new development, expansion, renovation, or an innovative change of use is rewarded by entrepreneurial profit. Entrepreneurs may also fail and suffer losses. *(Dictionary)*

Excess Land

Land that is not needed to serve or support the existing improvement. The highest and best use of the excess land may or may not be the same as the highest and best use of the improved parcel. Excess land has the potential to be sold separately and is valued separately. *(Dictionary)*

Excess Rent

The amount by which contract rent exceeds market rent at the time of the appraisal; created by a lease favorable to the landlord (lessor) and may reflect unusual management, unknowledgeable or unusually motivated parties, a lease execution in an earlier, stronger rental market, or an agreement of the parties. Due to the higher risk inherent in the receipt of excess rent, it may be calculated separately and capitalized or discounted at a higher rate in the income capitalization approach. *(14th Edition)*

Expense Stop

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

Exposure Time

The estimated length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; Comment: Exposure time is a retrospective opinion based on an analysis of past events assuming a competitive and open market. *(Dictionary)*

External Obsolescence

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

Extraordinary Assumption

An assumption, directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser's opinions or conclusions. Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property such as market conditions or trends; or about the integrity of data used in an analysis. An extraordinary assumption may be used in an assignment only if:

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

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Fair Market Value

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

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

Feasibility Analysis

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

Fee Simple Estate

Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power and escheat. (*Dictionary*)

Floor Area Ratio (FAR)

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

Functional Obsolescence

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

Functional Utility

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

Furniture, Fixtures, and Equipment (FF&E)

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

Going-concern

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

Going-concern Value

An outdated label for the market value of all the tangible and intangible assets of an established and operating business with an indefinite life, as if sold in aggregate; more accurately termed the *market value of the going concern* or *market value of the total assets of the business*. (*Dictionary*)

Gross Building Area (GBA)

Total floor area of a building, excluding unenclosed areas, measured from the exterior of the walls of the above-grade area. This includes mezzanines and basements if and when typically included in the market area of the type of property involved. (*Dictionary*)

Gross Leasable Area (GLA) - Commercial

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

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Gross Living Area (GLA) - Residential

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

Highest & Best Use

The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity. The use of an asset that maximizes its potential and that is possible, legally permissible, and financially feasible. The highest and best use may be for continuation of an asset's existing use or for some alternative use. This is determined by the use that a market participant would have in mind for that asset when formulating the price that it would be willing to bid (IVS). (*Dictionary*)

Hypothetical Condition

A condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis. Hypothetical conditions are contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis. (*USPAP*)

Income Capitalization Approach

In the income capitalization approach, an appraiser analyzes a property's capacity to generate future benefits and capitalizes the income into an indication of present value. The principle of anticipation is fundamental to this approach. Techniques and procedures from this approach are used to analyze comparable sales data and to measure obsolescence in the cost approach. (*14th Edition*)

Incurable Functional Obsolescence

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

Indirect Costs

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

Insurable Replacement Cost

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

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Interim Use

The temporary use to which a site or improved property is put until a different use becomes maximally productive. (*Dictionary*)

Investment Value

The value of a property to a particular investor or class of investors based on the investor's specific requirements. Investment value may be different from market value because it depends on a set of investment criteria that are not necessarily typical of the market. (*Dictionary*)

Liquidation Value

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

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

9. The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

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

Leased Fee Interest

The ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversion right when the lease expires. (*Dictionary*)

Leasehold Interest

The right held by the lessee to use and occupy real estate for a stated term and under the conditions specified in the lease. (*Dictionary*)

Legally Nonconforming Use

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

Market Area

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

Market Rent

The most probable rent that a property should bring in a competitive and open market reflecting all conditions and restrictions of the lease agreement, including permitted uses, use restrictions, expense obligations, term, concessions, renewal and purchase options, and tenant improvements (TIs). (*14th Edition*)

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Market Study

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

Market Value (Interagency Guidelines)

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

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

(Interagency Appraisal and Evaluation Guidelines, December 10, 2010, Federal Register, Volume 75 Number 237, Page 77472)

Marketability Analysis

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

Neighborhood Analysis

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

Net Operating Income (NOI)

The actual or anticipated net income that remains after all operating expenses are deducted from effective gross income but before mortgage debt service and book depreciation are deducted. Note: This definition mirrors the convention used in corporate finance and business valuation for EBITDA (earnings before interest, taxes, depreciation, and amortization). (*14th Edition*)

Obsolescence

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

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Off-site Costs

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

On-site Costs

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

Overage Rent

The percentage rent paid over and above the guaranteed minimum rent or base rent; calculated as a percentage of sales in excess of a specified breakeven sales volume. (*14th Edition*)

Overall Capitalization Rate (OAR)

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

Parking Ratio

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

Potential Gross Income (PGI)

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

Potential Gross Income Multiplier (PGIM)

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

Present Value (PV)

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

Prospective Opinion of Value

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

Qualitative Adjustment

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

Quantitative Adjustment

A numerical (dollar or percentage) adjustment to the indicated value of the comparable property to account for the effect of a difference between two properties on value. (*Dictionary*)

Rentable Area

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

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Replacement Cost

The estimated cost to construct, at current prices as of a specific date, a substitute for a building or other improvements, using modern materials and current standards, design, and layout. (*Dictionary*)

Reproduction Cost

The estimated cost to construct, at current prices as of the effective date of the appraisal, an exact duplicate or replica of the building being appraised, using the same materials, construction standards, design, layout, and quality of workmanship and embodying all the deficiencies, superadequacies, and obsolescence of the subject building. (*Dictionary*)

Retrospective Value Opinion

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

Sales Comparison Approach

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

Scope of Work

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

The extent to which the property is identified;

The extent to which tangible property is inspected;

The type and extent of data researched; and

The type and extent of analysis applied to arrive at opinions or conclusions. (*USPAP*)

Shopping Center Types

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

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

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

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Shopping Center Types (cont.)

Super-Regional Center: A large center of 600,000 to 2.0 million square feet anchored by three or more full-line department stores. This type of center is typically supported by a population area of 300,000 people. (*14th Edition*)

Superadequacy

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

Surplus Land

Land that is not currently needed to support the existing use but cannot be separated from the property and sold off for another use. Surplus land does not have an independent highest and best use and may or may not contribute value to the improved parcel. (*Dictionary*)

Tenant Improvements (TIs)

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

Triple Net Lease

An alternative term for a type of net lease. In some markets, a net net net lease is defined as a lease in which the tenant assumes all expenses (fixed and variable) of operating a property except that the landlord is responsible for structural maintenance, building reserves, and management. Also called *NNN*, *triple net lease*, or *fully net lease*. (*Dictionary*)

Usable Area

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

Useful Life

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

Vacancy and Collection Loss

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

Yield Capitalization

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



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Jeffrey R. Shouse joined Colliers International Valuation & Advisory Services in January 1998. He is working toward receiving his MAI designation. His primary focus is on the valuation of mobile home parks, self-storage facilities, and multifamily developments. Over the last several years, Jeff has appraised these property types in all 50 states. His clients include lenders, developers, owners, attorneys, insurance companies, and redevelopment groups.

Jeff was raised in Sacramento, California. After high school graduation, he attended Utah Valley State College where he received an associate degree. He then attended Brigham Young University and California State University, Sacramento, receiving a bachelor's degree.

Jeff is currently the Executive Managing Director for the Sacramento and Salt Lake City offices. He oversees the largest team at Colliers International Valuation & Advisory Services.

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National Manufactured Housing Congress (NMHC)

California Self Storage Association (CSSA)

Self-Storage Association (SSA)

Inside Self Storage (ISS)

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Advanced Sales Comparison & Cost Approaches Course 530

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REAL ESTATE APPRAISER LICENSE

Jeffrey R. Shouse

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 026208

Effective Date: April 11, 2019
Date Expires: April 10, 2021

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Jim Martin
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Real estate valuations play a pivotal role in today's business climate. An accurate and well supported opinion of property value can mean the difference between reaching a critical goal—securing a loan, closing a sale, reporting to investors, choosing the best asset—or failing to achieve it altogether.

Colliers Valuation & Advisory Services' reports are designed to deliver insight into a property's fundamentals, its competition and the overall market dynamics affecting value. A solid valuation report can be a strategic asset for investors, lenders and owners, provided that it addresses both a property's unique characteristics and the most current market conditions.

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