Appraisal Report

10-Unit Apartment
Considering Hypothetical Addition of 4 ADUs

428 Rosemont Street LLC
428 Rosemont Street
La Jolla, CA 92037

Date of Value

March 28, 2026

For

Robert Realty SD
Robert@RobertRealtySD.com
(619) 852-8827

Paul Marinkovich
Certified General Real Estate Appraiser
California State Certification # AG006592
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April 9, 2026

Mr. Robert Antoniadis
Robert Realty SD
Robert@RobertRealtySD.com

Re: 428 Rosemont Street LLC
10-Unit Apartment
428 Rosemont Street
La Jolla, CA 92037

Mr. Robert Antoniadis:

In accordance with your request I have completed an appraisal of the above referenced property based upon an effective date of March 28, 2026. Based on my research and analyses and given all of the assumptions, conditions, and definitions that are detailed within the attached appraisal report, I have concluded that as of March 28, 2026, the "As Is" Market Value of the property is as follows:

"As Is" Market Value
$5,910,000

The subject exists as a six unit multifamily asset situated within the highly desirable Beach Barber Tract submarket just west of La Jolla Boulevard and within close walking distance to Windansea Beach. This valuation considers a Hypothetical Condition of the conversion of the existing four garage spaces into four studio ADUs (Accessible Dwelling Units). The surrounding neighborhood is characterized by a mix of low density coastal residential properties, well maintained landscaping, and strong walkability to neighborhood retail and dining amenities, which supports consistent tenant demand and premium rental positioning. The subject occupies a corner oriented site and benefits from immediate proximity to the coastline, contributing to its long term desirability as a residential investment.

The improvements consist of a single story and partial second story garden style apartment configuration constructed around 1950 with approximately 4,571 square feet of gross building area across six units. The unit mix includes four two bedroom units and two one bedroom units, arranged around a central courtyard setting with mature landscaping, pedestrian walkways, and private outdoor areas. Interior condition varies by unit, with several units currently undergoing demolition and renovation, as evidenced by exposed framing, removed finishes, and stripped bathroom and kitchen areas, indicating a comprehensive repositioning program is underway. At the time of inspection, four of the six existing units are vacant and in various stages of interior demolition in preparation for full renovation, while two units remain occupied with in place tenants paying below market rents of $3,100 and $4,200 per month.

This report involves a Hypothetical Condition that the most likely buyer would be a developer who would acquire the asset in its current condition and implement a comprehensive redevelopment program and then sell for a profit. The work would include renovating the existing six units, relocating the two remaining tenants, converting the four garage spaces into accessory dwelling units, and repurposing storage area into a laundry facility. Additional site improvements such as patios, fencing, landscaping, and upgraded common areas would be completed to enhance tenant appeal and support higher market rents. The project also accounts for lease up time and associated rental loss as the property transitions to stabilized occupancy, resale expenses, and developers or entrepreneurial profit. Upon completion of the improvements, the property is projected to achieve a stabilized market value of $9,325,000. From this value, all development related costs are deducted, including $35,000 for relocation, $754,215 for renovations, $330,450 for ADU conversions, $350,000 for site work, $80,800 for lease up loss, $466,250 for sales expenses, and a developer profit of 15% or $1,398,750.

The renovation scope includes interior modernization, site improvements such as new private patios for select units, upgraded landscaping, perimeter fencing, the creation of enhanced communal courtyard spaces, the conversion of four garage spaces into four studio units and the storage room into a common laundry room. In order to derive an As Is value for the subject property, a residual valuation methodology was applied. This approach begins with an estimate of the stabilized market value of the property upon completion of renovations, ADU and laundry room conversions, and lease up at market rents. From this stabilized value, all costs necessary to achieve that condition are deducted. These costs include tenant relocation payments for the two remaining occupied units, interior renovation costs for all units, costs for the conversion of the four garage spaces into studio units, conversion of the storage room into a common laundry room, site improvements including patio construction, fencing, and courtyard enhancements, as well as soft costs associated with the redevelopment process. In addition, a lease up and stabilization period of two months after completion of the construction was applied, during which time the property is expected to experience no rental income, and therefore two months of rental loss was deducted to reflect this downtime. In addition, the most likely buyer (a developer) would have selling costs and expect to make a profit so we included these as well. After deducting all identified costs from the stabilized value as complete, the resulting figure represents the "As Is" Value of the property in its current partially vacant and under renovation condition. This methodology appropriately captures both the upside potential of the asset and the costs and risks required to achieve stabilization.

The subject property transferred on May 10, 2024, for a recorded sale price of $3,700,000, or approximately $616,667 per unit, in what appears to have been an off market or limited exposure transaction rather than a fully marketed offering. At the time of transfer, the property was approximately 66.67% occupied with below market rents and had been held by the prior ownership for over twenty years, suggesting limited rent growth and deferred repositioning potential. These factors, combined with the absence of competitive marketing, indicate that the transaction likely reflected a discounted price relative to market value, as it did not fully capture the property's upside potential through renovation, lease up, and repositioning within a high demand coastal submarket.

Our opinion of the real property value represents cash or cash equivalent terms and addresses real property only. Based on conversations with brokers, a reasonable marketing time for this property is estimated to be three to six Specific based on current market conditions and presuming diligent marketing efforts. My opinion is based on information available as of March 28, 2026, the date of value. Should significant changes occur, my opinion may be subject to change. The valuation of the subject property is intended to be a reasonable professional estimate of value based on known data and information as of a specific date in time. It is not intended to represent a guarantee of future resale value or a guarantee of specific cash flow. The future value of the subject property is expected to fluctuate due to varied, real estate-related investment risk factors. These factors may include but are not limited to, project management, changes in competition, general area employment base changes, population changes, inflation and deflation, changes in entitlement, changes in material and labor costs and their availability, etc. The development of this appraisal is full compliance with the current Uniform Standards of Professional Appraisal Practice (USPAP) as adopted by the Appraisal Standards Board of the Appraisal Foundation and is subject to the regulated institutions under FIRREA.

Respectfully submitted,

Paul Marinkovich
State Certified General Appraiser
California State Certification# AG006592
Colorado State Certification# CG200002942
Arizona State Certification# CGA1037483
Washington State Certification# 23006034

Key Points, General and Extraordinary Assumptions, and Hypothetical Conditions

The following key assumptions and conditions are identified:

• **Most Probable Buyer Actions -** An Extraordinary Assumption has been made that a typical and most probable buyer of the subject property would undertake a comprehensive renovation and repositioning program, including full interior upgrades to all units, and significant site improvements, in order to maximize rental income and overall cash flow. This assumption is based on the subject's current condition, which includes partially vacant units, ongoing interior demolition, and below market rents in the remaining occupied units, all of which indicate clear value add potential consistent with investor behavior in the La Jolla coastal multifamily market. We are appraising this property under a Hypothetical Condition of the conversion of the four garage spaces into studio units, and conversion of the storage room into a common laundry room.

Under the Hypothetical Condition and this Extraordinary Assumption, the buyer is expected to incur costs associated with tenant relocation, interior renovations totaling $754,215 ($165.00 per rentable square foot), conversion costs for the four studio units and common laundry of $330,450 ($300.00 per square foot), and site improvements including patios, complete site fencing, and courtyard enhancements totaling $350,000. In addition, we estimated two months of rental loss for leasing up the units to arrive at a stabilized occupancy. These costs are necessary to reposition the property to a stabilized condition capable of achieving market rents, which supports a concluded stabilized market value of $9,325,000. At that point, the developer would sell the property, incur selling costs (estimated at 5% of the sale price), and then expect to make a profit upon the resale of the stabilized asset (estimated at 15% of the total stabilized sales price).

The resulting As Is value of $5,910,000 reflects the stabilized value less all costs required to achieve that condition, including $35,000 in relocation fees for the two existing below-market tenants, $754,215 in building renovations, $330,450 for ADU and laundry room conversion costs, $350,000 in site work, $80,800 in lease/up rental loss, $466,250 in sales costs, and $1,398,750 for developers fees/entrepreneurial profit, for a total deduction of $3,415,465. The Hypothetical Condition and Extraordinary Assumption are critical to the valuation, as they directly impact both the income potential and the associated costs, and if the property were not renovated, the garages converted into studio units, and repositioned as assumed, the resulting value conclusion would be materially different.

We make an Extraordinary Assumption that these costs would be adequate to reposition the property into a modern and desirable long-term asset. This methodology reflects standard appraisal practice for value add assets, where the as is value is determined by capitalizing the future stabilized condition and deducting all costs necessary to achieve that condition, including both direct expenditures and income disruption during the renovation period. If the Hypothetical Condition or Extraordinary Assumption prove false, it could impact the final "As Is" Value in this report.

This approach is consistent with investor underwriting behavior in the La Jolla market, where buyers evaluate coastal multifamily assets based on their stabilized income potential and adjust their purchase price to reflect the time, cost, and risk required to achieve that stabilization.

• **Rental Rate Restricted Units** – The city of La Jolla, California does not have its own local rent control ordinance for apartment properties. Because La Jolla does not have a local rent control ordinance, rental properties in the city are instead governed primarily by California's statewide rent control law, known as the Tenant Protection Act of 2019 (AB 1482). The State of California passed Assembly Bill 1482 in 2019. The act places an annual cap on rent increases and regulates a more restrictive standard for evictions across California. As it pertains to the subject property, the act limits annual rent increases at 5.00% plus the CPI for the subject area for the San Diego-Carlsbad MSA region of as of February 2026, of 2.60%. The current total allowable

increase based on California Rent Control restrictions would be a 7.60% allowable increase. The bill also applies “just cause” eviction policies to qualified housing across California.

• **Building and Site Improvement Exhibits -** Any renderings, building sketches, maps, plats, or drawings reproduced and included in this report are intended only for the purpose of showing spatial relationships. All these documents are assumed to be correct but cannot be guaranteed by the appraiser who is not a licensed land surveyor, engineer, land planner, or architect. If further information is desired a survey of the property and professional review of the plans and descriptions provided are recommended.

• Government Regulations - It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations, zoning regulations, building codes, and license laws, except where it was discovered and noted in this report. The totality of such laws and regulations governing the use and enjoyment of a property are beyond the scope of any individual, though the appraiser does try to keep abreast of any restrictions on the free enjoyment of real estate.

• Information as a Basis of Value - During this investigation, much of the information used in arriving at conclusions was provided by others. Some sources of information include government agencies, accountants, Realtors, buyers, sellers, lenders, other appraisers, CoStar, multiple listing service, builders, etc. These sources are assumed to be reliable, and the information is assumed to be true and accurate. An attempt is made to verify all information; however, the appraiser cannot guarantee the accuracy of this information.

• Validity of Appraisal - The conclusions reached here are based on projections and analyses as of the date of the appraisal. The appraiser claims no clairvoyance. Thus, as conditions change in the future, so may the factors that create, maintain, and destroy value. Certain projections and mathematical models are based on the appraiser's best estimate of probable future conditions and do not represent guarantees or actualities that may occur. They are an attempt on the part of the appraiser to represent the probable actions of typical buyers, sellers, and users in the marketplace. While every attempt was made to be as accurate as possible, the value of a property is ultimately a judgment decision or opinion. This should be realized by the user of this report, who should analyze the information provided to ensure their agreement with the conclusions, before acting thereon.
Any significant variation from these extraordinary assumptions may affect the market valuations and will warrant a reappraisal of the property.

Executive Summary

Address:	428 Rosemont Street, La Jolla, CA 92037
Assessor's Parcel Number:	APN# 351-471-21-00
GPS Coordinates:	32°49'40.1"N 117°16'34.8"W
Owner of Record:	428 Rosemont Street LLC
Property Type:	10-Unit Apartment (after addition of 4 ADUs)
Site Area, Zoning, Flood Zone:	10,001 square feet (0.23 acres) La Jolla RM-1-1 FEMA Zone X, Panel 06029506073C1584H, 12/20/19
Building Size:	5,673 SF Gross Building Area (with ADUs and Laundry) 10 units (after addition of 4 ADUs)
Parking:	None (garage spaces converted to ADUs)
Year Built:	1950
Quality:	Average (after renovation)
Condition:	Good (after renovation)
Occupancy:	Tenants/Vacant

Stabilized Market Value

Cost Approach:	N/A
Income Approach:	$9,325,000
Direct Sales Comparison Approach:	$9,325,000
Stabilized Market Value:	**$9,325,000**
Relocation Fees:	$35,000
Renovation Costs - Building:	$754,215
Conversion Costs - ADUs/Laundry:	$330,450
Site Work:	$350,000
Sales Expenses @ 5%:	$466,250
Lease Up/Rental Loss:	$80,800
Entrepreneurial Profit @ 15%:	$1,398,750
"As Is" Value (rounded):	$5,910,000

Personal Property:	None included
Other Non-Realty Items:	None included
Reasonable Exposure Period:	three to six months
Reasonable Marketing Period:	three to six months

This summary represents only a portion of the attached appraisal report and is invalid outside the context of the entire document.

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Identification of Property Appraised

Location/Address: 428 Rosemont Street, La Jolla, CA 92037

Legal Description: See attached Legal Description (below)

Assessor's Parcel Numbers: APN# 351-471-21-00

Current Ownership: 428 Rosemont Street LLC

Legal Description

LEGAL DESCRIPTION

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE CITY OF SAN DIEGO, IN THE COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

LOTS 37, 38, 39 AND 40 IN BLOCK 7 OF LA JOLLA STRAND, IN THE CITY OF SAN DIEGO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, AS PER MAP THEREOF NO. 1216, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAID SAN DIEGO COUNTY, OCTOBER 18, 1909.

APN 351-471-21-00

Intended User, Purpose, and Intended Use of the Appraisal

The clients and the intended user of the appraisal and the appraisal report is Robert Realty SD. At the request of the clients the purpose of the appraisal is to estimate the market value of the property as of March 28, 2026. It is understood that the appraisal and the report will be used for marketing consideration purposes.

Definition of Market Value

The following definition of market value is required by agencies that regulate federally insured financial institutions in the United States:

The most probable price which a property should bring in a competitive and open market under all condition's 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:

** Buyer and seller are typically motivated.*

** Both parties are well informed or well advised, and acting in what they consider their best interests.*

** A reasonable time is allowed for exposure in the open market.*

** Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and*

** 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.*[1]

[1]12 C.F.R. Part 34.42(g); 55 Federal Register 34696, August 24, 1990, as amended at 57 Federal Register 12202, April 9, 1992; 59 Federal Register 29499, June 7, 1994; Interagency Appraisal and Evaluation Guidelines, December 2, 2010.

Exposure and Marketing Periods

Based on the market data researched for this appraisal and experience with similar properties within the subject neighborhood and competing market areas, the value conclusions assume that the property was adequately exposed to the open marketplace for a period of three to six months. A similar marketing period was considered reasonable if the property were offered for sale as of the effective date of the appraisal.

Definition of Fee Simple and Leased Fee Interests

A fee simple estate is the absolute ownership of property, unencumbered by any other interest or estate, subject only to the limitations of eminent domain, police power, escheat, and taxation. A leased fee estate is an ownership interest held by a landlord, with the right of use and occupancy conveyed by lease to others.

Property Rights Appraised

The subject property is appraised on a leased fee basis, which reflects the ownership interest subject to the rights of the existing tenants currently in place. As shown in the rent roll, two of the six units remain occupied, including a one bedroom one bathroom unit rented at $3,100 per month and a two bedroom two bathroom unit rented at $4,200 per month, while the remaining four units are vacant and undergoing renovation. These in place tenancies are subject to California statewide rent control pursuant to Assembly Bill 1482, which imposes restrictions on termination of tenancy and establishes requirements for no fault evictions.

Because the most likely buyer is forecasted to undertake a comprehensive renovation of the property that necessitates vacancy of all units, the two remaining tenants cannot simply be displaced without compliance with just cause eviction provisions. Under SB 1482, termination for substantial remodel constitutes a no fault just cause eviction, which requires the payment of relocation assistance. As such, the existing leases represent a financial obligation that directly impacts the value of the leased fee interest.

Accordingly, the valuation reflects the property as encumbered by these in place tenancies and incorporates the costs associated with relocating the tenants as part of the overall analysis. These relocation costs are necessary to achieve full control of the property and complete the planned renovations and therefore represent a real economic burden to the ownership. By valuing the subject on a leased fee basis, the analysis properly accounts for the existing income stream, the

legal constraints imposed by rent control, and the costs required to transition the property to a stabilized condition.

Scope of the Appraisal

The scope of this appraisal has been developed in accordance with the Uniform Standards of Professional Appraisal Practice (USPAP) and the specific requirements of the client. The purpose of this appraisal is to provide an opinion of the market value of the subject property, a multi-family apartment complex, as of the effective date of value. The appraisal process involved the following steps:

1) **Property Inspection:** The property was physically inspected on March 28, 2026 which is the effective date of this appraisal. The inspection included a full exterior inspection and an interior walkthrough of all 6 units. Our inspection had an emphasis on unit mix, physical condition, deferred maintenance, amenities, and site improvements.

2) **Market Area and Neighborhood Analysis:** An analysis of the local apartment market and neighborhood was conducted, considering demographics, employment trends, rental demand, vacancy rates, absorption rates, supply, and demand dynamics, and competing properties.

3) **Data Collection and Verification:**

    a. **Rental Market Data:** Comparable apartment rental data was collected from sources such as CoStar, MLS, LoopNet, Apartments.com, local property managers, and leasing agents to assess achievable market rents.

    b. **Sales Data:** Comparable multi-family sales were obtained from CoStar, MLS, public records, brokerage firms, and market participants to determine recent transaction trends and investor sentiment.

    c. **Expense Data:** Operating expense data was derived from industry benchmarks, property owner-provided financials, and comparable properties, including typical expense ratios for similar apartments.

4) **Highest and Best Use Analysis:** A Highest and Best Use analysis was conducted to determine the most probable and legally permissible use of the property, considering zoning, economic feasibility, and market demand for multi-family housing.

5) **Valuation Approaches:** The following valuation methodologies were applied:

    a. **Income Capitalization Approach:** The direct capitalization method was used to estimate value based on stabilized net operating income (NOI) and prevailing market capitalization rates. A discounted cash flow (DCF) analysis was also performed to model long-term investment returns.

b. **Direct Sales Comparison Approach:** Recent sales of comparable apartment properties were analyzed. Because of differences in unit mixes and rental levels, the Income Ratio Comparison Method was employed. This method compares the relationship between the sale price of comparable properties and their respective income levels to arrive at a measurable indication of value for the subject property based on its income.

c. **Cost Approach (if applicable):** Considered only if relevant, primarily for newer apartment developments or special circumstances. The Cost Approach was not felt to be relevant for this appraisal process.

6) **Reconciliation and Final Value Conclusion:** The results from the applicable approaches were analyzed and reconciled to derive a well-supported opinion of market value, with primary reliance on the Income Capitalization Approach, as it best reflects how multi-family properties are traded in the marketplace.

7) Arrival at an "As Is" Value by a residual valuation methodology. This approach begins with an estimate of the stabilized market value of the property upon completion of renovations, addition of 4 studio units and a laundry room, and lease up at market rents. From this stabilized value, all costs necessary to achieve that condition are deducted. These costs include tenant relocation payments for the two remaining occupied units, interior renovation costs for all units, conversion costs for the ADUs and common laundry, site improvements including patio construction, fencing, and courtyard enhancements, as well as soft costs associated with the redevelopment process. In addition, a lease up and stabilization period of two months after renovations and conversion of the ADUs are complete, during which time the property is expected to experience no rental income, and therefore two months of rental loss was deducted to reflect this downtime. At this point, the developer would market the property and collect their profit. We therefore added 5% sales costs and 15% entrepreneurial profit. After deducting all identified costs and profit from the stabilized value as complete, the resulting figure represents the "As Is" value of the property in its current partially vacant and under renovation condition. This methodology appropriately captures both the upside potential of the asset, the costs and risks required to achieve stabilization, and sales costs and anticipated profit from the undertaking.

This appraisal is subject to the assumptions and limiting conditions outlined in the report. The appraiser has not conducted a title search, environmental assessment, or structural analysis unless otherwise stated. The conclusions and opinions expressed are based on the information available at the time of the appraisal.

Date of the Appraisal and Date of the Report

The property was physically inspected on March 28, 2026 which is the effective date of this appraisal. The date of the report is April 9, 2026. The date of expected Stabilized Value is March 28, 2027.

Appraisal Standards

This appraisal is intended to conform to all the standards and requirements of the Uniform Standards of Professional Appraisal Practice.

Prior Services and Inspections

In accordance with the Uniform Standards of Professional Appraisal Practice (USPAP), specifically the Ethics Rule and Certification Standard (Standards Rule 2-3) and Advisory Opinion 2, the undersigned appraiser makes the following disclosures regarding prior services and inspections related to the subject property:

The appraiser has personally inspected the subject property on March 28, 2026. The report includes an evaluation of the property's physical characteristics, improvements, and site conditions. The appraiser has not previously inspected the subject property within the three years preceding the effective date of this report as part of another appraisal or consulting assignment.

Fair Housing Compliance

The conduct section of the Ethics Provision of the Uniform Standards of Professional Appraisal Practice states: "An appraiser must not use or rely on unsupported conclusions relating to characteristics such as race or color, religion, national origin, gender, marital status, familial status, age, receipt of public assistance income, handicap, or an unsupported conclusion that homogeneity of such characteristics is necessary to maximize value." This appraisal is intended to comply with all known Fair Housing Laws and no groups have been knowingly discriminated against. Statement of Competency

Real Estate Taxes and Assessed Valuation

Real estate taxes for the subject property are assessed and collected by San Diego County. The current 2025 assessed value is $3,774,000 and the current tax amount is $47,272.18. California property tax law requires that properties be reassessed only upon change of ownership, or due to substantial new construction or change of property use. The reassessment upon ownership transfer is based upon the sales price of the property, which is presumed to be the fair market value of the property. Between reassessments, the assessed valuation may be increased by a maximum of 2% per year but can also be reduced if the market declines.

Sales History

The subject property last transferred on May 10, 2024, for a recorded sale price of $3,700,000, or approximately $616,667 per unit, to 428 Rosemont Street LLC with beneficial ownership attributed to a private investor. The transaction followed a long term ownership period exceeding twenty years by the prior owner, which is significant as it suggests that the property had not been actively repositioned or optimized to current market standards prior to sale.

The available marketing and transaction data indicates that the sale occurred with minimal market exposure. The MLS history reflects zero days on market and the acceptance of a non-contingent all cash offer, which strongly suggests that the property was either marketed in a highly limited capacity or effectively transacted off market. At the time of sale, the property was approximately 66.67% occupied and operating with below market rents, with an estimated net operating income of approximately $118,400 and a reported capitalization rate of 3.20%. These conditions indicate that the property was functioning as a stabilized but under improved asset with clear value add potential through renovation and rent repositioning.

The prior sale price of $3,700,000 reflects these conditions and appears to have been influenced by several factors that resulted in a below market transaction. First, the lack of broad market exposure limited competitive bidding and likely constrained the final sale price. Second, the in place below market rents and partial occupancy reduced the property's going in income profile and may have deterred some investors who require stabilized cash flow. Third, the property required significant capital investment for interior renovations and site improvements, which would have been factored into the buyer's pricing at the time of acquisition. Lastly, the presence of rent controlled tenants introduced additional complexity and costs associated with achieving vacancy, further impacting value.

In contrast, the current appraised "As Is" Value of $5,910,000 reflects a fundamentally different valuation framework that explicitly accounts for the property's stabilized potential while deducting all costs and profit necessary to achieve that condition. The analysis begins with a stabilized market value of $9,325,000, which reflects the property as fully renovated, the four garage spaces converted into studio units, the storage room converted into a community laundry room, all units leased at market rents, and operating at a stabilized level consistent with comparable coastal multifamily assets. From this stabilized value, all costs required to achieve that condition are deducted, including $35,000 in relocation costs for the remaining tenants, $754,215 in existing building renovation costs, $330,450 in conversion costs for four ADUs and a common laundry room, $350,000 in site improvements, $80,800 in lease up/rental loss, $466,250 in sales costs, and $1,398,750 (15% of Stabilized Value) entrepreneurial profit in rental loss during the renovation and lease up period.

The resulting As Is value of $5,910,000 therefore reflects the current condition of the property while fully recognizing its upside potential. The difference between the prior sale price of $3,700,000 and the current appraised value of $5,910,000, which equates to $3,415,465, can be attributed to the prior transaction occurring under conditions of limited exposure and underutilized income potential, whereas the current valuation reflects a comprehensive market based analysis of the property's highest and best use as a renovated and stabilized coastal multifamily asset.

Appraiser Competency

The appraiser has the necessary education and experience to have performed the appraisal in a competent manner.

Neighborhood Analysis

The subject property is located in the coastal community of La Jolla, a highly desirable neighborhood within the City of San Diego. La Jolla is widely recognized for its affluent residential character, coastal amenities, and strong demand for housing. The area features a mix of upscale single-family homes, luxury condominiums, apartment buildings, retail districts, and hospitality-oriented developments.

Multifamily properties in La Jolla are typically limited in supply due to restrictive zoning and high land values, contributing to strong rental demand and stable occupancy levels. The neighborhood benefits from proximity to employment centers, coastal attractions, and a well-developed retail and dining environment. The subject's location within this coastal submarket supports long-term residential desirability and investment stability.

Economy and Employment

The local economy is driven by education, healthcare, biotechnology, research, tourism, and professional services. La Jolla benefits from its proximity to major employment hubs in San Diego, as well as its own concentration of research and medical institutions.

The presence of universities, hospitals, and research facilities contributes significantly to the area's economic stability and demand for residential housing.

Major Employers

Employer	Industry
University of California, San Diego	Education / Research
Scripps Health	Healthcare
Salk Institute for Biological Studies	Research
San Diego Unified School District	Education
Illumina	Biotechnology
Sharp HealthCare	Healthcare
City of San Diego	Government

These employers provide a strong economic base and support demand for both rental and ownership housing in the area.

Geography and Climate

La Jolla is located along the Pacific coastline approximately 12 miles north of downtown San Diego. The area is characterized by coastal bluffs, beaches, and rolling terrain with ocean views. The community is bordered by the Pacific Ocean to the west and inland residential and commercial areas to the east.

The climate is Mediterranean coastal, featuring mild temperatures year-round with cool ocean breezes. Average temperatures typically range from the mid-50s to mid-70s degrees Fahrenheit. The region experiences dry summers and mild, wetter winters, contributing to its reputation as one of the most desirable climates in the United States.

Demographic Characteristics

La Jolla is considered one of the more affluent communities in the San Diego region, with a relatively smaller but highly stable population. The area includes a mix of professionals, retirees, and students, particularly due to the presence of nearby educational and research institutions.

Housing in the area consists primarily of high-value single-family homes, condominiums, and limited multifamily properties. Rental demand is supported by students, faculty, healthcare professionals, and individuals seeking proximity to coastal amenities and employment centers.

Household incomes and education levels in the area are generally above regional and national averages, supporting strong demand for quality housing.

Education

La Jolla is served by the San Diego Unified School District, which operates several highly regarded public schools in the area.

Higher education is a major component of the local community, with the presence of University of California, San Diego (UCSD), a leading public research university. Additional research and educational institutions further enhance the area's academic environment.

Transportation

La Jolla benefits from regional access via major roadways including Interstate 5 and State Route 52, which connect the area to downtown San Diego and surrounding communities.

Public transportation is provided by the San Diego Metropolitan Transit System, offering bus routes and light rail connections to key areas throughout the region. Recent transit expansions have improved connectivity between La Jolla, UCSD, and other parts of San Diego.

Air transportation is available through San Diego International Airport, located approximately 15 miles south of La Jolla, providing domestic and international service.

Urban Development and Regional Growth Trends

The La Jolla area is a mature, highly developed coastal community within the City of San Diego, characterized by limited availability of vacant land and strong regulatory controls on new development. As a result, urban growth within the immediate neighborhood is generally

constrained, with development activity primarily focused on redevelopment, renovation, and infill projects rather than large-scale new construction. Recent urban development trends in La Jolla emphasize preservation of neighborhood character, coastal access, and environmental resources. Local planning policies and zoning regulations tend to limit building density and height, particularly in coastal zones, which restricts the supply of new residential and commercial properties. This constrained supply environment contributes to long-term property value stability and strong demand for existing housing units, including small multifamily properties.

In the broader San Diego region, population growth and employment expansion continue to support housing demand. Key growth sectors include biotechnology, healthcare, education, defense, and technology, with major employment centers located near La Jolla such as the University of California, San Diego, and surrounding research institutions. These employment drivers contribute to sustained demand for rental housing in nearby coastal communities. Regional infrastructure improvements, including transportation enhancements and public transit expansion, have improved connectivity between La Jolla and other parts of San Diego County. Continued investment in transit, including light rail extensions serving university and employment hubs, has enhanced accessibility and supports long-term growth in surrounding areas.

Overall, the combination of limited new supply, strong employment drivers, and continued regional population growth contributes to a stable and appreciating real estate market in La Jolla. For multifamily properties, these trends support sustained rental demand, low vacancy levels, and long-term investment appeal.

Locational Summary

Overall, the subject’s location along Camino del Oro benefits from its coastal setting, proximity to major employment centers, access to transportation infrastructure, and availability of nearby amenities. These factors contribute to strong residential demand and support long-term property value stability.

Apartment Market

The apartment market in the greater San Diego region, including La Jolla, is considered stable with moderate short-term softening and strong long-term fundamentals. The market continues to be supported by high housing costs, strong employment drivers, and limited supply in coastal submarkets such as La Jolla. As of 2025, the San Diego multifamily market reported an overall vacancy rate of approximately 5.4%, which remains relatively stable and below national averages. Demand for rental housing remains consistent, although elevated new construction deliveries have increased competition among landlords in some submarkets.

Rent Levels and Growth Trends

Rental growth has slowed compared to historical trends. Recent data indicates minimal rent growth (approximately 0%–0.2% annually), with some periods of slight rent decline due to increased supply and tenant concessions. Average apartment rents in the San Diego region are approximately $2,400 to $2,500 per unit, reflecting the area’s relatively high cost of living. From an investment perspective, multifamily cap rates in the region have generally ranged around

4.5% to 5.7%, depending on asset quality, location, and size, with coastal submarkets such as La Jolla typically trading at the lower end of this range due to strong demand and limited supply.

New construction activity has remained elevated in recent years, with thousands of units delivered annually. However, supply growth is expected to moderate going forward as development slows due to rising construction costs and regulatory constraints. Importantly, the La Jolla / University City submarket has shown relatively stronger performance compared to other areas, with declining vacancy levels and consistent demand driven by proximity to major employers such as the University of California, San Diego and surrounding research and healthcare institutions.

Vacancy and Occupancy Trends

The multifamily market in the greater San Diego region, including the La Jolla submarket, has exhibited generally stable vacancy and occupancy trends over recent years, supported by strong housing demand and limited long-term supply growth in coastal areas. Following a period of historically low vacancy during the post-pandemic recovery, the market experienced a modest increase in vacancy rates during 2023–2024, primarily due to a surge in new multifamily construction deliveries across the broader San Diego region. As a result, overall vacancy levels increased to approximately 5% to 6%, reflecting a temporary softening in occupancy conditions.

Despite this short-term increase, occupancy levels have remained relatively strong, generally ranging between 94% and 96%, which is considered healthy for a balanced multifamily market. Demand for rental housing continues to be supported by high homeownership costs, population growth, and strong employment in key sectors such as education, healthcare, and technology.

In the La Jolla submarket, vacancy levels tend to be lower than the regional average due to several key factors, including limited new construction, high barriers to entry, and strong demand from students, professionals, and healthcare workers associated with nearby institutions such as the University of California, San Diego. As a result, occupancy levels in La Jolla are typically at the upper end of the regional range.

Looking forward, vacancy rates are expected to stabilize or improve modestly as new construction slows and absorption of recently delivered units continues. The constrained supply environment in coastal submarkets such as La Jolla is anticipated to support long-term occupancy stability and low vacancy risk.

Investment Returns and Cap Rate Environment

The multifamily investment market in the San Diego region, including the La Jolla submarket, is characterized by strong investor demand, low capitalization rates, and stable long-term return expectations. Coastal submarkets such as La Jolla are considered premium locations due to their limited supply, high barriers to entry, and proximity to major employment centers.

In recent years, capitalization rates for multifamily properties in the San Diego area have generally ranged from approximately 4.5% to 5.75%, depending on property size, location, condition, and income stability. Smaller properties, such as 2–10 unit apartment buildings, often trade at slightly lower cap rates, reflecting strong demand from private investors and limited availability of comparable assets.

Within the La Jolla submarket, cap rates are typically observed at the lower end of the regional range (approximately 2.0% to 4.0%), due to the area's desirable coastal location, high tenant demand, and constrained development potential. Investors are often willing to accept lower initial yields in exchange for long-term appreciation potential and stable occupancy.

The investment environment has experienced some adjustment in response to broader economic conditions, including rising interest rates and increased borrowing costs. These factors have contributed to modest upward pressure on cap rates in the short term. However, strong fundamentals, including limited supply, high rental demand, and a resilient local economy, have helped stabilize investor expectations.

Overall, investor return expectations in the La Jolla area are driven by a combination of current income stability and long-term capital appreciation potential. The market continues to attract both local and institutional investors seeking secure, income-producing assets in high-demand coastal locations.

Supply and Demand Fundamentals

The La Jolla multifamily market is characterized by limited housing supply and strong, consistent demand. New development is constrained by zoning regulations, coastal restrictions, and high land costs, resulting in minimal additions to inventory. At the same time, demand is supported by proximity to major employment centers such as the University of California, San Diego, healthcare institutions, and research facilities. These factors contribute to low vacancy levels and stable occupancy trends, particularly for smaller apartment properties.

Investment Strengths

- Prime coastal location with strong long-term desirability
- Limited supply and high barriers to entry
- Stable occupancy and rental demand
- Affluent tenant base and strong rent levels
- Proximity to major employers and amenities
- Strong historical appreciation trends

Investment Risks and Considerations

- High acquisition costs and low initial yields (low cap rates)
- Regulatory constraints, including zoning and coastal development restrictions.
- Sensitivity to interest rate fluctuations, impacting investor returns.
- Limited rent growth in short-term periods due to market adjustments
- Operational costs and property maintenance considerations in coastal environments

Overall Investment Outlook

The overall investment outlook for multifamily properties in La Jolla is positive and stable. While short-term market conditions may reflect modest rent growth and slight fluctuations in vacancy, the long-term fundamentals remain strong. The combination of constrained supply, high demand, and a desirable coastal location supports sustained occupancy, income stability, and long-term value appreciation.

CoStar-San Diego - MultiFamily-Market-1st Quarter-2026

San Diego Multi-Family

12 Mo Delivered Units	12 Mo Absorption Units	Vacancy Rate	12 Mo Asking Rent Growth
6,634	4,480	5.9%	-0.1%

Overview

San Diego's vacancy has reached its highest level in over 10 years during the first quarter, after a 25-year high in completions in 2025 that outpaced demand by over 30%. High cost-of-living concerns have impacted demand and have led to the widespread use of concessions, and multiple regional operators have suggested that they have had to "buy occupancy," as they have more deliberately focused on maintaining stronger occupancy rates at the expense of raising rents. As a result, rent growth has suffered, measuring -0.1% in the past 12 months compared to 0.1% nationally. Last year ended with asking rents falling for the first time since 2010.

Landlords continue to face lower effective rents on lease trade-outs as elevated concessions remain in play, and area operators expect concessions will remain necessary through 2026. This will likely weigh on rent growth expectations into 2027, keeping institutional owners cautious. Every submarket fell short of its long-term annual rent growth in 2025, with elevated levels of new supply and high prices turning rent growth negative from Balboa Park and Chula Vista to UTC and Downtown. San Diego's pipeline has 8,000 market-rate units under construction, with 5,400 units scheduled to open this year after a 25-year high of 6,100 opened last year. With nearly all of those units in the luxury category, 4 & 5 Star vacancy has increased to 11.6%. The number of units in the construction pipeline has trended above the 10-year average. Mission Valley and Balboa Park have been among the most heavily built submarkets in recent years, and they will face further supply pressure in the coming quarters, keeping vacancy higher in those areas. Builders have been taking advantage of higher density allowances in pursuit of the City of San Diego's Complete Communities initiative, which seeks to build more densely near transit-priority areas.

A common narrative in San Diego has been that renter households have been economically stressed, and property managers are bracing for another challenging year. A material shift in demand patterns is not expected this year, which is likely to weigh on rent growth returning to the historical benchmark of 3.0%, before 2027. Supply is forecast to outpace demand again in 2026, keeping vacancy above the long-term benchmark of 4.6% in the process.

KEY INDICATORS

Current Quarter	Units	Vacancy Rate	Asking Rent	Effective Rent	Absorption Units	Delivered Units	Under Constr Units
4 & 5 Star	69,528	11.6%	$3,322	$3,271	1,099	1,795	5,897
3 Star	94,883	4.6%	$2,558	$2,540	140	49	2,075
1 & 2 Star	125,630	3.7%	$1,849	$1,840	71	0	10
Market	**290,041**	**5.9%**	**$2,543**	**$2,518**	**1,310**	**1,844**	**7,982**

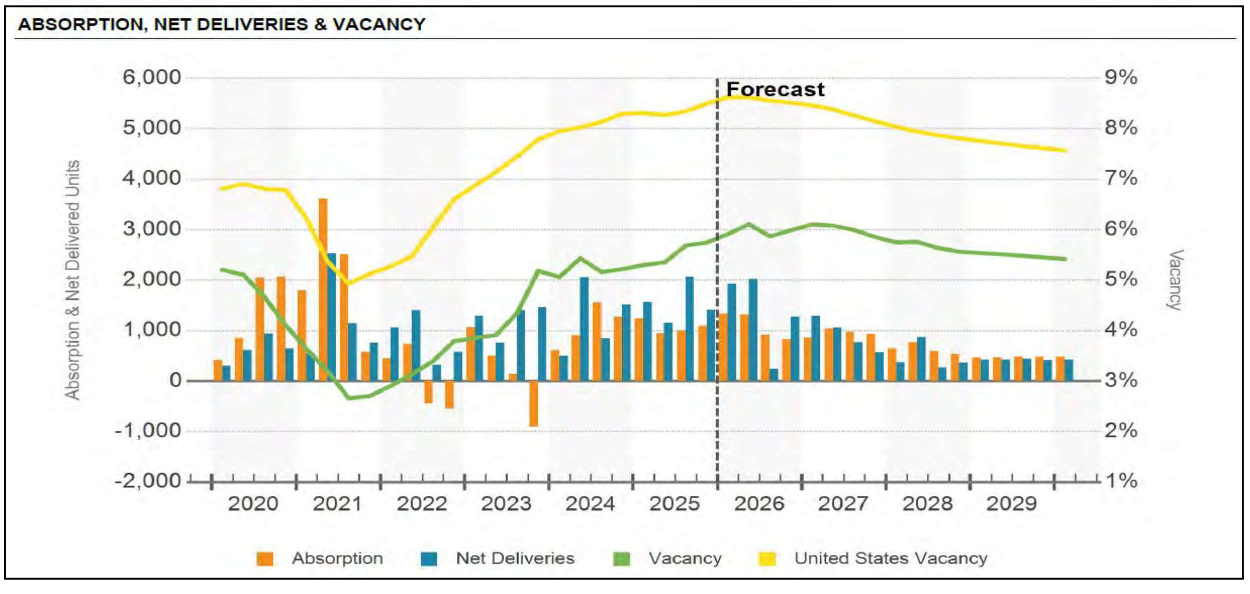
Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When	Trough	When
Vacancy	0.6% (YOY)	4.6%	5.7%	5.9%	2026 Q1	2.7%	2021 Q3
Absorption Units	4,480	2,682	3,079	11,405	2001 Q1	(1,529)	2009 Q2
Delivered Units	6,634	3,147	3,241	12,337	2001 Q1	570	2010 Q4
Demolished Units	69	99	78	334	2009 Q4	0	2016 Q4
Asking Rent Growth	-0.1%	3.0%	1.5%	11.6%	2022 Q1	-2.4%	2009 Q3
Effective Rent Growth	0.1%	3.0%	1.5%	11.7%	2022 Q1	-2.5%	2009 Q3
Sales Volume	$2B	$1.9B	N/A	$6.5B	2022 Q2	$480.3M	2009 Q4

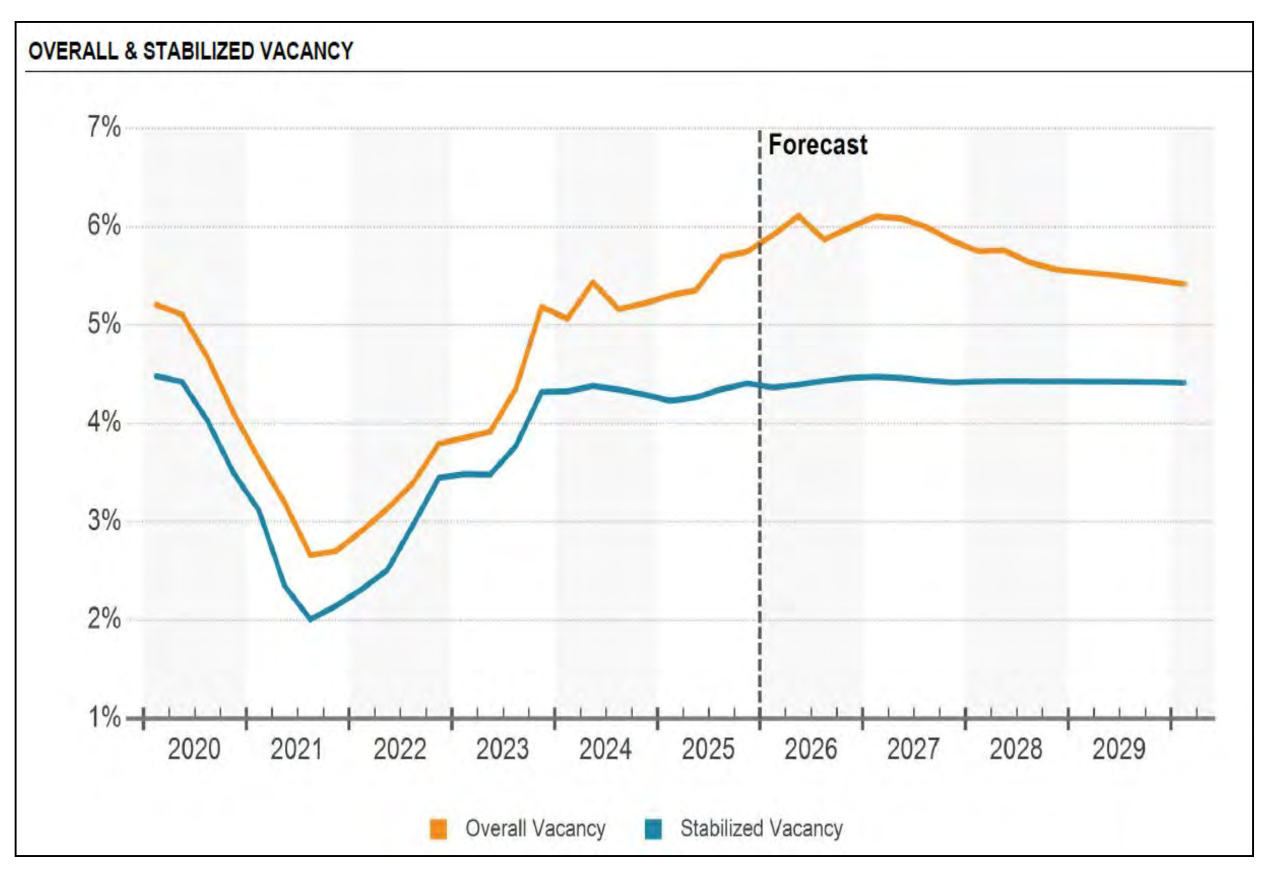
Vacancy

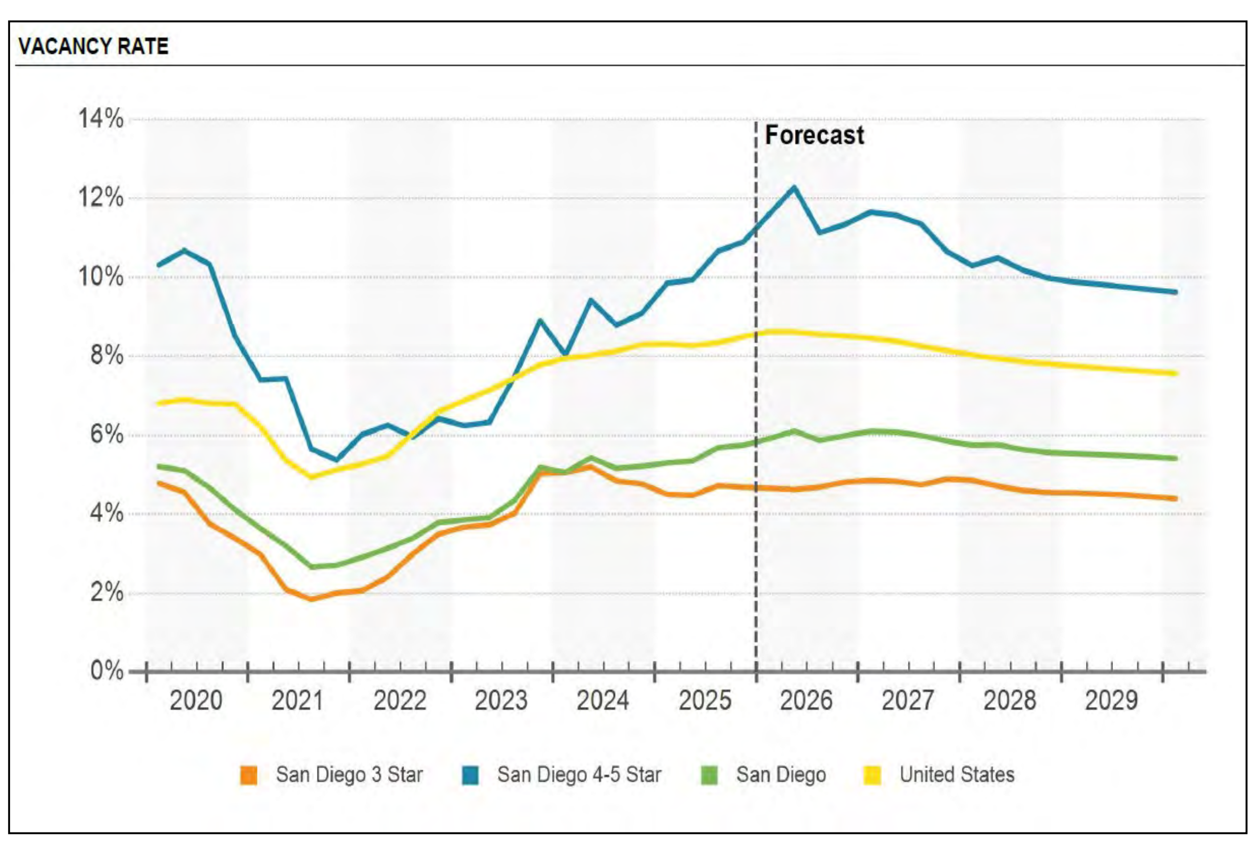
Property managers report that elevated living costs and persistent economic pressures, driven by local inflation and rent growth consistently outpacing wage gains over the past five years, have been key factors behind slower household formation in San Diego. Many vacancies stem from renters consolidating households by adding roommates to offset high rent, while others have been relocating to more affordable housing markets. Despite the widespread use of concessions, efforts to curb vacancy expansion in mid-tier and lower-rated properties have fallen short. Vacancy climbed in the second half of 2025 in 2-Star and 3-Star properties, reversing a trend that had seen vacancy improve in the prior 12-month period for the first time since 2021. These renter households remain among the most financially strained in the region, and military deployments in South County households, more restrictive immigration policies and younger potential renters living at home longer have only stymied household formation.

Areas from Mission Valley and Chula Vista to Downtown and Balboa Park have seen the strongest year-over-year absorption driven by the lease-ups at new properties and favorable demographic trends. These are located in proximity to job nodes filled with neighborhood and cultural amenities near strong university systems. Even so, demand has generally fallen short of five-year averages in these submarkets. Some property managers of new buildings in Downtown, Balboa Park and Chula Vista have noted that they are missing their targeted goals for lease-up due to fewer qualified applicants and increased competition. Area managers have noted that they are seeing applicants shed one-bedroom apartments to occupy two-bedroom units with a roommate to save money. With more completions and slower lease-ups, stabilized vacancy is expected to rise gently through 2026.

Parking availability has emerged as a critical factor influencing demand. New properties lacking sufficient parking have seen leasing momentum stall once spaces are allocated, a trend that has been common in Balboa Park and Downtown. Given limited public transit options to employment nodes, most residents rely on cars, making parking a non-negotiable amenity. Looking ahead, vacancy will likely remain elevated with population growth flat and affordability a pressing concern among households. Although new supply will offer some relief, San Diego is expected to remain among the nation's priciest rental markets, with occupancy projected to hover more than 100 basis points below its historical average in the near-term outlook.




OVERALL & STABILIZED VACANCY
7%
6%
5%
4%
3%
2%
1%
Forecast
2020
2021
2022
2023
2024
2025
2026
2027
2028
2029
Overall Vacancy
Stabilized Vacancy

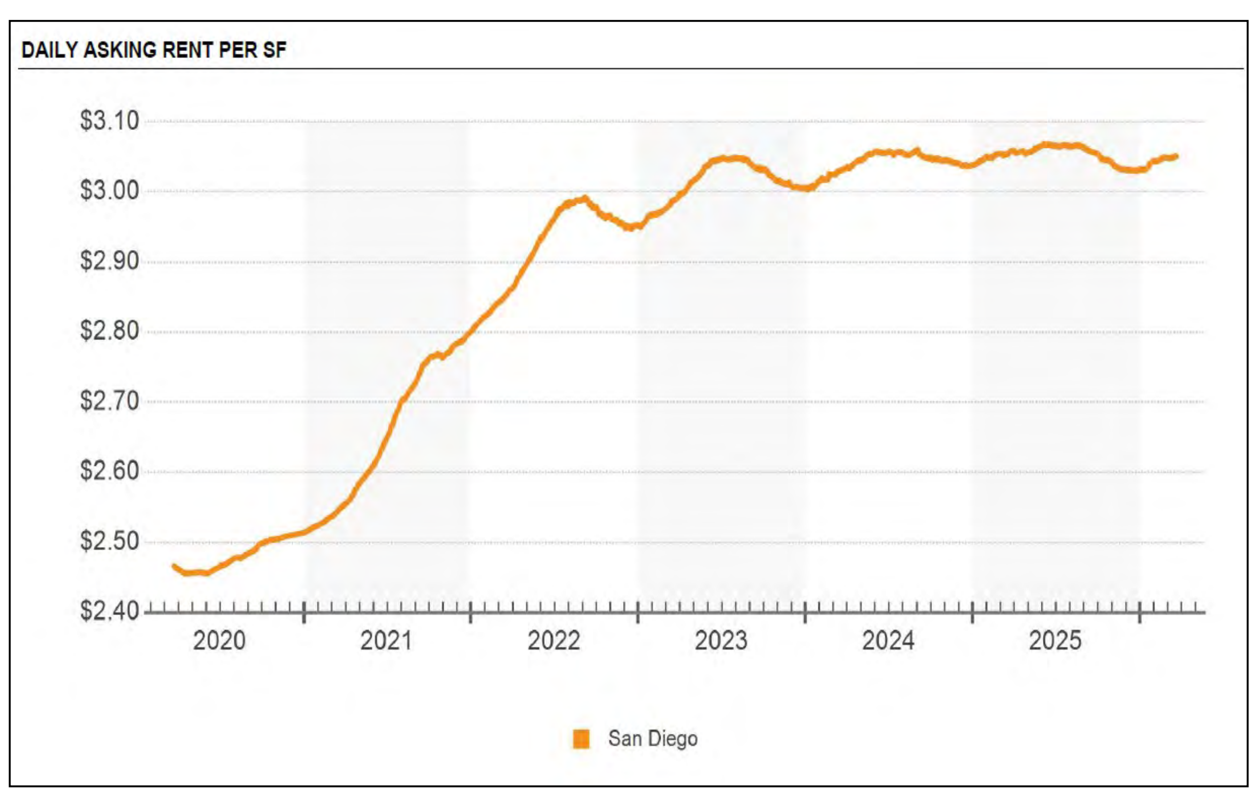

VACANCY RATE
14%
12%
10%
8%
6%
4%
2%
0%
Forecast
2020
2021
2022
2023
2024
2025
2026
2027
2028
2029
San Diego 3 Star
San Diego 4-5 Star
San Diego
United States

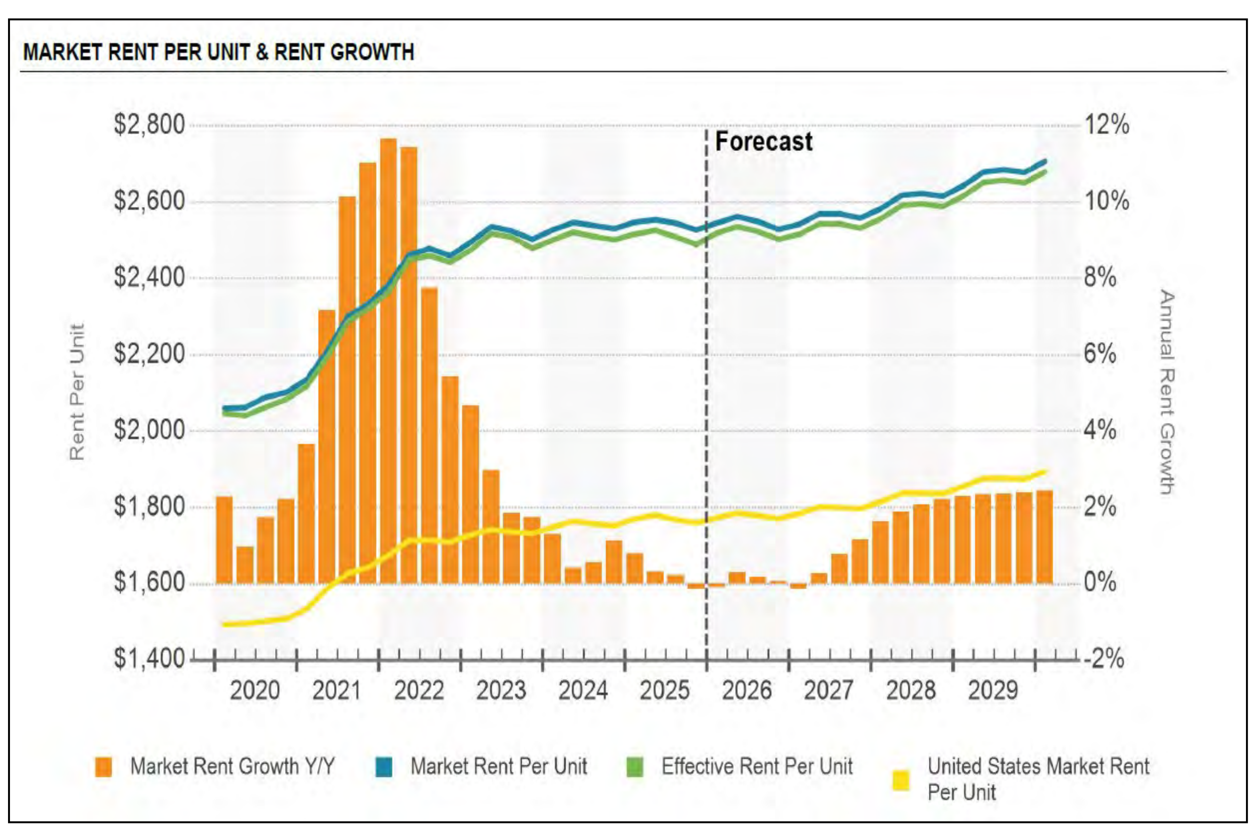
Rent

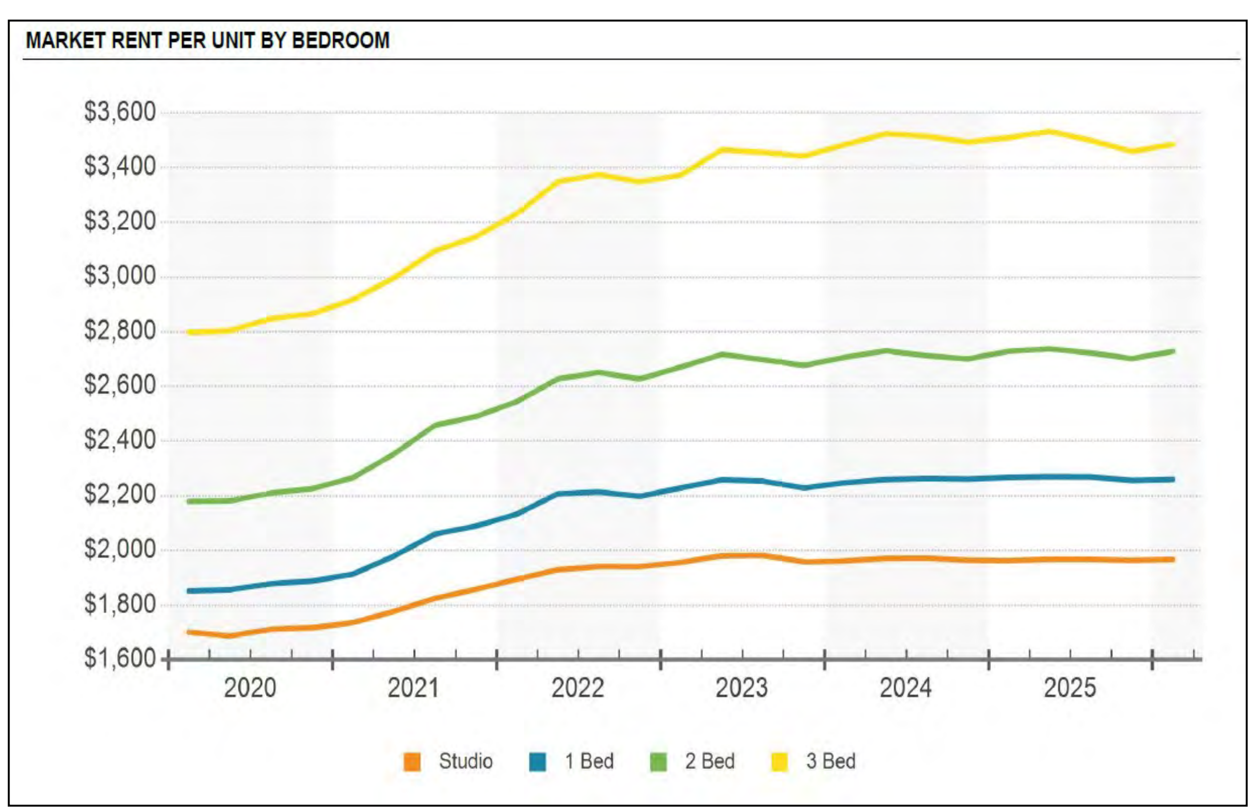
Rent growth has measured -0.1% year over year compared to 0.1% nationally, bringing average market asking rents to $2,540/month. The long-term benchmark has been 3.0%, and rents fell over 1% in the second half of 2025. Among major metropolitan areas, San Diego is the sixth most expensive rental housing market in the country. Local property managers report that the elevated prevalence of concessions has pushed effective rents lower on new leases, even when landlords raise asking rents. Some owners have managed to lift renewal rents, nudging blended rates into positive territory. Others have opted to hold renewal rents flat or offer concessions on renewals to bolster occupancy—a practice largely absent for the past two decades.

The surge in rents following the early stages of the pandemic remains a key factor constraining household formation. When rent growth peaked at 11.6%, nearly four years of increases were compressed into just 12 months. Rent-to-income ratios still often hover above 40%, limiting room for further hikes on strained budgets. Yet with operating costs and insurance rates climbing, landlords face mounting pressure as the ability to raise rents remains constrained. While supply growth in South County and the Balboa Park neighborhoods has stifled rent growth, that was not the case everywhere. UTC and North and Central County beach towns each saw rents fall in 2025, with less than 50 market-rate units opening across them. Instead, high average rents have acted as a weight on growth. Concessions have become widespread and are expected to persist through 2026. Roughly 40% of properties reported offering concessions at the end of 2025, which was triple the typical rate, and it coincided with quarter-over-quarter rent declines. From Oceanside to Mira Mesa, $1,000 look-and-lease specials or one month free have become common at stabilized assets, a sharp departure from prior norms.

At new communities, free rent can stretch up to 10 weeks, often paired with look-and-lease incentives. Previously, only Downtown reached that level, but now Mission Valley, Chula Vista, and East County have joined in. Concessions are likely to be employed at high levels this year, and rent growth is likely to remain relatively marginal to underwater through 2026. Rent growth is not forecast to return to the long-term average before 2028.







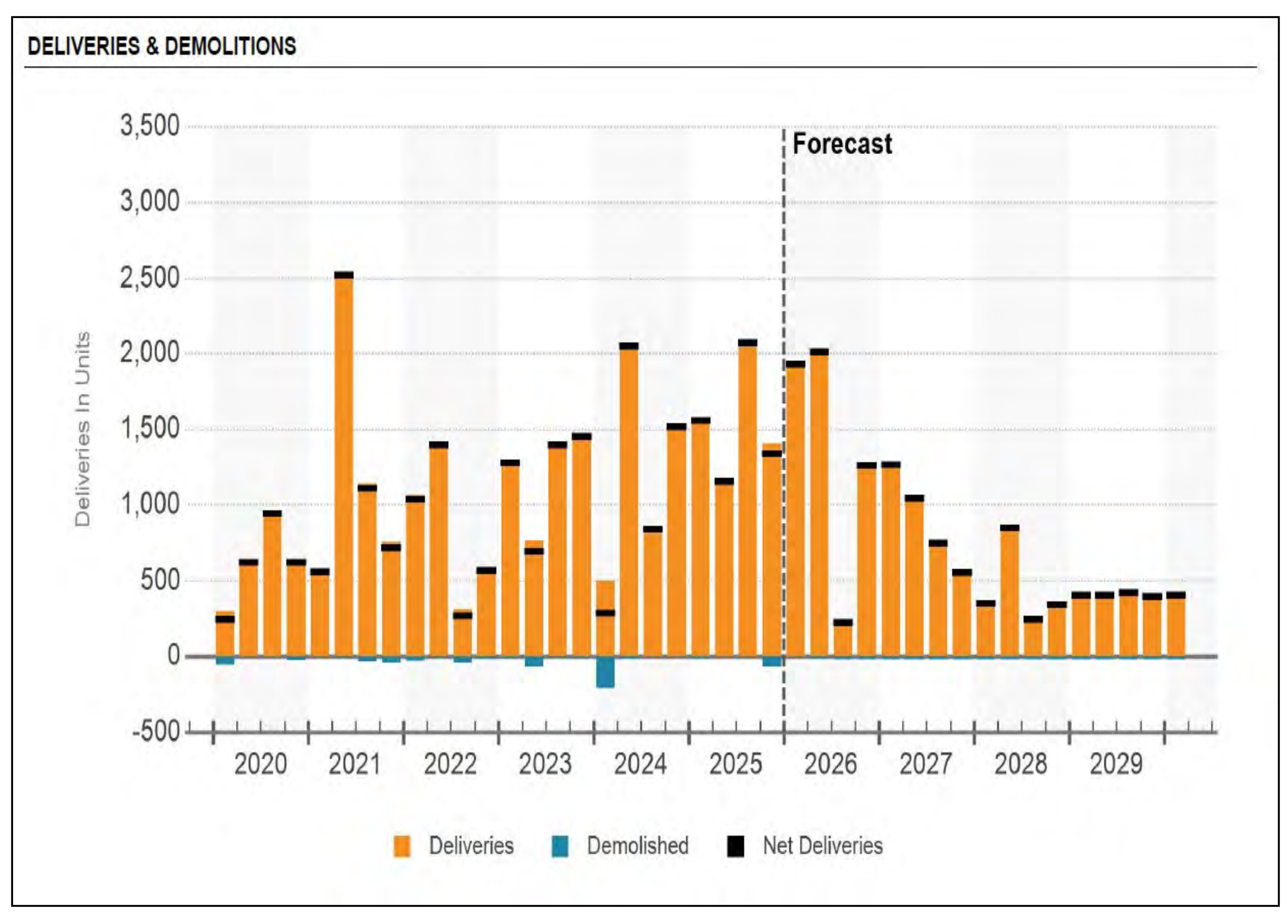
Construction

Roughly 8,000 units representing 2.8% of the region's existing inventory are under construction across San Diego, and the 10-year average has been 8,700 units. This year, 5,400 market-rate units are scheduled to open after 6,100 opened in 2025. Last year saw a 25-year high in completions, which followed 2024's decade-high in new supply. Developers face numerous hurdles when entering the San Diego market and navigating local development services can be particularly challenging. Each of the county's 18 cities operates its own department, and some are more difficult to work with than others. The entitlement process often stretches over several years, while permitting fees and soft costs can exceed 50% of total project expenses. Strong, organized opposition to higher-density development permeates the region, with community groups frequently filing environmental challenges that stall projects for years. These added costs make workforce housing very challenging to build. Many new luxury projects now exceed $600,000/unit to build, and in some cases, particularly Downtown, properties have sold for less than their original construction cost before the pandemic.

The composition of market-rate apartments has shifted dramatically over the past decade. From 2001 to 2014, two- and three-bedroom units represented roughly 60%of new inventory. Since 2017, that share has flipped, with studios and one-bedrooms accounting for that percentage of deliveries. Smaller units command higher rents per SF, but the decline in multi-bedroom options has pushed many growing renter households to seek housing outside San Diego, according to property managers. Market participants expect this trend to persist, creating long-term challenges for families trying to remain in the rental market locally. Neighborhoods have been updating their master plans to spur more housing development. In the past 10 years, updates have provided the capacity for more than 100,000 additional housing units in San Diego. Developers

have taken advantage of upzoning in the Balboa Park neighborhoods, often redeveloping dated retail properties into luxury apartments. Similarly, the California legislature passed SB 79 at the end of 2025, which allows for taller, denser developments near transit stops, while eliminating parking requirements. That could spur development in North County along the Sprinter lines and in Central and South County near the trolley lines.

The Balboa Park neighborhoods have emerged as one of the city's most active development hubs, with nearly 1,500 units completed last year and another 600 slated for completion this year. Meanwhile, Downtown's pipeline has thinned as East Village redevelopment sites have diminished. More than 4,500 units opened in the past five years, with another 500 scheduled for delivery this year. Mission Valley has also seen a surge in activity, with over 10% of its existing inventory, and the most nominal units in San Diego, under construction. Investors are increasingly targeting office and retail properties there for redevelopment opportunities. Despite a 25-year high in completions in 2025, San Diego remains chronically undersupplied, according to local government officials. Development continues to be both complex and costly.

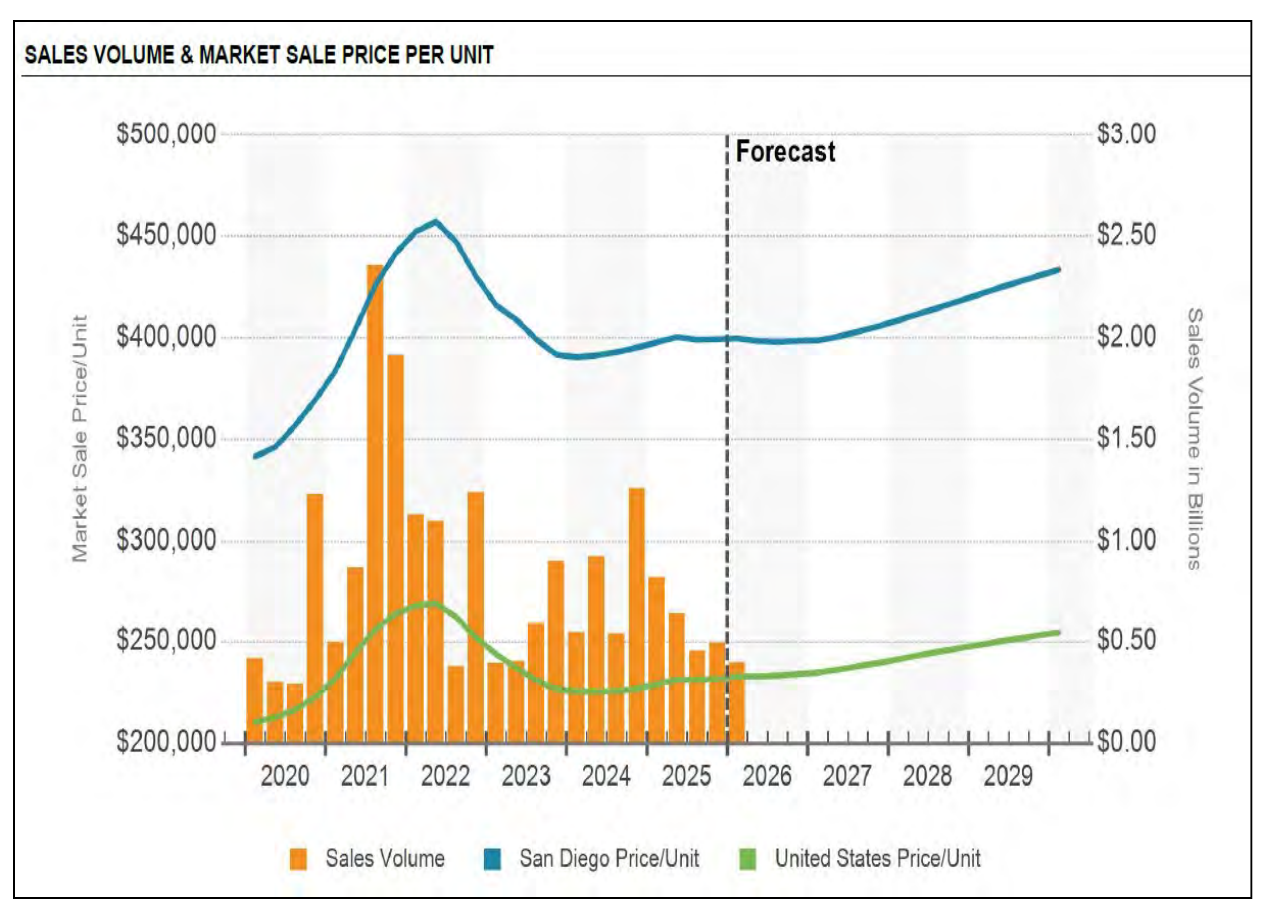


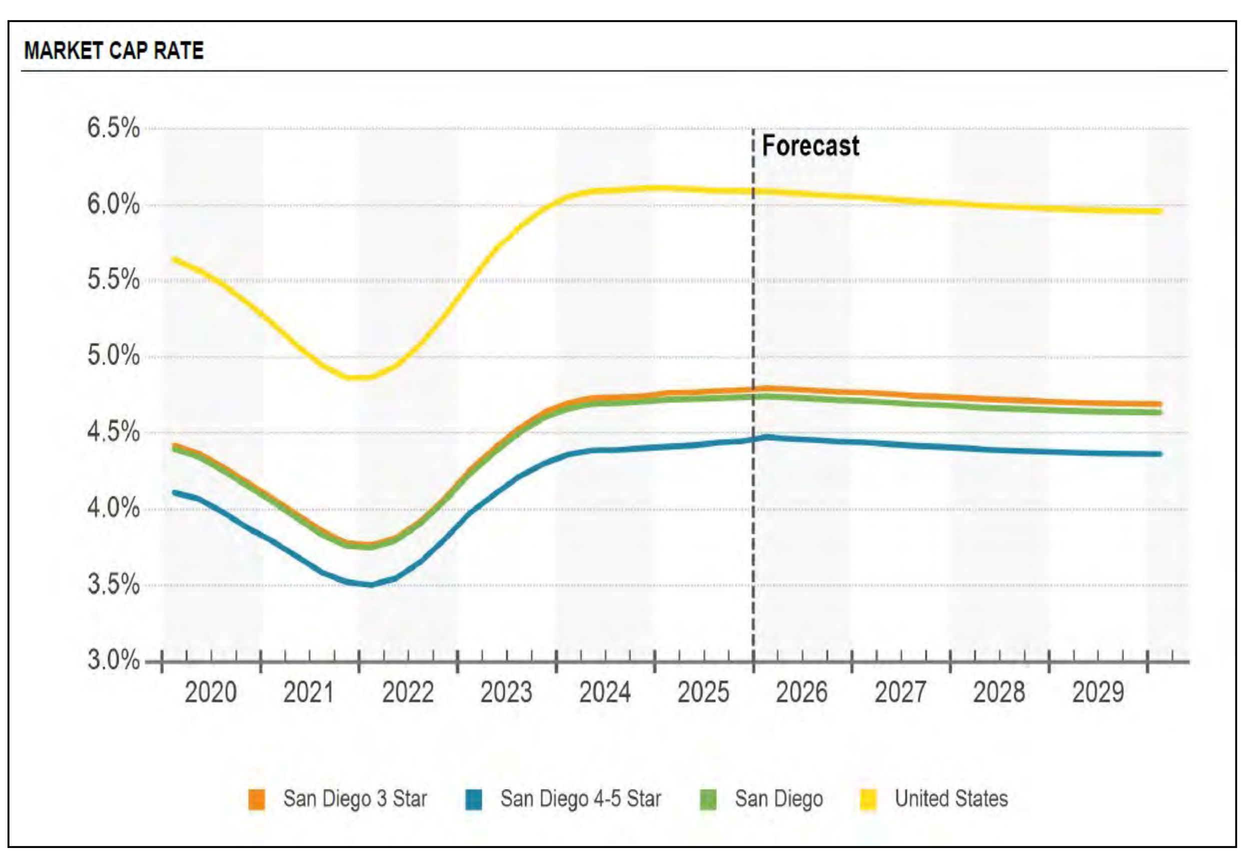
Sales

Uncertainty has been a prevailing theme here. In recent years, various tenant protective measures across the region, coupled with onerous permitting with development services departments, have made value-add opportunities more costly, according to investors. In the past five years, institutional and REIT capital sources have been on one-third of buy-side volume across San Diego. However, those groups took a step back in 2025, accounting for half of that level. In the past 12 months, $2.0 billion worth of market-rate properties traded, and sales volume during 25Q4 was down 50% with a year ago. Cap rates have largely landed in a band between 4.25%and 5.5%. Central and North County coastal properties typically trade at a cap rate on the lower end of that scale, while institutional properties in the suburbs trade towards the high end.

Some investors have pointed to the strong life science foundation as a motivating factor. GID Investment Advisors purchased the 331-unit Millennium PQ, since rebranded Windsor Rancho PQ, from Dinerstein Companies for $167 million, or about $505,000/unit, at a 4.75% stabilized cap rate. The buyer was attracted to the area due to the "influx of life science surrounding UCSD and big tech companies establishing their presence here, in addition to the long-standing defense industry." The property was built in 2022 and sold at 85% occupancy. At the time of the sale, it was the second-largest single-asset transaction in California in 2024. Mesirow acquired the 410-unit Preserve at Melrose in Vista for $185 million, or about $450,000/unit, at a 4.8% cap rate from MG Properties. The parties involved noted many of the same demand drivers, including the life sciences industry around UC San Diego and the presence of large tech companies and defense contractors.

MG Properties purchased the property in 2017 for $134 million. In one of the highest-value apartment sales for a single property in San Diego in the past decade, MG Properties purchased the 718-unit Park 12 from Greystar for $309 million, or about $430,000/unit, in early 2025. The property was built in 2018 next to Petco Park downtown. The buyer acquired the property due to the low cost per unit, which was below its 2018 construction cost, and its high quality and location. The buyer secured $167 million in debt to finance the purchase. Larger investors have viewed San Diego as a core investment market, with money flowing into both suburban and Downtown properties. Even with occupancy challenges and lean rent growth, the region's long-term demand drivers should continue to make it an attractive market for capital investment, short-term challenges notwithstanding.


SALES VOLUME & MARKET SALE PRICE PER UNIT
$500,000
$450,000
$400,000
$350,000
$300,000
$250,000
$200,000
Market Sale Price/Unit
$3.00
$2.50
$2.00
$1.50
$1.00
$0.50
$0.00
Sales Volume in Billions
Forecast
2020
2021
2022
2023
2024
2025
2026
2027
2028
2029
Sales Volume
San Diego Price/Unit
United States Price/Unit


MARKET CAP RATE
6.5%
6.0%
5.5%
5.0%
4.5%
4.0%
3.5%
3.0%
Forecast
2020
2021
2022
2023
2024
2025
2026
2027
2028
2029
San Diego 3 Star
San Diego 4-5 Star
San Diego
United States

Economy

San Diego County is home to over 3.3 million people, making it one of the largest counties in the country, and also one of the largest cities with over 1.4 million people. The region is located in Southern California along the Pacific Ocean, and it shares a border with Mexico. As a destination for tourists from around the world, over 25 million passengers passed through San Diego International Airport in 2024, making it the busiest single-runway airport in the United States. San Diego has been an attractive region for residents due to its diversified economy, great weather, and outdoor lifestyle. The innovation, military and tourism economies are the economic backbone of San Diego, placing it in the top 20 in the country for GDP and the top 25 for job growth.

Even so, the high cost of living has weighed on household formation and population growth in recent years, which has been flat since 2020. That has placed San Diego in the bottom half of growth among major markets in the country. The long-term economic drivers for San Diego appear stable, and a regional economy that includes a collaborative cross-border relationship, coupled with a strong university system, should underpin the region in the years ahead. San Diego's commercial real estate is concentrated west of Interstate 15, with its primary employment nodes in Downtown and the UC San Diego area. The region has a heavy concentration of multifamily housing, accounting for over one-third of the commercial real estate footprint and an estimated value exceeding$110 billion. Due to its popularity as both a destination for tourists and conventions, San Diego also has a heavy concentration of hospitality, placing the region in the top 15 for the size of its hospitality footprint. Along with 120 million SF of office space, multifamily and hospitality, each exceed the national share of total SF.

San Diego's industrial inventory spans 217 million SF, the most among commercial sectors, and the largest concentration of logistics space is located along the border with Mexico. However, when compared with the United States, San Diego has 25% less industrial square footage than the national average. San Diego's retail footprint falls in the middle of national rankings, although it has one of the lowest square footages per capita among major markets, and inventory has declined in recent years. San Diego is a well-educated region with over 40% of the population having earned a bachelor's degree and median household incomes are far above the national median. People have moved to San Diego over the decades to enjoy its climate, economy and outdoor lifestyle. However, since 2020, San Diego's population has been relatively flat. It has maintained that level due to natural growth coupled with international migration.

Net migration has fallen more than it has grown in recent years, with domestic net migration often falling by 25,000 to 30,000 annually. High living costs, median home prices are among the most expensive in the country, have often compelled residents to seek out more affordable housing markets. The oldest age bracket of 65-plus residents has been the fastest growing, and that trend is expected to continue in the years ahead. Conversely, the share of younger residents has been falling, and the percentage of residents below 18-years old is expected to moderate further as high housing costs often compel growing households to relocate. San Diego's economy is supported by the military, innovation, and tourism economies. San Diego has over 140,000 active duty and civilian military employees. According to the San Diego Military Advisory Council, the defense industry accounts for nearly 360,000 jobs in the region, roughly one in four jobs in the county. That is close to 23% of the economy. A freeze on Defense Department

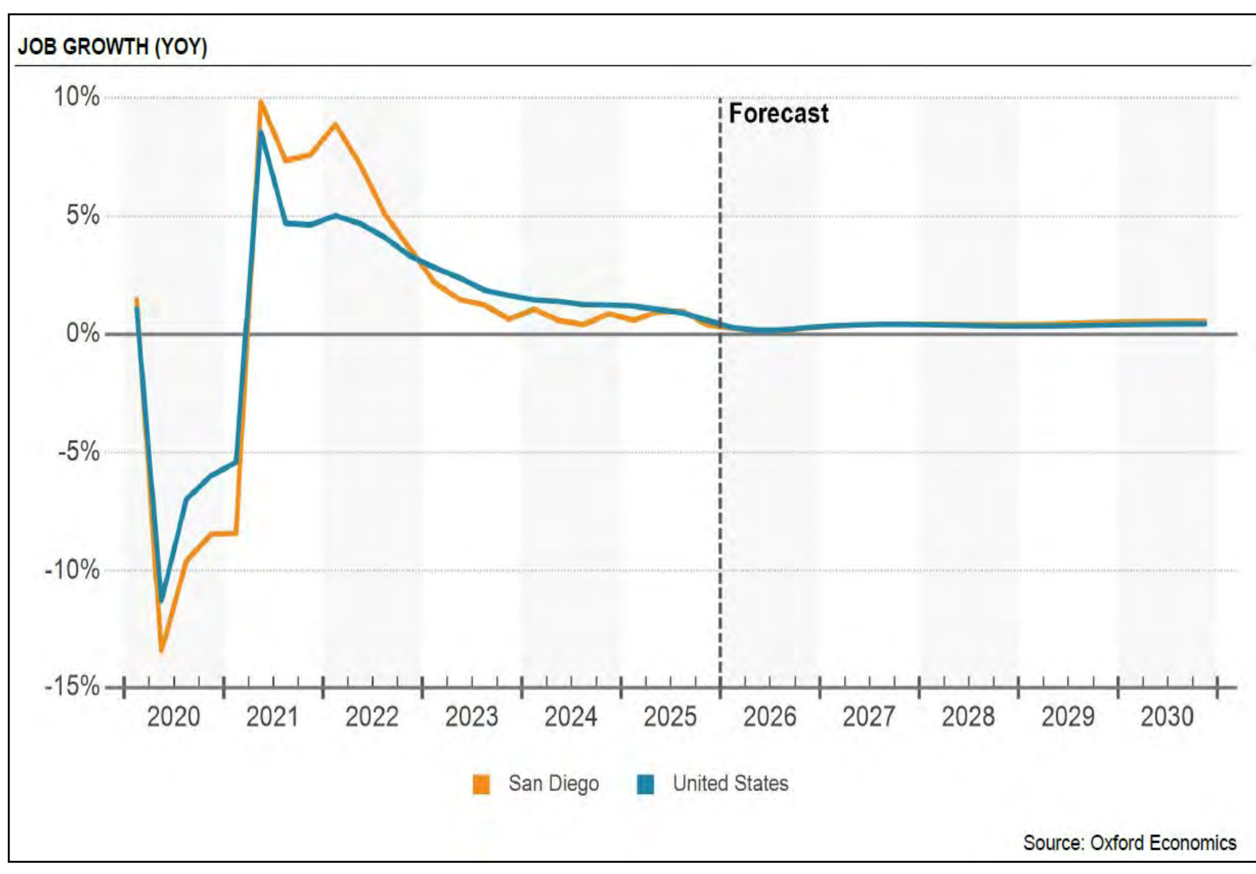
spending has resulted in the number of jobs and the contribution to the regional GDP falling by 3% and over 4%, respectively.

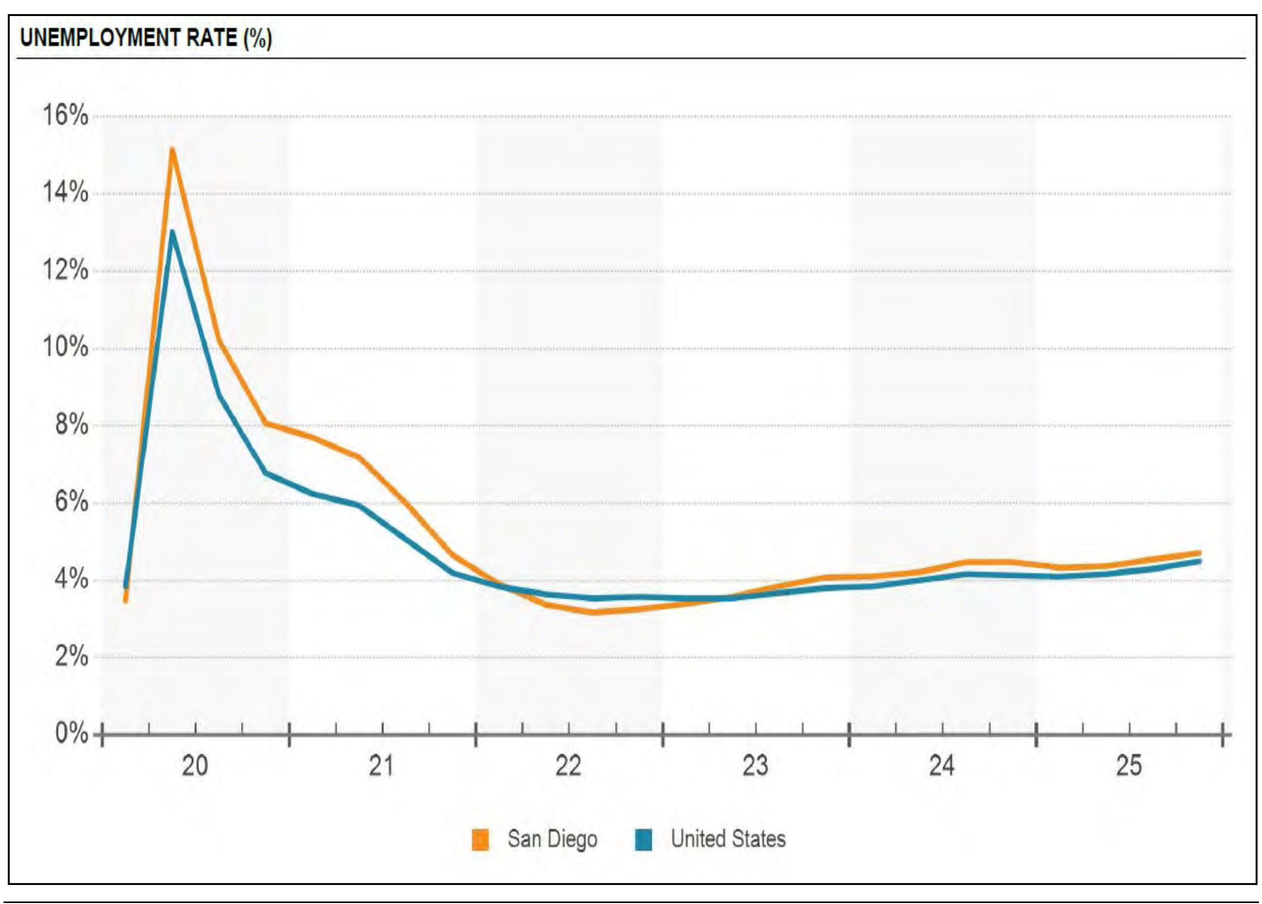
More than 80 research institutes, from Scripps Research Institute to Salk Institute for Biological Studies are located in San Diego. This cluster of research in the Golden Triangle has created one of the strongest life science cores in the United States. Amazon, Meta, and Apple are among the tech giants with a footprint in San Diego, most of which occupy space in the UTC area. The tourism industry had an economic impact of roughly$22 billion for the 2024 fiscal year. San Diego's unemployment rate has typically exceeded the national rate since 2020, with job growth typically underperforming. Office-using employment has fallen by roughly 30,000 since peaking, and the civilian labor force climbed to its highest level in 10 years during 2025.

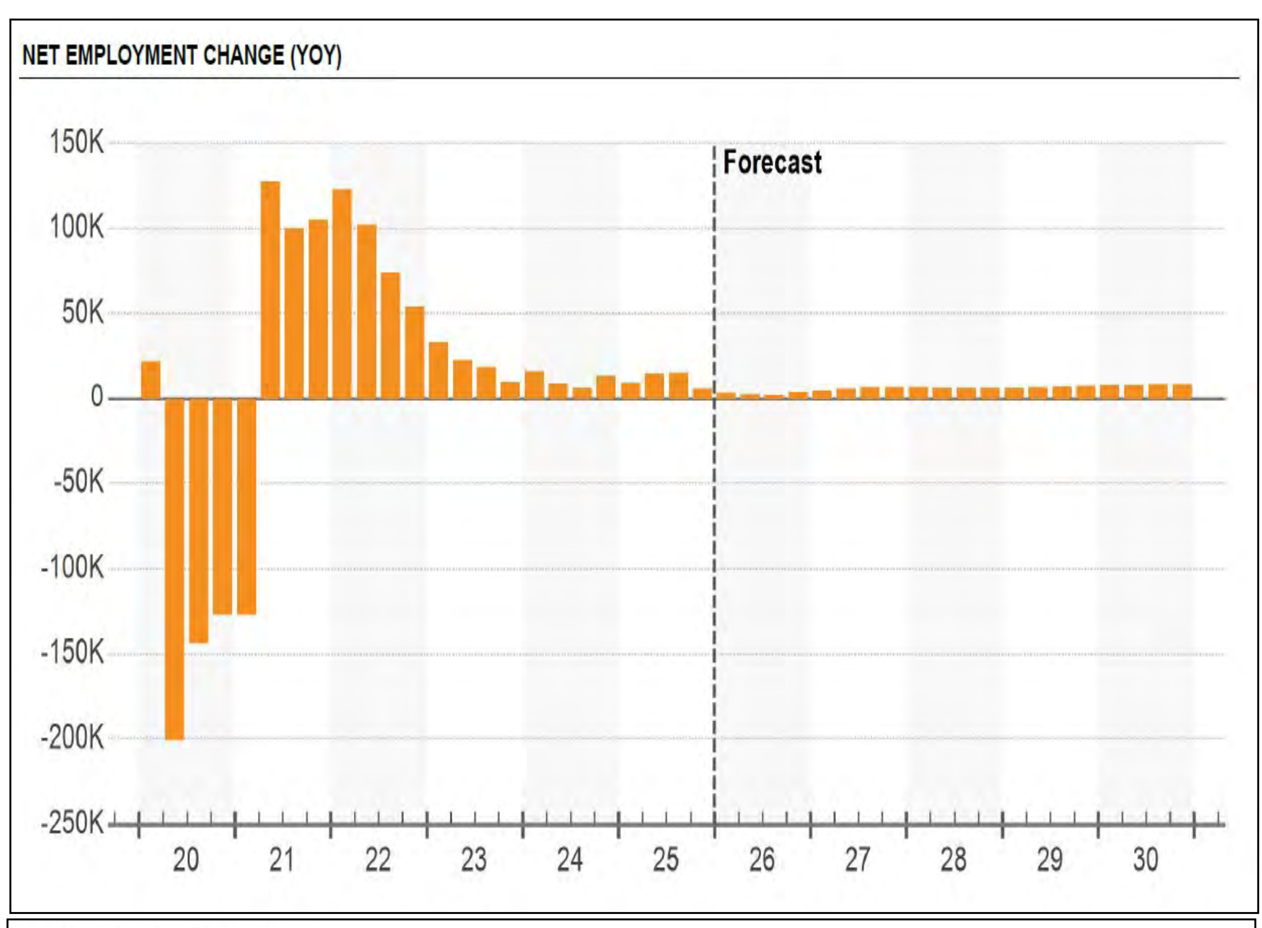
SAN DIEGO EMPLOYMENT BY INDUSTRY IN THOUSANDS

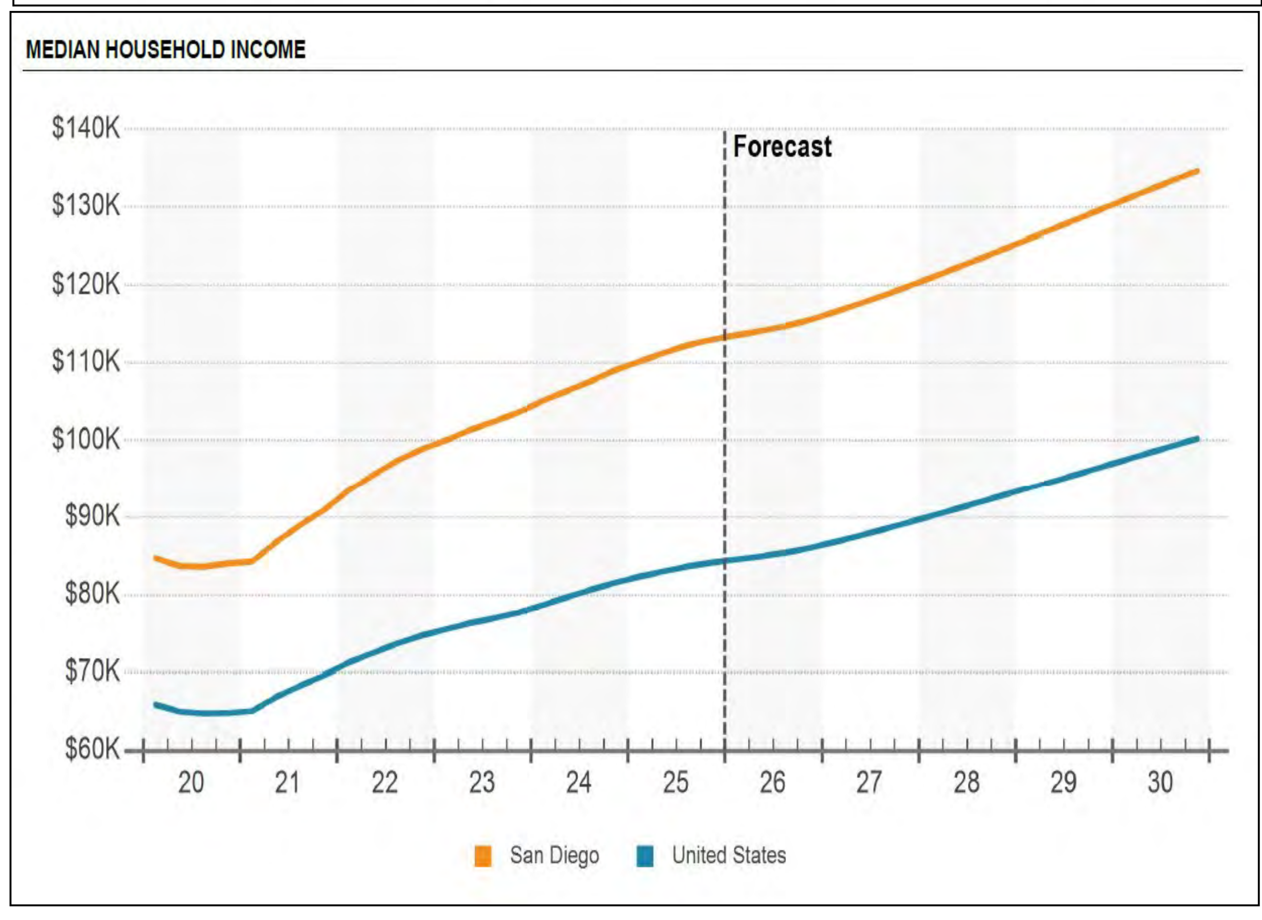
	CURRENT JOBS		CURRENT GROWTH		10 YR HISTORICAL		5 YR FORECAST	
Industry	Jobs	LQ	Market	US	Market	US	Market	US
Manufacturing	110	0.9	-0.77%	-0.27%	0.20%	0.31%	0.34%	0.20%
Trade, Transportation, and Utilities	223	0.8	-0.32%	-0.13%	0.19%	0.74%	0.05%	0.22%
Retail Trade	138	0.9	0.25%	0.21%	-0.53%	-0.07%	0.10%	0.14%
Financial Activities	71	0.8	-1.00%	-0.12%	-0.20%	1.16%	-0.12%	0.25%
Government	260	1.1	-0.07%	-0.56%	0.97%	0.58%	0.38%	0.32%
Natural Resources, Mining, and Construction	91	1.0	-0.59%	-0.19%	1.98%	1.92%	0.65%	0.56%
Education and Health Services	272	1.0	2.98%	2.36%	3.34%	2.14%	0.68%	0.40%
Professional and Business Services	261	1.2	-0.98%	-0.37%	1.16%	1.16%	0.36%	0.50%
Information	21	0.7	0.09%	0.01%	-1.05%	0.58%	0.13%	0.18%
Leisure and Hospitality	208	1.2	0.58%	0.75%	1.09%	0.99%	0.91%	0.85%
Other Services	57	1.0	1.10%	0.67%	0.56%	0.68%	0.51%	0.18%
Total Employment	**1,574**	**1.0**	**0.26%**	**0.31%**	**1.16%**	**1.08%**	**0.45%**	**0.39%**

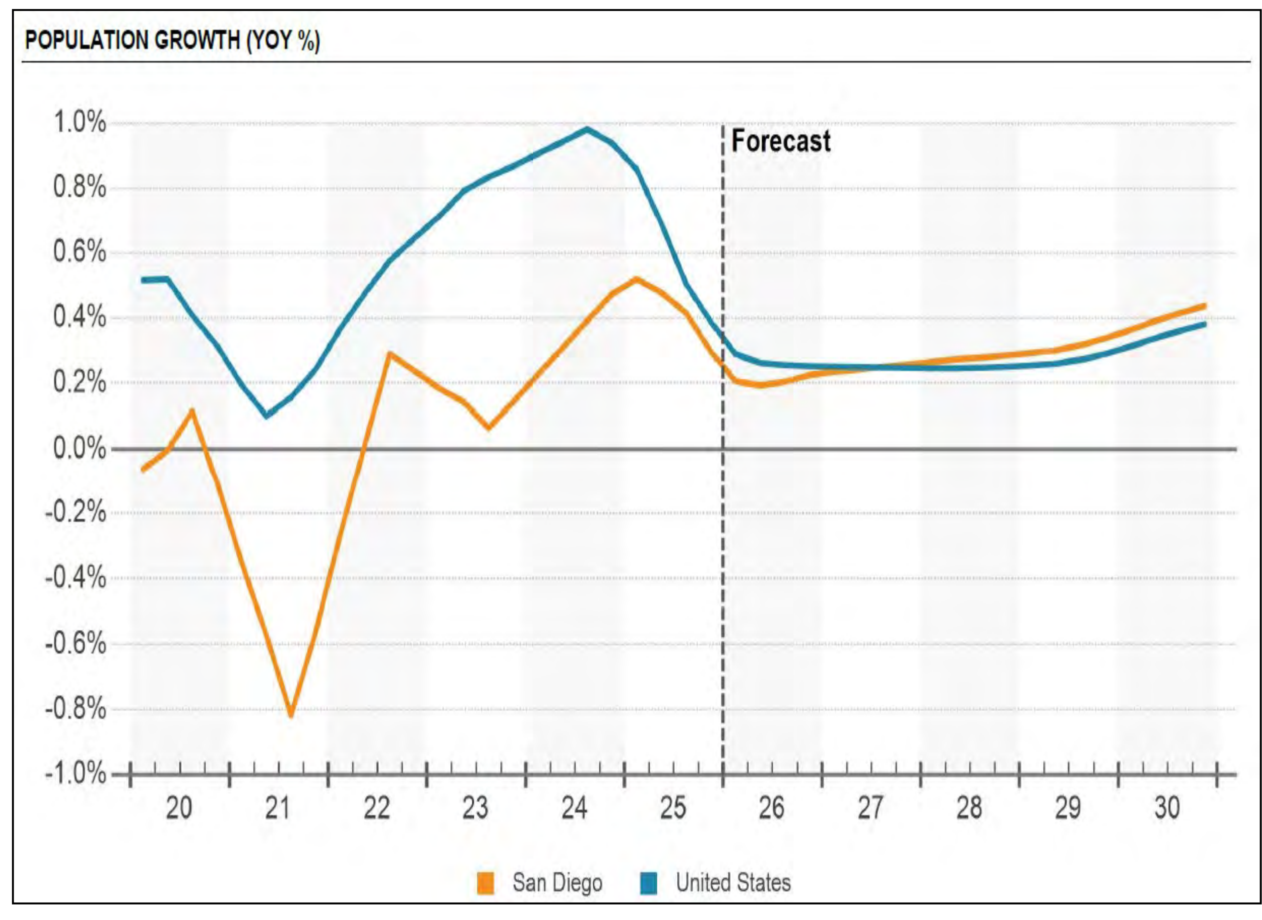
Source: Oxford Economics
LQ = Location Quotient


JOB GROWTH (YOY)
10%
5%
0%
-5%
-10%
-15%
Forecast
2020
2021
2022
2023
2024
2025
2026
2027
2028
2029
2030
San Diego
United States
Source: Oxford Economics

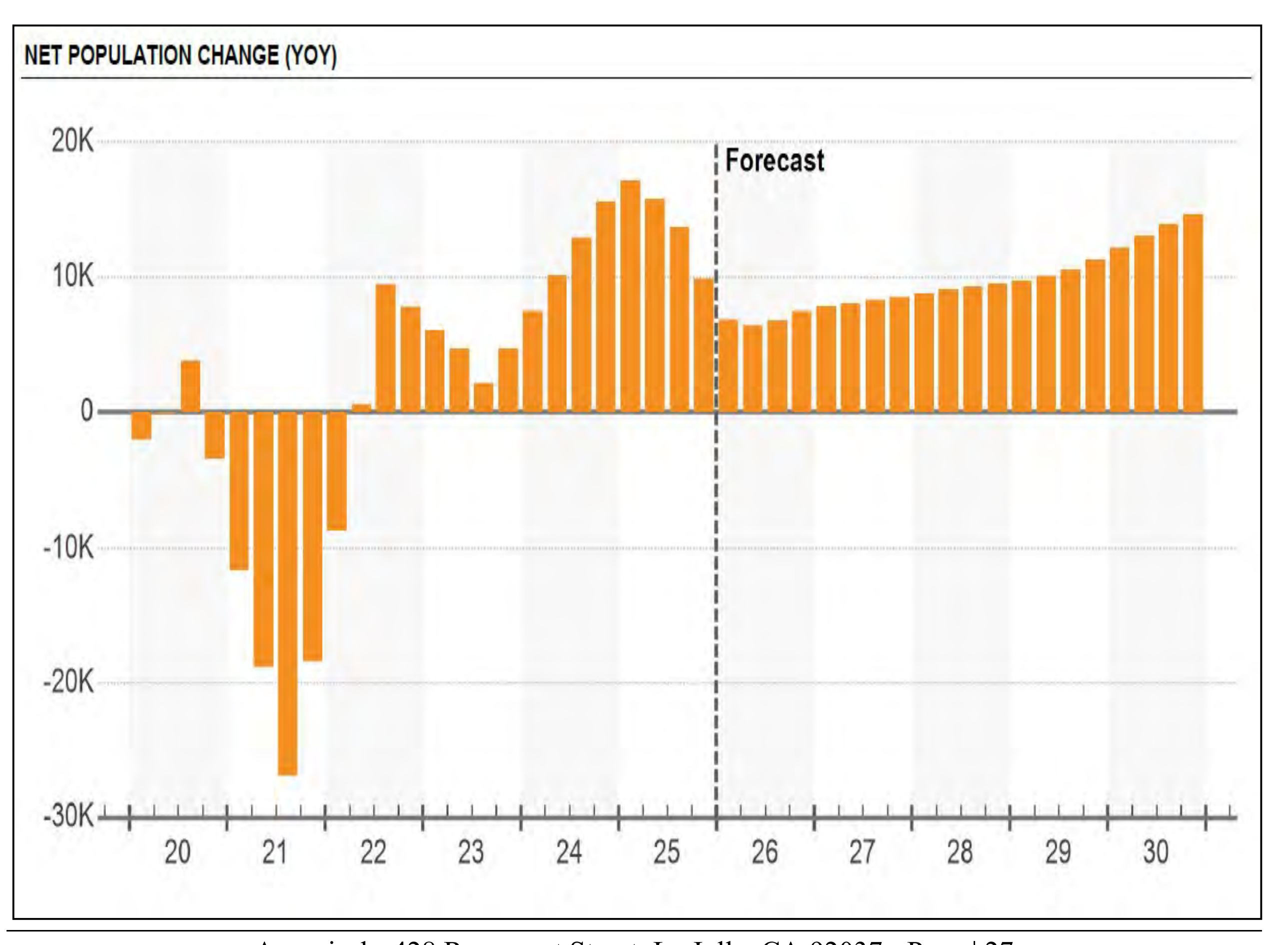

UNEMPLOYMENT RATE (%)
16%
14%
12%
10%
8%
6%
4%
2%
0%
20
21
22
23
24
25
San Diego
United States


NET EMPLOYMENT CHANGE (YOY)
150K
100K
50K
0
-50K
-100K
-150K
-200K
-250K
Forecast
20
21
22
23
24
25
26
27
28
29
30

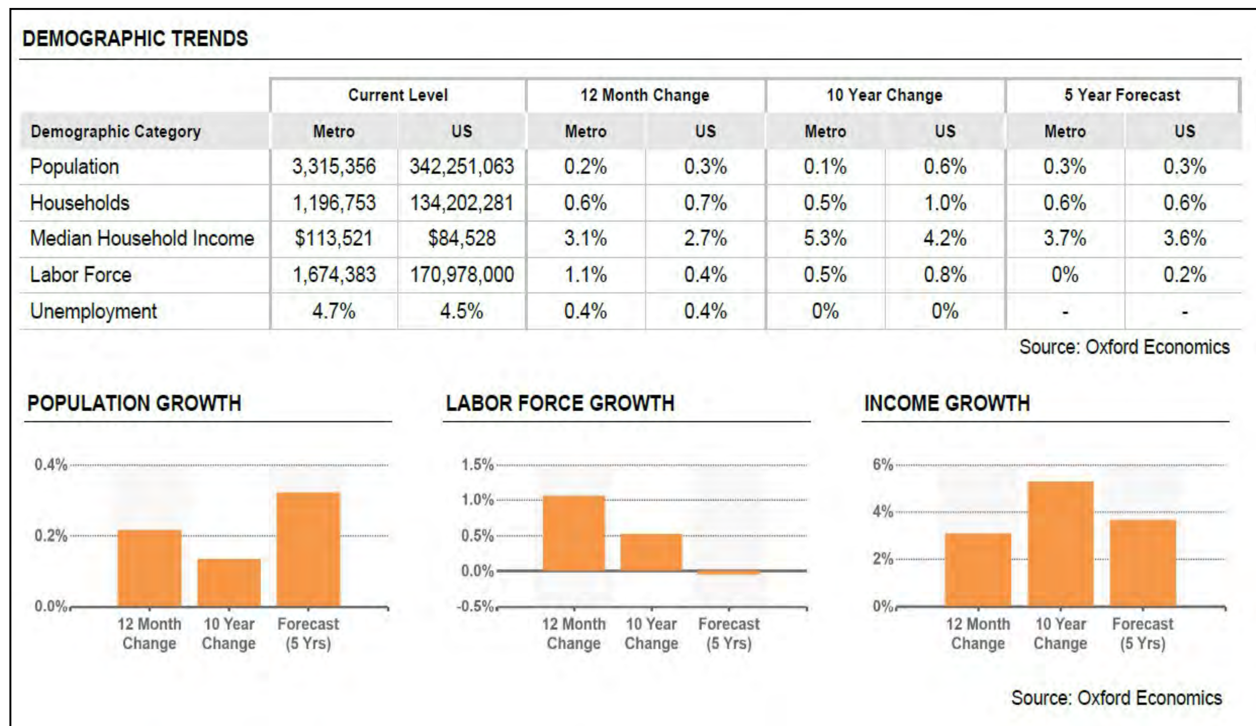

MEDIAN HOUSEHOLD INCOME
$140K
$130K
$120K
$110K
$100K
$90K
$80K
$70K
$60K
Forecast
20
21
22
23
24
25
26
27
28
29
30
San Diego
United States



POPULATION GROWTH (YOY %)
1.0%
0.8%
0.6%
0.4%
0.2%
0.0%
-0.2%
-0.4%
-0.6%
-0.8%
-1.0%
Forecast
20
21
22
23
24
25
26
27
28
29
30
San Diego
United States



NET POPULATION CHANGE (YOY)
20K
10K
0
-10K
-20K
-30K
Forecast
20
21
22
23
24
25
26
27
28
29
30



DEMOGRAPHIC TRENDS

	Current Level		12 Month Change		10 Year Change		5 Year Forecast	
Demographic Category	Metro	US	Metro	US	Metro	US	Metro	US
Population	3,315,356	342,251,063	0.2%	0.3%	0.1%	0.6%	0.3%	0.3%
Households	1,196,753	134,202,281	0.6%	0.7%	0.5%	1.0%	0.6%	0.6%
Median Household Income	$113,521	$84,528	3.1%	2.7%	5.3%	4.2%	3.7%	3.6%
Labor Force	1,674,383	170,978,000	1.1%	0.4%	0.5%	0.8%	0%	0.2%
Unemployment	4.7%	4.5%	0.4%	0.4%	0%	0%	-	-

Source: Oxford Economics

CoStar-La Jolla-UTC-MultiFamily-Submarket-1st Quarter-2026

La Jolla/UTC Multi-Family

12 Mo Delivered Units	12 Mo Absorption Units	Vacancy Rate	12 Mo Asking Rent Growth
0	85	3.4%	1.2%

Overview

UTC's status is firmly established as one of the most attractive submarkets in San Diego to both live and do business. It is the employment and educational core of San Diego, UC San Diego is located here, with easy freeway accessibility via interstates 5 and 805 and State Route 52. Westfield UTC, situated in the heart of the business district, offers high-end shopping, dining, and lifestyle amenities. The submarket's reputation as San Diego's main employment node stems from the presence of several of the county's largest employers and research institutions, including UC San Diego, Illumina, Scripps Institution of Oceanography, Apple, and Amazon. Additionally, Scripps Health Prebys Cardiovascular Institute, UCSD's Jacobs Medical Center, and the Koman Family Outpatient Pavilion all support high-income jobs and strong local demographics. More than 60% of residents hold at least a college degree in the submarket, including one of the heaviest concentrations of STEM degrees in San Diego.

However, even with that backdrop of demand drivers, the office sector in UTC has taken a step back since 2020. Office vacancy has doubled in UTC, and as UC San Diego builds more student housing, market-rate inventory in UTC will likely lose a source of its inelastic demand as thousands of new beds are built for students. The school currently has about 22,000 beds. The school's long-term vision anticipates adding enough student housing to accommodate nearly all of its students, which number nearly 45,000. Several thousand will be added in the coming years,

and that was before the University of California regents approved the addition of a 6,000-bed community. Construction is expected to begin in 2027. The vacancy rate has shifted by -0.7% year over year to 3.4%. Local property managers have reported that concessions have often been required to stabilize renewals and increase demand for renters at the front door, and they are likely to be employed this year. They are no longer the domain of new properties. Some landlords have opted to lower rents to secure demand rather than hold out for a higher price point.

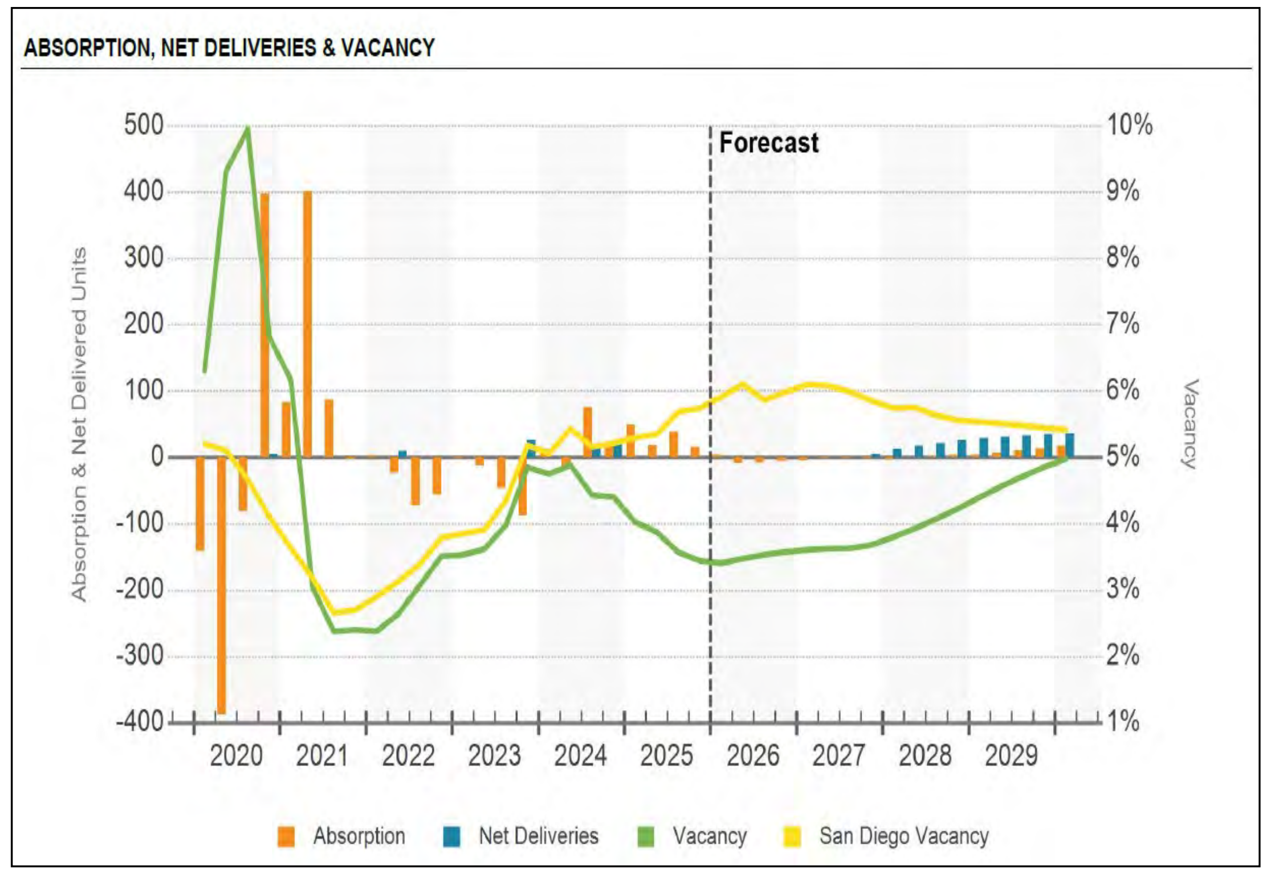
Market-rate development has been sporadic here. However, after selling off its six office towers in Downtown San Diego between 2024 and 2025, the Irvine Company has exited the downtown market and intends to use the proceeds to invest in the University City area, where a new community plan update could pave the way for thousands of new housing units. Among its first projects that the firm has identified is The Plaza office campus, located across from Westfield. The developer announced that it will build 550 housing units on the campus after demolishing two of the office buildings. Rent growth has measured 1.2% year over year, and average asking rent levels are among the highest in the region at $3,220/month. On a quarter-over-quarter basis, rents fell over 1% during 25Q4, which was one of the weakest rates in San Diego. The submarket is still dealing with the aftermath of rent growth peaking at 21.3% following the onset of the pandemic. It may take a few more quarters for rent growth to return to the long-term average of 3.4%, which is not expected before 2027.

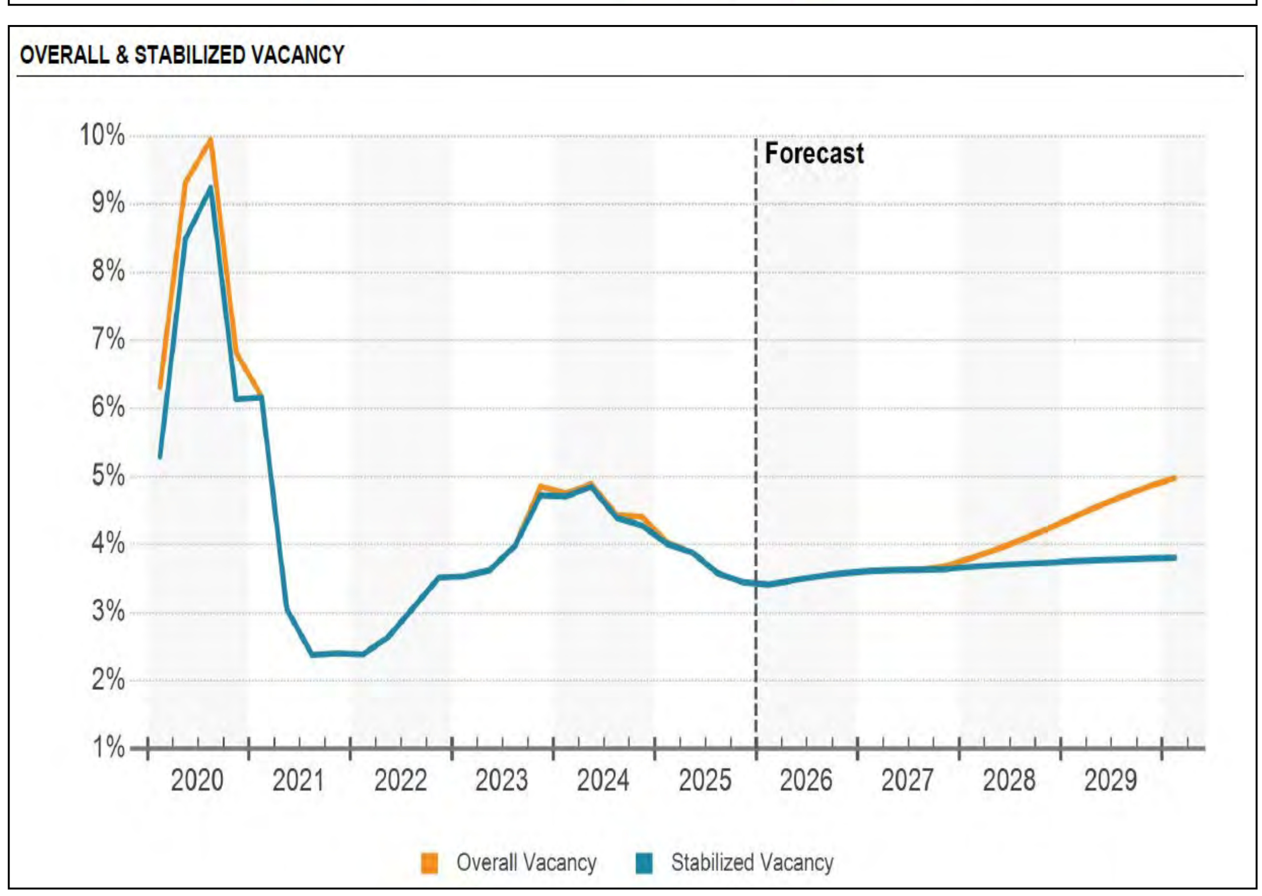
KEY INDICATORS

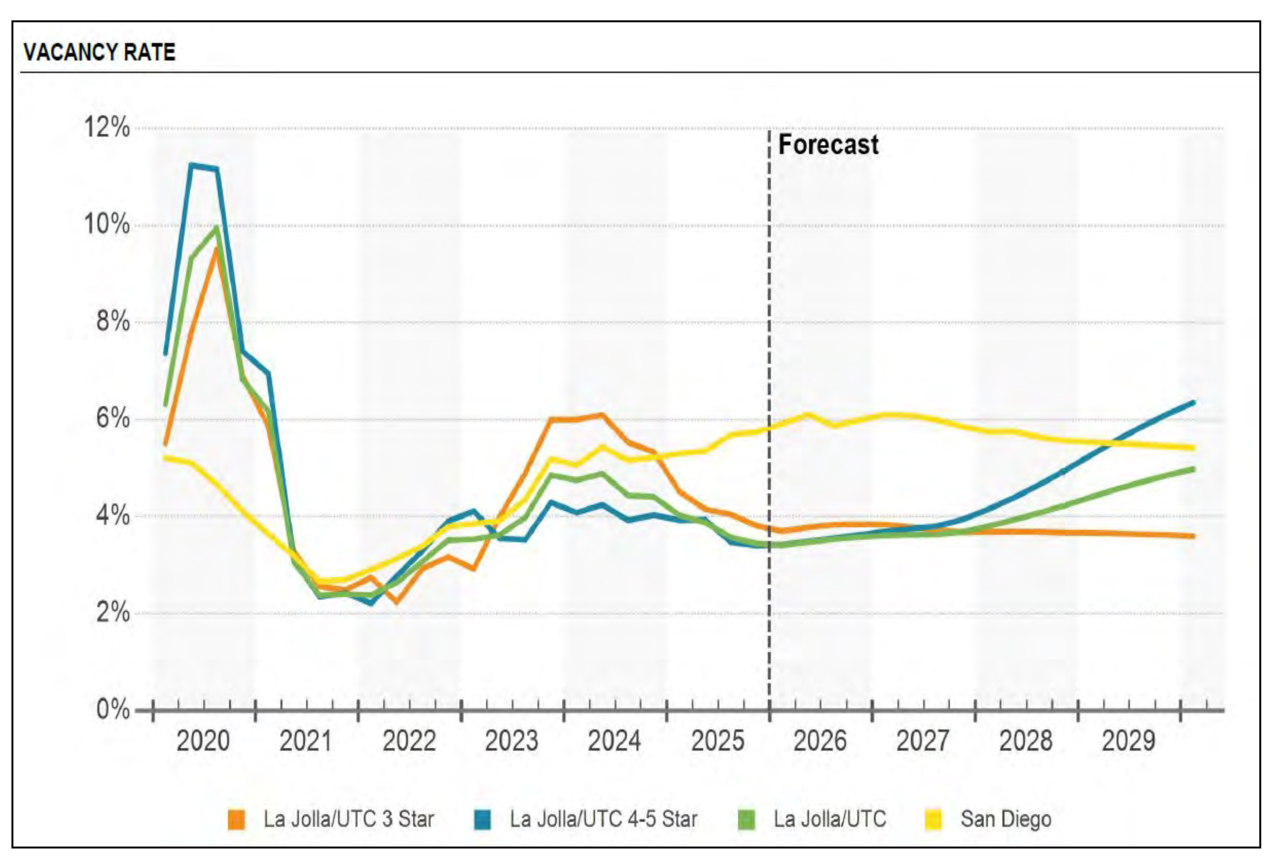
Current Quarter	Units	Vacancy Rate	Asking Rent	Effective Rent	Absorption Units	Delivered Units	Under Constr Units
4 & 5 Star	6,964	3.4%	$3,401	$3,374	(2)	0	0
3 Star	4,673	3.7%	$3,123	$3,107	5	0	0
1 & 2 Star	1,280	2.3%	$2,292	$2,282	1	0	0
Submarket	**12,917**	**3.4%**	**$3,224**	**$3,202**	**4**	**0**	**0**

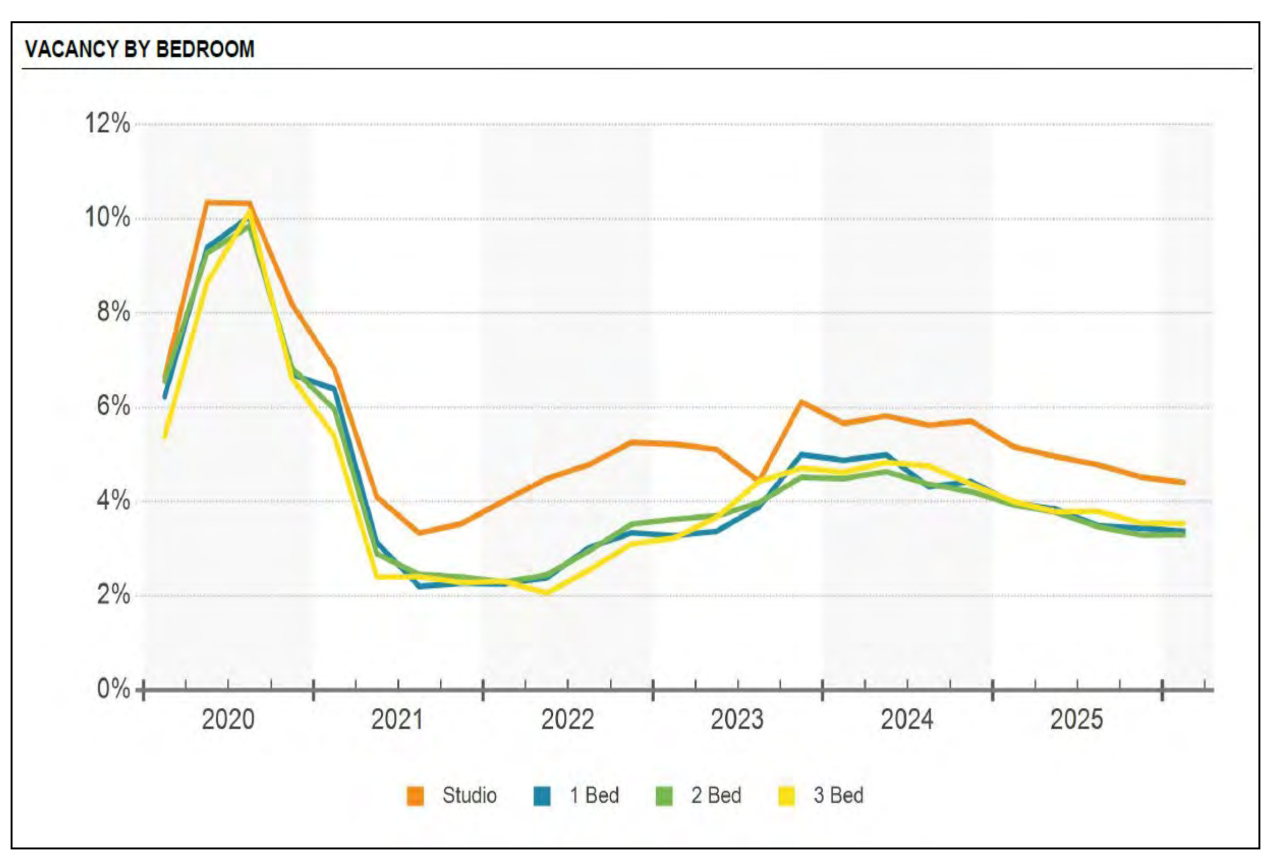
Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When	Trough	When
Vacancy	-0.7% (YOY)	4.8%	4.2%	9.9%	2020 Q3	2.4%	2021 Q3
Absorption Units	85	200	20	1,639	2000 Q4	(589)	2020 Q3
Delivered Units	0	205	61	1,632	2001 Q1	0	2025 Q4
Demolished Units	0	3	2	16	2023 Q2	0	2025 Q4
Asking Rent Growth	1.2%	3.4%	1.4%	21.3%	2021 Q3	-3.8%	2020 Q3
Effective Rent Growth	1.4%	3.4%	1.5%	25.3%	2021 Q3	-6.6%	2020 Q3
Sales Volume	$15.1M	$91.8M	N/A	$558.1M	2024 Q1	$0	2008 Q4

Vacancy

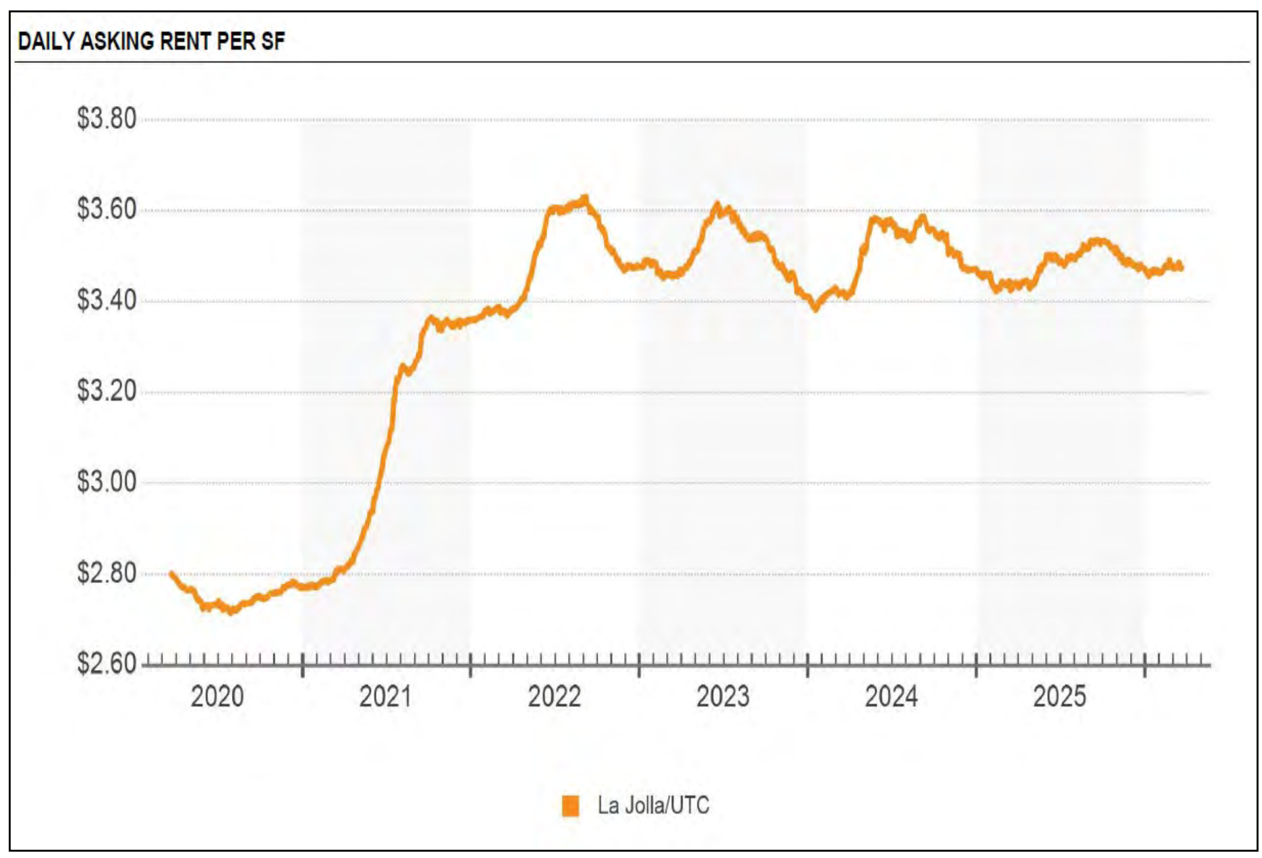


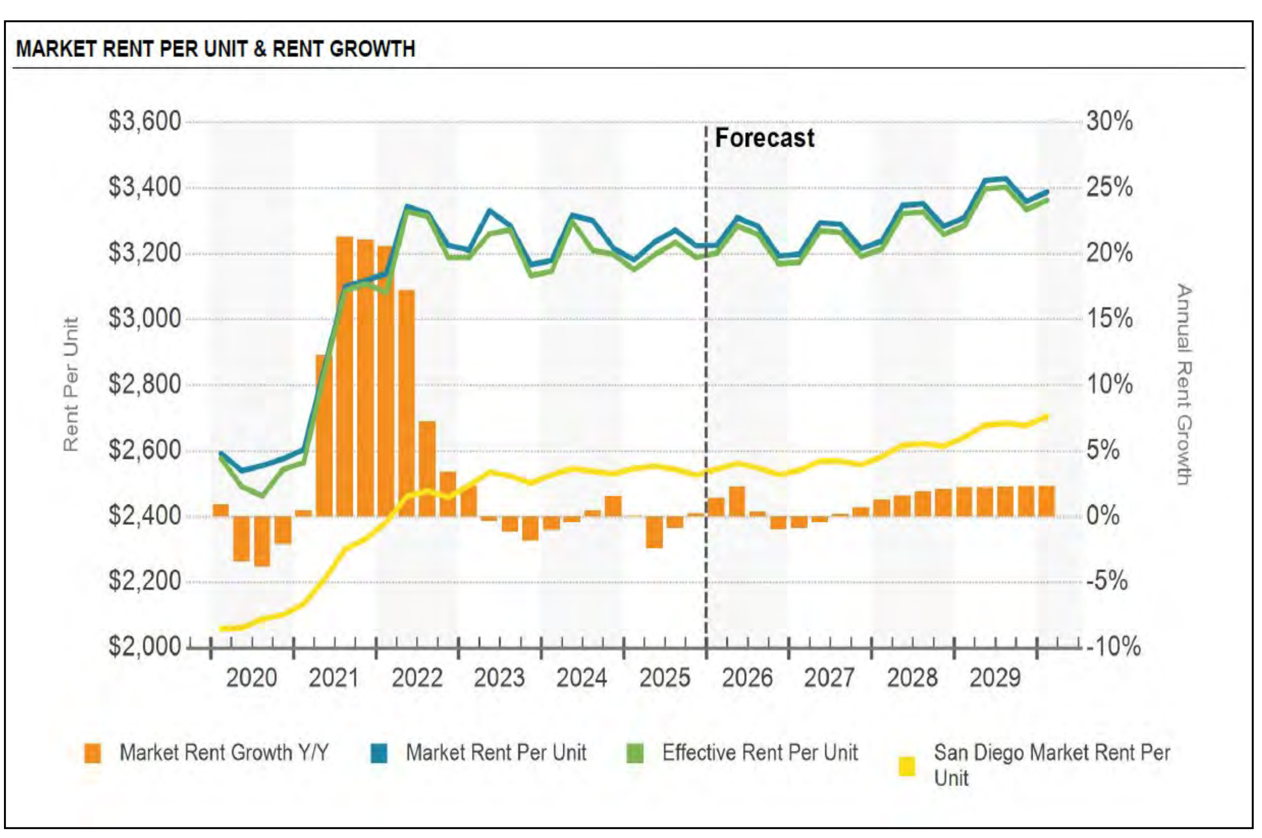


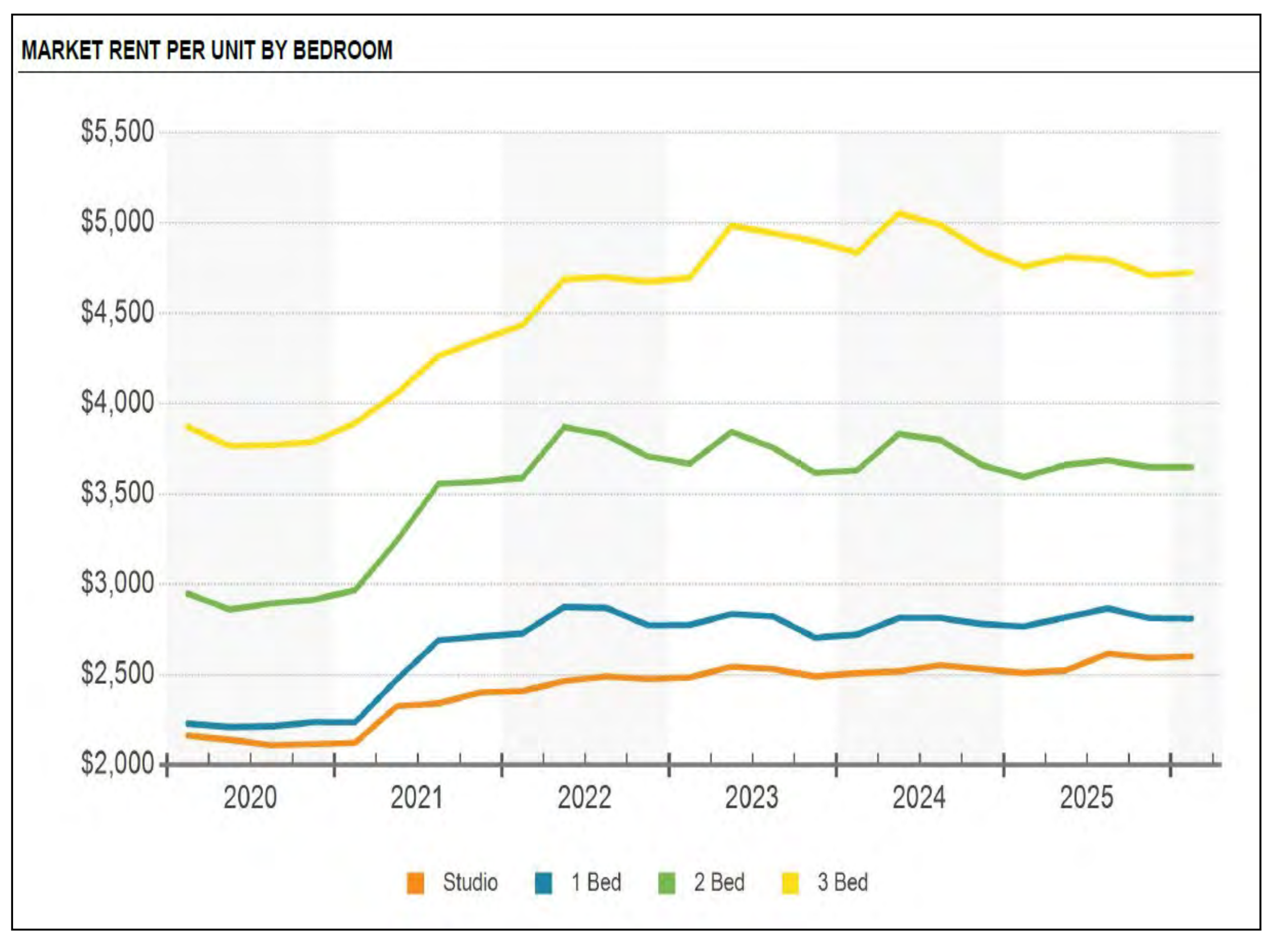

VACANCY RATE
12%
10%
8%
6%
4%
2%
0%
Forecast
2020
2021
2022
2023
2024
2025
2026
2027
2028
2029
La Jolla/UTC 3 Star
La Jolla/UTC 4-5 Star
La Jolla/UTC
San Diego


VACANCY BY BEDROOM
12%
10%
8%
6%
4%
2%
0%
2020
2021
2022
2023
2024
2025
Studio
1 Bed
2 Bed
3 Bed

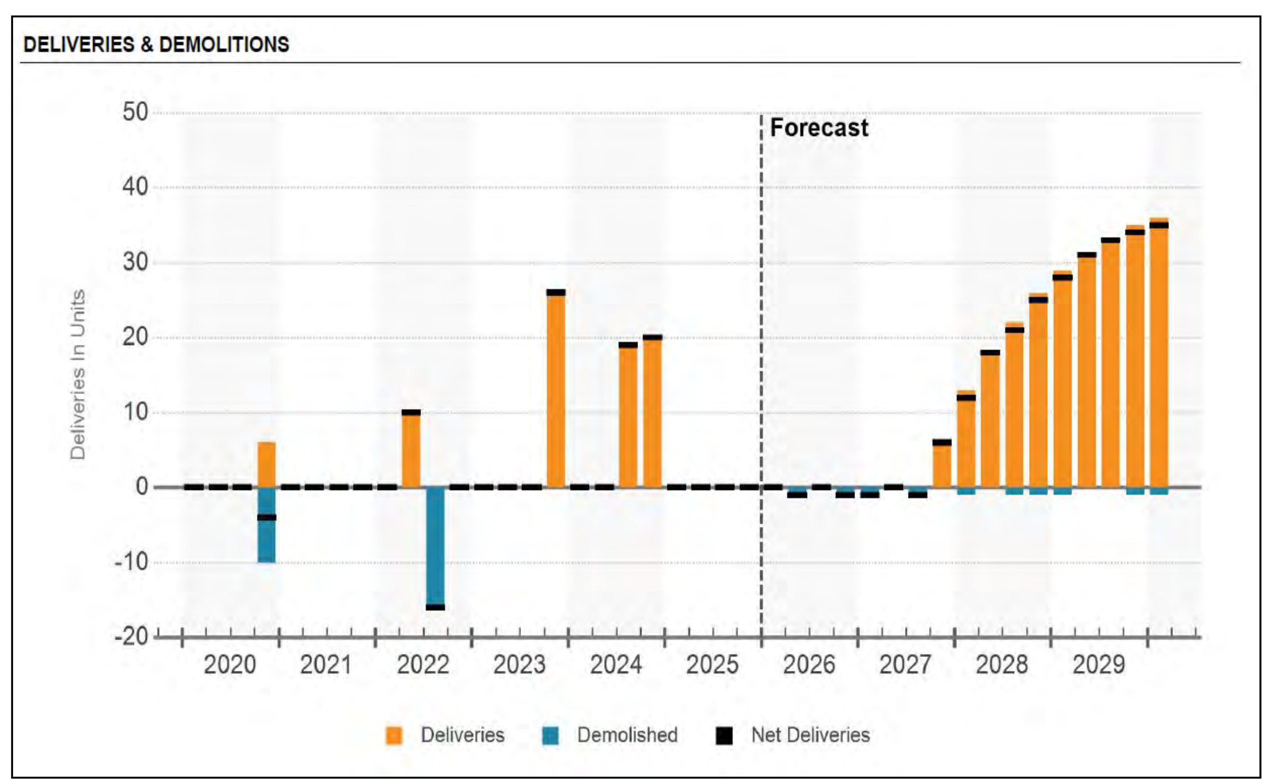
Rent







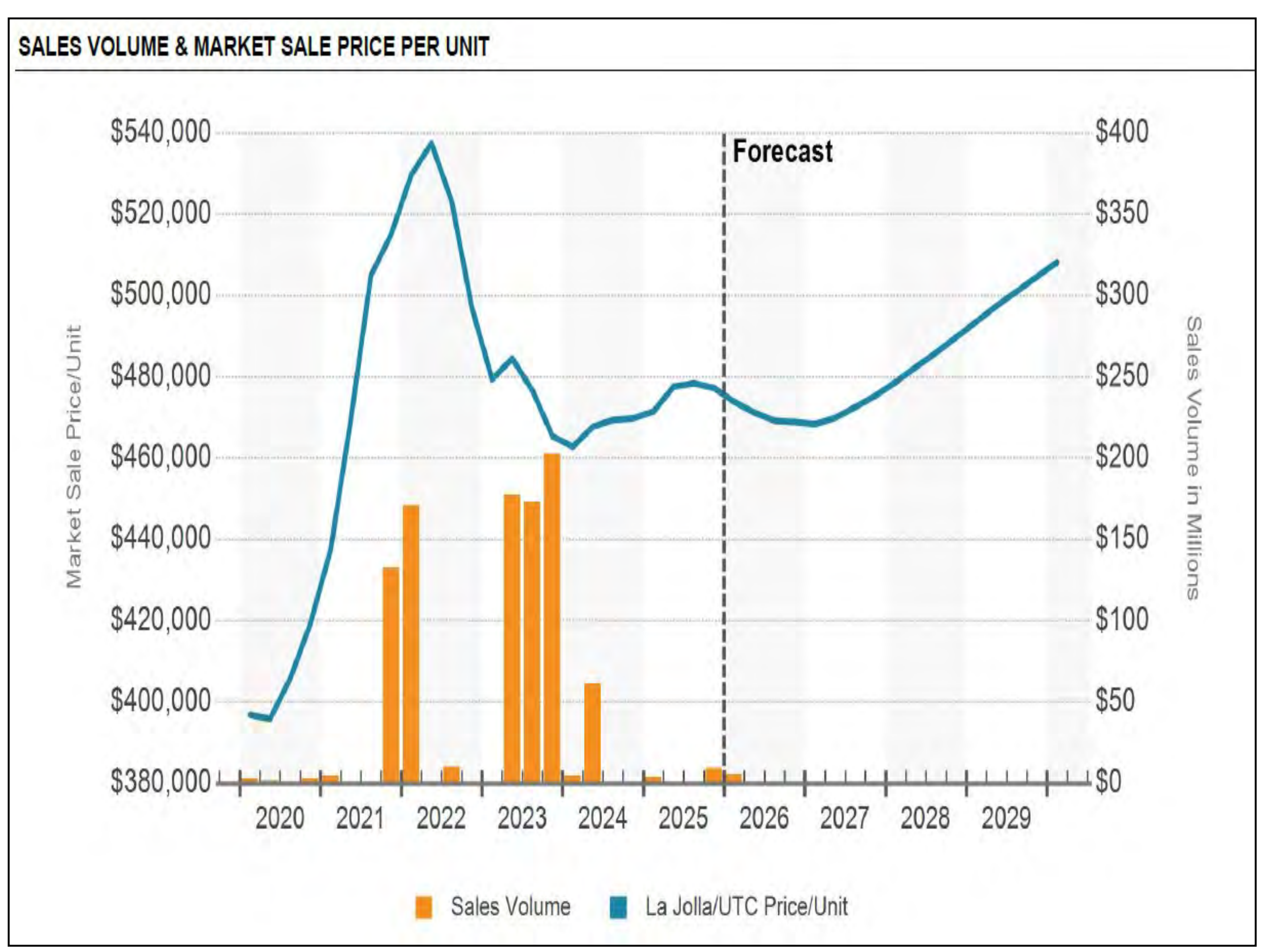
Construction

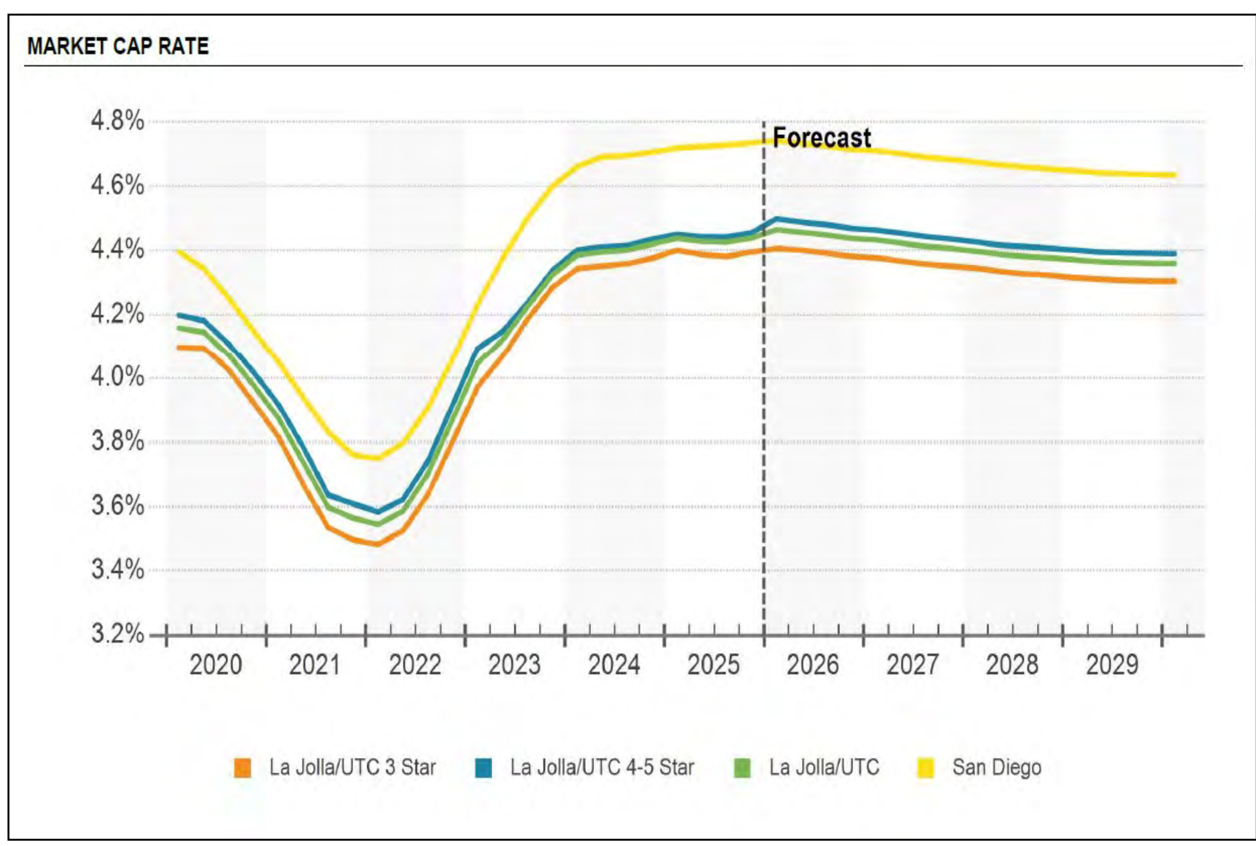


Sales

Most of the sales in the submarket have occurred in La Jolla Village or along Bird Rock, where smaller and older complexes line the coast. Investors have often targeted these properties for their value-add potential. Irvine Company is one of the dominant landlords here, and institutional and REIT capital sources own roughly 15%of the asset value here. Few institutional-sized communities are ever marketed for sale, but investors from across the country have shown interest when they are. That was the case in mid-2023 when two such deals closed, the first since the start of 2022. Those deals led to a 10-year peak in volume in mid-2023, followed by the sale of Palisade at Westfield. Those were generally outliers, however. Sales volume has tallied $15.1 million in the past 12 months compared with $65.3 million for the prior 12-month period.

At the end of 2025, a private buyer purchased the 12-unit property at 7601 Eads Avenue in La Jolla for $9.4 million, or about $780,000/unit, at a 3.9% rate. The property was 100% occupied and purchased for its value-add potential. A private investor purchased the five-unit property at 344 Prospect Street in La Jolla in 2025 for $3.9 million, or about $786,200/unit, at a 3% cap rate. The buyer paid cash for the property. Low cap rates have been typical for the submarket's older properties in La Jolla and Bird Rock, and investors have often paid cash for these value-add opportunities.





CoStar Market Vacancy and Rent Report

The CoStar Survey was analyzed in terms of vacancy, OAR (Capitalization Rates), year over year (YOY) rental growth rates, and year over year (YOY) sales price growth rates. We looked a radius distances surrounding the subject from the CoStar Multifamily Survey - 1st Quarter 2026. We surveyed distances ranging from a 1-mile radius to 50 miles as well as the regional and submarket indicators. Their results are summarized as follows:

CoStar Multifamily Survey - 1st Quarter 2026								Effective Rent	Asking Rent
Range	# of Units	Vacancy	Avg Sales PU	Avg Rent	Avg Rent PSF	Vac Change YOY	OAR	Growth %	Growth %
7-mile radius	56,988	5.90%	$438,000	$2,890	$3.36	1.70%	4.70%	0.50%	0.50%
5-mile radius	40,750	4.10%	$442,000	$2,937	$3.39	-0.20%	4.60%	1.50%	1.20%
3-mile radius	17,072	3.40%	$447,000	$3,166	$3.59	-0.70%	4.70%	1.00%	0.70%
2-mile radius	7,766	4.90%	$436,000	$3,051	$3.65	-0.30%	4.70%	0.80%	0.30%
1-mile radius	451	2.00%	$430,000	$3,112	$3.21	-0.50%	4.80%	3.20%	3.20%
CoStar Total Averages		4.06%	$438,600	$3,031	$3.44	0.00%	4.70%	1.40%	1.18%

Each of the radius distances were analyzed and rated for their individual impact on the subject's location and building type. The 1-mile radius indicator was given the greatest consideration and was assigned a weighted average quotient of 70%. The 3-mile radius indicator was afforded secondary consideration and was assigned a weighted average quotient of 20%. Finally, the CoStar Total Averages of all the radius distances was given the least amount of consideration and was assigned a weighted average quotient of 10%. The following tables summarize our conclusions:

Asking Rent Change Year over Year			
Item	**Weight**	**Indicator**	**Amount**
1-mile radius	70.00%	-0.80%	-0.56%
3-mile radius	20.00%	0.70%	0.14%
CoStar Total Averages	10.00%	0.24%	0.02%
	100.00%	**Weighted Avg**	**-0.40%**

Effective Rent Change Year over Year			
Item	**Weight**	**Indicator**	**Amount**
1-mile radius	70.00%	-0.80%	-0.56%
3-mile radius	20.00%	0.90%	0.18%
CoStar Total Averages	10.00%	0.40%	0.04%
	100.00%	**Weighted Avg**	**-0.34%**

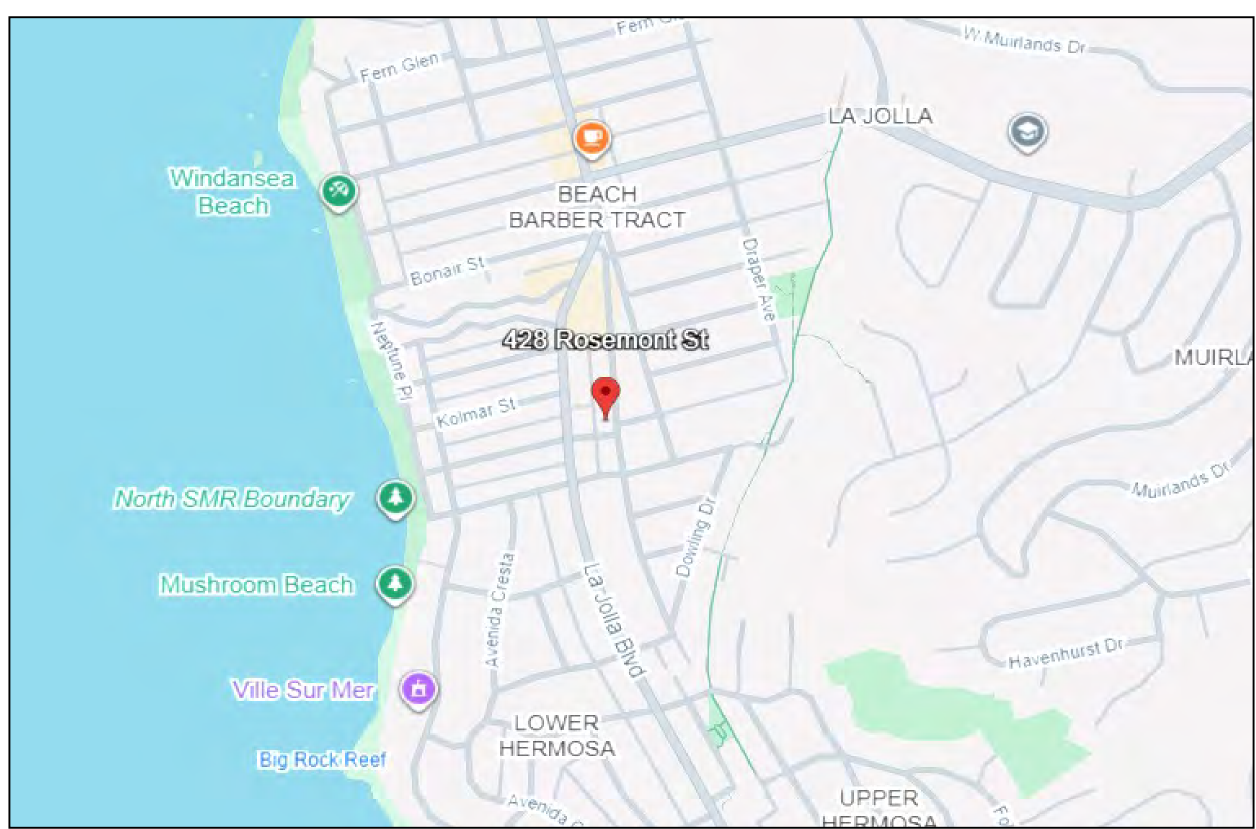
The Asking Rent Change Year over Year was deemed a better indicator of an investor's criteria for analyzing this type of property as compared to the Effective Rent Change Year over Year and it was given a larger weighted average quotient of 80%. The Effective Rent Change Year over Year was deemed an inferior indicator of an investor's criteria for analyzing this type of property as compared to the Asking Rent Change Year over Year and it was given a lower weighted average quotient of 20%. The following table summarizes our conclusion:

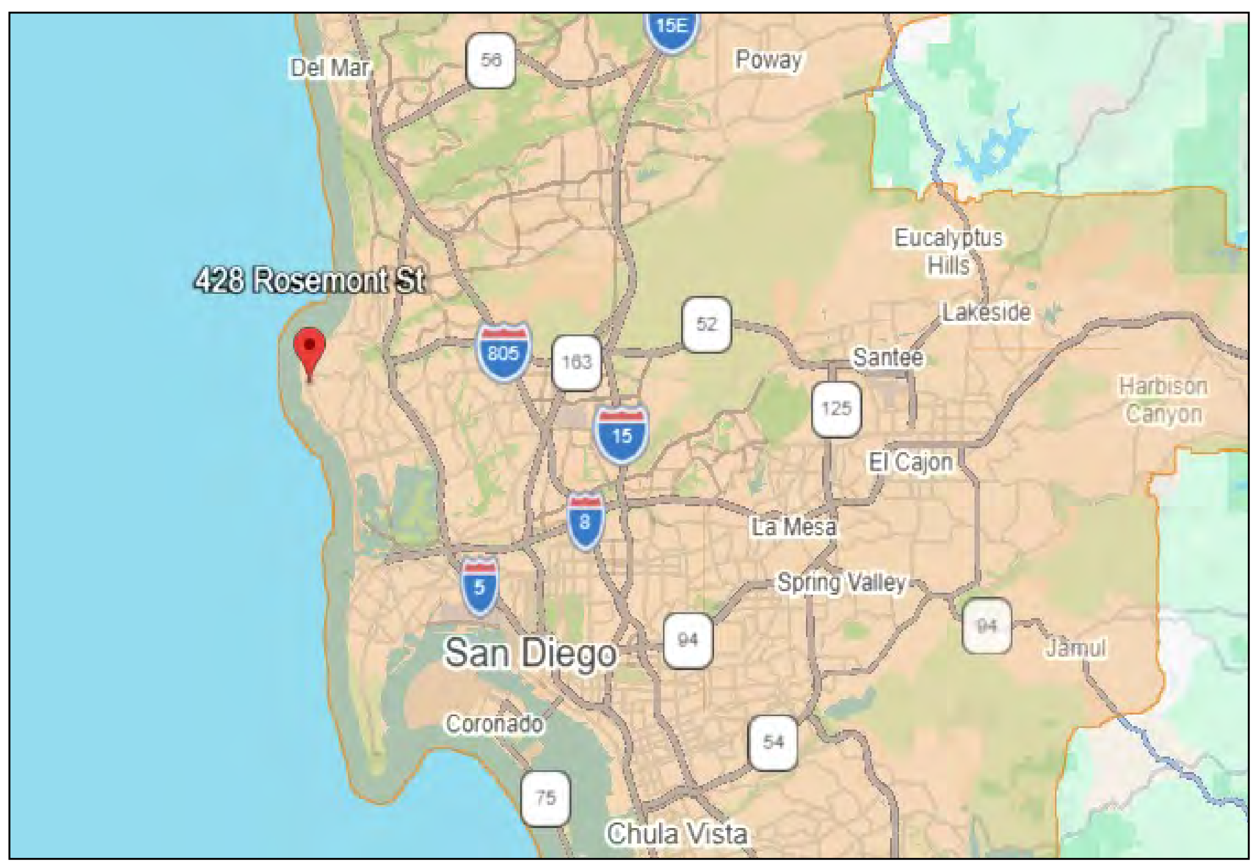
Apartment Market Survey - SubMarkets

Approach	Conclusion	Weight	Amount
Asking Rent Change Year over Year	-0.40%	80%	-0.32%
Effective Rent Change Year over Year	-0.34%	20%	-0.07%
Weighted Average			-0.38%
Annual Date of Sale Adjustment			**-0.38%**

We estimate that the apartment market in La Jolla has remained stable over the last year.

Locational Maps





Site Description

Lot Size:	10,001 square feet
Site Dimensions:	100' x 100'
Frontage:	100' Rosemont/100' Electric
Shape:	Rectangular
Street:	Asphalt
Street Width:	50' Rosemont/70' Electric
Sidewalks:	Concrete
Curbs & Gutters:	Concrete
Zoning:	RM-1-1
Lighting:	Yes ☒ No ☐
Electric:	Yes ☒ No ☐
Natural Gas:	Yes ☒ No ☐
Water:	Municipal ☒ Well ☐
Sewer:	Municipal ☒ Septic ☐
Storm Drains:	Yes ☒ No ☐
Parking:	None
Topography:	Flat and level
Common Laundry:	Yes
Site Amenities:	Landscaping
Know Easements:	Yes ☐ No ☒
Known Encroachments:	Yes ☐ No ☒

Rating	Ex	Gd	Av	Fr	Pr
Access:	☐	☐	☒	☐	☐
Street Frontage:	☐	☐	☒	☐	☐
Shape:	☐	☐	☒	☐	☐
Functional Utility:	☐	☐	☒	☐	☐
Visibility/Exposure:	☐	☐	☒	☐	☐
Landscaping:	☐	☐	☒	☐	☐
Drainage:	☐	☐	☒	☐	☐
Adequacy of Utilities:	☐	☐	☒	☐	☐
Traffic Pattern:	☐	☐	☒	☐	☐
Parking Area:	☐	☐	☒	☐	☐
Ingress/Egress:	☐	☐	☒	☐	☐
Fencing:	☐	☐	☒	☐	☐

		Yes	No
Corner Lot:		☒	☐
Underground Utilities:		☐	☒
Environmental Issues Observed:		☐	☒
Earthquake Zone:		☐	☒
Flood Zone: X	Panel Date: 12/20/19	☐	☒
Panel Map#:	06029506073C1584H		

Neighboring Uses

To the North:	Multifamily Residential
To the East:	Multifamily Residential
To the West:	Multifamily Residential
To the South:	Multifamily Residential

Location/Shape

The subject property occupies a prominent corner lot at the intersection of Rosemont Street and Electric Avenue, providing dual street frontage and enhanced accessibility relative to interior parcels. The site is generally rectangular in overall configuration, with primary frontage along Rosemont Street and secondary frontage along Electric Avenue. The parcel is level and at grade with the surrounding streets and is improved with multiple low rise residential structures arranged in a garden style configuration centered around an interior courtyard. The improvements are oriented inward, creating a semi private common area environment that is buffered from the street while still maintaining visual openness.

A defining feature of the site is its adjacency to a public alleyway along the eastern boundary, which runs parallel to Electric Avenue and provides direct vehicular access to the rear of the property. This alley serves as the primary access point for the four on site garage spaces, which are located beneath a portion of the structure and are accessed exclusively from this rear alley. This configuration allows for separation of vehicular and pedestrian circulation, with pedestrian access primarily occurring from Rosemont Street and the corner frontage, while service and parking functions are accommodated along the alley. The presence of the alley significantly enhances functionality by reducing curb cuts along the primary street frontage and preserving the residential character of the site.

The site improvements include landscaped front yard areas, hardscaped walkways, and a central courtyard featuring mature trees, planting beds, and informal seating areas that contribute to tenant enjoyment and livability. The perimeter is defined by low masonry walls and fencing, providing a balance of privacy and neighborhood integration consistent with the surrounding residential context. The overall layout reflects a traditional coastal multifamily design with a focus on outdoor space and pedestrian oriented circulation.

Surrounding Uses/Beach Proximity

The immediate surrounding area is comprised predominantly of low density residential uses, including single family homes, duplexes, and small multifamily properties of similar scale and vintage. The neighborhood exhibits a cohesive residential character with a mix of coastal bungalow, Spanish style, and more recently constructed contemporary homes. Streets in the immediate vicinity are narrow residential roadways with parallel parking and relatively low traffic volumes, reinforcing a quiet and pedestrian friendly environment. Nearby La Jolla Boulevard serves as a local commercial corridor offering convenient access to neighborhood serving retail, dining, and personal services within walking distance of the subject.

The broader neighborhood is part of the Beach Barber Tract area of La Jolla, one of the most desirable coastal residential enclaves in San Diego. The subject is located within a few blocks of Windansea Beach, providing convenient access to the Pacific Ocean and one of the region’s most recognized coastal destinations. This close proximity to the ocean contributes to strong tenant demand and long term value support, as residents benefit from a highly walkable coastal lifestyle, access to beaches and recreational amenities, and the overall appeal of a well-established seaside community.

Probable Actions of the Most Likely Buyer to the Site

An Extraordinary Assumption has been made that a typical and most probable buyer of the subject property would undertake a comprehensive renovation and repositioning program, including full interior upgrades to all units, and significant site improvements, in order to maximize rental income and overall cash flow. This assumption is based on the subject's current condition, which includes partially vacant units, ongoing interior demolition, and below market rents in the remaining occupied units, all of which indicate clear value add potential consistent with investor behavior in the La Jolla coastal multifamily market. We are appraising this property under a Hypothetical Condition of the conversion of the four garage spaces into studio units, and conversion of the storage room into a common laundry room.

Under the Hypothetical Condition and this Extraordinary Assumption, the buyer is expected to incur costs associated with tenant relocation, interior renovations totaling $754,215 ($165.00 per rentable square foot), conversion costs for the four studio units and common laundry of $330,450 ($300.00 per square foot), and site improvements including patios, complete site fencing, and courtyard enhancements totaling $350,000. In addition, we estimated two months of rental loss for leasing up the units to arrive at a stabilized occupancy. These costs are necessary to reposition the property to a stabilized condition capable of achieving market rents, which supports a concluded stabilized market value of $9,325,000. At that point, the developer would sell the property, incur selling costs (estimated at 5% of the sale price), and then expect to make a profit upon the resale of the stabilized asset (estimated at 15% of the total stabilized sales price).

The resulting As Is value of $5,910,000 reflects the stabilized value less all costs required to achieve that condition, including $35,000 in relocation fees for the two existing below-market tenants, $754,215 in building renovations, $330,450 for ADU and laundry room conversion costs, $350,000 in site work, $80,800 in lease/up rental loss, $466,250 in sales costs, and $1,398,750 for developers fees/entrepreneurial profit, for a total deduction of $3,415,465. The Hypothetical Condition and Extraordinary Assumption are critical to the valuation, as they directly impact both the income potential and the associated costs, and if the property were not renovated, the garages converted into studio units, and repositioned as assumed, the resulting value conclusion would be materially different.

We make an Extraordinary Assumption that these costs would be adequate to reposition the property into a modern and desirable long-term asset. This methodology reflects standard appraisal practice for value add assets, where the as is value is determined by capitalizing the future stabilized condition and deducting all costs necessary to achieve that condition, including both direct expenditures and income disruption during the renovation period. If the Hypothetical Condition or Extraordinary Assumption prove false, it could impact the final "As Is" Value in this report.

This approach is consistent with investor underwriting behavior in the La Jolla market, where buyers evaluate coastal multifamily assets based on their stabilized income potential and adjust their purchase price to reflect the time, cost, and risk required to achieve that stabilization.

Land Area/Parking

The subject has a total combined lot area of 10,001 square feet. With a building size of 5,673 square feet, the subject has a building to land ratio of 56.72%. The four garage spaces are estimated to be converted into residential studio units (ADUs).

Utilities and Urban Services

The subject property is located within a fully developed urbanized portion of La Jolla in the City of San Diego and is served by a complete range of public utilities and municipal services typical of a coastal residential neighborhood. Electrical service is provided by San Diego Gas & Electric, which supplies electricity and natural gas to the property through established distribution infrastructure in the area. Water service is provided by the City of San Diego Public Utilities Department, which also supplies potable water through the regional aqueduct and reservoir system.

Sanitary sewer service is provided by the City of San Diego Metropolitan Wastewater Department, with connections to the public sewer system available along the adjacent streets and alleyway. Stormwater drainage is handled through the City's municipal storm drain system, which is typical for developed residential neighborhoods in this area. Solid waste collection and recycling services are provided by the City of San Diego Environmental Services Department, offering regular refuse, recycling, and organic waste pickup.

Telecommunications infrastructure, including telephone, cable television, and high speed internet services, is available through multiple providers including AT&T and Spectrum, reflecting a competitive service environment with modern connectivity options. Police protection is provided by the San Diego Police Department and fire protection and emergency medical response are provided by the San Diego Fire-Rescue Department.

Overall, the subject benefits from full urban utility availability and reliable municipal services, all of which are consistent with its location in a mature and highly desirable coastal residential submarket.

Drainage and Topography

The subject site is generally level with the surrounding grade and exhibits no adverse topographic conditions that would impact development or utility. The parcel appears to be at or near street grade along both Rosemont Street and Electric Avenue, allowing for efficient drainage away from the improvements and toward the public right of way. Surface drainage is typical for an urban coastal residential site and is assumed to be directed toward the municipal storm drain system via adjacent streets and alleyways. No significant slopes, erosion concerns, or observable drainage impairments were noted, and the overall topography is considered functional and suitable for its current multifamily use.

According to available flood mapping, the subject is located within Flood Zone X, which is defined as an area of minimal flood hazard outside of the one hundred year floodplain. The applicable FEMA Community Panel is 06029506073C1584H with an effective panel date of December 20, 2019. Based on this designation, the property is not considered to be within a special flood hazard area and flood insurance is typically not required by lenders, although it may be obtained voluntarily. Overall, the site's topography and drainage characteristics are typical for the surrounding neighborhood and do not present any known limitations to its continued residential use or future improvements.

Seismic Risks

The subject property is located within a seismically active region of Southern California, an area influenced by regional tectonic activity associated with the Pacific and North American plate boundary system. While the site is not situated directly atop a known active fault trace, it is in proximity to the Rose Canyon Fault Zone, which runs through portions of coastal San Diego and represents the primary mapped seismic source in the immediate region. This fault is considered active and capable of generating moderate to strong seismic events, although it is less active than major regional systems such as the San Andreas Fault.

Based on available mapping, the subject does not appear to be located within a designated Alquist-Priolo Earthquake Fault Zone, which would otherwise indicate a higher likelihood of surface fault rupture. As such, the primary seismic risk to the property is associated with ground shaking rather than direct fault displacement. Ground shaking intensity in the La Jolla area can be significant during a regional seismic event, and improvements should be assumed to be subject to typical seismic forces consistent with coastal Southern California construction standards.

The site's coastal location introduces additional geotechnical considerations. While La Jolla Shores is generally more stable than bluff-top areas, subsurface conditions in coastal environments may include sandy or alluvial soils that can be susceptible to localized amplification of seismic waves. However, the subject does not appear to be located within a mapped liquefaction zone or landslide hazard area based on typical regional patterns, although a site-specific geotechnical investigation would be required for definitive conclusions.

From a development and valuation perspective, seismic risk is considered typical for the region and is addressed through compliance with current California Building Code seismic design standards. Existing improvements may predate modern seismic requirements and could benefit from structural retrofitting depending on construction type and condition. Overall, the seismic risk associated with the subject is consistent with other coastal properties in La Jolla and does not represent an unusual or extraordinary condition beyond what is typical for Southern California real estate.

Environmental Risks

The subject property is located in a fully developed coastal residential area of La Jolla and is not known to be impacted by any significant adverse environmental conditions based on typical

regional characteristics. There is no indication that the site is included on any federal or state environmental hazard databases such as hazardous materials release sites or remediation listings. The property's long-term residential use and surrounding development pattern further support the conclusion that there are no known environmental impairments affecting the site. However, as with all properties, a formal environmental assessment would be required to conclusively determine the presence or absence of any subsurface contamination.

Given its coastal location, the primary environmental influences affecting the subject relate to marine exposure rather than contamination risk. Properties in close proximity to the Pacific Ocean are subject to salt air exposure, which can accelerate corrosion of metal components, exterior finishes, and building systems over time. Additionally, the marine layer and elevated humidity levels can contribute to moisture-related wear, requiring ongoing maintenance of exterior surfaces, roofing, and structural elements. These conditions are typical for oceanfront and near-ocean properties in La Jolla and are generally accounted for through regular maintenance and use of corrosion-resistant materials.

The subject is not located within a high wildfire severity zone based on typical mapping for the La Jolla Shores area, which is largely built out and urbanized with limited native vegetation compared to inland areas. Furthermore, as previously noted, the property is situated within Flood Zone X, indicating minimal flood risk. Coastal erosion and sea level rise are long-term considerations for shoreline properties; however, the subject's position within the developed Shores area and set back from direct bluff edges reduces immediate exposure to these risks. Overall, the environmental risk profile of the subject is considered typical for a coastal residential property in San Diego and does not present any known conditions that would materially impact its current use or marketability.

Zoning

The subject property is zoned RM 1 1 which is a low density multifamily residential designation within the City of San Diego that is intended to accommodate small scale apartment development while maintaining a neighborhood compatible residential character. This zone generally permits multiple dwelling units as a primary use along with accessory uses such as garages, parking areas, and accessory dwelling units, with residential density typically controlled by minimum lot area per dwelling unit rather than a fixed unit count cap.

In RM 1 1 zones, the base density is commonly interpreted at approximately one dwelling unit per 3,000 square feet of lot area, although this can vary slightly depending on overlays and coastal regulations. Height limits in this zoning classification are generally governed by the Citywide residential height limit which is typically 24 to 30 feet in coastal areas such as La Jolla, subject to coastal height restrictions and angled plane requirements.

Setbacks are required for front, side, and rear yards with typical multifamily standards requiring a front setback of approximately 15 feet and side and rear setbacks that increase with building height, although exact requirements are subject to the specific development regulations of the municipal code and any applicable overlay zones. Parking requirements for multifamily properties in this zoning typically require two spaces per two bedroom unit and one space per

one bedroom unit, although reductions or exemptions may apply depending on proximity to transit or other qualifying factors.

Based on these parameters, a six unit apartment consisting of (4) two bedroom units and (2) one bedroom units would generally be a permitted use within the RM 1 1 zoning designation provided that the original development complied with density, setbacks, parking, and height requirements at the time of construction. The presence of only four parking spaces for six units suggests that the property is likely legally nonconforming with respect to current parking standards unless it was approved under prior zoning regulations, qualifies for parking reductions, or is just considered legal nonconforming due to age. Given the established multifamily use and assuming it was properly permitted when constructed, the subject is most likely a legal conforming use with respect to use and density but potentially legal nonconforming with respect to parking depending on historical approvals.

Accessible Dwelling Units (ADUs)

With respect to accessory dwelling unit development and garage conversions, recent California state law and City of San Diego regulations significantly expand the ability to create additional units within multifamily zones such as RM 1 1. Under current law, multifamily properties are allowed to convert existing non livable spaces such as garages into accessory dwelling units, and these conversions do not count toward traditional density limits. In addition, there is no requirement to replace parking spaces that are removed as part of a garage conversion to ADUs in San Diego, which directly supports feasibility for converting the existing four garage spaces.

The ability to convert the four existing garage spaces at the subject property into accessory dwelling units is grounded directly in California Government Code Section 65852.2, which establishes statewide ADU rights that override local zoning restrictions, and is implemented locally through the City of San Diego ADU regulations. Under this statutory framework, any existing non habitable space within a multifamily property, including garages, storage areas, or accessory structures, may be converted into ADUs by right through a ministerial approval process without discretionary review. This provision is critical because it removes traditional zoning barriers such as density limits, parking replacement requirements, and discretionary approvals.

More specifically, state law requires that local jurisdictions allow the conversion of existing non livable space into ADUs, and in San Diego this is interpreted broadly to include garages with no numerical cap tied to zoning density. This means that the number of garage conversions is not constrained by the underlying RM 1 1 density regulations but instead only by physical feasibility, building code compliance, and available space. As a result, if the subject has four separate garage bays that can be independently converted into code compliant dwelling units, all four can legally become ADUs regardless of the existing six unit count. This is why the subject can support four ADUs from four garage spaces, and this right exists independently of any additional detached ADU allowances.

There is also a secondary statutory framework that provides a numerical formula for conversion based ADUs in multifamily properties. State guidance indicates that at a minimum, jurisdictions

must allow at least one ADU and up to 25 percent of the existing unit count to be created through conversion of non-habitable space. However, San Diego has adopted a more permissive interpretation that removes this cap and allows unlimited conversions so long as the space exists, effectively superseding the 25 percent minimum standard and expanding it to a practical maximum based on the number of convertible structures. This is why in practice the controlling formula becomes a physical one rather than a regulatory cap, which can be expressed as the number of feasible conversion ADUs equals the number of distinct non habitable structures or spaces capable of independent habitation.

The rules governing additional detached ADUs are separate and follow a different formula that is explicitly tied to the number of existing dwelling units. Under current California law as updated through Senate Bill 1211 and implemented in San Diego, a multifamily property may construct detached ADUs up to the number of existing dwelling units, with an overall cap of eight detached ADUs. This establishes the governing formula for detached ADU capacity as the lesser of the number of existing units or eight. For the subject property, which contains six existing dwelling units, the theoretical maximum number of detached ADUs would be six under current state law.

However, local implementation in San Diego historically guaranteed at least two detached ADUs on multifamily zoned properties regardless of unit count, which serves as a baseline entitlement. Therefore, even without invoking the expanded SB 1211 allowances, the subject is entitled to a minimum of two detached ADUs by right. This is the basis for the commonly cited two ADU scenario.

The practical feasibility of constructing two detached ADUs at the subject is therefore governed by a combination of statutory allowance and physical site constraints. The regulatory formula establishes that at least two detached ADUs are permitted, while the upper bound is equal to the number of existing units. The actual number achievable is then constrained by lot size, setbacks, lot coverage, access, and building separation requirements. Detached ADUs must generally comply with a minimum four foot side and rear setback and can be up to 16 feet in height for multifamily properties, while maintaining compliance with fire separation and building code requirements.

In summary, the four garage conversions are allowed because state law mandates that non habitable spaces in multifamily properties may be converted into ADUs without a density cap, making the governing formula equal to the number of convertible spaces. The detached ADU capacity is governed by a separate formula that allows at least two units by right and up to the number of existing units, with the final count limited by site specific physical constraints rather than zoning density.

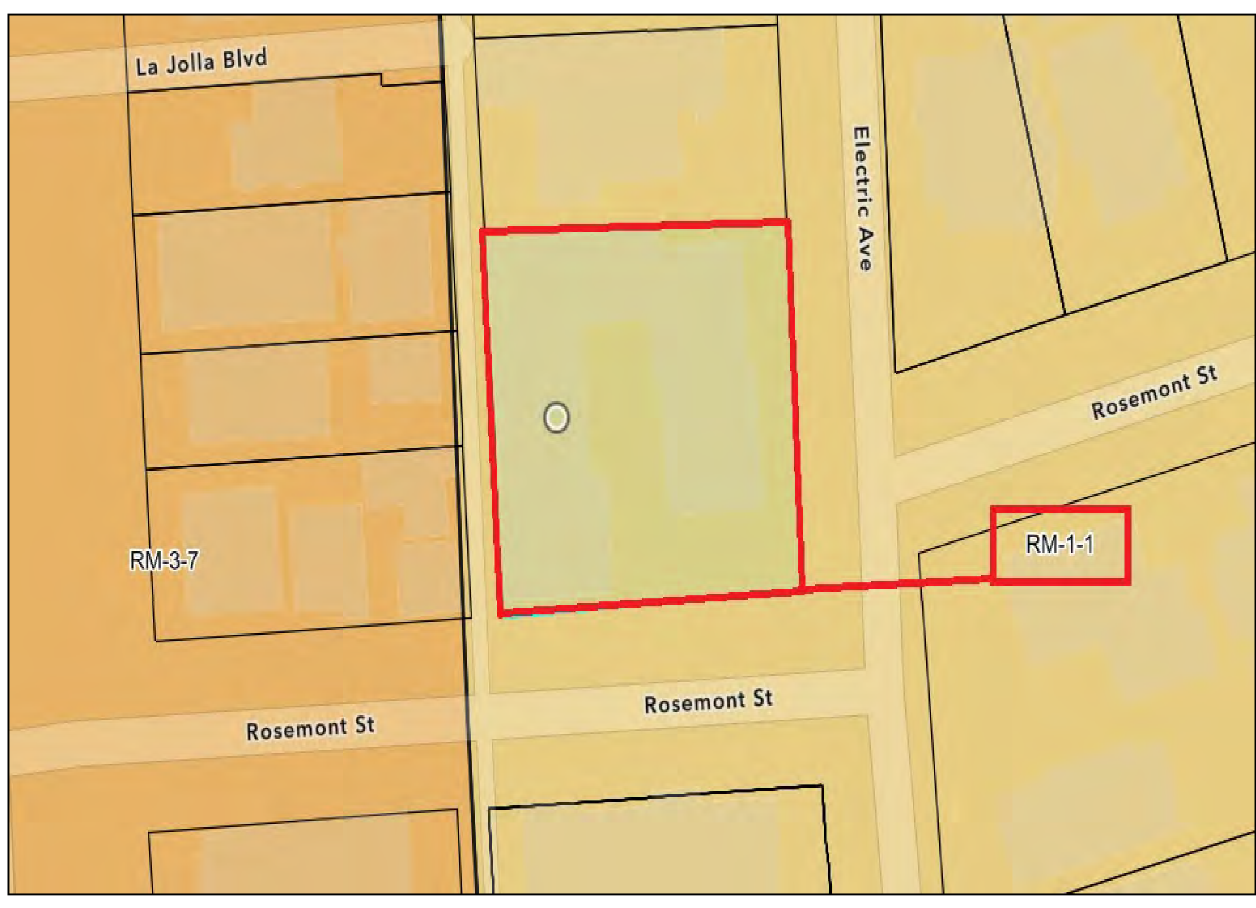
For multifamily properties, the law allows the creation of accessory units through conversion of existing space and also permits additional detached ADUs on the same lot, typically allowing at least two detached ADUs in addition to conversion units depending on site constraints and compliance with development standards. Setback requirements for new ADUs are minimal, generally allowing four foot side and rear setbacks and even zero setbacks for certain garage

conversions, while height allowances are typically at least 16 feet for detached ADUs with potential increases depending on zoning.

Applying these rules to the subject property, the four existing garage spaces could feasibly be converted into up to four separate ADUs provided that each garage can be physically configured into a habitable unit and meets building code requirements. Because these would be conversions of existing structures, they are among the most straightforward ADU types to approve and are not constrained by density limits or parking replacement requirements. In addition to these four potential conversion ADUs, the property may also have the ability to construct up to two additional detached ADUs on the site depending on available land area, setbacks, and coastal overlay constraints, although this would require further site specific analysis.

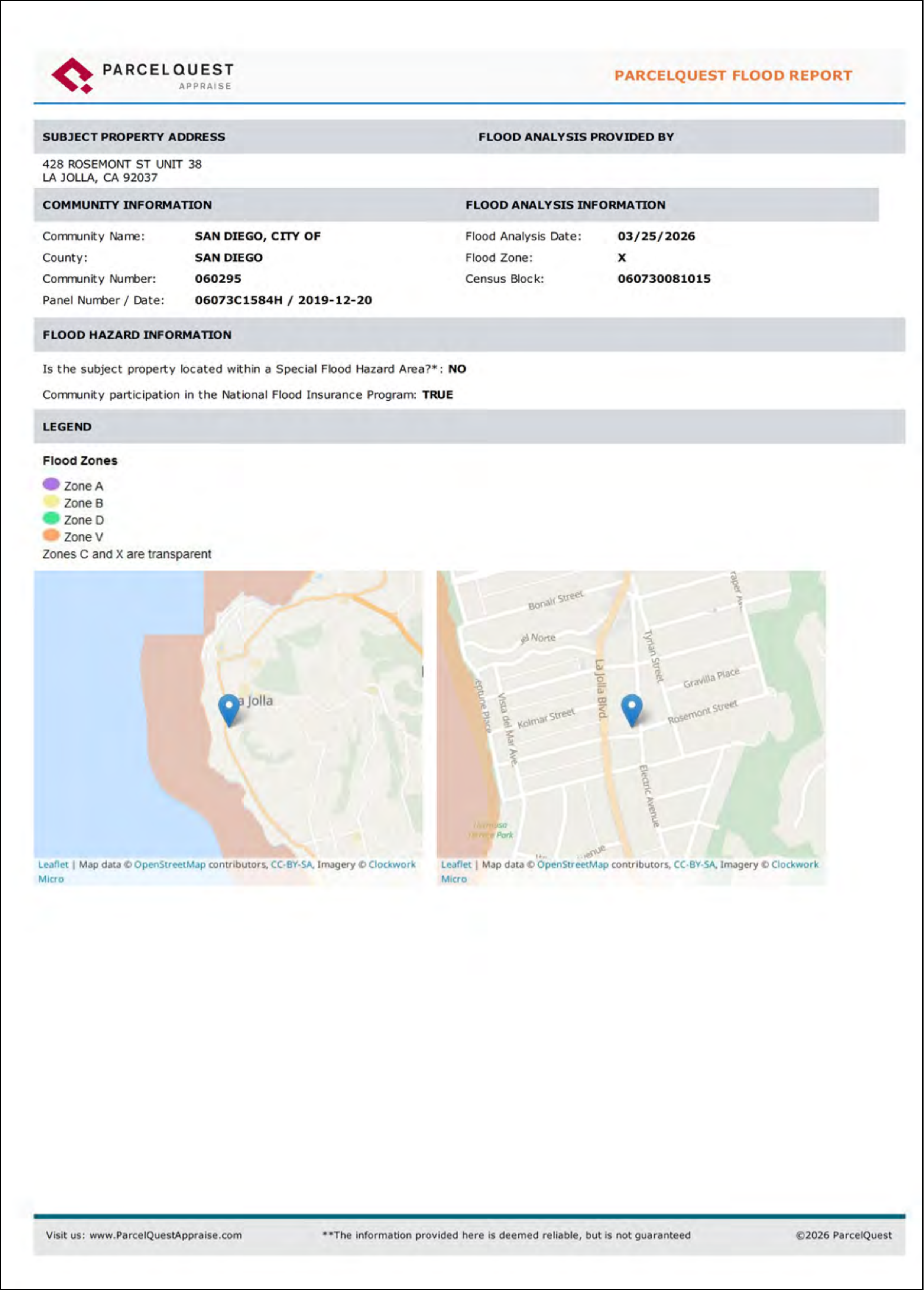
In conclusion, the subject property appears to be a legal multifamily use under RM 1 1 zoning with a likely legal nonconforming condition related to parking, and under current California and San Diego ADU laws it has strong potential to add up to four ADUs through garage conversions alone, with additional upside for detached ADUs depending on site capacity and regulatory overlays.

Zoning Maps



Plat Map

Flood Map



PARCELQUEST APPRAISE

PARCELQUEST FLOOD REPORT

SUBJECT PROPERTY ADDRESS	FLOOD ANALYSIS PROVIDED BY
428 ROSEMONT ST UNIT 38 LA JOLLA, CA 92037	

COMMUNITY INFORMATION		FLOOD ANALYSIS INFORMATION	
Community Name:	**SAN DIEGO, CITY OF**	Flood Analysis Date:	**03/25/2026**
County:	**SAN DIEGO**	Flood Zone:	**X**
Community Number:	**060295**	Census Block:	**060730081015**
Panel Number / Date:	**06073C1584H / 2019-12-20**		

FLOOD HAZARD INFORMATION

Is the subject property located within a Special Flood Hazard Area?*: **NO**

Community participation in the National Flood Insurance Program: **TRUE**

LEGEND

Flood Zones

- Zone A
- Zone B
- Zone D
- Zone V

Zones C and X are transparent

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Public Record Abstract

Property Location

Address:	428 ROSEMONT ST # 38	City:	LA JOLLA	Zip:	92037-6058
APN#:	351-471-21-00	Use Code:	Apartments	County:	San Diego
Tract:	1216	Census Tract:	81.01	Zone:	R-2:MINOR MUL
Map Page/Grid:	1247/ E2	Legal Desc:	TR 1216 BLK 7*LOTS 37 THRU 40*		
Total Assessed Value:	3,774,000	Tax Amount:	47,272.18		
Percent Improvement:	0.16	Tax Year / Assessor Year:	2025 / 2025		

Current Owner Information

Current Owner:	428 ROSEMONT STREET LLC	Owner Address:	1844 EL CAJON BLVD
City, State, Zip:	SAN DIEGO, CA, 92103-2503	Owner Occupied:	No
Last Transaction:	05/10/2024	Deed Type:	grant deed/deed of trust
Amount:	3,700,000	Document:	0000118483

Last Sale Information

Transferred From:	WILLIAMS, KATHLEEN MARIE	Seller Address:	
Recording / Sale Date:	05/10/2024 / 03/27/2024	Prior Recording / Sale Date:	/
Most Recent Sale Price:	3,700,000	Prior Sale Price:	
Document Number:	0000118483	Prior Document No.:	
Document Type:	grant deed/deed of trust	Prior Document Type:	

Lender Information

Lender:	ANDRE LUSTI	Full/Partial:	C
Loan Amount / 2nd Trust Deed:	1,300,000 / 1,200,000	Loan Type:	conventional

Physical Information

Building Area:	4,678	# of Bedrooms:	0	Lot Size Sqft / Acreage:	9,227 / 0.21
Additional:	0	# of Bathrooms:	7.00	Year Built / Effective:	1950 / 0
Garage:	0	# of Stories:	0	Heating:	
First Floor:	0	Total Rooms:	0	Cooling:	
Second Floor:	0	# of Units:	6	Roof Type:	
Third Floor:	0	Garage/Carport:		Construction/Quality:	Primary Material Unlisted / 0
Basement Finished:	0	Fireplaces:	0	Building Shape:	
Basement Unfinished:	0	Pool/Spa:	No	View:	

Flood Data and Map

Flood Zone:	X	Panel Number:	06073C1584H	Panel Date:	2019-12-20	Community Number:	060295

Improvement Description

Property Type:	10-Unit Apartment		
Building Sizes:	Main: 5,673 Square Feet	Parking:	None
Year Built:	1950		
Effective Age:	15 Years (after renovations)		
Economic Life	75 Years (after renovations)		
Remaining Economic Life:	60 Years (after renovations)		

Foundation:	Concrete
Frame:	Wood frame
Floor Cover:	Laminate, tile, and Vinyl
Ceiling:	Drywall
Exterior Walls:	Stucco
Interior Partitions:	Drywall
Roof Cover:	Composition
Plumbing:	Adequate
Heating:	Mini-Split or Forced Air
Air Conditioning:	None
Electrical:	Adequate
Building/Land Ratio:	56.72%
Environmental Issues:	Nonapparent
Adverse External Inf.:	None noted
Rent Control:	California AB 1482

Improvement Rating	Ex	Gd	Av	Fr	Pr
Appeal/Appearance:	☐	☒	☐	☐	☐
Floor Plan/Design:	☐	☐	☒	☐	☐
Construction Quality:	☐	☒	☐	☐	☐
Functional Utility:	☐	☐	☒	☐	☐
Exterior Condition:	☐	☒	☐	☐	☐
Interior Condition:	☐	☒	☐	☐	☐
Roof Covering:	☐	☐	☒	☐	☐
Plumbing:	☐	☐	☒	☐	☐
Heating:	☐	☐	☒	☐	☐
Air Conditioning:	☐	☐	☐	☐	☐
Electrical:	☐	☐	☒	☐	☐
Parking Area:	☐	☐	☐	☐	☐
Fenestration:	☐	☐	☒	☐	☐
Site Condition:	☐	☒	☐	☐	☐

*****Condition and quality ratings reflect the subject after suggested renovations. Subject's actual description as mostly vacant and prior to renovation is described in other parts of this report.***

Improvement Description

Exterior (Existing)

The subject improvements consist of a low rise multifamily residential complex constructed in the mid twentieth century and reflective of a traditional coastal apartment design commonly found within older La Jolla neighborhoods. The exterior improvements are comprised of a combination of single story detached and semi attached structures along with a two story component located above the garage area. The buildings are wood frame construction with exterior walls finished in painted masonry block at the ground level and horizontal wood siding at the upper level portions. The overall architectural style is best described as a modest coastal bungalow or garden apartment design with simple massing, low pitched gable roofs, and minimal architectural ornamentation.

The exterior finish is functional but dated, consisting primarily of painted block walls in a light neutral tone with contrasting painted wood siding above. Roofing appears to be composition shingle with moderate weathering consistent with age. Windows are generally older style single or double hung units with simple trim and no significant architectural detailing. The buildings include projecting chimney elements constructed of painted masonry, which provide some visual variation but remain consistent with the overall utilitarian design. Exterior doors and garage doors are basic in design with painted finishes that show signs of wear and aging.

The site layout is organized around a central courtyard configuration, with the individual units oriented toward interior common areas. These courtyard areas include a mix of concrete walkways, brick and paver sections, and landscaped planting beds with mature shrubs and trees. While the landscaping provides a degree of visual appeal and privacy, it appears somewhat overgrown and lacks a cohesive or modern design. The hardscape elements show typical wear and some unevenness, and the courtyard spaces appear fragmented rather than intentionally designed as a unified amenity area.

Vehicular access is provided via a public alleyway along the side and rear of the property, which serves the four garage spaces located beneath the two story portion of the structure, as illustrated in the building sketch. The garages are constructed of painted masonry block with wood framed doors and are accessed directly from the alley, which is consistent with older coastal development patterns that separate parking from primary street frontage. The alley itself is improved with concrete paving and exhibits typical wear, while the garage interiors are basic and unfinished with exposed block walls and ceiling framing.

Additional exterior features include exposed utility infrastructure such as individual gas meters mounted along the building walls, surface mounted conduit, and visible plumbing lines, all of which reflect an older building system with incremental upgrades over time rather than a fully modernized utility configuration. Perimeter boundaries consist of low masonry walls and wood fencing, which provide limited privacy and security but are not uniform or recently upgraded.

Overall, the condition of the exterior improvements is considered average to below average for the market, with clear evidence of deferred maintenance and functional obsolescence. While the

structures remain serviceable and structurally sound based on visual observation, the finishes, site improvements, and overall aesthetic do not meet current market expectations for coastal rental properties. The property is in a transitional state, with some areas reflecting ongoing renovation activity while others remain in original condition, supporting the conclusion that a comprehensive exterior and site level upgrade is warranted to align the asset with competing properties in the La Jolla coastal submarket.

Interior (Existing)

The interior improvements of the subject property reflect a mix of partially demolished vacant units and occupied units that retain older finishes, providing a clear contrast between the current livable condition and the scope of the planned renovation program. Overall, the units were originally constructed with typical mid-century materials and layouts, and many of these original features remain evident, particularly in the occupied units.

The four vacant units consisting of Units 428, 430, 434, and 436 are in various stages of demolition and are not currently habitable. Interior finishes in these units have been partially or fully removed, including cabinetry, flooring, wall coverings, and portions of plumbing and electrical systems. Several areas show exposed wall framing with visible wood studs, open plumbing lines, and electrical wiring, indicating that the renovation process has commenced at a structural level. Flooring in these units consists of exposed subflooring or stripped concrete surfaces where previous finishes have been removed. Kitchens and bathrooms have been largely demolished, with fixtures removed and wall surfaces opened to allow for reconfiguration and system upgrades. Ceiling finishes are partially removed in areas, and lighting fixtures are either missing or disconnected. The overall condition of these vacant units is considered poor, as they are in a transitional construction state and require complete build out to restore functionality and achieve marketable condition.

In contrast, the two occupied units consisting of Units 432 and 438 remain in livable condition but exhibit dated interior finishes consistent with their original construction period and limited modernization. Interior layouts are functional and typical of small multifamily units, with defined living rooms, separate kitchens, and bedrooms arranged efficiently within the available square footage. Flooring in these units includes a mix of older carpet and vinyl or laminate surfaces, showing signs of wear and age. Kitchens are equipped with older cabinetry, laminate countertops, and basic appliances, including electric ranges and standard sinks, with finishes that appear serviceable but outdated. Bathrooms retain original or early generation finishes, including ceramic tile surrounds in colors such as pastel tones, older vanities, and standard plumbing fixtures. These finishes are functional but reflect significant physical depreciation and aesthetic obsolescence relative to current market expectations.

Additional interior features observed in the occupied units include masonry fireplaces in select living areas, which provide a traditional design element but are dated in appearance. Heating appears to be provided by older wall or floor mounted units, and windows are generally older style with simple coverings such as vertical blinds. Overall interior condition of the occupied units is considered fair, as they remain functional for occupancy but lack modern finishes and would require renovation to achieve competitive rental positioning.

In summary, the interior condition of the subject property ranges from poor in the vacant units, which are currently under demolition and require complete reconstruction, to fair in the occupied units, which remain livable but are significantly dated. This condition profile supports the conclusion that a comprehensive interior renovation program is necessary to modernize the units, improve functionality, and align the property with market standards in the La Jolla coastal submarket.

Probable Actions of the Most Likely Buyer to the Improvements

An Extraordinary Assumption has been made that a typical and most probable buyer of the subject property would undertake a comprehensive renovation and repositioning program, including full interior upgrades to all units, and significant site improvements, in order to maximize rental income and overall cash flow. This assumption is based on the subject's current condition, which includes partially vacant units, ongoing interior demolition, and below market rents in the remaining occupied units, all of which indicate clear value add potential consistent with investor behavior in the La Jolla coastal multifamily market. We are appraising this property under a Hypothetical Condition of the conversion of the four garage spaces into studio units, and conversion of the storage room into a common laundry room.

Under the Hypothetical Condition and this Extraordinary Assumption, the buyer is expected to incur costs associated with tenant relocation, interior renovations totaling $754,215 ($165.00 per rentable square foot), conversion costs for the four studio units and common laundry of $330,450 ($300.00 per square foot), and site improvements including patios, complete site fencing, and courtyard enhancements totaling $350,000. In addition, we estimated two months of rental loss for leasing up the units to arrive at a stabilized occupancy. These costs are necessary to reposition the property to a stabilized condition capable of achieving market rents, which supports a concluded stabilized market value of $9,325,000. At that point, the developer would sell the property, incur selling costs (estimated at 5% of the sale price), and then expect to make a profit upon the resale of the stabilized asset (estimated at 15% of the total stabilized sales price).

The resulting As Is value of $5,910,000 reflects the stabilized value less all costs required to achieve that condition, including $35,000 in relocation fees for the two existing below-market tenants, $754,215 in building renovations, $330,450 for ADU and laundry room conversion costs, $350,000 in site work, $80,800 in lease/up rental loss, $466,250 in sales costs, and $1,398,750 for developers fees/entrepreneurial profit, for a total deduction of $3,415,465. The Hypothetical Condition and Extraordinary Assumption are critical to the valuation, as they directly impact both the income potential and the associated costs, and if the property were not renovated, the garages converted into studio units, and repositioned as assumed, the resulting value conclusion would be materially different.

We make an Extraordinary Assumption that these costs would be adequate to reposition the property into a modern and desirable long-term asset. This methodology reflects standard appraisal practice for value add assets, where the as is value is determined by capitalizing the future stabilized condition and deducting all costs necessary to achieve that condition, including both direct expenditures and income disruption during the renovation period. If the Hypothetical

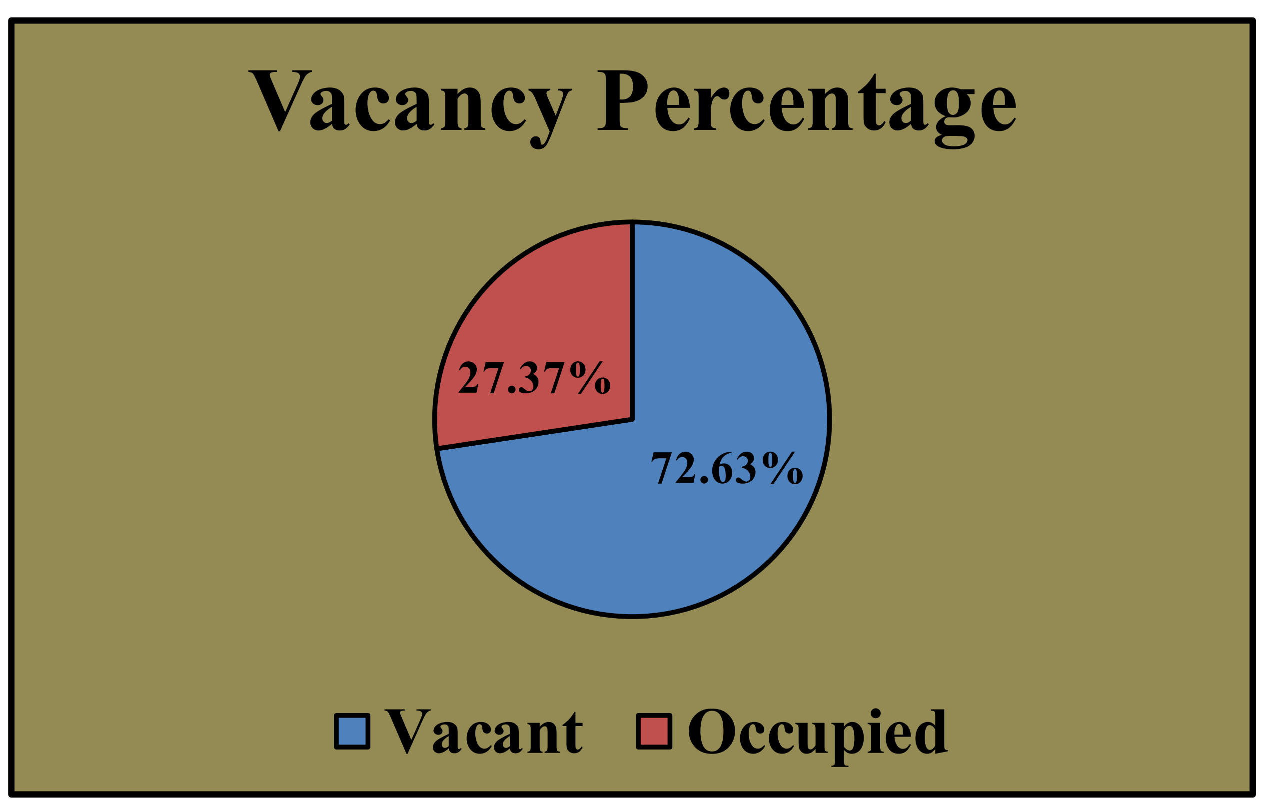
Condition or Extraordinary Assumption prove false, it could impact the final "As Is" Value in this report.

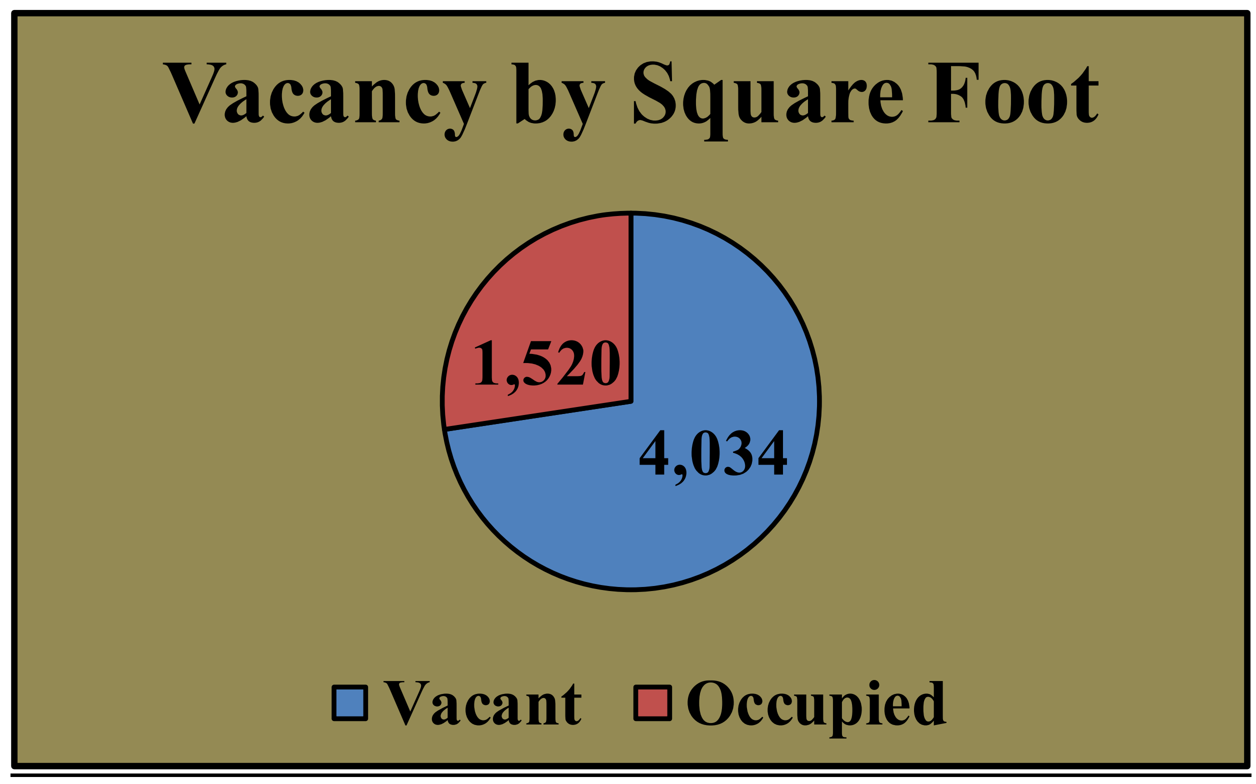
This approach is consistent with investor underwriting behavior in the La Jolla market, where buyers evaluate coastal multifamily assets based on their stabilized income potential and adjust their purchase price to reflect the time, cost, and risk required to achieve that stabilization.

The following is a summary of the existing units and planned ADUs:

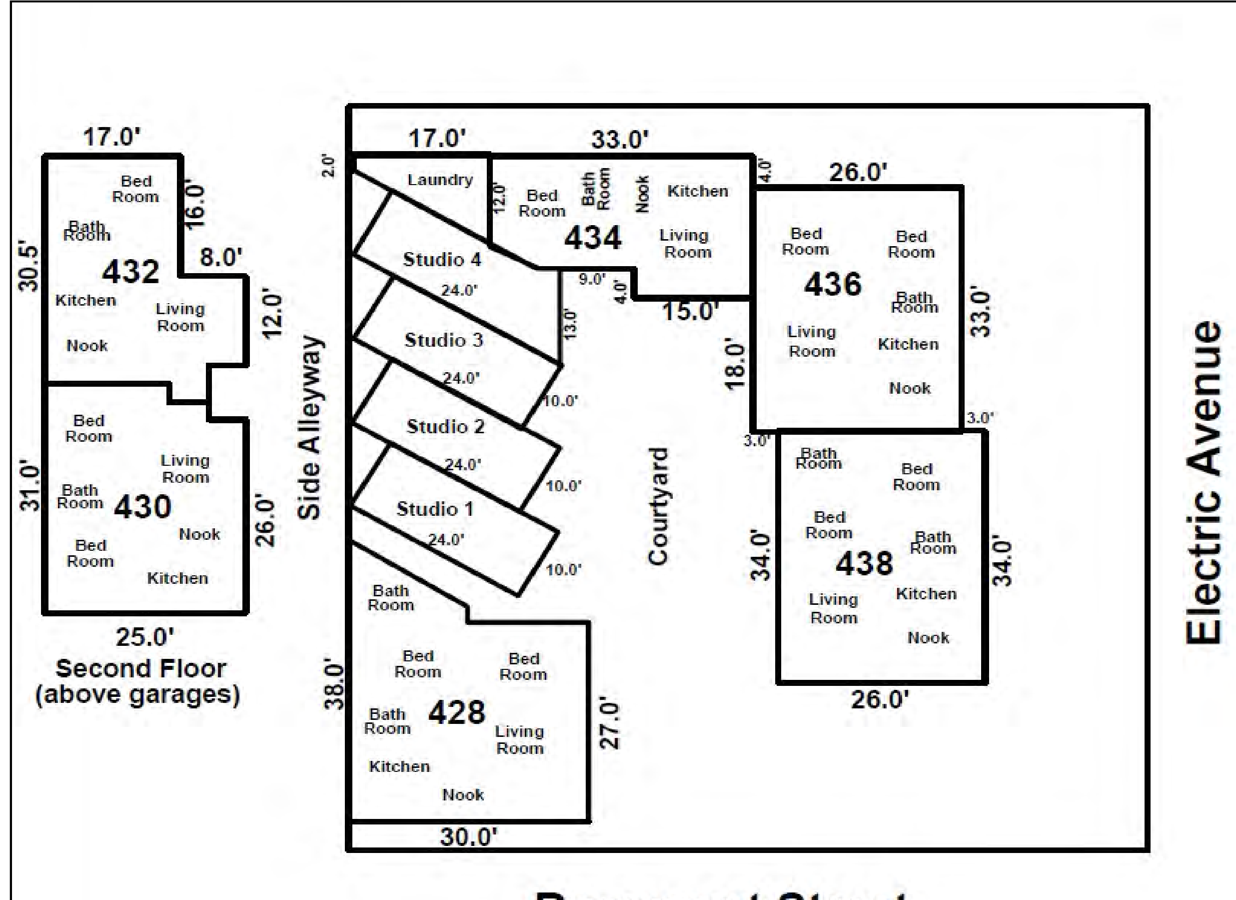
Unit	Room Count	SF Size	Status	Scheduled Rent	Per SF	Market Rent	Per SF
428	4-2-2	907	Vacant	$0	$0.00	$6,000	$6.62
430	4-2-1	740	Vacant	$0	$0.00	$5,250	$7.09
432	3-1-1	636	Rented	$3,100	$4.87	$3,650	$5.74
434	3-1-1	546	Vacant	$0	$0.00	$3,650	$6.68
436	4-2-1	858	Vacant	$0	$0.00	$5,250	$6.12
438	4-2-2	884	Rented	$4,200	$4.75	$6,000	$6.79
Studio 1	2-0-1	239	Proposed	$0	$0.00	$2,650	$11.11
Studio 2	2-0-1	239	Proposed	$0	$0.00	$2,650	$11.11
Studio 3	2-0-1	239	Proposed	$0	$0.00	$2,650	$11.11
Studio 4	2-0-1	267	Proposed	$0	$0.00	$2,650	$9.93
10	**NRA**	**5,554**		**$7,300**	**$1.31**	**$40,400**	**$7.27**
	Laundry	119					
	GBA	**5,673**					

	Percentage	SF
Vacant	72.63%	4,034
Occupied	27.37%	1,520
	100.00%	5,554


Vacancy Percentage
27.37%
72.63%
Vacant
Occupied

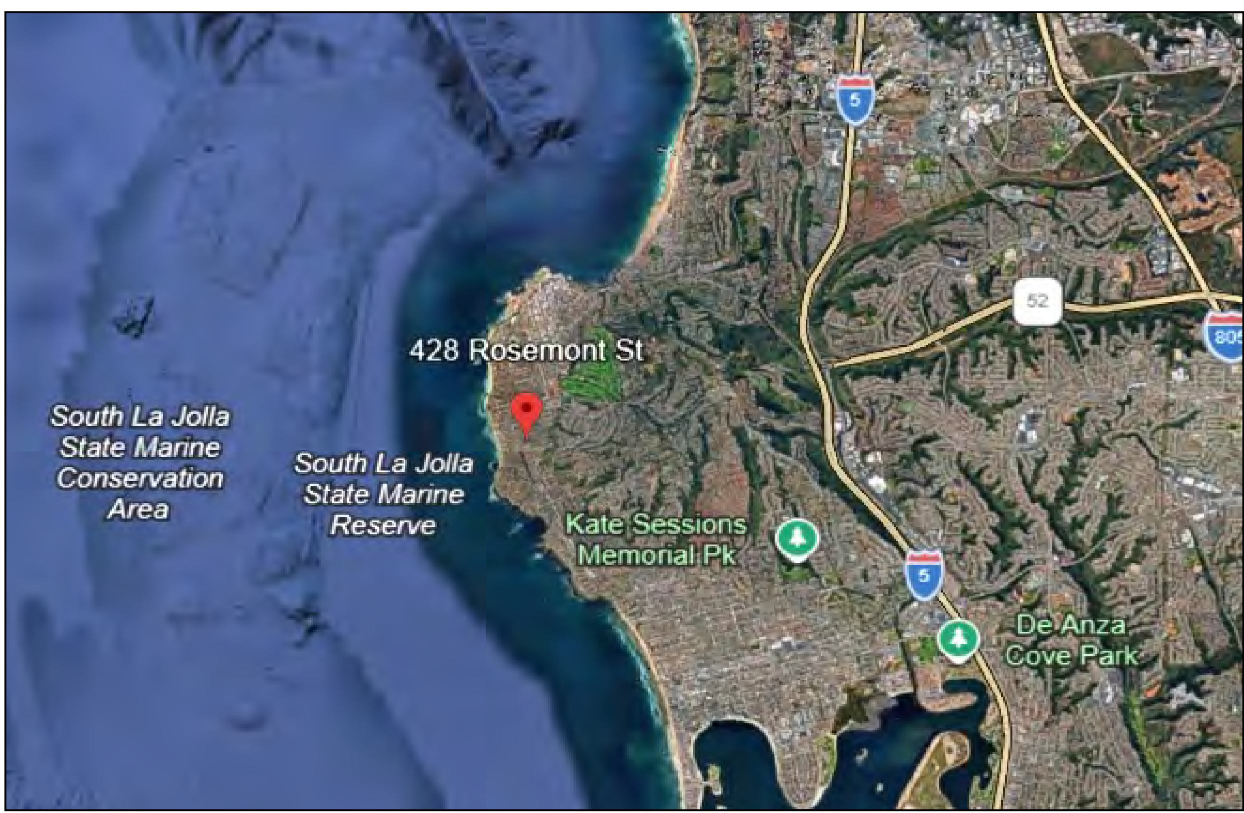

Vacancy by Square Foot
1,520
4,034
Vacant
Occupied

Building Sketch



SKETCH CALCULATIONS	Perimeter	Area
Building Area		
Unit 428		907.5
Studio 1		238.5
Studio 2		238.5
Studio 3		238.5
Studio 4		267.2
Community Laundry Room		119.0
Unit 434		546.0
Unit 436		858.0
Unit 438		884.0
Unit 430 - Upstairs		739.9
Unit 432		635.7
Total Building Area		**5672.8**

Aerial Photos



Aerial Photos

Subject Photos

Front

Street View

Street View

Side Alley

Front

Rear Alley

Subject Photos

Side / Rear

Side

Rear

Side

Side

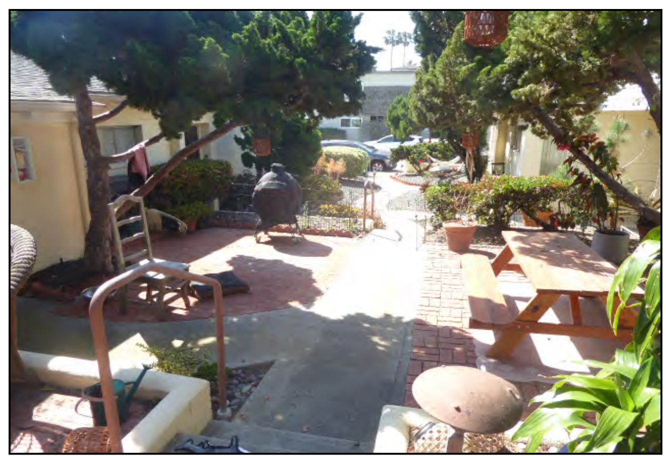
Gas Meters

Subject Photos

Garage

Garage

Laundry



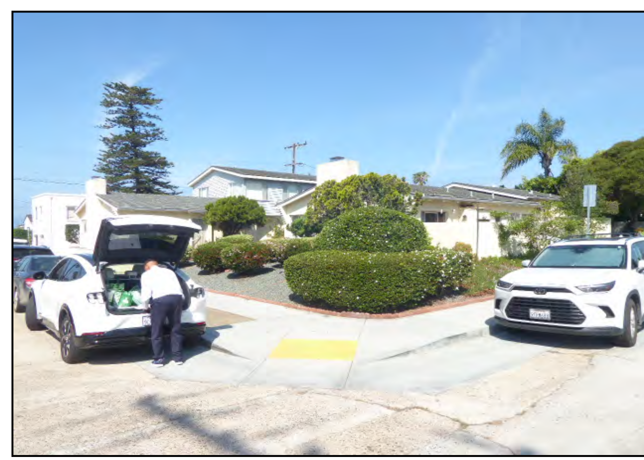
Court Yard

Court Yard

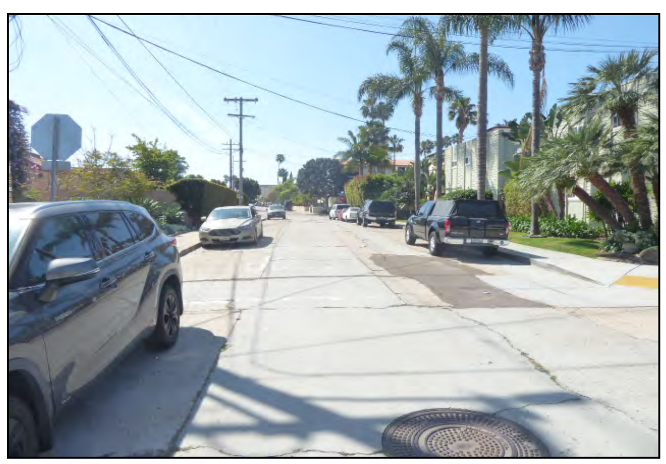
Court Yard

Subject Photos

Street View



Front



Street View

Front

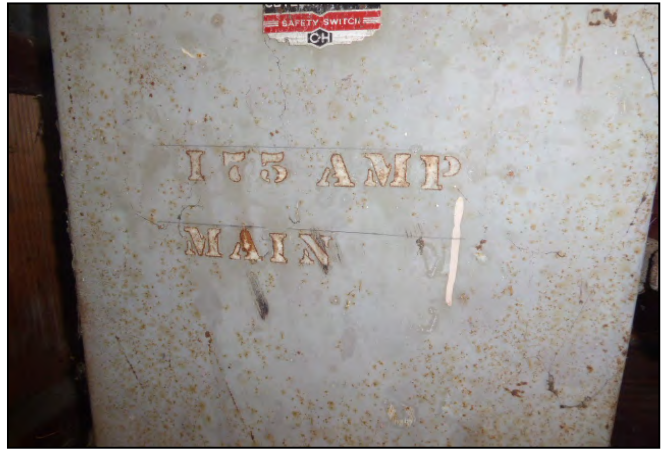
Front

Front/Side

Subject Photos

Street View

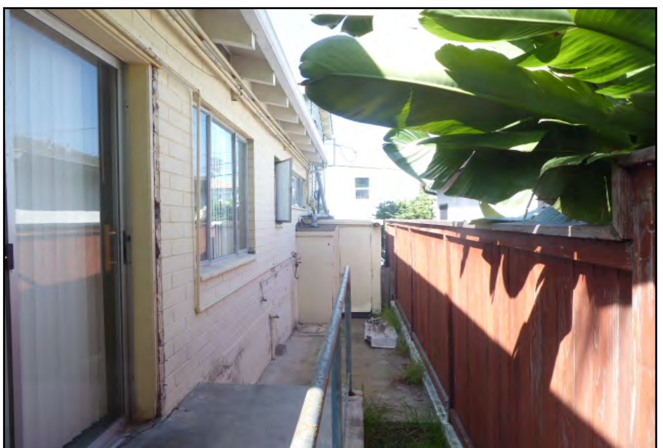
Electrical Meter Cabinet



Electric Panel

Electric Meters

Electric Meters



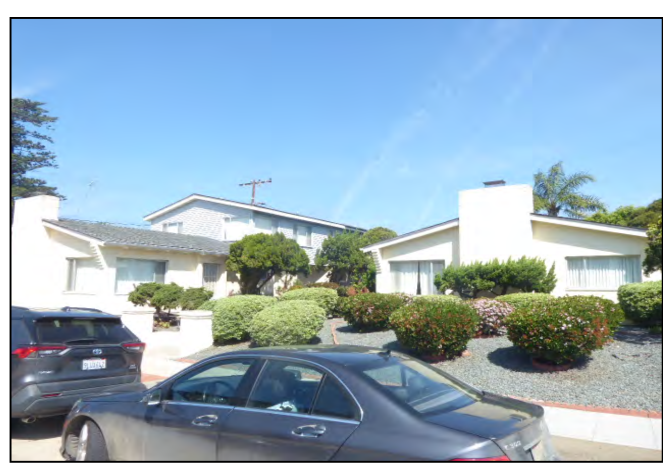
Side

Subject Photos

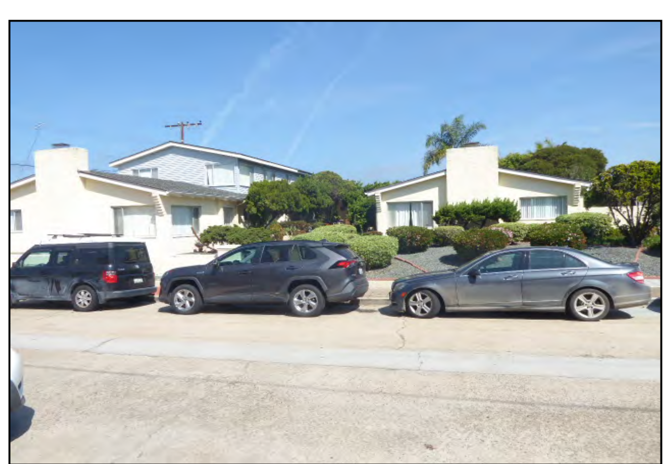
Side

Side

Yard



Front



Front

Side Alley

Subject Photos

Interior

Unit 428 – Bathroom

Unit 428 – Interior

Unit 428 – Fireplace

Unit 430 – Living Room

Unit 430 – Interior

Subject Photos

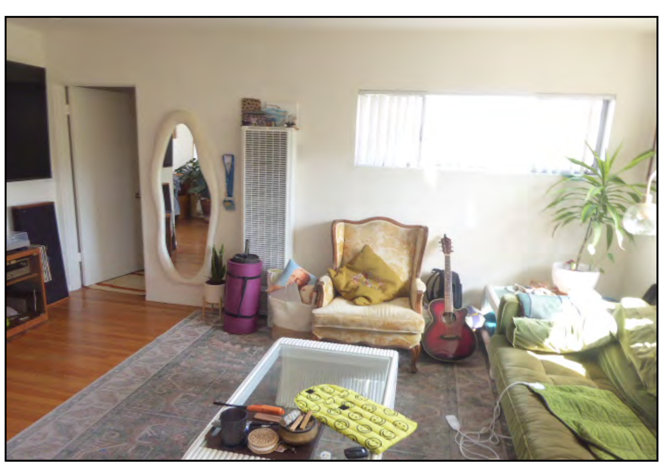
Unit 430 – Living Room

Unit 430 – Wall Heater

Unit 430 – Bathroom

Unit 430 – Bedroom

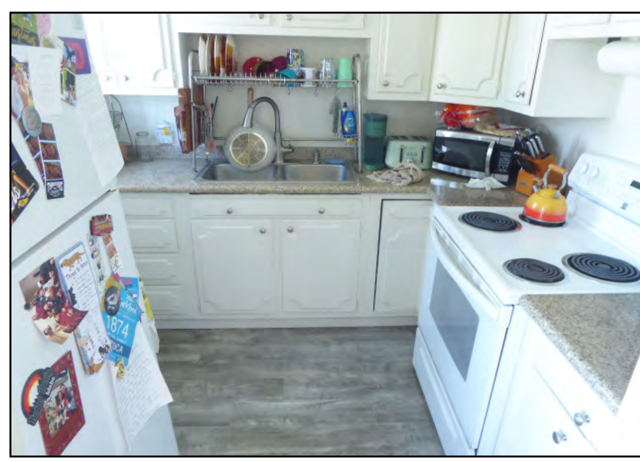
Unit 430 – Bedroom



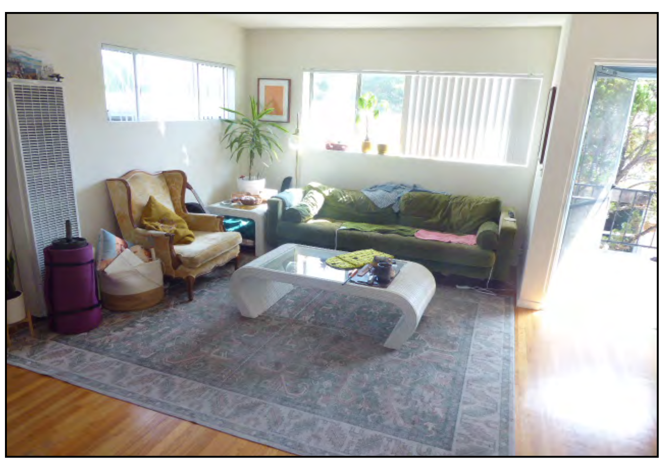
Unit 432 – Living Room

Subject Photos

Unit 432 – Dining Room

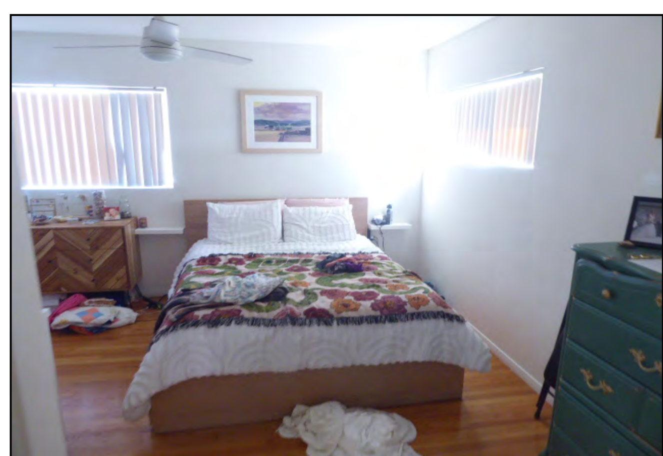


Unit 432 – Kitchen

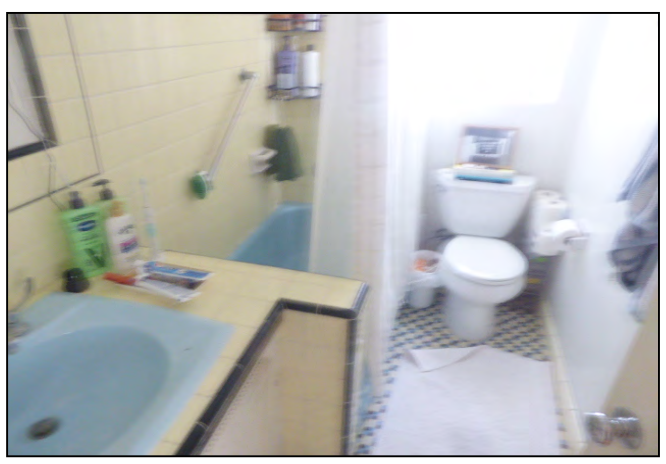


Unit 432 – Living Room

Unit 432 – Wall Heater

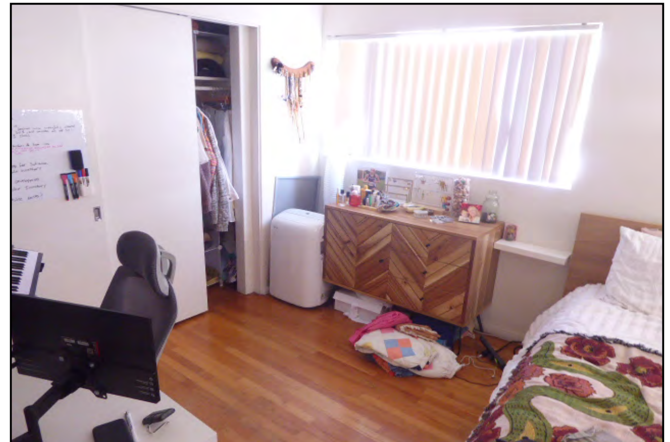


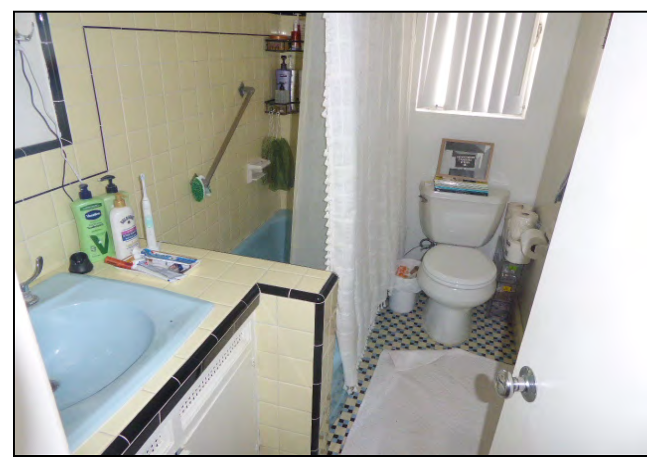
Unit 432 – Bedroom

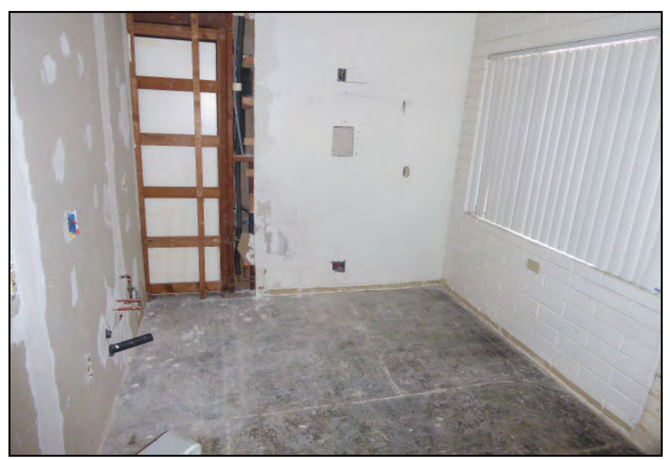


Unit 432 – Bathroom

Subject Photos


Unit 432 – Bedroom


Unit 432 – Bathroom


Unit 434 – Interior

Unit 434 – Living Room

Unit 434 – Bathroom

Unit 434 – Interior

Subject Photos

Unit 434 – Interior

Unit 434 – Bedroom

Unit 434 – Climate Control

Unit 436 – Exterior

Unit 436 – Living Room

Unit 436 – Exterior

Subject Photos

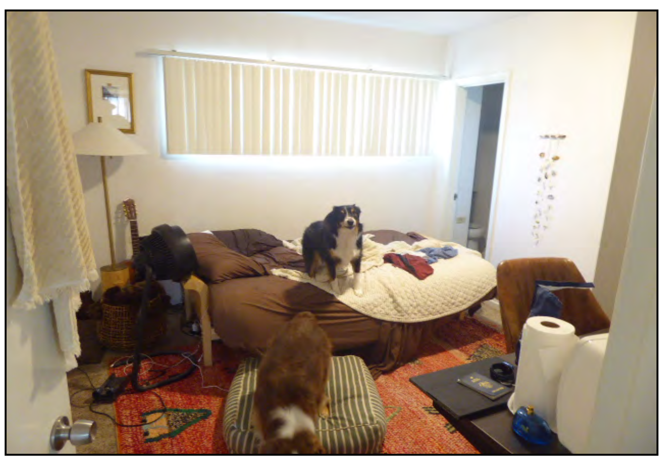
Unit 436 – Bathroom

Unit 436 – Bedroom

Unit 438 – Living Room

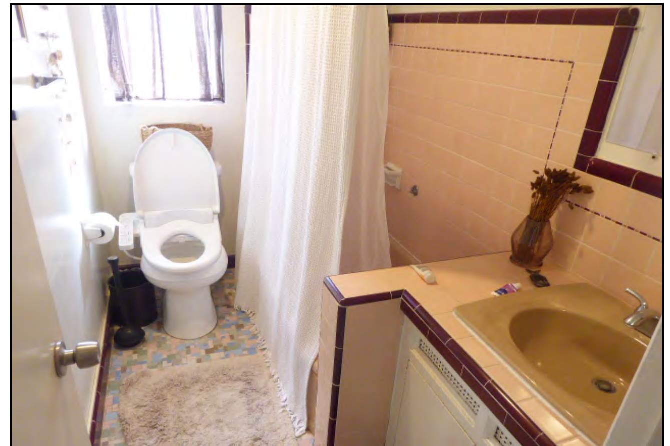
Unit 438 – Dining Room

Unit 438 – Kitchen

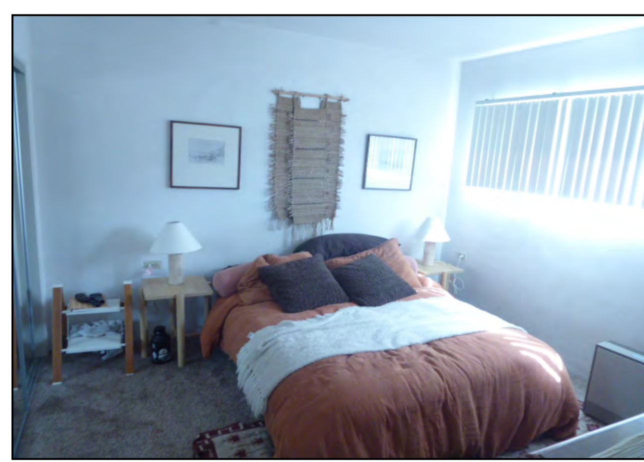


Unit 438 – Bedroom

Subject Photos

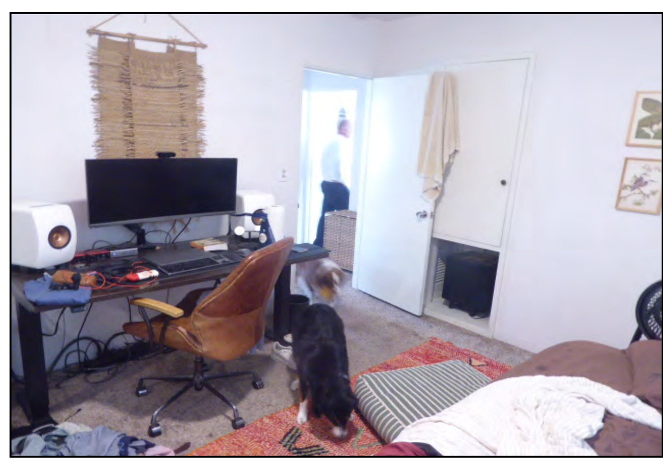


Unit 438 – Bathroom



Unit 438 – Bedroom

Unit 438 – Bathroom



Unit 438 – Bedroom

Unit 438 – Rear Yard

Unit 438 – Kitchen

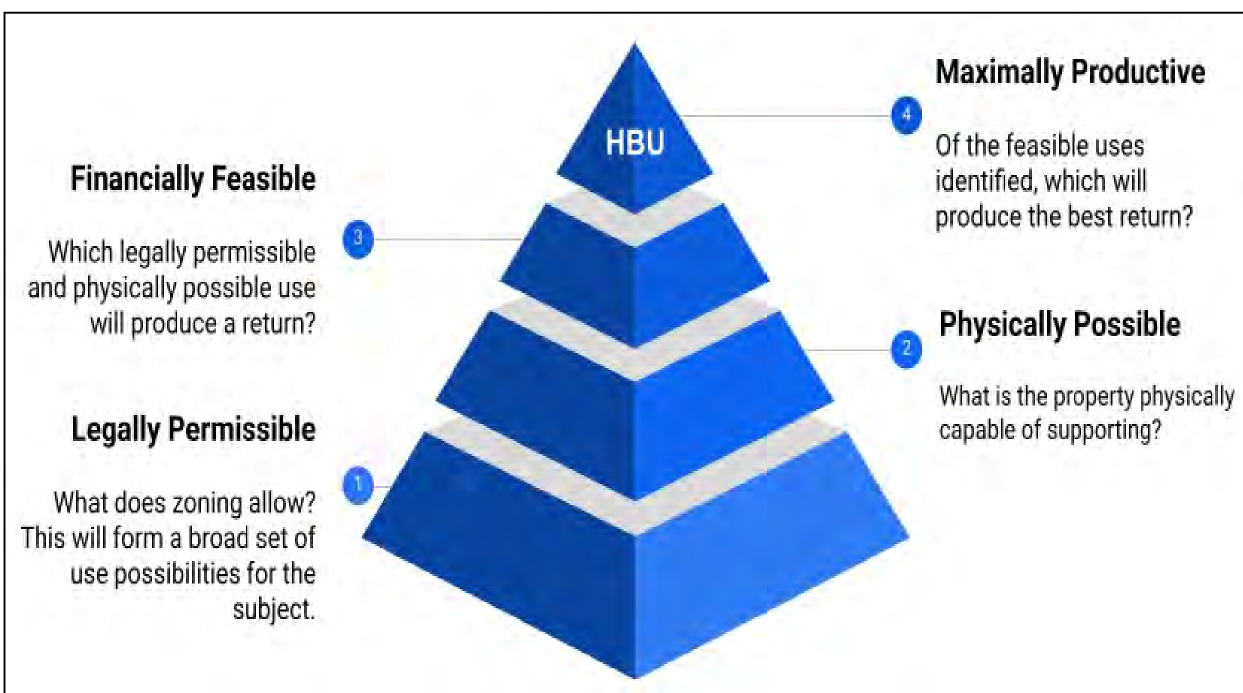
Highest and Best Use

The term Highest and Best Use, as used in this report, is defined as being that use which will yield the greatest net return over a given time. This use must be physically possible, legally permissible, and financially feasible.

When multiple alternative uses meet all the physical, legal, and financial requirements, then that use providing the greatest net economic return is the Highest and Best Use of the site. In the marketplace, various uses may compete for available land and each use may offer a similar return to the land. This balance contributes to a variety of land uses in many areas and Highest and Best Use can often only be defined in broad categories of land use.

For improved properties, the overall Highest and Best Use is determined by identifying the Highest and Best Use of the land as vacant and then comparing the present use to same. This method helps to identify obsolescence and if the value of the land as if vacant exceeds the value of the property as improved, then it is reasonable to conclude that the current use of the property is not its highest and best. For proposed improvements, it is important to determine that the anticipated economic return to the land is likely to be at least comparable to the potential return from alternative uses.

The Four Tests of Highest and Best Use



A Highest and Best Use analysis is founded on the application of four interrelated tests that are used to determine the most probable and supportable use of a property. These tests are applied sequentially and collectively to ensure that the concluded use is realistic, defensible, and economically justified.

The first test is physical possibility, which evaluates whether a proposed use can be accommodated by the site's physical characteristics. This includes consideration of size, shape, topography, access, soils, utilities, and environmental constraints. Only uses that can physically function on the site are carried forward for further analysis.

The second test is legal permissibility, which examines whether a proposed use is allowed under applicable zoning, land use regulations, environmental laws, and private restrictions. This test considers both uses that are permitted by right and those that may be allowed through discretionary approvals, while excluding uses that are clearly prohibited.

The third test is financial feasibility, which assesses whether a legally permissible and physically possible use is capable of producing a return sufficient to justify its development or continuation. Uses that do not generate adequate economic benefit, after accounting for costs and risks, are eliminated at this stage.

The final test is maximum productivity, which identifies the use that results in the highest value of the land or property once all other tests have been satisfied. Among the remaining feasible uses, the use that yields the greatest economic return and value is concluded to be the highest and best use.

Highest and Best Use as Vacant

Legally Permissible

The subject site is zoned RM 1 1 within the City of San Diego, which is a low density multifamily residential designation intended to accommodate small scale residential development compatible with surrounding neighborhoods. This zoning permits multiple dwelling units subject to development standards including density, height, setbacks, lot coverage, and parking requirements. Density is generally governed by a minimum lot area per dwelling unit standard of approximately 3,000 square feet per unit, which supports an estimated development range of five to six units on the subject site. Height limits in this coastal area are typically restricted to approximately 24 to 30 feet, subject to additional coastal overlay regulations and view corridor considerations. Within this framework, both rental apartment development and condominium units are legally permissible, provided the project complies with applicable subdivision, mapping, and coastal permitting requirements. There are no known legal restrictions that would preclude development of either a multifamily apartment project or a small scale luxury condominium project at a density consistent with the zoning.

Physically Possible

The physical characteristics of the site support a range of low density residential development alternatives. The parcel is generally level and features a functional configuration with a corner orientation providing frontage along Rosemont Street and Electric Avenue, as well as access from a rear public alley. This configuration allows for efficient site planning, including separation of pedestrian and vehicular circulation and flexibility in building placement and parking design. The size and layout of the site are adequate to accommodate approximately five

to six residential units along with associated improvements such as garages, parking areas, and usable outdoor space. The existing development pattern demonstrates that a garden style multifamily configuration is physically achievable, while the same physical attributes would also support a boutique luxury condominium development with larger units and enhanced design features. There are no apparent topographic or environmental constraints that would limit development potential for either alternative.

Financially Feasible

Both multifamily apartment development and luxury condominium development are financially feasible given the subject's location within the La Jolla coastal submarket. The property benefits from proximity to the Pacific Ocean, strong neighborhood amenities, and a highly desirable residential setting, all of which support premium pricing. A multifamily rental project would benefit from stable and consistent rental demand, providing predictable income and strong investor appeal. Alternatively, a luxury condominium development could capitalize on the scarcity of coastal ownership opportunities, potentially achieving higher per unit pricing through individual unit sales. However, condominium development introduces additional considerations including entitlement complexity, construction cost sensitivity, and market absorption risk. While both uses are financially feasible, the relative feasibility of each is influenced by market timing, capital availability, and developer expertise.

Maximally Productive

The maximally productive use of the site as vacant is for development with a low density residential project that maximizes the economic return within the constraints of RM 1 1 zoning. Both a multifamily apartment project and a boutique luxury condominium development satisfy the four tests of highest and best use. The condominium alternative may offer the potential for higher gross revenue under favorable market conditions, while the multifamily apartment alternative provides a more stable and lower risk income producing investment. In reconciliation, both uses are considered maximally productive as vacant; however, the multifamily apartment use is considered the more probable development scenario given typical investor demand, lower entitlement complexity, and the existing development pattern in the immediate area.

Highest and Best Use as Improved

Legally Permissible

The existing use of the property as a six unit multifamily residential asset is legally permissible under RM 1 1 zoning and is consistent with both current zoning standards and the surrounding neighborhood. The improvements appear to conform to allowable use and density parameters applicable to the site. In addition, current California legislation and local regulations provide a framework that generally allows for the potential conversion of existing non habitable spaces, such as garage areas, into accessory dwelling units. However, such conversions are subject to compliance with building codes, fire life safety standards, and in some cases coastal permitting requirements. In the absence of approved plans, entitlement documentation, and confirmation of compliance with all applicable regulations, the legal permissibility of converting the garage

spaces into additional dwelling units cannot be confirmed without making a Hypothetical Condition to this report which we were asked to do for this assignment.

Physically Possible

The existing improvements are physically suited for continued multifamily residential use and are capable of being renovated and modernized to meet current market expectations. The structures are arranged in a functional configuration with established access, utilities, and outdoor areas that support residential occupancy. The unit layouts are efficient and adaptable to modernization without requiring significant changes to the building footprint. The garage structures located along the alley provide covered parking and represent a potential opportunity for conversion into additional residential space; however, such a conversion would require structural modifications, integration of plumbing and electrical systems, and compliance with applicable building and fire codes. Without detailed architectural plans and engineering analysis, we would have to make a Hypothetical Condition for this report to consider the conversion of the garage spaces into ADUs which was requested for this valuation.

Financially Feasible

The renovation and continued operation of the property as a six unit multifamily rental asset is financially feasible and supported by strong demand in the La Jolla coastal market. The proposed renovation program is expected to significantly increase rental income and overall property value, as reflected in the stabilized valuation. The capital investment required for interior and exterior improvements is justified by the anticipated increase in rents and improved market positioning. While the potential conversion of garage space into additional units could provide incremental income, the absence of reliable cost data, construction budgets, and entitlement approvals would cause us to have to make a Hypothetical Condition for this report to consider the conversion of the garage spaces into ADUs which we were asked to do for this assignment.

Maximally Productive

The maximally productive use of the property as improved is to renovate and reposition the existing six unit multifamily asset to achieve market rents and improved operational performance. This use maximizes value based on the current configuration, zoning, and market conditions while minimizing development risk relative to more speculative alternatives. Although there is potential to further enhance value through conversion of the garage spaces into additional dwelling units, we were not given plans, costs, or entitlements for review. Therefore, consideration of this potential would constitute a Hypothetical Condition which we were asked to do for this assignment and was incorporated into our Highest and Best Use conclusion.

Reconciliation and Conclusion

The analysis of Highest and Best Use as Vacant and as Improved indicates that the subject site is optimally suited for continued residential development at a density consistent with RM 1 1 zoning. As vacant, both multifamily apartment development and boutique luxury condominium development are legally permissible, physically possible, and financially feasible uses. The

condominium alternative reflects the site's premium coastal location and the potential for higher per unit pricing, while the multifamily apartment alternative reflects a lower risk, income oriented investment consistent with prevailing development patterns in the area.

As improved, the existing six unit multifamily configuration represents an efficient and appropriate use of the site that is consistent with zoning and market demand. The planned renovation program enhances this use by repositioning the property to achieve market rents and improved performance. While additional density through garage conversion may be possible, it has not been considered due to insufficient information, and reliance on such a scenario would constitute a Hypothetical Condition which we were asked to do for this assignment.

In final reconciliation, the Highest and Best Use of the subject property as vacant includes both multifamily apartment development and potential luxury condominium development, with the latter representing a viable alternative supported by the site's location. However, the highest and best use as improved, and the most probable use overall, is the renovation and continued operation of the existing six unit multifamily property. This use maximizes value, aligns with market demand, and reflects the most reasonable and supportable investment strategy given the property's current condition and available information.

Cost Approach

The steps of the Cost Approach are:

(1) estimate the value of the land, as if vacant and available for its best use.

(2) estimate the replacement cost new of the improvements.

(3) estimate the required entrepreneurial profit necessary to induce development.

(4) estimate the accrued depreciation from all sources.

(5) deduct the accrued depreciation from the cost new of the improvements, to derive the depreciated value of the improvements; and

(6) add the land value to the depreciated value of the improvements, to derive the total value of the property.

The Cost Approach was considered but ultimately not developed for the subject property, as it is not a reliable or meaningful indicator of value for this assignment. The subject is an older coastal multifamily property with a complex unit configuration, including unpermitted improvements and a separate garage parcel, which makes it difficult to accurately estimate replacement cost and accrued depreciation. While construction cost data can be derived from available sources, the process of estimating all forms of depreciation, including physical deterioration, functional obsolescence, and external obsolescence, introduces a high degree of subjectivity and potential error. This is particularly true in coastal markets such as La Jolla, where property values are driven more by location, views, and income potential than by the cost to construct the improvements.

A critical limitation of the Cost Approach in this case is the difficulty in isolating and supporting a reliable land value. The subject is located within the La Jolla Shores Planned District, where vacant land sales are extremely limited and often not comparable due to differences in entitlement status, view orientation, and development potential. Many land transactions in this area are influenced by redevelopment assumptions, assemblage potential, or unique site characteristics, making it challenging to extract a defensible land value applicable to the subject. Without a well-supported land value, the Cost Approach cannot produce a credible indication of value.

Additionally, the subject's value is primarily driven by its income-producing capability and its potential for repositioning rather than its replacement cost. Market participants for this type of asset, including investors and owner-users, base their purchase decisions on income potential, rental upside, and comparable sales rather than construction cost metrics. The presence of below-market rents, tenant buyout considerations, renovation requirements, and ADU conversion potential further emphasize that the property's value is tied to its future income stream rather than its existing physical components.

Furthermore, the existence of unpermitted units complicates the Cost Approach, as it is unclear how these areas should be treated in a replacement cost analysis. Including them would overstate value from a legal standpoint, while excluding them would fail to reflect their contributory utility. This ambiguity further reduces the reliability of the Cost Approach in this instance.

In contrast, the Direct Sales Comparison Approach and Income Approach provide more relevant and market-supported indications of value. These approaches reflect how buyers and sellers in the La Jolla market evaluate similar properties, focusing on income potential, location, and comparable transactions. As a result, the omission of the Cost Approach does not detract from the credibility of the appraisal and is consistent with standard appraisal practice for this type of property.

The Income Approach

The Income Approach is used in the valuation of investment properties such as stores, retail buildings, apartments, mixed use developments, shopping centers, office complexes, commercial buildings, certain industrial buildings, and other real estate which is bought and sold primarily based on the income produced. The value of such properties tends to be set by the quantity, quality and durability of the net income generated by the property.

The theory of this approach is based on the concept that the value of a property is the present worth of the net income it will produce during the remainder of its productive life. In order to value the anticipated economic benefits of a particular property, the present and probable trends of future income, vacancies and rent losses, and expenses must be analyzed, and the appropriate capitalization method selected.

The two most common methods of converting net income into value are direct capitalization and discounted cash flow analysis. In direct capitalization, the forecasted initial year net operating income is divided by an overall rate to indicate a value. In the discounted cash flow method, the

anticipated future net income streams, and a reversionary value at the end of a projected holding period are discounted to an estimated present value.

In the analysis of the subject property, both direct capitalization and the discounted cash flow analysis were considered appropriate and were utilized.

Rent Survey

The rental comparables utilized in the Income Approach have been carefully selected to reflect properties that are highly representative of the subject in terms of location, unit mix, and overall market positioning within the La Jolla coastal submarket. The data set includes a range of property types consisting of small scale multifamily assets, duplexes, condominium units, and a studio rental, which collectively provide a comprehensive and well supported basis for estimating market rents for the subject's unit mix as well as the proposed accessory dwelling unit conversions. These comparables are considered appropriate as they reflect average quality construction and condition levels consistent with the subject's projected post renovation state, thereby providing a realistic indication of achievable rental levels upon stabilization.

Particular emphasis has been placed on proximity, as rental rates in coastal markets such as La Jolla are highly sensitive to micro location factors including walkability, proximity to the ocean, neighborhood character, and access to retail and dining amenities. The selected comparables are located within approximately 0.13 miles to 2.18 miles of the subject, with several positioned within the immediate neighborhood boundaries. Comp 1, located approximately 0.29 miles north of the subject, is especially relevant as it represents a directly competitive small scale multifamily property within the same neighborhood context and provides strong support across unit types including the studio rental. Similarly, Comp 3 at approximately 0.13 miles southwest and Comp 6 at approximately 0.26 miles northwest provide highly proximate data points that reflect nearly identical coastal influences and tenant demand characteristics. These nearby comparables are given significant weight, as they most accurately represent the rental environment in which the subject will compete following renovation and upon completion of the proposed ADU units.

The inclusion of a studio comparable is particularly important in this analysis, as it provides direct market evidence for the anticipated rental performance of the proposed garage conversions into accessory dwelling units. The studio unit at Comp 1, consisting of approximately 467 square feet and achieving a rent of $2,900, reflects a rent level of approximately $6.21 per square foot, which is consistent with the premium typically associated with smaller unit formats in coastal locations. This data point supports the conclusion that newly constructed or renovated ADU units at the subject would command strong rental rates on a per square foot basis, driven by affordability relative to larger units and strong demand for smaller, efficiently designed living spaces in close proximity to the beach.

The comparables also provide a meaningful range of unit sizes and configurations that bracket the subject's unit mix. One bedroom rental data is supported by smaller units within both condominium and apartment settings, including units ranging from approximately 508 square feet to 575 square feet, which align well with the subject's one bedroom layouts. Two bedroom rental data is supported by units ranging from approximately 963 square feet to 1,198 square feet, providing a relevant range for comparison to the subject's larger units. The consistency in

bedroom and bathroom configurations across the comparables further enhances their reliability as indicators of market rent, while the inclusion of the studio unit expands the analysis to capture the full spectrum of potential unit types following redevelopment.

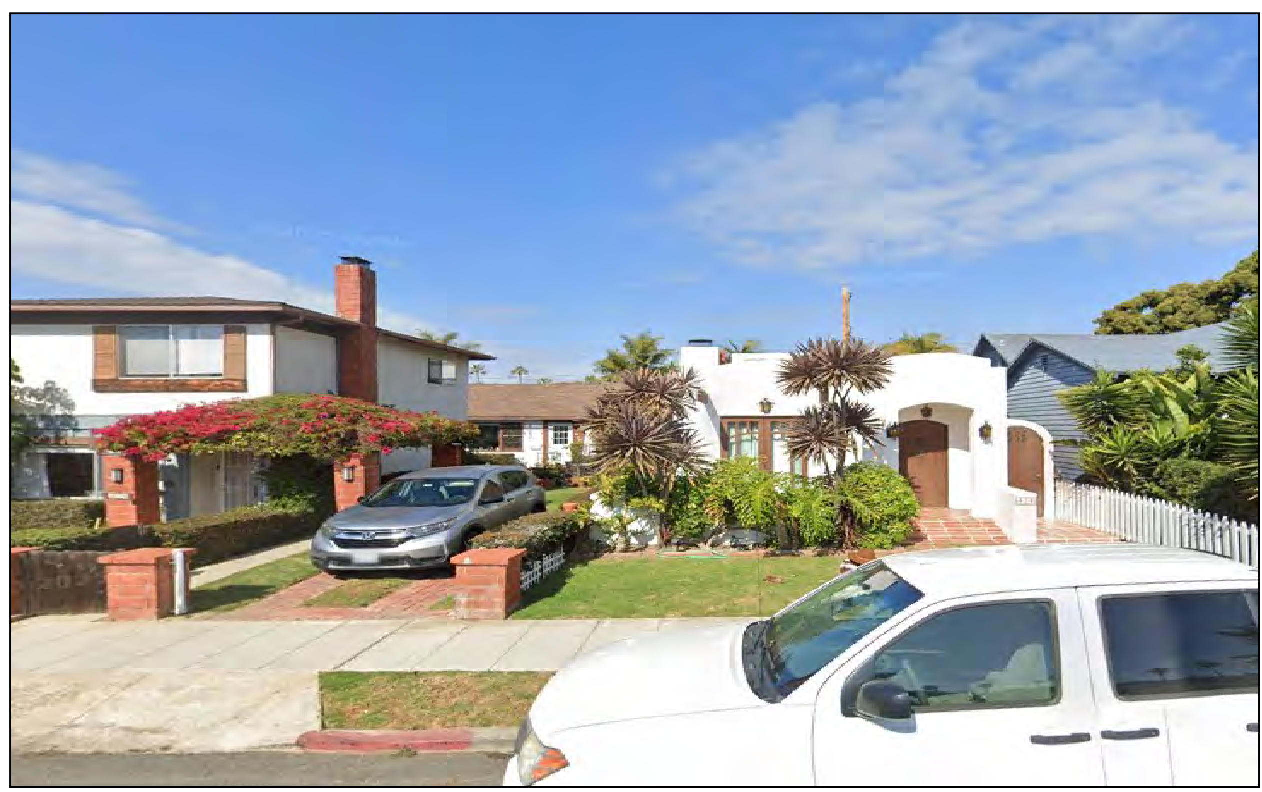
In addition, the comparables exhibit similar utility structures, with ownership typically responsible for water and tenants responsible for gas, electricity, and hot water, which aligns with the subject's anticipated operating profile. Parking is also consistent across the data set, with all comparables offering garage parking, an important amenity in this coastal market that directly influences rental competitiveness and tenant appeal.

Overall, the selected rental comparables are considered the best available indicators of market rent, as they combine strong geographic proximity, similar physical and functional characteristics, inclusion of a relevant studio data point for ADU analysis, and alignment with the subject's anticipated post renovation condition. As such, they provide a credible and well supported foundation for the market rent conclusions applied in the Income Approach, including both the existing unit mix and the proposed accessory dwelling units.

A locational map and more detailed summary of the rental comparables are as follows on next page:

Rental Comparable Map

Rental Comparable One



Building Location:	412 Nautilus St, La Jolla
Number of Units:	3 units
Total Building Size:	467 square feet
Number of Vacancies:	0 vacant
Vacancy Percentage:	0.00% vacancy
Property Type:	3 units
Year Built:	2022
Condition:	Average
Quality:	Average
Parking:	Garage
Utilities Paid by Tenant:	Electricity, hot water, and gas

Unit Type	Size	Rent	Per Room	Per SF
0 Bed/1 Bath	467 SF	$2,900 per month	$1,450 per room	$6.21 per SF
1 Bed/1 Bath	N/A SF	N/A per month	N/A per room	N/A per SF
2 Bed/1 Bath	N/A SF	N/A per month	N/A per room	N/A per SF
3 Bed/2 Bath	N/A SF	N/A per month	N/A per room	N/A per SF

Rental Comparable #1 is a condo unit located at 412 Nautilus St in La Jolla approximately 0.29 mile N in an equivalent area. It is similar in condition, quality, and tenant appeal.

Utilities	Paid By
Water	Owner
Hot Water	Tenant
Gas	Tenant
Electric	Tenant

Rental Comparable Two

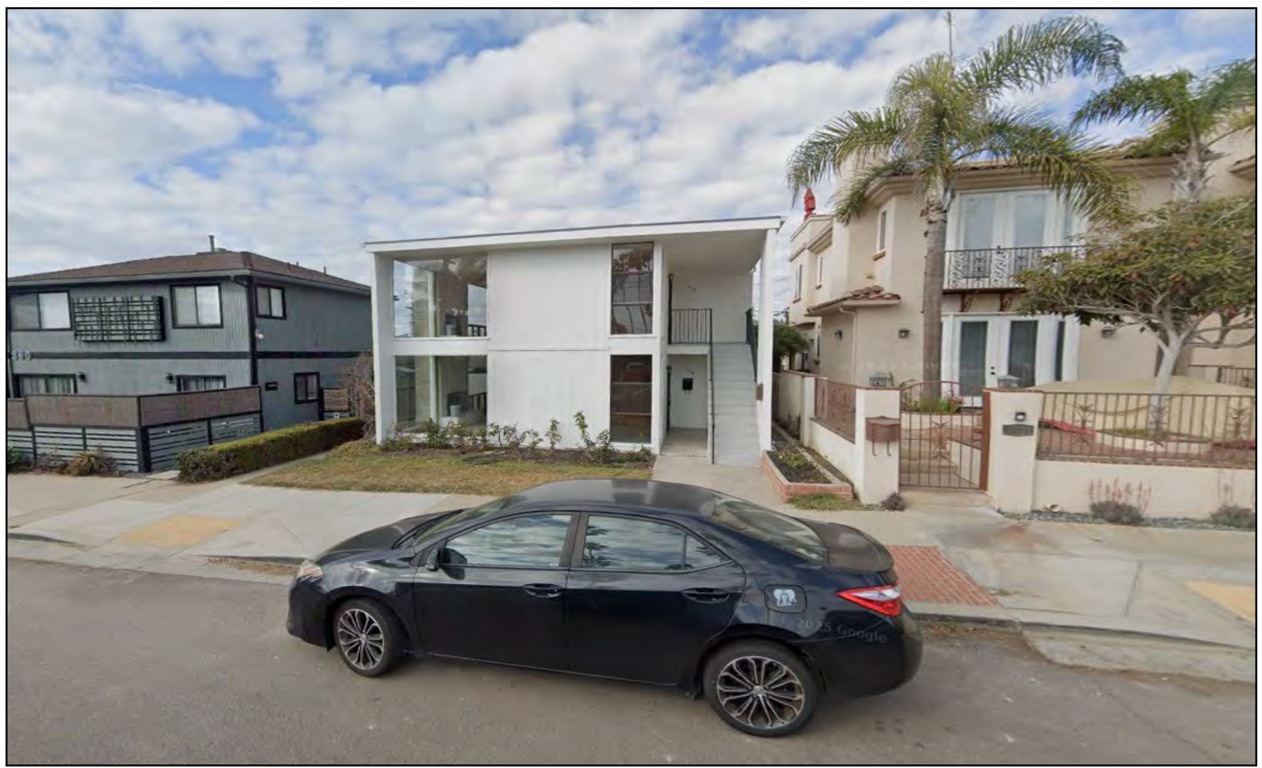
Building Location:	8151 Camino Del Oro, La Jolla
Number of Units:	1
Total Building Size:	963 square feet
Number of Vacancies:	0 vacant
Vacancy Percentage:	0.00% vacancy
Property Type:	Condo
Year Built:	1952
Condition:	Average
Quality:	Average
Parking:	Garage
Utilities Paid by Tenant:	Electricity, hot water, and gas

Unit Type	Size	Rent	Per Room	Per SF
0 Bed/1 Bath	N/A SF	N/A per month	N/A per room	N/A per SF
1 Bed/1 Bath	N/A SF	N/A per month	N/A per room	N/A per SF
2 Bed/2 Bath	963 SF	$6,500 per month	$1,625 per room	$6.75 per SF
3 Bed/2 Bath	N/A SF	N/A per month	N/A per room	N/A per SF

Rental Comparable #2 is a condo unit located at 8151 Camino Del Oro in La Jolla approximately 2.18 miles NE in an equivalent demand area. It is similar in condition and quality.

Utilities	Paid By
Water	Owner
Hot Water	Tenant
Gas	Tenant
Electric	Tenant

Rental Comparable Three



Building Location:	308 Palomar Ave, La Jolla
Number of Units:	Duplex
Total Building Size:	2,396 square feet
Number of Vacancies:	0 vacant
Vacancy Percentage:	0.00% vacancy
Property Type:	Duplex
Year Built:	1955
Condition:	Average
Quality:	Average
Parking:	Garage
Utilities Paid by Tenant:	Electricity, hot water, and gas

Unit Type	Size	Rent	Per Room	Per SF
0 Bed/1 Bath	N/A SF	N/A per month	N/A per room	N/A per SF
1 Bed/1 Bath	N/A SF	N/A per month	N/A per room	N/A per SF
2 Bed/2 Bath	1198 SF	$6,495 per month	$1,624 per room	$5.42 per SF
3 Bed/2 Bath	N/A SF	N/A per month	N/A per room	N/A per SF

Rental Comparable #3 is a 2 unit development located at 308 Palomar Ave in La Jolla approximately 0.13 miles SW in an equivalent demand area. It is similar in condition, quality, and tenant appeal.

Utilities	Paid By
Water	Owner
Hot Water	Tenant
Gas	Tenant
Electric	Tenant

Rental Comparable Four

Building Location:	307 Prospect St, La Jolla
Number of Units:	1
Total Building Size:	1,190 square feet
Number of Vacancies:	0 vacant
Vacancy Percentage:	0.00% vacancy
Property Type:	Condo
Year Built:	1974
Condition:	Average
Quality:	Average
Parking:	Garage
Utilities Paid by Tenant:	Electricity, hot water, and gas

0 Bed/1 Bath	N/A SF	N/A per month	N/A per room	N/A per SF
1 Bed/1 Bath	N/A SF	N/A per month	N/A per room	N/A per SF
2 Bed/2 Bath	1190 SF	$6,000 per month	$1,500 per room	$5.04 per SF
3 Bed/2 Bath	N/A SF	N/A per month	N/A per room	N/A per SF

Rental Comparable #4 is a condo unit located at 307 Prospect St in La Jolla approximately 0.89 miles N in an equivalent demand area. It is similar in condition, quality, and tenant appeal.

Utilities	Paid By
Water	Owner
Hot Water	Tenant
Gas	Tenant
Electric	Tenant

Rental Comparable Five

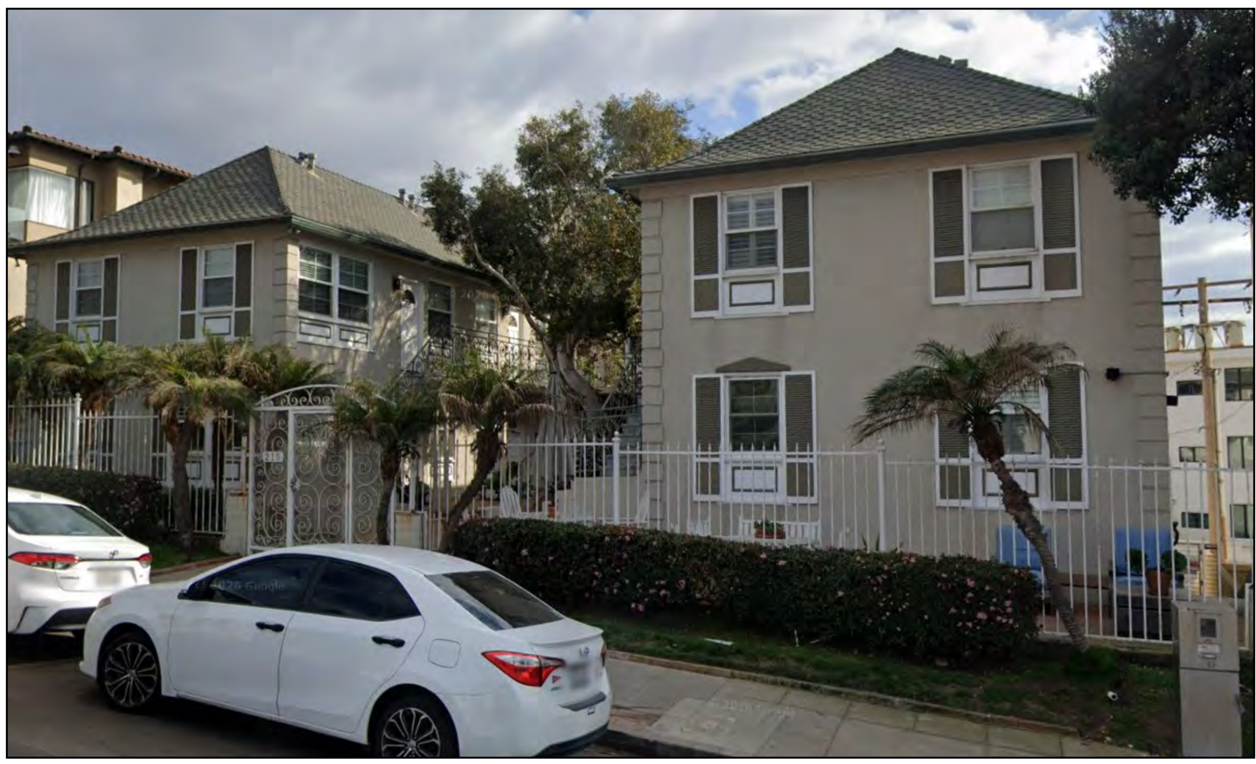
Building Location:	1111 Torrey Pines D, La Jolla
Number of Units:	20 Units
Total Building Size:	508 square feet
Number of Vacancies:	2 vacant
Vacancy Percentage:	0.00% vacancy
Property Type:	20 Units
Year Built:	2024
Condition:	Average
Quality:	Average
Parking:	Garage
Utilities Paid by Tenant:	Electricity, hot water, and gas

Unit Type	Size	Rent	Per Room	Per SF
0 Bed/1 Bath	N/A SF	N/A per month	N/A per room	N/A per SF
1 Bed/1 Bath	508 SF	$3,782 per month	$1,261 per room	$7.44 per SF
2 Bed/2 Bath	N/A SF	N/A per month	N/A per room	N/A per SF
3 Bed/3 Bath	N/A SF	N/A per month	N/A per room	N/A per SF

Rental Comparable #5 is a 20 unit apartment located at 1111 Torrey Pines D in La Jolla approximately 1.09 miles N in an equivalent demand area of La Jolla. It is similar in condition, quality, and tenant appeal.

Utilities	Paid By
Water	Owner
Hot Water	Tenant
Gas	Tenant
Electric	Tenant

Rental Comparable Six



Building Location:	215 Bonair St, La Jolla
Number of Units:	12
Total Building Size:	575 square feet
Number of Vacancies:	1 vacant
Vacancy Percentage:	0.00% vacancy
Property Type:	12
Year Built:	1953
Condition:	Average
Quality:	Average
Parking:	Garage
Utilities Paid by Tenant:	Electricity, hot water, and gas

Unit Type	Size	Rent	Per Room	Per SF
0 Bed/1 Bath	N/A SF	N/A per month	N/A per room	N/A per SF
1 Bed/1 Bath	575 SF	$3,695 per month	$1,232 per room	$6.43 per SF
2 Bed/2 Bath	N/A SF	N/A per month	N/A per room	N/A per SF
3 Bed/2 Bath	N/A SF	N/A per month	N/A per room	N/A per SF

Rental Comparable #6 is a 12 unit apartment building located at 215 Bonair St in La Jolla approximately 0.26 miles NW in an equivalent demand area. It is similar in condition and quality.

Utilities	Paid By
Water	Owner
Hot Water	Tenant
Gas	Tenant
Electric	Tenant

Rental Comparables 1, 2, and 3

	Subject	Comp 1	Comp 2	Comp 3
	428 Rosemont St	412 Nautilus St	8151 Camino Del Oro	308 Palomar Ave
Units	6	3	1	2
Vacant	4	0	0	0
% Vacant	66.67%	0.00%	0.00%	0.00%
Type	6 units	3 units	Condo	Duplex
Location	Average	Average	Average	Average
Year Built	1950	2022	1952	1955
Quality	Average	Average	Average	Average
Condition	Average	Average	Average	Average
Parking	Garage	Garage	Garage	Garage
Distance from Subject		0.29 mile N	2.18 miles NE	0.13 miles SW
Utilities				
Water	Owner	Owner	Owner	Owner
Hot Water	Tenant	Tenant	Tenant	Tenant
Gas	Tenant	Tenant	Tenant	Tenant
Electric	Tenant	Tenant	Tenant	Tenant
Studio	**Subject**	**Comp 1**	**Comp 2**	**Comp 3**
Total Rooms	N/A	2	2	2
Bedrooms	N/A	0	0	0
Bathrooms	N/A	1	1	1
SF Size	N/A	467	N/A	N/A
Rent	N/A	$2,900	N/A	N/A
Rent Per Rm	N/A	$1,450	N/A	N/A
Rent Per SF	N/A	$6.21	N/A	N/A
1 Bedroom	**Subject**	**Comp 1**	**Comp 2**	**Comp 3**
Total Rooms	N/A	3	3	3
Bedrooms	N/A	1	1	1
Bathrooms	N/A	1	1	1
SF Size	N/A	N/A	N/A	N/A
Rent	N/A	N/A	N/A	N/A
Rent Per Rm	N/A	N/A	N/A	N/A
Rent Per SF	N/A	N/A	N/A	N/A
2 Bedroom	**Subject**	**Comp 1**	**Comp 2**	**Comp 3**
Total Rooms	N/A	4	4	4
Bedrooms	N/A	2	2	2
Bathrooms	N/A	1	2	2
SF Size	N/A	N/A	963	1198
Rent	N/A	N/A	$6,500	$6,495
Rent Per Rm	N/A	N/A	$1,625	$1,624
Rent Per SF	N/A	N/A	$6.75	5.42

Rental Comparables 4, 5, and 6

	Subject	Comp 4	Comp 5	Comp 6
	428 Rosemont St	307 Prospect St	1111 Torrey Pines D	215 Bonair St
Units	6	1	20	12
Vacant	4	0	2	1
% Vacant	66.67%	0.00%	0.00%	0.00%
Type	6 units	Condo	20 Units	12
Location	Average	Average	Average	Average
Year Built	1950	1974	2024	1953
Quality	Average	Average	Average	Average
Condition	Average	Average	Average	Average
Parking	Garage	Garage	Garage	Garage
Distance from Subject		0.89 miles N	1.09 miles N	0.26 miles NW
Utilities				
Water	Owner	Owner	Owner	Owner
Hot Water	Tenant	Tenant	Tenant	Tenant
Gas	Tenant	Tenant	Tenant	Tenant
Electric	Tenant	Tenant	Tenant	Tenant
Studio	**Subject**	**Comp 4**	**Comp 5**	**Comp 6**
Total Rooms	N/A	2	2	2
Bedrooms	N/A	0	0	0
Bathrooms	N/A	1	1	1
SF Size	N/A	N/A	N/A	N/A
Rent	N/A	N/A	N/A	N/A
Rent Per Rm	N/A	N/A	N/A	N/A
Rent Per SF	N/A	N/A	N/A	N/A
1 Bedroom	**Subject**	**Comp 4**	**Comp 5**	**Comp 6**
Total Rooms	N/A	3	3	3
Bedrooms	N/A	1	1	1
Bathrooms	N/A	1	1	1
SF Size	N/A	N/A	508	575
Rent	N/A	N/A	$3,782	$3,695
Rent Per Rm	N/A	N/A	$1,261	$1,232
Rent Per SF	N/A	N/A	$7.44	$6.43
2 Bedroom	**Subject**	**Comp 4**	**Comp 5**	**Comp 6**
Total Rooms	N/A	4	4	4
Bedrooms	N/A	2	2	2
Bathrooms	N/A	2	2	2
SF Size	N/A	1190	N/A	N/A
Rent	N/A	$6,000	N/A	N/A
Rent Per Rm	N/A	$1,500	N/A	N/A
Rent Per SF	N/A	$5.04	N/A	N/A

Our rental survey showed the following ranges for the different rental types:

Rental Type	Minimum	Maximum	Mean
Studio	$2,900	$2,900	$2,900
1 Bed	$3,695	$3,782	$3,739
2 Bed	$5,000	$6,500	$5,999

Interpretation of Rentals

The forecasted rental conclusions reflect a stabilized post renovation income profile that is well supported by the rental comparable data and appropriately adjusted for the subject's specific unit characteristics. The 2 bed/2 bath units are concluded at $6,000 per month, while the 2 bed/1 bath units are concluded at $5,250 per month. These rent levels are consistent with the upper range of the comparable data and reflect the subject's desirable coastal location, functional layouts, and anticipated upgraded interior finishes following renovation. Similarly, the 1 bed/1 bath units are concluded at $3,650 per month, which aligns with the supported range from comparable one bedroom units after considering unit size, condition, and overall competitiveness within the submarket.

The proposed studio accessory dwelling units are concluded at $2,650 per month, which is below the indicated level from the comparable studio rental (Rental 1). This downward adjustment is warranted and supported by the subject's physical constraints, as the ADU units will be created from existing garage structures with concrete block construction that limits the ability to incorporate typical levels of fenestration. As a result, these units will have reduced natural light and a more constrained interior environment relative to purpose built studio units, which impacts overall tenant appeal. In addition, the smaller unit sizes, ranging from approximately 239 square feet to 267 square feet, further support a slightly lower absolute rent level despite achieving strong rent per square foot metrics. Overall, the forecasted rents are considered reasonable and reflective of market conditions for renovated units in the La Jolla coastal submarket, with appropriate adjustments made for unit type, size, and functional utility. The resulting total projected monthly income of $40,400, equating to approximately $7.27 per square foot across the net rentable area, represents a stabilized income level that assumes all units are renovated, the existing tenants have been relocated, and the property is fully leased at market terms. The following is our summary of actual, market, and forecasted rents for the subject:

Unit	Room Count	SF Size	Status	Scheduled Rent	Per SF	Market Rent	Per SF	Forecasted Rent	Per SF
428	4-2-2	907	Vacant	$0	$0.00	$6,000	$6.62	$6,000	$6.62
430	4-2-1	740	Vacant	$0	$0.00	$5,250	$7.09	$5,250	$7.09
432	3-1-1	636	Rented	$3,100	$4.87	$3,650	$5.74	$3,650	$5.74
434	3-1-1	546	Vacant	$0	$0.00	$3,650	$6.68	$3,650	$6.68
436	4-2-1	858	Vacant	$0	$0.00	$5,250	$6.12	$5,250	$6.12
438	4-2-2	884	Rented	$4,200	$4.75	$6,000	$6.79	$6,000	$6.79
Studio 1	2-0-1	239	Proposed	$0	$0.00	$2,650	$11.11	$2,650	$11.11
Studio 2	2-0-1	239	Proposed	$0	$0.00	$2,650	$11.11	$2,650	$11.11
Studio 3	2-0-1	239	Proposed	$0	$0.00	$2,650	$11.11	$2,650	$11.11
Studio 4	2-0-1	267	Proposed	$0	$0.00	$2,650	$9.93	$2,650	$9.93
10	**NRA**	**5,554**		**$7,300**	**$1.31**	**$40,400**	**$7.27**	**$40,400**	**$7.27**

The annual Potential Gross Income was calculated as follows:

$40,400 (Monthly Potential Gross Income) x 12 Months = $484,800

Vacancy and Collection Loss

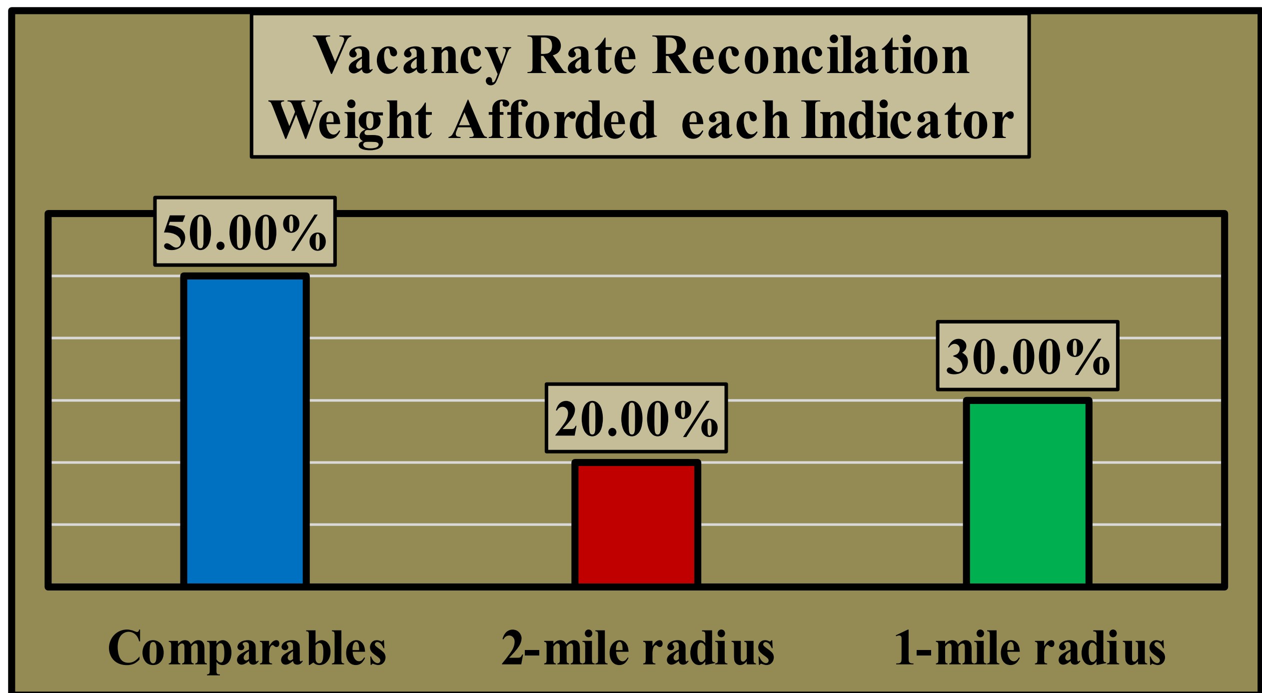
The subject property currently is occupied which is not typical of the market. The rental comparables provide a more direct indication of stabilized market occupancy and collectively reported 7.69% vacancy across 39 units, reflecting well-leased properties under active management in the same competitive market area. When the sales and rental datasets are combined, the overall vacancy level across 72 units equates to 4.17% which provides a blended market benchmark that accounts for both stabilized leasing performance and the transitional conditions often associated with sales activity. This combined rate is the most representative measure of broader market vacancy trends. A CoStar Multifamily Survey - 1st Quarter 2026 for the time period of was conducted for residential apartments. The following table shows the conclusions based upon radius distances from the subject:

CoStar Multifamily Survey - 1st Quarter 2026								Effective Rent	Asking Rent
Range	# of Units	Vacancy	Avg Sales PU	Avg Rent	Avg Rent PSF	Vac Change YOY	OAR	Growth %	Growth %
7-mile radius	56,988	5.90%	$438,000	$2,890	$3.36	1.70%	4.70%	0.50%	0.50%
5-mile radius	40,750	4.10%	$442,000	$2,937	$3.39	-0.20%	4.60%	1.50%	1.20%
3-mile radius	17,072	3.40%	$447,000	$3,166	$3.59	-0.70%	4.70%	1.00%	0.70%
2-mile radius	7,766	4.90%	$436,000	$3,051	$3.65	-0.30%	4.70%	0.80%	0.30%
1-mile radius	451	2.00%	$430,000	$3,112	$3.21	-0.50%	4.80%	3.20%	3.20%
CoStar Total Averages		4.06%	$438,600	$3,031	$3.44	0.00%	4.70%	1.40%	1.18%

In considering an estimated vacancy projection for the subject we considered all these vacancy conclusions. The CoStar 1 Mile Radius Survey was given additional consideration and was afforded a weighted average quotient of 50%. The CoStar 5 mile radius result was given secondary consideration and was afforded a weighted average quotient of 30%. The sales and rental comparables were given the least amount of consideration and was afforded a weighted average quotient of 20%. The following shows our final vacancy conclusion for our subject:

Item	Weight	Indicator	Amount
Comparables	50.00%	0.00%	0.00%
2-mile radius	20.00%	4.90%	0.98%
1-mile radius	30.00%	2.00%	0.60%
Vacancy Conclusion	100.00%	Weighted Avg	1.58%

Item	Weight	Indicator	Amount
Comparables	50.00%	4.17%	2.08%
2-mile radius	20.00%	3.70%	0.74%
1-mile radius	30.00%	2.00%	0.60%
Vacancy Conclusion	100.00%	Weighted Avg	3.42%



Based on these indicators, the concluded physical vacancy allowance of 3.40% reflects a reasoned stabilization level that is higher than the rental-only benchmark yet lower than the elevated sales vacancy levels. The additional 0.50% collection loss factor accounts for normal turnover-related rent loss, minor delinquency, and administrative friction typical of projects of this age, condition, and market position.

The combined 3.90% vacancy and collection allowance therefore reflects an appropriate stabilized expectation that considers local market vacancy performance, the subject's age and competitive position, recent operating history, and the immediate need for unit turnover and renovation.

Expense Forecast

The Income and Expense Pro Forma reflects a stabilized operating scenario for the subject following completion of renovations, lease up of all units including the proposed accessory dwelling units, and achievement of market level rents. The projected Gross Potential Income is $484,800 annually, which equates to $48,480 per unit or $4,040 per unit per month. No reimbursement income has been included, as the expense structure reflects a predominantly landlord paid model for certain operating components. A stabilized vacancy and collection loss factor of 3.90% has been applied, resulting in a deduction of $18,907 and an Effective Gross Income of $465,893, or 46,589 per unit and $3,882.44 per unit per month. This vacancy assumption is consistent with a well located, renovated coastal asset operating at typical stabilized occupancy levels.

Operating expenses are estimated at $160,237 annually, representing 34.39% of Effective Gross Income, which is within a reasonable range for a property of this size and configuration. Property taxes represent the largest expense at $107,238, or 23.02% of Effective Gross Income, reflecting

reassessment at the concluded value. Insurance is estimated at $4,255 annually, while management is projected at 3.00% of Effective Gross Income, or $13,977, consistent with market based third party management costs. Utilities are estimated at $10,000 annually, with trash at $7,000, reflecting the landlord's responsibility for these services. Maintenance and repairs are projected at $5,000, with additional allocations for legal and accounting and reserves each at 1.00% of Effective Gross Income, providing for ongoing administrative and capital needs. Minor expenses including licenses and payroll taxes and landscaping are also included to reflect a fully stabilized operating profile.

After deduction of all operating expenses, the resulting Net Operating Income is $305,656 annually, which equates to 65.61% of Effective Gross Income, or $30,566 per unit and $2,547.13 per unit per month. This level of net income is indicative of a stabilized, renovated multifamily asset in a strong coastal submarket and provides the basis for capitalization and discounted cash flow valuation analyses.

In summary, the pro forma reflects a fully stabilized property with market based rents, typical vacancy, and normalized operating expenses. The resulting Net Operating Income provides a reliable basis for valuation under the Income Approach and is consistent with investor expectations for a renovated six unit property in the La Jolla submarket.

Income and Expense Proforma

The following is the Pro Forma Income and Expense Statement prepared for use in valuing the subject property via the Income Approach. The Pro Forma analysis is based on the previously presented forecasts of market rents for the subject property and is as follows:

	Forecasted	Percent	Per Unit	PU Monthly
Gross Potential Income	$484,800		$48,480	$4,040.00
Reimbursements	$0	0.00%	$0	$0.00
Vacancy	$18,907	3.90%	$1,891	$157.56
Effective Gross Income	$465,893		$46,589	$3,882.44
Property Taxes	$107,238	23.02%	$10,724	$893.65
Insurance	$4,255	0.91%	$425	$35.46
On & Off Site Management	$13,977	3.00%	$1,398	$116.47
Utilities	$10,000	2.15%	$1,000	$83.33
Trash	$7,000	1.50%	$700	$58.33
Maintenance & Repairs	$5,000	1.07%	$500	$41.67
Legal and Accounting	$4,659	1.00%	$466	$38.82
Reserves	$4,659	1.00%	$466	$38.82
Licenses & Payroll Taxes	$450	0.00%	$45	$3.75
Gardener	$3,000	0.00%	$300	$25.00
Total Operating Expenses	$160,237	34.39%	$16,024	$1,335.31
Net Operating Income	$305,656	65.61%	$30,566	$2,547.13

Direct Capitalization

The process of direct capitalization derives a property's market value through the division of its anticipated first year net cash flow by an overall capitalization rate derived from the marketplace. The direct capitalization method does not simulate investor assumptions or forecasts concerning the holding period, the pattern of income, or changes in the value of the original investment, and no precise allocation is made between the return on and the return of capital. However, the rate utilized is derived from similar investment properties and both a satisfactory rate of return for the investor and the recapture of the capital invested are implicit in said overall rate. It is therefore essential that the investment properties utilized to derive the overall rate reflect risk, income, expense, and physical and location characteristics that are like the property being appraised.

Capitalization Rate Survey

The Direct Capitalization Rate Survey has been developed to derive a market supported capitalization rate applicable to the subject property upon completion of renovations and achievement of stabilized occupancy. The survey consists of recent multifamily sales located throughout the greater San Diego and La Jolla coastal markets, with particular emphasis on smaller to mid-sized properties that are comparable to the subject in terms of unit count, location, and investor profile.

The selected transactions range from four unit to twenty two unit properties and reflect a broad cross section of investment activity within the coastal and near coastal submarkets. These properties are considered relevant as they represent assets that, similar to the subject upon stabilization, are either renovated or operating at market levels of occupancy with income streams reflective of prevailing rental rates. The inclusion of both La Jolla and surrounding San Diego coastal communities provides a comprehensive view of investor expectations, while still maintaining a strong geographic and economic relationship to the subject's immediate market area.

The extracted capitalization rates range from approximately 1.00% to 3.50%, reflecting variations in property size, location, condition, and perceived risk. Lower capitalization rates are generally associated with newer construction, premium locations, or properties exhibiting strong in place income with minimal perceived risk, while higher capitalization rates tend to reflect smaller properties, older improvements, or assets with greater management intensity or variability in income.

This survey is intended to reflect investor behavior for stabilized assets and therefore aligns with the valuation premise that the subject will be renovated, repositioned, and operating at market occupancy levels. As such, the derived capitalization rate will be applied to the stabilized Net Operating Income, consistent with how market participants evaluate similar multifamily investments in the La Jolla coastal submarket.

The following is a summary of the comparables:

Sale Date	Property Address	City	Type	# of Units	Sale Price	Cap Rate
07/11/24	870 Diamond St	San Diego	Multifamily	22	$11,250,000	2.48%
11/27/24	1707 Chalcedony St	San Diego	Multifamily	16	$6,350,000	2.90%
02/11/25	3736 Jemez Dr	San Diego	Multifamily	12	$3,150,000	2.41%
07/18/25	835 Thomas Ave	San Diego	Multifamily	11	$4,030,000	3.40%
08/01/24	1311 La Palma St	San Diego	Multifamily	10	$6,700,000	1.00%
10/15/25	2162 Thomas Ave	San Diego	Multifamily	8	$2,925,000	2.69%
06/06/25	3918-3924 Gresham St	San Diego	Multifamily	8	$5,950,000	2.80%
02/10/25	1926-1942 Fortuna Ave	San Diego	Multifamily	8	$3,465,000	1.50%
05/10/24	428-438 Rosemont St	La Jolla	Multifamily	6	$3,700,000	3.20%
05/06/24	6051-6061 La Jolla Hermosa Ave	La Jolla	Multifamily	6	$3,450,000	1.00%
02/14/25	344 Prospect St	La Jolla	Multifamily	5	$3,931,000	3.01%
01/03/25	1533 Oliver Ave	San Diego	Multifamily	5	$2,500,000	3.50%
10/01/25	1228 Grand Ave	San Diego	Multifamily	4	$2,335,000	2.77%
05/06/25	3743-3749 Jewell St	San Diego	Multifamily	4	$2,250,000	1.43%
04/23/25	1505 Felspar St	San Diego	Multifamily	4	$2,585,000	3.32%
04/16/25	729-735 Queenstown Ct	San Diego	Multifamily	4	$2,038,000	2.49%
03/13/25	2033 Garnet Ave	San Diego	Multifamily	4	$1,600,000	3.19%

The results of the Direct Capitalization Rate Survey indicate a clear trend within the coastal San Diego and La Jolla multifamily market whereby smaller properties with fewer units tend to trade at lower capitalization rates relative to larger apartment assets. This reflects strong demand from private investors and owner users seeking smaller scale coastal investments, where pricing is often driven more by location, long term appreciation potential, and lifestyle considerations than by yield alone. The surveyed data demonstrates that properties in the four to eight unit range, which are most comparable to the subject, generally transact at the lower end of the overall range, particularly when located in prime coastal neighborhoods and when repositioned to market rents.

The capitalization rates derived from the survey indicate a range from 1.00% to 3.50%, with the variation attributable to differences in property size, location, condition, and overall risk profile. Lower rates are generally associated with newer or recently renovated properties in premier coastal locations with strong and stable income streams, while higher rates reflect smaller assets or properties with greater perceived management intensity and variability in income. The subject, upon completion of renovations and stabilization, is expected to compete with well maintained and upgraded multifamily properties in the La Jolla coastal market, positioning it within the core of this observed range.

In reconciling the data, consideration was given to the subject’s size as a six unit property, its prime coastal location, and its anticipated condition following renovation. While some of the lowest reported capitalization rates reflect larger or newer assets with institutional appeal, and

some of the higher rates reflect smaller or less competitive properties, the majority of the comparable sales cluster within a relatively narrow band that is reflective of stabilized, renovated coastal multifamily investments.

Based on this analysis, the mean capitalization rate of 2.53% has been selected as the most appropriate indicator for our survey. This measure provides a balanced reflection of the overall market, capturing both the premium associated with the subject's coastal location and the slightly higher risk profile typically attributed to smaller multifamily properties. The use of the mean also mitigates the influence of outliers at both the low and high ends of the range and is considered to best represent the actions of typical market participants.

CoStar Apartment Radius Market Survey

The CoStar Multifamily Survey for the 1st Quarter of 2026 provides relevant market supported capitalization rate data across varying geographic radii surrounding the subject, offering insight into investor return expectations within the broader San Diego and immediate La Jolla coastal submarkets. The reported Overall Capitalization Rates remain relatively consistent across all surveyed radii, ranging from 4.50% to 4.70%, which reflects a stable investment environment with limited variation between broader and more localized markets.

At the 7 mile radius level, the Overall Capitalization Rate is reported at 4.70%, representing a broad cross section of multifamily assets across the greater San Diego region. As the analysis narrows to the 5 mile and 3 mile radii, capitalization rates compress slightly to 4.60%, indicating stronger investor demand and pricing pressure in areas closer to the coast and higher demand submarkets. The 2 mile radius continues this trend with an Overall Capitalization Rate of 4.60%, reflecting a market that is closely aligned with the subject's competitive environment.

At the most localized level, the 1 mile radius reports an Overall Capitalization Rate of 4.50%, representing the strongest investor demand and lowest perceived risk within the immediate coastal neighborhood. This compression in capitalization rates is consistent with the subject's location in a highly desirable La Jolla coastal area, where limited supply and strong rental demand support premium pricing and lower investor yield requirements.

The CoStar total average capitalization rate is reported at 4.60%, which is consistent with the majority of the surveyed radii and reflects overall market equilibrium. The relatively narrow range of 4.50% to 4.70% across all distances indicates a stable and well established multifamily investment market with predictable return expectations.

In applying this data to the subject, it is important to recognize that the CoStar survey reflects broader market level capitalization rates, which typically include a wide range of property sizes, conditions, and locations. The subject, upon renovation and stabilization, is expected to compete with smaller, high demand coastal assets, which often trade at lower capitalization rates than the broader averages due to their location, limited supply, and strong income characteristics.

Accordingly, the CoStar capitalization rate data provides a benchmark for overall market conditions and supports the conclusion that investor demand in the subject's market area remains

strong, with compressed capitalization rates reflective of a highly competitive coastal investment environment.

A summary of the full survey was included previously in the "CoStar Multifamily Survey - 1st Quarter 2026" earlier in this report. The following table contains the most pertinent OAR (Capitalization Rates) conclusions for this survey:

CoStar Multifamily Survey - 1st Quarter 2026									Effective Rent	Asking Rent
Range	# of Units	Vacancy	Avg Sales PU	Avg Rent	Avg Rent PSF	Vac Change YOY	OAR		Growth %	Growth %
7-mile radius	56,955	4.20%	$449,000	$2,701	$3.38	-0.50%	4.60%		3.50%	2.60%
5-mile radius	20,464	3.70%	$427,000	$2,553	$3.28	0.20%	4.60%		2.80%	2.40%
3-mile radius	4,768	2.80%	$462,000	$2,852	$3.49	0.10%	4.60%		3.50%	2.70%
2-mile radius	2,944	3.00%	$479,000	$3,087	$3.56	-0.10%	4.60%		3.50%	2.80%
1-mile radius	1,713	3.30%	$476,000	$3,074	$3.51	0.00%	4.60%		4.10%	3.00%
CoStar Total Averages		3.40%	$458,600	$2,853	$3.44	-0.06%	4.60%		3.48%	2.70%

Sales Comparables Capitalization Rate Analysis

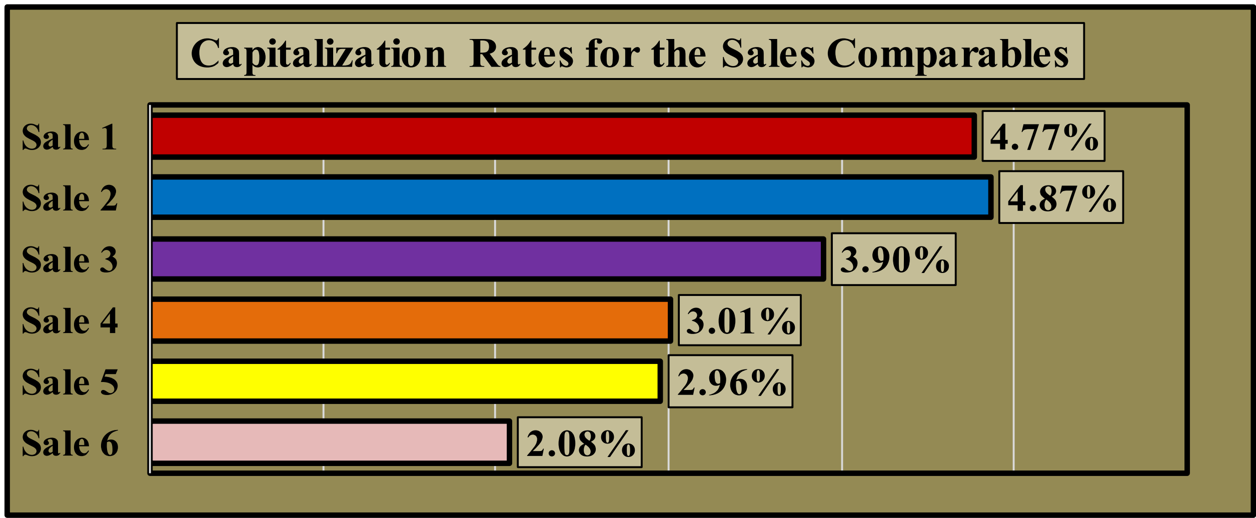
An additional method utilized in developing a market supported capitalization rate for the subject is the analysis of capitalization rates extracted directly from the comparable sales. This approach reflects actual investor behavior and pricing decisions in the marketplace, as the reported Overall Rates are derived from transactions involving similar multifamily properties competing within the same coastal submarkets as the subject.

The comparable sales include properties ranging from four to twelve units located in La Jolla and surrounding San Diego coastal neighborhoods, which are considered highly relevant to the subject in terms of location, scale, and investor profile. These transactions reflect assets with similar average quality and good condition, and most represent stabilized properties with minimal vacancy at the time of sale. As such, the extracted capitalization rates provide a direct indication of investor return expectations for comparable income producing assets.

The reported capitalization rates range from 2.08% to 4.87%. The higher end of the range, including rates of 4.77% and 4.87%, is associated with smaller four unit properties that may reflect higher perceived risk, lower economies of scale, or less optimal positioning relative to premium coastal locations. The mid-range rates, such as 3.90%, reflect larger or more balanced assets that exhibit stable income characteristics and typical investor expectations. The lower end of the range, including rates of 3.01%, 2.96%, and 2.08%, is generally associated with properties located in highly desirable coastal locations or those exhibiting strong pricing metrics, such as higher price per unit and price per square foot, indicating strong investor demand and lower required yields.

In analyzing these sales relative to the subject, consideration is given to the subject's anticipated condition following renovation and stabilization. Upon completion, the subject is expected to compete with well-maintained coastal multifamily properties and benefit from strong rental demand, which supports positioning toward the lower to mid portion of the observed range. However, the subject's size as a six unit property suggests a slightly higher risk profile than larger assets, which may moderate the degree of rate compression.

This sales based capitalization rate analysis provides a critical component in forecasting a market supported rate, as it reflects actual transaction data rather than survey based benchmarks. When considered alongside the broader market survey data, this approach helps establish a well-supported range of investor expectations and contributes to the final reconciliation of an appropriate capitalization rate for the subject property in its stabilized condition.



Reconciliation of Capitalization Rate Selection

The capitalization rate applied in the Income Capitalization Approach was derived through reconciliation of three independent and complementary data sets: the Market Capitalization Rate Survey, the CoStar Multifamily First Quarter 2026 survey, and the capitalization rates extracted from the six sales used in the Direct Sales Comparison Analysis. Each source reflects a different perspective of investor behavior and market risk, and each was weighted based on relevance, sample size, and comparability to the subject.

Market Capitalization Rate Survey

The Market Capitalization Rate Survey was given secondary weight at 50%. This survey includes a broad sample of multifamily transactions within the region, with unit counts and asset characteristics that closely bracket the subject. The survey captures capitalization rates derived from actual investor underwriting decisions across a wide range of property sizes, vintages, and operating profiles. The resulting mean capitalization rate of 2.53% reflects overall market sentiment for small to mid-size multifamily properties and incorporates both stabilized and value-add transactions. Given its depth, geographic focus, and statistical reliability, this survey was considered the most representative indicator of market-derived risk for the subject. When weighted, this source contributes 1.27% to the overall rate conclusion.

CoStar Multifamily Fourth Quarter 2025 Survey

The CoStar Multifamily First Quarter 2026 survey was assigned a 20% weight. This source provides institutional-quality market metrics within defined geographic radii, including vacancy,

rent levels, pricing per unit, and capitalization rates. Emphasis was placed on the 1-mile radius data, which reports an average capitalization rate of 4.50%. While this rate reflects strong investor demand and pricing for stabilized assets in the immediate area, it is influenced by a mix of newer and higher-quality properties that are generally more stabilized than the subject. As a result, the CoStar rate was considered supportive as a lower-bound reference point but less directly comparable to the subject's older construction and below-market rents. The weighted contribution of this indicator is 0.90%.

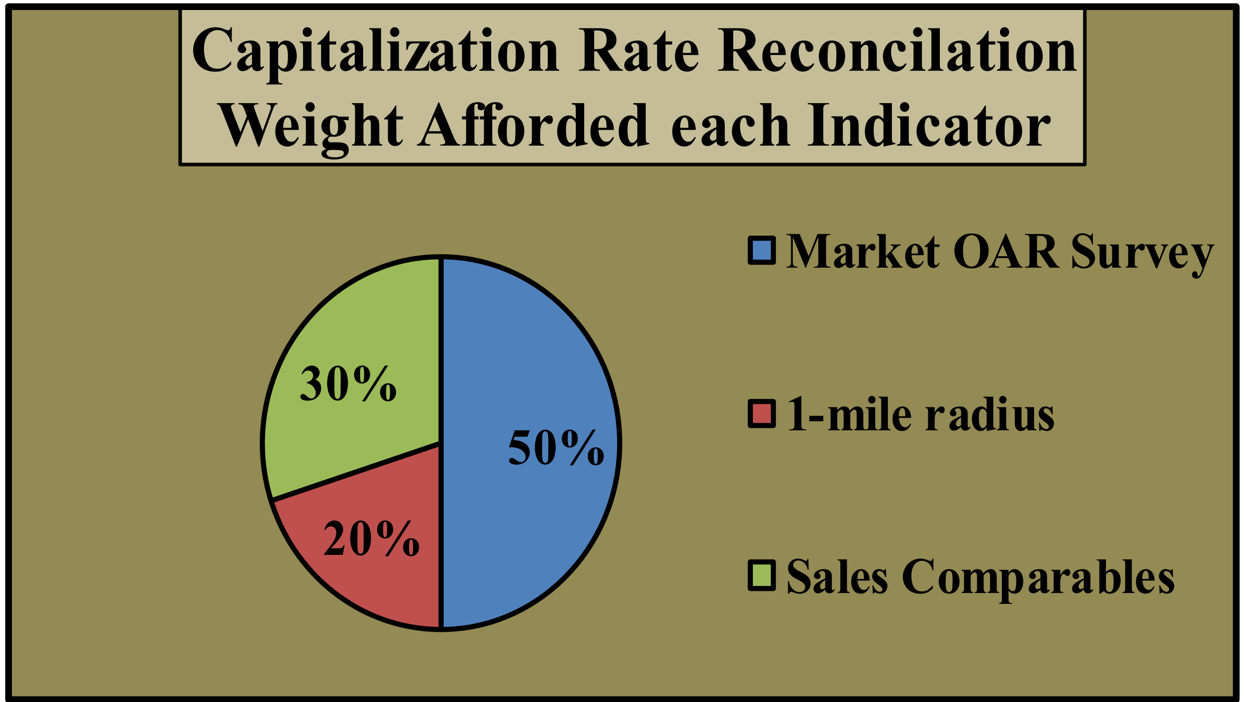
Sales Comparable Capitalization Rates

The capitalization rates extracted from the six sales used in the Direct Sales Comparison Analysis were assigned a 30% weight. These rates range from the capitalization rates for the six sales range from 2.08% to 4.87% and reflect varying degrees of income strength, operating efficiency, and perceived risk. These properties are similar to the subject in terms of unit count, vintage, quality, condition, and neighborhood influences, and therefore provide highly relevant, property-specific evidence of investor return expectations. The derived capitalization rates reflect pricing adjustments for vacancy, operating efficiency, and perceived risk. While the sample size is smaller than the broader market survey, the direct comparability of these assets to the subject makes this data set a critical component of the reconciliation. When weighted, this source contributes 1.08% to the overall rate conclusion.

Reconciliation and Conclusion

The weighted reconciliation of the three data sources results in a weighted average capitalization rate of 3.25% (rounded to 3.25%). This concluded rate appropriately balances the broader market perspective provided by the Market Capitalization Rate Survey, the lower-bound stabilization bias reflected in the CoStar survey, and the property-specific risk indicators derived from the comparable sales. The selected capitalization rate reflects the subject's age, average quality and condition, deferred maintenance requirements, and below-market rents requiring stabilization, while remaining consistent with prevailing investor expectations for similar multifamily assets in the Lancaster market. The following shows a graph and table showing the weighted average conclusion:

Item	Weight	Indicator	Amount
Market OAR Survey	50%	2.53%	1.27%
1-mile radius	20%	4.50%	0.90%
Sales Comparables	30%	3.60%	1.08%
OAR Conclusion	100.00%	**Weighted Avg**	**3.25%**



Item	Weight	Indicator	Amount
Market OAR Survey	50%	2.53%	1.27%
1-mile radius	20%	4.50%	0.90%
Sales Comparables	30%	3.60%	1.08%
OAR Conclusion	100.00%	**Weighted Avg**	**3.25%**

Given the location and physical characteristics of the property, as well as present market conditions, an overall rate of 3.25% was selected as the most reasonable indication of market value. Simply stated, the valuation formula is net operating income (NOI) divided by the overall annual capitalization rate (OAR) equals value (V). The formula and its application are as follows:

NOI ÷ OAR = V

$305,656 ÷ 3.25% = $9,404,797

Discounted Cash Flow Analysis

The Discounted Cash Flow analysis was developed to model the subject property under a stabilized operating scenario following completion of renovations, lease up of all units including the proposed accessory dwelling units, and achievement of market level rents. The analysis is structured over an 11 year holding period and incorporates a stabilized vacancy factor of 3.90% throughout the projection. Market rental income is assumed to increase at 3.00% annually beginning in Year 2, which reflects long term growth expectations for a well located coastal multifamily asset. Operating expenses, excluding property taxes, are forecast to increase at 4.00% annually, capturing anticipated inflationary pressures on labor, utilities, and maintenance costs. Property taxes are trended separately based on the initial reassessed value and standard

escalation assumptions. The resulting cash flow reflects a consistent growth pattern in Effective Gross Income and Net Operating Income, with NOI increasing from $305,656 in Year 1 to $419,261 by Year 11.

The discount rate applied in the analysis is 5.50%, which is derived as 225 basis points above the concluded going in capitalization rate. This spread reflects investor return requirements for a renovated coastal asset and incorporates additional considerations for lease up risk, execution risk associated with the renovation and ADU conversion, and general market volatility over the holding period. The terminal or reversionary capitalization rate is applied at 3.55%, which is 30 basis points above the going in capitalization rate. This upward adjustment reflects a modest increase in perceived risk at the time of resale, accounting for potential changes in market conditions, interest rate environment, and asset aging over the holding period. A terminal cost factor of 5.00% has been applied to reflect typical sales costs upon disposition.

The projected annual cash flows are discounted to present value using the derived discount rate, resulting in a total present worth of cash flows of $2,631,094. The reversion value, calculated based on the Year 11 stabilized income and the terminal capitalization rate, produces a present value of $6,568,339. The combined result yields a Net Present Value of $9,199,433. This conclusion reflects the anticipated value of the subject under a stabilized, post renovation condition and provides a forward looking indication of value that incorporates both income growth and market based investor return expectations.

The cash flow model is contained on the following page:

Discounted Cash Flow Analysis

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11
Potential Rental Income	$484,800	$499,344	$514,324	$529,754	$545,647	$562,016	$578,877	$596,243	$614,130	$632,554	$651,531
Other Income	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Potential Gross Income	$484,800	$499,344	$514,324	$529,754	$545,647	$562,016	$578,877	$596,243	$614,130	$632,554	$651,531
Vacancies & Losses	$18,907	$19,474	$20,059	$20,660	$21,280	$21,919	$22,576	$23,253	$23,951	$24,670	$25,410
Other Income	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Effective Gross Income	$465,893	$479,870	$494,266	$509,094	$524,366	$540,097	$556,300	$572,989	$590,179	$607,884	$626,121
Operating Expenses											
Taxes	$107,238	$109,382	$111,570	$113,801	$116,077	$118,399	$120,767	$123,182	$125,646	$128,159	$130,722
Insurance	$4,255	$4,425	$4,602	$4,786	$4,977	$5,177	$5,384	$5,599	$5,823	$6,056	$6,298
On & Off Site Management	$13,977	$14,396	$14,828	$15,273	$15,731	$16,203	$16,689	$17,190	$17,705	$18,237	$18,784
Utilities	$10,000	$10,400	$10,816	$11,249	$11,699	$12,167	$12,653	$13,159	$13,686	$14,233	$14,802
Trash	$7,000	$7,280	$7,571	$7,874	$8,189	$8,517	$8,857	$9,212	$9,580	$9,963	$10,362
Maintenance	$5,000	$5,200	$5,408	$5,624	$5,849	$6,083	$6,327	$6,580	$6,843	$7,117	$7,401
Legal & Accounting	$4,659	$4,845	$5,039	$5,241	$5,450	$5,668	$5,895	$6,131	$6,376	$6,631	$6,896
Reserves	$4,659	$4,845	$5,039	$5,241	$5,450	$5,668	$5,895	$6,131	$6,376	$6,631	$6,896
Licenses & Payroll Taxes	$450	$468	$487	$506	$526	$547	$569	$592	$616	$640	$666
Gardener & Pool	$3,000	$3,090	$3,183	$3,278	$3,377	$3,478	$3,582	$3,690	$3,800	$3,914	$4,032
Total Expenses	$160,237	$164,332	$168,543	$172,873	$177,326	$181,907	$186,618	$191,465	$196,451	$201,581	$206,860
Expenses per SF Bldg	$5.03	$5.16	$5.29	$5.43	$5.57	$5.71	$5.86	$6.01	$6.17	$6.33	$6.49
Expenses per SF NRA	$28.25	$28.97	$29.71	$30.47	$31.26	$32.07	$32.90	$33.75	$34.63	$35.53	$36.46
Percent Effective Income	34.39	34.25	34.10	33.96	33.82	33.68	33.55	33.42	33.29	33.16	33.04
NOI Before Debt Service	$305,656	$315,538	$325,723	$336,221	$347,040	$358,191	$369,682	$381,525	$393,728	$406,303	$419,261
Present Worth Factor	0.9479	0.8985	0.8516	0.8072	0.7651	0.7252	0.6874	0.6516	0.6176	0.5854	n/a
Present Worth of Cash Flows	$289,721	$283,496	$277,390	$271,403	$265,532	$259,776	$254,133	$248,601	$243,178	$237,862	n/a

Total Present Worth of Cash Flows	$2,631,094
Present Worth of Reversion	$6,568,339
Net Present Value	**$9,199,433**

Income Approach Reconciliation

The reconciliation of the Income Approach considered the results of both the Direct Capitalization Approach and the Discounted Cash Flow Analysis, with differing weights assigned based on the reliability of the underlying assumptions, the nature of the subject property, and prevailing market behavior. The Direct Capitalization Approach was given primary weight of 60% and produced a value indication of $9,404,797. This approach was considered the most reflective of how typical market participants price small to midsize multifamily properties in Lancaster. Investors in this segment commonly rely on stabilized net operating income and market derived capitalization rates to establish value, particularly when comparable sales provide a clear and well supported range of overall rates. The capitalization rate applied in this analysis was derived from a detailed Market Capitalization Rate Survey, supported by CoStar multifamily data and the capitalization rates extracted from the six comparable sales analyzed in the Direct Sales Comparison Approach. Given the depth, relevance, and proximity of this data, the Direct Capitalization result was viewed as the most direct and market oriented indicator of value.

The Discounted Cash Flow Analysis was given a secondary weight of 40% and produced a value indication of $9,199,433. The DCF provided meaningful support by explicitly modeling the timing of income growth, stabilized vacancy, expense escalation, and reversionary value over an eleven year holding period. This approach was particularly useful given the subject's below market in place rents and anticipated income growth. However, the DCF relies on a greater number of assumptions related to long term rent growth, expense trends, terminal capitalization rates, and investor holding periods. While these assumptions were market supported and reasonable, they introduce additional sensitivity and potential variability when compared to the more direct snapshot provided by the Direct Capitalization Approach.

Greater weight was therefore assigned to the Direct Capitalization Approach due to its simplicity, transparency, and strong alignment with observed investor decision making in the subject's market. The Discounted Cash Flow Analysis was weighted less heavily, though still meaningfully considered, as it corroborated the Direct Capitalization result and provided forward looking support without materially diverging from the indicated value range. Applying the stated weights results in a weighted contribution of $5,642,878 from the Direct Capitalization Approach and $3,679,773 from the Discounted Cash Flow Analysis, yielding a reconciled value indication of $9,322,651. This conclusion reflects a balanced consideration of current market pricing behavior and projected income performance and is considered a reliable indication of market value for the subject property. The following table shows our final conclusion for the Income Approach:

	Conclusion	Weight	Amount
Direct Capitalization Approach	$9,404,797	60%	$5,642,878
Discounted Cash Flow Analysis	$9,199,433	40%	$3,679,773
Weighted Average			$9,322,651

The Income Approach conclusion was rounded to $9,325,000.

Reconciled Value by the Income Approach: $9,325,000

Direct Sales Comparison Approach

The Direct Sales Comparison Approach was applied using the Income Ratio Comparison Method to analyze how investors in the local Lancaster and Antelope Valley multifamily market price income relative to risk, operating efficiency, and physical characteristics that are comparable to the subject property. This method emphasizes the relationship between sale price and stabilized net income rather than relying solely on gross multipliers, allowing each comparable to be interpreted through the lens of its income performance and expense structure relative to the subject.

The sales selected for this analysis consist of small to midsized multifamily properties. Each sale is situated in neighborhoods with similar urban density, access to employment centers, and proximity to transit and services. The properties exhibit comparable age profiles, with average quality and condition consistent with older local apartment stock. This similarity supports meaningful income ratio comparisons without the need for extensive qualitative adjustments.

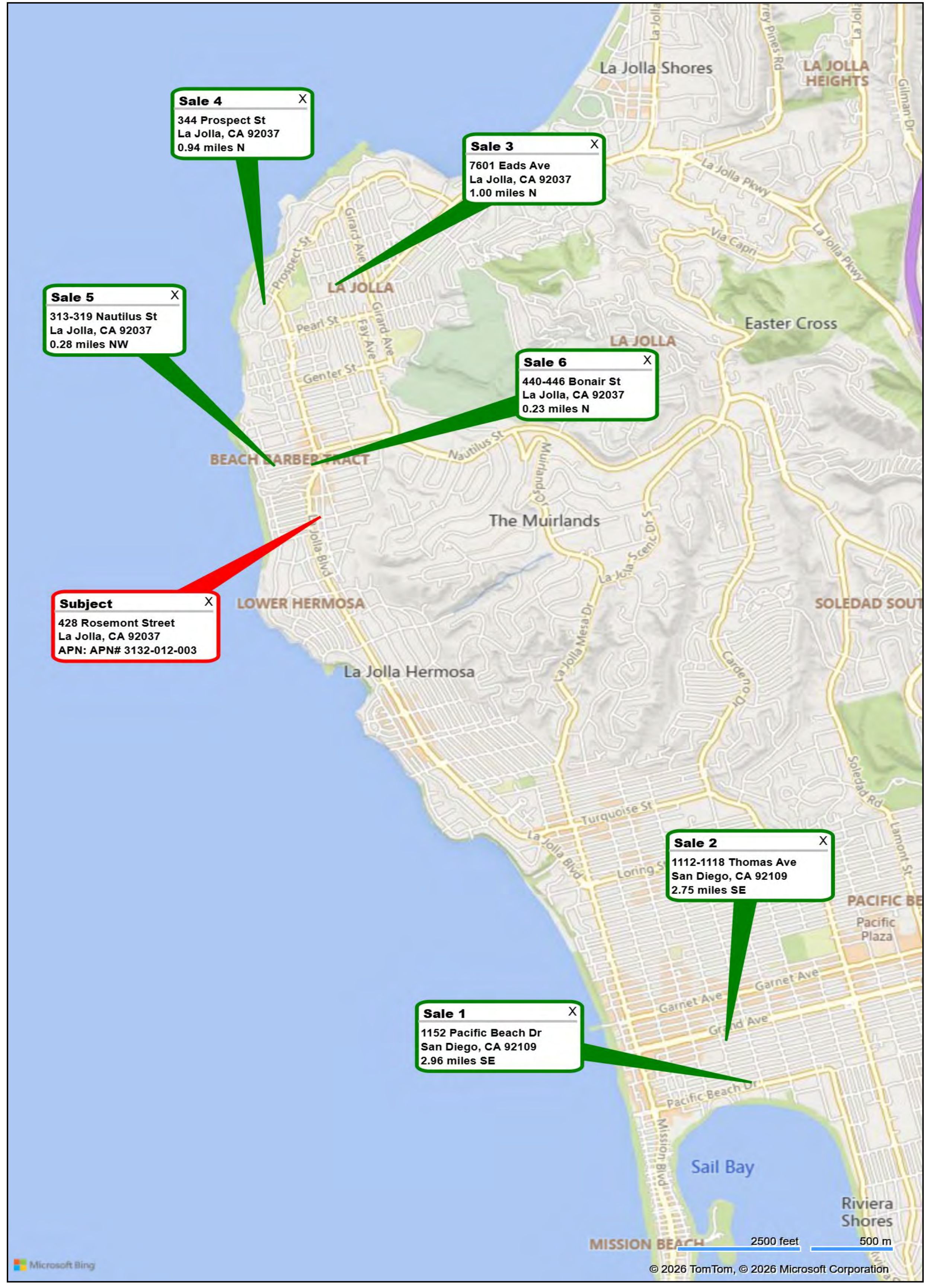
For each comparable, market supported income and expense assumptions were reconstructed to derive net operating income on a consistent basis. Expense ratios were normalized to reflect typical area operating patterns, including property taxes based on assessed value, insurance, utilities, maintenance, management, and reserves. Vacancy was applied consistently to align with stabilized market conditions. The resulting net income for each sale was then compared to its sale price to extract an overall capitalization rate and to evaluate price per unit, price per room, and price per square foot metrics relative to the subject.

The Income Ratio Comparison Method was applied by comparing each sale's net income per unit, per room, and per square foot to that of the subject. Ratios were calculated to indicate whether each comparable demonstrated superior or inferior income performance. These ratios were then used to adjust the sale pricing metrics to reflect subject level income characteristics. This process isolates income efficiency as the primary driver of value and reduces distortion from differences in unit mix, building size, or operating leverage.

Collectively, the six sales provide a well-balanced sample reflecting investor behavior in the subject's immediate market. The extracted overall rates cluster within a narrow and supportable range, indicating consistency in investor yield expectations for similar assets. The adjusted pricing metrics derived from the income ratios provide multiple indications of value that are internally consistent and closely aligned with the subject's stabilized income potential.

This approach was given significant weight because it directly reflects how market participants price comparable multifamily properties based on income performance rather than replacement cost or speculative future growth. The Income Ratio Comparison Method is particularly well suited for older rent controlled assets such as the subject, where operating efficiency, rent levels, and expense control are primary determinants of value. The following pages show a locational map and a summary of the sales comparables:

Direct Sales Comparable Locational Map



Sales Comparable One

Item	Rate	
Multiplier:	13.41	
Overall Rate:	4.77%	
Indicators	**Unadjusted**	**Adjusted**
Price per Unit:	$933,750	$641,355
Price per Room:	$249,000	$206,889
Price per SF:	$807.04	$1,130.54

# Units	Rooms	Beds	Baths
2	4	2	2
1	5	3	2
1	6	4	2

Building Location:	1152 Pacific Beach Dr 54, San Diego
Assessor's Parcel Number:	APN# 423-252-14-00
Description:	4 Unit Apartment
Year of Construction:	1980
Gross Building Area:	4,628 Square Feet
Site Area:	5,574 Square Feet
Date of Sale:	01/13/2026
Sales Price:	$3,735,000
Terms of Sale:	Conventional Sale
Document Number:	NDC/PQ, DOC# 9852
Verification:	CBRE/Nate Pepper/(858) 248-1222
Utilities Paid by Owner:	Water, Sewer, and Trash

Comparable #1 is the 01/13/26 sale of a 4 unit apartment built in 1980 that is located 2.96 miles southeast from the subject in an equivalent demand area of San Diego. The development contains 4,628 square feet, has an average unit size of 1,157 square feet (larger than the subject's), and has 15 total rooms. It sold in Good condition (similar to the subject), has a quality rating of Average (similar to the subject), and is similar in tenant appeal. Actual Gross Potential Income, Net Operating Income, and a Capitalization Rate were all reported and that information was used for analysis. Expenses were derived from subtracting the reported Net Operating Income from the Effective Gross Income. This resulted in a gross annual income (GAI) of $278,566 and after forecasting an appropriate vacancy of 3.90% and expense load of 36.10% of GAI, the net operating income (NOI) was estimated to be $178,002. This produced an Overall Capitalization Rate of 4.77%.

The property is a four-unit multifamily investment property located in close proximity to Sail Bay and within walking distance to the Pacific Ocean, boardwalk areas, and surrounding retail and restaurant amenities. The site contains 5,574 square feet of land and is improved with two buildings totaling 4,628 square feet of gross building area. The improvements were originally

constructed in 1980 and underwent a comprehensive renovation in 2023 that upgraded both interior finishes and major building systems. The unit mix consists of (1) 4 bed/2 bath unit, (1) 3 bed/2 bath unit, and (2) 2 bed/2 bath units, totaling 4 units. Units are described as condo quality with modern kitchens, updated appliances, upgraded finishes, and select in unit laundry. The property includes two garage spaces and four additional surface parking spaces. The location provides strong coastal orientation with immediate access to Sail Bay and short walking distance to the ocean, contributing to its appeal for both long term tenancy and short-term rental use.

The most recent transaction occurred on January 13, 2026. The property was listed for $3,895,000 by Nate Pepper of CBRE and sold for $3,735,000 after 182 days on the market. The transaction was financed with a conventional loan from American Internet Mortgage INC in the amount of $1,650,000 at 6.23%. Prior to the 2026 sale, the property was owned by Michael Berry, who acquired it in 2022 for $2,850,000. The property transferred by grant deed from Michael Berry to the Jane Worley and David Allan Worley Living Trust. The property generates income from four residential units with reported gross income of $177,979 while the 2026 sale reported an actual cap rate of 4.77 %. The intended use remains multifamily residential income production with additional upside potential for short term rental operation.

The listing history for 1152 Pacific Beach Drive reflects multiple marketing efforts over time. The property was first marketed in early 2022 and closed on March 23, 2022, at the full asking price of $2,850,000. The marketing period was relatively short and the sale occurred essentially without price adjustments, indicating strong demand at that time for coastal multifamily properties. Following the 2022 acquisition and subsequent renovation, the property was reintroduced to the market on April 2, 2024, with an asking price of $4,250,000. This listing emphasized the upgraded condition, improved income stream, and coastal location. The property remained on the market for approximately four months before being canceled on August 2, 2024, without a sale, suggesting that the pricing at that time exceeded immediate market support despite improved operations. The property was relisted on July 3, 2025, with an original asking price of $3,945,000, which was subsequently reduced to $3,895,000 during the marketing period. The property was successfully sold and closed on January 13, 2026.

Sales Comparable Two

Item	Rate	
Multiplier:	13.41	
Overall Rate:	4.87%	
Indicators	**Unadjusted**	**Adjusted**
Price per Unit:	$812,500	$627,836
Price per Room:	$203,125	$202,528
Price per SF:	$880.76	$1,106.71

# Units	Rooms	Beds	Baths
4	4	2	2

Building Location:	1112 Thomas Ave, San Diego
Assessor's Parcel Number:	APN# 423-151-30-00
Description:	4 Unit Apartment
Year of Construction:	1978
Gross Building Area:	3,690 Square Feet
Site Area:	6,088 Square Feet
Date of Sale:	10/30/2025
Sales Price:	$3,250,000
Terms of Sale:	Conventional Sale
Document Number:	NDC/PQ, DOC# 306277
Verification:	Siemienowski & Associates/Joseph Siemienowski/(858) 205-1031
Utilities Paid by Owner:	Water, Sewer, and Trash

Comparable #2 is the 10/30/25 sale of a 4 unit apartment built in 1978 that is located 2.75 miles southeast from the subject in an equivalent demand area of San Diego. The development contains 3,690 square feet, has an average unit size of 923 square feet (larger than the subject's), and has 16 total rooms. It sold in Good condition (similar to the subject), has a quality rating of Average (similar to the subject), and is similar in tenant appeal. Actual Gross Potential Income, Net Operating Income, and a Capitalization Rate were all reported and that information was used for analysis. Expenses were derived from subtracting the reported Net Operating Income from the Effective Gross Income. This resulted in a gross annual income (GAI) of $242,311 and after forecasting an appropriate vacancy of 3.90% and expense load of 36.10% of GAI, the net operating income (NOI) was estimated to be $158,223. This produced an Overall Capitalization Rate of 4.87%.

The property is a four-unit multifamily property located approximately four blocks from both the Pacific Ocean and Sail Bay. The site contains 6,245 square feet and is improved with two residential structures totaling 3,690 square feet, originally constructed in 1978. The property

features a uniform unit mix of (4) 2 bed/2 bath units. Each unit includes private outdoor space in the form of patios or balconies, in unit laundry, and individual garages equipped with electric vehicle charging capability, along with additional surface parking spaces.

The property was listed by Joseph Siemienowski for $3,295,000 and sold for $3,250,000 after 17 days on the market. The property transferred by grant deed from the Helene L. Milman Trust to Delano Court Investments LLC. The property was previously listed in June 2024 at $3,495,000 the listing failed to generate buyer interest and expired on August 20, 2024, after 71 days of market exposure.

At the time of sale, the property generated a reported net operating income of $158,223 and the sale yielded an actual capitalization rate of 4.87%. The tenancy consisted of fully occupied units at the time of sale, with no vacancy reported and no indication of rent control restrictions, supporting its positioning as a stabilized coastal multifamily investment property.

Sales Comparable Three

Item	Rate		
Multiplier:	16.01		
Overall Rate:	3.90%		
Indicators	**Unadjusted**	**Adjusted**	
Price per Unit:	$779,167	$783,475	
Price per Room:	$194,792	$252,734	
Price per SF:	$760.29	$1,381.06	
# Units	Rooms	Beds	Baths
12	4	2	2

Building Location:	7601 Eads Ave, La Jolla
Assessor's Parcel Number:	APN# 350-461-07-00
Description:	12 Unit Apartment
Year of Construction:	1976
Gross Building Area:	12,298 Square Feet
Site Area:	12,632 Square Feet
Date of Sale:	10/22/2025
Sales Price:	$9,350,000
Terms of Sale:	Conventional Sale
Document Number:	NDC/PQ, DOC# 295286
Verification	Marcus & Millichap/Thomas McCartin/(858) 336-8616
Utilities Paid by Owner:	Water, Sewer, and Trash

Comparable #3 is the 10/22/25 sale of a 12 unit apartment built in 1976 that is located 1.00 miles north from the subject in an equivalent demand area of La Jolla. The development contains 12,298 square feet, has an average unit size of 1,025 square feet (larger than the subject's), and has 48 total rooms. It sold in Good condition (similar to the subject), has a quality rating of Average (similar to the subject), and is similar in tenant appeal. Actual Gross Potential Income, Net Operating Income, and a Capitalization Rate were all reported and that information was used for analysis. Expenses were derived from subtracting the reported Net Operating Income from the Effective Gross Income. This resulted in a gross annual income (GAI) of $584,079 and after forecasting an appropriate vacancy of 3.90% and expense load of 37.55% of GAI, the net operating income (NOI) was estimated to be $364,770. This produced an Overall Capitalization Rate of 3.90%.

The property commonly known as La Jolla Westwinds, is a coastal multifamily apartment building located in La Jolla. The site contains 13,049 square feet and is improved with a three-story residential structure totaling 12,298 square feet, originally constructed in 1976. The property consists of 12 residential units with a uniform unit mix of 2 bed/2 bath layouts

averaging 1,025 square feet each. Interior features include fireplaces, in unit washer and dryer, walk in closets, ceiling fans, and select upgraded finishes such as newer cabinetry and countertops. Exterior and common area amenities include gated access, balconies, and a combination of surface and covered parking totaling 26 spaces. The property benefits from its coastal orientation with ocean proximity and partial ocean views from upper levels.

The property was listed by Thomas McCartin of Marcus and Millichap for $9,450,000 and sold for $9,350,000 after 169 days on the market. The marketing period began in early May 2025, and the transaction closed on October 22, 2025. The property transferred from La Jolla Westwinds LLC to Westwinds Place LLC, with the true buyers identified as Bear Holdings Group and DJR Realty, Inc.

At the time of sale, the property generated a reported net operating income of $364,770 and the sale yielded an actual capitalization rate of 3.90%. The property was fully occupied at the time of sale with market rate tenancy, reflecting stabilized operations within a high demand coastal rental market. Overall, the property represents a stabilized coastal multifamily investment.

A first-floor unit is currently listed for lease by Julio Cuellar of Torrey Pines Property Management for an original asking rent of $6,900 per month and was subsequently reduced to $5,600 per month. The listing became active on February 12, 2026, and has been on the market for 48 days.

Sales Comparable Four

Item		Rate	
Multiplier:		19.57	
Overall Rate:		3.01%	
Indicators		**Unadjusted**	**Adjusted**
Price per Unit:		$786,200	$1,015,152
Price per Room:		$245,688	$327,468
Price per SF:		$847.75	$1,789.44
# Units	Rooms	Beds	Baths
4	3	1	1
1	4	1	1.5

Building Location:	344 Prospect St, La Jolla
Assessor's Parcel Number:	APN# 350-400-28-00
Description:	5 Unit Apartment
Year of Construction:	1961
Gross Building Area:	4,637 Square Feet
Site Area:	3,920 Square Feet
Date of Sale:	02/14/2025
Sales Price:	$3,931,000
Terms of Sale:	Conventional Sale
Document Number:	NDC/PQ, DOC# 38822
Verification	Mango Tree/Christopher Robinson/(858) 232-0945
Utilities Paid by Owner:	Water, Sewer, and Trash

Comparable #4 is the 02/14/25 sale of a 5 unit apartment built in 1961 that is located 0.94 miles north from the subject in an equivalent demand area of La Jolla. The development contains 4,637 square feet, has an average unit size of 927 square feet (larger than the subject's), and has 16 total rooms. It sold in good condition (similar to the subject), has a quality rating of average (similar to the subject), and is similar in tenant appeal. Actual Gross Potential Income, Net Operating Income, and a Capitalization Rate were all reported and that information was used for analysis. Expenses were derived from subtracting the reported Net Operating Income from the Effective Gross Income. This resulted in a gross annual income (GAI) of $200,869 and after forecasting an appropriate vacancy of 3.90% and expense load of 41.08% of GAI, the net operating income (NOI) was estimated to be $118,360. This produced an Overall Capitalization Rate of 3.01%.

The property in La Jolla is a coastal multifamily property. The site contains 3,986 square feet and is improved with a residential structure originally constructed in 1961, containing 4,637 square feet of building area. The property consists of five apartment units featuring interior corridor access, secure entry, and a rooftop deck with ocean views. The unit mix includes four standard 1

bed/1 bath units, in addition to a 1 bed/1.5 bath unit. Interior features include a combination of modest upgrades, patios for select units, and functional layouts, while common amenities include on site laundry, storage, and three on-site parking spaces.

The property was listed by Christopher Robinson of Mango Tree Real Estate Corp. for $4,400,000 and sold for $3,931,000 after 31 days on the market. The marketing period began in November 2024, and the transaction closed on February 14, 2025. The property transferred from Frederick R. Smith to Nobel Legacy LLC, with the true buyer identified as Melody Nobel Abeles. The property was fully occupied at the time of sale with one unit previously owner occupied. At the time of sale, the property reported a net operating income of $118,367 and sold at an actual capitalization rate of 3.01%.

Sales Comparable Five

Item		Rate	
Multiplier:		23.66	
Overall Rate:		2.96%	
Indicators		**Unadjusted**	**Adjusted**
Price per Unit:		$950,000	$1,033,356
Price per Room:		$316,667	$333,341
Price per SF:		$1,637.93	$1,821.53
# Units	Rooms	Beds	Baths
4	3	1	1

Building Location:	313 Nautilus St 19, La Jolla
Assessor's Parcel Number:	APN# 351-262-13-00
Description:	4 Unit Apartment
Year of Construction:	1951
Gross Building Area:	2,320 Square Feet
Site Area:	6,534 Square Feet
Date of Sale:	06/01/25
Sales Price:	$3,800,000
Terms of Sale:	Conventional Sale
Document Number:	NDC/PQ, DOC# 3145
Verification	Berkshire Hathaway California Properties/Christian Walsh/(949) 677-3466

Comparable #5 is the 01/06/25 sale of a 4 unit apartment built in 1951 that is located 0.28 miles northwest from the subject in an equivalent demand area of La Jolla. The development contains 2,320 square feet, has an average unit size of 580 square feet (larger that the subject's), and has 12 total rooms. It sold in Good condition (similar to the subject), has a quality rating of Average (similar to the subject), and is similar in tenant appeal. Actual Gross Potential Income, Net Operating Income, and a Capitalization Rate were all reported and that information was used for analysis. Expenses were derived from subtracting the reported Net Operating Income from the Effective Gross Income. This resulted in a gross annual income (GAI) of $160,592 and after forecasting an appropriate vacancy of 3.90% and expense load of 30.01% of GAI, the net operating income (NOI) was estimated to be $112,400. This produced an Overall Capitalization Rate of 2.96%.

The property in La Jolla is a coastal multifamily property located adjacent to Windansea Beach with direct walkability to the shoreline, restaurants, and neighborhood retail amenities. The site contains 6,526 square feet and is improved with two single story residential structures totaling 2,320 square feet, originally constructed in 1951. The property consists of four residential units

configured as two duplexes, each offering 1 bed/1 bath layouts averaging approximately 580 square feet. The units feature upgraded kitchens and bathrooms, fireplaces in select front units, private patios, and shared amenities including a laundry room and two detached two car garages, along with additional courtyard spaces that enhance privacy and outdoor usability. The front units offer partial ocean views from patio areas, and the overall property benefits from strong coastal orientation and immediate beach access. The property has historically been operated as a short-term rental through VRBO (Vacation Rentals by Owner), and at the time of marketing it was under professional management.

The property was listed by Thomas Andrews of Compass for $4,150,000 and sold for $3,800,000 after 3 days on the market. The property transferred by grant deed from Sentinel Security Life Insurance Company to Leonardo U. Rodriguez and Jennifer A. Rodriguez, who acquired the property through their living trust. The transaction was financed with a conventional loan from Oaktree Funding Corp in the amount of $1,200,000 at 6.84%.

At the time of sale, the property was fully occupied on month-to-month lease agreements, supporting stabilized occupancy with operational flexibility. At the time of marketing, the property reported a net operating income of $112,400 and an indicated capitalization rate of 2.96%.

Sales Comparable Six

Item	Rate	
Multiplier:	26.78	
Overall Rate:	2.08%	
Indicators	**Unadjusted**	**Adjusted**
Price per Unit:	$1,000,000	$1,466,204
Price per Room:	$266,667	$472,969
Price per SF:	$800.00	$2,584.53

# Units	Rooms	Beds	Baths
1	3	1	1
2	4	2	1
1	4	2	2

Building Location:	440 Bonair St 46, La Jolla
Assessor's Parcel Number:	APN# 351-350-28-00
Description:	4 Unit Apartment
Year of Construction:	1970
Gross Building Area:	5,000 Square Feet
Site Area:	8,000 Square Feet
Date of Sale:	Listing
Listing Price:	$4,000,000
Terms of Sale:	Conventional Sale
Document Number:	NDC/PQ, DOC#
Verification	Marcus & Millichap/Jamison Wheeler/(858) 373-3100
Utilities Paid by Owner:	Water, Sewer, and Trash

Comparable #6 is the active listing of a 4 unit apartment built in 1970 that is located 0.23 miles north from the subject in an equivalent demand area of La Jolla. The development contains 5,000 square feet, has an average unit size of 1,250 square feet (larger than the subject's), and has 15 total rooms. It sold in Good condition (similar to the subject), has a quality rating of Average (similar to the subject), and is similar in tenant appeal. Actual Gross Potential Income, Net Operating Income, and a Capitalization Rate were all reported and that information was used for analysis. Expenses were derived from subtracting the reported Net Operating Income from the Effective Gross Income. This resulted in a gross annual income (GAI) of $149,340 and after forecasting an appropriate vacancy of 3.90% and expense load of 44.16% of GAI, the net operating income (NOI) was estimated to be $83,387. This produced an Overall Capitalization Rate of 2.08%.

The property in La Jolla is a four-unit multifamily asset situated in the highly desirable Windansea Beach neighborhood, positioned one block from the shoreline and within walking distance to La Jolla Village retail, dining, and recreational amenities. The site contains 8,289

square feet and is improved with a two-story residential building totaling approximately 5,000 square feet, originally constructed in 1970. The property features a functional unit mix consisting of (1) 1 bed/1 bath unit, (2) 2 bed/1 bath units, and (1) 2 bed/2 bath unit. Interior layouts are described as efficient with ample natural light and typical coastal apartment finishes, while exterior improvements include four single car garages, additional off-street parking, and a low-density site configuration that enhances tenant privacy and usability. The property benefits from its proximity to Windansea Beach and select units may experience partial coastal influence, with the overall setting characterized by strong walkability and sustained tenant demand in a supply constrained coastal market.

The property was listed by Austin Ray Huffman and Jamison Wheeler of Marcus and Millichap for $4,000,000 and has been on the market for 7 days. At the time of listing, the property reports a net operating income of $83,387 and an asking capitalization rate of 2.08%.

The property is currently owned by John R Duval, held in the Duval John R Living Trust, indicating private individual ownership with the asset operated as a non-owner occupied investment property. The tenancy is described as stabilized with strong historical occupancy and consistent cash flow, supporting its positioning as a long-term rental asset within a high demand coastal submarket.

Income Ratio Comparion Method (IRCM)

Financing Adjustments
Based on the available data, all the comparables were considered cash equivalent transactions and adjustments were not required for favorable financing.

Excess Land Adjustments
None of the comparable sales included excess land and adjustments were not required.

Non-Realty Interest Adjustments
None of the comparable sales were reported to include non-realty interests and adjustments were not required.

Market Rent Equivalency Adjustments
Based on the available data, none of the sales required market rent equivalency adjustments for below market leases.

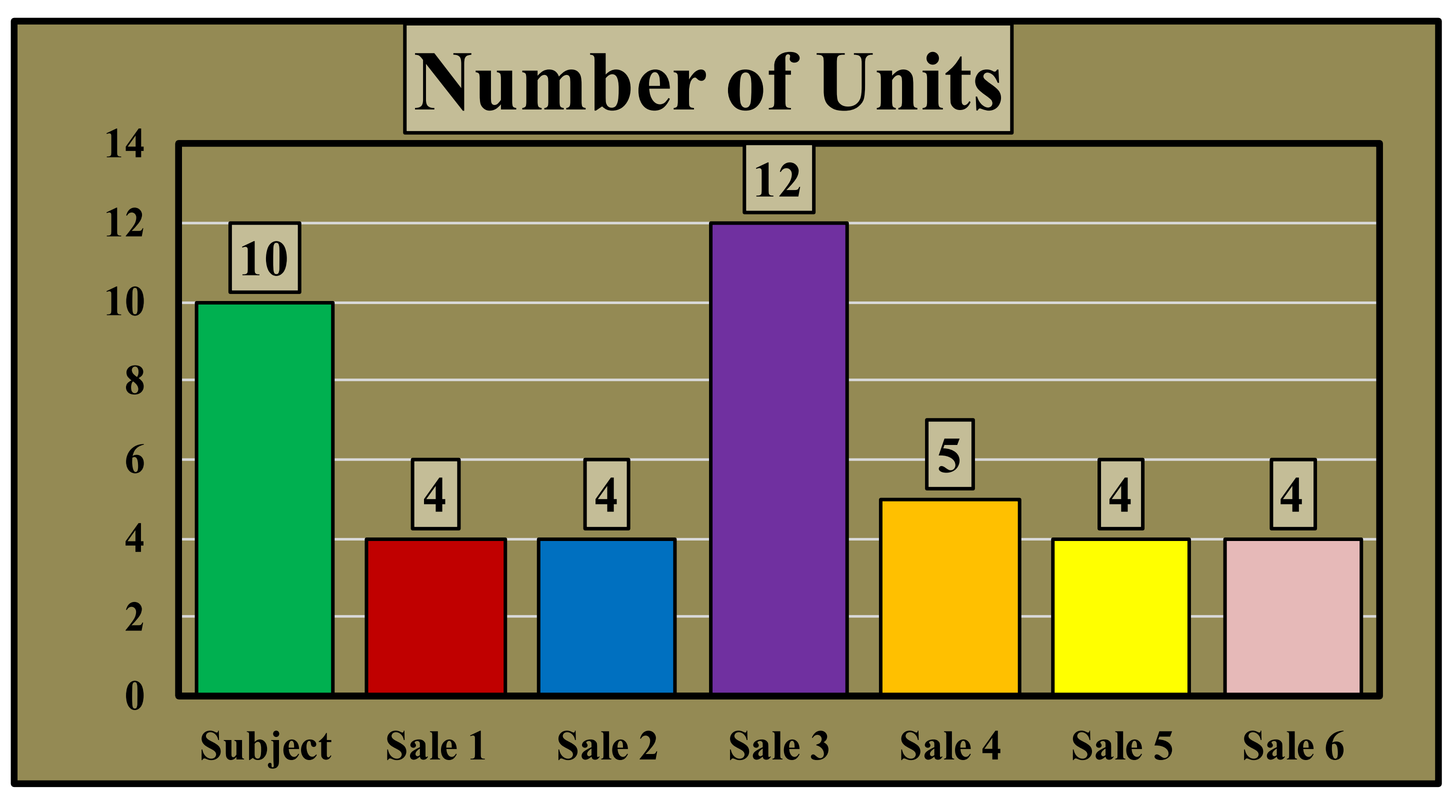
Operating Data and Ratios

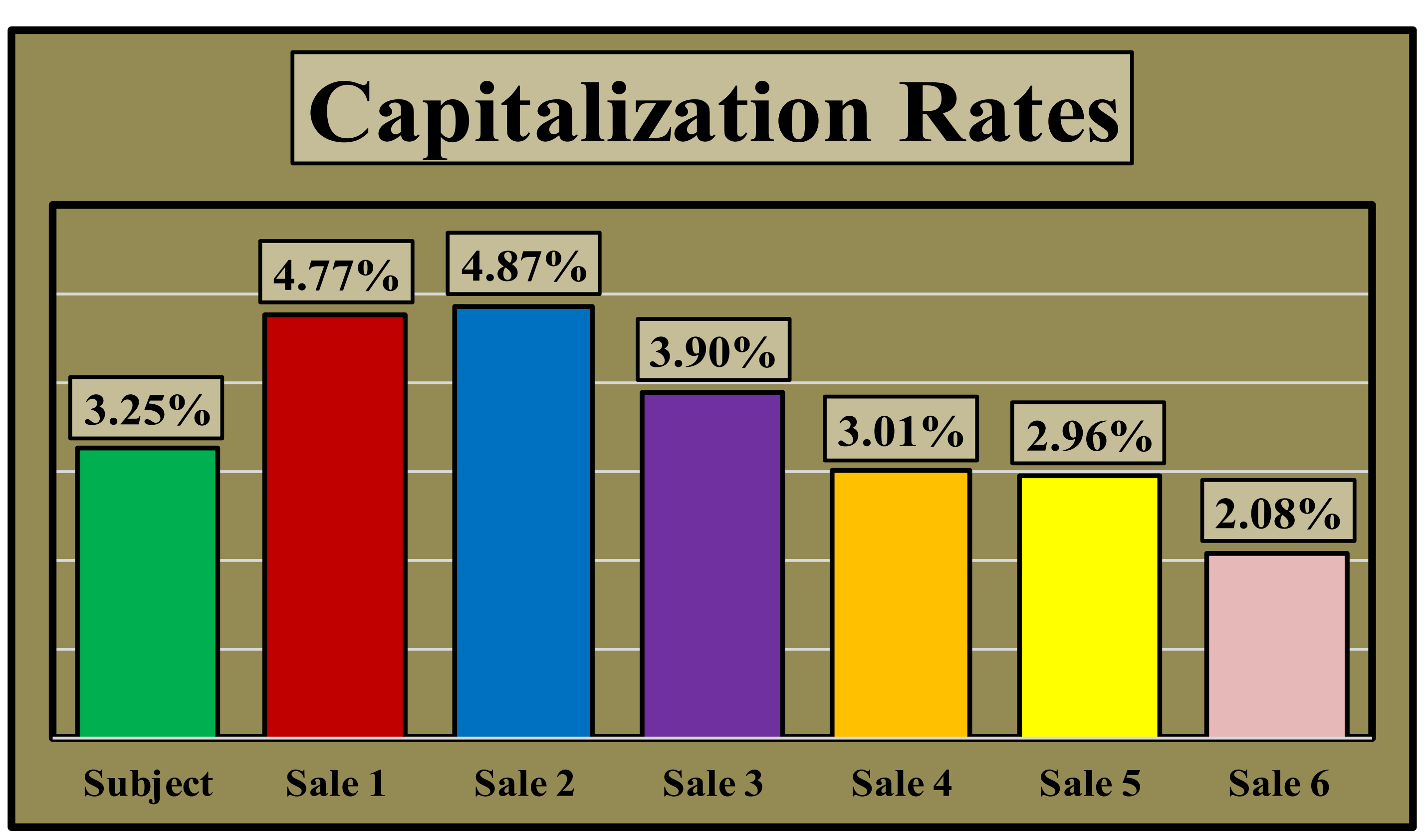
Gross Income Multipliers of the sales comparables ranged from 13.41 to 26.78 with a mean of 18.81 and a median of 17.79. Using actual income and forecasting vacancy and expenses for the comparables the resulting Capitalization Rates for the sales comparables ranged from 2.08% to 4.87% with a mean of 3.60% and a median of 3.46%. The actual time of sale potential income was reported for all the comparables. We used the actual reported gross and net incomes for all the comparables.

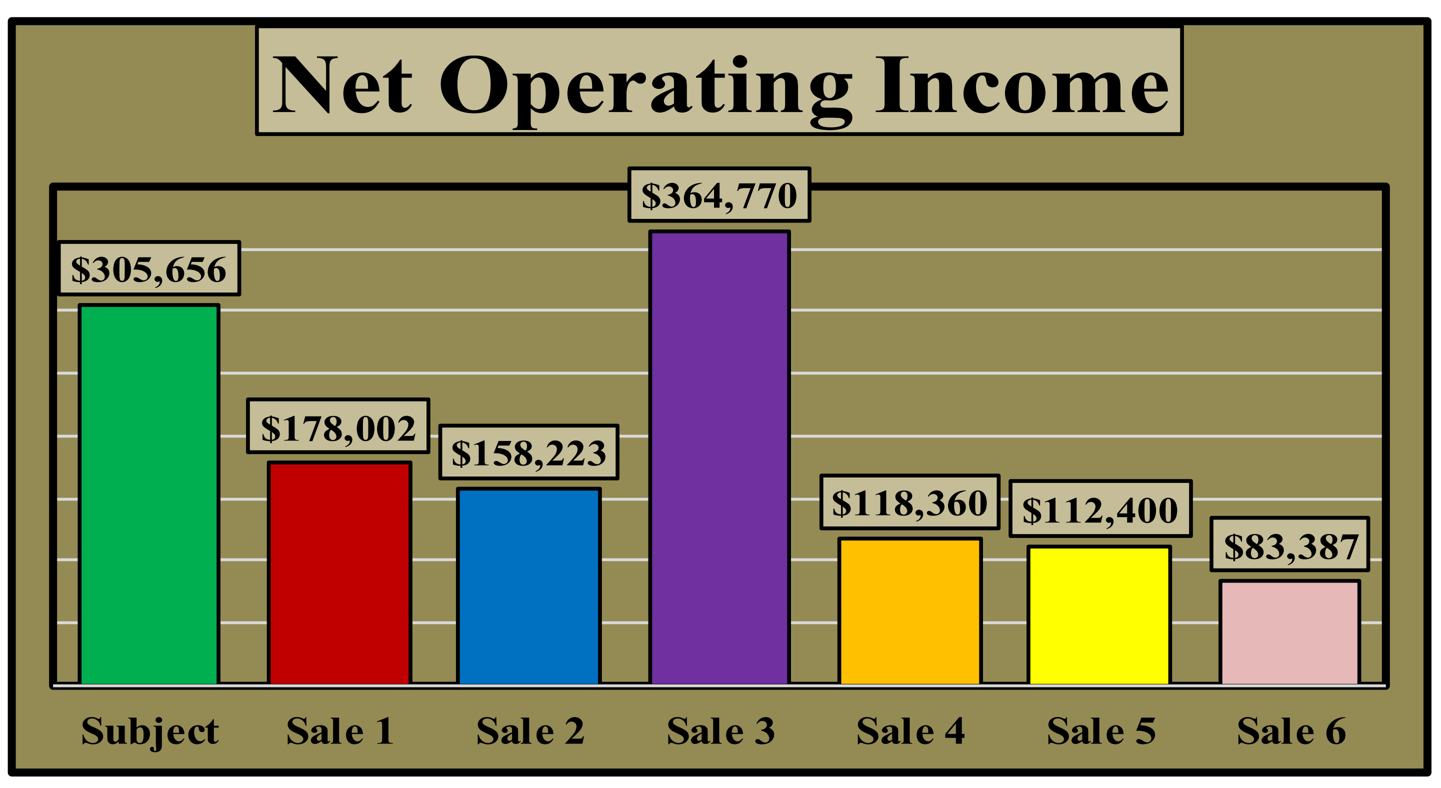
Income Ratio Comparisons - Locations

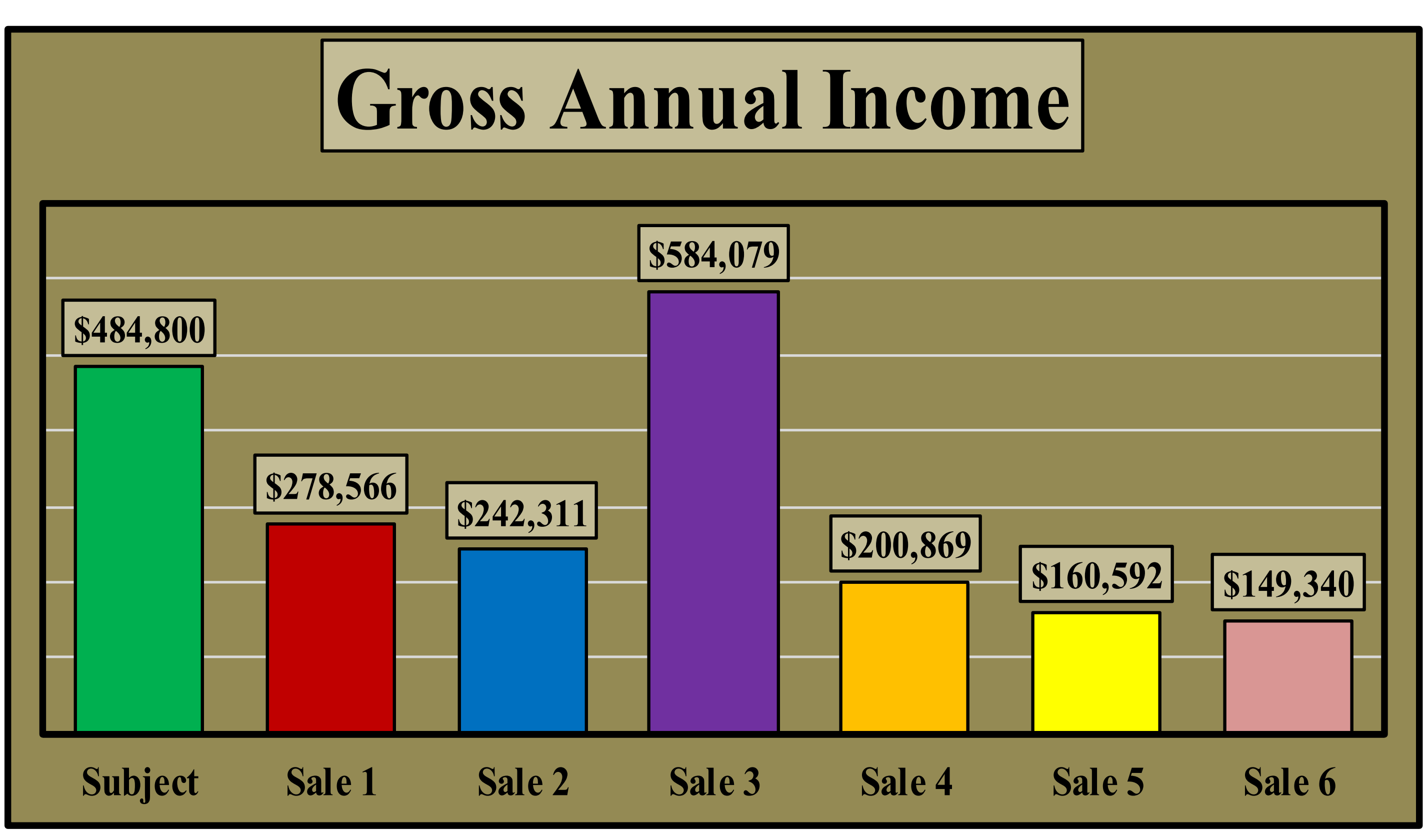
No locational adjustments were warranted in the Direct Sales Comparison Approach as the analysis relies on the Income Ratio Comparison Method, which inherently accounts for differences in location through variations in income levels. Under this methodology, the primary unit of comparison is derived from each property's income-producing capability, such as gross rent multipliers or capitalization rates, both of which are directly influenced by market rents. Since rental rates reflect locational attributes including proximity to the coastline, neighborhood desirability, access to amenities, and overall market demand, these factors are already embedded within the income stream of each comparable. As a result, properties in superior coastal locations command higher rents and correspondingly lower capitalization rates or higher multipliers, while properties in relatively inferior locations exhibit the opposite relationship. By analyzing these income-based metrics, the method automatically normalizes for locational differences without the need for separate, subjective adjustments. Given that the selected comparables are all located within similar coastal submarkets of San Diego and La Jolla and exhibit income characteristics reflective of their respective locations, any additional locational adjustment would be duplicative. Therefore, no separate locational adjustments were applied, as the Income Ratio Comparison Method already captures and reflects these influences within the comparative analysis.

The following are graphs summarizing the number of units, the Gross Annual Income (GAI), the Net Operating Income (NOI), and the actual Capitalization Rates of the six sales comparables.


Number of Units
14
12
10
8
6
4
2
0
10
4
4
12
5
4
4
Subject
Sale 1
Sale 2
Sale 3
Sale 4
Sale 5
Sale 6


Capitalization Rates
3.25%
4.77%
4.87%
3.90%
3.01%
2.96%
2.08%
Subject
Sale 1
Sale 2
Sale 3
Sale 4
Sale 5
Sale 6


Net Operating Income
$305,656
$178,002
$158,223
$364,770
$118,360
$112,400
$83,387
Subject
Sale 1
Sale 2
Sale 3
Sale 4
Sale 5
Sale 6


Gross Annual Income
$484,800
$278,566
$242,311
$584,079
$200,869
$160,592
$149,340
Subject
Sale 1
Sale 2
Sale 3
Sale 4
Sale 5
Sale 6

Price indicators are summarized as follows:

Items	Subject	Sale 1	Sale 2	Sale 3
	428 Rosemont St	1152 Pacific Beach Dr	1112 Thomas Ave	7601 Eads Ave
Date	03/28/26	01/13/26	10/30/25	10/22/25
Sale Price		$3,735,000	$3,250,000	$9,350,000
Units	6	4	4	12
Rooms	23	15	16	48
SF Bldg	4,571	4,628	3,690	12,298
SF Bldg per Unit	762	1,157	923	1,025
Location	Average	Average	Average	Average
Age	1950	1980	1978	1976
Quality	Average	Average	Average	Average
Condition	Good	Good	Good	Good
Vacancies	1	0	0	0
Multiplier		13.41	13.41	16.01
Overall Rate		4.77%	4.87%	3.90%
Price per Unit		$933,750	$812,500	$779,167
Price per Room		$249,000	$203,125	$194,792
Price per SF Bldg		$807.04	$880.76	$760.29

Items	Subject	Sale 4	Sale 5	Sale 6
	428 Rosemont St	344 Prospect St	313 Nautilus St	440 Bonair St
Date	03/28/26	02/14/25	01/06/25	Listing
Sale Price		$3,931,000	$3,800,000	$4,000,000
Units	6	5	4	4
Rooms	23	16	12	15
SF Bldg	4,571	4,637	2,320	5,000
SF Bldg per Unit	762	927	580	1,250
Location	Average	Average	Average	Average
Age	1950	1961	1951	1970
Quality	Average	Average	Average	Average
Condition	Good	Good	Good	Good
Vacancies	1	0	0	0
Multiplier		19.57	23.66	26.78
Overall Rate		3.01%	2.96%	2.08%
Price per Unit		$786,200	$950,000	$1,000,000
Price per Room		$245,688	$316,667	$266,667
Price per SF Bldg		$847.75	$1,637.93	$800.00

Income Ratio Adjustment Table

Items	Subject	Sale 1	Sale 2	Sale 3	Sale 4	Sale 5	Sale 6
Gross Income	$484,800	$278,566	$242,311	$584,079	$200,869	$160,592	$149,340
Vacancies	3.90%	N/A	N/A	N/A	N/A	N/A	N/A
Effective Income	$465,893	$278,566	$242,311	$584,079	$200,869	$160,592	$149,340
Taxes	$107,238	N/A	N/A	N/A	N/A	N/A	N/A
Insurance	$4,255	N/A	N/A	N/A	N/A	N/A	N/A
Licenses	$450	N/A	N/A	N/A	N/A	N/A	N/A
Utilities	$10,000	N/A	N/A	N/A	N/A	N/A	N/A
Trash	$7,000	N/A	N/A	N/A	N/A	N/A	N/A
Maint & Reps	$5,000	N/A	N/A	N/A	N/A	N/A	N/A
Elevator	$0	N/A	N/A	N/A	N/A	N/A	N/A
Pool	$0	N/A	N/A	N/A	N/A	N/A	N/A
Gardener	$3,000	N/A	N/A	N/A	N/A	N/A	N/A
Management	$13,977	N/A	N/A	N/A	N/A	N/A	N/A
Resident Mgmt	$0	N/A	N/A	N/A	N/A	N/A	N/A
Payroll Taxes	$0	N/A	N/A	N/A	N/A	N/A	N/A
Business Tax/Rent Board	$0	N/A	N/A	N/A	N/A	N/A	N/A
Telephone	$0	N/A	N/A	N/A	N/A	N/A	N/A
Legal & Acctg	$4,659	N/A	N/A	N/A	N/A	N/A	N/A
Reserves	$4,659	N/A	N/A	N/A	N/A	N/A	N/A
Total Expenses	$160,237	$100,564	$84,088	$219,309	$82,509	$48,192	$65,953
% Gross Income	33.05%	36.10%	34.70%	37.55%	41.08%	30.01%	44.16%
Per Unit	$16,024	$25,141	$21,022	$18,276	$16,502	$12,048	$16,488
Per Room	$5,169	$6,704	$5,256	$4,569	$5,157	$4,016	$4,397
Per Square Foot	$28.25	$21.73	$22.79	$17.83	$17.79	$20.77	$13.19
Net Income	$305,656	$178,002	$158,223	$364,770	$118,360	$112,400	$83,387
Price per Unit		$933,750	$812,500	$779,167	$786,200	$950,000	$1,000,000
Net Income	$30,566	$44,501	$39,556	$30,398	$23,672	$28,100	$20,847
Ratio to Subject		0.6869	0.7727	1.0055	1.2912	1.0877	1.4662
Adjusted $/Unit		$641,355	$627,836	$783,475	$1,015,152	$1,033,356	$1,466,204
Price per Room		$249,000	$203,125	$194,792	$245,688	$316,667	$266,667
Net Income	$9,860	$11,867	$9,889	$7,599	$7,398	$9,367	$5,559
Ratio to Subject		0.8309	0.9971	1.2975	1.3329	1.0527	1.7736
Adjusted $/Room		$206,889	$202,528	$252,734	$327,468	$333,341	$472,969
Price per SF GBA		$807.04	$880.76	$760.29	$847.75	$1,637.93	$800.00
Net Income	$53.88	$38.46	$42.88	$29.66	$25.53	$48.45	$16.68
Ratio to Subject		1.4008	1.2565	1.8165	2.1108	1.1121	3.2307
Adjusted $/SF GBA		$1,130.54	$1,106.71	$1,381.06	$1,789.44	$1,821.53	$2,584.53

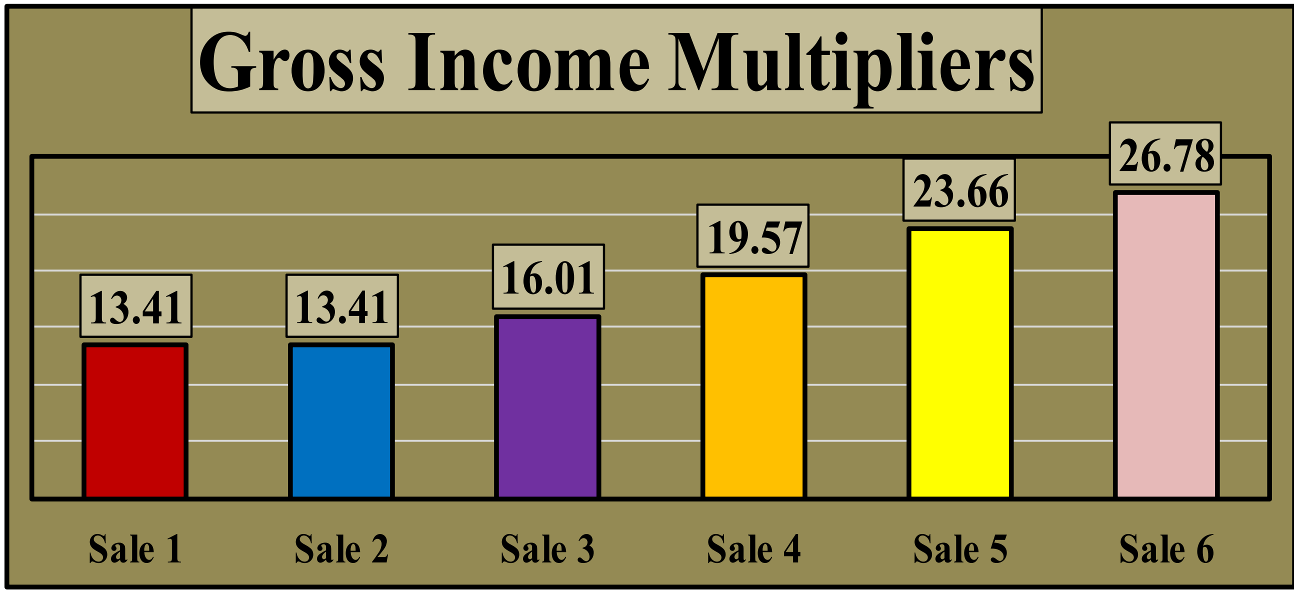
Adjusted Indicators

Comparable Ranges	Low		High
Gross Income Multiplier:	13.41	to	26.78
Price per Unit:	$627,836	to	$1,466,204
Price per Room:	$202,528	to	$472,969
Price per Square Foot Bldg Area:	$1,106.71	to	$2,584.53
Overall Rate:	2.08%	to	4.87%

Comments on the Reconciliation of the Adjusted Indicators

In the selection of the gross income multiplier, consideration was given to the quality of the individual income streams, as compared to the subject property.

Gross Income Multiplier



Gross Income Multipliers of the sales comparables ranged from 13.41 to 26.78 with a mean of 18.81 and a median of 17.79. An indicator in the lower to mid-portion of the GIM range of 19.25 was selected as most representative of the subject property which produced an adjusted final indicator of $9,332,400.

Price per Unit, Room, and Building Square Foot

Items included within the comparisons were changes in market conditions, location differences, the physical characteristics of the properties which could affect income potential, and any other influences that would either increase or reduce the final income received. The physical indicators were selected based on the comparisons made for respective net incomes generated and in consideration of the locations and physical characteristics of the comparable properties, as compared to those of the subject property.

Based on the available data and the comparisons made, the following selected indicators were concluded as most representative of the present value of the subject property:

Direct Sales Comparison Approach - Income Ratio Method					
Gross Income Multiplier:	19.25	x	$484,800	=	$9,332,400
Price per Unit:	$935,000	x	10	=	$9,350,000
Price per Room:	$300,000	x	31	=	$9,300,000
Price per Square Foot Bldg Area:	$1,645.00	x	5,673	=	$9,332,085
Reconciled Income Ratio Market Approach Value:					**$9,325,000**

The final adjusted indicators of the GIM and the other indicators range from $9,300,000 to $9,350,000 with a mean of $9,328,621 and a median of $9,332,243. The Gross Income Multiplier doesn't consider differing expenses and its conclusion resulted in a conclusion of $9,332,400. The Price per Room is not usually used as much by buyers for apartment buildings and its conclusion was $9,300,000. The Price per Unit and Price per Square Foot are indicators most used by purchasers of apartment buildings and their conclusions were given a greater percentage for their respective conclusions. The Price per Unit conclusion resulted in a conclusion of $9,350,000 and the Price per Square Foot conclusion was $9,332,085. The conclusion for the Direct Sales Comparison Approach is $9,325,000.

Value as per the Direct Sales Comparison Approach: $9,325,000

<u>Reconciliation</u>

The approaches in this analysis of the "As Is" Market Value of the subject property indicated the following values:

Cost Approach:	N/A
Income Approach:	$9,325,000
Direct Sales Comparison Approach:	$9,325,000

Cost Approach

The Cost Approach is based on the principle of substitution. It assumes that no prudent investor would pay more for a property than the cost to acquire the site and construct improvements of equal desirability and utility. It is most applicable in valuing new or relatively new construction, proposed construction, special purpose properties, and those properties that are not frequently exchanged in the market. In those cases where the value of the land is not well supported, the improvements are older, or there is functional or external obsolescence, the Cost Approach is less reliable. Because of the need of the application for Physical Depreciation for an older building and limited land sales data, this approach was not deemed applicable to this assignment and its omission is not seen as making the report misleading in any way.

Income Approach

The Income Approach is used in the valuation of investment properties such as stores, apartments, shopping centers, office complexes, commercial buildings, certain industrial buildings, and other real estate which is bought and sold primarily on the basis of the income produced. The value of such properties tends to be set by the quantity, quality and durability of the net income generated by the property. The theory of this approach is based on the concept that the value of a property is the present worth of the net income it will produce during the remainder of its productive life. To value the anticipated economic benefits of a particular property, the present and probable trends of future income, vacancies and rent losses, and expenses must be analyzed, and the appropriate capitalization method selected. The Income Approach is therefor given more consideration than the Direct Sales Comparison Approach and is given a weighted average quotient of 70%.

Direct Sales Comparison Approach

One of the most reliable measures of the market is the Direct Sales Comparison Approach. In most cases, this approach best reflects the attitudes of both buyers and sellers and is therefore normally the most direct and preferred approach to value. The primary principle of this technique is the substitution and comparison of the subject with comparable properties which have sold. The comparison properties must have a high degree of similarity to the subject, be in a similar location, and the sampling should be sufficient in number. After appropriate adjustments are made to the comparable sales to make them equivalent to the subject, the resulting indicators are reconciled for a determination of the subject's value. Our research provided an adequate and superior quality dataset in which to conduct the analysis. The Direct Sales Comparison Approach is given less consideration than the Income Approach and is given a weighted average quotient of 30%. The following table shows our conclusion for the final "As Is" Market Value as of the effective date of this report:

Approach	Conclusion	Weight	Percent	Amount
Cost Approach	N/A	N/A	N/A	N/A
Direct Sales Comparison Approach	$9,325,000	30%	30%	$2,797,500
Income Approach	$9,325,000	70%	70%	$6,527,500
			Weighted Average	**$9,325,000**

The final value is $9,325,000 Therefore, based on the proceeding date and discussion, together with my best judgment and experience, I estimate the Stabilized Market Value as of March 28, 2027 (the estimated date of stabilization and renovations complete), is:

$9,325,000 – Stabilized Market Value

“As Is” Market Value

An Extraordinary Assumption has been made that a typical and most probable buyer of the subject property would undertake a comprehensive renovation and repositioning program, including full interior upgrades to all units, and significant site improvements, in order to maximize rental income and overall cash flow. This assumption is based on the subject’s current condition, which includes partially vacant units, ongoing interior demolition, and below market rents in the remaining occupied units, all of which indicate clear value add potential consistent with investor behavior in the La Jolla coastal multifamily market. We are appraising this property under a Hypothetical Condition of the conversion of the four garage spaces into studio units, and conversion of the storage room into a common laundry room.

Under the Hypothetical Condition and this Extraordinary Assumption, the buyer is expected to incur costs associated with tenant relocation, interior renovations totaling $754,215 ($165.00 per rentable square foot), conversion costs for the four studio units and common laundry of $330,450 ($300.00 per square foot), and site improvements including patios, complete site fencing, and courtyard enhancements totaling $350,000. In addition, we estimated two months of rental loss for leasing up the units to arrive at a stabilized occupancy. These costs are necessary to reposition the property to a stabilized condition capable of achieving market rents, which supports a concluded stabilized market value of $9,325,000. At that point, the developer would sell the property, incur selling costs (estimated at 5% of the sale price), and then expect to make a profit upon the resale of the stabilized asset (estimated at 15% of the total stabilized sales price).

The resulting As Is value of $5,910,000 reflects the stabilized value less all costs required to achieve that condition, including $35,000 in relocation fees for the two existing below-market tenants, $754,215 in building renovations, $330,450 for ADU and laundry room conversion costs, $350,000 in site work, $80,800 in lease/up rental loss, $466,250 in sales costs, and $1,398,750 for developers fees/entrepreneurial profit, for a total deduction of $3,415,465. The Hypothetical Condition and Extraordinary Assumption are critical to the valuation, as they directly impact both the income potential and the associated costs, and if the property were not renovated, the garages converted into studio units, and repositioned as assumed, the resulting value conclusion would be materially different.

We make an Extraordinary Assumption that these costs would be adequate to reposition the property into a modern and desirable long-term asset. This methodology reflects standard appraisal practice for value add assets, where the as is value is determined by capitalizing the future stabilized condition and deducting all costs necessary to achieve that condition, including both direct expenditures and income disruption during the renovation period. If the Hypothetical Condition or Extraordinary Assumption prove false, it could impact the final “As Is” Value in this report.

This approach is consistent with investor underwriting behavior in the La Jolla market, where buyers evaluate coastal multifamily assets based on their stabilized income potential and adjust their purchase price to reflect the time, cost, and risk required to achieve that stabilization.

The "As Is" Value is summarized as follows:

"As Is" Value	
Stabilized Market Value	$9,325,000
Relocation Fees	$35,000
Renovations to Existing Units Building	$754,215
Conversion Costs Four ADUs	$330,450
Patios/Fencing/Site Work	$350,000
Sales Expenses @ 5%	$466,250
Lease Up/Rental Loss	$80,800
Developer's Fees/Profit @15%	$1,398,750
Total	$5,909,535
"As Is" Value (rounded)	$5,910,000

Therefore, based on the proceeding date and discussion, together with my best judgment and experience, I estimate the "As Is" Market Value as of March 28, 2026, is:

$5,910,000 – "As Is" Market Value

Key Points, General and Extraordinary Assumptions, and Hypothetical Conditions

The following key assumptions and conditions are identified:

• **Most Probable Buyer Actions -** An Extraordinary Assumption has been made that a typical and most probable buyer of the subject property would undertake a comprehensive renovation and repositioning program, including full interior upgrades to all units, and significant site improvements, in order to maximize rental income and overall cash flow. This assumption is based on the subject's current condition, which includes partially vacant units, ongoing interior demolition, and below market rents in the remaining occupied units, all of which indicate clear value add potential consistent with investor behavior in the La Jolla coastal multifamily market. We are appraising this property under a Hypothetical Condition of the conversion of the four garage spaces into studio units, and conversion of the storage room into a common laundry room.

Under the Hypothetical Condition and this Extraordinary Assumption, the buyer is expected to incur costs associated with tenant relocation, interior renovations totaling $754,215 ($165.00 per rentable square foot), conversion costs for the four studio units and common laundry of $330,450 ($300.00 per square foot), and site improvements including patios, complete site fencing, and courtyard enhancements totaling $350,000. In addition, we estimated two months of rental loss for leasing up the units to arrive at a stabilized occupancy. These costs are necessary to reposition the property to a stabilized condition capable of achieving market rents, which supports a concluded stabilized market value of $9,325,000. At that point, the developer would sell the property, incur selling costs (estimated at 5% of the sale price), and then expect to make a profit upon the resale of the stabilized asset (estimated at 15% of the total stabilized sales price).

The resulting As Is value of $5,910,000 reflects the stabilized value less all costs required to achieve that condition, including $35,000 in relocation fees for the two existing below-market tenants, $754,215 in building renovations, $330,450 for ADU and laundry room conversion costs, $350,000 in site work, $80,800 in lease/up rental loss, $466,250 in sales costs, and $1,398,750 for developers fees/entrepreneurial profit, for a total deduction of $3,415,465. The Hypothetical Condition and Extraordinary Assumption are critical to the valuation, as they directly impact both the income potential and the associated costs, and if the property were not renovated, the garages converted into studio units, and repositioned as assumed, the resulting value conclusion would be materially different.

We make an Extraordinary Assumption that these costs would be adequate to reposition the property into a modern and desirable long-term asset. This methodology reflects standard appraisal practice for value add assets, where the as is value is determined by capitalizing the future stabilized condition and deducting all costs necessary to achieve that condition, including both direct expenditures and income disruption during the renovation period. If the Hypothetical Condition or Extraordinary Assumption prove false, it could impact the final "As Is" Value in this report.

This approach is consistent with investor underwriting behavior in the La Jolla market, where buyers evaluate coastal multifamily assets based on their stabilized income potential and adjust their purchase price to reflect the time, cost, and risk required to achieve that stabilization.

• **Rental Rate Restricted Units** – The city of La Jolla, California does not have its own local rent control ordinance for apartment properties. Because La Jolla does not have a local rent control ordinance, rental properties in the city are instead governed primarily by California's statewide rent control law, known as the Tenant Protection Act of 2019 (AB 1482). The State of California passed Assembly Bill 1482 in 2019. The act places an annual cap on rent increases and regulates a more restrictive standard for evictions across California. As it pertains to the subject property, the act limits annual rent increases at 5.00% plus the CPI for the subject area for the San Diego-Carlsbad MSA region of as of February 2026, of 2.60%. The current total allowable increase based on California Rent Control restrictions would be a 7.60% allowable increase. The bill also applies "just cause" eviction policies to qualified housing across California.

• **Building and Site Improvement Exhibits -** Any renderings, building sketches, maps, plats, or drawings reproduced and included in this report are intended only for the purpose of showing spatial relationships. All these documents are assumed to be correct but cannot be guaranteed by the appraiser who is not a licensed land surveyor, engineer, land planner, or architect. If further information is desired a survey of the property and professional review of the plans and descriptions provided are recommended.

• **Government Regulations -** It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations, zoning regulations, building codes, and license laws, except where it was discovered and noted in this report. The totality of such laws and regulations governing the use and enjoyment of a property are beyond the scope of any individual, though the appraiser does try to keep abreast of any restrictions on the free enjoyment of real estate.

• **Information as a Basis of Value -** During this investigation, much of the information used in arriving at conclusions was provided by others. Some sources of information include government agencies, accountants, Realtors, buyers, sellers, lenders, other appraisers, CoStar, multiple listing service, builders, etc. These sources are assumed to be reliable, and the information is assumed to be true and accurate. An attempt is made to verify all information; however, the appraiser cannot guarantee the accuracy of this information.

• **Validity of Appraisal -** The conclusions reached here are based on projections and analyses as of the date of the appraisal. The appraiser claims no clairvoyance. Thus, as conditions change in the future, so may the factors that create, maintain, and destroy value. Certain projections and mathematical models are based on the appraiser's best estimate of probable future conditions and do not represent guarantees or actualities that may occur. They are an attempt on the part of the appraiser to represent the probable actions of typical buyers, sellers, and users in the marketplace. While every attempt was made to be as accurate as possible, the value of a property is ultimately a judgment decision or opinion. This should be realized by the user of this report,

who should analyze the information provided to ensure their agreement with the conclusions, before acting thereon.

Any significant variation from these extraordinary assumptions may affect the market valuations and will warrant a reappraisal of the property.

Certification & Limiting Conditions

Certification

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

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest or bias with respect to the parties involved.
- My compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- I have made a personal inspection of the property that is the subject of this report.
- Paul Marinkovich has not provided any services, an appraiser or in any other capacity, regarding the property that is the subject of this report within a three-year period immediately preceding acceptance of this assignment.
- Gabriel Marinkovich and Christina Willard assisted in data entry, comparable confirmation and research, subject property research and analysis, and market research. Their work was fully supervised by Paul Marinkovich. No one else provided significant professional assistance to the person signing this report.
- I have the necessary education and experience to have performed the appraisal competently.

Appraiser ______________________________ Date April 9, 2026

Paul Marinkovich
State Certified General Appraiser
California State Certification# AG006592
Colorado State Certification# CG200002942
Arizona State Certification# CGA1037483
Washington State Certification# 23006034

Contingent and Limiting Conditions

The certification of the Appraiser appearing in the appraisal report is subject to the following limiting conditions and to such other specific and limiting conditions as are set forth by the Appraiser in the report.

1. The Appraiser assumes no responsibility for matters of a legal nature affecting the property appraised or title thereto, nor does the Appraiser render any opinion as to the title, which is assumed to be good and marketable. The property is appraised as though under responsible ownership.

2. Any sketch in the report may show approximate dimensions and is included to assist the reader in visualizing the property. The Appraiser has made no survey of the property.

3. The Appraiser is not required to give testimony or appear in court because of having made the appraisal with reference to the property in question unless arrangements have been made previously.

4. Any distribution of the valuation in the report between land and improvements applies only under the existing program of utilization. Any separate valuations for land and building must not be used in conjunction with any other appraisal and are invalid if used.

5. The Appraiser assumes that there are no hidden or unapparent conditions of the property, subsoil, or structures, which would render it more or less valuable. The Appraiser assumes no responsibility for such conditions, or for engineering which might be required to discover such factors.

6. All information, estimates, and opinions furnished to the Appraiser, and contained in the report, were obtained from sources considered reliable and believed to be true and correct. However, no responsibility for the accuracy of any such items furnished the Appraiser can be assumed by the Appraiser.

7. Disclosures of the contents of this appraisal report are governed by the bylaws and the regulations of the professional appraisal organizations with which the Appraiser is affiliated.

8. Neither all, nor any part of the content of the report, or copy thereof (including conclusions as to the property value, the identity of the Appraiser, professional designations, reference to any professional appraisal organizations or the firm with which the appraiser is connected) shall be used for any purposes by anyone but the client specified in the report, without the prior written consent of the Appraiser; nor shall it be conveyed by anyone to the public through advertising, public relations, news, sales, or other media, without the prior written consent and approval of the Appraiser.

9. On all appraisals subject to completion, repairs, or alterations, the appraisal report and value conclusions are contingent upon completion of the improvements in workmanlike manner.

10. Unless otherwise stated in this report, the existence of any hazardous material, which may or may not be present on the property, was not observed by the Appraiser. The Appraiser has no knowledge of the existence of such materials on or within the property. The Appraiser, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation, radon gas, lead based paint, or other potentially hazardous materials may affect the value of the property. The value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge that is required to discover them. The client is urged to retain an expert in this field, if desired.

11. The appraiser assumes no responsibility for determining if the subject property complies with the American with Disabilities Act (ADA). The appraiser shall not be liable for any costs, expenses, assessments, penalties, or diminution in value resulting from non-compliance. This appraisal assumes the subject meets an acceptable level of compliance with ADA standards; if the subject is not in compliance, the eventual renovation costs and penalties would negatively impact the present value of the subject. If the magnitude and time of the cost were known today, they would be deducted from the reported value conclusions.

Appraiser ______________________________ Date April 9, 2026

Paul Marinkovich
State Certified General Appraiser
California State Certification# AG006592
Colorado State Certification# CG200002942
Arizona State Certification# CGA1037483
Washington State Certification# 23006034

Resume of Professional Qualifications

Certified General Real Estate Appraiser
California Certification AG006592
Expiration February 26, 2027
Colorado Certification CG200002942
Expiration December 31, 2024
Arizona Certification CGA1037483
Expiration March 31, 2024
Washington Certification 23006034
Expiration February 26, 2027

PM Appraisal
President and CEO

Office
204 Pantaneiro Place
Fallbrook, CA 92028

Experience and Qualifications

2008 - Current

PM Appraisal
President and Principal

Paul Marinkovich, CGA, is the president and principle of PM Appraisal where he has dedicated his professional experience to assisting his clients with the highest quality real estate appraisals, real estate consulting, and real estate supportive services.

Mr. Marinkovich has been actively engaged in commercial and residential real estate for over 40 years. In that time, he has gained experience and insight into the California marketplace and its unique valuation trends. His assignments range from single family homes to complex commercial assignments. He has been engaged with individual assignments with appraised values over $150,000,000 per report. He also has provided consultation for legistlative issues regarding appraisal and industry trends for the California Mortgage Association of which he is a member. His clients include finaincial institutions, portifilio lenders, attorneys, CPA's, mortgage associations, and home builders.

Mr. Marinkovich has combined time tested commercial narrative formats with modern based technology to create a well- balanced and highly supported modern valuation system to meet his client's needs and keep pace with the fast-moving California real estate marketplace.

1997 – 2008
Paul Marinkovich & Associates, Inc.
President and CEO

Mr. Marinkovich formed, managed, and operated a corporation consisting of up to eight appraisers and ten office staff. The focus was the appraisal of residential real estate with several banks, mortgage companies, legal firms, and private money lenders. It was common to achieve volume levels of over 200 appraisals a month. Mr. Marinkovich personally appraised more complex residential properties, commercial, industrial, apartments, land, special use, and other more complicated assignments.

1992 - 1997
First Federal Bank
Major Loan Appraiser

Mr. Marinkovich was hired by First Federal Bank to assist in setting up the major loan appraisal division from and assisting them in making a highly successful insertion into the apartment and commercial lending field. During that time, he also worked as a Senior Staff Appraiser and his duties included the appraisal of residential, commercial, and industrial properties along with all types of vacant land and apartments. He specialized in larger and more complex commercial and residential properties as well as feasibility studies, subdivisions, and all types of new construction and renovation projects requiring construction financing.

1988 - 1992
Brentwood Bank of California
Residential and Commercial Appraiser

Mr. Marinkovich was the Assistant Chief Appraiser for Brentwood Bank of California for nearly five years. His duties included managing the appraisal department and appraisal policies as well as personally producing appraisals of all types of residential, commercial, and industrial properties, as well as many types of vacant land engagements. He specialized in high end residential properties and new construction and was also personally responsible for computerizing and modernizing the appraisal department.

1984 - 1988
Gibraltar Savings and Loan
Residential and Apartment Appraiser

Mr. Marinkovich was a Mid-Market Appraiser for over three years. Along with extensive residential appraisal work, he also was involved in the appraisal of commercial properties, industrial properties, apartments, and vacant land as well as working out of state on asset management assignments.

1980 -1984
ERA-Spectrum Realty
Office Manager, Appraiser, and Salesperson

Mr. Marinkovich started his real estate career at ERA-Spectrum Realtors, handling appraisals of commercial and residential properties. He also was a real estate salesperson and managed up to 26 sales agents.

Appraisal Experience

General Appraisal

Vacant Land: Single family residential sites subdivisions - multi-family residential sites – Commercial and industrial sites - Acreage - Planned communities

Agricultural: Wine and Table Grapes – Wineries - Citrus – Walnuts - Almonds – Avocados – Horse Ranches – Chicken Farms – Horse Ranches – Range Land

Residential: Custom homes - Residential subdivisions - Condominiums - Planned unit developments - Apartment complexes - Cooperatives - New and planned construction projects and cost analysis

Commercial: Shopping centers - Office buildings - Retail centers - Mixed use facilities - Industrial buildings - Public buildings - Motels - Athletic clubs - Medical buildings – Car washes – Golf courses – Meeting halls- Churches – Mortuaries – Hotels & Motels – Medical Office

Cannabis: Indoor Cultivation – Manufacturing – Distribution – Laboratories – Mixed-Light Outdoor Facilities – Cannabis Outdoor Cultivation – Member Humboldt County Board of Realtors

Care Facilities: Hospitals – Rehabilitation Facility – Drug and Alcohol Treatment Facility – Skilled Nursing Center – Assisted Living Facility – Behavioral Health Facility – Congregate Care Facility – Residential Group Home – Halfway House – SRO Hotels

Feasibility & Consultative Studies

Tax appeal, due diligence investigations, fair rent studies, highest and best use studies, subdivision feasibility analysis, construction consultation.

Special Purpose

Partial interest valuations, special use industrial facilities, mixed use properties, and condemnation appraisals.

Certifications, Education, and Expert Witness

Certifications/Titles

Certified General Real Estate Appraiser (**CGA**) in California, Arizona, Colorado, and Washington
Ordained Minister Community Miracles Center (February 2013)

Education

Pierce College, Woodland Hills, CA (1978-1980)
Santa Monica College, Santa Monica, CA (1989-1990)
Advanced Income Property Appraisal (1988-Pierce College)
Federal and State Laws and Regulations (1996-Real Estate Trainers)
Appraisal Principles and Techniques (1996-Real Estate Trainers)
Appraisal Standards and Ethics (1996-Real Estate Trainers)
Capitalization and Cash Flow (1996-Real Estate Trainers)
Introduction to Appraising Real Property (1991-AIREA)
Applied Residential Property Valuation (1991-AIREA)
Principles of Income Property Valuation (1990-AIREA)
Standards of Professional Practice-A and B (1991-Appraisal Institute)
Case Studies in Real Estate Valuation (1991-Appraisal Institute)
Advanced Income Property Valuation (1992-Appraisal Institute)
Modern Principles and Standards of Real Estate Appraising (2001-Foundation of Real Estate Appraisers)
Narrative Report Writing (2001-Foundation of Real Estate Appraisers)
Laws and Regulations (2001-Foundation of Real Estate Appraisers)
Limited Report Writing (2001-Foundation of Real Estate Appraisers)
Federal Housing Authority Appraising (2001-Foundation of Real Estate Appraisers)
Real Estate Principles (2003-Allied Business Schools)
National USPAP (2003-Allied Business Schools)
Real Estate Practice (2004-Allied Real Estate Schools)
Legal Aspects of Real Estate (2004-Allied Real Estate Schools)
Real Estate Finance (2004-Allied Real Estate Schools)
Real Estate Economics (2004-Allied Real Estate Schools)
Real Estate Principles (2004-Allied Real Estate Schools)
Escrows (2004-Allied Real Estate Schools)
Real Estate Office Administration (2004-Allied Real Estate Schools)
National USPAP Update Course (2004-Allied Real Estate Schools)
2005-2006 National USPSP Update Course (2006-Allied Real Estate School)
Federal and State Laws and Regulations (2008-Allied Real Estate School)
California Real Estate Principles (2008-Allied Real Estate School)
National USPAP Update Course (2008-Allied Real Estate School)
Real Estate Appraisal (2008-Real Estate Trainers)
2009-2010 National USPSP Update Course (2010-Allied Real Estate School)
Federal and State Laws and Regulations (2012-Allied Real Estate School)
California Real Estate Principles (2012-Allied Real Estate School)
National USPAP Update Course (2012-Allied Real Estate School)
Real Estate Appraisal (2012-Real Estate Trainers)
2013-2014 National USPSP Update Course (2014-Allied Real Estate School)
Complex Residential Appraisal (2016-Allied Real Estate School)
Creating Credible Appraisals (2016-Allied Real Estate School)
Economics for Appraisers (2016-Allied Real Estate School)
Federal and State Laws and Regulations (2016-Allied Real Estate School)
Financing for Appraisers v.2 (2016-Allied Real Estate School)
2016-2017 National USPSP Update Course (2016-Allied Real Estate School)
2017-2018 National USPSP Update Course (2018-Allied Real Estate School)
2018-2019 National USPSP Update Course (2019-Allied Real Estate School)
2020-2021 National USPSP Update Course (2020-KcKissock)
Appraisal of Industrial and Flex Buildings (2020-KcKissock)
Land and Site Valuation (2020-KcKissock)
Laws and Regulations (2020-KcKissock)
New Construction Essentials: Luxury Homes (2020-KcKissock)
Residential Report Writing: More than Forms (2020-KcKissock)
The Income Approach: An Overview (2020-KcKissock)
The Sales Comparison Approach (2020-KcKissock)

Expert Witness

California Superior Court
United States Bankruptcy Court
Tax Assessor's Appeal
Senate Foreign Relations Committee (United States Senate)
International Committee on Foreign Relations (United States Congress)
Senate Sub-Committee on Criminal Justice Oversight (United States Senate)
Legislative Consultant for the California Mortgage Association

Memberships

Member MLS - Direct and complete Broker Computer access to MLS information in Orange, Los Angeles, San Bernardino, Riverside, Santa Barbara, San Diego, Ventura, and Fresno Counties. Reciprocal MLS access to most of the rest of California including northern California. Also, I am a member of the Humboldt Association of Realtors.

CoStar Access – Personal private access for the entire state of California.

Other – LoopNet, NDC Data Online, CoreLogic Swift-Estimator Building Cost Estimation Service, PWC Surveys, STR Reports, Reality Rates Surveys, Penner Expense Guidelines, Case-Shiller, Zillow Zestimates, etc.

California Appraiser's License

Business, Consumer Services & Housing Agency

BUREAU OF REAL ESTATE APPRAISERS

REAL ESTATE APPRAISER LICENSE

Paul M. Marinkovich Sr.

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 006592

Effective Date: February 27, 2025
Date Expires: February 26, 2027

Angela Jemmott, Bureau Chief, BREA

3080437

THIS DOCUMENT CONTAINS A TRUE WATERMARK - HOLD UP TO LIGHT TO SEE "CHAIN LINK"

Colorado Appraiser's License

1560 Broadway, Suite 925
Denver, CO 80202-5111

Dear Paul Michael Marinkovich

Congratulations! Below are your electronic wallet cards and a larger wall license to use as proof of your licensure. You may also print your license any time through your Online E-Services account by visiting our homepage at dora.colorado.gov/dre and selecting "Online E-Services" from our "Quick Links".

If you have any questions about your credential, or if you require any additional assistance, please contact our Customer Support Team at (303) 894-2166 or by email at dora_realestate_website@state.co.us.

Paul Michael Marinkovich
Paul Marinkovich
1728 Blackbird Cir
Carlsbad, CA 92011-5008

State of Colorado
Department of Regulatory Agencies
Division of Real Estate

Board of Real Estate Appraisers

Paul Michael Marinkovich

Certified General Appraiser

Director: Marcia Waters

License #: CG200002942
Status: Active
Expires: 12/31/2024

For the most up to date information regarding this credential, visit http://dora.colorado.gov/dre

Colorado Department of Regulatory Agencies
Division of Real Estate
Paul Michael Marinkovich
Certified General Appraiser

CG200002942	12/19/2022
License Number	Issue Date
Active	12/31/2024
License Status	Expiration

Verify this license at http://dora.colorado.gov/dre

Director: Marcia Waters | Licensee Signature

Arizona Appraiser's License

Department of Insurance and Financial Institutions

State of Arizona

CGA - 1037483

This document is evidence that: **Paul M. Marinkovich Sr.** has complied with the provisions of Arizona Revised Statutes, relating to the establishment and operation of a:

Certified General Real Estate Appraiser

and that the Deputy Director of Financial Institutions of the State of Arizona has granted this license to transact the business of a:

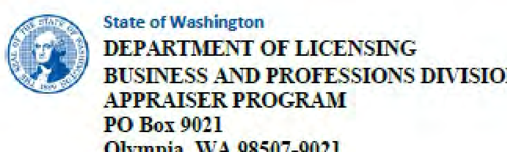
Certified General Real Estate Appraiser

Paul M. Marinkovich Sr.

This license is subject to the laws of Arizona and will remain in full force and effect until expired, surrendered, revoked or suspended as provided by law.

Expiration Date : **March 31, 2024**

Washington Appraiser's License



PAUL MICHAEL MARINKOVICH SR
204 PANTANEIRO PL
FALLBROOK CA 92028-6532

STATE OF WASHINGTON

DEPARTMENT OF LICENSING - BUSINESS AND PROFESSIONS DIVISION

THIS CERTIFIES THE PERSON OR BUSINESS NAMED BELOW IS AUTHORIZED AS A

CERTIFIED GENERAL REAL ESTATE APPRAISER

PAUL MICHAEL MARINKOVICH SR

23006034	02/28/2023	02/26/2027
License Number	Issue Date	Expiration Date

Marcus J Glasper, Director

WASHINGTON STATE DEPARTMENT OF LICENSING

(R/4/23)