

**SAN MATEO COUNTY COUNTYWIDE OVERSIGHT BOARD
NOTICE OF CONTINUATION OF PUBLIC MEETING**

NOTICE IS HEREBY GIVEN that the March 8, 2021 meeting of the San Mateo County Countywide Oversight Board will continue on March 15, 2021 at 11:00 A.M. or as soon as possible thereafter, to continue consideration of the following items, at which time any and all persons interested may be heard thereon:

A Resolution approving the final sale price of \$1.00, as set forth in the Purchase and Sale Agreement, for the disposition of the property known as the northern portion of an alley adjacent to 1305 and 1345 Willow Road, Menlo Park, California.

A Resolution approving the final sale price of \$154,500, as set forth in the Purchase and Sale Agreement, for the disposition of the property known as the southern portion of an alley adjacent to 1305 and 1345 Willow Road, Menlo Park, California.

The continued meeting will be held by videoconference and may be accessed through Zoom online at <https://smcgov.zoom.us/j/94799900234> (Meeting ID: 947 9990 0234) or via telephone by dialing +1-669-900-6833 (Local), then enter the meeting ID, and press #. (Find your local number: <https://smcgov.zoom.us/u/admSDqceDg>). *Note: Call in information for the meeting has been updated.*

Written correspondence may be submitted via email to the Assistant Clerk of the Board of Supervisors at spurewal@smcgov.org with "San Mateo Countywide Oversight Board" in the subject line.



Sukhmani Purewal,
Assistant Clerk of the Board
Countywide Oversight Board of the Former
Redevelopment Agencies
March 8, 2021

SAN MATEO COUNTY

COUNTYWIDE OVERSIGHT BOARD

Jim Saco, Chairperson
Denise Porterfield, Vice Chairperson
Mark Addiego, Member
Chuck Bernstein, Member
Tom Casey, Member
Barbara Christensen, Member
Mark Leach, Member

SAN MATEO COUNTY COUNTYWIDE OVERSIGHT BOARD MEETING

Monday, March 8, 2021 at 9:00 a.m.

*****BY VIDEOCONFERENCE ONLY*****

On March 17, 2020, the Governor issued Executive Order N-29-20 suspending certain provisions of the Ralph M. Brown Act in order to allow for local legislative bodies to conduct their meetings telephonically or by other electronic means. Thus, pursuant to Executive Order N-29-20, local and statewide health orders, and the CDC's social distancing guidelines which discourage large public gatherings, the San Mateo County Board of Supervisors Chambers is no longer open to the public for meetings of the Oversight Board.

Public Participation

The March 8, 2021 San Mateo County Countywide Oversight Board meeting may be accessed through Zoom online at <https://smcgov.zoom.us/j/96404414360>. The meeting ID is: 964 0441 4360. The meeting may also be accessed via telephone by dialing +1-669-900-6833 (Local). Enter the meeting ID: 964 0441 4360, then press #. (Find your local number: <https://smcgov.zoom.us/u/admSDqceDg>)

*Written public comments may be emailed to Sukhmani Purewal, Assistant Clerk of the Board, at least two working days before the meeting at spurewal@smcgov.org, and should include the specific agenda item on which you are commenting.

*Spoken public comments will also be accepted during the meeting through Zoom. If you wish to speak, please click on "raise hand" feature. If you only wish to watch the meeting and do not wish to address the Board, the Clerk requests that you view the meeting through Zoom.

*ADA Requests - Individuals who require special assistance or a disability related modification or accommodation to participate in this meeting, or who have a disability and wish to request an alternative format for the meeting should send an email to spurewal@smcgov.org at least two working days before the meeting. Notification in advance of the meeting will enable the County to make reasonable arrangements to ensure accessibility to this meeting, the materials related to it, and your ability to comment.

AGENDA

1. Call to Order
2. Roll Call
3. Oral Communications and Public Comment
This is an opportunity for members of the public to address the Oversight Board on any Oversight Board-related topics that are not on the agenda. If your subject is not on the agenda, the

individual chairing the meeting will recognize you at this time. Speakers are customarily limited to two minutes.

4. Action to Set the Agenda
5. Approval of the January 11, 2021 Countywide Oversight Board Meeting Minutes
6. Consider Recommendation from the Former Menlo Park Community Development Agency for the Disposition of the Vacant Alley Parcel Adjacent to 1305 and 1345 Willow Road, Menlo Park and Adopt a Resolution Approving the Purchase and Sale Agreements With the Buyers
7. Defeasance of Belmont Successor Agency's Senior Series 2014A and Subordinate Series 2014B Bonds ("Series 2014 Bonds") – Discussion Only

*The Countywide Oversight Board agenda packet is available online at the following website:
<https://controller.smcgov.org/countywide-oversight-board-former-redevelopment-agencies>.*

SAN MATEO COUNTY

COUNTYWIDE OVERSIGHT BOARD

Jim Saco, Chairperson
Denise Porterfield, Vice Chairperson
Mark Addiego, Member
Chuck Bernstein, Member
Tom Casey, Member
Barbara Christensen, Member
Mark Leach, Member

Date: March 11, 2021

To: San Mateo County Countywide Oversight Board (OB)

From: Shirley Tourel, Assistant Controller

Subject: Supplemental Information to the March 8, 2021 OB Meeting Agenda Item No. 6

Former RDA: Menlo Park Community Development Agency

Background Information

The attachments are provided by the Menlo Park Successor Agency to the OB to address questions and comments raised by the members during the March 8, 2021 OB meeting.

CAC Exhibit

A-Menlo Park Successor Agency Staff Report

CAC Exhibit A

Date: March 10, 2021
To: San Mateo County Countywide Oversight Board
From: Cara E. Silver, Legal Counsel
Subject: Former Menlo Park Community Development Agency Requesting Approval for Purchase and Sale Agreements for Vacant Alley Parcel Adjacent to 1305 and 1345 Willow Road

Former RDA: Menlo Park

Background.

On March 8, 2021, the Oversight Board conducted a public hearing on the former Community Development Agency (“CDA”) of the City of Menlo Park’s request to sell an abandoned right of way to the adjoining neighbors. At the hearing, the Board requested supplemental information from the applicant on several items. This supplemental report transmits the requested information.

Discussion.

Additional Information on Impact Fees Received from Sale of Property.

As mentioned at the hearing, there is a distinction between distribution of sale proceeds and impact fees. All taxing agencies will receive a portion of the sales proceeds. In addition, several taxing agencies may also receive additional impact fees assessed on the development of the affordable housing project. Impact fees are assessed under the Mitigation Fee Act¹ which requires a nexus study and formal governing board action before assessing on a project. Since the project is located in Menlo Park, there are a variety of potentially applicable local impact fees. However, as a policy matter, the Menlo Park Municipal Code exempts 100% affordable housing projects from most of its impact fees. Accordingly, the only local impact fees payable to Menlo Park are: construction road impact fee, general plan fee and technology fee. Menlo Park also has an informal relationship with some of the other local agencies to verify that their impact fees have been paid before Menlo Park issues the final building permit. These agencies include the Menlo Park Fire District, the Sequoia Union School District (which collects on behalf of other school districts) and West Bay Sanitary District. The City is not aware of any other agency that has adopted an impact fee applicable to this project. In particular, the College District has no applicable impact fee. According to the attached worksheet (Attachment 1) the reported impact fees are:

1. Menlo Park Fire District in the amount of \$37,990.00
2. Sequoia Union School District in the amount of \$441,527.20 (According to a

¹ Government Code 66000 (b) defines fee to include: “a monetary exaction other than a tax or special assessment, whether established for a broad class of projects by legislation of general applicability or imposed on a specific project on an ad hoc basis, that is charged by a local agency to the applicant in connection with approval of a development project for the purpose of defraying all or a portion of the cost of public facilities related to the development project....”

longstanding practice, Sequoia Union High School District collects the school impact fees for all local school districts and distributes them to the appropriate school districts. See <https://www.seq.org/DEPARTMENTS/Administrative-Services/Maintenance--Operations/SCHOOL-DEVELOPER-FEES/index.html>.)

2. City of Menlo Park in the amount of \$175,783.30
3. West Bay Sanitary District in the amount of \$493,058.00

In addition, while not mentioned at the hearing, if the Caballero Trust property were to redevelop, additional taxing entities may also receive impact fees from that development. The extent of those impact fees would be dependent on the scope of any such proposed project.

Responding to one of the board members' concerns that the project would impact the local school district, the Ravenswood school district is not over-subscribed and in fact like many local school districts has been experiencing declining enrollment. Importantly, the MidPen Housing project will give housing priority to, among others, those who are homeless in the Ravenswood School District.

Would selling the property to the Caballero Trust result in the imminent loss of the Soleska Market?

Following the hearing, the City contacted the representative of the Caballero Trust. The Trust indicated the Soleska Market has a 15 year lease for 1305 Willow Road which runs to the end of August 2026. The Ownership does not have any plans for redevelopment. This property is considered a "key" long term asset hold. According to the owner, 1305 Willow Road is a "pre-existing and non-conforming" parcel in terms of minimum lot size and the front portion of the property (Willow Road side) is constrained by underground utilities. The owner desires to acquire the property to better conform to the zoning requirements of the mixed use C-2-B zone and to create a more developable lot.

Why would a public sale of the property not be beneficial in this situation?

The property is currently sandwiched between a residential property to the north and a mixed use property to the south. The most likely zoning for the property according to the appraiser is the mixed use ADP. Mixed use zoning regulations, such as FAR and setbacks, make it extremely unlikely, if not impossible, for the property to be developable as a stand-alone property. Instead, the appraiser opined the most likely way the parcel could be developed is to assemble it with one or more adjacent parcels. Accordingly, the most likely purchasers of the property would be the two adjacent property owners. In this circumstance, a public sale is not likely to result in considerable more value than the appraised value. Further, the marketing costs, brokerage fees and transaction costs of conducting a public sale are considerably more than the proposed private sale.

In addition to the extra costs, if the City were to publicly market the property, the affordable housing project could risk losing its financing and face additional significant challenges to assembling financing in the future for the project. The project was awarded competitive low-income housing federal tax credits and bond financing in December 2020. Due to the nature of the financing which is both competitive and dependent on investors who are motivated by tax benefits, incentives to meet development milestones include severe consequences such as the

loss of the project's tax credit reservation. If the City were to publicly market the property, MidPen Housing would be unable to meet the tax credit financing requirement to begin construction within 180 days. The project's design team would need to re-design the building without the vacant alley parcel and re-start the building permit process. The vacant alley parcel includes the ability to accommodate the minimum amount of parking required for 140 units, and the loss of the parcel could result in a reduction of units. The redesign time would be substantial at this point.

Appraisal Updated Information.

The Oversight Board noted several issues regarding the appraisal. The appraisal has been updated (1) to clarify that the property is located in the Ravenswood School District, rather than the Las Lomas Elementary School District; (2) the total square footage of the subject property is 3,870; and (3) to provide further justification why the across the fence (ATF) appraisal method is the most suitable for this piece of property. In summary, the ATF methodology appraises the adjacent development and applies the \$/SF value conclusion from that parcel to arrive at an As-Is Market Value for the subject. This technique is typically used in corridor valuations, such as streets and rail lines. The appraiser has concluded it was particularly appropriate for this assignment as the subject has insufficient size and shape for stand-alone development, effectively making it a small remnant parcel. Remnant parcel pricing is typically at a deep discount, 40% to 90%, making comparables largely irrelevant where they are even available at all. Copies of the updated appraisal is attached as Attachment 2 to this supplemental report.

Attachments:

1. Impact fee Worksheets
2. Updated Appraisal

ATTACHMENT 18-A

**TCAC Basis Limit Increase Documentation – Impact Fees
(See Section 10322(h)(22) of the TCAC Regulations)**

- Local Development Impact Fees Certification from:
 - City of Menlo Park
 - Menlo Park Fire Protection District
 - Sequoia Union High School District
 - West Bay Sanitary District

**CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**ATTACHMENT 18-A
LOCAL DEVELOPMENT IMPACT FEES**

Project Name: Gateway Family

Itemize all local impact fees to be paid. The total must correspond with the total local impact fees line item shown in the development budget of the application.

Pursuant to Regulation Section 10302(x), Local development impact fees are defined as: The amount of impact fees, mitigation fees, or capital facilities fees imposed by municipalities, county agencies, or other jurisdictions such as public utility districts, school districts, water agencies, resource conservation districts, etc.

NOTE: Permit processing fees, building permit fees, and plan check fees are NOT considered local development impact fees.

TYPE OF FEES TO BE PAID	AMOUNT OF FEE
Community Development Fees	\$
Drainage Facilities	\$
Facilities Assessment	\$
Fire Facilities	\$
General Facilities	\$
Governmental/Environmental	\$
Law Enforcement Facilities	\$
Library Facilities	\$
Parks & Recreation	\$
Public Facilities	\$
Schools	\$
Streets & Signals	\$
Traffic Fees	\$
Waste Water Collection	\$
Waste Water Treatment	\$
Water Facilities	\$
Other (specify): Building Construction Road Impact Fee	\$ 174,826.62
Other (specify): ConnectMenlo General Plan Fee	\$ 478.34
Other (specify): Technology Fee	\$ 478.34
Other (specify):	\$
Other (specify):	\$
Total Local Development Impact Fees	\$ 175,783.30

City of Menlo Park

PRINT AGENCY / JURISDICTION NAME

Rhonda L. Coffman

PRINT NAME

Deputy Community Development Director

PRINT TITLE

650-330-6614

PHONE

rlcoffman@menlopark.org

EMAIL

RhondaCoffman Digitally signed by RhondaCoffman
Date: 2020.09.18 16:19:13 -07'00'

SIGNATURE

09-18-2020

DATE

**CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**ATTACHMENT 18-A
LOCAL DEVELOPMENT IMPACT FEES**

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TYPE OF FEES TO BE PAID	AMOUNT OF FEE
Community Development Fees	\$
Drainage Facilities	\$
Facilities Assessment	\$
Fire Facilities	\$ 37,990.00
General Facilities	\$
Governmental/Environmental	\$
Law Enforcement Facilities	\$
Library Facilities	\$
Parks & Recreation	\$
Public Facilities	\$
Schools	\$
Streets & Signals	\$
Traffic Fees	\$
Waste Water Collection	\$
Waste Water Treatment	\$
Water Facilities	\$
Other (specify):	\$
Other (specify):	\$
Other (specify):	\$
Other (specify):	\$
Other (specify):	\$
Total Local Development Impact Fees	\$ 37,990.00

Menlo Park Fire Protection District

PRINT AGENCY / JURISDICTION NAME

Harold Schapelhouman

PRINT NAME

Fire Chief

PRINT TITLE

650-688-8400

PHONE

HaroldS@menlofire.org

EMAIL

Harold Schapelhouman
SIGNATURE

10-30-2019

DATE

Assumes a net increase of 58 multi family units

**CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**ATTACHMENT 18-A
LOCAL DEVELOPMENT IMPACT FEES**

Project Name: GATEWAY FAMILY

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NOTE: Permit processing fees, building permit fees, and plan check fees are NOT considered local development impact fees.

TYPE OF FEES TO BE PAID	AMOUNT OF FEE
Community Development Fees	\$
Drainage Facilities	\$
Facilities Assessment	\$
Fire Facilities	\$
General Facilities	\$
Governmental/Environmental	\$
Law Enforcement Facilities	\$
Library Facilities	\$
Parks & Recreation	\$
Public Facilities	\$
Schools	\$ 441,527.20
Streets & Signals	\$
Traffic Fees	\$
Waste Water Collection	\$
Waste Water Treatment	\$
Water Facilities	\$
Other (specify):	\$
Other (specify):	\$
Other (specify):	\$
Other (specify):	\$
Other (specify):	\$
Total Local Development Impact Fees	\$0

437,547.40
RES.
3,979.80
COMM.

SUHSD
PRINT AGENCY / JURISDICTION NAME

650-906-0149
PHONE

MARK DE MACSEK
PRINT NAME

mdemacsek@seq.org
EMAIL

LEAD CARPENTER
PRINT TITLE

Mark De Macsek
SIGNATURE

9/1/2020
DATE

**CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**ATTACHMENT 18-A
LOCAL DEVELOPMENT IMPACT FEES**

Project Name: Gateway Family

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Community Development Fees	\$
Drainage Facilities	\$
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Law Enforcement Facilities	\$
Library Facilities	\$
Parks & Recreation	\$
Public Facilities	\$
Schools	\$
Streets & Signals	\$
Traffic Fees	\$
Waste Water Collection	\$ 401302.00
Waste Water Treatment	\$ 91756.00
Water Facilities	\$
Other (specify):	\$
Other (specify):	\$
Other (specify):	\$
Other (specify):	\$
Other (specify):	\$
Total Local Development Impact Fees	\$ 493058

West Bay Sanitary District

PRINT AGENCY / JURISDICTION NAME

Jonathan Werness

PRINT NAME

Engineering Technician

PRINT TITLE

650-321-0384

PHONE

jwerness@westbaysanitary.org

EMAIL

Jonathan Werness

SIGNATURE

Digitally signed by Jonathan Werness
DN: cn=Jonathan Werness, o=West Bay Sanitary
District, ou=Projects,
email=jwerness@westbaysanitary.org, c=US
Date: 2020.09.01 12:54:04 -0700

9/1/2020

DATE

Attachment 2

Note: Changes made to the previous report are highlighted on the specific pages.

ROAD TO BE VACATED

Adjacent to 1305 Willow Road
Menlo Park, California 94025

APPRAISAL REPORT

Date of Report: March 10, 2021
Colliers File #: LAX200452



PREPARED FOR
Nikki Nagaya
Public Works Director
City of Menlo Park
701 Laurel Street
Menlo Park, CA 94025

PREPARED BY
COLLIERS INTERNATIONAL
VALUATION & ADVISORY SERVICES

LETTER OF TRANSMITTAL

COLLIERS INTERNATIONAL
VALUATION & ADVISORY SERVICES

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March 10, 2021

Nikki Nagaya
Public Works Director
City of Menlo Park
701 Laurel Street
Menlo Park, CA 94025

RE: Portion of Road to be Vacated
Adjacent to 1305 Willow Road
Menlo Park, California 94025

Colliers File #: LAX200452

Ms. Nagaya:

This appraisal report satisfies the scope of work and requirements agreed upon by City of Menlo Park and Colliers International Valuation & Advisory Services. The date of this report is March 10, 2021. At the request of the client, this appraisal is presented in an Appraisal Report format as defined by *USPAP* Standards Rule 2-2(a). Our appraisal format provides a summary description of the appraisal process, subject and market data and valuation analyses.

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

VALUE TYPE	INTEREST APPRAISED	DATE OF VALUE	VALUE
As-Is Market Value	Fee Simple	December 10, 2020	\$390,000

The subject property is a portion of city-owned thoroughfare, a **3,870** (0.09-acre) site at Willow Road in Menlo Park, California. Specifically, it is a portion of Frontage Road that extends east from Willow Road, adjacent to a convenience store market. The City intends to offer portions of it for sale to the adjacent property owners for assemblage purposes.

In our analysis, we use the Across the Fence (ATF) methodology and value the subject based upon the hypothetical condition that it can be assigned an assessor parcel number and conform to surrounding zoning (mixed use development). The ATF methodology directs us to appraise the adjacent development and apply

the \$/SF value conclusion from that parcel to arrive at an As-Is Market Value for the subject. This technique is typically used in corridor valuations, such as streets and rail lines. It is particularly appropriate for this assignment as the subject has insufficient size and shape for stand-alone development, effectively making it a small a remnant parcel. Remnant parcel pricing is subjective and typically at a deep discount, 40% to 90%, making comparables largely irrelevant where they are even available at all.

The COVID-19 virus (aka coronavirus) is a serious illness and pandemic that has affected the world and more specifically the United States. The effects thus far include volatility in the stock and capital markets. The impact to demand and ultimately values for real estate is also developing, although there is a wide range of viewpoints with very little consensus on the potential impact. The range of views from market participants suggests the risk premium is widening and we should analyze implications to both near-term and longer-term valuation assumptions. Real estate as an investment type historically takes a longer period of time to be impacted in comparison to alternative investment types, such as stocks and bonds.

The velocity of residential land sale volume transactions has been low over the past the past six months, which is likely a result of the coronavirus pandemic, creating minimal buyer demand for real property. Nevertheless, the market assumes a slight decrease in market conditions since the onset of COVID-19 and I have concluded to a -5% market conditions adjustment.

The analyses, opinions and conclusions communicated within this appraisal report were developed based upon the requirements and guidelines of the current Uniform Standards of Professional Appraisal Practice (USPAP), the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute.

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

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

EXTRAORDINARY ASSUMPTIONS

No Extraordinary Assumptions were made for this assignment.

HYPOTHETICAL CONDITIONS

The following Hypothetical Condition was made for this assignment.

- At the request of the client, we have made the hypothetical condition that the subject has been assigned its own assessor parcel number and is zoned C2B, consistent with the parcel adjacent to the south.

RELIANCE LANGUAGE

The Appraisal is for the sole use of the Client; however, Client may provide only complete, final copies of the Appraisal report in its entirety (but not component parts) to third parties who shall review such reports in connection with loan underwriting or securitization efforts. Colliers International Valuation & Advisory Services is not required to explain or testify as to appraisal results other than to respond to the Client for routine and customary questions. Please note that our consent to allow the Appraisal prepared by Colliers International

Valuation & Advisory Services or portions of such Appraisal, to become part of or be referenced in any public offering, the granting of such consent will be at our sole and absolute discretion and, if given, will be on condition that Colliers International Valuation & Advisory Services will be provided with an Indemnification Agreement and/or Non-Reliance letter, in a form and content satisfactory to Colliers International Valuation & Advisory Services, by a party satisfactory to Colliers International Valuation & Advisory Services. Colliers International Valuation & Advisory Services does consent to your submission of the reports to rating agencies, loan participants or your auditors in its entirety (but not component parts) without the need to provide Colliers International Valuation & Advisory Services with an Indemnification Agreement and/or Non-Reliance letter.

Colliers International Valuation & Advisory Services hereby expressly grants to Client the right to copy the Appraisal and distribute it to other parties in the transaction for which the Appraisal has been prepared, including employees of Client, other lenders in the transaction, and the borrower, if any.

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

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

Sincerely,

**COLLIERS INTERNATIONAL
VALUATION & ADVISORY SERVICES**



David A. Williams, MAI
Valuation Services Director
Certified General Real Estate Appraiser
State of California License #AG035639
+1 213 417 3319
dave.a.williams@colliers.com

LETTER OF TRANSMITTAL

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CERTIFICATION**ASSUMPTIONS & LIMITING CONDITIONS****ADDENDA**

- Plat & Legal Description
- Valuation Glossary
- Qualifications of Appraisers
- Qualifications of Colliers International Valuation & Advisory Services

GENERAL INFORMATION

Property Name	Road to be Vacated
Property Type	Land - Multi-Family Land
Address	1305 Willow Road
City	Menlo Park
State	California
Zip Code	94025
County	San Mateo
Core Based Statistical Area (CBSA)	San Francisco-Oakland-Hayward, CA
Market	Bay Area
Submarket	South San Mateo County
Latitude	37.476579
Longitude	-122.153157
Number Of Parcels	1
Assessor Parcel	APN based on hypothetical parcel encompassing the part to be valued

SITE INFORMATION

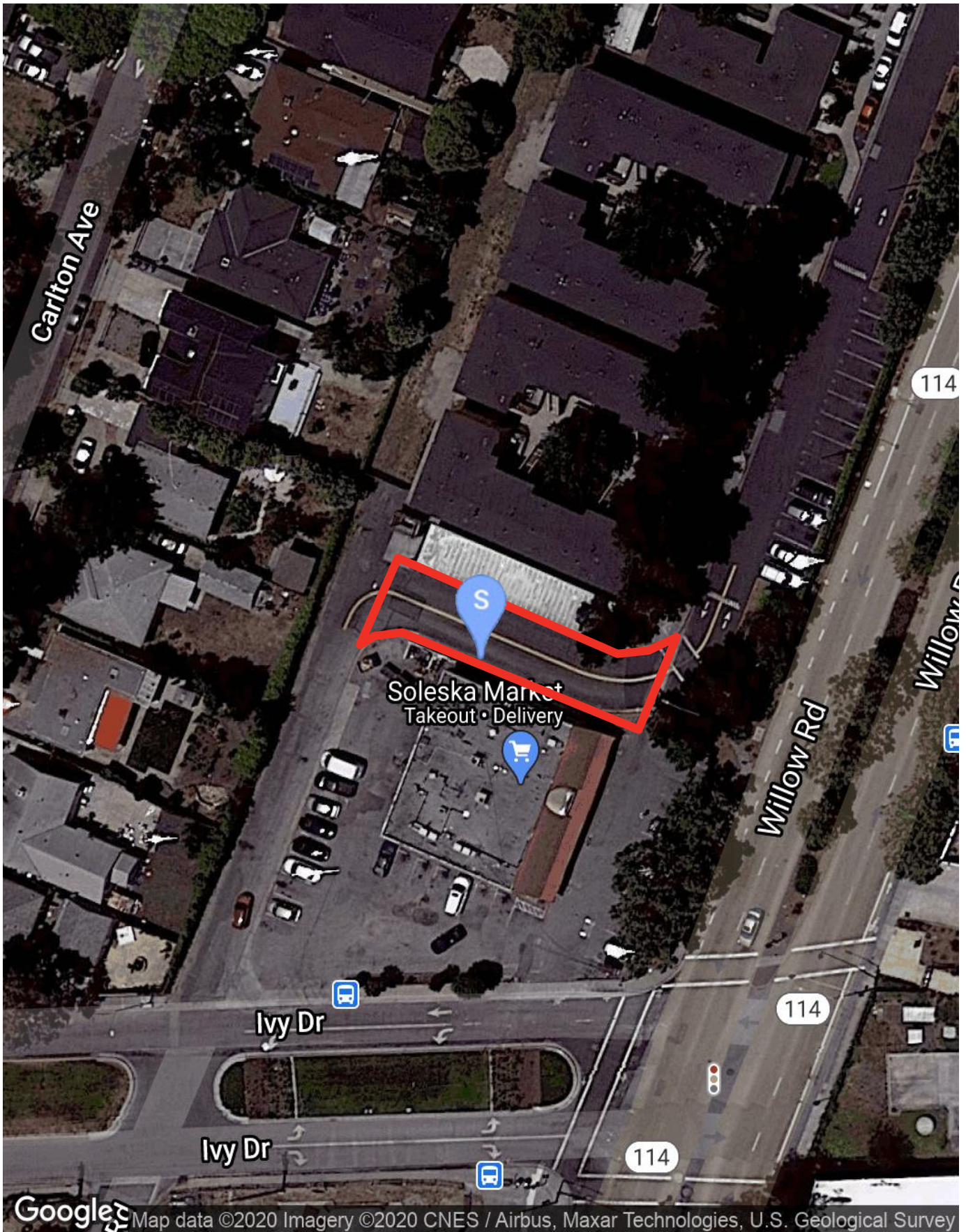
Land Area	Acres	Square Feet
Usable	0.09	3,870
Unusable	0.00	0
Excess	0.00	0
Surplus	0.00	0
Total	0.09	3,870
Topography	Level at street grade	
Shape	Irregular	
Access	Average	
Exposure	Average	
Current Zoning	Neighborhood Mixed-Use District - Restrictive (C2B)	
Flood Zone	Zone AE	
Seismic Zone	Highest Risk	

VALUATION SUMMARY

VALUATION INDICES	AS-IS MARKET VALUE
INTEREST APPRAISED	FEE SIMPLE
DATE OF VALUE	DECEMBER 10, 2020

FINAL VALUE CONCLUSION

FINAL VALUE	\$390,000
\$/SF	\$100/SF



The identification of the subject above is for illustration purposes only.



EASTERLY VIEW OF SUBJECT (FROM ± THE DOUBLE YELLOW LINES EXTENDING RIGHT)



WESTERLY VIEW OF SUBJECT (FROM ± THE DOUBLE YELLOW LINES EXTENDING LEFT)



ADJACENT PROPERTY TO THE NORTH (MULTIFAMILY DEVELOPMENT)



ADJACENT PROPERTY TO THE SOUTH (CONVENIENCE STORE MARKET)



NORTHBOUND VIEW OF ALLEY (CONVENIENCE STORE MARKET AT RIGHT) – GOOGLE IMAGE

PROPERTY IDENTIFICATION

The subject property is a portion of city-owned thoroughfare, a **3,870** (0.09-acre) site at Willow Road in Menlo Park, California. Specifically, it is a portion of Frontage Road that extends east from Willow Road, adjacent to a convenience store market. The City intends to offer portions of it for sale to the adjacent property owners for assemblage purposes.

In our analysis, we use the Across the Fence (ATF) methodology and value the subject based upon the hypothetical condition that it can be assigned an assessor parcel number and conform to surrounding zoning (mixed use development). The ATF methodology directs us to appraise the adjacent development and apply the \$/SF value conclusion from that parcel to arrive at an As-Is Market Value for the subject. This technique is typically used in corridor valuations, such as streets and rail lines. It is particularly appropriate for this assignment as the subject has insufficient size and shape for stand-alone development, effectively making it a small a remnant parcel. Remnant parcel pricing is subjective and typically at a deep discount, 40% to 90%, making comparables largely irrelevant where they are even available at all.

The COVID-19 virus (aka coronavirus) is a serious illness and pandemic that has affected the world and more specifically the United States. The effects thus far include volatility in the stock and capital markets. The impact to demand and ultimately values for real estate is also developing, although there is a wide range of viewpoints with very little consensus on the potential impact. The range of views from market participants suggests the risk premium is widening and we should analyze implications to both near-term and longer-term valuation assumptions. Real estate as an investment type historically takes a longer period of time to be impacted in comparison to alternative investment types, such as stocks and bonds.

The velocity of residential and mixed-use land sale volume transactions has been low over the past the past nine months, which is likely a result of the coronavirus pandemic, creating minimal buyer demand for real property. With continued uncertainty over the economic fallout and the pandemic's protracted timeline, the market assumes a slight decrease in market conditions since the onset of COVID-19 and I have concluded to a -5% market conditions adjustment.

The legal description of the subject property is presented in the Addenda.

CLIENT IDENTIFICATION

The client of this specific assignment is City of Menlo Park.

PURPOSE

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

INTENDED USE

The report to be provided under this Agreement is intended only to be used to establish the market value of the property. It is intended only for internal decision-making.

INTENDED USERS

City of Menlo Park is the only intended user of this report. Use of this report by third parties and other unintended users is not permitted. report must be used in its entirety. Reliance on any portion of the report independent of others, may lead the reader to erroneous conclusions regarding the property values. Unless approval is provided by the authors no portion of the report stands alone.

ASSIGNMENT DATES

Date of Report	March 10, 2021
Date of Inspection	December 10, 2020
Valuation Date - As-Is	December 10, 2020

PERSONAL INTANGIBLE PROPERTY

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

PROPERTY AND SALES HISTORY

Current Owner

The subject property is a portion of city-owned thoroughfare, therefore, the current owner is the City of Menlo Park Redevelopment Agency.

Three-Year Sales History

The subject property is a portion of a publicly-owned thoroughfare; therefore, there is no sales history.

Subject Sale Status

The subject is portion of Frontage Rd. and has not been marketed for sale. However, the City of Menlo Park intends to sell it to the adjacent property owner at 1305 Willow Rd.

DEFINITIONS

This section summarizes the definitions of value, property rights appraised, and value scenarios that are applicable for this appraisal assignment. All other applicable definitions for this assignment are located in the Valuation Glossary section of the Addenda.

DEFINITIONS OF VALUE

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

PROPERTY RIGHTS APPRAISED

The property rights appraised constitute the fee simple interest.

VALUE SCENARIOS

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

INTRODUCTION

The appraisal development and reporting processes requires gathering and analyzing information about those assignment elements necessary to properly identify the appraisal problem to be solved. The scope of work decision must include the research and analyses that are necessary to develop credible assignment results given the intended use of the appraisal. Sufficient information includes disclosure of research and analyses performed and might also include disclosure of research and analyses not performed. The scope of work for this appraisal assignment is outlined below:

- The appraisers analyzed the regional and local area economic profiles including employment, population, household income, and real estate trends. The local area was further studied to assess the general quality and condition, and emerging development trends for the real estate market. The immediate market area was inspected and examined to consider external influences on the subject.
- The appraisers confirmed and analyzed legal and physical features of the subject property including sizes of the site, flood plain data, seismic zone, zoning, easements and encumbrances, access and exposure of the site.
- The appraisers completed a land market analysis that included market and sub-market overviews. The Bay Area market and South San Mateo County sub-market overviews analyzed supply/demand conditions using vacancy, absorption, supply change and rent change statistics. Conclusions were drawn regarding the subject property's competitive position given its physical and locational characteristics, the prevailing economic conditions and external influences.
- The appraisers conducted Highest and Best Use analysis and conclusions were drawn for the highest and best use of the subject property As-Vacant. The analysis considered legal, locational, physical and financial feasibility characteristics of the subject site.
- The appraisers confirmed and analyzed financial features of the subject property including potential entitlement issues, and tax and assessment records. This information as well as trends established by confirmed market indicators was used to forecast performance of the subject property.
- Selection of the valuation methods was based on the identifications required in USPAP relating to the intended use, intended users, definition and date of value, relevant property characteristics and assignment conditions. This appraisal developed the Sales Comparison Approach to value, which was adjusted and reconciled as appropriate. The appraisal develops an opinion of the As-Is Market Value of the subject property's fee simple interest.
- Reporting of this appraisal is in an Appraisal Report format as required in USPAP Standard 2. The appraiser's analysis and conclusions are summarized within this document.
- We understand the Competency Rule of USPAP and the authors of this report meet the standards.
- No one provided significant real property appraisal assistance to the appraiser signing the certification.

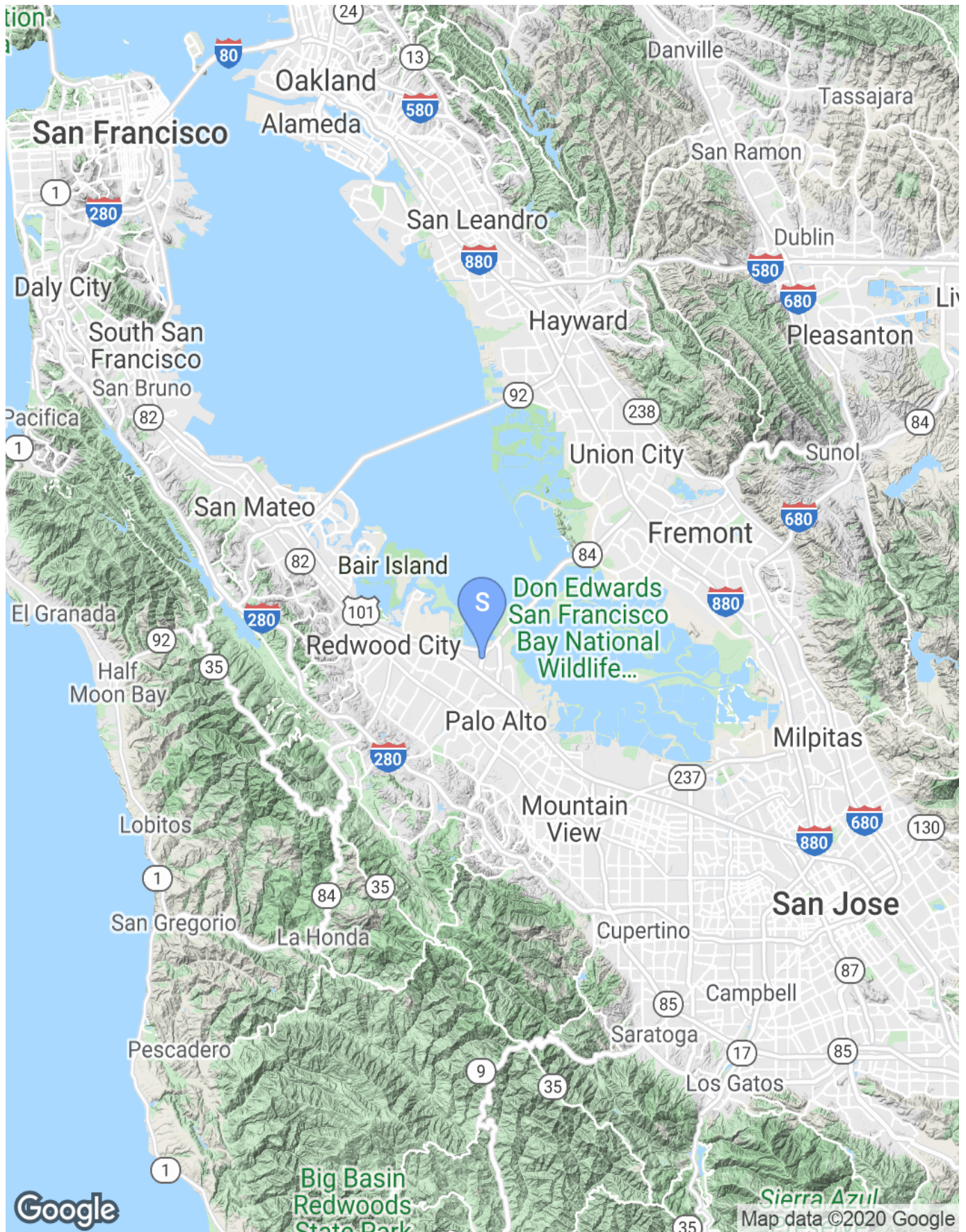
SOURCES OF INFORMATION

The following sources were contacted to obtain relevant information:

SOURCES OF INFORMATION	
ITEM	SOURCE
Tax Information	San Mateo County Tax Assessor
Zoning Information	City of Menlo Park Zoning Code
Site Size Information	San Mateo County Tax Assessor
Flood Map	InterFlood
Demographics	Pitney Bowes/Gadberry Group - GroundView®
Comparable Information	See Comparable Datasheets for details
Legal Description	Client

SUBJECT PROPERTY INSPECTION

SUBJECT PROPERTY INSPECTION			
APPRAISER	INSPECTED	EXTENT	DATE OF INSPECTION
David A. Williams, MAI	No	-	-
Alex Khasin, MAI	Yes	Site Only	December 10, 2020

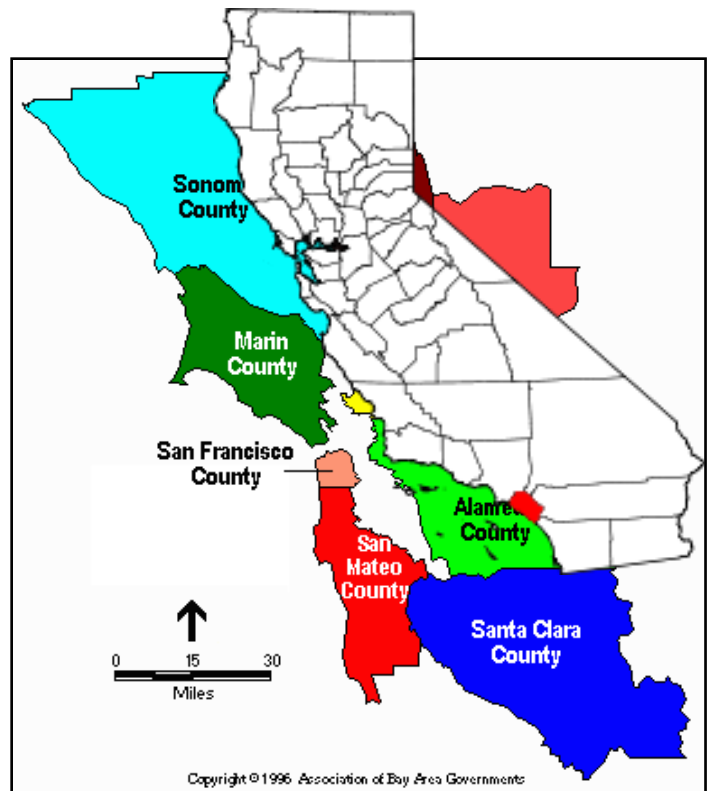


INTRODUCTION

The subject property is located in the City of Menlo Park, within San Mateo County. San Mateo County is located in the San Francisco-Oakland-Hayward CA Metropolitan Statistical Area (MSA). The San Francisco MSA is comprised of San Francisco, Alameda, Contra Costa, Marin, and San Mateo Counties. The MSA is bordered by five neighboring counties as well as the Pacific Ocean. This area encompasses more than 1,015 square miles of land area and miles of scenic coastline.

While San Francisco covers a relatively small land area of approximately 45 square miles, it is the geographic center of the nine-county Bay Area and the fourth largest metropolitan area in the United States. San Francisco is characterized by a moderate climate, vibrant economy and one of the highest standards of living in the United States.

San Francisco is the historical center of the region and the phenomenal growth over the past three decades has led to the emergence of several distinct geographic and economic sub-regions. The area north of San Francisco (Marin, Napa and Sonoma counties) is noted for its rural charm and numerous wineries, many of which have become world-renowned. San Mateo County lies south of San Francisco between San Francisco Bay and the Pacific Ocean. The eastern portion, bordering the Bay, is highly developed, but rugged mountains reaching westward to the ocean characterize central San Mateo County. Santa Clara County, located at the southern end of the Bay, has emerged as a dominant force within the Greater Bay Area and is known internationally as “Silicon Valley” due to its high concentration of semiconductor manufacturers and other high-technology employers. Alameda and Contra Costa Counties form the standard metropolitan statistical area which comprises the East Bay Area. The East Bay region known as the “Tri-Valley” area has become a technology hub and an area of major job growth. Northern Alameda County and Solano County comprise the Sacramento River Delta communities. While much of the area is agricultural, many communities are experiencing rapid expansion due to lower housing costs compared with more established areas closer to the population.



DEMOGRAPHIC ANALYSIS

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

in the sense that the reliability of the forecast is subject to modeling and definitional assumptions and procedures.

Population

According to Pitney Bowes/Gadberry Group - GroundView®, a Geographic Information System (GIS) Company, the San Francisco-Oakland-Berkeley metropolitan area had a 2019 total population of 4,781,196 and experienced an annual growth rate of 1.1%, which was higher than the California annual growth rate of 0.8%. The metropolitan area accounted for 12.0% of the total California population (39,848,262). Within the metropolitan area the population density was 1,888 people per square mile compared to the lower California population density of 252 people per square mile and the lower United States population density of 92 people per square mile.

POPULATION			
YEAR	US	CA	CBSA
2010 Total Population	308,745,538	37,253,956	4,335,391
2019 Total Population	329,429,186	39,848,262	4,781,196
2024 Total Population	340,686,154	41,296,385	5,037,852
2010 - 2019 CAGR	0.7%	0.8%	1.1%
2019 - 2024 CAGR	0.7%	0.7%	1.1%

Source: Pitney Bowes/Gadberry Group - GroundView®

POPULATION DENSITY			
YEAR	US	CA	CBSA
2019 Per Square Mile	92	252	1,888
2024 Per Square Mile	95	261	1,990

Source: Pitney Bowes/Gadberry Group - GroundView®

The 2019 median age for the metropolitan area was 39.07, which was 2.11% older than the United States median age of 38.25 for 2019. The median age in the metropolitan area is anticipated to grow by 0.32% annually, increasing the median age to 39.71 by 2024.

MEDIAN AGE			
YEAR	US	CA	CBSA
2019	38.25	36.83	39.07
2024	38.90	37.38	39.71
CAGR	0.34%	0.30%	0.32%

Source: Pitney Bowes/Gadberry Group - GroundView®

Education

The San Francisco Bay Area is home to one of the best educated workforces in the world. Of all major cities, San Francisco has the second-highest percentage of residents with a college degree, behind only Seattle. More than two-thirds of Bay Area residents have training beyond high school and above 43% have attained a four-year college degree or higher. In addition, 20% of City residents hold graduate degrees, topping the rankings of major cities in the United States. USA Today reported that Rob Pitingolo, a researcher who measured college graduates per square mile, found that San Francisco had the highest rate at 7,031 per square mile, or over 344,000 total graduates in the city's 46.7 square miles. More than 60 colleges and universities comprise the Bay Area's world-class educational and research facilities.

The National Research Council (NRC) rates the University of California, Berkeley (UC Berkeley) and Stanford University as two of the top-ranked graduate schools in the country. NRC also ranks programs in the biological and biomedical sciences at the University of California San Francisco (UCSF) among the nation's best. UC scientists have founded one in three biotechnology companies in California; with California serving as the home to two of the world's three largest Biotech Corporations (Amgen and Gilead Sciences).

Household Trends

The 2019 number of households in the metropolitan area was 1,693,639. The number of households in the metropolitan area is projected to grow by 0.4% annually, increasing the number of households to 1,730,806 by 2024. The 2019 average household size for the metropolitan area was 2.77, which was 6.71% larger than the United States average household size of 2.6 for 2019. The average household size in the metropolitan area is anticipated to grow by 0.64% annually, raising the average household size to 2.86 by 2024.

NUMBER OF HOUSEHOLDS			
YEAR	US	CA	CBSA
2019	123,740,541	13,087,024	1,693,639
2024	127,610,429	13,379,135	1,730,806
CAGR	0.6%	0.4%	0.4%

Source: Pitney Bowes/Gadberry Group - GroundView®

AVERAGE HOUSEHOLD SIZE			
YEAR	US	CA	CBSA
2019	2.60	2.98	2.77
2024	2.61	3.02	2.86
CAGR	0.07%	0.29%	0.64%

Source: Pitney Bowes/Gadberry Group - GroundView®

The San Francisco-Oakland-Berkeley metropolitan area had 45.49% renter occupied units, compared to the lower 44.08% in California and the lower 34.87% in the United States.

HOUSING UNITS			
	US	CA	CBSA
Owner Occupied	65.13%	55.92%	54.51%
Renter Occupied	34.87%	44.08%	45.49%

Source: Pitney Bowes/Gadberry Group - GroundView®

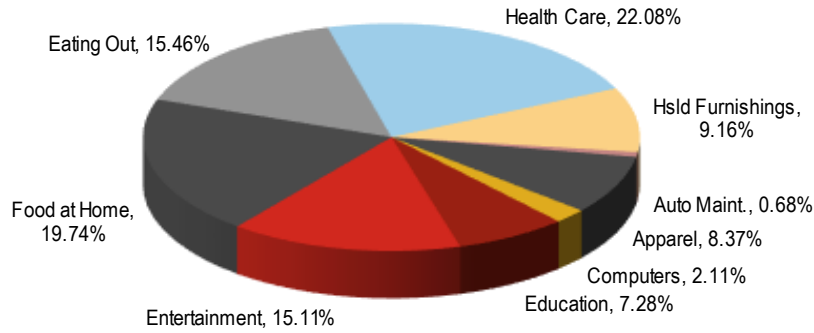
The 2019 median household income for the metropolitan area was \$97,950, which was 60.8% higher than the United States median household income of \$60,918. The median household income for the metropolitan area is projected to grow by 3.8% annually, increasing the median household income to \$117,790 by 2024.

As is often the case when the median household income levels are higher than the national average, the cost of living index is also higher. According to the American Chamber of Commerce Researchers Association (ACCRA) Cost of Living Index, the San Francisco-Oakland-Hayward, CA MSA's cost of living is 193.8 compared to the national average score of 100. The ACCRA Cost of Living Index compares groceries, housing, utilities, transportation, health care and miscellaneous goods and services for over 300 urban areas.

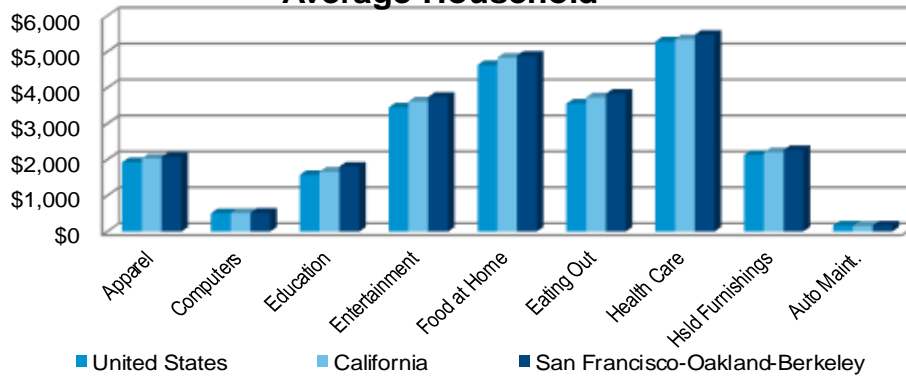
MEDIAN HOUSEHOLD INCOME			
YEAR	US	CA	CBSA
2019	\$60,918	\$71,343	\$97,950
2024	\$73,705	\$86,357	\$117,790
CAGR	3.9%	3.9%	3.8%

Source: Pitney Bowes/Gadberry Group - GroundView®

Consumer Spending San Francisco-Oakland-Berkeley



Consumer Spending Comparison Average Household



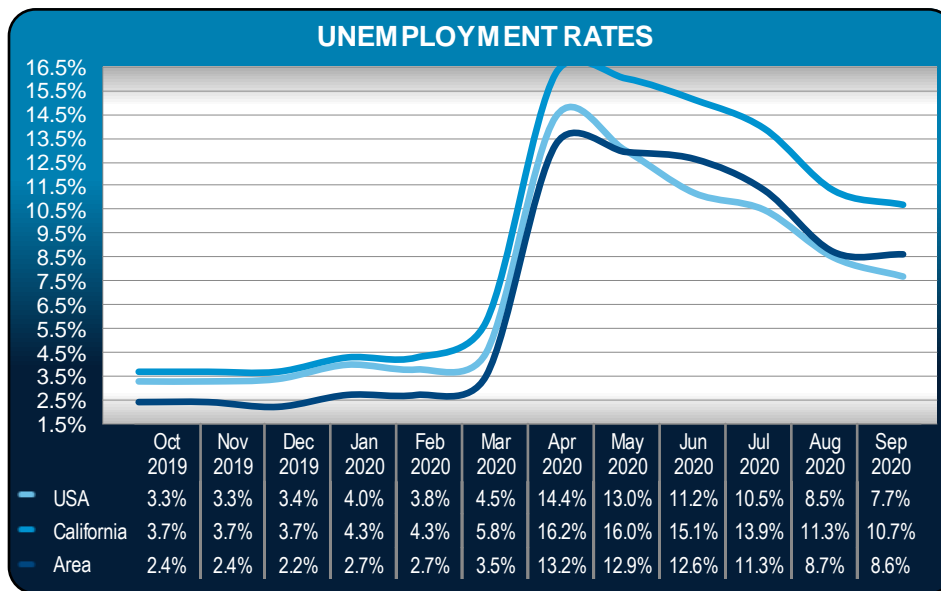
EMPLOYMENT

Total employment has increased annually over the past decade in the state of California by 1.6% and increased annually by 2.1% in the area. From 2018 to 2019 unemployment decreased in California by 0.3% and decreased by 0.2% in the area. In the state of California unemployment has decreased over the previous month by 0.6% and decreased by 0.1% in the area.

EMPLOYMENT & UNEMPLOYMENT STATISTICS 2010 - 2019

Year	TOTAL EMPLOYMENT				UNEMPLOYMENT RATE		
	California		San Francisco-Oakland-Hayward, CA Metropolitan Statistical Area		United States*	California	San Francisco-Oakland-Hayward, CA Metropolitan Statistical Area
	Total	% Δ Yr Ago	Total	% Δ Yr Ago			
2010	16,091,945	(0.6%)	2,090,453	2.4%	9.6%	12.2%	9.9%
2011	16,258,133	1.0%	2,131,880	2.0%	8.9%	11.7%	9.1%
2012	16,602,672	2.1%	2,205,839	3.5%	8.1%	10.4%	7.8%
2013	16,958,403	2.1%	2,257,853	2.4%	7.4%	8.9%	6.5%
2014	17,310,937	2.1%	2,314,754	2.5%	6.2%	7.5%	5.2%
2015	17,660,651	2.0%	2,372,189	2.5%	5.3%	6.2%	4.3%
2016	17,980,080	1.8%	2,424,730	2.2%	4.9%	5.5%	3.8%
2017	18,257,103	1.5%	2,462,061	1.5%	4.4%	4.8%	3.3%
2018	18,460,725	1.1%	2,490,787	1.2%	3.9%	4.3%	2.8%
2019	18,627,378	0.9%	2,522,015	1.3%	3.7%	4.0%	2.6%
CAGR	1.6%	-	2.1%	-	-	-	-

Source: U.S. Bureau of Labor Statistics *Unadjusted Non-Seasonal Rate



As seen, the COVID-19 pandemic has had a substantial impact on employment figures throughout the region, state and USA, mainly through the elimination of service jobs. Nevertheless, as shelter-in-place restrictions have eased, the unemployment rates for each area have been gradually decreasing.

TOP EMPLOYERS		
EMPLOYER NAME	EMPLOYEES	INDUSTRY
Kaiser Permanente	46,044	Healthcare
Sutter Health	25,435	Healthcare
Stanford University	14,727	Research University
Safeway Northern CA Division	14,274	Grocer
Wells Fargo & Co.	14,119	Financial Services
Facebook Inc.	14,000	Social Networking Website
United Airlines	13,000	Airline Carrier
Genentech	11,000	Biotechnology Company
Tesla Inc.	10,000	Electric Vehicle Manufacturer
PG&E Corp.	9,680	Utilities
Oracle Corp.	8,161	Cloud Applications
Salesforce	7,000	CRM
UPS	6,700	Trucking, Shipping, Logistics, Freight
Amazon	6,600	Ecommerce and Cloud Computing
John Muir Health	6,484	Healthcare
Stanford Health Care	6,250	Healthcare
Allied Universal	5,890	Security Systems
Starbucks Coffee Co.	5,692	Coffee
Uber Technologies Inc.	5,500	Ride-Sharing
Chevron Corp.	5,261	Energy, Chemicals, and Petroleum

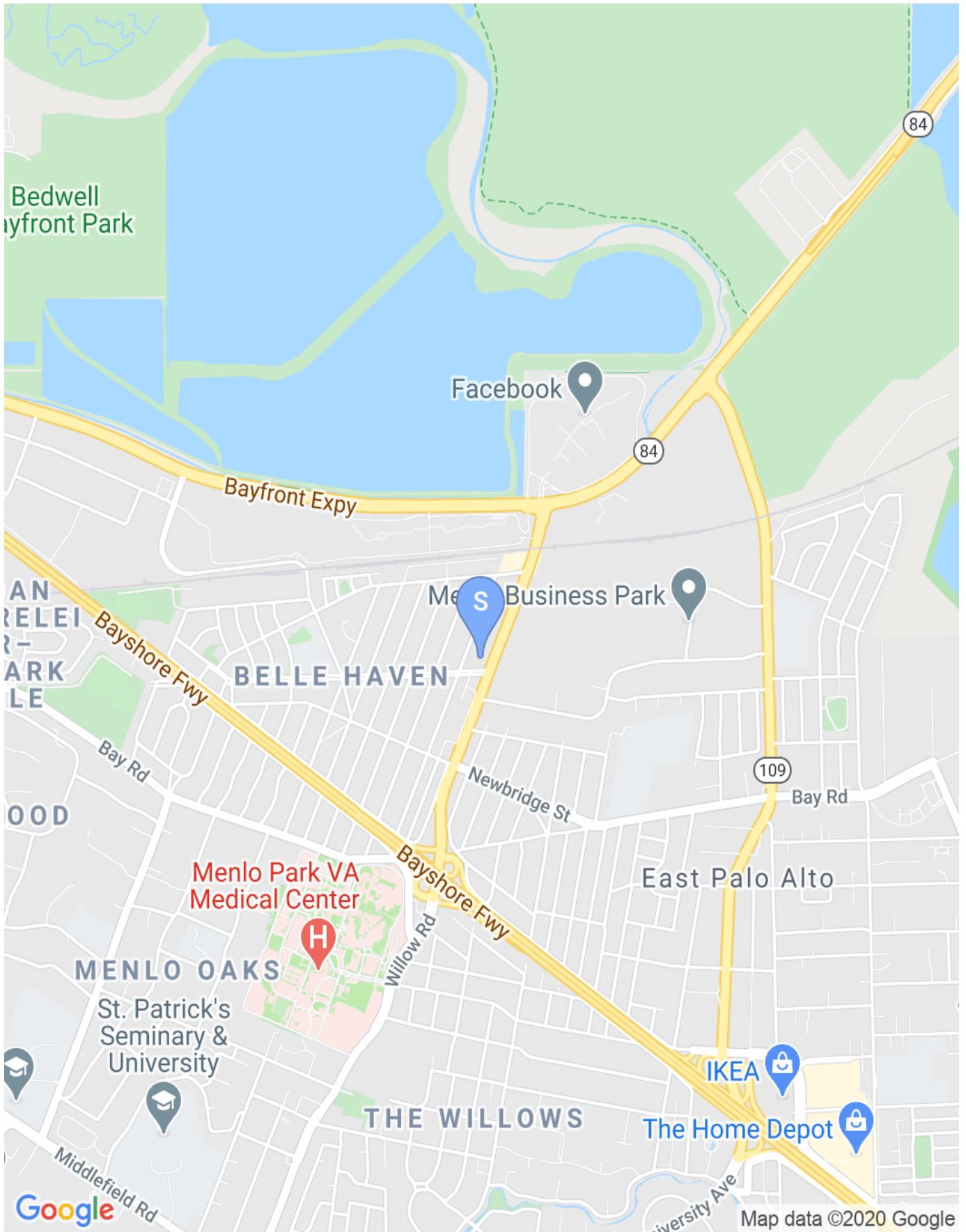
Source: San Francisco Business Times - 2019 Book of Lists

The preceding chart depicts the top employers in Northern California Bay Area. Principal employers are spread throughout diverse sectors, including mining/oil/gas extraction, professional/scientific/technical services, and education. Kaiser Permanente, a Healthcare corporation headquartered in Oakland is the largest employer in the Bay Area with 46,000 employees. The second largest employer is Sutter Health, a Healthcare company headquartered in Sacramento. The third largest employer is Stanford University located in Palo Alto with an endowment of \$22.0 billion, and an annual enrollment of approximately 7,000 students.

SUMMARY

In summary, the San Francisco-Oakland-Hayward, CA MSA has historically benefited from the synergy of Silicon Valley. The Silicon Valley region is a worldwide technology center and regional employment center. Desirable physical features and well-diversified economy contribute to attracting both businesses and residents. Traffic will be a continuing problem in the area; however, there are a few projects approved and underway, which are expected to help alleviate some congestion. Industry in the area is increasingly diversified. The San Francisco-Oakland-Hayward, CA MSA is a leader in technology and a regional employment center. Desirable physical features and a well-diversified economy continue to attract both businesses and residents.

Though COVID-19 has affected the region's employment – as with the rest of the country – the Bay Area's tech-based economy is considered to be resilient and is expected to return to more typical levels once the pandemic situation stabilizes.



INTRODUCTION

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

LOCAL AREA PROFILE

The subject property is located in Menlo Park, California, within San Mateo County. The city is bordered by San Francisco Bay to the north, Palo Alto to the east, Portola Valley to the south and Atherton/Redwood City to the west.

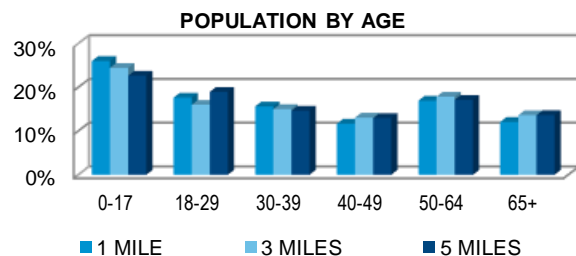
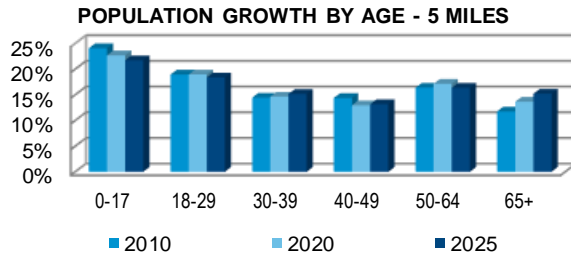
DEMOGRAPHIC PROFILE

Below is a demographic study of the area, sourced by *Pitney Bowes/Gadberry Group - GroundView®*, an on-line resource center that provides information used to analyze and compare the past, present, and future trends of properties and geographical areas.

A simple comparison of projections for a similar market area made under the constant and current dollar methodologies can and likely will produce data points that vary, in some cases, widely. Further, all forecasts, regardless of demographer methodology(ies), are subjective in the sense that the reliability of the forecast is subject to modeling and definitional assumptions and procedures.

LOCAL AREA DEMOGRAPHICS							
DESCRIPTION	1 MILE	3 MILES	5 MILES	DESCRIPTION	1 MILE	3 MILES	5 MILES
POPULATION				AVERAGE HOUSEHOLD INCOME			
2000 Population	23,557	95,604	211,249	2020	\$119,111	\$164,663	\$165,767
2010 Population	22,815	96,210	216,930	2025	\$132,741	\$182,993	\$185,518
2020 Population	24,231	104,599	236,960	Change 2020-2025	11.44%	11.13%	11.91%
2025 Population	25,084	108,459	246,382	MEDIAN HOUSEHOLD INCOME			
Change 2000-2010	(3.15%)	0.63%	2.69%	2020	\$75,024	\$117,281	\$117,679
Change 2010-2020	6.21%	8.72%	9.23%	2025	\$90,120	\$139,848	\$142,223
Change 2020-2025	3.52%	3.69%	3.98%	Change 2020-2025	20.12%	19.24%	20.86%
POPULATION 65+				PER CAPITA INCOME			
2010 Population	1,686	10,979	25,482	2020	\$28,873	\$53,712	\$57,942
2020 Population	2,927	14,254	32,318	2025	\$31,700	\$58,515	\$63,771
2025 Population	3,402	16,520	37,470	Change 2020-2025	9.79%	8.94%	10.06%
Change 2010-2020	73.61%	29.83%	26.83%	2020 HOUSEHOLDS BY INCOME			
Change 2020-2025	16.23%	15.90%	15.94%	<\$15,000	9.7%	7.6%	7.2%
NUMBER OF HOUSEHOLDS				\$15,000-\$24,999	5.2%	4.1%	4.6%
2000 Households	5,473	32,379	74,302	\$25,000-\$34,999	6.1%	4.9%	4.9%
2010 Households	5,456	32,338	75,795	\$35,000-\$49,999	9.4%	6.9%	6.9%
2020 Households	5,702	33,485	79,394	\$50,000-\$74,999	19.6%	12.2%	11.5%
2025 Households	5,817	34,056	81,299	\$75,000-\$99,999	8.8%	7.8%	8.8%
Change 2000-2010	(0.31%)	(0.13%)	2.01%	\$100,000-\$149,999	16.6%	15.6%	14.7%
Change 2010-2020	4.51%	3.55%	4.75%	\$150,000-\$199,999	8.7%	10.2%	10.3%
Change 2020-2025	2.02%	1.71%	2.40%	\$200,000 or greater	16.0%	30.7%	31.1%
HOUSING UNITS (2020)				MEDIAN HOME VALUE			
Owner Occupied	3,114	17,473	38,989	\$865,185	\$1,562,599	\$1,626,102	
Renter Occupied	2,578	16,137	40,400	AVERAGE HOME VALUE			
HOUSING UNITS BY YEAR BUILT				\$1,157,965 \$1,785,221 \$1,822,091			
Built 2010 or later	103	1,115	3,860	HOUSING UNITS BY UNITS IN STRUCTURE			
Built 2000 to 2009	413	2,872	6,427	1, detached	4,303	19,714	41,613
Built 1990 to 1999	102	2,077	5,261	1, attached	116	1,663	4,982
Built 1980 to 1989	268	2,265	6,740	2	136	814	1,851
Built 1970 to 1979	487	3,570	8,962	3 or 4	149	1,711	3,644
Built 1960 to 1969	635	4,331	11,343	5 to 9	250	2,595	5,939
Built 1950 to 1959	2,270	8,639	20,533	10 to 19	172	1,872	5,426
Built 1940 to 1949	1,077	4,544	8,851	20 to 49	313	2,124	5,644
Built 1939 or earlier	348	4,071	7,415	50 or more	222	2,130	8,792
				Mobile home	0	861	1,350
				Boat, RV, van, etc.	32	124	147

Source: Pitney Bowes/Gadberry Group - GroundView®



Transportation Routes

Major traffic arteries are shown in the chart below:

MAJOR ROADWAYS & THOROUGHFARES			
HIGHWAY	DIRECTION	FUNCTION	DISTANCE FROM SUBJECT
US 101	east-west	Local Highway	This is within a mile of the subject property.
SURFACE STREETS	DIRECTION	FUNCTION	DISTANCE FROM SUBJECT
Willow Rd.	north-south	Primary Arterial	The subject property fronts this street.
Ivy Dr.	east-west	Primary Arterial	The subject property fronts this street.
Newbridge St.	east-west	Primary Arterial	This is within a quarter mile of the subject property.

Public Transportation is available along Willow Rd at Ivy Dr., adjacent to the subject.

Economic Factors

Much of Menlo Park's economy revolves around the companies on Sand Hill Road, consisting of venture capital, private equity, financial services, law firms, and other professional service companies and investment vehicles focusing on technology. Geron, Kattera, Robert Half International, Exponent, and SRI International are among the companies based in Menlo Park. Facebook moved its headquarters to the former campus of Sun Microsystems in Menlo Park in December 2011.

The following is a list of the city's largest employers, per the city's 2018 Comprehensive Annual Financial Report:

MAJOR EMPLOYERS	
COMPANY	NO. EMPLOYEES
Facebook	15,407
SRI International	1,418
Grail	350
E*Trade Financial Corporation	331
Intersect ENT	327
Pacific Biosciences	320
Safeway	300
SHR Hotel	292
City of Menlo Park	287
United Parcel Service	261

According to the city website, the following development projects are in process:

1. 133 Encinal Avenue

Hunter Properties has entitled a new 24-unit residential project on a former garden nursery site.

2. 506-556 Santa Cruz Ave./1125 Merrill St.

Approved redevelopment of three properties at the corner of Santa Cruz Avenue and Merrill Street with mixed-use buildings comprised of office, residential, and retail/restaurant uses.

3. 1020 Alma Street

New three-story office building on a site currently addressed 1010-1026 Alma Street

4. Facebook Campus Expansion

Proposed redevelopment of 300-309 Constitution Drive with two new office buildings and publicly-accessible open space.

5. Guild Theatre project

The Peninsula Arts Guild is proposing to renovate/expand the existing Guild Theatre into a performing arts facility.

6. Middle Plaza at 500 El Camino Real

Stanford University is proposing a new mixed-use residential/office/retail development on a multi-acre site currently addressed 300-550 El Camino Real.

7. Menlo Gateway

Access details about the Menlo Gateway project (Bohannon Hotel - Office).

8. Park James Hotel

Pollock Realty Corporation has developed a new 63-room boutique hotel

9. Station 1300

Redevelopment of a 6.4-acre site on El Camino Real and Oak Grove Avenue with approximately 220,000 square feet of commercial uses and 183 dwelling units.

Community Services

Community services and facilities are readily available in the surrounding area. These include public services such as fire stations, hospitals, police stations, and schools (all ages). The subject property is located in the **Ravenswood City School District**. GreatSchools.org is an on-line tool that rates every school on a scale of one to ten based on test scores. They also track parents rating of the school on a one to five scale. The following chart details the ratings of schools nearest to the subject.

SCHOOL DISTRICTS							
SCHOOL DISTRICT	NUMBER OF SCHOOLS						
	ELEMENTARY	MIDDLE	HIGH	PUBLIC	CHARTER	TOTAL	
Ravenswood City School District	3	3	1	2	5	7	

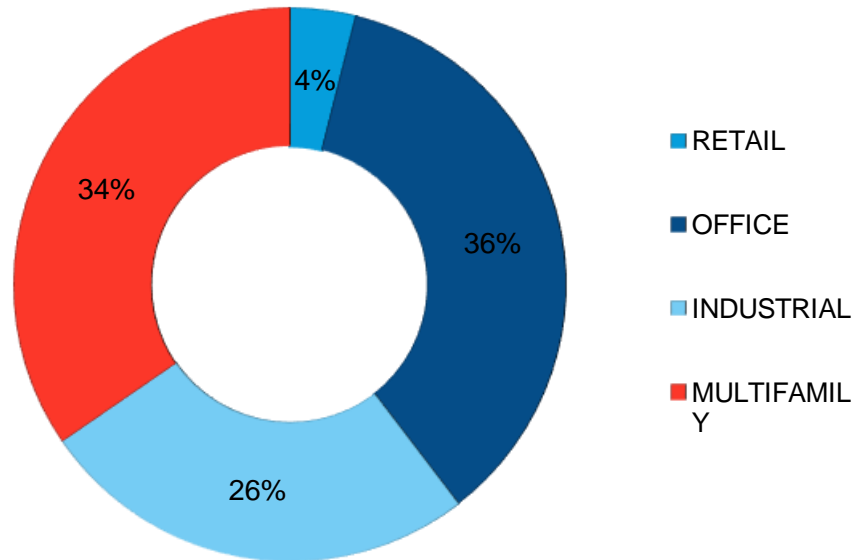
HIGH SCHOOLS							
HIGH SCHOOLS	GREATSCHOOLS RATING	PARENT RATING	SCHOOL TYPE	GRADES SERVED	DISTANCE FROM SBJ.	CITY LOCATION	TOTAL ENROLLMENT
Menlo-Atherton High School	8	4	public	9-12	1.59 miles	Atherton	2,498
Palo Alto High School	9	4	public	9-12	2.65 miles	Palo Alto	2,124
Palo Alto Adult Education	-	-	public	n/a	2.75 miles	Palo Alto	-
Sequoia District Adult Education	-	-	public	n/a	2.75 miles	Menlo Park	-
Packard Children's Hospital/Stanford	-	-	public	K-12	2.92 miles	Palo Alto	23
Sequoia High School	6	4	public	9-12	4.68 miles	Redwood City	2,067
Woodside High School	7	4	public	9-12	4.84 miles	Woodside	1,964
Redwood High School	-	5	public	9-12	5.18 miles	Redwood City	227
Henry M. Gunn High School	9	4	public	9-12	5.40 miles	Palo Alto	2,006
Los Altos High School	9	4	public	9-12	6.77 miles	Los Altos	2,227

Source: GreatSchools.org

Predominant Land Uses

Significant development in the immediate area consists of office, industrial and multifamily uses as shown in the following graph.

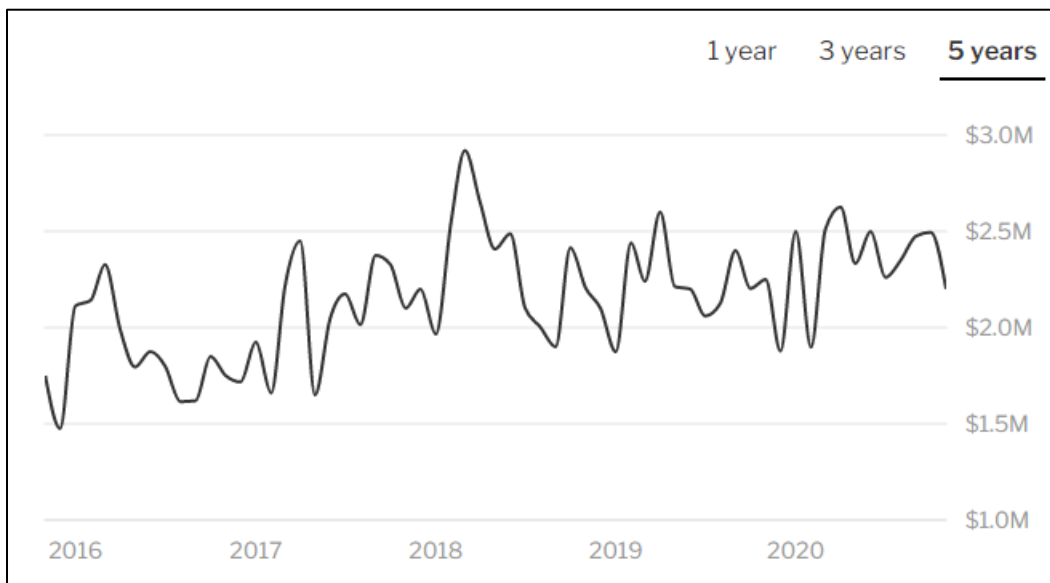
COMMERCIAL AREA COMPOSITION



©CoStar

Residential Development

Residential users in the immediate area are primarily single-family residential. The following data from Redfin shows price appreciation for single-family residences over the past five years:



The current median price for an SFR is \$2,200,000, down 2.2% year-over-year.

Multi-Family Development

The following chart shows a summary of multi-family data by type in the immediate area from CoStar.

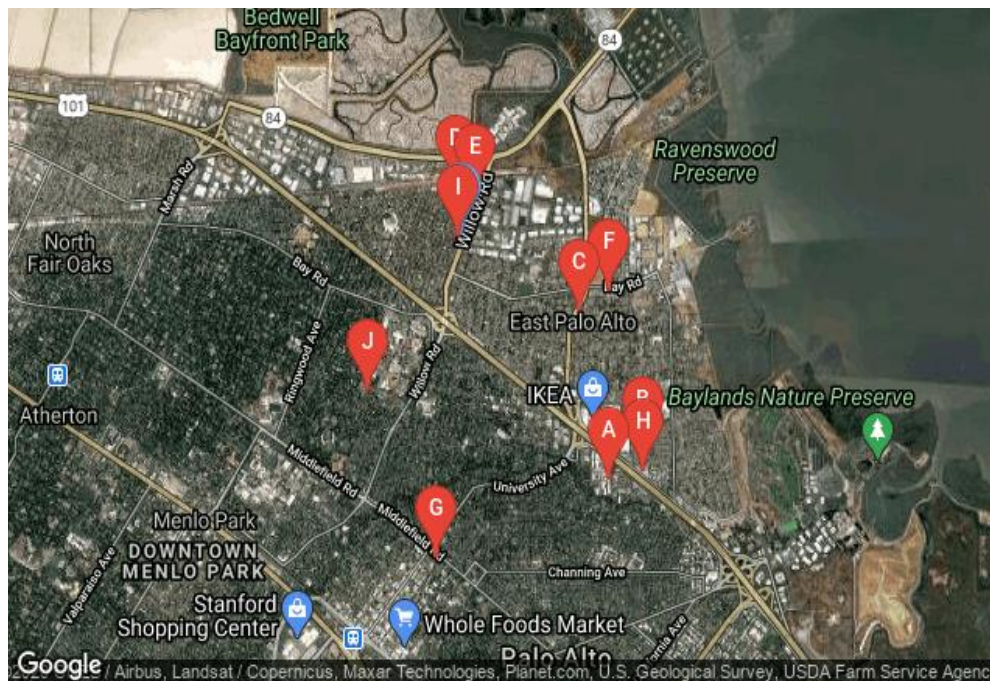
MULTIFAMILY SUMMARY			
CLASS	PROPERTIES	NRA (SF)	AVG YR BLT
A	2	228,000	2017
B	17	916,361	1980
C	157	3,372,295	1956
TOTAL	176	4,516,656	1959

Source: CoStar

The largest three multi-family properties are at 45 Newell Road, 1969-1981 Tinsley Street and 2358 University Avenue with an NRA of 1,431,000 SF, 168,958 SF and 160,000 SF that were built in 1953, 2001 and 2017, respectively. The closest large multi-family property in proximity to the subject is at 1221 Willow Road with an NRA of 72,000 SF that was built in 2017. The majority of properties were constructed after 2000. The following chart and map show the subject property and its location relative to the 10 largest multi-family properties in the immediate area from CoStar.

LARGEST MULTIFAMILY PROPERTIES						
NAME	DISTANCE	MAP PIN	CLASS	NRA (SF)	STORIES	YEAR BUILT
Woodland Park Apartments	1.6 Miles	A	C	1,431,000	3	1953
Peninsula Park Apartments	1.6 Miles	B	B	168,958	3	2001
Serenity Senior	0.8 Miles	C	B	160,000	4	2017
777 Hamilton	0.3 Miles	D	A	156,000	3	2017
The Gateway Garden Apartments	0.2 Miles	E	C	150,704	2	1987
Courtyard at Bay Road	0.9 Miles	F	B	148,924	4	2006
The Hamilton	1.8 Miles	G	B	134,772	4	1997
Light Tree	1.7 Miles	H	C	73,049	3	1966
Sequoia Belle Haven	0.0 Miles	I	A	72,000	3	2017
Garden Oaks Apartments	1.0 Miles	J	C	69,375	2	1963

Source: CoStar



Retail Development

The following chart shows a summary of retail data by type in the immediate area from CoStar.

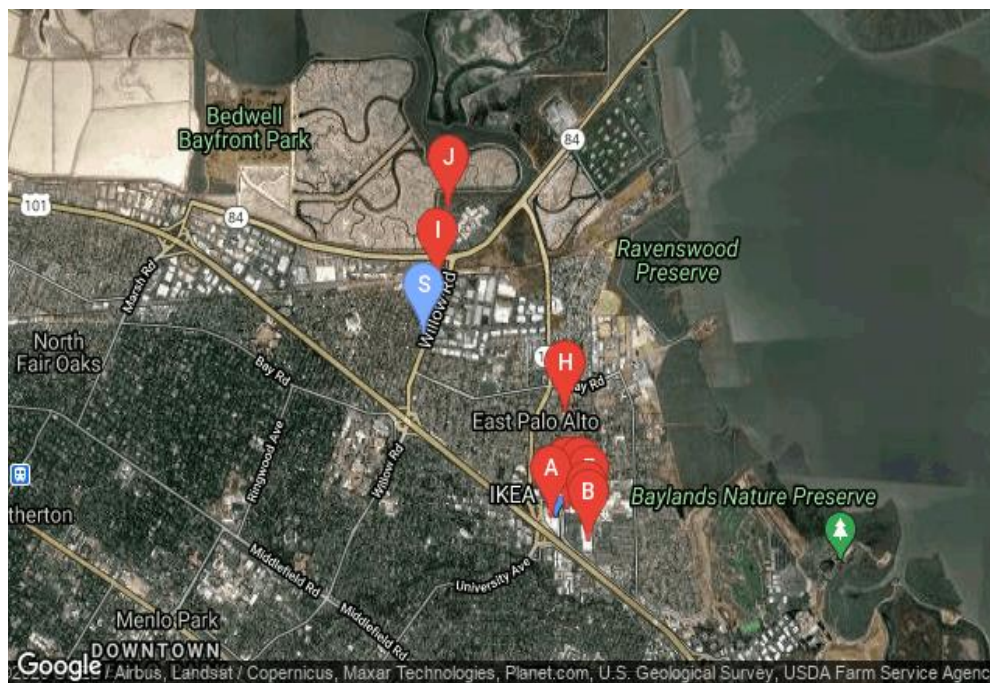
RETAIL SUMMARY					
TYPE	PROPERTIES	NRA (SF)	AVG YR BLT	OCCUPANCY	AVG RENT
General Retail	64	510,645	1972	98.3	-
TOTAL	64	510,645	1972	98.3	\$0.00

Source: CoStar

The largest three retail properties are at 1700 East Bayshore Road, 1781 East Bayshore Road and 1771-1775 East Bayshore Road with an NRA of 242,000 SF, 105,700 SF and 92,110 SF. The closest large retail property in proximity to the subject is at 871-883 Hamilton Avenue with an NRA of 11,840 SF. The majority of properties were constructed before 2000. The following chart and map show the subject property and its location relative to the 10 largest retail properties in the immediate area from CoStar.

LARGEST SHOPPING CENTERS							
NAME	DISTANCE	MAP PIN	TYPE	NRA (SF)	% LEASED	YEAR BUILT	AVG RENT
IKEA	1.3 Miles	A	General Retail	242,000	100.0	-	N/Av
Gateway 101 Shopping Center	1.5 Miles	B	Power Center	105,700	100.0	1999	N/Av
Gateway 101 Shopping Center	1.5 Miles	C	Power Center	92,110	100.0	2000	N/Av
Gateway 101 Shopping Center	1.3 Miles	D	Power Center	46,944	100.0	1999	N/Av
Gateway 101 Shopping Center	1.4 Miles	E	Power Center	30,978	100.0	1999	N/Av
Cummings Park	1.4 Miles	F	General Retail	29,876	87.7	2007	N/Av
Gateway 101 Shopping Center	1.3 Miles	G	Power Center	28,630	100.0	1999	N/Av
Retail Building	1.0 Miles	H	General Retail	24,579	100.0	-	N/Av
Belle Haven Retail Center	0.3 Miles	I	Strip Center	11,840	100.0	-	N/Av
Facebook @ Menlo Park	0.7 Miles	J	General Retail	11,799	100.0	1997	N/Av

Source: CoStar



Office Development

The following chart shows a summary of office data by class in the immediate area from CoStar.

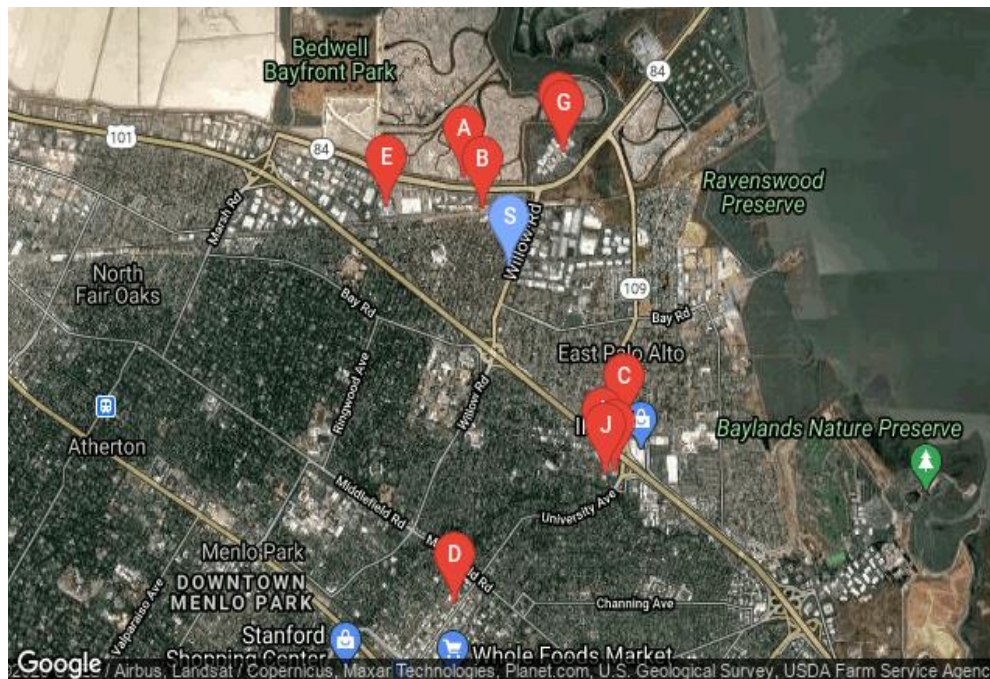
OFFICE SUMMARY					
CLASS	PROPERTIES	NRA (SF)	AVG YR BLT	OCCUPANCY	AVG RENT
A	8	2,005,738	2005	96.0	\$98.86
B	54	2,268,301	1977	90.3	\$80.56
C	56	383,560	1951	98.4	\$63.20
TOTAL	118	4,657,599	1966	94.5	\$73.56

Source: CoStar

The largest three office properties are at 300-309 Constitution Drive, 1 Facebook Way and 2100 University Avenue with an NRA of 512,900 SF, 435,000 SF and 214,052 SF that were built in 2018, 2015 and 2016, respectively. The closest large office property in proximity to the subject is at 1 Facebook Way. The majority of properties were constructed after 2000. The following chart and map show the subject property and its location relative to the 10 largest office properties in the immediate area from CoStar.

LARGEST OFFICE BUILDINGS							
NAME	DISTANCE	MAP PIN	CLASS	NRA (SF)	% LEASED	YEAR BUILT	AVG RENT
Facebook @ Menlo Park	0.6 Miles	A	A	512,900	100.0	2018	N/Av
Facebook @ Menlo Park	0.4 Miles	B	A	435,000	100.0	2015	N/Av
University Square	1.1 Miles	C	A	214,052	100.0	2016	N/Av
Palo Alto Office Center	1.9 Miles	D	A	211,786	98.4	1966	\$138.40
Facebook @ Menlo Park	0.8 Miles	E	A	180,000	100.0	2016	N/Av
Facebook @ Menlo Park	0.7 Miles	F	B	174,128	100.0	1995	N/Av
Facebook @ Menlo Park	0.7 Miles	G	B	174,128	100.0	1995	N/Av
University Circle	1.3 Miles	H	A	165,000	76.4	2002	\$93.00
University Circle	1.2 Miles	I	A	144,000	94.1	2002	\$71.05
University Circle	1.3 Miles	J	A	143,000	99.3	2001	\$93.00

Source: CoStar



Industrial Development

The following chart shows a summary of industrial data by type in the immediate area from CoStar.

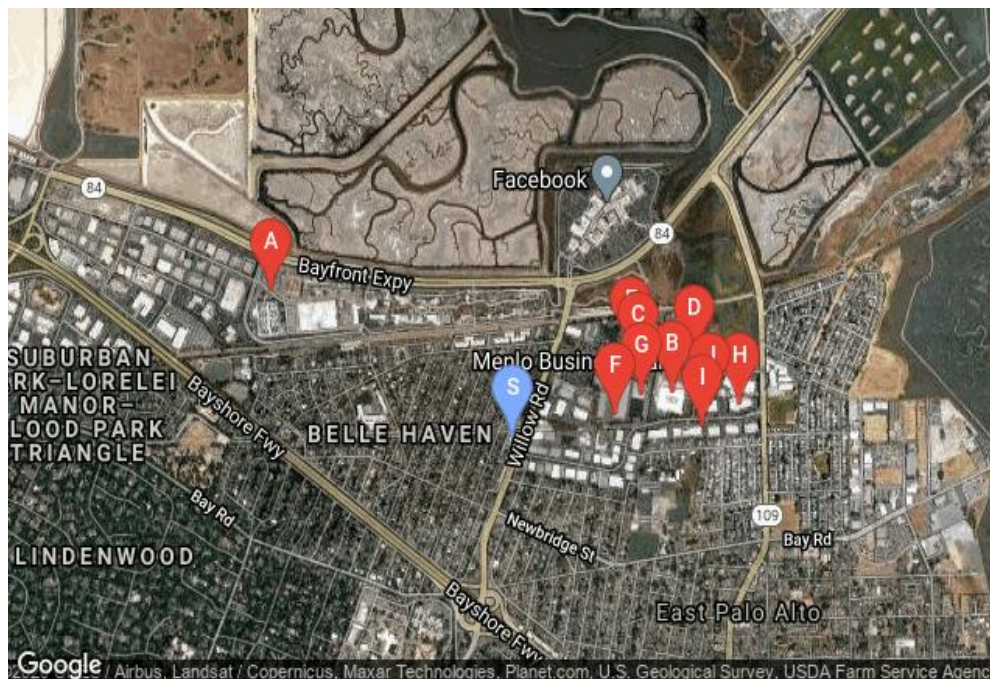
INDUSTRIAL SUMMARY					
TYPE	PROPERTIES	NRA (SF)	AVG YR BLT	OCCUPANCY	AVG RENT
Industrial	68	1,589,514	1970	97.8	\$31.20
Flex	35	1,784,390	1983	96.1	\$51.66
TOTAL	103	3,373,904	1975	97.2	\$38.15

Source: CoStar

The largest three industrial properties are at 304-306 Constitution Drive, 1315 Obrien Drive and 1205-1275 Hamilton Court with an NRA of 440,013 SF, 190,389 SF and 180,000 SF, respectively. The closest large industrial property in proximity to the subject is at 1100-1190 Hamilton Court with an NRA of 110,000 SF that was built in 1981. All of the properties were constructed before 2000. The following chart and map show the subject property and its location relative to the 10 largest industrial properties in the immediate area from CoStar.

LARGEST INDUSTRIAL PROPERTIES							
NAME	DISTANCE	MAP PIN	TYPE	NRA (SF)	% LEASED	YEAR BUILT	AVG RENT
TE Connectivity	0.8 Miles	A	Flex	440,013	100.0	-	N/Av
Menlo Business Park	0.5 Miles	B	Flex	190,389	100.0	1985	N/Av
Menlo Science & Technology Park	0.4 Miles	C	Industrial	180,000	100.0	1979	N/Av
Menlo Business Park	0.6 Miles	D	Flex	152,000	100.0	1985	N/Av
Menlo Science & Technology Park	0.4 Miles	E	Industrial	120,159	100.0	1980	N/Av
Menlo Science & Technology Park	0.3 Miles	F	Industrial	110,000	100.0	1981	N/Av
Menlo Science & Technology Park	0.4 Miles	G	Industrial	108,836	100.0	1979	N/Av
Menlo Business Park	0.7 Miles	H	Flex	74,073	100.0	1989	N/Av
Menlo Business Park	0.6 Miles	I	Flex	66,000	100.0	1985	N/Av
Menlo Business Park	0.6 Miles	J	Flex	59,219	100.0	1985	N/Av

Source: CoStar



IMMEDIATE AREA PROFILE

This section discusses uses and development trends in the immediate area that directly impact the performance and appeal of the subject property.

Predominant Land Uses

Significant development in the immediate area consists of retail, industrial, mixed-use and auto dealership uses along major arterials that are interspersed with multi-family complexes and single-family residential development removed from arterials.

SUBJECT PROPERTY ANALYSIS

The following discussion draws context and analysis on how the subject property is influenced by the local and immediate areas.

Subject Property Analysis

The uses adjacent to the property are noted below:

- › **North** - Multifamily Development
- › **South** - Convenience Store
- › **East** - Willow Rd., Followed By Commercial
- › **West** - Single-Family Residential

Access

The subject is accessible via a 20-foot-wide alley extending north from Ivy Dr. It does not have direct access onto Willow Rd.

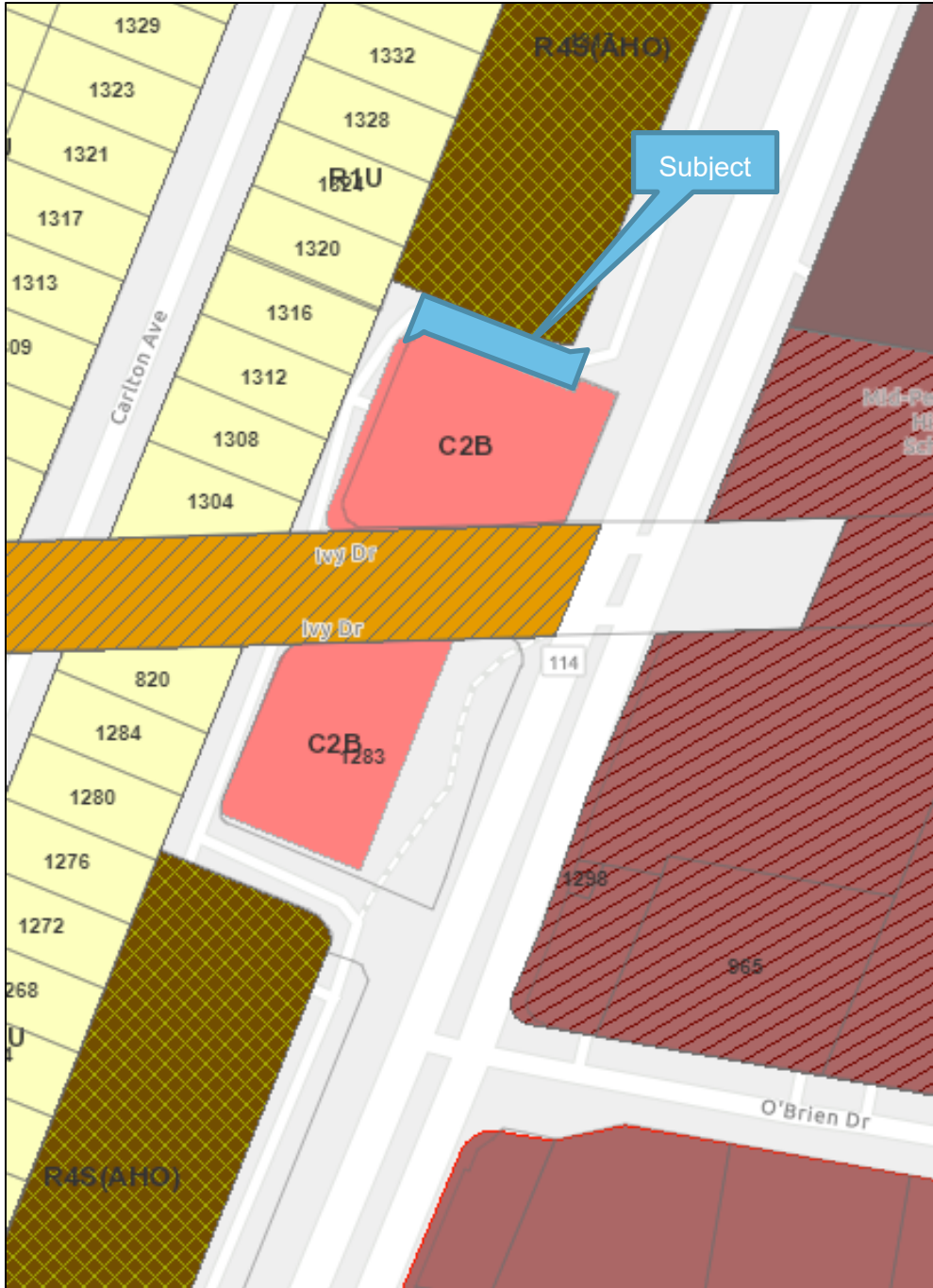
Visibility

The subject is a relatively visible connector street in both directions along the street.

SUMMARY

Menlo Park has a high-income demographic that is largely associated with the tech firms of Silicon Valley. Home prices have declined slightly over the past year, due to slowed demand for the high price-point. The city is home to Facebook and other tech firms and is well-situated within Silicon Valley. Overall, the local area outlook is positive for the next two to three years.

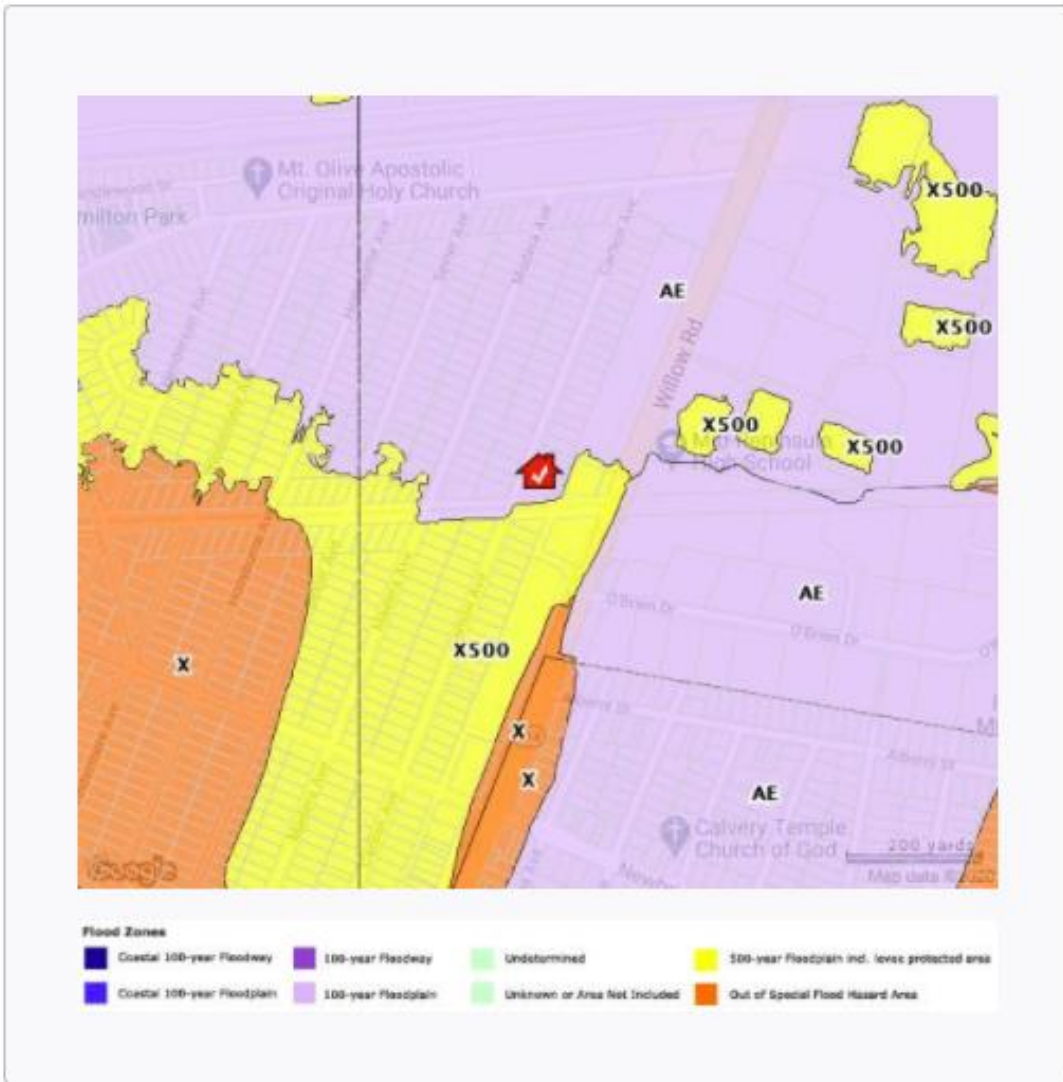
ZONING MAP



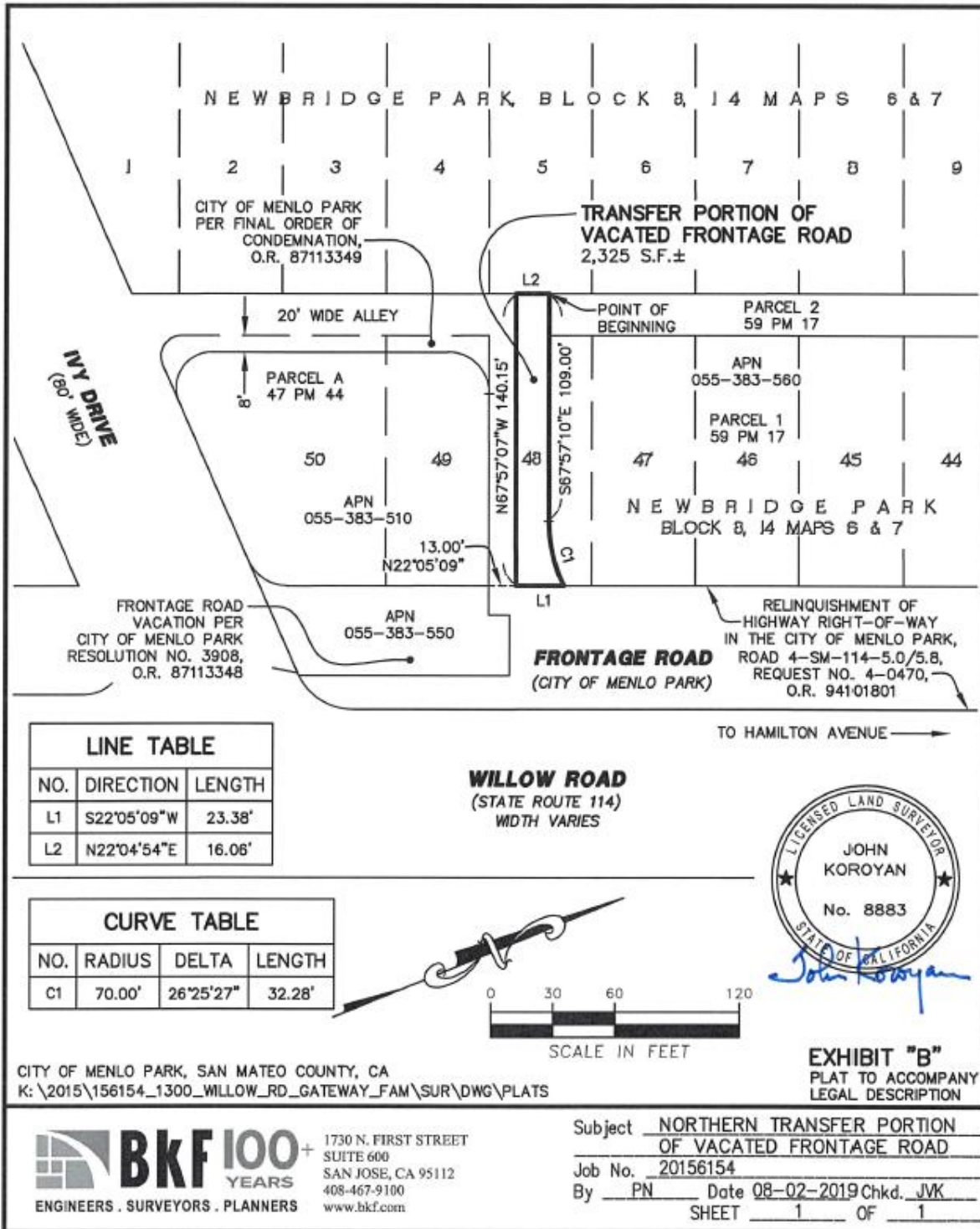
FLOOD MAP

Flood Zone Code	Flood Zone Panel	Panel Date
AE	060321 - 06081C0307F	04/05/2019
Special Flood Hazard Area (SFHA) Within 250 ft. of multiple flood zones?		Community Name
In	Yes (X500,AE)	MENLO PARK

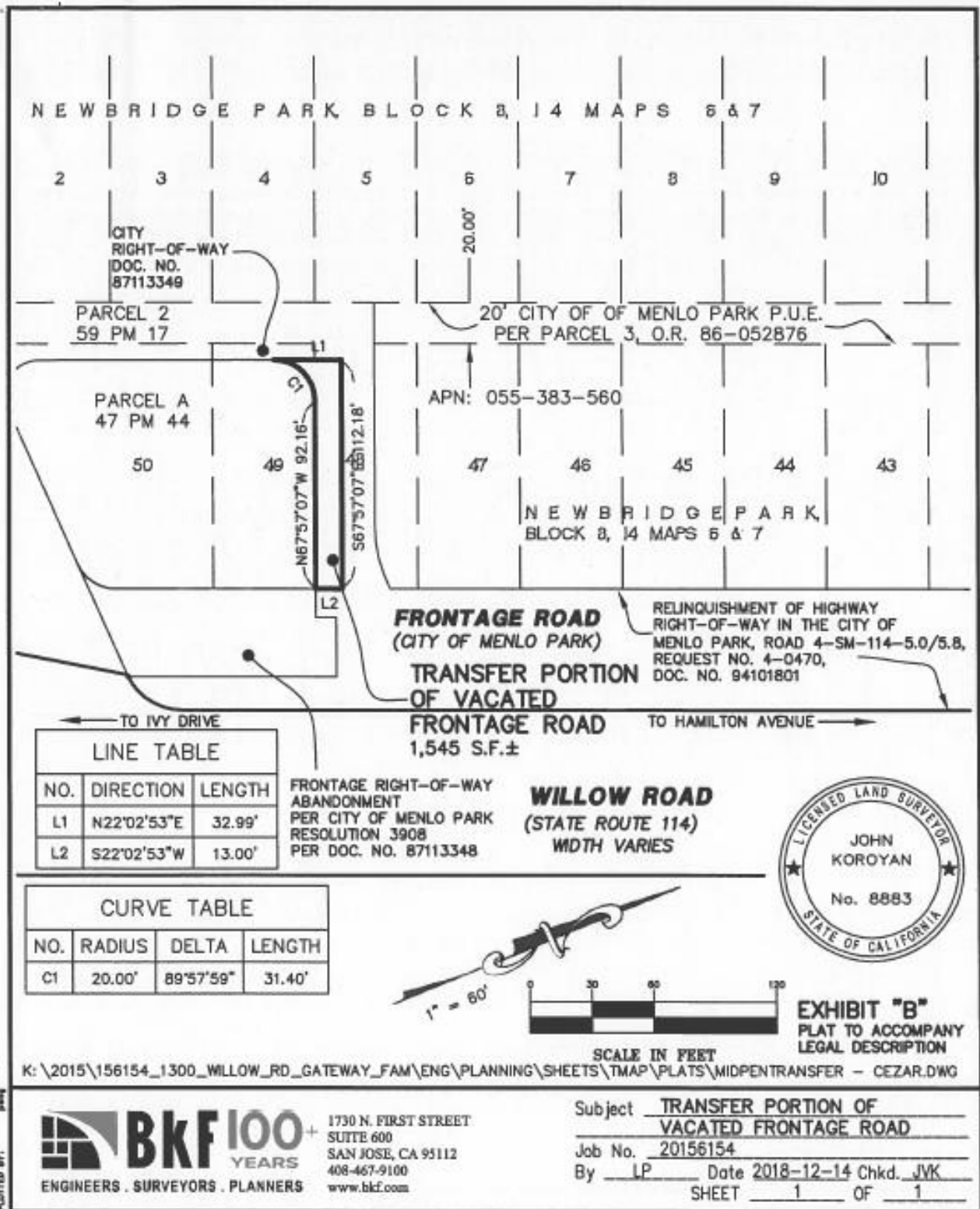
Flood Zone Description:
 Zone AE-An area inundated by 100-year flooding



SUBJECT PLAT MAP – NORTHERLY PORTION



SUBJECT PLAT MAP – SOUTHERLY PORTION



General Description	The subject site consists of 1 parcel. Per the plat map provided by the client, the subject site has 3,870 SF (0.09 AC) of land area. The area is estimated based on the assessor's parcel map, and may change if a professional survey determines more precise measurements. The following discussion summarizes the subject site size and characteristics.	
Assessor Parcel	APN based on hypothetical parcel encompassing the part to be valued	
Number Of Parcels	1	
Land Area	Acres	Square Feet
Primary Parcel	0.09	3,870
Unusable Land	0.00	0
Excess Land	0.00	0
<u>Surplus Land</u>	<u>0.00</u>	<u>0</u>
Total Land Area	0.09	3,870
Shape	Irregular - See Plat Map For Exact Shape	
Topography	Level at street grade	
Drainage	Assumed Adequate	
Utilities	All available to the site	
Accessibility	Average - The subject has limited access as it is part of a small frontage road with no immediate access to Willow Rd.	
Exposure	Average - The subject has minimal exposure along a lightly-traveled frontage road.	
Seismic	Highest Risk, which is typical of all Bay Area properties.	
Flood Zone	Zone AE. This is referenced by Community Number 060321, Panel Number 06081C0307F, dated April 05, 2019. Zone AE is a Special Flood Hazard Area (SFHA) where base flood elevations are provided. AE Zones are now used on new format Flood Insurance Rate Maps (FIRM) instead of A1-A30 Zones. In communities that participate in the National Flood Insurance Program (NFIP), mandatory flood insurance purchase requirements apply to this zone.	
Easements	There may be utilities below the frontage road. A preliminary title report was not available for review. This appraisal assumes that there is no negative value impact on the subject, given its negligible utility for development as a stand-alone parcel. If questions arise regarding easements, encroachments, or other encumbrances, further research is advised.	
Soils	A soils analysis was not available for review. Based on the development of the subject, it appears the soils are stable and suitable for the existing improvements.	
Hazardous Waste	We have not conducted an independent investigation to determine the presence or absence of toxins on the subject property. If questions arise, the reader is	

strongly cautioned to seek qualified professional assistance in this matter. Please see the Assumptions and Limiting Conditions for a full disclaimer.

Improvements

The subject is a paved portion of a two-lane road with curbs and gutters and is in average condition.

Site Rating

Overall, the subject site is considered a good land site in terms of its proximity to the adjacent convenience store market.

ASSESSMENT AND TAXATION

Assessment of real property is established by an assessor that is an appointed or elected official charged with determining the value of each property. The assessment is used to determine the necessary rate of taxation required to support the municipal budget. A property tax is a levy on the value of property that the owner is required to pay to the municipality in which it is situated. Multiple jurisdictions may tax the same property.

The subject property is located within San Mateo County. It is a portion of city-owned thoroughfare. There is no assessed value and there are no property taxes.

INTRODUCTION

Zoning requirements typically establish permitted and prohibited uses, building height, lot coverage, setbacks, parking and other factors that control the size and location of improvements on a site. The zoning characteristics for the parcels adjacent to the subject property are summarized below:

ZONING SUMMARY	
Municipality Governing Zoning	City of Menlo Park Planning & Zoning Department
Current Zoning	Neighborhood Mixed-Use District - Restrictive (C2B)
Permitted Uses	Retail service, personal services, cafes and restaurants, excluding (A) fast food restaurants, (B) drive-in restaurants, (C) restaurants serving beer, wine or alcoholic beverages, and (D) restaurants providing live music or entertainment, and multiple dwingles per Ord. 1027 § 3 (part), 2016: Ord. 936 § 3 (part), 2005: Ord. 766 § 3 (part), 1988

ZONING REQUIREMENTS	
Minimum Site Area (SF)	None
Minimum Yard Setbacks	
Front (Feet)	10
Rear (Feet)	10 (20 when abutting a residential district)
Side (Feet)	0
Minimum Density (Units/Acre)	30 : 1
Maximum Building Height	30 Feet
Maximum Floor Area Ratio (FAR)	0.4-.0.5 : 1 (commercial only) and up to 0.9 for mixed use
Maximum Density (Units/Acre)	30 : 1
Parking Requirement	
Spaces Per 1,000 SF	1.5 to 3.3, depending upon (commercial) use
Spaces Per Unit	1.0 to 1.5

Source: City of Menlo Park Planning & Zoning Department

ZONING CONCLUSIONS

As the subject property is a portion of city-owned thoroughfare, there is no zoning code. In the Across-The-Fence methodology (ATF), we consider the effect on value by using the zoning designation of the adjacent parcel in the valuation analysis which, in this case, is the C2B-zoned vacant lot.

INTRODUCTION

As concluded ahead, the highest and best use of the subject site as-vacant is development of a residential over commercial mixed use project over the next two to three years. Therefore, this section provides a brief study of Apartment/Multi-Family supply/demand conditions for the Bay Area Metro Market and the South San Mateo County Submarket. These findings are used to support our conclusions for the competitive position, and exposure period of the subject site.

- › Bay Area Apartment Market
- › South San Mateo County Submarket
- › Transaction Trends
- › Subject Property Analysis

BAY AREA METRO APARTMENT MARKET ANALYSIS

The following is an analysis of supply/demand trends in the Bay Area Market using information provided by MPF Research, widely recognized as a market leader in Apartment data and statistics.

Current Market Snapshot

The table below presents a current quarter snapshot of key indicators for the MPF.Market.User Metro Market.

BAY AREA MARKET AT A GLANCE								2020 Q3	
	TOTAL UNITS	OCCUPANCY (%)	ABSORP. (UNITS)	NEW INV. (UNITS)	REMOVALS (UNITS)	INVENTORY UNITS Δ	INVENTORY % Δ	UNDER CONST.	NEAR-TERM DELIVERIES ¹
INVENTORY	245,985	92.8%	-3,509	936	354	582	0.2%	6,635	4,138
CATEGORY	BY VINTAGE					BY STYLE			
	2000+	1990s	1980s	1970s	PRE-1970s	LOW-RISE	MID-RISE	HIGH-RISE	TOTAL
Occupancy	91.6%	92.4%	93.4%	94.9%	93.2%	95.3%	92.5%	90.2%	92.8%
Quarterly Occ. Δ	-2.3%	-0.9%	-1.2%	-0.7%	-1.6%	-0.5%	-1.6%	-3.1%	-1.7%
Annual Occ. Δ	-4.8%	-3.7%	-3.2%	-2.2%	-3.0%	-1.5%	-3.2%	-6.6%	-3.7%
Rent (\$/mo.)	\$3,410	\$2,896	\$2,887	\$2,706	\$2,791	\$2,834	\$3,113	\$3,232	\$3,051
Rent (\$/sf)	\$4.19	\$3.47	\$3.81	\$3.42	\$3.52	\$3.40	\$3.77	\$4.40	\$3.82
Annual Revenue Δ ²	-19.0%	-18.5%	-16.9%	-10.1%	-12.7%	-11.1%	-14.7%	-22.4%	-16.1%
% Offering Concessions	37.1%	50.6%	43.9%	35.7%	15.7%	40.2%	30.1%	29.5%	33.5%
Avg. Concession	7.7%	5.9%	7.8%	4.4%	5.9%	5.6%	7.1%	8.2%	6.8%
Qtr. Same-Property Rent Δ	-9.4%	-7.4%	-8.0%	-3.5%	-6.5%	-5.6%	-8.0%	-9.4%	-7.7%
Ann. Same-Property Rent Δ	-14.2%	-14.8%	-13.7%	-7.9%	-9.7%	-9.6%	-11.5%	-15.8%	-12.4%

Source: MPF Research¹ Delivering within next four quarters. ² Annual Revenue Change = Annual Occ. Change + Annual Rent Change

Occupancy

As presented, the Bay Area market maintains a current inventory of 245,985 units, up approximately 0.20% (582 units) from the previous quarter. The current market-wide occupancy rate of 92.8% is indicated through a range extending from 90.2% to 95.3% across all property styles and vintages. When compared to the previous quarter, the market-wide average occupancy rate has decreased 1.7%. On a current-quarter annualized basis, occupancy rates have decreased 3.7%.

Rental Rates / Revenue

On a per unit basis, rental rates by vintage range from a low of \$2,706 per month to a high of \$3,410 per month. When analyzed on the basis of style, rental rates range from \$2,834 (low-rise) to \$3,232 (high-rise). In total, the market-wide inventory-weighted average rental rate is \$3,051 per unit per month. On a per square foot basis, rental rates range from a low of \$3.42 to a high of \$4.19 when analyzing property vintage and \$3.40 to \$4.40 when analyzed by property style. In aggregate, the market-wide average rental rate is \$3.82 per square foot. Annual revenue change, defined as annual occupancy change plus annual rent change represents a decrease of -16.1% versus the previous same-quarter annual period.

Concessions

Analyzed by vintage, the percentage of properties currently offering concessions range from 15.7% (pre-1970s) to 50.6% (1990s). When singularly analyzing property style, this range shifts to a low of 29.5% (high-rise) to a high of 40.2% (low-rise). An aggregate, market-wide average of 33.5% is indicated.

The average concession given ranges from 4.4% to 7.8% (vintage) and 5.6% to 8.2% (style) of potential gross income. An inventory-weighted average across all vintages and styles of 6.8% of potential gross income is indicated.

Trailing Metro Performance

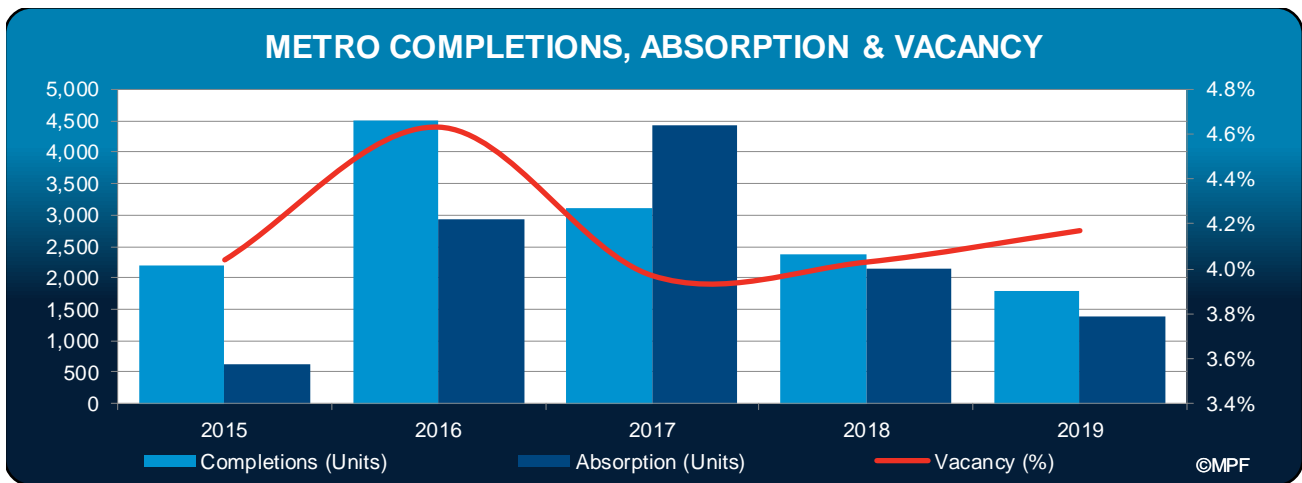
Key supply/demand, occupancy, rental rate, and concession statistics for available trailing annual and quarterly periods are summarized below.

Historical Supply/Demand

The following table highlights the trailing annual and quarterly supply, construction, and absorption metrics.

HISTORICAL SUPPLY/DEMAND ANALYSIS						BAY AREA MARKET			
PERIOD	TOTAL UNITS	OCCUPANCY (%)	ABSORP. (UNITS)	NEW INV. (UNITS)	REMOVALS (UNITS)	INVENTORY UNITS Δ	INVENTORY % Δ	UNDER CONST.	NEAR-TERM DELIVERIES ¹
2015	233,085	96.0%	619	2,207	0	2,207	1.0%	10,031	4,503
2016	237,591	95.4%	2,940	4,506	0	4,506	1.9%	6,759	3,110
2017	240,581	96.0%	4,419	3,110	120	2,990	1.3%	6,499	2,371
2018	242,952	96.0%	2,147	2,371	0	2,371	1.0%	5,648	1,801
2019	244,753	95.8%	1,376	1,801	0	1,801	0.7%	7,155	2,641
2019 Q4	244,753	95.8%	-1,046	397	0	397	0.2%	7,155	2,641
2020 Q1	244,773	96.0%	405	362	342	20	0.0%	7,617	3,113
2020 Q2	245,403	94.4%	-3,271	630	0	630	0.3%	7,571	3,843
2020 Q3	245,985	92.8%	-3,509	936	354	582	0.2%	6,635	4,138

Source: MPF Research® ¹ Delivering within next four quarters.



As depicted through the data above, inventory growth has slowed over the past two years to +/- 4.0% annually versus historical growth rates around 4.2%. This is still a robust growth rate.

Metro Occupancy, Rental Rate, and Concession Trends

OCCUPANCY						BAY AREA METRO			
PERIOD	BY VINTAGE					BY STYLE			TOTAL
	2000+	1990s	1980s	1970s	PRE-1970s	LOW-RISE	MID-RISE	HIGH-RISE	
2015	95.6%	94.4%	96.1%	96.6%	96.3%	96.7%	94.8%	96.0%	96.0%
2016	94.9%	93.8%	95.8%	96.2%	95.7%	95.9%	95.0%	95.1%	95.4%
2017	95.4%	95.1%	95.2%	97.1%	97.1%	96.7%	95.7%	95.6%	96.0%
2018	96.1%	95.4%	96.6%	96.2%	95.4%	96.4%	95.2%	96.4%	96.0%
2019	95.6%	95.8%	96.4%	97.0%	95.2%	96.4%	95.2%	95.8%	95.8%
2019 Q4	95.6%	95.8%	96.4%	97.0%	95.2%	96.4%	95.2%	95.8%	95.8%
2020 Q1	95.9%	95.1%	96.8%	96.8%	95.3%	96.7%	95.3%	95.9%	96.0%
2020 Q2	93.8%	93.3%	94.6%	95.6%	94.8%	95.7%	94.2%	93.2%	94.4%
2020 Q3	91.6%	92.4%	93.4%	94.9%	93.2%	95.3%	92.5%	90.2%	92.8%

Source: MPF Research®

EFFECTIVE RENT (\$/UNIT)						BAY AREA METRO			
PERIOD	BY VINTAGE					BY STYLE			TOTAL
	2000+	1990s	1980s	1970s	PRE-1970s	LOW-RISE	MID-RISE	HIGH-RISE	
2015	\$3,602	\$3,169	\$3,088	\$2,581	\$2,798	\$2,706	\$3,034	\$3,539	\$3,059
2016	\$3,532	\$3,016	\$3,063	\$2,504	\$2,938	\$2,714	\$3,211	\$3,412	\$3,085
2017	\$3,629	\$3,184	\$3,085	\$2,572	\$2,981	\$2,772	\$3,368	\$3,526	\$3,202
2018	\$3,792	\$3,379	\$3,232	\$2,806	\$2,948	\$2,916	\$3,406	\$3,658	\$3,317
2019	\$3,866	\$3,267	\$3,234	\$2,846	\$3,005	\$2,978	\$3,488	\$3,716	\$3,390
2019 Q4	\$3,866	\$3,267	\$3,234	\$2,846	\$3,005	\$2,978	\$3,488	\$3,716	\$3,390
2020 Q1	\$3,878	\$3,336	\$3,238	\$2,981	\$3,015	\$3,073	\$3,473	\$3,728	\$3,421
2020 Q2	\$3,754	\$3,128	\$3,108	\$2,805	\$2,942	\$2,977	\$3,387	\$3,537	\$3,292
2020 Q3	\$3,410	\$2,896	\$2,887	\$2,706	\$2,791	\$2,834	\$3,113	\$3,232	\$3,051

Source: MPF Research®

EFFECTIVE RENT (\$/SF)						BAY AREA METRO			
PERIOD	BY VINTAGE					BY STYLE			TOTAL
	2000+	1990s	1980s	1970s	PRE-1970s	LOW-RISE	MID-RISE	HIGH-RISE	
2015	\$4.41	\$3.80	\$4.07	\$3.27	\$3.45	\$3.26	\$3.66	\$4.77	\$3.81
2016	\$4.35	\$3.61	\$4.06	\$3.24	\$3.61	\$3.30	\$3.82	\$4.59	\$3.87
2017	\$4.51	\$3.41	\$4.07	\$3.40	\$3.64	\$3.34	\$4.02	\$4.79	\$4.02
2018	\$4.77	\$3.58	\$4.30	\$3.50	\$3.69	\$3.49	\$4.15	\$4.98	\$4.16
2019	\$4.83	\$3.92	\$4.29	\$3.59	\$3.78	\$3.58	\$4.22	\$5.15	\$4.27
2019 Q4	\$4.83	\$3.92	\$4.29	\$3.59	\$3.78	\$3.58	\$4.22	\$5.15	\$4.27
2020 Q1	\$4.84	\$4.00	\$4.29	\$3.70	\$3.79	\$3.67	\$4.21	\$5.14	\$4.30
2020 Q2	\$4.65	\$3.75	\$4.12	\$3.54	\$3.69	\$3.56	\$4.10	\$4.88	\$4.13
2020 Q3	\$4.19	\$3.47	\$3.81	\$3.42	\$3.52	\$3.40	\$3.77	\$4.40	\$3.82

Source: MPF Research®

PERCENT OF PROPERTIES OFFERING CONCESSIONS						BAY AREA METRO			
PERIOD	BY VINTAGE					BY STYLE			TOTAL
	2000+	1990s	1980s	1970s	PRE-1970s	LOW-RISE	MID-RISE	HIGH-RISE	
2015	9.7%	8.7%	0.9%	15.1%	6.8%	13.4%	5.6%	4.8%	8.6%
2016	18.9%	17.1%	16.1%	22.9%	17.8%	21.5%	15.5%	18.1%	18.9%
2017	10.7%	11.4%	16.7%	14.6%	5.7%	12.7%	14.0%	7.8%	11.2%
2018	10.8%	14.0%	14.3%	3.9%	1.5%	7.6%	6.6%	9.1%	7.8%
2019	14.0%	12.8%	20.6%	12.6%	4.7%	17.1%	10.0%	10.1%	12.4%
2019 Q4	14.0%	12.8%	20.6%	12.6%	4.7%	17.1%	10.0%	10.1%	12.4%
2020 Q1	10.3%	20.2%	21.4%	9.8%	4.7%	12.2%	12.2%	8.3%	10.9%
2020 Q2	30.4%	32.8%	36.0%	22.9%	15.8%	34.9%	23.4%	21.0%	26.6%
2020 Q3	37.1%	50.6%	43.9%	35.7%	15.7%	40.2%	30.1%	29.5%	33.5%

Source: MPF Research®

CONCESSIONS AS PERCENT OF PGI						BAY AREA METRO			
PERIOD	BY VINTAGE					BY STYLE			TOTAL
	2000+	1990s	1980s	1970s	PRE-1970s	LOW-RISE	MID-RISE	HIGH-RISE	
2015	3.3%	2.8%	2.1%	3.0%	2.4%	2.9%	3.9%	2.4%	3.0%
2016	3.2%	2.9%	4.0%	1.7%	3.4%	2.8%	2.3%	3.6%	3.0%
2017	4.4%	0.6%	2.6%	2.0%	4.2%	3.2%	3.3%	3.6%	3.4%
2018	4.0%	2.0%	2.7%	1.8%	4.9%	1.9%	3.6%	4.5%	3.5%
2019	4.5%	4.5%	2.2%	1.4%	2.1%	2.6%	5.1%	2.9%	3.4%
2019 Q4	4.5%	4.5%	2.2%	1.4%	2.1%	2.6%	5.1%	2.9%	3.4%
2020 Q1	3.6%	1.0%	3.0%	2.3%	3.6%	2.7%	3.3%	3.0%	3.1%
2020 Q2	5.7%	3.9%	6.1%	5.8%	4.3%	4.4%	5.3%	7.2%	5.5%
2020 Q3	7.7%	5.9%	7.8%	4.4%	5.9%	5.6%	7.1%	8.2%	6.8%

Source: MPF Research®

Metro Construction Activity

CONSTRUCTION ACTIVITY SUMMARY			BAY AREA METRO	
CATEGORY	UNITS UNDER CONSTRUCTION	UNITS COMPLETED ¹		
Conventional (Market)	7,285	2,941		
TOTAL	7,285	2,941		

Source: MPF Research® ¹Properties completed in the last 4 quarters

Within the Bay Area Metro area, there are a total of 7,285 conventional units currently under construction highlighted by activity in the SoMa, Central San Mateo County and South San Mateo County submarkets. There are currently 783 units under construction within the subject's submarket.

Market Conclusion

Occupancy has started to decline due to COVID-19, with the largest decline among newer units with higher price points. Rents have started to decline, although it is unclear at this time where the rent floor is. Overall, however, the Bay Area Market is one of the most vibrant in the country and its prospects for long-term growth are good.

SOUTH SAN MATEO COUNTY APARTMENT SUBMARKET OVERVIEW

The table below presents a current quarter snapshot of the key indicators within the submarket.

SOUTH SAN MATEO COUNTY SUBMARKET AT A GLANCE									2020 Q3
	TOTAL UNITS	OCCUPANCY (%)	ABSORP. (UNITS)	NEW INV. (UNITS)	REMOVALS (UNITS)	INVENTORY Δ (UNITS)	INVENTORY Δ (%)	UNDER CONST.	NEAR-TERM DELIVERIES ¹
INVENTORY	20,824	93.3%	-384	0	0	0	0.0%	783	450
CATEGORY	BY VINTAGE					BY STYLE			TOTAL
	2000+	1990s	1980s	1970s	PRE-1970s	LOW-RISE	MID-RISE	HIGH-RISE	
Occupancy	92.2%	93.5%	98.9%	94.1%	93.2%	93.9%	94.5%	90.5%	93.3%
Quarterly Occ. Δ	-2.1%	-2.5%	1.1%	-1.7%	-2.7%	-1.8%	-1.4%	-2.6%	-1.8%
Annual Occ. Δ	-3.5%	-1.4%	0.7%	-3.4%	-4.4%	-3.1%	-2.5%	-4.4%	-3.1%
Rent (\$/mo.)	\$3,433	\$3,078	\$2,991	\$3,197	\$2,722	\$3,164	\$3,330	\$3,239	\$3,235
Rent (\$/sf)	\$3.75	\$3.37	\$3.70	\$3.72	\$3.35	\$3.64	\$3.61	\$3.82	\$3.67
Annual Revenue Δ ²	-16.7%	-16.8%	-7.0%	-12.2%	-13.0%	-14.7%	-13.7%	-17.1%	-14.9%
% Offering Concessions	50.2%	100.0%	0.0%	48.4%	36.8%	50.3%	46.3%	42.4%	47.2%
Avg. Concession	7.7%	5.3%	n.a.	5.9%	2.5%	6.6%	5.8%	7.8%	6.6%
Qtr. Same-Property Rent Δ	-10.8%	-10.2%	-8.3%	-5.0%	-5.4%	-9.5%	-7.8%	-9.6%	-9.0%
Ann. Same-Property Rent Δ	-13.2%	-15.4%	-7.6%	-8.9%	-8.5%	-11.7%	-11.3%	-12.7%	-11.8%

Source: MPF Research® ¹Delivering within next four quarters. ²Annual Revenue Change = Annual Occ. Change + Annual Rent Change

Trailing Submarket Performance

Key supply/demand, occupancy, rental rate, and concession statistics for available trailing annual and quarterly periods are summarized below.

Historical Supply/Demand

HISTORICAL SUPPLY/DEMAND ANALYSIS					SOUTH SAN MATEO COUNTY SUBMARKET				
PERIOD	TOTAL UNITS	OCCUPANCY (%)	ABSORP. (UNITS)	NEW INV. (UNITS)	REMOVALS (UNITS)	INVENTORY UNITS Δ	INVENTORY % Δ	UNDER CONST.	NEAR-TERM DELIVERIES ¹
2015	18,401	96.6%	284	370	0	370	2.1%	1,994	1,089
2016	19,490	94.6%	676	1,089	0	1,089	5.9%	1,334	798
2017	20,288	95.5%	939	798	0	798	4.1%	719	401
2018	20,689	94.7%	204	401	0	401	2.0%	668	135
2019	20,824	95.9%	394	135	0	135	0.7%	783	0
2019 Q4	20,824	95.9%	-89	0	0	0	0.0%	783	0
2020 Q1	20,824	96.1%	31	0	0	0	0.0%	783	174
2020 Q2	20,824	95.1%	-205	0	0	0	0.0%	783	350
2020 Q3	20,824	93.3%	-384	0	0	0	0.0%	783	450

Source: MPF Research® ¹ Delivering within next four quarters

As shown, there are 20.824 units in the submarket as of 3Q 2020. The average occupancy is currently 93.4%, which is roughly a 2.0% decline from the average over the past five years. This is almost entirely due to the effects of COVID-19 on the local economy.

Submarket Occupancy, Rental Rate, and Occupancy Trends

OCCUPANCY ANALYSIS					SOUTH SAN MATEO COUNTY SUBMARKET						
PERIOD	BY VINTAGE					BY STYLE			SUBMARKET	METRO	VERSUS
	2000+	1990s	1980s	1970s	PRE-1970s	LOW-RISE	MID-RISE	HIGH-RISE	TOTAL	TOTAL	METRO
2015	96.7%	91.8%	98.2%	96.3%	98.1%	96.1%	97.5%	97.1%	96.6%	96.0%	●
2016	92.1%	91.0%	95.4%	97.4%	95.8%	95.2%	96.2%	91.5%	94.6%	95.4%	●
2017	93.3%	94.7%	96.0%	98.2%	97.7%	96.2%	96.4%	93.5%	95.5%	96.0%	●
2018	94.4%	94.4%	97.8%	92.8%	97.9%	94.2%	95.2%	95.0%	94.7%	96.0%	●
2019	95.4%	93.8%	97.1%	97.4%	96.5%	96.0%	96.5%	95.1%	95.9%	95.8%	●
2019 Q4	95.4%	93.8%	97.1%	97.4%	96.5%	96.0%	96.5%	95.1%	95.9%	95.8%	●
2020 Q1	95.7%	94.1%	98.7%	96.5%	96.9%	96.3%	96.3%	95.4%	96.1%	96.0%	●
2020 Q2	94.3%	96.1%	97.8%	95.8%	95.9%	95.6%	95.9%	93.0%	95.1%	94.4%	●
2020 Q3	92.2%	93.5%	98.9%	94.1%	93.2%	93.9%	94.5%	90.5%	93.3%	92.8%	●

Source: MPF Research® Legend: ● Outperforming ● Underperforming ● Similar

EFFECTIVE RENT (\$/UNIT)					SOUTH SAN MATEO COUNTY SUBMARKET						
PERIOD	BY VINTAGE					BY STYLE			SUBMARKET	METRO	VERSUS
	2000+	1990s	1980s	1970s	PRE-1970s	LOW-RISE	MID-RISE	HIGH-RISE	TOTAL	TOTAL	METRO
2015	\$3,657	\$3,217	\$2,967	\$2,706	\$2,559	\$2,934	\$3,214	\$2,318	\$2,925	\$3,059	●
2016	\$3,441	\$2,951	\$2,933	\$2,248	\$2,643	\$2,707	\$3,117	\$2,810	\$2,837	\$3,085	●
2017	\$3,662	\$3,105	\$2,962	\$2,500	\$2,869	\$2,910	\$3,314	\$3,387	\$3,146	\$3,202	●
2018	\$3,814	\$3,305	\$3,193	\$3,046	\$2,895	\$3,244	\$3,545	\$3,498	\$3,385	\$3,317	●
2019	\$3,931	\$3,375	\$3,213	\$2,862	\$3,162	\$3,357	\$3,727	\$3,670	\$3,568	\$3,390	●
2019 Q4	\$3,931	\$3,375	\$3,213	\$2,862	\$3,162	\$3,357	\$3,727	\$3,670	\$3,568	\$3,390	●
2020 Q1	\$3,976	\$3,490	\$3,274	\$3,405	\$3,096	\$3,617	\$3,757	\$3,677	\$3,679	\$3,421	●
2020 Q2	\$3,858	\$3,427	\$3,262	\$3,364	\$2,958	\$3,561	\$3,636	\$3,584	\$3,592	\$3,292	●
2020 Q3	\$3,433	\$3,078	\$2,991	\$3,197	\$2,722	\$3,164	\$3,330	\$3,239	\$3,235	\$3,051	●

Source: MPF Research® Legend: ● Outperforming ● Underperforming ● Similar

EFFECTIVE RENT (\$/SF)						SOUTH SAN MATEO COUNTY SUBMARKET					
PERIOD	BY VINTAGE					BY STYLE			SUBMARKET	METRO	VERSUS
	2000+	1990s	1980s	1970s	PRE-1970s	LOW-RISE	MID-RISE	HIGH-RISE	TOTAL	TOTAL	METRO
2015	\$3.84	\$3.53	\$3.67	\$3.20	\$3.07	\$3.40	\$3.57	\$2.92	\$3.39	\$3.81	●
2016	\$3.85	\$3.24	\$3.63	\$3.11	\$3.19	\$3.40	\$3.53	\$3.44	\$3.44	\$3.87	●
2017	\$4.02	\$3.40	\$3.67	\$3.37	\$3.26	\$3.50	\$3.64	\$4.00	\$3.68	\$4.02	●
2018	\$4.13	\$3.62	\$3.95	\$3.52	\$3.41	\$3.70	\$3.78	\$4.14	\$3.82	\$4.16	●
2019	\$4.29	\$3.70	\$3.98	\$3.64	\$3.62	\$3.91	\$4.03	\$4.32	\$4.05	\$4.27	●
2019 Q4	\$4.29	\$3.70	\$3.98	\$3.64	\$3.62	\$3.91	\$4.03	\$4.32	\$4.05	\$4.27	●
2020 Q1	\$4.34	\$3.83	\$4.05	\$3.96	\$3.54	\$4.07	\$4.06	\$4.33	\$4.13	\$4.30	●
2020 Q2	\$4.21	\$3.76	\$4.04	\$3.91	\$3.50	\$4.04	\$3.93	\$4.22	\$4.04	\$4.13	●
2020 Q3	\$3.75	\$3.37	\$3.70	\$3.72	\$3.35	\$3.64	\$3.61	\$3.82	\$3.67	\$3.82	●

Source: MPF Research® Legend: ● Outperforming ● Underperforming ● Similar

PERCENT OF PROPERTIES OFFERING CONCESSIONS						SOUTH SAN MATEO COUNTY SUBMARKET					
PERIOD	BY VINTAGE					BY STYLE			SUBMARKET	METRO	VERSUS
	2000+	1990s	1980s	1970s	PRE-1970s	LOW-RISE	MID-RISE	HIGH-RISE	TOTAL	TOTAL	METRO
2015	33.6%	47.9%	0.0%	31.3%	4.0%	28.1%	20.0%	10.6%	24.1%	8.6%	●
2016	49.9%	57.7%	0.0%	23.6%	13.9%	26.7%	30.6%	37.2%	30.0%	18.9%	●
2017	34.6%	42.3%	5.3%	0.0%	4.1%	18.3%	22.1%	18.2%	19.2%	11.2%	●
2018	33.6%	0.0%	0.0%	2.8%	0.0%	5.1%	23.7%	27.8%	15.4%	7.8%	●
2019	24.0%	0.0%	0.0%	3.9%	9.9%	8.7%	24.0%	14.3%	15.6%	12.4%	●
2019 Q4	24.0%	0.0%	0.0%	3.9%	9.9%	8.7%	24.0%	14.3%	15.6%	12.4%	●
2020 Q1	19.2%	77.7%	0.0%	3.1%	5.1%	15.0%	23.6%	7.0%	16.1%	10.9%	●
2020 Q2	43.8%	62.0%	0.0%	10.7%	15.9%	27.0%	43.3%	23.0%	31.7%	26.6%	●
2020 Q3	50.2%	100.0%	0.0%	48.4%	36.8%	50.3%	46.3%	42.4%	47.2%	33.5%	●

Source: MPF Research® Legend: ● Outperforming ● Underperforming ● Similar

CONCESSIONS AS PERCENT OF PGI						SOUTH SAN MATEO COUNTY SUBMARKET					
PERIOD	BY VINTAGE					BY STYLE			SUBMARKET	METRO	VERSUS
	2000+	1990s	1980s	1970s	PRE-1970s	LOW-RISE	MID-RISE	HIGH-RISE	TOTAL	TOTAL	METRO
2015	2.4%	3.5%	n.a.	1.0%	1.1%	1.7%	2.8%	0.4%	1.9%	3.0%	●
2016	2.7%	1.7%	n.a.	0.7%	1.4%	1.2%	1.7%	3.5%	2.0%	3.0%	●
2017	4.8%	0.4%	0.5%	n.a.	1.5%	6.3%	2.2%	2.7%	4.0%	3.4%	●
2018	4.0%	n.a.	n.a.	6.2%	n.a.	3.9%	5.6%	2.3%	4.0%	3.5%	●
2019	8.2%	n.a.	n.a.	2.0%	2.3%	6.0%	9.0%	5.7%	7.6%	3.4%	●
2019 Q4	8.2%	n.a.	n.a.	2.0%	2.3%	6.0%	9.0%	5.7%	7.6%	3.4%	●
2020 Q1	5.1%	0.8%	n.a.	1.5%	4.5%	2.2%	4.4%	6.9%	3.9%	3.1%	●
2020 Q2	3.9%	0.7%	n.a.	4.9%	5.6%	3.9%	3.4%	4.5%	3.7%	5.5%	●
2020 Q3	7.7%	5.3%	n.a.	5.9%	2.5%	6.6%	5.8%	7.8%	6.6%	6.8%	●

Source: MPF Research® Legend: ● Outperforming ● Underperforming ● Similar

Submarket Construction Activity

The following projects are listed as being currently under construction within the submarket.

CONSTRUCTION ACTIVITY							SOUTH SAN MATEO COUNTY SUBMARKET	
PROPERTY NAME	PROPERTY TYPE	NO. OF UNITS	NO. OF STORIES	PROJECT STATUS	START DATE	FINISH DATE		
1409 El Camino Real	Conventional	350	8	Under Construction	8/1/18	6/1/21		
Artisan Crossing	Conventional	250	4	Under Construction	12/1/19	12/1/21		
Springline	Conventional	183	4	Under Construction	5/1/17	12/1/21		
TOTAL UNITS:		783						

Source: MPF Research®

Within the submarket, there is a total of three conventional projects under construction.

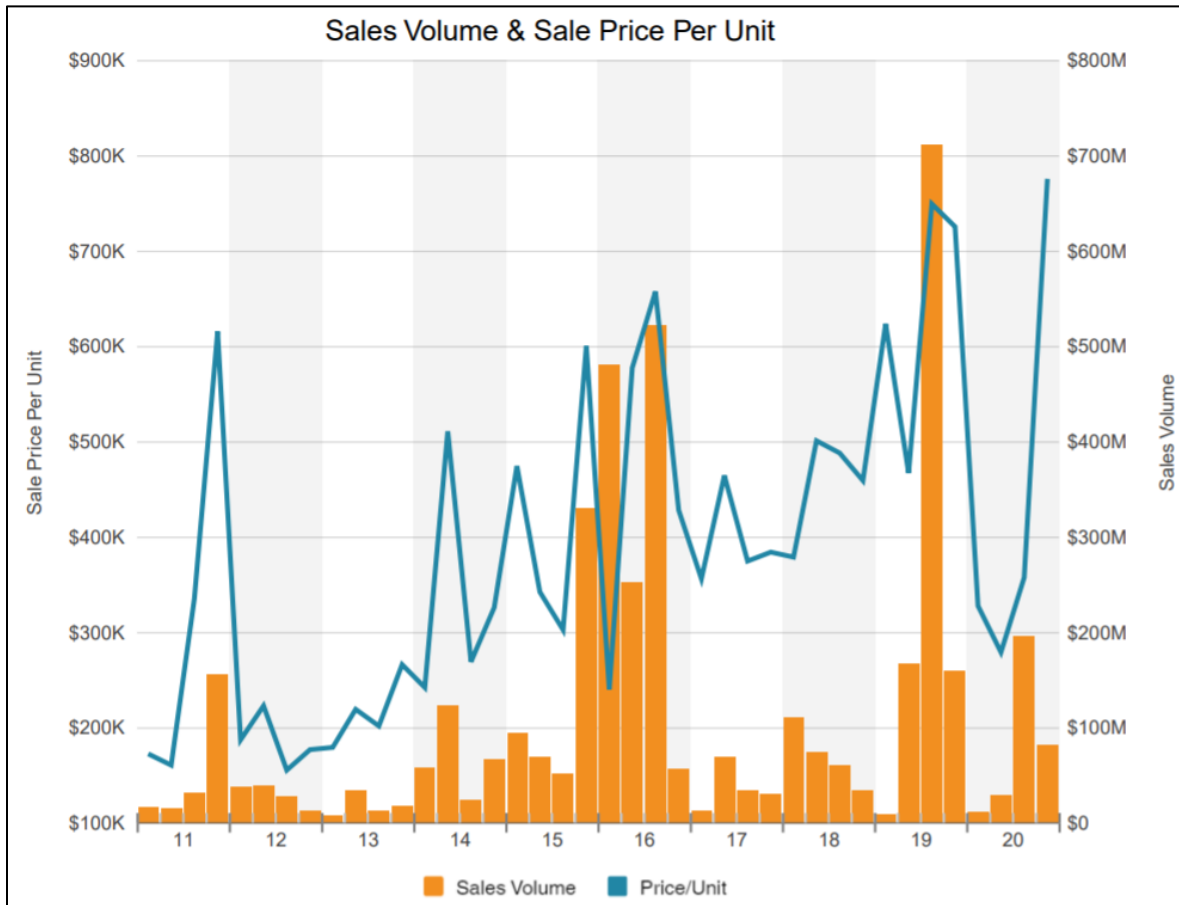
Submarket Conclusion

Occupancy has started to decline due to COVID-19, with the largest decline among newer units with higher price points. Rents have started to decline, although it is unclear at this time where the rent floor is. Overall, however, the South San Mateo County Submarket is durable, given its Silicon Valley location and prospects for long-term growth are good.

TRANSACTION TRENDS

Multi-Family Sales Volume

The following CoStar data pertains to Redwood City and Menlo Park sales of multifamily properties:



After a robust 2019, transaction volumes dropped for the first two quarters of 2020 and have since bounced back. Sale prices per unit continue to rise to peak pricing.

Most Probable Buyer

In the open market, the subject property type would command most interest from a developer of an adjacent parcel. As a stand-alone parcel, it has minimal utility. As assembled into an adjacent parcel, it has considerably more utility.

EXPOSURE TIME PERIOD

Exposure time is defined as "The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective opinion based on an analysis of past events assuming a competitive and open market" (The Dictionary of Real Estate Appraisal, Appraisal Institute, 2015). Reasonable exposure time is impacted by the aggressiveness and effectiveness of a property’s exposure to market participants, availability and cost of financing, and demand for similar investments. Exposure time is best established based the recent

history of marketing periods for comparable sales, discussions with market participants and information from published surveys.

Exposure Time Conclusion

Based on its overall physical and locational characteristics, the subject site has average overall appeal to developers. There is also minimal buyer demand as a result of the coronavirus pandemic. Considering these factors, a reasonable estimate of exposure time for the subject property is six to nine months.

INTRODUCTION

The highest and best use of an improved property is defined as that reasonable and most probable use that will support its highest present value. The highest and best use, or most probable use, must be legally permissible, physically possible, financially feasible, and maximally productive. This section develops the highest and best use of the subject property As-Vacant.

As the subject property is a portion of city-owned thoroughfare, there is no zoning code. The Across-The-Fence methodology (ATF) uses the adjacent zoning designations in the valuation analysis.

AS-VACANT ANALYSIS

Legal Factors

The legal factors that possibly influence the highest and best use of the subject site are discussed in this section. Private restrictions, zoning, building codes, historic district controls, and environmental regulations are considered, if applicable to the subject site. Permitted uses of the subject's assumed Neighborhood Mixed-Use District - Restrictive (C2B) zoning were listed in the Zoning Analysis section. Overall, legal factors support a fairly broad range of commercial and residential uses in a mixed-use configuration.

Physical & Locational Factors

Regarding physical characteristics, the subject site as assembled is irregular in shape and has level topography with average access and average exposure. Of the outright permitted uses, physical and locational features best support development of a residential over commercial mixed use project over the next two to three years for the site's highest and best use as-vacant.

Feasibility Factors

Regarding financial feasibility of multi-family properties in the region, construction delivery trends were previously discussed in the Market Analysis section. In general, the South San Mateo County Submarket has historically had minimal construction and new construction has been spurred by Transit-Oriented Development and other mandates. However, with declining rent and occupancy rates, market participants are adopting a buy-and-hold strategy for development in two to three years once the economic effects of COVID-19 have passed. I note that there has been considerable demand in Menlo Park for residential and mixed-use development as shown by the following projects; however, these projects were in process prior to the onset of the pandemic and some may be on hold pending improvements in market conditions.

Multi-Family/Mixed-Use Development:

1. 133 Encinal Avenue

Hunter Properties has entitled a new 24-unit residential project on a former garden nursery site.

2. 506-556 Santa Cruz Ave./1125 Merrill St.

Approved redevelopment of three properties at the corner of Santa Cruz Avenue and Merrill Street with mixed-use buildings comprised of office, residential, and retail/restaurant uses.

3. 1020 Alma Street

New three-story office building on a site currently addressed 1010-1026 Alma Street

4. Middle Plaza at 500 El Camino Real

Stanford University is proposing a new mixed-use residential/office/retail development on a multi-acre site currently addressed 300-550 El Camino Real.

5. Station 1300

Redevelopment of a 6.4-acre site on El Camino Real and Oak Grove Avenue with approximately 220,000 square feet of commercial uses and 183 dwelling units.

As-Vacant Conclusion

Based on the previous discussion, the subject's highest and best use as-vacant is concluded to be development of a residential over commercial mixed use project over the next two to three years consistent with the adjacent convenience store market.

INTRODUCTION

The following presentation of the appraisal process deals directly with the valuation of the subject property. The As-Is Market Value of the subject's fee simple interest is estimated using the Sales Comparison Approach, which is recognized as the standard appraisal technique for commercial land. The Cost and Income Capitalization Approaches are not applicable when valuing unimproved commercial land and are therefore excluded. Their exclusion is not detrimental to the reliability or credibility of the final value conclusion.

ACROSS THE FENCE METHODOLOGY

The subject will be valued using the Across-the-Fence ("ATF") method. The ATF Value is defined as "a land valuation method often used in the appraisal of corridors. The across-the-fence method is used to develop a value opinion based on comparison to abutting land."¹ This definition establishes the concept of adjusting comparable sales to abutting land unimpacted by rights-of-way to reflect differences between the subject and comparable sales.

The ATF method is particularly appropriate for this assignment as the subject has insufficient size and shape for stand-alone development, effectively making it a small remnant parcel that may or may not have significant subsurface utilities. Remnant parcel pricing is subjective and typically at a deep discount, 40% to 90%, making comparables largely irrelevant where they are even available at all. A residual value (in which one infers a \$/Unit for an adjacent residential development is inapplicable as it would constitute an Investment Value and not a Market Value.

The subject property is a portion of city-owned thoroughfare, a 3,870 (0.09-acre) site at Willow Road in Menlo Park, California. Specifically, it is a portion of Frontage Road that extends east from Willow Road, adjacent to a convenience store market to the south and a proposed low-income housing development to the north. The City intends to offer portions of it for sale to the adjacent property owners for assemblage purposes.

To value the subject, we must employ the hypothetical condition that the site has an assessor parcel number and is zoned comparably to existing, adjacent zoning, as of the date of sale. The land to the south is zoned C2B, which allows for commercial and residential-over-commercial mixed-use development. The land to the north is zoned R4S(AHO), which is a high-density residential district.

In our analysis, we use ATF methodology to value the subject as if zoned for mixed use development. This is consistent with the city's desire to increase the commercial mix on the subject's area. Accordingly, I will appraise the land adjacent to the south (under the convenience store market) and will apply the concluded land value on a \$/SF basis to the subject.

SALES COMPARISON APPROACH

The Sales Comparison Approach is based on the principle of substitution, which asserts that no one would pay more for a property than the value of similar properties in the market. This approach analyzes comparable sales by applying transactional and property adjustments in order to bracket the subject property on an appropriate unit value comparison. The sales comparison approach is applicable when sufficient data on recent market transactions is available. Alternatively, this approach may offer limited reliability because many properties have unique characteristics that cannot be accounted for in the adjustment process.

¹Dictionary of Real Estate Appraisal, Chicago, 2015, p.3

LAND VALUATION

Land value is influenced by a number of factors; most prominent of which is development and use potential. These factors, as well as others, are considered in the following analysis.

The following is a basic outline of our valuation process:

- › Value the adjacent development, using the Sales Comparison Approach.
- › Apply our concluded land value to the subject property – a hypothetical parcel with its own APN (see Hypothetical Conditions).

UNIT OF COMPARISON

The most relevant unit of comparison is the price per square foot. This indicator best reflects the analysis used by buyers and sellers in this market for land with similar utility and zoning in this marketplace.

COMPARABLE SELECTION

A thorough search was made for similar land sales in terms of proximity to the subject, size, location, development potential, and date of sale. In selecting comparables, emphasis was placed on confirming recent sales of commercial sites that are similar to the subject property in terms of location and physical characteristics. Overall, the sales selected represent the best comparables available for this analysis.

ADJUSTMENT PROCESS

Quantitative adjustments are made to the comparable sales. The following adjustments or general market trends were considered for the basis of valuation.

Transactional Adjustments

Dollar adjustments to the comparable sales were considered and made when warranted for transactional adjustments in the sequence shown below:

Property Rights Transferred	The valuation of the subject site was completed on a fee simple basis. If warranted, leased fee, leasehold and/or partial interest land sales were adjusted accordingly.
Financing Terms	The subject site was valued on a cash equivalent basis. Adjustments were made to the comparables involving financing terms atypical of the marketplace.
Conditions of Sale	This adjustment accounts for extraordinary motivation on the part of the buyer or seller often associated with distressed sales and/or assemblages.
Expenditures After Purchase	Adjustments were applied if site conditions warranted expenditures on the part of the buyer to create a buildable site. Examples include costs for razing pre-existing structures, general site clearing and/or mitigation of environmental issues.
Market Conditions	Market conditions adjustments were based on a review of historical sale data, market participant interviews and review of current versus historical pricing. Based on our research, the following table summarizes the market conditions adjustment applied in this analysis.

MARKET CONDITIONS ADJUSTMENT		
Per Year As Of	March 2020 PRE COVID-19	2%

The analysis applies an upward market conditions adjustment of 2% annually reflecting the conditions between the oldest comparable sale date up through the effective valuation date.

COVID-19 Impact Adjustment

The velocity of residential and mixed-use land sale volume transactions has been low over the past the past nine months, which is likely a result of the coronavirus pandemic, creating minimal buyer demand for real property. With continued uncertainty over the economic fallout and the pandemic’s protracted timeline, the market assumes a slight decrease in market conditions since the onset of COVID-19 and I have concluded to a -5% market conditions adjustment.

Property Adjustments

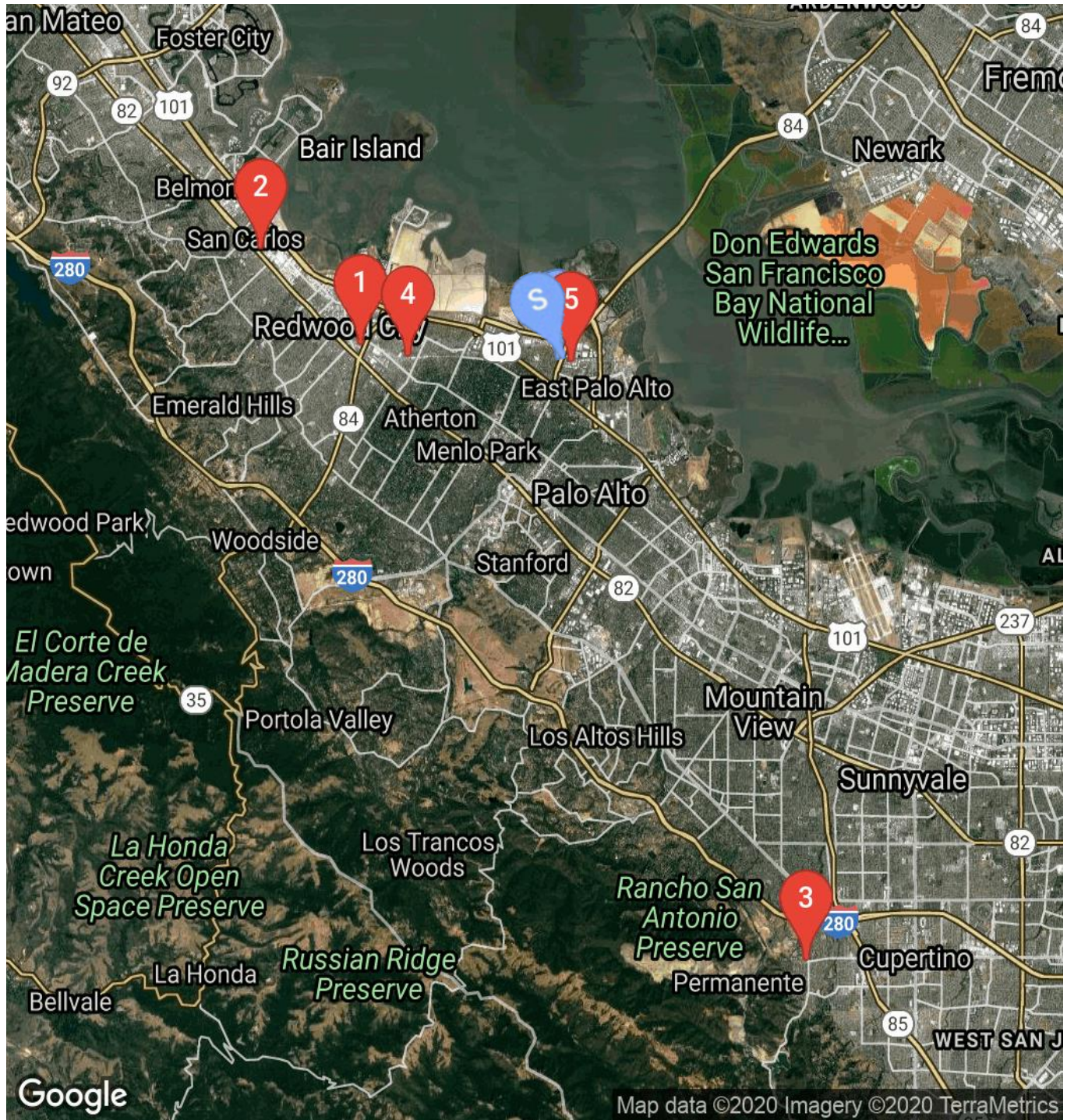
Quantitative percentage adjustments are also made for location and physical characteristics such as size, shape, access, exposure, topography, zoning and overall utility. Where possible the adjustments applied are based on paired data or other statistical analysis. For example, location adjustments are based primarily on review of land values in the market areas for the comparables relative to the subject. It should be stressed that the adjustments are subjective in nature and are meant to illustrate our logic in deriving a value opinion for the subject site.

LAND VALUATION PRESENTATION

The following Land Sales Summation Table, Location Map and datasheets summarize the sales data used in this analysis. Following these items, the comparable land sales are adjusted for applicable elements of comparison and the opinion of site value is concluded.

LAND SALES SUMMATION TABLE						
COMPARABLE	SUBJECT	COMPARABLE 1	COMPARABLE 2	COMPARABLE 3	COMPARABLE 4	COMPARABLE 5
Name	Road to be Vacated	Commercial Land	Commercial Land	Commercial Land	Commercial Land	Commercial Land
Address	1305 Willow Rd.	301 Spruce St.	841 Old County Rd.	22690 Stevens Creek Blvd	3051 Edison Wy.	N/s O'Brien Dr., e/o Kelly Ct.
City	Menlo Park	Redwood City	San Carlos	Cupertino	Redwood City	Menlo park
State	CA	CA	CA	CA	CA	CA
Zip	94025	94063	94070	95014	94063	94025
County	San Mateo	San Mateo	San Mateo	Santa Clara	San Mateo	San Mateo
APN	-	053-347-010& 020	046-182-150	342-14-104, 105 & 066	060-041-080	055-433-350
PHYSICAL INFORMATION						
Acres	0.09	0.23	0.12	0.64	0.48	0.24
SF	3,870	10,019	5,044	27,661	20,996	10,494
Shape	Irregular	Generally Rectangular	Rectangular	Irregular	Rectangular	Rectangular
Zoning	C2B	ML	IH	CG	CMU-3	Life Science
Topography	Level	Level	Level	Generally Level	Level	Level
Utilities	Yes	Yes	Yes	Yes	Yes	Yes
Easements	Standard	Standard	Standard	Standard	Standard	Storm Drain
Envrmtl Issues	None Noted	None Noted	None Noted	None Noted	None Noted	None Noted
Entitled	No	No	No	No	No	No
SALE INFORMATION						
Date	-	5/1/2020	12/31/2019	9/27/2019	1/4/2019	
Status		Listing	Recorded	Recorded	Recorded	Recorded
Rights Transferred		Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Transaction Price		\$1,098,000	\$593,251	\$3,100,000	\$2,000,000	\$750,000
\$/SF Land		\$109.59	\$117.62	\$112.07	\$95.26	\$71.47

LAND SALES LOCATION MAP



COMPARABLE KEY

COMP	DISTANCE	ADDRESS	SALE DATE	ACRES	SF	\$/SF
SUBJECT	-	1305 Willow Road, Menlo Park, CA	-	0.1	3,870	-
No. 1	3.7 Miles	301 Spruce St., Redwood City, CA	-	0.2	10,019	\$109.59
No. 2	5.9 Miles	841 Old County Rd., San Carlos, CA	5/1/2020	0.1	5,044	\$117.62
No. 3	11.7 Miles	22690 Stevens Creek Blvd, Cupertino, CA	12/31/2019	0.6	27,661	\$112.07
No. 4	2.8 Miles	3051 Edison Wy., Redwood City, CA	9/27/2019	0.5	20,996	\$95.26
No. 5	0.2 Miles	N/s O'Brien Dr., e/o Kelly Ct., Menlo park, CA	1/4/2019	0.2	10,494	\$71.47

COMPARABLE 1

LOCATION INFORMATION

Name	Commercial Land
Address	301 Spruce St.
City, State, Zip Code	Redwood City, CA, 94063
County	San Mateo
APN	053-347-010& 020

SALE INFORMATION

Buyer	-
Seller	Gjieselle Villagomez
Transaction Date	-
Transaction Status	Listing
Transaction Price	\$1,098,000
Analysis Price	\$1,098,000
Recording Number	-
Rights Transferred	Fee Simple
Conditions of Sale	Listing

PHYSICAL INFORMATION

Site Size	Acres	SF
Net	0.23	10,019
Gross	0.23	10,206
Zoning	ML	
Shape	Generally Rectangular	
Topography	Level	
Easements	Standard	
Environmental Issues	None Noted	
Utilities	Yes	



COMMERCIAL LAND

ANALYSIS INFORMATION

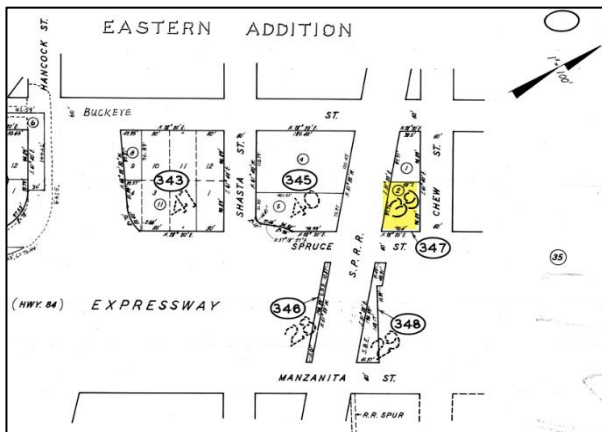
Price	<u>\$/Acre</u>	<u>\$/SF</u>
Gross	\$4,773,913	\$107.58
Net	\$4,773,913	\$109.59

CONFIRMATION

Name	Jaime Gonzalez
Company	Re/Max
Source	Listing Broker
Date / Phone Number	12/22/2020

REMARKS

This represents the active listing of a redevelopment site, which is in the process of being re-zoned to mixed use as part of the city's general plan. The property is being marketed for mixed-use. The broker reported that there has been considerable interest, but no firm offers have been received.



COMPARABLE 2

LOCATION INFORMATION

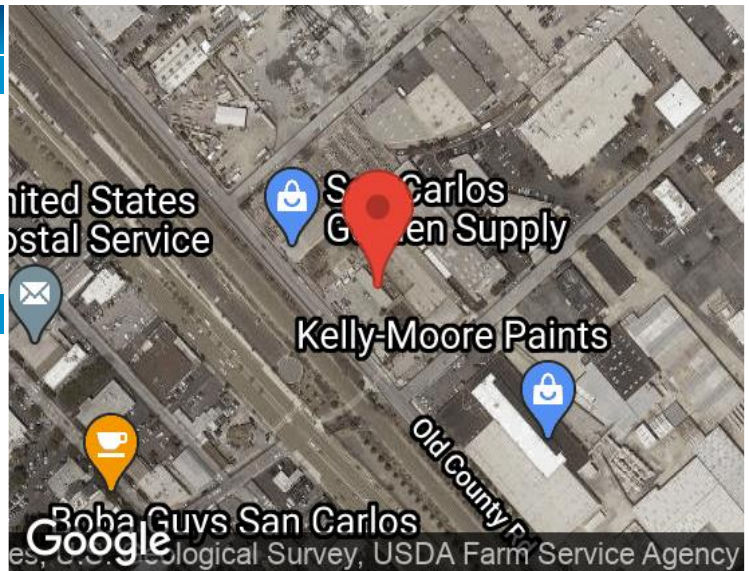
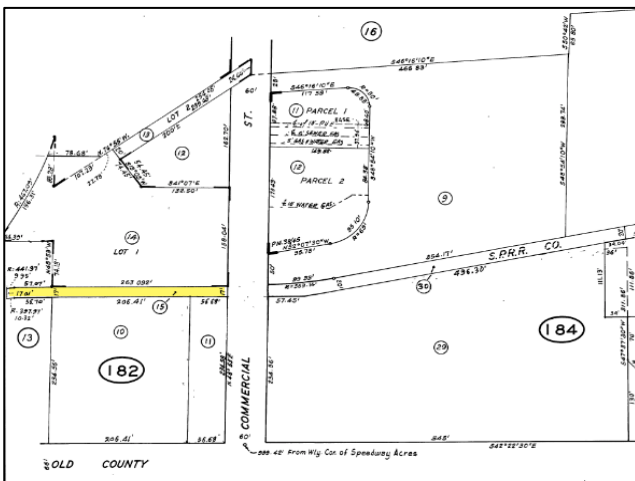
Name	Commercial Land
Address	841 Old County Rd.
City, State, Zip Code	San Carlos, CA, 94070
County	San Mateo
APN	046-182-150

SALE INFORMATION

Buyer	The Sobrato Organization
Seller	Wanda Adams
Transaction Date	05/1/2020
Transaction Status	Recorded
Transaction Price	\$593,251
Analysis Price	\$593,251
Recording Number	39263
Rights Transferred	Fee Simple
Conditions of Sale	Arms-Length

PHYSICAL INFORMATION

Site Size	Acres	SF
Net	0.12	5,044
Gross	0.12	5,044
Zoning	IH	
Shape	Rectangular	
Topography	Level	
Easements	Standard	
Environmental Issues	None Noted	
Utilities	Yes	



COMMERCIAL LAND

ANALYSIS INFORMATION

Price	\$/Acre	\$/SF
Gross	\$4,943,758	\$117.62
Net	\$4,943,758	\$117.62

CONFIRMATION

Name	Confidential
Company	Confidential
Source	Knowledgeable Third Party
Date / Phone Number	12/22/2020 Confidential

REMARKS

This represents one parcel in a multi-property sale of adjacent properties that total 1.55 acres and are situated in an office/industrial district. The parcel is situated on Commercial St., a secondary road that serves the area. It is 17 feet wide and extends approximately 310 feet deep. It is a portion of a vacated rail line and is improved with two small buildings that will be demolished. The sale price was allocated by the buyer, who intends to redevelop the property. The site was not entitled at the time of sale.

COMPARABLE 3

LOCATION INFORMATION

Name	Commercial Land
Address	22690 Stevens Creek Blvd
City, State, Zip Code	Cupertino, CA, 95014
County	Santa Clara
MSA	San Jose-Sunnyvale-Santa Clara, CA
APN	342-14-104, 105 & 066

SALE INFORMATION

Buyer	Alan Enterprises, LLC
Seller	George Bateh
Transaction Date	12/31/2019
Transaction Status	Recorded
Transaction Price	\$3,100,000
Analysis Price	\$3,100,000
Recording Number	24370764
Rights Transferred	Fee Simple
Conditions of Sale	Assumed Arms-Length

PHYSICAL INFORMATION

Location	Average/Good	
Site Size	Acres	SF
Net	0.64	27,661
Gross	0.64	27,661
Zoning	CG	
Shape	Irregular	
Topography	Generally Level	
Exposure	Average	
Corner	Yes	
Easements	Standard	



COMMERCIAL LAND

ANALYSIS INFORMATION

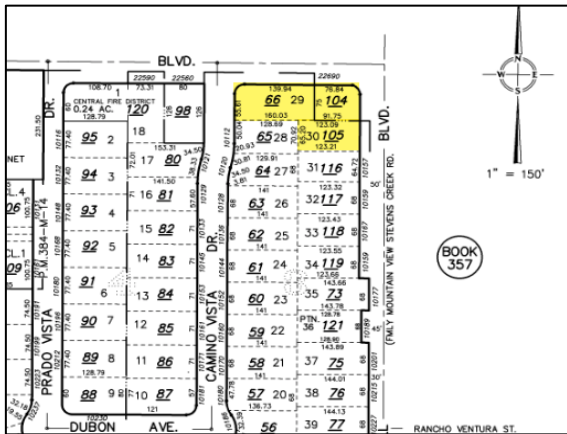
Price	\$/Acre	\$/SF
Gross	\$4,843,750	\$112.07
Net	\$4,843,750	\$112.07

CONFIRMATION

Name	Charlie Bateh
Company	Re/Max
Source	Seller's Broker
Date / Phone Number	11/11/2019

REMARKS

This comparable reflects the sale of a corner commercial site located along Stevens Creek Blvd. and Foothill Blvd. within a medical office node. It is improved with a vacant, 2,100 SF liquor store and was marketed as a redevelopment sale. It has been on the market for 19 months. The list price was \$3,500,000. The buyer plans to demolish the building and build 9, 3-story town homes. The town homes will be 4 bedroom/ 3 1/2 bath units and sold separately.



COMPARABLE 4

LOCATION INFORMATION

Name Commercial Land
 Address 3051 Edison Wy.
 City, State, Zip Code Redwood City, CA, 94063
 County San Mateo
 APN 060-041-080

SALE INFORMATION

Buyer Grove Construction
 Seller W.L Butler Construction
 Transaction Date 09/27/2019
 Transaction Status Recorded
 Transaction Price \$2,000,000
 Analysis Price \$2,000,000
 Recording Number 79792
 Rights Transferred Fee Simple
 Conditions of Sale Arms-Length

PHYSICAL INFORMATION

Location Average
 Site Size Acres SF
 Net 0.48 20,996
 Gross 0.48 20,996
 Zoning CMU-3
 Shape Rectangular
 Topography Level
 Easements Standard
 Environmental Issues None Noted
 Utilities Yes



COMMERCIAL LAND

ANALYSIS INFORMATION

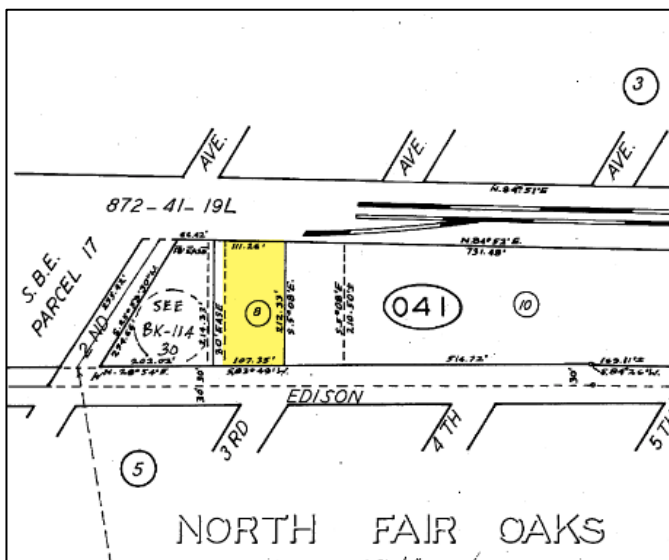
Price	\$/Acre	\$/SF
Gross	\$4,166,667	\$95.26
Net	\$4,166,667	\$95.26

CONFIRMATION

Name Greg Garcia
 Company Sequoia Realty Services
 Source Listing Broker
 Date / Phone Number 12/16/2020 +1 850 771 0656

REMARKS

This parcel is in an unincorporated San Mateo County within the Redwood City zone of influence. It is zoned industrial; however, at the time of sale, the county was re-zoning the area for mixed-use commercial. It was marketed as such and the buyer was aware of this during the transaction. The site was not entitled at the time of sale.



COMPARABLE 5

LOCATION INFORMATION

Name Commercial Land
 Address N/s O'Brien Dr., e/o Kelly Ct.
 City, State, Zip Code Menlo park, CA, 94025
 County San Mateo
 APN 055-433-350

SALE INFORMATION

Buyer TPI Investors, LLC
 Seller Clarence & Gertrude Kavanaugh
 Transaction Date 01/4/2019
 Transaction Status Recorded
 Transaction Price \$750,000
 Analysis Price \$750,000
 Recording Number 875
 Rights Transferred Fee Simple
 Conditions of Sale Arms-Length

PHYSICAL INFORMATION

Site Size Acres SF
 Net 0.24 10,494
 Gross 0.24 10,494
 Zoning Life Science
 Shape Rectangular
 Topography Level
 Easements Storm Drain
 Environmental Issues None Noted
 Utilities Yes



COMMERCIAL LAND

ANALYSIS INFORMATION

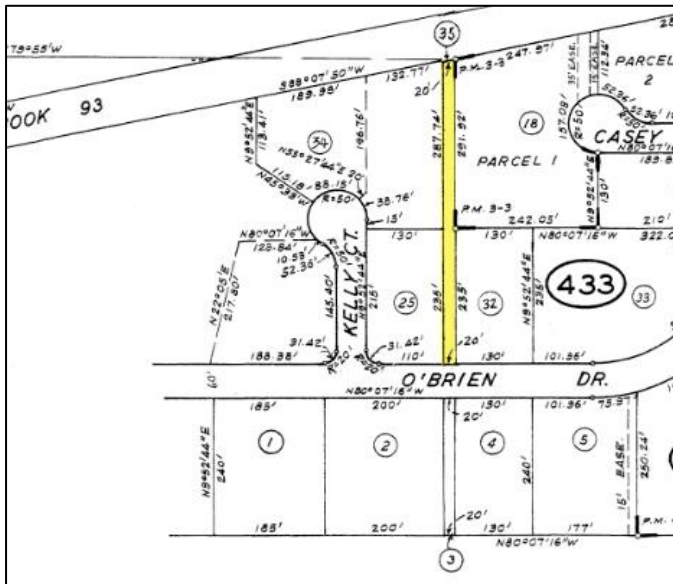
Price	\$/Acre	\$/SF
Gross	\$3,125,000	\$71.47
Net	\$3,125,000	\$71.47

CONFIRMATION

Name Sam Arsan
 Company Arsan Realty
 Source Listing Broker
 Date / Phone Number 05/22/2019 +1 650 322 3143

REMARKS

This is the sale of 20-foot-wide strip of land extending north from O'Brien Dr., east of Kelly Ct. It is and is a now-unused storm drainage culvert. The buyer is an adjacent owner who intends to fill in the culvert to use for additional parking.



LAND SALES ADJUSTMENT TABLE

COMPARABLE	SUBJECT	COMPARABLE 1	COMPARABLE 2	COMPARABLE 3	COMPARABLE 4	COMPARABLE 5
Name	Road to be Vacated	Commercial Land	Commercial Land	Commercial Land	Commercial Land	Commercial Land
Address	1305 Willow Rd.	301 Spruce St.	841 Old County Rd.	22690 Stevens Creek Blvd	3051 Edison Wy.	N/s O'Brien Dr., e/o Kelly Ct.
City	Menlo Park	Redwood City	San Carlos	Cupertino	Redwood City	Menlo park
APN	-	053-347-010&020	046-182-150	342-14-104, 105 & 066	060-041-080	055-433-350
Acres	0.09	0.23	0.12	0.64	0.48	0.24
SF	3,870	10,019	5,044	27,661	20,996	10,494
Shape	Irregular	Generally Rectangular	Rectangular	Irregular	Rectangular	Rectangular
Zoning	C2B	ML	IH	CG	CMU-3	Life Science
Topography	Level	Level	Level	Generally Level	Level	Level
Easements	Standard	Standard	Standard	Standard	Standard	Storm Drain
Envrmtl Issues	None Noted	None Noted	None Noted	None Noted	None Noted	None Noted
Entitled	No	No	No	No	No	No

SALE INFORMATION

Date	-	5/1/2020	12/31/2019	9/27/2019	1/4/2019
Status	Listing	Recorded	Recorded	Recorded	Recorded
Rights Transferred	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Analysis Price	\$1,098,000	\$593,251	\$3,100,000	\$2,000,000	\$750,000
Price/SF	\$109.59	\$117.62	\$112.07	\$95.26	\$71.47

TRANSACTIONAL ADJUSTMENTS

Property Rights	0%	0%	0%	0%	0%
Financing	0%	0%	0%	0%	0%
Conditions of Sale	-10%	-10%	0%	0%	0%
Expenditures After the Sale	0%	0%	0%	0%	0%
Market Conditions (preceding COVID-19)¹	0%	0%	0%	0%	2%
COVID-19 Market Impact	0%	0%	-5%	-5%	-5%
Subtotal Transactional Adj Price	\$98.63	\$105.86	\$106.47	\$90.50	\$69.25

PROPERTY ADJUSTMENTS

Location	0%	5%	0%	0%	0%
Size	-5%	-10%	0%	0%	-5%
Exposure	5%	0%	-10%	5%	5%
Access	0%	0%	0%	0%	0%
Shape	0%	0%	0%	0%	20%
Zoning	0%	5%	5%	0%	5%
Onsite Development	0%	0%	0%	0%	20%
Envrmtl Issues	0%	0%	0%	0%	0%
Entitled	0%	0%	0%	0%	0%
Subtotal Property Adjustment	0%	0%	-5%	5%	45%
TOTAL ADJUSTED PRICE	\$98.63	\$105.86	\$101.15	\$95.03	\$100.41

STATISTICS	UNADJUSTED	ADJUSTED
LOW	\$71.47	\$95.03
HIGH	\$117.62	\$105.86
MEDIAN	\$109.59	\$100.41
AVERAGE	\$101.20	\$100.22

¹ Market Conditions Adjustment: 2%

Date of Value (for adjustment calculations): 3/1/20

LAND SALES ANALYSIS

Introduction

The comparable land sales indicate an adjusted value range from \$95.03 to \$105.86/SF, with a median of \$100.41/SF and an average of \$100.22/SF. The range of total gross adjustment applied to the comparables was from 10% to 62%, with an average gross adjustment across all comparables of 28%. The level of total adjustment applied to the comparables is considered to be moderate. Overall, the availability of market data and extent of analysis was adequate to develop a reasonably credible opinion of land value. The adjustment process for each comparable land sale is discussed in the following paragraphs.

Discussion of Adjustments

The following adjustments were made:

Conditions of Sale – A downward adjustment was made to Sale Comparable 1 as it is a listing and not a closed transaction. A downward adjustment was also made to Comparable 2 as it sold as part of an assemblage in a market when buyers typically pay a premium for assemblages.

Market Conditions – An upward adjustment was made to Sale Comparable 5 due to improvements in market conditions preceding impact from COVID-19 in March 2020. Downward adjustments were made to Comparables 3, 4 and 5 due to the deteriorating market conditions since March 2020.

Location – An upward adjustment was made to Sale Comparable 2 due to its inferior San Carlos location.

Size – Downward adjustments were made to Sale Comparables 1, 2 and 5 due to their superior (smaller) sizes that typically result in a higher \$/SF from economies of scale, all other factors being equal.

Exposure – Upward adjustments were made to Sale Comparables 1, 4 and 5 for inferior exposure based on lot width and/or non-corner location. A downward adjustment was applied to Comparable 3 for its superior corner location within a medical office node and along a thoroughfare.

Shape – An upward adjustment was made to Sale Comparable 5 for its inferior, narrow shape (20 feet wide), which is less optimally conducive for development.

Zoning – Upward adjustments were made to Sale Comparables 2, 3 and 5 as they do not allow by-right development of mixed uses.

Onsite Development – An upward adjustment was made to Sale Comparable 5 as it requires paving to be usable as a parking lot expansion.

CALCULATION OF VALUE

The comparable land sales indicate an adjusted value range from \$95.03 to \$105.86/SF, with a median of \$100.41/SF and an average of \$100.22/SF. Based on the results of the preceding analysis, Comparable 3 (\$101.15/SF adjusted and Comparable 4 (\$95.03/SF adjusted) are given primary consideration for the subject's opinion of land value.

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

CALCULATION OF LAND VALUE								
COMP	ANALYSIS PRICE	ADJUSTMENT				NET GROSS		OVERALL COMPARISON
		TRANSACTIONAL ¹	ADJUSTED	PROPERTY ²	FINAL	ADJ %	ADJ %	
1	\$109.59	-10%	\$98.63	0%	\$98.63	-10%	20%	SECONDARY
2	\$117.62	-10%	\$105.86	0%	\$105.86	-10%	30%	SECONDARY
3	\$112.07	-5%	\$106.47	-5%	\$101.15	-10%	20%	PRIMARY
4	\$95.26	-5%	\$90.50	5%	\$95.03	-0%	10%	PRIMARY
5	\$71.47	-3%	\$69.25	45%	\$100.41	40%	62%	MINIMAL
LOW	\$95.03					AVERAGE		\$100.22
HIGH	\$105.86					MEDIAN		\$100.41
COMPONENT		SUBJECT SF		\$/SF CONCLUSION		VALUE		
CONCLUSION APPLIED TO SUBJECT		3,870		x \$100.00		=		\$390,000

¹Cumulative ²Additive

Rounded to nearest \$10,000

Some of the comparables have improvements that will be demolished. Typical to the market, these costs are excluded here and will be accounted for in the respective buyers' construction budget.

As a test of reasonableness, I note that Comparables 2 and 5 are not developable on their own, similar to the subject. These comparables indicate an unadjusted sale price range of \$71.47/SF to \$117.62/SF. My value conclusion of \$100/SF fall towards the middle of this range and therefore appears reasonable.

LAND VALUE CONCLUSION

The Sales Comparison Approach and the ATF were utilized for valuation of the subject site, as it best reflects the decision-making of buyers and sellers of development land in the local marketplace. The purpose of this appraisal is to develop an opinion of the As-Is Market Value of the subject property's fee simple interest. The following table conveys the final opinion of market value of the subject property that is developed within this appraisal report:

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

ANALYSIS OF VALUE CONCLUSIONS	
VALUATION INDICES	AS-IS MARKET VALUE
INTEREST APPRAISED	FEE SIMPLE
DATE OF VALUE	DECEMBER 10, 2020
FINAL VALUE CONCLUSION	\$390,000
\$/SF	\$100/SF
Exposure Time	Six to Nine Months

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

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions of the signers are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- The signers of this report has no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.
- David A. Williams, MAI has performed no services, as an appraiser or in any other capacity regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- The signers are not biased with respect to the property that is the subject of this report or to the parties involved with this assignment.
- The engagement in this assignment was not contingent upon developing or reporting predetermined results.
- The compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- The reported analysis, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice* and the *Code of Professional Ethics and Standards of Professional Appraisal Practice* of the Appraisal Institute.
- David A. Williams, MAI did not inspect the property that is the subject of this report. Alex Khasin, MAI inspected the property that is the subject of this report.
- Kirsten Scales provided significant real property appraisal assistance to the appraisers signing the certification. Assistance included gathering, analyzing and reporting regional, local area, zoning, and tax information, confirming some of the comparable data, and assisting with portions of the valuation analysis.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- As of the date of this report David A. Williams, MAI and Alex Khasin, MAI completed the continuing education program for Designated Members of the Appraisal Institute.

David A. Williams, MAI
 Valuation Services Director
 Certified General Real Estate Appraiser
 State of California License #AG035639
 +1 213 417 3319
 dave.a.williams@colliers.com

March 10, 2021
 Date

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

- The appraisers may or may not have been provided with a survey of the subject property. If further verification is required, a survey by a registered surveyor is advised.
- We assume no responsibility for matters legal in character, nor do we render any opinion as to title, which is assumed to be marketable. All existing liens, encumbrances, and assessments have been disregarded, unless otherwise noted, and the property is appraised as though free and clear, under responsible ownership, and competent management.
- The exhibits in this report are included to assist the reader in visualizing the property. We have made no survey of the property and assume no responsibility in connection with such matters.
- Unless otherwise noted herein, it is assumed that there are no encroachments, zoning, or restrictive violations existing in the subject property.
- The appraisers assume no responsibility for determining if the property requires environmental approval by the appropriate governing agencies, nor if it is in violation thereof, unless otherwise noted herein.
- Information presented in this report has been obtained from reliable sources, and it is assumed that the information is accurate.
- This report shall be used for its intended purpose only, and by the party to whom it is addressed. Possession of this report does not include the right of publication.
- The appraisers may not be required to give testimony or to appear in court by reason of this appraisal, with reference to the property in question, unless prior arrangements have been made therefore.
- The statements of value and all conclusions shall apply as of the dates shown herein.
- There is no present or contemplated future interest in the property by the appraisers which is not specifically disclosed in this report.
- Without the written consent or approval of the authors neither all, nor any part of, the contents of this report shall be conveyed to the public through advertising, public relations, news, sales, or other media. This applies particularly to value conclusions and to the identity of the appraisers and the firm with which the appraisers are connected.
- This report must be used in its entirety. Reliance on any portion of the report independent of others, may lead the reader to erroneous conclusions regarding the property values. Unless approval is provided by the authors no portion of the report stands alone.
- The valuation stated herein assumes professional management and operation of the buildings throughout the lifetime of the improvements, with an adequate maintenance and repair program.
- The liability of Colliers International Valuation & Advisory Services, its principals, agents, and employees is limited to the client. Further, there is no accountability, obligation, or liability to any third party. If this report is placed in the hands of anyone other than the client, the client shall make such party aware of all limiting conditions and assumptions of the assignment and related discussions. The appraisers are in no way responsible for any costs incurred to discover or correct any deficiency in the property.
- The appraisers are not qualified to detect the presence of toxic or hazardous substances or materials which may influence or be associated with the property or any adjacent properties, has made no investigation or analysis as to the presence of such materials, and expressly disclaims any duty to note the degree of fault. Colliers International Valuation & Advisory Services and its principals, agents, employees, shall not be liable for any costs, expenses, assessments, or penalties, or diminution in value, property

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

- The appraisers assume no responsibility for determining if the subject property complies with the *Americans with Disabilities Act (ADA)*. Colliers International Valuation & Advisory Services, its principals, agents, and employees, shall not be liable for any costs, expenses, assessments, penalties or diminution in value resulting from non-compliance. This appraisal assumes that the subject meets an acceptable level of compliance with *ADA* standards; if the subject is not in compliance, the eventual renovation costs and/or penalties would negatively impact the present value of the subject. If the magnitude and time of the cost were known today, they would be reduced from the reported value conclusion.
- An on-site inspection of the subject property was conducted. No evidence of asbestos materials on-site was noted. A Phase 1 Environmental Assessment was not provided for this analysis. This analysis assumes that no asbestos or other hazardous materials are stored or found in or on the subject property. If evidence of hazardous materials of any kind occurs, the reader should seek qualified professional assistance. If hazardous materials are discovered and if future market conditions indicate an impact on value and increased perceived risk, a revision of the concluded values may be necessary.
- A detailed soils study was not provided for this analysis. The subject's soils and sub-soil conditions are assumed to be suitable based upon a visual inspection, which did not indicate evidence of excessive settling or unstable soils. No certification is made regarding the stability or suitability of the soil or sub-soil conditions.
- This analysis assumes that the financial information provided for this appraisal, including rent rolls and historical income and expense statements; accurately reflect the current and historical operations of the subject property.

Plat & Legal Description

Valuation Glossary

Qualifications of Appraisers

Qualifications of Colliers International Valuation & Advisory Services

EXHIBIT "A"
Legal Description

SOUTHERN TRANSFER PORTION OF VACATED FRONTAGE ROAD

All that certain real property situate in the City of Menlo Park, County of San Mateo, State of California, being described as follows:

Being a portion of the lands described in that certain Final Order of Condemnation entered in the Superior Court of California, County of San Mateo, in that certain action entitled "City of Menlo Park, Plaintiff, vs. Ernest Thomas, et al., Defendants", Case No. 294344, recorded July 21, 1987 as Instrument No. 87113349, Official Records of San Mateo County and being a portion of Lot 48 in Block 8, as said Lot is shown on Map of "Newbridge Park, San Mateo County, California", filed for record on June 10, 1926 in Book 14 of Maps at Pages 6 and 7, Records of San Mateo County, more particularly described as follows:

BEGINNING at the most easterly corner of Parcel A, as said Parcel is shown on that certain Parcel Map, filed for record on July 18, 1979 in Book 47 of Parcel Maps at Page 44, Records of said County;

Thence leaving said corner and along the southeasterly line of said Lot 48 in Block 8 (14 M 6-7), North 22°05'09" East, 13.00 feet to the intersection of a line drawn parallel with and distant 13.00 feet northeasterly, from the northeasterly line of said Parcel A (47 PM 44);

Thence along said parallel line, North 67°57'07" West, 112.15 feet to the intersection with the northeasterly prolongation of the southeasterly line of said lands of City of Menlo Park (O.R. 87113349)

Thence along said prolongation line, South 22°04'54" West, 32.99 feet to the beginning of a non-tangent curve, concave to the southeast, having a Radius of 20.00 feet, with a radial line that bears North 67°55'06" West;

Thence northeasterly and easterly along said curve, through a central Angle of 89°57'59", with an arc Length of 31.40 feet to said northeasterly line of said Parcel A;

Thence along said northeasterly line, South 67°57'07" East, 92.15 feet to the point of **BEGINNING**.

Containing an area of 1,544 square feet, more or less.

As shown on EXHIBIT "B" attached hereto and made a part hereof.

By: John Koroyan
John Koroyan
P.L.S. No. 8883



Date: JULY 15, 2019

Closure Calculations

Southern Transfer Portion of Vacated Frontage Road
City of Menlo Park, CA

Project: 20156154
Parcel Map Check

July 15, 2019
BKF No. 20156154

Parcel Name: **SOUTHERN TRANSFER PORTION**

	North: 21,343.3042'	East: 40,441.4169'
Line	Course: N22° 05' 09"E	Length: 13.00'
	North: 21,355.3503'	East: 40,446.3048'
Line	Course: N67° 57' 07"W	Length: 112.15'
	North: 21,397.4534'	East: 40,342.3471'
Line	Course: S22° 02' 53"W	Length: 32.99'
	North: 21,366.8760'	East: 40,329.9632'
Curve	Length: 31.40'	Radius: 20.00'
	Delta: 89°57'59"	Tangent: 19.99'
	Chord: 28.28'	Course: N67° 03' 53"E
	Course In: S67° 55' 06"E	Course Out: N22° 02' 53"E
	RP North: 21,359.3574'	East: 40,348.4962'
	End North: 21,377.8948'	East: 40,356.0039'
Line	Course: S67° 57' 07"E	Length: 92.15'
	North: 21,343.2994'	East: 40,441.4242'



Perimeter: 281.71'	Area: 1,544 Sq Ft 0.035 Ac.
Error Closure: 0.01'	Course: S56° 40' 25"E
Error North: -0.0048'	East: 0.0073'
Precision 1: 32,244.42'	

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

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

Uniform Standards of Professional Appraisal Practice, 2018-2019 Edition (USPAP).

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

Absolute Net Lease

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

Ad Valorem Tax

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

Aggregate of Retail Values (ARV)

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

Arm's-length Transaction

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

As-Is Market Value

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

Assessed Value

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

Average Daily Room Rate (ADR)

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

Band of Investment

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

Cash-Equivalent Price

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

Common Area

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

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Contract Rent

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

Cost Approach

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

Curable Functional Obsolescence

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

Debt Coverage Ratio (DCR)

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

Deferred Maintenance

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

Depreciation

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

Direct Costs

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

Discounted Cash Flow (DCF) Analysis

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

Discount Rate

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

Disposition Value

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

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

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

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

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

Easement

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

Economic Life

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

Effective Age

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

Effective Date

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

Effective Gross Income (EGI)

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

Effective Gross Income Multiplier (EGIM)

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

Effective Rent

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

Eminent Domain

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

Entrepreneurial Incentive

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

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Entrepreneurial Profit

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

Excess Land

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

Excess Rent

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

Expense Stop

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

Exposure Time

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

External Obsolescence

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

Extraordinary Assumption

An assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions. Uncertain information might include physical, legal, or economic characteristics of the subject property; or conditions external to the property, such as market conditions or trends; or the integrity of data used in an analysis. An extraordinary assumption may be used in an assignment only if:

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

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Fair Market Value

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

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

Feasibility Analysis

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

Fee Simple Estate

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

Floor Area Ratio (FAR)

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

Functional Obsolescence

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

Functional Utility

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

Furniture, Fixtures, and Equipment (FF&E)

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

Going-concern

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

Going-concern Value

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

Gross Building Area (GBA)

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

Gross Leasable Area (GLA) - Commercial

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

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Gross Living Area (GLA) - Residential

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

Highest & Best Use

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

Hypothetical Condition

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

Income Capitalization Approach

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

Incurable Functional Obsolescence

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

Indirect Costs

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

Insurable Replacement Cost

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

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Interim Use

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

Investment Value

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

Liquidation Value

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

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

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

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

Leased Fee Interest

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

Leasehold Interest

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

Legally Nonconforming Use

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

Market Area

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

Market Rent

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

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Market Study

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

Market Value (Interagency Guidelines)

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

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

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

Marketability Analysis

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

Neighborhood Analysis

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

Net Operating Income (NOI)

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

Obsolescence

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

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Off-site Costs

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

On-site Costs

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

Overage Rent

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

Overall Capitalization Rate (OAR)

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

Parking Ratio

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

Potential Gross Income (PGI)

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

Potential Gross Income Multiplier (PGIM)

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

Present Value (PV)

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

Prospective Opinion of Value

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

Qualitative Adjustment

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

Quantitative Adjustment

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

Rentable Area

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

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Replacement Cost

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

Reproduction Cost

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

Retrospective Value Opinion

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

Sales Comparison Approach

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

Scope of Work

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

The extent to which the property is identified;

The extent to which tangible property is inspected;

The type and extent of data researched; and

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

Shopping Center Types

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

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

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

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Shopping Center Types (cont.)

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

Superadequacy

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

Surplus Land

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

Tenant Improvements (TIs)

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

Triple Net Lease

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

Usable Area

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

Useful Life

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

Vacancy and Collection Loss

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

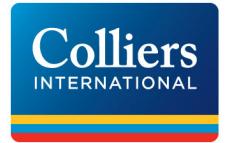
Yield Capitalization

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



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Board Member, IRWA Chapter 1
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David A. Williams is a Valuation Services Director with Colliers International Valuation & Advisory Services, located in the Los Angeles and Bakersfield offices.

Mr. Williams has performed appraisals for a wide variety of property types throughout California, New Mexico, Oregon and Hawaii. Projects include regional malls, high-rise office buildings, business parks, proposed apartments and residential subdivisions. Core competencies are highest and best use analysis, right of way/condemnation and litigation support. Assignments have included the valuation of water rights, environmental contamination and agriculture (orchards/cropland). He has been in multiple arbitrations for market rent resets, for both buildings and land.

Mr. Williams has been deposed and has testified as an expert witness in jury trials.

EXPERIENCE

Valuation Services Director, Colliers
January 2014 – present

Senior Analyst, Overland, Pacific & Cutler
October 2012 – December 2013

Senior Analyst, Integra Realty Resources,
Los Angeles – February 2010-August 2012

Senior Analyst, CB Richard Ellis, Los Angeles – February 2005-December 2010

PROFESSIONAL AFFILIATIONS AND ACCREDITATIONS

Member – Appraisal Institute, August 2014

Reviewer Designation (AI-GRS) – Appraisal Institute 2019

Board Member – International Right of Way Association (IRWA), Chapter 1 since 2016

APPRAISAL INSTITUTE COURSES

- Valuation of Conservation Easements
- Appraising the Appraisal: Appraisal Review – General
- USPAP 15-Hour
- USPAP 7-Hour
- Basic Income Capitalization
- Advanced Income Capitalization
- Advanced Sales Comparison & Cost Approaches
- Appraisal of Nursing Facilities
- General Appraiser Market Analysis and Highest & Best Use
- Report Writing and Valuation Analysis
- Advanced Applications
- Business Practices and Ethics
- General Demonstration Appraisal Report Writing Seminar

OTHER RELATED COURSES

- Appraisal Principles & Procedures
- Appraising Estates Subject to IRS Regulations
- 48th-50th Annual Litigation Seminars
- Appraisal Institute Litigation Workshop

PROFESSIONAL SERVICE

- Chair, Appraisal Institute Hearing Committee
- Chair, IRWA Chapter 1 Newsletter

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REPRESENTATIVE CLIENTS AND PROJECTS

Client: Google, Inc. – Ground lease arbitration with NASA (Federal Government) – market rent reset in a flood zone. Considerations include anticipated construction finishing costs and water retention ponds.

Client: Honolulu Area Rapid Transit (HART) – Leading valuation team for the acquisition of real property for the construction of an overhead rail line in Honolulu.

Client: BNSF Railroad – Valuation of multiple parcels to expand existing right-of-way in Belen, New Mexico.

Client: California Department of Transportation (CALTRANS) – Widening of US Highway 395 -- subcontracted by Epic Land Solutions to value 49 parcels along US Highway 395 in Adelanto and Victorville. Primary issues were highway access and landlocked remainder parcels.

Client: Greenberg, Glusker/Starpont Capital – Ground rent reset contingent upon the highest value of the following: value as-is, current highest & best use and highest & best use as of lease commencement. Predominant issue was understanding why the punitive lease escalations were written and agreed to by the lessee.

Client: High Speed Rail/Epic Land Solutions – Approximately two dozen agricultural properties in Wasco, Kern County. Appraisal problems included re-routing of irrigation and harvesting lanes, well estimates, crop yields, and allocation to the leased fee/leasehold positions per the Caltrans Right of Way Manual, Chapter 7.

Client: State of Qatar – Client was looking to acquire a single-tenant building in Beverly Hills. Appraisal problems included valuing the premium, if any, of the Richard Meier re-design and the impacts of the Metro Purple Line extension, which identified the subject as a full take for a construction yard.

Client: City of Murrieta/Epic Land Solutions – Valued three agricultural properties impacted by a right of way project. Appraisal problems included assessing the impact of Riverside County's Multiple Species Habitation Conservation Plan (MSHCP).

Client: Rutan & Tucker, LP – Valued damages on a 200-acre agricultural property in Hinkley, CA posed by the re-routing of Highway 58. Appraisal problems included valuation of arable versus non-arable land, and warranted research of water rights and its market per acre foot.

Client: Fox, Rothchild, LP – Valued a 62-acre Superfund site in Rialto, CA. Appraisal problems included determining a range of value for the property as remediated and in its as-is condition giving that the final EPA report had yet to be issued.

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REPRESENTATIVE CLIENTS AND PROJECTS

Client: Demetriou, Del Guercio, Springer & Francis, LP -- Analyzed damages to a 40,000 SF industrial property posed by the expansion of a primary arterial in Walnut, CA. Appraisal problems included an analysis of lost rent, diminished access, security and utility and the leaseability of the space during the construction period.

Client: Bank of the West – Valued a proposed surgical center for a construction loan. Appraisal problem related to the high cost of construction that could only be supported via an analysis of the surgery center market and the anticipated effects of the Affordable Care Act.

Client: C-III Asset Management -- Performed leasehold valuation with possessory interest. Appraisal problems included city-held land and tenant construction loans based on the value of the tenant's lease payment schedule.

Client: SANBAG -- I-15 & I-215 Devore Freeway Interchange Project. Provided appraisal for acquisition of an aerial easement utilized by a freeway billboard sign.

Client: LADWP -- Provided appraisal to value the acquisition of 2,300 acres of Kern County desert land with full entitlements for the construction of a 230 mW utility-scale, photovoltaic solar generating facility. Subsequently, developed a market rent analysis for a regional utility company to evaluate leasing a portion of the site to a private energy consortium. Involved extensive analysis on the viability of utility-scale solar power projects.

Client: City of Covina – Valuation of two development sites subject to the city purchasing a portion of each for public use.

Client: City of Bellflower -- Appraised the vacation of a portion of a city street with a cul-de-sac for a lot tie with an adjacent city-owned parcel for possible sale to a mixed-use developer. Also appraised a right of way acquisition for road widening that included an automobile dealership. Multiple scenarios included demolishing the building and using a cut-and-face technique to save the building.

Client: Mountains, Recreation & Conservation Authority (MRCA) -- Appraised 400 acres of Simi Hills land with an extensive highest and best use analysis on subdivisions versus luxury estate development.

Client: U.S. Government -- Performed complex highest and best use analyses for fee acquisitions by public agencies. Appraisal problems included multiple zonings on site, functional and external obsolescence, growth corridors and federally-owned (unzoned) areas, e.g., Vandenberg AFB and March ARB.



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

David A. Williams

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 035639

Effective Date: November 17, 2020
Date Expires: November 16, 2022

Loretta Dillon, Deputy Bureau Chief, BREA

3054011



Colliers International

Valuation & Advisory Services

Services Offered

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Lease and Cost Analysis
Insurance Valuation
Arbitration & Consulting
Feasibility Studies
Investment Analysis
Highest and Best Use Studies
Tax Appeals
Litigation Support
Segregated-Cost Analysis

Experience That Counts

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Agriculture
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Hospitality
Health Care
Subdivisions
Embassies & Consulates
GSA Properties
Special Use Properties
Telecommunications

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

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

Commitment to high-end client service, coupled with Colliers International's unparalleled market intelligence and resources, differentiates us as the firm of choice in the real estate industry.

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Our professionals share a commitment to deliver the highest level of service and consistent results. We go the extra mile for our clients, whether this means meeting a tight deadline or working with a complex and challenging property.

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Our unmatched report creation technology speeds appraisals through the pipeline. This secure, centralized production system generates a wide range of reports and high volume portfolio orders without delays.

INFORMATION

Today's business climate places valuation in a more pivotal position than ever before. All our appraisals are evaluated and approved by an experienced review team to ensure our clients receive concise and timely appraisals. With clear, prompt reporting and a comprehensive, big picture approach, Colliers International's Valuation and Advisory reports give our clients the information they need to make better business decisions.

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