

Appraisal Report

2143 S. Atlantic Blvd. | Commerce, CA

as of March 28, 2019

Latitude: 34.007505 N

Longitude: 118.161698 W



Prepared for

Vilko Domic
Director of Finance
City of Commerce

Prepared by

Matthew VanEck, MAI

KM Job AC19-088

Kidder Mathews

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April 27, 2019

Vilko Domic
Director of Finance
City of Commerce
2535 Commerce Way,
Commerce, CA 90040

RE: 2143 S. Atlantic Blvd,
Commerce, CA 90040

Dear Mr. Domic:

At your request, we have prepared an appraisal of the above-referenced property, which is fully described in the attached report. As requested, we have developed an opinion of the As-Is Market Value of the Fee Simple interest in the subject property as of March 28, 2019. This report conforms to the current Uniform Standards of Professional Appraisal Practice (USPAP).

The Subject Property consists of one parcel of mixed use zoned vacant land that totals 7,477 square feet (or 0.17 acres). The Subject Property is located in the City of Commerce and was unimproved as of the date of value.

As a result of our investigation and analysis, we have concluded that the market value of the fee simple interest in the subject real estate, subject to the limiting conditions and extraordinary assumptions contained herein, is:

As of March 28, 2019.....\$335,000

Respectfully submitted,



Matthew VanEck, MAI
Certified General Real Estate Appraiser
License # AG042827

MV/em

Certification

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

- 1) The statements of fact contained in this report are true and correct.
- 2) The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- 3) I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- 4) I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- 5) My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- 6) This appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.
- 7) The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- 8) Matthew T. VanEck, MAI made a personal inspection of the property that is the subject of this report on March 28, 2019.
- 9) I have not provided professional appraisal or consulting services concerning the subject property within the past three years.
- 10) Robert Dunatov provided real property appraisal assistance to the persons signing this certification.
- 11) The reported analyses, opinions, and conclusions were developed and this report has been prepared in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
- 12) The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- 13) As of the date of this report, Matthew T. VanEck, MAI has completed the continuing education program for Designated Members of the Appraisal Institute, and Robert Dunatov has completed the Standards and Ethics Education Requirement of the Appraisal Institute for Candidates.



Matthew VanEck, MAI
Certified General Real Estate Appraiser
License AG042827

Limiting Conditions

Limiting conditions specific to this appraisal are:

- 1) Physical dimensions for the property were taken from public records or from information provided, and the appraisers assume no responsibility in connection with such matters. Any sketch or identified survey of the property included in this report is only for the purpose of assisting the reader to visualize the property.
- 2) I assume that there are no hidden or unapparent conditions of the property, subsoil, or structures (including asbestos, soil contamination, or unknown environmental factors) that render it more or less valuable. No responsibility is assumed for such conditions or for arranging the studies that may be required to discover them.
- 3) No responsibility is assumed for the legal description or for matters including legal or title considerations.
- 4) The information identified in this report as being furnished by others is believed to be reliable, but no warranty is given for its accuracy.
- 5) The appraiser is not required to give testimony or attendance in court by reason of this appraisal unless arrangements have previously been made.
- 6) The allocation of total value to land, buildings, or any fractional part or interest as shown in this report is invalidated if used separately in conjunction with any other appraisal.
- 7) Valuation Advisory Services is a subsidiary of Kidder Mathews, a full service commercial real estate brokerage firm. On occasion, employees or agents of the firm have interests in the property being appraised. When present, interests have been disclosed, and the report has been made absent of any influence from these parties.

RESTRICTION UPON DISCLOSURE & USE:

Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraisers or the firm with which he/she is connected, or any reference to the Appraisal Institute or to the MAI designation) shall be disseminated to the public through advertising media, public relations media, news media, sales media or any other public means of communication without the prior written consent and approval of the appraiser. No part of this report or any of the conclusions may be included in any offering statement, memorandum, prospectus, or registration without the prior written consent of the appraiser.

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Summary of Appraisal

Summary of Appraisal

Identity of Property	Vacant Land 2143 S. Atlantic Boulevard Commerce, CA 90040
Location	The property is located on the northeast corner of S. Atlantic Boulevard and Everington Street, just west of Interstate 5, in the City of Commerce in Los Angeles County, California.
Property Description	The Subject Property consists of one parcel of mixed use zoned vacant land that totals 7,477 square feet (or 0.17 acres). The Subject Property is located in the City of Commerce and was unimproved as of the date of value.
Highest & Best Use	As If Vacant Commercial development
Scope	This is a fully-described appraisal employing all applicable approaches to value.
Intended User/Use of Appraisal	The purpose of this appraisal is to develop an opinion of the As-Is Market Value as of the effective date of the appraisal. The intended use of this appraisal is for internal business making decisions. The City of Commerce ("Client"), and advisors to the Client are the only intended users of this report.
Property Rights Appraised	Fee Simple Interest
Extraordinary Assumptions	None
Hypothetical Conditions	None
Effective Date of Appraisal	March 28, 2019
Final Value Conclusion	\$335,000

Personal Intangible Property	No personal property or intangible items are included in this valuation.
Date of Report	April 27, 2019
Date of Last Inspection	March 28, 2019
Exposure Time	Six months or less



Aerial Photograph

Subject Photographs

View looking southeast over the property from the NEC



View looking southwest over the property from the NEC



View looking northeast over the property from the NWC



Subject Photographs

View looking east over the
property from the NWC



View looking northwest over the
property from Atlantic Blvd



Alternative view looking
northwest over the property
from Atlantic Blvd



Introduction

Introduction

Identity of Property The Subject Property consists of one parcel of mixed use zoned vacant land that totals 7,477 square feet (or 0.17 acres). The Subject Property is located in the City of Commerce and was unimproved as of the date of value.

ADDRESS 2143 S. Atlantic Boulevard
Commerce, CA 90040

LEGAL DESCRIPTION A legal description for the subject property was not available. The property is commonly identified by the Los Angeles County Assessor as tax parcel number 5244-014-904.

Ownership History Title in the Subject Property is currently held by the City of Commerce. Title was acquired by a related agency to the current owner, The Commerce Community Development Commission, successor in interest to the City of Commerce Redevelopment Agency, as recorded on February 15, 2012 in document number 12-0254832 of the Official Records of Los Angeles County, for an unknown amount. There has been no transfer of the property in the past three years and the site is not currently listed for sale.

Property Rights Appraised This is an appraisal of the fee simple estate. The definition of “fee simple estate” is as follows:

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.

Source: The Dictionary of Real Estate Appraisal, Sixth Edition. Chicago: Appraisal Institute, 2015.

Purpose of Appraisal The purpose of this appraisal is to determine the market value of the subject property. The term “Market Value” is defined as:

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 the buyer under conditions whereby:

- a. the buyer and seller are typically motivated;*
- b. both parties are well informed or well advised, and acting in what they consider their own best interests;*
- c. a reasonable time is allowed for exposure in the open market;*
- d. payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and*
- e. 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.*

Source: Office of the Comptroller of the Currency under 12 CFR, Part 34, Subpart C-Appraisals, 34.42 Definitions [g].

Scope of Work

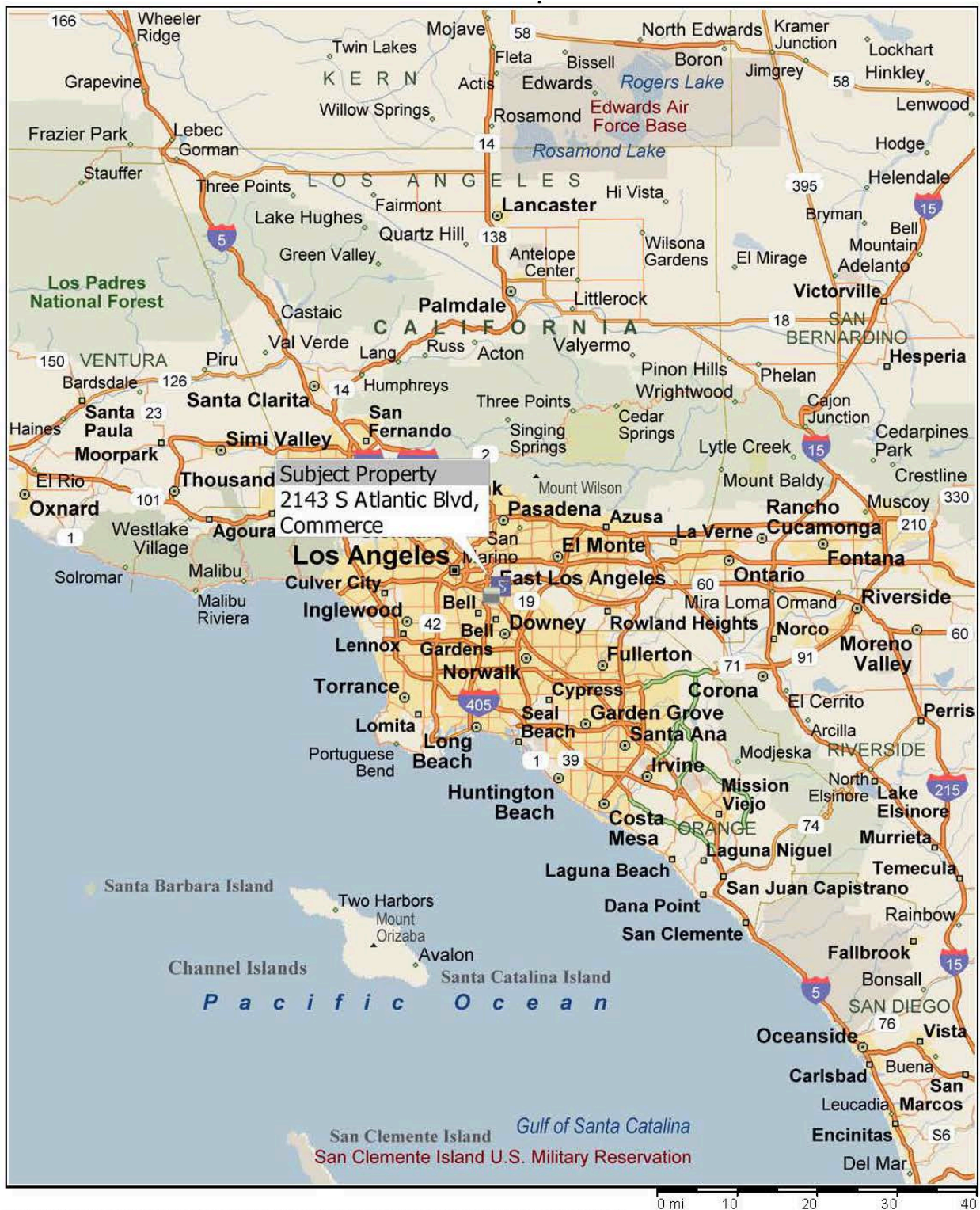
The subject property is appraised based on the following scope of work.

- The subject property consists of a 7,477 square feet (or 0.17 acres). The Subject Property is located in the City of Commerce and was unimproved as of the date of value.
- The subject property was inspected by Matthew VanEck, MAI on March 28, 2019.
- The sales comparison approach was developed for the subject land valuation. There have been sufficient transactions in the market for the sales approach to provide good evidence for market value. The income approach and cost approach were excluded from the analysis.
- The research of data included both general and specific data. Sources of general data that are included in the market trends and neighborhood description were obtained from various private and governmental sources.
- Specific data concerning the subject was obtained from various sources including the owner, City of Commerce (zoning and building plans), and Los Angeles County (assessed values and real estate taxes).

- Data compiled in the analysis of the building sales was obtained from CoStar Comps, Inc., LoopNet, AIR CRE, as well as Kidder Mathews' own in-house data files. Rental data was obtained from leasing agents and AIR CRE on competing properties.
- The Sales Comparison Approach is based on an analysis of land value per square foot of usable area. The area of research for comparable land sales was in the City of Commerce and surrounding area.
- We attempted to confirm all of the sales data with a party involved in the transaction. When unavailable, we verified sales information through public records.
- The reconciliation and final value opinions is based on an overview of which approach or approaches we believe are the best indicators of value for the subject.

Value Scenarios	As- Is Value: The estimate of the value of real property in its current physical condition, use, and zoning as of the appraisal date.
Intended Use & Intended Users	The purpose of this appraisal is to develop an opinion of the As-Is Market Value as of the effective date of the appraisal. The intended use of this appraisal is for internal business making decisions. The City of Commerce ("Client"), and advisors to the Client are the only intended users of this report.
Extraordinary Assumptions	None
Hypothetical Conditions	None
Date of Report	April 27, 2019
Date of Last Inspection	March 28, 2019
Effective Date of Appraisal	March 28, 2019

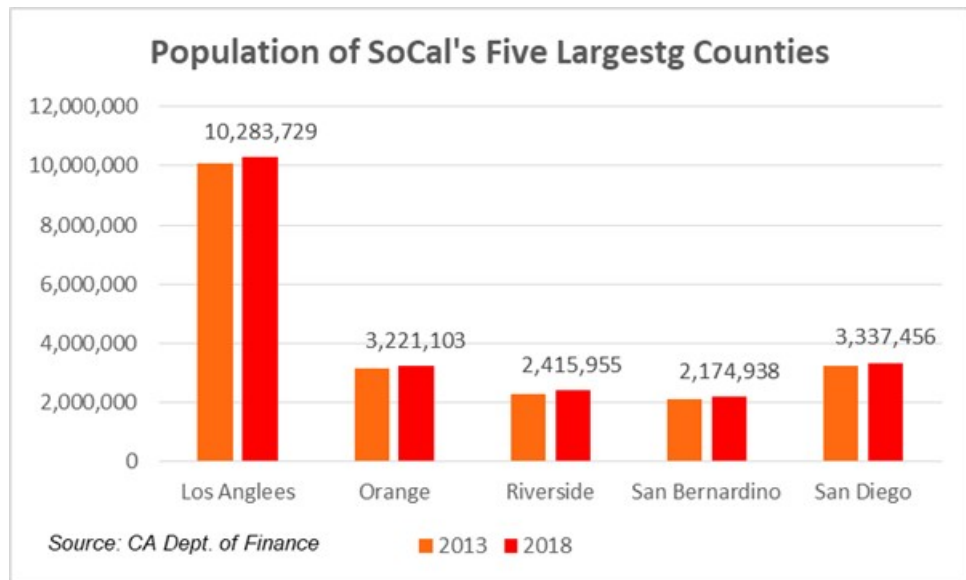
Market Overview



Regional Map

Regional Overview

Introduction	<p>The subject property is situated within the Southeast Los Angeles submarket area in the city of Commerce within Los Angeles County, California and part of the Los Angeles-Long Beach-Anaheim metropolitan statistical area (MSA). The MSA consists of Los Angeles and Orange Counties. Los Angeles County is the second largest metropolitan area in the United States with an estimated 10.284 million residents. Orange County is the sixth most populous county in the United States with an estimated 3.2 million residents. It is generally bounded by Los Angeles County to the north, Riverside County to the east, San Diego County to the south and Pacific Ocean to the west.</p>
Regional Character	<p>Los Angeles-Long Beach-Anaheim metropolitan (MSA) is regarded as the epicenter for all of Southern California. It is bordered by 70 miles of coastline on the Pacific Ocean. It has 88 incorporated cities and many unincorporated area within 4,083 square miles. The Los Angeles River, Rio Hondo, the San Gabriel River and the Santa Clara River flow in Los Angeles County, while the primary mountain ranges are the Santa Monica Mountains and the San Gabriel Mountains.</p> <p>Los Angeles is associated with the entertainment and digital media industry. All six major film studios: Paramount Pictures, 21st Century Fox, Sony, Warner Brothers, Universal Pictures, and Walt Disney Studios, are located within the county. In addition, there are five amusement parks that include Universal Studios Hollywood, Ragin Waters, Six Flags Magic Mountain, Six Flags Hurricane Harbor, and Pacific Park. High-tech sector employment within Los Angeles County is 368,500 workers. There are numerous other major industries that define the economy including international trade supported by the Port of Los Angeles and Port of Long Beach, music recording and production, aerospace and defense, fashion, and professional services. Lastly, the Fortune 500 companies that are headquartered in Los Angeles County include Farmers Insurance, Walt Disney, Live Nation Entertainment, AECOM, Edison International, Activision Blizzard, Mattel, Molina, Avery Dennison, Healthcare, and A-Mark Precious Metals.</p>
Economic Performance	<p>The population of Los Angeles County is currently 10,283,729 residents. The county has by far the largest population in Southern California. The table below shows the population difference in Southern California's five largest counties.</p>



Some of the population growth effects of slowing down is caused by many aging Baby Boomers near retirement.

The employment rate for the Los Angeles County has been stable and at a near ten year historical low of 4.6% which is near the California average of 4.2% and the national average of 3.9%.

	Orange	San Bernardino	Riverside	Los Angeles	California	USA
2008	6.5%	9.9%	10.3%	9.5%	9.2%	7.3%
2009	9.1%	1.4%	13.7%	11.9%	12.1%	9.9%
2010	9.1%	13.0%	13.3%	12.3%	12.2%	9.3%
2011	8.2%	11.8%	12.2%	11.5%	11.2%	8.5%
2012	7.0%	10.3%	10.4%	10.1%	9.7%	7.9%
2013	5.7%	8.5%	8.7%	8.6%	8.3%	6.7%
2014	4.6%	6.7%	6.9%	7.2%	6.9%	5.6%
2015	4.0%	5.6%	5.8%	5.5%	5.7%	5.0%
2016	3.6%	5.2%	5.5%	4.7%	5.3%	4.7%
2017	2.9%	4.0%	4.4%	4.1%	4.5%	4.1%
2018	2.8%	3.8%	4.1%	4.6%	4.2%	3.9%

Source: U.S. Bureau of Labor Statistics

Los Angeles' labor market has been extremely tight since mid-2016, with the unemployment rate currently standing near 4.5% as of the 1st Quarter 2019, creating challenges for many firms trying to expand. The prohibitive cost of housing is a chronic problem for the metro and it's driving lower-income households east, to places like the Inland Empire and Phoenix. Yet Los Angeles remains an entry point for international migration, which helps offset the domestic population loss. The steady flow of international arrivals coupled with natural population growth is enough to keep Los Angeles growing, albeit very slowly. The metro averaged 0.5% annual population growth rate over the last ten years. LA is also an attractive

destination for younger tech, entertainment, and professional workers—which often fall into the HENRY category (high earners, not rich yet)—a demographic that reliably drives apartment demand.

After years of subpar wage growth from 2010 to 2014 (average 1.8%), LA County's wages began to accelerate in 2015 and continued to expand in 2018, with average four-quarter wage growing by 3.8% in 18Q2 from 17Q2, compared to 2.6% in the nation. Competition for a dwindling pool of skilled workers should boost wages as well. Businesses in the cities of LA, Santa Monica, Pasadena, and unincorporated portions of the county will see an increase in the minimum wage over the next three years that will outpace the statewide mandate. Wage growth has been translating into income growth, as the annual median household income is about \$65,200. While income has hardly kept up with the growth of home prices, it has spurred growth in online spending, at dining establishments and, to a lesser extent, at traditional retail stores.

The population's rate of educational attainment may make it more challenging for businesses looking for highly skilled, tech-savvy workers. Only 30% of residents hold a bachelor's degree, compared to 40% in the largest 10 metros across the nation. But this proportion is growing. While recent job growth has favored many lower-paying sectors, such as health services and leisure and hospitality, businesses across many sectors have been transitioning to a higher proportion of high-skilled occupations.

Computer and mathematical occupations, such as software developers and engineers, are among the most in-demand occupations based on both employment and wage growth in recent years. Much of the hiring for these workers is happening in the Westside submarkets synonymous with Silicon Beach, where companies like Hulu, Snapchat, and Electronic Arts have major operations and startup activity is prevalent.

Logistics and transportation companies are not exempt from difficulties in finding highly skilled workers. In LA County, where warehouse space is generally more expensive than in neighboring Inland Empire, stacking is much more important and that encourages newer high-tech capital like robotics and skilled workers that can utilize warehouse management systems. Furthermore, demand for these workers and warehouse space will continue to rise as the rate of goods entering and exiting through the twin ports of LA continues to grow. Loaded TEU's reached an all-time high in 2018. However, uncertainty in trade negotiations between the United States and its major trading partners could negatively impact trade flows.

Education

The California State University system is composed of 23 campuses spanned throughout the state with over 425,000 students enrolled and is the largest senior system of higher education in the United States. There are five California State Universities within Los Angeles County that include Polytechnic University-Pomona, Dominguez Hills-Carson, Long Beach, Los Angeles, and Northridge. Another public university system is the University of California, which includes 10 campuses throughout the state and comprises of more than 230,000 students and more than 180,000 faculty and staff. University of California Los Angeles (UCLA) is the second-oldest undergraduate campus of the ten-campus University of California system with an estimated enrollment of 44,947 students and is located in Westwood. There are also nine community colleges in the area. There are several private universities in Los Angeles County as well, including University of Southern California with over 45,600 enrolled students and Pepperdine University with over 7,826 enrolled students.

Transportation

Surface transportation in Los Angeles County relies heavily on many major interstate highways and state routes. Some of them include the Santa Ana Freeway (I-5), the San Diego Freeway (I-405), the San Gabriel River Freeway (I-605), and the Long Beach Freeway (I-710). The other freeways in the county are state highways, and some of them include the Riverside and Artesia Freeway (SR 91), Western Avenue (SR 213), and Pomona Freeway (SR 60).

Los Angeles International Airport (LAX) is the fourth busiest airport in the world by passenger traffic with 84,557,968 passengers in 2017 and second busiest in the United States. The Hollywood Burbank Airport is located three miles northwest of downtown Burbank in Los Angeles County, California. This is a domestic airport with a recorded 4,739,466 passenger's traffic in 2017.

The Los Angeles County Metropolitan Transportation Authority (LACMTA) is the public sector transportation which directly operates bus, light rail, heavy rail, and bus rapid transit services. It provides funding and directs planning for commuter rail and freeway/expressway projects within Los Angeles County. There are approximately 1,259,017 average weekday boardings for all transit services in 2017. LACMTA operates two heavy rails, six light rails, two bus rapid transit lines, and 170 bus lines throughout Los Angeles County.

Regional Housing Market

According to the Los Angeles County Economic Development Corporation, the current market conditions are that new residential home permits are expected to grow to 23,061 in 2018, from 22,010 in 2017. In

2019, there should be another uptick in home construction to 23,143. The 2018 median home prices are forecasted at \$592,094, up from \$560,858 last year and \$624,901 in 2019.

Apartment Market

Los Angeles continues to be a favorite target of multifamily investors and developers. Supply constraints and community opposition prevent most submarkets from being overbuilt, and a high degree of investor interest means that the market will remain liquid. More than 50% of residents rent their homes, the highest ratio of renters to owners of any major metropolitan in the country. The deep renter pool helps to guarantee steady demand and healthy rent growth potential, as vacancies were at their lowest level in over a decade at mid-year 2018.

The large diverse Los Angeles County economy is coupled with a widespread housing shortage. This shortage should ensure that fundamentals remain stable for the foreseeable future. In addition, there are high-profile projects like the NFL stadium in Inglewood and the Lucas Museum of Narrative Art in Exposition Park which could help jump-start development in the generally neglected southern part of the metropolitan. Lastly, Los Angeles' recent selection as the host of the 2028 Summer Olympics should also help boost infrastructure spending and development across the county.

Office Market

The Los Angeles office market maintained momentum in early 2018 as rent growth continues to outpace the national average. The peak of this cycle's development wave has arrived, with more than 2 million square feet of new office product expected to deliver each year from 2017-2020. Vacancies are expected to rise slightly in the near term as a result of these new deliveries. The Westside has been the biggest beneficiary of late, especially in properties catering to the media, tech, and sundry creative industries. Conversions and redevelopment are increasing in response, as aging office and industrial product is repurposed into modern creative office space. The Los Angeles County annual rent growth stands at about 3.2% well above the national average, but less than half the heady rates achieved at the peak of the cycle. Office properties are trading at around \$360/SF, a figure that has trended downward since peaking at \$400/SF in 2016.

Industrial Market

The exceptionally tight Los Angeles industrial market finally showed a slight vacancy expansion, as a number of large-scale move-outs generated negative absorption in 1Q2018. While this much vacant space hitting the market would rattle most metropolitan, Los Angeles is an extremely stable market with persistent demand and slow supply growth.

Three consecutive years of 8%-plus rent growth is testament to the market's robust fundamentals. Investors here continue to accept low returns in exchange for stability and liquidity, as extremely low cap rates have continued to trend down in 1Q2018.

Retail Market

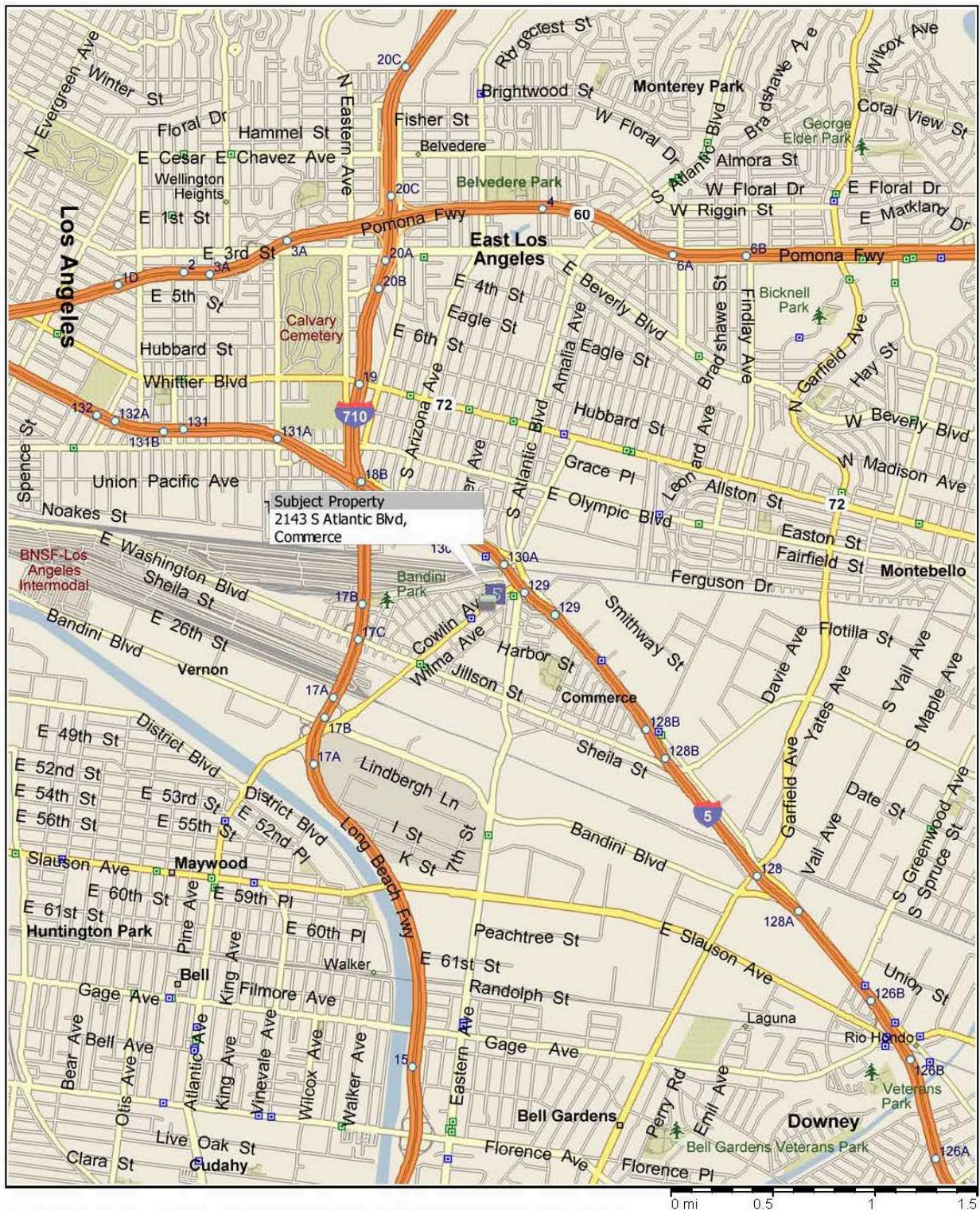
The Los Angeles County market's strong demand since 2Q2017 has led to a historically low vacancy of 3.8%. These retail centers in affluent neighborhoods have been driving demand throughout this cycle. Last year, retail centers primarily benefited the outlying parts of the metropolitan such as the Antelope Valley. The overall rent growth has been moderate as of late except outlying parts of the metropolitan. This area has posted its biggest year-over-year growth rates. The current retail development has been modest over the past 12 months. This is following a large wave of deliveries in the first half of 2017 which had strong leaving activity. Investment activity has been stable over the last six quarters and at about the metropolitan's historic average.

Area Market Summary

While growth has been slowing, the region is approaching or is near full employment. Commercial real estate is near historic high occupancy and home prices are rising sharply. The strong economy has reached a point where the Los Angeles retail market vacancy rate is below 5% in retail. Growth will likely be at nominal pace.

Another issue is the cost and availability of housing. The only areas that are adding significant new housing are the suburban areas of Los Angeles County (High Desert) and in the Inland Empire. Even though new development is occurring rapidly in some areas, it is not fast enough to keep pace with demand. This is pushing up home prices, especially in the Coastal areas where the majority of jobs exist. While we see this as a problem, most observers see a positive outlook for the commercial real estate markets in Southern California.

One of the key factors causing growth in suburban areas is the lack of vacant land in the Los Angeles basin. Land prices have been rising rapidly for all property types in most locations in Southern California. As land prices are pushed higher, densities tend to increase due to market pressure and government response. A notable area where this is occurring is in downtown Los Angeles where thousands of new residential units have been built recently and more are on the way.



Neighborhood Map

Neighborhood Data

Introduction

The subject is located within the Southeast Los Angeles submarket in the City of Commerce. The area is accessed by Interstate 5 and Interstate 710. It is bordered by Vernon on the west, Los Angeles on the northwest, East Los Angeles on the north, Montebello on the east, Downey and Bell Gardens on the south, and Maywood on the southwest. The neighborhood is primarily improved with industrial uses with some commercial developments located along major arterials.

Southeast Los Angeles Location

This neighborhood has good local and regional access. The area is surrounded by a network of freeways including the I-5, and I-710. Access to these freeways is available by a series of major arterials in the area including Washington Boulevard, Eastern Avenue, and Garfield Avenue.

The Subject fronts on Atlantic Boulevard, which does not have direct freeway access, though it is located nearby. Atlantic Boulevard is a two-way, six-lane major arterial street that runs north into Alhambra where it becomes Los Robles Avenue and south into downtown Long Beach.

Neighborhood Character

The subject's neighborhood is characterized by its mostly retail and light industrial uses along Atlantic Boulevard and residential uses along secondary arterials. Heavy industrial uses are located further to the south. There are vacant and underutilized sites located throughout the city, including the Subject Property. Though a number of these lots are owned by the City of Commerce. Older improvements in the neighborhood are being renovated and expanded or demolished and replaced with new improvements resulting in higher densities or more modern designs. The neighborhood property owners generally consist of a mix of local and regional investors and owner/users for all product types.

Demographics

Below is a summary of demographic information for the area (radius 1, 3 and 5 miles) surrounding the Subject Property, sourced by LandVision, an on-line resource center that provides property and demographic information

As shown, moderate population growth (3.4%) is anticipated to occur in the Subject's market area (3-miles radius) over the next few years. Much of this growth will be achieved by the stable outlook of the regional economy.

Population By Year			
	1 Mile	3 Miles	5 Miles
Population (1990)	18,603	276,747	760,169
Population (2000)	18,984	283,237	782,445
Population (2010)	19,386	280,235	773,199
Population (Current)	20,309	291,345	801,692
Population (5 Yr. Forecast)	21,001	301,265	828,865
Percent Growth (Current Yr./Previous Yr.)	4.47%	3.96%	3.68%
Percent Forecast (5 Yr. Forecast/Current Yr.)	3.4%	3.41%	3.39%

There are a number residential projects that are under construction within a five mile radius of the Subject that will help fulfill the demand for additional housing. The additional new residential project are mixed with low- and mid-density residential developments on underutilized sites.

Almost two thirds (61%) of all units within a 5-mile radius are renter occupied. This high amount of renters in the local area (5-mile radius) is due in part to a relatively lower median household income of \$53,197. By comparison, the median for the State of California is \$71,805 as of 2017. The average household income indicated that the neighborhood is comprised of lower to middle income households. In addition, the median home value for single-family residences within a 1-mile radius of the Subject is \$211,328, \$240,442 within 3-miles, and \$265,646 within 5-miles.

General Household Characteristics			
	1 Mile	3 Miles	5 Miles
Households (Current)	5,216	74,386	212,186
Families	4,247	61,776	172,655
Average Size of Household	3.93	3.96	3.81
Median Age of Householder	51	50	51
Median Value Owner Occupied	\$331,107	\$315,585	\$339,759
Median Rent	\$942	\$981	\$1,031
Median Vehicles Per Household	2	2	2
Housing Units	5,403	77,021	220,594
Owner Occupied Units	1,942	25,402	82,048
Renter Occupied Units	3,274	48,984	130,138
Vacant Units	187	2,635	8,408

Given the gains in the overall Southern California economy, we expect the local neighborhood market to remain stable with a continued positive population growth into the future as under-utilized sites are redeveloped into higher density uses.

Immediate Vicinity

The Subject Property is a vacant mixed use zoned parcel along Atlantic Boulevard, a primary commercial (office and retail) arterial for the city, though several light industrial uses are also located along this road. On the north side of Atlantic Boulevard is a vacated drive-thru dairy located immediately to the northeast of the Subject, while a Chevron gas station is to the southwest. A mix of local service providers are located along the south side of Atlantic Boulevard. Nearby general land uses include:

- Northeast: Commercial use, followed by the I-5
- Southeast: Commercial and light industrial uses, followed by residential
- Northwest: Residential use
- Southwest: Commercial and light industrial uses

A new retail development is proposed for the southwest corner of S Atlantic Boulevard and W Washington Boulevard. The preliminary site plan for the project shows a standalone anchor building over 120,000 SF in size, with 11 units in four smaller buildings.

Other retail areas of the city include the area surrounding the intersection of Washington Boulevard and Telegraph Road, a little over a mile southeast of the Subject. This this location is a retail development improved with Costco, McDonalds, Farmer Boys and Coffee Bean & Tea. North of this is the region shopping mall named Citadel Outlets which has over 130 stores and a hotel. Some of these tenants include Adidas, Armani, Calvin Klein, Chipotle, Coach, Diesel, Disney, Ecco, Lacoste, Nike, Nautica, Oakley, Old Navy, and Vans.

Other major land uses in the area include the Commerce Casino, about a mile to the southeast of the Subject. The casino is the largest poker room in the world with more than 240 tables, over 160 of which are dedicated to poker. It is the largest employee in the city with approximately 2,191 employees. To the west of the subject is BNSF's Hobart intermodal facility, which handles intermodal freight that arrives from the Ports of Long Beach and Los Angeles.

Community services and facilities are readily available in the local neighborhood including public services such as fire stations, hospitals, police stations, and schools. The property is served by the Bell Gardens School District. Shopping centers and other supporting retail uses are common in the area mainly along primary thoroughfares. Major nearby medical facilities include Beverly Hospital, which is 3.5 miles east. There

are a number of parks, golf courses, and other recreational facilities in the community as well.

Conclusion

The Subject Property is located in a commercially developed area in City of Commerce within Los Angeles County. The area has average access to highways and public transportation. Retail and commercial services are readily available along major thoroughfares, like Atlantic Boulevard. Most of the commercial development in the area is older and in average condition.

There are vacant and underutilized sites located throughout the city, including the Subject Property. Though a number of these lots are owned by the City of Commerce. Older improvements in the neighborhood are being renovated and expanded or demolished and replaced with new improvements resulting in higher densities or more modern designs. An example of this is a new development that is in the planning process for the southwest corner of S Atlantic Boulevard and W Washington Boulevard. The site is presently developed with a number of older industrial buildings.

The Subject is a viable commercial site and if developed with some sort of retail use would be compatible within its immediate surroundings. Overall we find retail uses to be well supported and we anticipate continuing demand.

Retail Market Overview

Market Overview

Introduction

The following market overview is based on narrative from **CoStar** as of 1Q 2019. We will first address the regional market fundamentals, followed by a discussion of the Subject's Southeast Los Angeles retail submarket.

Los Angeles County Retail Market Overview

Economic conditions continue to improve in L.A., but the retail market has plateaued. Vacancies remain near their cyclical low at 4.1%, about where they have stood since 16Q4. However, during the last cycle vacancies touched 3% in 07Q3, showing that vacancies in L.A. have yet to reach their floor. One obstacle has been large store closures. Big-box space vacated over the last three years by Sears, K-Mart, Sports Authority, Sports Chalet, Toys R Us/Babies R Us, and Orchard Hardware Supply presents leasing challenges, often necessitating dividing the space and securing multiple smaller tenants. We may see this trend continue as store closures, such as those of Fallas Paredes, continue.

One consequence of softening conditions is a deceleration in rent growth. While L.A. rents outpaced the nation earlier in the cycle, growth has stalled recently. In some of the most expensive submarkets, asking rents are lower than they were a year ago, including Marina Del Rey/Venice and Pacific Palisades/Malibu.

Improvements in the vacancy rate are in large part due to the limited amount of supply developed during this cycle. Deliveries totaled 730,000 SF in 2018 and have averaged 880,000 SF over the past six years. In comparison, 12-month deliveries averaged over 4.4 million during the last cycle (2002–08)—much of which was power centers anchored by Walmart and Target. Most recent deliveries have been smaller shopping centers, often carefully developed to suit communities with a growing consumer base. Retail inventories in coastal submarkets from Pacific Palisades/Malibu to El Segundo, as well as Calabasas/Westlake Village and Woodland Hills/Warner Center, have grown the most. Meanwhile, some submarkets have less retail inventory than they did eight years ago because buildings have become obsolete or have been converted to apartments or offices.

Limited growth in net operating income has turned into the slowest gains in pricing since the start of the cycle. Yet Los Angeles remains a very liquid market, and 2018 sales volume surpassed 2017 levels. Last year saw a return in sales of luxury assets, where volume for 4 & 5 Star properties

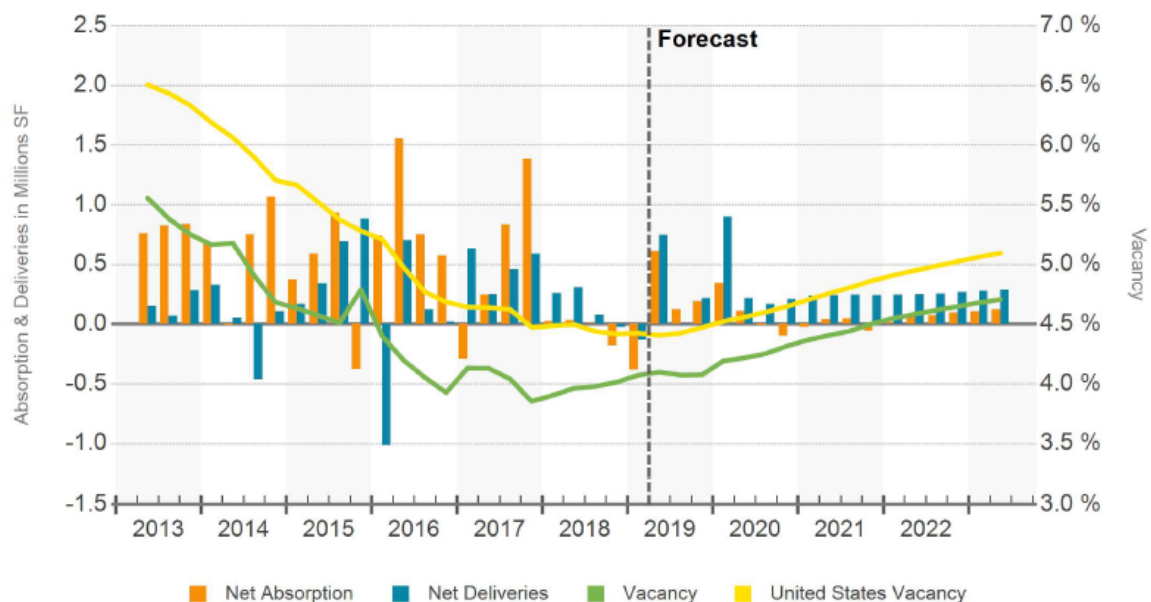
surpassed 2017 sales. There was also more institutional capital that came into the market in 2018 than there was in 2017.

Existing Product & Occupancy	<i>Total Market:</i>	<i>440,744,026 sq. ft.</i>
	<i>Overall Vacancy – 1Q19:</i>	<i>4.1%</i>

Vacancies are low by historical standards, but store closures dampened net absorption throughout 2018. There is also more vacant space at the moment than at the peak of the last cycle, when vacancy rates reached 3%, despite strong growth in consumer spending.

Non-traditional users of retail stores have helped alleviate some of the vacancies caused by store closures. Savvy shoppers have paved the way for discount retailers like 99 Cents Only, Dollar Tree/Family Dollar, dd's Discount, and Five Below, as well as Aldi, a discount grocery store. Gyms represented another group of active tenants, because the large vacant spaces left by retailers like Sears and Kmart offer the appropriate expansive floor plans. Academic institutions have even opened campuses in retail centers, with ample parking already in place to accommodate commuters.

NET ABSORPTION, NET DELIVERIES & VACANCY



There are indications that the national e-commerce driven malaise in the retail sector may finally be impacting some portions of the Los Angeles market, but the metro as a whole appears to be spared from a vacancy

standpoint. Growth in tourism has benefited various retail submarkets, as has recent income growth that finally supports a modest level of household formation and the associated purchases of home goods. Increased spending at dining establishments has also been beneficial to local retailers.

Rental Rates

Despite a low vacancy environment, rent growth has been sluggish recently. L.A. rents peaked this cycle in 2015, when rents grew by 4.6%—nearly 200 basis points above the national index. But a sharp deceleration in rent growth now has the metro underperforming the nation.

The deceleration in rents last year was widespread across all types of submarkets. In contrast, Westside submarkets posted the highest rent levels earlier in the cycle and less expensive submarkets enjoyed some of the strongest growth rates in 2017.

One obstacle potentially detracting from tenant profits and their ability to afford higher rents could be minimum wage increases that began in 2016, as many minimum wage workers are employed by retail stores and restaurants. California's minimum wage was raised to \$11.00/hour for employers with 25 or fewer workers and \$12.00/hour for employers with at least 26 workers as of the start of 2019—whereas the nation's minimum wage remains \$7.25/hour. However, the minimum wage is even higher in Los Angeles (city), Santa Monica, Pasadena, Malibu, and unincorporated parts of L.A. County—\$12.00/hour (25 or fewer workers) and \$13.25/hour (26 or more workers) as of July 1, 2018. These city and county ordinances include further escalations up to \$15/hour by July 1, 2021.

New Construction

Very few retail centers have been developed this cycle, symbolic of the placid long-term outlook for the asset class. Those projects that have delivered or are under construction tend to be smaller shopping centers.

Developers have also been keen to exploit parts of L.A. with strong demographics by uncovering new infill opportunities. These opportunities have typically been found in coastal submarkets from Pacific Palisades/Malibu to El Segundo, as well as Calabasas/Westlake Village and Woodland Hills/Warner Center. One recent example is the 125,000-SF Palisades Village, an upscale shopping center in the affluent Pacific Palisades neighborhood. The center was developed by Caruso Capital Partners—which in the past has developed much larger shopping centers including The Grove at Farmers Market and The Americana at Brand.

Shifting demographics have also guided retail development. One example is At Mateo, a mixed-use project with close to 130,000 SF of retail space recently completed in Downtown L.A.'s Arts District. This area has seen a resurgence in office demand and residential construction since the end of the recession. In 2000, just 28,000 residents called Downtown home, but that number has more than doubled, according to a 2015 study by the Downtown Center Business Improvement District.

The term "mixed-use" should become a permanent part of the Angeleno vocabulary, because, outside of these major projects, nearly every new multifamily or office development delivering in the next few years will contain a significant retail component. Developments like Downtown's Circa and Oceanwide Plaza include hundreds of thousands of SF of ground-floor commercial space. And while anchors in traditional retail centers occupy the largest properties, the real draw at many of the higher-end, mixed-use developments tends to be the celebrated, boutique restaurants and shops. Looking forward, one of the largest projects in the pipeline is 2nd and PCH, a two-story, 255,000-SF retail center near the Long Beach Marina that will be anchored by Whole Foods. Yet overall, retail development will likely remain cool over the next five years.

Sales Activity

Investor appetite for luxury assets in the market continues to drive high sales volume, which topped \$5 billion in 2018 for the fourth time in the last five years. Turnover reached 6.3% in 2018, more than any year this cycle. Price appreciation cooled, as investors have been given little reason to raise their NOI projections. Yet many sellers have still been willing to divest of their assets, and institutional capital continues to flow into the market.

A few buildings on Rodeo Drive have traded recently for prices 20 to 40 times LA's market price. In March of 2018, a vacant 6,200-SF storefront at 456 North Rodeo Dr. sold to Florida-based Sterling Organization for \$55 million, or about \$8,870/SF. The very next day, Sterling sold the asset to a subsidiary of luxury retailer LVMH Moët Hennessy Louis Vuitton Inc for \$110 million, or more than \$17,500/SF. Sterling had reportedly planned to hold and managing the asset, but LVHM's offer was too compelling. More recently, LVHM acquired the building next door in September, located at 468 North Rodeo Dr. The 22,250 SF asset, which was previously occupied by Brooks Brothers, was sold for \$245 million, or about \$11,000/SF. These were not LVHM's first foray into the "Golden Triangle" either. In July 2016, LVMH Moët Hennessy Louis Vuitton Inc. purchased a 6,287-SF Bijan store in the same block for a staggering \$122 million (more than \$19,000/SF).

Apart from luxury sales, another trend that continues in the market is acquisitions for redevelopment—especially among lower-priced assets. For example, Olson Urban Housing purchased a 59,200-SF retail center in Arcadia in June 2018 for \$22.6 million where they have plans for a mixed-use development with about 80 condominium units. Similarly, Meritage Homes purchased a former 110,000-SF K-Mart in Covina for \$13 million in January 2017, which was demolished at the start of 2018 and is now also being converted to townhomes.

Southeast Los Angeles Retail Submarket Overview

Total Market: 22,496,463 sq. ft.
Overall Vacancy – 1Q19: 3.8%

Negative absorption over the past 12 months has caused vacancies to increase by 0.5%. While not a substantial amount, the negative absorption combined with a slowing of rent growth suggests a moderating of the local retail market. Annual rent growth for all retail types is projected around 0-1% over the next few years whereas from 2013 to 2017, growth was mostly from 3-5% and as high as 6%.

Long term vacancy in the submarket has averaged 4.9%, which is 100 basis points over the current rate. Going forward, the current rate is expected increase slightly, which is partially attributed to the number of development projects that are in the pipeline. Over the next four months 185,181 SF is expected to be delivered. Comparatively, the historical average of deliveries has been only 15,952 SF, and in the previous four quarters it was 66,483 SF.

The table below shows the key submarket current quarter and annual trend indicators.

KEY INDICATORS

Current Quarter	RBA	Vacancy Rate	Asking Rent	Availability Rate	Net Absorption SF	Deliveries SF	Under Construction
Malls	895,760	0.1%	\$4.54	0.2%	0	0	0
Power Center	2,103,406	1.7%	\$3.13	2.0%	0	0	0
Neighborhood Center	6,052,924	5.3%	\$1.94	9.4%	0	0	148,003
Strip Center	2,101,244	5.4%	\$1.82	5.8%	816	0	0
General Retail	10,561,007	3.6%	\$1.96	5.2%	(6,518)	0	33,078
Other	782,122	0%	\$3.20	0%	0	0	0
Submarket	22,496,463	3.8%	\$2.20	5.7%	(5,702)	0	181,081
Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When	Trough	When
Vacancy Change (YOY)	0.5%	4.9%	4.3%	6.8%	2009 Q1	3.2%	2017 Q3
Net Absorption SF	(77.2 K)	91,420	27,835	373,469	2008 Q1	(734,986)	2009 Q1
Deliveries SF	66.5 K	98,880	104,758	387,087	2008 Q1	0	2011 Q4
Rent Growth	0.7%	1.0%	0.5%	5.4%	2007 Q1	-5.7%	2009 Q4
Sales Volume	\$209 M	\$136.4M	N/A	\$370.4M	2018 Q3	\$23.8M	2010 Q1

Sales volume in the submarket has been steady over the past several years, with the most active quarter being 4Q 2017 with roughly \$360MM in transactions. Over the past 12 months, there have been 196 transactions in the submarket where the average cap rate was 5.5% and the average price per square foot was \$297.

Overview
Conclusion

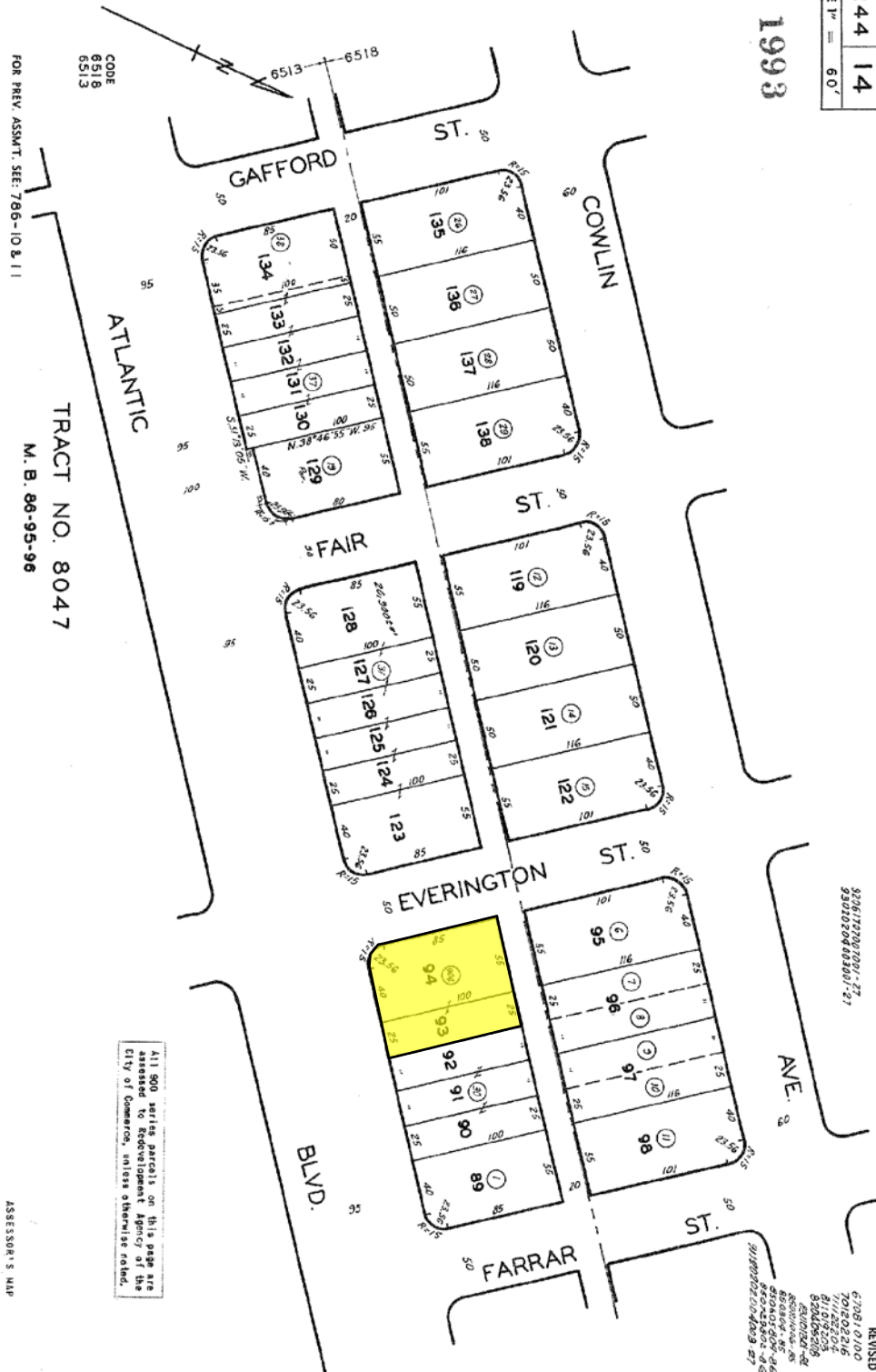
The overall market and submarket is stable and expected to be stable in the foreseeable future. While there have been recent closures of big box tenants, non-traditional users of retail stores such as discount stores, gyms, academic tenants have taken over these spaces and helped alleviate some of the vacancies caused by store closures. As a result, vacancies in the market and submarket are still below their historical average.

Minimum wage growth is a risk to the stability that has occurred over the past several years as operating costs will grow over the next few years as mandated increases to the minimum wage are enacted in the county. This combined with the leveling of market fundamentals has caused very few retail centers have been developed this cycle. What development is occurring is mostly located in coastal communities are high population density areas and are a part of a residential mixed use development.

Still, the low retail vacancy rate and shortage of housing throughout Los Angeles County have allowed developers to exploit Los Angeles shifting demographics by uncovering new infill opportunities and building in gentrifying neighborhoods. This is occurring on a small scale in the Subject's Southeast Los Angeles submarket, and should continue with local and regional populations expected to continue to increase.

Property Description

1993



Parcel Map

Site Data

Address	2143 S. Atlantic Boulevard Commerce, CA 90040
Site Dimensions & Land Area	As shown on the previous page, the site is generally rectangular shaped. Total land area is 7,477 square feet, or approximately 0.17 acres and is based on information provided by the County of Los Angeles Assessors' Office.
Streets, Access & Exposure	The property is located on the northeast corner of S. Atlantic Boulevard and Everington Street, just west of Interstate 5, in the City of Commerce in Los Angeles County, California. This Subject Property has average local and regional access by Interstate 5 and Interstate 710. The Subject has approximately 65 feet of exposure along Atlantic Boulevard which provides pedestrian access to the site. Vehicular access is available from curb cuts along Everington Street and a rear alley. Exposure is rated good due to the corner location and frontage along Atlantic Boulevard.
Topography & Soil Conditions	The subject is generally level and at street grade from the fronting street. No soils report has been provided and consequently, soil conditions are unknown. No ground water or soggy soil conditions were noted during the inspection and drainage appears adequate. It is assumed that no unusual or detrimental soil conditions exist.
Flood Zone	Zone X (Unshaded). This is referenced by Panel Number 06037C1643F, dated September 26, 2008. Zone X (unshaded) is a moderate and minimal risk area. Areas of moderate or minimal hazard are studied based upon the principal source of flood in the area. However, buildings in these zones could be flooded by severe, concentrated rainfall coupled with inadequate local drainage systems. Local storm water drainage systems are not normally considered in a community's flood insurance study. The failure of a local drainage system can create areas of high flood risk within these zones. Flood insurance is available in participating communities, but is not required by regulation in these zones. Nearly 25% of all flood claims filed are for structures located within these zones. Minimal risk areas outside the 1% and 0.2% annual chance floodplains. No BFEs or base flood depths are shown within these zones. (Zone X (unshaded) is used on new and revised maps in place of Zone C.)
Earthquake Zone	According to the State of California Department of Conservation, the City of Commerce is affected by Alquist-Priolo Earthquake Fault Zones. However, the fault zone maps show the subject site is not on or in proximity to a known

fault. These maps can be viewed on the fronting pages of this section, as well at the following website: <http://maps.conservation.ca.gov/cgs/fam/>

Utilities

All public utilities are available to the site.

Zoning

The site is zoned Commercial Manufacturing (C/M-1), by the City of Commerce. Details for this zone are summarized in the table below.

ZONING	
Designation	Commercial Manufacturing (C/M-1)
Zoning Authority	City of Commerce
Permitted Uses	Retail, Office and Light Industrial Uses
Prohibited Uses	Residential and Heavy Industrial Uses
Current Use	Vacant Lot
Zoning Change	Not Likely
Max Permitted Floor Area Ratio (FAR)	2:1
Parking Requirement Spaces	General Retail: 1 space per 250 SF GBA Office: 1 space per 300 SF GBA
Max Permitted Site Coverage	50%
Min Permitted Site Area (SF)	20,000
Max Building Height	90 feet or 6 stories if adjacent to commercial; if adjacent to residential, height based on setbacks
Min Permitted Yard Setbacks	
Front (Feet)	5 feet
Rear (Feet)	0 feet
Side (Feet)	10 feet

Source: City of Commerce Planning & Zoning Department

The intent of the C/M-1 zone is to concentrate permitted uses along major arterials and in other areas that provide easy access and convenience. The industrial uses considered appropriate in the C/M-1 zone are limited to support services, such as machine shops and some light manufacturing. Commercial or industrial uses that might create offensive levels of noise, air pollution, glare, radioactivity or other nuisances are prohibited from this zone.

The Subject's land area (7,477 SF) is below the minimum area required for development under the C/M-1. According to the City of Commerce Planning Department, any development of the site would require a variance for development to be granted. Further, it was indicated that approval for development as a standalone property would be limited because of how much lower the site is in size relative to the minimum permitted site area (20,000 SF). While there are a number of similar sized lots along Atlantic Boulevard and throughout the area, this is still a significant development

limitation for vacant lots under the current code and is a characteristic that would be considered by any buyer of the property.

**Easements,
Covenants,
Encroachments &
Restrictions**

A preliminary title report was not available for review. During the property inspection, no adverse easements or encumbrances were noted. This appraisal assumes that there are no adverse easements present. If questions arise, further research is advised.

Assessed Value

Los Angeles County Assessor as tax parcel number 5244-014-904 is not assessed since it is publicly owned.

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

**Hazardous
Conditions
Disclaimer**

Valuation Advisory Services is unaware of any toxic or contaminating materials either in the subject soils or within the subject premises. For the purpose of this report, it is assumed that the subject property is free of contamination of any kind. This assumption should not be construed as a guarantee that such conditions do not exist. The reader is referred to Item 2 of the Limiting Conditions document, which immediately follows the certification and letter of transmittal at the beginning of this report.

Conclusion

The subject site is located along Atlantic Boulevard in the Southeast Los Angeles submarket in the City of Commerce. Topography, zoning, availability of utilities, access and existing encumbrances are similar to other properties in the immediate vicinity. The site's smaller size somewhat restricts development potential of the property, though not beyond what is typical for similar sized properties in the area. There are no other unusual site characteristics known to the appraiser that affect the marketability of the site.

Highest & Best Use

Highest & Best Use

“Highest & Best Use” is defined by the Appraisal Institute as:

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.

Source: The Dictionary of Real Estate Appraisal, Sixth Edition. Chicago: Appraisal Institute, 2015.

As Vacant

Permitted uses of the subject’s mixed use (C/M-1) zoning were listed in the Zoning Analysis section. As previously indicated, the Subject’s land area (7,477 SF) is below the minimum area required for development in the zoning district (20,000 SF). According to the City of Commerce Planning Department, any development of the site would require a variance for development to be granted. Although development is not prohibited, this is still a significant development limitation for the site as a standalone property. A low density commercial use or parking lot are possible uses of the property.

Regarding physical characteristics, the subject site is rectangular in shape and has level topography with average access and good exposure. The subject site has frontage on a commercial connector for the Commerce market area and is in close proximity to Interstate 5. Surrounding property uses with similar frontage are mostly retail uses, while sites with less exposure to the east are mostly industrial uses.

Feasibility is indicated by construction trends in the vicinity and current market conditions. As discussed in the Market Overview, new construction has been limited in the immediate area, but is starting to occur at high exposure areas of the city and surrounding region. Over the past five years, market rents have grown and vacancies declined, although a stabilizing of the submarket appears to be occurring. Vacancy rates are similar in the submarket compared to Los Angeles County market and sufficient demand still exists for a retail use, that if available, development would occur in the near term.

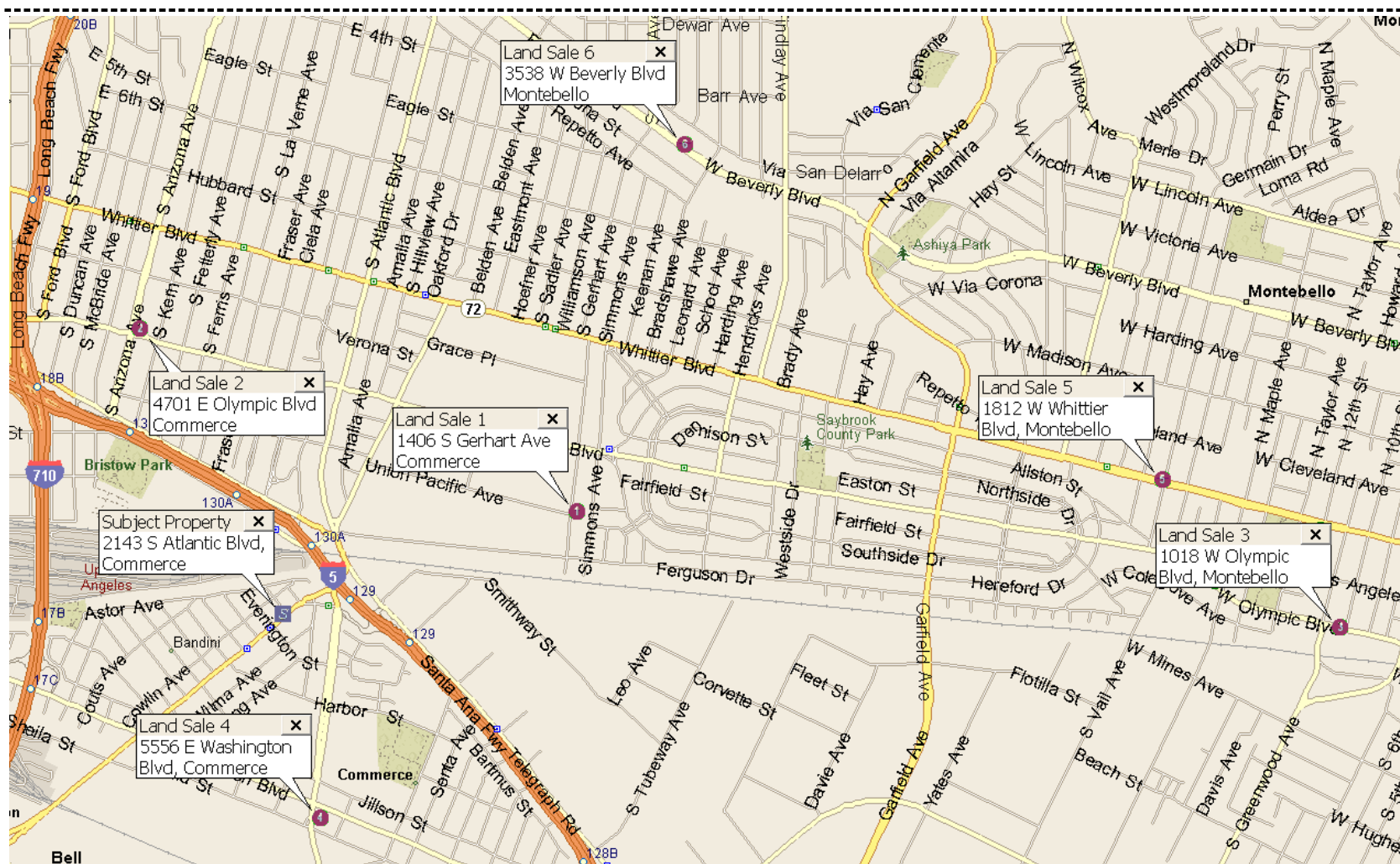
Based on our observations, we believe market conditions support a low density commercial development (including parking lot) as the most financially feasible and maximally profitable use of the subject property.

Valuation Methods

Valuation Methods

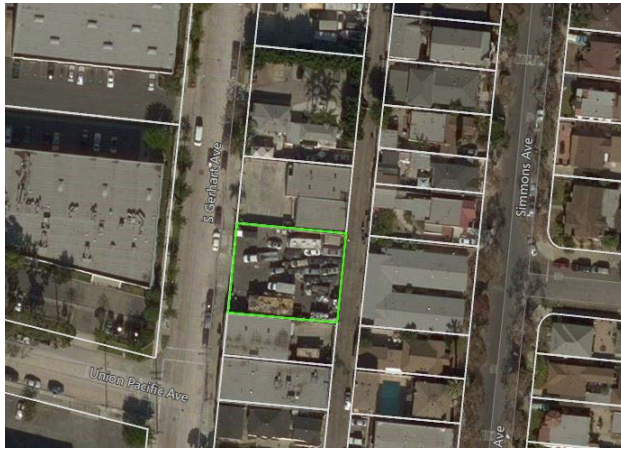
Introduction	The following presentation of the appraisal process deals directly with the valuation of the subject property. The paragraphs below describe the standard approaches to value that were considered for this analysis.
Cost Approach	The Subject Property is vacant land site with no on-site improvements. As a result, the Cost Approach is not applicable.
Sales Approach	The Sales Comparison Approach is the most common method to apply in the valuation of vacant land. The sales comparison approach was developed for the subject land valuation. There have been sufficient transactions in the market for the sales approach to provide good evidence for market value. Therefore we have applied this approach.
Income Approach	The Income Approach was not developed due to the Subject Property being a vacant site and is non-income generating.
Reconciliation of Value Conclusions	Since only the Sales Approach is applied in this analysis, the value arrived in this approach also represents the final fair market value conclusion.

Sales Approach

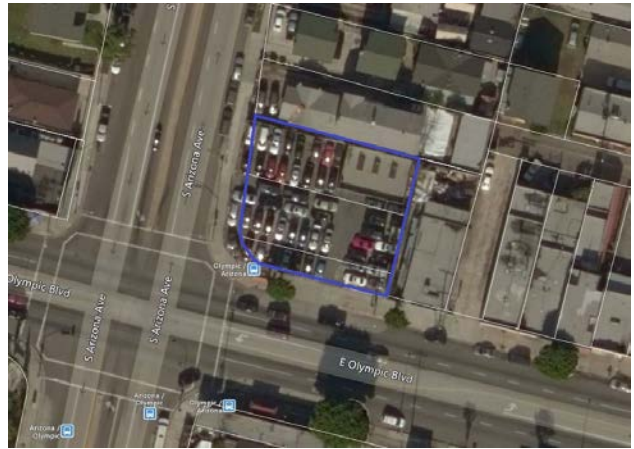


Comparable Land Sales Map

Comparable Land Sales Aerial Photographs



Land Sale 1



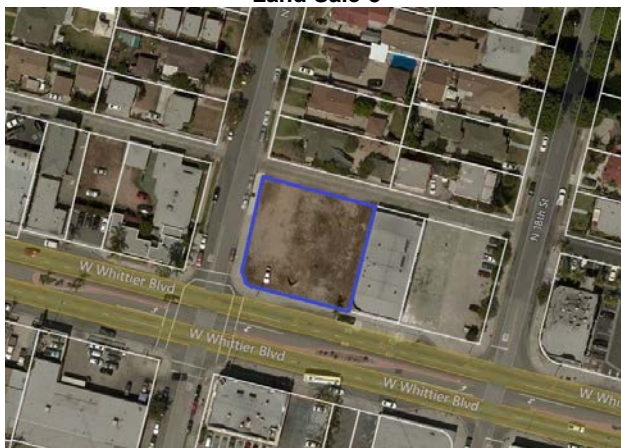
Land Sale 2



Land Sale 3



Land Sale 4



Land Sale 5



Land Sale 6

Summary of Land Sale Comparisons Table

No	Address/Parcel Number	Sale Date	Sale Price	Site Size SF / Acres	\$/SF	Zoning	Buyer/ Seller	Comments/Confirmation
1	1406 S Gerhart Ave Commerce, CA 90022 (APN: 6338-034-001)	Nov-18	\$460,000	8,002 0.18	\$57	C/M-1	Leopoldo E Ramos De Jesus Alvarez Teresa	This site is in use as a contractors storage yard, with minimal improvement that do not contribute significantly to value. The site is located in the same zoning district as the Subject, but is in an industrial neighborhood.
2	4701 E Olympic Blvd Los Angeles, CA 90022 (APN: 5246-019-040, -041 & -042)	Nov-18	\$880,000	10,324 0.24	\$85	C-M	Yum Yum Donut Shops, Inc. Royal Investments Group LLC	This property had no entitlements at the time of sale. It was purchased by an owner/user to redevelop into a YUM YUM donut shop. According to the listing broker, Michael Bohorquez of Colliers International (213.532.3220), the transaction was arm's length and there were no sale conditions. Further, the site was not entitled. The property is located in a similar CM zoning district as the Subject, though zoning for this property is overseen by the County of Los Angeles.
3	1018 W Olympic Blvd Montebello, CA 90640 (APN: 6350-010-011 & -012)	Jan-18	\$900,000	17,690 0.41	\$51	C-2	Newcastle Montebello II LLC Newcastle Montebello LLC	This property is located at the corner of W Olympic Blvd and Greenwood in the City of Montebello. The site was unimproved and unentitled at the time of purchase. We were unable to confirm the sale with parties involved in the transaction, and we do not know if they are related parties. According to the Montebello City Planner, the site is intended to be used for parking for adjacent properties.
4	5556 E Washington Blvd Commerce, CA 90040 (APN: 6335-024-011, -027 & -051)	Jan-18	\$745,000	18,135 0.42	\$41	C/M-1	Southwest Group Santa Fe Realty Co.	This property is an unimproved site that is located at the southeast corner of E Washington Blvd and S Eastern Ave in Commerce. According to the seller's broker, Tom O'Loughlin with Lee and Associates (323.767.2027), the property sold at a below market rate as the site was previously under contract with another buyer for a year before the deal falling apart. Instead of updating the listing to a current price, the seller decided to plug a new buyer in at the previously negotiated price so that they could close the deal quickly. Mr. O'Loughlin believes the market price as of the date of sale was closer to \$50/SF. At some point prior to the purchase, the property received a CUP and variance for development of a restaurant according to the City of Commerce Planning Department.
5	1812 W Whittier Blvd Montebello, CA 90640 (APN: 6344-020-013)	Jul-17	\$775,000	14,388 0.33	\$54	C-2	Montebello Autocraft Inc. Kenneth Group Inc.	This property is located at the corner of W Whittier Blvd and N 19th Street in Montebello. The site was unimproved and unentitled at the time of purchase. The land is zoned for general commercial use.
6	3538 W Beverly Blvd Montebello, CA 90640 (APN: 5249-001-017)	Mar-17	\$259,000	5,001 0.11	\$52	C-2	Basa Ents Lyc Hp Property Holdings LLC	The property is located mid-block along Beverly Blvd in Montebello. At the time of purchase the site was used as a parking lot. According to the Montebello Planning Department, the site was entitled on October 2017 for a 3,318 SF commercial building.
S	2143 S Atlantic Blvd Commerce, CA 90040 (APN: 6336-009-905)	Mar-19		7,477 0.17		C/M-1		

Sales Approach

Introduction

The valuation of the Subject Property is estimated by direct comparison with property sales and listings. The value of land is based upon the concluded use as outlined in the preceding Highest & Best Use analysis. There were many recent sales within the local area. The local market is considered to be a commercial area. Each sale is summarized within the table on the previous page, which is keyed to the associated map at the start of this analysis. In analyzing these sales, adjustments are made for various comparative factors such as market change (time), location, land size (SF), land condition, exposure, access, and shape. Property rights, financing, and conditions of sale are also considered and relevant adjustments are made.

Comparisons are facilitated by analyzing the selected transactions utilizing several units of comparison, the most relevant of which is considered to be the price per gross square foot of usable land area. The comparable sales are analyzed, adjusted, and reconciled into a final conclusion of value.

Land Valuation Introduction

The following analysis presents an overview of the sales data used along with the appropriate adjustments to assist in arriving at a value of the site as if vacant.

Comparable Land Sales Data

A summary of pertinent details to sales comparison data considered most relevant to the valuation of the subject has been presented on the preceding page, and the map on page 40 highlights the comparable sales location relative to the subject. All of the sales comparisons are analyzed by the price per square foot of usable land area, the most common indicator of value for properties of similar value and utility when compared with the Subject. A discussion of the land sales chosen for this analysis is included below.

LAND SALE COMPARISON NO. 1

Land Sale 1 is located at 1406 S Gerhart Avenue in Commerce, less than a mile northeast of the Subject. The property sold for \$460,000 or \$57/SF in November 2018. This site is in use as a contractor's storage yard, with minimal improvement that do not contribute significantly to value. The site is located in the same zoning district as the Subject, but is in an industrial neighborhood where there is less exposure and vehicle traffic.

**LAND SALE
COMPARISON
NO. 2**

Land Sale 2 is located at the northeast corner of E Olympic Boulevard and S Arizona Avenue in Los Angeles. The street address for the property is 4701 E Olympic Boulevard. The property sold for \$880,000 or \$85/SF in November 2018. The property had no entitlements at the time of sale. It was purchased by an owner/user to redevelop into a YUM donut shop. According to the listing broker, Michael Bohorquez of Colliers International (213.532.3220), the transaction was arm's length and there were no sale conditions. The property is located in a similar commercial/manufacturing zoning district as the Subject, though zoning for this property is overseen by the County of Los Angeles. Within this zone, a very high development density of 13 times the lot area is allowed and coverage can be up to 90%. This is a significantly higher density than the Subject. Exposure at this site is superior compared to the Subject as the site fronts on two major arterials.

**LAND SALE
COMPARISON
NO. 3**

Land Sale 3 is located at the corner of W Olympic Boulevard and Greenwood in the City of Montebello. The street address for the property is 1018 W Olympic Boulevard. The property was purchased for \$900,000 or \$51/SF in January 2018. The site was unimproved and unentitled at the time of purchase. The buyer and seller have similar names, but we were unable to determine if they were related parties. According to the Montebello City Planner, the site is intended to be used for parking for adjacent properties. The land is zoned C-2, which allows for a development density of 3 times the lot area.

**LAND SALE
COMPARISON
NO. 4**

Land Sale 4 located at the southeast corner of E Washington Boulevard and S Eastern Avenue in Commerce, ½ mile southeast of the Subject. The property was purchased for \$745,000 or \$41/SF in January 2018. According the seller's broker, Tom O'Loughlin with Lee and Associates (323.767.2027), the property sold at a below market rate as the site was previously under contract with another buyer for a year before the deal falling apart. Instead of updating the listing to a current price, the seller decided to plug a new buyer in at the previously negotiated price so that they could close the deal quickly. Mr. O'Loughlin believes the market price as of the date of sale was closer to \$50/SF. At some point prior to the purchase, the property received a CUP and variance for development of a restaurant according to the City of Commerce Planning Department. This property is located in the same zoning district as the Subject and is below the minimum lot area to develop. The CUP and variance has a positive impact on value as it removed the risk of entitlement for a site that is below the minimum area required to develop.

**LAND SALE
COMPARISON
NO. 5**

Land Sale 5 is located at the corner of W Whittier Boulevard and N 19th Street in Montebello. The street address for the property is 1812 W Whittier Boulevard. The property was purchased for \$775,000 or \$54/SF in July 2017. The site was unimproved and unentitled at the time of purchase. The land is zoned C-2, which allows for a development density of 3 times the lot area. Exposure along Whittier Boulevard is slightly superior to that of the Subject's Atlantic Boulevard.

**LAND SALE
COMPARISON
NO. 6**

Land Sale 6 is located mid-block along Beverly Boulevard in Montebello. The street address is 3538 W Beverly Boulevard. The property was purchased for \$259,000 or \$52/SF in March 2017. The land is zoned C-2, which allows for a development density of 3 times the lot area. At the time of purchase the site was used as a parking lot. According to the Montebello Planning Department, the site was entitled on October 2017 for a 3,318 SF commercial building. The property has an inferior mid-block location and an inferior exposure level, but is similar in size to the Subject Property.

**Adjustments to
Comparable Data**

When applying the Sales Comparison Approach, data are considered to establish the prices, real property rights conveyed, transaction dates, financing terms, motivations, locations, physical and functional conditions, and income-producing characteristics of the properties under consideration. Units of comparison, components into which properties may be divided for purposes of comparison, can be derived from the data. Generally, both physical units of comparison and economic units of comparison are considered.

In a physical comparison, adjustments are necessary to the comparables to reflect advantages and disadvantages to the subject property. In an economic comparison, no adjustments are made; however, each comparable is considered for similarities and differences between the subject and the comparables to determine the cause of the variation in order to select a proper economic unit appropriate for the subject.

When analyzing the comparables, adjustments are appropriate to properly account for differences. Quantitative adjustments are made through paired sale analysis. When quantitative adjustments cannot be ascertained through paired sale analysis, qualitative analysis is possible through a weighted analysis of each comparable based upon its relative merits. Appraisal adjustments and considerations include property rights conveyed, financing terms, conditions of sale, market conditions, and physical and functional characteristics. These considerations as they are applied to comparables are discussed below.

PROPERTY RIGHTS CONVEYED All of the comparables represent transactions involving the fee simple interest. Zoning is also a component of property rights. The comparables are zoned for a range of commercial uses and there does not appear to be a large difference the selling price between the different zoned comparables. As a result, no adjustments are appropriate to the comparables.

FINANCING TERMS Seller-provided financing can play an important role in the sale of a project. Low down payments and terms that are significantly less stringent than those available in the market at the time of sale contribute to sale prices in excess of that obtainable by an all-cash or typically financed (by a disinterested third party) buyer. In order to analyze all properties on a comparable basis, those sales with financing not typically available for the property at the time of sale must be converted to typical terms and cash equivalency. All of the comparables represent all cash or cash equivalent transactions and require no adjustments.

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. Land Sale 4 was sold by a party that was motivated to dispose of the property. According to the listing broker, the price was discounted by 18% in their opinion if it were priced at market. We have adjusted the comparable upward by a slightly lower 15%. No other adjustments for condition of sale were required.

MARKET CONDITIONS As noted in the Market Overview section of this report, overall market conditions have been stable for retail properties in this market. Upon a review of the land comparables, there appears to be a slight upward trend in land values, therefore we have applied a 2.0% annual market conditions adjustment to the comparables.

PHYSICAL AND FUNCTIONAL CHARACTERISTICS Comparing the sales to the subject reveals significant differences in functional attributes primarily relating to size, location and other characteristics. These are addressed below.

Location: All of the comparables are located in the City of Commerce or nearby Montebello where there are similar income demographics and retail market fundamentals. No adjustments for location are required.

Size: Generally, smaller sites sell for a higher rate per square foot and larger sites sell for a lower rate per square foot. This is offset by the fact that the Subject's smaller size limits its development potential as explained in the Property Description section of this report. As a result,

we have not applied an adjustment to the larger comparables for difference in size.

Corner: Retail sites located at a corner are superior to those at mid-block locations for superior access and exposure levels. Downward adjustments are required to Land Sales 1 and 6 for their mid-block locations.

Land Condition: The Subject site is level and connected to all utilities. Each of the sites are also mostly level and are connected or reasonably nearby utilities. Further, each of the comparables were unentitled at the time of purchase, which is similar to the Subject's status as of the date of value. Land Sale 3 is flag-shaped which limits its development potential somewhat, therefore an upward adjustment is applied.

Zoning: Difference in zoning, in particular development densities, has an impact on value as land with a higher density will provide a greater return for similar sized properties. The Subject has a development density that is two times the lot area, though the property's size is below the minimum amount outlined under the zoning code. According to the City of Commerce Planning Department, any development of the site would require a variance for development to be granted. Further, it was indicated that approval for development as a standalone property would be limited because of how much lower the site is in size relative to the minimum permitted site area (20,000 SF). As a result, based on the Subject's size the only permitted uses under zoning would be a low density retail use or even a parking lot.

Land Sales 1 and 4 are located in the same zoning district as the Subject and are below the required minimum lot area for development. No adjustment is required for Land Sale 1, however Land Sale 4 was granted a CUP and variance which allowed development prior to the sale of this property, which had a positive impact on the purchase price. As a result, we have adjusted this comparable downward by 10% for this reason.

Land Sale 2 is located in a zoning district that allows for a very high density of 13 times the lot area. This property's sale price was well above the others, suggesting a large adjustment is required for this sale. We have applied a large adjustment for its superior density. Land Sales 3, 5 and 6 are located in a zoning district which allows a slightly superior density of 3:1. Further, the properties are larger than the minimum lot area that is required in this zone (2,500 SF) and a variance would not be

required for their development. As a result, these comparables are also adjusted downward, but by a lesser degree.

Exposure (Traffic Count): Exposure levels are already somewhat accounted for in the corner location adjustment. This adjustment is for properties which receive significantly better or worse vehicular exposure along their fronting street. Land Sale 1 has inferior traffic count levels at the property and therefore is adjusted upward. Land Sales 2, 4 and 5 have superior traffic counts and is adjusted downward. The remaining sales have similar exposure levels to the Subject and do not require adjustments.

**Adjustment
Summary**

A summary of the adjustments applied to each of the comparables is included in the chart on page 50.

**Land Value
Conclusion**

The comparables indicate an unadjusted range of \$41/SF to \$85/SF. After adjustments, the range narrowed from \$41/SF to \$63/SF. The low (Land Sale 4) and high (Land Sale 1) ends of the range represent the comparables that are most similar to the Subject in terms of location, zoning and both are below the required size for development.

We were able to confirm the details of Land Sale 4, which had a below market selling price due to a motivated seller. Conversely, the site was permitted for development by the city, which was valuable as the property has a land area that is below the minimum area required for development in the city. Ultimately, these factors mostly offset and a value near the selling price for this property is suggested for the Subject. This sale is given strong consideration.

We were unable to confirm the details for Land Sale 1. The site is an inferior retail location, and therefore we adjusted upward. However, the current use appears to be a storage yard, which is more compatible with the surrounding industrial uses and therefore it is possible this property has a different highest and best use than the Subject. For these reasons, we have given this comparable less consideration towards a final value conclusion.

Land Sale 2 (adjusted \$60/SF) has a superior location relative to the Subject and superior development density. Because of the large gross adjustments that are required for this sale, it is also given less consideration.

Land Sales 3 (adjusted \$49/SF), 5 (adjusted \$47/SF) and 6 (adjusted \$51/SF) are similar to the Subject in terms of either corner locations or exposure, but all required downward adjustments for superior zoning and are therefore given secondary consideration.

Recognizing all of the above and market trends referenced in the Market Overview, value of the subject's useable site correlated at \$45/SF of land area, or:

7,477 SF @ \$45/SF	=	\$336,465
	(rd)	\$335,000

Sales Approach Summary Adjustment Table

Number:	Subject	1	2	3	4	5	6
Street Address:	2143 S Atlantic Blvd	1406 S Gerhart Ave	4701 E Olympic Blvd	1018 W Olympic Blvd	5556 E Washington Blvd	1812 W Whittier Blvd	2143 S Atlantic Blvd
City:	Commerce, CA 90040	Commerce, CA 90022	Los Angeles, CA 90022	Montebello, CA 90640	Commerce, CA 90040	Montebello, CA 90640	Commerce, CA 90040
Sales Price:		\$460,000	\$880,000	\$900,000	\$745,000	\$775,000	\$259,000
Land Size (Square Feet):	7,477	8,002	10,324	17,690	18,135	14,388	5,001
Price Per Land Sq. Ft.:		\$57	\$85	\$51	\$41	\$54	\$52
TRANSACTION ADJUSTMENTS:							
Property Right Conveyed:		Fee	Fee	Fee	Fee	Fee	Fee
Adjustment:		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Adjusted Price (Per Sq.Ft.):		\$57	\$85	\$51	\$41	\$54	\$52
Cash Equivalency:		Cash	Cash	Cash	Cash	Cash	Cash
Adjustment:		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Adjusted Price (Per Sq.Ft.):		\$57	\$85	\$51	\$41	\$54	\$52
Conditions of Sale:		None	None	None	Motivated Seller	None	None
Adjustment:		0.00%	0.00%	0.00%	15.00%	0.00%	0.00%
Adjusted Price (Per Sq.Ft.):		\$57	\$85	\$51	\$47	\$54	\$52
Market Conditions	Mar-19	Nov-18	Nov-18	Jan-18	Jan-18	Jul-17	Mar-17
Adjustment:		0.00%	0.67%	2.17%	2.17%	3.33%	4.00%
Adjusted Price (Per Sq.Ft.):		\$57	\$86	\$52	\$48	\$56	\$54
PROPERTY ADJUSTMENTS:							
Location:	7,477	Similar	Similar	Similar	Similar	Similar	Similar
Adjustment:		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Size (Sq.Ft.):		8,002	10,324	17,690	18,135	14,388	5,001
Adjustment:		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Corner:		Inferior	Similar	Similar	Similar	Similar	Inferior
Adjustment:		5.00%	0.00%	0.00%	0.00%	0.00%	5.00%
Entitlements:		Similar	Similar	Similar	Similar	Similar	Similar
Adjustment:		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Exposure (Traffic Count):		Inferior	Superior	Similar	Superior	Superior	Similar
Adjustment:		5.00%	-10.00%	0.00%	-5.00%	-5.00%	0.00%
Zoning:		Similar	Superior	Superior	Superior	Superior	Superior
Adjustment:		0.00%	-20.00%	-10.00%	-10.00%	-10.00%	-10.00%
Shape:		Similar	Similar	Inferior	Similar	Similar	Similar
Adjustment:		0.00%	0.00%	5.00%	0.00%	0.00%	0.00%
TOTAL NET PROPERTY ADJUSTMENT:		10.0%	-30.0%	-5.0%	-15.0%	-15.0%	-5.0%
TOTAL GROSS ADJUSTMENT:		10.0%	30.7%	17.2%	32.2%	18.3%	19.0%
ADJUSTED PRICE PER SQ.FT.:		\$63	\$60	\$49	\$41	\$47	\$51

ADDENDUM

Appraisers' Experience Data



Matthew VanEck, MAI

Senior Vice President

Valuation Advisory Services

CAREER SUMMARY

Matthew VanEck is a senior vice president with Kidder Mathews Valuation & Advisory Services, in the Irvine office. He has been active in real estate appraisal and consulting for nearly 15 years. Prior to joining Kidder Mathews, Mr. VanEck was a Valuation Services Director at Colliers International. Other experience includes working at American Appraisal where he headed the real estate and related assets practice for their Los Angeles office.

Mr. VanEck's appraisal experience consist of valuing traditional operating properties (retail, office and industrial), as well as specialty properties including studios, marinas, aggregate mines, railroad right-of-ways, rail yards, utility easements, conservation easements and land developments. He has experience in performing valuations for tax reporting, financing, property tax appeals, eminent domain, litigation support and financial accounting purposes. Overall, Mr. VanEck has performed appraisal assignments in over 30 states and the District of Columbia.

Mr. VanEck is active with the Southern California Chapter of the Appraisal Institute. He currently sits as the vice-chair for the Southern Branch. Past leadership positions include Nominating Committee (2015), Co-Chair of the Candidate Guidance Committee (2013) and Alternate Regional Representative (2010). He is also a member of the International Right of Way Association Orange County Chapter 67 and in 2017 was elected as the Public Agency Liaison chair. From 2010 to 2016, Mr. VanEck was also a board member for the non-profit community organization, Orange County Head Start. Over that period of time, he was elected as the Board's Chair, Vice Chair and Treasurer.

EDUCATION

B.S. University of Southern California

PROFESSIONAL MEMBERSHIPS, ACCREDITATIONS AND LICENSES

- Designated Member of Appraisal Institute (MAI)
- Member of the International Right of Way Association
- State of California General Certified Real Estate Appraiser (No. AG042827)

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Matthew VanEck, MAI continued

SAMPLE SPECIALIZED APPRAISAL EXPERIENCE

- Valued Universal Studios complex comprising more than 350 acres along US Highway 101 in Studio City area of Los Angeles, California. The property included over 7 million square feet of improvements including offices, studios, the CityWalk retail complex, Universal Studios theme park, and parking garages with a capacity of more than 10,000 cars.
- Valued 30+ commercial and residential properties along Highway 395 in Adelanto, CA for eminent domain purposes in connection with a widening of the highway by Caltrans. Analyzed impacts from partial fee takings, temporary construction, utility and prescriptive easements and taking of access rights.
- Valued parcels in Century City for a taking for the MTA Purple Line extension. The properties included the last remaining undeveloped site for major construction (approximately 5 acres) in the center of Century City. The property also included a TCE for a smaller property planned for development of multi-family residences. A third site is a TCE over a bus lay-down area.
- Valued a 2,500 mile railroad (Dakota, Minnesota & Eastern) which is located in Illinois, Wisconsin, Minnesota, North Dakota, South Dakota, Iowa, Wyoming, Missouri, and Nebraska. The valuation was completed for a FIRPTA Analysis for a sale to a foreign company.

QUALIFIED AS AN EXPERT IN THE FOLLOWING VENUES

- JAMS – Orange and Century City, California

SPEAKING ENGAGEMENTS

- Institute for Professionals in Taxation, 2013 Property Tax Symposium – Indian Wells, CA – Valuation and Assessment Issues With Leaseholds – November 2013.
- The North County Estate Planning Council – San Diego, CA – A Review of Conservation Easement Court Cases – January 2011.
- Luce, Forward, Hamilton & Scripps LLP – San Diego, CA – A Review of Conservation Easement Court Cases – July 2010.

PUBLICATIONS

- Valuation Alert, “Lack of Perpetual Protection Perpetuates IRS Victories” (Jan. 2012)
- Valuation Alert, “Simmons Appeal. Taxpayer Position Sustained” (June 2011)
- Valuation Alert, “A Mortgage Invalidates a Façade Easement . . . Again!” (Apr. 2011)
- Valuation Alert, “A Valuation Victory for the IRS” (Jan. 2011)
- Valuation Alert, “An Easy Easement Win for the IRS?” (Sept. 2010)
- Valuation Alert, “Can a Mortgage Invalidate a Façade Easement Deduction?” (Apr. 2010)
- CCIM Magazine, “Cap Rate Calculations: How do investors determine ROI in an unsteady market?” (Sept./Oct. 2009)