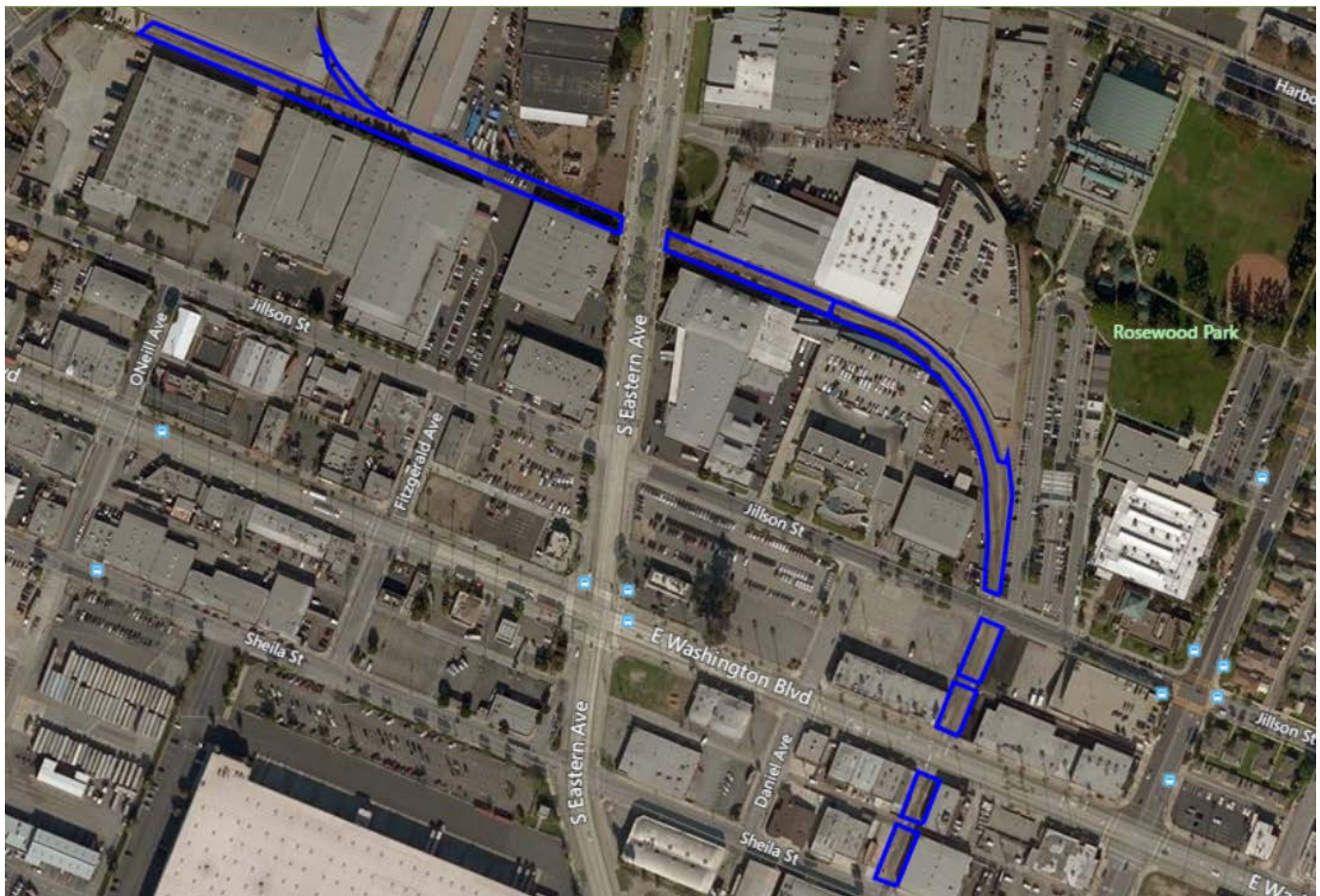


Appraisal Report

BNSF Right-of-Way Parcels | Commerce, CA

as of July 6, 2019



Prepared for

Edgar P. Cisneros
City Manager
City of Commerce

Prepared by

Matthew VanEck, MAI

KM Job AC19-193

Kidder Mathews

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July 8, 2019

Edgar P. Cisneros
City Manager
City of Commerce
2535 Commerce Way,
Commerce, CA 90040

RE: BNSF ROW Parcels (APN: 6335-022-800 & -801, -023-800 & -801, -025-805 & -807, -014-805 & -806)
Commerce, CA 90040

Dear Mr. Cisneros:

At your request, we have prepared an appraisal of the above-referenced properties, which are 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 eight Subject Properties as of July 6, 2019. This report conforms to the current Uniform Standards of Professional Appraisal Practice (USPAP).

The Subject Properties consists of eight former railroad parcels located in the City of Commerce. The parcels do not have a street address, but front on various streets in the city including Sheila Street, Washington Boulevard, Jillson Street and Eastern Avenue, except for one parcel that has no street frontage. The parcels are commonly identified by the above referenced Los Angeles County Assessor Parcel Numbers. The parcels are zoned either commercial manufacturing (C/M1) or heavy industrial (M2) and range from 3,549 SF (0.08-acres) to 36,822 SF (0.85-acres) in size, with a combined area of 103,857 SF (2.38-acres).

As a result of our investigation and analysis, we have concluded that the market value of the fee simple interest in the eight Subject Properties, subject to the limiting conditions and extraordinary assumptions contained herein, as of July 7, 2019 are:

APN 6335-022-800	\$175,000
APN 6335-022-801	\$145,000
APN 6335-023-800	\$150,000
APN 6335-023-801	\$185,000
APN 6335-025-805	\$255,000
APN 6335-025-807	\$575,000
APN 6335-014-805	\$70,000
APN 6335-014-806	\$735,000

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 properties that are the subject of this report and no personal interest with respect to the parties involved.
- 4) I have no bias with respect to the properties that are 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 July 6, 2019.
- 9) I have provided professional appraisal services concerning two of the Subject Properties (APNs 6335-023-800 and -801) within the past three years.
- 10) Robert Dunatov (BREA License #3003497) 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.

Table of Contents

Letter of Transmittal.....	i
Certification	iii
Limiting Conditions	iv
Summary of Appraisal	1
Introduction	8
Market Overview	11
Property Description	24
Highest & Best Use	31
Valuation Methods.....	34
Sales Approach	36

ADDENDUM

Appraisers' Experience Data

Summary of Appraisal

Summary of Appraisal

Identity of Property	BNSF ROW Parcels Commerce, CA 90040
Location	The parcels do not have a street address, but front on various streets in the City of Commerce including Sheila Street, Washington Boulevard, Jillson Street and Eastern Avenue, except for one parcel that has no street frontage. Their location is best shown in the aerial map on page 4.
Property Description	The Subject Properties consists of eight former railroad parcels located along Sheila Street, Washington Boulevard, Jillson Street and Eastern Avenue in the City of Commerce. One parcel does not have street frontage (APN: 6335-014-805). Basic detail for each parcel is summarized in the table below. The parcels do not have a street address, but are identified by their Los Angeles County Assessor Parcel Numbers. The parcels are zoned either commercial manufacturing (C/M1) or heavy industrial (M2) and range from 3,549 SF (0.08-acres) to 36,822 SF (0.85-acres) in size, with a combined area of 103,857 SF (2.38-acres). The numbers on the table below correspond to the numbers in the map on page 4.

#	APN	Land Area (SF)	Land Area (Acres)	Zoning	Owner
1	6335-022-800	5,887	0.14	C/M1	A T AND S F RY CO S B OF E PAR 1 MAP 804 (19-74)
2	6335-022-801	4,893	0.11	C/M1	A T AND S F RY CO S B OF E PAR 2 MAP 804 (19-74)
3	6335-023-800	4,981	0.11	C/M1	A T AND S F RY CO S B OF E PAR 3 MAP 804 (19-74)
4	6335-023-801	6,184	0.14	C/M1	A T AND S F RY CO S B OF E PAR 4 MAP 804 (19-74)
5	6335-025-805	12,752	0.29	M2	A T AND S F RY CO E 804 (19-74) B PAR 11
6	6335-025-807	28,789	0.66	M2	A T AND S F RY CO E 804 (19-74) B PAR 12
7	6335-014-805	3,549	0.08	M2	A T AND S F RY CO E 804 (19-74) B PAR 10
8	6335-014-806	36,822	0.85	M2	A T AND S F RY CO E 804 (19-74) B PAR 9
Total		103,857	2.38		

Highest & Best Use	As If Vacant Assemblage, parking or yard storage
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 a potential acquisition of the Subject Properties.

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 July 6, 2019

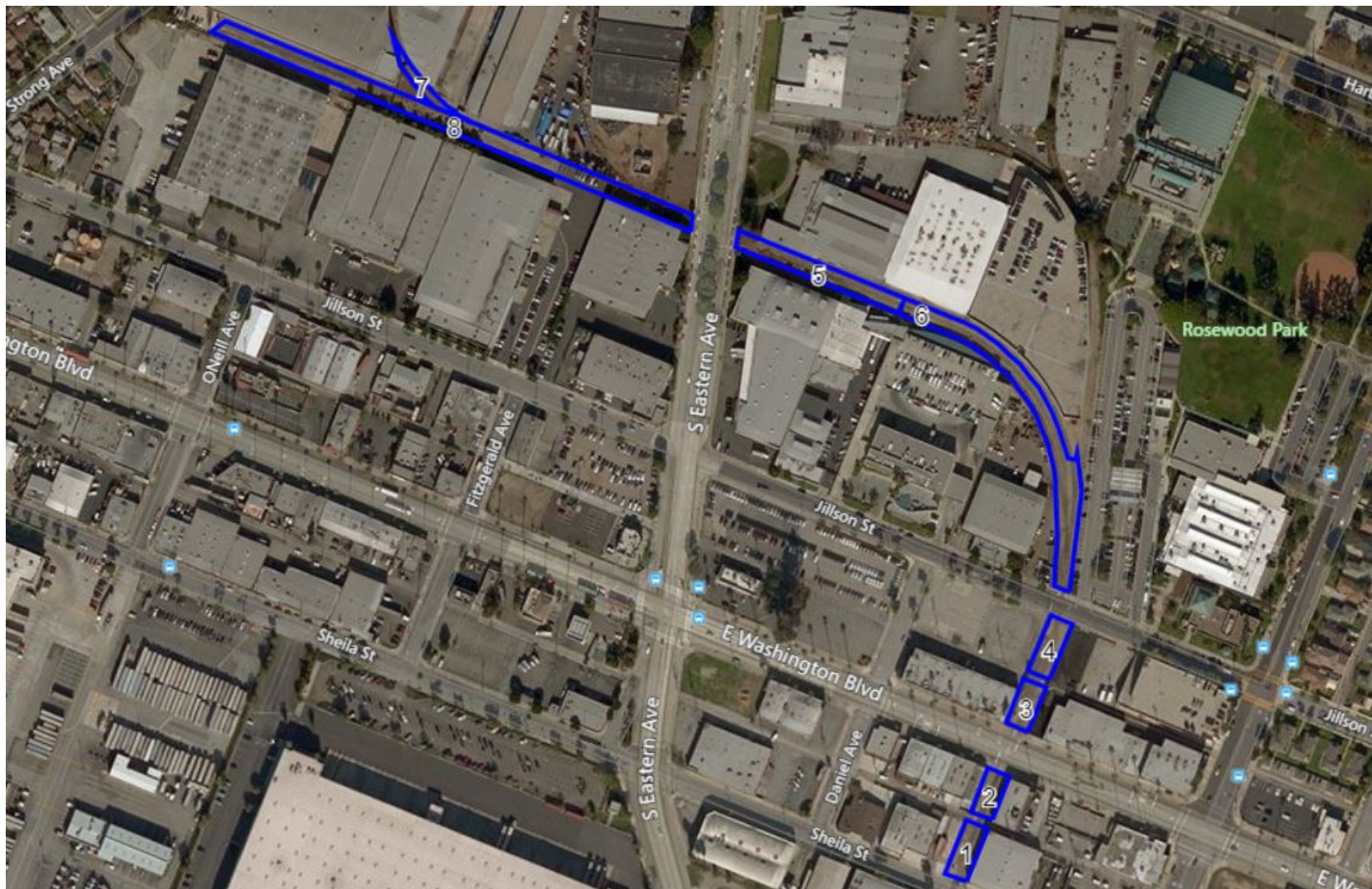
Final Value Conclusion	APN 6335-022-800	\$175,000
	APN 6335-022-801	\$145,000
	APN 6335-023-800	\$150,000
	APN 6335-023-801	\$185,000
	APN 6335-025-805	\$255,000
	APN 6335-025-807	\$575,000
	APN 6335-014-805	\$70,000
	APN 6335-014-806	\$735,000

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

Date of Report July 8, 2019

Date of Last Inspection July 6, 2019

Exposure Time Six months or less



Aerial Photograph

Subject Photographs

View looking southeast on
Jillson Street from Subject APN
6335-023-801



View looking northwest on
Jillson Street from Subject APN
6335-023-801



View looking southwest over
Subject APNs 6335-023-800
and -801.



Subject Photographs

View looking west over Subject
APN 6335-025-807 from an
adjacent property



View looking north over Subject
APN 6335-025-807 from Jillson
Street



View looking east over Subject
APN 6335-025-805 from S
Eastern Avenue



Subject Photographs

View looking at Subject APN 6335-014-806 and towards APN 6335-014-805 from S Eastern Avenue



View looking towards Subject APN 6335-014-806 from Strong Avenue (property in foreground not a part)



View looking northeast over Subject APNs 6335-022-800 and -801.



Introduction

Introduction

Identity of Property	The Subject Properties consists of eight former railroad parcels located along Sheila Street, Washington Boulevard, Jillson Street and Eastern Avenue in the City of Commerce. One parcel does not have street frontage (APN: 6335-014-805). Basic detail for each parcel is summarized in the table on page 2. The parcels are zoned either commercial manufacturing (C/M1) or heavy industrial (M2) and range from 3,549 SF (0.08-acres) to 36,822 SF (0.85-acres) in size, with a combined area of 103,857 SF (2.38-acres).
ADDRESS	No street address. The parcels are located at midblock locations along Sheila Street, Washington Boulevard, Jillson Street and Eastern Avenue in the City of Commerce, CA 90040. The location of the parcels is best depicted in the aerial map on page 4.
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 numbers 6335-022-800 & -801, -023-800 & -801, -025-805 & -807, -014-805 & -806.
Ownership History	A preliminary title report was not provided by the client. According to public records, title in the Subject Properties are held under the names listed on the table on page 2. Based on information provided by the client, the parcel owners are related to BNSF railways. According to Los Angeles County records, there has been no market transfer of ownership for the Subject Properties in the past three years. Further, the sites are not currently listed for sale.
Property Rights Appraised	<p>This is an appraisal of the fee simple estate. The definition of “fee simple estate” is as follows:</p> <p><i>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.</i></p> <p>Source: <u>The Dictionary of Real Estate Appraisal</u>, Sixth Edition. Chicago: Appraisal Institute, 2015.</p>
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 parcels were identified as eight former railroad parcels located along Sheila Street, Washington Boulevard, Jillson Street and Eastern Avenue in the City of Commerce.
- The Subject Properties were inspected by Matthew VanEck, MAI on July 6, 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 Client, City of Commerce (zoning), 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.
- 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 areas.
- 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 a potential acquisition of two Subject Properties. 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	July 8, 2019
Date of Last Inspection	July 6, 2019
Effective Date of Appraisal	July 6, 2019

Market Overview



Regional Map

Regional Overview

Introduction

The Subject Properties are 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.

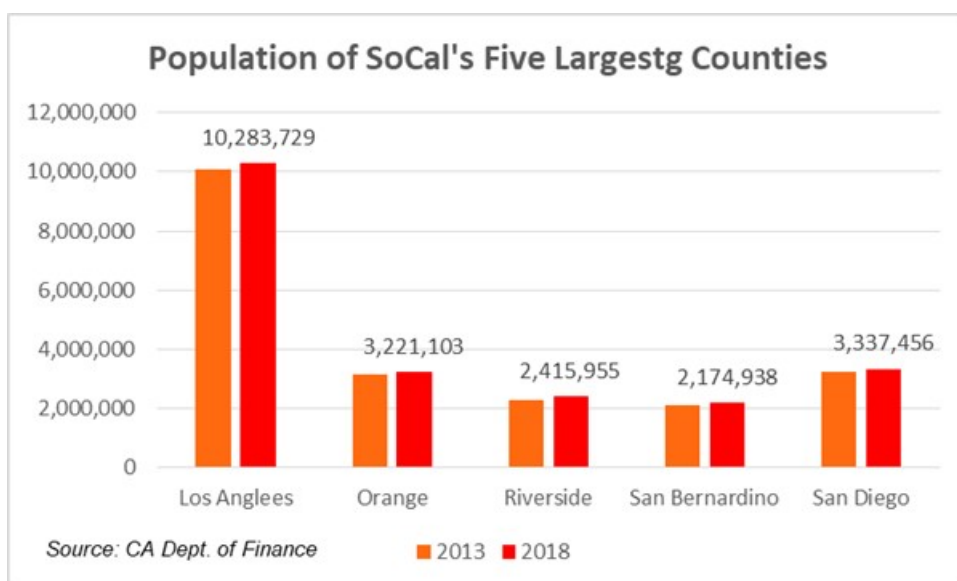
Regional Character

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.

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.

Economic Performance

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.



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

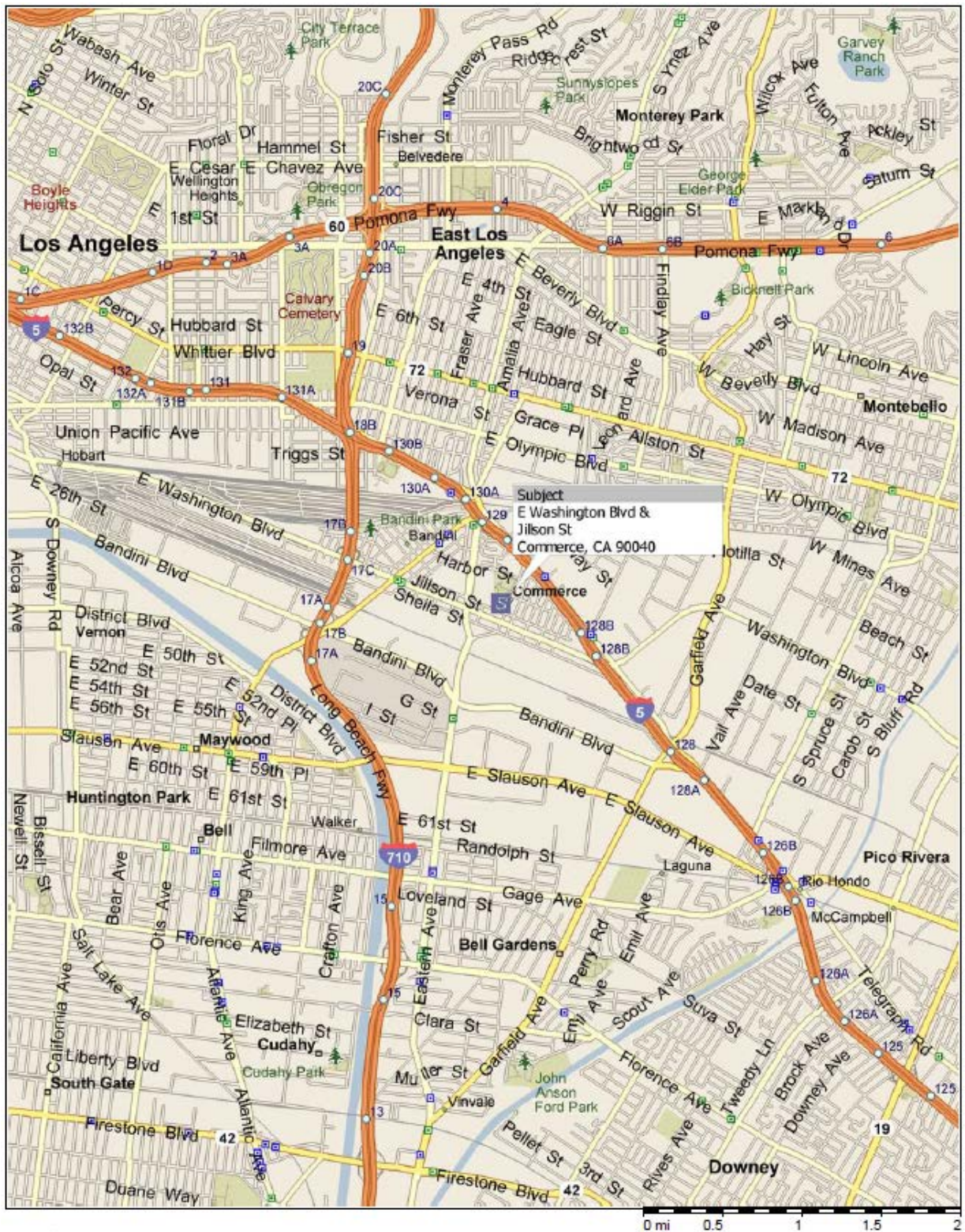
The Los Angeles County market's strong demand since 2Q2017 has led to a historically low vacancy of 3.8%. These retail centers in affluent neighborhoods have been driving demand throughout this cycle. Last year, retail centers primarily benefited the outlying parts of the metropolitan such as the Antelope 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 Properties are 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 and commercial uses located along major arterials. City services are also located nearby.

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.

Two of the Subject parcels front on Washington Boulevard, a two-way, three-lane major arterial street that runs west (17-miles) to Marina del Rey and east (7-miles) into the city of Whittier. Two other parcels front on Eastern Avenue, another major arterial in the city which connects to the I-5 just north of the Subject parcels and parallels the I-710 to the south.

Neighborhood Character

The Subject's neighborhood is characterized by its mostly light industrial and commercial uses along Washington Boulevard and Eastern Avenue, light industrial uses along Sheila Street and Jillson Street, with residential uses further east along Jillson. Heavy industrial uses are located further to the south. There are vacant and underutilized sites located throughout the city, including the Subject Properties. 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

On the following page is a summary of demographic information for the area (radius 1, 3 and 5 miles) surrounding the Subject Properties, 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)	7,034	271,047	760,108
Population (2000)	7,367	285,115	791,615
Population (2010)	7,350	282,491	783,248
Population (Current)	7,675	293,674	811,965
Population (5 Yr. Forecast)	7,938	303,679	839,512
Percent Growth (Current Yr./Previous Yr.)	3.89%	3.92%	3.66%
Percent Forecast (5 Yr. Forecast/Current Yr.)	3.46%	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 half (49.5%) 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 \$54,648. 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. According to Redfin.com, the median home value for single-family residences sold within the City of Commerce in the past three years is \$429,995.

General Household Characteristics

	1 Mile	3 Miles	5 Miles
Households (Current)	2,105	74,054	215,158
Families	1,663	62,088	175,397
Average Size of Household	3.74	3.98	3.81
Median Age of Householder	53	49	51
Median Value Owner Occupied	\$335,199	\$311,268	\$339,042
Median Rent	\$863	\$993	\$1,047
Median Vehicles Per Household	2	2	2
Housing Units	2,151	76,549	223,528
Owner Occupied Units	1,041	24,160	85,593
Renter Occupied Units	1,064	49,894	129,565
Vacant Units	46	2,495	8,370

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 Properties consists of eight former railroad parcels that are currently zoned commercial manufacturing or heavy industrial. The parcels front along primary commercial (light industrial and retail) arterials including Washington Boulevard and Eastern Avenue or secondary commercial (light industrial and residential) arterials for the city including Jillson Street and Sheila Street.

The neighborhood for the parcels are developed primarily with light manufacturing and commercial uses, though several city buildings are located along Jillson Street. Nearby general land uses include:

Northeast:	Municipal buildings and community services
Southeast:	Commercial and light industrial uses,
Northwest:	Commercial and parking uses
Southwest:	Commercial and light industrial uses

As for new construction, we uncovered none within the city, though there are several in the surrounding areas of City of Los Angeles, Montebello and Vernon. There are several proposed projects in Commerce including a 41,590 SF distribution warehouse building at the corner of E Washington Boulevard and Yates Avenue (6800 E Washington Boulevard). 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.

Existing retail uses are mostly concentrated along S Atlantic Boulevard. There is sporadic retail development along E Washington Boulevard, except for the intersection with Atlantic which is mostly retail in nature. Other retail areas of the city include the intersection of Washington Boulevard and Telegraph Road, 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 employer 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 properties are served by the Montebello Unified 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.

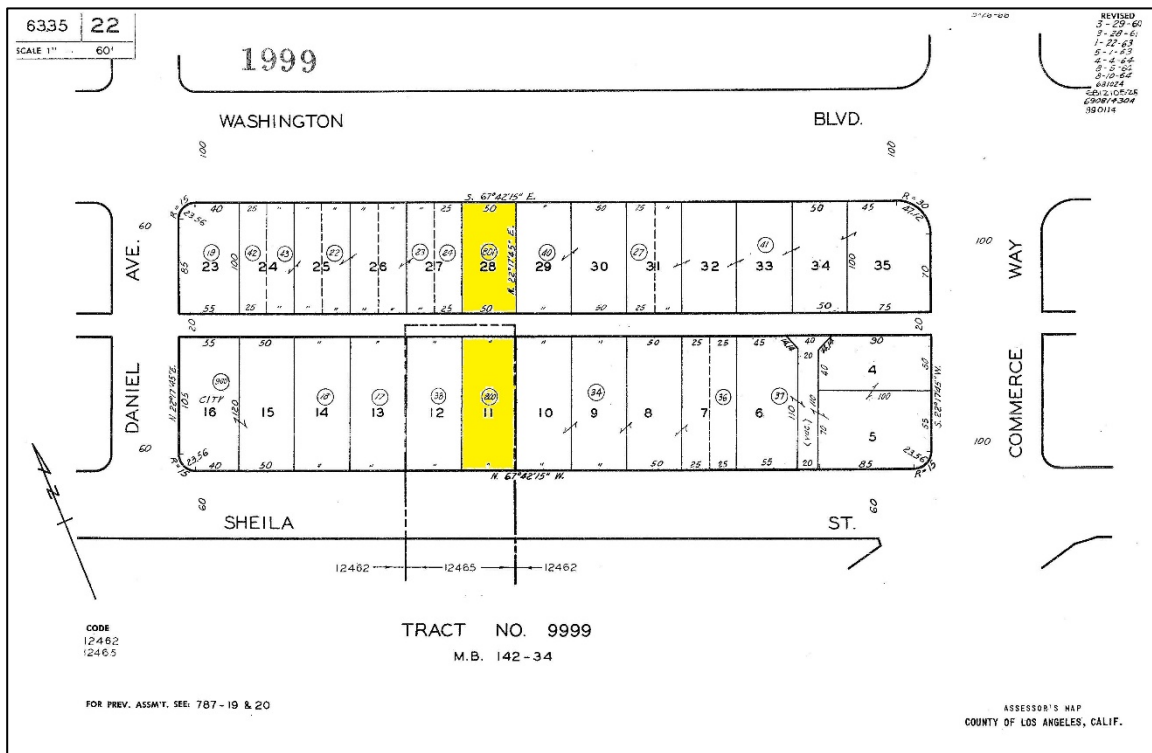
Conclusion

The Subject Properties are located in a mixed light industrial and commercial 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 Washington 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 Properties. 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 potentially viable commercial or industrial site (due to site restrictions addressed in the following section), and if developed or used in support of either of these uses, would be compatible within its immediate surroundings. Overall we find either of these uses to be well supported and we anticipate continuing demand.

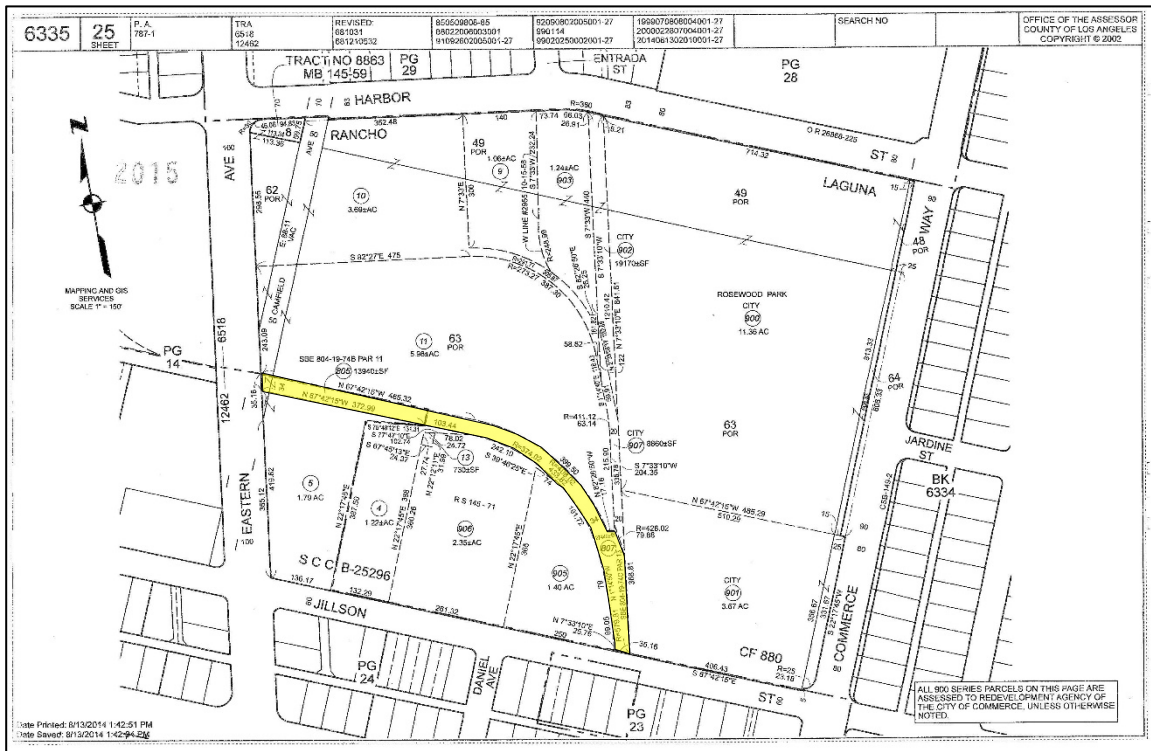
Property Description



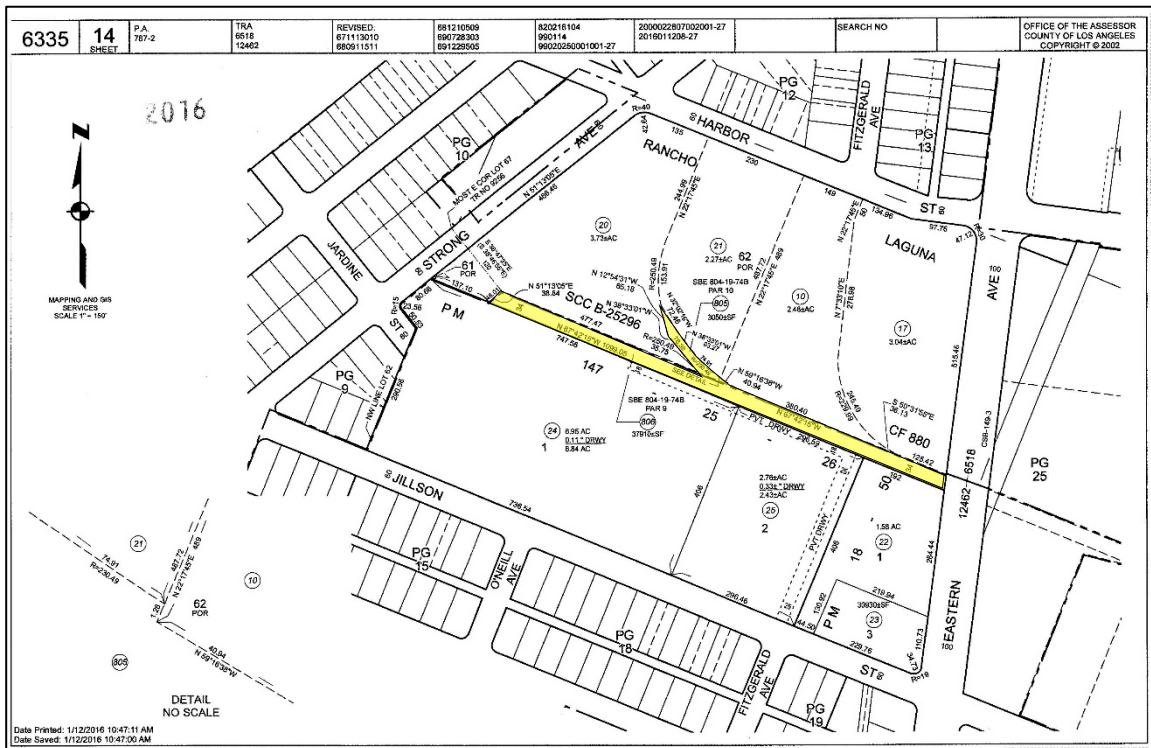
Parcel Map (APNs 6335-022-800 & -801)



Parcel Map (APNs 6335-023-800 & -801)



Parcel Map (APNs 6335-025-805 & -807)



Parcel Map (APNs 6335-014-805 & -806)

Site Data

Address	No street address. The parcels are located at midblock locations along Sheila Street, Washington Boulevard, Jillson Street and Eastern Avenue in the City of Commerce, CA 90040. The location of the parcels is best depicted in the aerial map on page 4.
Site Dimensions & Land Area	<p>As shown on the previous pages, the sites range from rectangular shaped to long, narrow right-of-ways. The southernmost Subject parcels (APN: 6335-022-800 & -801, -023-800 & -801) have site widths of 50 feet. The northernmost parcels (APN: 6335-025-805 & -807, -014-805 & -806) have narrower widths of about 34-35 feet and are less functional than the northernmost parcels due to the site dimensions and shape.</p> <p>The parcels range from 3,549 SF (0.08-acres) to 36,822 SF (0.85-acres) in size, with a combined area of 103,857 SF (2.38-acres). Land areas, summarized on page 2, are based on information provided by the County of Los Angeles Assessors' Office.</p>
Streets, Access & Exposure	<p>The southernmost Subject parcels are located mid-block on Sheila Street, Washington Boulevard and Jillson Street, between Daniel Avenue and Commerce Way. There is no direct vehicular access to these parcels, though access could be achieved over adjacent parcels. Despite the narrow shape, access and exposure is rated average for these parcels and they are considered to be physically functional as either standalone properties or properties to be assembled.</p> <p>The northernmost Subject Parcels have frontage off of Jillson Street or Eastern Avenue, except for one (APN: 6335-014-806), which has no free frontage. These parcels also do not have direct vehicular access, though access could be achieved over adjacent parcels. Access and exposure are rated below average for these sites.</p> <p>The Subject's neighborhood has average local and regional access by Interstate 5 and Interstate 710.</p>
Topography & Soil Conditions	The subjects are 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	<p>Zone X (Unshaded). This is referenced by Panel Number 06037C1810F & 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.)</p>
Earthquake Zone	<p>There are no known faults crossing near the Subject Property that would require specific building design changes. It does not appear that the Subject Property has any unusual risk due to seismic events. However, any new construction would have to adhere to State and City of Commerce building requirements that would limit damage in the event of a large earthquake event. This requirement is similar to virtually all properties within the Los Angeles County market area.</p>
Utilities	<p>All public utilities are available to the sites or are located reasonably nearby.</p>
Zoning	<p>The Subject parcels are located in two different zoning districts, the Commercial Manufacturing (C/M-1) and Heavy Industrial (M2), according to the City of Commerce. Details for these zones are summarized in the table on the following page.</p> <p>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.</p> <p>The purpose of the M-2 zone is to provide land suitable for heavy industrial uses. This zone is also the only zone where adult businesses and adult entertainment enterprises may be located in the city. The requirements of the zone are intended to provide safeguards and to establish adequate buffer distances between uses that pose potentially adverse public health, safety,</p>

and welfare impacts and land uses in adjacent, more restrictive zone districts.

ZONING		
Designation	Commercial Manufacturing (C/M-1)	Heavy Industrial (M2)
Permitted Uses	Retail, Office and Light Industrial Uses	Industrial, Office, Multi-family and Retail uses
Prohibited Uses	Residential and Heavy Industrial Uses	Single-family Residential
Current Use	Vacant Lot	Vacant Lot
Current Use Legally Permitted	Yes	Yes
Conforming Use	Legally conforming use	Legally conforming use
Zoning Change	Not Likely	Not Likely
Max Permitted Floor Area Ratio (FAR)	2:1	1:1
Max Permitted Site Coverage	50%	60%
Min Permitted Site Area (SF)	20,000	25,000
Max Building Height	90 feet or 6 stories if adjacent to commercial; if adjacent to residential, height based on setbacks	50 feet within 100 of any residential zone, school, or park; otherwise, no height limit
Min Permitted Yard Setbacks		
Front (Feet)	5 feet	15 feet
Rear (Feet)	0 feet	5 feet
Side (Feet)	10 feet	5 feet

Source: City of Commerce Planning & Zoning Department

The land area for all but two of the Subject parcels (APNs 6335-025-807 and 6335-014-806) is below the minimum area required for development under the C/M-1 and M-2 zones. 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 for either property because of how much lower several of the sites are in size relative to the minimum permitted site area. While there are a number of similar sized parcels 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. Although, there are utility easements between the two sets of the southernmost parcels. This appraisal assumes that there are no adverse easements present. If questions arise, further research is advised.

Assessed Value The Subject parcels are not assessed as the sites are a part of a former right of way.

**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 parcels are located at midblock locations along Sheila Street, Washington Boulevard, Jillson Street and Eastern Avenue in the City of Commerce. Topography, zoning, availability of utilities, and existing encumbrances are similar to other properties in the immediate vicinity. The land area six of the eight individual's parcels is smaller than the required minimum area for development in the C/M-1 and M-2 zones. Further, each of the sites is narrow with widths ranging from 34 to 50 feet. Both factors restricts development potential of the individual properties.

Despite their narrow shape, the southernmost Subject parcels (APN: 6335-022-800 & -801, -023-800 & -801) are considered physically functional as either standalone properties or properties to be assembled. As for the northern most parcels (APN: 6335-025-805 & -807, -014-805 & -806), their long, narrow, and curved shapes on some, restricts development on these properties more than the southernmost parcels. Based on these features, these properties are best to be assembled with adjacent parcels or used for parking or storage purposes.

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 If Vacant

Permitted uses of the Subject’s commercial manufacturing (C/M-1) and heavy industrial (M-2) zones were listed in the Zoning Analysis section. As previously indicated, the six of the eight Subject parcels are 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.

Regarding physical characteristics, the southernmost Subject parcels (APN: 6335-022-800 & -801, -023-800 & -801) are rectangular in shape and have level topography with average access and average exposure. The sites are narrow at 50 feet in width and any development would need to be set back 10 feet on the sides of the parcels, which reduces the useable width to 30 feet. Surrounding developments include light industrial and commercial uses, though none are located on sites with similar frontage as the Subject parcels. As for the northern most parcels (APN: 6335-025-805 & -807, -014-805 & -806), their long, narrow, curved shape on some, restricts development on these properties more than the southernmost parcels.

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.

Based on our observations of land development trends for sites with similar zoning and physical characteristics as the subject, and analysis of current supply/demand trends, the highest and best use as vacant for the southernmost Subject parcels (APN: 6335-022-800 & -801, -023-800

& -801) is a low density industrial or commercial use, likely in support of adjacent parcels. Potential maximum productive uses including storage yards, parking or small scale retail such as a drive-thru restaurant or coffee shop, though these two uses would require a zoning variance from the City.

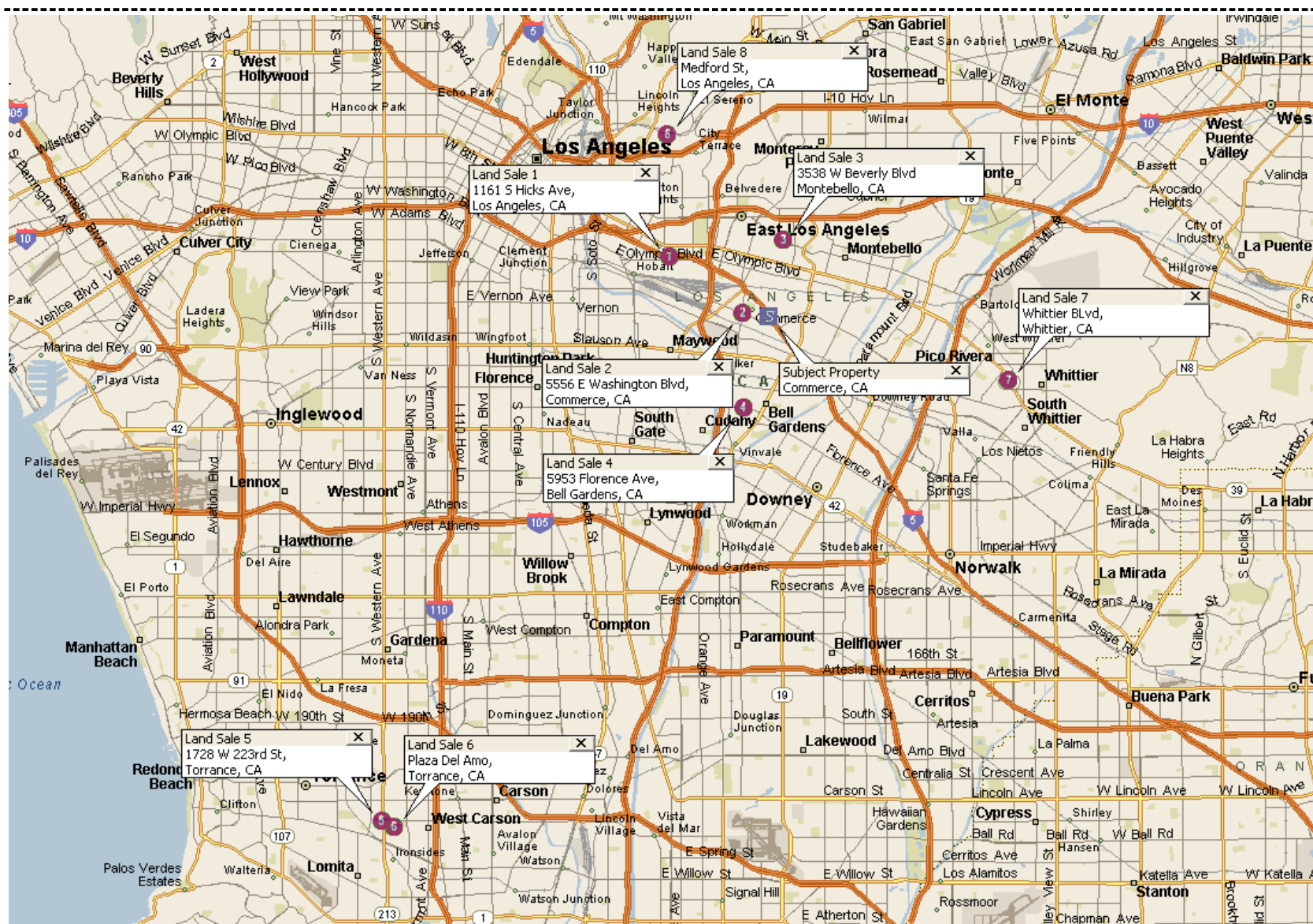
As for the northern most parcels (APN: 6335-025-805 & -807, -014-805 & -806), due to the location and shape of the parcels, the highest and best use as vacant is assemblage with adjacent parcels or used for parking or storage purposes.

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



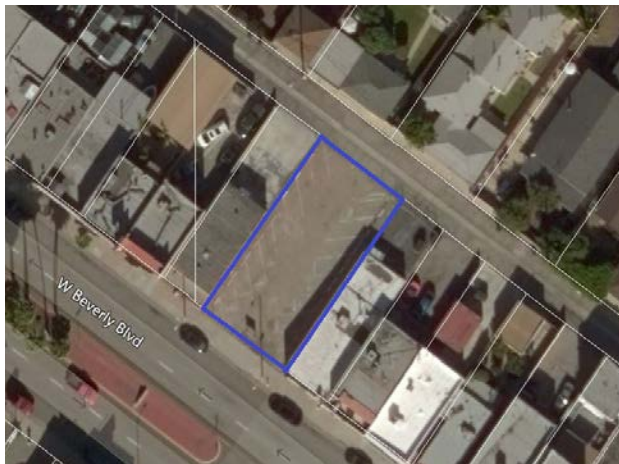
Comparable Land Sales Aerial Photographs



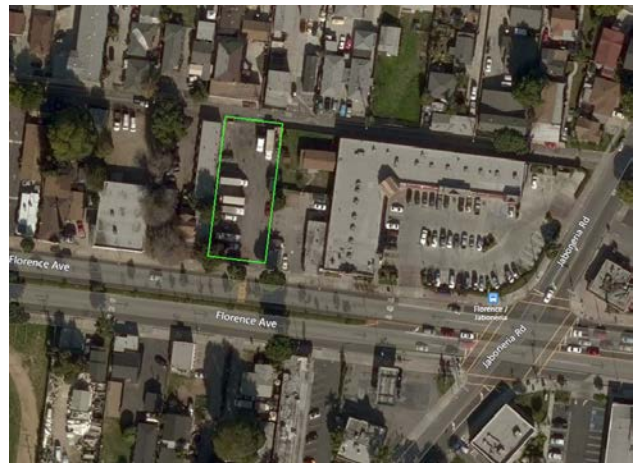
Land Sale 1



Land Sale 2



Land Sale 3

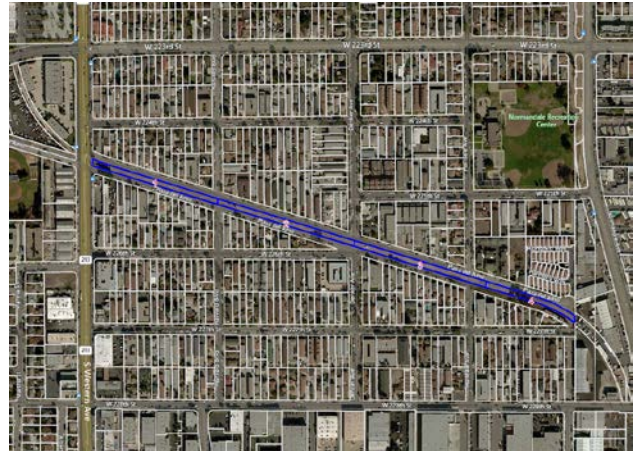


Land Sale 4

Comparable Land Sales Aerial Photographs



Land Sale 5



Land Sale 6



Land Sale 7



Land Sale 8

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	1161 S Hicks Avenue Los Angeles, CA (APN: 5242-007-010)	Jul-18	\$167,500	5,208 0.12	\$32	CM	Joe Almanza -	This property is located one parcel north of the northwest corner of S Hicks Avenue and E Olympic Boulevard. The property was being used as storage yard at the time of sale.
2	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.
3	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.
4	5953 Florence Ave Bell Gardens, CA (APN: 6329-006-020)	Mar-17	\$260,000	11,768 0.27	\$22	C-4	Amelia Ruval Caba -	This property is located mid-block on Florence Avenue between Jaboneria Road and El Selinda Avenue. The listing broker, Nick Ensburry, confirmed the sale details and stated that the property had a sewer line through the property which made the site undevelopable. It would have to be used as a parking lot/storage yard. The property has a verbal lease for \$2,000 per month and the property had no entitlements at the time of sale.
5	1728 W 223rd St Torrance, CA 90501 (APN: 7357-029-028)	Feb-19	\$169,500	20,011 0.46	\$8	M2	Richard Jr. & Denise Gaunt The Gount Family Trust	This property has access along W 223rd Street and S Western Avenue. This property has a width of approximately 36 feet. This property was sold between related parties in a non-arm's length transaction.
6	Plaza Del Amo Torrance, CA 90501 (APN: 7437-009-800, -011-800, -012-802 & 7012-347-801)	Aug-18	\$1,010,000	94,780 2.18	\$11	R3-1; M2-1	Richard Jr. & Denise Gaunt The Gount Family Trust	This property is located along Plaza del Amo between Western Avenue and Normandie Avenue. This property was sold between related parties in a non-arm's length transaction.
7	Whittier Boulevard Whittier, CA 90601 (APN: 8170-013-815 & -816)	Jan-18	\$675,000	32,826 0.75	\$21	SP	BHCSP LLC Union Pacific Railroad Company	The property is located mid-block on Whittier Boulevard between Sorensen Avenue and Washington Boulevard.
8	Medford Street Los Angeles, CA 90063 (APN: 5224-034-801 & -818)	Jul-16	\$1,043,500	81,334 1.87	\$13	M3-1; M-2	Fishburn & Medford LLC Union Pacific Railroad Company; Southern Pacific Transport	The property is a previous rail spur for local industrial sites.
S	Various Commerce, CA 90040					C/M-1 M-2		

Sales Approach

Introduction

The valuation of the individual Subject Properties 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 for functional properties, less for properties similar to the northernmost Subject parcels, though there were several sales in the larger Los Angeles 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 37 highlights the comparable sales location relative to the subject. Land Sales 1 through 4 are most similar in highest and best use to the southernmost Subject parcels, while Land Sales 5 through 8 are most similar to the northernmost parcels.

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 parcels. A discussion of the land sales chosen for this analysis is included below.

LAND SALE COMPARISON NO. 1

Land Sale 1 is located one parcel north of the northwest corner of S Hicks Avenue and E Olympic Boulevard. The street address for the property is 1161 S Hicks Avenue. The property sold for \$167,500 or \$32/SF in July 2018. 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. The property was being used as storage yard at the time of sale.

**LAND SALE
COMPARISON
NO. 2**

Land Sale 2 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. 3**

Land Sale 3 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. 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 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 is located mid-block on Florence Avenue between Jaboneria Road and El Selinda Avenue. The street address is 5953 Florence Avenue. The property sold for \$260,000 or \$22/SF in March 2017. The listing broker, Nick Ensbury, confirmed the sale details and stated that the property had a sewer line below the property which made the site undevelopable. It would have to be used as a parking lot/storage yard. The property has a verbal lease for \$2,000 per month at the time of sale. The property had no entitlements and it was zoned Commercial Manufacturing (C-4).

**LAND SALE
COMPARISON
NO. 5**

Land Sale 5 is a former right-of-way parcel (20,011 SF) that is located in the City of Torrance, between two commercial properties that are bound by Western Avenue, Plaza del Amo and W 223rd Street. The property has a street address of 1728 W 223rd Street. The property sold for \$169,500 or \$8/SF in February 2019. The parcel has a width of 36 feet and curves around the property on its eastern boundary. We were not able to confirm the details of the sale with parties involved in the transaction, though based on a review of the Grant Deed (#0114270), the parties appear to be related. This suggests that sales might not be arm's length. The appropriate weight will be granted to this sale.

**LAND SALE
COMPARISON
NO. 6**

Land Sale 6 is a former right-of-way parcel that is along the same path as Land Sale 5 in the City of Torrance. This tract of land is the area between the east and west bound Plaza del Amo, between Western Avenue and Normandie Avenue. The property consists of four parcels of land that equal 2.18-acres, which all have a width of 32 feet. It sold for \$1,010,000 or \$11/SF in August 2018. Again, we were not able to confirm the details of the sale with parties involved in the transaction, though based on a review of the Grant Deed (#0771720), the parties are similar to the ones that were involved in Land Sale 5 (related). This suggests that sales might not be arm's length. The appropriate weight will be granted to this sale.

**LAND SALE
COMPARISON
NO. 7**

Land Sale 7 is a former right-of-way that consists of two parcels of land totaling 32,826 SF in the City of Whittier. The land runs along the eastern boundary of the Fred C. Nelles Youth Correctional Facility. The land connects out to Whittier Boulevard and is located between the facility and an auto storage yard. The property was sold by the Union Pacific Railroad Company to BHCSF LLC for \$675,000 or \$21/SF on January 2018. The land has a width of 50 feet. According to the Grant Deed (#0506688), there is a restriction on use which runs with the land which prohibits the development of any residential, lodgings or accommodations, cultural, educational, recreational or child-care facilities on the land.

**LAND SALE
COMPARISON
NO. 8**

Land Sale 8 is a former right-of-way that consists of two parcels of land totaling 81.334 SF in the City of Los Angeles. The tract of land curves through an industrial neighborhood several miles east of downtown Los Angeles. The property was sold by the Union Pacific Railroad Company to Fishburn & Medford LLC for \$1,043,500 or \$13/SF on July 2016. The land has a width of 17 feet. According to the Grant Deed (#0880237), there is a restriction on use which runs with the land which prohibits the

development of any residential, lodgings or accommodations, cultural, educational, recreational or child-care facilities on the land.

**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.

Again, Land Sales 1 through 4 are most similar in highest and best use to the southernmost Subject parcels, while Land Sales 5 through 8 are most similar to the northernmost parcels. For this reason, adjustments to these comparables is made to the respective Subject parcel groups. In other words, the right of way comparables (Land Sales 5 through 8) are not adjusted downward for their inferior functionality relative to the Subject's southernmost parcels, because they are utilized primarily as an indication of value for the northernmost parcel which have similar characteristics.

**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 and/or light industrial 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 2 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%. Land Sale 4 has a verbal lease for \$2,000 per month, though because the agreement is non-binding and could be voided fairly easily, we have not adjusted for this condition of sale. Land Sales 5 and 6 were sold between related parties. When compared against the other right-of-way parcels, it appears these properties transferred at a discount. Since we were unable to confirm the details with parties involved in the transaction, we will only make a qualitative adjustment in the conclusion section of this analysis. No other adjustments for condition of sale were required.

MARKET CONDITIONS

Overall market conditions have been stable for commercial 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 3.0% 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: Land Sales 1 through 4 are located in the City of Commerce or nearby Montebello and Bell Gardens where there are similar income demographics and retail market fundamentals. No adjustments for location are required for these sales. Land Sales 5, 6 and 8 are located in markets with superior industrial fundamentals (average rent/SF, rent growth, vacancy, sale prices) relative to the Subject market, while Land Sale 7 is

located in an inferior industrial market. These four comparables were adjusted in the appropriate direction for these differences.

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 six of the Subject's parcels are smaller than the minimum area required for development under zoning 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: Commercial sites located at a corner are superior to those at mid-block locations for superior access and exposure levels. A downward adjustment is required for Land Sale 2 for its corner location.

Land Condition: The Subject sites are level and located near all utilities. Each of the sites are also mostly level and are connected or reasonably nearby utilities. Land conditions and functionality for Land Sales 1 through 4 match that of the southern Subject parcels and Land Sales 5 through 8 match that of the northern Subject parcels. As a result, no adjustments are required for land condition.

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 southernmost Subject parcels have a development density that is two times the lot area, while the northernmost Subject parcels have a density that is only 1:1. Despite this, six of the eight parcels have land areas that are below the minimum amount outlined under the zoning code. According to the City of Commerce Planning Department, any development of these sites would require a variance for development to be granted. Further, it was indicated that approval for development of each site as a standalone property would be limited because of how much lower the site is in size relative to the minimum permitted site area (20,000-25,000 SF). As a result, based on the Subject's size the only permitted uses under zoning would be a low density retail use, storage yard or even a parking lot for the southernmost parcels and storage yard or parking for the northernmost parcels.

Land Sale 1 is located in a zoning district that allows for a very high density of 13 times the lot area, though this property's selling price does not reflect a higher amount. This is likely due to the narrow shape of the parcel. As a result, we have not adjusted this sale for its superior density.

Land Sale2 is located in the same zoning district as the Subject and is below the required minimum lot area for development. However, the property 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 3 is located in a zoning district which allows a slightly superior density of 3:1. Further, the property is 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, this comparable is adjusted downward.

Land Sale 4 is has a sewer line below the property which made the site undevelopable. According to the listing broker, Nick Ensbury, the site could only be used as a parking lot/storage yard. This is the likely use of the Subject, though the Subject's southernmost parcels are not restricted by an underground easement, so it is possible that some higher density use could be achieved at the Subject Property. A slight upward adjustment is applied for this reason.

No adjustment is required for Land Sales 5 through 8 has they are located in generally similar zoning districts and densities do not impact the properties as much as their shapes and land areas.

Exposure (Traffic Count): This adjustment is for properties which receive significantly better or worse vehicular exposure along their fronting street. This adjustment is considered for only Land Sales 1 through 4 which are impacted more by this characteristic. Upon review, each of the 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 45.

**Land Value
Conclusion**

For the Subject's southernmost parcels, Land Sales 1 through 4 are given primary consideration. These comparables indicate an unadjusted range of \$22/SF to \$52/SF. After adjustments, the range narrowed from \$25/SF to \$44/SF. Primary consideration is given to Land Sales 1 (adjusted \$33/SF) and 4 (adjusted \$25/SF), followed by secondary consideration to Land Sale 2 (adjusted \$39/SF).

Land Sale 1 was purchased for use as a storage yard and has similar dimensions are the Subject's southernmost parcels. Land Sale 4 is encumbered by a sewer which limits the development potential of the site. The Subject parcels are not impacted as greatly by its encumbrances but it is close. Land Sale 2 is located in the same zoning district as the Subject and is below the minimum area for development, though a variance was granted prior to the transaction. However this sale's purchase price was also negatively impacted by a motivated seller, offsetting the variance benefit.

Recognizing all of the above, value of the Subject's southernmost parcels are concluded at \$30/SF of land area which corresponds to the following values per parcel:

SOUTHERNMOST SUBJECT PARCELS

#	APN	Land Area (SF)	Conc./SF	Value
				Conclusion (Rd)
1	6335-022-800	5,887	\$30	\$175,000
2	6335-022-801	4,893	\$30	\$145,000
3	6335-023-800	4,981	\$30	\$150,000
4	6335-023-801	6,184	\$30	\$185,000

For the Subject's northernmost parcels, Land Sales 5 through 8 are given primary consideration as they are all former right-of-ways. These comparables indicate an unadjusted range of \$8/SF to \$21/SF. After adjustments, the range increased slightly from \$8/SF to \$23/SF. Land Sales 5 and 6 are both transactions involving related parties and compared to Land Sales 7 and 8, appear to have sold at a discount. Upward qualitative adjustments are applied to these sales and a value above \$10/SF is suggested for the Subject's northernmost parcels.

Land Sales 7 (adjusted \$23/SF) and 8 (adjusted \$13/SF) are most similar to the Subject's northernmost parcels, and therefore greater weight is applied to these comparables. Land Sale 7 is more rectangular in shape compared to Land Sale 8 that curves and forks out in multiple fingers. While utility is limited for both of these sites, there appears to be more utility in the site that is rectangular. The Subject's northernmost parcels have a shape that is somewhat between these two comparables and therefore we have concluded between the two.

Recognizing all of the above, value of the Subject's northernmost parcels are concluded at \$20/SF of land area which corresponds to the following values per parcel:

NORTHERNMOST SUBJECT PARCELS

#	APN	Land Area (SF)	Conc./SF	Value
				Conclusion (Rd)
5	6335-025-805	12,752	\$20	\$255,000
6	6335-025-807	28,789	\$20	\$575,000
7	6335-014-805	3,549	\$20	\$70,000
8	6335-014-806	36,822	\$20	\$735,000

Sales Approach Summary Adjustment Table

Number:	Subject	1	2	3	4	5	6	7	8
Street Address:	No Address	1161 S Hicks Avenue	5556 E Washington Blvd	3538 W Beverly Blvd	5953 Florence Ave	1728 W 223rd St	Plaza Del Amo	Whittier Boulevard	Medford Street
City:	Commerce, CA 90040	Los Angeles, CA	Commerce, CA	Montebello, CA	Bell Gardens, CA	Torrance, CA	Torrance, CA	Whittier, CA	Los Angeles, CA
Sales Price:		\$167,500	\$745,000	\$259,000	\$260,000	\$169,500	\$1,010,000	\$675,000	\$1,043,500
Land Size (Square Feet):		5,208	18,135	5,001	11,768	20,011	94,780	32,826	81,334
Price Per Land Sq. Ft.:		\$32	\$41	\$52	\$22	\$8	\$11	\$21	\$13
TRANSACTION ADJUSTMENTS:									
Property Right Conveyed:		Fee	Fee	Fee	Fee	Fee	Fee	Fee	Fee
Adjustment:		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Adjusted Price (Per Sq.Ft.):		\$32	\$41	\$52	\$22	\$8	\$11	\$21	\$13
Cash Equivalency:		Cash	Cash	Cash	Cash	Cash	Cash	Cash	Cash
Adjustment:		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Adjusted Price (Per Sq.Ft.):		\$32	\$41	\$52	\$22	\$8	\$11	\$21	\$13
Conditions of Sale:		None	Motivated Seller	None	None	Related Parties	Related Parties	None	None
Adjustment:		0.00%	15.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Adjusted Price (Per Sq.Ft.):		\$32	\$47	\$52	\$22	\$8	\$11	\$21	\$13
Market Conditions	Jul-19	Jul-18	Jan-18	Mar-17	Mar-17	Feb-19	Aug-18	Jan-18	Jul-16
Adjustment:		2.75%	4.25%	6.75%	6.75%	1.00%	2.75%	4.25%	8.75%
Adjusted Price (Per Sq.Ft.):		\$33	\$49	\$55	\$24	\$9	\$11	\$21	\$14
PROPERTY ADJUSTMENTS:									
Location:		Similar	Similar	Similar	Similar	Superior	Superior	Inferior	Superior
Adjustment:		0.00%	0.00%	0.00%	0.00%	-5.00%	-5.00%	5.00%	-5.00%
Size (Sq.Ft.):		5,208	18,135	5,001	11,768	20,011	94,780	32,826	81,334
Adjustment:		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Corner:		Similar	Superior	Similar	Similar	Similar	Similar	Similar	Similar
Adjustment:		0.00%	-10.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Entitlements:		Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar
Adjustment:		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Exposure (Traffic Count):		Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar
Adjustment:		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Land Use Restrictions/Zoning:		Similar	Superior	Superior	Inferior	Similar	Similar	Similar	Similar
Adjustment:		0.00%	-10.00%	-20.00%	5.00%	0.00%	0.00%	0.00%	0.00%
Shape:		Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar
Adjustment:		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
TOTAL NET PROPERTY ADJUSTMENT:		0.0%	-20.0%	-20.0%	5.0%	-5.0%	-5.0%	5.0%	-5.0%
TOTAL GROSS ADJUSTMENT:		2.8%	26.8%	6.0%	7.8%	9.3%	13.8%	0.0%	0.0%
ADJUSTED PRICE PER SQ.FT.:		\$33	\$39	\$44	\$25	\$8	\$10	\$23	\$13

ADDENDUM

Appraisers' Experience Data



MATTHEW VANECK, MAI

Senior Vice President
Valuation Advisory Services

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

BS from University of Southern California

PROFESSIONAL MEMBERSHIPS, ACCREDITATIONS AND LICENSES

DESIGNATED MEMBER of Appraisal Institute (MAI)

MEMBER International Right of Way Association

CERTIFIED Real Estate Appraiser for the State of California

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.

SELECT CLIENT LIST

99 Cents Only Stores

Ambrecht & McDermott, LLP

Care Trust REIT

City of Commerce

Dutch Bros. Coffee

Endeavor College
Preparatory Charter

Hger Pacific Properties

HDR

KIPP Los Angeles
College Preparatpry

McCarthy Cook

ROW Advisors, LLC

Stifel, Nicolaus &
Company, Incorporated

Woodruff, Spradlin & Smart



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Irvine, CA 92614



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

INSITUTE 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," January 2012

VALUATION ALERT "Simmons Appeal. Taxpayer Position Sustained," June 2011

VALUATION ALERT "A Mortgage Invalidates a Façade Easement . . . Again!" April 2011

VALUATION ALERT "A Valuation Victory for the IRS," January, 2011

VALUATION ALERT "An Easy Easement Win for the IRS?" September. 2010

VALUATION ALERT "Can a Mortgage Invalidate a Façade Easement Deduction?" April 2010

CCIM MAGAZINE, "Cap Rate Calculations: How do investors determine ROI in an unsteady market?" September/October 2009

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