



Appraisal Report

Vacant Land

East side of the Northern Terminus of First Avenue  
San Diego, California 92103

Prepared For

Regents of the University of California

Mr. Jeff W. Graham  
Executive Director - Real Estate  
University of California, San Diego  
Torrey Pines Center South, Suite 340  
9500 Gilman Drive #0982  
San Diego, California 92122

Date Of Value  
October 14, 2019

Date Of Report  
October 22, 2019

Prepared By

Andre Desjardins, MAI, AI-GRS



October 22, 2019

Mr. Jeff W. Graham  
Executive Director - Real Estate  
University of California, San Diego  
Torrey Pines Center South, Suite 340  
9500 Gilman Drive #0982  
San Diego, California 92122

Re: Vacant Land  
East Side of the Northern Terminus of First Avenue  
San Diego, California 92103  
MDS File No.: 19-281

Dear Mr. Graham:

In accordance with your request, we performed an appraisal of the referenced property. This appraisal and Appraisal Report were prepared in conformance with the Uniform Standards of Professional Appraisal Practice (USPAP) and the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute.

The intended user of the report is the client, Regents of the University of California. The intended use of the appraisal is for use by the client for pre-condemnation purposes regarding a prospective acquisition of the subject property. The purpose of this appraisal was to estimate the fair market value of the fee simple interest in the subject property. The fair market value estimate reflects an October 14, 2019 date of value, which was the formal inspection date.

The subject of this appraisal is vacant land located at the east side of the northern terminus of First Avenue in the City of San Diego community of Uptown. The subject site has commercial zoning and contains ±5,432 gross square feet of land area. The property has generally level topography to more steeply sloping topography toward the northern portion of the site.

The subject was fairly recently rezoned to CC-3-8 (Commercial Community). The purpose of the CC zones is to accommodate community-serving commercial services, retail uses, and limited industrial uses of moderate intensity and small-to-medium scale. The CC-3-8 zone is intended to accommodate development with a high intensity, pedestrian orientation and permits a maximum residential density of 1 DU per each 600 square feet of gross lot area. The reader should note that the zoning change has increased the potential development density of the subject.

After an examination of the subject property and analyses of the market data, we concluded the following fair market value estimate for the fee simple interest in the subject property. The value estimate reflects a marketing and exposure period of 6 to 12 months.

<b>VALUATION SUMMARY</b>			
<b>Valuation Scenario</b>	<b>Value Estimate</b>	<b>Date Of Value</b>	<b>Property Rights</b>
Fair Market Value	\$1,220,000	October 14, 2019	Fee Simple

The following Appraisal Report includes a description of the subject property as well as a discussion of the reasoning that has resulted in our opinions of value. This appraisal is subject to certain **extraordinary assumptions and general assumptions and limiting conditions** that are made part of this report. *These assumptions and conditions are described in detail later in the report.* Acceptance and use of this report by the client constitutes acceptance of these assumptions and limiting conditions.

Thank you for this opportunity to be of service.

Sincerely,

MDS REALTY ADVISORS

A handwritten signature in blue ink, appearing to read "Andre Desjardins", with a stylized flourish at the end.

Andre Desjardins, MAI, AI-GRS  
AG025615

## TABLE OF CONTENTS

### **BODY OF REPORT**

Summary Of Salient Facts And Conclusions .....	2
Extraordinary Assumptions.....	4
Hypothetical Conditions.....	5
General Assumptions And Limiting Conditions .....	6
Certification Statement.....	8
Introduction.....	9
Area Description.....	13
City/Neighborhood Description – Uptown.....	29
Property Description.....	33
Highest And Best Use .....	44
Appraisal Methodology.....	46
Fair Market Value.....	48

### **EXHIBITS**

San Diego County Area Map.....	12
Central San Diego Area Map.....	25
Subject Vicinity Map.....	26
Uptown Neighborhoods Map.....	27
Neighborhood Aerial Maps.....	28
Assessor’s Plat Map.....	37
Aerial Photograph With Parcel Numbers.....	38
Zoning Map (Portion) .....	39
Subject Photographs.....	40
Land Sale Comparables Map .....	50

### **ADDENDA**

Qualifications of the Appraiser(s)



Vacant Land

East Side of the Northern Terminus of First Avenue, San Diego, California 92103

**SUMMARY OF SALIENT FACTS AND CONCLUSIONS**

**PROPERTY OWNER:** Chlora M. Brooks Trust

**PROPERTY NAME:** Unnamed

**PROPERTY TYPE:** Vacant land

**PROPERTY LOCATION:** East Side of the Northern Terminus of First Avenue  
San Diego, California 92103

**SITE INFORMATION:**

SITE SUMMARY	
Assessor's Parcel No(s):	444-302-19
Thomas Brothers Map:	1269-A5
Size:	
Gross Acres:	0.125
Gross Square Feet:	5,432
Shape:	Rectangular
Topography:	Generally Level to Steeply Sloping
Utilities:	All Available
Flood Zone:	Zone X
Flood Hazard:	No
Zoning:	CC-3-8

**PURPOSE OF THE APPRAISAL:** The purpose of this appraisal was to estimate the fair market value of the fee simple interest in the subject property.

**INTENDED USER(S) OF THE APPRAISAL:** The intended user of the report is the client, Regents of the University of California.

**INTENDED USE OF THE APPRAISAL:** The intended use of the appraisal is for use by the client for pre-condemnation purposes regarding a prospective acquisition of the subject property.

**HIGHEST AND BEST USE**  
**As Vacant:** Some form of mixed-use development

**PROPERTY RIGHTS APPRAISED:** Fee simple estate

**VALUE CONCLUSION(S), DATE OF VALUE, & PROPERTY RIGHTS:**

VALUATION SUMMARY			
Valuation Scenario	Value Estimate	Date Of Value	Property Rights
Fair Market Value	\$1,220,000	October 14, 2019	Fee Simple

**MARKETING AND  
EXPOSURE TIMES:**

6 to 12 months

**DATE OF VALUE / REPORT:**

October 14, 2019

**DATE OF REPORT:**

October 22, 2019

**MDS FILE NO.:**

19-281

## EXTRAORDINARY ASSUMPTIONS

This appraisal is subject to the following extraordinary assumptions and the reader should not that *the use of the extraordinary assumptions might affect the assignment results*:

1. We were not provided with a preliminary title report. Based on our physical inspection, no adverse easements or encroachments were noted. We assume no responsibility for any unapparent or undisclosed easements, encroachments, or encumbrances. It is an extraordinary assumption that there are no unreported easements, encroachments, or encumbrances which would limit the utility of the property.
2. Soils and/or geotechnical reports were not provided for this appraisal. An inspection of the site revealed no apparent problems associated with adverse soil conditions, geological issues or any related adverse site characteristics. However, we are not experts in this area and no representation as to the integrity of the site is made. The subject property is reportedly not located in an Alquist-Priolo Special Studies Zone. No opinion is expressed with regard to the potential impact and it was assumed that the potential risks are similar to those shared by most properties in the subject area and generally within Southern California. This appraisal report and analyses contained herein are based on the assumption that there are no significant adverse soil conditions, geological issues, or related adverse site characteristics.
3. Physical inspection of the site did not reveal the existence of hazardous materials. The existence of potentially hazardous material or soils contamination, which may or may not be present on the property, has not been considered in this valuation. We are not qualified to detect such substances. This appraisal report is based on the assumption that no hazardous chemical contamination of the subject site exists.
4. During our inspection of the subject vegetation and small animals were noted in the northern portion of the site that has steeply sloping terrain. We have assumed that these biological factors and/or any other environmental and/or habitat characteristics do not need to be mitigated at any significant cost to the property owner prior to any prospective development of the subject site.



## **HYPOTHETICAL CONDITIONS**

- There were no hypothetical conditions utilized in the appraisal.

## GENERAL ASSUMPTIONS AND LIMITING CONDITIONS

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

1. Information, estimates, and opinions furnished by others and contained in this report are assumed to be true, correct, and reliable. A reasonable effort has been made to verify such information; however, no responsibility for its accuracy is assumed by the appraiser.
2. No responsibility is assumed for matters legal in character, nor do we render an opinion as to title, which is assumed to be held in fee simple interest as of the date of valuation unless otherwise stated.
3. It is assumed that the property is readily marketable and free of all liens and encumbrances except any specifically discussed within this report.
4. Photographs, assessor's plats, and maps furnished in this report are to assist the reader in visualizing the property. No survey of the property has been made by us, and no responsibility has been assumed in this matter.
5. It is assumed that there are no legitimate environmental or ecological reasons that would prevent continued operation of the property at its highest and best use.
6. Possession of this report, or a copy thereof, does not carry with it the right of publication. Disclosure of the contents of this appraisal report is governed by the by-laws and regulations of the Appraisal Institute. Neither all nor any part of the contents of this report (especially reference to the Appraisal Institute or the MAI designation) may be disseminated to the public through advertising media, public relations media, news media, sales media, or any other public means of communications without prior written consent and approval of the appraiser.
7. This report may not be used for any purpose by anyone other than the party to whom it is addressed without the written consent of the appraiser(s).
8. The submission of this report constitutes completion of the services authorized. It is submitted on the condition that the client will provide the appraiser(s) customary compensation relating to any subsequent required depositions, conferences, additional preparation, or testimony.
9. No warranty is made as to the seismic stability of the subject property.
10. The date of value to which the conclusions or opinions expressed in this report apply is set forth in the letter of transmittal. We assume no responsibility for economic or physical conditions occurring at some later date which may affect the conclusions or opinions herein stated.
11. No engineering survey has been made by us. Except as specifically stated, data relative to size and area were taken from sources considered reliable, and no encroachment of real property improvements is assumed to exist.
12. No opinion is expressed as to the value of subsurface oil, gas, or mineral rights and it is assumed that the property is not subject to surface entry for the exploration or removal of such materials except as is expressly stated.

13. The projections included in this report are utilized to assist in the valuation process and are based on current market conditions, anticipated short term supply and demand factors. Therefore, the projections are subject to changes in future conditions that cannot be accurately predicted by us and could affect the future income or value projections.
14. Testimony or attendance in court or any other hearing is not required by reason of rendering this appraisal unless such arrangements are made a reasonable time in advance.
15. By acceptance and use of this report, the user agrees that any liability for errors, omissions, or judgment of the appraiser is limited to the amount of the fee charged for the appraisal. Anyone acting in reliance upon the opinions, judgments, conclusions, or data contained herein, who has the potential for monetary loss due to the reliance thereon, is advised to secure an independent review and verification of all such conclusions and/or facts. The user agrees to notify the appraiser, prior to any loan or irrevocable investment decision, of any error which could reasonably be determined from a thorough and knowledgeable review.
16. An appraisal is only one tool in the loan underwriting process. No loans should be made in reliance upon any appraisal without thorough credit and risk evaluation. The credit, financial capacity, and management ability of individual developer/owners have a significant impact upon the value of real property. The property is appraised as having knowledgeable ownership and competent management. If utilized for underwriting purposes, the lender bears the responsibility for verification of facts relating to the subject property and for prudent underwriting.
17. We have used Microsoft Excel spreadsheets to perform many of the calculations contained herein. We recognize that this program does not round numbers internally which in turn *may* cause some reported currency figures to be off by \$1 or \$2 and may cause some reported area figures to be off by 1 or 2 square feet. These very slight rounding differences do not reduce the reliability of the analysis and are known to the appraiser(s).
18. A soils engineering study has not been provided for this appraisal. Unless otherwise stated herein, it is assumed that there are no hidden or unapparent conditions of the property such as subsoil conditions which would render it more or less valuable. No responsibility is assumed for such conditions or for engineering which might be required to discover such factors.
19. Unless otherwise stated herein, this appraisal report is based on the assumption that no hazardous chemical contamination of the subject site exists.

## CERTIFICATION STATEMENT

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

1. The statements of fact contained in this appraisal report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the attached assumptions and limiting conditions, and are my personal, impartial and unbiased professional analyses, opinions, and conclusions.
3. I have no present or prospective interest in, nor bias with respect to, the property that is the subject of this appraisal report and no personal interest or bias with respect to the parties involved.
4. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
5. This appraisal assignment was not based upon a requested minimum valuation, a specific valuation, or the approval of a loan.
6. My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of the appraisal.
7. The report, analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Appraisal Institute's Code of Professional Ethics and Standards of Professional Appraisal Practice, which include the Uniform Standards of Professional Appraisal Practice.
8. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
9. No one provided significant professional assistance to the person(s) signing this report.
10. Andre Desjardins, MAI, AI-GRS inspected the property that is the subject of this report.
11. As of the date of this report, Andre Desjardins, MAI, AI-GRS, has completed the requirements of the continuing education program of the Appraisal Institute.
12. Andre Desjardins, MAI, AI-GRS, has received certification from the state of California as a Certified General Real Estate Appraiser.
13. I have complied with the Appraisal Standards of USPAP and the Appraisal Institute in conducting the research and analysis, and in formulating the value conclusion(s) contained in this report.
14. I have the knowledge and experience to complete this appraisal assignment and have appraised this property type before. Please see the Appraiser's Qualifications included in the Addenda section of this report for additional information about work experience.
15. I completed an appraisal of the subject in September 2019. The client and intended user of the September 2019 appraisal was the Regents of the University of California. I have provided no other services, as an appraiser or in any other capacity, for the subject property within the three-year period immediately preceding acceptance of this appraisal assignment. However, my firm (MDS Realty Advisors) appraised the subject in January 2017. The appraiser for the 2017 assignment was Mathew D. Shake, MAI. The client and intended user of the 2017 appraisal was the Regents of the University of California.



Andre Desjardins, MAI, AI-GRS  
AG025615

October 22, 2019  
Date

## INTRODUCTION

### IDENTIFICATION OF THE PROPERTY

The subject is vacant located at the east side of the northern terminus of First Avenue, San Diego, California 92103. It is further identified as assessor's parcel number (APN) 444-302-19. A legal description of the property was not provided for use in the appraisal.

### OWNERSHIP

Public records indicate that title to the subject property is vested in the name of Chlora M. Brooks Trust.

### PROPERTY HISTORY

According to public records the subject has not transferred ownership within the last three years and the subject has been owned by Chlora M. Brooks Trust since 1989. We have no knowledge of any arm's length sales, listings, or other purchase offers that may have been received and not disclosed by the property owner or agents within the past three years.

### EFFECTIVE DATE OF THE APPRAISAL / DATE OF APPRAISAL REPORT

The effective date of the appraisal, also known as the date of value, is October 14, 2019. The date of the appraisal report is October 22, 2019.

### PURPOSE OF THE APPRAISAL

The purpose of this appraisal was to estimate the fair market value of the fee simple interest in the subject property.

### INTENDED USER(S) OF THE APPRAISAL

The intended user of the report is the client, Regents of the University of California.

### INTENDED USE OF THE APPRAISAL

The intended use of the appraisal is for use by the client for pre-condemnation purposes regarding a prospective acquisition of the subject property.

### DEFINITION OF FAIR MARKET VALUE

Fair Market Value is defined in the *California Code, Code of Civil Procedure § 1263.320(a)* as follows:

"The fair market value of the property taken is the highest price on the date of valuation that would be agreed to by a seller, being willing to sell but under no particular or urgent necessity for so doing, nor obliged to sell, and a buyer, being ready, willing, and able to buy but under no particular necessity for so doing, each dealing with the other with full knowledge of all the uses and purposes for which the property is reasonably adaptable and available. The fair market value of property taken for which there is no relevant market is its value on the date of valuation as determined by any method of valuation that is just and equitable."

**PROPERTY RIGHTS APPRAISED**

The estate appraised is the fee simple interest. A fee simple interest is defined in *The Dictionary of Real Estate Appraisal, Fifth Edition (2010)* 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.”

**SCOPE OF THE APPRAISAL**

This analysis is intended to be an “appraisal,” as defined in USPAP. This appraisal is presented in an Appraisal Report in accordance with Standards Rule 2-2 of USPAP. It is our intent that the appraisal service be performed in such a manner that the results of the analysis, opinions, and conclusions be those of a disinterested third party. In preparing this appraisal, the following tasks were performed:

- The subject was inspected by the appraiser(s) - see certification statement;
- Research relative to the physical, legal, and economic characteristics of the subject included conversations with various governmental officials, review of various governmental files, and review of recently published demographic information for San Diego County and the subject area;
- A highest and best use analysis for the subject property was completed;
- Based on the conclusions from the highest and best use analysis, the appropriate valuation methodology was determined to ensure a reliable and credible valuation analysis;
- Research and investigation for the most relevant market data was performed;
- The comparable data used in this analysis were confirmed with sources believed to be reliable, whenever possible;
- The market data was analyzed pursuant to the approach to value utilized in the appraisal to arrive at the fair market value estimate for the approach to value.

The following Appraisal Report includes a description of the subject property as well as discussions of the reasoning that resulted in our conclusions. This appraisal is subject to certain assumptions and limiting conditions that are made part of this report.

**EXPOSURE AND MARKETING TIME PERIOD**

The marketing period section is divided into reasonable exposure time and reasonable marketing time. Exposure time differs from marketing time. Marketing time is the period required to sell a real property interest at fair market value during the period immediately following the effective date of value. Exposure time is always presumed to precede the effective date of the appraisal. The two periods may or may not be the same and depends on if the market conditions in the immediate past are expected to continue in the immediate future. Marketing time estimates can be extracted from the market via broker interviews, exposure time from comparable sales data, and published studies. Based on these sources, we have estimated the exposure time and marketing time periods at 6 to 12 months.

**PERSONAL PROPERTY, FIXTURES, AND INTANGIBLE ITEMS**

The values reported herein did not include any personal property, fixtures, equipment, or intangibles. The contributory value of such items was not applicable for this assignment and was not reflected in the reported value estimates.





## AREA DESCRIPTION

The subject property is located in San Diego County. Located in the extreme southwesterly corner of the United States, San Diego County is bordered on the north by Orange and Riverside Counties, on the east by Imperial County, on the south by Mexico, and on the west by the Pacific Ocean. The terrain varies greatly from ocean beaches to foothills, mountains and deserts. Originally established in 1850, San Diego was the first county in California. Upon creation, it included the present counties of Riverside, San Bernardino, and Imperial but these were removed by the state legislature in the first few years of statehood. San Diego County presently encompasses 4,314 square miles, of which about 1,928 square miles, or 45%, is privately owned. The balance is in various forms of public ownership including incorporated cities, the U.S. Forest Service, the Department of Defense, the Bureau of Land Management, and numerous Indian reservations.

### POPULATION

The California Department of Finance estimated the population of San Diego County at approximately 3,351,786 persons as of January 1, 2019. This represents an increase of about 757,766 persons, or about 1.39% per year, from the 1993 estimate of 2,594,020. The following table summarizes population trends in San Diego County since January 1, 1993.

<b>SAN DIEGO COUNTY POPULATION ESTIMATES CALIFORNIA DEPARTMENT OF FINANCE</b>			
<i>City/Area</i>	<i>January 1993</i>	<i>January 2019</i>	<i>% Change/Yr. (1993-2019)</i>
Carlsbad	65,300	115,241	3.06%
Chula Vista	144,300	271,411	3.52%
Coronado	23,050	24,199	0.20%
Del Mar	4,720	4,451	-0.23%
El Cajon	90,100	105,559	0.69%
Encinitas	55,900	63,390	0.54%
Escondido	115,800	152,739	1.28%
Imperial Beach	26,850	27,448	0.09%
La Mesa	54,000	60,820	0.51%
Lemon Grove	24,400	27,208	0.46%
National City	55,800	62,307	0.47%
Oceanside	140,500	178,021	1.07%
Poway	45,400	50,320	0.43%
San Diego	1,144,700	1,420,572	0.96%
San Marcos	44,250	98,369	4.89%
Santee	52,600	58,408	0.44%
Solana Beach	12,850	13,933	0.34%
Vista	78,500	101,987	1.20%
Unincorporated	415,000	515,403	0.97%
Total	2,594,020	3,351,786	1.39%

The population of the city of San Diego was estimated at 1,420,572 persons as of January 1, 2019, or about 42% of the total county population. Continuing a pattern that began in the 1970's, the average compound annual growth rate for the total county was higher than the city of San Diego. The faster growth in the county is primarily due to the availability of land. The city of San Diego is extensively developed and a limited amount of vacant land is available for near-term residential development. This

has forced many residents to live in surrounding bedroom communities and commute to employment centers. The combination of available residential land and increasing employment opportunities in North County and the South Bay has resulted in faster population increases in these parts of the county. This trend is evident in the growth rates of the North County cities of Carlsbad and San Marcos and Chula Vista in the South Bay. Since January 1993 these cities have grown at rates well above the county average. Del Mar and Imperial Beach are at the low end of the growth range.

The population gains in the county since 2001 are shown in the following table. As depicted the county has had annual population increases every year since 2001, with the exception of the two years following the great recession that started in 2009.

POPULATION GAINS - SAN DIEGO COUNTY 2000-2019																			
Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Increase	67,000	60,000	55,000	40,860	22,317	34,156	33,312	46,142	41,855	(27,297)	(105,556)	31,302	21,444	29,355	35,039	24,764	29,475	27,947	18,658

## DEMOGRAPHICS

San Diego County presently has about 3.35 million residents and is escalating steadily. The metro will increase by nearly 95,000 people over the next five years. Most of the increase will come from net immigration. The median age is 35.2. Since 2000, the number of households earning \$150,000 per year or more doubled and will increase to 16 percent during the next five years. The growth is largely the result of higher educational achievement and the growing number of jobs, particularly those in the biotech industry.

Even though the median income is higher than the national average, the median home price of \$371,500 prevents many residents from owning a home. The affordability gap maintains a large rental market. The homeownership rate, currently at near 50 percent, is well below the national rate of 56.6 percent.

## HOUSING

From 1970 through 1980, the rate of increase in housing stock exceeded that of population. This was due to the trend toward smaller household sizes and the very high rate of new household formations. The average household size in San Diego in 1970 was 3.01 persons; by 1980 this average had fallen to 2.58 persons. Rapid population growth in the 1980's exceeded the ability of builders to provide new housing, and by July 1990 the average household size had risen to 2.69 persons. The current average household size is 2.76 persons. San Diego Association of Governments projects that average household size will slightly increase to 2.84 persons in 2020 and increase to 2.87 persons in 2050.

## ECONOMIC BASE

San Diego's economy is reviving more swiftly from the recession than most U.S. metros. Retail sales were lowest in 2009 at \$39.7 billion, were \$53.7 billion in 2015, and have further gains through 2015 and beyond. The table on the following page shows the retail sales figures and other important economic metrics from 2006 through 2030.

HISTORICAL AND FORECASTED ECONOMIC METRICS - SAN DIEGO COUNTY									
	<i>Population</i>	<i>Net Migration</i>	<i>Households</i>	<i>New Homes Permitted</i>	<i>Total Taxable Sales</i>	<i>Personal Income</i>	<i>Real Per Capita Income</i>	<i>Inflation Rate</i>	<i>Real Industrial Production</i>
	<i>(people)</i>	<i>(people)</i>	<i>(thousands)</i>	<i>(homes)</i>	<i>(billions)</i>	<i>(billions)</i>	<i>(dollars)</i>	<i>(% change in CPI)</i>	<i>(billions)</i>
2006	2,982,816	-13,669	1,058.7	10,777	\$47.8	\$129.6	\$47,860	4.3	19.3
2007	3,014,165	3,410	1,067.0	7,445	\$47.5	\$136.2	\$48,199	3.3	19.2
2008	3,051,262	8,830	1,074.8	5,154	\$45.3	\$142.0	\$47,940	3.5	20.2
2009	3,077,633	-480	1,083.6	2,990	\$39.7	\$139.6	\$47,103	-0.8	19.9
2010	3,104,581	1,480	1,086.0	3,346	\$41.6	\$145.5	\$48,090	1.2	21.1
2011	3,131,254	713	1,090.3	5,234	\$43.9	\$154.7	\$49,418	2.6	21.3
2012	3,157,699	1,060	1,095.9	7,383	\$45.9	\$162.8	\$50,486	2.1	21.9
2013	3,186,188	2,972	1,102.9	10,175	\$48.4	\$171.6	\$51,573	2.2	22.4
2015	3,248,640	6,706	1,123.1	12,148	\$53.7	\$192.3	\$54,316	2.0	23.7
2020*	3,405,037	4,700	1,178.6	10,940	\$67.9	\$245.7	\$60,639	1.5	27.6
2025*	3,561,073	5,718	1,232.9	11,996	\$84.8	\$308.2	\$66,899	1.8	31.3
2030*	3,712,544	5,185	1,285.0	8,881	\$105.7	\$377.4	\$71,618	1.9	35.7

\* = Forecasted; Source: State of California Department of Transportation "San Diego County Economic Forecast"

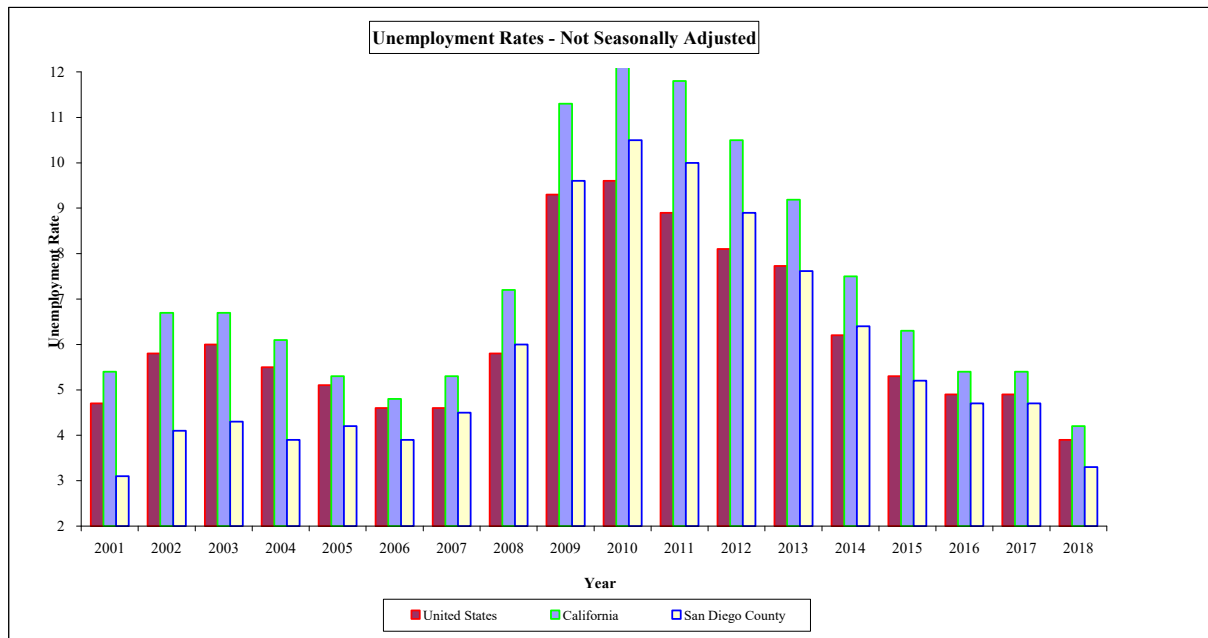
San Diego has one of the largest concentrations of biotech companies in the county, with an estimated 500 firms, including Neurocrine Biosciences and Nventa Biopharmaceuticals headquartering in the county. Several nonprofit research institutions make up the growth of the biotech and biomedical industries, including Scripps Clinic, Salk Institute for Biological Studies, La Jolla Cancer Research Foundation, and the University of California, San Diego.

Tourism plays an essential part in San Diego's economy, with more than 31 million visitors per year drawing and estimated \$7.5 billion into the county. The tourism industry is the third largest revenue generator, behind manufacturing and the military. The military serves an important role in the economy.

The county's employment base totals nearly 1.5 million jobs and is expected to increase 2.5 percent annually through the next five years, ahead of the national rate, as the local economy gains strength. White-collar jobs lead the economy specifically in high-tech, biotechnology, government, and business and professional services. Office development, particularly in the northern portion of the county is geared to attract more company such as LPL Financial which will serve well to the county over the coming years, with the global transition to an information-based economy still in progress.

The largest employer in the county is the United States Navy, with approximately 36,000 personnel at the Naval Base Coronado, including the North Island Naval Air Station. Camp Pendleton is also a significant employer to the county. Sharp Healthcare, Palomar Medical Center, Kaiser Permanente, General Dynamics, Scripps Research Institute, Barona Resort and Casino, Qualcomm Inc., AT&T, and SeaWorld San Diego are the county's other major employers within the education, health, science/technology and tourism sectors. Almost 90 percent of businesses in the county have less than 20 employees, and almost 2 percent have 100 employees or more. Small firms are imperative to the health of the economy, as they provide the majority of job growth, due in part to their more advanced flexibility and capacity to innovate.

The California Employment Development Department (EDD) reported the March 2019 unemployment rate in San Diego County at 3.7%, which is slightly higher than the 3.3% figure reported in October 2018. The March 2019 unemployment rates for California and the United States are 4.6% and 3.8%, respectively. Historical figures are depicted in the following graphic.



## TRANSPORTATION

Transportation in San Diego County is oriented toward the automobile. The freeway system is very good and congestion is not typically excessive; the typical commute is less than 20 minutes from the major population centers to the employment centers. The major freeways are concrete surfaced and generally contain eight lanes. The two key links in the San Diego freeway system are Interstate 8 and Interstate 5.

Interstate 8 is the major east-west freeway connecting San Diego with the eastern communities of La Mesa and El Cajon, as well as Imperial County and Arizona. It runs through Mission Valley and serves as the primary artery for that important hotel, commercial, and office center. Interstate 5 is the major north-south freeway connecting San Diego with coastal North County communities as well as Orange County and Los Angeles to the north. It originates at the Mexico border and serves as a primary connecting route between Tijuana and San Diego. This freeway is heavily used by commuters and rush-hour congestion is common. This has been alleviated somewhat by the opening of State Highway 52 (Mt. Soledad Freeway), from Tierrasanta east to Santee, (SR-125) Freeway) and connects to the Highway 67.

A third major freeway is Interstate 15. It is currently improved to freeway standards from Interstate 8 north to the county line. State Highway 163 connects with Interstate 15 in Kearny Mesa and runs south to downtown San Diego. Interstate 15 connects San Diego with Riverside County to the north, serving North County communities such as Escondido, Poway, Carmel Mountain Ranch, and Rancho Bernardo along the way. Interstate 15 also connects with Interstate 8 in Mission Valley and Interstate 5 south of downtown San Diego. Interstate 805 is a regional connector which originates at the Mexico border and bisects San Diego between Interstate 5 in Sorrento Valley just south of the city of Del Mar. This freeway serves the east San Diego communities with numerous interchanges. It connects with Interstate 8 in Mission Valley and serves the Kearny Mesa and University City areas to the north.

Air transportation in San Diego is good. Although overcrowded, Lindbergh Field is one of the few international airports located within minutes to the city core. Passenger traffic increased at nearly 6.0% per year between 1970 and 1985, reflecting the increasing size of its service area and the increased tourism in San Diego. Lindbergh Field was expanded and renovated in a \$165 million project. The project included renovation of the two existing terminals, expansion of one of the existing terminals, construction of a new 280,000-square-foot commuter terminal, and a new roadway system. Parking for at least 3,000 vehicles is now available.

In early 2010 Lindbergh Field started construction in front of Terminal 2 related to The Green Build, the largest project in the airport's history. This project includes 10 new jet gates, additional shopping and dining options, and dual-level roadway to separate arriving and departing passengers which will reduce curb-front congestion. This project will pursue Leadership in Energy and Environmental Design (LEED) silver certification. Goals of the project's sustainable design include: decreased water usage, reduced energy consumption; and use of alternative energy sources.

The San Diego Trolley has been operating very successfully since 1980 between downtown San Diego and San Ysidro near the Mexican border. It has eased freeway congestion during rush hours and provides low cost transportation to many people employed downtown. The success of this line prompted the Metropolitan Transit Development Board to extend a line east from downtown San Diego to Santee. Another line running north along I-5 from downtown San Diego, to eventually reach Oceanside, is in the planning stages. The line running along I-5 now extends from downtown San Diego to Old Town, and the portion extending further north to University Town Center is under construction. A line extending east from Old Town, through Mission Valley, to Qualcomm Stadium and I-15 is also complete. This line was also recently extended to connect with the East County line in La Mesa. The Sprinter is a commuter rail line in North County along the SH-78 corridor connecting Escondido to Oceanside to the west and runs about 22 miles in length. As the expansion plans indicate, this alternative to automobile commuting is enjoying success in San Diego and should become a more important link in the overall transportation network.

A recent development in San Diego County mass transit is the Coast Express Rail (Coaster) that runs between Oceanside and downtown San Diego. A joint project of North San Diego County Transit Development Board and San Diego Metropolitan Transit Development Board, this system consists of new commuter trains offering a total of six trips per peak commute time (five in one direction, one in the other). The line runs on existing AT&SF track and has stops at six coastal cities between the terminal stations. The equipment includes new engines with maximum speeds of 90 miles per hour and double-decked passenger cars with seating capacity up to 136.

## **MUNICIPAL SERVICES**

Certain items of the infrastructure within the county are provided by a single supplier to all residents and others are provided by individual cities or private suppliers. In some cases, such as law enforcement or fire protection, small communities use the facilities provided by the City of San Diego or the County. The supplier providing services for the entire county is San Diego Gas & Electric Company. Other services,

such as telephone, water, sewer, roads, and police and fire safety are provided by many different communities or companies. For example, there are many water companies serving the county; they are controlled by the San Diego Water Authority, but the cost of water can vary significantly between districts. Public schools are typically provided by each incorporated city and the County.

## **PROPERTY TAXES**

The property tax structure in California underwent a tremendous change in 1978 when the voters approved the Jarvis-Gann Amendment, popularly known as “Proposition 13.” Under this law, the property tax for any property cannot exceed one percent of the assessed value plus any bonded indebtedness for special assessments (road improvements, sewer lines, or other previously-existing or other voter-approved debt). Another provision of the law was reduction of the assessed values for all properties to the levels of 1975. The maximum annual increase is limited to two percent of the assessed value for the previous year, unless the property is sold or new construction occurs. The result of this law to property owners was initially minimal. However, the long-term impact of this law has been a reduction in services through the state and local governments. The “death of the cities” that many predicted has not occurred, but the ability of local government to provide services has been diminished. The scope and quality of services provided by the state and local governments has been negatively impacted, and this situation is expected to continue until long-term solutions are found.

## **SHOPPING**

As the county has grown, commercial facilities have grown along with it. Shopping facilities have undergone a shift from the downtown San Diego stores of the 1950s to regional shopping centers. The most important regional centers in metropolitan San Diego are University Towne Center, near La Jolla in the Golden Triangle, Fashion Valley and Mission Valley Center in Mission Valley, and Horton Plaza, in downtown San Diego. In 1994 La Jolla Village Square, which is situated in La Jolla just west of the Golden Triangle, was redeveloped as a community center. Plaza Bonita serves the South County while La Mesa Grossmont and Parkway Plaza serve East County. Plaza Camino Real in Carlsbad and North County Fair in Escondido are both large regional centers that serve the North County area.

## **RECREATION**

The recreational resources of San Diego County are widely known. San Diego Bay, Mission Bay, San Diego Zoo, Wild Animal Park, Legoland, and Sea World are very popular with residents as well as tourists. The beaches of San Diego County are generally unspoiled and provide miles of sand and ocean for swimming and other activities. One of the most used recreational resources in San Diego is Balboa Park, near downtown San Diego. Occupying almost 1,200 acres, it includes the Zoo, Morley Field Recreational Area, two golf courses, the Old Globe Theater, and many museums and exhibits housed in buildings constructed for expositions in 1915 and 1935. It also includes many acres of landscaped area for picnics and family outings.

Other recreational facilities are more oriented toward residents than visitors. These include the 14 reservoirs in the county which are used for fishing and boating. Stocking of these lakes provides year-around fishing opportunities for county residents. The desert in the easterly portion of the county offers

many activities such as camping, hiking, and off-road vehicle riding. The mountains separating the cities from the desert offer a nearby resource with camping and hiking opportunities.

## HOSPITALS

The San Diego Metropolitan Area is served by many hospitals providing emergency medical service, surgical facilities, and extended care. There are six major hospital facilities serving the San Diego Metropolitan area, two located in Hillcrest, one near La Jolla, one near Kearny Mesa, one in Kearny Mesa, and one serving the military. Located in Hillcrest, Scripps Mercy Hospital contains 700 beds and provides full surgical, maternity, and emergency services (level 1 trauma center). UCSD Medical Center contains 386 beds and serves as the teaching hospital for the University of California at San Diego as well as providing general care facilities. Scripps Hospital is just east of UCSD, in the “Golden Triangle” to the east of La Jolla, and contains Scripps Memorial 312 beds and Scripps Green 173 beds and provides general care facilities. Sharp Memorial Hospital and Children's Hospital, near the interchange of I-805 and Highway 163, contain 334 beds and provide full surgical, maternity, and emergency services (counties only level 2 trauma center) while Rady Children's Hospital contains 261 beds. The Naval Regional Medical Center (Balboa Hospital) is located in Balboa Park and serves the military in a recently constructed facility. Other smaller facilities are located in the San Diego Metropolitan area and supplement these core facilities.

## COMMERCIAL REAL ESTATE MARKETS

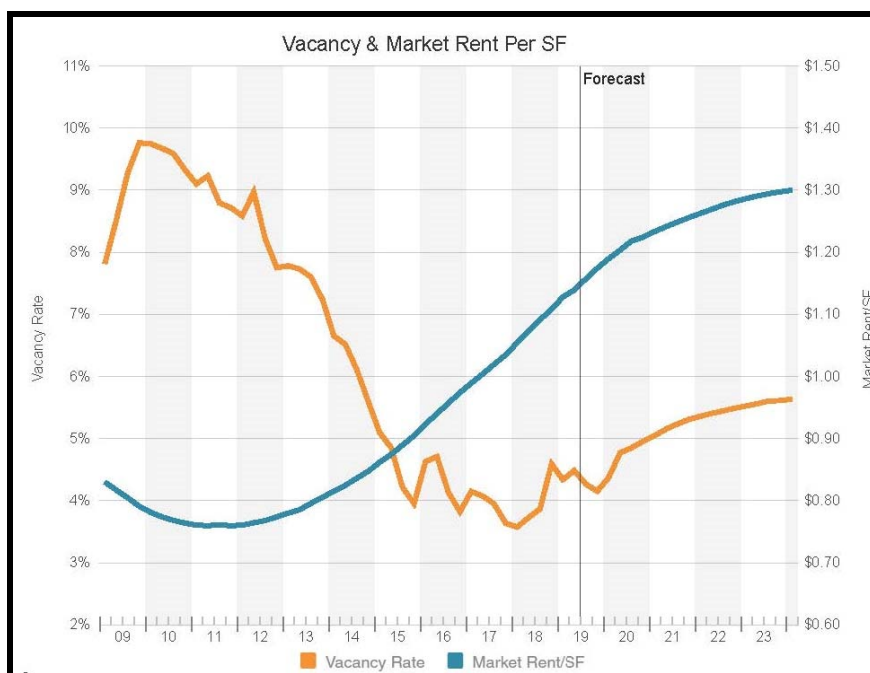
### Industrial

According to CoStar, as of second quarter 2019 there were 6,828 industrial buildings containing about 146.23 million square feet of space in San Diego County. Over the past three years, the market has experienced low vacancy and increasing rent levels. New construction has fluctuated quarterly, but has generally increased significantly since third quarter 2017, and absorption has been positive in 10 of the last 12 quarters. The following table summarizes the market activity over the past three years.

<b>SAN DIEGO COUNTY INDUSTRIAL MARKET SUMMARY</b>						
<i>Period</i>	<i>No. of Bldgs.</i>	<i>Total RBA</i>	<i>Vacancy %</i>	<i>Total Net Absorption</i>	<i>RBA Under Construction</i>	<i>Avg. NNN Rent/SF/Mo.</i>
2019 Q2	6,828	146,230,409	4.5%	112,694	1,067,916	\$1.00
2019 Q1	6,822	145,881,324	4.3%	514,629	1,125,570	\$1.00
2018 Q4	6,825	145,728,834	4.6%	(33,606)	791,953	\$0.96
2018 Q3	6,814	144,665,011	3.9%	479,418	1,855,776	\$0.93
2018 Q2	6,810	143,953,102	3.7%	141,248	2,285,155	\$0.92
2018 Q1	6,821	143,584,005	3.6%	271,429	2,336,461	\$0.90
2017 Q4	6,826	143,391,702	3.6%	437,103	2,194,385	\$0.88
2017 Q3	6,827	143,401,702	3.9%	43,471	1,300,143	\$0.87
2017 Q2	6,827	143,543,061	4.1%	126,248	640,340	\$0.87
2017 Q1	6,828	143,525,949	4.1%	(309,648)	451,021	\$0.87
2016 Q4	6,826	143,362,512	3.8%	598,478	294,663	\$0.86
2016 Q3	6,828	143,195,752	4.1%	760,598	473,085	\$0.84

*Source: CoStar*

Based on construction and market activity over the past five years, CoStar has forecast the San Diego County industrial market to experience slightly higher vacancy and higher rent levels through 2023. This analysis, which summarizes expected net deliveries, net absorption, and vacancy, is depicted in the following chart.



**Office**

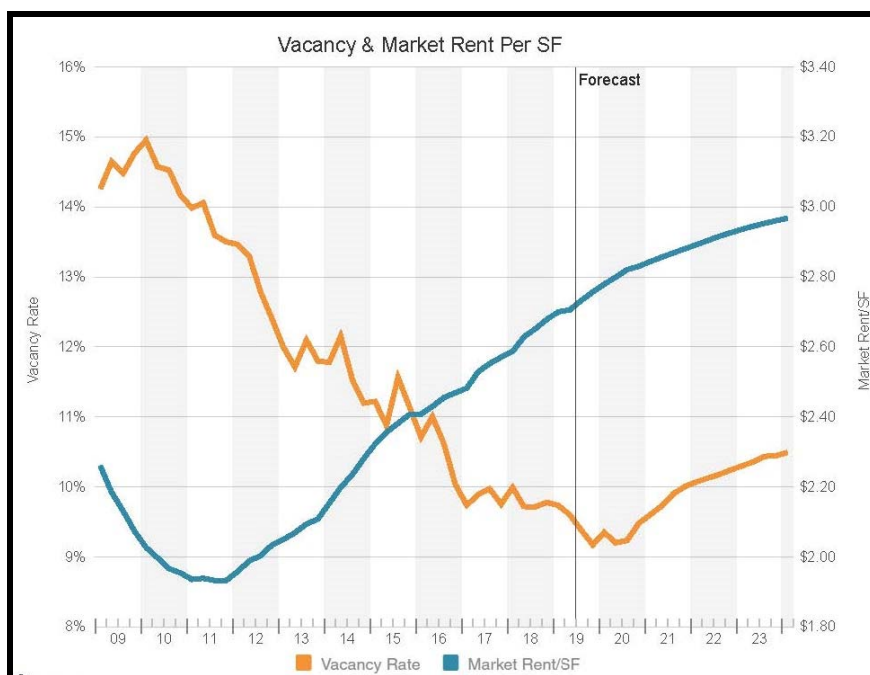
According to CoStar, as of second quarter 2019 there were 5,537 office buildings representing an inventory of approximately 117.06 million square feet in San Diego County. Over the past three years, vacancy rates have ranged from 9.6% to 10.6% and the market has been improving. Absorption has been positive in 10 of the last 12 quarters and rent levels have increased over this period. The following table summarizes the market activity over the past three years.

SAN DIEGO COUNTY OFFICE MARKET SUMMARY						
Period	No. of Bldgs	Total RBA	Vacancy %	Total Net Absorption	RBA Under Construction	Avg. Gross Rent/SF/Mo.
2019 Q2	5,537	117,062,065	9.6%	263,828	1,057,979	\$2.78
2019 Q1	5,538	116,941,913	9.7%	147,658	1,172,979	\$2.78
2018 Q4	5,538	116,836,179	9.8%	178,500	953,637	\$2.74
2018 Q3	5,535	116,557,003	9.7%	92,788	902,502	\$2.72
2018 Q2	5,539	116,457,235	9.7%	340,796	1,083,156	\$2.70
2018 Q1	5,547	116,433,130	10.0%	(346,947)	1,292,752	\$2.69
2017 Q4	5,552	116,508,146	9.7%	45,198	1,292,752	\$2.67
2017 Q3	5,557	116,742,050	10.0%	7,867	779,557	\$2.65
2017 Q2	5,557	116,626,877	9.9%	(265,714)	1,016,366	\$2.65
2017 Q1	5,558	116,725,929	9.7%	315,600	911,058	\$2.61
2016 Q4	5,558	116,754,456	10.0%	595,202	1,074,096	\$2.60
2016 Q3	5,562	116,849,801	10.6%	436,311	895,667	\$2.56

Source: CoStar



Based on construction and market activity over the past five years, CoStar has forecast the San Diego County office market to experience slightly higher vacancy and higher rent levels through 2023. This analysis, which summarizes expected net deliveries, net absorption, and vacancy, is depicted in the following chart.



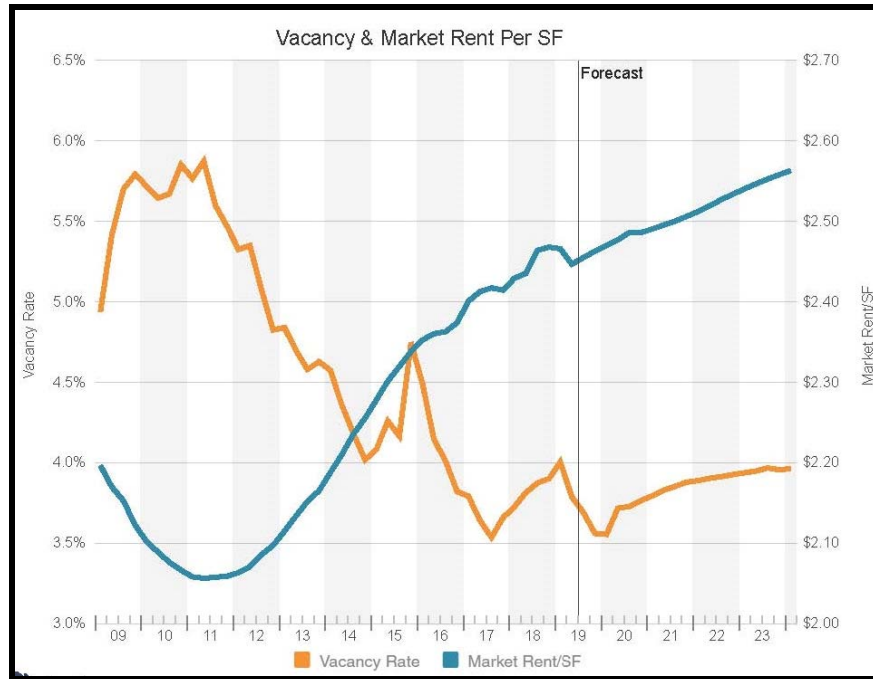
**Retail**

According to CoStar, as of second quarter 2019 there were 13,761 retail projects with a total inventory of approximately 140.91 million square feet in San Diego County. Over the past three years, the market has experienced generally slightly increasing rent levels with vacancy ranging from 3.5% to 4.0%. Construction levels have been generally moderate over this period and absorption has been positive in 8 of the last 12 quarters. The following table summarizes the market activity over the past three years.

SAN DIEGO COUNTY RETAIL MARKET SUMMARY						
Period	No. of Bldgs	Total RBA	Vacancy %	Total Net Absorption	RBA Under Construction	Avg. Rent/SF/Mo.
2019 Q2	13,761	140,905,172	3.8%	72,782	462,406	\$1.87
2019 Q1	13,762	141,140,884	4.0%	(5,556)	414,211	\$1.90
2018 Q4	13,752	140,995,068	3.9%	186,628	288,806	\$1.93
2018 Q3	13,734	140,760,942	3.9%	(13,513)	481,674	\$2.03
2018 Q2	13,723	140,687,185	3.8%	(124,421)	531,299	\$2.01
2018 Q1	13,723	140,688,695	3.7%	(91,346)	464,139	\$1.90
2017 Q4	13,724	140,684,432	3.7%	305,346	466,684	\$1.92
2017 Q3	13,717	140,190,048	3.5%	228,095	895,004	\$1.94
2017 Q2	13,711	140,100,326	3.6%	244,225	825,834	\$1.92
2017 Q1	13,714	140,068,221	3.8%	39,959	777,017	\$1.87
2016 Q4	13,715	140,065,969	3.8%	374,914	785,394	\$1.83
2016 Q3	13,703	139,953,494	4.0%	388,810	627,886	\$1.84

Source: CoStar

Based on construction and market activity over the past five years, CoStar has forecast the San Diego County retail market to experience generally similar vacancy and higher rent levels through 2023. This analysis, which summarizes expected net deliveries, net absorption, and vacancy, is depicted in the following chart.



**FOR-RENT RESIDENTIAL REAL ESTATE MARKET**

According to MarketPointe Realty Advisors the San Diego apartment rental market continues to remain strong. As of September 2018, they reported that the average rental rate per month had increased by \$73 to \$1,960 from the survey in March 2018. This is up \$212 on average per month from the March 2017 survey. The average rental rate in San Diego had increased in every MarketPointe survey since September 1995 until March 2009 when the first decrease occurred. However, this was short lived as the market started rebounding in 2010. The market continues to gain strength with the average rental rate increasing on a year over year basis. In addition, the average vacancy rate in the County was stable and remains at frictional levels (5%) as it was reported at 3.73% as of September 2018. This is remarkable given that 18,504 new units were introduced to market since March 2009.

Construction of new apartment product continues but at a much slower pace relative to 1998-2004. A trend emerged in 2008-2010 which was the conversion of new condominium projects that could not sale their product being converted to condominiums. Many of these projects became REOs and/or the notes were sold to private investors/REITs and the projects have been converted to apartments. This had been the new apartment supply being introduced to the market but traditional apartment building has again entered the San Diego County market. Sites that were previously earmarked for condominiums are being developed with luxury apartment projects. As can be seen in the below table, the inventory increased significantly from 2009 to 2018. The San Diego County Apartment Market is very healthy and is

expected to continue to remain strong over the coming years. The following table provides a summary of the San Diego apartment market since 2008 to 2018.

SAN DIEGO COUNTY APARTMENT MARKET OVERVIEW FROM 2009 TO 2019													
	Mar-09	Mar-10	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19	% Change Mar-18 Sep-18	% Change Mar-17 Sep-18
<b>Rental Rates</b>													
Total County	\$1,322	\$1,315	\$1,335	\$1,361	\$1,388	\$1,445	\$1,575	\$1,618	\$1,748	\$1,887	\$1,951	3.28%	10.40%
<b>Square Footage</b>													
Total County	861	866	868	868	871	874	875	877	878	881	883	0.23%	0.57%
<b>Price/SF</b>													
Total County	\$1.54	\$1.52	\$1.54	\$1.57	\$1.59	\$1.65	\$1.80	\$1.84	\$1.99	\$2.14	\$2.21	3.06%	9.89%
<b>Total Units</b>													
Total County	116,023	117,275	118,041	122,626	125,097	127,441	128,265	130,976	131,762	133,785	135,365	1.17%	2.66%
<b>Total Vacant</b>													
Total County	6,142	5,570	5,975	5,437	5,896	6,043	3,220	3,221	2,921	5,457	5,969	8.58%	51.06%
<b>Vacancy Factor</b>													
Total County	5.29%	4.75%	5.06%	4.43%	4.71%	4.74%	2.51%	2.46%	2.22%	4.08%	4.41%	7.50%	49.73%

## Lodging Industry

The San Diego County lodging industry continues to remain strong. San Diego is a tourist and business destination due to Sea World, San Diego Zoo, Legoland, San Diego Wild Animal Park, USS Midway, and strong demand at the convention center. However, the main attraction to San Diego County is the good weather coupled with its location along the Pacific Ocean with numerous destination oriented beach communities. Travel and tourism rates in San Diego County have been improving. Both hotel occupancies and room rates are rising as visitor numbers rebound and attractions and event attendance increases.

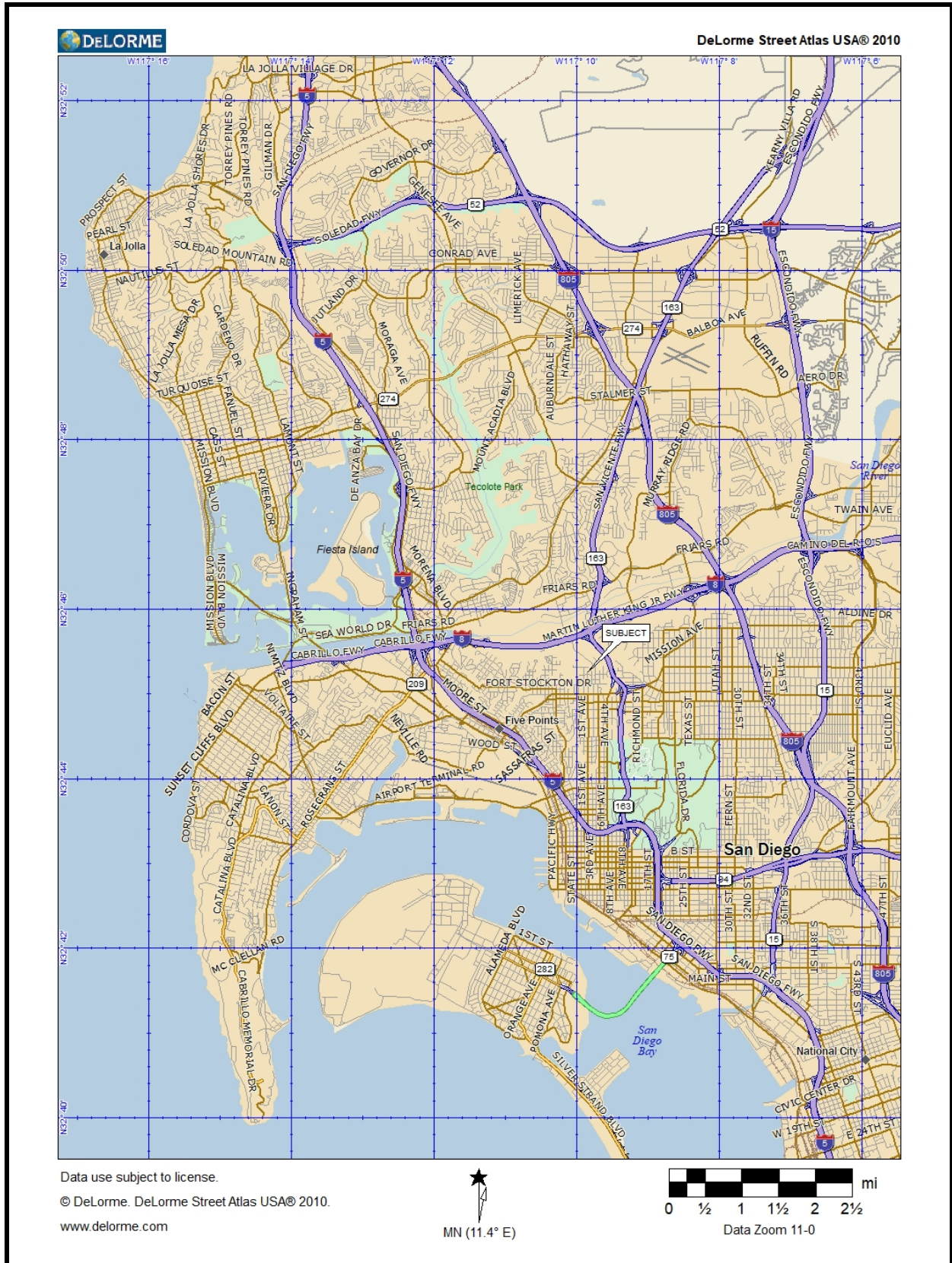
The San Diego Convention Center hosts notable events that include the annual Comic-Con International convention, the Society for Neuroscience and the Biotechnology Industry Organization, and others. The Harbor Drive Pedestrian Bridge at the Hilton San Diego Bayfront links the Convention Center with the neighborhoods on the other side of Harbor Drive. The convention center is in need of expansion, but the \$520 million dollar project remains on hold due to numerous political factors. If the convention center is ultimately expanded, the lodging industry would be a key beneficiary.

## CONCLUSIONS

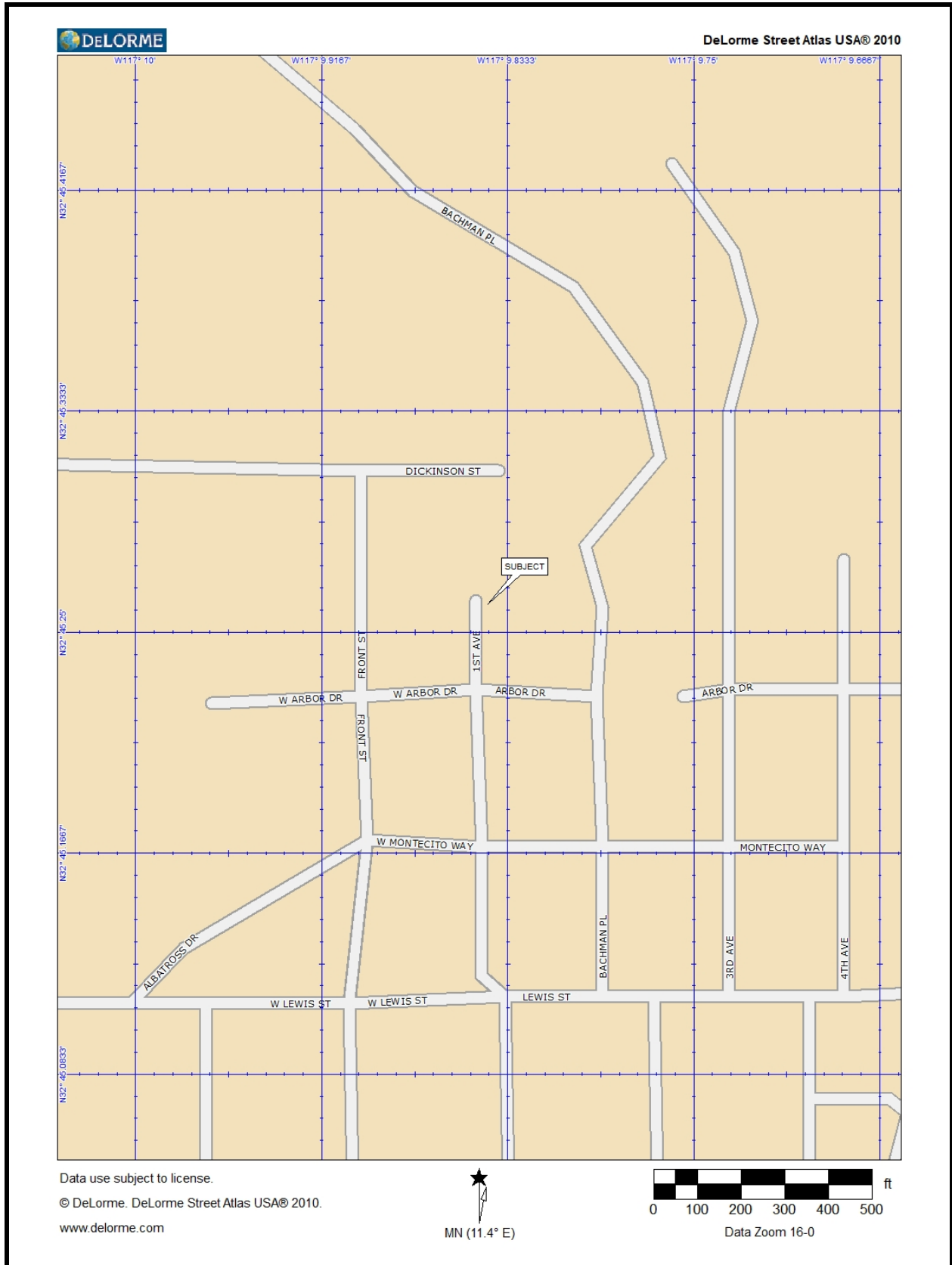
During the 1970's and 1980's San Diego County was a rapidly growing sunbelt location. Although the region's economic base was diversified, the strong presence of the military and government contractors had historically tended to reduce the impact of recessions. This is evidenced by the relatively small downturn in the San Diego economy during national recessions in the 1970's and 1980's. However, when defense and aerospace spending declined in the early 1990's, San Diego faced declining employment and limited growth. Military and defense contracts still play an important role in the economic stability of San Diego County, but the region's economic base has diversified significantly since the early 1990's. Leaders in this diversification are the high-tech and biotech industries. San Diego County was a solid economy before the recession and has emerged as an even stronger economy as the recovery continues to move forward. In addition to its natural assets such as weather and coastline, San Diego is expanding its

reputation as a center of technology and innovation. Venture capitalists have recognized this and rated San Diego as one of the top 10 places for tech start-ups in the nation.

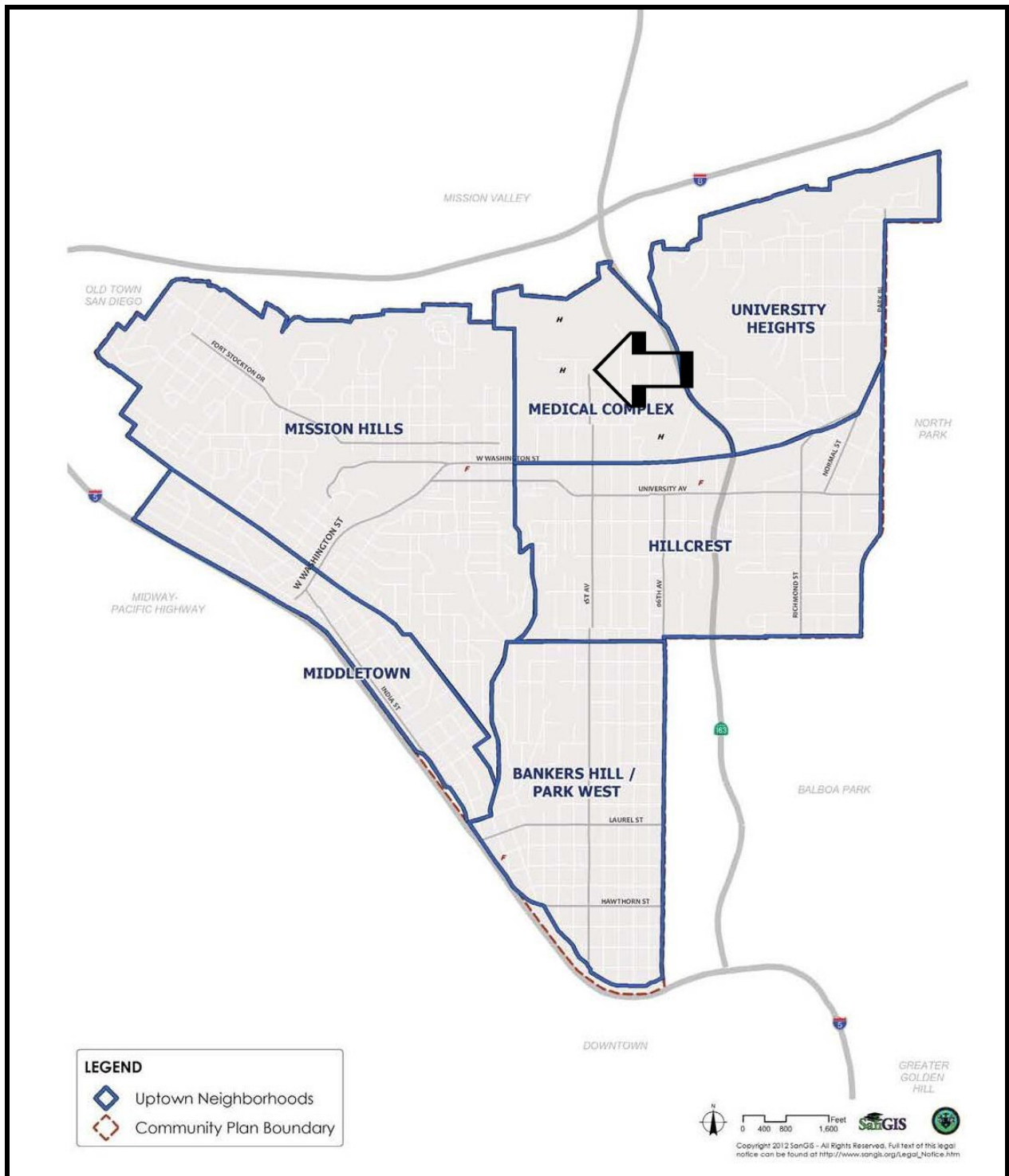
# CENTRAL SAN DIEGO AREA MAP



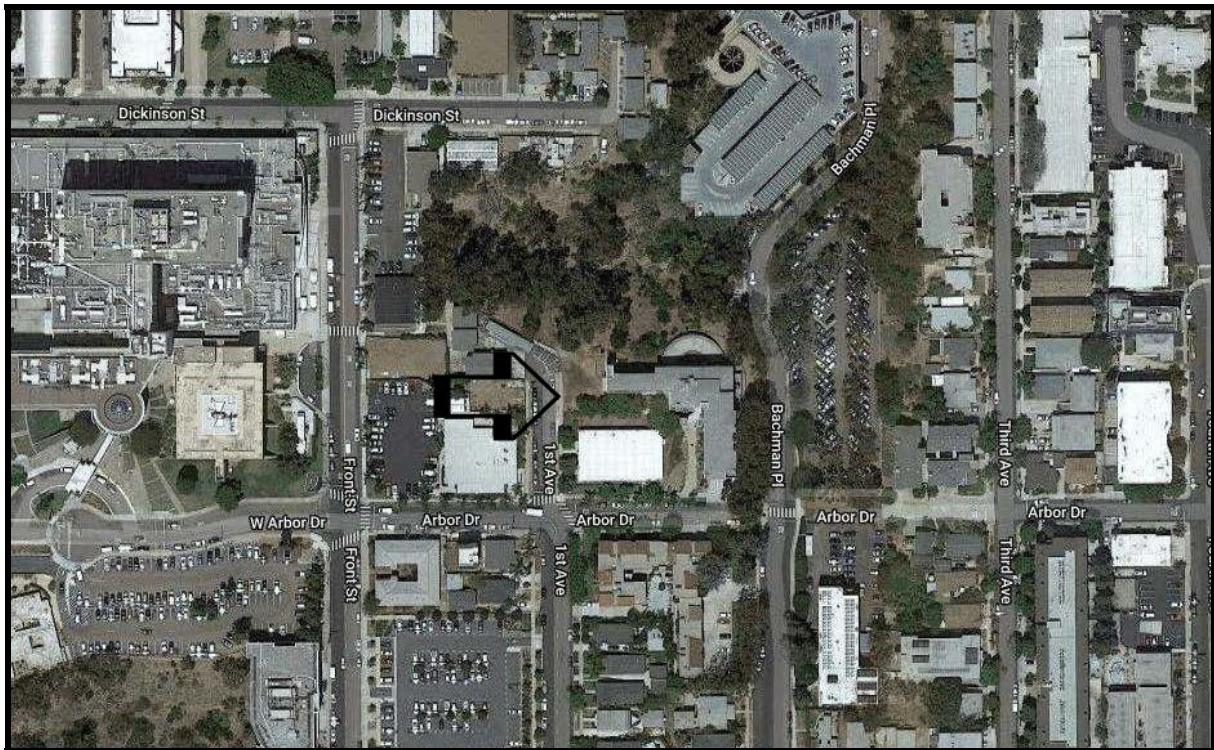
# SUBJECT VICINITY MAP



# UPTOWN NEIGHBORHOODS MAP



# NEIGHBORHOOD AERIAL MAPS





## CITY/NEIGHBORHOOD DESCRIPTION – UPTOWN

### LOCATION, BOUNDARIES, AND GENERALITIES

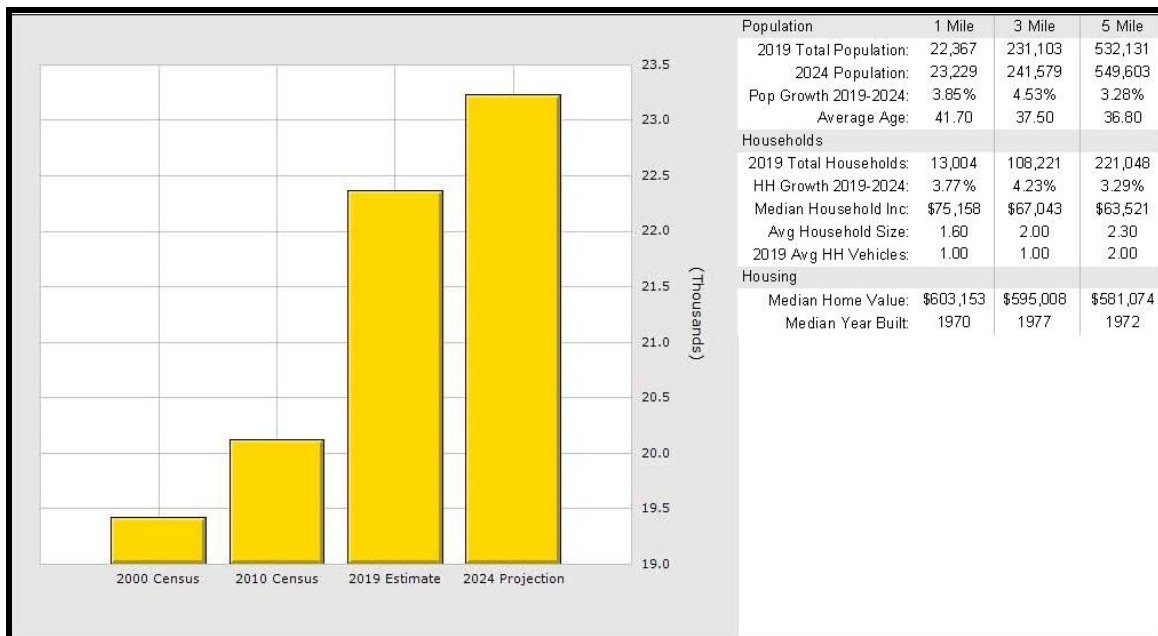
The subject property is located in the City of San Diego. It is within the central San Diego community known as "Uptown." It is located just north of Downtown. It is bounded by on the north by the steep hillsides of Mission Valley, on the east by Park Boulevard and Balboa Park, and on the south by Old Town and Interstate 5. Uptown comprises 2,658 acres or approximately 4.2 square miles.

The Uptown area is comprised of six neighborhoods known as Middletown, Mission Hills, Medical Complex, University Heights, Hillcrest, and Bankers Hill. The subject is located in the Medical Complex neighborhood.

Balboa Park, the largest public park in the city of San Diego, is located adjacent to the southeast quadrant of the neighborhood. This park provides a wide variety of recreational activities including the San Diego Zoo, Balboa Park Municipal Golf Course, and numerous museums, cultural events, and restaurants.

### POPULATION AND DEMOGRAPHICS

The City of San Diego has a current population of ±1,420,000 persons. The following table provides a breakdown of the current and projected demographic trends in the one-, three-, and five-mile concentric circles within the subject location at the center point. This information is reported by CoStar.



### VEHICULAR ACCESS

Freeway access to the neighborhood is provided primarily by Interstate 5 and State Highway 163. There are several major surface streets extending through Uptown. University Avenue, Adams Avenue, and Washington Street are considered the major east/west thoroughfares. The primary north/south

thoroughfares for the neighborhood are Park Boulevard, Reynard Way, 1<sup>st</sup>, 4<sup>th</sup>, 5<sup>th</sup>, and 6<sup>th</sup> Avenues. There are numerous collectors that also help facilitate traffic in the area.

## SERVICES

The area has adequate public utility services. Gas and electric is provided by San Diego Gas & Electric (SDG&E). The City of San Diego maintains water, sewer, and waste disposal services. Phone service is provided by several public and private companies. Cable service is provided via Cox Communications. Overall, the availability and cost of utility services is considered typical of San Diego neighborhoods and there are no large discrepancies in these services between competing neighborhoods.

## REAL ESTATE DEVELOPMENT AND EMPLOYMENT

Uptown contains a balance of residential, commercial, and employment uses. While residential is the predominant land use, there are also several large concentrations of retail, medical office, and mixed-use properties. The following table provides a breakdown of the land uses in Uptown.

GENERAL PLAN LAND USE CATEGORY	ACRES*	% OF TOTAL ACREAGE*
Single-family Residential	852	32%
Roads	761	28%
Open Space, Recreational & Parks	441	16%
Multifamily Residential	277	10%
Office, Retail & Visitor Commercial	172	6%
Education & Institutional	127	5%
Vacant	26	1%
Industrial	1	1%
Agriculture	0.5	1%
<b>Total Acreage</b>	<b>2,658</b>	<b>100%</b>

*\* Rounded to the nearest whole number or percentage*

The Uptown area is primarily built-up with older single-family homes and residential income properties. Additionally, commercial development is prevalent along several major arterial thoroughfares. In the past few years, Uptown has experienced continued revitalization with numerous multi-family and commercial properties being renovated. In addition, new high-density residential and mixed-use developments (residential units over ground floor retail) have occurred throughout the neighborhood as infill sites become available for development.

Single family homes generally range from 20 to 90 years in age with an average age of approximately 50 years. As noted the area has been undergoing revitalization which has increased interest for homes by

potential buyers. According to the Multiple Listing Service (MLS), typical sale prices for single family homes ranged from \$335,000 to over \$2,100,000 over the past year with an average sale price of about \$810,000 during this period.

The neighborhood also has residential income properties that range from three to approximately 90 years in age. The quality of properties ranges from fair to good and the overall upkeep and maintenance level (condition) is considered average to very good. The area has become a highly desirable community to live due to its central San Diego location which provides close proximity to employment, entertainment facilities, and beaches. Retail uses in the neighborhood typically consist of national and local tenants providing service oriented business. There are also office buildings in the area with most projects being located in Central Hillcrest and Bankers Hill.

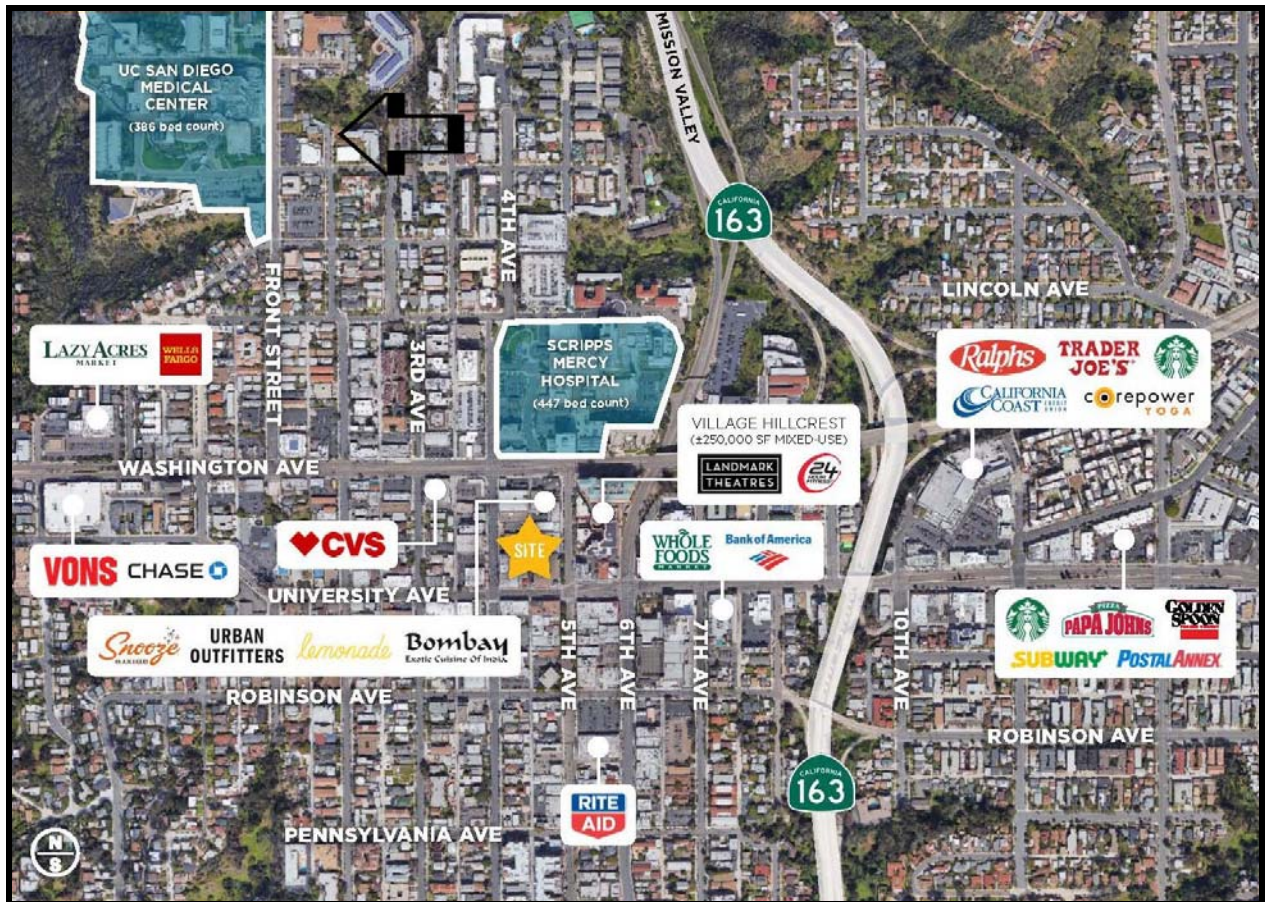
Employment in the area is typically geared towards service oriented businesses that provide the retail, commercial, and medical support facilities to the area residents. According to the most recent Uptown Community Plan, Uptown's workforce was estimated at 30,000 persons. Due to the subject's central location in San Diego, most residents commute to their places of employment. Mission Valley and Downtown San Diego are major employment centers for San Diego and are located two miles north and three miles south, respectively. Overall, Uptown's central location in San Diego provides good access characteristics to the city's major employment centers.

### **SUBJECT NEIGHBORHOOD**

The subject is located in the Medical Complex neighborhood, which sits atop a flat mesa on the north side of Washington Street and has canyons that flow down to Mission Valley. Medical Complex is dominated by UCSD Medical Center and Scripps Mercy Hospital, which combined occupy about forty percent of the neighborhood. The remaining portion of the neighborhood consists primarily of residential uses, with the vast majority being multi-family projects. Commercial development is located primarily along Washington Avenue and also sporadically surrounds the medical centers - as do parking garages and surface parking lots.

The subject is a vacant lot that is located proximate to the UCSD Medical Center and associated properties owned by the Regents of the University of California. Additional nearby land uses include multi-family residential projects, surface parking lots, and parking garages.

The neighborhood's major land uses and amenities are depicted in the following graphic. The location of the subject is shown by an arrow. Overall, the subject was considered to be well positioned within its neighborhood.



**CONCLUSIONS**

The subject is located in the central San Diego community known as "Uptown" which is primarily developed with residential properties and support commercial, retail, and medical uses. This neighborhood has adequate ingress/egress routes and is within a reasonable distance to major shopping, employment, and recreational centers. Public utilities and services are adequate and typical of competing neighborhoods. The current trend for this neighborhood would indicate a continued repositioning of multi-family and older single-family improvements with several new condominium and mixed-use condominium projects recently completed. The long-term potential for the neighborhood is good and should follow the general trends of the San Diego County real estate market.

## PROPERTY DESCRIPTION

### SITE - PHYSICAL CHARACTERISTICS

#### Location

The subject is a vacant lot located at the east side of the northern terminus of First Avenue, San Diego, California 92103. It is further identified as assessor's parcel number (APN) 444-302-19. It is located on page 1269-A5 of the Thomas Brothers Map Guide (San Diego County).

#### Size / Shape / Topography / Condition

According to the assessor's plat map, the subject site contains  $\pm 5,432$  gross square feet of land area, and it is rectangular in shape. The southern and middle portions of the site are generally level and the northern portion of the site borders a canyon and has steeply sloping topography. The site is effectively in rough graded condition. Overall, the size, shape, and topography are adequate for development. For additional information please refer to the assessor's plat map and other exhibits located at the end of this section.

#### View Amenity

The subject is located adjacent to a small canyon, but it was not considered to have an average view amenity for the area.

#### Accessibility / Street Improvements / Traffic Count(s) / Visibility

Freeway access to the subject vicinity is provided primarily by State Highway 163 which is located about one-quarter mile to east of the subject. Additional freeway access is provided by Interstate which is located approximately 1.5 miles west of the subject. The primary surface streets in the immediate area are Washington Street, University Avenue, First, Fourth, Fifth, and Sixth Avenues. Vehicular access to the subject was considered good.

The subject is an interior site that has frontage on First Avenue. It is paved to a width of two lanes. It is a public road that is asphalt paved and further improved with street lights, and concrete sidewalks, and curbs and gutters.

According to CoStar, there are no reported traffic counts for First Avenue proximate to the subject, which is typical for a secondary street. On an overall basis, the subject was considered to have average visibility.

#### Flood Hazard

The subject site is located in Zone X according to FEMA Flood Map Panel No. 06073C 1618G, dated May 16, 2012. Zone X indicates areas determined to be outside 500-year floodplain. Flood insurance is not typically required for properties within this zone.

**Drainage**

Onsite drainage appeared to be directed towards storm drains, and off-site drainage flows to storm drains in the public street and to the canyon to the north of the subject. Drainage appeared to be adequate for the subject site.

**Soils and Geologic Hazards**

Soils and/or geotechnical reports were not provided for this appraisal. An inspection of the site revealed no apparent problems associated with adverse soil conditions, geological issues or any related adverse site characteristics. However, we are not experts in this area and no representation as to the integrity of the site is made. The subject property is reportedly not located in an Alquist-Priolo Special Studies Zone. No opinion is expressed with regard to the potential impact and it was assumed that the potential risks are similar to those shared by most properties in the subject area and generally within Southern California. This appraisal report and analyses contained herein are based on the assumption that there are no significant adverse soil conditions, geological issues, or related adverse site characteristics.

**Hazardous Waste**

Physical inspection of the site did not reveal the existence of hazardous materials. The existence of potentially hazardous material or soils contamination, which may or may not be present on the property, has not been considered in this valuation. We are not qualified to detect such substances. This appraisal report is based on the assumption that no hazardous chemical contamination of the subject site exists.

**Biological Factors**

Some vegetation and small animals were noted in the steeply sloping portion of the site during our inspection of the subject. We have assumed that these biological factors and/or any other environmental and/or habitat characteristics do not need to be mitigated at any significant cost to the property owner prior to development of the subject site.

**Utilities**

All utilities are reportedly proximate to the subject and are provided in adequate capacity.

**Adverse Influences**

No adverse influences were noted during our inspection of the property.

**SITE - LEGAL CHARACTERISTICS****Easements, Encumbrances, and Encroachments**

We were not provided with a preliminary title report. No significant adverse easements or encroachments were noted or observed during our physical inspection. We assume no responsibility for any unapparent or undisclosed easements, encroachments, or encumbrances. It is assumed that there are no unreported easements, encroachments, or encumbrances which would limit the utility of the property.

### Zoning and Land Use Regulations

The reader should note that in our 2017 appraisal (completed by Mathew D. Shake, MAI) the subject was zoned MCCPD-NP-1 (Mid-City Communities Planned District: NP-1). The Neighborhood Professional (NP) zones were intended to provide for business and professional offices, certain allied services normally associated with such offices, and residential users. The NP-1 zone allowed a residential development density of one dwelling unit (DU) for every 800 square feet of gross land area.

The subject had been zoned NP-1 MCCPD-NP-1 (Mid-City Communities Planned District: NP-1). The Neighborhood Professional (NP) zones were intended to provide for business and professional offices, certain allied services normally associated with such offices, and residential users.

However, the subject has fairly recently been rezoned to CC-3-8 (Commercial Community). The purpose of the CC zones is to accommodate community-serving commercial services, retail uses, and limited industrial uses of moderate intensity and small-to-medium scale. Some of the CC zones also allow for residential development. The CC-3-8 zone is intended to accommodate development with a high intensity, pedestrian orientation and permits a maximum residential density of 1 dwelling unit (DU) per each 600 square feet of gross lot area. The reader should note that the zoning change has increased the potential development density of the subject.

This discussion is intended to provide a summary of the land use regulations for the subject property. We are not experts in these regulations, which are quite complex. The client or any other interested party is urged to obtain legal review of the land use regulations as they relate to the subject property, if desired.

### Entitlements

The subject reportedly has no entitlements.

### SITE - ECONOMIC CHARACTERISTICS

#### Real Estate Taxes

The subject property is located in Tax Rate Area 08001. The current real estate taxes were not considered relevant for the analysis of the subject property because California law (per Proposition 13) requires properties to be reassessed at their market value upon sale. The subject's tax rate is considered typical of other properties in this area, and according to the County Tax Collector there are no delinquent taxes. The following table provides a summary of the real estate taxes encumbering the property.

<b>REAL ESTATE TAX SUMMARY</b>						
<b>Tax Year 2019/2020</b>						
<i>Assessor's Parcel No.</i>	<i>Land</i>	<i>Assessed Value(s)</i>		<i>Tax Rate</i>	<i>Total Base Taxes</i>	<i>Special Assessments</i>
		<i>Imps.</i>	<i>Total</i>			
444-302-19	\$21,925	\$0	\$21,925	1.23199%	\$270	\$27
Total Base Taxes and Assessments:			\$297			

**SITE CONCLUSION**

The subject site is a rectangular-shaped parcel that has generally level to steeply sloping topography. The site has an interior orientation with frontage on one secondary street. It was considered to have average visibility. The site is centrally located and was considered to have good access. It is located within a very desirable, densely developed mixed-use neighborhood, and is proximate to UCSD Medical Center. Additional nearby land uses include multi-family residential projects, surface parking lots, and parking garages. The site has all utilities available and has adequate physical characteristics to support development. However, the steeply sloping northern portion of the site may limit development, or perhaps potentially increase development costs.

**DESCRIPTION OF IMPROVEMENTS**

The subject is vacant land and has no improvements.



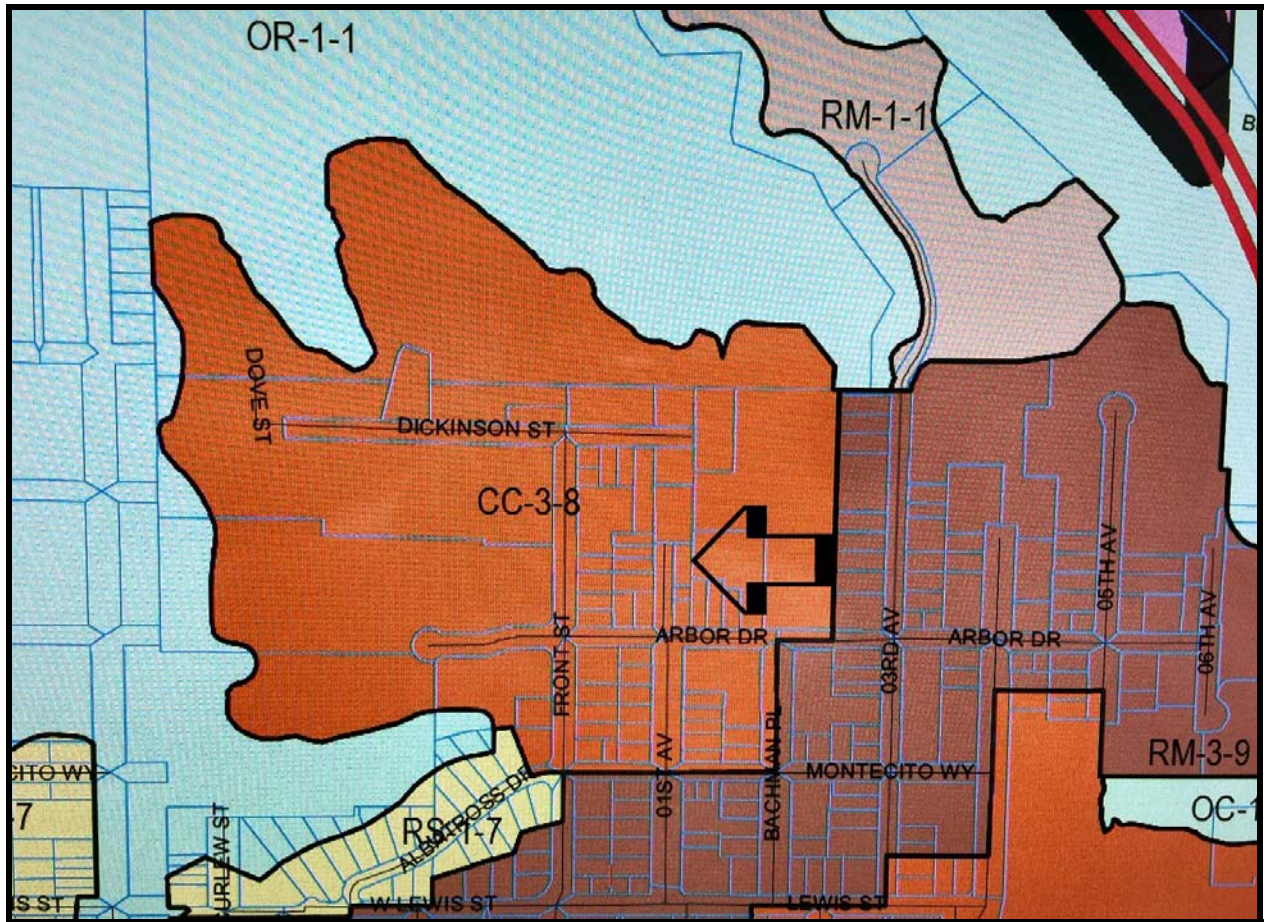


# AERIAL PHOTOGRAPH WITH PARCEL NUMBERS



### ZONING MAP (PORTION)

The location of the subject site is indicated by the arrow. The subject site is zoned CC-3-8.



### SUBJECT PHOTOGRAPHS



Viewing north on First Avenue, the subject is visible to the right.



Viewing northeast across First Avenue toward the subject.

## SUBJECT PHOTOGRAPHS



Viewing north across the subject site.



Viewing west across the subject site.

### SUBJECT PHOTOGRAPHS



Partial view of the steep slope on the northern portion of the site.



Viewing southwest across the subject site.

### SUBJECT PHOTOGRAPHS



Viewing south across the subject site.



Viewing south on First Avenue, the subject is visible to the left.

## HIGHEST AND BEST USE

Highest and best use is an important concept in real estate valuation as it represents the premise upon which value is based. Highest and best use is defined in *The Dictionary of Real Estate, Fifth Edition (2010)*, as follows:

“The reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, financially feasible, and 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.”

### HIGHEST AND BEST USE OF LAND OR A SITE AS THOUGH VACANT

Highest and best use as though vacant is defined in *The Dictionary of Real Estate, Fifth Edition (2010)*, as follows:

“Among all reasonable, alternative uses, the use that yields the highest present land value, after payments are made for labor, capital, and coordination. The use of a property based on the assumption that the parcel of land is vacant or can be made vacant by demolishing any improvements.”

### Legally Permissible

The subject site is zoned CC-3-8 (Commercial Community) by the City of San Diego. Uses permitted by right in the CC-3-8 zone include mixed-use development (multi-family residential dwelling units over ground floor retail/commercial space), retail centers, restaurants, general and medical office projects, parking lots and structures, and numerous ancillary uses.

### Physically Possible

The subject site is a rectangular-shaped parcel with generally level to steeply sloping topography. The site has all utilities available and can support most uses permitted under the current zoning. Thus, the subject has adequate physical characteristics to support legally permissible development. However, it should be noted that the steeply sloping portion of the site may limit development and/or potentially increase development costs.

### Financially Feasible

The financial feasibility of a specific property is market driven and influenced by surrounding land uses in the neighborhood. Based on the subject's permitted land uses, location, and physical characteristics, development of the site with some form mixed-use development (multi-family residential dwelling units over ground floor retail/commercial space) was considered to be a financially feasible uses of the subject. In addition, numerous other forms of commercial development (ie, medical office, commercial mixed-use, etc.) were also considered likely to be financially feasible uses of the subject site.

### Maximum Productivity

Maximum productivity calls for the single use that provides the highest land value. The site exhibits characteristics suitable for either continued parking lot use or construction of some form of alternative use. A determination of the best single use, or combination of uses, would require a feasibility study



which goes beyond the scope of this assignment, and is not needed to credibly or reliably estimate the fair market value of the subject. However, based on development trends in the subject market, it is highly probable that the maximum productive use for the subject site “as though vacant” would be development of a mixed-use project (multi-family residential dwelling units over ground floor retail/commercial space), and this conclusion provided the basis for our valuation methodology.

**PROBABLE BUYER**

Consistent with our highest and best use conclusions, the probable buyer of the subject was deemed to be a developer that would utilize the subject for infill development of a mixed-use project.

## **APPRAISAL METHODOLOGY**

The appraisal process is a systematic process which the problem is defined and the data involved is acquired, classified, analyzed and interpreted into an estimate of value. In this process three basic approaches to value are considered: cost approach, sales comparison approach, and income capitalization approach. In appraisal practice, an approach to value is included or omitted based on its applicability to the property type being appraised coupled with the quality and quantity of information available. The final step in the appraisal process is reconciliation. In the reconciliation, an appraiser evaluates the approaches to value based on their overall reliability, and then concludes a final value estimate for the property.

### **THE COST APPROACH**

The cost approach is based upon the idea that an informed purchaser would pay no more for the subject than the cost to produce a substitute property with equivalent utility. This approach is particularly applicable when the subject property has relatively new improvements which represent the highest and best use of the land or when a site is improved with relatively unique or specialized improvements. The first step in the cost approach is to estimate the land value of the subject (at its highest and best use). Several methods can be used to estimate land value; however, the most common is an analysis of comparable land sales. The second step is to estimate the replacement (or reproduction) cost of the improvements. The improvement costs are then depreciated (if applicable) to reflect any loss in value from physical, functional and economic causes. Land value and the depreciated value of the improvements are then summated, which results in an indication of value.

### **SALES COMPARISON APPROACH**

The sales comparison approach utilizes sales, pending sales, and/or listings of comparable properties. The valuation process involves selecting a market-driven unit of comparison (price per square foot of buildings area, price per unit, etc.) and then adjusting the comparables for economic and physical differences with the subject property. This process typically provides a range of value indications, which an appraiser must reconcile into a concluded value estimate. The reliability of this approach is dependent upon (1) the availability of comparable sales data, (2) the verification of the sales data, (3) the reliability of the market data, and (4) the absence of atypical conditions affecting the sales price.

### **INCOME CAPITALIZATION APPROACH**

In the income capitalization approach, a property's capacity to generate net operating income is analyzed. Two methodologies are typically used by market participants (1) direct capitalization and (2) yield capitalization (discounted cash flow). Direct capitalization begins by estimating market rent from comparable rentals, making deductions for vacancy/collection losses, and building expenses, then capitalizing the resulting net income at a market-derived rate provide an indication of value. In the yield analysis, or discounted cash flow analysis, a similar income and expense analysis is performed as in the direct capitalization method, but each year is analyzed for variances in income and expenses. This type of

analysis is useful (and most often applied by market participants) when cash flows are not level and/or have irregular patterns.

**VALUATION TECHNIQUES UTILIZED**

To estimate land value, if sufficient sale data is available, market participants almost exclusively utilize the sales comparison approach to estimate value. As sufficient land sales were available for analysis, we have employed the sales comparison approach to estimate the fair market value of the subject.

## FAIR MARKET VALUE

### SALES COMPARISON APPROACH

The sales comparison approach is defined in *The Dictionary of Real Estate, Fifth Edition (2010)* as follows:

“The process of deriving a value indication for the subject property by comparing market information for similar properties with the property being appraised, identifying appropriate units of comparison, and making qualitative comparisons with or quantitative adjustments to the sales prices (or unit prices, as appropriate) of the comparable properties based on relevant, market-derived elements of comparison.”

The sales comparison approach is based on the principle of substitution, which implies that a prudent buyer would pay no more to purchase a property than it would cost to purchase a comparable substitute property. When there are an adequate number of sales of relatively similar properties with sufficient information for comparison, a range of value indicators for the subject property can be developed.

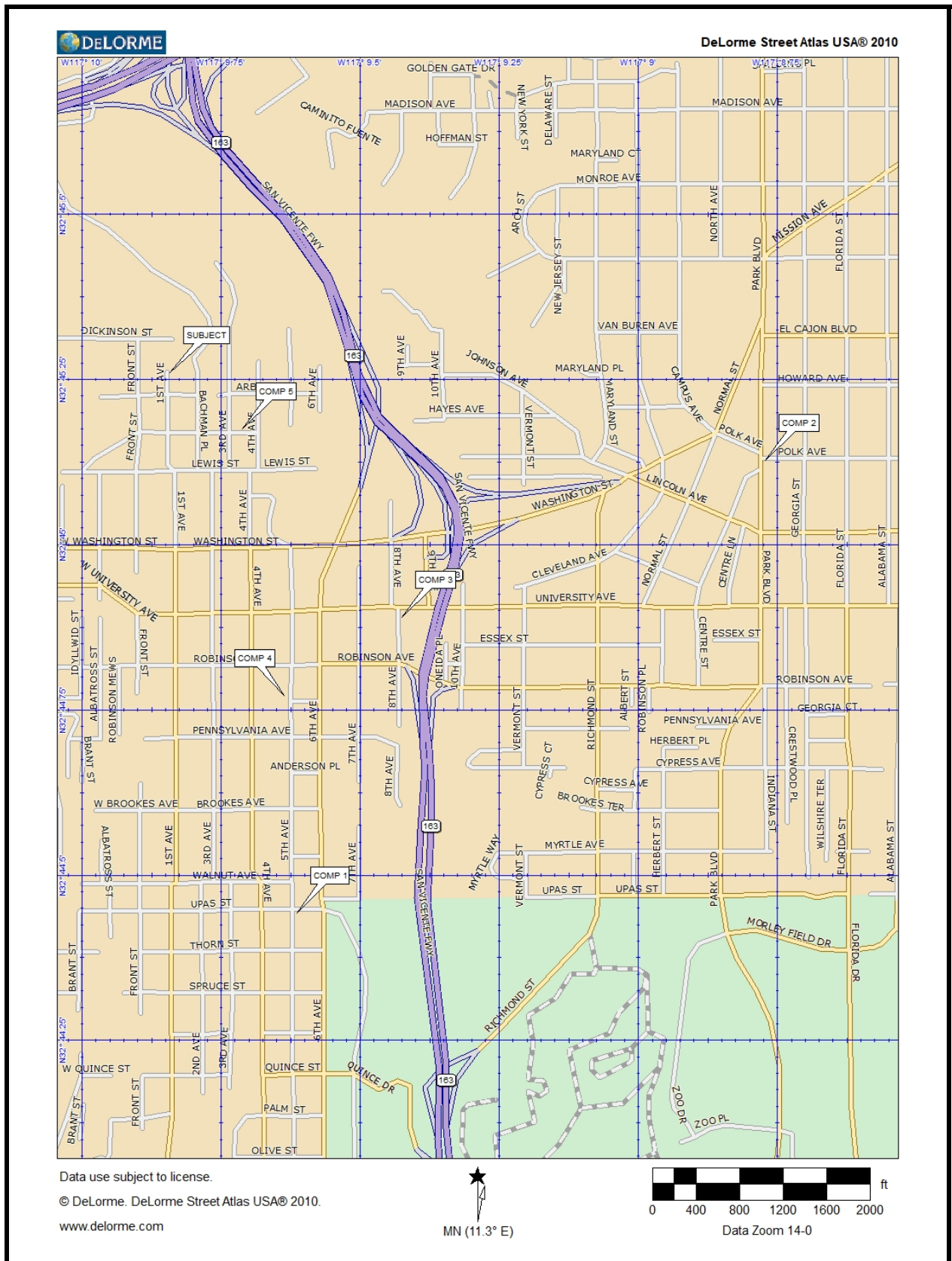
We gathered and analyzed numerous sales and listings of commercial (mixed-use) and multi-family residential land. The search was initially focused in Uptown for generally similarly zoned land ranging size between 3,000 and 10,000 square feet, but due to data constraints the search was expanded to include larger sites and back in time.

In the final analysis, we selected five comparables, which were all located in the Uptown area. The comparables all closed escrow in 2016, 2017, 2018, and 2019, and were located in the Uptown neighborhoods of Medical Complex, University Heights, and Hillcrest. All of the comparables were purchased for infill development of multi-family or mixed-use (multi-family over commercial) projects. A sale comparables summary table, location map, photographs, and plat maps are provided on the following pages.

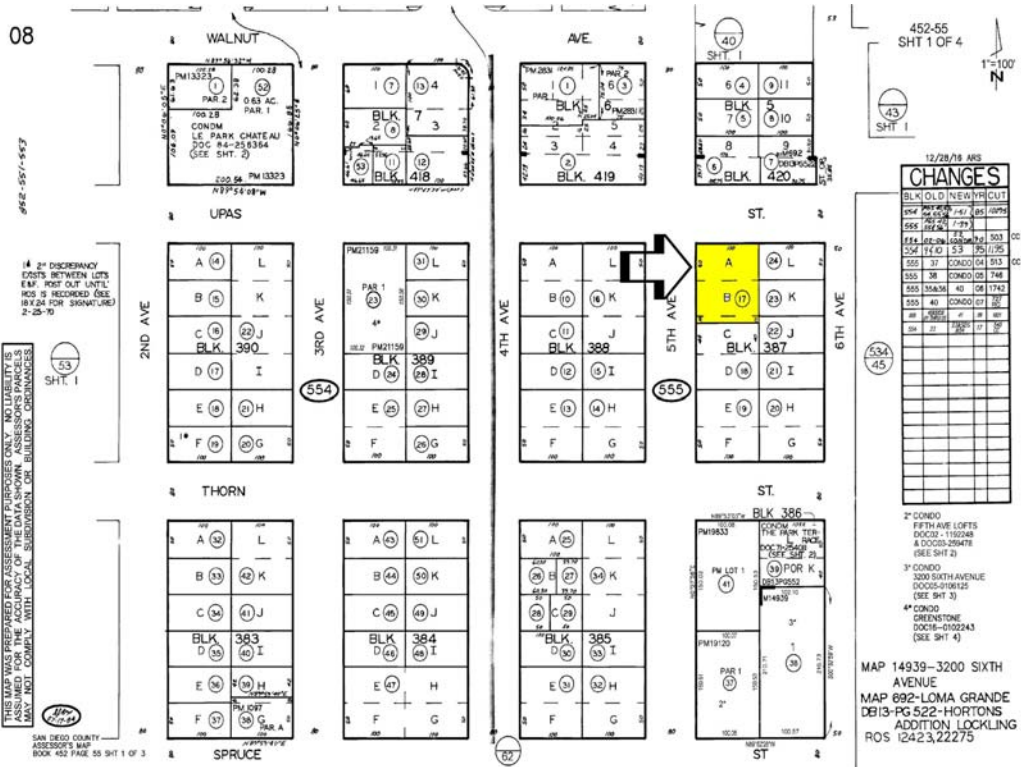
In comparing smaller commercial/mixed-use and multi-family residential sites, market participants typically utilize a price per square foot analysis in making purchase or sale decisions. For this reason, we have used this unit of comparison.

LAND SALE COMPARABLES SUMMARY							
Comp. Number	Address APN(s)	Sale Price Recording Date	Mos. Before DOV Doc. No.	Site Size (SF) Proposed Use	Price/Land SF Zone Density (DU/SF)	Zoning Land Condition	Shape/Utility View Amenity
1	3359 Fifth Avenue San Diego, CA 92103 452-555-17	\$2,100,000 24-Jan-17	32.64 2017-035262	11,000 Mixed-Use	<b>\$190.91</b> 1 DU / 600 SF	CC-3-9 Parking Lot	Rectangular/Avg Average
<p><i>Comments:</i> This is the sale of a commercial site located in the Uptown neighborhood of Hillcrest. It was utilized as a surface pay parking lot on the date of sale. It was purchased for development of a high-density project that is expected to have multi-family residential units over ground floor retail/commercial space. At the time of sale, the property was zoned to allow for 18 units (excluding the consideration of an affordable unit density bonus and/or commercial units). The property is reportedly in the early planning stages of development. The property is encumbered by an agreement to provide an adjacent property with 17 parking spaces. All parking will be provided underground.</p>							
2	4075-4085 Park Boulevard San Diego, CA 92103 445-551-27	\$4,250,000 1-Apr-16	42.44 2016-145755	21,000 Mixed-Use	<b>\$202.38</b> 1 DU / 600 SF	CC-3-8 Rough Graded	Rectangular/Good Average
<p><i>Comments:</i> This is the sale of a commercial site located in the Uptown neighborhood of University Heights. It was a rough graded site on the date of sale. It was purchased for development of a high-density project that has been developed and is now known as "Park + Polk." At the time of sale, the property was zoned to allow for 35 units (excluding the consideration of an affordable unit density bonus and/or commercial units). The developed and fully entitled project now reportedly contains 43 market rate residential units, 4 affordable units, two retail units, 8 office units, and underground parking.</p>							
3	3853 Eighth Avenue San Diego, CA 92103 452-093-21	\$790,000 31-Jul-19	2.47 2019-317169	3,624 Mixed-Use	<b>\$217.99</b> 1 DU / 400 SF	CC-3-9 Old Residence	Rectangular/Good Average
<p><i>Comments:</i> This is the sale of a commercial site located in the Uptown neighborhood of Hillcrest. It was utilized as a single-family residence on the date of sale. It was purchased for development of a high-density project that is expected to have multi-family residential units over ground floor retail/commercial space. At the time of sale, the property was zoned to allow for 18 units (excluding the consideration of an affordable unit density bonus and/or commercial units). The property is reportedly in the early planning stages of development.</p>							
4	3740 Fifth Avenue San Diego, CA 92103 452-063-47	\$1,500,000 27-Jan-17	32.54 2017-042244	6,752 Mixed-Use	<b>\$222.16</b> 1 DU / 400 SF	CC-3-9 Commercial	Rectangular/Good Average
<p><i>Comments:</i> This is the sale of a commercial site located in the Uptown neighborhood of Hillcrest. It was utilized for commercial purposes and parking on the date of sale. It was purchased for development of a high-density project that is expected to have multi-family residential units over ground floor retail/commercial space. At the time of sale, the property was zoned to allow for 17 units (excluding the consideration of an affordable unit density bonus and/or commercial units).</p>							
5	220 Montecito Way San Diego, CA 92103 444-511-09	\$1,200,000 27-Jul-18	14.60 2018-307273	5,663 Residential Units	<b>\$211.90</b> 1 DU / 600 SF	CC-3-9 Old Residence	Rectangular/Good Average
<p><i>Comments:</i> This is the sale of a commercial site located in the Uptown neighborhood of Medical Complex. It was utilized as a single-family residence on the date of sale. It was purchased for development of a high-density multi-family residential project. At the time of sale, the property was zoned to allow for 9 units (excluding the consideration of an affordable unit density bonus). The property is reportedly in the early planning stages of development.</p>							

# LAND SALE COMPARABLES MAP



# LAND SALE COMPARABLE 1







### LAND SALE COMPARABLE 3

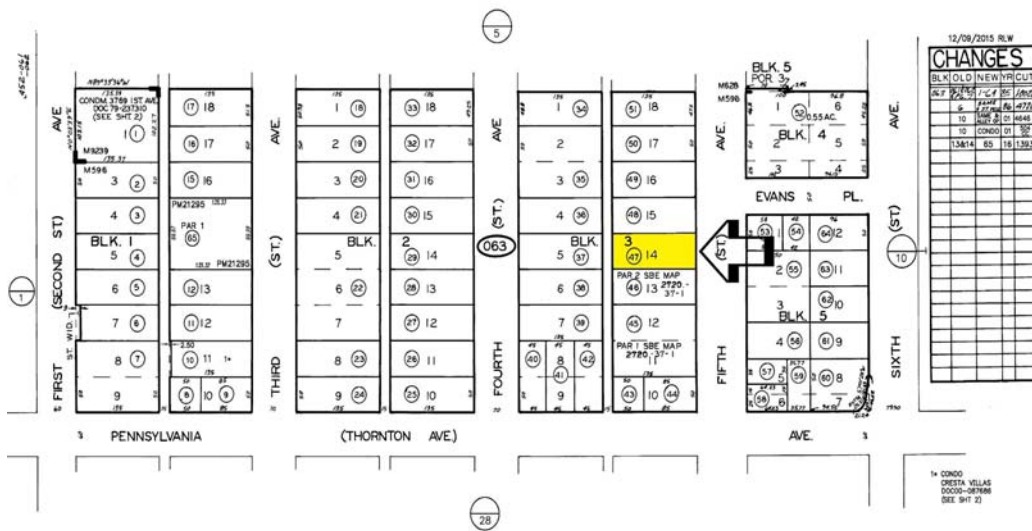


# LAND SALE COMPARABLE 4



08

452-06  
SHT 1 OF 2



**San Diego**  
SAN DIEGO COUNTY  
ASSESSOR'S MAP  
BOOK 452 PAGE 06 OF SHT 1 OF 2

THIS MAP WAS PREPARED FOR ASSESSMENT PURPOSES ONLY. NO LIABILITY IS ASSUMED FOR THE ACCURACY OF THE DATA SHOWN. ADJACENT PARCELS MAY NOT COMPLY WITH LOCAL, SUBDIVISION OR BILLING ORDINANCES.

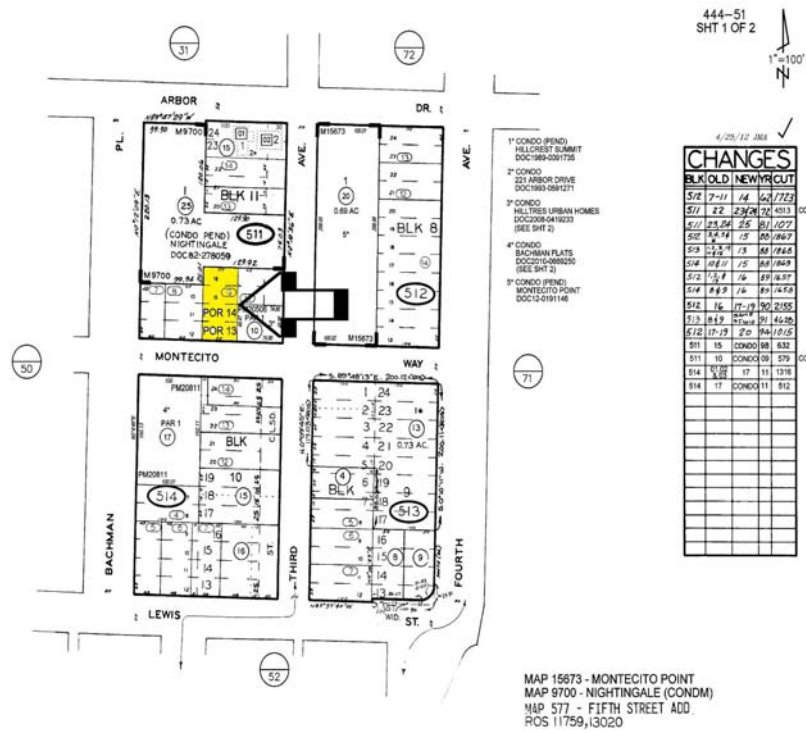
MAP 9239- 3769 FIRST AVENUE (CONDOM)  
MAP 628-NUTT'S ADDITION  
MAP 596-BROOKES ADDITION

# LAND SALE COMPARABLE 5



08

THIS MAP WAS PREPARED FOR ASSESSMENT PURPOSES ONLY. NO LIABILITY IS ASSUMED FOR THE ACCURACY OF THE DATA SHOWN. ASSESSOR'S PARCELS MAY NOT CORRELATE WITH LOCAL SUBDIVISION OR BUILDING ORDINANCES.



## **ECONOMIC ELEMENTS OF COMPARISON**

### **Property Rights**

For this assignment we have valued the fee simple interest in the property. All of the comparables reflected fee simple property rights. Thus, no adjustments for property rights were warranted.

### **Financing Terms**

Financing terms reflect any atypical financing that may have influenced the sale prices of the comparables. All of the comparables were either all cash transactions or had third party financing at market terms. Thus, an adjustment for financing was not warranted.

### **Conditions of Sale**

Conditions of sale reflect any atypical condition that may have influenced the sale price and was not accounted for in one of the other attributes. The comparables were reportedly all arm's length transactions and did not warrant an adjustment for conditions of sale.

### **Buyer's Expenditures**

Buyer's expenditures account for additional expenses or costs that the buyer incurs immediately after purchase. All of the comparables reportedly sold with no significant buyer expenditures. Thus, adjustments were not warranted.

### **Market Conditions (Time)**

This category accounts for any change in market conditions from the time of sale of the comparables and the date of value. The comparables all closed escrow within approximately 2 to 42 months of the date of value.

Our discussions with real estate brokers and other market participants, and our review of statistical data from CoStar indicate that the market downturn began in mid-2007 and bottomed in early-to-mid 2009 at the height of the financial crisis. The general consensus and statistical data indicate that market conditions have improved since early 2009 and that market conditions have continued to improve for the last 42 months. Based on these considerations we have adjusted the Comparables upward by an annual rate of 5.0% for improving market conditions.

## **PHYSICAL ELEMENTS OF COMPARISON**

After adjusting for the previous economic elements of comparison, we considered the physical differences between the comparables and the subject. Market participants consider an assortment of different physical criteria when selling or purchasing commercial/mixed-use and multi-family residential land. We used the following physical characteristics for comparison with the subject: location, shape/utility, visibility/access, site size, development density, view amenity, utilities, and land condition. We estimated qualitative comparisons/ratings for differences in the various physical characteristics between the comparable land sales and the subject. These comparisons/ratings are subjective in nature and merely lead the reader to a logical conclusion. A summary of the adjustments and comparisons, the analysis, and the reconciled fair market value can be found at the end of this section.

**Community / Location**

The subject is located Uptown neighborhood of Medical Complex, which was considered a very good location. Comparables 1, 3, and 4 are located in Hillcrest and were considered to have good locations. They were considered inferior. Comparable 2 is located in University Heights and were considered to have an average-to-good location. It was considered inferior. Comparable 5 is located in the Medical Complex neighborhood and was considered similar.

**Site Shape / Development Utility**

The subject site has a rectangular shape, but the steeply sloping northern portion of the site may limit development, or perhaps potentially increase development costs. Therefore, the subject was considered to have only fair-to-average utility for development. All of the comparables were considered similar in shape to the subject, but Comparables 2, 3, 4, and 5 all had completely generally level sites and were considered to have good development utility, which is superior to the subject. Comparable 2 has also has generally level topography, but it is encumbered by an agreement to provide an adjacent property with 17 parking spaces, which impacts its overall development utility. For this reason it was considered to have average development utility, which is superior to the subject.

**Visibility / Access**

The subject site abuts a secondary street and was considered to have average visibility and good access. Comparables 1 and 2 were considered to have good visibility and access, which is superior to the subject. Comparables 3 and 5 were considered to have average visibility and good access, which is similar to the subject. Comparable 4 has an interior site on a primary street. It was considered to have average-to-good visibility and good access, which is superior to the subject.

**Site Size**

Based on our analysis of the comparables and research into other sales, we have determined that no differences for site size could be supported. Thus, the comparables were considered similar to the subject for this element of comparison.

**Development Density**

When utilizing a price per square foot of land area unit of comparison we have found that typically sites with higher density development trade at higher prices per square foot than sites with lower density development (and vice versa) – holding all other variables equal, and comparisons were rendered based on significant differences in development density.

**Utilities**

The subject and the comparable all have adequate access to utility service. Therefore, the comparables were considered similar to the subject for this element of comparison.

**Land Condition**

The subject site is effectively in rough graded condition. Comparables 1, 3, 4, and 5 were developed with parking lots, residences, or older commercial improvements. These improvements will require demolition

costs, but they also provide for interim income during the entitlement process. These factors were considered to be offsetting and the comparables were considered similar to the subject. Comparable 2 was in rough graded condition and was also considered similar to the subject.

**ANALYSIS AND RECONCILIATION**

Prior to adjustments, the five comparables had an unadjusted price range of \$191 to \$222 per square foot. After consideration for differences in economic characteristics, the comparables ranged in adjusted price from \$217 to \$252 per square foot. All of the comparables required numerous adjustments and were given consideration, but Comparables 1 and 5 were given a slight emphasis in the final reconciliation. As summarized in the following table, the sales comparison approach was reconciled at \$225 per square foot, and equated to a fair market value estimate of **\$1,220,000** (rounded).

COMPARABLE LAND SALES ADJUSTMENT GRID											
	Subject	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5					
Street Address	First Avenue	3359 Fifth Avenue	4075-4085 Park Boulevard	3853 Eighth Avenue	3740 Fifth Avenue	220 Montecito Way					
Uptown Neighborhood	Medical Complex	Hillcrest	University Heights	Hillcrest	Hillcrest	Medical Complex					
Physical Data											
Land Area (SF)	5,432	11,000	21,000	3,624	6,752	5,663					
Land Area (Acres)	0.12	0.25	0.48	0.08	0.16	0.13					
Proposed/Probable Use	Mixed-Use	Mixed-Use	Mixed-Use	Mixed-Use	Mixed-Use	Residential Units					
Transaction Data											
Sale Price	N/Ap	\$2,100,000	\$4,250,000	\$790,000	\$1,500,000	\$1,200,000					
Date of Sale/Value	October 14, 2019	January 24, 2017	April 1, 2016	July 31, 2019	January 27, 2017	July 27, 2018					
Price/Square Foot (SF)	N/Ap	\$191	\$202	\$218	\$222	\$212					
Economic Adjustments (Per SF Basis)											
Property Rights	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple					
% Adjustment		0.00%	0.00%	0.00%	0.00%	0.00%					
Adjusted Price/SF		\$191	\$202	\$218	\$222	\$212					
Financing Terms	Cash Equiv	Cash Equiv	Cash Equiv	Cash Equiv	Cash Equiv	Cash Equiv					
% Adjustment		0.00%	0.00%	0.00%	0.00%	0.00%					
Adjusted Price/SF		\$191	\$202	\$218	\$222	\$212					
Conditions of Sale	Arm's Length	Arm's Length	Arm's Length	Arm's Length	Arm's Length	Arm's Length					
% Adjustment		0.00%	0.00%	0.00%	0.00%	0.00%					
Adjusted Price/SF		\$191	\$202	\$218	\$222	\$212					
Buyer Expenditures	None	None	None	None	None	None					
\$/SF Adjustment		\$0	\$0	\$0	\$0	\$0					
Adjusted Price/SF		\$191	\$202	\$218	\$222	\$212					
Market Conditions	October 14, 2019	January 24, 2017	April 1, 2016	July 31, 2019	January 27, 2017	July 27, 2018					
% Annual Adjustment	5.00%	13.60%	17.68%	1.03%	13.56%	6.08%					
Adjusted Price/SF		\$217	\$238	\$220	\$252	\$225					
Physical Characteristics	Rating	Rating	vs. Subject	Rating	vs. Subject	Rating	vs. Subject	Rating	vs. Subject	Rating	vs. Subject
Community/Location	Very Good	Good	Inferior	Avg/Good	Inferior	Good	Inferior	Good	Inferior	Very Good	Similar
Shape/Utility	Rectangular/Fair-Avg	Rect/Avg	Superior	Rect/Good	Superior	Rect/Good	Superior	Rect/Good	Superior	Rect/Good	Superior
Visibility/Access	Average/Good	Good/Good	Superior	Good/Good	Superior	Avg/Good	Similar	Avg-Gd/Good	Superior	Avg/Good	Similar
Site Size (SF)	5,432	11,000	Similar	21,000	Similar	3,624	Similar	6,752	Similar	5,663	Similar
Density (DU/SF)	1 DU / 600 SF	1 DU / 600 SF	Similar	1 DU / 600 SF	Similar	1 DU / 400 SF	Superior	1 DU / 400 SF	Superior	1 DU / 600 SF	Similar
Utilities	All Available	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar
Land Condition	Rough Graded	Parking Lot	Similar	Rough Graded	Similar	Residence	Similar	Commercial	Similar	Residence	Similar
Cumulative Physical Rating vs. Subject		Slightly Superior		Slightly Superior		Superior		Superior		Slightly Superior	
Adjusted Price Per SF		\$217		\$238		\$220		\$252		\$225	
<b>Reconciliation:</b> All the comparables were given consideration in the final value estimate, but Comps 1 and 5 were given a slight emphasis.											
Minimum	\$217										
Maximum	\$252	Reconciled \$/SF @	5,432 SF	X	\$225 /SF	=				\$1,222,200	
Average	\$230	Reconciled Value (Rounded)									\$1,220,000

## **ADDENDA**

**QUALIFICATIONS OF THE APPRAISER(S)**



# ANDRÉ DESJARDINS, MAI, AI-GRS

## CURRENT EMPLOYMENT

Partner  
MDS Realty Advisors (02/04 to Present)  
4891 Pacific Highway, Suite 111, San Diego, CA 92110

President / Managing Broker  
Southern California Pacific, Inc. (01/04 to Present)  
Main Office: 4064 Lamont Street, San Diego, CA 92109  
Branch Office: 4891 Pacific Highway, Suite 111, San Diego, CA 92110

## PRIOR EMPLOYMENT

Senior Analyst  
Integra Realty Resources – San Diego (06/96 to 01/04)  
2250 Third Avenue, San Diego, CA 92101

Appraiser – Jones, Roach, & Caringella, Inc. (07/93 to 06/96)  
4669 Murphy Canyon Road, Suite 200, San Diego, CA 92123

Commercial Real Estate Leasing Agent - Pacific Southwest Mortgage (5/91- 6/93)  
3333 Camino del Rio South, Suite 100, San Diego, CA 92108

Commercial Real Estate Agent - Southwest Investments (03/89 to 05/91)  
2525 Camino del Rio South, Suite 170 San Diego, CA 92108

## EDUCATION

### University

San Diego State University, San Diego, California (1987)  
Bachelor of Science in Business Administration

### Appraisal Institute

Advanced Applications (1998)  
Report Writing and Valuation Analysis (2000)  
Highest & Best Use and Market Analysis (1998)  
Advanced Income Capitalization (1997)  
Advanced Sales Comparison and Cost Approaches (1997)  
Standards of Professional Practice, Part A (1996)  
Standards of Professional Practice, Part B (1996)  
Standards of Professional Practice, Part C (2001)  
Basic Income Capitalization (1995)  
General Applications (1995)

### Chamberlin Real Estate School

Investment Property Analysis (2002)

### Appraisal Education Foundation

Foundations of Real Estate Appraisal (1994)  
Appraising the Single-Family Residence (1994)  
Standards of Professional Practice (1994)  
Real Estate Appraisal Methods (1994)

### **Real Estate License Services**

Real Estate Appraisal (1993)  
Real Estate Finance (1993)  
Property Management (1993)  
Legal Aspects of Real Estate (1993)  
Real Estate Practice (1993)

### **Real Estate License Specialists**

Real Estate Principles (1988)

### **Additional Courses and Seminars Attended**

Appraisal Institute  
Verification of Market Data (1994)  
Partial Interest Valuation – Divided (2002)  
Litigation Appraising: Specialized Topics and Applications (2002)  
General Demonstration Report Writing Seminar (2002)  
Valuation of Unique Properties (2004)  
Operating Expenses Seminar (2004)  
Fast & Furious Advanced Appraisal Refresher (2004)  
National USPAP Update Course (2004, 2006, 2008, 2010, 2012, 2014, 2016, 2018)  
San Diego Economic Forecast (2005-2010)  
Case Studies In Limited Partnership & Common Tenancy Valuation (2005)  
Operating Expenses Seminar (2006)  
Analyzing Commercial Lease Clauses-Implications For Property Value (2007)  
Appraisal Review Seminar - General (2007)  
Business Practices and Ethics (2008, 2012, 2016)  
Appraising Convenience Stores (2008)  
Expanding Your Range of Services (2012)  
Appraising The Appraisal: Appraisal Review-General (2012)  
Fundamentals of Separating Real Property, Personal Property, and Intangible Business Assets (2013)  
Federal and California Statutory and Regulatory Laws (2013, 2016)  
Forecasting Revenue (2013)  
Comparative Analysis (2013)  
Small Hotel/Motel Valuation: Limited-Service Lodging (2013)  
Review Theory - General (2016)

### **PROPERTY TYPES APPRAISED AND SERVICES PROVIDED**

Apartments	Leasehold and Leased Fee Estates
Auto Dealerships	Life Science Properties
Condemnation and Right-Of-Way	Litigation Support
Commercial and Industrial Land	Medical Office Buildings
Condominiums (Commercial)	Mixed-Use Properties
Easements	Office Buildings
Equestrian Facilities	Partial Interests
Farms, Groves, and Ranches	Research & Development Properties
Gasoline Service Stations	Residential Land
Historical Properties	Retail Centers
Hotels/Motels	Restaurant Properties
Industrial Buildings	Review Assignments
Lease Arbitration	Special Use Properties

## **APPRAISAL REVIEW AND ADMINISTRATION**

Provides Exclusive Commercial Appraisal Review and Administration For  
San Diego County Credit Union  
California Coast Credit Union

## **PROFESSIONAL AFFILIATIONS, DESIGNATIONS, AND LICENSES**

Appraisal Institute  
Member Appraisal Institute (MAI Designation)  
Appraisal Institute-General Review Specialist (AI-GRS Designation)

California Certified General Real Estate Appraiser  
No. AG025615 – Expires November 25, 2020

State of California Real Estate Broker  
No. 988702 – Expires June 1, 2022

Member – National, California, and San Diego Association of Realtors

Appraisal Institute - San Diego Chapter  
Membership Committee (2000-2001)  
Director (2005-2007)  
Candidate Advisor (2014-Present)  
Golf Tournament Chairperson (2014-Present)

## **QUALIFIED EXPERT WITNESS**

Superior Court of the State of California, San Diego County District

## **PROFESSIONAL HONORS**

Appointed To The Appraisal Institute's Publications Review Panel (2005)  
Outstanding Service Award to the San Diego Chapter of the Appraisal Institute (2018)