

CBRE VALUATION & ADVISORY SERVICES

APPRAISAL REPORT

YMCA OF ORANGE COUNTY
2300 UNIVERSITY DRIVE
NEWPORT BEACH, CALIFORNIA 92660
CBRE FILE NO. 19-251LA-1355-1

YMCA OF ORANGE COUNTY

CBRE

June 10, 2019

Joyce Kirchhofer
Chief Financial Officer
YMCA OF ORANGE COUNTY
13821 Newport Avenue, Suite 200
Tustin, California 92780

RE: Appraisal of YMCA of Orange County
2300 University Drive
Newport Beach, Orange County, California 92660
CBRE, Inc. File No. 19-251LA-1355-1

Dear Ms. Kirchhofer:

At your request and authorization, CBRE, Inc. has prepared an appraisal of the market value of the referenced property. Our analysis is presented in the following Appraisal Report.

The subject is a 17,973 square foot fitness center and recreational facility located at 2300 University Drive in the city of Newport Beach. The improvements were originally constructed in 1967, and are situated on a 4.034-acre site. The property had minor renovations done in 2007. Currently, the property is 100% owner-occupied by the YMCA of Orange County. The property is considered to be in average overall condition. Access and commercial exposure of the subject is average due to its direct frontage along University Drive, a minor arterial within the trade area. The subject is primarily located within a residential area and is situated across the street from the Upper Newport Bay Nature Preserve.

The subject is comprised of one, two-story retail building. The subject property is a public membership fitness center and recreational facility. The main building includes a free weight area, aerobics and personal training/workout studios, a cross fit training area, a basketball court, two swimming pools, men's and women's locker room areas, a kid's club with playground area, and administrative offices & meeting space. The main building also includes a space being leased to Mariner's Physical Therapy by the YMCA. Surface parking is provided at a ratio of 8.96 spaces per 1,000 square feet of net rentable area.

The local area is dominated by average to good quality office and retail properties along arterial streets and relatively dense residential uses along secondary streets. Physically, the subject property appears to have been adequately-maintained, and has an average physical appeal compared to other properties in the local area. Overall, the subject property is generally

attractive to owner/user's due to the limited number of available retail properties for sale and appealing debt options, or a local investor in a sale-leaseback transaction. Specifically, the subject is 100% occupied by a national organization. In addition, the subject would be attractive to developers that would be willing to re-zone the property for single-family residential uses.

At the request of the client, we have been asked to value the property, as if vacant, and rezoned for residential use. Based on conversations with Jessica Perez of the City of Newport Beach Planning Department, the most likely zoning that would be approved for the site would be R-1 or R-1-6000, which are adjacent zones to the subject property. However, she noted that a zoning change for this property would be a large undertaking that would require a general plan amendment involving the highest level of review and approval from the city council and city planning commission. In addition, the site would need further approval from the California Coastal Commission. In terms of timing, she estimated that the city approvals would be approximately one year or more, while it was unknown what timing would be for California Coastal Commission approval.

The subject is more fully described, legally and physically, within the enclosed report.

Based on the analysis contained in the following report, the market value of the subject is concluded as follows:

MARKET VALUE CONCLUSION			
Appraisal Premise	Interest Appraised	Date of Value	Value Conclusion
As Is	Fee Simple Interest	May 15, 2019	\$6,700,000
Hypothetical Land Value, As If Rezoned	Fee Simple Interest	May 15, 2019	\$15,100,000

Compiled by CBRE

The report, in its entirety, including all assumptions and limiting conditions, is an integral part of, and inseparable from, this letter.

The following appraisal sets forth the most pertinent data gathered, the techniques employed, and the reasoning leading to the opinion of value. The analyses, opinions and conclusions were developed based on, and this report has been prepared in conformance with, the guidelines and recommendations set forth in the Uniform Standards of Professional Appraisal Practice (USPAP), the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.

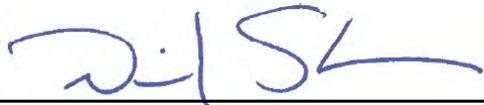
The report is for the sole use of the client; however, client may provide only complete, final copies of the appraisal report in its entirety (but not component parts) to third parties who shall review such reports in connection with loan underwriting or securitization efforts. Appraiser is not required to explain or testify as to appraisal results other than to respond to the client for routine and customary questions. Please note that our consent to allow an appraisal report prepared by CBRE, Inc. or portions of such report, to become part of or be referenced in any public offering, the granting of such consent will be at our sole discretion and, if given, will be on condition that we will be provided with an Indemnification Agreement and/or Non-Reliance letter, in a form and content satisfactory to us, by a party satisfactory to us. We do consent to your submission of the reports to rating agencies, loan participants or your auditors in its entirety (but not component parts) without the need to provide us with an Indemnification Agreement and/or Non-Reliance letter.

The intended use and user of our report are specifically identified in our report as agreed upon in our contract for services and/or reliance language found in the report. No other use or user of the report is permitted by any other party for any other purpose. Dissemination of this report by any party to any non-intended users does not extend reliance to any such party, and CBRE will not be responsible for any unauthorized use of or reliance upon the report, its conclusions or contents (or any portion thereof).

It has been a pleasure to assist you in this assignment. If you have any questions concerning the analysis, or if CBRE, Inc. can be of further service, please contact us.

Respectfully submitted,

CBRE, Inc. - VALUATION & ADVISORY SERVICES

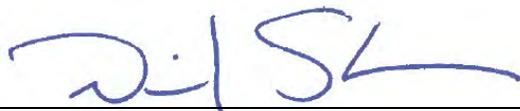


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Retail Valuation Group
California State Certified General
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Fax: (949) 725-8440
Email: daniel.sydor@cbre.com

Certification

We certify to the best of our knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are our personal, impartial and unbiased professional analyses, opinions, and conclusions.
3. We have no present or prospective interest in or bias with respect to the property that is the subject of this report and have no personal interest in or bias with respect to the parties involved with this assignment.
4. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
5. Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
6. This appraisal assignment was not based upon a requested minimum valuation, a specific valuation, or the approval of a loan.
7. Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice, as well as the requirements of the State of California.
8. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
9. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
10. As of the date of this report, Daniel J. Sydor, MAI has completed the continuing education program for designated members of the Appraisal Institute.
11. Daniel J. Sydor, MAI and Gabrielle Maddocks have made a personal inspection of the property that is the subject of this report.
12. Gabrielle Maddocks has provided significant real property appraisal assistance to the persons signing this report.
13. Valuation & Advisory Services operates as an independent economic entity within CBRE, Inc. Although employees of other CBRE, Inc. divisions may be contacted as a part of our routine market research investigations, absolute client confidentiality and privacy are maintained at all times with regard to this assignment without conflict of interest.
14. Daniel J. Sydor, MAI has not provided any services, as appraisers or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.



Daniel J. Sydor, MAI
State Lic. No. AG3000340 (exp 10/09/20)

Subject Photographs





View Along University Drive, Subject at Right



View Along University Drive, Subject at Left Right



Subject Signage



Exterior View of the Subject



Exterior View of the Subject



Exterior View of the Subject



Exterior View of the Subject



Exterior View of the Subject



Exterior View of the Subject



Exterior View of the Subject



Exterior View of the Subject



Exterior View of the Subject



Exterior View of the Subject



Exterior View of the Subject



Exterior View of the Subject



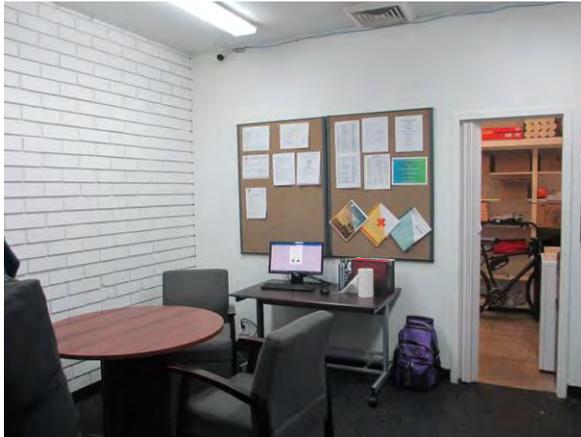
Exterior View of the Subject



Exterior View of the Subject



Exterior View of the Subject



Interior View of the Subject



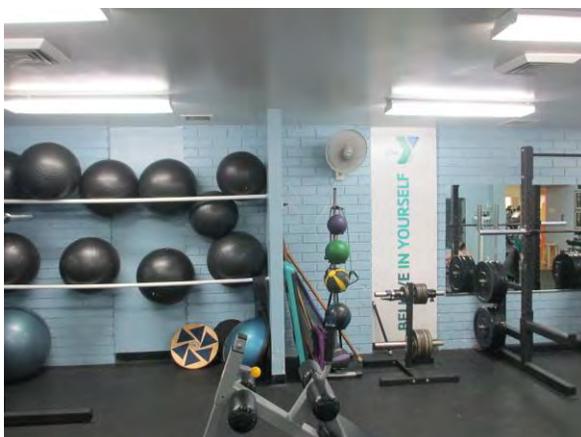
Interior View of the Subject



Interior View of the Subject



Interior View of the Subject



Interior View of the Subject



Interior View of the Subject



Interior View of the Subject



Interior View of the Subject



Interior View of the Subject



Interior View of the Subject



View of a Portion of the Parking Field



View of a Portion of the Parking Field

Executive Summary

Property Name	YMCA of Orange County	
Location	2300 University Drive, Newport Beach, Orange County, California 92660	
Highest and Best Use		
As If Vacant	Develop a fitness center property, or residential housing upon zoning change	
As Improved	As currently improved	
Property Rights Appraised	Fee Simple Interest	
Investor Profile	Owner/User, Investor in Sale-Leaseback Transaction, or Developer	
Date of Report	June 10, 2019	
Date of Inspection	May 15, 2019	
Estimated Exposure Time	6 Months	
Estimated Marketing Time	6 Months	
Land Area	4.03 AC	175,730 SF
Zoning	PF, Public Facilities	
Improvements		
Property Type	Retail	(Recreational Facility)
Number of Buildings	1	
Number of Stories	2	
Gross Leasable Area	17,973 SF	
Year Built	1967	Renovated: 2007
Condition	Average	
Major Tenants		
YMCA of Orange County	17,973 SF	
Financial Indicators		
Current Occupancy	100.0%	
Stabilized Occupancy	97.5%	
Stabilized Credit Loss	1.0%	
Overall Capitalization Rate	6.00%	
Pro Forma Operating Data	Total	Per SF
Effective Gross Income	\$682,938	\$38.00
Operating Expenses	\$278,856	\$15.52
Expense Ratio	40.83%	
Net Operating Income	\$404,082	\$22.48

VALUATION, AS IS BASIS	Total	Per SF	
Sales Comparison Approach	\$6,500,000	\$361.65	
Income Capitalization Approach	\$6,700,000	\$372.78	
Insurable Value	\$3,167,000	\$176.21	
CONCLUDED MARKET VALUE			
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As Is	Fee Simple Interest	May 15, 2019	\$6,700,000
Hypothetical Land Value, As If Rezoned	Fee Simple Interest	May 15, 2019	\$15,100,000
Compiled by CBRE			

STRENGTHS, WEAKNESSES, OPPORTUNITIES AND THREATS (SWOT)

Strengths and weaknesses are internal to the subject; opportunities and threats are external to the subject

Strengths/Opportunities

- The subject is 100% occupied by YMCA of Orange County.
- The subject has maintained a stabilized occupancy level over the last several years.
- The subject has been adequately maintained and is competitive in the trade area.
- The subject has above average surrounding economic demographics.
- The trade area has no available vacant land for new commercial development, limiting future competition.

Weaknesses/Threats

- The subject is considered slightly inferior to more modern fitness centers in the overall region.

EXTRAORDINARY ASSUMPTIONS

An extraordinary assumption is defined as “An assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser’s opinions or conclusions.”¹

- It is an extraordinary assumption that the land and building areas used in this report are correct. We have reviewed provided measurements and public records to estimate land and building areas, coupled with our site inspection. CBRE, Inc. does not represent that the measurements utilized are precise but represent this to be the best available. We are not qualified surveyors or engineers and recommend that a qualified engineer be retained by the client to ascertain a definitive measurement. Should an engineering or similar report indicate a different building size conclusion, we reserve the right to amend this report.

The use of these extraordinary assumptions might have affected the assignment results.

HYPOTHETICAL CONDITIONS

A hypothetical condition is defined as “that which is contrary to what exists but is supposed for the purpose of analysis. Hypothetical conditions assume conditions contrary to known facts about

¹ The Appraisal Foundation, USPAP, 2018-2019.

physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis.”²

- At the request of the client, we have been asked to value the property, as if vacant, and rezoned for residential use. Based on conversations with Jessica Perez of the City of Newport Beach Planning Department, the most likely zoning that would be approved for the site would be R-1 or R-1-6000, which are adjacent zones to the subject property. However, she noted that a zoning change for this property would be a large undertaking that would require a general plan amendment involving the highest level of review and approval from the city council and city planning commission. In addition, the site would need further approval from the California Coastal Commission. In terms of timing, she estimated that the city approvals would be approximately one year or more, while it was unknown what timing would be for California Coastal Commission approval.

The use of this hypothetical assumption might have affected the assignment results.

² The Appraisal Foundation, *USPAP*, 2018-2019.

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Introduction

PROPERTY DESCRIPTION

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The subject is comprised of one, two-story retail building. The subject property is a public membership fitness center and recreational facility. The main building includes a free weight area, aerobics and personal training/workout studios, a cross fit training area, a basketball court, two swimming pools, men's and women's locker room areas, a kid's club with playground area, and administrative offices & meeting space. The main building also includes a space being leased to Mariner's Physical Therapy by the YMCA. Surface parking is provided at a ratio of 8.96 spaces per 1,000 square feet of net rentable area.

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The subject is more fully described, legally and physically, within the enclosed report.

OWNERSHIP AND PROPERTY HISTORY

Title to the property is currently vested in the name of Young Men's Christian Association (from LandVision/CoStar). To the best of our knowledge from provided information and a search of public records and sales (LandVision/CoStar), the property has not transferred within the past three years, it is not under contract of sale, and it is not being marketed for sale.

EXPOSURE/MARKETING TIME

Current appraisal guidelines require an estimate of a reasonable time period in which the subject could be brought to market and sold. This reasonable time frame can either be examined historically or prospectively. In a historical analysis, this is referred to as exposure time. Exposure time always precedes the date of value, with the underlying premise being the time a property would have been on the market prior to the date of value, such that it would sell at its appraised value as of the date of value. On a prospective basis, the term marketing time is most often used. The exposure/marketing time is a function of price, time, and use. It is not an isolated estimate of time alone. In consideration of these factors, we have analyzed the following:

- Exposure periods for comparable sales in Southern California;
- Marketing time information from investor surveys; and
- The opinions of market participants.

The following tables present the information derived from these sources. The first table contains data from the Southern California market, while the second table is national in scope.

SOUTHERN CALIFORNIA RETAIL			
Exposure Time (Mo.)			
Regional Transactions -			
Retail Sales Between \$2-\$10MM	Year	No.	Average
Los Angeles & Ventura Counties	2012	92	6.9
	2013	121	5.1
	2014	177	6.0
	2015	230	5.8
	2016	229	6.2
	2017	239	5.8
	2018	260	5.5
Orange County	2012	21	5.3
	2013	37	4.9
	2014	42	6.2
	2015	50	4.8
	2016	65	5.5
	2017	56	5.0
	2018	51	5.7
San Diego County	2012	26	6.7
	2013	33	5.4
	2014	48	5.5
	2015	37	5.2
	2016	38	5.6
	2017	50	6.6
	2018	55	5.3
Inland Empire	2012	44	7.7
	2013	61	6.3
	2014	69	5.9
	2015	98	6.1
	2016	97	6.9
	2017	110	6.7
	2018	95	5.1
Regional Transaction Weighted Average	2012	183	6.9
	2013	252	5.4
	2014	336	5.9
	2015	415	5.7
	2016	429	6.2
	2017	455	6.0
	2018	461	5.4

Source: CoStar (only includes closed transactions with reported exposure times)

EXPOSURE/MARKETING TIME DATA			
Investment Type	Exposure/Mktg. (Months)		
	Range	Average	
Comparable Sales Data	0.0 - 5.0	2.7	
<i>PwC Net Lease - 4th Qtr. 2018</i>			
National Data	2 - 12	5.4	
Local Market Professionals	3.0 - 12.0	6.0	
CBRE Exposure Time Estimate	6 Months		
CBRE Marketing Period Estimate	6 Months		
CBRE National Investor Survey & PwC Real Estate Survey			

We have reviewed the assumptions and conclusions reached, particularly the income estimates and rates of return and the potential impact on exposure/marketing time. Based on these analyses, we have concluded an exposure/marketing time of 6 months or less would be considered reasonable for the subject.

This exposure/marketing time reflects current economic conditions, current real estate investment market conditions, the terms and availability of financing for real estate acquisitions, and property and market-specific factors. It assumes that the subject is (or has been) actively and professionally marketed. The marketing/exposure time would apply to all valuation premises included in this report.

INTENDED USE OF REPORT

This appraisal is to be used for internal decision-making purposes, and no other use is permitted.

INTENDED USER OF REPORT

This appraisal is to be used by YMCA of Orange County ("Client"), and such other parties and entities (if any) expressly recognized by CBRE as "Intended Users" (as further defined herein), and no other user may rely on our report unless as specifically indicated in the report.

Intended Users - the intended user is the person (or entity) who the appraiser intends will use the results of the appraisal. The client may provide the appraiser with information about other potential users of the appraisal, but the appraiser ultimately determines who the appropriate users are given the appraisal problem to be solved. Identifying the intended users is necessary so that the appraiser can report the opinions and conclusions developed in the appraisal in a manner that is clear and understandable to the intended users. Parties who receive or might receive a copy of the appraisal are not necessarily intended users. The appraiser's responsibility is to the intended users identified in the report, not to all readers of the appraisal report.³

PURPOSE OF THE APPRAISAL

The purpose of this appraisal is to estimate the market value of the subject property.

³ Appraisal Institute, The Appraisal of Real Estate, 14th ed. (Chicago: Appraisal Institute, 2013), 50.

DEFINITION OF VALUE

The current economic definition of market value agreed upon by agencies that regulate federal financial institutions in the U.S. (and used herein) is as follows:

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

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

INTEREST APPRAISED

The value(s) estimated is defined as follows:

*Leased Fee Interest - The ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversionary right when the lease expires.*⁵

Fee Simple Estate - Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power and escheat.⁶

*Leasehold Interest – The right held by the lessee to use and occupy real estate for a stated term and under the conditions specified in the lease.*⁷

*Personal Property - 1. The interests, benefits, and rights inherent in the ownership of tangible objects that are considered by the public as being personal; also called tangible personal property. 2. Identifiable tangible objects that are considered by the general public as being "personal"-for example, furnishings, artwork, antiques, gems and jewelry, collectibles, machinery and equipment; all tangible property that is not classified as real estate. (USPAP, 2016-2017 ed.)*⁸

⁴ Interagency Appraisal and Evaluation Guidelines; December 10, 2010, Federal Register, Volume 75 Number 237, Page 77472.

⁵ *Dictionary of Real Estate Appraisal, 6th Ed, p. 128*

⁶ *Dictionary of Real Estate Appraisal, 6th Ed, p. 90*

⁷ *Dictionary of Real Estate Appraisal, 6th Ed, p. 128*

⁸ *Dictionary of Real Estate Appraisal, 6th Ed, p. 170*

SCOPE OF WORK

This appraisal of the subject has been presented in the form of an Appraisal Report, which is intended to comply with the reporting requirements set forth under Standards Rule 2 of USPAP (2018/2019). That is, this report incorporates a summary of the data, reasoning and analysis that were used to develop the opinion of value. This report also includes descriptions of the subject and the market for the property type along with more thorough discussion and analysis when applicable and appropriate.

The scope of the assignment relates to the extent and manner in which research is conducted, data is gathered and analysis is applied. CBRE, Inc. completed the following steps for this assignment:

Extent to Which the Property is Identified

The property is identified through the following sources:

- postal address
- assessor's records

Extent to Which the Property is Inspected

CBRE, Inc. inspected both the interior and exterior of the subject, as well as its surrounding environs, on the effective date of appraisal.

Type and Extent of the Data Researched

CBRE reviewed the following:

- applicable tax data
- zoning requirements
- flood zone status
- demographics
- comparable data

Type and Extent of Analysis Applied

CBRE, Inc. analyzed the data gathered through the use of appropriate and accepted appraisal methodology to arrive at a probable value indication via each applicable approach to value. The steps required to complete each approach are discussed in the methodology section. CBRE, Inc. then correlated and reconciled the results into a reasonable and defensible value conclusion, as defined herein. A reasonable exposure time associated with the value estimate presented has also been considered.

Gabrielle Maddocks is an employee of CBRE Valuation & Advisory Services working as an appraisal analyst for Daniel J. Sydor, MAI. The appraisal analyst is unlicensed but is working toward the appraisal license requirements. According to the BREA, an individual who is unlicensed may obtain appraisal experience in any of the following ways:

- By providing "significant real property appraisal assistance" to a licensed appraiser and having the duties the unlicensed individual performs properly identified in the appraisal

report. If the unlicensed individual performs at least 75% of the professional appraisal work and the appraisal conforms to USPAP, the experience can qualify under Category 10 (Assistance in the Preparation of Appraisals), up to a maximum of 400 hours;

- By performing the entire appraisal process under the direct technical supervision of a licensed appraiser. The final conclusion to value is made by and the appraisal is signed by the licensed appraiser, with the unlicensed individual's duties property identified in the report. If the unlicensed individual performs all appraisal methods customarily used for the assignment and the appraisal conforms to USPAP, the experience can qualify under Category 1 (Fee and Staff Appraisal); or
- By performing appraisals in non-federally related transactions. If the appraisals were performed for a business purpose and conform to USPAP and conform to USPAP, the experience can qualify under Category 1.

Note: Individuals unlicensed in California may not sign appraisals in federally related transactions, even if co-signed by a licensed appraiser.

The appraisal analyst provided significant professional assistance in completion of this appraisal report. They completed various sections of the appraisal report, including the Area Analysis, Neighborhood Analysis, Site Analysis, Improvements Analysis, and Market Analysis, under the direct technical supervision of Daniel J. Sydor, MAI. The final conclusion to value is made by and the appraisal is signed by Daniel J. Sydor, MAI.

Data Resources Utilized in the Analysis

DATA SOURCES	
<i>Item:</i>	<i>Source(s):</i>
Site Data	
Size	LandVision, Plat Map
Improved Data	
Gross Improvements Size	Public Records
Area Breakdown/Use	Inspection
No. Bldgs.	Inspection
Parking Spaces	Aerial Count, Client Provided
Year Built	CoStar
Economic Data	
Income Data:	Market Data
Expense Data:	Market Data, Expense Comparables
Compiled by CBRE	

Area Analysis

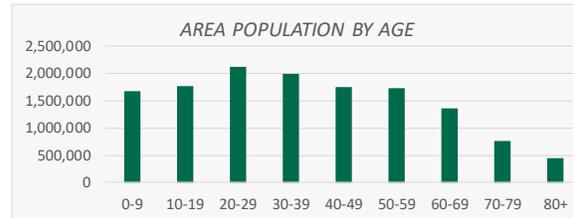


The area analysis addresses past and probable future trends which may affect the economic structure of the real estate market. It focuses on discernible social, economic, governmental, and environmental forces in the region that influence and create value for the subject.

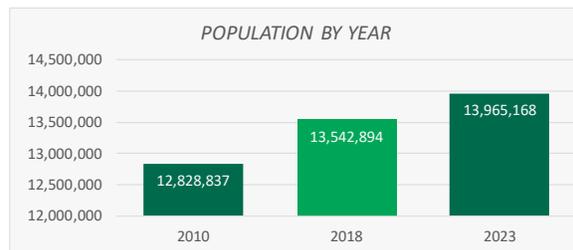
The subject is located in the Los Angeles-Long Beach-Anaheim, CA Metropolitan Statistical Area. Key information about the area is provided in the following tables.

POPULATION

The area has a population of 13,542,894 and a median age of 36, with the largest population group in the 20-29 age range and the smallest population the in 80+ age range.



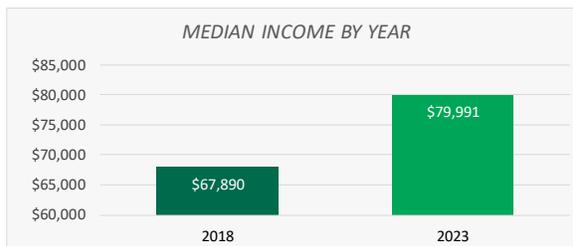
Population has increased by 714,057 since 2010, reflecting an increase of 1.1%. Population is projected to increase by an additional 422,274 by 2023, reflecting 0.6% population growth.



Compiled by CBRE; Source: Esri

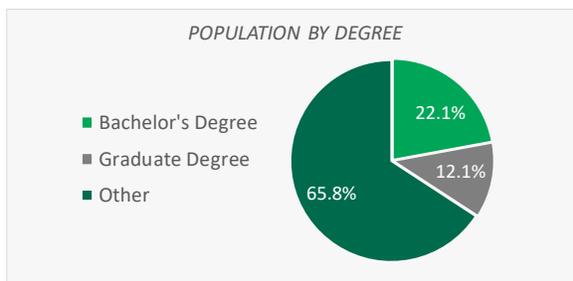
INCOME

The area features an average household income of \$100,718 and a median household income of \$67,890. Over the next five years, median household income is expected to increase by 17.8%, or \$2,420 per annum.

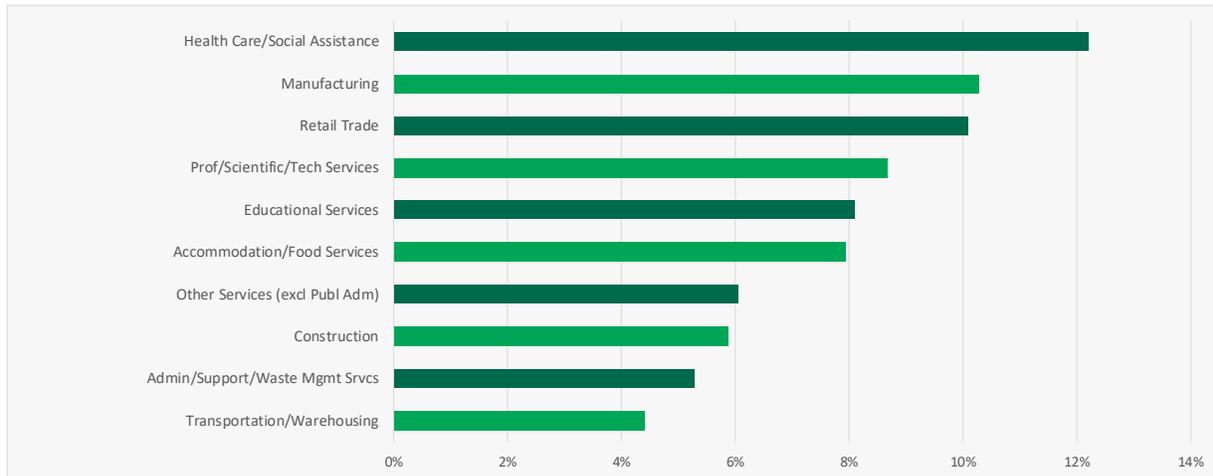


EDUCATION

A total of 34.2% of individuals over the age of 24 have a college degree, with 22.1% holding a bachelor's degree and 12.1% holding a graduate degree.



EMPLOYMENT



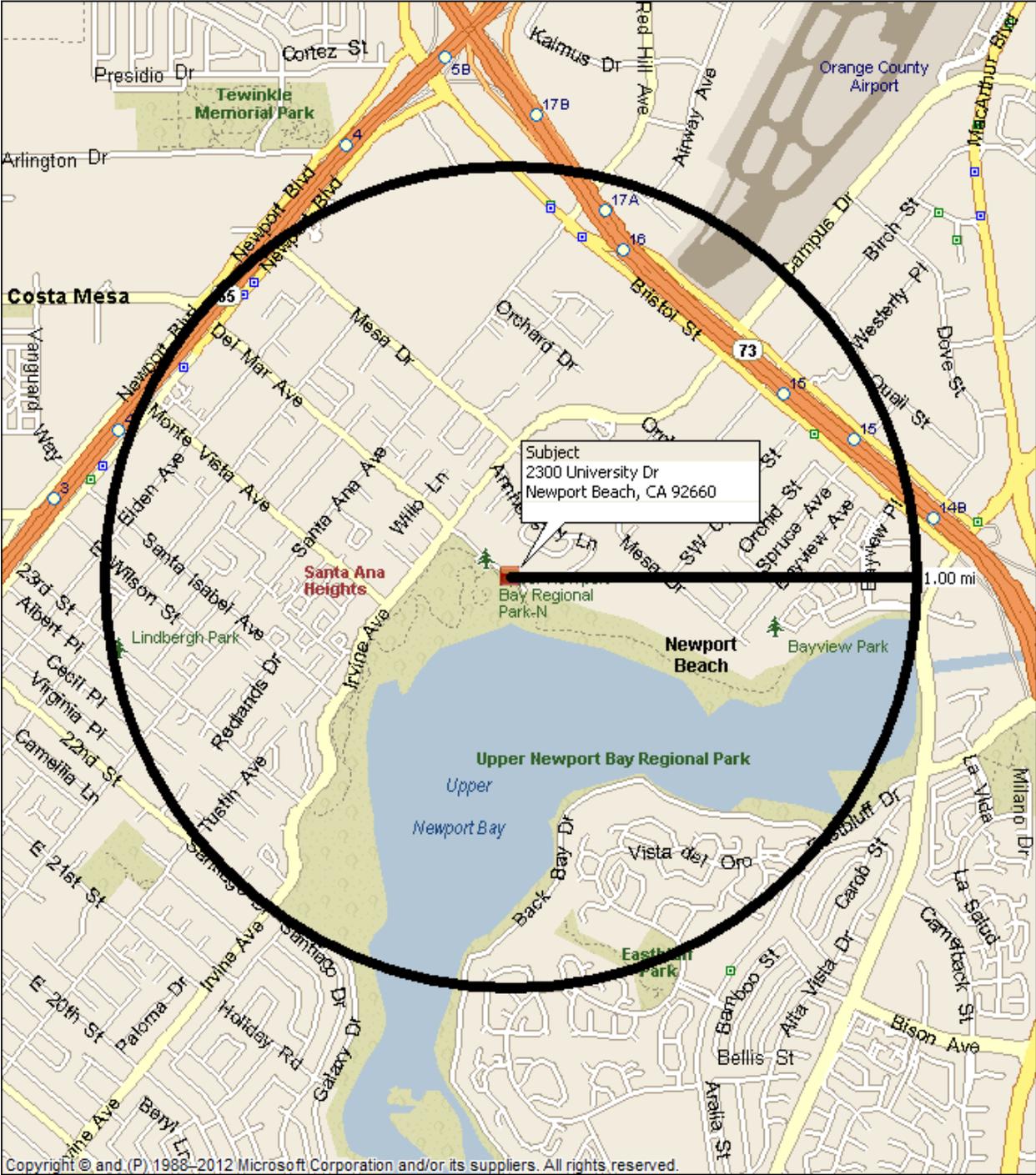
The area includes a total of 6,623,135 employees and has a 4.4% unemployment rate. The top three industries within the area are Health Care/Social Assistance, Manufacturing and Retail Trade, which represent a combined total of 33% of the population.

Compiled by CBRE; Source: Esri

CONCLUSION

In summary, the subject is forecasted to experience an increase in population, an increase in household income, and an increase in household values.

Neighborhood Analysis



A local market area can be described as a portion of a larger community, or an entire community, in which there is a heterogeneous grouping of buildings, or business enterprises. Area occupants usually have a common interest in the area. Local market area boundaries may consist of well-defined natural (rivers or parks) or man-made barriers (freeways) or they may be more or less defined by a distinct change in land use.

CITY OF NEWPORT BEACH

Physical Description

The subject property is located within the Newport Coast area of Newport Beach. Newport Beach has approximately four miles of Pacific Ocean coastline, and also includes Newport Harbor and Upper Newport Bay. The topography of the city is generally level and like Orange County as a whole, the city has an excellent mild climate. Because of its proximity to the coastline, most of Newport Beach avoids the hotter temperatures experienced in the more inland cities in the region.

City Transportation

Transportation within the city includes access to the regional freeway network, the adjacent John Wayne-Orange County Airport, regional bus service, and Amtrak passenger rail service not far away, in Santa Ana. The major east/west arterial street in the harbor area is Pacific Coast Highway (Highway 1). The city's major north/south roads include Newport Boulevard (Highway 55), Jamboree Road, and MacArthur Boulevard. The northern portion of Newport Boulevard, located in the city of Costa Mesa, was upgraded to a freeway. The Corona del Mar Highway (Highway 73) runs east/west through the northern portion of Newport Beach.

Employment

The southern portion of the city of Newport Beach is primarily devoted to residential land uses. A major exception is the Newport Center area, at the intersection of Coast Highway and Jamboree Road. This area offers office buildings, Fashion Island regional shopping mall, and a range of commercial and recreational facilities. The northernmost portion of the city (near the John Wayne-Orange County Airport) is almost exclusively devoted to employment - generating land uses such as office buildings, R&D buildings, and industrial buildings.

City Housing

Housing opportunities within Newport Beach generally range from upper middle class to upper class. Multi-million dollar waterfront homes with boat slips line Newport Harbor, with prices substantially dropping for homes that are further inland. Middle class and affordable housing opportunities can be found in surrounding cities.

City Education, Recreation & Culture

The center of recreation in the city is Newport Harbor, which is the largest small boat harbor in the United States, with about 6,000 slips. Boating facilities include marinas, docks, slips, moorings, fuel docks and repair and maintenance yards. Also having prominent waterfront locations are many dinner house type restaurants, the exclusive Balboa Bay Club, and many yacht clubs.

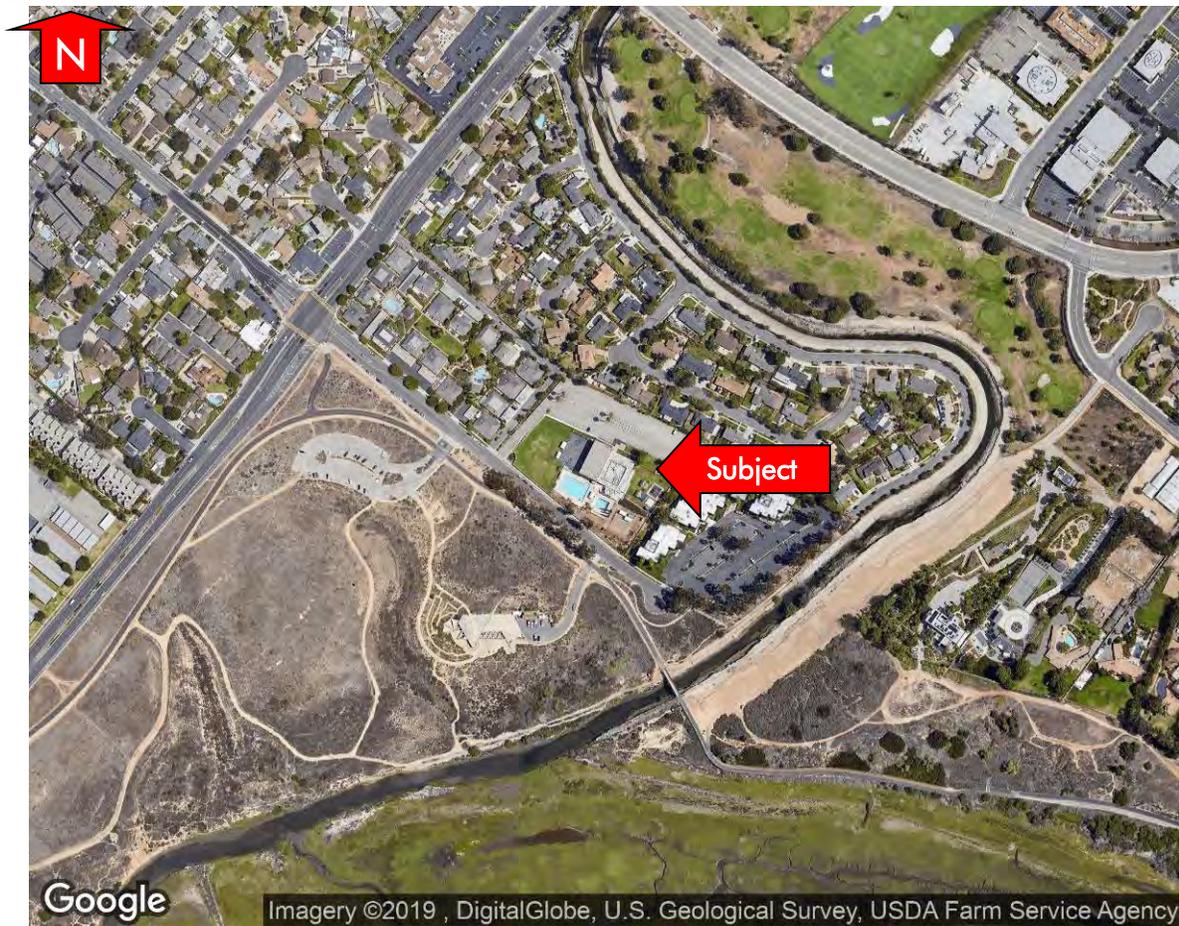
The city's beaches and parks are also centers for recreation. In addition, the city offers a complete education system for primary and secondary education, and is conveniently located to all of Orange County's cultural centers.

Newport Center forms a ring around Fashion Island and has been developed with a series of low to high-rise professional and medical office buildings. The three most prominent towers are the 610 Building, the Wells Fargo Bank Building, and the 620 Building. Mid-rise developments include the Pacific Financial Companies corporate headquarters, the Great Western Savings Building, The Irvine Company’s twin towers, and four medical buildings. Also occupying prominent locations on Newport Center Drive are the Marriott Hotel (581 rooms) and the Island Hotel (285 rooms).

SPECIAL HAZARDS OR ADVERSE INFLUENCES

There are no detrimental influences in the immediate area including landfills, flooding, noise pollution, or chemical factories.

LOCAL AREA CHARACTERISTICS



AERIAL VIEW

The subject’s immediate surroundings are as follows:

- North: Immediately north of the subject is residential uses. Further north is the Newport Beach Golf Course, various commercial uses including Back Bay Center anchored by Irvine Ranch Market, residential uses, and the John Wayne Airport. The intersection of the Costa Mesa (55)

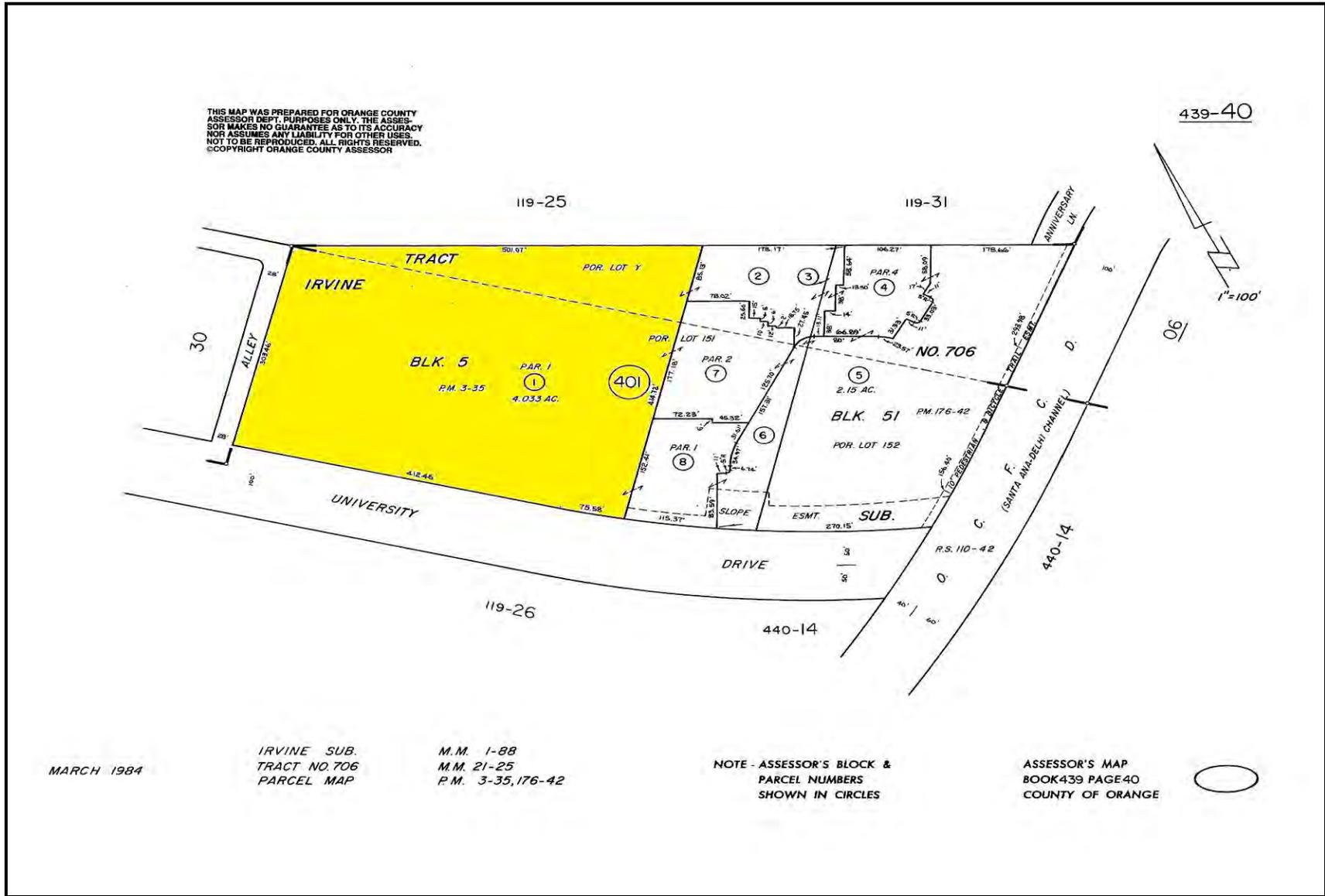
Freeway and California State Route (73) is approximately one mile north of the subject, and the San Diego (405) Freeway is approximately two miles north of the subject.

- South: Immediately south of the subject is the Upper Newport Bay Nature Preserve. Further south is the Newport Bay and the San Diego Creek, followed largely by residential uses, with a few commercial uses along main roads, including Eastbluff Village Center, anchored by Ralphs and CVS Pharmacy.
- East: Immediately east of the subject is office and residential uses. Further east is residential uses, office uses, the Mercedes-Benz Fletcher Jones dealership, and the California State Route (73).
- West: Immediately west of the subject is residential uses and Back Bay & Monte Vista High School. Further west is residential uses and various commercial uses along main roads, including Kmart Plaza anchored by Kmart, Planet Fitness and Party City. The Costa Mesa (55) Freeway is approximately one mile west of the subject.

CONCLUSION

The subject is located in the city of Newport Beach in Orange County. Overall the city, county and state influences on the subject property's value have been positive from the recent market improvement. Over the mid to long-term, we expect the influences will continue to be positive.

PLAT MAP



Site Analysis

The following chart summarizes the salient characteristics of the subject site.

SITE SUMMARY AND ANALYSIS			
Physical Description			
Net Site Area	4.03 Acres		175,730 Sq. Ft.
Excess Land Area	None		
Surplus Land Area	None		
Gross Site Area	4.03 Acres		175,730 Sq. Ft.
Primary Traffic Counts (24 hrs.)	Irvine Ave at La Canada Way (MPSI 2017)	27,000	
Secondary Traffic Counts (24 hrs.)	N University Dr at Redlands Dr (MPSI 2017)	6,000	
Zoning District	PF, Public Facilities		
Flood Map Panel No. & Date	06059C0269K		March 21, 2019
Flood Zone	Zone X (Unshaded)		
Comparative Analysis		Rating	
Visibility		Average	
Functional Utility		Average	
Traffic Volume		Average	
Adequacy of Utilities		Assumed adequate	
Landscaping		Average	
Drainage		Assumed adequate	
Utilities		Adequacy	
Water		Yes	
Sewer		Yes	
Natural Gas		Yes	
Electricity		Yes	
Telephone		Yes	
Mass Transit		Yes	
Other	<u>Yes</u>	<u>No</u>	<u>Unknown</u>
Detrimental Easements		X	
Encroachments		X	
Deed Restrictions		X	
Reciprocal Parking Rights		X	
Source: Realquest, City Planning Dept., FEMA, Public Records, Inspection			

FLOOD PLAIN MAP

2300 UNIVERSITY DR, NEWPORT BEACH, CA 92660-3313

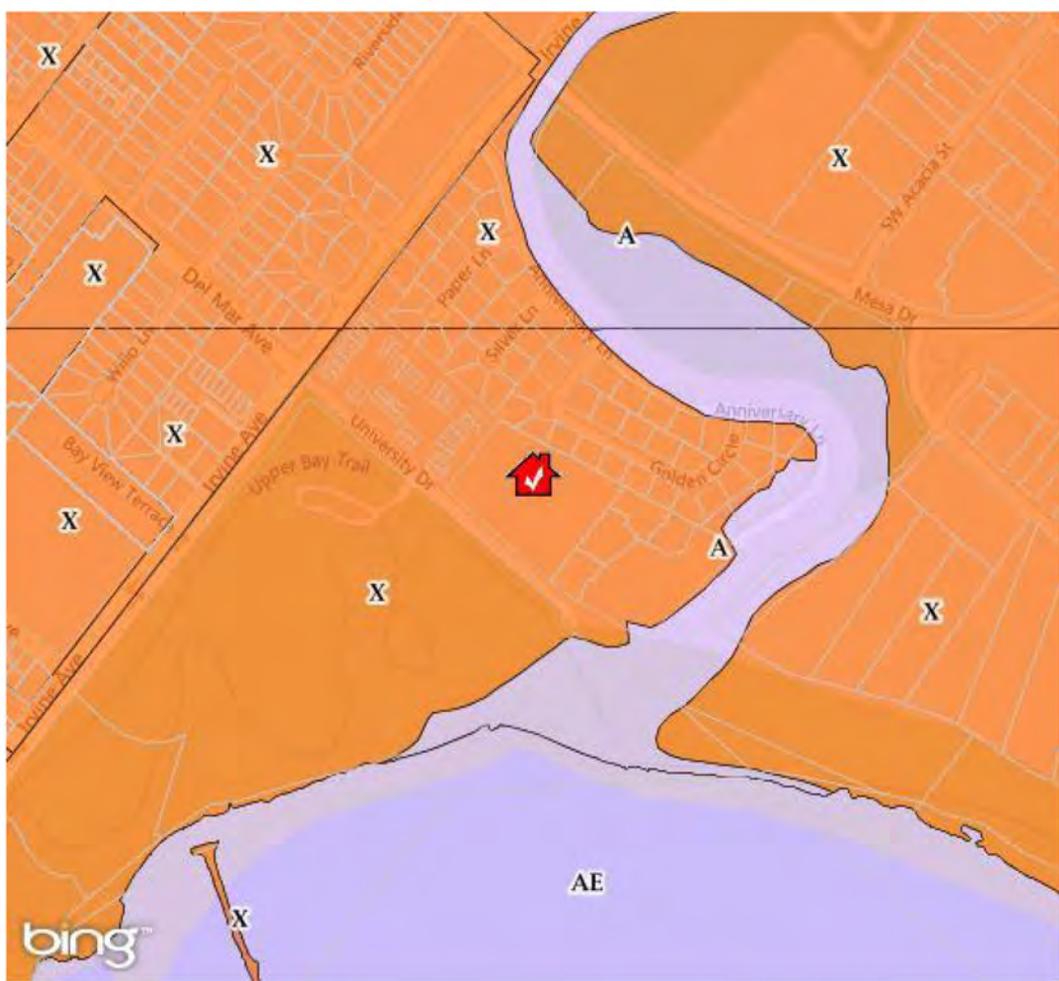
Report Date: 05/03/2019

County: ORANGE, CA

Flood Zone Code	Flood Zone Panel	Panel Date
X	060227 - 06059C0269K	03/21/2019
Special Flood Hazard Area (SFHA) Within 250 ft. of multiple flood zones?		Community Name
Out	Yes (A,X)	NEWPORT BEACH

Flood Zone Description:

Zone X-An area that is determined to be outside the 100- and 500-year floodplains.



Flood Zones

Coastal 100-year Floodway	100-year Floodway	Undetermined	500-year Floodplain incl. levee protected area
Coastal 100-year Floodplain	100-year Floodplain	Unknown or Area Not Included	Out of Special Flood Hazard Area

SEISMIC HAZARDS (EARTHQUAKE)

All properties in California are subject to some degree of seismic risk. The Alquist-Priolo special Studies Zone Act of 1972 was enacted by the State of California to regulate development near active earthquake faults. The Act required the State Geologist to delineate “special studies zones” along known active faults in California. Cities and Counties affected by the identified zones must limit certain development projects within the zones unless geologic investigation demonstrates that the sites are not threatened by surface displacement from future faulting.

According to “Fault-Rupture Hazard Zones in California” published in 1992 by the California Department of Conservation, Department of Mines and Geology, the subject is not within an area affected by the Alquist-Priolo Special Studies Zone Act. Related development limitations, therefore, do not apply.

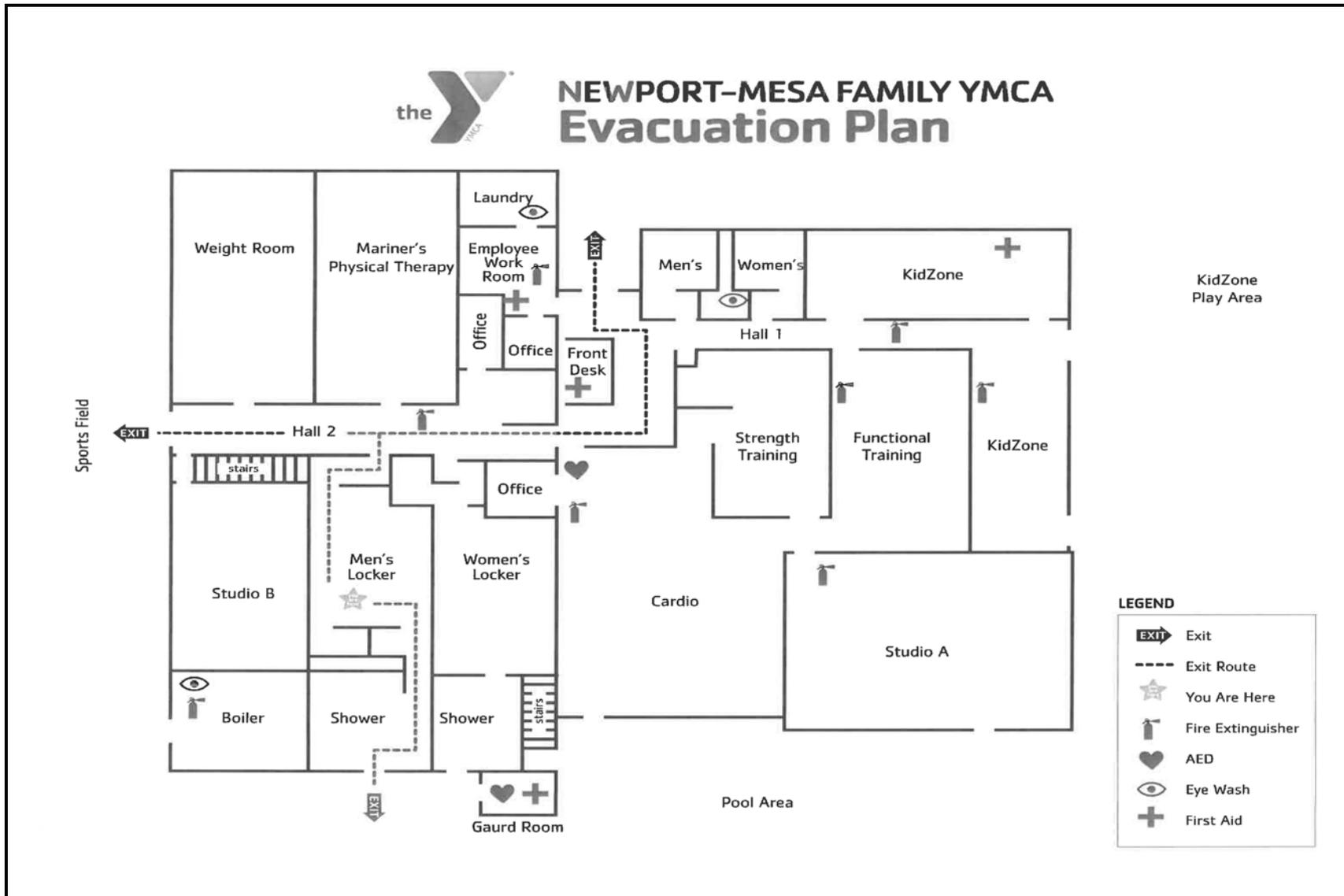
ENVIRONMENTAL ISSUES

CBRE, Inc. has not observed and is not qualified to detect, the existence of potentially hazardous material or underground storage tanks which may be present on or near the site. The existence of hazardous materials or underground storage tanks may affect the value of the property. For this appraisal, CBRE, Inc. has specifically assumed that the property is not affected by any hazardous materials that may be present on or near the property.

CONCLUSION

The site is adequate to support commercial development and we have found no detrimental factors that would negatively impact the subject.

IMPROVEMENTS LAYOUT



Improvements Analysis

The following chart shows a summary of the improvements.

IMPROVEMENTS SUMMARY AND ANALYSIS		
Property Type	Retail	(Recreational Facility)
Number of Buildings	1	
Number of Stories	2	
Gross Leasable Area	17,973 SF	
Major Tenants		
YMCA of Orange County	17,973 SF	
Site Coverage	5.1%	
Land-to-Building Ratio	9.78 : 1	
Parking Improvements	Surface	
Parking Spaces:	161	
Parking Ratio (per 1,000 SF GLA)	8.96	
Year Built	1967	Renovated: 2007
Actual Age	52 Years	
Effective Age	40 Years	
Total Economic Life	50 Years	
Remaining Economic Life	10 Years	
Age/Life Depreciation	80.0%	
Functional Utility	Typical	

Improvement Summary Description		Comparative Rating			
		Good	Avg.	Fair	Poor
Foundation	Reinforced concrete		X		
Exterior Walls	Concrete block/frame & stucco		X		
Interior Walls	Textured and painted drywall		X		
Roof	Built-up composition		X		
Ceiling	Suspended acoustical tile		X		
HVAC System	Roof mounted HVAC units		X		
Exterior Lighting	Commercial grade		X		
Interior Lighting	Commercial grade fluorescent fixtures		X		
Flooring	Carpet/vinyl/tile		X		
Plumbing	Assumed adequate		X		
Elevators/Stairwells	Two stairwells, no elevator		X		
Fire Protection	Sprinklered/smoke detectors		X		
Furnishings	Personal property excluded		N/A		
Parking	Asphalt paved open parking		X		
Landscaping	Grass, shrubs, trees		X		

Source: Property Data Provided by Client, Public Records, Inspection

SITE COVERAGE

The property's coverage ratio appears commensurate with other commercial developments in the neighborhood.

PARKING AND DRIVES

The project features adequate surface parking spaces. All parking spaces and vehicle drives are asphalt paved and considered to be in good condition. The number of parking spaces is legally-

conforming for the existing use, and appears commensurate with other facilities in the neighborhood.

ADA COMPLIANCE

The client/reader’s attention is directed to the specific limiting conditions regarding ADA compliance.

FURNITURE, FIXTURES AND EQUIPMENT

Any personal property items contained in the property are not considered in this analysis.

ENVIRONMENTAL ISSUES

CBRE, Inc. is not qualified to detect the existence of any potentially hazardous materials such as lead paint, asbestos, urea formaldehyde foam insulation, or other potentially hazardous construction materials on or in the improvements. The existence of such substances may affect the value of the property. For the purpose of this assignment, we have specifically assumed that any hazardous materials that would cause a loss in value do not affect the subject.

DEFERRED MAINTENANCE

Curable physical deterioration refers to those items that are economically feasible to cure as of the effective date of the appraisal. This element of depreciation is commonly referred to as deferred maintenance and is measured as the cost of repairing or restoring the item to new or reasonably new condition. We have not been provided with a capital expenditure plan, or an engineering report that would identify specific costs required to repair deficiencies at the subject property.

Our inspection of the property indicated no items of deferred maintenance.

RENOVATION

The property was last renovated in 2007.

ECONOMIC AGE AND LIFE

CBRE, Inc.’s estimate of the subject improvements effective age and remaining economic life is depicted in the following chart:

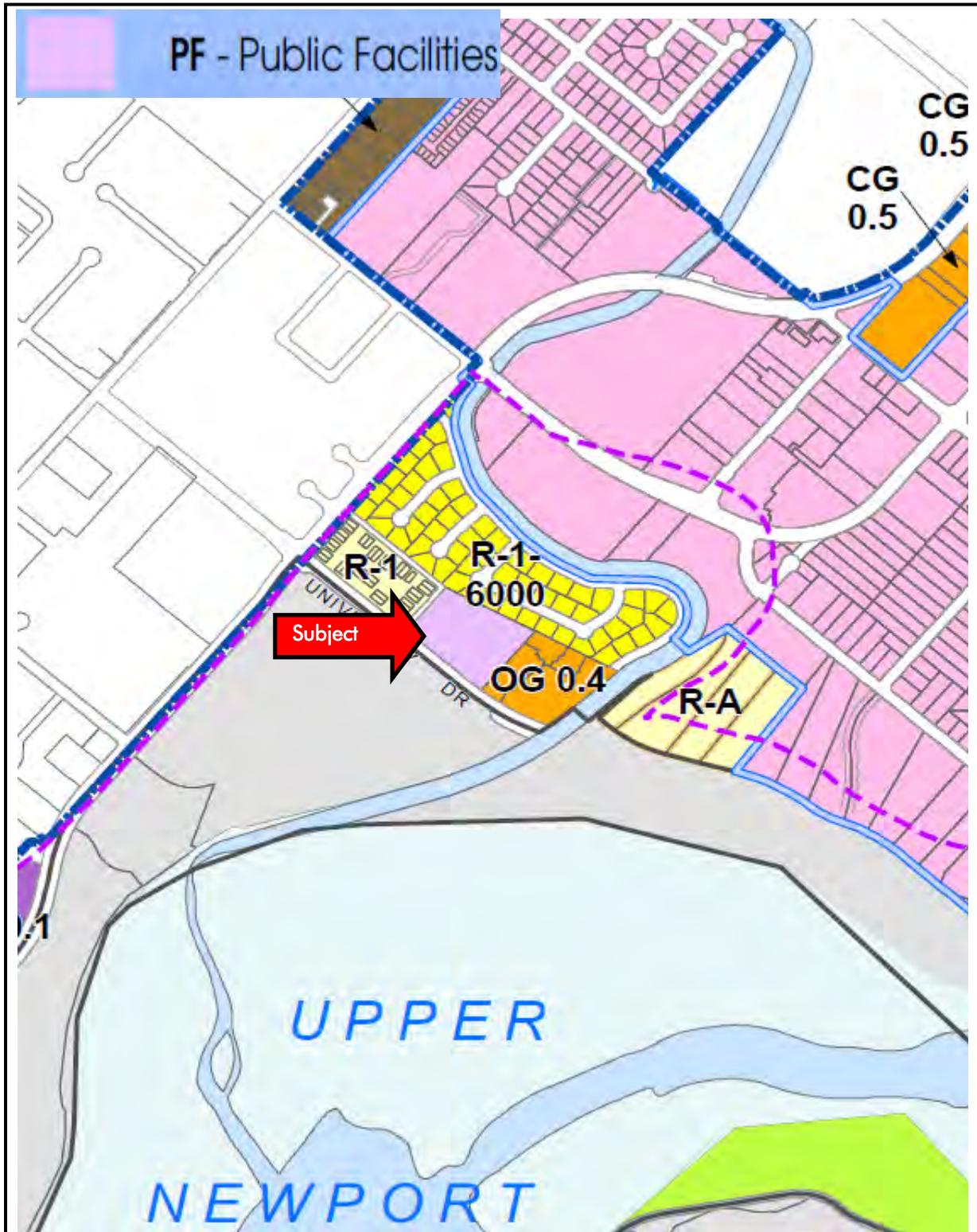
ECONOMIC AGE AND LIFE	
Actual Age	52 Years
Effective Age	40 Years
MVS Expected Life	50 Years
Remaining Economic Life	10 Years
Accrued Physical Incurable Depreciation	80.0%
Compiled by CBRE	

The effective age is less than the subject's actual age as the property has been well-maintained. The overall life expectancy is based upon our on-site observations and a comparative analysis of typical life expectancies reported for buildings of similar construction as published by Marshall and Swift, LLC, in the Marshall Valuation Service cost guide. While CBRE, Inc. did not observe anything to suggest a different economic life, a capital improvement program could extend the life expectancy.

CONCLUSION

The improvements are in average overall condition. Overall, there are no known factors that adversely impact the marketability of the improvements.

ZONING MAP



Zoning

The following chart summarizes the subject's zoning requirements.

ZONING SUMMARY	
Current Zoning	PF, Public Facilities
Legally Conforming	Yes
Uses Permitted	The PF Zoning District is intended to provide for areas appropriate for public facilities, including community centers, cultural institutions, government facilities, libraries, public hospitals, public utilities, and public schools.
Category	Zoning Requirement
Minimum Lot Size	Per Minor Use Permit
Minimum Lot Width	Per Minor Use Permit
Maximum Height	Per Minor Use Permit
Minimum Setbacks	
Front Yard	Per Minor Use Permit
Street Side Yard	Per Minor Use Permit
Interior Side Yard	Per Minor Use Permit
Rear Yard	Per Minor Use Permit
Maximum Bldg. Coverage	Per Minor Use Permit
Parking Requirements	
Health/Fitness Facilities (Over 2,000 SF):	1 space per 200 SF of bldg.
Commercial Recreation and Entertainment:	Per Minor Use Permit
Subject's Actual Parking	8.96 spaces per 1,000 SF of bldg.
Source: Planning & Zoning Dept.	

ANALYSIS AND CONCLUSION

Based upon our cursory review of the zoning code, the improvements appear to represent a legally-conforming use and, if damaged, may be restored with a Minor Use Permit. Additional information may be obtained from the appropriate governmental authority. For purposes of this appraisal, CBRE has assumed the information obtained is correct.

Tax and Assessment Data

In California, privately held real property is typically assessed at 100% of full cash value (which is interpreted to mean market value of the fee simple estate) as determined by the County Assessor. Generally, a reassessment occurs only when a property is sold (or transferred) or when new construction occurs (as differentiated from replacing existing construction). In the case of long-term ground leases, the general rule is that a reassessment is made at the time of assigning or terminating a lease where the remaining term is more than 35 years. For reassessment purposes, the lease term includes all options to extend. Assessments for properties that were acquired before the tax year 1975-1976 were stabilized as of the tax year 1975-1976. Property taxes are limited by state law to 1.0% of the assessed value plus voter-approved obligations and special assessments. If no sale (or transfer) occurs or no new building takes place, assessments may not increase by more than 2.0% annually. The following table summarizes the actual and pro forma assessment values.

AD VALOREM TAX INFORMATION		
	2018/2019	CBRE Forecast (Dir Cap)
Assessor's Market Value		
439-401-01	\$1,446,932	\$6,734,704
Assessed Value @	100%	100%
	\$1,446,932	\$6,734,704
General Tax Rate (per \$100 A.V.)	1.05084	1.05084
General Tax:	\$0	\$70,771
Special Assessments:	\$1,870	\$1,926
Effective Tax Rate (per \$100 A.V.)	0.12924	1.07944
Total Taxes	\$1,870	\$72,697
Source: Assessor's Office		

CONCLUSION

According to the Orange County Treasurer-Tax Collector, all taxes are current. If the subject sold for the value estimate in this report, a reassessment at that value would most likely occur, with tax increases limited to two percent annually thereafter until the property is sold again. The consequences of this reassessment have been considered in the appropriate valuation sections.

Market Analysis

The subject is best defined as a recreational sports facility, which features an assortment of weight/resistance training, aerobic activities and locker room facilities.

The market analysis investigates economic forces that establish the conditions of the market in which real estate competes. These conditions, in turn, establish the market of the real estate. For this report, inferred market analysis is completed to describe the current market conditions of the market segment of the subject. Sources used for completing market conditions analysis include: IHRSA (International Health, Racquet & Sportsclub Association) industry report, data provided by local market participants, national market data from 3rd party providers, interviews with knowledgeable market participants, observations of market activity, the experience and opinion of the undersigned, and market analysis of the area.

NATIONAL HEALTH CLUB INDUSTRY OVERVIEW

The original athletic clubs were established in the late 19th Century as two distinct non-profit types. The first type established were the private non-profit membership-owned social athletic clubs such as the Olympic Club and the Concordia Club in San Francisco and the New York Athletic Club in New York City among others. Although originally established as athletic clubs, these clubs have evolved to emphasize the social setting of athletics. The second non-profit type established is the general health and vocational centers such as the YMCA and YWCA and the Jewish Community Centers (JCC). This type of club emphasizes community services including vocational and cultural as well as recreation for the general public. These club facilities are Spartan in comparison to their private nonprofit counterparts.

Private for-profit health clubs were generally first established in the 1950s and 1960s, as weight reduction and stress therapy clinics. Such clubs did not proliferate, however, until the 1970s and 1980s. During this period, many different types of clubs catering to different market segments were established. The types of clubs established include tennis clubs, health spas, court clubs, storefront operations, and multi-sport athletic clubs.

In today's business climate, there is the commercial health club segment and then there are various facilities created to serve specific population needs. This would include in-house fitness centers at large apartment, condominium, or residential communities, parks and recreation centers, and the aforementioned non-profit groups.

There are several types of facilities offered in the commercial facility models. This includes indoor fitness-only facilities, multi-sport clubs, and indoor-outdoor combination facilities. There has also been a growing trend of single-activity niche studios ranging from spin classes, yoga, Pilates, barre classes, high-intensity/interval training (HIIT), boot camps, and small group training and personal training-only facilities.

Three Business Models

In today's health club industry, there are three distinct business models which comprise the market based on how the consumer pays for services. The first and most predominant model involves the patron paying a modest joining fee upfront and then paying regularly monthly dues.

The second model involves the upfront prepayment of the annual dues. Some clubs employing the first model also may offer this option in exchange for some type of discount or concession.

The third model, which is rarely used today for most typical health and fitness clubs, involves a relatively high joining or initiation fee with relatively low monthly dues. Some companies adopting this model may choose to finance the initiation fee over a two or more year period.

There is also an emerging trend of some clubs not offering memberships at all and choosing to move to a pay-per-visit or per usage option. This has become most popular with among studio fitness clubs for single-use offerings such as Pilates, yoga, boot camps, etc.

Health clubs are first and foremost retail businesses and the basics still apply: location, visibility, accessibility, and appearance are critical factors of success. Secondly they are hospitality businesses. With consumers spending a relatively short time at the facility, generally 60 to 90 minute intervals, they are anticipating a high level of friendliness, helpfulness, and efficiency of staff much in the same way a restaurant operates. They are also considered to be in the leisure business as this is an optional "third place" among patrons time, the first two being either at home or at work. As such, memberships are considered a discretionary expense and successful operators must maintain customer loyalty by offering quality, convenience, entertainment, and overall experiences.

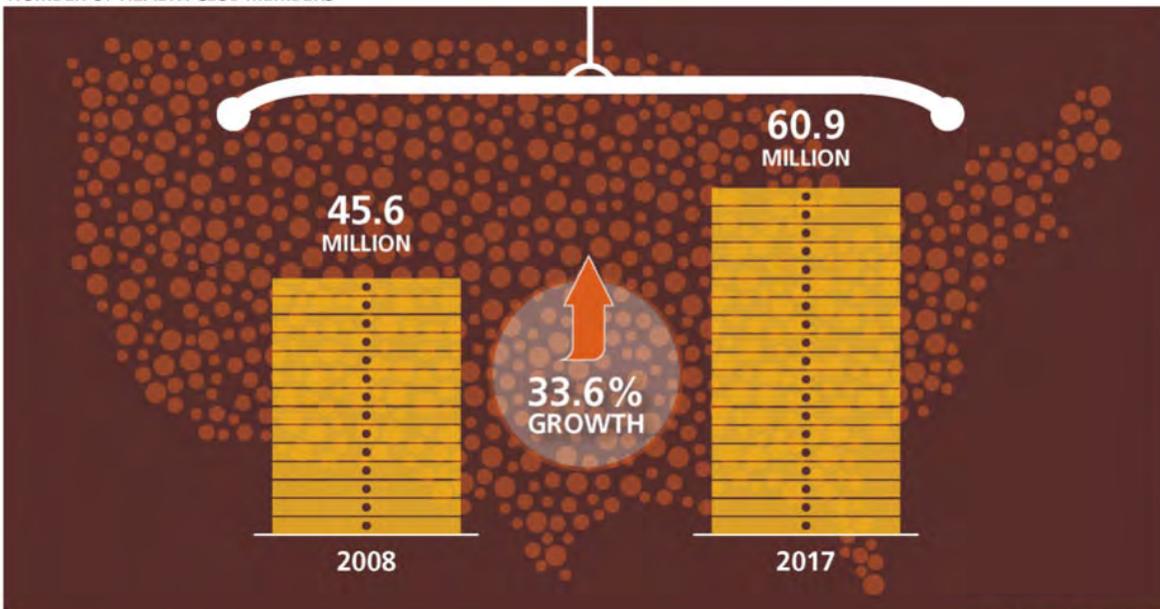
Market Industry Trends⁹

Health clubs attracted more than 70 million consumers in 2017, a record-high since IHRSA began tracking health club consumer statistics in 1987. The number of individual members totaled 60.9 million, up 6.3% from 57.3 million in 2016. Of the 298.3 million Americans age 6 and older, 20.3% were health club members in 2016.

⁹ Source: IHRSA (International Health, Racquet & Sportsclub Association)

THE UNITED STATES

NUMBER OF HEALTH CLUB MEMBERS

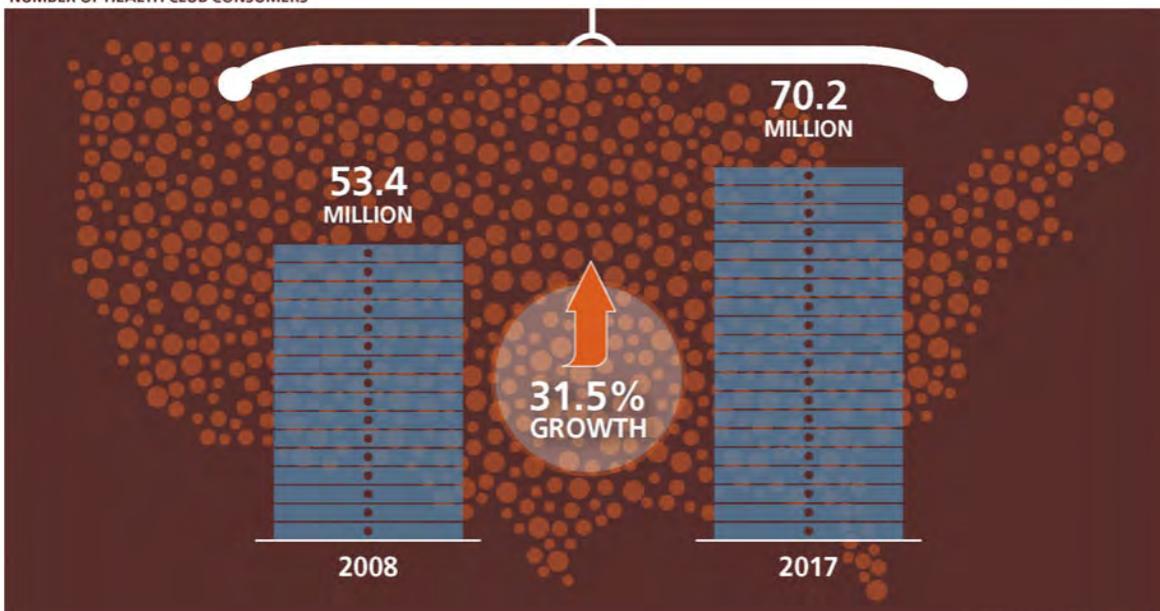


© COPYRIGHT 2018 IHRSA

Based on a study conducted by The International Health, Racquet & Sportsclub Association (IHRSA) as part of the Physical Activity Council (PAC), results show that more than one out of five Americans belonged to at least one U.S. health club or studio. Since 2008, membership has grown by 33.6%, while the total number of club-goers has increased by 31.5%. The total number of health club visits has also increased, amounting to 5.9 billion visits in 2017, up from 4.3 billion in 2008.

THE UNITED STATES

NUMBER OF HEALTH CLUB CONSUMERS



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Leading players in the fitness industry include:

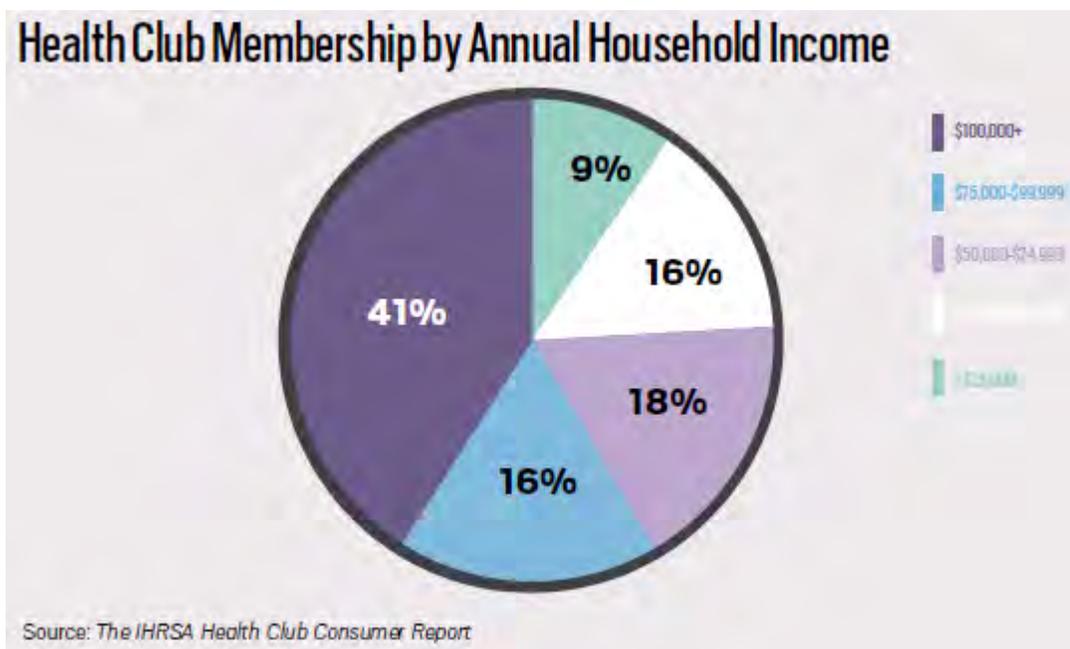
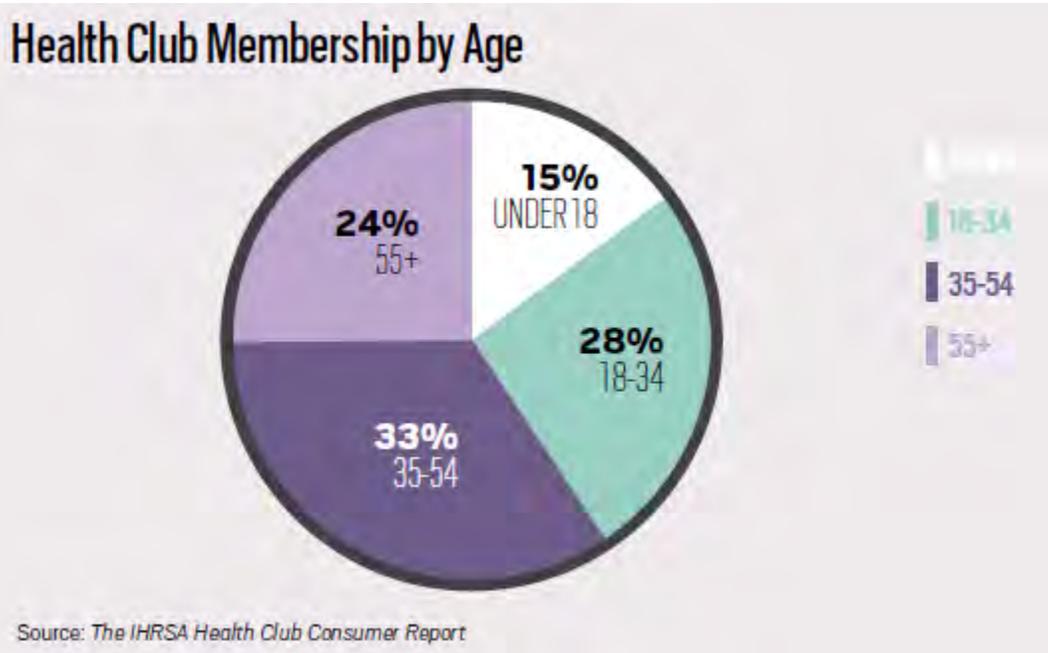
IHRSA Global 25 Leading Club Companies (excerpt)

Club Company	Niche	Headquarters	Revenue
Planet Fitness	High-Volume/Value, Low Price (HVLP) club franchise	U.S.	\$1,900,000,000
Lifetime Fitness	Resort-like multiclub chain	U.S.	\$1,475,000,000
Anytime Fitness	Convenience club franchise	U.S.	\$1,250,000,000
ClubCorp	Club and golf facilities	U.S.	\$1,088,000,000
Snap Fitness	Convenience club franchise	U.S.	\$563,000,000
Central Sports Co., Ltd	Multi-chain club	Japan	\$457,000,000
Orangetheory Fitness	Group training based franchise	U.S.	\$451,000,000
Town Sports International Holdings, Inc.	Urban/suburban fitness-only clubs	U.S.	\$397,000,000
Renaissance Inc.	Multi-chain club	Japan	\$396,000,000
Migros	Multi-chain club	Switzerland	\$389,000,000

Health clubs have seen the number of attendance days grow from approximate 72 in the mid-1980s to over 100 days for most members today. This has also been coupled with the fact that the industry has grown from a little over 6,000 clubs in 1982 to more than 36,000 clubs today. U.S. health club memberships are also growing, increasing from 50.2 million in 2012 to 60.9 million in 2017 (4.3% average annual growth).

As the number of clubs and the number of members has grown throughout the years, the industry has continued to see revenue growth as well. For the year ending 2017, the US overall industry revenue was pegged at approximately \$30 billion, up from \$21.8 billion in 2012 (7.5% average annual growth). This industry has surpassed other leisure industries such as golf and country clubs, cruise ships, resorts, etc. in terms of total revenue. The annual projected revenue growth from 2017 to 2022 is 1.5%, signifying some, albeit slowed, growth in upcoming years.

The market serves five adult segments of which the largest is the 35-54 age group and the second largest is the 18-34 age group. Households that have annual household income in excess of \$100,000 represent the largest group of club membership. Approximately 75% of health club members have annual household income exceeding \$50,000.



As one would expect, competition in the fitness industry is high and IBISWorld sees this trend increasing. Competition comes from many facilities, including internal competition (other commercial fitness centers, nonprofits, government organizations, hospitals, businesses, and salons) as well as external competition (condominium clubs, exercise studios, country clubs, weight-loss centers, home fitness equipment businesses, and other leisure time industries). According to IBIS, barriers to entry are currently low and are predicted to remain so in the future. However, there is often a high cost involved with opening a gym, and it takes time to build up a

brand, gain members, and generate a profit. IBIS has identified six key factors that lead to success in the industry: 1) easy access for clients, 2) effective product promotion, 3) economies of scale, 4) provision of appropriate facilities, 5) technical knowledge of the product, and 6) business expertise of operators.

Beyond 2017, there are a few things we should be on the lookout for. The younger generation is now being targeted as a strong opportunity for growth. Club operators will be looking for ways to get younger members to join and then come up with ways to retain that segment. As health concerns keep arising - and so do health care costs associated with heart disease, diabetes, and other illnesses - fitness participation and healthy eating will be looked at as the primary means to prevent lifestyle-related issues. This should create an increasing demand for the services of health clubs and fitness professionals. With this growth, we can expect a need for additional staffing to maintain an increased number of health and fitness enterprises.

The fitness industry is witness to a shift that is engaging members from traditional fitness facilities and bringing them into specialized studios. Popular activities include boot camp, high intensity interval training (HIIT), group cycling, barre, Pilates, yoga, boxing & combat, and sports-specific training. In some cases, members belong to more than one club in order to meet their goals and exercise preferences. Still, more than 27% of Americans remain inactive, as reported by the Physical Activity Council. More than two out of five Americans do not participate in any of the 120 activities measured by the Physical Activity Council. Club operators are in a unique position to address physical inactivity as the health club serves as a hub for health, wellness and exercise.

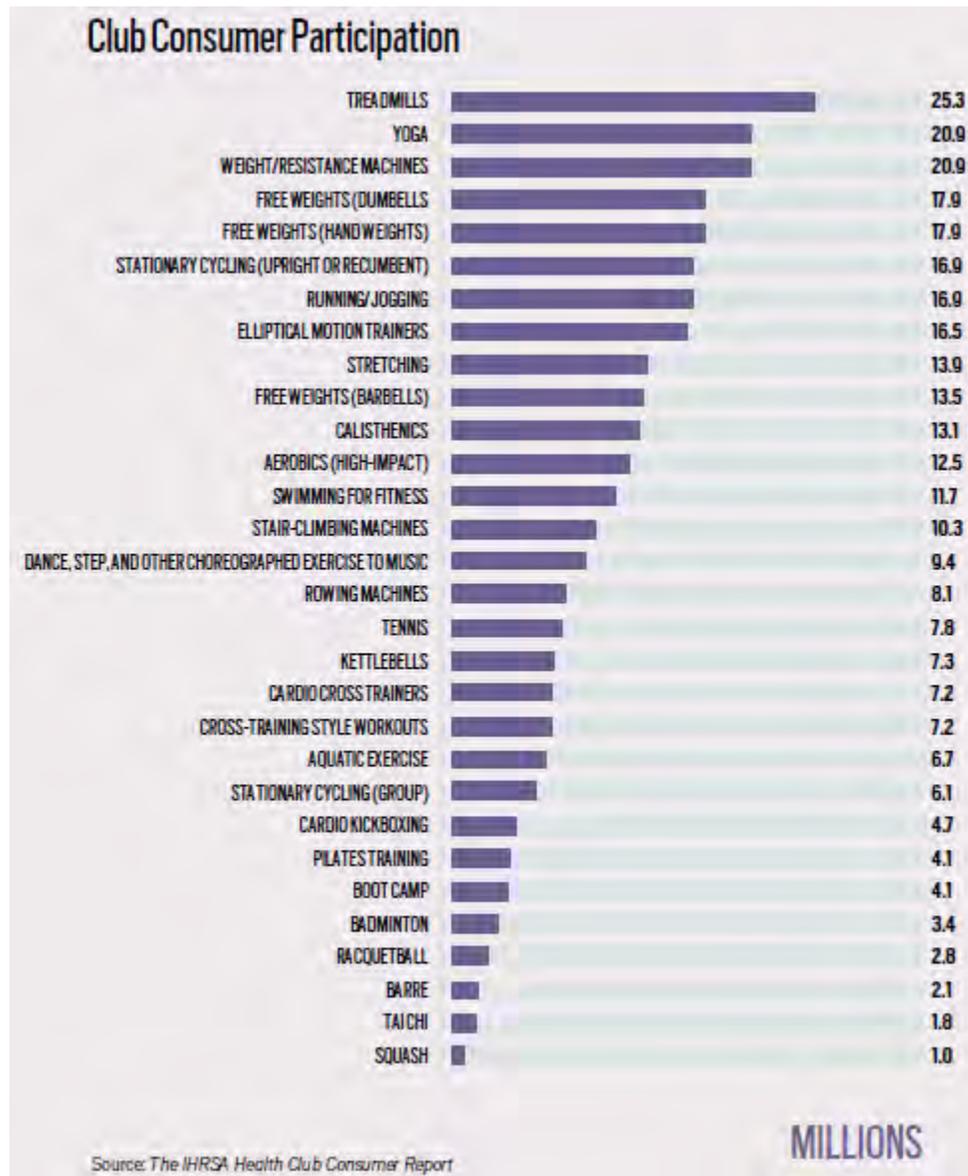
Industry Market Share

The following table summarizes Market Share by Club Type:



Club Consumer Participation

The following table summarizes consumer participation by activity type:



Barriers to Entry

The industry has low barriers to entry. The advent of the mini club illustrates that it's still possible to open a small (1,500- to 4,000-square foot) health club with \$100,000 or less. As such, every club is vulnerable to competition. The more affluent and dense the market, the more likely it is that every club in that area will experience multiple competitors. Every competitor both expands and divides the market. Currently, the industry is experiencing the emergence of many thousands of mini-clubs—i.e., clubs measuring less than 4,000 square feet. Many of these clubs tend to serve people who have never before been club members, ranging between 100 and 700 members.

High Volume/Low Price (HVLP) facilities, pioneered by Mike Grondahl, founder of Planet Fitness, have posed overwhelming competition to many U.S. health clubs. Such operations are ample facilities, stocked with a wide range of fitness equipment, and charge members only \$10-\$20 per month. Minimally staffed, and often housed in low-rent leaseholds, they typically attract 4,500 to 10,000 members. Not only do these units tap into a similar consumer base as every competitor within their market area—they also apply potent pricing pressure on every neighboring club, calling for competing club operators to develop a clear differentiation strategy.

In a sense, the health club industry is like a grocery store. Every grocery store carries milk, eggs, juice, coffee, cookies, cereals, etc. Similarly, every health club has exercise bikes, treadmills, stair climbing machines, elliptical machines, free weights and variable resistance strength equipment. Most health clubs also have group exercise studios for a variety of class types, including cycling, aerobics, yoga, etc. As a result, it is difficult to be different in this industry, and even more challenging to establish distinctions that are difficult to duplicate.

However, though it is difficult and expensive to create such competitive advantages, it is not impossible. Clubs find formulas that are difficult to duplicate—for example, adding outdoor facilities, such as swimming pools and tennis courts, can offer additional appeal, especially to the family market, that indoor-only clubs cannot. Also, the recent rise of specialized studios attests to the lucrative potential of focusing a smaller facility on a specific offering or service.

At the same time, because every health club has essentially the same types of fitness equipment, facilities, and programs, every club in the industry runs the risk of being perceived as a commodity; and, in commodity markets, the lowest price often prevails.

Nonetheless, this commoditization factor—in this industry, as in other retail industries - is constrained by another factor that is equally, if not more, powerful: namely, convenience. This, however, does not alter the fact that basic gyms are as ubiquitous as gas stations in all parts of the country. This commonality has two implications. First, it suggests that every club needs to be acutely aware of what its immediate competitors are charging, which inevitably puts downward pressure on pricing. Second, it implies that the industry as a whole, and every facility within it, is in a non-stop search for factors that can meaningfully differentiate one club (or one group of clubs) from another.

Demand Generators

The factors that matter most in demand for health and fitness facilities include population density and prosperity of the market area, travel times to the facility, household income, level of professional/management occupations, home ownership, and educational attainment levels.

Clubs tend to operate where markets are at least 60,000 and preferably 100,000 + in population within close proximity to the facility. Travel time is also important and in suburban markets, the primary trade area tends to be within about an 8-minute drive from the primary market and 12-minutes for the secondary market. In most instances, 70% to 80% of the club

membership needs to come from within these primary trade areas. In urban environments where parking and or car travel is constricted, the primary area converts to either an 8-minute walk/commute for the primary and 12-minutes for the secondary.

There is a strong correlation between median household income and health club membership. Member penetration rates among high-income segments often approaches 30%. Household income is also a key determinant of pricing levels clubs can achieve.

Club Pricing

Multi-purpose clubs reported charging significantly more than fitness-only clubs for initiation fees, and the multipurpose clubs' membership dues per month were more than double the dues for fitness-only clubs. Traditionally, prices reported from sample clubs in this study, vary greatly. With such variation in club pricing within a club and among competing clubs, it might be difficult for a consumer to understand pricing differences. However, the variety of pricing options ensures that a consumer can find his or her right price. During economic times where it is a tight consumer spending environment, it is imperative for a club to offer a value-oriented membership without sacrificing quality service. As total indoor square footage increase, prices typically increase as well. This relationship is reasonable since clubs with more space can offer more amenities, services and activities for which consumers will pay to access. The largest sized clubs charge significantly higher initiation fees and membership dues compared to the smallest club segment.

Club Prices (Regular Individual) by Club Type	Enrollment Fee/Initiation Fees		Monthly Membership Dues	
	Median	Middle Range	Median	Middle Range
All Clubs (n=113)	\$65.41	25.73 - 148.50	\$60.00	35.10 - 100.75
Multipurpose Clubs (n=56)	\$85.00	25.00 - 189.00	\$73.50	55.25 - 116.13
Fitness-only Clubs (n=57)	\$59.00	34.18 - 102.51	\$35.82	26.25 - 58.73
Part of Chain or Multi-club Group (n=65)	\$75.00	39.00 - 189.00	\$67.00	38.50 - 119.50
Independent Clubs (n=48)	\$59.00	25.00 - 119.00	\$53.50	34.36 - 77.75
Clubs with Less than 20,000 sq. ft. (n=42)	\$50.00	21.55 - 103.78	\$40.93	28.74 - 77.50
Clubs between 20,000 to 34,999 sq. ft. (n=15)	\$59.02	20.21 - 90.69	\$63.93	37.81 - 79.00
Clubs between 35,000 to 59,999 sq. ft. (n=18)	\$50.00	30.94 - 148.00	\$54.50	35.74 - 80.60
Clubs with 60,000 sq. ft. or More (n=24)	\$99.00	75.00 - 224.50	\$113.25	74.75 - 136.50

Income Statement Data

	ALL CLUBS (N=113)		
	Mean	Median	Middle Range
Total Revenue per Club (thousands)	\$4,732.1	\$2,666.2	1,009.8 - 4,895.4
Income Statement as Percent of Revenue			
Membership Dues and Fees	68.5%	67.0%	56.0 - 80.5
Non-Dues Revenue	31.5%	33.0%	19.5 - 44.0
Total Revenue	100.0%	100.0%	100.0 - 100.0
Operating Expenses			
Total Payroll (Salaries, Wages, & Employee Benefits)	43.1%	42.8%	34.2 - 50.0
Rent—Land & Building	8.9%	5.9%	0.0 - 14.3
Rent—Equipment	0.6%	0.0%	0.0 - 0.2
Real Estate/Property Taxes	2.1%	1.8%	0.3 - 3.0
Utilities	4.9%	4.4%	3.3 - 6.1
Insurance	1.1%	1.1%	0.2 - 1.6
Other Occupancy Expenses	2.7%	0.8%	0.0 - 3.5
Sales & Marketing	2.6%	2.1%	0.9 - 3.2
General & Administrative	5.9%	5.1%	1.4 - 8.2
Other Club Operating Expenses	9.8%	5.9%	0.5 - 12.8
Total Operating Expenses	81.6%	84.9%	75.2 - 90.5
Income Before Interest, Taxes, Depreciation and Amortization (EBITDA)			
Depreciation and Amortization	5.8%	5.4%	1.3 - 9.1
Interest	1.9%	0.2%	0.0 - 3.4
Profit Before Taxes (PBT)	10.7%	5.2%	2.2 - 14.2
Total Income Taxes	1.3%	0.0%	0.0 - 1.6
Income After Taxes	9.4%	5.1%	1.4 - 12.3

Now that we are operating in a period where disposable income and consumer spending are increasing, the clubs that are reaping the most reward are those that have continued to manage their expenses effectively. Those clubs that have been able to manage their expenses are also now experiencing revenue growth both through net member growth as well as through increased spending in non-dues revenue. Historically, clubs have two types of revenue: membership dues and fees and non-dues related revenue, i.e. ancillary services such as personal training, spa services, food and beverage, etc. Consistently, clubs have reported 70-100% of total revenues derived from membership dues and fees and, most recently, all clubs in this study reported nearly 69% of their total revenues was generated from membership dues and fees. These clubs reported about 31% of total revenues from ancillary services.

Occupancy Costs

According to IHRSA, the successful club will have been able to maintain occupancy costs or leases which keep this expense in the 15% to 20% range of total revenues.

MARKET SUMMARY – ORANGE COUNTY - 4TH QUARTER 2018



Vacancy Rate
3.3%



Net Absorption
-25,041 SF



Construction
115,450 SF



Lease Rate
\$2.44 NNN

*Arrows indicate change from previous quarter

ANAHEIM AIMS TO MAKE EXPERIENTIAL RETAIL A WALK IN THE PARK

Upscale lifestyle center, GardenWalk, in Anaheim is planning to undergo a transformation that will bring a diverse array of experiential retail over the next few years to the 10-year-old center. Mere walking distance from the playground of the 'house of mouse,' the new owners of GardenWalk plan to open a year-round haunted house, a beer garden, and more in an effort to draw in more local residents than the typical tourist crowd. GardenWalk represents a persisting trend of shopping centers adjusting their focus from traditional retail offerings to those that offer a memorable experience.

MASSIVE HONDA CENTER DEAL IS NOTHING TO QUACK AT

Anaheim Ducks owner Henry Samueli recently struck a deal with the city council to keep the team in the city well through 2048. In addition to ensuring the Ducks have a place to roost for years to come, Samueli was granted by the city the right to develop the area around the Honda Center to add brand new retail and entertainment centers. The deal is part of a broader plan for the city of Anaheim to develop the Platinum Triangle (the area surrounding Angel Stadium and the Honda Center), an 800-plus acre former industrial land site now entitled for mixed-use development.

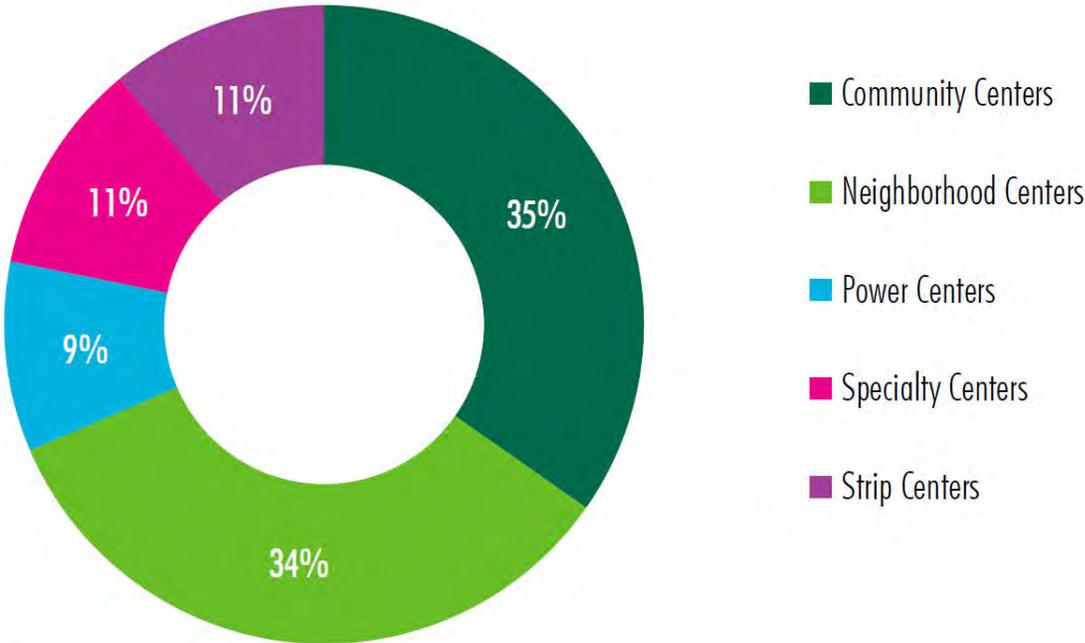
SO CAL RESIDENTS MERRILY SHOPPED ONLINE

The 2018 holiday season is expected to be a major boon for retail in the U.S. Retail statistic aggregate, eMarketer, projected a record-breaking \$986 billion in total retail sales with \$123 billion (or 12.5% of the total) expected to come solely from online transactions. SoCal residents seemed to favor using the internet; CBRE Research estimated 64% of shoppers stuck to cyberspace to do their holiday shopping.

Orange County (OC) has been long established as the tourist capital of the Southern California region. Sports venues, diverse food and entertainment, and vibrant theme parks have become synonymous with the region and further enrich it. After a year of varied activity that included swathes of legacy retailers bowing out of the market and new ones swooping in to take their place, it seems fitting that the OC retail market resembles the thrilling highs and lows of the rollercoasters that call this market home.

The OC retail market finished out 2018 with decent year-over-year improvements in vacancy, net absorption, and average asking lease rates. Net absorption for the year was positive 158,847 sq. ft. despite a negative dip of 25,041 sq. ft. during Q4 2018. As a result, vacancy did not change from quarter to quarter, but decreased slightly compared with the same period last year. Scarce supply of large-sized space drove up asking rates from Q3 2018 to \$2.44 per sq. ft. Asking lease rates have been steadily on the rise since 2017, evidenced by a 6.1% increase from the year prior. Only one major project tracked by CBRE currently in development is due to finish construction by early 2019. Overall, 2019 is looking bright for the OC retail market.

Figure 1: Vacant Space Distribution

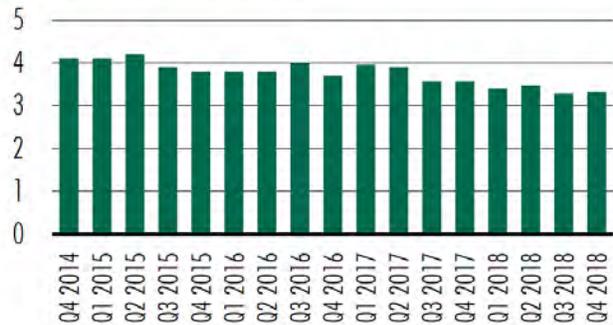


Source: CBRE Research, Q4 2018.

Vacancy Rates

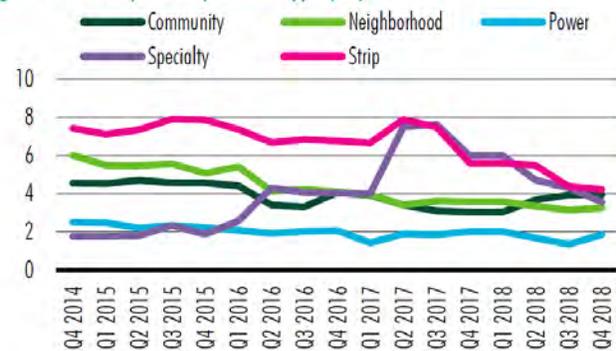
Overall vacancy in OC remained unchanged at 3.3% from Q3 2018 to Q4 2018. Compared with the same period the year prior, however, vacancy decreased by 30 bps. Central and South Counties were the only markets in Q4 2018 with a drop in vacancy at 10 bps and 30 bps, respectively. Meanwhile, vacancy in North County increased by 50 bps due in large part to the aforementioned vacancy of a Toys/Babies “R” Us in Fullerton. Central Coast maintained its position as the tightest submarket in the region with a staggeringly low 1.4% vacancy while North County became the highest at 4.5%. Tightening vacancy in OC, compared with neighboring markets, will prove difficult to attract additional large-sized deals so long as box space remains a premium. CBRE EA forecasts that the vacancy rate will stay mostly flat throughout 2019.

Figure 6: Overall Vacancy Rate (%)



Source: CBRE Research, Q4 2018.

Figure 7: Vacancy Rate by Center Type (%)

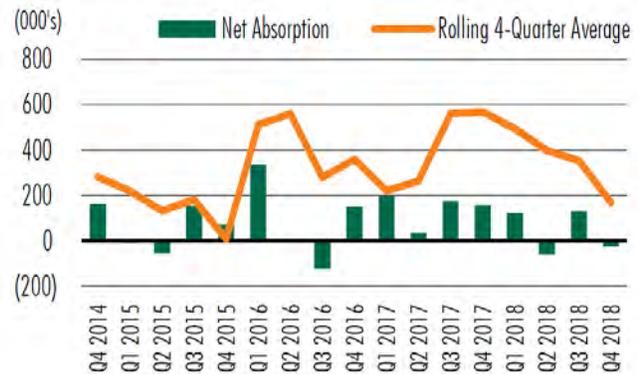


Source: CBRE Research, Q4 2018.

Absorption

Orange County capped off the end of 2018 with a handful of large-size tenant deals, notably two leases done by Burlington Stores, 76,922 sq. ft. and 38,000 sq. ft. in La Habra and Brea, respectively. Furniture and Fitness, popular tenant types for large blocks of space in the SoCal region, were also active with the addition of a new RH Outlet (39,650 sq. ft.) in Irvine and Planet Granite (30,191 sq. ft.) in Fountain Valley. Tenants such as grocery chain Sprouts and beauty supplier ULTA rapidly expanded with new leases signed in Lake Forest (30,000 sq. ft.) and Buena Park (10,500 sq. ft.).

Figure 8: Net Absorption (SF)



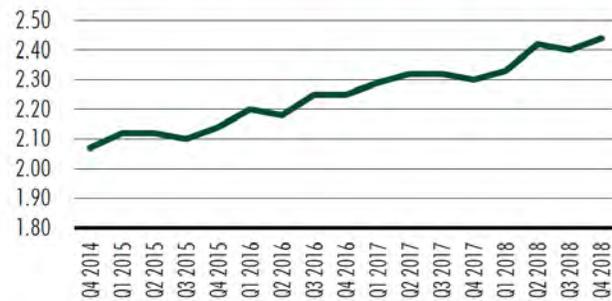
Source: CBRE Research, Q4 2018.

Despite the strong leasing activity, net absorption was negative 25,041 sq. ft. in Q4 2018 due in an influx of small to mid-sized spaces coming available during the waning months of the year. Hardest hit was North County with 69,292 sq. ft. of negative absorption, which was fueled by a former Toys/Babies “R” Us location (44,449 sq. ft.) becoming available at the Fullerton Town Center. Even with the moderate bump in vacant square feet, OC finished 2018 on a high note with 158,847 sq. ft. of positive net absorption for the year.

Lease Rate Analysis

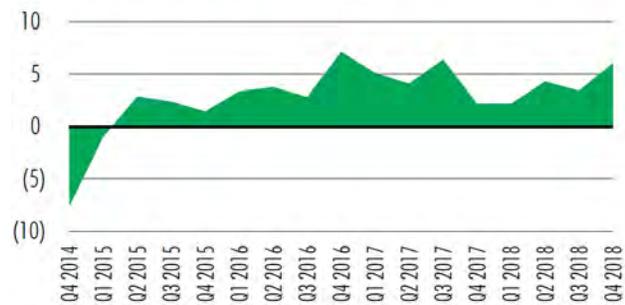
The Orange County average asking lease rate increased by \$0.04 to \$2.44 per sq. ft. in Q4 2018. Compared with the same period last year, asking lease rates were 6.1% higher than the Q4 2017 rate of \$2.30 per sq. ft. Asking lease rates in coastal cities ranked the highest in the region and rose by \$0.06 from the previous quarter to \$3.42 per sq. ft. The only market to not benefit from an uptick in asking lease rates was North County, which slid back by \$0.06 quarter over quarter due to large blocks of vacant space re-entering the market. Asking lease rates still haven't returned to pre-recession levels, but steady demand for high quality space in OC consistently pushed up asking lease rates year over year since their last peak in 2010 at \$2.50 per sq. ft. CBRE Econometric Advisors (CBRE EA) forecasts that rates will rise through 2019 at a moderate rate of 2.3%

Figure 4: Average Asking Lease Rate (SPSF/MO/NNN)



Source: CBRE Research, Q4 2018.

Figure 5: Year-Over-Year Rent Growth (%)



Source: CBRE Research, Q4 2018.

Figure 10: Market Statistics

Submarket	SF GLA	Overall Vacancy (%)	Current Net Absorption	YTD Net Absorption	Under Construction	Construction Deliveries	Avg. Asking Lease Rates (SPSF/MO/NNN)
Central County	29,335,947	3.6	18,238	31,359	0	0	2.29
Central Coast	13,227,851	1.4	(5,229)	153,257	0	0	3.42
North County	14,943,363	4.5	(69,292)	(51,183)	115,450	0	2.27
South County	17,942,185	3.8	42,362	(25,873)	0	0	2.45
West County	10,053,081	2.2	(11,120)	51,287	0	0	3.01
Orange County	85,502,427	3.3	(25,041)	158,847	115,450	0	2.44

Source: CBRE Research, Q4 2018.

Figure 11: Key Transactions

Occupier	Industry Type	Location	Total Sq. Ft.
Burlington Stores	Apparel	La Habra	76,992
RH Outlet	Furniture	Irvine	39,650
Burlington Stores	Apparel	Brea	38,000
Planet Granite	Fitness	Fountain Valley	30,191
Sprouts	Grocery	Lake Forest	30,000

Source: CBRE Research, Q4 2018.

Figure 12: Market Outlook

Orange County's reign as the premiere destination for retail in SoCal while likely go unchallenged for years to come. Lack of available space, particularly from large boxes, will create challenges for large tenants looking for space and push asking lease rates even higher. CBRE EA forecasts that asking lease rates will consistently climb throughout 2019 as vacancy remains, for the most part, relatively static.

12-Month Forecast



Source: CBRE Econometric Advisors, Q4 2018.

Forecast

The Orange County Market Trends Forecast from CBRE Econometric Advisors (CBRE-EA) includes historical trends and projections. The following charts are followed by a brief discussion of each.

RETAIL MARKET & DEMOGRAPHIC TRENDS											
Year	Total Employment (Jobs x 1000)	Pers. Income (Billions of \$)	Population (x 1000)	Shopping Center Supply		Est. Avail. Rate (%)	Est. Net Absorption (SF x 1000)	TW Rent Index (\$/SF)	TW Rent Inflation (%)	Retail Sales (Millions of \$)	
				Stock (SF x 1000)	Compl. (SF x 1000)					Goods/Rests.	Grocery Stores
1988	1,151	54.6	2,360	52,024	1,003	na	na	na	na	10,546	2,435
1989	1,160	58.3	2,403	53,171	1,147	3.7	na	17.04	na	11,202	2,600
1990	1,177	61.6	2,435	54,339	1,168	5.1	402	18.09	6.2	11,761	2,736
1991	1,146	63.3	2,475	55,301	962	4.9	1,005	18.13	0.2	12,079	2,833
1992	1,136	66.9	2,516	55,968	667	6.4	-203	17.98	-0.8	12,698	2,999
1993	1,127	68.0	2,549	56,247	279	8.1	-674	17.49	-2.7	12,899	3,058
1994	1,148	70.9	2,585	56,503	256	6.9	894	17.54	0.3	13,395	3,181
1995	1,172	74.9	2,622	56,770	267	6.6	389	17.92	2.2	14,056	3,343
1996	1,206	81.6	2,674	58,117	1,347	5.8	1,741	18.46	3.0	15,175	3,621
1997	1,265	88.0	2,744	58,615	498	4.8	1,053	19.52	5.7	16,216	3,871
1998	1,325	95.6	2,796	59,143	528	4.5	699	20.04	2.7	17,440	4,163
1999	1,364	102.5	2,836	59,585	442	4.2	621	22.05	10.0	18,550	4,433
2000	1,407	111.3	2,871	60,357	772	2.7	1,592	23.56	6.8	19,947	4,773
2001	1,407	112.0	2,897	61,230	873	4.1	35	24.37	3.4	20,061	4,809
2002	1,419	116.2	2,919	61,990	760	3.2	1,245	24.58	0.9	20,742	4,980
2003	1,445	125.0	2,937	62,546	556	4.1	18	25.11	2.2	22,113	5,319
2004	1,478	133.1	2,943	63,266	720	3.7	900	26.67	6.2	23,373	5,621
2005	1,508	143.5	2,937	63,792	526	3.2	794	26.66	0.0	24,971	6,006
2006	1,534	150.7	2,929	64,231	439	3.6	213	30.84	15.7	26,053	6,260
2007	1,521	149.7	2,943	64,858	627	3.3	816	32.73	6.1	25,921	6,241
2008	1,460	144.4	2,973	65,580	722	5.0	-472	27.52	-15.9	25,162	6,099
2009	1,363	142.1	3,002	65,907	327	7.9	-1,601	27.92	1.5	24,907	6,107
2010	1,380	153.7	3,035	65,975	68	8.0	25	25.61	-8.3	26,715	6,576
2011	1,395	160.6	3,070	66,156	181	8.6	-283	26.53	3.6	27,792	6,857
2012	1,441	177.6	3,100	66,230	74	8.2	344	26.30	-0.9	30,362	7,504
2013	1,471	170.9	3,125	66,331	101	7.4	632	28.79	9.5	29,325	7,219
2014	1,513	183.5	3,149	66,369	38	6.4	694	28.66	-0.5	31,214	7,687
2015	1,562	194.8	3,170	66,403	34	6.1	259	29.02	1.3	32,881	8,089
2016	1,602	205.9	3,184	66,544	141	5.6	397	30.44	4.9	34,526	8,489
2017	1,630	215.0	3,194	66,867	323	5.9	127	31.22	2.6	35,859	8,815
2018	1,644	222.6	3,201	66,904	37	5.4	322	32.07	2.7	36,973	9,094
2019	1,663	231.9	3,204	67,024	120	5.6	-7	32.82	2.3	38,326	9,430
2020	1,667	238.0	3,223	67,292	268	5.8	143	33.22	1.2	39,230	9,671
2021	1,657	242.7	3,197	67,628	336	6.1	66	32.97	-0.8	39,918	9,847
2022	1,663	254.8	3,191	67,981	353	6.5	118	33.00	0.1	41,683	10,299
2023	1,680	267.8	3,218	68,326	345	6.5	318	33.47	1.4	43,577	10,790

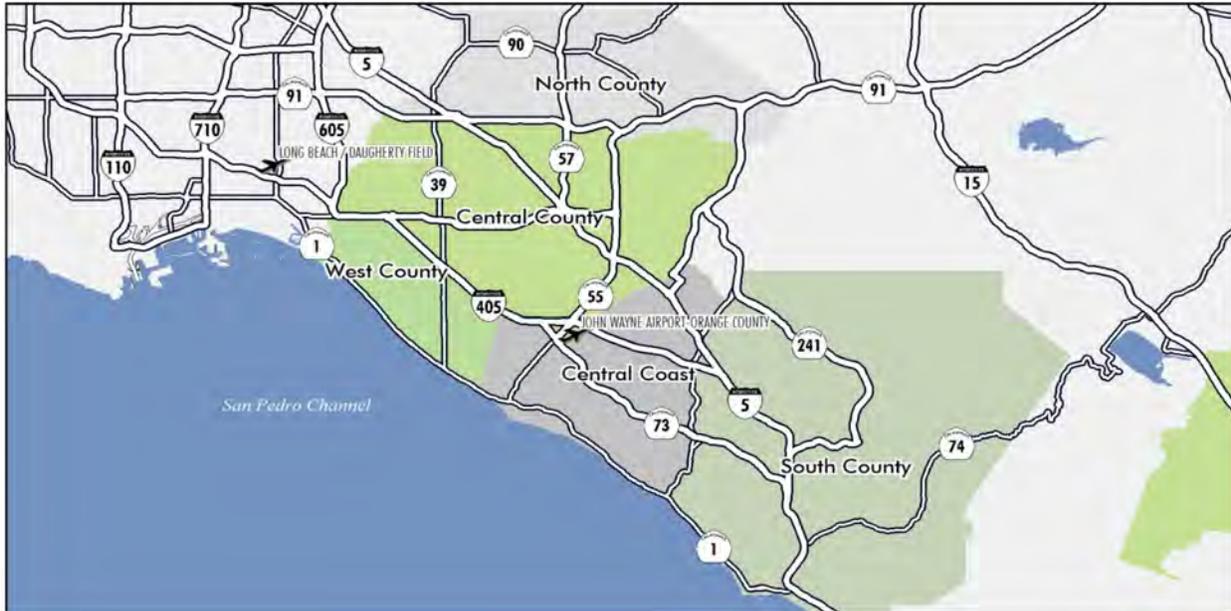
Source: Baseline Outlook data as of Q4 2018

Vacancy peaked from 2009 to 2011 at 7.9% to 8.6% respectively, reaching 8.6% in 2011. Over the last five years, vacancy averaged 5.9%, and is projected to remain stable, on average, through 2023 at 6.5%.

Between 2012 and 2018 rental rates increased from \$26.30 to \$32.07 PSFY, an annual compound change of 1.54%. Going forward, rents are predicted to increase to \$33.99 PSFY in 2024, a 0.97% annual compounded change from 2018.

Submarket Data

The Orange County Retail Market is divided into five submarkets by CBRE Research (Central, Central Coast, North, South, and West). The following map illustrates the general boundaries. The subject is located within the Central Coast submarket.



The following chart contains detailed statistics for each of the five Orange County submarkets. The Central submarket is the largest followed by South, Central Coast, North, and West. Community and Neighborhood Centers are the largest categories. A more detailed discussion of the subject submarket is contained in a following section.

Figure 7: Comparison Chart

Market	Vacancy Rate (%)					Avg. Asking Lease Rate (\$/NNN)				
	Q4 2018 (%)	Q3 2018 (%)	Q4 2017 (%)	Quarter Change (%)	YOY Change (%)	Q4 2018 (%)	Q3 2018 (%)	Q4 2017 (%)	Quarter Change (%)	YOY Change (%)
Central County	3.6	3.9	3.0	(8.4)	18.2	2.29	2.54	2.35	(9.8)	(2.6)
Central Coast	1.4	3.1	3.6	(56.4)	(61.8)	3.42	2.25	2.11	52.0	62.1
North County	4.5	1.4	2.0	230.6	122.7	2.27	3.86	3.30	(41.2)	(31.2)
South County	3.8	4.3	6.0	(12.8)	(37.2)	2.45	2.39	2.91	2.5	(15.8)
West County	2.2	4.4	5.6	(49.2)	(60.2)	3.01	2.26	2.10	33.2	43.3
Orange County Total	3.3	3.3	3.6	0.8	(8.8)	2.44	2.40	2.30	1.7	6.1

Source: CBRE Research, Q4 2018.

Figure 8: Market Statistics Table

Submarket	Existing Base			New Construction		Retail Space Statistics							
	Center Count	Inventory (Sq. Ft.)	Shop Space (Sq. Ft.)	Center Count	Sq. Ft. Under Construction	Total Vacant (Sq. Ft.)	Vacancy Rate (%)	Q4 2018 Net Absorption	YTD Net Absorption	Avg Asking Low (\$) ⁽¹⁾	Avg Asking High (\$) ⁽²⁾	Occupied Space (Sq. Ft.)	Avg Asking High (\$) ⁽³⁾
CENTRAL													
Community Centers	43	7,700,817	2,932,700	0	0	519,083	6.7	12,397	(167,093)	1.20	4.50	7,181,734	2.55
Neighborhood Centers	88	8,147,566	4,057,742	0	0	176,710	2.2	(8,637)	48,340	1.10	4.50	7,970,856	1.66
Power Centers	10	3,966,725	1,441,913	0	0	40,343	1.0	15,094	30,577	4.00	4.00	3,926,382	4.00
Specialty Centers	9	1,214,207	449,019	0	0	57,262	4.7	0	65,692	1.35	2.75	1,156,945	1.59
Strip Centers	23	2,058,221	1,866,173	0	0	36,733	1.8	(616)	53,843	1.35	3.00	2,021,488	2.25
Free-Standing	16	1,968,646	(1)	0	0	(1)	(1)	(1)	(2)	(1)	(1)	(1)	(1)
Regional Centers	4	4,279,765	(2)	0	0	(2)	(2)	(2)	(4)	(2)	(2)	(2)	(2)
Central Totals	193	29,335,947	10,747,547	0	0	830,131	3.6	18,238	31,359	1.10	4.50	22,257,405	2.29
CENTRAL COAST													
Community Centers	11	2,331,108	983,088	0	0	8,393	0.4	973	23,735	1.20	4.00	2,322,715	3.31
Neighborhood Centers	27	2,448,939	1,120,750	0	0	45,384	1.9	(7,141)	10,950	2.00	5.00	2,403,555	3.72
Power Centers	6	1,990,113	716,952	0	0	29,067	1.5	0	85,684	-	-	1,961,046	-
Specialty Centers	15	2,734,887	1,075,019	0	0	40,536	1.5	3,067	46,507	3.25	4.00	2,694,351	3.82
Strip Centers	8	490,407	402,407	0	0	13,598	2.8	(2,128)	(13,619)	1.50	3.10	476,809	2.00
Free-Standing	0	0	(1)	0	0	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Regional Centers	2	3,232,397	(2)	0	0	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Central Coast Totals	69	13,227,851	4,298,216	0	0	136,978	1.4	(5,229)	153,257	1.50	5.00	9,858,476	3.42
NORTH													
Community Centers	11	2,780,717	1,046,623	0	0	125,337	4.5	(1,019)	954	3.06	3.06	2,655,380	3.06
Neighborhood Centers	48	4,906,156	2,113,558	1	115,450	221,566	4.5	8,559	40,674	1.45	3.75	4,684,590	2.07
Power Centers	11	3,715,912	1,018,362	0	0	109,551	2.9	(61,408)	(85,708)	-	-	3,606,361	-
Specialty Centers	2	756,509	296,512	0	0	35,376	4.7	0	16,915	-	-	721,133	-
Strip Centers	15	979,069	979,069	0	0	94,811	9.7	(15,424)	(24,018)	1.10	3.26	884,258	1.94
Free-Standing	5	555,000	(1)	0	0	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Regional Centers	1	1,250,000	(2)	0	0	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
North Totals	93	14,943,363	5,454,124	1	115,450	586,641	4.5	(69,292)	(51,183)	1.10	3.75	12,551,722	2.27
SOUTH													
Community Centers	25	4,792,990	1,789,373	0	0	96,526	2.0	(12,352)	(43,657)	1.65	5.50	4,696,464	3.75
Neighborhood Centers	47	5,099,650	2,203,501	0	0	265,427	5.2	(8,872)	(57,297)	1.25	4.50	4,834,223	2.51
Power Centers	8	2,254,655	879,458	0	0	42,352	1.9	(13,887)	(12,707)	2.43	2.50	2,212,303	2.44
Specialty Centers	9	1,340,195	645,150	0	0	88,023	6.6	49,996	43,670	1.00	3.50	1,252,172	1.38
Strip Centers	24	1,824,870	1,796,396	0	0	84,645	4.6	27,477	44,118	1.35	3.55	1,740,225	2.31
Free-Standing	5	622,000	(1)	0	0	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Regional Centers	2	2,007,825	(2)	0	0	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
South Totals	120	17,942,185	7,313,878	0	0	576,973	3.8	42,362	(25,873)	1.00	5.50	14,735,387	2.45

Source: CBRE Research, Q4 2018.

Figure 8: Market Statistics Table

Submarket	Existing Base			New Construction		Retail Space Statistics							
	Center Count	Inventory (Sq. Ft.)	Shop Space (Sq. Ft.)	Center Count	Sq. Ft. Under Construction	Total Vacant (Sq. Ft.)	Vacancy Rate (%)	Q4 2018 Net Absorption	YTD Net Absorption	Avg Asking Low (\$) ⁽¹⁾	Avg Asking High (\$) ⁽²⁾	Occupied Space (Sq. Ft.)	Avg Asking High (\$) ⁽³⁾
WEST													
Community Centers	15	2,663,197	994,044	0	0	49,765	1.9	(3,553)	3,501	1.85	5.00	2,613,432	2.60
Neighborhood Centers	33	3,411,978	1,873,200	0	0	69,744	2.0	(7,567)	40,594	1.45	4.00	3,342,234	3.29
Power Centers	0	0	0	0	0	0	0.0	0	0	0.00	0.00	0	0.00
Specialty Centers	7	922,433	444,138	0	0	26,676	2.9	0	(2,841)	1.50	3.25	895,757	2.44
Strip Centers	9	661,611	661,611	0	0	24,546	3.7	0	10,033	2.00	3.75	637,065	2.96
Free-Standing	5	434,386	(1)	0	0	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Regional Centers	2	1,959,476	(2)	0	0	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
West Totals	71	10,053,081	3,972,993	0	0	170,731	2.2	(11,120)	51,287	1.45	5.00	7,488,488	3.01
BY TYPE													
Community Centers	105	20,268,829	7,745,828	0	0	799,104	3.9	(3,554)	(182,560)	1.20	5.50	19,469,725	2.75
Neighborhood Centers	243	24,014,289	11,368,751	1	115,450	778,831	3.2	(23,658)	83,261	1.10	5.00	23,235,458	2.27
Power Centers	35	11,927,405	4,056,685	0	0	221,313	1.9	(60,201)	17,846	2.43	4.00	11,706,092	3.29
Specialty Centers	42	6,968,231	2,909,838	0	0	247,873	3.6	53,063	169,943	1.00	4.00	6,720,358	1.92
Strip Centers	79	6,014,178	5,705,656	0	0	254,333	4.2	9,309	70,357	1.10	3.75	5,759,845	2.27
Free-Standing	31	3,580,032	(1)	0	0	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Regional Centers	11	12,729,463	(2)	0	0	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Orange County Totals	546	85,502,427	31,786,758	1	115,450	2,301,454	3.3	(25,041)	158,847	1.00	5.50	66,891,478	2.44

Source: CBRE Research, Q4 2018.

TRADE AREA

We have surveyed retail properties in the subjects' trade area (3-mile radius) using the CoStar database. In some cases, this database may vary slightly from other sources used in this report, such as CBRE Econometric Advisors, LoopNet, REIS, etc. Subject trade area overall retail occupancy is at 97.9%, which has increased over the last few years (97.0% in 2017 Q2). Asking rents have remained stable at \$33.60 PSFY from \$33.63 PSFY over the same period, a 0% change. We have seen a similar trend in the larger retail market.

RETAIL WITHIN A 3-MILE RADIUS

Period	# Bldgs.	Total RBA	Vacancy %	Net Absorb. (SF)	RBA Delivered	RBA Under Const.	Asking Rent PSFY	% Chng.
2014 Q3	775	12,642,334	2.5%	-418	0	18,149	\$28.86	---
2014 Q4	775	12,654,007	2.2%	57,290	18,149	0	\$29.72	3.0%
2015 Q1	775	12,654,007	2.1%	5,121	0	6,102	\$30.13	1.4%
2015 Q2	775	12,654,007	1.9%	33,259	0	6,102	\$29.67	-1.5%
2015 Q3	776	12,660,109	1.8%	14,651	6,102	0	\$30.48	2.7%
2015 Q4	776	12,660,109	1.8%	-574	0	0	\$30.28	-0.7%
2016 Q1	775	12,635,109	2.0%	-53,646	0	0	\$32.23	6.4%
2016 Q2	775	12,635,109	1.8%	33,053	0	0	\$33.19	3.0%
2016 Q3	774	12,629,672	1.9%	-15,993	0	13,000	\$33.62	1.3%
2016 Q4	774	12,629,672	2.0%	-13,137	0	13,000	\$33.99	1.1%
2017 Q1	774	12,629,672	2.5%	-67,260	0	13,000	\$33.87	-0.4%
2017 Q2	774	12,629,672	3.0%	-60,727	0	13,000	\$33.63	-0.7%
2017 Q3	773	12,607,589	2.5%	32,506	0	13,000	\$33.46	-0.5%
2017 Q4	773	12,607,589	2.5%	4,738	0	19,474	\$33.60	0.4%
2018 Q1	773	12,607,589	2.5%	-3,745	0	19,474	\$33.44	-0.5%
2018 Q2	774	12,620,589	2.2%	55,604	13,000	6,474	\$34.17	2.2%
2018 Q3	774	12,620,589	1.9%	32,218	0	6,474	\$35.71	4.5%
2018 Q4	775	12,627,063	1.8%	20,667	6,474	0	\$34.39	-3.7%
2019 Q1	775	12,627,063	2.2%	-49,770	0	0	\$35.41	3.0%
QTD	775	12,627,063	2.1%	9,025	0	0	\$33.60	-5.1%

Compiled by CBRE from CoStar

New Construction Activity

The following table depicts current and proposed construction activity (from CoStar) within the Orange County market:

Construction Activity Markets Ranked by Under Construction Square Footage

Market	Under Construction Inventory				Average Bldg Size	
	# Bldgs	Total GLA	Preleased SF	Preleased %	All Existing	U/C
Central County	4	239,078	239,078	100.0%	11,718	59,769
North County	11	141,059	117,364	83.2%	13,192	12,824
South County	2	35,193	16,533	47.0%	16,458	17,596
West County	3	18,400	13,204	71.8%	12,863	6,133
Outlying (Orange County)	0	0	0	0.0%	7,853	0
Airport Area	0	0	0	0.0%	13,565	0
Totals	20	433,730	386,179	89.0%	13,405	21,686

Source: CoStar Property

During the fourth quarter 2018, three buildings totaling 23,391 square feet were completed in the Orange County retail market. Over the past four quarters, a total of 247,723 square feet of

retail space has been built in Orange County. In addition to the current quarter, seven buildings with 169,390 square feet were completed in third quarter 2018, six buildings totaling 48,189 square feet completed in second quarter 2018, and 6,753 square feet in two buildings completed in first quarter 2018.

There were 433,730 square feet of retail space under construction at the end of the fourth quarter 2018.

Some of the notable 2018 deliveries include: 815 Spectrum Center Dr, a 140,000-square-foot facility that delivered in third quarter 2018 and is now 100% occupied, and Premier Chrysler Dodge Jeep Ram of Buena Park, a 26,307-square-foot building that delivered in second quarter 2018 and is now 100% occupied.

Total retail inventory in the Orange County market area amounted to 143,899,636 square feet in 10,735 buildings and 1604 centers as of the end of the fourth quarter 2018.

Retail Sales and Demographic Analysis

Demand for additional retail property is a direct function of population change and household income. Retail properties are products of a clearly definable demand relating directly to population shifts and income patterns.

RETAIL SALES

The following table contains historical retail sales data from the California Retail Survey and is a relevant indication of general retail sales health in the subject market.

RETAIL SALES SUMMARY (in 000's)				
	City of		County of	
Year	Newport Beach	% Chg.	Orange	% Chg.
2007	\$2,016,551		\$38,988,227	
2008	\$1,782,332	-11.61%	\$35,768,595	-8.26%
2009	\$1,574,064	-11.69%	\$31,162,619	-12.88%
2010	\$1,629,225	3.50%	\$32,552,107	4.46%
2011	\$1,774,317	8.91%	\$35,587,795	9.33%
2012	\$1,911,365	7.72%	\$38,372,456	7.82%
2013	\$2,018,100	5.58%	\$40,025,929	4.31%
2014	\$2,200,243	9.03%	\$41,288,537	3.15%
2015	\$2,241,761	1.89%	\$41,589,926	0.73%
2016	\$2,246,838	0.23%	\$42,269,771	1.63%
2017	\$2,320,984	3.30%	\$43,199,706	2.20%
Compound Growth		1.29%		0.94%

Source: 2018 California Retail Survey

Within Newport Beach the annual retail sales in 2017 were estimated at approximately \$2,321 million, which is a 3.3 percent increase from 2016, the prior year. Within the County of Orange,

the annual retail sales in 2017 were estimated at approximately \$43.2 billion, which is a 2.2 percent increase from the prior year at \$42.3 billion.

The California Retail Survey also tracks data that measure retail sales strength. We considered data for Newport Beach in addition to Orange County.

RETAIL SALES STRENGTH

Area	Performance Rank	Growth Persist.	Relative Strength	Sales Rank	Per Capita Sales Rank	% State-wide Sales	Per Capita Income Rank
County of Orange	4	22.2%	0.95	2	6	9.6%	9
City of Newport Beach	3	52.8%	1.02	35	42	0.51%	9

Source: 2018 California Retail Survey

The Sales Rank shows out of 58 Counties, Orange County is ranked number 2 in California. Newport Beach is ranked 35 out of 472 California cities included in the survey.

HOUSING, POPULATION AND HOUSEHOLD FORMATION

The following table illustrates the population and household changes for the subject neighborhood.

POPULATION AND HOUSEHOLD PROJECTIONS

	1 Mile	3 Miles	5 Miles
Population			
2023 Total Population	14,126	177,685	450,182
2018 Total Population	13,570	167,795	428,724
2010 Total Population	12,702	153,575	395,426
2000 Total Population	12,678	142,197	372,094
Annual Growth 2018 - 2023	0.81%	1.15%	0.98%
Annual Growth 2010 - 2018	0.83%	1.11%	1.02%
Annual Growth 2000 - 2010	0.02%	0.77%	0.61%
Households			
2023 Total Households	6,062	67,807	161,203
2018 Total Households	5,864	63,828	153,510
2010 Total Households	5,572	58,902	143,331
2000 Total Households	5,501	53,292	133,012
Annual Growth 2018 - 2023	0.67%	1.22%	0.98%
Annual Growth 2010 - 2018	0.64%	1.01%	0.86%
Annual Growth 2000 - 2010	0.13%	1.01%	0.75%

Source: ESRI

As shown, the subject's neighborhood (3-mile radius) has increasing historical population growth and increasing household growth. This is a positive indicator for the subject.

INCOME DISTRIBUTIONS

Household income available for expenditure on consumer items is a primary factor in determining the retail supply and demand levels in a given market area. In the case of this study, a projection of household income identifies (in gross terms) the market from which the subject submarket draws. The following table illustrates estimated household income distribution for the subject neighborhood.

HOUSEHOLD INCOME DISTRIBUTION			
Households by Income Distribution - 2018	1 Mile	3 Miles	5 Miles
<\$15000	5.58%	8.69%	7.57%
\$15000-\$24999	3.84%	6.74%	5.90%
\$25000-\$34999	3.50%	6.19%	5.78%
\$35000-\$49999	8.63%	9.59%	8.84%
\$50000-\$74999	17.51%	15.98%	14.81%
\$75000-\$99999	11.29%	12.33%	12.33%
\$100000-\$149999	15.11%	15.65%	17.64%
\$150000-\$199999	10.15%	9.04%	10.11%
\$200000+	24.40%	15.79%	17.01%

Source: ESRI

The following table illustrates the median and average household income levels for the subject neighborhood.

HOUSEHOLD INCOME LEVELS			
Income	1 Mile	3 Miles	5 Miles
2018 Median Household Income	\$99,043	\$79,572	\$87,730
2018 Average Household Income	\$147,152	\$121,109	\$128,416
2018 Per Capita Income	\$63,384	\$47,331	\$46,777

Source: ESRI

An analysis of the income data indicates that the submarket is generally comprised of high-income economic cohort groups, which include the target groups to which the subject is oriented.

OUTLOOK

Based on this analysis, the trade area is projected to experience growth of 1.22% for households and 1.15% for population over the next five years. Given the area demographics, it appears that demand for both comparable surrounding area retail properties and the subject will continue to be favorable.

Trade Area Expenditure Potential & Population Density

Potential retail sales are correlated to the consumer dollar amount available for goods and services. This is known as GAFO¹⁰. The average household in the U.S. spends 14.0% of household income on GAFO goods, and we have used this to approximate retail sales potential in the subject trade area. We also included a calculation of population density for reference. The following table summarizes our analysis.

EXPENDITURE POTENTIAL & POPULATION DENSITY					
	1 Mile	3 Miles	5 Miles	Orange County	California
Population	13,570	167,795	428,724	3,194,830	38,199,831
Households	5,864	63,828	153,510	1,053,963	12,883,977
Median Household Income	\$99,043	\$79,572	\$87,730	\$77,162	\$57,920
GAFO Expenditures Per Household (14%)	\$13,866	\$11,140	\$12,282	\$10,803	\$8,109
Household Density (HH per mi ²)	1,867	2,257	1,955	1,112	81
GAFO Expenditures Per mi ² (\$MM)	25.88	25.15	24.01	12.01	0.65

Source: CBRE

Total income potential for GAFO expenditures per household show that the subject trade area is 3% higher than the County. As expected, expenditures per square mile in both the primary and secondary trade areas are significantly higher than the County and State (as both have tracts of vacant land that lower the result).

Retail Inventory to Population

The following chart details the population and total retail inventory surrounding the subject, as well as, for the County. Note, the retail inventory figure below includes all retail buildings, as reported by Costar Analytics. Some of these properties have different configurations, sizes, locations etc. than the subject, and may not be directly competitive.

RETAIL INVENTORY PER HOUSEHOLD				
	1 Mile	3 Miles	5 Miles	Orange County
Households	5,864	63,828	153,510	1,053,963
Existing Retail Inventory (sf)	348,438	12,627,063	22,418,917	144,075,259
Existing Retail Buildings/Properties	51	775	1,723	10,447
Average Building/Property Size (sf)	6,832	16,293	13,012	13,791
Households Per Retail Building/Property	115	82	89	101
GAFO Income Per Retail SF	\$233	\$56	\$84	\$79
Retail Inventory Per Household	59	198	146	137

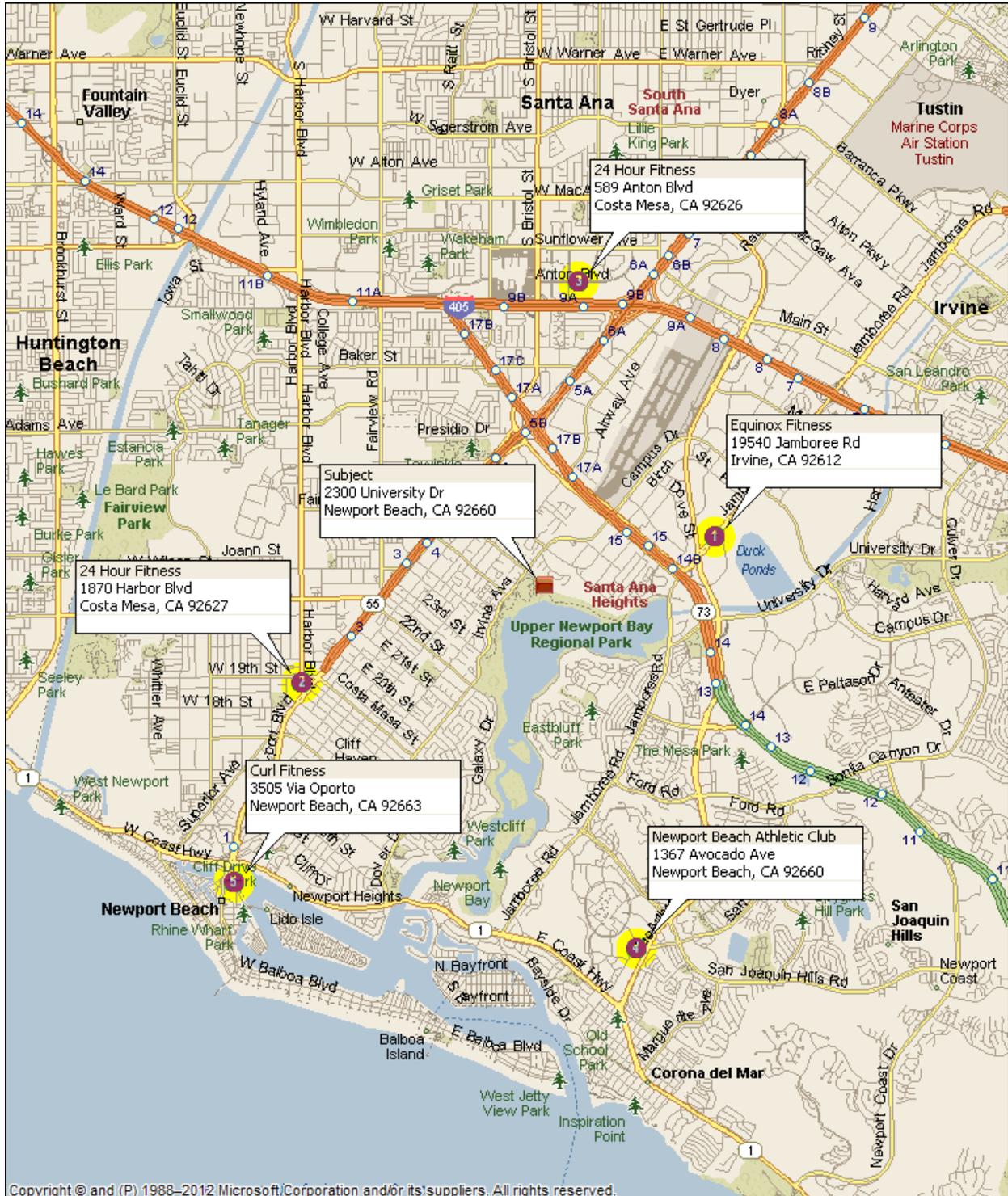
Source: CBRE and Costar

¹⁰ General merchandise including department and other; Apparel and accessory; Furniture and home furnishing, and Other miscellaneous shoppers' goods.

As indicated in the chart above, the size of the average retail property in the trade area is 18% larger than the County. In addition, the total retail inventory square footage per capita within the subject's trade area is 45% higher than the County.

COMPETITIVE PROPERTIES

Comparable properties were surveyed in order to identify the current competition within the regional market. The comparable data is summarized in the following table:



LOCAL COMPETITION			
Name	City	Size	Distance from the Subject
Equinox Fitness	Irvine	17,000 SF	1.46
24 Hour Fitness	Costa Mesa	59,260 SF	2.19
24 Hour Fitness	Costa Mesa	42,148 SF	2.34
Newport Beach Athletic Club	Newport Beach	16,498 SF	3.07
Curl Fitness	Newport Beach	12,899 SF	3.69
Compiled by CBRE			

As shown, the nearest competitor is approximately 1.46 miles away, with four other competitors within a 5-mile radius, indicating a minimal amount of competition for the subject in the immediate 3-mile trade area.

CONCLUSION

The area retail market and the local submarket are exhibiting relatively strong, stable occupancy levels and stable rental rates after a steady increase the last couple years. Absorption was variable in recent years and is currently positive. Considering the recent trends in absorption and the prospects for new construction, we expect the local market area to be stable in the short-term. Apart from the projects listed earlier, new construction is at a virtual standstill, which is beneficial to existing properties. However, the long-term projection for the subject submarket is for continued growth.

The subject is well located for a fitness center development. The subject's trade area has a dense population of 167,795 persons and 63,828 households. The neighborhood has no material vacant commercial land for growth. It is in reasonable proximity to both employment centers and major roadways, and the surrounding retail developments are experiencing good levels of demand. Based upon our analysis, the subject should continue to enjoy good market acceptance.

Highest and Best Use

In appraisal practice, the concept of highest and best use represents the premise upon which value is based. The four criteria the highest and best use must meet are:

- legally permissible;
- physically possible;
- financially feasible; and
- maximally productive.

The highest and best use analysis of the subject is discussed on the following pages.

AS VACANT

Legally Permissible

The legally permissible uses were discussed in the Zoning Section.

Physically Possible

The subject is adequately served by utilities, has an adequate shape and size, sufficient access, etc., to be a separately developable site. The subject site would reasonably accept a site layout for any of the legally probable uses. There are no known physical reasons why the subject site would not support any legally probable development (i.e. it appears adequate for development). The existence of the present development on the site provides additional evidence for the physical possibility of development.

Financially Feasible

The determination of financial feasibility is dependent primarily on the relationship of supply and demand for the legally probable land uses versus the cost to create the uses. As discussed in the market analysis of this report, the subject retail market has experienced steady improvement with increasing tenant demand for new space. Development of new retail properties has occurred in the past few years, when entitlements and permits have been granted, typically after an extended time period. These factors indicate that it would be financially feasible to complete a new commercial or public use project at this time, typically with significant pre-leasing completed.

Maximally Productive

The final test of highest and best use of the site as if vacant is that the use be maximally productive, yielding the highest return to the land. In the case of the subject as if vacant, the analysis has indicated that a new retail or public use project would be most appropriate due to the site's traffic count, infill location, and surrounding uses.

Conclusion: Highest and Best Use As Vacant

Based on the foregoing analysis, the highest and best use of the site, as vacant, would be to develop a fitness center property, or residential housing upon zoning change. Our analysis of the

subject and its respective market characteristics indicate the most likely buyer, as if vacant, would be a developer.

AS IMPROVED

Legally Permissible

As discussed, the subject site's zoning and legal restrictions permit a variety of land uses. The site has been improved with a fitness center development. The subject is a legally-conforming use according to our review of the current zoning code.

Physically Possible

The physical characteristics of the subject improvements were discussed in detail in the improvements analysis. Both the layout and positioning of the improvements are considered functional for fitness center or public use. While it would be physically possible for a wide variety of uses, based on the legal restrictions and the design of the improvements, the continued use of the property for fitness center users would be the most functional use.

Financially Feasible

The financial feasibility of a fitness center property is based on the amount of rent which can be generated, less operating expenses required to generate that income; if a residual amount exists, then the land is being put to a productive use. As will be indicated in the income capitalization approach, the subject would produce a positive net cash flow (\$413,755 net operating income projected) if leased at market terms and continued utilization of the improvements for fitness center purposes is considered financially feasible.

Maximally Productive

The maximally profitable use of the subject as improved should conform to neighborhood trends and be consistent with existing land uses. Although several uses may generate sufficient revenue to satisfy the required rate of return on investment and provide a return on the land, the single use that produces the highest price or value is typically the highest and best use. As shown in the applicable valuation sections, buildings that are similar to the subject have been acquired or continue to be used by fitness center owners/tenants. None of the comparable buildings have been acquired for conversion to an alternative use. These comparables would indicate that the maximally productive use of the property is consistent with the existing use as a fitness center property.

Conclusion: Highest and Best Use as Improved

Based on the foregoing, the highest and best use of the property is as currently improved and the most likely buyer of the subject is an owner/user or investor in a sale-leaseback transaction.

Appraisal Methodology

In appraisal practice, an approach to value is included or omitted based on its applicability to the property type being valued and the quality and quantity of information available.

COST APPROACH

The cost approach is based on the proposition that the 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 property being appraised involves relatively new improvements that represent the highest and best use of the land, or when it is improved with relatively unique or specialized improvements for which there exist few sales or leases of comparable properties.

SALES COMPARISON APPROACH

The sales comparison approach utilizes sales of comparable properties, adjusted for differences, to indicate a value for the subject. Valuation is typically accomplished using physical units of comparison such as price per square foot, price per unit, price per floor, etc., or economic units of comparison such as gross rent multiplier. Adjustments are applied to the physical units of comparison derived from the comparable sale. The unit of comparison chosen for the subject is then used to yield a total value. Economic units of comparison are not adjusted, but rather analyzed as to relevant differences, with the final estimate derived based on the general comparisons.

INCOME CAPITALIZATION APPROACH

The income capitalization approach reflects the subject's income-producing capabilities. This approach is based on the assumption that value is created by the expectation of benefits to be derived in the future. Specifically estimated is the amount an investor would be willing to pay to receive an income stream plus reversion value from a property over a period of time. The two common valuation techniques associated with the income capitalization approach are direct capitalization and the discounted cash flow (DCF) analysis.

METHODOLOGY APPLICABLE TO THE SUBJECT

This appraisal employs all three typical approaches to value: the Cost Approach, the Sales Comparison Approach and the Income Capitalization Approach. Based on our investigations of the subject property and relevant investor profiles, it is our opinion that all approaches are applicable in developing a credible value conclusion.

Land Value

The following map and table summarize the comparable data used in the valuation of the subject site, as currently zoned for public use. A detailed description of each transaction is included in the addenda.



SUMMARY OF COMPARABLE LAND SALES (AS IS)

No.	Property Location	Transaction		Zoning	Actual Sale Price	Adjusted Sale Price ¹	Size (Acres)	Size (SF)	Price Per SF
		Type	Date						
1	SW Birch and Mesa Drive Newport Beach, CA 92651	Sale	Mar-15	SP-7, Santa Ana Heights, BPD, Business Park District	\$7,343,998	\$7,343,998	3.50	152,460	\$48.17
2	Jamboree & Dupont Drive Irvine, CA 92612	Sale	Apr-15	5.1, Irvine Business Complex	\$27,000,000	\$27,000,000	7.50	326,700	\$82.64
3	19121 Brookhurst Street Huntington Beach, CA 92646	Sale	Jul-17	CG, Commercial General	\$1,645,000	\$1,645,000	0.58	25,230	\$65.20
4	31872, 31878 & 31882 Camino Capistrano San Juan Capistrano, CA 92675	Sale	Nov-18	TC, Town Center District	\$5,500,000	\$5,630,700	3.17	138,085	\$40.78
5	31501 Avenida Los Cerritos San Juan Capistrano, CA 92675	Sale	May-19	OC, Office Commercial District	\$4,200,000	\$4,200,000	2.00	87,120	\$48.21
6	Rancho Viejo Road San Juan Capistrano, CA 92675	Available/Listing	May-19	P&I, Public and Institutional District	\$11,995,000	\$11,995,000	9.65	420,354	\$28.54
Subject	2300 University Drive, Newport Beach, California	---	---	PF, Public Facilities	---	---	4.03	175,730	---

¹ Adjusted sale price for cash equivalency and/or development costs (where applicable)

Compiled by CBRE

There are limited available land transactions in the subject's trade area and we have expanded our search to a 20-mile radius from the subject property in Orange County, which are generally similar in size as the subject and have traded since March 2015. Due to the limited availability of land transactions with similar zoning classifications to the subject's, we have applied a downward adjustment for the zoning of each comparable, whereby other commercial uses could be constructed.

The following adjustments are a numerical representation of our subjective judgments. They are not necessarily the result of a paired sales or other quantitative analysis. They are intended to show the direction and amount of adjustment considered warranted by the appraiser, from subjective analysis of the comparables and experience with similar properties.

The sales that are included in this analysis date between March 2015 and May 2019. For the Market Conditions adjustment, we have applied an annual 3.0% upward adjustment to account for the value appreciation in the market.

DISCUSSION/ANALYSIS OF LAND SALES

Land Sale One

This is the March 2015 sale of a 3.5 acre site located at south west Birch Street and Mesa Drive in the city of Irvine, Orange County, which Newport Heights Ventures acquired in two transactions from Newport Executive LLC and Moriarty Richard A. Trust which simultaneously sold APN's 469-382-31 & 34 on the same date at the same average price per square foot. The current available tax map presented above does not show where Birch Street is dedicated as part of the acquired land. The buyer purchased the land to develop a 64,000 square foot medical office complex. The development will include two buildings which will begin construction in the summer of 2015. Each will be designed for OSPHD-3 licensed medical clinics to support various uses, including outpatient surgery and dialysis centers. The Orange County Assessor reports the total combined sale price was \$7,711,000 whereas the two brokers handling the transactions report that the buyer actually paid \$7,343,998, or \$48.17 PSF.

The upward market conditions (time) adjustment reflects the improved market conditions since the date of sale. The downward adjustment for size reflects this comparable's superior feature with respect to this comparable's smaller size compared to the subject. In terms of corner, this comparable was judged inferior due to this site's interior location and received an upward adjustment for this characteristic. With respect to zoning, this comparable was considered superior in this aspect and received a downward adjustment because of this site's less restrictive zoning compared to the subject. Overall, this comparable was deemed superior in comparison to the subject and a downward net adjustment was warranted to the sales price indicator.

Land Sale Two

This is the April 2015 sale of a 7.5-acre site located at Jamboree Road & Dupont Drive in the city of Irvine, Orange County. The property was purchased by Boardwalk Office Associates, LLC

on April 30, 2015 for \$27,000,000, or \$82.64 PSF. The site fronts Jamboree Boulevard and Dupont Drive. The buyer plans to construct an office development on the site called "The Boardwalk." The property is zoned as 5.1, Irvine Business Complex. This is the April 2015 sale of a 7.5-acre site located at Jamboree Road & Dupont Drive in the city of Irvine, Orange County. The property was purchased by Boardwalk Office Associates, LLC on April 30, 2015 for \$27,000,000, or \$82.64 PSF. The site fronts Jamboree Boulevard and Dupont Drive. The buyer plans to construct an office development on the site called "The Boardwalk." The property is zoned as 5.1, Irvine Business Complex.

The upward market conditions (time) adjustment reflects the improved market conditions since the date of sale. The upward adjustment for size reflects this comparable's inferior feature with respect to this comparable's larger size compared to the subject. The adjustment for location was warranted due to superior surrounding uses and economic demographics and a more heavily trafficked street compared to the subject. Therefore, a downward adjustment was judged proper for this comparable. With respect to zoning, this comparable was considered superior in this aspect and received a downward adjustment because of this site's less restrictive zoning compared to the subject. Overall, this comparable was deemed superior in comparison to the subject and a downward net adjustment was warranted to the sales price indicator.

Land Sale Three

This is the July 2017 sale of a 0.58-acre site located at 19121 Brookhurst Street in the city of Huntington Beach, Orange County. The land was previously used as a nursery and was purchased for retail/commercial purpose. Title to this land is currently vested in the name of BEMM, LLC who acquired the property on July 3, 2017 for a purchase price of \$1,645,000, or \$65.20 PSF. The property is zoned as commercial general (CG), which allows for various commercial uses. This is the July 2017 sale of a 0.58-acre site located at 19121 Brookhurst Street in the city of Huntington Beach, Orange County. The land was previously used as a nursery and was purchased for retail/commercial purpose. Title to this land is currently vested in the name of BEMM, LLC who acquired the property on July 3, 2017 for a purchase price of \$1,645,000, or \$65.20 PSF. The property is zoned as commercial general (CG), which allows for various commercial uses.

The upward market conditions (time) adjustment reflects the improved market conditions since the date of sale. The downward adjustment for size reflects this comparable's superior feature with respect to this comparable's smaller size compared to the subject. In terms of corner, this comparable was judged inferior due to this site's interior location and received an upward adjustment for this characteristic. The adjustment for location was warranted due to superior surrounding uses and economic demographics and a more heavily trafficked street compared to the subject. Therefore, a downward adjustment was judged proper for this comparable. With respect to zoning, this comparable was considered superior in this aspect and received a downward adjustment because of this site's less restrictive zoning compared to the subject.

Overall, this comparable was deemed superior in comparison to the subject and a downward net adjustment was warranted to the sales price indicator.

Land Sale Four

This is the November 2018 sale of a previously developed site totaling 3.17 acres located at 31872, 31878 & 31882 Camino Capistrano in the city of San Juan Capistrano, Orange County. The site was previously improved with three, low-rise office buildings totaling approximately 32,676 square feet, and was known as Birtcher Plaza. The site is located on the east side of Camino Capistrano, just north of Del Obispo Street and west of the 5 Freeway, in San Juan Capistrano. The zoning is TC, Town Center District, which allows various commercial uses. In November 2018, the property was purchased for \$5,500,000, or \$40.78 per square foot of land area. As of December 20, 2018, the existing building improvements were being demolished. Building demolition and debris removal costs are estimated at about \$4 per square foot of building area, or a total cost of \$130,700, and was added to the purchased price. This is the November 2018 sale of a previously developed site totaling 3.17 acres located at 31872, 31878 & 31882 Camino Capistrano in the city of San Juan Capistrano, Orange County. The site was previously improved with three, low-rise office buildings totaling approximately 32,676 square feet, and was known as Birtcher Plaza. The site is located on the east side of Camino Capistrano, just north of Del Obispo Street and west of the 5 Freeway, in San Juan Capistrano. The zoning is TC, Town Center District, which allows various commercial uses. In November 2018, the property was purchased for \$5,500,000, or \$40.78 per square foot of land area. As of December 20, 2018, the existing building improvements were being demolished. Building demolition and debris removal costs are estimated at about \$4 per square foot of building area, or a total cost of \$130,700, and was added to the purchased price.

The upward market conditions (time) adjustment reflects the improved market conditions since the date of sale. The downward adjustment for size reflects this comparable's superior feature with respect to this comparable's smaller size compared to the subject. Upon comparison with the subject, this comparable was considered inferior in terms of shape and received an upward adjustment for this characteristic due to this comparable's irregular shape and below average utility compared to the subject. With respect to zoning, this comparable was considered superior in this aspect and received a downward adjustment because of this site's less restrictive zoning compared to the subject. Overall, this comparable was deemed superior in comparison to the subject and a downward net adjustment was warranted to the sales price indicator.

Land Sale Five

This is the May 2019 sale of an approximately 2 acre site located on the west side of Avenida los Cerritos, just north of Ortega Highway, in the city of San Juan Capistrano, Orange County. The immediate surrounding area is developed with mostly low-rise office and residential. The 5 Freeway is adjacent west. The site is comprised of two parcels (APNs 650-151-14 and -15) that were previously developed with residential homes, and a portion of APN 650-151-30, which

requires a lot line adjustment from the neighboring church property located immediately north. The zoning is OC, office commercial district. The buyer is obtaining approvals for development of a memory care facility. The property sold on May 22, 2019 for \$4,200,000, or \$48.21 PSF. Before going into escrow the property received 10 offers within 30 days. This is the May 2019 sale of an approximately 2 acre site located on the west side of Avenida los Cerritos, just north of Ortega Highway, in the city of San Juan Capistrano, Orange County. The immediate surrounding area is developed with mostly low-rise office and residential. The 5 Freeway is adjacent west. The site is comprised of two parcels (APNs 650-151-14 and -15) that were previously developed with residential homes, and a portion of APN 650-151-30, which requires a lot line adjustment from the neighboring church property located immediately north. The zoning is OC, office commercial district. The buyer is obtaining approvals for development of a memory care facility. The property sold on May 22, 2019 for \$4,200,000, or \$48.21 PSF. Before going into escrow the property received 10 offers within 30 days.

The downward adjustment for size reflects this comparable's superior feature with respect to this comparable's smaller size compared to the subject. Upon comparison with the subject, this comparable was considered inferior in terms of shape and received an upward adjustment for this characteristic due to this comparable's irregular shape and below average utility compared to the subject. In terms of corner, this comparable was judged inferior due to this site's interior location and received an upward adjustment for this characteristic. With respect to zoning, this comparable was considered superior in this aspect and received a downward adjustment because of this site's less restrictive zoning compared to the subject. Overall, this comparable was deemed superior in comparison to the subject and a downward net adjustment was warranted to the sales price indicator.

Land Sale Six

This is the May 2019 listing of a 9.65-acre site located in along Rancho Viejo Road in the city of San Juan Capistrano, Orange County. The site is mostly level and has been graded. The property is zoned Public and Institutional (P&I) District. The property was on the market for 13 months with a recently reduced asking price of \$11,995,000 or \$28.54 PSF. The proposed use will most likely be a religious facility. Other permitted uses include general office uses, public and semi-public buildings, financial agencies, non-profit office buildings and libraries/museums. This is the May 2019 listing of a 9.65-acre site located in along Rancho Viejo Road in the city of San Juan Capistrano, Orange County. The site is mostly level and has been graded. The property is zoned Public and Institutional (P&I) District. The property was on the market for 13 months with a recently reduced asking price of \$11,995,000 or \$28.54 PSF. The proposed use will most likely be a religious facility. Other permitted uses include general office uses, public and semi-public buildings, financial agencies, non-profit office buildings and libraries/museums.

In terms of conditions of sale, this comparable was considered superior and received a downward adjustment for this characteristic due to this being a current listing and the likely sale

price will be lower. The upward adjustment for size reflects this comparable's inferior feature with respect to this comparable's larger size compared to the subject. Overall, this comparable was deemed inferior in comparison to the subject and an upward net adjustment was warranted to the sales price indicator.

SUMMARY OF ADJUSTMENTS

Based on our comparative analysis, the following chart summarizes the adjustments warranted to each comparable.

LAND SALES ADJUSTMENT GRID							Subject
Comparable Number	1	2	3	4	5	6	---
Transaction Type	Sale	Sale	Sale	Sale	Sale	Available/Listing	---
Transaction Date	Mar-15	Apr-15	Jul-17	Nov-18	May-19	May-19	---
Zoning	SP-7, Santa Ana Heights, BPD, Business	5.1, Irvine Business Complex	CG, Commercial General	TC, Town Center District	OC, Office Commercial District	P&I, Public and Institutional District	PF, Public Facilities
Actual Sale Price	\$7,343,998	\$27,000,000	\$1,645,000	\$5,500,000	\$4,200,000	\$11,995,000	---
Adjusted Sale Price ¹	\$7,343,998	\$27,000,000	\$1,645,000	\$5,630,700	\$4,200,000	\$11,995,000	---
Size (Acres)	3.50	7.50	0.58	3.17	2.00	9.65	4.03
Size (SF)	152,460	326,700	25,230	138,085	87,120	420,354	175,730
Price Per SF	\$48.17	\$82.64	\$65.20	\$40.78	\$48.21	\$28.54	---
Price (\$ PSF)	\$48.17	\$82.64	\$65.20	\$40.78	\$48.21	\$28.54	---
Property Rights Conveyed							
Financing Terms ¹							
Conditions of Sale						-10%	
Market Conditions (Time)	12%	12%	6%	2%			
Subtotal	\$53.95	\$92.56	\$69.11	\$41.60	\$48.21	\$25.69	
Size	-5%	10%	-25%	-5%	-10%	15%	
Shape				5%	5%		
Corner	5%		5%		5%		
Frontage							
Topography							
Location		-40%	-10%				
Zoning	-35%	-35%	-35%	-35%	-35%		
Utilities							
Highest & Best Use							
Total Other Adjustments	-35%	-65%	-65%	-35%	-35%	15%	
Value Indication for Subject	\$35.07	\$32.39	\$24.19	\$27.04	\$31.34	\$29.54	

¹ Adjusted sale price for cash equivalency and/or development costs (where applicable)

Compiled by CBRE

CONCLUSION

Comparable 6 has the lowest unadjusted sale price per square foot (\$28.54 PSF) as this is a larger site with public use zoning. Comparable 2 has the highest unadjusted sale price per square foot (\$82.64 PSF) as it has a superior location along Jamboree Road in Irvine.

The range of adjusted comparable indicators exhibited by the comparables is \$24.19 to \$35.07 per square foot, with an average of \$29.93 per square foot.

Based on the preceding analysis, Comparable 6 was the most representative of the subject site, and warranted greatest consideration because of its similar location and public use zoning. In

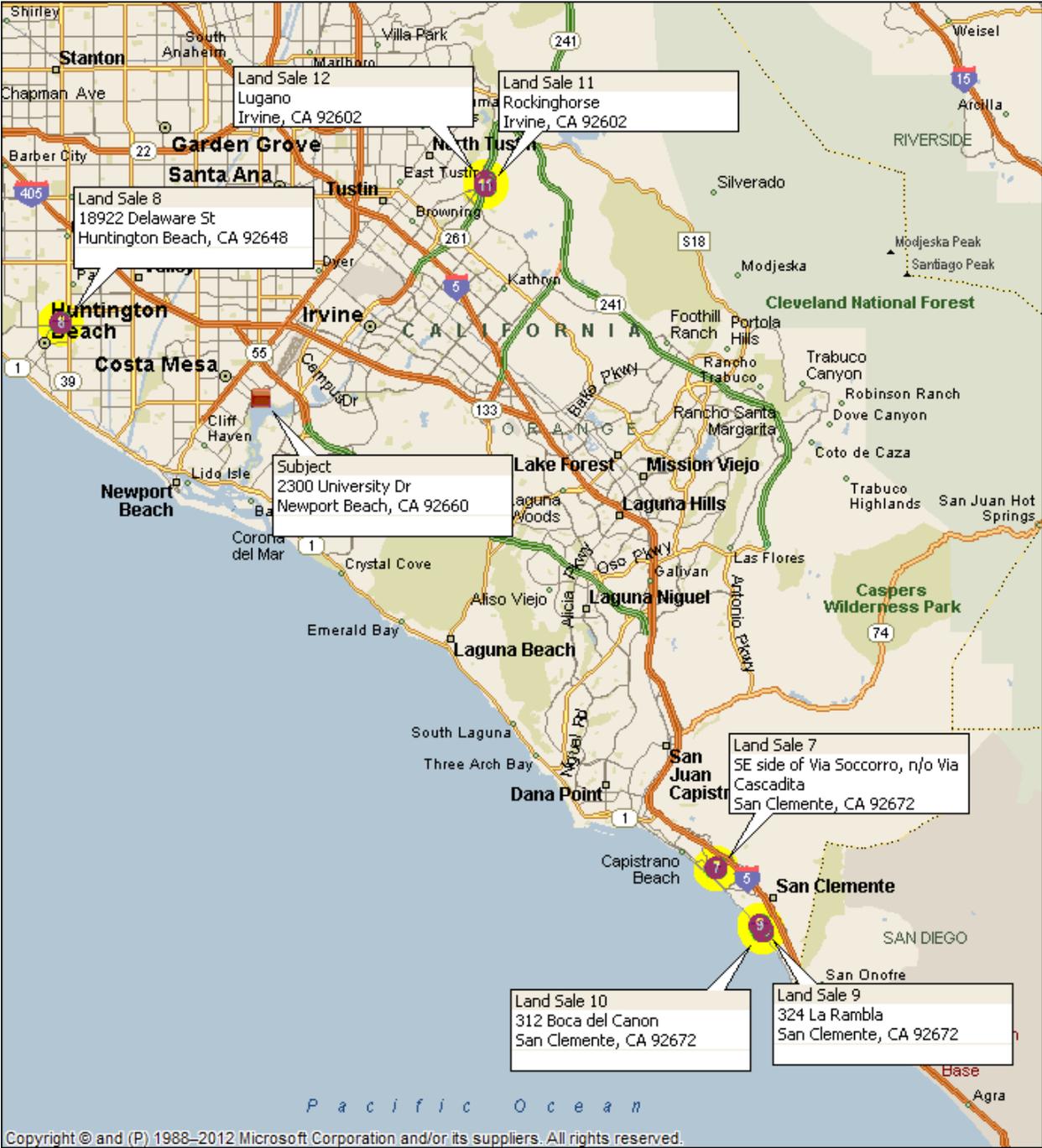
conclusion, a price per square foot indication towards the midpoint of the range was most appropriate for the subject.

The following table presents the valuation conclusion, based on the subject's current zoning:

CONCLUDED LAND VALUE (AS IS)				
\$ PSF		Subject SF		Total
\$25.00	x	175,730	=	\$4,393,250
\$35.00	x	175,730	=	\$6,150,550
Indicated As Is Value:				\$5,300,000
				(Rounded \$ PSF) \$30.16
Compiled by CBRE				

Hypothetical Land Value

The following map and table summarize the comparable data used in the valuation of the subject's hypothetical land value. The hypothetical land value is based off the subject's site being re-zoned to a Single Unit Residential (R-1 or R-1-6000) zoning classification. A detailed description of each transaction is included in the addenda.



SUMMARY OF COMPARABLE LAND SALES (HYPOTHETICAL)

No.	Property Location	Transaction		Zoning	Actual Sale Price	Adjusted Sale Price ¹	Size (Acres)	Size (SF)	Price Per Acre	Price Per SF
		Type	Date							
7	SE side of Via Soccorro, North of Via Cascadita San Clemente, CA 92672	Sale	Nov-16	RML, Residential Medium Low Density	\$5,800,000	\$6,186,010	2.66	116,048	\$2,321,989	\$53.31
8	18922 Delaware St Huntington Beach, CA 92648	Sale	Apr-17	RM, Residential Medium Density Zone	\$4,080,000	\$4,080,000	1.00	43,560	\$4,080,000	\$93.66
9	324 La Rambla San Clemente, CA 92672	Sale	Jun-18	R1, Single Family Zone	\$4,150,000	\$4,150,000	0.52	22,683	\$7,970,040	\$182.96
10	312 Boca Del Canon San Clemente, CA 92672	Sale	Jun-18	RM-1, Residential, Medium Density Zone	\$4,400,000	\$4,400,000	0.96	41,818	\$4,583,333	\$105.22
11	Rockinghorse Irvine, CA 92602	Sale	Jul-18	2.2D, Low Density Residential	\$9,320,600	\$9,320,600	1.15	50,094	\$8,104,870	\$186.06
12	Lugano Irvine, CA 92602	Sale	Feb-19	2.2, Low Density Residential	\$4,547,000	\$4,547,000	0.65	28,314	\$6,995,385	\$160.59
Subject	2300 University Drive, Newport Beach, California	---	---	R1	---	---	4.03	175,730	---	---

¹ Adjusted sale price for cash equivalency and/or development costs (where applicable)

Compiled by CBRE

There are no residential land transactions in the subject's trade area and we have expanded our search to a 25-mile radius from the subject property in Orange County, which are generally similar in size as the subject, have a similar proposed single-family zoning classification (Single Unit Residential), and have traded since late 2016.

The following adjustments are a numerical representation of our subjective judgments. They are not necessarily the result of a paired sales or other quantitative analysis. They are intended to show the direction and amount of adjustment considered warranted by the appraiser, from subjective analysis of the comparables and experience with similar properties.

The sales that are included in this analysis date between Nov-2016 and Feb-2019. For the Market Conditions adjustment, we have applied an annual 3.0% upward adjustment to account for the value appreciation in the market.

DISCUSSION/ANALYSIS OF LAND SALES

Land Sale 7

This is the sale of 9 nearly finished single family lots in San Clemente. The lots were completed several years earlier but have eroded over time and require some re-grading and payment of fees. The lots are located along the southeastern side of Via Socorro. The lots have a minimum gross lot size of 12,595 square feet but there is an open space area extending along the southeastern border that reduces the lots to an average minimum pad size of 7,900 square feet. The buyer intends to construct homes from 4,003 to 5,319 square feet that will be priced somewhere around \$1,600,000 - \$1,800,000. Remaining site costs were reported at \$386,010, or \$42,890 per lot. The total finished lot price is \$687,334 per lot. There are no CFD assessments impacting the property. The lots have minor blue-water ocean views.

The upward market conditions adjustment reflects the improved market conditions since the date of sale. The downward adjustment for size reflects this comparable's superior feature with respect to this comparable's smaller size compared to the subject. The adjustment for location was warranted due to inferior surrounding uses and economic demographics compared to the subject. Therefore, an upward adjustment was judged proper for this comparable. Overall, this comparable was deemed inferior in comparison to the subject and an upward net adjustment was warranted to the sales price indicator.

Land Sale 8

This is the April 2017 sale of a 1-acre residential land site located a 18922 Delaware Street in the city of Huntington Beach, Orange County. The property consists of one parcel. The site has level, at street grade topography and all necessary utilities are provided. The property is zoned as Medium Residential Density Zone (RM), and the buyer plans to develop the land into a senior assisted care facility. RM zoning requires a minimum lot area of 6,000 square feet. On April 24, 2017 the property sold for \$4,080,000, or 93.66 PSF. The property was in escrow for a little over a year as the escrow was contingent upon plan approval.

The upward market conditions adjustment reflects the improved market conditions since the date of sale. The downward adjustment for size reflects this comparable's superior feature with respect to this comparable's smaller size compared to the subject. Overall, this comparable was deemed superior in comparison to the subject and a downward net adjustment was warranted to the sales price indicator.

Land Sale 9

This is the sales transaction of two parcels that originally had two separate houses. They were destroyed by a landslide. The sold together for \$4,150,000 on June 4, 2018 as indicated within the local MLS system. The lots are front row and have ocean views. The are located at the end of a cul-de-sac. This is the sales transaction of two parcels that originally had two separate houses. They were destroyed by a landslide. The sold together for \$4,150,000 on June 4, 2018 as indicated within the local MLS system. The lots are front row and have ocean views. The are located at the end of a cul-de-sac.

The upward market conditions adjustment reflects the improved market conditions since the date of sale. The downward adjustment for size reflects this comparable's superior feature with respect to this comparable's smaller size compared to the subject. The adjustment for location was warranted due to these being oceanview lots. Therefore, a downward adjustment was judged proper for this comparable. Overall, this comparable was deemed superior in comparison to the subject and a downward net adjustment was warranted to the sales price indicator.

Land Sale 10

This is the June 2018 sale of 0.96-acres of residential land, located at 312 Boca Del Canon in the city of San Clemente, Orange County. The property consists of five parcels total. The site has a rolling topography and all necessary utilities are provided. The property is zoned as Residential, Medium Density Zone (RM-1), and the buyer plans to develop the land into five beach front homes. RM-1 zoning requires a minimum lot area of 6,000 square feet. On June 11, 2018 the property sold for \$4,400,000, or \$104.99 PSF. This was an all cash transaction.

The upward market conditions adjustment reflects the improved market conditions since the date of sale. The downward adjustment for size reflects this comparable's superior feature with respect to this comparable's smaller size compared to the subject. Overall, this comparable was deemed superior in comparison to the subject and a downward net adjustment was warranted to the sales price indicator.

Land Sale 11

This is the July 2018 sale of a 1.15-acre residential land site located along Rockinghorse in the city of Irvine, Orange County. The property consists of twelve parcels total. The site has level, at street grade topography and all necessary utilities are provided. The property is zoned as 2.2, Low Density Residential, and the buyer plans to develop the land single family residential uses.

Low Density Residential zoning requires a minimum lot area of 4,000 square feet. On July 10, 2018 the property sold for \$9,320,600, or \$186.06 PSF.

The upward market conditions adjustment reflects the improved market conditions since the date of sale. The downward adjustment for size reflects this comparable's superior feature with respect to this comparable's smaller size compared to the subject. This property has a superior zoning allowing for higher density and a downward adjustment is required. Overall, this comparable was deemed superior in comparison to the subject and a downward net adjustment was warranted to the sales price indicator.

Land Sale 12

This is the February 2019 sale of a 0.65-acre residential land site located along Lugano in the city of Irvine, Orange County. The property consists of six parcels total. The site has level, at street grade topography and all necessary utilities are provided. The property is zoned as 2.2, Low Density Residential, and the buyer plans to develop the land into a senior assisted care facility. Low Density Residential zoning requires a minimum lot area of 4,000 square feet. On February 15, 2019 the property sold for \$4,547,000, or \$161.45 PSF.

The upward market conditions adjustment reflects the improved market conditions since the date of sale. The downward adjustment for size reflects this comparable's superior feature with respect to this comparable's smaller size compared to the subject. This property has a superior zoning allowing for higher density and a downward adjustment is required. Overall, this comparable was deemed superior in comparison to the subject and a downward net adjustment was warranted to the sales price indicator.

SUMMARY OF ADJUSTMENTS

Based on our comparative analysis, the following chart summarizes the adjustments warranted to each comparable.

LAND SALES ADJUSTMENT GRID (HYPOTHETICAL)							Subject
Comparable Number	7	8	9	10	11	12	---
Transaction Type	Sale	Sale	Sale	Sale	Sale	Sale	---
Transaction Date	Nov-16	Apr-17	Jun-18	Jun-18	Jul-18	Feb-19	---
Zoning	RML, Residential Medium Low Density	RM, Residential Medium Density Zone	R1, Single Family Zone	RM-1, Residential, Medium Density Zone	2.2D, Low Density Residential	2.2, Low Density Residential	R1
Actual Sale Price	\$5,800,000	\$4,080,000	\$4,150,000	\$4,400,000	\$9,320,600	\$4,547,000	---
Adjusted Sale Price ¹	\$6,186,010	\$4,080,000	\$4,150,000	\$4,400,000	\$9,320,600	\$4,547,000	---
Size (Acres)	2.66	1.00	0.52	0.96	1.15	0.65	4.03
Size (SF)	116,048	43,560	22,683	41,818	50,094	28,314	175,730
Price Per Acre	\$2,321,989	\$4,080,000	\$7,970,040	\$4,583,333	\$8,104,870	\$6,995,385	---
Price (\$ PSF)	\$2,321,989	\$4,080,000	\$7,970,040	\$4,583,333	\$8,104,870	\$6,995,385	---
Property Rights Conveyed							
Financing Terms ¹							
Conditions of Sale							
Market Conditions	8%	6%	3%	3%	3%	1%	
Subtotal	\$2,507,748	\$4,324,800	\$8,209,142	\$4,720,833	\$8,348,016	\$7,065,338	
Size	-5%	-20%	-25%	-20%	-20%	-25%	
Shape							
Corner							
Frontage							
Topography							
Location	25%		-25%				
Zoning							
Utilities							
Highest & Best Use					-25%	-25%	
Total Other Adjustments	20%	-20%	-50%	-20%	-45%	-50%	
Value Indication for Subject	\$3,009,297	\$3,459,840	\$4,104,571	\$3,776,667	\$4,591,409	\$3,532,669	

¹ Adjusted sale price for cash equivalency and/or development costs (where applicable)
Compiled by CBRE

CONCLUSION

Comparable 7 has the lowest unadjusted sale price per acre (\$2,321,989 per acre) as it is the largest comparable. Comparable 11 has the highest unadjusted sale price per acre (\$8,104,870 per acre) as it is a smaller site with higher density allowed.

The range of adjusted comparable indicators exhibited by the comparables is \$3,009,297 per acre to \$4,591,409 per acre, with an average of \$3,745,742 per acre.

Based on the preceding analysis, all the comparables were the most representative of the subject site, and warranted consideration because of their similar locations in Orange County and single-family residential zoning. In conclusion, a price per acre indication towards the midpoint of the range was most appropriate for the subject.

The following table presents the valuation conclusion:

CONCLUDED LAND VALUE (HYPOTHETICAL)				
\$ Per Acre		Subject (Acres)		Total
\$3,500,000	x	4.03	=	\$14,119,720
\$4,000,000	x	4.03	=	\$16,136,823
Indicated Value:				\$15,100,000
		(Rounded \$ Acre)		\$3,742,992

Compiled by CBRE

Insurable Value (Replacement Cost New)

Insurable value is defined as follows:

1. the value of an asset or asset group that is covered by an insurance policy; can be estimated by deducting costs of non-insurable items (e.g., land value) from market value.
2. value used by insurance companies as the basis for insurance. Often considered to be replacement or reproduction cost plus allowances for debris removal or demolition less deterioration and non-insurable items. Sometimes cash value or market value, but often entirely a cost concept.¹¹
3. a type of value for insurance purposes.¹²

CBRE, Inc. has followed traditional appraisal standards to develop a reasonable calculation based upon industry practices and industry-accepted publications such as the Marshall Valuation Service. The methodology employed is a derivation of the cost approach and is not reliable for insurable value estimates. Actual construction costs and related estimates can vary greatly from this estimate.

The insurable value estimate presented herein is intended to reflect the value of the destructible portions of the subject, based on the replacement of physical items that are subject to loss from hazards (excluding indestructible items such as basement excavation, foundation, site work, land value and indirect costs). In the case of the subject, this estimate is based upon the base building costs (direct costs) as obtained via the Marshall Valuation Service handbook, with appropriate deductions.

This analysis should not be relied upon to determine proper insurance coverage as only consultants considered experts in cost estimation and insurance underwriting are qualified to provide an insurable value. It is provided to aid the client/reader/user as part of their overall decision-making process and no representations or warranties are made by CBRE, Inc. regarding the accuracy of this estimate and it is strongly recommended that other sources be utilized to develop any estimate of insurable value.

¹¹ Marshall & Swift/Boeckh, LLC, *Marshall Valuation Service*, (Los Angeles: Marshall & Swift/Boeckh, LLC, 2010), Sec 3, p 2.

¹² Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 5th ed. (Chicago: Appraisal Institute, 2010), 102.

INSURABLE VALUE			
Primary Building Type:	Retail	Height per Story:	N/A
Effective Age:	40 YRS	Number of Buildings:	1
Condition:	Average	Gross Building Area:	17,973 SF
Exterior Wall:	Concrete block/frame & stucco		
Number of Stories:	2		
MVS Sec/Page			16/21
Quality/Bldg. Class			Good/C
Building Component			Fitness Center
Component Sq. Ft.			17,973 SF
Base Square Foot Cost			\$141.00
Square Foot Refinements			
Heating and Cooling			\$6.00
Sprinklers			\$3.00
Subtotal			\$150.00
Height and Size Refinements			
Number of Stories Multiplier			1.00
Height per Story Multiplier			1.00
Floor Area Multiplier			1.00
Subtotal			\$150.00
Cost Multipliers			
Current Cost Multiplier			1.07
Local Multiplier			1.22
Final Square Foot Cost			\$195.81
Base Component Cost			\$3,519,293
Base Building Cost	(via Marshall Valuation Service cost data)		\$3,519,293
Insurable Exclusions	10.0% of Total Building Cost		(\$351,929)
Indicated Insurable Value			\$3,167,364
Rounded			\$3,167,000
Value Per SF			\$176.21
Compiled by CBRE			

Sales Comparison Approach

The following map and table summarize the comparable data used in the valuation of the subject. A detailed description of each transaction is included in the addenda.



SUMMARY OF COMPARABLE RETAIL SALES											
No.	Property Name	Transaction Type	Date	YOC / Reno'd	GLA (SF)	Actual Sale Price	Adjusted Sale Price ¹	Price Per SF ¹	Occ.	NOI Per SF	OAR
1	LA Fitness 13822 Garvey Avenue, Baldwin Park, CA 91706	Sale	Oct-17	2017	45,000	\$15,725,000	\$15,725,000	\$349.44	100%	\$17.82	5.10%
2	Fitness 19 7886 Valley View Street, Buena Park, CA 90620	Sale	May-18	2014	9,984	\$2,850,000	\$2,850,000	\$285.46	100%	\$18.43	6.46%
3	LA Fitness 29737 Antelope Rd., Menifee, CA 92584	Sale	Jul-18	2017	38,000	\$14,600,000	\$14,600,000	\$384.21	100%	\$23.05	6.00%
4	LA Fitness 29920 Temecula Parkway, Temecula, CA 92592	Sale	Nov-18	2018	37,000	\$13,000,000	\$13,000,000	\$351.35	100%	\$21.54	6.13%
5	24 Hour Fitness 42900 Jackson Street, Indio, CA 92203	Sale	Feb-19	2007	36,612	\$14,325,000	\$14,325,000	\$391.27	100%	\$26.02	6.65%
6	Crunch Fitness Single Tenant 6723 Van Nuys Boulevard, Van Nuys, CA 91405	Available /Listing	May-19	1950 / 2017	20,500	\$6,900,000	\$6,900,000	\$336.59	0%	\$19.27	5.72%
Subj.	YMCA of Orange County Pro 2300 University Drive, Forma Newport Beach, CA 92660	---	---	1967 / 2007	17,973	---	---	---	---	\$22.48	---

¹ Adjusted sale price for cash equivalency, lease-up and/or deferred maintenance (where applicable)
Compiled by CBRE

The sales utilized represent the best data available for comparison with the subject. There are relatively few current owner/user sales of fitness centers in the region, and we have selected our sales from our research of comparable improved, leased fee interest fitness center sales within the greater Southern California area, generally between 5,000 and 50,000 square feet, which have traded since 2017.

The following adjustments are a numerical representation of our subjective judgments. They are not necessarily the result of a paired sales or other quantitative analysis. They are intended to show the direction and amount of adjustment considered warranted by the appraiser, from subjective analysis of the comparables and experience with similar properties.

The sales that are included in this analysis date between October 2017 and May 2019. The market conditions adjustment has been estimated to be an annual 3.0% upward adjustment to account for the value appreciation in the market.

DISCUSSION/ANALYSIS OF IMPROVED SALES

Improved Sale One

The property is a brand-new freestanding the LA Fitness health club totaling 45,000 SF located at 13822 Garvey Ave. in Baldwin Park, Los Angeles County. The subject property was listed on the market at \$16,000,000, and sold for \$15,725,000, or \$351 per square foot. The improvements were built in 2017 and are situated on a 4.03-acre site. The subject property was fully occupied by LA Fitness at the time of sale in which they are leasing back the property for twenty years on a triple net basis. The lease is signed and backed by Fitness International, parent company of LA Fitness with 690+ locations in the U.S. and Canada. The first year pro forma capitalization rate was reported at 5.1%.

The upward market conditions (time) adjustment reflects the improved market conditions since the date of sale. The upward adjustment for location reflects this comparable's inferior feature with respect to inferior trade area economic demographics. Upon comparison with the subject, this comparable was considered inferior in terms of size and received an upward adjustment for this characteristic due to this comparable's larger building size compared to the subject. In terms of age/condition, this comparable was judged superior due to its more recent year of construction and more appealing physical appearance compared to the subject and received a downward adjustment for this characteristic. Overall, this comparable was deemed inferior in comparison to the subject and an upward net adjustment was warranted to the sales price indicator.

Improved Sale Two

This is the May 2018 sale of a 9,984 square foot retail building located at 7886 Valley View St in Buena Park, Orange County. The improvements were built in 2014 and are situated on a 1.03-acre site. The property sold for \$2,850,000, or \$285.46 per square foot. The property was 100% percent leased at the time of sale to Fitness 19. The indicated capitalization rate of 6.46% was based on the property's contract rent in place. The existing rent of \$184,000 per year is set to

increase to \$202,176 per year on July 1, 2019. The lease expires June 30, 2024, plus two 5-year options at 10% rent increases.

The upward market conditions (time) adjustment reflects the improved market conditions since the date of sale. Upon comparison with the subject, this comparable was considered superior in terms of size and received a downward adjustment for this characteristic due to this comparable's smaller building size compared to the subject. With respect to tenancy, this comparable was considered inferior in this aspect and received an upward adjustment because of its inferior tenant credit strength compared to the subject. Overall, this comparable was deemed inferior in comparison to the subject and an upward net adjustment was warranted to the sales price indicator.

Improved Sale Three

This is the November 2017 sale of a 2017 built LA Fitness building located within new Menifee Lakes Plaza development, a 100,000 SF mixed-use development. The comparable is specifically located to the west of Balsa Road and east of the 215 Freeway. The address is 29737 Antelope Road in Menifee, Riverside County. The improvements were built in late 2017, are in new condition, and contain 38,000 rentable square feet. The improvements are situated on a 3.50-acre site. During time of sale, the building was fully leased to LA Fitness for a 15-year term. The NNN lease also includes three, 5-year options. The purchase price was \$14,600,000 or approximately \$384.21 PSF. Based on the pro forma NOI, the capitalization rate was approximately 6.0%.

The upward market conditions (time) adjustment reflects the improved market conditions since the date of sale. The upward adjustment for location reflects this comparable's inferior feature with respect to inferior trade area economic demographics. Upon comparison with the subject, this comparable was considered inferior in terms of size and received an upward adjustment for this characteristic due to this comparable's larger building size compared to the subject. In terms of age/condition, this comparable was judged superior due to its more recent year of construction and more appealing physical appearance compared to the subject and received a downward adjustment for this characteristic. Overall, this comparable was deemed inferior in comparison to the subject and an upward net adjustment was warranted to the sales price indicator.

Improved Sale Four

This is the November 2018 sale of a 37,000-square-foot retail building located at 29920 Temecula Parkway in the city of Temecula, Riverside County. The improvements were built in 2018, are in good overall condition and situated on a 3.69-acre site. At the time of sale, the property was leased to LA Fitness for 15 years commencing February 9, 2018 and expiring January 9, 2033 on a NNN basis. The property sold for \$13,000,000, or \$351.35 per square foot with a 6.13% capitalization rate. This transaction was part of a 1031 Exchange for the buyer.

The upward market conditions (time) adjustment reflects the improved market conditions since the date of sale. The upward adjustment for location reflects this comparable's inferior feature with respect to inferior trade area economic demographics. Upon comparison with the subject, this comparable was considered inferior in terms of size and received an upward adjustment for this characteristic due to this comparable's larger building size compared to the subject. In terms of age/condition, this comparable was judged superior due to its more recent year of construction and more appealing physical appearance compared to the subject and received a downward adjustment for this characteristic. An adjustment for traffic counts/exposure was considered appropriate for this comparable given its superior traffic counts and exposure when compared to the subject. Because of this superior trait, a downward adjustment was considered appropriate. Overall, this comparable was deemed superior in comparison to the subject and a downward net adjustment was warranted to the sales price indicator.

Improved Sale Five

This is the February 2019 sale of 24 Hour Fitness located at 42900 Jackson Street in the city of Indio, Riverside County. The property is located within the Indio Towne Center, a community shopping center anchored by Home Depot, Winco Foods, CVS Pharmacy, Party City, and Petco. The improvements consist of 36,612 square feet and were constructed in 2007. The subject is situated on a 3.74-acre land site and is considered to be in good overall condition. The property contains 251 surface parking spaces which equates to 6.86 spaces per 1,000 SF of net rentable area. The subject is 100% leased by 24 Hour Fitness which recently extended their lease term by an additional 10 years, for a new lease expiration date of October 31, 2033. The property was purchased for \$14,325,000, or \$391.21 per square foot with a 6.65% capitalization rate.

The upward market conditions (time) adjustment reflects the improved market conditions since the date of sale. The upward adjustment for location reflects this comparable's inferior feature with respect to inferior trade area economic demographics. Upon comparison with the subject, this comparable was considered inferior in terms of size and received an upward adjustment for this characteristic due to this comparable's larger building size compared to the subject. In terms of age/condition, this comparable was judged superior due to its more recent year of construction and more appealing physical appearance compared to the subject and received a downward adjustment for this characteristic. An adjustment for traffic counts/exposure was considered appropriate for this comparable given its inferior traffic counts and exposure when compared to the subject. Because of this inferior trait, an upward adjustment was considered appropriate. With respect to tenancy, this comparable was considered superior in this aspect and received a downward adjustment because of its superior tenant credit strength compared to the subject. Overall, this comparable was deemed superior in comparison to the subject and a downward net adjustment was warranted to the sales price indicator.

Improved Sale Six

This is the May 2019 listing of a single tenant retail building, which is 100% occupied by Crunch Fitness, located on the southwest corner of Van Nuys Boulevard and Archwood Street in the community of Van Nuys, city of Los Angeles, Los Angeles County. The building is addressed as 6723 Van Nuys Boulevard. The improvements were built in 1950, renovated in 2017, and contain 20,500 SF of net rentable area. The building is situated on a 0.505-acre rectangular site. Onsite surface parking is provided at a ratio of 1.74 spaces per 1,000 SF of building area. The property is currently for sale at an asking price of \$6,900,000, or \$336.59 per square foot. The capitalization rate is based on actual income in place, and is reported at 5.72%. The property has been on the market for 3 months and 11 days.

In terms of conditions of sale, this comparable was considered superior and received a downward adjustment for this characteristic due to this being a current listing and the likely sale price will be lower. In terms of age/condition, this comparable was judged superior due to its more recent year of construction and more appealing physical appearance compared to the subject and received a downward adjustment for this characteristic. With respect to tenancy, this comparable was considered inferior in this aspect and received an upward adjustment because of its inferior tenant credit strength compared to the subject. Overall, this comparable was deemed superior in comparison to the subject and a downward net adjustment was warranted to the sales price indicator.

SUMMARY OF ADJUSTMENTS

Location Adjustment

For the location adjustment, we have considered the surrounding demographics for each improved sale, compared to the subject, as summarized below.

DEMOGRAPHIC COMPARISON (Primary Trade Area)					
	2018 House-holds (HH)	2018 Median HH Income	GAFO Expend. Per HH	GAFO Exp. Total (\$MM)	GAFO Exp. Vs. Subject
Subject	63,828	\$79,572	\$11,140	\$711	N/A
Sale 1	58,061	\$59,213	\$8,290	\$481	inferior
Sale 2	72,734	\$76,016	\$10,642	\$774	similar
Sale 3	23,143	\$63,165	\$8,843	\$205	inferior
Sale 4	22,782	\$81,500	\$11,410	\$260	inferior
Sale 5	21,540	\$44,970	\$6,296	\$136	inferior
Sale 6	110,148	\$50,455	\$7,064	\$778	similar

Source: CBRE

Traffic Counts/Exposure Adjustment

For the traffic counts/exposure adjustment, we have considered the published traffic counts for each improved sale, compared to the subject, as summarized below.

TRAFFIC COUNTS				
	Primary Road	Secondary Road	Total	Comparison
Subject	27,000	6,000	33,000	N/A
Sale 1	23,776	11,322	35,098	similar
Sale 2	42,000	0	42,000	similar
Sale 3	35,357	0	35,357	similar
Sale 4	61,409	0	61,409	superior
Sale 5	18,951	0	18,951	inferior
Sale 6	33,911	0	33,911	similar

Source: CBRE

Based on our comparative analysis, the following chart summarizes the adjustments warranted to each comparable.

RETAIL SALES ADJUSTMENT GRID							Subj. Pro Forma
Comparable Number	1	2	3	4	5	6	
Transaction Type	Sale	Sale	Sale	Sale	Sale	Available/Listing	---
Transaction Date	Oct-17	May-18	Jul-18	Nov-18	Feb-19	May-19	---
Year Built/Renovated	2017	2014	2017	2018	2007	1950 / 2017	1967 / 2007
GLA (SF)	45,000	9,984	38,000	37,000	36,612	20,500	17,973
Actual Sale Price	\$15,725,000	\$2,850,000	\$14,600,000	\$13,000,000	\$14,325,000	\$6,900,000	---
Adjusted Sale Price ¹	\$15,725,000	\$2,850,000	\$14,600,000	\$13,000,000	\$14,325,000	\$6,900,000	---
Price Per SF ¹	\$349.44	\$285.46	\$384.21	\$351.35	\$391.27	\$336.59	---
Occupancy	100%	100%	100%	100%	100%	0%	---
NOI Per SF	\$17.82	\$18.43	\$23.05	\$21.54	\$26.02	\$19.27	\$22.48
OAR	5.10%	6.46%	6.00%	6.13%	6.65%	5.72%	---
Adj. Price Per SF	\$349.44	\$285.46	\$384.21	\$351.35	\$391.27	\$336.59	
Property Rights Conveyed							
Financing Terms ¹							
Conditions of Sale							-10%
Market Conditions (Time)	5%	3%	2%	1%	1%	0%	
Subtotal - Price Per SF	\$366.91	\$294.02	\$391.89	\$354.86	\$395.18	\$302.93	
Location	5.0%		10.0%	10.0%	15.0%		
Size	10%	-5%	5%	5%	5%		
Age/Condition	-15%		-15%	-15%	-5%	-5%	
Quality of Construction							
Traffic Counts/Exposure	0.0%			-5.0%	2.5%		
Parking							
Tenancy		10%			-20%	10%	
Economics							
Total Other Adjustments	0.0%	5.0%	0.0%	-5.0%	-2.5%	5.0%	
Indicated Value Per SF	\$366.91	\$308.72	\$391.89	\$337.12	\$385.30	\$318.08	

¹ Adjusted for cash equivalency, lease-up and/or deferred maintenance (where applicable)
Compiled by CBRE

SALE PRICE PER SQUARE FOOT CONCLUSION

Sale 2 had the lowest unadjusted sale price per square foot (\$285.46 PSF) as this was a non-credit tenant leased property in Buena Park. Sale 5 had the highest unadjusted sale price per square foot (\$391.27 PSF) as this is a newer property in Indio leased on a long-term basis by 24 Hour Fitness.

The range of adjusted sale indicators exhibited by the comparables is \$308.72 to \$391.89 per square foot, with an average of \$351.34 per square foot.

Overall, all of the comparables were representative of the subject, and warranted consideration because of their fitness center orientation and build-out, and overall locations in Southern California. In addition, we have considered a net operating income analysis in our determination of sale price per square foot.

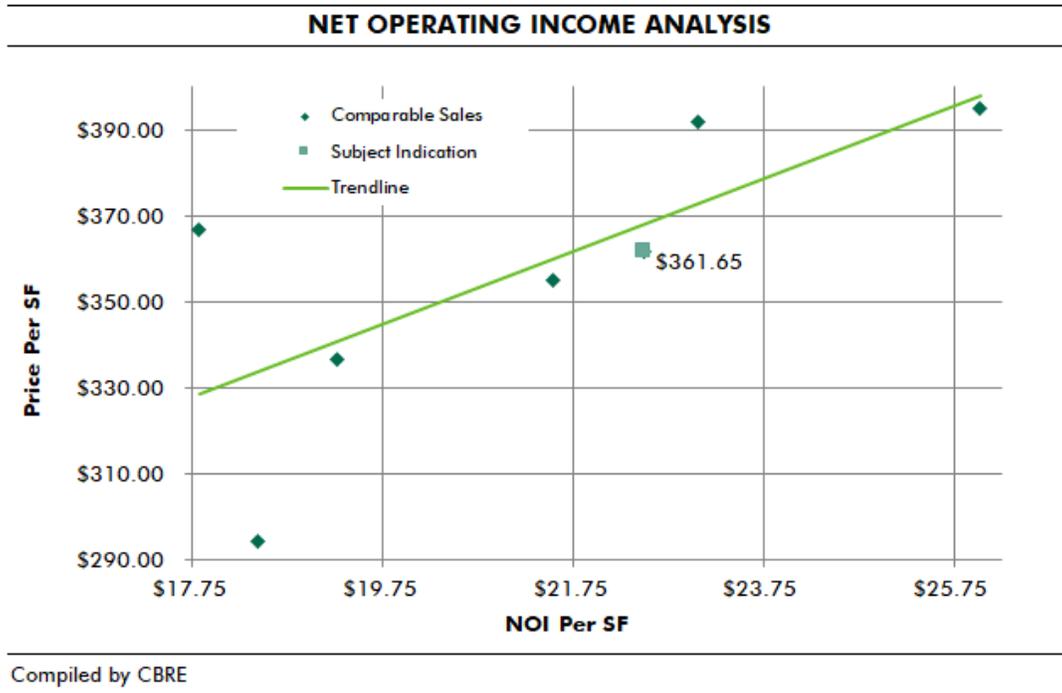
The following chart presents the valuation conclusion:

SALES COMPARISON APPROACH				
GLA (SF)	X	Value Per SF	=	Value
17,973	X	\$350.00	=	\$6,290,550
17,973	X	\$375.00	=	\$6,739,875
VALUE CONCLUSION				
Indicated Value - As Is		\$361.65/SF		\$6,500,000
Compiled by CBRE				

NET OPERATING INCOME ANALYSIS

As a cross check to the foregoing analysis, the net operating income (NOI) being generated by the comparable sales as compared to the subject's pro forma NOI estimated in the following income capitalization approach has been analyzed. In general, it is a fundamental assumption that the physical characteristics of a property (e.g., location, access, design/appeal, condition, etc.) are reflected in the net operating income being generated, and the resultant price paid for a property has a direct relationship to the NOI being generated.

The following NOI analysis chart illustrates the sale prices (after adjustments for conditions of sale and market conditions) of the individual sales plotted in comparison to their NOIs. In addition, a trend line has been plotted based on a linear regression analysis of the comparables. The subject's indicated value has been plotted along this trend line at its pro forma stabilized NOI.



SUPPLEMENTAL IMPROVED SALES

As supplemental support, we have searched for additional owner/user sales of health club buildings and lodge/meeting halls with infill locations in Southern California that have occurred since early 2016. There are very few sales of owner/user fitness centers as they traditionally do not sell often and are considered long-term investments by the owners.

The results of our search are presented on the following pages.



SUMMARY OF SUPPLEMENTAL OWNER/USER SALES											
No.	Property Name	Transaction Type	Date	YOC / Reno'd	GLA (SF)	Actual Sale Price	Adjusted Sale Price ¹	Price Per SF ¹	Occ.	NOI Per SF	OAR
7	YMCA of Foothills 3931 Lowell Avenue La Crescenta, CA 91214	Sale	Jan-16	1977	14,693	\$3,610,000	\$3,610,000	\$245.70	0%	Owner/ User	Owner /User
8	Former Health Club Building 4551-4561 West Pico Boulevard Los Angeles, CA 90019	Sale	Nov-16	1935	12,642	\$7,000,000	\$7,000,000	\$553.71	0%	Owner/ User	Owner /User
9	Future Fitness Center 1523 Coast Highway Oceanside, CA 92054	Sale	Dec-16	1960	5,322	\$1,166,500	\$1,175,000	\$220.78	0%	Owner/ User	Owner /User
10	Former Lodge/Meeting Hall 7338 Canby Avenue Reseda, CA 91335	Sale	Sep-18	1962	5,198	\$2,400,000	\$2,400,000	\$461.72	0%	Owner/ User	Owner /User
Subj. Pro Forma	YMCA of Orange County 2300 University Drive, Newport Beach, CA 92660	---	---	1967 / 2007	17,973	---	---	---	---	\$22.48	---

¹ Adjusted sale price for cash equivalency, lease-up and/or deferred maintenance (where applicable)
Compiled by CBRE

The supplemental owner/user, fee simple sales reflected overall prices ranging from \$220.78 per square foot to \$553.71 per square foot, with an average of \$370.48 per square foot. Detailed data sheets of each supplemental sale are included in the Addenda behind the primary data sheets. The subject is most comparable to Sale 7; however, an upward adjustment is necessary for this sale due to improving market conditions and inferior location in a less dense area of Los Angeles County versus the subject with a highly infill location in Orange County. In conclusion, our overall value conclusion on a per square foot basis (\$361.65/SF) falls within the range of comparable owner/user sales values, similar to the average, and is considered reasonable.

Income Capitalization Approach

The income capitalization approach reflects the subject's income-producing capabilities. This approach is based on the assumption that value is created by the expectation of benefits to be derived in the future. Specifically estimated is the amount an investor would be willing to pay to receive an income stream plus reversion value from a property over a period of time. The two common valuation techniques associated with the income capitalization approach are direct capitalization and the discounted cash flow (DCF) analysis.

In direct capitalization, net operating income is divided by an overall capitalization rate to indicate an opinion of market value. In the discounted cash flow method, anticipated future cash flows and a reversionary value are discounted to an opinion of net present value at a chosen yield rate (internal rate of return). Investors acquiring this type of asset will typically look at year one returns, but must also consider long-term strategies. Hence, depending on certain factors, both the direct capitalization and discounted cash flow techniques have merit.

We expect that an investor would only consider the direct capitalization method (projected one-year net operating income using current capitalization rates) and we have not employed a discounted cash flow in our analysis.

OWNER PROFILE

The subject is 100% occupied by an owner/user, the YMCA. The Young Men's Christian Association (YMCA), often simply called the "Y", is a worldwide organization based in Geneva, Switzerland, with more than 58 million beneficiaries from 125 national associations. It was founded in June 1844 by George Williams in London and aims to put Christian principles into practice by developing a healthy "body, mind, and spirit".



From its inception, it grew rapidly and ultimately became a worldwide movement founded on the principles of Muscular Christianity. Local YMCAs engage in a wide variety of charitable activities, including providing athletic facilities, holding classes for a wide variety of skills, promoting Christianity, and humanitarian work. Although many YMCAs continue to be religious organizations, a sizeable amount of national and local organizations de-emphasize this aspect.

The different local YMCAs are voluntarily affiliated through their national organizations. The national organizations, in turn, are part of both an Area Alliance and the World Alliance of YMCAs. The World Alliance's main motto is "empowering young people".

In the United States, the YMCA exists as a national resource entity (named YMCA of the USA and denoted as Y-USA) plus about 2,700 separate local YMCA entities. It is headquartered in

Chicago, IL. Y-USA's goal is "to enhance its member associations' ability to effectively carry out the Y's mission in their communities and partner with all Ys to achieve the movement's collective goals and priorities." The local entities engage about 21 million men, women and children, and seek to "nurture the potential of children and teens, improve the nation's health and well-being and provide opportunities to give back and support neighbors."

The Y's major programs include after school programs, daycare programs, and physical fitness. Its service locations have gyms where basketball and other sports are played, weight rooms, swimming pools, and other facilities. It is important to the Y that all persons—"regardless of age, income or background"—can participate in Y programs.

The goal of the YMCA is to "strengthen communities through youth development, healthy living and social responsibility." Each location supports a neighborhood, so in the YMCA's terms the YMCA serves, or is anchored in, about 10,000 communities.

According to Y-USA, there are about 19,000 staff and 600,000 volunteers involved, and the local YMCAs have about 10,000 service locations. YMCA of the USA has been one of the largest charitable non-profits in the United States, in terms of donations received from the general public, as listed by Forbes magazine.

TENANT SALES

The gross sales levels, for the tenants that report, are summarized below.

TENANT SALES LEVELS										
Tenant	Size (SF)	2016	2017	2018	2019	2016 Sales PSF	2017 Sales PSF	2018 Sales PSF	2019 Sales PSF	CBRE Projection
YMCA of Orange County	17,973	\$2,197,138	\$2,406,005	\$2,391,541	\$2,778,663	\$122	\$134	\$133	\$155	\$155
Compiled by CBRE										

MARKET RENT CATEGORIES

The following table shows a summary of the space allocation for the subject.

MARKET RENT CATEGORIES	
Space Allocation	Size
Fitness Center	17,973 SF
Compiled by CBRE	

Discussion/Analysis of Rent Comparables - Fitness Center



SUMMARY OF COMPARABLE RENTALS - FITNESS CENTER											
No.	Property Name	Location	Tenant	Lease Area (SF)	Lease Date	Lease Term (Yrs.)	Base Rent	Tenant Improv. PSF	Free Rent (Mo.)	Exp. Rec.	Comments
1	6723 Van Nuys Boulevard	Van Nuys	Crunch Fitness	20,662	Jan-17	15	\$19.12	\$0.00	0	NNN	This is the lease of 20,662 SF by Crunch Fitness in Van Nuys. The terms of the lease includes a 10% rental increase in year 11 of the initial term and two 5-year option periods.
2	3100-3150 E Imperial Hwy	Lynwood	Planet Fitness	16,381	Feb-17	10	\$30.00	\$0.00	0	NNN	This is the lease of 16,381 SF by Planet Fitness in Lynwood. The tenant was not given any free rent. The improvements were originally constructed in 1972.
3	2495 Park Avenue	Tustin	Planet Fitness	24,000	May-17	15	\$18.75	\$30.00	0	NNN	This is a new lease that was signed in May 2017 for a 15 year term with initial rent of \$18.75 PSF. The rent increases 10% every 5 years. The improvements were originally built in 2007.
4	15519 S Normandie Avenue	Gardena	Blink Fitness	18,000	Dec-17	15	\$29.28	\$0.00	0	NNN	This is a 15 year lease with two 5-year options, located within Gardena Plaza. The starting rent is \$29.28 PSFY and the building was built in 1959.
5	18601 Yorba Linda Boulevard	Yorba Linda	Planet Fitness	18,705	May-18	15	\$27.00	\$55.00	7	NNN	Planet Fitness is located within Home Ranch Shopping Center, a 60,739 square foot neighborhood retail center located at 18601-18659 Yorba Linda Boulevard in the city of Yorba Linda. The improvements were originally constructed in 1984 and are situated on a 5.170-acre site.
6	1010 W Alameda Ave	Burbank	Blink Fitness	17,000	Mar-19	20	\$24.96	\$27.50	0	NNN	This is a 20 year new lease for Blink Fitness at Rancho Marketplace, which was built in 1992. Initial annual rent is \$424,320 with 9% increases every 5 years. Tenant has an improvement allowance of \$27.50. The lease will commence in March of 2019.

Compiled by CBRE

We have analyzed recent fitness center leases from Orange County and Los Angeles County that range in size from 16,381 to 24,000 square feet. The comparable leases have terms ranging from 10 to 20 years. The comparables exhibit a range in rents from \$18.75 to \$30.00 PSFY, with an average of \$24.85 PSFY. All of the leases are triple net, whereby the lessee is responsible for its pro-rata share of operating expenses and real estate taxes.

Below is an adjustment grid for these rent comparables.

FITNESS CENTER RENT ADJUSTMENT GRID						
Comparable Number	1	2	3	4	5	6
Property Name	6723 Van Nuys Boulevard	3100-3150 E Imperial Hwy	2495 Park Avenue	15519 S Normandie Avenue	18601 Yorba Linda Boulevard	1010 W Alameda Ave
Location	Van Nuys	Lynwood	Tustin	Gardena	Yorba Linda	Burbank
Tenant Name	Crunch Fitness	Planet Fitness	Planet Fitness	Blink Fitness	Planet Fitness	Blink Fitness
Leased Area (SF)	20,662	16,381	24,000	18,000	18,705	17,000
Lease Date	Jan-17	Feb-17	May-17	Dec-17	May-18	Mar-19
Lease Term (Yrs)	15.0	10.0	15.0	15.0	15.0	20.0
Base Rent (psf/yr)	\$19.12	\$30.00	\$18.75	\$29.28	\$27.00	\$24.96
TI Allowance psf	\$0.00	\$0.00	\$30.00	\$0.00	\$55.00	\$27.50
Free Rent	0 Months	0 Months	0 Months	0 Months	7 Months	0 Months
Exp. Reimb.	NNN	NNN	NNN	NNN	NNN	NNN
Adj. Rent psf	\$19.12	\$30.00	\$18.75	\$29.28	\$27.00	\$24.96
Conditions of Lease						
Market Conditions (Time)	6%	6%	6%	5%	3%	
Subtotal	\$20.27	\$31.80	\$19.88	\$30.74	\$27.81	\$24.96
Location	5%	-10%	-10%	-10%	-5%	-5%
Size			10%			
Age/Condition						
Quality of Finish						
Parking						
Tenancy						
Other						
Total Other Adjustments	5%	-10%	0%	-10%	-5%	-5%
Indicated Rent Per SF	\$21.28	\$28.62	\$19.88	\$27.67	\$26.42	\$23.71
AVERAGE	\$24.60					
Source: CBRE						

The unadjusted rental range is \$18.75 to \$30.00 PSFY, with an average of \$24.85 PSFY. The adjusted rental range is \$19.88 to \$28.62 PSFY, with an average of \$24.60 PSFY.

We have considered all of the comparables in our analysis of the subject's fitness center building (currently occupied by the YMCA of Orange County) and we have concluded within the range exhibited by these properties, similar to the adjusted average.

We have also considered the opinions of active leasing brokers in the area. Our market rent conclusions are presented at the end of this section.

BROKER OPINIONS

Our research included multiple interviews with brokers that work the area and list competing properties for lease. The following chart summarizes our findings and was considered in our market rent estimates.

BROKER OPINIONS		
Broker	Rent (psf/yr)	Notes
1	\$21.00 - \$24.00	National firm, This broker know the area and notes the subject has a good infill location.
2	\$24.00 - \$27.00	Regional firm, subject is a major draw for the area.
Range	\$21.00 - \$27.00	
Compiled by CBRE		

MARKET RENT ESTIMATE

Base Rental Rate

The estimate of base rental rates is shown in the following chart.

BASE RENTAL RATES	
Category (\$/SF/Yr.)	Fitness Center
Subject's Contract Terms	--
Rent Comparable Data	\$18.75-\$30.00
CBRE Estimate	\$24.00
Compiled by CBRE	

Implied Market Rent Estimates

In forming our opinions of market rent for the subject's space, we also considered the gross revenue for the property. We then multiplied the gross sales level by a typical cost of occupancy ratio, as previously discussed. From this figure, we then deducted projected expense reimbursements to yield a market rent level. We then compared this to rent comparables to make our final conclusion for market rent for the tenant category.

IMPLIED MARKET RENT FROM OCCUPANCY COSTS	
Market Leasing Category	Fitness Center
No. Tenants Reporting Sales	1
Low Sales psf/Yr.	\$154.60
High Sales psf/Yr.	\$154.60
Average Sales psf/Yr.	\$154.60
Median Sales PSF/Yr.	\$154.60
Market Occupancy Cost - Low	23.0%
Market Occupancy Cost - Average	25.0%
Market Occupancy Cost - High	27.0%
Market Expense Reimb. psf/yr.	\$15.38
Implied Market Rent psf/yr - Low*	\$20.18
Implied Market Rent psf/yr - Average*	\$23.27
Implied Market Rent psf/yr - High*	\$26.37
CBRE Market Rent Conclusion psf/yr	\$24.00
*Based on average sales levels Compiled by CBRE	

Concessions

We first considered the following national data from PwC.

Exhibit 6							
CONCESSIONS							
First Quarter 2018							
MARKET	% OF PARTICIPANTS USING FREE RENT		MONTHS OF FREE RENT (1)			EXCESSIVE TENANT IMPROVEMENT ALLOWANCES (2)	
	CURRENT	YEAR AGO	LOW	HIGH	AVERAGE	HIGH END OF THE RANGE	AVERAGE
National							
Regional Mall	(3)	20.0%	(3)				
Power Center	57.0%	50.0%	0	12	4		
Strip Shopping Center	44.0%	55.0%	0	6	3	\$40.00	\$10.50
CBD Office	100.0%	86.0%	1	15	6	\$15.00	\$7.00
Suburban Office	88.0%	88.0%	2	15	7	\$15.00	\$5.83
Net Lease	0.0%	40.0%				\$10.00	\$5.00
Medical Office Buildings	80.0%	85.0%	1	9	3	\$20.00	\$6.60
Secondary Office	100.0%	100.0%	1	10	6	\$20.00	\$5.07
Industrial							
National Warehouse	80.0%	80.0%	0	8	3		
ENC Region Warehouse	100.0%	100.0%	0	5	3		
Pacific Region Warehouse	80.0%	100.0%	1	6	3		
Apartment							
National	83.0%	70.0%	0	2	1	not applicable to this property type	
Mid-Atlantic Region	60.0%	60.0%	0	2	1	not applicable to this property type	
Pacific Region	60.0%	60.0%	0	1.5	1	not applicable to this property type	
Southeast Region	60.0%	60.0%	0	3	2	not applicable to this property type	
Office							
Atlanta	100.0%	100.0%	2	10	6	\$10.00	\$2.50
Austin	100.0%		2	6	4	\$15.00	\$2.88
Boston	83.0%	83.0%	2	10	6	\$25.00	\$9.50
Charlotte	100.0%	100.0%	1	10	6	\$15.00	\$5.67
Chicago	100.0%	100.0%	6	15	10	\$25.00	\$12.80
Dallas	80.0%	67.0%	3	10	6		
Denver	100.0%	100.0%	1	10	4	\$20.00	\$6.67
Houston	100.0%	100.0%	4	24	10	\$30.00	\$11.88
Los Angeles	100.0%	100.0%	1	10	6	\$25.00	\$7.00
Manhattan	100.0%	100.0%	1	13	9	\$60.00	\$25.00
Northern Virginia	100.0%	100.0%	1	13	7	\$65.00	\$18.20
Pacific Northwest	100.0%	100.0%	1	12	6	\$50.00	\$18.13
Philadelphia	100.0%	100.0%	3	10	7	\$20.00	\$7.83
Phoenix	100.0%	100.0%	2	10	6	\$0.00	\$0.00
San Diego	100.0%	100.0%	1	10	4		
San Francisco	100.0%	100.0%	1	10	6	\$50.00	\$25.83
Seattle	100.0%	100.0%	1	12	6		
Southeast Florida	100.0%	100.0%	1	12	6	\$15.00	\$7.50
Washington, DC	100.0%	100.0%	1	18	8	\$50.00	\$28.13
(1) On a ten-year lease; for apartments, lease term is 12 months.							
(2) No entry suggests excessive TIs are not applicable to this market based on our Survey.							
(3) Insufficient responses preclude us from reporting data at this time.							
Source: PwC Real Estate Investor Survey							

During our research, we found no examples of a tenant paying rent before the fixturing period was complete. In most cases, rent started within 2 to 6 months of the delivery of the premises from the landlord. This is not considered “free rent” in our analysis. Free rent is defined as any additional period of time beyond the traditional “tenant fixturing period”. Our estimates of concessions are within the range of the comparables. We considered our conclusion of concessions in the concluded base rental rate.

CONCESSIONS

Category	Fitness Center
Rent Comparable Data	0-7 Months
CBRE Estimate	0 Months
Compiled by CBRE	

Reimbursements

Our estimates of reimbursements are consistent with the comparables in our survey, as shown below.

REIMBURSEMENTS

Category	Fitness Center
Rent Comparable Data	NNN
CBRE Estimate	NNN
Compiled by CBRE	

Escalations

Fitness center tenants generally have 10.0% rent bumps every 5 years, or midterm.

Tenant Improvements

Nationally, tenant improvement allowances vary depending on the state of the space, as shown in the table below extracted from PwC.

Exhibit 4 TENANT IMPROVEMENT (TI) ALLOWANCES Fourth Quarter 2018									
	SHELL SPACE (\$ per sq. ft.)			2ND-GENERATION SPACE (\$ per sq. ft.)			RENEWALS (\$ per sq. ft.)		
	LOW	HIGH	AVERAGE	LOW	HIGH	AVERAGE	LOW	HIGH	AVERAGE
NATIONAL MARKETS									
Strip Shopping Center	\$10.00	\$150.00	\$41.43	\$0.00	\$100.00	\$18.57	\$0.00	\$25.00	\$6.43
CBD Office	\$30.00	\$100.00	\$60.71	\$10.00	\$75.00	\$38.57	\$5.00	\$40.00	\$20.00
Suburban Office	\$25.00	\$100.00	\$50.00	\$5.00	\$55.00	\$27.08	\$5.00	\$40.00	\$17.08
Medical Office Buildings	\$40.00	\$80.00	\$60.50	\$5.00	\$40.00	\$19.00	\$0.00	\$30.00	\$9.75
Secondary Office	\$15.00	\$100.00	\$41.25	\$10.00	\$50.00	\$24.50	\$5.00	\$25.00	\$11.47

In this market, we note some landlords choose to grant higher tenant improvement allowances (TIA) in exchange for a higher base rental rate. The downside to this strategy is the tenant has less capital invested in the suite. Others choose to preserve capital with lower TIA, but lower base rental rates. Our concluded TIA is interrelated with the concluded base rental rate assuming a neutral strategy to maximize the net present value of the lease.

TENANT IMPROVEMENTS	
Category	Fitness Center
Rent Comparable Data	\$0.00-\$55.00
CBRE Estimate	
New Tenants	\$10.00
Renewals	\$0.00
Compiled by CBRE	

Lease Term

Our estimates are within the range of the comparables and consider the previously concluded terms.

LEASE TERM	
Category	Fitness Center
Rent Comparable Data	10.0-20.0 YRS
CBRE Estimate	
	10 YRS
Compiled by CBRE	

MARKET RENT CONCLUSIONS

Due to the stable trends in occupancy, current strengthening of the submarket, and amount of competitive, available space for lease, we have concluded a market rent for the subject building at the middle of the range of the comparables, similar to the adjusted average.

The following chart shows the market rent conclusions for the subject:

MARKET RENT CONCLUSIONS	
Category	Fitness Center
GLA (SF)	17,973
Percent of Total SF	100.0%
Market Rent (\$/SF/Yr.)	\$24.00
Concessions	0 Months
Reimbursements	NNN
Annual Escalation	10%/5 Years
Tenant Improvements (New Tenants)	\$10.00
Tenant Improvements (Renewals)	\$0.00
Leasing Commissions (New Tenants)	3.0%
Leasing Commissions (Renewals)	1.5%
Average Lease Term	10 Years
Compiled by CBRE	

The total market rent for the subject is displayed below.

RENT ROLL							
Suite No.	Tenant	Rent Category	Size (GLA) SF % Total		Expense Reimb.	Market Rent \$/SF/Yr. \$/Yr.	
2300	YMCA of Orange County	Fitness Center	17,973	100.0%	NNN	\$24.00	\$431,352
Occupied Subtotals			17,973	100.0%		\$24.00	\$431,352
Vacant Subtotal			0	0.0%		\$0.00	\$0
Property Totals			17,973	100.0%		\$24.00	\$431,352
Compiled by CBRE							

Our estimate of Potential Rental Income is based on market rent, as the property is currently occupied by an owner/user.

OPERATING HISTORY

Within this analysis, potential rental income is estimated based upon the projected income over the next twelve months. This method of calculating rental income is most prevalent in the local market and is consistent with the method used to derive overall capitalization rates from the comparable sales data.

We have based our valuation on a triple net lease structure, typical in the market. The CBRE Estimate is included for reference. The details of each line item are discussed on the following pages.

OPERATING HISTORY										
Year-Occupancy	2016		2017		2018		2019 Budget		Estimate	96.5%
	Total	\$/SF	Total	\$/SF	Total	\$/SF	Total	\$/SF	Total ²	\$/SF
Income										
Net Rental Income	\$0	\$0.00	\$0	\$0.00	\$0	\$0.00	\$0	\$0.00	\$416,255	\$23.16
Expense Reimbursements	-	-	-	-	-	-	-	-	276,356	15.38
Effective Gross Income	\$0	\$0.00	\$0	\$0.00	\$0	\$0.00	\$0	\$0.00	\$692,611	\$38.54
Expenses										
Real Estate Taxes	\$3,337	\$0.19	\$3,719	\$0.21	\$1,804	\$0.10	\$862	\$0.05	\$72,697	\$4.04
Property Insurance	22,896	1.27	11,212	0.62	24,930	1.39	29,098	1.62	30,000	1.67
Utilities	76,690	4.27	79,852	4.44	82,800	4.61	85,392	4.75	60,000	3.34
Administrative & General	2,561	0.14	2,661	0.15	306	0.02	648	0.04	2,500	0.14
Common Area Maintenance	129,893	7.23	125,965	7.01	139,237	7.75	178,806	9.95	100,000	5.56
Management Fee ¹	-	-	-	-	-	-	-	-	13,659	0.76
Operating Expenses	\$235,377	\$13.10	\$223,409	\$12.43	\$249,077	\$13.86	\$294,806	\$16.40	\$278,856	\$15.52
Net Operating Income	-	-	-	-	-	-	-	-	\$413,755	\$23.02
¹ (Mgmt. typically analyzed as a % of EGI)	---		---		---		---		2.0%	
² (Revenue categories reflect net figures)										

Source: CBRE

Net Rental Income

Our year 1 base rental revenue estimate models market rent for the subject building as it is currently owner/occupied. We later make a deduction for vacancy and collection loss. Our estimate is consistent with the methodology most often employed for owner/user properties. Our projection below reflects gross potential rental income (\$431,352), less vacancy (2.50%) and credit loss (1.00%), for a net value of \$416,255.

NET RENTAL INCOME		
CBRE Estimate	\$416,255	\$23.16
Compiled by CBRE		

Expense Reimbursements

The subject's retail leases are based on a triple net structure whereby the tenant reimburses the owner for its pro-rata share of operating expenses and real estate taxes. We have modeled the tenants' expense reimbursement methodologies upon the provided leases/CAM reconciliations. Our estimate is calculated using Argus. Our projection below reflects gross expense reimbursement income (\$276,356), less vacancy (2.50%) and collection loss (1.00%), for a net value of \$276,356.

EXPENSE REIMBURSEMENTS		
CBRE Estimate	\$276,356	\$15.38
Compiled by CBRE		

Vacancy

Current retail vacancy in the trade area is 2.1%, as shown in the trade area chart in the market analysis. Based upon the vacancy levels in the subject's market we have applied an overall vacancy loss (in the direct capitalization method only) of 2.5% to all of the subject's tenants.

While the subject will likely be fully leased or fully vacant at any given point in time, this vacancy rate represents a long-term average vacancy rate over a typical holding period. This considers an overall downtime of 12 months for the subject property with a 75% renewal probability on a 10-year lease term (2.50%).

Credit Loss

The credit loss estimate is an allowance for non-payment of rent or other income. We were not provided with the subject's historical credit loss levels. We have applied a 1.0% credit loss for the subject property.

EFFECTIVE GROSS INCOME

The subject's effective gross income is detailed as follows, and considered reasonable.

EFFECTIVE GROSS INCOME		
CBRE Estimate	\$682,938	\$38.00
Compiled by CBRE		

OPERATING EXPENSE ANALYSIS

Expense Comparables

We have considered two sources of expense comparable information. The IREM 2018 survey is produced by the Institute of Real Estate Management (IREM) of the National Association of Realtors. It contains income and expense data from more than 300 centers in the United States and is published annually.

OPERATING EXPENSE SURVEY							
Description	#	CAM	Util.	G&A	Insur.	Mgmt.	Total*
All Open Air Shopping Centers - Median, Southern California	5	\$2.70	\$1.23	\$0.25	\$0.40	\$0.31	\$4.89
All Open Air Shopping Centers - Median, Region IX (CA, NV, & AZ)	35	\$2.24	\$1.21	\$0.58	\$0.25	\$0.52	\$4.80
All Open Air Shopping Centers - Median, United States	302	\$1.71	\$0.99	\$0.46	\$0.25	\$0.54	\$3.95
Source: IREM 2018						*Excluding RE Taxes	

The second source is our proprietary income & expense database. Each property has been analyzed and inspected in the course of our appraisal practice.

OPERATING EXPENSE COMPARABLES (Excl. Real Estate Taxes)								
Description	Size (SF)	Expense Year	Insur.	Utilities	A&G	CAM	Mgmt.	Total
Strip Center Westminster	6,801	2018 Budget	\$0.64	\$0.65	\$0.00	\$0.93	\$1.48	\$3.70
Single-Tenant Building Sana Monica	7,500	2017 Pro-Forma	\$1.80	\$0.65	\$2.17	\$0.04	\$0.00	\$4.67
Inline Shops Mission Viejo	9,094	2017 Budget	\$1.47	\$1.53	\$0.18	\$2.90	\$3.18	\$9.26
Neighborhood Center Santa Ana	9,509	2018 Budget	\$0.28	\$0.44	\$0.00	\$2.72	\$0.93	\$4.37
Storefront Retail Long Beach	11,096	2016	\$1.93	\$0.54	\$0.04	\$0.38	\$0.00	\$2.89
Freestanding Retail Costa Mesa	11,180	2017 Annualized	\$0.25	\$1.18	\$0.00	\$5.74	\$2.79	\$9.96
Strip Center Fontana	11,350	2017 Budget	\$0.63	\$0.94	\$0.00	\$1.41	\$0.00	\$2.98
Strip Center San Marcos	11,480	2018 Budget	\$0.29	\$0.00	\$0.00	\$4.16	\$1.86	\$6.31
Multi-Tenant Retail Building Temecula	12,264	2016 Annualized	\$0.00	\$1.08	\$1.08	\$3.09	\$0.85	\$6.10
Pad Building San Clemente	12,786	2016	\$0.36	\$0.78	\$0.00	\$2.08	\$1.05	\$4.28
Multi-Tenant Retail Condo San Diego	12,947	2017 Annualized	\$0.21	\$0.10	\$0.39	\$3.01	\$1.60	\$5.32
Strip Center San Diego	13,344	2018 Budget	\$0.24	\$0.00	\$0.00	\$6.30	\$1.99	\$8.53
Mixed-Use Building Montrose	13,450	2017	\$0.51	\$2.19	\$0.77	\$1.84	\$1.67	\$6.98
Un-Anchored Strip Center Cypress	13,606	2018 Budget	\$0.98	\$1.18	\$0.32	\$2.67	\$1.24	\$6.39
Pad Building Ontario	14,225	2017 Budget	\$0.20	\$2.62	\$1.59	\$0.40	\$1.96	\$6.77
Strip Center Carlsbad	15,317	2016 Budget	\$1.23	\$0.86	\$1.03	\$4.59	\$2.10	\$9.81
Storefront Building Brea	15,460	2017	\$0.28	\$0.77	\$0.46	\$0.91	\$1.01	\$3.43
Shop Space San Diego	15,690	2017 Annualized	\$1.92	\$3.50	\$0.12	\$2.16	\$0.98	\$8.68
Strip Center Los Angeles	16,584	2017 Annualized	\$0.00	\$1.09	\$0.25	\$0.60	\$3.76	\$5.69
Streetfront Retail Los Angeles	18,715	2016 Budget	\$0.40	\$0.71	\$0.80	\$0.95	\$0.26	\$3.12
Mixed-Use Office/Retail Building Los Angeles	18,744	2019 Pro-Forma	\$0.33	\$1.22	\$0.16	\$1.25	\$0.00	\$2.96
Two Pad Buildings San Dimas	18,850	2016	\$0.54	\$0.57	\$2.41	\$0.83	\$2.45	\$6.81
Mixed-Use Building Santa Barbara	18,873	2016 Annualized	\$2.35	\$3.37	\$0.00	\$1.51	\$0.00	\$7.25
Strip Center Rancho Cucamonga	19,496	2016 Annualized	\$0.46	\$0.00	\$0.03	\$7.41	\$1.59	\$9.49
Neighborhood Center Stanton	19,500	2016	\$0.21	\$0.09	\$0.30	\$0.72	\$1.13	\$2.45
Strip Center Santee	19,898	2016	\$0.20	\$2.00	\$0.47	\$0.88	\$0.95	\$4.50
Misc. Freestanding Retail Melrose	20,196	2018 Annualized	\$0.09	\$0.86	\$0.17	\$1.17	\$0.00	\$2.29
Misc. Freestanding Retail Building Melrose	20,196	2018 Annualized	\$0.09	\$0.86	\$0.17	\$1.17	\$0.00	\$2.29
Proposed Retail Center Compton	20,323	2019 Pro-Forma	\$0.24	\$0.00	\$0.00	\$3.24	\$0.00	\$3.47
Mixed-Use Building Palm Desert	20,330	2018 Pro-Forma	\$0.25	\$0.55	\$0.11	\$0.93	\$0.49	\$2.33
Mixed-Use Building Santa Barbara	23,642	2016 Annualized	\$0.41	\$1.70	\$1.11	\$1.83	\$1.88	\$6.93
Medical Office Building Chula Vista	23,780	2019 Budget	\$0.17	\$0.00	\$0.32	\$4.47	\$1.01	\$5.97
Mixed-Use Center Costa Mesa	24,045	2017 Annualized	\$0.23	\$2.33	\$0.00	\$5.25	\$1.70	\$9.51
Neighborhood Center Irwindale	24,758	2017 Annualized	\$0.37	\$2.41	\$1.23	\$1.72	\$1.59	\$7.32
Strip Center San Clemente	25,090	2017	\$0.45	\$1.64	\$0.50	\$0.85	\$1.35	\$4.79
Strip Center San Clemente	25,090	2017 Annualized	\$0.33	\$1.45	\$0.51	\$1.30	\$1.26	\$4.85
Strip Center Ontario	25,616	2017 Budget	\$0.24	\$2.28	\$0.24	\$1.63	\$1.09	\$5.48
Neighborhood Center Oceanside	26,025	2017 Annualized	\$0.00	\$1.71	\$0.48	\$0.49	\$0.00	\$2.68
Neighborhood Center Norco	26,650	2018 Budget	\$0.08	\$0.92	\$0.09	\$2.33	\$1.55	\$4.98
Neighborhood Center San Jacinto	26,887	2016	\$0.25	\$0.02	\$0.05	\$2.84	\$0.39	\$3.53
Strip Center Murrieta	27,954	2016	\$0.30	\$1.30	\$0.20	\$0.89	\$1.39	\$4.08
Survey Low	6,801		\$0.00	\$0.00	\$0.00	\$0.04	\$0.00	\$2.29
Survey High	27,954		\$2.35	\$3.50	\$2.41	\$7.41	\$3.76	\$9.96
Survey Median	18,744		\$0.29	\$0.92	\$0.20	\$1.63	\$1.13	\$4.98
Survey Average	17,764		\$0.52	\$1.12	\$0.43	\$2.19	\$1.18	\$5.44

Compiled by CBRE

As the IREM 2018 survey draws from properties across the Western Region and the United States as a whole, and our survey includes Southern California properties that we have inspected, we placed more emphasis on our expense comparables. The analysis supporting the pro forma estimate of each category of the subject's stabilized expenses is below.

Real Estate Taxes

The real estate taxes for the subject were previously discussed (see the Tax Assessment Data section for more details.) Our estimate is calculated by multiplying the subject's base tax rate by the value of the property calculated in the direct capitalization method, plus special assessments.

REAL ESTATE TAXES		
CBRE Estimate	\$72,697	\$4.04
Compiled by CBRE		

Property Insurance

Property insurance expenses typically include fire and extended coverage and owner's liability coverage. Our projected estimate for property insurance is within the levels exhibited by the expense comparables, higher than the average.

PROPERTY INSURANCE		
Expense Comparable Low	\$0	\$0.00
Expense Comparable High	\$42,326	\$2.35
Expense Comparable Avg.	\$9,293	\$0.52
CBRE Estimate	\$30,000	\$1.67
Compiled by CBRE		

Utilities

This category represents the cost of utilities net of energy sales to stores and others. Utilities are services rendered by public and private utility companies (e.g., electricity, gas, heating fuel, water/sewer and other utilities providers). Our projected estimate for utilities is within the levels exhibited by the expense comparables, higher than the average.

UTILITIES		
Expense Comparable Low	\$0	\$0.00
Expense Comparable High	\$62,906	\$3.50
Expense Comparable Avg.	\$20,200	\$1.12
CBRE Estimate	\$60,000	\$3.34
Compiled by CBRE		

Administrative & General

The items in this category depend on the nature of the real estate, but usually include professional fees and other general administrative expenses, such as rent of offices and general expenses and the services needed to operate the property. This category may also include professional fees associated with property leasing activities including legal, accounting, data

processing, and auditing costs to the extent necessary to satisfy tenant lease requirements and permanent lender requirements. Our projected estimate for administrative & general is within the levels exhibited by the expense comparables, higher than the average.

ADMINISTRATIVE & GENERAL		
Expense Comparable Low	\$0	\$0.00
Expense Comparable High	\$43,344	\$2.41
Expense Comparable Avg.	\$7,787	\$0.43
CBRE Estimate	\$2,500	\$0.14
Compiled by CBRE		

Common Area Maintenance

Common area maintenance expenses typically include parking lot sweeping and maintenance, and routine repairs and maintenance of the building and site improvements. Our projected estimate for common area maintenance is within the levels exhibited by the expense comparables, higher than the average.

COMMON AREA MAINTENANCE		
Expense Comparable Low	\$802	\$0.04
Expense Comparable High	\$133,094	\$7.41
Expense Comparable Avg.	\$39,282	\$2.19
CBRE Estimate	\$100,000	\$5.56
Compiled by CBRE		

Management Fee

Management expenses are typically negotiated as a percentage of collected revenues (i.e., effective gross income). Professional management fees in the local market range from 2.0% to 5.0% for comparable properties. Given the subject's size and the competitiveness of the local market area, we believe an appropriate management expense for the subject would be within this range.

MANAGEMENT FEE			
Expense Comparable Low	\$0	\$0.00	N/A
Expense Comparable High	\$67,654	\$3.76	N/A
Expense Comparable Avg.	\$21,283	\$1.18	N/A
CBRE Estimate	\$13,659	\$0.76	2.0%
Compiled by CBRE			

Reserves for Replacement

Replacement reserves represent a capital expense not an operating expense. Consequently, by definition, reserves are deducted after net operating income. However, in practice, investors sometimes make this deduction above the net income line depending on geographic custom and property type.

Exhibit 4
REPLACEMENT RESERVES PER SQUARE FOOT
First Quarter 2018

MARKET	CURRENT QUARTER		YEAR AGO	
	RANGE	AVERAGE	RANGE	AVERAGE
National				
Regional Mall	\$0.15 – \$0.50	\$0.33	\$0.15 – \$0.50	\$0.33
Power Center	\$0.10 – \$0.35	\$0.21	\$0.10 – \$0.35	\$0.22
Strip Shopping Center	\$0.10 – \$0.75	\$0.29	\$0.10 – \$0.75	\$0.27
Net Lease	\$0.00 – \$0.00	\$0.00	\$0.05 – \$0.25	\$0.15

The latest PwC Investor surveys indicated that the vast majority of regional and national investors do not deduct reserves when analyzing acquisitions based on direct capitalizations. Consequently, we have not deducted reserves from our direct capitalization method. The estimate is consistent with what market participants would use. Capitalization rates from the improved sales were derived in a similar fashion.

OPERATING EXPENSE CONCLUSION

The subject's projected operating expenses levels are generally in line with historical and budgeted amounts, but higher than the expense levels of similar properties, and considered reasonable.

OPERATING EXPENSES		
(Excl Real Estate Taxes)		
Expense Comparable Low	\$41,182	\$2.29
Expense Comparable High	\$179,012	\$9.96
Expense Comparable Avg.	\$97,845	\$5.44
CBRE Estimate	\$206,159	\$11.47
Compiled by CBRE		

NET OPERATING INCOME CONCLUSION

Our projection of net operating income is reasonable in light of our conclusions for each category that build-up to this number.

NET OPERATING INCOME		
CBRE Estimate	\$404,082	\$22.48
Compiled by CBRE		

DIRECT CAPITALIZATION

Direct capitalization is a method used to convert a single year's estimated stabilized net operating income into a value indication. The following subsections represent different techniques for deriving an overall capitalization rate.

Comparable Sales

The overall capitalization rates (OARs) confirmed for the comparable sales analyzed in the sales comparison approach are as follows:

COMPARABLE CAPITALIZATION RATES				
Sale	Sale Date	Sale Price \$/SF	Occupancy	OAR
1	Oct-17	\$349.44	100%	5.10%
2	May-18	\$285.46	100%	6.46%
3	Jul-18	\$384.21	100%	6.00%
4	Nov-18	\$351.35	100%	6.13%
5	Feb-19	\$391.27	100%	6.65%
6	May-19	\$336.59	0%	5.72%
Indicated OAR:				5.10% - 6.65%
Compiled by: CBRE				

Capitalization rates for the improved sales range from 5.10% to 6.65%, with an average of 6.01%. Sales 2, 3, 4, closed within the past 12 months, while Sale 1 has a slightly older transaction date from late 2017. Sale 6 is an active listing. Therefore, primary emphasis has been placed upon the more recent data, which is generally reflective of current market trends, interest rates, and buyer's expectations and motivation in the market for retail properties similar to the subject. Overall, an OAR at the middle of the range indicated by the comparables is appropriate.

Published Investor Surveys

The investor data are from national surveys. Rates in Southern California tend to be better than the national average, which we have considered in our conclusion.

OVERALL CAPITALIZATION RATES		
Investment Type	OAR Range	Average
<i>CBRE Neighborhood Centers - H2 2018</i>		
Class A	5.55% - 6.47%	5.95%
Class B	7.01% - 7.80%	7.41%
Class C	8.93% - 9.60%	9.19%
<i>PwC Net Lease - 4th Qtr. 2018</i>		
National Data	5.00% - 8.50%	6.71%
Indicated Average OAR:		5.00% - 8.50%
Source: CBRE Survey: H2 2018, PwC Survey: 4th Qtr. 2018		

Market Participants

In deriving an appropriate overall capitalization rate for the subject, numerous market participants were interviewed and consulted in gathering applicable information. OARs are generally being determined by pro-forma (Year 1) net operating income. Every broker we interviewed based the following responses on current escrows and/or recent bid ask activity. As

such, this data tends to be forward looking, relative to capitalization rates derived from closed sales. This information is for retail properties similar to the subject, and not the subject property specifically.

OVERALL CAPITALIZATION RATES			
Respondent	Company	Date of Survey	OAR
Confidential	CBRE	May-19	5.75% - 6.00%
Confidential	Colliers	May-19	6.00% - 6.50%
Indicated OAR:			5.75% - 6.50%
Compiled by: CBRE			

Band of Investment

The band of the investment technique has been utilized as a crosscheck to the foregoing techniques. The Federal Reserve raised interest rates in December 2018 for the fourth time in 2018, but signaled a more patient approach raising rates in 2019 amid signs that the economy is starting to weaken.

Central bankers unanimously agreed under Chairman Jerome Powell to lift the federal funds rate, which controls the cost of mortgages, credit cards and other borrowing to a range of 2.25% and 2.5%.

At their final two-day policy-setting meeting in Washington, policymakers said they might not need to raise rates as quickly next year as they previously thought. "Despite this robust economic backdrop and our expectation for healthy growth, we have seen developments that may signal some softening," Powell told reporters at a press conference.

The Fed chairman said there were a number of "cross-currents emerging" that prompted most officials to "modestly" lower their growth forecasts next year. He added that officials "now think it is more likely the economy will grow in a way that calls for two rate increases in 2019" -- fewer than initially expected. In their statement, policymakers made clear they are attuned to global and financial headwinds facing the US economy, and said they would continue to monitor developments and the impact on their outlook going forward.

Powell has repeatedly tried to advise investors not to read too deeply into the Fed's economic forecasts, saying policymakers often don't have the ability to see that far into the future and decisions are formed based on data from markets, the economy and business contacts.

The following data was published in January 2019.

Building Type	Average Rates	Avg. LTV Ratio	Avg. Terms	Avg. Amortization Period
Apartment complex	3.0% - 8.5%	70% - 75%	20 years	26 years
Office building	3.2% - 8.5%	70% - 75%	8 years	30 years
Retail building	3.0% - 9.9%	65% - 75%	6 years	25 years
Restaurant	3.7% - 13.3%	60% - 70%	7 years	22 years
Industrial building	3.0% - 8.5%	65% - 75%	11 years	25 years
Hotel or motel	3.4% - 13.8%	65% - 70%	8 years	23 years
Golf course	3.4% - 14.2%	65% - 70%	9 years	22 years
Health care/senior housing	3.4% - 9.9%	65% - 75%	14 years	25 years
RV, mobile home or camp ground	3.2% - 11.1%	65% - 75%	9 years	26 years
Self storage	3.3% - 8.5%	65% - 75%	6 years	28 years
Special purpose buildings	3.8% - 14.0%	60% - 70%	8 years	23 years

The Equity Dividend Rate (EDR) is based upon our survey of active investment brokers in the Southern California Market.

BAND OF INVESTMENT			
Mortgage Interest Rate			4.00%
Mortgage Term (Amortization Period)			30 Years
Mortgage Ratio (Loan-to-Value)			65%
Mortgage Constant (monthly payments)			0.05729
Equity Dividend Rate (EDR)			6.5%
Mortgage Requirement	65%	x	0.05729 = 0.03724
Equity Requirement	35%	x	0.06500 = 0.02275
	100%		0.05999
Indicated OAR:			6.00%
Compiled by: CBRE			

Capitalization Rate Conclusion

In concluding an overall capitalization rate for the subject, primary reliance has been placed upon the data obtained from the comparable sales and on-going interviews with active market participants as this data tends to provide the most accurate depiction of both buyer's and seller's expectations within the market. Further secondary support for our conclusion is noted via the

investor survey data and the band of investment methodology. Considering the data presented, the concluded overall capitalization rate appears to be well supported.

OVERALL CAPITALIZATION RATE - CONCLUSION	
Source	Indicated OAR
Comparable Sales	5.10% - 6.65%
Published Surveys	5.00% - 8.50%
Market Participants	5.75% - 6.50%
Band of Investment	6.00%
CBRE Estimate	6.00%
Compiled by: CBRE	

DIRECT CAPITALIZATION SUMMARY

A summary of the direct capitalization at stabilized occupancy is illustrated in the following chart.

DIRECT CAPITALIZATION SUMMARY			
		\$/SF/Yr	Total
Income			
Potential Rental Income		\$24.00	\$431,352
Vacancy	2.50%	(0.60)	(10,784)
Credit Loss	1.00%	(0.24)	(4,314)
Net Rental Income		\$23.16	416,255
Expense Reimbursements		\$15.38	\$276,356
Vacancy	2.50%	(0.38)	(6,909)
Credit Loss	1.00%	(0.15)	(2,764)
Effective Gross Income		\$38.00	\$682,938
Expenses			
Real Estate Taxes		\$4.04	\$72,697
Property Insurance		1.67	30,000
Utilities		3.34	60,000
Administrative & General		0.14	2,500
Common Area Maintenance		5.56	100,000
Management Fee	2.00%	0.76	13,659
Operating Expenses		\$15.52	\$278,856
Operating Expense Ratio			40.83%
Net Operating Income		\$22.48	\$404,082
OAR			/ 6.00%
Indicated Value - As Is			\$6,734,704
Rounded		\$372.78	\$6,700,000
Compiled by CBRE			

CONCLUSION OF INCOME CAPITALIZATION APPROACH

The conclusion via the valuation method employed for this approach is as follows:

INCOME CAPITALIZATION APPROACH VALUES	
Direct Capitalization Method	\$6,700,000
Reconciled Value	\$6,700,000
Compiled by CBRE	

Reconciliation of Value

The value indications from the approaches to value are summarized as follows:

SUMMARY OF VALUE CONCLUSIONS	
Cost Approach	\$6,670,000
Sales Comparison Approach	\$6,500,000
Income Capitalization Approach	\$6,700,000
Reconciled Value	\$6,700,000
Compiled by CBRE	

The cost approach typically gives a reliable value indication when there is strong support for the replacement cost estimate and when there is minimal depreciation. Considering the substantial amount of depreciation present in the property, the reliability of the cost approach is considered somewhat diminished. Therefore, the cost approach is considered less applicable to the subject and is used primarily as a test of reasonableness against the other valuation techniques. Limited weight has been given to this approach.

In the sales comparison approach, the subject is compared to similar properties that have been sold recently or for which listing prices or offers are known. The sales used in this analysis are generally comparable to the subject, and the required adjustments were based on reasonable and well-supported rationale. In addition, market participants are currently analyzing purchase prices on investment properties as they relate to available substitutes in the market. Therefore, the sales comparison provides a reliable value indication. This approach has been given significant emphasis in the final value reconciliation.

The income capitalization approach is applicable to the subject since it is an income producing property leased in the open market. Market participants are primarily analyzing properties based on their income generating capability. Therefore, the income capitalization approach is considered a reasonable and substantiated value indicator. This approach has been given significant emphasis in the final value estimate.

Based on the foregoing, the market value of the subject has been concluded as follows:

MARKET VALUE CONCLUSION			
Appraisal Premise	Interest Appraised	Date of Value	Value Conclusion
As Is	Fee Simple Interest	May 15, 2019	\$6,700,000
Hypothetical Land Value, As If Rezoned	Fee Simple Interest	May 15, 2019	\$15,100,000
Compiled by CBRE			

Assumptions and Limiting Conditions

1. CBRE, Inc. through its appraiser (collectively, “CBRE”) has inspected through reasonable observation the subject property. However, it is not possible or reasonably practicable to personally inspect conditions beneath the soil and the entire interior and exterior of the improvements on the subject property. Therefore, no representation is made as to such matters.
2. The report, including its conclusions and any portion of such report (the “Report”), is as of the date set forth in the letter of transmittal and based upon the information, market, economic, and property conditions and projected levels of operation existing as of such date. The dollar amount of any conclusion as to value in the Report is based upon the purchasing power of the U.S. Dollar on such date. The Report is subject to change as a result of fluctuations in any of the foregoing. CBRE has no obligation to revise the Report to reflect any such fluctuations or other events or conditions which occur subsequent to such date.
3. Unless otherwise expressly noted in the Report, CBRE has assumed that:
 - (i) Title to the subject property is clear and marketable and that there are no recorded or unrecorded matters or exceptions to title that would adversely affect marketability or value. CBRE has not examined title records (including without limitation liens, encumbrances, easements, deed restrictions, and other conditions that may affect the title or use of the subject property) and makes no representations regarding title or its limitations on the use of the subject property. Insurance against financial loss that may arise out of defects in title should be sought from a qualified title insurance company.
 - (ii) Existing improvements on the subject property conform to applicable local, state, and federal building codes and ordinances, are structurally sound and seismically safe, and have been built and repaired in a workmanlike manner according to standard practices; all building systems (mechanical/electrical, HVAC, elevator, plumbing, etc.) are in good working order with no major deferred maintenance or repair required; and the roof and exterior are in good condition and free from intrusion by the elements. CBRE has not retained independent structural, mechanical, electrical, or civil engineers in connection with this appraisal and, therefore, makes no representations relative to the condition of improvements. CBRE appraisers are not engineers and are not qualified to judge matters of an engineering nature, and furthermore structural problems or building system problems may not be visible. It is expressly assumed that any purchaser would, as a precondition to closing a sale, obtain a satisfactory engineering report relative to the structural integrity of the property and the integrity of building systems.
 - (iii) Any proposed improvements, on or off-site, as well as any alterations or repairs considered will be completed in a workmanlike manner according to standard practices.
 - (iv) Hazardous materials are not present on the subject property. CBRE is not qualified to detect such substances. The presence of substances such as asbestos, urea formaldehyde foam insulation, contaminated groundwater, mold, or other potentially hazardous materials may affect the value of the property.
 - (v) No mineral deposit or subsurface rights of value exist with respect to the subject property, whether gas, liquid, or solid, and no air or development rights of value may be transferred. CBRE has not considered any rights associated with extraction or exploration of any resources, unless otherwise expressly noted in the Report.
 - (vi) There are no contemplated public initiatives, governmental development controls, rent controls, or changes in the present zoning ordinances or regulations governing use, density, or shape that would significantly affect the value of the subject property.
 - (vii) All required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, state, nor national government or private entity or organization have been or can be readily obtained or renewed for any use on which the Report is based.
 - (viii) The subject property is managed and operated in a prudent and competent manner, neither inefficiently or super-efficiently.
 - (ix) The subject property and its use, management, and operation are in full compliance with all applicable federal, state, and local regulations, laws, and restrictions, including without limitation environmental laws, seismic hazards, flight patterns, decibel levels/noise envelopes, fire hazards, hillside ordinances, density, allowable uses, building codes, permits, and licenses.
 - (x) The subject property is in full compliance with the Americans with Disabilities Act (ADA). CBRE is not qualified to assess the subject property’s compliance with the ADA, notwithstanding any discussion of possible readily achievable barrier removal construction items in the Report.

- (xi) All information regarding the areas and dimensions of the subject property furnished to CBRE are correct, and no encroachments exist. CBRE has neither undertaken any survey of the boundaries of the subject property nor reviewed or confirmed the accuracy of any legal description of the subject property.

Unless otherwise expressly noted in the Report, no issues regarding the foregoing were brought to CBRE's attention, and CBRE has no knowledge of any such facts affecting the subject property. If any information inconsistent with any of the foregoing assumptions is discovered, such information could have a substantial negative impact on the Report. Accordingly, if any such information is subsequently made known to CBRE, CBRE reserves the right to amend the Report, which may include the conclusions of the Report. CBRE assumes no responsibility for any conditions regarding the foregoing, or for any expertise or knowledge required to discover them. Any user of the Report is urged to retain an expert in the applicable field(s) for information regarding such conditions.

4. CBRE has assumed that all documents, data and information furnished by or behalf of the client, property owner, or owner's representative are accurate and correct, unless otherwise expressly noted in the Report. Such data and information include, without limitation, numerical street addresses, lot and block numbers, Assessor's Parcel Numbers, land dimensions, square footage area of the land, dimensions of the improvements, gross building areas, net rentable areas, usable areas, unit count, room count, rent schedules, income data, historical operating expenses, budgets, and related data. Any error in any of the above could have a substantial impact on the Report. Accordingly, if any such errors are subsequently made known to CBRE, CBRE reserves the right to amend the Report, which may include the conclusions of the Report. The client and intended user should carefully review all assumptions, data, relevant calculations, and conclusions of the Report and should immediately notify CBRE of any questions or errors within 30 days after the date of delivery of the Report.
5. CBRE assumes no responsibility (including any obligation to procure the same) for any documents, data or information not provided to CBRE, including without limitation any termite inspection, survey or occupancy permit.
6. All furnishings, equipment and business operations have been disregarded with only real property being considered in the Report, except as otherwise expressly stated and typically considered part of real property.
7. Any cash flows included in the analysis are forecasts of estimated future operating characteristics based upon the information and assumptions contained within the Report. Any projections of income, expenses and economic conditions utilized in the Report, including such cash flows, should be considered as only estimates of the expectations of future income and expenses as of the date of the Report and not predictions of the future. Actual results are affected by a number of factors outside the control of CBRE, including without limitation fluctuating economic, market, and property conditions. Actual results may ultimately differ from these projections, and CBRE does not warrant any such projections.
8. The Report contains professional opinions and is expressly not intended to serve as any warranty, assurance or guarantee of any particular value of the subject property. Other appraisers may reach different conclusions as to the value of the subject property. Furthermore, market value is highly related to exposure time, promotion effort, terms, motivation, and conclusions surrounding the offering of the subject property. The Report is for the sole purpose of providing the intended user with CBRE's independent professional opinion of the value of the subject property as of the date of the Report. Accordingly, CBRE shall not be liable for any losses that arise from any investment or lending decisions based upon the Report that the client, intended user, or any buyer, seller, investor, or lending institution may undertake related to the subject property, and CBRE has not been compensated to assume any of these risks. Nothing contained in the Report shall be construed as any direct or indirect recommendation of CBRE to buy, sell, hold, or finance the subject property.
9. No opinion is expressed on matters which may require legal expertise or specialized investigation or knowledge beyond that customarily employed by real estate appraisers. Any user of the Report is advised to retain experts in areas that fall outside the scope of the real estate appraisal profession for such matters.
10. CBRE assumes no responsibility for any costs or consequences arising due to the need, or the lack of need, for flood hazard insurance. An agent for the Federal Flood Insurance Program should be contacted to determine the actual need for Flood Hazard Insurance.
11. Acceptance or use of the Report constitutes full acceptance of these Assumptions and Limiting Conditions and any special assumptions set forth in the Report. It is the responsibility of the user of the Report to read in full, comprehend and thus become aware of all such assumptions and limiting conditions. CBRE assumes no responsibility for any situation arising out of the user's failure to become familiar with and understand the same.
12. The Report applies to the property as a whole only, and any pro ration or division of the title into fractional interests will invalidate such conclusions, unless the Report expressly assumes such pro ration or division of interests.

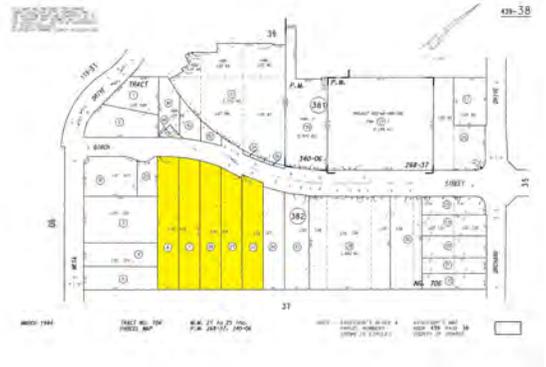
13. The allocations of the total value estimate in the Report between land and improvements apply only to the existing use of the subject property. The allocations of values for each of the land and improvements are not intended to be used with any other property or appraisal and are not valid for any such use.
14. The maps, plats, sketches, graphs, photographs, and exhibits included in this Report are for illustration purposes only and shall be utilized only to assist in visualizing matters discussed in the Report. No such items shall be removed, reproduced, or used apart from the Report.
15. The Report shall not be duplicated or provided to any unintended users in whole or in part without the written consent of CBRE, which consent CBRE may withhold in its sole discretion. Exempt from this restriction is duplication for the internal use of the intended user and its attorneys, accountants, or advisors for the sole benefit of the intended user. Also exempt from this restriction is transmission of the Report pursuant to any requirement of any court, governmental authority, or regulatory agency having jurisdiction over the intended user, provided that the Report and its contents shall not be published, in whole or in part, in any public document without the written consent of CBRE, which consent CBRE may withhold in its sole discretion. Finally, the Report shall not be made available to the public or otherwise used in any offering of the property or any security, as defined by applicable law. Any unintended user who may possess the Report is advised that it shall not rely upon the Report or its conclusions and that it should rely on its own appraisers, advisors and other consultants for any decision in connection with the subject property. CBRE shall have no liability or responsibility to any such unintended user.

ADDENDA

Addendum A

DATA SHEETS

Property Name	Newport Heights Medical Center Land
Address	SW Birch and Mesa Drive Newport Beach, CA 92651
County	Orange
Govt./Tax ID	439-382-06, 07,10, 26, 27, 34, 31, & 439-381-40
Land Area Net	3.500 ac/ 152,460 sf
Land Area Gross	3.500 ac/ 152,460 sf
Site Development Status	N/A
Utilities	All to site
Maximum FAR	0.42
Min Land Bldg Ratio	2.38:1
Shape	Irregular
Topography	Generally Level
Flood Zone Class	N/A
Flood Panel No./ Date	N/A
Zoning	Business Park
Entitlement Status	N/A



Transaction Details

Type	Sale	Primary Verification	Chris Bates - CBRE
Interest Transferred	Fee Simple	Transaction Date	03/17/2015
Condition of Sale	None	Recording Date	03/17/2015
Recorded Buyer	Newport Heights Ventures	Sale Price	\$7,343,998
Buyer Type	Developer	Financing	Cash to Seller
Recorded Seller	Newport Executive LLC and Moriarty Richard A. Trust	Cash Equivalent	\$7,343,998
Marketing Time	5 Month(s)	Capital Adjustment	\$0
Listing Broker	N/A	Adjusted Price	\$7,343,998
Doc #	136145, 136148	Adjusted Price / ac and / sf	\$2,098,285 / \$48.17
		Adjusted Price/ FAR	\$114.75
		Adjusted Price/ Unit	N/A

Comments

Newport Heights Ventures acquired 3.5 acres in two transactions from Newport Executive LLC and Moriarty Richard A. Trust which simultaneously sold APN's 469-382-31 & 34 on the same date at the same average price per square foot. The current available tax map presented above does not show where Birch Street is dedicated as part of the acquired land. The buyer purchased the land to develop a 64,000 square foot medical office complex. The development will include two buildings which will begin construction in the summer of 2015. Each will be designed for OSPHD-3 licensed medical clinics to support various uses, including outpatient surgery and dialysis centers. The Orange County Assessor reports the total combined sale price was \$7,711,000 whereas the two brokers handling the transactions report that the buyer actually paid \$7,343,998.

Property Name	The Boardwalk
Address	Jamboree & Dupont Drive Irvine, CA 92612
County	Orange
Govt./Tax ID	445-102-02
Land Area Net	7.500 ac/ 326,700 sf
Land Area Gross	N/A/ N/A
Site Development Status	Raw
Utilities	N/A
Maximum FAR	1.68
Min Land Bldg Ratio	0.59:1
Shape	Rectangular
Topography	Generally Level
Flood Zone Class	N/A
Flood Panel No./ Date	N/A
Zoning	5.1 IBC
Entitlement Status	N/A



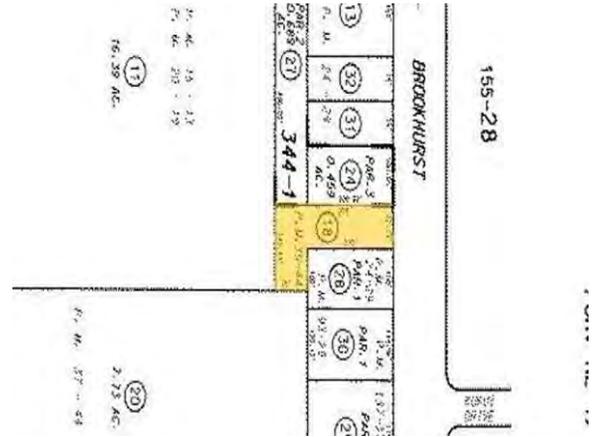
Transaction Details

Type	Sale	Primary Verification	Dave Nazaryk
Interest Transferred	Fee Simple	Transaction Date	04/30/2015
Condition of Sale	None	Recording Date	N/A
Recorded Buyer	Boardwalk Office Associates LLC	Sale Price	\$27,000,000
Buyer Type	N/A	Financing	N/A
Recorded Seller	General Investment Funds Real Estate Holding	Cash Equivalent	\$27,000,000
Marketing Time	N/A	Capital Adjustment	\$0
Listing Broker	Thomas Bak	Adjusted Price	\$27,000,000
Doc #	225382	Adjusted Price / ac and / sf	\$3,600,000 / \$82.64
		Adjusted Price/ FAR	\$49.09
		Adjusted Price/ Unit	N/A

Comments

This is the sale of a 7.5-acre site in the city of Irvine. The property was purchased by Boardwalk Office Associates, LLC on April 30, 2015 for \$27,000,000, or \$82.64 per square foot. The site fronts Jamboree Boulevard and Dupont Drive. The buyer plans to construct an office development on the site.

Property Name	Retail Land
Address	19121 Brookhurst Street Huntington Beach, CA 92646
County	Orange
Govt./Tax ID	153-201-18
Land Area Net	0.579 ac/ 25,230 sf
Land Area Gross	0.579 ac/ 25,230 sf
Site Development Status	Raw
Utilities	N/A
Maximum FAR	1.50
Min Land Bldg Ratio	0.67:1
Shape	Irregular
Topography	Level, At Street Grade
Flood Zone Class	N/A
Flood Panel No./ Date	N/A
Zoning	Commercial
Entitlement Status	N/A



Transaction Details

Type	Sale	Primary Verification	N/A
Interest Transferred	Fee Simple	Transaction Date	07/03/2017
Condition of Sale	None	Recording Date	07/03/2017
Recorded Buyer	BEMM LLC	Sale Price	\$1,645,000
Buyer Type	Private Investor	Financing	Market Rate Financing
Recorded Seller	Yu Trust	Cash Equivalent	\$1,645,000
Marketing Time	9 Month(s)	Capital Adjustment	\$0
Listing Broker	Marcus & Millichap	Adjusted Price	\$1,645,000
Doc #	0274017	Adjusted Price / ac and / sf	\$2,840,124 / \$65.20
		Adjusted Price/ FAR	\$43.47
		Adjusted Price/ Unit	N/A

Comments

This comparable is located at 19121 Brookhurst street, Huntington Beach CA 92646. The land was previously used as a nursery and was purchased for retail/commercial purpose. Title to this land is currently vested in the name of BEMM, LLC who acquired the property on July 3, 2017 for a purchase price of \$1,645,000 (\$65.20 per square foot).

Property Name	Commercial Land - 3.17 Acres
Address	31872, 31878 & 31882 Camino Capistrano San Juan Capistrano, CA 92675
County	Orange
Govt./Tax ID	124-160-51, -52 & -37
Land Area Net	3.170 ac/ 138,085 sf
Land Area Gross	N/A/ N/A
Site Development Status	Finished
Utilities	All to site
Maximum FAR	N/A
Min Land Bldg Ratio	N/A
Shape	Irregular
Topography	Generally Level
Flood Zone Class	N/A
Flood Panel No./ Date	N/A
Zoning	TC, Town Center District
Entitlement Status	N/A



Transaction Details

Type	Sale	Primary Verification	Costar, public records
Interest Transferred	Fee Simple	Transaction Date	11/01/2018
Condition of Sale	None	Recording Date	N/A
Recorded Buyer	Oneill Strategic Invs II LLC	Sale Price	\$5,500,000
Buyer Type	N/A	Financing	Cash to Seller
Recorded Seller	Pacific Hospitality Ptrs LLC	Cash Equivalent	\$5,500,000
Marketing Time	N/A	Capital Adjustment	\$130,700
Listing Broker	N/A	Adjusted Price	\$5,630,700
Doc #	397166	Adjusted Price / ac and / sf	\$1,776,246 / \$40.78
		Adjusted Price/ FAR	N/A
		Adjusted Price/ Unit	N/A

Comments

This is a previously developed site totaling 3.17 acres. The site was previously improved with three, low-rise office buildings totaling approximately 32,676 square feet, and was known as Birtcher Plaza. The site is located on the east side of Camino Capistrano, just north of Del Obispo Street and west of the 5 Freeway, in San Juan Capistrano. The zoning is TC, Town Center District, which allows various commercial uses. In November 2018, the property was purchased for \$39.83 per square foot of land area. As of December 20, 2018, the existing building improvements were being demolished. Building demolition and debris removal costs are estimated at about \$4 per square foot of building area, or a total cost of \$130,700, and was added to the purchased price.

Property Name	Commercial Land - 2 Acres
Address	31501 Avenida Los Cerritos San Juan Capistrano, CA 92675
County	Orange
Govt./Tax ID	650-151-30 (por.), 650-151-14 & -15
Land Area Net	2.000 ac/ 87,120 sf
Land Area Gross	N/A/ N/A
Site Development Status	Semi-Finished
Utilities	All to site
Maximum FAR	N/A
Min Land Bldg Ratio	N/A
Shape	Irregular
Topography	Generally Level
Flood Zone Class	Zone X (Unshaded)
Flood Panel No./ Date	06059C0443J/ Dec 2009
Zoning	OC, Office Commercial District
Entitlement Status	Other (See Comments)



Transaction Details

Type	Escrow	Primary Verification	John Gessford, First Team Commercial, 949.930.6292
Interest Transferred	Fee Simple	Transaction Date	05/08/2019
Condition of Sale	None	Recording Date	N/A
Recorded Buyer	N/A	Sale Price	\$4,900,000
Buyer Type	N/A	Financing	N/A
Recorded Seller	South Coast Christian Assembly	Cash Equivalent	\$4,900,000
Marketing Time	30 Month(s)	Capital Adjustment	\$0
Listing Broker	John Gessford, First Team Commercial, 949.930.6292	Adjusted Price	\$4,900,000
Doc #	N/A	Adjusted Price / ac and / sf	\$2,450,000 / \$56.24
		Adjusted Price/ FAR	N/A
		Adjusted Price/ Unit	N/A

Comments

This is an approximately 2 acre site located on the west side of Avenida los Cerritos, just north of Ortega Highway, in San Juan Capistrano. The immediate surrounding area is developed with mostly low-rise office and residential. The 5 Freeway is adjacent west. The site is comprised of two parcels (APNs 650-151-14 and -15) that were previously developed with residential homes, and a portion of APN 650-151-30, which requires a lot line adjustment from the neighboring church property located immediately north. The zoning is OC, office commercial district. According to the listing broker, the property went into escrow to be purchased near the asking price of \$4,900,000. Escrow is expected to close in April 2019 as the buyer is obtaining approvals for development of a memory care facility. Before going into escrow, the property received 10 offers within 30 days.

Property Name	Future Religious Facility
Address	Rancho Viejo Road San Juan Capistrano, CA 92675
County	Orange
Govt./Tax ID	650-011-34, 650-011-39
Land Area Net	9.650 ac/ 420,354 sf
Land Area Gross	N/A/ N/A
Site Development Status	Finished
Utilities	To the site
Maximum FAR	N/A
Min Land Bldg Ratio	N/A
Shape	Irregular
Topography	Level, At Street Grade
Flood Zone Class	N/A
Flood Panel No./ Date	N/A
Zoning	PNI
Entitlement Status	None



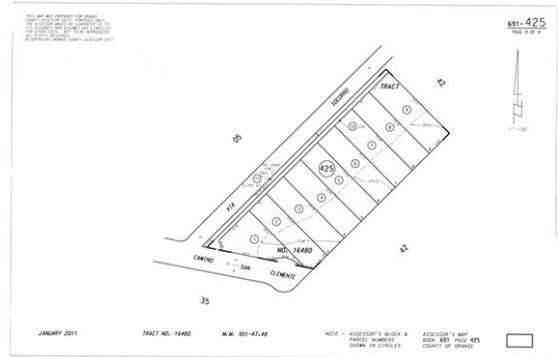
Transaction Details

Type	Available/Listing	Primary Verification	Public Records, Listing Broker
Interest Transferred	Fee Simple	Transaction Date	05/18/2019
Condition of Sale	None	Recording Date	N/A
Recorded Buyer	Active Listing	Sale Price	\$11,995,000
Buyer Type	End User	Financing	All Cash
Recorded Seller	Grace International Churches & Ministries, Inc.	Cash Equivalent	\$11,995,000
Marketing Time	13 Month(s)	Capital Adjustment	\$0
Listing Broker	Eric Knowles	Adjusted Price	\$11,995,000
Doc #	Active Listing	Adjusted Price / ac and / sf	\$1,243,005 / \$28.54
		Adjusted Price/ FAR	N/A
		Adjusted Price/ Unit	N/A

Comments

This is the sale of a 9.65-acre site located in San Juan Capistrano. The site is mostly level and has been graded. The property is zoned Public and Institutional (P&I) District. The property was on the market for 13 months with a recently reduced asking price of \$11,995,000 or \$28.54/site sf.

Property Name	9-Lot Residential Subdivision
Address	SE side of Via Socorro n/o Via Cascadita San Clemente, CA 92672
County	Orange
Govt./Tax ID	691-425-01 to 09
Land Area Net	2.664 ac/ 116,048 sf
Land Area Gross	N/A/ N/A
Site Development Status	Semi-Finished
Utilities	All to site
Maximum FAR	N/A
Min Land Bldg Ratio	N/A
Shape	Rectangular
Topography	Generally Level
Flood Zone Class	Zone X (Unshaded)
Flood Panel No./ Date	06059C0509J/ Dec 2009
Zoning	RML, Residential Medium Low Density
Entitlement Status	Final Tract



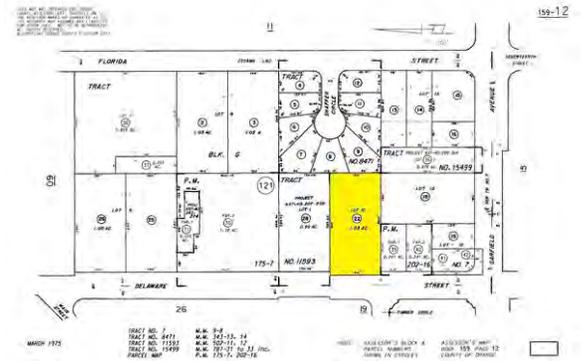
Transaction Details

Type	Sale	Primary Verification	Buyer, Review of development budget
Interest Transferred	Fee Simple	Transaction Date	11/07/2016
Condition of Sale	None	Recording Date	11/07/2016
Recorded Buyer	Via Socorro Holdings LLC	Sale Price	\$5,800,000
Buyer Type	Developer	Financing	Cash to Seller
Recorded Seller	Aedes Development Group, Inc.	Cash Equivalent	\$5,800,000
Marketing Time	N/A	Capital Adjustment	\$386,010
Listing Broker	N/A	Adjusted Price	\$6,186,010
Doc #	551401 & 550797	Adjusted Price / ac and / sf	\$2,321,989 / \$53.31
		Adjusted Price/ FAR	N/A
		Adjusted Price/ Unit	\$687,334

Comments

This is the sale of 9 nearly finished single family lots in San Clemente. The lots were completed several years earlier but have eroded over time and require some re-grading and payment of fees. The lots are located along the southeastern side of Via Socorro. The lots have a minimum gross lot size of 12,595 square feet but there is an open space area extending along the southeastern border that reduces the lots to an average minimum pad size of 7,900 square feet. The buyer intends to construct homes from 4,003 to 5,319 square feet that will be priced somewhere around \$1,600,000 - \$1,800,000. Remaining site costs were reported at \$386,010, or \$42,890 per lot. The total finished lot price is \$687,334 per lot. There are no CFD assessments impacting the property. The lots have minor blue-water ocean views.

Property Name	Trophy Development Land Property
Address	18922 Delaware St Huntington Beach, CA 92648
County	Orange
Govt./Tax ID	159-121-22
Land Area Net	1.000 ac/ 43,560 sf
Land Area Gross	N/A/ N/A
Site Development Status	Raw
Utilities	All to site
Maximum FAR	N/A
Min Land Bldg Ratio	N/A
Shape	Rectangular
Topography	Level, At Street Grade
Flood Zone Class	N/A
Flood Panel No./ Date	N/A
Zoning	RM, Residential Medium Density Zone
Entitlement Status	N/A



Transaction Details

Type	Sale	Primary Verification	Public Records
Interest Transferred	Fee Simple	Transaction Date	04/24/2017
Condition of Sale	None	Recording Date	N/A
Recorded Buyer	Advovacy Development Partners LLC	Sale Price	\$4,080,000
Buyer Type	Other	Financing	Cash to Seller
Recorded Seller	Bagstad Group One	Cash Equivalent	\$4,080,000
Marketing Time	12 Month(s)	Capital Adjustment	\$0
Listing Broker	M Mehdi, PE Zomorrodian - Coldwell Banker Commercial NRT	Adjusted Price	\$4,080,000
Doc #	0162976	Adjusted Price / ac and	\$4,080,000 / \$93.66
		/ sf	
		Adjusted Price/ FAR	N/A
		Adjusted Price/ Unit	N/A

Comments

This is the April 2017 sale of a 1-acre residential land site located at 18922 Delaware Street in the city of Huntington Beach, Orange County. The property consists of one parcel. The site has level, at street grade topography and all necessary utilities are provided. The property is zoned as Medium Residential Density Zone (RM), and the buyer plans to develop the land into a senior assisted care facility. RM zoning requires a minimum lot area of 6,000 square feet. On April 24, 2017 the property sold for \$4,080,000, or 93.66 PSF. The property was in escrow for a little over a year as the escrow was contingent upon plan approval.

Property Name	2 Lots with Ocean View
Address	324 La Rambla San Clemente, CA 92672
County	Orange
Govt./Tax ID	692-272-09, 692-272-10
Land Area Net	0.521 ac/ 22,683 sf
Land Area Gross	0.521 ac/ 22,683 sf
Site Development Status	Raw
Utilities	To Site
Maximum FAR	N/A
Min Land Bldg Ratio	N/A
Shape	Irregular
Topography	Steep Slope
Flood Zone Class	N/A
Flood Panel No./ Date	N/A
Zoning	R1, Single Family Zone
Entitlement Status	Final Tract



Transaction Details

Type	Sale	Primary Verification	MLS OC18133745
Interest Transferred	N/A	Transaction Date	06/04/2018
Condition of Sale	None	Recording Date	N/A
Recorded Buyer	N/A	Sale Price	\$4,150,000
Buyer Type	N/A	Financing	N/A
Recorded Seller	N/A	Cash Equivalent	\$4,150,000
Marketing Time	1 Month(s)	Capital Adjustment	\$0
Listing Broker	N/A	Adjusted Price	\$4,150,000
Doc #	N/A	Adjusted Price / ac and / sf	\$7,970,040 / \$182.96
		Adjusted Price/ FAR	N/A
		Adjusted Price/ Unit	N/A
Buyer's Primary Analysis	N/A	Occupancy at Sale	N/A
Static Analysis Method	N/A	Underwritten Occupancy	Static Analysis-N/A
Source	Static Analysis-N/A	Potential Gross Income	Static Analysis-N/A
NOI / sf	Static Analysis-N/A	Vacancy/Collection Loss	Static Analysis-N/A
IRR	N/A	Effective Gross Income	Static Analysis-N/A
OER	Static Analysis-N/A	Expenses	Static Analysis-N/A
Expenses /sf	Static Analysis-N/A	Net Operating Income	Static Analysis-N/A
Cap Rate	Static Analysis-N/A		

Comments

This is the sales transaction of two parcels that originally had two separate houses. They were destroyed by a landslide. The sold together for \$4,150,000 on June 4, 2018 as indicated within the local MLS system. The lots are front row and have ocean views. The are located at the end of a cul-de-sac.

Property Name	Beachfront Lots
Address	312 Boca Del Canon San Clemente, CA 92672
County	Orange
Govt./Tax ID	692-272-02, -03, -04, -05 & -08
Land Area Net	0.960 ac/ 41,818 sf
Land Area Gross	N/A/ N/A
Site Development Status	Finished
Utilities	All to site
Maximum FAR	N/A
Min Land Bldg Ratio	N/A
Shape	Irregular
Topography	Rolling
Flood Zone Class	N/A
Flood Panel No./ Date	N/A
Zoning	RM-1, Residential, Medium Density Zone
Entitlement Status	N/A



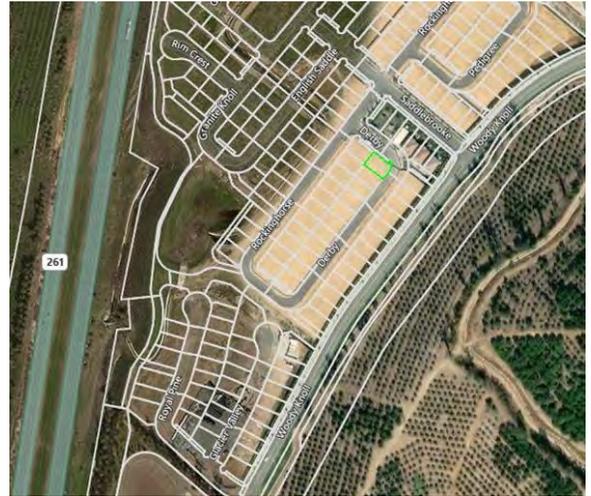
Transaction Details

Type	Sale	Primary Verification	Public Records
Interest Transferred	Fee Simple	Transaction Date	06/11/2018
Condition of Sale	None	Recording Date	N/A
Recorded Buyer	Kui Cai Li& Ning Zhang	Sale Price	\$4,400,000
Buyer Type	Private Investor	Financing	All Cash
Recorded Seller	Hudson Lending Co LLC	Cash Equivalent	\$4,400,000
Marketing Time	12 Month(s)	Capital Adjustment	\$0
Listing Broker	Mary Sawyer, CCIM	Adjusted Price	\$4,400,000
Doc #	0212195	Adjusted Price / ac and / sf	\$4,583,333 / \$105.22
		Adjusted Price/ FAR	N/A
		Adjusted Price/ Unit	N/A

Comments

This is the June 2018 sale of 0.96-acres of residential land, located at 312 Boca Del Canon in the city of San Clemente, Orange County. The property consists of five parcels total. The site has a rolling topography and all necessary utilities are provided. The property is zoned as Residential, Medium Density Zone (RM-1), and the buyer plans to develop the land into five beach front homes. RM-1 zoning requires a minimum lot area of 6,000 square feet. On June 11, 2018 the property sold for \$4,400,000, or \$104.99 PSF. This was an all cash transaction.

Property Name	1.15-Acre Residential Land Site
Address	Rockinghorse Irvine, CA 92602
County	Orange
Govt./Tax ID	527-331-17, -18, -19, -20, -21, -22, -23, -24, -25, -26, -27, -28
Land Area Net	1.150 ac/ 50,094 sf
Land Area Gross	N/A/ N/A
Site Development Status	Raw
Utilities	All to site
Maximum FAR	N/A
Min Land Bldg Ratio	N/A
Shape	Rectangular
Topography	Level, At Street Grade
Flood Zone Class	N/A
Flood Panel No./ Date	N/A
Zoning	2.2D, Low Density Residential
Entitlement Status	N/A



Transaction Details

Type	Sale	Primary Verification	N/A
Interest Transferred	Leased Fee	Transaction Date	07/10/2018
Condition of Sale	None	Recording Date	N/A
Recorded Buyer	Shea Hms LP	Sale Price	\$9,320,600
Buyer Type	Other	Financing	Cash to Seller
Recorded Seller	The Irvine Company	Cash Equivalent	\$9,320,600
Marketing Time	N/A	Capital Adjustment	\$0
Listing Broker	N/A	Adjusted Price	\$9,320,600
Doc #	0251895	Adjusted Price / ac and / sf	\$8,104,870 / \$186.06
		Adjusted Price/ FAR	N/A
		Adjusted Price/ Unit	N/A
Buyer's Primary Analysis	Static Capitalization Analysis	Occupancy at Sale	N/A
Static Analysis Method	Trailing Actuals	Underwritten Occupancy	N/A
Source	N/A	Potential Gross Income	N/A
NOI / sf	N/A	Vacancy/Collection Loss	N/A
IRR	N/A	Effective Gross Income	N/A
OER	N/A	Expenses	N/A
Expenses /sf	N/A	Net Operating Income	N/A
Cap Rate	N/A		

Comments

This is the July 2018 sale of a 1.15-acre residential land site located along Rockinghorse in the city of Irvine, Orange County. The property consists of twelve parcels total. The site has level, at street grade topography and all necessary utilities are provided. The property is zoned as 2.2, Low Density Residential, and the buyer plans to develop the land single family residential uses. Low Density Residential zoning requires a minimum lot area of 4,000 square feet. On July 10, 2018 the property sold for \$9,320,600, or \$186.06 PSF.

Property Name	0.65-Acre Residential Land Site
Address	Lugano Irvine, CA 92602
County	Orange
Govt./Tax ID	527-341-21, -22, -23, -32, -33, -34
Land Area Net	0.650 ac/ 28,314 sf
Land Area Gross	N/A/ N/A
Site Development Status	Raw
Utilities	All to site
Maximum FAR	N/A
Min Land Bldg Ratio	N/A
Shape	Rectangular
Topography	Level, At Street Grade
Flood Zone Class	N/A
Flood Panel No./ Date	N/A
Zoning	2.2, Low Density Residential
Entitlement Status	N/A



Transaction Details

Type	Sale	Primary Verification	Public Records
Interest Transferred	N/A	Transaction Date	02/15/2019
Condition of Sale	None	Recording Date	N/A
Recorded Buyer	TRI Pointe Homes, Inc.	Sale Price	\$4,547,000
Buyer Type	Developer	Financing	N/A
Recorded Seller	Irvine Community Development Company, LLC	Cash Equivalent	\$4,547,000
Marketing Time	N/A	Capital Adjustment	\$0
Listing Broker	None	Adjusted Price	\$4,547,000
Doc #	0048963	Adjusted Price / ac and / sf	\$6,995,385 / \$160.59
		Adjusted Price/ FAR	N/A
		Adjusted Price/ Unit	N/A
Buyer's Primary Analysis	Static Capitalization Analysis	Occupancy at Sale	N/A
Static Analysis Method	Trailing Actuals	Underwritten Occupancy	N/A
Source	N/A	Potential Gross Income	N/A
NOI / sf	N/A	Vacancy/Collection Loss	N/A
IRR	N/A	Effective Gross Income	N/A
OER	N/A	Expenses	N/A
Expenses /sf	N/A	Net Operating Income	N/A
Cap Rate	N/A		

Comments

This is the February 2019 sale of a 0.65-acre residential land site located along Lugano in the city of Irvine, Orange County. The property consists of six parcels total. The site has level, at street grade topography and all necessary utilities are provided. The property is zoned as 2.2, Low Density Residential, and the buyer plans to develop the land into a senior assisted care facility. Low Density Residential zoning requires a minimum lot area of 4,000 square feet. On February 15, 2019 the property sold for \$4,547,000, or \$161.45 PSF.

Property Name	LA Fitness
Address	13822 Garvey Avenue Baldwin Park, CA 91706
County	Los Angeles
Govt./Tax ID	N/A
Gross Leasable Area (GLA)	45,000 sf
Condition	Good
Number of Buildings	1
Parking Type/Ratio	Surface/ N/A
Year Built/Renovated	2017/ N/A
Floor Count	1
Occupancy Type	Single Tenant
Land Area Net	4.030 ac/ 175,547 sf
Shape	N/A
Zoning	N/A
Construction Class/ Type	N/A/ N/A
Exterior Finish	N/A



Transaction Details

Type	Sale	Primary Verification	public records; costar
Interest Transferred	Leased Fee	Transaction Date	10/13/2017
Condition of Sale	sale leaseback	Recording Date	N/A
Remaining Lease Term	N/A	Avg. Credit Rating	N/A
Recorded Buyer	Eden Plaza San Diego LLC	Sale Price	\$15,725,000
Buyer Type	N/A	Financing	Not Available
Recorded Seller	Fitness International LLC	Cash Equivalent	\$15,725,000
Marketing Time	N/A	Capital Adjustment	\$0
Listing Broker	Marcus & Millichap - Mark Thiel	Adjusted Price	\$15,725,000
Doc #	N/A	Adjusted Price / sf	\$349.44
Buyer's Primary Analysis	Yield Capitalization Analysis	Occupancy at Sale	100%
Static Analysis Method	Pro Forma (Stabilized)	Underwritten Occupancy	N/A
Source	N/A	Potential Gross Income	N/A
NOI / sf	\$17.82	Vacancy/Collection Loss	N/A
IRR	N/A	Effective Gross Income	N/A
OER	N/A	Expenses	N/A
Expenses /sf	\$0.00	Net Operating Income	\$801,975
Cap Rate	5.10%		

Comments

The property is a brand-new freestanding the LA Fitness health club totaling 45,000 SF located at 13822 Garvey Ave. in Baldwin Park, Los Angeles County. The subject property was listed on the market at \$16,000,000, and sold for \$15,725,000, or \$351 per square foot. The improvements were built in 2017 and are situated on a 4.03-acre site. The subject property was fully occupied by LA Fitness at the time of sale in which they are leasing back the property for twenty years on a triple net basis. The lease is signed and backed by Fitness International, parent company of LA Fitness with 690+ locations in the U.S. and Canada. The first year pro forma capitalization rate was reported at 5.1%.

Property Name	Fitness 19
Address	7886 Valley View Street Buena Park, CA 90620
County	Orange
Govt./Tax ID	N/A
Gross Leasable Area (GLA)	9,984 sf
Condition	Good
Number of Buildings	N/A
Parking Type/Ratio	Surface/ N/A
Year Built/Renovated	2014/ N/A
Floor Count	N/A
Occupancy Type	Single Tenant
Land Area Net	1.030 ac/ 44,867 sf
Shape	Rectangular
Zoning	N/A
Construction Class/ Type	N/A/ N/A
Exterior Finish	N/A



Transaction Details

Type	Sale	Primary Verification	Public Records, Marketing Data
Interest Transferred	Leased Fee	Transaction Date	05/04/2018
Condition of Sale	None	Recording Date	N/A
Remaining Lease Term	N/A	Avg. Credit Rating	N/A
Recorded Buyer	Sunrz 786 Holding LLC	Sale Price	\$2,850,000
Buyer Type	N/A	Financing	Cash to Seller
Recorded Seller	Hinds Investments LP	Cash Equivalent	\$2,850,000
Marketing Time	4 Month(s)	Capital Adjustment	\$0
Listing Broker	Bryan Cunningham, Flocker & Avoyer	Adjusted Price	\$2,850,000
Doc #	0162310	Adjusted Price / sf	\$285.46
Buyer's Primary Analysis	Price and Capitalization Analyses	Occupancy at Sale	100%
Static Analysis Method	Trailing Actuals	Underwritten Occupancy	N/A
Source	N/A	Potential Gross Income	N/A
NOI / sf	\$18.43	Vacancy/Collection Loss	N/A
IRR	N/A	Effective Gross Income	N/A
OER	N/A	Expenses	N/A
Expenses /sf	\$0.00	Net Operating Income	\$184,000
Cap Rate	6.46%		

Comments

This is the May 2018 sale of a 9,984 square foot retail building located at 7886 Valley View St in Buena Park, Orange County. The improvements were built in 2014 and are situated on a 1.03-acre site. The property sold for \$2,850,000, or \$285.46 per square foot. The property was 100% percent leased at the time of sale to Fitness 19. The indicated capitalization rate of 6.46% was based on the property's contract rent in place. The existing rent of \$184,000 per year is set to increase to \$202,176 per year on July 1, 2019. The lease expires June 30, 2024, plus two 5-year options at 10% rent increases.

Property Name	LA Fitness
Address	29737 Antelope Rd. Menifee, CA 92584
County	Riverside
Govt./Tax ID	N/A
Gross Leasable Area (GLA)	38,000 sf
Condition	Excellent
Number of Buildings	1
Parking Type/Ratio	N/A/ 7.89:1,000 sf
Year Built/Renovated	2017/ N/A
Floor Count	N/A
Occupancy Type	N/A
Land Area Net	3.500 ac/ 152,460 sf
Shape	N/A
Zoning	N/A
Construction Class/ Type	N/A/ N/A
Exterior Finish	N/A



Transaction Details

Type	Sale	Primary Verification	Costar; public records
Interest Transferred	Leased Fee	Transaction Date	07/18/2018
Condition of Sale	None	Recording Date	N/A
Remaining Lease Term	N/A	Avg. Credit Rating	N/A
Recorded Buyer	Los Portales Associates LP	Sale Price	\$14,600,000
Buyer Type	N/A	Financing	Market Rate Financing
Recorded Seller	Menifee Lakes Plaza LLC	Cash Equivalent	\$14,600,000
Marketing Time	N/A	Capital Adjustment	\$0
Listing Broker	CBRE - Jimmy Slusher	Adjusted Price	\$14,600,000
Doc #	0289490	Adjusted Price / sf	\$384.21
Buyer's Primary Analysis	Yield Capitalization Analysis	Occupancy at Sale	100%
Static Analysis Method	Pro Forma (Stabilized)	Underwritten Occupancy	N/A
Source	N/A	Potential Gross Income	N/A
NOI / sf	\$23.05	Vacancy/Collection Loss	N/A
IRR	N/A	Effective Gross Income	N/A
OER	N/A	Expenses	N/A
Expenses /sf	\$0.00	Net Operating Income	\$876,000
Cap Rate	6.00%		

Comments

This is the November 2017 sale of a 2017 built LA Fitness building located within new Menifee Lakes Plaza development, a 100,000 SF mixed-use development. The comparable is specifically located to the west of Balsa Road and east of the 215 Freeway. The address is 29737 Antelope Road in Menifee, Riverside County. The improvements were built in late 2017, are in new condition, and contain 38,000 rentable square feet. The improvements are situated on a 3.50-acre site. During time of sale, the building was fully leased to LA Fitness for a 15-year term. The NNN lease also includes three, 5-year options. The purchase price was \$14,600,000 or approximately \$384.21 PSF. Based on the pro forma NOI, the capitalization rate was approximately 6.0%.

Property Name	LA Fitness
Address	29920 Temecula Parkway Temecula, CA 92592
County	Riverside
Govt./Tax ID	922-170-027
Gross Leasable Area (GLA)	37,000 sf
Condition	Good
Number of Buildings	1
Parking Type/Ratio	N/A/ N/A
Year Built/Renovated	2018/ N/A
Floor Count	1
Occupancy Type	Single Tenant
Land Area Net	3.690 ac/ 160,736 sf
Shape	Irregular
Zoning	PO, Professional Office
Construction Class/ Type	D/ Good
Exterior Finish	Stucco



Transaction Details

Type	Sale	Primary Verification	Public Records, Brokers, CoStar
Interest Transferred	Leased Fee	Transaction Date	11/30/2018
Condition of Sale	1031 Exchange, Investment Triple Net	Recording Date	11/15/2018
Remaining Lease Term	N/A	Avg. Credit Rating	N/A
Recorded Buyer	Fan Family Trust	Sale Price	\$13,000,000
Buyer Type	Private Investor	Financing	Market Rate Financing
Recorded Seller	Pacific Real Estate LLC and B & P Oil Services Inc	Cash Equivalent	\$13,000,000
Marketing Time	4 Month(s)	Capital Adjustment	\$0
Listing Broker	Austin Blodgett, Hanley Investment Group 844-585-7624	Adjusted Price	\$13,000,000
Doc #	0470046	Adjusted Price / sf	\$351.35
Buyer's Primary Analysis	Price and Capitalization Analyses	Occupancy at Sale	100%
Static Analysis Method	Trailing Actuals	Underwritten Occupancy	N/A
Source	N/A	Potential Gross Income	N/A
NOI / sf	\$21.54	Vacancy/Collection Loss	N/A
IRR	N/A	Effective Gross Income	N/A
OER	N/A	Expenses	N/A
Expenses /sf	\$0.00	Net Operating Income	\$796,900
Cap Rate	6.13%		

Comments

This is the November 2018 sale of a 37,000-square-foot retail building located at 29920 Temecula Parkway in the city of Temecula, Riverside County. The improvements were built in 2018, are in good overall condition and situated on a 3.69-acre site. At the time of sale, the property was leased to LA Fitness for 15 years commencing February 9, 2018 and expiring January 9, 2033 on a NNN basis. The property sold for \$13,000,000, or \$351.35 per square foot with a 6.13% capitalization rate. This transaction was part of a 1031 Exchange for the buyer.

Property Name	24 Hour Fitness
Address	42900 Jackson Street Indio, CA 92203
County	Riverside
Govt./Tax ID	692-050-024
Gross Leasable Area (GLA)	36,612 sf
Condition	Good
Number of Buildings	1
Parking Type/Ratio	Surface/ 6.86:1,000 sf
Year Built/Renovated	2007/ N/A
Floor Count	1
Occupancy Type	Single Tenant
Land Area Net	3.740 ac/ 162,914 sf
Shape	Irregular
Zoning	CC, Community Commercial
Construction Class/ Type	D/ Average
Exterior Finish	Stucco



Transaction Details

Type	Sale	Primary Verification	CoStar, Public Records
Interest Transferred	Leased Fee	Transaction Date	02/05/2019
Condition of Sale	None	Recording Date	02/08/2019
Remaining Lease Term	N/A	Avg. Credit Rating	N/A
Recorded Buyer	VEREIT Real Estate L.P.	Sale Price	\$14,325,000
Buyer Type	REIT	Financing	Cash to Seller
Recorded Seller	Indio Towne Center LLC	Cash Equivalent	\$14,325,000
Marketing Time	5 Month(s)	Capital Adjustment	\$0
Listing Broker	Matt, Schwartz, William Bauman, Kyle Miller, Newmark Knight Frank and Mark Thiel Marcus & Millichap	Adjusted Price	\$14,325,000
Doc #	0046786	Adjusted Price / sf	\$391.27
Buyer's Primary Analysis	Static and Yield Capitalization Analyses	Occupancy at Sale	100%
Static Analysis Method	Trailing Actuals	Underwritten Occupancy	N/A
Source	N/A	Potential Gross Income	N/A
NOI / sf	\$26.02	Vacancy/Collection Loss	N/A
IRR	N/A	Effective Gross Income	N/A
OER	N/A	Expenses	N/A
Expenses /sf	\$0.00	Net Operating Income	\$952,476
Cap Rate	6.65%		

Comments

This is the February 2019 sale of 24 Hour Fitness located at 42900 Jackson Street in the city of Indio, Riverside County. The property is located within the Indio Towne Center, a community shopping center anchored by Home Depot, Winco Foods, CVS Pharmacy, Party City, and Petco. The improvements consist of 36,612 square feet and were constructed in 2007. The subject is situated on a 3.74-acre land site and is considered to be in good overall condition. The property contains 251 surface parking spaces which equates to 6.86 spaces per 1,000 SF of net rentable area. The subject is 100% leased by 24 Hour Fitness which recently extended their lease term by an additional 10 years, for a new lease expiration date of October 31, 2033. The property was purchased for \$14,325,000, or \$391.21 per square foot with a 6.65% capitalization rate.

Property Name	Crunch Fitness Single Tenant
Address	6723 Van Nuys Boulevard Van Nuys, CA 91405
County	Los Angeles
Govt./Tax ID	2236-010-001
Gross Leasable Area (GLA)	20,500 sf
Condition	Average
Number of Buildings	1
Parking Type/Ratio	Surface/ 21.85:1,000 sf
Year Built/Renovated	1950/ 2017
Floor Count	2
Occupancy Type	Single Tenant
Land Area Net	0.505 ac/ 21,999 sf
Shape	Rectangular
Zoning	(Q)C2-1L-CDO
Construction Class/ Type	C/ Average
Exterior Finish	Stucco



Transaction Details

Type	Available/Listing	Primary Verification	Public Records
Interest Transferred	Leased Fee	Transaction Date	05/15/2019
Condition of Sale	None	Recording Date	N/A
Remaining Lease Term	N/A	Avg. Credit Rating	N/A
Recorded Buyer	N/A	Sale Price	\$6,900,000
Buyer Type	N/A	Financing	Cash to Seller
Recorded Seller	Fortunate Realty Group	Cash Equivalent	\$6,900,000
Marketing Time	3 Month(s)	Capital Adjustment	\$0
Listing Broker	Tom Park, COMPASS	Adjusted Price	\$6,900,000
Doc #	N/A	Adjusted Price / sf	\$336.59
Buyer's Primary Analysis	Static Capitalization Analysis	Occupancy at Sale	N/A
Static Analysis Method	Trailing Actuals	Underwritten Occupancy	100%
Source	N/A	Potential Gross Income	\$395,000
NOI / sf	\$19.27	Vacancy/Collection Loss	\$0
IRR	N/A	Effective Gross Income	\$395,000
OER	0.00%	Expenses	\$0
Expenses /sf	\$0.00	Net Operating Income	\$395,000
Cap Rate	5.72%		

Comments

This is the May 2019 listing of a single tenant retail building, which is 100% occupied by Crunch Fitness, located on the southwest corner of Van Nuys Boulevard and Archwood Street in the community of Van Nuys, city of Los Angeles, Los Angeles County. The building is addressed as 6723 Van Nuys Boulevard. The improvements were built in 1950, renovated in 2017, and contain 20,500 SF of net rentable area. The building is situated on a 0.505-acre rectangular site. Onsite surface parking is provided at a ratio of 1.74 spaces per 1,000 SF of building area. The property is currently for sale at an asking price of \$6,900,000, or \$336.59 per square foot. The capitalization rate is based on actual income in place, and is reported at 5.72%. The property has been on the market for 3 months and 11 days.

Property Name	YMCA of Foothills
Address	3931 Lowell Avenue La Crescenta, CA 91214
County	Los Angeles
Govt./Tax ID	N/A
Gross Leasable Area (GLA)	14,693 sf
Condition	Average
Number of Buildings	N/A
Parking Type/Ratio	Surface/ N/A
Year Built/Renovated	1977/ N/A
Floor Count	N/A
Occupancy Type	Owner/User
Land Area Net	1.613 ac/ 70,267 sf
Shape	Irregular
Zoning	N/A
Construction Class/ Type	N/A/ N/A
Exterior Finish	N/A



Transaction Details

Type	Sale	Primary Verification	Public Records
Interest Transferred	Fee Simple	Transaction Date	01/15/2016
Condition of Sale	None	Recording Date	N/A
Recorded Buyer	YMCA of the Foothills	Sale Price	\$3,610,000
Buyer Type	N/A	Financing	Market Rate Financing
Recorded Seller	Baca Family 1989 Trust	Cash Equivalent	\$3,610,000
Marketing Time	N/A	Capital Adjustment	\$0
Listing Broker	N/A	Adjusted Price	\$3,610,000
Doc #	0053563	Adjusted Price / sf	\$245.70
Buyer's Primary Analysis	Owner/Occupier		
Occupancy at Sale	N/A		

Comments

This comparable is a health club facility located at 3931 Lowell Avenue in La Crescenta, CA. The 14,693 SF property was built in 1977 and was in average condition at the time of sale. The property was purchased on January 15, 2016 for \$3,610,000 or \$246.70 PSF. The property was purchased by YMCA of the Foothills, who began operating as an owner/user. The facility includes basketball courts, racquetball courts, group exercise classes and an outdoor pool.

Property Name	Former Health Club Building
Address	4551-4561 West Pico Boulevard Los Angeles, CA 90019
County	Los Angeles
Govt./Tax ID	N/A
Gross Leasable Area (GLA)	12,642 sf
Condition	Average
Number of Buildings	N/A
Parking Type/Ratio	Surface/ N/A
Year Built/Renovated	1935/ N/A
Floor Count	N/A
Occupancy Type	Owner/User
Land Area Net	0.856 ac/ 37,283 sf
Shape	Rectangular
Zoning	N/A
Construction Class/ Type	N/A/ N/A
Exterior Finish	N/A



Transaction Details

Type	Sale	Primary Verification	Public Records
Interest Transferred	Fee Simple	Transaction Date	11/30/2016
Condition of Sale	None	Recording Date	N/A
Recorded Buyer	Los Angeles Korean Methodist Church	Sale Price	\$7,000,000
Buyer Type	N/A	Financing	Cash to Seller
Recorded Seller	Jin C Kim	Cash Equivalent	\$7,000,000
Marketing Time	1 Month(s)	Capital Adjustment	\$0
Listing Broker	James Cho, Rosano Partners	Adjusted Price	\$7,000,000
Doc #	1503917	Adjusted Price / sf	\$553.71
Buyer's Primary Analysis	Owner/Occupier		
Occupancy at Sale	N/A		

Comments

This is a former health club building that was purchased on November 20, 2016 for \$7,000,000, or \$553.71 PSF. The buyer was a religious institution intending to occupy the premises as an owner/user. The property was built in 1935 and is in average condition. The property was reportedly on the market for one month and in escrow for five months. Terms of the sale were all cash to the seller.

Property Name	Future Fitness Center
Address	1523 Coast Highway Oceanside, CA 92054
County	San Diego
Govt./Tax ID	153-030-04
Gross Leasable Area (GLA)	5,322 sf
Condition	Fair
Number of Buildings	1
Parking Type/Ratio	Open/ 2.25:1,000 sf
Year Built/Renovated	1960/ N/A
Floor Count	1
Occupancy Type	Owner/User
Land Area Net	0.570 ac/ 24,829 sf
Shape	Rectangular
Zoning	C-2
Construction Class/ Type	C/ Average
Exterior Finish	Concrete Block



Transaction Details

Type	Sale	Primary Verification	Ted Caligiuri/Coldwell Banker 760-533-5343
Interest Transferred	Fee Simple	Transaction Date	12/02/2016
Condition of Sale	Deferred Maintenance	Recording Date	N/A
Recorded Buyer	Merrilees Investments LLC	Sale Price	\$1,166,500
Buyer Type	End User	Financing	Cash to Seller
Recorded Seller	Darleen Bartleet Bowen	Cash Equivalent	\$1,166,500
Marketing Time	13 Month(s)	Capital Adjustment	\$8,500
Listing Broker	Ted Caligiuri/Coldwell Banker	Adjusted Price	\$1,175,000
Doc #	0662613	Adjusted Price / sf	\$220.78
Buyer's Primary Analysis	Owner/Occupier		
Occupancy at Sale	100%		

Comments

This is an existing 5,322-sf auto repair facility located at 1523 Coast Highway. The building will be converted to a fitness facility. The property has good visibility with traffic counts of 29,000 cars per day. It was reported that the original selling price was \$1,175,000; however, the seller had to give an \$8,500 credit to the buyer because there had to be some sewer repairs as well as some termite reparations. The building improvements are in below-average condition.

Property Name	Former Lodge/Meeting Hall
Address	7338 Canby Avenue Reseda, CA 91335
County	Los Angeles
Govt./Tax ID	N/A
Gross Leasable Area (GLA)	5,198 sf
Condition	Average
Number of Buildings	N/A
Parking Type/Ratio	Surface/ N/A
Year Built/Renovated	1962/ N/A
Floor Count	N/A
Occupancy Type	Owner/User
Land Area Net	0.735 ac/ 32,025 sf
Shape	Rectangular
Zoning	N/A
Construction Class/ Type	N/A/ N/A
Exterior Finish	N/A



Transaction Details

Type	Sale	Primary Verification	Public Records
Interest Transferred	Fee Simple	Transaction Date	09/12/2018
Condition of Sale	None	Recording Date	N/A
Recorded Buyer	7338 Canby Ave LLC	Sale Price	\$2,400,000
Buyer Type	End User	Financing	Market Rate Financing
Recorded Seller	American Legion POst 308, Inc.	Cash Equivalent	\$2,400,000
Marketing Time	N/A	Capital Adjustment	\$0
Listing Broker	Daniel Meyers, Coldwell Banker	Adjusted Price	\$2,400,000
Doc #	0934822	Adjusted Price / sf	\$461.72
Buyer's Primary Analysis	Owner/Occupier		
Occupancy at Sale	N/A		

Comments

This was the purchase of a former lodge/meeting hall located at 7338 Canby Avenue in the Reseda community of the city of Los Angeles, CA. The building was built in 1962 and is in average condition. The property was purchased on September 12, 2018 for \$2,400,000, or \$461.72 PSF. The property was purchased by an owner/user who plans on opening an adult day care center. The building was vacant at the time of sale. Terms of the sale were all cash to the seller.

Addendum B

LEGAL DESCRIPTION

Property Detail Report

2300 UNIVERSITY DR NEWPORT BEACH CA 92660

Owner Information

Owner Name 1	YOUNG, MENS ASSN	Owner Name 2	--
Mailing Address	13821 NEWPORT AVE STE 200	Owner Type	--
	TUSTIN CA 92780	Vesting Code	--
Vesting Code Desc	--		

Location Information

Legal Description	P BK 3 PG 35 PAR 1		
County	ORANGE	Parcel No. (APN)	439-401-01
FIPS Code	06059	Alternative APN	--
Census Trct/Blk	063009/1	Legal Book/Page	--
Twnshp-Rnge-Sect	--	Map Reference	G2-889
Legal Land Lot	--	School District	Newport-Mesa Unified School District
Legal Block	--	Subdivision	--

Last Market Sale Information

Recording Date	--	New Construction	--
Sale Date	--	1st Mtg Amount	--
Sale Price	--	1st Mtg Type	--
Price Per SF	--	1st Mtg Doc. No.	--
Price Per Acre	--	Sale Doc. No.	--
Deed Type	--	Transfer Doc. No.	--
Sale Type	--	Seller Name	--
Title Company	--	Lender	--

Last Transfer of Ownership

Recording Date	--	Book Number	--
Doc. Number	--	Page Number	--
Doc. Type	--		

Prior Sale Information

Recording Date	--	Sale Type	--
Sale Date	--	Transfer Doc. No.	--
Sale Price	--	New Construction	--
Sale Doc. No.	--	Title Company	--
Seller Name	--	Lender	--

Property Characteristics

Building Area	17,973 SF	Total Rooms	--
No. of Units	--	Bedrooms	--
No. of Stories	2	Bathrooms	0
Year Built	1967	Basement	YES
Condition	--	Basement Area	--
Construction	--	Heat Type	--
Roof Type	--	Air Cond. Type	--
Roof Material	--	Fireplace	--
Parking Spaces	--		

Site Information

Zoning	--	Assessor Acreage	4.01
County Use Code	3	Calculated Acreage	4.03
County Use Code Desc.	COMMERCIAL	Assessed Lot SF	174,784
Land Use Code	2000	Calculated Lot SF	175,730
Land Use Desc.	COMMERCIAL (GENERAL)	Assessor Lot W/D	0 /
Land Use Category	COMMERCIAL (RETAIL)	Topography	--

Tax and Value Information

Tax Year	2018	Improvement Value	\$1,149,603
Property Tax	\$1,870	Improvement %	79.45%
Tax Rate Code	7-096	Market Value Year	--
Tax Exemption	--	Total Market Value	--
Assessed Year	2018	Land Market Value	--
Assessed Value	\$1,446,932	Market Imprv. Value	--
Land Value	\$297,329	AVM Value	--

Hazard Information

Flood Zone	--	Flood Panel	06059C0269K
Flood Panel Date	03/21/2019	Wetland Type	--
Wetland Classification	--		

Addendum C

CLIENT CONTRACT INFORMATION

CBRE, Inc.
3501 Jamboree Road, Suite 100
Newport Beach, CA 92660
www.cbre.us/valuation

April 26, 2019

Daniel J. Sydor | Vice President
National Retail Valuation Group

Joyce Kirchhofer
Chief Financial Officer
YMCA OF ORANGE COUNTY
13821 Newport Avenue, Suite 200
Tustin, CA 92780
Phone: 714.508.7660
Email: jkirchhofer@ymcaoc.org

RE: Assignment Agreement
YMCA of Orange County
2300 University Drive
Newport Beach, CA 92660

Dear Ms. Kirchhofer:

We are pleased to submit this proposal and our Terms and Conditions for this assignment.

PROPOSAL SPECIFICATIONS

Purpose:	To estimate the Market Value of the referenced real estate
Premise:	As Is
Rights Appraised:	Fee Simple
Intended Use:	Financial Reporting and Internal Decision-Making purposes
Intended User:	The intended user is YMCA OF ORANGE COUNTY ("Client"), and such other parties and entities (if any) expressly recognized by CBRE as "Intended Users" (as further defined herein).

Reliance: Reliance on any reports produced by CBRE under this Agreement is extended solely to parties and entities expressly acknowledged in a signed writing by CBRE as Intended Users of the respective reports, provided that any conditions to such acknowledgement required by CBRE or hereunder have been satisfied. Parties or entities other than Intended Users who obtain a copy of the report or any portion thereof (including Client if it is not named as an Intended User), whether as a result of its direct dissemination or by any other means, may not rely upon any opinions or conclusions contained in the report or such portions thereof, and CBRE will not be responsible for any unpermitted use of the report, its conclusions or contents or have any liability in connection therewith.

Inspection:	CBRE will conduct a physical inspection of both the interior and exterior of the subject property, as well as its surrounding environs on the effective date of appraisal.
Valuation Approaches:	All three traditional approaches to value will be considered.
Report Type:	Standard Appraisal Report
Appraisal Standards:	USPAP
Appraisal Fee:	\$4,500
Expenses:	Fee includes all associated expenses
Retainer:	A retainer is not required for this assignment
Payment Terms:	Final payment is due upon delivery of the final report or within thirty (30) days of your receipt of the draft report, whichever is sooner. The fee is considered earned upon delivery of the draft report.
	We will invoice you for the assignment in its entirety at the completion of the assignment.
Delivery Instructions:	CBRE encourages our clients to join in our environmental sustainability efforts by accepting an electronic copy of the report. An Adobe PDF file via email will be delivered to jkirchhofer@ymcaoc.org. The client has requested No (0) bound final copies.
Delivery Schedule:	
Preliminary Value:	Not Required
Draft Report:	3 weeks after the Start Date
Final Report:	Upon Client's request
Start Date:	The appraisal process will start upon receipt of your signed agreement and the property specific data.
Acceptance Date:	These specifications are subject to modification if this proposal is not accepted within 3 business days from the date of this letter.

When executed and delivered by all parties, this letter, together with the Terms and Conditions and the Specific Property Data Request attached hereto and incorporated herein, will serve as the Agreement for appraisal services by and between CBRE and Client. Each person signing below represents that it is authorized to enter into this Agreement and to bind the respective parties hereto.

We appreciate this opportunity to be of service to you on this assignment. If you have additional questions, please contact us.

Sincerely,

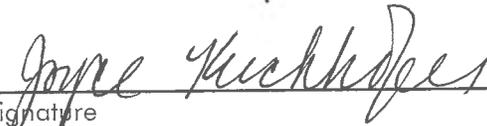
CBRE, Inc.
Valuation & Advisory Services



Daniel J. Sydor | Vice President
Retail Valuation Group
As Agent for CBRE, Inc.
Lic. No. AG3000340 (exp 10/09/20)
Phone: (949) 725-8514
Fax: (949) 725-8440
Email: daniel.sydor@cbre.com

AGREED AND ACCEPTED

FOR YMCA OF ORANGE COUNTY ("CLIENT"):



Signature

4-29-19

Date

Joyce Kirchhofer

Name

CFO

Title

714-508-7660

Phone Number

j.kirchhofer@ymcaoc.org

E-Mail Address

TERMS AND CONDITIONS

1. The Terms and Conditions herein are part of an agreement for appraisal services (the "Agreement") between CBRE, Inc. (the "Appraiser") and the client signing this Agreement, and for whom the appraisal services will be performed (the "Client"), and shall be deemed a part of such Agreement as though set forth in full therein. The Agreement shall be governed by the laws of the state where the appraisal office is located for the Appraiser executing this Agreement.
2. Client shall be responsible for the payment of all fees stipulated in the Agreement. Payment of the appraisal fee and preparation of an appraisal report (the "Appraisal Report, or the "report") are not contingent upon any predetermined value or on an action or event resulting from the analyses, opinions, conclusions, or use of the Appraisal Report. Final payment is due as provided in the Proposal Specifications Section of this Agreement. If a draft report is requested, the fee is considered earned upon delivery of the draft report. It is understood that the Client may cancel this assignment in writing at any time prior to delivery of the completed report. In such event, the Client is obligated only for the prorated share of the fee based upon the work completed and expenses incurred (including travel expenses to and from the job site), with a minimum charge of \$500. Additional copies of the Appraisal Reports are available at a cost of \$250 per original color copy and \$100 per photocopy (black and white), plus shipping fees of \$30 per report.
3. If Appraiser is subpoenaed or ordered to give testimony, produce documents or information, or otherwise required or requested by Client or a third party to participate in meetings, phone calls, conferences, litigation or other legal proceedings (including preparation for such proceedings) because of, connected with or in any way pertaining to this engagement, the Appraisal Report, the Appraiser's expertise, or the Property, Client shall pay Appraiser's additional costs and expenses, including but not limited to Appraiser's attorneys' fees, and additional time incurred by Appraiser based on Appraiser's then-prevailing hourly rates and related fees. Such charges include and pertain to, but are not limited to, time spent in preparing for and providing court room testimony, depositions, travel time, mileage and related travel expenses, waiting time, document review and production, and preparation time (excluding preparation of the Appraisal Report), meeting participation, and Appraiser's other related commitment of time and expertise. Hourly charges and other fees for such participation will be provided upon request. In the event Client requests additional appraisal services beyond the scope and purpose stated in the Agreement, Client agrees to pay additional fees for such services and to reimburse related expenses, whether or not the completed report has been delivered to Client at the time of such request.
4. Appraiser shall have the right to terminate this Agreement at any time for cause effective immediately upon written notice to Client on the occurrence of fraud or the willful misconduct of Client, its employees or agents, or without cause upon 5 days written notice.
5. In the event Client fails to make payments when due then, from the date due until paid, the amount due and payable shall bear interest at the maximum rate permitted in the state where the office is located for the Appraiser executing the Agreement. In the event either party institutes legal action against the other to enforce its rights under this Agreement, the prevailing party shall be entitled to recover its reasonable attorney's fees and expenses. Each party waives the right to a trial by jury in any action arising under this Agreement.
6. Appraiser assumes there are no major or significant items or issues affecting the Property that would require the expertise of a professional building contractor, engineer, or environmental consultant for Appraiser to prepare a valid report. Client acknowledges that such additional expertise is not covered in the Appraisal fee and agrees that, if such additional expertise is required, it shall be provided by others at the discretion and direction of the Client, and solely at Client's additional cost and expense.
7. In the event of any dispute between Client and Appraiser relating to this Agreement, or Appraiser's or Client's performance hereunder, Appraiser and Client agree that such dispute shall be resolved by means of binding arbitration in accordance with the commercial arbitration rules of the American Arbitration Association, and judgment upon the award rendered by an arbitrator may be entered in any court of competent jurisdiction. Depositions may be taken and other discovery obtained during such arbitration proceedings to the same extent as authorized in civil judicial proceedings in the state where the office of the Appraiser executing this Agreement is located. The arbitrator shall be limited to awarding compensatory damages and shall have no authority to award punitive, exemplary or similar damages. The prevailing party in the arbitration proceeding shall be entitled to recover its expenses from the losing party, including costs of the arbitration proceeding, and reasonable attorney's fees. Client acknowledges that Appraiser is being retained hereunder as an independent contractor to perform the services described herein and nothing in this Agreement shall be deemed to create any other relationship between

Client and Appraiser. This engagement shall be deemed concluded and the services hereunder completed upon delivery to Client of the Appraisal Report discussed herein.

8. All statements of fact in the report which are used as the basis of the Appraiser's analyses, opinions, and conclusions will be true and correct to Appraiser's actual knowledge and belief. Appraiser does not make any representation or warranty, express or implied, as to the accuracy or completeness of the information or the condition of the Property furnished to Appraiser by Client or others. TO THE FULLEST EXTENT PERMITTED BY LAW, APPRAISER DISCLAIMS ANY GUARANTEE OR WARRANTY AS TO THE OPINIONS AND CONCLUSIONS PRESENTED ORALLY OR IN ANY APPRAISAL REPORT, INCLUDING WITHOUT LIMITATION ANY WARRANTY OF FITNESS FOR ANY PARTICULAR PURPOSE EVEN IF KNOWN TO APPRAISER. Furthermore, the conclusions and any permitted reliance on and use of the Appraisal Report shall be subject to the assumptions, limitations, and qualifying statements contained in the report.
9. Appraiser shall have no responsibility for legal matters, including zoning, or questions of survey or title, soil or subsoil conditions, engineering, or other similar technical matters. The report will not constitute a survey of the Property analyzed.
10. Client shall provide Appraiser with such materials with respect to the assignment as are requested by Appraiser and in the possession or under the control of Client. Client shall provide Appraiser with sufficient access to the Property to be analyzed, and hereby grants permission for entry unless discussed in advance to the contrary.
11. The data gathered in the course of the assignment (except data furnished by Client) and the report prepared pursuant to the Agreement are, and will remain, the property of Appraiser. With respect to data provided by Client, Appraiser shall not violate the confidential nature of the Appraiser-Client relationship by improperly disclosing any proprietary information furnished to Appraiser. Notwithstanding the foregoing, Appraiser is authorized by Client to disclose all or any portion of the report and related data as may be required by statute, government regulation, legal process, or judicial decree, including to appropriate representatives of the Appraisal Institute if such disclosure is required to enable Appraiser to comply with the Bylaws and Regulations of such Institute as now or hereafter in effect.
12. Unless specifically noted, in preparing the Appraisal Report the Appraiser will not be considering the possible existence of asbestos, PCB transformers, or other toxic, hazardous, or contaminated substances and/or underground storage tanks (collectively, "Hazardous Material") on or affecting the Property, or the cost of encapsulation or removal thereof. Further, Client represents that there is no major or significant deferred maintenance of the Property that would require the expertise of a professional cost estimator or contractor. If such repairs are needed, the estimates are to be prepared by others, at Client's discretion and direction, and are not covered as part of the Appraisal fee.
13. In the event Client intends to use the Appraisal Report in connection with a tax matter, Client acknowledges that Appraiser provides no warranty, representation or prediction as to the outcome of such tax matter. Client understands and acknowledges that any relevant taxing authority (whether the Internal Revenue Service or any other federal, state or local taxing authority) may disagree with or reject the Appraisal Report or otherwise disagree with Client's tax position, and further understands and acknowledges that the taxing authority may seek to collect additional taxes, interest, penalties or fees from Client beyond what may be suggested by the Appraisal Report. Client agrees that Appraiser shall have no responsibility or liability to Client or any other party for any such taxes, interest, penalties or fees and that Client will not seek damages or other compensation from Appraiser relating to any such taxes, interest, penalties or fees imposed on Client, or for any attorneys' fees, costs or other expenses relating to Client's tax matters.
14. Appraiser shall have no liability with respect to any loss, damage, claim or expense incurred by or asserted against Client arising out of, based upon or resulting from Client's failure to provide accurate or complete information or documentation pertaining to an assignment ordered under or in connection with this Agreement, including Client's failure, or the failure of any of Client's agents, to provide a complete copy of the Appraisal Report to any third party.
15. LIMITATION OF LIABILITY. EXCEPT TO THE EXTENT ARISING FROM SECTION 16 BELOW, OR SECTION 17 IF APPLICABLE, IN NO EVENT SHALL EITHER PARTY OR ANY OF ITS AFFILIATE, OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, OR CONTRACTORS BE LIABLE TO THE OTHER, WHETHER BASED IN CONTRACT, WARRANTY, INDEMNITY, NEGLIGENCE, STRICT LIABILITY OR OTHER TORT OR OTHERWISE, FOR ANY SPECIAL, CONSEQUENTIAL, PUNITIVE, INCIDENTAL OR INDIRECT DAMAGES, AND AGGREGATE DAMAGES IN CONNECTION WITH THIS AGREEMENT FOR EITHER PARTY (EXCLUDING THE OBLIGATION TO PAY THE FEES REQUIRED HEREUNDER) SHALL NOT EXCEED THE GREATER OF THE TOTAL FEES PAYABLE TO APPRAISER UNDER THIS AGREEMENT OR TEN THOUSAND DOLLARS (\$10,000). THIS LIABILITY LIMITATION SHALL NOT

APPLY IN THE EVENT OF A FINAL FINDING BY AN ARBITRATOR OR A COURT OF COMPETENT JURISDICTION THAT SUCH LIABILITY IS THE RESULT OF A PARTY'S FRAUD OR WILLFUL MISCONDUCT.

16. Client shall not disseminate, distribute, make available or otherwise provide any Appraisal Report prepared hereunder to any third party (including without limitation, incorporating or referencing the Appraisal Report, in whole or in part, in any offering or other material intended for review by other parties) except to (i) any third party expressly acknowledged in a signed writing by Appraiser as an "Intended User" of the Appraisal Report provided that either Appraiser has received an acceptable release from such third party with respect to such Appraisal Report or Client provides acceptable indemnity protections to Appraiser against any claims resulting from the distribution of the Appraisal Report to such third party, (ii) any third party service provider (including rating agencies and auditors) using the Appraisal Report in the course of providing services for the sole benefit of an Intended User, or (iii) as required by statute, government regulation, legal process, or judicial decree. In the event Appraiser consents, in writing, to Client incorporating or referencing the Appraisal Report in any offering or other materials intended for review by other parties, Client shall not distribute, file, or otherwise make such materials available to any such parties unless and until Client has provided Appraiser with complete copies of such materials and Appraiser has approved all such materials in writing. Client shall not modify any such materials once approved by Appraiser. In the absence of satisfying the conditions of this paragraph with respect to a party who is not designated as an Intended User, in no event shall the receipt of an Appraisal Report by such party extend any right to the party to use and rely on such report, and Appraiser shall have no liability for such unauthorized use and reliance on any Appraisal Report. In the event Client breaches the provisions of this paragraph, Client shall indemnify, defend and hold Appraiser, and its affiliates and their officers, directors, employees, contractors, agents and other representatives (Appraiser and each of the foregoing an "Indemnified Party" and collectively the "Indemnified Parties"), fully harmless from and against all losses, liabilities, damages and expenses (collectively, "Damages") claimed against, sustained or incurred by any Indemnified Party arising out of or in connection with such breach, regardless of any negligence on the part of any Indemnified Party in preparing the Appraisal Report.
17. Furthermore, Client shall indemnify, defend and hold each of the Indemnified Parties harmless from and against any Damages in connection with (i) any transaction contemplated by this Agreement or in connection with the appraisal or the engagement of or performance of services by any Indemnified Party hereunder, (ii) any Damages claimed by any user or recipient of the Appraisal Report, whether or not an Intended User, (iii) any actual or alleged untrue statement of a material fact, or the actual or alleged failure to state a material fact necessary to make a statement not misleading in light of the circumstances under which it was made with respect to all information furnished to any Indemnified Party or made available to a prospective party to a transaction, or (iv) an actual or alleged violation of applicable law by an Intended User (including, without limitation, securities laws) or the negligent or intentional acts or omissions of an Intended User (including the failure to perform any duty imposed by law); and will reimburse each Indemnified Party for all reasonable fees and expenses (including fees and expenses of counsel) (collectively, "Expenses") as incurred in connection with investigating, preparing, pursuing or defending any threatened or pending claim, action, proceeding or investigation (collectively, "Proceedings") arising therefrom, and regardless of whether such Indemnified Party is a formal party to such Proceeding. Client agrees not to enter into any waiver, release or settlement of any Proceeding (whether or not any Indemnified Party is a formal party to such Proceeding) without the prior written consent of Appraiser (which consent will not be unreasonably withheld or delayed) unless such waiver, release or settlement includes an unconditional release of each Indemnified Party from all liability arising out of such Proceeding.
18. **Time Period for Legal Action.** Unless the time period is shorter under applicable law, except in connection with paragraphs 16 and 17 above, Appraiser and Client agree that any legal action or lawsuit by one party against the other party or its affiliates, officers, directors, employees, contractors, agents, or other representatives, whether based in contract, warranty, indemnity, negligence, strict liability or other tort or otherwise, relating to (a) this Agreement or the Appraisal Report, (b) any services or appraisals under this Agreement or (c) any acts or conduct relating to such services or appraisals, shall be filed within two (2) years from the date of delivery to Client of the Appraisal Report to which the claims or causes of action in the legal action or lawsuit relate. The time period stated in this section shall not be extended by any incapacity of a party or any delay in the discovery or accrual of the underlying claims, causes of action or damages.

Proposal and Contract for Services

SPECIFIC PROPERTY DATA REQUEST

In order to complete this assignment under the terms outlined, CBRE, Inc., Valuation & Advisory Services, will require the following specific information for the property:

1. PLEASE NOTIFY US IMMEDIATELY IF ANY OTHER CBRE SERVICE LINE (INCLUDING CAPSTONE) IS INVOLVED IN THE BROKERAGE, FINANCING, INVESTMENT OR MANAGEMENT OF THIS ASSET.
2. Current title report or title holder name
3. Legal description
4. Survey and/or plat map
5. Site plan for the existing development
6. Building plans and specifications, including square footage
7. Current county property tax assessment or tax bill
8. Details on any sale, contract, or listing of the property within the past three years
9. Engineering studies, soil tests or environmental assessments
10. Ground lease, if applicable
11. Details regarding the development costs, including land cost, if developed within the past three years
12. Historical sales volumes, if applicable
13. Three-year and YTD expenses
14. Current year expense budget
15. Details regarding capital expenditures made within the last 12 months, or scheduled for the next 12 months
16. Any previous market/demand studies or appraisals
17. Name and telephone number of property contact for physical inspection and additional information needed during the appraisal process
18. Any other information that might be helpful in valuing this property

If any of the requested data and information is not available, CBRE, Inc., reserves the right to extend the delivery date by the amount of time it takes to receive the requested information or make other arrangements. Please have the requested information delivered to the following:

Daniel J. Sydor | Vice President | National Retail Valuation Group
CBRE, Inc. | Valuation & Advisory Services
3501 Jamboree Road, Suite 100 | Newport Beach, CA 92660 | T 949 725 8514
Daniel.sydor@cbre.com | www.cbre.com/daniel.sydor
FTP for large files: <http://cbftp.cbre.com/tools/filex/>

Addendum D

QUALIFICATIONS

QUALIFICATIONS OF

DANIEL J. SYDOR, MAI | VICE PRESIDENT RETAIL VALUATION GROUP

CBRE, Inc.
Valuation & Advisory Services
3501 Jamboree Road, Suite 100 | Newport Beach, CA 92660
T 949 725 8514 | daniel.sydor@cbre.com

EDUCATION

Bachelor of Science, Urban Planning & Development 1997
University of Southern California (USC), Los Angeles, CA

All required courses for the Certified General license in California completed.
Completed all Requirements for Designated Members (MAI) of the Appraisal Institute.

LICENSES/PROFESSIONAL ASSOCIATIONS

Designated Member (MAI), Appraisal Institute
California Certified General Real Estate Appraiser (BREA No. AG3000340)
California Real Estate Broker (BRE No. 01881144)
Member of National Association of Real Estate Appraisers

APPRAISAL EXPERIENCE

Member of the Retail Valuation Group at CBRE, Inc. since 2012. Appraisal and consulting assignments have included regional malls, power centers, big box, fitness centers, neighborhood centers, strip centers, single-tenant net leased assets, gas stations & car washes, office buildings, industrial buildings, mixed-use commercial properties, vacant land, self-storage facilities, multi-family residential and subdivisions, leased fee/leasehold interests, and investment properties throughout the United States and Mexico.

PROFESSIONAL EXPERIENCE

CBRE, Inc. Vice President, Retail Valuation Group	2012 - Present
Prudential California Realty Real Estate Broker Associate	2010 - 2012
Tamkin Development Corporation Vice President	2005 - 2008
Cushman & Wakefield of California, Inc. Senior Appraiser	2001 - 2004
CB Richard Ellis, Inc. Assistant Real Estate Analyst	1998 - 2001

PROFESSIONAL PROFILE



DANIEL J. SYDOR

Vice President

Valuation & Advisory Services

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daniel.sydor@cbre.com

www.cbre.com/Daniel.Sydor

CLIENTS REPRESENTED

- Bank of America Merrill Lynch
- CWCapital
- Farmers & Merchants Bank
- Prime Finance

Daniel J. Sydor is a Vice President working in the Southern California Region of CBRE Valuation & Advisory Services, and is a member of the Retail Valuation Group. Mr. Sydor focuses on the appraisal of retail-oriented commercial real estate in the Southern California area. He has experience in valuing all areas of retail income producing properties including regional malls, power centers, neighborhood and community shopping centers, big box, fitness centers, strip centers, single-tenant triple net properties, gas stations, car washes and movie theaters. He also has experience in mixed-use projects involving retail components, as well as vacant land, redevelopments and proposed projects.

Mr. Sydor began his career with CBRE in 1998 as an Assistant Real Estate Analyst at the downtown Los Angeles office. He also worked with Cushman & Wakefield of California, Tamkin Development Corporation, and Prudential California Realty (Commercial Division). He re-joined CBRE in 2012.

REPRESENTATIVE ASSIGNMENTS

Property Name	Location	Size
■ Westfield Topanga	Canoga Park	1,161,364 SF
■ Mission Valley Mall and Mission Valley West	San Diego	1,006,617 SF
■ Montclair Plaza	Montclair	867,806 SF
■ The Outlets at Orange	Orange	806,979 SF
■ Westfield Plaza Bonita	National City	727,517 SF
■ The Crossings at Corona	Corona	718,029 SF
■ Anaheim GardenWalk	Anaheim	448,998 SF
■ Kaleidoscope Entertainment Center	Mission Viejo	243,660 SF
■ Crystal Cove Promenade	Newport Coast	129,125 SF

CREDENTIALS

Professional Affiliations/Accreditations/Certifications

- Certified General Real Estate Appraiser, State of California, No. AG3000340
- Licensed Real Estate Broker, California, No. 01881144
- National Association of Real Estate Appraisers, Member
- Candidate for Designation, Appraisal Institute

EDUCATION

- University of Southern California, Los Angeles, California, Bachelor of Science; Urban Planning and Development
- Appraisal Education Coursework





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

Daniel J. Sydor

has successfully met the requirements for a license as a residential and commercial real estate appraiser in the State of California and is, therefore, entitled to use the title:

“Certified General Real Estate Appraiser”

This license has been issued in accordance with the provisions of the Real Estate Appraisers' Licensing and Certification Law.

BREA APPRAISER IDENTIFICATION NUMBER: 3000340

Effective Date: October 10, 2018
Date Expires: October 9, 2020


Jim Martin, Bureau Chief, BREA

3042909

CBRE VALUATION & ADVISORY SERVICES

DANIEL J. SYDOR, MAI

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