AN APPRAISAL OF

2.84 ACRES OF VACANT LAND

LOCATED AT

NORTHEAST CORNER OF RENAISSANCE PARKWAY AND LAUREL AVENUE, RIALTO, CALIFORNIA

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NORTHEAST CORNER OF RENAISSANCE PARKWAY AND LAUREL AVENUE, RIALTO, CALIFORNIA

DATE

AUGUST 5, 2019

PREPARED BY

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LETTER OF TRANSMITTAL

August 20, 2019

Mr. John Dutrey, Project Manager
City of Rialto, Development Services Department
150 South Palm Avenue
Rialto, California 92376

RE: **2.84 ACRES OF VACANT LAND
LOCATED ON NORTHEAST CORNER OF RENAISSANCE PARKWAY
AND LAUREL AVENUE
RIALTO, CALIFORNIA 92376**

Dear Mr. Dutrey:

In accordance with your request and authorization, I have personally inspected and appraised the above referenced real property. This property is more completely described herein, by plats, legal descriptions, and photographs.

The purpose of this appraisal study is to estimate the market value of the FEE SIMPLE INTEREST in the subject property. The subject of this analysis represents the value of the site. In order to form this opinion of value, we have gathered the necessary market data and made the necessary studies in connection with the subject. After analyzing the information obtained, we have formed the opinion that the market value of the subject as of August 5, 2019 is:

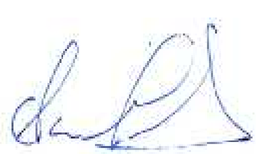
FEE SIMPLE INTEREST
TWO THOUSAND SEVEN HUNDRED TWENTY THOUSAND DOLLARS
($2,720,000)

This value estimate is based upon an exposure period of nine months or less. Additionally, this value estimate does not include any tangible or intangible personal property (including furniture, fixtures, and equipment).

Here follows a narrative appraisal report upon which the opinion expressed is predicated. The following narrative appraisal report includes a description of the subject property as well as an analysis of the environs affecting the subject and the market data used to estimate the interest appraised. Your attention is directed to the assumptions and limiting conditions, which are contained in the body of this report, for a more thorough understanding of the conditions upon which the value and conclusions contained herein were based. This appraisal is prepared in conformance with the Uniform Standards of Professional Appraisal Practice (USPAP).

Respectfully submitted,

by:



Aaron Gardner, CA# AG005074
Certified General Appraiser

PURPOSE AND USE OF THE APPRAISAL

The function or intended use of this appraisal report is to assist the City of Rialto and/or loan participants that are federally regulated lenders in market valuation and mortgage loan underwriting decisions. Other intended users may include other Federal or State regulated credit unions and banks. To communicate our opinions of value, we prepared an Appraisal Report as defined by the 2018-2019 Edition of the *Uniform Standards of Professional Appraisal Practice* (USPAP). This is an Appraisal Report, which is intended to comply with the reporting requirements set under Standards Rule 2-2(a) of USPAP – 2018-2019 Edition.

This appraisal has been prepared with the intent to conform to the Interagency Appraisal and Evaluation Guidelines (FIL-82-2010 dated December 2, 2010) as published by the Federal Deposit Insurance Corporation (FDIC), the appraisal requirements by 12 CFR Part 34 and 225, dated June 7, 1994 of FIRREA (Financial Institutions Reform, Recovery and Enforcement Act) and in conformity with the 2018-2019 Edition of the *Uniform Standards of Professional Appraisal Practice* (USPAP) as published by the Appraisal Foundation, the federal financial institutions regulating agencies, and the appraisal standards of the client.

This valuation is based upon the attached report and all the assumptions and limiting conditions contained therein, including the understanding that we have no control over the use to which the report may be put by a subsequent reader. This report may not be used for any other reason, nor is it intended for use by any other entity than the party for which it was prepared. Neither all nor part of the contents shall be disseminated to the public through advertising media, public relations media, news media, sales media, or any other public means of communication without the prior written consent and approval of the appraiser.

EXTRAORDINARY ASSUMPTIONS AND HYPOTHETICAL CONDITIONS

Extraordinary Assumption: USPAP (Uniform Standards of Professional Appraisal Practice) 2018-2019 defines an Extraordinary Assumptions 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.”

> “Comment: Uncertain information might include physical, legal, or economic characteristics of the subject property; or conditions external to the property, such as market conditions or tends; or the integrity of data used in an analysis.”

Hypothetical Condition: USPAP (Uniform Standards of Professional Appraisal Practice) 2018-2019 defines a Hypothetical Condition as: “a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis.”

> “Comment: Hypothetical conditions are contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis.”

USPAP SR1-2 (g) states that “a hypothetical condition may be used in an assignment only if the use of the hypothetical condition is clearly required for legal purposes, for purposes of reasonable analysis, or for purpose of comparison; use of the hypothetical condition results in a credible analysis; and the appraiser complies with the disclosure requirements set forth in USPAP for hypothetical conditions.”

For purposes of this analysis, no Extraordinary Assumptions or Hypothetical Conditions have been considered.

PROPERTY RIGHTS APPRAISED

There are three primary types of property rights that may be appraised. They are Fee Simple Interest, Leased Fee Interest and Leasehold Interest. They are defined as follows:

Fee Simple Interest: Fee simple interest is defined on page 114 of *The Appraisal of Real Estate*, Thirteenth Edition, published by the Appraisal Institute, as "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."

Leased Fee Interest: Leased fee interest is defined on page 114 of *The Appraisal of Real Estate*, Thirteenth Edition, published by the Appraisal Institute, as "the ownership interest held by the lessor, which includes the right to the contract rent specified in the lease plus the reversionary right when the lease expires."

Leasehold Interest: Leasehold interest is defined on page 114 of *The Appraisal of Real Estate*, Thirteenth Edition, published by the Appraisal Institute, as "the right held by the lessee to use and occupy real estate for a stated term under the conditions specified in the lease."

NATURE OF THE ASSIGNMENT

The purpose of this report is to estimate the market value of the **Fee Simple Interest** in the subject property.

VALUE OPINION

Opinions of value are typically developed on the basis of one or more of the following dates or situations.

Market Value "As Is" on the Appraisal Date: Market Value "As Is" on the appraisal date is an opinion of the market value of a property in the condition observed upon inspection and as it physically and legally exists without hypothetical conditions, assumptions, or qualifications as of the date the appraisal is prepared.

Prospective Future Value "Upon Completion" of Construction: Prospective future value "upon completion" of construction is the prospective future value of a property on the date that construction, conversion, or rehabilitation is completed, based upon market conditions forecast to exist as of that completion date. The opinion of value at this stage should be stated in current dollars as of a current date.

Prospective Future Value "Upon Reaching Stabilized Occupancy": Prospective future value "upon reaching stabilized occupancy" is the prospective future value of a property when all improvements have been physically constructed and the property has been leased to its optimum level of long-term occupancy at the market rent level. The opinion of value at this stage should be stated in current dollars as of a current date.

The value opinion for the subject property has been reported on the basis of **"As Is" Market Value.**

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DEFINITION OF MARKET VALUE

The following definition of "market value" was taken from Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA) of 1989. *(Source: 12 C.F.R. Part 34.42(d); 55 Federal Register 34696, August 24, 1990, as amended at 57 Federal Register 12202, April 9, 1992; 59 Federal Register 29499, June 7, 1994.)*

Federal agencies publishing this definition include the:

- Office of the Comptroller of the Currency (OCC) 12 CFR 34, subpart C
- Federal Reserve Board (FRB) 12 CFR 225, Subpart G
- Federal Deposit Insurance Corporation (FDIC_ 12 DFR 323
- Office of Thrift Supervision (OTS) 12 CFR 564
- National Credit Union Administration (NCUA) 12 CFR 722

This definition is also referenced in regulations jointly published by the OCC, OTS, FRS, and FDIC on June 7, 1994; and in the *"Interagency Appraisal and Evaluation Guidelines"*, dated October 27, 1994. A very similar definition is also cited in Advisory Opinion 30 of the current version of the Uniform Standards of Professional Appraisal Practice (USPAP).

> **Market value** means 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, 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 each acting in what they consider is their own best interest.
> 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.
> 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.

This definition is used by many well-known entities. Fannie Mae, Freddie Mac, the VA, and the FHA, which are governmental agencies or governmentally sponsored agencies, require usage of this definition as well.

SCOPE OF WORK

Scope of work is defined in 2018 USPAP as "the type and extent of research and analyses in an appraisal or appraisal review assignment". The scope of work addresses the application and extent of the development process. It can include, but is not limited to: the extent to which the property is identified, the extent to which tangible property is inspected, the type and extent of data researched and the type and extent of analyses applied to arrive at opinions or conclusions. The items used in defining the scope of work and the proposed solution are discussed in detail below:

Proposed Solution:

This appraisal report is designed to inform the reader of all factors influencing the property's value in a clear and concise manner. The preliminary Appraisal Information sections provide an overview of the property and general information. The Description section starts with general regional issues and proceeds to more specific issues directly related to the property. The Highest and Best Use section establishes the premise upon which the property is valued. The goal of the appraiser is to produce a credible value conclusion. Credible is defined in 2018 USPAP as "worthy of belief".

In order to conclude a credible market value estimate, a meeting of the minds between the client and appraiser determined that the Valuation section focuses on the "as is" market value of the property. It describes the Sales Comparison Approach and includes comparable information, application of market information to the subject, and valuation analysis. Other applicable approaches utilized are reconciled into final value conclusions as applicable. All comparable data has been verified by either a party to the transaction or an agent, unless otherwise identified. Supporting information is retained in our work file.

Intended Use:

The purpose of this appraisal is to estimate market values, in fee simple, under the applicable scenarios, as described in this report. Without prior written approval from the authors, the use of this report is limited to decision making regarding financing by the client. All other uses are expressly prohibited. Reliance on this report by anyone other than the client for a purpose not set forth above is prohibited. The authors' responsibility is limited to the client.

Assignment conditions:

- An inspection of the subject
- Interviewing the subject's property representative.
- Inspecting of the subject property neighborhood.
- Gathering and confirming improved sales, and where applicable, lease comparables and land sales from the immediate and area and competing marketplaces.
- Inspecting the exterior of all comparables utilized in person and or via photographs.
- Highest and Best Use analysis.
- The application of the Sales Comparison Approach to arrive at an indication of value for the subject property.
- A review of the written report.

SCOPE OF APPRAISAL

This report is intended to be a narrative appraisal report which conforms to the definition of an "appraisal assignment", as defined by the "USPAP" of the Appraisal Foundation; i.e., the intention is that the appraisal assignment is performed in such a manner that the results of the analysis, opinions or conclusions be those of a disinterested third party.

The scope of the appraisal included making a physical inspection of the subject site. Photographs were taken of the subject's site from various perspectives to aid the reader of this report in visualizing the site and subject neighborhood.

Following the on-site inspection, public records, Comps Incorporated database, CoStar, CoreLogic title records, Multiple Listing Services and First American title records were searched to locate recent sales of similar properties. Additional interviews were conducted with people in the subject's marketplace in reference to some of these sales. Although some of this data is secondary in nature, it is assumed accurate and included in this analysis.

Information relative to flood and earthquake zones was obtained from state published reference maps, and is assumed to be accurate. With regard to the market overview, information was obtained from a variety of sources including, published data such as The Inland Empire Real Estate Forecast, compiled by Marcus & Millichap Commercial Real Estate Division, published data supplied by the Appraisal Institute, review and analysis of existing appraisals prepared by this office and other sources, and review of business and market analysis published in numerous publications such as the Los Angeles Times, Barrons, Moody's Bond Survey, and the Wall Street Journal.

The area of the subject site was used as indicated by assessor's plat map. A reproduction of the plat map is included within this appraisal.

The following steps are taken by the appraiser in an attempt to identify and select appropriate units of comparison to be applied to the subject property.

1. *Seek out similar properties for which pertinent sales, listings, offerings and/or rental data are available.*
2. *Qualify the price as to terms, motivating forces and bona fide nature.*
3. *Compare each of the sales properties' important attributes with the corresponding ones of the property being appraised, under the general divisions of time, location, income and physical characteristics.*
4. *Consider dissimilarities in terms of their probable effect upon the sale price.*
5. *Formulate an opinion of the relative value of the property being appraised as compared with the price of each similar property.*

NOTE: *Data contained in this report comes from a multitude of sources, from observations made by the signing appraiser, and from information supplied by third parties. This data is not based on legal or guaranteed searches. The appraisal process is not an exact science, and some subjective judgment is involved. However, it is our belief that this report, and the data used herein, is reliable and accurate. The appraisal fee charged does not include assumptions of liability (by the appraiser) for the accuracy of the data.*

SCOPE OF APPRAISAL - CONTINUED:

Data Collection:

The social economic and governmental and environmental data in relation to the region, city, and neighborhood were obtained from the City of Rialto, County of San Bernardino, and sources as compiled by the Chamber of Commerce.

The flood and earthquake zones were obtained from Flood Data Services.

In order to support the marketing time and the discount and capitalization rates (if applicable), information from numerous sources and surveys was collected. In addition, numerous investors in the market have been interviewed.

Specific Data:

Land sales, improved sales, and rental comparables were obtained from the following sources: Loopnet Inc., CoStar Comps Inc., Multiple Listing Services, CoreLogic RealQuest Professional, the County Assessor's Office, this appraiser's own files, broker interviews, and marketing time discussed with parties to sales or leases.

Planning, zoning, and building department information was considered. Zoning, permitted uses, specific plan areas, and use restrictions were verified with the appropriate planning department where possible. Status of entitlement, moratoriums, occupancy permits, required retro-fitting, toxic substance abatement, conditional use permits, or other issues requisite to the development, occupancy, or continued use of the property was also discussed with the appropriate planning department. Data relative to any competitive product approved and pending was also verified with the appropriate planning department.

Site Inspection:

The subject property was inspected on August 5, 2019. The appraiser has delineated the neighborhood boundaries for the subject and visited the major thoroughfares in order to analyze the land use characteristics of the immediate market area. The appraiser has visited the exterior of all comparables, and noted the overall physical characteristics.

Valuation:

Based on the market data gathered, the appraiser was able to determine the highest and best use of the subject "as if vacant" and "as improved". The identified land and improved sales comparables in each approach were confirmed with the buyers, sellers, or brokers in the market area. Detailed information regarding each comparable as well as photographs are presented in the data sheets. Adjustment grids contain charted and quantified adjustments that were discussed in the text.

SPECIAL CONDITIONS, NUISANCES, OR HAZARDS

Our physical inspection of the site did not disclose any evidence of special conditions, nuisances, or hazards. It should be clearly understood that the appraiser is not an expert in this field, and no guarantees are implied or warranted. It is a condition of this report that the absence of any such hazard is presumed for valuation purposes. While the general statement must be made that the verified existence of any recognized hazardous substance could have a substantial negative effect on the value of the subject improvements as well as on their income-producing potential, any opinion of the impact of such a discovery on the value of the subject is deemed to be beyond the scope of this appraisal analysis.

The results of this appraiser's field inspection contain no express or implied warranties regarding the geological status of the subject or surrounding properties. The subject is located in Southern California, which contains numerous faults, and has a history of seismic activity. It is the contingent assumption of this appraisal that no known faults cross the subject site, and that the subject site is located a sufficient distance from the nearest fault zone, so as to make construction of any future improvements feasible from a soil engineering standpoint. State law prohibits the development of structures for human occupancy within 50 feet (minimum) of an active fault or fault zone.

No geological/hydrological surveys or toxic waste reports were provided for this appraiser's review. Any user of this report should verify by examination of documentation, title and policy search, the current status of the subject property. The subject is not located within a known landfill area.

It is assumed that the subject property is in full compliance with all applicable federal, state, and local environmental regulations and laws in regards to asbestos. The appraiser is not an expert in this field, and accepts no responsibility for such matters. It should be clearly understood that any costs to cure or alleviate asbestos problems could adversely affect the market value conclusions reached within this analysis. We reserve the right to adjust said conclusions if it is determined that asbestos abatement or removal would be necessary to continue to operate or market the existing property.

COMPETENCY PROVISION

Aaron Gardner has prepared numerous appraisals, and retains an active database of information relating to apartments, commercial, retail, industrial, office, and religious facility markets in the Southern California area. He possesses the knowledge and experience to conduct the inspection, analysis, and reasoning necessary to accurately estimate the value of the subject property. In addition to extensive experience in the appraisal industry, he has personally appraised (and attended appraisal courses dealing with) a wide variety of property types and interests.

VALUATION METHODOLOGY

Typically, real estate can be valued by applying three approaches, i.e., Cost, Sales Comparison, and Income. 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

That approach in appraisal analysis which is based on the proposition that the informed purchaser would pay no more than the cost of producing a substitute property with the same utility as the subject property. It is particularly applicable when the property being appraised involves relatively new improvements which represent the highest and best use of the land, or when relatively unique or specialized improvements are located on the site for which there exist no comparable properties on the market. The appraiser then develops the replacement cost of structures and appurtenances from the following sources: the ***Marshall and Swift Cost Handbook***, continual interviews with builders, and direct experience from the building of its own projects.

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. Traditionally, an appraisal procedure in which the market value estimate is predicated upon prices paid in actual market transactions and the price of current listings, the former fixing the lower limit of value in a static or advancing market (price wise), and fixing the higher limit of value in a declining market; and the latter fixing the higher limit in any market.

It is a process of analyzing sales of similar, recently sold properties in order to derive an indication of the most probable sales price of the property being appraised. The reliability of this technique is dependent upon (a) the availability of comparable sales data, (b) verification of the sales data, (c) the degree of comparability or extent of adjustment necessary for time differences, and (d) the absence of non-typical conditions affecting the sale price.

INCOME 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

In essence, all approaches to value (particularly when the purpose of the appraisal is to establish market value) are market approaches since the data inputs are presumably market derived. However, the subject property consists essentially of vacant land. Therefore, only the sales comparison approach is applicable and appropriate in this particular assignment. When dealing with land, buyers of such properties are not normally interested in the income that could be produced. Therefore, the income approach is not deemed an applicable approach to value in this analysis.

CERTIFICATION OF VALUE

PROPERTY APPRAISED 2.84 acres of Vacant Land located at the Northeast corner of Renaissance Parkway and Laurel Avenue, Rialto, California

DATE OF VALUE August 5, 2019

OPINION OF MARKET VALUE

FEE SIMPLE INTEREST
TWO THOUSAND SEVEN HUNDRED TWENTY THOUSAND DOLLARS
($2,720,000)

I HEREBY CERTIFY THAT TO THE BEST OF MY KNOWLEDGE AND BELIEF,..

-- The statements of fact contained in this report are true and correct.

-- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, unbiased, professional analyses, opinions, and conclusions.

-- I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.

-- I have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.

-- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.

-- My engagement in this assignment was not contingent upon developing or reporting predetermined results.

-- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.

-- My analyses, opinions, and conclusions were developed, and this report has been prepared, in accordance with the standards and reporting requirements of the Uniform Standards of Professional Appraisal Practice.

-- I have made a personal inspection of the property that is the subject of this report.

-- No one provided significant professional assistance to the person signing this certification.

by:

Aaron Gardner, CA# AG005074
Certified General Appraiser

STATEMENT OF ASSUMPTIONS AND LIMITING CONDITIONS

This Appraisal Report, the Letter of Transmittal, and the Certification of Value are made expressly subject to the following assumptions and limiting conditions, and incorporated herein by reference.

1. Liability of Aaron Gardner, Appraiser and his employees is limited to the fee collected for the preparation of the appraisal. There is no accountability or liability to any third party.

2. The information contained in this report is considered to be from reliable sources, but its authenticity and accuracy are not guaranteed. The comparables used in this report have been inspected by the appraiser; and, as mentioned, the data came from sources considered reliable.

3. No opinion as to the title is rendered. Data related to ownership and legal description was obtained from county records and is considered reliable. Title is assumed to be marketable and free and clear of all liens, encumbrances, easements, and restrictions except those specifically discussed in the report. The property is appraised with the assumption that it is under responsible ownership and competent management.

4. Because a title policy was not made available to the appraiser, we assume no responsibility for such items of record not disclosed by his customary investigation.

5. The property rights appraised herein are considered to be in Fee Simple estate. That is a fee without limitations to any particular class of heirs or restrictions, but subject to the limitations of eminent domain, escheat, police power, and taxation. Fee Simple is the largest state of inheritance a person can have.

6. Testimony or attendance in court or at any other hearing is not required by reason of rendering this appraisal, unless such arrangements are made a reasonable time in advance.

7. All existing liens and/or encumbrances have been disregarded and the property has been appraised as though free and clear, and under responsible ownership and competent management. Typical mortgage financing, as customarily secured for the type of property that is the subject of this appraisal, is considered, as is the favorable mortgage position, if any, as shown in the report.

8. The lot sizes as shown herein are considered reasonably accurate, but should not be construed as being exact.

9. Maps, plats, and exhibits included are for illustration only, as an aid in visualizing matters discussed within the report. They should not be considered as surveys or relied upon for any other purpose, nor should they be removed from, reproduced, or used apart from the report. If further verification is required, a survey by a registered surveyor is advised.

10. No opinion is expressed as to the value of subsurface oil, gas, or mineral rights, or whether the property is subject to surface entry for the exploration or removal of such materials, except as is expressly stated.

11. The property is appraised with the assumption that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in the report is based, unless otherwise stated.

12. Information, estimates, and opinions furnished to the appraiser and contained in the report were obtained from sources considered reliable and believed to be true and correct. However, no responsibility for the accuracy of such items furnished can be assumed by the appraiser.

13. The comparable sales data relied upon in the appraisal are believed to be from reliable sources. Though all of the comparables were examined from the exterior, it was not possible to inspect them all in detail. The value conclusions are subject to the accuracy of said data.

14. The report must be used in its entirety. Reliance on any portion of the report independent of others may lead the reader to erroneous conclusions regarding the property values. No portion of the report stands alone.

15. Disclosure of the contents of the appraisal report is governed by the Bylaws and Regulations of the professional appraisal organizations with which the appraiser is affiliated.

16. The use of this report is subject to the requirements of the professional organization with which the appraiser may be affiliated.

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STATEMENT OF ASSUMPTIONS AND LIMITING CONDITIONS (CONTD.)

17. Neither all, nor any part of the contents of the report, or copy thereof (including conclusions as to the property value, the identity of the professional designations, reference to any professional appraisal organizations, or the firm with which the appraiser is connected), shall be used for any purpose by anyone but the client specified in the report, the borrower if the appraisal fee is paid by the same, the mortgage company or its successors and assigns, mortgage insurers, consultants, professional appraisal organizations, any state or federally approved financial institution, any department, agency or instrumentality of the United States or any State or the District of Columbia, without the previous written consent of the appraiser; nor shall it be conveyed by anyone to the public through advertising, public relations, news, sales, or other media, without the written consent and approval of the appraiser.

18. The distribution of the total valuation in the report between land and improvements applies only under the reported highest and best use of the property. The allocations of value for land and improvements must not be used in conjunction with any other appraisal, and are invalid if so used.

19. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless non-conformity has been stated, defined, and considered in the appraisal report.

20. No opinion is intended to be expressed for matters, which require legal expertise or specialized investigation or knowledge beyond that customarily employed by real property appraisers.

21. It is assumed that the utilization of the land and improvements is within the boundaries or property lines of the property described, and that there is no encroachment or trespass, unless noted within the report.

22. This appraisal should not be considered a report on the physical items that are a part of this property. Although the appraisal may contain information about the physical items being appraised (including their adequacy and/or condition), it should be clearly understood that this information is only to be used as a general guide for property valuation and not as a complete or detailed physical report. The appraiser is not an expert in the field of construction, engineering, or legal matters, and any opinion given on these matters in this report should be considered preliminary in nature.

23. The observed condition of the foundation, roof, exterior walls, interior walls, floors, heating system, plumbing, insulation, electrical service, and all mechanicals and construction is based on a casual inspection only. No detailed inspection was made. The structures were not checked for building code violations, and it is assumed that all buildings meet the building codes, unless so stated in the report.

24. Some items such as conditions behind walls, above ceilings, behind locked doors, or under the ground are not exposed to casual view, and therefore, were not inspected. The existence of insulation (if any is mentioned) was found by conversation with others and/or circumstantial evidence. Since it is not exposed to view, the accuracy of any statements about insulation cannot be guaranteed.

25. Because no detailed inspection was made, and because such knowledge goes beyond the scope of this appraisal, any observed condition comments given in this appraisal report should not be taken as a guarantee that a problem does not exist. Specifically, no guarantee is made as to the adequacy or condition of the foundation, roof, exterior walls, interior walls, floors, heating system, air conditioning system, plumbing, electrical service, insulation, or any other detailed construction matters. If any interested party were concerned about the existence, condition, or adequacy of any particular item, we would strongly suggest that a construction expert be hired for a detailed investigation.

26. No engineering survey has been made by the appraiser. Except as specifically stated, data relative to size and area was taken from sources considered reliable, and no encroachment of real property improvements is considered to exist.

27. No detailed soil studies covering the subject property were available to the appraiser. Therefore, any premises as to soil qualities employed in the report are not conclusive, but have been discussed with the client and are considered consistent with information available to the appraiser. No responsibility is assumed for such conditions, or the engineering, which may be required to discover such factors.

28. Since earthquakes are not uncommon in the area, no responsibility is assumed for their possible effect on individual properties, unless detailed geologic reports are made available.

STATEMENT OF ASSUMPTIONS AND LIMITING CONDITIONS (CONTD.)

29. The principals of the transaction or entity for whom the report was prepared shall obtain a written statement from the appropriate regional office of the Federal Environmental Protection Agency or any similar Governmental department or agency that can indicate whether the subject property, or any site in the vicinity of the subject property, is, has been, or will be affected by any hazardous material. The materials may include, but are not limited to, asbestos, oil or other petroleum products, hazardous or nuclear waste, toxic substances or other pollutants which may contaminate soils or structures, or that could be detrimental to the subject property or in violation of any local, state, or federal law or regulation, and which would present any actual or potential adverse effect to the subject property. In the absence of a written statement from the appropriate governmental body or bodies having jurisdiction over this matter, the principals or entities in this transaction will provide a toxic or environmental audit from a qualified consultant which will address hazardous materials as heretofore described. In further absence of such, it is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws, unless non-compliance is stated, defined, and considered in the appraisal report. The appraiser is not an expert in the field, and accepts no responsibility for such matters.

30. The date of value to which the conclusions and opinions expressed in the report apply, is set forth in the report itself. Further, the dollar amount of any value opinion rendered in this report is based upon the purchasing power of the American dollar existing on that date.

31. The appraiser assumes no responsibility for economic or physical factors, which may affect the opinions in this report that, occur after the date of value. The appraiser assumes that there are no hidden or unapparent conditions of the property, subsoil, or structures that would render it more or less valuable. The client agrees that in case of lawsuit (brought by lender, partner, or part owner in any form of ownership, tenant, or any other party) any and all awards, settlements or cost, regardless of outcome; the client will hold the appraiser harmless.

32. The appraiser reserves the right to make such adjustments to the analyses, opinions, and conclusions set forth in this report as may be required by consideration of additional data or more reliable data that may become available.

33. No termite inspection report was available. It is assumed that there is no significant termite damage or infestation, unless otherwise stated.

34. Furnishings and equipment or business operations, except as specifically indicated and typically considered as part of real estate, have been disregarded, with only the real property being considered.

35. It is assumed that the property, which is the subject of this report, will be under prudent and competent ownership and management, neither inefficient nor super efficient. The valuation stated herein assumes professional management and operation of the building(s) throughout the lifetime of the improvements with an adequate maintenance and repair program.

36. Simply because a borrower or third party may receive a copy of the appraisal, does not mean that the borrower or third party is an intended user as that term is defined in USPAP. If this report is placed in the hands of anyone other than the client, the client shall make such party aware of all limiting conditions and assumptions of the assignment and related discussions. The appraiser is in no way responsible for any costs incurred to discover or correct any deficiency in the property.

37. The valuation is based on the projection that the complex will maintain a stabilized occupancy level over its economic life, with tenants paying market level rents.

38. The fee for this appraisal or study is for the service rendered and not for the time spent on the physical report.

39. The Americans with Disabilities Act ("ADA") became effective January 26, 1992. The appraiser has not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this fact could have a negative effect upon the value of the property. Since the appraiser has no direct evidence relating to this issue, possible noncompliance with the requirements of ADA in estimating the value of the property has not been considered.

40. Acceptance of, and/or use of, this appraisal report constitutes acceptance of the above conditions.

PERTINENT INFORMATION

LEGAL DESCRIPTION:

The subject property is located in the State of California, County of San Bernardino, within the City of Rialto. Please refer to the addendum for a complete legal description.

ASSESSOR'S PARCEL NUMBER:

0240-211-21
The subject site consists of a total of 123,710 square feet / 2.84 acres

SALES HISTORY:

Present Owner of Record: Redevelopment Agency, City of Rialto

Mailing Address: 131 South Riverside Avenue, Rialto, California 92376

According to public records, the owner of record is the City of Rialto Redevelopment Agency. This parcel has been held under this ownership since May 23, 2000. This property consists of one parcel of land, Assessor's Parcel Number 0240-211-21, which is located on the northeast corner of Renaissance Parkway and Laurel Avenue. There is currently no address assigned to this property which consists of unimproved vacant land.

It is our understanding that the City of Rialto is interested in purchasing this site from the City of Rialto Redevelopment Agency. However, the details of this potential transaction have not been made available for our review.

EASEMENTS, ENCROACHMENTS, ENCUMBRANCES, AND DEED RESTRICTIONS:

We have assumed the subject property is not affected by any easements, encroachments, or deed restrictions not mentioned above or clearly visible on the date of inspection. Copies of the documents referenced in the preliminary title report were not provided. Therefore, the exact content and purpose of the documents is not known. Unless otherwise stated above, we have assumed these exceptions do not adversely affect the value of the subject property. We have also assumed title to the subject property is readily marketable, which assumes the subject property is free from any encumbrances, litigation, or other items that would affect the marketability of the subject property.

INFORMATION SOURCES:

The property history has been provided by conversations with various individuals involved with the chain of title, and if available, various documents such as contracts, deeds, leases, and closing statements. We have not performed a title search, nor do we warrant that the history, as presented herein, is completely accurate since we have relied upon the information of others. Any person or entity contemplating an interest in the subject property should rely solely upon a title search and opinion prepared by a qualified attorney-at-law.

PERTINENT INFORMATION - CONTINUED

FLOOD HAZARD AND EARTHQUAKE INFORMATION:

According to the FEMA Community Panel Number 060280-7920H, dated August 28, 2008, the property is located in Flood Zone "X", which is not in a Federal Flood Hazard Area. Also, the site is reportedly not located in an Alquist-Priolo Special Studies Zone. However, any property lying in Southern California bears some risk of an earthquake because of seismic activity in the region as a whole. In neither case, however, do lenders generally require insurance on properties in the neighborhood.

ZONING:

The subject is located within the city of Rialto, the subject's present zoning is the Renaissance Specific Plan, which was instituted on November 23, 2010. According to the city of Rialto's website, Renaissance is designed as a master-planned community on 1,439 acres that will contain a variety of logistics, employment, business, shopping, as well as residential, and community facilities that are integrated by open spaces and amenities.

The zoning area is generally bounded on the north by Casmalia Street, on the south by Baseline Road, on the east by Ayala Drive, and on the west by Tamarind Avenue. (See zoning map on following page).

Renaissance is ideally situated to take advantage of regional transportation facilities, namely State Route 210 (SR-210), which runs through the northern portion of the project site. Primary access to Renaissance will be from SR-210 interchanges at Alder and Ayala Drives. Baseline Road, Miro Way, Walnut Street, Easton Street (also known as Renaissance Parkway), and Casmalia Street provide the main east–west access within the site. Alder, Laurel, Locust, Maple, and Linden Avenues, and Ayala Drive provide the main north–south access.

It should be noted that the subject site is located a quarter of a mile northwest of what was formerly the Rialto Municipal Airport. Prior to the adoption of the Renaissance Specific Plan, Renaissance Parkway was located entirely within the existing Rialto Airport Specific Plan. The Rialto Airport Specific Plan was adopted in 1997, encompassed 3,100 acres, and was intended to provide a long-term strategy for the development of the airport and surrounding area. However, at the December 6, 2005, City Council meeting, the City adopted resolutions declaring the intent to relocate the Rialto Airport operations to other nearby facilities. With the closure of the Rialto Airport, major assumptions and portions of the Rialto Airport Specific Plan became obsolete.

Freeway Commerce designation within Renaissance Specific Plan: The Renaissance Specific Plan has been subdivided into three available land uses, namely, Freeway Commerce, Community Commerce and Village.

As implied by its name, the Community Commerce section will serve the community commercial needs, mainly light industrial, professional office, and storage uses as well as retail uses that serve the local community such as convenience retail, and restaurants. The Village section will be the residential sector of the plan, consisting of several unique neighborhoods, one school, a community park, and several neighborhood parks.

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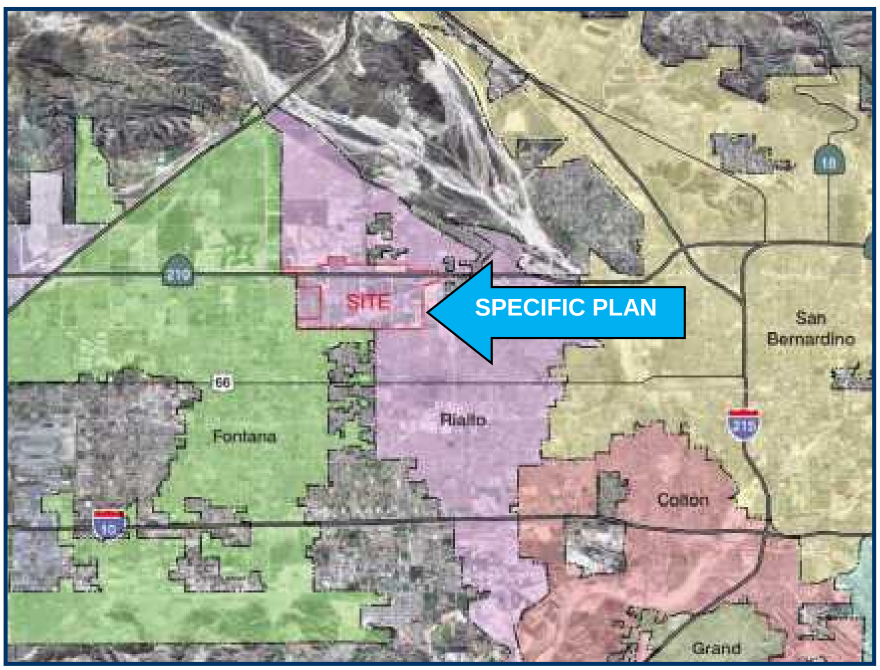
PERTINENT INFORMATION - CONTINUED

ZONING (continued):

The subject property is located within the Freeway Commerce area of the zoning plan. Generally located along SR-210 and north of Miro Way, the Freeway Commerce area acts as a business-oriented corridor and commercial gateway into Rialto. Intended to strengthen the jobs-housing balance in the City and be a regional employment and shopping area, the Freeway Commerce area accommodates uses that are compatible with a freeway and benefit from freeway visibility and/or accessibility.

The subject property is located in a sub-section of the Freeway Commerce area referred to as CC-Corporate Center (20). Section 20 is a twelve acre area consisting of four parcels of which the subject site is the westernmost parcel. It is the area located directly south of the SR-210 freeway between Laurel Avenue and Locust Avenue. There is a required Floor Area Ratio of 75%. This zoning designation allow professional office, research and development and medical uses. See the following zoning maps for more specific location information.

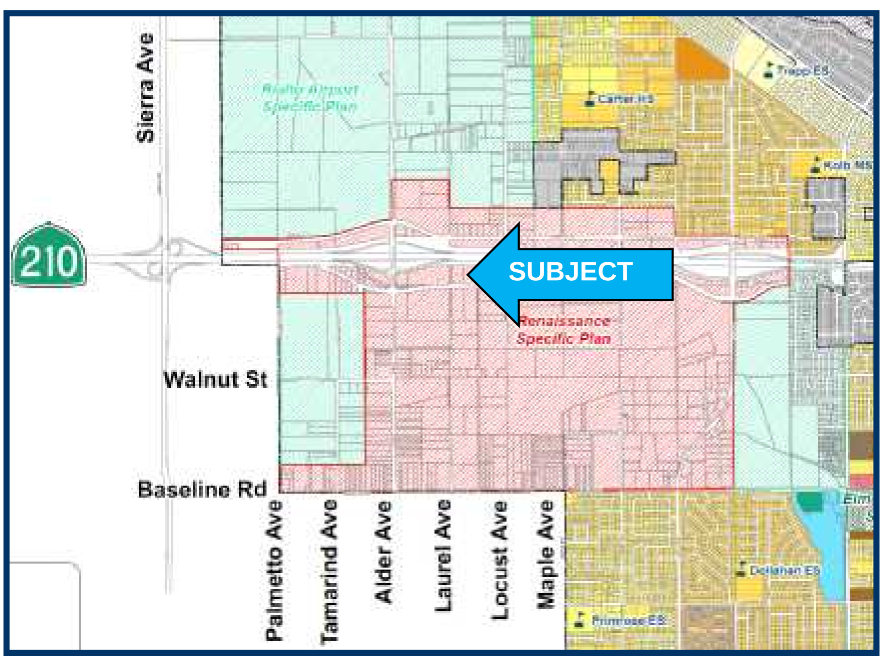
ZONING MAP IN RELATION TO RIALTO CITY:



PERTINENT INFORMATION - CONTINUED

ZONING MAP – AERIAL VIEW:

ZONING MAP – RENAISSANCE SPECIFIC PLAN:



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PERTINENT INFORMATION - CONTINUED

ZONING MAP – RENAISSANCE SPECIFIC PLAN

IMAGE 1 - FREEWAY COMMERCE SECTION

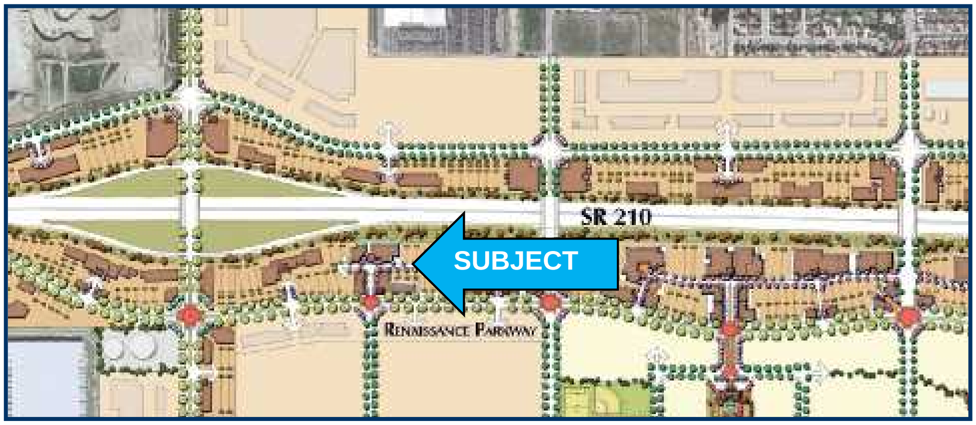
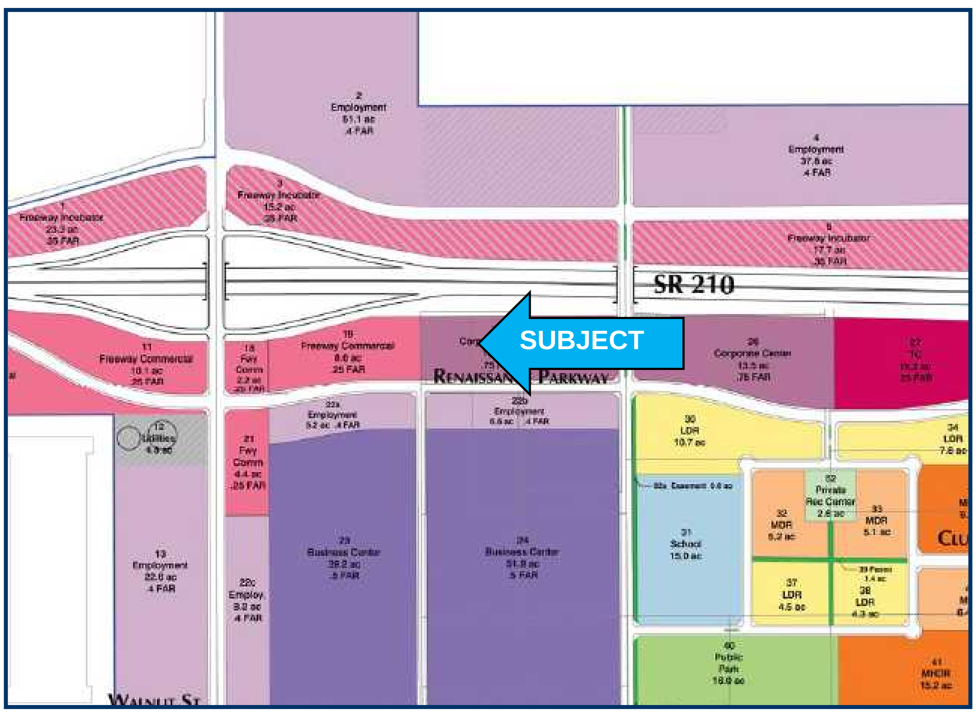


IMAGE 2 – CORPORATE CENTER ZONING SUB-DESIGNATION



PERTINENT INFORMATION - CONTINUED

ESTIMATED EXPOSURE TIME:

Exposure is defined as the estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based upon an analysis of past events assuming a competitive and open market.

Source: Appraisal Standards Board (ASB) Statements 6 (SMT-6), issued on September 16, 1992

The Market Value estimate is based on the assumption that a reasonable time is allowed for exposure in the open market. A reasonable exposure time was estimated based upon market evidence including actual exposure times for similar properties from within the subject's market area. In addition, brokers active in this specific market were interviewed to determine their input in regards to the time required to sell an unimproved property similar to the subject. The brokers interviewed indicated the marketing time would primarily depend on the asking price and the price a buyer would be willing to accept.

Exposure Time:

The Appraisal Standards Board of the Appraisal Foundation defines exposure time as: "The estimated length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based upon an analysis of past events assuming a competitive and open market."

The subject property is not currently offered for sale. The subject's market area is steadily being developed and vacant sites that are suitable for development within the immediate neighborhood still exist. Based on the results of our research, it is anticipated that the estimated exposure time for the subject property is nine months.

Marketing Time:

The Appraisal Standards Board of the Appraisal Foundation defines market time as: "An opinion of the amount of time that it might take to sell a specified real property interest at the concluded market value during the period immediately after the effective date of the appraisal."

The estimate of reasonable marketing time can be based on one or more of the following:

- Statistical information about number of days on the market
- Information gathered through sales verification
- Interviews with market participants and/or
- Anticipated changes in market conditions

The reasonable marketing time is a function of price, time, use and anticipated market conditions such as changes in the cost and availability of funds, not an isolated estimate of time alone. If the current owner decides to sell their interest, it is reasonable to assume that a marketing time equal to the exposure time estimated above would be applicable.

PERTINENT INFORMATION - CONTINUED

ASSESSMENT AND TAX DATA:

Real estate taxes for the subject property are assessed and collected by the County of San Bernardino. The property is subject to the property tax rules of the state of California, which control the activities and policies of local assessment jurisdictions. These laws were significantly modified on June 7, 1978, when the state's voters passed Proposition 13, amending Article XIII of the State Constitution.

Proposition 13 abolished the practice of periodic reassessment of properties, based on market value appraisals. Instead, real property is subject to reassessment (i.e., revaluation at full or partial current market value) only when changes in ownership or new construction take place. Otherwise, increases in assessed value are limited to no more than 2% per year. In addition, tax rates are limited to a general rate of 1%, plus the rates needed to service any bonded indebtedness. Voter-approved direct assessments can also be added, and are often related to the installation of infrastructure. Real estate taxes and assessments for the current tax year are shown in the following table.

Assessor's Parcel Number:	Land Value	2018-19 Tax Assessment
0240-211-21	Not assessed	Not available
Tax Rate Area:		006013

According to the County of San Bernardino, there are no taxes assigned to this parcel at the current time.

Under Article XIIIA and the subsequent enabling and clarifying legislation that was passed by the legislature, there is an additional provision to allow for the assumption of existing bonded indebtedness. The following are some significant aspects of the law:

1. *If a parcel has not been further improved or sold or transferred since lien date of 1975, the Assessor established 1975 value as the base value plus 2% per annum inflation rate.*

2. *If a parcel has sold since March 1, 1975, base value was sale value plus 2% per annum since the time of sale.*

3. *If a new deed has recorded since March 1, 1975, its value at the time of transfer was established as base plus 2% per annum.*

4. *New construction in the form of an addition to existing property does not trigger reappraisal of the property. The cost of the new construction is added to the 1975 base.*

5. *Major remodeling or rehabilitation of said property initiates reappraisal.*

PERTINENT INFORMATION - CONTINUED

ASSESSMENT AND TAX DATA (continued):

6. *A change in use of the property will trigger a reappraisal regardless of the amount of money expended to accommodate the new use.*

7. *Partial conveyances in a property will activate a reassessment of only the fractional interest conveyed as long as the interest is in excess of 5% and greater than $10,000 in value.*

8. *If a property is committed to a lease for 35 years or longer, including option periods, it is considered a change of ownership and will be reappraised; however, properties sold or transferred that are subject to an existing lease with a remaining term of 35 years, including options, will not be subject to reappraisal.*

9. *If annual inflation as indicated by the CPI exceeds 2%, the assessed value will be increased by a maximum of 2% per year.*

10. *Senate Bill 813 (Chapter 438) provides for the reappraisal of real property upon the date of sale or a change of ownership or upon the completion of new construction. The act applies to changes of ownership and new construction completed on or after July 1, 1983. This is a substantial departure from previous practice where real property was assessed according to its full cash value as to the lien date of March 1, preceding the fiscal year for which the taxes are levied with any subsequent changes in ownership or new construction resulting in a new increase in value on the following March 1. Such changes, therefore, were only reflected on the following year's tax bills. Chapter 438 requires a supplemental assessment to be made immediately.*

Based on the present economic and political climate in the state, plus the fact that no substantial changes in assessment practices or new voter approved bond issues are anticipated, it is this appraiser's opinion that this method for determining real estate taxes will continue into the foreseeable future.

REGIONAL ANALYSIS - SAN BERNARDINO COUNTY

LOCATION:

The discussion of the area and the facts that affect the real estate market is divided into three separate sections. The first section is a discussion of the county as a whole, the second is a discussion of the influences on the subject property's neighborhood area, and the third is a discussion of the subject site and the trends in the area immediately surrounding the subject.

The subject is located in the southern half of the state of California, in an area better known as the Inland Empire. The Inland Empire consists of both the San Bernardino and the Riverside Counties which are is part of a five county area that contain nearly half of the state's businesses. This area is known as the Los Angeles Metropolitan Area, and is one of the largest regions in the United States. It has experienced continued growth in population, employment, manufacturing, housing, retail sales and investment opportunities.

Nearly half of the economy of the state of California is concentrated in this five county area, although it represents less than five percent of the state's total land area. Approximately half of the state's businesses are located here, as well as over sixty percent of the manufacturers in the state. The following table illustrates the comparative size, in miles, of each county in this five county area:

Los Angeles County	4,058 square miles
Orange County	791 square miles
Riverside County	7,206 square miles
San Bernardino County	20,057 square miles
Ventura County	1,843 square miles
Total Five County Area	**33,955 square miles**

The subject is located in San Bernardino, the largest county in the United States. About ninety percent of San Bernardino is desert; the remainder consists of the San Bernardino Mountains and Valley. Measuring almost two hundred miles across, its diverse topography ranges from fertile river valleys to rolling plains and foothills, from deserts below sea level to 10,000-foot mountain peaks. The adjacent county is Riverside County which is the fourth largest county in the state of California and is located on the southern border of San Bernardino County.

According to the 2010 Census, the combined population of the incorporated cities within San Bernardino County and Riverside County consisted of 4.2 million. The estimated population on July 1, 2017 was 4.58 million residents. The area’s population count is larger than the Phoenix-Mesa area. Since the 2010 Census, San Bernardino County’s has grown by 6 percent and Riverside County’s population has grown by 10.7 percent.

San Bernardino County was created from portions of Los Angeles, San Diego, and Mariposa counties in 1853. The county takes its name from the San Bernardino Mountains, named by Spanish explorers for their patron saint of mountain passes, Saint Bernard. The name “Bernardino” means “bold as a bear”. Riverside was created from parts of San Bernardino and San Diego counties in 1893. The county’s name derives from the city of Riverside, so designated when the upper canal of the Santa Ana River reached it in 1871.

REGIONAL ANALYSIS - CONTINUED

TRANSPORTATION:

Southern California has an extensive system of highways, railroads, airports, and deep water ports which offer industry a variety of means for efficient and convenient transport of raw materials and finished products. The transportation network provides easy connections and access to markets within California, as well as throughout the nation and the world. The current freeway system is under constant maintenance, and numerous additional freeway routes have been adopted or are under construction.

Countywide transportation is provided via an extensive freeway network along with rail and air transportation. The private automobile remains the primary and most used source of transportation. Comprising the third largest trucking and warehousing industry in the country, the area has approximately 80 commercial trucking companies in operation. Nearly all truck cargo entering or leaving Southern California passes through the Inland Empire. Several county and local Transit Districts supply bus service to major cities throughout the county and outlying areas.

Rail service is available to most industrial areas in the county. Located in the five county areas are some 15 different railroad companies. Since the completion of the most technologically advance rail terminal in the world, the number of container transfers has almost tripled. Providing links to the continental United States and Canada, these rail companies offer a variety of shipping facilities, transporting approximately 8 billion tons of freight from the area annually.

The Inland Empire is also serviced by several area airports, including Ontario International Airport, Los Angeles International Airport and several smaller area or regional airports which provide passenger and freight service to most major cities in the country as well as the Southern California area. Ontario's International Airport is positioned as one of the busiest and fastest growing airports in the world, experiencing a phenomenal increase in air cargo.

INLAND EMPIRE - LOCAL ECONOMY:

Although the Inland Empire economy, consisting of San Bernardino and Riverside Counties, was one of the hardest hit in Southern California, it has emerged as one of the state's fastest growing in recent years. While it has grown at a somewhat slower pace than during the last five years when measured by gross metropolitan product, the labor market has demonstrated robust growth. Year over year job growth was 2.7 percent last year, well above the state which registered a modest 1.7 percent. The Inland Empire has a population larger than that of twenty-four individual states. Riverside County is the fourth highest populated county and San Bernardino County is the fifth most populated county in the state. An essential factor behind this region's economic success has been the expansion into this area by a large number of firms, national and international. Much of the Inland Empire's business growth can be attributed to the vast amounts of available land and plenty of affordable real estate which makes it a prime area for local companies to expand.

According to the LAEDC Economic Forecast, economic growth is improving as gains are made in the labor market and renewed optimism in housing, construction and manufacturing return to the area. This growth has outpaced the state and the rest of Southern California, even though this region suffered a very severe blow during the Great Recession.

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REGIONAL ANALYSIS - CONTINUED

INLAND EMPIRE - LOCAL ECONOMY (continued):

Most of the job gains in the Inland Empire last year were added in all of the major industries. The UCR Forecast expects job growth in the Inland Empire to hold steady over the next couple of years and the labor market continues to show signs of tightening as the nation enters its ninth year of expansion. Although there is plenty of room for growth, there is an increasingly diminished supply of available labor. For this reason, it is expected that total nonfarm growth will taper moderately into the range of 2 to 2.5 percent in the coming years.

As the labor market points to healthy economic activity, other indicators also show that the Inland Empire is on solid footing. Before companies can hire, they need more spending by businesses and consumers. After incomes rise, household net worth improves and the demand for products increases, businesses will expand their payrolls.

The Inland Empire is a major logistics hub for Southern California and the local Transportation and Warehousing industry benefits greatly from increases in container activity at the ports. Also, fundamentals; technology, human capital, and infrastructure are still in place. The region's goods movement industry has benefited from increased activity at the Ports of Los Angeles and Long Beach during the last several years resulting from the pickup in U.S. economic growth. The number of containers passing through the Port of Los Angeles set a record in 2018 of 9.45 million containers. The Port of Long Beach also set a record of moving 7.5 million containers, an 11 percent increase from the previous year. The outlook is positive for the coming year.

Overall, economic conditions in the Inland Empire are expected to level out in the coming year. Over the longer term forecast, the Inland Empire will experience greater growth than the coastal counties, due largely to the availability of land at lower cost. The availability of abundant undeveloped land has been the major economic driver propelling the area's economic growth.

JOB GROWTH:

Job growth in 2018 increased by 26,600 new jobs to the Inland Empire. Educational and health services led in employment growth posting a gain of 11,700 jobs. Over 93 percent was concentrated in healthcare and social assistance. Trade, transportation, and utilities grew by 5,700 jobs, largely due to transportation and warehousing (up 3,900). Retail trade and wholesale trade added 1,500 and 300 jobs respectively. Five other industry sectors added jobs year over year including government (up 4,900), professional and business services (up 2,800) leisure and hospitality (up 1,400), construction (up 1,100 jobs) and manufacturing (up 1,000).

As the Inland Empire's industries grow over two years, the unemployment rate will continue to fall in the coming year. Looking ahead, per capita income is predicted to rise slightly, and give rise to further gains in taxable sales and continued job growth in population-serving industries.

REGIONAL ANALYSIS - CONTINUED

UNEMPLOYMENT:

By December of 2018, the unemployment rate in the Inland Empire region dropped to 3.9 percent from 4.2 percent in 2017. The rate is expected to continue to decline in the coming year. During the last recession, the unemployment rate in the Inland Empire reached a peak of 14.4 percent in July 2010, while the highest unemployment rate for the U. S. and California reached 10 percent and 12.2 percent respectively.

MAJOR INDUSTRIES:

The major employment industries in the San Bernardino-Riverside County area are as follows:

RANK	INDUSTRY	EMPLOYMENT
1	Trade, Transportation and Utilities	26.16%
2	Government	16.92%
3	Educational and Health Services	15.84%
4	Leisure and Hospitality	11.13%
5	Professional and Business Services	9.90%
6	Construction	6.67%
7	Manufacturing (Durable and Non-Durable Goods)	6.52%
8	Financial Activities	2.78%

According to the California Employment Development Department, the total non-farm employment numbers indicate job growth in the labor market increased by 1.8 percent in 2018.

MARKET ANALYSIS:

The following information was compiled from the Marcus & Millichap Real Estate Investment Brokerage Company Research Forecast, and CB Richard Ellis Real Estate Group Inc. Pertinent information was also obtained from the Voit Real Estate Services Report, the LAEDC Los Angeles County Economic Development Corporation Report, and the A. Gary Anderson Center for Economic Research. The area considered here is the Inland Empire which is composed of the following 13 cities or areas: Chino / Montclair / Upland/ Ontario / Rancho Cucamonga / Fontana / Corona / Riverside / Moreno Valley / Colton / Redlands / San Bernardino and Victorville.

REGIONAL ANALYSIS - CONTINUED

MARKET ANALYSIS (continued):

San Bernardino and Riverside Counties provide direct access to one of the largest markets in the United States. Forty-seven percent of that market is within one hour of the Inland Empire. An excellent transportation system provides rapid movement of goods throughout the Pacific region accessing a market with an ever-increasing effective buying income. Over the next ten years, the area is expected to add another million people to its current population base. This growth is second only to Los Angeles County, which is expected to grow by another 1.3 million people over the same period.

Corporate headquarters, professional firms, manufacturers and logistics firms are minutes from a less congested Ontario International Airport. International trade increased by $1 billion during the 1990's. UPS has its Western U. S. Headquarters located at Ontario and has been awarded six weekly non-stop flights to the Mainland of China. Entrepreneurs and corporate operations can access high-speed fiber optic and wireless broadband capability in any office building or industrial site in the Inland region. Manufacturers and distributors find that the Inland area has a relatively new and reasonably priced industrial space. Electrical power is reliable due to the three Inland plants that have been built and have secured long term supplies.

However, the Inland Empire is a very different place from what it was before the Great Recession. One significant change is the number of people renting as opposed to owning homes. In recent years, most new households have been renter household. An increasing number of multi-family units came online starting in 2016. Between 2011 and 2016, there have been 62,808 more renter occupied housing units and 9,091 fewer owner occupied housing units. However, there is a lot of demand in housing. Homes in the Inland Empire are more affordable then in Los Angeles, Orange and San Diego counties but are still about 50 percent higher than the national average. Last year, the homeownership rate rose modestly to 61.4 percent. Yet, first time home buyers are finding it difficult to afford a home. Construction permits are also losing steam after a brief surge in activity. Permitting for both single and multi-family units rose in Riverside County in 2018 but fell in San Bernardino County. Overall, the Inland Empire was behind Los Angeles County, which has registered 9.5 percent growth for single family permits and 44.8 percent growth for multi-family permits.

The outlook for the Inland Empire's real estate market remains mixed. There has been a great disconnect between housing and local economic performance. Home sales have been notable weak over the last couple of years, despite improvements in the local economy, and affordability is an increasing a concern. Inventories have been low from an historical standpoint and home prices have outpaced incomes. Home prices have increased 76.8 percent from 2012 to 2017, while incomes increased 11.6 percent.

Overall, the residential real estate market has remained healthy in the sense that foreclosures have nearly returned to the lowest pre-recession levels and median prices for existing and new single family homes and condominiums have appreciated year over year. However, the rate of appreciation cooled somewhat in 2018, compared to 2017.

REGIONAL ANALYSIS - CONTINUED

MARKET ANALYSIS (continued):

It should also be noted that an increase in tourism and business travel to the region has driven growth in passenger traffic at Ontario International Airport. More than 5.1 million airline passengers moved through Ontario International airport (ONT) in 2018, the highest annual total since 2008. The airport has added nearly 900,000 passengers since its transition to local control, in late 2016 when more than 4.2 million flew thru Ontario. Last year, there were 5,115,894 air travelers which is an increase of 12.4 percent or 4,552,702 passengers. Although passenger traffic at the airport is still below pre-recession levels, the Ontario International Airport Authority has committed to increasing passenger traffic. China Airlines has recently expressed interest in using the airport to provide travelers with more options for Taiwan-U.S. travel and to boost international business dealings. This partnership would not only increase business and leisure passenger traffic, it should also benefit local hotels and restaurants.

The latest hotel data also show that business and leisure travel in the Inland Empire is continuing to grow. Revenue per available room in the region increased by 5 percent. Places such as Joshua Park National Park have been an important economic driver for surrounding communities. This will provide a boost to local employment and increased tax revenue.

OTHER KEY CALIFORNIA INDICATORS:

-- Among the nations of the world, the State of California's Gross Product ranking has risen to number 5 behind the United States, China, Japan, and Germany. The Los Angeles five-county area has a ranking of 16th in the world.

-- The gross national product gains in the State of California have been consistently higher than the average gains within the United States. However, they were not nearly as high as in the emerging and developing economies like Indonesia, Brazil and China. With the nationwide slowdown, and the decline in the housing market, the percentage of GDP gains have slowed.

-- In spite of changes in the employment sector and the slowing in the economy, job growth is improving year over year. Unemployment is declining, yet businesses remain cautious about hiring. Economic conditions are expected to continue to improve in the coming year.

-- The U. S. dollar continues to strength, but credit will likely become more expensive in the near term due to rising interest rates, tempering the amount of new investment by companies as they grapple with having more cash in hand from tax cuts but higher borrowing costs.

-- California economy grew at an estimated rate of 3.0 percent in 2018, which is faster than the nation as a whole which grew at 2.4 percent. While impressive, California's economy continued to slowdown from the 3.3 percent year over year growth achieved in 2016, and from the over 4 percent year over year percentage growth seen in 2014 and 2015. Water supply, higher energy costs and environmental regulations continue to raise uncertainty within the current business climate.

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REGIONAL ANALYSIS - CONTINUED

OFFICE MARKET:

According to the Marcus and Millichap forecast, the San Bernardino-Riverside area is one of California's fastest-growing metros over the past five years, partially driven by its industrial sector. Rapid expansion of this industry has elevated demand for professional service providers that support logistics, warehousing and distribution firms. Payroll advancement by these traditional office-using firms translated to strong leasing velocity over the five-year span, lowering metro vacancy. In 2019, these tenants will continue to seek additional space, lowering availability in San Bernardino-Riverside to a cycle-low level, while subdued office development persists. As a vast amount of the quality space has been absorbed, the remaining marketed rent growth will keep the rental price per square foot below the previous cycle's peak. However, as older leases turn over or new space is constructed, the metro's average asking rent could rise above the previous cycle's peak.

Vacancy in the Class B/C space sits at a more than 10-year low entering 2019, prompting Southern California buyers to target properties with upside potential. Investors from Los Angeles County are especially aggressive in the Inland Empire's Class B sector because of its significantly lower price points and an average cap rate that is higher than their home market. Properties near Ontario International Airport, a logistics epicenter, and buildings along Interstate 15 in south Riverside County are in demand, namely post-2000-built assets. Many of these properties provide buyers with first-year returns in the 6 and 7 percent ranges and trade for less than $10 million. Smaller, relatively newer buildings in Chino, Riverside and other cities undergoing residential expansion are most pursued by investors.

According to Kidder Mathews Real Estate, currently there is no new construction in the Inland Empire. Most of the larger properties under construction are for owner users such as Trammell Crow Company with 200,000 square feet, Tycoon Management with 150,000 square feet and Prime Healthcare Services with 79,200 square feet. The top sale transactions during the first quarter of 2019 consisted of a 41,803 sf Medical Plaza in Corona that was sold to Global Medical REIT for $17.2 million and a 71,834 sf Corporate Center that sold to San Bernardino CC District for $12.5 million. The lack of new inventory in the development pipeline will keep absorption positive and overall vacancies down throughout 2019.

OFFICE OVERVIEW	1Q2018	4Q2018	1Q2018	Annual % Change
New Construction	0	0	128,704	(-100.00%)
Under Construction	659,194	645,745	504,407	30.69%
Vacancy Rate	7.60%	7.90%	8.80%	(-13.64%)
Average Asking Rents (NNN)	$22.20	$22.08	$21.12	5.11%
Average Sales Price / SF	$226.30	$154.99	$180.43	25.42%
Cap Rate	7.01%	6.26%	6.86%	2.19%
Net Absorption	118,325	122,422	293,954	N/A

(Kidder Mathews Real Estate Research, 1st quarter 2019)

REGIONAL ANALYSIS - CONTINUED

INDUSTRIAL MARKET:

According to Marcus and Millichap, the Inland Empire continues to attract the largest industrial tenants in the country as it is underpinned by its proximity to major distribution routes and densely populated metro areas. In order to meet robust net absorption, which has averaged nearly 19.5 million square feet over the past four years, developers will push supply growth to the highest point in over a decade. The new projects are primarily situated along I-215 from Riverside to Perris and from Chino to Rancho Cucamonga, with vast industrial parks such as the Meridian Business Park in Moreno Valley at over 1,290 acres. While a considerable portion of the space is leased to marquee tenants such as Amazon and UPS, the sheer volume of space coming online will initiate a period of rising vacancy and slower rent gains than previous years in the cycle as operators focus on occupancy. However, the size and scope of these projects strengthens the world-class scale of the distribution capabilities of the metro, supporting rent growth that will remain above the national average.

San Bernardino-Riverside's position as a national distribution hub supported the flow of more than $3.2 billion in capital into the industrial market. Bolstered by transactions in San Bernardino and near the Ontario airport led prices per square foot above $150 while carrying initial cap rates in the mid-5 percent range. Large Class A distribution and warehouse facilities along I-10 and I-215 can exchange ownership in the high-4 to low-5 percent band, driven by institutional capital, particularly New York City and Los Angeles investors. Buyers seeking higher returns will target areas in the periphery of the metro in locations between Corona and Riverside on Highway 91.

According to Voit Real Estate Research, the sale and leasing activity declined in the first quarter of 2019, with nearly 15.26 million square feet leased compared to 20.93 million square feet during the fourth quarter of last year. At the end of the first quarter, there were 98 buildings under construction totaling nearly 25.2 million square feet. Nevertheless, vacancy rates dropped to approximately 4.55 percent. Notable projects include Majestic Freeway Business Center in Riverside, a six building industrial park totaling 1.43 million square feet, Rialto Fulfillment Center Building One, a 1,264,102 square foot project, and the Ontario Ranch Logistics Center in Ontario, a 1,180,908 square foot project. As the U. S. sees ongoing economic expansion and businesses act to meet the rising demand for consumer goods, demand for industrial space is of is on the upswing. The Inland Empire boasts positive net absorption across all submarkets.

INDUSTRIAL OVERVIEW	1Q2019	4Q2018	1Q2018	% change over last year
Vacancy Rate	4.55%	4.70%	4.96%	(-8.27%)
Availability Rate	5.24%	5.80%	7.47%	(-29.85%)
Average Asking Lease Rate	$0.73	$0.69	$0.59	23.73%
Sale & Lease Transactions	15,260,085	20,935,815	19,198,518	(-20.51%)
Gross Absorption	5,367,785	8,917,280	12,979,373	(-58.64%)
Net Absorption	2,428,930	3,025,941	8,217,946	N/A

(Voit Real Estate Services Research, 1st quarter 2019)

REGIONAL ANALYSIS - CONTINUED

RETAIL MARKET:

According to the Marcus and Millichap forecast, the Inland Empire underwent significant population gains during the past five years, growing by 250,000 residents. An inflow of individuals and households to the area in search of jobs and lower housing costs were largely to credit for this spike in resident count. This strong rate of migration heightened demand for both necessity and specialty stores, translating to stout annual increases in consumer spending. Retailers responded by occupying additional spaces, supporting a decline in overall vacancy. In 2019, the San Bernardino-Riverside metro remains Southern California's fastest-growing economy, supporting the strongest rate of net migration among the state's major metros. Continual population growth should further bolster consumer demand, influencing more retailers to enlarge local footprints. Many of these businesses will browse the area's stock of vacant existing spaces as more than half of the one million square feet of new supply slated for delivery this year is pre-leased. These market conditions will aid overall absorption, lowering the region's vacancy rate to a cycle-low level.

Many active buyers in the region currently maintain portfolios of local assets and are looking to grow their collection of properties in a quick time frame, often via multiple property sales. Post-2000-built freestanding buildings and centers are pursued by these investors, with demand highest in cities south of Riverside off Interstates 15 and 215. Here, properties trade at low-4 percent minimum cap rates, yet yields in the 6 percent range are also obtainable for assets with vacancy issues or those in sub-par locations. Larger cities near the confluence of Interstates 10 and 15 provide additional opportunities for buyers.

It has been noted that there is a major shift in the retail market as the Mom and Pop retailers are making a comeback into the marketplace while there has been a significant increase in vacant "big box" space. This change is due to the impact of increased e-commerce and the closure of large format retailers such as Sears, Kmart, Toys R Us, etc. In most markets, lease rates for high quality retail space can accommodate fast casual restaurants and other expanding shop users. In July 2018, out of a total of approximately 195 million square feet of retail space in the Inland Empire, there is 18.5 million square feet of available space of which the majority is located in 1.6 percent of all the retail buildings in the area.

RETAIL OVERVIEW	1Q2019	4Q2018	1Q2018	Annual % Change
New Construction	148,719	522,225	363,277	(-59.06%)
Under Construction	927,459	820,276	1,494,954	(-37.96%)
Vacancy Rate	7.20%	7.20%	7.70%	(-6.49%)
Average Asking Rents (NNN)	$18.84	$18.60	$17.16	9.79%
Average Sales Price / SF	$205.38	$204.45	$208.55	(-1.52%)
Cap Rate	5.74%	5.79%	5.69%	0.88%
Net Absorption	66,811	725,570	(-192,515)	N/A

(Kidder Mathews Real Estate Research, 1st quarter 2019)

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REGIONAL ANALYSIS - CONTINUED

APARTMENT MARKET:

According to the Marcus and Millichap forecast, the completion of 45 million square feet of industrial space over a 24-month span ending in 2019 suggests robust warehouse and logistics job creation persists this year, supporting overall employment growth that doubles the national rate of increase. The expansion of the e-commerce, combined with an influx of health and construction jobs, maintains the San Bernardino-Riverside region as Southern California's fastest-growing economy in 2019. The wealth of job openings this year will sustain a stout rate of household formation, generating a need for rentals during a period of strong single-family home price appreciation. Consistent demand for apartments in 2019 supports new leasing, which exceeds 2,000 units for a second straight year, nearly negating the impact of increased supply. Developers will respond to limited availability by completing 10 projects this year that feature an average of 270 apartments.

Limited vacancy across all asset classes and an extended span of strong rent growth will bolster the region's already-mixed buyer pool in 2019. Following a recent lengthy period of heightened deal flow, listings volume should decline this year, increasing competition among investors and placing further upward pressure on property values. Regional and out-of-state buyers largely target pre-1990-built complexes with triple-digit unit counts, as strong NOI growth at relatively newer assets prompts owners to hold these properties. Investors will scour areas for larger Class B and C apartments, typically seeking first-year returns in the high-4 percent to high-5 percent range, dependent on location. Listings east of Interstate 15 and along Highway 91 often garner low-4 to low-5 percent initial yields, while Coachella Valley, Mojave Desert and Interstate 215-located complexes offer buyers mid-4 to high-5 percent cap rates. Additionally, 6 percent-plus returns can be found in the city of San Bernardino.

According to Kidder Mathews, the top completed construction projects during the first quarter of 2019 were the Loma Linda Veteran's Village which consists of 80 units and the Hallmark at Mission in Ontario which consists of 75 units. There are several projects under construction such as the 1,000 unit complex at the Resort @ Empire Lakes in Rancho Cucamonga and the 541 unit complex at the Paseos @ Ontario. Developers are under way on more than 3,800 apartments with completions extending into early 2020. Most properties comprise of 200 rentals.

MULTI-FAMILY OVERVIEW	1Q2019	4Q2018	1Q2018	Annual % Change
New Construction	155	246	432	(-64.12%)
Under Construction	4,824	4,635	1,070	57.13%
Vacancy Rate	4.30%	4.30%	4.10%	4.88%
Average Asking Rents (NNN)	$1,321	$1,306	$1,271	3.93%
Average Sales Price / SF	$166,094	$218,490	$124,307	33.62%
Cap Rate	5.68%	5.50%	5.77%	(-1.56%)
Net Absorption	97	(-118)	806	N/A

(Kidder Mathews Real Estate Research, 1st quarter 2019)

REGIONAL ANALYSIS - CONTINUED

CONCLUSIONS AND TRENDS:

According to CoStar Comps, the Inland Empire labor market has been growing at an elevated pace as of late, as expected for a metro that has historically grown the most late in cycles. While recent growth has been impressive, the Inland Empire was heavily impacted by the housing and financial crash during the last cycle, and its recovery earlier in the cycle underperformed the nation and severely underperformed Southern California's coastal metros.

The Inland Empire remains the 12th most populous Metropolitan Statistical Area in the nation. As such, the ups and downs of its economy have substantial ramifications. The structural change in population growth from decades ago to now has resulted in less development across most property types (outside of industrial), and the economy is no longer structured for growth-related services (i.e., there is a smaller proportion of construction and real estate workers and a larger proportion of health care workers).

One major shift has been the growth of the logistics industry. Inland Empire's relatively inexpensive land, proximity to the twin ports in L.A., and proximity to a massive consumer base throughout Southern California has made it the premier location for logistics firms to expand. A large share of economic output is tied to L.A./Long Beach port activity. However, there have been fears of activity slowing at the ports due to the national political climate. A loaded imported TEU traffic through the ports grew by around 3.5% in 2018. More than 15% of the metro's jobs are in wholesale trade, transportation, and warehousing.

The metro continues to offer limited opportunities for knowledge-sector workers. There are no Fortune 500 companies in the metro, and few major corporations are headquartered in the two-county area. More recently, however, white-collar sectors like education and health services have brought more educated workers to the market. Overall, this is still a bedroom community that attracts residents from its pricier neighbors, so escalating housing and business costs in Los Angeles, Orange County, and San Diego bode well for household relocations and population growth here.

In summary, the office market is seeing a limited amount of new product added to the market. With positive absorption, there will be a continued drop in the vacancy rate in 2019. Lease rates are expected to increase slightly in the coming year.

Overall, the industrial market continues to have positive net absorption. Despite the rising construction costs, developers added 25.8 million square feet of new space. Nevertheless, vacancy rates dropped to 3.86 percent.

In summary, the retail market has a vacancy rate that has fallen to a low, even though there have been closures of many large big box stores. Few large properties traded in 2018, as malls and power centers account are just a fraction of the sales volume. Price appreciation is moderate.

In summary, the Inland Empire apartment market is expected to experience continued demand, lower vacancy rates and a rise in asking rents. Consistent demand for apartments in 2019 will support a steady stream of leasing activity.

REGIONAL ANALYSIS - CONTINUED

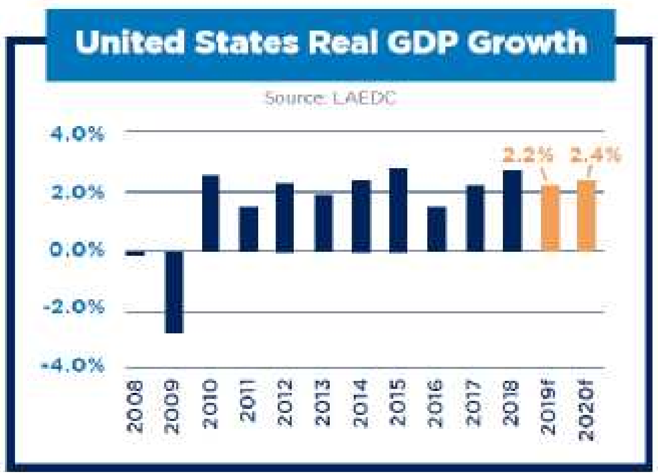
2019 U. S. Economic Forecast:

(Taken from the Los Angeles County Economic Development Corporation Forecast)

• It is believed that the Federal Reserve Board will follow thru on its intention to raise the fed fund rate two times in the coming year with the last rate hike by the end of 2019. In addition, the Federal Reserve will likely continue its course of reversing quantitative easing, though recent anxiety in the financial markets might encourage a slower pace.

• With none of the recessionary signals in sight, the forecast is confident that the expansion will continue through 2019. The rate of real GDP growth, however, is forecasted to decline slightly from 2.6 percent in 2018 to an estimated for 2.2 percent in 2019 and 2.4 percent in 2020.

REAL GDP GROWTH



• A successfully negotiated new North American Free Trade Agreement (NAFTA) called the United States Mexico Canada Agreement or USMCA has been signed and will encourage greater access to Canadian dairy markets and new tariffs incentivizing greater automotive manufacturing in the United States.

• The partial government shutdown and the associated loss of economic activity cost the U. S. Economy $11 billion which equates to a 0.1 percent loss in real GDP in the first quarter of 2019.

• The post-recession United States has become heavily dependent on debt to finance economic activity. Since the end of 2010, nonfinancial corporate debt has ballooned from just over $6 trillion to over $9.6 trillion or just over 50 percent of GDP. In context of an economy also dependent on monetary intervention for liquidity and a federal budget on track to run annual trillion dollar deficits, these trends are cause for concern.

• While the global economy is probably in its best overall shape since the recovery began, China's growth will be constrained as a result of the continuing trade standoff.

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REGIONAL ANALYSIS - CONTINUED

2019 Economic Forecast for the State of California:

(Taken from the Los Angeles County Economic Development Corporation Forecast)

• The greatest threat to the California economy are threefold. The potential withdrawal of venture capital due to rising interest rates, the shift of venture capital toward the tech sector that is concentrated in states that offer benefits, and the state's technology centers that are dealing with profitability problems such as Tesla, Snap and Uber. Financing the debt for many of these unprofitable companies can cause them to quickly disappear.

• The strongest headwind is the lack of affordable housing, which hampers household formation, limits mobility and incentivizes talent to relocate out of state in the interest of their employees.

• Another concern is traffic congestion in the Inland Empire has not improved in spite of the $1.4 billion spent to add two toll lanes, plus one general lane. Worsening traffic congestion continues to be a drag on productivity and economic growth as well as personal stress.

• The GDP for the Inland Empire is projected to be 3.7 percent in 2019, keeping pace with state economy and exceeding national economy.

• Educational and health services reported the largest year over year job increase, adding 11,700 jobs. Over 93 percent was concentrated in health care and social assistance (up 10,900 jobs).

• Trade, transportation, and utilities grew by 5,700 jobs, largely due to transportation and warehousing. Retail trade and wholesale trade added 1,500 and 300 jobs respectively.

• Five other sectors added employment over the year; government (up 4,300), professional and business services (up 2,800), leisure and hospitality (up 1,400) construction (up 1,000) and manufacturing (up 1,000). Overall in 2018, the employment in the Inland Empire increased by 26,000 jobs.

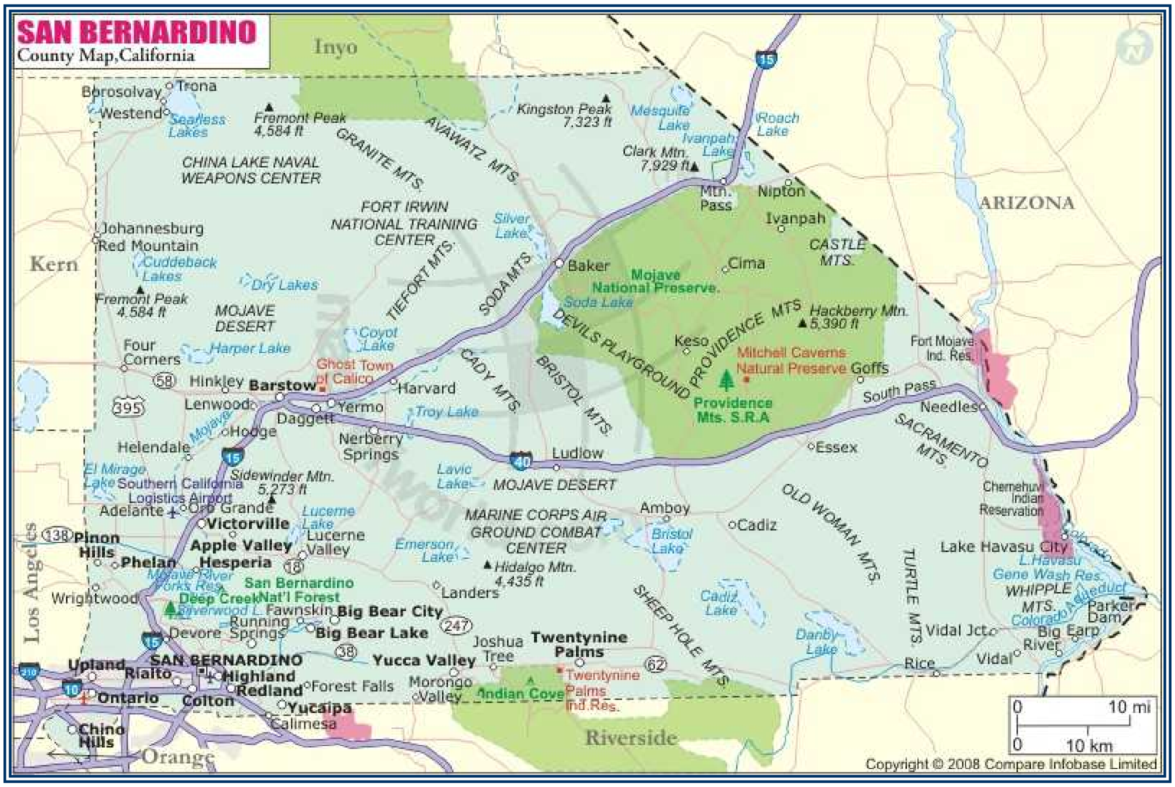
• The average unemployment rate in the Inland County reached 3.9 percent in Dec. 2018.

COUNTY UNEMPLOYMENT RATE

Metropolitan Areas	December 2016	December 2017	December 2018
Los Angeles	5.0	4.5	4.7
Inland Empire	**5.2**	**4.2**	**3.9**
Ventura	4.8	4.0	3.7
San Diego	4.2	3.3	3.1
Orange County	3.5	2.9	2.7

REGIONAL ANALYSIS - SAN BERNARDINO COUNTY AREA

San Bernardino County is located in southeastern California, with Inyo and Tulare Counties to the north, Kern and Los Angeles Counties to the west and Orange and Riverside Counties to the south. The county is bordered on the east by the states of Nevada and Arizona. The county's diverse geography and extensive natural resources as well as its proximity to major economic and population centers provides unique opportunities for varied industry sectors to thrive, including commerce, education, and tourism and recreation.



San Bernardino County is the largest county in the state and covers over 20,000 square miles of land. There are 24 cities in the county and multiple unincorporated areas. Over 80 percent of the land is owned by federal agencies and is outside the governing control of the County.

The county is commonly divided into three distinct areas, including the Valley Region (sometimes divided into East and West Valley), Mountain Region and Desert Region. The Valley Region contains the majority of the county's incorporated areas and is the most populous region. The Mountain Region is primarily comprised of public lands owned and managed by federal and state agencies. The Desert Region is the largest region (over 93% of the county's land area) and includes the Mojave Desert.

Aside from open or undeveloped land, the largest land use in the county is for military purposes. Almost three-quarters of San Bernardino County is open or undeveloped land. Approximately 14.3 percent of the land is used for military purposes. Residential housing comprises 8.8 percent of the land area. Retail, commercial and industrial uses make up 1.7 percent of the county's land use. Agriculture utilizes 0.4%, transportation and utilities utilize 0.3%, government uses 0.2% and the remaining 0.1% is for other uses.

REGIONAL ANALYSIS - SAN BERNARDINO COUNTY AREA - CONTINUED

Population:

Due to the vast land area, San Bernardino County's population density is estimated at 102 persons per square mile, which is substantially lower than California, and three of the nearby counties, including Riverside, Orange and Los Angeles Counties. Within the County, the Valley Region is the most densely populated area with 75 percent of the population residing in that region, which accounts for only 2.5 percent of the county's land. Based on these figures, the estimated population density of the Valley Region is approximately 3,085 persons per square mile, which is similar to the neighboring Los Angeles and Orange Counties.

San Bernardino County is the fifth largest county in the state of California in terms of population. The population exceeded 2.035 million according to the 2010 Census. In 2017, the population was estimated at 2,157,404. Since 2010, the county's population has grown by approximately 6.0 percent. The population is expected to reach about 3.6 million by 2050.

This growth has come from a combination of natural increase and migration. Since 1975 until 2007, the San Bernardino-Riverside metro has had a positive net migration with more people moving into the area than out. While the rate of net migration was 6.4 percent from 1990 to 2000, this rate increased to 23 percent between 2000 and 2005. Likely attributable to economic and housing market retraction between 2007 and 2008, San Bernardino County experienced the first net migration decrease in 20 years.

Approximately 21 percent of the people living in the county are foreign born. The county's median age was 31. The older adult population is projected to increase significantly during the next forty years.

Housing:

The majority of homes in San Bernardino are single-family detached homes. There were over 714,302 housing units in 2016 of which 59.1 percent were owner occupied. San Bernardino County has the second highest household size in California, with the average household size consisting of 3.32 persons.

Employment:

After several years of steady increase, the number of people employed in San Bernardino County peaked in 2006 before it began to decline. The number of employed individuals increased from 680,100 in 1998 to 826,800 in 2006. By 2016, the number of employed persons reached 582,280.

San Bernardino County's unemployment rate rose dramatically in 2009. During the 10-year period from 1999 to 2008, the unemployment rate in the county ranged from a low of 4.8 percent in 2000 to a high of 14.6 percent in 2009. Currently, the unemployment rate has dropped back down to 3.9 percent in December 2018.

REGIONAL ANALYSIS - SAN BERNARDINO COUNTY AREA - CONTINUED

A County in Transition:

Twenty years ago, the leading industries were steel, agriculture and defense. The closures of George and Norton Air Force Base resulted in the loss of 3,000 jobs. Since that time, the region has gone through one metamorphosis and is on the cusp of a second. The first transition was from an economy based in military services, and agriculture to one where construction, logistics, and business and professional services were the dominant industries. The next transformation may emerge out of a combination of up and coming markets, demographic shifts continuing growth in logistics and San Bernardino's unique set of assets including days of sun, established energy infrastructure, large areas of undeveloped land and proximity to population centers and recreational resources.

The first transition witnessed employment growth of 62 percent. Since 1990, there has been 300 percent growth in the business and professional services, 180 percent growth in logistics, and 180 percent growth in wholesale trade. In the last 10 years, the changing nature of the county's economy has become even more pronounced with significant growth in the retail trade and local government sectors while durable goods manufacturing has declined.

The second transition may be fueled by the county's unique position for growth in certain industries not yet reflected in employment statistics. For example, the High Desert area of San Bernardino County is one of the best places in the world for solar energy development because of its high altitude, the number of sunny days each year and existing power infrastructure. Additionally, proximity to the Colorado River, Nevada and Arizona may result in increasing opportunities for new housing and tourism that are currently under utilized.

Supplying Affordable Housing:

As the population and employment base of Southern California continued to grow over the past two decades, the number of housing units in Los Angeles and Orange Counties did not keep pace. The relatively lower cost of existing housing in San Bernardino County drew buyers in response to the lower priced housing. Strong demand in the early 2000's led to rising prices, which prompted many first time home buyers to purchase. Speculators and investors also played a role in driving up housing prices. Since the great recession when prices dropped back to 2000 levels, the economy is once again improving. Home values have increased with the median single family home priced at $280,200 in 2017. Housing costs are expected to continue to rise in the coming year.

Impacts of Growth and Contraction:

Currently, new and old residents of San Bernardino County are bearing the impacts of regional economic contraction. The economic downturn is reflected in the number of residents living in poverty and the fact that most major public assistance programs in San Bernardino County experienced increases in enrollment. The County has the third highest proportion of residents living in poverty. The number of people receiving food stamps rose last year, and CalWORK's cash assistance enrollment also rose.

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REGIONAL ANALYSIS - SAN BERNARDINO COUNTY AREA - CONTINUED

Expanding Opportunities:

The Inland Empire's location between the Ports of Los Angeles and Long Beach and the rest of the country as well as the location on the edge of the massive markets of Los Angeles County and Orange County, primed the growth of the logistics industry. The County has evolved as a logistics and distribution hub. As the international economy recovers amidst tightening land availability for warehousing and transit, San Bernardino County is better positioned than other areas in the region to harness the opportunity to become an even more important logistics hub.

Interestingly, the closure of the George and Norton Air Force bases laid the ground work for the most extensive airport infrastructure in Southern California. In 1998, Ontario International Airport relocated to a new 265,000 square foot terminal and the passenger count climbed to 7.2 million passengers in 2005. In 2017, the airport had higher passenger volumes than in any year since 2010 with a county of 4.5 million. Freight tonnage at this airport has also declined in to approximately 72,000 tons in 2017. The two military bases have been redeveloped as the Southern California Logistic Airport and San Bernardino International airport.

The Future:

As high housing costs in Southern California prompt younger and moderate income residents to search for a home in the Inland Empire, and large facilities such as warehouses and airports need more available land, San Bernardino County will continue to play a prominent role in the larger region. But its future economy will be shaped by a number of critical assets including military facilities and federal lands.

Overall, the role of the federal government cannot be understated, given that the federal government owns 81.4% of the land and the State of California owns another 2.1%. While national parks and military facilities add to the tourism and service s components of the economy, these outside institutions also wield substantial influence over the future of the county given the sheer amount of land outside of the control of local officials and residents.

Military Facilities: The military is once again growing both in terms of jobs and purchasing power. Fort Irwin has increased to a daily population of over 22,000 personnel and Twenty-nine Palms Marine Base has almost 8,000 personnel. Fort Irwin has plans to construct a Wind Turbine Energy project on site and Twenty-nine Palms is in the process of developing a large scale training center that requires more training land and airspace than is now available anywhere in the United States.

Bureau of Land Management Renewable Energy Projects: The Bureau (BLM) plays a large role in establishing land use patterns for ranching, mining, renewable energy and recreation. It is gearing up to take advantage of incentive funding under the American Recovery and Reinvestment Act, by committing to full environmental analysis and public review for 31 renewable energy projects planned on BLM lands. The initial project list includes 14 solar, seven wind, three geothermal and seven transmission projects.

National Recreational Facilities: The national forests and parks that lie within the county provide recreational and open space amenities as well as educational and volunteer opportunities for San Bernardino County residents. Further, visitors to the San Bernardino National Forest, Joshua Tree National Park, and Mojave National Preserve generate significant revenue for the local economy.

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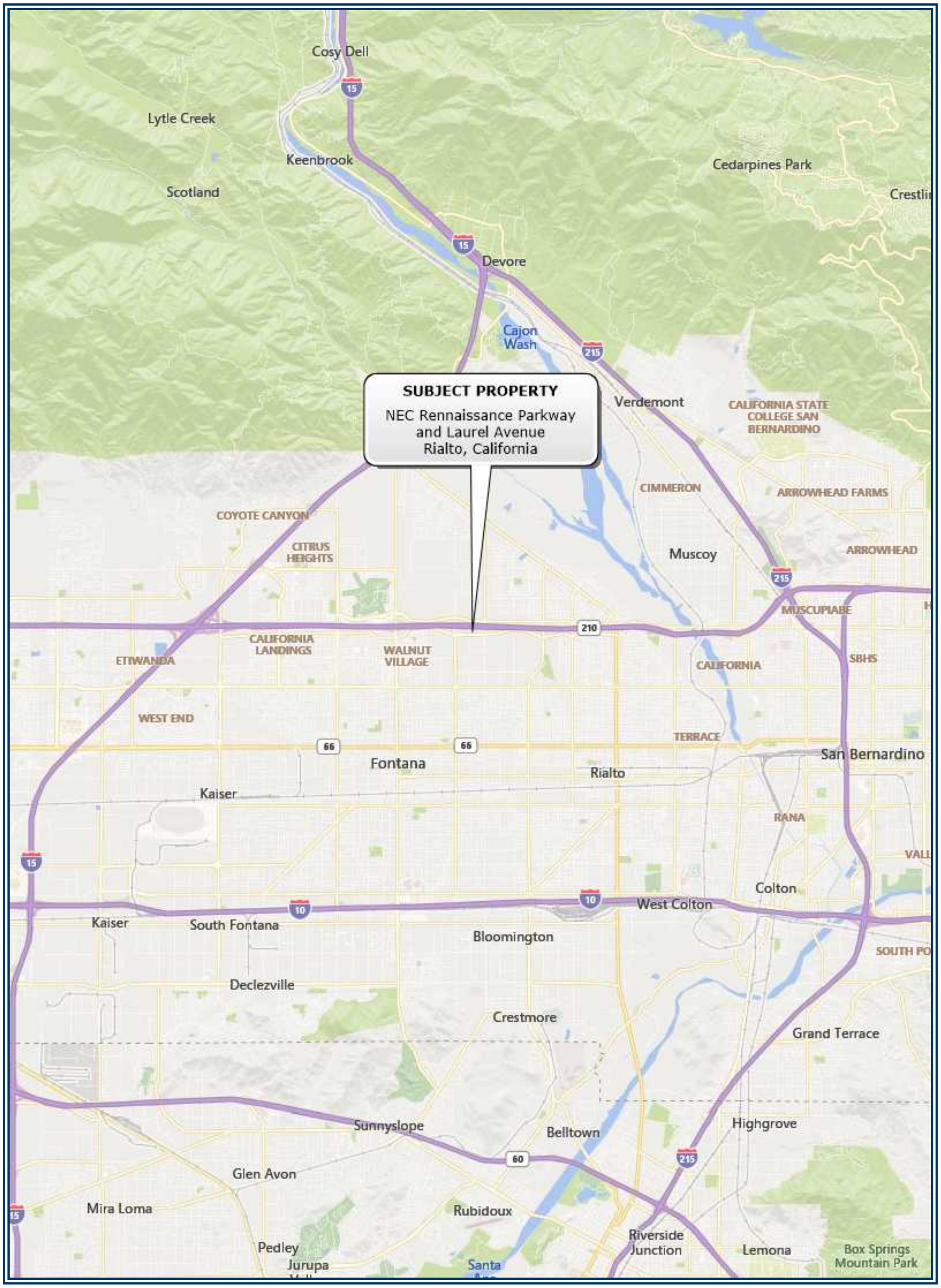
AREA MAP



ECONOMIC AND NEIGHBORHOOD FORCES - CITY OF RIALTO:

The subject property is located in the county of San Bernardino within the city of Rialto. The city is located to the south and below the San Bernardino Mountains. It lies in the west portion of the San Bernardino Valley, due west of the County Seat. Rialto is sixty miles to the east of Los Angeles and 105 miles north of San Diego. Rialto is a city of commercial, residential, educational, cultural and industrial growth. The site has frontage to Renaissance Parkway and overlooks the 210 Freeway.

History: *(provided by the city of Rialto)*

The Rialto area is believed to have been occupied prior to the year 1500. Ancient artifacts and an indication of a village were discovered near the Lytle Creek wash by archaeologists indicating Indians lived in the Rialto area between 1500 and 1800 AD. Where these Indians went, or why, remains a mystery. Later records indicate that in 1769, the King of Spain awarded portions of this area to selected Spanish Dons as part of the Spanish land grants. In 1848 as part of the Treaty of Guadalupe Hidalgo, California was ceded to the United States.

The Mormons settled in the San Bernardino valley in 1851 purchasing the Lugo ranch (now the City of San Bernardino) and claiming portions of the bench. (This claim was later disallowed by the United States Government.) A few pioneers began moving into the Rialto area by the year 1854 and established ranches and farms along the bench area. It was here in Rialto where Muscat Grapes were grown by George Lord and cuttings from his plants were sent to many neighboring counties. An adobe house from this time period is believed to have been built by Michael White and is the oldest structure in Rialto and is now restored in Bud Bender Park "Lilac Park".

In 1887, the Semi Tropic Land and Water Company was formed and purchased 25,000 acres of land that includes what is now Rialto and parts of Fontana and Bloomington. They developed the town site and named the town after the Rialto Bridge in Venice, Italy. This same year a railroad connector line was built between San Bernardino and Pasadena by the Santa Fe Railroad. Along the line, town sites were located every 2,600 yards and by the fall of that year over 25 new towns were built.

Also in this year a group of Methodists arrived from Halsted, Kansas seeking a new college site. Although the college was never built, it was the Methodists who started the town of Rialto. It soon was realized that Rialto was perfect for growing citrus and rapidly many acres were set to citrus trees.

In the fall of 1888, it became evident that schooling was needed so the first school was built and Brooke School District was formed. Records show that up until 1920, the Brooke School District was in continuous operation. A prominent Rialto family bought the first school house in 1921, remodeled the building, and members of the family there for many years, however, the house burned down a number of years ago.

Despite the land boom of the 80's and the crash of 1889, Rialto continued to grow. In 1893, there were half a dozen businesses, including a blacksmith, lumber yard and a cement pipe manufacturing company. Additionally the City had the beautiful three story Hotel Del Rialto and 35 homes with a total population of around 250 residents. The first citrus association was started and the first packing house was built in 1894. Sadly, the Hotel Del Rialto burned down in 1907. But, Rialto's popularity quickly began to grow as it became known as a town of lovely homes and beautiful shaded drives. The Rialto School District was formed in 1891. The staff consisted of two teachers, and a principal, and the school had separate play areas for the boys and girls.

ECONOMIC AND NEIGHBORHOOD FORCES - CONTINUED

History (continued):

The Chamber of Commerce, then called an Improvement League, was established in 1907. Within four years the population had grown to over 1,200 with 40 businesses and a local newspaper. A decision to incorporate was made in the spring of 1911. The election results on October 31st of the same year were one hundred-thirty five for the incorporation and 72 against. Rialto thus became a sixth class city. Citrus became an important commodity in Rialto's early growth and at one time seven or more packing Houses, located along the Santa Fe tracks, were in use sorting, packing and shipping citrus to all areas of the country.

Foothill Boulevard (then named San Bernardino Avenue) was repaired in 1913 as part of the State highway program. Later it became part of Route 66 of the transcontinental Highway System. The following year the pacific electric completed its line through the City of Rialto. Today the Tracks above First Street are a part of the Southern Pacific Railroad System and are only used for delivery to a couple locations still situated along the tracks.

A fire in the 20's swept through and destroyed many of the buildings in the downtown area. Today this area has matured with new store fronts, updated buildings and rising modernization. Also located in Rialto are seven major retail shopping centers spread throughout the community.

Rialto's population growth increased to 3,156 by 1950. In 1956, the population soared to 15,359. By 1964, it increased to 23,290 and 33,500 in 1978. Rialto is four miles wide and 8 1/2 miles long. Rialto's population grew to over 80,000 by December 1994 and according to 2013 estimates, the population is over 114,899.

Economic Development:

The City of Rialto has a variety of industrial and commercial development opportunities, from small in-fill development sites to large development sites for retail power centers, as well as existing shopping centers that need to be repositioned to take advantage of shifting demographic trends in the region. Rialto also has several vacant in-fill sites along Foothill Boulevard, commercial corners, as well as unique specialty retailing opportunities in the downtown Central Business District ("CBD"). Rialto's downtown is currently undergoing a renaissance following the completion of a $2.8 million streetscape improvement project and assistance from the Agency's seismic and facade grant program.

The opening of the 210 freeway through north Rialto has provided the City with four miles of freeway frontage and three existing and one proposed freeway on and off ramps. Most of the land along the 210 freeway corridor is currently vacant and will offer developers a wide variety of new retail, commercial and industrial development opportunities. The City is currently updating the land use plan on approximately 1,500 acres of land along I-210 freeway corridor and around the Rialto Municipal Airport.

The City of Rialto has a very pro-active Redevelopment Agency that can assist in site selection, development processing, infrastructure improvements and other financial assistance for desirable retail, commercial or industrial development projects.

ECONOMIC AND NEIGHBORHOOD FORCES - CONTINUED

Location:

Rialto, incorporated in November 17, 1911, is located approximately 50 miles east of Los Angeles, 465 miles south of San Francisco, and 120 miles north of San Diego. The elevation is 1,546 feet above sea level. The city has an area of 22.4 square miles. It has a Continental Mediterranean climate and an average annual rainfall of 16 inches per year. During winter, Rialto's gets snow, heavily at times as a result of its elevation at the base of the San Bernardino Mountains.

Demographics:

Quick Facts	Rialto
Population, 2018 estimate	103,440
Population, 2010 (April 1) estimates base	99,171
Population, percent change - April 1, 2010 to July 1, 2018	4.4%
In civilian labor force, 2013-2017	63.7%
Mean travel time to work (minutes), workers age 16+, 2013-2017	31.4
Housing units, 2010	27,203
Homeownership rate, 2013-2017	63.5%
Median value of owner-occupied housing units, 2013-2017	$260,200
Median gross rent, 2013-2017	$1,147
Households, 2013-2017	26,013
Persons per household, 2013-2017	3.92
Per capita money income in past 12 months (2015 dollars), 2013-2017	$18,072
Median household income, 2013-2017	$54,962
Persons below poverty level, percent, 2013-2017	17.9%

According to the United States Census Bureau 2018

Education:

Rialto is served by the Rialto Unified School District. It has a Christian School called Bloomington Christian School for junior high and high school. It also has preschool thru 8th grade hosted by Calvary Chapel Rialto. Rialto is also home to a private Catholic school (preschool thru 8th grade). St. Catherine of Siena Parish School is located on Sycamore Avenue. The western portion of Rialto is served by Fontana Unified School District while the southern portion of Rialto is served by Colton Joint Unified School District.

In 1994, the Rialto Western Little League hosted the Southern California Championship for the Major Division, in which the winner went on to participate in the Regional Tournament. The winner was Northridge City Little League who went on to play in the Little League World Series in South Williamsport, Pennsylvania. The Tournament was held at Lilac Park, now known as Bud Bender Park.

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ECONOMIC AND NEIGHBORHOOD FORCES - CONTINUED

Businesses:

Rialto is home to major regional distribution centers, including Staples Inc., which serves stores across the entire West Coast of the United States, as well as Under Armour and Target in the northern region of the city, in the Las Colinas community. One of the United States' largest fireworks companies, Pyro Spectaculars, is also headquartered in Rialto.

Housing Market Trends in Rialto:

According to Trulia, the median sales price in Rialto for May 1st to July 31st was $365,000 based on 165 home sales. The Rialto market trends indicate an increase of $10,000 or 3% in median home sales over the past year. The average price per square foot for this same period rose to $238, up from $233. The median rent per month for apartments in Rialto for July 6th to August 6th was $2,100.

No. Bedrooms	May 1-Jul 31	y-o-y	3 months prior	1 year prior	5 years prior
1 Bedroom	--	--	--	--	--
2 Bedroom	$290,000	+11.5%	$277,000	$260,000	$175,000
3 Bedroom	$347,000	+2.1%	$347,000	$340,000	$246,500
4 Bedroom	$381,500	+0.4%	$397,000	$380,000	$285,000
All Properties	**$365,000**	**+2.8%**	**$365,000**	**$355,000**	**$260,000**

Market Snapshot for Rialto (Movoto.com)

	Today	1 Month Ago	1 Year Ago
Total Inventory	86	103 -16%	146 -41%
Median List Price	$369,450	$365,000 +1%	$362,450 +1%
% Distressed	0%	0%	0%
Median Days on Movoto	43	33 +30%	40 +7%
Median House Size	1,561	1,587 -1%	1,610 -3%
Median $/Sq. Ft.	235	230 +2%	228 +3%

NEIGHBORHOOD DESCRIPTION - CITY OF RIALTO

Definition:

A neighborhood is defined in *The Dictionary of Real Estate Appraisal*, Fourth Edition, copyright 1993, 242, by the Appraisal Institute as: *"a group of complementary land uses; a congruous grouping of inhabitants, buildings or business enterprises."*

A neighborhood can be a portion of a larger community, or an entire community in which there is a homogeneous group of inhabitants, buildings, and business enterprises in which inhabitants have a more than casual community interest and a similarity of economic levels or cultural backgrounds. Neighborhood boundaries may consist of well-defined natural or man-made barriers or they may be more or less well defined such as by distinct change in land uses.

Neighborhoods may be devoted to such uses as residential, commercial, industrial, agricultural, cultural and civic activities, or a mixture of uses. Analysis of the neighborhood in which a particular property is located is important due to the fact that the various economic, social, political, and physical forces which affect that neighborhood also directly includes the individual properties within it. An analysis of the various factors as they affect the value of the subject property is presented in the following discussion.

Subject Neighborhood:

The subject property is located in the county of San Bernardino, within the city of Rialto. The subject property is located on the western central portion of the city, just south of the Foothill (210) Freeway. The subject site is located on the northeast corner of Renaissance Parkway and Laurel Avenue. It consists of one parcel of land (APN 0240-211-21) that is vacant and currently unimproved. It is located in the San Bernardino County Thomas Guide on map page 575 within grid B4.

The neighborhood area surrounding the subject site is located in the northeast corner of the Master planned area known as the Renaissance Specific Plan. The Renaissance Specific Plan is a proposed master-planned project located on and around the site of the Rialto Municipal Airport and encompasses 1,445 acres of land. The plan proposes a total of approximately 16.2 million square feet of business and commercial uses (835,200 square feet of which is existing and expected to remain), 1,667 residential units, one (1) school, one (1) community park and multiple neighborhood parks.

The Renaissance Specific Plan is situated in the western central portion of the City of Rialto. Rialto lies in the western San Bernardino Valley, 60 miles east of Los Angeles and 103 miles north of San Diego. The City is bordered on the northeast by unincorporated areas of San Bernardino County, Lytle Creek, and the Cities of San Bernardino and Colton; on the west by the City of Fontana and unincorporated San Bernardino; on the south by the City of Colton and unincorporated San Bernardino County.

Alder, Laurel, Locust, Maple, and Linden Avenues, and Renaissance Parkway provide the main north–south access. In the surrounding area, full off-site improvements are present. The master plan for the subject's site can best be characterized as mainly commercial properties directly surrounding the subject area with single family and multi-family residential uses to the southeast of subject area.

NEIGHBORHOOD DESCRIPTION - CONTINUED

Subject Neighborhood (continued):

Prior to the adoption of the Renaissance Specific Plan, the subject neighborhood was located entirely within the existing Rialto Airport Specific Plan. The Rialto Airport Specific Plan was adopted in 1997, encompassed 3,100 acres, and was intended to provide a long-term strategy for the development of the airport and surrounding area. However, at the December 6, 2005, City Council meeting, the City adopted resolutions declaring the intent to relocate the Rialto Airport operations to other nearby facilities. With the closure of the Rialto Airport, major assumptions and portions of the Rialto Airport Specific Plan became obsolete. Through the Renaissance Specific Plan process, the text and graphics of the Rialto Airport Specific Plan was amended to omit the 1,439 acres comprising Renaissance. The remainder of the Rialto Airport Specific Plan continues to regulate the areas outside of the Renaissance Specific Plan.

The subject neighborhood is strategically located in Rialto on regionally significant transportation corridors including SR-210, Baseline Road, and Alder and Ayala Avenues. Given its location, this area (referred to as Renaissance) acts as a gateway into Rialto and should be designed to be identifiable by those traveling on the freeway. Renaissance represents a significant opportunity to attract business and employment uses that can diversify the City's employment base and improve its jobs to housing balance. Renaissance is a large, semi-vacant site with enormous development potential. Renaissance represents Rialto's most significant opportunity to gain regional exposure and improve its employment base. The City has long realized this fact and has made Renaissance a priority in their long-term planning. Accordingly, the City of Rialto has played the key role in laying the foundation for the acquisition and development of the site.

Because of its size and location, Renaissance will be master planned in an efficient and creative manner to optimize its opportunities and minimize its constraints. Accordingly, instead of developing in a piece-meal fashion, Renaissance can be woven together by a system of mobility and aesthetic treatments that make it unique and identifiable. In addition, Renaissance can be designed with amenities in ideal locations so it is a desirable place to live and work.

Development Plan for Renaissance is an integrated community of various housing types closely linked to employment, retail, recreation, services, and schools. Renaissance accommodates 16.2 million square feet of business and commercial uses (835,200 square feet of which is existing and expected to remain), 1,667 residential units, one school, one community park, and multiple neighborhood parks all located in close proximity. Upon build-out Renaissance will provide employment and shopping opportunities and accommodates approximately eight jobs for every housing unit within the Specific Plan. Shopping and employment are located along SR-210 and major roadways, such as Baseline Road, Alder Avenue, Renaissance Parkway, Ayala Avenue, and Casmalia Street. The increased employment opportunities improve the City's jobs to-housing balance and the proximity of jobs-to-housing provides walk-to work/shop opportunities.

Within this plan residential units are situated within a quarter mile of shopping, employment, educational, and recreational uses to facilitate walking, bicycle riding, offer the opportunity to live and work in the community, reduce vehicular trips, and contribute to an improved level of health and wellness.

NEIGHBORHOOD DESCRIPTION - CONTINUED

Subject Neighborhood (continued):

The array of housing types envisioned within the residential enclave accommodates a range of lifestyles. Renaissance accommodates residential products such as single family detached, small-lot detached residences, duplexes, triplexes, stacked flats, and courtyard clusters. This multitude of residential products serves a wide segment of the market, from singles, young couples, first-time homebuyers, and move-up buyers. To accommodate the intended array of housing types, the allowable residential density in Renaissance is mixed, ranging from 3 to 40 units per acre. Renaissance also offers a variety of community amenities, including a clubhouse, neighborhood parks, and a school.

Surrounding Land Uses

The parcels immediately bordering the subject property to the east and west are currently vacant and unimproved. The area to the north consists of the SR-210 Freeway bordering the site with commercial development on the opposite, northern side of the freeway. The parcels immediately south of the subject site, across Renaissance Parkway are improved with good quality commercial improvements, specifically a Target Foods Distribution Center and DCT Rialto Logistics Center. There are some vacant undeveloped parcels of land to the west and east, similarly bordering SR-210 Freeway on both sides of the freeway.

Transportation:

The (210) Freeway know as State Route 210 (SR-210) is the most significant gateway into Renaissance, as well as Rialto. It provides regional visibility and immediate access from Alder and Ayala Avenues. Renaissance can benefit from the proximity to and visibility provided by SR-210. SR-210 is located approximately 30 feet below grade through Renaissance, which provides a noise buffer and reduces the freeway's visual impact yet maintains visual exposure for businesses.

The site is located between major noise sources. Vehicular noise from SR-210, Renaissance Parkway, Baseline Road, and Ayala and Alder Avenues are critical factors to consider in the location and/or buffering of noise-sensitive uses such as residences.

As mentioned in the zoning portion of this report, the subject site is located in the Freeway Commerce subsection zoning designation. Generally located along SR-210 and north of Miro Way, the Freeway Commerce area acts as a business-oriented corridor and commercial gateway into Rialto. Intended to strengthen the jobs-housing balance in the City and be a regional employment and shopping area, the Freeway Commerce area accommodates uses that are compatible with a freeway and benefit from freeway visibility and/or accessibility.

The uses along the southern edge of SR-210 typically include retail centers and office complexes. The Town Center, which is located at the southwest intersection of Ayala and SR-210, accommodates an array of commercial uses. It is connected and integrated with the residential community by pedestrian and vehicular linkages as well as proximity, which facilitate walk-to-shop opportunities.

The subject property is located specifically within the Corporate Center (CC) zoning sub-section of the Renaissance Specific Plan. The Corporate Center area is envisioned as an intense office center, reinforcing the business corridor gateway into Rialto, maximizing freeway visibility, and strengthening the surrounding commercial uses. The uses at the intersection of Renaissance Parkway and Alder Avenue are retail and entertainment related.

NEIGHBORHOOD DESCRIPTION - CONTINUED:

Transportation (continued):

Further south of SR-210, the land uses are focused on employment generating uses such as manufacturing, light industrial, distribution, and warehousing. The area north of SR-210 accommodates larger buildings such as offices, furniture showrooms, automobile and boat sales, floor and tile showrooms, as well as light industrial and business park uses.

Primary access to the subject's immediate neighborhood is provided by Ayala Avenue, which accesses the Foothill (210) Freeway to the north of the subject. Secondary access to the area is provided from Renaissance Parkway which becomes Highland Avenue to the east. Commercial development is predominately planned along these main arterial streets.

The neighborhood has an adequate and well-diversified transportation network comprised of major arterial and surface streets. Primary arterial thoroughfares include North Riverside Avenue, Renaissance Parkway (formerly Easton Street) which becomes Highland Avenue, Walnut Avenue, Baseline Road, Cactus Avenue and Acacia Avenue.

Airports:

The city is located approximately 15 miles northeast of the Ontario International Airport. The area is well served by air transportation, including Los Angeles International Airport, John Wayne Airport, and several smaller area or regional airports like the Riverside Municipal Airport. These airports provide passenger and freight service to most major cities in the country as well as the Southern California area.

Utilities:

Water Supply:	Rialto Water Services
Sewer Service:	Rialto Water Services
Natural Gas:	Southern California Gas Company
Electricity:	Southern California Edison Company

Trends:

The neighborhood has historically experienced stable property values similar to most other suburban areas over the past several years. The real estate market in the Rialto area, including the subject's neighborhood, is currently stable. The area's economy and real estate market is stable.

NEIGHBORHOOD ANALYSIS CONCLUSION

The neighborhood shows signs of economic stability. The area enjoys a good location in terms of freeway proximity, and a good location in terms of community services and transportation. It is our opinion that the subject property is located in an area that is well suited for the planned professional office, commercial office, R&D and medical uses designated in the Corporate Center zoning sub-designation.

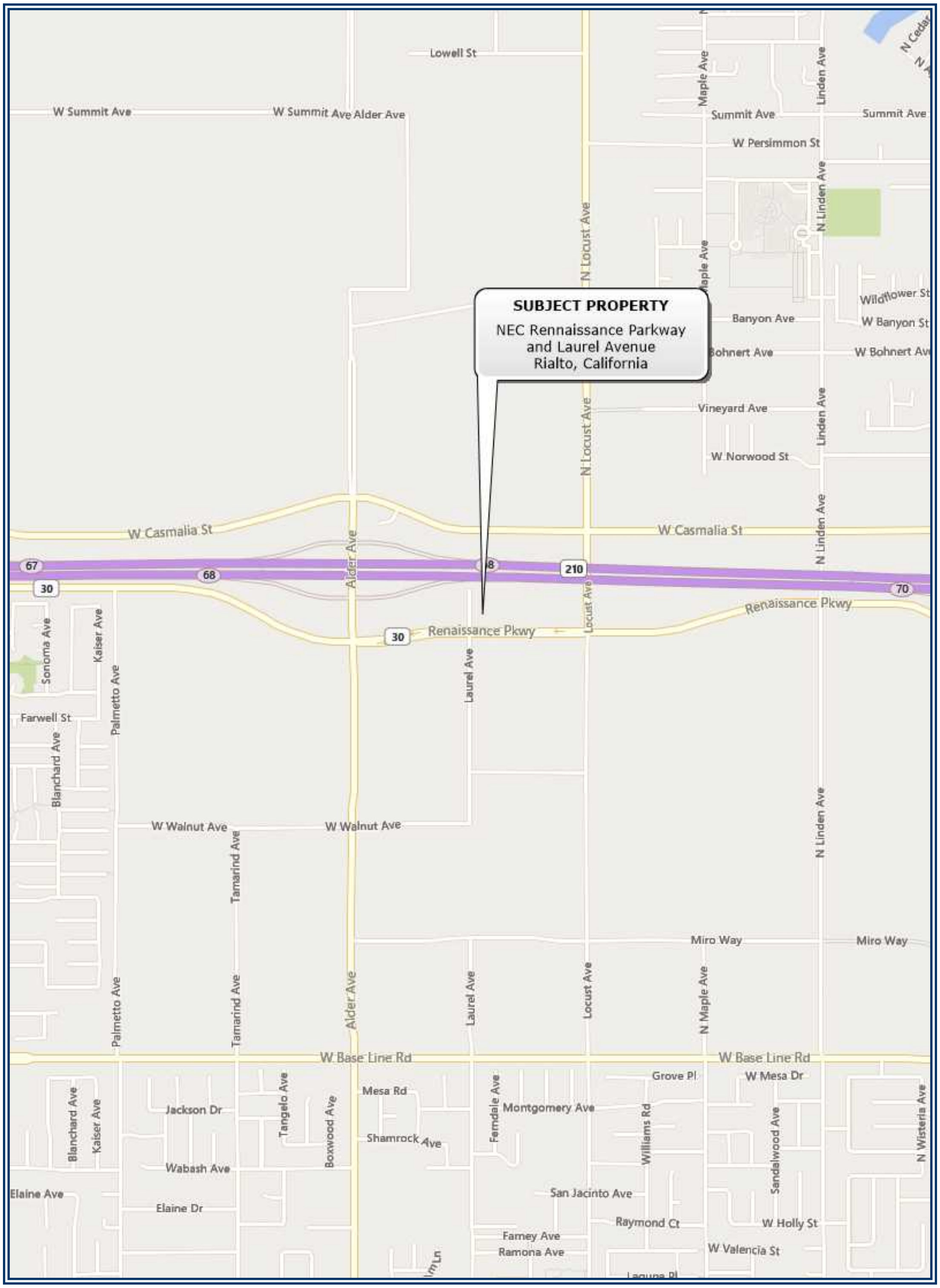
Typically, a neighborhood realizes three stages in its existence. The earliest is growth, and a change in land use patterns occurs, many times from agricultural to commercial or residential. At some point stability occurs, wherein the majority of lands are developed and a certain economic maturity is present. This second period of stability is hopefully the longest lived of the three periods described. The third period is one of decline. This period is typically accompanied by economic decline, the lack of maintenance in property values, and an increase in overall crime levels.

The subject neighborhood is considered to be between the first and second stages of development, wherein the majority of lands are in the early stages of developed and a change in land use patterns from vacant to residential and support commercial is evident. The future of the subject's neighborhood is dependent upon the economic growth of the state, county, and city but is estimated to be good due to its specific location.

These combined factors point to a favorable evaluation of the subject. The property's general location is rated as good, and the area appears to be economically stable. The subject represents one site that is located in a developing market.

Residentially, the city of Rialto and this area of San Bernardino County enjoy a reputation of adequate schools, good shopping facilities and good recreational facilities. Historically, the area has been enjoying stable growth and has been considered a viable residential area. The availability of suitably zoned land and its proximity to the freeways within the county have played a key part in the development that has emerged to date. The economic climate is such that continued development of the area is likely to continue over an extended period of time. In general, the subject property is well located in a desirable, planned neighborhood.

NEIGHBORHOOD MAP



THE SITE:

Location:

2.84 acres of Land located at the northeast corner
of Renaissance Parkway and Laurel Avenue
Rialto, California

Assessor's Parcel Number:

0240-211-21

Site Area:

123,710 square feet / 2.84 acres

Topography:

Level at street grade

Known Pending Changes:

None

Soil Bearing Quality:

Appears adequate. However, we have not been provided with a soils report and have assumed that the site is not adversely affected by soil contamination.

Street:

Renaissance Parkway: 105 foot wide street
Laurel Avenue: 64 foot wide street
(*It should be noted that the portion of Laurel Avenue that directly fronts the subject site is currently not completed.)

Paving:

Asphalt

Curb and Gutter:

Concrete (along Renaissance Parkway only) / Concrete

Sidewalk:

Concrete (along southern side of Renaissance Parkway only) / None

Utilities:

All present to the site

Sewer:

Public municipal system

Census Tract:

0024.02

Zoning:

Renaissance Specific Plan (Corporate Center), city of Rialto

Flood Zone:

Zone "X", Panel # 060280-7920H, Dated August 28, 2008
The subject is not in a designated flood hazard area.
Flood insurance is not federally mandated in this zone

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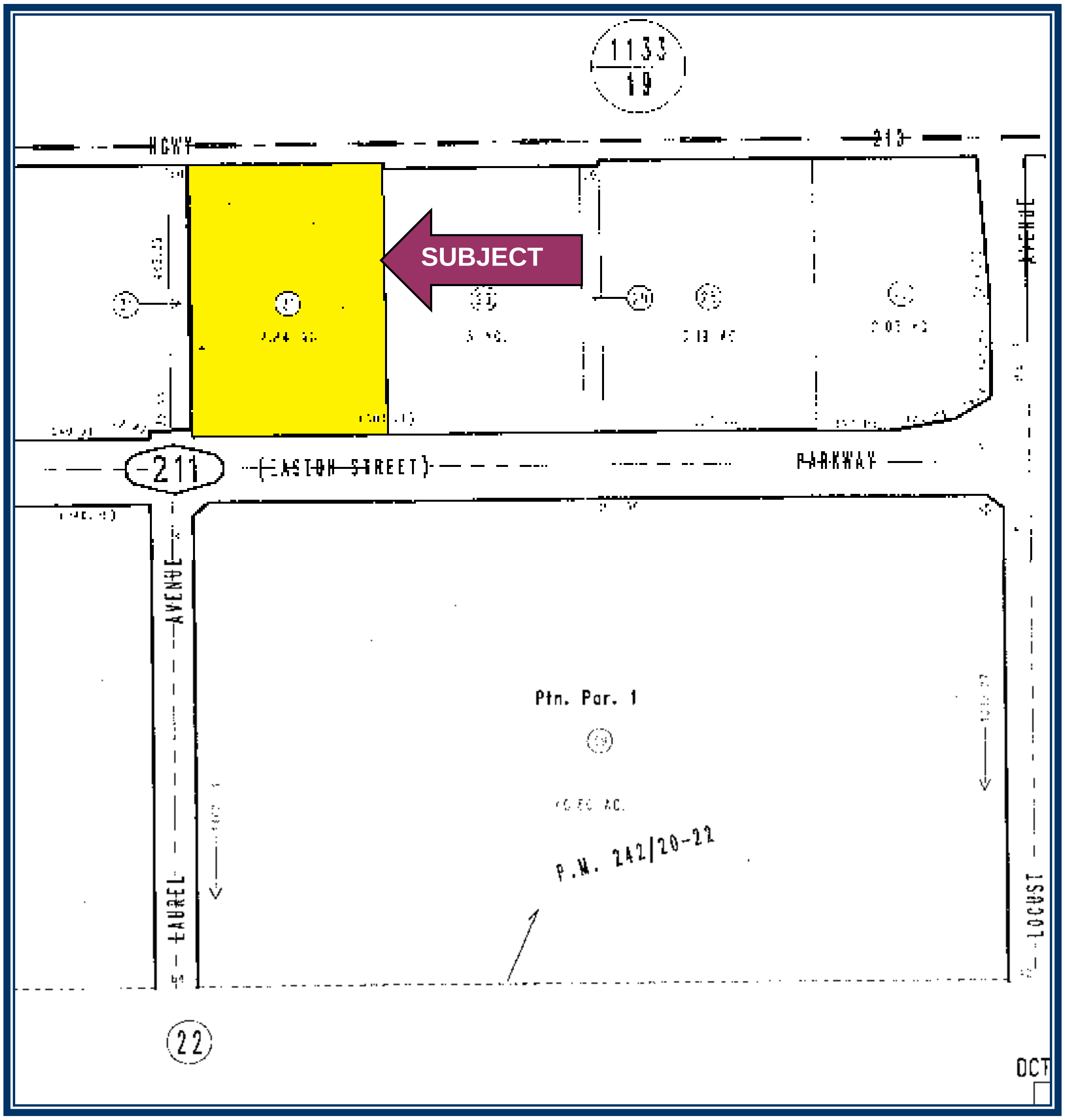
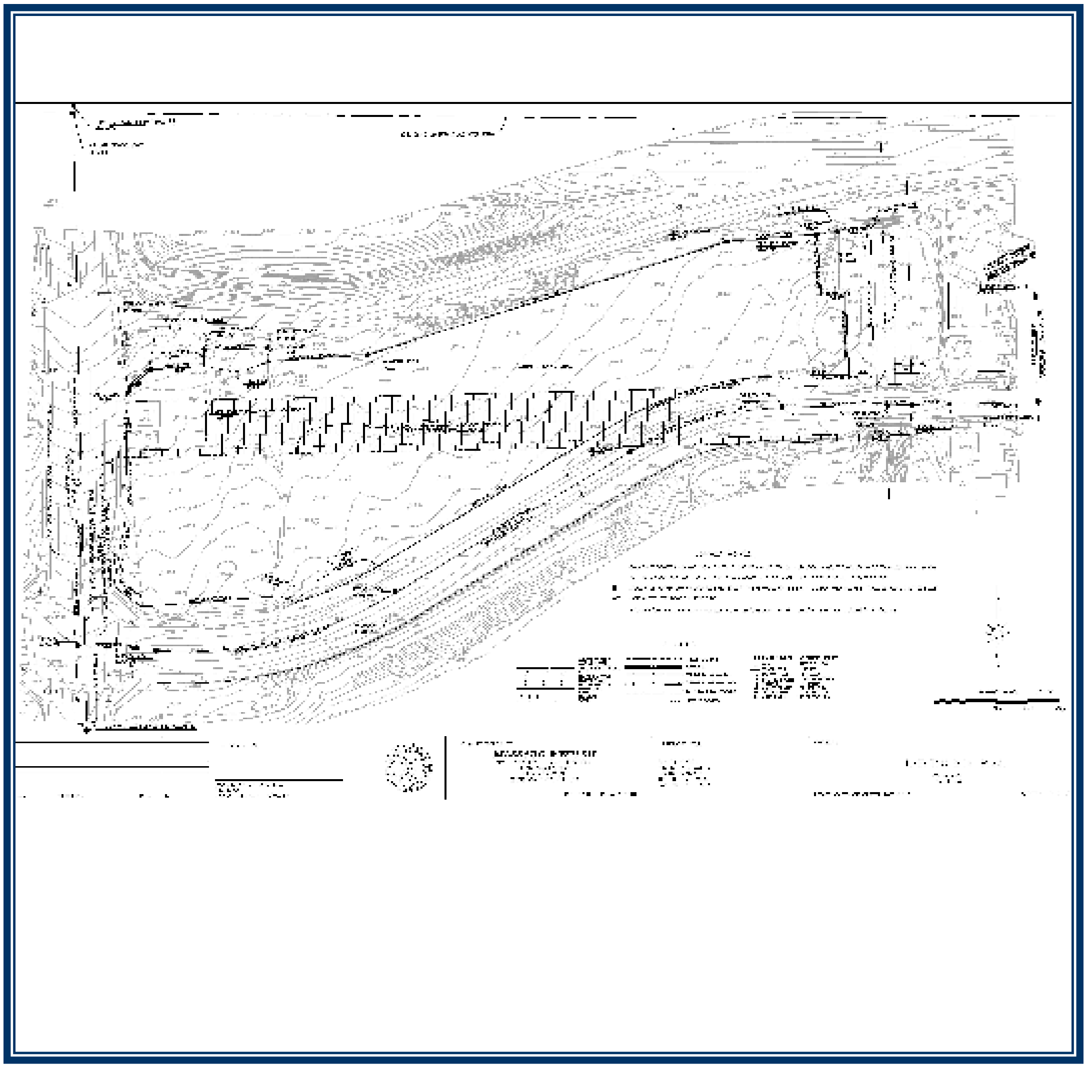
PLAT MAP



STREET EASEMENT AFFECTING THE NEWLY CONFIGURED SITE



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SITE DESCRIPTION

The subject of this analysis consists of a rectangular-shaped parcel of land that is located to the south of the SR-210 freeway within the city of Rialto. The basis of this analysis is the actual corner parcel that is located at the signalized corner of Renaissance Parkway and Laurel Avenue to the northeast of the intersection. The total area of this parcel was provided by a parcel map indicating a site area of 2.84 acres or 123,710 square feet. We have not been provided with an actual survey for the property and have relied upon the information provided.

The subject site is generally bounded on the north by the SR-210 freeway, on the west by Laurel Avenue, a 64' wide secondary street that is currently not built-out along the area directly bordering the subject parcel. The site is bordered on the south by Renaissance Parkway (formerly known as Easton Street) and on the east by three parcels of vacant land that extend to Locust Avenue. Alder Avenue, a main north-south street that has a 210 freeway interchange on-ramp / off-ramp is located two lots west of the subject site. The subject site is ideally situated to take advantage of regional transportation facilities, namely State Route 210 (SR-210), which runs along the northern boundary of the project site and borders the subject property. Primary access to the subject site will be from the SR-210 interchanges at Alder and Ayala Avenues.

The site has frontage and ingress and egress from Renaissance Parkway, the east-west arterial street which runs parallel to the (210) freeway in this neighborhood. Frontage is also provided from Laurel Avenue, a north-south secondary street.

The subject property is located in a sub-section of the Freeway Commerce zoning area referred to as CC-Corporate Center (20), which is a commercial zone under the auspices of the larger, master-planned general Renaissance Specific Plan laid out for the development of this neighborhood. The primary purpose and application of this zone is to accommodate larger commercial uses that serve the region, such as professional office, research and development and medical uses and are intended to service the local area.

The basis of this analysis is concerned with the current "as is" fee value of the site. Per our physical inspection of the site, the subject is presently vacant unimproved land that appears to be nearly flat with no visible development constraints. The site appears to be flat and is basically dirt with minor plant growth throughout. The portion of the site that borders Renaissance Parkway is improved with a concrete curb and gutter. The frontage of the site bordering Laurel Avenue is not improved with concrete curbs or gutters as Laurel Avenue is not built-out past the Renaissance Parkway intersection. The traffic lights are all built-out and fully functioning at the intersection of Laurel Avenue and Renaissance Parkway. All utilities appear to be to the site. The portion of the site that borders Renaissance Parkway is improved with concrete curbs and gutters. There are concrete sidewalks on the south side of Renaissance Parkway. The site is not currently secured by fencing, other than chain link fencing abutting the direct freeway boundary of the northern side of the site. The majority of the site is suitable for development. We were not provided with any specific proposed or approved plans for the future development of this site.

SUBJECT SITE DESCRIPTION - CONTINUED

Soils - Ground Stability:

No soil or geologic reports were made available for review. Based on our inspection of the subject and observation of development on nearby sites, there are no apparent ground stability problems. It is assumed that there are no soil conditions which negatively affect the subject site. However, we are not experts in soils analysis. We assume that the subject's soil bearing capacity is sufficient to support the existing improvements. In the event that a detrimental environmental condition is discovered, then an alternative value may be applicable and this appraisal would no longer be valid. The value of mineral rights, if any, was not considered in this analysis.

Hazardous Waste Zone:

Soil Conditions appear suitable for virtually all types of development. A physical inspection of the site and adjoining land uses did not indicate any adverse conditions. There is no indication from the information available that the subject property is adversely affected by its proximity to any hazardous waste. The appraiser was not provided with any information related to contamination on the subject site and it is an assumption of this report that the value of the property is not impacted by any hazardous waste materials. The appraiser is not an expert in this field and recommends the services of an expert be employed.

Alquist-Priolo Study Zone:

According to the information provided to the appraiser by Flood Data Services, the site is not currently noted as being within an Alquist-Priolo Special Studies Zone. According to the State Division of Mines & Geology, this map may not show all faults that have the potential for surface fault or rupture, either within the special studies zones or outside their boundaries. No opinion or warranty, expressed or implied, is made herein as to the potential or possibility of earthquake occurrence or to the existence or non-existence of any known, unknown, or uncertain fault traces of fault zones. It is not uncommon for areas throughout California to be located within these zones as evidenced by previous earthquakes.

Conclusions:

Overall, the physical characteristics of the site and the availability of utilities result in functional utility suitable for a variety of uses including those permitted by zoning. The physical and functional characteristics of the subject site conform to the surrounding areas and meet the desires and standards of typical purchasers in the market. We are not aware of any other particular restrictions on development.

AERIAL PHOTO

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AERIAL PHOTO – CLOSE-UP VIEW

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Photographs of Subject Property

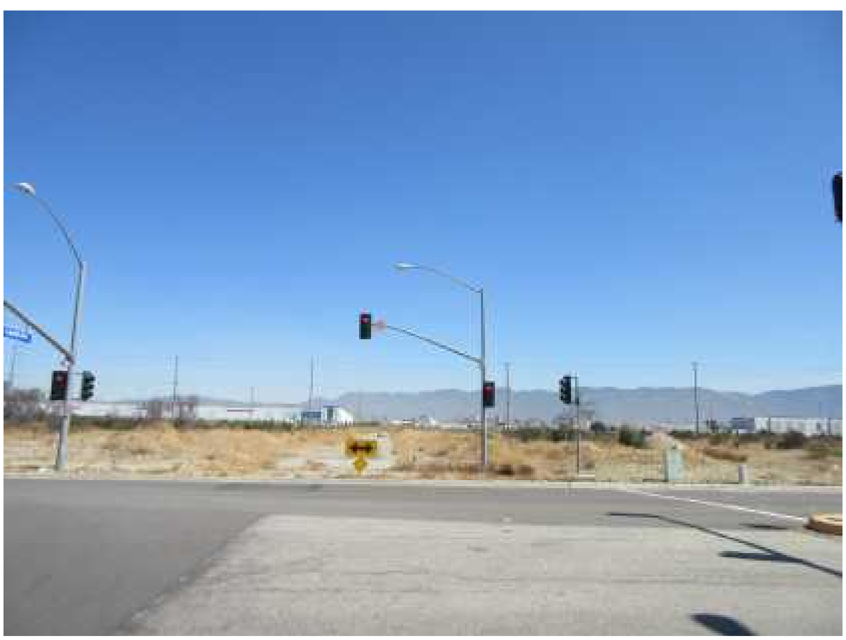
Front view of subject from across Renaissance Parkway

Front view of subject from across Renaissance Parkway

Photographs of Subject Property

View including unfinished intersection of Laurel Avenue

Unfinished portion of Laurel Avenue



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Photographs of Subject Property

Front view of subject property

Front view of subject property

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Photographs of Subject Property

View of subject property facing northwest

View of subject property facing northwest

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Photographs of Subject Property

View of subject facing north, from southeast corner of property

View subject facing northwest, from southeast corner of property

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Photographs of Subject Property

Front view of subject property

View of Laurel Avenue abutting subject site

Photographs of Subject Property

View of subject facing northeast from southwest corner of site

Renaissance Parkway facing west from eastern end of site

Photographs of Subject Property

View of Renaissance Parkway facing east

View of Renaissance Parkway facing west

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Photographs of Subject Property

View of Rialto Logistics center on southeast corner of Renaissance Pkwy. and Laurel Ave. intersection

View of Target distribution center on southwest corner of Renaissance Pkwy. and Laurel Ave. intersection

HIGHEST AND BEST USE ANALYSIS

General Information

"Market value is estimated in terms of (a property's) highest and best use." The recent edition of "Real Estate Appraisal Terminology" defines highest and best use, in part, as:

> The reasonable and probable use that supports the highest present value, as defined, as of the effective date of the appraisal. Alternatively, that use, from reasonably probable and legal alternative uses, found to be physically possible, appropriately supported, financially feasible, and which results in the highest land value.

This definition specifically applies to the highest and best use of land yet also provides the premise for ascertaining the highest and best use of improved properties. It should be noted that a highest and best use determination represents an appraiser's opinion based on his or her judgment and the application of several forms of analyses. Like value, it is not a fact, which can be found.

It is also important to note that the highest and best use of a property's land (or site) as if unimproved and available to put to its highest and best use may be different than the highest and best use of the property as improved. This is especially true when the property improvements are not the most appropriate use but still contribute to the property's value more than the value of the site alone. In such cases, the existing improvements will probably remain in use until the value of the land exceeds the total value of the property with the improvements. Appraisal practice therefore dictates that a property's highest and best use be analyzed from two standpoints: (1) the property as if unimproved and available for development, and (2) the property as improved. The subject property is currently improved with some older improvement that add no contributing value and its highest and best use will therefore only be analyzed as vacant and available for development.

Implied within the above definition is that the determination of highest and best use arises as a result of the appraiser's judgment and analytical skill. That is, the highest and best use determination represents an opinion, and is not factual in nature. Accordingly, based upon the preceding considerations, a general discussion will follow analyzing the highest and best use of the subject property as if vacant.

Application

In forming an opinion as to the highest and best use of the subject property as unimproved, four analyses were applied. They were:

> 1) **Permissible Use Analysis** which considers all of the subject's permitted legal uses as delineated by current zoning and city regulations.
>
> 2) **Physical Possibility Use Analysis** which considers all the physically possible uses of the site and structure.
>
> 3) **Feasible Use Analysis** which considers the most feasible uses of the possible and permissible uses.
>
> 4) **Highest and Best Use Analysis** which considers the most appropriate and most likely use of the property.

HIGHEST AND BEST USE ANALYSIS - CONTINUED

Application of Highest and Best Use Analysis:

Essentially, this highest and best use analysis will consider the three options available to an owner or potential purchaser of the subject site. These are to: (1) leave the property vacant, (2) develop the property, and (3) if development is found to be feasible, determine what use is the most profitable.

The subject site is essentially level with the surrounding properties just above street grade and water drainage appears adequate. As described within the Site Description section of this report, according to available information the subject property consists of one land parcel with a gross site area of approximately 2.84 acres or 123,710 square feet in size.

Legal Use:

The subject is located within the city of Rialto and is located in a sub-section of the Freeway Commerce zoning area referred to as CC-Corporate Center (20), which is a commercial zone under the auspices of the larger, master-planned general Renaissance Specific Plan laid out for the development of this neighborhood.

Thus, based upon both public and private restrictions, only the following land uses are considered to be legally permissible for the subject site if vacant:

A) Hold for investment or for future development

B) Commercial uses as allowed by zoning restrictions

Physically Possible:

Given the subject property's condition and size, a variety of land uses initially would appear to be physically possible for the property. This analysis will focus upon consideration of these specific alternatives.

A) Hold for investment or for future development

Simply holding the subject site for investment purposes or future development is obviously a physically possible alternative for the property.

B) Commercial uses as allowed by zoning

This zone permits a variety of commercial neighborhood uses on this site, primarily professional office, research and development and medical uses that are intended to service the local area.

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HIGHEST AND BEST USE ANALYSIS - CONTINUED

Application of Highest and Best Use Analysis:

Financially Feasible:

Based upon the above identified land uses for the subject property, as if vacant, we have focused our feasibility analysis upon the aforementioned legally permissible and physically appropriate alternatives.

A) Hold for investment or future development

This scenario is predicated upon simply holding the subject property, as vacant, for investment (speculation) or for future development until such time as changing demographic and economic conditions within the surrounding community support the financial feasibility of development alternatives.

B) Commercial uses as allowed by zoning

In considering the potential for the various types of development allowed on the site, a factor that must be considered is the feasibility of such a use. A test of feasibility is profitability, which is usually indicated by comparing the development cost of the project with the value indication of the sales comparison approach to value. This indicates whether the cost of development of the site will create improvements that will generate enough net income from sales to adequately supply a return on and a return of, the required capital to construct the subject's improvements.

In the case of the subject's market area, we are dealing with a recovering real estate market. We have seen an increase in property values and a decrease in vacancy rates followed by a period of stabilization. The current demand is being met with new projects that have been constructed or that are under development. The potential exists to meet further demand with commercial development on the subject’s site. However, the timing of this type of development must correspond with the development of the infrastructure required to support such development. Properties that are changing hands in the immediate market area are typically being held for future development until the project become economically feasible.

HIGHEST AND BEST USE ANALYSIS - CONTINUED

Application of Highest and Best Use Analysis:

Conclusion - *As If Vacant*:

Maximally Productive:

After analyzing the subject site, zoning regulations, and the development trends in the neighborhood, we have reached the following conclusions.

The site is presently vacant. Of the financially feasible uses; the use that produces the highest residual land value consistent with the rate of return warranted by the market for that use is the highest and best use. However, only one of the potential uses considered above meets the "tests" of financial feasibility. That feasible use is to hold the site for future development. Therefore, this use is also considered to be the subject's maximally productive use.

Thus, considering the four "tests" of highest and best use, we conclude that the highest and best use of the subject property, as vacant and as of the effective date of this valuation, is to hold the site for future development.

INCOME CAPITALIZATION APPROACH

An income analysis is made from the viewpoint of a typically motivated and investment oriented potential purchaser, who wants to know what sort of income stream the property is potentially capable of producing, balanced against the expenses which may plausibly be expected.

Careful and thorough consideration of the income producing characteristics of any property (subject property or comparable) involves a review of certain basic principles, and an evaluation of contingencies which may affect the quality, volume, and durability of such income. This is primarily because a prudent investor would typically want to know and consider these same principles and characteristics so as to form the basis for comparing the relative desirability of similar or comparable properties.

Overview

Income-producing real estate is typically purchased as an investment, and from an investor's point of view, earning power is the critical element affecting property value. One basic premise is that the higher the earnings, the higher the value. An investor who purchases income-producing real estate is essentially trading present dollars for the right to receive future dollars. The *income capitalization approach* to value consists of methods, techniques, and mathematical procedures that an appraiser uses to analyze a property's capacity to generate benefits (i.e. usually the monetary benefits of income and reversion), and convert these benefits into an indication of present value.

The *income capitalization approach* is one of the three traditional approaches that an appraiser may use in the valuation process. However, it is not an independent system of valuation that is unrelated to the other approaches. The valuation process as a whole is composed of integrated, interrelated, and inseparable techniques and procedures designed to produce a convincing and reliable estimate of value, usually market value.

The principle of anticipation is fundamental to the income capitalization approach. As value is created by the expectation of benefits to be derived in the future, value may be defined as the present worth of all rights to these future benefits. All income capitalization methods, techniques, and procedures attempt to consider anticipated future benefits and estimate their present value. The approach is also based on and consistent with the basic value influences and principles of change, supply and demand, substitution, balance, and externalities.

The two most commonly utilized methods of capitalizing net income into value are *direct capitalization* and *yield capitalization*. These methods are based on different measures of expected earnings and include different assumptions concerning the relationship between expected earnings and value.

INCOME CAPITALIZATION APPROACH - CONTINUED

Direct capitalization is a method used to convert an estimate of a single year's income expectancy into an indication of value in one direct step - either by dividing the income estimate by an appropriate income rate or by multiplying the income estimate by an appropriate factor. The income expectancy considered is frequently the anticipated income for the following year. Direct capitalization is market-oriented; an appraiser analyzes market evidence and values property by inferring the assumptions of typical investors. Direct capitalization does not explicitly differentiate between the return on and return of capital because investor assumptions are not specified. However, it is implied that the selected multiplier or rate will satisfy a typical investor and that the prospects for future monetary benefits, over and above the amount originally invested, are sufficiently attractive.

Yield capitalization is a method used to convert future benefits into present value by discounting each future benefit at an appropriate yield rate or by developing an overall rate that explicitly reflects the investment's income pattern, value change, and yield rate. Like direct capitalization, yield capitalization should reflect market behavior. The procedure used to convert periodic income and reversion into present value is called discounting; the required rate of return is called the discount rate. The discounting procedure presumes that the investor will receive a satisfactory return on the investment and a complete recovery of the capital invested. This method is referred to as yield capitalization because it analyzes whether an investment property will produce the particular level of profit or yield required. Yield capitalization is also called discounted cash flow analysis; and as a discount rate is used to calculate the present value of anticipated future cash flows.

> --Paraphrased from *the Tenth Edition of the Appraisal of Real Estate*, pages 409 through 420, published by the Appraisal Institute--

Application

In the case of determining land value such as the subject’s, the income approach is not considered an applicable approach to value. Buyers and sellers of land are not typically enacting the transactions based on the income potential of the site. Other factors are more important. These factors are best analyzed through the application of the Sales Comparison Approach to value. Therefore, the Income Approach has not been utilized in this analysis.

COST APPROACH

The Cost Approach reflects buyers' thinking by recognizing that market participants relate value to cost. Buyers tend to determine the value of an existing structure by considering the prices and rents of similar buildings and the cost to create a new building with optimal physical condition and functional utility. Moreover, buyers adjust the prices that they are willing to pay by estimating the costs to bring an existing structure up to the physical condition and functional utility that they desire. Therefore, in applying the Cost Approach to value, an appraiser attempts to estimate a buyer's opinion of the difference in worth between the property being appraised and a newly constructed building with optimal utility.

The Cost Approach is the result of the addition of two separate estimates. The first involves the estimate of the value of the underlying land, as if vacant and ready to be put to its highest and best use; the second is the estimate of the present value of the improvements. These two value estimates are then combined in order to arrive at a market value indication.

The land value estimate is made by comparing the subject to comparable vacant parcels, which have sold in the area of the subject in the recent past. For this specific study, these sales are summarized and discussed in the Sales Comparison Approach valuation section. The estimate of the present value of the improvements, on the other hand, includes several steps. First, the replacement cost, new, of the improvements is estimated; then the estimated accrued depreciation is subtracted from the replacement cost, new, in order to arrive at the present value indicator of the improvements.

Land Value

In the Cost Approach, the estimated market value of the land, as if vacant and ready for development, is added to the depreciated cost of the improvements.

Sales Comparison Approach

Of the various procedures available for estimating land value, none is more helpful or persuasive than the sales comparison approach. In this approach, sales of similar unimproved sites are analyzed, compared, and adjusted to derive an indication of value for the site being appraised. For this specific study, these sales are summarized and discussed in the market valuation section of this report. The application of the Cost Approach is not applicable in this particular assignment as the basis of this analysis is the land value only.

SALES COMPARISON APPROACH

The Sales Comparison Approach produces an estimate of market value by directly comparing the subject property to similarly vacant sites that have sold in the recent past in the competing market area of the subject. This approach attempts to identify and estimate the price at which a willing seller would sell and a willing buyer would buy, neither being under abnormal pressure. This definition assumes that both the buyer and seller are fully informed as to the property and state of the market for that type of property, and that the subject has been exposed in the open market for a reasonable amount of time.

The application of this approach produces an estimate of value for the subject property by comparing it with similar properties. These direct comparisons are made based on measurable inherent differences between properties. These differences vary from location, size, utility, zoning, and financing, to exposure, and other factors that determine value. The following sales were located that were felt to be representative of the subject property. These sales were the most recent and most similar to the subject in terms of location, size, and potential uses.

Price Per Square Foot:

These direct comparisons are generally made based on some commonly used and accepted value indicators. Although there are several of these indicators which can be used within this approach, in the valuation of vacant finished sites, such as the subject, generally the price per square foot is considered most applicable.

The price per square foot, which is the result of dividing the square foot area of the comparable site being analyzed into the selling price, provides a unit of comparison which is then adjusted to reflect the differences in the subject property versus the comparables selected for comparison.

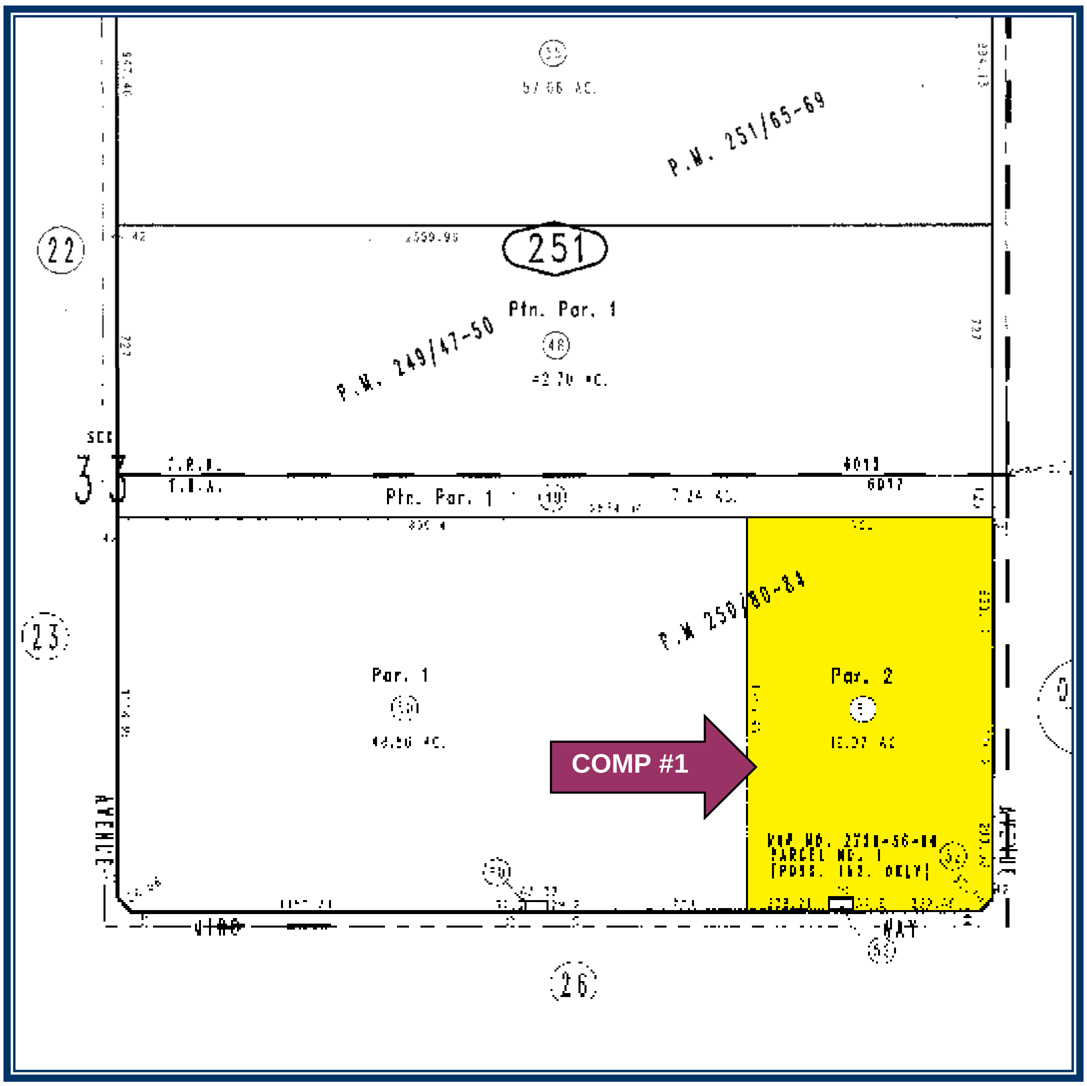
Procedure:

In applying the Sales Comparison Approach, the appraiser must research the market to obtain information on comparable properties, verifying information and determining the amount of comparability between the subject and the comparables selected. The following pages contain a summary of sales. These sales are considered to be the most comparable data available for estimating the market value of the subject property.

LAND COMPARABLES MAP

VACANT LAND COMPARABLE NUMBER 1

(plat map)



VACANT LAND COMPARABLE NUMBER 1

Assessor's Parcel Number – 0240-251-51
Linden Avenue and Miro Way
Rialto, California 92376

Pertinent Details:

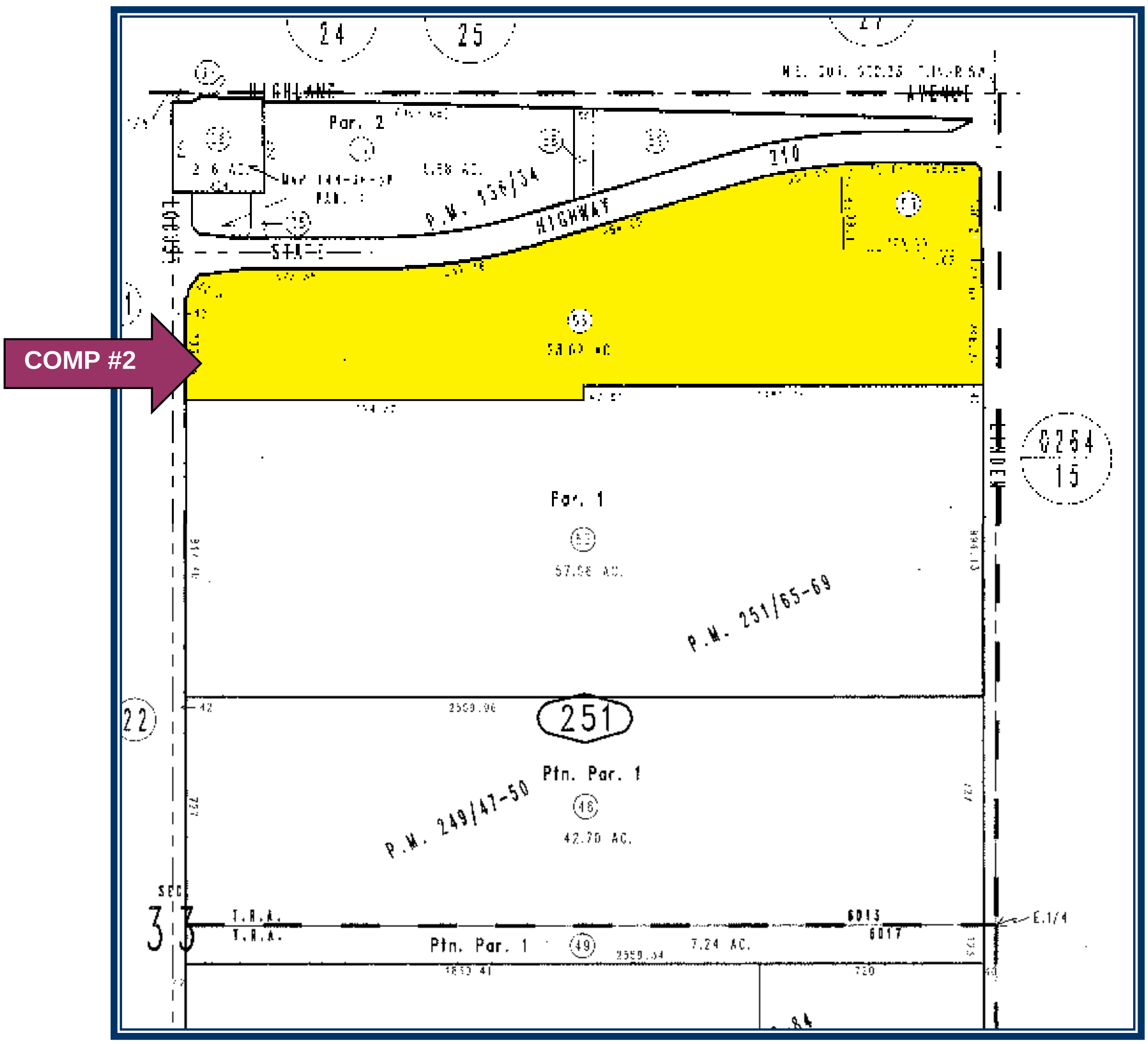
Buyer:	DPIF2 CA 7 Rialto LLC, (775) 858-8080 c/o Dermody Properties Inc. 5500 Equity Avenue, Reno, NV 89502
Seller:	The City of Rialto, (909) 820-2525 150 South Palm Avenue, Rialto, CA 92376
Sale Date:	January 15, 2019
Document#:	014829
Sale Price:	$22,416,000
Price Per Square Foot:	$26.96
Property Type:	Commercial land
Zoning:	SP, Rialto
Area in Square Feet:	831,560 square feet
Area in Acres:	19.09 acres
Topography:	Level
Use:	To construct an industrial warehouse building
Improvements:	None, vacant land
Utilities:	All to the site
Location:	Thomas Guide Map Page 575-D5, San Bernardino County

Financial Details:

Cash Down Payment:	$22,416,000 / 100%
First Trust Deed:	None - all cash sale
Remarks:	See reconciliation
Verification:	Darla Longo, Broker, (909) 418-2105
Source:	CoStar Comps/First American Title

VACANT LAND COMPARABLE NUMBER 2

(plat map)



VACANT LAND COMPARABLE NUMBER 2

Assessor's Parcel Numbers – 0240-251-53 and 56
1590 Linden Avenue
Rialto, California 92376

Pertinent Details:

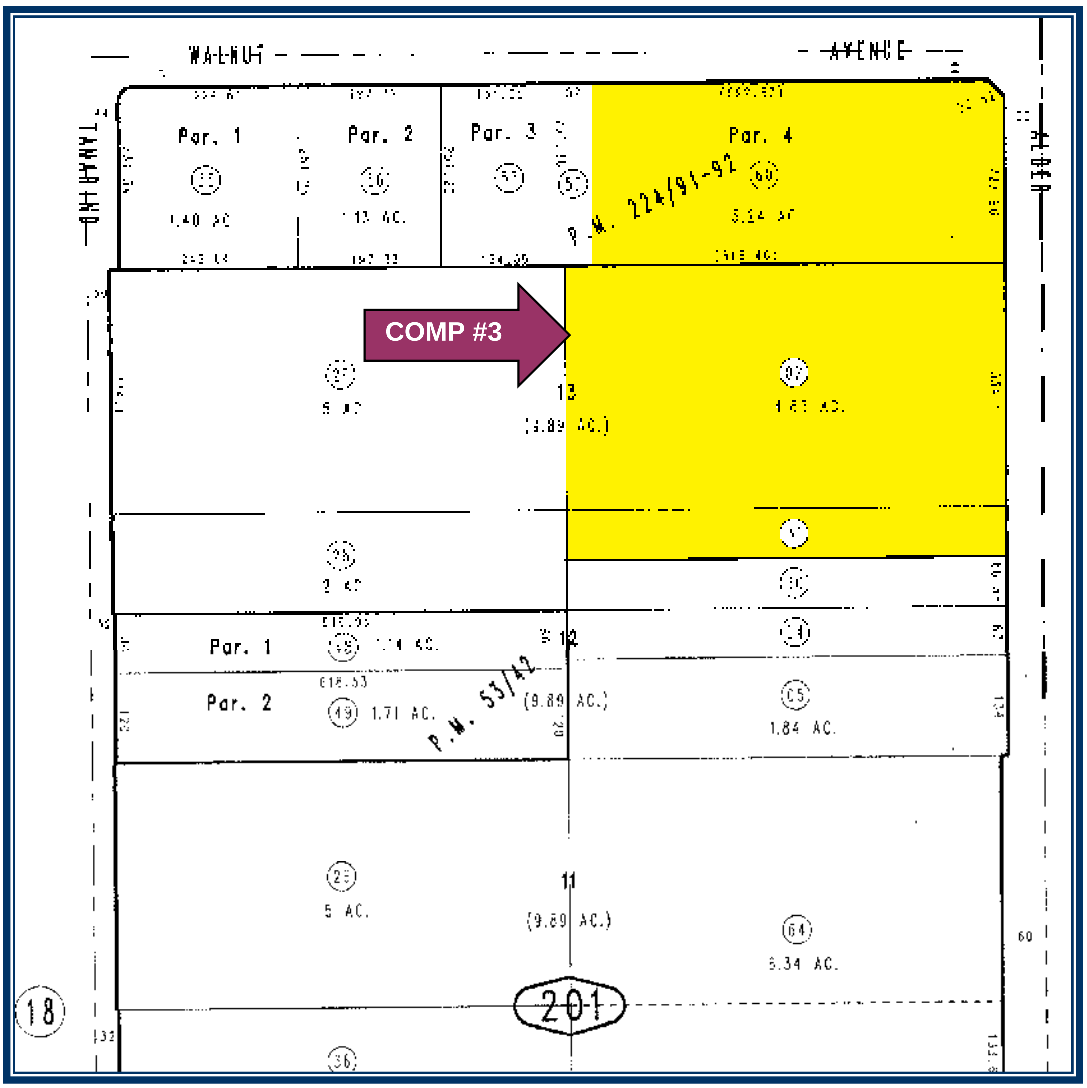
Buyer:	DPIF2 CA 7 Rialto LLC, (775) 858-8080 c/o Dermody Properties Inc. 5500 Equity Avenue, Reno, NV 89502
Seller:	The City of Rialto, (909) 820-2525 150 South Palm Avenue, Rialto, CA 92376
Sale Date:	January 18, 2019
Document#:	019469
Sale Price:	$33,750,000
Price Per Square Foot:	$24.26
Property Type:	Commercial land
Zoning:	SP, Rialto
Area in Square Feet:	1,391,115 square feet
Area in Acres:	31.94 acres
Topography:	Level
Use:	To construct an industrial building
Improvements:	None, vacant land
Utilities:	All to the site
Location:	Thomas Guide Map Page 575-C4, San Bernardino County

Financial Details:

Cash Down Payment:	$33,750,000 / 100%
First Trust Deed:	None - all cash sale
Remarks:	See reconciliation
Verification:	See reconciliation
Source:	CoStar Comps/First American Title

VACANT LAND COMPARABLE NUMBER 3

(plat map)



VACANT LAND COMPARABLE NUMBER 3

Assessor's Parcel Numbers – 0240-201-02, 31 and 60
Walnut Avenue and Alder Avenue
Rialto, California 92376

Pertinent Details:

Buyer:	CH Realty VII/ I Rialto Alder North, LP, (214) 661-8000 3819 Maple Avenue, Dallas, TX 75219
Seller:	Morin Family Trust, (909) 946-2314 c/o Wayne and Elizabeth Morin 15325 Manila Street, Fontana, CA 92337
Sale Date:	June 25, 2018
Document#:	00229019
Sale Price:	$7,800,000
Price Per Square Foot:	$19.46
Property Type:	Commercial land
Zoning:	SP, Rialto
Area in Square Feet:	400,752 square feet
Area in Acres:	19.46 acres
Topography:	Level
Use:	Not disclosed
Improvements:	None, vacant land
Utilities:	All to the site
Location:	Thomas Guide Map Page 575-B5, San Bernardino County

Financial Details:

Cash Down Payment:	$7,800,000 / 100%
First Trust Deed:	None - all cash sale
Remarks:	See reconciliation
Verification:	Frank Geraci, Broker, (909) 545-8006
Source:	CoStar Comps/First American Title

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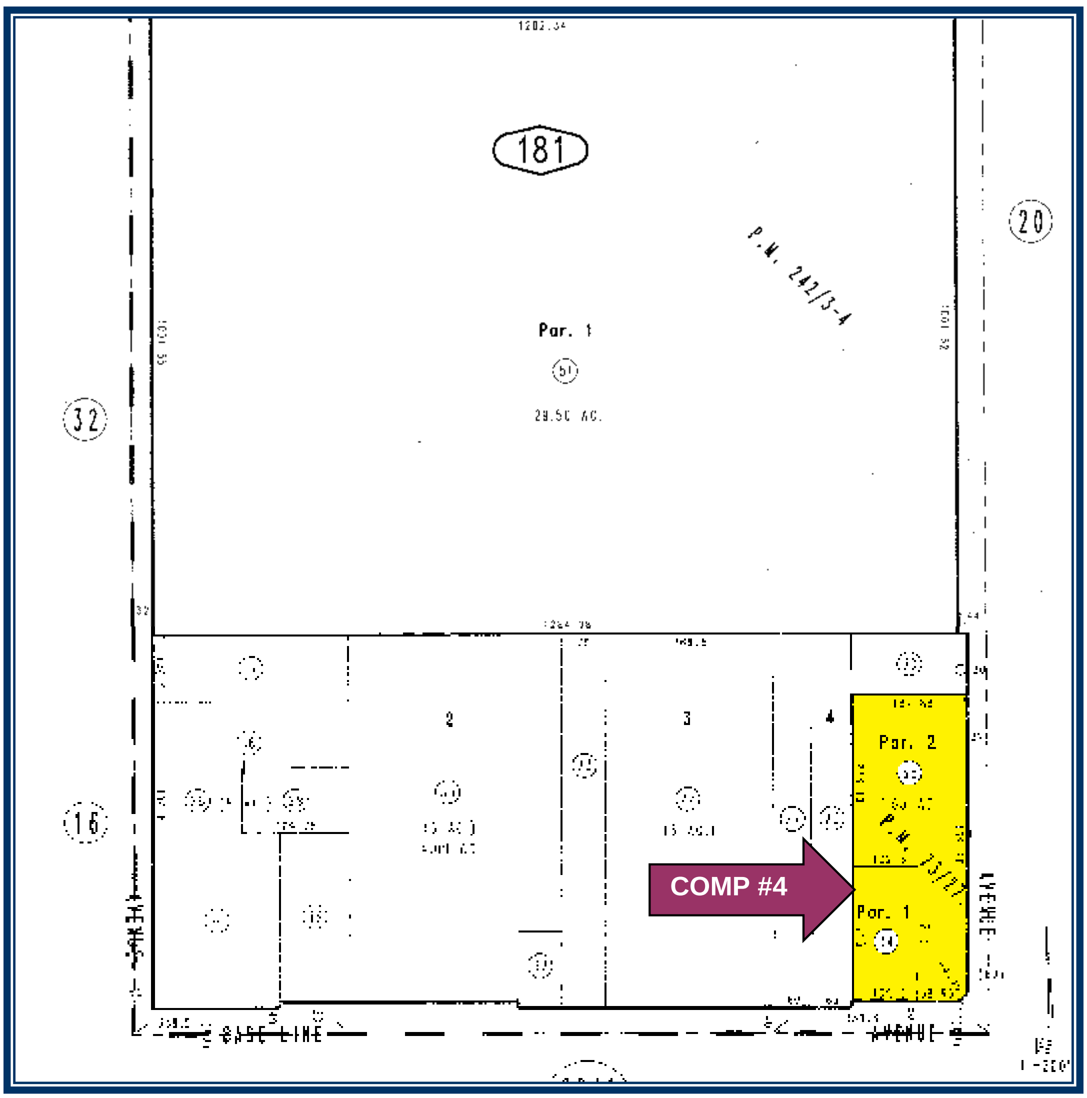
VACANT LAND COMPARABLE NUMBER 4

(plat map)



VACANT LAND COMPARABLE NUMBER 4

Assessor's Parcel Numbers – 0240-181-34 and 35
2510-2524 West Base Line Road
Rialto, California 92376

Pertinent Details:

Buyer:	Baseline Avenue Industrial Owner LP, (404) 869-9990 c/o Stephen Nelson 3520 Piedmont Road NE, Atlanta GA 30305
Seller:	Joan Huang 120 South Del Mar Avenue, San Gabriel, CA 91776
Sale Date:	August 2, 2018
Document#:	282293
Sale Price:	$1,950,000
Price Per Square Foot:	$21.79
Property Type:	Commercial land
Zoning:	I-PID, Rialto
Area in Square Feet:	89,472 square feet
Area in Acres:	2.05 acres
Topography:	Level
Use:	To construct an industrial warehouse
Improvements:	None, vacant land
Utilities:	All to the site
Location:	Thomas Guide Map Page 575-A6, San Bernardino County

Financial Details:

Cash Down Payment:	$1,950,000 / 100%
First Trust Deed:	None - all cash sale
Remarks:	See reconciliation
Verification:	Juan Gutierrez, Broker, (909) 545-8008
Source:	CoStar Comps/First American Title

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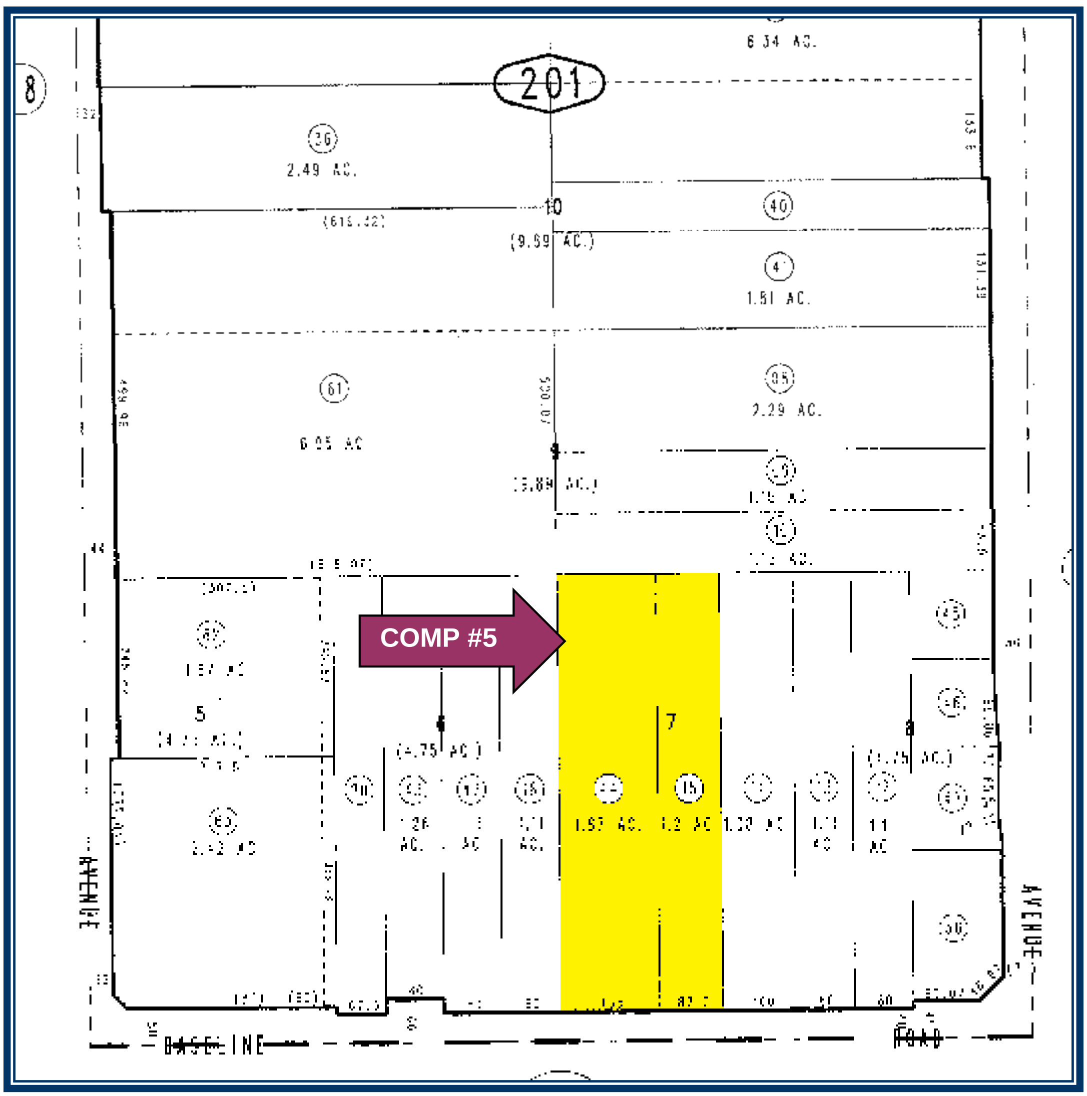
VACANT LAND COMPARABLE NUMBER 5

(plat map)



VACANT LAND COMPARABLE NUMBER 5

Assessor's Parcel Numbers – 0240-201-15 and 44
2374 and 2388 West Base Line Road
Rialto, California 92376

Pertinent Details:

Buyer:	CG Realty VII of I Rialto Alder, (214) 661-8000 c/o Rodney Whitley 3819 Maple Avenue, Dallas, TX 75219
Seller:	Catalina Group Holdings Inc. (Address not available)
Sale Date:	February 13, 2018
Document#:	053360
Sale Price:	$2,250,000
Price Per Square Foot:	$19.87
Property Type:	Commercial land
Zoning:	EMP, Rialto
Area in Square Feet:	113,256 square feet
Area in Acres:	2.60 acres
Topography:	Level
Use:	To develop with commercial industrial uses
Improvements:	An older single family residence (tear down)
Utilities:	All to the site
Location:	Thomas Guide Map Page 575-B6, San Bernardino County

Financial Details:

Cash Down Payment:	$2,250,000 / 100%
First Trust Deed:	None - all cash sale
Remarks:	See reconciliation
Verification:	See reconciliation
Source:	CoStar Comps/First American Title

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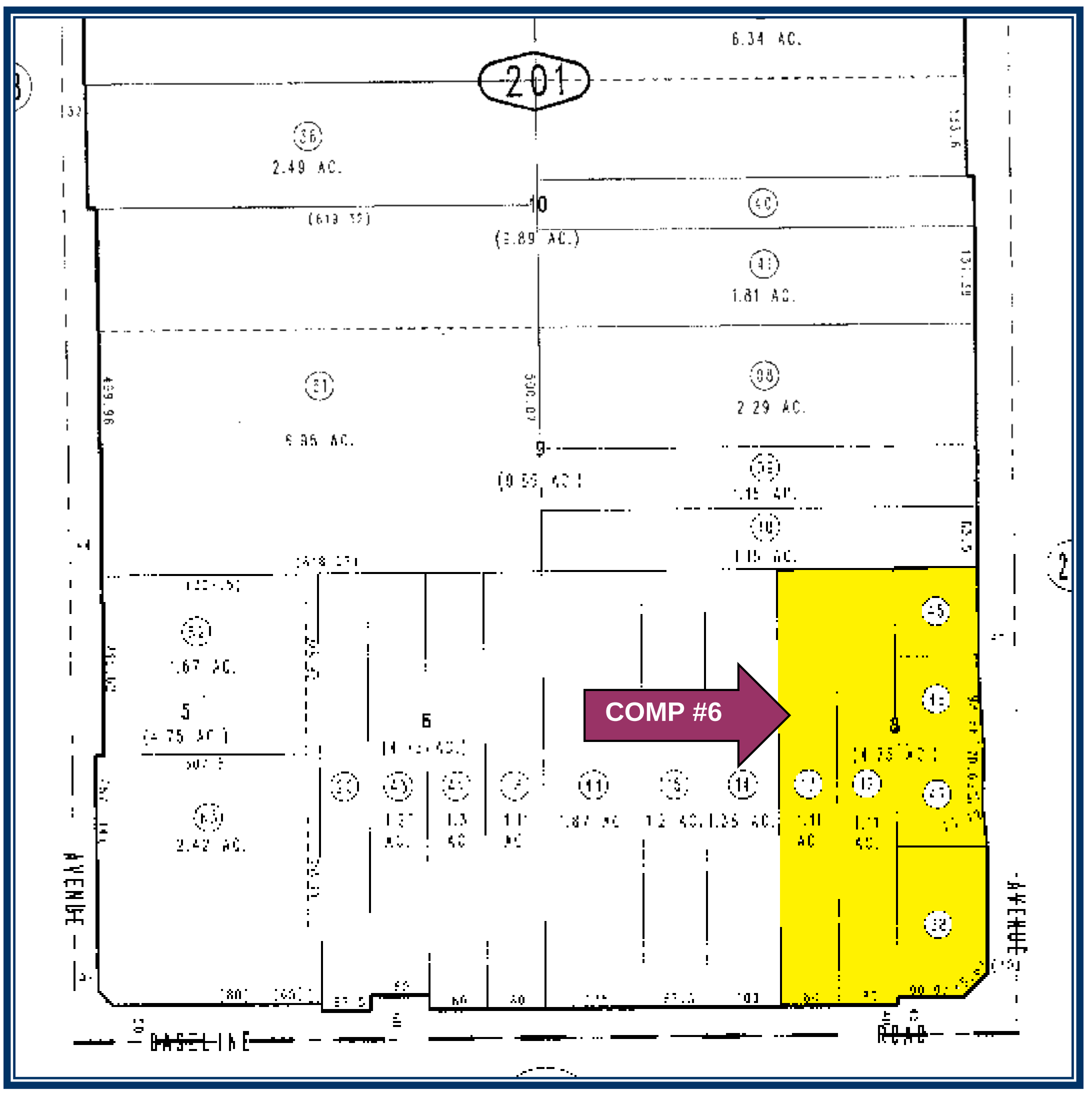
VACANT LAND COMPARABLE NUMBER 6

(plat map)



VACANT LAND COMPARABLE NUMBER 6

Assessor's Parcel Numbers – 0240-201-12, 13, 38, 45, 46 and 47
2230-2344 West Baseline Road
Rialto, California 92376

Pertinent Details:

Buyer:	CG Realty VII of I Rialto Alder, (214) 661-8000 c/o Rodney Whitley 3819 Maple Avenue, Dallas, TX 75219
Seller:	Ly Thai Kong 133 East Arthur Avenue, Arcadia, CA 91006
Sale Date:	February 13, 2018
Document#:	053362
Sale Price:	$2,600,000
Price Per Square Foot:	$14.58
Property Type:	Commercial land
Zoning:	EMP, Rialto
Area in Square Feet:	178,317 square feet
Area in Acres:	4.09 acres
Topography:	Level
Use:	To develop with commercial uses
Improvements:	None, vacant land
Utilities:	All to the site
Location:	Thomas Guide Map Page 575-B6, San Bernardino County

Financial Details:

Cash Down Payment:	$2,600,000 / 100%
First Trust Deed:	None - all cash sale
Remarks:	See reconciliation
Verification:	Jeff Smith, Broker, (909) 373-2930
Source:	CoStarComps/First American Title

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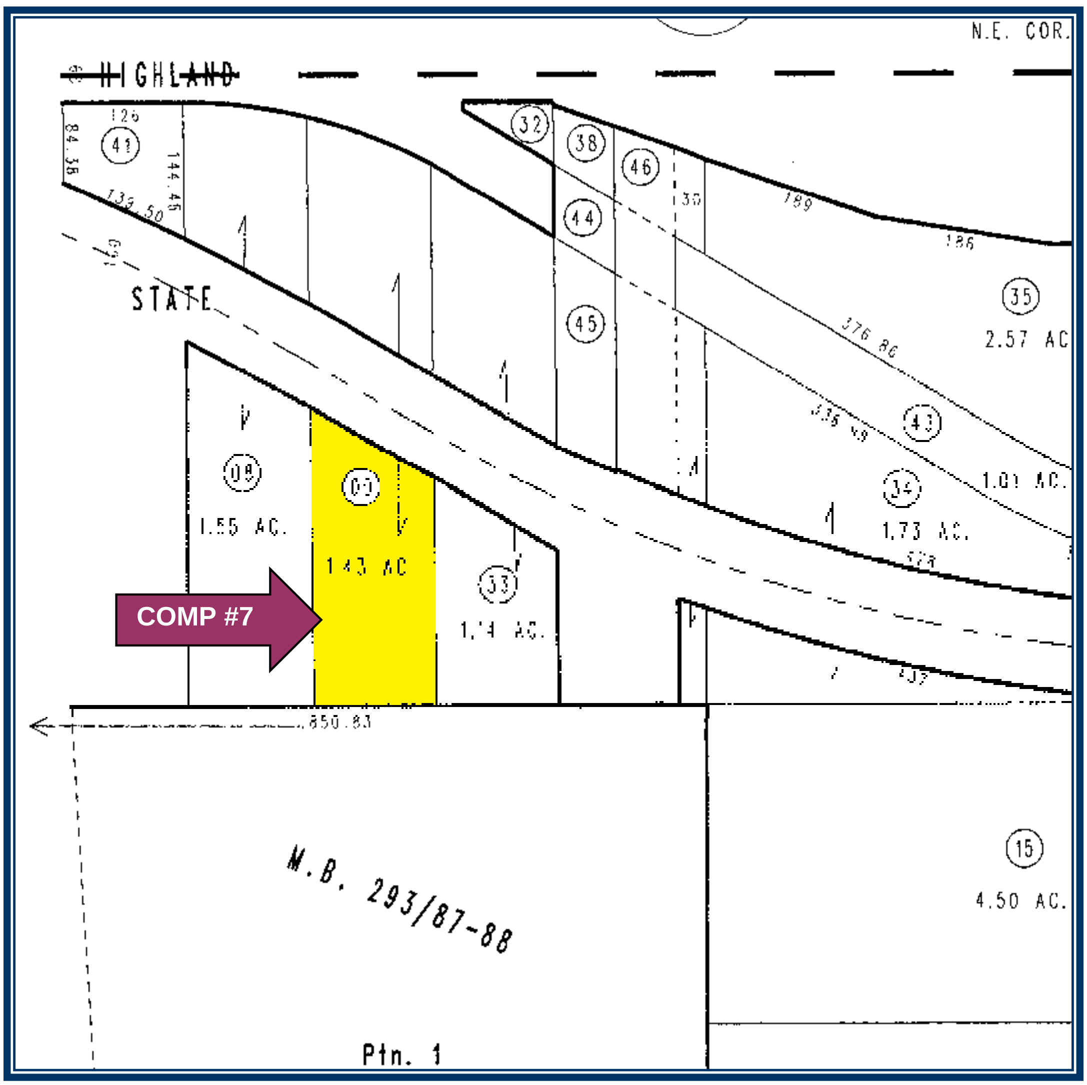
VACANT LAND COMPARABLE NUMBER 7

(plat map)



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VACANT LAND COMPARABLE NUMBER 7

Assessor's Parcel Numbers – 0240-191-09
Highland Avenue
Rialto, California 92377

Pertinent Details:

Listing Broker:	Roxynet, (310) 508-5054 c/o Hamid Roknian 555 10th Street, Santa Monica, CA 90402
Seller:	Hamid and Rozita Roknian Rev 2001 Trust P.O. Box 3100, Santa Monica, CA 90408
Sale Date:	Current listing
Document#:	Not available
Sale Price:	$1,500,000
Price Per Square Foot:	$24.08
Property Type:	Commercial land
Zoning:	SP, Rialto
Area in Square Feet:	62,291 square feet
Area in Acres:	1.43 acres
Topography:	Level
Use:	To develop with commercial uses
Improvements:	None, vacant land
Utilities:	All to the site
Location:	Thomas Guide Map Page 575-B4, San Bernardino County

Financial Details:

Cash Down Payment:	Current listing
First Trust Deed:	Not available
Remarks:	See reconciliation
Verification:	Hamid Roknian, Broker, (310) 508-5054
Source:	CoStarComps/First American Title

VACANT LAND SALES SUMMARY

Comparable Number	Zoning	Sales Price	Size Sq. Ft.	Price/Sq. Ft.
1	SP	$22,416,000	831,560	$26.96
2	SP	$33,750,000	1,391,115	$24.26
3	SP	$7,800,000	400,752	$19.46
4	I-PID	$1,950,000	89,472	$21.79
5	EMP	$2,250,000	113,256	$19.87
6	EMP	$2,600,000	178,317	$14.58
7	SP	$1,500,000	62,291	$24.08

RECONCILIATION - Land Sales:

This analysis begins with an examination of land sales in the subject market area. On the preceding pages are the details concerning transactions of seven comparable land parcels located in the general vicinity of the subject property.

The most comparable data was compared to the subject site, with adjustments applied for differences in location, size, shape, utilities, corner, zoning and topography. Adjustments were applied based on general comparisons of empirical data and the personal observation and experience of the appraiser. Despite thorough research efforts, no more recent, comparable land sales were found in the subject's immediate area. The current economic conditions and restrictive lending environment has held a cap on land transactions over the last few years. We have seen some recent sales activity in recent months for the superior sites.

Location is of primary importance, and adjustments were made, where warranted, for this factor. The sizes of the comparables in relation to the subject were also considered. A larger parcel of land will often tend to sell for less on a per square foot basis than a smaller parcel of otherwise equal value. Density, lot utility, zoning, presence of or lack of utilities also plays a key factor in terms of development potential and resulting cost of the various comparables. Various permitted uses are other considerations that have been analyzed.

In analyzing each item of market data, a comparison was made between the market data and the subject site. Consideration was given to the property rights conveyed, financing, motivation, market conditions, improvements, access and exposure, location, parcel size, land use (zoning), topography and utility availability. Only those items requiring specific adjustments are outlined within the adjustment grid.

Financing Terms: Each of the comparables is an all cash or cash equivalent financing transactions. Several of the transactions included seller financing which is not atypical in the current market. In each case the cash down represented a significant commitment and adjustments were not necessary for atypical financing.

RECONCILIATION - Land Sales - continued:

Conditions of Sale (Terms): Adjustments for conditions of sale are required when the buyer or the seller have atypical motivations. Examples of transactions, which might require a condition of sale adjustment, are eminent domain processing transactions and sales that were not arm's length. None of the sales involved transfers that would warrant adjustments for the conditions of sale, except sales comparable number six.

Date of Sale: Additionally, changes in market conditions between the respective dates of sale of the comparables analyzed and the effective date of valuation (time of sale category) have been considered. Additionally, changes in market conditions between the respective dates of sale of the comparables analyzed and the effective date of valuation (time of sale category) often have an influence on value. Following a period of significant recovery the market appears to be leveling. This has translated into a slight decrease in the volume of land sales. The comparables are all relatively recent transactions and time adjustments were not warranted for these comparables. However, the most emphasis has been placed on the most recent transactions.

Location: This category is generally the most significant adjustment in that it takes into account items such as desirability of the overall location, proximity to commercial and residential bases, access and exposure of the site, and general perception of desirability. The lack of directly comparable information limits the reliability of a paired sales analysis for this adjustment. Therefore, most of the remaining adjustments are considered more qualitative than quantitative. The overall location is an important adjustment in that it considers numerous items such as general location, proximity to access routes, employment centers, and access and exposure of the site itself. All of the comparables were taken from the subject's immediate neighborhood and location adjustments were not warranted.

Size: The size adjustment generally reflects the inverse relationship expressed between unit price and lot size. Smaller lots tend to sell for higher unit prices than larger lost and vice versa. Hence, positive adjustments were made to larger land parcels, and negative adjustments were made to smaller land parcels when deemed appropriate. We have compared the land sales based on their net acreage which is the portion that is useable for building. The parcels vary considerably in size. However, several of the comparables represent portions of assemblies of multiple transactions that were purchased from various sellers, size differences did not appear to significantly impact the values and have not been adjusted for specifically, although they were considered in the final reconciliation

Zoning: All of the presented sales had zoning designations that allowed for comparable uses. Overall, the zoning designations were considered relatively comparable to the subject site which can be developed with general commercial uses. Adjustments were not required for these sales.

Site Utility: This item can be one of the most significant in that the topography of the site, usable area, and the availability of utilities can make or break the feasibility of a project. In general, level terrain is considered more desirable than sloping terrain especially for commercial properties. It is also true that level terrain is considered more desirable for development; however sloped terrain allows for possible view amenities and possible added privacy. However, each of these items, related costs, and issues is largely site specific. Without a detailed engineering and cost study on each one of the comparables, as well as on the subject, specific adjustments are very difficult to quantify. The subject's site and all of the comparables have sites that are relatively level and fully usable, adjustments were not required for topography issues.

RECONCILIATION - Land Sales - continued:

The overall configuration and specific locations of the subject site has been taken into consideration in our adjustment for site utility. Our adjustments for this item are largely qualitative in nature and are based on our own observations as well as discussions with parties relevant to the transaction where possible. The subject site is of sufficient size to accommodate a development project. Sufficient ingress and egress is provided from an arterial street. Furthermore, good freeway exposure is provided as the site is just south of the (210) freeway, development will be visible from the freeway.

Entitlement status: Another adjustment considered pertinent to the comparable sales in comparison to the subject property is the status of the entitlements in place. The quantification of entitlements in place, or lack thereof is very difficult. We have relied primarily upon information provided by the County and the various City's Planning Departments, as well as information obtained through the marketplace from reliable sources.

Historically, in strong market conditions, investors were willing to pay a high premium for entitled land in order to avoid any entitlement risk or delays in getting their product to market. However, in slumping conditions, this premium is not as drastic. It is important to understand the entitlement process for the subject market and for the surrounding sub-markets from which the comparables were selected. The political environment is for slow, controlled growth. Entitlement's such as approved vested tentative tract maps and recorded maps, are valuable because of the lengthy, costly and uncertain process. Entitlements are particularly valuable in planning district's such as the subject's where the process is slowed by planning department processing capacity restraints, concerns over existing infrastructure, a shortage of developable land, housing mix and affordability issues, and political opposition to the resource demand and related costs of a rapidly increasing population.

The included comparables are the most similar available sales from the surrounding market area. While located in different neighborhoods, the locational characteristics and economic climates in these areas are considered relatively similar to the subject's, and subsequently, they should serve reasonably well as indicators of the value that could be obtained or reasonably supported for the subject's site.

Comparable number one is located to the southeast of the subject and like the subject is located within the Renaissance Rialto Business Park. This site is located at the intersection of Miro Way and Linden Avenue and has a signalized corner location. The site is larger in size and was entitled for a 411,330 square foot industrial warehouse prior to the closing. The contributing value of the entitlements warranted a downward adjustment. The site was purchased from the City of Rialto in an all cash transaction and was on the market for 657 days. No other sales have occurred over the last three years.

Comparable number two is the most recent closed sale and like the subject is located within the Renaissance Rialto Business Park. This site is located at two intersections. Like the subject, this site frontage to Renaissance Parkway. However, it is larger in size and extends from Locust Avenue on the west to Linden Avenue on the east. The exposure and ingress and egress are rated as slightly superior to the subject's, warranting a downward adjustment for this factor. No other sales transactions have occurred over the last three years.

RECONCILIATION - Land Sales - continued:

Comparable number three is located to the southwest of the subject and like the subject is located within the Renaissance Rialto Business Park. This site is located at the intersection of Walnut Avenue and Alder Avenue, a signalized corner. The subject's exposure and frontage to the (210) freeway is considered slightly superior to this comparable, warranting an upward exposure adjustment. This site consists of the sale of three assembled lots that were unentitled at the time of the sale. This was also an all cash transaction. No other sales have occurred over the last three years.

Comparable number four is located to the southwest of the subject and like the subject is located within the Renaissance Rialto Business Park. This site is located at the intersection of Tamarind Avenue and Baseline Road. The frontage and exposure to Baseline Road, a main arterial street was offset against the subject exposure of the (210) freeway. This site consists of the assemblage of three parcels that were purchased to be assembled with other neighboring parcels that were being acquired by the same buyer for a larger industrial development. No entitlements were included in this transaction. No specific adjustments were warranted for this comparable. No other sales transactions have occurred over the last three years.

Comparable number five is located to the southwest of the subject and like the subject is located within the Renaissance Rialto Business Park. This site has an interior block location to the west of Tamarind with frontage and exposure to Baseline Road. The lack of a corner influence warranted an upward adjustment. The frontage and exposure to Baseline Road, a main arterial street was offset against the subject exposure of the (210) freeway. This site consists of the assemblage of two parcels that were purchased to be assembled with other neighboring parcels that were being acquired by the same buyer for a larger industrial development. These parcels closed at $19.87 per square foot. The total assemblage consisted of a total of 10.80 acres that were purchased from six different sellers. The total average price per square foot for this total assemblage was $19.39 per square foot. No entitlements were included in this transaction. This was also an all cash transaction. No other sales have occurred over the last three years.

Comparable number six is a related transaction to comparable number five as it was part of this assemblage. This site is located to the southwest of the subject and like the subject is located within the Renaissance Rialto Business Park. This site has a similar corner location at the intersection of Alder Avenue and Baseline Road. The frontage and exposure to Baseline Road, a main arterial street was offset against the subject exposure to the (210) freeway. This site consists of the assemblage of six parcels that were purchased to be assembled with other neighboring parcels that were being acquired by the same buyer for a larger industrial development. These parcels closed at $14.58 per square foot. The total assemblage consisted of a total of 10.80 acres that were purchased from six different seller. The total average price per square foot for this total assemblage was $19.39 per square foot. This transaction was one of the lowest of the six individual transactions and an upward adjustment was indicated under terms to account for the total average price paid for the assembled transaction. There was a significant disparity in the negotiated transactions, the lowest was $11.38 per square foot for a 1.20 acre parcel and the highest was $49.91 per square foot for a 1.38 acre parcel. No entitlements were included in this transaction. This was also an all cash transaction. No other sales have occurred over the last three years.

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RECONCILIATION - Land Sales - continued:

Comparable number seven is a current listing and located to the west of the subject. This site is located to the southwest of the subject and like the subject is located within the Renaissance Rialto Business Park. The site has a unique locational characteristic as the parcel is actually divided by Renaissance Parkway. A portion of the site, like the subject's back to the (210) freeway. The balance of the site is located across Renaissance Parkway from the subject. The portion that backs to the freeway actually backs to the Alder Avenue off-ramp which provides superior exposure, warranting a downward adjustment. The site has been actively marketed for several years and is currently available for $1,500,000 which is equivalent to $24.08 per square foot. A listing extraction has been made to account for the normal discounting that occurs in the negotiations of a sale between a buyer and a seller. The seller has owned this property since 1994.

The grid on the following page details the applicable adjustments that were warranted for the included comparables as discussed on the preceding pages. On the grid, a percentage amount is used to represent the relative amount of each adjustment. It should be emphasized, however, that the real adjustments are subjective in nature, and cannot, in reality, be reduced to an exact percentage by any mathematical formula. The percentages represent an attempt to quantify a professional judgment made by the appraiser. All figures are rounded, and are non-specific in nature. Obviously, these percentage adjustments should not be construed as an exact measurement. They are indicative of patterns and of weightings, and they often contain factors other than what the specific title might imply. All of these items were important in this appraiser's judgment, as reflected by the data presented and in file.

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LAND SALES ADJUSTMENT GRID

Subject Gross Site Area = 123,710 square feet / 2.84 acres

Comparable	#1	#2	#3	#4	#5	#6	#7
Price/Sq. Ft.	**$26.96**	**$24.26**	**$19.46**	**$21.79**	**$19.87**	**$14.58**	**$24.08**
Date of Sale	1/19	1/19	6/18	8/18	2/18	2/18	Listing
Sales Price	$22,416,000	$33,750,000	$7,800,000	$1,950,000	$2,250,000	$2,600,000	$1,500,000
Site Area - SF	831,560	1,391,115	400,752	89,472	113,256	178,317	62,291
Site Area - Acres	19.09	31.94	19.46	2.05	2.60	4.09	1.43
Property Rights	--	--	--	--	--	--	--
Listing Extraction	--	--	--	--	--	--	-5%
Terms/Financing	--	--	--	--	--	+33%	--
Adj. Price/SF	**$26.96**	**$24.26**	**$19.46**	**$21.79**	**$19.87**	**$19.39**	**$22.88**
Time of Sale	--	--	--	--	--	--	--
Adj. Price/SF	**$26.96**	**$24.26**	**$19.46**	**$21.79**	**$19.87**	**$19.39**	**$22.88**
Location	--	--	--	--	--	--	--
Site Utility	--	--	--	--	--	--	--
Size	--	--	--	--	--	--	--
Zoning/Potential	--	--	--	--	--	--	--
Entitlements	-15%	--	--	--	--	--	--
Site Improvements	--	--	--	--	--	--	--
Tract Map	--	--	--	--	--	--	--
Corner Influence	--	--	--	--	+5%	--	--
Exposure	--	-5%	+5%	--	--	--	-5%
Total Adjustments	-15%	-5%	+5%	0%	+5%	0%	-5%
Ind. Price/SF	**$22.92**	**$23.05**	**$20.43**	**$21.79**	**$20.86**	**$19.39**	**$21.74**

RECONCILIATION - Land Sales - continued:

The unadjusted land comparables range from a low of $14.58 per square foot for a comparable that was a portion of an assemblage to a high of $26.96 per square foot for the most recent sale of a site that sold with entitlements. This is relatively wide range and yet is not unreasonably wide considering the product represents vacant land sites in developing areas. The number of available sales was limited, and the included sales are the most similar that could be found. No specific financing adjustments were required, as these were all cash transactions or involved sales that had significant down payments. Time adjustments were not warranted as these were all relatively recent transactions. The indicated range after these initial adjustments did not change significantly, as only minimal adjustments were required for these categories.

Further adjustments for the specific differences between the subject and the comparables significantly tighten the range to a low of $19.39 per square foot to a high of $23.05 per square foot. The adjustment process significantly tightened the indicated range of values. The indicated mean value is $21.45 with a standard deviation of $1.33. In our final reconciliation, some consideration was given to each of the included comparables; we have formed the opinion that the applicable value indicator for the subject property is best represented near the indicated mean of the range as $22.00 per square foot and the value is calculated as follows:

123,710 square feet @ $22.00 per square foot = $2,721,620

Say $2,720,000

TWO THOUSAND SEVEN HUNDRED TWENTY THOUSAND DOLLARS

($2,720,000)

FINAL RECONCILIATION

The Appraisal of Real Estate, 13th Edition, page 559-560, published by the Appraisal Institute states, *"Resolving the differences among various value indications is called **reconciliation**. The final value opinion does not simply represent the average of the different value indications derived. No mechanical formula is used to select one indication over the others, rather, final reconciliation relies on the proper application of appraisal techniques and the appraiser's judgment."*

Only one of the three approaches to value generally recognized in the appraisal profession were given consideration in the appraisal as the appraised property is vacant land. The following is a brief discussion of the applicable approach.

The **Sales Comparison Approach** market value is determined by comparing the subject property to similar properties that have been sold recently. This approach reflects the desires and aspirations of buyers and sellers through the market activity of comparable properties. A major premise of the Sales Comparison Approach is that the market value of a property is directly related to the prices of comparable, competitive properties. The comparative analysis in the sales comparison approach focuses on differences in the characteristics of the sales, in relation to the subject, which can account for variation in prices. Extreme care must be exercised in the selection of the comparable sales as there tends to be an inverse relationship between the degree of adjustment and degree of reliability that exists in the adjusted sale price. In other words, the greater the adjustment the less the reliability. The importance of this requirement is underscored because the Sales Comparison Approach is predicated on the process of correlation and analysis between the cited examples and the property being appraised.

The Sales Comparison Approach is a process of comparing prices paid, prices asked, priced offered, and rentals between the property being appraised and other similar properties. It tends to produce an answer within a bracket rather than a precise figure. One of the benefits of this approach is its ability to support the general trends that are evident in all three approaches, and thereby support the other approaches. Since all of the sales used here are reasonably comparable, this approach is considered a good value indicator for this property and is the only one that is applicable.

The Cost and the Income Approaches are not applicable to the subject because the subject property consists of vacant land.

FINAL VALUE CONCLUSION

Approach Most Likely Used By Potential Purchasers

We feel that the Sales Comparison Approach has reliable data, and it is the only approach, which has been given consideration. In determining the fee simple value of land, the emphasis is naturally given to this approach.

Potential investment purchasers will most often utilize the Sales Comparison Approach in evaluating a price to pay for a property of this type. The Sales Comparison Approach has been utilized as there are a reasonable number of sales comparables to bracket the subject's value. Also, these sales all represent fee simple sales on properties that were not encumbered by existing leases, but were sold primarily as vacant land, like the subject or previously developed sites that were purchased to be redeveloped. With the applicable technique now having been applied, our final results under this approach are summarized below.

Sales Comparison Approach	$2,720,000

As a result of our investigations, studies and analysis of the sale and cost data, interpreted within the context of all the factors in the marketplace which effect value, the value range indicated for the subject is summarized within the report. The final value is based upon that confirmation of the available market data and analysis which is most appropriate.

This value conclusion was derived through the application of acceptable appraisal principles, concepts, and techniques. The final value conclusion is a blending of factors to which the typical buyer would give the most consideration. I have therefore formed the opinion that the Market Value of the Fee Simple Interest of the subject property (Northeast corner of Renaissance Parkway and Laurel Avenue, Rialto, California) as of August 5, 2019 is:

FEE SIMPLE INTEREST
TWO THOUSAND SEVEN HUNDRED TWENTY THOUSAND DOLLARS
($2,720,000)

by:

Aaron Gardner, CA# AG005074
Certified General Appraiser

ADDENDUM - LEGAL DESCRIPTION

the following described real property in the County of **San Bernardino**, State of California:

THAT PORTION OF THE WEST ½ OF THE WEST ½ OF THE NORTHEAST ¼ OF THE NORTHWEST ¼ OF SECTION 33, TOWNSHIP 1 NORTH, RANGE 5 WEST, SAN BERNARDINO BASE AND MERIDIAN, LYING NORTH OF THE HIGHWAY AS GRANTED TO THE STATE OF CALIFORNIA BY DEED RECORDED AUGUST 28, 1963, IN BOOK 5977, PAGE 798, OFFICIAL RECORDS.
EXCEPTING THEREFROM A STRIP OF LAND 32 FEET WIDE OFF THE WEST SIDE THEREOF AS DEEDED TO THE CITY OF RIALTO BY DOCUMENT RECORDED DECEMBER 10, 1985 AS INSTRUMENT NO. 85-313348, OFFICIAL RECORDS.
ALSO EXCEPTING THEREFROM THAT PORTION AS CONVEYED TO THE STATE OF CALIFORNIA BY THE DEED RECORDED DECEMBER 19, 2002 AS INSTRUMENT NO. 2002-691976, OFFICIAL RECORDS.

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ENGAGEMENT CONTRACT

CONTRACT FOR APPRAISAL SERVICES

THIS AGREEMENT made this 29th day of July, 2019, between AARON GARDNER, certified general real estate appraiser, and having a principal place of business at 24551 Raymond Way, Suite 190, Lake Forest, California, 92630, hereinafter referred to as the Appraiser, and the CITY OF RIALTO, hereinafter referred to as the client.

ARTICLE 1. SERVICES TO BE PERFORMED BY APPRAISER

Section 1.01 Appraiser agrees to complete two appraisal reports on behalf of the Client on the fee simple interest in the subject property. Said properties consist of an existing office building and a parcel of vacant land. The office building is located at 131 South Riverside Avenue. The vacant parcel of land is referenced as Assessor Parcel Number 0240-211-21. Said properties are located within the city of Rialto, County of San Bernardino, State of California. Appraiser agrees to render individual appraisal reports on the market value of the Fee Simple Interest in these properties.

Section 1.02 Appraiser agrees to complete the assignment and deliver to the Client the appraisals in an expedient manner. Anticipated completion date is three four weeks from access. Appraiser shall not be held responsible for delays beyond his control.

ARTICLE 2. COMPENSATION

Section 2.01 In consideration for the services to be performed by Appraiser, Client agrees to pay a sum of $2,000 for the vacant land appraisal and $3,000 for the office building appraisal for a total of **($5,000) Five Thousand Dollars** for said appraisals.

The fee shall be due upon delivery of the final reports to the client.

Section 2.02 Appraiser agrees to provide Client with one original appraisal reports and a PDF version.

ARTICLE 3. GENERAL PROVISIONS

Section 3.01 If any action at law or in equity, including an action for declaratory relief, is brought to enforce or interpret the provisions of this agreement, the prevailing party will be entitled to reasonable attorney's fees, which may be set by the court in the same action or in a separate action brought for that purpose, in addition to any other relief to which that party may be entitled.

Section 3.02 This agreement will be governed by and construed in accordance with the laws of the State of California.

Executed at Lake Forest, California, on the date and year first above written.

APPRAISER	**CLIENT**
AARON GARDNER	CITY OF RIALTO
By: ______	By: ______
Aaron Gardner	John Dutrey

APPRAISER'S QUALIFICATIONS

Aaron Gardner is licensed as a Certified General Appraiser in the states of California and Arizona and has been appraising commercial properties as an independent fee appraiser for the past thirty years. He has specialized in appraising commercial properties with emphasis on religious facilities, colleges and private schools. His primary activity has been within the Southern California market. He also services the Central and Northern California markets areas, Las Vegas and Phoenix metropolitan areas for religious facilities.

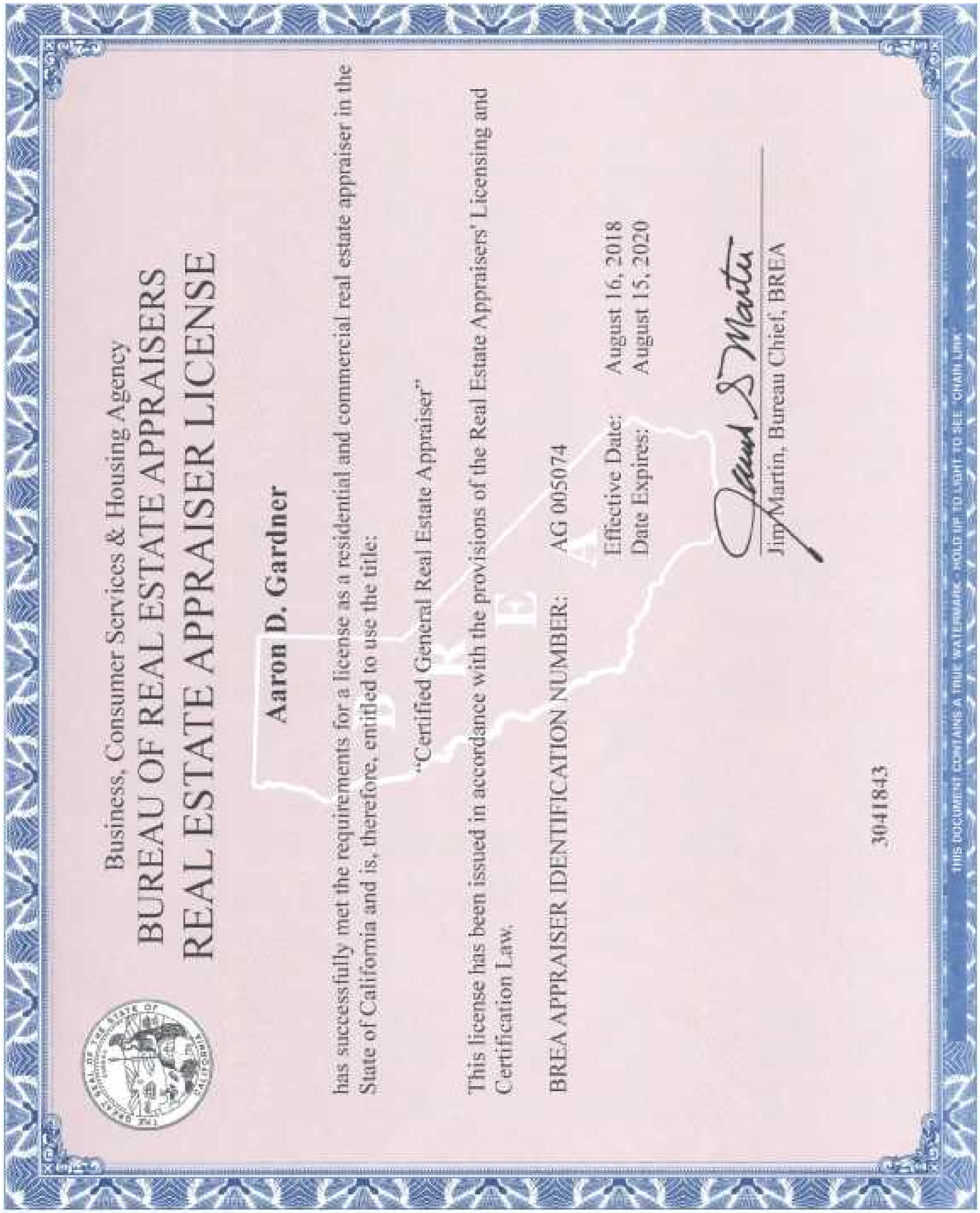
The clients that he has prepared these types of assignments for include, but are not limited to: **First Bank, CASS Commercial Bank, First Citizens Bank, AltaPacific Bank, Silicon Valley Bank, JP Morgan Chase Bank, Pacific Premier Bank, Farmers and Merchants Bank, Evangelical Christian Credit Union, America's Christian Credit Union, Christian Community Credit Union, First Security Business Bank, Ziegler, and Bank Of The West.**

He is a career appraiser with extensive experience appraising properties in Southern California and the above mentioned markets. Related experience includes commercial and residential construction, real estate development, real estate sales and property management. He has performed appraisals on all types of real property.

EDUCATION

FORMAL EDUCATION & LICENSES		
NAME OF INSTITUTION	**DATES**	**TYPE OF DEGREE**
BRIGHAM YOUNG UNIVERSITY	1976-1980	BACHELOR OF SCIENCE
CERTIFIED GENERAL APPRAISER	1992-2020	CA AG005074 / AZ CGREA31431
PROFESSIONAL AND TECHNICAL COURSES COMPLETED		
SREA COURSE 101		SOCIETY OF REAL ESTATE APPRAISERS
SREA COURSE 201		SOCIETY OF REAL ESTATE APPRAISERS
SREA COURSE 202		SOCIETY OF REAL ESTATE APPRAISERS
STANDARDS OF PROFESSIONAL		APPRAISAL INSTITUTE
APPRAISAL PRACTICE A&B		CONSTRUCTION DETAILS AND TRENDS
USPAP		USPAP - APPLYING THE STANDARDS
APPRAISING INCOME PROPERTIES		ACADEMY OF REAL ESTATE APPRAISERS
FEDERAL & STATE LAWS & REGULATIONS		CALIFORNIA REAL ESTATE PRINCIPLES
STATISTICS, CAPITALIZATION		MORTGAGE FRAUD
PARTIAL INTERESTS		AD VALOREM TAX CONSULATION
FEDERAL & STATE LAWS & REGULATIONS		THE COST APPROACH
LITIGATION SEMINAR		RESIDENTIAL PROPERTY SEMINAR
VALUING INCOME PROPERTIES		EXPENSE SEMINAR
DISCOUNTED CASH FLOWS		SPREAD SHEET ANALYSIS
CAPITALIZATION TECHNIQUES		PARTIAL INTERESTS
APPRAISAL MATHEMATICS		SITE PLANNING & LAND DEVELOPMENT
ECONOMIC FORECASTS		SOUTHERN CALIFORNIA MARKET TRENDS
VALUATION OF FAST FOOD RESTAURANTS		APPRAISAL OF SELF-STORAGE FACILITIES
LAND AND SITE VALUATIONS		APPRAISING APARTMENTS

APPRAISER'S LICENSE



Business, Consumer Services & Housing Agency

BUREAU OF REAL ESTATE APPRAISERS

REAL ESTATE APPRAISER LICENSE

Aaron D. Gardner

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

"Certified General Real Estate Appraiser"

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

BREA APPRAISER IDENTIFICATION NUMBER: AG 005074

Effective Date: August 16, 2018
Date Expires: August 15, 2020

Jim Martin, Bureau Chief, BREA

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