

APPRAISAL REPORT

**A COMMERCIAL MANUFACTURING & LIGHT INDUSTRIAL ZONED SITE WITH
TEARDOWN CONDITION STRUCTURE**

130 S. Willow Avenue
Rialto, California 92376
Census Tract No.: 003509 / 1018

PREPARED FOR

CITY OF RIALTO
150 S. Palm Avenue
Rialto, CA 92376

Attn: Mr. Colby Cataldi, Community Development Director

DATE OF REPORT

July 22, 2024



July 22, 2024

Job No. AP240411

CITY OF RIALTO

150 S. Palm Avenue

Rialto, CA 92376

Attn: Mr. Colby Cataldi, Community Development Director

Re: Appraisal of a commercial manufacturing & industrial zoned site with teardown condition structure located at **130 S. Willow Avenue, Rialto, California 92376.**

Dear Mr. Cataldi:

In accordance with your request, we have prepared an Appraisal Report of the above-referenced real property. The client's specific requirements were incorporated into a scope of work developed to provide credible assignment results in context to the intended use of the appraisal. Assignment results are summarized below:

Sole Client:	City of Rialto
Objective:	Determine the "As Is" market value of the subject
Date of Property Inspection:	July 10, 2024

Valuation Scenario	Date of Value	Property Rights	Final Value*
Current As Is Market Value (Based on 3 – 9-month exposure period)	July 10, 2024	Fee Simple	\$645,000

*Please refer to the Assignment Conditions

This appraisal report has been prepared in accordance with the Uniform Standards of Professional Appraisal Practice (USPAP) as well as requirements of Title XI of FIRREA (Financial Institutions Reform, Recovery, and Enforcement Act of 2005). Our analysis and conclusion are subject to this report's Contingencies and Limiting Conditions.

Respectfully submitted,
Appraisal Pacific

TED P. DOUGLAS, MAI
State Certified General Appraiser
Certificate No. AG 001946
CA/Expires 14-October-24

TIM HOWMAN, CGREA
State Certified General Appraiser
Certificate No. AG 035823
CA/Expires 07-December-24



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REPORT SUMMARY

Property/Location: A Commercial Manufacturing & Light Industrial Zoned Site
with Teardown Condition Structure
130 S. Willow Avenue
Rialto, California 92376

Assessor's Parcel No.: 0130-211-30-0000
0130-211-36-0000

Census Tract No.: 003509 / 1018

Owner of Record: Esparza Oscar / Esparza Blanca (per public record)

Site and Improvements:

<u>Building Data</u>		<u>Site Data</u>	
Property Type:	Mortuary (teardown condition)	Size:	32,850 Sq. Ft. or ± 0.754 - acres
*Building SF:	$\pm 6,900$ SF	Topography:	Generally level
Year Built:	1950	Surplus Land:	N/A
Condition:	Poor (fire damaged)	Zoning Class:	CM, Commercial Manufacturing & M-1, Light Manufacturing
Effective Age:	50		
Remaining Economic Life:	0		

**Building area includes the two-story mortuary building and garage areas. Public record shows 3,055 square feet of permitted building area; however, this information appears to be understated based on spot measurements taken from the exterior and a review of the marketing brochure from the 2021 sale of the property and other on-line sources. Since the building has reached the end of its economic life and is accounted for in this report as part of the demolition cost, the total structure area reported on the previous marketing brochure represents the most credible total structure size.*

Exposure Period/Marketing Time: 3 – 9 Months / 3 – 12 Months

Present Contract: N/A

Property's Last Transfer: Date of Transfer: April 7, 2021
Sale Price: \$575,000 or \$17.50/SF of Land



REPORT SUMMARY

(Continued)

Valuation Approaches Utilized – “As Is Value”

Cost Approach:	Indicated Value:	N/A
	Land Value PSF:	N/A
Income Approach:	Indicated Value:	N/A
	Net Operating Income:	N/A
	Going-In Capitalization Rate:	N/A
Sales Comparison Approach:	Indicated Value:	*\$645,000
	No. of Closed Sales Used:	Five
	Unadjusted \$/SF of Land Range:	\$16.89 - \$24.46
	Adjusted \$/SF of Land Range:	\$19.08 - \$23.97
	No. of Active Listings Used:	One
	Unadjusted \$/SF of Land:	\$21.46
	Adjusted \$/SF of Land:	\$22.02
	Final \$/SF of Land Value Selected ®:	\$22.00

**Includes a -\$80,000 deduction for costs associated with demolishing the existing site improvements.*

Value Conclusions

	“As Stabilized” Value	“As Is” Value
Cost Approach	N/A	N/A
Income Approach	N/A	N/A
Direct Sales Comparison Approach	N/A	\$645,000
Final Estimate of Value:		
Real Estate:	N/A	\$645,000
FF&E	N/A	N/A
Business Value	N/A	N/A
Total Value:	N/A	\$645,000

SCOPE OF WORK

This is an Appraisal Report, which is intended to comply with the reporting requirements set forth under Standards Rule 2-2 (a) of the Uniform Standards of Professional Appraisal. The depth of discussion contained in this report is specific to the needs of the client and for the intended use of the report. The appraiser is not responsible for unauthorized use of this report.

Use of or reliance on this appraisal or appraisal report, regardless of whether such use or reliance is known or authorized by the appraiser, constitutes acknowledgment and acceptance of these general assumptions and limiting conditions, any extraordinary assumptions or hypothetical conditions, and any other terms and conditions stated in this report.

The *standard* scope of this analysis included the following:

- A reading of the request for appraisal services and related attachments.
- A review of all relevant documents that encumber the subject property including escrow instructions/purchase agreement, leases if any, and a preliminary title report if provided.
- Research and investigation of current market conditions relative to the property type being appraised, as well as the market sector with which the subject is identified.
- Interviews with brokers, appraisers, property owners and/or managers, as well as relevant public agencies or governing bodies.
- Collection, verification and analysis of market data and any other pertinent information necessary to the valuation process.
- And, compilation of the descriptions, reasoning, and explanations, leading to final value conclusions, within this report. Please refer to the *Valuation Analysis* section for primary approach (es) necessary to conclude to a credible opinion of value.
- The scope of this analysis *specific to this assignment* included the following:

Sole Client:	City of Rialto
Intended Use:	To provide the client with information to estimate current "As Is" market value of the subject for a potential purchase.
Intended User (s) for the purposes of assisting in the Client's intended use only:	<p>The intended user of this report is the City of Rialto.</p> <p>The appraiser has not identified any purchaser, borrower or seller as an intended user of this appraisal. Receipt of a copy of the appraisal by such a party or any other third party does not mean that the party is an intended user of the appraisal. Such parties are advised to obtain an appraisal from an appraiser of their own choosing if they require an appraisal for their own use. This appraisal report should not serve as the basis for any property purchase decision or any appraisal contingency in a purchase agreement relating to the property</p>

- Completion of property contact interview regarding the subject.
- An interior/exterior inspection of the subject and surrounding neighborhood as of our date of value. This appraisal report is not a formal property inspection. It does not guarantee or imply that the property is free of defects or property condition problems. The appraiser is not a licensed contractor or property inspector. It is suggested that the client/borrower take the necessary steps to insure the property is acceptable to them prior to closing escrow (in the event of a sale).
- A review of comparables utilized in the report via aerial images, exterior street inspection, broker verification, and or information obtained from Multiple Listing Services or other data providers such as LoopNet and Costar.

The subject consists of two contiguous parcels that combined form a ± 0.754 -acre site. APN: 0130-211-30-0000 is zoned CM, Commercial Manufacturing and APN: 0130-211-36-0000 is zoned M-1, Light Industrial.

The subject is currently improved with a mortuary building that was damaged by a fire at some point in the past, has been red tagged by the City of Rialto and has no marketable value. In other words, the structure is in teardown condition. As such, demolition cost deduction is warranted in this analysis to account for costs associated with demolishing the existing building and site improvements.

The highest and best use of the subject indicates that the most likely buyer is an owner-user or developer, both of which would likely remove the second generation building and site improvements prior to redeveloping the site in the future. In this case, the Sales Comparison Approach in the context of a land value analysis is the primary approach to value most often utilized by buyers, sellers, and brokers of vacant sites.

The Income Approach has been excluded, in this since, market participants do not consider the income producing potential of property with non-marketable building improvements that is positioned as a redevelopment site. These types of properties are primarily purchased by an owner-user or developer. Additionally, capitalization rate estimates derived from investor-owned sites do not provide credible valuation results consistent with the Highest and Best Use conclusion.

The Cost Approach to value has been excluded due to the property's lack of marketable site or building improvements. The value of the subject is 100% in the land minus the cost to demolish the existing building and site improvements.

PRIOR SERVICES CERTIFICATION

Appraisal Pacific Inc. has 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.

SUBJECT PROPERTY HISTORY

Pertinent details of the subject property and ownership history follows:

Legal Description

Public record lists the subject's legal description as follows:

Town of Rialto And Adj Subs N 100 Ft Ft E 300 Ft Lot 95 Ex Sts (APN: 0130-211-30-0000)

Town of Rialto And Adj Subs S 50 Ft N 150 Ft W 15 Ft E 300 Ft Lot 95 (APN: 0130-211-36-0000)

Current Ownership

The subject property is currently owned by Esparza Oscar / Esparza Blanca (per public record).

Current Subject Transaction:

Current Escrow:	The subject is not currently involved in a pending transaction, nor is the subject currently available on the market for sale or lease.
Sales Price:	N/A
Date of Escrow	N/A
Closing Date:	N/A
Broker Representation:	N/A
Days on Market	N/A
Terms and Conditions:	N/A
Arms-Length Transaction:	N/A

Five-Year Sales History

Public record indicates that the most recent transfer of both subject parcels occurred on April 7, 2021 on Document #2021.157703 for a consideration of \$575,000 or \$17.50 per square foot of site area. Additional details of this transaction were not provided.

No other transfers of the subject title are known to have occurred during the past five years.

To note, the subject is improved with a mortuary building that was damaged by fire at some point in the past. The property was marketed and sold as a redevelopment opportunity in 2021 and the sales price at that time was for land value only indicating that the building may have already been damaged at that time.

Commercial and industrial land values have appreciated in the subject's market since early-2021 and the current "as is" value is supported by recent land sales, demolition cost and opinions from local brokers making it credible.



Subject Occupancy

The subject is currently vacant.

Assessed Valuation and Taxes

The following tax information was taken from the subject's tax roll obtained from the San Bernardino County Assessor's website.

The subject parcels are located in Tax Rate Area 006-088 with a 2023-2024-blended-tax rate of 1.320794%, which excludes special assessments. The subject's total assessed value and taxes are as follows:

Assessment Year: 2023-2024		Parcel Number: 0130-211-30-0000	
Land Value:	\$395,612	Tax Rate:	1.320796
Improvement Value:	95,977		
Total Assessed Value:	\$491,589	Taxes:	\$6,538.47
Assessment Year: 2023-2024		Parcel Number: 0130-211-36-0000	
Land Value:	\$117,045	Tax Rate:	1.320791
Improvement Value:	0		
Total Assessed Value:	\$117,045	Taxes:	\$1,560.57

Assuming a sale at the "as is" appraised value of \$645,000 the new annual taxes based on the 2023-2024-blended-base tax rate of 1.320794% plus special assessments of \$60.23 per square foot will be \$8,579.35.

According to the San Bernardino County Tax Assessor's website, the subject currently has defaulted taxes and penalties. The current redemption total is \$1,726.63.

ASSIGNMENT CONDITIONS

The following assignment conditions are pertinent to the valuation:

Extraordinary Assumptions

An assumption, directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser's opinions or conclusions.

This assignment contains no Extraordinary Assumptions.

Hypothetical Conditions

That which is contrary to what exists but is supposed for the purpose of analysis.

This assignment contains no Hypothetical Conditions.

LOCATION DESCRIPTION

The subject is located in Rialto in San Bernardino County. Location details pertinent to the subject property are discussed below.

County Description

San Bernardino County is one of six counties that comprise the Southern California Metropolitan Region - the other counties are Ventura, Los Angeles, Orange, Riverside, and San Diego.

Bordering San Bernardino County is Inyo County to the north, Riverside County to the south, the Nevada state line to the east and Los Angeles and Kern Counties to the west.

A major freeway system serves the County: Interstate 10 is a primary east/west freeway at the subject's San Bernardino location and Interstates 15 and 215 run north/south through the County providing access to Las Vegas to the north and San Diego to the south. The 210 and the 10 Freeways provide access from Los Angeles County from the west.

The San Bernardino-Riverside County region known as the Inland Empire forms the largest geographical Metropolitan Statistical Area (MSA) in the nation with over 27,308 square miles. The Inland Empire has benefited from vast quantities of developable land along with its proximity to major employment centers in adjoining Los Angeles and Orange Counties. The Inland Empire economy continues to show great potential in the long run due to its position as the central hub for logistics related to international trade and as the area where the most significant population growth is expected.

According to the California Department of Finance, San Bernardino County had a January 1, 2024 population of 2,181,433, a 0.4% increase over 2023 (2,172,694 residents).

San Bernardino County's varied economic base includes administrative services and support services, healthcare, trade and transportation, leisure and hospitality construction, government, professional, scientific, and technical services, and private educational services.

According to the US Bureau of Labor Statistics, the non-seasonally adjusted unemployment rate in San Bernardino County was 4.3% in May 2024 down from 4.8% in April 2024 and up from 4.1% in December 2022.

The average home sale price in San Bernardino County is \$552,426 as of May 2024, an increase of 6.4% from May 2023 (Source: Zillow.com).

City Description—Rialto

The subject is located in the northeast portion of the city of Rialto approximately 60 miles to the east of Los Angeles and approximately 103 miles north of San Diego. The city is bordered by the San Bernardino National Forest to the north, an unincorporated section of Riverside County to the south, the city of Fontana and an unincorporated section of Riverside County to the west and the cities of San Bernardino and Colton to the east.

Rialto has a pro-business attitude, relatively lower land and labor costs, good surface transportation, rail service from the Union Pacific and Burlington Northern/ Santa Fe, and access to three airports. To encourage industrial development, Rialto has a proactive Redevelopment Agency, as well as a State Recycling Market Development Zone.

Rialto is served by the San Bernardino freeway (I-10), which runs east/west through the southern portion of the city, the Foothill (210) Freeway, which runs east/west through the northern portion of the city and the Riverside freeway (I-215), which travels in a north/south direction approximately 2.00 miles east of the city. These freeways connect the area to San Gabriel Valley and Los Angeles on the west, the Coachella Valley and Arizona on the east, San Bernardino and the I-15 Freeway on the north and the Temecula Valley and San Diego (via the I-15 Freeway) on the south.

The major surface arterials in Rialto are Riverside Avenue (north-south), as well as Baseline Road, Foothill Boulevard, Rialto Avenue, Merrill Avenue, San Bernardino Avenue and Valley Boulevard (east-west). The LA/Ontario International Airport is located 17.00 miles to the southwest within the city of Ontario, and provides the closest air service.

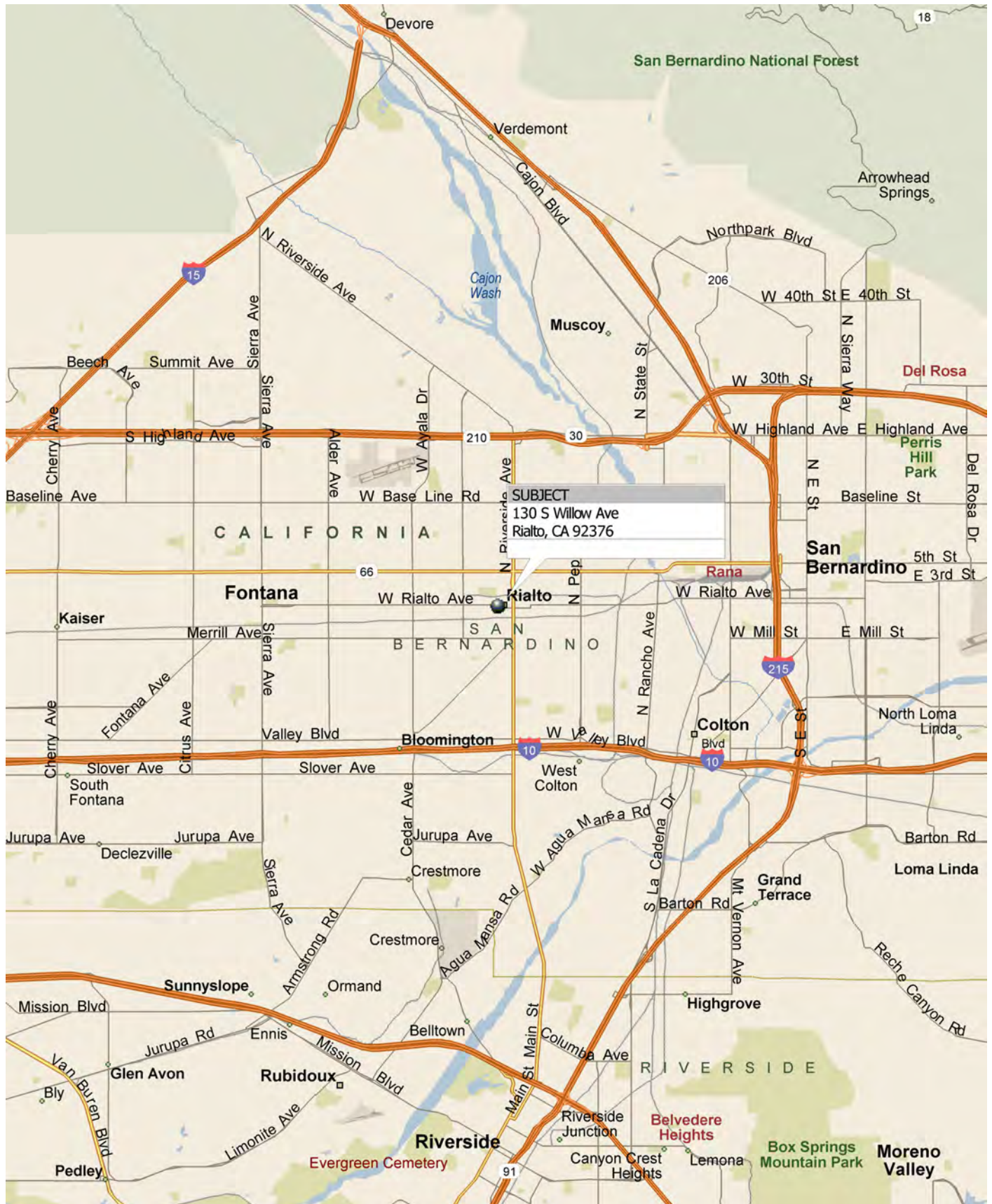
Rialto has a May 2024 unemployment rate of 4.8%, which compares with 4.3% for San Bernardino County as a whole. Average house prices in Rialto are \$576,342 as of May 2024, up 8.1% from the previous year (Source: Zillow.com).

Neighborhood Boundaries

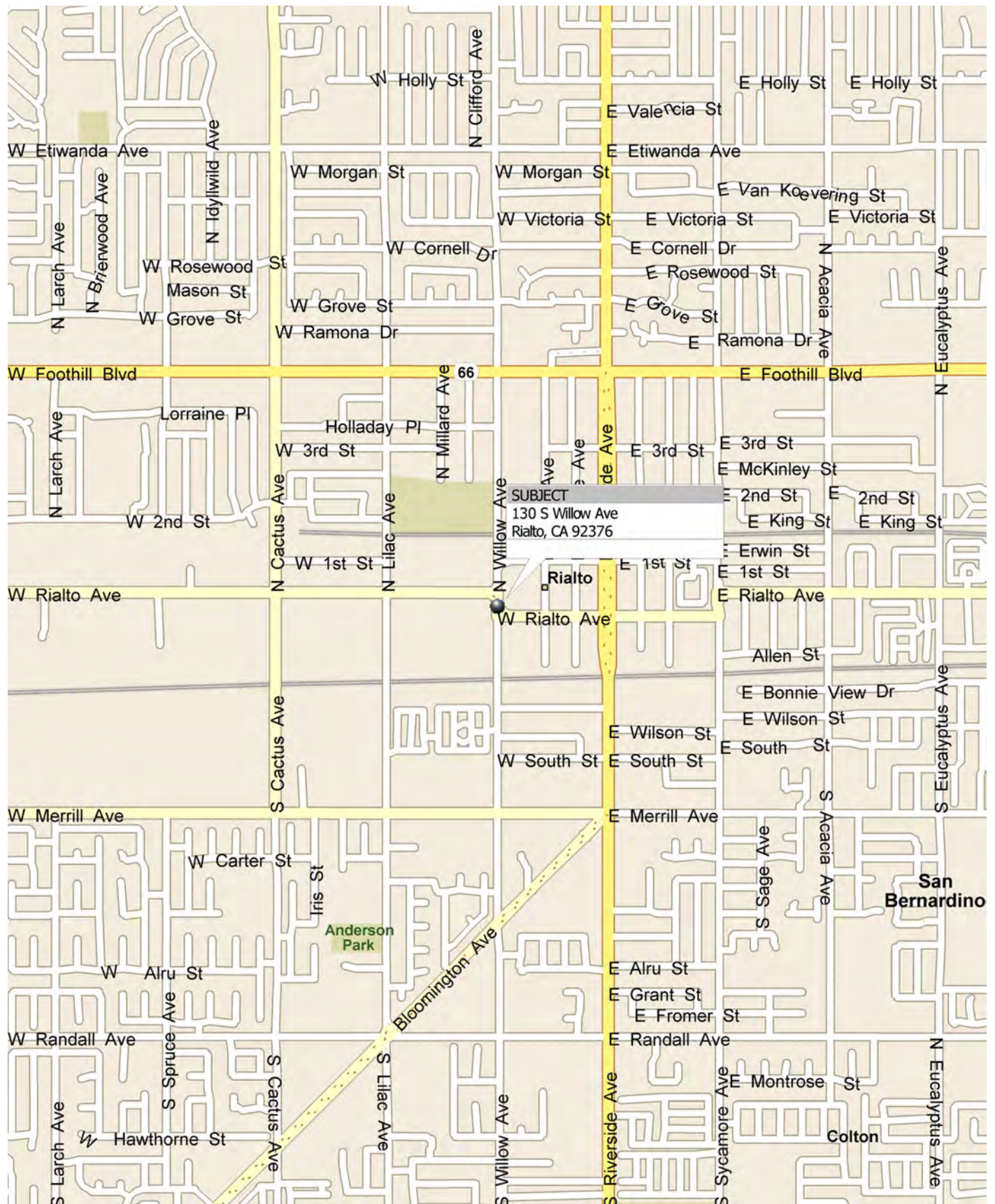
Following is a quick look at characteristics of the subject location followed by a more specific location description:

Subject Location & Neighborhood			
Location/Market Items:		Land Uses:	
Neighborhood	Suburban	Residential	65%
General Condition	Average	Office/ Government	12%
Development Stage	Established	Industrial	5%
Value Trends:	Stable	Commercial/Retail	13%
Adjacent Properties	Conforming	Golf Course, Parks, etc.	3%
Commercial Yard Vacancy	±1	Vacant Land	2%
Overall Market Condition	Stable	Total	100%

REGIONAL LOCATION MAP



LOCATION MAP



Neighborhood boundaries are defined as:

North:	Foothill Boulevard
South:	San Bernardino (I-10) Freeway
East:	Pepper Avenue
West:	Cactus Avenue

Surrounding Properties

The subject has a signalized corner site location along S. Willow Avenue and W. Rialto Avenue. Presented below are adjacent uses to the subject.

North:	Across W. Rialto Avenue is the Rialto Police Department.
South:	134 S. Willow Avenue, a two-building retail/office property that has historically been utilized as a flower-shop. This property is currently unoccupied and red tagged by the city.
East:	Across S. Willow Avenue is a City of Rialto complex with buildings that include the civic center building and library
West:	Rialto Public Works Department

The subject is located in Downtown Rialto with proximity to the Rialto Civic Center and other government buildings. A mix of city buildings, retail/commercial, office and light industrial uses are located in the neighborhood.

Overall, the subject's previous mortuary building conformed to the neighborhood surroundings with the highest and best use pointing to a commercial/retail use most likely future development of the site.

Specific Location Features

The subject is located within close proximity to major Southland freeways, residential neighborhoods and support commercial/office services.

The subject has convenient freeway accessibility. The 215 Freeway is located 3.80 miles northeast of the subject via 5th Street, the Foothill (210) Freeway is located 2.20 miles north via Riverside Avenue and the San Bernardino (I-10) Freeway is located 2.00 miles south via Riverside Avenue. These freeways provide convenient access to other major freeways in the area, which in turn provide convenient access to the entire Southern California freeway network. Also benefiting the subject is its proximity to a variety of housing alternatives located in Rialto, as well as in the nearby surrounding cities. Finally, the subject is located in Downtown Rialto across the street from the Rialto Civic Center, police station and various other public support services that help stabilize the location.

In choosing a place of business for commercial users, quick and convenient access to the freeway system and proximity to desirable housing and labor is of primary importance.

Access/Exposure

The subject is located at the southwest signalized corner of W. Rialto Avenue and S. Willow Avenue. W. Rialto Avenue is a two-way, four-lane, primary arterial that travels in an east-west direction that experiences moderate traffic volume. S. Willow Avenue is a two-way, two-lane, secondary street that travels in a north-south direction that experiences moderate traffic flow. The site has vehicular access from a curb cut at the corner of W. Rialto Avenue and S. Willow Avenue and a second curb cut off S. Willow Avenue.

The subject's access and exposure are good for a commercial site in the market area.

Business Trends/ Conclusions

The subject's Rialto neighborhood is mostly built up with some land available for development in the immediate and expanded market area. The immediate district is generally established with a stable concentration of office, commercial and residential properties. Changes in the neighborhood are not expected in the near-term around the subject's immediate market area. Demand for sites in or near Downtown Rialto that allow for redevelopment with modern office or commercial/retail properties in the area is stable and has historically been in demand due to the North Riverside Avenue exposure/location and core features of the area.

A plentiful labor market with desirable and abundant employee housing is available in close proximity. Overall, the subject has a good location in terms of freeway access, housing, and labor markets. These factors add to the subject's overall desirability. Thus, steady demand is expected over the long term.

SITE DESCRIPTION

The following site description is based on information obtained from an interview with the property contact, public records and along with our site inspection.

Land Area (APN):	Site Area (SF)	Street Frontage/Depth
0130-211-30-0000	25,350	See Plat Map
0130-211-36-0000	7,500	See Plat Map
Total	32,850	See Plat Map
	±0.754-acre	

Surplus Land: None

Unusable Land SF: None

Corner/Interior Site: Signalized corner

Shape/Utility: L-shaped and functional

Topography: Generally level

Zoning Designation: CM, Commercial Manufacturing (APN: 0130-211-30-0000)
M1, Light Manufacturing (APN: 0130-211-36-0000)

Allowable Uses: Uses allowed in the M1 zone include: light manufacturing or treatment of products, auction houses, bakeries, assembly, bus repair and storage terminals, body and fender work, painting, cleaning and dying plants, processing uses, distribution, packaging, food product manufacturing, lumber yards, sheet metal plant, radio/tenant stations, truck terminals, Plumbing shops; wholesale, foundries or metal fabrication, collection facilities, restaurants, processing, light industrial and other similar uses.

The CM zone allows all permitted uses in the M1 zone and C3 zones. M1 uses are noted above. C3 allowable uses include a wide array of commercial/retail and office uses. Some specific allowable uses include: funeral homes, furniture warehouses, animal hospitals, car wash stations, skating rinks and boxing arenas, drive-in theaters, auto repair, used car lots, wholesale, tattoo parlors, entertainment establishments, arcades, etc. An expanded amount of retail and office uses are allowed since the C3 zone allows for all allowable uses in the C2 and C1 zones.

Current Use: Vacant (red tagged building that was formerly a mortuary)

PLAT MAP

APN: 0130-211-30 & 36

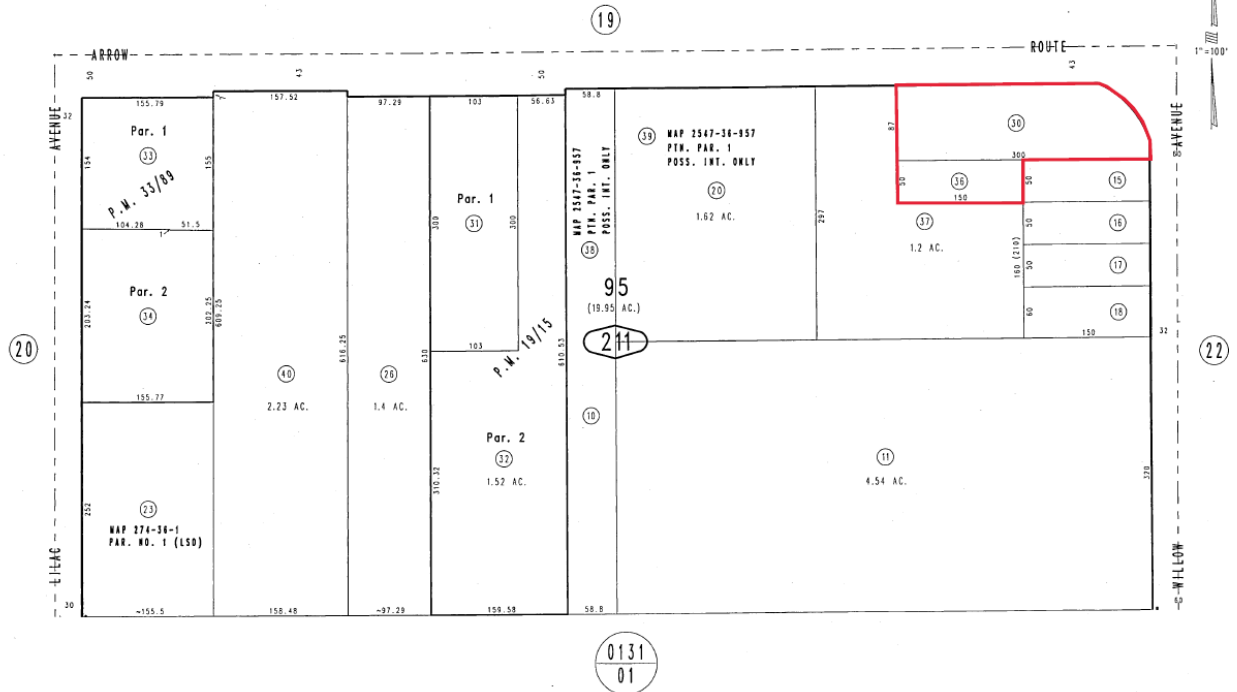
THIS MAP IS FOR THE PURPOSE
OF AD VALOREM TAXATION ONLY.



Town of Rialto & Adj. Subs.
M.B. 4/11

City of Rialto
Tax Rate Area
6088

0130 - 21



February 2004

Parcel Map No. 3580, P.M. 33/89
Parcel Map No. 2235, P.M. 19/15

Ptn. S.W.1/4, Sec. 11
T.1S., R.5W.

Assessor's Map
Book 0130 Page 21
San Bernardino County

REVISED
08/25/09 KC

AERIAL MAP



Compliance to Zoning:	<p>The subject's building has been vacant for many years and is currently red tagged by the City of Rialto. The property was sold in 2021 as a redevelopment opportunity with the sales price representing land value.</p> <p>Redevelopment of the site would need to adhere to current development standards for the CM and M1 zones.</p>
Street Improvements:	Asphalt paved
Utilities:	All installed
Flood Zone Designation:	Zone X (Real Quest Flood Map Report)
Inside 100-Year Flood Plain:	No
FEMA Map No./Date:	8657H-06071C8657H / August 28, 2008
Special Studies Zone - Source:	State of California Department of Mines and Geology
Alquist Priolo:	No
Seismic Hazard Zone: Liquefaction:	No
Earthquake Induced Landslides:	No
	<p>Disclaimer: Appraisers are not expert in the field of geology or seismic related activity. The information provided is from sources deemed reliable. Should questions arise about whether the subject property may be impacted by proximity to Earthquake or Earthquake related fault zones an expert in this field should be consulted.</p>
Adverse Easements/ Encroachments:	The subject has no known adverse easements or encroachments.
Preliminary Title Report:	<p>A preliminary title report was <u>not</u> provided for our review. Utility easements are assumed to exist as typical. A premise of this appraisal is no existence³ of adverse title conditions, easements, or encroachments that would cause a loss in value or prohibit development. Identification of these items is of a legal nature and an attorney specializing in this field should be consulted concerning this field for their opinion concerning these items. This report is not intended to render any opinion whatsoever regarding any adverse title conditions, easements or encroachments that may affect the subject property.</p>

Soils/Hazardous/ Conditions:	Toxic	<p>This appraisal assumes the site is free of detrimental conditions that would prohibit its use. A hazardous or toxic waste investigation report was not submitted for our review. This appraisal will not determine whether or not the appraised property has any hazardous contamination.</p> <p>Our value estimate is predicated upon the assumption that the subject property is free of any toxic material, or any other adverse geotechnical or soils conditions that would cause a loss in value. No responsibility is assumed for any toxic conditions or for any expertise or engineering knowledge required to discover and/or correct such conditions if they exist</p>
Comments:		<p>Please refer to this appraisal report's "Assumptions and Limiting Conditions" regarding soils and title conditions.</p>
Site Improvements:		<p>The subject has no site improvements of value. The existing building and garage improvements along with the asphalt pavement, landscaped planters, marquee and other minor ancillary improvements will likely be removed from the site prior to redevelopment and have therefore been accounted by a demolition cost deduction in the valuation section of this report.</p>

MARKET CONDITIONS

The subject is a two parcel site with commercial manufacturing and light manufacturing zoning. However, the location, signalized corner site location along a primary arterial and surrounding uses make a commercial/retail use the most probable redevelopment use. As such, we have included both Inland Empire retail and Inland Empire industrial market conditions in this section.

Inland Empire Retail

Information regarding the subject's market conditions is derived from independent research and information from the Costar Inland Empire Retail Market Report dated June 19, 2024.

Overview

12 Mo Deliveries in SF	12 Mo Net Absorption in SF	Vacancy Rate	Market Asking Rent Growth
781K	(16.9K)	5.8%	3.4%

Inland Empire retail market fundamentals remain tight from a historical perspective but have recently softened a touch. Space availability has expanded 60 basis points from a decade's-plus low, reaching 6.4% as of the second quarter of 2024. Nevertheless, availability is still down substantially from an early pandemic-era peak of 8.1%. Retailers expanded in the market to meet a rise in resident buying power driven by higher-income households moving into the area for its affordability.

Net absorption slowed to only 615,000 SF in 2023 and ran negative in the first quarter of 2024. Closed furniture stores and department stores drove the recent occupancy losses. Absorption is not likely to ramp up in the next few quarters as leasing activity remains a bit subdued. New leasing volume has fallen below 1 million SF in recent quarters, declining slightly from 2021-22 levels and falling 25% short of the market's prior decade quarterly average. Market observers have noted that a lack of competitive available space contributed to weaker leasing and slower retail tenant occupancy expansion.

Subdued leasing and absorption also reflect a slowdown in local economic expansion. Employment growth in the region slowed to under 2% in 2023 and migration into the market has slowed from pandemic-era highs. Local consumer spending has remained stable for more than a year, generally trending between 5% and 10% above pre-pandemic levels on a weekly basis. Assuming the economy continues to expand at a slow pace, vacancy will remain stable.

Property owners are pushing market rents higher but at a slower pace as space availability rises and leasing remains slightly subdued. Rents increased by 4.6% in 2023, down from a nearly 6% jump in 2022. Furthermore, rents are forecast to increase by a more moderate pace close to historical averages between 3% to 4% this year as demand and supply remain balanced.

KEY INDICATORS

Current Quarter	RBA	Vacancy Rate	Market Asking Rent	Availability Rate	Net Absorption SF	Deliveries SF	Under Construction
Malls	13,648,222	9.8%	\$34.07	9.4%	(97,120)	0	3,300
Power Center	20,180,016	4.9%	\$31.40	5.7%	36,263	5,000	5,924
Neighborhood Center	79,386,759	7.7%	\$26.46	8.4%	(580,925)	8,371	358,800
Strip Center	15,415,980	4.7%	\$23.32	6.1%	26,589	0	30,722
General Retail	70,735,950	3.2%	\$23.73	3.8%	144,655	102,473	385,099
Other	2,803,730	9.3%	\$25.20	8.1%	36,790	0	0
Market	202,170,657	5.8%	\$26.25	6.4%	(433,748)	115,844	783,845

Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When	Trough	When
Vacancy Change (YOY)	-0.1%	7.3%	5.9%	9.5%	2011 Q2	4.9%	2007 Q3
Net Absorption SF	(16.9K)	1,590,472	30,198	8,252,283	2007 Q1	(1,852,587)	2009 Q4
Deliveries SF	781K	2,046,088	713,546	7,339,100	2007 Q1	381,205	2011 Q1
Market Asking Rent Growth	3.4%	0.9%	2.6%	5.8%	2007 Q1	-9.7%	2009 Q4
Sales Volume	\$963M	\$1.2B	N/A	\$2.6B	2022 Q3	\$398.2M	2010 Q1

Leasing

Vacancy in the Inland Empire has expanded 40 basis points since the end of 2023 due to supply additions and a rare loss of tenant occupancy. Although vacancy has increased from all-time lows, it is still tight historically, trending at 5.8% as of the second quarter of 2024. The demolition of the zombie Carousel Mall in downtown San Bernardino in late 2023 removed a large block of vacant, unavailable space from the market.

The tightest retail submarkets across the Inland Empire coincide with areas where housing development has been rampant. The Airport Area and South Riverside submarkets register availability rates below 5% and stronger net absorption over the trailing year compared to areas farther east with slower housing development and population growth.

Net absorption was robust at roughly 2.5 million SF annually in 2021-22 but limited more recently in part due to a lack of desirable vacant space in the market. Net absorption subsided to 615,000 SF in 2023 and was negative in the first quarter of 2024. New vacancies include an 86,600-SF freestanding building offered for lease or sale, 14444 Atstar Drive, which was vacated by the furniture store Howard's. Also, a 134,000 SF building at the Montclair Place mall, formerly occupied by Nordstrom, was listed for lease and an 80,500 SF building, 4010 Highland Avenue in the Highland Avenue Plaza, was vacated by Bundle City Outlet.

New leasing volume in 2023 and into 2024 has fallen short of 1 million SF per quarter, below the market's prior three-year average and 25% short of its prior decade average. As a result, availability increased by over 1 million SF in 2023, ticking slightly lower in the first quarter of 2024, to 13.1 million SF, or 6.4% of inventory. Availability in the Inland Empire has trended above the national average since the global financial crisis recession, partly due to an excessive amount of undesirable inventory. Some of the older big-box buildings have been leased to cannabis growers, recreational vehicle storage companies, and other storage-related users in recent years rather than traditional consumer-facing retail tenants.

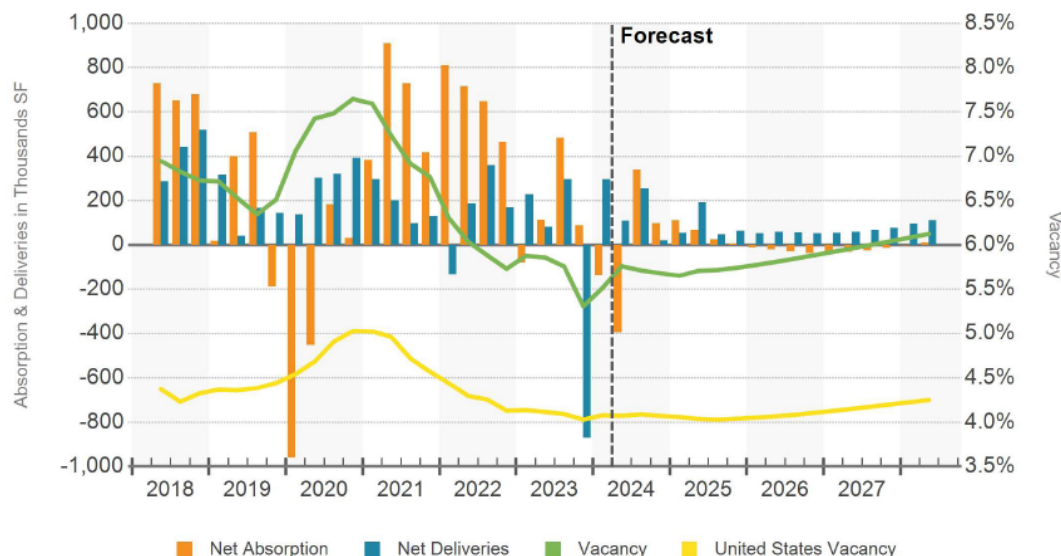
Retailers in the Inland Empire depend on local consumers as leisure travel in the market is modest, and the area's supply caters to local demand, with roughly 40% of inventory constituted of neighborhood centers, compared to the national average of 26%. Strong tenant demand for both in-line and anchor

spaces within neighborhood centers has driven availability in the subtype to a 25-year low of 8.4%, although it does trend higher than most other shopping center types historically and currently. Mall availability rose most substantially in 2023, ticking down in 2024 to 9.4%, while strip center and power center availability trends at 6.1% and 5.7%, respectively. Availability among general retail buildings, which are often freestanding, also registers just 5.7%.

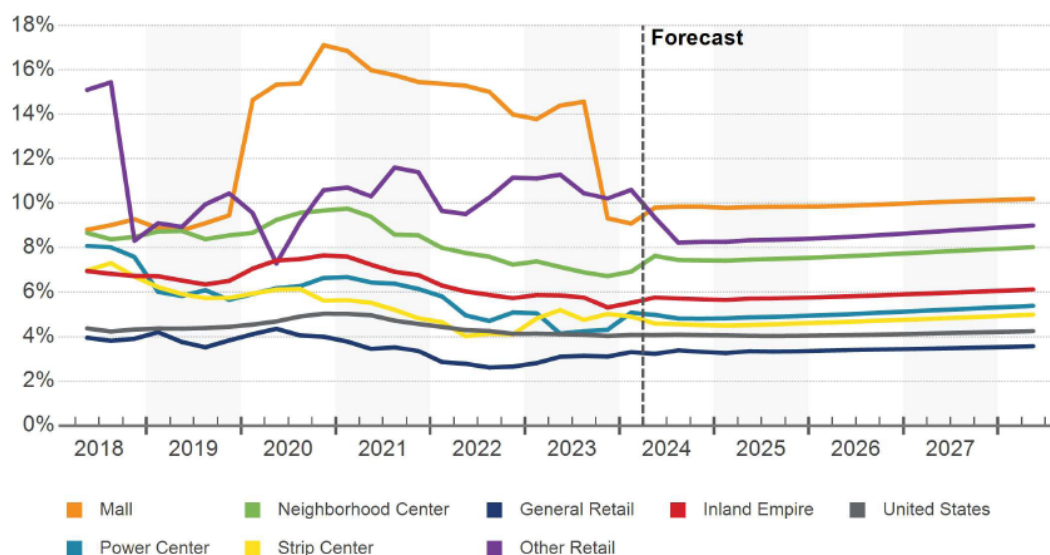
Experiential entertainment providers have been active in the leasing market. For example, Main Event Entertainment signed the largest lease in 2023, for 52,000 SF in the Montclair Place mall. Dave & Buster and Sky Zone also signed new leases last year, and Ninja Factory leased a 14,000 SF space in 2024. Gyms such as EOS Fitness and ENDO Fitness signed new large leases in 2023.

Vallarta Supermarkets is expanding into the market, signing a 60,000 SF lease at Orchard Plaza in Rancho Cucamonga in early 2024, following a 50,000 SF lease in Hemet Village in June 2023 and pre-leasing another 50,000 SF space, at the Van Buren Marketplace in Jurupa Valley in 2022. Dollar Tree signed six new leases in 2023.

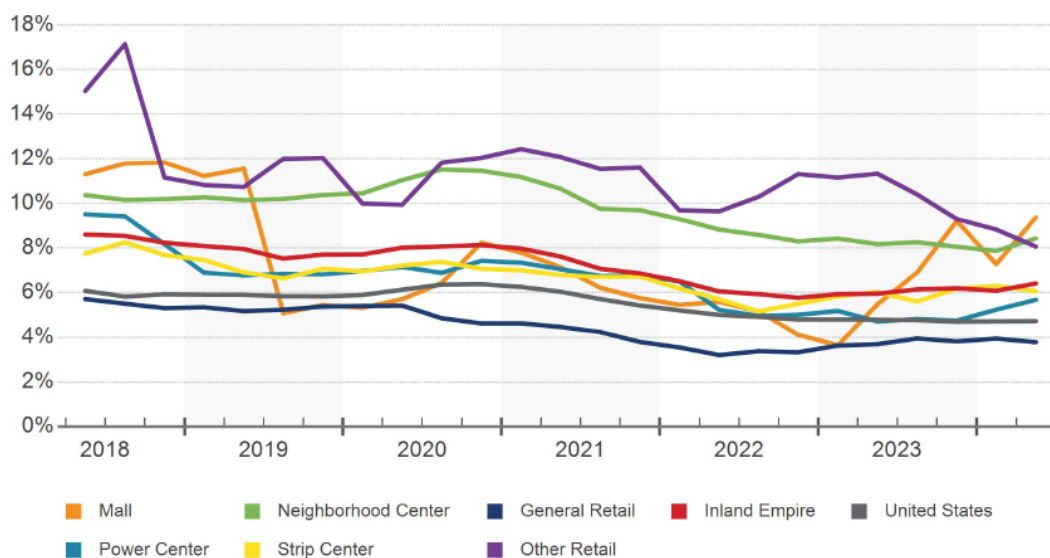
NET ABSORPTION, NET DELIVERIES & VACANCY



VACANCY RATE



AVAILABILITY RATE



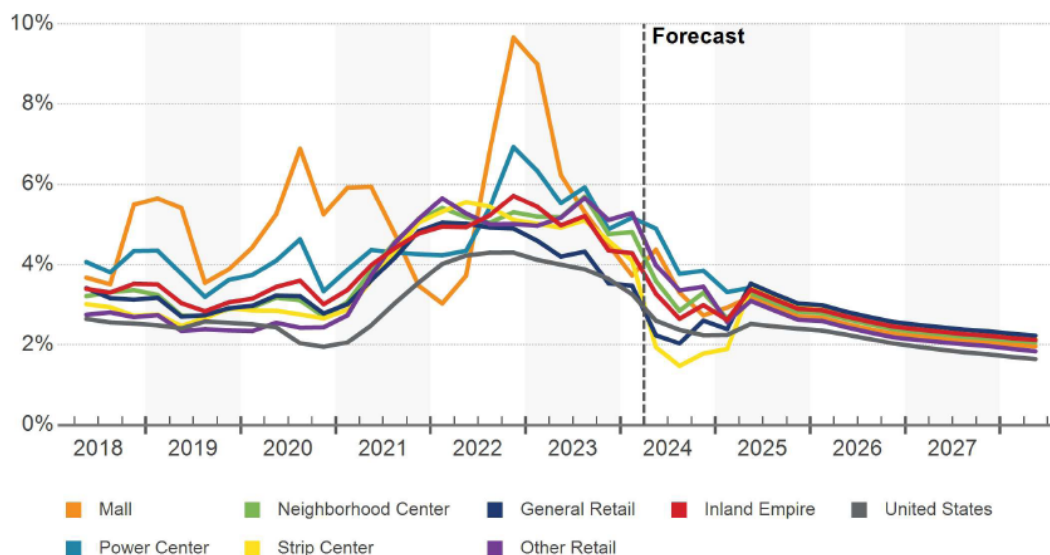
Rent

Rents for retail space in the Inland Empire are rising, but the pace of increase has decelerated from record levels as availability has lifted higher and leasing has moderated. Rent growth has decelerated from 5.9% in 2022 to 4.3% in 2023 and measures 3.4% over the trailing year as of the second quarter of 2024.

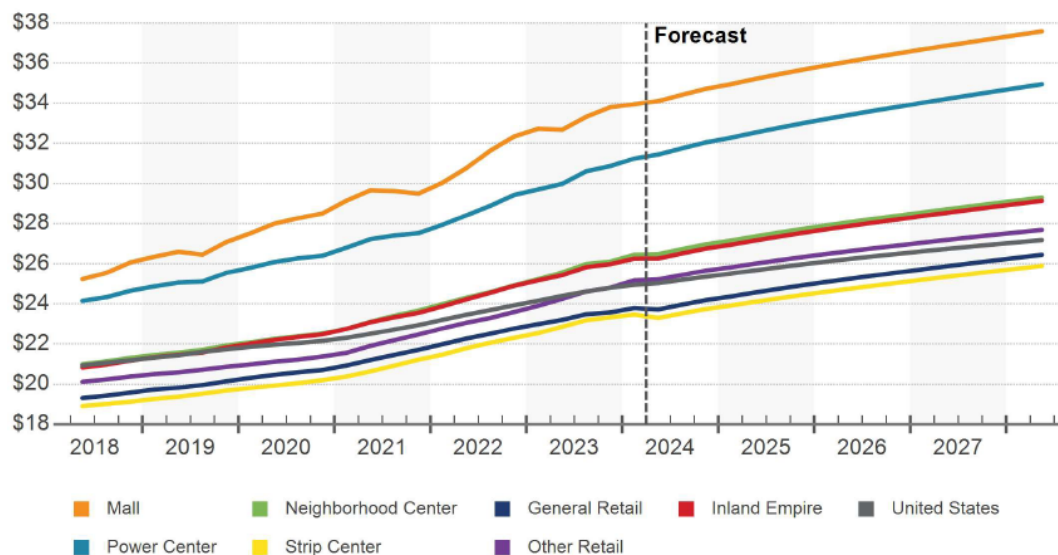
Rent growth among neighborhood centers registers slightly above market average, at 3.7% due to historically compressed availability in the sector. Conversely, availability among general retail space has expanded from a low of 3.2% in mid-2022 up to 3.8%, leading to a deceleration in rent growth, down to 2.4%.

Due to a severe downturn in rents that lingered for over five years following the global financial crisis, it took more than 15 years for retail rents in the Inland Empire to recover to their pre-Great Financial Crisis levels, a feat reached in 2022. Rents average \$26.00/SF, triple-net as of the second quarter of 2024, overtaking the national average again in 2019. Although local rent growth has decelerated, it still outpaces the 2.6% national increase, continuing a trend in place since 2016. Looking ahead, rent growth decelerates along with the national average in 2024-25, but still outpaces it.

MARKET ASKING RENT GROWTH (YOY)



MARKET ASKING RENT PER SQUARE FEET



Construction

Retail development has been relatively scarce over the past ten years and is concentrated in submarkets where housing development has been more active. As of the second quarter of 2024, 790,000 SF of retail inventory is under construction market-wide. Deliveries have generally trended lower since 2018 and, in 2023, fell slightly short of the market's prior decade average with less than 800,000 SF of space completed.

Due to the demolition of the roughly 900,000 SF Carousel Mall in San Bernardino, net supply change over the trailing year measures -160,000 SF. The aged mall fell out of favor as the population grew in suburban areas, and new malls developed nearby raised competition. Renaissance Downtowns USA and ICO Real Estate Group won the contract to redevelop the property, primarily into housing. In place of the mall, developers and city leaders envision 2,000 to 3,500 residential units along with market-driven retail and office components.

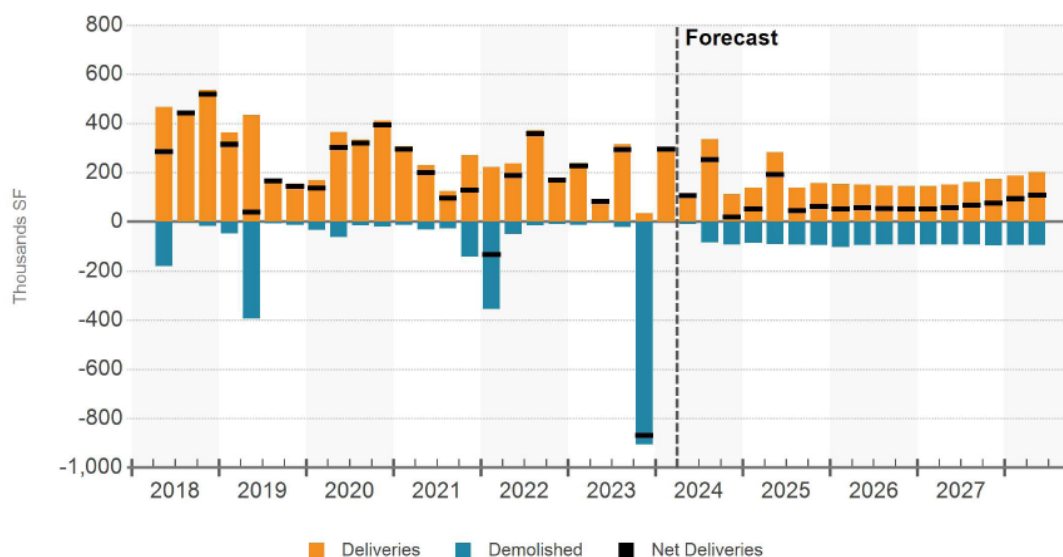
Partially completed in the first quarter of 2024, Town Center at the Preserve, a 170,000-SF retail development at the center of a master-planned community in Chino represents the area's first significant completion in over 5 years. Lewis Companies, a local developer that has built several shopping centers in the Inland Empire, pre-leased the development's 55,500-SF anchor space to Stater Bros. supermarket.

Several large freestanding buildings have been developed in South Riverside County. In Murrieta, a 151,000 SF Costco opened in 2023 near Clinton Keith Road, and a 150,000 SF strip center called The Vineyard is under construction. Krikorian Premiere Theatres was developing a 120,000-SF community center anchored by a 14-screen movie theater in Menifee, but construction work at the site halted in 2020 at the onset of the pandemic and did not resume, with the city issuing a notice to demolish the incomplete theater building at the site in September 2023. Retail pads at the site have resumed construction.

The Rialto Marketplace on Riverside Avenue is undergoing a 96,000-SF expansion, with Sprouts entering as a key anchor. Rialto's median household income has grown remarkably over the past ten years, drawing the higher-end grocery store. The shopping center was originally developed in 2017 and is already anchored by Walmart.

Within the Beaumont/Hemet submarket in the city of Winchester, a new 100,000 SF strip center is being developed on Domenigoni Parkway.

DELIVERIES & DEMOLITIONS



SUBMARKET CONSTRUCTION

No.	Submarket	Under Construction Inventory					Average Building Size		
		Bldgs	SF (000)	Pre-Leased SF (000)	Pre-Leased %	Rank	All Existing	Under Constr	Rank
1	South Riverside	16	326	310	95.2%	3	13,809	20,381	2
2	Redlands/Loma Linda	3	167	146	87.5%	5	9,448	55,737	1
3	Riverside	7	94	69	73.6%	6	9,859	13,439	5
4	Coachella Valley	4	54	23	42.0%	8	12,692	13,460	4
5	Airport Area	7	37	25	67.0%	7	13,126	5,340	7
6	Mojave River Valley	7	34	6	18.0%	9	9,623	4,869	8
7	Moreno Valley/Perris	4	24	24	100%	1	14,990	5,988	6
8	Chino/Chino Hills	5	16	14	89.9%	4	15,919	3,166	9
9	Upland/Montclair	1	14	0	0%	10	14,223	13,596	3
10	Beaumont/Hemet	4	12	12	100%	1	9,361	3,075	10
	All Other	4	13	11	78.5%		9,460	3,362	
Totals		62	792	641	80.9%		11,351	12,771	

Under Construction Properties

Inland Empire Retail

Properties	Square Feet	Percent of Inventory	Preleased
62	791,799	0.4%	80.9%

Sales

Investment in Inland Empire's retail market has declined on par with national trends. Sales volume in 2023 totaled \$1.2 billion, falling 29% short of the market's prior 5-year average, compared to a 33% national downturn. Activity has remained consistent in 2024, with \$246 million trading in the first quarter, but could increase as the year progresses, as the Fed has ended its rate hiking cycle. However, sales volume will likely come closer to last year's total compared to over \$2 billion traded annually from 2021-22.

Higher interest rates and stricter lending standards have cooled investment activity, especially among institutional investors and REITs, which only account for 3% of acquisition volume over the trailing year, down from 12% historically.

Cap rates in the Inland Empire trend significantly above Southern California's coastal markets, where acquisition demand remains stronger. As yields adjust to higher capital costs, cap rates are expected to expand by more than 100 basis points from an all-time low annual average of 5.2% in 2022.

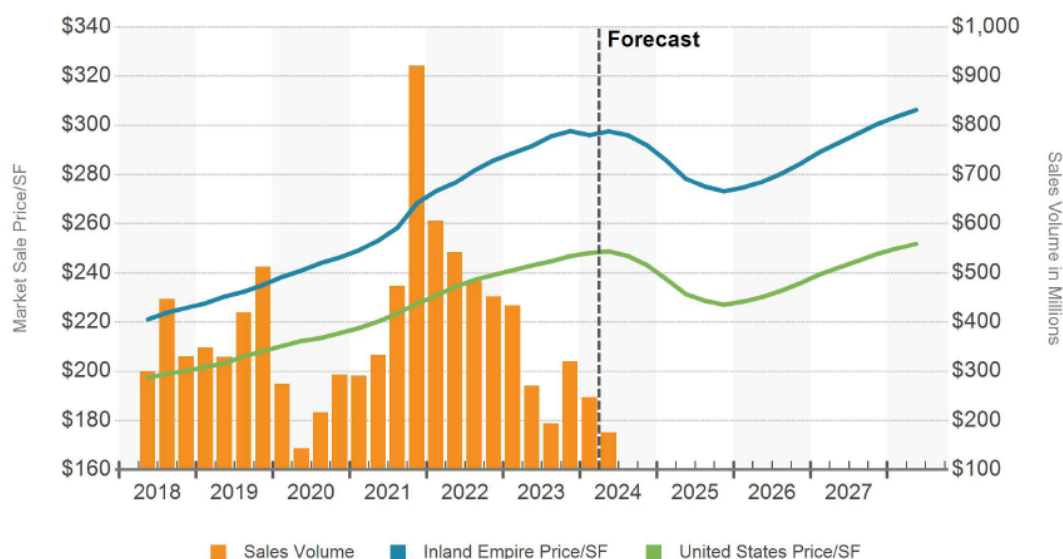
Multi-tenant assets have recently traded at cap rates over 6% recently. For example, The Club Center in San Bernardino, an 87,100-SF community center at 295 E Caroline Street, which caters to neighboring Loma Linda University Medical Center and was 61% leased to the County of San Bernardino, sold at an 8% cap rate in February 2024. Asking rents in the building range from \$12-18/SF, triple-net.

Also, Rancho del Chino, a 15,500 SF, 2008-built neighborhood center, traded for \$7.4 million, or \$479/SF, at a 6.2% cap rate in April 2024. The asset was fully leased at the time of sale but offered a value-add opportunity with current income rents 25% below market according to marketing materials, ranging from the high \$20/SF to low \$30/SF range, triple-net.

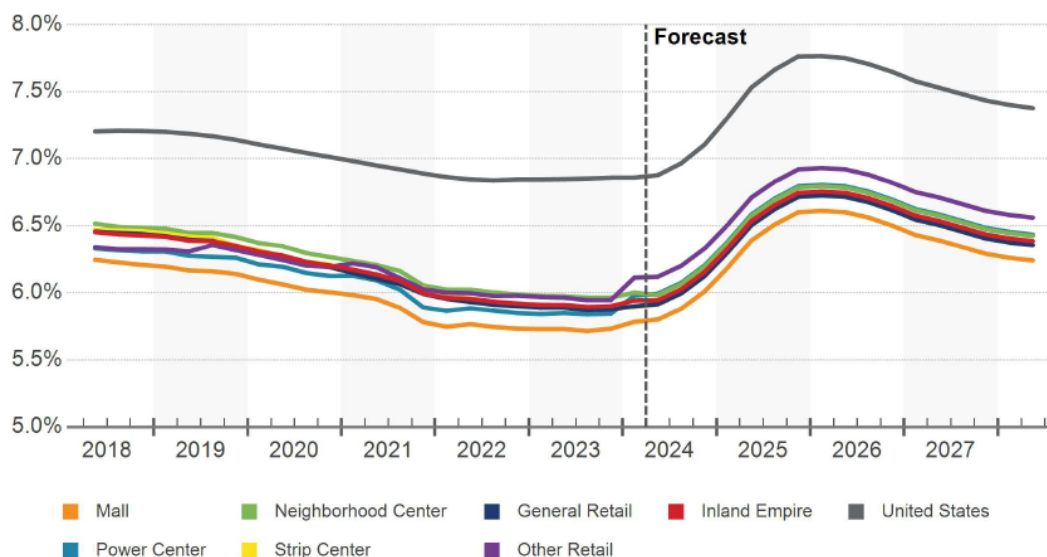
Single-tenant net leased assets are still attracting robust investment interest. Representing one of the most coveted assets in commercial real estate as a virtually risk-free investment, a brand new 4,100-SF building in San Bernardino leased to 7-Eleven for 15 years with 10% rent increases every 5 years traded at a 5.1% cap rate in January 2024. Truck stops and service stations have also traded at cap rates of around 5%.

Loan assumption deals are picking up in reaction to higher loan rates and limited access to capital. In December 2023, El Segundo-based DPI Realty acquired Tri-City Centre, a fully leased, 151,700-SF asset, for \$25.4 million, or \$167/SF, assuming \$15.5 million in debt with a 4.75% interest rate from the seller.

SALES VOLUME & MARKET SALE PRICE PER SF



MARKET CAP RATE



Sales Past 12 Months

Inland Empire Retail			
Sale Comparables	Avg. Cap Rate	Avg. Price/SF	Avg. Vacancy At Sale
502	6.0%	\$277	6.5%

SALE COMPARABLES SUMMARY STATISTICS

Sales Attributes	Low	Average	Median	High
Sale Price	\$81,124	\$2,397,335	\$1,392,500	\$24,086,437
Price/SF	\$20	\$277	\$279	\$5,500
Cap Rate	3.3%	6.0%	5.8%	15.0%
Time Since Sale in Months	0.1	6.1	6.4	12.0
Property Attributes	Low	Average	Median	High
Building SF	414	10,414	4,122	394,181
Stories	1	1	1	3
Typical Floor SF	414	9,492	4,027	197,091
Vacancy Rate At Sale	0%	6.5%	0%	100%
Year Built	1895	1978	1980	2024
Star Rating	★ ★ ★ ★ ★	★ ★ ★ ★ ★ 2.4	★ ★ ★ ★ ★	★ ★ ★ ★ ★

Economy

The Inland Empire leads Southern California markets in post-pandemic job growth and has outpaced the national average significantly, with an aggregate 6.2% gain, based on an increase of nearly 100,000 workers. Furthermore, the Inland Empire is bucking the trend of moderating job growth seen nationally heading into 2024.

Although the market's 1.6% expansion in payrolls in 2023 fell short of the average 3.4% growth rate achieved over the past ten years, the pace of job growth is accelerating and slightly outpaces the national

average. Inland Empires' job growth forecast also outperforms the national average, based on the continuation of positive trends established over the past decade. The market is becoming more expensive but still maintains a competitive advantage of affordability, and many commercial real estate developments underway across the market will provide capacity for additional employment opportunities.

Bolstered by e-commerce growth and industrial space development, transportation and warehousing account for the majority of post-pandemic job growth in the metro. Employment in the sector has expanded nearly 30% from pre-pandemic levels to over 200,000 workers. However, it contracted in 2023, along with wholesale trade employment.

Due to the market's affordable and abundant land near Southern California's twin ports, most national retailers have established warehouse and distribution centers in the area, and third-party logistics providers expanded alongside them as e-commerce adoption accelerated. The twin ports process roughly a third of all U.S. imports, much of which is transported further inland via rail and highway. Imports are rebounding in the opening of 2024 now that West Coast dock workers have agreed to a new labor contract.

Amazon's operations in the market have exploded. The e-commerce giant opened its first California fulfillment center in San Bernardino in 2012, expanding to approximately 30 industrial buildings across the Inland Empire today and becoming the market's largest public company, employing roughly 30,000 local workers.

Now boasting 4.7 million residents, the Inland Empire ranks as the 11th-most populated market in the nation. Employment levels rank slightly lower due to Inland's high proportion of retirees. Attracted to the market's consistently warm weather and affordability, a plethora of retirement communities generate outsized demand for healthcare services and medical-related real estate. Tourism is vibrant in Palm Springs, Big Bear, and Temecula, primarily attracting in-state travelers.

Major cities are concentrated in the southwest portion of the market, lining Interstate 15, which runs northeast to Las Vegas, and Interstate 10, which runs east across the Southern U.S. Roughly within an hour's drive from Los Angeles, Riverside is the largest Inland Empire city with over 310,000 residents, followed by over 200,000 residents in San Bernardino, Fontana, and growing Moreno Valley.

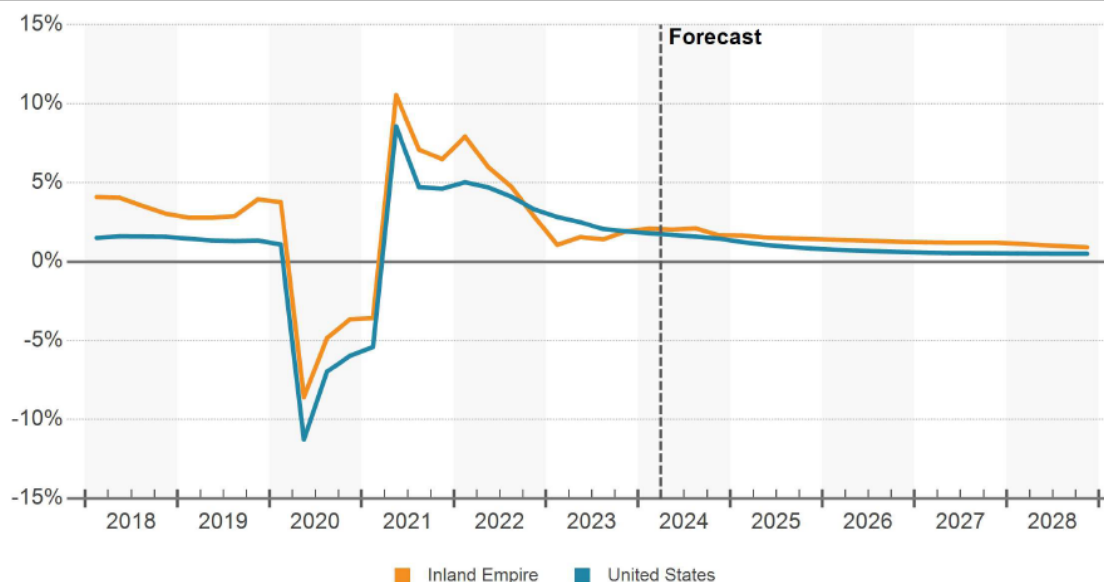
San Bernardino is the largest county by land mass across the continental U.S., spanning over 20,000 square miles from Los Angeles to California's border with Nevada and Arizona. Running east from Orange County, Riverside County adds another 7,200 square miles to the combined Inland Empire market area.

INLAND EMPIRE EMPLOYMENT BY INDUSTRY IN THOUSANDS

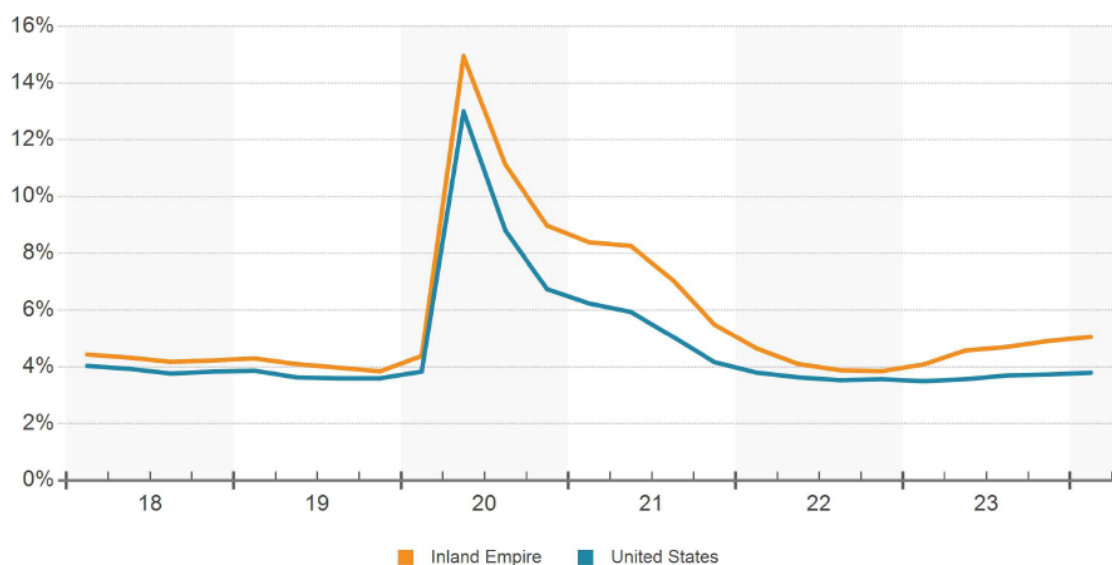
Industry	CURRENT JOBS		CURRENT GROWTH		10 YR HISTORICAL		5 YR FORECAST	
	Jobs	LQ	Market	US	Market	US	Market	US
Manufacturing	99	0.7	-0.43%	0.45%	0.92%	0.68%	0.39%	0.45%
Trade, Transportation and Utilities	453	1.4	-1.31%	0.33%	3.78%	1.02%	1.30%	0.37%
Retail Trade	183	1.1	-0.21%	0.49%	0.84%	0.26%	0.41%	0.26%
Financial Activities	46	0.5	0.68%	0.63%	0.66%	1.52%	0.34%	0.37%
Government	269	1.1	4.21%	2.49%	1.81%	0.62%	1.28%	0.70%
Natural Resources, Mining and Construction	124	1.3	6.32%	2.52%	4.69%	2.38%	1.11%	0.86%
Education and Health Services	300	1.1	5.33%	3.79%	4.47%	2.04%	1.66%	0.81%
Professional and Business Services	169	0.7	2.13%	0.66%	2.40%	1.89%	0.74%	0.73%
Information	14	0.4	3.71%	-0.70%	0.18%	1.08%	0.52%	0.65%
Leisure and Hospitality	189	1.0	0.63%	2.84%	2.75%	1.50%	1.42%	1.02%
Other Services	50	0.8	2.95%	1.59%	1.35%	0.59%	0.81%	0.55%
Total Employment	1,711	1.0	2.02%	1.69%	2.98%	1.35%	1.21%	0.66%

Source: Oxford Economics
LQ = Location Quotient

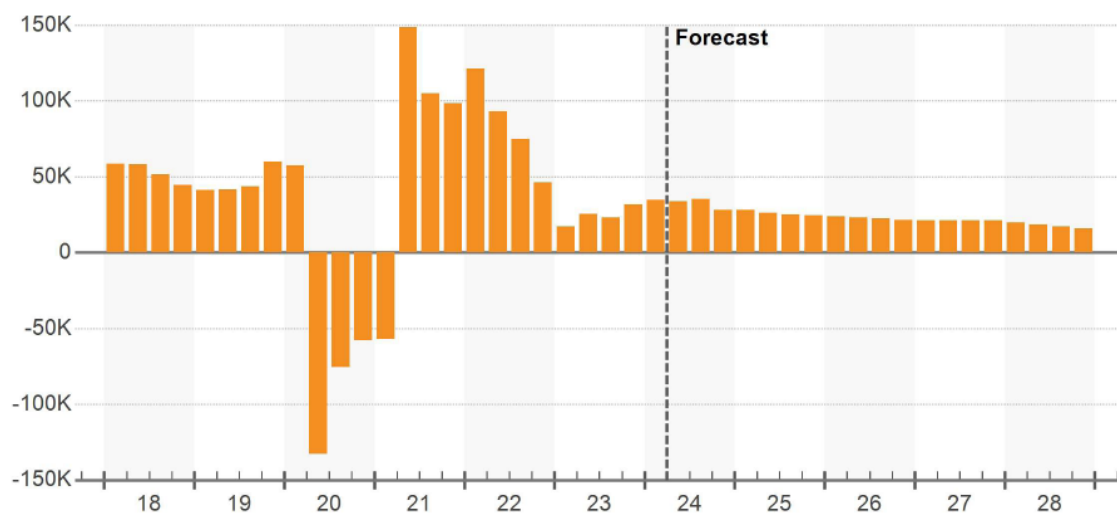
JOB GROWTH (YOY)



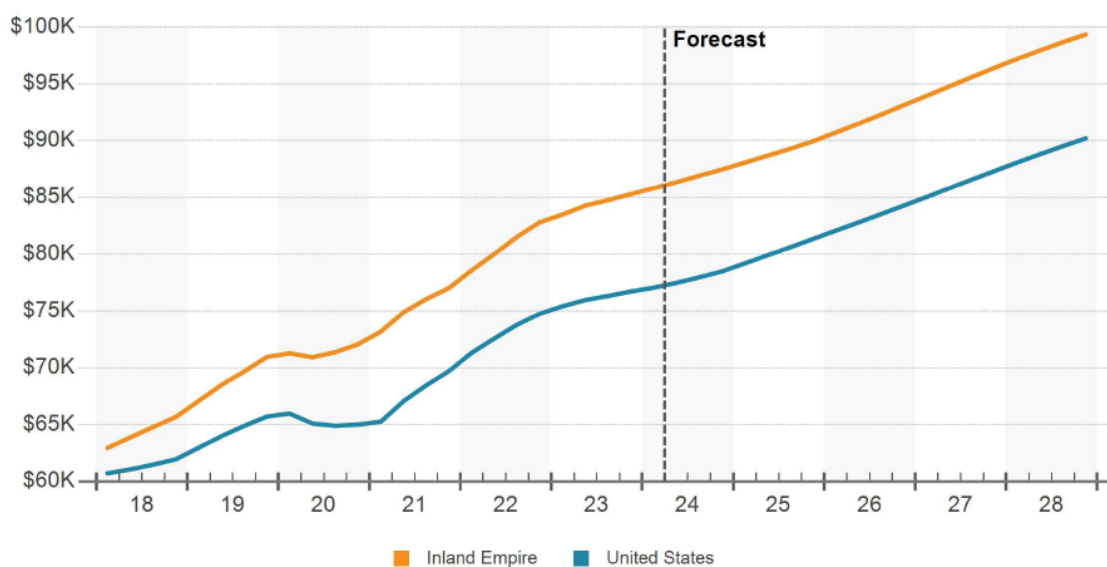
UNEMPLOYMENT RATE (%)



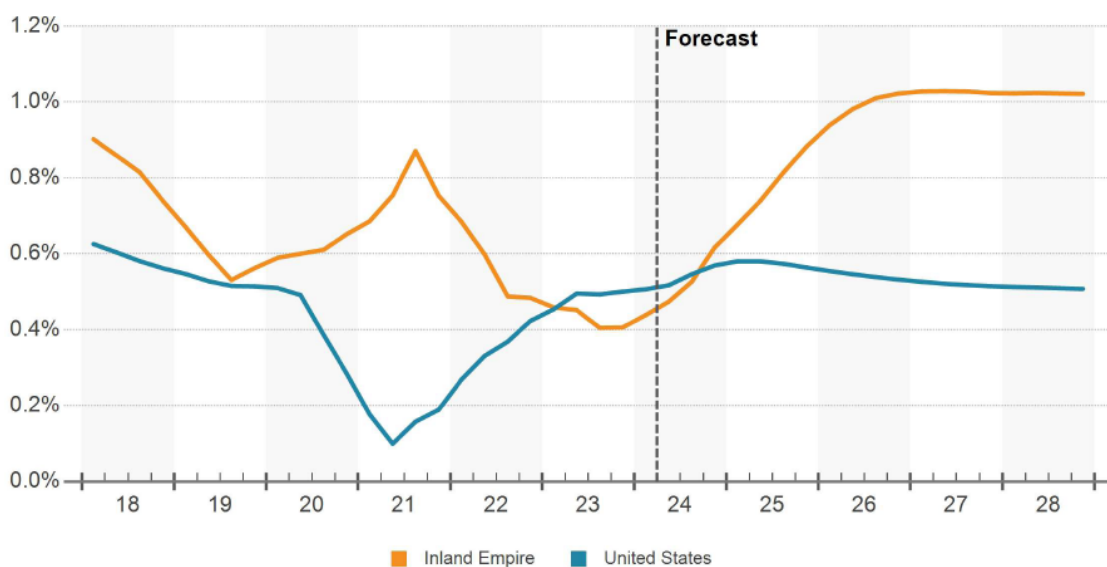
NET EMPLOYMENT CHANGE (YOY)



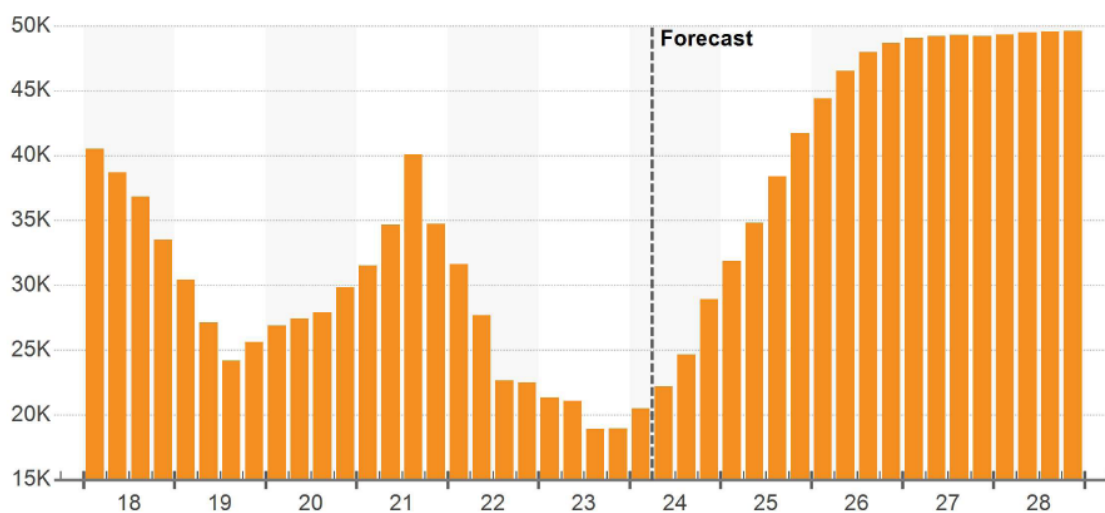
MEDIAN HOUSEHOLD INCOME



POPULATION GROWTH (YOY %)



NET POPULATION CHANGE (YOY)

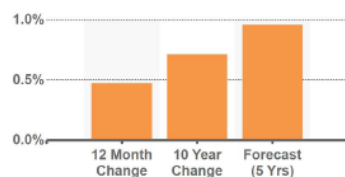


DEMOGRAPHIC TRENDS

Demographic Category	Current Level		12 Month Change		10 Year Change		5 Year Forecast	
	Metro	US	Metro	US	Metro	US	Metro	US
Population	4,704,774	336,205,844	0.5%	0.5%	0.7%	0.5%	1.0%	0.5%
Households	1,459,029	131,350,750	0.6%	0.7%	0.7%	0.9%	1.1%	0.6%
Median Household Income	\$86,273	\$77,432	2.5%	2.0%	4.8%	3.9%	3.1%	3.4%
Labor Force	2,171,102	167,843,453	0.4%	0.6%	1.4%	0.8%	1.1%	0.5%
Unemployment	5.1%	3.8%	0.5%	0.2%	-0.3%	-0.2%	-	-

Source: Oxford Economics

POPULATION GROWTH



LABOR FORCE GROWTH



INCOME GROWTH



Source: Oxford Economics

SUBMARKET INVENTORY

No.	Submarket	Inventory				12 Month Deliveries				Under Construction			
		Bldgs	SF (000)	% Market	Rank	Bldgs	SF (000)	Percent	Rank	Bldgs	SF (000)	Percent	Rank
1	Airport Area	2,071	27,184	13.4%	2	15	225	0.8%	1	7	37	0.1%	5
2	Beaumont/Hemet	1,300	12,170	6.0%	8	7	27	0.2%	8	4	12	0.1%	10
3	Chino/Chino Hills	482	7,673	3.8%	12	10	143	1.9%	2	5	16	0.2%	8
4	Coachella Valley	2,152	27,313	13.5%	1	8	72	0.3%	4	4	54	0.2%	4
5	Corona/Eastvale	913	11,351	5.6%	9	7	26	0.2%	9	3	8	0.1%	11
6	Mojave River Valley	1,894	18,226	9.0%	5	4	13	0.1%	11	7	34	0.2%	6
7	Moreno Valley/Perris	903	13,536	6.7%	7	6	49	0.4%	6	4	24	0.2%	7
8	Redlands/Loma Linda	1,065	10,062	5.0%	10	5	14	0.1%	10	3	167	1.7%	2
9	Riverside	1,769	17,441	8.6%	6	6	37	0.2%	7	7	94	0.5%	3
10	Riverside Outlying	156	1,016	0.5%	14	0	0	0%	-	0	-	-	-
11	San Bernardino	2,356	21,551	10.6%	4	11	117	0.5%	3	1	5	0%	12
12	San Bernardino Outlying	83	469	0.2%	15	0	0	0%	-	0	-	-	-
13	South Riverside	1,608	22,205	11.0%	3	13	52	0.2%	5	16	326	1.5%	1
14	Twentynine Palms	412	2,696	1.3%	13	1	2	0.1%	13	0	-	-	-
15	Upland/Montclair	676	9,615	4.7%	11	1	4	0%	12	1	14	0.1%	9

SUBMARKET RENT

No.	Submarket	Market Asking Rent		12 Month Market Asking Rent		QTD Annualized Market Asking Rent	
		Per SF	Rank	Growth	Rank	Growth	Rank
1	Airport Area	\$29.16	5	3.9%	3	1.0%	3
2	Beaumont/Hemet	\$22.43	10	2.6%	10	-1.8%	12
3	Chino/Chino Hills	\$33.97	1	4.7%	1	2.0%	1
4	Coachella Valley	\$26.30	8	3.2%	7	-0.4%	8
5	Corona/Eastvale	\$30.47	2	3.6%	5	1.0%	4
6	Mojave River Valley	\$20.69	11	2.1%	12	-1.7%	11
7	Moreno Valley/Perris	\$26.27	9	3.7%	4	0.5%	6
8	Redlands/Loma Linda	\$26.77	7	2.9%	9	-1.5%	9
9	Riverside	\$27.30	6	2.9%	8	0%	7
10	Riverside Outlying	\$18.94	13	1.9%	13	-4.5%	14
11	San Bernardino	\$19.79	12	2.6%	11	-1.6%	10
12	San Bernardino Outlying	\$18.55	14	1.0%	15	-6.1%	15
13	South Riverside	\$29.72	3	4.3%	2	1.1%	2
14	Twentynine Palms	\$17.71	15	1.6%	14	-4.3%	13
15	Upland/Montclair	\$29.66	4	3.6%	6	0.7%	5

SUBMARKET VACANCY & NET ABSORPTION

No.	Submarket	Vacancy			12 Month Absorption			
		SF	Percent	Rank	SF	% of Inv	Rank	Construc. Ratio
1	Airport Area	893,878	3.3%	1	260,771	1.0%	1	0.9
2	Beaumont/Hemet	814,709	6.7%	9	(38,294)	-0.3%	10	-
3	Chino/Chino Hills	577,972	7.5%	12	40,363	0.5%	5	3.5
4	Coachella Valley	1,929,346	7.1%	11	(68,926)	-0.3%	12	-
5	Corona/Eastvale	526,468	4.6%	4	72,868	0.6%	3	0.4
6	Mojave River Valley	1,257,992	6.9%	10	(297,170)	-1.6%	15	-
7	Moreno Valley/Perris	1,089,943	8.1%	14	(61,085)	-0.5%	11	-
8	Redlands/Loma Linda	552,168	5.5%	5	(77,193)	-0.8%	13	-
9	Riverside	780,289	4.5%	3	(6,486)	0%	9	-
10	Riverside Outlying	60,776	6.0%	6	27,998	2.8%	6	-
11	San Bernardino	1,344,276	6.2%	8	5,234	0%	8	-
12	San Bernardino Outlying	68,245	14.5%	15	8,225	1.8%	7	-
13	South Riverside	898,504	4.0%	2	187,635	0.8%	2	0.2
14	Twentynine Palms	166,920	6.2%	7	47,165	1.7%	4	0
15	Upland/Montclair	757,109	7.9%	13	(100,538)	-1.0%	14	-

OVERALL SUPPLY & DEMAND

Year	Inventory			Net Absorption		
	SF	SF Growth	% Growth	SF	% of Inv	Construction Ratio
2028	203,739,216	470,728	0.2%	66,094	0%	7.1
2027	203,268,488	255,616	0.1%	(109,392)	-0.1%	-
2026	203,012,872	215,830	0.1%	(100,407)	0%	-
2025	202,797,042	353,399	0.2%	207,292	0.1%	1.7
2024	202,443,643	674,468	0.3%	(101,349)	-0.1%	-
YTD	202,170,657	401,482	0.2%	(572,522)	-0.3%	-
2023	201,769,175	(266,967)	-0.1%	602,381	0.3%	-
2022	202,036,142	592,131	0.3%	2,635,641	1.3%	0.2
2021	201,444,011	722,029	0.4%	2,441,071	1.2%	0.3
2020	200,721,982	1,166,666	0.6%	(1,201,475)	-0.6%	-
2019	199,555,316	664,192	0.3%	735,711	0.4%	0.9
2018	198,891,124	1,548,764	0.8%	1,975,775	1.0%	0.8
2017	197,342,360	1,344,148	0.7%	1,313,748	0.7%	1.0
2016	195,998,212	637,027	0.3%	2,388,393	1.2%	0.3
2015	195,361,185	723,468	0.4%	846,597	0.4%	0.9
2014	194,637,717	1,262,382	0.7%	2,005,731	1.0%	0.6
2013	193,375,335	479,079	0.2%	1,463,242	0.8%	0.3
2012	192,896,256	714,163	0.4%	1,043,894	0.5%	0.7

OVERALL RENT & VACANCY

Year	Market Asking Rent				Vacancy		
	Per SF	Index	% Growth	Vs Hist Peak	SF	Percent	Ppts Chg
2028	\$29.43	130	2.0%	13.3%	12,652,842	6.2%	0.2%
2027	\$28.84	127	2.2%	11.0%	12,280,120	6.0%	0.2%
2026	\$28.21	125	2.5%	8.6%	11,944,235	5.9%	0.1%
2025	\$27.53	122	2.9%	6.0%	11,647,368	5.7%	0.1%
2024	\$26.76	118	3.0%	3.0%	11,498,790	5.7%	0.4%
YTD	\$26.25	116	3.4%	1.0%	11,683,918	5.8%	0.5%
2023	\$25.98	115	4.4%	0%	10,709,914	5.3%	-0.4%
2022	\$24.90	110	5.7%	-4.2%	11,579,118	5.7%	-1.0%
2021	\$23.55	104	4.8%	-9.3%	13,633,268	6.8%	-0.9%
2020	\$22.48	99	3.0%	-13.5%	15,350,568	7.6%	1.1%
2019	\$21.82	96	3.1%	-16.0%	12,992,211	6.5%	-0.2%
2018	\$21.18	94	3.5%	-18.5%	13,380,730	6.7%	-0.3%
2017	\$20.46	90	3.3%	-21.3%	13,813,141	7.0%	0%
2016	\$19.80	88	3.0%	-23.8%	13,800,693	7.0%	-0.9%
2015	\$19.22	85	2.8%	-26.0%	15,552,115	8.0%	-0.1%
2014	\$18.70	83	2.7%	-28.0%	15,675,229	8.1%	-0.4%
2013	\$18.22	81	0.6%	-29.9%	16,418,578	8.5%	-0.5%
2012	\$18.11	80	-2.1%	-30.3%	17,376,242	9.0%	-0.2%

OVERALL SALES

Year	Completed Transactions (1)						Market Pricing Trends (2)		
	Deals	Volume	Turnover	Avg Price	Avg Price/SF	Avg Cap Rate	Price/SF	Price Index	Cap Rate
2028	-	-	-	-	-	-	\$311.59	163	6.3%
2027	-	-	-	-	-	-	\$300.48	157	6.4%
2026	-	-	-	-	-	-	\$284.51	149	6.6%
2025	-	-	-	-	-	-	\$273.13	143	6.7%
2024	-	-	-	-	-	-	\$291.80	153	6.2%
YTD	216	\$421.6M	1.2%	\$2,465,445	\$256.91	6.2%	\$298.30	156	5.9%
2023	553	\$1.2B	2.7%	\$2,575,326	\$271.46	5.7%	\$297.60	156	5.9%
2022	806	\$2.1B	4.1%	\$2,669,025	\$268.86	5.2%	\$285.74	149	5.9%
2021	850	\$2B	5.0%	\$2,573,967	\$236.18	5.7%	\$268.27	140	6.0%
2020	519	\$926.1M	2.2%	\$1,889,984	\$227.88	5.9%	\$246.26	129	6.2%
2019	946	\$1.6B	4.3%	\$2,570,892	\$228.59	6.2%	\$235.14	123	6.3%
2018	1,050	\$1.4B	6.2%	\$2,196,735	\$203.25	5.8%	\$225.78	118	6.4%
2017	1,120	\$1.5B	5.2%	\$2,358,283	\$201.24	6.1%	\$217.36	114	6.5%
2016	963	\$1.1B	4.1%	\$1,847,943	\$198.39	5.9%	\$211.46	111	6.5%
2015	983	\$1.7B	5.5%	\$2,435,122	\$219.11	6.0%	\$206.64	108	6.4%
2014	969	\$1.5B	5.1%	\$2,227,063	\$185.84	6.6%	\$194.20	102	6.7%
2013	835	\$917.8M	4.8%	\$1,702,761	\$144.90	6.9%	\$173.37	91	7.0%

(1) Completed transaction data is based on actual arms-length sales transactions and levels are dependent on the mix of what happened to sell in the period.

(2) Market price trends data is based on the estimated price movement of all properties in the market, informed by actual transactions that have occurred.

INDUSTRIAL

Information regarding the subject's market conditions is derived from independent research and information from the Voit Inland Empire Industrial Market Report, First Quarter 2024. *The subject is in the East Inland Empire/ Rialto submarket.*

	INVENTORY				VACANCY & LEASE RATES					ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate Q1 2024	Square Feet Available	Availability Rate Q1 2024	Average Asking Lease Rate	Net Absorption Q1 2024	Net Absorption 2024	Gross Absorption Q1 2024	Gross Absorption 2024
West													
Chino/Chino Hills	946	56,106,172	1,195,946	1,421,626	2,665,138	4.75%	3,944,444	7.03%	\$1.62	(940,742)	(940,742)	864,927	864,927
Fontana	784	73,222,631	5,632,699	9,447,579	4,368,265	5.97%	6,688,086	9.13%	\$1.52	484,830	484,830	1,457,696	1,457,696
Mira Loma/Eastvale/Jurupa Valley	409	50,809,611	3,604,113	759,250	3,958,436	7.79%	7,193,369	14.16%	\$1.22	(1,148,450)	(1,148,450)	1,324,309	1,324,309
Montclair	207	4,105,712	513,925	0	140,010	3.41%	390,459	9.51%	\$0.00	61,979	61,979	126,986	126,986
Ontario	1,528	124,433,980	5,852,047	9,599,472	7,867,318	6.32%	11,174,549	8.98%	\$1.42	2,788,341	2,788,341	3,991,160	3,991,160
Rancho Cucamonga	749	43,573,488	412,739	943,573	2,215,846	5.09%	4,706,622	10.80%	\$1.71	(111,739)	(111,739)	421,286	421,286
Upland	259	4,078,220	7,700	100,000	325,975	7.99%	403,700	9.90%	\$1.09	(65,268)	(65,268)	56,940	56,940
5,000-24,999	2,775	33,635,308	125,730	310,088	1,242,995	3.70%	1,505,639	4.48%	\$1.73	(98,401)	(98,401)	544,331	544,331
25,000-49,999	767	26,927,826	553,337	466,445	1,294,187	4.81%	2,236,720	8.31%	\$1.50	(60,495)	(60,495)	537,169	537,169
50,000-99,999	488	34,089,255	758,654	625,671	2,283,590	6.70%	2,941,674	8.63%	\$1.35	(105,532)	(105,532)	736,966	736,966
100,000-249,999	490	74,995,359	2,561,848	1,919,276	6,082,313	8.11%	9,397,090	12.53%	\$1.49	543,501	543,501	1,665,603	1,665,603
250,000-499,999	234	82,934,927	2,699,634	3,532,677	4,415,840	5.32%	8,013,402	9.66%	\$1.22	(985,048)	(985,048)	1,239,424	1,239,424
500,000 plus	128	103,747,139	10,519,966	15,417,343	6,222,063	6.00%	10,406,704	10.03%	\$0.00	1,774,926	1,774,926	3,525,811	3,525,811
West Total	4,882	356,329,814	17,219,169	22,271,500	21,540,988	6.05%	34,501,229	9.68%	\$1.53	1,068,951	1,068,951	8,243,304	8,243,304
East													
Banning	48	1,944,130	0	1,890,411	5,510	0.28%	1,046,905	53.85%	\$0.91	57,253	57,253	101,753	101,753
Beaumont	50	10,243,005	0	2,597,450	468,204	4.57%	460,954	4.50%	\$0.00	(468,204)	(468,204)	2,250	2,250
Bloomington	126	10,520,529	81,494	261,632	348,756	3.32%	640,986	6.09%	\$0.99	(242,218)	(242,218)	38,170	38,170
Corona/Norco	1,014	35,740,048	203,823	1,151,866	2,856,445	7.99%	4,180,913	11.70%	\$1.44	(164,269)	(164,269)	264,295	264,295
Colton/Grand Terrace	190	11,347,488	10,000	1,058,657	1,297,783	11.44%	1,412,198	12.45%	\$0.66	(204,095)	(204,095)	159,845	159,845
Moreno Valley	111	33,003,219	289,908	41,942,105	653,283	1.98%	1,998,506	6.06%	\$1.26	30,501	30,501	140,459	140,459
Perris	251	42,739,214	2,711,936	10,787,961	3,887,681	9.10%	7,351,134	17.20%	\$1.18	(279,601)	(279,601)	810,079	810,079
Redlands/Loma Linda	246	31,354,665	19,370	834,659	3,450,208	11.00%	4,512,366	14.39%	\$1.26	78,309	78,309	286,081	286,081
Rialto	210	31,431,079	1,240,884	1,496,484	2,781,298	8.85%	4,961,463	15.79%	\$1.44	(1,317,816)	(1,317,816)	68,244	68,244
Riverside	1,134	58,485,481	881,941	1,143,888	3,548,767	6.07%	5,585,832	9.55%	\$1.28	(554,516)	(554,516)	635,498	635,498
San Bernardino/Highland	610	46,295,996	1,884,592	597,510	2,130,367	4.60%	6,264,740	13.53%	\$1.23	(175,081)	(175,081)	234,589	234,589
5,000-24,999	2,437	28,969,361	167,869	100,499	803,727	2.77%	1,339,040	4.62%	\$1.47	(136,568)	(136,568)	334,373	334,373
25,000-49,999	585	20,577,238	587,822	650,394	978,280	4.75%	1,994,211	9.69%	\$1.27	(116,454)	(116,454)	280,092	280,092
50,000-99,999	364	25,254,252	715,800	974,009	1,874,396	7.42%	3,778,011	14.96%	\$1.20	(339,487)	(339,487)	423,626	423,626
100,000-249,999	299	45,892,535	1,606,484	3,043,491	6,440,042	14.05%	9,556,036	20.82%	\$1.15	(201,877)	(201,877)	545,693	545,693
250,000-499,999	142	51,421,065	3,697,954	5,892,527	6,237,682	12.13%	13,337,944	25.94%	\$0.96	(587,163)	(587,163)	357,957	357,957
500,000 plus	163	140,990,403	548,019	53,101,703	5,085,175	3.61%	8,410,755	5.97%	\$0.00	(1,858,188)	(1,858,188)	799,522	799,522
East Total	3,990	313,104,854	7,323,948	63,762,623	21,428,302	6.84%	38,415,997	12.27%	\$1.23	(3,239,737)	(3,239,737)	2,741,263	2,741,263
Inland Empire Total	8,872	669,434,668	24,543,117	86,034,123	42,969,290	6.42%	72,917,226	10.89%	\$1.39	(2,170,786)	(2,170,786)	10,984,567	10,984,567
5,000-24,999	5,212	62,604,669	293,599	410,587	2,046,722	3.27%	2,844,679	4.54%	\$1.44	(234,969)	(234,969)	878,704	878,704
25,000-49,999	1,352	47,505,064	1,141,159	1,116,839	2,272,467	4.78%	4,230,931	8.91%	\$1.45	(176,949)	(176,949)	817,261	817,261
50,000-99,999	852	59,343,507	1,474,454	1,599,680	4,157,986	7.01%	6,719,685	11.32%	\$1.40	(445,019)	(445,019)	1,160,592	1,160,592
100,000-249,999	789	120,887,894	4,168,332	4,962,767	12,531,355	10.37%	18,953,126	15.68%	\$1.29	(341,624)	(341,624)	2,211,296	2,211,296
250,000-499,999	376	134,355,992	6,397,588	9,425,204	10,653,522	7.93%	21,351,346	15.89%	\$0.00	(1,572,211)	(1,572,211)	1,591,381	1,591,381
500,000 plus	291	244,737,542	11,067,985	68,519,046	11,307,238	4.62%	18,817,459	7.69%	\$0.00	(83,262)	(83,262)	4,325,333	4,325,333
Inland Empire Total	8,872	669,434,668	24,543,117	86,034,123	42,969,290	6.42%	72,917,226	10.89%	\$1.39	(2,170,786)	(2,170,786)	10,984,567	10,984,567
High Desert													
Adelanto	169	5,318,804	467,462	3,352,311	292,868	5.51%	312,868	5.88%	\$1.62	132,957	132,957	156,950	156,950
Apple Valley	76	3,889,832	0	2,548,160	47,000	1.21%	29,324	0.75%	\$0.00	1,000	1,000	2,250	2,250
Barstow	53	1,307,883	0	0	119,427	9.13%	126,427	9.67%	\$1.00	(8,525)	(8,525)	0	0
Hesperia	198	6,798,611	0	6,940,144	793,719	11.67%	932,299	13.71%	\$0.97	(148,733)	(148,733)	18,615	18,615
Victorville	135	10,468,308	137,350	14,778,763	587,473	5.61%	643,040	6.14%	\$1.01	(12,793)	(12,793)	21,075	21,075
High Desert Total	631	27,783,438	604,812	27,619,378	1,840,487	6.62%	2,043,958	7.36%	\$1.29	(36,094)	(36,094)	198,890	198,890
Temecula Valley													
Hemet	88	1,618,646	0	0	23,203	1.43%	68,003	4.20%	\$1.00	0	0	0	0
Lake Elsinore	182	2,705,239	63,000	149,500	148,575	5.49%	115,225	4.26%	\$1.03	(78,531)	(78,531)	4,044	4,044
Menifee	26	615,986	0	0	19,433	3.15%	44,226	7.18%	\$1.25	(183)	(183)	0	0
Murrieta	275	4,543,790	56,716	183,653	207,378	4.56%	261,360	5.75%	\$1.22	938	938	34,739	34,739
San Jacinto	66	1,108,019	0	0	9,730	0.88%	9,730	0.88%	\$1.13	(6,000)	(6,000)	2,500	2,500
Temecula	347	10,308,546	94,582	148,044	527,334	5.12%	860,770	8.35%	\$1.26	31,364	31,364	91,062	91,062
Wildomar	12	331,720	0	259,650	3,664	1.10%	2,090	0.63%	\$0.00	(3,664)	(3,664)	0	0
Temecula Valley Total	996	21,231,946	214,298	740,847	939,317	4.42%	1,361,404	6.41%	\$1.22	(56,076)	(56,076)	132,345	132,345

This survey consists of industrial buildings greater than 5,000 square feet. Lease rates are on a triple-net basis. Some buildings do not quote asking rental rates and therefore are reflected as \$0.00.

Overview

The Inland Empire industrial market stumbled again in the opening quarter. Vacancy made its biggest move up since the market low of late 2022, while lease and sale activity slipped. Gross absorption also declined, and net absorption turned negative after several consecutive quarters in the black. Total inventory topped 669 MSF on a slew of new deliveries, while total space under construction continued to fall. Active requirements in circulation are also on the wane, which is reflected in the negative absorption totals. The cost of capital made a slight move down early in the quarter but moved up again by the end of the period, keeping institutional investors and owner/user buyers on the sidelines in anticipation of Fed action to lower rates later in the year.

Vacancy & Availability

The Inland Empire vacancy rate jumped by 155 basis points in Q1 on top of a 94-basis-point spike in Q4. Year over year, vacancy has risen by almost 200% from just 2.15% in Q1 of 2023. Total vacant space hit 42.9 MSF in Q1, up from 32.2 MSF in Q4. Vacancy remains highest in buildings between 100,000 and 250,000 SF at 10.37%, up from 9.58% in Q4. Even vacancy in buildings over 500,000 SF, which was less than 1% a year ago, hit 4.62% in Q1, a clear indication that the market slowdown runs across the board. The availability rate climbed into double digits for the first time in more than a decade, finishing the quarter at 10.89%. New deliveries combined with a sharp rise in sublease space are the main drivers of the increase. Availability has doubled year over year.

Lease Rates

Average asking lease rates are finally on the decline after years of quarterly increases. For the entire region across all size ranges, the average asking rate fell 2 cents to \$1.39. Year over year, that same rate has fallen by \$0.05 per square foot. IE West's average asking rate is still running \$0.30 per square foot higher than in IE East, ending the period at \$1.53, down \$0.05. The IE East rate fell to \$1.23 from \$1.29 in the final quarter of 2023, though it is important to note that some new inventory, which tends to command a more premium price, is being offered without an asking rate. Rancho Cucamonga still has the highest average asking rate in the entire Inland Empire at \$1.71, while Banning has the lowest rate in the IE at \$0.91. Effective rates, which take into account concessions like free rent and tenant improvements, are falling faster than asking rates.

Transaction Activity

Overall lease and sale transactions fell to just under 10 MSF in Q1 from almost 11 MSF in Q4 of last year. But lease transaction count increased to 244 in Q1 from 194 in Q4 with little change in the overall square footage transacted. This is indicative of the falloff in transactions in larger spaces. Sale transactions fell in Q1 to just 42 from 72 in Q4, in large part to stubbornly high mortgage interest rates that have thrown a wet blanket on buyer demand. The steep falloff in sales activity dates back to the second half of 2022 when the impact of the Fed's restrictive monetary policy first hit the commercial mortgage market. Overall sale and lease activity is off by more than 40% year over year.

Absorption

Inland Empire net absorption shifted into negative territory in Q1 after several quarters in the black. The region suffered a decline in occupancy of 2,170,786 SF compared to a gain of 1,320,786 SF in Q4. Net absorption has been under intense pressure over the past several quarters as new inventory pours onto the market in the face of softer demand for space. This quarter of last year, positive net absorption topped 3 MSF throughout the region. In some cases, this year, pre-leased space under construction is being offered for sublease never having been occupied. Gross absorption also moved lower in Q1, falling to 10.9 MSF from 12.4 MSF in Q4.

Construction

Thankfully, total square footage in the construction queue fell again in Q1, which should ease the upward pressure on vacancy going forward. However, there are still 24.5 MSF of new inventory under construction throughout the Inland Empire. More than 9 MSF was delivered in Q4 region-wide, which was a main contributor to the huge spike in vacancy for the period, as most of that space was delivered on a speculative basis. That is compared with 27.5 MSF in Q4 and the peak of 33.04 MSF in Q4 2022. IE West is still seeing the bulk of the construction activity heading into the new year. Over 17 MSF is in the pipeline compared to just over 7 MSF in IE East. Planned development activity swelled again in Q1, as developers wisely delay their new projects until the demand/supply picture improves.

Employment

The Riverside-San Bernardino-Ontario MSA had an unemployment rate of 5.5% in February 2024, unchanged from January but higher than 4.4% a year ago. Riverside County's rate was 5.6% and San Bernardino County's was 5.4%.

Forecast

The Inland Empire market will remain under immense pressure in the coming quarters. It is the only Southern California market with significant ongoing construction activity, and this fundamentally puts upward pressure on vacancy and downward pressure on average asking lease rates and sales prices. Lease and sale activity has fallen significantly, with little indication of near-term improvement. Consecutive quarters of negative net absorption are expected. After more than a decade of explosive growth, the IE market has cooled considerably in response to macroeconomic headwinds impacting the logistics industry. While still performing well compared to national standards for lease rates and sales prices, the market dynamic is shifting to favor buyers and tenants. This tenant-friendly environment will be especially pronounced for properties in the 100,000 to 250,000 SF range, which carry a disproportionate share of current vacancy.

Market Statistics

	Change Over Last Quarter	Q1 2024	Q4 2023	Q1 2023	% Change Over Last Year
Total Vacancy Rate	▲ UP	6.42%	4.87%	2.15%	199.24%
Availability Rate	▲ UP	10.89%	8.16%	5.62%	93.90%
Average Asking Lease Rate	▼ DOWN	\$1.39	\$1.41	\$1.44	(3.47%)
Sale & Lease Transactions	▼ DOWN	9,972,257	10,953,620	16,739,755	(40.43%)
Gross Absorption	▼ DOWN	10,984,567	12,391,901	9,432,464	16.45%
Net Absorption	▼ NEGATIVE	(2,170,786)	1,320,786	3,063,631	N/A

Subject Property/Broker Interviews

Active brokers familiar with the subject property type and market area were interviewed during the course of this assignment and are listed below:

Broker Name	Company	Contact Number
Jacob Bernardy	KW Commercial	(909) 980-6868
Andrew Shirk	Voit Real Estate Services	(909) 545-8009
Spencer Hull	Lee & Associates	(951) 276-3651

These brokers provided the following insight:

SUBJECT PRIMARY MARKET SUMMARY	
Subject Occupancy History:	
Current:	Vacant
At Close of Escrow	N/A
General Trends per Broker Consensus	
Rental Rates:	N/A
Vacancy:	N/A
Sale Prices:	Sale prices for commercial land properties in the subject's market appreciated throughout 2021 & early-to-mid-2022. Recent inflation and the rise of interest rates stabilized property values over the past ±18-months with price levels similar to early-2022. Property values for this product type are anticipated to remain stable over the next 6-to-12-months due to stable, but higher interest rates.
Marketing Periods:	3 to 12 months if properly priced and marketed
12-Month Outlook:	<p>Looking forward there are signs that the recent market cooling off period associated with record high inflation and the Federal Reserve's response to this inflation in the form of rate hikes in 2022 and early-to-mid-2023 meetings is coming to an end.</p> <p>The Fed has not raised rates in their past six meetings after raising rates by 25 basis points in each of their previous four 2023 meetings and by 50 basis points in December 2022 after three increases of 75 basis points in October 2022, September 2022 and in July 2022. The Fed also ended their bond-buying program in April 2022. These moves increased the cost of capital across the board, which includes SBA commercial property mortgage rates which have increased to over 6.50%. The FED target range currently sits at 5.25% to 5.50%, the highest it has been since October 2007.</p> <p>Major real estate investors have become more cautious on their value-add/ core investment deals which are typically underwritten on large rent growth projections over a 5-to-10-year period. The recent rise in inflation makes these deals harder to project, which has slowed investor presence in the</p>

SUBJECT PRIMARY MARKET SUMMARY	
	<p>market, a segment that has been significant in pushing property values upward.</p> <p>Overall, signs point to near-term stability now that the FED has stopped raising rates with most analysts anticipating rates to remain unchanged at the next FED meeting.</p> <p>What happens in the next 12 months is somewhat speculative, but persistent high-interest rates can negatively affect the stock market, trade and the banking sector. These factors will likely weigh on the next rate decision and the majority of analysis and futures markets point to rate cuts by summer 2024. This, of course, will all depend on the trajectory of inflation and the state of the economy.</p>
Sustainability of Current Market Capitalization Rates:	Consistent with the 12-month outlook, capitalization rates are projected to remain relatively stable in the near term.
Subject Profile if Vacant and Available	
Tenant Profile:	Local or regional businesses
Most Likely Buyer (Owner or Investor):	<p>Owner-user or developer</p> <p>A user's purchase decision is based on business needs and a desire to control occupancy cost. Market rent versus a mortgage payment is typically the tipping point in a decision to rent or buy. With favorable SBA financing, and low interest rates as with the current environment, an owner user will generally elect to buy provided funds are available for the required down payment along with an adequate supply of available properties for sale.</p>
Current Risk Level:	Given the aforementioned, the risk to an owner-user or investor at this time is average.
Typical Lease Term:	N/A
Lease Concessions	N/A
Rent Estimate:	N/A
Broker Land Value Estimate:	\$20.00 to \$23.00 per square foot of land
Broker Sale Price Estimate:	\$600,000 - \$700,000
Conclusions	
Subject Vacancy & Collection Estimate:	N/A
Market Conditions Adjustment:	No adjustments are warranted for sale comparables that sold since early-2023.

In speaking with brokers, we concluded on the subject's market positioning as follows:

Strengths of the subject include its signalized corner site location and exposure from W. Rialto Avenue and S. Willow Avenue. The site also has a strong surrounding support residential base, good southland freeway proximity and is located close to the Rialto Civic Center.

Weaknesses of the subject include its existing site and building improvements that offer no value in the market and will need to be removed prior to redevelopment.

Our estimate of value takes the above factors into consideration.

HIGHEST AND BEST USE SUMMARY

The term *highest and best use*, as used in this report, is defined as follows:

The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value.

The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financially feasible, and maximum productivity. Alternatively, the probable use of land or improved property-specific with respect to the user and timing of the use-that is adequately supported and results in the highest present value.¹

These criteria are often considered sequentially. The tests of legal permissibility and physical possibility must be applied before the remaining tests of financial feasibility and maximal productivity. A use may be financially feasible, but this is irrelevant if it is physically impossible or legally prohibited. Only when there is reasonable probability that one of the prior, unacceptable conditions can be changed is it appropriate to proceed with the analysis.

As Though Vacant

The following measures of highest and best use are applied to the subject site as though vacant:

1. Legally permissible: The subject consists of two contiguous parcels with CM zoning for the larger (corner) portion and M1 zoning for the 7,500-square-foot parcel that is currently part of the paved and enclosed parking area for the previous use. The M1 zoned portion allows for predominately industrial uses with the CM portion allowing a wide array of commercial, retail, office, industrial, restaurant, auto repair and similar uses.
2. Physically possible: the subject is made up of two contiguous parcels that combined form a larger, L-shaped site that is generally level. As a single-economic unit, which is how the property is currently developed and has historically been owned, the property provides good access and exposure with its signalized corner arterial site location. The two parcels will likely continue to be held together as a single economic unit since the buyer pool for the smaller, M1 zoned parcel (APN: 0130-211-36-0000) would be very small since this parcel is landlocked and provides no direct access or street exposure.
3. Financially feasible: even though the commercial real estate market had been appreciating through early-to-mid-2022, recent monetary policy by the Federal Reserve warrants attention by potential developers and could impact profitable future development in the near-term.
4. Maximally productive: based on the above, construction of a commercial, industrial or retail use when market conditions warrant. This is due to the signalized corner site location along an arterial and adjacent land uses that front the streets.

Overall, a prudent developer would monitor current monetary policy, but at the current time values and rent levels for industrial properties are relatively stable making build-to-suit development feasible in many cases.

¹(Source: Appraisal Institute, The Dictionary of Real Estate Appraisal)

As Improved

The following measures of highest and best use are applied to the subject site as improved:

1. Legally permissible: the subject's building improvements have been red tagged by the city and the building has not been occupied for many years. The previous mortuary use represented an allowable use in the CM zone and the property has adequate on-site parking to support the use. Parking is also adequate for most office or retail uses making redevelopment of the building possible; however, the damaged state of the building and historical buyer demand for redevelopment of the structure points to the existing building and site improvements having no value.
2. Physically possible: the improvements have reached the end of their economic life and have an estimated remaining economic life of 0 years.
3. Financially feasible: the concluded value indicates a higher value for the property as land that could be redeveloped than as an improved property that needs renovation/redevelopment. As such, the subject's value is land value minus costs to demolish the existing site and building improvements.

Overall, the subject improvements have no positive contributory value. Therefore, the highest and best use as improved is for the property to redeveloped with a new structure and site improvements when market conditions warrant.

Most Probable Buyer

Based on the subject's size, configuration and current occupancy status, the most likely buyer is an owner-user or developer that would purchase the site for future build to suite development.

VALUATION ANALYSIS

The subject is commercial manufacturing and light manufacturing zoned land with building and site improvements that have reached the end of their economic life and offer no positive contributory value to the property. The Sales Comparison Approach been conducted in this appraisal report in the context of land valuation in order to estimate the market value of the property.

The Sales Comparison Approach is well supported by recent sales of similar commercial and industrial sites in the subject's immediate and expanded market area that sold for land value, and reflects the attitudes of knowledgeable buyers and sellers in the marketplace. The price per square foot of land derived from this approach is the tool often utilized by buyers, sellers, and brokers as the basis for purchasing/valuing properties like the subject.

The Income Approach has been excluded, in this since, market participants do not consider the income producing potential of a vacant parcel of land that is primarily purchased by an owner-user or developer. Additionally, capitalization rate estimates derived from investor-owned sites do not provide credible valuation results consistent with the Highest and Best Use conclusion.

The Cost Approach to value has been excluded due to the fact that the building and site improvements have reached the end of their economic life and need to be removed in order for the property to redevelop with a modern use that conforms to the underlying zoning in the future. The value of the subject is 100% in the land minus the cost to demolish the existing building and site improvements.

DIRECT SALES COMPARISON APPROACH

The subject consists of two contiguous parcels that combined form a 32,850-square-foot, single-economic unit with CM (commercial manufacturing) and M1 (light manufacturing zoning). The site has a signalized corner location along a primary arterial that positions to be redeveloped for a commercial use consistent with the neighborhood surroundings. Brokers indicate that the site's value is in-line with commercial land values due to the specific features of the site, but to account for the industrial zoning portion we have also considered land values in arriving at a credible opinion of land value.

The sales survey focused on comparable commercial zoned and industrial zoned sites in the immediate Rialto market and surrounding/competing Inland Empire markets that have sold over the past 24-months. Adjustments are made as necessary for location and other site features.

The comparable sales selected were confirmed by the following sources: CoStar, LoopNet, public records and the parties involved in the transactions (when possible). Approximately 40 sales and listings were analyzed and from those potential data points, five closed sales and one active listing have been selected as being the best indicators of the subject's current market value. These comparable sales are summarized on the adjustment grid that follows.



SUMMARY OF COMPARABLE SALES

	Subject	Sale 1	Sale 2	Sale 3
Address	130 S. Willow Avenue	9098 Sierra Avenue	15231 Foothill Boulevard	280 Fogg Street
City	Rialto	Fontana	Fontana	Colton
Zip Code	92376	92335	92335	92324
County	San Bernardino	San Bernardino	San Bernardino	San Bernardino
Distance from Subject	--	3.5 Miles SW	3.8 Miles NW	4.5 Miles SE
Assessor Parcel Number(s)	0130-211-30 & 36-0000	0193-151-40-0000	0232-011-19-0000	0163-301-04 thru 09-0000
Occupancy At Time of Sale	-	Vacant	Vacant	Vacant
Date of Sale	-	5/6/2024	9/7/2023	7/28/2023
Document No.	-	104583	218978	181768
Time on Market	-	237 Days	316 Days	110 Days
1031 Exchange /Leaseback	-	No	No	No
Verification		Broker/ Linda Ojeda/ JohnHart Real Estate	Broker/ Andy Pereira/ Century Commercial	Broker/ Jessica Rosales / KW Commercial
Sale Price	-	\$308,000	\$595,000	\$1,000,000
Price per SF of Bldg.	-	\$22.85	\$16.89	\$21.37
Net Operating Income (NOI)		N/A	N/A	N/A
NOI/SF		N/A	N/A	N/A
Overall Rate (OAR)		N/A	N/A	N/A
Rights Transferred		Fee Simple	Fee Simple	Fee Simple
		\$308,000 (100%)/ All Cash Sale	\$595,000 (100%)/ All Cash Sale	\$1,000,000 (100%)/ All Cash Sale
Financing				
Buyer Type		Developer	Developer	Developer
Cap Rate		N/A	N/A	N/A
Conditions of Sale		N/A	N/A	N/A
Listing Adjustment	--	N/A	N/A	N/A
Market Conditions Adjustments		Stable	Stable	Stable
Adjusted Price/SF	--	\$22.85	\$16.89	\$21.37
ADJUSTMENTS				
Zoning	CM	FBC - DG	C-2	M1 -5%
Lot Shape/Utility	L-Shaped	Rectangular/ Functional	Mostly Rectangular/ Functional	Mostly Rectangular/ Functional
Topography	Generally Level	Similar	Similar	Similar
Utilities	To Site	To Site	To Site	To Site
Site Location (Corner vs. Interior)	Signalized Corner	Non-Sig. Corner 2%	Interior 3%	Interior 3%
Site Exposure	Arterial	Arterial	Arterial	Secondary 2%
Location	Rialto	Fontana	Fontana	Colton 5%
Neighborhood Surroundings	Office, Government, Retail, Industrial and Special Use	Sl. Superior Commercial/ Retail -5%	Inferior Commercial/ Office 10%	Industrial/ Similar Overall
Site Size (Sq.Ft.)	32,850	13,482 -3%	35,236	46,798
Site Improvements	None of Value	None	None	None
Total Adjustments		-6%	13%	5%
Adjusted Value/SF of Building		\$21.47	\$19.08	\$22.44

SUMMARY OF COMPARABLE SALES

	Subject	Sale 4	Sale 5	Sale 6
Address	130 S. Willow Avenue	2718-2720 E. 5th Street	1364 W. Foothill Boulevard	851 W. Foothill Boulevard
City	Rialto	Highland	Rialto	Rialto
Zip Code	92376	92346	92376	92376
County	San Bernardino	San Bernardino	San Bernardino	San Bernardino
Distance from Subject	--	1.5 Miles NE	1.5 Miles NW	0.8 Miles NW
Assessor Parcel Number(s)	0130-211-30 & 36-0000	1192-621-11 & 12-0000	0128-011-32-0000	0128-361-20-0000
Occupancy At Time of Sale	-	Vacant	Vacant	Vacant
Date of Sale	-	5/1/2023	1/13/2023	Listing
Document No.	-	106750	9607	N/A
Time on Market	-	27 Days	189 Days	393 Days Total 60 Days @ Current Price
1031 Exchange /Leaseback	-	No	No	No
Verification		Broker/ Karen Versace/ Versace Realty	Broker/ Moon Kim/ Keller Williams Realty	Broker/ Rick Lazar / Lee & Associates
Sale Price	-	\$650,000	\$2,000,000	\$1,075,000
Price per SF of Bldg.	-	\$24.46	\$22.84	\$21.46
Net Operating Income (NOI)		N/A	N/A	N/A
NOI/SF		N/A	N/A	N/A
Overall Rate (OAR)		N/A	N/A	N/A
Rights Transferred		Fee Simple	Fee Simple	Fee Simple
		\$650,000 (100%)/ All Cash Sale	\$2,000,000 (100%)/ All Cash Sale	N/A
Financing				
Buyer Type		Developer	Developer	Developer
Cap Rate		N/A	N/A	N/A
Conditions of Sale		N/A	N/A	N/A
Listing Adjustment	--	N/A	N/A	Active Listing -5%
Market Conditions Adjustments		N/A	N/A	N/A
Adjusted Price/SF	--	\$24.46	\$22.84	\$20.39
ADJUSTMENTS				
Zoning	CM	I -5%	FBSP - RMU	FBSP - CP
Lot Shape/Utility	L-Shaped	Rectangular/ Functional	Rectangular/ Functional	Rectangular/ Functional
Topography	Generally Level	Similar	Similar	Similar
Utilities	To Site	To Site	To Site	To Site
Site Location (Corner vs. Interior)	Signalized Corner	Interior 3%	Signalized Corner	Interior 3%
Site Exposure	Arterial	Arterial	Arterial	Arterial
Location	Rialto	Highland	Rialto	Rialto
Neighborhood Surroundings	Office, Government, Retail, Industrial and Special Use	Industrial/ Similar Overall	Sl. Superior Commercial/ Retail/ Office/ Residential/ Land -5%	Sl. Inferior Commercial/ Retail 5%
Site Size (Sq.Ft.)	32,850	26,572	87,555 2%	50,094
Site Improvements	None of Value	None	None	None
Total Adjustments		-2%	-3%	8%
Adjusted Value/SF of Building		\$23.97	\$22.16	\$22.02

COMPARABLE SALES MAP



Sales Comparison Summary

The comparables are located in Rialto or the competing commercial / industrial markets of Fontana, Colton or Highland within 5.5 miles of the subject. The comparables range in size from 13,482 square feet to 87,555 square feet with unadjusted sale/asking prices ranging from \$16.89 to \$24.46 per square foot of land area. The sales closed between January 2023 and May 2024.

Comparable No. 6 warranted a downward listing adjustments to account for buyer/seller negotiations that typically take place prior to properties closing escrow that generally lead to final sale prices below the asking price.

Nos. 3 & 4 are full industrial zoned sites in competing markets. Brokers and recent land sales comparables indicate that full industrial zoned land sells for a modest premium over commercial land in the subject's market. As such, a downward zoning adjustment is applied to these two comparables.

Comparables Nos. 1, 2, 3, 4 & 6 warranted upward adjustments for interior or non-signalized corner vs. signalized corner site locations.

Additional adjustments are included in the following paragraphs.

Land Sale No. 1 (\$22.85/SF of land) is a 13,482 square foot, form based code - commercial zoned site located 3.5 miles southwest of the subject at 9098 Sierra Avenue in Fontana, a similar district. A downward adjustment is made for non-signalized corner vs. interior site location. Downward adjustments are applied for slightly superior neighborhood surroundings and smaller site area (economies of scale). After adjustments, No. 1 indicates a value of \$21.47 per square of land for the subject.

Land Sale No. 2 (\$16.89/SF of land) is a 35,236 square foot, commercial zoned site located 3.8 miles northwest of the subject at 15231 Foothill Boulevard in Fontana, a similar district. An upward adjustment is applied for inferior neighborhood surroundings. After adjustments, No. 2 indicates a value of \$19.08 per square foot of land for the subject.

Land Sale No. 3 (\$21.37/SF of land) is a 46,798 square foot, industrial zoned site located 4.5 miles southeast of the subject at 280 Fogg Street in Colton, a slightly inferior district. Upward adjustments are made for slightly inferior exposure and district identity. After adjustments, No. 3 indicates a value of \$22.44 per square foot of land for the subject.

Land Sale No. 4 (\$24.46/SF of land) is a 26,572 square foot, industrial zoned site located 1.5 miles northeast of the subject at 2178-2720 East 5th Street in Highland, a similar district. After adjustments, No. 4 indicates a value of \$23.97 per square foot of land for the subject.

Land Sale No. 5 (\$22.84/SF of land) is an 87,555 square foot, specific plan-mixed-use zoned site located 1.5 miles northwest of the subject at 1364 West Foothill Boulevard in Rialto, a similar district. A downward adjustment is applied for slightly superior surroundings. An upward adjustment is warranted for larger site size. After adjustments, No. 5 indicates a value of \$22.16 per square foot of land for the subject.

Land Sale No. 6 (\$20.39/SF of land, adjusted for active listing status) is a 50,094 square foot, commercial zoned site located 0.9 mile northwest of the subject at 851 West Foothill Boulevard, a similar district. An upward adjustment is warranted for slightly inferior neighborhood surroundings. After adjustments, No. 6 indicates a value of \$22.02 per square foot of land for the subject.

After adjustments, the closed sales indicate a subject value of \$19.08 to \$23.97 per square foot of land. The active listings indicates an adjusted value of \$22.02 per square foot of land and has been included as a benchmark to help illustrate achievable value for sites like the subject in the Rialto market area. The majority of broker opinion of land value for the subject is in the \$20.00/SF to \$23.00/SF range.

Secondary weight is given to No. 6 as an active listing. Primary weight is given to Nos. 1 – 5 due to their relatively similar overall locations and lower overall adjustments as the most comparable recent sales of similar sites in the subject's expanded market.

Taking into account all factors, a concluded subject value via the Sales Comparison Approach of **\$22.00/Sq. Ft. of Land** is reasonable, consistent with market levels and well supported by the comparable sale properties and market research.

Indicated Value from the Sales Comparison Approach

Based on our findings, the concluded value for the subject property is as follows:

32,850 Sq. Ft. of Land x \$22.00/ Sq. Ft., rounded	\$722,700
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Demolition Costs

The subject is improved with \pm 22,000 square feet of building improvements and \pm 26,000 square feet of older asphalt. The remainder of the site is grass yard/landscaping and ancillary minor improvements. The building was extensively damaged by a fire in the past and is currently been red tagged by the city. Additionally, the property was acquired by the ownership in 2021 for land value with the structures in a similar condition illustrating that demand for the property with the existing building and site improvements is not strong in the market. Brokers also indicate that the subject is viewed as a redevelopment site with no positive contributory value applied to the existing building or site improvements. As such, all structures and site improvements are considered at the end of their economic lives and would likely be removed prior to redevelopment. As such, consistent with how a developer would value the property, costs associated with removing the existing improvements in order for the property to reach its highest and best use would need to be accounted for in valuing the subject.

In order to arrive at a credible demolition cost for the property, current cost manuals were reviewed (section 66 of Marshall & Swift) and local brokers and contractors were interviewed. The following table summarizes the findings from these sources and indicates the demolition cost conclusion that will be applied to the subject in this analysis.

Demolition Cost Estimate for 130 S. Willow Avenue			
Source:	Items Included:	Price Range:	Total Estimate for Subject:
Marshall & Swift (Section 66)	\pm 6,900 SF teardown mortuary building & garages	\$5.00/SF - \$10.00/SF (\$34,500 - \$69,000)	\$50,000
Marshall & Swift (Section 66)	\pm 26,000 SF of asphalt	\$0.69/SF - \$1.06/SF (\$17,940 - \$27,560)	\$20,000
Marshall & Swift/ Contractor Interviews	Demolition permits/fees, hauling/recycle/landfill costs, temporary fences, supervision, profit, miscellaneous etc.	\$5,000 - \$15,000	\$10,000
Broker Opinion	Building, railings, walkways, paved parking lot, marquee, etc. demolition cost estimate (all inclusive)	\$2.00/SF of Land - \$3.00/ SF of Land (32,850 SF Site)	\pm \$65,700 - \$98,550
Conclusion	-	-	\$80,000

As indicated in the table above, **a demolition cost for the subject of \$80,000 is credible.** This demolition cost is deducted from the indicated land value arrived at in the Land Sales Comparison Approach as a necessary step to arrive at the “as is” market value for the property.

Indicated Total “As Is” Market Value from the Sales Comparison Approach

Based on our findings, the concluded value for the subject property is as follows:

Sales Comparison Approach Conclusion	
32,850 Sq.Ft. x \$22.0/Sq.Ft. of Land	\$722,700
Less: Demolition Cost	(\$80,000)
"As Is" Market Value, Rounded	\$645,000

RECONCILIATION

Indicated values from the Income and Sales Comparison Approaches are summarized as follows:

Sales Comparison Approach: \$645,000

Only one approach to value, the Sale Comparison Approach, has been conducted in this appraisal report. The Sales Comparison Approach is based on comparable sales of similar commercial and industrial zoned sites located in the immediate and expanded market area. These comparables are reasonably similar to the subject and were analyzed on a price per square foot of land since the subject site is unimproved. All the comparables are reasonably similar to the subject leading to credible results. An owner-user buyer would place full weight on this approach when making their purchase decision. Consequently, this approach is given full consideration as an indication of value for the subject.

Costs associated with demolishing the subject's existing site improvements were established and deducted from the value of the site to arrive at a total "as is" market value for the subject.

FINAL VALUATION

The final valuation is summarized as follows:

Valuation Scenario	Date of Value	Property Rights	Final Value*
Current As Is Market Value (Based on 3 – 9-month exposure period)	July 10, 2024	Fee Simple	\$645,000

**Please refer to Assignment Conditions.*

EXPOSURE TIME AND MARKETING PERIOD

Exposure Time is a retrospective estimate of the time required to sell the subject during market conditions that existed prior to our date of value.

Marketing Period is an estimate of the time required to sell the subject during market conditions that exist as of our date value. The marketing period estimate is subject to variation depending upon evolving events and unforeseen changes in the economy or marketplace.

Exposure Time and Market Period estimates are based information obtained from comparable sales data, **and broker interviews while taking into consideration current market trends**.

The comparable sales and pending sale contained in this report indicate that a period of 27 days to 316 days was required to consummate a sale. The active listing has been available for 60 days at its current asking price without selling.

Brokers referenced in this report that over the past 12-months a reasonable exposure period for the subject would have ranged from 3 to 9 months if properly priced, which is supported by the majority of the sales reviewed during the course of this assignment. Brokers indicated that demand could potentially decrease slightly in the near-term due to the economic climate and high interest rates but are optimistic at this point that it will remain relatively stable over the next 12-months. As such, a marketing period above the exposure period is reasonable. Overall, a marketing period of 3 to 12 months is reasonable.

During stable or rising markets, exposure and marketing times have been the same. However, in a softening market, it is logical that exposure times will be shorter than marketing times. Due to the current business climate, marketing times are anticipated to potentially be longer.

In consideration of current market conditions, a reasonable Exposure Time and Marketing Period for the subject is estimated as follows.

Exposure Time	Date of Value	Marketing Period
3 to 9 Months	July 10, 2024	3 to 12 Months

The price that may be achieved in the future at the end of the marketing period may or may not be equal to the current appraised value estimate, depending on potential changes in the physical real estate, demographic and economic trends, the real estate market, tenancy, property operations and the effectiveness of the marketing program, among other factors.

DEFINITIONS

The following is a general list of real estate appraisal definitions:

Definition of Market Value²

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 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 their own best interests.
3. A reasonable time is allowed for exposure in the open market.
4. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Definition of Cash Equivalency

An analytical process in which the sale price of a transaction with nonmarket financing or financing with unusual conditions or incentives is converted into a price expressed in terms of cash.

Definition of “As Is Value”

As Is Value means an estimate of the value of the 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.

1. ² Source: Federal Deposit Insurance Corporation, OCC, 12 CFR, Part 34, Subpart C-Appraisals 34.42 Definitions (h).

Definition of “Stabilized Value”

For purposes of this report, Stabilized Value is based on the subject being “fully” occupied at market terms and conditions and that any costs to achieve a market-based, stabilized occupancy are complete. Costs associated with achieving stabilized occupancy typically include: tenant improvements, rent loss during an absorption period, leasing commissions and entrepreneurial profit. If applicable, these costs would be deducted from a prospective stabilized value to arrive at the “As Is” value conclusion.

Formal definitions of “Stabilized Value” are:

1. A value opinion that excludes from consideration any abnormal relationship between supply and demand such as is experienced in boom periods, when cost and sale price may exceed the long-term value, or during periods of depression, when cost and sale price may fall short of long-term value.
2. A value opinion that excludes from consideration any transitory condition that may cause excessive construction costs, e.g., a bonus or premium for material, the abnormal inefficiency of labor, the cost of delay or an excessive sale price, e.g., a premium paid due to a temporary shortage of supply.

Prospective Value Opinion

A forecast of the value expected at a specified future date. A prospective value opinion is most frequently sought in connection with real estate RETECHSs that are proposed, under construction, or under conversion to a new use, or those that have not achieved sellout or a stabilized level of long-term occupancy at the time the appraisal report is written.

Hypothetical Condition

That which is contrary to what exists but is supposed for the purpose of analysis. Hypothetical conditions assume conditions 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.

A hypothetical condition may be used in an assignment only if:

- Use of the hypothetical condition is clearly required for legal purposes, for purposes of reasonable analysis, or for purposes 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.³

³Dictionary of Real Estate Appraisal, Appraisal Institute, Fifth Edition.

Extraordinary Assumption

An assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions. Extraordinary assumptions presume as fact otherwise uncertain information 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.

An extraordinary assumption may be used in an assignment only if:

- It is required to properly develop credible opinions and conclusions;
- The appraiser has a reasonable basis for the extraordinary assumption;
- Use of the extraordinary assumption results in a credible analysis; and
- The appraiser complies with the disclosure requirements set forth in USPAP for extraordinary assumptions.⁴

Definition of Fee Simple Estate

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

Source: Dictionary of Real Estate Appraisal, Appraisal Institute, Fifth Edition.

Definition of Leased Fee Estate

A leased fee estate is an ownership interest held by a landlord with the right of use and occupancy conveyed by lease to others; the rights of the lessor (the leased fee owner) and the leased fee are specified by contract terms contained within the lease.

Source: Dictionary of Real Estate Appraisal, Appraisal Institute, Fifth Edition.

Definition of Leasehold Estate

The right to use and occupy real estate for a stated term and under certain conditions conveyed by a lease.

Source: Dictionary of Real Estate Appraisal, Appraisal Institute, Fifth Edition.

Tangible Property

Property that can be perceived with the senses; including land, fixed improvements, furnishings, merchandise, cash, and other items of working capital used in an enterprise.

Source: Dictionary of Real Estate Appraisal, Appraisal Institute, Fifth Edition.

⁴ Ibid

Intangible Property (Intangible Assets)

Nonphysical assets, including but not limited to franchises, trademarks, patents, copyrights, goodwill, equities, securities, and contracts as distinguished from physical assets such as facilities and equipment that can be perceived with the senses; including land, fixed improvements, furnishings, merchandise, cash, and other items of working capital used in an enterprise.

Source: USPAP, 2010-2011 Edition.

Definition of Going Concern Value

“Going-Concern” value is defined as the value existing in a proven property operation considered as an entity with business established as distinct from the value of the real estate only, ready to operate, but without a going business. The market value of a “going concern” reflects the current and prospective operation of the property. In this property type, the “going concern” is comprised of both tangible and intangible property. Further distinctions may be made between “personal” and “real” property. The “going concern” value may include contributions of land, improvements, furnishings, fixtures and equipment (FF&E), goodwill, municipal approvals, licenses, occupancy, the benefits of favorable financing (if any), and all other tangibles and intangibles required for normal operation of the property.

Total Assets of a Business

Total Assets of a Business (TAB) are valued under one of two premises: a going concern premise and a liquidation premise. The TAB are comprised of tangible property and intangible property. The value of a business as a going concern equals the value of tangible assets plus the value of intangible assets.

- The Going Concern Premise: The assumption that the company is expected to continue operating well into the future (usually indefinitely).
- The Liquidation Premise: The assumption that a company will cease operations.

In this report, we are not valuing the going concern premise.

Source: Dictionary of Real Estate Appraisal, Appraisal Institute, Fifth Edition.

Furniture Fixtures & Equipment (FF&E)

Business trade fixtures and personal property, exclusive of inventory.

Source: Dictionary of Real Estate Appraisal, Appraisal Institute, Fifth Edition.

Furniture Fixtures & Equipment (FF&E) Estimate

The personal property, fixtures and intangible (FF&E) items are excluded from this appraisal report’s valuation.

Exposure Time

1. The time a property remains on the market.
2. 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 on an analysis of past events assuming a competitive and open market.

Source: Dictionary of Real Estate Appraisal, Appraisal Institute, Fifth Edition.

Marketing Time

An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal. (Advisory Opinion 7 of the Appraisal Standards Board of The Appraisal Foundation and Statement on Appraisal Standards No. 6, “Reasonable Exposure Time in Real Property and Personal Property Market Value Opinions” address the determination of reasonable exposure and marketing time.)

Source: Dictionary of Real Estate Appraisal, Appraisal Institute, Fifth Edition.

CERTIFICATION

We certify that, to the best of our 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 our personal impartial, and unbiased professional analyses, opinions, and conclusions.
- We have no present or prospective interest in the property that is the subject of this report, and we have no personal interest with respect to the parties involved.
- We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- Our compensation is not based upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- Our engagement in this assignment was not contingent upon developing or reporting predetermined results a requested minimum valuation, specific valuation or the approval of a loan.
- The report analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute.
- Our analysis did not base, either partially or completely, the estimate of value on the race, color, religion, sex, handicap, familial status, health or national origin of the present or prospective owners, occupants or users of the subject property or of the present or prospective owners, occupants or users of the properties in the vicinity of the subject property.
- The appraisal was completed without regard to race, color, religion, national origin, sex, marital status or any other prohibited basis, and does not contain references which could be regarded as discriminatory.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- Andrew P. Mitrosilis, MAI and Ted P. Douglas, MAI are principals/partners of AppraisalPacific, Inc. located in Long Beach, California. One or both have managed this assignment from the time of engagement to delivery of final report. The signatory of this report (Mitrosilis or Douglas) played a significant role in managing the appraisal process and reviewing the final report produced by the senior appraiser on this assignment. Part of this process included a review of all subject photos including aerial views along with a review of all comparable photos. When specifically requested by our client or when clarification of the appraisal problem is required, a personal subject site inspection is made. **Ted P. Douglas, MAI is the managing appraiser on this assignment and has not made a personal inspection of the subject property.**
- Appraiser, Tim Howman, CGREA has made a personal inspection of the property that is the subject of this report and was thoroughly involved in the entire appraisal process leading to final valuation conclusions.

- We have not provided services regarding the subject property within the three year period immediately preceding acceptance of the assignment, as an appraiser or in any other capacity.
- No one provided significant real property appraisal assistance to the person(s) signing this report. The signatories of this report are solely responsible for the final valuation conclusions.
- The appraisers analysis, opinion and conclusions were developed, and the report has been prepared in conformity with Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) and its regulations, as well as Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation.
- We have adequate education, and have previously appraised many properties similar to this type of property, and we are familiar with the area. We are competent to appraise the subject property. Please see the qualifications section of this report for additional information.
- As of the date of this report, Ted P. Douglas, MAI has completed the continuing education program for Designated Members of the Appraisal Institute.
- This appraisal is intended to comply with the OCC's amended Appraisal Rule, effective June 7, 1994, as published in the Federal Register, Volume 59, No. 108, and with the Interagency Appraisal and Evaluation Guidelines, dated December 10, 2010.



TED P. DOUGLAS, MAI
State Certified General Appraiser
Certificate No. AG 001946
CA/Expires 14-October-24



TIM HOWMAN, CGREA
State Certified General Appraiser
Certificate No. AG 035823
CA/Expires 07-December-24



QUALIFICATIONS
OF
TED P. DOUGLAS, MAI, AI-GRS

PROFESSIONAL BACKGROUND

1999-Present

Principal, Appraisal Pacific Inc., 3738 Bayer Avenue, Unit 101, Long Beach, California 90808
TEL: (562) 377-1000 EMAIL: tedd@appraisalspacific.com

1995-1999

Senior Property Tax Consultant with Marvin F. Poer & Company, a national, state and local tax consulting firm, Irvine, California. Prepared formal property tax appeals for oral presentation before appointed assessment appeal boards at the local jurisdiction level in Los Angeles, Orange, San Bernardino, Ventura and San Diego Counties. Additionally, prepared written appraisals for submission to boards and/or assessor on a variety of commercial and industrial properties, ranging in value from \$1,000,000 to \$150,000,000.

1985-1995

Senior Commercial Real Estate Appraiser with Diversified Realty Appraisal, Newport Beach, California. Performed valuations, prepared narrative appraisal reports and provided consulting services on a wide variety of commercial, industrial, residential and special purpose properties, ranging in value from \$500,000 to \$50,000,000. Analyses often required complex discounted cash flow analyses. Also, responsible for training and supervising several members of the appraisal staff.

PROFESSIONAL AFFILIATION

Appraisal Institute, MAI designation, AI-GRS designation

STATE CERTIFICATION

State of California, "Certified General Real Estate Appraiser"
License No. AG001946; Expires October 14, 2022

EDUCATIONAL ACTIVITIES

Bachelor of Science, 1982, University of California, Riverside
Major: Administrative Studies

Sampling of Appraisal Institute Courses: Real Estate Appraisal Principles; Basic Valuation Procedures; Standards of Professional Practice; Capitalization Theory and Techniques, Parts A and B; Case Studies in Real Estate Valuation; Report Writing and Valuation Analysis, Fundamentals of Separating Real, Personal Property and Intangible Business Assets, Review Theory. Official AI Transcript is available upon request.



QUALIFICATIONS
OF
TIM HOWMAN

PROFESSIONAL BACKGROUND

2004-Present

Currently an independent fee appraiser associated with
APPRAISAL PACIFIC, INC.
Commercial Real Estate Appraisal located at:
3738 Bayer Avenue, Unit 101, Long Beach, California 90808
TEL: 562-377-1000; FAX: 562-377-1001

GENERAL EXPERIENCE

Experienced in providing narrative appraisals on investment and owner user industrial, office, commercial, retail and mixed use properties throughout Southern California; primarily in Los Angeles, Orange, Riverside, San Diego and San Bernardino counties.

STATE CERTIFICATION NUMBER

State of California AG035823: Expires 12/07/2022

EDUCATIONAL ACTIVITIES

Bachelor of Arts; California State University Dominguez Hills; Major: Economics

Appraisal Institute Courses: Real Estate Appraisal Principles; Real Estate Appraisal Procedures, Basic Income Capitalization, General Applications, Income Valuation of Small, Mixed-Use Properties, USPAP 2018, Residential and General Report Writing and Case Studies, Business Practices and Ethics, Office Building Valuation, Advanced Applications, Advanced Market Analysis and Highest and Best Use, Advanced Concepts & Case Studies, Quantitative Analysis, Real Estate Finance Statistics and Valuation Modeling, Advanced Income Capitalization and Advanced Market Analysis and Highest and Best Use.

ASSUMPTIONS AND LIMITING CONDITIONS

This report is made expressly subject to the conditions and stipulations following:

Specific

1. It is assumed that the property is in compliance with all applicable federal, state and local laws, ordinances, regulations, building standards, use restrictions and zoning unless the lack of compliance is stated in the appraisal report. Determining and reporting on such compliance were not part of the scope of work for this assignment.
2. It is assumed that all water, sewer facilities and utilities (whether existing or proposed) are or will be in good working order, are safe for use, and are or will be sufficient to serve the current or proposed uses of the subject property or any structures or other improvements. Determining and reporting on such matters were not part of the scope of work for this assignment.
3. Unless otherwise stated in this report, the past or current existence of hazardous materials or environmental contamination on, below or near the subject property was not observed or known by the appraiser. The appraiser, however, is not qualified to detect such substances or to make determinations about their presence. The presence of substances such as asbestos, urea-formaldehyde foam insulation and other potentially hazardous materials or environmental contamination may affect the value of the property. Unless otherwise stated, the value estimated is predicated on the assumption that there is no such material on, below or affecting the property that would cause a loss in value. No responsibility is assumed for such conditions or for any expertise or engineering assistance required to discover them. The intended user is urged to retain an expert in this field, if desired.
4. No adverse easements or encroachments were observed at the time of our inspection. We have reviewed neither legal opinions nor engineering reports concerning the aforementioned. We assume the subject property to be free of any easements, covenants or restrictions that would have a negative impact on the value of the property. Any existing easements, covenants or restrictions are assumed necessary for the highest and best use of the site. These assumptions are formally incorporated into various estimates of this report.
5. We have not received a soils report in connection with this appraisal assignment. In the absence of a soils report, we assume soil conditions to be adequate to support the existing improvements into the future. This assumption is incorporated into this report.
6. A geologic report covering the subject property was not provided. In the absence of a geologic report, we assume geologic conditions to be stable enough to support the existing improvements into the future. In addition, we assume that no geologic conditions exist which would adversely affect the value of the site or prevent the development of the site to its highest and best use. These assumptions are formally incorporated into various estimates of this report.
7. The subject property is appraised without a specific compliance survey having been conducted to determine if the property is or is not in conformance with the requirements of the Americans with Disabilities Act. The presence of architectural and communications barriers that are structural in nature that would restrict access by disabled individuals may adversely affect the property's value, marketability, or utility. The analysis contained herein assumes the subject is not impacted by any aspects of the Americans with Disabilities Act and that there are no known non-compliance items. Subject to confirmation by an appropriately licensed entity, this assumption is incorporated into various estimates of this report.
8. The appraiser is not qualified to determine the existence of mold of any type or whether the mold if any might pose any risk to the property or its inhabitants. Additional inspection by a qualified professional is recommended.
9. The appraiser is not a home or environmental inspector. The appraiser provides an opinion of value. The appraisal does not guarantee that the property is free of defects or environmental problems. The appraiser performs an inspection of visible and accessible areas only. Mold may be present in areas the appraiser cannot see. A professional home inspection or environmental inspection is recommended.

ASSUMPTIONS AND LIMITING CONDITIONS
(Continued)

General

1. We assume no responsibility for matters that are legal in nature.
2. The appraisal covers the property described only.
3. Sources of information are believed to be correct and, where feasible, have been verified.
4. That the date of value to which the conclusions and opinions expressed in this report apply, is set forth in the letter of transmittal. Further, that the dollar amount of any value opinion herein rendered is based upon the purchasing power of the American dollar on that date.
5. That the appraiser(s) assumes no responsibility for economic or physical factors that may affect the opinions herein stated occurring at some date after the date of value.
6. That maps, plats and exhibits included herein are for illustration only as an aid in visualizing matters discussed within the report. They should not be considered as survey, or relied upon for any other purpose, nor should they be removed from, reproduced, or used apart from this report.
7. By reason of this appraisal, we are not required to give testimony or to be in attendance in court or at any governmental or other hearing with reference to the property without prior arrangements having been made relative to such additional employment.
8. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser or the firm with which they are connected, or any reference to the Certified General certification) shall be disseminated to the public through advertising media, public relations media, sales media or any other public means of communication without the prior written consent and approval of the authors.
9. Possession of this report, or a copy of it, will not carry with it the right of publication. The report may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the appraiser and the appraiser specifically disclaims any liability to such unauthorized third parties. In any event, the report may be used only with proper written qualifications and only in its entirety for its stated purpose.

ADDENDA

SUBJECT PHOTOGRAPHS



VIEW OF THE SUBJECT FROM THE CORNER OF WILLOW AVENUE AND W. RIALTO AVENUE



VIEW OF THE SUBJECT FROM S. WILLOW AVENUE



VIEW OF THE SUBJECT FROM W. RIALTO AVENUE



REAR VIEW OF THE SUBJECT BUILDING



VIEW OF SUBJECT BUILDING AND NORTHERN DRIVEWAY AREA WITH COVERED CANOPY



ADDITIONAL VIEW OF THE NORTHERN DRIVEWAY AND CANOPY

SUBJECT PHOTOGRAPHS



VIEW OF THE REAR PAVED PARKING LOT



ADDITIONAL VIEW OF THE REAR PAVED PARKING LOT



LOOKING NORTH ALONG S. WILLOW AVENUE; THE
SUBJECT AHEAD AND TO THE LEFT



LOOKING SOUTH ALONG S. WILLOW AVENUE; THE
SUBJECT AHEAD AND TO THE RIGHT

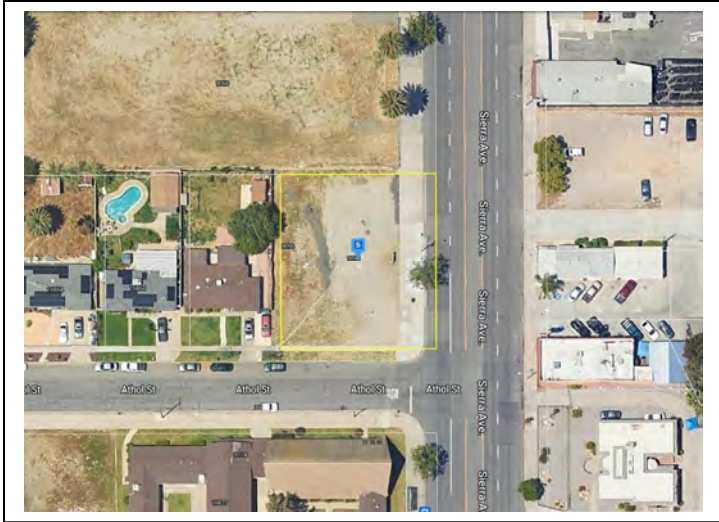


LOOKING WEST ALONG W. RIALTO AVENUE; THE SUBJECT
TO THE LEFT



LOOKING EAST ALONG W. RIALTO AVENUE; THE SUBJECT
AHEAD AND TO THE RIGHT

COMPARABLE LAND SALE AERIALS



LAND SALE 1



LAND SALE 2



LAND SALE 3



LAND SALE 4



LAND SALE 5



LAND SALE 6



June 27, 2024

Via Email

Mr. Colby Cataldi, Community Development Director
City of Rialto
150 S. Palm Avenue
Rialto, CA 92376

Re: Appraisal of the property located at 130 S. Willow Avenue, Rialto, CA 92376

Dear Mr. Cataldi:

It is my pleasure to submit a proposal for appraisal services for the above-referenced property. The report will be an **Appraisal Report (per updated USPAP guidelines)** for the purpose of estimating the current market value for a potential sale.

Sole Client:	City of Rialto
Intended Use:	Potential Purchase
Intended User(s):	City of Rialto
Objective:	As Is Value of the Underlying Land Only
Interest Appraised:	Fee Simple

The completed appraisal reports will be made in conformance with regulations set forth by Title XI of the Financial Institution Reform, Recovery, and Enforcement Act 1989 (F.I.R.R.E.A.), and the Uniform Standards of Professional Appraisal Practice (USPAP) adopted by the Appraisal Standards Board of the Appraisal Foundation.

The fee for this assignment is \$2,500. The appraisal will be completed within two-three weeks.

Any dispute or claim made with respect to this report shall be submitted to and resolved in accordance with the rules of the American Arbitration Association for arbitration and the decision of the Association shall be binding. Judicial action to collect fee for this report shall not be a waiver of the right to have any other dispute so decided through arbitration. All appraisal services pursuant to this report shall be deemed to be contracted for and rendered in San Bernardino County, California, and any arbitration or judicial proceedings shall take place in San Bernardino County, California. This assignment will not be based upon a requested minimum valuation, a specific valuation, or the approval of a loan. If this meets with your approval, please sign, and return the enclosed copy of this letter. It is understood that City of Rialto is the sole client and party responsible for paying the appraisal fee to Appraisal Pacific Inc.

Respectfully submitted,

TED P. DOUGLAS, MAI
State Certified General Appraiser
Certificate No. AG 001946

ANDREW P. MITROSILIS, MAI
State Certified General Appraiser
Certificate No. AG 001945

Signature

Date

7-2-24





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

Ted P. Douglas

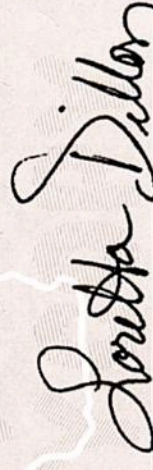
has successfully met the requirements for a license as a residential and commercial real estate appraiser in the State of California and is, therefore, entitled to use the title:

“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 001946

Effective Date: October 15, 2022
Date Expires: October 14, 2024



Loretta Dillon, Deputy Bureau Chief, BREA

3064298



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

Tim E. Howman

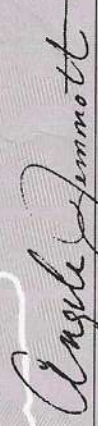
has successfully met the requirements for a license as a residential and commercial real estate appraiser in the State of California and is, therefore, entitled to use the title:

"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 035823

Effective Date: December 8, 2022
Date Expires: December 7, 2024


Angela Jemmot, Bureau Chief, BREa

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