

APPRAISAL REPORT

AS OF

FEBRUARY 21, 2023

FUTURE 6-UNIT ASSISTED LIVING FACILITY
969 CYPRESS AVENUE
COLTON, CALIFORNIA 92324

PREPARED FOR

MR. CHAD WAWI
HOMES 4 ALL
969 CYPRESS AVENUE
COLTON, CA 92324-1957

PREPARED BY

FOSS CONSULTING GROUP
2140 WEST CHAPMAN AVENUE, SUITE 211
ORANGE, CALIFORNIA 92868-2346



Real Estate Appraisals | Market Studies | Consulting

February 28, 2023

Mr. Chad Wawi
Homes 4 All
969 Cypress Avenue
Colton, CA 92324-1957

Re: Appraisal Services

Dear Mr. Wawi:

Attached to this letter, you will find a copy of our Appraisal Report on the Fee Simple Interest in the future 6-Unit Assisted Living Facility located at:

**969 Cypress Avenue
Colton, California 92324-1957**

This appraisal was prepared to conform to Standard Rule 2 of the Uniform Standards of Professional Appraisal Practice published by the Appraisal Foundation. Standard Rule 2 sets forth the reporting requirements for an appraisal report. All information significant to the solution of the appraisal problem is presented in this report. Data, if any, that the Client's estate furnished is stated in the body of the accompanying report.

The intended use of the appraisal is for financial planning purposes. The value opinion expressed in the report is based on the definition of value expressed in the report and is subject to the assumptions, limiting conditions, and certifications contained therein. The Client is Mr. Chad Wawi. Intended users of the report include representatives for ownership and their legal and financial advisors. No part of the contents or opinions stated herein should be released to any potential loan broker, real estate agent, or another 3rd party not associated with the current financial planning process.

The Appraiser, Donald Hoelzel, MAI, has completed all of the necessary investigations, and analysis of the market data and value conclusions. Christopher Garlick and Clayton Garlick have assisted with market research and have made an onsite inspection of the subject property. Based upon my analysis of the available information, it is our opinion that the market value of the "As-Completed" Fee Simple Interest in the subject property as of February 21, 2023, is:

AS-COMPLETED – FEE SIMPLE INTEREST
\$2,950,000
TWO MILLION NINE HUNDRED FIFTY THOUSAND DOLLARS

Sincerely,



Donald Hoelzel, MAI
Certified General Appraiser
State of California
AG007032



Christopher Garlick
Research Analyst



Clayton Garlick
Research Analyst

DH/CG/CG:ss

Job No. X23046

EXECUTIVE SUMMARY

SUMMARY OF SALIENT FACTS AND CONCLUSION			
Subject Property	969 Cypress Ave. Colton		
Assessors Parcel #	0274-122-05-0000		
Valuation Date	2/21/2023		
Interest Appraised	Fee Simple		
Hypothetical Conditions	Construction As Completed		
Extraordinary Assumptions	None		
Property Type	6-Unit Assisted Living Facility		
Occupancy	0.0%		
Land Area	Square Feet 39,931	According to Parcel Map	
	Acres 0.92		
Zoning	RS		
Year Built	1922/2023		
Parking	Open Space + Marked Spots		
R.E. Taxes	Current =	\$4,815	
	@ Market Value =	\$31,000	
Highest and Best Use	As Improved		
Value Conclusions			
<u>Cost Approach</u>	<u>\$2,840,000</u>		
<u>Sales Comparison Approach</u>			
	Price per Sq. Ft. <u>\$3,080,000</u>	\$340 per sq. ft.	
<u>Income Approach</u>			
	Gross Income \$458,400		
	Net Operating Income \$206,280		
Overall Capitalization Rate	7.25%		
	Indicated Value <u>\$2,850,000</u>		
Final Value Conclusion	\$2,950,000		

The Subject Property

The subject property is currently a single-family residence with excess land. The subject property has completed plans and approvals for an addition of a 6-unit assisted living facility to be built on the excess land. The plans call for the current improvements to be used as a manager’s living unit. The project is expected to be completed at the beginning of 2024. The value being appraised is as if the project was completed as proposed.

The subject as completed will be a 6-Unit Assisted Living Facility consisting of one one-story apartment building and one one-story single-family residence. The property address is 969 Cypress Avenue in the city of Colton, California. The subject’s improvements are on a single parcel totaling 39,931 square feet or 0.92 acres. The site is zoned for single residential (RS) within San Bernardino County. The as proposed Assisted Living Facility includes (6) assisted living rooms with one manager’s unit which will be the current single-family residential converted. All units are one-bedroom with one bathroom.

The value being appraised is based on the hypothetical condition that the subject property is “As Completed” based on the viewed under-construction plans.

The Date of Value

The date of value used throughout this appraisal report is February 21, 2023, which was the date of the property inspection and represents a current date of value. The subject project is expected to be completed at the beginning of 2024.

Scope of Work

The Cost Approach was given significant weight in the final value conclusion. At the completion of construction, the subject property will be a new assisted living facility. The Cost Approach was aided by current construction cost estimates. The Sales Comparison Approach was completed in its traditional form utilizing similar small-scale assisted living facility property data. Value indicators include the price per square foot. The Income Approach was prepared with a direct capitalization (OAR) analysis. This is a traditional analysis of the Income Approach. A discounted cash flow (DCF) was not utilized. A DCF does not apply to the subject property because the subject is at stabilized occupancy. The data utilized represents the best available from typical data service providers and the brokerage community.

The subject property is currently being developed into a 6-unit assisted living facility with completion not expected until the beginning of 2024. The value being appraised throughout this report is based on the hypothetical condition that the project is As Completed as proposed.

As Completed Indicators

Cost Approach:	\$2,840,000
Sales Comparison Approach:	
Price per Sq. Ft.:	\$3,080,000
Income Approach:	\$2,850,000
Conclusion:	\$2,950,000

The intended use of the appraisal is for financial planning purposes. The value opinion expressed in the report is based on the definition of value expressed in the report and is subject to the assumptions, limiting conditions, and certifications contained therein. The Client is Mr. Chad Wawi. Intended users of the report include representatives for ownership and their legal and financial advisors. No part of the contents or opinions stated herein should be released to any potential loan broker, real estate agent, or another 3rd party not associated with the current financial planning process.

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CHAPTER ONE

FACTUAL DATA AND DESCRIPTIONS

IDENTIFICATION OF THE SUBJECT PROPERTY



The subject property is located on the west side of Colton Avenue within an unincorporated portion of San Bernardino County just outside the city of Colton, California. The property totals a single parcel and at the completion of the current project will be improved with a 6-Unit Assisted Living Facility. The current property address is 969 Cypress Avenue, Colton.

The subject property is legally described in the Grant Deed located in the Addenda.

The San Bernardino County Assessor office identifies the subject property as parcel number:

0274-122-05-0000

Other geographic identifiers are as follows:

MSA:	40140
Census Tract:	66.01/1
Thomas Map Guide, pg/grid:	15-F6
Postal Zip Code:	92324-1957

PROPERTY OWNERSHIP HISTORY

The subject property has been owned by current ownership since May 2017 when they bought the single-family residence for a reported sale price of \$210,000. According to public records as of the date of value, the property was vested as follows:

Wawi Amgad

No evidence was located indicating the subject property is currently available for sale or under a contract of sale or has been sold on the open market in the past three years.

DATE OF VALUE

The Date of Value is February 21, 2023, which was the date of the property inspection and represents a current date of value. The value represents the As Completed value of the proposed Assisted Living Facility which is expected to be completed at the beginning of 2024. The date of report preparation is identified as the date shown in the Letter of Transmittal.

DEFINITION OF MARKET VALUE

The definition of market value, as used in this appraisal, is used by agencies that regulate federally insured financial institutions in the United States. Market Value is defined as:

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

1. buyer and seller are typically motivated;
2. both parties are well informed or well advised, and acting in what they consider their best interests;
3. a reasonable time is allowed for exposure in the open market;
4. payment is made in terms of cash in United States 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.”¹

¹ The Appraisal Institute, The Dictionary of Real Estate Appraisal, 6th ed., (Chicago: Author, 2015), 142. This definition of market value can also be found in references 12 CFR Part 34.42(g); 55 Federal Register 34696, August 24, 1990, as amended at 57 Federal Register 12202, April 9, 1992; 59 Federal Register 29499, June 7, 1994.

PROPERTY RIGHTS APPRAISED

The ultimate property right for real property is the Leased Fee. Leased Fee Estate is defined as "absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat."²

Whenever a property is leased/rented, the Leased Fee is divided into two interests. The Leased Fee interest is that of the landlord/lessor. Leased Fee Estate is defined as "the ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversionary right when the lease expires."³

The right held by the lessee/tenant is that of the Leasehold Interest. Leasehold Estate is defined as "the right held by the lessee to use and occupy real estate for a stated term and under the conditions specified in the lease."⁴

The subject property will not be leased until 2024 at the earliest. The interest being valued in this assignment is that of the Fee Simple.

SCOPE OF THE WORK

This assignment includes an appraisal of the subject property for financial planning purposes.

No Jurisdictional Exceptions, Extraordinary Assumptions, or Supplemental Standards are relevant to this assignment. The value being appraised is based on the Hypothetical Condition that the project is As Completed as proposed. Any fractional interest or partial holding between individuals or trusts (if applicable) was not made a part of this assignment.

The nature of the real estate being appraised does not include trade fixtures, machinery and equipment, Furniture Fixtures, and Equipment associated with the current occupancy.

Conditions of the assignment include completing a thoroughly researched appraisal but not to the extent that would warrant court testimony as an expert witness. Ample research and analysis were performed to develop a credible value conclusion.

The property was inspected by Christopher Garlick of Foss Consulting Group, who also assisted in research and report formatting. The property was inspected on an exterior and a walk-thru of the interior for the current single-family residence. The value being appraised is for the as-completed assisted living facility which as of the date of inspection was prior to construction. The Appraiser, Donald Hoelzel, MAI, has completed all of the necessary investigation and analysis of the market data. Various governmental agencies, private data sources, property managers, and clients obtained additional information regarding the subject property.

² The Appraisal Institute, The Dictionary of Real Estate Appraisal, 6th ed., (Chicago: Author, 2015), 90

³ The Appraisal Institute, The Dictionary of Real Estate Appraisal, 6th ed., (Chicago: Author, 2015), 128

⁴ The Appraisal Institute, The Dictionary of Real Estate Appraisal, 6th ed., (Chicago: Author, 2015), 128

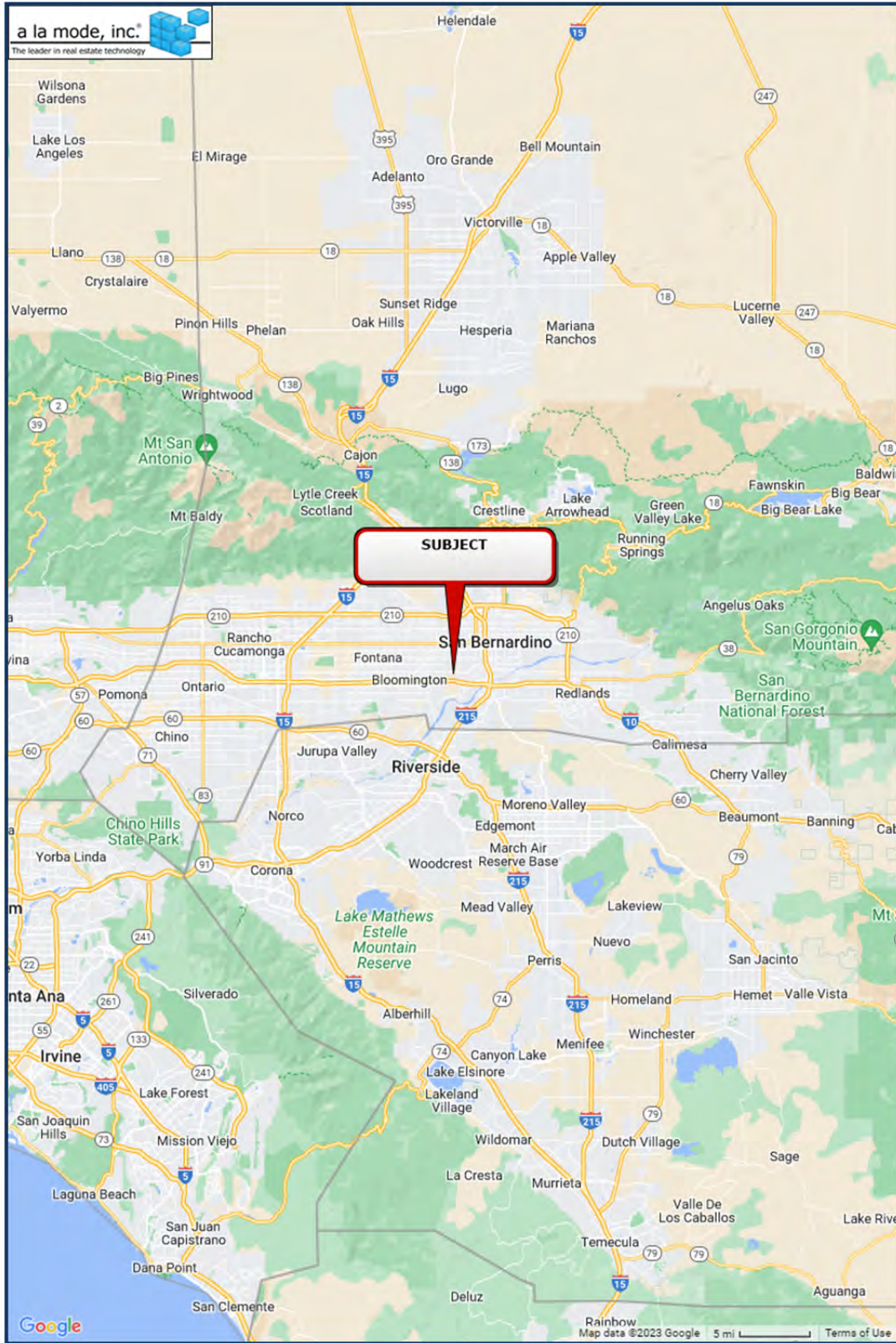
The Highest and Best Use analysis included considering the subject as vacant and As Improved. The subject's Highest and Best Use is As Improved with a future assisted living facility.

The Cost Approach was given significant weight in the final value conclusion. At the completion of construction, the subject property will be a new assisted living facility. The Cost Approach was aided by current construction cost estimates provided by the current construction process. The Sales Comparison Approach was completed in its traditional form utilizing similar small-scale assisted living facility property data. Value indicators include the price per square foot. The Income Approach was prepared with a direct capitalization (OAR) analysis. This is a traditional analysis of the Income Approach. A discounted cash flow (DCF) was not utilized. A DCF does not apply to the subject property because the subject is at stabilized occupancy. The data utilized represents the best available from typical data service providers and the brokerage community.

The subject property is currently being developed into a 6-unit assisted living facility with completion not expected until the beginning of 2024. The value being appraised throughout this report is based on the hypothetical condition that the project is As Completed as proposed.

The data utilized represents the best available from typical data service providers and brokerage firms. When possible, the Appraiser directly confirmed the data with a party to the transaction. The final value conclusion was considered amply supported and accurate. Given the problem to be solved, the value results are credible.

REGIONAL MAP



REGIONAL DESCRIPTION

Southern California

Southern California is part of the five-county area known as the Los Angeles Metropolitan Area (LAMA), comprised of Los Angeles, San Bernardino, Orange, Ventura, and Riverside Counties. The LAMA boasts an expansive regional economic base regarding geography, population, and economic productivity. This five-county metropolitan area covers over 34,000 square miles and represents the second-largest metropolitan area in the United States. The LAMA is more populous than nearly any individual state in the union, except for California, Texas, and New York. Dominant industries include aerospace, entertainment, retail product import/export, tourism, agriculture, high-tech information systems, and finance.

Region San Bernardino County

San Bernardino County, officially the County of San Bernardino, is a county located in the southern portion of the U.S. state of California and is located within the Inland Empire area. As of 2022, the population was estimated to be 2,187,665, making it the fifth-most populous county in California and the 14th-most populous in the United States. The county seat is in San Bernardino.

While included within the Greater Los Angeles area, San Bernardino County is included in the Riverside–San Bernardino–Ontario metropolitan statistical area and the Los Angeles–Long Beach combined statistical area.

With an area of 20,105 square miles, San Bernardino County is the largest county in the contiguous United States by area, although some of Alaska's boroughs and census areas are larger. The county is close to the size of West Virginia.

This vast county stretches from where the bulk of the county population resides in three Census County Divisions (Fontana, San Bernardino, and Victorville-Hesperia), counting 1,793,186 people as of the 2010 Census, covering 1,730 square miles, across the thinly populated deserts and mountains. It spans an area south of the San Bernardino Mountains in San Bernardino Valley to the Nevada border and the Colorado River.

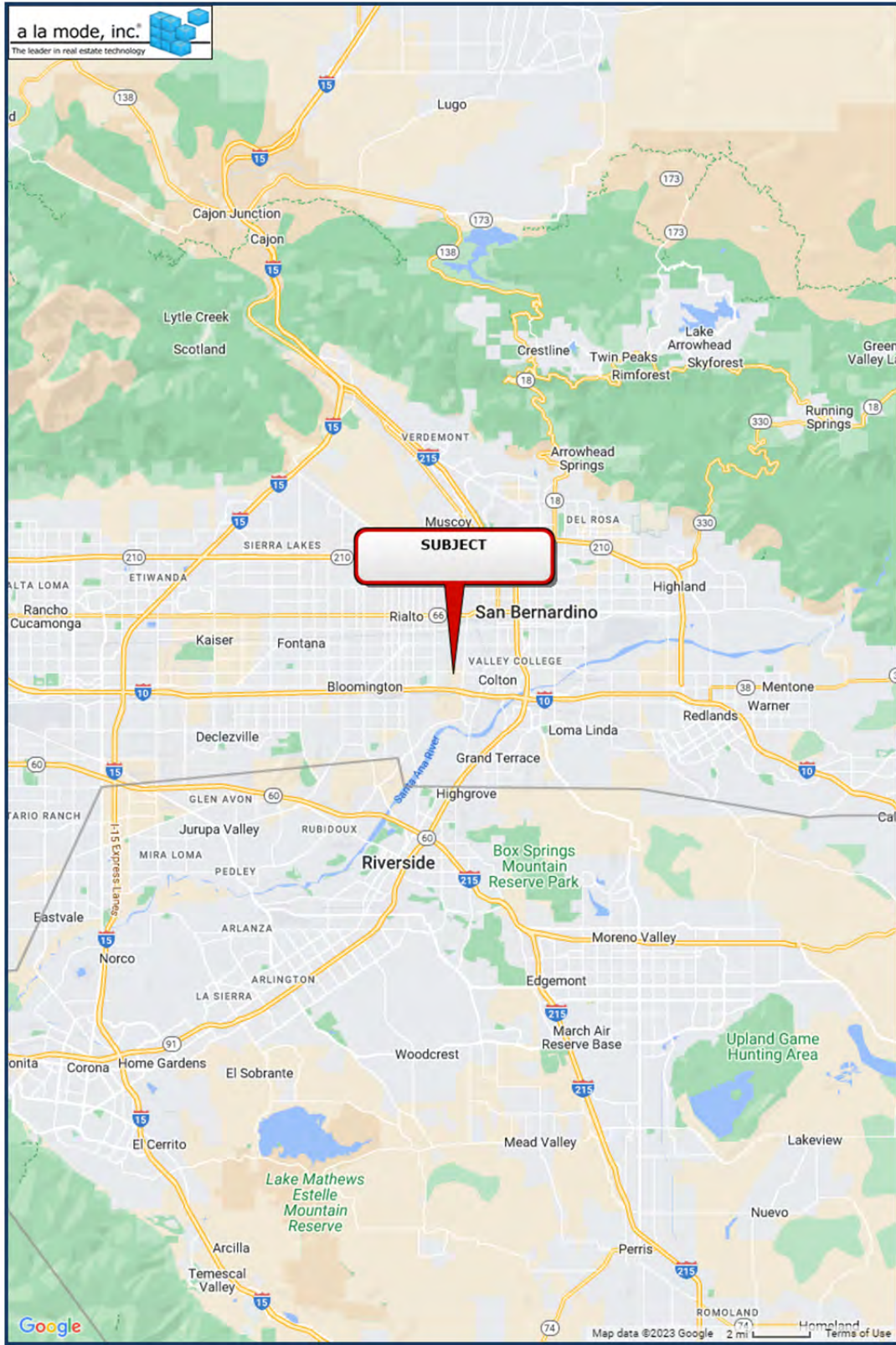
With a population that is 53.7% Hispanic as of 2020, it is California's most populous majority-Hispanic county and the second-largest nationwide.

California Attorney General Jerry Brown sued the county in April 2007 under the state's environmental quality act for failing to account for the impact of global warming in the county's 25-year growth plan, approved in March. The Center for Biological Diversity, the Sierra Club, and the Audubon Society also sued separately. According to Brendan Cummings, a senior attorney for the plaintiffs: "San Bernardino has never seen a project it didn't like. They rubber-stamp development, and it's very much of a frontier mentality." The plaintiffs want the county to rewrite its growth plan's environmental impact statement to include methods to measure greenhouse gases and take steps to reduce them.

According to county spokesman David Wert, only 15% of the county is controlled by the county; the rest is cities and federal and state land. However, the county says it will make sure employment centers and housing are near transportation corridors to reduce traffic and do more to promote compact development and mass transit. The county budgeted \$325,000 to fight the lawsuit.

The state and the county reached a settlement in August 2007. The county agreed to amend its general plan to include a Greenhouse Gas Emissions Reduction Plan, including an emission inventory and reduction targets.

CITY MAP



CITY DESCRIPTION

A city is "a municipal corporation, usually governed by a mayor and city council that occupies a defined area and is subject to the laws of the state or province in which it is located."⁵

City of Colton

The subject is located within an unincorporated portion of San Bernardino County. The subject is within the city of Colton's sphere of influence.

Colton is a city in San Bernardino County, California, United States. Nicknamed "Hub City", Colton is located in the Inland Empire region of the state and is a suburb of San Bernardino, approximately 4 miles south of the City's downtown. The population of Colton is 54,285 as of 2021 estimates.

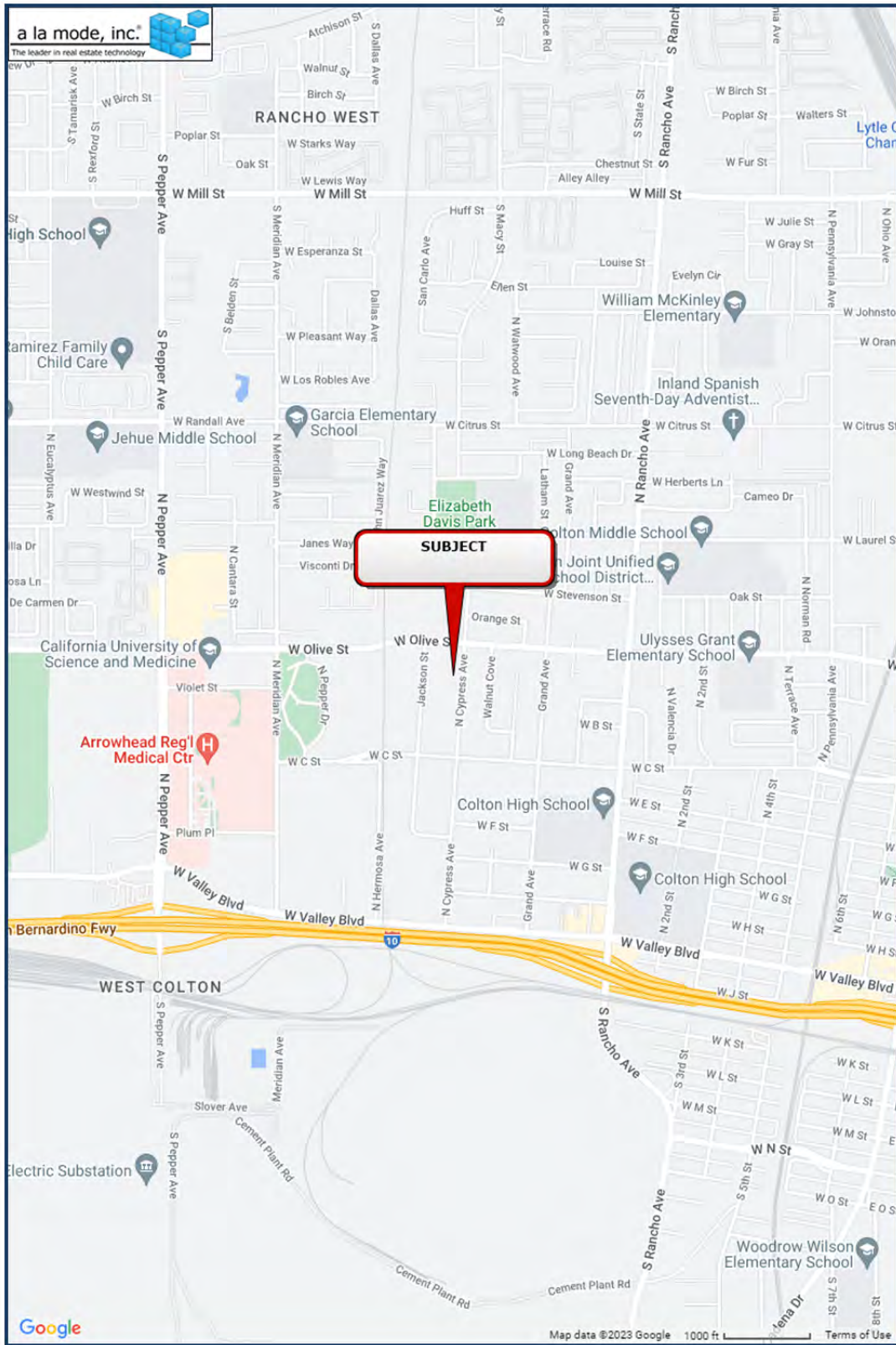
Colton is the site of Colton Crossing, which was one of the busiest at-grade railroad crossings in the United States. The crossing was installed in 1882 by the California Southern Railroad to cross the Southern Pacific Railroad tracks while building northward from San Diego. As a result of railroad acquisitions and mergers, this became the point at which the Burlington Northern Santa Fe's "Southern Transcontinental Route" crossed the Union Pacific's "Sunset Route". As traffic on each line began to soar in the mid-1990s, fueled largely by the vast increase in imports passing through the ports of Los Angeles and Long Beach, the primitive crossing became a serious bottleneck. On August 28, 2013, the at-grade crossing was officially replaced by a fly-over that raises the east-west UP tracks over the north-south BNSF tracks.

In 1953, a significant portion of the historic downtown of Colton was bulldozed to make room for the Ramona Freeway, which would later be named the San Bernardino Freeway. This included the block on the west side of Eighth Street north of J, including the then 70-year-old Helman's Department Store building, originally housing the First National Bank of Colton, on the corner, and the Willet's Department Store building to its north. Both stores moved to locations further north on Eighth.

According to the City's 2021 Comprehensive Annual Financial Report, the top employers in the City are Arrowhead Regional Medical Center, Colton Joint Unified School District, and Walmart.

⁵ The Appraisal Institute, The Dictionary of Real Estate Appraisal, 6th ed., (Chicago: Author, 2015, 37

NEIGHBORHOOD MAP



NEIGHBORHOOD DESCRIPTION

A neighborhood is "...a group of complementary land uses."⁶

Neighborhood boundaries "...may coincide with observable changes in land use or demographic and socioeconomic characteristics. Physical features such as structure types, street patterns, terrain, vegetation, and lot sizes help identify land use districts."⁷ In this case, the boundaries are delineated by zoning and use patterns of the surrounding area.

Neighborhood Setting

The subject is located within the primarily residential neighborhood of San Bernardino County on Cypress Avenue, a north-south arterial traffic street with most residential properties. The subject neighborhood is comprised primarily of both single-family and some multi-family residences. Commercial properties are located on main arterial streets including Pepper Avenue just west of the subject property.

Regional access to the neighborhood is via the 10 Freeway that runs east to west throughout San Bernardino County. The 10 Freeway links to other freeways to access most Southern California market areas. Found in the Inland Empire region of San Bernardino, this small area lies where Interstate 10 and Interstate 215 cross paths.

The area is known as the "Hub City" and the townhouses Colton Crossing, a very busy railroad crossing in the United States. Since its establishment in 1875, the area has grown into a thriving transportation network with a deep focus on high-quality living for its residents.

Recreation enthusiasts enjoy hiking the Santa Ana River Trail, which spans over 100 miles. Against the tall mountain backdrop, Colton attracts people to its community with simple Southern California living.

The majority of the homes in the area are multifamily residential complexes built between the 1960s and 1970s. Small shops and restaurants dot a strip of Pepper Avenue just west of the subject and Rancho Avenue just east of the subject. The neighborhood is also served by several nearby grocery stores and shopping centers.

Neighborhood Trends

There is no major redevelopment in the area expected to occur in the foreseeable future that might change the basic character of the neighborhood. The neighborhood trend was concluded to be one of stability, with probable gradual long-term appreciation after the present pandemic recedes.

⁶ The Appraisal Institute, The Appraisal of Real Estate, 13th ed., (Chicago: Author, 2008), 54

⁷ The Appraisal Institute, The Appraisal of Real Estate, 12th ed., (Chicago: Author, 2001), 164

ASSISTED LIVING RESIDENTIAL MARKET ANALYSIS

General Conditions

On a national level, the combination of a weak economy and lack of available financing caused one of the deepest and longest recessions in the residential housing industry in 2008-2009. Given the availability of subprime loans, many former tenants could purchase homes. Eventually, many of these new property owners were faced with declining values and increasing payments (due to adjustable-rate mortgages) to which foreclosure became inevitable. As these owners lost their homes, they returned to the rental segment for housing.

The financial collapse of 2008 resulted in a significant shift in market activity, and there was less investor equity and available financing to consummate sales transactions from a purchase standpoint. From operations, landlords had to cope with tenant job loss, lower wages, and narrow margins between income and expense.

As post-recession economic conditions improved, so did the strength of the rental housing market. Tenant occupancy gradually became more secure, which caused investors to be more confident in purchase decisions. The lack of new construction from 2008 to 2012 resulted in increased demand for existing housing, including sale and rent properties. This ultimately caused rental rates to increase significantly in 2013, continuing into 2014 and after that.

The economic expansion following the recession that ended in June 2009 was the longest in history, though growth remained modest for the most part. During the first quarter of 2020, the fast-spreading novel coronavirus (COVID-19) was declared a pandemic by the World Health Organization in March and prompted many countries worldwide to shut down to contain the outbreak effectively, spread to the United States. The drastic measures to the intensifying global health crisis, ranging from so-called lockdowns, stay-at-home orders, and school closures to strict regulations on social distancing and bans on public gatherings, were unprecedented and placed massive restrictions on the daily lives of hundreds of millions of people. Over three-quarters of the country's population were subject to stay-at-home policies, which resulted in numerous commercial businesses virtually closing down as nonessential services and forcing millions of people out of work. As a result, unemployment skyrocketed, resulting in residential non-eviction/tenant non-payment of rent measures being instituted at the expense of landlord/owners.

During the initial months of the virus spreading in the United States, many jobless claims occurred. Real GDP declined by 5.0 percent (on an annualized basis) in the first quarter of 2020 and declined by 31.4 percent (on an annualized basis) in the second quarter. Towards the end of the second quarter of 2020, many states began to loosen their restrictions, enabling many businesses to reopen. Although the recovery from the impacts of COVID-19 is still far from over, the U.S. economy began to recover in the third quarter of 2020. Real GDP increased by 28.6 percent (on an annualized basis) during the third quarter and by an additional 4.0 percent in the fourth quarter of 2020. This was mainly due to increased consumer spending on goods due to various economic stimulus programs. The job market is also slowly improving, with approximately half of the recovered jobs lost since February. Overall, while real GDP contracted by 3.5 percent in 2020, it is expected to increase by

4.6 percent in 2021. Taking the pace of vaccine deployment into consideration, Wells Fargo Economics Group forecasts a slightly more robust real GDP growth trend in the years ahead.

The California economy started to decline significantly in the last month of the first quarter of 2020 due to the impact of COVID-19. It led to a more significant decline in the second quarter. Ten of the eleven major industry sectors reported job losses between February and May 2020, with only mining and logging reporting increasing. The unemployment rate rose to a record-high of 16.4 percent in April 2020, before falling slightly to 10.2 percent in July, to 8.4 percent in August 2020, and is now 3.2 percentage points above the pre-pandemic level of 3.5 percent in February. In December, the unemployment rate increased for the first month since April 2020 to 9.0 percent, up 0.9 percentage points from the previous month. California experienced low inflation over the last year, with the state's Consumer Price Index (CPI) only increasing by 1.7 percent in 2020.

Real estate will have to face the same macroeconomic volatility as all other asset classes. Its lower leverage may offer investors a more defensive strategy in a sharp rise in rates. Real estate may outperform other more highly levered markets under a de-leveraging scenario, such as certain corporates or emerging markets. Furthermore, should the rise in rates be accompanied by higher-than-anticipated inflation, real estate may serve as a more effective hedge than other sectors, such as corporate bonds and sovereign debt.

Senior Housing Trends

According to CBRE, the baby boomers (post-World War II babies) began turning 65 in 2011. By 2030, the remainder will also reach age 65 and account for approximately 21% of the total United States population. By 2050, the 65-plus age group will exceed 85.6 million, a more than 50% increase over its estimated 2020 population (56.1 million). The same figure for the 85-plus group is even higher. By 2050, the 85-plus age group will exceed 18.5 million, a 177% increase over its estimated 2020 population (6.7 million). Additionally, by 2035 the 65-plus age group will be larger than the population under the age of 18. By 2035, there will be 78.0 million people 65 years and older compared to 76.7 million under the age of 18. The projected growth in the senior population will present many challenges to policy makers and programs by having a significant impact on families, businesses, healthcare providers, and, most notably, on-demand for senior housing.

One of the primary drivers in trends for the aging population is mortality rates. Survivorship rates have shown consistent improvement for many decades. In the United States in 1972, the average life expectancy of a 65-year-old was 15.2 years. By 2017, the most recent available data, this metric increased by 5.2 years to approximately 20.4 years. Additionally, it is estimated that about one out of every four 65-year-olds will live to be 90 years old, with one of every ten expected to live past 95 years of age.

Driving this increased life expectancy and consequentially average population age is advancing public health strategy and medical treatment. Life expectancy in the United States has increased by approximately 30 years over the past century, primarily due to reducing acute illness threats. However, an unforeseen consequence of longer life expectancy has been the increased prevalence of heart disease, cancer, and other chronic diseases as the leading causes of death. As Americans age during the next several decades, the elderly population will require a larger number of formally

trained, professional caregivers as a direct effect of these chronic diseases, which often affect independence and mobility.

Moreover, the problems facing the United States aging population can be witnessed as a global phenomenon. Fifty countries had a higher proportion of people aged 65-plus than the United States in 2010. This number is expected to increase to approximately 98 countries by 2050.

For Active Adult, Independent Living and Memory Care assets, more than 70% of investors expect rental rate increases of 1%-7% in 2022, with 42% seeing an increase of 3%-7%. For the Skilled Nursing and Continuing Care Retirement Community/Life Plan Community sub-sectors, 68% of investors expect rental rate increases of 1%-3% this year.

“Investors remain encouraged by the continued recovery of the seniors housing sector and foresee strong rental growth and steady improvements in resident levels over the next 18 months,” said James Graber, leader of Seniors Housing and Healthcare for CBRE’s Valuation & Advisory Services. “These positive indications should outstrip the challenges, such as availability and cost of staffing, leading to the expectation of strong performance in 2022.”

Active Adult (34%) is viewed as the biggest opportunity for investment in the Seniors Housing sector this year, driven by the younger, lower-acuity residents from the baby boom generation. Assisted Living (26%) and Independent Living (23%) sectors ranked second and third, respectively.

Staffing (availability/cost) is viewed as the greatest headwind for investors within the seniors housing sector, followed by inflation and interest rates.

The average seniors housing capitalization rate in 2021 declined by 13 basis points year-over-year and is now below the H1 2020 pre-pandemic average. Despite rising interest rates and inflation, nearly 50% of respondents expect cap rates to remain flat this year. Capitalization rates—usually called cap rates—measure a property’s value by dividing its annual income by its sale price. A lower cap rate generally indicates a higher value.

Assisted Living Construction

The average cost of a senior housing development has increased by 17.8% since 2020 to \$317,400 per unit or \$333 per sq. ft. The increase is largely attributable to higher labor and materials costs, as well as operating expenses and outlays for entitlements. The average net rentable area of the 142 projects surveyed by CBRE was 59.9% of gross building area, down from 64.1% in 2020.

Hard costs represented the largest portion of total development cost at 70.2%, followed by soft costs at 18.5% and site acquisition costs at 8.2%. Return on cost, when measured as projected stabilized net operating income as a percentage of overall development costs, averaged 8.6%.

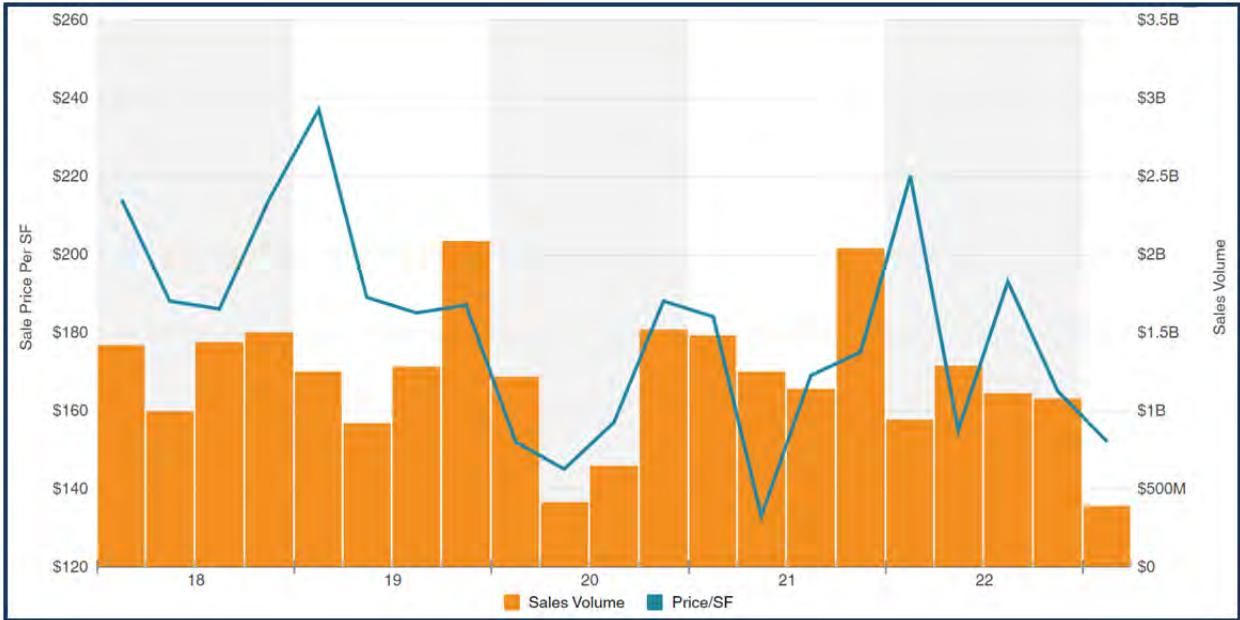
Characteristics			Summary		
Cost (\$)	Average	Year-over-Year Change (%)	First Quartile	Median	Third Quartile
Total	42,700,000		21,550,000	39,350,000	57,775,000
Per Revenue Unit	317,400	17.8%	226,600	294,200	372,100
Per Sq. Ft.	333	5.0%	241	297	380
Property Characteristics		Average			
Year of Construction	2022				
Total Revenue Units	129				
Independent Living	50				
Assisted Living	52				
Memory Care	27				
Site Area (Acres)	6.78				
Gross Building Area (Sq. Ft.)	137,000				
Net Rentable Area (Sq. Ft.)	82,000				

Source: CBRE Valuation & Advisory Services and CBRE Research, Q3 2022.

Trends: Price per Square Foot

Utilization of the analytic database from CoStar indicates the following trends in the average price per square foot for assisted living properties in the nation.

**NATIONAL ASSISTED LIVING TRENDS
PRICE PER SQUARE FOOT**



The above represents the trend for all of the nation, including over 7,500 data points. Value changes have been varied based on the location of sub-markets and the size and age of the properties.

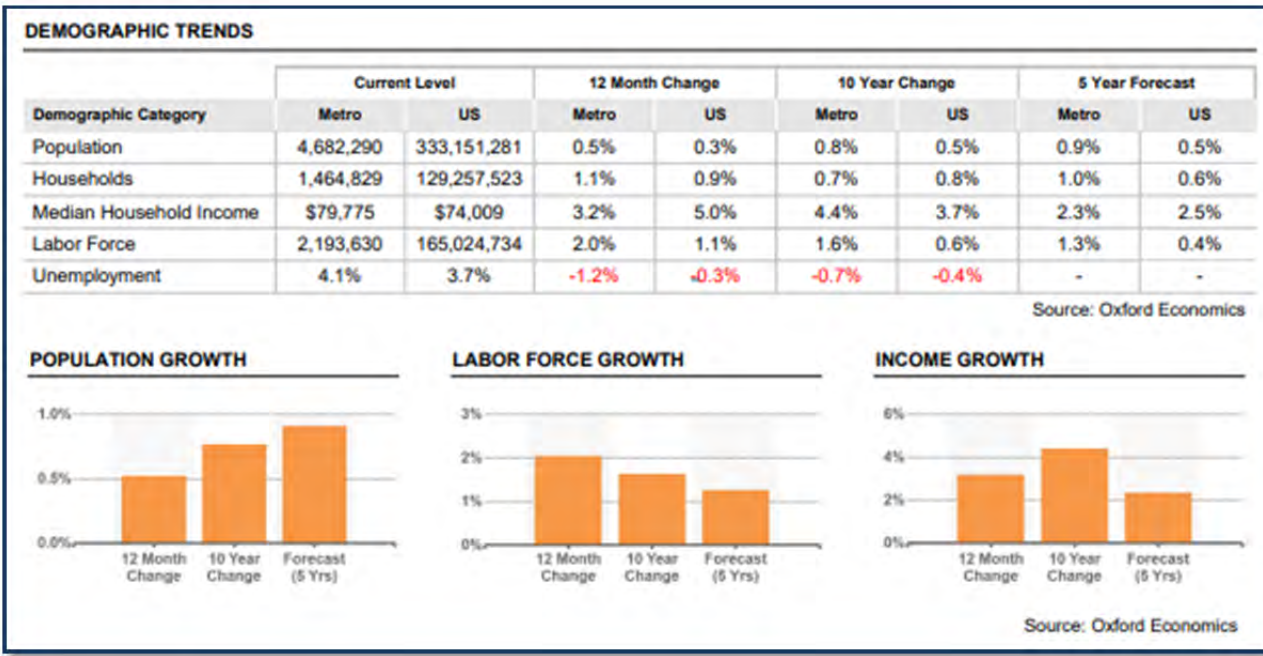
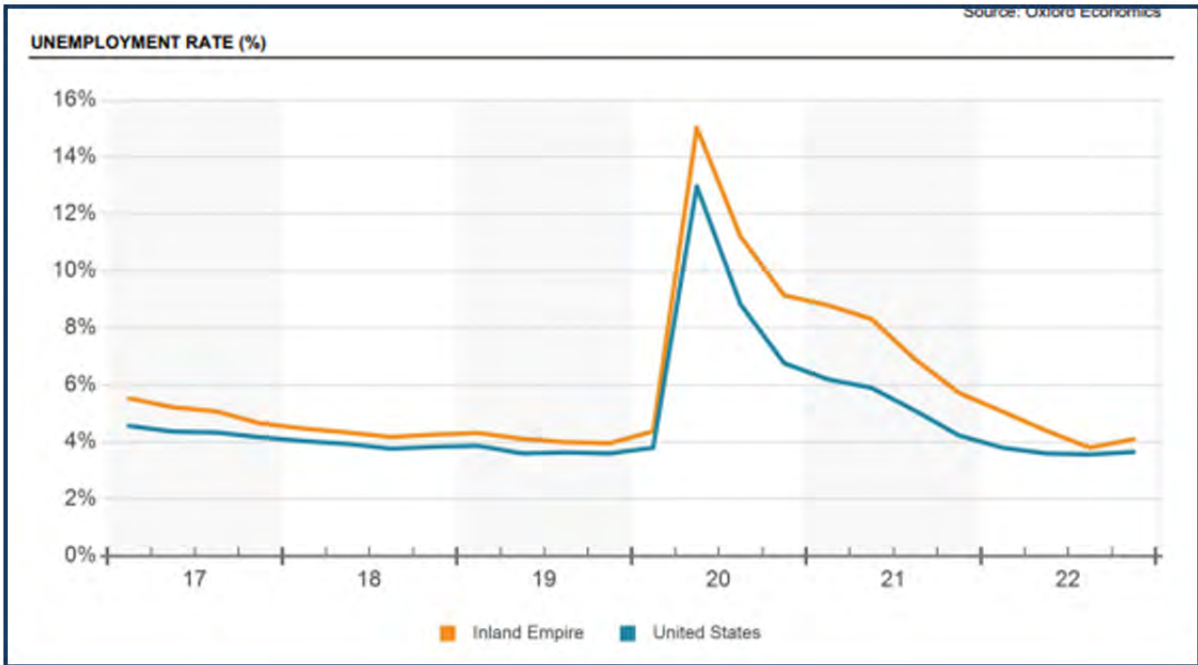
Inland Empire Economy

The Inland Empire is one of the largest and fastest growing logistics hubs in the United States due to its proximity to the southern California ports and its relatively affordable land. Nearly a third of all U.S. imports come through the two Los Angeles ports, and much of that cargo's eventual destination is farther inland, making the metro's rail and highway connections extremely valuable. Housing is also affordable by southern California standards. Many residents commute west and south to job nodes in Los Angeles, Orange County, and San Diego because there are limited opportunities for high wage workers.

Median household income in Inland Empire is \$78,000, well below coastal metros, but higher than the national median of \$72,000. Jobs in transportation and warehousing have persistently grown for over 10 years and account for 75% of job growth since February 2020. Amazon is a major employer in the Inland Empire, with over three dozen facilities in the metro, and third-party logistics companies have been growing over the past decade. Many retailers have manufacturing and distribution facilities in the Inland Empire, as well. The metropolitan area comprises two counties, Riverside and San Bernardino, as well as 52 incorporated cities. Riverside County has one of the fastest-growing populations in the state, and retirement communities are scattered throughout the metro. As a result, there is outsized demand for health care and education services and employment in the industry expands every year. Tourism is vibrant in Palm Springs, Big Bear, and Temecula, primarily attracting in-state travelers. Payrolls in the leisure and hospitality sector have returned to pre-pandemic levels.

Industry	CURRENT JOBS		CURRENT GROWTH		10 YR HISTORICAL		5 YR FORECAST	
	Jobs	LQ	Market	US	Market	US	Market	US
Manufacturing	101	0.7	4.34%	2.91%	1.63%	0.78%	0.07%	-0.03%
Trade, Transportation and Utilities	478	1.5	3.28%	1.46%	4.99%	1.18%	1.36%	0.08%
Retail Trade	187	1.1	2.05%	0.53%	1.37%	0.55%	0.31%	0.08%
Financial Activities	47	0.5	1.80%	1.54%	1.35%	1.40%	0.12%	0.09%
Government	258	1.0	2.84%	1.24%	1.55%	0.24%	1.28%	0.55%
Natural Resources, Mining and Construction	113	1.2	1.92%	3.12%	5.12%	2.45%	0.64%	0.23%
Education and Health Services	273	1.0	5.27%	3.61%	4.18%	1.72%	1.48%	0.54%
Professional and Business Services	178	0.7	5.26%	2.84%	3.34%	2.10%	0.45%	0.35%
Information	10	0.3	7.04%	5.09%	-1.24%	1.34%	1.47%	0.21%
Leisure and Hospitality	185	1.0	8.38%	5.77%	3.38%	1.37%	1.20%	1.07%
Other Services	45	0.7	-0.21%	2.90%	0.94%	0.58%	0.46%	0.33%
Total Employment	1,688	1.0	4.13%	2.75%	3.43%	1.29%	1.07%	0.38%

Source: Oxford Economics
LQ = Location Quotient



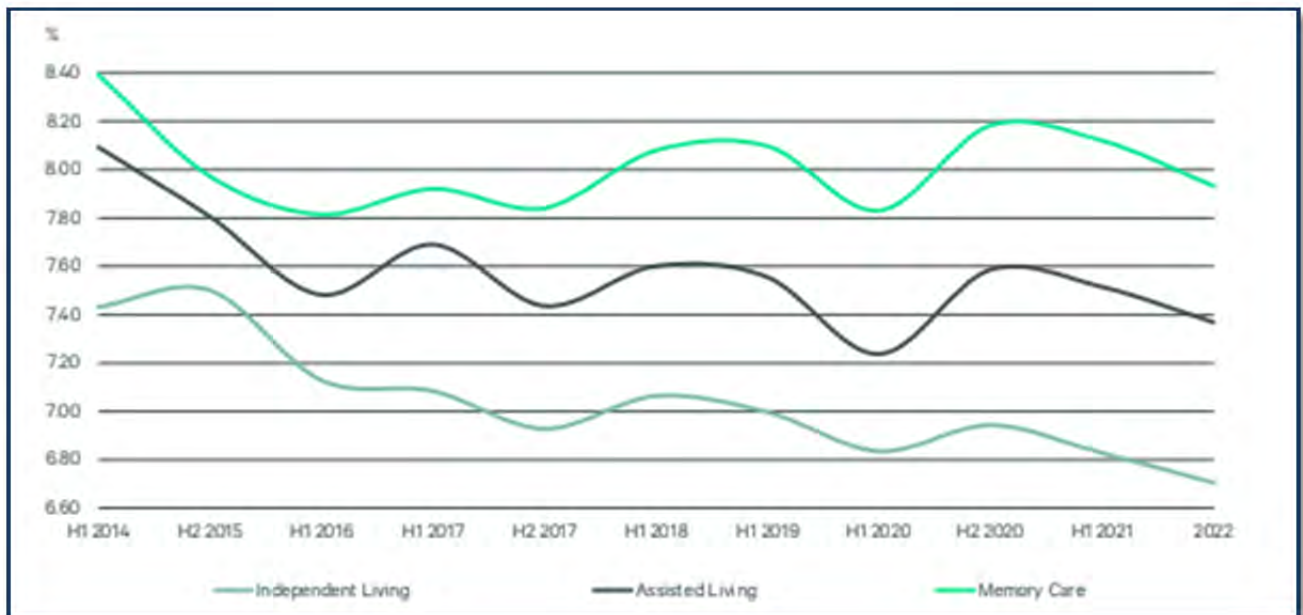
Investor Trends

Reference was made to investor surveys, which interviewed various major investment firms. The PWC investor survey provides the following results:

PRICE WATERHOUSE COOPERS FOURTH QUARTER 2022						
	MARKETING TIME	RENT CHANGE	EXPENSE CHANGE	DISCOUNT RATE	OVERALL CAP RATE	RESIDUAL OAR
National Net Lease Market						
Range	2.00 - 18.00 mos.	(5.00)% - 2.00%	0.0% - 3.0%	5.0% - 10.0%	5.0% - 7.5%	5.0% - 7.5%
Average	6.3 mos.	0.00%	1.60%	7.35%	6.23%	6.28%
5 years ago	5.7 mos.	1.90%	1.60%	7.92%	6.80%	6.80%
Yield Comparison				Dividend Comparison		
	PwC (OAR)	Long Term Mortgage	10 yr. Treasury		Equity REITs	S&P 500
Current	7.56%	6.75%	3.67%		4.05%	1.82%
5 years ago	7.65%	4.59%	2.37%		4.20%	1.97%

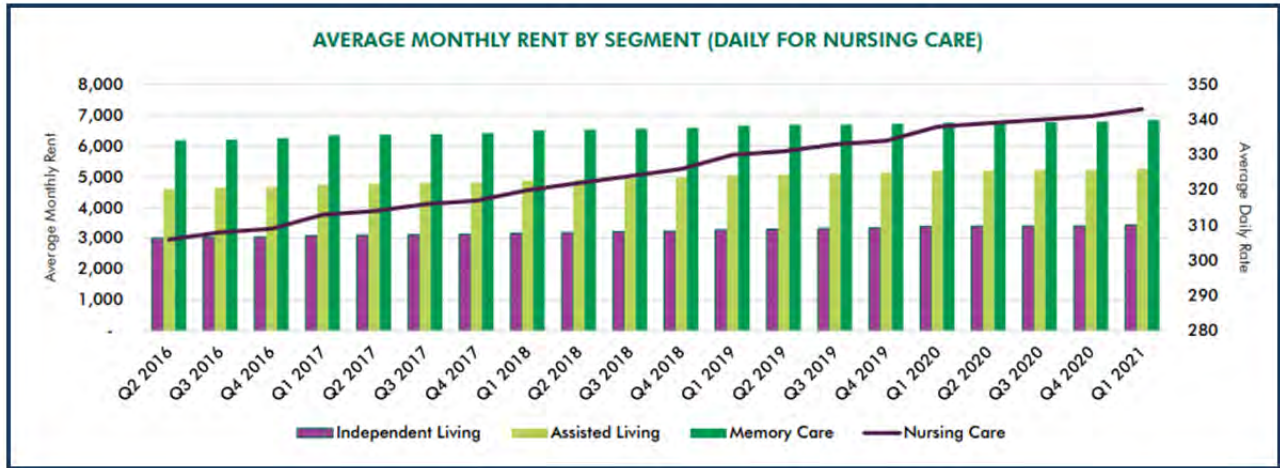
Using the same CoStar data set shown above provides the following indication of trending Overall Capitalization Rates in the nation:

NATIONAL ASSISTED LIVING TRENDS OVERALL RATES

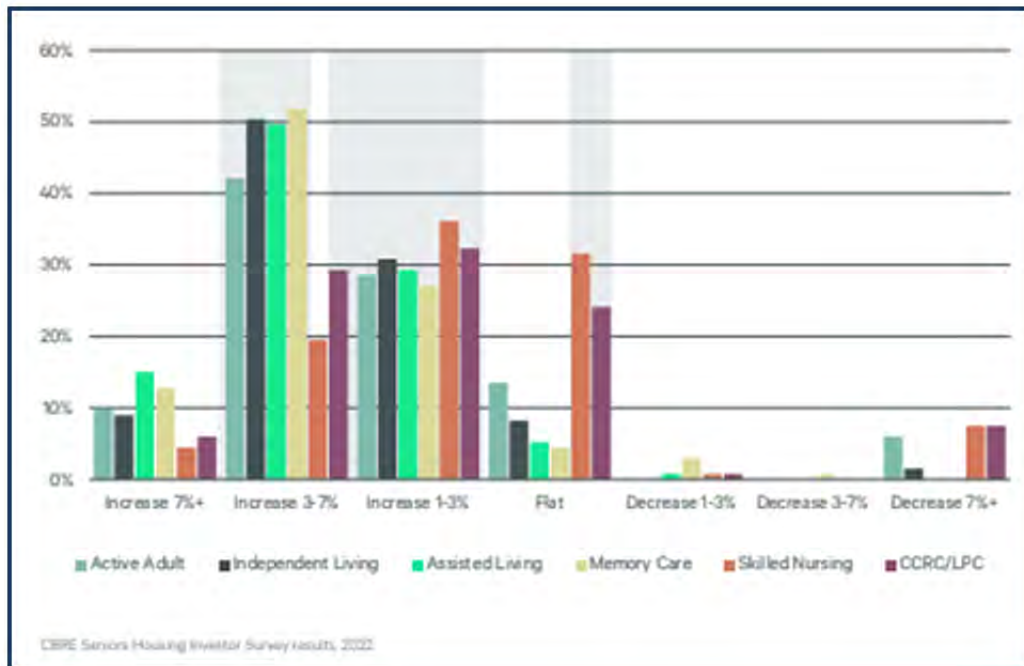


Historical data from the survey indicates overall compression in capitalization rates. However, the COVID-19 pandemic has reversed this trend, increasing rates for nearly all care levels. Skilled nursing is the only care level that maintained flat capitalization rates through this period. Rental rates have been increasing over the past five years, demonstrated as follows:

NATIONAL ASSISTED LIVING TRENDS RENTAL RATE -NURSING CARE



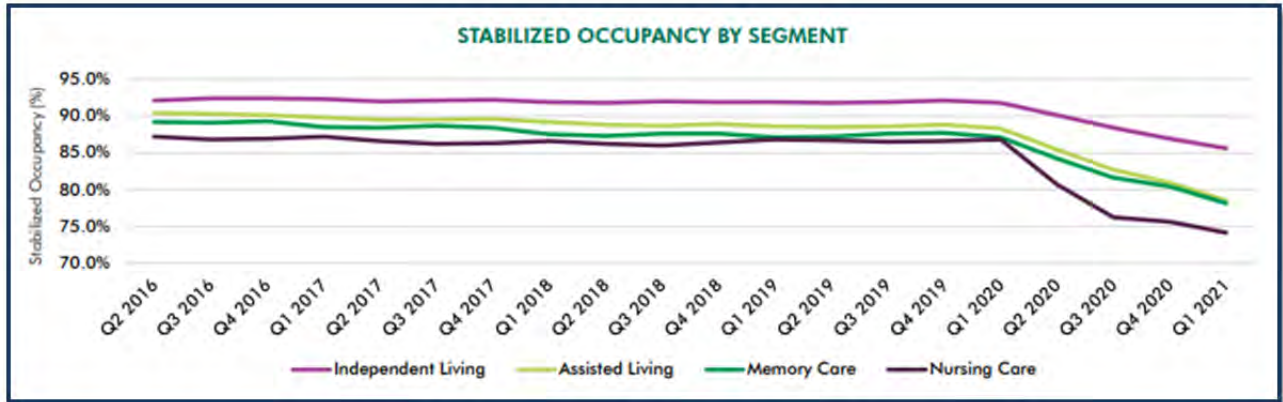
NATIONAL ASSISTED LIVING TRENDS NEAR TERM RENTAL EXPECTATIONS



The above has blended nursing care and assisted living as well as this the rate for the consumer, not for a tenant-occupied operator. It is only to see the trends.

The following suggests a vacancy rate trend between 10% and 15% over the last few years, but the chart is blended with nursing care and assisted living. Additionally, this is the rate for the individual consumer, not for a tenant-occupied operator:

NATIONAL ASSISTED LIVING TRENDS OCCUPANCY RATES TRENDS



In summary, the market for Assisted Living has shown strong results over the past four years. The market appears to have rebounded to newer pre-recession levels. Additional gains rely on improving economic, employment, and consumer confidence on a national and regional basis.

MARKETING PERIOD AND EXPOSURE TIME

The Marketing Period can be either retrospective or prospective in nature. Exposure Time provides a retrospective marketing period. The time estimates that the subject property would remain on the market before entering into a contract of sale – as of the appraisal date. Marketing Time reflects the estimated time needed to sell properties like the subject property subsequent to the appraisal date.

Both periods have a direct impact on the value being considered. Suppose the Client requests a shortened marketing period to facilitate a "Quick Sale" with a limited marketing period. In that case, the value being sought is no longer market value but rather "Disposition Value." If the Client requests a minimal marketing period, the value being sought is "Liquidation Value."

In this appraisal assignment, the Client has requested the property be valued predicated on market value. Market Conditions for properties like the subject have been stable over the past two years, so, in this instance, the exposure and marketing times are very similar.

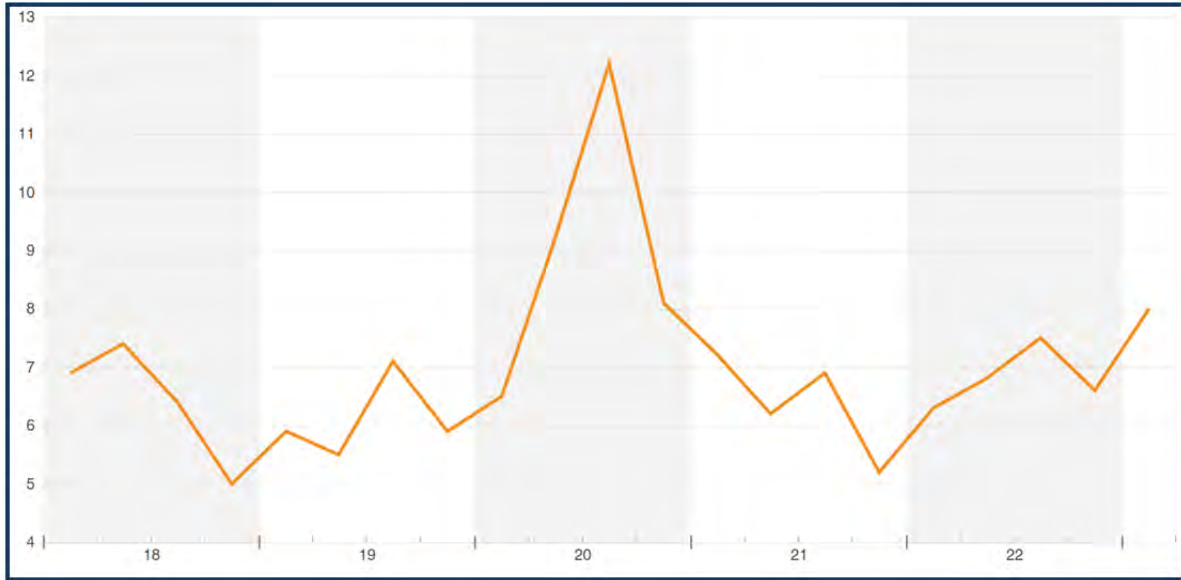
With the increase in activity for purchases over the past several years, the properties often receive multiple offers. This is evidenced by the relatively low difference between asking and selling prices per the same CoStar databased used in the Market Analysis:

**NATIONAL ASSISTED LIVING TRENDS
VARIANCE BETWEEN ASKING AND SELLING PRICES**

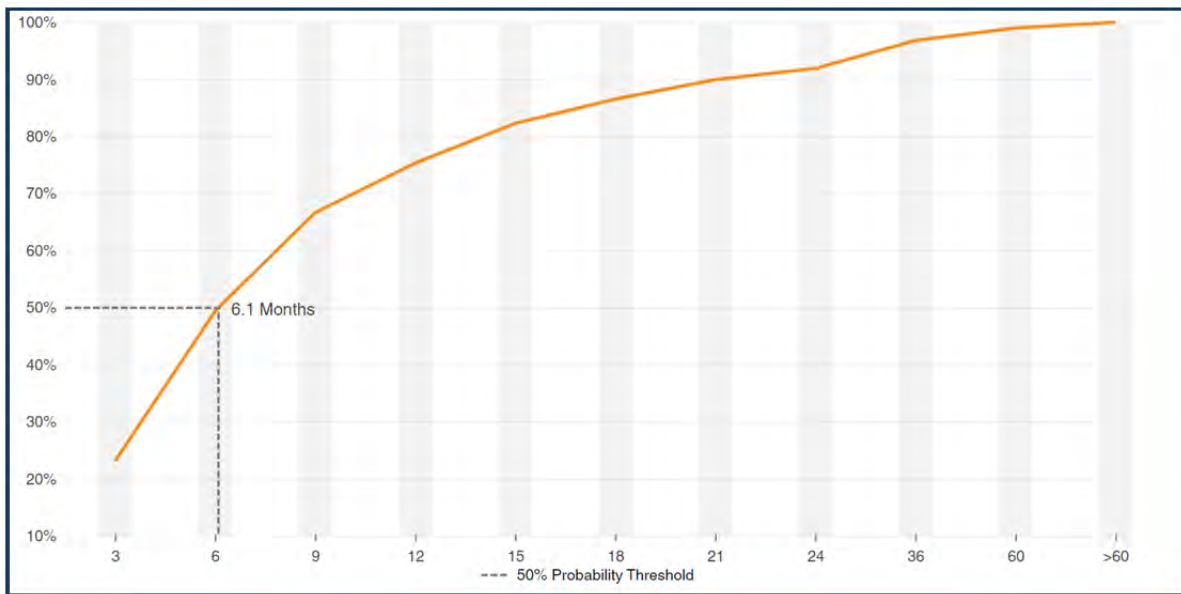


The data appears to show a stable pattern range of around 5%. The same database provides the following indication of marketing time:

NATIONAL ASSISTED LIVING TRENDS MONTHS TO SELL

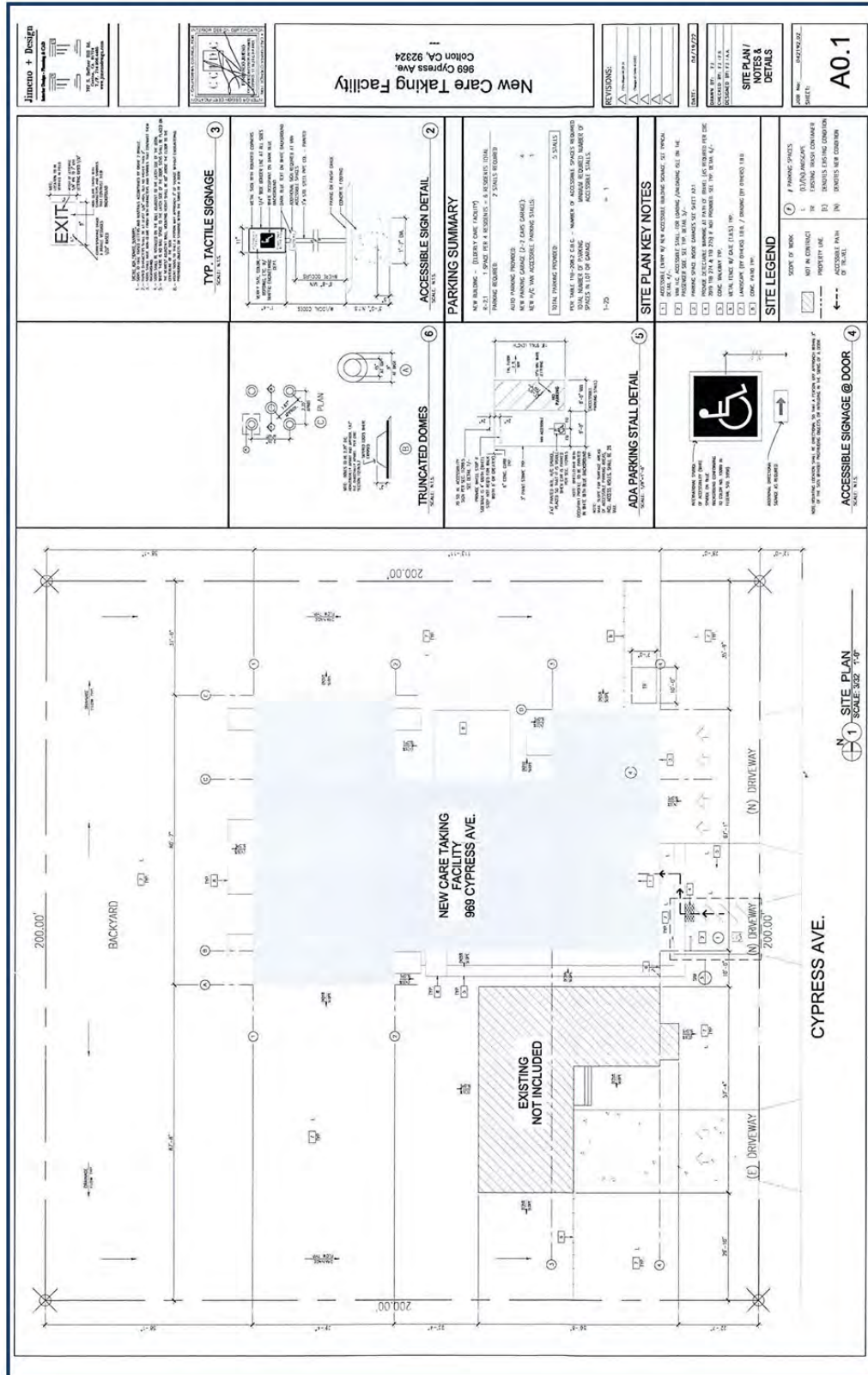


NATIONAL ASSISTED LIVING TRENDS PROBABILITY OF SELLING IN MONTHS



Based on the current market conditions and assuming the listing price is near market value, I have estimated the subject's marketing time at roughly seven months for a buyer to be located. An additional three months was concluded to be applicable to close the escrow. The subject's total marketing and exposure time are estimated to be approximately ten months.

SITE PLAN



Finco + Design
ARCHITECTS

1000 WEST 10TH AVENUE
SUITE 100
DENVER, CO 80202
TEL: 303.733.1111
WWW.FINCODESIGN.COM

PROJECT: NEW CARE TAKING FACILITY
DATE: 07/27/2022

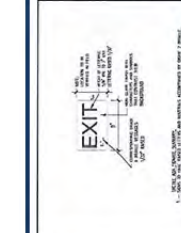
SITE PLAN / ACCESSIBLE DETAILS

A0.1

REVISIONS:

1. 07/27/2022
2. 07/27/2022
3. 07/27/2022

NEW CARE TAKING FACILITY
989 CYPRESS AVE
COLUMBIA, SC 29224



PARKING SUMMARY

NEW BUILDING - (ELIMINATE CARE FACILITY)	7 STALLS REQUIRED
EXISTING BUILDING - (ELIMINATE CARE FACILITY)	0 STALLS REQUIRED
TOTAL PARKING PROVIDED	7 STALLS
NEW CARE TAKING FACILITY	7 STALLS
NEW CARE TAKING FACILITY	7 STALLS

5 ADA PARKING STALL DETAIL

1. STALL SHALL BE 8'0" WIDE AND 5'0" DEEP.
2. STALL SHALL BE 1/4" THICK.
3. STALL SHALL BE 1/8" HIGH RISE.
4. STALL SHALL BE 1/8" HIGH RISE.

4 ACCESSIBLE SIGNAGE @ DOOR

1. SIGN SHALL BE 18" HIGH AND 12" WIDE.
2. SIGN SHALL BE 1/4" THICK.
3. SIGN SHALL BE 1/8" HIGH RISE.
4. SIGN SHALL BE 1/8" HIGH RISE.

SITE PLAN KEY NOTES

1. ALL NEW ACCESSIBLE PARKING SPACES SHALL BE 8'0" WIDE AND 5'0" DEEP.
2. ALL NEW ACCESSIBLE PARKING SPACES SHALL BE 1/4" THICK.
3. ALL NEW ACCESSIBLE PARKING SPACES SHALL BE 1/8" HIGH RISE.
4. ALL NEW ACCESSIBLE PARKING SPACES SHALL BE 1/8" HIGH RISE.

SITE LEGEND

1. PARKING SPACES
2. ADA PARKING SPACES
3. ADA SIGNAGE @ DOOR
4. ADA SIGNAGE @ DOOR

TRUNCATED DOMES

1. TRUNCATED DOMES SHALL BE 1/4" HIGH AND 1/4" WIDE.
2. TRUNCATED DOMES SHALL BE 1/4" HIGH AND 1/4" WIDE.

ACCESSIBLE SIGN DETAIL

1. SIGN SHALL BE 18" HIGH AND 12" WIDE.
2. SIGN SHALL BE 1/4" THICK.
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4. SIGN SHALL BE 1/8" HIGH RISE.

ADA PARKING STALL DETAIL

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4. SIGN SHALL BE 1/8" HIGH RISE.

INTERIOR ELEVATION FLOOR PLANS

Jimeno + Design
Interior Architecture & Design
1000 N. 10th Street, Suite 100
Tucson, AZ 85710
Tel: 520.244.1111
www.jimenoanddesign.com

New Care Taking Facility
969 Cypress Ave.
Cotton CA 92324

REVISIONS:

INTERIOR ELEVATIONS

DATE: 04/13/2022

PROJECT: 22-001

REVISIONS BY: J.D.

A2.6

SHEET

INTERIOR ELEVATIONS NOTES:

1. ELEVATIONS SHALL BE CONSIDERED AS SHOWN UNLESS OTHERWISE NOTED.
2. FINISHES SHALL BE AS SHOWN UNLESS OTHERWISE NOTED.
3. ALL DIMENSIONS ARE TO FACE UNLESS OTHERWISE NOTED.
4. ALL DIMENSIONS ARE TO FACE UNLESS OTHERWISE NOTED.
5. ALL DIMENSIONS ARE TO FACE UNLESS OTHERWISE NOTED.
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16. ALL DIMENSIONS ARE TO FACE UNLESS OTHERWISE NOTED.
17. ALL DIMENSIONS ARE TO FACE UNLESS OTHERWISE NOTED.
18. ALL DIMENSIONS ARE TO FACE UNLESS OTHERWISE NOTED.
19. ALL DIMENSIONS ARE TO FACE UNLESS OTHERWISE NOTED.
20. ALL DIMENSIONS ARE TO FACE UNLESS OTHERWISE NOTED.

E) RECEPTION / HALLWAY / DINING / LIVING INTERIOR ELEVATION
SCALE: 1/4" = 1'-0"

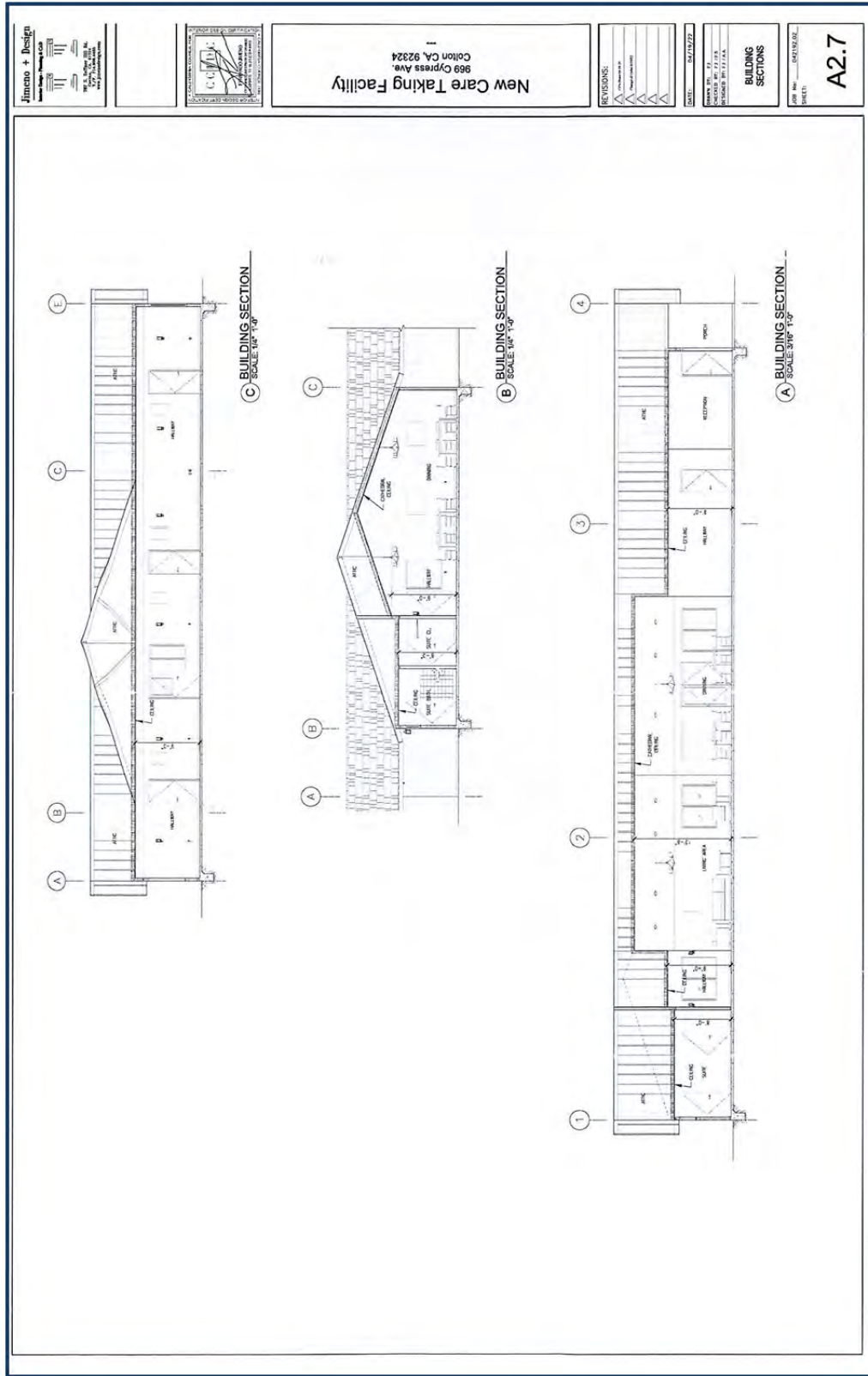
C) KITCHEN INTERIOR ELEVATION
SCALE: 3/8" = 1'-0"

D) KITCHEN INTERIOR ELEVATION
SCALE: 3/8" = 1'-0"

B) KITCHEN INTERIOR ELEVATION
SCALE: 3/8" = 1'-0"

A) KITCHEN INTERIOR ELEVATION
SCALE: 3/8" = 1'-0"

BUILDING SECTIONS



SUBJECT PHOTOGRAPHS



**CYPRESS AVENUE
FACING NORTH**



**CYPRESS AVENUE
FACING SOUTH**

SUBJECT PHOTOGRAPHS



FRONT EAST ELEVATION



ASSISTED LIVING SITE

SUBJECT PHOTOGRAPHS



ASSISTED LIVING SITE



ASSISTED LIVING SITE

SUBJECT PHOTOGRAPHS



LIVING ROOM

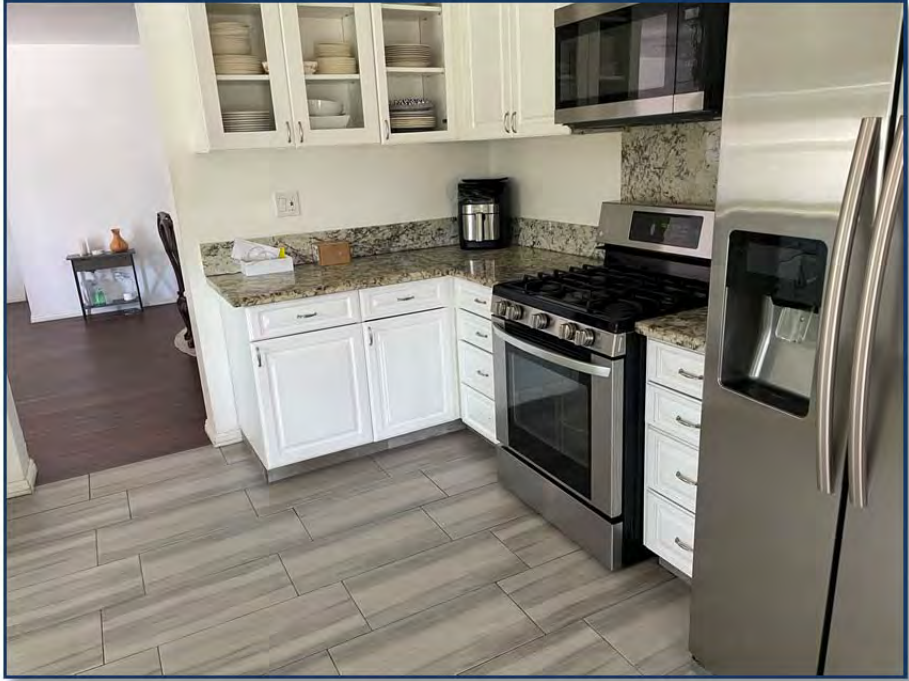


DINING AREA

SUBJECT PHOTOGRAPHS

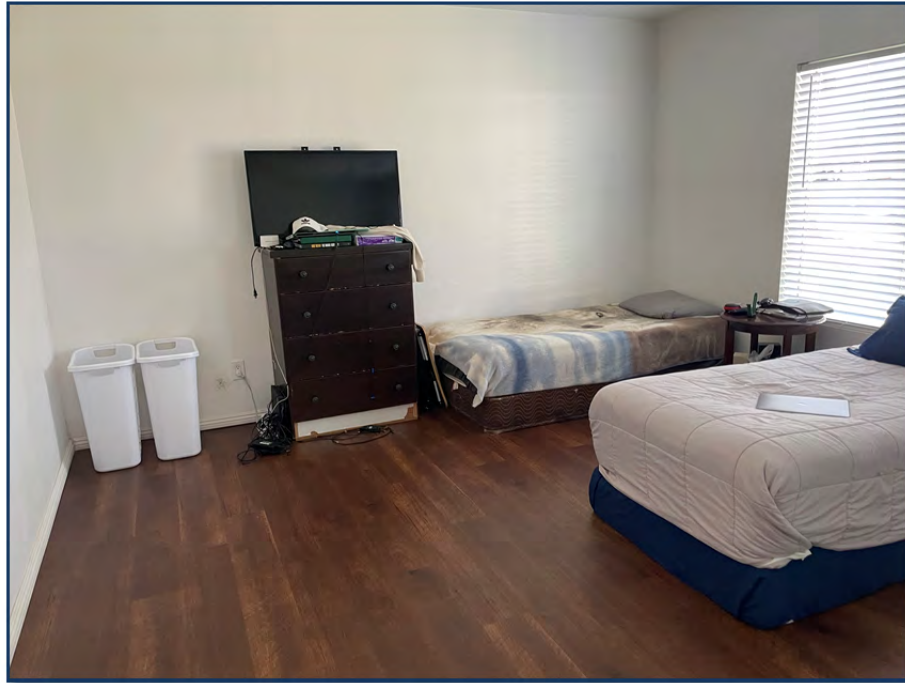


KITCHEN

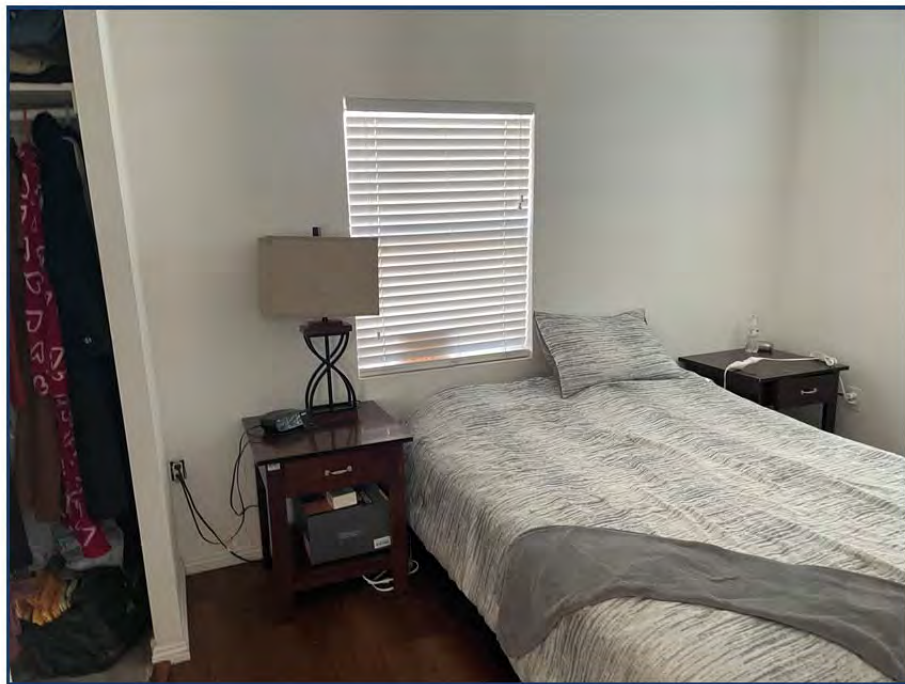


KITCHEN

SUBJECT PHOTOGRAPHS



BEDROOM



BEDROOM

SUBJECT PHOTOGRAPHS



BATHROOM



GARAGE

SUBJECT SITE DESCRIPTION

Site Description

The subject property includes a single parcel located on the west side of Cypress Avenue. The site is currently developed with a single-family residential building. At the completion of the current proposed plans, the site will be developed with a 6-Unit Assisted Living Facility.

Size:

0.92 acres or 39,931 square feet.

Shape:

Rectangular

Street Improvements:

Cypress Avenue is a residential north/south thoroughfare with two-way asphalt paved right-of-way, concrete curbs, gutters, sidewalks, and overhead streetlights. Cypress Avenue is 30 feet wide in front of the subject, with one unmarked traffic lane in each direction. On-street parking is allowed at the subject location.

Topography:

The subject site is generally level with a slight elevation above street level, with adequate engineered/natural sheet flow drainage.

Utilities:

All usual and customary services are available at the subject site.

Soils and Geology:

A soil report has not been made available for review. A physical inspection revealed no evidence of soil instability; however, no representation of the stability is made. We have assumed that any permitted structure under the RS zoning designation may be developed on the subject site.

Easements:

A preliminary title report was not provided to us for our review. There are no easements that would impair the subject site from being developed to its maximum potential, and our onsite inspection didn't find any apparent atypical easements.

Flood Zone:

The subject property is located in a Zone D flood hazard area. The community panel number is 06071C8679J, dated September 2, 2016. Flood Zone D are areas that are possible but undetermined flood hazards. No flood hazard analysis has been conducted. Flood insurance rates are commensurate with the uncertainty of the flood risk.

Earthquake Zone:

Alquist-Priolo Special Studies Zone Act of 1972 designates property located in high-risk seismic zones for earthquake faults. Properties in these zones typically have restricted development potential and require fault hazard insurance. According to the California Geological Survey performed by the California Department of Conservation, the subject is not located in a high-risk zone. We are not experts in Geology; please contact the California Department of Conservation for more accurate and detailed information.

ZONING

The subject property is zoned RS Residential Single within San Bernardino County.

LAND USE <i>See Division 10 (Definitions) for land use definitions</i>	PERMIT REQUIRED BY DISTRICT			Specific Use Regulations
	RL ⁽¹⁾	RS	RM	
Single dwelling	A	A	PD ⁽⁷⁾	
RETAIL				
Produce stand	A ⁽⁸⁾	A ⁽⁸⁾	A ⁽⁸⁾	
SERVICES - GENERAL				
Cemetery, including pet cemeteries	CUP	CUP	—	84.06
Child care - Small family day care home	A	A	A	
Child care - Large family day care home	MUP	MUP	MUP	
Child care - Day care center	M/C	M/C	M/C	
Commercial Kennels and Catteries - min lot 2.5 acres (over 15 animals)	M/C/S	—	—	84.04
Emergency shelter	—	—	CUP	
Home occupation	SUP	SUP	SUP	84.12
Licensed Residential Care Facility of 6 or fewer persons	A	A	A	84.23
Licensed Residential Care Facility of 7 or more persons	—	—	CUP	84.23
Lodging - Bed and breakfast inn (B&B)	SUP ⁽⁹⁾	SUP ⁽⁹⁾	SUP ⁽⁹⁾	84.05
Public safety facility	M/C	M/C	M/C	
Short-Term Private Home Rental	SUP	SUP	SUP	85.28
Unlicensed Residential Care Facility with 6 or fewer persons	RCP	RCP	RCP	84.32
Unlicensed Residential Care Facility with 7 or more persons	—	—	CUP	
TRANSPORTATION, COMMUNICATIONS & INFRASTRUCTURE				
Broadcasting antennae and towers	M/C	—	—	
Electrical power generation	CUP	—	—	
Pipelines, transmission lines, and control stations ⁽¹⁰⁾	⁽¹⁰⁾	⁽¹⁰⁾	⁽¹⁰⁾	
Renewable Energy Generation Facilities	CUP	—	—	84.29
Sewage treatment and disposal facility	CUP	CUP	CUP	
Solid waste disposal	CUP	CUP	CUP	
Telecommunications facility	S	S	S	84.27
Transportation facility	M/C	M/C	M/C	
Utility facility	CUP	CUP	CUP	
Wind energy accessory	S	S	S	84.26
Wireless telecommunications facility	S	S	S	84.27
OTHER (continued)				
Accessory structures and uses	A	A	A	84.01
Temporary special events	TSP	TSP	TSP	84.25
Temporary structures and uses	TUP	TUP	TUP	84.25

Land Use Zoning District	Minimum Lot Area	Minimum Lot Dimensions		
		Minimum Width	Minimum Depth	Maximum Width to Depth Ratio
RL	2.5 acres ⁽¹⁾	150 ft	150 ft	1:3 for less than 10 acres; 1:4 for 10 or more acres.
RS	7,200 sf ⁽¹⁾	60 ft for less than 1 acre; 150 ft for 1 acre or more.	100 ft for less than 1 acre; 150 ft for 1 acre or more.	1:3 for less than 10 acres; 1:4 for 10 or more acres.
RM	10,000 sf	60 ft	100 ft	1:3

It would appear the subject zoning allows for 6 assisted care living units. The subject property has county approval for 6 assisted care living units plus a managers unit.

ZONING MAP



ASSESSMENT AND TAXES

SUBJECT SUMMARY	
Parcel#	0274-122-05-0000
Address	969 Cypress Ave.
Use	Assisted Living Facility
Year Built	1922/2023
Assessor Bldg. Area (S.F.)	2,067
As Complete Bldg. Area (S.F.)	9,064
Land Area (S.F.)	39,931
Assessed Value	
Land	\$82,023
Improvements	\$275,142
Total	\$357,165
Exemption	\$0
Net Taxable Value	\$357,165
Tax Levy Rate	1.00000%
Special Assessments	\$1,243
Taxes	\$4,815

The 2022 subject taxes total \$4,815 based on a total assessed value of \$357,165 (\$82,023 land + \$275,142 improvements). This is predicated on a base rate of 1.000% plus special assessments of \$1,243.

Since the passage of Proposition 13 in June 1978, the tax on real property in California approximates 1% of the full cash value, as shown in the County Assessor's Tax Rolls. The full cash value is limited to an annual increase of 2% over the base year value of 1975. The market sale of the subject property would call for a re-adjustment of taxes based on the current market value, and these taxes would increase from the former tax burden to approximately \$31,000.

IMPROVEMENT DESCRIPTION

The subject property is currently improved with a 2,140 (including a 200 square foot garage) square foot single-family residence originally built in 1922 with an add-on built in the 1980s. The subject will soon begin construction on a 7,124-square-foot 6-unit assisted living facility.

Ownership projections estimate that the property will cost approximately \$2,100,000.00 to construct the new facility with an estimated completion time of around a year.

The subject improvements will include a new single-story 6-unit (bed) complex. The property will include a community living room with a kitchen. The property will have sprinklers, a block wall, wood flooring, drywall, wood cabinets, and granite countertops with a septic system.

The original house already located on the site recently had a full remodel. The property offers laminate and tile floors. Incandescent lighting in the kitchen and living room. The kitchen has granite countertops painted cabinets microwave, garbage disposal, a combo 4-range gas oven, a double stainless steel sink, and a dishwasher. The building has three bedrooms and two bathrooms with a ceramic tub and sink. The property has a masonry block security gate with a driveway and a central A/C cooling system.

Our appraisal is for real estate only. The facility is planning on being managed by ownership after completion. Experienced staff are available 24 hours a day and can respond to emergencies if they arise. Services will include assisted living, hospice, and respite. According to ownership the complex will include food service and will be licensed for memory care but will not offer that service in the infancy stages of the property.

Construction Type:

Single-story Class D frame and stucco. The property will have sprinklers.

Foundation/Footings:

Poured concrete foundation and footings.

Exterior Walls:

Painted stucco over wood frame, with aluminum sliding windows.

Flooring:

Concrete slab with softwood.

Ventilation:

The property will have a central air conditioning cooling system.

Roof Structure:

The units have composition shingle roofing material.

Insulation:

Assumed to be adequate.

Parking:

No parking information was given to us by ownership. The subject property already has a long driveway with a security gate. Parking is allowed along Cypress Avenue.

Site Improvements:

There are concrete walkways, common area lighting, mature trees, shrubs, and ground cover.

Condition:

The subject's improvement condition of the original house is considered good and reflects an ongoing maintenance program, including periodic carpet and appliance replacement. At the time of our inspection, there were some minor visible signs of deferred maintenance observed. The assisted living facility will be new construction.

Functionality:

The units have average functional floor plans, and there does not appear to be any source of functional obsolescence attributable to the layout of the building or individual units.

Conformity:

The subject's improvements are equal to the nearby competition regarding quality and functionality and conform to the subject's surrounding neighborhood.

According to county records, the current improvements were built in 1922 with an addition built in the 1980s with an average-quality frame and stucco exterior. The subject property will soon begin construction on an assisted living facility that is expected to finish construction in early 2024. At the completion of construction, a majority of the subject property will be newly built. Therefore, the improvement's effective age was determined to be 5 years, due to a majority of the subject property being newly built.

The subject units will be good quality construction with a high level of exterior appeal and should have good market acceptance.

CHAPTER TWO

ANALYSIS AND CONCLUSIONS

HIGHEST AND BEST USE AND IMPROVEMENT ANALYSIS

The term "Highest and Best Use," as used in this report, is defined as follows:

"The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity."⁸

In arriving at my opinion of the Highest and Best Use, the subject property was analyzed as vacant land and current improvements.

Legally Permitted Uses:

Legal restrictions that apply to real property are private restrictions and public zoning restrictions, building codes, historic district controls, and environmental regulations.

As discussed in the zoning section, the subject is zoned for residential purposes, and the zoning would allow for mostly single-family residence improvements if the subject site were redeveloped.

Physically Possible Uses:

The first constraint imposed on the possible use of land is dictated by the physical aspects of the site itself. Size, shape, and terrain affect the uses for which land may be developed.

The subject site has 39,931 square feet (0.92 acres) and is rectangular-shaped. The Lot is generally level with some slight elevation with utilities available and has access from a dedicated street. The subject can be developed with a wide range of residential improvements from a physical standpoint.

Financially Feasible Uses:

The Appraiser estimates the potential income or net sales gain expected from various potential Highest and Best Use in analyzing financial feasibility. Uses that do not meet the criteria of physically possible and legally permissible are not considered. The potential gross income estimate reasonable operating expenses are subtracted to obtain a likely net income from each use. Allowed uses are expected to produce a positive return and are regarded as financially feasible.

The residential market sector has rebounded to a point where multifamily and residential prices have reached a level where some new development is feasible. The market for residences has been tested with both "for sale" and "for rent" projects recently developed in San Bernardino County. To date, new projects appear to be receiving a good level of acceptance.

⁸ The Appraisal Institute, The Dictionary of Real Estate Appraisal, 6th ed., (Chicago: Author, 2015), 109

Maximally Profitable Use:

A detailed market analysis was not prepared as a function of this assignment. Given this, the maximal home size and room mix were not determined. Maximum price points for housing options in Colton were not researched. We feel the maximally profitable alternative use would be a multifamily residential structure.

Conclusion

The Highest and Best Use as a vacant site is to develop the property with residential housing.

HIGHEST AND BEST USE CONCLUSION- AS IMPROVED

At the completion of construction, the improvements will include a 6-Unit Assisted Living Facility constructed in 2023 with a manager's living unit constructed in the 1920s, conforming to the current zoning area. The complex will be mostly new. The complex appears to conform to current demands for assisted living housing in the Colton area. Given this, the improvements will have contributory value to the site.

HIGHEST AND BEST USE CONCLUSION

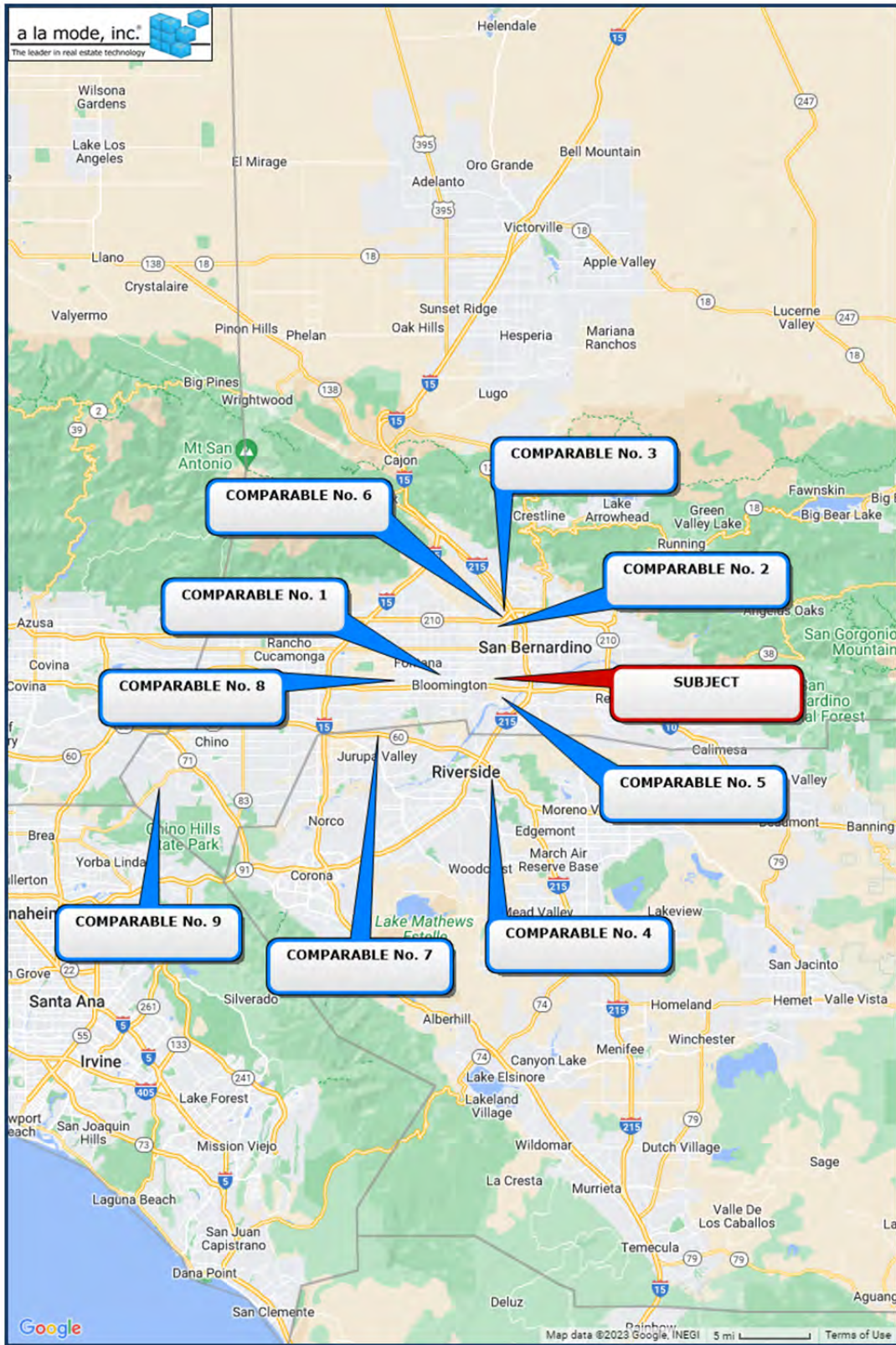
An in-depth Market Study concerning the subject site is beyond the scope of this report and not directly relevant due to the purpose of the appraisal. At the completion of construction, the improvements will be in new condition and will have utility. Given this, the Highest and Best Use was concluded to be As Improved. It does not appear to be feasible to demolish the current improvements to accommodate the construction of an alternative use at this time.

THE COST APPROACH

LAND VALUE ESTIMATE

LAND VALUE ANALYSIS										
	Subject	Data #1	Data #2	Data #3	Data #4	Data #5	Data #6	Data #7	Data #8	Data #9
ADDRESS:	969 Cypress Ave. Colton	9529 Locust Ave. Fontana	0 Roosevelt Ave. San Bernardino	0 30th St. San Bernardino	0 Patterson Riverside	0 Georgia St. Colton	1918 Mesa St. San Bernardino	3825 K emeth St. Riverside	0 Arbor Ave. Fontana	2244 Travis Cir. Chino Hills
APN:	0274-122-05-0000	0249-161-200	026-91-1115	026-840-106	2111-110-60	0163-182-02	026-829-1190	1700-700-13	023-413-1090	103-107-1070
ZONING:	RS	RS	RS	RS	R3	R3	RS10	R3	RS	RS
LAND SIZE (ACRE):	0.92	2.08	1.14	0.82	0.89	1.00	0.80	0.91	1.87	0.94
USE AT SALE:	Assisted Living Facility	Vacant	Vacant	Vacant	Vacant	Vacant	Vacant	Vacant	Vacant	Vacant
INTENDED USE:	Assisted Living Facility	Residential	Residential	Residential	Residential Land	Residential Land	Residential	Residential Land	Residential	Residential
SALE DATE:	DOV: As Completed	Listing	Listing	12/6/2022	6/7/2022	2/9/2022	2/2/2022	11/18/2021	10/8/2021	7/21/2021
SALES PRICE:		\$1,100,000	\$339,000	\$335,000	\$675,000	\$250,000	\$180,000	\$310,000	\$395,000	\$275,000
FINANCING:		CASH	CASH	CASH	CASH	CASH	CASH	CASH	CASH	CASH
PRICE/ACRE:		\$528,846.15	\$297,368.42	\$408,536.59	\$758,426.97	\$250,000.00	\$225,000.00	\$340,659.34	\$211,229.95	\$292,553.19
** ADJUSTMENTS:**		0%	0%	0%	0%	0%	0%	0%	0%	0%
CASH EQUIVALENCY:		0%	0%	0.5%	2%	3%	3.25%	3.75%	4%	4.75%
MARKET CONDITIONS (TIME):		-5%	-5%	0%	0%	0%	0%	0%	0%	0%
SALES CONDITIONS:		0%	0%	0%	0%	0%	0%	0%	0%	0%
GENERAL LOCATION:		0%	0%	0%	0%	0%	0%	0%	0%	0%
EXPOSURE/ACCESS:		0%	0%	0%	0%	0%	0%	0%	0%	0%
ENTITLEMENTS:		0%	0%	0%	-5%	-5%	0%	-5%	0%	0%
ZONING:		0%	0%	0%	0%	0%	0%	0%	0%	0%
TOPOGRAPHY:		5%	0%	0%	0%	0%	0%	0%	0%	0%
PARCEL SIZE (AMT):		0%	-5%	1%	-3%	-2%	3%	-1%	9%	5%
TOTAL% ADJ.:										
ADJUSTED \$/ACRE:		\$528,846	\$282,500	\$410,579	\$735,674	\$245,000	\$232,313	\$336,401	\$230,241	\$306,449
LAND VALUATION:										
Subject Acres	0.92	X								
Price/Acre		\$350,000	=							
Value Conclusion										
Rounded										\$320,000

COMPARABLE LAND DATA MAP



COMPARABLE LAND DATA PHOTOGRAPHS



**DATA NO. 1
9529 LOCUST AVENUE, FONTANA**



**DATA NO. 2
ROOSEVELT AVENUE, SAN BERNARDINO**

COMPARABLE LAND DATA PHOTOGRAPHS



**DATA NO. 3
30TH STREET, SAN BERNARDINO**



**DATA NO. 4
PATTERSON, RIVERSIDE**

COMPARABLE LAND DATA PHOTOGRAPHS



**DATA NO. 5
GEORGIA STREET, COLTON**



**DATA NO. 6
1918 MESA STREET, SAN BERNARDINO**

COMPARABLE LAND DATA PHOTOGRAPHS



**DATA NO. 7
3825 KENNETH STREET, RIVERSIDE**



**DATA NO. 8
ARBOR AVENUE, FONTANA**

COMPARABLE LAND DATA PHOTOGRAPHS



DATA NO. 9
2244 VRAVIS CIRCLE, CHINO HILLS

The analysis uses subjective inputs rather than specific dollars or percentages as used in quantitative analysis. The adjustments made to the data are based on general market perceptions rather than detailed calculations or a paired sales analysis. They, therefore, are not quantitative in nature and were rounded to the nearest 5%.

Data #1 is a listing of a vacant residential lot located four miles west in Fontana. The site totals 2.08 acres, which is larger than the subject property. The property's topography is flat and is zoned single-family development, and the area is similarly built-up as the subject's area.

Data #2 is a listing of a vacant residential lot located five miles north in San Bernardino. The site totals 1.14 acres, similar to the subject property, and the property's topography is flat and is zoned for single-family development. The area is similarly built-up as the subject's area.

Data #3 is a sale of a vacant residential lot located six miles north in San Bernardino. The site totals 0.82 acres, similar to the subject property, and the property's topography is flat and is zoned for single family development. The area is similarly built-up as the subject's area.

Data #4 is a sale of a vacant residential lot located nine miles south in Riverside. The site totals 0.89 acres which is similar to the subject property. The property's topography is flat and is zoned for multi-family development. The area is similarly built-up as the subject's area.

Data #5 is a sale of a vacant residential lot located two miles south in Colton. The site totals 1.0 acres, similar in size to the subject property. The property's topography is flat and zoned for multifamily residential. The area is similarly built-up as the subject's area.

Data #6 is a sale of a vacant residential lot located six miles north in San Bernardino. The site totals 0.8 acres which is similar to the subject property. The property's topography is flat and is zoned for single family development. The area is similarly built-up as the subject's area.

Data #7 is a sale of a vacant residential lot located twelve miles south in Riverside. The site totals 0.91 acres which is similar to the subject property. The property's topography is flat and is zoned for multi family development. The area is similarly built-up as the subject's area.

Data #8 is a sale of a vacant residential lot located ten miles west in Fontana. The site totals 1.87 acres which is larger than the subject property. The property's topography is flat and is zoned for single family development. The area is similarly built-up as the subject's area.

Data #9 is a sale of a vacant residential lot located 30 miles west in Chino Hills. The site totals 0.94 acres which is similar to the subject property. The property's topography is flat and is zoned for single family development. The area is similarly built-up as the subject's area.

After adjusting, the data ranges from \$230,241 to \$735,674 per acre of land area. The adjusted average is \$367,556 per acre, and the adjusted median is \$306,449 per acre. The conclusion at \$350,000 per acre of land area, being near the midpoint of the data set, is well justified.

IMPROVEMENT VALUE

The cost new used in the Cost Approach is predicated on the Replacement Cost. Replacement Cost represents the estimate for the construction of new improvements using modern materials and current standards, design, and layout.

We have used the square foot method of estimating the replacement cost of the improvements. As of this evaluation's date, all estimates are based on local labor costs and materials at the subject site. The proposed construction cost estimates were based on the current actual cost estimates.

The basic cost factor has been established by reference to the Marshall and Swift Publication Company's cost data records. This office's cost factors are further confirmed through frequent checking with local contractors, sub-contractors, and material suppliers.

The cost estimates developed by reference to Marshall and Swift Company cost publications reflect the contractor's costs incurred during construction improvements.

Direct Costs

The cost estimates developed by reference to Marshall and Swift Company cost publications reflect the contractor's costs incurred during construction improvements. Generally, these costs include:

- plans, specifications, survey, and building permits;
- the cost of interim money during the average construction period;
- cost of labor and materials; sales taxes on materials;
- utilities from the lot line to the building, considering an average setback;
- standard site preparation, including trenching, excavating for concrete, backfill, and finish grading;
- the prorated amount of real estate commissions in tract type developments;
- and contractor's overhead and profit, including job supervision, workman's compensation security, etc.

*While the Cost Approach was based off Marshall and Swift construction cost estimates the subject projected construction costs were also viewed. Ownership total projected construction costs are estimated at \$2,128,800 which is in line with the used Marshall and Swift cost estimates (seen in the addenda).

Indirect Costs

Costs of development that are not included are:

- the costs of land planning in significant developments;
- indirect costs, including park fees, jurisdictional hookup, impact or entitlement, tap-in, or assessment fees;
- marketing costs to create the first occupancy, including model and advertising expenses, or legal fees in setting up and the temporary operation of the property owners association;
- a general contingency reserve where a percentage of the total costs is set aside for some unknown future event, such as labor strikers, anticipated labor and material increases, etc.;
- and any entrepreneurial profit due to the developer for their risk in undertaking the project's development.

Marketing costs typically refer to projects developed for resale or leasing. Typically, properties like the subject are owner-user properties. Still, investors can purchase the property with a tenant in mind, which would involve some marketing costs to gain a property sale or leasing. Marketing costs were estimated at 3% of total construction costs plus the land value.

Legal and accounting fees were estimated at a flat rate of \$20,000.

The general contingency reserve is a percentage of the total costs set aside for unknown future events, such as labor strikes, anticipated labor, material increases, etc. This contingency was calculated as 3% of total costs.

Developer profit compensates the developer for their risk in undertaking the project's development. However, these properties are typically for an owner-user to live in, so we went on the lower end of the range. The approval process for specific-use buildings can be expensive and time-consuming, depending on the governmental jurisdiction. A 20.0% profit was concluded to allow for the process to bring a project to completion. This profit was applied to all costs- including land.

Accrued Depreciation

The subject current improvements were built in 1922 with an addition built in the 1980s and are in fair/average condition. A majority of the subject property will be new at the completion of the current construction. Therefore, 2% physical depreciation was concluded to account for the older age of the manager's unit.

The indicated subject value by the Cost Approach is calculated on the following page:

SUMMARY OF MARSHALL AND SWIFT COSTS

PROPERTY:	969 Cypress Avenue			
SOURCES OF COSTS				
Improvement Usage:				Multi Res Senior Citizen
Structure Type:				Frame/Stucco
Source/ Section:				Section 12 Page 20
Quality:				Good Class D
Building Costs				
Building Area (SF):				7,124
Base Cost per sq.ft.:				\$163.00
Sprinklers:				\$4.36
Garage Area (SF)				\$0.00
Garage Base Costs per sq. ft.:				<u>\$0.00</u>
Total Base Costs before Multipliers:				\$1,192,273
Perimeter Shape Multiplier:				0.973
Story Height Multiplier				1.000
Current Cost Multiplier:				0.980
Local Cost Multiplier:				<u>1.130</u>
Adjusted Base Cost/ Sq. Ft. (Rd.):				1.08
Total Base Cost:				\$1,284,674
				TOTAL
				\$1,284,674
SOURCES OF COSTS				
Improvement Usage:				Single Family Residence
Structure Type:				Frame/Stucco
Source/ Section:				Section 12 Page 25
Quality:				Average Class D
Building Costs				
Building Area (SF):				1,940
Base Cost per sq.ft.:				\$127.00
Sprinklers:				\$0.00
Garage Area (SF)				200.00
Garage Base Costs per sq. ft.:				<u>\$63.50</u>
Total Base Costs before Multipliers:				\$259,080
Perimeter Shape Multiplier:				0.972
Story Height Multiplier				1.000
Current Cost Multiplier:				1.030
Local Cost Multiplier:				<u>1.160</u>
Adjusted Base Cost/ Sq. Ft. (Rd.):				1.16
Total Base Cost:				\$300,881
				TOTAL
				\$300,881
Site Costs:				
Site Paving	30,000	Sq. Ft.	\$8.00	\$240,000
Landscaping	20,000	Sq. Ft.	\$5.00	\$100,000
Miscellaneous Site Improvements				<u>\$25,000</u>
Total Site Costs:				\$365,000
Total Construction Costs				\$1,950,555
Indirect Costs				
Marketing			3%	\$58,517
Legal (Flat Fee)				\$20,000
Contingency -3% of Base Costs shown above:			3%	\$60,872
Developer Profit			20%	<u>\$481,989</u>
Total Indirect Costs				\$621,378
TOTAL IMPROVEMENT DEVELOPMENT COSTS				\$2,571,933
Depreciation				
Physical:			2%	\$51,439
Functional:			0%	\$0
External:			<u>0%</u>	<u>\$0</u>
Total Depreciation:				\$51,439
TOTAL DEPRECIATED IMPROVEMENT VALUE				\$2,520,494
CONCLUSION - AS IMPROVED VALUE				
Depreciated Improvement Value Rounded:				\$2,520,000
Plus Land Value Estimate				<u>\$320,000</u>
Total Indicated Subject Value:				\$2,840,000
			Rounded:	\$2,840,000

SALES COMPARISON APPROACH

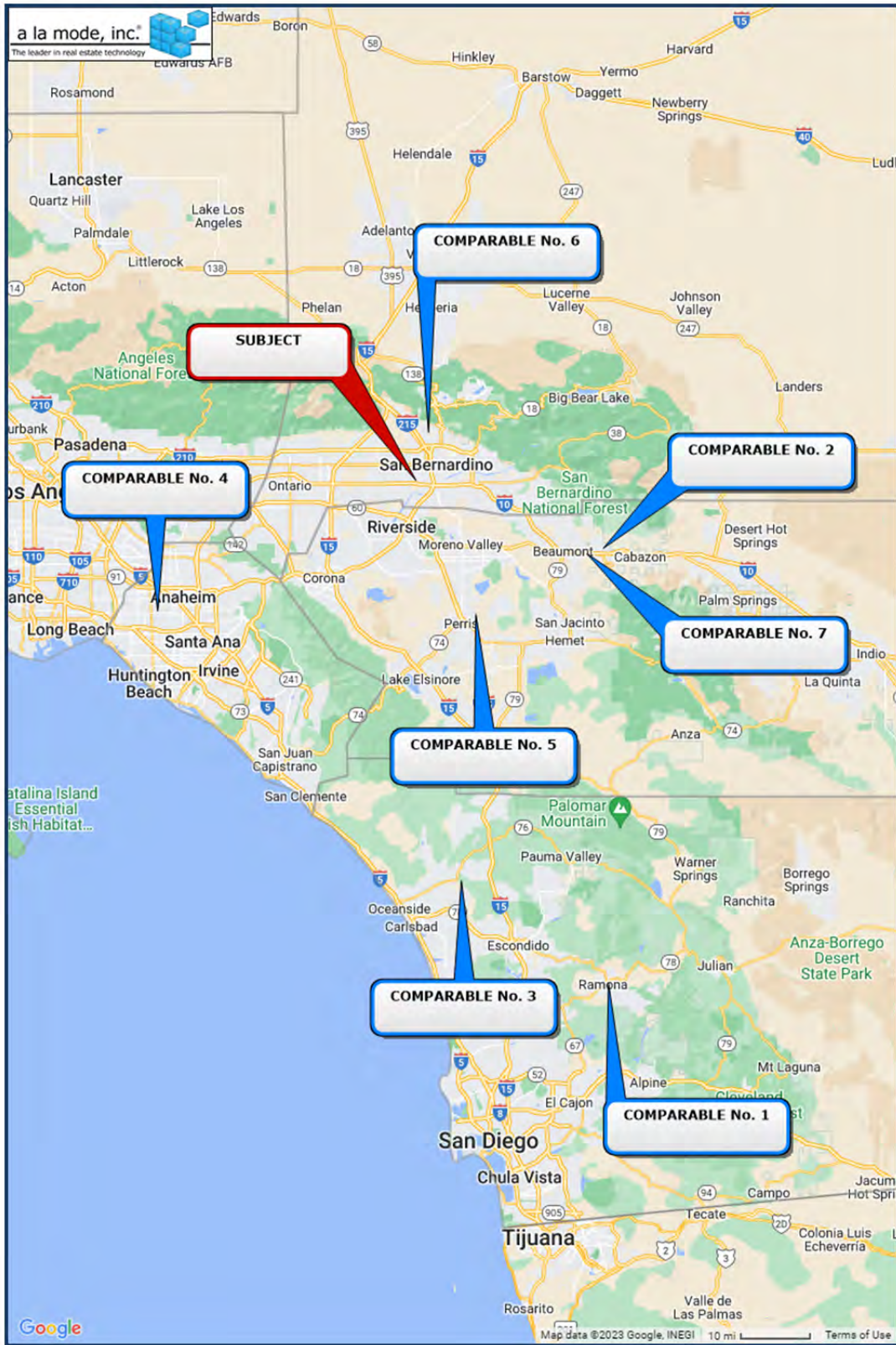
A search was made for data on similar assisted-living properties near Colton in Southern California. An emphasis was made on finding homogenous properties within Southern California with a similar unit count, bed count, and mix. Typically with assisted living facilities, the value of operations and real estate are lumped together. In our analysis of real estate only, we made a concerted effort to find comparables that were separately operated by an operating company that pays a lease rate to the real estate holder. Comparables with business value included were adjusted downward.

The following seven sales provide a reasonable basis for valuation.

The data were analyzed via a traditional adjustment grid, considering differences between the data and the subject. The analysis uses subjective inputs rather than specific dollars or percentages as used in quantitative analysis. The adjustments made to the data are based on general market perceptions rather than detailed calculations or a paired sales analysis. They, therefore, are not quantitative and were rounded to the nearest 5%. The data were adjusted for physical differences such as location, quality of construction, amenities, utility, age/condition, and average unit size.

The following data are given primary consideration and the data analysis is presented on the following pages.

COMPARABLE SALES MAP



COMPARABLE SALES PHOTOGRAPHS



**DATA NO. 1
816 B STREET, RAMONA**



**DATA NO. 2
178 PENDLETON ROAD, BANNING**

COMPARABLE SALES PHOTOGRAPHS



**DATA NO. 3
1178 EVERGREEN LANE, VISTA**

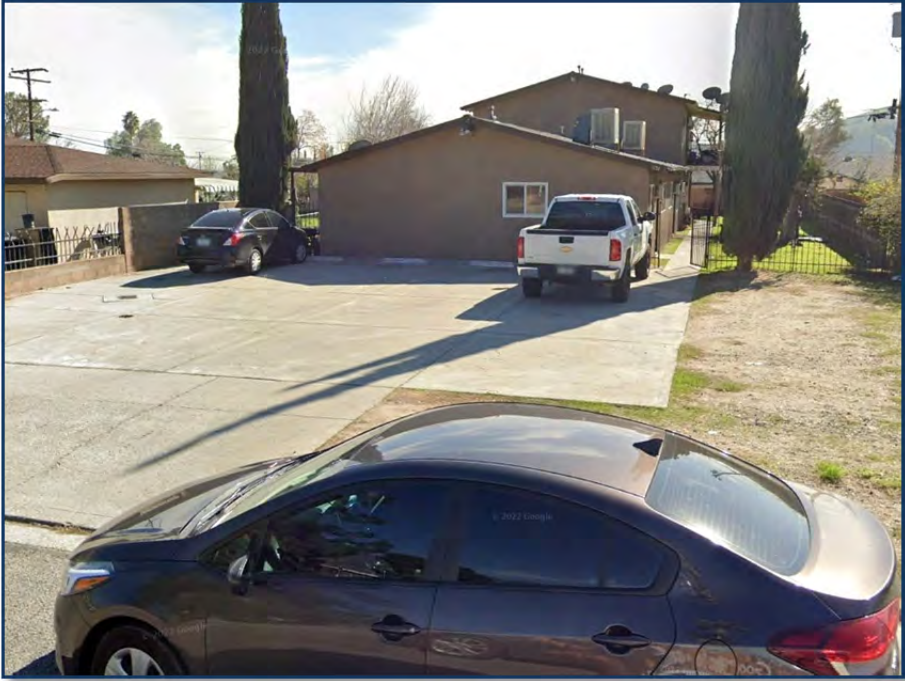


**DATA NO. 4
8792 W. CERRITOS AVENUE, ANAHEIM**

COMPARABLE SALES PHOTOGRAPHS



**DATA NO. 5
1698 ALBERHILL STREET, PERRIS**



**DATA NO. 6
1157 W. HILL DRIVE, SAN BERNARDINO**

COMPARABLE SALES PHOTOGRAPHS



DATA NO. 7
3863 W. RAMSEY STREET, BANNING

SALES COMPARISON APPROACH

PROPERTY ADDRESS	Subject	Data #1	Data #2	Data #3	Data #4	Data #5	Data #6	Data #7
	969	816	178	1178	8792 W	1698	1157 W	3863 W
	Cypress Ave.	B	Pendleton Rd.	Evergreen Ln.	Cerritos Ave.	Alberhill St.	Hill Dr.	Ramsey St.
	Colton	Ramona	Banning	Vista	Anaheim	Perris	San Bernardino	Banning
ASSESSOR'S PARCEL	0274-122-05-0000	281-303-15-00	535-150-005	170-061-43	126-472-44	320-412-027	0265-091-25	537-090-006
TYPE	Assisted Living Facility	Assisted Living	Assisted Living	Assisted Living	Assisted Living	Assisted Living	Assisted Living	Assisted Living
BUILDING AREA (SQ.FT.)	9,064	4,188	4,083	7,569	9,200	2,288	2,761	11,508
LAND AREA (SQ. FT.)	39,931	7,405	41,382	113,692	19,166	6,534	5,253	44,867
TOTAL # UNITS	7	-	11	12	-	-	-	-
TOTAL # BEDS	7	-	11	12	38	-	-	-
COVERAGE	23%	57%	10%	7%	48%	35%	53%	26%
YEAR BUILT	2023	2023	1937	1985	1985	2005	1970	1984
SALE DATE	DOV: As Completed	Listing	12/21/2022	6/15/2022	3/4/2022	2/22/2022	2/14/2022	8/31/2021
SALES PRICE		\$2,300,000	\$1,250,000	\$1,830,000	\$3,800,000	\$485,000	\$850,000	\$2,450,000
TERMS		CTNL	CTNL	CTNL	CTNL	CTNL	CTNL	CTNL
CONDITIONS		Investment	Investment	Investment	Investment	Investment	Investment	Investment
BLDG. SALES PRICE PER UNIT		N/A	\$113,636	\$152,500	N/A	N/A	N/A	N/A
BLDG. SALES PRICE PER ROOM		N/A	\$113,636	\$152,500	\$100,000	N/A	N/A	N/A
BLDG. SALES PRICE SQ. FT.		\$549.19	\$306.15	\$241.78	\$413.04	\$211.98	\$307.86	\$212.90
LAND SALES PRICE SQ. FT.		\$310.60	\$30.21	\$16.10	\$198.27	\$74.23	\$161.81	\$54.61
** ADJUSTMENTS% **								
PRICE PER SQ. FT.		\$549.19	\$306.15	\$241.78	\$413.04	\$211.98	\$307.86	\$212.90
FINANCING		0%	0%	0%	0%	0%	0%	0%
MARKET CONDITIONS		0%	1%	4%	6%	6%	6%	8.5%
SALES CONDITIONS		-5%	0%	0%	0%	0%	0%	0%
GENERAL LOCATION		0%	0%	0%	-5%	0%	0%	0%
COVERAGE		0%	0%	0%	0%	0%	0%	0%
ACCESS/EXPOSURE		0%	0%	0%	0%	0%	0%	0%
IMPROVEMENTS								
Quality of Construction		0%	0%	0%	0%	0%	0%	0%
Utility		0%	0%	0%	0%	0%	0%	0%
Amenities		0%	0%	0%	0%	0%	0%	0%
Age/Condition		0%	20%	15%	15%	10%	15%	15%
SIZE		-5%	-5%	0%	0%	-10%	-10%	0%
TOTAL% ADJ.:		-10%	16%	19%	16%	6%	11%	24%
ADJUSTED \$/SQ. FT.:		\$494.27	\$355.13	\$287.71	\$479.13	\$224.69	\$341.72	\$262.93
SALES COMPARISON APPROACH VALUE CONCLUSION								
	Subject Sq. Ft.	X	Price/Sq. Ft.	=	Indicated Value	Rounded		
	9,064		\$340.00		\$3,081,760	\$3,080,000		

Financing:

Each sale was all cash or terms equivalent to cash; thus, no adjustments were required.

Sales Conditions:

The data are sales that were not purchased under conditions of duress for either buyer or seller; therefore, no adjustments were made.

Market Conditions:

As illustrated in the Market Analysis, assisted living pricing has increased over the past few years. The comparable sales were adjusted upward for increased pricing of assisted living on an individual basis. Adjustments include a 0.5% per month upward adjustment up to the date of value.

General Location:

This adjustment considers the immediate neighborhood settings, access to the freeway, walkability to shopping options, and the demographic base.

Individual Data Descriptions:

Data #1 is a listing of an under construction Assisted Living Facility located about 90 miles south of the subject in Ramona. The Assisted Living Facility is currently under construction and will be completed in 2 phases. The first phase includes 16 beds and 5 baths with the second phase including 25 beds and 10 baths. The property's first phase is expected to be completed in March 2023. The property will not be operating until the end of 2023 so there is no occupancy data.

Data #2 is a sale of an 11-bed Assisted Living Facility located about 25 miles east of the subject in Banning. The Assisted Living Facility is leased to April's Country Manor. Public records indicate that the property was built in 1937; however, the property appears to be in good condition. The property focuses on senior care. The buyer also bought an adjacent piece of land and plans to expand the facility.

Data #3 is the sale of a 12-bed Assisted Living Facility located about 60 miles south of the subject in Vista. The Assisted Living Facility is leased to Mountain View Manor. The property was built in 1985 which is older than the subject property.

Data #4 is a sale of a 38-bed Assisted Living Facility located about 40 miles west of the subject in Anaheim. The Assisted Living Facility is leased to Fresh Start Independent Living and is operated as Wells House Hospice. The facility has 38 beds and is licensed for 16 hospice beds. The facility specializes in hospice care.

Data #5 is a sale of an Assisted Living Facility located about 25 miles south of the subject in Perris. The assisted living facility's business value was included in the sale as the operator also owned the property. The property was built in 2005 which is slightly older than the subject. While the bed count could not be confirmed online sources indicated the property has 4 beds.

Data #6 is a sale of an Assisted Living Facility located about eight miles north of the subject in San Bernardino. The property was built in 1970 which is older than the subject. While the bed count could not be confirmed online sources indicated the property has 8 beds.

Data #7 is a sale of an Assisted Living Facility located about 25 miles southeast of the subject in Banning. The Assisted Living Facility is leased to and operated as Golden Meadows. The facility specializes in senior care. The facility includes an onsite pharmacy and in-house skilled nursing. Online sources indicate the property has 49 beds. The property was built in 1984 which is older than the subject.

Price per Square Foot

After adjusting, the data ranges from \$224.69 to \$494.27 per square foot. The data average is \$349.37 and the data median is \$341.72 per square foot. The subject's conclusion of \$340.00 per square foot appears to align with the market data.

THE INCOME APPROACH TO VALUE

This approach to value begins with an estimate of the revenue potential for the subject property. An estimate for reasonable expenses is then subtracted from the revenue income to indicate yearly net operating income. This net operating income is then divided by an Overall Capitalization Rate to develop an indication of value.

Subject Management

At the completion of construction, the property will have an onsite manager.

Subject Occupancy Status

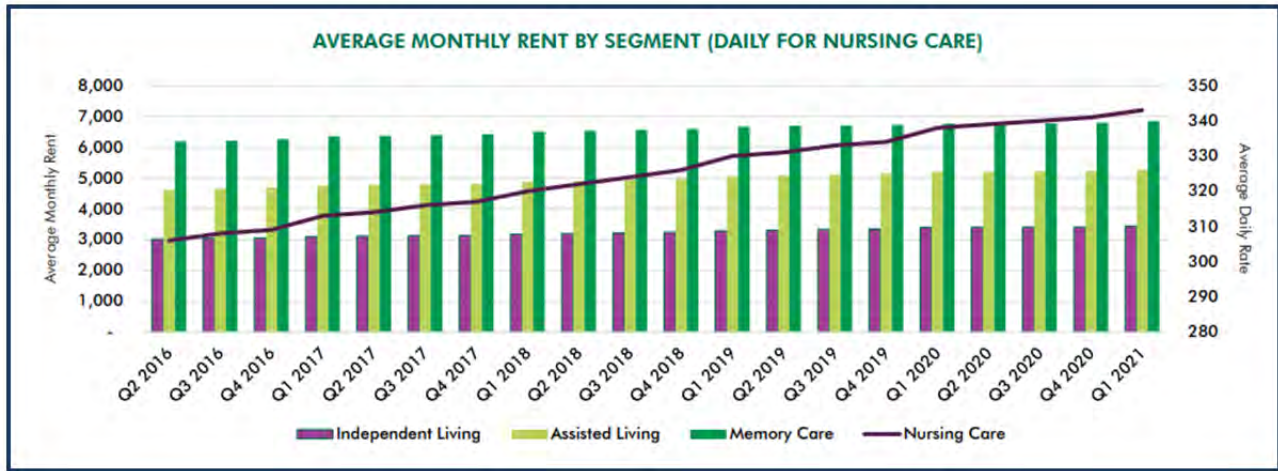
The subject property is currently in the pre-construction phase and does not have a current occupancy. Our analysis is based on separating the operating company from the real estate. However, a related entity will operate the property; ownership has instructed us to separate the value of going concern and real estate. Therefore, the rent roll of the individual residents is not relevant in this instance. Assisted Living facilities in the area typically have 70% to 90% occupancies with a much higher occupancy for smaller facilities.

Rental Estimate

A search was made for leasing rates of comparable healthcare facilities in the market area, and the data was limited. Some data points have business value blended in those net income projections, and we only value real estate. A sample of assisted living rental data points is shown below:

HEALTHCARE RENTAL PROPERTY EXAMPLES								
PROPERTY ADDRESS	SUBJECT	DATA #1	DATA #2	DATA #3	DATA #4	DATA #5	DATA #6	DATA #7
	969 Cypress Ave. Colton	15042 Amso St. Poway	30741 Paseo Del Niguel Laguna Beach	2421 E Powhatan Ave. Anaheim	25437 Via Estudio Laguna Niguel	1132 Via Rancho Pky. Escondido	839 La Tierra Dr. San Marcos	73137 Somera Rd. Palm Desert
PROPERTY USAGE	Assisted Living Facility	Assisted Living	Assisted Living	Assisted Living	Assisted Living	Assisted Living	Assisted Living	Assisted Living
YEAR BUILT	1922/2023	1974	1971	1963	1976	1963	1974	2004
BUILDING SIZE	9,064	1,935	2,798	2,598	2,100	1,969	1,248	3,100
LAND AREA	39,931	-	11,761	10,890	-	23,522	-	17,860
UNIT BEDS	Multi	6	6	6	6	6	6	6
LEASE TYPE		Modified Gross	Modified Gross	Modified Gross	Modified Gross	Modified Gross	Modified Gross	Modified Gross
ANNUAL RENT		\$252,000	\$312,000	\$300,000	\$396,000	\$282,000	\$276,000	\$336,000
ANNUAL RENT /BED		\$42,000	\$52,000	\$50,000	\$66,000	\$47,000	\$46,000	\$56,000
OCCUPANCY		Current	Current	Current	Current	Current	Current	Current

NATIONAL ASSISTED LIVING TRENDS RENTAL RATE -NURSING CARE



The above has blended nursing care and assisted living as well as this rate for the consumer, not for a tenant-occupied operator. It is only to see the trends.

The rental market for assisted living – displaying mostly rising rental rates over the past few years. Landlords do not have to offer concessions to sustain occupancy levels.

Scheduled Gross Income

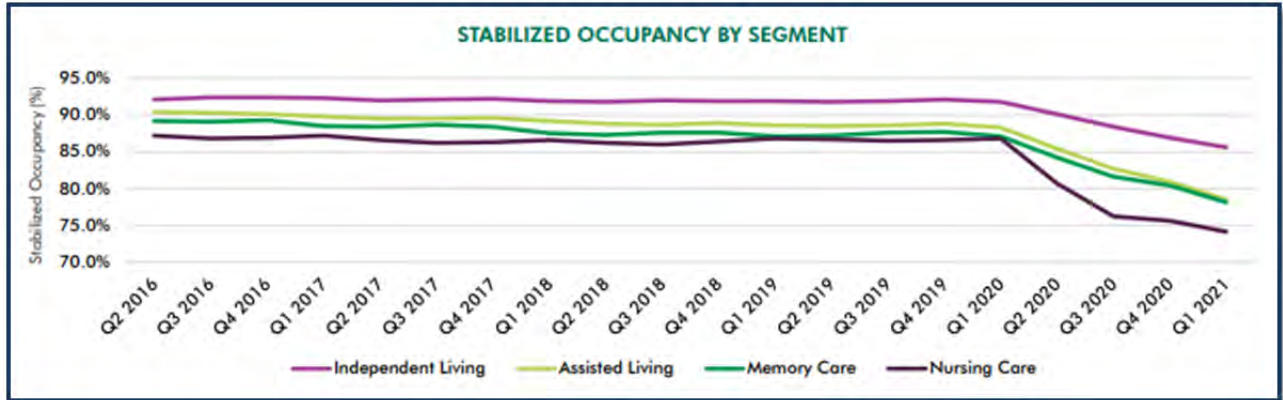
The subject will not begin operating until the beginning of 2024 at the earliest. Ownership estimates a pro forma income of \$38,200 per month or 6,367 per bed which appears to align with the market data.

Assisted Living rental rates are highly dependent on multiple factors and oftentimes include business income/expenses. Ownership projects a pro forma income of \$38,200 per month which was used in the Income Approach. The subject's Potential Gross Income conclusion is \$458,400 per annum paid to an owner/operator.

Vacancy

The CoStar database indicates the following trends of occupancy for senior living facilities in the nation:

**NATIONAL SENIOR HOUSING TRENDS
OCCUPANCY RATES TRENDS**



The above suggests a vacancy rate trend between 15% and 20% over the last few years, but the chart is blended with nursing care and assisted living. Additionally, this is the rate for the individual consumer, not for a tenant-occupied operator.

The current gross potential income reflects 100% occupancy. A vacancy of 10% was concluded which is slightly lower than the national average range due to the property being smaller property with lower rent, therefore making the vacancy lower. This allows for the actual vacancy and tenant defaults, and non-payment of rent. Effective Gross income is \$412,560 (\$458,400 – 10.0%).

Subject Historical Income and Expenses

The subject will not begin operating until the beginning of 2024 at the earliest. Therefore, no operating history was viewed. The Gross Income was based on Modified Gross terms.

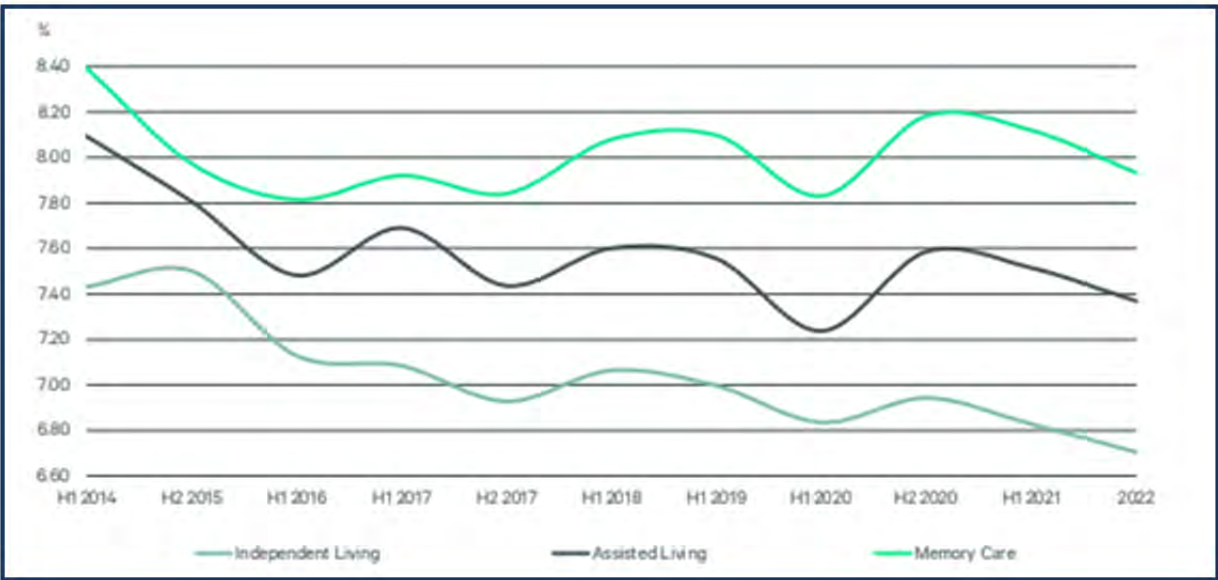
The viewed capitalization data suggest an overall expense ratio between 40% to 60% which is in line with CBRE Senior Housing data. Ownership’s expected expense data indicates a pro forma expense projection at \$29,800 per month; however, this includes many business expenses including mortgage payments. A 50% expense ratio, while not well supported, appears reasonable.

Overall Capitalization Rate

ASSISTED LIVING INVESTMENT DATA												
	Location	City	Type Tenants	Bldg. Sq. Ft.	Yr. Bt.	Land Sq. Ft.	Date	Price/	NOI	Net \$/ S.F. Bldg.	\$/ Sq. Ft. Bldg.	OAR
	Subject 969 Cypress Ave.	Colton	Assisted Living Facility	9,064	1922/2023	39,931			\$206,280	\$22.76		
1	1637-1639 W 228th St.	Torrance	Assisted Living Unknown Beds	3,191	1961 Reno. 2015	14,375	Listing	\$2,200,000	\$155,100	\$48.61	\$689.44	7.05%
2	15042 Anso St.	Poway	Assisted Living 6 Beds	1,935	1974	-	Listing	\$950,000	\$137,180	\$70.89	\$490.96	14.44%
3	30741 Paseo Del Niguel	Laguna Beach	Assisted Living 6 Beds	2,798	1971 Reno. 2020	11,761	Listing	\$1,990,000	\$205,567	\$73.47	\$711.22	10.33%
4	2421 E Powhatan Ave.	Anaheim	Assisted Living 6 Beds	2,598	1963 Reno. 2019	10,890	Listing	\$1,360,000	\$147,968	\$56.95	\$523.48	10.88%
5	73137 Somera Rd.	Palm Desert	Assisted Living 6 Beds	3,100	2004	17,860	Listing	\$199,000	\$25,870	\$8.35	\$64.19	13.00%
6	25437 Via Estudio	Laguna Niguel	Assisted Living 6 Beds	2,100	1976 Reno. 2010	-	Listing	\$1,550,000	\$183,675	\$87.46	\$738.10	11.85%
7	1132 Via Rancho Pky.	Escondido	Assisted Living 6 Beds	1,969	1963 Reno. 2019	23,522	Listing	\$1,160,000	\$125,048	\$63.51	\$589.13	10.78%
8	839 La Tierra Dr.	San Marcos	Assisted Living 6 Beds	1,248	1974 Reno. 2014	-	Listing	\$785,000	\$133,450	\$106.93	\$629.01	17.00%
9	794 Marsopa Dr.	Vista	Assisted Living 6 Beds	2,594	1990 Reno. 2019	21,780	Listing	\$1,300,000	\$157,040	\$60.54	\$501.16	12.08%
10	2337 Camino Del Rio	San Diego	Assisted Living 12 Beds	2,700	1952 Reno. 2015	43,560	11/18/2022	\$1,700,000	\$206,040	\$76.31	\$629.63	12.12%
11	1638 Delta Ave.	Rosemead	Assisted Living Unknown Beds	4,280	1950	45,782	11/15/2022	\$1,540,000	\$125,510	\$29.32	\$359.81	8.15%
12	3730 S Greenville St.	Santa Ana	Assisted Living Unknown Beds	5,775	1969	69,696	7/27/2021	\$3,951,500	\$244,993	\$42.42	\$684.24	6.20%
13	1510 E Commonwealth Ave.	Fullerton	Assisted Living Unknown Beds	3,702	1919	66,647	7/27/2021	\$6,969,000	\$432,078	\$116.71	\$1,882.50	6.20%
14	1025 Los Robles Ave.	Pasadena	Assisted Living Unknown Beds	7,770	1921	10,019	4/16/2021	\$1,240,000	\$67,580	\$8.70	\$159.59	5.45%
15	45410 Bayberry Pl.	Temecula	Assisted Living 6 Beds	2,933	2007	2,933	4/15/2021	\$680,000	\$120,700	\$41.15	\$231.84	17.75%
									Average	\$60.40		10.89%
									Median	\$62.02		10.88%

		Class A			Class B			Class C			
		Low - High (%)	Avg. (%)	Change (bps)	Low - High (%)	Avg. (%)	Change (bps)	Low - High (%)	Avg. (%)	Change (bps)	
Core	Active Adult	3.0 - 8.0	4.6	-26	4.0 - 8.0	5.7	-7	5.0 - 10.0	6.8	2	
	Independent Living	3.0 - 8.0	5.3	0	4.0 - 9.0	6.3	-12	5.0 - 10.0	7.3	-9	
	Assisted Living	4.0 - 9.0	6.1	-1	5.0 - 10.0	7.1	-9	6.0 - 11.0	8.3	-12	
	Memory Care	5.0 - 10.0	7.0	-9	5.0 - 10.0	7.6	-16	6.0 - 11.0	8.7	-16	
	Skilled Nursing	9.0 - 14.0	10.7	-17	9.0 - 14.0	11.5	-17	11.0 - 16.0	13.3	-2	
	CCRC/LPC	5.0 - 10.0	7.0	0	6.0 - 11.0	8.0	-23	7.0 - 12.0	9.0	-25	
Non-Core	Active Adult	3.0 - 8.0	5.2	-31	4.0 - 9.0	6.2	-12	5.0 - 10.0	7.2	4	
	Independent Living	4.0 - 9.0	6.2	-5	5.0 - 10.0	7.1	1	6.0 - 11.0	8.1	-2	
	Assisted Living	5.0 - 10.0	6.8	-10	5.0 - 10.0	7.4	-19	6.0 - 11.0	8.5	-7	
	Memory Care	5.0 - 10.0	7.3	-20	5.0 - 10.0	7.9	-19	6.0 - 11.0	9.0	-1	
	Skilled Nursing	9.0 - 14.0	11.2	-35	9.0 - 13.0	11.7	-38	11.0 - 16.0	13.6	-8	
	CCRC/LPC	6.0 - 11.0	8.0	-12	6.0 - 11.0	8.4	-26	7.0 - 12.0	9.4	-31	
Average Change per Class				-34				-17			

Source: 2022 CBRE Senior Housing Investor Survey results, change from 2021



The market data indicates a range of 5.45% to 17.75%, with an average of 10.89% and a median of 10.88%.

The PWC survey shown in the Market Analysis indicates an OAR range of 5.0% to 7.5%, with an average of 6.23%. This survey, however, is for net-leased investments and is a national survey.

Also, in the Market Analysis section, the Overall Capitalization rates for national assisted living are between 7.0% and 8.0%.

Based on all the information available, an overall capitalization rate of 7.25% was concluded for the subject property.

Summation of the Income Approach

Based on the foregoing conclusions, the indicated value of the subject property by analysis of the income approach to value is as follows:

INCOME APPROACH CONCLUSION		
969 CYPRESS AVE, COLTON		
	Projected Rent	Annual
Scheduled Gross Income	\$ 38,200.00 /Mo.	\$ 458,400
Less Vacancy		10.0% <u>\$ 45,840</u>
Effective Gross Income		\$ 412,560
Less Expenses Ratio		50% <u>\$ 206,280</u>
Total		\$ 206,280
Net Operating Income		\$ 206,280
Divided by Overall Rate		<u>7.25%</u>
Indicated Subject Value		\$2,845,241
Rounded		\$2,850,000

RECONCILIATION OF VALUE INDICATIONS

The indications of value developed by the approaches to value are as follows:

VALUE CONCLUSIONS	
Indicated Value per Cost Approach	\$2,840,000
Indicated Value per Sales Comparison Approach	\$3,080,000
Indicated Value per Income Approach	\$2,850,000
Conclusion	\$2,950,000

The subject property will be fully occupied by ownership as an owner/operator property. Therefore, the subject property could be sold to an owner/user or an investor, and the Cost Approach and Sales Comparison Approach to value were given equal weight in the final value conclusion. The Income Approach was given secondary weight due to the limited available market rental rates of assisted living facilities renting to an operator estimating rental rates and expenses is somewhat subjective.

Given the analysis and conclusions shown in this report, the indicated subject value, as of February 21, 2023, was concluded as:

AS-COMPLETED – FEE SIMPLE INTEREST
\$2,950,000
TWO MILLION NINE HUNDRED FIFTY THOUSAND DOLLARS

CERTIFICATION

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

the statements of fact contained in this report are true and correct

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

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

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

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

my compensation is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the Client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.

my analyses, opinions and conclusions were developed and this report has been prepared in conformity with the requirements of the Uniform Standards of Professional Appraisal Practices and the Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute.

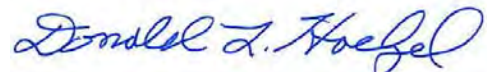
Donald L. Hoelzel, MAI, MBA has not made an onsite inspection.

We have not appraised the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.

Christopher Garlick and Clayton Garlick are the only people who provided significant real property appraisal assistance to the person signing this certification.

the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

as of the date of this report, I have completed the requirements of the continuing education program of the Appraisal Institute.



Donald L. Hoelzel, MAI, MBA
State of California AG007032
Certified General Appraiser

CERTIFICATION

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

the statements of fact contained in this report are true and correct

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

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

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

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

my compensation is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the Client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.

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

Donald Hoelzel, MAI, MBA, provided significant real property appraisal assistance to the person signing this certification.



Christopher Garlick
Owner



Clayton Garlick
Research Analyst

CHAPTER THREE

ADDENDA

The following Addenda include various documents and statements pursuant to this appraisal report. Included in this addenda is:

Grant Deed

Operating Statement

Construction Breakdown

Contingent and Limiting Conditions

Corporate Resume

Professional Qualifications

**THE FOLLOWING PAGES INCLUDE THE
GRANT DEED**

RECORDING REQUESTED BY

DPS

AND WHEN RECORDED MAIL DOCUMENT TO:

MAIL TAX STATEMENTS TO:

NAME
Amgad wawi
STREET
ADDRESS
207 E. Maitland St.
CITY, STATE &
ZIP CODE
Ontario, Ca 91761

Electronically Recorded in Official Records, County of San Bernardino

5/26/2017
02:42 PM
FV



BOB DUTTON
ASSESSOR - RECORDER - CLERK
771 Document Processing Solutions

Doc #: 2017-0219011

Titles: 1 Pages: 3



Fees 31.00
Taxes 231.00
Other .00
PAID 262.00

SPACE ABOVE FOR RECORDER'S USE ONLY

Grant Deed

Title of Document

THIS AREA FOR
RECORDER'S
USE ONLY

THIS COVER SHEET ADDED TO PROVIDE ADEQUATE SPACE FOR RECORDING INFORMATION
(\$3.00 Additional Recording Fee Applies)

MAIL TAX STATEMENTS TO THE ABOVE ADDRESS:

RECORDING REQUESTED BY:
Title365 Company

WHEN RECORDED MAIL THIS DEED AND, UNLESS
OTHERWISE SHOWN BELOW, MAIL TAX STATEMENT TO:
Amgad Wawi
207 E Maitland Street
Ontario, CA 91761

Escrow No.: CA0240-17100671-MG
Title No.: CA0210-17000468-22

APN: 0274-122-05-0000

SPACE ABOVE THIS LINE FOR RECORDER'S USE

GRANT DEED

The undersigned grantor(s) declare(s) Documentary transfer tax is \$231.00

- computed on full value of property conveyed, or
 computed on full value less liens and encumbrances remaining at time of sale,
 Unincorporated area of Colton

FOR A VALUABLE CONSIDERATION, receipt of which is hereby acknowledged,
Pensco Trust Company Custodial F.B.O. Alexander MacDougall IRA #70001219

hereby GRANT(S) to Amgad Wawi, A Single Man

the following described real property: The land hereinafter referred to is situated in the Area of Colton, County of San Bernardino, State of CA, and is described as follows:

That portion of Lot 41 of the Orange Land and Water Co.'s Addition to the City of Colton, as per plat recorded in Book 11 of Maps, Page 9, records of said County, described as follows:

Beginning at a point which bears South 4 degrees 08 minutes West, along the Westerly Line of Cypress Avenue 209 feet from the intersection of the Westerly Line of Cypress Avenue with the Southerly Line of Olive Street; thence South 4 degrees 08 minutes West, along the Westerly Line of Cypress Avenue 200 feet thence North 86 degrees 07 minutes 30 seconds West, 200 feet; thence North 4 degrees 08 minutes East, 200 feet thence South 86 degrees 07 minutes 30 seconds East, 200 feet to the point of beginning.

Dated: May 10, 2017

Pensco Trust Company Custodial F.B.O. Alexander MacDougall IRA
#70001219

BY: 
Authorized Signer

Printed Name: PENSCO Trust Company
By: Michelle Fausett
Its: Authorized Signatory

Its: _____

MAIL TAX STATEMENTS TO PARTY SHOWN ON FOLLOWING LINE; IF NO PARTY SHOWN, MAIL AS DIRECTED ABOVE.

Name

Street Address

City/State/Zip

APN: 0274-122-05-0000

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of Colorado
County of Denver

On May 25th 2017 before me,
Jessica Theisen Notary Public, personally
appeared Michelle Mussett
who proved to me on the basis of satisfactory evidence to be
the person(s) whose name(s) is/are subscribed to the within
instrument and acknowledged to me that he/she/they
executed the same in his/her/their authorized capacity(ies),
and that by his/her/their signature(s) on the instrument the
person(s), or the entity upon behalf of which the person(s)
acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the
State of California that the foregoing paragraph is true and
correct.
WITNESS my hand and official seal.

Signature [Handwritten Signature] (Seal)

JESSICA THEISEN
NOTARY PUBLIC
STATE OF COLORADO
NOTARY ID 20134007748
MY COMMISSION EXPIRES FEBRUARY 8, 2021

MAIL TAX STATEMENTS AS DIRECTED ABOVE
GRANT DEED

**THE FOLLOWING PAGE INCLUDES THE
OPERATING STATEMENT**

MONTHLY OPERATING STATEMENT

IMPORTANT - Before completing, see reverse for instructions.

FOR THE MONTH ENDING: _____

FACILITY NAME: <u>Harris's Haven</u>	APPLIC NO
FACILITY ADDRESS:	Monthly

OPERATING REVENUES		Estimated Actual	Ln #	Monthly
Ln #	PROGRAM REVENUES			
1.	SSI Revenue (Monthly SSI Rate) x (Number of SSI Clients) Rate \$ _____ x # _____ = 1			\$ 0.00
2.	Voluntary 3rd Party Contributions		2	
3.	Private Revenue Number of Private Pay Residents # <u>60</u>		3	
OTHER REVENUES RELATED TO THE FACILITY				
4.	<u>Rent is based on 6 private rooms 1 x 6000, 1x 6200, 2x 6500 w/bathroom 1x 6800 w/bathroom</u>		4	
5.			5	
6.	Total Revenue (add lines 1 through 5 and any attached). Worksheet attached?..... <input type="checkbox"/> YES <input type="checkbox"/> NO		6	\$ <u>38,100</u> 0.00

OPERATING COSTS		Estimated Actual	Ln #	Monthly
CARE AND SERVICES				
7.	Food Costs		7	\$ <u>1200</u>
8.	Household Supplies		8	<u>100</u>
9.	Laundry and Dry Cleaning		9	<u>150</u>
10.	Personal Hygiene Items		10	<u>300</u>
11.	Recreational Activities		11	<u>100</u>
12.	Newspapers, Magazines, Cable TV		12	<u>300</u>
13.	Medical and First Aid		13	<u>20</u>
14.	Client Transportation		14	<u>0</u>
15.	Total Care & Services (add lines 7 through 14)		15	\$ <u>2,170</u> 0.00
GENERAL ADMINISTRATION				
16.	Salaries and Wages		16	<u>15,000</u>
17.	Payroll Taxes and Employee Benefits		17	<u>3,150</u>
18.	General Transportation		18	<u>50</u>
19.	Telephone		19	<u>50</u>
20.	Office Supplies		20	<u>30</u>
21.	Advertising		21	<u>100</u>
22.	Fees for licenses and memberships		22	<u>50</u>
23.	Contract Labor		23	<u>125</u>
24.	Insurance (Liability and Fire)		24	<u>400</u>
25.	Indirect Overhead		25	<u>75</u>
26.	Total General Administration (add lines 16 through 25)		26	\$ <u>19,580</u> 0.00
PHYSICAL PLANT				
27.	Rent, Lease, Mortgage Payments and Homeowners Association Fees		27	<u>6,000</u>
28.	Property Taxes		28	<u>1,000</u>
29.	Gas		29	<u>150</u>
30.	Electricity		30	<u>400</u>
31.	Water		31	<u>100</u>
32.	Garbage		32	<u>50</u>
33.	Repair & Maintenance (Building)		33	<u>150</u>
34.	Repair & Maintenance (Furniture & Equipment)		34	<u>100</u>
35.	Other (specify)		35	<u>100</u>
36.	Total Physical Plant (add lines 27 through 35)		36	\$ <u>8,400</u> 0.00
37.	Total Operating Costs (add lines 15, 26, and 36)		37	\$ <u>29,800</u> 0.00
38.	Net Profit (Loss) (subtract line 37 from 6)		38	\$ <u>8,400</u>

I declare under penalty of perjury that the foregoing and any attachments are true and correct.

PREPARED BY:	TITLE:	APPLICANT/LICENSEE SIGNATURE	DATE:
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**THE FOLLOWING PAGES INCLUDE THE
CONSTRUCTION BREAKDOWN**

CONSTRUCTION BREAKDOWN AND DRAW SCHEDULE

Borrower:	Amgad Wawi
Point of Contact:	Chad Wawi
Property Address:	969 cypress ave colton CA 92324 (Senior CARE)
Date:	

WORK ITEMIZATION

- 1
- 2 Current loan(unit A 2000sqft) onsite manger
- 3 Architecture & Engineering Fees
- 4 Building, School & Misc. Fees
- 5 Cabinets
- 6 Carpentry Labor - Rough
- 7 Carpet
- 8 Cleanup Finish
- 9 Cleanup Rough/Dumpsters
- 10 Cptr. Labor/Finish
- 11 Deck Labor
- 12 Deck Material
- 13 Demolition & Site Prep
- 14 Drywall
- 15 Earth Work
- 16 Elec. Finish
- 17 Elec. Rough
- 18 Engineering Hardware
- 19 Ext. Finish Siding/Stucco
- 20 Ext. brown stucco
- 21 Ext. scratch
- 22 Block wall
- 23 Finish Hardware
- 24 Fire Sprinklers
- 25 Fireplace Surround
- 26 Fireplaces
- 27 Concrete/Asphalt civil, street curb& driveway
- 28 Flooring Wood
- 29 Foundation
- 30 Garage Door
- 31 Granite Labor
- 32 Granite Material
- 33 HVAC
- 34 Insulation
- 35 Int. Stair Rail Wood/Iron
- 36 Interior Doors
- 37 Interior Trim/Closets
- 38 Landscaping
- 39 Lumber Rough
- 40 trusses
- 41 Masonry Material
- 42 Mirrors & Shower Doors
- 43 Modular Pkg/Computer/Sound
- 44 Ornamental Iron
- 45 Paint Interior
- 46
- 47 Plumbing Finish
- 48 Plumbing Rough
- 49 Pool/Spa
- 50 Roofing

Budget	Paic	
\$300,000.00		
\$85,000.00		
\$35,000.00		
\$350,000.00		
\$20,000.00		
\$60,000.00		
\$27,000.00		
\$47,300.00		
\$35,000.00		
\$35,000.00		
\$37,000.00		
\$25,000.00		
\$26,000.00		
\$80,000.00		
\$35,000.00		
\$200,000.00		
\$6,000.00		
\$15,000.00		
\$45,000.00		
\$35,000.00		
\$150,000.00		
\$20,000.00		
\$20,000.00		
\$200,000.00		
\$120,000.00		
\$28,000.00		
\$60,000.00		
\$46,500.00		
\$70,000.00		

51 Septic System			
52 Sheet Metal/Gutters	\$24,000.00		
53 Skylights			
54 Solar			
55 Structural Steel			
56 Temporary Facilities			
57 Septic System	\$22,000.00		
58 connecting to water	\$65,000.00		
59 Connecting to power (EDISON Utilities)	\$25,000.00		
60 Vinyl flooring	\$20,000.00		
61 Driveway entrance and street curb	\$30,000.00		
62 Windows/Exterior Doors	\$30,000.00		
63			
Totals	\$2,428,800.00	\$0.00	

CONTINGENT AND LIMITING CONDITIONS

Standard Rule 2-2(b) of the "Standards of Professional Appraisal Practice" of the Appraisal Institute requires the Appraiser to "set forth all assumptions and limiting conditions that affect the analysis, opinions and conclusions." In compliance therewith and to assist the reader interpreting this report such limiting conditions are set forth as follows:

1. 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.
2. That the Appraiser assumes no responsibility for economic or physical factors which may affect the opinions herein stated occurring at some date after the date of the letter transmitting the report.
3. That the Appraiser reserves the right to make such adjustments to the valuation herein reported, as may be required by consideration of additional data or more reliable data that may become available.
4. That no opinion as to title is rendered. Data related to ownership and legal description was obtained from public records and is considered reliable. Title is assumed to be marketable and free and clear of all liens and encumbrances, easements and restrictions except those specifically discussed in the report. The property is appraised assuming it to be under responsible ownership and competent management and available for its highest and best use.
5. That no engineering survey has been made by the Appraiser. Except as specifically stated, data relative to size and area was taken from sources considered reliable and no encroachment of real property improvements is considered to exist.
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 surveys or relied upon for any other purposes, nor should they be removed from, reproduced, or used apart from this report.
7. That no opinion is expressed as to the value of subsurface oil, gas or mineral rights or whether the property is subject to surface entry for the exploration or removal of such materials except as is expressly stated.
8. That no opinion is intended to be expressed for matters, which require legal expertise or specialized investigation or knowledge beyond that customarily employed by real estate appraisers.
9. That the Appraiser believes to be reliable the information which was furnished by others, but he assumes no responsibility for its accuracy.
10. Possession of the report, or a copy thereof, does not carry with it the right of publication, nor may it be used for any purpose by any but the Client without the previous written consent of the Appraiser or the Client and then only with the proper qualifications.
11. The comparable sales and/or rental data relied upon in this appraisal is believed to be from reliable sources, however, it was not possible to inspect each comparable completely and it was necessary to rely on information furnished by others as to said data, therefore, the value conclusions are subject to the correctness and verification of said data.

12. The land and particularly the soil, of the area under appraisal appear firm and solid. Subsidence in the area is unknown or uncommon, but this Appraiser does not warrant against this condition or occurrence.
13. That testimony or attendance in court or at any other hearing is not required by reason of rendering this appraisal unless such arrangements are made a reasonable time in advance.
14. Neither all nor any part of the contents of this report shall be conveyed to the public through advertising, public relations, news, sales or other media, without the written consent and approval of the author, particularly as to valuation conclusions, the identity of the appraisal firm with which he is connected, or any reference to the Appraisal Institute, or to the SRA, RM, SRPA, MAI or SREA designations.
15. This appraisal report is intended to be used by the "client" only who has hired and contracted "appraiser" to perform this appraisal report and its "client's" loan committee. No part of this report is to be shown to or given to or discussed with any potential seller, loan broker, real estate broker or any other 3rd party without the express written consent of Foss Consulting Group. As such, this appraisal report is not intended, in any manner whatsoever, to affect or be relied upon by buyers, sellers, real estate agents, loan brokers or any other 3rd party. Such buyers, sellers, real estate agents, loan brokers or any other 3rd parties have their own methods to determine value, age and conditions of the property including obtaining their own appraisal on the property.
16. It may be necessary, as part of the process to determine value, to obtain copies of all lease agreements. To protect both the Client and the Appraiser, these leases must be resigned (not initialed) and currently dated by the sellers on the front page, right-hand corner, in the presence of the "client" so as to confirm that the rents, terms and conditions stated in each lease are true and correct. An inaccurate or false lease will directly affect the final conclusion of value as stated herein.
17. The liability of Foss Consulting Group and the Appraiser (s) responsible for this report is limited to the Client only and to the fee actually received by the Appraiser (s). Further, there is no accountability, obligation or liability to any third party. If the appraisal report is placed in the hands of anyone other than the Client for whom this report was prepared, the Client shall make such party and/or parties aware of all limiting conditions and assumptions of this assignment and related discussions.
18. If the Client or any third party brings legal action against Foss Consulting Group or the signor(s) of this report and the appraisers(s) prevails the party initiating such legal action shall reimburse Foss Consulting Group and/or the Appraiser (s) for any and all costs of any nature, including attorneys' fees, incurred in their defense.
19. The Americans with Disabilities Act (ADA) became effective January 26, 1992. The Appraiser has not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property together with a detailed analysis of the requirements of the ADA could reveal that the property is not in compliance with one or more of the requirements of the act. If so, this fact could have a negative effect upon the value of the property. Since the Appraiser has no direct evidence relating to this issue, possible noncompliance with the requirements of ADA was not considered in estimating the value of the property.

CORPORATE RESUME

Foss Consulting Group

2140 West Chapman Avenue, Suite 211
Orange, California 92868-2346
Telephone: (714) 871-3585 Facsimile: (714) 871-8123
E-Mail: cgarlick@fossconsult.com

Foss Consulting Group (formerly Wayne Foss Appraisals, Inc.) was organized to provide its clients with appraisal, research and consulting services. The company's office is located in Orange, California.

Foss Consulting Group is an appraisal firm that caters to the legal and accounting communities. Roughly 80% of our clients are legal and accounting firms specializing in estate tax planning and 15% of our clients are large and small commercial banks, savings and loan associations, mortgage bankers. The remainder of our clients range from City and County governments, developers, investors and individuals. The firm specializes in the analysis and valuation of residential properties, income producing properties of all types, subdivisions, and land.

The primary geographic area serviced by Foss Consulting Group is Orange, Riverside, San Bernardino and Los Angeles Counties. The staff, at one time or another, has worked in most of the major communities within these counties and from time to time in San Diego, Ventura, Santa Barbara and Kern Counties. Additionally we have completed assignments in Northern and Central California, Hawaii, Oregon, Washington, Idaho, Arizona, Nevada, Texas and New Mexico.

The services provided by Foss Consulting Group includes traditional appraising for fair market value estimates, plus market analysis, feasibility studies, highest and best use studies and reports prepared for presentation in courts of law.

A partial list of clients who have utilized the services offered by the firm are identified as follows:

Governmental Agencies

Orange County, California	City of Orange, California
Orange County Transportation Authority	City of Cerritos, California
California Department of Transportation (CALTRANS)	City of Stanton, California
City of Brea, California	Brea-Olinda School District, Brea, California
City of Buena Park, California	Lowell Joint School District, Whittier, California
City of Fontana, California	ABC Unified School District, Cerritos, California
City of Fountain Valley, California	Garden Grove Unified School District, Garden Grove, California
City of Fullerton, California	
City of La Habra, California	
City of La Habra Heights, California	

Financial Institutions and Trust Companies

Banco Popular	Tomato Bank
Bank of America	Kyowa Saitama Bank of California
Bank of California	Land Bank of Taiwan
Bank One	Los Angeles National Bank
The Bank of Westminster	Mechanics National Bank
California Bank and Trust	Merchant Bank of California
California Federal Bank	Overland Bank
Cathay Bank	Pacific Mercantile Bank
Centrust Savings Bank	Pacific Western Bank
Century Federal Savings & Loan	Preferred Bank
Cerritos Valley Bank	Redlands Federal Savings & Loan
Chase Manhattan Bank	Riverside National Bank
City Federal Savings	Santa Fe National Bank
Commerce National Bank	Sanwa Bank California
County Bank, FSB	The Daiwa Bank, Ltd.
Dai-Ichi Kanyo Bank of California	Tokai Bank
Del Amo Savings	Trust Bank
Eldorado Bank	United National Bank
EverTrust Bank	Ventura County National Bank
Farmers and Merchants Bank	Wells Fargo Bank
First Continental Bank	Western Bank Mortgage
First Interstate of Arizona	Weyerhaeuser Mortgage
Friendly Hills Bank	Womens Federal Savings Bank
GMAC Mortgage	World Savings

Developers and Landowners

Balalis Corporation	Murray Ozer Development Corporation
Bryan Industrial Properties	Pacesetter Homes
Deane Properties	Lyle Parks, Contractor
Friedman Homes	Patton Development Company
Hope Enterprises, Inc. (The Bob Hope Legacy)	Rancon Corporation
Imperial Hotel Corporation	Renick Cadillac
R.C. Jewett Company	South Bay Ford
Kulberg, Ltd.	Sterling Builders
McBride & Associates	TOG Motels
McCoy & Mills Ford	Tustin Buick, GMC, Pontiac
Osborne Development Corporation	UDC Homes
	Watt America

Corporations, Attorneys and Institutions

Alcoa
American Store Properties, Inc.
Associates Relocation
Tom Bernauer, Attorney at Law
Baker, Burton & Lundy
Barton, Klugman & Oetting
Best Motel Brokers
Better Homes & Gardens Relocation
Butler, Rubin, Saltarelli & Boyd, LLP
Chicago, Il
Chevron Real Estate
Coldwell Banker Relocation
Cole Company
Commonwealth Relocation
Corporate Moves
Douglas Oil Company
I.E. Dupont Nemours
Eastmen Kodak
Empire Relocation
Equitable Relocation
Executive Relocation
General Relocation
Gerber Products Company
Grubb & Ellis Relocation
Gulf Oil Company
Hagenbaugh & Murphy
Haight, Dickenson, Brown, Bastell
Hope Enterprises, The Bob Hope Legacy
George Jeffries, Attorney at Law
Kaiser Permanente
Lewis, Damato, Brisbois, Brisgaard
Merrill Lynch Relocation
O'Melveny & Myers, LLP
Osborn and Carter, PLC
Palmieri, Tyler, Wiener, Wilhelm &
Waldron, LLP
PHH Homequity
Thomas A. Bernauer, Attorney at Law
Tom Powell, Attorney at Law
Prudential Relocation
Reed Smith, LLP, San Francisco, CA
Relocation Consultants
Relocation Management Service
Rutan & Tucker, LLP
Sheppard Mullin Richter & Hampton LLP
Travelers Relocation
Unocal Oil & Gas Division

PROFESSIONAL QUALIFICATIONS

DONALD L. HOELZEL, MAI, APPRAISER

2140 W. CHAPMAN AVENUE, SUITE 211 • ORANGE, CALIFORNIA 92868-2346

PHONE: (714) 871-3585

dhoelzel@fossconsult.com

EMPLOYMENT: 1998 to Present: Foss Consulting Group (formerly Wayne Foss Appraisals, Inc.), Fullerton, CA

1995 to 1997: Independent Fee Appraiser, Fountain Valley, CA

1984 to 1995: Grubb & Ellis Company, Irvine, Ca
Senior Vice President and Manager-Appraisal & Consulting Services

1981 to 1984: Coldwell Banker, Newport Beach, CA
Real Estate Analyst

1978 to 1981: Sanwa Bank, Los Angeles, CA
Appraisal Officer

EDUCATION:

1965 - Bachelor of Science, Finance

University of Southern California, Los Angeles

1975 - M.B.A. Real Estate and Finance

University of Southern California, Los Angeles

Appraisal Courses/Seminars

Office Valuation, Shopping Center Valuation
Litigation, Toxic Hazards and Cash Flow Analysis
101 Introduction to Appraising Real Property
Case Studies in Real Estate Valuation
Standards of Professional Practice, Part A
Standards of Professional Practice, Part B

Litigation Valuation
VI Investment Analysis
201 Capitalization Theory
II Urban Properties
II Industrial Properties
520 Highest & Best Use/Mkt. Analysis

PROFESSIONAL LICENSES AND DESIGNATIONS:

Appraisal Institute: MAI Designation Award

Member of the Appraisal Institute

State of California: Certified General R.E. Appraiser #AG007032

TYPICAL APPRAISALS:

Active in real estate since 1971, reviews and provides valuations of office buildings, industrial/high-tech buildings, shopping centers, business parks, hotels/motels, and single/multi-tenant residential and a variety of special purpose properties. Non-valuations include market and financial feasibilities, discounted cash flows, investment analysis and market studies.

EXPERT WITNESS:

Federal Bankruptcy Court - San Bernardino and Orange Counties

Superior Court - County of Orange and Los Angeles

Family Law Court - County of Orange

CHRISTOPHER GARLICK

(714) 871-3585
cgarlick@fossconsult.com

2140 W. Chapman Ave., #211
Orange, CA 92868-2346

SUMMARY

Real Estate Appraisal with background and experience in:

- Research
- Financial Analysis
- Consulting
- Valuation
- Appraisal
- MS Excel & Word Mastery

California Bureau of Real Estate License #01946146

EDUCATION

Chapman University's Argyros School of Business & Economics
B.S. in Business Administration with an emphasis on Management

May 2009

Additional Study in the Field of Real Estate:

Principles of Real Estate Appraising, Applied Residential Property Valuation, Professional Practice Seminar, Advanced Appraisal Techniques, Real Estate Law, Real Estate Finance, Real Estate Economics, Real Estate Appraisal (SFR), Real Estate Appraisal (Res. Inc.)

ORGANIZATIONS

Orange County Association of Realtors, Worldwide ERC The Workforce Mobility Association, The Orange County Chamber of Commerce, & The California Hotel & Lodging Association

EXPERIENCE

FOSS CONSULTING GROUP, Appraiser, Fullerton, CA

2013 – Present

Completed residential appraisal assignments as well as provided research support for the preparation of commercial appraisals, including developing, maintaining, and inputting data sources into Excel models, writing and reviewing deliverable reports, and assisting in providing consulting services.

- Responsible for completing residential appraisal reports, including: single family residence, multi-family residential, planned unit development, condominium units, mobile homes, and vacant land
- Provide research support for all types of Commercial Assignments including: Apartments, industrial warehouses, mini-storage, mobile home parks, commercial vacant land, office buildings, retail centers, business parks, and industrial parks
- Create financial models for market analysis and developing discounted cash flow analyses

COGENT VALUATION, Research Analyst, Costa Mesa, CA

2008 – 2013

Provided research support for the preparation of business valuation reports for clients and management, including developing, maintaining, and inputting data sources into Excel models, writing and reviewing deliverable reports, and assisting in providing consulting services.

- Responsible for providing financial and market data for analysis and development of valuation opinions
- Analyzed financial statements and utilized business valuation concepts and methodologies
- Created financial models for market analysis of public companies and developing discounted cash flow analyses
- Applied problem solving skills to marketing, research, and analytical issues by brainstorming, considering and weighing alternatives, and choosing the best option, giving me the ability to easily shift priorities to various demands and timelines

BANK OF AMERICA, Banker, San Juan Capistrano, CA

2006 – 2008

Had overall responsibility for all types of cash and credit card transactions, formulation of customer orders, delivering quality customer service, and selling banking products based on knowledge and service.

- Acquired vast knowledge and experience providing counseling to clients in loan and credit card applications
- Expert in retail sales and negotiation as top performer at San Juan branch through excellent verbal, written, presentation and interpersonal skills
- Demonstrated an urgency to achieve goals, accomplishing, and then analyzing the data daily

TECHNICAL SKILLS & APPLICATION KNOWLEDGE

MS Office Applications: VLOOKUP, HLOOKUP, Pivot Tables, Macros, Charts, Graphs, Word Processing tools, ACI Forms, MLS (Multiple Listing Service), Corelogic (Realquest), CoStar, & Loopnet

SUMMARY

Real Estate Appraisal with background and experience in:

- Research
- Financial Analysis
- Consulting
- Valuation
- Financing
- MS Excel & Word Mastery

California Bureau of Real Estate License # 01975563

EDUCATION

University of California, Davis
B.A. in Economics

June 2015

Additional Study in the Field of Real Estate:

Principles of Real Estate Appraising, Applied Residential Property Valuation, Professional Practice Seminar, Advanced Appraisal Techniques, Real Estate Law, Real Estate Finance, Real Estate Economics, Real Estate Appraisal (SFR), Real Estate Appraisal (Res. Inc.)

ORGANIZATIONS

Orange County Association of Realtors, Worldwide ERC The Workforce Mobility Association, The Orange County Chamber of Commerce, & The California Hotel & Lodging Association

EXPERIENCE**FOSS CONSULTING GROUP, Research, Fullerton, CA**

2016 – Present

Provided research support for the preparation of commercial and residential appraisals, including developing, maintaining, and inputting data sources into Excel models, writing and reviewing deliverable reports, and assisting in providing consulting services.

- Provide research support for all types of Residential Assignments including: single family residence, multi-family residential, planned unit development, condominium units, mobile homes, and vacant land
- Provide research support for all types of Commercial Assignments including: Apartments, industrial warehouses, mini-storage, mobile home parks, commercial vacant land, office buildings, retail centers, business parks, and industrial parks
- Create financial models for market analysis and developing discounted cash flow analyses

NATIONAL MORTGAGE GROUP, Loan Officer, Irvine, CA

2015 – 2016

Evaluate, authorize or recommend approval of commercial or real estate loans. Responsible for discussing client's needs, recommending the best loan products, helping customers put together a complete loan package and working with the underwriting team throughout the loan process.

- Analyze applicants' financial status, credit, and property evaluations to determine feasibility of granting loans
- Explain to customers the different types of loans and credit options that are available, as well as the terms of those services
- Maintain an active knowledge base of all of the organization's loan products and an understanding of the qualifications required of each applicant
- Compute payment schedules

COGENT VALUATION, Research Analyst/Intern, Costa Mesa, CA

2012 – 2015

Provided research support for the preparation of business valuation reports for clients and management, including developing, maintaining, and inputting data sources into Excel models, writing and reviewing deliverable reports, and assisting in providing consulting services.

- Responsible for providing financial and market data for analysis and development of valuation opinions
- Analyzed financial statements and utilized business valuation concepts and methodologies
- Created financial models for market analysis of public companies and developing discounted cash flow analyses

TECHNICAL SKILLS & APPLICATION KNOWLEDGE

MS Office Applications: Pivot Tables, Macros, Charts, Graphs, Word Processing tools, ACI Forms, MLS (Multiple Listing Service), Corelogic (Realquest), CoStar, & Loopnet