

Integra Realty Resources
Sacramento

Appraisal of Real Property

Conference Center Drive Land
Hotel Property
Conference Center Drive
Roseville, Placer County, California 95678

Prepared For:
City of Roseville

Effective Date of the Appraisal:
May 18, 2020

Report Format:
Appraisal Report – Standard Format

IRR - Sacramento
File Number: 193-2020-0203





Conference Center Drive Land
Conference Center Drive
Roseville, California



May 29, 2020

Laura Matteoli
Development Director
City of Roseville
311 Vernon Street
Roseville, CA 95678

SUBJECT: Market Value Appraisal
 Conference Center Drive Land
 Conference Center Drive
 Roseville, Placer County, California 95678
 IRR - Sacramento File No. 193-2020-0203

Dear Ms. Matteoli:

Integra Realty Resources – Sacramento is pleased to submit the accompanying appraisal of the referenced property. At the client's request, the purpose of the appraisal is to develop an opinion of the market value of the fee simple interest in the property under two different scenarios: 1.) market value as is (this scenario considers the highest and best use of the subject property under its current zoning) and 2.) market value as if developed for hospitality/conference center use. The client for the assignment is the City of Roseville, and the intended use is for establishing the market value of the subject property for marketing purposes.

The subject is a parcel of vacant land containing an area of 11.00 acres or 479,160 square feet. The property is zoned CC/SA-NC, Community Commercial - Special Area Overlay, North Central Roseville Specific Plan, which permits civic, retail, commercial, office, and hotel uses. The city of Roseville has envisioned the site as an ideal location for the construction of a 203-room, nine-story, 146,000 square foot hotel development with a 15,500 square foot conference facility. The conference center would feature 7,500 square feet of pre-function, meeting, and break-out space, a support kitchen, and an 8,000 square foot ballroom. The hotel would also include a full service restaurant, fitness facility, spa, and outdoor pool. It should be noted, this is currently a conceptual plan and is subject to change in the future.

The appraisal is intended to conform with the Uniform Standards of Professional Appraisal Practice (USPAP), the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute, and applicable state appraisal regulations.

To report the assignment results, we use the Appraisal Report option of Standards Rule 2-2(a) of USPAP. As USPAP gives appraisers the flexibility to vary the level of information in an Appraisal Report depending on the intended use and intended users of the appraisal, we adhere to the Integra Realty Resources internal standards for an Appraisal Report – Standard Format. This format summarizes the information analyzed, the appraisal methods employed, and the reasoning that supports the analyses, opinions, and conclusions.

Based on the valuation analysis in the accompanying report, and subject to the definitions, assumptions, and limiting conditions expressed in the report, our opinion of value is as follows:

Value Conclusions			
Appraisal Premise	Interest Appraised	Date of Value	Value Conclusion
Market Value As Is	Fee Simple	May 18, 2020	\$5,750,000
Market Value As If Developed for Hospitality Use	Fee Simple	May 18, 2020	\$3,250,000

Extraordinary Assumptions and Hypothetical Conditions

The value conclusions are subject to the following extraordinary assumptions. An extraordinary assumption is an assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions.

None.

The value conclusions are based on the following hypothetical conditions. A hypothetical condition is a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis.

None.

The use of any extraordinary assumption or hypothetical condition may have affected the assignment results.

Important Market Conditions Warning

Market Uncertainty from Novel Coronavirus (COVID-19)

The outbreak of the Novel Coronavirus (COVID-19), declared an outbreak by the World Health Organization (WHO) on January 30, 2020 and subsequently reclassified as a worldwide pandemic on March 11, 2020, has created substantial uncertainty in the worldwide financial markets. Concerns about the ongoing spread of the COVID-19 (Corona) Virus have resulted in cancellations of a substantial number of business meetings, conferences, and sporting and entertainment events in the coming 3-6 months; the implementation of personal quarantine procedures; a 30-day lock-out for travel from most of Europe to the U.S.; and substantial reductions (and restrictions) in other travel by air, rail, bus, and ship.



As of the effective date of this report, tourism, lodging, and tourist-related food and beverage and retail sectors are likely to feel the first negative effects due to the substantial decline in social movement and activity. A prolonged outbreak could have a significant (and yet unquantifiable) impact on other real estate sectors. Our valuation is based upon the best information as of the effective date.

Given the degree of overall uncertainty present in the economy, forecasts and projections contained herein may change dramatically, or differently than projected under stable market conditions. Therefore, we recommend a more frequent review of this valuation, and advise the intended user to consider the current lack of overall economic stability in evaluating the use and reliability of the opinions expressed herein.

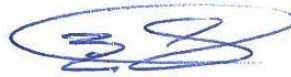
If you have any questions or comments, please contact the undersigned. Thank you for the opportunity to be of service.

Respectfully submitted,

INTEGRA REALTY RESOURCES - SACRAMENTO



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Summary of Salient Facts and Conclusions

Part One

Property Name	Conference Center Drive Land	
Address	Conference Center Drive Roseville, Placer County, California 95678	
Property Type	Hotel - Full Service with Conference Center	
Owner of Record	City of Roseville	
Tax ID	363-011-086	
Land Area	11.00 acres; 479,160 SF	
Zoning Designation	CC/SA-NC, Community Commercial - Special Area Overlay, North Central Roseville Specific Plan	
Highest and Best Use - As if Vacant	Commercial use	
Exposure Time; Marketing Period	12 months; 12 months	
Effective Date of the Appraisal	May 18, 2020	
Date of the Report	May 29, 2020	
Property Interest Appraised	Fee Simple	
Market Value Indications		
Market Value As Is	\$5,750,000	(\$12.00/SF)
Market Value As If Developed for Hospitality Use	\$3,250,000	(\$16,010/Room)

The values reported above are subject to the definitions, assumptions, and limiting conditions set forth in the accompanying report of which this summary is a part. No party other than City of Roseville may use or rely on the information, opinions, and conclusions contained in the report. It is assumed that the users of the report have read the entire report, including all of the definitions, assumptions, and limiting conditions contained therein.

Extraordinary Assumptions and Hypothetical Conditions

The value conclusions are subject to the following extraordinary assumptions. An extraordinary assumption is an assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions.

None.

The value conclusions are based on the following hypothetical conditions. A hypothetical condition is a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis.

None.

The use of any extraordinary assumption or hypothetical condition may have affected the assignment results.

General Information

Identification of Subject

The subject is a parcel of vacant land containing an area of 11.00 acres or 479,160 square feet. The property is zoned CC/SA-NC, Community Commercial - Special Area Overlay, North Central Roseville Specific Plan, which permits civic, retail, commercial, office, and hotel uses. The city of Roseville has envisioned the site as an ideal location for the construction of a 203-room, nine-story, 146,000 square foot hotel development with a 15,500 square foot conference facility. The conference center would feature 7,500 square feet of pre-function, meeting, and break-out space, a support kitchen, and an 8,000 square foot ballroom. The hotel would also include a full service restaurant, fitness facility, spa, and outdoor pool. It should be noted, this is currently a conceptual plan and is subject to change in the future. A legal description of the property is in the addenda.

Property Identification

Property Name	Conference Center Drive Land
Address	Conference Center Drive Roseville, California 95678
Tax ID	363-011-086
Owner of Record	City of Roseville

Sale History

To the best of our knowledge, no sale or transfer of ownership has taken place within a three-year period prior to the effective appraisal date.

Pending Transactions

To the best of our knowledge, the property is not subject to an agreement of sale or an option to buy, nor is it listed for sale, as of the effective appraisal date. However, it is our understanding the city of Roseville plans to list the property for sale in the future.

Purpose of the Appraisal

The purpose of the appraisal is to develop an opinion of the market value of the fee simple interest in the property as of the effective date of the appraisal, May 18, 2020, under two different scenarios: 1.) market value as is (this scenario considers the highest and best use of the subject property under its current zoning) and 2.) market value as if developed for hospitality/conference center use. The date of the report is May 29, 2020. The appraisal is valid only as of the stated effective date.

Definition of Market Value

Market value is defined as:

“The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and

assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- Buyer and seller are typically motivated;
- Both parties are well informed or well advised, and acting in what they consider their own best interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- 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.”

(Source: Code of Federal Regulations, Title 12, Chapter I, Part 34.42[h]; also Interagency Appraisal and Evaluation Guidelines, Federal Register, 75 FR 77449, December 10, 2010, page 77472)

Definition of As Is Market Value

As is market value is defined as, “The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date.”

(Source: Appraisal Institute, The Dictionary of Real Estate Appraisal, 6th ed. (Chicago: Appraisal Institute, 2015); also Interagency Appraisal and Evaluation Guidelines, Federal Register, 75 FR 77449, December 10, 2010, page 77471)

Definition of Property Rights Appraised

Fee simple 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.”

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

Intended Use and User

The intended use of the appraisal is for establishing the market value of the subject property for marketing purposes. It is our understanding the city of Roseville plans to list the subject property for sale in the future. The client and intended user is City of Roseville. The appraisal is not intended for any other use or user. No party or parties other than the City of Roseville may use or rely on the information, opinions, and conclusions contained in this report.

Applicable Requirements

This appraisal is intended to conform to the requirements of the following:

- Uniform Standards of Professional Appraisal Practice (USPAP);

- Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute;
- Applicable state appraisal regulations;

Report Format

This report is prepared under the Appraisal Report option of Standards Rule 2-2(a) of USPAP. As USPAP gives appraisers the flexibility to vary the level of information in an Appraisal Report depending on the intended use and intended users of the appraisal, we adhere to the Integra Realty Resources internal standards for an Appraisal Report – Standard Format. This format summarizes the information analyzed, the appraisal methods employed, and the reasoning that supports the analyses, opinions, and conclusions.

Prior Services

USPAP requires appraisers to disclose to the client any other services they have provided in connection with the subject property in the prior three years, including valuation, consulting, property management, brokerage, or any other services. We have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding the agreement to perform this assignment.

Scope of Work

To determine the appropriate scope of work for the assignment, we considered the intended use of the appraisal, the needs of the user, the complexity of the property, and other pertinent factors. Our concluded scope of work is described below.

Valuation Methodology

Appraisers usually consider the use of three approaches to value when developing a market value opinion for real property. These are the cost approach, sales comparison approach, and income capitalization approach. Use of the approaches in this assignment is summarized as follows:

Approaches to Value

Approach	Applicability to Subject	Use in Assignment
Cost Approach	Not Applicable	Not Utilized
Sales Comparison Approach	Applicable	Utilized
Income Capitalization Approach	Not Applicable	Not Utilized

We use only the sales comparison approach in developing an opinion of value for the subject. This approach is applicable to the subject because there is an active market for similar properties, and sufficient sales data is available for analysis. The sales comparison approach is utilized in both valuation scenarios for the subject property. In the first scenario, we consider commercial land sales in the subject's market area. In the second scenario, we analyze hotel land sales within the Sacramento MSA.

The cost approach is not applicable because there are no improvements that contribute value to the property, and the income approach is not applicable because the subject is not likely to generate rental income in its current state.

Research and Analysis

The type and extent of our research and analysis is detailed in individual sections of the report. This includes the steps we took to verify comparable sales, which are disclosed in the comparable sale profile sheets in the addenda to the report. Although we make an effort to confirm the arms-length nature of each sale with a party to the transaction, it is sometimes necessary to rely on secondary verification from sources deemed reliable.

Inspection

Laura Diaz conducted an on-site inspection on May 18, 2020. Eric Segal, MAI, and Lance Jordan, MAI have also inspected the subject site.

Economic Analysis

Area Analysis – Sacramento MSA

Introduction

The worldwide outbreak of the COVID-19 virus and the subsequent chain of events enacted in an effort to minimize the impacts of the pandemic are still in process and evolving on a daily basis. Healthcare and economic responses to this crisis are unfolding in the present, with no quantifiable data currently available to gauge the future impact on the local, state and national economies. The following analysis is largely based on historical information as a means of identifying past demographic and general economic trends, both of which will be impacted as more time passes and data becomes available for analysis. As noted, the level of impact of COVID-19 remains largely unknown at this time.

The Sacramento MSA is comprised of four counties – Sacramento, Placer, El Dorado and Yolo – and spans from the Sacramento River Delta in the west to the Sierra Nevada mountain range in the east. It represents portions of two key regions in California – the Central Valley and the Sierra Nevada mountains. The Sacramento MSA is the most populous metropolitan area in the Central Valley and the fifth-largest in the state of California. The region’s largest city, Sacramento, is the State Capital and the seat of government for Sacramento County. Sacramento is located approximately 385 miles north of Los Angeles, 500 miles south of Oregon, 85 miles northeast of San Francisco, 105 miles west of South Lake Tahoe, and 135 miles southwest of Reno, Nevada. The region has relatively stable seismic conditions, especially compared to the San Francisco Bay Area and Southern California. Sacramento and adjoining cities rank among the lowest in the state for the probability of a major earthquake.

Population

The region has a population of over 2.37 million and has grown at a moderate, average rate of 1.1% per year for the past five years. The following table illustrates recent population trends for each county in the region. The figures are estimated as of January each year.

Population Trends							
County	2015	2016	2017	2018	2019	2020	%/Yr
Sacramento	1,481,751	1,496,385	1,512,721	1,527,132	1,541,301	1,555,365	1.0%
Placer	371,264	376,508	383,598	389,387	395,978	403,711	1.7%
El Dorado	182,540	183,684	185,147	188,185	190,018	193,227	1.2%
Yolo	210,801	215,016	218,039	219,990	220,896	221,705	1.0%
Total	2,246,356	2,271,593	2,299,505	2,324,694	2,348,193	2,374,008	1.1%

Source: California Department of Finance

Placer and El Dorado Counties have led the region with growth of 1.7% and 1.2% per year, respectively. Most of this growth has occurred in the cities of Roseville, Rocklin, Lincoln and El Dorado Hills. The region’s growth is attributed in large to in-migration of residents from other locations.

The population in the region is expected to continue growing. According to the California Department of Finance, the population in the Sacramento MSA is projected to increase to around 2,601,607 by 2030 and 2,914,939 by 2050. The region’s growth is expected to outpace the growth of most other metropolitan areas in California, as well as the state as a whole.

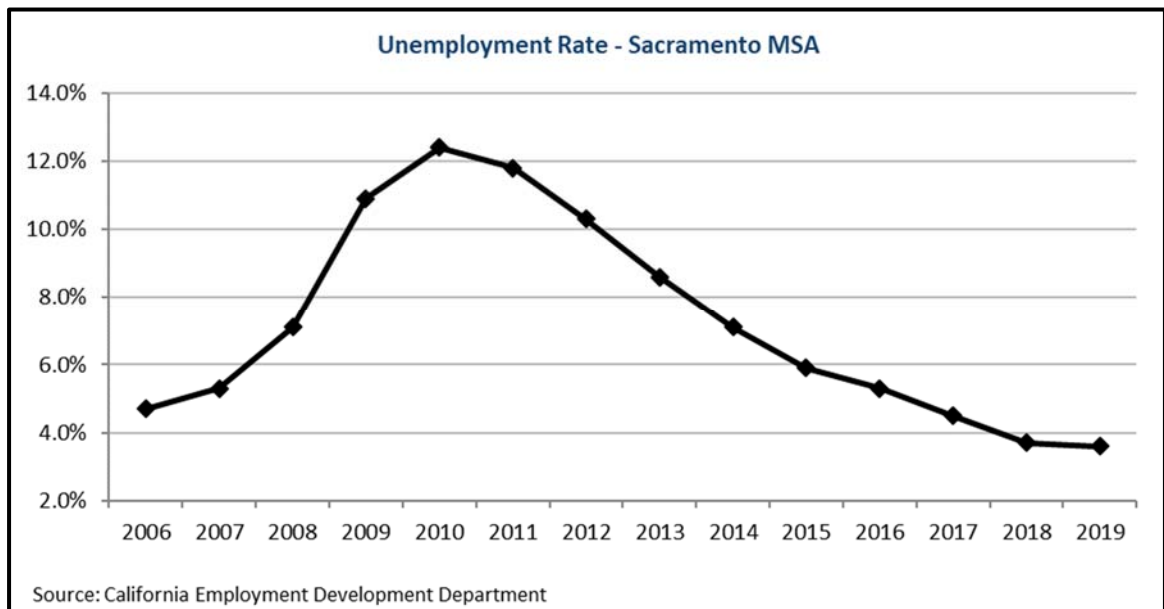
Employment & Economy

Historically, the Sacramento region has been one of the more stable employment centers in California, with a significant number of jobs in State government. The California Employment Development Department has reported the following employment data for the Sacramento MSA over the past few years.

Employment Trends						
	2014	2015	2016	2017	2018	2019
Labor Force	1,044,700	1,053,800	1,069,400	1,076,500	1,095,700	1,104,000
Employment	970,300	992,100	1,012,900	1,027,700	1,055,200	1,064,300
Job Growth	14,400	21,800	20,800	14,800	27,500	9,100
Unemployment Rate	7.1%	5.9%	5.3%	4.5%	3.7%	3.6%

Source: California Employment Development Department

For most areas within the state and nation, including the Sacramento MSA, unemployment declined from 2004 through 2006, increased from 2007 to 2010, and declined since 2011. A depiction of the unemployment rate trend since 2006 is provided below.



The region experienced a significant decline in jobs in 2009, but the rate of decline moderated in 2010, and job growth was positive in each year from 2011 through 2017. Unemployment rates have been at historical lows. The 2017 unemployment rate of 4.6% was the lowest experienced since 2001 and the 2018 and 2019 rates further decreased, closing out 2019 with an average rate of 3.6%. This trend is

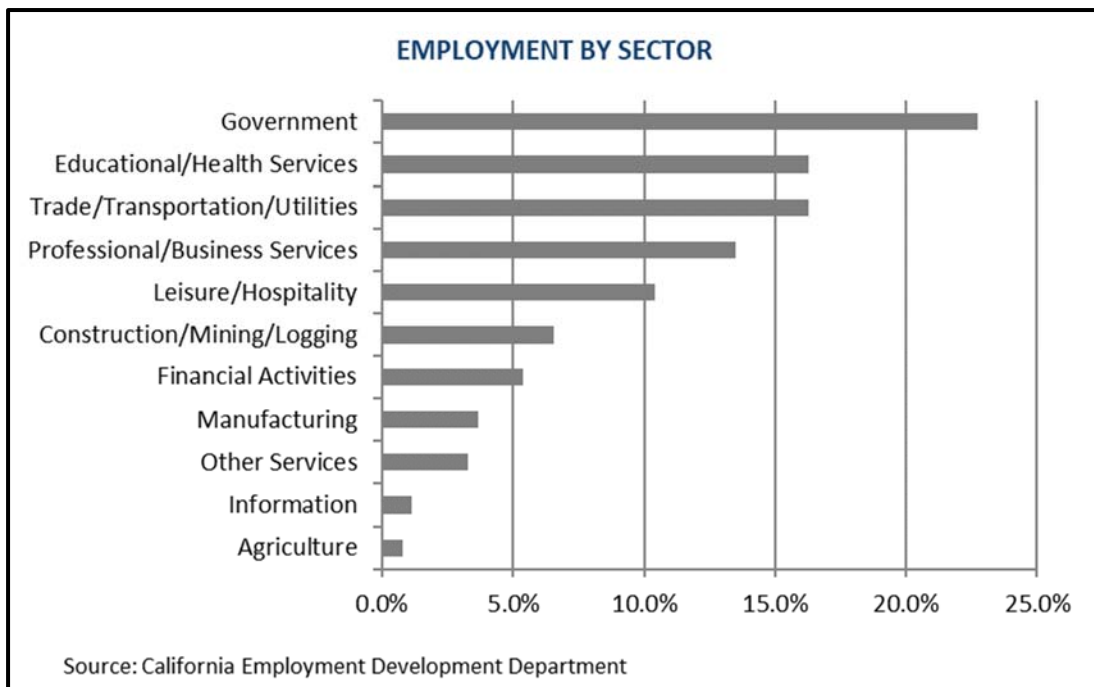


expected to change as a result of the current COVID-19 crisis. In an effort to prevent the spread and impact of the virus, indefinite public health Stay-At-Home Orders have been issued for the counties that make up the Sacramento MSA, along with a statewide order issued by the governor on March 19th, which direct residents to stay at home except to perform essential activities necessary for the health and safety of individuals and their families. These unprecedented measures have left just "essential" businesses open. The closure of non-essential businesses will impact some sectors of the workforce more significantly than others, but it is too early to forecast how many jobs could be lost.

The unemployment rate as of the end of the first quarter 2020 was 4.7%, above the year ago estimate of 4.0%.

The local economy has transitioned from a government and agricultural center to a more diverse economy. Growing industries in the region include healthcare, technology, clean energy and life sciences. The region is a western hub for data processing, customer call centers and other corporate back office support activities. However, the Sacramento market is largely dependent on the services sector and it may be impacted more significantly as a result. The degree of impact will depend at some level on local, state and federal government economic responses and relief aid.

The following chart indicates the percentage of total employment for each sector within the region.



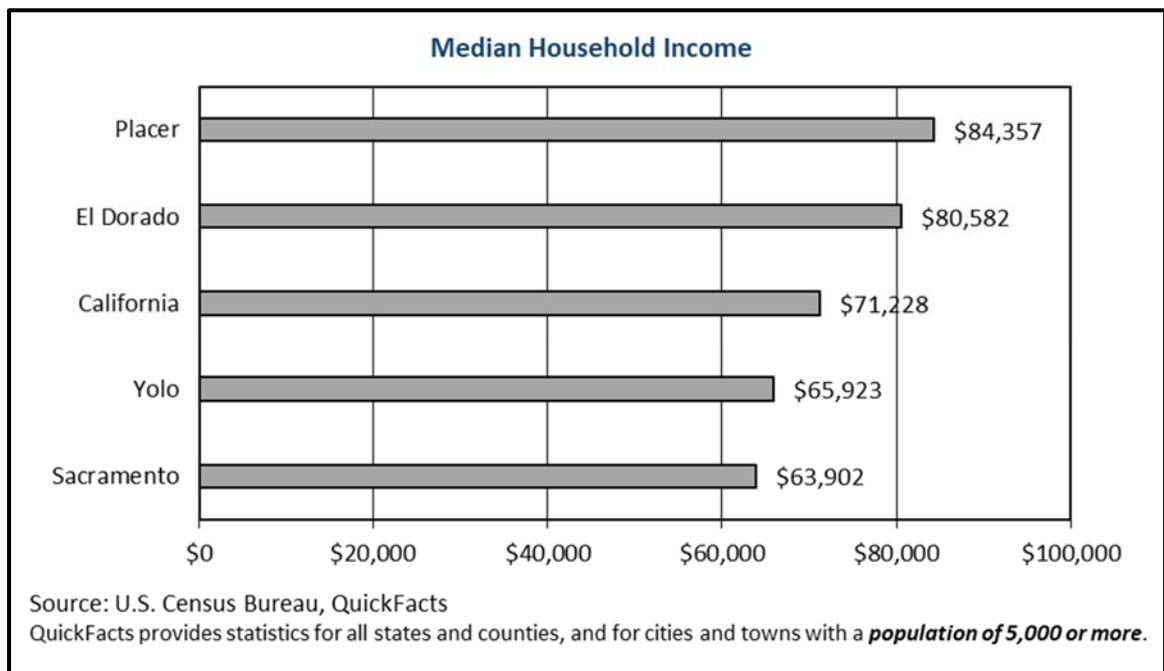
The region’s largest employment sectors are Government, Educational and Health Services, Trade/Transportation/Utilities (including retail and wholesale trade), and Professional and Business Services. Government jobs account for approximately 23% of total employment in the region. This percentage has declined only slightly in the past couple of decades – government employment was near 30% of the total in 1990. The region’s largest employers are listed in the following table (based on the number of employees in the four-county region).

Largest Employers			
	Employer	Industry	Employees
1	State of California	Government	81,085
2	Kaiser Permanente	Healthcare	17,419
3	Sutter Health	Healthcare	15,497
4	U.S. Government	Government	13,256
5	UC Davis Health System	Healthcare	12,674
6	Sacramento County	Government	11,330
7	University of California Davis	Education	10,032
8	Dignity Health (formerly Mercy)	Healthcare	7,000
9	Elk Grove Unified School District	Education	6,381
10	Intel Corp.	Semiconductors	6,200

Source: Sacramento Business Journal, Book of Lists 2019

Household Income

Median household income represents a broad statistical measure of well-being or standard of living in a community. The median income level divides households into two equal segments with one half of households earning less than the median and the other half earning more. The median income is considered to be a better indicator than the average household income as it is not dramatically affected by unusually high or low values. The following chart illustrates the median household income (in 2018 inflation-adjusted dollars) for each county in the region, as well as the state of California.



Placer and El Dorado Counties exhibit the highest income levels in the Sacramento region. Household incomes in these counties are among the highest in California.



Transportation

A significant strategic advantage of the Sacramento region is its proximity to large markets and its transportation accessibility to these markets provided by extensive highway, rail, water and air systems.

The Sacramento region has over 800 miles of maintained state highways. The hub of freeways in the region makes the Sacramento area a good center for freight distribution. U.S. Highway 50, Interstate 80, and the Capital City Freeway are the principal routes for commuters living in the densely populated eastern suburbs. Commuters from the north and south of Sacramento travel on Interstate 5 and State Highway 99. State Highways 65 and 70 link Placer County to Yuba and Sutter Counties to the north. Interstate 5 provides a direct route to Redding, Oregon and Washington to the north and Los Angeles to the south. Interstate 80 extends travel to Nevada and Utah to the east and the San Francisco Bay Area to the west. Lake Tahoe and Nevada are accessible within a couple hours traveling east on U.S. Highway 50, which originates in Sacramento. State Highway 99 provides access from the upper Sacramento Valley through the San Joaquin Valley to the south.

The main public transit system in the Sacramento area is operated by Sacramento Regional Transit District (SacRT), with additional service provided by other local public and private transit operators. SacRT covers nearly 400 square miles and transports approximately 23 million passengers annually by means of 205 buses, 23 shuttle vans and 97 light rail vehicles. Light Rail began operation in 1987 along a two-pronged route linking Downtown Sacramento with populous suburbs to the east and north. In 2003 and 2004, SacRT completed extensions to the Meadowview area in South Sacramento (Blue Line) and Sunrise Boulevard in Rancho Cordova (Gold Line) to the east. In 2005, an eastward extension to the city of Folsom was completed. In 2012, SacRT completed the first phase of the Green Line to the Airport light rail extension project with the opening of the Green Line to the River District. This 1.1-mile light rail extension to the north connected Downtown Sacramento to the River District. In August 2015, SacRT opened the second phase of the Blue Line project, which extended the line 4.3 miles south to Cosumnes River College.

The Sacramento region has access to a number of railroads. The north-south and east-west main lines of the Union Pacific Railroad intersect in Sacramento and Sacramento also has access to the Burlington Northern Santa Fe Railway as a result of the merger of Union Pacific and Southern Pacific in 1996. Union Pacific's major freight classification facility for Northern California, Nevada and Oregon is located in Roseville (Placer County). Amtrak provides daily passenger service in all directions from Sacramento. The Capital Corridor system provides high-speed commuter rail service from Roseville to San Jose.

The region has good water transportation capabilities. The Port of Sacramento is a deep-water port located 79 miles northeast of San Francisco in the city of West Sacramento, serving ocean-going vessels handling a variety of cargo types. The 30-foot depth of the channel, along with extensive rail and truck cargo handling facilities, make the Port highly productive for long distance shipping. The Port is equipped for handling bulk cargo and some agricultural and forest products.

Finally, the region includes several air transport facilities. Most notably, Sacramento International Airport is served by 12 passenger carriers and numerous cargo carriers. Major expansions of the

terminals and parking facilities were completed between 2004 and 2012. In 2017, 10.9 million passengers traveled through Sacramento International Airport; 12.05 million passengers traveled during 2018 and 13.17 million passengers traveled in 2019. The region is also served by Sacramento Executive Airport, Lincoln Regional Airport, McClellan Airfield, Mather Airport (the latter two being former Air Force Bases) and several smaller airports and airfields.

Recreation & Culture

The Sacramento region offers innumerable recreational and cultural opportunities. The American River Parkway offers 5,000 acres of recreation area along both sides of the river for 30 miles, with Folsom Lake situated at the eastern end. The Sacramento-San Joaquin Delta has over 1,000 miles of waterways. The rivers and lakes within the Sacramento Area offer boating, fishing and water-skiing opportunities. In addition, numerous parks and golf courses are located throughout the region. Professional sports teams in Sacramento include an NBA team (the Sacramento Kings) and a Triple-A minor league baseball team (the River Cats).

Cultural attractions in the region include the Old Sacramento Historic District, California State Railroad Museum, Crocker Art Museum, Historic Governor's Mansion, Sutter's Fort State Historic Park and Sacramento Zoo. Sacramento is home to several theaters and performing arts centers offering world-class shows. Annual events in Sacramento include the California State Fair and the Music Circus.

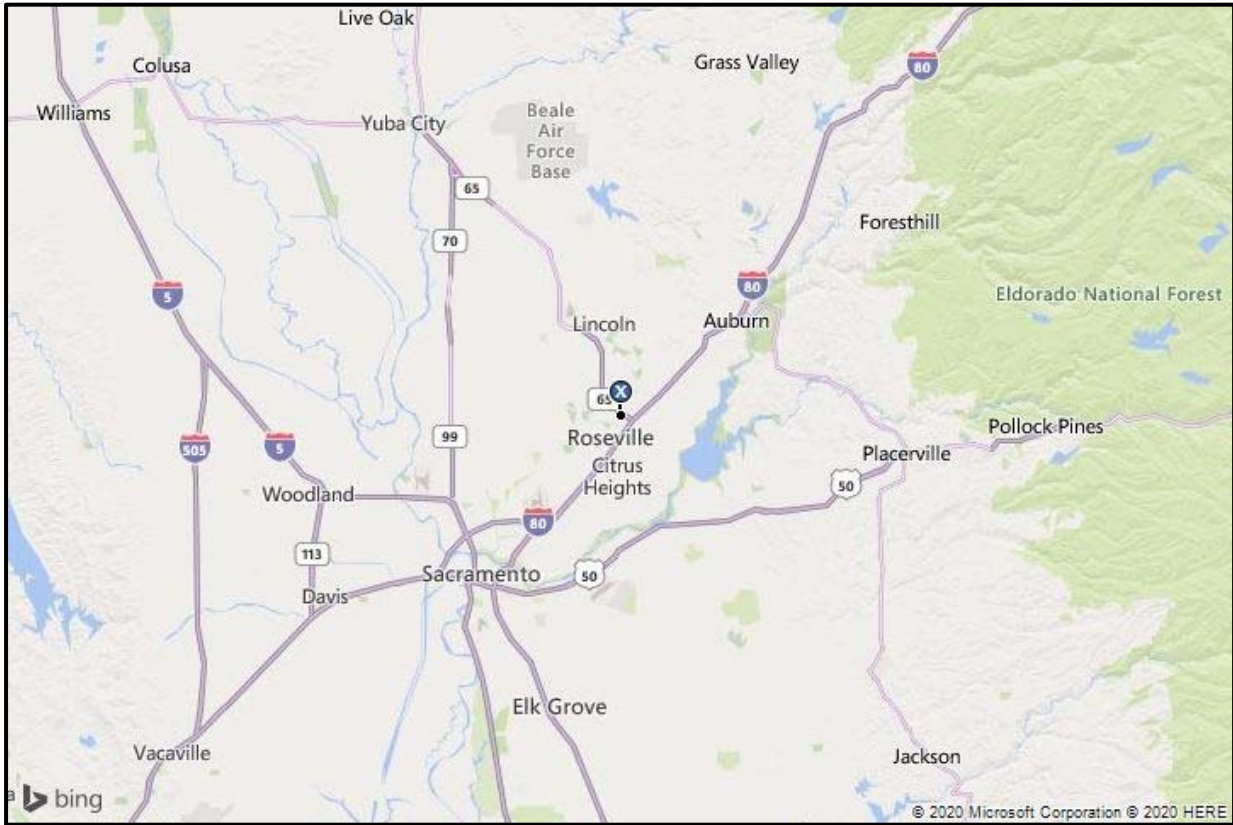
In terms of higher education, the region's largest universities are the University of California Davis and California State University, Sacramento. Six community colleges are located in the region, including Sierra College, American River, Cosumnes River, Folsom Lake, Sacramento City and Woodland Community College. Several private colleges are located in the area, as well as satellite campuses of colleges headquartered elsewhere. The region also contains numerous vocational schools.

Other recreational and cultural opportunities are available within a short drive of the Sacramento area. To the west are the San Francisco Bay Area, the Napa Valley wine country, the coastal redwood forests, and the beaches of the Pacific Ocean. To the east are Lake Tahoe and the Sierra Nevada Mountains, which are home to more than a dozen snow-skiing resorts. Legalized casino gambling is available in Nevada, as well as several tribal casinos in the Sacramento region.

Conclusion

The Sacramento region is the fifth-largest metropolitan area in California and has seen moderate population growth of about 1.2% per year over the past five years. The area's advantages include a diverse economy, mild climate, seismic stability, ample recreational and cultural opportunities, and expansive transportation systems. Further, the region offers greater affordability compared to the Bay Area and Southern California. Although employment conditions have been improving since 2011 and most real estate sectors have been showing signs of expansion, the near-term outlook is uncertain as a result of the COVID-19 pandemic. A better understanding of the potential impacts will be gained as economic policies aimed at financial relief and resuming business operations are implemented. The historical stability of the local economy and emergence from past recessions bodes well for the long-term outlook for the region.

Area Map



Surrounding Area Analysis

Location

The boundaries of a neighborhood identify the physical area that influences the value of the subject property. These boundaries may coincide with observable changes in prevailing land use or occupant characteristics. Physical features such as the type of development, street patterns, terrain, vegetation and parcel size tend to identify neighborhoods. Roadways, waterways and changing elevations can also create neighborhood boundaries.

The subject property is located within the city of Roseville. The neighborhood boundaries can generally be described as State Highway 65 to the north, Interstate 80 to the east, Atlantic Street to the south, and Washington Boulevard to the west.

Access and Linkages

The property has good access to major thoroughfares in the subject's neighborhood. The subject is located just west of Galleria Boulevard, which provides immediate access to Highway 65 to the north. Just south of the subject, Roseville Parkway is a major six lane neighborhood thoroughfare which provides access to West Roseville, Central Roseville, and East Roseville, as well as the community of Granite Bay. To the north, Highway 65 provides access to Interstate 80, both of which serve as the major highway corridors in the subject's neighborhood. Highway 65 provides access to Lincoln, Wheatland, and Yuba City. Interstate 80 is a primary east-west corridor in the Sacramento Metropolitan Area. To the east, Interstate 80 provides access to the outlying portions of Placer County and continues toward Lake Tahoe, and Reno, Nevada. To the west, the freeway connects the subject neighborhood to Sacramento's Central Business District and continues toward Davis and Fairfield before terminating in San Francisco.

The subject property is visible from Highway 65, as the northern portion of the site is adjacent to the highway; the subject is located approximately 1.5 miles from the nearest interchange. In addition, the nearest Interstate 80 interchange is approximately 2.2 miles southeast of the subject.

Roseville Transit provides public transportation for the area, which features fixed bus routes, commuter services and ride sharing minivans. Free transfers are also provided for the Placer County Transit and Sacramento Regional Transit.

Demographics

A demographic profile of the surrounding area, including population, households, and income data, is presented in the following table.

Surrounding Area Demographics

2020 Estimates	5-Minute Drive Time	10-Minute Drive Time	15-Minute Drive Time	Placer County
Population 2010	6,215	85,075	268,874	348,432
Population 2020	7,453	96,539	306,810	398,650
Population 2025	8,031	102,130	322,326	419,234
Compound % Change 2010-2020	1.8%	1.3%	1.3%	1.4%
Compound % Change 2020-2025	1.5%	1.1%	1.0%	1.0%
Households 2010	2,384	32,517	99,730	132,627
Households 2020	2,764	36,824	113,983	153,060
Households 2025	2,948	38,936	119,875	161,485
Compound % Change 2010-2020	1.5%	1.3%	1.3%	1.4%
Compound % Change 2020-2025	1.3%	1.1%	1.0%	1.1%
Median Household Income 2020	\$90,906	\$85,383	\$85,940	\$88,748
Average Household Size	2.7	2.6	2.7	2.6
College Graduate %	46%	38%	35%	38%
Median Age	37	39	40	43
Owner Occupied %	55%	58%	67%	71%
Renter Occupied %	45%	42%	33%	29%
Median Owner Occupied Housing Value	\$506,093	\$491,909	\$477,983	\$557,525
Median Year Structure Built	2001	1997	1993	1994
Average Travel Time to Work in Minutes	26	27	29	30

Source: Environics Analytics

As shown above, the current population within a 10-minute drive time of the subject is 96,539, and the average household size is 2.6. Population in the area has grown since the 2010 census, and this trend is projected to continue over the next five years. Compared to Placer County overall, the population within a 10-minute drive time is projected to grow at a similar rate.

Median household income is \$85,383, which is lower than the household income for Placer County. Residents within a 10-minute drive time have a similar level of educational attainment to those of Placer County, while median owner occupied home values are considerably lower.

The subject property is centrally located amongst significant commercial and residential developments in the Roseville and Rocklin areas. Specifically, the subject is located along Conference Center Drive, north of Roseville Parkway, and immediately west of the Roseville Galleria mall.



The Galleria opened in August 2000 and was the first regional mall built in the Sacramento area in the previous 25 years. This 1.6 million square foot regional shopping mall has spurred mass development of both residential and retail projects in the Roseville/Rocklin area. The immediate area in and around the Galleria provides a benchmark for the upper end of retail lease rates in the Roseville/Rocklin area. Notable tenants at the Galleria include Nordstrom's, Macy's, Gap, and JC Penny, and other major retailers in the surrounding area include Best Buy, Bed Bath and Beyond, Barnes & Noble, and Old Navy. In addition, there are a myriad of restaurants within large-scale retail centers adjacent to the Galleria, including the Creekside Town Center, The Ridge at Creekside, and Creekside Plaza (formerly known as Tuscany Village).

The Fountains, an open-air lifestyle center, is situated on nearly 30 acres of land and offers numerous upscale retail stores, restaurants, office spaces, and entertainment venues. The center has been well received since opening and has plans for expansion. The recent developments surrounding the subject have been commercial and retail related.

Construction of the 130,000 square foot VillaSport Athletic Club was completed within the past year on the 7.5-acre parcel of land adjacent to the subject to the west. Amenities within the athletic club include indoor and outdoor pools, a fitness center, a hardwood basketball court, a spa, indoor and outdoor cafes, and locker rooms. In addition, just south of the subject along Conference Center Drive, a 151-room Hyatt Place opened in February 2020.

Office development in the immediate area resides to the northwest of the subject property, adjacent to Highway 65. Additional significant office development is located along Douglas Boulevard, southeast of the subject property.

The north portion of the subject site is adjacent to Highway 65, with visibility from the highway; however, Highway 65/Galleria Boulevard interchange is approximately 1.5 miles from the subject property. Just north of Highway 65 is another concentration of retail use; all four corners of Five Star Boulevard and Stanford Ranch Road feature retail development. At the northwest corner of Stanford Ranch Road and Five Star Boulevard, is a shopping center with tenants such as Rubio's, Dick's Sporting Goods, Ross, and McDonald's. Adjacent to this center is Stanford Ranch Shopping Center, which includes Costco, Joann Fabrics, and the Home Depot. There is also additional retail development to the northwest along Fairway Drive, traveling through Roseville towards Pleasant Grove Boulevard. Major tenants along Fairway Drive include Lowe's, WinCo, Nugget Market, Kohl's and Target.

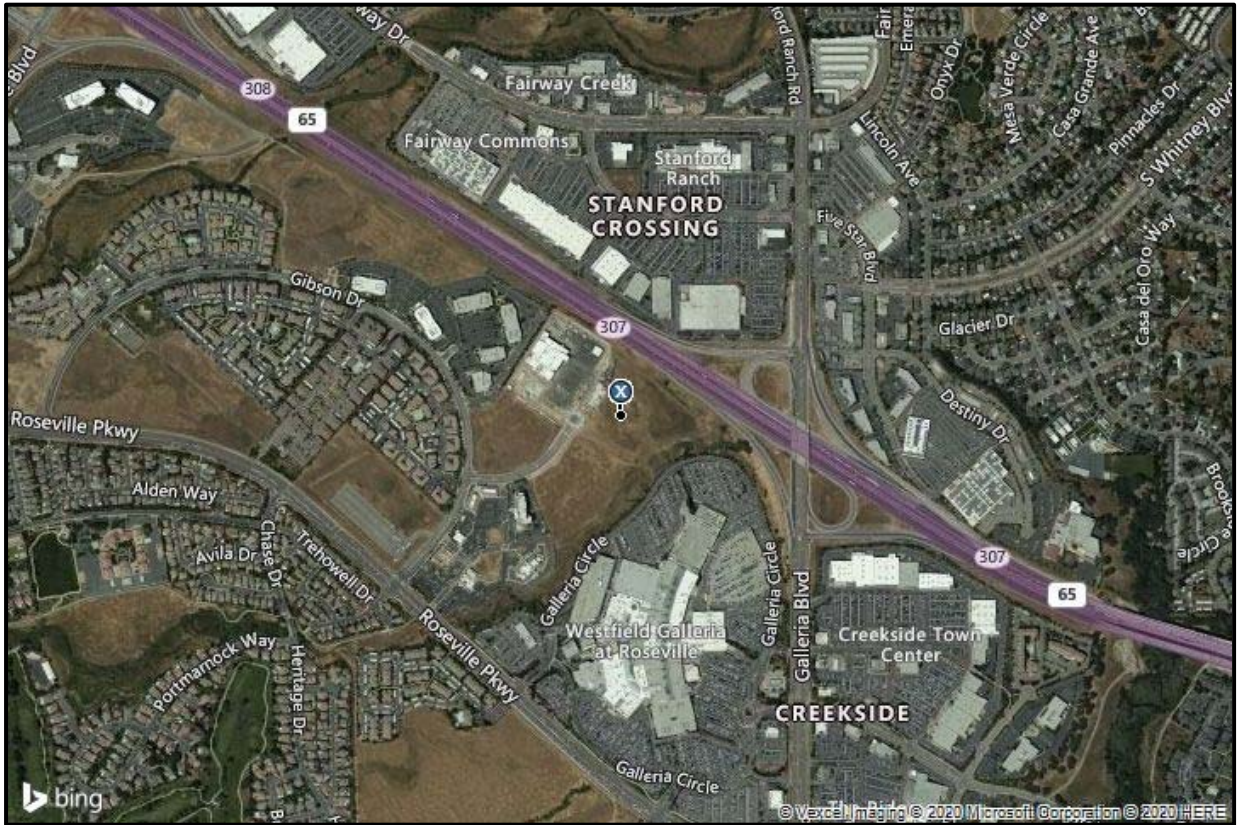
Community Uses

The subject neighborhood is served by several community uses typical of a suburban residential area, including schools, parks, religious facilities, libraries, hospitals, and open space. In addition, there are numerous golf courses in the immediate area of the subject. The neighborhood is serviced by two emergency care facilities: Kaiser Permanente Hospital, north of Douglas Boulevard between Rocky Ridge Drive and Eureka Road, and Sutter Roseville Medical Center, at the terminus of N. Sunrise Avenue. Some of the schools in the subject's neighborhood include Antelope Creek Elementary, Sierra Christian Academy Elementary, and Thomas Jefferson Elementary. The subject's neighborhood is also serviced by the nearby high schools of Roseville High School, Rocklin High School, and Whitney High School, as well as by two colleges, Sierra Community College and William Jessup University.

Outlook and Conclusions

In summary, the subject is located in a suburban area of the Sacramento region that has experienced strong growth during the past expansionary period. The subject benefits from several positive factors, including good access to State Highway 65, Interstate 80, and neighborhood thoroughfares, as well as its location within a well-developed, commercial-oriented area. The characteristics of the subject neighborhood relative to other locales in the region are desirable, and, prior to the outbreak of COVID-19, steady demand for retail and commercial development was projected to continue. While the pandemic has heavily impacted non-essential retailers in the near term, the overall commercial outlook for the subject neighborhood over the long term is positive.

Surrounding Area Map



Retail Market Analysis

It is noted this section of the report contains market information reported as of the end of the first quarter of 2020, largely prior to the recent events related to the worldwide COVID-19 outbreak. In light of the fact we are in the early stages of fighting this pandemic, there is very little market data available that would allow us to accurately quantify either the short- or long-term impact on the commercial real estate market. Healthcare and economic responses to this crisis are still unfolding and changing daily. Integra Realty Resources is monitoring these responses and is committed to keeping our clients and the intended users of our appraisals as informed and up-to-date as possible. Please refer to the *COVID-19 Impact on Current Valuation* section presented following this market analysis section of the report.

The retail market in Sacramento has been on a path of stabilization over the past few years. Vacancy has been trending consistently downward since the first quarter of 2010, except for a couple of small increases in individual quarters, and the first quarter 2020 closed out at a rate of 6.2%, a decline over the previous quarter and the previous year. New construction in the region has increased over the past 2-3 years as economic conditions have improved, but has comprised predominantly build-to-suit projects or have been pre-leased. Net absorption has been positive in all but a few quarters over the past several years and asking rents have been trending upward.

The increase in e-commerce continues to have an impact on brick-and-mortar projects, resulting in a shift in demand towards more experience-based uses. Much of the recent activity in the market is a result of this shift, as there has been an expansion into the Sacramento market of service-oriented retailers – food service, fitness clubs and personal service businesses. There has also been an increase in the activity of discount and grocery stores, with several grocery-anchored centers under construction or early development stages. Finally, creative mixed-use concepts are gaining in popularity, particularly among young consumers.

It is noted the figures in this overview are primarily based on quarterly surveys published by commercial real estate firm CBRE for retail buildings 20,000 square feet and larger, excluding regional malls. Market conditions may not be similar for smaller retail properties. In fact, many brokers have indicated market conditions are typically not as strong for smaller, unanchored properties. Anchored centers are generally more likely to maintain stabilized occupancy levels compared to unanchored centers.

Economic Overview

The year 2019 was one of sustained economic growth in the United States, continuing into the first part of 2020, until the coronavirus outbreak and the subsequent policies and mandates enacted in an effort to prevent the spread.

The California Employment Development Department reports that as of the first quarter 2020, annual job growth was 1.1%, with 11,600 new jobs added to the region over the past 12 months. The unemployment rate increased 70 basis points year-over-year. Wages and household income had been trending upward, and consumer confidence had likewise remained elevated compared to historical levels.

In the Sacramento-Roseville-Arden/Arcade MSA (El Dorado, Placer, Sacramento and Yolo Counties), unemployment was 4.7% as of March 2020, up from 4.0% a year prior. This compares to the unemployment rate of 5.6% for California and 4.5% for the nation.

The economic disruption from the coronavirus outbreak has already resulted in job losses and furloughs in the hospitality, restaurant, arts, entertainment, and recreation sectors, with more expected in the second quarter 2020.

Absorption & Vacancy

The following highlights the region's net absorption over the past few years.



The Sacramento retail market has experienced a significant range of highs and lows over the last economic cycle. The retail market was very strong in the year 2007 with about 3 million square feet of positive net absorption. In 2008, net absorption was still positive but dropped significantly to about 600,000 square feet. The region's net absorption was negative for the year 2009, with various real estate service firms estimating over 1 million square feet of negative net absorption. The annual net absorption turned positive in 2010 with about 170,000 square feet. During the four-year period of years 2011 through 2014, annual net absorption was fairly consistent, exhibiting between 530,000 and 600,000 square feet per year. Net absorption increased in the year 2015 to about 930,000 square feet. Most of this activity was due to big box leasing. During 2016, the region experienced net absorption of 217,311 square feet. In the first half of the year, leasing activity was strong among smaller tenants, but the overall market was impacted by the closing of five larger stores, including two Save Mart stores, two Sport Chalet locations and a clothing store. In the second half of the year, several larger leases were executed, which helped close the year with positive net absorption despite the closing of several Sports Authority stores. In 2017, the region experienced an annual net absorption of 1,099,674 square feet. The significant increase over the previous year was due primarily to completions of new retail projects. Most notably, the Delta Shores project contributed over 500,000 square feet of new retail space during 2017.

The year 2018 saw more vacancies of big box tenants, including Safeway and Big Lots in the West Capitol Plaza, West Sacramento; and Walmart and Sam's Club in the Country Club Centre (Arden/Howe/Watt submarket). In addition, Sears announced the closure of two stores in the Sacramento Region – Roseville Galleria and Sunrise Mall locations – and Toys R Us / Babies R Us announced the insolvency of its business, ultimately resulting in ten store closures in the region.

The first half of 2019 showed negative net absorption of 25,287 square feet in the first quarter and low net absorption of 3,356 square feet the second quarter. During the third quarter 2019, the market had net absorption of 81,340 square feet, with most leasing activity involving grocery store and discount concept tenants. The fourth quarter continued to show strong activity, with 257,140 square feet absorbed.

The first quarter 2020 recorded positive net absorption of 40,486 square feet, due in large to the delivery of a Floor & Décor store in the Delta Shores center in Elk Grove/Laguna.

CBRE reports that on a net basis, more retail stores are opening than are closing. Some of this stems from creativity and change occurring in the retail sector in the current market. Tenant demand is strong for restaurants, fitness facilities and experience-based destinations. For example, plans for the closing Sears store in the Westfield Galleria mall are for a mixed-use project to include a Cinemark movie theatre, restaurants, arcade games and bowling alley.

The following summarizes some of the significant leases in the first quarter 2020.

- That's Cheap leased 24,895 SF at the Country Club Plaza, Sacramento;
- Ross Dress for Less leased 23,560 SF in the Laguna Crossroads center, Elk Grove;
- Dollar Tree leased 17,268 SF at 1420 Meadowview Road, South Sacramento;
- Five Below leased 10,800 SF at the Promenade at Sacramento Gateway, Natomas;
- Shagun Banquet Hall leased 10,060 SF on Watt Avenue in North Highlands;

Some notable sale transactions in the first quarter 2020 include:

- The Crossing at Tahoe Valley, at 2014-2062 Lake Tahoe Blvd in South Lake Tahoe (46,041 SF) sold for \$14,800,000, equating to \$321 per sf, with a capitalization rate of 5.8%
- Nissan of Sacramento at 2820 Auburn Blvd (46,405 SF) sold for \$11,143,000, or \$240 per sf
- Lexus of Roseville at 300 Automall Drive (35,217 SF) sold for \$8,270,000 (\$235 per sf)

The average retail vacancy in the Sacramento area has been on a downward trend since 2010 when overall vacancy was near 14%. The following chart summarizes the recent history of retail vacancy in the Sacramento region.



The first quarter posted an overall vacancy of 6.2%, down 10 basis points from the previous quarter and down 130 basis points from the previous year. The third quarter of 2018 was the first time in ten years that vacancy had slipped below 8%. Vacant space remains scarce in prime submarkets as tenants focus their demand there, while less desirable submarkets are finding it difficult to sustain demand.

The table on the following page summarizes vacancy rates and net absorption by submarket.

Sacramento Retail Market Summary				
Submarket	Total SF (millions)	Vacancy 1Q 2020	Net Absorption 1Q 2020	Net Absorption YTD
Arden/Watt/Howe	3.70	8.4%	5,642	5,642
Auburn/Loomis	1.15	4.4%	600	600
Carmichael	1.35	14.2%	(6,784)	(6,784)
Citrus Heights/Fair Oaks	4.45	9.1%	3,945	3,945
Folsom/EI Dorado Hills	5.17	6.1%	14,648	14,648
Greenhaven/Pocket	.43	7.3%	0	0
Hwy 50/Rancho Cordova	2.93	9.8%	(2,616)	(2,616)
Laguna/Elk Grove	6.13	3.2%	49,716	49,716
Lincoln	1.17	2.4%	0	0
North Highlands	2.60	2.8%	8,813	8,813
North Natomas	2.44	3.8%	(5,564)	(5,564)
Rocklin	2.58	5.9%	653	653
Roseville	6.31	5.6%	(22,504)	(22,504)
South Natomas	.62	8.9%	(1,199)	(1,199)
South Sacramento	4.60	6.6%	(2,707)	(2,707)
West Sacramento/Davis	2.64	5.7%	(2,157)	(2,157)
Total	48.29	6.2%	40,486	40,486

Source: CBRE MarketView Reports

According to the data presented, the Laguna/Elk Grove submarket posted the highest level of net absorption, with a total of 49,716 square feet absorbed. Half of the submarkets had positive net absorption and the overall absorption for the quarter was positive. Vacancy rates ranged from a low

of 2.4% and 2.8% in the Lincoln and North Highlands submarkets, respectively, to a high of 14.2% in the Carmichael submarket, with an overall market average of 6.2%.

Rental Rates

This section discusses average asking rental rates. The reader should note these rates provide only a snapshot of activity at a specific point in time, which is influenced by the quality and quantity of space available at that time. Guarded reliance should be placed on average asking rates due to the number of variables impacting these figures.

According to CBRE, the average asking rental rate for retail space in the Sacramento region was \$1.73 psf/month, triple net in the first quarter of 2020. This average was up \$0.01 psf/month from the previous quarter and up \$0.15 psf/month year-over-year. The market is experiencing a widening gap between asking rates in newly constructed centers in desirable submarkets and obsolete centers in secondary locations, resulting in an offsetting effect on the average, but a larger range. Many of the retail projects under construction are pre-leased or build-to-suit, with only minimal new speculative construction projected to deliver in the near term.

New Construction

Construction activity was limited in the region during the period of roughly 2008-2013 as a result of declining market conditions; however, new construction has increased in the region since 2014 as feasibility has improved. In the year 2014, new completions totaled about 390,000 square feet. In 2015, completions totaled about 370,000 square feet and included a 120,000 square foot Lifetime Fitness athletic club in Roseville, two buildings in the Rocklin Crossings shopping center (one of which is occupied by Bass Pro Shops), and a big box store in South Sacramento. The only completion in the first quarter of 2016 was an Applebee's restaurant in Rocklin. In the second quarter of 2016, there were two completions totaling about 34,000 square feet, including a Nordstrom Rack expansion in Folsom and three shop buildings in the Rocklin Crossing center in Rocklin. In the third quarter of 2016, completions totaled about 49,000 square feet – a Home Goods store in the Arden/Watt/Howe submarket and a Smart & Final store in Citrus Heights. Over 254,000 square feet was completed in the fourth quarter, including a Lifetime fitness center in Folsom; and a Raley's grocery store, Nordstrom Rack and Cinemark Theater in the Arden/Watt/Howe submarket. In Downtown Sacramento, the new Golden 1 Center arena was completed in 2016 for the Sacramento Kings NBA basketball team, as well as for various concerts and other events. Several restaurants and shops have since opened around the new arena.

In 2017, new construction was concentrated primarily within Delta Shores, an approximate 740,000 square foot retail center located in the South Sacramento submarket adjacent to Interstate 5. Wal-Mart Supercenter opened a 300,000 square feet store there in the fourth quarter, joining the already existing Dick's Sporting Goods, Hobby Lobby, Ross, ULTA, Old Navy, and PetSmart. RC Willey (170,000 square feet) and Regal Cinemas (14 screens) opened during the first quarter 2018.

Additional new deliveries in 2018 included a 29,296 square foot Sprouts Farmers Market in Natomas; the TJ Maxx building within the Rocklin Commons expansion (21,000 square feet); the HomeGoods store (21,000 square feet), also part of the Rocklin Commons expansion; a 12,000 square foot building at 8851 Calvine Road; and a new grocery store concept from Raley's called Market 5 – ONE 5 was

completed at 915 R street in Midtown. Significant deliveries in the latter half of 2018 included a 150,000 square foot Costco store in Elk Grove; a 15,450 square foot Grocery Outlet; a 9,112 square foot Cracker Barrel restaurant in the Arden/Watt/Howe submarket; and two buildings within the Vineyard at Madeira center in Elk Grove.

In the Downtown submarket, the most significant recent developments have been Ice Blocks and Downtown Commons (DOCO), which contributed to the positive net throughout 2018.

Ice Blocks is a mixed-use development in the historic R Street Corridor in Midtown featuring three city blocks of ground floor retail with boutiques, cafes and restaurants, as well as office space and 142 loft-style apartment units. The last of the three blocks was delivered in the fourth quarter 2017, with West Elm leasing the largest 10,992 square foot space and subsequently opened in August 2018.

Downtown Commons (DOCO) is a 630,000-square foot lifestyle center anchored by Macy's, Cinemark, 24 Hour Fitness and Urban Outfitters. The Sawyer Hotel mixed-use development, located in the DOCO project, delivered 53,000 SF of retail/restaurant space at the end of 2017. In addition to the larger anchor tenants, there are a variety of restaurants and boutiques that have opened since completion. The final phase of the retail space was completed in the fourth quarter 2018.

The following table highlights some of the more significant retail projects recently completed and under construction in the region as of first quarter 2020. In addition to these, there are various small retail projects under construction of 8,000 square feet or less.

Retail Projects New Construction			
Project	Submarket	Size (SF)	Status
Crocker Village Shopping Center	South Sacramento	110,145	Delivered Q1 and Q2 2019
291 Conference Center Dr / VillaSport	Roseville	130,000	Delivered Q2 2019
Fair Oaks Promenade / 5442 Hazel Ave	Orangevale	11,000	Delivered Q2 2019
The Hardin /700-730 K Street	Downtown	72,000	Delivered Q2 and Q3 2019
Washington Blvd /Freedom Point Plaza (4 Bldgs)	Roseville	23,880	Partially delivered Q4 2019
4660-4800 Sierra College / Cracker Barrel	Roseville	10,000	Delivered Q4 2019
The Ridge - Phase I / SEC Elk Grove Blvd & Bruceville Rd	Elk Grove	141,616	Delivered Q4 2019
824 Sutter Street / Roadhouse Restaurant	Folsom	10,072	Delivered Q1 2020
Floor & Décor / Delta Shores	Elk Grove / Laguna	74,400	Delivered Q1 2020
Raley's / Freepport Blvd	South Sacramento	55,000	Under Construction / Delivery Q2 2020
Sienna Ridge	El Dorado Hills	71,004	Under Construction / Delivery Q2 2020
Washington Blvd /Freedom Point Plaza (Bldg B)	Roseville	5,100	Under Construction / Delivery Q2 2020
8423 Elk Grove Blvd (Bldgs A and B)	Elk Grove	13,313	Under Construction / Delivery Q2 2020
Living Spaces / 1851 Freedom Way	Roseville	108,500	Under Construction / Delivery Q2 2020
The Park / Freepport Blvd	South Sacramento	103,165	Under Construction / Delivery Q2 2020
Pacific Plaza - West Building / 304 Washington Blvd	Roseville	40,000	Under Construction / Delivery Q4 2020

Source: CBRE; CoStar; Kidder Mathews, Colliers International Research and Forecast Report

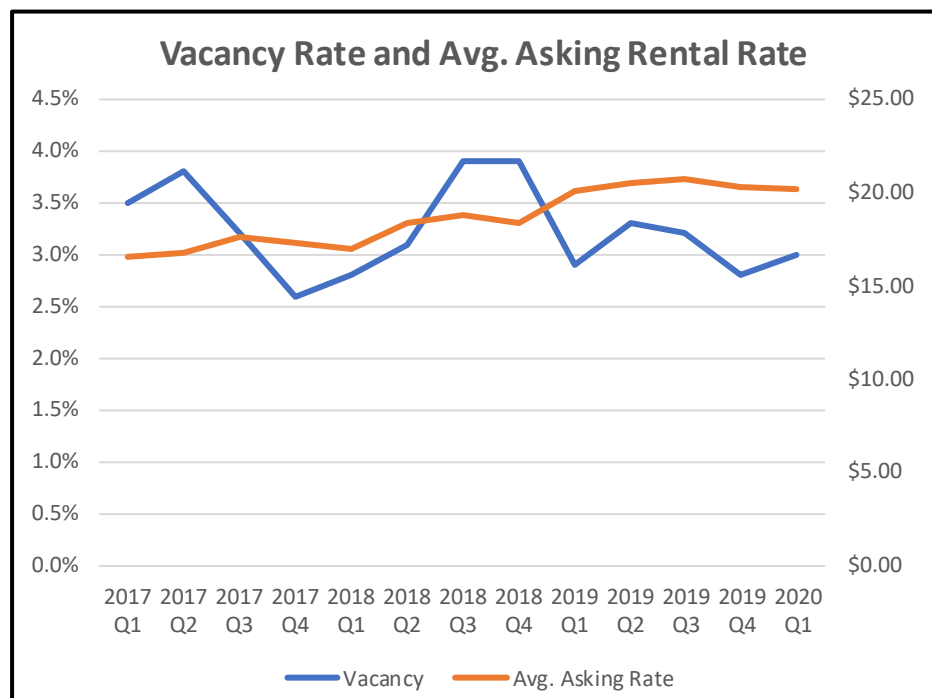
Retail Submarket Analysis - Roseville

The subject property is located within the city of Roseville, Placer County, California. We have utilized CoStar Property Analytics, a commercial real estate information service, to obtain information relating to retail properties within the subject's market area.

Our search parameters included retail buildings within the city of Roseville. The results of our query can be seen in the following table.

Quarter	Inventory Bldgs.	Total RBA (SF)	Vacancy (SF)	Vacancy %	Total Net Absorption (# of Bldgs.)	Deliveries (# of Bldgs.)	Deliveries SF	Bldgs. Under Construction	SF Under Construction	Average Asking Rent/yr. (NNN)
2020 Q1	642	10,742,242	323,184	3.0%	(21,591)	0	0	3	153,600	\$20.19
2019 Q4	642	10,742,242	301,593	2.8%	44,300	1	7,800	3	153,600	\$20.32
2019 Q3	643	10,746,142	349,793	3.2%	151,294	5	153,880	4	161,400	\$20.67
2019 Q2	638	10,592,262	347,207	3.3%	(40,023)	0	0	7	166,780	\$20.48
2019 Q1	638	10,592,262	307,184	2.9%	86,776	0	0	7	166,780	\$20.03
2018 Q4	639	10,608,053	409,751	3.9%	26,651	1	28,160	2	137,800	\$18.37
2018 Q3	638	10,579,893	408,242	3.9%	(82,210)	0	0	3	165,960	\$18.82
2018 Q2	638	10,579,893	326,032	3.1%	(25,816)	0	0	3	165,960	\$18.40
2018 Q1	638	10,579,893	300,216	2.8%	(21,456)	0	0	0	0	\$16.97
2017 Q4	638	10,579,893	278,760	2.6%	82,636	2	12,620	0	0	\$17.26
2017 Q3	636	10,567,273	348,776	3.2%	57,435	0	0	2	12,620	\$17.64
2017 Q2	636	10,567,273	406,211	3.8%	(30,860)	0	0	2	12,620	\$16.81
2017 Q1	636	10,567,273	375,351	3.5%	102,496	0	0	0	0	\$16.51

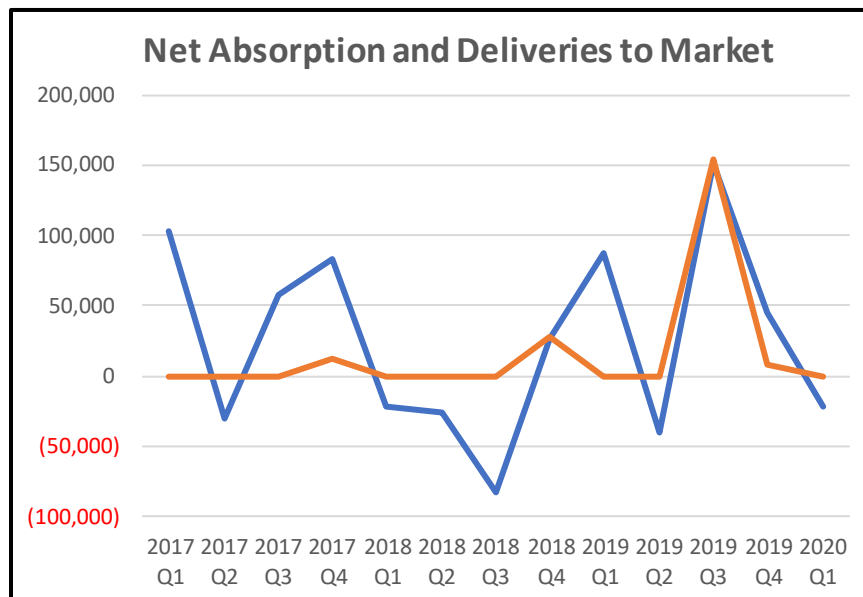
As can be seen in the chart above, this search revealed 642 properties containing a total gross leasable area of 10,742,242 square feet, of which there was 323,184 square feet of vacant space as of the first quarter of 2020. The implied vacancy rate is 3.0%. The graph below represents the change in vacancy and average asking rental rates, over the surveyed period.



As illustrated above, vacancy has decreased over the surveyed period. Conversely, the asking rental rate has increased during the same period. It should be noted, average asking rental rates are representative of the properties that are actively listed for rent during each quarter and are not necessarily indicative of average market rent in the subject's area.

Absorption and New Construction

Absorption and deliveries to market (new construction) were also examined using CoStar Property Analytics with the same parameters previously discussed. As can be seen in the graph below, overall absorption has been positive in the subject's market with 329,632 square feet of positive net absorption. Additionally, there have been nine new deliveries over the surveyed period totaling 202,460 square feet of gross leasable area.

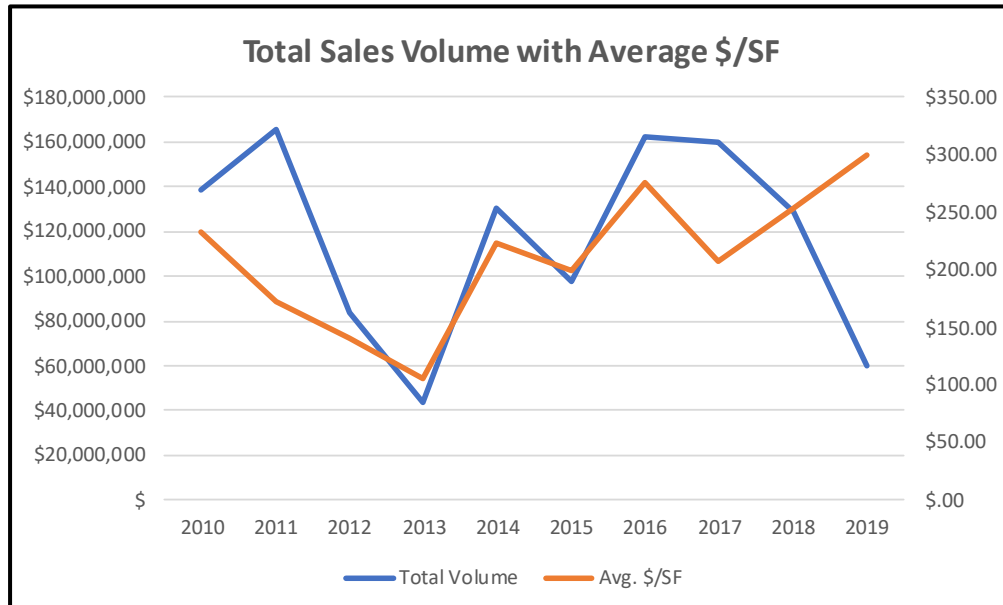


Sales Analysis

To further analyze the subject's market, we surveyed sales of retail properties within a five-mile radius. Our search revealed properties totaling 28,737,805 square feet of gross leasable area. Additional information revealed during our search can be seen in the table below:

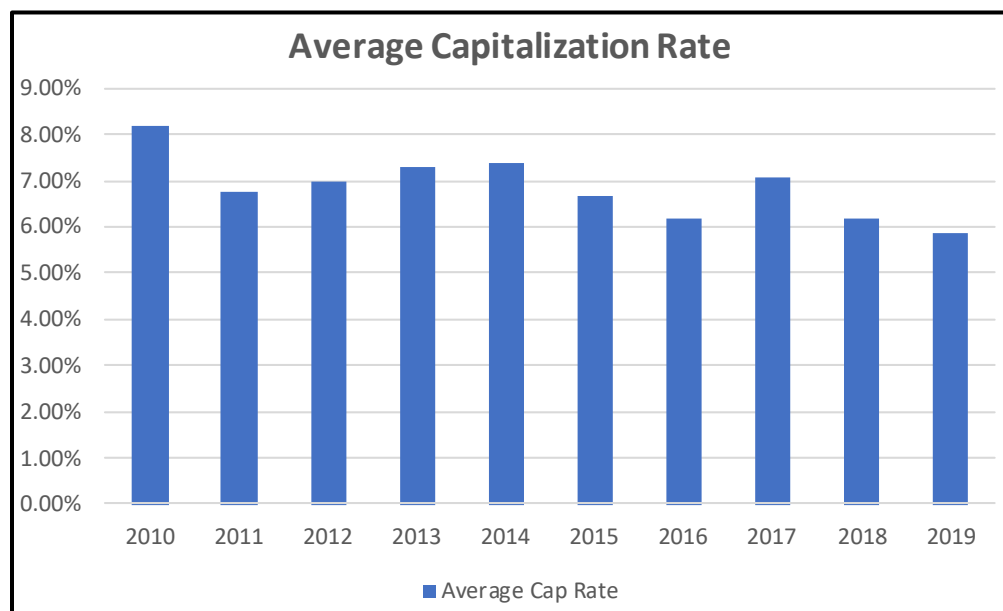
Year	Sales Volume	Total SF Sold	Avg. Building Size	Avg. \$ Per SF Sold	Median \$ Per SF Sold	Average Cap Rate	Median Cap Rate
2019	\$59,714,636	240,348	6,009	\$299.69	\$257.13	5.90%	5.80%
2018	\$129,130,601	1,742,516	20,994	\$254.12	\$250.50	6.20%	6.10%
2017	\$159,655,499	1,074,817	14,928	\$208.13	\$232.84	7.10%	6.70%
2016	\$161,972,433	858,743	10,346	\$276.26	\$261.67	6.20%	6.00%
2015	\$97,293,354	925,606	15,959	\$199.78	\$251.75	6.70%	6.20%
2014	\$130,142,361	850,320	15,747	\$222.85	\$199.19	7.40%	7.00%
2013	\$43,581,488	685,239	15,228	\$105.78	\$123.72	7.30%	7.70%
2012	\$83,989,650	762,961	13,872	\$140.48	\$157.00	7.00%	6.40%
2011	\$165,458,066	1,077,743	15,849	\$172.06	\$168.63	6.80%	7.00%
2010	\$138,623,572	652,975	15,926	\$232.67	\$257.74	8.20%	7.60%

Sales volume was highest during 2011 with transactions totaling \$165,458,066 of retail volume. Conversely, the lowest sales volume per year occurred during 2013 totaling \$43,581,488. A graph illustrating the sales volume and average price per square foot over the past 10 years can be below.



Capitalization Rates

Capitalization rates were also examined in this survey. From the beginning of the surveyed period to the most recently concluded year, the average overall rate has decreased. The year with the lowest average capitalization rate was 2019 with a rate of 5.9%. A chart further illustrating the average capitalization rates over the surveyed period can be seen in the graph below.



Looking Ahead

Based on market trends and conditions as of the end of 2019 and into the first part of 2020, the Sacramento retail market was characterized by scarce availability and strong demand for the best quality projects in prime submarkets, whereas many older centers, some with functional issues, continued to struggle, having never fully recovered from the recession.

While underlying economic factors were in place for sustained recovery in the regional retail market, the COVID-19 pandemic has significantly disrupted the economy, bringing an end to what had been the longest economic expansion in U.S. history. As of the effective date of this appraisal, the counties that make up the Sacramento MSA have issued public health Stay-At-Home Orders, coupled with a statewide order issued by the governor on March 19th which direct residents to stay at home except to perform essential activities necessary for the health and safety of individuals and their families. The statewide order is in place indefinitely. These unprecedented measures undertaken to prevent the spread and reduce the impact of the virus have left just "essential" businesses open. This will especially impact the retail industry, in which a majority of businesses rely on foot traffic.

The following excerpt from market research reports published by Costar summarizes how the market is viewing the current COVID-19 pandemic.

“Given the current lack of pertinent economic data points as the crises unfolds, analysis of the virus's longer-term ramifications, specific to the commercial real estate market, are difficult to know. Near term economic figures will likely decline sharply, with long term effects on businesses, unemployment, and wage growth likely dependent on the length of the crisis. The depth and breadth of the current coronavirus outbreak will depend on both the healthcare response, as well as the economic and fiscal policy responses. Those responses are still unfolding, with several levels of economic stimulus looking to protect those being most affected by the virus.”

While the near-term outlook for the Sacramento retail market is uncertain, economic and market fundamentals in place prior to the recent events surrounding COVID-19 position the market for stability over the long term.

Office Market Analysis

It is noted this section of the report contains market information reported as of the end of the first quarter of 2020, largely prior to the recent events related to the worldwide COVID-19 outbreak. In light of the fact we are in the early stages of fighting this pandemic, there is very little market data available that would allow us to accurately quantify either the short- or long-term impact on the commercial real estate market. Healthcare and economic responses to this crisis are still unfolding and changing daily. Integra Realty Resources is monitoring these responses and is committed to keeping our clients and the intended users of our appraisals as informed and up-to-date as possible. Please refer to the *COVID-19 Impact on Current Valuation* section presented following this market analysis section of the report.

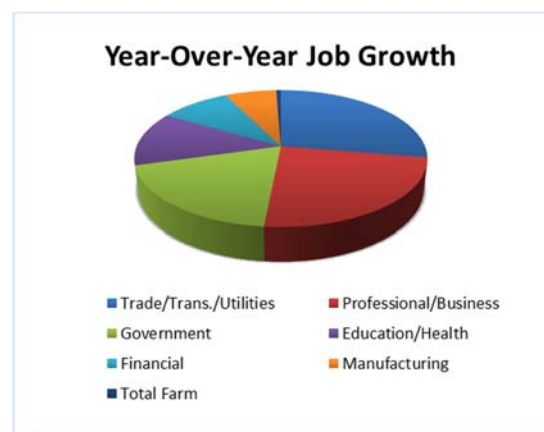
The Sacramento office market continued to show favorable market conditions through 2019 and into the first part of 2020, continuing the steady improvement experienced over the past eight years. The new year started with 221,000 square feet of net absorption and healthy leasing activity. The region's vacancy rate has been declining, with some moderation over the past six quarters. The average asking lease rate continued to increase, closing out the first quarter at just over \$2.00 per square foot/month (full-service). Local market research reports indicate that first quarter data does not reflect the full impact of COVID-19 as the disruption to the economy only took effect in March, and that second quarter data will likely reflect a significant slowdown in activity.

The statistics noted above and those presented throughout this analysis are extracted primarily from surveys published by CBRE for office buildings 10,000 square feet or larger, excluding government-owned, medical office buildings and owner-user buildings.

The State of California represents the largest user of office space in the Sacramento region. Although the State is often looking for new office space for its various departments, it is uncertain how their space needs may change over the coming years. The State also typically has lease cancellation rights in its standard lease agreements. Sacramento County is another major office tenant. According to CBRE, government leases accounted for about 34% of the region's top 25 leases as of the first quarter 2020.

Employment

The local economy and employment conditions in the region remained healthy through much of the first quarter. According to the latest data from the California Employment Development Department (EDD), total jobs in the Sacramento-Roseville-Arden/Arcade Metropolitan Statistical Area (Sacramento MSA) increased 1.1% year-over-year as of March 2020, with 11,600 new jobs added. The largest job growth sectors were Trade/Transportation/Utilities, which includes retail trade, (4,500 jobs); Professional/Business Services (3,900 jobs); Government (3,100 jobs); Education/Health Services (2,100 jobs); Financial Services (1,500 jobs); and Manufacturing (1,100 jobs). The Construction and Mining/Logging industries saw no change; while Information, Other



Services and Leisure/Hospitality had a loss of 500 jobs, 500 jobs and 3,700 jobs respectively, year-over-year. The unemployment rate in the Sacramento MSA was 4.7% in March 2020, up from 4.0% the previous year. By comparison, the unemployment rates for California and the U.S. were 5.6% and 4.5%, respectively, for the same period.

Vacancy and Absorption

Vacancy and net absorption trends in the region exhibit the continued recovery that has been experienced in the office market after the steep downturn following the Great Recession of 2008/2009. Office vacancy has been on a steady, moderate decline for a number of years and is at its lowest point in over ten years. The following illustrates historical vacancy in the office market.

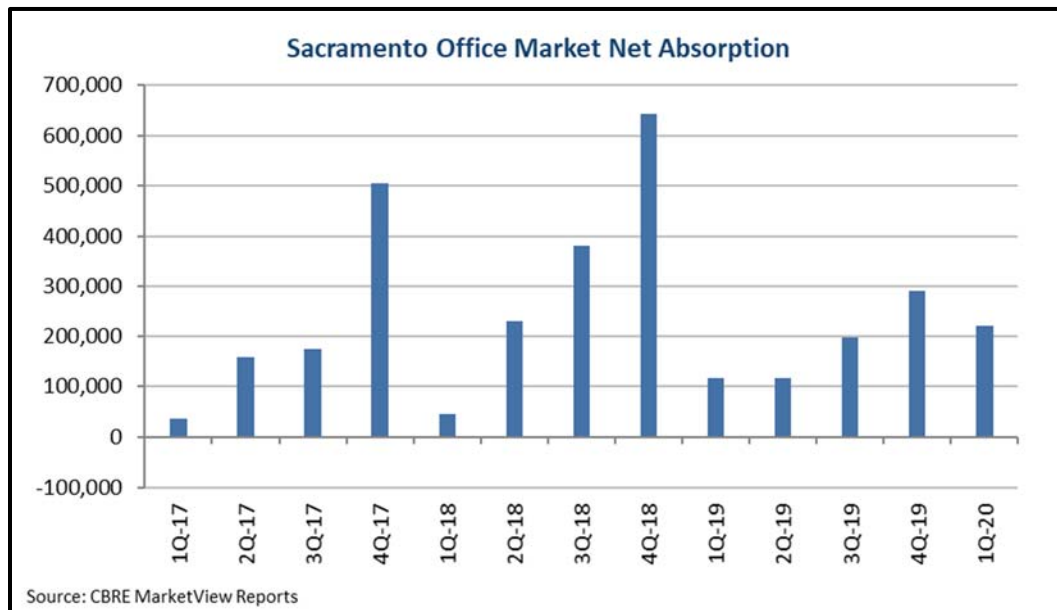


The following provides a look at the more recent vacancy trend, indicating a few quarters of relatively stable rates in 2017, with declines in the second half of 2018 and stability through 2019.



The first quarter 2020 closed out with an overall vacancy of 9.8%, down 20 basis points from the previous quarter and 90 basis points lower than a year ago.

Net absorption has likewise been positive for the past several years; the first quarter 2020 marks the 16th consecutive quarter of positive net absorption. Net absorption was over 1 million square feet in 2015, over 800,000 square feet in 2016, approximately 874,000 square feet in 2017, 1.3 million square feet in 2018 (the highest recorded in over a decade) and roughly 720,000 square feet in 2019. The first quarter 2020 started the year off with 221,237 square feet of the net absorption. The following highlights net absorption trends over the past three years.



The following table shows current vacancy and absorption data by submarket.

Sacramento Office Market Summary				
Submarket	Total SF (millions)	Vacancy 1Q 2020	Net Absorption 1Q 2020	Net Absorption YTD
Midtown	2.02	7.7%	25,213	25,213
West Sacramento	1.24	2.5%	(7,812)	(7,812)
South Sacramento	1.33	12.1%	8,015	8,015
East Sacramento	.42	--	-	-
Howe Ave/Fulton Ave	1.81	15.6%	(17,721)	(17,721)
Natomas/Northgate	2.31	15.1%	(1,560)	(1,560)
Watt Ave/Auburn Blvd	1.29	22.5%	(1,471)	(1,471)
Highway 50 Corridor	11.84	10.9%	200,972	200,972
Carmichael/Fair Oaks	.34	13.4%	(4,796)	(4,796)
Citrus Heights/Orangevale	1.02	15.4%	(12,957)	(12,957)
Point West/Tribute	2.41	12.4%	18,510	18,510
Campus Commons	1.47	17.9%	4,644	4,644
Folsom	2.62	4.9%	21,007	21,007
Elk Grove/Galt	1.17	5.4%	5,913	5,913
Roseville/Rocklin	7.23	8.0%	7,173	7,173
South Natomas	3.21	9.9%	(40,016)	(40,016)
Downtown	10.15	6.5%	16,123	16,123
Total	51.87	9.8%	221,237	221,237

Source: CBRE MarketView Reports

The Highway 50 Corridor posted the highest net absorption level during the first quarter of 2020, with 200,972 square feet absorbed. West Sacramento has the lowest overall vacancy in the region at 2.5%. Most submarkets experienced positive net absorption; however, seven submarkets posted negative net absorption this quarter. The most significant negative absorption was in the South Natomas submarket with 40,016 square feet. Over half of the submarkets had average vacancy over 10%; the highest was in the Watt Avenue/Auburn Blvd submarket with overall vacancy of 22.5%.

Notable leases signed during the first quarter are highlighted below.

- UC Davis Health leased 194,150 square feet at 10850 White Rock Road and 68,000 square feet at 10888 White Rock Road, in the Highway 50 Corridor
- Covered California renewed a lease for 64,761 square feet at 10877 White Rock Road
- eHealth, Inc. renewed a lease for 63,202 square feet at 11919 Foundation Place, in the Highway 50 Corridor
- Magellan Health leased 55,366 square feet at 11000 White Rock Road
- Deloitte leased 38,111 square feet at 2329 Gateway Oaks Drive, South Natomas
- Sutter Health leased 20,000 square feet at 2951 Benefit Way, North Natomas
- Allworth Financial leased 19,945 square feet at 340 Palladio Parkway, Folsom

Rental Rates

This section discusses average asking rental rates. The reader should note these rates provide only a snapshot of activity at a specific point in time, which is influenced by the quality and quantity of space available at that time. Guarded reliance should be placed on average asking rates due to the number of variables impacting these figures.

According to CBRE surveys, asking rental rates for office space in the region generally trended downward from about mid-2008 through mid-2013 and have generally trended upward since 2014. Rates have been flat to slightly increasing for the past six quarters. As of the first quarter of 2020, the region's average asking rate was \$2.01 psf/month (full service), up \$0.02 psf/month from the previous quarter and up \$0.04 psf/month year-over-year.

The average asking rate was \$1.88 psf/month for the suburban submarkets, compared to \$2.98 psf/month for the Downtown submarket. In terms of property classes, the average Class A rates in the first quarter increased \$0.04 psf/month over the previous quarter to \$2.41 psf/month (full service) while the average asking rate for Class B product remained unchanged from the previous quarter at \$1.91 psf/month. The average rate for Class A product in the Downtown submarket was \$3.48 psf/month, an 10.5% increase year-over-year.

New Construction

The Sacramento office has experienced significant recovery and the improving conditions have resulted in several large build-to-suit/owner-user projects in the last few years. The largest of these developments was the Adventist Health headquarters at 501 N. Sunrise Avenue in Roseville. This 242,000 SF project was delivered during the second quarter 2019 and brought Adventist's five South Placer County locations under one roof. Kaiser Permanente's new medical offices at 1001 Riverside

Avenue (194,000 SF) was completed in the fourth quarter 2019. Health services continues to be one of the primary sectors of employment growth and this sector has contributed the most to office absorption and new construction in the recent past.

Since the end of the Great Recession, the high cost of construction has limited the financial feasibility of large-scale speculative projects. Although vacancy rates are trending downward during this period of recovery, rental rates still have not reached a level to justify new construction in most submarkets.

The Ice Blocks project in the R Street corridor was completed in the second quarter of 2018, adding 138,850 square feet of new product to the market. Approximately 30,000 square feet of this is devoted to ground floor retail. This is the first significant speculative office completion in nearly a decade and was 90% leased within 12 months.

While there are several large-scale construction projects underway, there is only one significant speculative project in the pipeline. Construction began in the first quarter 2019 on a speculative 90,543 square foot office building at 2555 Natomas Park Drive, with expected delivery in the second quarter 2020. Also in South Natomas, a 60,000 square foot building was completed in the River Plaza Office Park during the second quarter 2019, which will be the headquarters for CA Farm Bureau Federation. Another project, the Big Horn Professional Center, is proposed for eight, “for-sale” medical, dental or office buildings. The first phase of five buildings broke ground in late 2018, with three buildings completed in the second quarter 2019.

In the Natomas/Northgate submarket, construction has begun for a corporate hub for Centene, a Fortune 100 company specializing in healthcare coverage and services. At build-out, the campus will feature five multi-story buildings up to 75 feet tall and a child-care center, totaling 1.25 million square feet. The first phase of two, four-story buildings of 255,900 square feet each is underway, with completion anticipated for second quarter 2020.

Two large Class A office projects that have been in the works in the Downtown market are still in a holding pattern. Development plans for the CalPERS site at 301 Capitol Mall halted in September 2019 when CalPERS ended its relationship with the CIM Group real estate development firm for the project. CalPERS subsequently awarded Hines to manage its Sacramento real estate partnerships, including the planned project at 301 Capitol Mall. Details regarding plans for the project or a timeline were not released. Regarding the second project, the proposal for Vanir Tower at 610 J Street was withdrawn in mid-2018 and a new mixed-use proposal was reportedly in the works.

The State’s proposed office building at 8th and O Street broke ground in the first quarter 2019, with a targeted completion in early 2022. The majority of California’s natural resource agencies will be housed within the proposed 838,000 square foot, 20 stories tall building. Also, a 360,000 square foot, 11-story state office building began construction at the end of 2018 at 1215 O Street, also expected to be complete by late 2021/early 2022. Finally, construction is expected to begin later this year on 1021 O Street, a 472,000 square foot office building which will temporarily house the State legislative and executive elected officials while the Capitol Annex Project, which will be the permanent location for these branches, is completed. North of the Downtown district, the Office of State Publishing building, located at 7th Street and Richards Blvd. has been demolished, making way for a one million square foot campus by 2022.

The following table summarizes some of the projects discussed above, as well as additional projects under construction in the region.

Sacramento Office Projects Under Construction			
Project	Square Feet	Submarket	Estimated Delivery
501 N Sunrise Ave (Adventist Health)	242,000	Roseville	Delivered Q2 2019 / Owner-User
2971 Benefit Way, Sacramento	20,000	North Natomas	Delivered Q2 2019 / Owner-User
2600 River Plaza Drive	60,000	South Natomas	Delivered Q2 2019 / Pre-leased
1262 Hawks Flight Ct.	30,216	El Dorado Hills	Delivered Q4 2019 / Owner-User
1001 Riverside Ave (Kaiser Permanente)	194,000	Roseville	Delivered Q4 2019 / Owner-User
2555 Natomas Park Drive	90,543	Natomas / Northgate	Q2 2020 / Speculative
965 El Camino Ave	14,484	Natomas / Northgate	Q2 2020 / Owner-User
Natomas Pointe Plaza, Bldg C / 2960 Advantage Way	20,000	Natomas / Northgate	Q2 2020 / Owner-User
4201 E Commerce Way, Bldgs A and B (Centene)	511,800	Natomas / Northgate	Q2 2020 / Owner-User
Offices at Mace Ranch / 4699 Alhambra Dr	32,400	Davis	Q2-Q3 2020 / Speculative
1021 O Street (CA State Building)	472,000	Downtown	Q1 2021 / Owner-User
1215 O Street (CA State Building)	360,000	Downtown	Q1 2022 / Owner-User
7th/8th and O/P Streets (CA Natural Resources Bldg.)	838,000	Downtown	Q2 2022 / Owner-User
CalSTRS HQ Expansion / Waterfront Place	275,000	West Sacramento	Q3 2022 / Owner-User

Source: Costar; CBRE; Colliers International; Cushman & Wakefield

Moving forward, office development in the region will likely continue to center around government and healthcare build-to-suit projects, with speculative capital primarily invested in renovations of existing product or apartment and warehouse construction. This will continue until rents increase enough to justify new speculative office construction and values approach replacement cost.

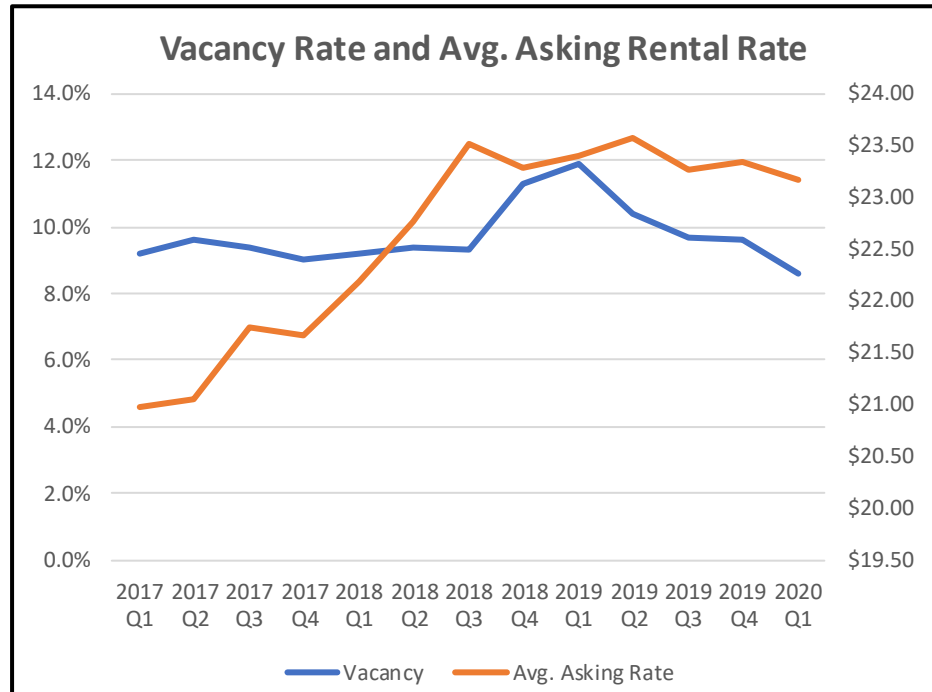
Office Submarket Analysis - Roseville

The subject property is located within the city of Roseville, Placer County, California. We have utilized CoStar Property Analytics, a commercial real estate information service, to obtain information relating to office properties within the subject's market area.

Our search parameters included office buildings the city of Roseville. The results of our query can be seen in the table below:

Quarter	Inventory Bldgs.	Total RBA (SF)	Vacancy (SF)	Vacancy %	Total Net Absorption	Deliveries (# of Bldgs.)	Deliveries SF	Bldgs. Under Construction	SF Under Construction	Average Asking Rent/yr. (gross)
2020 Q1	470	10,203,458	894,981	8.6%	92,950	0	0	1	5,400	\$23.18
2019 Q4	470	10,203,458	987,931	9.6%	194,540	1	194,000	1	5,400	\$23.34
2019 Q3	469	10,009,458	988,471	9.7%	70,059	0	0	1	194,000	\$23.27
2019 Q2	469	10,009,458	1,058,530	10.4%	351,704	1	242,000	1	194,000	\$23.58
2019 Q1	468	9,767,458	1,173,842	11.9%	(66,948)	0	0	2	436,000	\$23.41
2018 Q4	468	9,767,458	1,106,894	11.3%	(189,604)	0	0	2	436,000	\$23.29
2018 Q3	468	9,767,458	917,290	9.3%	26,232	1	7,497	2	436,000	\$23.51
2018 Q2	467	9,759,961	936,025	9.4%	(14,047)	1	7,400	3	443,497	\$22.76
2018 Q1	466	9,752,561	914,578	9.2%	3,423	1	9,798	4	450,897	\$22.19
2017 Q4	465	9,742,763	908,203	9.0%	17,748	0	0	5	460,695	\$21.67
2017 Q3	465	9,742,763	925,951	9.4%	28,372	0	0	3	445,798	\$21.74
2017 Q2	465	9,742,763	954,323	9.6%	(42,542)	0	0	2	251,798	\$21.05
2017 Q1	465	9,742,763	911,781	9.2%	(2,278)	0	0	1	9,798	\$20.98

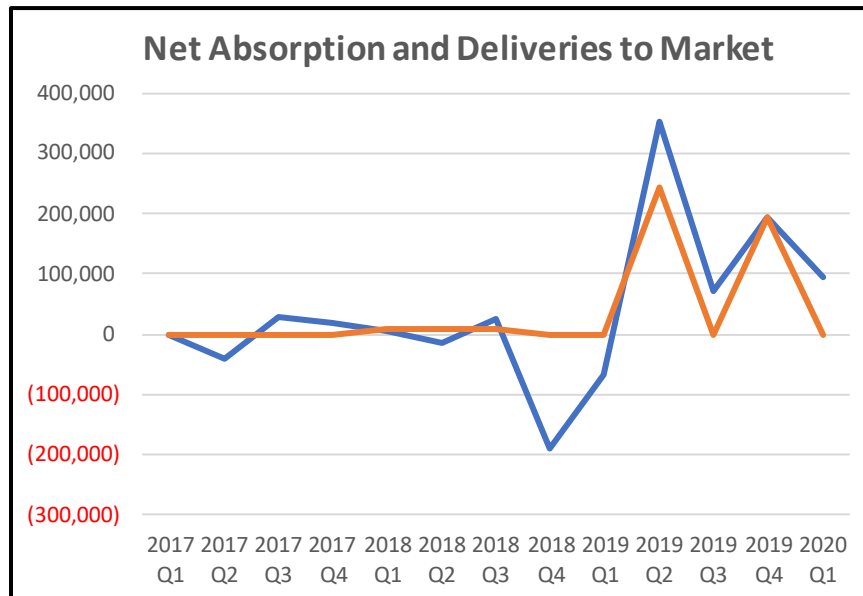
As can be seen in the chart above, this search revealed 470 properties containing a total rentable area of 10,203,458 square feet, of which there was 894,981 square feet of vacant space as of the first quarter of 2020. The implied vacancy rate is 8.6%. The graph below represents the change in vacancy and average asking rental rates, over the surveyed period.



As illustrated above, vacancy has decreased over the surveyed period. Conversely, the asking rental rate has increased during the same period. It should be noted, average asking rental rates are representative of the properties that are actively listed for rent during each quarter and are not necessarily indicative of average market rent in the subject's area.

Absorption and New Construction

Absorption and deliveries to market (new construction) were also examined using CoStar Property Analytics with the same parameters previously discussed. As can be seen in the following graph, overall absorption has been positive in the subject's market with 469,609 square feet of positive net absorption. Additionally, there have been five new deliveries over the surveyed period totaling 460,695 square feet of rentable area.

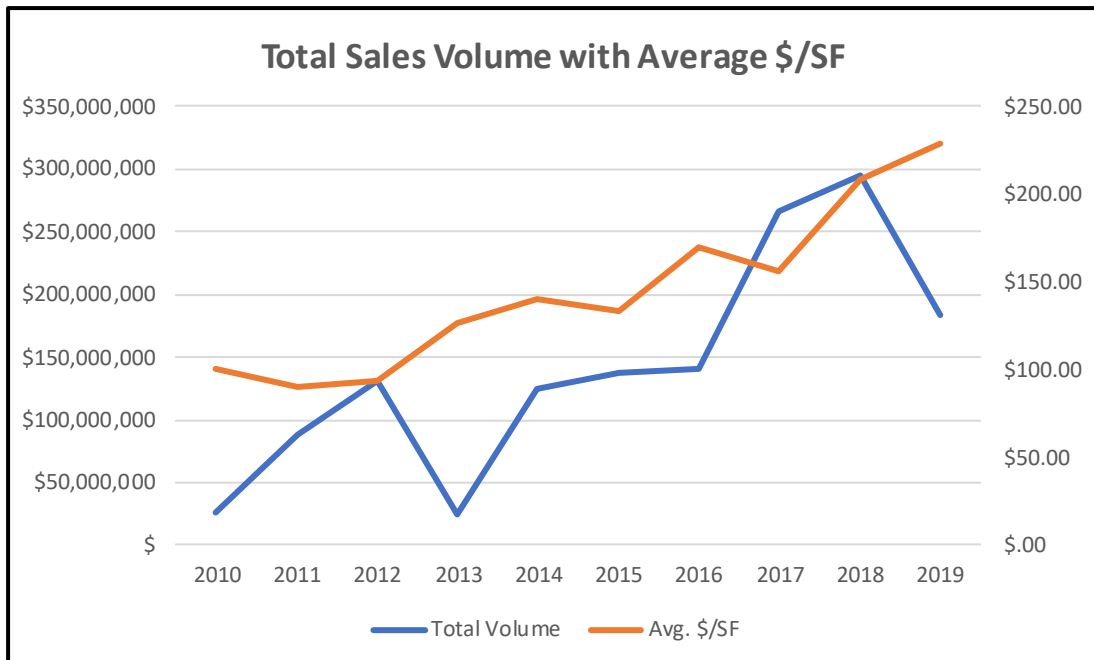


Sales Analysis

To further analyze the subject's market, we surveyed sales of office properties within a five-mile radius. Our search revealed properties totaling 31,470,912 square feet of rentable area. Additional information revealed during our search can be seen in the table below:

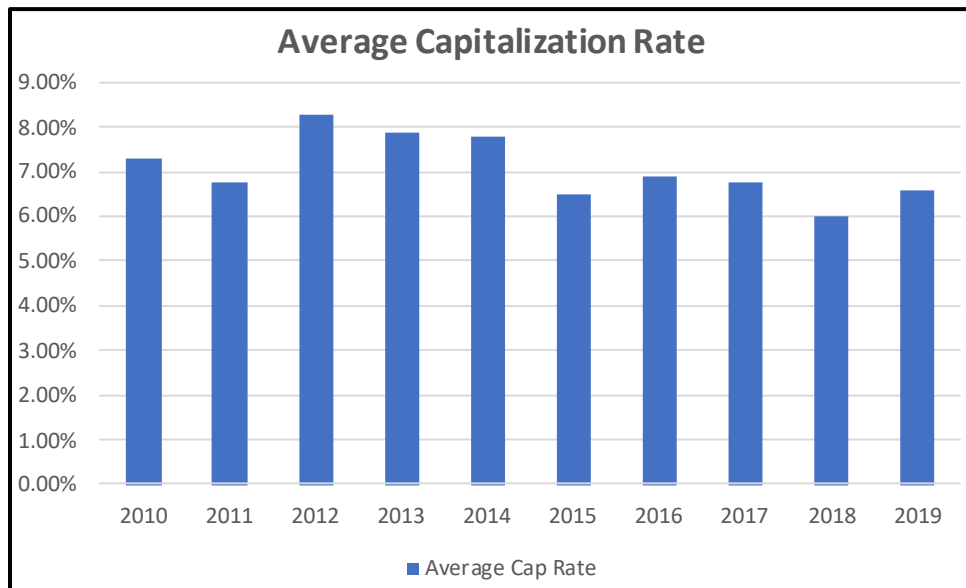
Year	Sales Volume	Total SF Sold	Avg. Building Size	Avg. \$ Per SF Sold	Median \$ Per SF Sold	Average Cap Rate	Median Cap Rate
2019	\$183,503,850	838,951	19,067	\$228.47	\$225.00	6.60%	6.50%
2018	\$294,198,844	1,562,549	19,291	\$208.48	\$202.85	6.00%	5.40%
2017	\$266,615,608	1,874,712	25,681	\$156.28	\$171.53	6.80%	6.20%
2016	\$140,503,728	868,764	14,979	\$169.31	\$164.22	6.90%	6.90%
2015	\$137,996,374	1,053,565	19,510	\$133.69	\$154.52	6.50%	7.00%
2014	\$124,293,034	985,750	14,713	\$140.71	\$126.80	7.80%	8.00%
2013	\$24,775,448	251,984	5,478	\$126.27	\$142.28	7.90%	7.90%
2012	\$131,329,614	1,615,396	24,476	\$93.60	\$108.65	8.30%	7.80%
2011	\$87,533,243	1,004,543	28,701	\$89.68	\$117.65	6.80%	6.70%
2010	\$26,562,729	318,845	5,905	\$100.37	\$114.67	7.30%	7.30%

Sales volume was highest during 2018 with transactions totaling \$294,198,844 of office volume. Conversely, the lowest sales volume per year occurred during 2013 totaling \$24,775,448. A graph illustrating the sales volume and average price per square foot over the past 10 years can be seen on the following page.



Capitalization Rates

Capitalization rates were also examined in this survey. From the beginning of the surveyed period to the most recently concluded year, the average overall rate has decreased. The year with the lowest average capitalization rate was 2018 with a rate of 6.0%. A chart further illustrating the average capitalization rates over the surveyed period can be seen in the graph below:



Looking Ahead

Based on market trends and conditions as of the end of 2019 and into the first part of 2020, the Sacramento office market appears to have been in the final stages of recovery. Employment gains in the region had been healthy, but office vacancy continued to be somewhat high. On the supply side, new speculative construction has been very limited in the past few years and expected to remain this way until rental rates and values increased to the point of financial feasibility.

While underlying economic factors were in place for sustained recovery in the regional office market, the COVID-19 pandemic has significantly disrupted the economy, bringing an end to what had been the longest economic expansion in U.S. history. As of the effective date of this appraisal, the counties that make up the Sacramento MSA have issued public health Stay-At-Home Orders, coupled with a statewide order issued by the governor on March 19th which direct residents to stay at home except to perform essential activities necessary for the health and safety of individuals and their families. The statewide order is in place indefinitely. These unprecedented measures undertaken to prevent the spread and reduce the impact of the virus have left just "essential" businesses open.

The following excerpt from market research reports published by Costar summarizes how the market is viewing the current COVID-19 pandemic.

“Given the current lack of pertinent economic data points as the crises unfolds, analysis of the virus's longer-term ramifications, specific to the commercial real estate market, are difficult to know. Near term economic figures will likely decline sharply, with long term effects on businesses, unemployment, and wage growth likely dependent on the length of the crisis. The depth and breadth of the current coronavirus outbreak will depend on both the healthcare response, as well as the economic and fiscal policy responses. Those responses are still unfolding, with several levels of economic stimulus looking to protect those being most affected by the virus.”

While the near-term outlook for the Sacramento office market is uncertain, economic and market fundamentals in place prior to the recent events surrounding COVID-19 position the market for stability over the long term.

Lodging Market Analysis

National Trends

A review and comparison of the hospitality industry overall is a useful tool to understanding the - direction the lodging industry is likely to take in the near and intermediate term. We utilize the 2020 Integra Realty Resources Hospitality Viewpoint, the HOST Study and Hotel Review, and Smith Travel Research.

It is noted this section of the report contains market information reported as of the end of 2019, prior to the recent events related to the worldwide COVID-19 outbreak. The hospitality industry has been particularly impacted by the outbreak, as non-essential travel was either prohibited or discouraged throughout the United States in March, April, and May 2020. In light of the fact we are in the early stages of fighting this pandemic, there is very little market data available that would allow us to accurately quantify either the short- or long-term impact on the commercial real estate market. Healthcare and economic responses to this crisis are still unfolding and changing daily. Integra Realty Resources is monitoring these responses and is committed to keeping our clients and the intended users of our appraisals as informed and up-to-date as possible. Please refer to the *COVID-19 Impact on Current Valuation* section presented following this market analysis section of the report.



A storm appears to be looming on the horizon.

What is causing this turbulence? Lackluster demand growth of 1.2% has not been strong enough to overcome a 2% increase in supply—and supply will continue to increase through 2021. This supply growth puts downward pressure on room rates. Occupancy rates began to flatten in 2019 and, according to STR, despite nine successive years in RevPar growth, the growth level has now decreased by 1%, leading to the worst year since the last recession. NOI and profits have been compressed due to increasing wages and salaries. Increased expenses, combined with flattening occupancies, are offsetting modest ADR growth that is not exceeding the rate of inflation. STR and Tourism Economics latest projections for 2020 forecast a decrease of 0.4% in occupancy to 65.7%; a modest increase in ADR of +0.9% to \$132.50 and a modest increase in RevPar of +0.5% to \$87.10. Supply is forecast to remain flat, when compared to 2019 at +2.0% and demand is expected to lag 2019 at +1.5%. This is ultra-significant, as there have been two consecutive months of negative RevPar growth, with 19 of the top 25 markets reporting decreases in RevPar. This clearly indicates a slowdown in the U.S. hotel market. The good news is that STR projects that 19 of the Top 25 markets are expected to see RevPar increases in 2020.

TRANSACTION VOLUME:

Transaction volumes, as measured by Real Capital Analytics (RCA), reached \$40.6 billion annually over through Q3 2019. The South Region led all markets with \$14.2 billion in sales, followed by the West at \$12.1 billion, the East at \$10.6 billion, and the Central at \$3.7 billion. This volume represents a year-over-year increase of 18.5%. A total of 1,968 properties were sold, containing over 248,000 units. The 12-month average price per unit was \$143,000/key with an average cap rate of 8.6%.

TOP MARKETS BY HOSPITALITY TRANSACTION VOLUME BASED ON YOY PERCENTAGE CHANGE



Bulls (Top 10)

2019 Rank	City	YOY Change	Total 4Q18-3Q19	Vol. Rank*
1	Hartford	801.7%	\$71.7 M	50
2	Miami	621.2%	\$1,562.6 M	5
3	Palm Beach	517.0%	\$1,228.9 M	9
4	San Diego	394.5%	\$1,466.5 M	7
5	Cincinnati	312.1%	\$297.3 M	24
6	Westchester	286.1%	\$92.4 M	47
7	Stamford	232.7%	\$53.2 M	51
8	Chicago	223.5%	\$1,482.0 M	6
9	Northern NJ	203.0%	\$576.8 M	18
10	Nashville	200.6%	\$770.9 M	16

Bears (Bottom 10)

2019 Rank	City	YOY Change	Total 4Q18-3Q19	Vol. Rank*
43	San Jose	-42.9%	\$234.0 M	29
44	Richmond/Norfolk	-43.4%	\$196.9 M	35
45	Austin	-44.9%	\$212.7 M	33
46	Broward	-47.4%	\$295.3 M	25
47	Memphis	-54.2%	\$78.0 M	49
48	Kansas City	-59.3%	\$114.6 M	41
49	Inland Empire	-66.1%	\$169.3 M	37
50	Indianapolis	-71.7%	\$99.1 M	45
51	Las Vegas	-79.4%	\$112.3 M	42
52	St. Louis	-84.9%	\$42.1 M	52

* Volume Ranking is based on the overall transaction volume among 52 markets nationally

IRR HOSPITALITY OVERVIEW:

Full Service and Limited Service cap rates dropped to 9% and 8.7%, (-14 and -9 bps respectively) throughout 2019. The 2020 outlook anticipates that 51.7% of markets should see cap rates remaining constant, down from

60.6% in 2019. Approximately 32.7% of markets tracked expect Cap Rates to increase slightly (between 1 – 25 bps) over the next 12 months and 7% of markets expect Cap Rates to increase between 25 – 49 bps.



A total of 89.3% of IRR markets tracked entering 2020 are in the Expansion phase. The only exceptions are Louisville, experiencing Hypersupply market conditions, Pittsburgh experiencing Recession market conditions, and Dayton experiencing Recovery.

On average, Full Service ADRs are expected to increase at a rate of slightly lower than 1% in 2020, versus 2.4% in 2019. Expense growth rates are expected to increase in 2020, to 1.19%, versus 2.73% this time last year.

On average, Limited Service room rates are expected to increase at a rate of slightly less than 1% in 2020; down from 2.51% in 2019. Expense growth rates for 2020 for Limited Service properties are expected to drop to 1.23%, versus 2.67% at this time last year. The only Limited Service market expecting 4%+ ADR growth is Charleston.

IRR's research indicates that 63% of markets should see increased valuations over the next 12 months, while 4% of markets should see a decrease in valuations during the same period.

Entering 2020, the Full Service product is In Balance in 81% of markets, and only 7% of markets are 2+ years away from being considered In Balance, with the remaining only 1 or 2 years away from reaching equilibrium. By comparison, 73% of Limited Service markets are In Balance, with another 23% within 2 years from being In Balance.

Property Income has supplanted Supply/Demand as the #1 factor likely to impact institutional real estate cap rates, followed by the Investment segmentation (local, regional, national, international) and National economic conditions/GDP growth.

Local economy, job growth and unemployment ranked as the #1 factor likely to impact non-institutional real estate cap rates, followed by the Investment segmentation (local, regional, national, international), and then Supply/Demand.

NOTABLE SALES AND M & A:

Mega M&A transactions are slowing, but Eldorado Resorts is reportedly planning to purchase Caesar's Entertainment Corp in a \$17.3 billion deal, creating the largest owner/operator of U.S. gaming assets. Aimbridge Hospitality closed on its merger with Interstate Hotels & Resorts in October 2019, creating a combined company that will operate 1,400 branded and independent properties in 49 states and 20 countries. Park Hotels & Resorts closed on its \$2.5 billion

acquisition of Chesapeake Lodging Trust. Rumors have continued to circulate on either Marriott or InterContinental Hotels Group pursuing Accor.

U.S. HOTEL CONSTRUCTION PIPELINE:

According to Lodging Econometrics, the U.S. construction pipeline stood at 5,704 projects (+6% YOY) and 700,496 rooms (+8% YOY). Marriott continues to dominate the construction pipeline, followed by Hilton. As of the end of Q3 2019, Marriott had opened 193 new hotels with 24,208 rooms, accounting for 30% of all new hotel rooms that opened in the U.S. Marriott has a pipeline of 1,484 projects and 196,023 rooms, an increase of 8% YOY. Hilton's 198 new hotels account for 285 of newly opened rooms, followed by IHG with 104 new hotels accounting for 13% of new rooms. Hilton Worldwide's pipeline stood at 1,373 projects and 153,408 rooms as of Q3 2019, with both Marriott and Hilton's pipeline standing at near all-time high levels. Despite eight consecutive quarters of growth, construction starts have decreased for two consecutive quarters and pipeline growth is anticipated to top out in 2020/2021.

CURRENT AND EMERGING TRENDS:

Millennials, along with their affinity to technology and higher hotel service expectations, are still dominating the travel demographics. Hotel operators are expected to continue to cater to this demographic, with the expansion of digital technology in smart rooms and IoT, with emerging trends identified as Artificial Intelligence, Virtual Reality, Augmented Reality, Robots and Facial Recognition. Operators will continue to cater to the current "hot button" demands for culturally immersive experiences, local experiences, amenities, personalization and sustainability, all while focusing on the expansion of direct bookings. Operators are expanding the availability of healthy organic food and drinks.

Modular construction is gaining momentum in the U.S. and could become the norm in a few years. According to Gensler Design, the modular option is not necessarily cheaper than conventional construction, but there are advantages in cutting time to market, thereby mitigating cost overruns and other risks. The prefabrication process also results in a higher-quality product. Expansion of this trend is being facilitated as lenders get on board with the typical 60 – 70% of entire construction cost needed up front to purchase the modules. Marriott will open its 32nd modular hotel, this one being the world's tallest modular hotel, a 26-story, \$26 million modular tower in New York City in 2020.

Historical U.S. Lodging Statistics

A summary of historical lodging statistics through 2019 for the United States provided by HOST Study and Hotel Review and Smith Travel Research are presented as follows.

United States Lodging Market Performance

Year	Occupancy		ADR		RevPAR		Supply	Demand	Room Revenue
	This Year	Change	This Year	Change	This Year	Change	% Change	% Change	% Change
2003	59.2%	0.3%	\$82.66	0.2%	\$48.91	0.4%	1.0%	1.3%	1.5%
2004	61.3%	3.5%	\$86.18	4.3%	\$52.79	8.0%	0.4%	4.0%	8.4%
2005	63.0%	2.8%	\$91.02	5.6%	\$57.35	8.6%	-0.1%	2.8%	8.6%
2006	63.1%	0.2%	\$97.80	7.4%	\$61.74	7.7%	0.2%	0.4%	7.9%
2007	62.8%	-0.5%	\$104.30	6.6%	\$65.51	6.1%	1.2%	0.7%	7.4%
2008	59.8%	-4.8%	\$107.38	3.0%	\$64.21	-2.0%	2.4%	-2.5%	0.3%
2009	54.6%	-8.8%	\$98.06	-8.7%	\$53.49	-16.7%	2.8%	-6.2%	-14.3%
2010	57.5%	5.4%	\$98.05	0.0%	\$56.40	5.4%	1.7%	7.2%	7.2%
2011	60.0%	4.3%	\$101.71	3.7%	\$61.03	8.2%	0.5%	4.8%	8.7%
2012	61.4%	2.5%	\$106.10	4.2%	\$65.17	6.8%	0.5%	3.0%	7.3%
2013	62.3%	1.5%	\$110.35	3.9%	\$68.69	5.4%	0.7%	2.2%	6.2%
2014	64.4%	3.6%	\$115.32	4.6%	\$74.28	8.3%	0.9%	4.5%	9.2%
2015	65.4%	1.5%	\$120.30	4.7%	\$78.68	6.3%	1.1%	2.9%	7.4%
2016	65.4%	0.1%	\$124.13	3.1%	\$81.15	3.1%	1.6%	1.7%	4.8%
2017	65.9%	0.8%	\$126.77	2.1%	\$83.53	2.9%	1.8%	2.7%	4.9%
2018	66.1%	0.4%	\$129.97	2.5%	\$85.96	2.9%	2.0%	2.5%	5.0%
2019	66.1%	0.0%	\$131.21	1.0%	\$86.76	0.9%	2.0%	2.0%	3.0%

Source: HOST Study and Hotel Review, Smith Travel Research

As illustrated above, positive trends from 2010 have continued through the third quarter of 2019. The national occupancy rate in 2010 was 57.5%, which increased every year thereafter, to 66.1% through 2018, marking the ninth year of growth in a row after three years of declines (2007-2009). However, the market has slowed a bit in the past several years, with slower rates of occupancy growth in 2016, 2017, and 2018 at 0.1%, 0.8%, and 0.4%, respectively. Occupancy growth in 2019 was flat compared to 2018.

ADR growth posted another year of gains in 2019, though at a lower rate than in previous years. While ADR increased between 3.7% to 4.7% annually between 2011 and 2015, ADR growth was more moderate from 2016 to 2018 (between 2.1% and 3.1%). ADR growth through 2019, though positive, is reported at 1.0%, the lowest increase in nine years.

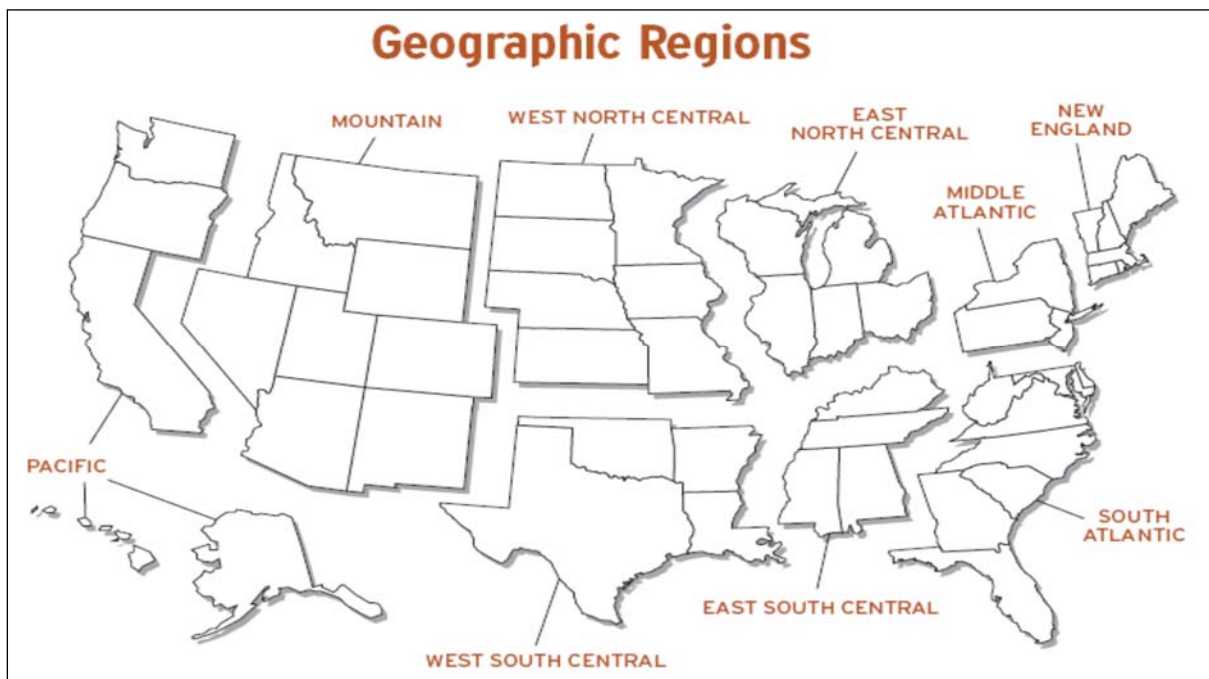
After strong increases in RevPAR in 2011 through 2015, RevPAR growth has stabilized in the past several years, between 2.9% and 3.1% in 2016 through 2018. RevPAR growth in 2019 was lower, at 0.9%. As illustrated above, supply growth remained stable in the first part of the decade, and has slightly increased over the past three years.

The year-end ADR in 2010 was \$98.05, which increased to \$131.21 in 2019. The annual increases in ADR from 2010 to 2019 are notable considering they also correspond with steady increases in occupancy, though occupancy growth has been slowing in recent years. In terms of RevPAR, the 2019 figure of \$86.76 represents an approximately 54% increase from the 2010 level of \$56.40.

The reported 2019 occupancy is consistent with year-end 2018 levels; however, ADR increased at a slower rate of 1.0%, to \$131.21 from the year-end 2018 figure of \$129.97. Overall, hotel fundamentals remained positive through 2019, with an overall increase in RevPAR of 0.9% from year-end 2018. In addition, demand growth was consistent with supply, resulting in a 3.0% increase in room revenue in 2019.

Regional and State Trends

The subject is in the Pacific Region, as defined by HOST and Smith Travel Research. The Pacific Region includes the states of California, Oregon, Washington, Alaska, and Hawaii.



States in the Pacific Region

Segment	Occupancy					Average Daily Rate					RevPar				
	2019	2018	Change	2017	Change	2019	2018	Change	2017	Change	2019	2018	Change	2017	Change
United States	66.1%	66.1%	0.0%	65.9%	0.4%	\$131.21	\$129.97	1.0%	\$126.77	2.5%	\$86.76	\$85.96	0.9%	\$83.53	2.9%
Pacific	73.7%	73.8%	-0.1%	73.8%	-0.1%	\$171.42	\$168.77	1.6%	\$162.89	3.6%	\$126.36	\$124.52	1.5%	\$120.25	3.6%
State															
Alaska	67.2%	65.1%	3.3%	64.4%	1.1%	\$145.61	\$136.91	6.4%	\$130.75	4.7%	\$97.83	\$89.07	9.8%	\$84.15	5.8%
California	75.1%	75.3%	-0.3%	75.2%	0.2%	\$171.61	\$168.26	2.0%	\$162.15	3.8%	\$128.89	\$126.74	1.7%	\$121.90	4.0%
Hawaii	81.2%	80.3%	1.1%	80.2%	0.1%	\$282.56	\$275.75	2.5%	\$264.49	4.3%	\$229.32	\$221.34	3.6%	\$212.07	4.4%
Oregon	65.9%	65.6%	0.4%	66.3%	-1.1%	\$123.76	\$123.39	0.3%	\$122.12	1.0%	\$81.56	\$80.97	0.7%	\$81.02	-0.1%
Washington	68.8%	69.0%	-0.2%	69.7%	-1.0%	\$135.55	\$136.50	-0.7%	\$132.54	3.0%	\$93.27	\$94.16	-0.9%	\$92.35	2.0%

Source: Hotel Review, Smith Travel Research

As of the end of 2019, the Pacific Region posted metrics as follows:



- a. In terms of occupancy, the Pacific region reported an occupancy percentage of 73.7% as of 4Q-2019, a slight decrease from 4Q-2018 reported occupancy of 73.8%. As of 4Q-2019, the Pacific region had an occupancy percentage that was approximately 111% of the US average occupancy rate of 66.1%.
- b. In terms of ADR, the Pacific region reported a 4Q-2019 figure of \$171.42 which was a slight increase of 1.6% from the 4Q-2018 reported ADR of \$168.77. This is a positive sign given occupancy remained relatively stable during this period. As of 4Q-2019, the Pacific region reported an ADR that is approximately 131% of the U.S. average of \$131.21.
- c. In terms of RevPAR, the Pacific region reported a 4Q-2019 figure of \$126.36 which was a slight increase over 4Q-2018 reported RevPAR of \$124.52. As of 4Q-2019, the Pacific region had a RevPAR that was approximately 146% of the U.S. average of \$89.76.

In terms of year-over-year growth, California outperformed Oregon and Washington for growth across all lodging metrics.

As illustrated below, the Sacramento MSA outperformed the State of California as far as growth across all metrics over the past year. Although average occupancy in the Sacramento region is lower than California overall, at 72.2%, occupancy grew 0.6% in the Sacramento MSA compare to a decline of 0.3% across California. Similarly, ADR for the Sacramento MSA is lower than the whole of California (\$126.23 vs. \$171.61), but the Sacramento region experienced ADR growth of 3.0% in 2019 compared to 2.0% for the state overall. The Sacramento MSA also saw an increase in RevPar in 2019, 3.6%, which is higher than the percent change found in the State of California, the Pacific region, and the United States. Despite this, the Sacramento region's RevPar of \$91.13 is below that of California and the Pacific region, which are \$126.36 and \$128.89, respectively.

Sacramento Market															
Segment	Occupancy					Average Daily Rate					RevPar				
	2019	2018	Change	2017	Change	2019	2018	Change	2017	Change	2019	2018	Change	2017	Change
United States	66.1%	66.1%	0.0%	65.9%	0.4%	\$131.21	\$129.97	1.0%	\$126.77	2.5%	\$86.76	\$85.96	0.9%	\$83.53	2.9%
Pacific	73.7%	73.8%	-0.1%	73.8%	-0.1%	\$171.42	\$168.77	1.6%	\$162.89	3.6%	\$126.36	\$124.52	1.5%	\$120.25	3.6%
California	75.1%	75.3%	-0.3%	75.2%	0.2%	\$171.61	\$168.26	2.0%	\$162.15	3.8%	\$128.89	\$126.74	1.7%	\$121.90	4.0%
Sacramento, CA	72.2%	71.8%	0.6%	71.4%	0.6%	\$126.23	\$122.59	3.0%	\$118.56	3.4%	\$91.13	\$88.00	3.6%	\$84.60	4.0%

Source: Hotel Review, Smith Travel Research

According to Smith Travel Research, there are currently 21 hotels and 2,200 rooms within three miles of the subject property. These hotels are summarized in the following table.

Roseville Lodging Market - Hotels within Three Miles of Subject						
No.	Hotel	Rooms	Open Date	Affiliation	Chain Scale	Distance from Subject (Miles)
1	Hyatt Place Sacramento Roseville	151	Feb-20	Hyatt Hotels	Upscale	0.2
2	Holiday Inn Express Rocklin Galleria Area	70	Jun-99	Intercontinental Hotels Group	Upper Midscale	0.3
3	Homewood Suites by Hilton Sacramento Roseville	111	Nov-04	Hilton Worldwide	Upscale	0.6
4	Courtyard Roseville Galleria Mall Creekside Ridge Drive	125	Aug-04	Marriott International	Upscale	0.7
5	Hilton Garden Inn Roseville	131	Mar-99	Hilton Worldwide	Upscale	1.2
6	Larkspur Landing Roseville	90	May-99	Independent	Upscale	1.2
7	Residence Inn Roseville	90	Nov-98	Marriott International	Upscale	1.3
8	Courtyard Roseville	90	Jul-98	Marriott International	Upscale	1.3
9	Fairfield Inn Roseville	82	Nov-98	Marriott International	Upper Midscale	1.4
10	Holiday Inn Express & Suites Roseville Galleria Area	83	Sep-06	Intercontinental Hotels Group	Upper Midscale	1.5
11	Residence Inn Rocklin Roseville	104	Dec-18	Marriott International	Upscale	1.8
12	Extended Stay America Sacramento - Roseville	122	Aug-98	Extended Stay Hotels	Economy	1.8
13	Best Western Roseville Inn	134	Jul-74	Best Western Hotels & Resorts	Midscale	2
14	Staybridge Suites Rocklin - Roseville Area	98	Dec-08	Intercontinental Hotels Group	Upscale	2.1
15	Heritage Inn Express Roseville	101	Jun-71	Independent	Independent	2.2
16	Best Western Plus Orchid Hotel & Suites	174	Apr-89	Best Western Hotels & Resorts	Upper Midscale	2.2
17	Hampton by Hilton Inn & Suites Roseville	85	Jun-08	Hilton Worldwide	Upper Midscale	2.3
18	Comfort Inn & Suites Roseville	124	Aug-88	Choice Hotels International	Upper Midscale	2.4
19	SureStay Plus Hotel Rocklin	103	May-99	Best Western Hotels & Resorts	Economy	2.5
20	Rocklin Park Hotel	67	Nov-96	Independent	Independent	2.5
21	Days Inn Rocklin Sacramento	65	Jan-92	Wyndham Hotels & Resorts	Economy	2.9
		2,200				

The hospitality and convention center industry has been particularly impacted by COVID-19, given non-essential travel has been restricted across the United States since March and mass gatherings and events have been temporarily banned. In light of this, many have turned to virtual events to facilitate meetings and conferences. While this is not a long term trend, near term demand for additional hospitality and conference space is questionable given the existing supply within three miles of the subject property.

Conclusion

Prior to COVID-19, the hotel market appeared to be stabilizing both nationally and in the Sacramento region. Hotel metrics in California and the Sacramento MSA continue to be positive, though growth is slowing. The subject benefits from Highway 65 visibility and is located 1.5 and 2.2 miles from Highway 65 and Interstate 80 interchanges, respectively. However, the hospitality industry has been heavily impacted by COVID-19 as non-essential travel has been limited nationwide since March. While the hospitality industry will begin to recover as travel restrictions loosen, the speed at which this recovery will occur remains to be seen.

COVID-19 Impact on Valuation

The prior market analysis focuses on historical trends before the impact of the COVID-19 crisis began showing up in the numbers. The historical reference is significant in that many market participants believe the commercial real estate (CRE) markets will return to trend – the only question is the depth and duration of the current economic climate. At a minimum, near term economic performance will remain dreadful. Shelter-in-Place and Stay-at-Home executive orders are having a profound impact on GDP with elevated unemployment hurting economic performance and CRE sector. How bad will things get (depth) and how long will it last (duration) are questions that simply cannot be answered at this point in time. The curve is flattening and restrictions are slowly easing in California, but Governor Newsom has yet to offer a timeline as when restrictions will be further relaxed. Numerous counties are in Stage 2 of a four-stage re-opening schedule, which permits the opening of lower risk workplaces and retail establishments with social distancing protocols. Nevertheless, by all accounts business operations are significantly down with the exception of essential businesses such as distribution facilities, medical facilities and grocery stores. As the crisis evolves, the market will provide clarity.

In the absence of transaction data, there is empirical data in the market that can be gleaned and assist in estimating the valuation metrics and assessing their reliability in estimating current value. In the current phase of the pandemic, emerging trends include:

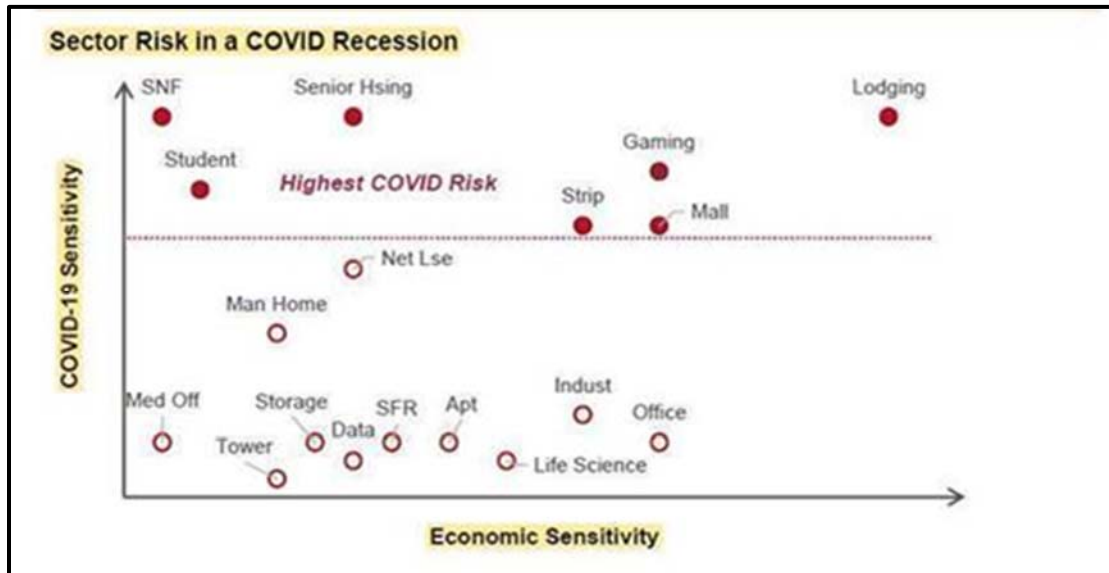
- Market confidence (fundamental economic fear)
- Expectations of impaired property/operating performance
- Re-pricing risk (debt and equity)
- Liquidity duration
- Impaired market and pricing activity

All or some of the above may be shorter-term issues, but others may linger and have a lasting impact on valuations in the CRE sector along a continuum of time. Our surveys of market participants indicate a focus in the following areas impacting value:

- Impact will vary by property type, class, and location
- Cost of capital (both debt and equity) is increasing but at different rates for different asset classes
- Declines in property operations/forecasts (NOI) vary in duration based on property type, class and location
- Capitalization rate premiums vary by property type, class and location
- Marketing times for most assets will increase

Impact by Property Type, Class & Location

Below is a graph from Greenstreet Advisors plotting the sensitivity (and risk) associated with various property types with the negative impact on value being greater for those assets with greater sensitivity. Those assets relating to essential business operations (grocery, medical, distribution) are less affected than for example lodging and malls where social distancing is challenging.



Cost of Capital/Liquidity

The cost of capital, both for debt and equity, had been at near historic lows through early 1Q20. Borrowers had a myriad of options from a variety of capital sources. As the crisis began to unfold in early 2020, treasury rates were moving down as the Fed sought to keep the market liquid. When it became clear the global crisis had landed in the United States, the Fed moved rates to near zero. Many lending institutions instituted floors (spreads widened) because the fixed costs of doing a deal had to be covered.

As lenders came to grips with the severity of the economic outlook, many pulled back from the market altogether while others reacted by raising interest rates, lowering loan to values, increasing reserve requirements, or a combination thereof. Some lenders are "out" while others remain in the market. Clearly, there are fewer options in the market and those options are more expensive. The rise in cost varies notably by property type with agency lenders and HUD determined to provide liquidity to the multifamily market while at the other end of the spectrum, financing a hotel at this point is challenging.

The rising cost of debt and equity and its impact on capitalization rates is illustrated below:

		Equity Dividend Rate					
		3.00%	5.00%	7.00%	9.00%	11.00%	13.00%
Interest Rate	3.50%	5.11%	5.71%	6.31%	6.91%	7.51%	8.11%
	3.75%	5.22%	5.82%	6.42%	7.02%	7.62%	8.22%
	4.00%	5.33%	5.93%	6.53%	7.13%	7.73%	8.33%
	4.25%	5.45%	6.05%	6.65%	7.25%	7.85%	8.45%
	4.50%	5.57%	6.17%	6.77%	7.37%	7.97%	8.57%
	4.75%	5.69%	6.29%	6.89%	7.49%	8.09%	8.69%
	5.00%	5.81%	6.41%	7.01%	7.61%	8.21%	8.81%

An asset for example that historically attracted debt at 3.75 percent and equity (cash on cash) at 5 percent would see a rise in overall capitalization rate of 83bps (6.65% versus 5.82%) if the cost of debt rises to 4.25 percent (50 bp increase) and equity rates move to 7 percent (40 percent increase). All else equal, the rise in the overall rate would equate to a drop in value (potential market conditions adjustment) of 14 percent (.0083 / .0582).

Declines in Property Operations / Forecasts

The lodging, retail, student housing and senior sectors are expecting to suffer the greatest. Once again, this varies by location and type. Restaurant retail is generally viewed as having high risk but is expected to rebound quickly as pent-up demand explodes when social distancing requirements loosen. Grocery retail is performing well with big box stores setting record sales per square foot. Apartments should fare well but once again, varying by type and location depending on the tenant base employment and its ability to weather the crisis. Industrial distribution facilities are expected to perform well while multi-tenant industrial with non-essential businesses may struggle.

There is an expectation in the market that, for many retail centers in particular, tenants will not be paying rent. Without customers, particularly in states with stay-at-home orders, there simply is no revenue available. Tenants and owners alike are reviewing force majeure clauses in their leases.

Rent projections are being held flat in modeling many cash flows going forward with the length of time dependent on the asset type.

Premiums on Capitalization Rates

While many deals have fallen out of contract, other deals are still closing. Some are closing at their pre-crisis contract price levels while many deals are being re-traded in the market with discounts influenced by property type, location and buyer/seller motivations.

As the transaction market solidifies, the impact on capitalization rates will become more clear. The OAR sensitivity matrix presented earlier can be viewed as a potential leading indicator. Some market participants believe the answer to market value lies in the capitalization rates while others believe rates are not moving – only net operating income in the short run is being impacted. Once again, the answers vary by property type and location.

Marketing and Exposure Time

At the present time, there is consensus of declining market demand in CRE transactions, due to market conditions ensuing from COVID-19. It is natural to assume that marketing time on properties either for sale or lease, will be extended for most assets. Comparing recent pre-COVID-19 market time (perhaps the best) to the banking crisis of 2008/2009 (perhaps the worst) can glean insight to potential market times going forward.

Sector	Months on Market March 2008-09	Months on Market March 2018-19	Change in Months	% Change Peak to Trough
Office	29.6	14.8	14.8	100%
Retail	15	11.4	3.6	32%
Industrial	19.6	6.7	12.9	192%
Average	21.4	11.0	10.4	95%

Source: Costar – data presented in Months

Marketing time increased substantially in the last economic crisis of 2008-2009 from the prior boom with an average of 21 months for major property classes at the bottom of the market. Market times for the trailing 12 months preceding the COVID-19 crisis averaged 11 months. We note these are national averages with well located, better quality assets having substantially lower market times.

Based on this historical perspective, exposure time could potentially double from current levels. This would have to be tempered recognizing that the depth and duration of this current crisis is health centric and may return to more recent norms when a resolution becomes apparent.

Market Participant Interviews

While transaction data is limited, we look to market participants (developers, investors, lenders, brokers, other appraisers) as a leading indicator of where the market is currently, and where they believe the market is heading. Following is a summary of key interviews undertaken.

Kevin Soares – Leasing and sales broker with Gallelli Real Estate

Leasing activity has all but halted. There are a few inquiries for spaces within prominent anchored centers, but new lease deals are few and far between. Most would-be business owners/tenants are waiting for the crisis to resolve before signing a new lease. Volume is at a fraction of what it was prior to the COVID-19 crisis. On the sales side, there were two transactions where the buyers were on the upleg of 1031 exchanges and elected to back out of the deals and pay the capital gains tax. Their expectation is they will be able to purchase properties at lower prices in the near future. Mr. Soares expects and is hopeful normal activity will resume by mid-June.

Adrian del Rio – PCG Commercial

Mr. del Rio is a commercial broker primarily marketing and selling smaller multifamily and commercial (retail/office) properties throughout Sacramento and the Central Valley. With respect to retail and office properties, any properties with tenants or users in essential businesses (i.e., grocery stores and medical offices) should not experience a decrease in value. Properties with general retail or office tenants could trade with cap rates that are up to 100 basis points higher than cap rates experienced

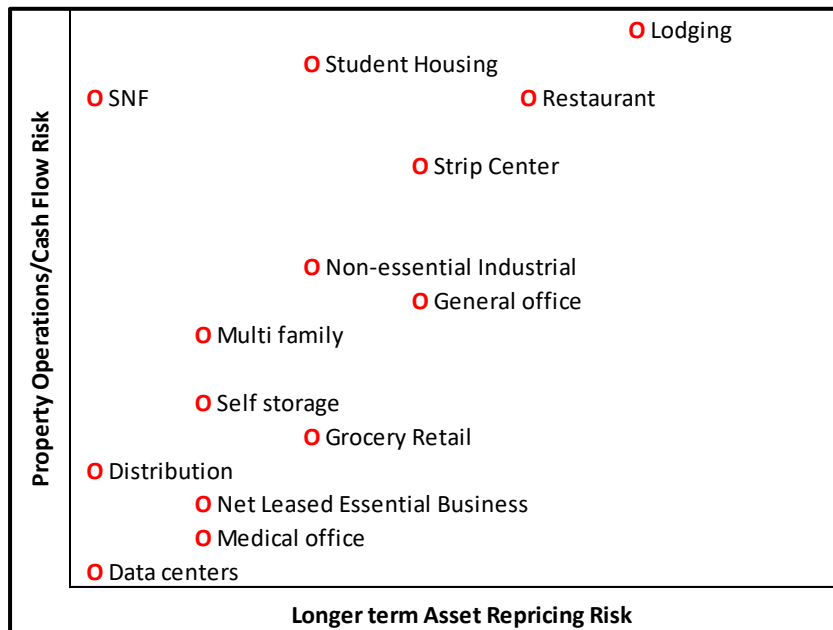
prior to the pandemic, though we likely would not have empirical data until at least the third quarter of 2020. Mr. del Rio projects a V-shaped recovery with a rebound occurring this summer.

Conclusion

Based on the above information, which is empirical more so than transactional, it is clear the market has changed and valuation parameters must be modified.

Many market participants believe the current disruption in the market is *operational* in nature with the impact on asset pricing limited to cash flow short falls until the market returns to “normal.” Others believe *repricing* risk exists due to the cost of capital (debt and equity) as well as a rethinking of CRE investments.

The following chart represents our understanding of market sentiment regarding operational and repricing risk by property class. Assets in the lower left portion of the chart reflect low near-term cash flow loss expectation and little longer-term repricing risk while the opposite is true for assets in the upper right corner. And as noted throughout, there are various risk profiles within each property type displayed.



Considering the subject’s relative sensitivity to the COVID-19 risks as of the effective date of the valuation, we rate the relative risks of the subject as of the effective date in the following table, which is also considered in the valuation of the subject property.



Risk Analysis

Property Type Sensitivity to Risk	High for both the subject’s highest and best use (which is Commercial use) and the envisioned use (Hospitality)- According to market participants, retail and hospitality are two of the segments hardest hit as many tenants are asking for rent abatement because they are shut down.
Property Location Sensitivity to Risk	Low – the Roseville market performed well in the most recent economic expansion, and the local market is well positioned for recovery.
Cost of Capital Impact/Risk	High for both Commercial use (including retail) and Hospitality - Though capital is still available, investments in retail and hospitality properties have slowed dramatically. Lenders are wary to lend to retail and hospitality properties.

Property Analysis

Land Description and Analysis

Land Description

Land Area	11.00 acres; 479,160 SF
Source of Land Area	Public Records
Primary Street Frontage	Conference Center Drive - 228 feet
Shape	Irregular
Corner	No
Topography	Generally level and at street grade
Drainage	No problems reported or observed
Environmental Hazards	None reported or observed
Ground Stability	No problems reported or observed
Flood Area Panel Number	06061C0944H
Date	November 2, 2018
Zone	X
Description	Outside of 500-year floodplain
Insurance Required?	No

Zoning; Other Regulations

Zoning Jurisdiction	City of Roseville
Zoning Designation	CC/SA-NC
Description	Community Commercial - Special Area Overlay, North Central Roseville
Legally Conforming?	Appears to be legally conforming
Zoning Change Likely?	No
Permitted Uses	Civic, retail, commercial, office, hotel uses
Other Land Use Regulations	North Central Roseville Specific Plan

Utilities

Service	Provider
Water	City of Roseville
Sewer	City of Roseville
Electricity	Roseville Electric
Natural Gas	Pacific Gas & Electric
Local Phone	Various Providers

The subject is a parcel of vacant land containing an area of 11.00 acres or 479,160 square feet. The property is zoned CC/SA-NC, Community Commercial - Special Area Overlay, North Central Roseville Specific Plan, which permits civic, retail, commercial, office, and hotel uses. The city of Roseville has envisioned the site as an ideal location for the construction of a 203-room, nine-story, 146,000 square foot hotel development with a 15,500 square foot conference facility. The conference center would feature 7,500 square feet of pre-function, meeting, and break-out space, a support kitchen, and an 8,000 square foot ballroom. The hotel would also include a full service restaurant, fitness facility, spa,

and outdoor pool. It should be noted, this is currently a conceptual plan and is subject to change in the future.

We are not experts in the interpretation of zoning ordinances. An appropriately qualified land use attorney should be engaged if a determination of compliance with zoning is required.

The subject is zoned Community Commercial and is located within the Special Area Overlay for North Central Roseville. The subject's zoning permits a variety of commercial uses, including civic, retail, commercial, office, and hotel uses. According to the city of Roseville, "The community commercial district is intended to serve the principal retail shopping needs of the entire community by providing areas for shopping centers, and other retail and service uses."

The subject property is located at the terminus of Conference Center Drive, which may be accessed from Gibson Drive and Roseville Parkway. The subject is approximately 1.5 miles from the nearest Highway 65 interchange, and 2.2 miles from Interstate 80. The northern portion of the subject site abuts Highway 65, and the property is visible from the highway.

Easements, Encroachments and Restrictions

We were not provided a current title report to review. We are not aware of any easements, encroachments, or restrictions that would adversely affect value. Our valuation assumes no adverse impacts from easements, encroachments, or restrictions, and further assumes that the subject has clear and marketable title.

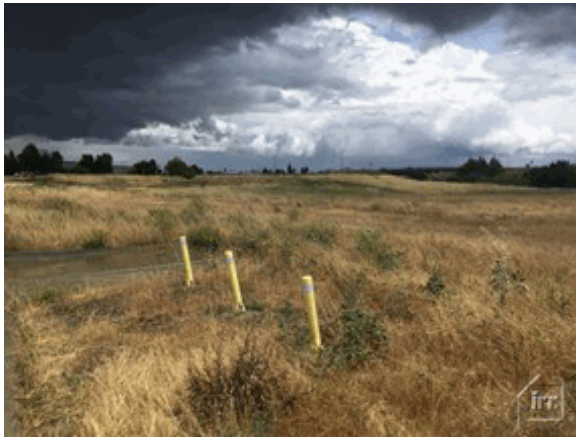
Seismic Hazards

All properties in California are subject to some degree of seismic risk. The Alquist-Priolo Earthquake Fault Zoning Act was enacted by the State of California in 1972 to regulate development near active earthquake faults. The Act required the State Geologist to delineate "Earthquake Fault Zones" (formerly known as "Special Studies Zones") along known active faults in California. Cities and counties affected by the identified zones must limit certain development projects within the zones unless geologic investigations demonstrate that the sites are not threatened by surface displacement from future faulting.

According to information from the California Geological Survey (formerly known as the Division of Mines and Geology), the subject is not located within an Alquist-Priolo Special Studies Zone. There are no special studies zones in the city of Roseville.

Conclusion of Land Analysis

Overall, the physical characteristics of the site and the availability of utilities result in functional utility suitable for a variety of uses including those permitted by zoning. We are not aware of any other particular restrictions on development.



Subject Site – Facing North



Subject Site – Facing East



Access Road and Subject Site Facing North

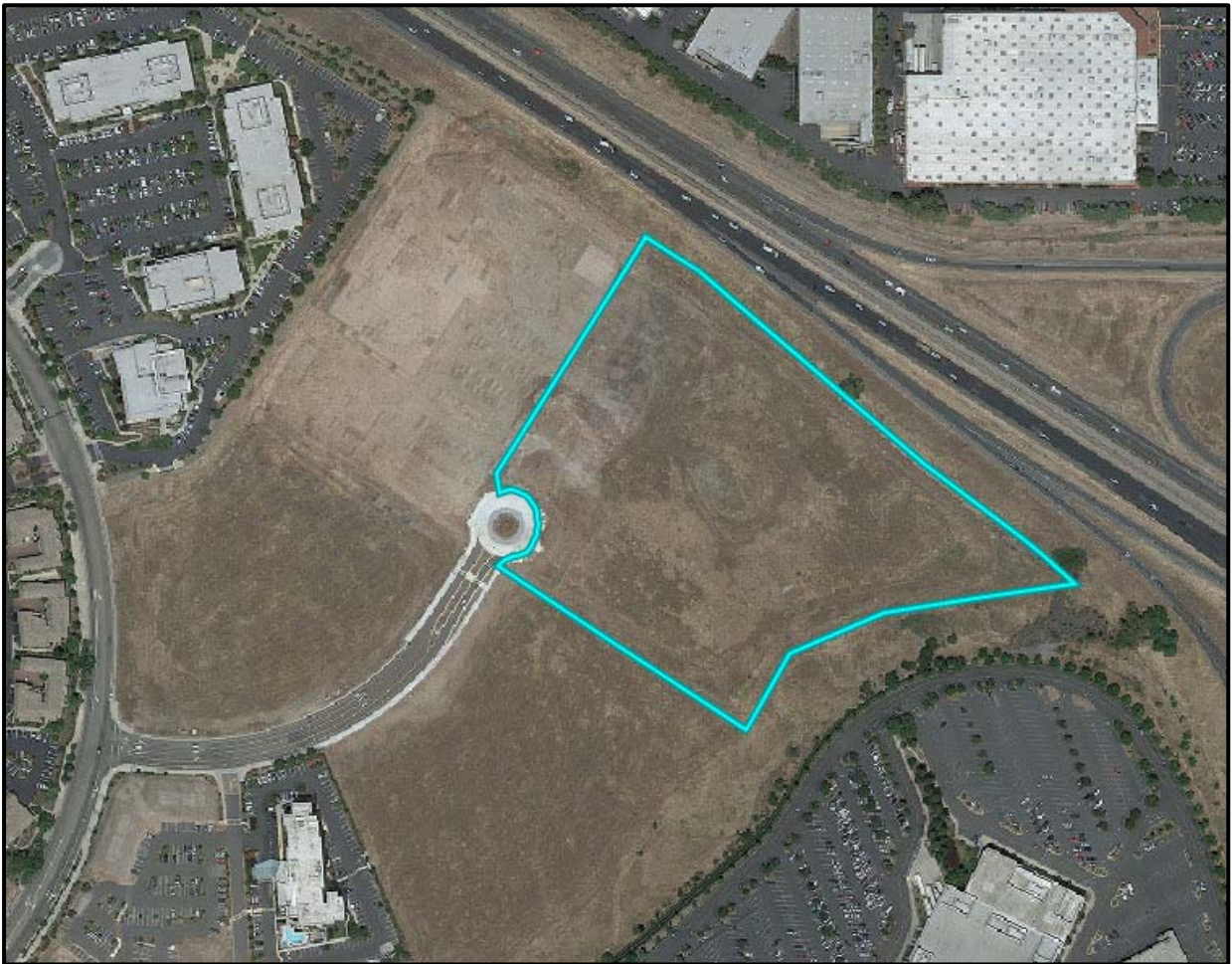


Conference Center Driving – Facing South



Conference Center Drive – Facing South

Assessor Aerial



Real Estate Taxes

The property tax system in California was amended in 1978 by Article XIII to the State Constitution commonly referred to as Proposition 13. It provides for a limitation on property taxes and for a procedure to establish the current taxable value of real property by reference to a base year value, which is then modified annually to reflect inflation (if any). Annual increases cannot exceed 2% per year.

The base year was set at 1975-76 or any year thereafter in which the property is substantially improved or changes ownership. When either of these two conditions occurs, the property is to be reappraised at market value, which becomes the new base year assessed value. Proposition 13 also limits the maximum tax rate to 1% of the value of the property, exclusive of bonds and direct charges. Bonded indebtedness approved prior to 1978, and any bonds subsequently approved by a two-thirds vote of the district in which the property is located, can be added to the 1% tax rate.

The subject property is owned by the city of Roseville and is not currently assessed. However, the tax rate applicable to the subject is 1.073793%.

Highest and Best Use

Process

Before a property can be valued, an opinion of highest and best use must be developed for the subject site, both as vacant, and as improved. By definition, the highest and best use must be:

- Physically possible.
- Legally permissible under the zoning regulations and other restrictions that apply to the site.
- Financially feasible.
- Maximally productive, i.e., capable of producing the highest value from among the permissible, possible, and financially feasible uses.

As Vacant

Physically Possible

The physical characteristics of the site do not appear to impose any unusual restrictions on development. Overall, the physical characteristics of the site and the availability of utilities result in functional utility suitable for a variety of uses. The subject has very good visibility from Highway 65, with access to Highway 65 and Interstate 80 approximately 1.5 and 2.2 miles from the subject property, respectively.

Legally Permissible

The site is zoned CC/SA-NC, Community Commercial - Special Area Overlay, North Central Roseville Specific Plan. Permitted uses include civic, retail, commercial, office, hotel uses. However, the city of Roseville's zoning code suggests retail use is a priority. To our knowledge, there are no legal restrictions such as easements or deed restrictions that would effectively limit the use of the property. Given prevailing land use patterns in the area, and surrounding uses, both commercial (including retail and/or office use) and hospitality uses are given further consideration in this analysis.

Financially Feasible

Prior to COVID-19, the Roseville market was well positioned for continued commercial growth. However, based on our current analysis of the market, there is limited demand for new commercial (retail and/or office) or hospitality development at the present time. Both industries have been heavily impacted by the COVID-19 pandemic, through some essential retailers (such as grocery stores and big box stores), have continued to perform well. Nevertheless, we expect an eventual recovery of the market accompanied by a rise in property values to a level that will justify the cost of new construction. Market conditions will begin to improve as the uncertainties brought about by the pandemic begin to be removed. Thus, it is anticipated that commercial development will become financially feasible in the future.

While hospitality use is also expected to become financially feasible in the future, the local hospitality market was already stabilizing prior to COVID-19. Currently, a 203-room hotel and 15,500 square foot conference center is envisioned for the subject property. As will be demonstrated, the comparable hospitality properties utilized in the upcoming analysis do not include conference centers. Often municipalities will offer incentives for the development of conference centers to assist in financial feasibility, and construction of conference centers is typically the result of public/private partnerships.

Maximally Productive

As will be demonstrated in the upcoming analyses, the land value associated with commercial (retail and/or office) development is significantly higher than the land value under the envisioned hospitality scenario. There does not appear to be any reasonably probable use of the site that would generate a higher residual land value than holding the property for future development of a commercial (retail and/or office) use. Commercial uses are also consistent with the comparable land sales considered in the upcoming analysis, several of which include excellent highway visibility and average accessibility similar to the subject property. It is our opinion that holding the property for future commercial (retail and/or office) use, based on the normal market density level permitted by zoning, is the maximally productive use of the property.

Conclusion

Holding the property for future development of a commercial (retail and/or office) use is the only use that meets the four tests of highest and best use. Therefore, it is concluded to be the highest and best use of the property as vacant.

The scope of this assignment involves considering the subject under two valuation scenarios: 1.) market value as is and 2.) market value as if developed for hospitality use. Therefore, the upcoming analysis considers commercial land sales, consistent with the highest and best use of the subject, and hotel land sales, consistent with the city of Roseville's vision for the subject property.

As Improved

No improvements are situated on the subject. Therefore, a highest and best analysis as improved is not applicable.

Most Probable Buyer

Taking into account the functional utility of the site and area development trends, the probable buyer is a developer.

Valuation

Valuation Methodology

Appraisers usually consider three approaches to estimating the market value of real property. These are the cost approach, sales comparison approach and the income capitalization approach.

The **cost approach** assumes that the informed purchaser would pay no more than the cost of producing a substitute property with the same utility. This approach is particularly applicable when the improvements being appraised are relatively new and represent the highest and best use of the land or when the property has unique or specialized improvements for which there is little or no sales data from comparable properties.

The **sales comparison approach** assumes that an informed purchaser would pay no more for a property than the cost of acquiring another existing property with the same utility. This approach is especially appropriate when an active market provides sufficient reliable data. The sales comparison approach is less reliable in an inactive market or when estimating the value of properties for which no directly comparable sales data is available. The sales comparison approach is often relied upon for owner-user properties.

The **income capitalization approach** reflects the market's perception of a relationship between a property's potential income and its market value. This approach converts the anticipated net income from ownership of a property into a value indication through capitalization. The primary methods are direct capitalization and discounted cash flow analysis, with one or both methods applied, as appropriate. This approach is widely used in appraising income-producing properties.

Reconciliation of the various indications into a conclusion of value is based on an evaluation of the quantity and quality of available data in each approach and the applicability of each approach to the property type.

The methodology employed in this assignment is summarized as follows:

Approaches to Value		
Approach	Applicability to Subject	Use in Assignment
Cost Approach	Not Applicable	Not Utilized
Sales Comparison Approach	Applicable	Utilized
Income Capitalization Approach	Not Applicable	Not Utilized

Sales Comparison Approach

To develop an opinion of the subject's land value, as if vacant and available to be developed to its highest and best use, we utilize the sales comparison approach. This approach develops an indication of value by researching, verifying, and analyzing sales of similar properties.

As discussed previously discussed, the property is divided for valuation purposes as follows:

Land Parcels

Name	Tax ID	SF	Acres	Unit of Rooms Comparison
Commercial Use	363-011-086	479,160	11.00	NA Total SF
Hotel Use	363-011-086	479,160	11.00	203 Rooms
Total		958,320	22.00	203

Commercial Use (11.00 Acres; 479,160 SF)

To apply the sales comparison approach as if the subject were to be developed for commercial use, we searched for sale transactions within the following parameters:

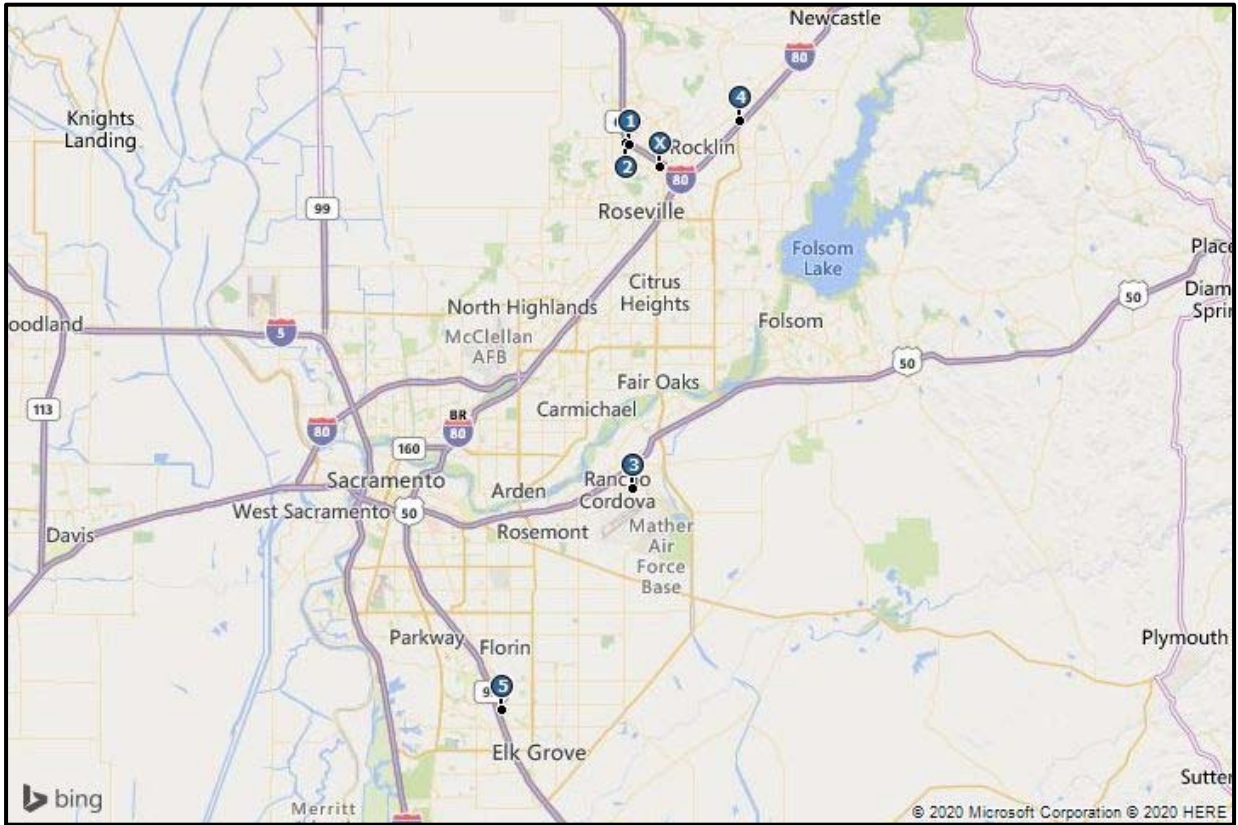
- Location: Roseville, Rocklin, and surrounding communities outside Sacramento
- Size: Two to twenty acres
- Use: Proposed or zoned commercial, including retail and office uses
- Transaction Date: 2017 or later

For this analysis, we use price per square foot as the appropriate unit of comparison because market participants typically compare sale prices and property values on this basis. The most relevant sales are summarized in the following table.

Summary of Comparable Land Sales - Commercial Use

No.	Name/Address	Sale Date; Status	Sale Price	SF; Acres	Zoning	\$/Sf Land
1	Vacant Land 1700 Freedom Way Roseville Placer County CA	Jul-19 Closed	\$2,717,000	204,732 4.70	Planned Dev., Special Area, Neighborhood Comm.	\$13.27
<i>Comments: Sale of commercially zoned vacant land adjacent to Top Golf.</i>						
2	1851 Freedom Way Roseville Placer County CA	Jul-19 Closed	\$6,695,000	511,089 11.73	Planned Dev., Special Area, Neighborhood Comm.	\$13.10
<i>Comments: This comparable represents an 11.733 acre portion of a larger 25.9 acre parcel located within the Freedom Point Plaza in Roseville. The buyer has plans to construct an 110,000 square foot furniture store, identified as Living Spaces. Site work has begun and the store is slated to open in 2020.</i>						
3	International Dr. Lot 80 Rancho Cordova Sacramento County CA	Sep-18 Closed	\$1,970,000	199,069 4.57	Office Professional Mixed-Use	\$9.90
<i>Comments: This is the sale of 4.57 acres zoned for office use. The buyer reportedly did not have plans to develop the site immediately and planned to use the parcel for parking in the interim. The parcel has off-sites in place.</i>						
4	2.6 acres Granite Dr. & Sierra College Blvd. Granite Dr. & Sierra College Blvd. Rocklin Placer County CA	May-18 Closed	\$1,650,000	113,256 2.60	Commercial	\$14.57
<i>Comments: The property represents vacant land located adjacent to an anchored shopping center. The property was originally listed as three separate parcels totaling 6.5 acres of land area.</i>						
5	8871 E Stockton Blvd. Elk Grove Sacramento County CA	Apr-18 Closed	\$6,090,000	450,846 10.35	Shopping Center	\$13.51
<i>Comments: This is a sale of vacant land zoned for retail use. The property has freeway visibility from State Highway 99 and all of the off-site improvements in place.</i>						
Subject				479,160	Community	
Conference Center Drive Land				11.00	Commercial -	
Roseville, CA					Special Area	

Comparable Land Sales Map – Commercial Use



Analysis and Adjustment of Sales

The sales are compared to the subject and adjusted to account for material differences that affect value. The adjustment process is typically applied through either quantitative or qualitative analysis, or a combination of the two. Quantitative adjustments are often developed as dollar or percentage amounts and are most credible when there is sufficient data to perform a paired sales analysis.

While we present percentage adjustments in the adjustment grid that follows, they are based on qualitative judgment rather than empirical research as there is not sufficient data to develop a sound quantitative estimate. Although the adjustments appear to be mathematically precise, they are merely intended to illustrate the appraisers' thought process. Except for market conditions, our adjustments are based on a scale, with a minor adjustment in the range of 1-5% and a substantial adjustment considered to be 20% or greater.

Our rating of each comparable sale in relation to the subject is the basis for the adjustments. If the comparable is superior to the subject, its sale price is adjusted downward to reflect the subject's relative attributes; if the comparable is inferior, its price is adjusted upward.

Adjustments are considered for the following factors, in the sequence shown below.

Adjustment Factor	Accounts For	Comments
Effective Sale Price	Atypical economics of a transaction, such as demolition cost or expenditures by buyer at time of purchase.	There are no additional factors impacting the sale price of the comparables. No adjustments are necessary.
Real Property Rights	Fee simple, leased fee, leasehold, partial interest, etc.	All comparables reflect fee simple transactions. No adjustments have been made.
Financing Terms	Seller financing, or assumption of existing financing, at non-market terms.	Each comparable transaction reflects typical cash to seller financing. No adjustments are required.
Conditions of Sale	Extraordinary motivation of buyer or seller, assemblage, forced sale.	We are not aware of any unusual conditions of sale. No adjustments have been made.

Adjustment Factor	Accounts For	Comments
Market Conditions	Changes in the economic environment over time that affect the appreciation and depreciation of real estate.	The transactions occurred from May 2018 through July 2019. While market conditions generally improved over this period, COVID-19 remains a factor in the current market and has likely offset gains during the comparable transaction period. Therefore, no adjustments for market conditions have been made.
Location	Market or submarket area influences on sale price; surrounding land use influences.	Sale 3 is located in Rancho Cordova, which is an inferior location to Roseville. This sale has been adjusted upward.
Access/Exposure	Convenience to transportation facilities; ease of site access; visibility; traffic counts.	The subject has visibility from Highway 65, though access to the site is a bit circuitous. Sales 1 and 2 are similar to the subject because they are also visible from Highway 65, but are not directly accessible from main commercial thoroughfares. Sale 3 is adjusted upward because it lacks highway visibility. Sale 4 does not have highway visibility, but is easily accessible from Interstate 80 and has been adjusted downward. Similarly, Sale 5 has been adjusted downward for its superior access to Highway 99.
Size	Inverse relationship that often exists between parcel size and unit value.	The comparables range from 2.60 to 11.73 acres. Comparables under five acres have been adjusted downward.
Shape and Topography	Primary physical factors that affect the utility of a site for its highest and best use.	The subject and comparables offer average site utility. No adjustments are necessary.

Adjustment Factor	Accounts For	Comments
Zoning	Government regulations that affect the types and intensities of uses allowable on a site.	The subject and comparables each include commercial zoning designations. The zoning of Sale 3 focuses on office use, which typically commands a lower land value than retail or commercially zoned land. This sale has been adjusted upward.
Entitlements	The specific level of governmental approvals attained pertaining to development of a site.	The subject is not currently entitled for commercial use, though it offers commercial zoning. The majority of comparables were also not entitled at the time of sale. The exception is Sale 2, which was fully entitled for the development of Living Spaces at the time of sale. This comparable has been adjusted downward.

The following table summarizes the adjustments we make to each sale.

Land Sales Adjustment Grid - Commercial Use						
	Subject	Comparable 1	Comparable 2	Comparable 3	Comparable 4	Comparable 5
Name	Conference Center Drive Land	Vacant Land	1851 Freedom Way	International Dr. Lot 80	2.6 acres Granite Dr. & Sierra College Blvd.	8871 E Stockton Blvd.
Address	Conference Center Drive	1700 Freedom Way	1851 Freedom Way	International Dr. Lot 80	Granite Dr. & Sierra College Blvd.	8871 E. Stockton Blvd.
City	Roseville	Roseville	Roseville	Rancho Cordova	Rocklin	Elk Grove
County	Placer	Placer	Placer	Sacramento	Placer	Sacramento
State	California	CA	CA	CA	CA	CA
Sale Date		Jul-19	Jul-19	Sep-18	May-18	Apr-18
Sale Status		Closed	Closed	Closed	Closed	Closed
Sale Price		\$2,717,000	\$6,695,000	\$1,970,000	\$1,650,000	\$6,090,000
Square Feet	479,160	204,732	511,089	199,069	113,256	450,846
Acres	11.00	4.70	11.73	4.57	2.60	10.35
Zoning Code	CC/SA-NC	PD-SA-NC	PD-SA/NC	OPMU	C-2	SC
Zoning Description	Community Commercial - Special Area Overlay, North Central Roseville Specific Plan	Planned Dev., Special Area, Neighborhood Comm.	Planned Dev., Special Area, Neighborhood Comm.	Office Professional Mixed-Use	Commercial	Shopping Center
Price per Square Foot		\$13.27	\$13.10	\$9.90	\$14.57	\$13.51
Property Rights		Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
% Adjustment		-	-	-	-	-
Financing Terms		Cash to seller	Cash to seller	Cash to seller	Cash to seller	Cash to seller
% Adjustment		-	-	-	-	-
Conditions of Sale		Market	Market	Market	Market	Market
% Adjustment		-	-	-	-	-
Market Conditions	5/18/2020	Jul-19	Jul-19	Sep-18	May-18	Apr-18
Annual % Adjustment		-	-	-	-	-
Cumulative Adjusted Price		\$13.27	\$13.10	\$9.90	\$14.57	\$13.51
Location		-	-	10%	-	-
Access/Exposure		-	-	5%	-5%	-5%
Size		-5%	-	-5%	-7%	-
Shape and Topography		-	-	-	-	-
Zoning		-	-	5%	-	-
Entitlements		-	-10%	-	-	-
Net \$ Adjustment		-\$0.66	-\$1.31	\$1.48	-\$1.75	-\$0.68
Net % Adjustment		-5%	-10%	15%	-12%	-5%
Final Adjusted Price		\$12.61	\$11.79	\$11.38	\$12.82	\$12.83
Overall Adjustment		-5%	-10%	15%	-12%	-5%
Range of Adjusted Prices		\$11.38 - \$12.83				
Average		\$12.29				
Indicated Value		\$12.00				

Land Value Conclusion – Commercial Use

Prior to adjustment, the sales range from \$9.90 to \$14.57 per square foot. After adjustment, the range is narrowed to \$11.38 to \$12.82 per square foot with an average of \$12.29 per square foot. We give greatest weight to Sales 1 and 2, because both are located in Roseville with similar access and exposure characteristics to Highway 65. Our land value conclusion is as follows:

Land Value Conclusion

Indicated Value per Square Foot	\$12.00
Subject Square Feet	<u>479,160</u>
Indicated Value	\$5,749,920
Rounded	<u>\$5,750,000</u>

Hotel Use (11.00 Acres; 479,160 SF)

A 203-room hotel and 15,500 square foot convention center are envisioned for the subject property. To apply the sales comparison approach assuming hotel development, we searched for sale transactions within the following parameters:

- Location: Sacramento MSA
- Size: No restriction
- Use: Hotel use; at least 50 rooms
- Transaction Date: 2017 or later

For this analysis, we use price per room as the appropriate unit of comparison. The most relevant sales are summarized in the following table.

It should be noted, the comparables include a range of 80 to 224 rooms, which brackets the subject vision of 203 rooms. However, the comparable site sizes range from 1.84 to 4.48 acres, with proposed densities of 25 to 58 rooms per acre. The conceptual vision for the subject includes 11 acres, which results in a density of 18 rooms per acre. This lower density can be attributed to the proposed inclusion of a conference and event center, which the comparables do not offer. Comparable 7, which will include 105 rooms on 4.20 acres, reflects the closest density to the subject at 25 rooms per acres.

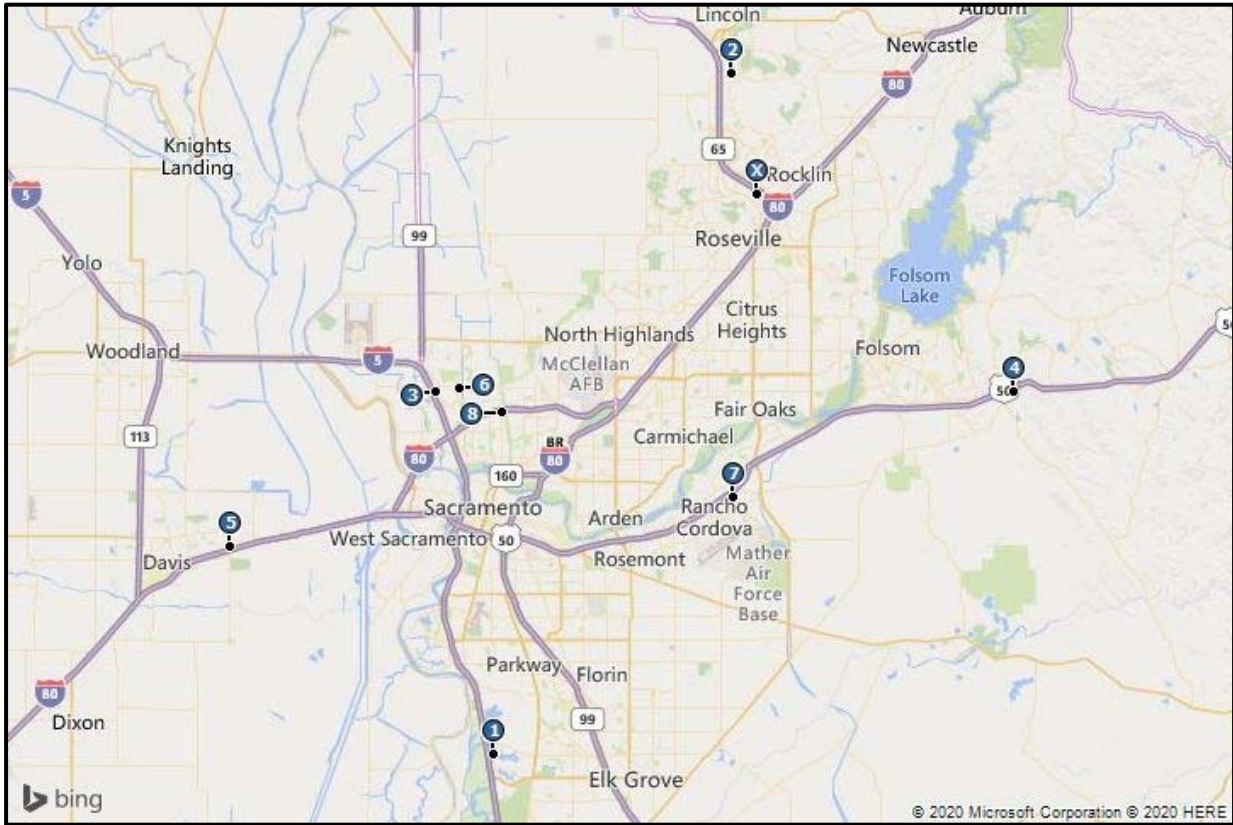
Summary of Comparable Land Sales - Hotel Use

No.	Name/Address	Sale Date; Status	Effective Sale Price	SF; Acres	Rooms; Density (Rooms/Ac.)	Zoning	\$/Room	\$/SF Land
1	9180 Klaage Ct. Elk Grove Sacramento County CA	May-19 Closed	\$1,825,000	80,150 1.84	108 58.7	Travel Commercial	\$16,898	\$22.77
<i>Comments: Property was entitled for a 108-room, four story Candlewood Suites at the time of sale. The buyer is hoping to open the hotel by the end of 2020. The property was previously approved for a 94-room Wingate hotel, but the previous owner was reportedly unable to secure financing. Property is proximate to Interstate 5.</i>								
2	Vacant Commercial Land Galewind Dr. Lincoln Placer County CA	Nov-18 Closed	\$1,364,000	135,036 3.10	104 33.5	Commercial	\$13,115	\$10.10
<i>Comments: This comparable represents the sale of vacant land zoned for commercial development. It is located adjacent to the Kaiser Permanente Lincoln Medical Center as well as several developing residential subdivisions. The buyer intends to construct a 104-room La Quinta Inn & Suites Hotel. The property was unentitled at the time of sale.</i>								
3	3041 Advantage Way Sacramento Sacramento County CA	Nov-18 Closed	\$3,283,500	195,149 4.48	224 50.0		\$14,658	\$16.83
<i>Comments: Sale of vacant land located at the southeast quadrant of Interstate 5 and Del Paso Road. Buyer is proposing two hotels with a total of 224 rooms on the site, which enjoys visibility along I-5. The buyer plans to construct a 111-room Fairfield by Marriott which will include a lounge, pool, dining area, and fitness room. The buyer is also planning a 113-room Aloft hotel with a restaurant/bar, fitness room, conference room, and outdoor pool. The buyer was in the process of securing entitlements at the time of sale, with the Aloft hotel expected to be constructed first.</i>								
4	2015 Vine Street 2015 Vine St. El Dorado Hills El Dorado County CA	Aug-17 Closed	\$2,050,000	125,017 2.87	115 40.1	General Commercial, Planned Development	\$17,826	\$16.40
<i>Comments: The sale is of a vacant parcel located within El Dorado Hills Town Center. The parcel has freeway visibility from State Highway 50. A 115-room Aloft hotel is being proposed on the property (which appears to have been entitled at the time of sale), but the zoning (CG/PD) also allows for a variety of commercial uses.</i>								

Summary of Comparable Land Sales

No.	Name/Address	Sale Date; Status	Effective Sale Price	SF; Acres	Rooms; Density (Rooms/Ac.)	Zoning	\$/Room	\$/SF Land
5	4647-4652 Fermi Place 4647-4652 Fermi Pl. Davis Yolo County CA	Jul-17 Closed	\$1,639,000	117,176 2.69	120 44.6		\$13,658	\$13.99
<i>Comments: Property was entitled at the time of sale, but the buyer took the property through the entitlement process prior to closing. Buyer is constructing a four-story, 120-room Marriott Residence Inn on the site, which is located at the southwest corner of Mace Blvd and 2nd Street. The improvements are expected to obtain a LEED gold certification and will open in March of 2020.</i>								
6	Innovate Corp Center - 2599 Arena Blvd. Sacramento Sacramento County CA	Jul-17 Closed	\$1,471,000	111,514 2.56	120 46.9	Commercial	\$12,258	\$13.19
<i>Comments: This property represents Parcel 2 in the Innovate Corporate Center. The site is proximate to both Interstates 50 and 5, north of downtown Sacramento. The buyer plans to construct a 120-room TownePlace Suites by Marriott. The property was entitled at the time of sale.</i>								
7	SEC of White Rock Rd. & 10700 White Rock Rd. Rancho Cordova Sacramento County CA	Mar-17 Closed	\$1,692,500	182,952 4.20	105 25.0	Office, Professional, Mixed-Use	\$16,119	\$9.25
<i>Comments: The property is located at the southeast corner of White Rock Road and Quality Drive in Rancho Cordova. It is zoned OPMU, and allows for office, professional, and mixed-use. The property sold fully entitled for a 79,308 SF three-story office building (Capital Center IV). It features curbs, gutters, sidewalks with no on-site improvements. There is no bond debt encumbering the property.</i>								
8	3845 Rosin Ct Sacramento Sacramento County CA	Jan-17 Closed	\$1,500,000	90,169 2.07	80 38.6	Highway Commercial	\$18,750	\$16.64
<i>Comments: This site fronts on a cul-de-sac with good exposure to the 80 Freeway in a moderate density area in the northern part of Sacramento. The property was entitled and approved to build an 80-room hospitality building. All utilities were to the site.</i>								
Subject				479,160	203	Community		
Conference Center Drive Roseville, CA				11.00	18.5	Commercial - Special Area		

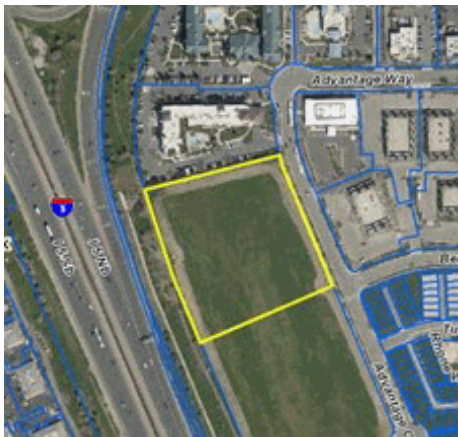
Comparable Land Sales Map – Hotel Use





Sale 1
9180 Klaage Ct.

Sale 2
Vacant Commercial Land



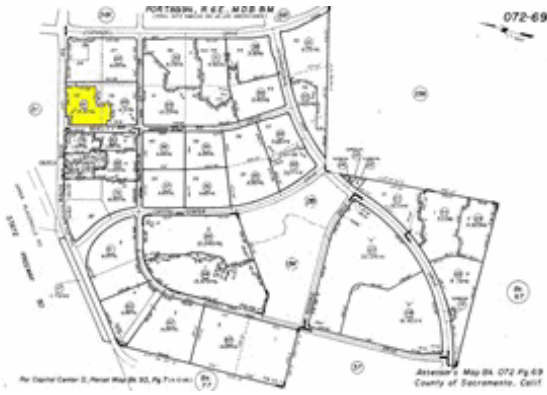
Sale 3
3041 Advantage Way

Sale 4
2015 Vine Street



Sale 5
4647-4652 Fermi Place

Sale 6
Innovate Corp Center - Parcel 2



Sale 7
SEC of White Rock Rd. & Quality Dr.



Sale 8
3845 Rosin Ct

Analysis and Adjustment of Sales

Adjustment Factor	Accounts For	Comments
Effective Sale Price	Atypical economics of a transaction, such as demolition cost or expenditures by buyer at time of purchase.	The comparables were not impacted by any additional factors which would affect sale price. No adjustments have been made.
Real Property Rights	Fee simple, leased fee, leasehold, partial interest, etc.	All comparables reflect fee simple transactions. No adjustments are required.
Financing Terms	Seller financing, or assumption of existing financing, at non-market terms.	Each transaction reflects typical cash to seller financing. No adjustments are necessary.
Conditions of Sale	Extraordinary motivation of buyer or seller, assemblage, forced sale.	The comparables were not impacted by any unusual conditions of sale. No adjustments have been made.
Market Conditions	Changes in the economic environment over time that affect the appreciation and depreciation of real estate.	The sales occurred from January 2017 through May 2019. Market conditions have generally been improving over this time. As in the commercial land sale analysis, sales occurring in 2018 or later have not been adjusted upward due to the impact of COVID-19 on the current land market. A 3% adjustment has been made to sales occurring in 2017 to account for market conditions between 2017 and 2018.
Location	Market or submarket area influences on sale price; surrounding land use influences.	Sale 2 has been adjusted upward for its location in Lincoln, while Sale 4 has been adjusted downward for its superior location in El Dorado Hills.

Access/Exposure	Convenience to transportation facilities; ease of site access; visibility; traffic counts.	<p>The majority of comparables include similar access and exposure characteristics to the subject, with highway or interstate proximity and/or visibility.</p> <p>Though Sale 1 does not have highway visibility, it is located proximate to Interstate 5, which is more heavily trafficked than Highway 65. Therefore, the sale has not been adjusted. As these characteristics are offsetting.</p> <p>Sale 2 is proximate to Highway 65, but does not offer highway visibility. This sale has been adjusted upward.</p> <p>Sale 3 enjoys visibility from Interstate 5, and has similar access characteristics to the subject property; this sale has been adjusted downward slightly given its visibility and proximity to Interstate 5.</p> <p>Sale 4 enjoys some visibility from Highway 50, but does not have frontage along the highway. The comparable also has average access from Highway 50. No adjustment is required, as these factors offset each other.</p> <p>Sale 5 has inferior visibility to the subject property, but is proximate to Interstate 80 which is more heavily trafficked than Highway 65. No adjustment has been made due to these offsetting characteristics.</p> <p>Similar to other comparables, Sale 6 does not offer interstate visibility, but it proximate to the more heavily trafficked Interstate 5. As these factors offset each other, no adjustment is necessary.</p>
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Adjustment Factor	Accounts For	Comments
Size	Inverse relationship that often exists between parcel size and unit value.	<p>Sale 7 does not have Highway visibility but offers superior access to Highway 50. These two characteristics are offsetting.</p> <p>Finally, Sale 8 has visibility from Interstate 80, as well as superior access. This sale has been adjusted downward.</p> <p>At 11 acres, the subject's acreage is significantly larger than many of the comparables. However, this analysis is conducted on a \$/proposed room basis. The subject will include 203 rooms, and the majority of comparables include between 100 and 225 rooms. Sale 8 will include 80 rooms and has been adjusted downward slightly.</p>
Shape and Topography	Primary physical factors that affect the utility of a site for its highest and best use.	The subject and comparable sites reflect average utility. No adjustments have been made.
Zoning	Government regulations that affect the types and intensities of uses allowable on a site.	The subject and comparables include zoning designations which permit hotel use. No adjustments are necessary.
Entitlements	The specific level of governmental approvals attained pertaining to development of a site.	<p>The subject is owned by the city of Roseville, which envisions a hotel and conference center on the site. Therefore, the site is considered entitled for the purposes of this analysis. Sales 2 and 3 have been adjusted upward because they were either not entitled at the time of sale, or the buyer was in the process of securing entitlements.</p>

The following table summarizes the adjustments we make to each sale.

Land Sales Adjustment Grid - Hotel Use									
	Subject	Comparable 1	Comparable 2	Comparable 3	Comparable 4	Comparable 5	Comparable 6	Comparable 7	Comparable 8
Name	Conference Center Drive Land	9180 Klaage Ct.	Vacant Commercial Land	3041 Advantage Way	2015 Vine Street	4647-4652 Fermi Place	Innovate Corp Center - Parcel 2	SEC of White Rock Rd. & Quality Dr.	3845 Rosin Ct
Address	Conference Center Drive	9180 Klaage Ct.	Galewind Dr.	3041 Advantage Way	2015 Vine St.	4647-4652 Fermi Pl.	2599 Arena Blvd.	10700 White Rock Rd.	3845 Rosin Ct.
City	Roseville	Elk Grove	Lincoln	Sacramento	El Dorado Hills	Davis	Sacramento	Rancho Cordova	Sacramento
County	Placer	Sacramento	Placer	Sacramento	El Dorado	Yolo	Sacramento	Sacramento	Sacramento
State	California	CA	CA	CA	CA	CA	CA	CA	CA
Sale Date		May-19	Nov-18	Nov-18	Aug-17	Jul-17	Jul-17	Mar-17	Jan-17
Sale Status		Closed	Closed	Closed	Closed	Closed	Closed	Closed	Closed
Sale Price		\$1,825,000	\$1,364,000	\$2,383,500	\$2,050,000	\$1,639,000	\$1,471,000	\$1,692,500	\$1,500,000
Price Adjustment		-	-	-	-	-	-	-	-
Description of Adjustment									
Effective Sale Price		\$1,825,000	\$1,364,000	\$3,283,500	\$2,050,000	\$1,639,000	\$1,471,000	\$1,692,500	\$1,500,000
Square Feet	479,160	80,150	135,036	195,149	125,017	117,176	111,514	182,952	90,169
Acres	11.00	1.84	3.10	4.48	2.87	2.69	2.56	4.20	2.07
Number of Rooms	203	108	104	224	115	120	120	105	80
Price per Room		\$16,898	\$13,115	\$14,658	\$17,826	\$13,658	\$12,258	\$16,119	\$18,750
Property Rights		Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
% Adjustment		-	-	-	-	-	-	-	-
Financing Terms		Cash to seller -	Cash to seller	Cash to seller	Cash to seller	Cash to seller	Cash to seller	Cash to seller	All cash
% Adjustment		-	-	-	-	-	-	-	-
Conditions of Sale		Market	Market	Market	Market	Market	Market	Market	Market
% Adjustment		-	-	-	-	-	-	-	-
Market Conditions	5/18/2020	May-19	Nov-18	Nov-18	Aug-17	Jul-17	Jul-17	Mar-17	Jan-17
Annual % Adjustment	3%	-	-	-	3%	3%	3%	3%	3%
Cumulative Adjusted Price		\$16,898	\$13,115	\$14,658	\$18,361	\$14,068	\$12,626	\$16,603	\$19,313
Location		-	5%	-	-10%	-	-	-	-
Access/Exposure		-	5%	-5%	-	-	-	-	-5%
Size		-	-	-	-	-	-	-	-5%
Shape and Topography		-	-	-	-	-	-	-	-
Zoning		-	-	-	-	-	-	-	-
Entitlements		-	10%	10%	-	-	-	-	-
Net \$ Adjustment		\$0	\$2,623	\$733	-\$1,836	\$0	\$0	\$0	-\$1,931
Net % Adjustment		0%	20%	5%	-10%	0%	0%	0%	-10%
Final Adjusted Price		\$16,898	\$15,738	\$15,391	\$16,525	\$14,068	\$12,626	\$16,603	\$17,381
Overall Adjustment		0%	20%	5%	-7%	3%	3%	3%	-7%
Range of Adjusted Prices		\$12,626 - \$17,381							
Average		\$15,654							
Indicated Value		\$16,000							



Land Value Conclusion – Hotel Use

Prior to adjustment, the sales ranged from \$12,258 to \$18,750 per room. After adjustment, the range is narrowed to \$12,626 to \$17,381 per room, with an average of \$15,654 per room. We give greatest weight to Sales 1, 2, and 3, because they are the most recent. We also give consideration to Sale 7 because it reflects a density of 25 rooms per acre, which is most similar to the subject's conceptual plan. Therefore, we arrive at a value conclusion as follows:

Land Value Conclusion	
Indicated Value per Room	\$16,000
Subject Rooms	203
Indicated Value	\$3,248,000
Rounded	\$3,250,000

As discussed, the conceptual plan for the subject includes 203 rooms within 11 acres, which reflects a lower density than the comparable properties. However, the subject property would also include a conference and event center, which the comparables do not include. There would be significant construction costs associated with the event center, and municipalities often offer developers incentives to assist in the financial feasibility of conference centers. Typically, conference center construction is the result of a public/private partnership. As previously noted, this appraisal is concerned with the land value of the subject site, and does not consider the going concern of the envisioned project. Therefore, it is our opinion the conference center would be primarily viewed as a significant cost obligation that would not necessarily be recovered without a public/private partnership. In other words, the conference center is not expected to incentivize market participants to pay more per room for the subject land, despite the lower density of the property.

Summary of Land Values

Based on this analysis, the market value as is and the market value as if developed for hospitality use are as follows:

Summary of Land Values					
Parcel	Unit of Comparison	Units	Indicated Unit Value	Indicated Value	Rounded
Commercial Use	Total SF	479,160	\$12.00	\$5,749,920	\$5,750,000
Hotel Use	Rooms	203	\$16,000	\$3,248,000	\$3,250,000

Reconciliation and Conclusion of Value

As discussed previously, we use only the sales comparison approach in developing an opinion of value for the subject. The cost and income approaches are not applicable, and are not used.

Based on the preceding valuation analysis and subject to the definitions, assumptions, and limiting conditions expressed in the report, our value opinions follow:

Value Conclusions			
Appraisal Premise	Interest Appraised	Date of Value	Value Conclusion
Market Value As Is	Fee Simple	May 18, 2020	\$5,750,000
Market Value As If Developed for Hospitality Use	Fee Simple	May 18, 2020	\$3,250,000

Extraordinary Assumptions and Hypothetical Conditions

The value conclusions are subject to the following extraordinary assumptions. An extraordinary assumption is an assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions.

None.

The value conclusions are based on the following hypothetical conditions. A hypothetical condition is a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis.

None.

The use of any extraordinary assumption or hypothetical condition may have affected the assignment results.

Exposure Time

Exposure time is the length of time the subject property would have been exposed for sale in the market had it sold on the effective valuation date at the concluded market value. Based on the concluded market values stated previously, it is our opinion that the probable exposure time is 12 months.

Marketing Period

Marketing time is an estimate of the amount of time it might take to sell a property at the concluded market value immediately following the effective date of value. We estimate the subject's marketing period at 12 months.

Certification

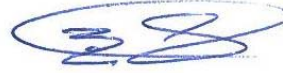
We certify that, to the best of our knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. We have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
4. We have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding the agreement to perform this assignment.
5. We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
6. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
8. Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice as well as applicable state appraisal regulations.
9. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
10. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
11. Lance Jordan, MAI, Eric Segal, MAI, and Laura Diaz have made personal inspections of the property that is the subject of this report.
12. No one provided significant real property appraisal assistance to the person(s) signing this certification.
13. We have experience in appraising properties similar to the subject and are in compliance with the Competency Rule of USPAP.
14. As of the date of this report, Lance Jordan, MAI, and Eric Segal, MAI, MAI, have completed the continuing education program for Designated Members of the Appraisal Institute.

15. As of the date of this report, Laura Diaz has completed the Standards and Ethics Education Requirements for Candidates/Practicing Affiliates of the Appraisal Institute.



Lance Jordan, MAI
Certified General Real Estate Appraiser
California Certificate # AG012709



Eric Segal, MAI
Certified General Real Estate Appraiser
California Certificate # AG026558



Laura Diaz
Certified General Real Estate Appraiser
California Certificate # 3005037

Assumptions and Limiting Conditions

This appraisal and any other work product related to this engagement are limited by the following standard assumptions, except as otherwise noted in the report:

1. The title is marketable and free and clear of all liens, encumbrances, encroachments, easements and restrictions. The property is under responsible ownership and competent management and is available for its highest and best use.
2. There are no existing judgments or pending or threatened litigation that could affect the value of the property.
3. There are no hidden or undisclosed conditions of the land or of the improvements that would render the property more or less valuable. Furthermore, there is no asbestos in the property.
4. The revenue stamps placed on any deed referenced herein to indicate the sale price are in correct relation to the actual dollar amount of the transaction.
5. The property is in compliance with all applicable building, environmental, zoning, and other federal, state and local laws, regulations and codes.
6. The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.

This appraisal and any other work product related to this engagement are subject to the following limiting conditions, except as otherwise noted in the report:

1. An appraisal is inherently subjective and represents our opinion as to the value of the property appraised.
2. The conclusions stated in our appraisal apply only as of the effective date of the appraisal, and no representation is made as to the effect of subsequent events.
3. No changes in any federal, state or local laws, regulations or codes (including, without limitation, the Internal Revenue Code) are anticipated.
4. No environmental impact studies were either requested or made in conjunction with this appraisal, and we reserve the right to revise or rescind any of the value opinions based upon any subsequent environmental impact studies. If any environmental impact statement is required by law, the appraisal assumes that such statement will be favorable and will be approved by the appropriate regulatory bodies.
5. Unless otherwise agreed to in writing, we are not required to give testimony, respond to any subpoena or attend any court, governmental or other hearing with reference to the property without compensation relative to such additional employment.
6. We have made no survey of the property and assume no responsibility in connection with such matters. Any sketch or survey of the property included in this report is for illustrative purposes only and should not be considered to be scaled accurately for size. The appraisal

- covers the property as described in this report, and the areas and dimensions set forth are assumed to be correct.
7. No opinion is expressed as to the value of subsurface oil, gas or mineral rights, if any, and we have assumed that the property is not subject to surface entry for the exploration or removal of such materials, unless otherwise noted in our appraisal.
 8. We accept no responsibility for considerations requiring expertise in other fields. Such considerations include, but are not limited to, legal descriptions and other legal matters such as legal title, geologic considerations such as soils and seismic stability; and civil, mechanical, electrical, structural and other engineering and environmental matters. Such considerations may also include determinations of compliance with zoning and other federal, state, and local laws, regulations and codes.
 9. The distribution of the total valuation in the report between land and improvements applies only under the reported highest and best use of the property. The allocations of value for land and improvements must not be used in conjunction with any other appraisal and are invalid if so used. The appraisal report shall be considered only in its entirety. No part of the appraisal report shall be utilized separately or out of context.
 10. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraisers, or any reference to the Appraisal Institute) shall be disseminated through advertising media, public relations media, news media or any other means of communication (including without limitation prospectuses, private offering memoranda and other offering material provided to prospective investors) without the prior written consent of the persons signing the report.
 11. Information, estimates and opinions contained in the report and obtained from third-party sources are assumed to be reliable and have not been independently verified.
 12. Any income and expense estimates contained in the appraisal report are used only for the purpose of estimating value and do not constitute predictions of future operating results.
 13. If the property is subject to one or more leases, any estimate of residual value contained in the appraisal may be particularly affected by significant changes in the condition of the economy, of the real estate industry, or of the appraised property at the time these leases expire or otherwise terminate.
 14. Unless otherwise stated in the report, no consideration has been given to personal property located on the premises or to the cost of moving or relocating such personal property; only the real property has been considered.
 15. The current purchasing power of the dollar is the basis for the values stated in the appraisal; we have assumed that no extreme fluctuations in economic cycles will occur.
 16. The values found herein are subject to these and to any other assumptions or conditions set forth in the body of this report but which may have been omitted from this list of Assumptions and Limiting Conditions.
 17. The analyses contained in the report necessarily incorporate numerous estimates and assumptions regarding property performance, general and local business and economic

- conditions, the absence of material changes in the competitive environment and other matters. Some estimates or assumptions, however, inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, actual results achieved during the period covered by our analysis will vary from our estimates, and the variations may be material.
18. The Americans with Disabilities Act (ADA) became effective January 26, 1992. We have not made a specific survey or analysis of the property to determine whether the physical aspects of the improvements meet the ADA accessibility guidelines. We claim no expertise in ADA issues, and render no opinion regarding compliance of the subject with ADA regulations. Inasmuch as compliance matches each owner's financial ability with the cost to cure the non-conforming physical characteristics of a property, a specific study of both the owner's financial ability and the cost to cure any deficiencies would be needed for the Department of Justice to determine compliance.
 19. The appraisal report is prepared for the exclusive benefit of you, your subsidiaries and/or affiliates. It may not be used or relied upon by any other party. All parties who use or rely upon any information in the report without our written consent do so at their own risk.
 20. No studies have been provided to us indicating the presence or absence of hazardous materials on the subject property or in the improvements, and our valuation is predicated upon the assumption that the subject property is free and clear of any environment hazards including, without limitation, hazardous wastes, toxic substances and mold. No representations or warranties are made regarding the environmental condition of the subject property. IRR - Sacramento, Integra Realty Resources, Inc., and their respective officers, owners, managers, directors, agents, subcontractors or employees (the "Integra Parties"), shall not be responsible for any such environmental conditions that do exist or for any engineering or testing that might be required to discover whether such conditions exist. Because we are not experts in the field of environmental conditions, the appraisal report cannot be considered as an environmental assessment of the subject property.
 21. The persons signing the report may have reviewed available flood maps and may have noted in the appraisal report whether the subject property is located in an identified Special Flood Hazard Area. However, we are not qualified to detect such areas and therefore do not guarantee such determinations. The presence of flood plain areas and/or wetlands may affect the value of the property, and the value conclusion is predicated on the assumption that wetlands are non-existent or minimal.
 22. We are not a building or environmental inspector. The Integra Parties do not guarantee that the subject property is free of defects or environmental problems. Mold may be present in the subject property and a professional inspection is recommended.
 23. The appraisal report and value conclusions for an appraisal assume the satisfactory completion of construction, repairs or alterations in a workmanlike manner.
 24. **IRR - Sacramento is an independently owned and operated company. The parties hereto agree that Integra shall not be liable for any claim arising out of or relating to any appraisal report or any information or opinions contained therein as such appraisal report is the sole and exclusive responsibility of IRR - Sacramento. In addition, it is expressly agreed that in**

- any action which may be brought against the Integra Parties arising out of, relating to, or in any way pertaining to the engagement letter, the appraisal reports or any related work product, the Integra Parties shall not be responsible or liable for any incidental or consequential damages or losses, unless the appraisal was fraudulent or prepared with intentional misconduct. It is further expressly agreed that the collective liability of the Integra Parties in any such action shall not exceed the fees paid for the preparation of the assignment (unless the appraisal was fraudulent or prepared with intentional misconduct). It is expressly agreed that the fees charged herein are in reliance upon the foregoing limitations of liability.**
25. IRR - Sacramento is an independently owned and operated company, which has prepared the appraisal for the specific intended use stated elsewhere in the report. The use of the appraisal report by anyone other than the Client is prohibited except as otherwise provided. Accordingly, the appraisal report is addressed to and shall be solely for the Client's use and benefit unless we provide our prior written consent. We expressly reserve the unrestricted right to withhold our consent to your disclosure of the appraisal report or any other work product related to the engagement (or any part thereof including, without limitation, conclusions of value and our identity), to any third parties. Stated again for clarification, unless our prior written consent is obtained, no third party may rely on the appraisal report (even if their reliance was foreseeable).
26. The conclusions of this report are estimates based on known current trends and reasonably foreseeable future occurrences. These estimates are based partly on property information, data obtained in public records, interviews, existing trends, buyer-seller decision criteria in the current market, and research conducted by third parties, and such data are not always completely reliable. The Integra Parties are not responsible for these and other future occurrences that could not have reasonably been foreseen on the effective date of this assignment. Furthermore, it is inevitable that some assumptions will not materialize and that unanticipated events may occur that will likely affect actual performance. While we are of the opinion that our findings are reasonable based on current market conditions, we do not represent that these estimates will actually be achieved, as they are subject to considerable risk and uncertainty. Moreover, we assume competent and effective management and marketing for the duration of the projected holding period of this property.
27. All prospective value opinions presented in this report are estimates and forecasts which are prospective in nature and are subject to considerable risk and uncertainty. In addition to the contingencies noted in the preceding paragraph, several events may occur that could substantially alter the outcome of our estimates such as, but not limited to changes in the economy, interest rates, and capitalization rates, behavior of consumers, investors and lenders, fire and other physical destruction, changes in title or conveyances of easements and deed restrictions, etc. It is assumed that conditions reasonably foreseeable at the present time are consistent or similar with the future.
28. The appraisal is also subject to the following:

Extraordinary Assumptions and Hypothetical Conditions

The value conclusions are subject to the following extraordinary assumptions. An extraordinary assumption is an assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions.

None.

The value conclusions are based on the following hypothetical conditions. A hypothetical condition is a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis.

None.

The use of any extraordinary assumption or hypothetical condition may have affected the assignment results.

Addendum A
Appraiser Qualifications



Lance Jordan, MAI

Experience

Senior Managing Director for INTEGRAL REALTY RESOURCES – Sacramento (IRR). Actively engaged in real estate valuation and consulting since 1989. Prior to joining IRR, was a partner with Seevers Jordan Ziegenmeyer since 1997. Extensive experience in the valuation of all forms of industrial properties, community/neighborhood shopping centers, office buildings - CBD and suburban, multi-family, hotels and motels, vacant land and special purpose properties. Clients served include banks and financial institutions, developers and investors, law and accounting firms, business/industry, government, and mortgage bankers. Valuations have been performed for financing, eminent domain purposes, as well as estate tax and estate planning. In summary, with over 28 years of experience in the field, he has developed the expertise and background necessary to deal with complex assignments covering a wide range of property types.

Professional Activities & Affiliations

Chairman: Appraisal Institute - Sacramento/Sierra Chapter - California Government Relations Committee, January 2015 - December 2017
Committee: Appraisal Institute - Sacramento/Sierra Chapter - California Government Relations, January 2014 - December 2017
Board of Director: Appraisal Institute - Sacramento/Sierra Chapter, January 2014 - December 2016
Appraisal Institute, Member (MAI) , May 2012
Vice President: Appraisal Institute - Sacramento/Sierra Chapter, January 2007 - December 2007
Other: Appraisal Institute - Sacramento/Sierra Chapter - Secretary/Treasurer, January 2006 - December 2006

Licenses

California, Certified General Real Estate Appraiser, AG012709, Expires January 2022

Education

Bachelor of Science - Accountancy, CSU - Sacramento, 1991
Recent Continuing Education:
Lake Tahoe Litigation Conference – Appraisal Institute
Forecasting Revenue – Appraisal Institute
Appraising Distressed Commercial Real Estate – Appraisal Institute
Litigation Appraising: Specialized Topics and Applications – Appraisal Institute
Business Practices and Ethics – Appraisal Institute
The Essentials, Current Issues & Misconceptions in Appraising – Appraisal Institute
Review Theory - General

Qualified Before Courts & Administrative Bodies

Court Appointed Expert Witness, Placer County Superior Courts, 2014

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

Lance C. Jordan

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

“Certified General Real Estate Appraiser”

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

BREA APPRAISER IDENTIFICATION NUMBER: AG 012709

Effective Date: January 9, 2020
Date Expires: January 8, 2022


Jim Martin, Bureau Chief, BRE

3049238

Eric Segal, MAI

Experience

Mr. Segal is a Certified General real estate appraiser and holds the Appraisal Institute's MAI designation. In 1998, Mr. Segal began his career in real estate as a research analyst/appraiser trainee for Richard Seevers and Associates. By 1999, he began writing narrative appraisal reports covering a variety of commercial properties, with an emphasis on residential master planned communities and subdivisions. Today, Mr. Segal is a partner in the firm and is involved in appraisal assignments covering a wide variety of properties including office, retail, industrial, multifamily housing, master planned communities, and specializes in the appraisal of Mello-Roos Community Facilities Districts and Assessment Districts for land-secured municipal financings, as well as multifamily developments under the U.S. Department of Housing and Urban Development's Multifamily Accelerated Processing (MAP) Guide. He has developed the experience and background necessary to deal with complex assignments covering an array of property types, with a particular focus on urban redevelopment in the cities of San Francisco, Monterey, Alameda and San Mateo. He has developed the experience and background necessary to deal with complex assignments covering an array of property types. Eric is currently Managing Director of the Integra-San Francisco office and Senior Managing Director of the Integra-Sacramento office.

Professional Activities & Affiliations

Appraisal Institute, Member (MAI) Appraisal Institute, January 2016

Licenses

California, Certified General, AG026558, Expires February 2021
Nevada, Certified General, A.0207666-CG, Expires January 2021
Washington, Certified General, 20100611, Expires June 2021
Arizona, Certified General, CGA - 1006422, Expires January 2022

Education

Academic:

Bachelor of Science in Business Administration (Concentrations in Finance and Real Estate & Land Use Affairs), California State University, Sacramento

Appraisal and Real Estate Courses:

Uniform Standards of Professional Appraisal Practice
Appraisal Principles
Basic Income Capitalization
Highest & Best Use and Market Analysis
Advanced Income Capitalization
Report Writing and Valuation Analysis
Self-Storage Economics and Appraisal Seminar
Appraisal Litigation Practice and Courtroom Management
Hotel Valuations: New Techniques for today's Uncertain Times
Computer Enhanced Cash Flow Modeling
Advanced Sales Comparison & Cost Approaches
Advanced Applications
Supervisor-Trainee Course for California

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

Eric A. Segal

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

“Certified General Real Estate Appraiser”

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

BREA APPRAISER IDENTIFICATION NUMBER: AG 026558

Effective Date: February 19, 2019
Date Expires: February 18, 2021


Jim Martin, Bureau Chief, BREA

3044479

Laura Diaz

Experience

Ms. Diaz is a Certified General real estate appraiser. She began her career in real estate as a research analyst with Integra - Kentucky-Southern Indiana as she pursued her Master of Urban Planning degree. Since graduating in 2013, Ms. Diaz has been writing narrative appraisal reports for a variety of property types, including office, retail, industrial, multifamily housing, and commercial and agricultural land. She has also worked with special-purpose properties, including self-storage facilities, religious facilities, student housing projects, hotels, and data centers. In addition, Ms. Diaz has experience in multifamily market analysis, including development and analysis of survey techniques and models of demand for proposed multifamily projects. In 2017, Ms. Diaz relocated to the San Francisco Bay Area and joined the Integra - San Francisco office.

Licenses

California, Certified General Real Estate Appraiser, 3005037, Expires January 2022

Education

Academic:

Bachelor of Arts in English, University of Louisville

Master of Urban Planning, University of Louisville

Graduate Certificate in Real Estate Development, University of Louisville

Appraisal and Real Estate Courses:

Uniform Standards of Professional Appraisal Practice

Basic Appraisal Principles

Basic Appraisal Procedures

Real Estate Finance Statistics and Valuation Modeling

Site Valuation and Cost Approach

General Market Analysis and Highest and Best Use

Sales Comparison Approach

Income Capitalization Approach Part I

Income Capitalization Approach Part II

General Appraiser Report Writing and Case Studies

Expert Witness for Commercial Appraisers

Basic Hotel Appraising – Limited Service Hotels

Integra Realty Resources
San Francisco

555 Meridian Avenue
Suite C
San Jose, CA 95126

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F

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ldiaz@irr.com - 415-715-4690





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

Laura B. Diaz

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

“Certified General Real Estate Appraiser”

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

BREA APPRAISER IDENTIFICATION NUMBER: 3005037

Effective Date: January 3, 2020
Date Expires: January 2, 2022


Jim Martin, Bureau Chief, BREA

3050185

About IRR

Integra Realty Resources, Inc. (IRR) provides world-class commercial real estate valuation, counseling, and advisory services. Routinely ranked among leading property valuation and consulting firms, we are now the largest independent firm in our industry in the United States, with local offices coast to coast and in the Caribbean.

IRR offices are led by MAI-designated Senior Managing Directors, industry leaders who have over 25 years, on average, of commercial real estate experience in their local markets. This experience, coupled with our understanding of how national trends affect the local markets, empowers our clients with the unique knowledge, access, and historical perspective they need to make the most informed decisions.

Many of the nation's top financial institutions, developers, corporations, law firms, and government agencies rely on our professional real estate opinions to best understand the value, use, and feasibility of real estate in their market.

Local Expertise...Nationally!

irr.com



Addendum B
Property Information



Property Detail Report

For Property Located At :
 , ROSEVILLE, CA



Owner Information

Owner Name: ROSEVILLE CITY OF
 Mailing Address: 311 VERNON ST, ROSEVILLE CA 95678-2649 C009
 Vesting Codes: //

Location Information

Legal Description: 11.0 AC PAR 2 PMOR 35-5532 89
 County: PLACER, CA APN: 363-011-086-000
 Census Tract / Block: 226.00 / 1 Alternate APN:
 Township-Range-Sect: Subdivision:
 Legal Book/Page: 363-011 Map Reference: /
 Legal Lot: Tract #:
 Legal Block: School District:
 Market Area: School District Name:
 Neighbor Code: 0103 Munic/Township:

Owner Transfer Information

Recording/Sale Date: / Deed Type:
 Sale Price: 1st Mtg Document #:
 Document #:

Last Market Sale Information

Recording/Sale Date: / 1st Mtg Amount/Type: /
 Sale Price: 1st Mtg Int. Rate/Type: /
 Sale Type: 1st Mtg Document #:
 Document #: 2nd Mtg Amount/Type: /
 Deed Type: 2nd Mtg Int. Rate/Type: /
 Transfer Document #: Price Per SqFt:
 New Construction: Multi/Split Sale:
 Title Company:
 Lender:
 Seller Name:

Prior Sale Information

Prior Rec/Sale Date: / Prior Lender:
 Prior Sale Price: Prior 1st Mtg Amt/Type: /
 Prior Doc Number: Prior 1st Mtg Rate/Type: /
 Prior Deed Type:

Property Characteristics

Year Built / Eff: / Total Rooms/Offices
 Gross Area: Total Restrooms: Garage Area:
 Building Area: Roof Type: Garage Capacity:
 Tot Adj Area: Roof Material: Parking Spaces:
 Above Grade: Construction: Heat Type:
 # of Stories: Foundation: Air Cond:
 Other Improvements: Building Permit Exterior wall: Pool:
 Basement Area: Quality:
 Condition:

Site Information

Zoning: Acres: 11.00 County Use: VAC-COMMERCIAL (20)
 Lot Area: 479,160 Lot Width/Depth: x State Use:
 Land Use: COMMERCIAL Commercial Units: Water Type:
 ACREAGE
 Site Influence: Sewer Type: Building Class:

Tax Information

Total Value: Assessed Year: 2019 Property Tax:
 Land Value: Improved %: Tax Area: 005001
 Improvement Value: Tax Year: Tax Exemption:
 Total Taxable Value:

Addendum C
Comparable Data



Land Sales - Commercial Use



Location & Property Identification

Property Name: Vacant Land
 Sub-Property Type: Commercial
 Address: 1700 Freedom Way
 City/State/Zip: Roseville, CA 95678
 County: Placer

Market Orientation: Suburban

IRR Event ID: 2451407



Sale Information

Sale Price: \$2,717,000
 Effective Sale Price: \$2,717,000
 Sale Date: 07/18/2019
 Recording Date: 07/18/2019
 Sale Status: Closed
 \$/Acre(Gross): \$578,085
 \$/Land SF(Gross): \$13.27
 Grantor/Seller: BSO, LLC.
 Grantee/Buyer: Tower Roseville Freedom Way, LLC.

Assets Sold: Real estate only
 Property Rights: Fee Simple
 % of Interest Conveyed: 100.00
 Financing: Cash to seller
 Document Type: Deed
 Recording No.: 2019-0041537
 Verification Type: Secondary Verification

Improvement and Site Data

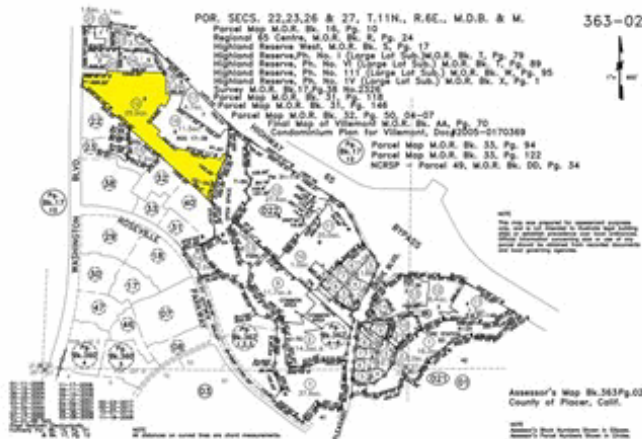
MSA: Sacramento--Roseville--Arden-Arcade, CA
 Acres(Gross): 4.70
 Land-SF(Gross): 204,732
 Zoning Code: PD-SA-NC
 Zoning Desc.: Planned Dev., Special Area, Neighborhood Comm.
 Source of Land Info.: Public Records

Location & Property Identification

Property Name: 1851 Freedom Way
 Sub-Property Type: Commercial
 Address: 1851 Freedom Way
 City/State/Zip: Roseville, CA 95747
 County: Placer

 Market Orientation: Suburban

 IRR Event ID: 2277366



Sale Information

Sale Price: \$6,695,000
 Effective Sale Price: \$6,695,000
 Sale Date: 07/29/2019
 Sale Status: Closed
 \$/Acre(Gross): \$570,613
 \$/Land SF(Gross): \$13.10
 Grantor/Seller: BSO, LLC.
 Grantee/Buyer: Ryan Roseville, LLC.
 Portfolio Sale: No
 Assets Sold: Real estate only
 Property Rights: Fee Simple
 % of Interest Conveyed: 100.00
 Financing: Cash to seller
 Document Type: Deed
 Recording No.: 053469
 Verification Type: Secondary Verification
 Secondary Verific. Source: CoStar, Sacramento Business Journal

Corner Lot: No
 Zoning Code: PD-SA/NC
 Zoning Desc.: Planned Dev., Special Area, Neighborhood Comm.
 Utilities: Electricity, Water Public, Sewer, Gas, Telephone
 Source of Land Info.: Public Records

Comments

This comparable represents an 11.733 acre portion of a larger 25.9 acre parcel located within the Freedom Point Plaza in Roseville. The buyer has plans to construct an 110,000 square foot furniture store, identified as Living Spaces. Site work has begun and the store is slated to open in 2020.

Represents a portion of a larger 25.9 acre parcel

Improvement and Site Data

MSA: Sacramento--Roseville--Arden-Arcade, CA
 Legal/Tax/Parcel ID: 363-022-019
 Acres(Gross): 11.73
 Land-SF(Gross): 511,089
 Shape: Irregular
 Topography: Level

Location & Property Identification

Property Name:	International Dr. Lot 80
Sub-Property Type:	Commercial, Office
Address:	International Dr. Lot 80
City/State/Zip:	Rancho Cordova, CA 95670
County:	Sacramento
Market Orientation:	Suburban
IRR Event ID:	2208487



Sale Information

Sale Price:	\$1,970,000
Effective Sale Price:	\$1,970,000
Sale Date:	09/20/2018
Sale Status:	Closed
\$/Acre(Gross):	\$431,072
\$/Land SF(Gross):	\$9.90
Grantor/Seller:	Zinfandel Holdings Inc. / Britannia Pacific Properties
Grantee/Buyer:	United States of America Inc. / U.S. Department of Veterans Affairs
Property Rights:	Fee Simple
Financing:	Cash to seller
Recording No.:	201809201450
Verification Type:	Secondary Verification

This is the sale of 4.57 acres zoned for office use. The buyer reportedly did not have plans to develop the site immediately and planned to use the parcel for parking in the interim. The parcel has off-sites in place.

The property's zoning is intended predominantly for office use, but commercial, service and residential uses may be integrated into office buildings or located horizontally in freestanding buildings. The district also allows some standalone uses that are not traditional or predominant office uses, such as hospitals, banks/financial institutions, hotels/motels, and recreation, education, and public assembly uses.

Improvement and Site Data

Legal/Tax/Parcel ID:	072-0690-105
Acres(Gross):	4.57
Land-SF(Gross):	199,069
Zoning Code:	OPMU
Zoning Desc.:	Office Professional Mixed-Use
Source of Land Info.:	Public Records

Comments

Location & Property Identification

Property Name: 2.6 acres Granite Dr. & Sierra College Blvd.

Sub-Property Type: Commercial

Address: Granite Dr. & Sierra College Blvd.

City/State/Zip: Rocklin, CA 95677

County: Placer

Market Orientation: Small Town - Non Metro

IRR Event ID: 1942844



Sale Information

Sale Price: \$1,650,000

Effective Sale Price: \$1,650,000

Sale Date: 05/22/2018

Recording Date: 07/12/2018

Sale Status: Closed

\$/Acre(Gross): \$634,615

\$/Land SF(Gross): \$14.57

Grantor/Seller: Trimms Pavilions LLC

Grantee/Buyer: Jaskaran Ents, Inc.

Assemblage: No

Portfolio Sale: No

Assets Sold: Real estate only

Property Rights: Fee Simple

% of Interest Conveyed: 100.00

Financing: Cash to seller

Document Type: Deed

Recording No.: 49845

Verified By: Blake Fassler

Verification Date: 09/28/2018

Verification Type: Confirmed-Seller Broker

Zoning Code: C-2

Zoning Desc.: Commercial

Source of Land Info.: Public Records

Comments

The property represents vacant land located adjacent to an anchored shopping center. The property was originally listed as three separate parcels totaling 6.5 acres of land area.

Improvement and Site Data

Legal/Tax/Parcel ID: 045-041-018, -019

Acres(Gross): 2.60

Land-SF(Gross): 113,256

2.6 acres Granite Dr. & Sierra College Blvd.



Location & Property Identification

Property Name: 8871 E Stockton Blvd.
 Sub-Property Type: Commercial, Retail
 Address: 8871 E. Stockton Blvd.
 City/State/Zip: Elk Grove, CA 95624
 County: Sacramento

Market Orientation: Suburban

IRR Event ID: 2229912



Sale Information

Sale Price: \$6,090,000
 Effective Sale Price: \$6,090,000
 Sale Date: 04/19/2018
 Sale Status: Closed
 \$/Acre(Gross): \$588,406
 \$/Land SF(Gross): \$13.51
 Grantor/Seller: L Street Winn LP
 Grantee/Buyer: Landing at Elk Grove LLC
 Assemblage: No
 Portfolio Sale: No
 Assets Sold: Real estate only
 Property Rights: Fee Simple
 % of Interest Conveyed: 100.00
 Financing: Cash to seller
 Document Type: Deed
 Recording No.: 1804200877
 Verification Type: Secondary Verification

Comments

This is a sale of vacant land zoned for retail use. The property has freeway visibility from State Highway 99 and all of the off-site improvements in place.

Improvement and Site Data

Legal/Tax/Parcel ID: 116-0030-053-0000
 Acres(Gross): 10.35
 Land-SF(Gross): 450,846
 Zoning Code: SC
 Zoning Desc.: Shopping Center
 Source of Land Info.: Public Records

Land Sales - Hotel Use



Location & Property Identification

Property Name: 9180 Klaage Ct.
 Sub-Property Type: Commercial
 Address: 9180 Klaage Ct.
 City/State/Zip: Elk Grove, CA 95758
 County: Sacramento

Market Orientation: Small Town - Non Metro

IRR Event ID: 2173662



Sale Information

Sale Price: \$1,825,000
 Effective Sale Price: \$1,825,000
 Sale Date: 05/10/2019
 Listing Price: \$1,950,000
 Listing Date: 05/14/2019
 Sale Status: Closed
 \$/Acre(Gross): \$991,848
 \$/Land SF(Gross): \$22.77
 \$/Acre(Usable): \$991,848
 \$/Land SF(Usable): \$22.77
 Grantor/Seller: Sahara Enterprises, LLC
 Grantee/Buyer: Elk Grove Hospitality, LLC
 Assemblage: No
 Portfolio Sale: No
 Assets Sold: Real estate only
 Property Rights: Fee Simple
 % of Interest Conveyed: 100.00
 Exposure Time: 11 (months)
 Financing: Cash to seller - buyer obtained financing
 Document Type: Deed
 Recording No.: 1905141144

Land-SF(Usable/Gross): 80,150/80,150
 Usable/Gross Ratio: 1.00
 Topography: Level
 Zoning Code: TC
 Zoning Desc.: Travel Commercial
 Source of Land Info.: Public Records

Comments

Property was entitled for a 108-room, four story Candlewood Suites at the time of sale. The buyer is hoping to open the hotel by the end of 2020. The property was previously approved for a 94-room Wingate hotel, but the previous owner was reportedly unable to secure financing. Property is proximate to Interstate 5.

Improvement and Site Data

Legal/Tax/Parcel ID: 119-1970-021
 Acres(Usable/Gross): 1.84/1.84

Location & Property Identification

Property Name: Vacant Commercial Land
 Sub-Property Type: Commercial, Retail
 Address: Galewind Dr.
 City/State/Zip: Lincoln, CA 95648
 County: Placer

 Market Orientation: Suburban

 IRR Event ID: 2187248



Sale Information

Sale Price: \$1,364,000
 Effective Sale Price: \$1,364,000
 Sale Date: 11/15/2018
 Sale Status: Closed
 \$/Acre(Gross): \$440,000
 \$/Land SF(Gross): \$10.10
 \$/Acre(Usable): \$440,000
 \$/Land SF(Usable): \$10.10
 Grantor/Seller: Pappas Arizona, LS
 Grantee/Buyer: James Guertin and Jeanette Lowe

 Assets Sold: Real estate only
 Property Rights: Fee Simple
 % of Interest Conveyed: 100.00
 Financing: Cash to seller
 Document Type: Deed
 Recording No.: 2018-0083497

Zoning Desc.: Commercial
 Source of Land Info.: Public Records

Comments

This comparable represents the sale of vacant land zoned for commercial development. It is located adjacent to the Kaiser Permanente Lincoln Medical Center as well as several developing residential subdivisions. The buyer intends to construct a 104-room La Quinta Inn & Suites Hotel. The property was unentitled at the time of sale.

Improvement and Site Data

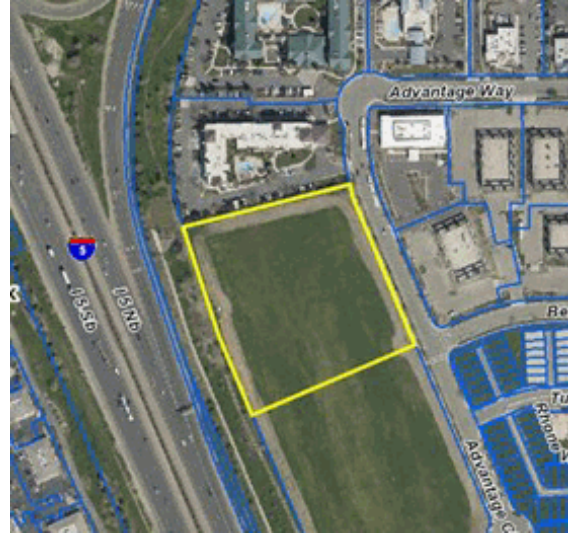
MSA: Sacramento--Roseville--Arden-Arcade, CA
 Legal/Tax/Parcel ID: 329-010-068
 Acres(Usable/Gross): 3.10/3.10
 Land-SF(Usable/Gross): 135,036/135,036
 Usable/Gross Ratio: 1.00
 Zoning Code: C

Location & Property Identification

Property Name: 3041 Advantage Way
 Sub-Property Type: Commercial
 Address: 3041 Advantage Way
 City/State/Zip: Sacramento, CA 95834
 County: Sacramento

Market Orientation: Suburban

IRR Event ID: 2326764



Sale Information

Sale Price: \$2,383,500
 Effective Sale Price: \$3,283,500
 Sale Date: 11/14/2018
 Sale Status: Closed
 \$/Acre(Gross): \$732,924
 \$/Land SF(Gross): \$16.83
 \$/Acre(Usable): \$732,924
 \$/Land SF(Usable): \$16.83
 Grantor/Seller: Alleghany Properties, LLC
 Grantee/Buyer: Shree Surya Hospitality, LLC
 Property Rights: Fee Simple
 % of Interest Conveyed: 100.00
 Financing: Cash to seller
 Document Type: Deed
 Recording No.: 1811141228

Frontage Feet: 417
 Frontage Desc.: Advantage Way
 Source of Land Info.: Public Records

Comments

Sale of vacant land located at the southeast quadrant of Interstate 5 and Del Paso Road. Buyer is proposing two hotels with a total of 224 rooms on the site, which enjoys visibility along I-5. The buyer plans to construct a 111-room Fairfield by Marriott which will include a lounge, pool, dining area, and fitness room. The buyer is also planning a 113-room Aloft hotel with a restaurant/bar, fitness room, conference room, and outdoor pool. The buyer was in the process of securing entitlements at the time of sale, with the Aloft hotel expected to be constructed first.

Improvement and Site Data

MSA: Sacramento--Roseville--Arden-Arcade, CA
 Legal/Tax/Parcel ID: 225-1960-012
 Acres(Usable/Gross): 4.48/4.48
 Land-SF(Usable/Gross): 195,149/195,149
 Usable/Gross Ratio: 1.00
 Shape: Rectangular
 Corner Lot: No

Location & Property Identification

Property Name: 2015 Vine Street
 Sub-Property Type: Commercial
 Address: 2015 Vine St.
 City/State/Zip: El Dorado Hills, CA 95762
 County: El Dorado

Market Orientation: Suburban

IRR Event ID: 1942813



Sale Information

Sale Price: \$2,050,000
 Effective Sale Price: \$2,050,000
 Sale Date: 08/22/2017
 Sale Status: Closed
 \$/Acre(Gross): \$714,286
 \$/Land SF(Gross): \$16.40
 \$/Acre(Usable): \$714,286
 \$/Land SF(Usable): \$16.40
 Grantor/Seller: Town Center East LP
 Grantee/Buyer: 2015 Vine Street LLC
 Assemblage: No
 Portfolio Sale: No
 Assets Sold: Real estate only
 Property Rights: Fee Simple
 % of Interest Conveyed: 100.00
 Exposure Time: 28 (months)
 Financing: Cash to seller
 Document Type: Deed
 Recording No.: 035543

Shape: Irregular
 Topography: Level
 Corner Lot: No
 Zoning Code: CG/PD
 Zoning Desc.: General Commercial, Planned Development
 Flood Plain: No
 Flood Zone Designation: X
 Utilities: Electricity, Water Public, Sewer, Gas
 Source of Land Info.: Public Records

Comments

The sale is of a vacant parcel located within El Dorado Hills Town Center. The parcel has freeway visibility from State Highway 50. A 115-room Aloft hotel is being proposed on the property (which appears to have been entitled at the time of sale), but the zoning (CG/PD) also allows for a variety of commercial uses.

Improvement and Site Data

MSA: Sacramento
 Legal/Tax/Parcel ID: 121-290-056-000
 Acres(Usable/Gross): 2.87/2.87
 Land-SF(Usable/Gross): 125,017/125,017
 Usable/Gross Ratio: 1.00

Location & Property Identification

Property Name: 4647-4652 Fermi Place
 Sub-Property Type: Commercial
 Address: 4647-4652 Fermi Pl.
 City/State/Zip: Davis, CA 95618
 County: Yolo

 Market Orientation: Suburban

 IRR Event ID: 2326757



Sale Information

Sale Price: \$1,639,000
 Effective Sale Price: \$1,639,000
 Sale Date: 07/27/2017
 Recording Date: 08/03/2017
 Sale Status: Closed
 \$/Acre(Gross): \$609,294
 \$/Land SF(Gross): \$13.99
 \$/Acre(Usable): \$609,294
 \$/Land SF(Usable): \$13.99
 Grantor/Seller: Buzz Oates, LLC
 Grantee/Buyer: Jackson Davis, LLC
 Assets Sold: Real estate only
 Property Rights: Fee Simple
 % of Interest Conveyed: 100.00
 Financing: Cash to seller
 Document Type: Deed
 Recording No.: 19866

Shape: Irregular
 Corner Lot: Yes
 Frontage Feet: 285
 Frontage Desc.: Fermi Place
 Source of Land Info.: Public Records

Comments

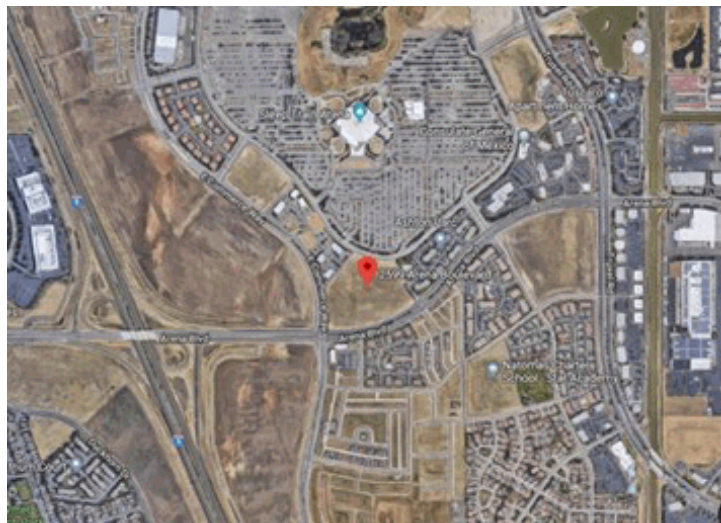
Property was entitled at the time of sale, but the buyer took the property through the entitlement process prior to closing. Buyer is constructing a four-story, 120-room Marriott Residence Inn on the site, which is located at the southwest corner of Mace Blvd and 2nd Street. The improvements are expected to obtain a LEED gold certification and will open in March of 2020.

Improvement and Site Data

MSA: Sacramento--Roseville--Arden-Arcade, CA
 Legal/Tax/Parcel ID: 071-424-004
 Acres(Usable/Gross): 2.69/2.69
 Land-SF(Usable/Gross): 117,176/117,176
 Usable/Gross Ratio: 1.00

Location & Property Identification

Property Name:	Innovate Corp Center - Parcel 2
Sub-Property Type:	Commercial
Address:	2599 Arena Blvd.
City/State/Zip:	Sacramento, CA 95834
County:	Sacramento
Market Orientation:	Suburban
IRR Event ID:	2173666



Source of Land Info.: Public Records

Sale Information

Sale Price:	\$1,471,000
Effective Sale Price:	\$1,471,000
Sale Date:	07/19/2017
Sale Status:	Closed
\$/Acre(Gross):	\$574,609
\$/Land SF(Gross):	\$13.19
\$/Acre(Usable):	\$697,156
\$/Land SF(Usable):	\$16.00
Grantor/Seller:	Natomas Arena Investors
Grantee/Buyer:	A3 Hospitality Natomas, LLC
Assets Sold:	Real estate only
Property Rights:	Fee Simple
% of Interest Conveyed:	100.00
Financing:	Cash to seller
Document Type:	Deed
Recording No.:	201707190843

Comments

This property represents Parcel 2 in the Innovate Corporate Center. The site is proximate to both Interstates 50 and 5, north of downtown Sacramento. The buyer plans to construct a 120-room TownePlace Suites by Marriott. The property was entitled at the time of sale.

Improvement and Site Data

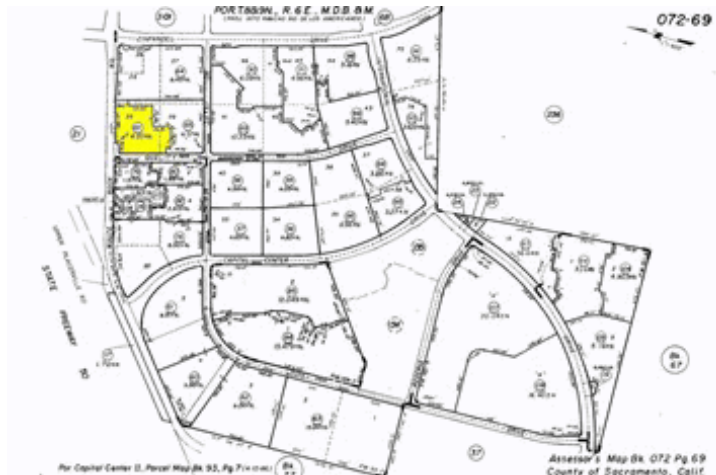
Legal/Tax/Parcel ID:	225-0070-120
Acres(Usable/Gross):	2.11/2.56
Land-SF(Usable/Gross):	91,911/111,513
Usable/Gross Ratio:	0.82
Topography:	Level
Zoning Code:	EC 40
Zoning Desc.:	Commercial

Location & Property Identification

Property Name: SEC of White Rock Rd. & Quality Dr.
 Sub-Property Type: Commercial, Office
 Address: 10700 White Rock Rd.
 City/State/Zip: Rancho Cordova, CA 95670
 County: Sacramento

Market Orientation: Suburban

IRR Event ID: 1340396



Sale Information

Sale Price: \$1,692,500
 Effective Sale Price: \$1,692,500
 Sale Date: 03/01/2017
 Contract Date: 03/28/2016
 Sale Status: Closed
 \$/Acre(Gross): \$402,976
 \$/Land SF(Gross): \$9.25
 \$/Acre(Usable): \$402,976
 \$/Land SF(Usable): \$9.25
 Grantor/Seller: MBJL Holdings, LLC
 Grantee/Buyer: Heritage Inn Rancho Cordova, LLC

Assets Sold: Real estate only
 Property Rights: Fee Simple
 % of Interest Conveyed: 100.00
 Exposure Time: 77 (months)
 Financing: Cash to seller
 Document Type: Contract of Sale

Sale Analysis

Current Use at T.O.S.: Vacant Land
 Entitlement @ T.O.S.: Yes

Entitlement Status.: Fully Entitled for a 79,308 SF three-story office building

Improvement and Site Data

Legal/Tax/Parcel ID: 072-0690-101-0000
 Acres(Usable/Gross): 4.20/4.20
 Land-SF(Usable/Gross): 182,952/182,952
 Usable/Gross Ratio: 1.00
 Shape: Irregular
 Topography: Level
 Corner Lot: Yes
 Zoning Code: OPMU
 Zoning Desc.: Office, Professional, Mixed-Use

Environmental Issues: No
 Flood Plain: No
 Flood Zone Designation: X
 Utilities: Electricity, Water Public, Sewer, Gas

Source of Land Info.: Public Records

Comments

The property is located at the southeast corner of White Rock Road and Quality Drive in Rancho Cordova. It is zoned OPMU, and allows for office, professional, and mixed-use. The property sold fully entitled for a 79,308 SF three-story office building (Capital Center IV). It features curbs, gutters, sidewalks with no on-site

Comments (Cont'd)

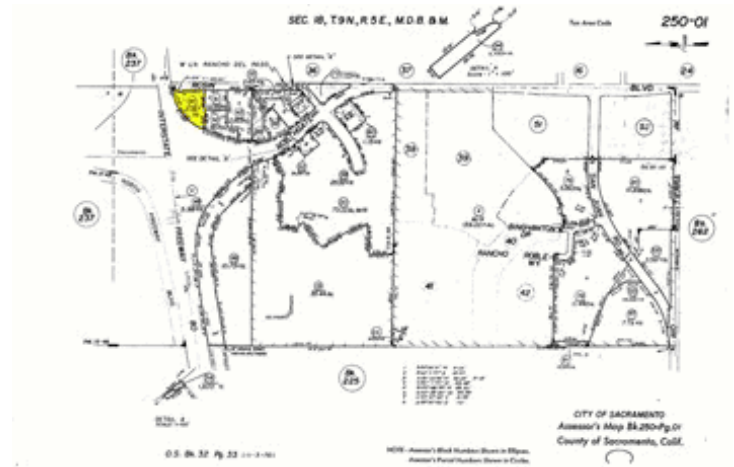
improvements. There is no bond debt encumbering the property.

Location & Property Identification

Property Name: 3845 Rosin Ct
 Sub-Property Type: Commercial
 Address: 3845 Rosin Ct.
 City/State/Zip: Sacramento, CA 95834
 County: Sacramento

Market Orientation: Suburban

IRR Event ID: 1488298



Source of Land Info.: Public Records

Sale Information

Sale Price: \$1,500,000
 Effective Sale Price: \$1,500,000
 Sale Date: 01/17/2017
 Listing Price: \$1,800,000
 Sale Status: Closed
 \$/Acre(Gross): \$724,638
 \$/Land SF(Gross): \$16.64
 Grantor/Seller: Northgate Properties
 Grantee/Buyer: Northgate Investment Group LLC
 Property Rights: Fee Simple
 Financing: All cash
 Document Type: Other
 Recording No.: 170117-1264

Comments

This site fronts on a cul-de-sac with good exposure to the 80 Freeway in a moderate density area in the northern part of Sacramento. The property was entitled and approved to build an 80-room hospitality building. All utilities were to the site.

Improvement and Site Data

Legal/Tax/Parcel ID: 250-0010-090-0000
 Acres(Gross): 2.07
 Land-SF(Gross): 90,169
 Shape: Irregular
 Topography: Level
 Corner Lot: No
 Zoning Code: HC
 Zoning Desc.: Highway Commercial

Addendum D
Engagement Letter

Integra Realty Resources
Sacramento

3825 Atherton Road
Suite 500
Rocklin, CA 95765

T 916.435.3883
F 916.435.4774
www.irr.com



April 1, 2020

Laura Matteoli
Economic Development Director
City of Roseville - Economic Development Department
Civic Center
311 Vernon Street
Roseville, California 95678

SUBJECT: Vacant Land
11± acre site identified by Assessor's Parcel Number 363-011-086
Roseville, Sacramento County, California 95678

Dear Ms. Matteoli:

Thank you for considering Integra Realty Resources – Sacramento for your real estate valuation needs. Enclosed is my Agreement for Appraisal Services pertaining to the above referenced property. The total fee for delivery of the completed appraisal report will be \$9,000.

Please return a signed copy of the attached Agreement to my office at your earliest convenience. The appraisal fee will be due 30 days NET after delivery of completed report. Provided the signed contract is received within 3 business days, we anticipate delivery of the completed report no later than 3± weeks from receipt of the signed contract.

In accordance with the attached Agreement for Appraisal Services, the scope of this assignment will require IRR – Sacramento to consider all relevant and applicable approaches to value as determined during the course of our research, analysis of the subject property and preparation of the report.

Laura Matteoli
City of Roseville - Economic Development Department
Civic Center
Page 2

If you have any questions, please do not hesitate to contact me at 916-435-3883, ext. 232 or by e-mail at ljordan@irr.com.

Respectfully submitted,

Integra Realty Resources - Sacramento

A handwritten signature in black ink, appearing to read "Lance Jordan", with a long horizontal flourish extending to the right.

Lance Jordan
Certified General Real Estate Appraiser
CA Certificate # AG012709
Telephone: 916-435-3883, ext. 232
Email: ljordan@irr.com

Attachments

Agreement for Appraisal Services

The terms of the agreement are outlined as follows:

Date of the Agreement	April 1, 2020
Parties to the Agreement	Integra Realty Resources – Sacramento (also identified as “IRR”) and City of Roseville (the “Client”).
Purpose of the Appraisal	To provide an opinion of market value of the fee simple interest in the subject property. Market value under two scenarios: <ol style="list-style-type: none">1. Based on the property’s Highest and Best Use2. Based on hotel/conference center development
Intended User	The client and intended user is City of Roseville - Economic Development Department. The appraisal is not intended for any other user.
Intended Use	This appraisal is intended to be used for establishing the market value of the subject property for marketing purposes. The appraisal is not intended for any other use.
Effective Date of Value	Date of inspection.
Appraised Property	The subject property is located at 11± acre site identified by Assessor’s Parcel Number 363-011-086, Roseville California 95678.
USPAP Compliance	The appraisal will be prepared in conformance with and subject to the <i>Code of Professional Ethics and Standards of Professional Appraisal Practice</i> of the Appraisal Institute and the <i>Uniform Standards of Professional Appraisal Practice</i> (USPAP) developed by the Appraisal Standards Board of the Appraisal Foundation.
Prior Services	The Ethics Rule of USPAP requires appraisers to disclose to the client any other services they have provided in connection with the subject property in the prior three years, including valuation, consulting, property management, brokerage, or any other services. We have not performed any services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
Scope of Work	In accordance with our correspondence, the scope of this

assignment will require IRR – Sacramento to consider all relevant and applicable approaches to value as determined during the course of our research, subject property analysis and preparation of the report.

Please note, Federal banking regulations require banks and other lending institutions to engage appraisers where FIRREA compliant appraisals must be used in connection with mortgage loans or other transactions involving federally regulated lending institutions. Given that requirement, this appraisal may not be accepted by a Federally-regulated financial institution.

Appraisal Report Format

The appraisal will be communicated in an Appraisal Report – Summary / Standard format. All work will be performed under the direct supervision of the undersigned, together with other staff members. The appraisal and this letter agreement will be subject to our standard assumptions and limiting conditions a copy of which is attached as Attachment I.

Fee

The total fee for this assignment will be \$9,000.

It is understood that simple interest of 15% per annum will accrue on any unpaid balance for compensation due, subject to reduction pursuant to any applicable usury law. We shall also be entitled to recover our costs (including attorneys' fees), associated with collecting any amounts owed or otherwise incurred in connection with this assignment. If the assignment is cancelled by either party prior to completion, you agree to pay us for all our expenses and our time to date based upon the percentage of work completed. Upon default, we shall be permitted to file a lien against the subject property for any amounts owed pursuant to this engagement.

Start, Acceptance, and Delivery Dates

Provided the signed contract is received within 3 business days, we will commence work on the assignment. Additionally, with these conditions met we anticipate delivery of the appraisal report within 3 weeks. This delivery date is contingent on the absence of events outside our control, timely access for inspection of the subject property, as well as our receipt of all requested information necessary to complete the assignment.

Report Copies

A PDF of the appraisal report will be provided.

Inspection Disclosure

Please be advised that we are not experts in the areas of

building inspection (including mold), environmental hazards, ADA compliance or wetlands. Therefore, unless we have been provided with appropriate third-party expert reports, the appraisal will assume that there are no environmental, wetlands, or ADA compliance problems. The agreed upon fees for our services assume the absence of such issues inasmuch as additional research and analysis may be required. If an expert is required, you are responsible for their selection, payment and actions.

Litigation Clause

In the event that we receive a subpoena or are called to testify in any litigation, arbitration or administrative hearing of any nature whatsoever or as a result of this engagement or the related report, to which we are not a party, you agree to pay our then current hourly rates for such preparation and presentation of testimony.

Use of Data

You agree that: (i) the data collected by us in this assignment will remain our property; and (ii) with respect to any data provided by you, IRR – Sacramento and its partner companies may utilize, sell and include such data (either in the aggregate or individually), in the Integra database and for use in derivative products. You agree that all data already in the public domain may be utilized on an unrestricted basis. Finally, you agree that we may use commercially available as well as proprietary software programs to perform your assignment (web based and others).

Conflicts of Interest

If we discover during the course of preparing the appraisal there is a conflict of interest with a separate IRR office, we reserve the right to cancel the agreement and withdraw from the assignment without incurring penalties.

If you agree with the terms set forth in this letter and wish us to proceed with the engagement, please sign below and return one copy to us. Thank you for this opportunity to be of service and we look forward to working with you.

AGREED & ACCEPTED BY:

Integra Realty Resources – Sacramento



Lance Jordan
Managing Director

April 1, 2020

AGREED & ACCEPTED BY:



Laura Matteoli
lmatteoli@roseville.ca.us
916-774-5284

April 2, 2020

Date

ATTACHMENT I

STANDARD ASSUMPTIONS & LIMITING CONDITIONS

The appraisal report and any work product related to the engagement will be limited by the following standard assumptions:

1. The title is marketable and free and clear of all liens, encumbrances, encroachments, easements and restrictions. The subject property is under responsible ownership and competent management and is available for its highest and best use.
2. There are no existing judgments or pending or threatened litigation that could affect the value of the subject property.
3. There are no hidden or undisclosed conditions of the land or of the improvements that would render the subject property more or less valuable. Furthermore, there is no asbestos in the subject property.
4. The revenue stamps placed on any deed referenced herein to indicate the sale price are in correct relation to the actual dollar amount of the transaction.
5. The subject property is in compliance with all applicable building, environmental, zoning, and other federal, state and local laws, regulations and codes.
6. The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.

The appraisal report and any work product related to the engagement will be subject to the following limiting conditions, except as otherwise noted in the report:

1. An appraisal is inherently subjective and represents our opinion as to the value of the subject property appraised.
2. The conclusions stated in our appraisal apply only as of the effective date of the appraisal, and no representation is made as to the effect of subsequent events.
3. No changes in any federal, state or local laws, regulations or codes (including, without limitation, the Internal Revenue Code) are anticipated.
4. No environmental impact studies were either requested or made in conjunction with this appraisal, and we reserve the right to revise or rescind any of the value opinions based upon any subsequent environmental impact studies. If any environmental impact statement is required by law, the appraisal assumes that such statement will be favorable and will be approved by the appropriate regulatory bodies.
5. Unless otherwise agreed to in writing, we are not required to give testimony, respond to any subpoena or attend any court, governmental or other hearing with reference to the subject property without compensation relative to such additional employment.
6. We have made no survey of the subject property and assume no responsibility in connection with such matters. Any sketch or survey of the subject property included in this report is for illustrative purposes only and should not be considered to be scaled accurately for size. The appraisal covers

the subject property as described in this report, and the areas and dimensions set forth are assumed to be correct.

7. No opinion is expressed as to the value of subsurface oil, gas or mineral rights, if any, and we have assumed that the subject property is not subject to surface entry for the exploration or removal of such materials, unless otherwise noted in our appraisal.
8. We accept no responsibility for considerations requiring expertise in other fields. Such considerations include, but are not limited to, legal descriptions and other legal matters such as legal title, geologic considerations, such as soils and seismic stability, and civil, mechanical, electrical, structural and other engineering and environmental matters. Such considerations may also include determinations of compliance with zoning and other federal, state, and local laws, regulations and codes.
9. The distribution of the total valuation in the report between land and improvements applies only under the reported highest and best use of the subject property. The allocations of value for land and improvements must not be used in conjunction with any other appraisal and are invalid if so used. The appraisal report shall be considered only in its entirety. No part of the appraisal report shall be utilized separately or out of context.
10. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraisers, or any reference to the Appraisal Institute) shall be disseminated through advertising media, public relations media, news media or any other means of communication (including without limitation prospectuses, private offering memoranda and other offering material provided to prospective investors) without the prior written consent of the persons signing the report.
11. Information, estimates and opinions contained in the report and obtained from third-party sources are assumed to be reliable and have not been independently verified.
12. Any income and expense estimates contained in the appraisal report are used only for the purpose of estimating value and do not constitute predictions of future operating results.
13. If the subject property is subject to one or more leases, any estimate of residual value contained in the appraisal may be particularly affected by significant changes in the condition of the economy, of the real estate industry, or of the subject property at the time these leases expire or otherwise terminate.
14. Unless otherwise stated in the report, no consideration has been given to personal property located on the subject property or to the cost of moving or relocating such personal property; only the real property has been considered.
15. The current purchasing power of the dollar is the basis for the value stated in the appraisal; we have assumed that no extreme fluctuations in economic cycles will occur.
16. The values found herein are subject to these and to any other assumptions or conditions set forth in the body of this report but which may have been omitted from this list of Assumptions and Limiting Conditions.
17. The analyses contained in the report necessarily incorporate numerous estimates and assumptions regarding property performance, general and local business and economic

conditions, the absence of material changes in the competitive environment and other matters. Some estimates or assumptions, however, inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, actual results achieved during the period covered by our analysis will vary from our estimates, and the variations may be material.

18. The Americans with Disabilities Act (ADA) became effective January 26, 1992. We have not made a specific survey or analysis of the subject property to determine whether the physical aspects of the improvements meet the ADA accessibility guidelines. We claim no expertise in ADA issues, and render no opinion regarding compliance of the subject property with ADA regulations. Inasmuch as compliance matches each owner's financial ability with the cost to cure the non-conforming physical characteristics of a property, a specific study of both the owner's financial ability and the cost to cure any deficiencies would be needed for the Department of Justice to determine compliance.
19. The appraisal report is prepared for the exclusive benefit of you, your subsidiaries and/or affiliates. It may not be used or relied upon by any other party. All parties who use or rely upon any information in the report without our written consent do so at their own risk.
20. No studies have been provided to us indicating the presence or absence of hazardous materials on the subject property or in the improvements, and our valuation is predicated upon the assumption that the subject property is free and clear of any environment hazards including, without limitation, hazardous wastes, toxic substances and mold. No representations or warranties are made regarding the environmental condition of the subject property. IRR – Sacramento and/or any of its officers, owners, managers, directors, agents, subcontractors or employees (the "Integra Parties") shall not be responsible for any such environmental conditions that do exist or for any engineering or testing that might be required to discover whether such conditions exist. Because we are not experts in the field of environmental conditions, the appraisal report cannot be considered as an environmental assessment of the subject property.
21. The persons signing the report may have reviewed available flood maps and may have noted in the appraisal report whether the subject property is located in an identified Special Flood Hazard Area. However, we are not qualified to detect such areas and therefore do not guarantee such determinations. The presence of flood plain areas and/or wetlands may affect the value of the subject property, and the value conclusion is predicated on the assumption that wetlands are non-existent or minimal.
22. We are not a building or environmental inspector. The Integra Parties do not guarantee that the subject property is free of defects or environmental problems. Mold may be present in the subject property and a professional inspection is recommended.
23. The appraisal report and value conclusions for an appraisal assumes the satisfactory completion of construction, repairs or alterations in a workmanlike manner.
24. IRR – Sacramento is an independently owned and operated company, which has prepared the appraisal for the specific intended use stated elsewhere in the report. The use of the appraisal report by anyone other than the Client is prohibited except as otherwise provided. Accordingly, the appraisal report is addressed to and shall be solely for the Client's use and benefit unless we provide our prior written consent. We expressly reserve the unrestricted right to withhold our consent to your disclosure of the appraisal report or any other work product related to the

engagement (or any part thereof including, without limitation, conclusions of value and our identity), to any third parties. Stated again for clarification, unless our prior written consent is obtained, no third party may rely on the appraisal report (even if their reliance was foreseeable).

25. The conclusions of this report are estimates based on known current trends and reasonably foreseeable future occurrences. These estimates are based partly on property information, data obtained in public records, interviews, existing trends, buyer-seller decision criteria in the current market, and research conducted by third parties, and such data are not always completely reliable. The Integra Parties are not responsible for these and other future occurrences that could not have reasonably been foreseen on the effective date of this assignment. Furthermore, it is inevitable that some assumptions will not materialize and that unanticipated events may occur that will likely affect actual performance. While we are of the opinion that our findings are reasonable based on current market conditions, we do not represent that these estimates will actually be achieved, as they are subject to considerable risk and uncertainty. Moreover, we assume competent and effective management and marketing for the duration of the projected holding period of the subject property.
26. All prospective value opinions presented in this report are estimates and forecasts which are prospective in nature and are subject to considerable risk and uncertainty. In addition to the contingencies noted in the preceding paragraph, several events may occur that could substantially alter the outcome of our estimates such as, but not limited to changes in the economy, interest rates, capitalization rates, behavior of consumers, investors and lenders, fire and other physical destruction, changes in title or conveyances of easements and deed restrictions, etc. It is assumed that conditions reasonably foreseeable at the present time are consistent or similar with the future.

As will be determined during the course of the assignment, additional extraordinary or hypothetical conditions may be required in order to complete the assignment. The appraisal shall also be subject to those assumptions.