



**CUSHMAN &  
WAKEFIELD**

## APPRAISAL OF REAL PROPERTY

1045 Olive  
1033-1057 S Olive Street  
Los Angeles, Los Angeles County, CA 90015

## IN AN APPRAISAL REPORT

As of August 15, 2017

### Prepared For:

Liner LLP  
633 W 5th Street, 32nd Floor  
Los Angeles, CA 90071-20005

### Prepared By:

Cushman & Wakefield Western, Inc.  
Valuation & Advisory  
601 South Figueroa Street, 47th Floor  
Los Angeles, CA 90017-5752  
Cushman & Wakefield File ID: 17-38003-900645-001



**1045 Olive**  
**1033-1057 S Olive Street**  
**Los Angeles, Los Angeles County, CA 90015**



601 South Figueroa Street, 47th Floor  
Los Angeles, CA 90017-5752  
Tel +1 (213) 955-5100  
cushmanwakefield.com

August 11, 2017

Mr. Ryan Leaderman  
Partner  
**Liner LLP**  
633 W 5th Street, 32nd Floor  
Los Angeles, CA 90071-20005

Re: Appraisal Report

**1045 Olive**  
1033-1057 S Olive Street  
Los Angeles, Los Angeles County, CA 90015

Cushman & Wakefield File ID: 17-38003-900645-001

Dear Mr. Leaderman:

We are pleased to transmit our appraisal of the above referenced property in the following Appraisal Report.

This Appraisal Report has been prepared in accordance with the *Uniform Standards of Professional Appraisal Practice* (USPAP).

The subject property consists of a 41,603 square foot (0.96 acre) site located in Downtown Los Angeles in Los Angeles County, CA 90015. We note that the site area presented herein corresponds to the "pre-dedicated land area" of the subject property. The Client indicated that the "post-dedicated land area" will be approximately 37,172 square feet. The subject property is located on the northwest corner of 11th and Olive Streets in the South Park district of Downtown Los Angeles. The subject benefits from good access and visibility. The property is comprised of five contiguous parcels forming a generally rectangular shape. The property has a regular configuration that does not limit its development potential. The subject property is currently improved with five single-level commercial buildings totaling 35,651 square feet of gross building area. All of the buildings were constructed in 1911 and are of poor to average condition/quality. There are approximately 10 surface parking spaces located in the rear of the buildings on APNs 5139-010-002 and -008. Based on our exterior inspection of the subject property, it appears that some of the subject improvements are currently occupied, while others are vacant. The building located on the corner was formerly occupied by the sales team for the adjacent TEN50 Grand condominium development, however, they have since relocated within the TEN50 building. Site improvements include concrete curbing and sidewalks, tree planters along Olive Street, a small asphalt parking lot, lighting, and drainage.

We note the scope of this assignment is to opine to the Hypothetical Fair Market Value of the Fee Simple interest in the subject property As If Vacant, based on the Highest and Best Use.

Based on the agreed-to Scope of Work, and as outlined in the report, we developed the following opinion of Hypothetical Fair Market Value:

<b>Value Conclusions</b>			
<b>Appraisal Premise</b>	<b>Real Property Interest</b>	<b>Date Of Value</b>	<b>Value Conclusion</b>
Hypothetical Fair Market Value As If Vacant	Fee Simple	August 15, 2017	\$23,700,000

*Compiled by Cushman & Wakefield Western, Inc.*

The value opinion in this report is qualified by certain assumptions, limiting conditions, certifications, and definitions, as well as the following hypothetical conditions.

## Extraordinary Assumptions

For a definition of Extraordinary Assumptions please see the Glossary of Terms & Definitions. The use of extraordinary assumptions, if any, might have affected the assignment results.

This appraisal does not employ any extraordinary assumptions.

## Hypothetical Conditions

For a definition of Hypothetical Conditions please see the Glossary of Terms & Definitions. The use of hypothetical conditions, if any, might have affected the assignment results.

Per the scope of this assignment, we have analyzed the subject property assuming a vacant land condition. The subject property is currently improved with various single-level commercial structures. Accordingly, our value premise is based on the hypothetical condition that the subject property is vacant land as of the date of value.

## Prior Appraisal

The Hypothetical Fair Market Value As If Vacant increased by \$2,000,000 since the prior valuation. This is due to a revised subject site area based on new information. The site area presented herein corresponds to the pre-dedicated gross lot area indicated in the ALTA survey provided by ownership, which is approximately 3,500 square feet larger than the net site area presented in the previous appraisal.

<b>Final Value Comparison Chart</b>						
<b>Appraisal Premise</b>	<b>Real Property Interest</b>	<b>Date Of Value</b>	<b>Current Appraisal</b>	<b>Prior Date Of Value</b>	<b>Prior Appraisal</b>	<b>Variance</b>
Hypothetical Fair Market Value As If Vacant	Fee Simple	August 15, 2017	\$23,700,000	November 11, 2016	\$21,700,000	9.22%

*Compiled by Cushman & Wakefield Western, Inc.*

This letter is invalid as an opinion of value if detached from the report, which contains the text, exhibits, and Addenda.

Respectfully submitted,

**CUSHMAN & WAKEFIELD WESTERN, INC.**



---

Jacob Kovner  
Director  
CA Certified General Appraiser  
License No. 3004444  
jacob.kovner@cushwake.com  
213-955-5112 Office Direct



---

Michele Kauffman, MAI  
Executive Director  
CA Certified General Appraiser  
License No. AG042324  
michele.kauffman@cushwake.com  
(213) 955-6495 Office Direct

## Summary of Salient Facts and Conclusions

The subject property consists of a 41,603 square foot (0.96 acre) site located in Downtown Los Angeles in Los Angeles County, CA 90015. We note that the site area presented herein corresponds to the "pre-dedicated land area" of the subject property. The Client indicated that the "post-dedicated land area" will be approximately 37,172 square feet. The subject property is located on the northwest corner of 11th and Olive Streets in the South Park district of Downtown Los Angeles. The subject benefits from good access and visibility. The property is comprised of five contiguous parcels forming a generally rectangular shape. The property has a regular configuration that does not limit its development potential. The subject property is currently improved with five single-level commercial buildings totaling 35,651 square feet of gross building area. All of the buildings were constructed in 1911 and are of poor to average condition/quality. There are approximately 10 surface parking spaces located in the rear of the buildings on APNs 5139-010-002 and -008. Based on our exterior inspection of the subject property, it appears that some of the subject improvements are currently occupied, while others are vacant. The building located on the corner was formerly occupied by the sales team for the adjacent TEN50 Grand condominium development, however, they have since relocated within the TEN50 building. Site improvements include concrete curbing and sidewalks, tree planters along Olive Street, a small asphalt parking lot, lighting, and drainage.

### BASIC INFORMATION

<b>Common Property Name:</b>	1045 Olive
<b>Address:</b>	1033-1057 S Olive Street
<b>County:</b>	Los Angeles, California 90015
<b>Property Ownership Entity:</b>	Los Angeles
	1045 Olive, LLC

### SITE INFORMATION

<b>Land Area:</b>	<b><u>Square Feet</u></b>	<b><u>Acres</u></b>
<b>Main Parcel</b>	41,603	0.96
<b>Site Shape:</b>	Rectangular	
<b>Site Topography:</b>	Level at street grade	
<b>Frontage:</b>	Good	
<b>Site Utility:</b>	Good	

**MUNICIPAL INFORMATION**

**Assessment Information:**

<b>Assessing Authority</b>	Los Angeles County
<b>Assessor's Parcel Identification</b>	5139-010-001, -002, -008, -010, -011
<b>Current Tax Year</b>	2016/2017
<b>Taxable Assessment</b>	\$14,877,871
<b>Current Tax Liability</b>	\$188,272
<b>Taxes per square foot</b>	\$4.53
<b>Are taxes current?</b>	Taxes are current
<b>Is a grievance underway?</b>	Not to our knowledge
<b>Subject's assessment is</b>	Below market level

**Zoning Information:**

<b>Municipality Governing Zoning</b>	City of Los Angeles
<b>Current Zoning</b>	[Q]R5-4D-O
<b>Is current use permitted?</b>	Yes
<b>Current Use Compliance</b>	Pre-existing, non-complying use

**HIGHEST & BEST USE**

**As Vacant:**

A multifamily or mixed-use project built to its maximum feasible building area

VALUATION INDICES	Hypothetical Fair Market Value As If Vacant
<b>VALUE DATE</b>	<b>August 15, 2017</b>
<b>Land Value</b>	
Indicated Value:	\$23,700,000
Per Square Foot of Potential Building Area:	\$94.95
<b>FINAL VALUE CONCLUSION</b>	
Real Property Interest:	Fee Simple
Concluded Value:	\$23,700,000
Per Square Foot of Land Area:	\$569.67
<b>EXPOSURE AND MARKETING TIME</b>	
Exposure Time:	6-9 Months
Marketing Time:	6-9 Months

## Extraordinary Assumptions

For a definition of Extraordinary Assumptions please see the Glossary of Terms & Definitions. The use of extraordinary assumptions, if any, might have affected the assignment results.

This appraisal does not employ any extraordinary assumptions.

## Hypothetical Conditions

For a definition of Hypothetical Conditions please see the Glossary of Terms & Definitions. The use of hypothetical conditions, if any, might have affected the assignment results.

Per the scope of this assignment, we have analyzed the subject property assuming a vacant land condition. The subject property is currently improved with various single-level commercial structures. Accordingly, our value premise is based on the hypothetical condition that the subject property is vacant land as of the date of value.

hs

AERIAL PHOTOGRAPH



and does not depict recently constructed improvements adjacent to Subject Property)

AERIAL PHOTOGRAPH



*and does not depict recently constructed improvements adjacent to Subject Property)*

VIEW OF SUBJECT IMPROVEMENTS FROM OLIVE ST



VIEW OF SUBJECT IMPROVEMENTS FROM OLIVE ST



VIEW OF SUBJECT IMPROVEMENTS FROM OLIVE ST



VIEW OF SUBJECT IMPROVEMENTS FROM SIDEWALK



EASTERLY ORIENTATION ON 11<sup>TH</sup> STREET



WESTERLY ORIENTATION ON 11<sup>TH</sup> STREET



SOUTHERLY ORIENTATION ON OLIVE ST



NORTHERLY ORIENTATION ON OLIVE ST



## Table of Contents

Summary of Salient Facts and Conclusions .....	6
Property Photographs .....	9
Scope of Work.....	16
Overview .....	16
Report Option Description.....	17
Identification Of Property.....	18
Property Ownership And Recent History .....	18
Dates Of Inspection And Valuation .....	18
Client, Intended Use And Users Of The Appraisal.....	19
Extraordinary Assumptions .....	19
Hypothetical Conditions .....	19
Regional Analysis.....	20
Introduction.....	21
Demographic Trends.....	24
Economic Trends .....	27
Conclusion.....	32
Local Area Analysis.....	34
Location Overview.....	35
Access and Transportation .....	35
Downtown Commerce.....	38
Cultural and Recreational Amenities.....	40
Major Development Projects.....	42
Demographic Profile.....	45
Conclusions.....	52
Property Analysis .....	53
Site Description .....	53
Real Property Taxes and Assessments.....	57
Zoning .....	59
Valuation .....	61
Highest and Best Use .....	61
Valuation Process .....	63
Land Valuation .....	65
Reconciliation and Final Value Opinion .....	74
Assumptions and Limiting Conditions .....	75
Certification of Appraisal .....	77
Addenda Contents .....	78

# Scope of Work

## Overview

Scope of work is the type and extent of research and analyses involved in an assignment. To determine the appropriate scope of work for the assignment, we considered the intended use of the appraisal, the needs of the user, the relevant characteristics of the subject property, and other pertinent factors. Our concluded scope of work is summarized below, and in some instances, additional scope details are included in the appropriate sections of the report:

## Research

- We inspected the property and its environs. Physical information on the subject was obtained from the property owner's representative, public records, and/or third-party sources.
- Regional economic and demographic trends, as well as the specifics of the subject's local area were investigated. Data on the local and regional property market (supply and demand trends, rent levels, etc.) was also obtained. This process was based on interviews with regional and/or local market participants, primary research, available published data, and other various resources.
- Other relevant data was collected, verified, and analyzed. Comparable property data was obtained from various sources (public records, third-party data-reporting services, etc.) and confirmed with a party to the transaction (buyer, seller, broker, owner, tenant, etc.) wherever possible. It is, however, sometimes necessary to rely on other sources deemed reliable, such as data reporting services.

## Analysis

- Based upon the subject property characteristics, prevailing market dynamics, and other information, we developed an opinion of the property's Highest and Best Use.
- We analyzed the data gathered using generally accepted appraisal methodology to arrive at a probable value indication via each applicable approach to value.
- The results of each valuation approach are considered and reconciled into a reasonable value estimate.

This report is intended to comply with the reporting requirements outlined under USPAP for an Appraisal Report.

Cushman & Wakefield Western, Inc. has an internal Quality Control Oversight Program. This Program mandates a "second read" of all appraisals. Assignments prepared and signed solely by designated members (MAIs) are read by another MAI who is not participating in the assignment. Assignments prepared, in whole or in part, by non-designated appraisers require MAI participation, Quality Control Oversight, and signature.

For this assignment, Quality Control Oversight was provided by Michele Kauffman, MAI. In addition to a qualitative assessment of the Appraisal Report, Michele Kauffman, MAI is a signatory to the Appraisal Report and concurs in the value estimate(s) set forth herein. Michele Kauffman, MAI is an MAI designated appraiser with approximately 15-20 years of experience appraising properties in the City of Los Angeles.

This appraisal employs only the Sales Comparison Approach. Based on our analysis and knowledge of the subject property type and relevant investor profiles, it is our opinion that this approach would be considered necessary and applicable for market participants. Typical purchasers do not generally rely on the Cost or Income Capitalization Approaches when purchasing a property such as the subject of this report. Therefore, we have not employed the Cost Approach or the Income Capitalization Approach to develop an opinion of market value. The absence of these approaches does not diminish the reliability of the analysis.

## Report Option Description

USPAP identifies two written report options: Appraisal Report and Restricted Appraisal Report. This document is prepared as an Appraisal Report in accordance with USPAP guidelines. The terms “describe,” “summarize,” and “state” connote different levels of detail, with “describe” as the most comprehensive approach and “state” as the least detailed. As such, the following provides specific descriptions about the level of detail and explanation included within the report:

- Describes the real estate and/or personal property that is the subject of the appraisal, including physical, economic, and other characteristics that are relevant
- States the type and definition of value and its source
- Describes the Scope of Work used to develop the appraisal
- Describes the information analyzed, the appraisal methods used, and the reasoning supporting the analyses and opinions; explains the exclusion of any valuation approaches
- States the use of the property as of the valuation date
- Describes the rationale for the Highest and Best Use opinion (if included)

## Identification Of Property

Common Property Name:	1045 Olive
Location:	1033-1057 S Olive Street, Los Angeles, Los Angeles County, California 90015
Assessor's Parcel Number(s):	5139-010-001, -002, -008, -010, -011
Legal Description:	The legal description is presented in the Addenda of the report.

## Property Ownership And Recent History

Current Ownership:	1045 Olive, LLC
Sale History:	<p>It is our understanding that in January 2015, the Client purchased APNs 5139-010-001, -010, and -011 (approximately 22,845 square feet), which comprise the corner of 11<sup>th</sup> and Olive Streets, for a total consideration of \$11,500,000, or \$503 per square foot of land area. In May 2015, the Client purchased the northerly adjacent parcel, APN 5139-010-002, for \$2,900,000, or \$381 per square foot of land area. Lastly, in March 2016, the Client purchased the next northerly adjacent parcel, APN 5139-010-008, for \$5,000,000, or \$657 per square foot of land area.</p> <p>Treated in totality, this equates to a total acquisition price of \$19,400,000, or \$510 per square foot of land area, over the approximately 14 month period. To the best of our knowledge, there have been no other sales or marketing efforts involving the subject over the past three years.</p> <p>Our land value estimate of \$23,700,000 is 22.2 percent higher than the combined acquisition price. This is due to a variety of factors including:</p> <ul style="list-style-type: none"> <li>• improvement in market conditions over the past 24 months</li> <li>• increased value of assemblage as compared to individual, stand-alone parcels.</li> </ul> <p>We believe our estimate of land value as of the current date of value is well-supported by our analysis, and represents a reasonable increase over the acquisition price due to the impact of the factors discussed above.</p>
Current Disposition:	To the best of our knowledge, the property is not under contract of sale nor is it being marketed for sale.

## Dates Of Inspection And Valuation

Effective Date(s) of Valuation:	
As Is:	August 15, 2017

Date of Report:	August 11, 2017
-----------------	-----------------

Date of Inspection:	August 10, 2017
---------------------	-----------------

Property Inspected by:	Jacob Kovner
------------------------	--------------

## Client, Intended Use And Users Of The Appraisal

Client:	Liner LLP
---------	-----------

Intended Use:	This appraisal is intended to provide an opinion of the Hypothetical Fair Market Value of the Fee Simple interest in the subject property As If Vacant for the use of the client in connection with a TFAR application. This report is not intended for any other use.
---------------	--

Intended User:	This appraisal report was prepared for the exclusive use of Liner LLP on behalf of subject ownership, 1045 Olive, LLC. Use of this report by others is not intended by the appraiser.
----------------	---

## Extraordinary Assumptions

For a definition of Extraordinary Assumptions please see the Glossary of Terms & Definitions. The use of extraordinary assumptions, if any, might have affected the assignment results.

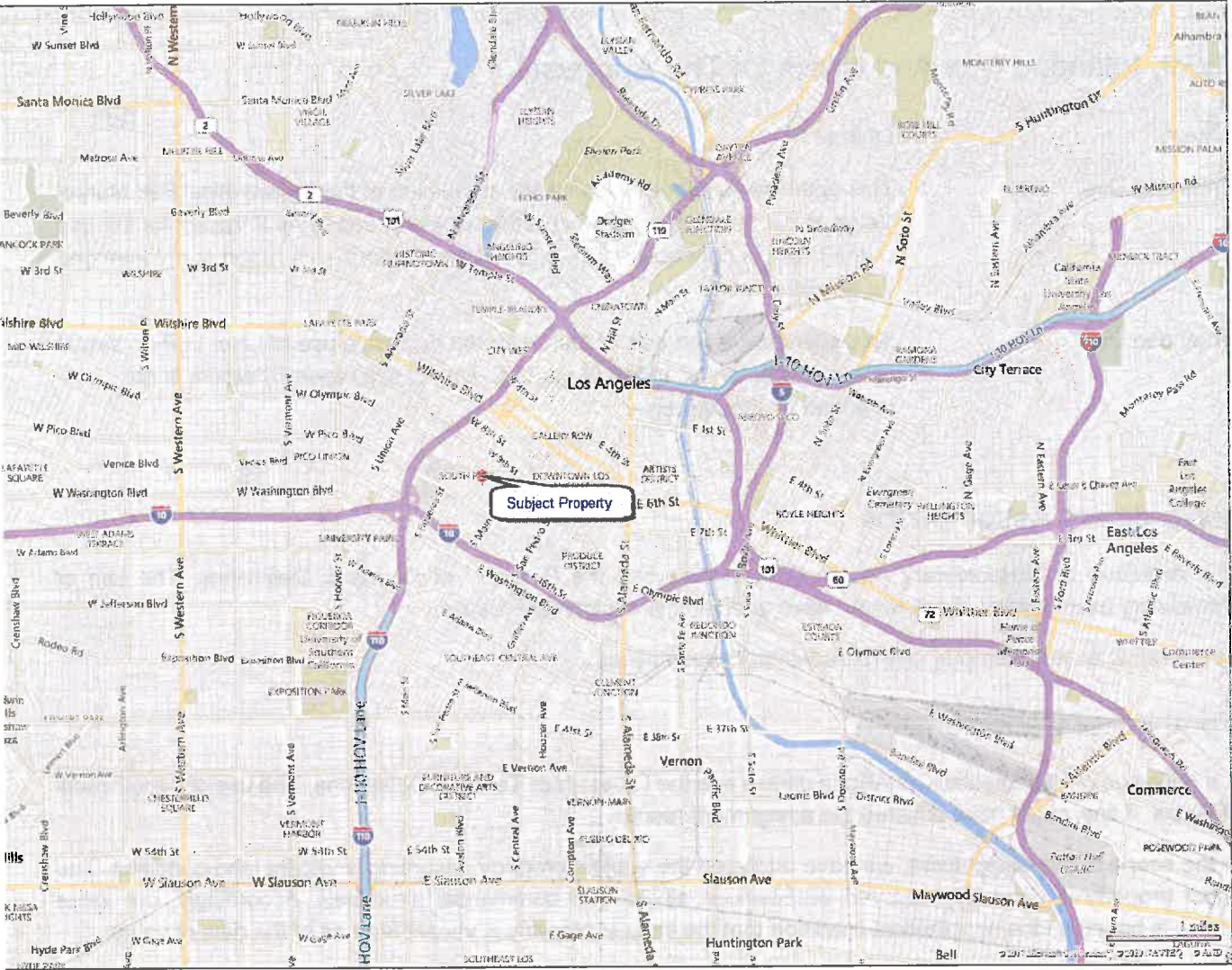
This appraisal does not employ any extraordinary assumptions.

## Hypothetical Conditions

For a definition of Hypothetical Conditions please see the Glossary of Terms & Definitions. The use of hypothetical conditions, if any, might have affected the assignment results.

Per the scope of this assignment, we have analyzed the subject property assuming a vacant land condition. The subject property is currently improved with various single-level commercial structures. Accordingly, our value premise is based on the hypothetical condition that the subject property is vacant land as of the date of value.

REGIONAL MAP



## Introduction

### Market Definition

Los Angeles County is ranked amongst the largest economies in the world. The region has a population of nearly 10.2 million residents, making it the largest county by population in the United States, according to Experian Marketing Solutions' 2016 estimates. The majority of Los Angeles County is heavily urbanized and dense, averaging approximately 2,515 residents per square mile. The county encompasses a total of 4,058 square miles of land area, with approximately 70 miles of coast along the Pacific Ocean. Regions neighboring Los Angeles include Orange County to the south, San Bernardino County to the east, Ventura County to the west and Kern County to the north.

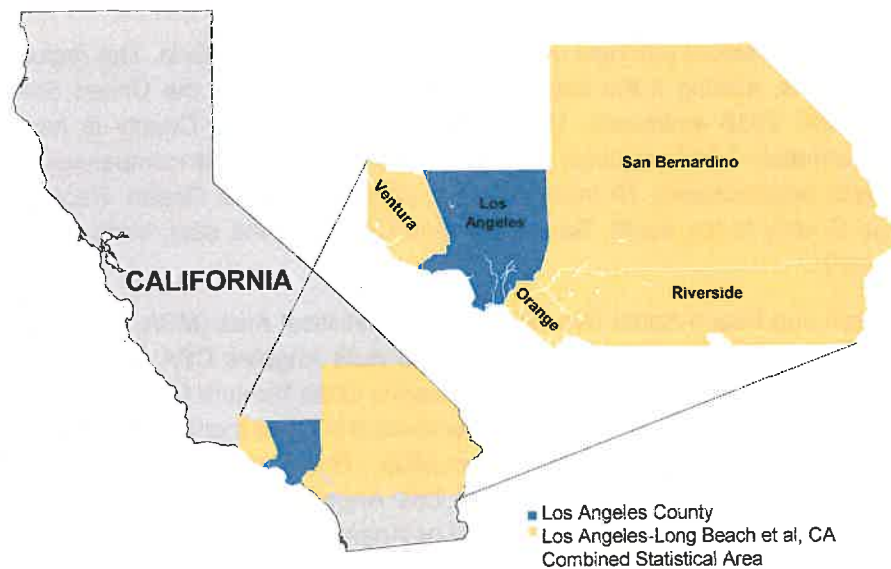
The Los Angeles-Long Beach-Santa Ana Metropolitan Statistical Area (MSA) is the largest of the three MSAs that comprise the Los Angeles Combined Statistical Area (Los Angeles CSA). The Los Angeles CSA includes the Riverside-San Bernardino-Ontario and Oxnard-Thousand Oaks-Ventura Metropolitan Statistical Areas as well. The Los Angeles-Long Beach-Santa Ana MSA is further divided into two metropolitan divisions (MD): Los Angeles-Long Beach-Glendale and Santa Ana-Anaheim-Irvine MDs. The Los Angeles-Long Beach-Glendale Metropolitan Division (Los Angeles MD) is synonymous with Los Angeles County, and will be the focus of the following demographic and economic overview. The City of Los Angeles is the largest incorporated area in the county, which features 88 incorporated cities.

Further considerations are as follows:

- International trade and commerce are major drivers of Los Angeles' local economy, in large part due to the strategic location, size and scope of its local economy. The Los Angeles Customs District, which includes the Ports of Long Beach and Los Angeles (Twin Ports), Port Hueneme and the Los Angeles International Airport (LAX), is the largest in the nation. Additional economic drivers in the region include entertainment, tourism, logistics and high-tech industries.
- The Los Angeles region has an extensive transportation network, equipped with multiple airports, seaports, an advanced freeway network and mass transit options for public use. In addition to the strong infrastructure of the Twin Ports and Los Angeles International Airport, there are two additional active commercial airports that service the region – Long Beach Airport and Bob Hope Airport in Burbank. Additionally, there are numerous rail freight services linking the region to the rest of the state and nation, including the Alameda Corridor – a twenty-mile freight rail expressway that connects the national rail system to the Twin Ports to facilitate the movement of goods throughout the region.

The following map depicts Los Angeles County in relation to the adjacent Orange County and Inland Empire regions:

## LOS ANGELES-LONG BEACH et al, CA COMBINED STATISTICAL AREA (CSA)



Source: Cushman & Wakefield Valuation & Advisory

### Current Trends

After exhibiting robust growth for nearly two years, Los Angeles' regional economy has entered a mature phase of the business cycle while continuing to expand at above average rates. Economic expansion in the region has created substantial employment gains and income growth in recent years, accelerating past both state and national rates. According to the California Employment Development Department (EDD), nonfarm employment in the Los Angeles-Long Beach-Glendale Metropolitan Division (MD) gained 55,700 jobs in the twelve month period ending in May 2017. Additionally, the metro area's unemployment rate fell to 4.0 percent as of May 2017, 20 basis points below the state rate of 4.2 percent and 30 basis points below the national rate of 4.3 percent during the same month. Unemployment in Los Angeles County is currently at the lowest levels seen in the last ten years. Although gains were reported across a broad range of sectors, high-tech, trade, healthcare and construction have propelled the majority of employment growth in the region. Historically, Los Angeles has been recognized as major hub for international trade, entertainment, tourism, and manufacturing. In recent years however, technology industries have exceeded the contribution that trade and the dwindling motion picture sector have made on economic growth. With the region's cyclical recovery reaching completion, expansion will continue to run its course, with the labor markets recording healthy growth alongside continued improvement of home values. The strong Westside submarket in particular continues to be a significant catalyst to the growth of the Los Angeles regional economy.

Further points of consideration include:

- In recent years, Los Angeles has become the third-largest market in the United States for venture capital investment, leading to the successive growth of the Silicon Beach as a major startup ecosystem. While venture capital investments in Los Angeles increased 4.0 percent year-over-year to \$590.0 million in early 2017, seed-stage funding declined sharply by 43.8 percent over the previous year to \$51.6 million, according to Los Angeles-based startup accelerator Amplify.LA. This was primarily due to a decline in average deal size from \$2.8 million to \$1.9 million. The slowdown in early-stage funding could potentially lead to a reduction in later-stage funding in the near term, but is likely to be short-lived as the number of investment funds raised in the region are on the rise.
- While activity at the Twin Ports of Los Angeles and Long Beach fluctuated at the start of 2017, general increases in container volume were recorded over the previous year. After reporting the busiest January of record with container volumes of 826,640 twenty-foot equivalent units (TEUs), cargo at both ports declined significantly in February 2017, to 625,381 TEUs (12.4 percent decrease year-over-year) at the Port of Los Angeles and the Port of Long Beach contracting 11.2 percent over the previous year. Officials of the Twin Ports claim the slowdown was due to the Lunar New Year in China, a top trading partner at the ports. Activity however picked up in March and trended upward over subsequent months, with both ports recording their highest May cargo volumes to date, at 796,217 TEUs and 648,287 TEUs, respectively. Although trade continues to remain a strong economic driver in the region, it will become much less of a catalyst for growth in the near term as the depreciation of the dollar curbs U.S. imports and effects of the Panama Canal expansion project divert cargo to east-coast ports.
- Los Angeles International Airport (LAX) is undergoing a massive modernization project, called the Landside Access Modernization Program (LAMP), aiming to improve access to the nation's third busiest airport. The \$14.0 billion proposed program features three major components; a \$2.0 billion-plus automated people mover connecting the airport's terminals, a \$600.0 million transit center connected to the region's rail network, and a consolidated rental car center to replace dozens of car-rental lots currently servicing the LAX. City officials additionally broke ground on a \$1.6 million midfield passenger terminal in February 2017, which is scheduled for completion in 2019. The collective improvements will support growing air traffic volumes at LAX, which reached 80.9 million passengers and 2.2 million tons of air cargo by year-end 2016. The entirety of the project is expected to reach completion by 2023.
- The Los Angeles County Metropolitan Transportation Authority has awarded Sylmar-based construction firm Tutor Perini Corp. a \$1.4 billion contract for the construction of the second phase of the Metro Purple Line extension, running through Westwood, Beverly Hills and Century City into Downtown Los Angeles. In a joint venture with Connecticut-based O&G Industries, the firm's bid for the project was nearly \$500.0 million lower than two other offers, yet controversially accepted. The total budget for the phase of development of the 2.6-mile extension is set at \$2.4 billion, with nearly \$1.5 billion granted by the U.S. Department of Transportation. The project is scheduled for completion in 2025. Additionally, the Gold Line Construction Authority announced a new timetable for the completion of the extension through the eastern San Gabriel Valley, pushed back two years to 2026 with a budget revised upward \$118.0 million to more than \$1.3 billion.
- The Federal Aviation Administration (FAA) has given the green-light for the development of a new sports stadium to be built for the Los Angeles Rams football team in the city of Inglewood, in close proximity to the Los Angeles International Airport. Approval of the project had been delayed for nearly one year due to concerns that the proposed location would interfere with incoming and outgoing air traffic from LAX. The stadium, whose price tag has been set at \$1.9 billion, proposed its highest point to be 273 feet, creating concern of hazards for planes flying in and out of the airport at 600 to 700 feet above ground. Stadium developers have agreed to pay \$29.0 million to install a secondary aircraft tracking system that will augment the existing LAX radar system to take precaution against potential conflicts. The NFL team's new stadium is slated for completion in 2020.

- Once a significant economic driver in the Los Angeles, the motion picture sector has experienced a significant slowdown in recent years. Despite tax credit incentives offered through the California's Film & Television Tax Credit 2.0 program, on-location feature film shoot days (SD) declined 36.3 percent in first quarter 2017 over the previous year to 723 SDs, according to Film L.A. Initially signed in 2014, the state's \$1.6 billion production incentive program (\$330.0 million awarded annually over five years) aims to retain and attract production jobs and economic activity across the state. The program has however been unsuccessful in encouraging feature filming in the state, in large part due to the recent predominance of television and commercial production which will remain the catalyst for growth of Los Angeles' entertainment industry in the near term.
- The surge in online television streaming is spurring a wave of large-scale office deals in Los Angeles, as companies such as Netflix, Amazon, YouTube and Google are absorbing increasing amounts of space to manage production demands. Office space occupied by the entertainment industry in the Los Angeles market has climbed significantly since the start of this phenomenon and the type of space media companies are seek to lease has evolved from small offices to giant production facilities, comparable to traditional Hollywood studios. This trend reaches from Downtown Los Angeles and Hollywood to the Silicon Beach areas of Playa Vista and Venice, and is expected to help drive down office vacancy rates in Los Angeles County in the near term.
- As of April 2017, a state committee of the Governor's Office of Business and Economic Development approved \$24.0 million in tax credits for 21 companies investing up to a total of \$314.0 million to add as many as 1,970 jobs to the Los Angeles region. The companies benefiting from the state-funded tax credits include General Motors, online video streaming service Hulu, and electric bus manufacturer Proterra. General Motors was awarded an \$8.0 million tax credit for its autonomous vehicle division with more than 1,100 hires across the state. Proterra was awarded \$7.5 million towards its pledge to create approximately 432 jobs at Los Angeles plants, while Hulu was awarded \$4.3 million for pledging to create 410 jobs at its California facilities, including Santa Monica and San Francisco.

## Demographic Trends

### Demographic Characteristics

The median age in Los Angeles is 36.0 years, 2.0 years younger than the national median age of 38.0 years. The region additionally outperforms the nation in terms of affluence and education attainment, with an average annual household income of \$86,746 and 29.8 percent holding Bachelor's degrees or higher (80 basis points higher than the national average). The greater percentage of highly educated individuals indicates that the region relatively high demand for more experienced and academically advanced professionals. Such in-demand employment sectors include the professional & business services, financial activities, education & healthcare, and information technology sectors, most of which require postsecondary degrees. The highly educated population in the Los Angeles region also coincides with the larger percentage of households with income levels above \$100,000. A total of 26.0 percent of households in Los Angeles County have an income level above \$100,000, 3.0 percentage points greater than that of the national average.

Further considerations are as follows:

- According to Experian Marketing Solutions, the median household income in Los Angeles County is estimated to be \$56,699, about 4.0 percent higher than the national median household income of \$54,505. Through 2021, this is expected to grow 3.5 percent annually, exceeding the national growth average by 30 basis points.
- There is high demand for workers with developed skill sets in sectors such as finance, education, and information technology that require postsecondary degrees. Firms in these sectors are additionally required to pay employees increased wages due to the above average cost of living in Los Angeles County.

- The varying level of education across the region indicates that there is a demand for workers with highly developed skill sets in manual labor sectors in Los Angeles County as well. Examples are transportation, manufacturing, and construction, which do not require a postsecondary degree.

The following table highlights and compares the most recent demographic characteristics for Los Angeles County and the United States:

Demographic Characteristics Los Angeles County vs. United States 2016 Estimates		
Characteristic	Los Angeles County	United States
Median Age (years)	36.0	38.0
Average Annual Household Income	\$86,746	\$78,425
Median Annual Household Income	\$56,699	\$54,505
<i>Households by Annual Income Level:</i>		
<\$25,000	23.3%	23.0%
\$25,000 to \$49,999	21.9%	23.4%
\$50,000 to \$74,999	17.2%	18.3%
\$75,000 to \$99,999	11.7%	12.4%
\$100,000 plus	26.0%	23.0%
<i>Education Breakdown:</i>		
< High School	23.5%	13.9%
High School Graduate	20.5%	28.1%
College < Bachelor Degree	26.2%	29.0%
Bachelor Degree	19.5%	18.2%
Advanced Degree	10.3%	10.9%

Source: © 2016 Experian Marketing Solutions, Inc. •All rights reserved•  
Cushman & Wakefield Valuation & Advisory

## Population

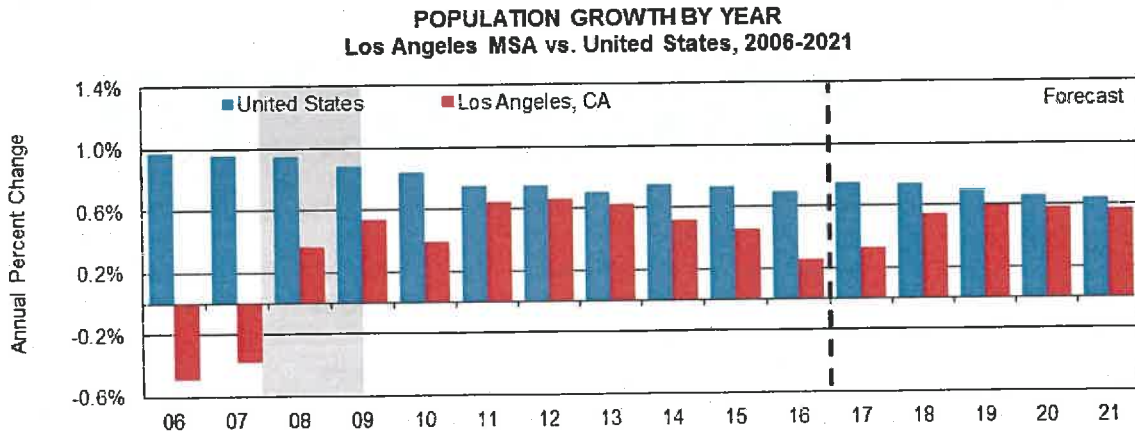
According to Experian Marketing Solutions' 2016 estimates, the Los Angeles-Long Beach-Glendale MD is home to a population of 10.2 million individuals. Along with being the largest county by population in the United States, the Los Angeles region has higher population density than most states in the nation. Over the past decade, Los Angeles' annual population growth of 0.4 percent trailed behind the national population growth trends over the same period. Since 2006, the region's population expansion has remained below 1.0 percent, with growth hindered by the high cost of living, business costs, and rising home values. Population growth in Los Angeles has also historically fallen short of national averages, as the favorable climate and diverse economy make southern California a highly desired location with limited capacity for further growth. Despite the high cost of living, at 123.0 percent compared to the national base cost of 100.0 percent according to Moody's Analytics, the region's impressive demographics with above average educational attainment provide a young and highly skilled employment base to support high-wage jobs. Additionally, the flourishing technology and innovation landscape in Los Angeles has augmented the region's economic drivers and will further continue to support increasing population trends in the region. Growth, however, is expected to occur at a slower rate relative to the nation, primarily due to a lack of available land for new housing development.

Further considerations are as follows:

- With a forecasted 2017 population of nearly 10.2 million individuals, Los Angeles grew at an average annual rate of 0.4 percent between 2006 and 2016. Over the corresponding period of time, the national population exceeded this 0.8 percent annual growth.

- Los Angeles County’s population is expected to grow an average annual rate of 0.6 percent from 2017 to 2021, slightly less than the nation’s projected rate of 0.7 percent over the same period.

The following graph compares population growth within the Los Angeles region and the United States:



Source: Data Courtesy of Moody's Analytics and Cushman & Wakefield Valuation & Advisory  
Note: Shaded bars indicate periods of recession

Of the four metro areas comprising the Los Angeles Combined Statistical Area, the Los Angeles-Long Beach-Glendale metro division experienced the slowest rate of population growth during the ten-year period ending in December 2016. Population growth in Los Angeles, however, is projected to increase steadily through the next five-years, but its growth rate is forecasted to still lag behind that of the other metro areas. Some key factors that continue to suppress population growth in the Los Angeles region include the high cost of living, the moderate economic recovery, lack of available land for development, and the reset from a high unemployment rate.

The following table details the population trends within the Los Angeles region and the United States:

Annualized Population Growth By MSA Los Angeles-Long Beach-Glendale MD 2006-2021						
Population (000's)	2006	2016	Forecast		Compound Annual Growth Rate	Compound Annual Growth Rate
			2017	2021	06-16	17-21
United States	298,379.9	323,127.5	325,555.7	334,625.1	0.8%	0.7%
Los Angeles-Riverside-Orange County, CA CSA	17,454.9	18,688.0	18,766.1	19,228.9	0.7%	0.6%
Los Angeles-Long Beach-Santa Ana MSA	12,670.2	13,310.5	13,354.7	13,646.4	0.5%	0.5%
<b>Los Angeles-Long Beach-Glendale MD</b>	<b>9,738.0</b>	<b>10,137.9</b>	<b>10,170.6</b>	<b>10,404.8</b>	<b>0.4%</b>	<b>0.6%</b>
Santa Ana-Anaheim-Irvine MD	2,932.3	3,172.5	3,184.1	3,241.6	0.8%	0.4%
Riverside-San Bernardino-Ontario MSA	3,986.5	4,527.8	4,556.6	4,702.4	1.3%	0.8%
Oxnard-Thousand Oaks-Ventura MSA	798.2	849.7	854.7	880.1	0.6%	0.7%

Source: Data Courtesy of Moody's Analytics, Cushman & Wakefield Valuation & Advisory

### Households

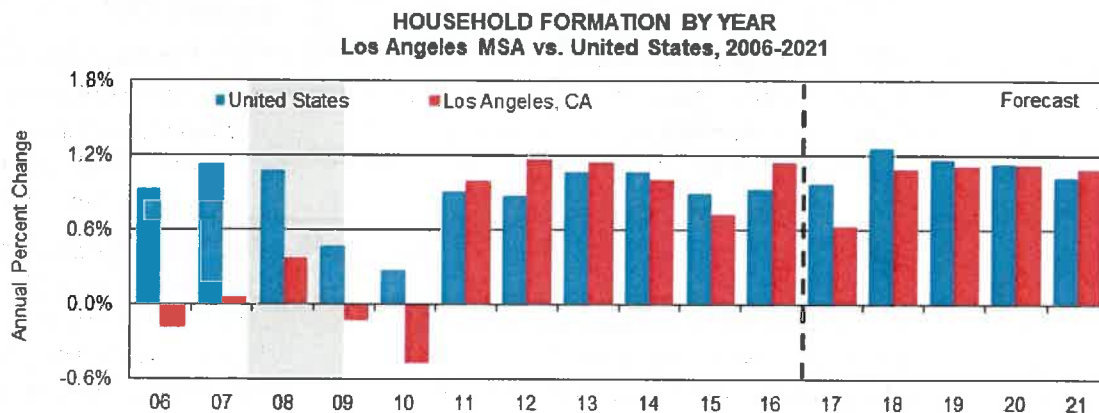
Between 2006 and 2016, household formation trends in Los Angeles averaged 0.6 percent, slightly trailing the national growth rate. Household formation trends in Los Angeles appear to mirror overall population gains, similar to the growth performance of the United States. Over the past decade, growth of households occurred alongside the recovery of the housing market, steadily increasing in income levels, and the millennial generation entering the

first time home buyers' market. In May 2017, the California Association of Realtors reported a 7.3 percent increase in single-family home sales in Los Angeles County over the previous year. Additionally, single-family permits in the region have increased steadily since 2011, and are projected to continue an upward trend into the near term. While there was just a slight increase in population in 2016, there was considerable household formation growth (1.1 percent) compared to the prior year, which is expected to continue to rise above population growth levels over the next five-year period. This increasing trend in household formation can be attributed to various sociological factors such as increasing divorce rates, young professionals postponing marriage, student debt repayment, and relatively high cost of living. Through 2021, Los Angeles County's household formation will accelerate to an average annual rate of 1.1 percent, outperforming the nation's projected average.

Further considerations are as follows:

- Annual household growth in Los Angeles between 2006 and 2016 averaged 0.6 percent, 30 basis points lower than the nation's ten-year average growth rate of 0.9 percent.
- Single-family permits in Los Angeles County are expected to jump 27.9 percent by year-end 2017 over year-end totals of the previous year. Permits are projected to trend upward through 2021, with a compound annual growth rate (CAGR) of 3.5 percent over the next five years.
- The projected household compound annual growth rate for the next five years through 2021 in Los Angeles is forecasted to be 1.1 percent, equal to the national average growth rate of 1.1 percent annually.

The following graph details household formation in the Los Angeles region and the United States:



Source: Data Courtesy of Moody's Analytics and Cushman & Wakefield Valuation & Advisory  
Note: Shaded bars indicate periods of recession

## Economic Trends

### Gross Metro Product

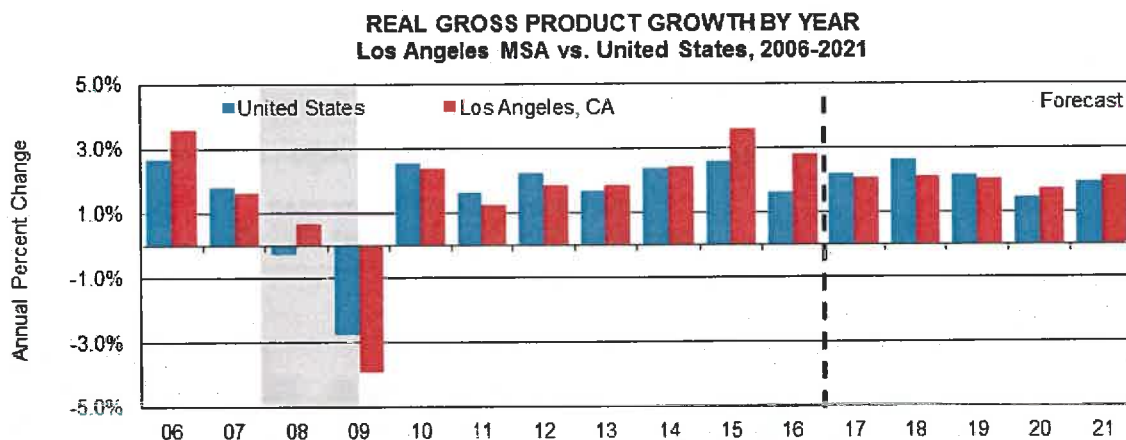
Between 2006 and 2016, Los Angeles' Gross Metro Product (GMP) grew by 1.4 percent annually, exceeding the nation's Gross Domestic Product (GDP) annual growth rate of 1.3 percent over the same period. A large share of the region's GMP output is produced by high-value industries including the technology, trade and manufacturing sectors. Historically, Los Angeles' GMP growth trends have closely followed that of the United States, exceeding national averages in recent years. The most recent recession had a significant negative effect on the economy of Los Angeles, as the gross metro product contracted by 3.9 percent in 2009, nearly 1.0 percent below the decline the nation recorded during the same period. Since the recession, conditions have improved significantly, with the Los Angeles metro area's gross metro product growth rate surpassing the national averages at year-end 2016. As

the region's economy continues to expand, GMP growth in Los Angeles is forecasted keep pace with the nation through 2021, with peak growth of 2.1 percent in 2017, 2018 and 2021. Income growth in the market has contributed to the expansion of the Los Angeles area's consumer spending and overall economy over the past decade, and the trend is expected to continue in the near term.

Some notable considerations include:

- Over the ten-year period from 2006 to 2016, Los Angeles' average annual GMP growth rate was 1.4 percent, 10 basis points higher than the national average growth rate of 1.3 percent.
- Through 2021, the average annual GMP growth rate in Los Angeles is projected to further accelerate to 2.0 percent, on par with the projected growth rate for the nation's GDP over the same period. As indicated by its relative growth in GMP, the Los Angeles area is poised for a sustainable, long-term rate of growth. The expanding technology sector, as well as the strengthening of the construction sector will propel growth in the Los Angeles region.

The following graph details gross metro product within the Los Angeles region compared to the United States:



Source: Data Courtesy of Moody's Analytics and Cushman & Wakefield Valuation & Advisory  
Note: Shaded bars indicate periods of recession

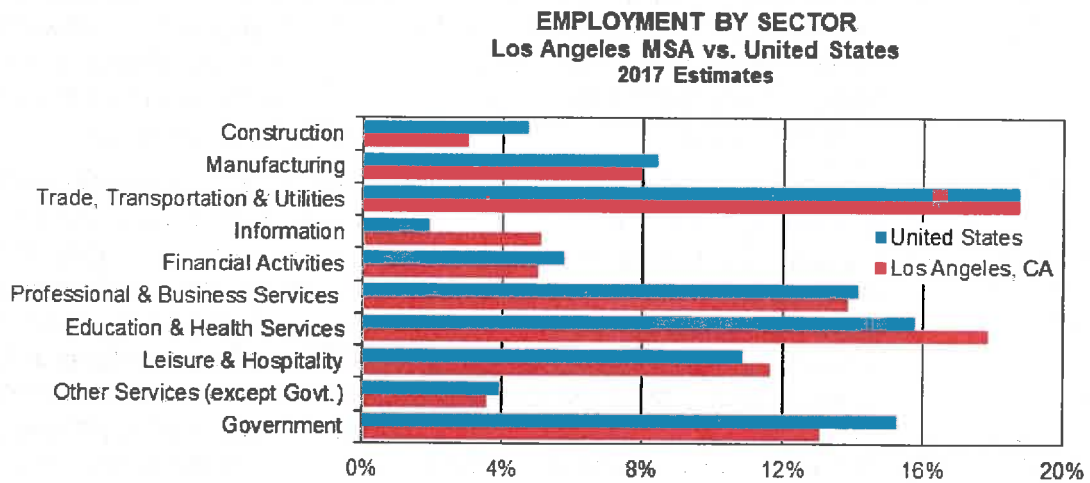
## Employment Distribution

Los Angeles' economic base is comprised of a diverse array of employment sectors, similar to that of the United States, contributing to the significant employment gains over the metro's economic expansion. The region's industry mix is heavily weighted in the trade, transportation & utilities, education & health services, and professional & business services sectors. Due to the influence of the Twin Ports, employment in the region relies heavily upon international trade as it relates to port activity. Additionally, Los Angeles' status as an entertainment hub has historically made the industry a vital component of employment and the regional economy overall. Shifting public demands and changing technologies, however, continue to affect the entertainment industry, leading to the decline of the motion picture segment and the predominance of television and commercial production. Despite state efforts to provide film production tax credit incentives, employment in the segment continues to suffer. These traditional drivers have been unable to match the profound effect the region's significant technology presence on the labor market in recent years, as the sector has contributed largely to propelling employment and income growth. The continued strength of Silicon Beach will support employment and income stability in the region, while sectors such as construction and healthcare will additionally promote growth and fare well for the local economy.

Further considerations are as follows:

- Los Angeles is most heavily weighted in the trade, transportation & utilities, education & health services and professional & business services sectors, holding employment shares of 18.8 percent, 17.9 percent, and 13.9 percent, respectively.
- Compared to the United States, Los Angeles is more heavily weighted in the information, education & health and leisure & hospitality sectors. The metro's employment base is relatively underweighted in the government, construction, and financial activities sectors compared to the nation, although the sectors hold significant shares in the region.
- The technology scene in West Los Angeles, now regarded as Silicon Beach for its significant startup presence, has had significant influence on job growth in the region and has contributed to improvements to the national economy. Tech companies such as Snap Inc., Tinder, Hulu and TrueCar have chosen to remain in Los Angeles, rather than relocating to the more technology-centric Silicon Valley, influencing the region's employment distribution.

The following chart compares employment by sector between the Los Angeles region and the United States:



Source: Data Courtesy of Moody's Analytics and Cushman & Wakefield Valuation & Advisory

### Major Employers

Los Angeles County's list of major employers reflects the region's relative strengths in its leading sectors, including education, healthcare, trade, and high-tech sectors. The trade, transportation & utilities and education & health services sectors account for the largest share of total nonfarm employment, as half of the region's largest employers fall into these segments. Despite the large geographic footprint and size of the economy, the Los Angeles area is home to relatively few of the nation's Fortune 500 corporations, with a total of 13 companies. As of 2017, The Walt Disney Company is the largest Fortune 500 company in Los Angeles County, ranked 53<sup>rd</sup> in the nation with 12,500 local employees. Prior to the acquisition by AT&T, DirecTV, headquartered in El Segundo, was ranked 98<sup>th</sup> among the largest Fortune 500 corporations. The lack of Fortune 500 companies in the desirable area of Los Angeles can be attributed to the high cost of living and business operations.

Additional considerations regarding Los Angeles' major employers include:

- The top three employers in Los Angeles County fall into the education & health services sector, indicative of segments significant impact on regional employment. Historically, the education & health sector was relatively underrepresented compared to the United States, but in recent years the sector has begun outperforming the national average. University of California Los Angeles, which operates a leading health system, is the region's top employer with 46,220 employees. Following is Kaiser Permanente which employs 36,987 individuals. In addition, University of Southern California is the third largest employer and employs 18,971 individuals.
- Three of the top ten employers in the region fall into the retail sector, including Target Corp., Kroger Co, and Albertsons/Vons/Pavilions. This reflects the regions strong trade, transportation and utilities employment sector, which continues to be a notable economic driver in the region.

The following table lists the largest employers in Los Angeles County according to number of employees:

Largest Employers Los Angeles County, CA		
Company	No. of Employees	Business Type
University of California, Los Angeles	46,220	Education
Kaiser Permanente	36,987	Healthcare
University of Southern California	18,971	Education
Northrop Grumman Corp.	16,619	Aerospace & Defense
Target Corp.	15,000	Retail
Ralphs/Food 4 Less (Kroger Co. division)	13,500	Retail
Bank of America Corp.	13,000	Financial Services
Providence Health Systems	13,000	Healthcare
Walt Disney Co.	12,500	Entertainment
Albertsons/Vons/Pavilions	12,400	Retail

Source: Los Angeles Business Journal Book of Lists 2016 and Cushman & Wakefield Valuation & Advisory

## Employment Growth

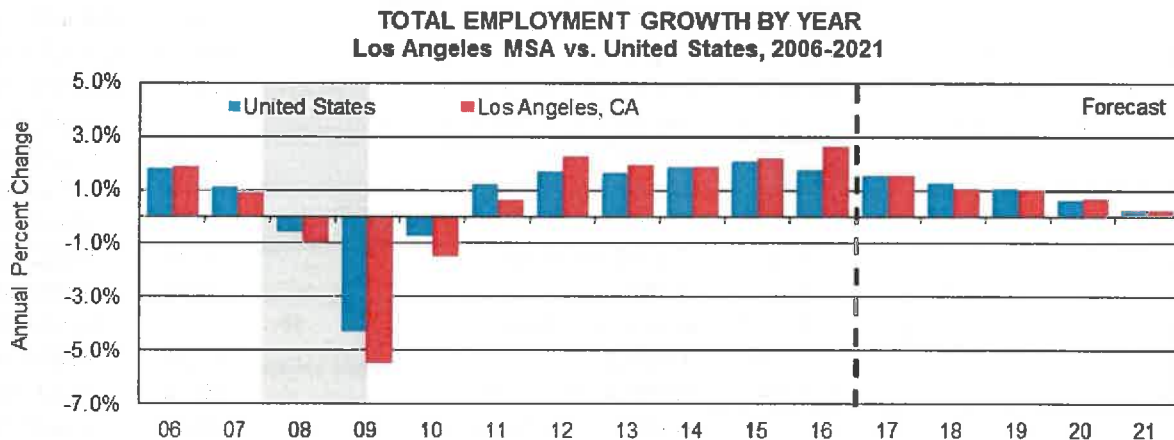
Over the past decade, total nonfarm employment in Los Angeles averaged 0.4 percent growth annually, as significant losses were reported during the period of the last recession. Employment growth in Los Angeles has historically trailed the national average, but in recent years regional job growth has accelerated to exceed statewide and national rates, enabling substantial income growth as well. The last year particularly marked significant growth as Los Angeles County added 110,600 jobs by year-end 2016 (according to the California EDD), with the primary drivers being the technology, trade, healthcare, and construction sectors. Los Angeles' historic growth drivers, including trade, entertainment and tourism, have not been able to keep up with the impact tech has left on employment gains. As cyclical recovery has slowed and the regional economy reaches near full employment, Los Angeles has experienced slowing job growth over the start of 2017. Total nonfarm payrolls are forecasted to grow 1.5 percent by year-end 2017, and the compound annual growth rate is projected at 0.7 percent for the five-year period ending in 2021. This is slightly below the projected employment growth rate for the nation, at 0.8 percent average annual growth for the same period.

Additional notable considerations are as follows:

- Between 2006 and 2016, Los Angeles' annual employment growth average of 0.4 percent fell short of the nation's annual growth rate of 0.6 percent by 20 basis points for the same period, as the region was relatively slow in recovering from the last economic downturn. The leisure & hospitality and education & health services sectors reported the largest gains, growing 2.8 percent and 2.4 percent, respectively, while the manufacturing and construction sectors contracted 2.6 percent and 1.6 percent, respectively.

- Coinciding with the improving economy in Los Angeles County, the office-using sector grew 3.5 percent in 2016, one of the highest growth rates within the employment sectors. However, the sector's growth is forecasted to decline to 1.4 percent in 2017.
- Looking forward to the forecasted period through 2021, Los Angeles is expected to report average employment growth of 0.7 percent, 10 basis points below the national projected average annual average growth rate of 0.8 percent over the same period. Growth will be supported by payroll expansion in the education & health services (1.4 percent), professional & business services (1.2 percent) and leisure & hospitality (1.1 percent) sectors. The manufacturing sector is projected to report a contraction of 0.6 percent over the same period.

The following graph compares employment growth per year for the Los Angeles region and the United States:



Source: Data Courtesy of Moody's Analytics and Cushman & Wakefield Valuation & Advisory  
 Note: Shaded bars indicate periods of recession

## Unemployment

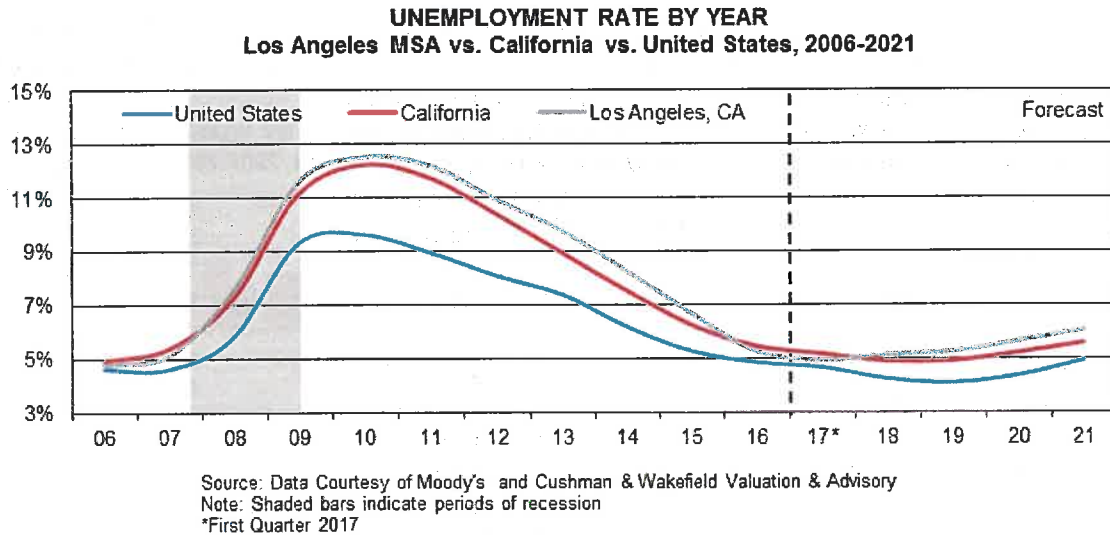
According to the California Employment Development Department's May 2017 preliminary figures, the Los Angeles-Long Beach-Glendale Metropolitan Division recorded an unemployment rate of 4.0 percent, which represents approximately 205,800 unemployed individuals. The unemployment rate has decreased by 80 basis points over May 2016, and improved by 9.2 percentage points since the peak of unemployment of 13.2 percent in July 2010. Current unemployment figures in Los Angeles are at the lowest levels the region has seen over the last ten years. According to the Bureau of Labor Statistics' May 2017 figures, the region's unemployment rate trended well below the state of California's average, recorded at 4.7 percent, as well as the national rate of 4.3 percent reported during the same month. Through the near term, unemployment in Los Angeles is expected to remain at relatively low levels but exhibit an upward trend, trending slightly above state and national rates as these averages improve. Improvements the regional economy of Los Angeles are expected to continue facilitating job growth, however payroll expansion will occur at a slower pace as the region reaches near full employment.

Some notable points concerning the region's unemployment situation are as follows:

- Between 2006 and 2016, unemployment in Los Angeles averaged 8.6 percent, approximately 30 basis points above the state's average and 1.8 percentage points higher than the national average of 6.8 percent for the same time period. The outlook for the near term, ending in 2021, is expected be less favorable for Los Angeles than the national projections, as the pace of employment growth in Los Angeles has exceed the national rate
- Unemployment in the region peaked during 2010 to 12.5 percent and declined steadily in subsequent years following the recession as recovery ran its course.

- Looking forward, Moody's Analytics forecasts that slowdowns in employment growth will impact the unemployment rate in Los Angeles. Through 2021, the unemployment rate is expected to lift to the 5.0 percent range, averaging to 5.4 percent over the five-year period, while the national rate is expected to average nearly 4.5 percent over the same period of time.

The graph below compares historic and projected unemployment rates for the Los Angeles region, California and the United States:



## Conclusion

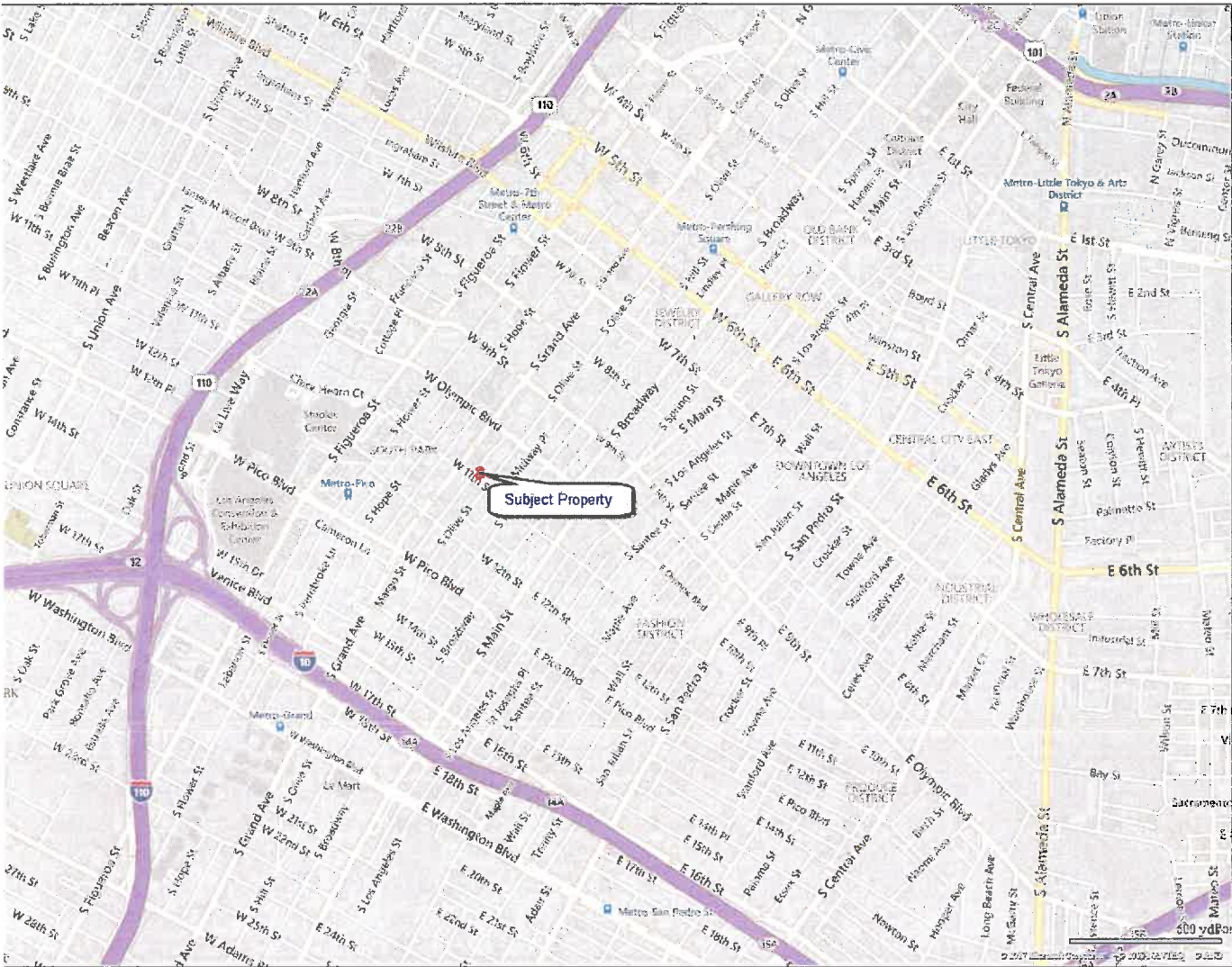
The Los Angeles region's impressive demographics and high-wage employment growth have supported economic expansion following the last economic recession. Despite the slowing pace as of recent, the region continues to outperform the nation in terms of employment and income growth. The region's diversified employment base will continue to compare favorably with the United States, although job growth will slow relative to the nation as the economy reaches full employment. The majority of employment growth will be driven by the highly skilled technology sector, with the trade, healthcare and construction sectors continuing to support the region's economic expansion. Relatively high business and living costs may dampen the region's population and household growth, but forecasts are optimistic that the region's well-educated, affluent population will be able to mitigate these high costs. Los Angeles is expected to continue as an above-average performer moving forward, keeping near the pace of the national and state growth in the near term.

Additional considerations are as follows:

- Growth of jobs requiring high-skill and educational levels will be the driving force behind the region's improving labor market and above-average personal and household income growth in the near-term. Projected growth in Los Angeles will be driven by the education & health services and professional & business services sectors, with the latter largely based on performance of the region's high-tech industries
- Long-term economic growth in Los Angeles is largely tied to its two major shipping ports, as they present greater access to global economies. Ongoing infrastructure improvements to the ports are expected to result in Los Angeles capturing a greater share of west coast shipping traffic. However, the aftermath of the Panama Canal expansion project may result in the loss of market share to southern and eastern U.S. ports, creating further the challenges ahead for the Twin Ports.

- The high cost of housing limits migration to the region, and the high cost of business operations have caused businesses to locate elsewhere. Nevertheless, Los Angeles provides a broad array of economic drivers from trade and tourism, to technology, entertainment, and consumer goods, all of which provide an established foundation for future growth of the regional economy.

LOCAL AREA MAP



## Location Overview

The subject property is located on the northwest corner of 11th and Olive Streets in the South Park district of Downtown Los Angeles. The subject benefits from good access and visibility.

Downtown Los Angeles is comprised of a mosaic of districts and neighborhoods which together form the dynamic cultural and economic center of Los Angeles. Over the past five years, Downtown Los Angeles has been undergoing a renaissance brought about by progressive government policies regarding land use and development, signature public projects, and significant private investment. The renaissance has been led by a revived residential market downtown that is bringing thousands of new residents to the area. The outlook for downtown is optimistic as development continues to add new entertainment options, retail services and additional residential options.

## Access and Transportation

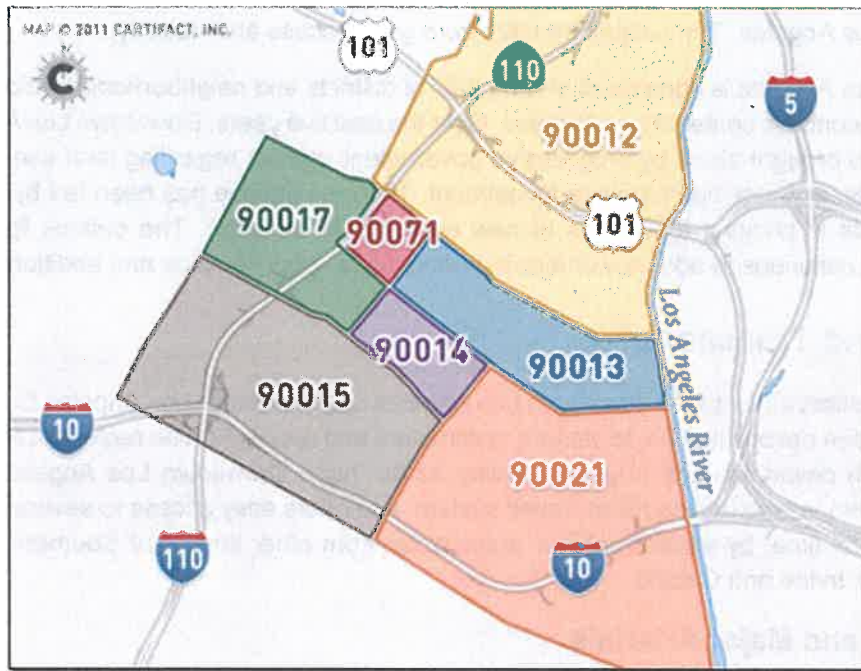
One of the distinct advantages downtown Los Angeles has over other Los Angeles County locations is the number of transportation options it offers to visitors, commuters and residents. The regional transportation system has been designed with downtown Los Angeles serving as its "hub". Downtown Los Angeles is served by an extensive freeway system, an expanding mass transit system, and offers easy access to several airports. Downtown is within one-hour travel time, by either transit or automobile, from other important Southern California growth areas like Santa Clarita, Irvine and Ontario.

### Freeways and Major Arterials

The southern California freeway system is one of the largest in the world. Major north/south freeways in Los Angeles County include the Harbor Freeway (I-110), San Diego Freeway (I-405), the Golden State Freeway (I-5), the Long Beach Freeway (I-710), and the San Gabriel River Freeway (I-605). Major east/west freeways in Los Angeles County include the Pasadena Freeway (I-210), the Ventura Freeway (SH-101/SH-134), the Santa Monica Freeway (I-10), the Pomona Freeway (SH-60), and the Artesia Freeway (SH-91). A number of the Los Angeles basin's freeways converge in downtown.

Surface street access through downtown Los Angeles is via a series of major streets generally laid out in a grid pattern. The most significant north/south arterials are Figueroa Street, Flower Street, Grand Avenue, and Hill Street. Third, Fourth, Fifth, Sixth, Wilshire, Seventh, and Eighth Streets are the primary east/west streets.

### FREEWAYS SURROUNDING DOWNTOWN LOS ANGELES AREAS DEFINED BY ZIP CODES



#### Mass Transit – The Metro System

The Metro System is comprised of freeway carpool lanes, buses, light rail lines, and heavy rail lines. Union Station in downtown Los Angeles is the regional transportation hub. Amtrak, Metro Rail and Metrolink commuter rail and bus lines converge at Union Station, which is adjacent to the headquarters buildings for the Metropolitan Transit Authority's (MTA) and Metropolitan Water District (MWD).

#### Metro Rail System

The Los Angeles Metro system is a multi-modal transit system consisting of buses, light rail lines, and heavy rail lines. Seven rail lines are in operation, including six Metro Rail light rail lines and four Metrolink commuter lines (heavy rail). The MTA operates 104.5 miles of Metro Rail service (including the new Gold line extension and Exposition line Phase II). The Metro Rail system consists of six separate, but connected lines. Five of these (Red, Purple, Blue, Exposition, and Gold) originate downtown. The Blue Line links the CBD with the City of Long Beach 20 miles south. Between Long Beach and Downtown, the Blue Line intersects with the Green Line, which runs east from Downey, west towards LAX and south to the beach cities. The Blue Line also connects to the Red Line at the 7th Street/Metro Center stop. The Red Line, a subway starting at Union Station, continuing through Downtown, connects the Blue and Gold Lines, terminating in North Hollywood. The Red Line subway also serves the Downtown-Mid-Wilshire traffic. The most recent addition is the Gold Line (Phase II) which provides service from Union Station to APU/Citrus College in Azusa, passing through Chinatown, Highland Park, Arroyo Seco, Pasadena, Del Mar, Sierra Madre, Arcadia, Duarte, and Irwindale.

Phase I of the Metro Expo Line is a new \$932 million, 8.6-mile light rail line that began service in April 2012 and connects downtown Los Angeles and Culver City. It has 12 stations with two stations shared with the Metro Blue Line. The new light rail line serves USC, Exposition Park, The Mid-City communities, the Crenshaw District and Culver City. The Expo Line extension (Phase II) is a 6.6-mile, \$1.5 billion project extending the line's terminus from the current Venice & Robertson station to a station at Colorado Boulevard and 4<sup>th</sup> Street in downtown Santa Monica.

This extension includes seven new stations which opened for public use in May of 2016. Riders may utilize this line from Santa Monica to downtown Los Angeles where a transfer can reach destinations including Long Beach, Union Station, North Hollywood and mid-Wilshire.

The Metro Rail lines currently in operation include:

Metro Rail Line Ridership Summary				
Rail Line	Opening Date	Number of Stations	Length in Miles	Avg. Weekday Boarding*
Blue Line	1990	22	22.0	69,332
Red/Purple Lines	1993/200	16	17.4	145,321
Green Line	1995	14	20.0	31,854
Gold Line	2003	27	31.0	51,442
Expo Line	2012/2016	17	14.1	57,176
<b>Totals</b>		<b>96</b>	<b>104.5</b>	<b>355,125</b>

Source: LA Metro; \*As of April 2017



## Metro Bus Line

Downtown Los Angeles is the central hub to the Metro Bus Line. The MTA reports that as of April 2017 the Metro Bus Line averages 916,272 boarding passengers each weekday. A priority bus service, the Metro Rapid, offers passengers a chance to reach their destination up to 25% faster than local service. Recently, a measure to expand the Rapid Bus service to include 23 additional corridors was passed.

Recent additions to the bus network include \$330 million bus transit way dubbed the Orange Line that was completed in 2005. The 14-mile transit way connects to the North Hollywood Metro Rail Red Line Station west to Warner Center. The transit way accommodates 60-foot vehicles in a 13-mile exclusive lane constructed in a former railroad right-of-way along portions of Friar and Oxnard Streets and Victory and Chandler Boulevards.

## Downtown L.A. Streetcar

The Downtown L.A. Streetcar is a proposed 3.8 mile loop with electric streetcars that would serve Downtown Los Angeles. The Downtown L.A. Streetcar has been in the works since 2008, but has encountered several obstacles related to cost/funding, scheduling, and efficiency. As currently designed, the approximately four-mile route will run 18 hours a day connecting riders to most of the major districts within Downtown, including the Financial District, Historic Core, Civic Center, South Park, and the Fashion District. The current alignment would travel on Grand Avenue, 1st Street, Broadway, 11th Street, Figueroa Street, 7th Street, and Hill Street.

In 2012, a property tax was approved to help fund the project, securing a total of approximately \$62.5 million in funding. Current cost estimates for construction of the Streetcar, however, range from approximately \$270 to \$285 million, up from the initial estimate of \$125 million. There is some hope that an additional \$75 million could be secured via a Federal Transportation Authority grant program, however, this requires that the total project cost be below \$250 million. Furthermore, recent studies have revealed that the Streetcar would likely average approximately 4.5 miles per hour, and 3.5 miles per hour during peak traffic hours, which has created public opposition for not being efficient enough.

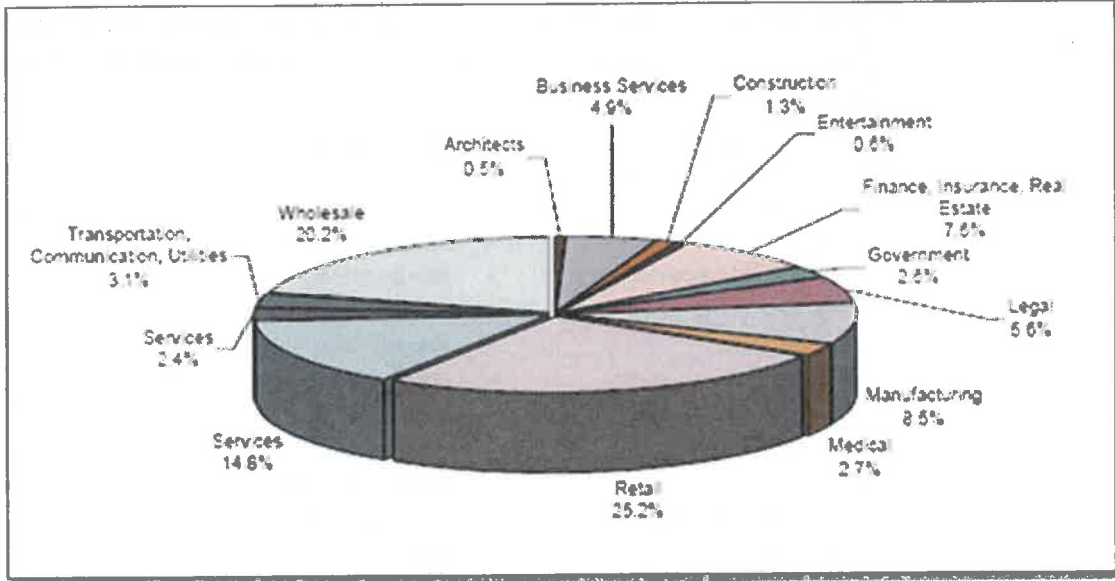
On November 29, 2016, the Los Angeles City Council signed off on a preferred route for the line and certified the findings of an environmental impact study (EIR). The council voted 13-0 to approve a 3.8-mile route that loops between the Civic Center, which includes Grand Park, and the Convention Center and the Fashion District in the South Park area.

Reportedly, city officials will finalize the cost estimate for the project based on new information about engineering and utility relocation costs. The streetcar project is expected to receive approximately \$200 million in sales tax revenue from Measure M, which was approved by voters in November 2016, as well as funds from Measure R (approved 2008). According to council aides, construction on the streetcar is expected to begin in 2018 with completion tentatively scheduled for 2020.

## Downtown Commerce

Downtown Los Angeles is home to a wide range of industry groups. The high rise office buildings draw attention to the financial district and the companies located there, however, the largest component of all downtown industries is the retail trade market comprising 25.2 percent of the economic base. Retail trade is followed by wholesale trade (20.2 percent) and services (14.8 percent). The distribution of downtown industries by type is shown in the following chart.

**DOWNTOWN LOS ANGELES INDUSTRIES  
BY INDUSTRY TYPE**



2012 Tenant Mix provided by DowntownLA.com

The table below contains a listing of most of the major corporations with offices located in the Downtown Los Angeles submarket.

### CORPORATIONS LOCATED IN DOWNTOWN

- |                                     |  |
|-------------------------------------|--|
| • AC Martin Partners, Inc.          | • Latham & Watkins                       |
| • Aon Corporation                   | • Los Angeles Times                      |
| • Bank of America Corporation       | • Maguire Properties                     |
| • Bank of the West                  | • Marsh, Inc.                            |
| • California National Bank          | • McKinsey & Company                     |
| • The Capital Group Companies, Inc. | • Mellon 1st Business Bank               |
| • CB Richard Ellis                  | • Mellon Financial Corporation           |
| • Chase Bank                        | • Merrill Lynch & Co., Inc.              |
| • Chicago Title Insurance Company   | • Morgan Stanley                         |
| • Citigroup, Inc.                   | • Morrison & Forester LLP                |
| • City National Bank                | • Munger, Tolles & Olson LLP             |
| • Colliers Seeley                   | • O'Melveny & Myers LLP                  |
| • Cushman & Wakefield, Inc.         | • Paul, Hastings, Janofsky & Walker L    |
| • Deloitte & Touche LLP             | • Perkins & Will                         |
| • DLA Piper                         | • Pillsbury Winthrop LLP                 |
| • Ernst & Young Kenneth Leventhal   | • PricewaterhouseCoopers                 |
| • Fulbright & Jaworski              | • Salomon Smith Barney Wells Fargo       |
| • Gensler                           | • Sheppard, Mullin, Richer & Hampton LLP |
| • Gibson, Dunn & Crutcher LLP       | • Thomas Properties Group, LLC           |
| • J.P. Morgan Chase & Co.           | • Union Bank of California               |
| • Jones Day                         | • U.S. Bancorp                           |
| • KPMG                              | •  |

## Cultural and Recreational Amenities

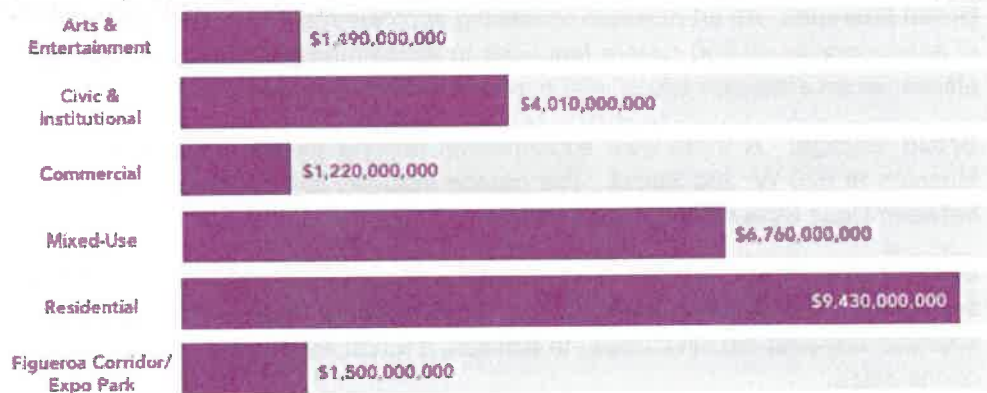
Downtown Los Angeles provides cultural and social amenities not available elsewhere in a single location throughout the Los Angeles basin. Institutions such as the Museum of Contemporary Art (MOCA), the Dorothy Chandler Pavilion, the Mark Taper Forum, the Central Library, the Japanese American Cultural Community Center, Cathedral of Our Lady of the Angels and the Disney Concert Hall are a few of downtown's major cultural attractions. Along with other destinations (such as Staples Center, Grand Central Market, the Fashion District, Toy District, Flower District, Union Station, Pershing Square, Olvera Street, Little Tokyo and Chinatown) downtown Los Angeles offers an energetic urban core. Downtown's significant cultural and recreational projects are summarized in the table below. Downtown is also poised to benefit from numerous additional cultural and recreational attractions which are discussed in detail.

MAJOR DOWNTOWN ATTRACTIONS	
VENUE	DESCRIPTION
Walt Disney Concert Hall	Symphony Hall
Dorothy Chandler Pavilion	Symphony Hall
Cathedral of Our Lady of the Angels	House of Worship
Los Angeles Convention Center	Convention Center
Staples Center	Sports/Entertainment
Nokia Theatre	Live Performance
Museum of Contemporary Art (MOCA)	Museum
The Geffen Contemporary	Museum
LA Theatre Center/Tom Bradley Center	Live Theater
Ahmanson Theatre	Live Theater
Mark Taper Forum	Live Theater
Colburn School of Performing Arts	Live Theater
Children's Museum	Museum
Latino Museum of History, Art & Culture	Museum
African American Museum	Museum
California Science Center	Museum
Natural History Museum	Museum
Japanese American Natural Museum	Museum
Olvera Street	Historical Site

### Downtown Development

Based on the 2015 Annual Report published by the Downtown Center Business Improvement District, Downtown Los Angeles has been the focus of an estimated \$24.4 billion in both public and private investment since the turn of the century. Several of the significant cultural and entertainment-oriented projects were discussed above. The developments have included a sports arena, cultural, and government projects, as well as a significant number of multi-family residential developments. The following chart summarizes several of the areas of investment.

**INVESTMENT IN DOWNTOWN LA 1999-2015**



\* Most current data available

### History of Downtown Residential Development

Downtown Los Angeles has experienced considerable growth in residential construction over the past 15 years, as reflected in the chart below:

RESIDENTIAL INVENTORY						
RESIDENTIAL UNITS	Before 1999	Since 1999	Current Inventory	Under Construction	Total When Complete	Proposed
Market Rate Rental	2,426	17,523	20,211	8,883	29,094	21,351
Condos	829	4,807	5,654	2,513	8,167	5,194
Affordable	8,371	3,884	12,255	71	12,326	362
<b>Total</b>	<b>11,626</b>	<b>26,214</b>	<b>38,120</b>	<b>11,467</b>	<b>49,587</b>	<b>26,907</b>
Estimated Population			65,185	19,608	84,793	
<small>Estimated Population = #of units x 1.8 residents per unit x 95% occupancy rate</small>						

Source: Downtown LA Market Report 4Q 2016

## Major Development Projects

### Grand Avenue Project

In May 2005, Los Angeles City and County Joint Powers Authority approved the Grand Avenue Plan and selected The Related Cos. as the project developer. The project area is generally bordered on the north by the County Hall of Administration, the Music Center and Walt Disney Concert Hall to the west, City Hall to the east and Second Street to the south. The following project elements are already complete:

- **Grand Park:** 16-acre public-park linking Bunker Hill with the Civic Center. Opened summer 2012.
- **Emerson Apartments:** A 20-story high-rise building containing 271 luxury rental units (20% affordable), with 5,500 square feet restaurant space (i.e. Vespaio) featuring a 1,700 square foot outdoor dining patio. Opened 4Q2014.
- **Broad Museum:** An art museum containing approximately 120,000 square feet of space with three floors of approximately 40,000 square feet each to accommodate loading and storage/archive space; museum offices; an art exhibition space; and a museum shop. Opened 3Q2015.
- **Broad Garage:** A three-level subterranean parking garage located immediately beneath The Broad Museum at 620 W. 2nd Street. The garage includes 364 parking spaces with access from 2nd Street, between Hope Street and Grand Avenue.
- **Broad Public Plaza:** The Plaza is located directly south of the Museum and is adjacent to the top deck of the garage. The plaza is approximately 24,000 square feet and includes walkways, a grass lawn, and sporadic 100-year-old olive trees. In addition, a 6,000 square foot restaurant (i.e. Otium) was constructed on the plaza.

Related Companies is in the planning stages of a \$950 million hotel and residential complex on Grand Avenue, dubbed Parcel Q. The project is part of the Grand Avenue Project and is located across from Walt Disney Concert Hall. Frank Gehry is designing the project which includes a series of terraces, restaurant patios and pool decks that cascades down along Grand Avenue facing the concert hall. A 305-room Equinox hotel is also part of the project.

In June 2016, the Los Angeles City Council approved a \$198.5-million financial aid package for the project. The proposal allows Related to keep nearly half of the \$396.9 million in tax revenue that would be generated for the city by the project over 25 years. Typically, that money would flow into the general fund, which pays for a variety of city services.

In November 2016, L.A. County's Chief Executive Office for the Board of Supervisors approved an updated development and financing agreement for the project, which increased the budget from \$750 to \$950 million. Related has reportedly brought in an unidentified Chinese investor to fill the financing hole. The amended plan calls for a reduction in the number of units in the 38-story residential tower from 450 to 429 (301 apartments, 128 condominium) and a net decrease of 32,000 square feet in the planned retail area. Under the new plan, no less than 20 percent of the project's affordable units would be reserved for households earning 40 percent or less than AMI.

The Grand Avenue project is expected to create 1,914 full-time jobs and 3,597 temporary construction jobs. Construction is expected to begin in November 2017, however, depending on timing of the final approvals, the groundbreaking date could be pushed back one year to November 1, 2018.

### **Wilshire Grand Tower**

The ownership demolished the aging Wilshire Grand Hotel and is constructing a new project named the Wilshire Grand Project. The project is to be a 1,100 ft., 73-story tower consisting of a mixed-use 900-room hotel, with 400,000 square feet of retail and office space. The current design of Wilshire Grand was designed by AC Martin Architects. A distinctive feature of the building includes its sail-shaped crown which will be illuminated with LED lighting at night. The tower will spearhead part of a new planned light and sign district that will extend along the Figueroa Corridor down to LA Live. The project is slated for a mid-2017 opening.

The tower will occupy the site of the former Wilshire Grand Hotel, which has been demolished. The Wilshire Grand will become the tallest building in Los Angeles and the West Coast of the United States upon completion. Significantly altering the Los Angeles skyline, the skyscraper will be part of a mixed-use hotel, retail, and office complex, expected to revitalize downtown Los Angeles and the area surrounding the building. The development of the complex is estimated to cost \$1 billion

### **The Bloc**

The former Macy's Plaza, which occupies an entire block of central Downtown Los Angeles, is being redeveloped by The Ratkovich Company into an open-air plaza with 150,000 square feet of retail shops and restaurants with a renovated Macy's Department Store. There will also be a European Standard 478-room 4-star Sheraton Hotel with a pool and a fully-renovated 700,000 square foot tower of office space with a rooftop garden lounge. The existing mall roof will be removed, opening the three-level retail plaza to light and air, as well as integrating the project with Seventh Street, a pedestrian-friendly and historic thoroughfare connecting the financial and historic Downtown districts. Completion of the \$301 million development is expected in 2017. We note that the ownership is seeking capital partners to invest in the property prior to completion; we also note that there have been recent trade articles indicating the developer may be experiencing some financial strain in completing this development. The wave of development in recent years has resulted in positive changes for downtown. Interest in the area continues to grow.

### **Metropolis**

Metropolis is a 6.3 acre development site currently under construction located adjacent to I-110 Freeway just north of LA Live in Downtown Los Angeles. The Shanghai based Greenland Group purchased the site in January 2014 and held groundbreaking on the project in July 2014. The project will be built in two phases. Phase I delivered 308 units in a 38-story condominium Tower 1 and a 350-room Hotel Indigo in an 18-story tower. Phase I completed

April 2017. Reportedly, approximately 75 percent of Tower 1 has been sold or in escrow. List pricing ranges from the high \$500,000's to over \$2,000,000.

Phase II (including Tower 2 as well as Tower 3) began in 2015 and Tower 2 is expected to complete in mid-2018 and Tower 3 in late 2019. This phase includes a 685-unit, 56-story condominium Tower 3 and a 514-unit, 40-story condominium Tower 2. The towers will be built above an eight-story podium that includes two stories of retail and parking. This component is scheduled for completion in 2018. The retail component is expected to total approximately 70,000 square feet along Francisco Street. The entire project is budgeted at more than \$1 billion. The buildings will be connected by green space (more than 2.5 acres throughout the site) and amenities including a pool and barbecue area. Some of the green space will sit atop the eight-story podium. Greenland also plans to build 24-foot-wide sidewalks along Francisco Street to promote pedestrian activity in and around the retail portion of the project.

## **Figueroa Central**

Figueroa Central is a 4.61 acre site located on the southeast corner of Figueroa and 11<sup>th</sup> Streets in the South Park District of Downtown Los Angeles. The site is on the block formed by Figueroa Street, Flower Street, 11th Street, and 12th Street, and is located directly across the street from Staples Center and LA Live. The property is zoned LASED. Oceanwide purchased the entitled site in December 2013.

As currently designed, the project will have three high-rise towers containing a variety of uses, including 504 luxury residential condominiums, a luxury hotel with 183 rooms, 166,583 square feet of retail space and 231,866 square feet of open space. Reportedly, the hotel will be affiliated with and managed by Park Hyatt, their first urban hotel west of Chicago. The 183-room hotel and 164 hotel-branded condos will be in the 49-story North Tower. The two 40-story South Towers will have 170 condos each, and include pool decks, sky lobbies, and gardens. A seven-story podium will house resident parking on levels three through seven (1,464 spaces total), with the first two floors occupied by the open-air mall, with dining and retail. There will also be an expansive outdoor open space for residents and hotel guests, above the retail component, which will include a dog park, playground, and jogging track. The west elevation of the first two levels of the project will be "wrapped" with an LED ribbon sign measuring more than 43,000 square feet that predominantly fronts Figueroa and will be the largest in the United States. The project is currently under construction with an estimated completion date in 4Q 2018.

## **Luxe City Center**

The Luxe City Center Hotel and adjacent surface parking lot was purchased in August 2014 by Chinese developer Shenzhen Hazens. The 2.58 acre site is located on the southwest corner of Figueroa Street and Olympic Boulevard, across the street from the LA Live development. The site is zoned C2-4D and R4-4D. The existing 178-room Luxe City Center Hotel is still in operation, however, the new owner is in the process of securing entitlements to build a three-tower project in two phases.

The first phase would include a 32-story, 250-room W Hotel and a 32-floor condominium tower along 11th Street at Figueroa and Flower streets. The two structures would be connected by an eight-story podium with open-air amenities on top. Another 42-story tower, at Figueroa and Olympic, where the existing Luxe City Center now stands, would follow. In total, the residential towers would create a total of 650 condominiums. There would also be 80,000 square feet of retail space, mostly along Figueroa Street. Shenzhen Hazens hopes to break ground in 2017, with completion of the first phase in 2020. Construction of the second phase would begin after that. Reportedly, the project will cost approximately \$700 million.

## Demographic Profile

Understanding the demographics of a region helps to ascertain the underlying fundamentals of real estate supply and demand. The foundation of our analysis in the delineation of the subject's profile area may be summarized as follows:

- Highway accessibility, including area traffic patterns, and geographical constraints;
- The position and nature of the area's residential structure, including its location within a heavily developed apartment area, which adds competition for the subject and at the same time adds strength and composition to the appeal for tenants; and
- The project and unit amenity composition of the subject property as compared to its competition

Given all of the above, we believe that a primary market for the subject property would likely span an area encompassing about one mile. The subject's secondary market might span up to three miles from the site given its regional accessibility and location of competitive properties.

Based on these observations, we analyzed a primary demographic profile for the subject based upon a radius of approximately one mile from the property. To add perspective to this analysis, we segregated our survey into 0.5, one, and three mile concentric circles with a comparison to the city, county, and state. The report on the following page presents this data.

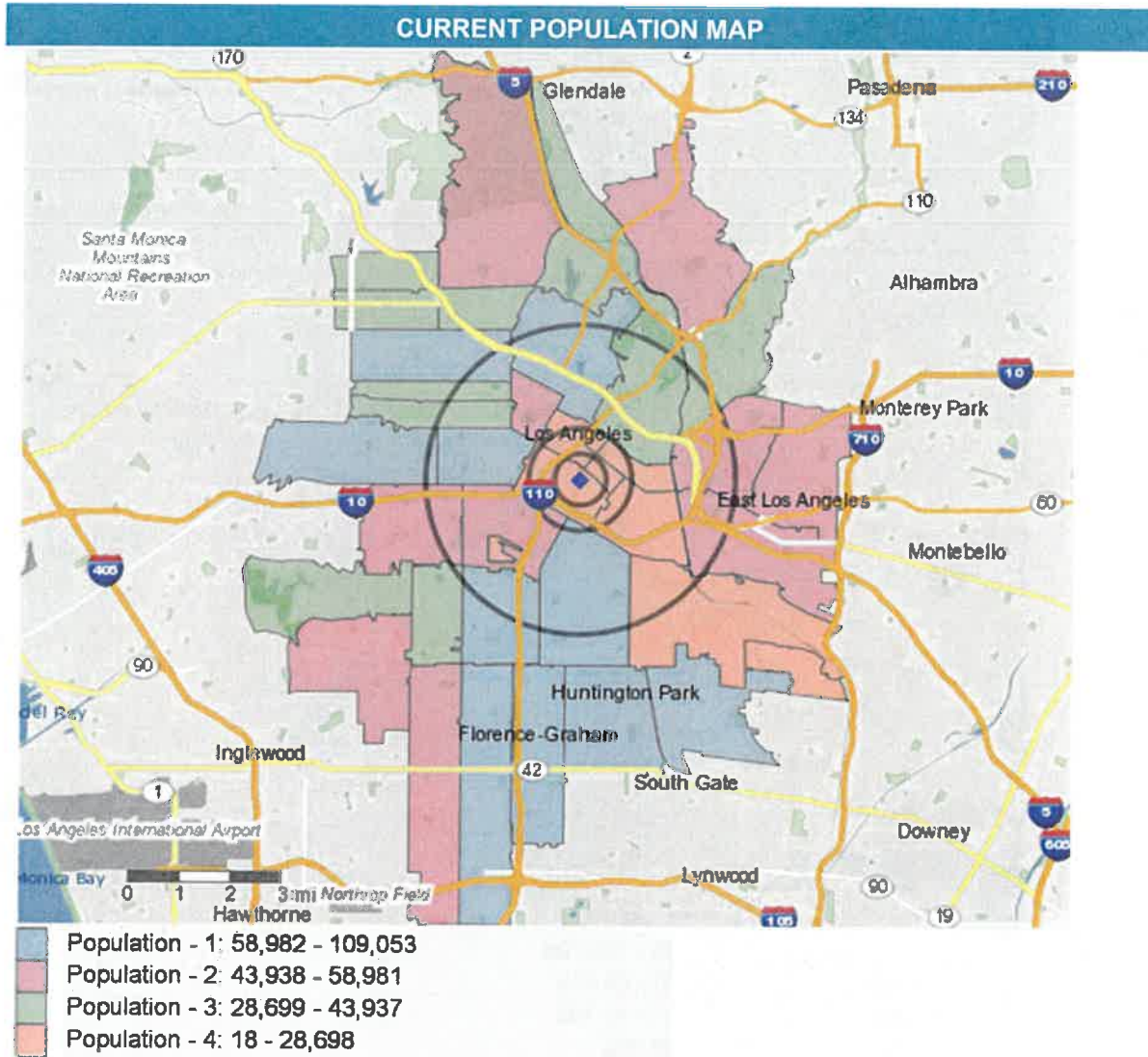
### Population

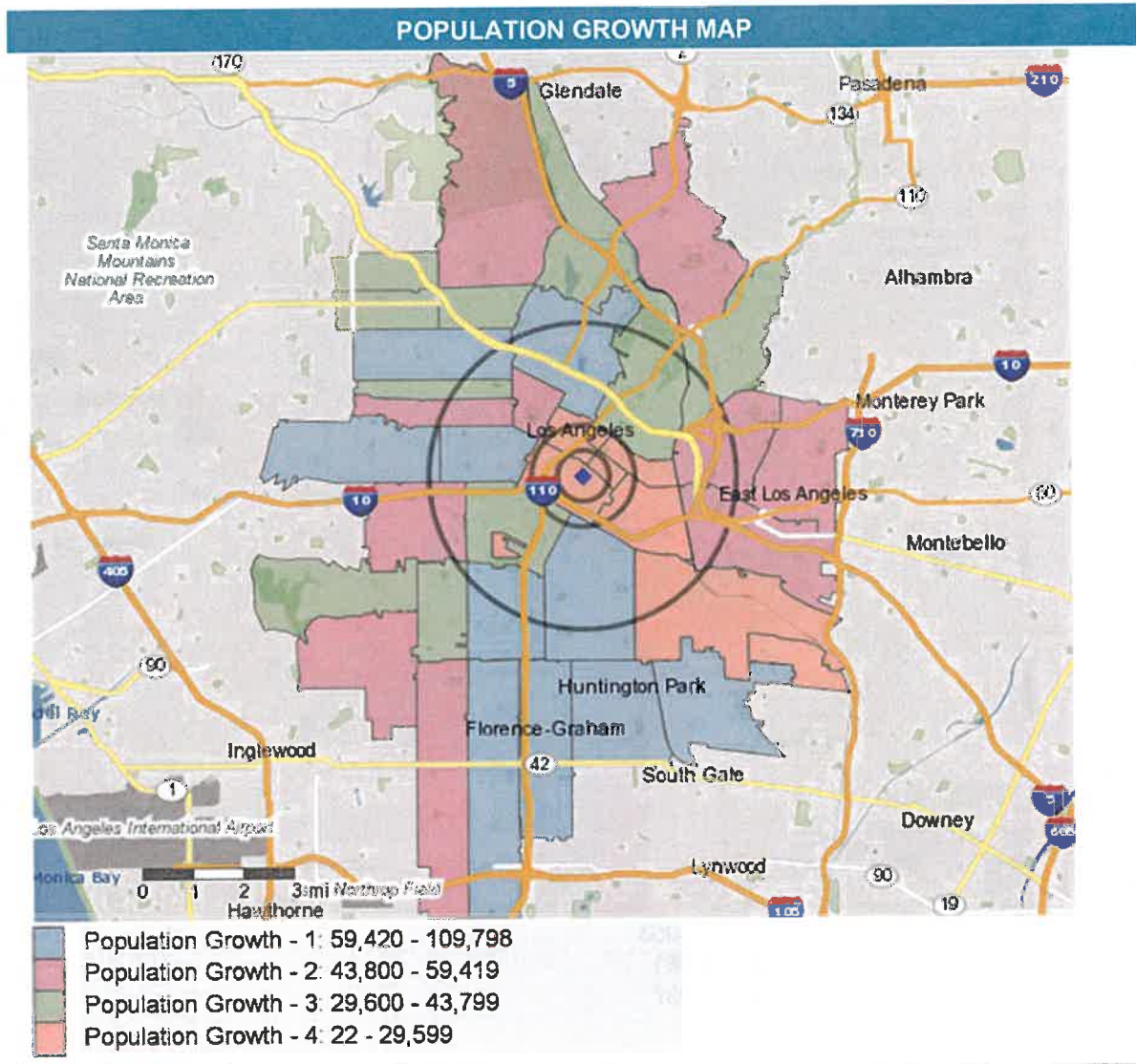
Having established the subject's trade area, our analysis focuses on the trade area's population. Experian Marketing Solutions, Inc., provides historical, current and forecasted population estimates for the total area. Patterns of development density and migration are reflected in the current levels of population estimates.

Between 2000 and 2016, Experian Marketing Solutions, Inc., reports that the population within the primary trade area (1-mile radius) increased at a compound annual rate of 2.42 percent. This is characteristic of suburban areas in this market. This trend is expected to continue into the near future albeit at a slightly slower pace. Expanding to the total trade area (3-mile radius), population is expected to increase 0.41 percent per annum over the next five years.

<b>DEMOGRAPHIC SUMMARY</b>							
	0.5-mile	1.0-mile	3.0-mile	City of	Los Angeles	State of	
	Radius	Radius	Radius	Los Angeles	County	California	
<b>POPULATION STATISTICS</b>							
2000	5,334	32,047	522,778	3,695,128	9,516,612	33,859,695	
2016	10,501	46,972	551,354	3,957,268	10,208,773	39,320,109	
2021	12,323	52,381	562,812	4,024,721	10,391,450	40,894,935	
<b>Compound Annual Change</b>							
2000 - 2016	4.32%	2.42%	0.33%	0.43%	0.44%	0.94%	
2016 - 2021	3.25%	2.20%	0.41%	0.34%	0.36%	0.79%	
<b>HOUSEHOLD STATISTICS</b>							
2000	2,582	12,839	155,292	1,275,896	3,132,460	11,498,173	
2016	6,012	23,153	180,307	1,390,332	3,403,857	13,319,273	
2021	7,290	26,958	188,303	1,423,763	3,480,200	13,886,580	
<b>Compound Annual Change</b>							
2000 - 2016	5.42%	3.75%	0.94%	0.54%	0.52%	0.92%	
2016 - 2021	3.93%	3.09%	0.87%	0.48%	0.44%	0.84%	
<b>AVERAGE HOUSEHOLD INCOME</b>							
2000	\$32,565	\$25,853	\$31,743	\$58,680	\$61,832	\$65,671	
2016	\$64,857	\$46,482	\$44,745	\$82,177	\$86,746	\$92,715	
2021	\$80,960	\$58,877	\$54,114	\$96,458	\$101,236	\$108,428	
<b>Compound Annual Change</b>							
2000 - 2016	4.40%	3.73%	2.17%	2.13%	2.14%	2.18%	
2016 - 2021	4.54%	4.84%	3.88%	3.26%	3.14%	3.18%	
<b>OCCUPANCY</b>							
Owner Occupied	15.86%	8.86%	11.17%	36.78%	46.03%	54.15%	
Renter Occupied	84.14%	91.14%	88.83%	63.22%	53.97%	45.85%	

SOURCE: © 2016 Experian Marketing Solutions, Inc. All rights reserved





## Households

A household consists of a person or group of people occupying a single housing unit, and is not necessarily a family unit. When an individual purchases goods and services, these purchases are a reflection of the entire household's needs and decisions, making the household a critical unit to be considered when reviewing market data and forming conclusions about the trade area as it impacts the subject property.

Figures provided by Experian Marketing Solutions, Inc., indicate that the number of households is increasing at a faster rate than the growth of the population. Several changes in the way households are being formed have caused this acceleration, specifically:

- The population is living longer on average. This results in an increase of single- and two-person households;
- Higher divorce rates have resulted in an increase in single-person households; and
- Many individuals have postponed marriage, also resulting in more single-person households.

According to Experian Marketing Solutions, Inc., the Primary Trade Area grew at a compound annual rate of 3.75 percent between 2000 and 2016. Consistent with national trends the trade area is experiencing household changes

at a rate that varies from population changes. That pace is expected to continue through 2021, and is estimated at 3.09 percent.

Correspondingly, a greater number of smaller households with fewer children generally indicates more disposable income. In 2000, there were 2.13 persons per household in the Primary Trade Area and by 2016, this number is estimated to have decreased to 1.78 persons. Through 2021, the average number of persons per household is forecasted to decline to 1.73 persons.

## Average Household Income

A significant statistic driving the success of an apartment market is the income potential of the area's population. Income levels, either on a per capita, per family or household basis, indicate the economic level of the residents of the market area and form an important component of this total analysis.

Trade area income figures for the subject support the profile of a broad lower to middle-income market. According to Experian Marketing Solutions, Inc., average household income within the primary trade area in 2016 was approximately \$46,482, 56.56 percent of the city average (\$82,177) and 53.58 percent of the county average (\$86,746).

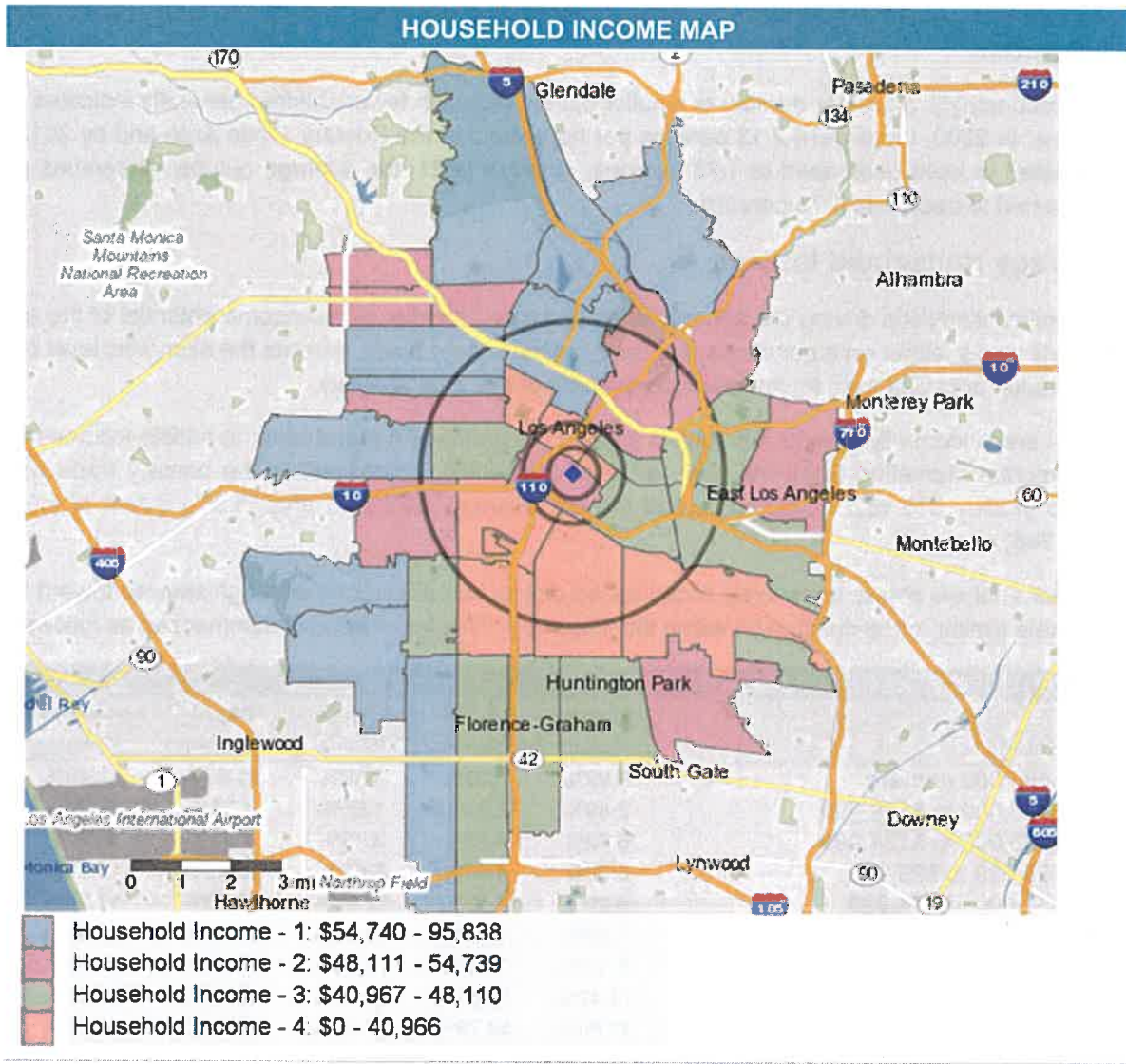
Further analysis shows a relatively broad-based distribution of income, although skewed toward the lower income brackets similar to the distribution within the larger city. This information is summarized as follows:

DISTRIBUTION OF HOUSEHOLD INCOME						
Category	0.5-mile Radius	1.0-mile Radius	3.0-mile Radius	City of Los Angeles	Los Angeles County	State of California
\$150,000 or more	9.98%	5.52%	3.39%	11.60%	12.49%	14.20%
\$125,000 to \$149,999	2.89%	2.34%	1.65%	4.31%	5.08%	5.88%
\$100,000 to \$124,999	6.82%	3.85%	3.43%	7.21%	8.38%	9.41%
\$75,000 to \$99,999	6.30%	4.94%	5.82%	10.28%	11.70%	12.41%
\$50,000 to \$74,999	8.20%	7.87%	12.65%	16.33%	17.22%	16.83%
\$35,000 to \$49,999	7.45%	7.98%	13.54%	12.49%	12.40%	12.04%
\$25,000 to \$34,999	6.14%	7.19%	12.98%	10.25%	9.46%	8.83%
\$15,000 to \$24,999	14.42%	15.51%	18.65%	12.02%	10.63%	9.47%
Under \$15,000	37.80%	44.79%	27.91%	15.50%	12.63%	10.92%

SOURCE: © 2016 Experian Marketing Solutions, Inc. •All rights reserved

The previous chart makes it clear that the distribution of higher income level households increases as distance from the subject increases.

The following is a graphic presentation of the household income distribution throughout the trade area that clearly shows the area surrounding the subject to be characterized by lower to middle income households. Higher income areas are located in surrounding communities to the north and west.



## Housing Occupancy

As illustrated on the Demographic Summary Table presented earlier, there are 6,012 occupied housing units in the subject's 0.5-mile radius, 23,153 occupied housing units in the primary trade area (1-mile), and 180,308 in the total three-mile trade area.

The depth of the rental housing market can be measured by these demographic statistics. The percentage of occupied housing units that are renter occupied is an indicator of demand within an area. Markets that have a high percentage of renter units are indicative of a more transient population. For reference, we note that the United States has 45.85 percent of its occupied housing stock occupied by renters, while the subject's county and city have 53.97 and 63.22 percent of this same stock occupied by renters. This compares to the local statistics, which reflect renter occupied ratios of 84.14 percent, 91.14 percent and 88.83 percent in the 0.5-, 1- and 3-mile trade areas, respectively.

## Local Area Housing

Los Angeles is a well-established community within Los Angeles County. Residential development in the local area is comprised primarily of recently constructed mixed-use projects (high-rise and podium-style) and older buildings that have been significantly renovated.

According to Experian Marketing Solutions, Inc., there are 25,624 housing units within a one-mile radius of the subject property. The median year built of the existing housing stock is 1955. The median home value within a one-mile radius of the subject property as of 2016 was \$471,606. There is a small proportion of owner-occupied housing, comprising about 9 percent of total occupied housing units within a one-mile radius of the subject. The following table reflects a housing summary including the total number of housing units, median housing value and median year built in the local area, as well as the City of Los Angeles, Los Angeles County, and State of California for comparative analysis.

HOUSING SUMMARY						
	0.5-mile Radius	1.0-mile Radius	3.0-mile Radius	City of Los Angeles	Los Angeles County	State of California
<b>HOUSING STATISTICS</b>						
2016 Est. Total Housing Units	6,984	25,624	189,325	1,436,566	3,500,513	13,975,270
2016 Est. Median Housing Value	\$511,139	\$471,606	\$409,133	\$498,117	\$463,334	\$398,518
2016 Est. Median Year Built	1994	1955	1957	1961	1963	1974

SOURCE: © 2016 Experian Marketing Solutions, Inc. \*All rights reserved

## Nearby and Adjacent Uses

The subject has a good location in the South Park district of Downtown Los Angeles. The surrounding area is predominantly residentially and commercially zoned and includes a variety of mid and high-rise commercial and residential buildings. There are several multifamily residential developments under construction or recently completed in the subjects immediate area. The subject is bound by the following uses:

- North: 1001 Olive, a new 7-story, 201-unit apartment complex recently developed by Lennar and the 274-unit Hanover Grand Avenue apartment complex which opened in November 2015.
- East: Low and mid-density commercial uses, including the YWCA Job Corps Center, and surface parking lots.
- South: Surface parking lots, the Mack Urban (SEC and SWC of 11<sup>th</sup> and Olive) and Forest City (SEC of 11<sup>th</sup> and Hill) development sites, and high-rise office uses beyond that.

- West: High-rise multifamily and commercial uses including the recently completed TEN50 Grand condominium development, Luma, Elleven, Desmond's Warehouse, and surface parking.

## Conclusions

The subject property has a good location within the context of Downtown Los Angeles, four blocks (approximately 0.3 miles) east of Staples Center. The subject is located in the South Park district, proximate to the amenities and entertainment in the LA Live area. South Park is currently experiencing high levels of investment, leading all DTLA districts in terms of redevelopment. The subject is centrally located and is surrounded by newly constructed, high-quality multifamily and mixed-use projects. The near term outlook for the subject's immediate area is positive. Downtown Los Angeles has been undergoing a "renaissance" over the past decade. Substantial investment by public and non-profit institutions and several public/private partnerships have resulted in significant new developments including LA Live, Staples Center, an expanded Convention Center, the Cathedral, Disney Concert Hall and the Colburn School, that have increased interest in downtown from locals and visitors. The swift pace of residential development has also begun to change the character of downtown as large numbers of new residents are drawn to the area. The retail support base in downtown has responded to the consumer base that is beginning to transition from exclusively downtown workers to residents and, to a lesser extent, visitors. Downtown Los Angeles continues to be the location of choice for many businesses and has an infrastructure and amenity base that is unmatched elsewhere in the Los Angeles region.

As stated, the subject's immediate area has experienced considerable investment and transformation over the past decade, with significant investment in multifamily and mixed-use projects (new construction or adaptive re-use conversions) and upgrading of supporting commercial uses. The near-term outlook for the area is optimistic and one of continued improvement, as the subject's location and surrounding South Park and Financial districts are currently experiencing robust investment and development activity, leading the pace of redevelopment in DTLA. The residential base and supportive retail uses are growing and maturing downtown and long-term, it is likely that the local area will continue to improve as more residents and new businesses enter the market.

# Property Analysis

## Site Description

<b>Location:</b>	1033-1057 S Olive Street Los Angeles, Los Angeles County, California 90015 The subject property is located on the northwest corner of 11th and Olive Streets in the South Park district of Downtown Los Angeles. The subject benefits from good access and visibility.
<b>Shape:</b>	Rectangular
<b>Topography:</b>	Level at street grade
<b>Land Area:</b>	0.96 acres / 41,603 square feet (Source: ALTA Land Title Survey dated January 11, 2016)
<b>Frontage:</b>	The subject property has good frontage. The frontage dimensions are listed as follows: Olive Street: 250 feet 11th Street: 153 feet
<b>Access:</b>	The subject property has good access.
<b>Visibility:</b>	The subject property has good visibility.
<b>Soil Conditions:</b>	We were not given a soil report to review. However, we assume that the soil's load-bearing capacity is sufficient to support existing and/or proposed structure(s). We did not observe any evidence to the contrary during our physical inspection of the property. Drainage appears to be adequate.
<b>Utilities:</b>	Utility providers for the subject property are as follows: Water LADWP Sewer LADPW Electricity LADWP Gas Southern California Gas Company Telephone Various Providers
<b>Site Improvements:</b>	Site improvements include concrete curbing and sidewalks, tree planters along Olive Street, a small asphalt parking lot, lighting, and drainage.
<b>Land Use Restrictions:</b>	We were not given a title report to review. We do not know of any easements, encroachments, or restrictions that would adversely affect the site's use. However, we recommend a title search to determine whether any adverse conditions exist.

**Flood Zone Description:** The subject property is located in flood zone X (Areas determined to be outside the 500 year flood plain) as indicated by FEMA Map 060137 - 06037C1620F, dated September 26, 2008.

The flood zone determination and other related data are provided by a third party vendor deemed to be reliable. If further details are required, additional research is required that is beyond the scope of this analysis.

**Flood Map Report**

For Property Located At

1057 S OLIVE ST, LOS ANGELES, CA 90015-1601

Report Date: 08/02/2017



County: LOS ANGELES, CA

Flood Zone Code	Flood Zone Panel	Panel Date
X	060137 - 06037C1620F	09/26/2008
Special Flood Hazard Area (SFHA)	Within 250 ft. of multiple flood zones?	Community Name
Out	No	LOS ANGELES

**Flood Zone Description:**

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



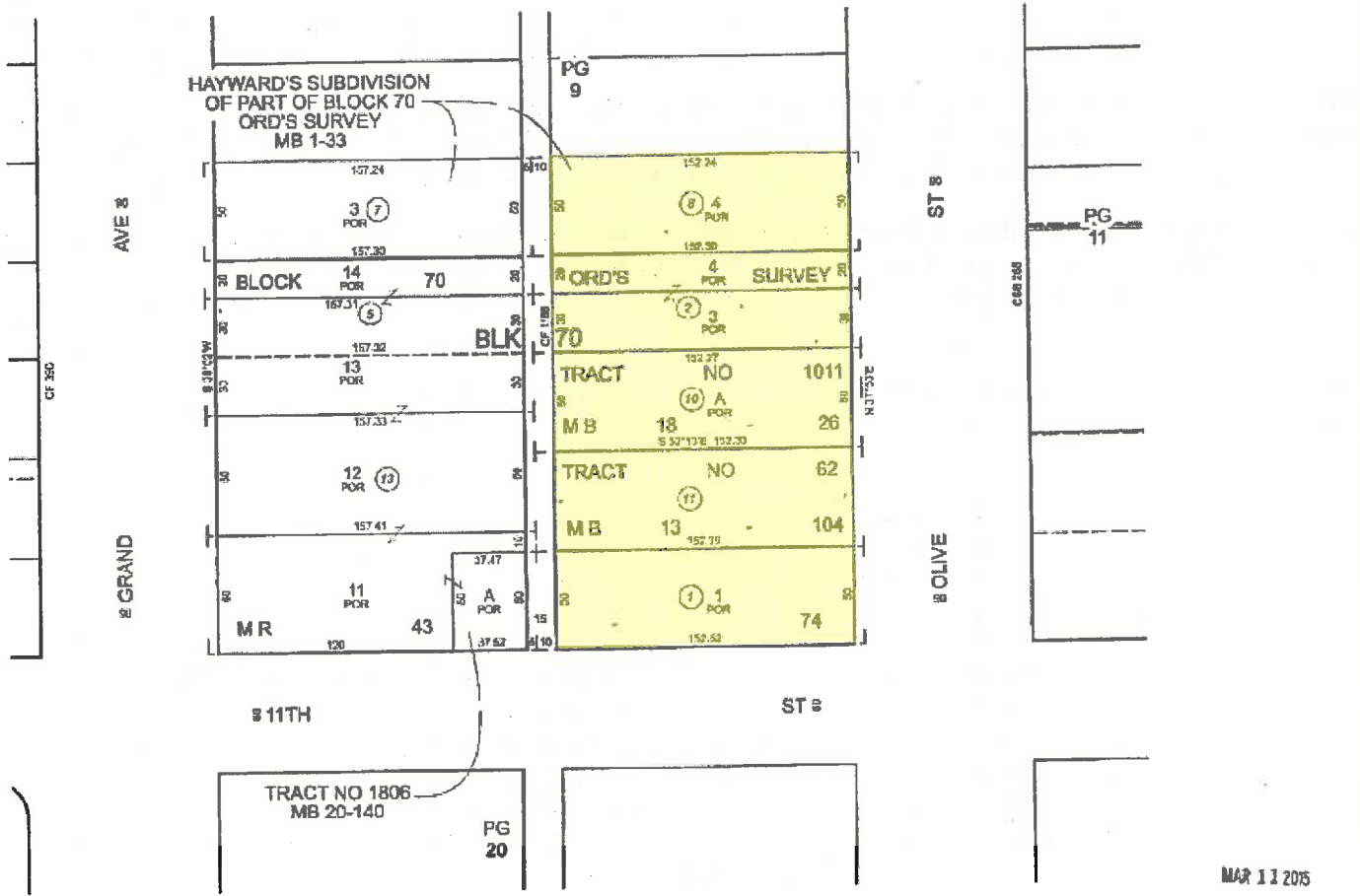
**Wetlands:** We were not given a wetlands survey to review. If subsequent engineering data reveal the presence of regulated wetlands, it could materially affect property value. We recommend a wetlands survey by a professional engineer with expertise in this field.

**Seismic Hazard:** To the best of our knowledge, the site is not located in a Special Study Zone as established by California's Alquist-Priolo Geological Hazards Act. However, all areas of Southern California are subject to seismic activity.

ASSESSOR PARCEL MAP

TRA 13254	REVISED: 751226 880323-89	20020919 2014052019000001-23 2014121807000001-28	20150218070001-23	SEARCH NO	OFFICE OF THE ASSESSOR COUNTY OF LOS ANGELES COPYRIGHT © 2002
--------------	---------------------------------	--	-------------------	-----------	---

15



MAR 11 2015

---

**Hazardous Substances:** We observed no evidence of toxic or hazardous substances during our inspection of the site. However, we are not trained to perform technical environmental inspections and recommend the hiring of a professional engineer with expertise in this field.

---

**Overall Site Utility:** The subject site is functional for its current use.

---

**Location Rating:** Good

---

**Comments** The subject site is comprised of five contiguous parcels forming a generally rectangular shape. The parcels occupy the northwestern corner of Olive and 11<sup>th</sup> Streets, with frontage and access via both streets and from the alley running along the west side of the site. The site is level at street at grade and benefits from good access, good frontage and good visibility. Overall, it has been determined that the site has good utility and a regular configuration that does not limit its development potential. Considering these features, the site appears to be suitable for its current and proposed uses.

---

## Real Property Taxes and Assessments

### Current Property Taxes

The subject property is located in the taxing jurisdiction of Los Angeles County. The assessor's parcel identification number is 5139-010-001, -002, -008, -010, -011. According to the local assessor's office, taxes are current. The assessment and taxes for the property are presented in the following table:

<b>CALIFORNIA ASSESSMENT AND TAX ANALYSIS</b>	
Assessor's Parcel Number:	5139-010-001, -002, -008, -010, -011
Assessing Authority:	Los Angeles County
Current Tax Year:	2016/2017
Are taxes current?	Taxes are current
Is there a grievance underway?	Not to our knowledge
The subject's assessment and taxes are:	Below market level
<b>ASSESSMENT INFORMATION</b>	
	2016/2017
Assessed Value	
Land:	\$14,633,291
Improvements:	244,580
Total:	\$14,877,871
<b>TAX LIABILITY</b>	
Taxable Assessment	\$14,877,871
Tax Rate	1.191849%
Sub-Total	\$177,322
Special Assessments	\$10,951
Total Property Taxes	\$188,272
Land Area ( SF )	41,603
Property Taxes per Square Foot	\$4.53
<i>Compiled by Cushman &amp; Wakefield Western, Inc.</i>	

Total taxes for the property are \$188,272, or \$4.53 per square foot of land area. According to public records, the subject property is located within the Los Angeles County Tax Area 13264, with an associated tax rate of 1.191849 percent. The difference between the tax rate and the calculated tax rate is attributed to direct assessments.

Under the provisions of Article XIII A of the California Tax and Revenue Code (Proposition 13), properties are assessed their market value as of March 1, 1975, the base year lien date, or a later date, such as when a property was last sold or substantial renovation/construction occurred. Under Proposition 13 the base tax rate is limited to 1.0 percent plus any additional increase subject to a two-thirds voter approval (55% approval in the case of educational districts). Because of the required voter approval ratio, the tax rate is usually stable.

The assessed value may be increased for inflation a maximum of 2.0 percent per year until the property is again sold, substantial new construction occurs, or the property's use changes significantly. In no event should a property be assessed above its current market value.

Reassessment due to new construction is usually based on the additional construction costs. Should the property sell, it would be reassessed according to the Assessor's opinion of market value. Generally, market value for reassessment after transfer of ownership is based on the sale price.

Thus, assessed value typically only relates to market value as of a particular sale date. As a result, comparison of assessed value with other properties in the market is not material to this analysis. Therefore, tax comparables are not pertinent and not included herein.

This analysis assumes taxes are current to the date of value. The tax amount used in the analysis assumes taxes based on a market sale as of the appraisal date (assessed at the estimated market value of the property and based on the current tax rate) plus any special assessments.

## Zoning

### General Information

The property is zoned [Q]R5-4D-O by the City of Los Angeles. A summary of the subject's zoning is provided in the following table:

ZONING	
<b>Municipality Governing Zoning:</b>	City of Los Angeles
<b>Current Zoning:</b>	[Q]R5-4D-O
<b>Current Use:</b>	Single-Level Commercial Uses
<b>Is current use permitted:</b>	Yes
<b>Permit details:</b>	Unentitled
<b>Proposed Use:</b>	Mixed-use
<b>Is proposed use permitted:</b>	Yes
<b>Permitted Uses:</b>	Permitted uses within this district include a range of high-density multifamily residential uses and various other uses.
<b>Prohibited Uses:</b>	Prohibited uses within this district include most commercial and industrial uses.

ZONING REQUIREMENTS	CODE	SUBJECT INFORMATION	SUBJECT COMPLIANCE
Minimum Lot Area:	5,000 sf per lot for residential; no limit on # of D.U.'s (due to Greater Downtown Housing Incentive Area)	41,603 square feet	Complying
Maximum Building Height:	No Limit	Complying	Complying
Maximum Floor Area Ratio (FAR):	6:1 / 13:1 with TFAR	Complying	Complying
Minimum Yard Setbacks			
Front (feet):	None	Complying	Complying
Rear (feet):	None	Complying	Complying
Side (feet):	None	Complying	Complying
Required On-Site Parking:	1 space per unit < 3 habitable rooms; 1.5 spaces per unit = 3 habitable rooms; 2 spaces per unit > 3 habitable rooms.	10 parking spaces	Non-Complying

Compiled by Cushman & Wakefield Western, Inc.

### Zoning Compliance

Property value is affected by whether or not an existing or proposed improvement complies with zoning regulations, as discussed below.

### R5-4D Zoning Designation

The [Q]R5-4D zoning designation provides for a range of residential and mixed-use development. The subject property is further designated as being within Height District 4, which does not limit the improvements' height, but rather the maximum permissible building area, as measured by the floor area ratio (FAR) is equal to thirteen times (13:1) the buildable area of the lot. The subject property is encumbered by the "D" suffix, which indicates a development restriction, limiting the by-right development density to six times (6:1) the buildable area of the lot by right, except for an application for transfer of floor area (TFAR) up to 13:1 FAR. The "Q" Qualified classification is a temporary classification indicating potential limitations or changes to use or the height district for future development.

### Other Restrictions

We know of no deed restrictions, private or public, that further limit the subject property's use. The research required to determine whether or not such restrictions exist is beyond the scope of this appraisal assignment. Deed

restrictions are a legal matter and only a title examination by an attorney or title company can usually uncover such restrictive covenants. We recommend a title examination to determine if any such restrictions exist.

### **Zoning Conclusions**

We analyzed the zoning requirements in relation to the subject property, and considered the compliance of the existing or proposed use. We are not experts in the interpretation of complex zoning ordinances but based on our review of public information, the subject property appears to be a pre-existing, non-complying use based on the size of the existing improvements and number of parking spaces provided on-site.

Detailed zoning studies are typically performed by a zoning or land use expert, including attorneys, land use planners, or architects. The depth of our study correlates directly with the scope of this assignment, and it considers all pertinent issues that have been discovered through our due diligence.

We note that this appraisal is not intended to be a detailed determination of compliance, as that determination is beyond the scope of this real estate appraisal assignment.

# Valuation

## Highest and Best Use

### Highest and Best Use Definition

*The Dictionary of Real Estate Appraisal*, Sixth Edition (2015), a publication of the Appraisal Institute, defines the highest and best use as:

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

To determine the highest and best use we typically evaluate the subject site under two scenarios: as though vacant land and as presently improved. In both cases, the property's highest and best use must meet the four criteria described above.

### Highest and Best Use of Site as though Vacant

#### Legally Permissible

The zoning regulations in effect at the time of the appraisal determine the legal permissibility of a potential use of the subject site. As described in the Zoning section, the subject site is zoned [Q]R5-4D-O by the City of Los Angeles. Permitted uses within this district include a range of high-density multifamily residential uses and various other uses. We are not aware of any further legal restrictions that limit the potential uses of the subject. In addition, rezoning of the site is not likely due to the character of the area.

#### Physically Possible

The physical possibility of a use is dictated by the size, shape, topography, availability of utilities, and any other physical aspects of the site. The subject site contains 0.96 acres, or 41,603 square feet. The site is rectangular and level at street grade. It has good frontage, good access, and good visibility. The overall utility of the site is considered to be good. All public utilities are available to the site including public water and sewer, gas, electric and telephone. Overall, the site is considered adequate to accommodate most permitted development possibilities.

#### Financially Feasible and Maximally Productive

In order to be seriously considered, a use must have the potential to provide a sufficient return to attract investment capital over alternative forms of investment. A positive net income or acceptable rate of return would indicate that a use is financially feasible. Financially feasible uses are those uses that can generate a profit over and above the cost of acquiring the site, and constructing the improvements. Of the uses that are permitted, possible, and financially feasible, the one that will result in the maximum value for the property is considered the highest and best use.

As previously discussed, a variety of high-density residential uses are legally permissible and physically possible options for the subject land. Under current national, regional and local economic conditions, it is likely that financing would be available for multifamily and/or mixed-use development on the subject site.

### Conclusion

We considered the legal issues related to zoning and legal restrictions. We also analyzed the physical characteristics of the site to determine what legal uses would be possible, and considered the financial feasibility

of these uses to determine the use that is maximally productive. Considering the subject site's physical characteristics and location, as well as the state of the local market, it is our opinion that the Highest and Best Use of the subject site as though vacant is for development with a multifamily or mixed-use project built to its maximum feasible building area.

### **Most Likely Buyer**

The subject's zoning, location and size render the site ideal for high-rise commercial, multifamily, or mixed-use development. An examination of recent land sales activity in the area suggests that there is demand for similar assets, and recent comparable sales indicate such properties are typically purchased by real estate developers and/or investors.

Given the very high renter demand in the area, apartment development is a very likely use for the site. As such, the most likely purchaser of the subject property is a developer/investor who would seek to entitle and develop the site, and then either operate the asset or sell-off to an operator or investor. This type of buyer would typically rely primarily on the Sales Comparison Approach to value the property.

## Valuation Process

### Methodology

There are three generally accepted approaches to developing an opinion of value: Cost, Sales Comparison and Income Capitalization. We considered each in this appraisal to develop an opinion of the market value of the subject property. In appraisal practice, an approach to value is included or eliminated based on its applicability to the property type being valued and the quality of information available. The reliability of each approach depends on the availability and comparability of market data as well as the motivation and thinking of purchasers.

The valuation process is concluded by analyzing each approach to value used in the appraisal. When more than one approach is used, each approach is judged based on its applicability, reliability, and the quantity and quality of its data. A final value opinion is chosen that either corresponds to one of the approaches to value, or is a correlation of all the approaches used in the appraisal.

We considered each approach in developing our opinion of the market value of the subject property. We discuss each approach below and conclude with a summary of their applicability to the subject property.

#### Cost Approach

The Cost Approach is based on the proposition that an informed purchaser would pay no more for the subject than the cost to produce a substitute property with equivalent utility. This approach is particularly applicable when the property being appraised involves relatively new improvements which represent the Highest and Best Use of the land; or when relatively unique or specialized improvements are located on the site for which there are few improved sales or leases of comparable properties.

In the Cost Approach, the appraiser forms an opinion of the cost of all improvements, depreciating them to reflect any value loss from physical, functional and external causes. Land value, entrepreneurial profit and depreciated improvement costs are then added, resulting in an opinion of value for the subject property.

#### Sales Comparison Approach

In the Sales Comparison Approach, sales of comparable properties are adjusted for differences to estimate a value for the subject property. A unit of comparison such as price per square foot of building area or effective gross income multiplier is typically used to value the property. When developing an opinion of land value the analysis is based on recent sales of sites of comparable zoning and utility, and the typical units of comparison are price per square foot of land, price per acre, price per unit, or price per square foot of potential building area. In both cases, adjustments are applied to the unit of comparison from an analysis of comparable sales, and the adjusted unit of comparison is then used to derive an opinion of value for the subject property.

#### Income Capitalization Approach

In the Income Capitalization Approach the income-producing capacity of a property is estimated by using contract rents on existing leases and by estimating market rent from rental activity at competing properties for the vacant space. Deductions are then made for vacancy and collection loss and operating expenses. The resulting net operating income is divided by an overall capitalization rate to derive an opinion of value for the subject property. The capitalization rate represents the relationship between net operating income and value. This method is referred to as Direct Capitalization.

Related to the Direct Capitalization Method is the Yield Capitalization Method. In this method periodic cash flows (which consist of net operating income less capital costs) and a reversionary value are developed and discounted

to a present value using an internal rate of return that is determined by analyzing current investor yield requirements for similar investments.

## **Summary**

This appraisal employs only the Sales Comparison Approach. Based on our analysis and knowledge of the subject property type and relevant investor profiles, it is our opinion that this approach would be considered necessary and applicable for market participants. Typical purchasers do not generally rely on the Cost or Income Capitalization Approaches when purchasing a property such as the subject of this report. Therefore, we have not employed the Cost Approach or the Income Capitalization Approach to develop an opinion of market value. The absence of these approaches does not diminish the reliability of the analysis.

## Land Valuation

We used the Sales Comparison Approach to develop an opinion of land value. We examined current offerings and analyzed prices buyers have recently paid for comparable sites. If the comparable was superior to the subject, a downward adjustment was made to the comparable sale. If inferior, an upward adjustment was made.

The most widely used and market-oriented units of comparison for properties with characteristics similar to those of the subject are price per square foot of land or price per square foot of potential building area. All transactions used in this analysis are based on the most appropriate method used in the local market.

The major elements of comparison used to value the subject site include the property rights conveyed, the financial terms incorporated into the transaction, the conditions or motivations surrounding the sale, changes in market conditions since the sale, the location of the real estate, its utility and the physical characteristics of the property.

The comparables and our analysis are presented on the following pages. Comparable land sale data sheets are presented in the Addenda of this report.

PROPERTY INFORMATION

TRANSACTION INFORMATION

Size (sf)	Size (Acres)	Max FAR	Potential Building Area	Proposed Use	Zoning	Grantor	Grantee	Sale Date	Sale Price	\$/SF Land	\$/SF Build.	\$/Unit
41,603	0.96	6.00	249,618	Single-Level Commercial Uses	[Q]R5-4D-C							
33,105	0.76	7.90	261,530	Residential-Multi-Family	C4(CW)-U/6	Pangea Development LLC	Hong You Properties LLC	6/17	\$26,000,000	\$785.38	\$99.42	\$107,884
28,850	0.66	6.00	173,100	Mixed Use	[Q]R5-4D-O	Garland Residual Trust	Onni Group	1/17	\$18,500,000	\$641.25	\$106.87	\$194,737
7,200	0.17	6.00	43,200	Residential-Multi-Family	[Q]R5-4D-O	Kids from the Valley XX LLC	Onni Broadway LP	4/16	\$4,000,000	\$555.56	\$92.59	\$111,111
11,500	0.26	6.00	69,000	Residential-Multi-Family	C2-4D	Main Spring Development LLC	Holland Partners	2/16	\$4,000,000	\$347.83	\$57.97	\$142,857
9,600	0.22	6.00	57,600	-	[Q]R5-4D	South Grand Pacific Parking LLC	Heart Olive LLC	5/15	\$4,632,675	\$482.57	\$80.43	\$96,514
44,365	1.02	6.00	266,190	Residential-Multi-Family	[Q]R5-4D-O	RKDC Family Trust	Shenglong Group	2/15	\$26,000,000	\$586.05	\$97.67	\$117,647
7,200	0.17	6.00	43,200					2/15	\$4,000,000	\$347.83	\$57.97	\$96,514
44,365	1.02	7.90	266,190					6/17	\$26,000,000	\$785.38	\$106.87	\$194,737
22,437	0.52	6.32	145,103					3/16	\$13,855,446	\$566.44	\$89.16	\$128,458

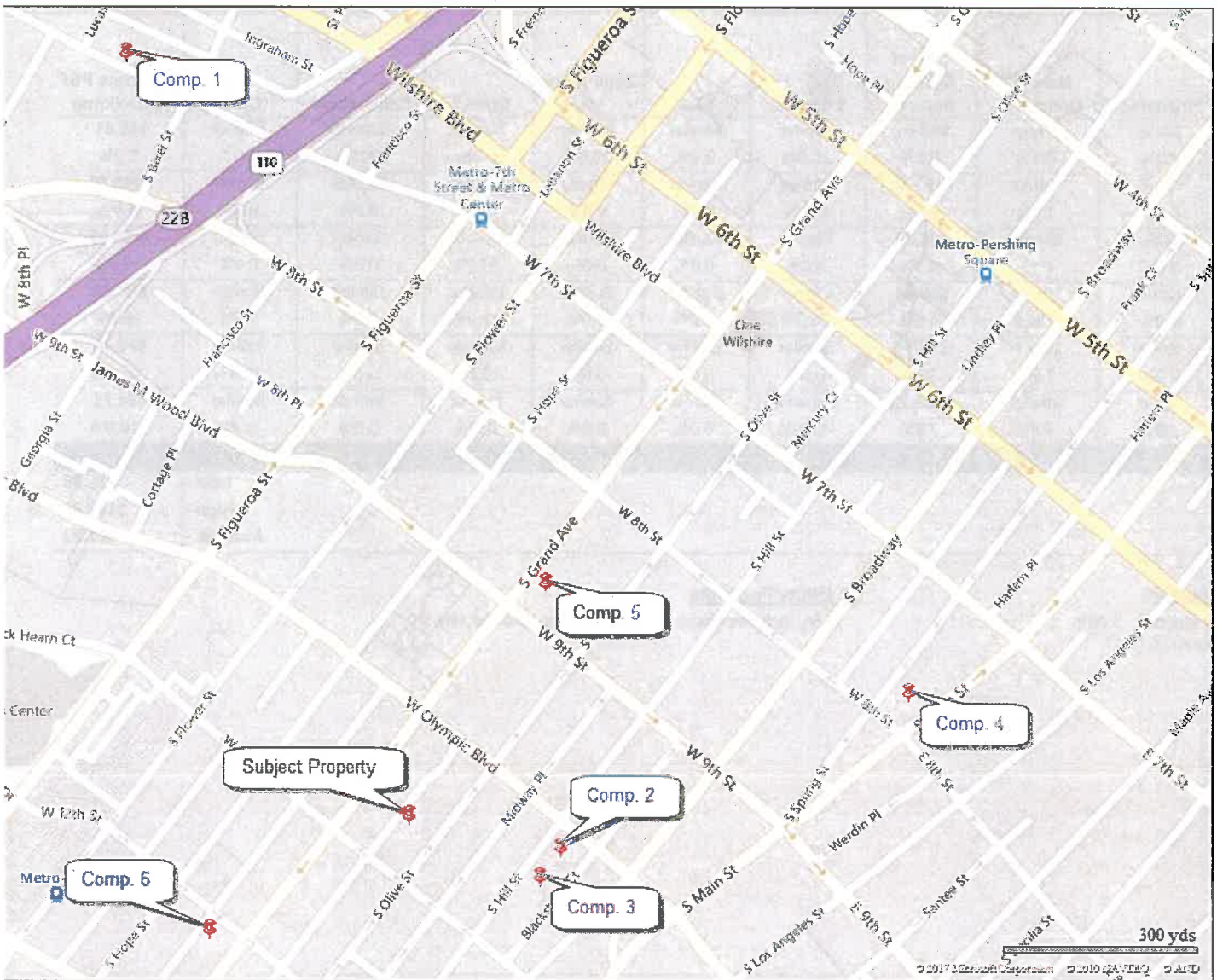
Inc.

GRID										
Economic Adjustments (Cumulative)				Property Characteristic Adjustments (Additive)						
Conditions of Sale	Financing	Market <sup>(1)</sup> Conditions	PSF of Building Subtotal	Location	Size	Zoning/Density	Utility <sup>(2)</sup>	Entitlements	Other	Adj. Price PSF of Building
n's-Length 0.0%	None 0.0%	Inferior 0.4%	\$99.81 0.4%	Inferior 20.0%	Similar 0.0%	Inferior 10.0%	Similar 0.0%	Superior -30.0%	Similar 0.0%	\$99.81 0.0%
n's-Length 0.0%	None 0.0%	Inferior 1.8%	\$108.80 1.8%	Similar 0.0%	Similar 0.0%	Similar 0.0%	Similar 0.0%	Similar 0.0%	Similar 0.0%	\$108.80 0.0%
n's-Length 0.0%	None 0.0%	Inferior 4.1%	\$96.39 4.1%	Similar 0.0%	Similar 0.0%	Similar 0.0%	Inferior 10.0%	Similar 0.0%	Similar 0.0%	\$106.03 10.0%
n's-Length 0.0%	None 0.0%	Inferior 4.6%	\$60.64 4.6%	Inferior 25.0%	Similar 0.0%	Similar 0.0%	Inferior 10.0%	Similar 0.0%	Similar 0.0%	\$81.86 35.0%
n's Motivation -15.0%	None 0.0%	Inferior 7.0%	\$73.15 -9.0%	Similar 0.0%	Similar 0.0%	Similar 0.0%	Inferior 10.0%	Similar 0.0%	Inferior 16.4%	\$92.46 26.4%
n's-Length 0.0%	None 0.0%	Inferior 7.8%	\$105.29 7.8%	Superior -10.0%	Similar 0.0%	Similar 0.0%	Similar 0.0%	Similar 0.0%	Similar 0.0%	\$94.76 -10.0%
									<b>Low</b>	<b>\$81.86</b>
									<b>High</b>	<b>\$108.80</b>
									<b>Average</b>	<b>\$97.29</b>

*, Inc.*  
Adjustment Footnote  
 Change in market conditions: 3.00%  
 Adjustment calculations: 8/15/17

(2) Utility Footnote  
 Utility includes shape, access, frontage and visibility.

LAND SALE LOCATION MAP



## Discussion of Comparable Sales

### Comparable 1

This comparable corresponds to the June 2017 sale of a 0.76-acre (33,105 square foot site) located on the northeast corner of 7<sup>th</sup> Street and Lucas Avenue, just west of the 110 Freeway, outside the core of DTLA. The corresponding address is 1135-1155 West 7<sup>th</sup> Street. The site is located in the Central City West Specific Plan area, and more specifically, within the South Subarea. The property is zoned C4(CW)-U/6, which is a high-density commercial zoning designation in the Specific Plan area with a by-right maximum FAR of 6:1. The site is comprised of two contiguous parcels forming a rectangular shape. The site was improved with low-rise commercial uses (motel and retail) in poor condition and surface at time of sale, but sold for land value. The site was fully entitled for a 24-story, 241-unit multifamily (220 market + 20 affordable) project with approximately 7,300 square feet of ground-retail at the time of sale. The entitlements include an increase in FAR to 7.9:1. No sales conditions were reported.

Pangea Development LLC sold the property to Hong You Properties LLC in June 2017 for a total price of \$26,000,000, or \$785.38 per square foot of land area, \$99.42 per square foot of potential building area, based on the entitled project.

### Comparable 2

This comparable corresponds to the January 2017 sale of a 0.66-acre (28,880 square foot site) located on the southeast corner of Olympic Boulevard and Hill Street in the South Park district of DTLA. The corresponding address is 224 West Olympic Boulevard. The site is zoned [Q]R5-4D-O, allowing for high-density residential uses by-right. The site is comprised of four contiguous parcels forming a rectangular shape. The property was surface parking at the time of sale. The site was not entitled for redevelopment at sale, however, the buyer applied for approvals of a 48-story residential tower with 498 units and 8,707 square feet of ground floor retail in January 2017. In total, the project will include 469,987 square feet of building area and 711 parking spaces. The project will require a TFAR of 253,070 square feet of FAR. The application includes a VTT for merger and re-subdivision of the project site, for residential and commercial condominium purposes. No further information was available regarding future redevelopment was available. The buyer, a residential developer based in Vancouver, purchased the southerly adjacent parcel (APN 5139-013-006) in April 2016 for a total consideration of \$4,000,000, or approximately \$556 per square foot of land area, however, this does not appear to have impacted the sales price. No sales conditions were reported.

In January 2017, Garland Residual Trust sold this property to Onni Group, a Vancouver-based developer, for a price of \$18,500,000, or \$641.25 per square foot of land area, \$106.87 per square foot of potential building area.

### Comparable 3

This sale represents the April 2016 sale of a 0.17-acre (7,200 square feet) located mid-block on the east side of Hill Street, just south of Olympic Boulevard. The corresponding street address is 1022 South Hill Street in the South Park district. The site is comprised of a single, rectangular parcel improved with surface parking at the time of sale. No sales conditions were reported. Site was unentitled at sale.

The site is part of an assemblage and in January 2017, subsequent to sale, buyer acquired northerly adjacent properties (APNs 5139-013-003, -004, 005, and -015) for a total consideration of \$18,500,000, or \$641 per square foot of land area. Together, the site occupies the southeast corner of Hill Street and Olympic Boulevard. In January 2017, the buyer applied for entitlement of a 48-story residential tower with 498 units and 8,707 square feet of ground floor retail. In total, the project will include 469,987 square feet of building area and 711 parking spaces. The project will require a TFAR of 253,070 square feet of FAR. Application includes a VTT for merger and re-subdivision of the project site for residential and commercial condominium purposes.

Onni Broadway LP purchased the property from the Kids from the Valley XX LLC for a total consideration of for \$4,000,000, or \$555.56 per square foot of land area, \$92.59 per square foot of potential building area.

#### Comparable 4

This item refers to the recent February 2016 sale of a 0.26 acre site (11,500 square feet) located mid-block on the east side of Spring Street between 7th and 8th Streets. The corresponding address is 746-750 South Spring Street, Los Angeles, CA. The rectangular site is zoned C2-4D and was improved with surface parking lot at sale. The property is part of an assemblage. The buyer previously purchased 732-743 South Spring Street, a contiguous site to the north, in October 2014, however, this does not appear to have impacted the sales price. Together, the project site totals approximately 0.94 acres and is fully entitled for a 308-unit, 24-story residential high-rise tower totaling 296,215 square feet with 7,202 square feet of commercial space and 411 parking spaces. The project includes a TFAR increasing the by-right 6.0 FAR to 7.22 FAR. All entitlement work was performed by the buyer.

Main Spring Development LLC sold the property to Holland Partners for a total consideration of \$4,000,000, or \$347.83 per square foot of land area, \$57.97 per square foot of potential building area.

#### Comparable 5

This item refers to the recent May 2015 sale of a 0.22 acre site (9,600 square feet) located mid-block on the east side of Grand Avenue between 8th and 9th Streets. The corresponding address is 842 South Grand Avenue, Los Angeles, CA. The rectangular site is zoned [Q]R5-4D and was improved with a surface parking lot containing 45 parking spaces at sale. The property is part of an assemblage. The buyer previously purchased 845 South Olive Street (APN 5144-019-021), a contiguous parcel to the east, in December 2014 (Comparable 3). Together, the site forms an approximately 0.58 acre mid-block, street-to-street, site with frontage on Grand and Olive. The site is southerly adjacent to the Stillwell Hotel and was unentitled at the time of sale. The site has some utility issues given the limited frontage and narrow width, impacting the development potential of the site on a stand-alone basis. The by-right FAR for the site is 6:1. No development plans have been reported. We note that this sale included a parking covenant for 38 parking spaces for the seller, who is the owner of the South Park Lofts at 818 S Grand Avenue. The covenant is in perpetuity and carries with the title. No other conditions were reported.

The site sold for \$4,632,675, or \$482.57 per square foot of land area, \$80.43 per square foot of potential building area. The buyer was Heart Olive LLC and the seller was the South Grand Pacific Parking LLC.

#### Comparable 6

This is the February 2015 sale of a 1.02-acre (44,365 square foot) site located at 1201 South Grand Avenue in the South Park district of Downtown Los Angeles. According to the listing agent, the site was unentitled at sale. The site is comprised of five parcels; two are contiguous at the southwest corner of Grand Avenue and 12<sup>th</sup> Street, and three are contiguous further south mid-block on Grand Avenue. All five parcels are located in [Q]R5-4D-O zone. The two sites are separated by a single parcel. One of the parcels was improved with an older (1931) commercial/industrial building containing approximately 45,000 square feet, but the buyer will demolish the existing improvements. The remaining four parcels were surface parking lots at the time of sale. The buyer proposes twin residential condominium towers for the site.

Shenglong Group purchased the site from the RKDC Family Trust for a total consideration of \$26,000,000, or \$586.05 per square foot of land area, \$97.67 per square foot of potential building area.

## Discussion of Adjustments

### Property Rights Conveyed

The property rights conveyed in a transaction typically have an impact on the sale price of a property. Since we are valuing the fee simple interest as reflected by each of the comparables, an adjustment for property rights is not required.

### Conditions of Sale

Adjustments for conditions of sale usually reflect the motivations of the buyer and the seller. In many situations the conditions of sale may significantly affect transaction prices. The buyer of Comparable 5 was assembling a larger site (previously owned adjacent parcels) and therefore, was motivated to purchase the site. Based on conversations with the buyer's broker, it is our understanding that this factor created upward pressure on the sale price. Consequently, a modest downward adjustment was applied to this comparable to account for the impact of the buyer's motivation on the sale price. We note that the buyers of Comparables 2 and 4 were assembling sites as well, however, in both of these cases, the sales price does not appear to have been impacted by the buyer's motivation. All of the other sales used in this analysis are considered to be "arms-length" market transactions between both knowledgeable buyers and sellers on the open market. Therefore, no further adjustments were required.

### Financial Terms

The financial terms of a transaction can have an impact on the sale price of a property. We analyzed all of the transactions to account for atypical financing terms. To the best of our knowledge, all of the sales used in this analysis were accomplished with cash or market-oriented financing. Therefore, no adjustments were required.

### Market Conditions

As rental market conditions stabilized and then began to improve, and demand for core multifamily investments began to outpace supply during in 2012-2014, developers were once again in the market for land investment opportunities. Initially, these were primarily limited to entitled sites in core submarkets. Over the past three years, however, land investment activity has been robust, including sites in all stages of the development process.

The sales that are included in this analysis occurred between February 2015 and June 2017. As the market has improved over this time period, we applied an annual adjustment of 3.00 percent.

### Location

An adjustment for location is required when the locational characteristics of a comparable property differ from those of the subject property. The subject property has a good location within the context of Downtown Los Angeles, four blocks (approximately 0.3 miles) east of Staples Center. The subject is located in the South Park district, proximate to the amenities and entertainment in the LA Live area. South Park is currently experiencing high levels of investment, leading all DTLA districts in terms of redevelopment. The subject is centrally located and is surrounded by newly constructed, high-quality multifamily and mixed-use projects. The near term outlook for the subject's immediate area is positive.

All of the comparables are located within  $\frac{3}{4}$ -mile of the subject property and have good Downtown Los Angeles locations. With the exception of Comparable 1, which is located just west of the 110 Freeway outside of the downtown core, and Comparable 4, located in the Historic Core, all of the comparables are located within  $\frac{1}{4}$ -mile of the subject in the South Park district. Upward adjustments were applied to Comparables 1 and 4, which have notably inferior locations within the context of DTLA, relative to the subject. A modest downward adjustment was applied to Comparable 6, which has a slightly superior location in South Park, closer to Staples Center.

## Size

The adjustment for size generally reflects an inverse relationship between price per square foot and lot size. However, given the subject's location and limited inventory of redevelopment sites in the immediate market area, there is actually a premium paid for larger sites because of the increased utility and potential for large-scale development. Accordingly, smaller lots tend to sell for slightly lower prices per-square-foot, while larger parcels may sell for slightly higher per-square-foot prices. The subject, with a total site area of 0.96 acres, is near the upper end of the comparables in terms of size, which range from 0.17 to 1.02 acres. We have considered the relationship between size and price and determined no adjustments were warranted.

## Zoning/Density

The zoning for a property dictates permissible uses and by-right maximum density. The subject property is zoned [Q]R5-4D-O, which permits high-density multifamily residential or mixed-use development by-right. All of the comparable data have R5, C2, or C4 designations, which generally permit a very similar range of commercial and residential uses by-right as the subject.

There is an inverse relationship between density and price per square foot of FAR. Comparable 1 was fully entitled for a proposed development that exceeds the by-right FAR of 6:1. We are adjusting the comparables based on the price per square foot of FAR unit of comparison. Accordingly, we applied an upward adjustment to this comparable to reflect its higher density based on the entitled project. The balance of the comparables reflect a 6:1 FAR, consistent with the subject's by-right FAR density. Therefore, no further adjustments were required.

## Utility

The subject site is comprised of five contiguous parcels forming a generally rectangular shape and is adequately shaped to accommodate a typical building. The subject site has corner location with frontage on both 11<sup>th</sup> and Olive Streets. The site can also be accessed via the alley abutting the property to the west. Overall, the subject site is adequately shaped to accommodate a range of development. It has good access, good frontage and good visibility. Overall, it has been determined that the site has good utility.

Adjustments were made where a comparable was considered to have superior or inferior utility. Upward adjustments were applied to Comparables 3, 4, and 5, which all correspond to mid-block sites with only one street of frontage. All of the other comparables have corner locations, multiple streets of frontage, and regular configurations that do not limit their development potential. Accordingly, no further adjustments were warranted.

## Entitlements

The status of a property as being entitled for a particular development (that is, there are governmental approvals in place that will allow for a particular development) is superior to an unentitled status due to the time and expense associated with obtaining such approvals. Even in the case of a by-right development, considerable time and capital is expended to obtain approvals, particularly if an Environmental Impact Report is required.

Obtaining entitlements requires considerable time and money. Under current market conditions, a buyer would likely place value on entitlements, if they represent the highest and best use of a given site. The subject property is not currently entitled for redevelopment. Comparable 1 was fully entitled for a high-rise, mixed-use project at the time of sale. Furthermore, the property was entitled at a density that exceeds by-right. Accordingly, a downward adjustment was applied to this sale. We note that Comparable 4 represents a portion of a larger assemblage that was entitled prior to the time of sale. This project was entitled at the cost of the buyer, however, and the entitlements were not contingent on acquiring the site. Accordingly, no adjustment was warranted. None of the other comparables were entitled for proposed projects at sale.

## Other

In some cases, other variables will have an impact on the price of a land transaction. Examples include soil or slope conditions, restrictive zoning, easements, wetlands or external influences. Comparable 5 was encumbered by a parking covenant that obligates the owner to provide 38 parking spaces for a nearby user (seller in the transaction). It is our understanding that the parking covenant is into perpetuity and carries with the title of the property. Accordingly, we have estimated the economic impact of this requirement (per the covenant) on the subject land. We estimated the cost of the replacement parking at approximately \$20,000 per space, and applied an adjustment equal to this amount on a percentage basis.

In our analysis of the comparables, we found that no other unusual conditions existed at the time of sale. As a result, no further adjustments were required.

## Conclusion of Site Value

The adjustments applied to the comparable sales in the Land Sale Adjustment Chart reflect what we determined is appropriate in the marketplace. Despite the subjectivity, the adjustments were considered reasonable and were applied consistently.

After a thorough analysis and subsequent to adjustment, the comparable land sales reflect adjusted unit values ranging from \$81.86 per building square foot to \$108.80 per building square foot, with an average of \$97.29 per building square foot. The subject property is well bracketed by the comparable data, which generally exhibit similar densities as the subject's by-right development density of 6:1 FAR. For Comparable 1, which was fully entitled at the time of sale, the FAR presented in the chart is reflective of the actual FAR, as entitled and designed for redevelopment. We have considered the subject's overall positioning within the marketplace and determined a conclusion near the middle of the adjusted range would be reasonable for the subject property. Based on the subject's location, lack of entitlements, and overall development potential, we concluded to pricing of **\$95 per square foot of FAR** for the subject property.

Therefore, we concluded that the indicated land value by the Sales Comparison Approach was:

HYPOTHETICAL FAIR MARKET VALUE AS IF VACANT CONCLUSION	Price Per Building SF
Indicated Value	\$95.00
Building Area Measure	x 249,618
Indicated Value	\$23,713,710
Rounded to nearest \$100,000	\$23,700,000
\$/Building Area Basis	\$94.95
<b>LAND VALUE CONCLUSION</b>	<b>\$23,700,000</b>
\$/Building Area Basis	\$94.95
\$/SF of Land Area	\$569.67

*Compiled by Cushman & Wakefield Western, Inc.*

## Reconciliation and Final Value Opinion

### Valuation Methodology Review and Reconciliation

This appraisal employs only the Sales Comparison Approach. Based on our analysis and knowledge of the subject property type and relevant investor profiles, it is our opinion that this approach would be considered necessary and applicable for market participants. Typical purchasers do not generally rely on the Cost or Income Capitalization Approaches when purchasing a property such as the subject of this report. Therefore, we have not employed the Cost Approach or the Income Capitalization Approach to develop an opinion of market value. The absence of these approaches does not diminish the reliability of the analysis.

The approach indicated the following:

<b>FINAL VALUE RECONCILIATION</b>			
	<b>Hypothetical Fair Market Value As If Vacant</b>		<b>PSF</b>
<b>Date of Value</b>	<b>August 15, 2017</b>		
<b>Land Valuation</b>			
Land Value	\$23,700,000		\$569.67
Land Value Per Building Area (GBA)	\$94.95		
<b>Final Value Conclusion</b>	<b>\$23,700,000</b>		<b>\$569.67</b>

*Compiled by Cushman & Wakefield Western, Inc.*

We gave sole weight to the Sales Comparison Approach because this mirrors the methodology used by purchasers of this property type.

<b>Value Conclusions</b>			
<b>Appraisal Premise</b>	<b>Real Property Interest</b>	<b>Date Of Value</b>	<b>Value Conclusion</b>
Hypothetical Fair Market Value As If Vacant	Fee Simple	August 15, 2017	\$23,700,000

*Compiled by Cushman & Wakefield Western, Inc.*

### Exposure Time and Marketing Time

Based on our review of national investor surveys, discussions with market participants and information gathered during the sales verification process, a reasonable exposure time for the subject property at the value concluded within this report would have been approximately six-nine (6-9) months. This assumes an active and professional marketing plan would have been employed by the current owner.

We believe, based on the assumptions employed in our analysis, as well as our selection of investment parameters for the subject, that our value conclusion represents a price achievable within six-nine (6-9) months.

## Assumptions and Limiting Conditions

"Report" means the appraisal or consulting report and conclusions stated therein, to which these Assumptions and Limiting Conditions are annexed.

"Property" means the subject of the Report.

"Cushman & Wakefield" means Cushman & Wakefield, Inc. or its subsidiary that issued the Report.

"Appraiser(s)" means the employee(s) of Cushman & Wakefield who prepared and signed the Report.

The Report has been made subject to the following assumptions and limiting conditions:

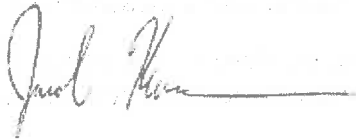
- No opinion is intended to be expressed and no responsibility is assumed for the legal description or for any matters that are legal in nature or require legal expertise or specialized knowledge beyond that of a real estate appraiser. Title to the Property is assumed to be good and marketable and the Property is assumed to be free and clear of all liens unless otherwise stated. No survey of the Property was undertaken.
- The information contained in the Report or upon which the Report is based has been gathered from sources the Appraiser assumes to be reliable and accurate. The owner of the Property may have provided some of such information. Neither the Appraiser nor Cushman & Wakefield shall be responsible for the accuracy or completeness of such information, including the correctness of estimates, opinions, dimensions, sketches, exhibits and factual matters. Any authorized user of the Report is obligated to bring to the attention of Cushman & Wakefield any inaccuracies or errors that it believes are contained in the Report.
- The opinions are only as of the date stated in the Report. Changes since that date in external and market factors or in the Property itself can significantly affect the conclusions in the Report.
- The Report is to be used in whole and not in part. No part of the Report shall be used in conjunction with any other analyses. Publication of the Report or any portion thereof without the prior written consent of Cushman & Wakefield is prohibited. Reference to the Appraisal Institute or to the MAI designation is prohibited. Except as may be otherwise stated in the letter of engagement, the Report may not be used by any person(s) other than the party(ies) to whom it is addressed or for purposes other than that for which it was prepared. No part of the Report shall be conveyed to the public through advertising, or used in any sales, promotion, offering or SEC material without Cushman & Wakefield's prior written consent. Any authorized user(s) of this Report who provides a copy to, or permits reliance thereon by, any person or entity not authorized by Cushman & Wakefield in writing to use or rely thereon, hereby agrees to indemnify and hold Cushman & Wakefield, its affiliates and their respective shareholders, directors, officers and employees, harmless from and against all damages, expenses, claims and costs, including attorneys' fees, incurred in investigating and defending any claim arising from or in any way connected to the use of, or reliance upon, the Report by any such unauthorized person(s) or entity(ies).
- Except as may be otherwise stated in the letter of engagement, the Appraiser shall not be required to give testimony in any court or administrative proceeding relating to the Property or the Appraisal.
- The Report assumes (a) responsible ownership and competent management of the Property; (b) there are no hidden or unapparent conditions of the Property, subsoil or structures that render the Property more or less valuable (no responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them); (c) full compliance with all applicable federal, state and local zoning and environmental regulations and laws, unless noncompliance is stated, defined and considered in the Report; and (d) all required licenses, certificates of occupancy and other governmental consents have been or can be obtained and renewed for any use on which the value opinion contained in the Report is based.
- The physical condition of the improvements considered by the Report is based on visual inspection by the Appraiser or other person identified in the Report. Cushman & Wakefield assumes no responsibility for the soundness of structural components or for the condition of mechanical equipment, plumbing or electrical components.
- The forecasted potential gross income referred to in the Report may be based on lease summaries provided by the owner or third parties. The Report assumes no responsibility for the authenticity or completeness of lease information provided by others. Cushman & Wakefield recommends that legal advice be obtained regarding the interpretation of lease provisions and the contractual rights of parties.

- The forecasts of income and expenses are not predictions of the future. Rather, they are the Appraiser's best opinions of current market thinking on future income and expenses. The Appraiser and Cushman & Wakefield make no warranty or representation that these forecasts will materialize. The real estate market is constantly fluctuating and changing. It is not the Appraiser's task to predict or in any way warrant the conditions of a future real estate market; the Appraiser can only reflect what the investment community, as of the date of the Report, envisages for the future in terms of rental rates, expenses, and supply and demand.
- Unless otherwise stated in the Report, the existence of potentially hazardous or toxic materials that may have been used in the construction or maintenance of the improvements or may be located at or about the Property was not considered in arriving at the opinion of value. These materials (such as formaldehyde foam insulation, asbestos insulation and other potentially hazardous materials) may adversely affect the value of the Property. The Appraisers are not qualified to detect such substances. Cushman & Wakefield recommends that an environmental expert be employed to determine the impact of these matters on the opinion of value.
- Unless otherwise stated in the Report, compliance with the requirements of the Americans with Disabilities Act of 1990 (ADA) has not been considered in arriving at the opinion of value. Failure to comply with the requirements of the ADA may adversely affect the value of the Property. Cushman & Wakefield recommends that an expert in this field be employed to determine the compliance of the Property with the requirements of the ADA and the impact of these matters on the opinion of value.
- If the Report is submitted to a lender or investor with the prior approval of Cushman & Wakefield, such party should consider this Report as only one factor, together with its independent investment considerations and underwriting criteria, in its overall investment decision. Such lender or investor is specifically cautioned to understand all Extraordinary Assumptions and Hypothetical Conditions and the Assumptions and Limiting Conditions incorporated in this Report.
- In the event of a claim against Cushman & Wakefield or its affiliates or their respective officers or employees or the Appraisers in connection with or in any way relating to this Report or this engagement, the maximum damages recoverable shall be the amount of the monies actually collected by Cushman & Wakefield or its affiliates for this Report and under no circumstances shall any claim for consequential damages be made.
- If the Report is referred to or included in any offering material or prospectus, the Report shall be deemed referred to or included for informational purposes only and Cushman & Wakefield, its employees and the Appraiser have no liability to such recipients. Cushman & Wakefield disclaims any and all liability to any party other than the party that retained Cushman & Wakefield to prepare the Report.
- Unless otherwise noted, we were not given a soil report to review. However, we assume that the soil's load-bearing capacity is sufficient to support existing and/or proposed structure(s). We did not observe any evidence to the contrary during our physical inspection of the property. Drainage appears to be adequate.
- Unless otherwise noted, we were not given a title report to review. We do not know of any easements, encroachments, or restrictions that would adversely affect the site's use. However, we recommend a title search to determine whether any adverse conditions exist.
- Unless otherwise noted, we were not given a wetlands survey to review. If subsequent engineering data reveal the presence of regulated wetlands, it could materially affect property value. We recommend a wetlands survey by a professional engineer with expertise in this field.
- Unless otherwise noted, we observed no evidence of toxic or hazardous substances during our inspection of the site. However, we are not trained to perform technical environmental inspections and recommend the hiring of a professional engineer with expertise in this field.
- Unless otherwise noted, we did not inspect the roof nor did we make a detailed inspection of the mechanical systems. The appraisers are not qualified to render an opinion regarding the adequacy or condition of these components. The client is urged to retain an expert in this field if detailed information is needed.
- By use of this Report each party that uses this Report agrees to be bound by all of the Assumptions and Limiting Conditions, Hypothetical Conditions and Extraordinary Assumptions stated herein.

## Certification of Appraisal

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

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- We have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.
- We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
- 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.
- 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 & Standards of Professional Appraisal Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- Jacob Kovner did make a personal inspection of the property that is the subject of this report.
- We have performed prior services involving the subject property within the three-year period immediately preceding the acceptance of the assignment.
- The service(s) include(s) a previous appraisal, one time within the prior three-year period immediately preceding the acceptance of the assignment.
- No one provided significant real property appraisal assistance to the persons signing this report.
- As of the date of this report, Michele Kauffman, MAI has completed the continuing education program for Designated Members of the Appraisal Institute.
- As of the date of this report, Jacob Kovner has completed all the Standards and Ethics Education Requirements for Candidates/Practicing Affiliates of the Appraisal Institute.




---

Jacob Kovner  
 Director  
 CA Certified General Appraiser  
 License No. 3004444  
 jacob.kovner@cushwake.com  
 213-955-5112 Office Direct




---

Michele Kauffman, MAI  
 Executive Director  
 CA Certified General Appraiser  
 License No. AG042324  
 michele.kauffman@cushwake.com  
 (213) 955-6495 Office Direct

## Addenda Contents

- Addendum A: Glossary of Terms & Definitions
- Addendum B: Client Satisfaction Survey
- Addendum C: Comparable Land Sale Data Sheets
- Addendum D: ALTA Survey
- Addendum E: Qualifications of the Appraiser

## Addendum A: Glossary of Terms & Definitions

The following definitions of pertinent terms are taken from *The Dictionary of Real Estate Appraisal, Sixth Edition (2015)*, published by the Appraisal Institute, Chicago, IL, as well as other sources.

### As Is Market Value

The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date. (Proposed Interagency Appraisal and Evaluation Guidelines, OCC-4810-33-P 20%)

### Band of Investment

A technique in which the capitalization rates attributable to components of a capital investment are weighted and combined to derive a weighted-average rate attributable to the total investment.

### Cash Equivalency

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

### Depreciation

1. In appraising, a loss in property value from any cause; the difference between the cost of an improvement on the effective date of the appraisal and the market value of the improvement on the same date. 2. In accounting, an allowance made against the loss in value of an asset for a defined purpose and computed using a specified method.

### Disposition Value

The most probable price that a specified interest in real property is likely to bring under all of the following conditions:

- Consummation of a sale will occur within a limited future marketing period specified by the client.
- The actual market conditions currently prevailing are those to which the appraised property interest is subject.
- The buyer and seller is each acting prudently and knowledgeably.
- The seller is under compulsion to sell.
- The buyer is typically motivated.
- Both parties are acting in what they consider their best interest.
- An adequate marketing effort will be made in the limited time allowed for the completion of a sale.
- Payment will be made in cash in U.S. dollars or in terms of financial arrangements comparable thereto.
- 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.

Note that this definition differs from the definition of market value. The most notable difference relates to the motivation of the seller. In the case of Disposition value, the seller would be acting under compulsion within a limited future marketing period.

### Ellwood Formula

A yield capitalization method that provides a formulaic solution for developing a capitalization rate for various combinations of equity yields and mortgage terms. The formula is applicable only to properties with stable or stabilized income streams and properties with income streams expected to change according to the J- or K-factor pattern. The formula is

$$RO = [YE - M(YE + P \frac{1}{S} n^{-1} - RM) - \Delta O \frac{1}{S} n^{-1}] / [1 + \Delta I J]$$

where

RO = Overall Capitalization Rate

YE = Equity Yield Rate

M = Loan-to-Value Ratio

P = Percentage of Loan Paid Off

$\frac{1}{S} n^{-1}$  = Sinking Fund Factor at the Equity Yield Rate

RM = Mortgage Capitalization Rate

$\Delta O$  = Change in Total Property Value

$\Delta I$  = Total Ratio Change in Income

J = J Factor

Also called mortgage-equity formula.

## Exposure Time

1. The time a property remains on the market. 2. The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based on an analysis of past events assuming a competitive and open market. See also marketing time.

## Extraordinary Assumption

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

Comment: Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends, or about the integrity of data used in an analysis.

## Fee Simple Estate

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

## Highest and Best Use

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

## Highest and Best Use of Property as Improved

The use that should be made of a property as it exists. An existing improvement should be renovated or retained as is so long as it continues to contribute to the total market value of the property, or until the return from a new improvement would more than offset the cost of demolishing the existing building and constructing a new one.

## Hypothetical Conditions

A condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis.

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

## Insurable Replacement Cost/Insurable Value

A type of value for insurance purposes.

## Intended Use

The use or uses of an appraiser's reported appraisal, appraisal review, or appraisal consulting assignment opinions and conclusions, as identified by the appraiser based on communication with the client at the time of the assignment.

## Intended User

The client and any other party as identified, by name or type, as users of the appraisal, appraisal review, or appraisal consulting report by the appraiser on the basis of communication with the client at the time of the assignment.

## Leased Fee Interest

A freehold (ownership interest) where the possessory interest has been granted to another party by creation of a contractual landlord-tenant relationship (i.e., a lease).

## Leasehold Interest

The tenant's possessory interest created by a lease. See also negative leasehold; positive leasehold.

## Liquidation Value

The most probable price that a specified interest in real property is likely to bring under all of the following conditions:

- Consummation of a sale will occur within a severely limited future marketing period specified by the client.
- The actual market conditions currently prevailing are those to which the appraised property interest is subject.
- The buyer is acting prudently and knowledgeably.
- The seller is under extreme compulsion to sell.
- The buyer is typically motivated.
- The buyer is acting in what he or she considers his or her best interest.
- A limited marketing effort and time will be allowed for the completion of a sale.
- Payment will be made in cash in U.S. dollars or in terms of financial arrangements comparable thereto.
- 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.

Note that this definition differs from the definition of market value. The most notable difference relates to the motivation of the seller. Under market value, the seller would be acting in his or her own best interests. The seller would be acting prudently and knowledgeably, assuming the price is not affected by undue stimulus or atypical motivation. In the case of liquidation value, the seller would be acting under extreme compulsion within a severely limited future marketing period.

## Market Rent

The most probable rent that a property should bring in a competitive and open market reflecting all conditions and restrictions of the lease agreement, including permitted uses, use restrictions, expense obligations, term, concessions, renewal and purchase options, and tenant improvements (TIs).

## Market Value

As defined in the Agencies' appraisal regulations, 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 are 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.<sup>1</sup>

## Marketing Time

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

## Mortgage-Equity Analysis

Capitalization and investment analysis procedures that recognize how mortgage terms and equity requirements affect the value of income-producing property.

## Operating Expenses

**Other Taxes, Fees & Permits** - Personal property taxes, sales taxes, utility taxes, fees and permit expenses.

**Property Insurance** - Coverage for loss or damage to the property caused by the perils of fire, lightning, extended coverage perils, vandalism and malicious mischief, and additional perils.

**Management Fees** - The sum paid for management services. Management services may be contracted for or provided by the property owner. Management expenses may include supervision, on-site offices or apartments for resident managers, telephone service, clerical help, legal or accounting services, printing and postage, and advertising. Management fees may occasionally be included among recoverable operating expenses

**Total Administrative Fees** - Depending on the nature of the real estate, these usually include professional fees and other general administrative expenses, such as rent of offices and the services needed to operate the property. Administrative expenses can be provided either in the following expense subcategories or in a bulk total. 1) Professional Fees - Fees paid for any professional services contracted for or incurred in property operation; or 2) Other Administrative - Any other general administrative expenses incurred in property operation.

<sup>1</sup> "Interagency Appraisal and Evaluation Guidelines." Federal Register 75:237 (December 10, 2010) p. 77472.

**Heating Fuel** - The cost of heating fuel purchased from outside producers. The cost of heat is generally a tenant expense in single-tenant, industrial or retail properties, and apartment projects with individual heating units. It is a major expense item shown in operating statements for office buildings and many apartment properties. The fuel consumed may be coal, oil, or public steam. Heating supplies, maintenance, and workers' wages are included in this expense category under certain accounting methods.

**Electricity** - The cost of electricity purchased from outside producers. Although the cost of electricity for leased space is frequently a tenant expense, and therefore not included in the operating expense statement, the owner may be responsible for lighting public areas and for the power needed to run elevators and other building equipment.

**Gas** - The cost of gas purchased from outside producers. When used for heating and air conditioning, gas can be a major expense item that is either paid by the tenant or reflected in the rent.

**Water & Sewer** - The cost of water consumed, including water specially treated for the circulating ice water system, or purchased for drinking purposes. The cost of water is a major consideration for industrial plants that use processes depending on water and for multifamily projects, in which the cost of sewer service usually ties to the amount of water used. It is also an important consideration for laundries, restaurants, taverns, hotels, and similar operations.

**Other Utilities** - The cost of other utilities purchased from outside producers.

**Total Utilities** - The cost of utilities net of energy sales to stores and others. Utilities are services rendered by public and private utility companies (e.g., electricity, gas, heating fuel, water/sewer and other utilities providers). Utility expenses can be provided either in expense subcategories or in a bulk total.

**Repairs & Maintenance** - All expenses incurred for the general repairs and maintenance of the building, including common areas and general upkeep. Repairs and maintenance expenses include elevator, HVAC, electrical and plumbing, structural/roof, and other repairs and maintenance expense items. Repairs and Maintenance expenses can be provided either in the following expense subcategories or in a bulk total. 1) Elevator - The expense of the contract and any additional expenses for elevator repairs and maintenance. This expense item may also include escalator repairs and maintenance. 2) HVAC - The expense of the contract and any additional expenses for heating, ventilation and air-conditioning systems. 3) Electrical & Plumbing - The expense of all repairs and maintenance associated with the property's electrical and plumbing systems. 4) Structural/Roof - The expense of all repairs and maintenance associated with the property's building structure and roof. 5) Pest Control - The expense of insect and rodent control. 6) Other Repairs & Maintenance - The cost of any other repairs and maintenance items not specifically included in other expense categories.

**Common Area Maintenance** - The common area is the total area within a property that is not designed for sale or rental, but is available for common use by all owners, tenants, or their invitees, e.g., parking and its appurtenances, malls, sidewalks, landscaped areas, recreation areas, public toilets, truck and service facilities. Common Area Maintenance (CAM) expenses can be entered in bulk or through the sub-categories. 1) Utilities - Cost of utilities that are included in CAM charges and passed through to tenants. 2) Repair & Maintenance - Cost of repair and maintenance items that are included in CAM charges and passed through to tenants. 3) Parking Lot Maintenance - Cost of parking lot maintenance items that are included in CAM charges and passed through to tenants. 4) Snow Removal - Cost of snow removal that are included in CAM charges and passed through to tenants. 5) Grounds Maintenance - Cost of ground maintenance items that are included in CAM charges and passed through to tenants. 6) Other CAM expenses are items that are included in CAM charges and passed through to tenants.

**Painting & Decorating** - This expense category is relevant to residential properties where the landlord is required to prepare a dwelling unit for occupancy in between tenancies.

**Cleaning & Janitorial** - The expenses for building cleaning and janitorial services, for both daytime and night-time cleaning and janitorial service for tenant spaces, public areas, atriums, elevators, restrooms, windows, etc. Cleaning and Janitorial expenses can be provided either in the following subcategories or entered in a bulk total. 1) Contract Services - The expense of cleaning and janitorial services contracted for with outside service providers. 2) Supplies, Materials & Misc. - The cost any cleaning materials and any other janitorial supplies required for property cleaning and janitorial services and not covered elsewhere. 3) Trash Removal - The expense of property trash and rubbish removal and related services. Sometimes this expense item includes the cost of pest control and/or snow removal. 4) Other Cleaning/Janitorial - Any other cleaning and janitorial related expenses not included in other specific expense categories.

**Advertising & Promotion** - Expenses related to advertising, promotion, sales, and publicity and all related printing, stationary, artwork, magazine space, broadcasting, and postage related to marketing.

**Professional Fees** - All professional fees associated with property leasing activities including legal, accounting, data processing, and auditing costs to the extent necessary to satisfy tenant lease requirements and permanent lender requirements.

**Total Payroll** - The payroll expenses for all employees involved in the ongoing operation of the property, but whose salaries and wages are not included in other expense categories. Payroll expenses can be provided either in the following subcategories or entered in a bulk total. 1) Administrative Payroll - The payroll expenses for all employees involved in on-going property administration. 2) Repair & Maintenance Payroll - The expense of all employees involved in on-going repairs and maintenance of the property. 3) Cleaning Payroll - The expense of all employees involved in providing on-going cleaning and janitorial services to the property. 4) Other Payroll - The expense of any other employees involved in providing services to the property not covered in other specific categories.

**Security** - Expenses related to the security of the Lessees and the Property. This expense item includes payroll, contract services and other security expenses not covered in other expense categories. This item also includes the expense of maintenance of security systems such as alarms and closed circuit television (CCTV), and ordinary supplies necessary to operate a security program, including batteries, control forms, access cards, and security uniforms.

**Roads & Grounds** - The cost of maintaining the grounds and parking areas of the property. This expense can vary widely depending on the type of property and its total area. Landscaping improvements can range from none to extensive beds, gardens and trees. In addition, hard-surfaced public parking areas with drains, lights, and marked car spaces are subject to intensive wear and can be costly to maintain.

**Other Operating Expenses** - Any other expenses incurred in the operation of the property not specifically covered elsewhere.

**Real Estate Taxes** - The tax levied on real estate (i.e., on the land, appurtenances, improvements, structures and buildings); typically by the state, county and/or municipality in which the property is located.

## Prospective Opinion of Value

A value opinion effective as of a specified future date. The term does not define a type of value. Instead, it identifies a value opinion as being effective at some specific future date. An opinion of value as of a prospective date is frequently sought in connection with projects that are proposed, under construction, or under conversion to a new use, or those that have not yet achieved sellout or a stabilized level of long-term occupancy.

## **Prospective Value upon Reaching Stabilized Occupancy**

The value of a property as of a point in time when all improvements have been physically constructed and the property has been leased to its optimum level of long-term occupancy. At such point, all capital outlays for tenant improvements, leasing commissions, marketing costs and other carrying charges are assumed to have been incurred.

## **Special, Unusual, or Extraordinary Assumptions**

Before completing the acquisition of a property, a prudent purchaser in the market typically exercises due diligence by making customary enquiries about the property. It is normal for a Valuer to make assumptions as to the most likely outcome of this due diligence process and to rely on actual information regarding such matters as provided by the client. Special, unusual, or extraordinary assumptions may be any additional assumptions relating to matters covered in the due diligence process, or may relate to other issues, such as the identity of the purchaser, the physical state of the property, the presence of environmental pollutants (e.g., ground water contamination), or the ability to redevelop the property.

# Addendum B: Client Satisfaction Survey

Survey Link: <https://www.surveymonkey.com/r/LQKCGLF?c=17-38003-900645-001>

Cushman & Wakefield File ID: 17-38003-900645-001

Fax Option: (716) 852-0890

1. Based on the scope and complexity of the assignment, please rate the development of the appraisal relative to the adequacy and relevance of the data, the appropriateness of the techniques used, and the reasonableness of the analyses, opinions, and conclusions:

- Excellent
- Good
- Average
- Below Average
- Poor

Comments: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

2. Please rate the appraisal report on clarity, attention to detail, and the extent to which it was presentable to your internal/external users without revisions:

- Excellent
- Good
- Average
- Below Average
- Poor

Comments: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

3. The appraiser communicated effectively by listening to your concerns, showed a sense of urgency in responding, and provided convincing support of his/her conclusions:

Not Applicable

Excellent

Good

Average

Below Average

Poor

Comments: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

4. The report was on time as agreed, or was received within an acceptable time frame if unforeseen factors occurred after the engagement:

Yes

No

Comments: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

5. Please rate your overall satisfaction relative to cost, timing, and quality:

Excellent

Good

Average

Below Average

Poor

Comments: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

6. Any additional comments or suggestions you feel our National Quality Control Committee should know?

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

7. Would you like a representative of our National Quality Control Committee to contact you?

Yes

No

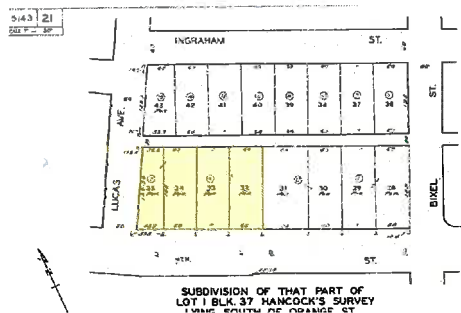
Name & Phone (if contact is desired):

---

---

Contact Information:    Scott Schafer  
                                  Senior Managing Director, National Quality Control  
                                  (716) 852-7500, ext. 121

# Addendum C: Comparable Land Sale Data Sheets



Entitled Hi-Rise MF Site  
 1135-1155 W 7th Street  
 Los Angeles CA 90017  
 Los Angeles County  
 Submarket: N/A  
 Property Type: Land  
 Property Subtype: N/A  
 Classification: N/A  
 ID: 364602  
 Tax Number (s): 5143-021-007, -016

**PROPERTY INFORMATION**

Site Area (Acres):	0.76	Public Utilities:	All Available
Site Area (Sq.Ft.):	33,105	Electricity:	Yes
Zoning:	C4(CW)-U/6	Water:	Yes
Utility:	Good	Sewer:	Yes
Access:	Good	Gas:	Yes
Frontage:	N/A	Proposed Use:	Residential-Multi-Family
Visibility:	Good	Maximum FAR:	7.90
Shape:	Irregular	Zoning Floor Area:	261,686
Topography:	Level	Potential Units:	241

**SALE INFORMATION**

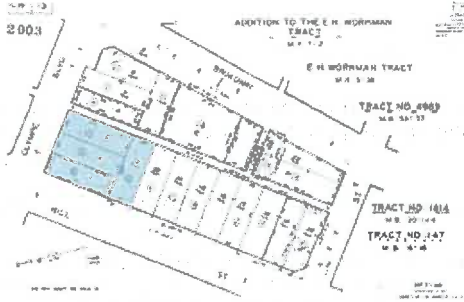
Status:	Recorded Sale	Price per Sq.Ft.:	\$785.38
Sale Date:	6/2017	Price per Acre:	\$34,210,526
Sale Price:	\$26,000,000	Sale Price per ZFA:	\$99.36
Value Interest:	Fee Simple	Price per Potential Units:	\$107,883.82
Grantor:	Pangea Development LLC		
Grantee:	Hong You Properties LLC		
Financing:	N/A		
Condition of Sale:	None		

**VERIFICATION COMMENTS**

Public Record

**COMMENTS**

Property is entitled for a 24-story, 241-unit multifamily (condominium) project with ground floor retail at time of sale. Site was improved with low-rise commercial uses (motel and retail) in poor condition and surface at time of sale, but sold for land value. Property is located adjacent to new Mayfair Hotel, Bower, and 1010 Wilshire. CBRE represented the seller. Entitlements include 221 market-rate units + 20 affordable units and a 7,291 SF ground floor retail component with a total building area of approximately 261,685 SF in a 24-story high-rise. Approved in January 2017. Located in the Central City West Specific Plan area. The site is zoned C4(CW)-U/6, which is a high-density commercial zoning designation in the Specific Plan area with a by-right maximum FAR of 6:1.



Proposed Development Site  
 220-224 West Olympic Boulevard  
 1010-1018 South Hill Street  
 Los Angeles CA 90015-1605  
 MSA: Los Angeles-Long Beach  
 Los Angeles County  
 Submarket: Los Angeles Central - Greater Downtown  
 Property Type: Land  
 Property Subtype: Residential (Multi-Family) For Rent  
 Classification: N/A  
 ID: 9207  
 Tax Number (s): 5139-013-003, -004, -005, and -015

**PROPERTY INFORMATION**

Site Area (Acres):	0.66	Public Utilities:	All Available
Site Area (Sq.Ft.):	28,850	Electricity:	Yes
Zoning:	[Q]R5-4D-O	Water:	Yes
Utility:	Good	Sewer:	Yes
Access:	Good	Gas:	Yes
Frontage:	Good	Proposed Use:	Mixed Use
Visibility:	Good	Maximum FAR:	6.00
Shape:	Rectangular	Zoning Floor Area:	173,100
Topography:	Level	Potential Units:	95

**SALE INFORMATION**

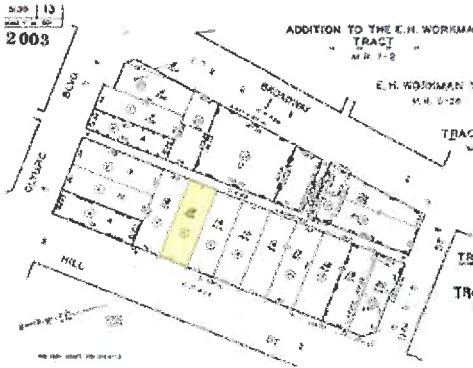
Status:	Recorded Sale	Price per Sq.Ft.:	\$641.25
Sale Date:	1/2017	Price per Acre:	\$27,932,750
Sale Price:	\$18,500,000	Sale Price per ZFA:	\$106.87
Value Interest:	Fee Simple	Price per Potential Units:	\$194,736.84
Grantor:	Garland Residual Trust		
Grantee:	Onni Group		
Financing:	N/A		
Condition of Sale:	None		

**VERIFICATION COMMENTS**

Public Record

**COMMENTS**

The property is located on the southeast corner with Hill Street in the South Park District of Downtown Los Angeles. The property was improved with a asphalt-paved parking lot at the time of sale. Buyer simultaneously filed an application with the City of LA for a 48-story tower with 498 residential dwelling units (condominiums) and 8,707 square feet of commercial uses for a total of 469,987 square feet of floor area and 711 parking spaces. This would require a transfer of floor area rights (TFAR) of approximately 253,070 square feet of additional floor area. The current entitlement status is unknown. Buyer is a Canadian-based developer active in DTLA.



1022 South Hill Street  
 Los Angeles CA 90015-1614  
 MSA: Los Angeles-Long Beach  
 Los Angeles County  
 Submarket: N/A  
 Property Type: Land  
 Property Subtype: Commercial  
 Classification: N/A  
 ID: 73440  
 Tax Number (s): 5139-013-006

**PROPERTY INFORMATION**

Site Area (Acres):	0.17	Public Utilities:	All Available
Site Area (Sq.Ft.):	7,200	Electricity:	Yes
Zoning:	[Q]R5-4D-O	Water:	Yes
Utility:	Excellent	Sewer:	Yes
Access:	Excellent	Gas:	Yes
Frontage:	Good	Proposed Use:	Residential-Multi-Family
Visibility:	Good	Maximum FAR:	6.00
Shape:	Rectangular	Zoning Floor Area:	43,200
Topography:	Level	Potential Units:	36

**SALE INFORMATION**

Status:	Recorded Sale	Price per Sq.Ft.:	\$555.56
Sale Date:	4/2016	Price per Acre:	\$24,200,038
Sale Price:	\$4,000,000	Sale Price per ZFA:	\$92.59
Value Interest:	Fee Simple	Price per Potential Units:	\$111,111.11
Grantor:	Kids from the Valley XX LLC		
Grantee:	Onni Broadway LP		
Financing:	N/A		
Condition of Sale:	None		

**VERIFICATION COMMENTS**

Public Record

**COMMENTS**

Improved with surface parking at time of sale. Buyer is a residential developer based in Vancouver. No sales conditions were reported. Unentitled at sale.

In January 2017, subsequent to sale, buyer acquired northerly adjacent properties (APNs 5139-013-003, -004, 005, and -015) for a total consideration of \$18,500,000, or \$641 per square foot of land area.

Buyer applied for entitlement of a 48-story residential tower with 498 units and 8,707 square feet of ground floor retail in January 2017. In total, the project will include 469,987 square feet of building area and 711 parking spaces. The project will require a TFAR of 253,070 square feet of FAR. Application includes a VTT for merger and re-subdivision of the project site for residential and commercial condominium purposes.



746-750 South Spring Street  
 Los Angeles CA 90014-2906  
 MSA: Los Angeles-Long Beach  
 Los Angeles County  
 Submarket: N/A  
 Property Type: Land  
 Property Subtype: Commercial  
 Classification: N/A  
 ID: 91365  
 Tax Number (s): 5144-015-026  
 5144-015-027

**PROPERTY INFORMATION**

Site Area (Acres):	0.26	Public Utilities:	All Available
Site Area (Sq.Ft.):	11,500	Electricity:	Yes
Zoning:	C2-4D	Water:	Yes
Utility:	Good	Sewer:	Yes
Access:	Good	Gas:	Yes
Frontage:	Good	Proposed Use:	Residential-Multi-Family
Visibility:	Good	Maximum FAR:	6.00
Shape:	Rectangular	Zoning Floor Area:	69,000
Topography:	Level	Potential Units:	28

**SALE INFORMATION**

Status:	Recorded Sale	Price per Sq.Ft.:	\$347.83
Sale Date:	2/2016	Price per Acre:	\$15,151,286
Sale Price:	\$4,000,000	Sale Price per ZFA:	\$57.97
Value Interest:	Fee Simple	Price per Potential Units:	\$142,857.14
Grantor:	Main Spring Development LLC		
Grantee:	Holland Partners		
Financing:	N/A		
Condition of Sale:	None		

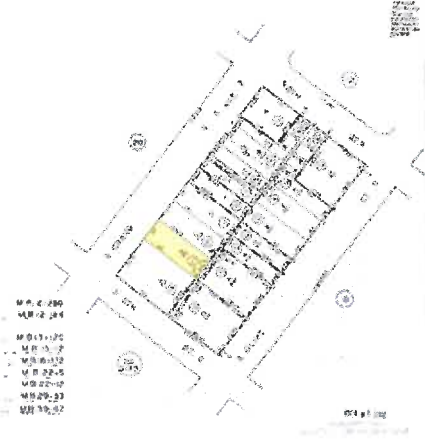
**VERIFICATION COMMENTS**

Public Record

**COMMENTS**

Site represents a portion of an assemblage fully entitled for a high-rise project. Holland Partners owns the adjacent sites and entitled the project. Holland performed all entitlement work. No sale conditions reported. Sale price does not appear to have been impacted by buyer's motivation.

The project site, which includes this sales portion, totals 0.94 acres is fully entitled for a 308-unit, 24-story residential high-rise tower totaling 296,215 sf with 7,202 sf of commercial space and 411 parking spaces. The project includes a TFAR increasing the by-right 6.0 FAR to 7.22 FAR.



842 S Grand Parking Lot  
 842 South Grand Avenue  
 Los Angeles CA 90017-4610  
 MSA: Los Angeles-Long Beach  
 Los Angeles County  
 Submarket: Los Angeles Central - Greater Downtown  
 Property Type: Land  
 Property Subtype: Residential (Multi-Family) For Rent  
 Classification: N/A  
 ID: 108462  
 Tax Number (s): 5144-019-007

**PROPERTY INFORMATION**

Site Area (Acres):	0.22	Public Utilities:	All Available
Site Area (Sq.Ft.):	9,600	Electricity:	Yes
Zoning:	[Q]R5-4D	Water:	Yes
Utility:	Average	Sewer:	Yes
Access:	Average	Gas:	Yes
Frontage:	Average	Proposed Use:	N/A
Visibility:	Good	Maximum FAR:	6.00
Shape:	Rectangular	Zoning Floor Area:	57,600
Topography:	Level	Potential Units:	48

**SALE INFORMATION**

Status:	Recorded Sale	Price per Sq.Ft.:	\$482.57
Sale Date:	5/2015	Price per Acre:	\$21,020,732
Sale Price:	\$4,632,675	Sale Price per ZFA:	\$80.43
Value Interest:	Fee Simple	Price per Potential Units:	\$96,514.06
Grantor:	South Grand Pacific Parking LLC		
Grantee:	Heart Olive LLC		
Financing:	N/A		
Condition of Sale:	Buyer's Influence		

**VERIFICATION COMMENTS**

Public Record. Mike Condon Jr. 213.629.7379 - Buyer Broker

**COMMENTS**

Property is comprised of a single parcel located on the east side of Grand Avenue. Assemblage. Buyer purchased 845 South Olive Street (APN 5144-019-021), a contiguous parcel to the east) in December 2014. Together, the site forms an approximately 0.58 acre mid-block, street-to-street, site with frontage on Grand and Olive. No development plans have been reported. Property was improved with surface parking at time of sale. Unentitled at sale. The seller acquired in the site August 2013 for \$2,400,000. The site is southerly adjacent to the Stillwell Hotel. The sale included a parking covenant for 38 parking spaces for the seller, who is the owner of the South Park Lofts at 818 S Grand Avenue. The covenant is in perpetuity and carries with the title.



1201 South Grand Avenue  
 SWC of Grand Avenue and 12th Street  
 Los Angeles CA 90015-2157  
 MSA: Los Angeles-Long Beach  
 Los Angeles County  
 Submarket: N/A  
 Property Type: Land  
 Property Subtype: N/A  
 Classification: N/A  
 ID: 182851  
 Tax Number (s): 5139-022-008, -009, -011, -012, -013

**PROPERTY INFORMATION**

Site Area (Acres):	1.02	Public Utilities:	All Available
Site Area (Sq.Ft.):	44,365	Electricity:	Yes
Zoning:	[Q]R5-4D-O	Water:	Yes
Utility:	Good	Sewer:	Yes
Access:	Good	Gas:	Yes
Frontage:	Good	Proposed Use:	Residential-Multi-Family
Visibility:	Good	Maximum FAR:	6.00
Shape:	Rectangular	Zoning Floor Area:	266,190
Topography:	Level	Potential Units:	221

**SALE INFORMATION**

Status:	Recorded Sale	Price per Sq.Ft.:	\$586.05
Sale Date:	2/2015	Price per Acre:	\$25,528,238
Sale Price:	\$26,000,000	Sale Price per ZFA:	\$97.67
Value Interest:	Fee Simple	Price per Potential Units:	\$117,647.06
Grantor:	RKDC Family Trust		
Grantee:	Shenglong Group		
Financing:	N/A		
Condition of Sale:	None		

**VERIFICATION COMMENTS**

Public Record; Dave Hasbrouck

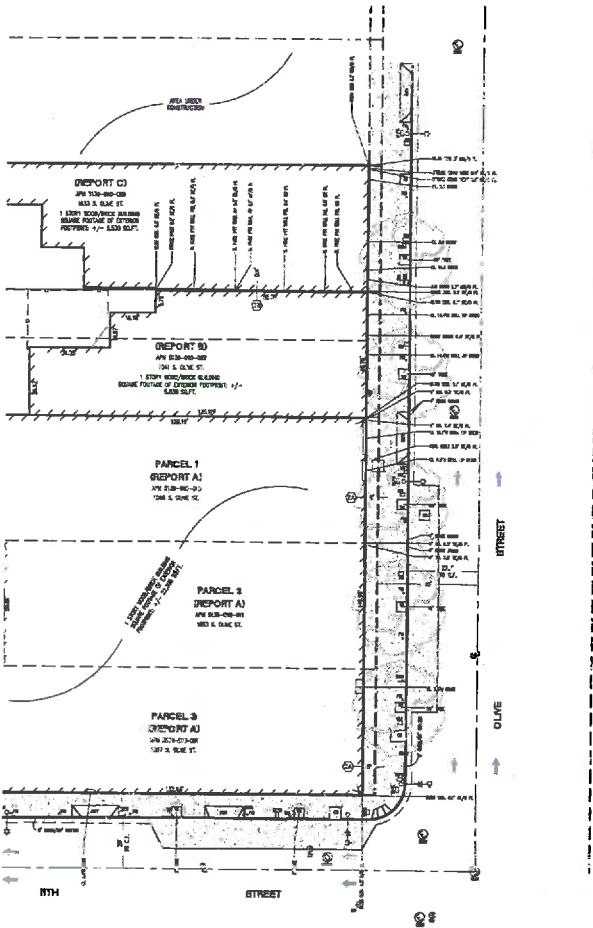
**COMMENTS**

Unentitled at sale. Site is comprised of 5 parcels. APNS -008 and -009 are contiguous on the SWC of 12th and Grand. APNs -011, -012, and -013 are contiguous further south on Grand Avenue. The two sites are separated by a single parcel (5139-022-010). APN -008 had 3-story commercial building, constructed in 1931, measuring approximately 45,000 sf at time of sale, but sold for land value. APN -009 was surface parking at sale. APNs -011, -012, and -013 were surface parking at time of sale.

# Addendum D: ALTA Survey



# ALTA/ACSM LAND TITLE SURVEY

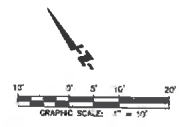


- LEGEND**
- 2.25' BOUNDARY
  - 3.00' BOUNDARY
  - 4.00' BOUNDARY
  - 5.00' BOUNDARY
  - 6.00' BOUNDARY
  - 7.00' BOUNDARY
  - 8.00' BOUNDARY
  - 9.00' BOUNDARY
  - 10.00' BOUNDARY
  - 11.00' BOUNDARY
  - 12.00' BOUNDARY
  - 13.00' BOUNDARY
  - 14.00' BOUNDARY
  - 15.00' BOUNDARY
  - 16.00' BOUNDARY
  - 17.00' BOUNDARY
  - 18.00' BOUNDARY
  - 19.00' BOUNDARY
  - 20.00' BOUNDARY
  - 21.00' BOUNDARY
  - 22.00' BOUNDARY
  - 23.00' BOUNDARY
  - 24.00' BOUNDARY
  - 25.00' BOUNDARY
  - 26.00' BOUNDARY
  - 27.00' BOUNDARY
  - 28.00' BOUNDARY
  - 29.00' BOUNDARY
  - 30.00' BOUNDARY
  - 31.00' BOUNDARY
  - 32.00' BOUNDARY
  - 33.00' BOUNDARY
  - 34.00' BOUNDARY
  - 35.00' BOUNDARY
  - 36.00' BOUNDARY
  - 37.00' BOUNDARY
  - 38.00' BOUNDARY
  - 39.00' BOUNDARY
  - 40.00' BOUNDARY
  - 41.00' BOUNDARY
  - 42.00' BOUNDARY
  - 43.00' BOUNDARY
  - 44.00' BOUNDARY
  - 45.00' BOUNDARY
  - 46.00' BOUNDARY
  - 47.00' BOUNDARY
  - 48.00' BOUNDARY
  - 49.00' BOUNDARY
  - 50.00' BOUNDARY
  - 51.00' BOUNDARY
  - 52.00' BOUNDARY
  - 53.00' BOUNDARY
  - 54.00' BOUNDARY
  - 55.00' BOUNDARY
  - 56.00' BOUNDARY
  - 57.00' BOUNDARY
  - 58.00' BOUNDARY
  - 59.00' BOUNDARY
  - 60.00' BOUNDARY
  - 61.00' BOUNDARY
  - 62.00' BOUNDARY
  - 63.00' BOUNDARY
  - 64.00' BOUNDARY
  - 65.00' BOUNDARY
  - 66.00' BOUNDARY
  - 67.00' BOUNDARY
  - 68.00' BOUNDARY
  - 69.00' BOUNDARY
  - 70.00' BOUNDARY
  - 71.00' BOUNDARY
  - 72.00' BOUNDARY
  - 73.00' BOUNDARY
  - 74.00' BOUNDARY
  - 75.00' BOUNDARY
  - 76.00' BOUNDARY
  - 77.00' BOUNDARY
  - 78.00' BOUNDARY
  - 79.00' BOUNDARY
  - 80.00' BOUNDARY
  - 81.00' BOUNDARY
  - 82.00' BOUNDARY
  - 83.00' BOUNDARY
  - 84.00' BOUNDARY
  - 85.00' BOUNDARY
  - 86.00' BOUNDARY
  - 87.00' BOUNDARY
  - 88.00' BOUNDARY
  - 89.00' BOUNDARY
  - 90.00' BOUNDARY
  - 91.00' BOUNDARY
  - 92.00' BOUNDARY
  - 93.00' BOUNDARY
  - 94.00' BOUNDARY
  - 95.00' BOUNDARY
  - 96.00' BOUNDARY
  - 97.00' BOUNDARY
  - 98.00' BOUNDARY
  - 99.00' BOUNDARY
  - 100.00' BOUNDARY

**FLOOD HAZARD ZONE**  
 THIS PROPERTY IS NOT BELIEVED TO BE A FLOOD HAZARD AREA AS DETERMINED BY THE FEDERAL EMERGENCY MANAGEMENT AGENCY. THE FLOOD HAZARD INFORMATION IS BASED ON CONSULTATION WITH THE FLOOD HAZARD MAPS OF THE FEDERAL EMERGENCY MANAGEMENT AGENCY, SEPTEMBER 20, 2000.

**UNIT ZONE**  
 THE CURRENT USE ZONING FOR THE SUBJECT PROPERTY IS:  
 (M) M-1-1-1, MULTIPLE DWELLING ZONE.

**LAND AREA**  
 GROSS: 0.4633 ACRES = 2.00 ACRES  
 NET: 0.3077 ACRES = 1.35 ACRES



<b>ALTA/ACSM LAND TITLE SURVEY</b>		<p><b>FUSCOE</b> ENGINEERING</p> <p>15795 Van Kesteren, Suite 100                  Irvine, CA 92618-2202                  Tel: 949.474.1500 &amp; Fax: 949.474.1310                  www.fuscoe.com</p>	DATE: FEBRUARY 6, 2011 SCALE: 1" = 10' FILE: 1283-021 ALTA/ACSM JOB: 12830201 DRAWN BY: S.A. CHECKED BY: J.U. SHEET 2 OF 2
NO. 1 DATE 1/15/10 BY: LUPANO REPORT A, B, C, AND GREEN	11TH & SOUTH OLIVE STREET LOS ANGELES COUNTY, CALIFORNIA CSE ARCHITECTURE & LLC 2500 WILSHIRE BOULEVARD BEVERLY HILLS, CA 90212		

## Addendum E: Qualifications of the Appraiser



**Jacob H Kovner** Director

Valuation & Advisory  
Practice Group Member | Multifamily  
Cushman & Wakefield Western, Inc.

### **Professional Expertise**

Mr. Kovner joined the Valuation & Advisory group in the Los Angeles office of Cushman & Wakefield Western, Inc. in 2011. Initially, he was responsible for providing research and analytical support for real estate market intelligence for multifamily residential assets in the Southern California market. In 2013, he transitioned to a full-time production Appraiser role. In 2015, he was promoted to Associate Director and in 2017, he was promoted to his current role as Director. Prior to joining Cushman & Wakefield, Mr. Kovner worked at CIM Group as an analyst in the Investment and Development Department.

Presently, Mr. Kovner is a member of Valuation & Advisory's Multifamily Practice Group focusing primarily on mixed-use, multifamily, and land assets throughout Southern California. Additionally, he has considerable experience valuing signage assets and offers a breadth of knowledge on various forms of outdoor advertising. Assignments have included a multitude of signage assets including traditional billboards, tall walls, banners, and digital signs in premium locations throughout Southern California. He has also provided valuation services for retail, hospitality and mission critical facilities throughout the country. With a background in city planning, he has a deep familiarity and understanding of current city and state legislation governing land use and development standards.

### **Memberships, Licenses, Professional Affiliations and Education**

- As of the current date, Jacob H. Kovner has completed the requirements of the continuing education program of the Appraisal Institute.
- Certified General Real Estate Appraiser in:
  - California – License No. 3004444
- Bachelor of Arts, University of California Berkeley



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

**Jacob H. Kovner**

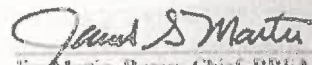
has successfully met the requirements for a license as a residential and commercial real estate appraiser in the State of California and is, therefore, entitled to use the title:

"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: 3004444

Effective Date: April 10, 2017  
Date Expires: April 9, 2019

  
Jim Martin, Bureau Chief, BREA

3034601

THIS DOCUMENT CONTAINS A TRUE WATERMARK. HOLD UP TO LIGHT TO SEE 'CHAIN LINK'



**Michele L. Kauffman, MAI** Executive Managing Director

Valuation & Advisory  
Practice Group Leader | Multifamily  
Cushman & Wakefield of Western, Inc.

### Professional Expertise

Ms. Kauffman is the Southern California Regional Manager, and is a co-leader of the national Multifamily Practice Group. Based in Los Angeles, the central focus of her work is the valuation of development sites and residential and special purpose properties. Ms. Kauffman specializes in projects with unique land planning and entitlement issues. She also advises clients on highest and best use issues and prepares market studies and feasibility analysis for land investment opportunities. Since 1999, her focus has been on urban infill development in Southern California.

Central to her practice is the valuation of Low Income Housing, New Market and Historic Preservation Tax Credits, bond financed properties, affordable housing, SROs and student housing. She has a keen understanding of the public/private partnership structures that are used to facilitate urban development and has appraised leased fee and leasehold positions in multiple ground leased assets throughout Los Angeles. Ms. Kauffman has also provided consulting and/or valuation services for clients with substantial holdings including the U.S. General Services Administration, State of California, local governments, publicly traded REITs, pension funds, private partnerships, local developers and family trusts. Ms. Kauffman is qualified as an expert witness in the Los Angeles County Superior Court and in U.S. Bankruptcy Court.

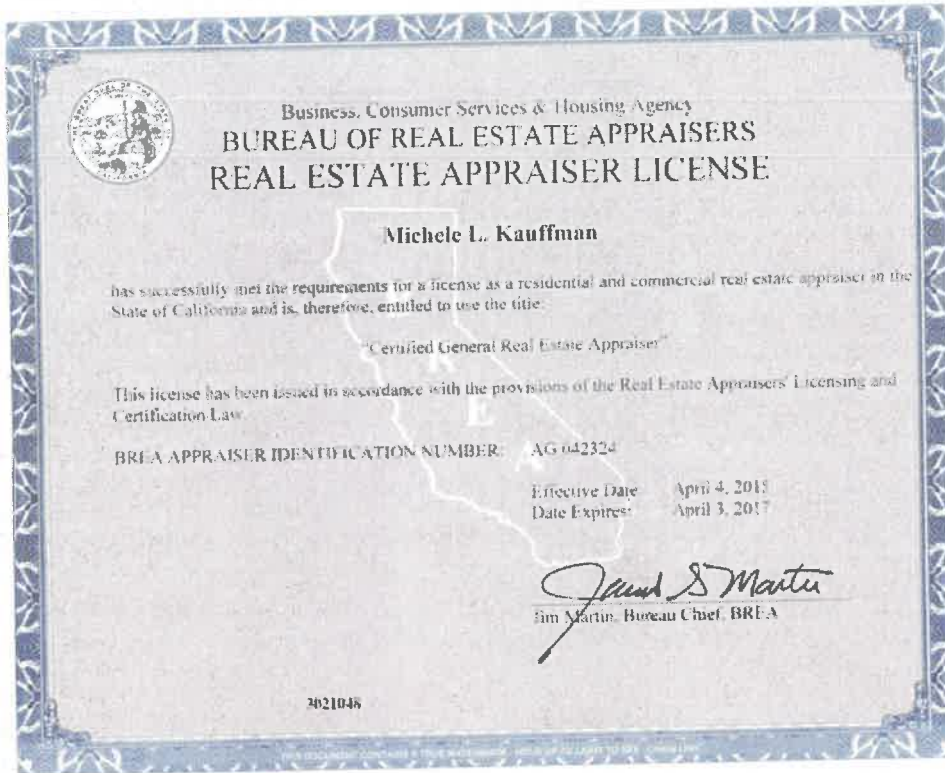
### Memberships, Licenses, Professional Affiliations and Education

- Designated Member, Appraisal Institute (MAI #14502). As of the current date, Michele L. Kauffman, MAI has completed the requirements of the continuing education program of the Appraisal Institute.
- Certified General Real Estate Appraiser in the following states:
  - California – AG042324
  - Hawaii – CGA 1124
- Master of Planning, University of Virginia
- Bachelor of Arts, Duquesne University

### Special Awards

- Recipient, Cushman & Wakefield's Mentorship Award in Southern California, 2014
- Recipient, Frank Liantonio Award for Professional Excellence, 2007
- Ms. Kauffman was a member of Cushman & Wakefield's Top Valuation Services Team in Southern California for 2000, 2002, 2003, 2004 and 2006

CALIFORNIA



HAWAII

