

Summary Appraisal Report
3,916± SF Retail/Residential Property
3011 Franklin Boulevard, Sacramento, CA 95818

Client

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333 Market Street, 21st Floor
San Francisco, CA 94105

Prepared By

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Date of Report March 7, 2012

RETECHS #: WF-SF-12-005875-01-1



Assignment Conditions

Intended Use	Portfolio Management	Date of Inspection	February 24, 2012
Intended User	Client only	Date of As-Is Value	February 24, 2012
Assignment Objective	Develop an opinion of Market Value (per Federal Register guidelines)	Report Option	Summary Appraisal Report, in accordance with Standards Rule 2-2(b) of USPAP
Interest Valued	Fee simple estate	Approaches Utilized	Sales comparison, income capitalization

Value Conclusions

Market Value As-Is

\$500,000
(\$127.68 psf)

Value conclusion(s) based on the attached Scope of Work, Assumptions, Hypothetical Conditions, and Appraisal Definitions, as of the date of value stated above.

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Scope of Work

In preparing this appraisal, the appraiser did the following:

- Completed this analysis as an 'appraisal assignment', as defined by the Uniform Standards of Professional Appraisal Practice (USPAP) and in compliance with the appraisal guidelines for the Financial Institutions Reform, Recovery and Enforcement Act (FIRREA).
- Inspected the interior and exterior of the subject property.
- Gathered subject information from city/county websites for assessment data, property taxes, zoning, earthquake zone, and flood zone.
- Gathered subject sales and listing history from MLS, Loopnet, Costar and/or public records.
- Gathered neighborhood and market data from a variety of sources, including personal inspection, brokerage reports, conferences, and market participant interviews.
- Determined the highest and best use of the subject as vacant and as improved.
- Gathered listing, sale and rent data from a variety of sources, including Costar, Loopnet, MLS and/or public records; ensured all listings, sales and rents were confirmed with at least one party to the transaction.
- Analyzed all relevant data and utilized the sales comparison and income capitalization approaches to value. The cost approach was excluded from the analysis, as market participants place little, if any, emphasis on the cost approach when valuing properties not representative of new or proposed construction. The cost approach was not considered necessary to produce credible appraisal results.
- Reconciled the values derived via the sales comparison and income capitalization approaches to arrive at the market value at stabilized occupancy. Made deductions for lease-up costs of the vacant retail space to arrive at an as-is market value.
- Utilized the Marshall Valuation Service to estimate the Replacement Cost New of each subject structure.

Extraordinary Assumptions & Hypothetical Conditions

This appraisal is made with the following extraordinary assumptions, which can impact the results of an appraisal:

- The appraiser was granted access to only one of the apartment units. It is assumed the two remaining units are in similar condition to the inspected apartment unit. If the interior of the uninspected units differs considerably from the inspected unit, the opinion of value contained herein could be negatively impacted.
- A preliminary title report was not provided for this report. As such, it is assumed no negative title issues affect the subject property. If this is not the case, the value conclusion could be impacted.

This appraisal is premised based on the following hypothetical conditions, defined by USPAP as 'that which is contrary to what exists, but is supposed for the purpose of the analysis':

- None

Property Overview

Property Type	Retail/residential mixed use	Assessor's Parcel Number	013-0137-018
Owner of Record	Diego Fuentes	Rentable Building Area	3,916± square feet total
Census Tract Number	27.00	Unit Mix	3 retail (1,900± SF) 3 residential (2,016± SF)
Year Built	1940's (exact year unknown)	Land Area	10,414± square feet
Exposure Time	6-12 months	Highest and Best Use	Retail/residential mixed use, as improved
Interest Valued	Fee simple	Extent of Inspection	Interior and exterior

The subject property represents a six unit retail/residential mixed-use property in the Curtis Park submarket of Sacramento. The three retail units contain a total of 1,900± square feet in two buildings; the owner occupies 1,300± square feet and the remaining 600± square feet is currently vacant. The subject also includes three residential units - a two-story duplex (both 2 bedroom, 1 bathroom units) and a single story 1 bedroom, 1 bathroom unit at the rear of the property. All three residential units were occupied as of the date of inspection, generating a total of \$2,550 per month in gross rents. The subject is located along the east side of Franklin Boulevard, south of Fifth Avenue, in the city of Sacramento, Sacramento County, California. Additionally, the subject has access along the north side of a paved alley.

The property appears to be in average condition, with a remaining economic life of approximately 30-35 years. The owner stated he renovated all six units in 2009-2010, with cosmetic improvements made to the retail space (flooring, paint, bathroom updates), and significant improvements made to the residential units (foundation work, roof, stucco, flooring, paint, cabinets, counters, bathroom remodels).

According to public records, there have been no transfers of the property within the past three years. Further, to the best of our knowledge, the property is not being marketed for sale.

Aerial View



Site Description

Zoning	C2	Zoning Description	General Commercial
Frontage/Visibility	Average	Legally Conforming?	Yes
Flood Zone	X – outside the 500-yr floodplain (Panel 060266-0190G)	Earthquake Zone	Zone 3 – Moderate Seismic Activity
Shape	Rectangular	Topography	Level
Parking Type	Onsite (residential); street (retail)	Site Coverage Ratio	30%
Offsite Improvements	All installed (curb, gutter, sidewalks)	Functional Adequacy	No limitations or restrictions observed
Utilities	All public utilities available		

According to the city of Sacramento, the C2 zone is a general commercial zone which provides for the sale of commodities, or performance of services, including repair facilities, offices, small wholesale stores or distributors, and limited processing and packaging. Permitted uses include retail, office and multi-family residential (with minimum density requirements). The current use of the subject represents a legal, conforming use.

No negative attributes were observed with the subject site; visibility and accessibility are both average along the east side of Franklin Boulevard. Freeway access is good, with Highway 99 less than ½ mile east and Highway 50 approximately one mile north. The property is located amongst extensive residential development, with neighborhood commercial uses concentrated along primary roadways. All site improvements are in average condition as of the date of inspection.

An inspection of the subject property revealed no apparent adverse easements, encroachments or other conditions currently impacting the subject. However, a preliminary title report was not provided. As such, it is assumed no negative title issues affect the subject property.

Assessor's Parcel Map



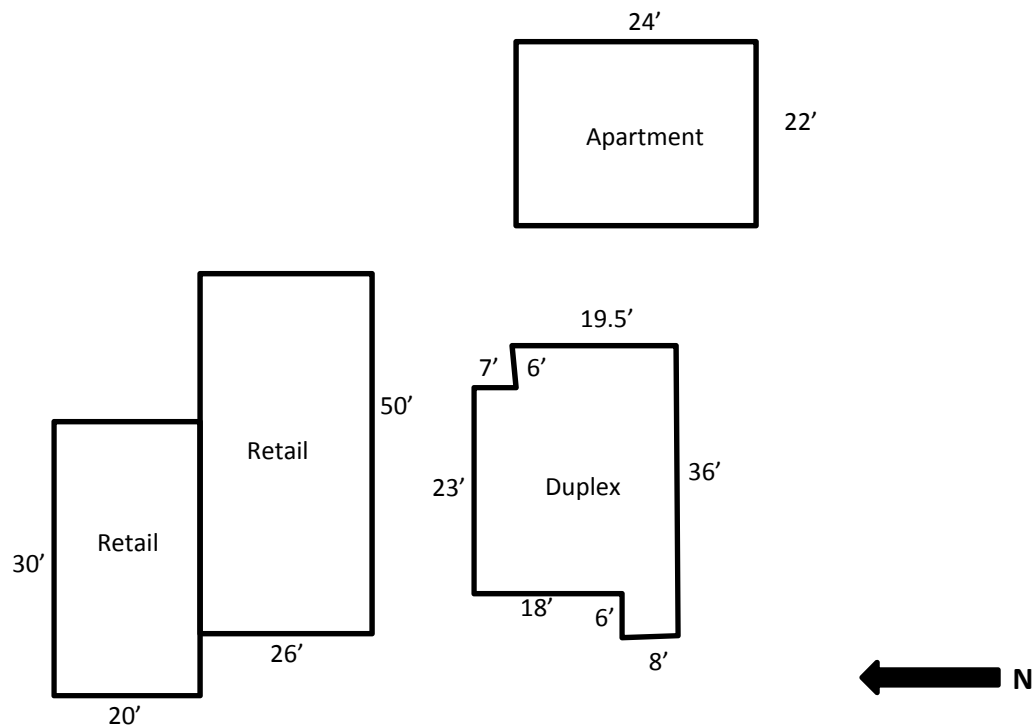
Improvement Description

Foundation	Concrete slab (retail); raised (residential)	Structure	Concrete block (retail); wood frame (residential)
Exterior Walls	Brick/stucco/exposed block (retail); stucco (residential)	Roof	Built-up composition (retail); comp shingle (residential)
Doors & Windows	Aluminum frame (retail); wood/vinyl frame (residential)	HVAC	Ground-mounted units
Floors	Ceramic tile throughout	Ceilings	Finished throughout
Lighting	Mixture of affixed fluorescent, recessed can, and incandescent	Plumbing	Four unisex restrooms (retail); full kitchen and one full bathroom in each residential unit
Effective Age	20 years (fully renovated within the past two years)	Remaining Economic Life	30-35 years

The subject represents average quality construction and has been well maintained. The structures are in average condition, having been fully renovated within the past two years. Recent improvements include exterior upgrades (new stucco, paint), structural improvements (foundation work on the residential units), and interior improvements (new paint, flooring, HVAC units, cabinets, counters, bathrooms).

The retail space consists of the two northernmost buildings, and is demised into three suites: two vacant suites containing 300± square feet each; and the owner's space (operating as a hair salon) containing 1,300± square feet. The two southernmost buildings include three residential units: a two-story duplex containing 1,488± square feet of living area, each with 2-bedroom/1-bathroom units; and a single story apartment containing 528± square feet with 1-bedroom and 1-bathroom.

Building Sketches



Property Taxes and Assessment Data

Parcel Number	013-0137-018
Assessed Land Value	\$99,699
Assessed Improvement Value	\$149,555
Total Assessed Value	\$249,254
Taxes	\$3,085.26
Base Tax Rate (2011-2012)	1.117%

Highest & Best Use – As Vacant

Legal Permissibility	Commercial and/or multi-family development, in concert with the C2 zoning requirements. Likelihood of a zoning change is minimal.
Physically Possible	All legally permissible uses are physically possible, as the site is level, has good accessibility, no adverse soil or drainage conditions, and has an adequate size and shape for commercial and/or multi-family uses.
Financially Feasible	Both commercial and multi-family residential uses are in good demand in the subject's submarket, given its close proximity to downtown Sacramento. Further, very few vacant lots exist, as the neighborhood is nearly 100% built-out. The immediate area has low commercial and residential vacancy rates, and despite relatively high construction costs, new development in the area would be well received and command rents supportive of construction. As such, commercial and/or multi-family development appears to be financially feasible in the subject's submarket.
Maximally Productive	Commercial and/or multi-family development

Highest & Best Use – As Improved

Alternative Uses	Demolition, expansion, conversion, renovation are not feasible, as the current improvements maximize site utility and are in average condition. While the subject includes some surplus land at the rear of the parcel, it is currently utilized for parking and yard area for the residential units. These are considered desirable amenities for similar properties, and development of the surplus land is not considered appropriate.
Conclusion	The current use is the highest and best use as improved
Most Probable Buyer	Investor, due to multi-tenant nature of improvements

Regional Overview

The Sacramento Area is comprised of the six counties of Sacramento, Placer, El Dorado, Yolo, Yuba and Sutter. The six-county region encompasses approximately 6,561 square miles, from the Sacramento River Delta in the west to the Sierra Nevada mountain range in the east. At the center of the region is Sacramento County, which encompasses approximately 996 square miles near the middle of the Central Valley. The county's largest city, Sacramento, is the seat of government for the County, as well as the State Capital.

The topography of the region includes mostly flat land along the valley floor, but also includes steep mountain terrain in the eastern portion of the area. Elevations range from 15 feet below sea level near the Sacramento-San Joaquin River Delta, to 10,000 feet above sea level at the summit of the Sierra Nevada's. The American and Sacramento Rivers are the two major waterways in the region, which meet near downtown Sacramento.

The Sacramento Area has been one of the fastest-growing metropolitan areas in the United States over the past 20 years, with growth of 20% between 1990 and 2000 and an average annual growth rate of approximately 1.5% between 2000 and 2010. Most of this growth has occurred in the cities of Roseville, Rocklin and Lincoln in Placer County, along with Elk Grove and Folsom in Sacramento County. The six-county population is approximately 1.9 million people currently, and the population in the region is expected to continue growing. According to the California Department of Finance, the population in the Sacramento Area is projected to increase to nearly three million people by 2030.

Historically, the Sacramento Area has been one of the more stable employment centers in California, with a significant number of jobs in State government. Job growth in the region was relatively steady in the years 2001 through 2006, with slower growth seen in 2007. From 2008 to 2010, the region has experienced a net loss in the number of jobs. The current weak performance is being driven by declines in housing-related sectors (such as construction, finance and insurance), retail trade and State government. The local economy has transitioned from a government and agricultural center to a more diverse economy, where the business services and trade sectors comprise nearly half of regional employment. Growing industries in the region include healthcare, technology, clean energy and life sciences.

Several educational institutions in the region produce a well-educated community and stable work force. The Sacramento region offers a number of alternatives in terms of higher education. Two large universities, the University of California Davis and California State University, Sacramento, are located in the region and are recognized throughout the nation. Seven community colleges are also located within the greater Sacramento region, including Sierra College, American River, Cosumnes River, Sacramento City, Woodland Community College and Yuba College. Several private colleges are located in the area, as well as satellite campuses of colleges headquartered elsewhere. The region also contains numerous vocational schools.

The Sacramento region has over 800 miles of maintained state highways. The hub of freeways in the region makes the Sacramento Area a desirable center for freight distribution. U.S. Highway 50, Interstate 80, and the Capital City Freeway are the principal routes for commuters living in the densely populated eastern suburbs. The main public transit system in the Sacramento Area is operated by Sacramento Regional Transit (RT), with additional service provided by other local public and private transit operators. Regional Transit currently covers a 418-square mile service area. During the next 20 years, RT plans to extend toward Elk Grove to the south, Natomas and the Sacramento International Airport to the north, Roseville to the east and Davis to the west.

The region also benefits from several air transport facilities. Most significant is the Sacramento International Airport, which serves over 10 million passengers annually. In addition to the International Airport, the region is also served by several smaller facilities, including Sacramento Executive Airport, Lincoln Regional Airport, Yuba County Airport, Sutter County Airport, and Mather Airport (formerly Mather Air Force Base). Sacramento International and Mather Airport processed over 260 million pounds of airfreight in 2005.

The Sacramento region is an integral part of California and the U.S. in terms of population, employment, government and economic productivity. The region has established itself as one of the most stable economies in the state. Several geographical, social and economic advantages have induced businesses and residents to relocate to the Sacramento region from other parts of the state and nation. Beyond the current downturn, the long-term outlook for the region is good.

Neighborhood Overview

Region	Sacramento MSA	County	Sacramento
Submarket Unemployment	13.8%	Primary Job Sectors	Government, Services

The subject is located within a portion of South Sacramento known as Curtis Park. This primarily residential neighborhood is located immediately south of midtown Sacramento, between Land Park to the west and Oak Park to the east. Most of the homes in this area were built in the 1930's and 1940's; the area's close proximity to downtown, its tree-lined streets and public amenities have led to it becoming a desirable neighborhood for families and professionals. Curtis Park has seen more stable pricing for resale homes and good rents for multi-family space relative to other areas of South Sacramento.

The immediate neighborhood includes mostly residential properties, with a handful of commercial uses located along the primary roadways (Franklin Boulevard, Freeport Boulevard, 21st Street, and Broadway). Adjacent and north of the subject is a small commercial property, while farther north are several small owner-user retail spaces along Franklin. Most of the area's commercial development is located approximately ½ mile north of the subject along Broadway.

Curtis Park is also home to one of the region's largest proposed infill developments. Curtis Park Village, a 72-acre site formerly utilized as a railroad facility, is located ½ mile west of the subject along the north side of Sutterville Road. The project has been under development by Paul Petrovich for the past eight years, as the site has required extensive environmental cleanup. In February 2012, the site was finally declared environmentally clean, and development is expected to commence in late 2012. At full buildout, the project will include 550 new housing units and 200,000 square feet of retail space.

Public uses in the neighborhood include the area's namesake, Curtis Park, located along the north side of Sutterville Road just southwest of the subject. The area also includes Sacramento City College, adjacent and west of the Curtis Park Village site, Sierra School Park along Castro Way and 4th Avenue, and McClatchy High School along Freeport Boulevard. Just east of the subject in Oak Park is the UC Davis Med Center, one of the area's primary emergency care facilities. To the west in Land Park is the Sacramento Zoo.

Overall, the subject's area is considered good for residential and commercial uses, and is expected to remain relatively stable in the near term. Positive factors include the subject's proximity to major highways and downtown Sacramento, as well as desirable public amenities nearby and good quality housing. Downward pricing pressure may continue to occur for a short time as more foreclosed properties become available. However, the subject has a good location and is expected to experience stable occupancy in the long term.

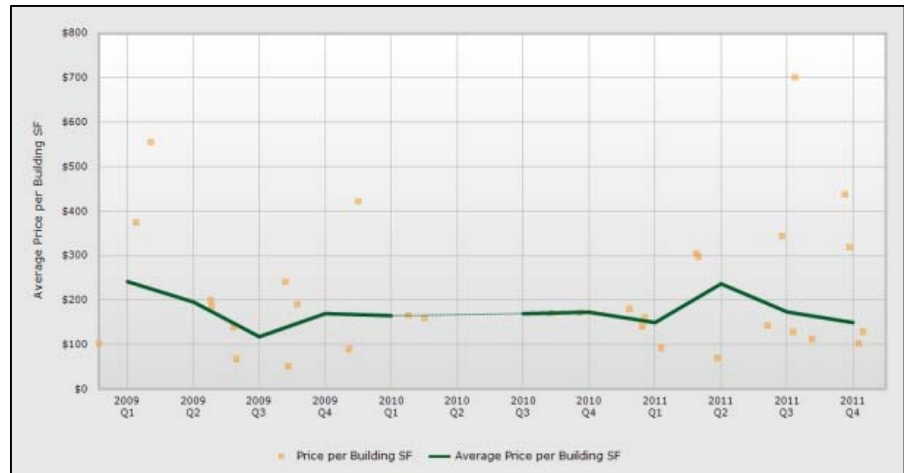
Retail Market Overview

Property Type	Retail	Submarket	South Sacramento
Submarket Vacancy	11.4%	Predominant Occupancy	Tenant
Market Rent Range	\$0.75-\$2.00 psf/month, NNN	Price Trend	Stable

Retail vacancy in the South Sacramento area generally declined from 2002 through 2007, then increased from the first quarter of 2008 through 2010. Since that time, vacancy rates have leveled, with many market participants anticipating stabilization and recovery in the retail market in 2012. The average retail strip center vacancy rate in South Sacramento was 11.4% during the fourth quarter of 2011 (as reported by Colliers International). While the subject is considered part of the South Sacramento submarket for analysis purposes, its Curtis Park location is one of the most desirable areas within the submarket. As such, vacancy is typically lower in the subject's immediate area and rents are traditionally stronger.

The same Colliers International market report indicates net retail absorption in South Sacramento of 17,712 square feet during 2011. This figure marks one of the strongest net absorptions in the greater Sacramento area. Most brokers in the area expect absorption to continue recovering somewhat through 2012, as the regional economy appears to be steadying and new businesses are once again opening throughout the area.

To further understand price trends in the local retail market, sales data from Costar was compiled and analyzed. The search included all retail building sales less than 15,000 square feet within a three-mile radius of the subject since January 2009. This search resulted in 39 closed sales; the results of this search are illustrated on the graph to the right. As the graph indicates, prices have declined somewhat over the past three years, with prices generally level since 2010. Currently, retail properties in the area are selling for approximately \$100-\$150 per square foot (on average).



Limited new retail construction has occurred in the subject's area over the past few years, with only one 8,000 square foot retail building reported to be under construction (located south of the subject outside of Curtis Park). Since the subject is located in well-established neighborhood, very few new buildings have been constructed within the past several years. No newer construction was observed in the immediate area.

Typical lease rates in the area range from \$0.75 psf/month, triple net, for fair condition spaces in older buildings, to \$2.00 psf/month, triple net, for well-located spaces with good buildout and visibility. The subject represents an average quality retail property, and is expected to generate rents near the middle of the range. Going forward, the subject is expected to compete favorably with other similarly-sized retail buildings in the area, given its good visibility and location within the Curtis Park submarket.

Multi-Family Market Overview

Property Type	Multi-family	Submarket	South Sacramento
Submarket Vacancy	6.2%	Average Monthly Rent	\$829 (\$0.99 psf)

The Sacramento multi-family market has been strong over the past two years, as investors have been rapidly buying foreclosed and distressed properties in the wake of decreasing vacancy due to population increases and former homeowners becoming renters. According to Colliers International, the region remained at full occupancy as of fourth quarter 2011. The occupancy rate has been above 94% since third quarter 2010. Average rents declined slightly from \$930 to \$910 for the quarter, but has been above \$900 since fourth quarter 2010.

The same Colliers International market report indicates new apartment construction is low, with only 174 permits issued during the last quarter and no new units were delivered in fourth quarter 2011. Over the entire year, only 242 units were completed. This lack of new inventory will almost certainly continue to put upward pressure on occupancy and rental rates throughout 2012.

The subject's South Sacramento submarket reflected an average market rent of \$829 per month, which is lower than the overall market. However, the per square foot rent is generally consistent with the market as a whole (\$0.99 psf/month). Vacancy is also similar to the overall market, at 6.2%, versus 5.5% for all of Sacramento.

To further understand price trends in the local apartment market, sales data from the local Multiple Listing Service was compiled and analyzed. The search included all duplex, triplex and fourplex sales in the subject's zip code since January 2009. This search resulted in 57 closed sales, summarized in the table below.

Multi-Family Sales - Curtis Park

Year	Sales	Average Price	
		per Unit	Price Change
2009	17	\$133,940	--
2010	22	\$113,658	-15.1%
2011	18	\$102,150	-10.1%

As the table indicates, prices have declined over the past three years. This is most likely attributable to the continued bank owned and distressed inventory working its way through the local supply. Annual sales volume has been relatively stable, reflecting the good demand for multi-family properties in the Curtis Park area.

The subject represents an average quality multi-family property, and is expected to generate rents near the middle to upper portion of the range given its good Curtis Park location. Going forward, the subject is expected to compete favorably with other similarly-sized properties in the area.

Market Participant Interviews

To better understand market conditions in the subject's area, we interviewed a number of brokers, agents, property managers and/or property owners. The following are the most relevant responses:

Judy Daru, JA Collins Properties

Ms. Daru is currently listing several retail properties for lease throughout Sacramento, including a retail space just north of the subject. She has received significant interest in her properties; however, most are from local tenants who lack the financial backing to lease space. As a result, very few executed leases have occurred and most vacant spaces remain unfilled. She believes the retail market is still declining somewhat, and won't experience any significant recovery until new home construction resumes in earnest.

Fritz Brown, Brown Stevens Elmore & Sparre

Mr. Brown is a prominent local real estate broker with significant experience in all property types. He is currently listing several properties in the area for St. Hope Development, a company owned in part by Mayor Kevin Johnson. Mr. Brown stated the retail market is still challenging, with rents down 25% to 30% from their highs in 2006-2007. He has seen more interest lately, but the market is still slow and not showing significant signs of recovery. His most recent lease was to a local tenant, but the occupancy was temporary (one year only) and the space will re-enter the market next year.

Subject Photos



Front view of vacant retail building



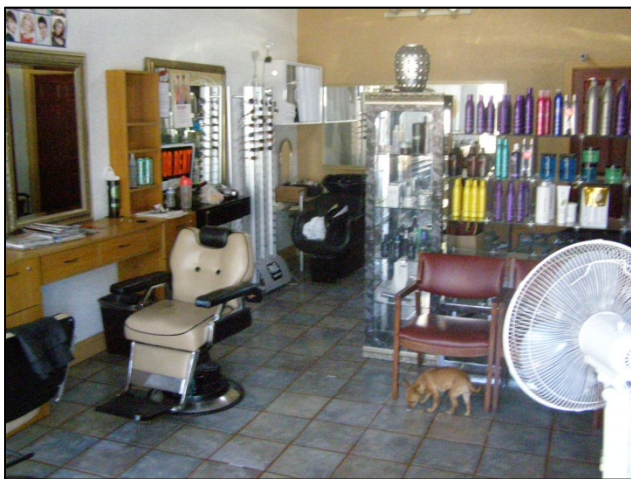
Front view of owner-occupied retail space



Exterior view of duplex



Exterior view of apartment unit in rear



Typical retail space



Typical retail space

Subject Photos



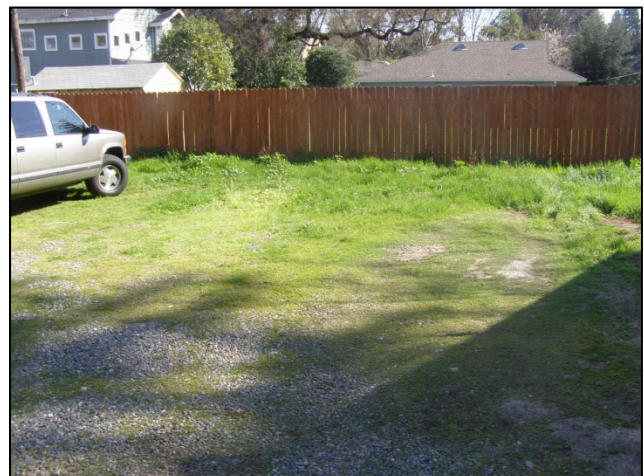
Typical kitchen in apartment



Typical living area in apartment



Typical bathroom in apartment



Yard/parking area at rear of parcel



Looking north along Franklin Boulevard



Looking south along Franklin Boulevard

Sales Comparison Approach

In the sales comparison approach, the market value of the subject property is estimated by a comparison to similar properties that have recently sold, are listed for sale, or are under contract. The underlying premise of the sales comparison approach is the market value of a property is directly related to the price of comparable, competitive properties in the marketplace. The following sales are the most recent transactions considered to be reasonably similar to the subject.

Comparable Sales Summary

Street Address	Subject 3011 Franklin Sacramento, CA 95818	Sold Comp 1 3402 Broadway Sacramento, CA 95817	Sold Comp 2 1401 E Street Sacramento, CA 95814	Sold Comp 3 1725 L Street Sacramento, CA 95811	Sold Comp 4 2790 21st Street Sacramento, CA 95818	List Comp 1 1115 21st Street Sacramento, CA 95816
Sale Price	--	\$350,000	\$330,000	\$475,000	\$235,000	\$348,500
Rentable Area (SF)	3,916	5,000	4,215	3,678	2,900	3,560
Sale Price psf	--	\$70.00	\$78.29	\$129.15	\$81.03	\$97.89
Sale Date	--	March-12	December-11	November-11	May-11	Listing
Capitalization Rate	--	N/Ap	N/Ap	N/Ap	N/Ap	7.10%
Transaction Characteristics						
Property Rights	Fee Simple	Fee Simple	Leased Fee	Fee Simple	Fee Simple	Leased Fee
Financing Terms	Cash Equivalent	Cash Equivalent	Cash Equivalent	Cash Equivalent	Cash Equivalent	Cash Equivalent
Conditions of Sale	Market	Market	REO 10%	Market	Market	Market
Expenditures After Sale	None	Vacant/Rehab 50%	Rehab 25%	None	Par Vacant 4%	None
Market Conditions	February-12	March-12	December-11	November-11	May-11	Listing -5%
Physical Characteristics						
Location	Average	Sl. Inferior 5%	Similar	Similar	Similar	Similar
Visibility/Accessibility	Average	Similar	Similar	Sl. Superior -5%	Sl. Inferior 5%	Similar
Rentable Area (SF)	3,916	5,000	4,215	3,678	2,900	3,560
Unit Mix	49% ret / 51% res	60% ret / 40% res	50% ret / 50% res	69% ret / 31% res -5%	59% ret / 41% res	55% ret / 45% res
Quality of Construction	Average	Similar	Similar	Similar	Inferior 10%	Similar
Effective Age/Condition	20 yrs/Average	25 yrs/Average 5%	20 yrs/Average	30 yrs/Average 10%	30 yrs/Average 10%	30 yrs/Fair 20%
Additional Considerations	None	None	None	None	None	None
Net Adjustment		60%	35%	0%	29%	15%
Adjusted Value (psf)		\$112.00	\$105.69	\$129.15	\$104.53	\$112.58
Similarity to Subject		Average	Average	Good	Average	Good
Value Conclusion (psf)	\$120.00					
Value Conclusion (rd)	\$470,000					

Sales Comparison Approach



Sold Comp 1
3402 Broadway, Sacramento, CA

Buyer	Confidential
Seller	St. Hope Development Company
Confirmation	Listing broker
Document Number	N/Av
APN	010-0376-002
Sale Date	3/1/2012
Sale Price	\$350,000 (\$70.00 psf)
Year Built	1940's

This comparable is located east of Highway 99 in the Oak Park submarket. The sale closed on March 1 (recording information was not yet available), and includes retail space on the ground floor and 4 small residential units on the second floor. The listing broker indicated the property requires significant remodeling, with the buyer planning to open a restaurant/bakery on the first floor and rent out the upstairs apartments.



Sold Comp 2
1401 E Street, Sacramento, CA

Buyer	Red Sycamore Homes, LP
Seller	Second Angel Fund 1, LLC
Confirmation	Listing broker
Document Number	201112291465
APN	002-0125-026
Sale Date	12/29/2011
Sale Price	\$330,000 (\$78.29 psf)
Year Built	1930's

Located in the Alkali Flat neighborhood just north of downtown Sacramento, this comparable was lender-owned at the time of sale. According to the listing broker, the property required approximately \$80,000 to complete first floor interior repairs before it could be occupied. The upstairs included three apartment units, while the first floor is entirely retail space.

Sales Comparison Approach



Sold Comp 3

1725 L Street, Sacramento, CA

Buyer	St. Johns Lutheran Church
Seller	Scott & Kimberlee Fandry
Confirmation	Listing broker
Document Number	201111290767
APN	006-0126-010
Sale Date	11/29/2011
Sale Price	\$475,000 (\$129.15 psf)
Year Built	1940's

This comparable was purchased by an owner-user, intending to open a shelter. At the time of sale, the property included a detached apartment unit, 2,233± square feet of retail space, and approximately 300 square feet of storage space.



Sold Comp 4

2790 21st Street, Sacramento, CA

Buyer	Mischa Purcell
Seller	Sacramento District Postal
Confirmation	Listing broker
Document Number	201105130297
APN	012-0053-008
Sale Date	5/11/2011
Sale Price	\$235,000 (\$81.03 psf)
Year Built	1971

Located ½ mile west of the subject, this comparable includes 1,700± square feet of retail space and a 1,200± square foot apartment unit. The property was vacant at the time of sale; however, the buyer intends to occupy the retail portion for a photography studio and rent out the apartment unit.

Sales Comparison Approach



List Comp 1

1115 21st Street, Sacramento, CA

Buyer	N/Ap (Listing)
Seller	Eun Woo (et al)
Confirmation	Listing broker
Document Number	N/Ap (Listing)
APN	007-0092-001
Sale Date	Listing
List Price	\$348,500 (\$97.89 psf)
Year Built	1920's

This property is 100% occupied by several tenants, and being offered for sale at a 7.10% capitalization rate. The property includes two 3-bedroom units on the second floor, with retail space on the first floor.

Sales Comparison Approach

Discussion of Adjustments

Property Rights Conveyed

The fee simple market value of the subject is estimated in this appraisal (the residential units are occupied on a month-to-month basis). To the best of our knowledge, the leased fee properties were leased at or near market rental rates at the time of sale. No adjustments are necessary for property rights conveyed.

Financing Terms

The market valuation of the subject property assumes cash or cash equivalent financing. All of the comparable sales were all cash to the seller or cash equivalent transactions. No favorable financing was involved with any of the sales. As a result, none of the comparables is adjusted for financing.

Conditions of Sale

The confirming parties stated all of the closed sales represent arm's-length market transactions, with no unusual circumstances or motivations. However, Sale 2 was lender owned, and the listing agent stated the property sold at a discount due to the seller's strong motivation to close by year-end. As such, the comparable was adjusted upward to reflect the discount associated with the seller motivation.

Expenditures After Sale

Reportedly, Sale 3 and List 1 were fully leased, near stabilized occupancy or owner-occupied upon transfer and did not exhibit any deferred maintenance. As such, they were not adjusted for this factor. However, Sales 1, 2 and 4 were vacant and/or required rehab prior to occupancy, and required adjustment. The adjustments reflect the additional capital investment needed to bring the properties to stabilized occupancy (including rent loss, tenant improvements and leasing commissions).

For Sale 1, the adjustment was based on six months of rent loss at \$0.75 psf/month, triple net, \$25.00 per square foot for tenant improvements, 5% leasing commissions on a three-year term, and a 15% profit. Sale 2 was adjusted to reflect the additional \$80,000 in improvements required to complete the interior renovation, a figure provided by the listing broker and substantiated by the buyers. Sale 4 did not require renovation; however, the apartment unit was vacant and was adjusted upward to reflect rent loss over three months and a modest profit incentive.

Market Conditions

An adjustment for changes in market conditions was analyzed. In recent quarters there has been some decline in retail and small multi-family property values in the Sacramento region, following a period of strong growth from 2001 through 2006 (as discussed earlier in this report). However, all four closed sales occurred within the past nine months and are considered to generally represent current market conditions. No adjustments were required for this factor. However, List 1 was adjusted downward as most similar properties sell at a discount relative to their asking price.

Location	The subject property is considered to possess an average location for a mixed-use property in comparison to the larger regional area. The subject is located amongst primarily residential development, with most of the surrounding uses constructed in a similar time frame (40-80 years ago). Only Sale 1 required adjustment, as its Oak Park location is considered inferior to the subject, with lower rents for both retail and residential space. The comparable was adjusted upward.
Accessibility/Visibility	The subject property average accessibility and visibility immediately west of Highway 99, along Franklin Boulevard. Most of the comparables have generally similar accessibility/visibility. Sale 3 is located along a primary commercial corridor in midtown Sacramento and was adjusted downward. Conversely, Sale 4 is located along a primarily residential street in Curtis Park and was adjusted upward.
Rentable Area	Building area differences between properties affect the prices per square foot due to the economies of scale associated with larger buildings. That is, all else being equal, larger buildings tend to sell for less per square foot than smaller buildings. The subject includes 3,916± square feet of rentable area. All of the comparables are generally similar in terms of rentable area and were not adjusted.
Unit Mix	The subject's rentable area is nearly evenly divided between retail and residential use. This is similar to most of the comparables; however, Sale 3 includes approximately 69% retail space and was adjusted downward for this superior attribute.
Quality of Construction	Based on our inspection, the subject's improvements reflect average quality construction. Only Sale 4 was adjusted, as it has minimal interior improvements in the retail space, including areas of unimproved storage.
Effective Age/Condition	The subject has an estimated overall effective age of 20 years and is considered to be in average condition. While the property is much older, the owner has completed significant renovations within the past two years. An adjustment of approximately 1% per year difference in effective age is applied to the three comparables with varying effective ages compared to the subject. List 1 required additional upward adjustment, as it is in fair condition.

Sales Comparison Conclusion

The market data set involves four sales and one listing of properties considered to be reasonable indicators of value for the subject property. The adjustment grid presented earlier illustrates the quantitative adjustments applied to the market data in order to equate with the subject. The adjusted value range narrowed in comparison to the unadjusted range, to \$104.53 to \$129.15 per square foot. All of the sales required adjustment; however, they were all located in relatively close proximity to the subject, with the closed sales occurring within nine months of the date of value.

Considering the adjusted range of the value set, a unit value of \$120.00 per square foot is considered reasonable for the subject property. While this conclusion is near the upper end of the range, the subject's location and condition are generally superior to the comparables. This results in a market value estimate via the sales comparison approach of **\$470,000** (\$120.00 psf x 3,916 SF = \$469,920, rounded to \$470,000).

Income Capitalization Approach

Based on the specifics of the subject property, we will apply the direct capitalization method of the income capitalization approach. Direct capitalization converts an estimate of a single year's net operating income into an indication of value in one direct step. This approach includes four primary components: potential gross income (via contract rent, market rent, or a combination of both), vacancy & collection loss, operating expenses, and an overall capitalization rate.

Subject Rent Roll

The subject's retail space is mostly occupied by the owner, with the remaining 600± square feet vacant. The apartment units are occupied on a month-to-month basis, with the two bedroom units generating \$950 per month, gross, and the one bedroom unit renting for \$650 per month, gross. The owner is asking \$2.00 psf/month, gross, for the vacant space. In order to estimate market rent for the subject, a rent survey of similar properties was conducted and summarized below. Three separate rent analyses are included: retail space, one bedroom apartment units, and two bedroom apartment units.

Market Rent Survey – Retail Space

	Subject	Rent Comp 1	Rent Comp 2	Rent Comp 3	List Rent 1
Tenant Name		Students First	Jackson Hewitt	Accountant	Listing
Street Address	3011 Franklin Sacramento, CA 95818	3400 3rd Avenue Sacramento, CA 95817	5332 Fruitridge Sacramento, CA 95820	2631 Riverside Sacramento, CA 95818	1938 Broadway Sacramento, CA 95818
Rentable Area (SF)	1,900	5,981	846	1,530	1,500
Lease Rate (psf/month)	--	\$1.50	\$1.65	\$1.50	\$1.00
Commencement Date	--	February-12	December-11	November-10	Listing
Lease Term	--	1 year	5 years	5 years	Negotiable
Transaction Characteristics					
Lease Type	Triple Net	Modified Gross	Gross	Triple Net	Triple Net
<i>Adjustment</i>		-20%	-30%		
Financing Terms	Cash Equivalent	Cash Equivalent	Cash Equivalent	Cash Equivalent	Cash Equivalent
<i>Adjustment</i>					
Lease Conditions	Market	Short Term	Market	Market	Market
<i>Adjustment</i>		-10%			
Market Conditions	February-12	February-12	December-11	November-10	Listing
<i>Adjustment</i>				-10%	-5%
Physical Characteristics					
Location	Average	Sl. Inferior	Similar	Similar	Similar
<i>Adjustment</i>		5%			
Visibility/Accessibility	Average	Similar	Sl. Superior	Superior	Similar
<i>Adjustment</i>			-5%	-10%	
Rentable Area (SF)	1,900	5,981	846	1,530	1,500
<i>Adjustment</i>					
Overall Quality	Average	Similar	Similar	Similar	Sl. Inferior
<i>Adjustment</i>					5%
Effective Age/Condition	20 yrs/Average	Similar	Similar	Similar	Similar
<i>Adjustment</i>					
Additional Considerations	None	None	None	None	None
<i>Adjustment</i>					
Net Adjustment		-25%	-35%	-20%	0%
Adjusted Rent (psf/month)		\$1.13	\$1.07	\$1.20	\$1.00
Rent Concl. (psf/month)	\$1.10				

Income Capitalization Approach

Market Rent Survey – One Bedroom Apartments

Street Address	<u>Subject</u>	<u>Rent Comp 4</u>	<u>Rent Comp 5</u>	<u>Rent Comp 6</u>	<u>List Rent 2</u>
	3011 Franklin Sacramento, CA 95818	3033 8th Avenue Sacramento, CA 95818	1214 U Street Sacramento, CA 95818	416 V Street Sacramento, CA 95818	2417 Castro Way Sacramento, CA 95818
Rentable Area (SF)	528	450	510	482	595
Lease Rate (per month)	--	\$800	\$650	\$650	\$680
Rent Date	--	Current	Current	Current	Listing
Transaction Characteristics					
Lease Type <i>Adjustment</i>	Gross	Gross	Gross	Gross	Gross
Market Conditions <i>Adjustment</i>	February-12	Current	Current	Current	Listing -2.5%
Physical Characteristics					
Location <i>Adjustment</i>	Average	Similar	Similar	Similar	Similar
Unit Type <i>Adjustment</i>	1BD/1BA	Similar	Similar	Similar	Similar
Unit Amenities <i>Adjustment</i>	Good	Similar	Similar	Similar	Similar
Overall Quality <i>Adjustment</i>	Average	Superior -10%	Similar	Sl. Inferior 5%	Similar
Effective Age/Condition <i>Adjustment</i>	20 yrs/Average	Similar	Similar	Similar	Sl. Inferior 5%
Additional Considerations <i>Adjustment</i>	None	None	None	None	None
Net Adjustment		-10%	0%	5%	3%
Adjusted Rent (per month)		\$720	\$650	\$683	\$697
Rent Conclusion	\$675 per month				

Income Capitalization Approach

Market Rent Survey – Two Bedroom Apartments

	<u>Subject</u>	<u>Rent Comp 7</u>	<u>Rent Comp 8</u>	<u>Rent Comp 9</u>	<u>List Rent 3</u>
Street Address	3011 Franklin Sacramento, CA 95818	1115 W Street Sacramento, CA 95818	2102 27th Street Sacramento, CA 95818	2015 4th Street Sacramento, CA 95818	2071 16th Street Sacramento, CA 95818
Rentable Area (SF)	744 (avg)	1,000	1,194	950	950
Lease Rate (per month)	--	\$1,000	\$1,195	\$1,050	\$895
Rent Date	--	Current	Current	Current	Listing
Transaction Characteristics					
Lease Type <i>Adjustment</i>	Gross	Gross	Gross	Gross	Gross
Market Conditions <i>Adjustment</i>	February-12	Current	Current	Current	Listing -2.5%
Physical Characteristics					
Location <i>Adjustment</i>	Average	Similar	Similar	Sl. Superior -5%	Similar
Unit Type <i>Adjustment</i>	2BD/1BA	Similar	2BD/2BA -5%	Similar	Similar
Unit Amenities <i>Adjustment</i>	Good	Similar	Similar	Similar	Similar
Overall Quality <i>Adjustment</i>	Average	Sl. Superior -5%	Superior -10%	Sl. Superior -5%	Sl. Inferior 5%
Effective Age/Condition <i>Adjustment</i>	20 yrs/Average	Similar	Similar	Similar	Similar
Additional Considerations <i>Adjustment</i>	None	None	None	None	None
Net Adjustment		-5%	-15%	-10%	3%
Adjusted Rent (per month)		\$950	\$1,016	\$945	\$917
Rent Conclusion	\$950 per month				

Income Capitalization Approach



Rent Comp 1

3400 3rd Avenue, Sacramento, CA

Tenant	Students First
Rentable Area	5,981 SF
Confirmation	Listing broker

This comparable is located north of the subject, and was the former home of St. Hope Development. The tenant will occupy the space for one year while their permanent property is completed.



Rent Comp 2

5332 Fruitridge Road, Sacramento, CA

Tenant	Jackson Hewitt
Rentable Area	846 SF
Confirmation	Listing broker

This property is located along Fruitridge Road to the south of the subject. The building includes four other retail tenants.



Rent Comp 3

2631 Riverside Drive, Sacramento, CA

Tenant	Accountant
Rentable Area	1,530 SF
Confirmation	Listing broker

Located west of the subject in Land Park, this comparable is located within a multi-tenant retail building that was renovated within the past few years.



List Rent 1

1938 Broadway, Sacramento, CA

Tenant	Current Listing
Rentable Area	1,500 SF
Confirmation	Listing broker

This space is located north of the subject, amongst several other similar retail buildings. The listing broker reported interest to be fairly strong, but very few qualified tenants.

Income Capitalization Approach



Rent Comp 4

3033 8th Avenue, Sacramento, CA

Rent Date	Current
Rentable Area	450 SF
Confirmation	Listing agent

This comparable is located in Curtis Park, and is the rear apartment unit of a two-unit property.



Rent Comp 5

1214 U Street, Sacramento, CA

Rent Date	Current
Rentable Area	510 SF
Confirmation	Listing agent

Located north of the subject in midtown Sacramento, this comparable was constructed in the 1960's.



Rent Comp 6

416 V Street, Sacramento, CA

Rent Date	Current
Rentable Area	482 SF
Confirmation	Listing agent

This property is somewhat newer than the subject, but has a similar effective age.



List Rent 2

2417 Castro Way, Sacramento, CA

Rent Date	Listing
Rentable Area	595 SF
Confirmation	Owner

This current listing is somewhat larger than the subject, but generally similar in terms of overall quality and condition.

Income Capitalization Approach



Rent Comp 7

1115 W Street, Sacramento, CA

Rent Date	Current
Rentable Area	1,000 SF
Confirmation	Listing agent

This property is located north of the subject, and has been renovated recently.

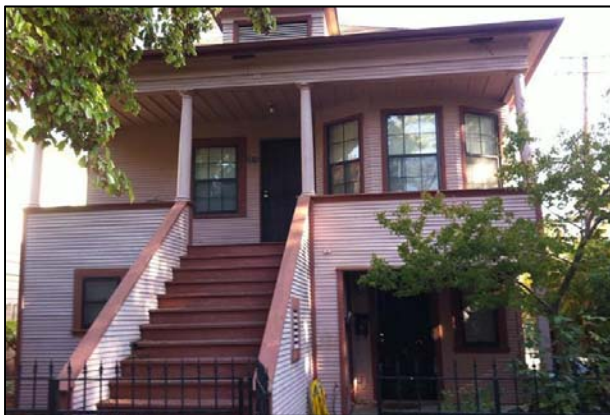


Rent Comp 8

2102 27th Street, Sacramento, CA

Rent Date	Current
Rentable Area	1,194 SF
Confirmation	Listing agent

This comparable has a good location amongst mostly single-family properties in midtown Sacramento.



Rent Comp 9

2015 4th Street, Sacramento, CA

Rent Date	Current
Rentable Area	950 SF
Confirmation	Listing agent

Located west of the subject in Curtis Park, this comparable has older interior and exterior finishes.



List Rent 3

2071 16th Street, Sacramento, CA

Rent Date	Listing
Rentable Area	950 SF
Confirmation	Listing agent

This duplex unit is currently being offered for rent. The property is located west of the subject near Land Park.

Income Capitalization Approach

Potential Gross Income Conclusion

In our analysis of the subject property, we will utilize a triple net leasing strategy for the retail space and gross leasing for the residential space, consistent with the lease terms for most of our rent comparables. Under a triple net leasing strategy the property owner is responsible for property management and replacement allowances, and the tenant is responsible for all other property operating expenses, including property taxes, insurance, common area utilities, and maintenance and repairs. With gross leases, the property owner is responsible for all expenses other than suite utilities.

Additional factors considered when adjusting the comparables consist of lease conditions, market conditions, location, visibility/accessibility, building area, unit type, overall quality, effective age/condition and additional considerations. Given the specifics of the subject, a market rent of **\$1.10 psf/month, triple net**, appears reasonable for the retail space, **\$675 per month, gross**, for the one bedroom apartment, and **\$950 per month, gross**, for the two bedroom units. The apartment rents are generally consistent with what the current tenants are paying. While the retail rent conclusion is less than the owner's asking rent, our market rent conclusion is well supported by the data and by input from market participants familiar with the area.

Since the retail space is assumed to be leased under triple net terms, we have also reflected the expenses reimbursed to the property owner in the potential gross income calculation. Please refer to the Direct Capitalization Summary section below for details. Note that the reimbursement reflects only 49% of the total expenses, consistent with the rentable area dedicated to retail versus residential.

Vacancy & Collection Loss

In keeping with the concept of stabilized occupancy, an allowance for vacancy and collection loss must be considered for reductions in potential income attributable to vacancies, tenant turnover, and nonpayment of rent. Recent broker estimates for retail vacancy in South Sacramento are approximately 11.4%, with overall Sacramento multi-family vacancy at 6.2% (Colliers International, dated Fourth Quarter 2011). The subject is well located for retail and multi-family use, with most other similar properties in the area operating at or near stabilized occupancy. Further, Curtis Park has fared better than most other submarkets during the market decline, given its good access to transportation routes and proximity to downtown Sacramento. After taking into account all market factors, a stabilized vacancy rate of 10% is concluded.

Operating Expenses

For the purposes of our analysis, we have considered only operating expenses that are paid by the property owner. Under triple net leasing, the tenants pay directly for suite utilities, while they reimburse the owner for property taxes, insurance, common area expenses and maintenance/repairs. Property owners are typically responsible for management expenses under triple net leasing terms. Under gross terms, the property owner pays all expenses other than suite utilities.

Property taxes are calculated based on the current tax rate and the estimated market value conclusion via the income capitalization approach (since market value assumes the transfer of the property at market pricing). Expense estimates for insurance, common area expenses and maintenance/repairs are based on similar retail properties in the area as well as data presented by the Institute of Real Estate Management (IREM) for retail properties in the Sacramento region as of 2007 (the most recent data available). The minimum and maximum reported expenses for each category, as stated by IREM (on a per square foot, per year basis), are shown below. Subject expense conclusions are found in the Direct Capitalization Summary at the end of this section.

Income Capitalization Approach

Reported IREM Expenses

	Property Taxes	Insurance	Utilities	Maintenance/ Repairs	Property Management	Total
Minimum	\$0.99	\$0.17	\$0.58	\$0.66	\$0.45	\$2.85
Maximum	\$2.19	\$0.47	\$1.84	\$1.77	\$0.97	\$7.24

Capitalization Rate Derivation

In our derivation of an overall capitalization rate to apply to the estimated net operating income, we surveyed recent transactions of similar retail and multi-family properties throughout the area that were leased at or near stabilized occupancy. These sales are summarized below. It is noted that only one of the sales comparables utilized earlier was leased at stabilized occupancy upon transfer; as such, the analysis will rely primarily upon secondary market data. Also, very few mixed-use properties that have sold reported capitalization rates; as a result retail and multi-family sales were compiled.

Capitalization Rate Comparables – Retail

	<u>Subject</u>	<u>Comp 1</u>	<u>Comp 2</u>	<u>Comp 3</u>	<u>Comp 4</u>
Street Address	3011 Franklin Sacramento, CA 95818	3700-3704 Auburn Sacramento, CA 95841	1901-1903 Capitol Sacramento, CA 95816	1601 28th Street Sacramento, CA 95811	1115 21st Street Sacramento, CA 95816
Sale Price	--	\$780,000	\$700,000	\$572,000	\$348,500
Rentable Area (SF)	1,900	4,200	2,980	3,200	3,560
Sale Price psf	--	\$185.71	\$234.90	\$178.75	\$97.89
Sale Date	--	January-11	May-10	Listing	Listing
Capitalization Rate	--	8.25%	6.30%	8.40%	7.10%

Capitalization Rate Comparables – Multi-Family

	<u>Subject</u>	<u>Comp 1</u>	<u>Comp 2</u>	<u>Comp 3</u>	<u>Comp 4</u>
Street Address	3011 Franklin Sacramento, CA 95818	2212 26th Street Sacramento, CA 95818	1109-1111 W St Sacramento, CA 95818	4113 58th Street Sacramento, CA 95820	1115 22st Street Sacramento, CA 95816
Sale Price	--	\$325,000	\$300,000	\$795,000	\$325,000
Rentable Area (SF)	2,016	3,050	3,256	7,650	3,100
Sale Price psf	--	\$106.56	\$92.14	\$103.92	\$104.84
Sale Date	--	October-11	October-11	Listing	Listing
Capitalization Rate	--	8.25%	6.70%	7.50%	7.80%

The above comparables indicate a capitalization rate range of 6.30% to 8.40% for retail properties and 6.70% to 8.25% for multi-family properties. All of the comparables are considered to have relatively similar to slightly inferior locations compared to the subject. The overall economic decline throughout the region has led to increasing capitalization rates, particularly for older buildings such as the subject. Further, the mixed-use nature of the subject would suggest a capitalization rate at the upper end of the range, given the additional risks and costs associated with managing multiple property types. Considering the subject characteristics and the aforementioned data, a capitalization rate of 8.25% is concluded for the subject.

Income Capitalization Approach

Direct Capitalization Approach Summary

Applying the components discussed on the preceding pages (potential gross income, vacancy & collection loss, operating expenses and overall capitalization rate), the market value conclusion via the income capitalization approach is offered as follows.

Potential Gross Income (PGI)					
Market Rent - Retail Space	\$1.10 psf/month x 1,900 SF x 12 months			\$	25,080
Market Rent - Two BR Apartments	\$950 per month x 2 units x 12 months			\$	22,800
Market Rent - One BR Apartment	\$675 per month x 1 unit x 12 months			\$	8,100
Tenant Reimbursements (retail space only)				\$	<u>5,625</u>
Total Potential Gross Income				\$	61,605
Total Rentable Area	3,916				
Vacancy & Collection Loss	@ 10%			\$	<u>(6,160)</u>
Effective Gross Income (EGI)				\$	55,444
Operating Expenses					
	<u>\$/SF/Yr.</u>	<u>\$/Yr.</u>	<u>% of EGI</u>		
Property Taxes	\$ 1.45	\$ 5,697	10.3%		
Special Assessments	\$ 0.08	\$ 300	0.5%		
Property Insurance	\$ 0.40	\$ 1,566	2.8%		
Common Area Utilities/Maintenance	\$ 1.00	\$ 3,916	7.1%		
Property Management	<u>\$ 0.42</u>	<u>\$ 1,663</u>	<u>3.0%</u>		
Total Expenses:	\$ 3.36	\$ 13,142	23.7%	\$	<u>(13,142)</u>
Net Operating Income (NOI)				\$	42,302
Direct Capitalization Summary					
NOI	divided by	Capitalization Rate	equals	Value	
\$42,302	÷	8.25%	=	\$512,750	
				\$510,000	(Rd.)

Market Value Conclusion

Sales Comparison Approach \$470,000

Income Capitalization Approach \$510,000

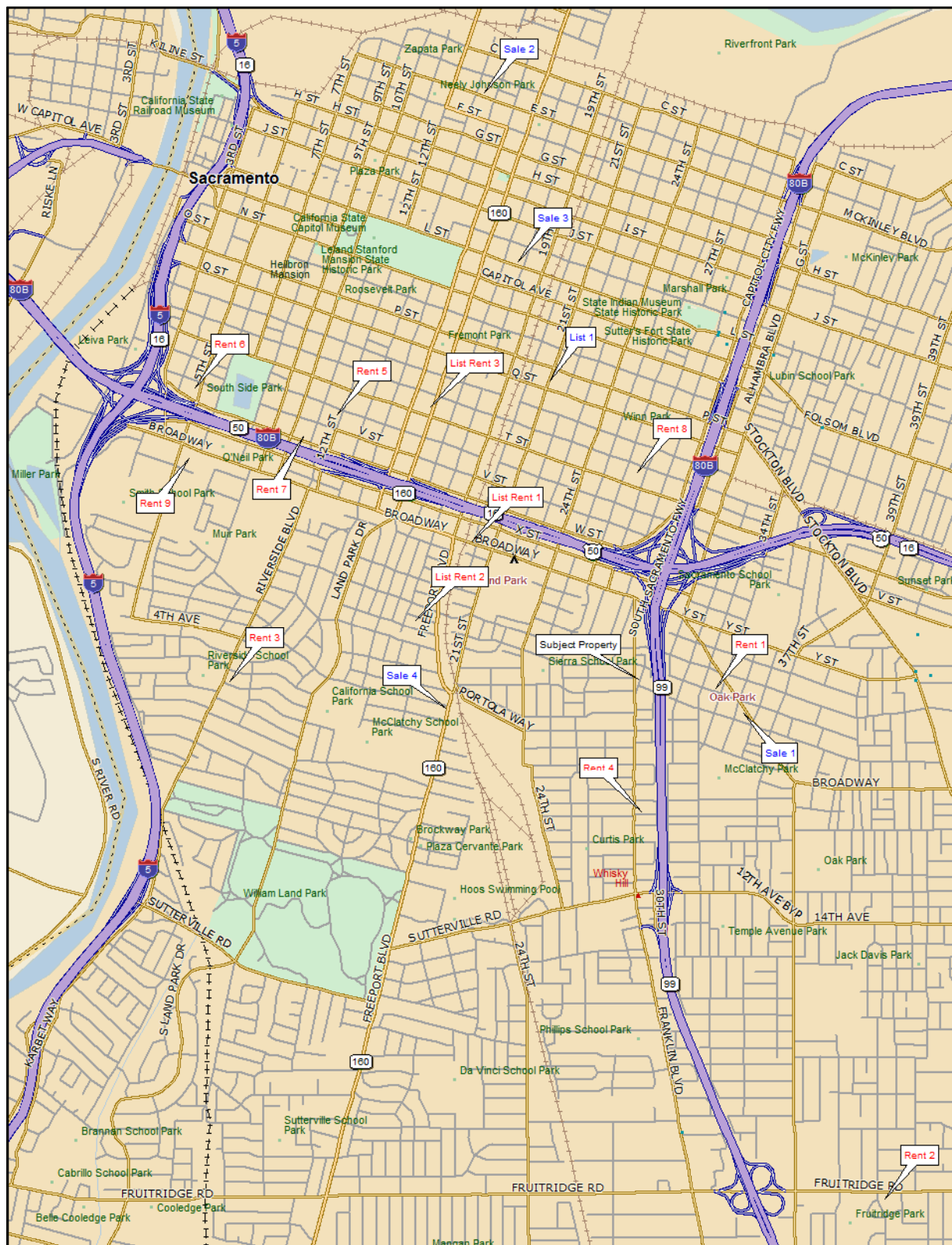
In this analysis, the sales comparison and income capitalization approaches were employed in the valuation of the subject property. The value conclusions reached through the approaches were within approximately 8% of one another. The comparable sales were located in close proximity to the subject, and were all very recent. However, most were in inferior condition and required substantial adjustments for rehab and lease-up costs. The comparable rents were also very proximate to the subject, were recent, and considered to represent similar properties to the subject. Expense and capitalization rate data was also good.

It is my opinion both approaches were relevant and reliable in the valuation of the subject property. However, given the multi-tenant, income producing nature of the property, primary reliance is placed on the income capitalization approach. The final market value conclusion at stabilized occupancy is **\$510,000**.

One additional consideration must be made, as the property is not operating at stabilized occupancy (two retail suites are vacant, totaling 600± square feet of rentable area). Five deductions are required to estimate the as-is value of the subject property: rent loss over a typical lease-up period; tenant improvements paid by the property owner; leasing commissions for a typical lease term; rent concessions; and an entrepreneurial incentive to reflect the risk associated with bringing the property to stabilized occupancy. These deductions are summarized below and based on market input as of the date of value.

Market Value Assuming Stabilized Occupancy						\$	510,000
	Month	SF Vacant	Absorp./Mo.	Market Rent			
Rent & Reimbursement Loss:	1	600	0	\$1.30	=	\$	780
	2	600	0	\$1.30	=	\$	780
	3	300	300	\$1.30	=	\$	390
	4	300	0	\$1.30	=	\$	390
	5	300	0	\$1.30	=	\$	390
	6	0	300	\$1.30	=	\$	-
Total:						\$	2,730
Tenant Improvements:	600	SF @	\$5.00	psf =		\$	3,000
Rent Concessions:	600	SF @	\$1.10	psf/mo. for 3 months		\$	1,980
Leasing Commissions:	600	SF @	\$1.10	psf/mo. for 36 mos. x 5%		\$	1,188
Entrepreneurial Profit:	15%	of above costs =				\$	1,335
Total Costs						\$	(10,233)
						\$	499,767
As-Is Market Value						\$	500,000 Rd.
						\$	127.68 psf

Comparables Map



Replacement Cost New

DIRECT COSTS

Marshall & Swift Indicators (Average Class 'C' Retail Store & Good Class 'C' Multiple Residences)

	Retail 1	Retail 2	Duplex	Res Unit
Base Cost per SF	\$ 69.36	\$ 45.17	\$ 89.22	\$ 89.22
Fire Sprinklers	\$ 4.00	\$ 4.00	\$ -	\$ -
	\$ 73.36	\$ 49.17	\$ 89.22	\$ 89.22
Current Cost Multiplier	1.050	1.050	1.040	1.040
Local Cost Multiplier	1.220	1.220	1.220	1.220
Perimeter Multiplier	1.322	1.183	0.977	0.977
Height Multiplier	1.000	1.000	1.000	1.000
Total Cost per SF	\$ 124.23	\$ 74.51	\$ 110.60	\$ 110.60

Total Direct Costs - Retail 1	600	SF x	\$ 124.23	per SF =	\$ 74,540
Total Direct Costs - Retail 2	1,300	SF x	\$ 74.51	per SF =	\$ 96,867
Total Direct Costs - Duplex	1,488	SF x	\$ 110.60	per SF =	\$ 164,571
Total Direct Costs - Res Unit	528	SF x	\$ 110.60	per SF =	\$ 58,396

ADDITIONAL INDIRECT COSTS

Appraisal				\$ 2,700
Interim Property Taxes	@	1.117%	of land value for 6 mos.	\$ 3,910
Contingency	@	12%	of direct costs	\$ 26,756

Total Indirect Costs \$ 33,366

TOTAL DIRECT AND INDIRECT COSTS \$ 427,740

REPLACEMENT COST NEW OF STRUCTURAL IMPROVEMENTS

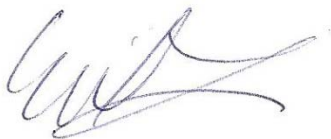
(Rd.) \$ 430,000

This estimate represents the replacement cost new of the structural improvements. This estimate reflects only direct and indirect costs to construct a building with utility equivalent to the building being appraised, using modern materials and current standards, design and layout. The estimate does NOT account for depreciation, land value, site improvements (paving, parking, landscaping, etc.), profit or incentive, or loss of income during replacement.

Certification Statement

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

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- I have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding the date of this report.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- My analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- I have made a personal inspection of the property that is the subject of this report.
- No one provided significant real property appraisal assistance to the person signing this certification.
- I certify that my State of California general real estate appraisal license has never been revoked, suspended, cancelled or restricted.
- I have the knowledge and expertise to complete this appraisal assignment and have appraised similar properties in the past.



Erik B. Lundquist, Appraiser

State Certification No: AG036734 (Expires: March 17, 2013)

General Assumptions and Limiting Conditions

- No responsibility is assumed for the legal description provided or for matters pertaining to legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated.
- No responsibility is assumed for matters of law or legal interpretation.
- The property is appraised free and clear of any or all liens or encumbrances unless otherwise stated.
- The information and data furnished by others in preparation of this report is believed to be reliable, but no warranty is given for its accuracy.
- It is assumed there are no hidden or unapparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or for obtaining the engineering studies that may be required to discover them.
- It is assumed the property is in full compliance with all applicable federal, state, and local environmental regulations and laws unless the lack of compliance is stated, described, and considered in the appraisal report.
- It is assumed the property conforms to all applicable zoning and use regulations and restrictions unless nonconformity has been identified, described and considered in the appraisal report.
- It is assumed all required licenses, certificates of occupancy, consents, and other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.
- It is assumed the use of the land and improvements is confined within the boundaries or property lines of the property described and there is no encroachment or trespass unless noted in the report.
- The appraiser is not qualified to determine the existence of mold, the cause of mold, the type of mold or whether mold might pose any risk to the property or its inhabitants. Additional inspection by a qualified professional is recommended.
- Unless otherwise stated in this report, the existence of hazardous materials, which may or may not be present on the property, was not observed by the appraiser. The appraiser has no knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation and other potentially hazardous materials may affect the value of the property. The value estimated is predicated on the assumption there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for such conditions or for any expertise or engineering knowledge required to discover them. The intended user of this report is urged to retain an expert in this field, if desired.
- The Americans with Disabilities Act (ADA) became effective January 26, 1992. I (we) have not made a specific survey or analysis of this property to determine whether the physical aspects of the improvements meet the ADA accessibility guidelines. Since compliance matches each owner's financial ability with the cost-to cure the property's potential physical characteristics, the real estate appraiser cannot comment on compliance with ADA. A brief summary of the subject's physical aspects is included in this report. It in no way suggests ADA compliance by the current owner. Given that compliance can change with each owner's financial ability to cure non-accessibility, the value of the subject does not consider possible non-compliance. Specific study of both the owner's financial ability and the cost-to-cure any deficiencies would be needed for the Department of Justice to determine compliance.
- The appraisal is to be considered in its entirety and use of only a portion thereof will render the appraisal invalid.
- The liability of the appraiser in this work is limited to the amount of compensation for the work performed in this assignment.
- Acceptance and/or use of the appraisal report constitutes acceptance of all assumptions and limiting conditions stated in this report.
- This appraisal report is prepared for the exclusive use of the appraiser's client. No third parties are authorized to rely upon this report without the express consent of the appraiser.

Glossary of Terms

Definitions are from the following sources: Dictionary of Real Estate Appraisal, 4th Edition ('Dictionary'); Urban Land Institute ('ULI'); Appraisal of Real Estate, 13th Edition ('13th Edition'); Marshall Valuation Service ('MVS').

Accrued Depreciation

The difference between the reproduction or replacement cost of the improvements on the effective date of the appraisal and the market value of the improvements on the same date. (*Dictionary*)

Common Area

The total area within the shopping center that is not designed for rental to tenants but that is available for common use by all tenants or groups of tenants, their invitees, and adjacent stores. Parking and its appurtenances, malls, sidewalks, landscaped areas, public toilets, truck and service facilities, and the like are included in the common area. (*ULI*)

Common Area Charges

Income collected from tenants for operating and maintenance items pertaining to the common areas. (*ULI*)

Deferred Maintenance

Curable, physical deterioration that should be corrected immediately, although work has not commenced; denotes the need for immediate expenditures, but does not necessarily suggest inadequate maintenance in the past. (*Dictionary*)

Direct Capitalization

The capitalization method used to convert an estimate of a single year's income expectancy or an annual average of several years' income expectancies into an indication of value in one step, either by dividing the income estimate by an appropriate rate or by multiplying the income estimate by an appropriate factor. (*Dictionary*)

Discounted Cash Flow (DCF) Analysis

The procedure in which a discount rate is applied to a set of projected income streams and a reversion. The analyst specifies the quantity, variability, timing, and duration of the income streams as well as the quantity and timing of the reversion and discounts each to its present value at a specified yield rate. DCF analysis can be applied with any yield capitalization technique and may be performed on either a lease-by-lease or aggregate basis. (*Dictionary*)

Disposition Value

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

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

Effective Date

The date at which the analyses, opinions, and advice in an appraisal, review, or consulting service apply. (*Dictionary*)

Entrepreneurial Incentive

The amount that an entrepreneur expects or wants to receive as compensation for providing coordination and expertise and assuming the risks associated with the development of a project. Entrepreneurial incentive is an amount anticipated, prior to development, whereas entrepreneurial profit is an amount earned, estimated after completion. (*13th Edition*)

Glossary of Terms

Entrepreneurial Profit

A market-derived figure that represents the amount an entrepreneur receives for his or her contribution to a project and risk; the difference between the total cost of a property (cost of development) and its market value (property value after completion), which represents the entrepreneur's compensation for the risk and expertise associated with development. (*Dictionary*)

Excess Land; Surplus Land (*Dictionary*)

Excess Land: In regard to an improved site, the land not needed to serve or support the existing improvement. In regard to a vacant site or a site considered as though vacant, the land not needed to accommodate the site's primary highest and best use. Such land may be separated from the larger site and have its own highest and best use, or it may allow for future expansion of the existing or anticipated improvement.

Surplus Land: Land not necessary to support the highest and best use of the existing improvement but, because of physical limitations, building placement, or neighborhood norms, cannot be sold off separately. Such land may or may not contribute positively to value and may or may not accommodate future expansion of an existing or anticipated improvement.

Exposure Time

The time a property remains on the market. 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. Exposure time is always presumed to occur prior to the effective date of the appraisal. The overall concept of reasonable exposure encompasses not only adequate, sufficient and reasonable time but also adequate, sufficient and reasonable effort. Exposure time is different for various types of real estate and value ranges and under various market conditions. (*Dictionary*)

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. (*Dictionary*)

Floor Area Ratio (FAR)

The relationship between the above-ground floor area of a building, as described by the building code, and the area of the plot on which it stands; in planning and zoning, often expressed as a decimal, e.g., a ratio of 2.0 indicates that the permissible floor area of a building is twice the total land area. (*Dictionary*)

Gross Building Area (GBA)

The total floor area of a building, excluding unenclosed areas, measured from the exterior of the walls; includes both the superstructure floor area and substructure or basement area. (*Thirteenth Edition*)

Gross Leasable Area (GLA)

The total floor area designed for the occupancy and exclusive use of tenants, including basements and mezzanines, and measured from the center of interior partitioning to outside wall surfaces; the standard measure for determining the size of shopping centers where rent is calculated based on the GLA occupied. The area for which tenants pay rent. (*Dictionary*)

Highest and Best Use

The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity. (*Dictionary*)

Glossary of Terms

Insurable Value

Value used by insurance companies as the basis for insurance. Often considered to be replacement or reproduction cost plus allowances for debris removal or demolition less deterioration and noninsurable items. Sometimes cash value or market value, but often entirely a cost concept. (MVS)

Leased Fee Interest

An ownership interest held by a landlord with the rights of use and occupancy conveyed by lease to others. The rights of the lessor (the leased fee owner) and the lessee are specified by contract terms contained within the lease. (Dictionary)

Leasehold Interest

The interest held by the lessee (the tenant or renter) through a lease transferring the rights of use and occupancy for a stated term under certain conditions. (Dictionary)

Liquidation Value

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

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

Market Rent

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

Market Value

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

1. buyer and seller are typically motivated;
2. both parties are well informed or well advised, and acting in what they consider their best interests;
3. a reasonable time is allowed for exposure in the open market;
4. payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto; and
5. the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

(Dictionary; 12 C.F.R. Part 34.42(g); 55 Federal Register 34696, August 24, 1990, as amended at 57 Federal Register 12202, April 9, 1992; 59 Federal Register 29499, June 7, 1994)

Glossary of Terms

Marketing Time

The time it takes an interest in real property to sell on the market subsequent to the date of an appraisal. Reasonable marketing time is an estimate of the amount of time it might take to sell an interest in real property at its estimated market value during the period immediately after the effective date of the appraisal; the anticipated time required to expose the property to a pool of prospective purchasers and to allow appropriate time for negotiation, the exercise of due diligence, and the consummation of a sale at a price supportable by concurrent market conditions. *(Dictionary)*

Overage Rent

The percentage rent paid over and above the guaranteed minimum rent or base rent; calculated as a percentage of sales in excess of a specified breakeven sales volume. *(Dictionary)*

Percentage Rent

Rental income received in accordance with the terms of a percentage lease; typically derived from retail store and restaurant tenants and based on a percentage of their retail sales. *(Dictionary)*

Prospective Value Opinion

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

Replacement Cost

The estimated cost to construct, at current prices as of the effective appraisal date, a building with utility equivalent to the building being appraised, using modern materials and current standards, design and layout. *(Dictionary)*

Reproduction Cost

The estimated cost to construct, at current prices as of the effective date of the appraisal, an exact duplicate or replica of the building being appraised, using the same materials, construction standards, design, layout, and quality of workmanship and embodying all the deficiencies, superadequacies, and obsolescence of the subject building. *(Dictionary)*

Stabilized Occupancy

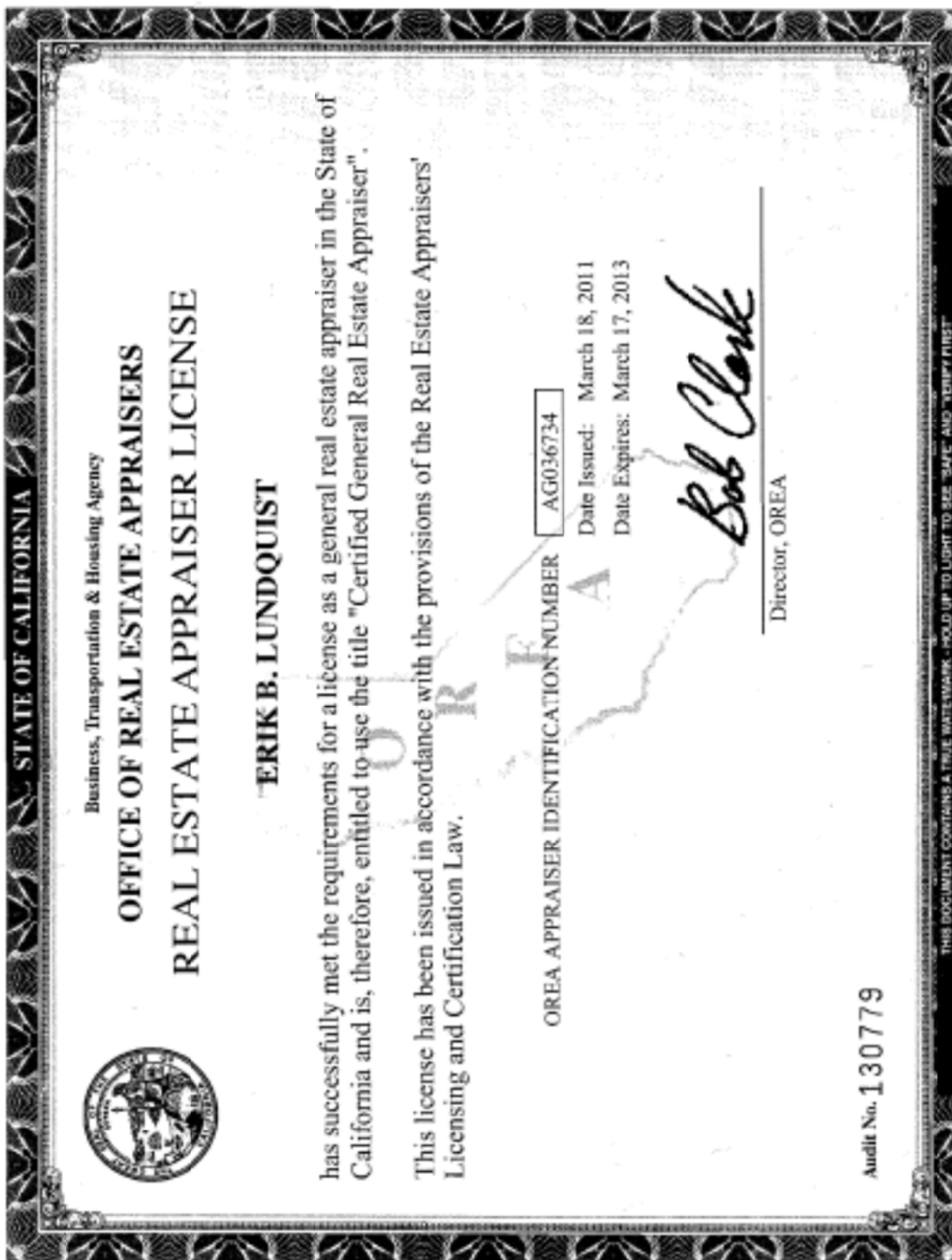
Occupancy at that point in time when abnormalities in supply and demand or any additional transitory conditions cease to exist and the existing conditions are those expected to continue over the economic life of the property; the optimum range of long-term occupancy which an income-producing real estate project is expected to achieve under competent management, after exposure for leasing in the open market for a reasonable period of time at terms and conditions comparable to competitive offerings. *(Dictionary)*

Value As Is

The value of specific ownership rights to an identified parcel of real estate as of the effective date of the appraisal; relates to what physically exists and is legally permissible and excludes all assumptions concerning hypothetical market conditions or possible rezoning. *(Dictionary)*

Yield Capitalization

A capitalization method used to convert future benefits to present value by discounting each future benefit at an appropriate yield rate or by developing an overall rate that reflects the investment's income pattern, value change, and yield rate. *(Dictionary)*



The information contained in this award along with the information contained in the **General Appraisal Requirements, Specific Performance Standards, and the General Contractual Requirements** referenced in the RFP and all other RFP information, serve as the contract for services to be rendered. If within 12 months of the date of this assignment the vendor is contacted to appraise the subject property by any other party than Wells Fargo RETECHS, vendor agrees to notify Wells Fargo RETECHS in writing of this request.

Unless specifically stated otherwise, information provided by the bank or borrower in conjunction with this assignment shall be considered confidential and may not be used except as necessary for the completion of this assignment. Additionally such information, may not be shared or provided any individual or entity except as necessary for the completion of this assignment, or required by law or appropriate professional standards or organizations such as USPAP and the Appraisal Institute.

This Statement of Work and Award is entered into as of the date of the award by and between Wells Fargo Bank, N.A. (Wells Fargo), and the awarded contractor pursuant to the Master Agreement for Real Estate Services, dated September 15, 2010, all terms of which are incorporated herein by reference.

Note: a penalty of 5% per day will be assessed for late delivery of appraisal if the reason is within your control. Contact Mark McQueen (CBB) 415-371-3542 for any holds, delays or further required information.

1. Project Name: 3011 Franklin Blvd
2. Description of Services: As indicated in the RFP
3. Performance Period
 - Start Date: 2/23/2012
 - End Date (if known): 3/15/2012
4. Work Site: 3011 Franklin Blvd, Sacramento, CA
5. Total Costs and Fees: \$2,700
6. Wells Fargo Job Manager: Mark McQueen (CBB)

Property Access and Contact Information:

Diego Fuentes
916-731-8771

Make contact immediately for access

Delivery Instructions:
(Unless otherwise specified in the attached addendum)

All valuation services requested which include the report with signatures, all associated exhibits, and any other pertinent supporting documentation will be delivered online via RIMSCentral to Wells Fargo Bank-RETECHS at a minimum and (if appropriate), a hard copy to the Wells Fargo Banker or representative. In no case, will any valuation services ever be **solely delivered to a Wells Fargo Banker or representative without written authorization** from RETECHS. In addition, upload separately, the final invoice for payment. The following provides more specific instructions:

1. Upload to RIMSCentral under the appropriate assignment the following, a PDF APPRAISAL REPORT to include:
 - The Recipient information [name, address, etc]
Wells Fargo Bank – RETECHS
Mark McQueen (CBB)
333 Market Street 21st Floor
San Francisco, CA 94105
WF-SF-12-005875-01
 - Vendor digital signature
2. Upload to RIMSCentral a copy of the appraisers state license / certification as an addenda of the appraisal report.
3. Upload to RIMSCentral any other property information to complete the assignments as stated in the Request for Proposal (RFP)
4. Upload to RIMSCentral the Original Invoice addressed to:

Wells Fargo Bank RETECHS
Mark McQueen (CBB)
333 Market Street 21st Floor
San Francisco, CA 94105
415-371-3542

Note: If uploading the documents to RIMSCentral is **not feasible**, then contact RIMSCentral for upload assistance or the RETECHS Job Manager, Mark McQueen (CBB) for additional delivery instructions.

Only upon RETECHS e-mail authorization is vendor to deliver hard copy (copies):

Deliver to: Pamela Heatherington (RGBK-BREW)
S4101-051
100 W Washington St, 5th Floor
Phoenix, 85003

Additional Requirements may be specified in an attached addendum.

ADDENDUM

***** Attention!! Information below regarding delivery instructions overrides delivery instructions given above or in the RFP.*****

The completion of this evaluation assignment requires the use of the RETECHS COMMERCIAL EVALUATION REPORT. Periodically, this template is revised. Please check for an attachment or look on the My Customers Tab- Reference Documents on the RIMS Central website to verify that you are using the most recent copy.

Enclosures: Please see uploads if applicable.

APP-5 CBB; Appraisal Engagement Contract, EVALUATION (Revised 11/20/2009)