Integra Realty Resources
Sacramento

Appraisal of Real Property

BOE Headquarters Building
Office Property
450 N Street
Sacramento, Sacramento County, California 95814
Client Reference: BOE 2015 - 3182567

Prepared For:
Department of General Services

Effective Date of the Appraisal:
September 15, 2015

Report Format:
Appraisal Report – Comprehensive Format

IRR - Sacramento
File Number: 145-2015-0382

BOE Headquarters Building
450 N Street
Sacramento, California

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November 3, 2015

Michael Butler
Chief, Real Property Services Section
Real Estate Services Division
Department of General Services
State of California
707 Third Street, 5th Floor
West Sacramento, CA 95605

SUBJECT: Fair Market Value Appraisal
BOE Headquarters Building
450 N Street
Sacramento, Sacramento County, California 95814
Client Reference: BOE 2015 - 3182567
IRR - Sacramento File No. 145-2015-0382

Dear Mr. Butler:

Integra Realty Resources – Sacramento is pleased to submit the accompanying appraisal of the referenced property. The purpose of the appraisal is to develop an opinion of the fair market value of the property under various valuation scenarios.

The client for the assignment is the Department of General Services, and the intended use is for planning purposes and analysis.

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

To report the assignment results, we use the Appraisal Report option of Standards Rule 2-2(a) of the 2014-2015 edition of USPAP. As USPAP gives appraisers the flexibility to vary the level of information in an Appraisal Report depending on the intended use and intended users of the appraisal, we adhere to the Integra Realty Resources internal standards for an Appraisal Report – Comprehensive Format. This type of report contains the greatest depth and detail of the available report types. It describes and explains the information analyzed, the appraisal methods employed, and the reasoning that supports the analyses, opinions, and conclusions. This format meets or exceeds the former Self-Contained Appraisal Report requirements that were contained in the 2012-2013 edition of USPAP.

The subject of this appraisal is the State Board of Equalization Building and parking garage located at 450 N Street, Sacramento, CA 95814. The property is a city block that is bounded by N, O, 4th and 5th streets in the Central Business District of Sacramento, California.

The property includes a 25-story office tower and a four story parking garage located on a 2.5 acre city block. The office has a gross building area of 644,293 square feet, net rentable area of 560,643 square feet and net useable area of 478,746 square feet. The office building was completed in December 1992. The State Board of Equalization has occupied the building since 1993.

The building has had a number of construction defects and issues including water intrusion problems, spandrels breaking or falling from the building, glass window defects, mold and fungal growth issues and corroded drain waste lines. Some of the construction defects have been corrected and others are scheduled for near-term repairs and replacement.

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

Fair Market Value Conclusions

	Appraisal Premise	Value Conclusion
Scenario 1	As Is Value - Encumbered	$63,400,000
Scenario 2	As Is Value - Unencumbered	$61,600,000
Scenario 3	As If Repaired Value	$102,500,000
Scenario 4	As If Vacant Value	$31,500,000
Scenario 5	As If Repaired Value - Vacant - Future Multi-Tenant Occupancy	$120,000,000
Scenario 6	As If Stabilized Value - Multi-Tenant Occupancy	$125,000,000
Scenario 7	Leaseback Value	$138,000,000

Detailed explanation and definition of the Scenarios are shown on pages 4 and 5 of the body of the report.

Shown on the following page is a summary of the extraordinary assumptions and hypothetical conditions that pertain to the value conclusions.

Extraordinary Assumptions and Hypothetical Conditions

The value conclusions are subject to the following **extraordinary assumptions** that may affect the assignment results. An extraordinary assumption is uncertain information accepted as fact. If the assumption is found to be false as of the effective date of the appraisal, we reserve the right to modify our value conclusions.

1. The building sizes were derived from the Statewide Property Inventory Plan from DGS dated July 1, 2014. We make the extraordinary assumption that the building sizes are accurate.
2. The building has had a history of mold growth, which is common in other office buildings. Substantial mold remediation was completed in January 2011. Additional mold is expected to be found during replacement of the cast iron pipes and HVAC duct replacement work to be completed. It is an extraordinary assumption that the mold infestation that will be discovered in the cavity of the building is consistent to what is expected and could be cured under the cost reported.
3. The building has various immediate capital improvement needs. It is an extraordinary assumption that the estimated cost for such repairs as provided by the sources cited in this report are accurate.
4. The Board of Equalization, the current occupant of the building has a need for expanded data cabling that would need to be installed within the shaft of the core building area. The shaft is at capacity and would need to be expanded to accommodate this additional data cabling. The appraisal has not factored in the cost of this work as it is specific to this tenant and not the market.

The value conclusions are based on the following **hypothetical conditions** that may affect the assignment results. A hypothetical condition is a condition contrary to known fact on the effective date of the appraisal but is supposed for the purpose of analysis.

1. Scenario 3 is a Hypothetical Value and assumes: 1) the property is 100% occupied by the state under a 4-year lease term, 2) all of the immediate capital repair improvements recognized by the market are completed and 3) the property is subject to the occupancy requrements as set forth in the 2011 Series E Bond Agreement.
2. Scenario 4 is a Hypothetical Value and assumes: 1) the property is 100% vacant and 2) there are no occupancy requirements as set forth in the 2011 Series E Bond Agreement.
3. Scenario 5 is a Hypothetical Value and assumes: 1) the property is 100% vacant, 2) the scenario disregards the occupancy requrements as set forth in the 2011 Series E Bond Agreement, 3) all immediate capital repair improvements recognized by the market are complete and 4) new tenant improvements are in place.
4. Scenario 6 is a Hypothetical Value and assumes: 1) the property is 100% occupied by state and private tenants on average 4-year lease term, 2) the scenario disregards the occupancy requrements as set forth in the 2011 Series E Bond Agreement, 3) all immediate capital repair improvements recognized by the market are complete and 4) new tenant improvements are in place.
5. Scenario 7 is a Hypothetical Value and assumes: 1) the property is 100% occupied by the state on a 20-year lease term, 2) the scenario disregards the occupancy requrements as set forth in the 2011 Series E Bond Agreement , 3) all immediate capital repair improvements recognized by the market are complete and 4) new tenant improvements are in place.

The opinions of value expressed in this report are based on estimates and forecasts that are prospective in nature and subject to considerable risk and uncertainty. Events may occur that could cause the performance of the property to differ materially from our estimates, such as changes in the economy, interest rates, capitalization rates, financial strength of tenants, and behavior of investors, lenders, and consumers. Additionally, our opinions and forecasts are based partly on data obtained from interviews and third party sources, which are not always completely reliable. Although we are of the opinion that our findings are reasonable based on available evidence, we are not responsible for the effects of future occurrences that cannot reasonably be foreseen at this time.

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

Respectfully submitted,

Integra Realty Resources - Sacramento

Scott Beebe, MAI, FRICS
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CA Certificate # AG015266
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Summary of Salient Facts and Conclusions

Property Information		
Property Name	BOE Headquarters Building	
Address	450 N Street	
	Sacramento, Sacramento County, California 95814	
Property Type	Office - High Rise	
Tax ID	006-0193-030	
Land Area	2.50 acres; 108,900 SF	
Zoning Designation	C-2, CBD	
Parcel Description	Full City Block	
Office Building GBA	644,293 SF	
Office Building NRA	560,643 SF	
No. Floors	25	
Parking Garage GBA	223,838	
Total GBA	868,131	
No. Parking Spaces	711	
Year Built	1992	
Occupancy	100%	
Primary Tenants	State Board of Equalization	
Other Tenants	Child Care	
Capital Expenditure Estimates	**Clarke Project Solutions**	**Appraisal Conclusions**
Immediate CAPEX Costs	$31,080,343	$32,907,143

Appraisal Assignment		
Effective Date of the Appraisal	September 15, 2015	
Date of the Report	November 3, 2015	
Property Interest Appraised	Leased Fee/Fee Simple	
Intended Use	Planning Purposes and analysis	
Fair Market Value Scenarios	**Concluded Value**	**$ Per SF of NRA**
As Is Value - Encumbered	$63,400,000	$113.08
As Is Value - Unencumbered	$61,600,000	$109.87
As If Repaired Value	$102,500,000	$182.83
As If Vacant Value	$31,500,000	$56.19
As If Repaired Value - Vacant - Future Multi-Tenant Occupancy	$120,000,000	$214.04
As If Stabilized Value - Multi-Tenant Occupancy	$125,000,000	$222.96
Leaseback Value	$138,000,000	$246.15

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

Extraordinary Assumptions and Hypothetical Conditions

The value conclusions are subject to the following **extraordinary assumptions** that may affect the assignment results. An extraordinary assumption is uncertain information accepted as fact. If the assumption is found to be false as of the effective date of the appraisal, we reserve the right to modify our value conclusions.

1. The building sizes were derived from the Statewide Property Inventory Plan from DGS dated July 1, 2014. We make the extraordinary assumption that the building sizes are accurate.
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3. Scenario 5 is a Hypothetical Value and assumes: 1) the property is 100% vacant, 2) the scenario disregards the occupancy requrements as set forth in the 2011 Series E Bond Agreement, 3) all immediate capital repair improvements recognized by the market are complete and 4) new tenant improvements are in place.
4. Scenario 6 is a Hypothetical Value and assumes: 1) the property is 100% occupied by state and private tenants on average 4-year lease term, 2) the scenario disregards the occupancy requrements as set forth in the 2011 Series E Bond Agreement, 3) all immediate capital repair improvements recognized by the market are complete and 4) new tenant improvements are in place.
5. Scenario 7 is a Hypothetical Value and assumes: 1) the property is 100% occupied by the state on a 20-year lease term, 2) the scenario disregards the occupancy requrements as set forth in the 2011 Series E Bond Agreement , 3) all immediate capital repair improvements recognized by the market are complete and 4) new tenant improvements are in place.

General Information

Property Overview

The subject of this appraisal is the State Board of Equalization Building and parking garage located at 450 N Street, Sacramento, CA 95814. The property is a city block that is bounded by N, O, 4th and 5th Streets in the Central Business District of Sacramento, California. The assessor parcel number is 006-0193-030-0000. A legal description of the property is shown in the title report located in the addendum of the report.

The property includes a 25-story office tower and a four-story parking garage located on a 2.5 acre city block. The office has a gross building area of 644,293 square feet, net rentable area of 560,643 square feet and net useable area of 478,746 square feet. The office tower is located on the most northeast corner of the subject parcel and has an approximate footprint of 30,000 square feet with the only exception being on the first floor where the footprint is closer to 82,000 square feet.

The building was originally constructed by a developer on a speculative basis and substantially completed in December 1992. The State Board of Equalization (hereafter referred as BOE) initially took occupancy in 1993, when it was leased by the Department of General Services (DGS) from the California Public Employees' Retirement System (CalPERS), one of the original owners.

The first floor of the tower includes a small to medium sized lobby, large board room, back room common and storage areas, cafeteria, day care, mail and printing rooms and large storage areas. The uppers floors 2-11, and 14 -24 have traditional core areas in the middle with mostly open office space to the perimeter walls. Floor 12 being almost two floors in height is entirely used for building operations staff and mechanical equipment. Floor 25 is used for the cooling towers. There is no 13th floor. The total number of floors (considering the two floor height of the 12th floor) is 25 excluding the cooling tower floor.

The four-level parking garage adjoins the office tower and takes up approximately 70% of the subject parcel. This garage was constructed in 1964 and has a gross building area of 223,838 square feet. The garage has concrete construction and has approximately 711 parking spaces. Despite some deterioration, the overall condition of the garage is average for its age.

Over its life the building has had a number of construction issues including water intrusion problems, spandrels breaking or falling from the building, glass window defects, mold and fungal growth issues and corroded drain waste lines. Some of these issues have been resolved and repaired and others are scheduled for immediate repairs. The breakage and falling of the spandrel glass caused building management to construct scaffolding around the office tower as a safety precaution.

In September 2015 a study performed by Clarke Project Solutions, Inc. was completed for the subject building. The objective of the study was to identify the immediate capital repairs for the building. Their estimate of cost excluding construction contingency and soft cost was $31,080,343. Although we were presented with other cost studies, we have relied on the Clarke Project Solutions, Inc. as it was represented to be the most accurate cost study by reliable sources we consulted.

Over the past decade there has been much publicity regarding the building's numerous deficiencies. To better understand the condition of the state's building inventory, the Department of General Services (DGS) commissioned Hellmuth, Obata & Kassabaum, Inc. (HOK), to conduct an independent analysis of the state-owned office buildings. The report benchmarked findings utilizing a Facility Condition Index (FCI). Buildings were classified utilizing the following benchmarks:

- Very Poor - Subjected to hard or long-term wear. Has reached the end of its useful or serviceable life. Renewal is now necessary.
- Poor – Subjected to hard or long-term wear. Nearing the end of its useful or serviceable life.
- Fair - Subjected to wear and soiling but is still in a serviceable and functioning condition.
- Good - In new or well-maintained condition, with no visual evidence of wear, soiling, or other deficiencies.

The study ranked 29 Sacramento region buildings with the building in the need of most significant and immediate renovation, repairs, or replacement needs (Rank 1) and ending with the building with the least significant and immediate renovation repair, or replacement needs (Rank 29). The subject was rank 12th.

Current Ownership and Sales History

The owner of record is the State of California. In June 2006, legislation was enacted that authorized the Director of DGS to exercise an option to purchase the subject property from CalPERS. The acquisition was completed in February 2007 at a cost of $81 million pursuant a predetermined price set forth in an option agreement years before.

In 2011 the State Public Works Board of the State of California issued $95,965,000 in Lease Revenue Bonds to refinance the debt on the property. The 2011 Series E bonds are scheduled to be paid off in 2021.

To the best of our knowledge, no sale or transfer of ownership has occurred within the past three years, and as of the effective date of this appraisal, the property is not subject to an agreement of sale or option to buy, nor is it listed for sale.

Purpose of the Appraisal

The purpose of the appraisal is to develop an opinion of the fair market value of the property under the following value scenarios:

<u>Scenario 1: As Is Value – Encumbered:</u> This is the Fair Market Value of the property with the Board of Equalization as the primary occupant. The value scenario considers the current non-repaired status of the property and occupancy conditions as set forth in the 2011 Series E Bond Agreement. The analysis considers the in-place tenant improvements.

Scenario 2: As Is Value – Unencumbered: This is the Fair Market Value of the property with the Board of Equalization as the primary occupant. The value scenario considers the current non-repaired status of the property and disregards the occupancy requirements as set forth in the 2011 Series E Bond Agreement. The analysis considers the in-place tenant improvements.

Scenario 3: As If Repaired Value: This is the Fair Market Value of the property with the Board of Equalization as the primary occupant. The value scenario assumes the immediate repair needs are completed. The analysis considers the in-place tenant improvements. The value scenario considers the occupancy conditions as set forth in the 2011 Series E Bond Agreement. This is a hypothetical value.

Scenario 4: As If Vacant: This is the Fair Market Value of the property as if it were vacant. The value scenario considers the current non-repaired status of the property and disregards the occupancy requirements as set forth in the 2011 Series E Bond Agreement. The analysis assumes the prospective buyer will install new tenant improvements. This is a hypothetical value.

Scenario 5: As If Repaired & Vacant: This is the Fair Market Value of the property assuming it was vacant and all immediate repair needs had been completed. The scenario also assumes new tenant improvements are in place and prospective tenants are ready to move in a short period of time. The downtime for immediate full occupancy is 2 months. The value scenario disregards the occupancy conditions as set forth in the 2011 Series E Bond Agreement. This is a hypothetical value.

Scenario 6: As If Repaired & Stabilized: This is the Fair Market Value of the property assuming it had a stabilized occupancy with multi-tenants and all immediate repair needs were completed. The scenario also assumes new tenant improvements are in place. The value scenario disregards the occupancy conditions as set forth in the 2011 Series E Bond Agreement. This is a hypothetical value.

Scenario 7: Leaseback Value: This is the Fair Market Value of the property assuming it was occupied by the State of California on a 20-year lease and all immediate repair needs were completed. The scenario assumes new tenant improvements are in place. The value scenario disregards the occupancy conditions as set forth in the 2011 Series E Bond Agreement. This is a hypothetical value.

In addition to the value scenarios we have estimated the market rent under the following scenarios:

Scenario 8: Market Rent of Whole Property to Developer: This estimate assumes a lease to a developer, shell building condition, 20 year lease term and market escalations. The building area to be rented under this category will be Usable Area. This rent scenario disregards the occupancy conditions as set forth in the 2011 Series E Bond Agreement.

Scenario 9: Market Rent of Whole Property to State: This estimate assumes a lease to the state, repairs and tenant improvements completed, 20 year lease term and market escalations. The building area to be rented under this category will be Usable Area. This is the same market rent as used in Scenario 7. This rent scenario disregards the occupancy conditions as set forth in the 2011 Series E Bond Agreement.

Date of Values

The date of value for all scenarios is September 15, 2015. The date of the report is November 3, 2015. The appraisal is valid only as of the stated effective date or dates.

Definition of Fair Market Value

Fair Market value is defined as:

(a) The fair market value of the property taken is the highest price on the date of valuation that would be agreed to by a seller, being willing to sell but under no particular or urgent necessity for so doing, nor obliged to sell, and a buyer, being ready, willing, and able to buy but under no particular necessity for so doing, each dealing with the other with full knowledge of all the uses and purposes for which the property is reasonably adaptable and available.

(b) The fair market value of property taken for which there is no relevant, comparable market is its value on the date of valuation as determined by any method of valuation that is just and equitable.

(Source: California Code of Civil Procedure, Section 1263.320)

Definition of Property Rights Appraised

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

Leased fee interest is defined as, "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)."

Lease is defined as: "A contract in which rights to use and occupy land or structures are transferred by the owner to another for a specified period of time in return for a specified rent."

(Source: The Dictionary of Real Estate Appraisal, Fifth Edition, Appraisal Institute, Chicago, Illinois, 2010)

Intended Use and User

The intended use of the appraisal is for planning purposes and analysis. The client is California Department of General Services (DGS). The intended users are DGS and the State of California.

Applicable Requirements

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

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

- Department of General Services (DGS) Appraisal Specifications (Revised January 1, 2008).

Report Format

This report is prepared under the Appraisal Report option of Standards Rule 2-2(a) of the 2014-2015 edition of USPAP. As USPAP gives appraisers the flexibility to vary the level of information in an Appraisal Report depending on the intended use and intended users of the appraisal, we adhere to the Integra Realty Resources internal standards for an Appraisal Report – Comprehensive Format. This type of report contains the greatest depth and detail of the available report types. It describes and explains the information analyzed, the appraisal methods employed, and the reasoning that supports the analyses, opinions, and conclusions. This format meets or exceeds the former Self-Contained Appraisal Report requirements that were contained in the 2012-2013 edition of USPAP. For additional information, please refer to Addendum B – Comparison of Report Formats.

Prior Services

USPAP requires appraisers to disclose to the client any other services they have provided in connection with the subject property in the prior three years, including valuation, consulting, property management, brokerage, or any other services. We have not performed any services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.

Scope of Work

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

Valuation Methodology

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

Approaches to Value

Approach	Applicability to Subject	Use in Assignment
Cost Approach	Applicable	Utilized
Sales Comparison Approach	Applicable	Utilized
Income Capitalization Approach	Applicable	Utilized

The **income capitalization approach** is the most reliable valuation method for the subject due to the following:

- The probable buyer of the subject would base a purchase price decision primarily on the income generating potential of the property and an anticipated rate of return.

- Sufficient market data regarding income, expenses, and rates of return, is available for analysis.

The **sales comparison approach** is an applicable valuation method because:

- There is an active market for similar properties, and sufficient sales data is available for analysis.
- This approach directly considers the prices of alternative properties having similar utility.

The **cost approach** is applicable to the assignment considering the following:

- The age of the property would limit the reliability of an accrued depreciation estimate.
- This approach is used by market participants, especially for new or nearly new properties.

Research and Analysis

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

Inspection

Scott Beebe, MAI, FRICS, conducted an interior and exterior inspection of the property on July 27, 2015, July 28, 2015, August 26, 2015 and September 15, 2015.

Economic Analysis

Sacramento MSA Area Analysis

Sacramento, the capital of California, is located in north-central part of the state, roughly 85 miles northeast of San Francisco. The official Sacramento MSA includes the counties of Sacramento, Placer, El Dorado and Yolo. Unofficially, the "Greater Sacramento Area" also encompasses the adjacent Sutter and Yuba counties. Sacramento straddles two key regions of California, the Central Valley and Sierra Nevada mountains. Sacramento is the largest city in the metropolitan area, home to over 470,000, making it the sixth largest city in California and the 35th largest in the United States. Altogether the Sacramento region is composed of six counties, 22 cities and population of 2.3 million people.

Economic Overview

The Sacramento region is in its third year of economic recovery after enduring nearly 6 years of decline. For most of 2014 the region experienced mostly positive economic improvements. So far in 2015 the region has had continued economic growth at a moderate pace. Although the region remains below the pre-recession levels there has been recovery in a most sectors. The regional job market has slowly been improving with the current unemployment rate of 6.0% (July 2015) representing an improvement from 7.5% a year ago and 9.0% two years ago. The region achieved net job gain of 26,500 over the past year and 45,900 over the past two years. The region has now gained back the employment losses from the great recession. While the declining unemployment rate signals some improving labor conditions, the rate is still well above the low of 4.3% achieved in 2006 showing there is still room for improvement. Key points in the regional economy include the following:

- The regional unemployment rate is declining with net job gains of 26,500 recorded over the past 12 months. The MSA has about the same number of jobs than what was recorded during the peak in 2007.

- Prices for new and existing homes have been rising rapidly for the past 36 months. During 2014 average appreciation for existing homes rose approximately 5 percent preceded by an approximately 25 percent gain in 2013. The rate of increase has significantly slowed and is not expected to exceed 5 percent per year over the next 12-18 months.

- The multi-family market is the leading property sector in terms of occupancy, rent growth and property appreciation. Retail is strong for Class A product, and industrial is improving in many areas. Urban office is holding steady and there still significant distressed conditions for most suburban office markets.

- The banking industry is showing year over year loan growth and delinquencies are down. Most local and regional banks are showing increasing profitability.

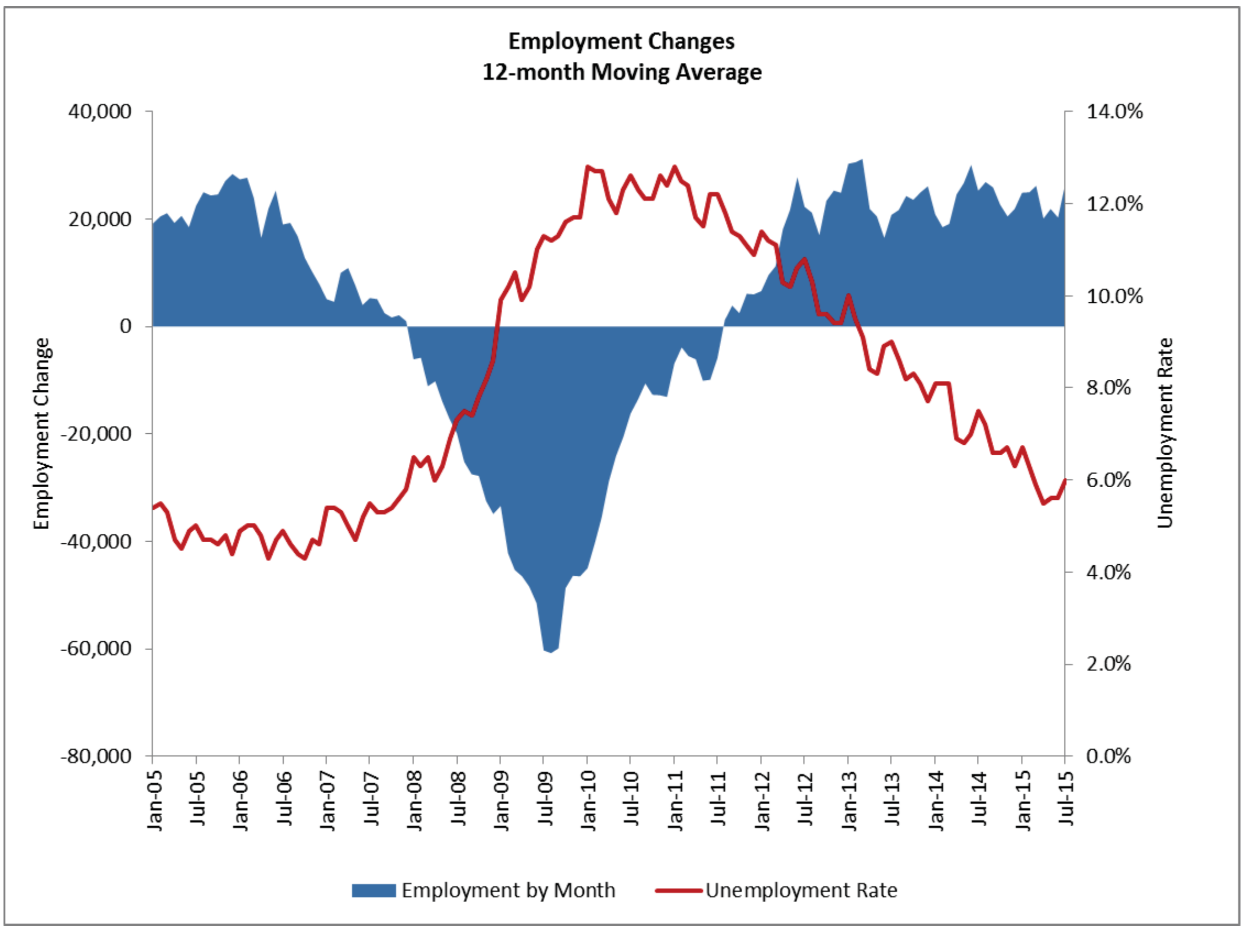
- Business confidence indexes from various groups show very high optimism for 2015.

- After enduring more than three years of uncertainty relating to the possible sale and relocation of the Sacramento Kings (the region's only major professional sports team), the majority interest in the team was recently acquired (May 2013) by an investment group headed by software magnate Vivek Ranadive. Construction of a long-awaited new arena on the Downtown Plaza site is currently ongoing. Ownership broke ground in the second half of 2014, with completion slated for October 2016. The arena is expected to cost approximately $477 million. This project will provide a major boost to the local economy and is already having a ripple effect on development and redevelopment proposals in the downtown area.

- Recent population growth has been close to 0.9% annually. This is down from the early to mid- 2000's when the region was growing at close to 2.3% annually.

Employment

Total employment in Sacramento MSA was 911,600 as of July 2015. This represents an increase of 26,500 as recorded one year earlier. The current average annual employment for the MSA is still down 10,000 from the peak achieved in 2007. From review of the unemployment records the region peaked around October 2006 and bottomed out in January 2010. The following chart provides a historical perspective of the Sacramento MSA employment gains/losses.



The chart above shows significant employment losses beginning in early 2008 and extending through January 2012. There have been year-over year employment gains for the region since April 2012. The regional job market has been slowly improving with the unemployment rate of 6.0% (July 2015) being an improvement from 7.5% a year ago. The decline in unemployment is attributed to a large gain in payrolls as the labor force increased by a minimal amount.

The recent employment growth in the region has come largely from improved hiring in the construction and retail and business services sectors with continued growth in education and health care. The industries affected most by the recession, construction, leisure, financial and manufacturing sectors, have bounced back and added jobs for the past two years with accelerated growth over the past 12 months. The following table provides an overview of the major industry sectors within the region.

Major Industry Sectors - Sacramento MSA - Feb. 2015

	% of Local	1 Year Change		2 Year Change		Expected Average %
Sector	Economy	Jobs	% Chg.	Jobs	% Chg.	Change Y/Y
Construction	4.9%	2,200	5.2%	4,600	11.6%	+3% to +5%
Manufacturing	3.9%	1,100	3.2%	1,600	4.8%	flat to +1%
Trade, Trans. & Utilities	15.9%	2,400	1.7%	3,900	2.8%	+1% to +2%
Information	1.5%	-100	-0.7%	-1,700	-11.1%	-3% to flat
Financial Activities	5.5%	1,100	2.3%	300	0.6%	+1% to +3%
Prof. & Business Services	13.4%	4,100	3.5%	6,900	6.1%	+2% to +5%
Education & Healthcare	15.4%	6,000	4.5%	11,300	8.9%	+2% to +5%
Leisure & Hospitality	10.4%	3,000	3.3%	5,500	6.3%	+1% to +2%
Government	25.6%	3,300	1.5%	8,300	3.7%	flat to +1%

Source: California Employment Development Department - Labor Market Information Division

Between February 2013 and February 2015, the total number of jobs located in the region increased by 43,500 or 5.1 percent. Over the past 12 months the increase was 25,000 or 2.9%. Trends over the past 12 months have been:

- Trade, transportation, and utilities increased by 2,400 jobs. Gains in retail trade (up 3,000 jobs) offset a loss in wholesale trade (down 500 jobs).
- Education and health services added 6,000 jobs. Health care and social assistance (up 4,800 jobs) and education services (up 1,200 jobs) accounted for the gain.
- Professional and business services expanded by 4,100 jobs. A loss in administrative and support and waste management and remediation services (down 700 jobs) offset an increase in professional, scientific, and technical services (up 2,400 jobs).
- On the upside, leisure and hospitality increased by 3,000 jobs. Food services accounted for the largest gain of this sector (up 4,600 jobs) offsetting losses in arts, entertainment, and recreation (down 1,100 jobs).
- Construction increased by 2,200 jobs with gains in all areas of construction.

As indicated above most industry sectors have rebounded in job growth over the past year. As Sacramento has been heavily reliant on government and housing/construction sectors there is optimism that stable growth will continue to occur in these two areas.

One of the major positive influences on the Sacramento MSA has been its affordability in comparison to the nearby Bay Area, especially with respect to housing. This factor acted as a catalyst, luring both residents and corporations to the area. In fact, much of the robust expansion enjoyed in past years is due to the relocation of residents and corporations from the Bay area and other areas of California. As housing prices skyrocketed in the Sacramento region, the area became less attractive to Bay Area transplants. In the long-term, Sacramento's cost advantages relative to the Bay Area should become a factor again, with significant potential to spur another round of strong population growth and economic expansion.

Given Sacramento's role as the capital city of California, government employment, well known for contributing to general stability, accounts nearly 26% of total MSA non-farm employment, a very large share by national norms. Going forward, the region's economy is expected to continue to slowly transition from one primarily dominated by government employment to one increasingly influenced by private sector industries; however, given that Sacramento is the hub of California state government, government will always play a significant role in the region's economic base.

Major Employers

The region's largest employers are summarized as follows:

Largest Private Sector Employers - Sacramento MSA

Rank	Company	Local FTE	Business Type
1	Sutter Health	10,431	Health Care
2	Kaiser Permanente	8,845	Health Care
3	Dignity Health	7,020	Health Care
4	Intel Corp.	6,000	Tech./Mfg.
5	Raley's Inc.	5,456	Retail - Grocery
6	Wells Fargo & Co.	3,250	Financial Services
7	Squaw Valley Resort	2,500	Ski Resort
8	Thunder Valley Casino Resort	2,391	Casino Resort
9	VSP Global	2,382	Optical Care
10	Health Net of California	2,307	Health Insurance
11	Hewlett-Packard Co.	2,230	Tech./Mfg.
12	Union Pacific Railroad Co.	2,100	Transportation
13	Cache Creek Casino Resort	2,000	Casino Resort
14	Pride Industries	1,967	Mail/Logistics
15	Blue Shield of California	1,839	Health Insurance
16	GenCorp Inc.	1,710	Aerospace/Defense
17	Marshall Medical Center	1,502	Health Care
18	Red Hawk Casino	1,400	Casino Resort
19	Eskaton	1,181	Senior Living/Care
20	Delta Dental of California	1,149	Health Insurance

Source: Sacramento Business Journal 7/4/14

In the regional private sector, education and health services and professional services account for more than half of the region’s economic base. High-tech manufacturing holds added promise for the future as existing companies continue to grow and new companies chose to locate to the region.

California represents the eighth largest economy in the world and Sacramento represents the hub of California state government. Due in large part to the presence of the state government, Sacramento had historically weathered economic downturns much better than other national and California markets; however, this was not the case during the most recent downturn. Despite ongoing budget woes, regional state government employment within the region has remained relatively stable during this tumultuous economic cycle.

Population

The Sacramento MSA has an estimated January 2015 population of 2,242,075, which represents an average annual 0.9% increase over the 2010 census of 2,149,127. Placer County has the highest historical growth rate.

Population Trends

	Population			Annual % Change	
	2010	2015	2020	2010-2015	2015-2020
California	37,253,956	38,822,536	40,505,730	0.8%	0.9%
Sacramento MSA	2,149,127	2,242,075	2,340,812	0.9%	0.9%
Sacramento County	1,418,788	1,475,377	1,537,250	0.8%	0.8%
Placer County	348,432	374,820	399,010	1.5%	1.3%
Yolo County	200,849	207,869	215,911	0.7%	0.8%
El Dorado County	181,058	184,009	188,641	0.3%	0.5%

Source: Claritas

Looking forward, Sacramento MSA's population is projected to increase at a 0.9% annual rate from 2015-2020, equivalent to the addition of an average of approximately 19,800 residents per year. Over the past five years (2010-2015) the population has increased 0.9% annually. Lower population growth trend is common throughout many areas of California.

Household Income

The Sacramento MSA has a similar median household income as compared to the statewide average. Median household income is the highest in Placer and El Dorado Counties. Sacramento County has the lowest household income in the MSA.

Household Income - 2015

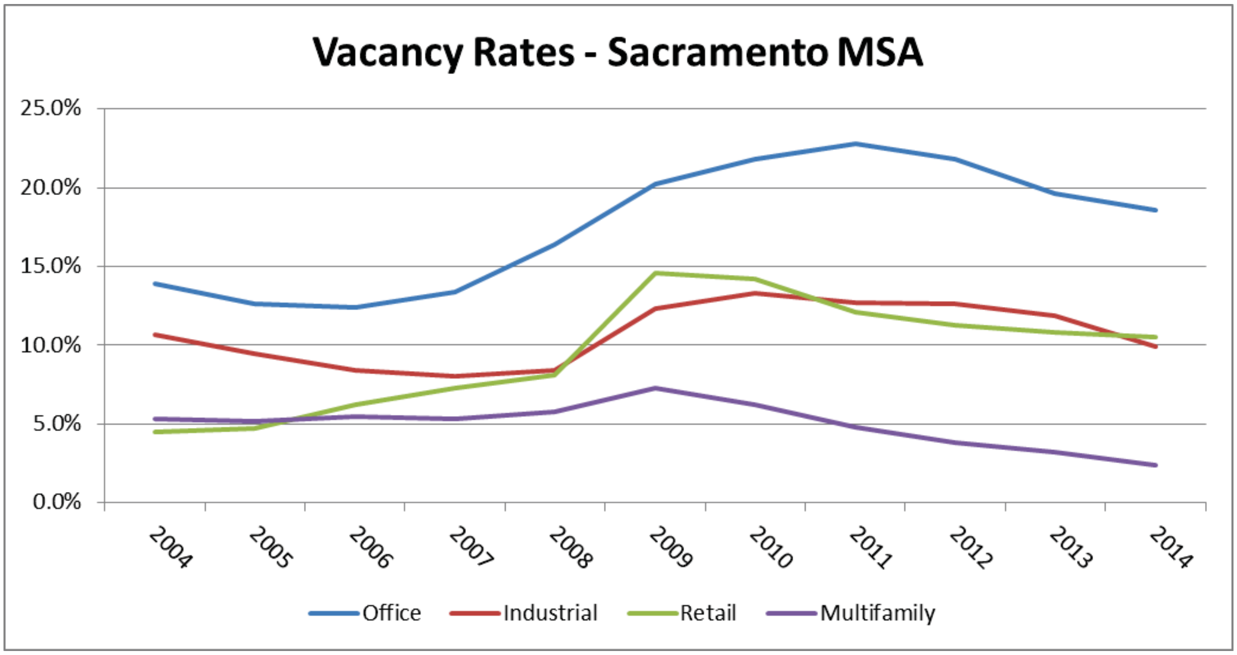
	Median	Vs. Sate	% Below $35k	% Above $150k
California	$60,244	--	30.5%	13.5%
Sacramento MSA	$57,962	-3.8%	31.2%	10.4%
Sacramento County	$53,877	-10.6%	33.7%	8.5%
Placer County	$69,438	15.3%	24.7%	14.2%
El Dorado County	$69,061	14.6%	23.6%	15.7%
Yolo County	$54,745	-9.1%	33.5%	12.2%

Source: Claritas

Approximately 31% of the households in the Sacramento MSA have income lower than $35,000. Sacramento County has the greatest concentration of households in the lower income levels with 34% of households being below $35,000.

Commercial Real Estate

The commercial real estate market for the Sacramento MSA is still fragile from the effects of the recession. The major indicators reveal that this sector has bottomed out, but recovery is still slow for most property types and those having less than the best locations. The highest performing property type is the better quality apartment properties. Retail is strong for Class A product and strong locations, and industrial is improving in many areas. Urban office for Class A and B classes is holding steady. For most of the suburban locations office properties of all classes remains weak.



Construction activity for all property types has been at historically low levels over the past five years. This was preceded by substantial overbuilding that occurred during the early to mid- 2000's. Going forward new construction will be limited to some apartments, high identity retail and build-to-suit construction. New speculative office or industrial construction is not expected for many years. Real estate investment fundamentals have generally been improving across all major property classes in the region. Declining interest rates and strong demand for quality real estate assets have been causing a compression of capitalization rates. Below is an overall view of the investment conditions for major property classes for the Sacramento region.

Real Estate Investment Conditions - Sacramento MSA

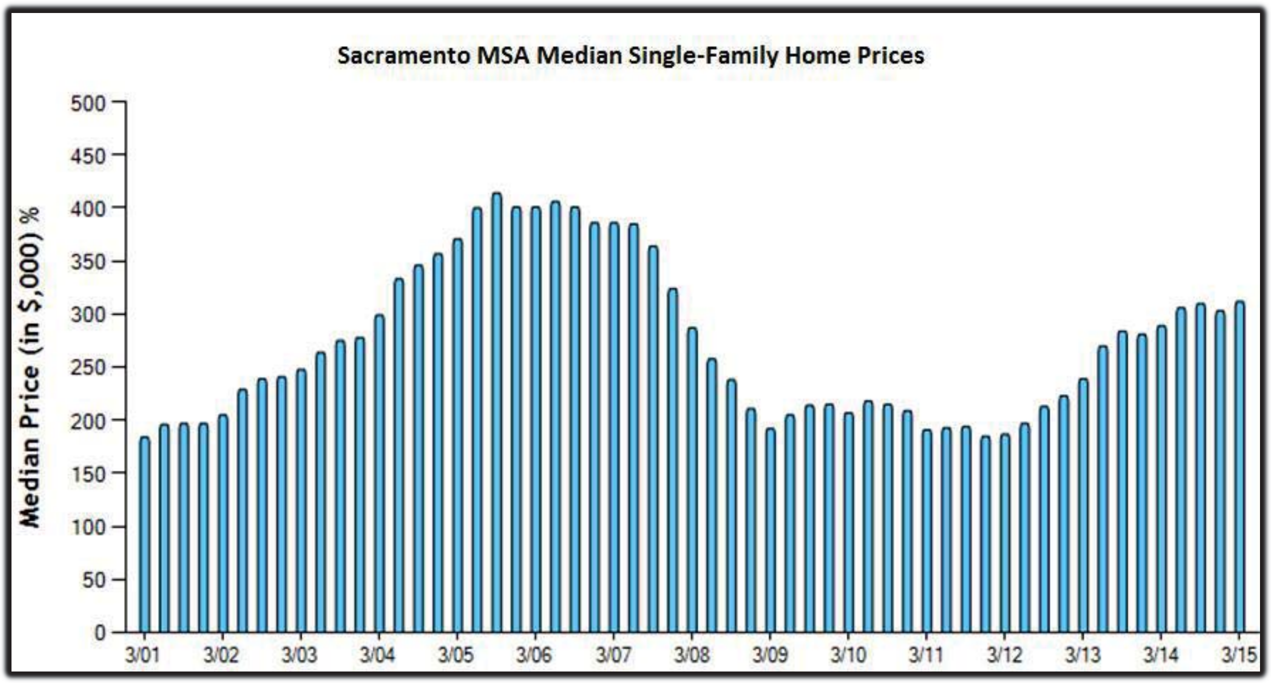
Property Type	Investor Demand Trends	Avg. Class A Cap Rates Sacramento MSA
CBD Office	↔	7.00%
Suburban Office	↔	7.75%
Community Retail	↖	6.75%
Neighborhood Retail	↖	6.75%
Industrial-Warehouse	↖	7.00%
Industrial-Flex/R&D	↔	8.25%
Urban Apartments	↖	4.75%
Suburban Apartments	↖	5.00%

Source: Viewpoint 2015, published by Integra Realty Resources

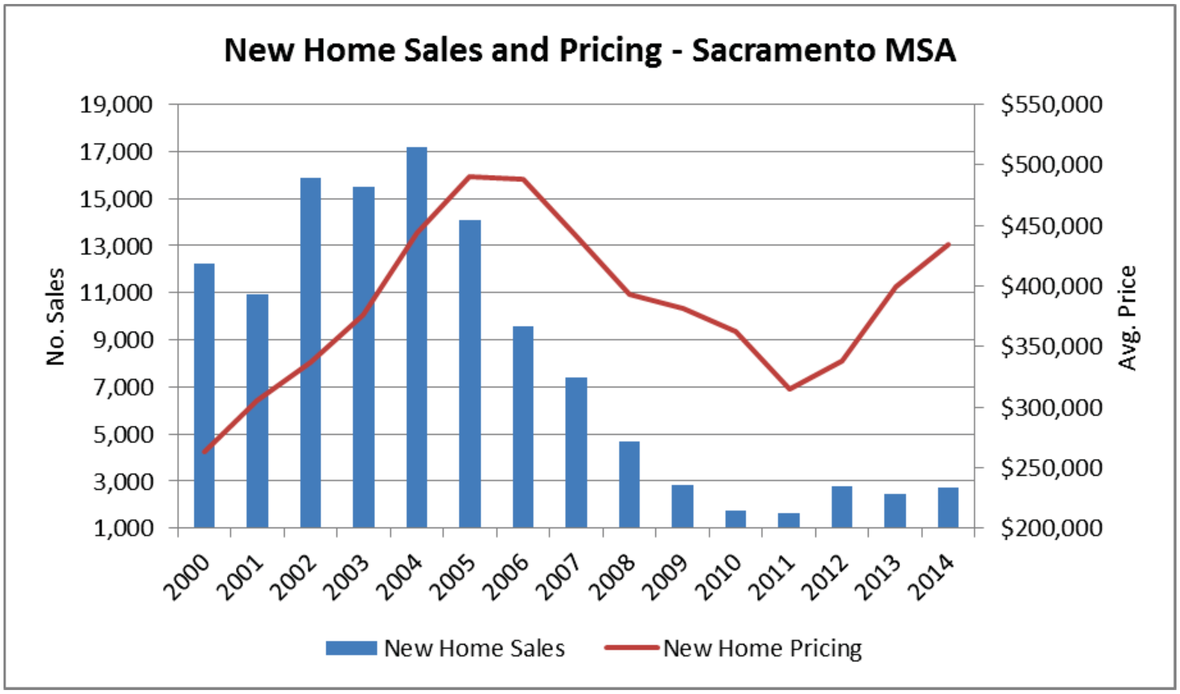
Residential Real Estate

The Sacramento MSA was one of the first major metropolitan areas in California to feel the effect of the housing crisis. Home prices increased to levels that far exceeded levels that regional income levels could support. As a result, the region was particularly hard-hit by the residential downturn. During 2008 through 2011 massive number of foreclosures occurred across the region, with distressed home sales accounting for more than 60% of the existing regional home sales annually between 2008 and 2012.

The regional housing market is coming out of a 5-6 year down-cycle. After peaking in the middle of 2005 at close to $400,000, home prices fell approximately 56% to $175,000 in the fourth quarter 2011. Since bottoming out the regional home market has improved fairly steadily. The latest median home prices for the region are close to $310,000, representing an approximate $100,000 gain since 4Q 2012 but still 25% below 2005 levels.



New home sales skyrocketed during the early 2000's topping out at close to 17,000 new home sales annually. Over the last three years the region averaged just 2,700 new home sales annually. 2012 saw a significant gain in new sales followed by a slight dip in 2013 and a gain in 2014 to near 2012 levels at just above 2.700. Despite the recent trend upwards in new home sales, the total is still far lower than historical averages. 2015 new home sales are expected to exceed 3,500 with a more than 25% gain over 2014. With annual increases expected to be in excess of 20% over the next 5 years while gains in pricing are expected to grow at a slower rate.

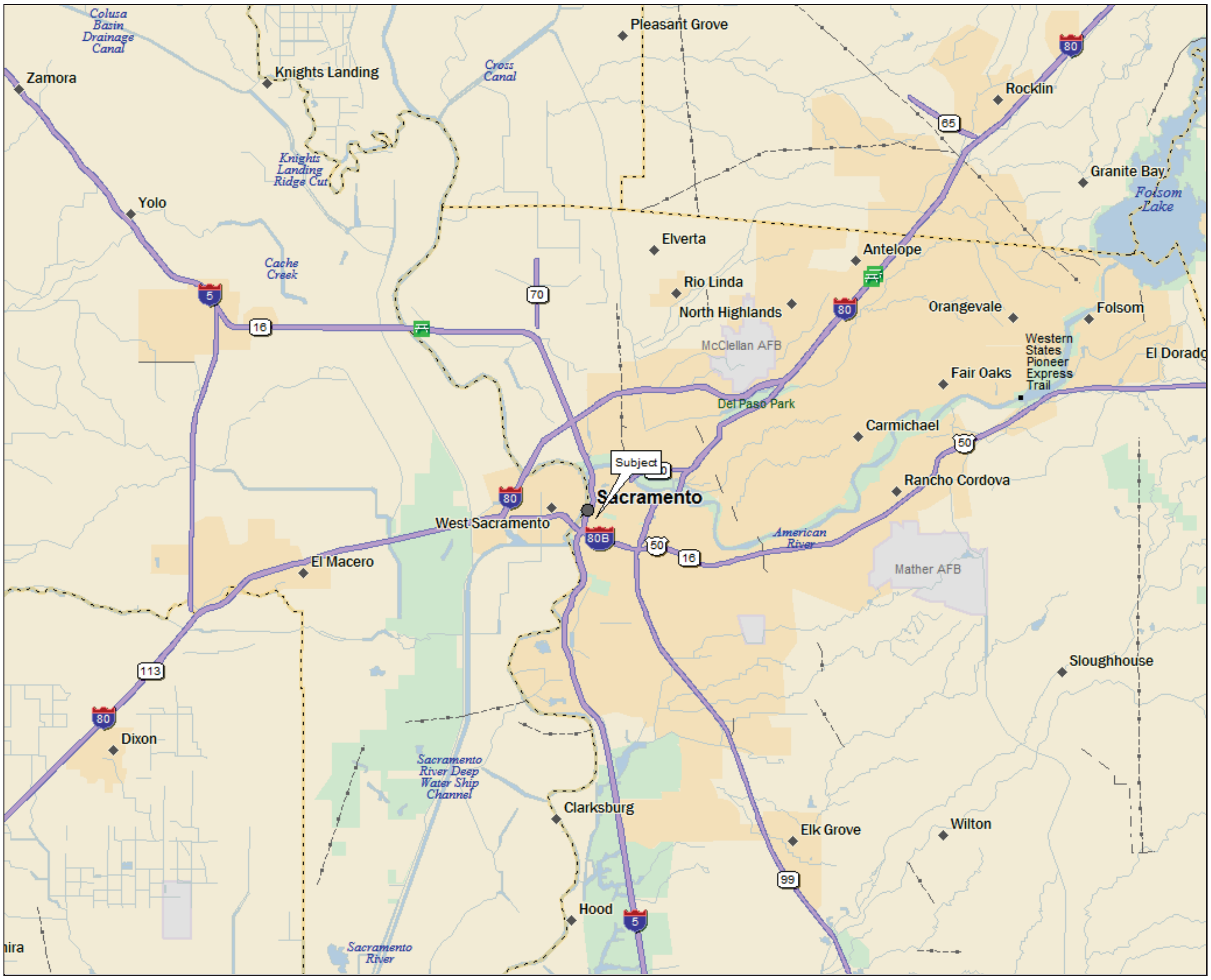


Conclusion

The economic outlook for Sacramento is decidedly more positive than the last couple of years, as the economic recovery continues to progress at a moderate pace. Although the region remains below pre-recession levels the general outlook among business leaders and residents is optimistic since coming out of the recession.

The region has experienced several severe economic cycles over the past 20 years. The growth periods were attributed to the area's quality of life, affordable housing costs and proximity to the San Francisco Bay region. The abundance of available land in the region however contributed to high speculation which resulted in wide swings in development cycles and real estate prices. The most recent down cycle was attributed partly to widespread economic factors for the United States. Going forward, the region will still be vulnerable to large economic swings primarily because the economy is not as diversified as many MSA’s. In addition, the area has an abundant amount of land that could contribute to future land speculation.

The recovery from the past six year recession period will last for many years. There is still a severe oversupply of commercial real estate, unemployment is declining but still relatively high and there are some 15,000 fewer jobs as compared to the mid 2000’s. Despite the current economic conditions, the current outlook for the region is encouraging due to strong fundamentals. The region’s affordability and attractiveness with respect to business in-migration, population growth, and development opportunities are considered embedded long-range assets. On a long-term basis, it is anticipated that the Sacramento MSA will continue to grow and prosper. This future growth should provide an economic base that supports continued demand for real estate of all types on a long-term basis.

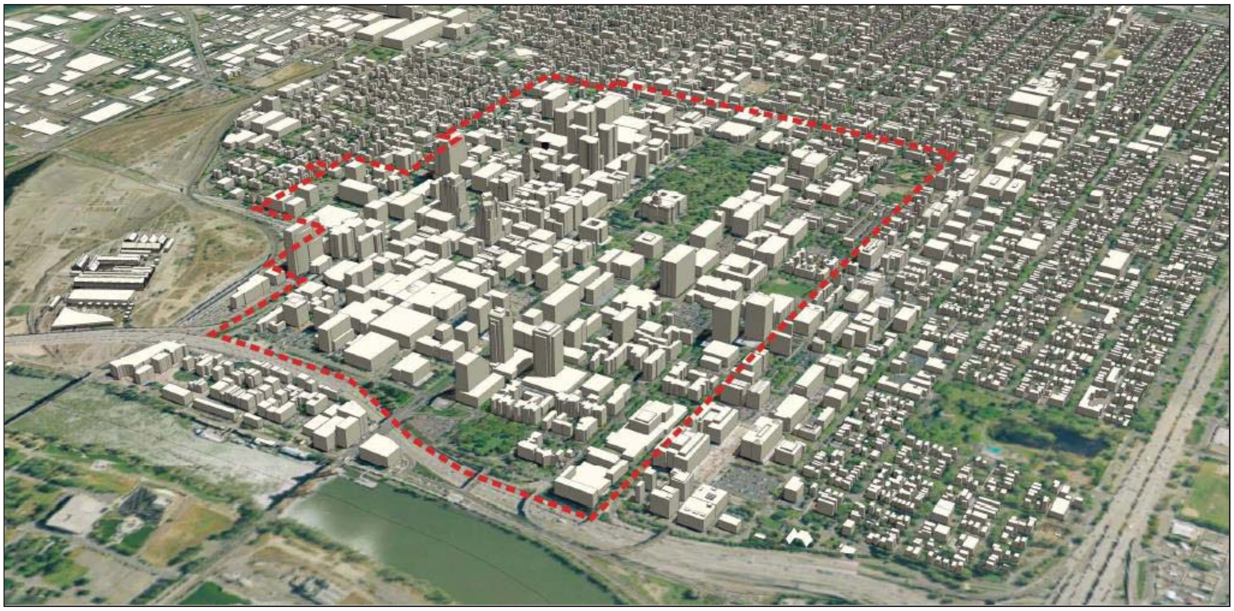

Colusa Basin Drainage Canal
Zamora
Knights Landing
Cross Canal
Pleasant Grove
Rocklin
Knights Landing Ridge Cut
Yolo
Granite Bay
Folsom Lake
Elverta
Antelope
Cache Creek
Rio Linda
North Highlands
Orangevale
Folsom
McClellan AFB
Western States Pioneer Express Trail
Fair Oaks
Del Paso Park
Carmichael
Subject
Rancho Cordova
Sacramento
West Sacramento
American River
El Macero
Mather AFB
Sloughhouse
Dixon
Sacramento River Deep Water Ship Channel
Clarksburg
Elk Grove
Wilton
Hood
Sacramento River
80
65
5
16
70
50
80B
113
99

Area Map

Surrounding Area

Boundaries

The subject property of this appraisal is located at the southwest corner of N Street and 5th Street within the Central Business District (CBD) of Sacramento. Aerials of the CBD are shown as follows:



The neighborhood can be characterized as an intensely developed area with predominantly office and retail uses. It is an incorporated area of the City of Sacramento. This neighborhood is distinguished from other areas because of its density and type of land uses. It lies south of the Richards Boulevard District (an older industrial area); north and west of Midtown (an older residential and commercial area); and east of Old Sacramento. The subject area is the business center for the region as well as the governmental center for the state.

Downtown Sacramento has grown and changed remarkably over the past 20 years, burgeoning into a 24-hour urban center that offers dining, shopping, hotels, entertainment, events and cultural festivities. Downtown is the central hub and heartbeat of Sacramento, where its daytime population includes more than 100,000 people. Downtown Sacramento also features great waterfront access and a nearby historic district, Old Sacramento, which generates approximately 3 million visitors annually.

Access and Linkages

Access to, from and within the defined neighborhood is adequately provided by several roadways. 16th Street, on the eastern boundary of the downtown area, is a one-way northbound street that traverses the entire CBD from a link with the Business I-80/US 50/State 99 freeways along the southern boundary to a bridge across the American River at the northern end and eventually links to the Business I-80 freeway northeast of the CBD. 16th Street is the route of State Highway 160 and becomes a freeway once it crosses the American River on the northern boundary of the CBD. There are many east/west arteries within the neighborhood; however, J Street is a main commercial area. Several major highways such as Interstete-5 to the west, Interstate-80 to the east and south border the neighborhood. Overall, the neighborhood has a good linkage system that provides convenient access to other parts of Sacramento.

Demand Generators

The Downtown/CBD area contains the highest concentration of office space within the Sacramento region. The State Capitol grounds are located in the central portion of the neighborhood at Capitol Mall and 10th Street. Most of the major state agencies are located south and east of the State Capitol where there are 24 state owned buildings containing approximately 6.9 million square feet. In addition to the state office buildings, there are Sacramento City and Sacramento County complexes as well as several federal buildings. Government, particularly the state of California agencies, has a large impact on real estate in the subject neighborhood.

Land Use

The area is urban in character and over 95% developed/built-out, with new development opportunities limited to redevelopment and/or demolition of older projects. The Downtown area of Sacramento is comprised of a wide mix of land uses including single and multi-family residential, office, retail and industrial. A Southern Pacific rail line bisects the core area, running north/south between 20th and 21st Streets. It also runs east/west along C Street. In earlier years, the rail line was the center of the industrial area. As industry moved into suburban areas, the trend has been toward adapting industrial buildings into either office or retail use, and limited industrial uses remain. Additionally, many single-family homes have been converted into a variety of commercial or retail uses. This is particularly true along K and J Streets, where efforts have been made to create a boutique-like retail avenue. Numerous restaurants and service businesses are also established in this area.

Less than five percent of the land in this neighborhood is vacant; however, much of the new construction which has occurred over the past decade has been redevelopment of land to highest and best use. With this consideration, the total available land for development or redevelopment is estimated to be around 10 percent.

Notable Districts

Capitol Mall

Capitol Mall is one of the premier business addresses in Sacramento with sweeping views of the river and State Capitol. With a total of 29 Class A office buildings totaling more than 9 million square feet, Downtown Sacramento represents more than one-third of the Class A space in the entire Sacramento region. The Capitol Mall district encompasses L Street, Capitol Mall and N Street between 7th to 2nd streets. Capitol Mall isn't all business. The Greens on Capitol Mall are a popular venue for the region's festivals, races and concerts.

Capitol Mall, which runs east/west along the course of what would be M Street between L and N Streets, is a primary feature of downtown Sacramento. This four-lane divided parkway with a wide, landscaped center median, runs from the scenic old Tower Bridge at the Sacramento River on the western edge of the downtown area next to Old Sacramento eastward to the State Capitol grounds at 10th Street. The Capitol Mall ends at the Capitol Park, a two-block wide, five-block long lushly landscaped park with the Capitol Building at the western end. Buildings along Capitol Mall are set far back from the edge of the street behind wide sidewalks and extensive landscaping with fountains, plazas and other open spaces. This parkway street and wide setbacks create an unimpeded view of the western facade of the State Capitol Building at the western end of the mall.

Civic Center

The Civic Center represents the seat of City, County, State, and Federal government. The 19-block district includes the stretch of J, I and H streets between 13th Street to Interstate 5. The Civic Center is distinguished by the historic architecture of landmarks such as Elks Tower, Historic City Hall, and former U.S. Post Office. It is also a major entry point into Downtown with Amtrak's Sacramento Valley Station, access to major freeways and the gateway to The Railyards.

The Entertainment District

The Entertainment District is at the heart of Sacramento's urban revitalization. As the site of the Golden 1 Center arena, up to 1.5 million square feet of additional development including 475,000 square feet of office, 350,000 square feet of retail, a 250-room hotel, and 550 residential units are projected to be built by Fall 2016. The Downtown Plaza, Macy's, Holiday Inn, and several historic high-rise properties are also located within this exciting district. The Golden 1 Center is a $477 million project by the Sacramento Basketball Holdings, LLC and City of Sacramento to develop the former Sacramento Downtown Plaza into a multi-use indoor venue for entertainment and sporting events in four city blocks within Downtown Sacramento. The venue is expected to host 150 days of events and will seat 17,500.

K Street Corridor

K Street is a pedestrian mall from its southern terminus at 7th Street at the eastern end of the Downtown Plaza shopping mall to 13th Street, where the pedestrian mall ends at the Sacramento Convention and Community Center. K Street resumes as a normal street at 14th Street on the eastern side of the Convention Center. By day, K Street buzzes with activity from the mix of mid-rise and high-rise office buildings. After dark, The K Street draws its energy from a diverse mix of hotels, restaurants, nightlife and entertainment venues. The K Street District is eclectic and a study of contrast.

The K Street Mall is one of the principal focus point of the city government's efforts to keep downtown Sacramento a viable and diverse area that attracts people for shopping and entertainment throughout the day rather than just for business during the work day. The pedestrian mall portion of K Street is paved with brick pavers and the buildings along the mall are a mixture of new, modern, showcase structures like the Hyatt Hotel, Esquire Plaza the 1201 K Street (two high-rise office buildings), the IMAX theatre and the Renaissance Tower at 801 K Street. In addition to these modern buildings, K Street includes several older, historical buildings such as the Crest Theater and the Sacramento Cathedral, which was renovated in 2006. Between the more noteworthy new and historic buildings along the mall are smaller office and retail buildings of various ages. K Street is the downtown terminus of the Sacramento Metro Light Rail lines, and there is free shuttle bus service from one end of the mall to the other.

D&S Development and CFY Development are under construction with a $36 million mixed-use project that will rehabilitate the 700 block of K Street. The project will consist of 12-15 retail spaces, including a lineup of predominantly local restaurants, retail, and nightlife. Under construction above the retail are 137 mixed-income apartments of varying sizes and rent levels, ranging from affordable studios to penthouses.

Old Sacramento

Old Sacramento is the city's largest visitor destination, attracting approximately 3 million visitors annually. The 6-block historic waterfront district is home to Sacramento's top museums including the California History Museum and California State Railroad Museum. Its distinctive architecture, cobblestone streets and boardwalk bring Sacramento's gold rush era to life. Visitors can walk Sacramento's original street level, which was raised in 1861 to protect against flooding. As Sacramento's original business district, Old Sacramento boasts the highest density of locally owned retail shops, restaurants, and bars in Downtown Sacramento. Sacramento's signature events including the St. Patrick's Day Parade, Theatre of Lights and the New Year's Eve Sky Spectacular are hosted in Old Sacramento. This district encompasses I to N Streets between the river and Interstate 5.

Development Activity and Proposal Summary

The following page table summarizes the major projects that are proposed, underway and recently completed within the Downtown market are.

Recent Downtown Projects, Proposals & Announcements

Project	Location	Developer	Primary Use	Status	Proposal/Description
ESC / Downtown Arena	N. side L St, between 6th and 7th	Kings Ownership Group & City of Sacramento	Entertainment Venue	Under Construction	Entertainment and Sports Complex (380,730 SF, 17,500 seats), total cost of $477 million (including $255 million public subsidy). The venue is expected to host up to 150 events annually. Demolition of Downtown Plaza started Aug-2014; scheduled completion date Fall-2016. The ESC is part of a larger development project that is entitled for 1.5 million SF of ancillary development that will include up to 475,000 SF of office, 350,000 SF of retail, up to 550 new residential units and up to 250 hotel rooms.
Mixed Use adj. to Arena	S. side J St, between 6th and 7th	Kings Ownership Group & JMA Ventures	Mixed	Proposed	Ancillary project to ESC - 16-story tower on J Street, which will include a 250-room hotel and 69 condominium units. The first four floors will include a lobby and 80,000 SF of office and retail space. The project also calls for additional retail and restaurant space along the plaza, adjacent to the arena and tower. In addition, the Kings and JMA plan to renovate much of the western half of the mall, which is still operating.
Vanir Tower	601 J St. (NEC 6th & J)	Vanir Development	Office	Proposed	26-story headquarters and office tower (also to house headquarters for "a major commercial bank). Building to contain ±372,000 SF of office space.
Hyatt Place (Marshall Hotel & Jade Apts.)	7th and K Streets	Presidio Cos.	Hotel	Proposed	Hyatt Place hotel (131 rooms) with apartments or condos on the top floors. Located at site of former Marshall Hotel (5-stories, to be retrofitted) and adjacent Jade Apartments (to be demolished and replaced with 10-story structure).
Sports Basement	730 I St. (S. Side I, between 7th & 8th).	Sports Basement	Retail	Proposed	Bay Area retailer announced planned acquisition of vacant 70,000 SF office building and plans to open a retail store; projected opening Fall-2015.
Kaiser	501 J St.	Kaiser	Medical Office	Proposed	In December 2014 Kaiser acquired 7-story, 194,500 SF office building known as Sacramento Corporate Center (includes 505 space integrated parking garage) for a reported $40 million. The property is located across the street from the downtown arena on the city block bound by J, I, 5th and 6th. The building had been vacant since 2012 (formerly occupied by State tenant).
700 Block	S. side K St., between 7th and 8th	CFY Dev. and D&S Dev.	Apartment & Retail	Proposed	137 multifamily units (60% affordable) and over 37,000 SF of street level retail (total retail area equates to over 70,000 SF including basement, upper-floor and even rooftop space).
800 J Lofts	800 J St.	Sale to The Wolff Co.	Apartment	Completed 2006	Project sold 3/3/15 for $57.4 million (over $250k per unit); project is a 7-story building that contains 225 apartments/loft units over ground floor retail.
California Family Fitness	1012 K St.	David Taylor Interests	Health Club	Completed 2014	30,000 SF upscale health club, completed early 2014.
Sacramento County Superior Courthouse	N. side H St., between 5th & 6th	State of CA	County Courthouse	Proposed	After several years of delays due to lack of funds, the State Public Works Board approved funding in July 2014 and the $10 million site acquisition closed in October 2014. The site is at the southeast corner of The Railyards. The total cost of the 405,000 SF courthouse is estimated at $452 million. The project is expected to take two years to build once construction starts, which could be in 2015.

Recent Downtown Projects, Proposals & Announcements

Project	Location	Developer	Primary Use	Status	Proposal/Description
Sacramento Commons	Blocks bound by 5th, 7th, N and P	Kennedy-Wilson	Apartment	Proposed	The projects would include two high-rise residential buildings, two mid-rise residential buildings and a mixed-use building, a hotel-condominium tower (220-320 hotel rooms).
Hall of Justice Building	813 6th St.	Sutter Capitol Group	Apartment	Proposed	Planned adaptive re-use and conversion of 5-story historic building into 42 apartment units.
Community Center Theater Renovation	1301 L St.	City of Sacramento	Cultural & Entertainment Venue	Proposed	Planned renovation of the City's 2,500-seat theater will include expanded lobby, additional restrooms, ADA upgrades, modernized infrastructure as well as back of house and loading area expansions.
Hotel Berry	NEC 7th & L		Affordable Apartments	Completed 2014	Historic 1920's vintage hotel recently underwent $24 million renovation and conversion. Property now operated as affordable housing (known as Studios at Hotel Berry - 105 studio units). Project was previously used as a daily/weekly rental.
Ridgeway Studios	914 12th St.	CFY Development	Affordable Apartments	Completed 2014	Former hotel and SRO project renovated to 22 modern studio apartment units (approx. 400 SF each.); completed April 2014.
La Valentina	429 12th St. (12th & D Streets)	Domus Development	Affordable Apartments	Completed 2012	81 units total, 63 apartments and 18 townhouses; completed 2012. Developed on former brownfield site that once housed an auto body shop.
Senior Artists Community	700 16th Street	Pacifica Companies	Apartment	Proposed	Proposal includes demolition of former Clarion Hotel and development with a 4-story, 160 unit apartment project (plus ground level retail).
7th & H Housing	7th & H	SHRA	Apartment	Completed	Project includes 150 affordable apartments (122 studios and 28 1BR units), an on-site health clinic, and 2,500 SF of ground floor retail.
The Creamery	Blocks bound by C, E, 10th and 11 Streets	Lewis Planned Communities	Single family	Proposed	The structures on the former 7.5-acre site of the Crystal Cream and Butter Co. have been demolished to make way for a mixed-use project that includes 117 single family homes. Project will consist of detached homes from 1,500 to 2,300 SF. Construction is expected to start in early 2015.
K Street Entertainment Complex	1016-1022 K St.	David Taylor Interests & CIM Group	Retail	Completed 2011	Dilapidated storefronts on K Street renovated to restaurant/entertainment venue (Dive Bar, Pizza Rock & District 30 - night club).

Sacramento Commons

Kennedy Wilson, a Beverly Hills-based real estate investment firm, received approval to replace 1960s-era low-rise apartments in downtown Sacramento with high-rise and midrise condominium. The 11.17-acre site is bounded by Fifth, Seventh, N and P streets. The developer plans to retain the 15-story Capitol Towers but replace the 206 low-rise Capitol Villas units with high-rise and midrise condominiums, retail space and possibly a hotel.

The projects would include two high-rise residential building, two mid-rise residential buildings, and a mixed-use building. The project would also include about 65,000 SF of neighborhood retail and a 320-room hotel. The total would include the addition of 1,150 new residential units.

This project is located immediately east of the subject property.

Sacramento Railyards

Officials in charge of the prominent 240-acre urban infill project continue pushing forward with development plans. The City used $40 million in federal funds, as well as $31 million in State and Local funds to move tracks to improve access and to make room for development. Inland American Real Estate Trust acquired the land from Thomas Enterprises through foreclosure in fall 2010, paving the way for Inland to proceed with either developing or selling the site. Inland reportedly has finalized a deal to sell the site to Downtown Railyards Venture, LLC owned by prominent Sacramento developer Larry Kelley. The transfer to a local developer with a commitment to the community is viewed as a very positive sign for the project and the downtown area.

Larry Kelley intends to develop 500 to 1,500 residential units and 4.5 million square feet of office, retail and commercial space at the former Railyards. In June 2015, Kaiser Permanente announced plans to purchase 18 acres in the Railyards at the northwest corner of the Railyards district near Interstate 5 and Railyards Boulevard. Kaiser plans to build a 1.2 million square foot hospital on the site.

In addition to Kaiser, there has been discussion with Sacramento Republic to sell them land for construction of a stadium for a Major League Soccer franchise. Additionally, the University of California Davis has named the Railyards as a possible location for a planned World Food Center. Kelley's current projections are that the first buildings at the site will be completed in 2016.

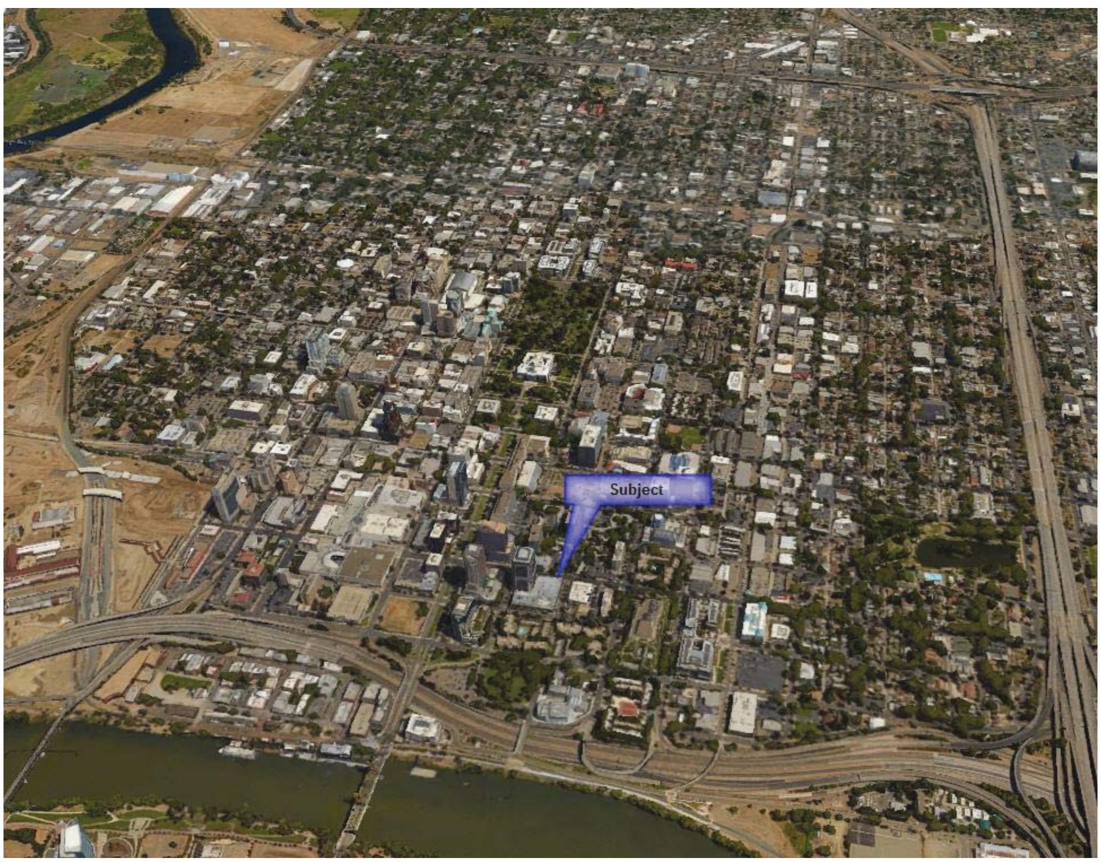
In April 2011, the State Public Works Board selected a site in the Railyards for a new $452 million, 405,000 square feet Sacramento County Superior Courthouse. The location is a full city block that will be bounded by H Street on the south, 5th Street on the west, G Street on the north and 6th Street on the east. The new courthouse will provide 44 courtrooms, 35 of which will be relocated from the Gordon D. Schaber Courthouse and nine for new judicial positions. It will consolidate most of the court's criminal operations as well as centralize court operations from other downtown leased facilities. The new courthouse project is among 41 projects to be funded by Senate Bill 1407, which finances courthouse construction, renovation, and repair through a portion of judicial branch fees, penalties, and assessments. Construction was originally scheduled to start in early 2013 and be completed in 2015; however, closing on the site was delayed until October 2014 and completion is not expected until 2017.

Outlook and Conclusions

The Sacramento Central Business District is the most intensely developed area in the region consisting of low, mid and high-rise office buildings, several large hotels, a variety of retail projects and the State Capitol. Government, particularly the State of California, is by far the largest and most influential property user in the neighborhood.

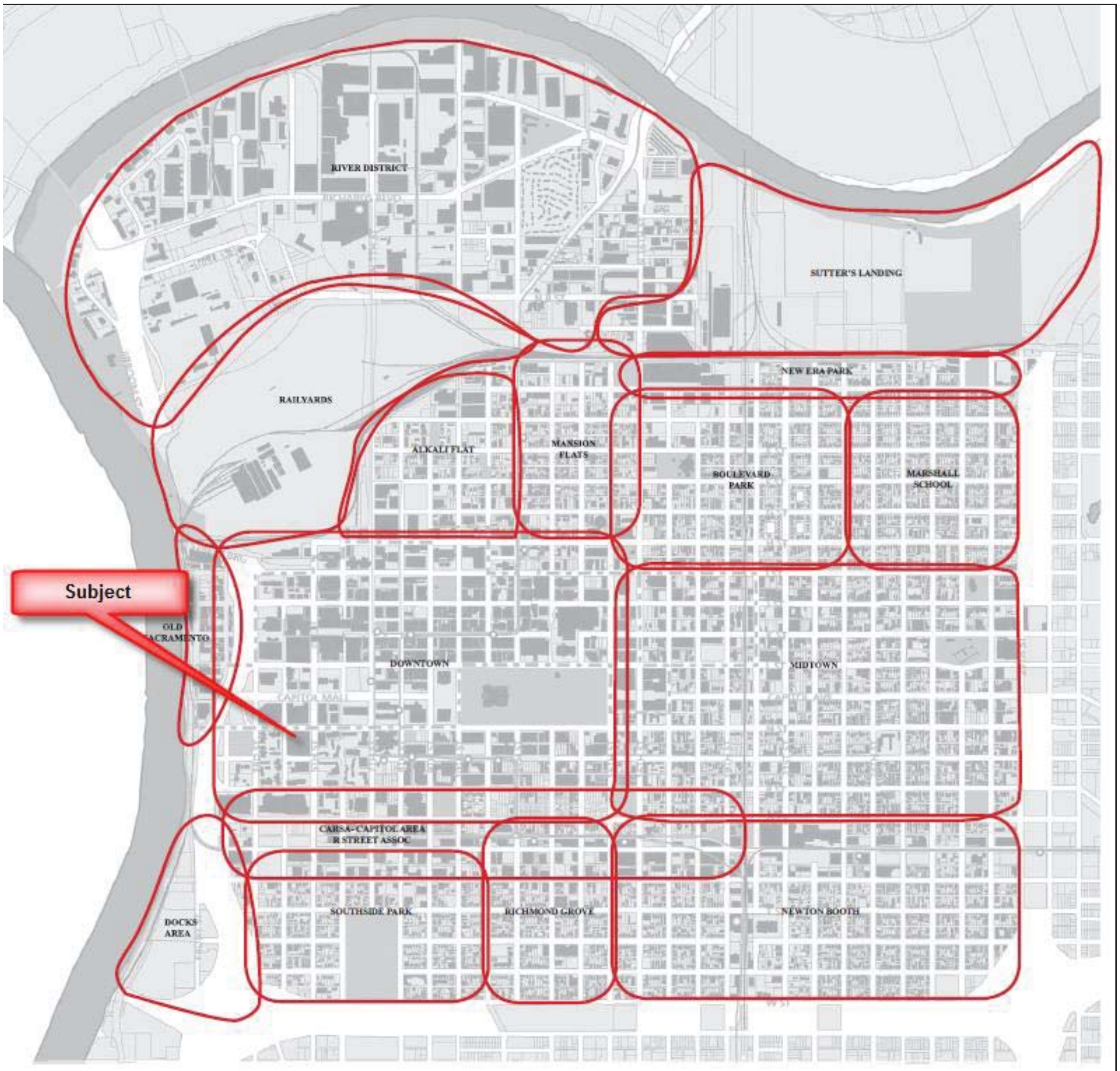
The CBD has been the best performing submarket in the region over the past decade. Although it has suffered declines during the most recent economic downturn, it has performed far better than all other areas in the region. The revitalization of the CBD that stalled in the mid 2000's, has slowly been gaining some momentum and this trend has intensified as a result of the Golden 1 Center (underway, slated for completion in late 2016). Several large projects in the vicinity of the arena have recently been announced and will help to further propel this change.

Over the past two years the CBD and midtown area has seen several proposed redevelopments and new projects resurface as a result of the new sports arena under construction and other major projects on the horizon. Looking ahead, the CBD is expected to experience continued improvement in construction and economic activity. The subject benefits immensely from its prominent Downtown Sacramento location.



Central City Map

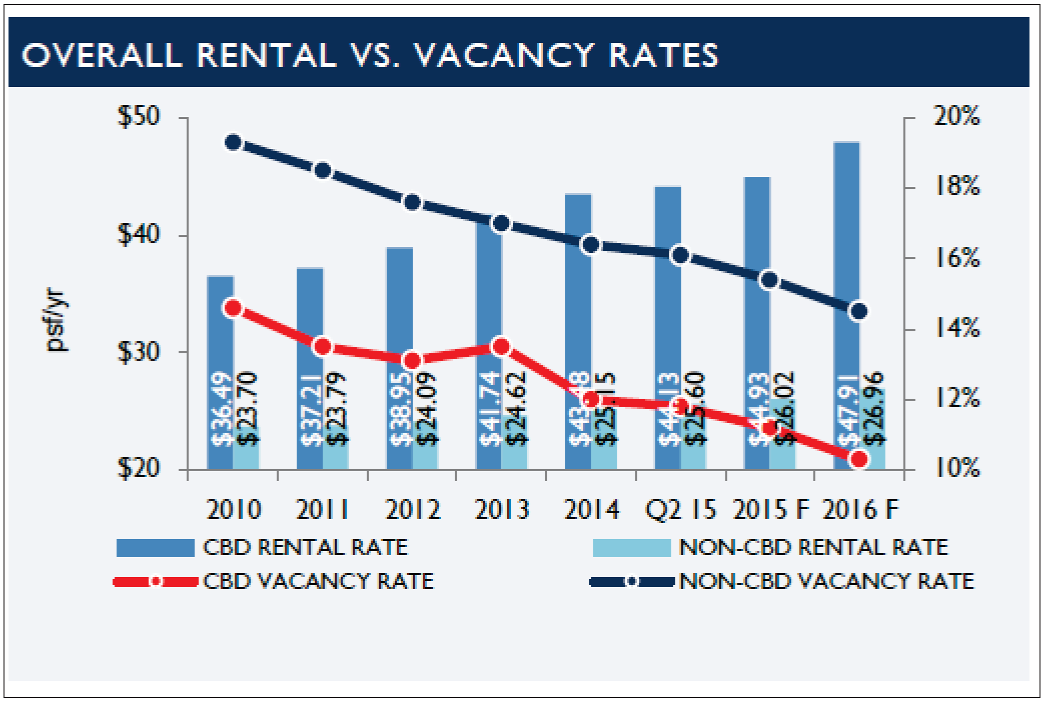
The Central City of Sacramento has 16 distinct districts. These are identified as follows:



Office Market Analysis

National Office Market

The national office market had a 14.5% vacancy rate as of the 2nd quarter 2015 according to Cushman & Wakefield. This is an improvement from same quarter in 2014 when the vacancy was 15.4%. The CBD market also improved with a vacancy rate of 11.8%. C&W also reported asking rents have increased 2.9% year-over-year in the CBD.



Over the past year, 25 of the 32 individual CBDs tracked by C&W reported declines in overall vacancy. CBDs that posted single-digit overall vacancy rates in the first quarter of 2015 include Boston, San Francisco, Portland, and New York.

Participants interviewed by PwC Real Estate Investor survey said they are not concerned about new supply disrupting fundamentals. They believe that there was still a lot of vacant office space in the CBD markets, so ideally this vacancy would be need to be filled before new construction picks up. As a whole, the near-term outlook for the national CBD office market remains quite favorable with certain participants expecting property values to increase as much as 15.0% over the next 12 months; the average expected increase is 5.9%.

According to a July 2015 report by Real Capital Analytics, office sales volume totaled $71.4b in the first half of 2015, a figure that is up 36% from the same point in 2014. Capitalization rates continued their steady march downward in Q2. The national average office cap rate came in at 6.8% in the quarter, down 20 bps from a year earlier. Cap rates for suburban assets fell 30 bps to hit 7.0% while for CBD cap rates fell 30 bps to 5.6%.

Metro Area Overview

Sacramento once had a strong general purpose, multitenant office market. Its affordability made it an attractive alternative for corporations based in the expensive San Francisco Bay area markets. Some relocated although it's been years since that flow abated. This coupled with Sacramento's large Government sector tenant base served as a safeguard against economic cycles—until the state budget crisis and associated downsizing due to the last recession. Up until recently, neither corporate relocation nor government expansion has played a significant role in this market in a number of years. However, the improving economy has resulted in organic growth of businesses with some relocation and leasing activity from the State of California. Most of the indicators suggest a recovering office market region-wide.

Sacramento's economy continues to improve with total employment approaching pre-recession levels as job growth has been rising over the past several years. Total non-farm jobs in Sacramento increased 2.98% from July 2014 to July 2015 to 911,600 positions, according to the California Employment Development Department. This is the highest figure since the 920,100 recorded in December 2007. Meanwhile, the unemployment rate declined to 5.7% from 6.8% over the same time period. Total private sector office positions increased by 1.4% to 184,900 while the government sector recorded a 1.3% increase to 234,300. As a result of the economic recovery, the region's office market has been slowly improving. Increasing demand and lack of speculative development have pushed office market fundamentals in a recovery mode.

Sacramento's office market weakened considerably from the beginning of the national economic crisis in 2008 through year-end 2011, but with the regional economy showing steady, yet moderate, improvement over the past 3 years, the office market has generally followed suit. The regional office market recorded nearly 309,000 square feet of positive net absorption during the 2nd quarter 2015. The State of California accounted for 32% of the absorption, 22 of the 25 top leases were over 10,000 SF and 67% of the space leased was Class A. This is the highest net absorption since Q4 2013. Net absorption since 2012 has average nearly 800,000 annually according to information from CBRE.

While improving demand from both private and public sector tenants has resulted in stabilization within the office market, vacancy remains elevated and rental rates continue to remain at depressed levels, especially for most suburban areas. New speculative construction has been non-existent during the past four years, giving the market some breathing room to begin backfilling vacancies.

Supply and demand indicators for office space in the Sacramento area, including inventory levels, absorption, vacancy, and rental rates for all classes of space are presented below.

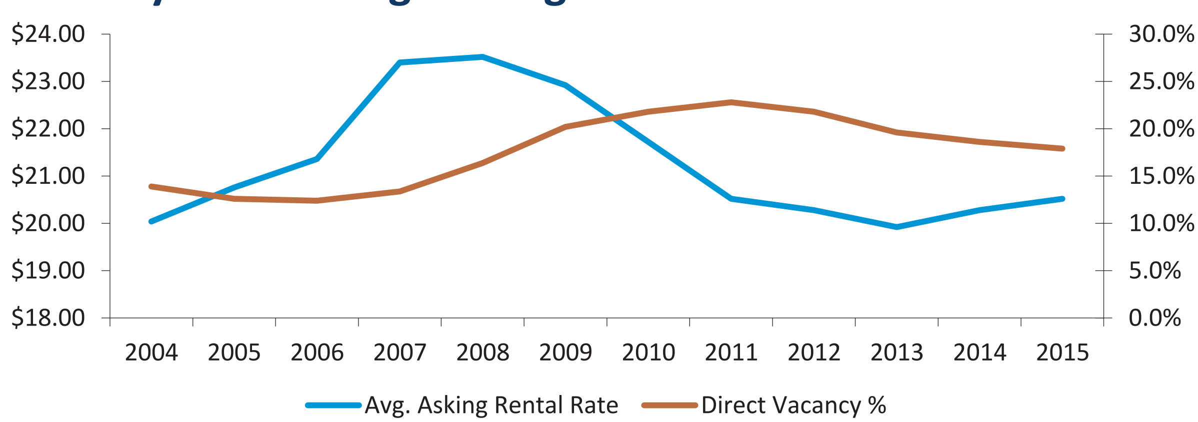
Sacramento Metro Area Office Market							
Year	Quarter	Inventory (SF)	Completions (SF)	Direct Vacancy %	Net Absorption (SF)	Avg. Asking Rental Rate	% Change
2004	Annual	44,074,260	1,052,776	13.9%	291,027	$20.04	--
2005	Annual	46,566,866	2,492,606	12.6%	1,372,310	$20.76	3.6%
2006	Annual	47,240,906	674,040	12.4%	664,454	$21.36	2.9%
2007	Annual	48,668,167	1,427,261	13.4%	505,936	$23.40	9.6%
2008	Annual	50,312,037	1,643,870	16.4%	-347,064	$23.52	0.5%
2009	Annual	52,599,775	2,287,738	20.2%	-427,218	$22.92	-2.6%
2010	Annual	52,980,312	380,537	21.8%	-356,312	$21.72	-5.2%
2011	Annual	53,374,886	394,574	22.8%	-524,157	$20.52	-5.5%
2012	Annual	53,123,162	-251,724	21.8%	783,837	$20.28	-1.2%
2013	Annual	52,864,553	-258,609	19.6%	1,096,900	$19.92	-1.8%
2014	Annual	52,092,689	-771,864	18.6%	518,534	$20.28	1.8%
2015	Second	51,912,349	-180,340	17.9%	309,798	$20.52	1.2%

Source: CBRE; compiled by Integra Realty Resources, Inc.

Trends to note include:

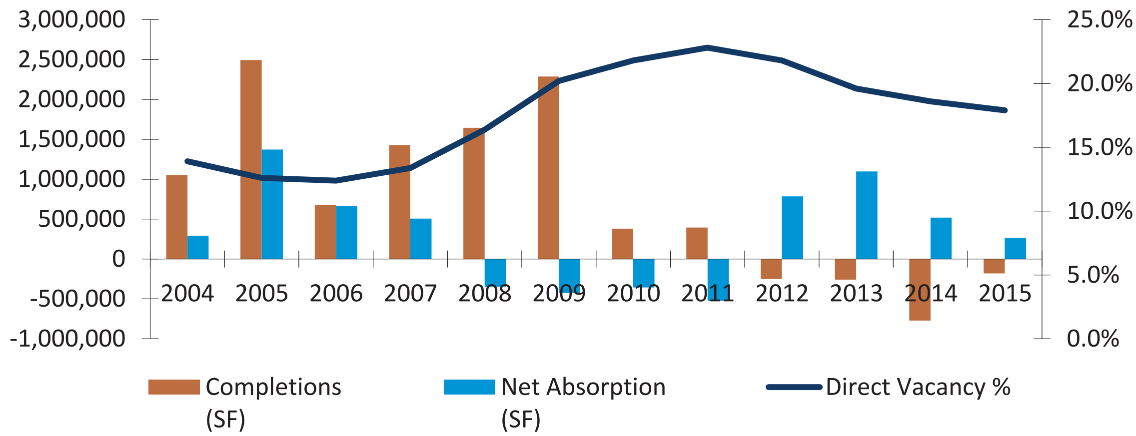
- 2.7 million feet of net absorption since 2011
- Decline in overall inventory since 2011
- Stagnant rents over past 5 years

Vacancy Rate Vs Avg. Asking Rental Rate



Source: CBRE; compiled by Integra Realty Resources, Inc.

Supply and Demand Comparison



Source: REIS, Inc.; compiled by Integra Realty Resources, Inc.

The Sacramento office market contains an overall inventory of about 52 million square feet and overall inventory has increased at a roughly 2% annual compound rate since 2004, although minimal new development has occurred since 2009. Recent development activity has been limited to build-to-suit and user projects.

Virtually no new office construction has occurred over the past eight years, but this could change as at least one sizeable project could break ground in the near term. Vanir Development, who is a major California builder with deep Sacramento ties has submitted plans for a 26-story office tower across the street from the new sports arena in downtown. The company says it will be "the most distinguished building in downtown Sacramento," a high-rise that would serve as the company's headquarters and also house the regional headquarters for a major commercial bank.

As detailed at the beginning of this section, after four years of negative annual net absorption (2008 through 2011), absorption turned positive for 2012, 2013 and 2014. As a result, the overall vacancy rate decreased to 17.9% (2nd quarter 2015) and has been trending downward moderately from a high mark of 22.8% in 2011. However, it is noted that the current vacancy still represents a substantial increase from a low mark of 12.4% reported in 2006.

According to CBRE, the current average asking rate is $20.52 per square foot, which represents a 14% decrease from a high mark of $23.82 per square foot in 2008. The recession forced many tenants to downsize or to leave the market altogether. Landlords reacted to these market forces by offering concessions in the form of more free rent, increased tenant improvements and/or moving costs (all of which decrease effective rents). Rental rates remained relatively stable during 2012 and 2013, with only a slight improvement during 2014 and the first half off 2015. Going forward, continued, albeit minor, improvements are projected during the remainder of 2015. (Office rents are reported here on a gross or full service basis). According to forecasts prepared by *REIS,* the weighted average rental rate is forecast to move upward at an average annual growth rate of 2.3% during the following three years (2015 to 2017).

Office Sale Transactions

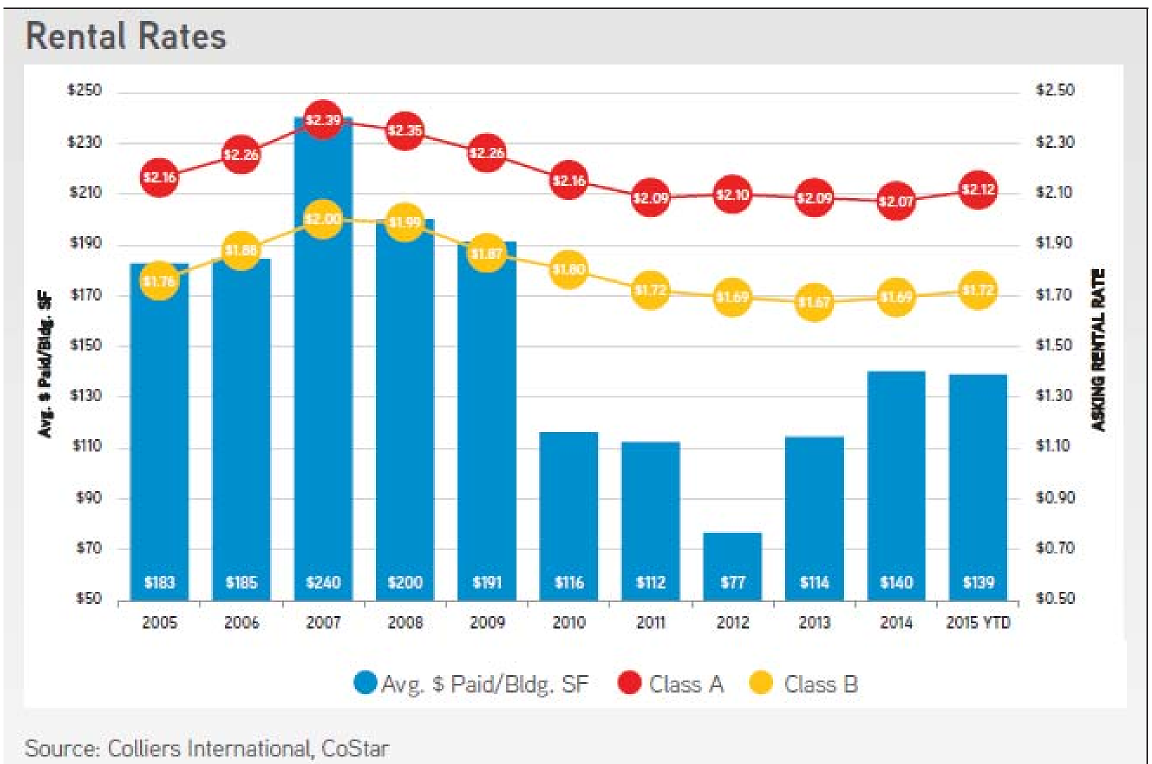
The year-to-date sale statistics point toward a ten year high in terms of no. of office transactions. The median price per square foot has been trending higher for the past four years, while capitalization rates have been trending down. Current prices appear to be at levels before the big run up in prices in the mid 2000's. Current capitalization rates are near their lowest levels over the past decade.

Sacramento Metro Area Office Market - Sale Trends

Year	No. Sales	Avg. Price Per SF	Median Price Per SF	Avg. Cap Rate	Median Cap Rate
2015 - 1st	145	$164.86	$130.99	6.7%	6.8%
2014	236	$155.51	$130.09	6.8%	7.1%
2013	174	$161.35	$113.72	7.4%	7.9%
2012	177	$106.43	$118.32	8.0%	8.4%
2011	165	$131.69	$125.00	7.9%	8.0%
2010	76	$128.05	$150.81	9.0%	8.5%
2009	90	$189.41	$175.81	8.6%	7.8%
2008	121	$169.89	$221.00	7.5%	7.0%
2007	219	$223.97	$218.63	6.9%	6.8%
2006	181	$188.81	$194.69	7.1%	6.7%
2005	202	$183.39	$192.58	7.0%	7.0%
2004	218	$156.80	$174.00	7.5%	7.8%

Source: CoStar; compiled by Integra Realty Resources, Inc.

Colliers published the following chart on office prices and rental rates.



Sources point to downtown as the location of strength. The new surge of interest in downtown Sacramento is reducing inventory—and narrowing the rent gap between the best and second-best high-rise buildings. States Cushman & Wakefield, "Investment interest in the Sacramento region, particularly in the downtown core, is gaining steam. Investors continue to chase yield and below replacement cost pricing in the Sacramento market." "As interest in properties around the arena site grows," a Cushman & Wakefield executive told the Business Journal in March, "several government-related office tenants, such as lobbying groups and nonprofits, are looking at them as possibilities instead of the relatively tight supply of space further east, around the Capitol itself.

Top Office Sales - 2015 - Sacramento Metro Area

Address	Sale Date	Sales Price	Size (SF)	Price/SF	Yr. Built
Senator Office Building	7/15/2015	$31,762,500	159,678	$198.92	1924
630 K Street, Sacramento	03/01/15	$25,000,000	85,153	$293.59	1950's
Stoneview Point	03/15/15	$15,900,000	110,381	$144.05	2005
11185 International Dr., Rancho Cordova	05/01/15	$13,150,000	76,754	$171.33	1999
11150 International Dr., Rancho Cordova	04/01/15	$16,500,000	97,320	$169.54	1999
1851 Heritage Ln., Sacramento	01/01/15	$6,950,000	56,221	$123.62	1977
1823 14th Street, Sacramento	03/13/15	$5,500,000	28,181	$195.17	1977

Source: CoStar; compiled by Integra Realty Resources, Inc.

Top Office Sales - 2014 - Sacramento Metro Area

Address	Sale Date	Sales Price	Size (SF)	Price/SF	Yr. Built
555 Capitol Mall, Sacramento	08/19/14	$63,100,000	382,128	$165.13	1971
501 J Street, Sacramento	12/01/14	$40,000,000	194,501	$205.65	1982
Rocklin Corp. Plaza	11/10/14	$33,800,000	228,000	$148.25	2007
Laguna Ctr. & UC Davis Med. Bldg., Elk Grove	10/07/14	$27,500,000	67,793	$405.65	2005-2006
University Office Park, Sacramento	06/30/14	$18,000,000	129,288	$139.22	1971-1980
1025 Creekside Ridge Dr., Roseville	06/12/14	$15,500,000	71,496	$216.80	2002
Zinfandel I & II, Rancho Cordova	04/01/14	$12,832,500	174,459	$73.56	1997-1999
3200 Douglas Blvd., Roseville	01/29/14	$11,400,000	83,329	$136.81	2000
2288 Auburn Blvd., Sacramento	03/06/14	$10,133,000	51,300	$197.52	1988

Source: CoStar; compiled by Integra Realty Resources, Inc.

Top Office Sales - 2013 - Sacramento Metro Area

Address	Sale Date	Sales Price	Size (SF)	Price/SF	Yr. Built
770 L St., Sacramento	08/02/13	$29,400,000	169,078	$173.88	1984
2295 Iron Point Rd., Folsom	10/16/13	$19,335,000	100,086	$193.18	2009
251-277 Turn Pike Dr., Folsom	06/19/13	$9,460,000	36,911	$256.29	1999
604 Sutter St., Folsom	09/30/13	$8,980,000	28,500	$315.09	2009
2121 2nd St., Davis	10/11/13	$8,700,000	60,619	$143.52	1985
3249 Quality Dr., Rancho Cordova	04/11/13	$8,500,000	75,000	$113.33	1999

Source: CoStar; compiled by Integra Realty Resources, Inc.

Office sales activity for 2014 and 2015 has been more robust, with several sales in excess of $10 million. By far the highest profile property to sell is 555 Capitol Mall, 382,128 SF of downtown office space, approximately 60% occupied and (two 14-story buildings) selling at $63,100,000. The buyer and new owner is Trinity Pacific Partners, a group including Buzz Oates Group, AM Investors & Rubicon Partners. Buzz Oates Group's CEO Larry Allbaugh is quoted in a recent Sacramento Business Journal article regarding the transfer, stating “Everybody knows being on Capitol Mall is the 50-yard line for commercial real estate, and with the arena on the other side, we’re just real excited about it.” The tables on the preceding page summarize the top office sales for 2014 and 2015, as well as the sale trends for the Sacramento Metro Area office market since 2004.

Conclusions – Sacramento Metro Area

There is currently no significant office development under construction in the Sacramento region. Despite the market improving at an increasing pace, actual rents are still not high enough to justify speculative construction. As quality supply becomes more scarce and limited, most observers anticipate demand will drive rents to levels that support new construction, within the next couple of years.

Sacramento remains a tenant market with the government sector being one of its largest tenants. The State of California leases over 8 million SF of office space throughout the Sacramento market. The improving economy and state budget surplus bode well for the future outlook on the market. The availability of space for large occupiers however is limited. Looking forward, there is optimism in the market as demand continues to increase in the urban core and some new supply is being discussed to solve the long-term occupancy issue.

In conclusion, the regional office market continues to show positive signs of improvement. Most market observers are optimistic moving forward and expect conditions to continue to improve over the next few years. Vacancy is expected to continue to decline moderately from the current historically high levels, and rental rates for the higher quality Class space could see gains. The large amount of existing vacant space evident in the market, especially in the suburbs is expected to keep new construction at a standstill for several more years.

Submarket Analysis – Downtown/Central Business District (CBD)

The Downtown/CBD area contains the highest concentration of office space within the Sacramento region. The State Capitol grounds are located in the central portion of the neighborhood at Capitol Mall and 10th Street. Most of the major state agencies are located south of the State Capitol where there are 24 state owned buildings containing approximately five million square feet. In addition to the state office buildings, there are Sacramento City and Sacramento County complexes as well as several federal buildings. Government, particularly the state of California agencies, has a large impact on real estate in the subject neighborhood.

According to CBRE, the downtown market consists of 10.6 million square feet of privately owned office space, accounting for 20 percent of all office space in the metropolitan area. The downtown submarket is not only one of the metropolitan area's largest office submarket; it is also the most prestigious market with the highest quality buildings and the highest rental rates. CBRE reports a 14.8% overall vacancy rate with year-to-date net absorption of a positive 67,062 square feet.

The subject is located in the Downtown/CBD submarket. Key supply and demand indicators for all classes of space in this submarket are displayed in the following table.

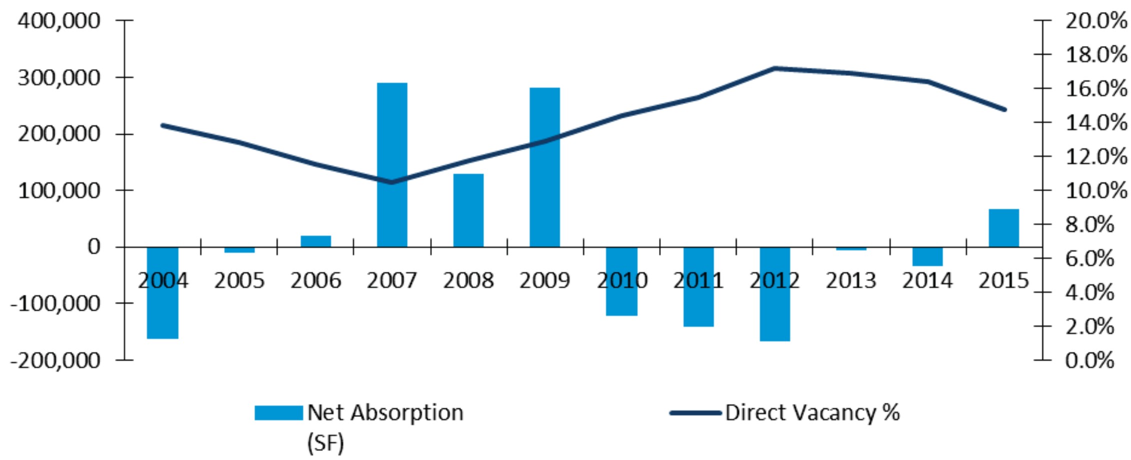
Downtown Submarket

Year	Quarter	Inventory (SF)	Completions (SF)	Direct Vacancy %	Net Absorption (SF)	Avg. Asking Rental Rate	% Change
2004	Annual	9,826,365	0	13.8%	-163,275	$27.00	0.0%
2005	Annual	10,511,240	684,875	12.9%	-10,292	$27.00	0.0%
2006	Annual	10,370,511	-140,729	11.6%	18,758	$27.00	0.0%
2007	Annual	10,211,649	-158,862	10.5%	290,013	$25.44	-5.8%
2008	Annual	10,576,295	364,646	11.8%	129,628	N/Av	--
2009	Annual	11,190,807	614,512	12.9%	282,071	N/Av	--
2010	Annual	11,213,074	22,267	14.4%	-123,123	$28.56	--
2011	Annual	11,208,486	-4,588	15.5%	-141,222	$26.76	-6.3%
2012	Annual	11,204,637	-3,849	17.2%	-167,901	$26.40	-1.3%
2013	Annual	11,134,264	-70,373	16.9%	-6,863	$25.56	-3.2%
2014	Annual	10,974,917	-159,347	16.4%	-34,256	$25.92	1.4%
2015	Second	10,596,405	-537,859	14.8%	67,062	$27.24	6.6%

Source: CBRE; compiled by Integra Realty Resources, Inc.

The statistics are from CBRE and they exclude government office buildings. A second quarter 2015 market report published by Cushman and Wakefield shows an inventory level of 18.8 million (includes government buildings) and a 10.2% vacancy for the CBD. Both surveys have similar vacant space and net absorption for the current quarter.

Vacancy and Net Absorption



Source: CBRE; compiled by Integra Realty Resources, Inc.

Colliers International reports vacancy rates by property class. In their 2nd quarter 2015 report they show there were 19 Class A office buildings in the CBD, with average vacancy of 13.9% and average asking rental rate of $32.28 per square foot. Here's a snapshot of their 2nd Q 2015 report.

Existing Properties						Vacancy				Absorption		
CLASS	# OF BUILDINGS	TOTAL INVENTORY SF	DIRECT VACANT SF	DIRECT VACANCY RATE	SUBLEASE VACANT SF	SUBLEASE VACANCY RATE	TOTAL VACANT SF	TOTAL VACANCY RATE	VACANCY RATE PRIOR QTR	CURRENT OCCUPIED SPACE SF	NET ABSORPTION CURRENT QTR SF	NET ABSORPTION YTD SF
Downtown Market												
A	19	5,456,533	758,831	13.9%	21,622	0.4%	780,453	14.3%	14.9%	4,676,080	34,415	46,492
B	62	4,227,911	574,039	13.6%	10,955	0.3%	584,994	13.8%	14.7%	3,642,917	37,057	50,355
C	89	2,526,170	380,241	15.1%	-	0.0%	380,241	15.1%	15.1%	2,145,929	2,322	(16,568)
Total	**170**	**12,210,614**	**1,713,111**	**14.0%**	**32,577**	**0.3%**	**1,745,688**	**14.3%**	**14.9%**	**10,464,926**	**73,794**	**80,279**

Source: Colliers International, 2nd Q 2015

Vacancy Rate Comparisons

The CBD rates very favorably compared to other sub-markets in the region. The table below from REIS shows it ranks either 1 or 2 for the current periods and last five years.

Section 4 - Vacancy Rate Comparisons

	Vacancy Rates						
	Quarterly			Annualized			
	1Q15	4Q14	YTD Avg	1 Year	3 Year	5 Year	5 Yr Forecast
Downtown/Midtown	14.9%	14.8%	14.9%	15.2%	15.1%	15.2%	16.0%
Sacramento	20.7%	20.9%	20.7%	21.0%	20.9%	20.7%	20.1%
West	16.7%	16.8%	16.7%	17.1%	17.6%	17.8%	15.1%
United States	16.6%	16.7%	16.6%	16.8%	17.0%	17.1%	15.1%
Period Ending:	03/31/15	12/31/14	03/31/15	12/31/14	12/31/14	12/31/14	12/31/19

Submarket Rank Compared to:	Total Subs	Submarket Ranks						
		1Q15	4Q14	YTD	1 Year	3 Year	5 Year	5 Yr Forecast
Sacramento	8	2	2	2	1	1	1	4
West	147	51	51	51	51	47	45	88
United States	631	202	196	202	213	202	201	337

Supply Analysis

The Downtown submarket contains an overall inventory of 10.6 million square feet (excludes government buildings and buildings under 10,000 SF). This submarket is the 2nd largest of the region's 17 submarkets and accounts for approximately 20% of regional office inventory. Approximately 770 thousand square feet have been added to the submarket inventory since 2004. The most recent additions to supply included two high rise buildings along Capitol Mall in 2008 and 2009; no additional inventory has been added since that time.

The Class A properties generally range from 5 to 25 years old and are typically 15-25 stories in strong CBD locations (Capitol Mall, L Street, J and K Streets). The balance of the submarket is comprised of Class B and C properties ranging from 10 to 100 years old and typically 2-10 stories.

The two newest buildings (Bank of the West Tower and U.S. Bank Tower) were completed in 2008 and 2009 and created excess supply. There has been little to no growth in Class A office occupancy over the past five years, and the newest buildings have largely been leased at the expense of other buildings in the CBD. The market still remains highly competitive and it is not uncommon for landlords to attempt to lure away large tenants with as much as two years remaining on their lease terms. These conditions are expected to persist for another 2-3 years until the excess vacant space is absorbed.

Vacancy Rate Trends

The submarket vacancy is estimated at 14.8% as of second quarter 2015, which represents a substantial increase from a low mark of 10.5% in 2007. The vacancy spike in 2008-2009 is partially attributed to two new Class A high-Rise buildings being completed at the same time the economic downturn was taking hold. The downtown submarket has historically exhibited lower vacancy rates in comparison to the overall region and this trend is expected to continue.

Competitive Office Properties

The table below lists the privately owned Class A office buildings in the CBD. The properties highlighted are most comparable to the subject property.

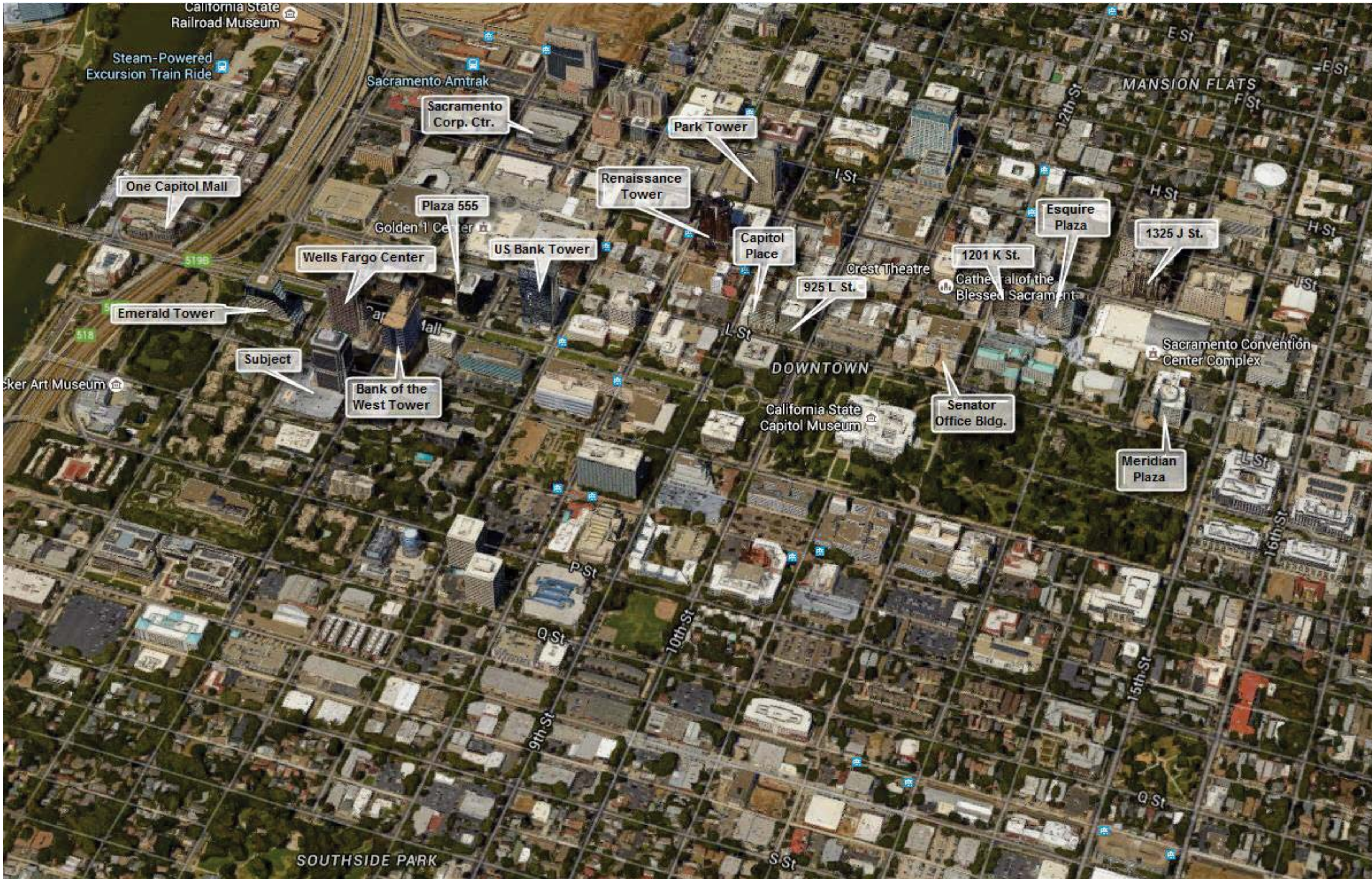
Class A Office Buildings - Excludes Government Owned Buildings

Building	Address	Class	Year Built	NRA	Stories	Parking Ratio	Max Contiguous Space	Percent Leased	Avg. Rent
Wells Fargo Center	400 Capitol Mall	A	1992	589,408	30	2.39	24,505	85.78	$35.98
Park Tower	980 9th St	A	1991	463,556	25	1.13	103,618	66.56	$30.66
Bank of the West Tower	500 Capitol Mall	A	2009	445,000	25	2	24,826	79.01	$34.80
Plaza Five Fifty Five	555 Capitol Mall	A	1970	385,178	16	1.8	23,132	69.51	$29.86
Emerald Tower	300 Capitol Mall	A	1985	383,238	18	2.04	10,490	92.22	$31.20
U.S. Bank Tower	621 Capitol Mall	A	2008	366,821	25	2	40,517	87.94	$39.17
	1325 J St	A	1989	363,723	19	2	8,750	97.59	$30.60
Renaissance Tower	801 K St	A	1989	336,752	28	1.58	26,440	80.26	$29.40
Esquire Plaza	1215 K St	A	1999	248,016	22	1	5,000	97.74	$36.00
Meridian Plaza	1415 L St	A	2003	229,109	12	2	11,853	97.26	$30.03
1201 K Street	1201 K St	A	1989	222,994	19	1.67	2,197	100	Withheld
One Capitol Mall	1 Capitol Mall	A	1992	201,707	8	3	21,591	79.17	$28.50
Sacramento Corporate Center	501-525 J St	A	1982	198,000	6	2.7	173,730	12.26	$30.00
	770 L St	A	1984	169,078	13	2	7,184	94.33	$33.75
	925 L St	A	1973	165,919	14	1	4,664	93.22	$35.77
Capitol Place	915 L St	A	1988	163,425	14	1.72	3,813	97.67	$33.68
Senator Office Building	1121-1123 L St	A	1923	159,637	10	0	15,112	67.83	$33.90
Total/Average				5,091,561				82.27	

The max contiguous space for Park Tower has reportedly been leased and is no longer available. Sacramento Corporate Center was recently purchased by Kaiser and will be 100% owner occupied.

The rents shown above are reported on a net rentable area basis.

Competitive Office Properties Map



Rental Rate Trends

According to CBRE, the average effective rent for the overall submarket is $27.24 per square foot, which represents a moderate increase over the past couple of years (year-end 2013 at $25.56 and year-end 2014 at $25.92 per square foot) but is still slightly below rates seen from 2004 to 2011 (generally from $26.40 to $28.56 per square foot). All rental rates stated above reflects net rentable area sizes.

Current asking rental rates for the Top Tier Class A buildings in the CBD range from $27.00 to $40.20 per square foot, with greater consistency in the $34.20 to $36.60 per square foot range. Due to the elevated vacancy rate and intensely competitive market, typical free rent concessions had been up to one month per year of lease term, however this has been declining due to improvement in the market. Additionally, tenant improvement allowances on new leases typically range from $25 to $60 per square foot. The better quality buildings in the CBD are expected to see some rental rate increases over the near term.

Trends of Class A Office Buildings

Shown below are historical trends for all classes as well as Class A office buildings in the CBD.

TRENDS - CBD CLASS A OFFICE BUILDINGS

Period	# Bldgs	Total RBA	Supply Increase	Direct Vacant SF	Direct Vacant %	Absorption	Asking Rent
2015 2Q	29	9,185,293	0	933,797	10.2%	42,117	$31.90
2014 2Q	29	9,185,293	0	975,914	10.6%	73,065	$31.47
2013 2Q	29	9,185,293	0	1,048,979	11.4%	-299,052	$31.83
2012 2Q	29	9,185,293	155,000	749,927	8.2%	226,623	$32.62
2011 2Q	28	9,030,293	0	821,550	9.1%	76,298	$32.46
2010 2Q	28	9,030,293	0	897,848	9.9%	-25,206	$33.03
2009 2Q	28	9,030,293	445,000	872,642	9.7%	432,982	$34.19
2008 2Q	27	8,585,293	366,821	860,624	10.0%	38,198	$35.11
2007 2Q	26	8,218,472	0	532,001	6.5%	381,750	$30.79
2006 2Q	26	8,218,472	560,000	913,751	11.1%	354,389	$29.64
2005 2Q	25	7,658,472	0	708,140	9.2%	54,351	$31.17
2004 2Q	25	7,658,472	229,109	762,491	10.0%	40,329	$29.06
2003 2Q	24	7,429,363	1,008,684	573,711	7.7%	711,836	$29.81
2002 2Q	21	6,420,679	146,132	276,863	4.3%	-39,571	$29.89
2001 2Q	20	6,274,547	950,000	91,160	1.5%	949,653	$28.04
2000 2Q	19	5,324,547		90,813	1.7%	21,600	$27.16
1999 2Q	19	5,324,547		112,413	2.1%		$28.15
Total			3,860,746			3,039,362	

Conclusions – Downtown Submarket

The Downtown/CBD area is Sacramento's best performing office market. This is partially attributed to new development activities taking place in the central city, the trend of companies wanting to relocate from suburban areas and overall business element the CBD offers. The highest demand for space is Class A, particularly newer or more modern buildings. There is an abundant of small and mid-size space, but few options for larger spaces that the state generally commands. Increases in rental rates are forecast for the best buildings, and those close to the new arena.

Office Supply and Demand Factors - State of California in the CBD

The subject has been owned since 2007 and occupied by the State of California since 1993. The property is located in the west end of the CBD where there is a high concentration of state owned or leased office buildings. As the State is the likely tenant or occupant for most of the subject building it is important to review the supply and demand factors for office space they occupy or could occupy.

Summary of Office Occupancy by State of California in the CBD

The State of California is the largest user of office space in Sacramento and in particular the downtown and the CBD. According to reliable sources, the State occupies approximately 4,254,900 square feet of office space within the downtown and the CBD of which 2,979,900 square feet is State owned (70%) and 1,275,000 SF (30%) is private sector owned. The state occupied space in downtown accounts for approximately 23% of all office space in the CBD using Cushman & Wakefield's inventory.

On a larger geographical perspective, 50% of all State office space in Sacramento is located in the central city area, with 73% within five miles of the State Capitol, and the majority of space within 10 miles of the State Capitol. In 1960, the State leased 83% (private sector), today the State leases only 43% of the space they occupy. The latter is partially a result of projects like the East End.

Office Space Demand Factors by State of California – Sacramento & CBD

There are reports that the State of California has demands for either replacement or consolidated space for office space in the 400,000 to 500,000 square foot range for Sacramento. For Sacramento County, the following is a summary of State employees:

January 2004	81,200
January 2005	77,100
January 2006	79,300
January 2007	82,800
January 2008	85,600
January 2009	85,700
January 2010	85,000
January 2011	85,500
January 2012	82,600
January 2013	81,700
January 2014	85,300
January 2015	87,200

Source: California Employment Development Department

The state employment growth for Sacramento County has been slow or negative during the recession, but appears to be increasing over the past couple of years.

Over the past couple of decades there has been a push to consolidate some agencies and relocate some of the larger agencies to the CBD. The consolidation of agencies generally means larger space demands by the state. Currently 11 agencies are still looking to consolidate (not necessary in the CBD). These agencies include:

- Corrections & Rehabilitation 858,416 SF
- Motor Vehicles 184,504 SF
- Controllers 251,719 SF
- Water Resources 420,005 SF

Based solely on projected population growth over the next forty years, the States' anticipated office needs are summarized as follows:

- Yrs. 0 - 5 (2015 – 2020) 959,668 SF
- Yrs. 6 - 10 (2021 – 2025) 1,007,652 SF
- Yrs. 11 - 40 (2026 – 2055) 3,890,920 SF

The subject building is generating its own space demand as the tenant needs to move out of four floors at a time in order for repair work to be completed.

The increase state employment, consolidation plans and BOE's space temporary relocation needs is generating increasing space demands, much of which is targeted for the downtown/CBD area of Sacramento.

Office Space Supply Factors by State of California - Sacramento & CBD

The type of office space the State of California is looking to acquire to lease is generally large blocks of space. Given the state's interest in the CBD, it is believed their preference would be in this area for much of their space demands. The State has a policy of backfilling their owned office space before looking at the private sector. Presently, there is only one state building that can accommodate a tenant of +75,000 square feet in the core downtown office area. This building is of insufficient size to accommodate their near-term office space demands.

Our investigation of the privately owned office buildings indicates there are two large blocks of space in the central area – the State Street Bank space being vacated at 980 9th Street and the vacant space at Gateway Tower at 2020 W. El Camino. Reliable sources reveal that the State has already secured these spaces and there are no other large blocks of existing office space in the central area of Sacramento. The building at 501 J Street has 198,000 SF of vacant space but this was recently purchased for owner occupancy.

There are a number of development sites in and around the CBD that can accommodate new office development. These are combination of privately owned sites or State owned properties. A few of these include:

Proposed/potential private sector office buildings/SF in the CBD

1450 K Street – Meridian Plaza	300,000 SF
The Railyards	2,400,000 SF
9th and L Streets	200,000 SF
10th and J Streets	250,000 SF
Continental Plaza	300,000 SF
Township 9	1,000,000 SF
Total	4,450,000 SF

The following State owned development opportunity sites exist:

State Owned Development Opportunity Sites		
Site	**Location**	**Developable SF**
Department of Justice	4949 Broadway	756,000 to 1,150,000
Lottery Commission Site	700 N. 10th Street	993,150
State Printing Plant Site	344 N. 7th Street	1,080,000
Water Resources Corp. Yard	4300 W. Capitol Ave.	No site assessment
Caltrans lab Site	5900 Folsom Boulevard	633,000
Franchise Tax Board Expansion Site	9696 Butterfirld Way	350,000
Cal Expo Site	1600 Exposition Blvd.	No site assessment
Blocks 203 & 204	7th & 8th, N & P Streets	996,000
Block 275	11th & 12th Q & P Streets	375,000
Bonderson Building Site	901 P Street	386,400
Food & Agricultural Annex	1215 O Street	204,600
Resources Building Site	1416 9th Street	492,600
CalPers Building Site	3rd & Capitol Mall	1,107,900

Not all of these sites are located in the CBD. Any of the sites would require approval by Legislature for funding. Not all space would necessarily be devoted to office use.

Sources indicate that development time frame for construction of a new office building on either private or state owned land would be a minimum of two years upon lease signing and entitlement approval.

Marketability of the Subject Property

The subject is 100% owner occupied by the State of California. Under several of the value scenarios presented, the property is assumed to be vacant and ready for lease. This section addresses the demand characteristics and estimated absorption timing as if vacant.

The State Board of Equalization (BOE) is the occupant of the subject property. If vacated, this tenant's likely options to relocate would include: 1) a build-to-suit, which at minimum would be 3 years out or 2) multi-site locations around the suburban areas of Sacramento. Option 2 is not considered a long-term solution. So, hypothetically if BOE were out of the subject building today, there would be a demand on the market for 500,000 square feet of space for their relocation.

As reported earlier, the State of California already has space demand needs reported to be 400,000 to 500,000 square feet (we assume some of this is believed to be for relocation of BOE under the four floor construction project). Again, hypothetically if BOE were out of the building, the pent-up office demand by the State would be well in excess of 500,000 square feet.

As discussed in the earlier section there is only 75,000 square feet of space within existing State owned buildings and effectively no large blocks of available space in the CBD. Clearly, there is a shortage of large contiguous space available in the market.

Based on the supply and demand factors, the following is our conclusions regarding occupancy of the property if it were vacant:

- Market sources indicate that high demand for the space would exist from various state agencies assuming the major capital repairs were completed. The negative press that the property has received would not likely be a deterrent from leasing the property to other state agencies.

- Assuming the property was fully repaired and included new tenant improvements, we believe there would be multiple state agencies to lease space for the property. These tenants could include multiple state agencies, or BOE itself. The absorption of 100% of the space would likely occur simultaneous with completion of the tenant improvements, as pre-leasing would likely have occurred prior to this date.

- The property would likely generate private sector demand for some of the space. Sources indicate that as much as 30% of the property could be filled up with private sector tenants. These same sources however point out that it would take time to lease the space to the private sector tenants, while the state would likely want to lease it immediately.

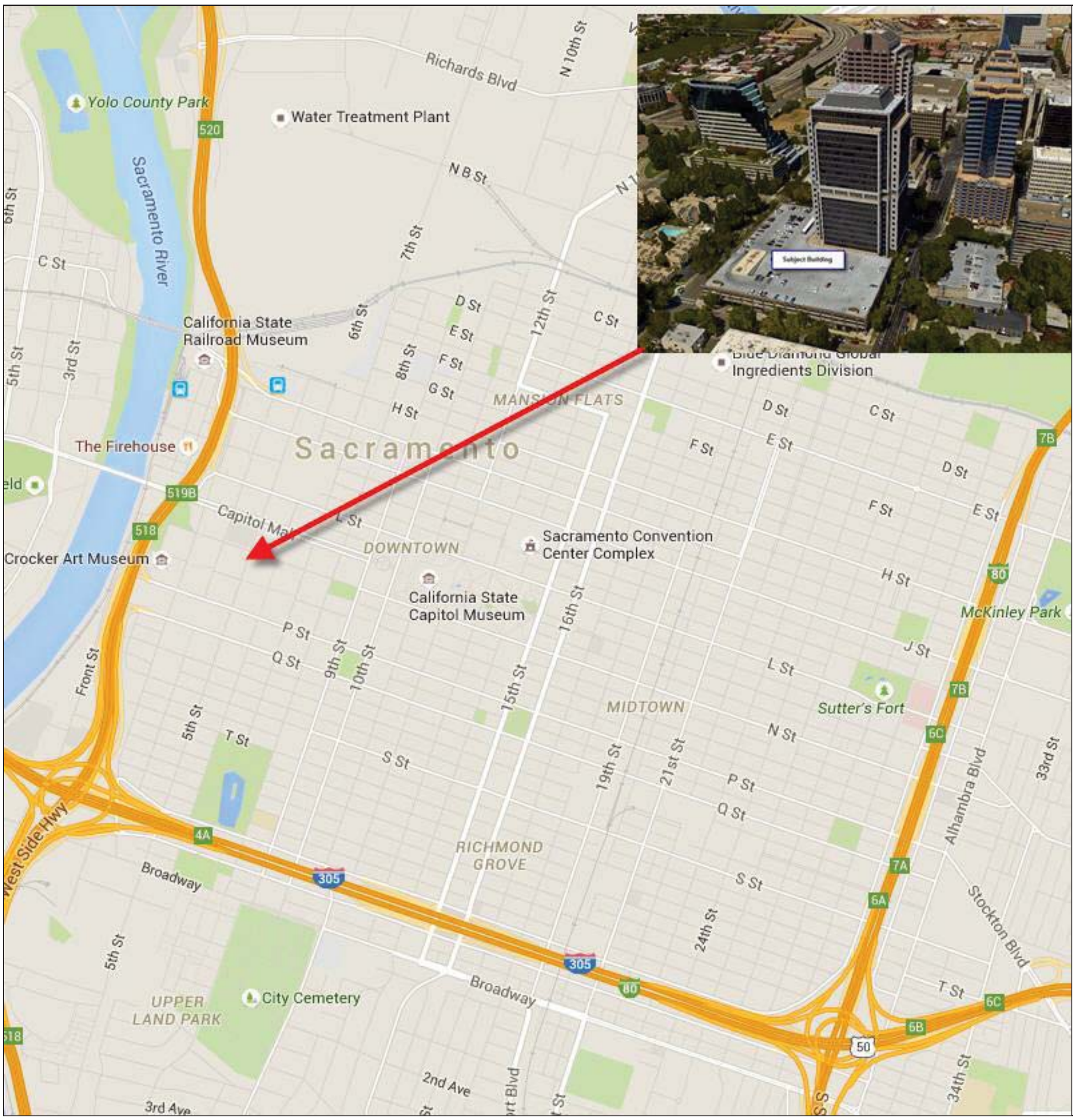
- Private sector space would not command any higher rent on a same usable space and TI allowance comparison.

Property Analysis

Land Description and Analysis

Location

The property is a whole city block that is bounded by N Street, O Street, 4th Street and 5th Street in downtown Sacramento, California. The property address is 450 N Street, Sacramento, CA 95814. The site is one block south of Capitol Mall, a major east/west road through the CBD.



Land Area

The following table summarizes the subject's land area.

Land Area Summary

Tax ID	SF	Acres
006-0193-030	108,900	2.50
Total	108,900	2.50

Shape and Dimensions

The site is rectangular in shape, with dimensions of approximately 320 feet in width and 340 feet in depth. Site utility based on shape and dimensions is average.

Topography

The site is generally level and at street grade. The topography does not result in any particular development limitations.

Drainage

No particular drainage problems were observed or disclosed at the time of field inspection. This appraisal assumes that surface water collection, both on-site and in public streets adjacent to the subject, is adequate.

Flood Hazard Status

The following table provides flood hazard information.

Flood Hazard Status

Community Panel Number	06067C0160J
Date	June 16, 2015
Zone	X (Shaded)
Description	Areas of 0.2% annual flood chance; areas of 1% annual chance flood with average depths of less than 1 foot or with drainage areas less than 1 square mile; and areas protected by levees from 1% annual chance flood.
Insurance Required?	No

Environmental Hazards

An environmental assessment report was not provided for review, and during our inspection, we did not observe any obvious signs of contamination on or near the subject. However, environmental issues are beyond our scope of expertise. It is assumed that the property is not adversely affected by environmental hazards.

On July 2, 2008, LaCroix Davis LLC was contracted by the State of California, Department of General Services (DGS), Real Estate Services Division, Project Management Branch (RESD, PMB) to provide building and environmental forensic services for the subject. In February 2009 they issued a report detailing signs of visual mold growth, mold related air issues and other water damage penetration concerns. Over the past several years mold studies were completed and floor by floor project related remediation was completed. This mold was reported to be the normally occurring mold found in other office buildings and not the toxic stachybotrys mold. Interior air quality tests for mold are performed on a monthly basis. On a consistent basis, the interior mold found in these tests is lower than those typically found outdoors.

The LaCroix Davis report indicates there is still mold in inaccessible areas of the building. These include the elevator shaft external wall enclosures and the HVAC duct risers. Sources indicate that mold is expected to be found when they start replacing the cast iron pipes and HVAC ducts. The estimate of the immediate capital improvement cost includes allowance for mold remediation for the inaccessible areas where additional work is to be performed.

Ground Stability

A soils report was not provided for our review. Based on our inspection of the subject and observation of development on nearby sites, there are no apparent ground stability problems. However, we are not experts in soils analysis. We assume that the subject's soil bearing capacity is sufficient to support the existing improvements.

Streets, Access and Frontage

Details pertaining to street access and frontage are provided in the following table.

Streets, Access and Frontage

Street	N	O	4th	5th
Frontage Feet	320	320	340	340
Paving	Asphalt	Asphalt	Asphalt	Asphalt
Curbs	Yes	Yes	Yes	Yes
Sidewalks	Yes	Yes	Yes	Yes
Lanes	2	2	2	2
Direction of Traffic	East	West	South	North
Condition	Average	Average	Average	Average
Traffic Levels	Moderate	Moderate	Moderate	Moderate
Signals/Traffic Control	Yes	Yes	Yes	Yes
Access/Curb Cuts	Yes	Yes	Yes	Yes
Visibility	Good	Good	Good	Good

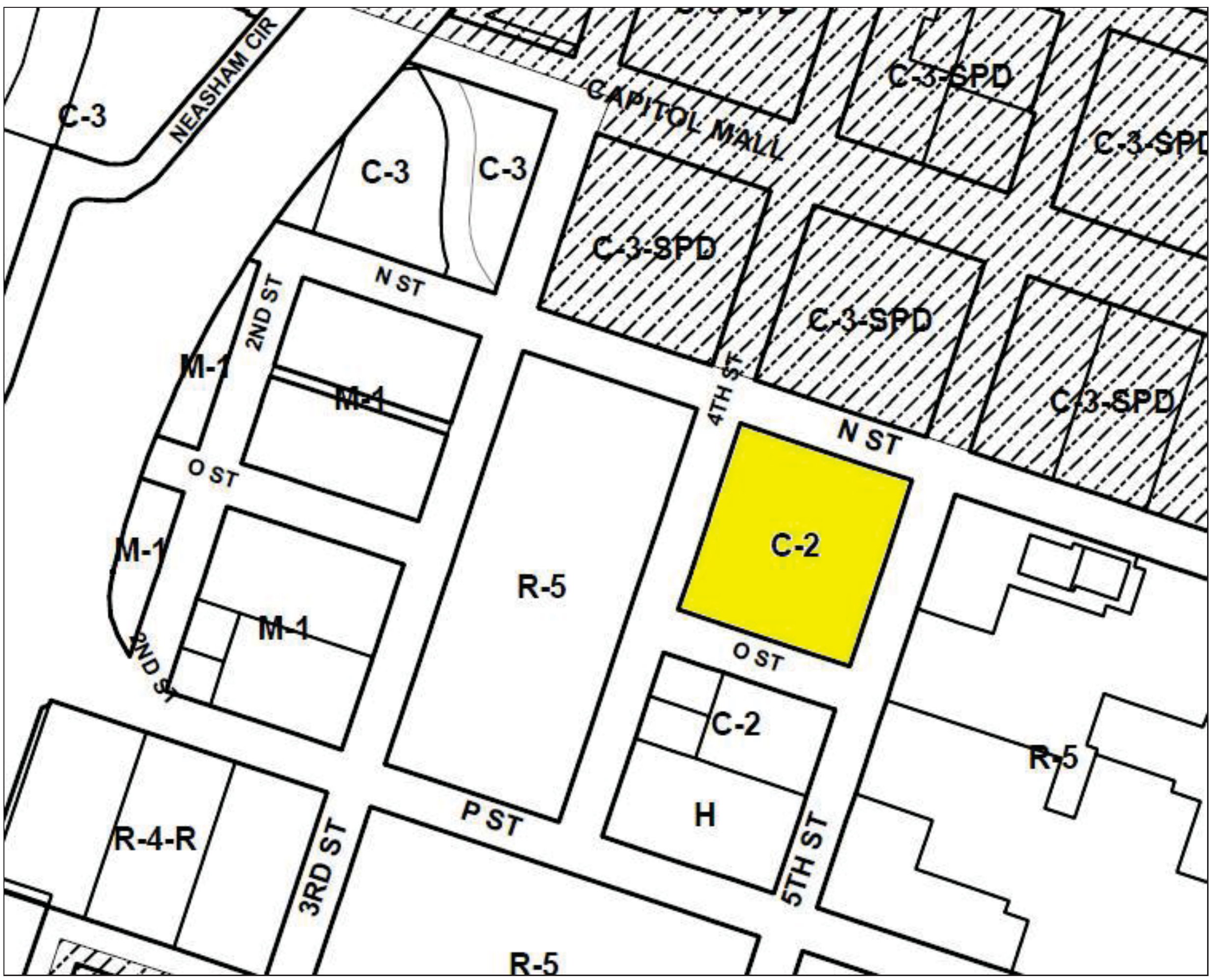
Utilities

The availability of utilities to the subject is summarized in the following table.

Utilities	
Service	Provider
Water	City of Sacramento
Sewer	City of Sacramento
Electricity	SMUD
Natural Gas	PG&E
Local Phone	Various Providers

Zoning

The subject is zoned C-2, CBD, by City of Sacramento. It is designated as Central Business District under the General Plan.



Specific zoning requirements are summarized in the following table.

Zoning Summary	
Zoning Jurisdiction	City of Sacramento
Zoning Designation	C-2
Description	CBD
Legally Conforming?	Yes
Zoning Change Likely?	No
Permitted Uses	Various commercial uses
Category	Zoning Requirement
Minimum Lot Area	None
Minimum Street Frontage (Feet)	None
Minimum Lot Width (Feet)	None
Minimum Lot Depth (Feet)	None
Minimum Setbacks (Feet)	None
Maximum Building Height	65' feet, although the General Plan guidelines for height in the Central Business District recommend 4 stories or more, with no maximum height.
Maximum Site Coverage	Not exceeding 90% - CBD guidelines
Maximum Density	61 to 450 units per acre - From General Plan - Standards of Central Business
Maximum Floor Area Ratio	3.0 to 15.0 - From General Plan - Standards of Central Business District
Parking Requirement	No minium parking requirements within the CBD.
Source: City of Sacramento zoning code and CBD guidelines.	

Inteviews with two planners with the city of Sacramento indicate the subject's office tower is grandfathered ("referred to as Deemed Deviation") under the existing zoning height limitation of 65 feet. The balance of the property is subject to zoning and the General Plan. Both planners felt the balance of the subject parcel has a very high likelihood of achieving a development plan under the recommended FAR of 3 to 15 allowed in the General Plan for CBD district (which the subject is located in). The approval of any height over 50% allowed under the zoning would need planning commission approval. They reported that any new project on the garage portion of the property would need planning commission and at the same time design and review approvals. They cited the project immediately east of the subject (Sacramento Commons) that just reiceved approvals for 15 and 24 story towers.

Other Land Use Regulations

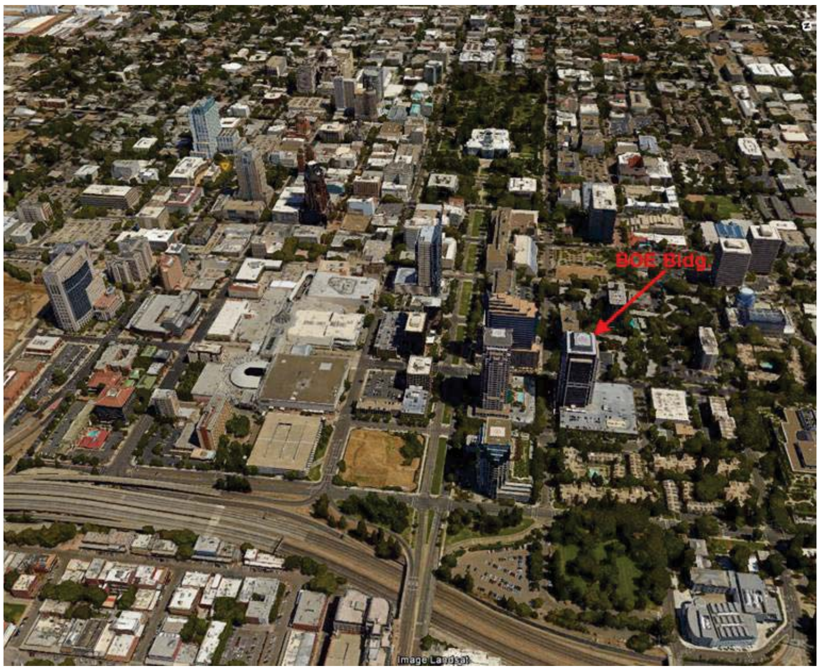
We are not aware of any other land use regulations that would affect the property.

Easements, Encroachments and Restrictions

We have reviewed a title report prepared by First American Title Insurance Company dated February 1, 2007. The report identifies a couple of exceptions to title which do not appear to have an adverse effect on value. Our valuation assumes no adverse impacts from easements, encroachments or restrictions and further assumes that the subject has clear and marketable title.

Surrounding Area of Subject

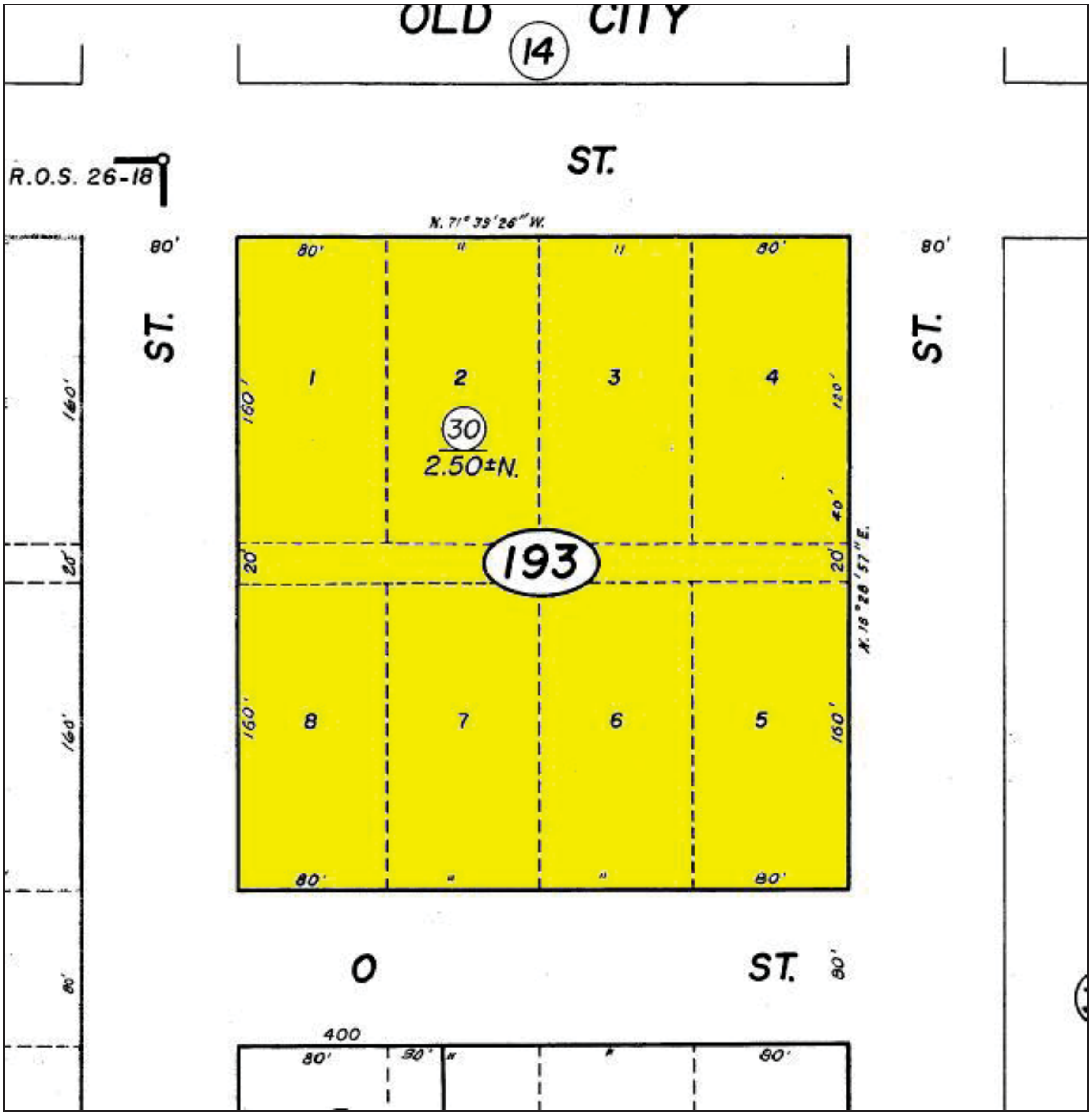
The subject is surrounded by office buildings and apartment complexes. To the north is 400 Capital Mall, which is a 30-story office building; to the northeast is 500 Capital Mall, which is a 25-story office building and to the northwest is 300 Capital Mall, an 18 –story office building. To the east, west and south are low-rise apartments and smaller office buildings. The aerials below better depicts the immediate surround area:



Conclusion of Site Analysis

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

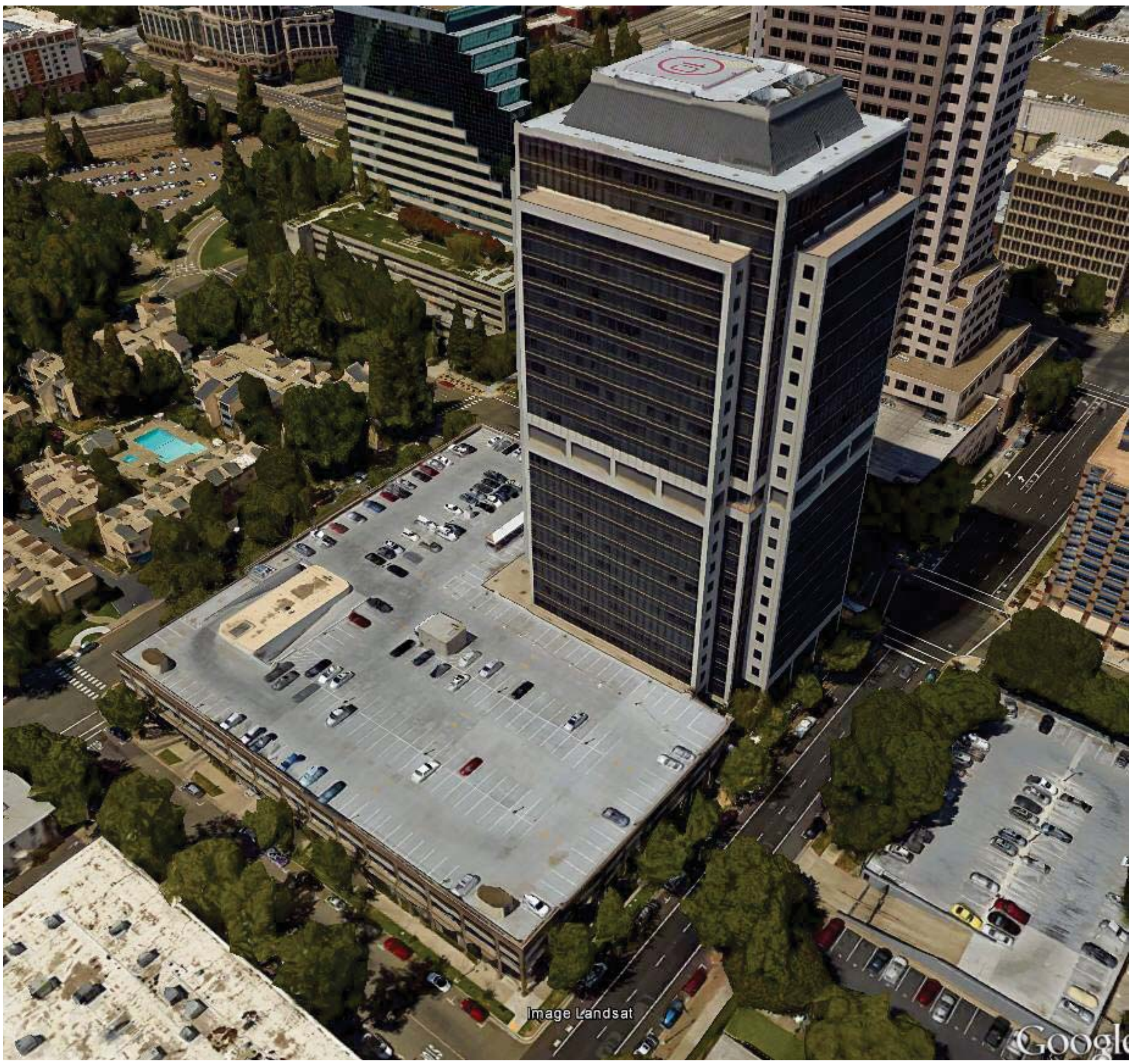
Parcel Map



Improvements Description and Analysis

Overview

The subject is an existing office property containing 560,643 square feet of rentable area. The improvements were constructed in 1992 and are 100% occupied by the State Board of Equalization. The site area is 2.50 acres or 108,900 square feet. The following description is based on our inspection of the property, discussions with ownership, review of building plans and various other building reports.



Improvements Description			
	Overall Property	Office Tower	Garage
Name of Property	BOE Headquarters Building	–	–
General Property Type	Office	Office	–
Property Sub Type	High Rise	Office	Parking Garage
Competitive Property Class	A	A	–
Percent Occupied	100%	100%	–
Number of Tenants	3	3	0
Number of Buildings	2	1	1
Stories	4-story parking garage & 25 Story office tower	25	4
Construction Class	A	A	C
Construction Type	Steel frame	Steel frame	Concrete
Construction Quality	Average	Average	Average
Condition	Average	Average	Average
Gross Building Area (SF)	868,131	644,293	223,838
Rentable Area (SF)	560,643	560,643	0
Usable Area	478,746	478,746	0
Building Efficiency Ratio	64.6%	87.0%	0.0%
Load Factor	17%	17%	–
Floor Area Ratio (GBA/Land SF)	5.91 (office GBA only)	–	–
Building Area Source	July 2014 Bldg. Plans	–	–
Year Built	1992	1992	1964
Actual Age (Yrs.)	23	23	51
Estimated Effective Age (Yrs.)	–	20	30
Estimated Economic Life (Yrs.)	–	50	50
Remaining Economic Life (Yrs.)	–	30	20
Number of Parking Spaces	711	–	–
Parking Type	Parking Garage	–	–
Parking Spaces/1,000 SF RA	1.27	–	–

Construction Details	
Foundation	Concrete
Structural Frame	Steel
Exterior Walls	Concrete Panels and Glass
Roof	Flat, built-up
Interior Finishes	Typical government office finishes
HVAC	Yes
Elevators	Yes
Sprinklers	Yes

Building Size

Floor	Storage	Office	Retail	Building Common	Floor Common	MVP	Garage	Total Gross	Tower Gross	Useable	Net
1	6,918	0	3,644	44,488	19,441	3,617	15,194	93,302	78,108	55,050	74,491
2	728	18,882	0	492	1,767	5,326	69,435	96,630	27,195	20,102	21,869
3	846	17,385	0	1,366	3,857	4,995	69,435	97,884	28,449	19,597	23,454
4	509	18,738	0	1,117	3,090	7,756	69,774	100,984	31,210	20,364	23,454
5	969	17,120	0	1,323	4,042	1,646	0	25,100	25,100	19,412	23,454
6	503	18,252	0	1,477	3,222	1,646	0	25,100	25,100	20,232	23,454
7	694	20,016	0	1,474	1,270	1,646	0	25,100	25,100	22,184	23,454
8	527	20,425	0	1,124	1,378	1,646	0	25,100	25,100	22,076	23,454
9	551	19,637	0	1,888	1,378	1,646	0	25,100	25,100	22,076	23,454
10	473	18,645	0	1,066	3,270	1,646	0	25,100	25,100	20,184	23,454
11	426	19,557	0	391	3,080	1,646	0	25,100	25,100	20,374	23,454
12	1,183	770	0	136	21,655	1,356	0	25,100	25,100	2,089	2,089
14	195	19,597	0	827	3,101	1,380	0	25,100	25,100	20,619	23,720
15	36	20,580	0	1,117	1,987	1,380	0	25,100	25,100	21,733	23,720
16	393	19,582	0	964	2,805	1,356	0	25,100	25,100	20,939	23,744
17	381	18,632	0	1,521	3,186	1,380	0	25,100	25,100	20,534	23,720
18	264	17,842	0	1,858	3,756	1,380	0	25,100	25,100	19,964	23,720
19	360	18,440	0	1,814	3,130	1,356	0	25,100	25,100	20,614	23,744
20	196	19,470	0	1,163	2,915	1,356	0	25,100	25,100	20,829	23,744
21	234	18,416	0	1,726	3,344	1,380	0	25,100	25,100	20,376	23,720
22	0	19,998	0	0	3,722	1,380	0	25,100	25,100	19,998	23,720
23	352	11,805	0	1,293	3,390	1,293	0	18,133	18,133	13,450	16,840
24	0	9,184	0	2,804	4,766	1,379	0	18,133	18,133	11,988	16,754
25	0	279	0	3,683	6,590	520	0	11,072	11,072	3,962	3,962
26	0	0	0	0	5,043	250	0	5,293	5,293	0	0
Total	16,738	383,252	3,644	75,112	115,185	50,362	223,838	868,131	644,293	478,746	560,643

Source: July 2014 Building Plans

The building sizes were derived from the SPI Plan from DGS dated July 1, 2014. We make the extraordinary assumption that the building sizes are accurate.

Building Size Comments

Building Common: This category appears to be how BOE's allocates some of its common area space – break rooms, conference rooms, etc. Under BOMA this would be considered part of NUA and NRA.

Floor Common: This is the common area that is generally associated with bldgs. – hall corridors, restroom, utility closets, elevator lobby, etc.

MVP: This is vertical areas such as elevator shafts, stairwells.

General Calculations
Useable Area = Storage + office + retail + Bldg. Common
NRA = Storage + office + retail + Bldg. Common + Floor Common

Adjustments
Removed outside daycare play area from any bldg. area.
Removed common all space in floors 12, 25, & 26 from NRA.

Office Tower Building Construction Details

The office tower is located on the most northeast corner of the subject parcel. The approximate footprint of the tower is 30,000 square feet with the only exception being on the first floor where the footprint is closer to 82,000 square feet. The building was originally constructed by a developer on a speculative basis and substantially completed in December 1992. State Board of Equalization (BOE) initially took occupancy in 1993. BOE is the only office tenant in the building. Ancillary tenants include a day care provider (2,984 SF with outdoor play area) by Capital Area Child Care Consortium and Department of Rehabilitation, Business Enterprise Program who operates a cafeteria.

The first floor of the tower includes a small to medium sized lobby, large board room, back room common and storage areas, cafeteria, day care, mail and printing rooms and large storage areas. The uppers floors 2-11, and 14 -24 have traditional core areas in the middle with mostly open office space to the perimeter walls. Floor 12 being almost two floors in height is entirely used for building operations staff and mechanical equipment. Floor 25 is used for the cooling towers. There is no 13th floor. The total number of floors (considering the two floor height of the 12th floor) is 25 excluding the cooling tower floor.

The building reaches a height over 350 feet above grade. A floor setback occurs at the 22nd and 24th floors where a sloped mechanical penthouse and a roof top helicopter pad occur. The structure consists of steel beam and column framing. The floor structure is a composite metal deck at all floors and roof. Exterior skin of the structure consists of precast concrete and glass curtain wall construction. The foundation system consists of precast piles.

Over its life the building has had a number of construction issues including water intrusion problems, spandrels breaking or falling from the building, glass window defects, mold and fungal growth issues, corroded drain waste lines. Some of these issues have been resolved and repaired and others are scheduled for immediate repairs.

Structural System: Steel superstructure with concrete topped metal floor decks.

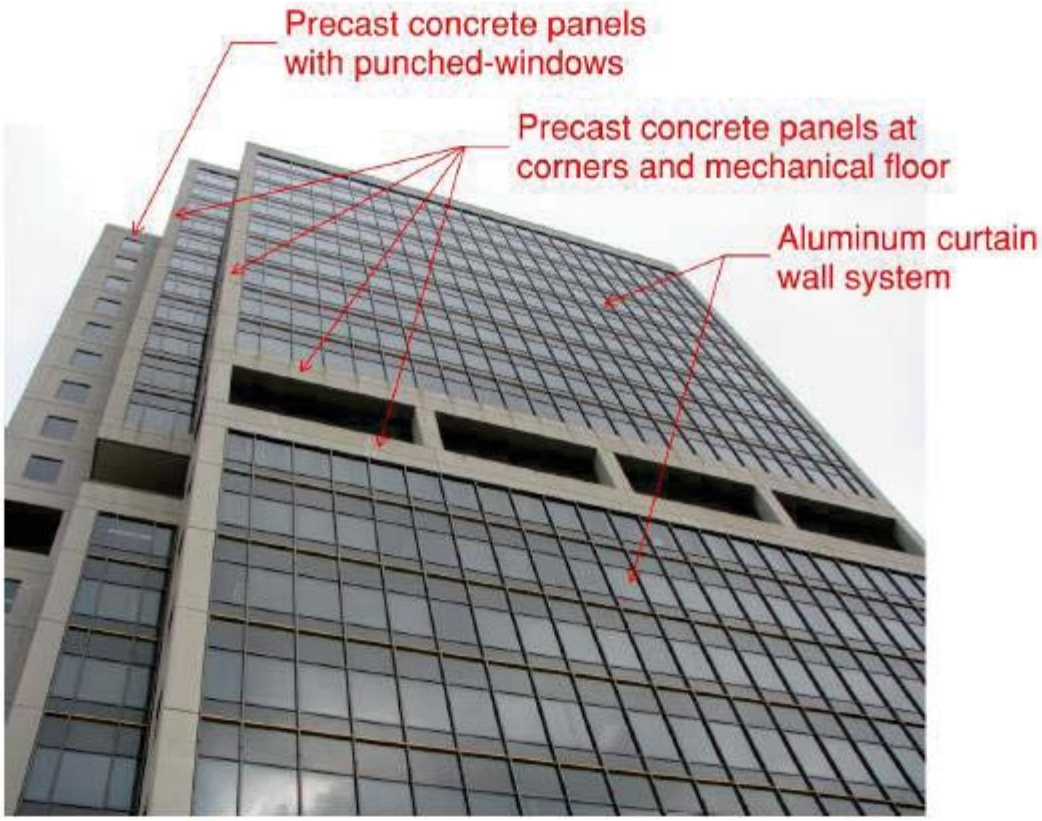
Exterior Walls: Most of the tower's exterior enclosure is an aluminum curtain wall system, manufactured by Kawneer. The curtain walls consist of a grid work of aluminum framing extrusions, together with insulated vision glass, and monolithic spandrel glass. Other portions of the tower are enclosed with precast concrete panels. These primarily occur at the building's corners, and at the mechanical floors, and parapets. In some cases, the precast panels contain punched-windows, which are built using aluminum components and glazing similar to the curtain wall system.

The subject building's exterior façade, comprised largely of a 1992 curtain wall system manufactured by Kawneer, was partially remedially repaired in 2006-2007. The repair work consisted of the following:

- Replacing all internal and external glazing gaskets, for all glass (vision and spandrel).
- Applying an external seal over the new external gaskets.
- Removing and re-applying sealant work within the framing joints (while the glass was removed).
- And other measures to deter water intrusion into the building past the exterior façade.

In addition to the repair and modification of the glazing systems, there was also considerable repair work carried out to rectify cracks which had appeared in the exterior faces of the precast concrete façade panels.

The exterior wall system still has considerable work to be completed. This includes the replacement of the spandrels which is an approximate cost of $4 million expenditure as indicated by a report from Clarke Project Solutions, Inc.



Interior Finishes: The majority of the office space has commercial carpet tiles in office areas, vinyl composition tiles in service areas, ceramic tiles in lobby and restrooms, painted and textured drywalls, acoustic ceiling tiles, and florescent lighting. The lighting and flooring has been updated. The ceiling tiles are mostly original but in average to good condition.

Elevators: Nine traction passenger elevators in office tower and one freight elevator. 3 garage elevators, but only two are operational.

Domestic Hot Water: 5-120 gal electric water heater and 1 500,000 BTU/hr. gas water heater.

Heating & Cooling: Provided by water boilers, chillers, roof top dual-cell cooling towers, and four air handers on mechanical floor.

Emergency Power: 1 900 Kw diesel generator.

Building Core Area: The interior core area consists of two stairwells, elevator shafts, men's and women's restrooms, and building storage areas. Most of the floors have hallway corridors around the core with access to the office areas which are generally open floorplans.

ADA Issues: The building has a number of ADA issues. These issues are common with other similarly aged buildings. The near term capital improvement budgets address the correction of these ADA deficiencies.

Overall Condition & Quality: The improvements are of average quality and in average condition. The following is a summary of the recently completed improvements:

- Lighting Retrofit, 2012 - $1,800,000
- Elevator Modernization, 2012 - $3,600,000
- Window Wall Project and Leak Remediation, 2012 - $14,350,000
- Domestic Water Riser Repairs, 2012 - $445,160
- Install Energy Management System Control, 2012 - $620,000
- HVAC Control System, after 2009 - $2,362,500

Parking Garage Construction Details

The parking garage is a four-story structure which was originally constructed around 1964. In 1992 the structure was modified in order to fit the current BOE building tower. The parking garage pre-dates the tower, and originally occupied the entire block. It was partially demolished and modified as a part of the tower's construction process. Portions of the parking garage were also enclosed and modified at that time, so that the ground floor could be occupied by various programs, including a cafeteria and child care center on the west side of the tower. The garage has concrete construction and has approximately 711 parking spaces. Despite some deterioration, the overall condition of the garage is average for its age.

Near-Term Capital Improvements

On September 11, 2015 Clarke Project Solutions, Inc. completed a cost study to complete necessary construction on the project. Shown on the following page is an itemized detail of the work that totals $31,080,343. Not included in the costs are construction contingency and soft costs, which we estimate at 7% and 15%, respectively to be applied to the hard costs of $19,307,103. The cost shown as "MOC Escalation" (midpoint of construction) was reported to be inappropriate as this cost was already reflected in the hard costs. The total construction costs are estimated as follows:

Immediate Construction Needs			
Clarke Project Solutions Costs			$31,080,343
Less: Escalation to MOC			-$2,420,763
		Hard Cost	
Plus: Construction Contingency	7%	$19,307,103	$1,351,497
Plus: Soft Cost	15%	$19,307,103	$2,896,066
Total Construction Cost			$32,907,143

The Clarke Project Solutions, Inc. costs were reported to be for a four floor phasing plan which is pursuant to the occupancy requirements of the 2011 Series E Bond Agreement. They reported that the cost difference to complete the work on a vacant building or 50% vacant building was negligible.

None of the costs shown above reflect relocation costs of the tenant.

Rent loss due to vacancy during construction work has been factored in the various value scenarios. This rent loss is shown later in the report.

CSI Category		PROJECT SUMMARY 587,500 SF		SITE IMPROVEMENTS- ADA 2,585 SF		TOTAL 587,500 SF	
		Total	Cost/SF	Total	Cost/SF	Total	Cost/SF
1 General Requirements		$962,775	$1.64	$0	$0.00	$962,775	$1.64
2 Existing Conditions		$703,964	$1.20	$0	$0.00	$703,964	$1.20
3 Concrete		$0	$0.00	$0	$0.00	$0	$0.00
4 Masonry		$0	$0.00	$0	$0.00	$0	$0.00
5 Metals		$0	$0.00	$0	$0.00	$0	$0.00
6 Wood, Plastics, & Composites		$0	$0.00	$0	$0.00	$0	$0.00
7 Thermal & Moisture Protection		$251,966	$0.43	$0	$0.00	$251,966	$0.43
8 Openings		$4,150,500	$7.06	$0	$0.00	$4,150,500	$7.06
9 Finishes		$2,125,725	$3.62	$0	$0.00	$2,125,725	$3.62
10 Specialties		$311,360	$0.53	$0	$0.00	$311,360	$0.53
11 Equipment		$0	$0.00	$0	$0.00	$0	$0.00
12 Furnishings		$0	$0.00	$0	$0.00	$0	$0.00
13 Special Construction		$0	$0.00	$0	$0.00	$0	$0.00
14 Conveying Equipment		$0	$0.00	$0	$0.00	$0	$0.00
21 Fire Suppression		$228,340	$0.39	$0	$0.00	$228,340	$0.39
22 Plumbing		$1,695,111	$2.89	$0	$0.00	$1,695,111	$2.89
23 HVAC		$3,085,000	$5.25	$0	$0.00	$3,085,000	$5.25
26 Electrical		$579,479	$0.99	$0	$0.00	$579,479	$0.99
27 Communications		$2,705,321	$4.60	$0	$0.00	$2,705,321	$4.60
28 Electronic Safety & Security		$2,341,143	$3.98	$0	$0.00	$2,341,143	$3.98
31 Earthwork		$0	$0.00	$17,705	$6.85	$17,705	$0.03
32 Exterior Improvements		$0	$0.00	$148,714	$57.53	$148,714	$0.25
33 Utilities		$0	$0.00	$0	$0.00	$0	$0.00
Subtotal Subcontractors Cost		$19,140,685	$32.58	$166,419	$64.38	$19,307,103	$32.86
General Conditions	10.0%	$1,914,068	$3.26	$16,642	$6.44	$1,930,710	$3.29
Bonds & Insurance	2.0%	$421,095	$0.72	$3,661	$1.42	$424,756	$0.72
General Contractor Fee	5.0%	$1,073,792	$1.83	$9,336	$3.61	$1,083,129	$1.84
Design Contingency	20.0%	$4,509,928	$7.68	$39,212	$15.17	$4,549,140	$7.74
Phasing	5.0%	$1,352,978	$2.30	$11,763	$4.55	$1,364,742	$2.32
Escalation to MOC, 05/02/17	8.4%	$2,399,897	$4.08	$20,866	$8.07	$2,420,763	$4.12
Total Construction Cost		$30,812,444	$52.45	$267,899	$103.64	$31,080,343	$52.90

Note: The building size of 587,500 SF as shown in the table above is Clarke Project Solutions, Inc. estimate.

Facility Evaluation

In 2014 the Department of General Services (DGS) commissioned a study to assess the condition of 29 state owned buildings. The study was conducted by Hellmuth, Obata & Kassabaum, an internationally renowned architecture and engineering firm. The focus of the study was on each facility's major systems for life-cycle and repair needs. The report benchmarked the findings utilizing a Facility Condition Index (FCI) which is based on repair costs of a percentage of current replacement value of the facility. The building classifications index for the benchmarks was as follows:

- Very Poor - Subjected to hard or long-term wear. Has reached the end of its useful or serviceable life. Renewal is now necessary. Poor – Subjected to hard or long-term wear. Nearing the end of its useful or serviceable life. Fair - Subjected to wear and soiling but is still in a serviceable and functioning condition. Good - In new or well-maintained condition, with no visual evidence of wear, soiling, or other deficiencies.

- The subject building had a 5.83 percent FCI. The subject is rank 12th with the building with the building in need of the most significant and immediate renovation, repairs or replacement needs. Rank of 1 is a building with the most significant and immediate renovation, repairs or replacement needs ending with the building with the least significant and immediate renovations, repairs or replacements needs rank 29. The evaluation based on condition and risk found the subject ranked 16th out of the 29 buildings studied.

Improvements Analysis

Quality and Condition

The improvements are of average quality construction and are in average condition. After the completion of the necessary capital improvements the building will be in good condition.

The quality of the subject is considered average-good for government buildings. Its quality is rated average compared to privately owned Class B+/A- office buildings.

The overall appeal of the subject building to government type users is considered to be good. It has lower appeal to private sector users primarily because of its quality rating as compared to Sacramento CBD office buildings and some functional issues (see discussion below).

Functional Utility

The improvements appear to be adequately suited to their current use. The functional utility of the property is as follows:

- The building has a smaller than average ground floor lobby as compared to similarly sized private sector buildings. The lobby area is deemed suitable for a government occupied building.

- Some of the ground floor buildout and floorplan is user specific to the current occupant. This includes the board room and conference room, the large back-office rooms (printing, mail and storage rooms).

- The cafeteria and day care uses on the ground floor are typical for similarly sized government buildings but not for private sector office buildings.

- The core area is unusually large and for multi-tenant floor uses has undesirable located space between the elevators and restrooms. This space is better suited for single-floor users.

- The current floorplan is oriented for single-floor occupants as it generally includes open space around the hallways that loop the core area. The market demand for single-floor users of this size (25,000 SF) is small for private sector. There is good demand from the government sector for whole floor use.

Most of the negative functional issues cited above are for private sector occupancy. Most of the issues are curable with reconstruction. There are fewer functional utility issues for government users, particularly single-floor government tenants.

Hazardous Substances

On July 2, 2008, LaCroix Davis LLC was contracted by the State of California, Department of General Services (DGS), Real Estate Services Division, Project Management Branch (RESD, PMB) to provide building and environmental forensic services for the subject. In February 2009 they issued a report detailing signs of visual mold growth, mold related air issues and other water damage penetration concerns. Over the past several years mold studies were completed and floor by floor project related remediation was completed. This mold was reported to be the normally occurring mold found in other office buildings and not the toxic stachybotrys mold. Interior air quality tests for mold are performed on a monthly basis. On a consistent basis, the interior mold found in these tests is lower than those typically found outdoors.

The LaCroix Davis report indicates there is still mold in inaccessible areas of the building. These include the elevator shaft external wall enclosures and the HVAC duct risers. Sources indicate that mold is expected to be found when they start replacing the cast iron pipes and HVAC ducts. The estimate of the immediate capital improvement cost includes allowance for mold remediation for the inaccessible areas where additional work is to be performed.

Personal Property

The property is furnished or equipped with significant personal property items. Only those items necessary to operate the building are included in the appraisal. The value of these items is insignificant in the overall valuation. All other personal property items are not part of this appraisal.

Conclusion of Improvements Analysis

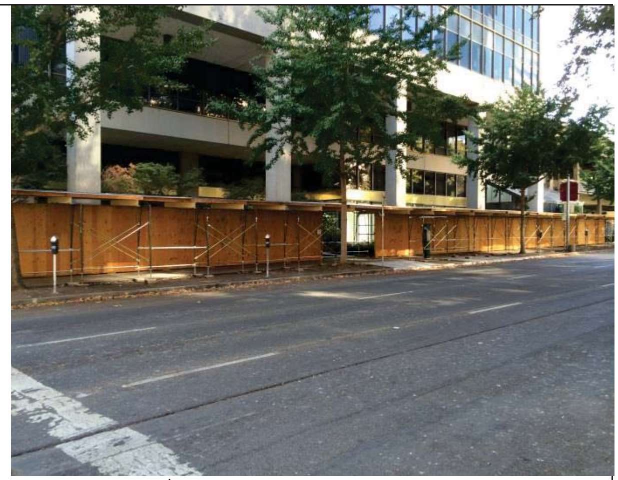
In comparison to other competitive properties in the region, the subject improvements are rated as follows:

Improvements Ratings	
Visibility	Similar
Design and Appearance	Similar
Age/Condition	Similar
% Sprinklered	Similar
Lobby	Inferior
Interior Amenities	Similar
Floor to ceiling heights	Similar
Elevators	Similar
Parking Ratios	Similar
Distance of Parking to Building Access	Similar
Landscaping	Similar

Overall, the quality, condition, and functional utility of the improvements are similar in comparison to other buildings of its age and class in the Sacramento area. The lobby area is the only attribute where it is rated inferior to other buildings of its same class.

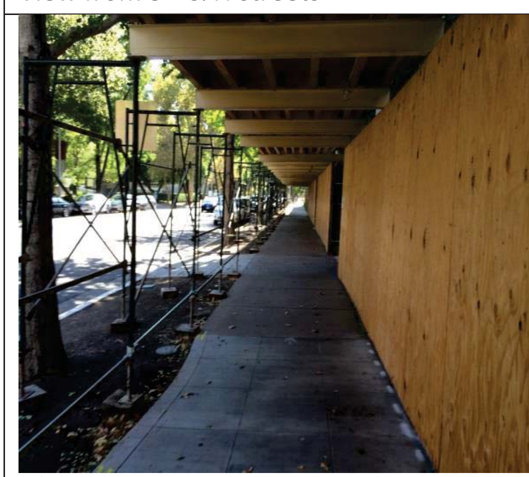
Shown on the following pages are photographs of the subject building taken during the months of July, August and September 2015.


View from N Street


View From 5th Street


View from 5th & N streets


View along 5th Street sidewalk


5th Street Sidewalk


Entrance to Building From 5th Street

From 5th & N Streets

North View from 5th Street

North View from O Street

View From N Street

Main Entrance

Parking Garage from 4th Street

View from O and 5th Streets

View of Garage from O & 5th Street

Parking Garage From N Street

Parking Garage

View of Main Entrance

Top Level of Parking Garage

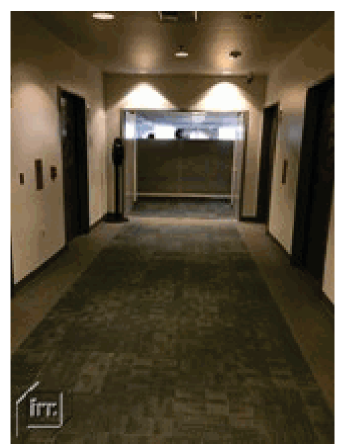
Lobby

Lobby

Ground Floor Common Area

Ground Floor Common Area

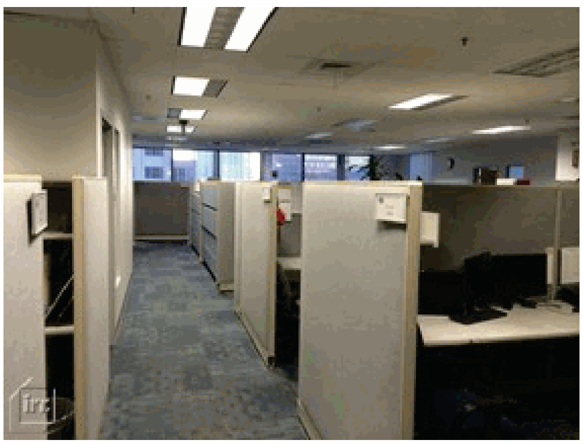
Visitors Area on Ground Floor



Common Area


Typical Office


Typical Office


More Office


Board Room


Cafeteria


Cafeteria


Restroom

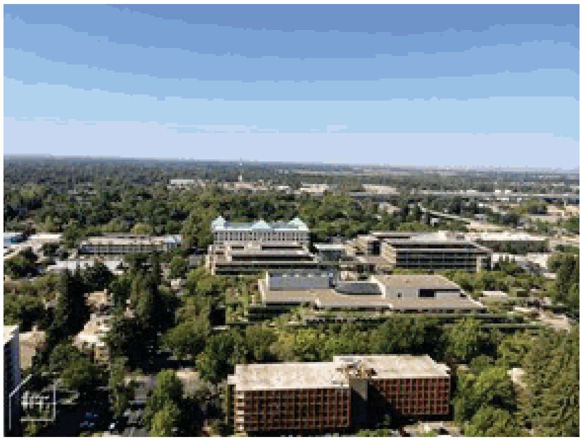

Restroom


Equipment


Equipment


Chillers

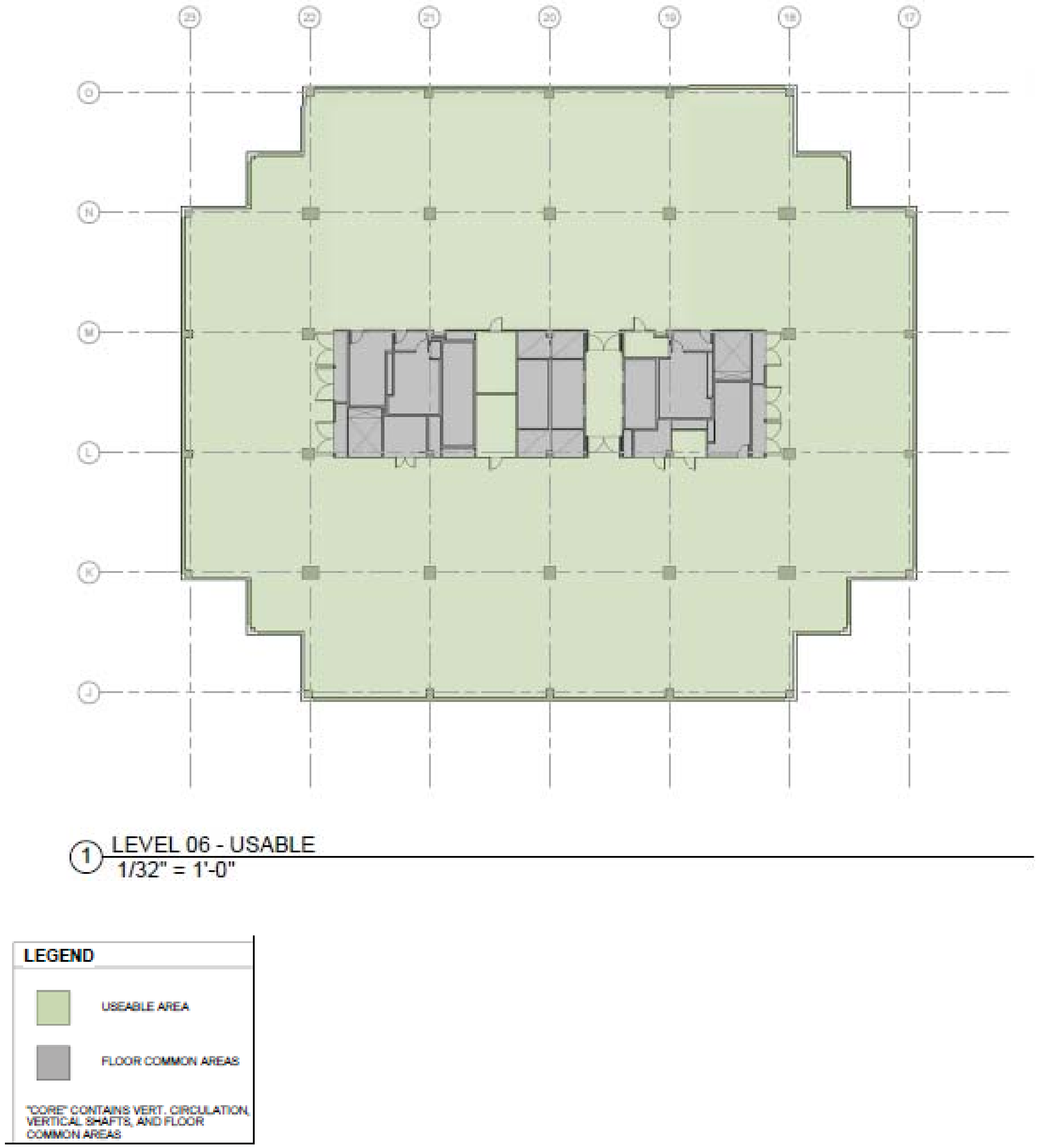

Equipment



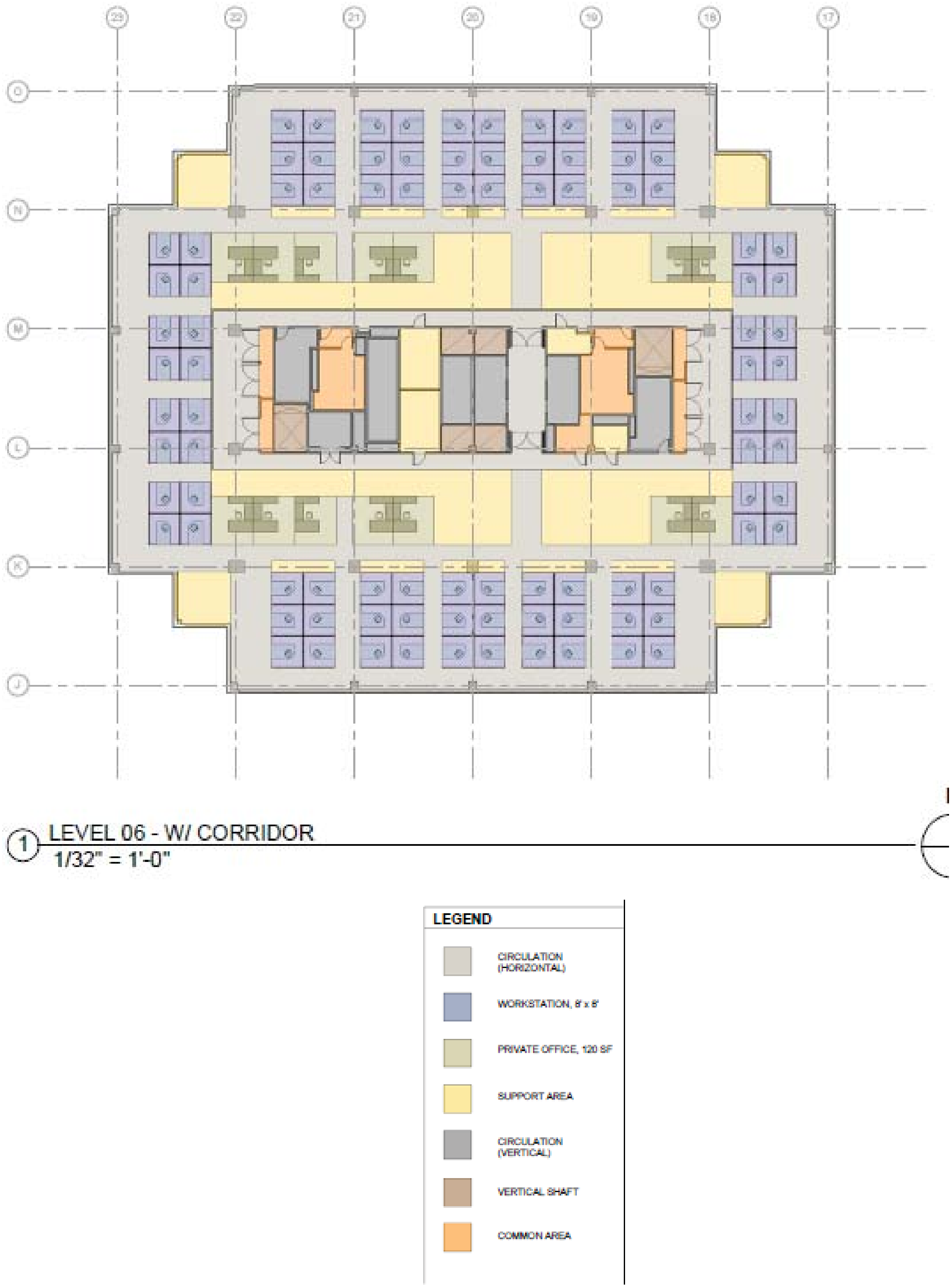
South View From Building

North View From Building

5th Street



Typical Open Floor Plan



Typical Floor Plan

Real Estate Taxes

Real estate taxes are assessed and collected by the County of Sacramento. The property is subject to the property tax rules of the state of California, which control the activities and policies of local assessment jurisdictions. These laws were significantly modified on June 7, 1978, when the state's voters passed Proposition 13, amending Article XIII of the State Constitution.

Proposition 13 abolished the practice of periodic reassessment of properties, based on market value appraisals. Instead, real property is subject to reassessment (i.e., revaluation at full or partial current market value) only when changes in ownership or new construction take place. Otherwise, increases in assessed value are limited to no more than 2% per year. In addition, tax rates are limited to a general rate of 1%, plus the rates needed to service any bonded indebtedness. Voter-approved direct assessments can also be added, and are often related to the installation of infrastructure.

The Sacramento County Assessor indicates the property is exempt from property taxes and assessments. The county records show no special fees or assessments collected for the property.

The valuation of the property assumes private ownership of the property that will result in real estate taxes being assessed. The subject property is located in Tax Rate Area 03-009 which has a tax rate of 1.1325%. The direct assessment estimate will be estimated from two similar properties. The properties located at 300 and 400 Capitol Mall are full city blocks developed with high-rise office buildings. The direct assessments for these properties are $50,234 and $57,111, respectively. A direct assessment of $55,000 annually is estimated for the subject property under private ownership.

The estimate of real estate taxes will be based on the stabilized value for each scenario. Below is the calculation of taxes for the different scenarios:

Estimate of Real Estate Taxes - Assuming a Sale to Private Ownership

	Stabilized Value	Tax Rate	Direct	Total Taxes	Rounded
Scenario 1	$102,376,421	1.1325	$55,000	$1,214,413	$1,210,000
Scenario 2	$102,376,421	1.1325	$55,000	$1,214,413	$1,210,000
Scenario 3	$102,376,421	1.1325	$55,000	$1,214,413	$1,210,000
Scenario 4	$121,320,059	1.1325	$55,000	$1,428,950	$1,430,000
Scenario 5	$124,611,311	1.1325	$55,000	$1,466,223	$1,470,000
Scenario 6	$124,611,311	1.1325	$55,000	$1,466,223	$1,470,000
Scenario 7	$137,619,696	1.1325	$55,000	$1,613,543	$1,610,000

Highest and Best Use

Process

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

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

Highest and Best Use As If Vacant

Physically Possible

The physical characteristics of the site do not appear to impose any unusual restrictions on development. The property is located near several high-rise and mid-rise office buildings and various types of multi-family residential projects. The site is one block south of Capitol Mall, which is improved with the highest density office projects in the CBD. Overall, the physical characteristics of the site and the availability of utilities result in functional utility suitable for predominantly high density office or residential uses.

Legally Permissible

The site is zoned C-2, CBD. Permitted uses include various commercial uses. Under the zoning it has a 65' maximum building height. Under the General Plan (GP) properties in the CBD have no maximum height restrictions. The recommended density from the GP is minimum 4 stories and FAR from 3.0 to 15.0. Inteviews with two planners with the city of Sacramento indicate the subject's office tower is grandfathered ("referred to as Deemed Deviation") under the existing zoning height limitation of 65 feet. The balance of the property is subject to zoning and the General Plan. Both planners felt the balance of the subject parcel has a very high likelihood of achieving a development plan under the recommended FAR of 3 to 15 allowed in the General Plan for CBD district. They cited the project immediately east of the subject (Sacramento Commons) that just reiceved approvals for 15 and 24 story towers. Under the city's Design Criteria for CBD high-rises, they seek slender towers with greater separation between them to protect views, air circulation, the quality of the public realm, and the character of the skyline. The guidelines mandate a two-tiered approach that requires smaller floorplates for all towers, and smaller floor plates for residential towers than for office towers. Upon review of the Central Core Guidelines for high-rise building, and the recommended FAR from the GP, an FAR estimate of 10.0 is deemed appropriate for the subject. The city defines Floor Area Ratio (FAR) to mean the gross building area (GBA) of development, exclusive of structured parking areas, proposed on the site divided by the total net lot area.

To our knowledge, there are no legal restrictions such as easements or deed restrictions that would effectively limit the use of the property. Given prevailing land use patterns in the area, only office or residential uses are given further consideration in determining highest and best use of the site, as though vacant.

Financially Feasible

There are two possible uses of the property that meet the physically and legally criteria. First, a mid- or high rise multi-family property would be appropriate for some or all of the subject property. Second, a mid-rise or high-rise office building would be appropriate for some or all of the property. The financial feasibility of these uses is analyzed as follows.

<u>Mid-or High Rise Multi-Family/Ground Floor Retail:</u> The development concept of a mid-rise apartment building with some ground floor retail has been an emerging trend. This development usually involves a half-block or smaller lot area. Several of these properties have recently been completed and/or are under construction in the Midtown area of Sacramento. These developments have been occurring in areas where there are lower intensity land use areas and some with government subsidies. A mid-rise residential project could be financially feasible for the subject, but there are far greater intensity projects that would be maximally productive for the subject site.

In terms of a high-rise residential development, none have been constructed in Sacramento for many decades. The property located immediately east of the subject property is a large proposed residential project known as Sacramento Commons. This project is planned for mid and high-rise residential buildings. Financial feasibility of this project or other high-rise residential projects is the largest uncertainty for these developments. During the prior expansion period of the early to mid-2000's several high rise projects in downtown Sacramento were proposed. Of the high rise residential projects that were planned during that period only one project commenced construction and that one was soon cancelled due to the recession and financial feasibility issues. Discussions with market participants indicate high-rise residential development is a very high risk development scenario where there has been no proven or successful projects delivered to the downtown Sacramento market for many decades. Considering these issues, high rise residential development is still a questionable and unproven financial venture.

<u>High-Rise Office:</u> This is a logical land use concept considering its location in an area of the CBD where office is the predominate use. As discussed earlier, there is good demand from the State of California for more quality office properties in the CBD. The subject has a location where there are already state government buildings and this would be a location where they would find it attractive for another building. To perform a financial feasibility test, we will consider an office tower with podium parking for one-half of the subject site. As a test, we will consider one-half block with our concluded FAR estimate of 10. The inputs to determine the feasibility include the following:

Land Size: 54,450 SF or one-half of subject site.

Cost of Land: We use $150 per square foot land cost, which is supported from our land valuation shown later in the report.

Office Building Size & Costs: The gross building area of the office tower would be 544,500 SF or 10 FAR. We estimate the NUA would be 80% of GBA or 435,600 SF. Using a load factor of 18%, the net rentable area is 514,008 SF. From Marshall Valuation, we estimate an all-in construction cost of $282.08 per square foot. This cost is supported from the budget pro-forma of one of Sacramento's last high-rise office buildings constructed.

Podium Parking Garage Size & Costs: The gross building area of the parking garage is estimated to be 200,000 square feet. From Marshall Valuation, we estimate an all-in construction cost of $60 per square foot for this garage.

Indirect Costs: An indirect cost of 18% is for various soft costs not included in Marshall Valuation.

Capitalization Rate: We use a profit loaded capitalization rate of 8.0% to calculate the required income that would be necessary by a developer to undertake a development project of this magnitude.

Shown below is the financial feasibility test:

Financial Feasibility Test - Office High Rise				
Cost of Land	$150.00	SF	54,450	$8,167,500
Cost of Office Building	544,500	GBA	$282.08	$153,592,560
Cost of Parking Garage	200,000	GBA	$60.00	$12,000,000
Site and Landscaping				$150,000
Indirect Cost	18%			$31,303,811
Total Cost				$205,213,871
Profit/Risk Adjusted Capitalization Rate				8%
Net Operating Income	435,600	SF		$16,417,110
Plus: Operating Expenses	$10.50	SF		$5,397,084
Equal: Effective Gross Income				$21,814,194
Plus: Vacancy	5% estimate			$1,148,115
Equal: Required Gross Income				$22,962,309
Less: Parking Revenue	From Income Approach			$924,300
Office Gross Income				$22,038,009
Effective Office Rent (NUA) to Justify Construction	435,600			$50.59
Effective Office Rent (NRA) to Justify Construction	514,008			$42.87

The analysis above shows the approximate office rent to justify new construction is $50.59 per square foot of net usable area. On a net rentable area basis this is $42.87 per square foot. These rates are close to being achieved in the excellent Class A office buildings in Sacramento CBD. There is no support from recent state office leases for these rates for the average quality Class A buildings that the state generally occupies.

It appears that a newly developed office use on the site would not have a value commensurate with its cost; therefore, office use is not considered to be financially feasible. Nevertheless, we expect an eventual recovery of the market accompanied by a rise in property values to a level that will justify the cost of new construction. Thus, it is anticipated that office development will become financially feasible in the future.

Maximally Productive

There does not appear to be any reasonably probable use of the site that would generate a higher residual land value than holding the property for future office development. Accordingly, it is our opinion that holding the property for future office use development, based on the normal market density level permitted by zoning, is the maximally productive use of the property.

Highest and Best Use Conclusion – As If Vacant

Holding the property for future office development is the only use that meets the four tests of highest and best use. Therefore, it is concluded to be the highest and best use of the property as if vacant.

Highest and Best Use As Improved

Highest and best use as improved pertains to the use that should be made of an improved property considering the existing improvements. With any improved property, there are three main possibilities: 1) demolish existing improvements and redevelop the site, 2) continue the existing use or 3) modify the existing use.

Continuation of the Existing Use

The subject site is developed with a 25-story office building with a 711-space parking garage. This use is consistent with the highest and best use of the site as if it were vacant. The existing improvements are currently owner-occupied and would have the potential to produce a significant positive cash flow if leased. The property has some capital improvements that need to be completed, but most of these are prudent repairs and would be financially feasible to complete. Therefore, a continuation of this use is concluded to be financially feasible.

Modification of the Existing Use

Modification of the existing use must meet all four tests of highest and best use. The subject office tower is located on approximately 30,000 square feet of the subject's 108,900 square foot parcel. The remainder of the property is an approximate 50 year old parking garage structure. Since this garage takes up nearly 75% of the lot, it is appropriate to study modified land use alternatives for the land area that the garage occupies.

Physically Possible Alternative Scenarios: There are several possible reuse opportunities for the garage area and land. Here are a couple possibilities:

> Demolish Garage to Make Way For Development: One possibility would be to demolish the garage and construct an office tower at the southwest corner or southern portion of the parcel. This could also include the possibility of creating some mixed-use concept, such as ground floor retail. To accommodate this use, a new parking garage would need to be constructed for the existing tower and new building. This land use or other similar variations would be physically appropriate.
>
> Building Above Existing Garage: There is probably some construction design that would allow for development to occur above the parking garage. This use however is not likely as the existing parking garage is old, not attractive and it is doubtful any developer would expend significant capital on air space above an old garage. There is no example in the local market of this land use plan ever occurring. An interview with an office developer questioned the likelihood that the garage has the structural integrity to allow development on top of the garage. This concept is given no further study due to these issues.

Legally Possible Alternative Uses: Demolition of the parking garage to make way for alternative development is considered physically possible. Assuming the alternative land use was an office tower, multi-family, retail or combination of any of these, we believe these modifications would be legally permissible.

Financially Feasible: A redevelopment of the land where the parking garage occupies is both physically possible and legally permissible. This use needs to be studied for its financial feasibility.

The existing parking garage is a necessary component of the existing office building. The interviews with brokers, office developers, and a major real estate investment firm that specializes in acquisition of large office properties all reported it would be mandatory to have appropriate parking to serve the subject building. The only way this plan would work would be if the office tower had no tenants and a new garage would be constructed as part of the redevelopment of the parcel. Even on a short-term basis, sources say running a half-million square foot office tower with no on-site parking would not be suitable to the office tenants.

Another plan for an occupied office building would be to find alternative parking to replace the 711 spaces on an interim basis until a new garage is constructed. Parking in the area of the subject CBD is believed to be in equilibrium in respect to supply and demand. A 2013 study by Walker Parking Consultants found the three blocks immediately north of the subject along Capitol Mall having parking occupancy rates above 70% and one block above 85% occupied. The highest parking occupancy period was reported to be between 11 AM to 7 PM, when office tenants are generally using these spaces. The surrounding buildings have private garages that serve parking primarily for their own tenants. There are no private or public garages in the vicinity of the subject that operate exclusively for parking. Our research found it would be very difficult to find affordable off-site parking to replace the subject's 711 spaces in the area of the subject. In fact, of all the sources interviewed, none suggested off-site parking being a solution for the subject on either an interim or permanent basis. Based on these market inputs, we have considered the financial feasibility of this plan only if the office building were vacant because of 1) parking would be mandatory to serve tenants of the subject building and 2) there is low probability of finding alternative off-site parking nearby on an interim basis.

There are a couple of ways to analyze the redevelopment of the garage. Currently the office tower encompasses 78,108 square feet on the first floor, as it wraps around N Street and 5th Street under the parking garage. One option is to demolish the first floor office building area outside of the tower footprint to create a developable parcel. This would cause the loss of 48,108 square feet of rentable office building area. Under this plan, there would be approximately 78,900 square feet of land which is calculated as follows:

Option 1:

Total Subject Site:	108,900 SF
Less: Tower Footprint	30,000 SF
Excess Land:	78,900 SF

The second option would be to utilize the land area not encumbered with building area. This land area is determined to be as follows:

Option 2:

Total Subject Site:	108,900 SF
Less: 1st Floor Office GBA	78,108 SF
Excess Land:	30,792 SF

To determine the financial feasibility and maximally productive use of the land area under the garage we have analyzed the property under two scenarios:

- Current Value of the Parking Garage Property
- Residual Value of the Land under the Parking Garage site if Redevelopment Planned

The scenario which produces the highest value is a plan that most would consider the highest and best use of this portion of the property.

Current Value of the Parking Garage Site: The parking garage site under Option 1 includes a 711 space parking garage and 48,108 square feet of building area. In the Income Approach, we estimate the parking garage has a potential annual net revenue of $924,300, before taxes, insurance and other expenses. No management fee is included in the expenses as the net parking revenue already includes a management fee as well as all salaries to operate the garage. Below is our estimate of the parking garage assuming the office building was vacant for two years.

Value of Parking Garage - Assuming Office Vacant for Two Years			
Net Parking Revenue			$924,300
Less: Taxes	1.1325% of value		$111,149
Less: Direct Levies	26% of GBA @ $55,000		$14,300
Less: Insurance	$0.10/SF of GBA	223,838	$22,384
Less: Repairs & Maintenance	$0.10/SF of GBA	223,838	$22,384
Less: Utilities	$1,500/month		$18,000
Net Operating Income			$736,083
Capitalization Rate			7.50%
Parking Garage Value - Stabilized			$9,814,445
Less: Income Loss for Two Year Under As If Vacant Scenario			$1,767,833
Value of Parking Garage as if Vacant Office Building			$8,046,613

Income loss is calculated on two years of net operating income not received plus two years of holding costs which are the fixed expenses (taxes and insurance). This income loss is computed as follows:

	No Years	Amount/Yr	Total
Income Loss	2 years	$736,083	$1,472,166.80
Fixed Expenses	2 Years	147833	$295,666.00
Total Income Loss			$1,767,832.80

In Option 1 there is 48,108 square feet of building area. To arrive at an allocated amount for this building area, we take the total as if vacant value of $31,500,000 less the parking garage value of $8,046,613 to arrive at the value of the office tower. This process is shown below:

Value of Office Area on Garage Site - Option 1	
Value of Vacant Property	$31,500,000
Less: Value of Parking Garage	$8,046,613
Value of Balance of Property	$23,453,387
Value of Balance on Per NRA - 560,643 SF	$41.83
SF of office on Garage Site	48,108
Value of Office on Garage Site	$2,012,358

Total Value of Property on Garage Site - Option 1	
Value of Parking Garage	$8,046,613
Value of Office on Garage Site	$2,012,358
Total Value	$10,058,970

<u>Residual Value of the Land under the Parking Garage Site if Redevelopment Planned:</u> The residual value of the land under the parking garage site is simply the current land value less demolition. To complete this test the following inputs were necessary:

Land Value: After demolition of the parking garage and/or portions of the 1st floor office, the property would be bare ground with an estimated land value of $150 per square foot.

Demolition Cost: Marshall Valuation reports demolition cost from $5.13 to $7.75 per square foot. We use an estimate at the higher end of the range since it would be a complex demolition given it is adjacent to the office tower. The garage has a gross building area of 223,838 SF and the office area to be demolished is 48,108 SF for a total of 271,946 SF to be demolished. A demolition cost of $8.00 per square foot is utilized.

The value under Option 1 is shown below:

Residual Value of Land under the Parking Garage Site - Option 1				
Value of Land	78,900	$150	SF	$11,835,000
Less: Demolition Cost	271,946	$8	SF	$2,175,568
Residual Value of Land Under Garage Site				$9,659,432

Conclusion of Financial Feasibility & Maximally Productive – Option 1

The entire site has an approximate value of $10,058,970 while the residual value of the land occupied by the garage and portion of the office is $9,659,432. These are very similar value estimates which suggest one or both having similar maximally productive possibilities – assuming the property were vacant.

Analysis of Financial Feasibility & Maximally Productive – Option 2

The second option would be to utilize the land area not encumbered with building area. This land area is determined to be as follows:

Option 2:

Total Subject Site:	108,900 SF
Less: 1st Floor Office GBA	78,108 SF
Excess Land:	30,792 SF

We undertake the same process as we did in Option 1 to analyze this Option.

Current Value of the Parking Garage Site: The value of the parking garage site for this option is the same as reported in Option 1. No changes are necessary. We apply no value for the office improvement as we assume it remains and is outside of the land area being studied. The total value under this scenario (Option 2) is the parking garage value of $8,046,613.

Residual Value of the Land under the Parking Garage site if Redevelopment Planned: The residual value of the land under the parking garage site is simply the current land value less demolition, plus the value of the office on the garage site. The land area is 30,792 SF and the garage GBA is 223,838.

Residual Value of Land under the Parking Garage Site - Option 2				
Value of Land	30,792	$150	SF	$4,618,800
Plus: Value of Office on Garage Site				$2,012,358
Less: Demolition Cost	223,838	$8	SF	$1,790,704
Residual Value of Land Under Garage Site				$4,840,454

The parking garage has an approximate value of $8,046,613 while the residual value of the land under the garage site is $4,840,454 under Option 2. This shows this option is not financially feasible nor the maximally productive use.

The financial tests shown above indicate there is a net value loss if you undertake one of these modifications as opposed to leaving the property in its as is state. There are probably other scenarios or variations of the parking garage modifications that could result in different conclusion, but the two presented are the most straight-forward of the possibilities.

Highest and Best Use As Improved Conclusion

Scenarios 1, 2, 3, 5, 6 & 7: All of these scenarios assume either a stabilized occupied property or one that could quickly be leased for full occupancy. The subject's 25-story office building with the 711-space parking garage represents the highest and best use for all of these scenarios. Due to the reasons cited earlier (parking is a mandatory asset of the office and there is insufficient nearby interim parking to support the building on an interim basis), redevelopment of the under-utilized land area occupied by the parking garage and portion of the office occupies is considered a future possibility. Every participant questioned on this issue (in regards to these scenarios) reported there would currently be no incremental value for the under-utilized land area for an assumed occupied office building needing the existing parking. This is further supported by the recent sale of 555 Capital Mall improved with a 14-story office building and a six level parking structure. Similar to the subject property, the parking structure occupies approximately one-half of a city block. The buyer indicated that they have no intentions to demolish the parking structure for new development. An analysis of this sale and discussions with the buyers indicated no premium paid for characteristics similar to the subject.

The existing improvements are currently owner-occupied and would have the potential to produce a significant positive cash flow if leased. The property has some capital improvements that need to be completed, but most of these are prudent repairs and would be financially feasible to complete. The highest and best use analysis also took into consideration the potential for excess land. Ultimately, it was determined that the land area occupied by the parking garage and a portion of the office building to be an interim use until such time when market conditions warrant and market rents support new office development. Therefore, a continuation of this use is concluded to be financially feasible.

The likely buyer of the property under these scenarios would be a national investor seeking to operate the property for its income capabilities and asset appreciation.

Scenarios 4: This scenario assumes the subject is vacant and is awaiting repairs of the capital improvements and build out of new tenant improvements. The subject's 25-story office building with the 711-space parking garage also represents the highest and best use for this scenario. The subject has a less than desirable design and build-out where the parking garage is located and modification of this area for redevelopment is a possibility if the property were vacant. An analysis was completed to determine if there would be financial benefit to redevelop the under-utilized land occupied by the parking garage and a portion of the office building. Again, it was determined that the parking garage and a portion of the office building represents an interim use until such time when market conditions warrant and market rents support new office development. The participants interviewed had slightly different outlooks on the possibility of redevelopment on the garage site and a portion of the office building being a possibility if it were vacant office.

The buyer of the property under this scenario would likely be an investor which would be seeking to complete the capital repairs and tenant improvements to secure tenants for the building. They could also being seeking a value add opportunity associated with the under-utilized land occupied by the parking garage and a portion of the office building. This value add opportunity has been addressed in greater detail later in the report to determine if there is any value enhancement associated with the under-utilized land area of the garage site and a portion of the office building.

Valuation

Valuation Methodology

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

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

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

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

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

The methodology employed in this assignment is summarized as follows:

Approaches to Value

Approach	Applicability to Subject	Use in Assignment
Cost Approach	Applicable	Utilized
Sales Comparison Approach	Applicable	Utilized
Income Capitalization Approach	Applicable	Utilized

Land Valuation

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

Our search for comparable sales focused on transactions within the following parameters:

- Location: Sacramento CBD
- Size: All considered;
- Use: Urban high density development;
- Transaction Date: All available data considered.

For this analysis, we use price per square foot as the appropriate unit of comparison because market participants typically compare sale prices and property values on this basis.

The following page table provides a summary of all historic land sales within the Sacramento CBD dating back to the early 1990's; this table is followed by a more detailed table summarizing the sales deemed most relevant to analyzing the subject's land value.

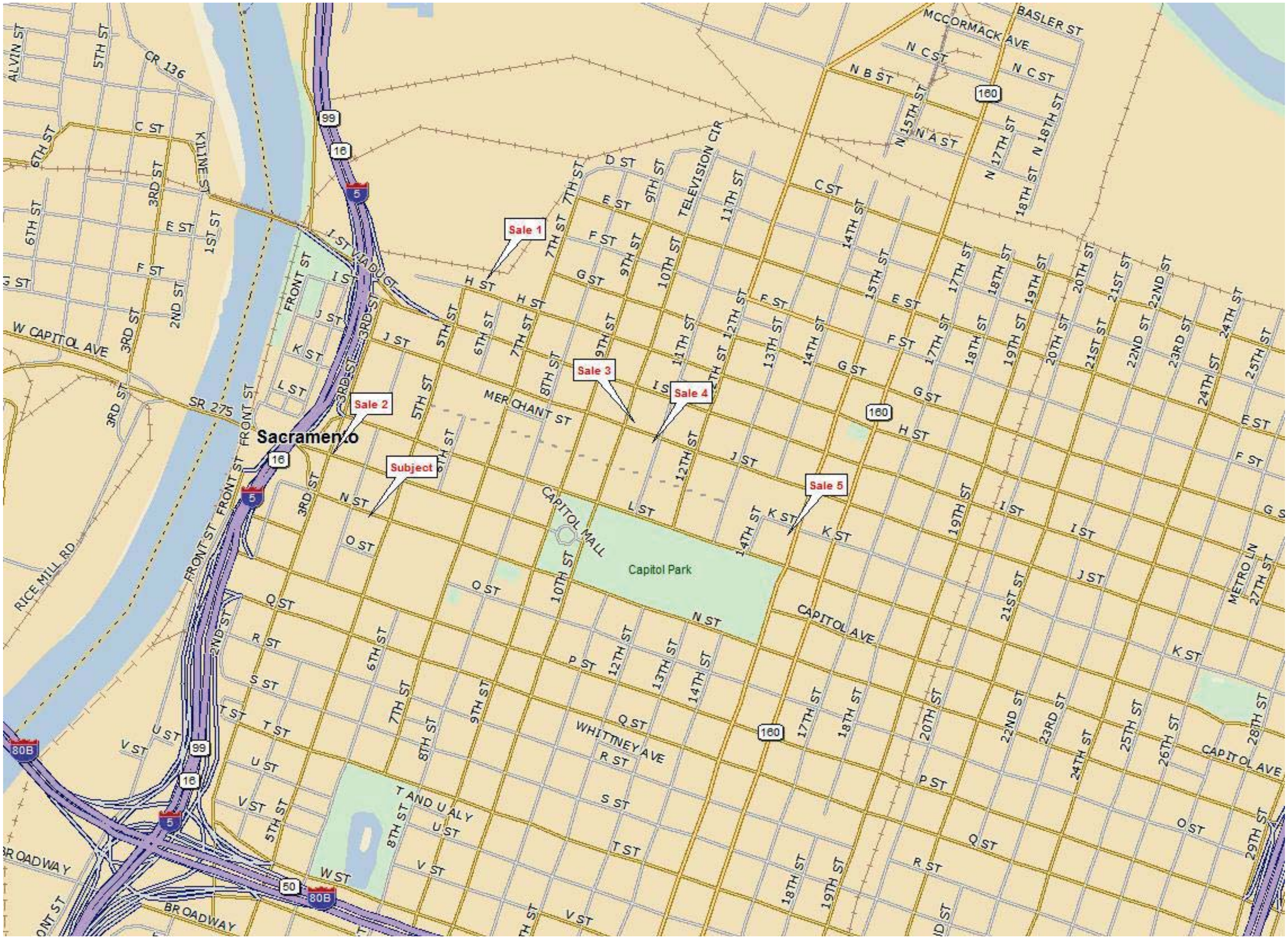
Summary of Historical CBD Land Sales

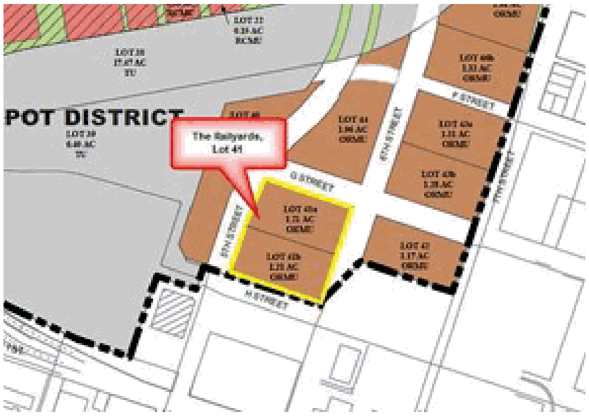
No.	Location	APN(s)	Sale Date	Zoning	Lot Size (SF)	Effective Price	$/SF Land Area	Comments
1	NS H, btwn. 5th & 6th	The Railyards, Lot 41	Oct-14	SPA	105,415	$10,000,000	$94.86	Contract date was mid-2012
2	921 10th St.	006-0044-012	Jun-14	C-3	4,800	$950,000	$197.92	Eff. Price includes $350k for est. demo costs
3	301 Capitol Mall	006-0141-043	Jun-05	C-3	104,108	$21,150,000	$203.15	Eff. Price includes $650k for est. demo costs
4	NEC 10th & J Streets	006-0044-009, 010, 011 & 013	Jun-05	C-3	36,800	$7,850,000	$213.32	Eff. Price includes $200k for est. demo costs
5	SWK 15th & K Streets	006-0116-003, 004 & 005	Sep-04	C-3	25,600	$5,400,000	$210.94	Actual Price ($6MM) reduced 10% for entitlements
6	SWK 11th & J Streets	006-0103-007 thru 009, 015	Jun-04/Sep-04/Jan-05	C-3	30,289	$4,740,000	$156.49	Eff. Price includes $150k for est. demo costs
7	806 K Street	006-0098-024	Aug-04	C-3	10,000	$1,511,000	$151.10	Eff. Price includes $50k for est. demo costs
8	621 Capitol Mall	006-0151-021 (formerly -005)	May-02	C-3	62,421	$6,820,000	$109.26	
9	500 Capitol Mall	006-0146-030	Oct-01	C-3	52,900	$6,925,000	$130.91	Eff. Price includes $250k for est. demo costs
10	NWC 10th & H Street	006-0152-013, 014 & 015	Sep-01	C-3	22,400	$2,245,000	$100.22	
11	NEC 14th & L Streets (1401 L)	006-0116-012	Jul-00	C-3	19,458	$2,500,000	$128.48	
12	SEC 15th & K Streets (1500 K)	006-0122-012	Jan-00	C-3	19,200	$2,500,000	$130.21	
13	SWC 15th & K + 1415 L Street	006-0116-003, 004, 005 & 009	May-99	C-3	38,365	$5,750,000	$149.88	
14	SEC J & 8th Streets	006-0097-001, -002 & -003	Jan-99	C-3	16,045	$2,000,000	$124.65	
15	NEC L & 14th Streets	006-0116-012	Oct-97	C-3	19,458	$1,556,000	$79.97	
16	NS J St., btwn. 10th & 11th Streets	006-0044-009 & 010	Dec-97	C-3	12,800	$1,000,000	$78.13	
17	SWC J & 13th Streets	006-0111-006 & 007	Nov-96	C-3	32,860	$2,700,000	$82.17	
18	SWC L & 5th Streets	006-0143-038	Aug-95	C-3	25,600	$2,100,000	$82.03	
19	1217 & 1227 K Street	006-0111-010 & -017	Apr-95 & Jun-95	C-3	23,200	$3,572,600	$153.99	Eff. Price includes $350k in lease buy-out
20	SS I St., btwn. 13th & 14th Streets	006-0054-007,008, 016 & 019	May-93	C-3	51,200	$5,376,000	$105.00	
						Minimum:	$78.13	
						Average:	$134.13	
						Median:	$129.35	
						Maximum:	$213.32	

Summary of Comparable Land Sales

No.	Name/Address	Sale Date; Status	Effective Sale Price	SF; Acres	Zoning	$/SF Land	$/Acre
1	Sacramento Criminal Courthouse H St. Sacramento Sacramento County CA	Oct-14 Closed	$10,000,000	105,415 2.42	Special District	$94.86	$4,132,231
	Comments: The property represents the city block at the southeast corner of The Railyards Specific Plan, bound by H Street to the south, G Street to the north, 5th Street to the west and 6th Street to the east. The property was selected as the "preferred site" for the new Sacramento Criminal Courthouse in April 2011. Over a dozen sites were investigated and two viable options were identified by the Courts (this property and 301 Capitol Mall) and this site was selected. In January 2013, the Judicial Council had indefinitely delayed the project due to the state's fiscal crisis and continuing cuts in court construction funds. In the state's Fiscal Year 2014-2015 Budget, the Legislature allocated $40 million in one-time cash for court construction projects and $27 million was appropriated for architectural design of the new criminal courthouse for Sacramento. The legislation was approved October 2014 and the state then closed escrow on this site. The proposed courthouse would contain approximately 405,000 SF (16 stories) and would provide 44 courtrooms as well as parking. Funds for construction of this $390 million project had yet to be legislated at closing.						
2	Towers on Capitol Mall Site 301 Capitol Mall Sacramento Sacramento County CA	Jun-05 Closed	$21,150,000	104,108 2.39	C-3, CBD	$203.15	$8,849,372
	Comments: This site represents a full city block (300 block) along the north side of Capitol Mall in the CBD. The site is bordered by Capitol Mall, L Street, 3rd and 4th Streets. At the time of sale, the site was improved with a four-story office building. The buyer acquired this site with the intention of demolishing the structure and developing two 53-story towers known as The Towers on Capitol Mall (800 residential condominiums, a 276-room hotel, 85,000 SF of retail space, a 40,000 SF athletic club, a 10,000 SF spa and an integrated 1,100 space parking garage). Estimated demolition costs of $650,000 have been added to the purchase price for analysis purposes. The proposed project was derailed by cost overruns and financing issues and the buyer (Saca) has since transferred his interest in the project to CalPERS, who was an equity investor in the project.						
3	NEC 10th & J Streets 927 10th St., 1009-2023 J St. Sacramento Sacramento County CA	Jun-05 Closed	$7,850,000	36,808 0.85	Commercial	$213.27	$9,289,941
	Comments: This property represents the acquisition of three contiguous properties situated along the north side of J Street between 10th and 11th Street. The existing uses at time of sale were office and a motel (motel was boarded and closed). This property was owned by Dean Ingemanson, who had assembled the adjacent properties in the 1970's and 1990's. Ingemanson originally put the property on the market in early 2003. After going in and out of escrow with potential buyers on several occasions, the property was placed under contact by Craig Schmidt (Cirby Development) in November 2004 for approximately $7.4 million; Schmidt's intention was to flip the property. Closing was delayed due to litigation relating to prior contract dispute. The Saca Family entered into a contract for $7,650,000 (with Schmidt). Both transactions closed concurrently on June 28, 2005, with the first transaction from Ingemanson to Cirby Development and the second from Cirby to Saca. The actual sale price of $7,650,000 has been adjusted upward by $200,000 for the buyer's estimated demolition costs. The buyer plans to develop the site with a 38-story tower known as the Metropolitan, with 350 residential condominium units and 13,000 SF of retail.						
4	SWC J & 11th Streets SWC J & 11th Streets Sacramento Sacramento County CA	Jan-05 Closed	$4,740,000	30,289 0.70	Commercial	$156.49	$6,817,201
	Comments: Assemblage of rectangle shaped, 28% of city block with corner and corner alley, level at street grade, all public utilities to site, off-site improvements complete. The existing uses were two-story retail buildings that buyer intended to demolish; intended use Cathedral Square, 1020 J, 25-story condominium, planning application submitted. Site subject to 75% retail frontage requirement and 250' height restriction. Located in CBD Incentive zone. Proposed use is 25-story tower known as Cathedral Square, with 233 residential units, 15,000 sf retail and 27,000 sf office. Estimated demolition costs of $150,000 have been added to the purchase price for analysis purposes. The properties sold on three different dates: 6/25/04, 9/7/04, & 1/27/05. The property is presently listed for sale with an asking price of $7,000,000 or $231 per square foot.						
5	SWC 15th & K Streets 15th St. & K St. Sacramento Sacramento County CA	Sep-04 Closed	$5,400,000	25,600 0.59	Commercial	$210.94	$9,188,361
	Comments: This site represents the sale of a vacant site at the SWC of 15th and K streets, directly north of the existing Meridian Plaza building. This property was purchased by AKT as part of the adjacent Meridian Plaza sale. This was the site planned for the Phase II Meridian project. This lot is ready for development and includes approvals for ±300,000 square feet of office space (24-story building). The contributory value of entitlements was estimated at approximately 10% of the purchase price. The site is subject to a building height restriction of 300 feet (Capitol View Protection District). *In May of 1999 this property sold along with parcel (APN 006-0116-009, 12,800 SF) which has been incorporated into the original Meridian Plaza office development for $149.88 a square foot.*						
	Subject BOE Headquarters Building Sacramento, CA			108,900 2.50	CBD		

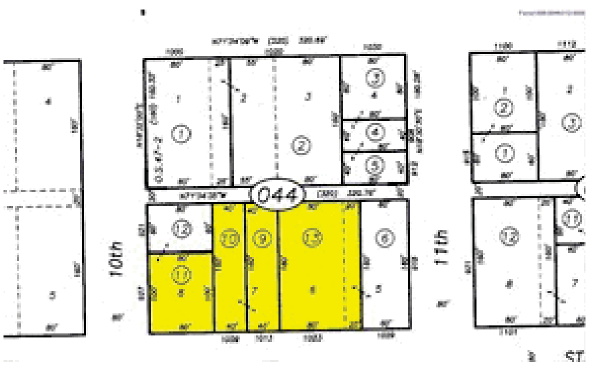
Comparable Land Sales Map



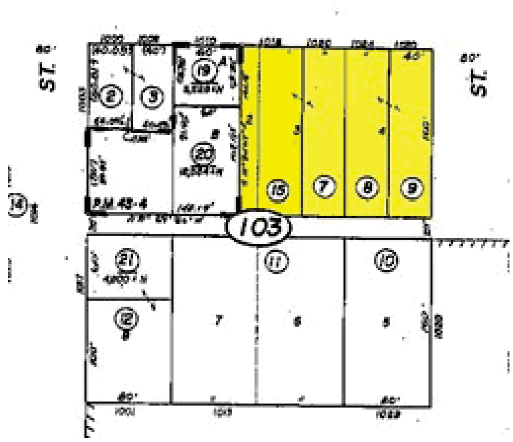


Sale 1
Sacramento Criminal Courthouse

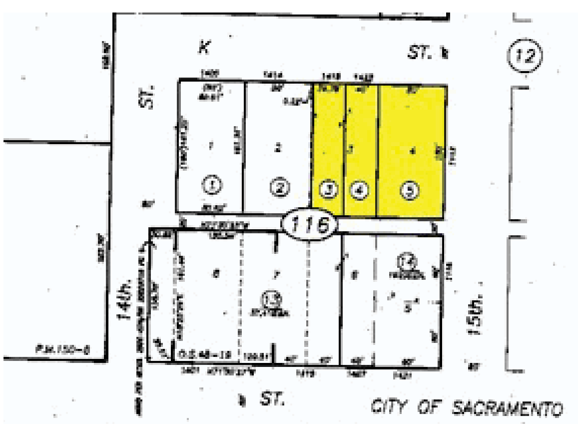
Sale 2
Towers on Capitol Mall Site



Sale 3
NEC 10th & J Streets



Sale 4
SWC J & 11th Streets



Sale 5
SWC 15th & K Streets

Adjustment Factors

The sales are compared to the subject and adjusted to account for material differences that affect value. Adjustments are considered for the following factors, in the sequence shown below.

Adjustment Factors	
Effective Sale Price	Accounts for atypical economics of a transaction, such as demolition cost, expenditures by the buyer at time of purchase, or other similar factors. Usually applied directly to sale price on a lump sum basis.
Real Property Rights	Fee simple, leased fee, leasehold, partial interest, etc.
Financing Terms	Seller financing, or assumption of existing financing, at non-market terms.
Conditions of Sale	Extraordinary motivation of buyer or seller, assemblage, forced sale, related parties transaction.
Market Conditions	Changes in the economic environment over time that affect the appreciation and depreciation of real estate.
Location	Market or submarket area influences on sale price; surrounding land use influences.
Access/Exposure	Convenience to transportation facilities; ease of site access; visibility from main thoroughfares; traffic counts.
Size	Inverse relationship that often exists between parcel size and unit value.
Shape and Topography	Primary physical factors that affect the utility of a site for its highest and best use.
Zoning	Government regulations that affect the types and intensities of uses allowable on a site.
Entitlements	The specific level of governmental approvals attained pertaining to development of a site.

Effective Sale Price

Several of the comparable sales (Sales 2-4) were improved with structures at the time of sale. The sale prices for these comparable sales are adjusted upward by the estimated demolition cost of the improvements in order to arrive at the effective sales price used for analysis. Sale 5 was fully entitled for development of a ±300,000 square foot office building at the time of sale. This comparable is adjusted downward by the estimated contributory value of entitlements (estimated at 10% of price) to arrive at the effective sales price.

Property Rights / Financing Terms/ Conditions of Sale

No adjustments are warranted for property rights, financing terms or conditions of sale.

Market Conditions

The comparable sales selected for analysis includes one sale closing in 2014 and four dated sales that closed between September 2004 and June 2005. Sale 1 is the most recent closed transaction. While the sale closed in October 2014, the price was negotiated in mid-2012. General economic and market conditions have improved since the date this sale was negotiated and most importantly, this comparable was placed under contract prior to the May 2013 announcement of the sale of the Sacrament Kings and the proposed downtown sports arena on the Downtown Plaza site (at the west end of the K Street Mall - ownership broke ground in second half of 2014, with completion slated for October 2016 - arena is expected to cost approximately $477 million). Based on these factors, a fairly significant upward adjustment for market conditions is considered appropriate for Comparable 1.

We have considered a number of key factors in order to determine the level of market conditions adjustment is warranted to these comparables, as summarized below.

Market Conditions Analysis						
	Eff. Date	1	2	3	4	5
	Aug-15	Jun-12*	Jun-05	Jan-05	Jan-05	Sep-04
Downtown Office Vacancy (1)	15%	16%	13%	13%	14%	14%
Avge Downtown Office Rent (1)	$2.19	$2.20	$2.25	$2.25	$2.25	$2.25
Regional Unemployment (2) - Rounded	6%	11%	5%	6%	5%	5%
Average Regional New Home Price (3)	$436,000	$335,000	$492,000	$492,000	$472,000	$461,000
*Contract date (COE was Oct-14)						
(1) CB Richard Ellis						
(2) Bureau Labor Statistics (USDL)						
(3) The Gregory Group						

Sales 2-5 transferred during the peak of the last up-cycle. The unit values indicated by these comparables are clearly not representative of today's market and were significantly influenced by artificially inflated housing prices and speculation during that period of time (the 2004-2005 sales were acquired for residential condominium development). Based on our analysis, downward adjustments are appropriate for Sales 2-5 for market conditions.

Zoning

The subject has a C-2 zoning, while the comparable sales have C-3 zoning. As discussed earlier, planners for the City of Sacramento believe the subject land under the tower site could rebuilt under its current density and that the remaining site of the subject parcel could be developed under the guidelines of the CBD general plan which permits FAR densities from 3 to 15. Although approval would need to be obtained, both planners believed there would be high likelihood of achieving the density similar to the C-3 zoned parcels. All of the comparable sales and subject would be subject to commission approval so there would not be any measure cost difference for obtaining entitlements. In our opinion, no zoning adjustment is warranted for the comparable sales.

Analysis and Adjustment of Sales

Our analysis of the comparable sales is described in the following paragraphs.

Land Sale 1 is a full city block, located at the southeast corner of The Railyards Specific Plan. The site contains 2.42-acres (105,415 SF) and is bound by H Street to the south, G Street to the north, 5th Street to the west and 6th Street to the east. The streets surrounding this site were unimproved when the property was placed in contract. As part of the sale, the seller was required to construct and fund the streets surrounding this site. The property was selected as the "preferred site" for the new Sacramento Criminal Courthouse in April 2011 and the property was put under contract in mid-2012 for $10,000,000, or $94.86 per square foot. In January 2013, the Judicial Council had indefinitely delayed the project due to the state's fiscal crisis and continuing cuts in court construction funds. In the state's Fiscal Year 2014-2015 Budget, the Legislature allocated $40 million in one-time cash for court construction projects and $27 million was appropriated for architectural design of the new criminal courthouse for Sacramento. The legislation was approved October 2014 and the State then closed escrow on this site.

As noted, this property is located at the southeast corner of The Railyards, and is adjacent to the north of the Sacramento CBD. This location rates inferior to the subject's location at 5th & N streets, in the heart of the CBD. At 2.42-acres, this comparable is similar to the subject property in overall size.

This comparable is rated similar to the subject in terms of other physical characteristics, as well as zoning and use potential. Based on changes in market conditions since the contract date and the inferior location rating, the unadjusted unit price ($94.86 per SF) is considered a very low indicator for the subject. Recognizing an upward adjustment for market conditions (previously discussed) and location an adjusted value of $153.68 per square foot is indicated by Sale 1.

Land Sale 2 represents a full city block located along the north side of Capitol Mall. The site is bordered by Capitol Mall, L Street, 3rd & 4th Streets. At sale, this property was improved with a four-story office building. The buyer acquired the site for redevelopment with two 53-story towers to be known as the Towers on Capitol Mall. This project was derailed by cost overruns and financing issues. The buyer involved in this transaction has since transferred his interest to CalPERS, who was an equity investor in the project. Adjusting the actual sales price upward by $650,000 for demolition costs, the unit price for this comparable equates to $203.15 per square foot.

The location of this property is rated superior to the subject's location at 5th and N streets. This comparable is of similar in size (2.39-acres). The comparable is rated similar to the subject in terms of other physical characteristics, as well as zoning and use potential. Recognizing downward adjustments for market conditions and location an adjusted value of $155.41 per square foot is indicated by Sale 2.

Land Sale 3 is a 0.84-acre (36,808 SF) parcel located at the northeast corner of 10th and J streets in the Sacramento CBD. This property was improved with an office building and a former motel (boarded and closed) at the time of sale. The property sold in June 2005 for $7,650,000. Adjusting for demolition costs, the effective sale price is $7,850,000, or $213.27 per square foot.

The location of this property rates inferior to the subject's location at 5th & N streets. This comparable is smaller in size to the subject property and requires a downward adjustment for this element. Comparable 3 is similar to the subject in terms of other physical characteristics, as well as zoning and use potential. Recognizing a downward adjustment for market conditions and size, an adjusted value of $172.75 per square foot is indicated by Sale 3.

Land Sale 4 consists of four contiguous parcels totaling 0.70-acres (30,289 SF) located at the southwest corner of 11th and J streets in the Sacramento CBD. This property was improved with existing retail/office buildings that did not contribute value. The property was assembled (same buyer) from three separate sellers between June 25, 2004 and January 27, 2005; the combined acquisition price was $4,590,000. Adjusting for demolition costs, the effective sale price is $4,740,000, or $156.49 per square foot. The buyer is proposing a 25-story tower known as Cathedral Square, with 233 residential units, 12,000 square feet of "commercial space" and a garage podium containing 328 parking spaces on two levels. Notably, this property is listed for sale with an asking price of $7,000,000 or $231 per square foot.

The location of this property rates similar to the subject's location. This comparable is smaller in size and warranted a downward adjustment. The comparable is similar to the subject in terms of other physical characteristics, as well as zoning and use potential. Recognizing a downward adjustment for market conditions and size, an adjusted value of $126.76 per square foot is indicated by Sale 4.

Land Sale 5 is a vacant 0.59-acre (25,600 SF) parcel located at the southwest corner of 15th and K streets, directly north of the existing Meridian Plaza building, in the Sacramento CBD. The property sold in September 2004 for $6,000,000. The site was fully entitled for a ±300,000 square foot, 24-story office building. Adjusting downward for the timing/cost associated with entitlements (estimated at 10% of price), the effective sale price is $5,400,000, or $210.94 per square foot.

Although in close proximity to the Capital, the location of this property rates superior to the subject. This comparable is smaller than the subject. The comparable is rated similar to the subject in terms of other physical characteristics, as well as zoning and use potential. Recognizing the downward adjustment for market conditions, location and size, an adjusted value of $151.87 per square foot is indicated by Comparable 5.

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

Land Sales Adjustment Grid

	Subject	Comparable 1	Comparable 2	Comparable 3	Comparable 4	Comparable 5
Name	BOE Headquarters Building	Sacramento Criminal Courthouse	Towers on Capitol Mall Site	NEC 10th & J Streets	SWC J & 11th Streets	SWC 15th & K Streets
Address	450 N Street	H St.	301 Capitol Mall	927 10th St., 1009-2023 J St.	SWC J & 11th Streets	15th St. & K St.
City	Sacramento	Sacramento	Sacramento	Sacramento	Sacramento	Sacramento
County	Sacramento	Sacramento	Sacramento	Sacramento	Sacramento	Sacramento
State	California	CA	CA	CA	CA	CA
Sale Date		Oct-14	Jun-05	Jun-05	Jan-05	Sep-04
Sale Status		Closed	Closed	Closed	Closed	Closed
Sale Price		$10,000,000	$20,500,000	$7,650,000	$4,590,000	$6,000,000
Other Adjustment		$0	$650,000	$0	$0	$0
Description of Adjustment				Demolition	Demolition	Entitlements
Effective Sale Price		$10,000,000	$21,150,000	$7,850,000	$4,740,000	$5,400,000
Square Feet	108,900	105,415	104,108	36,808	30,289	25,600
Acres	2.50	2.42	2.39	0.85	0.70	0.59
Price per Square Foot		**$94.86**	**$203.15**	**$213.27**	**$156.49**	**$210.94**
Property Rights		Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
% Adjustment		–	–	–	–	–
Financing Terms		All cash	Cash to seller			
% Adjustment		–	–	–	–	–
Conditions of Sale		Arm's Length	Arm's Length	Arm's Length	Arm's Length	Arm's Length
% Adjustment		–	–	–	–	–
Market Conditions		Negotiated 2012	Jun-05	Jun-05	Jan-05	Sep-04
Annual % Adjustment		35%	-10%	-10%	-10%	-10%
Cumulative Adjusted Price		**$128.07**	**$182.84**	**$191.94**	**$140.84**	**$189.84**
Location		20%	-15%	–	–	-10%
Access/Exposure		–	–	–	–	–
Size		–	–	-10%	-10%	-10%
Shape and Topography		–	–	–	–	–
Zoning		–	–	–	–	–
Entitlements		–	–	–	–	–
Net $ Adjustment		$25.61	-$27.43	-$19.19	-$14.08	-$37.97
Net % Adjustment		20%	-15%	-10%	-10%	-20%
Final Adjusted Price		**$153.68**	**$155.41**	**$172.75**	**$126.76**	**$151.87**
Overall Adjustment		62%	-24%	-19%	-19%	-28%

Range of Adjusted Prices	**$126.76 - $172.75**
Average	**$152.09**
Indicated Value	**$150.00**

Land Value Conclusion

Prior to adjustments, the sales reflect a range of $94.86 - $213.27 per square foot. After adjustment, the range is narrowed to $126.76 - $172.75 per square foot, with an average of $152.09 per square foot. To arrive at an indication of value, we place equal emphasis on all sales.

Based on the preceding analysis, we reach a land value conclusion as follows:

Land Value Conclusion	
Indicated Value per Square Foot	$150.00
Subject Square Feet	108,900
Indicated Value	$16,335,000
Rounded	$16,340,000

Cost Approach

The steps taken to apply the cost approach are:

- Develop an opinion of the value of the land as though vacant and available to be developed to its highest and best use, as of the effective date of the appraisal;
- Estimate the replacement cost new of the existing improvements under current market conditions;
- Estimate depreciation from all causes and deduct this estimate from replacement cost new to arrive at depreciated replacement cost of the improvements; and
- Add land value to the depreciated replacement cost of the improvements to arrive at a market value indication for the property overall.

The Cost Approach is sometimes an applicable approach to value properties with a stabilized occupancy and not suffering from significant depreciation. A Cost Approach has been performed for Scenario 3 which is a stabilized scenario using the existing tenant improvement and assuming all repair work has been completed. No Cost Approach was performed for the other scenarios as this approach was used solely to provide secondary support to the stabilized value estimate. All of the other approaches either had non-stabilized occupancies, assumed new tenant improvements and/or capital repairs were not completed. The elimination of the Cost Approach for the other scenarios is reasonable and justified for the assignment.

Replacement Cost

Replacement cost is the current cost to construct improvements with equivalent utility to the subject, using modern materials and current standards, design, and layout. Estimates of replacement cost for the purpose of developing a market value opinion include three components: direct costs, indirect costs (also known as soft costs) and entrepreneurial profit.

Direct Costs

Direct costs are expenditures for labor, materials, equipment and contractor's overhead and profit. We use Marshall Valuation Service (MVS) as the basis of our direct cost estimate. In addition to direct costs, MVS includes certain indirect costs such as architectural and engineering fees, and interest on building loan funds during construction.

Indirect Costs

MVS does not include all of the indirect costs that are appropriate in a replacement cost estimate. Therefore, we add an allowance for the following indirect costs that are not contained within MVS: taxes and carrying costs on land during construction; legal and accounting fees; and marketing and finance costs prior to stabilization. We estimate that an 18% allowance for additional indirect costs is appropriate.

Entrepreneurial Profit

The final component of the replacement cost estimate is entrepreneurial profit, the financial reward that a developer would expect to receive in addition to recovering all direct and indirect costs. This is the expected compensation that would be necessary to motivate a developer to undertake the project. It is our estimate that an allowance of 15% of total direct and indirect costs is appropriate.

Replacement Cost New

The following tables show our replacement cost estimates for the subject building improvements and site improvements.

Replacement Cost Estimate							
Building Improvements							
Bldg Name	*MVS Building Type*	*MVS Class*	*Quality*	*Quantity*	*Unit*	*Unit Cost*	*Cost New*
Office Building	Office Building	A	Good	644,293	SF	$282.08	$181,742,169
Parking Garage	Parking Garage	A-B	Low Cost	223,838	SF	$60.00	$13,430,280
Subtotal - Replacement Cost New							$195,172,449
Plus: Indirect Cost						18%	$35,131,041
Subtotal							$230,303,490
Plus: Entrepreneurial Profit						15%	$34,545,524
Total Replacement Cost New							$264,849,014
Site Improvements							
Item							*Cost New*
Landscaping							$150,000
Subtotal - Replacement Cost New							$150,000
Plus: Indirect Cost						18%	$27,000
Subtotal							$177,000
Plus: Entrepreneurial Profit						15%	$26,550
Total Replacement Cost New							$203,550
Overall Property							
Building Improvements							$195,172,449
Site Improvements							$150,000
Subtotal - Replacement Cost New							$195,322,449
Plus: Indirect Cost						18%	$35,158,041
Subtotal							$230,480,490
Plus: Entrepreneurial Profit						15%	$34,572,074
Total Replacement Cost New							$265,052,564

Source: Marshall Valuation Service except for Indirect Costs and Entrepreneurial Profit, which are appraiser's estimates.

Building Improvements - Unit Costs					
Building 1 Name:	**Office Building**				
MVS Building Type:	Office Building	Unit	SF	Current Multiplier	1.040
Const Class:	A	Unit Cost	$203.03	Local Multiplier	1.200
Quality:	Good	Sprinklers:	$2.45	Story Ht Multiplier	1.100
Quality Rating:	Good	HVAC Adjust		Perimeter Multiplier	1.000
Section/Page	15/17	Other:			
Economic Life	50	Subtotal:	$205.48	Final Unit Cost	$282.08
Building 2 Name:	**Parking Garage**				
MVS Building Type:	Parking Garage	Unit	SF	Current Multiplier	1.030
Const Class:	A-B	Unit Cost	$46.95	Local Multiplier	1.190
Quality:	Low Cost	Sprinklers:	$2.00	Story Ht Multiplier	1.000
Quality Rating:	Average	HVAC Adjust		Perimeter Multiplier	1.000
Section/Page	15/18	Other:			
Economic Life	50	Subtotal:	$48.95	Final Unit Cost	$60.00

Source: Marshall Valuation Service

Depreciation

Depreciation is the difference between the replacement cost new of the improvements and their contribution to overall property value on the effective date of the appraisal.

Deferred Maintenance

In the first step of estimating depreciation, we deduct the cost of curing deferred maintenance, which is discussed in the improvements description section of the report.

For purposes of this analysis we assume no deferred maintenance. We also assume all of the immediate capital expenditure repairs have been completed.

Age-Life Depreciation

After deducting deferred maintenance, if any, we use the age-life method to estimate depreciation applicable to the remaining replacement costs. This method indicates the loss in value due to physical deterioration and some functional obsolescence based on the age and condition of the improvements. The age-life method is applied on a straight-line basis, by dividing the subject's effective age by its economic life. Age-life depreciation for the site improvements is estimated separately from the building improvements, based on their shorter economic lives.

Depreciation Worksheet - Building Improvements

Bldg #	Bldg Name	Effective Age (Yrs)	Economic Life (Yrs)	S/L Deprec. %	Replacement Cost New	% of Overall RCN	Wtd. Avg. S/L Deprec.	S/L Deprec $
1	Office Building	20	50	40%	$246,624,124	93.1%	37.2%	$98,649,650
2	Parking Garage	30	50	60%	$18,224,890	6.9%	4.1%	$10,934,934
					$264,849,014	100.0%	41.4%	$109,584,584
Weighted Average Depreciation %								41.4%
Rounded							41%	

Functional Obsolescence

Functional obsolescence is a loss in value due to changes in market tastes and standards. The property suffers from some stigma that has been quantified in the Income Approach of the report. The value loss due to stigma was estimated to be approximately $10.2 million, as was developed in the Income Approach. This loss is approximately 4.3% of replacement cost new. Based on this we apply a functional obsolescence of 4% which quantifies the diminution in value associated with the stigma.

External Obsolescence

External obsolescence is a loss in value due to external causes, such as imbalances in supply and demand or negative location influences. We make a deduction of 15% to reflect a loss in value due to rental rates not being high enough to support new construction.

Final Estimate of Depreciation

Our estimate of depreciation and calculation of depreciated replacement cost are shown in the following tables.

Estimate of Depreciation		
Building Improvements		
Replacement Cost New		$264,849,014
Less: Deferred Maintenance		$0
Remaining Cost		$264,849,014
Age-Life Depreciation	41%	-$108,588,096
Additional Functional Obsolescence	4%	-$10,593,961
External Obsolescence	15%	-$39,727,352
Total Depreciation		-$158,909,408
Depreciated Replacement Cost		$105,939,606
Site Improvements		
Replacement Cost New		$203,550
Less: Deferred Maintenance		$0
Remaining Cost		$203,550
Age-Life Depreciation	0%	$0
Additional Functional Obsolescence	4%	-$8,142
External Obsolescence	15%	-$30,533
Total Depreciation		-$38,675
Depreciated Replacement Cost		$164,876
Overall Property		
Replacement Cost New		$265,052,564
Deferred Maintenance		$0
Remaining Cost		$265,052,564
Age-Life Depreciation		-$108,588,096
Additional Functional Obsolescence		-$10,602,103
External Obsolescence		-$39,757,885
Total Depreciation		-$158,948,083
Depreciated Replacement Cost		$106,104,481
Rounded:		$106,100,000

Value Indication – Scenario 3

By combining our land value conclusion with the depreciated replacement cost of the improvements, we arrive at a value indication by the cost approach as shown in the following table.

Value Indication by Cost Approach	
Depreciated Replacement Cost	$106,100,000
Land Value	$16,340,000
Indicated Property Value	$122,440,000
Rounded	$122,400,000

Valuation of the Redevelopment Possibility - Under-Utilized Parking Garage

In determining the Highest and Best Use Analysis under Scenario 4 we found there could be a possible upside potential in value for the property occupied by the garage and a portion of the office building. Our analysis indicated no support for a value enhancement under the other scenarios. The facts and opinions that are relevant are discussed below.

Most of the market participants interviewed felt there could be some upside potential for the garage site assuming the office building was vacant. A few of their responses are cited below:

Participant 1: One of the opinions cited by a major investment firm specializing in acquisitions of urban office properties was that “the cost to tear-down and rebuild would likely be cost prohibitive, especially in Sacramento which is a lower-demand/higher vacancy/slower growth real estate market”.

Participant 2: Another cited by one of the major real estate investment brokers in Sacramento reported no incremental value “unless presupposed a 100-story preleased building at conclusion of the demolition/new construction”.

Participant 3: This comment came from a major office building developer in Sacramento: “The State, in my experience, does not value parking like the private sector. If your assignment is to value it for a private sector buyer, I doubt anyone would see the development potential being accretive when measured against the negative impact on the value of the building w/o parking. I suppose some dreamer might suggest that residential (which uses less parking) could be built on top of the garage, or the garage rebuilt around some new residential tower, but I really think we are a long way from that math making sense. So….bottom line is that, in my opinion, any additional value due to the site being underutilized would be marginal at best.”

Participant 4: This comment came from major CBD office developer in Sacramento. When asked about additional value for occupied building the comment was “Minimal as is, depending on the obligations to service tenants under existing leases. Also, it would be important to understand the implications of the existing engineering of the garage structure and what, if anything, could be added to it”. When asked how he would view it if the property was vacant the participant stated “yes”.

Participant 5: This participant took a different view and felt conversion of some of the garage space into retail was a possibility. Knowing the location, he concluded retail rents at this location would not likely be sufficient to justify renovation of the garage.

Of the five participant interviewed only 1 clearly thought there was no upside potential value for the parking garage. Four of the participants said something such as: not likely but maybe, marginal, yes, a possibility. These answers tend to suggest there is likely some small value attributable to the under-utilized land where the parking garage occupies for a vacant property.

To quantify the value of the under-utilized land under scenario 4 we have considered several techniques. These techniques are discussed on the following page.

Development Approach: This method estimates the value of the property by solving for the residual value if a major office project were constructed on the parking garage site. As determined earlier in the highest and best use, office rental rates to make an office tower financially feasible for new construction was determined to be $50.59 per square foot on NUA area basis or $42.87 per square foot under a NRA basis. For a state office building built under typical lease terms (4 years firm & 4 years soft) this development is not remotely financially feasible and would result in a negative residual value to the potential excess land. Although this rate is being achieved in the best Class A office buildings in the CBD, there is insufficient demand by the private sector for this location. High absorption cost for private sector space would cause this scenario to being infeasible and again return a negative residual land value for the area occupied by the parking garage.

Accretive Value Analysis: This test determines what value is added if development was undertaken. Explained differently, what additional value is generated on a comparison of two investment strategies? This analysis was completed in the highest and best use. The results were as follows:

Current Property Value – Garage Site plus Associated office: This analysis resulted in a value estimate of $10,058,970 for the parking garage and the associated office located on the garage site.

Residual Value of the Land Under the Garage: This scenario assumes they would demolish the parking garage to make way for redevelopment of the land under the parking garage. This analysis resulted in a residual value estimate of $9,659,432.

The residual land value under the garage has a lower value as compared to the current property state. This analysis shows there is no accretive value to pursue redevelopment of this land at the current time.

Pricing Premium Associated with Positive Property Characteristic: In some properties there are physical features or characteristics that could impact the future operating results and/or future price. Oftentimes, the future impact of such a characteristic cannot be quantified in terms of a different income or future sale price premium or discount. Interviews with buyers and sellers with properties having these potential value impacting characteristics indicate they sometimes quantify the value enhancement with more aggressive acquisition price to account for the amenity in question. For investment properties, buyers and sellers will often price it at a lower capitalization rate to account for the amenity that could result in higher return in the future.

For Scenario 4, there is potential future value associated with the under-utilized land where the garage and a portion of the office are located. Although our earlier analysis indicated this amenity may not be accretive today, it still deserves some premium as compared to other properties without such feature. This belief is echoed from our interviews with market participants who express their opinions the potential excess land value deserves only a small price premium.

To help quantify this premium under this approach we have looked at the value differences if different capitalization rates were utilized. Again, considering most all of the participant's opinions of value enhancement was small at best, we believe a capitalization discount no greater than 50 basis points is reasonable.

Shown later in the Income Approach is the net operating income estimate of $10,008,905 under Scenario 4. A capitalization rate of 8.25% was utilized. To analyze the subject's positive attribute we apply different capitalization rates to determine a possible premium for this amenity. Below is this process:

Value Premium - Capitalization Rate Test						
Capitalization Rate	8.25%	8.15%	8.05%	7.95%	7.85%	7.75%
Cap Rate Differential	0.00%	0.10%	0.20%	0.30%	0.40%	0.50%
Net Operating Income	$10,008,905	$10,008,905	$10,008,905	$10,008,905	$10,008,905	$10,008,905
Value	$121,320,061	$122,808,650	$124,334,224	$125,898,176	$127,501,975	$129,147,161
Premium	----	$1,488,590	$3,014,163	$4,578,115	$6,181,914	$7,827,101
% Increase		1.2%	2.5%	3.8%	5.1%	6.5%

The table above shows the value increases when different capitalization rates are applied to Scenario 4's stabilized net operating income. The spread in capitalization rates is 10 to 50 basis points. Review of numerous office sale transactions indicate a 50 basis point cap rate differential is for an attribute(s) that has general characteristics such as: near-term increase, and/or high probability of achieving higher income/appreciation. The subject's situation is characterized as "uncertain increase" uncertain time table" and likely small/marginal accretive increase in future. This more closely corresponds to a cap rate differential in the lower range, possibly from 10 to 30 basis points. The value enhancement under these cap rates ranges from $1,488,590 to $4,578,115, with a mid-point of $3,033,353. We believe the mid-point price incremental is reasonable for the subject and as such have rounded this value enhancement premium to $3,000,000 for this method.

Conclusion

Three different methods were considered to quantify the value attributable to the subject's under-utilized development of the land occupied by the garage and/or portions of the office building. The first two tests showed a negative value or negative value accretive while the last method of "price premium associated with positive property characteristic" indicated a premium of $3,000,000. We consider these final points in reconciling to a final conclusion:

- The subject amenity in question is viewed as a positive attribute. Assuming all else the same, an investor would choose the subject property over a like-kind property that didn't have this positive amenity because there could be a time and redevelopment scenario for the subject that could achieve a higher return in the future.

- Financial feasibility tests are often disregarded by market participants when making acquisitions. Take a common sample case of land being paid for future development when financial feasibility analysis show's lower or negative residual value.

- Despite the price premium analysis being subjective, it is a form of analysis or thinking that is utilized by buyers and sellers.

- Participants interviewed expressed some possibility of enhancement, but the majority opinion indicated that under best case scenario it was only a small premium.

Based on this analysis, we reconcile to the results of the price premium analysis and conclude to a value enhancement of $3,000,000 for the subject's under-utilized development of the land occupied by the garage and/or portions of the office building. This value enhancement applies only to Scenario 4, where the property is assumed to be vacant. No value enhancement is warranted or supported for any of the other scenarios for the reasons cited earlier in the Highest and Best Use analysis.

Income Capitalization Approach

The income capitalization approach converts anticipated economic benefits of owning real property into a value estimate through capitalization. The steps taken to apply the income capitalization approach are:

- Analyze the revenue potential of the property.
- Consider appropriate allowances for vacancy, collection loss, and operating expenses.
- Calculate net operating income by deducting vacancy, collection loss, and operating expenses from potential income.
- Apply the most appropriate capitalization methods to convert anticipated net income to an indication of value.

The two most common capitalization methods are direct capitalization and discounted cash flow analysis. In direct capitalization, a single year's expected income is divided by an appropriate capitalization rate to arrive at a value indication. In discounted cash flow analysis, anticipated future net income streams and a future resale value are discounted to a present value at an appropriate yield rate.

In this analysis, we use both direct capitalization and discounted cash flow analysis because investors in this property type typically rely on both methods.

Leased Status of Property

There is a lease on the property between State Public Works Board of the State of California as lessee, and the Department of General Services of the State of California, as lessor. This lease was established as a condition of refinancing the property in November 2011 with Lease Revenue bonds. This lease expires on December 1, 2021. This lease is internal to the ownership of the property and not arm's length. No consideration has been given to the lease arrangement for any of the value scenarios.

The majority of the property is occupied by the State Board of Equalization (BOE). This tenant is obligated to occupy the property as part of the bonds that were issued for the property. BOE pays a rent to DGS to cover the bonds and operating cost of the property. This lease arrangement is also internal to the ownership of the property and not arm's length. No consideration has been given to the lease arrangement for any of the value scenarios.

The property has three leases that are ancillary to the office use of the property. These are as follows:

Golden 1 Lease: This tenant occupies approximately 100 square feet in the building lobby. The tenant uses the space for an ATM. Their annual rent is $4,620, gross.

Capital Area Child Care Consortium (CACCCI): This tenant occupies 2,984 square feet on the ground floor plus 3,719 square feet of outdoor play area. The lease commenced December 1, 2010 and expires November 30, 2015. The annual rent is $9,000, full service. The tenant provides child care services.

Department of Rehabilitation, Business Enterprise Program: This tenant occupies 7,001 square feet on the ground floor. The lease commenced April 1, 2012 and is on a month-to month agreement. There is no rent obligation. The tenant provides food vending and cafeteria food services.

For analysis purposes we will utilize market rents to estimate potential income under the various scenarios.

Market Rent Analysis

Contract rents typically establish income for leased space, while market rent is the basis for estimating income from either vacant or owner-occupied space. As discussed earlier there are different value scenarios for the property. Each of the scenarios has assumptions regarding occupancy, condition and tenancy. Shown on the following page is detailed market rent assumptions for each of the value and rent scenarios.

Of the 9 different value or rent scenarios there are 4 market rent assumption categories. These are grouped as follows:

Market Rent 1 Category: Scenarios 1, 2 & 3 fall under this category. This category assumes state occupancy, current as is tenant improvements, 4 year lease terms and state escalations. The building area to be rented under this category will be Usable Area, which is how the state leases space.

Market Rent 2 Category: Scenarios 4, 5 & 6 fall under this category. This category assumes multi-tenant occupancy by state and private sector, new tenant improvements, 4 to 10 year lease terms and market and state escalations. The building area to be rented under this category will be Usable Area for the state occupied space and Net Rentable Area for the private sector leased space.

Market Rent 3 Category: Value Scenarios 7 & Market Rent Scenario 9 fall under this category. This category assumes state occupancy, new tenant improvements, 20 year lease term and state escalations. The building area to be rented under this category will be Usable Area, which is how the state leases space.

Market Rent 4 Category: Market Rent Scenario 8 falls under this category. This category assumes a lease to a developer, shell building condition, a 20 year lease term and market escalations. The building area to be rented under this category will be Usable Area. The developer's lease expectation under this scenario is that they would obtain state occupancy under 4-year lease terms.

Scenarios 8 and 9 are strictly market rent estimates. These scenarios do not involve value estimates.

As a starting point we will initially estimate market rent for Market Rent 1 Category. After arriving at this rent conclusion, the market rent for the other categories will be estimated.

MARKET RENT ASSUMPTIONS

Value Scenario No.	1	2	3	4
Scenario Name	As Is Value - Encumbered	As Is Value - Unencumbered	As If Repaired - State Occupied	As If Vacant
Assumed tenant	State	State	State	Future Multi-tenant (State & private sector)
Tenant Improvements	Existing TI's	Existing TI's	Existing TI's	New TI's
CAPEX Repairs	Assumed Completed	Assumed Completed	Assumed Completed	Assumed Completed
Lease Term	4 Year firm	4 Year firm	4 Year firm	4-10 years
Rental Escalations	State rent escalation	State rent escalation	State rent escalation	Mkt & State rent escalation
Free Rent	None	None	None	State - None; Private 1mo/yr

MARKET RENT ASSUMPTIONS

Value Scenario No.	5	6	7	8	9
Scenario Name	As If Repaired -Single & Multi-tenant	As If Repaired -Single & Multi-tenant	Leaseback Value, 20 yr.	Market Rent Estimate - Shell	Market Rent Estimate - New TI's
Assumed tenant	Future Multi-tenant (State & private sector)	Multi-tenant (State & private sector)	State	Developer	State
Tenant Improvements	New TI's	New TI's	New TI's	Shell	New TI's
CAPEX Repairs	Assumed Completed	Assumed Completed	Assumed Completed	Assumed Completed	Assumed Completed
Lease Term	4-10 years	4-10 years	20 years	20 years	20 years
Rental Escalations	Mkt & state rent escalation	Mkt & state rent escalation	State rent escalation	CPI	State rent escalation
Free Rent	State - None; Private 1mo/yr	State - None; Private 1mo/yr	None	None	None

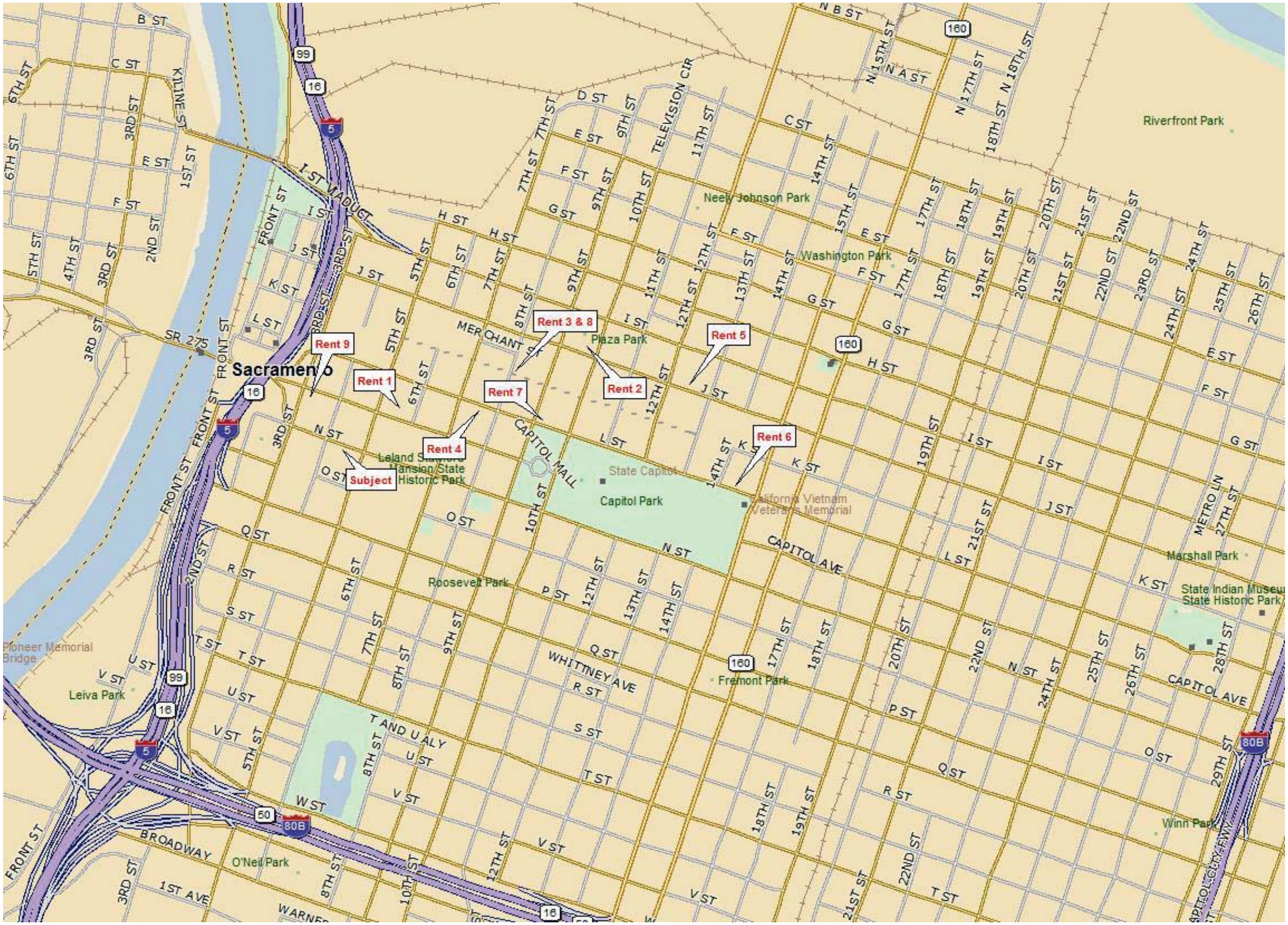
Summary of Comparable Rentals - Market Rent Category 1

No.	Property Information	Description		Tenant	SF	Lease Start	Term (Mos.)	Rent/SF	Escalations	Free Rent	TI/SF	Lease Type
1	Plaza Five Fifty Five	Yr Blt.	1971	Murphy Austin	21,668	Jul-15	109	$27.60	$0.05/SF/yr	None	$78.50	Full Service
	555 Capitol Mall	Stories:	14									
	Sacramento	RA:	382,128									
	Sacramento County	Parking Ratio:	2.1 /1,000									
	CA											
2	Park Tower	Yr Blt.	1992	Department of Managed Health Care	10,615	Feb-15	96	$31.56	$0.05/SF/yr	None	$43.97	Full Service
	980 9th St. & 1010 8th St.	Stories:	25									
	Sacramento	RA:	452,056									
	Sacramento County	Parking Ratio:	2.7 /1,000									
	CA											
	Comments: Rent is based on usable area. Building load factor is 18%. Lease has annual rent escalation of $0.05/SF/mo. Full service, no CPI and no free rent. Firm term ends on 6/31/19 after which State has right to vacate with 60 days notice.											
3	Renaissance Tower	Yr Blt.	1989	California Earthquake Authority	28,500	Jan-15	75	$29.40	$0.05/SF/yr	None	$25.00	Gross
	801 K St.	Stories:	28									
	Sacramento	RA:	336,752									
	Sacramento County	Parking Ratio:	1.5 /1,000									
	CA											
	Comments: This is a lease extension and expansion for the California Earthquake Authority on the 10th floor. The lease extension is for 21,000 SF with a $14/SF TI and for a 7,500 SF expansion with a $25/SF Ti. The lease rate includes the TI allowance. This is a typical state lease with a CPI escalator clause for increases in operating expenses. The rent increases to $2.75/SF in month 18 and has annual $0.05/SF increases thereafter. The equivalent starting rent assuming $0.05/SF annual increases is $2.62/SF annual.											
4	770 L Street	Yr Blt.	1984	High-Speed Rail Authority	29,330	Oct-14	96	$30.53	$0.05/SF/yr	1 month	$30.00	Full Service
	770 L St.	Stories:	13									
	Sacramento	RA:	169,078									
	Sacramento County	Parking Ratio:	1.5 /1,000									
	CA											
	Comments: Expansion of 13,809 square feet to a total of 29,330 square feet with renewal of existing space. Expanded space taken at $31.80 per square foot and previously occupied space renewed at $29.40 per square foot. Expanded space given 1 month free rent and $30 per square foot in TI allowance. Rent increases $0.05 annually.											
5	1325 J Street	Yr Blt.	1989	Gov's Office of Business & Economic Development	15,894	Jul-14	96	$30.48	$0.05/SF/yr	1 month	$32.70	Full Service
	1325 J	Stories:	19									
	Sacramento	RA:	348,407									
	Sacramento County	Parking Ratio:	2.0 /1,000									
	CA											
	Comments: The firm terms expires on 6/30/2018, after which State has early termination rights. The 1st month rent was reduced at $18.72/SF. lease has annual escalations of $0.05/SF/mo. The lease space was on net usable area. It is full service with no CPI.											

Summary of Comparable Rentals - Market Rent Category 1

No.	Property Information	Description		Tenant	SF	Lease Start	Term (Mos.)	Rent/SF	Escalations	Free Rent	TI/SF	Lease Type
6	Meridian Plaza	Yr Blt.	2004	California Department of Public Health	14,957	Nov-13	97	$33.00	$0.10/SF/2 yrs	1 Month	$10.83	Full Service
	1415 L St.	Stories:	12									
	Sacramento	RA:	227,233									
	Sacramento County	Parking Ratio:	2.5 /1,000									
	CA											
	Comments: The lease space is net usable area. The firm term ends after 4 years after which State has right to terminate with 60 day notice. 1st Mo. free rent. Average escalation of $0.10/SF every 2 yrs. CPI is applied to $14,396.											
7	Capitol Place	Yr Blt.	1988	Department of Finance	15,971	Aug-13	96	$31.56	$0.10/SF/2	None	$35.00	Full Service
	915 L St.	Stories:	14									
	Sacramento	RA:	167,007									
	Sacramento County	Parking Ratio:	1.4 /1,000									
	CA											
	Comments: Firm term is 4 years, after which state has right to terminate with 90 days notice. Lease is based on net usable area. Escalations of $0.10/SF every two years. No free rent. CPI is applied to $16,214.											
8	Renaissance Tower	Yr Blt.	1989	Department of Conservation	131,395	Sep-12	84	$31.08	3%/yr	None	$9.89	Full Service
	801 K St.	Stories:	28									
	Sacramento	RA:	336,752									
	Sacramento County	Parking Ratio:	1.5 /1,000									
	CA											
	Comments: $ year firm term after which State has right to vacate with 60 days notice. Lease based on net usable area. No free rent. 3% annual rent escalations. CPI is applied to $119,301.											
9	Emerald Tower	Yr Blt.	1984	State Controllers Office	133,666	Feb-12	84	$31.20	$0.05/SF/yr	apprx.	$13.50	Full Service
	300 Capitol Mall	Stories:	18									
	Sacramento	RA:	383,238									
	Sacramento County	Parking Ratio:	2.0 /1,000									
	CA											
	Comments: 4 year firm term lease with rights to vacate with 60 day notice. Reduced rent of $2.32/SF for 1st four months. $0.05/SF escalation for first yr. and $0.10/SF per year thereafter. CPI applied to $135,537.											

Comparable Rentals Map



Lease 1
Plaza Five Fifty Five

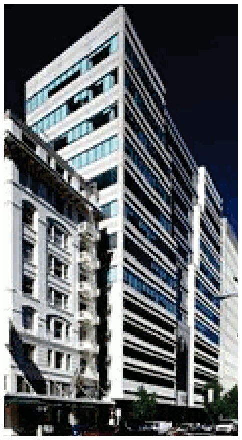
Lease 2
Park Tower

Lease 3
Renaissance Tower

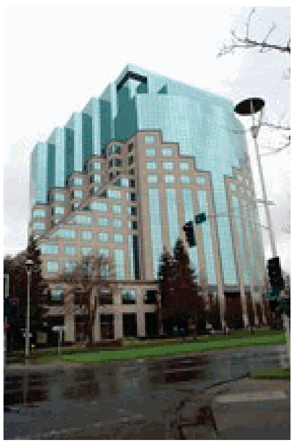
Lease 4
770 L Street

Lease 5
1325 J Street

Lease 6
Meridian Plaza


Lease 7
Capitol Place


Lease 8
Renaissance Tower


Lease 9
Emerald Tower

Rental Analysis Factors

The following elements of comparison are considered in our analysis of the comparable rentals.

Rental Analysis Factors	
Expense Structure	Division of expense responsibilities between landlord and tenants.
Conditions of Lease	Extraordinary motivations of either landlord or tenant to complete the transaction.
Market Conditions	Changes in the economic environment over time that affect the appreciation and depreciation of real estate.
Location	Market or submarket area influences on rent; surrounding land use influences.
Access/Exposure	Convenience to transportation facilities; ease of site access; visibility from main thoroughfares; traffic counts.
Size	Difference in rental rates that is often attributable to variation in sizes of leased space.
Building Quality	Construction quality, amenities, market appeal, functional utility.
Age/Condition	Effective age; physical condition.
Economic Characteristics	Variations in rental rate attributable to such factors as free rent or other concessions, pattern of rent changes over lease term, or tenant improvement allowances.

Analysis of Comparable Rentals

NRA vs. NUA: The market rent to be estimated in this scenario will be on a net usable area basis. Except for Rent 1, all of the rents were on a net usable area. Rent 1 has an equivalent NUA rent of $34.50/SF after adding an adjustment for its 20% load factor.

Expense Structure: Each of the rentals has full service expense types. Under this expense category the landlord is responsible for providing and paying all operating costs. This is the same expense structure assumed for the subject. No adjustments are warranted for the comparable rentals.

Conditions of Lease: There were no special conditions or motivations on the part of the landlord or tenant. No adjustments required for this factor.

Market Conditions: The date of the leases ranges from February 2012 to July 2015. According to REIS, office rents in the Sacramento CBD for all property classes during this period ranged from $24.47 per square foot to $25.03 per square foot. This results in less than 1% annual rent escalation per year. Based on this data, we have applied a rent appreciation of 0.50% annually to the rent comparables.

Year	Qtr	Effective Rent	Eff Rent % Chg	Cons/Abs	Abs/Occ Stock%
2010	Y	$23.98	0.2%	0.0	- 0.4%
2011	Y	$24.26	1.2%	0.0	0.1%
2012	Y	$24.47	0.9%	n/a	0.0%
2013	Q3	$24.55	0.2%	n/a	0.0%
2013	Q4	$24.57	0.1%	n/a	0.0%
2013	Y	$24.57	0.4%	0.0	- 0.7%
2014	Q1	$24.59	0.1%	0.0	1.1%
2014	Q2	$24.61	0.1%	0.0	0.1%
2014	Q3	$24.64	0.1%	0.0	0.1%
2014	Q4	$24.54	- 0.4%	0.0	- 3.3%
2014	Y	$24.54	- 0.1%	0.0	- 2.0%
2015	Q1	$24.79	1.0%	0.0	- 0.1%
2015	Q2	$25.03	1.0%	0.0	0.3%

Location: The subject has a good location in the CBD. There are other locations that rate superior. Properties along Capitol Mall and L Street are deemed to have superior locations as compared to the subject's 5th and N street location. The properties which likely have superior locations include rentals 1, 6 & 7 and 9. The average adjusted rent (after market conditions, but before other adjustments) of these four superior located comparables is $32.88 per square foot. The adjusted rent (after market conditions, but before other adjustments) of the similar rated located comparables is $30.73 per square foot. The five similar located sales have an average rent that is approximately 6.5% lower than the superior located sales, before all other factors are considered. Although this is not a perfect paired rent analysis it does show some measureable premium being achieved for the superior located sales. Based on this analysis, we have applied a downward adjustment of 5% to the superior located rent properties is reasonable.

Lease Space Size: The lease space size of the subject could potentially be a single-floor user, whole building users or something in between. We believe if it were vacant and available for lease the likely state tenant would likely be a consolidated state agency who would take at least 50,000 to 100,000 square feet. For analysis purposes, we have assumed a typical lease space size of 50,000 square feet which is about two-floors.

The comparable leases have lease space sizes from 10,615 SF to 133,666 SF. The assumed average lease space size is in the middle of this range. Typically, there is an inverse relationship between lease space sizes and rent. Rental rates generally decline the larger the space.

As discussed in the market overview section, there is a shortage of large lease spaces in the central city area of Sacramento, which could mean that there is no discount for large lease spaces. A review of the rental data shows no evidence of any size premium or discount for either smaller or larger lease space sizes. No size adjustments are necessary for any of the comparable rents, despite their size differences.

Building Quality: All of the comparable buildings and the subject are Class A. There are however different qualities among the properties. The subject is considered to have an average quality rating. We believe Rents 1, 3, 4 and 8 have similar quality ratings. Rent 6 is a superior quality building with more modern architectural design. A downward adjustment of 5% is deemed reasonable for this property. Rents 2, 5, 7 and 9 are slightly superior in quality and warrant a downward adjustment of 3%.

Age/Condition: The subject was built in 1993. Except for some capital expense repairs, the building is in good condition. For purposes of estimating market rent, we have assumed the capital expense repairs have been completed. The rent properties have building dates of construction from 1971 to 2004. The older buildings have all gone through renovations over the years. Despite some differences in ages for the properties, we do not believe any adjustments are necessary for age/condition.

Economic Characteristics: For rent comparison, this category typically means free rent, differences in rent escalation or tenant improvements. We will address these separately.

Free Rent – Our market rent estimates assumes no free rent. The comparable have rent concessions from none to 1 month. These are minor concessions which are negligible in the overall rent structure. No adjustment is believed to be necessary for the free rent.

Tenant Improvements – For this category we have considered the subject's in-place tenant improvements. No tenant improvement allowance is assumed for this market rent category. As reported earlier in the Improvement Section, the existing TI's are in the middle of their expected life expectancy and in average overall condition. We believe the effective value of the existing subject TI's are approximately $25.00 per square foot or approximately 50% of the cost of installing new tenant improvements. All of the comparable leases were for previously finished spaces. The adjustment for tenant improvements will be derived by taking the amount to monthly amortize the TI value difference over the lease term of the comparable at 6%. Below is this process.

Tenant Improvement Analysis

Comparable	TI Allowance	Subject TI Value	Difference	Term - Months	Amortized Term of Lease, 6%	Rent/SF	Adj/
1	$78.50	$25.00	$53.50	109	-$7.65	$34.50	-22%
2	$43.97	$25.00	$18.97	96	-$2.99	$31.56	-9%
3	$25.00	$25.00	$0.00	75	$0.00	$29.40	0%
4	$30.00	$25.00	$5.00	96	-$0.79	$30.53	-3%
5	$32.70	$25.00	$7.70	96	-$1.21	$30.48	-4%
6	$10.83	$25.00	-$14.17	97	$2.22	$33.00	7%
7	$35.00	$25.00	$10.00	96	-$1.58	$31.56	-5%
8	$9.89	$25.00	-$15.11	84	$2.65	$31.08	9%
9	$13.50	$25.00	-$11.50	84	$2.02	$31.20	6%

Rent Escalations – Our market rent estimate assumes typical or market rent escalations. Our review of the market indicates annual escalations of $0.60/SF are typical of the market. Most of the lease comparable properties had similar escalations. We do not believe any adjustment is warranted for the small differences in rent escalations.

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

Rental Adjustment Grid - Market Rent Category 1

	Subject	Comparable 1	Comparable 2	Comparable 3	Comparable 4	Comparable 5	Comparable 6	Comparable 7	Comparable 8	Comparable 9
Property Name	BOE Headquarters Building	Plaza Five Fifty Five	Park Tower	Renaissance Tower	770 L Street	1325 J Street	Meridian Plaza	Capitol Place	Renaissance Tower	Emerald Tower
Buiding Class	A	A	A	A	A	A	A	A	A	A
Quality	Average	Average	Average-Good	Average	Average	Average-Good	Good	Average-Good	Average	Average-Good
Address	450 N Street	555 Capitol Mall	980 9th St. & 1010 8th St.	801 K St.	770 L St.	1325 J	1415 L St.	915 L St.	801 K St.	300 Capitol Mall
City	Sacramento	Sacramento	Sacramento	Sacramento	Sacramento	Sacramento	Sacramento	Sacramento	Sacramento	Sacramento
County	Sacramento	Sacramento	Sacramento	Sacramento	Sacramento	Sacramento	Sacramento	Sacramento	Sacramento	Sacramento
State	California	CA	CA	CA	CA	CA	CA	CA	CA	CA
Lease Start Date		Jul-15	Feb-15	Jan-15	Oct-14	Jul-14	Nov-13	Aug-13	Sep-12	Feb-12
Lease Term (Months)		109	96	75	96	96	97	96	84	84
Tenant Name		Murphy Austin	Department of Managed Health Care	California Earthquake Authority	High-Speed Rail Authority	Gov's Office of Business & Economic Development	California Department of Public Health	Department of Finance	Department of Conservation	State Controllers Office
Leased SF		21,668	10,615	28,500	29,330	15,894	14,957	15,971	131,395	133,666
Lease Type		Full Service	Full Service	Gross	Full Service	Full Service	Full Service	Full Service	Full Service	Full Service
TI's		$78.50	$43.97	$25.00	$30.00	$32.70	$10.83	$35.00	$9.89	$13.50
Space		NRA	NUA	NUA	NUA	NUA	NUA	NUA	NUA	NUA
Firm Term		9 yrs	4 yrs	6.2 yrs	4 yrs	4 yrs	4 yrs	4 yrs	4 yrs	4 yrs
Avg/Yr Escalation		$0.05/SF/Mo	$0.05/SF/Mo	$0.05/SF/Mo	$0.05/SF/Mo	$0.05/SF/Mo	CPI	$0.05/SF/Mo	CPI	$0.07/SF/Mo
Free Rent		None	None	None	1 Month	Partial month	1 Month	None	None	Partial -1st 4mo.
Base Rent Per Usable SF		**$34.50**	**$31.56**	**$29.40**	**$30.53**	**$30.48**	**$33.00**	**$31.56**	**$31.08**	**$31.20**
Expense Structure										
$ Adjustment		–	–	–	–	–	–	–	–	–
Conditions of Lease										
% Adjustment		–	–	–	–	–	–	–	–	–
Market Conditions	9/15/2015	Jul-15	Feb-15	Jan-15	Oct-14	Jul-14	Nov-13	Aug-13	Sep-12	Feb-12
Annual % Adjustment	0.5%	–	–	–	–	1%	1%	1%	2%	2%
Cumulative Adjusted Rent		**$34.50**	**$31.56**	**$29.40**	**$30.53**	**$30.78**	**$33.33**	**$31.88**	**$31.70**	**$31.82**
Location		-5%	–	–	–	–	-5%	-5%	–	-5%
Access/Exposure		–	–	–	–	–	–	–	–	–
Size		–	–	–	–	–	–	–	–	–
Building Quality		–	-3%	–	–	-3%	-5%	-3%	–	-3%
Age/Condition		5%	–	–	–	–	–	–	–	–
Free Rent		–	–	–	-2%	-1%	-2%	–	–	-1%
TI's		-22%	-9%	–	-3%	-4%	7%	-5%	9%	6%
Escalations		–	–	–	–	–	–	–	–	–
Net $ Adjustment		-$7.59	-$3.79	$0.00	-$1.53	-$2.46	-$1.67	-$4.14	$2.85	-$0.95
Net % Adjustment		-22%	-12%	0%	-5%	-8%	-5%	-13%	9%	-3%
Final Adjusted Price		**$26.91**	**$27.77**	**$29.40**	**$29.00**	**$28.32**	**$31.66**	**$27.73**	**$34.55**	**$30.87**
Overall Adjustment		-22%	-12%	0%	-5%	-7%	-4%	-12%	11%	-1%
Range of Adjusted Rents		**$26.91 - $34.55**								
Average		**$29.58**								
Indicated Rent		**$29.00**								

Market Rent Conclusion – Market Rent Category 1

After analysis, the overall range is $26.91 - $34.55 per square foot. The mean of the adjusted rents is $29.58/SF and the median is $29.00 per square foot. Rent 3 had no adjustment and was signed at $29.40/SF. Based on this analysis, a market rent near the central indicators is reasonable for the subject. A market rent of $29.00 per square of usable area is concluded for Market Rent Category 1. This rent estimate was confirmed as being accurate by a reliable source that handles state leases. The state is assumed to be the occupant of the building, so this rental rate will apply to the usable building area of the building. Based on review of the rent comparable data, the complete market lease terms under this rent category is shown as follows:

- Rent: $29.00 per square foot on NUA
- Tenant Improvements: None – considers only in-place tenant improvements
- Expense Type: Full service
- Lease Term: 8 years, with 4 year firm term. 60 day notice to terminate after 4 years
- Annual Rent Escalation: $0.60 per square foot
- Expense Escalation: CPI on total operating expenses

Market Rent Conclusion – Market Rent Category 2

This category assumes multi-tenant occupancy by state and private sector, new tenant improvements, 4 to 10 year lease term and market and state escalations. The building area to be leased under this category will be Usable Area for the state occupied space and Net Rentable Area for the private sector leased space.

The primary difference of this category verses Category 1 is the new tenant improvement allowance. We utilize market tenant improvement allowance of $50.00 on net usable area basis. This is the approximate cost to improve the space above a shell condition. Utilizing a 10 year life of the improvements and 6% return, the annual amortization $50 per square foot is $6.66 per square foot per year (monthly amortization). If you add the TI amortization cost to our market rent under category 1 you arrive at a total rent of $35.66 per square foot of NUA. This rent is above all of the rent comparables that ranged from $29.40 to $34.50 per square foot.

We have performed a second adjustment grid, the only difference being the $50 per square foot tenant improvements assumed for this analysis.

The only change in the adjustments was for tenant improvements which are shown on the chart below.

Tenant Improvement Analysis

Comparable	TI Allowance	Subject TI Value	Difference	Term - Months	Amortized Term of Lease, 6%	Rent/SF	Adj/
1	$78.50	$50.00	$28.50	109	-$4.08	$34.50	-12%
2	$43.97	$50.00	-$6.03	96	$0.95	$31.56	3%
3	$25.00	$50.00	-$25.00	75	$4.81	$29.40	16%
4	$30.00	$50.00	-$20.00	96	$3.15	$30.53	10%
5	$32.70	$50.00	-$17.30	96	$2.73	$30.48	9%
6	$10.83	$50.00	-$39.17	97	$6.13	$33.00	19%
7	$35.00	$50.00	-$15.00	96	$2.37	$31.56	7%
8	$9.89	$50.00	-$40.11	84	$7.03	$31.08	23%
9	$13.50	$50.00	-$36.50	84	$6.40	$31.20	21%

Shown on the following page is an adjustment grid for Scenario 2.

Rental Adjustment Grid - Market rent Category 2

	Subject	Comparable 1	Comparable 2	Comparable 3	Comparable 4	Comparable 5	Comparable 6	Comparable 7	Comparable 8	Comparable 9
Property Name	BOE Headquarters Building	Plaza Five Fifty Five	Park Tower	Renaissance Tower	770 L Street	1325 J Street	Meridian Plaza	Capitol Place	Renaissance Tower	Emerald Tower
Buiding Class	A	A	A	A	A	A	A	A	A	A
Quality	Average	Average	Average-Good	Average	Average	Average-Good	Good	Average-Good	Average	Average-Good
Address	450 N Street	555 Capitol Mall	980 9th St. & 1010 8th St.	801 K St.	770 L St.	1325 J	1415 L St.	915 L St.	801 K St.	300 Capitol Mall
City	Sacramento	Sacramento	Sacramento	Sacramento	Sacramento	Sacramento	Sacramento	Sacramento	Sacramento	Sacramento
County	Sacramento	Sacramento	Sacramento	Sacramento	Sacramento	Sacramento	Sacramento	Sacramento	Sacramento	Sacramento
State	California	CA	CA	CA	CA	CA	CA	CA	CA	CA
Lease Start Date		Jul-15	Feb-15	Jan-15	Oct-14	Jul-14	Nov-13	Aug-13	Sep-12	Feb-12
Lease Term (Months)		109	96	75	96	96	97	96	84	84
Tenant Name		Murphy Austin	Department of Managed Health Care	California Earthquake Authority	High-Speed Rail Authority	Gov's Office of Business & Economic Development	California Department of Public Health	Department of Finance	Department of Conservation	State Controllers Office
Leased SF		21,668	10,615	28,500	29,330	15,894	14,957	15,971	131,395	133,666
Lease Type		Full Service	Full Service	Gross	Full Service	Full Service	Full Service	Full Service	Full Service	Full Service
TI's	$50/SF	$78.50	$43.97	$25.00	$30.00	$32.70	$10.83	$35.00	$9.89	$13.50
Space		NRA	NUA	NUA	NUA	NUA	NUA	NUA	NUA	NUA
Firm Term		9 yrs	4 yrs	6.2 yrs	4 yrs	4 yrs	4 yrs	4 yrs	4 yrs	4 yrs
Avg/Yr Escalation		$0.05/SF/Mo	$0.05/SF/Mo	$0.05/SF/Mo	$0.05/SF/Mo	$0.05/SF/Mo	CPI	$0.05/SF/Mo	CPI	$0.07/SF/Mo
Free Rent		None	None	None	1 Month	Partial month	1 Month	None	None	Partial -1st 4mo.
Base Rent Per Usable SF		**$34.50**	**$31.56**	**$29.40**	**$30.53**	**$30.48**	**$33.00**	**$31.56**	**$31.08**	**$31.20**
Expense Structure										
$ Adjustment		–	–	–	–	–	–	–	–	–
Conditions of Lease										
% Adjustment		–	–	–	–	–	–	–	–	–
Market Conditions	9/15/2015	Jul-15	Feb-15	Jan-15	Oct-14	Jul-14	Nov-13	Aug-13	Sep-12	Feb-12
Annual % Adjustment	0.5%	–	–	–	–	1%	1%	1%	2%	2%
Cumulative Adjusted Rent		**$34.50**	**$31.56**	**$29.40**	**$30.53**	**$30.78**	**$33.33**	**$31.88**	**$31.70**	**$31.82**
Location		-5%	–	–	–	–	-5%	-5%	–	-5%
Access/Exposure		–	–	–	–	–	–	–	–	–
Size		–	–	–	–	–	–	–	–	–
Building Quality		–	-3%	–	–	-3%	-5%	-3%	–	-3%
Age/Condition		5%	–	–	–	–	–	–	–	–
Free Rent		–	–	–	-2%	-1%	-2%	–	–	-1%
TI's		-12%	3%	16%	10%	9%	19%	7%	23%	21%
Escalations		–	–	–	–	–	–	–	–	–
Net $ Adjustment		-$4.14	$0.00	$4.70	$2.44	$1.54	$2.33	-$0.32	$7.29	$3.82
Net % Adjustment		-12%	0%	16%	8%	5%	7%	-1%	23%	12%
Final Adjusted Price		**$30.36**	**$31.56**	**$34.10**	**$32.97**	**$32.32**	**$35.66**	**$31.56**	**$38.99**	**$35.64**
Overall Adjustment		-12%	0%	16%	8%	6%	8%	0%	25%	14%
Range of Adjusted Rents		**$30.36 - $38.99**								
Average		**$33.69**								
Indicated Rent		**$33.00**								

Continuation of Market Rent Estimate – Market Rent Category 2

The nine rent comparable properties have an adjusted range from $30.36 to $38.61 per square foot. The mean is $33.69 and the median is $32.97 per square foot. Based on this analysis, a market rent near the central indicators is reasonable for the subject. A market rent of $33.00 per square of usable area is concluded for the analysis of the rent comparable properties.

Further support for market rent was from one of the State's leasing brokers who reported $34/SF, NUA being a reasonable estimate with new $50/SF TI's.

The three indicators of market rent for Category 2 are $35.66/SF (TI amortization method), $33.00/SF, NUA from rent comparable analysis and $34/SF NUA from knowledgeable leasing agent. We give most weight to the rent comparable properties and arrive at a market rent of $33.00 per square foot.

Market Rent Category 2		
	State NUA	Private Sector NRA
Market Rent per NUA	$33.00	
Adjustment Rate for NRA (17.106565% load factor)		$28.17946

The load factor from NUA to NRA is based on actual NUA (478,746 SF) and NRA (560,643 SF) for subject.

The greatest demand for the space is anticipated to be state agencies. An allocation of 80% state and 20% private sector is used for this analysis.

Based on review of the rent comparable data, the complete market lease terms under this rent category is shown as follows:

- Rent: $33.00 per square foot on NUA (state) and $28.17 per square foot on NRA (private)
- Tenant Improvements: $50.00 per square foot on NUA
- Expense Type: Full service
- Lease Term: 8 years, with 4 year firm term. 60 day notice to terminate after 4 years
- Annual Rent Escalation: $0.60 per square foot
- Expense Escalation: CPI on total operating expenses

Market Rent 3 Category: Value Scenario 7 & Market Rent Scenario 9 fall under this category. This category assumes state occupancy, new tenant improvements, a 20 year lease term and state escalations. The building area to be rented under this category will be Usable Area, which is how the state leases space.

Although there are no comparable properties to compare the subject to under this scenario, we can consider other market evidence to arrive at this market rent estimate.

Under a long-term lease scenario a developer or owner would likely apply a rate of return to their cost/basis in the property to arrive at a rent. We are aware of a recent long-term lease agreement for build-to-suit construction. The City of Citrus Heights recently executed a 30-year lease for their new 39,000 SF city hall. The developer and the City came to a rent agreement based on a 9.0% return on cost being the net rent for the property. Interviews with developers and review of other developments where typical lease terms are contemplated indicate return on costs is usually in the 10-11% range. Below we quantify the difference in rents using a couple of different rates of return. ***Please note, the rent calculation and value shown below are purely arbitrary and have only been used to quantify the difference in rent levels.***

	Long-Lease Term		Typical Lease Term		
Assumed Cost/Value	$100.00		$100.00	$100.00	$100.00
Rate of Return	9.00%		10.00%	10.50%	11.00%
Rent Calculation	$9.00		$10.00	$10.50	$11.00
Difference			10.00%	14.29%	18.18%

The chart above shows typical lease term developments generally command higher rents as compared to long-term lease deals. Based on this analysis, we estimate the rent for Market Rent Category 3 needs to be 15% lower than Market Rent Category 2 (avg. 4 year lease term).

Below is our calculation of Market Rent 3 Category:

Market Rent Category 3 - Per NUA	
Market Rent Estimate - Category 2	$33.00
Less: 15%	$4.95
Market Rent Estimate - Category 3	$28.05
Rounded	$28.00

Market Rent 3 Category Continued

Based on review of the rent comparable data, the complete market lease terms under this rent category is shown as follows:

- Rent: $28.00 per square foot on NUA (state)
- Tenant Improvements: $50.00 per square foot on NUA
- Expense Type: Full service
- Lease Term: 20 year firm term.
- Annual Rent Escalation: 10% every 5 years
- Expense Escalation: CPI on total operating expenses

Market Rent 4 Category: Scenario 8 (a market rent estimate) falls under this category. This category assumes a lease to a developer, shell building condition, a 20 year lease term and market escalations. The building area to be rented under this category will be Usable Area.

We will estimate the market rent under this category from two different methods.

Method 1: Rate of Return on Value of Vacant Building: Under this method a rate of return is applied to the value of a vacant building. These require the following inputs:

Stabilized Value: A stabilized value must first be estimated in order to residual down to the value of an as if vacant building. Shown later in this report the stabilized value under the direct capitalization approach, the stabilized value under 4-year lease term with new $50/SF tenant improvements is $121,320,059. This includes the parking garage as well, which we estimated earlier to be $8,046,613 assuming the property were vacant.

Tenant Improvements: If a developer were to lease the building under this scenario they would incur tenant improvement cost of $50 per square foot of net useable area, as well as the holding cost for the time to complete the tenant improvements.

Rent Loss: It will take 1 year to complete the TI and move in a new tenant. As will be shown later in the report the cost of a 2 year hold is $22,009,702 under Scenario 4. We use one-half of this cost of $11,004,851 to arrive at income loss until the property can become stabilized.

Commissions: As will be shown later in report, commissions to lease the building under Scenario 4 are estimated to be $1,729,001.

Profit: We use 15% of all lease-up cost to estimate profit.

Rate of Return: We use 11% rate of return to calculate annual rent.

Below are the calculations to arrive at market rent from this method:

Market Rent Estimate - Category 4 - Method 1		
Stabilized Value - Including Garage Income		$121,320,059
Less: Value of Parking Garage As If Vacant		$8,046,613
Less: Rent Loss		$11,004,851
Less: Tenant Improvements		$23,937,300
Less: Commissions		$1,729,001
Less: Profit		$5,500,673
Value of Office Tower As If Vacant - Cap Ex Completed		$71,101,621
Rate of Return		11.00%
Annual Rent		$7,821,178
Rent Per SF		$16.34

Method 2: Residual Down Using Market Rent 4 Conclusion: Under this method deductions are made from the Market Rent 3 category to residual down to a rent for a vacant building.

We utilize the same costs as shown in method 1. A rate of return of 11% is utilized to calculate the deductions.

Market Rent Category 4 - Per NUA - Method 2			
Market Rent Estimate - Category 3			$28.000
Less: Return for Economic Loss	$11,004,851	11%	$2.529
Less: Return of TI's:	$23,937,300	11%	$5.500
Less: Return for Commission:	$1,729,001	11%	$0.397
Less: Return for Profit	$5,500,673	11%	$1.264
Market Rent Estimate - Category 4			$18.310
		Rounded	$18.31

Market Rent 4 Category Conclusion

The two methods indicate $16.34 per square foot and $18.31 per square foot. We give more weight to Method 2 and arrive at a market rent conclusion of $18.00 per square foot for Market Rent Category 4.

Based on review of the comparable data and analysis, market rent conclusion under this rent category is shown as follows:

- Rent: $18.00 per square foot on NUA (state)
- Tenant Improvements: Shell Condition
- Expense Type: Full service
- Lease Term: 20 year firm term.
- Annual Rent Escalation: 10% every 5 years
- Expense Escalation: CPI on total operating expenses

Based on the preceding analysis of comparable rentals, we conclude market lease terms for the subject as follows:

Concluded Market Lease Terms

Space Type	Market Rent/ SF/Yr	Size Basis	Rent Escalations	Lease Type	Lease Term (Mos.)	Free Rent (Mos.)	Expense Escalator	TI/SF Assumed
Market Rent Category 1	$29.00	NUA	$0.60/SF/Yr	Full Service	48	0	CPI on expense	As Is
Market Rent Category 2 (State)	$33.00	NUA	$0.60/SF/Yr	Full Service	48	0	CPI on expense	$50.00
Market Rent Category 2 (Private Sector)	$28.18	NRA	$0.60/SF/Yr	Full Service	48	0	CPI on expense	$50.00
Market Rent Category 3	$28.00	NUA	10%/every 5 yrs	Full Service	240	0	CPI on expense	$50.00
Market Rent Category 4	$18.00	NUA	10%/every 5 yrs	Full Service	240	0	CPI on expense	$50.00

Stabilized Income and Expenses

Potential Gross Rent

Potential gross rent is based on contract rent from the existing lease in place. Income is projected for the 12-month period following the effective date of the appraisal.

In the following table, we compare potential income from contract rent to potential income from market rent.

Potential Gross Income

Scenario	Mkt Rent Category	State Occupancy	Private Sector	Market Rent NUA	Market Rent NRA	Potential Gross Income
1	1	100%	0%	$29.00	--	$13,883,634
2	1	100%	0%	$29.00	--	$13,883,634
3	1	100%	0%	$29.00	--	$13,883,634
4	2	100%	0%	$33.00	--	$15,798,618
5	2	80%	20%	$33.00	$28.17946	$15,798,618
6	2	80%	20%	$33.00	$28.17946	$15,798,618
7	3	100%	0%	$28.00	--	$13,404,888
8	4	100%	0%	$18.00	--	$8,617,428
9	3	100%	0%	$28.00	--	$13,404,888

Scenarios 8 and 9 are strictly market rent estimates. These scenarios do not involve value estimates.

Expense Reimbursements

The market rent estimate assumes there will be CPI escalators on expenses for the state leases. For year one analysis no expense reimbursements have been recognized. In the Discounted Cash Flow Analysis, we have modeled a reimbursement equivalent to the increase in the operating expenses.

Vacancy & Collection Loss

A stabilized occupancy can be viewed as being the occupancy which the property will average over a typical holding period. According to the PwC Survey, most investors have a 5 to 15 year holding period, with an average near 9 years. A holding period of 10 years has been selected to analyze the subject property. For the purpose of this analysis, the stabilized occupancy of the subject property will be based on the most probable occupancy over a ten-year holding period.

Scenarios 1-6: The assumed occupancy under these scenarios is all or predominately State of California as tenants. These scenarios assume 4-year lease terms for state occupancy and up to 10 years for private sector spaces. In these scenarios there will likely be on-going turnover vacancy during the holding period. This category represents both the rent loss caused by physical vacancy and credit loss projected for the subject after achieving stabilized occupancy. For the stabilized pro forma, physical vacancy reflects an average projected vacancy at lease rollover. As indicated in the Office Market Analysis section of this report, the submarket is currently experiencing a vacancy level of approximately 11.97%. The competing properties have a current vacancy rate of 5.3%. Historically, the competing properties have averaged slightly lower overall vacancy rates than what is recorded today. Based on these sources, a stabilized vacancy and collection loss of 5% was projected for the subject property.

Scenario 7: The assumed occupancy under this scenario is the State of California as a tenant. This scenario assumes a 20-year lease term. No vacancy is assumed for this scenario.

Other Income

The subject has a lease to Golden 1 for some of the lobby space for use as an ATM. The annual rent is $4,620. The day care and cafeteria space are assumed to be sub-tenants of the major occupant of the building and will not be recognized as we have already accounted for this space in the net useable area.

The income and expense comparable properties have other income ranging from $0.11 to $0.72 per square foot. These properties are generally occupied by private tenants who pay for additional services such after hour HVAC use. The additional services would not likely apply to the subject property as state occupants would provide their own services. It is standard in state leases to have provisions for after hour utility charges, so some income is expected from this source.

Review of another large state occupied building in the Sacramento area indicates other income is close to $0.05 per square foot of NRA annually. We believe this is the best source, and have estimated an annual other income of $30,000.

Net Parking Income

The subject parking garage has 711 parking spaces. There is a contract with Twin Valet Parking to oversee the management and operation of the parking garage. The term of this agreement is from May 1, 2015 through April 30, 2018. The garage operator collects all parking charges, performs and pays the operating costs and after deducting their annual fee of $62,610 reimburses the state the balance. This type of operation is common for other large office buildings with garages. For fiscal period ending June 30, 2015, the state collected net parking income of $477,621. This income equates to annual income of $671 per space. The parking garage has below market rates. The current monthly rate is $60.00 per space. The daily parking rate is $6.00 per day and they sell 90-115 permits daily. These rates in general are lower than 50% of those being charged in private office buildings. Given the below market parking rates for the property, no weight has been given to the subject's historical garage income as a private owner would charge market rates.

An analysis has been completed on parking revenue for other large office properties in Sacramento. Below is a summary of the actual net parking revenue for six office properties.

	Parking Grage Space Comparables					
	No. 1	No. 2	No. 3	No. 4	No. 5	No. 6
No. Parking Spaces	1,094	1,204	783	258	791	727
Parking Income Per Space	$1,766	$1,444	$1,972	$674	$1,188	$456

The mean of the data is $1,250 per space. No. 4 and No. 6 are predominately state or government occupied buildings, which likely have some below market parking space rents. The others are occupied by mostly private tenants where there are higher daily charges. These have net parking incomes from $1,188 to $1,972 per space annually. Number 1 and number 3 are superior. Number 2 and number 5 are most similar which support incomes from $1,188 to $1,444 per space annually. Based on the comparable properties, we estimate net parking revenue of $1,300 per space or $924,300 annually (711 spaces @ $1,300/space) is achievable.

Operating History – Subject

Two years of historical operating data for the subject was provided. The data is for fiscal year-end periods (June 2014, and June 2015). As appropriate, the owner's operating expenses are reclassified into standard categories and exclude items that do not reflect normal operating expenses for this type of property.

Operating History	Actual - 2014	Actual - 2015
Income		
Base Rent	$17,313,098	$16,709,111
Net Parking Income	inc above	477,621
Potential Gross Income*	$17,313,098	$17,186,732
Other Income	inc. above	inc above
Effective Gross Income	$17,313,098	$17,186,732
Expenses		
Real Estate Taxes	$0	$0
Insurance	18,684	12,912
Utilities	1,147,498	1,158,530
Repairs/Maintenance	424,089	549,797
Cleaning/Janitorial	1,954,529	1,872,967
Security	0	54,803
General/Administrative	1,387,326	1,408,980
Management	0	0
Total Expenses	$4,932,126	$5,057,988
Net Operating Income	**$12,380,972**	**$12,128,744**
Income per Square Foot		
Base Rent	$30.88	$29.80
Net Parking Income		0.85
Potential Gross Income per Square Foot	$30.88	$30.66
Effective Gross Income per Square Foot	$30.88	$30.66
Expenses per Square Foot		
Real Estate Taxes	$0.00	$0.00
Insurance	0.03	0.02
Utilities	2.05	2.07
Repairs/Maintenance	0.76	0.98
Cleaning/Janitorial	3.49	3.34
Security	0.00	0.10
General/Administrative	2.47	2.51
Management	0.00	0.00
Total Expenses per Square Foot	$8.80	$9.02
NOI per Square Foot	**$22.08**	**$21.63**
Rentable Area (SF):	560,643	560,643

All income and expenses reported in table above are based on NRA.

Expense Comparable Data

We have collected operating expense data from seven major office buildings in the Sacramento CBD. The operating data is actual data for years ending 2013 or 2014. Although the market rent was estimated using a net useable area basis, the operating expense information will be analyzed on a net rentable area basis as that is how the comparable expense information was provided. The seven expense comparable properties utilized include the following buildings:

Primary Expense Comparables - 4

- Emerald Tower, 300 Capitol Mall
- Park Tower, 980 9th Street
- Senator Office Building, 1121 L Street
- Wells Fargo, 400 Capitol Mall,

Secondary Expense Comparables – 3

- 1100 Q Street
- Five Fifty Five, 555 Capitol Mall
- 1326 J Street

Below is the cumulative data for the 7 properties:

Combined Operating Data - 7 CBD Office Properties All reported on $/SF or NRA				
Income Analysis	**Min**	**Mean**	**Median**	**Max**
Base Rent	$18.04	$24.69	$24.64	$30.93
Net Parking Income	$0.00	$2.32	$2.46	$4.03
Expense Reimbursement	$0.13	$0.65	$0.76	$1.01
Other Income	$0.00	$0.29	$0.20	$0.72
Effective Gross Income	$18.17	$27.95	$28.06	$36.69
Expense Analysis				
Real Estate Taxes	$1.17	$2.91	$2.86	$4.72
Insurance	$0.08	$0.38	$0.32	$0.95
Utilities	$1.48	$1.89	$1.91	$2.30
Repairs/Maintenance	$0.58	$1.20	$0.89	$2.09
Cleaning/Janitorial	$0.78	$1.11	$1.07	$1.51
Security	$0.52	$0.75	$0.63	$1.10
General/Administrative	$0.77	$2.25	$1.41	$5.24
Management	$0.40	$0.78	$0.90	$0.92
Total Operating Expense	$5.78	$11.27	$9.99	$18.83
Net Operating Income	$12.39	$16.68	$18.07	$17.86

Operating Data from Class A Office Properties - Sacramento CBD														
Property Identification	**Expense Comparable 1**		**Expense Comparable 2**		**Expense Comparable 3**		**Expense Comparable 4**		**Expense Comparable 5**		**Expense Comparable 6**		**Expense Comparable 7**	
Property Name	Wells Fargo		Park Tower		Emerald Tower		Senator Office		1100 Q Street		Plaza Five Fifty Five		1325 J Street	
Location	400 Capitol Mall		980 9th Street		300 Capitol Mall		1121 L Street		1100 Q Street		555 Capitol Mall		1325 J Street	
Location	Sacramento CBD		Sacramento CBD		Sacramento CBD		Sacramento CBD		Sacramento CBD		Sacramento CBD		Sacramento CBD	
Size	±500,000		±400,000		±400,000		±150,000		±150,000		±400,000		±400,000	
NRA	507,028		445,995		383,238		159,678		151,857		382,128		363,723	
Yr. Built	1990's		1990's		1980's		Early 1900's		1990's		1970's		1980's	
Year Built	1992		1992		1985		1924		1999		1,971		1989	
Type	Class A, High Rise		Class A, High Rise		Class A, High Rise		Class A, High Rise		Class B, Mid-rise		Class A, High Rise		Class A, High Rise	
Income Expense Information														
Operating Data Type	Actual		Actual		Actual		Actual		Actual		Actual		Actual	
Period Ending	12/31/2013		12/31/2014		12/31/2014		12/31/2014		12/31/2014		12/31/2014		12/31/2013	
Income Analysis	Total	$/SF	Total	$/SF	Total	$/SF	Total	$/SF			Total	$/SF	Total	$/SF
Base Rent		$30.93		$24.64		$25.87		$19.81		$29.19		$18.04		$24.34
Net Parking Income		$3.81		$3.90		$4.03		$0.00		$1.15		$2.46		$0.91
Expense Reimbursement		$0.93		$1.01				$0.13		$0.41				$0.76
Other Income		$0.19		$0.72				$0.22		$0.00		$0.51		$0.11
Effective Gross Income		$35.86		$30.27		$29.90		$20.16		$30.75		$21.01		$26.13
Expense Analysis														
Real Estate Taxes		$4.72		$2.78		$3.34		$2.20		$3.30		$1.17		$2.86
Insurance		$0.38		$0.58		$0.24		$0.95		$0.08		$0.12		$0.32
Utilities		$1.68		$2.23		$1.73		$1.48		$1.91		$2.30		$1.93
Repairs/Maintenance		$1.30		$2.09		$0.58		$2.09		$0.89		$0.70		$0.75
Cleaning/Janitorial		$1.51		$1.15				$1.24		$0.78		$0.98		$1.00
Security				$0.52				$1.10				$0.63		
General/Administrative		$3.81		$1.36		$5.24		$1.28		$1.90		$0.77		$1.41
Management		$0.90		$0.92		$0.91		$0.40		$0.86		$0.90		$0.55
Total Operating Expense		$14.29		$11.63		$12.04		$10.74		$9.72		$7.57		$8.82
Net Operating Income		$21.56		$18.64		$17.87		$9.42		$21.03		$13.43		$17.31

The income and expenses on a per square foot basis may not total up exactly as no rounding of the per square foot indicators was applied.

Unit expense data for the subject, comparable properties, and industry benchmarks are summarized in the following table.

Expense Analysis per Square Foot							
	Comp Data*				Subject		
	Comp 1	Comp 2	Comp 4	Comp 7	Historical and Projected Expenses		
Year Built	1990's	1990's	1980's	1980's	1992		
SF	±500,000	±400,000	±150,000	±400,000	560,643		
Operating Data Type	Actuals	Actuals	Actuals	Actuals	Actual	Actual	IRR
Year	2013	2014	2014	2013	2014	2015	Projection
Real Estate Taxes	$4.72	$2.78	$2.20	$2.86	$0.00	$0.00	$2.18
Insurance	$0.38	$0.58	$0.95	$0.32	$0.03	$0.02	$0.40
Utilities	$1.68	$2.23	$1.48	$1.93	$2.05	$2.07	$2.10
Repairs/Maintenance	$1.30	$2.09	$2.09	$0.75	$0.76	$0.98	$1.50
Cleaning/Janitorial	$1.51	$1.15	$1.24	$1.00	$3.49	$3.34	$1.50
Security	$0.00	$0.52	$1.10	$0.00	$0.00	$0.10	$0.50
General/Administrative	$3.81	$1.36	$1.28	$1.41	$2.47	$2.51	$1.50
Management	$0.90	$0.92	$0.40	$0.55	$0.00	$0.00	$0.51
Total	$14.30	$11.63	$10.73	$8.82	$8.80	$9.02	$10.19

We utilize Expense data No. 1, 2, 4 & 7 from the prior page for comparison to the subject.

Operating Expense Analysis by Category

Discussions of our operating expense projections are presented in the following paragraphs.

Real Estate Taxes

This expense category includes all local, county, and state property tax levies. Our projection will be based on the stabilized value from the Direct Capitalization Approach and tax rate for the subject.

The subject property is exempt from property taxes and assessments as it is owned by the government. The valuation of the property assumes private ownership of the property that will result in real estate taxes being assessed. The property is located in Tax Rate Area 03-009 which has a tax rate of 1.1325%. The direct assessment estimate will be estimated from two similar properties. The properties located at 300 and 400 Capitol Mall are full city blocks developed with high-rise office buildings. The direct assessments for these properties are $50,234 and $57,111, respectively. A direct assessment of $55,000 annually is estimated for the subject property under private ownership.

Below is the calculation of taxes for the different scenarios:

Estimate of Real Estate Taxes - Assuming a Sale to Private Ownership					
	Stabilized Value	Tax Rate	Direct	Total Taxes	Rounded
Scenario 1	$102,376,421	1.1325	$55,000	$1,214,413	$1,210,000
Scenario 2	$102,376,421	1.1325	$55,000	$1,214,413	$1,210,000
Scenario 3	$102,376,421	1.1325	$55,000	$1,214,413	$1,210,000
Scenario 4	$121,320,059	1.1325	$55,000	$1,428,950	$1,430,000
Scenario 5	$124,611,311	1.1325	$55,000	$1,466,223	$1,470,000
Scenario 6	$124,611,311	1.1325	$55,000	$1,466,223	$1,470,000
Scenario 7	$137,619,696	1.1325	$55,000	$1,613,543	$1,610,000

Insurance

Insurance expense includes property and casualty insurance for the subject. The state is self-insured so no weight is given to the historical insurance expenses for the property.

For this expense we rely solely on the expense data. The four primary expense comparable properties have expenses from $0.32 to $0.95 per square foot. Less weight is given to Expense 4 as it appears it is an outlier. Expense data No. 1, 2 & 7 has an average of $0.43 per square foot.

The combined data from the 7 operating comparable properties show average and median costs of $0.38 and $0.32 per square foot, respectively.

Based on this data, we conclude to insurance expense of $0.40 per square foot.

Insurance Expense

	Comp 1 2013	Comp 2 2014	Comp 4 2014	Comp 7 2013	Actual 2014	Actual 2015	IRR Projection
Total	–	–	–	–	$18,684	$12,912	$224,257
% of EGI	1.1%	1.9%	1.2%	4.7%	0.1%	0.1%	–
$/SF	$0.38	$0.58	$0.95	$0.32	$0.03	$0.02	$0.40

Utilities

Utility charges include water, sewer, gas, waste removal and electricity expenses. For this expense we rely mostly on the historical subject expense with some weight given to the expense data.

The fiscal 2015 expense for the subject was $2.07/SF, which represents a small increase from fiscal 2014.

The four primary expense comparable properties have expenses from $1.48 to $2.23 per square foot. The combined data from the 7 operating data comparable properties show average and median costs of $1.89 and $1.91 per square foot, respectively.

Based on this data, we conclude to a utility expense of $2.10 per square foot, which represents a small increase from fiscal 2015.

Utilities Expense

	Comp 1 2013	Comp 2 2014	Comp 4 2014	Comp 7 2013	Actual 2014	Actual 2015	IRR Projection
Total	–	–	–	–	$1,147,498	$1,158,530	$1,177,350
% of EGI	4.7%	7.4%	5.7%	7.3%	6.6%	6.7%	–
$/SF	$1.68	$2.23	$1.48	$1.93	$2.05	$2.07	$2.10

Repairs/Maintenance

Repairs and maintenance includes expenditures to repair and maintain mechanical systems and structural components. Excluded are wages/payroll for on-site staff, and alterations and major replacements, which are considered capital costs rather than periodic expenses. For this expense we rely mostly on the historical subject expense with some weight given to the expense data.

The fiscal 2015 expense for the subject was $0.98/SF, which represents an increase from fiscal 2014.

The four primary expense comparable properties have expenses from $0.75 to $2.09 per square foot. The combined data from the 7 operating data comparable properties show average and median costs of $1.20 and $0.89 per square foot, respectively. Expense no. 1 and 2 at $1.30 and $2.09 per square foot, respectively are the most similar buildings in respect to size.

Based on this data, we conclude to repairs and maintenance expense of $1.50 per square foot, which represents an increase from fiscal 2015.

Repairs/Maintenance Expense

	Comp 1 2013	Comp 2 2014	Comp 4 2014	Comp 7 2013	Actual 2014	Actual 2015	IRR Projection
Total	–	–	–	–	$424,089	$549,797	$840,965
% of EGI	3.6%	6.9%	7.7%	10.4%	2.4%	3.2%	–
$/SF	$1.30	$2.09	$2.09	$0.75	$0.76	$0.98	$1.50

Cleaning/Janitorial

The cleaning/janitorial category includes contract janitorial services and supplies, window cleaning, and trash removal. The State of California provides their own cleaning and janitorial by paid state employees for state owned buildings. We believe a private sector owner would be able to provide janitorial services in a more cost efficient manner as compared to the state. For this expense we rely solely on the expense data, as the state provided janitorial is not competitive to private janitorial companies.

The four primary expense comparable properties have expenses from $1.00 to $1.51 per square foot. The combined data from the 7 operating data comparable properties show average and median cost of $1.11 and $1.07 per square foot, respectively. Expense no. 1 and 2 at $1.51 and $1.15 per square foot, respectively are the most similar buildings in respect to size.

We conclude well below the subject historical, but at the upper end of the range of the comparable data. Based on this data, we conclude to cleaning and janitorial expense of $1.50 per square foot.

Cleaning/Janitorial Expense

	Comp 1 2013	Comp 2 2014	Comp 4 2014	Comp 7 2013	Actual 2014	Actual 2015	IRR Projection
Total	–	–	–	–	$1,954,529	$1,872,967	$840,965
% of EGI	4.2%	3.8%	4.7%	6.1%	11.3%	10.9%	–
$/SF	$1.51	$1.15	$1.24	$1.00	$3.49	$3.34	$1.50

Security

Security expenses include payroll and contract service expenses for security personnel and expenses associated with electronic access systems, if applicable. The subject tenant provides most of their own security for the subject building. Under private ownership, security would need to be provided to the tenants.

For this expense we rely solely on the expense data, as the historical expenses do not include all of the security expenses for the property.

The primary expense comparable properties have expenses from of $0.52 and $1.10 per square foot. The combined data from the 7 operating data comparable properties show average and median cost of $0.75 and $0.63 per square foot, respectively.

Given the large size of the building we estimate this expense would be toward the lower end of the range on a per square foot basis. Based on this data, we conclude to security expense of $0.50 per square foot.

Security Expense	Comp 1 2013	Comp 2 2014	Comp 4 2014	Comp 7 2013	Actual 2014	Actual 2015	IRR Projection
Total	–	–	–	–	$0	$54,803	$280,322
% of EGI	–	1.7%	4.2%	0.0%	–	0.3%	–
$/SF	$0.00	$0.52	$1.10	$0.00	–	$0.10	$0.50

General/Administrative

General and administrative expenses consist of payroll and benefits expenses for building engineers, all maintenance staff, on-site management staff and related office expenses. Also included are legal, accounting and other professional fees, license fees, and business taxes. For this expense we rely on both the historical subject expense and expense data.

The subject actuals for the past two fiscal years was $2.47 and $2.51 per square foot. This expense is higher than the comparable expense data as prevailing wages have to be paid for the state employee workers. Under private ownership, lower payroll costs are anticipated to perform the operations and management of the building.

The four primary expense comparable properties have expenses from $1.28 to $3.81 per square foot. Less weight is given to Expense 1 as they have security costs included. Expense data for No. 2, 4 & 7 have an average of $1.35 per square foot. The best comparable in terms of building size and type is No. 2, which has a G&A expense of $1.36 per square foot.

The combined data from the 7 operating data comparable properties show average and median of $2.25 and $1.42 per square foot cost, respectively. The median of $1.41 per square foot is a better indication of this data and it is not distorted by Expense 1 which is skewed high.

A conclusion lower than the subject historical (below $2.51/SF) and near the median of the 7 expense data ($1.41/SF) is reasonable for the subject. Based on this data, we conclude to G&A expense of $1.50 per square foot.

General/Administrative Expense

	Comp 1 2013	Comp 2 2014	Comp 4 2014	Comp 7 2013	Actual 2014	Actual 2015	IRR Projection
Total	–	–	–	–	$1,387,326	$1,408,980	$840,965
% of EGI	10.6%	4.5%	4.9%	6.4%	8.0%	8.2%	–
$/SF	$3.81	$1.36	$1.28	$1.41	$2.47	$2.51	$1.50

Management

Management fees are considered an expense of operation, whether the services are contracted or provided by the property owner. The state does not recognize any off-site management expense. As such, all weight will be given to the expense comparable properties.

Typical management fees for properties of this type range from 2% to 3% of effective gross income. The four primary expense comparable properties have management expenses from 2.0% to 3.0% of effective gross income. Given the large size of the property and the expected few number of tenants, we believe a management expense toward the lower end of the range is appropriate.

We project an overall management fee of 2% of effective gross income.

Management Expense

	Comp 1 2013	Comp 2 2014	Comp 4 2014	Comp 7 2013	Actual 2014	Actual 2015	IRR Projection
Total	–	–	–	–	$0	$0	
% of EGI	2.5%	3.0%	1.8%	2.0%	–	–	2.0%
$/SF	$0.90	$0.92	$0.40	$0.55	–	–	

Replacement Reserves

For the subject property type and local market, it is not customary to include replacement reserves as an expense line item in developing an estimate of net operating income. No expenses for reserves were used to estimate net income in deriving capitalization rates for the comparable sales. Rather, it is deducted as a capital line item, after net operating income, in the discounted cash flow analysis.

Total Operating Expenses

Total operating expenses for Scenario 3 are projected at $10.16 per square foot. This figure is consistent with the central indications of the 7 expenses at comparable properties.

Net Operating Income

Based on the preceding income and expense projections, stabilized net operating income for each of the scenarios is shown in the following table.

Operating Projections

	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5	Scenario 6	Scenario 7
Income							
Base Rent	$13,883,634	$13,883,634	$13,883,634	$15,798,618	$15,798,618	$15,798,618	$13,404,888
Vacancy & Collection Loss	-$694,182	-$694,182	-$694,182	-$789,931	-$789,931	-$789,931	$0
Net Parking Income	$924,300	$924,300	$924,300	$924,300	$924,300	$924,300	$924,300
Other Income	$30,000	$30,000	$30,000	$30,000	$30,000	$30,000	$30,000
Effective Gross Income	$14,143,752	$14,143,752	$14,143,752	$15,962,987	$15,962,987	$15,962,987	$14,359,188
Expenses							
Real Estate Taxes	$1,210,000	$1,210,000	$1,210,000	$1,430,000	$1,470,000	$1,470,000	$1,610,000
Insurance	$224,257	$224,257	$224,257	$224,257	$224,257	$224,257	$224,257
Utilities	$1,177,350	$1,177,350	$1,177,350	$1,177,350	$1,177,350	$1,177,350	$1,177,350
Repairs/Maintenance	$840,965	$840,965	$840,965	$840,965	$840,965	$840,965	$840,965
Cleaning/Janitorial	$840,965	$840,965	$840,965	$840,965	$840,965	$840,965	$840,965
Security	$280,322	$280,322	$280,322	$280,322	$280,322	$280,322	$280,322
General/Administrative	$840,965	$840,965	$840,965	$840,965	$840,965	$840,965	$840,965
Management	$282,875	$282,875	$282,875	$319,260	$319,260	$319,260	$287,184
Total Expensses	$5,697,698	$5,697,698	$5,697,698	$5,954,082	$5,994,082	$5,994,082	$6,102,006
Net Operating Income	**$8,446,055**	**$8,446,055**	**$8,446,055**	**$10,008,905**	**$9,968,905**	**$9,968,905**	**$8,257,182**

The net operating income estimates for each scenarios may be slightly off due to rounding issues.

Capitalization Rate Selection

A capitalization rate is used to convert net income into an indication of value. Selection of an appropriate capitalization rate considers the future income pattern of the property and investment risk associated with ownership. We use the following methods to derive a capitalization rate for the subject: analysis of comparable sales, review of national investor surveys, interviews with market participants, and the band of investment method.

Analysis of Comparable Sales

Capitalization rates derived from comparable sales are shown in the following table.

Capitalization Rate Comparables

No.	Property Name	City	State	Year Built/ Renovated	Sale Date	Rentable Area	% Occup.	Effective Price /SF	Cap Rate
1	The Senator Hotel Offices	Sacramento	CA	1924	7/17/2015	172,722	67%	$183.89	5.55%
2	Sacramento Corporate Center	Sacramento	CA	1982	12/19/2014	194,501	1%	$205.65	–
3	Plaza Five Fifty Five	Sacramento	CA	1971	8/19/2014	382,128	58%	$165.13	7.65%
4	770 L Street	Sacramento	CA	1984	8/2/2013	169,078	72%	$173.88	5.95%
5	Capital Place	Sacramento	CA	1988	12/17/2009	160,561	90%	$249.13	8.94%
6	Park Tower	Sacramento	CA	1992	12/18/2009	452,056	84%	$214.58	9.83%
7	Evergreen Zinfandel	Sacramento	CA	1999	5/1/2015	76,754	100%	$171.33	7.94%
8	11150 International Dr.	Sacramento	CA	1999	4/10/2015	97,320	100%	$169.54	7.28%
9	Renaissance Tower	Sacramento	CA	1989	12/21/2007	336,752	86%	$260.34	6.60%
10	Wells Fargo Center	Sacramento	CA	1992	5/1/2007	507,028	97%	$441.79	5.65%
11	Emerald Tower	Sacramento	CA	1984	6/19/2007	383,238	98%	$339.21	5.84%
12	4000 MacArthur Blvd	New Port Beach	CA	1979/2014	2/15/2015	378,134	91%	$317.35	5.00%
13	301 Howard Street	San Francisco	CA	1986	1/15/2015	310,341	85%	$659.92	4.60%
14	Pacific Shores	Redwood City	CA	2002/2007	10/30/2014	447,747	100%	$578.45	5.50%
15	111 Broadway	Oakland	CA	1990/2002	11/18/2014	553,210	96%	$383.78	4.74%
16	Towers of Emeryville	Emeryville	CA	1972/2011	12/24/2014	815,018	84%	$304.29	5.80%
17	Blue Shield of California	San Francisco	CA	1967	9/14/2014	662,060	90%	$596.62	4.50%
18	One Main Place	Portland	OR	1981/1999	12/24/2014	315,133	92%	$273.69	6.10%
	Average (Mean) Cap Rate:								6.32%

Recent Sacramento Comparable Sales Sales 1, 3 & 4 are the recent CBD sales in Sacramento. These have capitalization rates from 5.55% to 7.65%. Comments on these sales are:

Sale 1: The property was 67% occupied. The capitalization rate based on its current in-place income with adjustment for taxes is 5.5%. The capitalization rate based on stabilized income with adjustment to price for lease-up cost is 7.47%. The capitalization rate based on the stabilized basis is a better indicator. This was an action sale, but this format reportedly did not affect the price. The stabilized capitalization rate indicated for this sale is a good indicator for the subject property. We use the adjusted capitalization rate for analysis purposes.

Sale 3: The property was 58% occupied. The capitalization rate based on its current in-place income with adjustment for taxes is 7.65%. The capitalization rate based on stabilized income with adjustment to price for lease-up cost is 7.81%. The capitalization rate based on the stabilized basis is a better indicator. The stabilized capitalization rate indicated for this sale is a good indicator for the subject property. We use the adjusted capitalization rate for analysis purposes.

Sale 4: The property was 72% occupied. The capitalization rate based on its current in-place income with adjustment for taxes is 5.95%. The capitalization rate based on stabilized income with adjustment to price for lease-up cost is 8.44%. The capitalization rate based on the stabilized basis is a better indicator. Market conditions have improved since the date of this sale. We believe a cap rate lower than its stabilized cap rate is appropriate for the subject.

Recession Period Sacramento Comparable Sales Comparable Sales 5 and 6 sold during the middle of the recession. Comments on these sales are:

Sale 5: TIAA of New York sold the property in December 2009 on an 8.94% capitalization rate. It was a quick closing before year end. TIAA purchased the property in August 2003 on a 6.78% cap rate. Market conditions today are substantially superior to that in late 2009.

Sale 6: TIAA of New York sold the property in December 2009 on a 9.83% capitalization rate. It was a quick closing before year end. TIAA previously purchased the property in August 2003 on a 6.7% cap rate. Market conditions today are substantially superior to that in late 2009.

Current Sacramento Suburban Office Sales Comparable Sales 7 and 8 are recent suburban office building sales. Comments on these sales are:

Sale 7: This property was 100% occupied by Delta Dental on a lease thru June 30, 2017. The cap rate of 7.94% was based on contract rent of $1.68/SF/Mo., MG. NOI calculated based on contract rent with a 5% vacancy & collection loss factor and tax adjusted expenses of roughly $5.50/SF/Yr. Rent has an escalation to $1.74/SF/Mo., MG in January 2016. Delta Dental has been in the building since its completion in 1999.

Sale 8: This property was 100% leased by the State with soft term through March 2022 (firm term through September 30, 2018). The lease calls for $0.60 per square foot annual escalations. In conjunction with the building' s recently completed $2.5 million tenant improvements. The property was certified LEED Silver in 2012. The Department of Child Support Services also occupies the sister building located at 11120 International Drive and uses the building as its headquarters. The State has occupied the property since 2001. The cap rate of 7.28% is based on in-place income effective April 1, 2015, a 5% vacancy, 2014 historical expenses (accounting for buyer's property taxes).

Expansion Period Sacramento Comparable Sales Comparable Sales 9, 10 & 11 sold near the end of the peak of the market in middle to late 2007. Sale 10 (5.65% cap) & 11 (5.84% cap) were part of a very large portfolio Equity Properties purchased and some market participants, at that time, felt they over paid. Sale 9's price ($260/SF) and cap rate (6.6%) was closer to market, but still fueled by the price appreciation happening at that time.

Out of Market Comparable Sales Comparable Sales 12 through 18 are located in various markets on the West Coast. These sales are reflective of larger and/or superior office markets as compared to the Sacramento CBD. These sales have rates from 4.5% to 6.1%. The subject is rated inferior to these properties and would command a higher capitalization rate.

The capitalization rate can be narrowed down from the following array of data:

Capitalization Rate Summary				
Sale (s)	Type	Date of sale(s)	Cap Rates	Cap Rate Indicator
Sales 5 & 6	Recession Sales	Dec. 2009	8.94% & 9.83%	High Indicator
Sale 4	Dated CBD Sale	Aug. 2013	8.44%	High Indicator
1 & 3	Recent CBD Sales	2014 & 2015	7.47% & 7.81%	Good Indicators
Sales 5 & 6	Suburban Sales	2015	7.94% & 7.28%	Good Indicators
Sales 12-18	Out of Market Sales	2014 & 2016	4.5% to 6.1%	Low Indicators

Based on analysis of the above sale data, a capitalization rate in the 7.25% to 8.0% range is reasonable.

National Investor Surveys

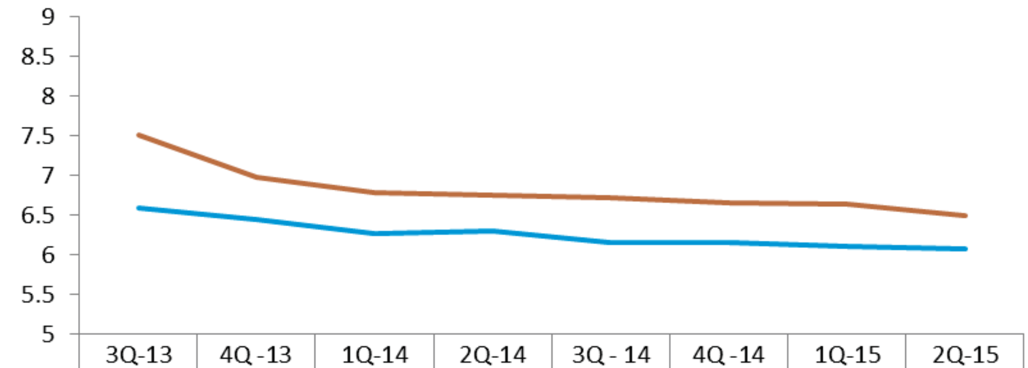
Data pertaining to investment grade properties from the PwC, ACLI, and Viewpoint surveys are summarized in the exhibits that follow.

Capitalization Rate Surveys – Office Properties

	IRR-Viewpoint Year End 2014 National CBD Office	IRR-Viewpoint Year End 2014 National Suburban Office	PwC 2Q-2015 National CBD Office	PwC 2Q-2015 National Suburban Office	PwC 2Q-2015 Secondary Office
Range	4.5% - 10.50%	5.3% - 9.0%	3.50% - 9.00%	5.00% - 9.00%	4.50% - 10.00%
Average	7.05%	7.43%	6.07%	6.50%	7.54%

Source: IRR-Viewpoint 2014; PwC Real Estate Investor Survey

Office Capitalization Rate Trends



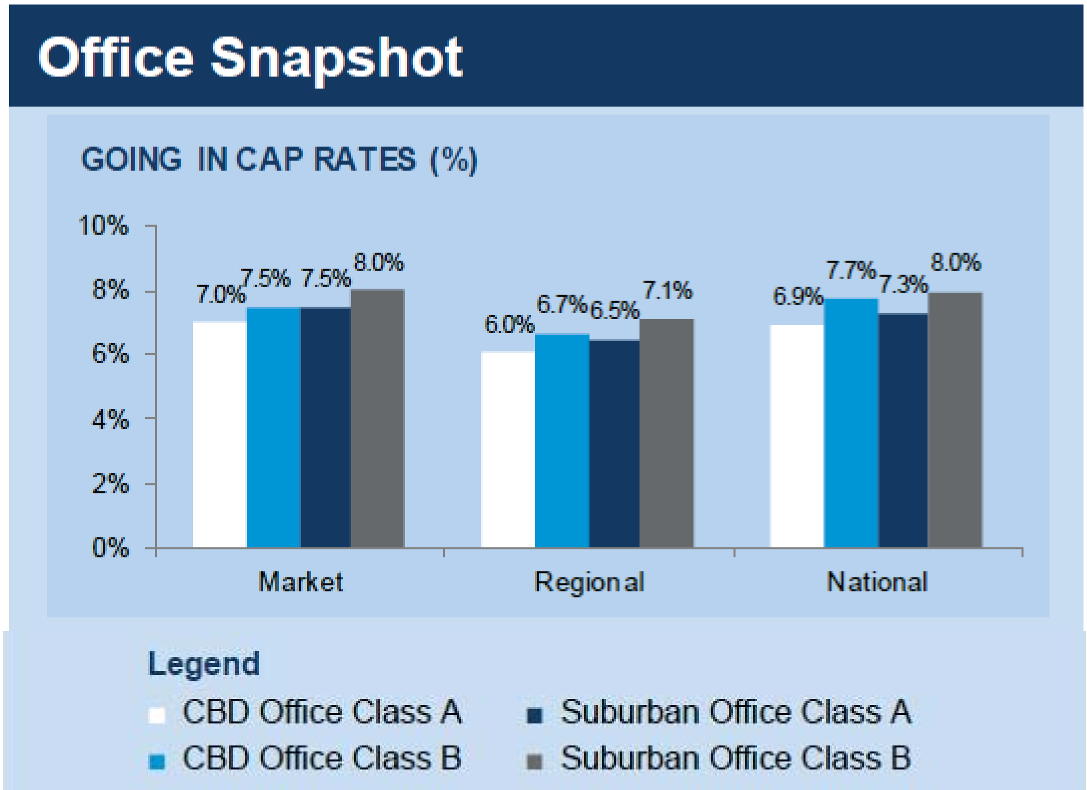
	3Q-13	4Q-13	1Q-14	2Q-14	3Q - 14	4Q-14	1Q-15	2Q-15
CBD	6.59	6.45	6.27	6.3	6.16	6.16	6.11	6.07
SUBURB	7.51	6.98	6.78	6.75	6.72	6.66	6.64	6.5

CBD - PwC Real Estate Investor Survey - National CBD Office Market
SUBURB - PwC Real Estate Investor Survey - National Suburban Office Market

The most current national survey data from PwC indicates that a going-in capitalization rate for CBD Office properties ranges from 3.5% to 9.0% and averages 6.07%. We would expect the rate appropriate to the subject to be above the average rate in the survey data because of Sacramento's second tier market status.

PwC also reports on Secondary Office Markets of which Sacramento is part. The average CBD cap rate of Class A properties for this group of market is 7.54%. This survey is more applicable to the subject property than the National PwC market.

In July 2015 Integra Realty Resources published their 2015 Mid-Year Viewpoint. A summary of the capitalization rates for the Sacramento market are shown below. Sacramento is the "Market" and has an average capitalization rate of 7.0% for Class A CBD office properties.



Source: 2015- Mid-Year Viewpoint, published by Integra Realty Resources

The subject is considered a lower quality Class A project. The cap rate from the secondary market of PwC at 7.24% and the 7.0% cap rate from the 2015 Mid-Year Viewpoint publication are slightly low cap rate indicators as the subject is a lower class A property.

Market Participant Interviews

The appraisal process involved receiving input from area real estate brokers knowledgeable about the property. These interviews are summarized below:

Broker No. 1 (Investment Broker from Major Firm): For the scenarios involving average four year firm lease terms, stabilized occupancy, all prudent capital repairs completed and no stigma, this broker reported a capitalization rate range from 7.25% to 7.75%. For the 20-year lease term scenario, a rate from 5.5% to 5.75% was quoted. As far as the stigma issue, this participant reported this was a real issue and that some interested parties would be disinclined to investigate the property and might not reach the point intellectually where they understand the issues facing the building are less onerous than previously thought. The opinion was that the stigma could potentially ramp up the cap rate by 150 bps or more, even with a lease in place.

Broker No. 2 (Investment Broker from Major Firm): For the scenarios involving average four year firm lease terms, stabilized occupancy, all prudent capital repairs completed and no stigma, this broker felt it would be a challenge to sell with only a 4-year firm term. He cited a cap rate from 7.5% to 8.5%, with the higher rate representing possible issues for the short-term lease and stigma impact. Similar to Broker 1, he felt there would be fewer potential buyers due to the publicized issues on the building. He reported that the former tenant (Dept. of Corrections) at 501 J Street had created some stigma on this building impacting the sale, although the issues were not as severe as the subject's. For the 20-year lease scenario, he reported a cap rate in the low 6.0's and said that stigma would not matter given the long lease term.

Broker No. 3 (Investment Broker from Major Firm): For the scenarios involving average four year firm lease terms, stabilized occupancy, all prudent capital repairs completed and no stigma, this broker felt a cap rate range from 7.0% to 7.25% primarily because it was a Class A building in the CBD. For the 20-year lease term scenario, a rate from 5.5% to 5.75% was quoted, just as Broker 1 had reported. In terms of the stigma issue, this broker believed that as long as the issues were fully remedied and documented there would be no stigma, although he did state he was not fully aware of the issues of the building.

To summarize, the brokers reported a range from 7.0% to 7.75% for four year terms (no stigma) and 5.5% to low 6.0's% for 20 year term. The range of the cap rate premium for stigma ranged from 0 to 150 basis points.

We give equal weight to all three brokers for the capitalization rate opinions. Brokers 1 and 2 more fully understood the condition and history of the property and we give their opinions more weight on the stigma issue.

Stigma Impact

Stigma is defined as "an adverse public perception regarding a property; the identification of a property with a condition that exacts a penalty on the marketability of the property and may also result in a diminution in value." *The Dictionary of Real Estate Appraisal, Fifth Edition,* Appraisal Institute, Chicago, Illinois, 2010.

The subject property has had a well-publicized history of various building deficiencies. These include the water intrusions on building exterior and roofs, glass spandrels breaking or falling from the building, glass window defects, mold and fungal growth issues and corroded drain waste lines. Some of these issues have been resolved and repaired and others are scheduled for immediate repairs. The negative press regarding the building deficiencies has been reported by the current occupant, local news media, board members of the tenant and various state legislatures. Our interviews with market participants indicate the general perception is that the subject building has some serious issues, deserving or not.

As discussed in the Improvement Analysis, the subject's condition is not as severe as the public perception. In fact, we point to the 2014 DGS commissioned study that shows it to have a "Fair Condition", with the property narrowly missing the study's "Good" condition rating. When we polled the market participants, we prefaced the stigma question by representing the condition was not as severe as publicly believed and the current capital expenditure plan would cure the outstanding deficiency items. The common result we received was that fewer interested parties (buyers) would investigate the building issues to determine the relevant merit of the building condition and this would likely produce fewer offers and more than likely those offers would have discounted prices. To quantify the diminution in value due to the stigma, two of the polled investment brokers reported cap rate premiums from 100 to 150 basis points. The third reported no stigma as long as the issues were fully remedied.

There is some local market evidence regarding stigma for office building deficiencies. In December 2014, the building known as Sacramento Corporate Center located at 501 J Street sold for $40 million or $205 per square foot. The broker of this building reported that the former occupant of the building (Department of Corrections) had dissimilated negative comments regarding the building. Prior to going to market, the owner of the building was somewhat concerned that a price reduction was to be expected for the possible stigma regarding the condition. In the broker's opinion, the price paid for the property was not discounted by any measureable amount; however, he did state the negative perception of the subject was far worse.

Based on the various sources considered, we believe the subject property would be impacted by stigma, but that the severity of the impact would be dependent on the occupancy and term of the lease. For Scenarios 1-6, having an average lease term of 4 years, a capitalization rate premium of 75 basis points is concluded for the stigma. This represents a 9% decrease in value. For Scenario 7, we estimate a capitalization rate premium of 25 basis points for stigma, as there would be more prospective buyers under this scenario.

Capitalization Rate Conclusion

To conclude to a capitalization rate, we consider each of the following investment risk factors to determine its impact on the capitalization rate. The direction of each arrow in the following table indicates our judgment of an upward, downward, or neutral impact of each factor.

Cap Rate Matrix

Scenario	Competitive Market Position of Building	Near-term TI Expenditure	Near-term CapEx	Lease Term	Stigma	Overall Impact of Cap Rate
1	↔ to ↑	↑	↔	↔	↑↑	↑↑↑
2	↔ to ↑	↑	↔	↔	↑↑	↑↑↑
3	↔ to ↑	↑	↔	↔	↑↑	↑↑↑
4	↔ to ↑	↓	↔	↔	↑↑	↑↑↑
5	↔ to ↑	↓	↔	↔	↑↑	↑↑
6	↔ to ↑	↓	↔	↔	↑↑	↑↑
7	↔ to ↑	↓	↔	↓↓↓↓	↑	↓↓↓

Note: The arrows make just a visual representation of the magnitude of the cap rate adjustment. They do not represent any cap rate quantified adjustment amount.

The concluded capitalization rates are for the stabilized value scenario, which assumes all improvements are complete and a stabilized occupancy has been achieved. Scenarios 5 & 6 are lower risk as they assume new tenant improvements completed and their near-term investment for further new tenant improvements in the future is not as high as scenario 1, 2 and 3.

For the stabilized value under Scenario 4 it too is assumed to have a stabilized occupancy with new tenant improvements. However in this scenario even under the assumed stabilized value it deserves a higher capitalization rate as compared to Scenario 5 & 6 as a buyer would still perceive risk in achieving a stabilized occupancy. Thus, we apply the same capitalization rates for this scenario as applied under Scenarios 1, 2 & 3.

Scenario 7's capitalization rate is considerably lower as it is assumed to be leased by the state for 20 years, firm. This rate was derived from broker's opinions.

All costs, and profit incentives to arrive at the as is value under each scenarios are discussed following this section.

Accordingly, we conclude to capitalization rates as follows:

Capitalization Rate Conclusion	No. Stigma Cap Rate	Stigma Cap Rate Premium	Concluded Cap Rate
Scenario's 1, 2 , 3 & 4	7.50%	0.75%	8.25%
Scenario's 5 & 6	7.25%	0.75%	8.00%
Scenario 7	5.75%	0.25%	6.00%

Direct Capitalization Analysis

Net operating income is divided by the capitalization rate to indicate the stabilized value of the subject. To arrive at an as-is value, we apply adjustments, as necessary, to account for lease-up costs and capital improvements. The adjustments are fully described following this page.

Direct Capitalization

	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5	Scenario 6	Scenario 7
Effective Gross Income	$14,143,752	$14,143,752	$14,143,752	$15,962,987	$15,962,987	$15,962,987	$14,359,188
Expenses	$5,697,698	$5,697,698	$5,697,698	$5,954,082	$5,994,082	$5,994,082	$6,102,006
Net Operating Income	$8,446,055	$8,446,055	$8,446,055	$10,008,905	$9,968,905	$9,968,905	$8,257,182
Capitalization Rate	8.25%	8.25%	8.25%	8.25%	8.00%	8.00%	6.00%
Indicated Stabilized Value	$102,376,421	$102,376,421	$102,376,421	$121,320,059	$124,611,311	$124,611,311	$137,619,696
Less: Adjustments							
Rent Loss	$4,224,665	$5,961,498	$0	$22,009,702	$2,409,787	$0	$0
Capital Expenditures	$32,907,143	$32,907,143	$0	$32,907,143	$0	$0	$0
Tenant Improvements	$0	$0	$0	$23,937,300	$0	$0	$0
Leasing Commissions	$0	$0	$0	$1,729,001	$1,729,001	$0	$0
Entrepreneurial Profit	$1,856,590	$1,943,432	$0	$12,087,472	$413,879	$0	$0
Total Adjustments	$38,988,398	$40,812,074	$0	$92,670,618	$4,552,667	$0	$0
Plus: Value for Under-utilized Land	$0	$0	$0	$3,000,000	$0	$0	$0
Indicated Value	$63,388,023	$61,564,348	$102,376,421	$31,649,441	$120,058,644	$124,611,311	$137,619,696
Rounded	$63,400,000	$61,600,000	$102,400,000	$31,600,000	$120,100,000	$124,600,000	$137,600,000

Lease-Up Costs

This section addresses lease-up costs and Capital Expenditure deductions for the various scenarios. The cumulative lease-up costs will be deducted under the Direct Capitalization Approach.

Rent Loss

This deduction is applicable for those scenarios where either: 1) it is assumed the building is vacant or 2) Existing tenant would need to be relocated to accommodate for the critical capital improvement repairs. We believe there are four different rent loss situations:

- Building Fully Occupied but Awaiting Repairs of Improvements Under Provisions Allowed by the 2011 Series E Bond Agreement - This applies to Scenario 1.
- Building Fully Occupied but Awaiting Repairs of Improvements Not Subject to Restrictions by the 2011 Series E Bond Agreement - This applies to Scenario 2.
- Building 100% Vacant Awaiting Repairs of Improvements – This applies to Scenario 4. Not Subject to Restrictions by the 2011 Series E Bond Agreement.
- Building 100% Vacant but Improvements Completed – This applies to Scenario 5. Not Subject to Restrictions by the 2011 Series E Bond Agreement.
- Scenarios 3, 6 & 7 have no rent loss as they are assumed to be fully occupied with all improvements completed. Scenario 3 is consistent with occupancy requirements of the 2011 Series E Bond Agreement, but Scenarios 6 & 7 are not subject to the bond agreement.

Process & Procedure

The process to estimate the net operating income loss is summarized below:

1. Estimate the stabilized net operating income assuming there were no vacancies from the construction work. The stabilized net operating income is shown on the prior page and the future net operating income projections are shown later in the discounted cash flow analyses. Excerpts of each of these scenarios are presented in this section.
2. Estimate the projected net operating income under the vacancy projections. The net operating income cash flow for each of the scenarios is shown in their entirety in the discount cash flow section of the report. Excerpts of each of these scenarios are presented in this section.
3. Calculate the difference in the two cash flows.
4. Apply a present value discount rate to determine the value loss today. We have utilized a safe discount rate of 6% to estimate the present value difference.
5. Total the present value net operating losses to arrive at the value loss attributable to vacancy under the various sources.

Net Operating Income Loss – Scenario 1: This is where the building is fully occupied but is awaiting repairs of the Capital improvements under the provisions allowed by the 2011 Series E Bond Agreement. For completion of the Capital improvements lease space would need to be vacated to allow for construction. Under the bond agreement only four floors at a time can be vacated. The estimated construction timing is 2 years to complete the improvements if a four-floor limitation is imposed by the bond agreement. For this scenario four floors on average would be vacant for two years. The rent loss is estimated accordingly. Excerpts of these two year cash flows are shown below:

BOE - Scenario 3
Base Case
Property Cash Flow, Occupancy & Unleveraged Yield

PROPERTY CASH FLOW

	Year 1	Year 2
EFFECTIVE GROSS REVENUE		
Base Rental Revenue	13,883,634	13,883,634
Absorption & Turnover Vacancy	0	0
Scheduled Base Rental Revenue	13,883,634	13,883,634
Base Rental Step Revenue	0	287,247
Expense Reimbursement Revenue	0	138,421
Net Parking Revenue	924,300	952,029
Other Income	30,000	30,900
Total Potential Gross Revenue	14,837,934	15,292,231
General Vacancy	(138,836)	(143,093)
Collection Loss	0	0
TOTAL EFFECTIVE GROSS REVENUE	14,699,098	15,149,138
OPERATING EXPENSES		
Real Estate Taxes	1,155,000	1,178,100
Direct Levies	55,000	56,375
Insurance	224,257	229,864
Utilities	1,177,350	1,206,784
Repairs/Maintenance	840,965	861,989
Cleaning/Janitorial	840,965	861,989
Security	280,322	287,330
G&A	840,965	861,989
Management	293,982	302,983
TOTAL OPERATING EXPENSES	5,708,806	5,847,403
NET OPERATING INCOME	**8,990,292**	**9,301,735**

BOE - Scenario 1
Base Case
Property Cash Flow, Occupancy & Unleveraged Yield

PROPERTY CASH FLOW

	Year 1	Year 2
EFFECTIVE GROSS REVENUE		
Base Rental Revenue	11,359,358	11,359,358
Absorption & Turnover Vacancy	0	0
Scheduled Base Rental Revenue	11,359,358	11,359,358
Base Rental Step Revenue	0	235,021
Expense Reimbursement Revenue	0	83,937
Net Parking Revenue	755,300	777,959
Other Income	30,000	30,900
Total Potential Gross Revenue	12,144,658	12,487,175
General Vacancy	(113,594)	(116,783)
Collection Loss	0	0
TOTAL EFFECTIVE GROSS REVENUE	12,031,064	12,370,392
OPERATING EXPENSES		
Real Estate Taxes	1,089,954	1,111,753
Direct Levies	55,000	56,375
Insurance	224,257	229,864
Utilities	1,006,101	1,031,253
Repairs/Maintenance	840,965	861,989
Cleaning/Janitorial	718,643	736,609
Security	280,322	287,330
G&A	840,965	861,989
Management	240,621	247,408
TOTAL OPERATING EXPENSES	5,296,828	5,424,570
NET OPERATING INCOME	**6,734,236**	**6,945,822**

Net Operating Income Loss Scenario 1			
		Year 1	Year 2
Stabilized Net Operating Income	Source: Scenario 3 Cash Flow	$8,990,292	$9,301,735
Actual Income	Source: Scenario 1 Cash Flow	$6,734,236	$6,945,822
Difference		$2,256,056	$2,355,913
Present Value Factor @ 6%		0.9433	0.8899
Present Value of Loss		$2,128,138	$2,096,527
Total Present Value of Loss		**$4,224,665**	

<u>Net Operating Income Loss – Scenario 2:</u> This is where the building is fully occupied but is awaiting repairs of the Capital improvements assuming no restriction under the 2011 Series E Bond Agreement. For completion of the Capital improvements lease space would need to be vacated to allow for construction. This scenario assumes 50% of the building would be vacated to allow construction to take place. The estimated timing to complete the work is 12 months. The rent loss is estimated at 50% of the building being vacant for 12 months. We incorporate the same procedures as shown above to calculate the Net Operating Income Loss under Scenario 2.

BOE - Scenario 3
Base Case
Property Cash Flow, Occupancy & Unlever

PROPERTY CASH FLOW

	Year 1
EFFECTIVE GROSS REVENUE	
Base Rental Revenue	13,883,634
Absorption & Turnover Vacancy	0
Scheduled Base Rental Revenue	13,883,634
Base Rental Step Revenue	0
Expense Reimbursement Revenue	0
Net Parking Revenue	924,300
Other Income	30,000
Total Potential Gross Revenue	14,837,934
General Vacancy	(138,836)
Collection Loss	0
TOTAL EFFECTIVE GROSS REVENUE	14,699,098
OPERATING EXPENSES	
Real Estate Taxes	1,155,000
Direct Levies	55,000
Insurance	224,257
Utilities	1,177,350
Repairs/Maintenance	840,965
Cleaning/Janitorial	840,965
Security	280,322
G&A	840,965
Management	293,982
TOTAL OPERATING EXPENSES	5,708,806
NET OPERATING INCOME	**8,990,292**

BOE - Scenario 2
Base Case
Property Cash Flow, Occupancy & Unleverag

PROPERTY CASH FLOW

	Year 1
EFFECTIVE GROSS REVENUE	
Base Rental Revenue	6,941,817
Absorption & Turnover Vacancy	0
Scheduled Base Rental Revenue	6,941,817
Base Rental Step Revenue	0
Expense Reimbursement Revenue	0
Net Parking Revenue	462,150
Other Income	30,000
Total Potential Gross Revenue	7,433,967
General Vacancy	(69,418)
Collection Loss	0
TOTAL EFFECTIVE GROSS REVENUE	7,364,549
OPERATING EXPENSES	
Real Estate Taxes	1,094,301
Direct Levies	55,000
Insurance	224,257
Utilities	706,410
Repairs/Maintenance	840,965
Cleaning/Janitorial	504,579
Security	280,322
G&A	840,965
Management	147,291
TOTAL OPERATING EXPENSES	4,694,090
NET OPERATING INCOME	**2,670,459**

Net Operating Income Loss Scenario 2

		Year 1
Stabilized Net Operating Income	Source: Scenario 3 Cash Flow	$8,990,292
Actual Income	Source: Scenario 2 Cash Flow	<u>$2,670,459</u>
Difference		$6,319,833
Present Value Factor @ 6%		0.9433
Present Value of Loss		$5,961,498
Total Present Value of Loss		**$5,961,498**

Net Operating Income Loss – Scenario 4: This is where the building is 100% vacant but is awaiting repairs of the Capital improvements (assuming no restriction under the 2011 Series Bond Agreement) as well as installation of new tenant improvements. The capital expenditures and Tenant Improvements could more or less be completed simultaneously. A 24 month estimate is concluded under this scenario. We apply the same procedures as completed for the other scenarios to calculate the Net Operating Income Loss under Scenario 4. We use Scenario 6 as this is the stabilized cash flow that compares to Scenario 4.

Scenario 6
Base Case
Property Cash Flow, Occupancy & Unleveraged Yield

PROPERTY CASH FLOW

	Year 1	Year 2
EFFECTIVE GROSS REVENUE		
Base Rental Revenue	15,798,618	15,798,618
Absorption & Turnover Vacancy	0	0
Scheduled Base Rental Revenue	15,798,618	15,798,618
Base Rental Step Revenue	0	287,247
Expense Reimbursement Revenue	0	143,724
Net Parking Revenue	924,300	952,029
Other Income	30,000	30,900
Total Potential Gross Revenue	16,752,918	17,212,518
General Vacancy	(157,986)	(162,296)
Collection Loss	0	0
TOTAL EFFECTIVE GROSS REVENUE	16,594,932	17,050,222
OPERATING EXPENSES		
Real Estate Taxes	1,415,000	1,443,300
Direct Levies	55,000	56,375
Insurance	224,257	229,864
Utilities	1,177,350	1,206,784
Repairs/Maintenance	840,965	861,989
Cleaning/Janitorial	840,965	861,989
Security	280,322	287,330
G&A	840,965	861,989
Management	331,899	341,004
TOTAL OPERATING EXPENSES	6,006,723	6,150,624
NET OPERATING INCOME	10,588,209	10,899,598

BOE - Scenario 4
Base Case
Property Cash Flow, Occupancy & Unleveraged Yield

PROPERTY CASH FLOW

	Year 1	Year 2
EFFECTIVE GROSS REVENUE		
Base Rental Revenue	15,798,618	16,193,584
Absorption & Turnover Vacancy	(15,798,618)	(16,193,584)
Scheduled Base Rental Revenue	0	0
Base Rental Step Revenue	0	0
Expense Reimbursement Revenue	0	0
Net Parking Revenue	0	0
Other Income	0	0
Total Potential Gross Revenue	0	0
General Vacancy	0	0
Collection Loss	0	0
TOTAL EFFECTIVE GROSS REVENUE	0	0
OPERATING EXPENSES		
Real Estate Taxes	690,692	704,506
Direct Levies	55,000	56,375
Insurance	224,257	229,864
Utilities	117,735	120,678
Repairs/Maintenance	84,096	86,199
Cleaning/Janitorial	0	0
Security	14,016	14,366
G&A	42,048	43,099
Management	0	0
TOTAL OPERATING EXPENSES	1,227,844	1,255,087
NET OPERATING INCOME	(1,227,844)	(1,255,087)

Net Operating Income Loss Scenario 4		Year 1	Year 2
Stabilized Net Operating Income	Source: Scenario 6 Cash Flow	$10,588,209	$10,899,598
Actual Income	Source: Scenario 4 Cash Flow	-$1,277,844	-$1,255,087
Difference		$11,866,053	$12,154,685
Present Value Factor @ 6%		0.9433	0.8899
Present Value of Loss		$11,193,248	$10,816,454
Total Present Value of Loss		**$22,009,702**	

Net Operating Income Loss Analysis – Scenario 5: This is where the building is vacant but Capital Improvements as well as new tenant improvements have been completed. As discussed in the Market Overview section, high demand, particularly state tenants would be expected with all new improvements completed. With 80% state tenant and 20% private sector, it would be anticipated that new tenants would have already been secured during the construction period. We estimate a nominal rent loss of 2 months for this scenario.

Scenario 6
Base Case
Property Cash Flow, Occupancy & Unlevera

PROPERTY CASH FLOW

	Year 1
EFFECTIVE GROSS REVENUE	
Base Rental Revenue	15,798,618
Absorption & Turnover Vacancy	0
Scheduled Base Rental Revenue	15,798,618
Base Rental Step Revenue	0
Expense Reimbursement Revenue	0
Net Parking Revenue	924,300
Other Income	30,000
Total Potential Gross Revenue	16,752,918
General Vacancy	(157,986)
Collection Loss	0
TOTAL EFFECTIVE GROSS REVENUE	16,594,932
OPERATING EXPENSES	
Real Estate Taxes	1,415,000
Direct Levies	55,000
Insurance	224,257
Utilities	1,177,350
Repairs/Maintenance	840,965
Cleaning/Janitorial	840,965
Security	280,322
G&A	840,965
Management	331,899
TOTAL OPERATING EXPENSES	6,006,723
NET OPERATING INCOME	10,588,209

Scenario 5
Base Case
Property Cash Flow, Occupancy & Unleve

PROPERTY CASH FLOW

	Year 1
EFFECTIVE GROSS REVENUE	
Base Rental Revenue	13,165,516
Absorption & Turnover Vacancy	0
Scheduled Base Rental Revenue	13,165,516
Base Rental Step Revenue	0
Expense Reimbursement Revenue	0
Net Parking Revenue	924,300
Other Income	30,000
Total Potential Gross Revenue	14,119,816
General Vacancy	(131,655)
Collection Loss	0
TOTAL EFFECTIVE GROSS REVENUE	13,988,161
OPERATING EXPENSES	
Real Estate Taxes	1,415,000
Direct Levies	55,000
Insurance	224,257
Utilities	1,177,350
Repairs/Maintenance	840,965
Cleaning/Janitorial	840,965
Security	280,322
G&A	840,965
Management	279,763
TOTAL OPERATING EXPENSES	5,954,587
NET OPERATING INCOME	8,033,574

Net Operating Income Loss Scenario 5		
		Year 1
Stabilized Net Operating Income	Source: Scenario 6 Cash Flow	$10,588,209
Actual Income	Source: Scenario 5 Cash Flow	$8,033,574
Difference		$2,554,635
Present Value Factor @ 6%		0.9433
Present Value of Loss		**$2,409,787**

Capital Expenditures Deductions

Scenarios 1, 2, & 4 are being evaluated under an as is condition and will need capital repairs completed. Scenario 3 and 5-7 assumes the capital improvements have already been completed. The estimate of the capital improvement costs were detailed in the Improvement Analysis of the report. The following are the capital expenditure deductions for each of the scenarios.

Capital Expenditures		
Scenario	Status	Total CapEx
1	CapEx Repairs Needed	$32,907,143
2	CapEx Repairs Needed	$32,907,143
3	CapEx Repairs Assumed Completed	$0
4	CapEx Repairs Needed	$32,907,143
5	CapEx Repairs Assumed Completed	$0
6	CapEx Repairs Assumed Completed	$0
7	CapEx Repairs Assumed Completed	$0

Tenant Improvement Deductions

Scenarios 1, 2, & 3 are being evaluated under an as is condition and will need no tenant improvements completed. A deduction of $23,937,300 or $50 per square foot of NUA is made for Scenario 4 as this scenario assumes new interior improvements will be installed. Scenario 5-7 assumes the tenant improvements have already been completed. The following are the capital expenditure deductions for each of the scenarios.

Tenant Improvements			
Scenario	Status	TI Cost Per SF	Total CapEx
1	Assume Existing TI's	$0	$0
2	Assume Existing TI's	$0	$0
3	Assume Existing TI's	$0	$0
4	New TI's to be Installed	$50	$23,937,300
5	Assume New TI's Are Already Installed	$0	$0
6	Assume New TI's Are Already Installed	$0	$0
7	Assume New TI's Are Already Installed	$0	$0

Leasing Commissions

Scenarios 4 and 5 are the only scenarios where commissions would be paid for new tenants. We estimate that commissions would be 2% for agents representing the owner for state leases and 4% for private sector. Using the 80% state and 20% private sector, a weighted commission of 2.4% will be applied to new leases assumed for Scenarios 4 & 5. An average lease term of 4.8 years is assumed. This is based on 80% of state at 4 years and 20% of private at 8 years. The lease commission is calculated on effective gross income. Total leasing commissions are calculated at $1,729,001 as shown below.

Space Type	% of Space	Term	Weighted Avg. Term - Years	Commission Rate	Weighted Average Commission
Private	20%	8	1.6	4.00%	0.80%
Public	80%	4	3.2	2.00%	1.60%
			4.8		**2.40%**

PGI	Less: 5% Vacancy	EGI	Average Term (yrs)	Average Commission	Commission
$15,798,618	$789,931	$15,008,687	4.8	2.40%	$1,729,001

Rent Concessions

Our market rent estimated for both state and private sector assumed no rent concessions. No deductions are necessary for this factor.

Entrepreneurial Profit

Deductions for entrepreneurial efforts to complete renovations and/or lease-up of the space are recognized by buyers of non-stabilized properties. We have applied an entrepreneurial profit deduction from 5% to 15% for all lease-up cost under the scenarios.

The following table summarizes our estimate of lease-up costs for the subject's vacant space.

Total Lease-Up Costs	**Scenario 1**	**Scenario 2**	**Scenario 3**	**Scenario 4**	**Scenario 5**	**Scenario 6**	**Scenario 7**
Rent Loss	$4,224,665	$5,961,498	$0	$22,009,702	$2,409,787	$0	$0
Capital Expenditures	$32,907,143	$32,907,143	$0	$32,907,143	$0	$0	$0
Tenant Improvements	$0	$0	$0	$23,937,300	$0	$0	$0
Leasing Commissions	$0	$0	$0	$1,729,001	$1,729,001	$0	$0
Total	$37,131,808	$38,868,641	$0	$80,583,146	$4,138,788	$0	$0
Entrepreneurial Profit	5%	5%	0%	15%	10%	0%	0%
Entrepreneurial Profit	$1,856,590	$1,943,432	$0	$12,087,472	$413,879	$0	$0
Total Lease-Up Cost	$38,988,398	$40,812,074	$0	$92,670,618	$4,552,667	$0	$0

Discounted Cash Flow Analysis

We use Argus Valuation - DCF software to develop a projection of periodic cash flows from the property over an anticipated investment holding period based on leases in place and anticipated changes in market rent and operating expenses. This analysis considers current market conditions and typical assumptions of market participants concerning future trends as summarized in the following table.

Discounted Cash Flow Analysis - General Assumptions							
Cash Flow Software							
Program	Argus Valuation - DCF						
Period of Analysis							
Analysis Start Date	10/1/15						
Holding Period (Yrs)	10 yrs for all Scenarios						
Discount Rate and Reversion Cap Rate	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5	Scenario 6	Scenario 7
Discount Rate	10.00%	10.00%	9.50%	11.25%	9.50%	9.25%	7.25%
Reversion Capitalization Rate	8.50%	8.50%	8.50%	8.50%	8.25%	8.25%	8.00%
Inflation	Year 2	Year 3	Year 4	Year 5	Thereafter		
General Inflation	3.0%	3.0%	3.0%	3.0%	3.0%		
Market Rent	2.5%	2.5%	2.5%	2.5%	2.5%		
Reimbursable Expenses	2.5%	2.5%	2.5%	2.5%	2.5%		
CPI	3.0%	3.0%	3.0%	3.0%	3.0%		
Absorption of Vacant Space							
Total Rentable Area (SF)	560,643						
Vacant SF	Assume stabilized						
# Months to Absorb	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5	Scenario 6	Scenario 7
	4 floors for 2 yrs	50% for yr 1	0	24	2	0	0
Vacancy & Collection Loss	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5	Scenario 6	Scenario 7
General Vacancy	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	0.0%
Downtime Between Leases	12 months	12 months	12 months	12 months	12 months	12 months	NA
Renewal Probability	65.0%	65.0%	65.0%	65.0%	65.0%	65.0%	N/A
Capital Expenditures							
Capital Budget	Deducted per Capital Budget Summary						
Reserves/SF	$0.50						
Reversion Analysis Factors							
Selling Expenses	2.0%						

Our analysis also considers market lease terms, analyzed previously, as well as assumptions regarding leasing commissions and the probability of existing tenants renewing their leases. This information is detailed in the following tables.

Concluded Market Lease Terms

Space Type	Market Rent/ SF/Yr	Size Basis	Rent Escalations	Lease Type	Lease Term (Mos.)	Free Rent (Mos.)	Expense Escalator	TI/SF Assumed
Market Rent Category 1	$29.00	NUA	$0.60/SF/Yr	Full Service	48	0	CPI on expense	As Is
Market Rent Category 2 (State)	$33.00	NUA	$0.60/SF/Yr	Full Service	48	0	CPI on expense	$50.00
Market Rent Category 2 (Private Sector)	$28.18	NRA	$0.60/SF/Yr	Full Service	48	0	CPI on expense	$50.00
Market Rent Category 3	$28.00	NUA	10%/every 5 yrs	Full Service	240	0	CPI on expense	$50.00
Market Rent Category 4	$18.00	NUA	10%/every 5 yrs	Full Service	240	0	CPI on expense	$50.00

The speculative renewals have the following tenant improvements and leasing commissions:

Speculative Renewal Assumptions						
Space Type	Renewal Probability	TI's for New Tenants	TI's at Renewal	Leasing Commissions - Private	Leasing Commissions - State Leases	Mos. Vacant Btwn. Leases
Scenario 1	65%	$25	$5.00	4.0%	2.00%	12
Scenario 2	65%	$25	$5.00	4.0%	2.00%	12
Scenario 3	65%	$25	$5.00	4.0%	2.00%	12
Scenario 4	65%	$25	$5.00	4.0%	2.00%	12
Scenario 5	65%	$25	$5.00	4.0%	2.00%	12
Scenario 6	65%	$25	$5.00	4.0%	2.00%	12
Scenario 7	65%	$25	$5.00	4.0%	2.00%	No turnovers

Holding Period

We use a ten-year holding period for all Scenarios.

Market Rent Growth Rate

A market rent growth rate of 2.5% per year is projected. This is consistent with typical investor expectations. Support for market rent growth is from the following sources:

Investor Surveys – Office Properties				
	IRR-Viewpoint Year End 2014 National CBD Office	IRR-Viewpoint Year End 2014 National Suburban Office	PwC 2Q-2015 National CBD Office	PwC 2Q-2015 Secondary Office
Market Rent Growth Rate				
Range	0.0% - 8.0%	0.0% - 10.0%	0.0% - 7.0%	0.00% - 10.00%
Average	2.33%	2.43%	2.43%	3.93%

Source: Viewpoint 2014, published by Integra Realty Resources; PwC Real Estate Investor Survey.

Expense Growth Rate

An expense growth rate of 2.5% per year is projected for all expenses except real estate taxes. Per Prop 13 we have escalated taxes at 2% annually. This is consistent with typical investor expectations. Support for expense growth is from the following sources:

Investor Surveys – Office Properties				
	IRR-Viewpoint Year End 2014 National CBD Office	IRR-Viewpoint Year End 2014 National Suburban Office	PwC 2Q-2015 National CBD Office	PwC 2Q-2015 Secondary Office
Expense Growth Rate				
Range	0.0% - 4.0%	0.0% - 3.0%	1.0% - 3.0%	2.00% - 3.00%
Average	2.48%	2.59%	2.61%	2.53%

Source: Viewpoint 2014, published by Integra Realty Resources; PwC Real Estate Investor Survey.

Parking & Other Revenue

For scenarios 3, 6 & 7 we have utilized the potential parking revenue of $924,300 and $30,000 for other income as these represent stabilized occupied scenarios. For the other scenarios where there were initial vacancy issues, some adjustment was made lower parking and other revenue due to non-stabilized occupancy.

Operating Expenses

For the stabilized discounted cash flow models (Scenario 3, 6 & 7) the exact amounts of operating expenses were input. For the other scenarios where there were vacancy issues, adjustments were made for occupancy variable expenses such as utilities, janitorial, repairs and maintenance. Also, for the non-stabilized DCF's, we utilized Argus's function to estimate real estate taxes based on the indicated value arrived from the DCF model.

Absorption of Vacant Space

Scenario 1: 4 Floors vacant for two years

Scenario 2: 50% of building vacant for 1 year

Scenario 3: Assumed 100% occupied

Scenario 4: 2 years vacant due to capital repairs and tenant improvement build-out

Scenario 5: 2 months vacant for lease-up

Scenario 6: Assumed 100% occupied

Scenario 7: Assumed 100% occupied

Leasing Commissions

Leasing commissions in the area are paid primarily on a percentage basis, with some lease transactions brokered solely by an exclusive inside agent and others brokered by an outside agent with an override paid to the inside agent. For new tenants, total commissions are estimated at 4% for private sector leases and 2% for state leases.

Tenant Improvement Allowance

Tenant improvements for formerly occupied (second generation) space is a negotiable item, and ranges from "as is" to "turn-key", with tenant improvement allowances ranging from none to $75 per square foot as indicated by the lease comparables. Typically, owners are willing to rebuild space substantially for new tenants, whereas improvements on renewals are often limited to new carpet and paint.

Tenant improvements for new tenants vary considerably. Early in our analysis we assumed, in some scenarios, an improvement allowance of $50 per square foot would be provided. In many cases, new tenants will take existing space with carpet & paint or minor tenant improvements. In this analysis we are attempting to estimate the tenant improvements for second generation tenants, some that will take space with minimal tenant improvements and others with higher buildout. Based on this information, we project average tenant improvement allowances of $25 for new tenants and $5 for renewing tenants. These are average allowances and cannot be compared to the assumed $50/SF tenant improvements for first generation leases in Scenarios 4 through 7.

Renewal Probabilities

We have utilized a 65% renewal probability for leases. This is based on information from investors as shown in the PwC survey dated 2Q 2015:

PwC 2Q 2015: National CBD: 50-85% renewal probability

PwC 2Q 2015: National Secondary: 60%-80% renewal probability

PwC 2Q 2015: National Suburban: 50%-75% renewal probability

Replacement Reserves

This expense category accounts for the cost of periodic replacement of capital items such as the roof and HVAC system. We estimate this expense at $0.50 per square foot.

Discount Rate and Reversion Capitalization Rate Selection

Data from national investor surveys that we consider in selecting discount and reversion capitalization rates is shown in the exhibits that follow.

Investor Surveys – Office Properties

	IRR-Viewpoint Year End 2014 National CBD Office	IRR-Viewpoint Year End 2014 National Suburban Office	PwC 2Q-2015 National CBD Office	PwC 2Q-2015 Secondary Office
Discount Rate				
Range	6.0% - 12.0%	6.75% - 10.00%	5.50% - 11.00%	5.75% -12.00%
Average	8.34%	8.65%	7.34%	8.66%
Reversion Capitalization Rate				
Range	5.25% - 11.00%	6.0% - 9.50%	4.50% - 9.00%	6.00% - 10.00%
Average	7.62%	7.99%	6.48%	7.54%
Market Rent Growth Rate				
Range	0.0% - 8.0%	0.0% - 10.0%	0.0% - 7.0%	0.00% - 10.00%
Average	2.33%	2.43%	2.43%	3.93%
Expense Growth Rate				
Range	0.0% - 4.0%	0.0% - 3.0%	1.0% - 3.0%	2.00% - 3.00%
Average	2.48%	2.59%	2.61%	2.53%

Source: Viewpoint 2014, published by Integra Realty Resources; PwC Real Estate Investor Survey.

Discount Rate

The most current national survey data (2nd Qtr. 2015- Secondary Office) indicates that discount rates for the office property type range from 5.75% to 12.0% and average 8.66%. There is a spread of 112 basis points from going-in capitalization rate (7.54%) to the Discount Rate (8.66%).

The most current national survey data (2nd Qtr. 2015- CBD Office) indicates that the average discount rate for the office property is 7.34%. There is a spread of 127 basis points from the average going-in capitalization rate of 6.07% from this category (2nd Qtr. 2015- CBD Office).

These two examples are shown below.

		PwC 2Q-2015 National CBD Office	PwC 2Q-2015 Secondary Office
Average Going-in Cap Rate		6.07%	7.54%
Average Discount Rate		7.34%	8.66%
Difference		1.27%	1.12%

Based on these indications we have applied a spread of 125 basis points to our concluded going in capitalization rates. This spread is supported from the surveys reviewed. The next step we apply a premium for the scenarios that involve non-stabilized occupancies and/or non-repaired property conditions.

Scenarios 1, 2 and 5 warrant a small premium to the discount rate as they are non-stabilized scenarios. Adjustments from 25 to 50 basis points were applied to these scenarios to arrive at their discount rates. These adjustments are to account for profit motivation to achieve stabilized occupancy.

Scenario 4 is the as vacant building status. Under this valuation premise, all capital repair work and new tenant improvements are required. In the direct capitalization approach, a profit estimate of approximately $12.1 million was concluded to account for the risk and entrepreneurial reward for completing the construction and achieving a stabilized occupancy. A discount premium of 175 basis points was appropriate to account for the risk and profit award under this scenario. This discount premium was determined by testing different discount rates that resulted in a value difference close to the $12.1 profit as estimated earlier. Explained in other terms, the 175 basis point premium resulted in a lower value equating close to the profit deduction estimated earlier. Shown below is a summary of the discount rates for each of the scenarios.

Discount Rates							
	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5	Scenario 6	Scenario 7
Going-in Cap Rate	8.25%	8.25%	8.25%	8.25%	8.00%	8.00%	6.00%
Cap/Discount Rate Spread	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%
Adjusted Discount Rate	9.50%	9.50%	9.50%	9.50%	9.25%	9.25%	7.25%
Adjusted For Non-Stabilized	0.50%	0.50%	0.00%	1.75%	0.25%	0.00%	0.00%
Final Discount Rate	10.00%	10.00%	9.50%	11.25%	9.50%	9.25%	7.25%

Reversion Capitalization Rate

Current survey data indicates a range of reversion capitalization rates of 6.0% to 10%, with an average of 7.74% (for 2Qtr 2015 Secondary office market), for the office property type. The average spread between the going-in and reversion rates (for 2Qtr 2015 Secondary office market) is 20 basis points. As show below:

		PwC 2Q-2015 National CBD Office	PwC 2Q-2015 Secondary Office
Average Going-in Cap Rate		6.07%	7.54%
Average Going-out Cap Rate		6.48%	7.74%
Difference		0.41%	0.20%

The middle of the two sources is 31 basis points. For the subject, we conclude to a reversion capitalization rate 25 basis point higher than our going in capitalization rates. The concluded reversion capitalization rates are 8.5% for Scenarios 1-4, 8.25% for Scenarios 5-6. We utilize an 8.0% reversion cap rate for Scenario 7 as there will still be 10 more years on the lease.

Value Indication – Discounted Cash Flow Analysis

The value indications produced by the discounted cash flow analysis are as follows:

Discounted Cash Flow Analysis - Indicated Value					
Appraisal Premise	Value by DCF	CapEX Adjustments	Value of Under-utilized Land	Indicated Value	Rounded
Scenario 1	$96,200,000	$32,907,143	$0	$63,292,857	$63,300,000
Scenario 2	$96,600,000	$32,907,143	$0	$63,692,857	$63,700,000
Scenario 3	$102,600,000	$0	$0	$102,600,000	$102,600,000
Scenario 4	$61,000,000	$32,907,143	$3,000,000	$31,092,857	$31,100,000
Scenario 5	$119,000,000	$0	$0	$119,000,000	$119,000,000
Scenario 6	$125,700,000	$0	$0	$125,700,000	$125,700,000
Scenario 7	$129,900,000	$0	$0	$129,900,000	$129,900,000

The cash flow schedule and present worth calculations are shown on the following pages.

BOE - Scenario 1
Base Case
Property Cash Flow, Occupancy & Unleveraged Yield Report

PROPERTY CASH FLOW

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11
EFFECTIVE GROSS REVENUE											
Base Rental Revenue	11,359,358	11,359,358	14,011,425	14,011,425	14,902,413	14,902,413	15,177,732	15,177,732	16,439,832	16,767,661	16,970,262
Absorption & Turnover Vacancy	0	0	0	0	(3,157,875)	0	(975,795)	0	(4,613,425)	0	(1,077,096)
Scheduled Base Rental Revenue	11,359,358	11,359,358	14,011,425	14,011,425	11,744,538	14,902,413	14,201,937	15,177,732	11,826,407	16,767,661	15,893,166
Base Rental Step Revenue	0	235,021	470,043	757,289	276,801	447,408	468,301	680,691	264,616	236,761	384,737
Expense Reimbursement Revenue	0	83,937	372,889	516,596	110,536	618,324	555,211	843,623	119,566	767,077	861,847
Net Parking Revenue	755,300	777,959	980,590	1,010,008	1,040,308	1,071,517	1,103,663	1,136,773	1,170,876	1,206,002	1,242,182
Other Income	30,000	30,900	31,827	32,782	33,765	34,778	35,822	36,896	38,003	39,143	40,317
Total Potential Gross Revenue	12,144,658	12,487,175	15,866,774	16,328,100	13,205,948	17,074,440	16,364,934	17,875,715	13,419,468	19,016,644	18,422,249
General Vacancy	(113,594)	(116,783)	(148,544)	(152,853)	0	(159,681)	0	(167,020)	0	(177,715)	0
Collection Loss	0	0	0	0	0	0	0	0	0	0	0
TOTAL EFFECTIVE GROSS REVENUE	12,031,064	12,370,392	15,718,230	16,175,247	13,205,948	16,914,759	16,364,934	17,708,695	13,419,468	18,838,929	18,422,249
OPERATING EXPENSES											
Real Estate Taxes	1,089,954	1,111,753	1,133,988	1,156,668	1,179,801	1,203,397	1,227,465	1,252,014	1,277,055	1,302,596	1,496,271
Direct Levies	55,000	56,375	57,784	59,229	60,710	62,227	63,783	65,378	67,012	68,687	70,405
Insurance	224,257	229,864	235,610	241,500	247,538	253,726	260,070	266,571	273,236	280,067	287,068
Utilities	1,006,101	1,031,253	1,236,954	1,267,878	1,085,341	1,332,064	1,299,166	1,399,500	1,121,507	1,470,349	1,434,037
Repairs/Maintenance	840,965	861,989	883,538	905,627	928,267	951,474	975,261	999,643	1,024,634	1,050,249	1,076,506
Cleaning/Janitorial	718,643	736,609	883,538	905,627	775,243	951,474	927,976	999,643	801,077	1,050,249	1,024,312
Security	280,322	287,330	294,513	301,876	309,422	317,158	325,087	333,214	341,545	350,083	358,835
G&A	840,965	861,989	883,538	905,627	928,267	951,474	975,261	999,643	1,024,634	1,050,249	1,076,506
Management	240,621	247,408	314,365	323,505	264,119	338,295	327,299	354,174	268,389	376,779	368,445
TOTAL OPERATING EXPENSES	5,296,828	5,424,570	5,923,828	6,067,537	5,778,708	6,361,289	6,381,368	6,669,780	6,199,089	6,999,308	7,192,385
NET OPERATING INCOME	**6,734,236**	**6,945,822**	**9,794,402**	**10,107,710**	**7,427,240**	**10,553,470**	**9,983,566**	**11,038,915**	**7,220,379**	**11,839,621**	**11,229,864**
LEASING & CAPITAL COSTS											
Tenant Improvements	0	0	0	0	3,997,173	0	1,247,221	0	5,954,357	0	1,403,758
Leasing Commissions	0	0	0	0	525,959	0	162,309	0	1,337,751	0	178,720
Reserves	239,373	246,554	253,951	261,569	269,416	277,499	285,824	294,399	303,231	312,327	321,697
TOTAL LEASING & CAPITAL COSTS	239,373	246,554	253,951	261,569	4,792,548	277,499	1,695,354	294,399	7,595,339	312,327	1,904,175
CASH FLOW	**6,494,863**	**6,699,268**	**9,540,451**	**9,846,141**	**2,634,692**	**10,275,971**	**8,288,212**	**10,744,516**	**(374,960)**	**11,527,294**	**9,325,689**

Scenario 1 DCF Conclusions

Range of Value Indications

Disc. Rate	Reversion Cap Rate	Present Value Cash Flow	Present Value Reversion	Total Poperty Value	Value Per SF	Cap Rate (NOI/Value)	% Reversion
9.50%	8.50%	$47,343,966	$52,244,485	$99,588,452	$208.02	6.8%	52.5%
9.75%	8.50%	$46,828,278	$51,066,531	$97,894,809	$204.48	6.9%	52.2%
10.00%	8.50%	$46,321,200	$49,917,726	$96,238,926	$201.02	7.0%	51.9%
10.25%	8.50%	$45,822,550	$48,797,286	$94,619,836	$197.64	7.1%	51.6%
10.50%	8.50%	$45,332,155	$47,704,447	$93,036,602	$194.33	7.2%	51.3%

Final Value Indication by DCF Analysis

Discount Rate	10.00%	Projection Start Date	8/1/2015
Reversion Cap Rate	8.50%	Holding Period (Years)	10
Reversion Selling Cost	2.00%	Reversion NOI Year	11
Final Value Indication	$96,238,926	Rentable Area (SF)	478,746
Final Value Indication (Rounded)	**$96,200,000**	Value per SF	$200.94
% Reversion	51.9%		

Year No.	NOI	Cash Flow	Present Value	Cap Rate (NOI/Value)	CF Rate (CF/Value)
1	$6,734,236	$6,494,863	$5,904,421	7.0%	6.8%
2	$6,945,822	$6,699,268	$5,536,585	7.2%	7.0%
3	$9,794,402	$9,540,451	$7,167,882	10.2%	9.9%
4	$10,107,710	$9,846,141	$6,725,047	10.5%	10.2%
5	$7,427,240	$2,634,692	$1,635,936	7.7%	2.7%
6	$10,553,470	$10,275,971	$5,800,518	11.0%	10.7%
7	$9,983,566	$8,288,212	$4,253,163	10.4%	8.6%
8	$11,038,915	$10,744,516	$5,012,396	11.5%	11.2%
9	$7,220,379	-$374,960	-$159,020	7.5%	-0.4%
10	$11,839,621	$11,527,294	$4,444,271	12.3%	12.0%
Sum of Cash Flows		$75,676,448	$46,321,200		

Reversion Calculation		**Rates of Return**		
11th Year NOI	$11,229,864		Cap Rate	CF Rate
Reversion Cap Rate	8.50%	Year 1	7.0%	6.8%
Gross Reversion Value	$132,116,047	Years 1-5 Average	8.5%	7.3%
Reversion Selling Cost: 2.0%	-$2,642,321	Years 6-10 Average	10.5%	8.4%
Net Reversion Value	$129,473,726			
Change in Value (Gross)	37.3%			
Change in Value - Compound Annual Rate	3.2%			
Change in NOI (Yrs 1-11) - Comp. Ann. Rate	5.2%			
Indicated Property Value		**Partition of Value**		
Present Value of Cash Flows	$46,321,200	PV Cash Flows	$46,321,200	48.1%
Present Value of Net Reversion	$49,917,726	PV Return of Investment	$37,104,272	38.6%
% Reversion	51.9%	PV Change in Value	$12,813,454	13.3%
Indicated Value	$96,238,926	Total Value	$96,238,926	100.0%
Indicated Value (Rounded)	$96,200,000			

Please refer to page 162 for additional adjustments to arrive at the final value from this DCF.

BOE - Scenario 2
Base Case
Property Cash Flow, Occupancy & Unleveraged Yield Report

PROPERTY CASH FLOW

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11
EFFECTIVE GROSS REVENUE											
Base Rental Revenue	6,941,817	14,057,179	14,057,179	14,057,179	14,489,570	15,228,237	15,228,237	15,228,237	16,152,866	16,855,525	17,127,308
Absorption & Turnover Vacancy	0	0	0	0	(1,532,496)	(2,618,010)	0	0	(2,819,310)	(2,889,793)	0
Scheduled Base Rental Revenue	6,941,817	14,057,179	14,057,179	14,057,179	12,957,074	12,610,227	15,228,237	15,228,237	13,333,556	13,965,732	17,127,308
Base Rental Step Revenue	0	143,623	430,872	718,119	603,219	229,798	411,721	641,519	469,171	210,649	258,523
Expense Reimbursement Revenue	0	142,372	282,915	426,712	223,301	134,217	612,643	769,128	266,996	176,578	907,341
Net Parking Revenue	462,150	952,029	980,590	1,010,008	1,040,308	1,071,517	1,103,663	1,136,773	1,170,876	1,206,002	1,242,182
Other Income	30,000	30,900	31,827	32,782	33,765	34,778	35,822	36,896	38,003	39,143	40,317
Total Potential Gross Revenue	7,433,967	15,326,103	15,783,383	16,244,800	14,857,667	14,080,537	17,392,086	17,812,553	15,278,602	15,598,104	19,575,671
General Vacancy	(69,418)	(143,432)	(147,710)	(152,020)	0	0	(162,526)	(166,389)	0	0	(182,932)
Collection Loss	0	0	0	0	0	0	0	0	0	0	0
TOTAL EFFECTIVE GROSS REVENUE	7,364,549	15,182,671	15,635,673	16,092,780	14,857,667	14,080,537	17,229,560	17,646,164	15,278,602	15,598,104	19,392,739
OPERATING EXPENSES											
Real Estate Taxes	1,094,301	1,116,187	1,138,511	1,161,281	1,184,506	1,208,197	1,232,360	1,257,008	1,282,148	1,307,791	1,593,364
Direct Levies	55,000	56,375	57,784	59,229	60,710	62,227	63,783	65,378	67,012	68,687	70,405
Insurance	224,257	229,864	235,610	241,500	247,538	253,726	260,070	266,571	273,236	280,067	287,068
Utilities	706,410	1,206,784	1,236,954	1,267,878	1,195,608	1,154,455	1,365,365	1,399,500	1,243,222	1,274,303	1,507,108
Repairs/Maintenance	840,965	861,989	883,538	905,627	928,267	951,474	975,261	999,643	1,024,634	1,050,249	1,076,506
Cleaning/Janitorial	504,579	861,989	883,538	905,627	854,006	824,611	975,261	999,643	888,016	910,216	1,076,506
Security	280,322	287,330	294,513	301,876	309,422	317,158	325,087	333,214	341,545	350,083	358,835
G&A	840,965	861,989	883,538	905,627	928,267	951,474	975,261	999,643	1,024,634	1,050,249	1,076,506
Management	147,291	303,653	312,713	321,856	297,153	281,611	344,591	352,923	305,572	311,962	387,855
TOTAL OPERATING EXPENSES	4,694,090	5,786,160	5,926,699	6,070,501	6,005,477	6,004,933	6,517,039	6,673,523	6,450,019	6,603,607	7,434,153
NET OPERATING INCOME	**2,670,459**	**9,396,511**	**9,708,974**	**10,022,279**	**8,852,190**	**8,075,604**	**10,712,521**	**10,972,641**	**8,828,583**	**8,994,497**	**11,958,586**
LEASING & CAPITAL COSTS											
Tenant Improvements	0	0	0	0	1,939,801	3,329,987	0	0	3,638,767	3,747,930	0
Leasing Commissions	0	0	0	0	255,244	435,751	0	0	1,039,701	479,780	0
Reserves	239,373	246,554	253,951	261,569	269,416	277,499	285,824	294,399	303,231	312,327	321,697
TOTAL LEASING & CAPITAL COSTS	239,373	246,554	253,951	261,569	2,464,461	4,043,237	285,824	294,399	4,981,699	4,540,037	321,697
CASH FLOW	**2,431,086**	**9,149,957**	**9,455,023**	**9,760,710**	**6,387,729**	**4,032,367**	**10,426,697**	**10,678,242**	**3,846,884**	**4,454,460**	**11,636,889**

Scenario 2 DCF Conclusions

Range of Value Indications

Disc. Rate	Reversion Cap Rate	Present Value Cash Flow	Present Value Reversion	Total Property Value	Value Per SF	Cap Rate (NOI/Value)	% Reversion
9.50%	8.50%	$44,426,481	$55,634,705	$100,061,186	$209.01	2.7%	55.6%
9.75%	8.50%	$43,942,212	$54,380,312	$98,322,524	$205.38	2.7%	55.3%
10.00%	8.50%	$43,465,729	$53,156,959	$96,622,688	$201.82	2.8%	55.0%
10.25%	8.50%	$42,996,875	$51,963,812	$94,960,686	$198.35	2.8%	54.7%
10.50%	8.50%	$42,535,497	$50,800,057	$93,335,555	$194.96	2.9%	54.4%

Final Value Indication by DCF Analysis

Discount Rate	10.00%	Projection Start Date	8/1/2015
Reversion Cap Rate	8.50%	Holding Period (Years)	10
Reversion Selling Cost	2.00%	Reversion NOI Year	11
Final Value Indication	$96,622,688	Rentable Area (SF)	478,746
Final Value Indication (Rounded)	**$96,600,000**	Value per SF	$201.78
% Reversion	55.0%		

Year No.	NOI	Cash Flow	Present Value	Cap Rate (NOI/Value)	CF Rate (CF/Value)
1	$2,670,459	$2,431,086	$2,210,078	2.8%	2.5%
2	$9,396,511	$9,149,957	$7,561,948	9.7%	9.5%
3	$9,708,974	$9,455,023	$7,103,699	10.1%	9.8%
4	$10,022,279	$9,760,710	$6,666,696	10.4%	10.1%
5	$8,852,190	$6,387,729	$3,966,277	9.2%	6.6%
6	$8,075,604	$4,032,367	$2,276,166	8.4%	4.2%
7	$10,712,521	$10,426,697	$5,350,544	11.1%	10.8%
8	$10,972,641	$10,678,242	$4,981,479	11.4%	11.1%
9	$8,828,583	$3,846,884	$1,631,454	9.1%	4.0%
10	$8,994,497	$4,454,460	$1,717,387	9.3%	4.6%
Sum of Cash Flows		$70,623,155	$43,465,729		

Reversion Calculation		**Rates of Return**		
11th Year NOI	$11,958,586		Cap Rate	CF Rate
Reversion Cap Rate	8.50%	Year 1	2.8%	2.5%
Gross Reversion Value	$140,689,247	Years 1-5 Average	8.4%	7.7%
Reversion Selling Cost: 2.0%	-$2,813,785	Years 6-10 Average	9.9%	6.9%
Net Reversion Value	$137,875,462			
Change in Value (Gross)	45.6%			
Change in Value - Compound Annual Rate	3.8%			
Change in NOI (Yrs 1-11) - Comp. Ann. Rate	16.2%			

Indicated Property Value		**Partition of Value**		
Present Value of Cash Flows	$43,465,729	PV Cash Flows	$43,465,729	45.0%
Present Value of Net Reversion	$53,156,959	PV Return of Investment	$37,252,229	38.6%
% Reversion	55.0%	PV Change in Value	$15,904,730	16.5%
Indicated Value	$96,622,688	Total Value	$96,622,688	100.0%
Indicated Value (Rounded)	$96,600,000			

Please refer to page 162 for additional adjustments to arrive at the final value from this DCF.

BOE - Scenario 3
Base Case
Property Cash Flow, Occupancy & Unleveraged Yield Report

PROPERTY CASH FLOW

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11
EFFECTIVE GROSS REVENUE											
Base Rental Revenue	13,883,634	13,883,634	13,883,634	13,883,634	15,036,674	15,036,675	15,036,675	15,036,675	16,491,613	16,915,860	16,915,860
Absorption & Turnover Vacancy	0	0	0	0	(4,086,651)	0	0	0	(5,638,620)	0	0
Scheduled Base Rental Revenue	13,883,634	13,883,634	13,883,634	13,883,634	10,950,023	15,036,675	15,036,675	15,036,675	10,852,993	16,915,860	16,915,860
Base Rental Step Revenue	0	287,247	574,495	861,743	172,348	325,547	555,345	785,143	229,798	114,899	402,147
Expense Reimbursement Revenue	0	138,421	280,048	424,952	107,488	325,630	479,730	637,442	158,428	273,050	443,270
Net Parking Revenue	924,300	952,029	980,590	1,010,008	1,040,308	1,071,517	1,103,663	1,136,772	1,170,876	1,206,002	1,242,182
Other Income	30,000	30,900	31,827	32,782	33,765	34,778	35,822	36,896	38,003	39,143	40,317
Total Potential Gross Revenue	14,837,934	15,292,231	15,750,594	16,213,119	12,303,932	16,794,147	17,211,235	17,632,928	12,450,098	18,548,954	19,043,776
General Vacancy	(138,836)	(143,093)	(147,382)	(151,703)	0	(156,879)	(160,718)	(164,593)	0	(173,038)	(177,613)
Collection Loss	0	0	0	0	0	0	0	0	0	0	0
TOTAL EFFECTIVE GROSS REVENUE	14,699,098	15,149,138	15,603,212	16,061,416	12,303,932	16,637,268	17,050,517	17,468,335	12,450,098	18,375,916	18,866,163
OPERATING EXPENSES											
Real Estate Taxes	1,155,000	1,178,100	1,201,662	1,225,695	1,250,209	1,275,213	1,300,718	1,326,732	1,353,267	1,380,332	1,407,939
Direct Levies	55,000	56,375	57,784	59,229	60,710	62,227	63,783	65,378	67,012	68,687	70,405
Insurance	224,257	229,864	235,610	241,500	247,538	253,726	260,070	266,571	273,236	280,067	287,068
Utilities	1,177,350	1,206,784	1,236,954	1,267,878	1,299,574	1,332,064	1,365,365	1,399,500	1,434,487	1,470,349	1,507,108
Repairs/Maintenance	840,965	861,989	883,538	905,627	928,267	951,474	975,261	999,643	1,024,634	1,050,249	1,076,506
Cleaning/Janitorial	840,965	861,989	883,538	905,627	928,267	951,474	975,261	999,643	1,024,634	1,050,249	1,076,506
Security	280,322	287,330	294,513	301,876	309,422	317,158	325,087	333,214	341,545	350,083	358,835
G&A	840,965	861,989	883,538	905,627	928,267	951,474	975,261	999,643	1,024,634	1,050,249	1,076,506
Management	293,982	302,983	312,064	321,228	246,079	332,745	341,010	349,367	249,002	367,518	377,323
TOTAL OPERATING EXPENSES	5,708,806	5,847,403	5,989,201	6,134,287	6,198,333	6,427,555	6,581,816	6,739,691	6,792,451	7,067,783	7,238,196
NET OPERATING INCOME	**8,990,292**	**9,301,735**	**9,614,011**	**9,927,129**	**6,105,599**	**10,209,713**	**10,468,701**	**10,728,644**	**5,657,647**	**11,308,133**	**11,627,967**
LEASING & CAPITAL COSTS											
Tenant Improvements	0	0	0	0	5,172,798	0	0	0	7,277,534	0	0
Leasing Commissions	0	0	0	0	680,651	0	0	0	1,508,063	0	0
Reserves	239,373	246,554	253,951	261,569	269,416	277,499	285,824	294,399	303,231	312,327	321,697
TOTAL LEASING & CAPITAL COSTS	239,373	246,554	253,951	261,569	6,122,865	277,499	285,824	294,399	9,088,828	312,327	321,697
CASH FLOW	**8,750,919**	**9,055,181**	**9,360,060**	**9,665,560**	**(17,266)**	**9,932,214**	**10,182,877**	**10,434,245**	**(3,431,181)**	**10,995,806**	**11,306,270**

Scenario 3 DCF Conclusions

Range of Value Indications

Disc. Rate	Reversion Cap Rate	Present Value Cash Flow	Present Value Reversion	Total Property Value	Value Per SF	Cap Rate (NOI/Value)	% Reversion
9.00%	8.50%	$49,507,888	$56,629,922	$106,137,810	$221.70	8.5%	53.4%
9.25%	8.50%	$49,005,312	$55,347,306	$104,352,617	$217.97	8.6%	53.0%
9.50%	8.50%	$48,510,934	$54,096,572	$102,607,506	$214.33	8.8%	52.7%
9.75%	8.50%	$48,024,584	$52,876,859	$100,901,443	$210.76	8.9%	52.4%
10.00%	8.50%	$47,546,098	$51,687,329	$99,233,426	$207.28	9.1%	52.1%

Final Value Indication by DCF Analysis

Discount Rate	9.50%	Projection Start Date	8/1/2015
Reversion Cap Rate	8.50%	Holding Period (Years)	10
Reversion Selling Cost	2.00%	Reversion NOI Year	11
Final Value Indication	$102,607,506	Rentable Area (SF)	478,746
Final Value Indication (Rounded)	**$102,600,000**	Value per SF	$214.31
% Reversion	52.7%		

Year No.	NOI	Cash Flow	Present Value	Cap Rate (NOI/Value)	CF Rate (CF/Value)
1	$8,990,292	$8,750,919	$7,991,707	8.8%	8.5%
2	$9,301,735	$9,055,181	$7,552,120	9.1%	8.8%
3	$9,614,011	$9,360,060	$7,129,126	9.4%	9.1%
4	$9,927,129	$9,665,560	$6,723,115	9.7%	9.4%
5	$6,105,599	-$17,266	-$10,968	6.0%	0.0%
6	$10,209,713	$9,932,214	$5,761,842	10.0%	9.7%
7	$10,468,701	$10,182,877	$5,394,754	10.2%	9.9%
8	$10,728,644	$10,434,245	$5,048,334	10.5%	10.2%
9	$5,657,647	-$3,431,181	-$1,516,061	5.5%	-3.3%
10	$11,308,133	$10,995,806	$4,436,964	11.0%	10.7%
Sum of Cash Flows		$74,928,415	$48,510,934		

Reversion Calculation		**Rates of Return**		
11th Year NOI	$11,627,967		Cap Rate	CF Rate
Reversion Cap Rate	8.50%	Year 1	8.8%	8.5%
Gross Reversion Value	$136,799,612	Years 1-5 Average	8.6%	7.2%
Reversion Selling Cost: 2.0%	-$2,735,992	Years 6-10 Average	9.4%	7.4%
Net Reversion Value	$134,063,620			
Change in Value (Gross)	33.3%			
Change in Value - Compound Annual Rate	2.9%			
Change in NOI (Yrs 1-11) - Comp. Ann. Rate	2.6%			

Indicated Property Value		**Partition of Value**		
Present Value of Cash Flows	$48,510,934	PV Cash Flows	$48,510,934	47.3%
Present Value of Net Reversion	$54,096,572	PV Return of Investment	$41,403,584	40.4%
% Reversion	52.7%	PV Change in Value	$12,692,988	12.4%
Indicated Value	$102,607,506	Total Value	$102,607,506	100.0%
Indicated Value (Rounded)	$102,600,000			

BOE - Scenario 4
Base Case
Property Cash Flow, Occupancy & Unleveraged Yield Report

PROPERTY CASH FLOW

	Year 1	Year 2	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11
EFFECTIVE GROSS REVENUE										
Base Rental Revenue	15,798,618	16,193,584	15,798,618	15,798,618	15,798,618	17,816,967	17,816,967	17,816,967	17,816,967	19,716,363
Absorption & Turnover Vacancy	(15,798,618)	(16,193,584)	0	0	0	(4,885,750)	0	0	0	(6,741,189)
Scheduled Base Rental Revenue	0	0	15,798,618	15,798,618	15,798,618	12,931,217	17,816,967	17,816,967	17,816,967	12,975,174
Base Rental Step Revenue	0	0	287,247	574,495	861,743	172,348	325,547	555,345	785,143	229,798
Expense Reimbursement Revenue	0	0	135,233	273,628	415,268	17,939	1,278,034	1,428,730	1,582,999	143,097
Net Parking Revenue	0	0	1,010,008	1,040,308	1,071,517	1,103,663	1,136,773	1,170,876	1,206,002	1,242,182
Other Income	0	0	32,782	33,765	34,778	35,822	36,896	38,003	39,143	40,317
Total Potential Gross Revenue	0	0	17,263,888	17,720,814	18,181,924	14,260,989	20,594,217	21,009,921	21,430,254	14,630,568
General Vacancy	0	0	(162,211)	(166,467)	(170,756)	0	(194,205)	(198,010)	(201,851)	0
Collection Loss	0	0	0	0	0	0	0	0	0	0
TOTAL EFFECTIVE GROSS REVENUE	0	0	17,101,677	17,554,347	18,011,168	14,260,989	20,400,012	20,811,911	21,228,403	14,630,568
OPERATING EXPENSES										
Real Estate Taxes	690,692	704,506	732,968	747,627	762,580	777,832	793,388	809,256	825,441	1,231,411
Direct Levies	55,000	56,375	59,229	60,710	62,227	63,783	65,378	67,012	68,687	70,405
Insurance	224,257	229,864	241,500	247,538	253,726	260,070	266,571	273,236	280,067	287,068
Utilities	117,735	120,678	1,267,878	1,299,574	1,332,064	1,037,678	1,399,500	1,434,487	1,470,349	1,054,976
Repairs/Maintenance	84,096	86,199	905,627	928,267	951,474	741,198	999,643	1,024,634	1,050,249	753,554
Cleaning/Janitorial	0	0	905,627	928,267	951,474	715,191	999,643	1,024,634	1,050,249	717,670
Security	14,016	14,366	301,876	309,422	317,158	242,732	333,214	341,545	350,083	245,204
G&A	42,048	43,099	905,627	928,267	951,474	728,195	999,643	1,024,634	1,050,249	735,612
Management	0	0	342,034	351,087	360,223	285,220	408,000	416,238	424,568	292,611
TOTAL OPERATING EXPENSES	1,227,844	1,255,087	5,662,366	5,800,759	5,942,400	4,851,899	6,264,980	6,415,676	6,569,942	5,388,511
NET OPERATING INCOME	**(1,227,844)**	**(1,255,087)**	**11,439,311**	**11,753,588**	**12,068,768**	**9,409,090**	**14,135,032**	**14,396,235**	**14,658,461**	**9,242,057**
LEASING & CAPITAL COSTS										
Tenant Improvements	0	0	0	0	0	5,487,821	0	0	0	7,720,735
Leasing Commissions	0	0	0	0	0	810,105	0	0	0	1,793,849
Reserves	239,373	246,554	261,569	269,416	277,499	285,824	294,399	303,231	312,327	321,697
TOTAL LEASING & CAPITAL COSTS	239,373	246,554	261,569	269,416	277,499	6,583,750	294,399	303,231	312,327	9,836,281
CASH FLOW	**(1,467,217)**	**(1,501,641)**	**11,177,742**	**11,484,172**	**11,791,269**	**2,825,340**	**13,840,633**	**14,093,004**	**14,346,134**	**(594,224)**

Scenario 4 DCF Conclusions

Range of Value Indications

Disc. Rate	Reversion Cap Rate	Present Value Cash Flow	Present Value Reversion	Total Poperty Value	Value Per SF	Cap Rate (NOI/Value)	% Reversion
10.75%	8.50%	$25,293,353	$38,382,958	$63,676,312	$133.01	-1.9%	60.3%
11.00%	8.50%	$24,788,091	$37,527,186	$62,315,277	$130.16	-2.0%	60.2%
11.25%	8.50%	$24,293,146	$36,692,356	$60,985,502	$127.39	-2.0%	60.2%
11.50%	8.50%	$23,808,283	$35,877,909	$59,686,191	$124.67	-2.1%	60.1%
11.75%	8.50%	$23,333,272	$35,083,303	$58,416,575	$122.02	-2.1%	60.1%

Final Value Indication by DCF Analysis

Discount Rate	11.25%	Projection Start Date	8/1/2015
Reversion Cap Rate	8.50%	Holding Period (Years)	10
Reversion Selling Cost	2.00%	Reversion NOI Year	11
Final Value Indication	$60,985,502	Rentable Area (SF)	478,746
Final Value Indication (Rounded)	**$61,000,000**	Value per SF	$127.42
% Reversion	60.2%		

Year No.	NOI	Cash Flow	Present Value	Cap Rate (NOI/Value)	CF Rate (CF/Value)
1	-$1,227,844	-$1,467,217	-$1,318,847	-2.0%	-2.4%
2	-$1,255,087	-$1,501,641	-$1,213,294	-2.1%	-2.5%
3	$11,125,917	-$15,156,495	-$11,007,754	18.2%	-24.8%
4	$11,439,311	$11,177,742	$7,297,162	18.8%	18.3%
5	$11,753,588	$11,484,172	$6,739,064	19.3%	18.8%
6	$12,068,768	$11,791,269	$6,219,571	19.8%	19.3%
7	$9,409,090	$2,825,340	$1,339,586	15.4%	4.6%
8	$14,135,032	$13,840,633	$5,898,693	23.2%	22.7%
9	$14,396,235	$14,093,004	$5,398,877	23.6%	23.1%
10	$14,658,461	$14,346,134	$4,940,088	24.0%	23.5%
Sum of Cash Flows		$61,432,941	$24,293,146		

Reversion Calculation		**Rates of Return**		
11th Year NOI	$9,242,057		Cap Rate	CF Rate
Reversion Cap Rate	8.50%	Year 1	-2.0%	-2.4%
Gross Reversion Value	$108,730,082	Years 1-5 Average	10.4%	1.5%
Reversion Selling Cost: 2.0%	-$2,174,602	Years 6-10 Average	21.2%	18.7%
Net Reversion Value	$106,555,481			
Change in Value (Gross)	78.3%			
Change in Value - Compound Annual Rate	6.0%			
Change in NOI (Yrs 1-11) - Comp. Ann. Rate	#NUM!			

Indicated Property Value		**Partition of Value**		
Present Value of Cash Flows	$24,293,146	PV Cash Flows	$24,293,146	39.8%
Present Value of Net Reversion	$36,692,356	PV Return of Investment	$21,000,344	34.4%
% Reversion	60.2%	PV Change in Value	$15,692,012	25.7%
Indicated Value	$60,985,502	Total Value	$60,985,502	100.0%
Indicated Value (Rounded)	$61,000,000			

Please refer to page 162 for additional adjustments to arrive at the final value from this DCF.

Scenario 5
Base Case
Property Cash Flow, Occupancy & Unleveraged Yield Report

PROPERTY CASH FLOW

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11
EFFECTIVE GROSS REVENUE											
Base Rental Revenue	13,165,516	15,798,618	15,798,618	15,798,618	16,892,018	17,110,699	17,110,699	17,110,699	18,409,921	19,249,082	19,249,082
Absorption & Turnover Vacancy	0	0	0	0	(4,650,327)	0	0	0	(6,416,360)	0	0
Scheduled Base Rental Revenue	13,165,516	15,798,618	15,798,618	15,798,618	12,241,691	17,110,699	17,110,699	17,110,699	11,993,561	19,249,082	19,249,082
Base Rental Step Revenue	0	239,372	526,621	813,868	287,247	287,247	517,045	746,843	373,422	67,025	354,272
Expense Reimbursement Revenue	0	196,101	343,316	493,918	186,288	357,012	517,129	680,978	285,439	298,915	475,664
Net Parking Revenue	924,300	952,029	980,590	1,010,008	1,040,308	1,071,517	1,103,663	1,136,772	1,170,876	1,206,002	1,242,182
Other Income	30,000	30,900	31,827	32,782	33,765	34,778	35,822	36,896	38,003	39,143	40,317
Total Potential Gross Revenue	14,119,816	17,217,020	17,680,972	18,149,194	13,789,299	18,861,253	19,284,358	19,712,188	13,861,301	20,860,167	21,361,517
General Vacancy	(131,655)	(162,341)	(166,686)	(171,064)	0	(177,550)	(181,449)	(185,385)	0	(196,150)	(200,790)
Collection Loss	0	0	0	0	0	0	0	0	0	0	0
TOTAL EFFECTIVE GROSS REVENUE	13,988,161	17,054,679	17,514,286	17,978,130	13,789,299	18,683,703	19,102,909	19,526,803	13,861,301	20,664,017	21,160,727
OPERATING EXPENSES											
Real Estate Taxes	1,415,000	1,443,300	1,472,166	1,501,609	1,531,642	1,562,274	1,593,520	1,625,390	1,657,898	1,691,056	1,724,877
Direct Levies	55,000	56,375	57,784	59,229	60,710	62,227	63,783	65,378	67,012	68,687	70,405
Insurance	224,257	229,864	235,610	241,500	247,538	253,726	260,070	266,571	273,236	280,067	287,068
Utilities	1,177,350	1,206,784	1,236,954	1,267,878	1,299,574	1,332,064	1,365,365	1,399,500	1,434,487	1,470,349	1,507,108
Repairs/Maintenance	840,965	861,989	883,538	905,627	928,267	951,474	975,261	999,643	1,024,634	1,050,249	1,076,506
Cleaning/Janitorial	840,965	861,989	883,538	905,627	928,267	951,474	975,261	999,643	1,024,634	1,050,249	1,076,506
Security	280,322	287,330	294,513	301,876	309,422	317,158	325,087	333,214	341,545	350,083	358,835
G&A	840,965	861,989	883,538	905,627	928,267	951,474	975,261	999,643	1,024,634	1,050,249	1,076,506
Management	279,763	341,094	350,286	359,563	275,786	373,674	382,058	390,536	277,226	413,280	423,215
TOTAL OPERATING EXPENSES	5,954,587	6,150,714	6,297,927	6,448,536	6,509,473	6,755,545	6,915,666	7,079,518	7,125,306	7,424,269	7,601,026
NET OPERATING INCOME	**8,033,574**	**10,903,965**	**11,216,359**	**11,529,594**	**7,279,826**	**11,928,158**	**12,187,243**	**12,447,285**	**6,735,995**	**13,239,748**	**13,559,701**
LEASING & CAPITAL COSTS											
Tenant Improvements	0	0	0	0	5,172,798	0	0	0	7,277,534	0	0
Leasing Commissions	2,091,161	0	0	0	771,967	0	0	0	1,709,653	0	0
Reserves	239,373	246,554	253,951	261,569	269,416	277,499	285,824	294,399	303,231	312,327	321,697
TOTAL LEASING & CAPITAL COSTS	2,330,534	246,554	253,951	261,569	6,214,181	277,499	285,824	294,399	9,290,418	312,327	321,697
CASH FLOW	**5,703,040**	**10,657,411**	**10,962,408**	**11,268,025**	**1,065,645**	**11,650,659**	**11,901,419**	**12,152,886**	**(2,554,423)**	**12,927,421**	**13,238,004**

Scenario 5 DCF Conclusions

Range of Value Indications

Disc. Rate	Reversion Cap Rate	Present Value Cash Flow	Present Value Reversion	Total Popperty Value	Value Per SF	Cap Rate (NOI/Value)	% Reversion
9.00%	8.25%	$55,183,486	$68,038,896	$123,222,382	$257.39	6.5%	55.2%
9.25%	8.25%	$54,582,970	$66,497,878	$121,080,848	$252.91	6.6%	54.9%
9.50%	8.25%	$53,992,429	$64,995,165	$118,987,594	$248.54	6.8%	54.6%
9.75%	8.25%	$53,411,654	$63,529,721	$116,941,376	$244.27	6.9%	54.3%
10.00%	8.25%	$52,840,443	$62,100,542	$114,940,985	$240.09	7.0%	54.0%

Final Value Indication by DCF Analysis

Discount Rate	9.50%	Projection Start Date	8/1/2015
Reversion Cap Rate	8.25%	Holding Period (Years)	10
Reversion Selling Cost	2.00%	Reversion NOI Year	11
Final Value Indication	$118,987,594	Rentable Area (SF)	478,746
Final Value Indication (Rounded)	**$119,000,000**	Value per SF	$248.57
% Reversion	54.6%		

Year No.	NOI	Cash Flow	Present Value	Cap Rate (NOI/Value)	CF Rate (CF/Value)
1	$8,033,574	$5,703,040	$5,208,256	6.8%	4.8%
2	$10,903,965	$10,657,411	$8,888,398	9.2%	9.0%
3	$11,216,359	$10,962,408	$8,349,560	9.4%	9.2%
4	$11,529,594	$11,268,025	$7,837,749	9.7%	9.5%
5	$7,279,826	$1,065,645	$676,927	6.1%	0.9%
6	$11,928,158	$11,650,659	$6,758,741	10.0%	9.8%
7	$12,187,243	$11,901,419	$6,305,215	10.2%	10.0%
8	$12,447,285	$12,152,886	$5,879,853	10.5%	10.2%
9	$6,735,995	-$2,554,423	-$1,128,667	5.7%	-2.1%
10	$13,239,748	$12,927,421	$5,216,398	11.1%	10.9%
Sum of Cash Flows		$85,734,491	$53,992,429		

Reversion Calculation		**Rates of Return**		
11th Year NOI	$13,559,701		Cap Rate	CF Rate
Reversion Cap Rate	8.25%	Year 1	6.8%	4.8%
Gross Reversion Value	$164,360,012	Years 1-5 Average	8.2%	6.7%
Reversion Selling Cost: 2.0%	-$3,287,200	Years 6-10 Average	9.5%	7.7%
Net Reversion Value	$161,072,812			
Change in Value (Gross)	38.1%			
Change in Value - Compound Annual Rate	3.3%			
Change in NOI (Yrs 1-11) - Comp. Ann. Rate	5.4%			
Indicated Property Value		**Partition of Value**		
Present Value of Cash Flows	$53,992,429	PV Cash Flows	$53,992,429	45.4%
Present Value of Net Reversion	$64,995,165	PV Return of Investment	$48,013,182	40.4%
% Reversion	54.6%	PV Change in Value	$16,981,983	14.3%
Indicated Value	$118,987,594	Total Value	$118,987,594	100.0%
Indicated Value (Rounded)	$119,000,000			

Scenario 6
Base Case
Property Cash Flow, Occupancy & Unleveraged Yield Report

PROPERTY CASH FLOW

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11
EFFECTIVE GROSS REVENUE											
Base Rental Revenue	15,798,618	15,798,618	15,798,618	15,798,618	17,110,699	17,110,699	17,110,699	17,110,699	18,766,317	19,249,082	19,249,082
Absorption & Turnover Vacancy	0	0	0	0	(4,650,327)	0	0	0	(6,416,360)	0	0
Scheduled Base Rental Revenue	15,798,618	15,798,618	15,798,618	15,798,618	12,460,372	17,110,699	17,110,699	17,110,699	12,349,957	19,249,082	19,249,082
Base Rental Step Revenue	0	287,247	574,495	861,743	172,348	325,547	555,345	785,143	229,798	114,899	402,147
Expense Reimbursement Revenue	0	143,724	290,760	441,181	111,774	344,990	504,945	668,629	164,553	295,399	471,956
Net Parking Revenue	924,300	952,029	980,590	1,010,008	1,040,308	1,071,517	1,103,663	1,136,772	1,170,876	1,206,002	1,242,182
Other Income	30,000	30,900	31,827	32,782	33,765	34,778	35,822	36,896	38,003	39,143	40,317
Total Potential Gross Revenue	16,752,918	17,212,518	17,676,290	18,144,332	13,818,567	18,887,531	19,310,474	19,738,139	13,953,187	20,904,525	21,405,684
General Vacancy	(157,986)	(162,296)	(166,639)	(171,015)	0	(177,812)	(181,710)	(185,645)	0	(196,594)	(201,232)
Collection Loss	0	0	0	0	0	0	0	0	0	0	0
TOTAL EFFECTIVE GROSS REVENUE	16,594,932	17,050,222	17,509,651	17,973,317	13,818,567	18,709,719	19,128,764	19,552,494	13,953,187	20,707,931	21,204,452
OPERATING EXPENSES											
Real Estate Taxes	1,415,000	1,443,300	1,472,166	1,501,609	1,531,642	1,562,274	1,593,520	1,625,390	1,657,898	1,691,056	1,724,877
Direct Levies	55,000	56,375	57,784	59,229	60,710	62,227	63,783	65,378	67,012	68,687	70,405
Insurance	224,257	229,864	235,610	241,500	247,538	253,726	260,070	266,571	273,236	280,067	287,068
Utilities	1,177,350	1,206,784	1,236,954	1,267,878	1,299,574	1,332,064	1,365,365	1,399,500	1,434,487	1,470,349	1,507,108
Repairs/Maintenance	840,965	861,989	883,538	905,627	928,267	951,474	975,261	999,643	1,024,634	1,050,249	1,076,506
Cleaning/Janitorial	840,965	861,989	883,538	905,627	928,267	951,474	975,261	999,643	1,024,634	1,050,249	1,076,506
Security	280,322	287,330	294,513	301,876	309,422	317,158	325,087	333,214	341,545	350,083	358,835
G&A	840,965	861,989	883,538	905,627	928,267	951,474	975,261	999,643	1,024,634	1,050,249	1,076,506
Management	331,899	341,004	350,193	359,466	276,371	374,194	382,575	391,050	279,064	414,159	424,089
TOTAL OPERATING EXPENSES	6,006,723	6,150,624	6,297,834	6,448,439	6,510,058	6,756,065	6,916,183	7,080,032	7,127,144	7,425,148	7,601,900
NET OPERATING INCOME	**10,588,209**	**10,899,598**	**11,211,817**	**11,524,878**	**7,308,509**	**11,953,654**	**12,212,581**	**12,472,462**	**6,826,043**	**13,282,783**	**13,602,552**
LEASING & CAPITAL COSTS											
Tenant Improvements	0	0	0	0	5,172,798	0	0	0	7,277,534	0	0
Leasing Commissions	0	0	0	0	771,967	0	0	0	1,709,653	0	0
Reserves	239,373	246,554	253,951	261,569	269,416	277,499	285,824	294,399	303,231	312,327	321,697
TOTAL LEASING & CAPITAL COSTS	239,373	246,554	253,951	261,569	6,214,181	277,499	285,824	294,399	9,290,418	312,327	321,697
CASH FLOW	**10,348,836**	**10,653,044**	**10,957,866**	**11,263,309**	**1,094,328**	**11,676,155**	**11,926,757**	**12,178,063**	**(2,464,375)**	**12,970,456**	**13,280,855**

Scenario 6 DCF Conclusions

Range of Value Indications

Disc. Rate	Reversion Cap Rate	Present Value Cash Flow	Present Value Reversion	Total Property Value	Value Per SF	Cap Rate (NOI/Value)	% Reversion
8.75%	8.25%	$60,177,742	$69,839,298	$130,017,040	$271.58	8.1%	53.7%
9.00%	8.25%	$59,555,140	$68,253,911	$127,809,051	$266.97	8.3%	53.4%
9.25%	8.25%	$58,942,814	$66,708,022	$125,650,837	$262.46	8.4%	53.1%
9.50%	8.25%	$58,340,552	$65,200,561	$123,541,113	$258.05	8.6%	52.8%
9.75%	8.25%	$57,748,142	$63,730,486	$121,478,629	$253.74	8.7%	52.5%

Final Value Indication by DCF Analysis

Discount Rate	9.25%	Projection Start Date	8/1/2015
Reversion Cap Rate	8.25%	Holding Period (Years)	10
Reversion Selling Cost	2.00%	Reversion NOI Year	11
Final Value Indication	$125,650,837	Rentable Area (SF)	478,746
Final Value Indication (Rounded)	**$125,700,000**	Value per SF	$262.56
% Reversion	53.1%		

Year No.	NOI	Cash Flow	Present Value	Cap Rate (NOI/Value)	CF Rate (CF/Value)
1	$10,588,209	$10,348,836	$9,472,619	8.4%	8.2%
2	$10,899,598	$10,653,044	$8,925,465	8.7%	8.5%
3	$11,211,817	$10,957,866	$8,403,528	8.9%	8.7%
4	$11,524,878	$11,263,309	$7,906,426	9.2%	9.0%
5	$7,308,509	$1,094,328	$703,138	5.8%	0.9%
6	$11,953,654	$11,676,155	$6,867,065	9.5%	9.3%
7	$12,212,581	$11,926,757	$6,420,550	9.7%	9.5%
8	$12,472,462	$12,178,063	$6,000,765	9.9%	9.7%
9	$6,826,043	-$2,464,375	-$1,111,511	5.4%	-2.0%
10	$13,282,783	$12,970,456	$5,354,770	10.6%	10.3%
Sum of Cash Flows		$90,604,439	$58,942,814		

Reversion Calculation		**Rates of Return**		
11th Year NOI	$13,602,552		Cap Rate	CF Rate
Reversion Cap Rate	8.25%	Year 1	8.4%	8.2%
Gross Reversion Value	$164,879,418	Years 1-5 Average	8.2%	7.1%
Reversion Selling Cost: 2.0%	-$3,297,588	Years 6-10 Average	9.0%	7.4%
Net Reversion Value	$161,581,830			
Change in Value (Gross)	31.2%			
Change in Value - Compound Annual Rate	2.8%			
Change in NOI (Yrs 1-11) - Comp. Ann. Rate	2.5%			

Indicated Property Value		**Partition of Value**		
Present Value of Cash Flows	$58,942,814	PV Cash Flows	$58,942,814	46.9%
Present Value of Net Reversion	$66,708,022	PV Return of Investment	$51,874,142	41.3%
% Reversion	53.1%	PV Change in Value	$14,833,880	11.8%
Indicated Value	$125,650,837	Total Value	$125,650,837	100.0%
Indicated Value (Rounded)	$125,700,000			

Scenario 7
Base Case
Property Cash Flow, Occupancy & Unleveraged Yield Report

PROPERTY CASH FLOW

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11
EFFECTIVE GROSS REVENUE											
Base Rental Revenue	13,404,888	13,404,888	13,404,888	13,404,888	13,404,888	13,404,888	13,404,888	13,404,888	13,404,888	13,404,888	13,404,888
Scheduled Base Rental Revenue	13,404,888	13,404,888	13,404,888	13,404,888	13,404,888	13,404,888	13,404,888	13,404,888	13,404,888	13,404,888	13,404,888
Base Rental Step Revenue	0	0	0	0	0	1,421,876	1,421,876	1,421,876	1,421,876	1,421,876	2,843,751
Expense Reimbursement Revenue	0	140,981	285,330	433,129	584,463	767,850	926,502	1,088,953	1,255,287	1,425,602	1,628,429
Net Parking Revenue	924,300	952,029	980,590	1,010,008	1,040,308	1,071,517	1,103,663	1,136,772	1,170,876	1,206,002	1,242,182
Other Income	30,000	30,900	31,827	32,782	33,765	34,778	35,822	36,896	38,003	39,143	40,317
Total Potential Gross Revenue	14,359,188	14,528,798	14,702,635	14,880,807	15,063,424	16,700,909	16,892,751	17,089,385	17,290,930	17,497,511	19,159,567
General Vacancy	0	0	0	0	0	0	0	0	0	0	0
Collection Loss	0	0	0	0	0	0	0	0	0	0	0
TOTAL EFFECTIVE GROSS REVENUE	14,359,188	14,528,798	14,702,635	14,880,807	15,063,424	16,700,909	16,892,751	17,089,385	17,290,930	17,497,511	19,159,567
OPERATING EXPENSES											
Real Estate Taxes	1,558,000	1,589,160	1,620,943	1,653,362	1,686,429	1,720,158	1,754,561	1,789,652	1,825,445	1,861,954	1,899,193
Direct Levies	55,000	56,375	57,784	59,229	60,710	62,227	63,783	65,378	67,012	68,687	70,405
Insurance	224,257	229,864	235,610	241,500	247,538	253,726	260,070	266,571	273,236	280,067	287,068
Utilities	1,177,350	1,206,784	1,236,954	1,267,878	1,299,574	1,332,064	1,365,365	1,399,500	1,434,487	1,470,349	1,507,108
Repairs/Maintenance	840,965	861,989	883,538	905,627	928,267	951,474	975,261	999,643	1,024,634	1,050,249	1,076,506
Cleaning/Janitorial	840,965	861,989	883,538	905,627	928,267	951,474	975,261	999,643	1,024,634	1,050,249	1,076,506
Security	280,322	287,330	294,513	301,876	309,422	317,158	325,087	333,214	341,545	350,083	358,835
G&A	840,965	861,989	883,538	905,627	928,267	951,474	975,261	999,643	1,024,634	1,050,249	1,076,506
Management	287,184	290,576	294,053	297,616	301,268	334,018	337,855	341,788	345,819	349,950	383,191
TOTAL OPERATING EXPENSES	6,105,008	6,246,056	6,390,471	6,538,342	6,689,742	6,873,773	7,032,504	7,195,032	7,361,446	7,531,837	7,735,318
NET OPERATING INCOME	**8,254,180**	**8,282,742**	**8,312,164**	**8,342,465**	**8,373,682**	**9,827,136**	**9,860,247**	**9,894,353**	**9,929,484**	**9,965,674**	**11,424,249**
LEASING & CAPITAL COSTS											
Tenant Improvements	0	0	0	0	0	0	0	0	0	0	0
Leasing Commissions	0	0	0	0	0	0	0	0	0	0	0
Reserves	239,373	246,554	253,951	261,569	269,416	277,499	285,824	294,399	303,231	312,327	321,697
TOTAL LEASING & CAPITAL COSTS	239,373	246,554	253,951	261,569	269,416	277,499	285,824	294,399	303,231	312,327	321,697
CASH FLOW	**8,014,807**	**8,036,188**	**8,058,213**	**8,080,896**	**8,104,266**	**9,549,637**	**9,574,423**	**9,599,954**	**9,626,253**	**9,653,347**	**11,102,552**

Scenario 7 DCF Conclusions

Range of Value Indications

Disc. Rate	Reversion Cap Rate	Present Value Cash Flow	Present Value Reversion	Total Property Value	Value Per SF	Cap Rate (NOI/Value)	% Reversion
6.75%	8.00%	$61,831,145	$72,825,741	$134,656,886	$281.27	6.1%	54.1%
7.00%	8.00%	$61,086,973	$71,141,984	$132,228,957	$276.20	6.2%	53.8%
7.25%	8.00%	$60,356,160	$69,500,950	$129,857,110	$271.24	6.4%	53.5%
7.50%	8.00%	$59,638,412	$67,901,459	$127,539,872	$266.40	6.5%	53.2%
7.75%	8.00%	$58,933,443	$66,342,367	$125,275,810	$261.67	6.6%	53.0%

Final Value Indication by DCF Analysis

Discount Rate	7.25%	Projection Start Date	8/1/2015
Reversion Cap Rate	8.00%	Holding Period (Years)	10
Reversion Selling Cost	2.00%	Reversion NOI Year	11
Final Value Indication	$129,857,110	Rentable Area (SF)	478,746
Final Value Indication (Rounded)	**$129,900,000**	Value per SF	$271.33
% Reversion	53.5%		

Year No.	NOI	Cash Flow	Present Value	Cap Rate (NOI/Value)	CF Rate (CF/Value)
1	$8,254,180	$8,014,807	$7,473,014	6.4%	6.2%
2	$8,282,742	$8,036,188	$6,986,433	6.4%	6.2%
3	$8,312,164	$8,058,213	$6,532,010	6.4%	6.2%
4	$8,342,465	$8,080,896	$6,107,596	6.4%	6.2%
5	$8,373,682	$8,104,266	$5,711,198	6.4%	6.2%
6	$9,827,136	$9,549,637	$6,274,846	7.6%	7.4%
7	$9,860,247	$9,574,423	$5,865,857	7.6%	7.4%
8	$9,894,353	$9,599,954	$5,483,915	7.6%	7.4%
9	$9,929,484	$9,626,253	$5,127,215	7.6%	7.4%
10	$9,965,674	$9,653,347	$4,794,076	7.7%	7.4%
Sum of Cash Flows		$88,297,984	$60,356,160		

Reversion Calculation		**Rates of Return**		
11th Year NOI	$11,424,249		Cap Rate	CF Rate
Reversion Cap Rate	8.00%	Year 1	6.4%	6.2%
Gross Reversion Value	$142,803,113	Years 1-5 Average	6.4%	6.2%
Reversion Selling Cost: 2.0%	-$2,856,062	Years 6-10 Average	7.6%	7.4%
Net Reversion Value	$139,947,050			
Change in Value (Gross)	10.0%			
Change in Value - Compound Annual Rate	1.0%			
Change in NOI (Yrs 1-11) - Comp. Ann. Rate	3.3%			

Indicated Property Value		**Partition of Value**		
Present Value of Cash Flows	$60,356,160	PV Cash Flows	$60,356,160	46.5%
Present Value of Net Reversion	$69,500,950	PV Return of Investment	$64,490,052	49.7%
% Reversion	53.5%	PV Change in Value	$5,010,898	3.9%
Indicated Value	$129,857,110	Total Value	$129,857,110	100.0%
Indicated Value (Rounded)	$129,900,000			

Scenario 8 Conclusions

Scenario 8: Market Rent of Whole Property to Developer: This estimate assumes a lease to a developer, shell building condition, 20 year lease term and market escalations. The building area to be rented under this category will be Usable Area.

Based on review of the comparable data and analysis as shown earlier, market rent conclusion under this Scenario is shown as follows:

- Rent: $18.00 per square foot on NUA (state)
- Tenant Improvements: Shell Condition
- Expense Type: Full service
- Lease Term: 20 year firm term.
- Annual Rent Escalation: 10% every 5 years
- Expense Escalation: CPI on total operating expenses

Scenario 9 Conclusions

Scenario 9: Market Rent of Whole Property to State: This estimate assumes a lease to the state, repairs and tenant improvements completed, 20 year lease term and market escalations. The building area to be rented under this category will be Usable Area.

Based on review of the rent comparable data as shown earlier, the complete market lease terms under this Scenario is shown as follows:

- Rent: $28.00 per square foot on NUA (state)
- Tenant Improvements: $50.00 per square foot on NUA
- Expense Type: Full service
- Lease Term: 20 year firm term.
- Annual Rent Escalation: 10% every 5 years
- Expense Escalation: CPI on total operating expenses

Value Indication

The income capitalization approach results in the following value indication.

Income Capitalization Approach - Indicated Value

	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5	Scenario 6	Scenario 7
Direct Capitalization	$63,400,000	$61,600,000	$102,400,000	$31,600,000	$120,100,000	$124,600,000	$137,600,000
Discounted Cash Flow	$63,300,000	$63,700,000	$102,600,000	$31,100,000	$119,000,000	$125,700,000	$129,900,000
Reconciled Value	$63,400,000	$61,600,000	$102,500,000	$31,500,000	$120,000,000	$125,000,000	$138,000,000
$/SF	$113.08	$109.87	$182.83	$56.19	$214.04	$222.96	$246.15

Direct capitalization is given greatest weight. The discounted cash flow analysis provides a check on the value indication, and is given secondary weight.

Sales Comparison Approach

The sales comparison approach develops an indication of value by comparing the subject to sales of similar properties. The steps taken to apply the sales comparison approach are:

- Identify relevant property sales;
- Research, assemble, and verify pertinent data for the most relevant sales;
- Analyze the sales for material differences in comparison to the subject;
- Reconcile the analysis of the sales into a value indication for the subject.

To apply the sales comparison approach, we searched for sale transactions within the following parameters:

- Property Type: Class A Office Buildings
- Location: Sacramento CBD
- Size: Over 100,000 SF
- Condition /Quality: Average to Good
- Transaction Date: Last 5 years

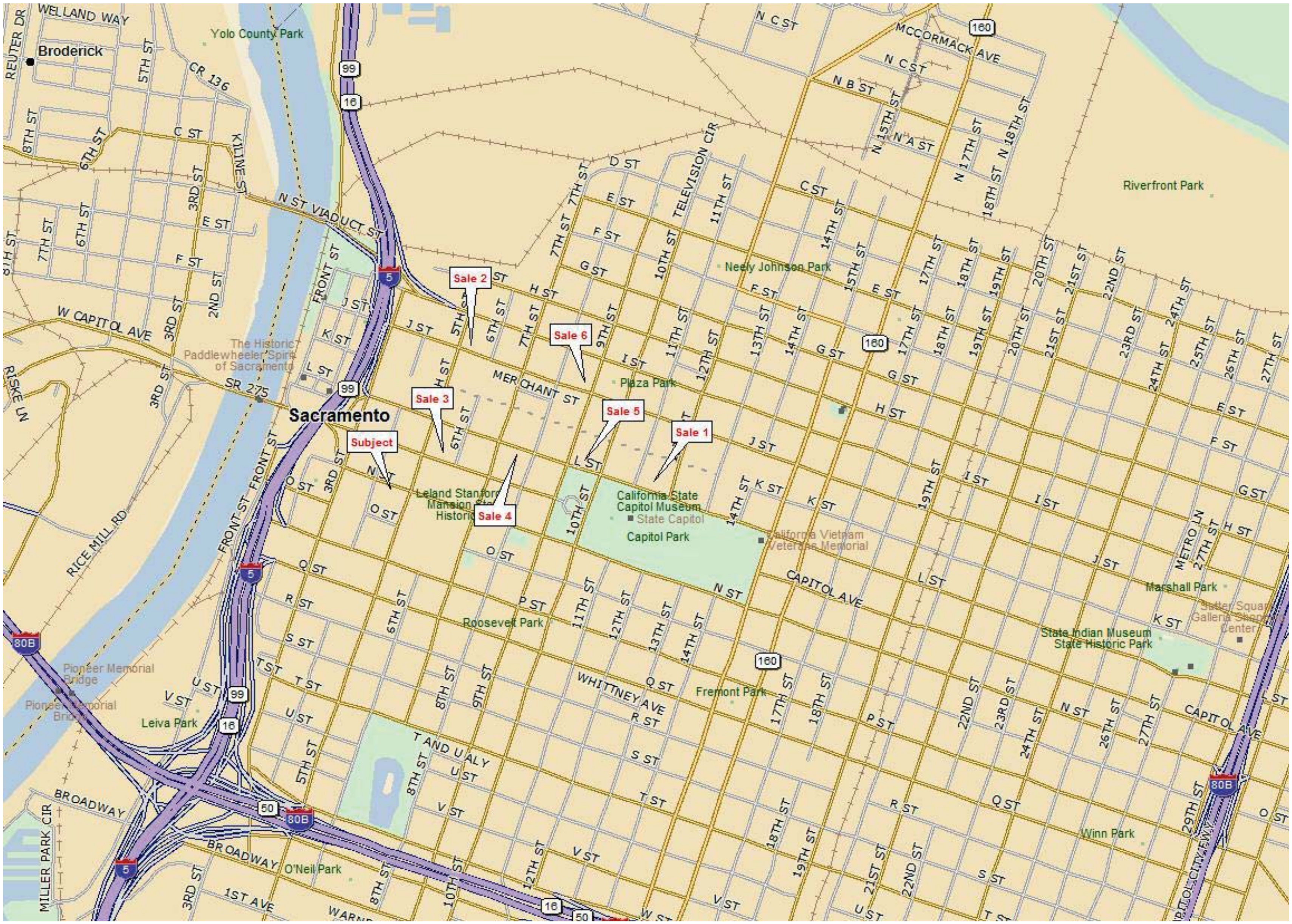
For this analysis, we use price per square foot of rentable area as the appropriate unit of comparison because market participants typically compare sale prices and property values on this basis. The sales considered most relevant are summarized in the following table.

The first step of this analysis is to arrive at a stabilized value of the property with existing tenant improvements. This corresponds to Scenario 3. After conclusion of this value estimate, adjustments will be made to consider stigma and the other value scenarios.

Summary of Comparable Improved Sales - Office Tower

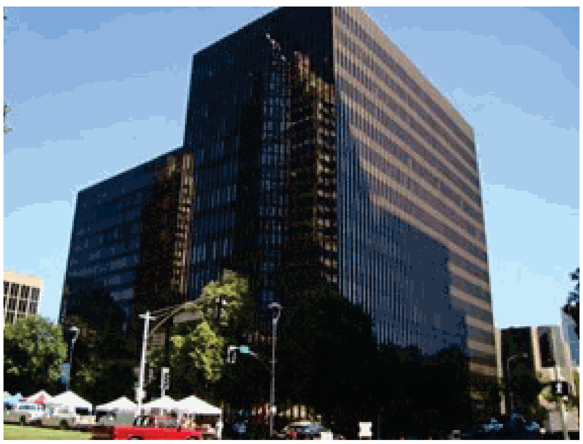
No.	Name/Address	Sale Date; Status	Yr. Built; # Stories; % Occ.	Acres; FAR; Parking Ratio	Prop Class; Const Type; Prop Rights	Effective Sale Price	Rentable SF	$/Rentable SF	Cap Rate
1	The Senator Hotel Offices 1121 L St. Sacramento Sacramento County CA	Jul-15 Closed	1924 9 67%	0.87 5.23 0/1,000	A Concrete & Steel Leased Fee	$31,762,500	172,722	$183.89	5.55%
	Comments: Sold in an online auction conducted by Auction.com for nearly $31.8 million. The price includes 5% in sale-related fees. The property was put up for sale by LNR Property of Miami, which took over the building in 2011. The property was 62% occupied. The in-place net operating income after making an adjustment for taxes at sale price is $1,761,559. The stabilized capitalization rate is estimated at 7.47% after making adjustment for stabilization cost.								
2	Sacramento Corporate Center 501 J Street Sacramento Sacramento County CA	Dec-14 Closed	1982 7 1%	2.27 2.22 2.60/1,000	A Concrete & Steel Leased Fee	$40,000,000	194,501	$205.65	–
	Comments: Sale to Kaiser Permanente who plans to occupy the building as an owner user after renovation into medical offices. The Department of Corrections was the former tenant of the building.								
3	Plaza Five Fifty Five 555 Capitol Mall Sacramento Sacramento County CA	Aug-14 Closed	1971 14 58%	2.41 3.91 2.07/1,000	A Concrete & Steel Leased Fee	$63,100,000	382,128	$165.13	7.65%
	Comments: August 2014 sale of a high-rise office in the Sacramento CBD. The property was 58% leased at the time of sale to several tenants. The largest tenants in place are attorney groups as the subject has a good location near the Capitol along Capitol Mall. The property was in relatively good condition at the time of sale, however had suffered from high vacancy during the economic crisis as some of the properties largest tenants moved to newer properties. Overall, the ownership group had owned the property for several years and was under some motivation to sell. The local buyers group felt they would have a good chance of leasing up the space and felt the sale price was slightly below market. The actual capitalization rate was based on in-place net operating income with adjustment for taxes at sale price. The stabilized cap rate with adjustment for lease-up cost was 7.81%.								
4	770 L Street 770 L St. Sacramento Sacramento County CA	Aug-13 Closed	1984 13 72%	0.59 7.07 1.53/1,000	A Concrete & Steel Leased Fee	$29,400,000	169,078	$173.88	5.95%
	Comments: Class A-/B+ office property (13-stories) at the southwest corner of 8th and L Streets in the Sacramento CBD. The building was 72% leased to approximately 20 tenants at time of sale. Capitalization rate based on in-place income with adjustments for taxes at sale price is 5.95%. The stabilized cap rate is 8.44% based on adjustment for stabilization costs.								
5	Capital Place 915 L St. Sacramento Sacramento County CA	Dec-09 Closed	1988 13 90%	0.48 – 1.50/1,000	A Concrete & Steel Leased Fee	$40,000,000	160,561	$249.13	8.94%
	Comments: Class A 14-story office building located in the CBD along L street between 9th and 10th streets. The property consists of a 14-story office tower with 160,561 SF of NRA and 140,163 SF of usable area and includes a 5-story integrated parking garage with 241 spaces. The building was occupied by 25+ tenants. Based on actual (9 month annualized) 2009 income, a capitalization rate of 8.9% is indicated. Based on pro-forma income, the capitalization rate drops to 8.2%.								
6	Park Tower 980 9th St. & 1010 8th St. Sacramento Sacramento County CA	Dec-09 Closed	1992 25 84%	2.19 6.17 2.66/1,000	A Concrete & Steel Leased Fee	$97,000,000	452,056	$214.58	9.83%
	Comments: Class A 25-story office building and near-by parking garage located in the CBD. The property consists of a 25-story office tower with 452,347 SF of NRA and includes a 7-story integrated parking garage with 801 spaces. The off-site parking garage includes 4 floors, 403 spaces and 12,275 SF of rentable area. The building was occupied several tenants with a vacancy rate of 16%. Based on actual 2009 income, a capitalization rate of 9.8% is indicated.								
	Subject BOE Headquarters Building Sacramento, CA		1992 25 100%	– – –	A Steel frame Leased Fee/Fee		560,643		

Comparable Improved Sales Map



Sale 1
The Senator Hotel Offices

Sale 2
Sacramento Corporate Center



Sale 3
Plaza Five Fifty Five

Sale 4
770 L Street

Sale 5
Capital Place

Sale 6
Park Tower

Adjustment Factors

The sales are compared to the subject and adjusted to account for material differences that affect value. Adjustments are considered for the following factors, in the sequence shown below.

Adjustment Factors	
Effective Sale Price	Accounts for atypical economics of a transaction, such as excess land, non-realty components, expenditures by the buyer at time of purchase, or other similar factors. Usually applied directly to sale price on a lump sum basis.
Real Property Rights	Leased fee, fee simple, leasehold, partial interest, etc.
Financing Terms	Seller financing, or assumption of existing financing, at non-market terms.
Conditions of Sale	Extraordinary motivation of buyer or seller, such as 1031 exchange transaction, assemblage, or forced sale.
Market Conditions	Changes in the economic environment over time that affect the appreciation and depreciation of real estate.
Location	Market or submarket area influences on sale price; surrounding land use influences.
Access/Exposure	Convenience to transportation facilities; ease of site access; visibility from main thoroughfares; traffic counts.
Size	Inverse relationship that often exists between building size and unit value.
Parking	Ratio of parking spaces to building area.
Building to Land Ratio	Ratio of building area to land area; also known as floor area ratio (FAR).
Building Quality	Construction quality, amenities, market appeal, functional utility.
Age/Condition	Effective age; physical condition.
Economic Characteristics	Non-stabilized occupancy, above/below market rents, and other economic factors. Excludes differences in rent levels that are already considered in previous adjustments, such as for location or quality

Analysis and Adjustment of Sales

The adjustment process is typically applied through either quantitative or qualitative analysis, or a combination of the two. Quantitative adjustments are often developed as dollar or percentage amounts and are most credible when there is sufficient data to perform a paired sales or statistical analysis. Qualitative adjustments are developed through relative comparisons (e.g., superior, inferior, etc.) and are often a realistic way to reflect the thought process of market participants when only limited data is available.

Adjustments are based on our rating of each comparable sale in relation to the subject. If the comparable is rated superior to the subject, the sale price is adjusted downward to reflect the subject's relative inferiority; if the comparable is rated inferior, its price is adjusted upward. Adjustments were considered under the elements of comparison discussed below.

Real Property Rights Conveyed

This adjustment is generally applied to reflect the transfer of property rights different from those being appraised, such as differences between properties leased at market rent and those leased at rent either below or above market levels. The length of remaining leases also influences required adjustments.

All of the comparable sales reflect leased acquisitions of multi-tenant office buildings. Sale 2 was only 1% occupied and purchased for owner-occupancy. The impact on the occupancy of this sale will be accounted for later in this analysis. None of the sales require any adjustments for property rights.

Financing Terms

This adjustment is generally applied to a property that transfers with atypical financing such as having assumed an existing mortgage at a favorable interest rate. Conversely, a property may be encumbered with an above-market mortgage which has no prepayment clause or a very costly prepayment clause. Such atypical financing often plays a role in the negotiated sale price.

All of the comparable sales reflect all cash or cash equivalent transactions. Thus, no adjustments were required.

Conditions of Sale

This adjustment category reflects extraordinary motivations of the buyer and the seller to complete the sale. Examples include a purchase for assemblage involving anticipated incremental value, or a quick sale for cash. This adjustment category may also reflect a distress-related sale, a corporation recording at non-market price, or significant buyer expenditures immediately after purchase.

The comparable sales reflect arm's length transactions between knowledgeable buyers and sellers.

Sale 1 was a well-publicized auction sale and the seller's agent was on record saying they were satisfied with the results. No adjustment is warranted for this sale.

Sale 3 involved motivated sellers. Based on valuation of this asset at time of sale and a paired sale analysis involving Sale 4, we believe this sale deserves an upward adjustment of 3% for conditions of sale.

Sales 5 and 6 were sold by TIAA of New York in December 2009. There were reports that they sold on a quick sale to close their books on these properties by year-end. The cap rates of these sales at 8.94% and 9.83%, respectively were above the PwC CBD office cap rates of 8.24% at that time. Some of the difference in cap rates is attributed to Sacramento's location compared to the national market. Our quarterly valuation of these assets at time of sale show Sale 5 sold close to market while, Sale 6 sold below market. Based on prevailing cap rates at that time and seller's statements, we believe Sale 6 sold slightly below market in order to achieve a quick sale. An upward adjustment of 5% is deemed reasonable to account for the conditions of sale for Sale 6. No adjustment was necessary for Sale 5.

Expenditures at Purchase

This adjustment is appropriate in situations where the sale price has been influenced by expenditures that the buyer intended to make immediately after purchase. Examples include buyer-paid sales commissions, costs to cure deferred maintenance, and costs to remediate environmental contamination. No adjustments are required for this category.

Sale 1 was adjusted upward by $1,512,500 (5% of its sale price) for auction fees that were paid by the buyers. No other adjustments war necessary for the sales.

The previous adjustments, if required, have been applied sequentially in the order discussed.

Time - Market Conditions

Real estate values normally change over time. The rate of this change fluctuates due to investors' perceptions of prevailing market conditions. This adjustment category reflects market differences occurring between the effective date of the appraisal and the sale date of a comparable, when values have appreciated or depreciated.

Market conditions have continued to improve over the past several years. Values of CBD office buildings region-wide and nationally have increased, primarily as a result of declining capitalization rates. As a starting point to determine value increases, we have considered Sacramento average CBD office rents as published by REIS and average capitalization rates for CBD properties. The benchmark value is simply the average rent divided by the national cap rate. This is merely a benchmark to calculate possible value increases for Sacramento's CBD office properties.

Sale	Date of Sale	Sacramento CBD Avg Rents at Date of Sale	PwC Cap Rate at Date of sale	Benchmark Value	Cumulative Adj	Annual Adj.
1	July-15	$29.77	6.07%	$490.44	0.0%	0.0%
2	December-14	$29.17	6.16%	$473.54	3.6%	5.4%
3	August-14	$29.30	6.30%	$465.08	5.5%	5.5%
4	August-13	$29.18	6.63%	$440.12	11.4%	5.7%
5	December-09	$28.63	8.24%	$347.45	41.2%	7.3%
6	December-09	$28.63	8.24%	$347.45	41.2%	7.3%

The calculations from the table above show annual appreciations between 5.4% and 7.3% over the time frame of the sales. The weakness of the analysis from the table above is that effective rental rates for office properties since late 2009 have not changed as much. In addition, it is a fact that Sacramento has not seen as large of a decrease in capitalization rates as the national data shows. These two factors support a lower appreciation rate as compared to those from the table.

Review of the comparable sales and other office building sales in Sacramento show lower appreciation rates. In addition, we have compared our quarterly valuation of one of the sale comparable to its sale price and the result is an annual appreciation near 2%.

Based on this data, we believe a 2% annual appreciation rate is reasonable for the sales.

The Time - Market Conditions adjustments were applied after the previous adjustments but before any of the following adjustments.

Location

A property's location greatly affects its value. This adjustment category considers general market area influences as well as a property's accessibility and visibility from a main thoroughfare. Differing rent levels or land values are typically good indicators for a location adjustment.

The subject has a good location in the CBD. There are other locations that are superior though. Properties along Capitol Mall and L Street are deemed to have superior locations as compared to the subject's 5th and N Street location. The comparable properties which likely have superior locations include Sales 1, 3, and 5. Sales 2, 4, and 6 have similar locations as the subject and no adjustments are necessary.

As a basis for determining location adjustment we have observed rental rates for these high profile locations to 2nd tier locations in the CBD. This type of analysis is shown in the analysis of the rental in the Income Approach. Based on this analysis, we have applied downward adjustments of 5% to Sales 1, 3 & 5 for their superior locations.

Physical Characteristics

This adjustment category generally reflects differences between the subject and the comparable sales in quality of construction, age, condition, amenities, functional utility, or any other physical characteristics that influence sale prices. Physical characteristic adjustments have been considered for the following categories

Age and Condition

This adjustment category generally reflects differences between the subject and the comparable sales in terms of age and condition at the time of sale. For purposes of this analysis, we have assumed all of the appropriate capital expenditure repairs have been completed. The issue of the subject's capital repairs will be addressed later in the analysis. This comparison will be made for the subject's existing in-place tenant improvements (Scenarios 1, 2 & 3).

The subject is compared to each of the comparable sales in respect to age/condition.

Sale 1: Sale is older, but in good condition. No adjustment.

Sale 2: Sale is slightly older and was in good condition. No adjustment.

Sale 3: Sale is older and was in average condition. Sale 3 is a rated slightly inferior and was adjusted up by 5%.

Sale 4: Sale is older, but in good condition. No adjustment.

Sale 5: Sale is older, but in good condition. No adjustment.

Sale 6: Sale is older, but in good condition. No adjustment.

Construction Quality and Design

The subject property represents an average quality Class A office building. Sales 1-4 have similar overall building qualities as the subject and no adjustments were necessary. Sale 5 and 6 are of higher building quality, interior common areas and superior tenant improvements in general. We rate these superior and believe they deserve a downward adjustment of 5%.

Size

This adjustment category generally addresses significant difference between the net rentable area of the subject and the comparable sales. The subject property has net rentable area of 560,643 square feet. In general there is an inverse relationship between size and price for most office building properties in Sacramento. This is supported from paired analysis between Sales 5 & 6 and between Sales 3 and 4.

Sales 3 and 6 have building sizes that are either similar to the subject or their difference is not significant enough to warrant an adjustment.

Sales 1, 2, 4, and 5 range in size from 160,561 square feet to 194,501 square feet. We rate these slightly superior and apply a downward adjustment of 3%.

Parking

This adjustment category generally addresses any difference in the amount of on-site parking space between the subject and the comparable sales. Parking in the downtown area is considered a premium (and an income source) and has an impact on property values. We have knowledge of actual parking income at the date of sale for each comparable. A comparison of the parking revenue to that of the subject property can be completed. For Sale 2, we had to make projection of parking revenue as this was a substantially vacant property. This projection was based on our analysis of the parking when we performed a valuation of this asset for the sale of the property. This property has good potential of receiving parking revenue from the new sports arena.

We quantify the parking adjustment by taking the difference in parking revenue per SF of net rentable area of the office building and applying a capitalization rate of 7.5%. Below is this process:

Comparable	Parking revenue per SF	Subject's Projected Parking Revenue per SF	Difference	Value @ 7.5% cap	% of Sale Price	Concluded Adjustment
1	$0.00	$1.65	$1.65	$22.00	12.0%	12%
2	$3.12	$1.65	-$1.47	-$19.54	-9.5%	-10%
3	$2.07	$1.65	-$0.42	-$5.60	-3.4%	-3%
4	$1.53	$1.65	$0.12	$1.60	0.9%	0%
5	$1.50	$1.65	$0.15	$2.00	0.8%	0%
6	$2.66	$1.65	-$1.01	-$13.47	-6.3%	-6%

Floor to Area Ratio

The subject has a floor to area ratio of 5.15. The comparable sales have FAR's from 2.22 to 7.68. From a comparison of density using FARs, we believe no adjustments are necessary for the sales.

As discussed in the highest and best use analysis, the subject has about 75% of its lot area that is under-utilized. The analysis performed in the highest and best use indicated there was some upside potential for the subject property under Scenario 4 as if vacant. The value of this asset of the property has been separately estimated.

A few of the comparable sales have similar under-utilization of land area as the subject. Sale 1 has a 1 story structure that encompasses about a quarter of the lot area. Sale 3 has about one-half of its land under-utilized with a parking structure. Sale 6 has about 25% of its land having an old parking garage that underutilizes its site area. In each of these cases like the subject, cost of modification likely exceeds the value of the potential excess land.

Based on review of the sales, no adjustment is deemed necessary for density differences or under-utilization of their parcels for Scenario 3.

Economic Characteristics

This adjustment category generally reflects material differences between the subject's occupancy and income durability and that of the comparable sales. This analysis assumes the subject has a stabilized occupancy and is occupied substantially by the state under 4-year lease terms.

Except Sale 2, the comparable properties were other multi-tenant properties with average to good credit and typical lease terms. Except for their occupancy issues, these properties have similar economic characteristics as the subject Scenarios 3 being analyzed.

Each of the sale properties had below stabilized occupancies. To help substantiate an appropriate adjustment we have calculated the cost to stabilize each sale to 95% occupancy. An occupancy cost factor of $70 per square foot is concluded. This arrived by considering tenant improvement cost of $25 per square foot (average TI allowance for vacant space), $6 per square foot for commissions, rent loss of $2.50 per square foot per month (avg. rent of the sales) and profit of 15%. The occupancy cost is multiplied by percentage below stabilized occupancy.

Sale 2 was purchased by a user. This buyer desired a vacant space and did not recognize value loss due to its vacant status. The only appropriate adjustment for this sale comparable is for tenant improvements as the interior space was not move-in ready. We utilize an occupancy cost of $25 per square foot for this comparable.

The cost to stabilize the comparable sales range from $25/SF to $70/SF.

Comparable	Comp Occupancy	SF Below Stabilized Occupancy	Avg. Period to lease Vacant space	Rent Loss @ $30/SF	TI	Commissions	Total w 15% profit	Cost/NRA	% of Sale Price	Concluded Adjustment
1	67%	48,362	12 months	$30	$25.00	$6	$70	$19.60	10.7%	11%
2	1%	182,831	0	$0	$25.00	$0	$25	$23.50	11.4%	11%
3	58%	141,387	12 months	$30	$25.00	$6	$70	$25.90	15.7%	16%
4	72%	38,888	12 months	$30	$25.00	$6	$70	$16.10	9.3%	10%
5	90%	8,028	3 months	$7.50	$25.00	$6	$44	$2.20	0.9%	0%
6	84%	49,726	12 months	$30	$25.00	$6	$70	$7.70	3.6%	4%

Adjustment Grid

An adjustment grid summarizing the previously discussed adjustments is provided on the following page.

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

Improved Sales Adjustment Grid - Office Tower

	Subject	Comparable 1	Comparable 2	Comparable 3	Comparable 4	Comparable 5	Comparable 6
Property Name	BOE Headquarters Building	The Senator Hotel Offices	Sacramento Corporate Center	Plaza Five Fifty Five	770 L Street	Capital Place	Park Tower
Address	450 N Street	1121 L St.	501 J Street	555 Capitol Mall	770 L St.	915 L St.	980 9th St. & 1010 8th St.
City	Sacramento	Sacramento	Sacramento	Sacramento	Sacramento	Sacramento	Sacramento
County	Sacramento	Sacramento	Sacramento	Sacramento	Sacramento	Sacramento	Sacramento
State	California	CA	CA	CA	CA	CA	CA
Sale Date		Jul-15	Dec-14	Aug-14	Aug-13	Dec-09	Dec-09
Sale Status		Closed	Closed	Closed	Closed	Closed	Closed
Sale Price		$30,250,000	$40,000,000	$63,100,000	$29,400,000	$40,000,000	$97,000,000
Price Adjustment		$1,512,500	–	–	–	–	–
Description of Adjustment		Auction fee					
Effective Sale Price		$31,762,500	$40,000,000	$63,100,000	$29,400,000	$40,000,000	$97,000,000
Rentable Area	560,643	172,722	194,501	382,128	169,078	160,561	452,056
Year Built	1992	1924	1982	1971	1984	1988	1992
Condition	Good	Good	Good	Average	Good	Good	Good
Quality	Average	Average	Average	Average	Average	Good	Good
Occupancy	Assume Stabilized	67.0%	1.0%	58.0%	72.0%	90.0%	84.0%
NOI Per SF		$10.20	N/A	$12.62	$10.35	$22.27	$21.09
Avg. Rent Per Occupied SF		$32.28	N/A	$26.46	$26.65	$32.04	$31.56
Parking Revenue Per SF		$0.00	$0.00	$2.46	$2.31	$3.11	$4.97
Parking Revenue per Space		$0	$0	$1,188	$1,515	$2,075	$1,866
Parking Ratio	1.28	0.00	2.60	2.07	1.53	1.50	2.66
Database ID		1137656	1063980	1057844	682123	375281	375277
Price per SF of Rentable Area		**$183.89**	**$205.65**	**$165.13**	**$173.88**	**$249.13**	**$214.58**
Property Rights		Leased Fee	Leased Fee	Leased Fee	Leased Fee	Leased Fee	Leased Fee
% Adjustment		–	–	–	–	–	–
Financing Terms		Cash to seller	Cash to seller	Cash to seller	Cash to seller	Cash to seller	Cash to seller
% Adjustment		–	–	–	–	–	–
Conditions of Sale				Motivated Seller			Motivated Seller
% Adjustment		–	–	3%	–	–	5%
Market Conditions	9/18/2015	Jul-15	Dec-14	Aug-14	Aug-13	Dec-09	Dec-09
Annual % Adjustment	2%	–	1%	2%	4%	12%	12%
Cumulative Adjusted Price		**$183.89**	**$207.71**	**$173.48**	**$180.84**	**$279.02**	**$252.34**
Location		-5%	–	-5%	–	-5%	–
Access/Exposure		–	–	–	–	–	–
Size		-3%	-3%	–	-3%	-3%	–
Parking		12%	-10%	-3%	–	–	-6%
Building to Land Ratio (FAR)		–	–	–	–	–	–
Building Quality		–	–	–	–	-5%	-5%
Age/Condition		–	–	5%	–	–	–
Economic Characteristics		11%	11%	16%	10%	–	4%
Net $ Adjustment		$27.58	-$4.15	$22.55	$12.66	-$36.27	-$17.66
Net % Adjustment		15%	-2%	13%	7%	-13%	-7%
Final Adjusted Price		**$211.48**	**$203.56**	**$196.04**	**$193.50**	**$242.75**	**$234.68**
Overall Adjustment		15%	-1%	19%	11%	-3%	9%

Range of Adjusted Prices	**$193.50 - $242.75**
Average	**$213.67**
Indicated Value	**$200.00**

Value Indication – Sales Comparison Approach

Prior to adjustments, the sales reflect a range of $165.13 to $249.13 per square foot. After adjustment, the range is narrowed to $193.50 - $242.75 per square foot, with an average of $213.67 per square foot. To arrive at an indication of value, we place greater emphasis on sales 1 through 4 as they are the most recent sales. These four comparable sales have mean adjusted price of $201.14 per square foot. Sales 5 and 6 sold nearly 5.5 years ago and exhibit superior quality which may not have been quantified sufficiently. These are the only two sales where their adjusted prices are skewed from the other sales.

A stabilized value indication of $200 per square foot is concluded for the property, assuming no stigma for the property. This applies to Scenario 3. As was discussed later in the report the property is negatively impacted by stigma. The stigma was estimated to have a value diminution of approximately -9% for Scenarios 1-6 and -3% for Scenario 7.

<u>Scenarios 1 & 2 & 3:</u> The non-stigma value is $200 per square foot. Adjusting this down by 9% for stigma indicates an adjusted price of $182 per square foot. Further adjustment for lease-up or capital expenditures are shown later for Scenarios 1 & 2.

<u>Scenarios 4, 5 & 6:</u> The stabilized value under these scenarios assume new tenant improvements are in place. We estimate new tenant improvement cost of $50 per square foot and believe this is equal to its TI value. The value of the subject's existing tenant improvements is $25 per square foot. Thus, the new TI's under these scenarios have an estimated greater value of $25 per square foot than the subject's current improved condition. The cost difference reflects a 12.5% difference using the concluded base value of $200/SF ($25/$200). In the estimate of market rent shown earlier in this report there was a market rent difference of 14% between the scenarios of existing ($29/SF) and new tenant improvements ($33/SF). Based on this analysis, we have applied an upward adjustment of 17% to Scenarios 4, 5 & 6 for the superior tenant improvements. A small upward adjustment of 3% also is applied for economic characteristics as it is believed a buyer would pay a slightly higher premium (lower capitalization rate) as they would not anticipate future near-term tenant improvement cost. No other adjustments are warranted for these scenarios. After applying these adjustments, the stabilized value for these scenarios is $218 per square foot.

<u>Scenario 7:</u> This scenario assumes new $50 per square foot tenant improvements and a 20 year lease term by State of California. An adjustment of 15% is appropriate for the new tenant improvements. To quantify the difference in the lease term we have considered capitalization difference which is supported by broker opinions and sale transactions. Later in the report we determined there was a 200 basis point differential in capitalization between a state occupied building with four year average terms verses a 20 year term. The 200 basis point lower capitalization results in a value difference of 33%. The longer lease term however has a lower expected net operating income by 14% which somewhat off-sets this difference. Based on this analysis, we apply an adjustment of 15% for the longer lease term. After applying these adjustments, the stabilized value for these scenarios is $254 per square foot.

Based on the preceding analysis, we arrive at the stabilized value indications by the sales comparison approach as follows:

Sales Comparsion Value Per SF			
	Scenarios 1, 2 & 3	Scenarios 4, 5 & 6	Scenario 7
Base Value Per SF	$200.00	$200.00	$200.00
Adjustments			
Tenant Improvements	0.0%	15.0%	15.0%
Stigma	-9.0%	-9.0%	-3.0%
Lease Term/Desirability	0.0%	3.0%	15.0%
Total Adjustments	-9.0%	9.0%	27.0%
Adjusted Value Per SF	**$182.00**	**$218.00**	**$254.00**

Shown on the following page are the calculations for this approach under the various scenarios:

Sales Comparison Approach Conclusion

The stabilized value of the each of the scenarios is calculated first. Deductions are then made to arrive at the as is or as if value conclusions. The support for the adjustments are shown earlier in the Income Approach.

Value Indication by Sales Comparison

	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5	Scenario 6	Scenario 7
Indicated Value per SF	$182.00	$182.00	$182.00	$218.00	$218.00	$218.00	$254.00
Subject Square Feet	560,643	560,643	560,643	560,643	560,643	560,643	560,643
Indicated Stabilized Value	$102,037,026	$102,037,026	$102,037,026	$122,220,174	$122,220,174	$122,220,174	$142,403,322
Less: Adjustments							
Rent Loss	$4,253,083	$5,961,498	$0	$22,009,702	$2,353,617	$0	$0
Capital Expenditures	$32,907,143	$32,907,143	$0	$32,907,143	$0	$0	$0
Tenant Improvements	$0	$0	$0	$23,937,300	$0	$0	$0
Leasing Commissions	$0	$0	$0	$1,729,001	$1,729,001	$0	$0
Entrepreneurial Profit	$1,858,011	$1,943,432	$0	$12,087,472	$408,262	$0	$0
Total Adjustments	$39,018,237	$40,812,074	$0	$92,670,618	$4,490,879	$0	$0
Plus: Value for Under-utilized Land	$0	$0	$0	$3,000,000	$0	$0	$0
Indicated Value	$63,018,789	$61,224,952	$102,037,026	$32,549,556	$117,729,295	$122,220,174	$142,403,322
Rounded	$63,000,000	$61,200,000	$102,000,000	$32,500,000	$117,700,000	$122,200,000	$142,400,000

One scenario that has not been presented is the value as if a vacant building with existing tenant improvements in-place, but cured of all market interpreted capital expenditures. Under this scenario, we believe the State of California would be a buyer for owner-occupancy. Under this scenario, we believe it has a value of $175 per square foot, which is $25 per square foot less than our stabilized value of $200/SF (no stigma) under Scenario 3. The only difference is for some tenant improvement allowance ($25/SF) for owner-occupancy.

The unit value of $175 per square foot would be applied for this as if vacant scenario. This scenario is presented only as a discussion point as it relates directly to Sale 2 which was 99% vacant and purchased for owner occupancy. This as if vacant value of $175 per square foot compares favorably to Sale 2 (vacant at sale date) which sold for $205 per square foot. Adjusting Sale 2 for its cumulative superior differences indicates an adjusted price of $180.71/SF ($207.71/SF time adj price, -3%, size & -10% pkg.). Overall, the estimated value of the subject from sales comparison as if vacant, no stigma, if similar to adjusted value of Sale 2 which sold almost vacant.

Reconciliation and Conclusion of Value

Reconciliation involves the weighting of alternative value indications, based on the judged reliability and applicability of each approach to value, to arrive at a final value conclusion. Reconciliation is required because different value indications result from the use of multiple approaches and within the application of a single approach. The values indicated by our analyses are as follows:

Summary of Value Indications	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5	Scenario 6	Scenario 7
Cost Approach	Not Used	Not Used	$122,400,000	Not Used	Not Used	Not Used	Not Used
Sales Comparison Approach	$63,000,000	$61,200,000	$102,000,000	$32,500,000	$117,700,000	$122,200,000	$142,400,000
Income Capitalization Approach	$63,400,000	$61,600,000	$102,500,000	$31,500,000	$120,000,000	$125,000,000	$138,000,000
Reconciled & Rounded	$63,400,000	$61,600,000	$102,500,000	$31,500,000	$120,000,000	$125,000,000	$138,000,000

Cost Approach

The cost approach is most reliable for newer properties that have no significant amount of accrued depreciation. Due to the age of the subject improvements, estimates of depreciation are subjective, limiting the reliability of this approach. Additionally, the cost approach is not typically used by market participants, except for new properties. Further, there is a limited market for sites similar to the subject, which would limit the reliability of a land value estimate. Accordingly, the cost approach is not relied upon in this analysis. It does, however, provide general support for the indications developed in the other approaches.

Income Capitalization Approach

The income capitalization approach is usually given greatest weight when evaluating investment properties. The value indication from the income capitalization approach is supported by market data regarding income, expenses and required rates of return. An investor is the most likely purchaser of the appraised property, and a typical investor would place greatest reliance on the income capitalization approach. For these reasons, the income capitalization approach is given greatest weight in the conclusion of value.

Sales Comparison Approach

The sales comparison approach is most reliable in an active market when an adequate quantity and quality of comparable sales data are available. In addition, it is typically the most relevant method for owner-user properties, because it directly considers the prices of alternative properties with similar utility for which potential buyers would be competing.

Significant adjustments are required for many of the sales because of differences in the various elements of comparison. This reduces the reliability of this approach. As a result, the sales comparison approach is used primarily as support for the income capitalization approach.

Final Opinion of Value

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

Fair Market Value Conclusions		
	Appraisal Premise	Value Conclusion
Scenario 1	As Is Value - Encumbered	$63,400,000
Scenario 2	As Is Value - Unencumbered	$61,600,000
Scenario 3	As If Repaired Value	$102,500,000
Scenario 4	As If Vacant Value	$31,500,000
Scenario 5	As If Repaired Value - Vacant - Future Multi-Tenant Occupancy	$120,000,000
Scenario 6	As If Stabilized Value - Multi-Tenant Occupancy	$125,000,000
Scenario 7	Leaseback Value	$138,000,000

Extraordinary Assumptions and Hypothetical Conditions

The value conclusions are subject to the following **extraordinary assumptions** that may affect the assignment results. An extraordinary assumption is uncertain information accepted as fact. If the assumption is found to be false as of the effective date of the appraisal, we reserve the right to modify our value conclusions.

1. The building sizes were derived from the Statewide Property Inventory Plan from DGS dated July 1, 2014. We make the extraordinary assumption that the building sizes are accurate.
2. The building has had a history of mold growth, which is common in other office buildings. Substantial mold remediation was completed in January 2011. Additional mold is expected to be found during replacement of the cast iron pipes and HVAC duct replacement work to be completed. It is an extraordinary assumption that the mold infestation that will be discovered in the cavity of the building is consistent to what is expected and could be cured under the cost reported.
3. The building has various immediate capital improvement needs. It is an extraordinary assumption that the estimated cost for such repairs as provided by the sources cited in this report are accurate.
4. The Board of Equalization, the current occupant of the building has a need for expanded data cabling that would need to be installed within the shaft of the core building area. The shaft is at capacity and would need to be expanded to accommodate this additional data cabling. The appraisal has not factored in the cost of this work as it is specific to this tenant and not the market.

The value conclusions are based on the following **hypothetical conditions** that may affect the assignment results. A hypothetical condition is a condition contrary to known fact on the effective date of the appraisal but is supposed for the purpose of analysis.

1. Scenario 3 is a Hypothetical Value and assumes: 1) the property is 100% occupied by the state under a 4-year lease term, 2) all of the immediate capital repair improvements recognized by the market are completed and 3) the property is subject to the occupancy requrements as set forth in the 2011 Series E Bond Agreement.
2. Scenario 4 is a Hypothetical Value and assumes: 1) the property is 100% vacant and 2) there are no occupancy requirements as set forth in the 2011 Series E Bond Agreement.
3. Scenario 5 is a Hypothetical Value and assumes: 1) the property is 100% vacant, 2) the scenario disregards the occupancy requrements as set forth in the 2011 Series E Bond Agreement, 3) all immediate capital repair improvements recognized by the market are complete and 4) new tenant improvements are in place.
4. Scenario 6 is a Hypothetical Value and assumes: 1) the property is 100% occupied by state and private tenants on average 4-year lease term, 2) the scenario disregards the occupancy requrements as set forth in the 2011 Series E Bond Agreement, 3) all immediate capital repair improvements recognized by the market are complete and 4) new tenant improvements are in place.
5. Scenario 7 is a Hypothetical Value and assumes: 1) the property is 100% occupied by the state on a 20-year lease term, 2) the scenario disregards the occupancy requrements as set forth in the 2011 Series E Bond Agreement , 3) all immediate capital repair improvements recognized by the market are complete and 4) new tenant improvements are in place.

The opinions of value expressed in this report are based on estimates and forecasts that are prospective in nature and subject to considerable risk and uncertainty. Events may occur that could cause the performance of the property to differ materially from our estimates, such as changes in the economy, interest rates, capitalization rates, financial strength of tenants, and behavior of investors, lenders, and consumers. Additionally, our opinions and forecasts are based partly on data obtained from interviews and third party sources, which are not always completely reliable. Although we are of the opinion that our findings are reasonable based on available evidence, we are not responsible for the effects of future occurrences that cannot be reasonably foreseen at this time.

Exposure and Marketing Times

Exposure time is the length of time the subject property would have been exposed for sale in the market had it sold on the effective valuation date at the concluded market value. Exposure time is always presumed to precede the effective date of the appraisal. Marketing time is an estimate of the amount of time it might take to sell a property at the estimated market value immediately following the effective date of value.

Based on our review of recent sales transactions for similar properties and our analysis of supply and demand in the local office market, presented earlier in this report, it is our opinion that the probable exposure time for the property is 9 months.

We foresee no significant changes in market conditions in the near term; therefore, it is our opinion that a reasonable marketing period is likely to be the same as the exposure time. Accordingly, we estimate the subject's marketing period at 9 months.

Our estimate is slightly higher than national investor survey data due to the complexity of the property.

Office Average Marketing Time (Months)

	PwC 2Q-2015 National CBD Office	PwC 2Q-2015 National Suburban Office
Range	2 - 15	3 - 12
Average	6.4	6.3

Source: PwC Real Estate Investor Survey

Certification

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

1. The statements of fact contained in this report are true and correct.

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

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

4. We have not performed any services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.

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

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

7. Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.

8. Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice as well as applicable state appraisal regulations.

9. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.

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

11. Scott Beebe, MAI, FRICS, made a personal inspection of the property that is the subject of this report.

12. No one provided significant real property appraisal assistance to the person(s) signing this certification.

13. We have experience in appraising properties similar to the subject and are in compliance with the Competency Rule of USPAP.

14. As of the date of this report, Scott Beebe, MAI, FRICS have completed the continuing education program for Designated Members of the Appraisal Institute.

Scott Beebe, MAI, FRICS
Certified General Real Estate Appraiser
CA Certificate # AG015266

Assumptions and Limiting Conditions

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

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

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

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

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

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

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

18. The Americans with Disabilities Act (ADA) became effective January 26, 1992. We have not made a specific survey or analysis of the property to determine whether the physical aspects of the improvements meet the ADA accessibility guidelines. We claim no expertise in ADA issues, and render no opinion regarding compliance of the subject with ADA regulations. Inasmuch as compliance matches each owner's financial ability with the cost to cure the non-conforming physical characteristics of a property, a specific study of both the owner's financial ability and the cost to cure any deficiencies would be needed for the Department of Justice to determine compliance.

19. The appraisal report is prepared for the exclusive benefit of the Client, its subsidiaries and/or affiliates. It may not be used or relied upon by any other party. All parties who use or rely upon any information in the report without our written consent do so at their own risk.

20. No studies have been provided to us indicating the presence or absence of hazardous materials on the subject property or in the improvements, and our valuation is predicated upon the assumption that the subject property is free and clear of any environment hazards including, without limitation, hazardous wastes, toxic substances and mold. No representations or warranties are made regarding the environmental condition of the subject property. Integra Realty Resources – Sacramento, Integra Realty Resources, Inc., Integra Strategic Ventures, Inc. and/or any of their respective officers, owners, managers, directors, agents, subcontractors or employees (the "Integra Parties"), shall not be responsible for any such environmental conditions that do exist or for any engineering or testing that might be required to discover whether such conditions exist. Because we are not experts in the field of environmental conditions, the appraisal report cannot be considered as an environmental assessment of the subject property.

21. The persons signing the report may have reviewed available flood maps and may have noted in the appraisal report whether the subject property is located in an identified Special Flood Hazard Area. We are not qualified to detect such areas and therefore do not guarantee such determinations. The presence of flood plain areas and/or wetlands may affect the value of the property, and the value conclusion is predicated on the assumption that wetlands are non-existent or minimal.

22. Integra Realty Resources – Sacramento is not a building or environmental inspector. Integra Sacramento does not guarantee that the subject property is free of defects or environmental problems. Mold may be present in the subject property and a professional inspection is recommended.

23. The appraisal report and value conclusions for an appraisal assume the satisfactory completion of construction, repairs or alterations in a workmanlike manner.

24. It is expressly acknowledged that in any action which may be brought against any of the Integra Parties, arising out of, relating to, or in any way pertaining to this engagement, the

appraisal reports, and/or any other related work product, the Integra Parties shall not be responsible or liable for any incidental or consequential damages or losses, unless the appraisal was fraudulent or prepared with intentional misconduct. It is further acknowledged that the collective liability of the Integra Parties in any such action shall not exceed the fees paid for the preparation of the appraisal report unless the appraisal was fraudulent or prepared with intentional misconduct. Finally, it is acknowledged that the fees charged herein are in reliance upon the foregoing limitations of liability.

25. Integra Realty Resources – Sacramento, an independently owned and operated company, has prepared the appraisal for the specific intended use stated elsewhere in the report. The use of the appraisal report by anyone other than the Client is prohibited except as otherwise provided. Accordingly, the appraisal report is addressed to and shall be solely for the Client's use and benefit unless we provide our prior written consent. We expressly reserve the unrestricted right to withhold our consent to your disclosure of the appraisal report or any other work product related to the engagement (or any part thereof including, without limitation, conclusions of value and our identity), to any third parties. Stated again for clarification, unless our prior written consent is obtained, no third party may rely on the appraisal report (even if their reliance was foreseeable).

26. The conclusions of this report are estimates based on known current trends and reasonably foreseeable future occurrences. These estimates are based partly on property information, data obtained in public records, interviews, existing trends, buyer-seller decision criteria in the current market, and research conducted by third parties, and such data are not always completely reliable. The Integra Parties are not responsible for these and other future occurrences that could not have reasonably been foreseen on the effective date of this assignment. Furthermore, it is inevitable that some assumptions will not materialize and that unanticipated events may occur that will likely affect actual performance. While we are of the opinion that our findings are reasonable based on current market conditions, we do not represent that these estimates will actually be achieved, as they are subject to considerable risk and uncertainty. Moreover, we assume competent and effective management and marketing for the duration of the projected holding period of this property.

27. All prospective value opinions presented in this report are estimates and forecasts which are prospective in nature and are subject to considerable risk and uncertainty. In addition to the contingencies noted in the preceding paragraph, several events may occur that could substantially alter the outcome of our estimates such as, but not limited to changes in the economy, interest rates, and capitalization rates, behavior of consumers, investors and lenders, fire and other physical destruction, changes in title or conveyances of easements and deed restrictions, etc. It is assumed that conditions reasonably foreseeable at the present time are consistent or similar with the future.

28. The appraisal is also subject to the following:

Extraordinary Assumptions and Hypothetical Conditions

The value conclusions are subject to the following **extraordinary assumptions** that may affect the assignment results. An extraordinary assumption is uncertain information accepted as fact. If the assumption is found to be false as of the effective date of the appraisal, we reserve the right to modify our value conclusions.

1. The building sizes were derived from the Statewide Property Inventory Plan from DGS dated July 1, 2014. We make the extraordinary assumption that the building sizes are accurate.
2. The building has had a history of mold growth, which is common in other office buildings. Substantial mold remediation was completed in January 2011. Additional mold is expected to be found during replacement of the cast iron pipes and HVAC duct replacement work to be completed. It is an extraordinary assumption that the mold infestation that will be discovered in the cavity of the building is consistent to what is expected and could be cured under the cost reported.
3. The building has various immediate capital improvement needs. It is an extraordinary assumption that the estimated cost for such repairs as provided by the sources cited in this report are accurate.
4. The Board of Equalization, the current occupant of the building has a need for expanded data cabling that would need to be installed within the shaft of the core building area. The shaft is at capacity and would need to be expanded to accommodate this additional data cabling. The appraisal has not factored in the cost of this work as it is specific to this tenant and not the market.

The value conclusions are based on the following **hypothetical conditions** that may affect the assignment results. A hypothetical condition is a condition contrary to known fact on the effective date of the appraisal but is supposed for the purpose of analysis.

1. Scenario 3 is a Hypothetical Value and assumes: 1) the property is 100% occupied by the state under a 4-year lease term, 2) all of the immediate capital repair improvements recognized by the market are completed and 3) the property is subject to the occupancy requrements as set forth in the 2011 Series E Bond Agreement.
2. Scenario 4 is a Hypothetical Value and assumes: 1) the property is 100% vacant and 2) there are no occupancy requirements as set forth in the 2011 Series E Bond Agreement.
3. Scenario 5 is a Hypothetical Value and assumes: 1) the property is 100% vacant, 2) the scenario disregards the occupancy requrements as set forth in the 2011 Series E Bond Agreement, 3) all immediate capital repair improvements recognized by the market are complete and 4) new tenant improvements are in place.
4. Scenario 6 is a Hypothetical Value and assumes: 1) the property is 100% occupied by state and private tenants on average 4-year lease term, 2) the scenario disregards the occupancy requrements as set forth in the 2011 Series E Bond Agreement, 3) all immediate capital repair improvements recognized by the market are complete and 4) new tenant improvements are in place.
5. Scenario 7 is a Hypothetical Value and assumes: 1) the property is 100% occupied by the state on a 20-year lease term, 2) the scenario disregards the occupancy requrements as set forth in the 2011 Series E Bond Agreement , 3) all immediate capital repair improvements recognized by the market are complete and 4) new tenant improvements are in place.

Addendum A

Appraiser Qualifications

Scott Beebe, MAI, FRICS

Integra Realty Resources
Sacramento

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Sacramento, CA 95811

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Experience

Scott Beebe is the Senior Managing Director of Integra Realty Resources-Sacramento. Mr. Beebe has over 30 years of experience in the valuation and analysis of commercial real estate including multi-family, retail, industrial, office, mixed-use and development land. Specialized property types include all types of lodging facilities, LIHTC and senior apartment communities, sports and health club facilities, golf course properties, automobile dealerships, manufactured home parks, self-storage facilities, regional malls and power centers and others.

Services provided include valuation analyses, feasibility and market studies, litigation support and real estate counseling. Clients served include various financial concerns, law and public accounting firms, private and public agencies, pension and advisory companies, investment firms, and the general public. Further, utilizing the resources of Integra's 66 offices nationwide and abroad, the firm is actively involved in the completion of portfolio engagements.

Mr. Beebe and his firm are experienced in the analysis of various property types including: land and master planned communities, multi-family, retail, office, industrial and special purpose properties in Northern California and Nevada.

Professional Activities & Affiliations

Appraisal Institute, Member (MAI)
Royal Institute of Chartered Surveyors, Fellow (FRICS)

Licenses

California, Certified General Real Estate Appraiser, AG015266, Expires February 2017
Nevada, Certified General Appraiser, A.0007073-CG, Expires November 2016

Education

B.B.A. Degree, Business Administration, University of Texas, Austin, Texas

Successfully completed numerous real estate related courses and seminars sponsored by the Appraisal Institute, accredited universities and others.

Currently certified by the Appraisal Institute's voluntary program of continuing education for its designated members.

Qualified Before Courts & Administrative Bodies

United States Bankruptcy Court, Northern District of California
Travis County District Court, Texas
Bexar County District Court, Texas
Various Arbitration Courts in Northern California

sbeebe@irr.com - 916.949.7360 x302

Integra Realty Resources, Inc.
Corporate Profile

Integra Realty Resources, Inc. offers the most comprehensive property valuation and counseling coverage in the United States with 62 independently owned and operated offices in 34 states and the Caribbean. Integra was created for the purpose of combining the intimate knowledge of well-established local firms with the powerful resources and capabilities of a national company. Integra offers integrated technology, national data and information systems, as well as standardized valuation models and report formats for ease of client review and analysis. Integra's local offices have an average of 25 years of service in the local market, and all but two are headed by a Senior Managing Director who is an MAI member of the Appraisal Institute.

A listing of IRR's local offices and their Senior Managing Directors follows:

ATLANTA, GA - Sherry L. Watkins., MAI, FRICS
AUSTIN, TX - Randy A. Williams, MAI, SR/WA, FRICS
BALTIMORE, MD - G. Edward Kerr, MAI, MRICS
BIRMINGHAM, AL - Rusty Rich, MAI, MRICS
BOISE, ID - Bradford T. Knipe, MAI, ARA, CCIM, CRE, FRICS
BOSTON, MA - David L. Cary, Jr., MAI, MRICS
CHARLESTON, SC - Cleveland "Bud" Wright, Jr., MAI
CHARLOTTE, NC - Fitzhugh L. Stout, MAI, CRE, FRICS
CHICAGO, IL - Eric L. Enloe, MAI, FRICS
CINCINNATI, OH - Gary S. Wright, MAI, FRICS, SRA
CLEVELAND, OH - Douglas P. Sloan, MAI
COLUMBIA, SC - Michael B. Dodds, MAI, CCIM
COLUMBUS, OH - Bruce A. Daubner, MAI, FRICS
DALLAS, TX - Mark R. Lamb, MAI, CPA, FRICS
DAYTON, OH - Gary S. Wright, MAI, FRICS, SRA
DENVER, CO - Brad A. Weiman, MAI, FRICS
DETROIT, MI - Anthony Sanna, MAI, CRE, FRICS
FORT WORTH, TX - Gregory B. Cook, SR/WA
GREENSBORO, NC - Nancy Tritt, MAI, SRA, FRICS
GREENVILLE, SC - Michael B. Dodds, MAI, CCIM
HARTFORD, CT - Mark F. Bates, MAI, CRE, FRICS
HOUSTON, TX - David R. Dominy, MAI, CRE, FRICS
INDIANAPOLIS, IN - Michael C. Lady, MAI, SRA, CCIM, FRICS
JACKSON, MS - J. Walter Allen, MAI, FRICS
JACKSONVILLE, FL - Robert Crenshaw, MAI, FRICS
KANSAS CITY, MO/KS - Kenneth Jaggers, MAI, FRICS
LAS VEGAS, NV - Charles E. Jack IV, MAI
LOS ANGELES, CA - John G. Ellis, MAI, CRE, FRICS
LOS ANGELES, CA - Matthew J. Swanson, MAI
LOUISVILLE, KY - Stacey Nicholas, MAI, MRICS
MEMPHIS, TN - J. Walter Allen, MAI, FRICS
MIAMI/PALM BEACH, FL - Scott M. Powell, MAI, FRICS
MIAMI/PALM BEACH, FL- Anthony M. Graziano, MAI, CRE, FRICS
MINNEAPOLIS, MN - Michael F. Amundson, MAI, CCIM, FRICS
NAPLES, FL - Carlton J. Lloyd, MAI, FRICS
NASHVILLE, TN - R. Paul Perutelli, MAI, SRA, FRICS
NEW JERSEY COASTAL - Halvor J. Egeland, MAI
NEW JERSEY NORTHERN - Barry J. Krauser, MAI, CRE, FRICS
NEW YORK, NY - Raymond T. Cirz, MAI, CRE, FRICS
ORANGE COUNTY, CA - Larry D. Webb, MAI, FRICS
ORLANDO, FL - Christopher Starkey, MAI, MRICS
PHILADELPHIA, PA - Joseph D. Pasquarella, MAI, CRE, FRICS
PHOENIX, AZ - Walter 'Tres' Winius III, MAI, FRICS
PITTSBURGH, PA - Paul D. Griffith, MAI, CRE, FRICS
PORTLAND, OR - Brian A. Glanville, MAI, CRE, FRICS
PROVIDENCE, RI - Gerard H. McDonough, MAI, FRICS
RALEIGH, NC - Chris R. Morris, MAI, FRICS
RICHMOND, VA - Kenneth L. Brown, MAI, CCIM, FRICS
SACRAMENTO, CA - Scott Beebe, MAI, FRICS
ST. LOUIS, MO - P. Ryan McDonald, MAI, FRICS
SALT LAKE CITY, UT - Darrin W. Liddell, MAI, CCIM, FRICS
SAN ANTONIO, TX - Martyn C. Glen, MAI, CRE, FRICS
SAN DIEGO, CA - Jeff A. Greenwald, MAI, SRA, FRICS
SAN FRANCISCO, CA - Jan Kleczewski, MAI, FRICS
SARASOTA, FL - Carlton J. Lloyd, MAI, FRICS
SAVANNAH, GA - J. Carl Schultz, Jr., MAI, FRICS, CRE, SRA
SEATTLE, WA - Allen N. Safer, MAI, MRICS
SYRACUSE, NY - William J. Kimball, MAI, FRICS
TAMPA, FL - Bradford L. Johnson, MAI, MRICS
TULSA, OK - Robert E. Gray, MAI, FRICS
WASHINGTON, DC - Patrick C. Kerr, MAI, SRA, FRICS
WILMINGTON, DE - Douglas L. Nickel, MAI, FRICS
CARIBBEAN/CAYMAN ISLANDS - James Andrews, MAI, FRICS

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Addendum B

Comparison of Report Formats

Comparison of Report Formats

Reporting Options in 2014-2015 Edition of USPAP	Integra Reporting Formats Effective January 1, 2014	Corresponding Reporting Options in 2012-2013 Edition of USPAP
Appraisal Report	Appraisal Report – Comprehensive Format	Self-Contained Appraisal Report
	Appraisal Report – Standard Format	Summary Appraisal Report
	Appraisal Report – Concise Summary Format	Minimum Requirements of Summary Appraisal Report
Restricted Appraisal Report	Restricted Appraisal Report	Restricted Use Appraisal Report

USPAP Reporting Options

The 2014-2015 edition of USPAP requires that all written appraisal reports be prepared under one of the following options: Appraisal Report or Restricted Appraisal Report.

An Appraisal Report summarizes the information analyzed, the appraisal methods employed, and the reasoning that supports the analyses, opinions, and conclusions. The requirements for an Appraisal Report are set forth in Standards Rule 2-2 (a) of USPAP.

A Restricted Appraisal Report states the appraisal methods employed and the conclusions reached but is not required to include the data and reasoning that supports the analyses, opinions, and conclusions. Because the supporting information may not be included, the use of the report is restricted to the client, and further, the appraiser must maintain a work file that contains sufficient information for the appraiser to produce an Appraisal Report if required. The requirements for a Restricted Appraisal Report are set forth in Standards Rule 2-2 (b).

Integra Reporting Formats under the Appraisal Report Option

USPAP gives appraisers the flexibility to vary the level of information in an Appraisal Report depending on the intended use and intended users of the appraisal. Accordingly, Integra Realty Resources has established internal standards for three alternative reporting formats that differ in depth and detail yet comply with the USPAP requirements for an Appraisal Report. The three Integra formats are:

- Appraisal Report – Comprehensive Format
- Appraisal Report – Standard Format
- Appraisal Report – Concise Summary Format

An Appraisal Report – Comprehensive Format has the greatest depth and detail of the three report types. It describes and explains the information analyzed, the appraisal methods employed, and the reasoning that supports the analyses, opinions, and conclusions. This format meets or exceeds the former Self-Contained Appraisal Report requirements that were contained in the 2012-2013 edition of USPAP.

An Appraisal Report – Standard Format has a moderate level of detail. It summarizes the information analyzed, the appraisal methods employed, and the reasoning that supports the analyses, opinions, and conclusions. This format meets or exceeds the former Summary Appraisal Report requirements that were contained in the 2012-2013 edition of USPAP.

An Appraisal Report - Concise Summary Format has less depth and detail than the Appraisal Report – Standard Format. It briefly summarizes the data, reasoning, and analyses used in the appraisal process while additional supporting documentation is retained in the work file. This format meets the minimum requirements of the former Summary Appraisal Report that were contained in the 2012-2013 edition of USPAP.

On occasion, clients will request, and Integra will agree to provide, a report that is labelled a Self-Contained Appraisal Report. Other than the label, there is no difference between a Self-Contained Appraisal Report and an Appraisal Report - Comprehensive Format. Both types of reports meet or exceed the former Self-Contained Appraisal Report requirements set forth in the 2012-2013 edition of USPAP.

Integra Reporting Format under Restricted Appraisal Report Option

Integra provides a Restricted Appraisal Report format under the USPAP Restricted Appraisal Report option. This format meets the requirements of the former Restricted Use Appraisal Report that were contained in the 2012-2013 edition of USPAP.

Addendum C

Definitions

Definitions

The source of the following definitions is *The Dictionary of Real Estate Appraisal, Fifth Edition,* Appraisal Institute, Chicago, Illinois, 2010, unless otherwise noted.

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.

Class of Office Building

For the purposes of comparison, office space is grouped into three classes. These classes represent a subjective quality rating of buildings, which indicates the competitive ability of each building to attract similar types of tenants. Combinations of factors such as rent, building finishes, system standards and efficiency, building amenities, location/accessibility, and market perception are used as relative measures.

Class A office buildings are the most prestigious office buildings competing for the premier office users, with rents above average for the area. Buildings have high-quality standard finishes, architectural appeal, state-of-the-art systems, exceptional accessibility, and a definite market presence.

Class B office buildings compete for a wide range of users, with rents in the average range for the area. Class B buildings do not compete with Class A buildings at the same price. Building finishes are fair to good for the area, and systems are adequate.

Class C office buildings compete for tenants requiring functional space at rents below the average for the area. Class C buildings are generally older, and are lower in quality and condition.

Deferred Maintenance
Needed repairs or replacement of items that should have taken place during the course of normal maintenance.

Depreciation
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.

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 and the quantity and timing of the reversion, and discounts each to its present value at a specified yield rate.

Disposition Value
The most probable price that a specified interest in real property should bring under the following conditions:

1. Consummation of a sale within a future exposure time specified by the client.
2. The property is subjected to market conditions prevailing as of the date of valuation.
3. Both the buyer and seller are 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 to be their best interests.
7. An adequate marketing effort will be made during the exposure time specified by the client.
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.

This definition can also be modified to provide for valuation with specified financing terms.

Effective Date of Appraisal
The date on which the analyses, opinions, and advice in an appraisal, review, or consulting service apply.

Entrepreneurial Profit
1. 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. An entrepreneur is motivated by the prospect of future value enhancement (i.e., the entrepreneurial incentive). An entrepreneur who successfully creates value through new development, expansion, renovation, or an innovative change of use is rewarded by entrepreneurial profit. Entrepreneurs may also fail and suffer losses.
2. In economics, the actual return on successful management practices, often identified with coordination, the fourth factor of production following land, labor, and capital; also called entrepreneurial return or entrepreneurial reward.

Excess Land; Surplus Land

Excess Land: Land that is not needed to serve or support the existing improvement. The highest and best use of the excess land may or may not be the same as the highest and best use of the improved parcel. Excess land may have the potential to be sold separately and is valued independently.

Surplus Land: Land that is not currently needed to support the existing improvement but cannot be separated from the property and sold off. Surplus land does not have an independent highest and best use and may or may not contribute value to the improved parcel.

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.

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.

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.

Gross Building Area (GBA)

Total floor area of a building, excluding unenclosed areas, measured from the exterior of the walls of the above-grade area. This includes mezzanines and basements if and when typically included in the region.

Highest and Best Use

The reasonably probable and legal use of vacant land or an improved property that 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. Alternatively, the probable use of land or improved property – specific with respect to the user and timing of the use – that is adequately supported and results in the highest present value.

Insurable Value

Value used by insurance companies as the basis for property insurance. Insurable value is not intended to be market value. *(Source: Integra Realty Resources)*

Lease

A contract in which rights to use and occupy land or structures are transferred by the owner to another for a specified period of time in return for a specified rent.

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.

Lease Type

Full Service Lease or Gross Lease: A lease in which the landlord receives stipulated rent and is obligated to pay all of the property's operating and fixed expenses.

Full Service + Tenant Electric Lease or Gross + Tenant Electric Lease: A lease in which the tenant pays electric charges for its space but in other respects is a full service or gross lease as defined above. Tenant electric is often abbreviated as "TE". *(Source: Integra Realty Resources)*

Modified Gross Lease: A lease in which the landlord receives stipulated rent and is obligated to pay some, but not all, of the property's operating and fixed expenses. Since assignment of expenses varies among modified gross leases, expense responsibility must always be specified. In some markets, a modified gross lease may be called a double net lease, net net lease, partial net lease, or semi-gross lease.

Net Lease**:** A general term for a lease in which the tenant pays all or most of the operating and fixed expenses of a property. Whenever the term net lease is used, an analyst should identify the specific expense responsibilities of the tenant and owner. *(Source: Integra Realty Resources)*

Triple Net Lease**:** A lease in which the tenant assumes all expenses (fixed and variable) of operating a property except that the landlord is responsible for structural maintenance, building reserves, and management. Also called NNN, net net net, or fully net lease.

Absolute Net Lease: A lease in which the tenant pays all expenses including structural maintenance, building reserves, and management; often a long-term lease to a credit tenant.

Liquidation Value
The most probable price that a specified interest in real property should bring under the following conditions:

1. Consummation of a sale within a short time period.
2. The property is subjected to market conditions prevailing as of the date of valuation.
3. Both the buyer and seller are acting prudently and knowledgeably.
4. The seller is under extreme compulsion to sell.
5. The buyer is typically motivated.
6. Both parties are acting in what they consider to be their best interests.
7. A normal marketing effort is not possible due to the brief exposure time.
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.

This definition can also be modified to provide for valuation with specified financing terms.

Load Factor
A measure of the relationship of common area to usable area and therefore the quality and efficiency of building area layout, with higher load factors indicating a higher percentage of common area to overall rentable space than lower load factors; calculated by subtracting the amount of usable area from the rentable area and then dividing the difference by the usable area: Load Factor = (Rentable Area – Usable Area) / Usable Area. Also known as add-on factor.

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.

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.

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:

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

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

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.

Rentable Area and Related Terms for Office Buildings

Rentable Area (RA): For office buildings, the tenant's pro rata portion of the entire office floor, excluding elements of the building that penetrate through the floor to the areas below. The rentable area of a floor is computed by measuring to the inside finished surface of the dominant portion of the permanent building walls, excluding any major vertical penetrations of the floor. Alternatively, the amount of space on which the rent is based; calculated according to local practice.

Usable Area

1. For office buildings, the actual occupiable area of a floor or an office space; computed by measuring from the finished surface of the office side of corridor and other permanent walls, to the center of the partitions that separate the office from adjoining usable areas, and to the inside finished surface of the dominant portion of the permanent outer building walls. Sometimes called net building area or net floor area.
2. The area that is actually used by the tenants measured from the inside of the exterior walls to the inside of walls separating the space from hallways and common areas.

Floor Common Area: In an office building, the areas on a floor such as washrooms, janitorial closets, electrical rooms, mechanical rooms, elevator lobbies, and public corridors that are available primarily for the use of tenants on that floor. In essence, floor common area represents all of the area on the floor that is common to that respective floor with the exception of those areas that penetrate through the floor, such as the elevator shaft and stairwell. The significant point to be made is that floor common area is not part of the tenant's usable area.

Replacement Cost

The estimated cost to construct, at current prices as of the effective appraisal date, a substitute for the building being appraised, using modern materials and current standards, design and layout.

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.

Stabilized Income

Income 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; projected income that is subject to change, but has been adjusted to reflect an equivalent, stable annual income.

Addendum D

Financials and Property Information

LEGAL DESCRIPTION

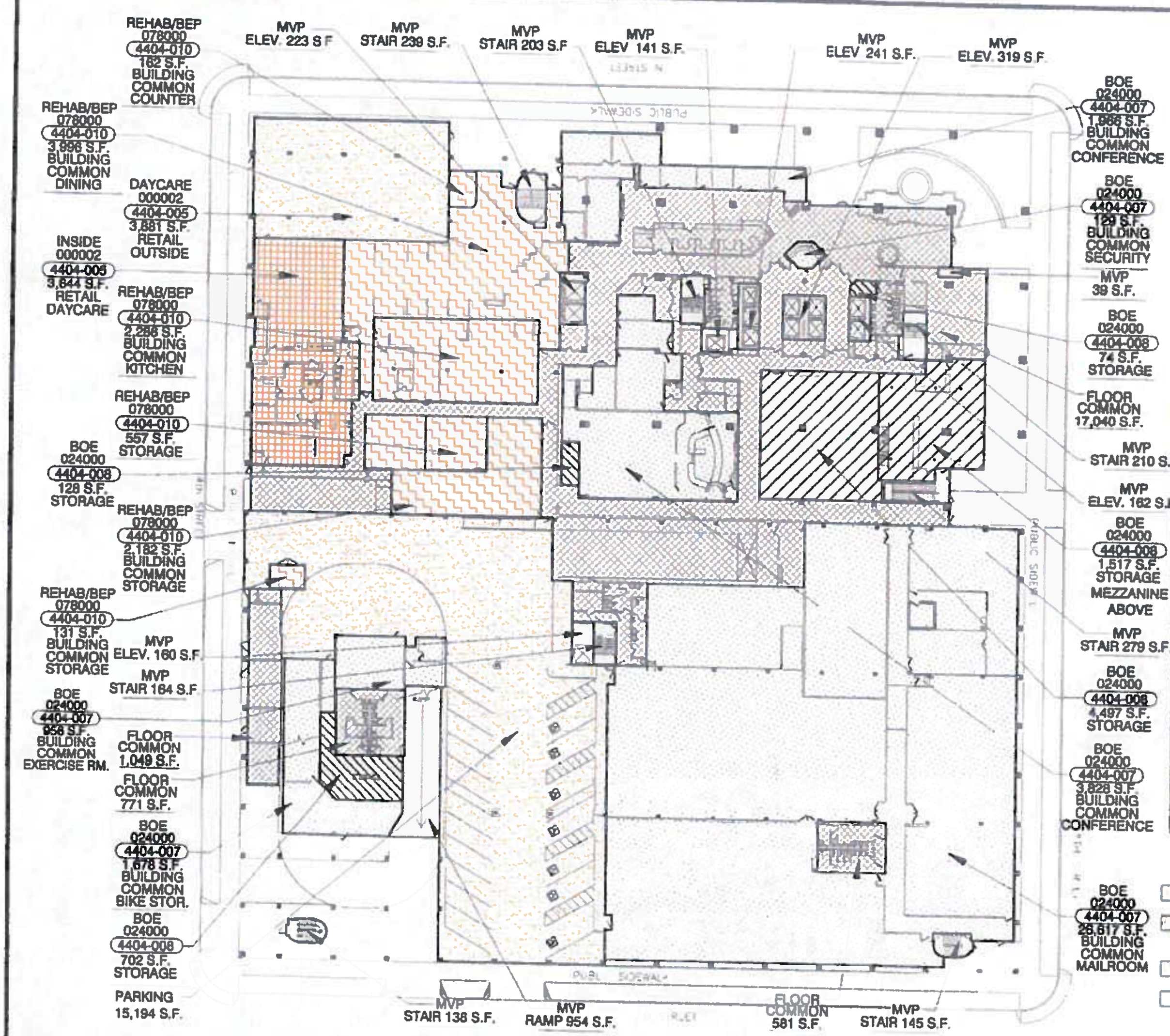
Real property in the City of Sacramento, County of Sacramento, State of California, described as follows:

ALL OF LOTS 1, 2, 3, 4, 5, 6, 7 AND 8 IN THE BLOCK BOUNDED BY N STREET, O STREET, FOURTH STREET AND FIFTH STREET AS SHOWN ON THE OFFICIAL MAP OF THE CITY OF SACRAMENTO, ALL AS SHOWN ON THAT CERTAIN RECORD OF SURVEY, FILED IN BOOK 13 OF SURVEYS, MAP NO. 18, OFFICIAL RECORDS OF SACRAMENTO COUNTY, DESCRIBED AS FOLLOWS:

BEGINNING AT THE SOUTHWEST CORNER OF SAID LOT 8; THENCE, FROM SAID POINT OF BEGINNING, ALONG THE WESTERLY LINE OF SAID LOTS 8 AND 1, AND ALONG THE EASTERLY RIGHT-OF-WAY LINE OF SAID FOURTH STREET, NORTH 18°30'00" EAST 342.92 FEET TO THE NORTHWEST CORNER OF SAID LOT 1; THENCE, ALONG THE NORTHERLY LINE OF SAID LOTS 1, 2, 3 AND 4, SOUTH 71°37'53" EAST 321.40 FEET TO THE NORTHEAST CORNER OF SAID LOT 4; THENCE, ALONG THE EASTERLY LINE OF SAID LOTS 4 AND 5, AND ALONG THE WESTERLY RIGHT-OF-WAY LINE OF SAID FIFTH STREET, SOUTH 18°31'24" WEST 343.24 FEET TO THE SOUTHEAST CORNER OF SAID LOT 5; THENCE, ALONG THE SOUTHERLY LINE OF SAID LOTS 5, 6, 7 AND 8, NORTH 71°34'28" WEST 321.26 FEET TO THE POINT OF BEGINNING.

EXCEPTING THEREFROM THAT PORTION OF SAID LOTS 3 AND 4, ALL MINERALS, AND ALL OIL, GAS AND OTHER HYDROCARBON SUBSTANCES IN AND UNDER SAID LAND BELOW A DEPTH OF FIVE HUNDRED FEET, WITHOUT THE RIGHT OF SURFACE ENTRY, AS RESERVED IN DEED FROM ATLANTIC RICHFIELD COMPANY, TO N.C.D. FINANCIAL, INC., A CALIFORNIA CORPORATION RECORDED APRIL 28, 1976, IN BOOK 76-04-28 PAGE 199, OFFICIAL RECORDS.

APN: 006-0193-030-0000



SPI PLAN FLOOR 1									
SPACE ASSMNT	AGENCY	USE	STORAGE	RETAIL	BUILDING COMMON	FLOOR COMMON	MVP	GARAGE PARKING	TOTAL
4404-008	BOE	STORAGE	4,497						
			74						
			702						
			128						5,401
4404-007		CONF			1,966				
					3,828				
		SECURITY			129				
		MAILROOM			26,617				
		BICYCLE			1,678				
		EXERCIZE			958				35,174
4404-010	REHAB BEP	STORAGE			557				
					131				
					2,182				
		KITCHEN			2,286				
		DINING			3,996				
		COUNTER			162				9,314
4404-005	RETAIL	DAYCARE		3,644					3,644
FLOOR COMMON						17,040			
						581			
						1,049			
						771			19,441
		STAIRS					239		
							203		
							210		
							279		
							145		
							164		
		SHAFT					39		
		ELEVATORS					223		
							141		
							241		
							319		
							162		
							160		2,525
TOTAL INSIDE GROSS			5,401	3,644	44,488	19,441	2,525		75,499
4404-008	BOE	MEZZANINE	1,517						1,517
GARAGE		STAIRS					138		
		RAMP					954		1,092
		PARKING						15,194	15,194
TOTAL			6,918	3,644	44,488	19,441	3,617	15,194	93,302
4404-005	RETAIL OUTSIDE	DAYCARE		3,881					3,881
GRAND TOTAL			6,918	7,525	44,488	19,441	3,617	15,194	97,183

DAYCARE - OUTSIDE
REHAB-BEP BUILDING COMMON
PARKING - OUTSIDE
MAJOR VERTICAL PENETRATIONS
BOE STORAGE (BUILDING COMMON)
BOE BUILDING COMMON
FLOOR COMMON
DAYCARE - RETAIL

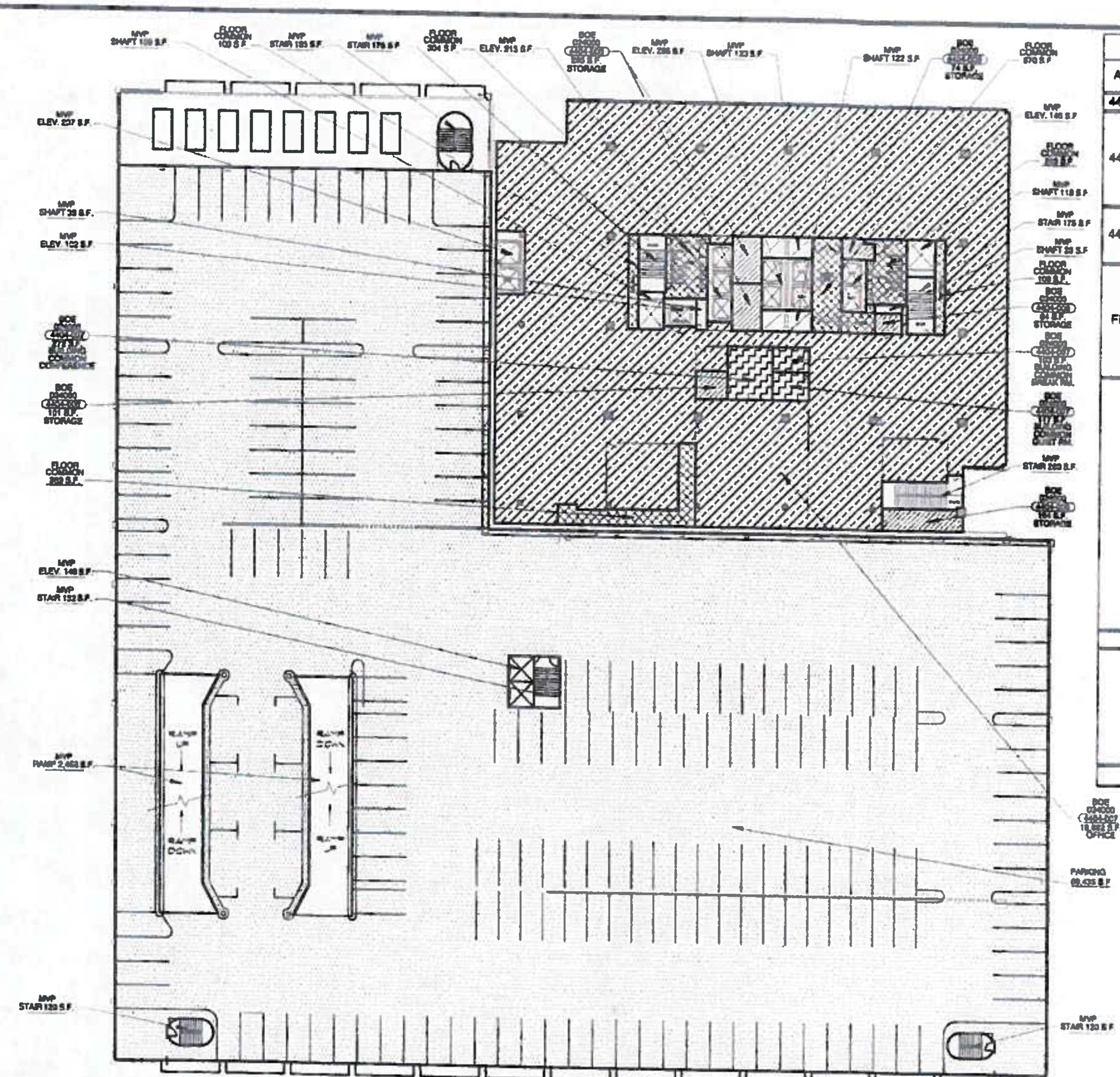
SPI Analysis Block
Checked Against Plan
Date: 7/31/14
By: [signature]
Space Coordinator

Date : JULY 1, 2014
BPM # : 028
SPI # : 4404
DEL: TTO
State Building
028
Sheet Title : SPI PLAN - FLOOR 1
Building : BOARD OF EQUALIZATION
Location : 450 "N" STREET, SACRAMENTO

State of California
DGS
Department of General Services

State of California
Real Estate Services Division
Project Management & Development Branch
State Owned Planning Unit
707 Third Street, Suite 5-305
West Sacramento, California 95605

Reference North



SPI PLAN - FLOOR 2

ASGN#	AGENCY	USE	OFFICE	STORAGE	BUILDING COMMON	FLOOR COMMON	MVP	PARKING	TOTAL
4404-007	BOE	OFFICE	18,882						18,882
4404-008	BOE	STORAGE		101					
				295					
				74					
				64					
				194					728
4404-007	BOE	CONFERENCE			272				
		BREAK ROOM			103				
		QUIET ROOM			117				492
FLOOR COMMON		ALL				389			
						109			
						304			
						570			
						289			
						106			1,767
MVP		STAIRS					178		
							175		
							269		
		ELEVATORS					102		
							207		
							215		
							295		
							146		
		SHAFT					123		
							118		
							26		
							122		
							38		
							108		2,122
TOTAL INSIDE GROSS			18,882	728	492	1,767	2,122		23,991
GARAGE		STAIRS					195		
							120		
							120		
							152		
		ELEVATOR					149		
		RAMP					2,468		3,204
		PARKING						69,435	69,435
GRAND TOTAL			18,882	728	492	1,767	5,326	69,435	96,630

SPI Analysis Block
Checked Against Plan
Date: 7/31/14
By: [signature]
Space Coordinator

BOE OFFICE
STORAGE
BUILDING COMMON
PARKING
FLOOR COMMON
MAJOR VERTICAL PENETRATIONS

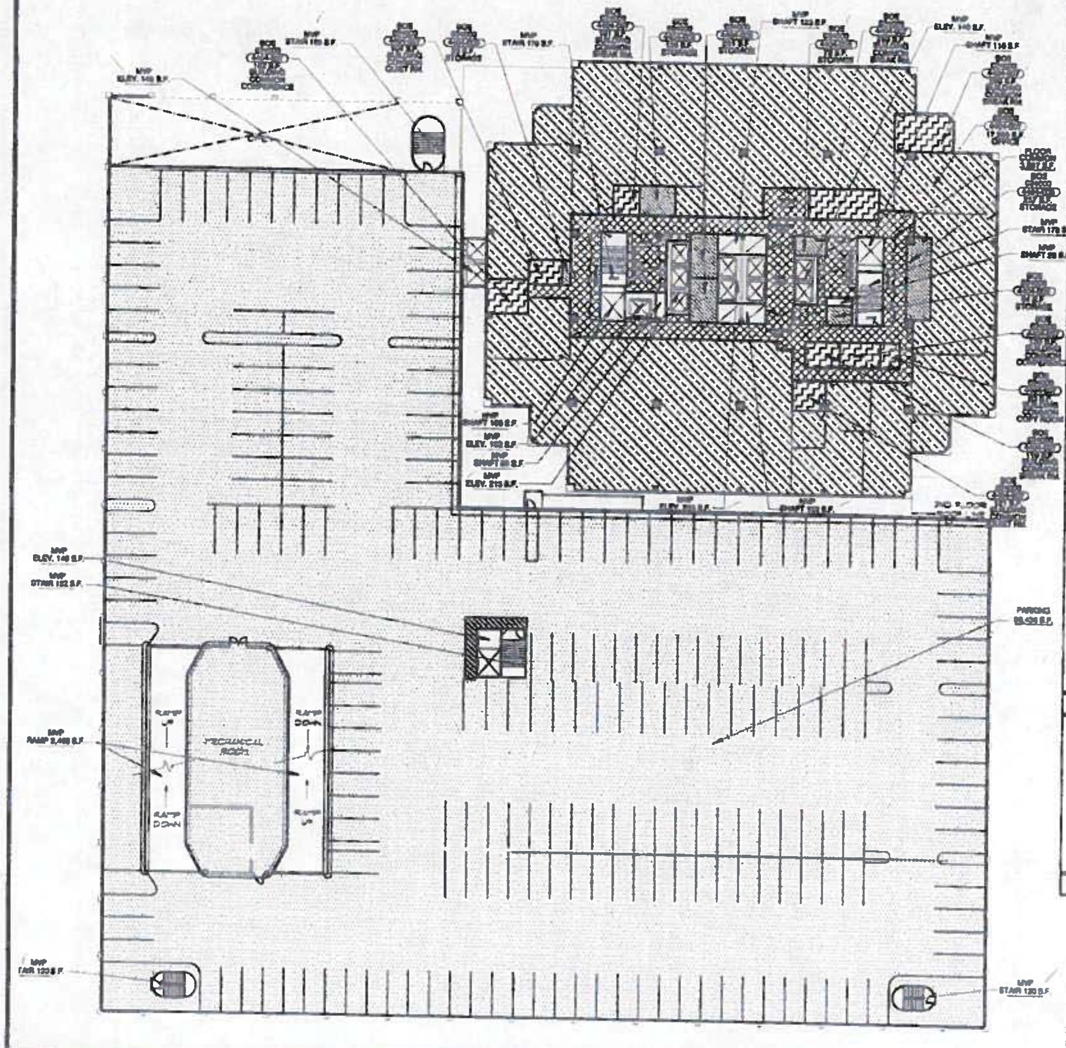
SPI Plan Verified
(1) SPI
(2) ABMS
(3) SPACE ASSIGNMENT
(4) BUILDING Detail Report
(5) RECONCILIATION
Dated: 7/31/14
By: [signature]
Space Coordinator

Date : JULY 1, 2014	DEL:TTO	State Building	Sheet Title : SPI PLAN - FLOOR 2
BPM # : 028		028	Building : BOARD OF EQUALIZATION
SPI # : 4404			Location : 450 "N" STREET, SACRAMENTO

State of California
DGS
Department of General Services

State of California
Real Estate Services Division
Project Management &
Development Branch
State Owned Planning Unit
707 Third Street, Suite 5-305
West Sacramento, California 95605

Reference North



SPI PLAN - FLOOR 3

ASGN#	AGENCY	USE	OFFICE	STORAGE	BUILDING COMMON	FLOOR COMMON	MVP	PARKING	TOTAL
4404-007	BOE	OFFICE	17,385						17,385
4404-008		STORAGE		136					
				291					
				72					
				257					
				26					
				64					848
4404-007		CONFERENCE ROOM			182				
					130				
		QUIET ROOM			104				
					121				
		BREAK ROOM			101				
					265				
					290				
					110				
		COPY			63				1,366
FLOOR COMMON		ALL				3,857			3,857
	MVP	STAIRS					178		
							175		
		ELEVATORS					102		
							215		
							146		
							295		
		SHAFT					123		
							118		
							26		
							122		
							38		
							108		1,646
TOTAL INSIDE GROSS			17,385	846	1,366	3,857	1,646		25,100
	GARAGE	STAIRS					195		
							120		
							120		
							152		
		ELEVATORS					145		
							149		
		RAMP					2,468		3,349
		PARKING						69,435	69,435
GRAND TOTAL			17,385	846	1,366	3,857	4,995	69,435	97,884

BOE OFFICE
STORAGE
BUILDING COMMON
PARKING
FLOOR COMMON
MAJOR VERTICAL PENETRATIONS

SPI Analysis Block
Checked Against Plan
Date: 7/2/14
By:
Space Coordinator

SPI Plan Verified
(1) SPI
(2) ABMS
(3) SPACE ASSIGNMENT
(4) BUILDING Detail Repor

Date : JULY 2, 2014	DEL:TTO	State Building 028	Sheet Title : SPI PLAN - FLOOR 3
BPM # : 028			Building : BOARD OF EQUALIZATION
SPI # : 4404			Location : 450 "N" STREET, SACRAMENTO

State of California
DGS
Department of General Services

State of California
Real Estate Services Division
Project Management &
Development Branch
By: 7/3/14

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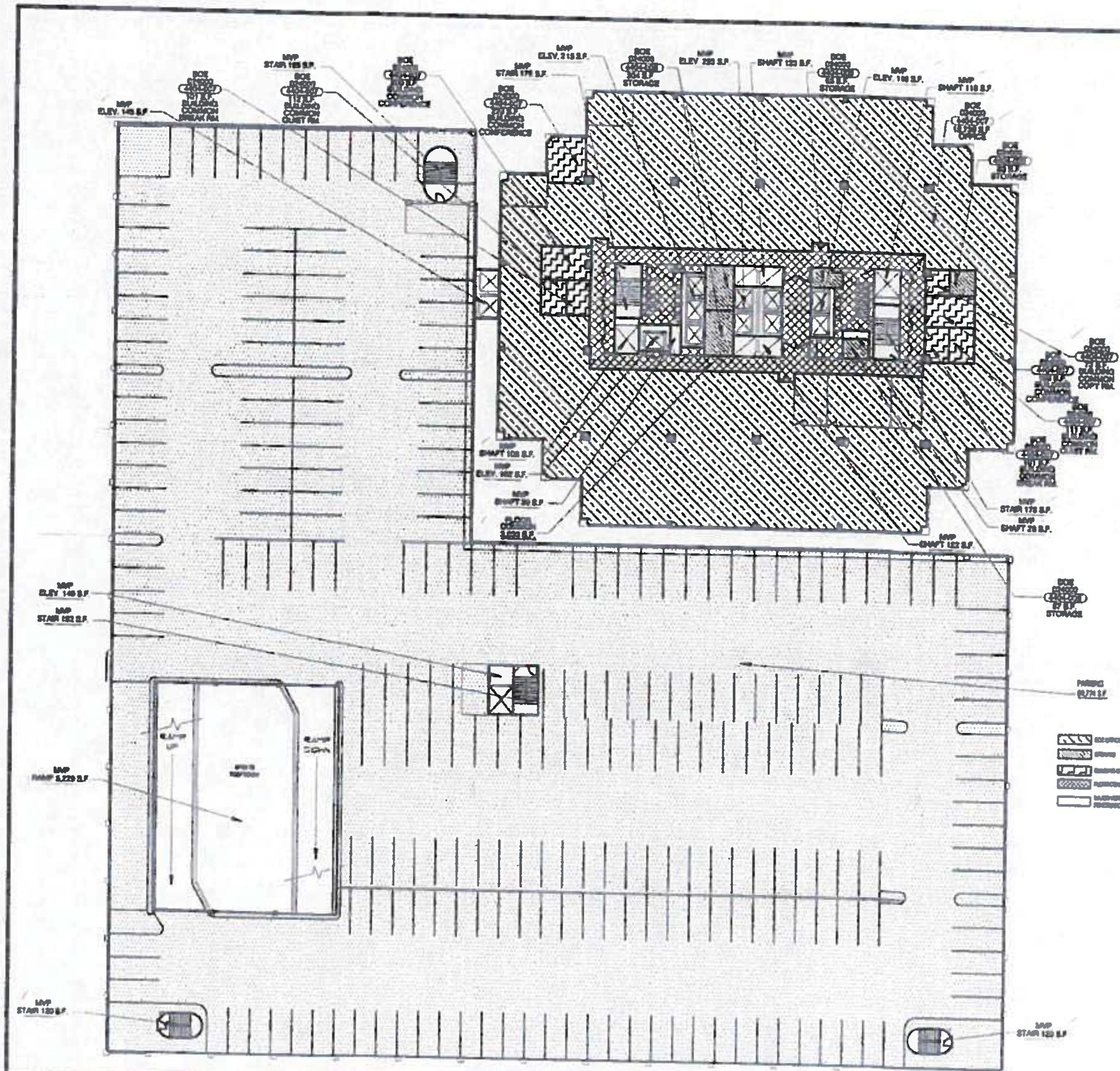

SPI PLAN - FLOOR 4									
ASGN#	AGENCY	USE	OFFICE	STORAGE	BUILDING COMMON	FLOOR COMMO	MVP	PARKING	TOTAL
4404-007	BOE	OFFICE	18,738						
									18,738
4404-008		STORAGE		304					
				65					
				57					
				83					
									509
4404-007		CONFERENCE			226				
					200				
					193				
		BREAK RM.			101				
					101				
		QUIET RM.			112				
					111				
		COPY RM.			73				1,117
FLOOR COMMON		ALL				3,090			3,090
MVP		STAIRS					178		
							175		
		ELEVATORS					102		
							215		
							146		
							295		
		SHAFT					123		
							118		
							26		
							122		
							38		
							108		1,646
TOTAL INSIDE GROSS			18,738	509	1,117	3,090	1,646		25,100
GARAGE		STAIRS					195		
							120		
							120		
							152		
		ELEVATORS					145		
							149		
		RAMP					5,229		6,110
		PARKING						69,774	69,774
GRAND TOTAL			18,738	509	1,117	3,090	7,756	69,774	100,984

SPI Analysis Block
Checked Against Plan
Date: 7/31/14
By:
Space Coordinator

SPI Plan Verified
(1) SPI
(2) ABMS
(3) SPACE ASSIGNMENT
(4) BUILDING Detail Report
(5) RECONCILIATION
Dated: 7/31/14
By:
Space Coordinator

Date : JULY 2, 2014	DEL:TTO	State Building	Sheet Title : SPI PLAN - FLOOR 4
BPM # : 028		028	Building : BOARD OF EQUALIZATION
SPI # : 4404			Location : 450 "N" STREET, SACRAMENTO

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State of California
Real Estate Services Division
Project Management & Development Branch
State Owned Planning Unit
707 Third Street, Suite 3-305
West Sacramento, California 95605

Reference North

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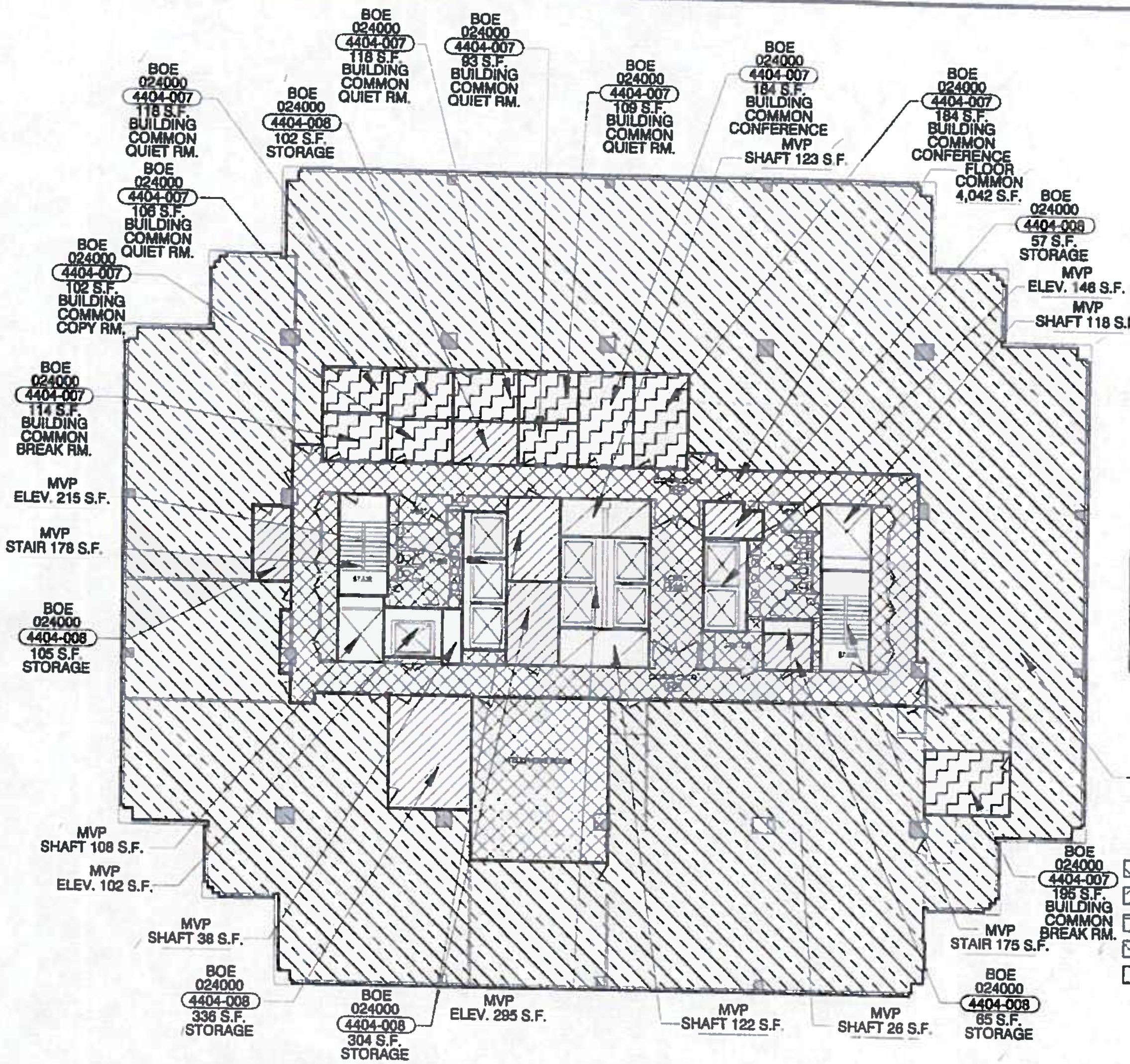

OFFICE SPACE
STORAGE
BUILDING COMMON
FLOOR COMMON
MAJOR VERTICAL PENETRATIONS

SPI PLAN - FLOOR 5

ASGN#	AGENCY	USE	OFFICE	STORAGE	BUILDING COMMON	FLOOR COMMON	MVP	TOTAL
4404-007	BOE	OFFICE	17,120					17,120
4404-008		STORAGE		336				
				105				
				102				
				304				
				65				
				57				969
4404-007		CONFERENCE			184			
					184			
		BREAK RM.			114			
					195			
		QUIET RM.			106			
					118			
					118			
					109			
					93			
		COPY RM.			102			1,323
FLOOR COMMON		ALL				4,042		4,042
MVP		STAIRS					178	
							175	
		ELEVATORS					102	
							215	
							146	
							295	
		SHAFT					123	
							118	
							26	
							122	
							38	
							108	1,646
SUBTOTAL			17,120	969	1,323	4,042	1,646	
TOTAL								25,100

SPI Plan Verified
(1) SPI
(2) ABMS
(3) SPACE ASSIGNMENT
(4) BUILDING Detail Report
(5) RECONCILIATION
Dated: 7/8/14
By: [signature]
Space Coordinator

SPI Analysis Block
Checked Against Plan
Date: 7/8/14
By: [signature]
Space Coordinator

Date : JULY 2, 2014	DEL:TTO	State Building	Sheet Title : SPI PLAN - FLOOR 5
BPM # : 028		028	Building : BOARD OF EQUALIZATION
SPI # : 4404			Location : 450 "N" STREET, SACRAMENTO

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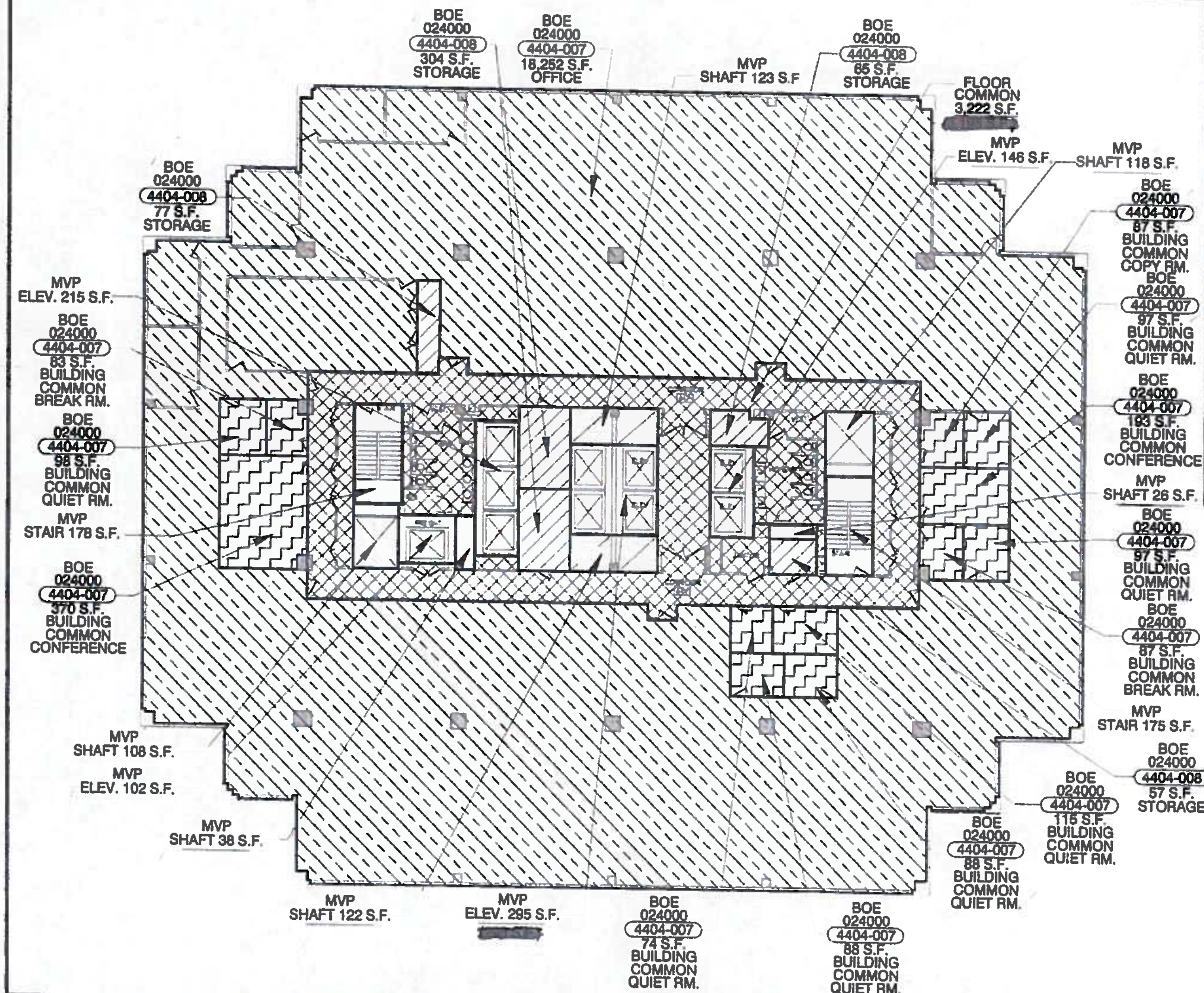

SPI PLAN - FLOOR 6

ASGN#	AGENCY	USE	OFFICE	STORAGE	BUILDING COMMON	FLOOR COMMON	MVP	TOTAL
4404-007	BOE	OFFICE	18,252					18,252
4404-008		STORAGE		304				
				65				
				57				
				77				503
4404-007		CONFERENCE			370			
					193			
		BREAK RM.			83			
					87			
		QUIET RM.			98			
					97			
					97			
					115			
					88			
					88			
					74			
		COPY RM.			87			1,477
FLOOR COMMON		ALL				3,222		3,222
	MVP	STAIRS					178	
							175	
		ELEVATORS					102	
							215	
							146	
							295	
		SHAFT					123	
							118	
							26	
							122	
							38	
							108	1,848
SUBTOTAL			18,252	503	1,477	3,222	1,848	
TOTAL								25,100

SPI Plan Verified
(1) SPI
(2) ABMS
(3) SPACE ASSIGNMENT
(4) BUILDING Detail Report
(5) RECONCILIATION
Dated: 7/31/14
By: [signature]
Space Coordinator

BOE OFFICE
STORAGE
BUILDING COMMON
FLOOR COMMON
MAJOR VERTICAL PENETRATIONS

SPI Analysis Block
Checked Against Plan
Date: 7/31/14
By: [signature]
Space Coordinator

Date : JULY 2, 2014	DEL:TTO	State Building 028	Sheet Title : SPI PLAN - FLOOR 6
BPM # : 028			Building : BOARD OF EQUALIZATION
SPI # : 4404			Location : 450 "N" STREET, SACRAMENTO

State of California
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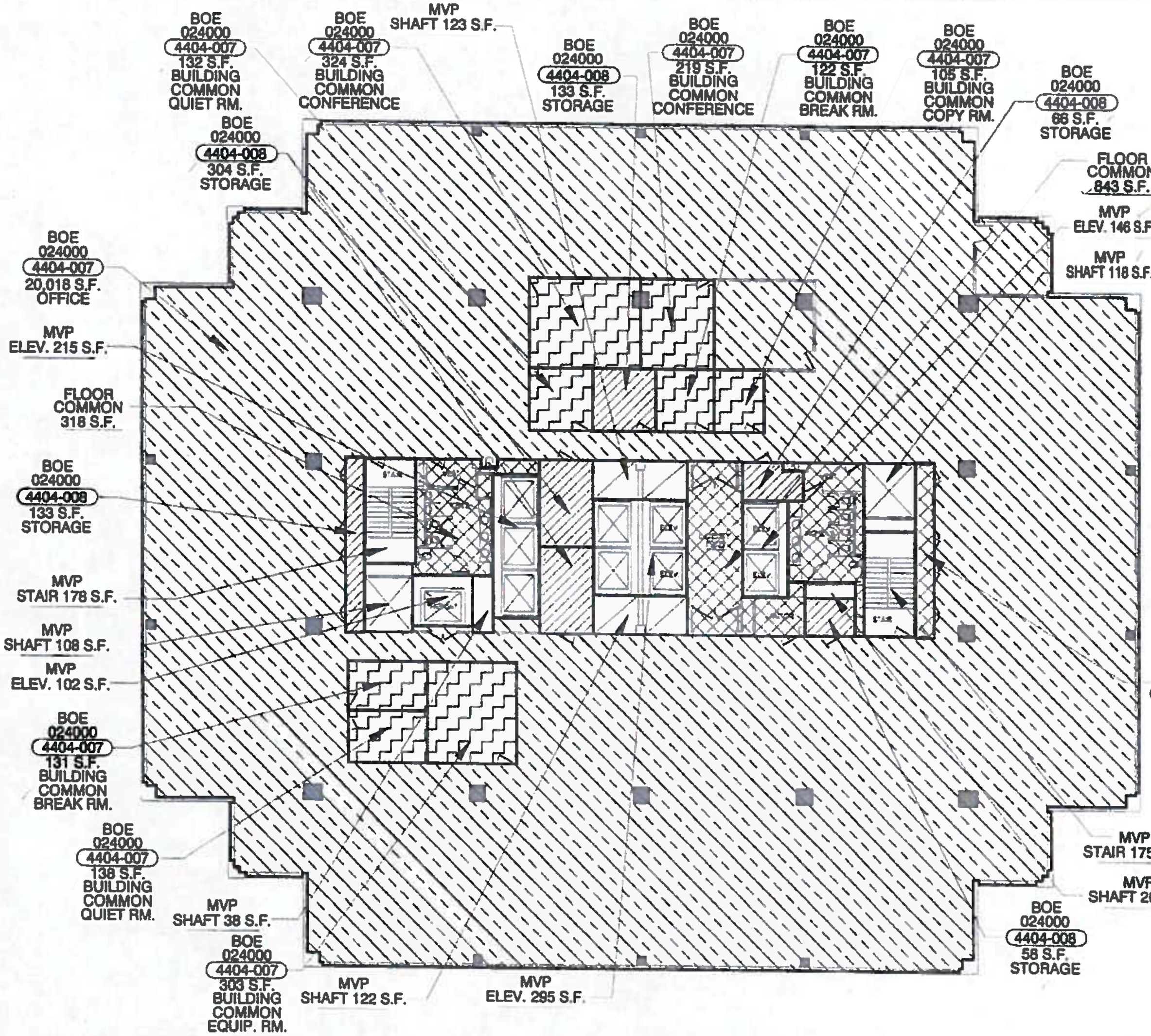
State of California
Real Estate Services Division
Project Management & Development Branch
State Owned Planning Unit
707 Third Street, Suite 5-305
West Sacramento, California 95605

Reference North



SPI PLAN - FLOOR 7

ASGN#	AGENCY	USE	OFFICE	STORAGE	BUILDING COMMON	FLOOR COMMON	MVP	TOTAL
4404-007	BOE	OFFICE	20,018					20,018
4404-008		STORAGE		304				
				133				
				133				
				68				
				58				894
4404-007		CONFERENCE			324			
					219			
		BREAK RM.			131			
					122			
		QUIET RM.			132			
					138			
		EQUIP. RM.			303			
		COPY RM.			105			1,474
FLOOR COMMON		ALL				318		
						843		
						109		1,270
MVP		STAIRS					178	
							175	
		ELEVATORS					102	
							215	
							146	
							295	
		SHAFT					123	
							118	
							26	
							122	
							38	
							108	1,646
SUBTOTAL			20,018	894	1,474	1,270	1,646	
TOTAL								25,100

SPI Analysis Block
Checked Against Plan
Date: 7/31/14
By: [signature]
Space Coordinator

SPI Plan Verified
(1) SPI
(2) ABMS
(3) SPACE ASSIGNMENT
(4) BUILDING Detail Report
(5) RECONCILIATION
Dated: 7/31/14
By: [signature]
Space Coordinator

Date : JULY 2, 2014	DEL: TTO	State Building	Sheet Title : SPI PLAN - FLOOR 7
BPM # : 028		028	Building : BOARD OF EQUALIZATION
SPI # : 4404			Location : 450 "N" STREET, SACRAMENTO

State of California
DGS
Department of General Services

State of California
Real Estate Services Division
Project Management & Development Branch
State Owned Planning Unit
707 Third Street, Suite 5-305
West Sacramento, California 95605

Reference North

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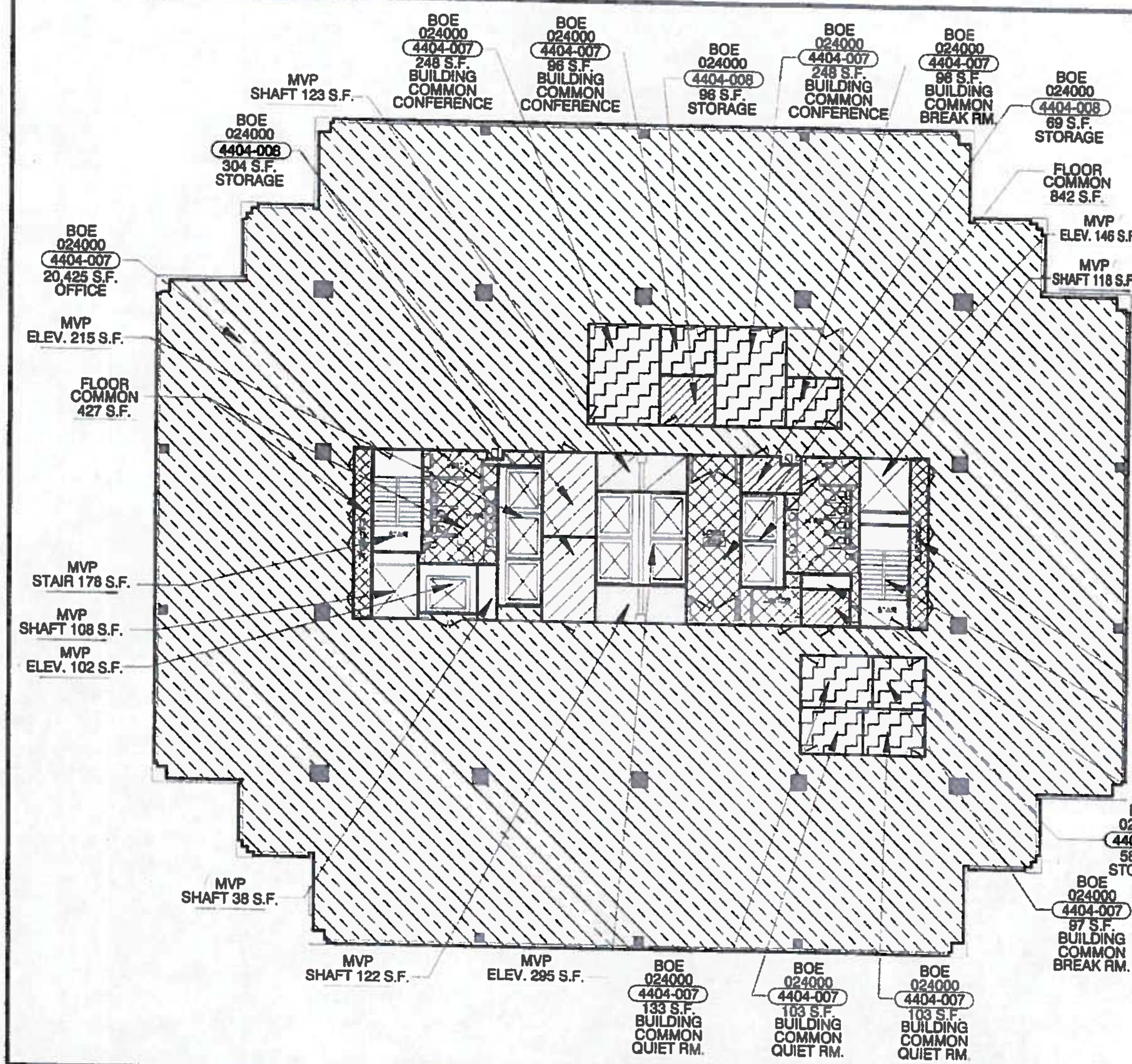


SPI PLAN - FLOOR 8

ASGN#	AGENCY	USE	OFFICE	STORAGE	BUILDING COMMON	FLOOR COMMON	MVP	TOTAL
4404-007	BOE	OFFICE	20,425					20,425
4404-008		STORAGE		304				
				96				
				69				
				58				527
4404-007		CONFERENCE			248			
					248			
					96			
		BREAK RM.			96			
					97			
		QUIET RM.			133			
					103			
					103			1,124
FLOOR COMMON		ALL				427		
						842		
						109		1,378
MVP		STAIRS					178	
							175	
		ELEVATORS					102	
							215	
							146	
							295	
		SHAFT					123	
							118	
							26	
							122	
							38	
							108	1,646
SUBTOTAL			20,425	527	1,124	1,378	1,646	
TOTAL								25,100

BOE OFFICE
BUILDING COMMON
BOE STORAGE
FLOOR COMMON
MAJOR VERTICAL PENETRATIONS

SPI Plan Verified
(1) SPI
(2) ABMS
(3) SPACE ASSIGNMENT
(4) BUILDING Detail Report
(5) RECONCILIATION
Dated: 7/31/14
By: [signature]
Space Coordinator

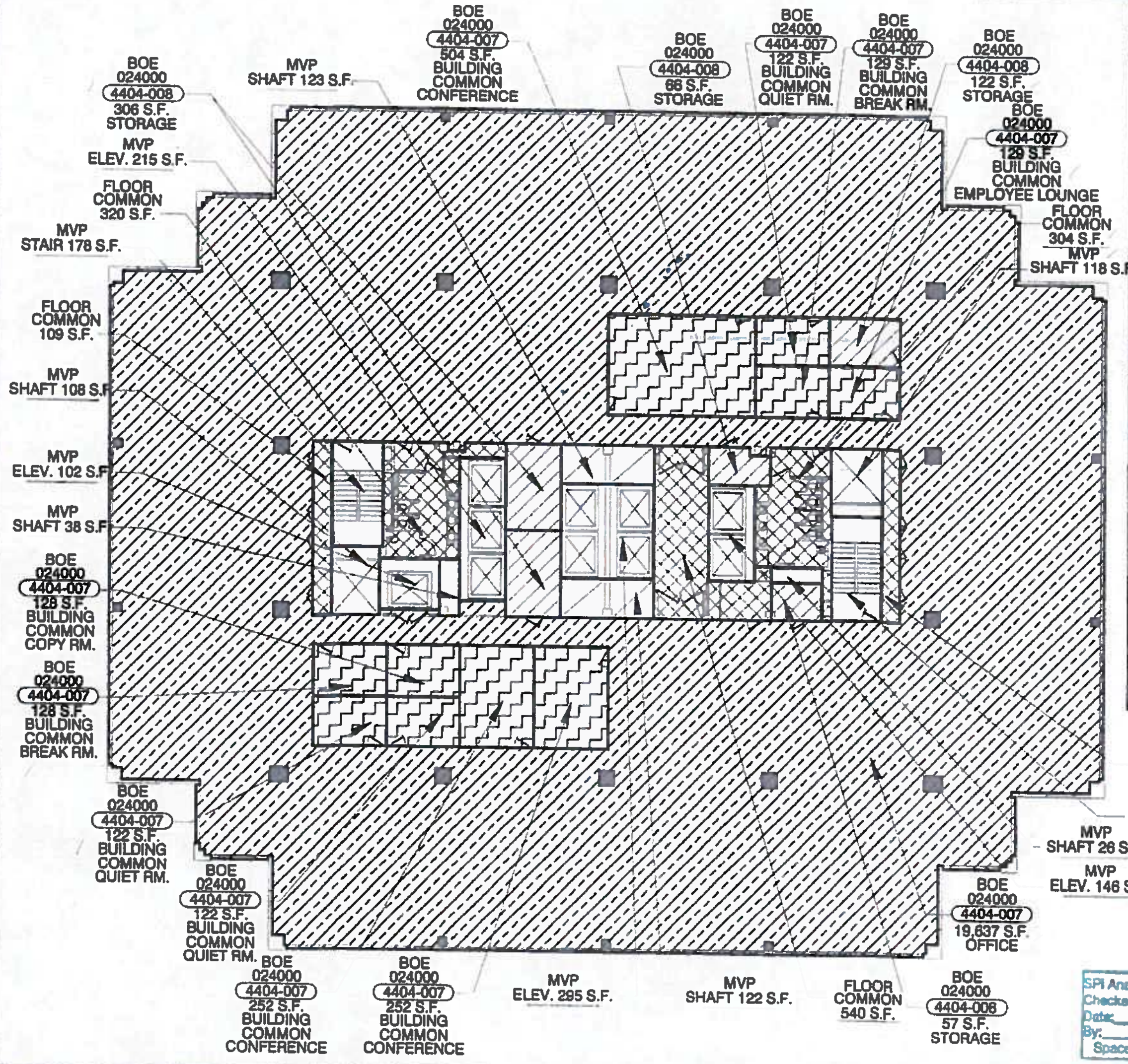
SPI Analysis Block
Checked Against Plan
Date: 7/31/14
By: [signature]
Space Coordinator

Date : JULY 2, 2014	DEL:TTO	State Building	Sheet Title : SPI PLAN - FLOOR 8
BPM # : 028		028	Building : BOARD OF EQUALIZATION
SPI # : 4404			Location : 450 "N" STREET, SACRAMENTO

State of California
DGS
Department of General Services

State of California
Real Estate Services Division
Project Management & Development Branch
State Owned Planning Unit
707 Third Street, Suite 5-315
West Sacramento, California 95605

Reference North



SPI PLAN - FLOOR 9

ASGN#	AGENCY	USE	OFFICE	STORAGE	BUILDING COMMON	FLOOR COMMON	MVP	TOTAL
4404-007	BOE	OFFICE	19,637					19,637
4404-008		STORAGE		306				
				122				
				66				
				57				551
4404-007		CONFERENCE			252			
					252			
					504			
		BREAK RM			128			
					129			
		QUIET RM.			122			
					122			
					122			
		COPY RM.			128			
		EMPLOYEE LOUNGE			129			1,888
FLOOR COMMON		ALL				304		
						105		
						540		
						109		
						320		1,378
MVP		STAIRS					178	
							175	
		ELEVATORS					102	
							215	
							146	
							295	
		SHAFT					123	
							118	
							26	
							122	
							38	
							108	1,646
SUBTOTAL			19,637	551	1,888	1,378	1,646	
TOTAL								25,100

BOE OFFICE
BOE STORAGE
BUILDING COMMON
FLOOR COMMON
MAJOR VERTICAL PENETRATIONS

SPI Plan Verified
(1) SPI
(2) ABMS
(3) SPACE ASSIGNMENT
(4) BUILDING Detail Report
(5) RECONCILIATION
Dated: 7/31/14
By: [signature]
Space Coordinator

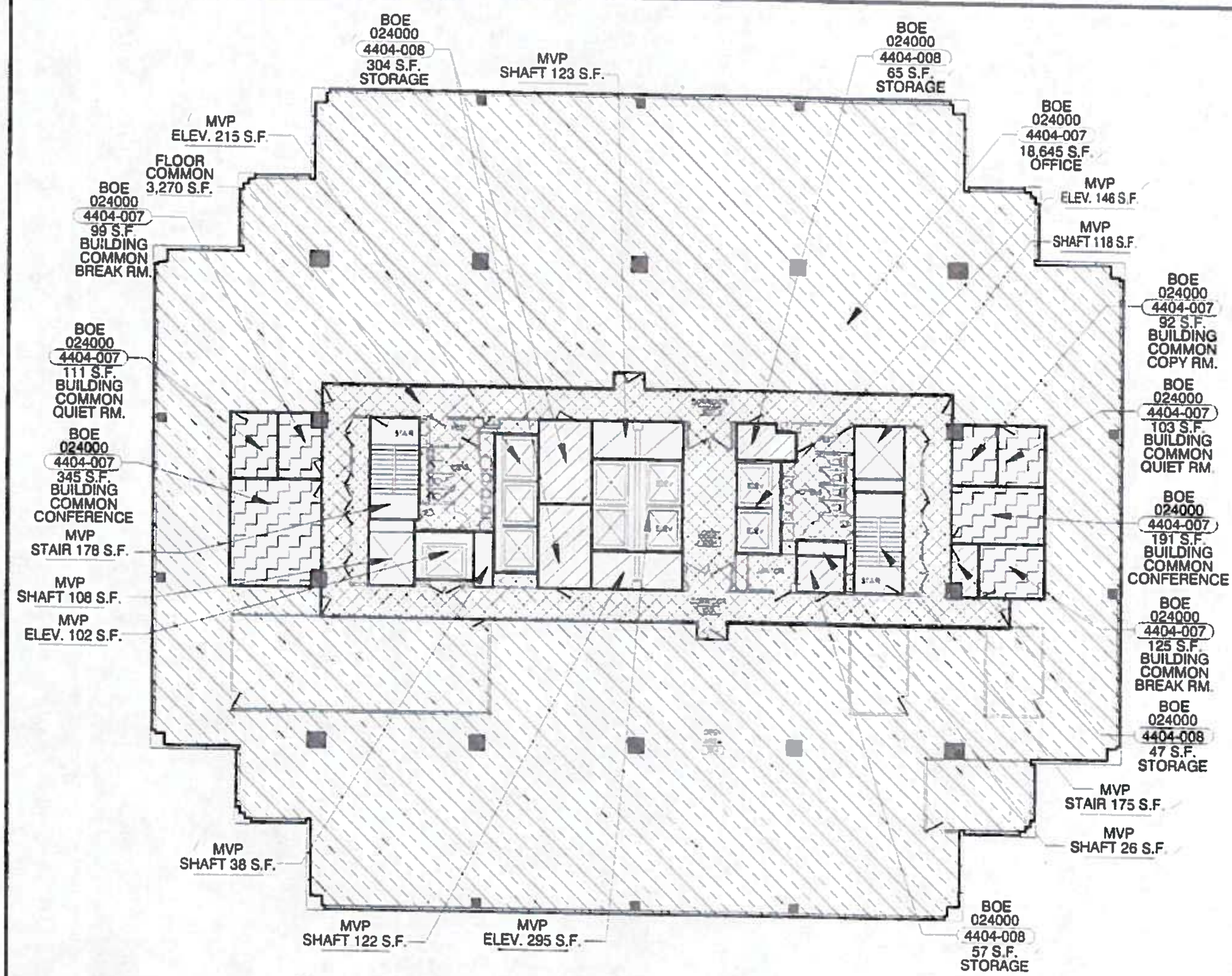
SPI Analysis Block
Checked Against Plan
Date: 7/31/14
By: [signature]
Space Coordinator

Date : JULY 2, 2014	DEL: TTO	State Building	Sheet Title : SPI PLAN - FLOOR 9
BPM # : 028		028	Building : BOARD OF EQUALIZATION
SPI # : 4404			Location : 450 "N" STREET, SACRAMENTO

State of California
DGS
Department of General Services

State of California
Real Estate Services Division
Project Management & Development Branch
State Owned Planning Unit
707 Third Street, Suite 3-303
West Sacramento, California 95605

Reference North



SPI PLAN FLOOR 10

ASGN#	AGENCY	USE	OFFICE	STORAGE	BUILDING COMMON	FLOOR COMMON	MVP	TOTAL
4404-007	BOE	OFFICE	18,645					18,645
4404-008		STORAGE		304				
				65				
				57				
				47				473
4404-007		COPY RM			92			
		CONFERENCE			345			
					191			
		BREAK RM			99			
					125			
		QUIET RM			111			
					103			1,066
FLOOR COMMON		ALL				3,270		3,270
MVP		STAIRS					178	
							175	
		ELEVATORS					102	
							215	
							146	
							295	
		SHAFT					123	
							118	
							26	
							122	
							38	
							108	1,646
SUBTOTAL			18,645	473	1,066	3,270	1,646	
TOTAL								25,100

SPI Plan Verified
(1) SPI
(2) ABMS
(3) SPACE ASSIGNMENT
(4) BUILDING Detail Report
(5) RECONCILIATION
Dated: 7/31/14
By: [signature]
Space Coordinator

SPI Analysis Block
Checked Against Plan
Date: 7/31/14
By: [signature]
Space Coordinator

BOE OFFICE
BUILDING COMMON
STORAGE
FLOOR COMMON
MAJOR VERTICAL PENETRATIONS

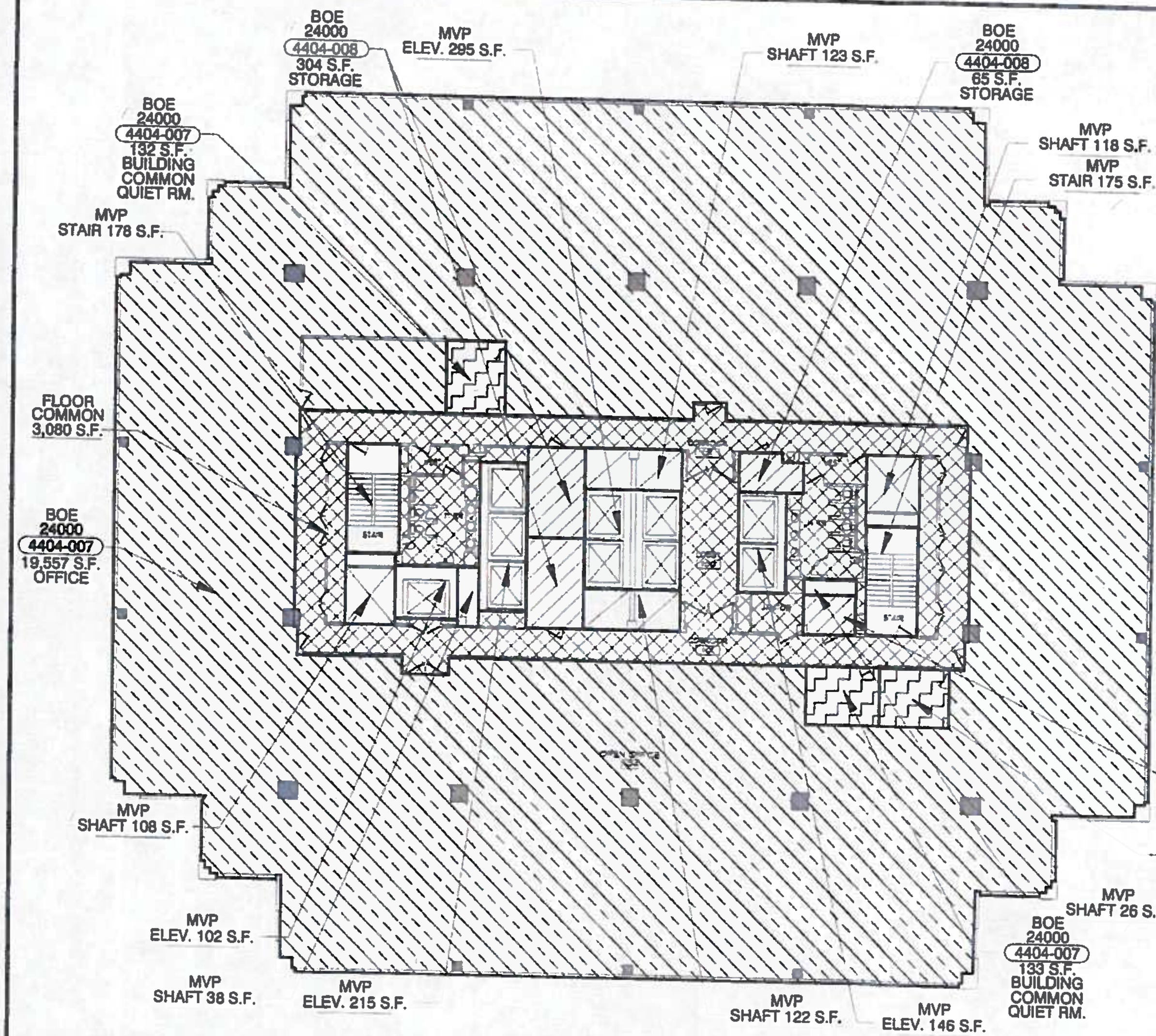
Date : JULY 2, 2014	DEL:TTO	State Building 028
BPM # : 028		
SPI # : 4404		

Sheet Title : SPI PLAN - FLOOR 10
Building : BOARD OF EQUALIZATION
Location : 450 "N" STREET, SACRAMENTO

State of California
DGS
Department of General Services

State of California
Real Estate Services Division
Project Management & Development Branch
State Owned Planning Unit
707 Third Street, Suite 5-305
West Sacramento, California 95605

Reference North



SPI PLAN - FLOOR 11

ASGN#	AGENCY	USE	OFFICE	STORAGE	BUILDING COMMON	FLOOR COMMON	MVP	TOTAL
4404-007		OFFICE	19,557					19,557
4404-008	BOE	STORAGE		304				
				65				
				57				426
4404-007		BREAK RM.			126			
		QUIET RM.			133			
					132			391
FLOOR COMMON		ALL				3,080		3,080
	MVP	STAIRS					178	
							175	
		ELEVATORS					102	
							215	
							146	
							295	
		SHAFT					123	
							118	
							26	
							122	
							38	
							108	1,646
SUBTOTAL			19,557	426	391	3,080	1,646	
TOTAL								25,100

SPI Plan Verified
(1) SPI
(2) ABMS
(3) SPACE ASSIGNMENT
(4) BUILDING Detail Report
(5) RECONCILIATION
Dated: 2/31/14
By: [signature]
Space Coordinator

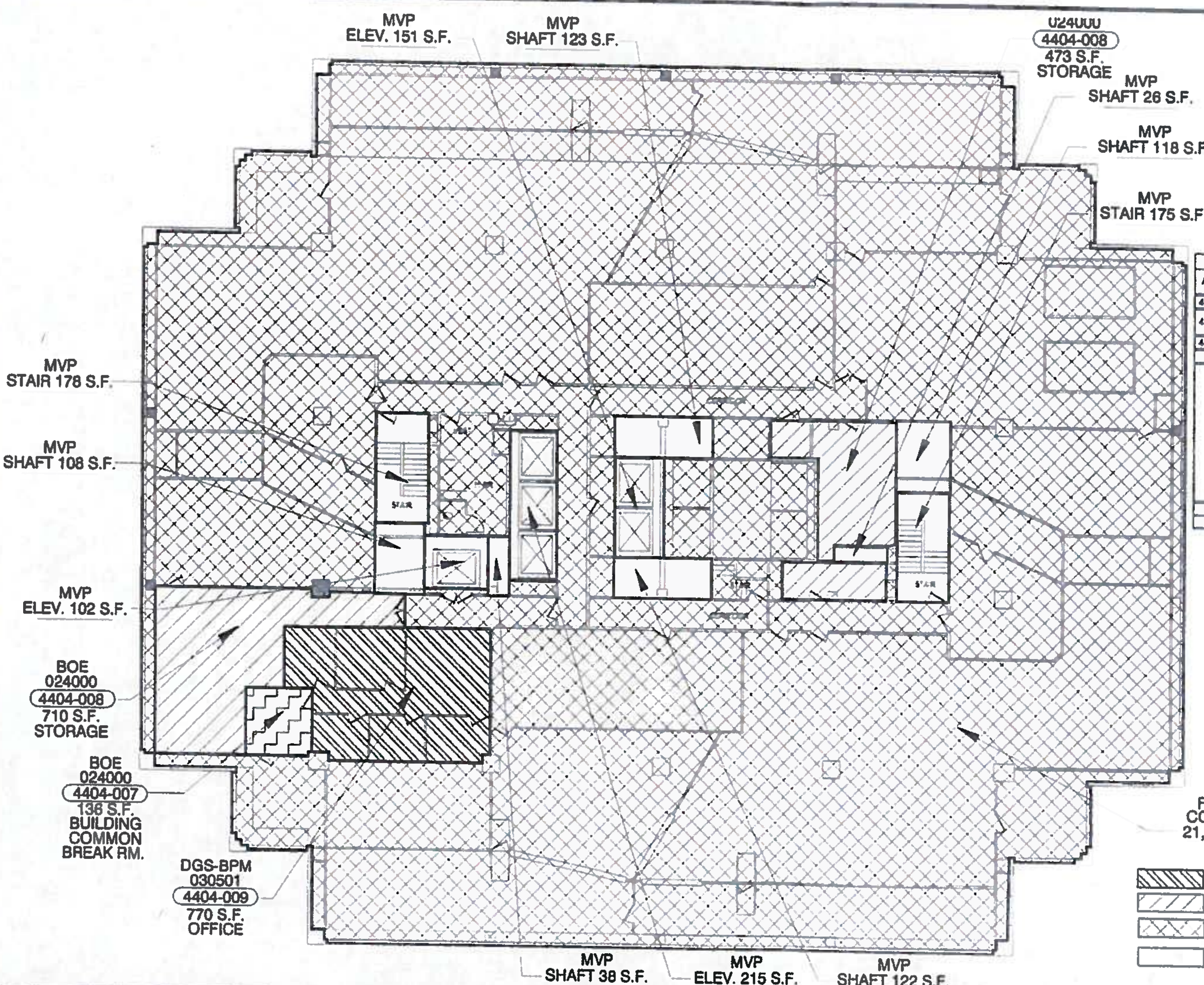
SPI Analysis Block
Checked Against Plan
Date: 2/21/14
By: [signature]
Space Coordinator

BOE OFFICE
STORAGE
BUILDING COMMON
FLOOR COMMON
MAJOR VERTICAL PENETRATIONS

Date : JULY 2, 2014	DEL:TTO	State Building	Sheet Title : SPI PLAN - FLOOR 11	State of California DGS Department of General Services
BPM # : 028		028	Building : BOARD OF EQUALIZATION	
SPI # : 4404			Location : 450 "N" STREET, SACRAMENTO	

State of California
Real Estate Services Division
Project Management &
Development Branch
State Owned Planning Unit
707 Third Street, Suite 5-385
West Sacramento, California 95605

Reference North



PI Analysis Block
Checked Against Plan
Date: 7/31/14
By: [signature]
Space Coordinator

SPI PLAN - FLOOR 12

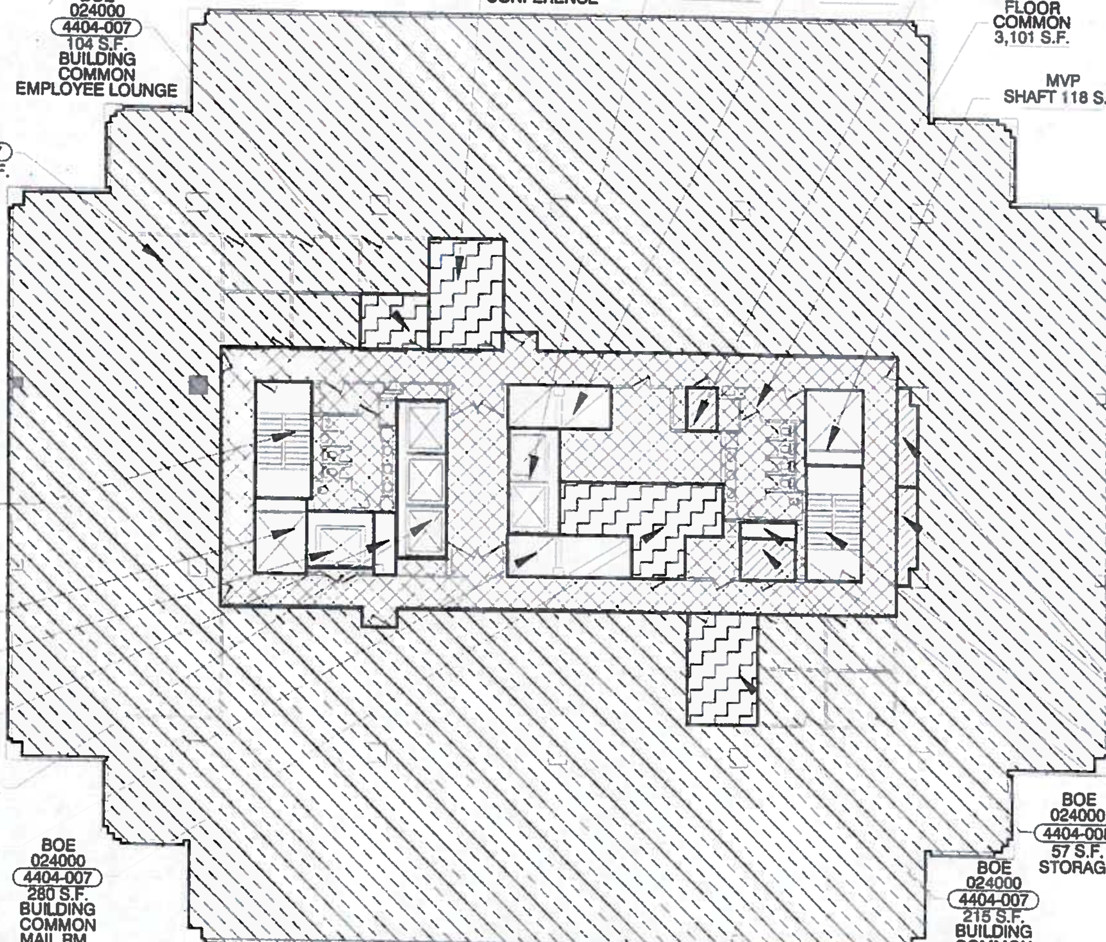
ASGN#	AGENCY	USE	OFFICE	STORAGE	BUILDING COMMON	FLOOR COMMON	MVP	TOTAL
4404-009	DGS/BPM	OFFICE	770					770
4404-008	BOE	STORAGE		473				
				710				1,183
4404-007		BREAK RM.			136			136
FLOOR COMMON		ALL				21,655		21,655
MVP		STAIRS					178	
							175	
		ELEVATORS					102	
							215	
							151	
		SHAFT					123	
							118	
							26	
							122	
							38	
							108	1,356
SUBTOTAL			770	1,183	136	21,655	1,356	
TOTAL								25,100

SPI Plan Verified
(1) SPI
(2) ABMS
(3) SPACE ASSIGNMENT
(4) BUILDING Detail Report
(5) RECONCILIATION
Dated: 7/31/14
By: [signature]
Space Coordinator

Date: JULY 2, 2014	DEL:TTO	State Building	Sheet Title: SPI PLAN - FLOOR 12	State of California DGS Department of General Services
BPM #: 028		028	Building: BOARD OF EQUALIZATION	
SPI #: 4404			Location: 450 "N" STREET, SACRAMENTO	

State of California
Real Estate Services Division
Project Management & Development Branch
State Owned Planning Unit
707 Third Street, Suite 5-305
West Sacramento, California 95605

Reference North



SPI PLAN - FLOOR 14

ASGN#	AGENCY	USE	OFFICE	STORAGE	BUILDING COMMON	FLOOR COMMON	MVP	TOTAL
4404-007	BOE	OFFICE	19,597					19,597
4404-008	BOE	STORAGE		32				
				57				
				106				195
4404-007	BOE	CONFERENCE			228			
					215			
		EMPLOYEE LOUNGE			104			
		MAIL RM.			280			827
FLOOR COMMON		ALL				3,101		3,101
MVP		STAIRS					178	
							175	
		ELEVATORS					102	
							215	
							151	
		SHAFT					123	
							118	
							26	
							146	
							38	
							108	1,380
SUBTOTAL			19,597	195	827	3,101	1,380	
TOTAL								25,100

SPI Plan Verified
(1) SPI
(2) ABMS
(3) SPACE ASSIGNMENT
(4) BUILDING Detail Report
(5) RECONCILIATION
Dated: 7/31/14
By:
Space Coordinator

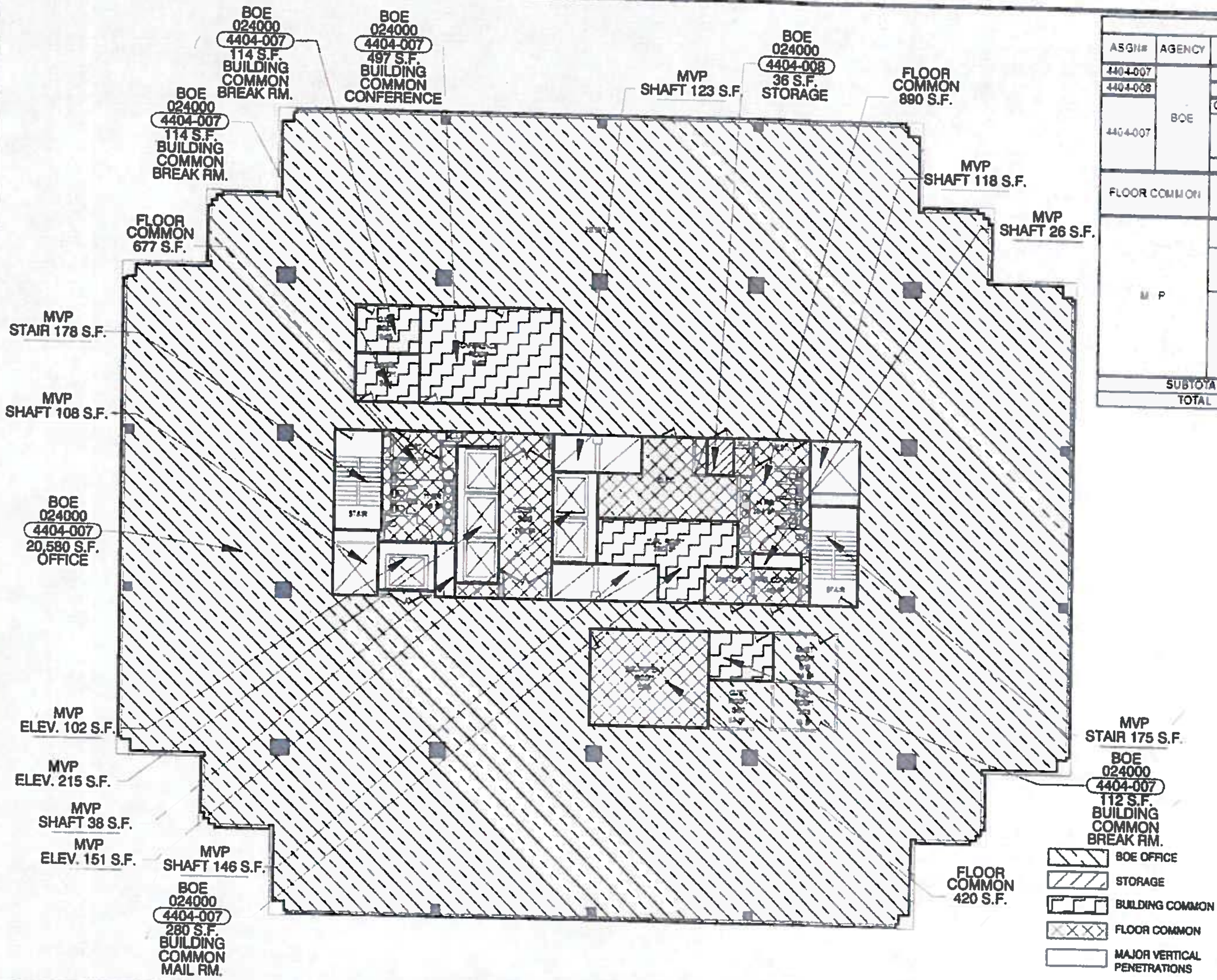
SPI Analysis Block
Checked Against Plan
Date: 7/31/14
By:
Space Coordinator

Date : JULY 2, 2014	DEL:TTO	State Building	Sheet Title : SPI PLAN - FLOOR 14
BPM # : 028		028	Building : BOARD OF EQUALIZATION
SPI # : 4404			Location : 450 "N" STREET, SACRAMENTO

State of California
DGS
Department of General Services

State of California
Real Estate Services Division
Project Management & Development Branch
State Owned Planning Unit
707 Third Street, Suite 3-305
West Sacramento, California 95605

Reference North



SPI PLAN - FLOOR 15

ASGN#	AGENCY	USE	OFFICE	STORAGE	BUILDING COMMON	FLOOR COMMON	MVP	TOTAL
4404-007	BOE	OFFICE	20,580					20,580
4404-008		STORAGE		36				36
4404-007		CONFERENCE			497			
		BREAK RM			114			
					114			
					112			
		MAIL RM			280			1,117
FLOOR COMMON		ALL				890		
						420		
						677		1,987
M P		STAIRS					178	
							175	
		ELEVATORS					102	
							215	
							151	
		SHAFT					123	
							118	
							26	
							146	
							38	
							108	1,380
SUBTOTAL			20,580	36	1,117	1,987	1,380	
TOTAL								28,100

SPI Plan Verified
(1) SPI
(2) ABMS
(3) SPACE ASSIGNMENT
(4) BUILDING Detail Report
(5) RECONCILIATION
Dated: 7/31/14
By: [signature]
Space Coordinator

SPI Analysis Block
Checked Against Plan
Date: 7/31/14
By: [signature]
Space Coordinator

Date : JULY 2, 2014	DEL:TTO	State Building	Sheet Title : SPI PLAN - FLOOR 15	State of California DGS Department of General Services
BPM # : 028		028	Building : BOARD OF EQUALIZATION	
SPI # : 4404			Location : 450 "N" STREET, SACRAMENTO	

State of California
Real Estate Services Division
Project Management & Development Branch
State Owned Planning Unit
707 Third Street, Suite 5-305
West Sacramento, California 95605

Reference North

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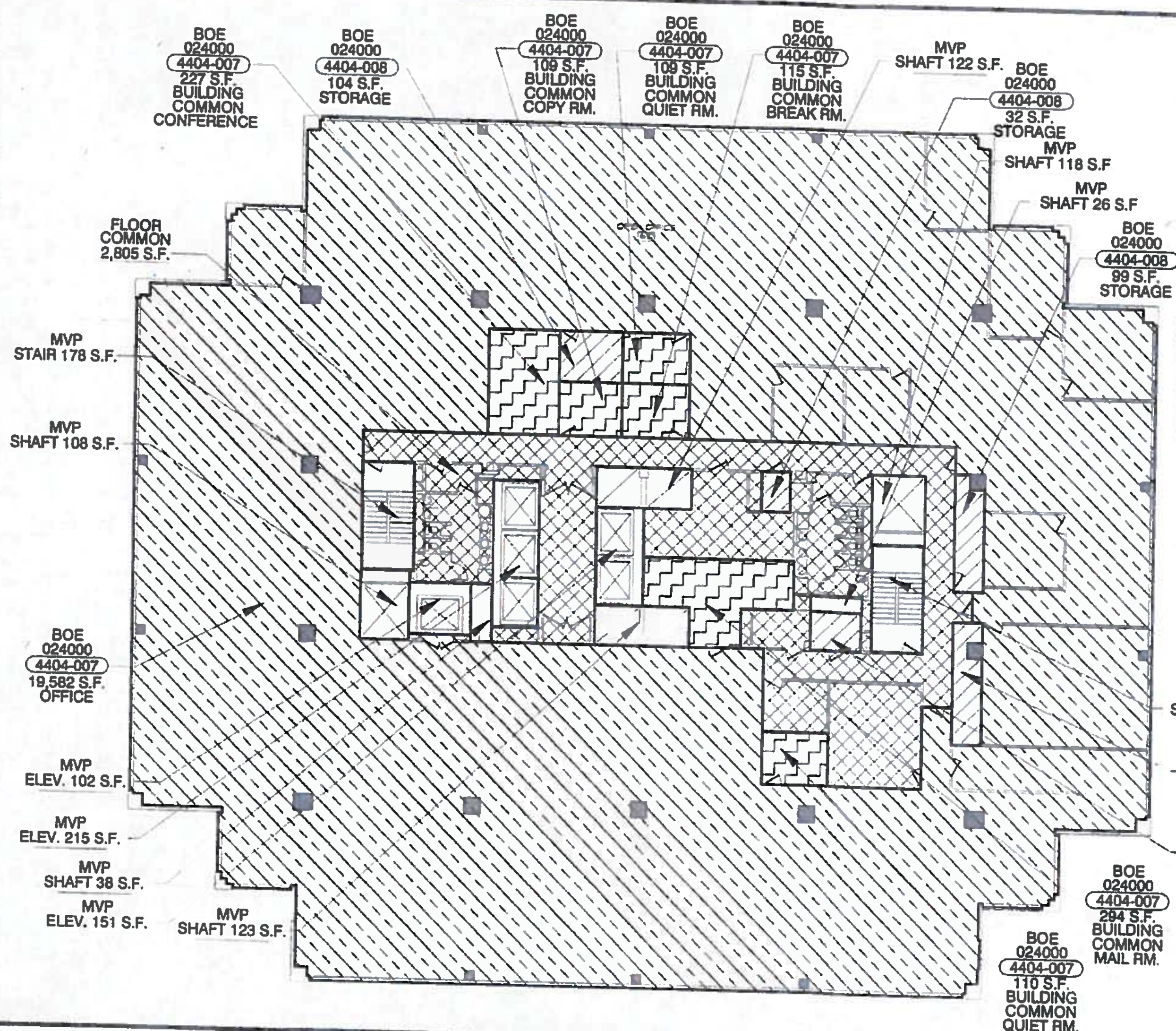


SPI PLAN - FLOOR 16

ASGN#	AGENCY	USE	OFFICE	STORAGE	BUILDING COMMON	FLOOR COMMON	MVP	TOTAL
4404-007	BOE	OFFICE	19,582					19,582
4404-008		STORAGE		104				
				32				
				99				
				101				
				57				393
4404-007		CONFERENCE			227			
		BREAK RM.			115			
		COPY RM.			109			
		QUIET RM.			109			
					110			
		MAIL RM.			294			984
FLOOR COMMON		ALL				2,805		2,805
MVP		STAIRS					178	
							175	
		ELEVATORS					102	
							215	
							151	
		SHAFT					123	
							118	
							26	
							122	
							38	
							108	1,356
SUBTOTAL			19,582	393	984	2,805	1,356	
TOTAL								25,100

SPI Plan Verified
(1) SPI
(2) ABMS
(3) SPACE ASSIGNMENT
(4) BUILDING Detail Report
(5) RECONCILIATION
Dated: 7/31/14
By: [signature]
Space Coordinator

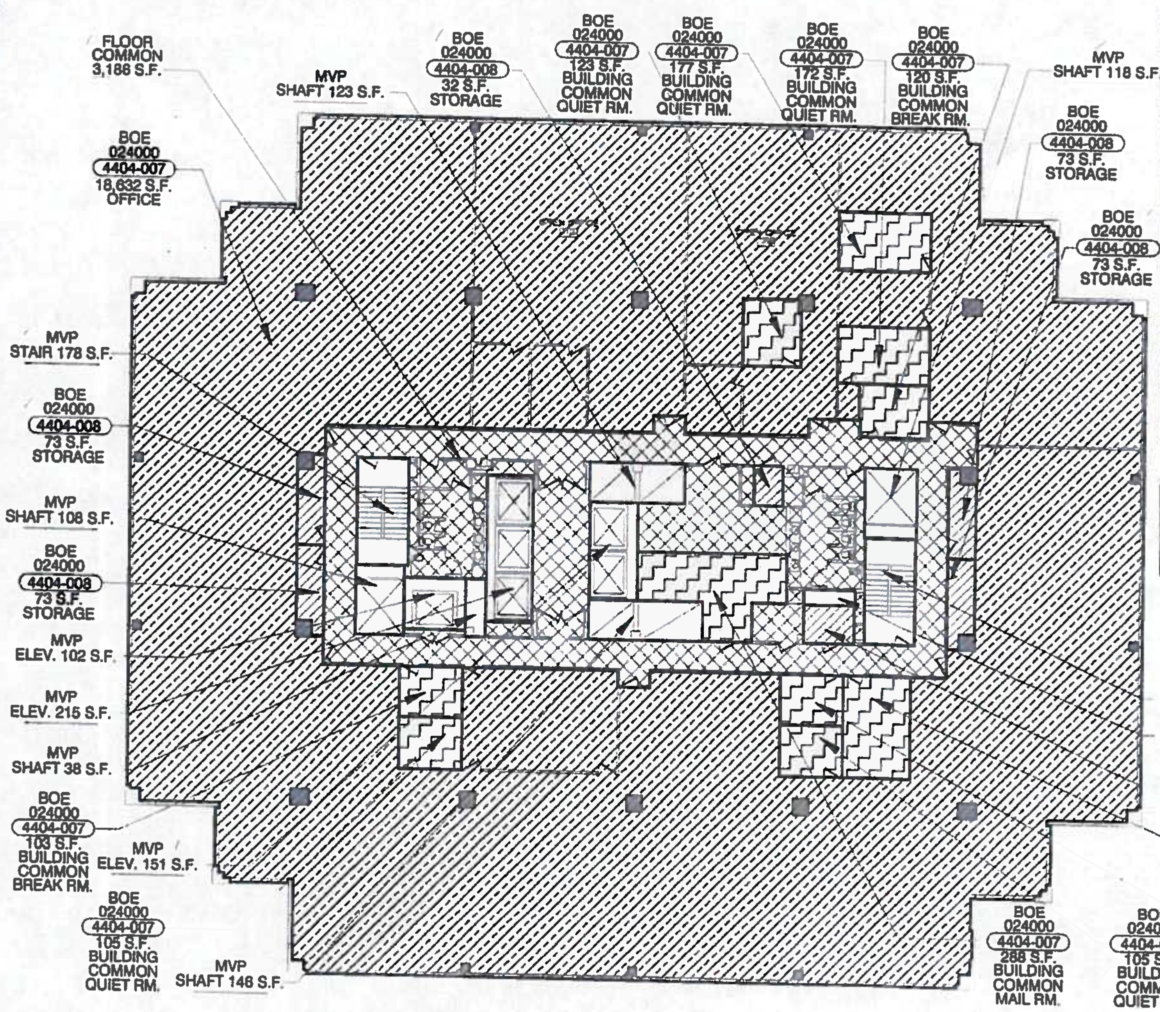
SPI Analysis Block
Checked Against Plan
Date: 7/31/14
By: [signature]
Space Coordinator

Date : JULY 2, 2014	DEL: TTO	State Building	Sheet Title : SPI PLAN - FLOOR 16
BPM # : 028		028	Building : BOARD OF EQUALIZATION
SPI # : 4404			Location : 450 "N" STREET, SACRAMENTO

State of California
DGS
Department of General Services

State of California
Real Estate Services Division
Project Management & Development Branch
State Owned Planning Unit
707 Third Street, Suite 3-303
West Sacramento, California 95605

Reference North



BOE OFFICE
BUILDING COMMON
STORAGE
FLOOR COMMON
MAJOR VERTICAL PENETRATIONS

SPI PLAN - FLOOR 17

ASGN#	AGENCY	USE	OFFICE	STORAGE	BUILDING COMMON	FLOOR COMMON	MVP	TOTAL
4404-007	BOE	OFFICE	18,632					18,632
4404-008	BOE	STORAGE		73				
				73				
				32				
				57				
				73				
				73				381
4404-007	BOE	CONFERENCE			225			
		BREAK RM.			120			
					103			
		QUET RM.			123			
					177			
					172			
					105			
					105			
		COPY RM.			103			
		MAIL RM.			288			1,821
FLOOR COMMON		ALL				3,188		3,186
MVP		STAIRS					178	
							175	
		ELEVATORS					102	
							215	
							151	
		SHAFT					123	
							118	
							26	
							146	
							38	
							108	1,380
SUBTOTAL			18,632	381	1,821	3,188	1,380	
TOTAL								25,100

SPI Plan Verified
(1) SPI
(2) ABMS
(3) SPACE ASSIGNMENT
(4) BUILDING Detail Report
(5) RECONCILIATION
Dated: 7/31/14
By: [signature]
Space Coordinator

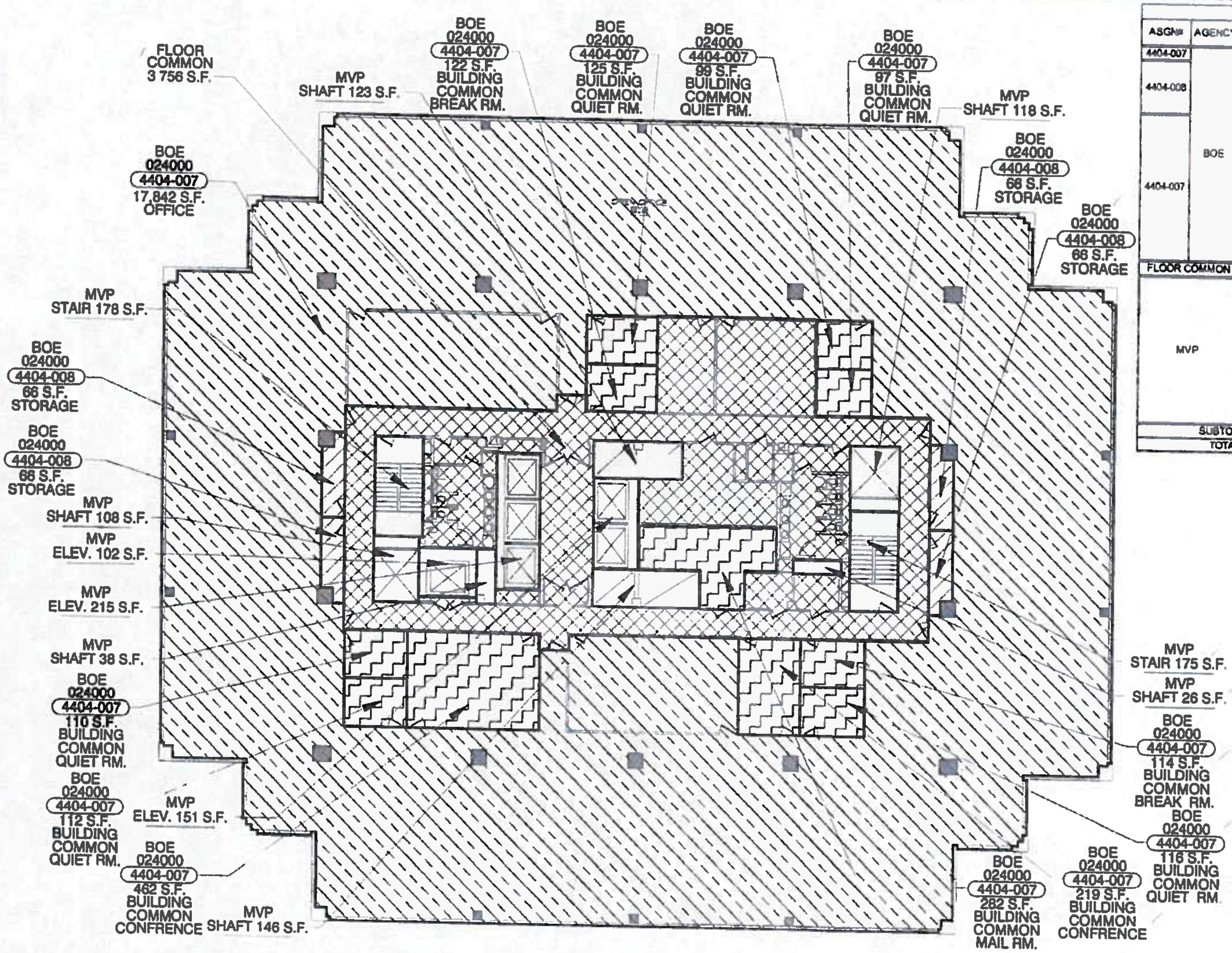
SPI Analysis Block
Checked Against Plan
Date: 7/31/14
By: [signature]
Space Coordinator

Date : JULY 2, 2014	DEL: TTO	State Building	Sheet Title : SPI PLAN - FLOOR 17
BPM # : 028		028	Building : BOARD OF EQUALIZATION
SPI # : 4404			Location : 450 "N" STREET, SACRAMENTO

State of California
DGS
Department of General Services

State of California
Real Estate Services Division
Project Management & Development Branch
State Owned Planning Unit
707 Third Street, Suite 3-355
West Sacramento, California 95605

Reference North



SPI PLAN - FLOOR 18								
ASGN#	AGENCY	USE	OFFICE	STORAGE	BUILDING COMMON	FLOOR COMMON	MVP	TOTAL
4404-007	BOE	OFFICE	17,842					17,842
4404-008		STORAGE		66				
				66				
				66				
				66				264
4404-007		CONFERENCE			219			
					462			
		BREAK RM			122			
					114			
		QUIET RM			125			
					99			
					97			
					116			
					110			
					112			
		MAIL RM.			282			1,858
FLOOR COMMON		ALL				3,756		3,756
MVP		STAIRS					178	
							175	
		ELEVATORS					102	
							215	
							151	
		SHAFT					123	
							118	
							26	
							146	
							38	
							108	1,380
SUBTOTAL			17,842	264	1,858	3,756	1,380	
TOTAL								25,100

SPI Plan Verified
(1) SPI
(2) ABMS
(3) SPACE ASSIGNMENT
(4) BUILDING Detail Report
(5) RECONCILIATION
Dated: 7/31/14
By: [signature]
Space Coordinator

SPI Analysis Block
Checked Against Plan
Date: 7/31/14
By: [signature]
Space Coordinator

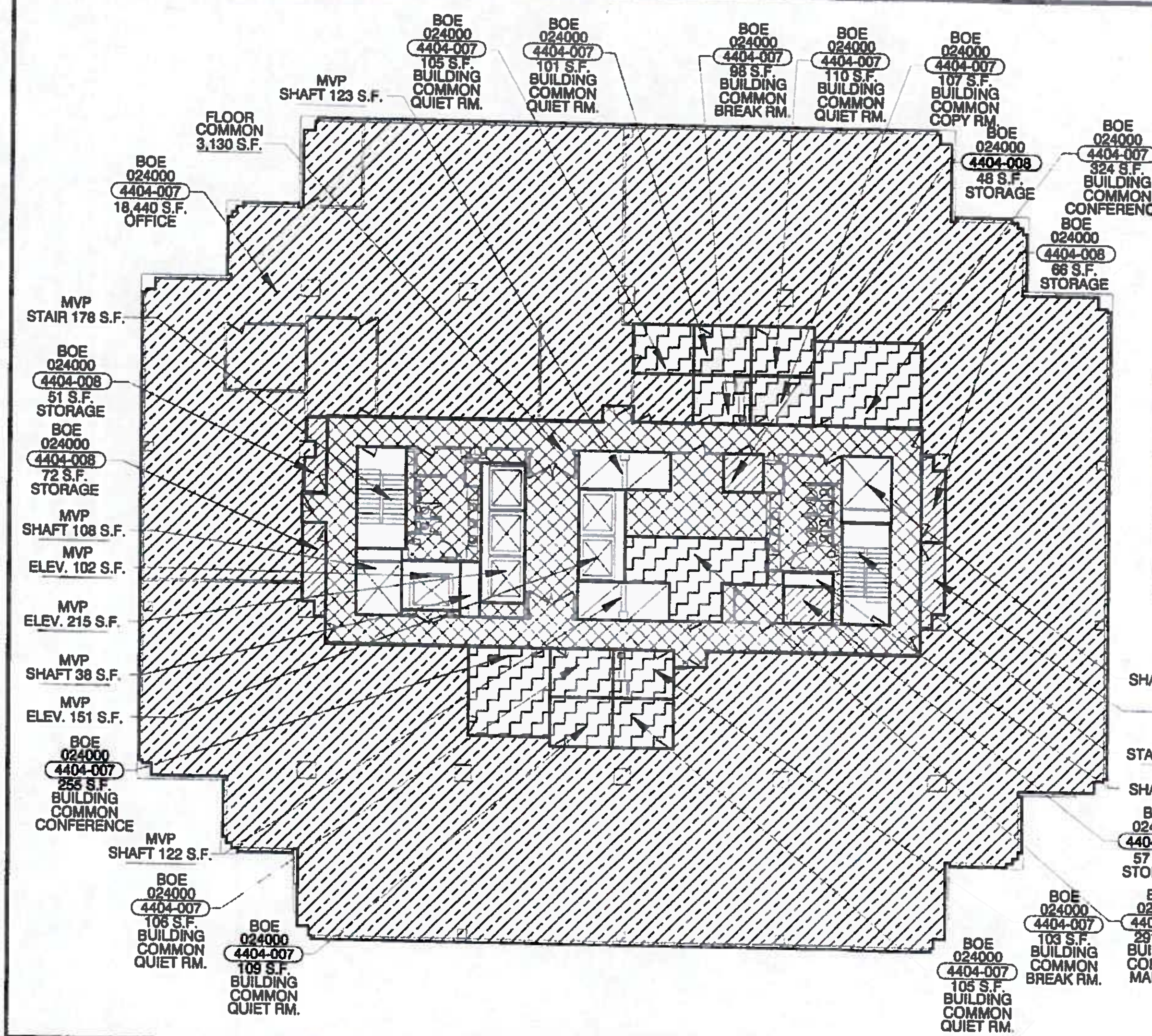
BOE OFFICE
BUILDING COMMON
STORAGE
FLOOR COMMON
MAJOR VERTICAL PENETRATIONS

Date : JULY 2, 2014	DEL:TTO	State Building	Sheet Title : SPI PLAN - FLOOR 18
BPM # : 028		028	Building : BOARD OF EQUALIZATION
SPI # : 4404			Location : 450 "N" STREET, SACRAMENTO

State of California
DGS
Department of General Services

State of California
Real Estate Services Division
Project Management & Development Branch
State Owned Planning Unit
707 Third Street, Suite 5-305
West Sacramento, California 95605

Reference North



SPI PLAN - FLOOR 19

ASGN#	AGENCY	USE	OFFICE	STORAGE	BUILDING COMMON	FLOOR COMMON	MVP	TOTAL
4404-007	BOE	OFFICE	18,440					18,440
4404-008		STORAGE		51				
				72				
				57				
				66				
				66				
				48				360
4404-007		CONFERENCE			324			
					255			
		BREAK RM			98			
					103			
		QUIET RM			105			
					101			
					110			
					105			
					109			
					106			
		COPY RM			107			
		MAIL RM			291			1,814
FLOOR COMMON		ALL				3,130		3,130
MVP		STAIRS					178	
							175	
		ELEVATORS					102	
							215	
							151	
		SHAFT					123	
							118	
							26	
							122	
							38	
							108	1,356
SUBTOTAL			18,440	360	1,814	3,130	1,356	
TOTAL								25,100

BOE OFFICE
STORAGE
BUILDING COMMON
FLOOR COMMON
MAJOR VERTICAL PENETRATIONS

SPI Plan Verified
(1) SPI
(2) ABMS
(3) SPACE ASSIGNMENT
(4) BUILDING Detail Report
(5) RECONCILIATION
Dated: 7/31/14
By: [signature]
Space Coordinator

SPI Analysis Block
Checked Against Plan
Date: 7/31/14
By: [signature]
Space Coordinator

Date : JULY 2, 2014	DEL:TTO	State Building	Sheet Title : SPI PLAN - FLOOR 19
BPM # : 028		028	Building : BOARD OF EQUALIZATION
SPI # : 4404			Location : 450 "N" STREET, SACRAMENTO

State of California
DGS
Department of General Services

State of California
Real Estate Services Division
Project Management & Development Branch
State Owned Planning Unit
707 Third Street, Suite 5-355
West Sacramento, California 95605

Reference North

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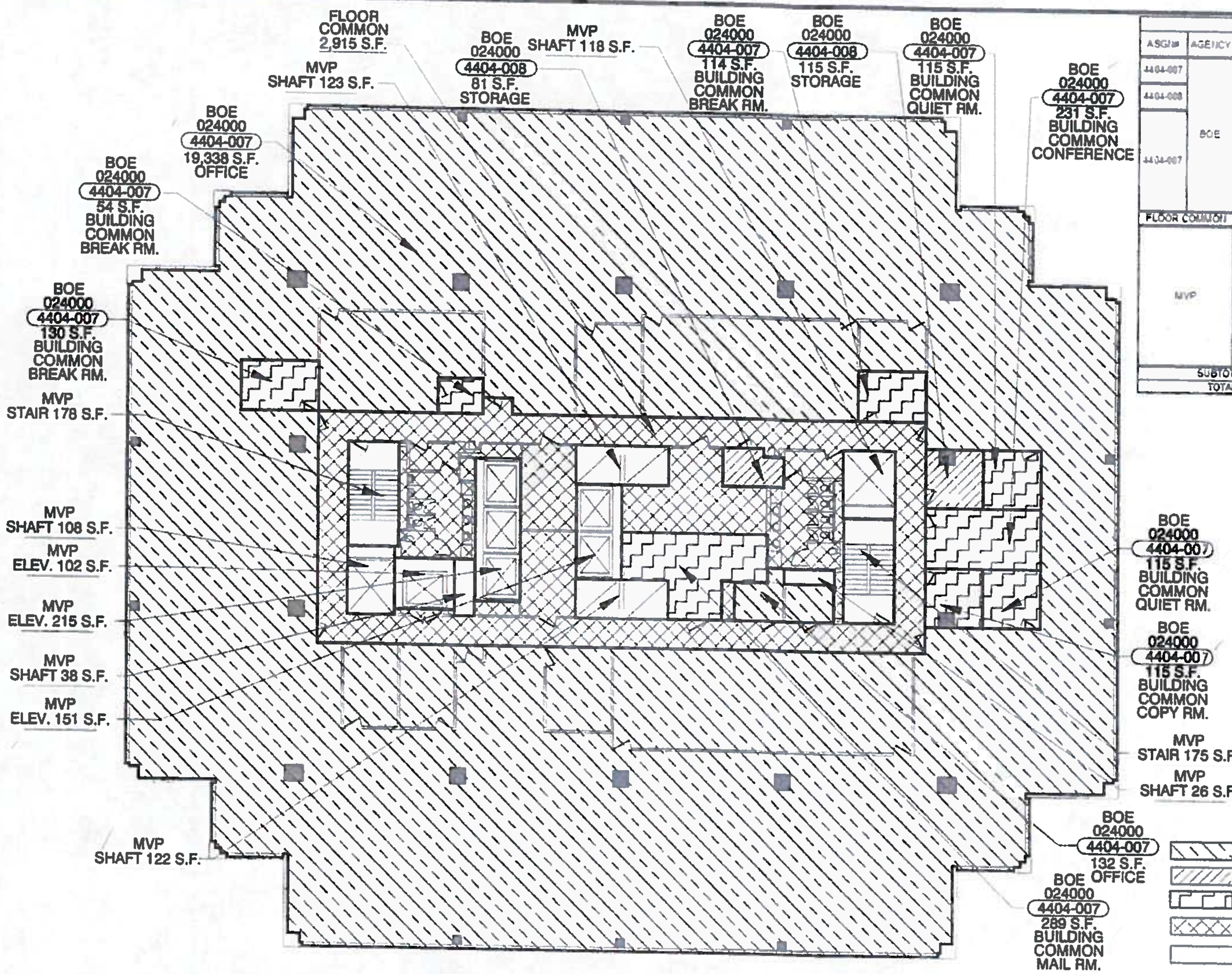

BOE OFFICE
STORAGE
BUILDING COMMON
FLOOR COMMON
MAJOR VERTICAL PENETRATIONS

SPI PLAN - FLOOR 20								
ASGN#	AGENCY	USE	OFFICE	STORAGE	BUILDING COMMON	FLOOR COMMON	MVP	TOTAL
4404-007	BOE	OFFICE	132					
			19,338					19,470
4404-008		STORAGE		81				
				115				196
4404-007		CONFERENCE			231			
		BREAK RM			130			
					54			
					114			
		QUIET RM			115			
					115			
		COPY RM			115			
		MAIL RM			289			1,163
FLOOR COMMON		ALL				2,915		2,915
MVP		STAIRS					178	
							175	
		ELEVATORS					102	
							215	
							151	
		SHAFT					123	
							118	
							26	
							122	
							38	
							108	1,356
SUBTOTAL			19,470	196	1,163	2,915	1,356	
TOTAL								25,100

SPI Plan Verified
(1) SPI
(2) ABMS
(3) SPACE ASSIGNMENT
(4) BUILDING Detail Report
(5) RECONCILIATION
Dated: 7/31/14
By: [signature]
Space Coordinator

SPI Analysis Block
Checked Against Plan
Date: 7/31/14
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Space Coordinator

Date: JULY 2, 2014	DEL:TTO	State Building	Sheet Title: SPI PLAN - FLOOR 20	
BPM #: 028		028	Building: BOARD OF EQUALIZATION	
SPI #: 4404			Location: 450 "N" STREET, SACRAMENTO	

State of California
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Department of General Services

State of California
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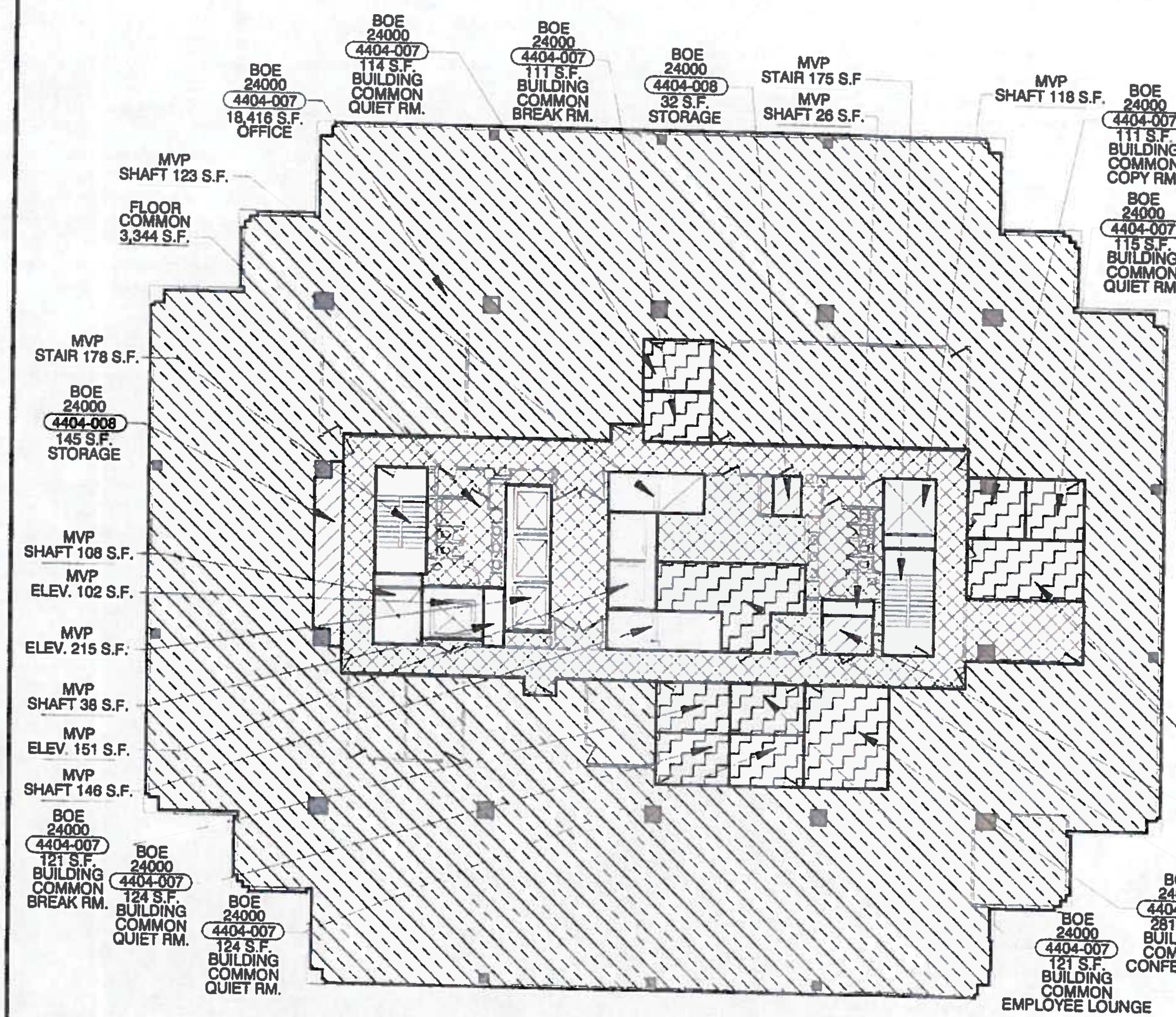

SPI PLAN - FLOOR 21

ASGN#	AGENCY	USE	OFFICE	STORAGE	BUILDING COMMON	FLOOR COMMON	MVP	TOTAL
4404-007	BOE	OFFICE	18,416					18,416
4404-008	BOE	STORAGE		145				
				32				
				57				234
4404-007	BOE	CONFERENCE			225			
					281			
		BREAK RM.			121			
					111			
		QUIET RM.			124			
					124			
					114			
					115			
		COPY RM.			111			
		MAIL RM.			279			
		EMPLOYEE LOUNGE			121			1,726
FLOOR COMMON		ALL				3,344		3,344
MVP		STAIRS					178	
							175	
		ELEVATORS					102	
							215	
							151	
		SHAFT					123	
							118	
							26	
							146	
							38	
							108	1,380
SUBTOTAL			18,416	234	1,726	3,344	1,380	
TOTAL								25,100

SPI Plan Verified
(1) SPI
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Space Coordinator

BOE OFFICE
STORAGE
BUILDING COMMON
FLOOR COMMON
MAJOR VERTICAL PENETRATIONS

Date : JULY 2, 2014	DEL: TTO	State Building	Sheet Title : SPI PLAN - FLOOR 21
BPM # : 028		028	Building : BOARD OF EQUALIZATION
SPI # : 4404			Location : 450 "N" STREET, SACRAMENTO

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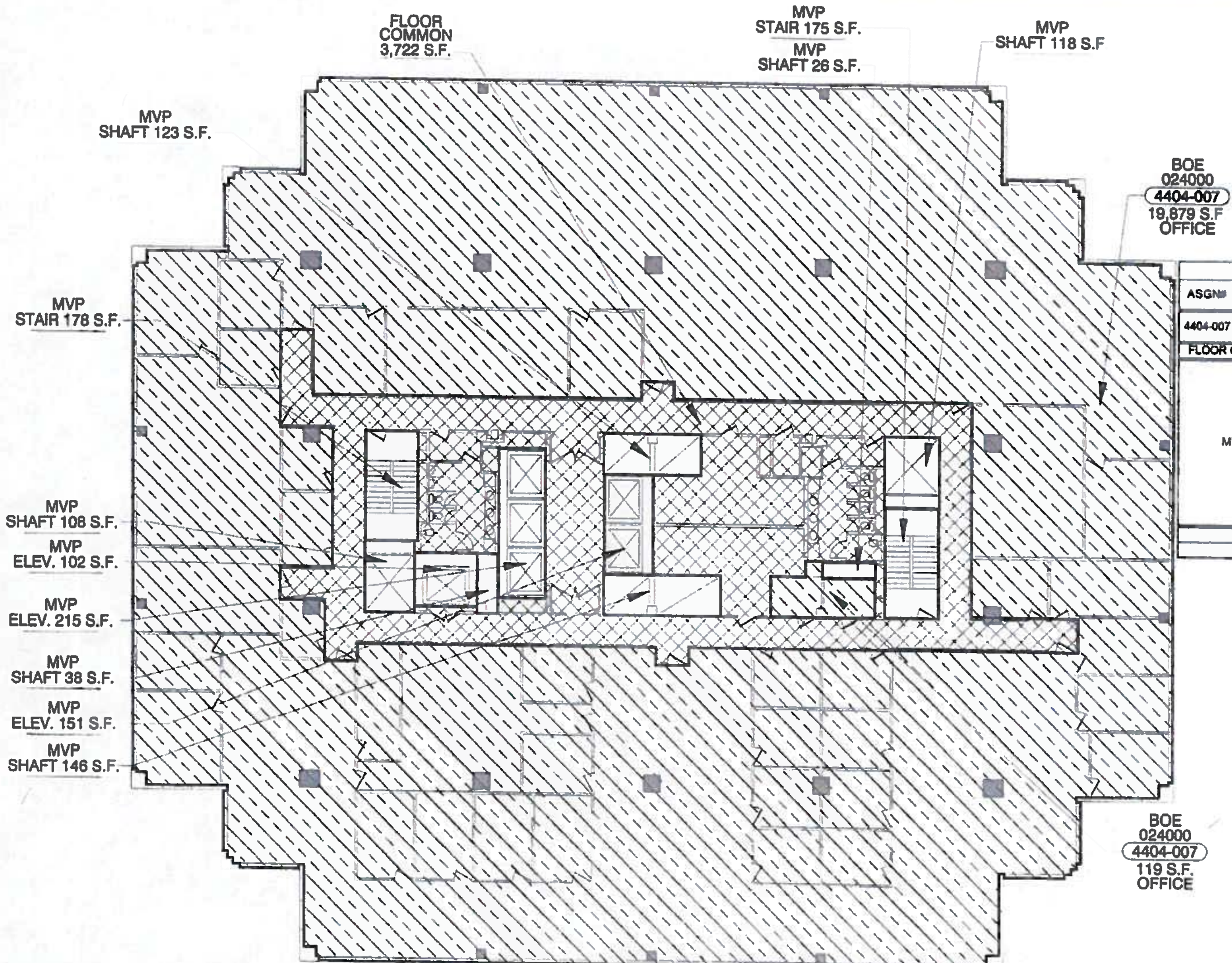

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(2) ABMS
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(4) BUILDING Detail Report
(5) RECONCILIATION
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By: [signature]
Space Coordinator

SPI PLAN - FLOOR 22

ASGN#	AGENCY	USE	OFFICE	FLOOR COMMON	MVP	TOTAL
4404-007	BOE	OFFICE	119			
			19,879			19,998
FLOOR COMMON		ALL		3,722		3,722
MVP		STAIRS			178	
					175	
		ELEVATORS			102	
					215	
					151	
		SHAFT			123	
					118	
					26	
					146	
					38	
					108	1,380
SUBTOTAL			19,998	3,722	1,380	
TOTAL						25,100

SPI Analysis Block
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Date: 7/31/14
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Space Coordinator

BOE OFFICE
STORAGE
BUILDING COMMON
FLOOR COMMON
MAJOR VERTICAL PENETRATIONS

Date : JULY 2, 2014	DEL:TTO	State Building 028	Sheet Title : SPI PLAN - FLOOR 22
BPM # : 028			Building : BOARD OF EQUALIZATION
SPI # : 4404			Location : 450 "N" STREET, SACRAMENTO

State of California
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Department of General Services

State of California
Real Estate Services Division
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707 Third Street, Suite 5-305
West Sacramento, California 95605

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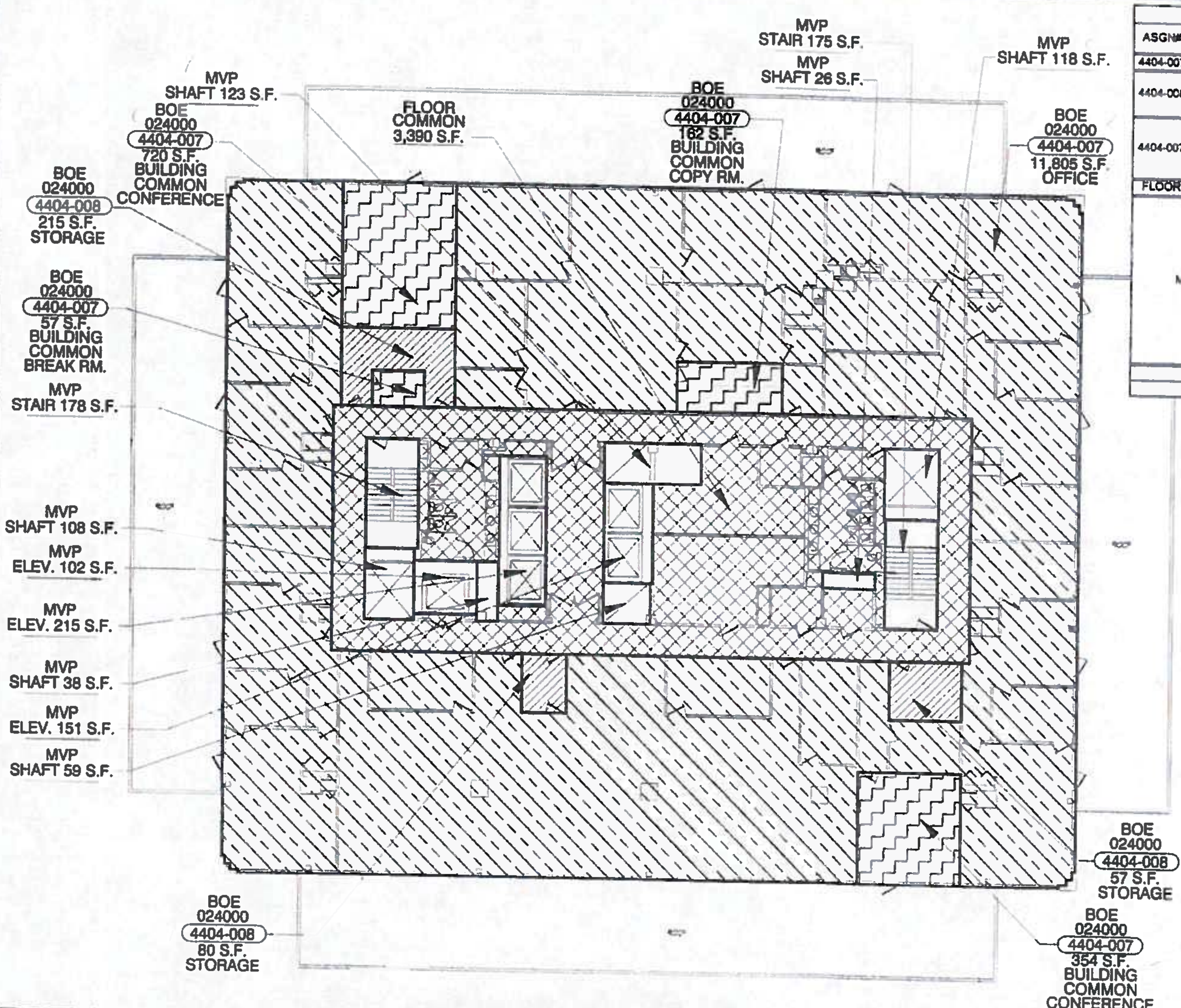

SPI PLAN - FLOOR 23

ASGN#	AGENCY	USE	OFFICE	STORAGE	BUILDING COMMON	FLOOR COMMON	MVP	TOTAL
4404-007	BOE	OFFICE	11,805					11,805
4404-008	BOE	STORAGE		215				
				57				
				80				352
4404-007	BOE	CONFERENCE			720			
					354			
		BREAK RM.			57			
		COPY RM.			182			1,293
FLOOR COMMON		ALL				3,390		3,390
MVP		STAIRS					178	
							175	
		ELEVATORS					102	
							215	
							151	
		SHAFT					123	
							118	
							26	
							59	
							38	
							108	1,293
SUBTOTAL			11,805	352	1,293	3,390	1,293	
TOTAL								18,133

SPI Plan Verified
(1) SPI
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- BOE OFFICE
- STORAGE
- BUILDING COMMON
- FLOOR COMMON
- MAJOR VERTICAL PENETRATIONS

Date: JULY 2, 2014	DEL:TTO	State Building	Sheet Title: SPI PLAN - FLOOR 23	
BPM #: 028		028	Building: BOARD OF EQUALIZATION	
SPI #: 4404			Location: 450 "N" STREET, SACRAMENTO	

State of California
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Department of General Services

State of California
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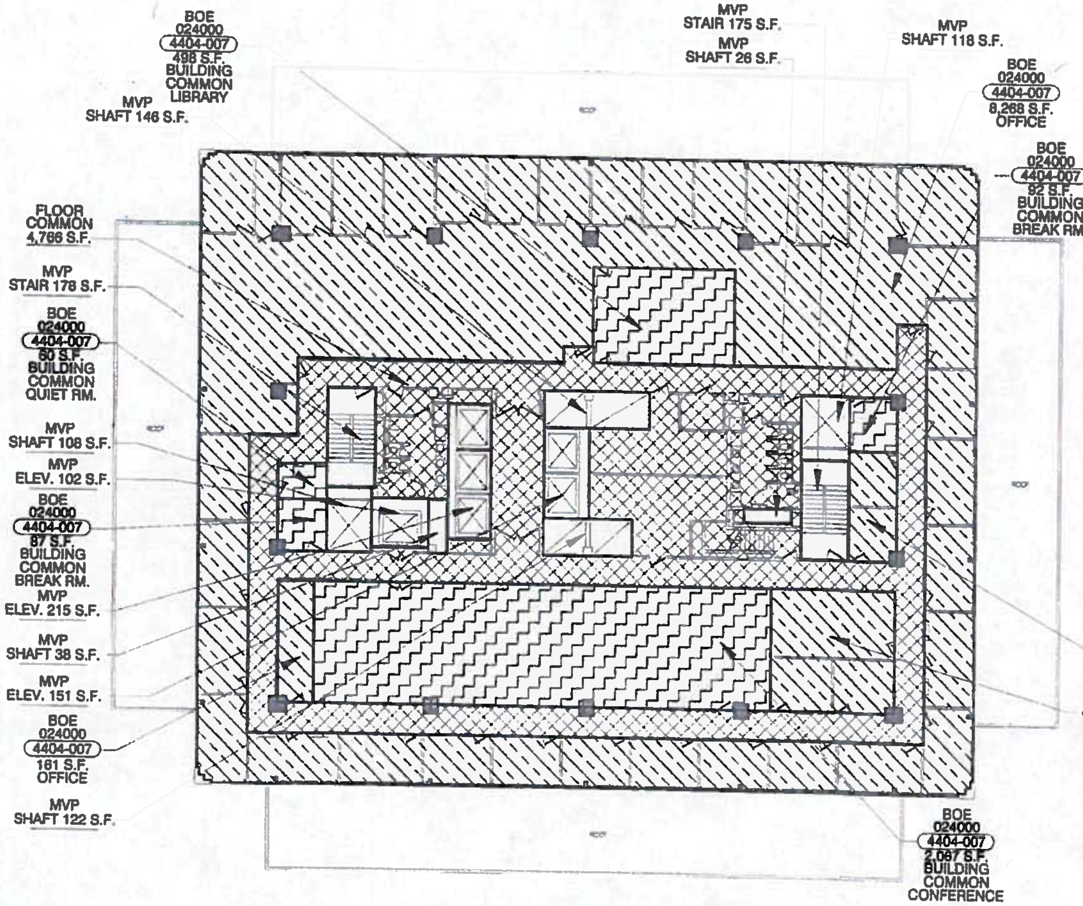

BOE OFFICE
BUILDING COMMON
FLOOR COMMON
MAJOR VERTICAL PENETRATIONS

SPI PLAN - FLOOR 24							
ASGN#	AGENCY	USE	OFFICE	BUILDING COMMON	FLOOR COMMON	MVP	TOTAL
4404-007	BOE	OFFICE	189				
			566				
			161				
			8,268				9,184
		CONFERENCE		2,067			
		BREAK RM.		87			
				92			
		QUIET RM.		60			
		LIBRARY		498			2,804
FLOOR COMMON		ALL			4,766		4,766
MVP		STAIRS				178	
						175	
		ELEVATORS				102	
						215	
						151	
		SHAFT				146	
						118	
						26	
						122	
						38	
						108	1,379
		SUBTOTAL	9,184	2,804	4,766	1,379	
		TOTAL					18,133

SPI Plan Verified
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BPM # : 028		028	Building : BOARD OF EQUALIZATION
SPI # : 4404			Location : 450 "N" STREET, SACRAMENTO

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Department of General Services

State of California
Real Estate Services Division
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West Sacramento, California 95605

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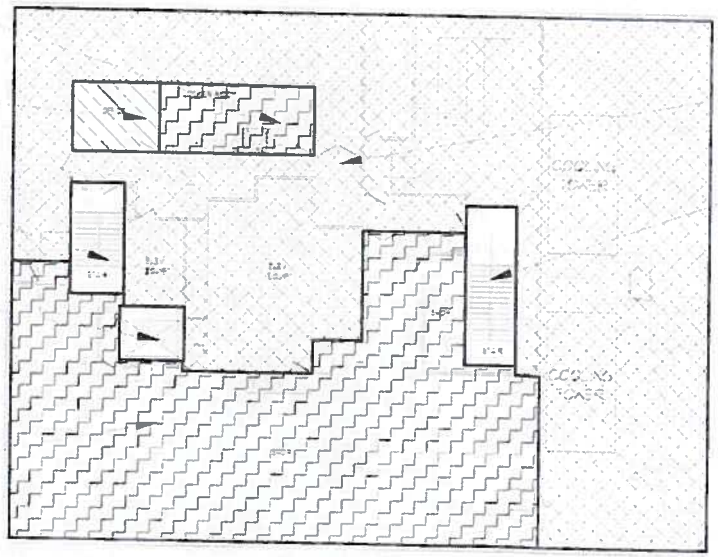
SPI PLAN - FLOOR 25							
ASGN#	AGENCY	USE	OFFICE	BUILDING COMMON	FLOOR COMMON	MVP	TOTAL
4404-007	BOE	OFFICE	279				279
		LOCKER RM.		315			315
4404-009	DGS-BPM	SHOP		3,368			3,368
FLOOR COMMON		ALL			6,590		6,590
MVP		STAIRS				178	
						240	
		ELEVATORS				102	520
SUBTOTAL			279	3,683	6,590	520	
TOTAL							11,072



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Space Coordinator

DGS-BPM OFFICE
BUILDING COMMON
FLOOR COMMON
MAJOR VERTICAL PENETRATIONS

Date : JULY 2, 2014	DEL:TTO	State Building 028	Sheet Title : SPI PLAN - FLOOR 25
BPM # : 028			Building : BOARD OF EQUALIZATION
SPI # : 4404			Location : 450 "N" STREET, SACRAMENTO

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Department of General Services

State of California
Real Estate Services Division
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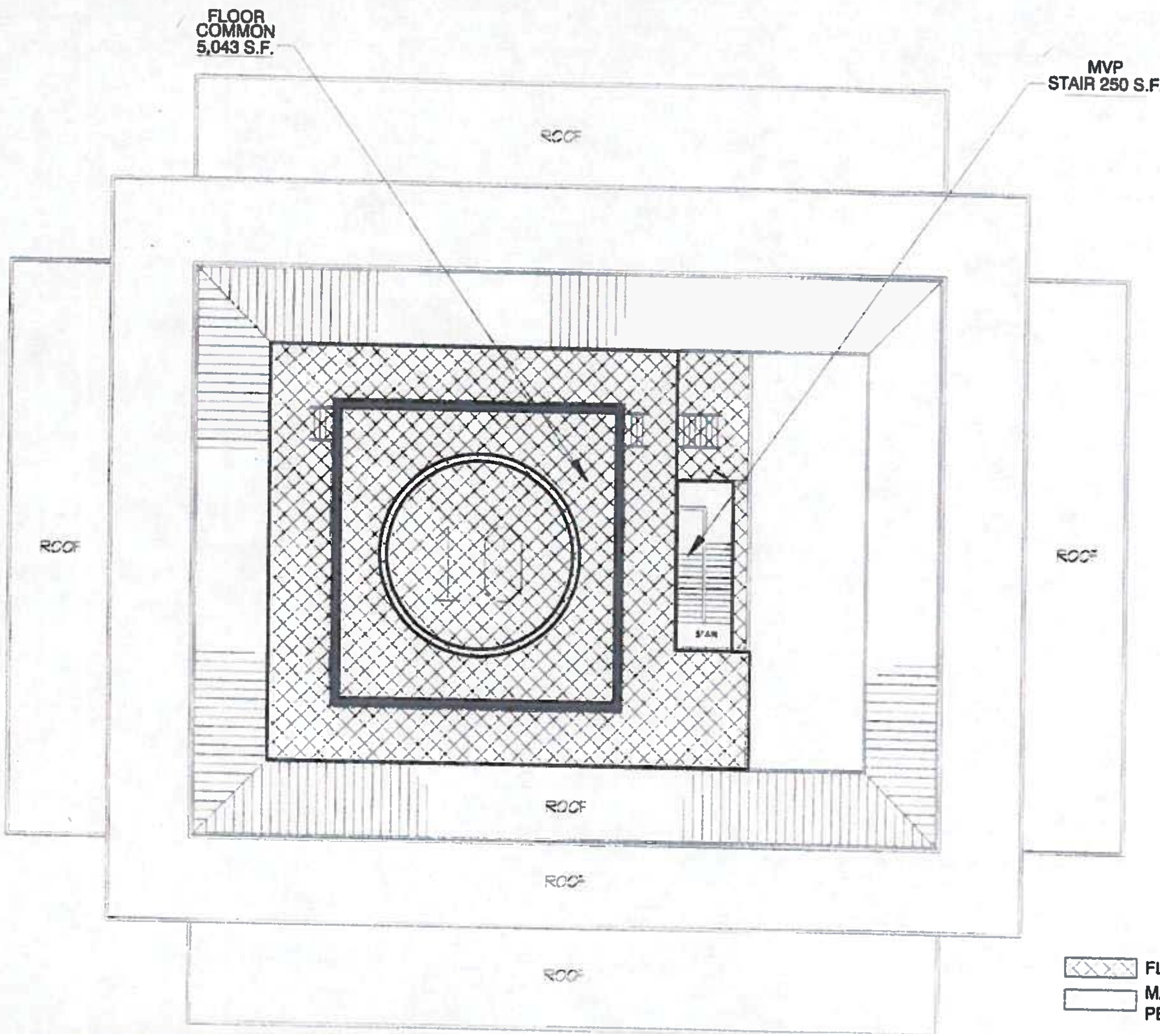

FLOOR COMMON
MAJOR VERTICAL PENETRATIONS

SPI PLAN - ROOF					
ASSN#	AGENCY	USE	FLOOR COMMO	MVP	TOTAL
FLOOR COMMON		ALL	5,043		5,043
MVP		STAIRS		250	250
SUBTOTAL			5,043	250	
TOTAL					5,293

SPI Plan Verified
(1) SPI
(2) ABMS
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(4) BUILDING Detail Report
(5) RECONCILIATION
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Space Coordinator

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Space Coordinator

Date : JULY 2, 2014	DEL: TTO	State Building 028	Sheet Title : SPI PLAN - ROOF
BPM # : 028			Building : BOARD OF EQUALIZATION
SPI # : 4404			Location : 450 "N" STREET, SACRAMENTO

State of California DGS Department of General Services

State of California
Real Estate Services Division
Project Management & Development Branch
State Owned Planning Unit
707 Third Street, Suite 5-305
West Sacramento, California 95605

Reference North

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Clarke Project Solutions, Inc.

Department of General Services
BOE 450 N St. Improvement Project
Sacramento, CA

Conceptual Statement of Probable Cost
September 11, 2015
Cumming Project No. 15-00834.CC

Prepared for HGA

2495 NATOMAS PARK DR, SUITE 640 • SACRAMENTO • CALIFORNIA • 95833
PHONE: 916-660-9030 • FAX: 916-660-9045

TABLE OF CONTENTS

INTRODUCTION

Project Description

The Portion of Work for this estimate involves the DGS- board of Equalization building renovation of exterior skin, HVAC. plumbing, lighting, low voltage, garage uprades and restroom sanitary line replacement with some minor ADA upgrades to the entrances.

Basis of Estimate

This estimate is based on the Conceptual drawing package dated 9-1-15, prepared by HGA Architects, received on 9-1-15 along with verbal direction by the architect and engineer.

1	Civil drawings:	sketches
2	Architectural drawings:	narrative
3	Structural drawings:	n/a
4	Plumbing drawings:	narrative
5	Mechanical drawings:	narrative
6	Electrical drawings:	narrative
7	Landscape drawings:	n/a
8	Interior design drawings:	narrative
9	Outline specifications	n/a

Construction Schedule
Costs included herein have been based upon a construction period of 10 months. Any costs for excessive overtime to meet accelerated schedule milestone dates are not included in this estimate.

Basis for Quantities
Wherever possible, this estimate has been based upon the actual measurement of different items of work. For the remaining items, parametric measurements were used in conjunction with references from other projects of a similar nature.

Basis for Unit Costs
Unit costs as contained herein are based on current Sacramento, CA - Prevailing Wage prices.. Subcontractor's overhead and profit is included in each line item unit cost. This overhead and profit covers each subcontractor's cost for labor burden, materials and equipment sales taxes, field overhead, home office overhead, and profit. The general contractor's overhead and profit is shown separately on the Summary.

Sources for Pricing
This estimate was prepared by a team of qualified cost consultants experienced in estimating construction costs at all stages of design. These consultants have used pricing data from Cumming's database for construction, updated to reflect current conditions in the Sacramento, CA area. In some cases, quotes were solicited from outside sources to substantiate in-house pricing data.

Subcontractor's Mark-ups
Depending on the trade, subcontractor mark-ups can range from 5% to 15% of the raw cost for that particular item of work. It should be noted that Design Assist Sub Contractors may influence Sub Contractor costs.

INTRODUCTION

Design Allowances

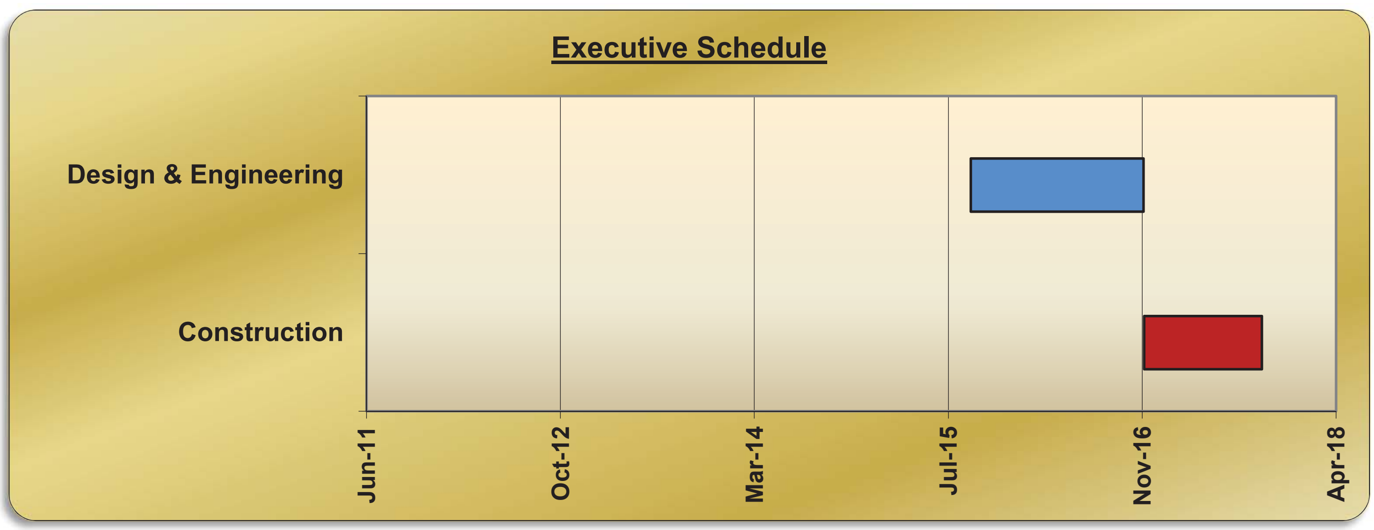
An allowance of 20.0% for undeveloped design details has been included in the summary of this estimate. As the design of each system is further developed, details which historically increase cost became apparent and must be incorporated into the estimate.

General Contractor's Overhead and Profit

Jobsite general conditions, home office overhead, profit, and bond are shown on the Summary of this estimate. It is our opinion that for this project, a rate of 17.0% is appropriate to cover these mark-ups. (10.0% for General Conditions, 2.0% for Bonds & Insurance and 5.0% for Overhead and Profit)

Schedule

	Start Date	Finish Date	Duration		
Design & Engineering	Sep-15	Nov-16	446 Days	15 Months	1.2 Years
Construction	Dec-16	Oct-17	304 Days	10 Months	0.8 Years



Escalation Allowance

All subcontract prices herein are reflective of current prices. Escalation has been included on the summary level to take through to a mid point of construction.

Estimated start date:	Dec-16
Estimated completion date:	Oct-17
Midpoint of construction:	May-17

Year	Rate
2015	5.0%
2016	5.0%
2017	5.0%
2018	5.0%

INTRODUCTION

Construction Contingency
It is prudent for all program budgets to include an allowance for change orders which occur during construction. These change orders normally increase the cost of the project. It is recommended that a 5 - 10% contingency is carried in this respect. These costs are not included within this estimate.

Items Excluded from the Base Estimate
1 Professional fees, inspections and testing.
2 Escalation beyond midpoint of construction, (05/02/17)
3 Plan check fees and building permit fees.
4 Furnishings, fixtures and equipment (FF&E), except built-in cabinets, counters and other casework indicated.
5 Major site and building structures demolition unless noted in body of estimate.
6 Costs of hazardous material surveys, abatements, and disposals unless noted in estimate.
7 Costs of offsite construction unless noted in estimate.
8 Construction contingency costs.

Items Affecting the Cost Estimate
1 Items which may change the estimated construction cost include, but are not limited to:
2 Modifications to the scope of work included in this estimate.
3 Restrictive technical specifications or excessive contract conditions.
4 Any specified item of equipment, material, or product that cannot be obtained from at least 3 different sources.
5 Any other non-competitive bid situations.
6 Bids delayed beyond the projected schedule.

Statement of Probable Cost
Cumming has no control over the cost of labor and materials, the general contractor’s or any subcontractor’s method of determining prices, or competitive bidding and market conditions. This opinion of the probable cost of construction is made on the basis of the experience, qualifications, and best judgment of a professional consultant familiar with the construction industry. Cumming, however, cannot and does not guarantee that proposals, bids, or actual construction costs will not vary from this or subsequent cost estimates.

Cumming has no control over the quality, completeness, intricacy, constructability, or coordination of design documents. Cumming also has no control over the amount of funds available for the project. We, therefore, cannot be responsible for any design revision costs incurred in the event that this estimate is in excess of the budget.

Cumming’s staff of professional cost consultants has prepared this estimate in accordance with generally accepted principles and practices. This staff is available to discuss its contents with any interested party.

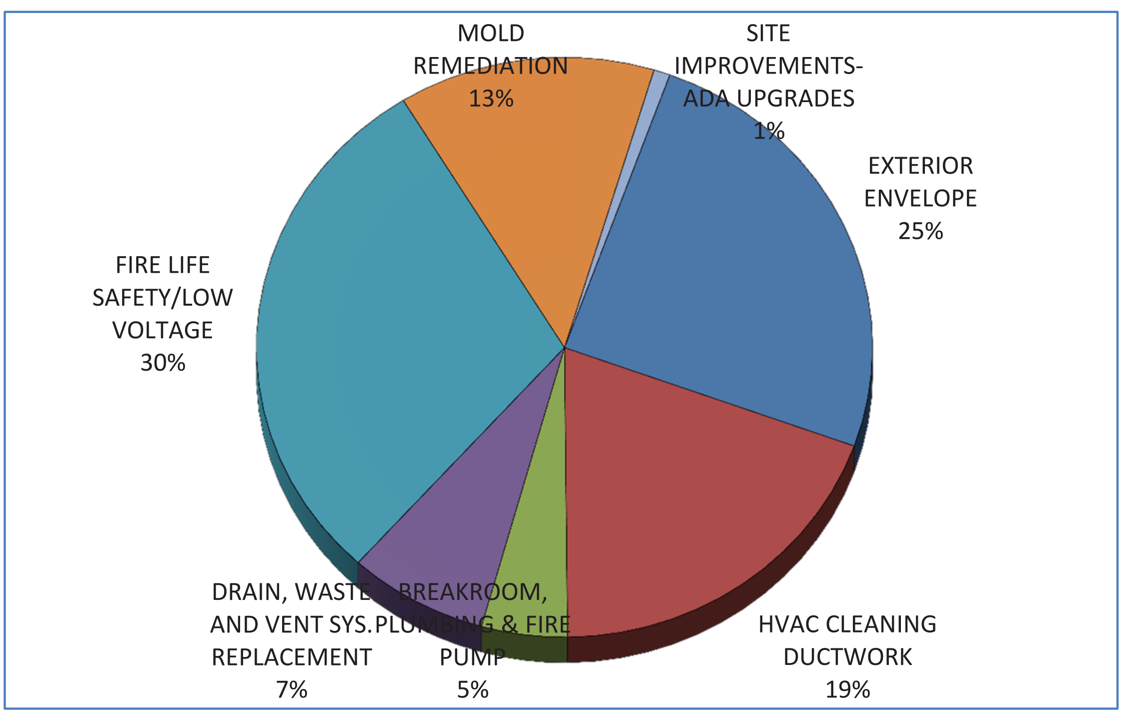
Recommendations for Cost Control
Cumming recommends that the Owner and the Architect carefully review this entire document to insure that it reflects their design intent. Requests for modifications of any apparent errors or omissions to this document must be made to Cumming within ten days of receipt of this estimate, otherwise, it will be understood that the contents have been concurred with and accepted. If the project is over budget, or there are unresolved budgeting issues, alternate systems/schemes should be evaluated before proceeding into further design phases.

It is recommended that further cost estimates be prepared throughout design by Cumming to determine overall cost changes subsequent to the preparation of this preliminary estimate. These future estimates will have detailed breakdowns indicating materials by type, kind, and size, priced by their respective units of measure.

Department of General Services
Sacramento, CA
Conceptual **09/11/15**

CONSTRUCTION COST SUMMARY

	Element	Area	Cost / SF	Total
A	**PROJECT SUMMARY**	**587,500**	**$52.45**	**$30,812,444**
	EXTERIOR ENVELOPE	76,100	$101.96	$7,758,882
	HVAC CLEANING DUCTWORK	587,500	$10.22	$6,006,521
	BREAKROOM, PLUMBING & FIRE PUMP	587,500	$2.38	$1,399,021
	DRAIN, WASTE AND VENT SYS. REPLACEMEN	587,500	$3.88	$2,278,663
	FIRE LIFE SAFETY/LOW VOLTAGE	587,500	$15.63	$9,184,554
	MOLD REMEDIATION	587,500	$7.12	$4,184,803
B	**SITE IMPROVEMENTS- ADA UPGRADES**	**2,585**	**$103.64**	**$267,899**
	SITE IMPROVEMENTS- ADA UPGRADES	2,585	$103.64	$267,899
	TOTAL ESTIMATED CONSTRUCTION COST	587,500 SF	$52.90 / SF	**$31,080,343**
C	**ALTERNATIVES**			**$24,456,592**
	ADD ALTERNATE OPTIONS	5,000	$4,756.32	$23,781,592
	Electric fire pump upgrade, 750 gpm (two each)			$675,000



Department of General Services
Construction Cost Summary by System
Conceptual

09/11/15

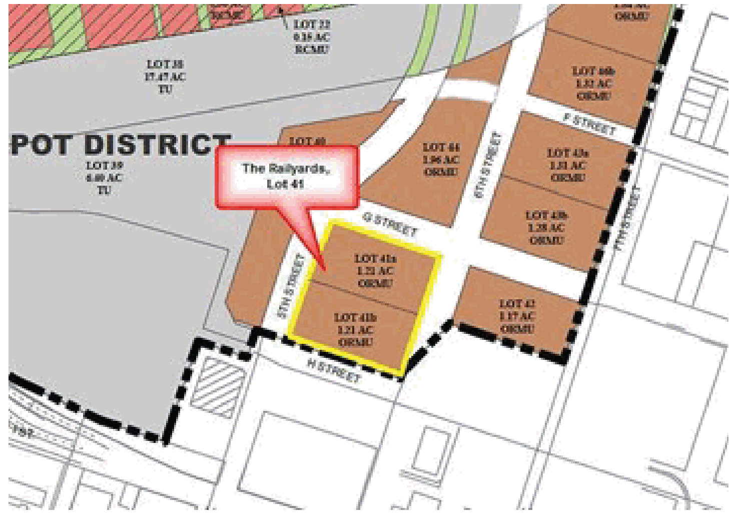
CSI Category		PROJECT SUMMARY		SITE IMPROVEMENTS- ADA		TOTAL	
		587,500 SF		2,585 SF		587,500 SF	
		Total	Cost/SF	Total	Cost/SF	Total	Cost/SF
1 General Requirements		$962,775	$1.64	$0	$0.00	**$962,775**	**$1.64**
2 Existing Conditions		$703,964	$1.20	$0	$0.00	**$703,964**	**$1.20**
3 Concrete		$0	$0.00	$0	$0.00	**$0**	**$0.00**
4 Masonry		$0	$0.00	$0	$0.00	**$0**	**$0.00**
5 Metals		$0	$0.00	$0	$0.00	**$0**	**$0.00**
6 Wood, Plastics, & Composites		$0	$0.00	$0	$0.00	**$0**	**$0.00**
7 Thermal & Moisture Protection		$251,966	$0.43	$0	$0.00	**$251,966**	**$0.43**
8 Openings		$4,150,500	$7.06	$0	$0.00	**$4,150,500**	**$7.06**
9 Finishes		$2,125,725	$3.62	$0	$0.00	**$2,125,725**	**$3.62**
10 Specialties		$311,360	$0.53	$0	$0.00	**$311,360**	**$0.53**
11 Equipment		$0	$0.00	$0	$0.00	**$0**	**$0.00**
12 Furnishings		$0	$0.00	$0	$0.00	**$0**	**$0.00**
13 Special Construction		$0	$0.00	$0	$0.00	**$0**	**$0.00**
14 Conveying Equipment		$0	$0.00	$0	$0.00	**$0**	**$0.00**
21 Fire Suppression		$228,340	$0.39	$0	$0.00	**$228,340**	**$0.39**
22 Plumbing		$1,695,111	$2.89	$0	$0.00	**$1,695,111**	**$2.89**
23 HVAC		$3,085,000	$5.25	$0	$0.00	**$3,085,000**	**$5.25**
26 Electrical		$579,479	$0.99	$0	$0.00	**$579,479**	**$0.99**
27 Communications		$2,705,321	$4.60	$0	$0.00	**$2,705,321**	**$4.60**
28 Electronic Safety & Security		$2,341,143	$3.98	$0	$0.00	**$2,341,143**	**$3.98**
31 Earthwork		$0	$0.00	$17,705	$6.85	**$17,705**	**$0.03**
32 Exterior Improvements		$0	$0.00	$148,714	$57.53	**$148,714**	**$0.25**
33 Utilities		$0	$0.00	$0	$0.00	**$0**	**$0.00**
Subtotal Subcontractors Cost		$19,140,685	$32.58	$166,419	$64.38	**$19,307,103**	**$32.86**
General Conditions	10.0%	$1,914,068	$3.26	$16,642	$6.44	**$1,930,710**	**$3.29**
Bonds & Insurance	2.0%	$421,095	$0.72	$3,661	$1.42	**$424,756**	**$0.72**
General Contractor Fee	5.0%	$1,073,792	$1.83	$9,336	$3.61	**$1,083,129**	**$1.84**
Design Contingency	20.0%	$4,509,928	$7.68	$39,212	$15.17	**$4,549,140**	**$7.74**
Phasing	5.0%	$1,352,978	$2.30	$11,763	$4.55	**$1,364,742**	**$2.32**
Escalation to MOC, 05/02/17	8.4%	$2,399,897	$4.08	$20,866	$8.07	**$2,420,763**	**$4.12**
Total Construction Cost		**$30,812,444**	**$52.45**	**$267,899**	**$103.64**	**$31,080,343**	**$52.90**

Addendum E

Comparable Data

Location & Property Identification

Property Name:	Sacramento Criminal Courthouse
Sub-Property Type:	Commercial, Office
Address:	H St.
City/State/Zip:	Sacramento, CA 95814
County:	Sacramento
Submarket:	Downtown
Market Orientation:	CBD
IRR Event ID:	625314



Sale Information

Sale Price:	$10,000,000
Eff. R.E. Sale Price:	$10,000,000
Sale Date:	10/03/2014
Contract Date:	04/01/2011
Sale Status:	Closed
$/Acre(Gross):	$4,132,231
$/Land SF(Gross):	$94.86
$/Acre(Usable):	$4,132,231
$/Land SF(Usable):	$94.86
Grantor/Seller:	Inland American Real Estate Trust, Inc.
Grantee/Buyer:	Judicial Council of California AOC
Property Rights:	Fee Simple
Financing:	All cash
Document Type:	Other
Recording No.:	Not Available
Verified By:	Arthur A. Leck, MAI, MRICS
Verification Type:	Confirmed-Confidential

Improvement and Site Data

MSA:	Sacramento--Arden-Arcade--Roseville, CA Metropolitan Statistical Area
Legal/Tax/Parcel ID:	The Railyards, Lot 41
Acres(Usable/Gross):	2.42/2.42
Land-SF(Usable/Gross):	105,415/105,415
Usable/Gross Ratio:	1.00
Zoning Code:	SPD
Zoning Desc.:	Special District
Source of Land Info.:	Other

Comments

The property represents the city block at the southeast corner of The Railyards Specific Plan, bound by H Street to the south, G Street to the north, 5th Street to the west and 6th Street to the east. The property was selected as the "preferred site" for the new Sacramento Criminal Courthouse in April 2011. Over a dozen sites were investigated and two viable options were identified by the Courts (this property and 301 Capitol Mall) and this site was selected. In January 2013, the Judicial Council had indefinitely delayed the project due to the state's fiscal crisis and continuing cuts in court construction funds. In the state's Fiscal Year 2014-2015 Budget, the Legislature allocated $40 million in one-time cash for court construction projects and $27 million was appropriated for architectural design of the new criminal courthouse for Sacramento. The legislation was approved October 2014 and the state then closed escrow on this site. The proposed courthouse would contain approximately 405,000 SF (16 stories) and would provide 44 courtrooms as well as parking. Funds for construction of this $390 million project had yet to be legislated at closing.

Land Sale Profile

Sale No. 2

Location & Property Identification

Property Name:	Towers on Capitol Mall Site
Sub-Property Type:	Commercial
Address:	301 Capitol Mall
City/State/Zip:	Sacramento, CA 95814
County:	Sacramento
Submarket:	Downtown
Market Orientation:	CBD
IRR Event ID:	293597

Zoning Code:	C-3
Zoning Desc.:	C-3, CBD
Date:	01/01/1900
Source of Land Info.:	Public Records

Sale Information

Sale Price:	$20,500,000
Eff. R.E. Sale Price:	$21,150,000
Sale Date:	06/29/2005
Sale Status:	Closed
$/Acre(Gross):	$8,849,372
$/Land SF(Gross):	$203.15
$/Acre(Usable):	$8,849,372
$/Land SF(Usable):	$203.15
Grantor/Seller:	Tower Development Corp.
Grantee/Buyer:	J. & A. Saca
Property Rights:	Fee Simple
Financing:	Cash to seller
Document Type:	Deed
Recording No.:	20050629-2739
Verification Type:	Confirmed-Confidential

Sale Analysis

Other Adj.:	$650,000
Adjust. Comments:	Demolition

Improvement and Site Data

MSA:	Sacramento
Legal/Tax/Parcel ID:	006-0141-043
Acres(Usable/Gross):	2.39/2.39
Land-SF(Usable/Gross):	104,108/104,108
Usable/Gross Ratio:	1.00

Comments

This site represents a full city block (300 block) along the north side of Capitol Mall in the CBD. The site is bordered by Capitol Mall, L Street, 3rd and 4th Streets. At the time of sale, the site was improved with a four-story office building. The buyer acquired this site with the intention of demolishing the structure and developing two 53-story towers known as The Towers on Capitol Mall (800 residential condominiums, a 276-room hotel, 85,000 SF of retail space, a 40,000 SF athletic club, a 10,000 SF spa and an integrated 1,100 space parking garage). Estimated demolition costs of $650,000 have been added to the purchase price for analysis purposes. The proposed project was derailed by cost overruns and financing issues and the buyer (Saca) has since transferred his interest in the project to CalPERS, who was an equity investor in the project.

Land Sale Profile — Sale No. 3

Location & Property Identification

Property Name:	NEC 10th & J Streets
Sub-Property Type:	Commercial, Retail
Address:	927 10th St., 1009-2023 J St.
City/State/Zip:	Sacramento, CA 95814
County:	Sacramento
Submarket:	Downtown
Market Orientation:	CBD
IRR Event ID:	293604

Sale Information

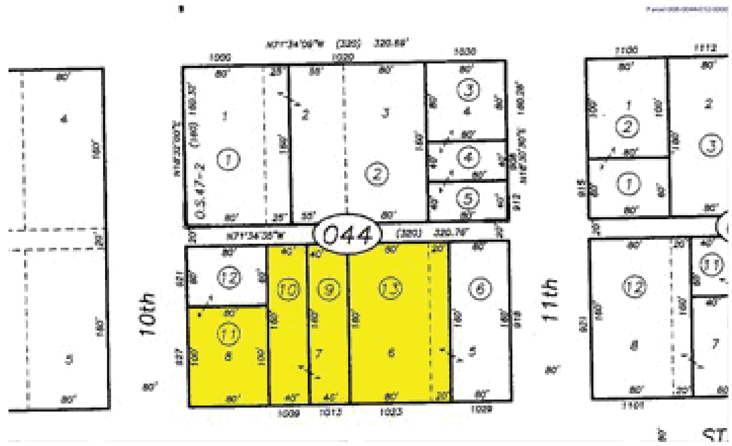
Sale Price:	$7,650,000
Eff. R.E. Sale Price:	$7,850,000
Sale Date:	06/28/2005
Sale Status:	Closed
$/Acre(Gross):	$9,289,941
$/Land SF(Gross):	$213.27
$/Acre(Usable):	$9,289,941
$/Land SF(Usable):	$213.27
Grantor/Seller:	Cirby Development Corp.
Grantee/Buyer:	Saca Trust
Property Rights:	Fee Simple
% of Interest Conveyed:	100.00
Terms of Sale:	Cash to seller.
Document Type:	Deed
Recording No.:	20050628-1114
Verification Type:	Secondary Verification

Sale Analysis

Adjust. Comments:	$200,000 for demolition.

Improvement and Site Data

MSA:	Sacramento--Arden-Arcade--Roseville, CA Metropolitan Statistical Area
Legal/Tax/Parcel ID:	006-0044-009, -10, -11 & -13
Acres(Usable/Gross):	0.85/0.85



Land-SF(Usable/Gross):	36,808/36,808
Usable/Gross Ratio:	1.00
Shape:	Rectangular
Topography:	Level
Corner Lot:	Yes
Frontage Desc.:	J St. - 260'; 10th St. - 100'
Zoning Code:	C3, Sacramento
Zoning Desc.:	Commercial
Utilities Desc.:	All to site
Source of Land Info.:	Public Records

Comments

This property represents the acquisition of three contiguous properties situated along the north side of J Street between 10th and 11th Street. The existing uses at time of sale were office and a motel (motel was boarded and closed). This property was owned by Dean Ingemanson, who had assembled the adjacent properties in the 1970’s and 1990’s. Ingemanson originally put the property on the market in early 2003. After going in and out of escrow with potential buyers on several occasions, the property was placed under contact by Craig Schmidt (Cirby Development) in November 2004 for approximately $7.4 million; Schmidt’s intention was to flip the property. Closing was delayed due to litigation relating to prior contract dispute. The Saca Family entered into a contract for $7,650,000 (with Schmidt). Both transactions closed concurrently on June 28, 2005, with the first transaction from Ingemanson to Cirby Development and the second from Cirby to Saca. The

Comments (Cont'd)

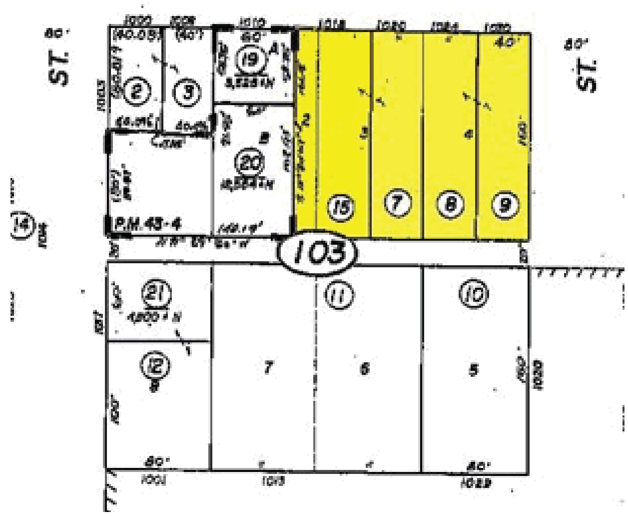
actual sale price of $7,650,000 has been adjusted upward by $200,000 for the buyer’s estimated demolition costs. The buyer plans to develop the site with a 38-story tower known as the Metropolitan, with 350 residential condominium units and 13,000 SF of retail.

Land Sale Profile

Sale No. 4

Location & Property Identification

Property Name:	SWC J & 11th Streets
Sub-Property Type:	Commercial, Retail
Address:	SWC J & 11th Streets
City/State/Zip:	Sacramento, CA 95814
County:	Sacramento
Submarket:	Downtown
Market Orientation:	CBD
Property Location:	SWC J & 11th Streets
IRR Event ID:	293688



Land-SF(Usable/Gross):	30,289/30,289
Usable/Gross Ratio:	1.00
Shape:	Rectangular
Topography:	Level
Corner Lot:	Yes
Zoning Code:	C-3
Zoning Desc.:	Commercial
Date:	01/01/1900
Utilities Desc.:	All to site.
Source of Land Info.:	Public Records

Sale Information

Sale Price:	$4,590,000
Eff. R.E. Sale Price:	$4,740,000
Sale Date:	01/27/2005
Sale Status:	Closed
$/Acre(Gross):	$7,337,461
$/Land SF(Gross):	$168.44
$/Acre(Usable):	$7,337,461
$/Land SF(Usable):	$168.44
Grantor/Seller:	Three separate sellers
Grantee/Buyer:	St. Anton Investors, LLC
Property Rights:	Fee Simple
% of Interest Conveyed:	100.00
Terms of Sale:	Cash to seller.
Document Type:	Deed
Recording No.:	3 Recording No.'s
Verification Type:	Secondary Verification

Sale Analysis

Adjust. Comments:	$150,000 for demolition.

Improvement and Site Data

MSA:	Sacramento--Arden-Arcade--Roseville, CA Metropolitan Statistical Area
Legal/Tax/Parcel ID:	006-0103-007, -008, -008 & -015
Acres(Usable/Gross):	0.70/0.70

Comments

Assemblage of rectangle shaped, 28% of city block with corner and corner alley, level at street grade, all public utilities to site, off-site improvements complete. The existing uses were two-story retail buildings that buyer intended to demolish; intended use Cathedral Square, 1020 J, 25-story condominium, planning application submitted. Site subject to 75% retail frontage requirement and 250' height restriction. Located in CBD Incentive zone. Proposed use is 25-story tower known as Cathedral Square, with 233 residential units, 15,000 sf retail and 27,000 sf office. Estimated demolition costs of $150,000 have been added to the purchase price for analysis purposes. The properties sold on three different dates: 6/25/04, 9/7/04, & 1/27/05. The property is presently listed for sale with an asking price of $7,000,000 or $231 per square foot.

Land Sale Profile

Sale No. 5

Location & Property Identification

Property Name:	SWC 15th & K Streets
Address:	15th St. & K St.
City/State/Zip:	Sacramento, CA 95814
County:	Sacramento
Submarket:	Downtown
Market Orientation:	CBD
Property Location:	SWC 15th & K St.
IRR Event ID:	293617

Sale Information

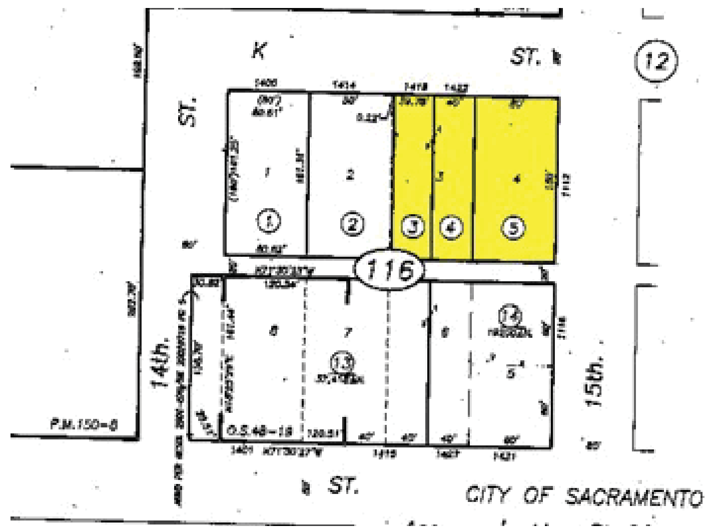
Sale Price:	$6,000,000
Eff. R.E. Sale Price:	$5,400,000
Sale Date:	09/30/2004
Sale Status:	Closed
$/Acre(Gross):	$9,188,361
$/Land SF(Gross):	$210.94
$/Acre(Usable):	$9,188,361
$/Land SF(Usable):	$210.94
Grantor/Seller:	Allen Downtown Sacramento
Grantee/Buyer:	Valley View Investors (AKT)
Property Rights:	Fee Simple
% of Interest Conveyed:	100.00
Terms of Sale:	Cash to seller.
Document Type:	Deed
Recording No.:	20040930-2443
Verification Type:	Confirmed-Confidential

Sale Analysis

Adjust. Comments:	-10% (Entitlements/Plans)

Improvement and Site Data

MSA:	Sacramento--Arden-Arcade--Roseville, CA Metropolitan Statistical Area
Legal/Tax/Parcel ID:	006-0116-003, -004 & -005
Acres(Usable/Gross):	0.59/0.59



Land-SF(Usable/Gross):	25,600/25,600
Usable/Gross Ratio:	1.00
Shape:	Rectangular
Topography:	Level
Corner Lot:	Yes
Zoning Code:	C-3
Zoning Desc.:	Commercial
Source of Land Info.:	Public Records

Comments

This site represents the sale of a vacant site at the SWC of 15th and K streets, directly north of the existing Meridian Plaza building. This property was purchased by AKT as part of the adjacent Meridian Plaza sale. This was the site planned for the Phase II Meridian project. This lot is ready for development and includes approvals for ±300,000 square feet of office space (24-story building). The contributory value of entitlements was estimated at approximately 10% of the purchase price. The site is subject to a building height restriction of 300 feet (Capitol View Protection District).

In May of 1999 this property sold along with parcel (APN 006-0116-009, 12,800 SF) which has been incorporated into the original Meridian Plaza office development for $149.88 a square foot.

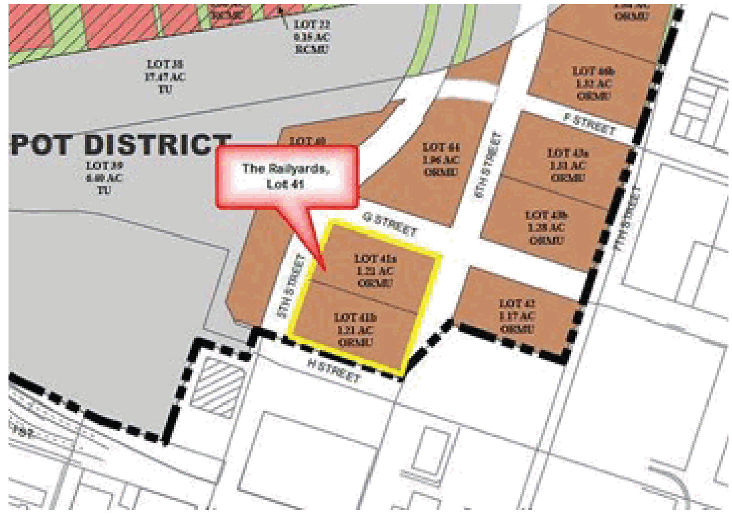
All to site

Land Sale Profile

Sale No. 1

Location & Property Identification

Property Name:	Sacramento Criminal Courthouse
Sub-Property Type:	Commercial, Office
Address:	H St.
City/State/Zip:	Sacramento, CA 95814
County:	Sacramento
Submarket:	Downtown
Market Orientation:	CBD
IRR Event ID:	625314



Sale Information

Sale Price:	$10,000,000
Eff. R.E. Sale Price:	$10,000,000
Sale Date:	10/03/2014
Contract Date:	04/01/2011
Sale Status:	Closed
$/Acre(Gross):	$4,132,231
$/Land SF(Gross):	$94.86
$/Acre(Usable):	$4,132,231
$/Land SF(Usable):	$94.86
Grantor/Seller:	Inland American Real Estate Trust, Inc.
Grantee/Buyer:	Judicial Council of California AOC
Property Rights:	Fee Simple
Financing:	All cash
Document Type:	Other
Recording No.:	Not Available
Verified By:	Arthur A. Leck, MAI, MRICS
Verification Type:	Confirmed-Confidential

Improvement and Site Data

MSA:	Sacramento--Arden-Arcade--Roseville, CA Metropolitan Statistical Area
Legal/Tax/Parcel ID:	The Railyards, Lot 41
Acres(Usable/Gross):	2.42/2.42
Land-SF(Usable/Gross):	105,415/105,415
Usable/Gross Ratio:	1.00
Zoning Code:	SPD
Zoning Desc.:	Special District
Source of Land Info.:	Other

Comments

The property represents the city block at the southeast corner of The Railyards Specific Plan, bound by H Street to the south, G Street to the north, 5th Street to the west and 6th Street to the east. The property was selected as the "preferred site" for the new Sacramento Criminal Courthouse in April 2011. Over a dozen sites were investigated and two viable options were identified by the Courts (this property and 301 Capitol Mall) and this site was selected. In January 2013, the Judicial Council had indefinitely delayed the project due to the state's fiscal crisis and continuing cuts in court construction funds. In the state's Fiscal Year 2014-2015 Budget, the Legislature allocated $40 million in one-time cash for court construction projects and $27 million was appropriated for architectural design of the new criminal courthouse for Sacramento. The legislation was approved October 2014 and the state then closed escrow on this site. The proposed courthouse would contain approximately 405,000 SF (16 stories) and would provide 44 courtrooms as well as parking. Funds for construction of this $390 million project had yet to be legislated at closing.

Land Sale Profile

Sale No. 2

Location & Property Identification

Property Name:	Towers on Capitol Mall Site
Sub-Property Type:	Commercial
Address:	301 Capitol Mall
City/State/Zip:	Sacramento, CA 95814
County:	Sacramento
Submarket:	Downtown
Market Orientation:	CBD
IRR Event ID:	293597

Zoning Code:	C-3
Zoning Desc.:	C-3, CBD
Date:	01/01/1900
Source of Land Info.:	Public Records

Sale Information

Sale Price:	$20,500,000
Eff. R.E. Sale Price:	$21,150,000
Sale Date:	06/29/2005
Sale Status:	Closed
$/Acre(Gross):	$8,849,372
$/Land SF(Gross):	$203.15
$/Acre(Usable):	$8,849,372
$/Land SF(Usable):	$203.15
Grantor/Seller:	Tower Development Corp.
Grantee/Buyer:	J. & A. Saca
Property Rights:	Fee Simple
Financing:	Cash to seller
Document Type:	Deed
Recording No.:	20050629-2739
Verification Type:	Confirmed-Confidential

Comments

This site represents a full city block (300 block) along the north side of Capitol Mall in the CBD. The site is bordered by Capitol Mall, L Street, 3rd and 4th Streets. At the time of sale, the site was improved with a four-story office building. The buyer acquired this site with the intention of demolishing the structure and developing two 53-story towers known as The Towers on Capitol Mall (800 residential condominiums, a 276-room hotel, 85,000 SF of retail space, a 40,000 SF athletic club, a 10,000 SF spa and an integrated 1,100 space parking garage). Estimated demolition costs of $650,000 have been added to the purchase price for analysis purposes. The proposed project was derailed by cost overruns and financing issues and the buyer (Saca) has since transferred his interest in the project to CalPERS, who was an equity investor in the project.

Sale Analysis

Other Adj.:	$650,000
Adjust. Comments:	Demolition

Improvement and Site Data

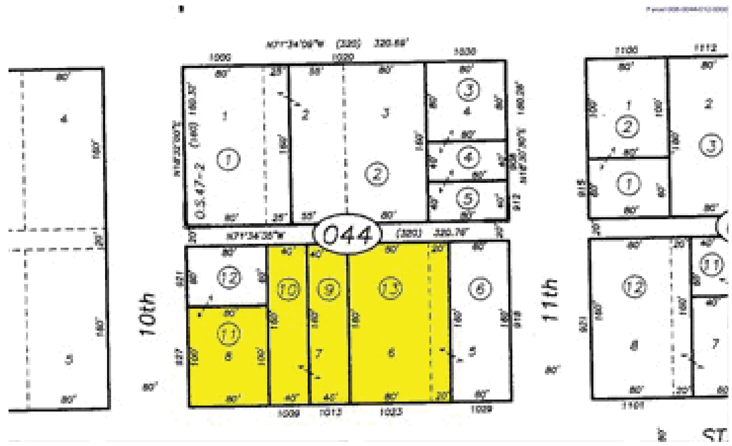
MSA:	Sacramento
Legal/Tax/Parcel ID:	006-0141-043
Acres(Usable/Gross):	2.39/2.39
Land-SF(Usable/Gross):	104,108/104,108
Usable/Gross Ratio:	1.00

Land Sale Profile

Sale No. 3

Location & Property Identification

Property Name:	NEC 10th & J Streets
Sub-Property Type:	Commercial, Retail
Address:	927 10th St., 1009-2023 J St.
City/State/Zip:	Sacramento, CA 95814
County:	Sacramento
Submarket:	Downtown
Market Orientation:	CBD
IRR Event ID:	293604



Sale Information

Sale Price:	$7,650,000
Eff. R.E. Sale Price:	$7,850,000
Sale Date:	06/28/2005
Sale Status:	Closed
$/Acre(Gross):	$9,289,941
$/Land SF(Gross):	$213.27
$/Acre(Usable):	$9,289,941
$/Land SF(Usable):	$213.27
Grantor/Seller:	Cirby Development Corp.
Grantee/Buyer:	Saca Trust
Property Rights:	Fee Simple
% of Interest Conveyed:	100.00
Terms of Sale:	Cash to seller.
Document Type:	Deed
Recording No.:	20050628-1114
Verification Type:	Secondary Verification

Sale Analysis

Adjust. Comments:	$200,000 for demolition.

Improvement and Site Data

MSA:	Sacramento--Arden-Arcade--Roseville, CA Metropolitan Statistical Area
Legal/Tax/Parcel ID:	006-0044-009, -10, -11 & -13
Acres(Usable/Gross):	0.85/0.85
Land-SF(Usable/Gross):	36,808/36,808
Usable/Gross Ratio:	1.00
Shape:	Rectangular
Topography:	Level
Corner Lot:	Yes
Frontage Desc.:	J St. - 260'; 10th St. - 100'
Zoning Code:	C3, Sacramento
Zoning Desc.:	Commercial
Utilities Desc.:	All to site
Source of Land Info.:	Public Records

Comments

This property represents the acquisition of three contiguous properties situated along the north side of J Street between 10th and 11th Street. The existing uses at time of sale were office and a motel (motel was boarded and closed). This property was owned by Dean Ingemanson, who had assembled the adjacent properties in the 1970’s and 1990’s. Ingemanson originally put the property on the market in early 2003. After going in and out of escrow with potential buyers on several occasions, the property was placed under contact by Craig Schmidt (Cirby Development) in November 2004 for approximately $7.4 million; Schmidt’s intention was to flip the property. Closing was delayed due to litigation relating to prior contract dispute. The Saca Family entered into a contract for $7,650,000 (with Schmidt). Both transactions closed concurrently on June 28, 2005, with the first transaction from Ingemanson to Cirby Development and the second from Cirby to Saca. The

Comments (Cont'd)

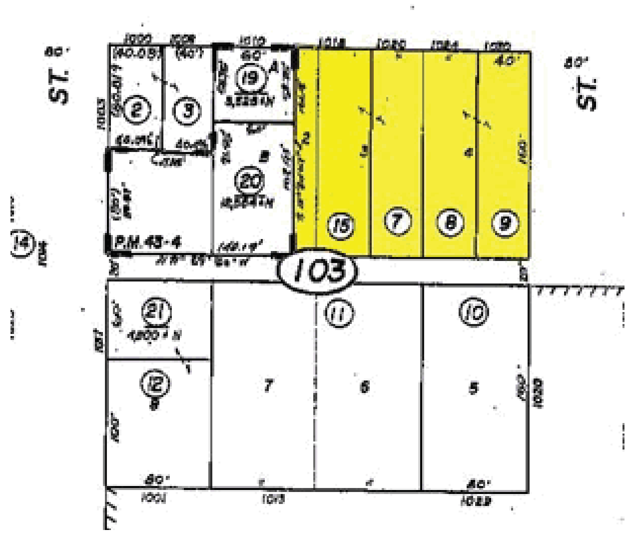
actual sale price of $7,650,000 has been adjusted upward by $200,000 for the buyer’s estimated demolition costs. The buyer plans to develop the site with a 38-story tower known as the Metropolitan, with 350 residential condominium units and 13,000 SF of retail.

Land Sale Profile

Sale No. 4

Location & Property Identification

Property Name:	SWC J & 11th Streets
Sub-Property Type:	Commercial, Retail
Address:	SWC J & 11th Streets
City/State/Zip:	Sacramento, CA 95814
County:	Sacramento
Submarket:	Downtown
Market Orientation:	CBD
Property Location:	SWC J & 11th Streets
IRR Event ID:	293688



Land-SF(Usable/Gross):	30,289/30,289
Usable/Gross Ratio:	1.00
Shape:	Rectangular
Topography:	Level
Corner Lot:	Yes
Zoning Code:	C-3
Zoning Desc.:	Commercial
Date:	01/01/1900
Utilities Desc.:	All to site.
Source of Land Info.:	Public Records

Sale Information

Sale Price:	$4,590,000
Eff. R.E. Sale Price:	$4,740,000
Sale Date:	01/27/2005
Sale Status:	Closed
$/Acre(Gross):	$7,337,461
$/Land SF(Gross):	$168.44
$/Acre(Usable):	$7,337,461
$/Land SF(Usable):	$168.44
Grantor/Seller:	Three separate sellers
Grantee/Buyer:	St. Anton Investors, LLC
Property Rights:	Fee Simple
% of Interest Conveyed:	100.00
Terms of Sale:	Cash to seller.
Document Type:	Deed
Recording No.:	3 Recording No.'s
Verification Type:	Secondary Verification

Sale Analysis

Adjust. Comments:	$150,000 for demolition.

Improvement and Site Data

MSA:	Sacramento--Arden-Arcade--Roseville, CA Metropolitan Statistical Area
Legal/Tax/Parcel ID:	006-0103-007, -008, -008 & -015
Acres(Usable/Gross):	0.70/0.70

Comments

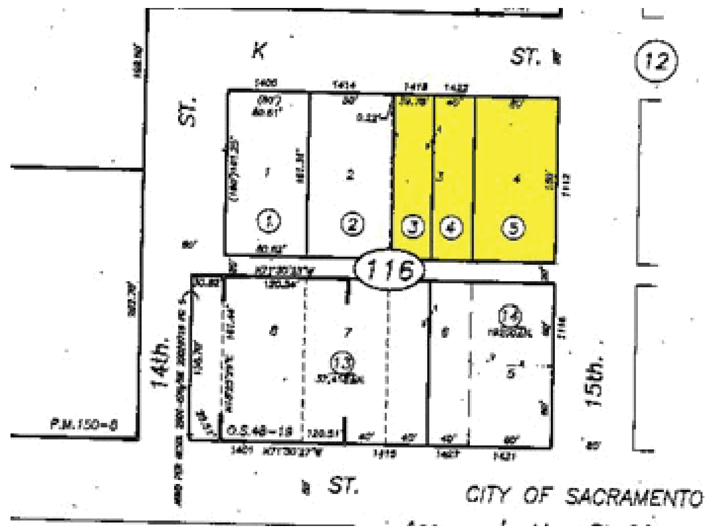
Assemblage of rectangle shaped, 28% of city block with corner and corner alley, level at street grade, all public utilities to site, off-site improvements complete. The existing uses were two-story retail buildings that buyer intended to demolish; intended use Cathedral Square, 1020 J, 25-story condominium, planning application submitted. Site subject to 75% retail frontage requirement and 250' height restriction. Located in CBD Incentive zone. Proposed use is 25-story tower known as Cathedral Square, with 233 residential units, 15,000 sf retail and 27,000 sf office. Estimated demolition costs of $150,000 have been added to the purchase price for analysis purposes. The properties sold on three different dates: 6/25/04, 9/7/04, & 1/27/05. The property is presently listed for sale with an asking price of $7,000,000 or $231 per square foot.

Land Sale Profile

Sale No. 5

Location & Property Identification

Property Name:	SWC 15th & K Streets
Address:	15th St. & K St.
City/State/Zip:	Sacramento, CA 95814
County:	Sacramento
Submarket:	Downtown
Market Orientation:	CBD
Property Location:	SWC 15th & K St.
IRR Event ID:	293617



Sale Information

Sale Price:	$6,000,000
Eff. R.E. Sale Price:	$5,400,000
Sale Date:	09/30/2004
Sale Status:	Closed
$/Acre(Gross):	$9,188,361
$/Land SF(Gross):	$210.94
$/Acre(Usable):	$9,188,361
$/Land SF(Usable):	$210.94
Grantor/Seller:	Allen Downtown Sacramento
Grantee/Buyer:	Valley View Investors (AKT)
Property Rights:	Fee Simple
% of Interest Conveyed:	100.00
Terms of Sale:	Cash to seller.
Document Type:	Deed
Recording No.:	20040930-2443
Verification Type:	Confirmed-Confidential

Sale Analysis

Adjust. Comments:	-10% (Entitlements/Plans)

Improvement and Site Data

MSA:	Sacramento--Arden-Arcade--Roseville, CA Metropolitan Statistical Area
Legal/Tax/Parcel ID:	006-0116-003, -004 & -005
Acres(Usable/Gross):	0.59/0.59
Land-SF(Usable/Gross):	25,600/25,600
Usable/Gross Ratio:	1.00
Shape:	Rectangular
Topography:	Level
Corner Lot:	Yes
Zoning Code:	C-3
Zoning Desc.:	Commercial
Source of Land Info.:	Public Records

Comments

This site represents the sale of a vacant site at the SWC of 15th and K streets, directly north of the existing Meridian Plaza building. This property was purchased by AKT as part of the adjacent Meridian Plaza sale. This was the site planned for the Phase II Meridian project. This lot is ready for development and includes approvals for ±300,000 square feet of office space (24-story building). The contributory value of entitlements was estimated at approximately 10% of the purchase price. The site is subject to a building height restriction of 300 feet (Capitol View Protection District).

In May of 1999 this property sold along with parcel (APN 006-0116-009, 12,800 SF) which has been incorporated into the original Meridian Plaza office development for $149.88 a square foot.

All to site

Office Sale Profile

Sale No. 1

Location & Property Identification

Property Name:	The Senator Hotel Offices
Sub-Property Type:	General Purpose
Address:	1121 L St.
City/State/Zip:	Sacramento, CA 95814
County:	Sacramento
Market Orientation:	Urban
IRR Event ID:	1137656

Expense Ratio:	49.88%
Management Included:	Yes

Sale Information

Sale Price:	$30,250,000
Eff. R.E. Sale Price:	$31,762,500
Sale Date:	07/17/2015
Contract Date:	05/21/2015
Sale Status:	Closed
$/SF GBA:	$160.26
$/SF NRA:	$183.89
Grantor/Seller:	GCCFC 2005 GG5 L Street, LP
Grantee/Buyer:	SFI 700 J Street, LLC
Property Rights:	Leased Fee
Occupancy at Time of Sale:	67.00
Terms of Sale:	Effective sale price includes buyer paid auction fees.
Document Type:	Contract of Sale
Verified By:	Breanna Giannotti
Verification Date:	5/22/15
Verification Source:	Contract
Verification Type:	Confirmed-Seller

Operating Data and Key Indicators

Effective Gross Income:	$3,514,462
Expenses:	$1,752,903
Net Operating Income:	$1,761,559
Reserves Included:	No
Operating Data Type:	In Place
EGIM Actual:	9.04
OAR(Cap. rate)Actual:	5.55%

Improvement and Site Data

MSA:	Sacramento
Legal/Tax/Parcel ID:	006-0106-005-0000
GBA-SF:	198,195
NRA-SF:	172,722
Acres(Gross):	0.87
Land-SF(Gross):	37,900
Year Built:	1924
Most Recent Renovation:	1982
Property Class:	B
M&S Class:	C
No. of Buildings/Stories:	2/9
Total Parking Spaces:	260
Park. Ratio 1000 SF GLA:	1.51
Park. Structure Space:	260
Park. Ratio 1000 SF GBA:	1.31
Bldg. to Land Ratio FAR:	5.23
Zoning Code:	C-3-SP
Source of Land Info.:	Public Records

Comments

Sold in an online auction conducted by Auction.com for nearly $31.8 million. The price includes 5% in sale-related fees. The property was put up for sale by LNR Property of Miami, which took over the building in 2011. The property was 62% occupied. The in-place net operating income

Comments (Cont'd)

after making an adjustment for taxes at sale price is $1,761,559. The stabilized capitalization rate is estimated at 7.47% after making adjustment for stabilization cost.

Historic Senator Hotel originally constructed in 1924 was converted to offices in 1982.

Office Sale Profile

Sale No. 2

Location & Property Identification

Property Name:	Sacramento Corporate Center
Sub-Property Type:	General Purpose
Address:	501 J Street
City/State/Zip:	Sacramento, CA 95814
County:	Sacramento
Market Orientation:	CBD
IRR Event ID:	1063980

Sale Information

Sale Price:	$40,000,000
Eff. R.E. Sale Price:	$40,000,000
Sale Date:	12/19/2014
Sale Status:	Closed
$/SF GBA:	$182.36
$/SF NRA:	$205.65
Grantor/Seller:	GCCFC 2007 GG9 Office 501 LP
Grantee/Buyer:	Kaiser Foundation health Plan
Property Rights:	Leased Fee
% of Interest Conveyed:	100.00
Financing:	Cash to seller
Document Type:	Contract of Sale
Verified By:	Dustin D. Dietz
Verification Source:	Public Records
Verification Type:	Confirmed-Other

Operating Data and Key Indicators

Vacancy Rate:	99%

Improvement and Site Data

MSA:	Sacramento--Roseville--Arden-Arcade, CA
Legal/Tax/Parcel ID:	006-0026-018
GBA-SF:	219,344

NRA-SF:	194,501
Acres(Gross):	2.27
Land-SF(Gross):	98,881
Year Built:	1982
Property Class:	A
M&S Class:	A
No. of Buildings/Stories:	1/7
Total Parking Spaces:	505
Park. Ratio 1000 SF GLA:	2.60
Park. Structure Space:	505
Park. Ratio 1000 SF GBA:	2.30
Bldg. to Land Ratio FAR:	2.22
Source of Land Info.:	Public Records

Comments

Sale to Kaiser Permanente who plans to occupy the building as an owner user after renovation into medical offices. The Department of Corrections was the former tenant of the building.

Mostly vacant office building (99%) in CBD. Pending sale to an owner user as of October 2014.

Office Sale Profile

Sale No. 3

Location & Property Identification

Property Name:	Plaza Five Fifty Five
Sub-Property Type:	General Purpose, High Rise
Address:	555 Capitol Mall
City/State/Zip:	Sacramento, CA 95814
County:	Sacramento
Submarket:	Downtown
Market Orientation:	Urban
IRR Event ID:	1057844

Sale Information

Sale Price:	$63,100,000
Eff. R.E. Sale Price:	$63,100,000
Sale Date:	08/19/2014
Sale Status:	Closed
$/SF GBA:	$153.79
$/SF NRA:	$165.13
Grantor/Seller:	Plaza Five Fifty Five, LLC
Grantee/Buyer:	New Legacy 555, LLC
Property Rights:	Leased Fee
% of Interest Conveyed:	100.00
Occupancy at Time of Sale:	58.00
Document Type:	Deed
Verified By:	Dustin D. Dietz
Verification Source:	Buyer, public records
Verification Type:	Confirmed-Buyer

Operating Data and Key Indicators

Vacancy Rate:	42%
Effective Gross Income:	$8,027,110
Expenses:	$3,202,883
Net Operating Income:	$4,824,227
Operating Data Type:	In Place
EGIM Actual:	7.86
OAR(Cap. rate)Actual:	7.65%
Expense Ratio:	39.90%
OAR(Cap. Rate)Reported:	7.65%

Improvement and Site Data

MSA:	Sacramento--Arden-Arcade--Roseville, CA Metropolitan Statistical Area
Legal/Tax/Parcel ID:	006-0145-025
GBA-SF:	410,304
NRA-SF:	382,128
Acres(Usable/Gross):	2.41/2.41
Land-SF(Usable/Gross):	104,979/104,979
Usable/Gross Ratio:	1.00
Year Built:	1971
Property Class:	A-
M&S Class:	A
Improvements Cond.:	Good
Construction Desc.:	Concrete & steel frame. Foundation is pre-cast steel reinforced concrete piles.
No. of Buildings/Stories:	3/14
Total Parking Spaces:	791
Park. Ratio 1000 SF GLA:	2.07
Park. Structure Space:	791
Park. Ratio 1000 SF GBA:	1.93
Corner Lot:	Yes
Bldg. to Land Ratio FAR:	3.91
Zoning Code:	C3
Zoning Desc.:	Central Business District Zone
Source of Land Info.:	Other

Comments

August 2014 sale of a high-rise office in the Sacramento CBD. The property was 58% leased at the time of sale to several tenants. The largest tenants in place are attorney groups as the subject has a good location near the Capitol along Capitol Mall. The property was in relatively good condition at the time of sale, however had suffered from high vacancy during the economic crisis as some of the properties largest tenants moved to newer properties. Overall, the ownership group had owned the property for several years and was under some motivation to sell. The local buyers group felt they would have a good chance of leasing up the space and felt the sale price was slightly below market. The actual capitalization rate was based on in-place net operating income with adjustment for taxes at sale price. The stabilized cap rate with adjustment for lease-up cost was 7.81%.

14 Story office tower and associated 791 stall 6-level parking garage.

Office Sale Profile

Sale No. 4

Location & Property Identification

Property Name:	770 L Street
Address:	770 L St.
City/State/Zip:	Sacramento, CA 95814
County:	Sacramento
Submarket:	Downtown
Market Orientation:	Urban
IRR Event ID:	682123

Sale Information

Sale Price:	$29,400,000
Eff. R.E. Sale Price:	$29,400,000
Sale Date:	08/02/2013
Sale Status:	Closed
$/SF GBA:	$161.89
$/SF NRA:	$173.88
Grantor/Seller:	770 L Street Investment Group, Inc.
Grantee/Buyer:	AMP Capital Cheval Houston Holdings, LLC
Property Rights:	Leased Fee
Occupancy at Time of Sale:	72.00
Financing:	Cash to seller
Document Type:	Deed
Verified By:	Dustin D. Dietz
Verification Source:	Buyer, public records
Verification Type:	Confirmed-Buyer

Operating Data and Key Indicators

Vacancy Rate:	28%
Effective Gross Income:	$3,702,175
Expenses:	$1,952,634
Net Operating Income:	$1,749,541
Operating Data Type:	In Place
EGIM Actual:	7.94
OAR(Cap. rate)Actual:	5.95%
Expense Ratio:	52.74%

Improvement and Site Data

MSA:	Sacramento
Legal/Tax/Parcel ID:	006-0153-015
GBA-SF:	181,607
NRA-SF:	169,078
Usable Floorplate-SF:	20,000
Acres(Usable/Gross):	0.59/0.59
Land-SF(Usable/Gross):	25,700/25,700
Usable/Gross Ratio:	1.00
Year Built:	1984
Most Recent Renovation:	2005
Property Class:	B
M&S Class:	A
Improvements Cond.:	Average
No. of Buildings/Stories:	1/13
Total Parking Spaces:	258
Park. Ratio 1000 SF GLA:	1.53
Park. Structure Space:	258
No. Covered Spaces:	258
Park. Ratio 1000 SF GBA:	1.42
Corner Lot:	Yes
Bldg. to Land Ratio FAR:	7.07
Zoning Code:	C-3
Zoning Desc.:	CBD
Source of Land Info.:	Past Appraisal

Comments

Comments (Cont'd)

Class A-/B+ office property (13-stories) at the southwest corner of 8th and L Streets in the Sacramento CBD. The building was 72% leased to approximately 20 tenants at time of sale. Capitalization rate based on in-place income with adjustments for taxes at sale price is 5.95%. The stabilized cap rate is 8.44% based on adjustment for stabilization costs.

Office Sale Profile

Sale No. 5

Location & Property Identification

Property Name:	Capital Place
Address:	915 L St.
City/State/Zip:	Sacramento, CA 95814
County:	Sacramento
Submarket:	Sacramento
Market Orientation:	CBD
IRR Event ID:	375281

Land-SF(Usable/Gross):	20,908/20,908
Usable/Gross Ratio:	1.00
Year Built:	1988
Most Recent Renovation:	1998
No. of Buildings/Stories:	1/13
Total Parking Spaces:	241
Park. Ratio 1000 SF GLA:	1.50
Park. Structure Space:	241
Bldg. Phy. Info. Source:	Past Appraisal
Source of Land Info.:	Past Appraisal

Sale Information

Sale Price:	$40,000,000
Eff. R.E. Sale Price:	$40,000,000
Sale Date:	12/17/2009
Sale Status:	Closed
$/SF NRA:	$249.13
Grantor/Seller:	TIAA
Grantee/Buyer:	GPT Properties Trust
Property Rights:	Leased Fee
% of Interest Conveyed:	100.00
Occupancy at Time of Sale:	90.00
Document Type:	Deed
Verified By:	Dustin D. Dietz
Verification Source:	Seller, public records
Verification Type:	Confirmed-Seller

Comments

Class A 14-story office building located in the CBD along L street between 9th and 10th streets. The property consists of a 14-story office tower with 160,561 SF of NRA and 140,163 SF of usable area and includes a 5-story integrated parking garage with 241 spaces. The building was occupied by 25+ tenants. Based on actual (9 month annualized) 2009 income, a capitalization rate of 8.9% is indicated. Based on pro-forma income, the capitalization rate drops to 8.2%.

Operating Data and Key Indicators

Net Operating Income:	$3,574,996
Operating Data Type:	Stabilized
OAR(Cap. rate)Actual:	8.94%

Improvement and Site Data

MSA:	Sacramento--Arden-Arcade--Roseville, CA Metropolitan Statistical Area
NRA-SF:	160,561
Acres(Usable/Gross):	0.48/0.48

Office Sale Profile

Sale No. 6

Location & Property Identification

Property Name:	Park Tower
Sub-Property Type:	General Purpose, High Rise
Address:	980 9th St. & 1010 8th St.
City/State/Zip:	Sacramento, CA 95814
County:	Sacramento
Submarket:	Sacramento
Market Orientation:	CBD
IRR Event ID:	375277

Year Built:	1992
Property Class:	A
M&S Class:	A
Construction Quality:	Good
Improvements Cond.:	Average
Exterior Walls:	Concrete Precast
No. of Buildings/Stories:	1/25
Total Parking Spaces:	1204
Park. Ratio 1000 SF GLA:	2.66
Park. Structure Space:	1204
Park. Ratio 1000 SF GBA:	2.05
Bldg. to Land Ratio FAR:	6.17
Zoning Code:	C-3
Bldg. Phy. Info. Source:	Past Appraisal
Source of Land Info.:	Past Appraisal

Sale Information

Eff. R.E. Sale Price:	$97,000,000
Sale Date:	12/18/2009
Sale Status:	Closed
$/SF NRA:	$214.58
Case Study Type:	None
Grantor/Seller:	TIAA
Grantee/Buyer:	CIM Group
Property Rights:	Leased Fee
% of Interest Conveyed:	100.00
Document Type:	Deed
Verification Type:	Confirmed-Buyer

Operating Data and Key Indicators

Net Operating Income:	$9,536,707
OAR(Cap. rate)Actual:	9.83%
OAR(Cap. Rate)Reported:	9.80%

Improvement and Site Data

MSA:	Sacramento--Arden-Arcade--Roseville
Legal/Tax/Parcel ID:	006-0036-031, -038 & 006-0094-009
GBA-SF:	588,420
NRA-SF:	452,056
Acres(Usable/Gross):	2.19/2.19
Land-SF(Usable/Gross):	95,396/95,396
Usable/Gross Ratio:	1.00

Comments

Class A 25-story office building and near-by parking garage located in the CBD. The property consists of a 25-story office tower with 452,347 SF of NRA and includes a 7-story integrated parking garage with 801 spaces. The off-site parking garage includes 4 floors, 403 spaces and 12,275 SF of rentable area. The building was occupied several tenants with a vacancy rate of 16%. Based on actual 2009 income, a capitalization rate of 9.8% is indicated.

The high rise is connected to a 7-level car parking structure that includes two retail tenants on the ground floor. The subject also includes a 4-story car parking structure located diagonally across the street (1010 8th

Comments (Cont'd)

Street). This off-site parking structure also includes office space on the ground floor.

Office Lease Profile

Lease No. 1

Location & Property Identification

Property Name:	Plaza Five Fifty Five
Sub-Property Type:	General Purpose, High Rise
Address:	555 Capitol Mall
City/State/Zip:	Sacramento, CA 95814
County:	Sacramento
Submarket:	Downtown
Market Orientation:	Urban
IRR Event ID:	1162726

Lease Information

Lessee:	Murphy Austin
Init Year Contract Rate:	$27.60 /$/SF/YR
Effective Lease Rate:	$27.60 /$/SF/YR
Lease Commencement:	07/24/2015
Lease Expiration:	07/31/2024
Term of Lease:	109 months
Space Type:	Office
Transaction Reliability:	IRR Confirmed
Leased Area:	21,668

Lease Expense Information

Lease Reimburse. Type:	Full Service

Improvement and Site Data

MSA:	Sacramento--Arden-Arcade--Roseville, CA Metropolitan Statistical Area
Legal/Tax/Parcel ID:	006-0145-025
GBA-SF:	410,304
NRA-SF:	382,128
Acres(Usable/Gross):	2.41/2.41
Land-SF(Usable/Gross):	104,979/104,979
Usable/Gross Ratio:	1.00
Year Built:	1971
Property Class:	A-
M&S Class:	A
Improvements Cond.:	Good
Construction Desc.:	Concrete & steel frame. Foundation is pre-cast steel reinforced concrete piles.
No. of Buildings/Stories:	3/14
Total Parking Spaces:	791
Park. Ratio 1000 SF GLA:	2.07
Park. Structure Space:	791
Park. Ratio 1000 SF GBA:	1.93
Corner Lot:	Yes
Bldg. to Land Ratio FAR:	3.91
Zoning Code:	C3
Zoning Desc.:	Central Business District Zone
Source of Land Info.:	Other

Comments

14 Story office tower and associated 791 stall 6-level parking garage.

Office Lease Profile — Lease No. 2

Location & Property Identification

Property Name:	Park Tower
Sub-Property Type:	General Purpose, High Rise
Address:	980 9th St. & 1010 8th St.
City/State/Zip:	Sacramento, CA 95814
County:	Sacramento
Submarket:	Sacramento
Market Orientation:	CBD
IRR Event ID:	1162698

M&S Class:	A
Construction Quality:	Good
Improvements Cond.:	Average
Exterior Walls:	Concrete Precast
No. of Buildings/Stories:	1/25
Total Parking Spaces:	1204
Park. Ratio 1000 SF GLA:	2.66
Park. Structure Space:	1204
Park. Ratio 1000 SF GBA:	2.05
Bldg. to Land Ratio FAR:	6.17
Zoning Code:	C-3
Bldg. Phy. Info. Source:	Past Appraisal
Source of Land Info.:	Past Appraisal

Lease Information

Lessee:	Department of Managed Health Care
Init Year Contract Rate:	$31.56 /$/SF/YR
Effective Lease Rate:	$31.56 /$/SF/YR
Lease Commencement:	02/01/2015
Lease Expiration:	01/31/2023
Term of Lease:	96 months
Space Type:	Office
Transaction Reliability:	IRR Confirmed
Leased Area:	10,615
Base Tenant Improv.:	$43.97

Lease Expense Information

Lease Reimburse. Type:	Full Service

Improvement and Site Data

MSA:	Sacramento--Arden-Arcade--Roseville
Legal/Tax/Parcel ID:	006-0036-031, -038 & 006-0094-009
GBA-SF:	588,420
NRA-SF:	452,056
Acres(Usable/Gross):	2.19/2.19
Land-SF(Usable/Gross):	95,396/95,396
Usable/Gross Ratio:	1.00
Year Built:	1992
Property Class:	A

Comments

The high rise is connected to a 7-level car parking structure that includes two retail tenants on the ground floor. The subject also includes a 4-story car parking structure located diagonally across the street (1010 8th Street). This off-site parking structure also includes office space on the ground floor.

Rent is based on usable area. Building load factor is 18%. Lease has annual rent escalation of $0.05/SF/mo. Full service, no CPI and no free rent. Firm term ends on 6/31/19 after which State has right to vacate with 60 days' notice.

Office Lease Profile

Lease No. 3

Location & Property Identification

Property Name:	Renaissance Tower
Sub-Property Type:	General Purpose
Address:	801 K St.
City/State/Zip:	Sacramento, CA 95814
County:	Sacramento
Market Orientation:	CBD
IRR Event ID:	1162717

Park. Ratio 1000 SF GBA:	1.48
Bldg. to Land Ratio FAR:	10.74
Source of Land Info.:	Broker

Lease Information

Lessee:	Department of Conservation
Init Year Contract Rate:	$31.08 /$/SF/YR
Effective Lease Rate:	$31.08 /$/SF/YR
Lease Commencement:	09/01/2012
Lease Expiration:	08/31/2019
Term of Lease:	84 months
Space Type:	Office
Transaction Reliability:	IRR Confirmed
Leased Area:	131,395
Base Tenant Improv.:	$9.89

Comments

$ year firm term after which State has right to vacate with 60 days' notice. Lease based on net usable area. No free rent. 3% annual rent escalations. CPI is applied to $119,301.

Lease Expense Information

Lease Reimburse. Type:	Full Service

Improvement and Site Data

MSA:	Sacramento--Roseville--Arden-Arcade, CA
Legal/Tax/Parcel ID:	006-0097-013
GBA-SF:	336,752
NRA-SF:	336,752
Acres(Gross):	0.72
Land-SF(Gross):	31,363
Year Built:	1989
Property Class:	A
M&S Class:	A
Total Parking Spaces:	500
Park. Ratio 1000 SF GLA:	1.48

Office Lease Profile

Lease No. 4

Location & Property Identification

Property Name:	770 L Street
Address:	770 L St.
City/State/Zip:	Sacramento, CA 95814
County:	Sacramento
Submarket:	Downtown
Market Orientation:	Urban
IRR Event ID:	1111899

Total Parking Spaces:	258
Park. Ratio 1000 SF GLA:	1.53
Park. Structure Space:	258
No. Covered Spaces:	258
Park. Ratio 1000 SF GBA:	1.42
Corner Lot:	Yes
Bldg. to Land Ratio FAR:	7.07
Zoning Code:	C-3
Zoning Desc.:	CBD
Source of Land Info.:	Past Appraisal

Lease Information

Lessee:	High-Speed Rail Authority
Init Year Contract Rate:	$30.53 /$/SF/YR
Effective Lease Rate:	$30.53 /$/SF/YR
Lease Commencement:	10/01/2014
Term of Lease:	96 months
Space Type:	Office
Transaction Reliability:	Confirmed
Leased Area:	29,330

Lease Expense Information

Lease Reimburse. Type:	Full Service

Improvement and Site Data

MSA:	Sacramento
Legal/Tax/Parcel ID:	006-0153-015
GBA-SF:	181,607
NRA-SF:	169,078
Usable Floorplate-SF:	20,000
Acres(Usable/Gross):	0.59/0.59
Land-SF(Usable/Gross):	25,700/25,700
Usable/Gross Ratio:	1.00
Year Built:	1984
Most Recent Renovation:	2005
Property Class:	B
M&S Class:	A
Improvements Cond.:	Average
No. of Buildings/Stories:	1/13

Comments

Expansion of 13,809 square feet to a total of 29,330 square feet with renewal of existing space. Expanded space taken at $31.80 per square foot and previously occupied space renewed at $29.40 per square foot. Expanded space given 1 month free rent and $30 per square foot in TI allowance. Rent increases $0.05 annually.

Office Lease Profile

Lease No. 5

Location & Property Identification

Property Name:	1325 J Street
Sub-Property Type:	General Purpose
Address:	1325 J
City/State/Zip:	Sacramento, CA 95814
County:	Sacramento
Market Orientation:	CBD
IRR Event ID:	1162706

Improvements Cond.:	Good
No. of Buildings/Stories:	1/19
Multi-Tenant/Condo.:	Yes/No
Total Parking Spaces:	700
Park. Ratio 1000 SF GLA:	2.01
Park. Structure Space:	700
Park. Ratio 1000 SF GBA:	2.01
Bldg. to Land Ratio FAR:	9.01
Zoning Code:	C-3-SP
Source of Land Info.:	Public Records

Lease Information

Lessee:	Gov's Office if Business & Economic Development
Init Year Contract Rate:	$30.48 /$/SF/YR
Effective Lease Rate:	$30.48 /$/SF/YR
Lease Commencement:	07/01/2014
Lease Expiration:	06/30/2022
Term of Lease:	96 months
Space Type:	Office
Transaction Reliability:	IRR Confirmed
Leased Area:	15,894
Base Tenant Improv.:	$32.70

Lease Expense Information

Lease Reimburse. Type:	Full Service

Improvement and Site Data

MSA:	Sacramento
Legal/Tax/Parcel ID:	006-0054-025
GBA-SF:	348,407
NRA-SF:	348,407
Acres(Usable/Gross):	0.89/0.89
Land-SF(Usable/Gross):	38,681/38,681
Usable/Gross Ratio:	1.00
Year Built:	1989
Property Class:	A
M&S Class:	A
Construction Quality:	Good

Comments

The firm terms expires on 6/30/2018, after which State has early termination rights. The 1st month rent was reduced at $18.72/SF. lease has annual escalations of $0.05/SF/mo. The lease space was on net usable area. It is full service with no CPI.

Office Lease Profile

Lease No. 6

Location & Property Identification

Property Name:	Meridian Plaza
Sub-Property Type:	General Purpose
Address:	1415 L St.
City/State/Zip:	Sacramento, CA 95814
County:	Sacramento
Market Orientation:	CBD
IRR Event ID:	1162709

Lease Information

Lessee:	California Department of Public Health
Init Year Contract Rate:	$33.00 /$/SF/YR
Effective Lease Rate:	$33.00 /$/SF/YR
Lease Commencement:	11/01/2013
Lease Expiration:	11/30/2021
Term of Lease:	97 months
Space Type:	Office
Transaction Reliability:	IRR Confirmed
Leased Area:	14,957
Base Tenant Improv.:	$10.83

Lease Expense Information

Lease Reimburse. Type:	Full Service

Improvement and Site Data

MSA:	Sacramento--Roseville--Arden-Arcade, CA
GBA-SF:	227,233
NRA-SF:	227,233
Acres(Gross):	1.30
Land-SF(Gross):	56,628
Property Class:	A
Bldg. to Land Ratio FAR:	4.01
Source of Land Info.:	Other

Comments

The subject is a 12-story Class A steel frame office building. The high rise consists of twelve floors of office above the two-level 174-car parking subterranean structure.

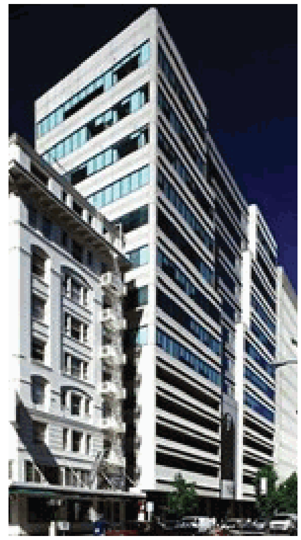
The lease space is net usable area. The firm term ends after 4 years after which State has right to terminate with 60 day notice. 1st Mo. free rent. Average escalation of $0.10/SF every 2 yrs. CPI is applied to $14,396.

Office Lease Profile

Lease No. 7

Location & Property Identification

Property Name:	Capitol Place
Sub-Property Type:	General Purpose, High Rise
Address:	915 L St.
City/State/Zip:	Sacramento, CA 95814
County:	Sacramento
Submarket:	Downtown
Market Orientation:	CBD
Property Location:	North side of L Street between 9th and 10th
IRR Event ID:	1162710



Total Parking Spaces:	241
Park. Ratio 1000 SF GLA:	1.44
Park. Structure Space:	241
Elevators Count:	Yes/5
Fire Sprinkler Type:	EFS
Air-Conditioning Type:	Roof Central Mounted
Shape:	Irregular
Topography:	Level
Zoning Code:	C-3
Zoning Desc.:	CBD - Special Planning Area
Source of Land Info.:	Past Appraisal

Lease Information

Lessee:	Department of Finance
Init Year Contract Rate:	$31.56 /$/SF/YR
Effective Lease Rate:	$31.56 /$/SF/YR
Lease Commencement:	08/01/2013
Lease Expiration:	07/31/2021
Term of Lease:	96 months
Space Type:	Office
Transaction Reliability:	IRR Confirmed
Leased Area:	15,971
Base Tenant Improv.:	$35.00

Lease Expense Information

Lease Reimburse. Type:	Full Service

Improvement and Site Data

MSA:	Sacramento--Arden-Arcade--Roseville, CA Metropolitan Statistical Area
Legal/Tax/Parcel ID:	006-0102-017, 018 & 019
NRA-SF:	167,007
Acres(Usable/Gross):	0.48/0.48
Land-SF(Usable/Gross):	20,908/20,908
Usable/Gross Ratio:	1.00
Year Built:	1988
Improvements Cond.:	Good
Construction Desc.:	Steel/Glass

Comments

Firm term is 4 years, after which state has right to terminate with 90 days' notice. Lease is based on net usable area. Escalations of $0.10/SF every two years. No free rent. CPI is applied to $16,214.

Office Lease Profile

Location & Property Identification

Property Name:	Renaissance Tower
Sub-Property Type:	General Purpose
Address:	801 K St.
City/State/Zip:	Sacramento, CA 95814
County:	Sacramento
Market Orientation:	CBD
IRR Event ID:	1111889

Bldg. to Land Ratio FAR:	10.74
Source of Land Info.:	Broker

Lease Information

Lessee:	California Earthquake Authority
Init Year Contract Rate:	$2.45 /$/SF/Mo
Effective Lease Rate:	$2.45 /$/SF/Mo
Lease Commencement:	01/01/2015
Term of Lease:	75 months
Space Type:	Office
Transaction Reliability:	Confirmed
Leased Area:	28,500

Comments

This is a lease extension and expansion for the California Earthquake Authority on the 10th floor. The lease extension is for 21,000 SF with a $14/SF TI and for a 7,500 SF expansion with a $25/SF TI. The lease rate includes the TI allowance. This is a typical state lease with a CPI escalator clause for increases in operating expenses. The rent increases to $2.75/SF in month 18 and has annual $0.05/SF increases thereafter. The equivalent starting rent assuming $0.05/SF annual increases is $2.62/SF annual.

Lease Expense Information

Lease Reimburse. Type:	Gross

Improvement and Site Data

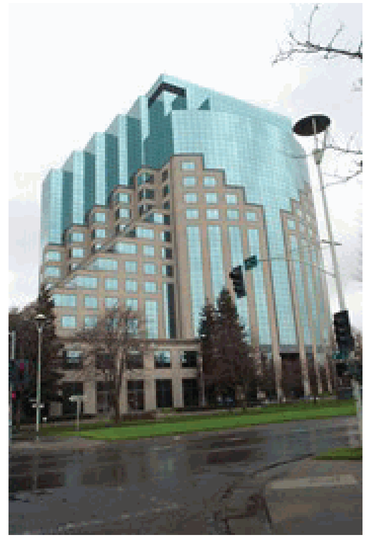
MSA:	Sacramento--Roseville--Arden-Arcade, CA
Legal/Tax/Parcel ID:	006-0097-013
GBA-SF:	336,752
NRA-SF:	336,752
Acres(Gross):	0.72
Land-SF(Gross):	31,363
Year Built:	1989
Property Class:	A
M&S Class:	A
Total Parking Spaces:	500
Park. Ratio 1000 SF GLA:	1.48
Park. Ratio 1000 SF GBA:	1.48

Office Lease Profile

Lease No. 9

Location & Property Identification

Property Name:	Emerald Tower
Sub-Property Type:	General Purpose, High Rise
Address:	300 Capitol Mall
City/State/Zip:	Sacramento, CA 95814
County:	Sacramento
Submarket:	Downtown
Market Orientation:	Urban
IRR Event ID:	1162718



No. of Buildings/Stories:	1/18
Multi-Tenant/Condo.:	Yes/No
Total Parking Spaces:	783
Park. Ratio 1000 SF GLA:	2.04
Park. Ratio 1000 SF GBA:	2.04
Elevators Count:	Yes/9
Shape:	Square
Topography:	Level
Corner Lot:	Yes
Bldg. to Land Ratio FAR:	3.74
Zoning Code:	C3, Sacramento
Bldg. Phy. Info. Source:	Other
Source of Land Info.:	Other

Lease Information

Lessee:	State Controller’s Office
Init Year Contract Rate:	$31.20 /$/SF/YR
Effective Lease Rate:	$21.20 /$/SF/YR
Lease Commencement:	02/01/2012
Lease Expiration:	01/31/2019
Term of Lease:	84 months
Space Type:	Office
Transaction Reliability:	IRR Confirmed
Leased Area:	133,666
Base Tenant Improv.:	$13.50

Lease Expense Information

Lease Reimburse. Type:	Full Service

Improvement and Site Data

MSA:	Sacramento--Arden-Arcade--Roseville, CA Metropolitan Statistical Area
Legal/Tax/Parcel ID:	006-0142-038
GBA-SF:	383,238
NRA-SF:	383,238
Acres(Gross):	2.35
Land-SF(Gross):	102,366
Year Built:	1984
Property Class:	A
M&S Class:	A
Improvements Cond.:	Good

Comments

4 year firm term lease with rights to vacate with 60 day notice. Reduced rent of $2.32/SF for 1st four months. $0.05/SF escalation for first yr. and $0.10/SF per year thereafter. CPI applied to $135,537.

Addendum F

DCF Reports

Scenario 1

TENANT INFORMATION							BASE RENT					UPON EXPIRATION				
	Tenant Name	Status	Suite #	Lease Start	Lease End	SF	Date	SF	$/SF	Current Rent/Yr	Recovery Method	Contract Rent	Market Rent	% of Market	Expiration Assumption	Assigned MLA
1	State 1	Contract		8/1/15	7/31/19	295,953	8/1/15 8/1/16 8/1/17 8/1/18	295,953	29.00 29.60 30.20 30.80	8,582,640	State CPI	$30.80	$31.23	98.62%	Market	Market
2	Private	Contract		8/1/15	7/31/23	95,749	8/1/15 8/1/16 8/1/17 8/1/18	95,749	29.00 29.60 30.20 30.80	2,776,716	State CPI	$30.80	$34.47	89.35%	Market	Private
3	Vacant	Speculativ		8/1/17	7/31/21	87,044	8/1/17 8/1/18 8/1/19 8/1/20	87,044	30.47 31.07 31.67 32.27		State CPI2	$32.27	$32.81	98.35%	Market	Market
					Total SF:	478,746		**Total Current Rent/Yr:**		**11,359,356**						
					"Option" SF:	0										
					"Reabsorb" SF:	0										
					SF:	**478,746**										

Scenario 2

TENANT INFORMATION							BASE RENT					UPON EXPIRATION				
	Tenant Name	Status	Suite #	Lease Start	Lease End	SF	Date	SF	$/SF	Current Rent/Yr	Recovery Method	Contract Rent	Market Rent	% of Market	Expiration Assumption	Assigned MLA
1	State 1	Contract		8/1/15	7/31/19	143,624	8/1/15 8/1/16 8/1/17 8/1/18	143,624	29.00 29.60 30.20 30.80	4,165,092	State CPI	$30.80	$31.23	98.62%	Market	Market
2	Private	Contract		8/1/15	7/31/23	95,749	8/1/15 8/1/16 8/1/17 8/1/18	95,749	29.00 29.60 30.20 30.80	2,776,716	State CPI	$30.80	$34.47	89.35%	Market	Market 2
3	Vacant	Speculativ		8/1/16	7/31/20	239,373	8/1/16 8/1/17 8/1/18 8/1/19	239,373	29.73 30.33 30.92 31.53		State 2	$31.52	$32.01	98.47%	Market	Market
					Total SF:	478,746		**Total Current Rent/Yr:**		**6,941,808**						
					"Option" SF:	0										
					"Reabsorb" SF:	0										
					SF:	**478,746**										

Scenario 3

TENANT INFORMATION						BASE RENT					UPON EXPIRATION				
Tenant Name	Status	Suite #	Lease Start	Lease End	SF	Date	SF	$/SF	Current Rent/Yr	Recovery Method	Contract Rent	Market Rent	% of Market	Expiration Assumption	Assigned MLA
1 State 1	Contract		8/1/15	7/31/19	382,997	8/1/15	382,997	29.00	11,106,912	State CPI	$30.80	$31.23	98.62%	Market	Market
						8/1/16		29.60							
						8/1/17		30.20							
						8/1/18		30.80							
2 Private	Contract		8/1/15	7/31/23	95,749	8/1/15	95,749	29.00	2,776,716	State CPI	$30.80	$34.47	89.35%	Market	Market 2
						8/1/16		29.60							
						8/1/17		30.20							
						8/1/18		30.80							
				Total SF:	478,746	**Total Current Rent/Yr:**			**13,883,628**						
				"Option" SF:	0										
				"Reabsorb" SF:	0										
				SF:	**478,746**										

Scenario 4

TENANT INFORMATION						BASE RENT					UPON EXPIRATION				
Tenant Name	Status	Suite #	Lease Start	Lease End	SF	Date	SF	$/SF	Current Rent/Yr	Recovery Method	Contract Rent	Market Rent	% of Market	Expiration Assumption	Assigned MLA
1 Vacant	Speculativ		8/1/17	7/31/21	382,997	8/1/17	382,997	33.00		State 2	$34.80	$37.34	93.20%	Market	Market
						8/1/18		33.60							
						8/1/19		34.20							
						8/1/20		34.80							
2 Private	Speculativ		8/1/17	7/31/25	95,749	8/1/17	95,749	33.00		State 2	$34.80	$41.21	84.45%	Market	Market 2
						8/1/18		33.60							
						8/1/19		34.20							
						8/1/20		34.80							
				Total SF:	478,746	**Total Current Rent/Yr:**			**0**						
				"Option" SF:	0										
				"Reabsorb" SF:	0										
				SF:	**478,746**										

Scenario 5

	TENANT INFORMATION						BASE RENT					UPON EXPIRATION				
	Tenant Name	Status	Suite #	Lease Start	Lease End	SF	Date	SF	$/SF	Current Rent/Yr	Recovery Method	Contract Rent	Market Rent	% of Market	Expiration Assumption	Assigned MLA
1	Vacant	Speculativ		10/1/15	9/30/19	382,997	10/1/15	382,997	33.00		State CPI	$34.80	$36.43	95.53%	Market	Market
							10/1/16		33.60							
							10/1/17		34.20							
							10/1/18		34.80							
2	Private	Speculativ		10/1/15	9/30/23	95,749	10/1/15	95,749	33.00		State CPI	$34.80	$40.21	86.55%	Market	Market 2
							10/1/16		33.60							
							10/1/17		34.20							
							10/1/18		34.80							
					Total SF:	478,746	**Total Current Rent/Yr:**			**0**						
					"Option" SF:	0										
					"Reabsorb" SF:	0										
					SF:	**478,746**										

Scenario 6

	TENANT INFORMATION						BASE RENT					UPON EXPIRATION				
	Tenant Name	Status	Suite #	Lease Start	Lease End	SF	Date	SF	$/SF	Current Rent/Yr	Recovery Method	Contract Rent	Market Rent	% of Market	Expiration Assumption	Assigned MLA
1	State 1	Contract		8/1/15	7/31/19	382,997	8/1/15	382,997	33.00	12,638,904	State CPI	$34.80	$35.54	97.92%	Market	Market
							8/1/16		33.60							
							8/1/17		34.20							
							8/1/18		34.80							
2	Private	Contract		8/1/15	7/31/23	95,749	8/1/15	95,749	33.00	3,159,720	State CPI	$34.80	$39.23	88.71%	Market	Market 2
							8/1/16		33.60							
							8/1/17		34.20							
							8/1/18		34.80							
					Total SF:	478,746	**Total Current Rent/Yr:**			**15,798,624**						
					"Option" SF:	0										
					"Reabsorb" SF:	0										
					SF:	**478,746**										

Scenario 7

	TENANT INFORMATION						BASE RENT					UPON EXPIRATION				
	Tenant Name	Status	Suite #	Lease Start	Lease End	SF	Date	SF	$/SF	Current Rent/Yr	Recovery Method	Contract Rent	Market Rent	% of Market	Expiration Assumption	Assigned MLA
1	State 1	Contract		8/1/15	7/31/35	478,746	8/1/15	478,746	28.00	13,404,888	State CPI	Expires after Report Term			Market	Market
							8/1/20		30.97							
							Rent continues after Report Term									
					Total SF:	478,746	Total Current Rent/Yr:			13,404,888						
					"Option" SF:	0										
					"Reabsorb" SF:	0										
					SF:	**478,746**										