# MARKET VALUE APPRAISAL

# RESTRICTED APPRAISAL REPORT

***Subject:*** 3531-3533 Brian Way
Bakersfield, CA 93308

***Client:*** Socotra Capital
2208 29th Street, Suite 100
Sacramento, CA 95817

***Appraiser:*** ***BAAR Realty Advisors***
Adam J. Hardej, Jr.  AG018716
President & Chief Appraiser
BAAR File No.:  07-24-0478

# Restricted Appraisal Report

*This is a Restricted Appraisal Report that is intended to comply with the reporting requirements set forth under Standards Rule 2-2(b) of the Uniform Standards of Professional Appraisal Practice for a Restricted Appraisal Report. As such, it presents no discussions of the data, reasoning, and analyses that were used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning, and analyses has been retained in the appraiser's file. The depth of discussion contained in this report is specific to the needs of the client and for the intended use stated below. The appraiser is not responsible for unauthorized use of this report.*

*Furthermore, in accordance with prior agreement between the client and the appraiser, this report is the result of a limited appraisal process. This report fully conforms to the appraisal guidelines as defined by the Uniform Standards of Professional Appraisal Practice*

*Personal property is not included in this valuation.*

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| | |
|---|---|
| **PURPOSE OF THE APPRAISAL:** | To estimate *market value* as defined by the Office of the Controller of the Currency under 12 CFR, Part 34, Subpart C. |
| **INTENDED USE OF REPORT:** | Opinion of value for mortgage loan underwriting and/or credit-decision purposes. |
| **INTENDED USER OF REPORT:** | Socotra Capital and no other user |
| **INTEREST VALUED** | Leased Fee Interest |
| **EFFECTIVE DATE OF VALUE:** | September 26, 2024 |
| **DATE OF REPORT:** | October 7, 2024 |
| **REAL ESTATE APPRAISED:** | 7,499 square foot industrial property. (APN: 332-172-04, 332-172-06). 3 Industrial buildings + 1 SFR on a 19,175 SF lot. |
| **HIGHEST AND BEST USE:** | Existing Use |

| | |
|---|---|
| **SCOPE OF WORK - APPRAISAL DEVELOPMENT AND REPORTING PROCESS:** | In preparing this appraisal, an inspection of the subject was conducted. The appraiser has based his appraised value on the Sales Comparison Approach and Income Approach. The Cost Approach was deemed not applicable. The exclusion of this approach is not considered to diminish the reliability of the value conclusion herein.<br><br>This Restricted Appraisal Report sets forth only limited information and the appraiser's conclusions. Additional supporting documentation is retained in the appraiser's file. |
| **CONCLUDED VALUE:** | **$1,000,000- AS IS** |
| **EXPOSURE/MARKETING TIME:** | 12 months |
| | **BAAR REALTY ADVISORS**<br><br>Adam Hardej<br>____________________________<br>Adam J. Hardej, Jr.<br>President & Chief Appraiser<br>State Certified General Appraiser No. AG018716 |

## EXTRAORDINARY ASSUMPTIONS AND/OR HYPOTHETICAL CONDITIONS

1. The owner did not provide access to Buildings 2 and 3 during our inspection. It is an extraordinary assumption of this report that the interior of Buildings 2 and 3 of the subject are in overall average condition and consistent with the exterior condition, which is considered average condition overall. While interior access to Buildings 2 and 3 were denied, the owner provided a video of the interior of the buildings which shows the interior is insulated/conditioned space. The owner provided a video which shows a mezzanine area in Building 3. The owner stated the mezzanine area is approximately 672 square feet, but the ceiling height of about half of the space is reduced by the pitch of the roof. So 350 square feet has been added to the building area to account for the mezzanine area. Market participants indicated the mezzanine area square footage would be reduced by half given the roof/ceiling slope. It is an extraordinary assumption of this report that the interior of Buildings 2 and 3 and mezzanine area exists as portrayed in the video provided by the owner and the interior of all buildings meet local construction building codes. Any changes to these Extraordinary Assumptions may lead to alternate values applying and affect assignment results.

## ASSUMPTIONS AND LIMITING CONDITIONS

1. This is a Restricted Appraisal Report, which is intended to comply with the reporting requirements set forth under Standard Rule 2-2(b) of the Uniform Standards of Professional Appraisal Practice for a Restricted Appraisal Report. As such, it does not include discussions of the data, reasoning, and analyses that were used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning, and analyses is retained in the appraiser's file. The information contained in this report is specific to the needs of the client and for the intended use stated in this report. The appraiser is not responsible for unauthorized use of this report.

2. No responsibility is assumed for legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated in this report.

3. The property is appraised free and clear of any or all liens and encumbrances unless otherwise stated in this report.

4. Responsible ownership and competent property management are assumed unless otherwise stated in this report.

5. The information furnished by others is believed to be reliable. However, no warrant is given for its accuracy.

6. All engineering is assumed to be correct. Any plot plans and illustrative material in this report are included only to assist the reader in visualizing the property.

7. It is assumed that there are no hidden or apparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them.

8. It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless otherwise stated in this report.

9. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless a nonconformity has been stated, defined, and considered in this appraisal report.

10. It is assumed that all required licenses, certificates of occupancy, or other legislative or administrative authority from any local, state, or national governmental, or private entity or organization have been or can be obtained or renewed for any use on which the value estimates contained in this report are based.

11. Any sketch in this report may show approximate dimensions and is included to assist the reader in visualizing the property. Maps and exhibits found in this report are provided for reader reference purposes only. No guarantee as to accuracy is expressed or implied unless otherwise stated in this report. No survey has been made for the purpose of this report.

12. The appraiser is not qualified to detect hazardous waste/and or toxic materials. Any comment by the appraiser that might suggest the possibility of the presence of such substances should not be taken as confirmation of the presence of hazardous waste and/or toxic materials. Such determination would require investigation by a qualified expert in the field of environmental assessment. The presence of substances such as asbestos, urea-formaldehyde foam insulation, or other potentially hazardous materials may affect the value of the property. The appraiser's value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value unless otherwise stated in this report. No responsibility is assumed for any environmental conditions, or for any expertise or engineering knowledge required to discover them. The appraiser's descriptions and resulting comments are the result of the routine observations made during the appraisal process.

13. Unless otherwise stated in this report, the subject property is appraised without a specific compliance survey having been conducted to determine if the property is or is not in conformance with the requirements of the Americans with Disabilities Act. The presence of architectural and communications barriers that are structural in nature that would restrict access by disabled individuals may adversely affect the property's value, marketability, or utility.

14. Any proposed improvements are assumed to be completed in a good workmanlike manner in accordance with the submitted plans and specifications.

15. The distribution, if any, of the total valuation in this report between land and improvements applies only under the stated program of utilization. The separate allocations for land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.

16. Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the appraiser, and in any event, only with proper written qualification and only in its entirety.

17. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser, or the firm with which the appraiser is connected) shall be disseminated to the public through advertising, public relations, news sales, or other media without prior written consent and approval of the appraiser.

18. The liability of the authors of this appraisal report, BAAR Realty Advisors, and any other employees / contractors of BAAR Realty Advisors is limited to the fee collected for preparation of this appraisal report.

19. Acceptance of, and/or use of, this appraisal report constitutes acceptance of the above conditions.

## CERTIFICATION

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

1. The statements of fact contained in this report are true and correct.

2. I have, at a minimum, developed and reported this appraisal in accordance with the scope of work requirements stated in this appraisal report.

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

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

5. My compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.

6. This appraisal was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.

7. My analyses, opinions, and conclusions were developed, and this report has been prepared in conformity with the Uniform Standards of Professional Appraisal Practice.

8. Ron Faircloth provided significant professional assistance to the person signing this report in the form of market research, data confirmation and analysis. Sean Strom and Carol Agajanian-Promen inspected the subject property. Adam J. Hardej, Jr. has not inspected the subject.

9. BAAR / Adam J. Hardej, Jr. has not performed professional 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.

Adam Hardej

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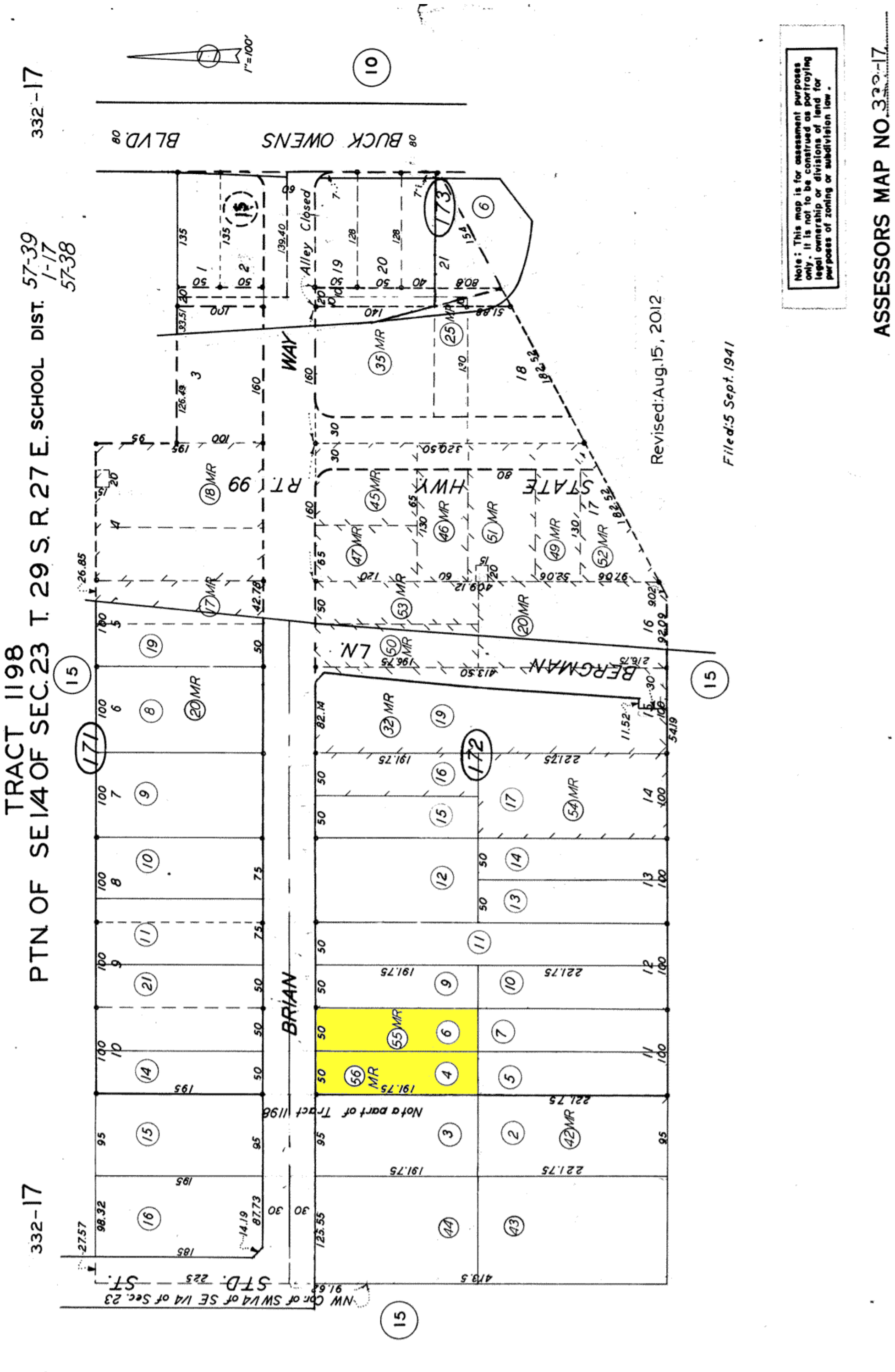
Adam J. Hardej, Jr.
President & Chief Appraiser
CA Real Estate Appraiser General Certification No. AG018716
Exp. Date: 05/06/2025

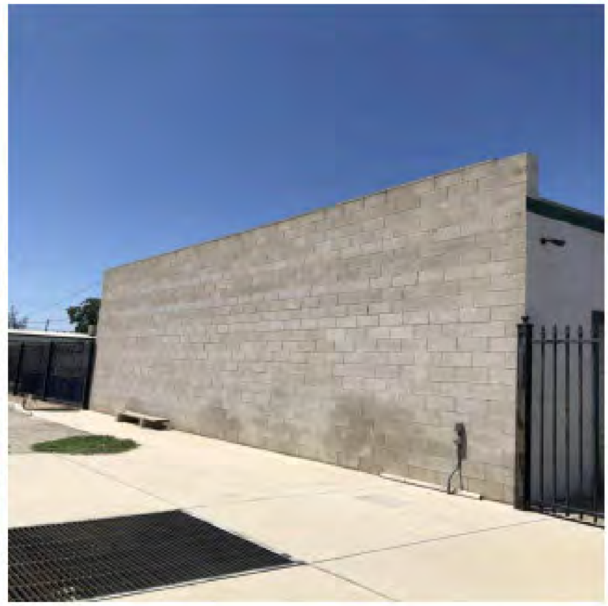
## SUBJECT PLAT MAP

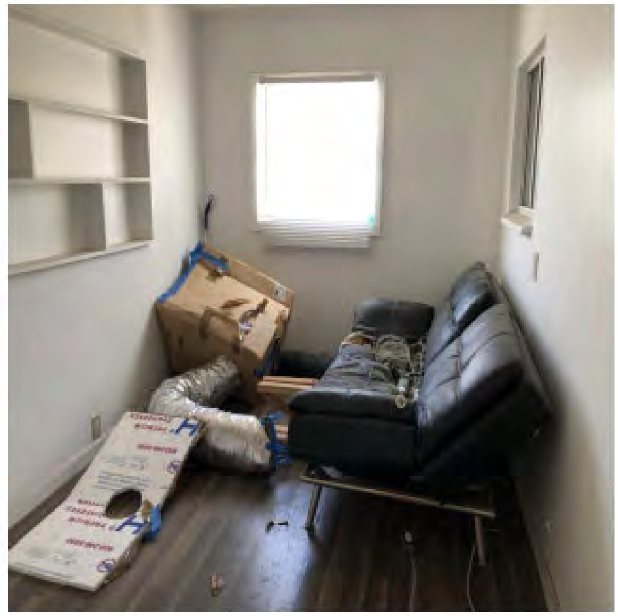


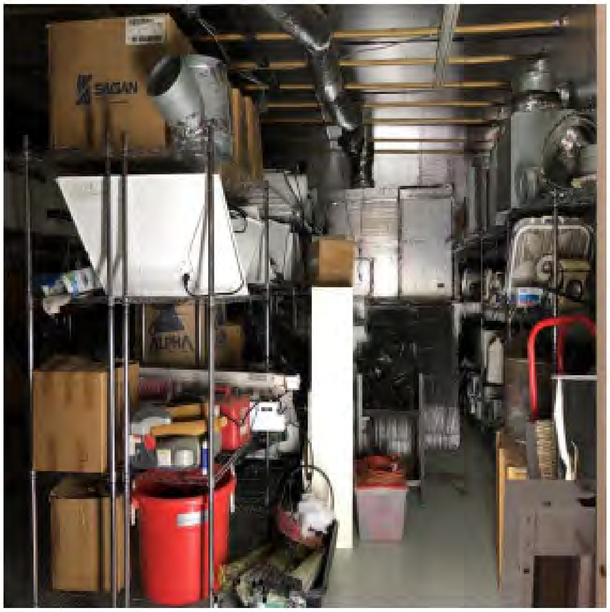
## SUBJECT PHOTOGRAPHS



3531
FOR
SALE



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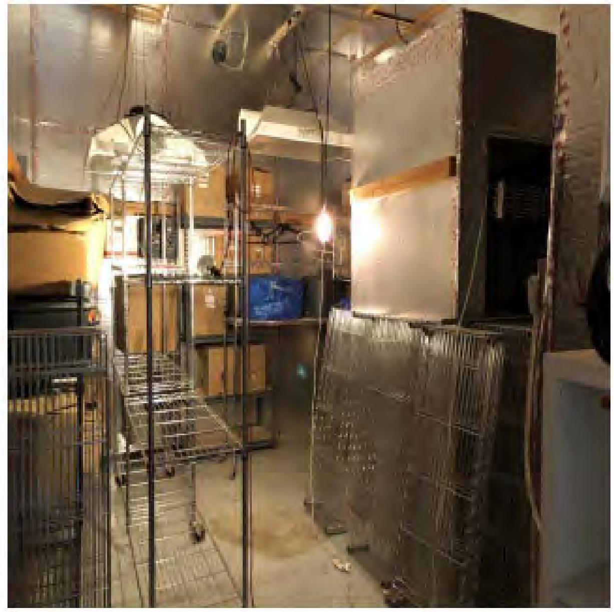
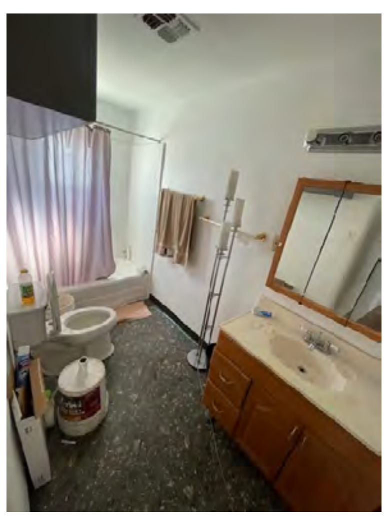
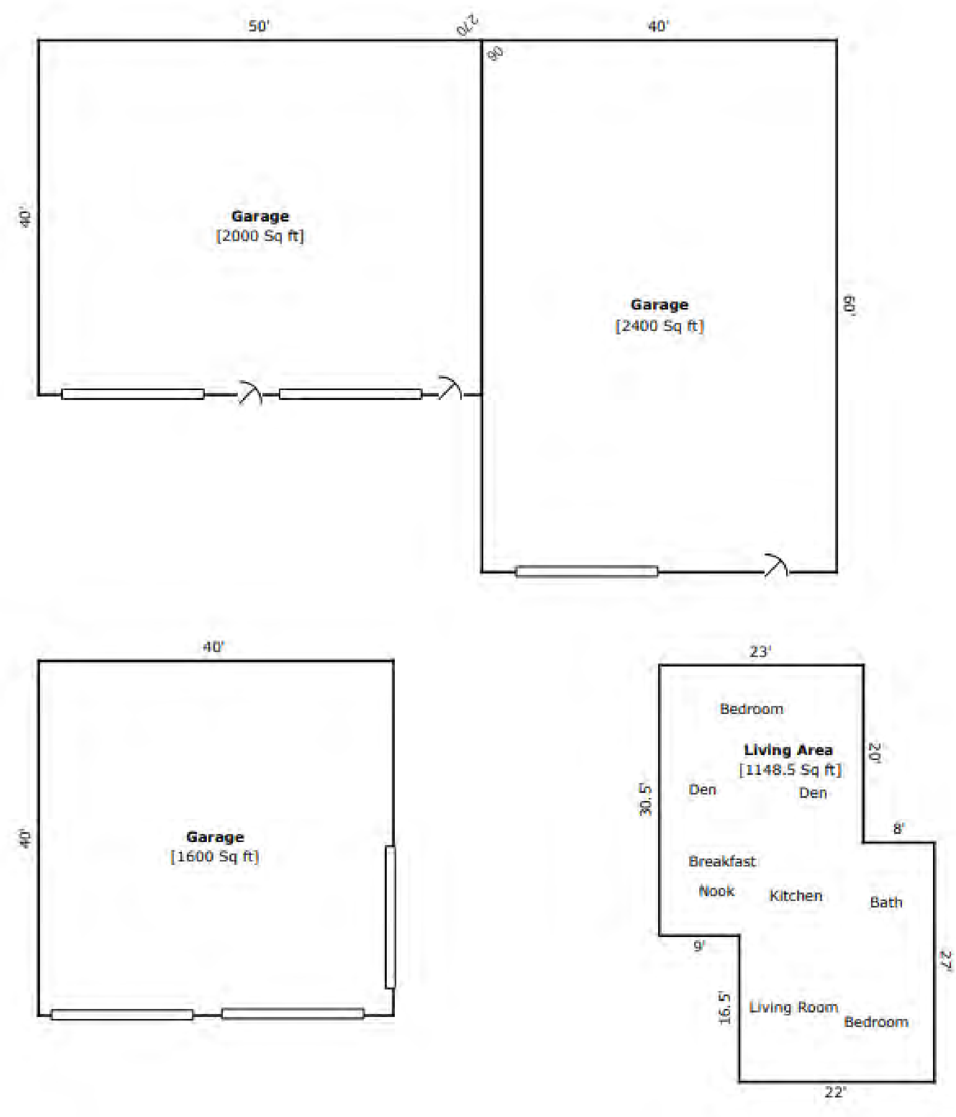




**PROPERTY DESCRIPTION/HISTORY**

The subject property is a 7,499 square foot industrial property on 19,175 square foot lot. The property includes a 1,600 square foot industrial building (Building 1), a 2,000 square foot industrial building (Building 2), a 2,400 square foot industrial building (Building 3),which were reportedly all constructed in 1984. The owner provided a video which shows a mezzanine area in Building 3. The owner stated the mezzanine area is approximately 672 square feet, but the ceiling height of about half of the space is reduced by the pitch of the roof. So 350 square feet has been added to the building area to account for the mezzanine area. Overall, clear height is 12'-16' and there are six grade level doors. There is also a 1,149 square foot former house (Building 4) constructed in 1950 that is utilized as office space. Overall office space is 15% office and remainder is warehouse/conditioned warehouse. There are two parcels with two legal addresses. Given the configuration of the buildings on the subject site, the property is one economic unit. There have been no sales of the subject in the last three years. The property is zoned M3-Heavy Industrial and the current use appears to be legal and conforming. The remaining economic life is estimated to be 25+ years.



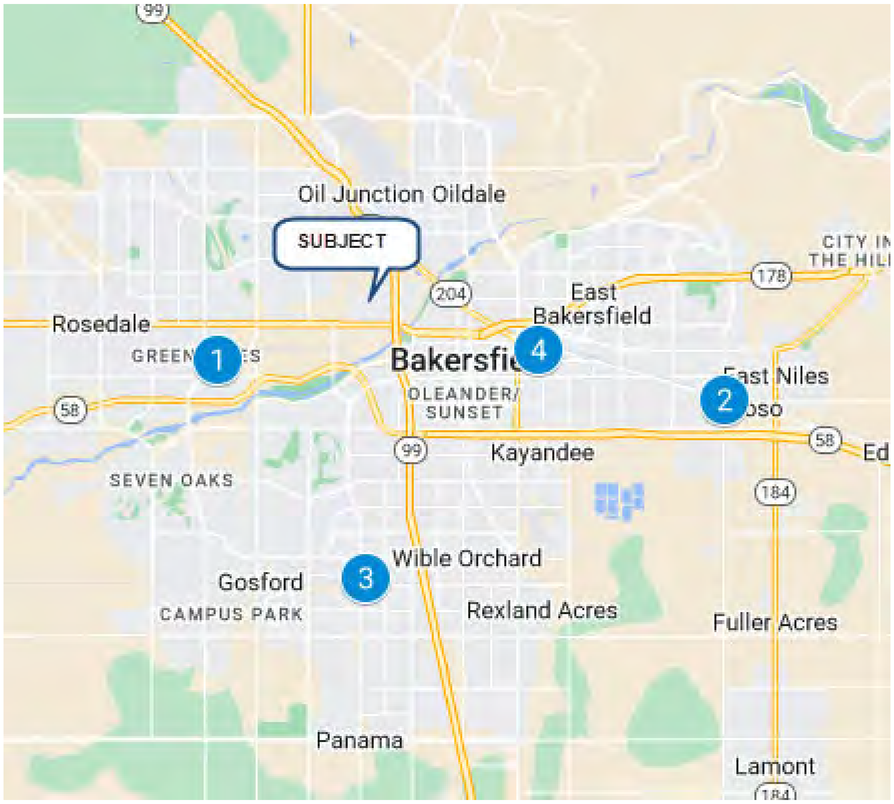
## SALES COMPARISON APPROACH

The Sales Comparison Approach is defined as a set of procedures in which an appraiser derives a value indication by comparing the property being appraised to similar properties that have been sold recently, applying appropriate units of comparison, and making adjustments based on the elements of comparison to the sale prices of the comparables. The elements of comparison are the characteristics of properties and transactions that cause the prices paid for real estate to vary. The following are the best available sales in the region with map and photos following.

**COMPARABLE SALES**

| | Subject | Sale 1 | Sale 2 | Sale 3 | Sale 4 |
|---|---|---|---|---|---|
| Address | 3531 Brian | 1619 Elzworth | 260 Fairfax | 4801 District | 501 E 21st |
| City | Bakersfield | Bakersfield | Bakersfield | Bakersfield | Bakersfield |
| Sale Date | | Jan-24 | Apr-23 | Jan-22 | Nov-21 |
| Sale Price | | $1,275,000 | $560,000 | $1,055,000 | $637,500 |
| Sales Price PSF | | $147 | $120 | $133 | $118 |
| Time Adj./Listing | | 0% | 0% | 0% | 5% |
| Financing | | Market | Market | Market | Market |
| Conditions of Sale | | None | None | None | None |
| | | 0% | 0% | 0% | 0% |
| Adj. Price | | $147 | $120 | $133 | $124 |
| Bldg. Size (SF) | 7,499 | 8,650 | 4,681 | 7,950 | 5,389 |
| Site Size (SF) | 19,175 | 35,719 | 37,897 | 26,572 | 14,810 |
| Office Space % | 15% | 11% | 15% | 40% | 15% |
| Year Built | 1984 | 2002 | 1984 | 1980 | 1980 |
| Location | | 0% | 0% | 0% | 0% |
| Quality/Appeal | | -3% | 10% | 5% | 10% |
| Age/Condition | | -5% | 0% | 0% | 0% |
| Size | | 0% | 0% | 0% | 0% |
| Office Space | | 0% | 0% | -5% | 0% |
| Overall % Adj. | N/A | -8% | 10% | 0% | 10% |
| Adj. Price PSF | N/A | $136 | $132 | $133 | $137 |

# COMPARABLE SALES MAP



## COMPARABLE SALES PHOTOGRAPHS

**Sale 1**

**Sale 2**


**Sale 3**


**Sale 4**

Various adjustments have been applied to the comparable data in correlating it to the subject property. It should be noted that the adjustment process is not intended to be a scientific approach in valuing the property, but rather a clarification of the adjustment process. The mathematics do not control the final value conclusion, but they do provide guidance as to a range of value within which the value of the subject property would most likely fall. The nominal adjusted closed sales prices of the comparables range from $132 to $127 per square foot of building. The subject's insulated/conditioned space was considered in the adjustment of the comparable sales in the quality/appeal category. Local brokers indicated properties similar to the subject property would most likely sell for $100 to $150 per square foot. Given the subject's location, age, and overall appeal, a value of $135 per square foot for the subject improvements seems appropriate and the following is concluded:

**7,499 SF x $135/SF = $1,015,000 (rounded)**

**(Market Value via Sales Comparison Approach)**

## INCOME APPROACH

The Income Capitalization Approach reflects the subject's income-producing capabilities. This approach is based on the assumption that value is created by the expectation of benefits to be derived in the future. The direct capitalization technique was utilized. The subject is leased on a gross basis.

**LEASE SUMMARY**

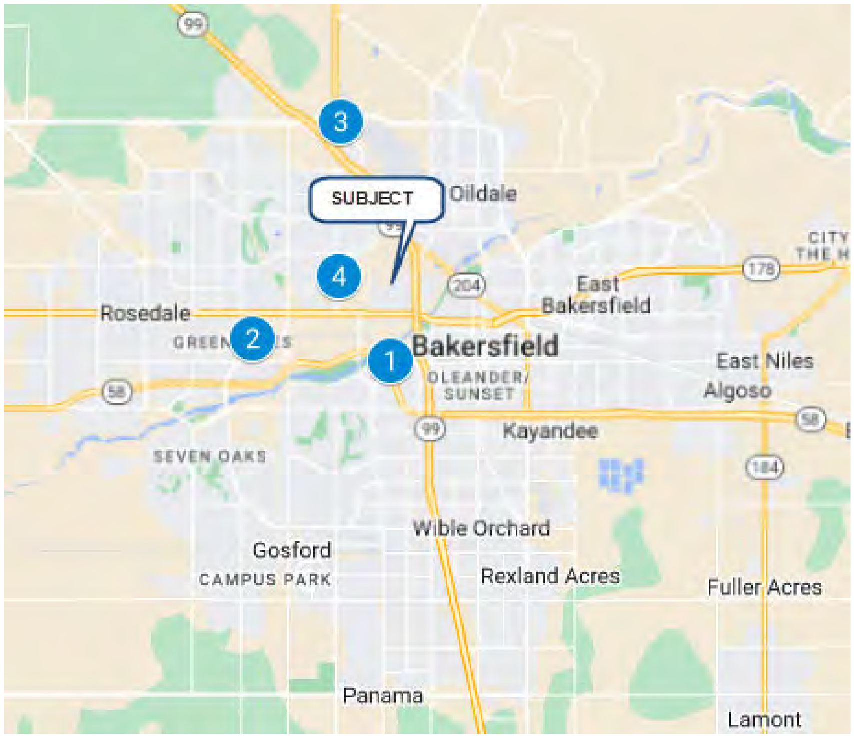
| Tenant | Lease Expiration | Size (SF) | $/SF/Mo | Monthly | Annual |
|---|---|---|---|---|---|
| Ivan Chanco | 9/30/2025 | 7,499 | $1.11 | $8,350.00 | $100,200 |

BAAR surveyed competitive properties and lease transactions for comparison to the subject.

**RENT SURVEY**

| | Property Address | Unit Size (SF) | Lease Term<br>Date | Base Rent/SF<br>Escalations | Free Rent<br>TIs (SF) |
|---|---|---|---|---|---|
| 1 | 4630 Easton Drive<br>Bakersfield | 5,000 | 2 Years<br>3/24 | $1.15/Gross<br>3% | None<br>As Is |
| 2 | 9529 Langley Road<br>Bakersfield | 4,500 | 3 Years<br>2/24 | $1.10/Gross<br>3% | None<br>As Is |
| 3 | 35312 Merle Haggard Dr<br>Bakersfield | 6,500 | 3 Years<br>5/23 | $1.17/Gross<br>3% | None<br>As Is |
| 4 | 3858 Fruitvale Avenue<br>Bakersfield | 4,800 | 4 Years<br>3/23 | $1.20/Gross<br>3% | None<br>As Is |

## COMPARABLE RENTS MAP



## COMPARABLE RENTALS PHOTOGRAPHS


**Rent 1**

**Rent 2**

**Rent 3**

**Rent 4**

Market rent ranges from $1.10 to $1.20/SF/month. Current contract rent is $1.11/SF/month, which is considered at market.

### Potential Gross Income Conclusion

Gross potential rental income for the subject is estimated as follows for the direct capitalization model.

| POTENTIAL GROSS INCOME | | | | |
|---|---|---|---|---|
| Tenant | Size (SF) | $/SF/Mo | Monthly | Annual |
| Ivan Chanco | 7,499 | $1.11 | $8,350.00 | $100,200 |

### Vacancy & Collection Loss

This is an allowance for reductions in potential income attributable to vacancies, tenant turnover, and non-payment of rent. In the direct capitalization process, a market-derived, stabilized vacancy and collection loss estimate is subtracted from potential gross income order to arrive at effective gross income. In the case of the subject property, 5% has been estimated as the stabilized vacancy and collection loss factor given projected vacancy in the subject's submarket.

### Expenses

The landlord is responsible for property taxes, property insurance, repairs & maintenance, management, and reserves. Expenses are based on similar properties in the market.

### Capitalization Rate

In order to establish a capitalization rate for the subject, the following are the best available investor sales in the region. The capitalization rate for each sale is based on existing income at the time of sale. Given the subject's age, location, and overall appeal, a capitalization rate of 7.0% was considered appropriate.

| COMPARABLE INVESTOR SALES | | | |
|---|---|---|---|
| Property | Sale Date | Size | Capitalization Rate |
| 200 Carver Street, Bakersfield | 11/2022 | 19,875 | 8.25% |
| 10131 S Enos Lane, Bakersfield | 6/2023 | 10,051 | 8.00% |
| 1400 36th Street, Bakersfield | Listing | 6,468 | 7.10% |
| 310 Industrial Way, Taft | Listing | 6,400 | 7.00% |
| Overall Range | | | 7.00%-8.25% |

| DIRECT CAPITALIZATION SUMMARY | | |
|---|---|---|
| **Income** | | |
| Potential Gross Income | | $100,200 |
| Less: Vacancy and Collection Loss | | (5,010) |
| Effective Gross Income (EGI) | | $95,190 |
| **Expenses** | | |
| Real Estate Taxes | | (11,893) |
| Direct Assessments | | (12) |
| Insurance | | (3,750) |
| Repairs & Maintenance | | (5,249) |
| Management | | (2,856) |
| Reserves | | (1,500) |
| Total Expenses | | (25,260) |
| OER | | 27% |
| **Net Operating Income** | | **$69,930** |
| Capitalization Rate: | | 7.00% |
| **Market Value Via Income Approach** | | **$999,005** |
| | **Rounded** | **$1,000,000** |

## RECONCILIATION OF VALUE INDICATIONS

The value indications given by each approach are summarized as follows:

| | |
|---|---|
| **Sales Comparison Approach** | **$1,015,000** |
| **Income Capitalization Approach** | **$1.000,000** |

The value indication of each approach was weighed, considering the quality and quantity of information available to each. The Income Approach is considered well substantiated by current market data and is felt to be the most accurate and reflective means of evaluating a property such as the subject. The final value conclusion puts the most emphasis on the Income Capitalization Approach, with support from the Sale Comparison Approach. A reliable value estimate was derived given the amount of data obtained coupled with discussions with investors and brokers involved in similar property types.

Based on the foregoing analysis, it is concluded that the market value of the leased fee interest in the subject property, “as is,” as of September 26, 2024 was:

**ONE MLLION DOLLARS**

**($1,000,000)**

# APPRAISER RESUME

APPRAISER'S NAME: **Adam J. Hardej, Jr.**
FIRM NAME: **BAAR Realty Advisors**
CA OFFICE: 3400 Lazarro Drive
Carmel, CA 92923
FAX/VM: 800-851-1855
E-MAIL: Adam@BAARrealtyadvisors.com
Field Offices: Nationwide

Employment for the Last 20+ Years

**BAAR Realty Advisors – Statewide California & Beyond** **2001 - Present**

*PRINCIPAL/OWNER – FULL-SERVICE NATIONAL REAL ESTATE APPRAISAL & CONSULTING FIRM*

- **Appraisal & Consulting**
- **Expert Witness Services**

**Key Global Finance** *(WHOLLY-OWNED SUBSIDIARY OF KEYCORP)* **1996 - 2001**

*MANAGING DIRECTOR, VP OF UNDERWRITING AND ACQUISITIONS*

- **Direct national acquisitions, due diligence and underwriting in 20+ states.**

**CB Richard Ellis** **1994 - 1996**

*VICE PRESIDENT, REGIONAL MANAGER (CA, CENTRAL VALLEY) – APPRAISAL & CONSULTING SERVICES*

- **Member Golf & Lodging specialty Valuation Group**

## Education

MBA, **THE HAAS SCHOOL OF BUSINESS, THE UNIVERSITY OF CALIFORNIA, Berkeley, CA** **1989 - 1991**
BA, **Classics / Economics, BOWDOIN COLLEGE, Brunswick, ME** **1979 - 1983**

Appraisal Courses and Seminars for the last 20+ years:

| | | | |
|---|---|---|---|
| USPAP Update | 7 hrs | 5/24 | McKissock |
| Fractional Interest Analysis | 4 hrs | 3/24 | Appraisal Institute |
| Commercial Appraisal Review | 7 hrs | 7/23 | McKissock |
| Appraising Flex Bldgs | 7 hrs | 12/22 | McKissock |
| USPAP Update | 7 hrs | 5/22 | McKissock |
| The Cost Approach | 7 hrs | 12/21 | McKissock |
| USPAP Update | 7 hrs | 5/21 | McKissock |
| Advanced Land Valuation | 7 hrs | 3/18 | Appraisal Institute |
| USPAP Update | 7 hrs | 12/17 | MBREA |
| USPAP Update | 7 hrs | 12/15 | MBREA |
| USPAP Update | 7 hrs | 4/14 | Appraisal Institute |
| USPAP Update | 7 hrs | 3/12 | Appraisal Institute |
| USPAP Update | 7 hrs | 2/10 | Appraisal Institute |
| USPAP Update | 7 hrs | 5/08 | Appraisal Institute |
| USPAP Update | 7 hrs | 2/06 | Appraisal Institute |
| HP12C Course | 7 hrs | 11/04 | Appraisal Institute |
| Resid. Subdivision Analysis | 5 hrs | 11/04 | Bert Rodgers Schools |
| URAR Review | 14 hrs | 10/04 | Bert Rodgers Schools |
| FL Law | 3 hrs | 10/04 | Appraisal Institute |
| CT Law | 3 hrs | 9/04 | Prof. Valuation & Real Estate School |
| USPAP | 16 hrs | 4/04 | Appraisal Institute |
| USPAP | 16 hrs | 3/02 | Appraisal Institute |
| Economic Outlook | 2 hrs | 1/01 | Appraisal Institute |
| Seaport Planning | 2 hrs | 5/00 | Appraisal Institute |
| General Comp Exam | MAI | 2/99 | Appraisal Institute |
| Demo Writing Seminar | 15 hrs | 9/97 | Appraisal Institute |

## Professional Licenses & Designations

- State of California, Certified General Appraiser AG018716
- Designated Appraiser – MAI & ASA
- Qualified Expert Witness: Real Estate and Municipal-based Receivables (i.e. tax liens) related cases

**Business References Available upon request**

Business, Consumer Services & Housing Agency

# BUREAU OF REAL ESTATE APPRAISERS

# REAL ESTATE APPRAISER LICENSE

**Adam J. Hardej**

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

"Certified General Real Estate Appraiser"

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

BREA APPRAISER IDENTIFICATION NUMBER: AG 018716

Effective Date: May 7, 2023
Date Expires: May 6, 2025

Angela Jemmott, Bureau Chief, BREA

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