

APPRAISAL OF:

1200 17TH STREET

SAN FRANCISCO, CALIFORNIA

PREPARED FOR:

GREATER BAY BANK

PALO ALTO, CALIFORNIA

JANUARY 2006

05-ASF-471

III. SUBJECT PROPERTY DESCRIPTION

A. Site Description

The subject property is located in San Francisco, California. It is served with typical urban utilities. Local companies supply electricity, gas and telephone service. The subject street frontage has concrete curbs, gutters and sidewalks. The topography of the subject site slopes slightly to the north toward 16th Street. The Assessor's map for the property is shown on the facing page.

The subject site is comprised of three Assessor Parcels that form a rectangular shape (except for the cutout related to the "non-owned" portion of the property.) The site has approximately 380 feet of frontage on 17th Street and a 400 feet depth between 16th and 17th Streets. A small portion of the corner of 16th and Mississippi Street has been cut off, and as a result these sides of the property have only 227 and 392 feet of frontage respectively. The total site area is approximately 139,409. This referenced site area specifically excludes the approximately 12,559 square foot "non-owned" portion as shown on the site plan on the following page. It is identified by the San Francisco Assessor's County Assessor's office as portions of Block 3949, Lots 1, 2 and Block 3950, Lot 1.

B. Environmental Observations

The subject buildings were constructed in the early 1900s. A review of a Sanborn fire map suggest that the subject building had a gas pump situated on the Mississippi Street side of the property near 17th Street. In addition, its former uses might have involved manufacturing which could result in toxic contamination. Lead based paint and asbestos are also likely present to some degree within the building. The first addendum to the pending purchase contract notes a Site Investigation Mississippi Property report prepared by Emcom Associates that reports PCBs, benzene, naphthalene, coal tar and serpentine to be present on the property. Based on inspection of the property, no other signs of hazardous waste usage or storage were noted. The appraiser is not qualified to detect such substance, and the reader is directed to the limiting condition in Chapter I of this report, which assumes that the site is clean.

C. Ownership, and Sales History

A preliminary title report was not available for review. Based on a review of public records, ownership in the subject is currently vested in Macor Inc. The current owners appear to have owned the property since the early 1980s. No other transfers are known to have occurred within the last 3 years. The subject property is currently

in contract to be sold and the appraisers have reviewed a copy of the purchase agreement. The original purchase contract is dated August 24, 2004. The pending buyer is Walden Development LLC and the seller is Macor, Inc.. The scheduled close of escrow was July 31, 2005. The first amendment to the agreement is dated September 14, 2004. It allowed for a 1031 exchange by the seller. Moreover, the amendment serves as an acknowledgment by both parties that the site has environmental contamination. As stated in Section 2.8 "As soon as practicable, and in no event later than one year after Closing, Buyer shall cause to be recorded against the Property a Covenant to Restrict Use of Property ("Environmental Restrictions") pursuant to California Civil Code section 147 1(b) (the "Covenant"). The Covenant shall be approved in writing by the California Environmental Protection Agency Department of Toxic Substances Control ("DTSC"), the San Francisco Bay Regional Water Quality Control Board ("RWQCB"), and DTSC or RWQCB successor agency, or any other governmental environmental regulatory agency asserting jurisdiction over the Property (the "Applicable Governmental Agency"). The Covenants shall restrict the Property to commercial or industrial uses for the period ending on the earlier to occur of: (a) issuance of a no Action" letter by the Applicable Governmental Agency; or (b) the twentieth (20th) anniversary date of the date of Closing. The Covenant shall "automatically" terminate on its expiration date, without any further action on the part of either party."

This amendment to the purchase contract is considered to have a significant impact on the potential uses of the property and material in the valuation of the property.

The Second Amendment to the agreement is dated January 31, 2005. This amendment allowed the buyer to conduct additional environmental assessments of the property and extended the closing date to October 15, 2005.

The Third Amendment to the agreement is dated May 19, 2005. This extended the closing date to March 31, 2006 in order to allow for continued environmental investigation.

The Fourth Amendment is dated December 9, 2005. This amendment revised the closing date to February 22, 2006.

Pending Verbally Negotiated Terms of Sale

A survey prepared by KCA Engineers, dated November 30, 2005, revealed that the seller does not have ownership rights to a portion of the property located in the former Texas Street right of way. The title to this portion of the property is held by the Port of San Francisco under a Public Trust Encumbrance. The lack of title to this portion of the larger property is somewhat surprising as about half of the "non-

IV. HIGHEST AND BEST USE AND METHODOLOGY

A. Highest and Best Use Analysis

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

Highest and best use is first analyzed assuming the property is vacant and available for development, and subsequently as improved with the subject building.

1. *As-If Vacant*

a. *Physically Possible*

The subject site is an adequately configured parcel, with all offsites and utilities in place, which could accommodate near term development. There appear to be no physical impediments to its development. Overall, physically possible alternatives for the site most strongly support industrial use.

b. *Legally Permissible*

The property is zoned for industrial, and/or warehouse use. In general, uses permitted are consistent with the existing uses in the area. Upon completion of the proposed sale of the property, residential development will not be allowed due to toxic concerns. The allowed uses on the subject appear to be commercial or industrial or a combination of these uses.

c. *Financially Feasible*

Demand for industrial in San Francisco is currently moderately strong, especially for smaller owner-user occupied buildings. The 1990s witnessed a significant increase in both rental rates and property values. In addition to the owner-user industrial market, competition for development sites is also from residential developers. The immediate area of the subject is also becoming known for retail uses.