Integra Hotels
Specialty Practice Group

Appraisal of Real Property

TownePlace Suites Redwood City
Hotel Property
1000 Twin Dolphin Drive
Redwood City, San Mateo County, California 94065

Prepared For:
County of San Mateo

Effective Date of the Appraisal:
October 1, 2020

Report Format:
Appraisal Report – Comprehensive Format

IRR - San Francisco
File Number: 192-2020-0345

TownePlace Suites Redwood City
1000 Twin Dolphin Drive
Redwood City, California

Integra Realty Resources
San Francisco

555 Meridian Avenue
Suite C
San Jose, CA 95126

T 408.299.0444
F 408.299.0449
www.irr.com

October 16, 2020

Alycia Moulton
County of San Mateo
455 County Center
Redwood City, CA 94063

SUBJECT: Market Value Appraisal
TownePlace Suites Redwood City
1000 Twin Dolphin Drive
Redwood City, San Mateo County, California 94065
IRR - San Francisco File No. 192-2020-0345

Dear Ms. Moulton:

Integra Hotels – Specialty Practice Group is pleased to submit the accompanying appraisal of the referenced property. The purpose of the appraisal is to develop an opinion of the market value of the fee simple interest in the property. The client for the assignment is County of San Mateo, and the intended use is for purchase decision making.

The subject is an existing upper-midscale, limited service, extended stay hotel containing 95 rooms. The improvements were constructed in 2002 and were renovated in 2016. The site area is 2.05 acres or 89,298 square feet.

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 and the applicable state appraisal regulations. The appraisal is also prepared in accordance with the appraisal regulations issued in connection with the Financial Institutions Reform, Recovery and Enforcement Act (FIRREA).

To report the assignment results, we use the Appraisal Report option of Standards Rule 2-2(a) 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 format contains the greatest depth and detail of IRR's available report types.

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 value is as follows:

Value Conclusion

Appraisal Premise	Interest Appraised	Date of Value	Value Conclusion
Market Value	Fee Simple	October 1, 2020	$33,000,000

Allocation of Going Concern Value

	Amount	% of Total
Tangible Property		
Land & Improvements	$31,920,000	96.7%
Tangible Personal Property (FF&E)	$1,080,000	3.3%
Total Tangible Property	$33,000,000	100.0%
Intangible Assets	$0	0.0%
Market Value*	$33,000,000	100.0%

*Specifically excluded from the valuation are cash and equivalents and current liabilities.

The allocation of value components is based on the going-concern premise, which holds that the value of a business as a going-concern is equal to the sum of the values of the tangible and intangible assets. The allocation assumes continued operation of the hotel business. Were the hotel business to cease operations, the values of the individual components would likely be different from the allocated values of the going concern.

Extraordinary Assumptions and Hypothetical Conditions

The value conclusions are subject to the following extraordinary assumptions. An extraordinary assumption is an assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions.

None.

The value conclusions are based on the following hypothetical conditions. A hypothetical condition is a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis.

None.

The use of any extraordinary assumption or hypothetical condition may have affected the assignment results.

COVID 19 Statement and Current Market Risks

Project risks that are currently known in the market include:

The outbreak of the Novel Coronavirus (COVID-19), declared an outbreak by the World Health Organization (WHO) on January 30, 2020 and subsequently reclassified as a worldwide pandemic on March 11, 2020, has created substantial uncertainty in the worldwide financial markets. Concerns about the ongoing spread of the COVID-19 (Corona) Virus have resulted in cancellations of a substantial number of business meetings, conferences, and sporting and entertainment events in the coming 3-6 months; the implementation of personal quarantine procedures; a lock-out for travel from most of Europe to the U.S.; and substantial reductions (and restrictions) in other travel by air, rail, bus, and ship.

As of the effective date of this report, tourism, lodging, and tourist-related food and beverage and retail sectors have been impacted by negative effects due to the substantial decline in social movement and activity. A prolonged outbreak could have a significant (and yet unquantifiable) impact on other real estate sectors. Our valuation is based upon the best information as of the effective date.

The hotel market is anticipated to bear the greatest negative impact caused by the COVID-19 crisis. Development of new projects and stability of existing projects are at significant risk. Hotel occupancy rates are a low as 20% to 30% and ADR's are declining. Hotel REIT's are down approximately 50%. There is some thought that the hotel market may have a reasonably quick rebound. However, the resiliency of the hotel market will not be known until the COVID-19 crisis abates. Lenders are currently reevaluating exposure to hotel loans. Many are turning away new deals and borrowers are reevaluating the need to refinance.

Given the fact that the COVID-19 crisis continues in the Bay Area, and many counties are still under various lockdown restrictions, the long-term affect cannot be fully measured. Further, given the degree of overall uncertainty present in the economy, forecasts and projections contained herein may change dramatically, or differently than projected under stable market conditions. Therefore, we recommend a more frequent review of this valuation, and advise the intended user to consider the current lack of overall economic stability in evaluating the use and reliability of the opinions expressed herein.

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 - San Francisco

Laura Diaz
Certified General Real Estate Appraiser
California Certificate # 3005037
Telephone: 408-299-0444
Email: ldiaz@irr.com

Lance Jordan, MAI
Certified General Real Estate Appraiser
California Certificate # AG012709
Telephone: 916-435-3883, ext. 232
Email: ljordan@irr.com

Jeffrey Fillmore, MAI
Certified General Real Estate Appraiser
California Certificate # AG004481
Telephone: 408-299-0444
Email: jfillmore@irr.com

Summary of Salient Facts and Conclusions

Property Name	TownePlace Suites Redwood City	
Address	1000 Twin Dolphin Drive	
	Redwood City, San Mateo County, California 94065	
Property Type	Hotel - Extended Stay Hotel	
Owner of Record	Redwood Suites, LLC	
Tax ID	095-222-330	
Land Area	2.05 acres; 89,298 SF	
Number of Rooms	95	
Gross Building Area	56,692 SF	
Year Built; Year Renovated	2002; 2016	
Zoning Designation	CP, Commercial Park	
Highest and Best Use - As if Vacant	Hold for hotel development	
Highest and Best Use - As Improved	Continued hotel use	
Exposure Time; Marketing Period	9 - 12 months; 9 - 12 months	
Effective Date of the Appraisal	October 1, 2020	
Date of the Report	October 16, 2020	
Property Interest Appraised	Fee Simple	
Market Value Indications		
Cost Approach	Not Used	
Sales Comparison Approach	$32,000,000	($336,842/Room)
Income Capitalization Approach	$33,000,000	($347,368/Room)
Market Value Conclusion	$33,000,000	($347,368/Room)

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 County of San Mateo 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.

Part Two		
Sales Comparison Approach		
Number of Sales	4	
Range of Sale Dates	May-17 to Nov-19	
Range of Unit Prices	$310,924 - $386,719	
Indicated Value	$32,000,000	($336,842/Room)
Income Capitalization Approach		
Room Income	$6,179,085	($65,043/Room)
Total Income	$6,224,785	($65,524/Room)
Departmental Expenses	$1,272,892	($13,399/Room)
Undistributed Expenses	$827,896	($8,715/Room)
Fixed Expenses	$907,802	($9,556/Room)
Total Operating Expenses	$3,382,077	($35,601/Room)
Operating Expense Ratio	54.3%	
Net Operating Income	$2,842,708	($29,923/Room)
Capitalization Rate Applied and Value	7.75%	$32,500,000
Discount Rate Applied and Value	9.75%	$33,800,000
Indicated Value	$33,000,000	($347,368/Room)
Market Value Conclusion	$33,000,000	($347,368/Room)

Extraordinary Assumptions and Hypothetical Conditions

The value conclusions are subject to the following extraordinary assumptions. An extraordinary assumption is an assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions.

None.

The value conclusions are based on the following hypothetical conditions. A hypothetical condition is a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis.

None.

The use of any extraordinary assumption or hypothetical condition may have affected the assignment results.

General Information

Identification of Subject

The subject is an existing upper-midscale, limited service, extended stay hotel containing 95 rooms. The improvements were constructed in 2002 and were renovated in 2016. The site area is 2.05 acres or 89,298 square feet. A legal description of the property is in the addenda.

Property Identification	
Property Name	TownePlace Suites Redwood City
Address	1000 Twin Dolphin Drive
	Redwood City, California 94065
Tax ID	095-222-330
Owner of Record	Redwood Suites, LLC

Sale History

To the best of our knowledge, no sale or transfer of ownership has taken place within a three-year period prior to the effective appraisal date.

Pending Transactions

To the best of our knowledge, the property is not subject to an agreement of sale or an option to buy, nor is it listed for sale, as of the effective appraisal date. However, ownership has been in preliminary discussions with the County of San Mateo regarding the potential purchase of the property. An offer letter drafted by ownership and dated August 6, 2020 presents a purchase price of $29,250,000. Our market value conclusion is approximately 13% above the proposed purchase price.

Purpose of the Appraisal

The purpose of the appraisal is to develop an opinion of the market value of the fee simple interest in the property as of the effective date of the appraisal, October 1, 2020. The date of the report is October 16, 2020. The appraisal is valid only as of the stated effective date.

Definition of Market Value

Market value is defined as:

"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)

Definition of As Is Market Value

As is market value is defined as, "The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date."

(Source: Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed. (Chicago: Appraisal Institute, 2015)*; also Interagency Appraisal and Evaluation Guidelines, Federal Register, 75 FR 77449, December 10, 2010, page 77471)*

Definition of Going-Concern Premise

Going-Concern Premise is defined as, "one of the premises under which the total assets of a business can be valued; the assumption that a company is expected to continue operating well into the future (usually indefinitely). Under the going-concern premise, the value of a business as a going concern is equal to the sum of the value of the tangible assets and the value of the intangible assets, which may include the value of excess profit, where asset values are derived consistently with the going-concern premise."

Source: Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed. (Chicago: Appraisal Institute, 2015)

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."

Source: Appraisal Institute, *The Dictionary of Real Estate Appraisal,* 6th ed. (Chicago: Appraisal Institute, 2015)

Intended Use and User

The intended use of the appraisal is for purchase decision making. The client and intended user is County of San Mateo. The appraisal is not intended for any other use or user. No party or parties other than County of San Mateo may use or rely on the information, opinions, and conclusions contained in this report.

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;

Report Format

This report is prepared under the Appraisal Report option of Standards Rule 2-2(a) 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 format contains the greatest depth and detail of IRR's available report types.

Prior Services

USPAP requires appraisers to disclose to the client any 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 performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding the agreement to perform 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	Not Applicable	Not 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 not applicable to the assignment considering the following:

- The age of the property would limit the reliability of an accrued depreciation estimate.
- There are limited land transactions in the market area of the subject, making estimates of underlying land value subjective.
- This approach is not typically used by market participants, except 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

Laura Diaz conducted an interior and exterior inspection of the property on October 1, 2020. Interior inspections included the following room types: studio, executive studio, and one-bedroom. All two-bedroom rooms were occupied as of the effective appraisal date and unavailable for inspection.

Economic Analysis

Area Analysis – San Mateo County

Introduction

The worldwide outbreak of the COVID-19 virus and the subsequent chain of events enacted in an effort to minimize the impacts of the pandemic are still in process and evolving. Healthcare and economic responses to this crisis are unfolding in the present, with limited quantifiable data available to gauge the future impact on the local, state and national economies. The following analysis is largely based on historical information as a means of identifying past demographic and general economic trends, both of which will be impacted as more time passes and data becomes available for analysis.

San Mateo County is located between San Francisco and Santa Clara Counties on the San Francisco Bay. The County covers 531 square miles and boasts 54 miles of spectacular coastline bluffs and beaches. About three-fourths of its land is in agricultural use, watershed, open space, wetlands or parks. Mild climate, abundant natural resources, picturesque foothills, creeks and old redwoods best describe San Mateo County, making it an attractive community for residents and businesses.

As one of several counties significantly contributing to the economy of the San Francisco Bay Area, San Mateo County is strategically located in proximity to world-renowned research universities – University of California at Berkeley and San Francisco and Stanford University. As a result, many leading industry employers, such as medical therapeutic leader Genentech, Fortune 500 Oracle Corporation, gaming leader Electronic Arts, and Academy Award winner PDI DreamWorks, all call San Mateo County home. Consistently, San Mateo County boasts among the highest incomes and among the lowest unemployment rates in both the state and the nation.

Population

The county has a population of 773,000 and has grown at a moderate rate of 0.3% per year for the past five years. The vast majority of county residents live in incorporated areas, the largest of which are Daly City, San Mateo and Redwood City. The following table illustrates population trends for areas within San Mateo County over the past few years.

Population Trends							
City	2015	2016	2017	2018	2019	2020	%/Yr
Atherton	6,976	6,984	7,012	7,032	7,044	7,031	0.2%
Belmont	26,896	26,973	26,976	27,017	26,983	26,813	-0.1%
Brisbane	4,569	4,649	4,657	4,662	4,659	4,633	0.3%
Burlingame	30,211	30,394	30,389	30,379	30,320	30,118	-0.1%
Colma	1,500	1,506	1,506	1,493	1,516	1,729	3.1%
Daly City	107,903	108,783	109,030	109,632	109,710	109,142	0.2%
East Palo Alto	30,236	30,680	30,856	30,990	30,979	30,794	0.4%
Foster City	32,518	32,533	32,671	32,712	33,211	33,033	0.3%
Half Moon Bay	12,060	12,382	12,408	12,450	12,480	12,431	0.6%
Hillsborough	11,322	11,328	11,372	11,413	11,421	11,418	0.2%
Menlo Park	33,440	33,494	35,269	35,503	35,454	35,254	1.1%
Millbrae	22,985	23,011	23,011	23,021	22,983	22,832	-0.1%
Pacifica	38,757	38,819	38,671	38,665	38,579	38,331	-0.2%
Portola Valley	4,582	4,620	4,618	4,625	4,623	4,607	0.1%
Redwood City	83,180	84,968	85,118	85,339	86,139	86,754	0.9%
San Bruno	45,217	45,494	45,540	45,558	45,542	45,454	0.1%
San Carlos	29,557	29,577	29,599	29,650	29,652	30,145	0.4%
San Mateo	101,830	102,922	103,139	103,605	103,569	103,087	0.2%
South San Francisco	66,884	67,220	67,232	67,268	67,221	67,879	0.3%
Woodside	5,617	5,663	5,672	5,682	5,663	5,676	0.2%
Unincorporated	65,508	65,921	66,039	66,288	66,483	66,083	0.2%
Total	**761,748**	**767,921**	**770,785**	**772,984**	**774,231**	**773,244**	**0.3%**

Source: California Department of Finance

The Bay Area consistently has among the highest housing costs in the state and nation and the lack of affordable housing is one impediment to further growth in the region. According to CoreLogic, the median sale price in the Bay Area was $865,000 in July 2020, up 6% from July 2019; the median sale price in San Mateo County was $1.38 million as of August 2020, a 1.6 percent increase over the previous year (Zillow Research). Since 2014, San Mateo County has typically had the second highest median home prices in the Bay Area, surpassed only by San Francisco.

Employment & Economy

The California Employment Development Department has reported the following employment data for San Mateo County over the past few years.

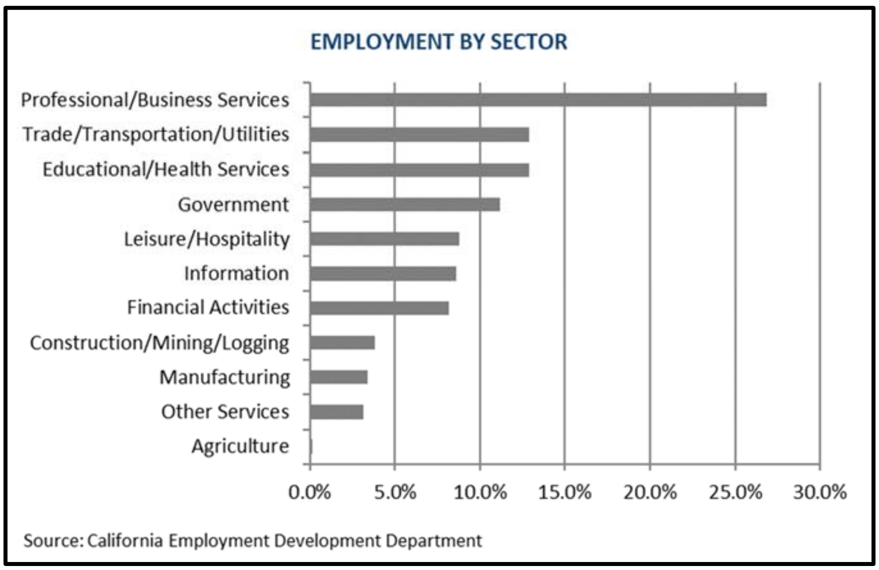
Employment Trends						
	2014	2015	2016	2017	2018	2019
Labor Force	426,900	434,300	441,800	445,500	449,500	460,000
Employment	408,900	419,400	428,300	433,400	439,300	450,600
Job Growth	12,800	10,500	8,900	5,100	5,900	11,300
Unemployment Rate	4.2%	3.4%	3.1%	2.7%	2.3%	2.0%

Source: California Employment Development Department

Most areas within the state and nation, including San Mateo County, saw declining unemployment rates in 2004 through 2006, increases from 2007 to 2010, and declines between 2011 and 2019. However, this downward trend has shifted as a result of the current COVID-19 crisis. In an effort to prevent the spread and impact of the virus, statewide public health Stay-At-Home Orders were issued in mid-March 2020, which directed residents to stay at home except to perform essential activities necessary for the health and safety of individuals and their families. These unprecedented measures left just "essential" businesses open. The closure of non-essential businesses has had a significant impact on employment, with some sectors of the workforce impacted more significantly than others.

The average annual unemployment rate in San Mateo County was 2.0% in 2019 and remained in the 2.1% to 2.8% range in the first quarter of 2020, spiking up to 11.4% in April 2020. As of August 2020, the rate has dropped to 7.5%, which is above the year ago estimate of 1.8%. This compares to rates of 11.6% for California and 8.5% for the nation in August 2020.

The California Employment Development Department reports the following allocation of total employment for each sector within the San Francisco-Redwood City- South San Francisco Metropolitan Division, which includes San Francisco and San Mateo Counties. Current employment by sector for just San Mateo County was not available as of the date of this report.



The metro's largest employment sectors are Professional and Business Services, Trade/Transportation/Utilities (including retail and wholesale trade) and Educational/Health Services. Combined, these sectors account for 53% of all employment in the metro. In San Mateo County, the Information and Leisure/Hospitality sectors historically rank just below these sectors.

Consistent with the metro and other counties in the Bay Area, the Leisure/Hospitality and Trade/Transportation/Utilities sectors have experienced the strongest impact from the policies enacted to slow the spread of COVID-19. As of August 2020, it was reported a total of 124,400 jobs (10.4%) were lost in the metro year-over-year. The greatest job loss was in the Leisure/Hospitality sector with 55,900 jobs lost, followed by the Trade/Transportation/Utilities sector with 17,900 jobs lost and Professional/Business Services with 9,300 jobs lost.

The county's largest employers are presented on the following page.

Largest Employers

	Employer	Industry	Employees
1	Facebook, Inc.	Social Network	14,000
2	Genentech Inc.	Biotechnology	9,500
3	Oracle Corp.	Computer Hardware/Software	7,535
4	County of San Mateo	Government	5,570
5	Gilead Sciences Inc.	Biotechnology	4,000
6	Walmart Labs	Retail Technology	2,000
7	You Tube LLC	Online Video Streaming Platform	2,000
8	Robert Half International, Inc.	Professional Staffing Services	1,668
9	Sony Interactive Entertainment	Interactive Entertainment	1,602
10	Electronic Arts Inc.	Interactive Entertainment	1,520

Source: County of San Mateo, Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2019

Household Income

Median household income represents a broad statistical measure of well-being or standard of living in a community. The median income level divides households into two equal segments with one half of households earning less than the median and the other half earning more. The median income is considered to be a better indicator than the average household income as it is not dramatically affected by unusually high or low values. According to the U.S. Census Bureau, the median household income for San Mateo County in 2018 dollars was $113,776, which was significantly higher than the state of California's median income of $71,228. The county's income is the second highest among all California counties.

Transportation

The San Mateo County area is well served by State Highway 101. This freeway runs in a north-south direction and travels through the center of the county. It provides access to the city and county of San Francisco to the north. To the south, State Highway 101 provides access to San Jose and other areas of Santa Clara County. Further south, State Highway 101 travels through Salinas and then onto the Central Coast of California. Another major arterial in the County is Interstate 280, which commences in San Francisco near the San Francisco-Oakland Bay Bridge at Highway 101, and then bisects the County and the peninsula before terminating at Interstate 880 in San Jose. The Pacific Coast Highway (Highway 1) also travels through San Mateo County; specifically, through Daly City, Pacifica, and Half Moon Bay. To the north of the County, Highway 1 eventually crosses the Golden Gate Bridge, providing access to Marin County to the north of San Francisco. The East Bay Area is most proximately accessible via the San Mateo-Hayward Bridge in Foster City and the Dumbarton Bridge (Highway 84) in the Menlo Park/East Palo Alto area, both of which connect to Interstate 880 across the bay.

San Mateo County offers extensive public transportation, the most notable of which is the Bay Area Rapid Transit (BART). There are currently six stations in the county. In June 2003, BART opened the Millbrae/SFO extension, which included four new stations – South San Francisco, San Bruno, San Francisco International Airport (SFO) and Millbrae. In June 2004, Caltrain launched the Baby Bullet train service, which provides express service including travel between San Francisco and San Jose in less than an hour. In 2005, Caltrain doubled the number of Baby Bullet trains (from 10 to 22).

San Francisco International Airport (SFO) is located in an unincorporated area of the county. According to the Airports Council International of North America, SFO is consistently one of the top 15 busiest airports in the nation in terms of both passenger and cargo volume. The airport is accessed along State Highway 101, between the cities of Millbrae and San Bruno.

The Redwood City Port is also located in the county. The Port has a deep-water channel and handles bulk and specialty cargo including lumber, scrap metal and liquid cargos. Each year, the Port handles about two million metric tons of cargo.

Recreation & Culture

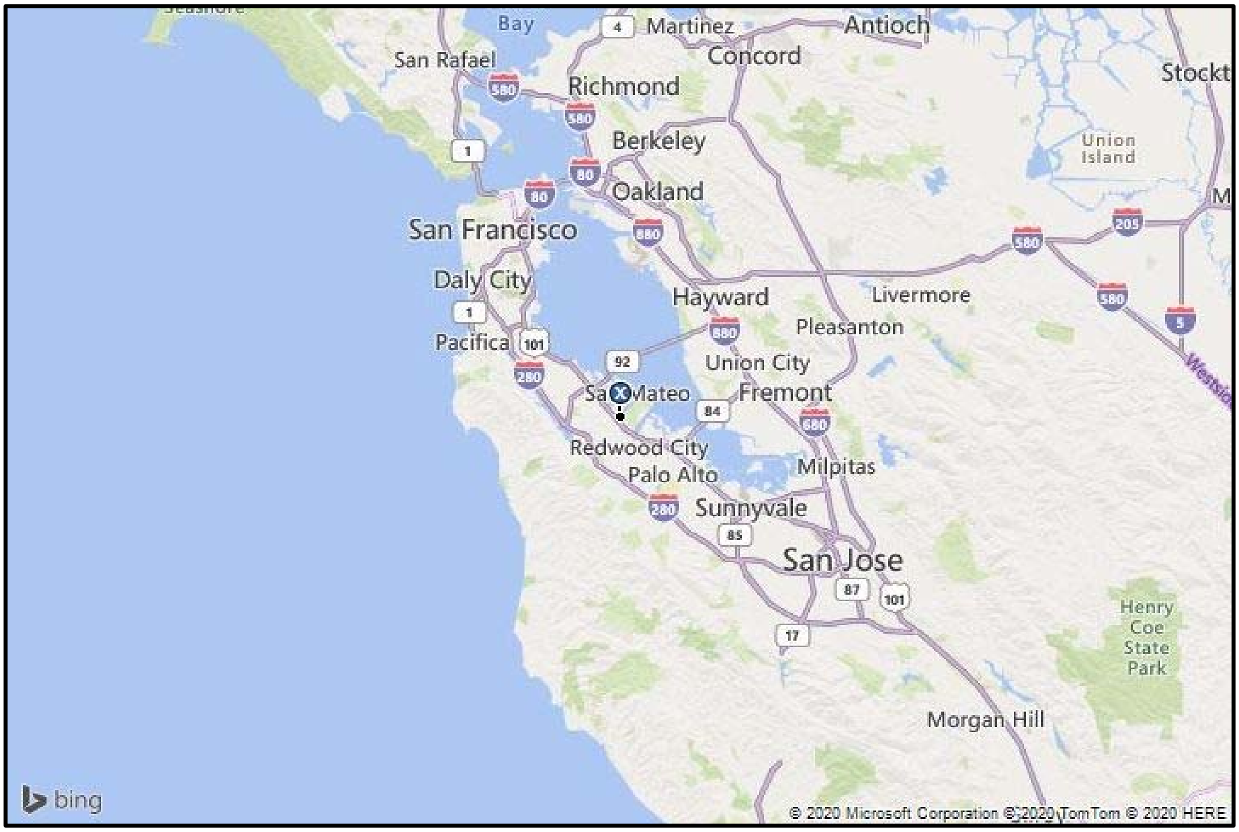
The County operates 17 regional parks in a wide variety of natural settings, including a coastal marine reserve, a bayside recreational area, coastal mountain woodland areas, and urban sites. Northern San Mateo County is home to eight parks including Coyote Point, Coyote Point Marina, Crystal Springs, Fitzgerald Marine Reserve, Junipero Serra, San Bruno Mountain, San Mateo Fishing Pier, and San Pedro Valley Park. Mid- and southern county parks include Edgewood Park, Flood Park, Huddart Park, Wunderlich Park, Heritage Grove, Memorial Park, Pescadero Creek, and Sam McDonald Park. The county is also known for its extensive trail system. San Mateo County hosts an annual County Fair each summer, located near the intersection of U.S. Highway 101 and State Highway 92.

Conclusion

San Mateo County is one of California's most affluent regions, with income and home prices nearly the highest in the state. Among the county's most notable advantages are its central location in the San Francisco Bay Area, picturesque surroundings, mild climate and diverse employment opportunities. The area also boasts extensive transportation routes, strong schools and an abundance of shopping centers, public services and recreational activities.

After a period of contraction in the economy and real estate markets between 2008-2010, the region experienced improvement in employment and economic conditions, with unemployment rates falling to historical lows in recent years. However, employment conditions declined sharply in April and May 2020 following stay-at-home mandates and business closures, and the near-term outlook is uncertain as a result of the COVID-19 pandemic. A better understanding of the potential impacts will be gained as economic policies aimed at financial relief and resuming business operations are implemented. The historical stability of the local economy bodes well for the long-term outlook for the region.

Area Map



Bay
Martinez
Antioch
San Rafael
Concord
Stockt
Richmond
Berkeley
Union Island
Oakland
San Francisco
Daly City
Hayward
Livermore
Pleasanton
Pacifica
Union City
San Mateo
Fremont
Redwood City
Palo Alto
Milpitas
Sunnyvale
San Jose
Henry Coe State Park
Morgan Hill
bing
© 2020 Microsoft Corporation © 2020 TomTom © 2020 HERE

Surrounding Area

Boundaries

The subject is located within Redwood City, in southern San Mateo County. Redwood City is bordered by the San Francisco Bay to the north, Atherton and North Fair Oaks to the east, Interstate 280 to the south, and San Carlos to the west.

A map identifying the location of the property follows this section.

Access and Linkages

Primary highway access to the area is via Highway 101 and Interstate 280. Highway 101, also known as the Bayshore Freeway, runs north/south through Santa Clara County and San Mateo County before connecting to San Francisco and Marin County to the north. To the southeast, Highway 101 runs through San Jose before continuing south. The subject is located one mile east of the nearest Highway 101 interchange. Interstate 280 generally runs parallel to Highway 101, but along the eastern edge of the Peninsula and Silicon Valley's various open space preserves. Interstate 280 travels north into San Mateo and San Francisco, where it intersects with Highway 101 before terminating just before Interstate 80. To the southeast, Interstate 280 runs through San Jose before connecting with Interstates 880 and 680. California State Route 82, or El Camino Real, is a major commercial thoroughfare which provides local access throughout the Peninsula and Silicon Valley. El Camino Real runs somewhat parallel to Highway 101 before joining Interstate 280 in San Francisco and intersecting with Interstate 880 to the south in San Jose. In addition, the Dumbarton and San Mateo bridges, which connect Highway 101 with the East Bay area, are approximately nine miles south and six miles north of the subject, respectively.

Redwood City benefits from multiple public transportation options. Caltrain provides rail access throughout the Peninsula and Silicon Valley and runs from San Francisco to Gilroy. Proximity to Caltrain is highly sought after by local residents commuting to employment centers in San Francisco and Silicon Valley. The nearest Caltrain station is located approximately 1.1 miles west of the subject property in San Carlos. In addition, SamTrans provides bus service throughout Redwood City and San Mateo County. Redwood City also operates a free, on-demand shuttle service which provides service to the Hoover and Fair Oaks communities. Despite this, the overall primary mode of transportation in the area is the automobile.

The San Francisco International Airport is located approximately twelve miles north of the subject, just east of Highway 101. The Norman Y. Mineta San Jose International Airport is located approximately twenty-four miles southeast of the subject property, just south of Highway 101.

Demographic Factors

A demographic profile of the surrounding area, including population, households, and income data, is presented in the following table.

Surrounding Area Demographics

2020 Estimates	5-Minute Drive Time	10-Minute Drive Time	15-Minute Drive Time	San Mateo County
Population 2010	18,839	223,130	436,586	718,451
Population 2020	20,733	244,496	473,025	774,995
Population 2025	21,604	254,056	490,458	802,800
Compound % Change 2010-2020	1.0%	0.9%	0.8%	0.8%
Compound % Change 2020-2025	0.8%	0.8%	0.7%	0.7%
Households 2010	7,760	83,341	164,131	257,837
Households 2020	8,546	91,472	177,689	277,710
Households 2025	8,898	95,046	184,149	287,483
Compound % Change 2010-2020	1.0%	0.9%	0.8%	0.7%
Compound % Change 2020-2025	0.8%	0.8%	0.7%	0.7%
Median Household Income 2020	$143,643	$127,166	$137,063	$126,620
Average Household Size	2.4	2.6	2.6	2.8
College Graduate %	62%	54%	58%	51%
Median Age	41	40	40	41
Owner Occupied %	57%	51%	55%	59%
Renter Occupied %	43%	49%	45%	41%
Median Owner Occupied Housing Value	$1,410,307	$1,424,433	$1,887,130	$1,323,470
Median Year Structure Built	1978	1968	1966	1966
Average Travel Time to Work in Minutes	31	32	31	32

Source: Environics Analytics

As shown above, the current population within a 10-minute drive time of the subject is 244,496, and the average household size is 2.6. Population in the area has grown since the 2010 census, and this trend is projected to continue over the next five years. Compared to San Mateo County overall, the population within a 10-minute drive time is projected to grow at a faster rate.

Median household income is $127,166, which is similar to the household income for San Mateo County. Residents within a 10-minute drive time have a higher level of educational attainment than those of San Mateo County overall, while median owner occupied home values are also higher.

Land Use

Redwood City is generally suburban in character given the presence of off-street parking and the predominance of residential housing. The subject is located in northern Redwood City, within the Redwood Shores neighborhood, which is located closer to the cities of Belmont and San Carlos than the remainder of Redwood City. Redwood Shores is located east of Highway 101, while downtown Redwood City (and the majority of city boundaries) is located 3.4 miles south of the subject on the west side of Highway 101. Overall, the area is approximately 95% developed.

The subject is located in an area characterized by a mix of office and commercial uses. The neighborhood has a high concentration of office and research and development properties, with residential use concentrated northeast of the subject along Redwood Shore Parkway. Just north of the subject is a community center known as The Marketplace at Redwood Shores, which is anchored by Nob Hill Foods and includes a variety of restaurants and financial institutions.

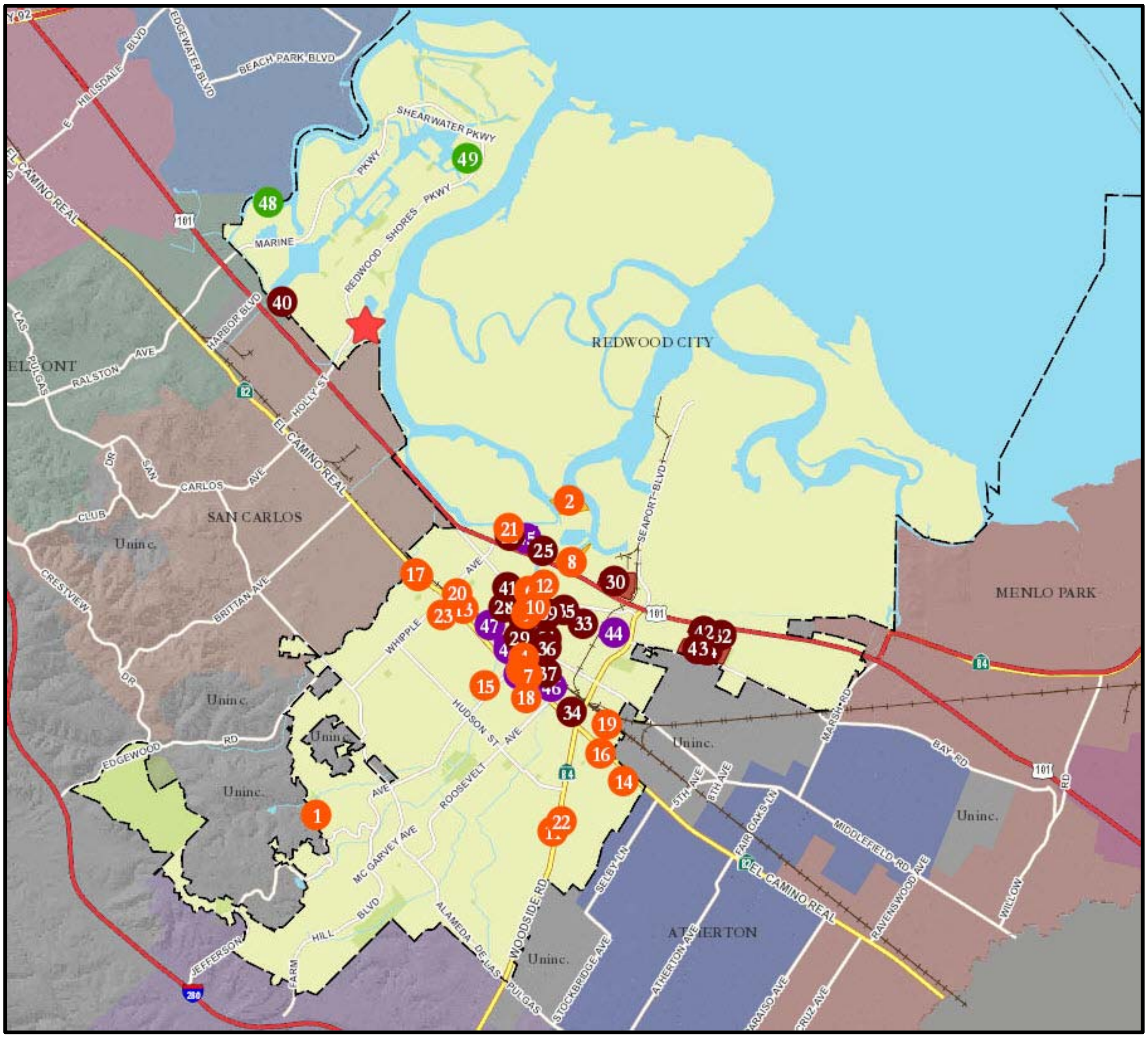
Land uses immediately surrounding the subject are commercial in nature; land use characteristics are summarized in the following table.

Surrounding Area Land Uses	
Character of Area	Suburban
Predominant Age of Improvements	20+ years
Predominant Quality and Condition	Average
Approximate Percent Developed	95%
Infrastructure/Planning	Average
Predominant Location of Undeveloped Land	Infill

Subject's Immediate Surroundings	
North	Shores Child Development Center
South	San Carlos Airport
East	Steinberger Slough / Bair Island
West	Bay Club Redwood Shores – includes swimming pools, tennis courts, etc.

Outlook and Conclusions

The area is in the stable stage of its life cycle. Recent development activity has been focused infill and redevelopment due to the lack of vacant land available for development, with much of this activity clustered around downtown Redwood City. The following map depicts proposed, under construction, and recently completed projects in Redwood City. Orange icons reflect residential development, red icons depict commercial development, and purple icons indicate mixed use projects.



The subject location is indicated by the red star. Icons 48 and 49, proximate to the subject, reflect school projects, while Icon 40 is a proposed office development. The majority of planed development is clustered west of CA-84, around downtown Redwood City. To the best of our knowledge, only one hotel is proposed and approved for the area: a 90-room Holiday Inn Express and Suites is planned for the downtown area.

In addition, we also searched for proposed development in San Carlos and Belmont, given the proximity of these cities to the subject. Our search returned no proposed hotel projects in Belmont and one project in San Carlos: a 104-room Hyatt Place hotel has been approved and is under construction at 26 El Camino Real in San Carlos, approximately 1.7 miles from the subject property.

Given the history of the area and the growth trends, it is anticipated that property values will increase over the long term, though the COVID-19 pandemic casts some uncertainty over the near term.

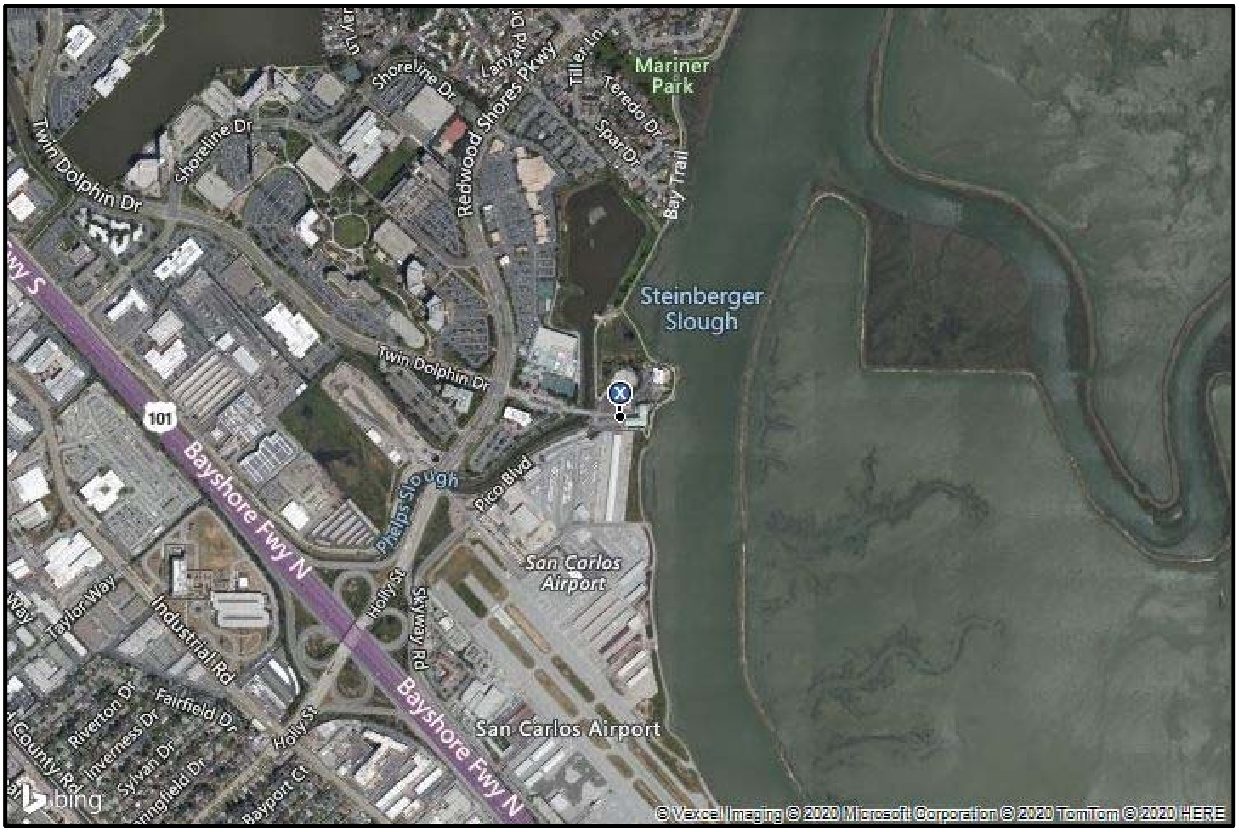
As of the effective date of this report, tourism, lodging, and tourist-related food and beverage and retail sectors are experiencing negative effects due to the substantial decline in social movement and activity. A prolonged outbreak could have a significant impact on other real estate sectors, especially considering the surge in unemployment in recent weeks and months.

Given the degree of overall uncertainty present in the economy, forecasts and projections contained herein may change dramatically, or vary from projections under stable market conditions. Our valuation is based upon the best information as of the effective appraisal date.

In comparison to other areas in the region, the area is rated as follows:

Surrounding Area Attribute Ratings	
Highway Access	Above Average
Demand Generators	Average for the Peninsula
Convenience to Supporting Land Uses	Average
Convenience to Public Transportation	Below Average
Employment Stability	Average to Above Average
Police and Fire Protection	Average
Property Compatibility	Average
General Appearance of Properties	Average

Surrounding Area Map



Property Analysis

Land Description and Analysis

Location

The property is located at the terminus of Twin Dolphin Drive, approximately one mile east of Highway 101.

Land Area

The following table summarizes the subject's land area.

Land Area Summary

Tax ID	SF	Acres
095-222-330	89,298	2.05
Total	89,298	2.05

Shape and Dimensions

The site is generally rectangular in shape; 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.

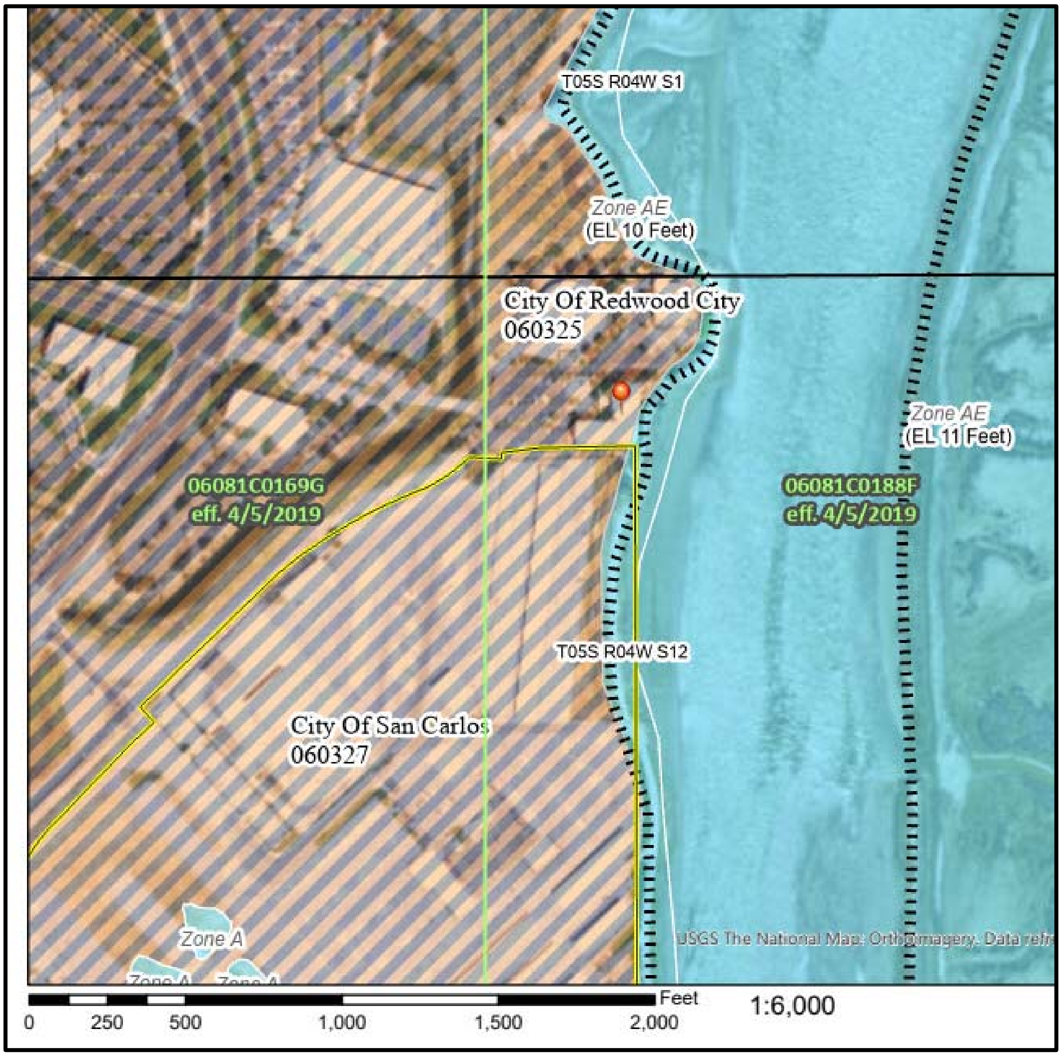
Flood Hazard Status

The following table provides flood hazard information.

Flood Hazard Status

Community Panel Number	06081C0188F
Date	April 5, 2019
Zone	X (Shaded) / AE
Description	Within 500-year floodplain / Within 100-year floodplain
Insurance Required?	No / Yes

A small portion of the eastern section of the site is within the 100-year floodplain, as indicated by the following map. However, this does not appear to negatively impact the improvements.



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.

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.

Seismic Hazards

All properties in California are subject to some degree of seismic risk. The Alquist-Priolo Earthquake Fault Zoning Act was enacted by the State of California in 1972 to regulate development near active earthquake faults. The Act required the State Geologist to delineate "Earthquake Fault Zones" (formerly known as "Special Studies Zones") along known active faults in California. Cities and counties affected by the identified zones must limit certain development projects within the zones unless geologic investigations demonstrate that the sites are not threatened by surface displacement from future faulting.

According to information from the California Geological Survey (formerly known as the Division of Mines and Geology), the subject is not located within an Alquist-Priolo Special Studies Zone. However, the subject is located within a liquefaction zone.

Streets, Access and Frontage

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

Streets, Access and Frontage

Street	1000 Twin Dolphin Drive
Frontage Feet	30
Paving	Asphalt
Curbs	Yes
Sidewalks	Yes
Lanes	2 way, 1 lane each way
Direction of Traffic	East/West
Condition	Average
Traffic Levels	Low
Signals/Traffic Control	None
Visibility	Below average

Utilities

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

Utilities

Service	Provider
Water	Redwood City
Sewer	Redwood City
Electricity	Pacific Gas & Electric
Natural Gas	Pacific Gas & Electric
Local Phone	Various Providers

Zoning

The subject is zoned CP, Commercial Park, by Redwood City. According to the Redwood City Planning and Zoning Department, the purpose of the CP zone is as follows:

> “To provide areas appropriate for large-scale corporate offices, research and technology offices, and administrative and professional offices in a campus-like environment, to promote the development of employment and administrative activities, and serve local and regional markets. Limited accessory financial, retail, service, and lodging uses are permitted. Development in the shoreline locations of the Commercial Park Zoning District should react to the Bay location and the provision of trails and pedestrian access to the shoreline is strongly encouraged.”

Specific zoning requirements are summarized in the following table.

Zoning Summary

Zoning Jurisdiction	Redwood City
Zoning Designation	CP
Description	Commercial Park
Legally Conforming?	Appears to be legally nonconforming
Zoning Change Likely?	No
Permitted Uses	Commercial, office, and hotel uses
Category	**Zoning Requirement**
Minimum Lot Width (Feet)	100 ft
Minimum Setbacks (Feet)	Front - 25 ft / Side - 30 ft total for both sides / Rear - 25 ft
Maximum Building Height	100 ft
Maximum Floor Area Ratio	0.8
Parking Requirement	1 space per room

According to the local planning department, there are no pending or prospective zoning changes. It appears that the current use of the site is a legally non-conforming use, as the subject offers one less parking space than the number required under current zoning regulations; the subject includes 94 parking spaces, planning and zoning requires one space per room, or 95 parking spaces. However, according to planning and zoning documents, the subject was granted a conditional use permit and is considered a legally non-conforming use. In addition, local zoning codes have been edited and amended since the construction of the subject improvements. Further, according to a zoning verification letter from Redwood City dated October 22, 2015, “The City has no records of outstanding Building or Zoning Code violations on the property.”

Other Land Use Regulations

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

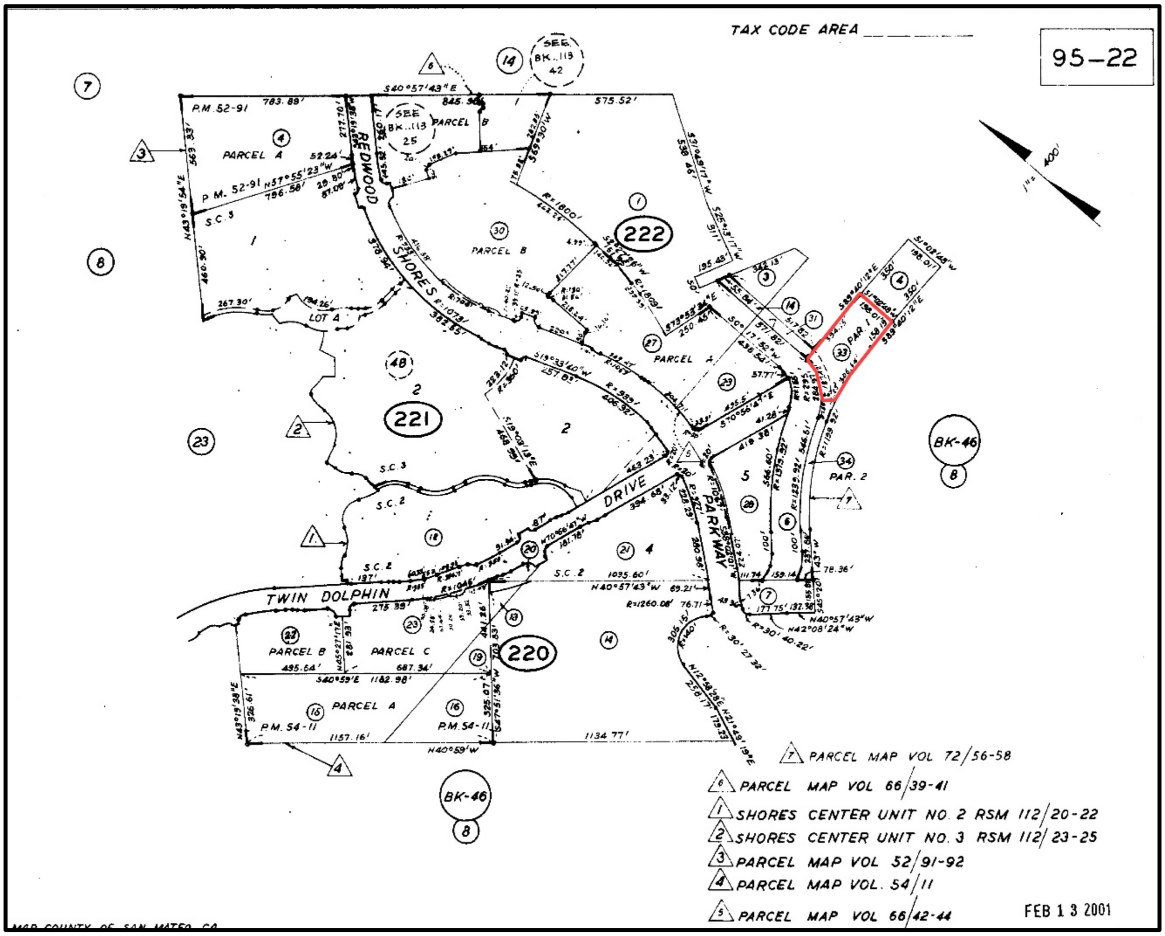
Easements, Encroachments and Restrictions

We have reviewed a preliminary title report prepared by First American Title Insurance Company and dated September 1, 2020. The report identifies exceptions to title, which include various utility and access easements that are typical for a property of this type. Such exceptions would 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.

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. Positive factors for a hotel use include the proximity to Highway 101 and proximity to prominent Bay Area employers. As will be discussed, the majority of the subject's guests travel to the area for work. Negative factors for hotel development include a lack of visibility from the main thoroughfare.

Plat Map


TAX CODE AREA
95–22
TWIN DOLPHIN
DRIVE
REDWOOD
SHORES
PARKWAY
221
222
220
BK-46
PARCEL MAP VOL 72/56-58
PARCEL MAP VOL 66/39-41
SHORES CENTER UNIT NO. 2 RSM 112/20-22
SHORES CENTER UNIT NO. 3 RSM 112/23-25
PARCEL MAP VOL 52/91-92
PARCEL MAP VOL. 54/11
PARCEL MAP VOL 66/42-44
FEB 1 3 2001

Assessor Aerial

Improvements Description and Analysis

Overview

The subject is an existing upper-midscale, limited service, extended stay hotel containing 95 rooms. The improvements were constructed in 2002 and were renovated in 2016. The site area is 2.05 acres or 89,298 square feet. The following description is based on our inspection of the property and discussions with ownership.

Improvements Description	
Name of Property	TownePlace Suites Redwood City
General Property Type	Hotel
Property Sub Type	Extended Stay Hotel
Number of Buildings	One
Stories	Four
Construction Class	D
Construction Type	Wood frame
Construction Quality	Average
Condition	Average
Number of Rooms	95
Rooms per Acre (Density)	46.3
Gross Building Area (SF)	56,692
Land Area (SF)	89,298
Floor Area Ratio (GBA/Land SF)	0.63
Building Area Source	Public Records
Year Built	2002
Year Renovated	2016
Actual Age (Yrs.)	18
Estimated Effective Age (Yrs.)	15
Estimated Economic Life (Yrs.)	50
Remaining Economic Life (Yrs.)	35
Number of Parking Spaces	94
Source of Parking Count	Inspection
Parking Type	Surface
Parking Spaces/Room	1.0

The subject improvements were constructed in 2002 and include four stories with one elevator. The subject underwent a $1,768,000 PIP (property improvement plan) renovation in 2016. The renovation included updates to common areas, guest rooms, and FF&E, with the exception of kitchen appliances in guest rooms. According to ownership, the next PIP is scheduled for April 2023. However, Marriott is currently permitting hotels with PIPs due in 2020 to defer renovation plans until 2021 and 2022. Ownership expects to receive a similar one year deferment, with the subject's next PIP projected to be pushed to 2024.

Construction Details	
Foundation	Concrete Slab
Structural Frame	Wood Frame
Corridor	Interior
Exterior Walls	Painted EIFS
Windows	Aluminum Frame
Roof	Hipped Metal Roof
Interior Finishes	–
Floors	Carpet / Ceramic Tile / Vinyl Tile
Walls	Painted and Textured Drywall
Ceilings	Finished and Painted
HVAC	Central for Common Areas / PTAC in Rooms
Electrical	Assumed Adequate
Plumbing	Assumed Adequate
Hot Water	Multiple Boilers
Elevators	One
Rest Rooms	Common Area - One Men's, One Woman's
Sprinklers	Wet
Security	Security Cameras

Room Mix

The subject’s room mix and building areas are detailed in the following table.

Room Mix and Amenities

Room Type	Count
Studio	69
Executive Studio	8
One Bedroom	15
Two Bedroom	3
Total	95
Lobby/Breakfast Area	
Business Center	
Sundry Shop	
Fitness Room	
Outdoor BBQ / Patio	
Guest Laundry	

Furniture, Fixtures & Equipment (FF&E)

As previously noted, non-realty items necessary for the continued operation of the property include the room and common area FF&E.

Furniture, Fixtures & Equipment

Location	Description
Guest Rooms	Queen beds, pillows, linens, night stands, alarm clock, desk, chair, desk lamp, phones, television, television stand, sofa, ottoman, end table, lamps, wall art, full refrigerator, dishwasher, oven/range, microwave, toaster, coffee maker, dishes, pots and pans, utensils, curtains/drapes, towels/bath linens, trash cans
Lobby/Breakfast Area	Tables, chairs, televisions, mirror, wall art, coffee carafes
Business Center	Desk, chair, computer, printer
Sundry Shop	Mini refrigerators
Fitness Room	Two treadmills, one elliptical, towels
Outdoor BBQ / Patio	Grill, patio furniture (tables, chairs, sofa, etc.), umbrellas, trash can
Laundry	Guest laundry: three guest washers, four guest dryers, ice machine; Staff laundry:
Breakfast Prep Area	Microwave, coffee carafes, carts, pancake/waffle mix maker, food storage containers,
Offices/Service Desk	Desks, chairs, cabinets, computers

Room Features and Hotel Amenities

	At Subject	Comments
Room Features		
Television	x	
Cable/Satellite	x	
Iron / Board	x	
Hair Dryer	x	
Coffee Maker	x	
Jacuzzi		
Wireless Internet	x	
Wired Internet	x	
Keycard Access	x	
Safe	x	
Microwave / Refrigerator	x	Full refrigerator
Fully Equipped Kitchen	x	Diswasher, oven/range, dishes, pots, pans, utensils
Hotel Amenities		
Indoor Pool		
Outdoor Pool		
Fitness Center	x	
Restaurant		
Bar / Lounge		
Parking	x	
Guest Laundry	x	
Business Center	x	
Wireless Internet	x	
Wired Internet	x	
Complimentary Breakfast	x	
Outdoor BBQ	x	

Improvements Analysis

Quality and Condition

The improvements are of average quality construction, are in average to good condition, and have been renovated over the years on an as-needed basis. Most recently, in 2016, management completed a $1,768,000 PIP renovation which included updates to common areas, guest rooms, and FF&E, with the exception of kitchen appliances in guest rooms.

According to ownership, the next PIP is scheduled for April 2023. However, Marriott is currently permitting hotels with PIPs due in 2020 to defer renovation plans until 2021 and 2022. Ownership expects to receive a similar one year deferment, with the subject's next PIP projected to be pushed to 2024.

The quality and maintenance of the subject is considered to be consistent with that of competing properties. Overall, the market appeal of the subject is consistent with competing properties in the area.

Functional Utility

The improvements appear to be adequately suited to their current use. Our inspection did not reveal any items of functional obsolescence.

Deferred Maintenance

No deferred maintenance is apparent from our inspection, and none is identified based on discussions with management.

Planned Capital Expenditures

We are not aware of any planned capital expenditures.

ADA Compliance

The subject includes five ADA compliant guest rooms. Based on our inspection and information provided, we are not aware of any ADA issues. However, we are not expert in ADA matters, and further study by an appropriately qualified professional would be recommended to assess ADA compliance.

Hazardous Substances

A Phase I environmental report was prepared for the subject by EBI Consulting and dated October 2, 2015. The main objective of the report was to "identify recognized environmental conditions" in connection with the property. According to the report, EBI Consulting recommended further actions be taken for the subject property.

An environmental assessment report was not provided for review and environmental issues are beyond our scope of expertise. No hazardous substances were observed during our inspection of the improvements; however, we are not qualified to detect such substances. Unless otherwise stated, we assume no hazardous conditions exist on or near the subject.

Conclusion of Improvements Analysis

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

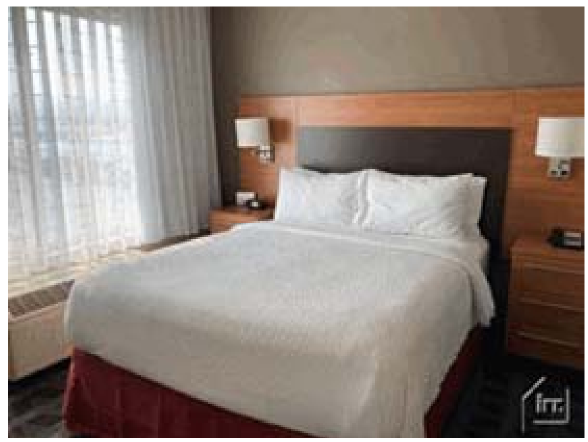
Improvements Ratings	
Visibility/Exposure	Below Average
Design and Appearance	Average
Age/Condition	Average
% Sprinklered	Average
Lobby	Average
Interior Amenities	Average
Floor to ceiling heights	Average
Elevators	Average
Room Sizes and Layouts	Average
Bathrooms	Average
Parking Ratios	Average
Landscaping	Average
Room Features	Average
Hotel Amenities	Average

Overall, the quality, condition, and functional utility of the improvements are average for their age and location. The property has below average visibility/exposure, given its location at the terminus of Twin Dolphin Drive. However, some of the guest rooms enjoy water views of the San Francisco Bay.

Exterior


Entry


Exterior


Bedroom


Kitchen


Living Area and Desk

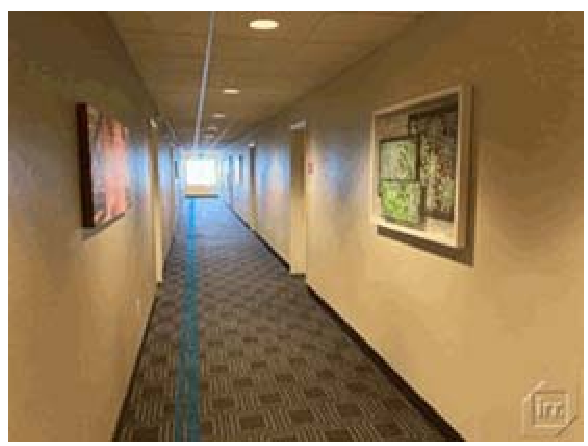

Bedroom


Living Area and Desk


Bathroom


Bedroom


Kitchen

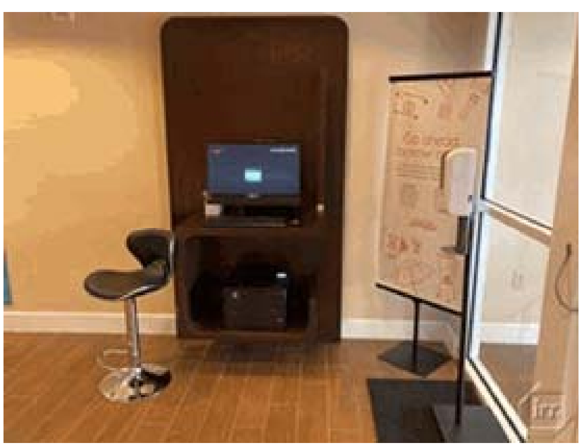

Hallway

Breakfast Area / Communal Table

Breakfast Area

Breakfast Prep Room

Sundry Shop



Business Center

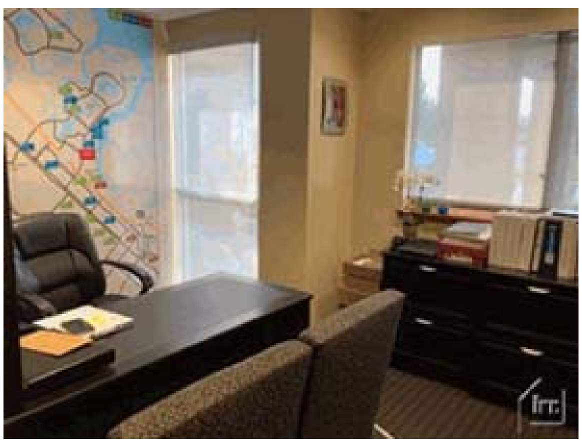
Guest Laundry


Fitness Room


Common Area Restroom


Staff Laundry / Employee Break Room


Employee Break Room


Typical Office Space


Outdoor Seating and BBQ Area

Mechanical Room

Twin Dolphin Drive – Facing East

Twin Dolphin Drive – Facing West

Real Estate Taxes

The property tax system in California was amended in 1978 by Article XIII to the State Constitution commonly referred to as Proposition 13. It provides for a limitation on property taxes and for a procedure to establish the current taxable value of real property by reference to a base year value, which is then modified annually to reflect inflation (if any). Annual increases cannot exceed 2% per year.

The base year was set at 1978-76 or any year thereafter in which the property is substantially improved or changes ownership. When either of these two conditions occurs, the property is to be reappraised at market value, which becomes the new base year assessed value. Proposition 13 also limits the maximum tax rate to 1% of the value of the property, exclusive of bonds and direct charges. Bonded indebtedness approved prior to 1978, and any bonds subsequently approved by a two-thirds vote of the district in which the property is located, can be added to the 1% tax rate.

Real estate taxes and assessments for the current tax year are shown in the following table.

Taxes and Assessments - 2020/21

	Assessed Value			Taxes and Assessments			
					Ad Valorem		
Tax ID	Land	Improvements	Total	Tax Rate	Taxes	Direct Assessments	Total
095-222-330	$3,272,332	$11,786,488	$15,058,820	1.110200%	$167,183	$10,507	$177,690

According to the San Mateo County Treasurer Tax Collector's Office, the subject property is encumbered by six direct assessments which represent annual charges that cannot be paid off. One of the direct charges represents bond debt, Redwood Shores Traffic Improvement District CFD, which expires in the year 2033. Based on the current annual payment and remaining term, and using a discount rate of 6%, the present value of bond debt is estimated at $88,866 (or approximately $1.57 per square foot of gross building area). According to public records, the owner is current on property taxes.

As the definition of market value presumes a sale, the *Income Capitalization Approach* section will consider the tax rate applied to the value conclusion, plus direct assessments, when calculating property tax expenses for the subject property.

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

In accordance with the definition of highest and best use, it is appropriate to analyze the subject property as though vacant as it relates to legal permissibility, physical possibility, financial feasibility and maximum productivity. The site is zoned CP, Commercial Park. Permitted uses include commercial, office, and hotel uses. To our knowledge, there are no legal restrictions such as easements or deed restrictions that would effectively limit the use of the property. Prior to COVID-19, the Bay Area hospitality market remained strong; however, the lodging industry has been one of the hardest hit commercial segments by the pandemic. It is our opinion the highest and best use of the subject as if vacant is to hold the site for future development.

As Improved

As with the highest and best use as though vacant, the four tests of highest and best use must also be applied to the subject property considering the in-place improvements. Consideration must be given to the continued as-is use of the subject, as well as alternative uses for the property. The potential alternative uses consist of demolition, expansion, conversion or renovation. A discussion of the possible "as improved" uses is offered below and on the following page.

Demolition

One alternative would be to demolish the existing improvements, creating a vacant site. The subject is a 95-room hotel which has been well maintained over the years. Demolition would not be financially feasible because the value of the property as improved exceeds the value of the land as though vacant (less demolition costs). Therefore, demolition is not considered economically prudent.

Expansion

The subject property exhibits a floor area ratio of 0.63, based on the gross-building area of the improvements in relation to the land area of the site. The improvements are currently configured in such a way that no excess or surplus land exists given parking requirements under zoning regulations, and the subject's location next to the San Francisco Bay. As such, expansion is not considered appropriate.

Conversion

The subject buildings were specifically constructed for hotel use. Conversion to a significantly different use would not be financially feasible and may not be legally permissible. Therefore, conversion is not an appropriate alternative.

Renovation

The property has been updated over the years, with the most recent PIP renovation occurring in 2016. The improvements and FF&E are in average to good condition; no renovations are required as of the effective appraisal date. According to ownership, the subject's next PIP is scheduled for April 2023. However, Marriott is currently permitting hotels with PIPs due in 2020 to defer renovation plans until 2021 and 2022. Ownership expects to receive a similar one-year deferment, with the subject's next PIP projected to be pushed to 2024.

Continued Use – As-Is

The subject property can legally and physically continue to be utilized in its exact as-is condition. Continued use of the subject for hospitality use is both financially feasible and maximally productive.

Conclusion

Legal, physical and financial considerations, as well as alternative uses, have been analyzed to evaluate the highest and best use of the subject property as improved. Based on this analysis, the subject's highest and best use as improved is for continuation of the existing use as a hotel.

Most Probable Buyer

Taking into account the size and characteristics of the property, the likely buyer is a regional or national investor.

Lodging Market Analysis

National Trends

The IRR 2019 Viewpoint for the National Hospitality Market is presented as below, followed by a mid-2020 update in light of the COVID-19 pandemic.

The current expansion cycle has reached 115 months. The lodging market has been operating at peak levels for the past three years as the expanding economy absorbed new supply growth. On the surface, the 2019 U.S. lodging market appears to have had positive performance, but the market clearly experienced a slowdown in NOI and profits and a storm appears to be looming on the horizon.

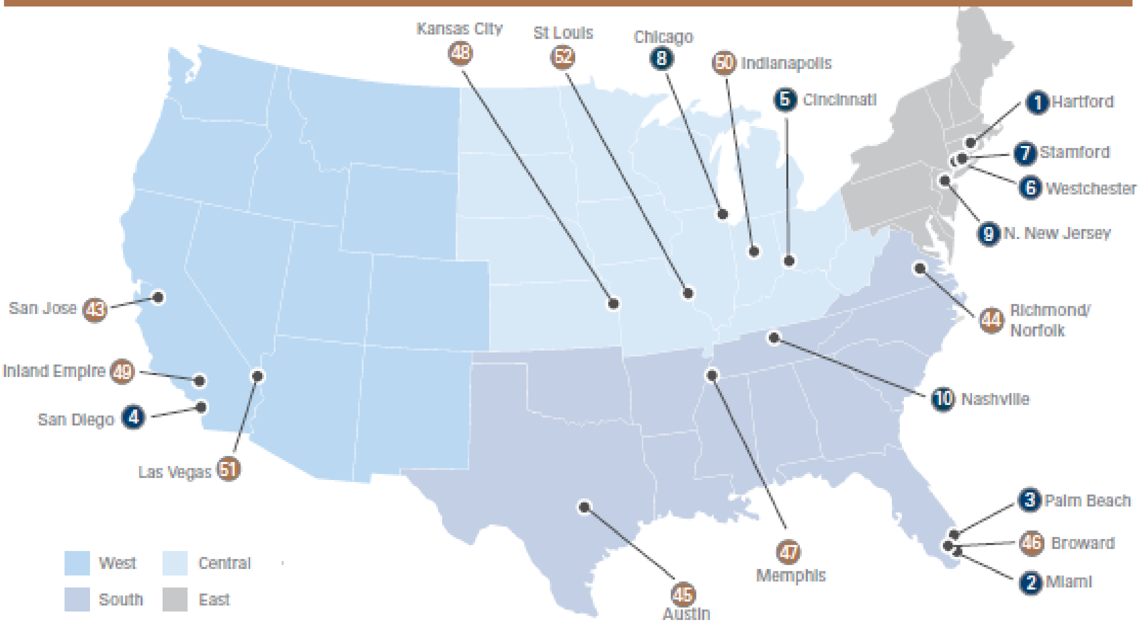
A storm appears to be looming on the horizon.

What is causing this turbulence? Lackluster demand growth of 1.2% has not been strong enough to overcome a 2% increase in supply—and supply will continue to increase through 2021. This supply growth puts downward pressure on room rates. Occupancy rates began to flatten in 2019 and, according to STR, despite nine successive years in RevPar growth, the growth level has now decreased by 1%, leading to the worst year since the last recession. NOI and profits have been compressed due to increasing wages and salaries. Increased expenses, combined with flattening occupancies, are offsetting modest ADR growth that is not exceeding the rate of inflation. STR and Tourism Economics latest projections for 2020 forecast a decrease of 0.4% in occupancy to 65.7%; a modest increase in ADR of +0.9% to $132.50 and a modest increase in RevPar of +0.5% to $87.10. Supply is forecast to remain flat, when compared to 2019 at +2.0% and demand is expected to lag 2019 at +1.5%. This is ultra-significant, as there have been two consecutive months of negative RevPar growth, with 19 of the top 25 markets reporting decreases in RevPar. This clearly indicates a slowdown in the U.S. hotel market. The good news is that STR projects that 19 of the Top 25 markets are expected to see RevPar increases in 2020.

TRANSACTION VOLUME:

Transaction volumes, as measured by Real Capital Analytics (RCA), reached $40.6 billion annually over through Q3 2019. The South Region led all markets with $14.2 billion in sales, followed by the West at $12.1 billion, the East at $10.6 billion, and the Central at $3.7 billion. This volume represents a year-over-year increase of 18.5%. A total of 1,968 properties were sold, containing over 248,000 units. The 12-month average price per unit was $143,000/key with an average cap rate of 8.6%.

TOP MARKETS BY HOSPITALITY TRANSACTION VOLUME BASED ON YOY PERCENTAGE CHANGE



Bulls (Top 10)

2019 Rank	City	YOY Change	Total 4Q18-3Q19	Vol. Rank*
1	Hartford	801.7%	$71.7 M	50
2	Miami	621.2%	$1,562.6 M	5
3	Palm Beach	517.0%	$1,228.9 M	9
4	San Diego	394.5%	$1,466.5 M	7
5	Cincinnati	312.1%	$297.3 M	24
6	Westchester	286.1%	$92.4 M	47
7	Stamford	232.7%	$53.2 M	51
8	Chicago	223.5%	$1,482.0 M	6
9	Northern NJ	203.0%	$576.8 M	18
10	Nashville	200.6%	$770.9 M	16

Bears (Bottom 10)

2019 Rank	City	YOY Change	Total 4Q18-3Q19	Vol. Rank*
43	San Jose	-42.9%	$234.0 M	29
44	Richmond/Norfolk	-43.4%	$196.9 M	35
45	Austin	-44.9%	$212.7 M	33
46	Broward	-47.4%	$295.3 M	25
47	Memphis	-54.2%	$78.0 M	49
48	Kansas City	-59.3%	$114.6 M	41
49	Inland Empire	-66.1%	$169.3 M	37
50	Indianapolis	-71.7%	$99.1 M	45
51	Las Vegas	-79.4%	$112.3 M	42
52	St Louis	-84.9%	$42.1 M	52

* Volume Ranking is based on the overall transaction volume among 52 markets nationally

IRR HOSPITALITY OVERVIEW:

Full Service and Limited Service cap rates dropped to 9% and 8.7%, (-14 and -9 bps respectively) throughout 2019. The 2020 outlook anticipates that 51.7% of markets should see cap rates remaining constant, down from 60.6% in 2019. Approximately 32.7% of markets tracked expect Cap Rates to increase slightly (between 1 – 25 bps) over the next 12 months and 7% of markets expect Cap Rates to increase between 25 – 49 bps.

A total of 89.3% of IRR markets tracked entering 2020 are in the Expansion phase. The only exceptions are Louisville, experiencing Hypersupply market conditions, Pittsburgh experiencing Recession market conditions, and Dayton experiencing Recovery.

On average, Full Service ADRs are expected to increase at a rate of slightly lower than 1% in 2020, versus 2.4% in 2019. Expense growth rates are expected to increase in 2020, to 1.19%, versus 2.73% this time last year.

On average, Limited Service room rates are expected to increase at a rate of slightly less than 1% in 2020; down from 2.51% in 2019. Expense growth rates for 2020 for Limited Service properties are expected to drop to 1.23%, versus 2.67% at this time last year. The only Limited Service market expecting 4%+ ADR growth is Charleston.

IRR's research indicates that 63% of markets should see increased valuations over the next 12 months, while 4% of markets should see a decrease in valuations during the same period.

Entering 2020, the Full Service product is In Balance in 81% of markets, and only 7% of markets are 2+ years away from being considered In Balance, with the remaining only 1 or 2 years away from reaching equilibrium. By comparison, 73% of Limited Service markets are In Balance, with another 23% within 2 years from being In Balance.

Property Income has supplanted Supply/Demand as the #1 factor likely to impact institutional real estate cap rates, followed by the Investment segmentation (local, regional, national, international) and National economic conditions/GDP growth.

Local economy, job growth and unemployment ranked as the #1 factor likely to impact non-institutional real estate cap rates, followed by the Investment segmentation (local, regional, national, international), and then Supply/Demand.

NOTABLE SALES AND M & A:

Mega M&A transactions are slowing, but Eldorado Resorts is reportedly planning to purchase Caesar's Entertainment Corp in a $17.3 billion deal, creating the largest owner/operator of U.S. gaming assets. Aimbridge Hospitality closed on its merger with Interstate Hotels & Resorts in October 2019, creating a combined company that will operate 1,400 branded and independent properties in 49 states and 20 countries. Park Hotels & Resorts closed on its $2.5 billion acquisition of Chesapeake Lodging Trust. Rumors have continued to circulate on either Marriott or InterContinental Hotels Group pursuing Accor.

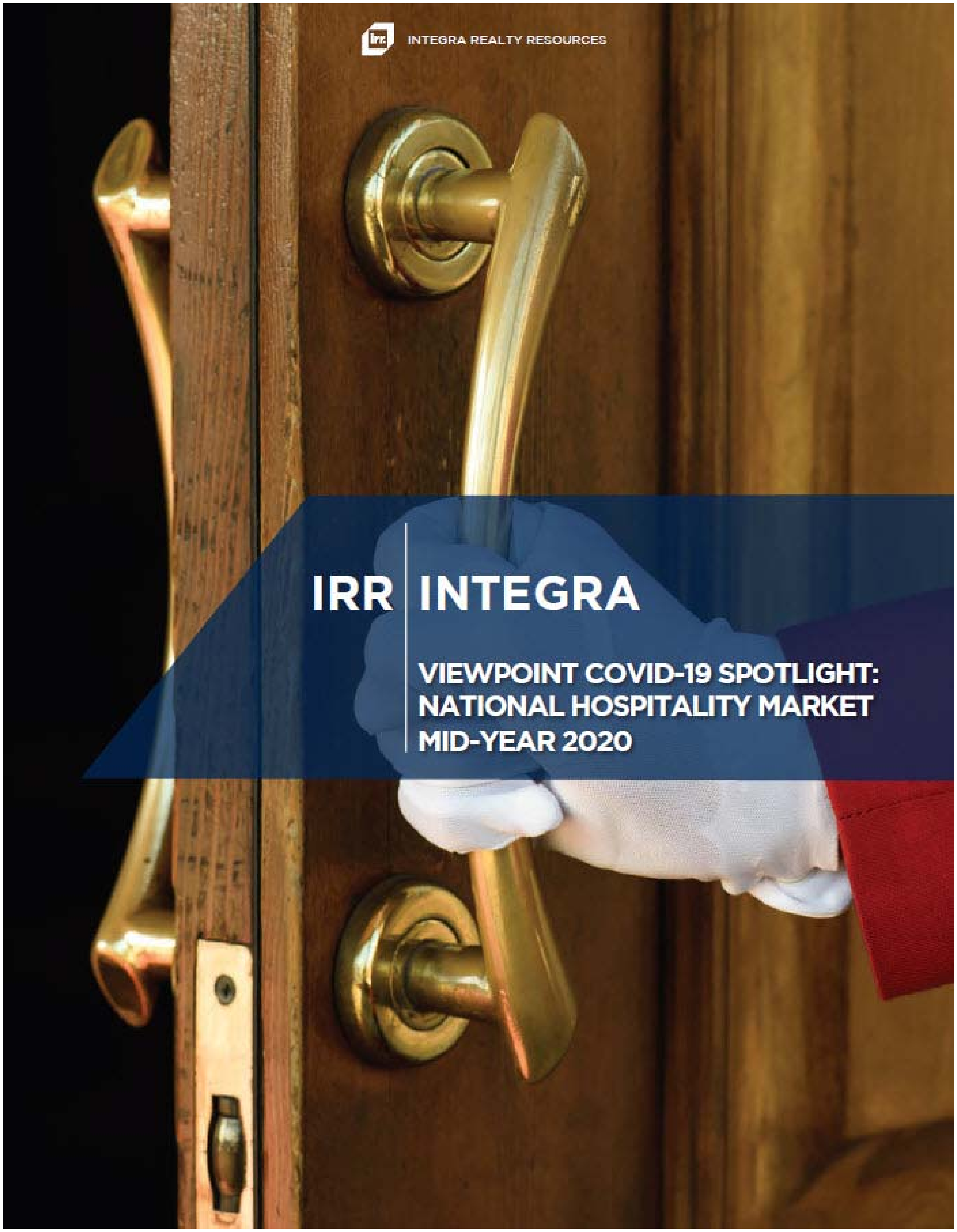
U.S. HOTEL CONSTRUCTION PIPELINE:

According to Lodging Econometrics, the U.S. construction pipeline stood at 5,704 projects (+6% YOY) and 700,496 rooms (+8% YOY). Marriott continues to dominate the construction pipeline, followed by Hilton. As of the end of Q3 2019, Marriott had opened 193 new hotels with 24,208 rooms, accounting for 30% of all new hotel rooms that opened in the U.S. Marriott has a pipeline of 1,484 projects and 196,023 rooms, an increase of 8% YOY. Hilton's 198 new hotels account for 285 of newly opened rooms, followed by IHG with 104 new hotels accounting for 13% of new rooms. Hilton Worldwide's pipeline stood at 1,373 projects and 153,408 rooms as of Q3 2019, with both Marriott and Hilton's pipeline standing at near all-time high levels. Despite eight consecutive quarters of growth, construction starts have decreased for two consecutive quarters and pipeline growth is anticipated to top out in 2020/2021.

CURRENT AND EMERGING TRENDS:

Millennials, along with their affinity to technology and higher hotel service expectations, are still dominating the travel demographics. Hotel operators are expected to continue to cater to this demographic, with the expansion of digital technology in smart rooms and IoT, with emerging trends identified as Artificial Intelligence, Virtual Reality, Augmented Reality, Robots and Facial Recognition. Operators will continue to cater to the current "hot button" demands for culturally immersive experiences, local experiences, amenities, personalization and sustainability, all while focusing on the expansion of direct bookings. Operators are expanding the availability of healthy organic food and drinks.

Modular construction is gaining momentum in the U.S. and could become the norm in a few years. According to Gensler Design, the modular option is not necessarily cheaper than conventional construction, but there are advantages in cutting time to market, thereby mitigating cost overruns and other risks. The prefabrication process also results in a higher-quality product. Expansion of this trend is being facilitated as lenders get on board with the typical 60 – 70% of entire construction cost needed up front to purchase the modules. Marriott will open it's 32nd modular hotel, this one being the world's tallest modular hotel, a 26-story, $26 million modular tower in New York City in 2020.


INTEGRA REALTY RESOURCES
IRR INTEGRA
VIEWPOINT COVID-19 SPOTLIGHT:
NATIONAL HOSPITALITY MARKET
MID-YEAR 2020

INTEGRA REALTY RESOURCES

NATIONAL HOSPITALITY MARKET

INTRODUCTION

As we entered 2020, the COVID 19 pandemic was just beginning to emerge and the impact was not yet a significant consideration.

On January 30th, the World Health Organization declared a global emergency, signaling that COVID 19 had spread beyond China. On January 31st, President Trump announced travel restrictions, barring entry by any foreign nationals who had traveled to China in recent weeks.

On March 11th, the World Health Organization officially designated COVID 19 as a pandemic, citing 118,000 cases worldwide and the presence of the virus on all continents except Antarctica. In response, President Trump proposed a ban on all incoming travel from European countries and issued a Global Level 3 health advisory urging all U.S. citizens to reconsider travel abroad.

The following day, U.S. stocks fell approximately seven percent at market open, entering bear market territory, with the travel industry bearing the brunt of the hit.

UNEMPLOYMENT LEVELS

As the coronavirus' spread accelerated in March, government restrictions were put in place and many businesses shut down or were severely curtailed. On April 3rd, the U.S. Department of Labor issued March unemployment data reflecting a total of 701,000 job losses in March. The leisure and hospitality sector shed 459,000 jobs, the rough equivalent of 65% of all job losses in March. The loss was the largest historical monthly decline in the sector, effectively wiping out two years of employment gains.

Job losses which began in the hospitality sector accelerated and the industry shed approximately 7.7 million jobs in April, eclipsing job losses for all other sectors.

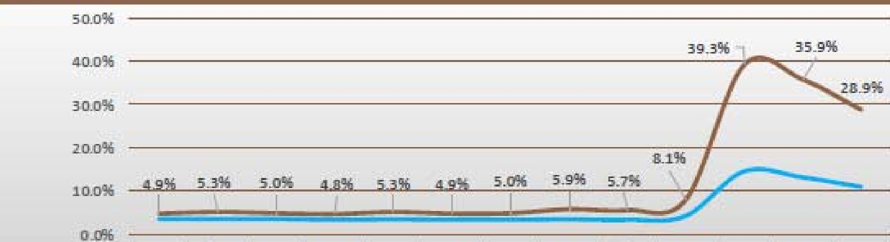
As a result, the U.S. unemployment rate soared to 14.7% in April, the highest level recorded since the Great Depression. Initial jobless claims for the four weeks ending April 11th soared to around 21 million, bringing the total number of unemployed to approximately 25 million, or almost 15% of the US labor force.

During the same period, the unemployment rate for the leisure and hospitality sector reached a staggering 39.3%, eclipsing the U.S. overall unemployment rate of 14.7%.

INTEGRA REALTY RESOURCES

UNEMPLOYMENT LEVELS (Continued)

Leisure & Hospitality Unemployment Rate Compared to U.S. Unemployment Rate



	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20
Hospitality	4.9%	5.3%	5.0%	4.8%	5.3%	4.9%	5.0%	5.9%	5.7%	8.1%	39.3%	35.9%	28.9%
U.S.	3.7%	3.7%	3.7%	3.5%	3.6%	3.5%	3.5%	3.6%	3.5%	4.4%	14.7%	13.3%	11.1%

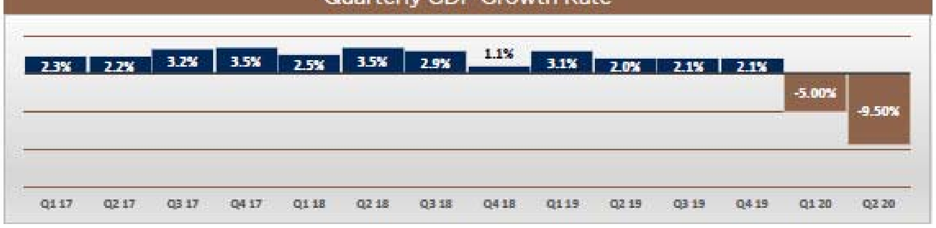
GROSS DOMESTIC PRODUCT

According to the United States Bureau of Economic Analysis, real GDP decreased 5.0% in the first quarter of 2020 and 9.5% in the second quarter of 2020, following a 2.1% increase in the fourth quarter of 2019.

The decline in first quarter GDP reflected the response to the spread of COVID-19, as governments issued "stay-at-home" orders in March, leading to rapid changes in demand, as businesses and schools switched to remote work or canceled operations, and consumers canceled, restricted, or redirected spending.

The decrease in real GDP in the first quarter reflected negative contributions from Personal Consumption Expenditures ("PCE"), private inventory investment, exports, and nonresidential fixed investment that were partly offset by positive contributions from residential fixed investment, federal government spending, and state and local government spending. The decrease in PCE reflected a decrease in services, led by health care as well as food services and accommodations.

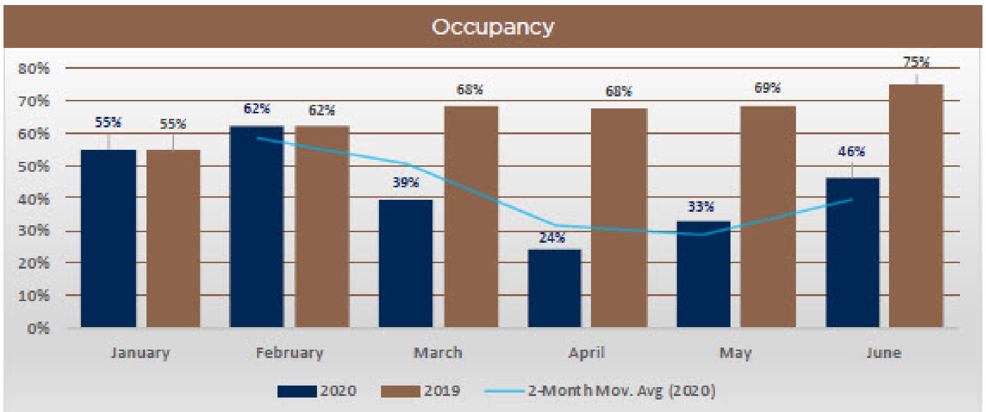
Quarterly GDP Growth Rate



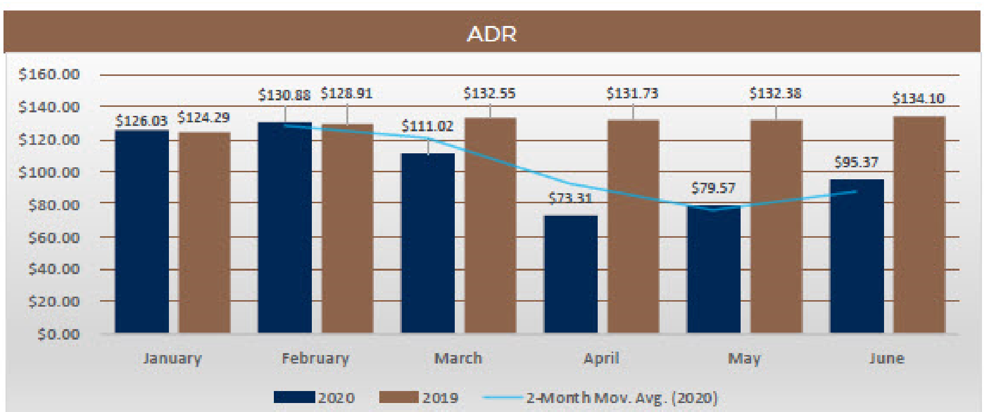
INTEGRA REALTY RESOURCES

LODGING METRICS TAKE A DIVE

As the spread of the virus progressed, states around the United States initiated varying levels of lockdown protocols, and hotel operators followed suit. The impact of the restrictions took hold in late February, and by March, overall U.S. occupancy levels plummeted to 39%, a 63% decline from the prior month and 2019 levels. As the spread of COVID 19 increased, overall U.S. occupancy declined an additional 15%, to 24% in April, an approximately 65% decline from 2019 levels for the same period.



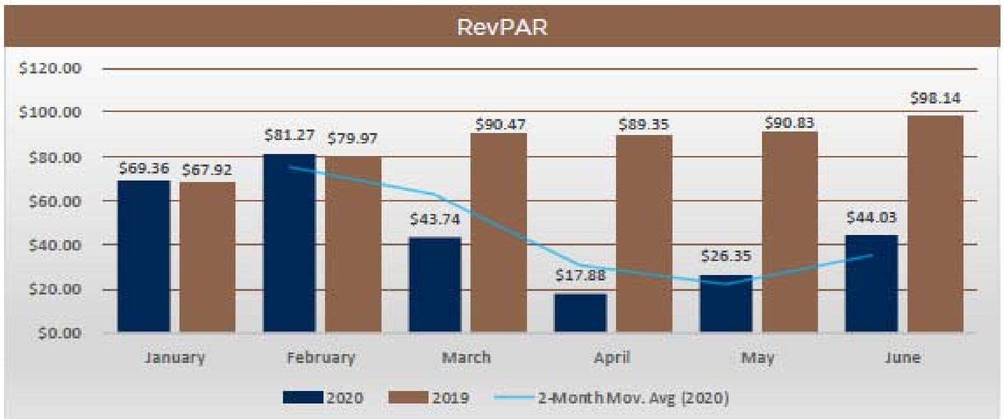
ADR declined in tandem with occupancy declines, with a 16% decline from prior year ADR in March, followed by a 56% decline from prior year ADR in April, to $73.31.



INTEGRA REALTY RESOURCES

LODGING METRICS (Continued)

Declines in both occupancy and ADR translated into a 48% decline in RevPAR from 2019 figures in March, followed by a staggering 80% decline in April 2020.



The full-service chain scale exhibited the steepest declines, while the impact on economy and extended stay segments was less severe. Economy and midscale brands located in outlying suburbs and "drive to" markets where social distancing is easier captured a higher portion of any existent leisure transient demand as compared to urban counterparts. As economy and midscale properties exhibit lower operating costs and break-even thresholds, many were able weather the trough of the downturn better than properties in higher chain scale segments.

IMPACT ON TOP 25 MARKETS

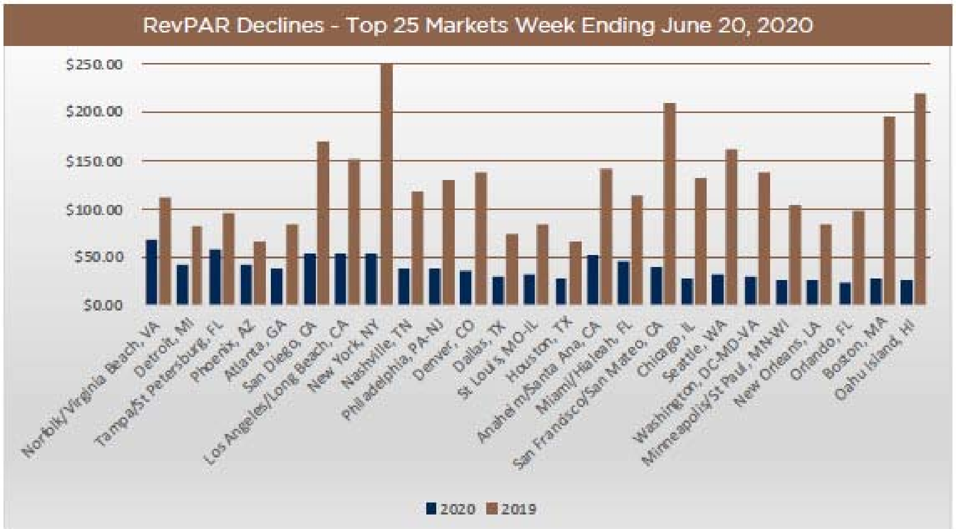
According to STR, in 2019 the top 25 hotel markets generated approximately 43% of total U.S. rooms revenue. As of December 2019, the Top 25 markets constituted approximately one third (32.3%) of all U.S. available room supply but exhibited a larger share (approximately 36%) of the total rooms sold, an indication of demand penetration outpacing their room supply.

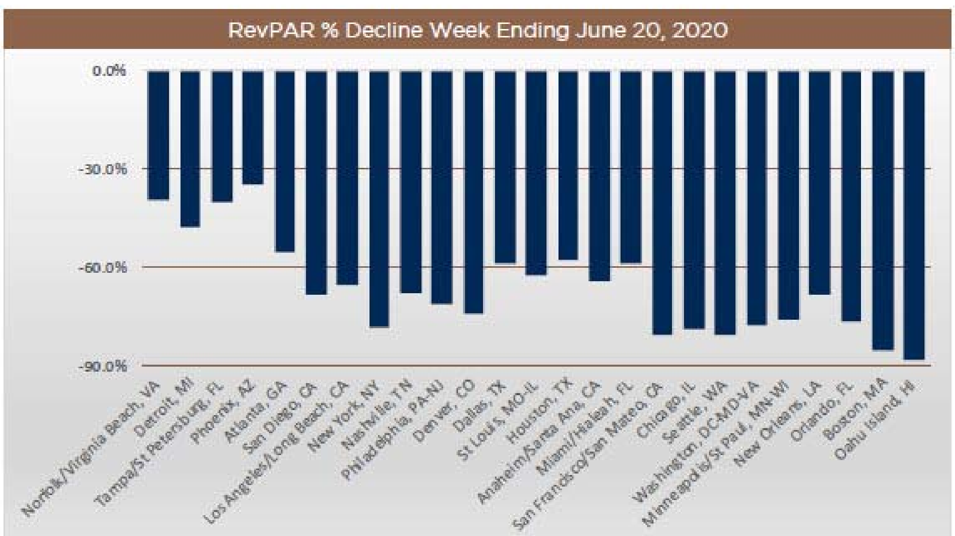
Prior to the COVID 19 pandemic, the Top 25 markets typically achieved a 15% to 20% premium in terms of occupancy in addition to rate premiums over all other U.S. markets.

STR weekly data for the week ending June 20th indicates that this trend has now inverted, with all other markets commanding a 10% rate premium over the Top 25 markets. According to STR data, as of week ending June 20, the Top 25 markets' RevPAR has declined on average 73% year over year, driven by a 52.7% decline in occupancy and a 43% drop in average daily rate. Economy chain scales and extended stay properties in drive-to markets are continuing to hold up well, supported by leisure demand.

INTEGRA REALTY RESOURCES

IMPACT ON TOP 25 MARKETS (Cont.)





INTEGRA REALTY RESOURCES

IMPACT ON TOP 25 MARKETS (Cont.)

According to STR, for the week ending June 20th only eight of the Top 25 markets exhibited occupancy of 40% or greater and only 16 of the Top 25 markets exhibited ADRs in excess of $100.00 for the same period.

In terms of RevPAR declines, the most significant market impacted was Oahu, with an overall RevPAR decline of 88% from the same period in 2019. The market with the lowest percentage change was Norfolk/Virginia Beach, with an approximately 39.6% decline. Markets that had higher levels of COVID 19 cases, government restrictions and markets which are largely dependent on convention and meeting and group demand exhibited the highest year-over-year RevPAR declines, and include New York, San Francisco, Chicago, Washington DC-MD-VA, Seattle, and Boston.

TRANSACTION VOLUME

According to Real Capital Analytics, as the coronavirus shut down large parts of the economy, sales of U.S. hotel transactions tumbled. According to RCA, only eight hotel transactions were recorded in April 2020, the fewest number of per month trades in the history of RCA's coverage. Sales of U.S. hotels continued to drop, with total transaction volume falling to $103 million in May 2020, mirroring the lowest levels seen during the depths of the 2007 financial crisis. The decline represents a 95% year-over-year volume change, as liquidity in the hotel market has essentially evaporated.

RCA Historical U.S. Hotel Transaction Trends

According to RCA data, as of June 2020, the average overall price per key for reported trades was $126,873, the lowest overall average since September 2014.

Capital markets have shifted, with many investors on the sidelines waiting to invest, primarily in the form of rescue capital, as hotels are now perceived as opportunist investments. Longer term there is the potential for some markets to reprice themselves.

INTEGRA REALTY RESOURCES

THE SHAPE OF RECOVERY

Recent economic data continues to suggest the recovery curve will be somewhat "U" shaped, signifying a deep recession followed by a prolonged approximately two-year recovery period, with normalization not occurring until late 2021 or early 2022.

Going forward unemployment recovery and GDP growth will correlate closely with improvement in the hotel sector. Recent unemployment data showing signs that the U.S. economy has passed the lowest point of its trough.

The U.S. economy regained 4.8 million jobs in June, while total nonfarm payroll employment rose by 4.8 million and the U.S. unemployment rate declined to 11.1 percent. The job growth followed May's payroll gain of 2.7 million jobs, an indication that people were returning to work as restrictions were lifted. The figures were a welcome departure from an abysmal March and April, and suggested the economy was healing faster than anticipated. Still, the U.S. labor market is operating with about 15 million fewer jobs than in February, the month before the pandemic accelerated in the U.S.

Employment in leisure and hospitality also increased in June, with the sector adding 2.1 million jobs, accounting for about two-fifths of the gain in total non-farm employment, while the unemployment rate for the sector dropped to 28.9%. The improvement reflects the continued resumption of economic activity that had been curtailed in March and April.

While the U.S. GDP decreased 5.0% in the first quarter of 2020 and 9.5% in the second quarter of 2020, these declines reflected restrictions and decreased consumer spending. A positive development is consumer sentiment, which rebounded in June - due in part to phased re-openings and government support programs. Though the improvement exceeded expectations, the index remained significantly less than pre-pandemic levels. In general, the consensus from leading economists project an overall 2020 U.S. GDP growth estimate of -5.5% to -6.2%, with normalization to 2019 levels not occurring until late 2021, an approximately two-year recovery period.

Recent Travel Sentiment data mirrored the uptick in consumer sentiment and reflected a significant degree of pent up consumer demand. Lower gas prices and safety perceptions enhanced the attractiveness of "drive to" destinations, and an uptick was observed in consumer spending and leisure room night demand.

While employment and income will determine demand moving forward, anemic corporate group and inbound international travel are factors which will likely affect the hospitality sector's recovery time.

Thus, we expect leisure demand to be the first to exhibit post-recession recovery, followed by a slower return of corporate transient and corporate group demand. The recovery period will shorten as travelers begin to feel safe, preferring shorter stays in "drive to" destinations in smaller markets. At a farther point in the recovery cycle, hotels in "fly to" destinations are anticipated to benefit from deep air fare discounts as the general public feels safer about travel to gateway or urban locations.

INTEGRA REALTY RESOURCES

THE SHAPE OF RECOVERY (Cont.)

We expect that group and business transient demand will take a longer recovery time, impacting the recovery time for large, convention driven urban markets, as previously discussed. Essential meetings and small group events are expected to gradually resume, depending upon market.

Historically, as demand returns, ADR recovery will follow; however, the pace of recovery will likely differ between markets and property types. Higher chain scale hotels and/or hotels which rely significantly on group and business demand located in urban cores may see a slower recovery period.

Overall, we project an approximately two-year recovery period, with a phased in recovery depending upon market and chain scale. We project that hotels that are located in "drive-to", suburban, or secondary markets or hotels that exhibit a high degree of transient or leisure demand in the economy chain scale will lead the recovery, which includes extended stay hotels.

We project a gradual return of corporate transient and meeting and group demand, with normalization occurring farther along in the recovery cycle for higher tier hotels or those hotels located in urban cores. The recovery period is anticipated to shorten as travelers begin to feel safe. As we reach this point in the recovery cycle, hotels in "fly to" destinations are anticipated to benefit from deep air fare discounts as the general public feels safer about travel to gateway or urban locations.

Historical U.S. Lodging Statistics

A summary of historical lodging statistics through year-end 2019 for the United States provided by HOST Study and Hotel Review and Smith Travel Research are presented as follows.

United States Lodging Market Performance

	Occupancy		ADR		RevPAR		Supply	Demand	Room Revenue
Year	This Year	Change	This Year	Change	This Year	Change	% Change	% Change	% Change
2003	59.2%	0.3%	$82.66	0.2%	$48.91	0.4%	1.0%	1.3%	1.5%
2004	61.3%	3.5%	$86.18	4.3%	$52.79	8.0%	0.4%	4.0%	8.4%
2005	63.0%	2.8%	$91.02	5.6%	$57.35	8.6%	-0.1%	2.8%	8.6%
2006	63.1%	0.2%	$97.80	7.4%	$61.74	7.7%	0.2%	0.4%	7.9%
2007	62.8%	-0.5%	$104.30	6.6%	$65.51	6.1%	1.2%	0.7%	7.4%
2008	59.8%	-4.8%	$107.38	3.0%	$64.21	-2.0%	2.4%	-2.5%	0.3%
2009	54.6%	-8.8%	$98.06	-8.7%	$53.49	-16.7%	2.8%	-6.2%	-14.3%
2010	57.5%	5.4%	$98.05	0.0%	$56.40	5.4%	1.7%	7.2%	7.2%
2011	60.0%	4.3%	$101.71	3.7%	$61.03	8.2%	0.5%	4.8%	8.7%
2012	61.4%	2.5%	$106.10	4.2%	$65.17	6.8%	0.5%	3.0%	7.3%
2013	62.3%	1.5%	$110.35	3.9%	$68.69	5.4%	0.7%	2.2%	6.2%
2014	64.4%	3.6%	$115.32	4.6%	$74.28	8.3%	0.9%	4.5%	9.2%
2015	65.4%	1.5%	$120.30	4.7%	$78.68	6.3%	1.1%	2.9%	7.4%
2016	65.4%	0.1%	$124.13	3.1%	$81.15	3.1%	1.6%	1.7%	4.8%
2017	65.9%	0.8%	$126.77	2.1%	$83.53	2.9%	1.8%	2.7%	4.9%
2018	66.1%	0.4%	$129.97	2.5%	$85.96	2.9%	2.0%	2.5%	5.0%
2019	66.1%	0.0%	$131.21	1.0%	$86.76	0.9%	2.0%	2.0%	3.0%

Source: HOST Study and Hotel Review, Smith Travel Research

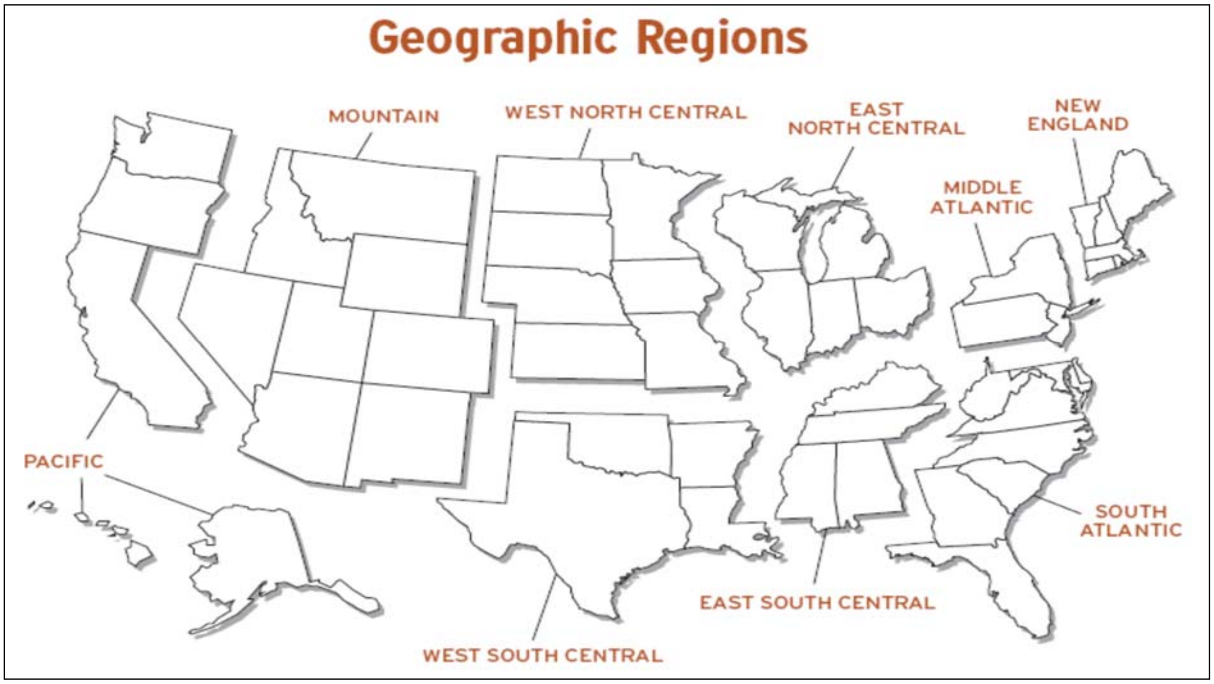
As illustrated above, positive trends from 2010 continued throughout 2018 before beginning to stabilize in 2019. The national occupancy rate in 2010 was 57.5%, which increased every year thereafter until 2019 (66.1%), marking nine years of growth after three years of declines (2007-2009).

ADR has continued to increase since 2010, though the rate of change slowed in 2017, 2018, and 2019. Similarly, RevPAR has increased every year since 2010, though the rate of growth slowed over the past three years.

Overall, hotel fundamentals remained positive through 2019, prior to COVID-19, though the market show signs of stabilization. In addition, demand growth outpaced supply (though growth was less drastic than previous years), resulting in a 2.0% increase in room revenue.

Regional and State Trends

The subject is in the Pacific Region, as defined by HOST and Smith Travel Research. The Pacific Region includes the states of Alaska, California, Hawaii, Oregon, and Washington.



States in the Pacific Region

	Occupancy					Average Daily Rate					RevPar				
Segment	2019	2018	Change	2017	Change	2019	2018	Change	2017	Change	2019	2018	Change	2017	Change
United States	66.1%	66.1%	0.0%	65.9%	0.4%	$131.21	$129.97	1.0%	$126.77	2.5%	$86.76	$85.96	0.9%	$83.53	2.9%
Pacific	73.7%	73.8%	-0.1%	73.8%	-0.1%	$171.42	$168.77	1.6%	$162.89	3.6%	$126.36	$124.52	1.5%	$120.25	3.6%
State															
Alaska	67.2%	65.1%	3.3%	64.4%	1.1%	$145.61	$136.91	6.4%	$130.75	4.7%	$97.83	$89.07	9.8%	$84.15	5.8%
California	75.1%	75.3%	-0.3%	75.2%	0.2%	$171.61	$168.26	2.0%	$162.15	3.8%	$128.89	$126.74	1.7%	$121.90	4.0%
Hawaii	81.2%	80.3%	1.1%	80.2%	0.1%	$282.56	$275.75	2.5%	$264.49	4.3%	$229.32	$221.34	3.6%	$212.07	4.4%
Oregon	65.9%	65.6%	0.4%	66.3%	-1.1%	$123.76	$123.39	0.3%	$122.12	1.0%	$81.56	$80.97	0.7%	$81.02	-0.1%
Washington	68.8%	69.0%	-0.2%	69.7%	-1.0%	$135.55	$136.50	-0.7%	$132.54	3.0%	$93.27	$94.16	-0.9%	$92.35	2.0%

Source: Hotel Review, Smith Travel Research

As of the 2019, the Pacific Region posted metrics as follows:

a. In terms of occupancy, the Pacific region reported an occupancy percentage of 73.7% as of 2019, a slight decrease from the 2018 reported occupancy of 73.8%. The Pacific region continues to outperform the United States overall in terms of occupancy. California reported a higher occupancy rate than Alaska, Oregon, and Washington, but lower than Hawaii.

b. ADR in 2019 for the Pacific region increased 1.6% to $171.42. California reported a similar ADR of $171.61, second only to Hawaii.

c. In terms of RevPAR, the Pacific region reported a 2019 figure of $126.36 which was an increase of 1.5% over 2018. As with all other metrics, the Pacific region outperformed the United States overall in 2019.

In terms of year-over-year growth, California lagged only Hawaii in the Pacific Region in terms of occupancy, ADR, and RevPar.

As illustrated on the following page, the San Francisco/San Mateo County lodging market outperformed the state of California, the Pacific Region, and the United States overall in occupancy, ADR, and RevPar.

San Francisco/San Mateo Market

	Occupancy					Average Daily Rate					RevPar				
Segment	2019	2018	Change	2017	Change	2019	2018	Change	2017	Change	2019	2018	Change	2017	Change
United States	66.1%	66.1%	0.0%	65.9%	0.4%	$131.21	$129.97	1.0%	$126.77	2.5%	$86.76	$85.96	0.9%	$83.53	2.9%
Pacific	73.7%	73.8%	-0.1%	73.8%	-0.1%	$171.42	$168.77	1.6%	$162.89	3.6%	$126.36	$124.52	1.5%	$120.25	3.6%
California	75.1%	75.3%	-0.3%	75.2%	0.2%	$171.61	$168.26	2.0%	$162.15	3.8%	$128.89	$126.74	1.7%	$121.90	4.0%
San Francisco/San Mateo, CA	82.0%	81.9%	0.1%	82.8%	-1.0%	$251.24	$241.26	4.1%	$229.01	5.4%	$205.99	$197.62	4.2%	$189.54	4.3%

Source: Hotel Review, Smith Travel Research

Projection of Room Night Demand

To accurately quantify micro demand for the subject, we utilize a build-up analysis to project room night demand. Room night demand is based on an analysis of lodging activity and demand generators within the subject's primary market area. The steps utilized within a build-up analysis are as follows:

- Identify Primary Market Area ("PMA")
- Identify Market Segmentation
- Identify Primary and/or Secondary Competitive Properties
- Analysis of Market Segmentation and Historical Penetration
- Analysis of Sources / Changes in Demand
- Projection of Demand
- Projection of Occupancy

Identification of Primary Market Area ("PMA")

The subject is located in the Redwood Shores area of Redwood City, approximately one mile east of Highway 101. The subject's peer group consists of similar limited service, extended-stay hotels located in the surrounding neighborhoods of San Carlos, Belmont, and San Mateo. A map of the subject's estimated PMA based on a 10-minute drive time from the subject is presented as follows.

Map of Subject Primary Market Area ("PMA")

Identification of Market Segmentation

Market segmentation identifies unique demand characteristics which can be utilized for projection of future growth potential, seasonality, price sensitivity, or other factors. Once market segmentation has been defined, projections of room night demand can be quantified by an analysis of individual factors within each market segment. Market segmentation typically consists of three distinct segments: commercial, meeting and group, and leisure. Depending upon demand generators within a market, additional market segments may include government or airport related demand. A summary of the characteristics of each market segment is presented as follows.

Commercial Segment

The commercial segment is characterized by business and commercial activity. Government related room night demand is included as part of the commercial segment. The primary source of commercial segment room night demand consists of individual business travelers. Thus, demand within the commercial segment closely follows the typical five-day work week, with peak room night demand on Monday through Thursday nights, with a peak in demand exhibited on mid-weeknights. Room night demand within the commercial segment typically tapers off on Friday and Saturday nights, with a moderate uptick on Sunday nights, as travelers prepare for the coming week's activities. Historically, the average length of stay is one to three nights. In strong corporate markets, weekday occupancy rates can be very high, which may suggest unaccommodated demand.

The commercial segment is favorable as demand is relatively consistent throughout the year and individual business travelers are less price sensitive than travelers within the other segments. Further, travelers within this group also tend to generate revenue from on-site food and beverage operations.

In an area with strong commercial room night demand, area hoteliers may secure room nights generated by corporate accounts, as many businesses book based on rewards or loyalty programs offered by specific brands, or contract for a specified number of room nights in exchange for a discount off published rates. Thus, in markets with a high percentage of commercial demand, care should be taken when analyzing market ADR, as the average may be skewed by heavily discounted rates, particularly if a property or properties within the competitive set are affiliated with a brand that exhibits strong loyalty among corporate travelers.

Meeting and Group Segment

The meeting and group segment is characterized by corporate, commercial, convention, association, and social, military, educational, religious, or fraternal ("SMERF") activity consisting of ten people or more. Meeting and group demand is typically closely correlated with the commercial segment. This segment is somewhat seasonal, as demand typically slows during summer months due to vacation periods, while peak demand is typically in the spring and fall, with variable demand during the winter months depending on location and local tourism. Weekly room night demand is typically stronger during the work week; however, social activities, such as weddings or sports-related events, also drive week-end room night demand. Historically, the average length of stay is three to five nights.

The meeting and group segment is favorable as hotels benefit from banquet, meeting space, and food and beverage sales, which typically offset any discounts given for reservations of blocks of rooms. In an area with strong meeting and group demand, hotels which have a higher amount of flexible meeting space and expanded food and beverage operations have a competitive advantage over other hotels with inferior meeting and group capabilities.

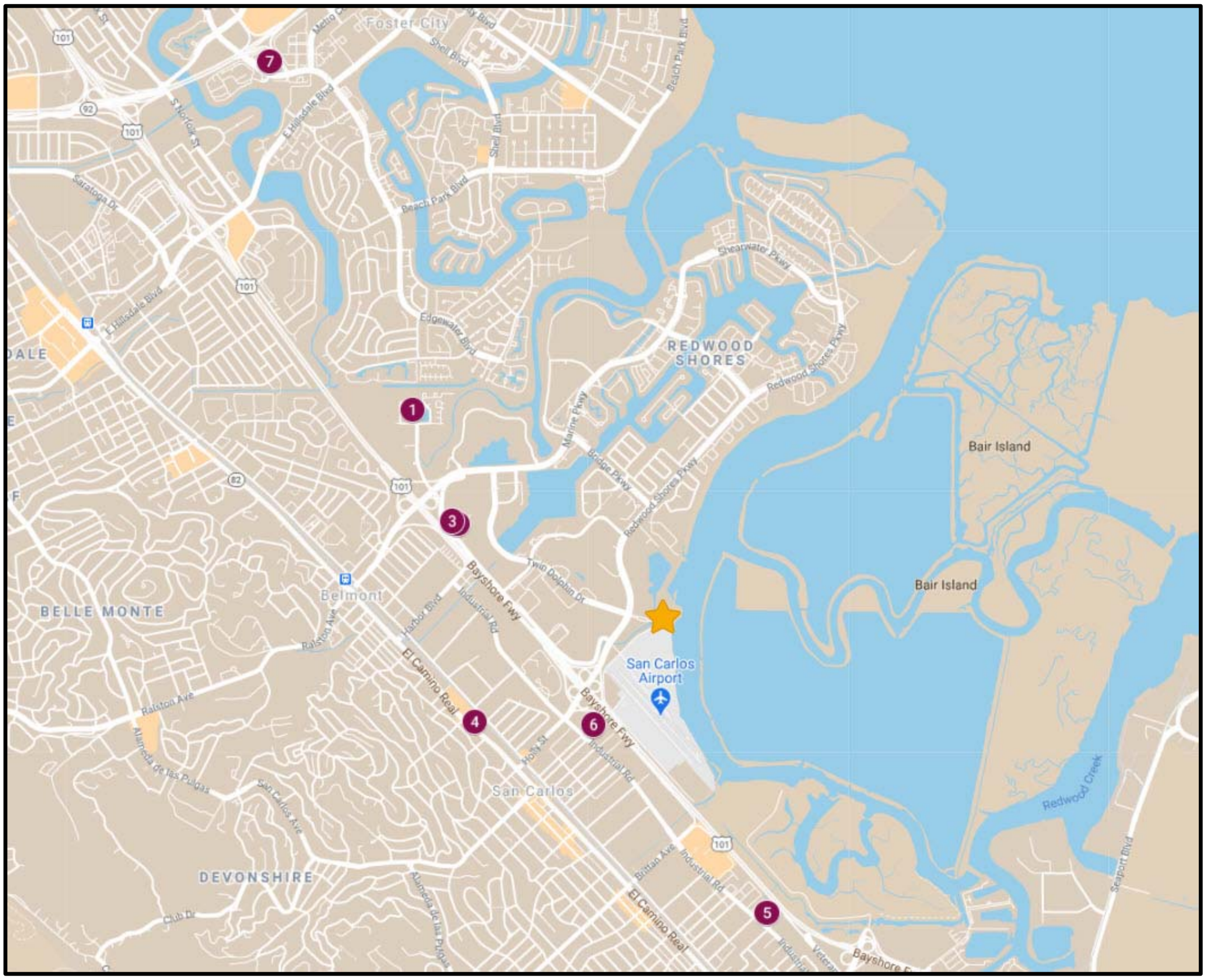
Leisure Segment

The leisure segment is characterized by individual, family, or transient activity. The leisure segment is more price sensitive than the commercial and meeting and group segments. Leisure demand is typically higher on weekend nights and during holidays and summer months. The average length of stay for leisure travelers is one to four days, depending upon the purpose and destination of travel. Peak periods of leisure demand typically exhibit a negative correlation with peak commercial demand; thus, in markets with strong commercial demand, the capture of significant leisure demand in addition to commercial demand has a stabilizing effect on overall occupancy.

Identification of Competitive Set

Available lodging alternatives within proximity to the subject consist of select-service midscale and upper midscale hotel brands. As these properties represent the closest comparable lodging developments to the subject within the PMA, they serve as a 'benchmark' for the subject's lodging demand. These properties are considered competitive with the subject for room night demand, as they are the closest lodging facilities within the PMA that report data for comparison; therefore, an analysis of these properties is relevant.

Map of Subject and Competitive Set



The location of the subject is indicated by the star icon. Comparables 2 and 3 are grouped together.

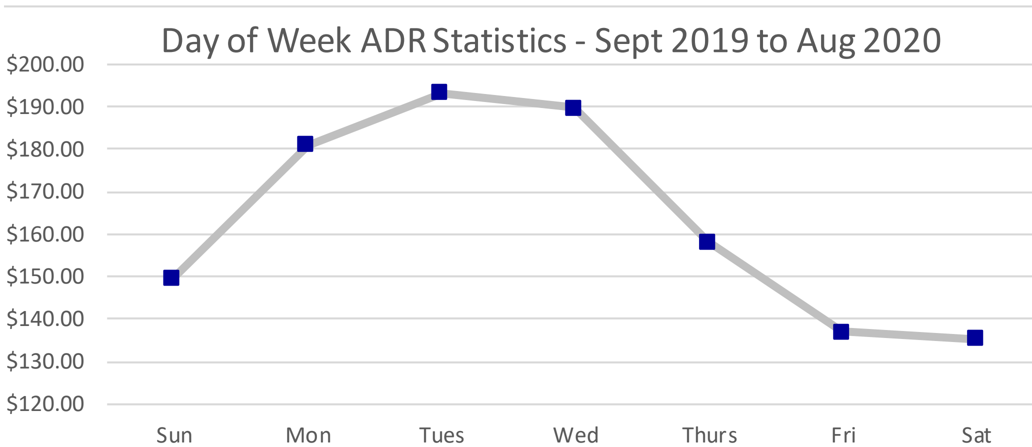
Subject and Competitive Set Summary

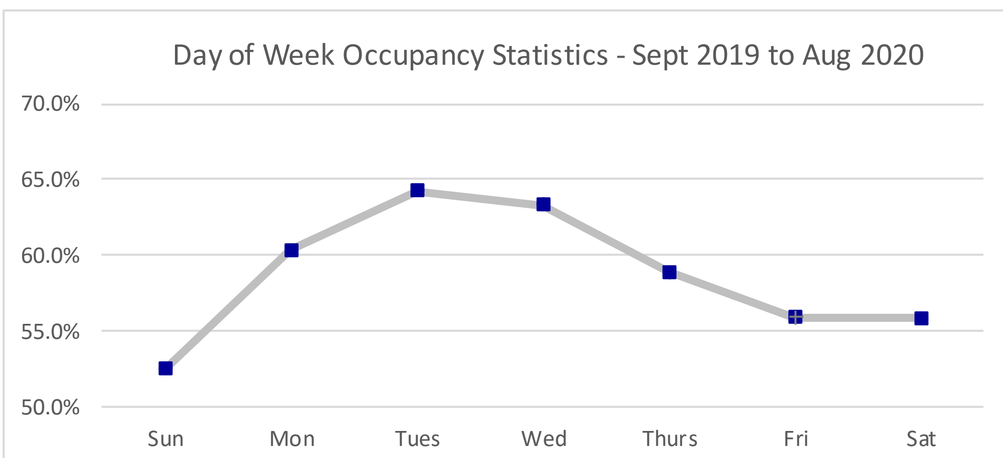
No.	Property	City & State	Rooms	Open Date	Service Tier	Class
Subject	TownePlace Suites Redwood Shores	Redwood City	95	Sep-02	Extended Stay	Upper Midscale
1	Hyatt House Belmont Redwood Shores	Belmont, CA	132	Oct-95	Extended Stay	Upscale
2	Extended Stay America San Francisco - Belmont	Belmont, CA	105	Apr-03	Extended Stay	Economy
3	Homewood Suites by Hilton Belmont	Belmont, CA	96	Oct-19	Extended Stay	Upscale
4	Country Inn & Suites San Carlos	San Carlos, CA	51	Apr-98	Extended Stay	Upper Midscale
5	Extended Stay America San Francisco - San Carlos	San Carlos, CA	115	Oct-98	Extended Stay	Economy
6	Residence Inn Redwood City San Carlos	San Carlos, CA	204	Jun-18	Extended Stay	Upscale
7	Residence Inn San Francisco Airport San Mateo	San Mateo, CA	160	Sep-85	Extended Stay	Upscale

The subject is an upper midscale extended stay hotel. As illustrated above, the competitive set contains 862 total rooms (excluding the subject) and consists of extended stay hotels in the subject's market area ranging from economy class to upscale. The competitive properties range from 51 to 204 rooms, with dates of construction ranging from 1985 to 2018.

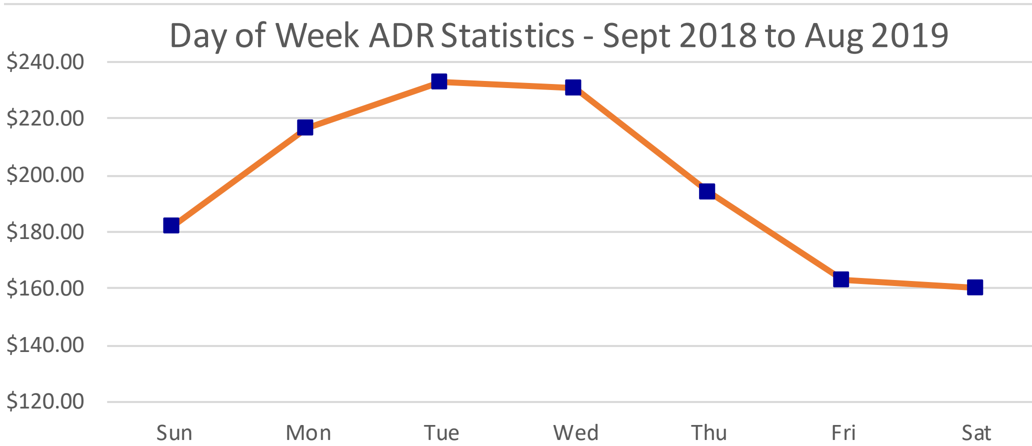
Day of Week Statistics

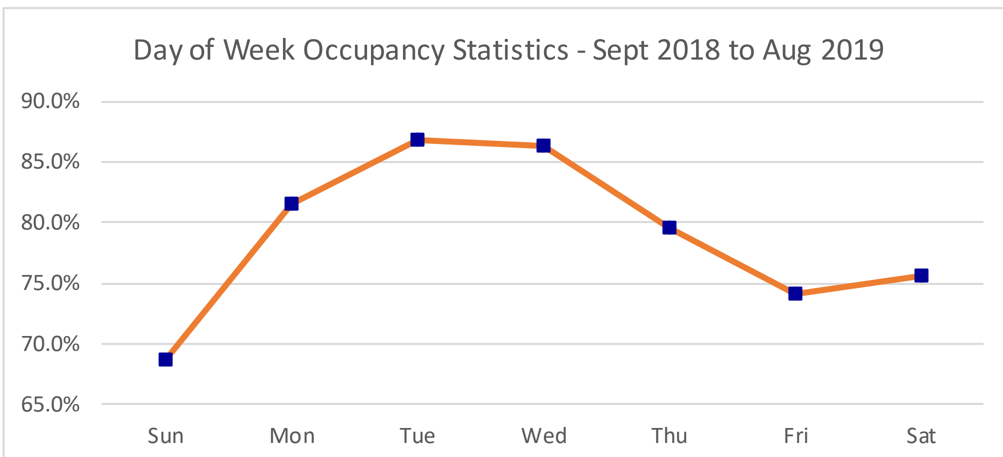
Day of week statistics for occupancy, ADR, and RevPAR for the competitive set for the past twelve months are reported in the following charts. Due to the pandemic, these are not the best metrics for occupancy, ADR, and RevPAR. However, the statistics do demonstrate trends for activity variations by day of week.





The graphics on the following page reflect data from September 2018 through August 2019 and demonstrate a similar trend.





As illustrated above and on the previous page, the competitive set achieves the highest occupancy and ADR levels on Monday, Tuesday, and Wednesday nights; however, demand drops during weekend nights. This is consistent with our conversations with ownership, which indicate the subject is busiest on weeknights with commercial and business travelers, while weekends are slower. The subject and competitive set cater to commercial clientele, with the subject primarily serving business travelers, those on temporary/short term work assignments, and those relocating to the area.

Comparison of Amenities and Physical Characteristics

A comparison of amenities and other physical characteristics is a key metric in determining the market appeal and competitive positioning of a property in relation to its competitive set. Properties with expanded meeting space, banquet, or food and beverage capabilities typically capture a larger share of meeting and group room night demand; while hotels proximate to nature reserves, national parks, lakes or oceans, casinos, or concert or sports arenas typically capture a larger share of leisure room night demand.

A comparison of amenities and physical characteristics of the subject and the competitive set and our concluded market mix for the subject and competitive set is presented on the following page.

Amenity Comparison

	TownePlace Suites Redwood Shores	Hyatt House Belmont Redwood Shores	Extended Stay America San Francisco - Belmont	Homewood Suites by Hilton Belmont	Country Inn & Suites San Carlos	Extended Stay America San Francisco - San Carlos	Residence Inn Redwood City San Carlos	Residence Inn San Francisco Airport San Mateo
								
Brand Affiliation	Marriott	Hyatt	Extended Stay America	Hilton	Radisson	Extended Stay America		
Chain Scale	Upper Midscale	Upscale	Economy	Upscale	Upper Midscale	Economy	Upscale	Upscale
Service Tier	Extended Stay	Extended Stay	Extended Stay	Extended Stay	Extended Stay	Extended Stay	San Carlos, CA	San Mateo, CA
Rooms	95	132	105	96	51	115	204	160
Year Opened	2002	1995	2003	2019	1998	1998	2018	1985
Meeting Space	None	1,324 SF	None	None	None	None	1350 SF	None
Hotel Amenities								
Complimentary WiFi	X	X	X	X	X	X	X	X
Interior Corridor	X	X	X	X	X	X	X	X
Indoor/Outdoor Pool		X		X	X		X	X
Business Center	X	X		X	X		X	X
Fitness Center	X	X		X	X		X	X
On-Site Restaurant		X (bar)						
Guest Laundry	X	X	X	X	X	X	X	X
Complimentary Breakfast	X	X	X	X	X	X	X	X
Room Amenities								
Complimentary WiFi	X	X	X	X	X	X	X	X
Microwave	X	X	X	X	X	X	X	X
Refrigerator	X	X	X	X	X	X	X	X
Fully-Equipped Kitchen	X	X	X	X		X	X	X
Iron/Ironing Board	X	X	X	X	X	X	X	X
Coffee Makers	X	X	X	X	X	X	X	X
Desk	X	X	X	X	X	X	X	X
Suite Rooms	X	X	X	X	X	X	X	
Qualitative Analysis								
Location		↔	↔	↔	↔	↔	↔	↔
Age/Condition		↑	↓	↔	↔	↓	↑	↔
Brand Affiliation		↔	↓	↔	↓	↓	↔	↔
Amenities		↑	↓	↑	↓	↓	↑	↑
Overall Comparison		**Superior**	**Inferior**	**Similar**	**Inferior**	**Inferior**	**Superior**	**Similar**
Estimated Market Mix								
Commercial	75%	70%	65%	75%	70%	65%	70%	65%
Meeting & Group	5%	15%	5%	5%	5%	5%	15%	5%
Leisure	20%	15%	30%	20%	25%	30%	20%	30%

Analysis of Market Segmentation and Historical Penetration

We analyze historical occupancy, ADR and RevPAR trends for the subject and the competitive set to derive forward looking projections for the subject. Our analysis is based on a trend report for the 3 years prior to COVID-19, prepared by Smith Travel Research ("STR"), an independent research firm which is recognized by the lodging industry as a reliable source of statistical data. While STR is widely utilized, the data provided by STR does have certain limitations, primarily as it relates to hotel participation and consistent reporting of data by individual hotel properties. Despite the noted limitations, STR data is widely accepted and utilized by investors, owners, and market participants within the hotel industry, and is relevant as an overall market indicator.

A summary and comparison of current and historical occupancy, ADR and RevPAR statistics for the subject and the competitive set is presented as follows.

Historical Statistics

TTM Period Ending	2017	2018	2019	Aug-20	Compound Annual Rate of Change 2017-2019
Competitive Set Occupancy	84.6%	80.1%	77.7%	50.4%	
% Change (Year-Over-Year)	-	-5.32%	-3.00%	-35.14%	-2.7%
Competitive Set ADR	$180.18	$188.41	$200.13	$142.71	
% Change (Year-Over-Year)	-	4.57%	6.22%	-28.69%	3.7%
Competitive Set RevPAR	$152.41	$150.85	$155.45	$140.90	
% Change (Year-Over-Year)	-	-1.02%	3.05%	-9.36%	0.7%
Subject Occupancy	89.1%	82.3%	81.4%	28.5%	
% Change (Year-Over-Year)		-7.63%	-1.09%	-64.99%	-2.9%
Subject ADR	$201.65	$208.80	$217.47	$177.59	
% Change (Year-Over-Year)		3.55%	4.15%	-18.34%	2.6%
Subject RevPAR	$179.67	$171.84	$177.02	$68.37	
% Change (Year-Over-Year)		-4.36%	3.01%	-61.38%	-0.5%

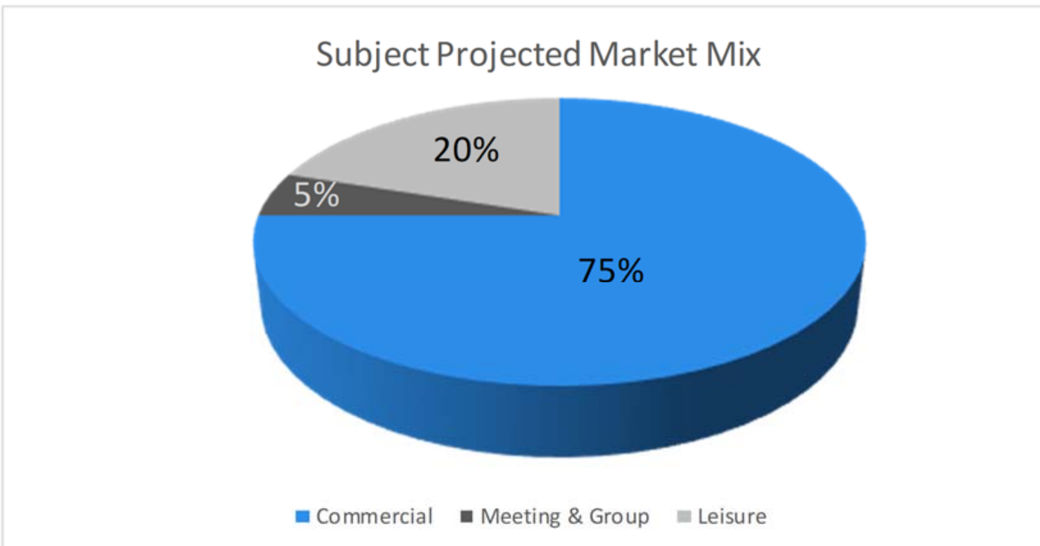
According STR, the overall occupancy, ADR and RevPAR for the competitive set in 2019 was approximately 77.7%, $200.13, and $155.45, respectively. The reported occupancy, ADR and RevPAR for the subject for the same period is 81.4%, $217.47, and $177.02, respectively. The subject has historically achieved higher occupancy, ADR, and RevPAR than the comparable set. In addition, ADR for the subject has increased each year over the past three years prior to the pandemic. Occupancy has dropped slightly each year at the property over the same period. These trends will be considered in our upcoming analysis (increasing ADR, decreasing occupancy).

Estimated Market Mix

Based on an analysis of the demand generators within the market and a review of the amenities of the subject and each property within the competitive set, the estimated market mix for the subject and each property within the competitive set is presented as follows.

Estimated Market Mix

Property	Commercial	Meeting & Group	Leisure
TownePlace Suites Redwood Shores	75%	5%	20%
Hyatt House Belmont Redwood Shores	70%	15%	15%
Extended Stay America San Francisco - Belmont	65%	5%	30%
Homewood Suites by Hilton Belmont	75%	5%	20%
Country Inn & Suites San Carlos	70%	5%	25%
Extended Stay America San Francisco - San Carlos	65%	5%	30%
Residence Inn Redwood City San Carlos	70%	15%	20%
Residence Inn San Francisco Airport San Mateo	65%	5%	30%



As illustrated above, the subject's estimated demand is generated primarily by the commercial segment. The subject does not offer meeting or event space, so it is expected to capture minimal meeting and groups clientele (though some may choose the hotel for events at other locations). Discussions with ownership indicate the subject's guests are primarily business travelers, those working on temporary assignments and projects in the area, and those in the process of relocating to the area. This is also consistent with the comparable set, which also primarily caters to commercial clientele.

Estimated Demand Segmentation

Based on an analysis of the primary demand generators within the defined PMA and a comparison of the amenities and physical characteristics of the subject with the competitive set, the estimated demand segmentation is presented as follows.

Estimated Demand Segmentation

Segment	Subject	Competitive Set	Total
Commercial	21,065	168,266	189,331
Meeting & Group	1,404	22,554	23,959
Leisure	5,617	57,849	63,467
Total	28,087	248,669	276,756

Analysis of Demand

Benchmarks for accommodated lodging demand within a market are expressed in the form of occupancy, ADR and RevPAR statistics. Individual determinants which influence a property's market appeal include a property's age, location, amenities, brand affiliation, and proximity to supporting land uses. Macro market demand influences include demographic trends such as population, household and employment growth. Room night demand is sensitive to changes in room night supply, macro and micro market influences, and other individual determinants.

Changes in Market Room Night Supply

As part of our analysis of market demand, we consider the impact of any additional new room night supply or reductions of supply within the subject's PMA. Our field research identified two proposed hotels: a 90-room Holiday Inn and Suites planned for downtown Redwood City and a 104-room Hyatt Place planned for San Carlos. Both projects have been approved, and construction has commenced on the San Carlos project. However, neither product type is not expected to directly compete with the subject property as neither of the planned hotels reflect extended stays; they Hyatt Place, in particular, will reflect an upscale full service hotel and is not expected to be competitive with the subject. Given this information, and in light of the current pandemic, we do not anticipate any changes to room night supply in near future.

Latent Demand

As previously discussed, accommodated room night demand is based on historical occupancy levels, which represent actual occupied rooms within the market. Therefore, accommodated room night demand may not fully represent all forms of demand within the market. Additional unaccommodated demand may be present, but not reflected, in historical statistics.

Additional unaccommodated demand which may exist in a market is called latent demand. Latent demand consists of induced and displaced demand.

Induced Demand

Induced demand represents demand which may be created by the introduction of a new demand generator within the market, including new hotel development which may attract travelers to the market due to superior amenities, brand affiliation, age/condition, or location. For commercial demand, the construction or relocation of a corporate headquarters may result in induced demand into a market area. Meeting and group induced demand may be the result of a new conference center, while leisure induced demand may be created by the construction of a casino, sports or concert venue, or other entertainment or recreational venue.

Induced demand could also be created by new infrastructure, such as the construction of new highways or transportation corridors within an area.

Displaced Demand

Displaced demand occurs when area hotels are booked to capacity, requiring hotel operators to turn away guests. Displaced demand is typically seen in markets which either exhibit a high level of seasonality, or other periods of high demand based on external factors. For example. Hotels in proximity to concert or sports venues, or convention centers may exhibit displaced demand during high-volume periods of room night demand, such as music festivals or concerts, or sporting events, such as the Super Bowl.

Latent Demand Conclusion

Based on a review of the market, we do not identify any new development which would create additional room night demand.

Projection of Demand

We apply growth rates for each segment of demand based on an analysis of historical occupancy, ADR and RevPAR trends, and demographic trends within the market. The estimated market mix for the subject and the competitive set indicates most of the room night demand is generated by the commercial and leisure segments.

Demand Growth Rate Conclusions

Estimated Annual Demand Growth Rates

Fiscal Year Ending Sept 30th	2021	2022	2023	2024	2025	2026	2027	2028	2029
Commercial	0.00%	0.00%	0.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Meeting & Group	0.00%	0.00%	0.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Leisure	0.00%	0.00%	0.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

Latent Demand - Induced Demand

Fiscal Year Ending Sept 30th									
Commercial	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Meeting & Group	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Leisure	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Latent Demand - Displaced Demand

Fiscal Year Ending Sept 30th									
Commercial	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Meeting & Group	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Leisure	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Given the current COVID-19 environment, we do not project growth in demand until 2023. From that point forward, we project a modest demand increase of 1.0% per year.

Market Demand and Occupancy Projections

Based on the previous analysis of demand growth and projections for each market segment, our projection of total market demand and occupancy are presented as follows. Our projections consider any previously determined anticipated changes in room night supply.

Total Projected Base Demand and Market Occupancy

Fiscal Year Ending Sept 30th	Current	2021	2022	2023	2024	2025
Commercial	189,331	189,331	189,331	189,331	191,224	193,136
Meeting & Group	23,959	23,959	23,959	23,959	24,198	24,440
Leisure	63,467	63,467	63,467	63,467	64,101	64,742
Total	276,756	276,756	276,756	276,756	279,524	282,319
Changes in Market Supply						
Existing Room Supply	958	958	958	958	958	958
New Competitive Rooms						
Proposed Subject Rooms						
Total New Room Night Supply	0	0	0	0	0	0
Total Available Room Nights	349,670	349,670	349,670	349,670	349,670	349,670
Overall Market Wide Occupancy	79%	79%	79%	79%	80%	81%

As illustrated above, we project market-wide occupancy will increase slightly in conjunction with our projected demand growth.

Forecast of Subject Occupancy

To develop occupancy projections for the subject, we analyze the subject's current and historical penetration by analyzing the subject's fair share, market segmentation, and market penetration.

Subject and Competitive Set Fair Share

The fair share of a property represents the percentage a property's rooms comprise of total rooms within the market. The fair share for the subject and the competitive set is presented as follows.

Subject and Competitive Set Fair Share

Property	Rooms	Fair Share
TownePlace Suites Redwood Shores	95	9.9%
Hyatt House Belmont Redwood Shores	132	13.8%
Extended Stay America San Francisco - Belmont	105	11.0%
Homewood Suites by Hilton Belmont	96	10.0%
Country Inn & Suites San Carlos	51	5.3%
Extended Stay America San Francisco - San Carlos	115	12.0%
Residence Inn Redwood City San Carlos	204	21.3%
Residence Inn San Francisco Airport San Mateo	160	16.7%
Total	958	100.0%

Subject and Competitive Set Market Share

A property's market share represents the percentage of occupied rooms nights a property captures per market segment, based on the previously concluded market mix, as follows.

Market Share

Based on the estimated market mix, fair share, and occupancy of the subject and competitive set, we calculate current occupied room nights for each market segment for the subject and each property in the competitive set. The calculation of occupied room nights is as follows:

Market Segment Occupied Room Nights = Market Mix Percentage X Total Occupied Room Nights

Occupied Room Nights Per Market Segment

Property	Commercial	Meeting & Group	Leisure	Total
TownePlace Suites Redwood Shores	21,065	1,404	5,617	28,087
Hyatt House Belmont Redwood Shores	28,667	6,143	6,143	40,953
Extended Stay America San Francisco - Belmont	17,438	1,341	8,048	26,828
Homewood Suites by Hilton Belmont	21,024	1,402	5,606	28,032
Country Inn & Suites San Carlos	9,773	698	3,490	13,961
Extended Stay America San Francisco - San Carlos	17,734	1,364	8,185	27,284
Residence Inn Redwood City San Carlos	43,261	9,270	12,360	64,892
Residence Inn San Francisco Airport San Mateo	30,368	2,336	14,016	46,720
Total	189,331	23,959	63,467	276,756
Total Subject	21,065	1,404	5,617	28,087
Total Competitive Set	168,266	22,554	57,849	248,669

Subject and Competitive Set Occupancy Penetration

A property achieves 100% occupancy penetration when its room night demand capture is the equivalent of its fair share of the market. The calculation of occupancy penetration is as follows:

Occupancy Penetration = Market Share / Fair Share

The occupancy penetration for the subject and the competitive set is presented as follows.

Subject and Competitive Set Occupancy Penetration

Property	Commercial	Meeting & Group	Leisure
TownePlace Suites Redwood Shores	112.2%	59.1%	89.3%
Hyatt House Belmont Redwood Shores	109.9%	186.1%	70.2%
Extended Stay America San Francisco - Belmont	84.0%	51.1%	115.7%
Homewood Suites by Hilton Belmont	110.8%	58.4%	88.2%
Country Inn & Suites San Carlos	97.0%	54.7%	103.3%
Extended Stay America San Francisco - San Carlos	78.0%	47.4%	107.4%
Residence Inn Redwood City San Carlos	107.3%	181.7%	91.5%
Residence Inn San Francisco Airport San Mateo	96.0%	58.4%	132.2%

The following tables present our projections of captured penetration rates and room night demand for the subject. As will be discussed, we consider the impact of COVID-19 on occupancy rates over the next twelve to eighteen months.

Subject Projected Occupancy

Fiscal Year Ending Sept 30th	Current	2021	2022	2023	2024	2025
Subject Fair Share						
Market Room Supply [1]	958	958	958	958	958	958
Subject Room Count	95	95	95	95	95	95
Fair Share	9.9%	9.9%	9.9%	9.9%	9.9%	9.9%
Subject Room Night Capture						
Commercial						
Fair Share	9.9%	9.9%	9.9%	9.9%	9.9%	9.9%
Penetration Factor	112.2%	112.2%	112.2%	112.2%	112.2%	112.2%
Market Share	11.1%	11.1%	11.1%	11.1%	11.1%	11.1%
Demand	189,331	189,331	189,331	189,331	191,224	193,136
Commercial Capture	21,065	21,065	21,065	21,065	21,276	21,488
Meeting & Group						
Fair Share	9.9%	9.9%	9.9%	9.9%	9.9%	9.9%
Penetration Factor	59.1%	59.1%	59.1%	59.1%	59.1%	59.1%
Market Share	5.9%	5.9%	5.9%	5.9%	5.9%	5.9%
Demand	23,959	23,959	23,959	23,959	24,198	24,440
Commercial Capture	1,404	1,404	1,404	1,404	1,418	1,433
Leisure						
Fair Share	9.9%	9.9%	9.9%	9.9%	9.9%	9.9%
Penetration Factor	89.3%	89.3%	89.3%	89.3%	89.3%	89.3%
Market Share	8.9%	8.9%	8.9%	8.9%	8.9%	8.9%
Demand	63,467	63,467	63,467	63,467	64,101	64,742
Commercial Capture	5,617	5,617	5,617	5,617	5,674	5,730
Total Capture	28,087	28,087	28,087	28,087	28,368	28,651
Projected Occupancy - Pre-COVID-19	81.0%	81.0%	81.0%	81.0%	81.8%	82.6%
Reduced in Years 1 and 2 for COVID-19		55.0%	78.0%	81.0%	81.8%	82.6%

Subject Occupancy Projections

Fiscal Year Ending Sept 30th	2021	2022	2023	2024	2025
Room Nights Captured	15,448	21,908	28,087	28,087	28,087
Occupancy	55.0%	78.0%	81.0%	81.0%	81.0%

Occupancy is projected to be below average for the first 18 months of the projection period due to the pandemic. The following table reflects the subject's ADR and occupancy in 2020.

Subject 2020 Indicators

	Jan	Feb	March	April	May	June	July	Aug
Occupancy	73.0%	69.1%	36.7%	17.2%	17.6%	20.8%	28.8%	45.5%
ADR	$223.20	$224.81	$194.85	$162.85	$149.70	$129.77	$111.96	$102.30
RevPar	$162.94	$155.34	$71.51	$28.01	$26.35	$26.99	$32.24	$46.55

It is important to note, the subject property did not have to close down due to COVID-19, as the property was housing long term guests, though the occupancy rate dropped heavily beginning in March. After hitting a low point in April and May, occupancy has been increasing steadily. For Year 1 of the upcoming analysis, we project the subject will achieve 45% occupancy for the first 6 months (October 2020 through March 2021), followed by 65% occupancy for the following 6 months (April 2021 through September 2021); this results in an overall occupancy of 55% over the next twelve months.

Similarly, we project a reduced occupancy of 75% for the first six months of Year 2 (October 2021 through March 2022), followed by a return to a pre-COVID occupancy of 81%. This results in an overall occupancy rate of 78% in Year 2 of the projection period.

We expect occupancy to return to 81.0% in the second half of 2022. This is slightly lower than the most recent subject 2019 occupancy rate of 81.4%; however, occupancy has been declining slightly at the subject over the past three years.

Projection of Subject ADR

Our projection of the estimated ADR for the subject is derived utilizing the competitive positioning method. The competitive positioning method is an analysis and comparison of average room rates achieved by hotels within the competitive set. A summary of the reported average rates for hotels within the subject's competitive set is presented as follows.

Summary of ADR and Reported Rack Rates

Property	Reported Rate Range
TownePlace Suites Redwood Shores	$150.00 - $320.00
Hyatt House Belmont Redwood Shores	$189.00 - $309.00
Extended Stay America San Francisco - Belmont	$117.00 - $162.00
Homewood Suites by Hilton Belmont	$122.00 - $207.00
Country Inn & Suites San Carlos	$135.00 - $172.00
Extended Stay America San Francisco - San Carlos	$108.00 - $153.00
Residence Inn Redwood City San Carlos	$159.00 - $359.00
Residence Inn San Francisco Airport San Mateo	$179.00 - $293.00
Range	$108.00 - $359.00
STR Average Competitive Set - 2019	$200.13
Subject Estimated Positioned Rate	$220.00

Adjustment Factors

A hotel operator's ability to drive rates over time is influenced by several factors, as follows.

ADR Risk Factor	Defined	Impact on ADR
Supply and Demand	Potential for new supply within the market or a reduction in supply, unaccommodated demand created by introduction of demand generators or a new hotel within the market	↔
Projected Inflation	Inflationary pressures resulting in increases in operating costs within a market	↑
Changes in Competitive Standards	Renovations or repositioning of existing hotels within the competitive set	↔
Specific Property Improvements	Planned capital improvements, renovations, addition or subtraction of amenities	↔
Overall Impact		**↑**

Based on the foregoing, our projection of ADR for the subject is presented as follows. Due to the pandemic, we do not project ADR growth until 2024, with 2023 reflecting a return to pre-COVID-19 rates.

Subject Projected ADR

Fiscal Year Ending Sept 30th		2021	2022	2023	2024	2025
Current Positioned ADR	$220.00	$160.00	$210.00	$220.00	$224.40	$228.89
ADR Growth Rate		0.00%	0.00%	0.00%	2.00%	2.00%

As with occupancy, we project the subject's ADR to be below average over the next eighteen months. Based on the recent history of the subject, we project 6 months at an ADR of $130.00, from October 2020 through March 2021, and 6 months at a rate of $190.00, from April 2021 through September 2021; this results in an average of $160.00 over the first 12 months of the projection period.

Similarly, we project a reduced ADR of $200.00 from October 2021 through March 2022, followed by a return to a pre-COVID-19 ADR of $220.00 in the second quarter of 2022. The result is a blended ADR of $210.00 in Year 2 of the projection period, followed by an ADR of $220.00 in Year 3.

After that time, we anticipate that the subject will achieve moderate rate increases going forward. Finally, our projection of ADR for the subject considers occupancy growth projections, as previously presented. Our projection assumes no new competitive product will be delivered to the market.

Conclusion

Based on the foregoing analyses, our projection of the subject's occupancy, ADR and rooms revenue is presented as follows.

Subject Projected Occupancy, ADR and Rooms Revenue

Fiscal Year Ending Sept 30th	2021	2022	2023	2024	2025	2026	2027	2028	2029
Available Rooms	95	95	95	95	95	95	95	95	95
Annual Room Nights	34,675	34,675	34,675	34,675	34,675	34,675	34,675	34,675	34,675
Projected Occupancy	55%	78%	81%	81%	81%	81%	81%	81%	81%
Occupied Rooms	19,071	27,047	28,087	28,087	28,087	28,087	28,087	28,087	28,087
Projected ADR	$160.00	$210.00	$220.00	$224.40	$228.89	$233.47	$238.14	$242.90	$247.76
Projected Rooms Revenue	$3,051,400	$5,679,765	$6,179,085	$6,302,667	$6,428,720	$6,557,294	$6,688,440	$6,822,209	$6,958,653

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	Not Applicable	Not Utilized
Sales Comparison Approach	Applicable	Utilized
Income Capitalization Approach	Applicable	Utilized

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.

Room Revenue Projection

Economic rent is market rent, or the average room rate a potential patron is warranted in paying and the motel operator is warranted in receiving for services. Forecasting of the subject's economic income involves an analysis of room sales. This is best accomplished by stabilized historical operation in conjunction with comparison with other similar motel properties available within the subject's effective market area. This was conducted in the Market Analysis section of this report. Stabilized average daily rate (ADR) and occupancy levels on a stabilized basis were previously concluded, with consideration given to the current COVID-19 pandemic.

Total room nights available (RNA), room nights sold (RNS) and room revenue is calculated as follows.

Subject Projected Occupancy, ADR and Rooms Revenue

Fiscal Year Ending Sept 30th	2021	2022	2023	2024	2025	2026	2027	2028	2029
Available Rooms	95	95	95	95	95	95	95	95	95
Annual Room Nights	34,675	34,675	34,675	34,675	34,675	34,675	34,675	34,675	34,675
Projected Occupancy	55%	78%	81%	81%	81%	81%	81%	81%	81%
Occupied Rooms	19,071	27,047	28,087	28,087	28,087	28,087	28,087	28,087	28,087
Projected ADR	$160.00	$210.00	$220.00	$224.40	$228.89	$233.47	$238.14	$242.90	$247.76
Projected Rooms Revenue	$3,051,400	$5,679,765	$6,179,085	$6,302,667	$6,428,720	$6,557,294	$6,688,440	$6,822,209	$6,958,653

Income and Expense Data

To develop projections of stabilized income and expenses, we analyze industry benchmarks, recent financial statements of the subject, and data from comparable properties. Industry data from the Highland Group is presented first in the following tables.

2020 Highland Group - Extended Stay Hotels

	Upscale			Midscale			Economy		
	% of Revenue	$ / Room	$/Occ. Room Night	% of Revenue	$ / Room	$/Occ. Room Night	% of Revenue	$ / Room	$/Occ. Room Night
Revenue									
Rooms	96.5%	$40,970	$144.49	98.2%	$28,551	$102.77	97.7%	$15,031	$51.13
Rentals and Other Income	3.5%	$1,504	$5.30	1.8%	$529	$1.90	2.3%	$357	$1.21
Total Revenue	**100.0%**	**$42,474**	**$149.79**	**100.0%**	**$29,080**	**$104.67**	**100.0%**	**$15,388**	**$52.34**
Departmental Costs & Expenses									
Rooms Expense	24.0%	$9,819	$34.63	21.3%	$6,091	$21.92	12.5%	$1,882	$6.40
Total Departmental Expenses	**23.1%**	**$9,819**	**$34.63**	**20.9%**	**$6,091**	**$21.92**	**12.2%**	**$1,882**	**$6.40**
Total Departmental Profit	**76.9%**	**$32,655**	**$115.16**	**79.1%**	**$22,989**	**$82.75**	**87.8%**	**$13,506**	**$45.94**
Undistributed Operating Expenses									
Administrative & General*	10.1%	$4,284	$15.11	10.5%	$3,045	$10.96	8.1%	$1,254	$4.26
Sales & Marketing**	12.6%	$5,363	$18.91	11.2%	$3,249	$11.70	10.3%	$1,592	$5.41
Property Operations & Maintenance	4.0%	$1,718	$6.06	4.6%	$1,344	$4.84	5.6%	$864	$2.94
Utilities	3.9%	$1,643	$5.80	4.0%	$1,156	$4.16	6.3%	$968	$3.29
Total Undistributed Expenses	**30.6%**	**$13,008**	**$45.88**	**30.2%**	**$8,794**	**$31.66**	**30.4%**	**$4,678**	**$15.90**
Gross Operating Profit	**46.3%**	**$19,647**	**$69.28**	**48.8%**	**$14,195**	**$51.09**	**57.4%**	**$8,828**	**$30.04**
Management Fee	3.9%	$1,669	$5.89	3.1%	$910	$3.28	4.6%	$703	$2.39
Income Before Fixed Charges	**42.3%**	**$17,978**	**$63.39**	**45.7%**	**$13,285**	**$47.81**	**52.8%**	**$8,125**	**$27.65**
Fixed Charges									
Property Taxes	4.3%	$1,823	$6.43	4.0%	$1,170	$4.21	4.0%	$622	$2.12
Insurance	0.9%	$370	$1.30	1.0%	$279	$1.00	1.9%	$297	$1.01
Net Operating Income	**37.2%**	**$15,785**	**$55.66**	**40.7%**	**$11,836**	**$42.60**	**46.8%**	**$7,206**	**$24.52**
Less: Replacement Reserves	4.9%	$2,063	$7.28	1.8%	$524	$1.89	3.9%	$603	$2.05
Adjusted Net Operating Income	**32.3%**	**$13,722**	**$48.38**	**38.9%**	**$11,312**	**$40.71**	**42.9%**	**$6,603**	**$22.47**
Average Daily Rate		$144.49			$102.77			$51.13	
Occupancy (of Sample)		77.7%			76.1%			80.5%	
Average Size Of Property (Rooms)		119			105			122	

* Includes Information and Telecommunication Systems expense

** Includes Franchise Fees expense

Source: The 2020 US Extended Stay Lodging Market, Highland Group

2019 Highland Group - Extended Stay Hotels

	Upscale			Midscale			Economy		
	% of Revenue	$ / Room	$/Occ. Room Night	% of Revenue	$ / Room	$/Occ. Room Night	% of Revenue	$ / Room	$/Occ. Room Night
Revenue									
Rooms	97.2%	$39,442	$140.30	98.1%	$26,341	$96.25	98.0%	$13,827	$47.09
Rentals and Other Income	2.8%	$1,152	$4.10	1.9%	$503	$1.84	2.0%	$282	$0.96
Total Revenue	**100.0%**	**$40,594**	**$144.40**	**100.0%**	**$26,844**	**$98.09**	**100.0%**	**$14,109**	**$48.05**
Departmental Costs & Expenses									
Rooms Expense	23.2%	$9,152	$32.56	19.5%	$5,144	$18.80	13.7%	$1,901	$6.47
Total Departmental Expenses	**22.5%**	**$9,152**	**$32.56**	**19.2%**	**$5,144**	**$18.80**	**13.5%**	**$1,901**	**$6.47**
Total Departmental Profit	**77.5%**	**$31,442**	**$111.84**	**80.8%**	**$21,700**	**$79.29**	**86.5%**	**$12,208**	**$41.58**
Undistributed Operating Expenses									
Administrative & General*	9.9%	$4,014	$14.27	10.9%	$2,926	$10.69	10.2%	$1,439	$4.90
Sales & Marketing**	12.3%	$4,982	$17.72	9.9%	$2,657	$9.71	6.3%	$895	$3.05
Property Operations & Maintenance	3.9%	$1,595	$5.67	4.2%	$1,132	$4.14	5.8%	$819	$2.79
Utilities	4.0%	$1,631	$5.80	3.8%	$1,012	$3.70	6.8%	$963	$3.28
Total Undistributed Expenses	**30.1%**	**$12,222**	**$43.46**	**28.8%**	**$7,727**	**$28.24**	**29.2%**	**$4,116**	**$14.02**
Gross Operating Profit	**47.3%**	**$19,220**	**$68.38**	**52.1%**	**$13,973**	**$51.05**	**57.4%**	**$8,092**	**$27.56**
Management Fee	3.6%	$1,461	$5.20	3.0%	$796	$2.91	3.8%	$543	$1.85
Income Before Fixed Charges	**43.7%**	**$17,759**	**$63.18**	**49.1%**	**$13,177**	**$48.14**	**53.5%**	**$7,549**	**$25.71**
Fixed Charges									
Property Taxes	4.6%	$1,885	$6.70	3.9%	$1,051	$3.84	4.3%	$613	$2.09
Insurance	1.0%	$404	$1.44	0.8%	$219	$0.80	1.4%	$200	$0.68
Net Operating Income	**38.1%**	**$15,470**	**$55.04**	**44.4%**	**$11,907**	**$43.50**	**47.7%**	**$6,736**	**$22.94**
Less: Replacement Reserves	4.5%	$1,824	$6.49	1.7%	$444	$1.62	3.0%	$430	$1.46
Adjusted Net Operating Income	**33.6%**	**$13,646**	**$48.55**	**42.7%**	**$11,463**	**$41.88**	**44.7%**	**$6,306**	**$21.48**
Average Daily Rate		$140.30			$96.25			$47.09	
Occupancy (of Sample)		77.0%			75.0%			80.4%	
Average Size Of Property (Rooms)		123			98			116	

* Includes Information and Telecommunication Systems expense

** Includes Franchise Fees expense

Source: The 2019 US Extended Stay Lodging Market, Highland Group

Income and expense statements for the subject property were obtained for the years of 2017, 2018, and 2019. We reclassified the owner's income and expense items into standard categories; the following table summarizes our analysis and the projection utilized in the direct capitalization analysis.

Operating History and Projections

	Actual 2017	Actual 2018	Actual 2019	IRR Projection
Income				
Rooms	$6,230,724	$5,959,949	$6,141,870	$6,179,085
Other Operated Departments	1,297	878	655	700
Rentals & Other Income	26,049	41,022	46,984	45,000
Total Income	$6,258,070	$6,001,849	$6,189,509	$6,224,785
Expenses				
Departmental Expenses				
Rooms	$945,686	$1,153,685	$1,227,435	$1,235,817
Other Operated Departments	26,685	34,726	40,267	37,075
Total Departmental Expenses	$972,371	$1,188,411	$1,267,702	$1,272,892
Departmental Profit	$5,285,699	$4,813,438	$4,921,807	$4,951,893
Undistributed Expenses				
Administrative & General	$315,434	$356,366	$387,214	$373,487
Sales & Marketing	92,542	88,600	65,511	80,922
Property Operations & Maintenance	207,771	195,689	192,459	192,968
Utilities	148,640	162,736	182,209	180,519
Total Undistributed Expenses	$764,387	$803,391	$827,393	$827,896
Gross Operating Profit	$4,521,312	$4,010,047	$4,094,414	$4,123,997
Management Fees	250,324	240,074	247,581	248,991
Fixed Expenses				
Property & Other Taxes	197,662	149,085	209,073	417,729
Insurance	37,997	37,991	39,154	39,000
Franchise Fee	472,050	437,373	426,536	451,073
Total Fixed Expenses	$707,709	$624,449	$674,763	$907,802
Replacement Reserves	0	0	0	124,496
Total Expenses	$2,694,791	$2,856,325	$3,017,439	$3,382,077
Net Operating Income	**$3,563,279**	**$3,145,524**	**$3,172,070**	**$2,842,708**
Operating Expense Ratio	43.1%	47.6%	48.8%	54.3%

Further discussion of the expense projections is provided on the following pages.

Base Year Income and Expense Projections					
Number of Rooms	95				
Occupancy (Year 1)	55%				
Occupied Rooms	19,071				
ADR	$160.00				

	Total $	% of Room Revenue	% of Total Revenue	Per Available Room (PAR)	Per Occupied Room (POR)
Revenue					
Rooms Revenue	$3,051,400	-	98.52%	$88.00	$160.00
Other Operated Departments	$700	0.02%	0.02%	$0.02	$0.04
Rentals & Other Income	$45,000	1.47%	1.45%	$1.30	$2.36
Total Revenue	$3,097,100	101.50%	100.00%	$89.32	$162.40
Departmental Expenses					
Rooms	$610,280	20.00%	19.70%	$17.60	$32.00
Other Operated Departments	$18,308	0.60%	0.59%	$0.53	$0.96
Total Departmental Expenses	$628,588	20.60%	20.30%	$18.13	$32.96
Undistributed Expenses					
Admin & General	$185,826	6.09%	6.00%	$5.36	$9.74
Sales & Marketing	$40,262	1.32%	1.30%	$1.16	$2.11
Property Operations	$96,010	3.15%	3.10%	$2.77	$5.03
Utilities	$89,816	2.94%	2.90%	$2.59	$4.71
Total Undistributed Expenses	$411,914	13.50%	13.30%	$11.88	$21.60
Management Fee	$123,884	4.06%	4.00%	$3.57	$6.50
Fixed Expenses					
Franchise Fee	$222,752	7.30%	7.19%	$6.42	$11.68
Property Taxes	$385,754	12.64%	12.46%	$11.12	$20.23
Insurance	$39,000	1.28%	1.26%	$1.12	$2.04
Total Fixed Expenses	$647,506	21.22%	20.91%	$18.67	$33.95
Total Expenses	$1,811,893	59.38%	58.50%	$52.25	$95.01
NOI/EBIDTA	$1,285,207	42.12%	41.50%	$37.06	$67.39
Reserves	$61,942	2.03%	2.00%	$1.79	$3.25
Total Capital	$61,942	2.03%	2.00%	$1.79	$3.25
Cash Flow Available for Debt Service	$1,223,265	40.09%	39.50%	$35.28	$64.14

The above table summarizes projections for Year 1 in the discounted cash flow analysis. The primary difference between this table and the direct capitalization analysis is the reduced ADR and occupancy over the first 18 months. Due to the pandemic, we project an ADR of $160.00 over the next twelve months ($130 for months 1 through 6, followed by $190 for months 7 through 12) and an ADR of $210 over the following twelve months ($200 for months 13 through 18 and $220 for months 19 through 24).

We also project an average occupancy of 55.0% over the next twelve months (45% for months 1 through 6 and 65% months 7 through 12) and an occupancy of 78% over the following twelve months (75% in months 13 through 18 and 81% thereafter). ADR and occupancy are projected to return to $220.00 and 81.0% in the second half of Year 2 of the projection period. In the direct capitalization approach, income loss is considered as a deduction at the end of the analysis.

Fixed and Variable Income and Expense Components

We utilize a fixed and variable model to project income and expense levels for the subject the discounted cash flow analysis. The fixed and variable model is based on the premise that hotel revenues and expenses have a fixed component, with a variable component that fluctuates in response to changes in base occupancy levels based on facility usage, as follows.

Fixed and Variable Income & Expense Percentages

Category	% Fixed	% Variable	Variability Index	IRR Projected Fixed Percentage
Revenue				
Food & Beverage	25% - 50%	50% - 75%	Occupancy, Food & Beverage Revenue	60%
Information Systems	10% - 40%	60% - 90%	Occupancy	40%
Other Operated Departments	30% - 70%	30% - 70%	Occupancy	60%
Rentals & Other Income	30% - 70%	30% - 70%	Occupancy	40%
Departmental Expenses				
Rooms Expense	50% - 70%	30% - 50%	Occupancy	60%
Food & Beverage Expense	35% - 60%	40% - 65%	Food & Beverage Revenue	40%
Information Systems	40% - 70%	30% - 70%	Telecommunications Revenue	60%
Other Income	30% - 70%	30% - 70%	Other Income	60%
Undistributed Expenses				
Administrative & General	65% - 85%	15% - 35%	Total Revenue	60%
Sales & Marketing	65% - 85%	15% - 35%	Total Revenue	40%
Property Operations & Maintenance	55% - 75%	25% - 45%	Total Revenue	60%
Utilities	75% - 95%	5% - 25%	Total Revenue	60%
Management Fee	0%	100%	Total Revenue	0%
Franchise Fee	0%	100%	Occupancy	0%
Fixed Expenses				
Property Taxes	100%	0%	Total Revenue	0%
Insurance	100%	0%	Total Revenue	0%
Reserves	0%	100%	Total Revenue	0%

Because income and expense projections are influenced by occupancy, income and expense projections are developed by analyzing the appropriate unit of comparison, as follows.

Unit of Comparison Summary

Unit of Comparison	Sensitivity Factor	Applicability
Percent of Rooms Revenue	Occupancy Average Daily Rate	Rooms Expense Food & Beverage Revenue Telecom Revenue Other Income
Percent of F&B Revenue	Food & Beverage Revenue	Food & Beverage Expense
Percent of Total Revenue	Occupancy Average Daily Rate F&B Revenue	Admin & General Sales & Marketing Property Operations Management Fee
Per Available Room	Fixed or Slightly Variable	Administrative & General Sales & Marketing Property Operations Utilities Property Taxes Insurance
Per Occupied Room	Occupancy	Food & Beverage Revenue Telecom Revenue Miscellaneous Income Rooms Expense Utilities Expense

Source: Hotels & Motels: A Guide to Market Analysis, Investment Analysis, and Valuations

Revenues

Rooms Revenue

Room revenue was projected at the beginning of this section at $6,179,085, prior to deductions for the impact of COVID-19. This is supported by a detailed penetration and yield study within the Market Analysis section. This assumes pre-COVID market ADR and occupancy rates and does not account for the pandemic. A deduction for income loss due to COVID-19 will be considered at the end of the direct capitalization analysis. Conversely, in the upcoming discounted cash flow analysis, reduced ADR and occupancy rates will be considered in Years 1 and 2 (18 months total) of the projection period.

The following revenue and expense comparable tables include extended stay data from the Highland Group, as well as HOST and CBRE data. The latter two indicators are provided because the subject is located in a submarket characterized by high land and property values, and both HOST and CBRE provide data for the Pacific Coast.

Room Revenue - Extended Stay Hotels

	Highland Group 2019			Highland Group 2020		
	Upscale	Midprice	Economy	Upscale	Midprice	Economy
% of Total Revenue	97.2%	98.1%	98.0%	96.5%	98.2%	97.7%
$ / Occ Room Night	$140.30	$96.25	$47.09	$144.49	$102.77	$51.13
$ / Room	$39,442	$26,341	$13,827	$40,970	$28,551	$15,031

	2019 HOST Study				2019 CBRE			
	Pacific	Suburban	Interstate	Upper Midscale	Summary	Mountain and Pacific	Under 100 Rooms	Over $115
% of Total Revenue	94.5%	97.4%	97.9%	95.9%	96.7%	95.9%	97.6%	95.7%
$ / Occ Room Night	$153.99	$104.63	$94.50	$120.39	$118.79	$131.46	$112.07	$151.63
$ / Room	$44,799	$28,219	$24,359	$31,481	$31,024	$36,392	$28,757	$42,720

Rooms Income

	Comp 1 2019	Comp 2 2018	Comp 3 2019	Comp 4 2019	Comp 5 2018	Actual 2017	Actual 2018	Actual 2019	IRR Projection
Total	–	–	–	–	–	$6,230,724	$5,959,949	$6,141,870	$6,179,085
% of Total Income	96.9%	99.4%	96.5%	98.3%	98.1%	99.6%	99.3%	99.2%	99.3%
$/Room	$86,175	$50,913	$73,198	$56,927	$69,741	$65,587	$62,736	$64,651	$65,043
$/Occ. Room Night	$306.62	$183.54	$225.33	$213.65	$203.27	$201.67	$208.85	$217.60	$220.00

The above expense comparables include limited service hotels located in San Mateo County. Comparables 1, 3, and 4 are extended stay hotels.

Food and Beverage Income

Though the subject offers a complimentary breakfast, the property does not generate food and beverage income.

Other Operated Departments

At the subject, this category includes miscellaneous sources, such as telephone revenue, that are offset by a corresponding expense. Historically, income in this category has been nominal at the subject property.

Other Operated Departments Income

	Comp 1 2019	Comp 2 2018	Comp 3 2019	Comp 4 2019	Comp 5 2018	Actual 2017	Actual 2018	Actual 2019	IRR Projection
Total	–	–	–	–	–	$1,297	$878	$655	$700
% of Room Income	2.7%	0.6%	3.7%	1.7%	2.0%	0.0%	0.0%	0.0%	0.0%
% of Total Income	2.6%	0.6%	3.5%	1.7%	1.9%	0.0%	0.0%	0.0%	0.0%
$/Room	$2,342	$297	$2,678	$988	$1,378	$14	$9	$7	$7
$/Occ. Room Night	$8.33	$1.07	$8.24	$3.71	$4.02	$0.04	$0.03	$0.02	$0.02

	2019 HOST Study				2019 CBRE			
	Pacific	Suburban	Interstate	Upper Midscale	Summary	Mountain and Pacific	Under 100 Rooms	Over $115
% of Total Revenue	2.8%	1.7%	0.9%	1.7%	2.1%	2.3%	1.4%	2.8%
$ / Occ Room Night	$4.54	$1.83	$0.89	$2.31	$2.58	$3.11	$1.62	$4.44
$ / Room	$1,321	$493	$230	$603	$675	$862	$416	$1,251

Rentals and Other Income

At the subject, this category includes other revenues that are reported on a net basis and do not have a corresponding expense. Examples include sundry shop income and guest laundry income.

Rentals and Other Income - Extended Stay Hotels

	Highland Group 2019			Highland Group 2020		
	Upscale	Midprice	Economy	Upscale	Midprice	Economy
% of Total Revenue	2.8%	1.9%	2.0%	3.5%	1.8%	2.3%
$ / Occ Room Night	$4.10	$1.84	$0.96	$5.30	$1.90	$1.21
$ / Room	$1,152	$503	$282	$1,504	$529	$357

	2019 HOST Study				2019 CBRE			
	Pacific	Suburban	Interstate	Upper Midscale	Summary	Mountain and Pacific	Under 100 Rooms	Over $115
% of Total Revenue	2.8%	0.9%	1.2%	2.4%	1.2%	1.8%	1.0%	1.5%
$ / Occ Room Night	$4.50	$0.96	$1.13	$2.78	$1.43	$2.53	$1.16	$2.37
$ / Room	$1,308	$259	$292	$727	$373	$700	$297	$668

Rentals & Other Income

	Comp 1 2019	Comp 2 2018	Comp 3 2019	Comp 4 2019	Comp 5 2018	Actual 2017	Actual 2018	Actual 2019	IRR Projection
Total	–	–	–	–	–	$26,049	$41,022	$46,984	$45,000
% of Room Income	0.4%	–	–	–	–	0.4%	0.7%	0.8%	0.7%
% of Total Income	0.4%	–	–	–	–	0.4%	0.7%	0.8%	0.7%
$/Room	$379	–	–	–	–	$274	$432	$495	$474
$/Occ. Room Night	$1.35	–	–	–	–	$0.84	$1.44	$1.66	$1.60

Though the expense comparables do not report other income, the subject's historical income falls slightly below the range of industry indicators on a percent of total revenue basis. Our projection is based on the recent history of the subject.

Total Revenue Projections

The following table summarizes historic and both the budgeted and our projection of total revenue.

Income History and Projections

	Actual 2017	Actual 2018	Actual 2019	IRR Projection
Rooms	$6,230,724	$5,959,949	$6,141,870	$6,179,085
Other Operated Departments	$1,297	$878	$655	$700
Rentals & Other Income	$26,049	$41,022	$46,984	$45,000
Total Income	$6,258,070	$6,001,849	$6,189,509	$6,224,785

Departmental Expenses

Rooms Expense

Rooms expense includes wages for front desk and housekeeping personnel, payroll taxes, guest supplies, cleaning supplies and laundry, linens, and miscellaneous expenses.

Rooms Expense Detail - Extended Stay Hotels

	Highland Group 2019			Highland Group 2020		
	Upscale	Midprice	Economy	Upscale	Midprice	Economy
% of Room Revenue	23.2%	19.5%	13.7%	24.0%	21.3%	12.5%
$ / Occ Room Night	$32.56	$18.80	$6.47	$34.63	$21.92	$6.40
$ / Room	$9,152	$5,144	$1,901	$9,819	$6,091	$1,882

	2019 HOST Study				2019 CBRE			
	Pacific	Suburban	Interstate	Upper Midscale	Summary	Mountain and Pacific	Under 100 Rooms	Over $115
% of Room Revenue	23.5%	23.3%	27.1%	27.3%	27.4%	28.0%	27.4%	24.9%
$ / Occ Room Night	$36.22	$24.37	$25.62	$34.64	$32.57	$36.85	$30.74	$37.79
$ / Room	$10,538	$6,573	$6,605	$9,059	$8,506	$10,200	$7,887	$10,646

Rooms Expense

	Comp 1 2019	Comp 2 2018	Comp 3 2019	Comp 4 2019	Comp 5 2018	Actual 2017	Actual 2018	Actual 2019	IRR Projection
Total	–	–	–	–	–	$945,686	$1,153,685	$1,227,435	$1,235,817
% of Room Income	19.6%	19.6%	24.4%	20.2%	19.3%	15.2%	19.4%	20.0%	20.0%
% of Total Income	19.0%	19.5%	23.5%	19.8%	19.0%	15.1%	19.2%	19.8%	19.9%
$/Room	$16,914	$10,001	$17,829	$11,485	$13,478	$9,955	$12,144	$12,920	$13,009
$/Occ. Room Night	$60.18	$36.05	$54.88	$43.10	$39.28	$30.61	$40.43	$43.49	$44.00

A rooms expense of 20.0% of rooms revenue is projected for the subject, which is consistent with the subject's recent operating history, the Bay Area expense comparables, and the Highland Group data for extended stay hotels.

Other Operated Departments and Rentals Expense

The expense is an offset of the related miscellaneous income.

	2019 HOST Study				2019 CBRE			
	Pacific	Suburban	Interstate	Upper Midscale	Summary	Mountain and Pacific	Under 100 Rooms	Over $115
% of Other Income	65.4%	62.0%	103.6%	72.8%	53.5%	50.3%	63.2%	48.2%
$ / Occ Room Night	$2.97	$1.13	$0.92	$1.75	$1.38	$1.57	$1.03	$2.14
$ / Room	$865	$306	$238	$458	$361	$434	$263	$603

Other Operated Departments Expense	Comp 1 2019	Comp 2 2018	Comp 3 2019	Comp 4 2019	Comp 5 2018	Actual 2017	Actual 2018	Actual 2019	IRR Projection
Total	–	–	–	–	–	$26,685	$34,726	$40,267	$37,075
% of Total Income	0.4%	0.3%	1.3%	0.7%	0.4%	0.4%	0.6%	0.7%	0.6%
$/Room	$325	$143	$1,004	$384	$253	$281	$366	$424	$390
$/Occ. Room Night	$1.16	$0.52	$3.09	$1.44	$0.74	$0.86	$1.22	$1.43	$1.32

We rely on the recent operating history of the subject in projecting this expense, which is also consistent with the Bay Area expense comparables on a percent of total income basis.

Undistributed Operating Expenses

Administrative and General

Administrative and General expenses include the general manager and administrative salaries, office expenses, supplies, credit card fees, accounting, bookkeeping, computer expense and systems, bank charges, and professional fees.

Administrative & General Detail - Extended Stay Hotels	Highland Group 2019			Highland Group 2020		
	Upscale	Midprice	Economy	Upscale	Midprice	Economy
% of Total Revenue	9.9%	10.9%	10.2%	10.1%	10.5%	8.1%
$ / Occ Room Night	$14.27	$10.69	$4.90	$15.11	$10.96	$4.26
$ / Room	$4,014	$2,926	$1,439	$4,284	$3,045	$1,254

	2019 HOST Study				2019 CBRE			
	Pacific	Suburban	Interstate	Upper Midscale	Summary	Mountain and Pacific	Under 100 Rooms	Over $115
% of Total Revenue	8.0%	9.0%	9.5%	7.9%	8.6%	8.2%	10.1%	7.6%
$ / Occ Room Night	$13.12	$9.72	$9.13	$10.65	$10.57	$11.25	$11.60	$12.03
$ / Room	$3,818	$2,622	$2,354	$2,786	$2,761	$3,115	$2,977	$3,389

Administrative & General Expense									
	Comp 1 2019	Comp 2 2018	Comp 3 2019	Comp 4 2019	Comp 5 2018	Actual 2017	Actual 2018	Actual 2019	IRR Projection
Total	–	–	–	–	–	$315,434	$356,366	$387,214	$373,487
% of Room Income	8.5%	6.6%	7.1%	8.5%	8.1%	5.1%	6.0%	6.3%	6.0%
% of Total Income	8.2%	6.6%	6.8%	8.4%	8.0%	5.0%	5.9%	6.3%	6.0%
$/Room	$7,294	$3,365	$5,180	$4,849	$5,672	$3,320	$3,751	$4,076	$3,931
$/Occ. Room Night	$25.95	$12.13	$15.95	$18.20	$16.53	$10.21	$12.49	$13.72	$13.30

The subject's operating history suggests a projection of 6.0% of total revenue is appropriate for the subject. This is slightly below the comparable range, and lower than the industry indicators. However, the subject has consistently operated with an administrative/general expense of between 5.0% and 6.3% of total income. Therefore, 6.0% is considered reasonable.

Sales and Marketing Costs

Typically, marketing expenses include national franchise marketing fees including both the royalty fee and the national advertising fee. Additionally, it includes the cost of local marketing efforts. However, in the case of the subject, national franchise marketing fees are reported separately as part of the upcoming franchise fees line item. Therefore, this section includes only the cost of local marketing efforts, and our projection is substantially lower than the expense comparables.

Sales & Marketing Detail - Extended Stay Hotels						
	Highland Group 2019			Highland Group 2020		
	Upscale	Midprice	Economy	Upscale	Midprice	Economy
% of Total Revenue	12.3%	9.9%	6.3%	12.6%	11.2%	10.3%
$ / Occ Room Night	$17.72	$9.71	$3.05	$18.91	$11.70	$5.41
$ / Room	$4,982	$2,657	$895	$5,363	$3,249	$1,592

	2019 HOST Study				2019 CBRE			
	Pacific	Suburban	Interstate	Upper Midscale	Summary	Mountain and Pacific	Under 100 Rooms	Over $115
% of Total Revenue	8.3%	9.9%	11.7%	11.6%	12.5%	11.1%	12.6%	12.6%
% of Room Revenue	8.8%	10.1%	12.0%	11.8%	12.9%	11.6%	12.9%	13.1%
$ / Occ Room Night	$13.60	$10.59	$11.31	$14.22	$15.34	$15.25	$14.47	$19.89
$ / Room	$3,957	$2,856	$2,915	$3,720	$4,007	$4,223	$3,713	$5,604

Sales & Marketing Expense									
	Comp 1 2019	Comp 2 2018	Comp 3 2019	Comp 4 2019	Comp 5 2018	Actual 2017	Actual 2018	Actual 2019	IRR Projection
Total	–	–	–	–	–	$92,542	$88,600	$65,511	$80,922
% of Room Income	11.1%	14.6%	7.5%	9.3%	14.9%	1.5%	1.5%	1.1%	1.3%
% of Total Income	10.7%	14.6%	7.2%	9.1%	14.6%	1.5%	1.5%	1.1%	1.3%
$/Room	$9,535	$7,453	$5,499	$5,290	$10,389	$974	$933	$690	$852
$/Occ. Room Night	$33.93	$26.87	$16.93	$19.85	$30.28	$3.00	$3.10	$2.32	$2.88

Property Operation and Maintenance

Repair and maintenance expenses include building maintenance and repair, parking lot maintenance, lawn care, landscaping, minor room repair and maintenance costs.

Property Operations & Maintenance Detail - Extended Stay Hotels

	Highland Group 2019			Highland Group 2020		
	Upscale	Midprice	Economy	Upscale	Midprice	Economy
% of Total Revenue	3.9%	4.2%	5.8%	4.0%	4.6%	5.6%
$ / Occ Room Night	$5.67	$4.14	$2.79	$6.06	$4.84	$2.94
$ / Room	$1,595	$1,132	$819	$1,718	$1,344	$864

	2019 HOST Study				2019 CBRE			
	Pacific	Suburban	Interstate	Upper Midscale	Summary	Mountain and Pacific	Under 100 Rooms	Over $115
% of Total Revenue	3.9%	5.2%	5.5%	4.5%	4.7%	4.1%	4.8%	3.9%
$ / Occ Room Night	$6.32	$5.62	$5.35	$6.00	$5.75	$5.67	$5.52	$6.24
$ / Room	$1,838	$1,516	$1,380	$1,569	$1,502	$1,570	$1,418	$1,757

Property Operations & Maintenance Expense

	Comp 1 2019	Comp 2 2018	Comp 3 2019	Comp 4 2019	Comp 5 2018	Actual 2017	Actual 2018	Actual 2019	IRR Projection
Total	–	–	–	–	–	$207,771	$195,689	$192,459	$192,968
% of Room Income	3.5%	2.3%	4.0%	5.3%	0.9%	3.3%	3.3%	3.1%	3.1%
% of Total Income	3.4%	2.3%	3.9%	5.2%	0.9%	3.3%	3.3%	3.1%	3.1%
$/Room	$3,054	$1,187	$2,930	$3,003	$657	$2,187	$2,060	$2,026	$2,031
$/Occ. Room Night	$10.87	$4.28	$9.02	$11.27	$1.91	$6.72	$6.86	$6.82	$6.87

Our expense projection for the subject falls within the range of Bay Area comparable properties, though the projection is slightly lower than industry indicators on a percentage of total revenue basis.

Utility Costs

Energy costs include all heat, light and power costs.

Utilities Expense Detail - Extended Stay Hotels

	Highland Group 2019			Highland Group 2020		
	Upscale	Midprice	Economy	Upscale	Midprice	Economy
% of Total Revenue	4.0%	3.8%	6.8%	3.9%	4.0%	6.3%
$ / Occ Room Night	$5.80	$3.70	$3.28	$5.80	$4.16	$3.29
$ / Room	$1,631	$1,012	$963	$1,643	$1,156	$968

	2019 HOST Study				2019 CBRE			
	Pacific	Suburban	Interstate	Upper Midscale	Summary	Mountain and Pacific	Under 100 Rooms	Over $115
% of Total Revenue	3.1%	4.1%	4.4%	3.6%	3.7%	3.1%	3.9%	3.0%
$ / Occ Room Night	$5.06	$4.46	$4.29	$4.73	$4.52	$4.25	$4.44	$4.83
$ / Room	$1,472	$1,202	$1,105	$1,236	$1,181	$1,176	$1,140	$1,361

Utilities Expense	Comp 1 2019	Comp 2 2018	Comp 3 2019	Comp 4 2019	Comp 5 2018	Actual 2017	Actual 2018	Actual 2019	IRR Projection
Total	–	–	–	–	–	$148,640	$162,736	$182,209	$180,519
% of Room Income	1.7%	2.5%	2.3%	3.0%	3.3%	2.4%	2.7%	3.0%	2.9%
% of Total Income	1.7%	2.5%	2.2%	2.9%	3.3%	2.4%	2.7%	2.9%	2.9%
$/Room	$1,487	$1,272	$1,702	$1,682	$2,325	$1,565	$1,713	$1,918	$1,900
$/Occ. Room Night	$5.29	$4.58	$5.24	$6.31	$6.78	$4.81	$5.70	$6.46	$6.43

Greatest weight is given to the recent expense history of the subject, which has been relatively consistent over the past three years and falls within the Bay Area expense comparable range.

Management

Management costs are for off-site professional management. The projection is based on typical hotel operations. Management expense classified by hotel type is in the following chart.

	2019 HOST Study				2019 CBRE			
	Pacific	Suburban	Interstate	Upper Midscale	Summary	Mountain and Pacific	Under 100 Rooms	Over $115
% of Total Revenue	3.9%	3.6%	4.8%	3.4%	3.5%	3.6%	3.4%	3.2%
$ / Occ Room Night	$6.41	$3.89	$4.65	$6.30	$4.32	$4.94	$3.85	$5.13
$ / Room	$1,864	$1,048	$1,198	$1,647	$1,128	$1,368	$988	$1,445

Management Fee Detail - Extended Stay Hotels

	Highland Group 2019			Highland Group 2020		
	Upscale	Midprice	Economy	Upscale	Midprice	Economy
% of Total Revenue	3.6%	3.0%	3.8%	3.9%	3.1%	4.6%
$ / Occ Room Night	$5.20	$2.91	$1.85	$5.89	$3.28	$2.39
$ / Room	$1,461	$796	$543	$1,669	$910	$703

Management Fees Expense	Comp 1 2019	Comp 2 2018	Comp 3 2019	Comp 4 2019	Comp 5 2018	Actual 2017	Actual 2018	Actual 2019	IRR Projection
Total	–	–	–	–	–	$250,324	$240,074	$247,581	$248,991
% of Room Income	4.1%	4.0%	3.1%	3.1%	5.1%	4.0%	4.0%	4.0%	4.0%
% of Total Income	4.0%	4.0%	3.0%	3.0%	5.0%	4.0%	4.0%	4.0%	4.0%
$/Room	$3,556	$2,048	$2,276	$1,737	$3,556	$2,635	$2,527	$2,606	$2,621
$/Occ. Room Night	$12.65	$7.38	$7.01	$6.52	$10.36	$8.10	$8.41	$8.77	$8.87

Considering all of the available data, a management expense of 4.0% of total income appears reasonable and is applied as the projected amount.

Franchise Fees

Franchise, or royalty fees, are fees associated with affiliation with a national lodging brand. Our projection is based on the subject’s franchise agreement, which puts royalty fees at 5.0% of room revenue. This is in addition to an annual 2.0% marketing fee and a variable expense associated with the Marriot Bonvoy Program (formerly the Marriot Rewards Member Program). According to management, depending on the number of guests which use points in any given month, a credit may sometimes be received which outweighs the expense of buying points for guests.

Franchise fees for the subject have historically ranged from 6.89% to 7.54% of revenue over the past three years. In the upcoming analysis, we use a franchise fee of 7.3%.

Fixed Expenses

Real Estate Taxes

Real estate taxes were presented in the Real Estate Tax Analysis section of this report. While data is shown for both national and competitive properties, taxation practices in the local area are a better measure for estimating taxes on an on-going basis.

Property Taxes Detail - Extended Stay Hotels

	Highland Group 2019			Highland Group 2020		
	Upscale	Midprice	Economy	Upscale	Midprice	Economy
% of Total Revenue	4.6%	3.9%	4.3%	4.3%	4.0%	4.0%
$ / Occ Room Night	$6.70	$3.84	$2.09	$6.43	$4.21	$2.12
$ / Room	$1,885	$1,051	$613	$1,823	$1,170	$622

	2019 HOST Study				2019 CBRE			
	Pacific	Suburban	Interstate	Upper Midscale	Summary	Mountain and Pacific	Under 100 Rooms	Over $115
% of Total Revenue	4.1%	4.6%	4.3%	5.3%	4.0%	3.1%	2.9%	4.3%
$ / Occ Room Night	$6.65	$4.92	$4.10	$6.99	$4.94	$4.19	$3.39	$6.85
$ / Room	$1,934	$1,326	$1,057	$1,827	$1,291	$1,159	$869	$1,929

Property & Other Taxes Expense

	Comp 1 2019	Comp 2 2018	Comp 3 2019	Comp 4 2019	Comp 5 2018	Actual 2017	Actual 2018	Actual 2019	IRR Projection
Total	–	–	–	–	–	$197,662	$149,085	$209,073	$417,729
% of Room Income	2.8%	7.1%	6.8%	4.8%	5.0%	3.2%	2.5%	3.4%	6.8%
% of Total Income	2.7%	7.1%	6.6%	4.7%	4.9%	3.2%	2.5%	3.4%	6.7%
$/Room	$2,381	$3,634	$4,974	$2,725	$3,453	$2,081	$1,569	$2,201	$4,397
$/Occ. Room Night	$8.47	$13.10	$15.31	$10.23	$10.06	$6.40	$5.22	$7.41	$14.87

As the definition of market value presumes a sale, the tax expense projected in the table above will be utilized in the direct capitalization approach and is based upon the subject's tax rate applied to our conclusion of market value via direct capitalization. A separate tax expense will be utilized in the upcoming DCF analysis, based upon our market value conclusion via the discounted cash flow analysis.

Insurance

The insurance expense covers fire, theft and liability for the subject. This expense is fixed and is best measured as the cost per available room.

Insurance Detail - Extended Stay Hotels

	Highland Group 2019			Highland Group 2020		
	Upscale	Midprice	Economy	Upscale	Midprice	Economy
% of Total Revenue	1.0%	0.8%	1.4%	0.9%	1.0%	1.9%
$ / Occ Room Night	$1.44	$0.80	$0.68	$1.30	$1.00	$1.01
$ / Room	$404	$219	$200	$370	$279	$297

	2019 HOST Study				2019 CBRE			
	Pacific	Suburban	Interstate	Upper Midscale	Summary	Mountain and Pacific	Under 100 Rooms	Over $115
% of Total Revenue	1.2%	1.1%	1.4%	1.0%	1.1%	1.1%	1.1%	0.9%
$ / Occ Room Night	$1.94	$1.23	$1.35	$1.67	$1.41	$1.47	$1.28	$1.41
$ / Room	$564	$332	$349	$438	$368	$406	$330	$398

Insurance Expense

	Comp 1 2019	Comp 2 2018	Comp 3 2019	Comp 4 2019	Comp 5 2018	Actual 2017	Actual 2018	Actual 2019	IRR Projection
Total	–	–	–	–	–	$37,997	$37,991	$39,154	$39,000
% of Room Income	0.3%	1.0%	0.2%	0.5%	0.5%	0.6%	0.6%	0.6%	0.6%
% of Total Income	0.3%	1.0%	0.2%	0.5%	0.4%	0.6%	0.6%	0.6%	0.6%
$/Room	$259	$496	$114	$262	$317	$400	$400	$412	$411
$/Occ. Room Night	$0.92	$1.79	$0.35	$0.98	$0.92	$1.23	$1.33	$1.39	$1.39

Our projection is based upon the recent insurance expense of the subject, which is consistent with the Bay Area comparables as a percentage of total income.

Reserves for Replacement

A reserve for replacement is included in our analysis to account for long term replacement of items such as paving, mechanicals, carpeting and furniture, fixtures and equipment. National survey data supporting this estimate is presented below.

Replacement Reserves Detail - Extended Stay Hotels

	Highland Group 2019			Highland Group 2020		
	Upscale	Midprice	Economy	Upscale	Midprice	Economy
% of Total Revenue	4.5%	1.7%	3.0%	4.9%	1.8%	3.9%
$ / Occ Room Night	$6.49	$1.62	$1.46	$7.28	$1.89	$2.05
$ / Room	$1,824	$444	$430	$2,063	$524	$603

	2019 HOST Study			
	Pacific	Suburban	Interstate	Upper Midscale
% of Total Revenue	2.3%	1.7%	1.3%	2.0%
$ / Occ Room Night	$3.82	$1.83	$1.24	$2.19
$ / Room	$1,112	$492	$320	$572

A recent study published by the International Society of Hotel Consultants suggests that reserves are required at a significantly higher percentage of revenue. However, until the marketplace recognizes this as a deduction from NOI and adjusts corresponding purchase parameters, we have relied on market norms.

Based on all of the above information a 2.0% reserve allowance in applied.

Net Operating Income

Based on the preceding income and expense projections, stabilized net operating income is projected as follows:

Net Operating Income Projection

	Total	$/Room	% of Total Income
Room Income	$6,179,085	$65,043	99.3%
Total Income	$6,224,785	$65,524	100.0%
Expenses	$3,382,077	$35,601	54.3%
NOI	$2,842,708	$29,923	45.7%

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.

In the upcoming *Sales Comparison Approach* section, we analyzed several sales of hotel properties. However, capitalization rate data was not available for the subject sales. Thus, we compiled capitalization rate information for a variety of additional hotel properties in the region. While the supplemental sales are less similar to the subject than the comparables used in the *Sales Comparison Approach* section, they are the most recent transactions for which we were able to accurately confirm overall capitalization rates. Information from the overall capitalization rate comparables is presented in the following table.

Analysis of Comparable Sales

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

Capitalization Rate Comparables

No.	Property Name	City	Year Built	Sale Date	No. Rooms	Effective Price/Room	Cap Rate
1	Holiday Inn Express (SFO)	Burlingame	1980	3/27/2018	146	$234,548	6.00%
2	Ramada	San Bruno	1992	2/1/2017	61	$189,344	7.50%
3	AC Hotel by Marriott	San Jose	2016	3/29/2019	210	$469,047	7.53%
4	AC Hotel by Marriott	Pleasanton	1986	5/12/2017	170	$199,117	8.86%
5	Courtyard by Marriott	San Pablo	1990	6/4/2019	149	$214,060	8.00%
6	WoodSpring Suites	Sacramento	2009	10/18/2019	123	$78,455	9.00%
7	Residence Inn Riverside	Moreno Valley	2020	3/5/2020	112	$234,375	7.50%
8	Residence Inn Marriott	Sacramento	1992	2/13/2018	126	$186,507	8.90%
9	Residence Inn Marriott	Anaheim	2002	1/17/2019	128	$199,218	7.50%
10	Hawthorn Suites	Victorville	2005	4/19/2019	75	$140,000	8.40%
	Average (Mean) Cap Rate:						7.92%

The overall capitalization rate is the rate at which an investor of an income-producing property will see a return on capital used to buy a particular property/investment. Thus, the capitalization rate can reasonably be viewed as a function of risk. A high risk implies a high possibility of investment loss; a property with high risk will have a high capitalization rate causing a lower selling price or value than one with a relatively low risk factor, all else being equal.

Attributes such as location, building area, visibility/accessibility, condition, effective age and overall quality were taken into account when equating sales and income comparables to the subject in order to determine market value. The same is true when determining a capitalization rate for the subject property. Also considered when deriving a capitalization rate for an income-producing property is deferred maintenance, security of the income stream, as well as general economic conditions and local market conditions.

The previous comparables were selected for several reasons. Comparables 1 thorugh 5 reflect Bay Area hotel sales over the past three years. Though the comparables do not include extended stay hotels, they provide Bay Area hospitality data points. Sales 1 and 2, in particular, are located in San Mateo County. Overall, these comparables average 7.58%. Comparables 6 through 10 reflect extended stay hotel sales throughout California. These comparables were chosen specifically because they reflect a more similar product type to the subject property than the Bay Area sales. These comparables average 8.23%.

For further support, we discussed the Bay Area market with market participants, including brokers familiar with the area. The general consensus was that a capitalization rate between 7.0% and 8.0% would appropriate for a property similar to the subject in a pre-COVID-19 market.

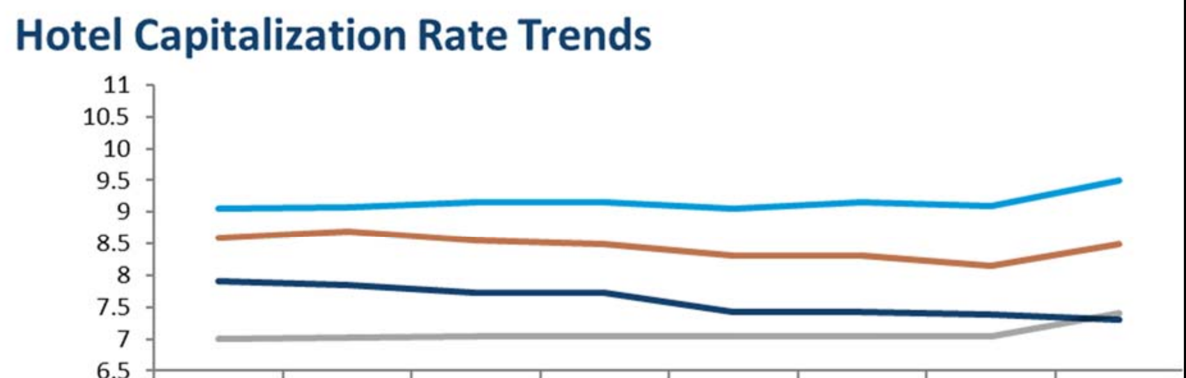
National Investor Surveys

Data pertaining to investment grade properties are summarized in the following tables.

Capitalization Rate Surveys – Hotel Properties

	PwC 3Q-2020 Economy/Ltd Svc	PwC 3Q-2020 Select-Service	PwC 3Q-2020 Full Service	PwC 3Q-2020 Luxury/Upscale
Range	7.00% - 12.00%	7.00% - 11.00%	6.00% - 9.00%	4.00% -9.50%
Average	9.50%	8.50%	7.30%	7.40%

Source: PwC Real Estate Investor Survey



	1Q-17	3Q-17	1Q-18	3Q-18	1Q-19	3Q-19	1Q-20	3Q-20
ECON	9.06	9.08	9.15	9.15	9.05	9.15	9.1	9.5
SEL SVC	8.6	8.7	8.56	8.5	8.31	8.31	8.15	8.5
FULL	7.9	7.85	7.73	7.73	7.43	7.43	7.38	7.3
LUX	7	7.03	7.05	7.05	7.05	7.05	7.05	7.4

ECON - PwC Real Estate Investor Survey - Economy/Ltd. Service Segment
SEL SVC - PwC Real Estate Investor Survey - Select Service Segment
FULL - PwC Real Estate Investor Survey - Full Service Segment
LUX - PwC Real Estate Investor Survey - Luxury/Upscale Segment.

It should be noted, it is not uncommon for Bay Area properties to transfer at lower cap rates than those indicated by national data.

Band of Investment

The band of investment method derives a capitalization rate from the weighted average of the mortgage and equity demands on net income generated from the property. This method involves an estimate of typical financing terms as well as an estimated rate of return on equity capital sufficient to attract investors. The rate indicated by this method is shown in the following table.

Band of Investment Method				
Mortgage/Equity Assumptions				
Loan To Value Ratio	70%			
Interest Rate	4.00%			
Amortization (Years)	30			
Mortgage Constant	0.0573			
Equity Ratio	30%			
Equity Dividend Rate	12.00%			
Weighted Average of Mortgage and Equity Requirements				
Mortgage Requirement	70%	x	5.73% =	4.01%
Equity Requirement	30%	x	12.00% =	3.60%
Indicated Capitalization Rate				**7.61%**
Rounded				**7.60%**

Capitalization Rate Conclusion

To conclude 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.

Risk Factor	Issues	Impact on Rate
Income Characteristics	Subject ADR, occupancy, penetration and RevPar trends. Prior to COVID-19, the subject has consistently outperformed its peers. The subject’s recent ADR, occupancy, and RevPAR have been higher than the comparable set. Though these factors have been offset by the pandemic in the short term, an effort is made not to penalize the subject into perpetuity.	↓
Competitive Market Position	Construction quality, appeal, effective age, functional utility. The subject has been well maintained and reflects average age and appeal.	↔
Location	Market area demographics and life cycle trends; proximity issues; access and support services. The subject has a good location proximate to Highway 101, a major interstate in Redwood City and the Peninsula. The property attracts business travelers due to its proximity to major technology employers, and Redwood City (and the Peninsula overall) is a highly desirable hospitality market.	↓
Market	ADR and occupancy trends, potential for new supply. Currently, the hospitality market is being negatively impacted by the pandemic. However, the threat of new competitive supply is low.	↑↔
Highest & Best Use	Upside potential from redevelopment, adaptation, expansion. The subject is currently operating at its highest and best use.	↔
Overall Impact		↔

Accordingly, we conclude a capitalization rate as follows:

Capitalization Rate Conclusion	
Going-In Capitalization Rate	7.75%

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 loss of income over the next 18 months due to COVID-19. Valuation of the subject by direct capitalization is shown below.

Direct Capitalization	
Effective Gross Income	$6,224,785
Expenses	$3,382,077
Net Operating Income	$2,842,708
Capitalization Rate	7.75%
Indicated Value	$36,680,099
Adjustments	
Income Loss	-$3,510,000
PIP	-$625,710
Total Adjustments	-$4,135,710
Stabilized Value Indication	$32,544,389
Rounded	$32,500,000

To estimate income loss, we assume the subject achieves an ADR of $130.00 and an occupancy rate of 45.0% over the next six months, followed by an increase in ADR to $190.00 and an increase in occupancy to 65.0% over the following six months. Finally, ADR and occupancy are projected at $200 and 75% over months 13 through 18. This analysis assumes a return to a pre-COVID-19 ADR of $220.00 and occupancy of 81.0% in April of 2022.

Income Loss

Time Frame	Rooms	ADR	Occupancy	Income
October 2020 - March 2021 (6 mths)	95	$130.00	45.0%	$1,014,244
April 2021 - September 2021 (6 mths)	95	$190.00	65.0%	$2,141,181
October 2021 - March 2022 (6 mths)	95	$200.00	75.0%	$2,600,625
Total Income				$5,756,050
Annual Income - No Reduction	95	$220.00	81.0%	$9,268,628
Total Income Loss				($3,512,578)
Rounded				**($3,510,000)**

In addition, the subject’s next PIP renovation is scheduled for 2023. However, ownership expects this to be deferred until 2024 due to the pandemic. The subject’s 2016 PIP renovation cost $1,768,000, or approximately $18,610 per room. PIP expenditures can vary, thought the subject’s recent renovation is considered toward the higher end of the range. In the upcoming discounted cash flow analysis, we estimate the next PIP for the subject at $10,000 per room, or $950,000, given the scope of the most recent renovation. This expense is spread over Years 4 and 5 (2024 and 2025) in the upcoming proforma. For the direct capitalization analysis, we have discounted the PIP expense to reflect the present value of the renovation cost and considered the expense as a line item deduction.

Discounted Cash Flow Analysis

We use custom cash flow modelling to develop a projection of periodic cash flows from the property over an anticipated investment holding period. 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	IRR Specialty Practice Group DCF				
Period of Analysis					
Analysis Start Date	10/1/20				
Holding Period (Yrs)	10				
Discount Rate and Reversion Cap Rate					
Discount Rate	9.75%				
Reversion Capitalization Rate	8.00%				
Inflation	Year 2	Year 3	Year 4	Year 5	Thereafter
General Inflation	2.0%	2.0%	2.0%	2.0%	2.0%
ADR	0.0%	0.0%	2.0%	2.0%	2.0%
Departmental Expenses	2.0%	2.0%	2.0%	2.0%	2.0%
Undistributed and Fixed Expenses	2.0%	2.0%	2.0%	2.0%	2.0%
Real Estate Tax	2.0%	2.0%	2.0%	2.0%	2.0%
Capital Expenditures					
Capital Budget	Not applicable				
Reserves (% of Total Revenue)	2.0%				
Reserves Deducted Below NOI?	Yes				
Reversion Analysis Factors					
Selling Expenses	2.0%				
Adjustments To Sale Price	Not applicable				

As noted, ADR is projected to return to $220.00 in the second half of Year 2 (after month 18). We have applied no inflation over pre-COVID ADR in Year 3 (2023), as the market continues to stabilize. An inflation rate of 2.0% is applied thereafter.

Holding Period

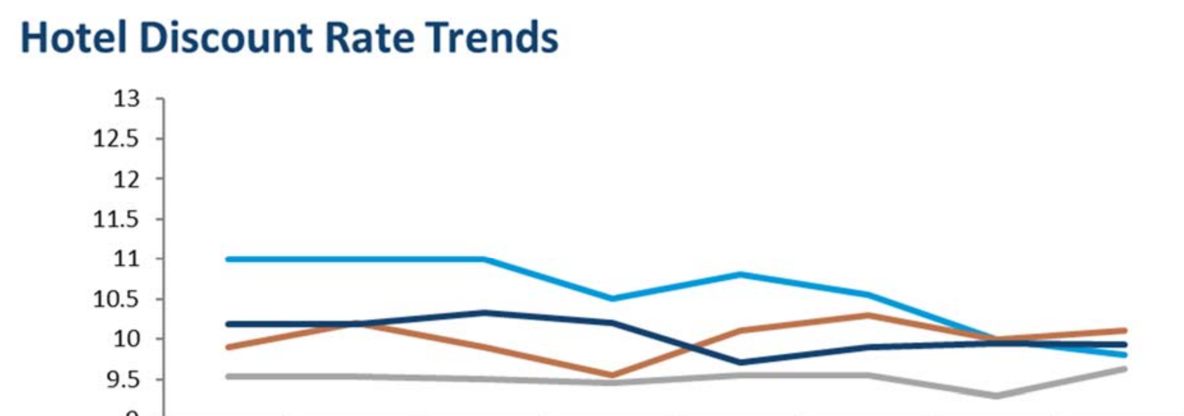
A ten-year holding period is consistent with typical investor analysis.

Discount Rate and Reversion Capitalization Rate Selection

Data from national investor surveys is summarized as follows.

Investor Surveys - Hotel Properties				
	PwC 3Q-2020 Economy/Ltd Svc	PwC 3Q-2020 Select-Service	PwC 3Q-2020 Full-Service	PwC 3Q-2020 Luxury/Upscale
Discount Rate				
Range	8.00% - 12.00%	8.00% - 12.00%	8.75% - 11.00%	6.50% -12.00%
Average	9.80%	10.10%	9.93%	9.63%
Reversion Capitalization Rate				
Range	8.00% - 12.00	7.00% - 10.50%	7.00% - 10.00%	5.75% - 9.50%
Average	9.50%	8.68%	8.50%	7.83%
ADR Change Rate				
Range	(10.00%) - 5.00%	(5.00%) - 20.00%	0.00% - 3.00%	(10.00%) - 3.00%
Average	(.10%)	4.60%	0.70%	(0.80%)
Operating Expense Change Rate				
Range	2.00% - 4.00%	2.00% - 20.00%	0.00% - 4.00%	1.00% - 7.00%
Average	2.95%	6.45%	2.80%	3.40%

Source: PwC Real Estate Investor Survey.



	1Q-17	3Q-17	1Q-18	3Q-18	1Q-19	3Q-19	1Q-20	3Q-20
ECON	11	11	11	10.5	10.8	10.55	10	9.8
SEL SVC	9.9	10.2	9.9	9.55	10.1	10.3	10	10.1
FULL	10.19	10.19	10.33	10.2	9.7	9.9	9.95	9.93
LUX	9.53	9.53	9.5	9.45	9.55	9.55	9.3	9.63

ECON - PwC Real Estate Investor Survey - Economy/Ltd. Service Segment
SEL SVC - PwC Real Estate Investor Survey - Select Service Segment
FULL - PwC Real Estate Investor Survey - Full Service Segment
LUX - PwC Real Estate Investor Survey - Luxury/Upscale Segment.

Discount Rate

The surveys indicate that discount rates for limited service hotel properties range from 8.00% to 12.00% and average 9.80%. Prior to COVID-19, rates had moved downward over the past year. It is our opinion a large portion of the subject's value lies within the land, which does not depreciate. Further, Redwood City is a highly desirable location within the hospitality industry given its proximity to the San Francisco airport, major technology employers, and Stanford University. Considering the current economic conditions, the quality of the subject, and market area demographics and trends, is discount rate of 9.75% is appropriate for the subject.

Reversion Capitalization Rate

The surveys indicate a range of reversion capitalization rates of 8.00% to 12.00%, with an average of 9.50%, for limited service hotel properties. In general, reversion rates are typically 25 to 100 basis points greater than going-in rates. For the subject, we conclude a reversion capitalization rate of 8.00%. This represents a spread of 25 basis points over our concluded stabilized going-in rate of 7.75%, which is a toward the low end of the range for market figures. However, the majority of risk in the hospitality industry is related to the current COVID-19 pandemic, which is not expected to impact the property over the full ten-year holding period. In addition, the risk associated with COVID-19 was considered in our going-in cap rate conclusion, thereby narrowing the appropriate spread between going-in and reversion cap rates.

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	Indicated Value
Market Value	$33,800,000

The cash flow schedule and present worth calculations are shown on the following pages. Please note the inclusion of the previously discussed PIP renovation in Years 4 and 5.

Integra Realty Resources
Hotels

TownePlace Suites Redwood Shores

Fiscal Year Ending Sept 30th	Year 1 2021	Year 2 2022	Year 3 2023	Year 4 2024	Year 5 2025	Year 6 2026	Year 7 2027	Year 8 2028	Year 9 2029
Revenue									
Rooms Revenue	$3,051,400	$5,679,765	$6,179,085	$6,302,667	$6,428,720	$6,557,294	$6,688,440	$6,822,209	$6,958,653
Other Operated Departments	$700	$714	$728	$743	$758	$773	$788	$804	$820
Rentals & Other Income	$45,000	$45,900	$46,818	$47,754	$48,709	$49,684	$50,677	$51,691	$52,725
Total Revenue	$3,097,100	$5,726,379	$6,226,631	$6,351,164	$6,478,187	$6,607,751	$6,739,906	$6,874,704	$7,012,198
% Change	-	84.9%	8.7%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Departmental Expenses									
Rooms	$610,280	$1,135,953	$1,235,817	$1,260,533	$1,285,744	$1,311,459	$1,337,688	$1,364,442	$1,391,731
Other Operated Departments	$18,308	$34,079	$37,075	$37,816	$38,572	$39,344	$40,131	$40,933	$41,752
Total Departmental Expenses	$628,588	$1,170,032	$1,272,892	$1,298,349	$1,324,316	$1,350,803	$1,377,819	$1,405,375	$1,433,483
% Change	-	86.1%	8.8%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Undistributed Expenses									
Admin & General	$185,826	$343,583	$373,598	$381,070	$388,691	$396,465	$404,394	$412,482	$420,732
Sales & Marketing	$40,262	$74,443	$80,946	$82,565	$84,216	$85,901	$87,619	$89,371	$91,159
Property Operations	$96,010	$177,518	$193,026	$196,886	$200,824	$204,840	$208,937	$213,116	$217,378
Utilities	$89,816	$127,375	$132,274	$132,274	$132,274	$132,274	$132,274	$132,274	$132,274
Total Undistributed Expenses	$411,914	$722,919	$779,844	$792,795	$806,006	$819,480	$833,225	$847,244	$861,543
% Change	-	75.5%	7.9%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%
Management Fee	$123,884	$229,055	$249,065	$254,047	$259,127	$264,310	$269,596	$274,988	$280,488
Fixed Expenses									
Franchise Fee	$222,752	$414,623	$451,073	$460,095	$469,297	$478,682	$488,256	$498,021	$507,982
Property Taxes	$385,754	$393,469	$401,339	$409,365	$417,553	$425,904	$434,422	$443,110	$451,973
Insurance	$39,000	$39,780	$40,576	$41,387	$42,215	$43,059	$43,920	$44,799	$45,695
Total Fixed Expenses	$647,506	$847,872	$892,988	$910,847	$929,064	$947,645	$966,598	$985,930	$1,005,649
% Change	-	30.9%	5.3%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Total Expenses	$1,811,893	$2,969,878	$3,194,788	$3,256,039	$3,318,514	$3,382,239	$3,447,238	$3,513,537	$3,581,162
NOI/EBIDTA	**$1,285,207**	**$2,756,501**	**$3,031,843**	**$3,095,125**	**$3,159,673**	**$3,225,512**	**$3,292,668**	**$3,361,167**	**$3,431,036**
% Change	-	114.5%	10.0%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%
Capital Expenses									
Reserves	$61,942	$114,528	$124,533	$127,023	$129,564	$132,155	$134,798	$137,494	$140,244
Capital	$0	$0	$0	$475,000	$475,000	$0	$0	$0	$0
Total Capital Expenses	$61,942	$114,528	$124,533	$602,023	$604,564	$132,155	$134,798	$137,494	$140,244
CASH FLOW BEFORE DEBT SERVICE	**$1,223,265**	**$2,641,974**	**$2,907,310**	**$2,493,102**	**$2,555,110**	**$3,093,357**	**$3,157,870**	**$3,223,673**	**$3,290,792**
% Change	-	116.0%	10.0%	-14.2%	2.5%	21.1%	2.1%	2.1%	2.1%

Present Value Calculations - As-Is

Analysis Period	For Year Ending	Annual Cash Flow	PV of Cash Flow @ 8.75%	PV of Cash Flow @ 9.25%	PV of Cash Flow @ 9.75%	PV of Cash Flow @ 10.25%	PV of Cash Flow @ 10.75%
Year 1	Sep-21	$1,223,265	$1,124,841	$1,119,693	$1,114,592	$1,109,537	$1,104,528
Year 2	Sep-22	$2,641,974	$2,233,932	$2,213,531	$2,193,408	$2,173,558	$2,153,977
Year 3	Sep-23	$2,907,310	$2,260,495	$2,229,601	$2,199,266	$2,169,480	$2,140,229
Year 4	Sep-24	$2,493,102	$1,782,473	$1,750,065	$1,718,391	$1,687,430	$1,657,163
Year 5	Sep-25	$2,555,110	$1,679,822	$1,641,732	$1,604,674	$1,568,616	$1,533,525
Year 6	Sep-26	$3,093,357	$1,870,055	$1,819,288	$1,770,121	$1,722,497	$1,676,361
Year 7	Sep-27	$3,157,870	$1,755,454	$1,699,981	$1,646,503	$1,594,939	$1,545,212
Year 8	Sep-28	$3,223,673	$1,647,847	$1,588,471	$1,531,492	$1,476,802	$1,424,299
Year 9	Sep-29	$3,290,792	$1,546,810	$1,484,251	$1,424,491	$1,367,392	$1,312,825
Year 10	Sep-30	$3,359,253	$1,451,945	$1,386,846	$1,324,944	$1,266,067	$1,210,056
Total Cash Flow		$27,945,706	$17,353,674	$16,933,460	$16,527,882	$16,136,318	$15,758,174
Property Resale @ 8.00%		$43,793,670	$18,928,608	$18,079,936	$17,272,931	$16,505,374	$15,775,168
Total Property Present Value			$36,282,283	$35,013,396	$33,800,813	$32,641,691	$31,533,342
Rounded			$36,300,000	$35,000,000	$33,800,000	$32,600,000	$31,500,000
Per Room			$382,105	$368,421	$355,789	$343,158	$331,579
Percent Value Distribution							
Prospective Cash Flow			47.83%	48.36%	48.90%	49.43%	49.97%
Prospective Resale			52.17%	51.64%	51.10%	50.57%	50.03%
Total			100.00%	100.00%	100.00%	100.00%	100.00%

Value Indication

The income capitalization approach results in the following value indication.

Income Capitalization Approach - Indicated Value	
Method	Market Value
Direct Capitalization	$32,500,000
Discounted Cash Flow	$33,800,000
Reconciled Value	$33,000,000
Rounded	$33,000,000
$/Room	$347,368

The discounted cash flow analysis is typically given greater weight, since it better accounts for the impact of an irregular cash flow pattern on value, and is the method more often relied upon by investors in this property type. In this case, the discounted cash flow value and direct capitalization analysis result in similar values, and we give consideration to both approaches.

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: Hotel; preferably midscale extended stay
- Location: Peninsula (San Mateo and Santa Clara Counties)
- Size: 25+ units
- Age/Quality: No restriction
- Transaction Date: 2017 or later

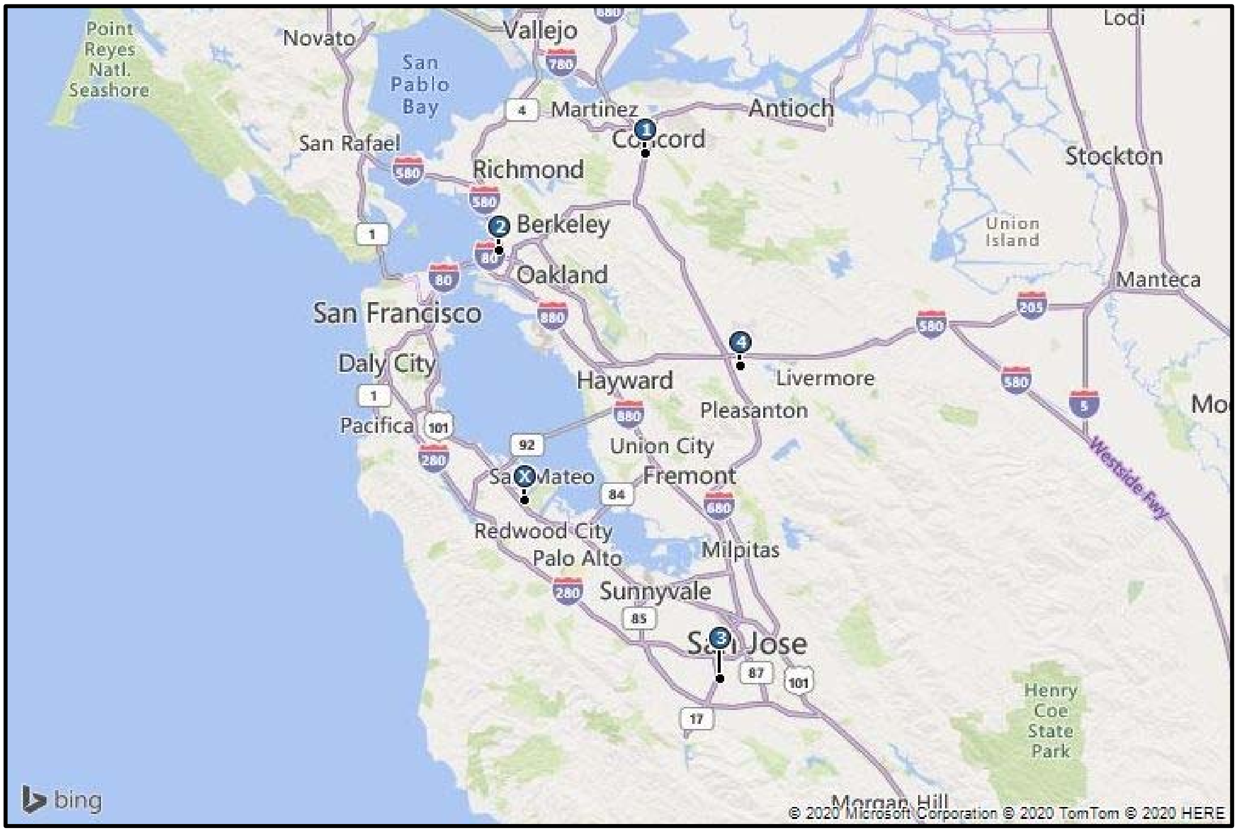
After an extensive search within these parameters, no comparable extended stay hotel sales were found in San Mateo or Santa Clara Counties. Therefore, we expanded our search to include the East Bay and economy through upscale chain classes. Sales 1 and 4 (Homewood Suites and Hyatt House) are located in the East Bay and were specifically included in the comparable set because they reflect extended stay hotels. Sales 2 and 3 were included because they reflect 2019 Bay Area sales under 200 rooms.

For this analysis, we use price per room 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.

Summary of Comparable Improved Sales

No.	Name/Address	Sale Date; Status	Yr. Blt.; # Stories	# Rooms; SF	Effective Sale Price	$/Room; $/SF	Cap Rate
1	Hilton Homewood Suites 650 Ellinwood Way Pleasant Hill Contra Costa County CA	Nov-19 Closed	2018 4	119 83,969	$37,000,000	$310,924 $440.64	–
	Comments: This was an off-market transaction of a 119-room Homewood Suites in Pleasant Hill. Hotel amenities include fitness center, outdoor pool, business center, and meeting space. The hotel offers studio and one bedroom suites with fully equipped kitchens.						
2	Hyatt Place Hotel 5700 Bay St Emeryville Alameda County CA	Apr-19 Closed	2016 6	175 97,300	$66,250,000	$378,571 $680.88	–
	Comments: The asset is a 175 key hotel, known as Hyatt Place Hotel, in Emeryville. The building offers scenic views of the Bay, as well as a fitness center, business center, restaurant & bar, and in located in close proximity to popular retail. The asset was delivered in 2016. The occupancy is usually near 100%.						
3	DoubleTree by Hilton 1995 S. Bascom Ave. Campbell Santa Clara County CA	Mar-19 Closed	1999 3	169 86,514	$65,100,000	$385,207 $752.48	–
	Comments: Sale of a 169 room DoubleTree hotel located within Pruneyard Plaza, a 27-acre mixed use project with office and retail space. ADR was reported at $220, average occupancy was reported at 87%, and RevPAR was reported at $191. The was approximately $6 million in deferred maintenance and planned capital expenditures; buyer plans to renovate the rooms and convert the bathroom tubs to showers.						
4	Hyatt House Pleasanton 4545 Chabot Dr. Pleasanton Alameda County CA	May-17 Closed	1998 3	128 90,370	$49,500,000	$386,719 $547.75	–
	Comments: Hersha Hospitality Trust sold the following three hotels in a bulk sale for $130.5 million: Summerfield Suites in Scottsdale, Hyatt House Pleasanton in Pleasanton and Hyatt House Pleasant Hill in Pleasant Hill. This sale profile reflects the allocation to the Hyatt House in Pleasanton, as confirmed with a broker with knowledge of the sale. A breakdown of income characteristics for the property at the time of sale was not available, though a hotel industry expense database reported the property reflected an ADR of $190 and occupancy rate of 88% in 2017.						
	Subject TownePlace Suites Redwood City, CA		2002 4	95 56,692			

Comparable Improved Sales Map



Sale 1
Hilton Homewood Suites

Sale 2
Hyatt Place Hotel

Sale 3
DoubleTree by Hilton

Sale 4
Hyatt House Pleasanton

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

Issues requiring elaboration are addressed in the following paragraphs.

Market Conditions

The sales took place from May 2017 to November 2019. Market conditions were generally strengthening in 2017 and 2018, followed by a period of stabilization in 2019. However, given the current COVID-19 pandemic, any appreciation since 2017 has likely been offset. Therefore, we apply no adjustment for market conditions.

Analysis and Adjustment of Sales

The analysis and adjustment of the comparable sales is discussed in the following paragraphs. As will be demonstrated, the subject's location in Redwood City is superior to each of the comparable sales.

Sale 1 is Hilton Homewood Suites, located at 650 Ellinwood Way in Pleasant Hill, Contra Costa County. The comparable includes 119 rooms and is an upscale extended stay hotel. The property sold in November 2019 for $37,000,000, or $310,924 per room. The property has been adjusted upward significantly for location, but downward for age/condition due to its 2018 construction date.

Sale 2 is Hyatt Place Hotel, a 175-room upper upscale hotel located at 5700 Bay Street in Emeryville, Alameda County. The property sold in April 2019 for $66,250,000, or $378,571 per room. Redwood City is considered a superior location to Emeryville, and the comparable has been adjusted upward. As with Sale 1, this comparable also has a recent construction date and has been adjusted downward for age/condition. In addition, the comparable has been adjusted downward for superior amenities (as indicated by the table on the following page) and downward slightly for its upper upscale chain scale (the subject reflects an upper midscale chain scale).

Sale 3 is DoubleTree by Hilton, located at 1995 S. Bascom Avenue in Campbell, Santa Clara County. The property includes 169 rooms and reflects an upscale chain scale. The property sold in March 2019 for $59,100,000. Adjusting for $6,000,000 in deferred maintenance, the effective sale price is $65,100,000, or $385,207 per room. The comparables has been adjusted upward for its inferior location and downward for its superior amenity offering.

Sale 4 is Hyatt House Pleasanton, located at 4545 Chabot Drive in Pleasanton, Alameda County; the property offers 128 rooms and is classified as an upscale extended stay. The property sold in May 2017 for $49,500,000, or $386,719 per room. The comparable has been adjusted upward for its inferior location in the East Bay and downward for its hotel amenity offerings.

Room Features and Hotel Amenities

	Subject	Sale 1	Sale 2	Sale 3	Sale 4
Room Features					
Television	x	x	x	x	x
Cable/Satellite	x	x	x	x	x
Iron / Board	x	x	x	x	x
Hair Dryer	x	x	x	x	x
Coffee Maker	x	x	x	x	x
Jacuzzi					
Wireless Internet	x	x	x	x	x
Wired Internet	x	x	x	x	x
Keycard Access	x	x	x	x	x
Safe	x	x	x	x	x
Microwave / Refrigerator	x	x	x	x	x
Fully Equipped Kitchen	x	x			x
Comparison to Subject		Similar	Sl Inferior	Sl Inferior	Similar
Hotel Amenities					
Indoor Pool					
Outdoor Pool		x		x	x
Fitness Center	x	x	x	x	x
Restaurant			x	x	
Bar / Lounge			x	x	x
Parking	x	x	x	x	x
Guest Laundry	x	x	x	x	x
Business Center	x	x	x	x	x
Wireless Internet	x	x	x	x	x
Wired Internet	x	x	x	x	x
Complimentary Breakfast	x	x	x		x
Outdoor BBQ/Patio		x	x	x	x
Comparison to Subject		Similar	Superior	Superior	Superior

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

Improved Sales Adjustment Grid

	Subject	Comparable 1	Comparable 2	Comparable 3	Comparable 4
Property Name	TownePlace Suites Redwood City	Hilton Homewood Suites	Hyatt Place Hotel	DoubleTree by Hilton	Hyatt House Pleasanton
Address	1000 Twin Dolphin Drive	650 Ellinwood Way	5700 Bay St	1995 S. Bascom Ave.	4545 Chabot Dr.
City	Redwood City	Pleasant Hill	Emeryville	Campbell	Pleasanton
County	San Mateo	Contra Costa	Alameda	Santa Clara	Alameda
State	California	CA	CA	CA	CA
Sale Date		Nov-19	Apr-19	Mar-19	May-17
Sale Status		Closed	Closed	Closed	Closed
Sale Price		$37,000,000	$66,250,000	$59,100,000	$49,500,000
Price Adjustment		–	–	$6,000,000	–
Description of Adjustment					
Effective Sale Price		$37,000,000	$66,250,000	$65,100,000	$49,500,000
Gross Building Area	56,692	83,969	97,300	86,514	90,370
Number of Rooms	95	119	175	169	128
Year Built	2002	2018	2016	1999	1998
Price per Room		**$310,924**	**$378,571**	**$385,207**	**$386,719**
Property Rights		Fee Simple	Fee Simple	Leased Fee	Leased Fee
% Adjustment		–	–	–	–
Financing Terms		Cash to seller -		Cash to seller -	Cash to seller
% Adjustment		–	–	–	–
Conditions of Sale		Market	Market	Market	Market
% Adjustment		–	–	–	–
Market Conditions	10/1/2020	Nov-19	Apr-19	Mar-19	May-17
Annual % Adjustment		–	–	–	–
Cumulative Adjusted Price		**$310,924**	**$378,571**	**$385,207**	**$386,719**
Location		25%	10%	5%	5%
Size (# of Rooms)		–	–	–	–
Age/Condition/Quality		-10%	-10%	–	–
Amenities		–	-3%	-3%	-3%
Economic Characteristics		–	–	–	–
Flag/Chain Scale/Use		–	-2%	–	–
Net $ Adjustment		$46,639	-$18,929	$7,704	$7,734
Net % Adjustment		15%	-5%	2%	2%
Final Adjusted Price		**$357,563**	**$359,643**	**$392,911**	**$394,453**
Overall Adjustment		15%	-5%	2%	2%

Range of Adjusted Prices	**$357,563 - $394,453**
Average	**$376,143**
Indicated Value	**$380,000**

Value Indication – Sale Price Analysis

Prior to adjustment, the sales reflect a range of $310,924 - $386,719 per room. After adjustment, the range is narrowed to $357,563 - $394,453 per room, with an average of $376,143 per room. To arrive at an indication of value, we place primary emphasis on Sales 1 and 4 because they reflect sales of extended stay hotels.

Based on the preceding analysis, we arrive at a value indication as follows:

Price per Room Analysis	
Indicated Value per Room	$380,000
Subject Rooms	95
Indicated Value	$36,100,000
Rounded	$36,100,000

Final Value Indication

Placing reliance on both methods, we arrive at a final indication by the sales comparison approach as shown below.

Value Indication by Sales Comparison	
Indicated Value per Room	$380,000
Subject Rooms	95
Indicated Value	$36,100,000
Adjustments	
Income Loss	-$3,510,000
PIP	-$625,710
Total Adjustments	-$4,135,710
Indicated Value	$31,964,290
Rounded	$32,000,000

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	
Cost Approach	Not Used
Sales Comparison Approach	$32,000,000
Income Capitalization Approach	$33,000,000
Reconciled	$33,000,000

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. Therefore, the Cost Approach is judged to be inapplicable and is not utilized.

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.

The analysis and adjustment of the sales provides a reasonably narrow range of value indications. However, we were unable to find any extended stay hotel sale transactions in San Mateo County. In addition, the sales comparison approach does not directly account for the income characteristics of the subject. Therefore, this approach is given secondary weight.

The analysis and adjustment of the sales provides a reasonably narrow range of value indications. Nonetheless, it does not directly account for the income characteristics of the subject. Therefore, this approach is given secondary weight.

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.

The most probable buyer of the subject property is an investor, which 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.

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:

Value Conclusion

Appraisal Premise	Interest Appraised	Date of Value	Value Conclusion
Market Value	Fee Simple	October 1, 2020	$33,000,000

Extraordinary Assumptions and Hypothetical Conditions

The value conclusions are subject to the following extraordinary assumptions. An extraordinary assumption is an assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions.

None.

The value conclusions are based on the following hypothetical conditions. A hypothetical condition is a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis.

None.

The use of any extraordinary assumption or hypothetical condition may have affected the assignment results.

COVID 19 Statement and Current Market Risks

Project risks that are currently known in the market include:

The outbreak of the Novel Coronavirus (COVID-19), declared an outbreak by the World Health Organization (WHO) on January 30, 2020 and subsequently reclassified as a worldwide pandemic on March 11, 2020, has created substantial uncertainty in the worldwide financial markets. Concerns about the ongoing spread of the COVID-19 (Corona) Virus have resulted in cancellations of a substantial number of business meetings, conferences, and sporting and entertainment events in the coming 3-6 months; the implementation of personal quarantine procedures; a lock-out for travel from most of Europe to the U.S.; and substantial reductions (and restrictions) in other travel by air, rail, bus, and ship.

As of the effective date of this report, tourism, lodging, and tourist-related food and beverage and retail sectors have been impacted by negative effects due to the substantial decline in social movement and activity. A prolonged outbreak could have a significant (and yet unquantifiable) impact on other real estate sectors. Our valuation is based upon the best information as of the effective date.

The hotel market is anticipated to bear the greatest negative impact caused by the COVID-19 crisis. Development of new projects and stability of existing projects are at significant risk. Hotel occupancy rates are a low as 20% to 30% and ADR's are declining. Hotel REIT's are down approximately 50%.

There is some thought that the hotel market may have a reasonably quick rebound. However, the resiliency of the hotel market will not be known until the COVID-19 crisis abates. Lenders are currently reevaluating exposure to hotel loans. Many are turning away new deals and borrowers are reevaluating the need to refinance.

Exposure Time

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. Based on our review of recent sales transactions for similar properties and our analysis of supply and demand in the local hotel market, it is our opinion that the probable exposure time for the subject at the concluded market value stated previously is 9 - 12 months.

Marketing Time

Marketing time is an estimate of the amount of time it might take to sell a property at the concluded market value immediately following the effective date of value. Given the current COVID-19 environment, it is our opinion that a reasonable marketing period for the subject is likely to be the same as the exposure time. Accordingly, we estimate the subject’s marketing period at 9 - 12 months.

Our estimate is supported by the following national investor survey data.

Hotel Average Marketing Time (Months)

	PwC 3Q-2020 Economy/Ltd Svc	PwC 3Q-2020 Select-Service	PwC 3Q-2020 Full Service	PwC 3Q-2020 Luxury/Upscale
Range	2.0 - 12.0	2.0 - 10.0	3.0 - 9.0	3.0 - 12.0
Average	6.6	5.2	6.3	7.5

Source: PwC Real Estate Investor Survey

Allocation of Going-Concern Value

As part of the assignment, we have been asked to separate the tangible, intangible, and real property components of the going-concern value. In performing this analysis, we consider the following definitions from *The Dictionary of Real Estate Appraisal, Fifth Edition, Appraisal Institute, Chicago, Illinois, 2010*.

> *Going-Concern Value: 1) The market value of all the tangible and intangible assets of an established and operating business with an indefinite life, as if sold in aggregate; more accurately termed the market value of the going concern. 2) The value of an operating business enterprise. Goodwill may be separately measured but is an integral component of going-concern value when it exists and is recognizable.*
>
> *Tangible Property: Property that can be perceived with the senses; includes land, fixed improvements, furnishings, merchandise, cash, and other items of working capital used in an enterprise.*
>
> *Real Property: The interests, benefits, and rights inherent in the ownership of real estate.*
>
> *Furniture, Fixtures and Equipment (FF&E): Business trade fixtures and personal property, exclusive of inventory. Also include Operating Systems and Equipment (OS&E).*
>
> *Intangible Property: Nonphysical assets, including but not limited to franchises, trademarks, patents, copyrights, goodwill, equities, securities, and contracts as distinguished from physical assets such as facilities and equipment.*

In the case of the subject, our opinion of going-concern value reflects the continuing hotel operation, including the contributory value of land, building improvements, furniture, fixtures and equipment (FF&E), and intangible property assets. Specifically excluded from the valuation are cash and equivalents and current liabilities.

Value of Furniture, Fixtures and Equipment (FF&E)

To develop an estimate of the value of the subject's FF&E new, we utilize industry data provided from the HVS 2017/2018 Hotel Development Cost Survey for budget/economy hotels, as follows.

Hotel Development Costs Per Room

	Land	Building & Site Improvements	Soft Costs	FF&E	Pre-opening & Working Capital	Total
Limited-Service Hotels						
Average	$16,200	$91,800	$16,700	$17,100	$5,200	$139,700
Allocation	11%	66%	10%	11%	3%	
Extended-Stay Hotels (Midscale)						
Average	$12,700	$93,200	$16,800	$18,700	$3,800	$139,100
Allocation	9%	67%	11%	12%	3%	
Extended-Stay Hotels (Upscale)						
Average	$20,200	$124,700	$25,200	$24,400	$5,100	$192,900
Allocation	10%	66%	11%	13%	3%	

Source: HVS Hotel Development Cost Survey 2017/2018

Based on the foregoing, we estimate an FF&E cost new for the subject of $19,000 per room.

Considering that FF&E is short-lived and depreciates faster than the overall property, it is reasonable to expect that the ratio declines as the items age. The typical useful life for FF&E ranges from 6 to 15 years, with the average being close to 10 years. Based on the age/condition of the subject, which underwent a $1,768,000 PIP in 2016, we utilize a depreciation factor of 40%.

Based on the age and condition of the subject FF&E, we estimate the contributory value as follows:

Furniture, Fixtures & Equipment

Appraisal Premise	Rooms	Value/Room	Total	Rounded
Market Value	95	$11,400	$1,083,000	$1,080,000

The value of the portion of the income devoted to the reserves for replacements also must be included because it is a use of funds originating from the revenues of the hotel. As such, the projected reserves have been capitalized and added to the value of the FF&E in place for a total value to the Personal Property. These calculations are shown in the charts that follow.

Value of Intangible Assets

The estimate of value for the business enterprise of the going concern value is subjective due to the intangible nature of this component. Business enterprise value in a lodging facility is created and maintained by three factors: chain affiliation (or “flag”), management expertise and service/labor. Hotel chains create value by consistency, market perception, product support, reservation systems, traveler programs, advertising, etc. Generally, chain hotels outperform independents. The additional value created by increased profits is considered to be exclusively business related. Business rights are "lent" to hotel owners for a "maintenance charge," commonly known as franchise and management fees. The management fee theory is described as follows:

“Several procedures have evolved to estimate the business value of a lodging facility. The most appropriate theory for today’s environment is based on the premise that by employing a professional management agent to take over the day-to-day operation of the hotel – thereby allowing the owner to maintain a passive interest – the income attributed to the business has been taken by the managing agent in the form of a management fee. Deducting a management fee from the stabilized net income thereby removed a portion of the business component of the income stream. An additional business value deduction must also be made if the property benefits from a chain affiliation. This is accomplished by either increasing the management fee expense or by adding a separate franchise fee deduction.”

Source: Rushmore, Stephen and Karen E. Rubin. “The Valuation of Hotels and Motels for Assessment Purposes,” The Appraisal Journal, (April 1984).

While various theories have been developed over time, the consensus of market participants today is that by deducting franchise and management fees results in a going concern value inclusive of real property and FF&E only. By making these deductions, there is no business enterprise value component in the previously concluded going concern value. In the case of the subject, the management fees are deducted from the cash flow.

Based on these calculations, the allocation of the going concern value are as follows.

Allocation of Going-Concern Value

Allocation of Going Concern Value

	Amount	% of Total
Tangible Property		
Land & Improvements	$31,920,000	96.7%
Tangible Personal Property (FF&E)	$1,080,000	3.3%
Total Tangible Property	$33,000,000	100.0%
Intangible Assets	$0	0.0%
Market Value*	$33,000,000	100.0%

*Specifically excluded from the valuation are cash and equivalents and current liabilities.

The preceding allocation of value components assumes continued operation of the hotel business. Were the hotel business to cease operations, values of the individual components would likely be different from the allocated values of the going-concern.

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 performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding the agreement to perform 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. Laura Diaz made a personal inspection of the property that is the subject of this report. Lance Jordan, MAI, has not personally inspected the subject. Jeffrey Fillmore, MAI has not personally inspected the subject.
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, Lance Jordan, MAI, and Jeffrey Fillmore, MAI, have completed the continuing education program for Designated Members of the Appraisal Institute.

15. As of the date of this report, Laura Diaz, has completed the Standards and Ethics Education Requirements for Candidates/Practicing Affiliates of the Appraisal Institute.

Laura Diaz
Certified General Real Estate Appraiser
California Certificate # 3005037

Lance Jordan, MAI
Certified General Real Estate Appraiser
California Certificate # AG012709

Jeffrey Fillmore, MAI
Certified General Real Estate Appraiser
California Certificate # AG004481

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 are 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 – San Francisco, 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 – San Francisco is not a building or environmental inspector. Integra San Francisco 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 – San Francisco, 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. An extraordinary assumption is an assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions.

None.

The value conclusions are based on the following hypothetical conditions. A hypothetical condition is a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis.

None.

The use of any extraordinary assumption or hypothetical condition may have affected the assignment results.

Appraiser Qualifications

Laura Diaz

Experience

Ms. Diaz is a Certified General real estate appraiser. She began her career in real estate as a research analyst with Integra - Kentucky-Southern Indiana as she pursued her Master of Urban Planning degree. Since graduating in 2013, Ms. Diaz has been writing narrative appraisal reports for a variety of property types, including office, retail, industrial, multifamily housing, and commercial and agricultural land. She has also worked with special-purpose properties, including self-storage facilities, religious facilities, student housing projects, hotels, and data centers. In addition, Ms. Diaz has experience in multifamily market analysis, including development and analysis of survey techniques and models of demand for proposed multifamily projects. In 2017, Ms. Diaz relocated to the San Francisco Bay Area and joined the Integra - San Francisco office.

Licenses

California, Certified General Real Estate Appraiser, 3005037, Expires January 2022

Education

Academic:
Bachelor of Arts in English, University of Louisville
Master of Urban Planning, University of Louisville
Graduate Certificate in Real Estate Development, University of Louisville

Appraisal and Real Estate Courses:
Uniform Standards of Professional Appraisal Practice
Basic Appraisal Principles
Basic Appraisal Procedures
Real Estate Finance Statistics and Valuation Modeling
Site Valuation and Cost Approach
General Market Analysis and Highest and Best Use
Sales Comparison Approach
Income Capitalization Approach Part I
Income Capitalization Approach Part II
General Appraiser Report Writing and Case Studies
Expert Witness for Commercial Appraisers
Basic Hotel Appraising – Limited Service Hotels

Integra Realty Resources
San Francisco

555 Meridian Avenue
Suite C
San Jose, CA 95126

T 415-715-4690
F

irr.com

Business, Consumer Services & Housing Agency

BUREAU OF REAL ESTATE APPRAISERS

REAL ESTATE APPRAISER LICENSE

Laura B. Diaz

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: 3005037

Effective Date: January 3, 2020
Date Expires: January 2, 2022

Jim Martin, Bureau Chief, BREA

3050185

THIS DOCUMENT CONTAINS A TRUE WATERMARK - HOLD UP TO LIGHT TO SEE "CHAIN LINK"

Lance Jordan, MAI

Experience

Senior Managing Director for INTEGRA REALTY RESOURCES – Sacramento (IRR). Actively engaged in real estate valuation and consulting since 1989. Prior to joining IRR, was a partner with Seevers Jordan Ziegenmeyer since 1997. Extensive experience in the valuation of all forms of industrial properties, community/neighborhood shopping centers, office buildings - CBD and suburban, multi-family, hotels and motels, vacant land and special purpose properties. Clients served include banks and financial institutions, developers and investors, law and accounting firms, business/industry, government, and mortgage bankers. Valuations have been performed for financing, eminent domain purposes, as well as estate tax and estate planning. In summary, with over 28 years of experience in the field, he has developed the expertise and background necessary to deal with complex assignments covering a wide range of property types.

Professional Activities & Affiliations

Chairman: Appraisal Institute - Sacramento/Sierra Chapter - California Government Relations Committee, January 2015 - December 2017
Committee: Appraisal Institute - Sacramento/Sierra Chapter - California Government Relations, January 2014 - December 2017
Board of Director: Appraisal Institute - Sacramento/Sierra Chapter, January 2014 - December 2016
Appraisal Institute, Member (MAI) , May 2012
Vice President: Appraisal Institute - Sacramento/Sierra Chapter, January 2007 - December 2007
Other: Appraisal Institute - Sacramento/Sierra Chapter - Secretary/Treasurer, January 2006 - December 2006

Licenses

California, Certified General Real Estate Appraiser, AG012709, Expires January 2022
Washington, Certified General Real Estate Appraiser, 20110463, Expires January 2022

Education

Bachelor of Science - Accountancy, CSU - Sacramento, 1991
Recent Continuing Education:
Lake Tahoe Litigation Conference – Appraisal Institute
Forecasting Revenue – Appraisal Institute
Appraising Distressed Commercial Real Estate – Appraisal Institute
Litigation Appraising: Specialized Topics and Applications – Appraisal Institute
Business Practices and Ethics – Appraisal Institute
The Essentials, Current Issues & Misconceptions in Appraising – Appraisal Institute
Review Theory - General

Qualified Before Courts & Administrative Bodies

Court Appointed Expert Witness, Placer County Superior Courts, 2014

ljordan@irr.com - 916-435-3883 x232

Integra Realty Resources
Sacramento

590 Menlo Drive
Suite 1
Rocklin, CA 95765

T 916-435-3883
F 916-435-4774

irr.com

Business, Consumer Services & Housing Agency

BUREAU OF REAL ESTATE APPRAISERS

REAL ESTATE APPRAISER LICENSE

Lance C. Jordan

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 012709

Effective Date: January 9, 2020
Date Expires: January 8, 2022

Jim Martin, Bureau Chief, BREA

3049238

THIS DOCUMENT CONTAINS A TRUE WATERMARK - HOLD UP TO LIGHT TO SEE "CHAIN LINK"

Jeffrey Fillmore, MAI

Experience

Mr. Fillmore is a licensed Certified General real estate appraiser and holds the Appraisal Institute's MAI designation. Jeff began appraising in 1986 after graduating with a B.S. in Business from Brigham Young University. He was a Commercial Appraiser with David J. Morrison, Inc. until 1996 when he became a partner with Morrison-Fillmore and Associates, which in 1998 became The Fillmore Group. His experience includes a broad range of property types including commercial, industrial and residential properties. He has extensive experience in appraising special purpose properties such as hotels, restaurants, commercial laundry facilities, cold storage facilities and government aided senior and affordable housing projects. Jeff also has been engaged as an expert witness and regularly provides appraisal review services for a number of lender-clients. He also served as the Chair of the South Branch of the Northern California Chapter of the Appraisal Institute and the Chair of the Associates' Guidance - General Committee. Mr. Fillmore is currently the Senior Managing Director of Integra Realty Resources – San Francisco and Managing Director of Integra Realty Resources - Sacramento.

Licenses

California, Certified General, AG004481, Expires May 2022

Education

Academic:
Brigham Young University, Provo, Utah
Degree: Bachelor of Science in Business Management
Courses Included: Real Estate Financing and Appraisal

Appraisal Courses:
Appraisal Institute - The Appraiser's Complete Review
Appraisal Institute - Understanding Limited Appraisal Seminar
Appraisal Institute - Course 2-2 - Report Writing
Appraisal Institute - Course 2-1 - Case Studies Appraisal Institute - Course 530 - Advanced Sales Comparison & Cost Approach
AIREA - Course 1A2 - Valuation Procedures
AIREA - Course 1B2 - Capitalization (Part B)
AIREA - Course 1B1 - Capitalization (Part A)
AIREA - Course 1A1 - Residential Valuation
AIREA - Standards of Professional Practice
AIREA - Non-Residential Demonstration Report Writing
SREA - Course 101, Residential Property Analysis
SREA - Apartment Valuation Seminar
Brigham Young University, Real Estate Appraisal and Capitalization Techniques and Theory

Past Chair:
South Branch, San Francisco Bay Area Chapter of the Appraisal Institute

jfillmore@irr.com - 408-299-0444

Integra Realty Resources
San Francisco

555 Meridian Avenue
Suite C
San Jose, CA 95126

T 408-299-0444
F 408-299-0449

irr.com

Business, Consumer Services & Housing Agency

BUREAU OF REAL ESTATE APPRAISERS

REAL ESTATE APPRAISER LICENSE

Jeffrey W. Fillmore

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 004481

Effective Date: May 25, 2020
Date Expires: May 24, 2022

Jim Martin, Bureau Chief, BREA

3051950

THIS DOCUMENT CONTAINS A TRUE WATERMARK - HOLD UP TO LIGHT TO SEE "CHAIN LINK"

About IRR

Integra Realty Resources, Inc. (IRR) provides world-class commercial real estate valuation, counseling, and advisory services. Routinely ranked among leading property valuation and consulting firms, we are now the largest independent firm in our industry in the United States, with local offices coast to coast and in the Caribbean.

IRR offices are led by MAI-designated Senior Managing Directors, industry leaders who have over 25 years, on average, of commercial real estate experience in their local markets. This experience, coupled with our understanding of how national trends affect the local markets, empowers our clients with the unique knowledge, access, and historical perspective they need to make the most informed decisions.

Many of the nation's top financial institutions, developers, corporations, law firms, and government agencies rely on our professional real estate opinions to best understand the value, use, and feasibility of real estate in their market.

Local Expertise...Nationally!

irr.com

irr®

Addendum A

Definitions

Definitions

The source of the following definitions is the Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed. (Chicago: Appraisal Institute, 2015), 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.

Deferred Maintenance
Items of wear and tear on a property that should be fixed now to protect the value or income-producing ability of the property, such as a broken window, a dead tree, a leak in the roof, or a faulty roof that must be completely replaced. These items are almost always curable.

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 property should bring under the following conditions:

1. Consummation of a sale within a specified time, which is shorter than the typical exposure time for such a property in that market.
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.
8. Payment will be made in cash in U.S. dollars (or the local currency) 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

1. The date on which the appraisal or review opinion applies.
2. In a lease document, the date upon which the lease goes into effect.

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 has the potential to be sold separately and is valued separately.

Surplus Land: Land that is not currently needed to support the existing use but cannot be separated from the property and sold off for another use. 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 that 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 opinion 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 zoning or 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 market area of the type of property involved.

Highest and Best Use
1. The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.
2. The use of an asset that maximizes its potential and that is possible, legally permissible, and financially feasible. The highest and best use may be for continuation of an asset's existing use or for some alternative use. This is determined by the use that a market participant would have in mind for the asset when formulating the price that it would be willing to bid. (ISV)
3. [The] highest and most profitable use for which the property is adaptable and needed or likely to be needed in the reasonably near future. (Uniform Appraisal Standards for Federal Land Acquisitions)

Investment Value
1. The value of a property to a particular investor or class of investors based on the investor's specific requirements. Investment value may be different from market value because it depends on a set of investment criteria that are not necessarily typical of the market.
2. The value of an asset to the owner or a prospective owner for individual investment or operational objectives.

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

Leased Fee Interest
The ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversionary right when the lease expires.

Leasehold Interest
The right held by the lessee to use and occupy real estate for a stated term and under the conditions specified in the lease.

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 the local currency) 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.

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 the rental adjustment and revaluation, 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 (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.

Replacement Cost
The estimated cost to construct, at current prices as of a specific date, a substitute for the building or other improvements, 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
1. An estimate of income, either current or forecasted, that presumes the property is at stabilized occupancy.
2. The forecast of the subject property's yearly average income (or average-equivalent income) expected for the economic life of the subject property.
3. Projected income that is subject to change but has been adjusted to reflect an equivalent, stable annual income.

Stabilized Occupancy
1. The occupancy of a property that would be expected at a particular point in time, considering its relative competitive strength and supply and demand conditions at the time, and presuming it is priced at market rent and has had reasonable market exposure. A property is at stabilized occupancy when it is capturing its appropriate share of market demand.
2. An expression of the average or typical occupancy that would be expected for a property over a specified projection period or over its economic life.

Addendum B

Financials and Property Information

First American Title Insurance Company
National Commercial Services

333 W. Santa Clara Street, Ste. 220
San Jose, CA 95113-1714

Alycia Moulton
County of San Mateo
400 County Ctr
Redwood City, CA 94063-1662

Property: 1000 Twin Dolphin Drive, Redwood City, CA

PRELIMINARY REPORT

In response to the above referenced application for a policy of title insurance, this company hereby reports that it is prepared to issue, or cause to be issued, as of the date hereof, a Policy or Policies of Title Insurance describing the land and the estate or interest therein hereinafter set forth, insuring against loss which may be sustained by reason of any defect, lien or encumbrance not shown or referred to as an Exception below or not excluded from coverage pursuant to the printed Schedules, Conditions and Stipulations of said Policy forms.

The printed Exceptions and Exclusions from the coverage and Limitations on Covered Risks of said policy or policies are set forth in Exhibit A attached. *The policy to be issued may contain an arbitration clause. When the Amount of Insurance is less than that set forth in the arbitration clause, all arbitrable matters shall be arbitrated at the option of either the Company or the Insured as the exclusive remedy of the parties*. Limitations on Covered Risks applicable to the CLTA and ALTA Homeowner's Policies of Title Insurance which establish a Deductible Amount and a Maximum Dollar Limit of Liability for certain coverages are also set forth in Exhibit A. Copies of the policy forms should be read. They are available from the office which issued this report.

Please read the exceptions shown or referred to below and the exceptions and exclusions set forth in Exhibit A of this report carefully. The exceptions and exclusions are meant to provide you with notice of matters which are not covered under the terms of the title insurance policy and should be carefully considered.

It is important to note that this preliminary report is not a written representation as to the condition of title and may not list all liens, defects, and encumbrances affecting title to the land.

This report (and any supplements or amendments hereto) is issued solely for the purpose of facilitating the issuance of a policy of title insurance and no liability is assumed hereby. If it is desired that liability be assumed prior to the issuance of a policy of title insurance, a Binder or Commitment should be requested.

Dated as of September 01, 2020 at 7:30 A.M.

The form of Policy of title insurance contemplated by this report is:

To Be Determined

A specific request should be made if another form or additional coverage is desired.

Title to said estate or interest at the date hereof is vested in:

Redwood Suites, LLC, a California limited liability company

The estate or interest in the land hereinafter described or referred to covered by this Report is:

Fee as to Parcel A, an Easement as to Parcels B, C and D

The Land referred to herein is described as follows:

(See attached Legal Description)

At the date hereof exceptions to coverage in addition to the printed Exceptions and Exclusions in said policy form would be as follows:

1. General and special taxes and assessments for the fiscal year 2020-2021, a lien not yet due or payable.

2. The lien of supplemental taxes, if any, assessed pursuant to Chapter 3.5 commencing with Section 75 of the California Revenue and Taxation Code.

3. An easement for drainage and road purposes and incidental purposes, recorded October 27, 1953 as Book 2491, Page 130 of Official Records.
   In Favor of: Russell L. Gould and Pauline Gould
   Affects: as described therein

   The terms and provisions contained in the document entitled "Original Resolution No. 13636" recorded June 4, 1999 as Instrument No. 99-099355 of Official Records.

4. An easement for ingress and egress and incidental purposes, recorded November 30, 1961 as Book 4104, Page 497 of Official Records.
   In Favor of: San Mateo County Title Company, a corporation
   Affects: as described therein

   The terms and provisions contained in the document entitled "Original Resolution No. 13636" recorded June 04, 1999 as Instrument No. 99-099355 of Official Records.

5. The terms, provisions and easement(s) contained in the document entitled "Grant Licenses and Quit Claim" recorded November 30, 1967 as Book 5399, Page 579 of Official Records.

   The terms and provisions contained in the document entitled "Original Resolution No. 13636" recorded June 04, 1999 as Instrument No. 99-099355 of Official Records.

6. The terms and provisions contained in the document entitled "Phelp's Slough Boundary and Exchange Agreement B.L.A. 141" recorded February 22, 1974 as Instrument No. 18008-AH in Book 6557, Page 633 of Official Records.

7. An easement for right of way and incidental purposes, recorded February 22, 1974 as Instrument No. 18010-AH in Book 6557, Page 718 of Official Records.
   In Favor of: State of California
   Affects: as described therein

   A portion of the easement has been released by Quitclaim Deed recorded September 29, 1999, Instrument No. 1999-166559.

8. An easement for public utilities and incidental purposes, recorded November 09, 1979 as Instrument No. 83745-AO in Book 7912, Page 2302 of Official Records.
   In Favor of: Pacific Gas and Electric Company, a California corporation
   Affects: as described therein

9. Covenants, conditions, restrictions, easements, assessments, liens, charges, terms and provisions in the document recorded February 06, 1981 as Instrument No. 12350-AS of Official Records, which provide that a violation thereof shall not defeat or render invalid the lien of any first mortgage or deed of trust made in good faith and for value, but deleting any covenant, condition or restriction indicating a preference, limitation or discrimination based on race, color, religion, sex, handicap, familial status, national origin, sexual orientation, marital status, ancestry, source of income or disability, to the extent such covenants, conditions or restrictions violate Title 42, Section 3604(c), of the United States Codes. Lawful restrictions under state and federal law on the age of occupants in senior housing or housing for older persons shall not be construed as restrictions based on familial status.

   Document(s) declaring modifications thereof recorded July 23, 1981 as Instrument No. 69666-AS of Official Records.

   Document(s) declaring modifications thereof recorded August 19, 1982 as Instrument No. 82070768 of Official Records.

   Document(s) declaring modifications thereof recorded February 04, 1983 as Instrument No. 83011056 of Official Records.

   A declaration of annexation recorded March 05, 1984 as Instrument No. 84023389 of Official Records
   .

   The terms and provisions contained in the document entitled "Assignment and Assumption Agreement" recorded November 29, 1989 as Instrument No. 89161004 of Official Records.

The terms and provisions contained in the document entitled "Assignment and Assumption Agreement" recorded May 22, 1990 as Instrument No. 90069335 of Official Records.

Document(s) declaring modifications thereof recorded February 06, 1992 as Instrument No. 92017128 of Official Records.

Document(s) declaring modifications thereof recorded December 07, 1993 as Instrument No. 93212191 of Official Records.

Document(s) declaring modifications thereof recorded December 04, 1992 as Instrument No. 92199684 of Official Records.

Document(s) declaring modifications thereof recorded January 10, 1994 as Instrument No. 94003692 of Official Records.

Document(s) declaring modifications thereof recorded December 05, 1994 as Instrument No. 94183593 of Official Records.

Document(s) declaring modifications thereof recorded October 04, 1999 as Instrument No. 1999-168218 of Official Records.

Document(s) declaring modifications thereof recorded November 09, 1999 as Instrument No. 1999-186111 of Official Records.

Document(s) declaring modifications thereof recorded October 10, 2000 as Instrument No. 2000-126698 of Official Records.

10. The terms and provisions contained in the document entitled "Development Agreement" recorded July 08, 1982 as Instrument No. 82057195 of Official Records.

Document re-recorded July 16, 1982 as Instrument No. 82059735 of Official Records.

Document(s) declaring modifications thereof recorded September 17, 1984 as Instrument No. 84101669 of Official Records.

Document(s) declaring modifications thereof recorded June 19, 1990 as Instrument No. 90082412 of Official Records.

Document(s) declaring modifications thereof recorded September 25, 1997 as Instrument No. 97-122586 of Official Records.

Document(s) declaring modifications thereof recorded July 02, 2002 as Instrument No. 2002-128414 of Official Records.

Document(s) declaring modifications thereof recorded September 03, 2002 as Instrument No. 2002-172716 of Official Records.

Document(s) declaring modifications thereof recorded November 04, 2002 as Instrument No. 2002-226265 of Official Records.

Document(s) declaring modifications thereof recorded July 09, 2003 as Instrument No. 2003-188788 of Official Records.

Document(s) declaring modifications thereof recorded September 05, 2003 as Instrument No. 2003-253159 of Official Records.

Document(s) declaring modifications thereof recorded October 05, 2006 as Instrument No. 2006-150659 of Official Records.

Document(s) declaring modifications thereof recorded August 29, 2008 as Instrument No. 2008-099243 of Official Records.

11. The terms, provisions and easement(s) contained in the document entitled "Median Landscaping Agreement" recorded September 20, 1982 as Instrument No. 82080558 of Official Records.

12. The terms, provisions and easement(s) contained in the document entitled "Original Resolution No. 13636" recorded June 04, 1999 as Instrument No. 99-099355 of Official Records.

13. An easement for access and public service and incidental purposes, recorded June 07, 1999 as Instrument No. 99099838 of Official Records.
In Favor of: The City of Redwood City, a municipal corporation
Affects: As described therein

14. The terms, provisions and easement(s) contained in the document entitled "San Carlos Airport License Agreement for access and trail purposes" recorded September 01, 1999 as Instrument No. 99150275 and re-recorded September 14, 1999, Instrument No. 1999-156923 of Official Records.

15. An easement for the free and unobstructed passage and flight of operationally compatible aircraft using San Carlos Airport and incidental purposes, recorded September 24, 1999 as Instrument No. 1999-164147 of Official Records.
In Favor of: The County of San Mateo, a political subdivision
Affects: As described therein

16. Covenants, conditions, restrictions and easements in the document recorded September 24, 1999 as Instrument No. 1999-164147 of Official Records, which provide that a violation thereof shall not defeat or render invalid the lien of any first mortgage or deed of trust made in good faith and for value, but deleting any covenant, condition, or restriction, if any, indicating a preference, limitation, or discrimination based on race, color, religion, sex, gender, gender identity, gender expression, sexual orientation, familial status, marital status, disability, handicap, veteran or military status, genetic information, national origin, source of income as defined in subdivision (p) of Section 12955, or ancestry, to the extent that such covenants, conditions or restrictions violate applicable state or federal laws. Lawful restrictions under state and federal law on the age of occupants in senior housing or housing for older persons shall not be construed as restrictions based on familial status.

17. The terms and provisions contained in the document entitled "San Francisco Bay Conservation and Development commission Permit No. 4-99" recorded October 01, 1999 as Instrument No. 1999-172944 of Official Records.

Document(s) declaring modifications thereof recorded January 15, 2003 as Instrument No. 2003-010899 of Official Records.

18. The terms, provisions and easement(s) contained in the document entitled "Grant of Easement" recorded March 17, 2000 as Instrument No. 2000-031313 of Official Records.

19. An easement for the right of way of ingress and egress and the right to construct, maintain and repair a levee and associated facilities and incidental purposes, recorded July 14, 2000 as Instrument No. 2000-086232 of Official Records.

In Favor of:	The City of Redwood City, a municipal corporation
Affects:	As described therein

20. Survey prepared by Slooten Consulting Inc., and coordinated by Smith-Roberts National Corporation, dated September 29, 2015 last revised November 2, 2015, under Job No. 10452-01, shows the following:

(A) Surveyor notes sidewalk at the east side of the subject property crosses the eastern boundary onto lands of others by a maximum extent of 13.6 feet; (B) Surveyor notes multiple portions of asphalt walk cross the southern boundary onto lands of others, however the walkway lies within the trail easement detailed in Instrument Number 1999-156923 and Parcel "C", nonexclusive easement for public pathways; (C) Surveyor notes asphalt walk at the east side of the subject property crosses the eastern boundary onto lands of others by an undisclosed distance without benefit of easement; (D) Sidewalk at the southeast corner of the subject property crosses the southern boundary outside of the allotted public pathway easement area described as Parcel "C" onto lands of others by an undisclosed distance; (E) Surveyor notes curb at the northwest side of the subject property crosses the northern boundary onto lands of others by a maximum extent of 0.2 feet north.

21. A Deed of Trust to secure an original indebtedness of $25,000,000.00 recorded December 14, 2015 as Instrument No. 2015-131304 of Official Records.

Dated:	December 11, 2015
Trustor:	Redwood Suites, LLC, a California limited liability company
Trustee:	First American Title Insurance Company
Beneficiary:	C-III Commercial Mortgage LLC, a Delaware limited liability company

Document states that it is for Cross-Default/Cross-Collateralization.

A document entitled "Assignment of Leases and Rents" recorded December 14, 2015 as Instrument No. 2015-131305 of Official Records, as additional security for the payment of the indebtedness secured by the deed of trust.

The beneficial interest in the Deed of Trust was assigned to Wilmington Trust, National Association, as Trustee for the benefit of the Registered Holders of Wells Fargo Commercial Mortgage Trust 2016-C32, Commercial Mortgage Pass-Through Certificates, Series 2016-C32 by mesne instruments of record, the last of which recorded April 28, 2016 as Instrument No. 2016-039278 of Official Records.

The interest of C-III Commercial Mortgage LLC, a Delaware limited liability company under said Assignment of Assignment of Leases and Rents was purportedly assigned to Wilmington Trust, National Association, as Trustee for the benefit of the Registered Holders of Wells Fargo Commercial Mortgage Trust 2016-C32, Commercial Mortgage Pass-Through Certificates, Series 2016-C32 by document recorded April 28, 2016 as Instrument No. 2016-039279 of Official Records.

22. A financing statement recorded December 14, 2015 as Instrument No. 2015-131306 of Official Records.

Debtor:	Redwood Suites, LLC
Secured party:	C-III Commercial Mortgage LLC

According to the public records, the security interest of the secured party was assigned to Wilmington Trust, National Association, as Trustee for the benefit of the Registered Holders of Wells Fargo Commercial Mortgage Trust 2016-C32, Commercial Mortgage Pass-Through Certificates, Series 2016-C32 by document recorded April 28, 2016 as Instrument No. 2016-039280 of Official Records.

A continuation statement was recorded June 22, 2020 as Instrument No. 2020-058107 of Official Records.

23. Any claim that the Title is subject to a trust or lien created under The Perishable Agricultural Commodities Act, 1930 (7 U.S.C. §§499a, et seq.) or the Packers and Stockyards Act (7 U.S.C. §§181 et seq.) or under similar state laws.

24. Water rights, claims or title to water, whether or not shown by the Public Records.

25. Rights of parties in possession.

INFORMATIONAL NOTES

ALERT - CA Senate Bill 2 imposes an additional fee of $75 up to $225 at the time of recording on certain transactions effective January 1, 2018. Please contact your First American Title representative for more information on how this may affect your closing.

1. Taxes for proration purposes only for the fiscal year 2019-2020.

First Installment:	$91,706.05, PAID
Second Installment:	$91,706.05, PAID
Tax Rate Area:	09-027
APN:	095-222-330

2. According to the latest available equalized assessment roll in the office of the county tax assessor, there is located on the land a(n) Commercial Structure known as 1000 Twin Dolphin Drive, Redwood City, CA.

3. According to the public records, there has been no conveyance of the land within a period of twenty-four months prior to the date of this report, except as follows:

   None

4. This preliminary report/commitment was prepared based upon an application for a policy of title insurance that identified land by street address or assessor's parcel number only. It is the responsibility of the applicant to determine whether the land referred to herein is in fact the land that is to be described in the policy or policies to be issued.

5. Should this report be used to facilitate your transaction, we must be provided with the following prior to the issuance of the policy:

   A. WITH RESPECT TO A CORPORATION:
      1. A certificate of good standing of recent date issued by the Secretary of State of the corporation's state of domicile.
      2. A certificate copy of a resolution of the Board of Directors authorizing the contemplated transaction and designating which corporate officers shall have the power to execute on behalf of the corporation.
      3. A certificate of revivor and a certificate of relief from contract voidability issued by the Franchise Tax Board of the State of California.
      4. Requirements which the Company may impose following its review of the above material and other information which the Company may require.

   B. WITH RESPECT TO A CALIFORNIA LIMITED PARTNERSHIP:
      1. A certified copy of the certificate of limited partnership (form LP-1) and any amendments thereto (form LP-2) to be recorded in the public records;
      2. A full copy of the partnership agreement and any amendments;
      3. Satisfactory evidence of the consent of a majority in interest of the limited partners to the contemplated transaction;
      4. A certificate of revivor and a certificate of relief from contract voidability issued by the Franchise Tax Board of the State of California.
      5. Requirements which the Company may impose following its review of the above material and other information which the Company may require.

C. WITH RESPECT TO A FOREIGN LIMITED PARTNERSHIP:

1. A certified copy of the application for registration, foreign limited partnership (form LP-5) and any amendments thereto (form LP-6) to be recorded in the public records;
2. A full copy of the partnership agreement and any amendment;
3. Satisfactory evidence of the consent of a majority in interest of the limited partners to the contemplated transaction;
4. A certificate of revivor and a certificate of relief from contract voidability issued by the Franchise Tax Board of the State of California.
5. Requirements which the Company may impose following its review of the above material and other information which the Company may require.

D. WITH RESPECT TO A GENERAL PARTNERSHIP:

1. A certified copy of a statement of partnership authority pursuant to Section 16303 of the California Corporation Code (form GP-I), executed by at least two partners, and a certified copy of any amendments to such statement (form GP-7), to be recorded in the public records;
2. A full copy of the partnership agreement and any amendments;
3. Requirements which the Company may impose following its review of the above material required herein and other information which the Company may require.

E. WITH RESPECT TO A LIMITED LIABILITY COMPANY:

1. A copy of its operating agreement and any amendments thereto;
2. If it is a California limited liability company, a certified copy of its articles of organization (LLC-1) and any certificate of correction (LLC-11), certificate of amendment (LLC-2), or restatement of articles of organization (LLC-10) to be recorded in the public records;
3. If it is a foreign limited liability company, a certified copy of its application for registration (LLC-5) to be recorded in the public records;
4. With respect to any deed, deed of trust, lease, subordination agreement or other document or instrument executed by such limited liability company and presented for recordation by the Company or upon which the Company is asked to rely, such document or instrument must be executed in accordance with one of the following, as appropriate:
   (i) If the limited liability company properly operates through officers appointed or elected pursuant to the terms of a written operating agreement, such documents must be executed by at least two duly elected or appointed officers, as follows: the chairman of the board, the president or any vice president, and any secretary, assistant secretary, the chief financial officer or any assistant treasurer;
   (ii) If the limited liability company properly operates through a manager or managers identified in the articles of organization and/or duly elected pursuant to the terms of a written operating agreement, such document must be executed by at least two such managers or by one manager if the limited liability company properly operates with the existence of only one manager.
5. A certificate of revivor and a certificate of relief from contract voidability issued by the Franchise Tax Board of the State of California.
6. Requirements which the Company may impose following its review of the above material and other information which the Company may require.

F. WITH RESPECT TO A TRUST:

1. A certification pursuant to Section 18100.5 of the California Probate Code in a form satisfactory to the Company.
2. Copies of those excerpts from the original trust documents and amendments thereto which designate the trustee and confer upon the trustee the power to act in the pending transaction.
3. Other requirements which the Company may impose following its review of the material require herein and other information which the Company may require.

G. WITH RESPECT TO INDIVIDUALS:

1. A statement of information.

The map attached, if any, may or may not be a survey of the land depicted hereon. First American Title Insurance Company expressly disclaims any liability for loss or damage which may result from reliance on this map except to the extent coverage for such loss or damage is expressly provided by the terms and provisions of the title insurance policy, if any, to which this map is attached.

LEGAL DESCRIPTION

Real property in the City of Redwood City, County of San Mateo, State of California, described as follows:

PARCEL A:

PARCEL 1 AS SHOWN ON PARCEL MAP NO. 2000-1, FILED MARCH 17, 2000, BOOK 72 OF PARCEL MAPS, PAGES 56 THROUGH 58, INCLUSIVE, SAN MATEO COUNTY RECORDS.

PARCEL B:

NON-EXCLUSIVE EASEMENT FOR PUBLIC RIGHT OF WAY OVER AND ABOVE THE FOLLOWING DESCRIBED LAND:

THAT PORTION OF THE REAL PROPERTY DESCRIBED IN THAT CERTAIN GRANT DEED DATED JUNE 06, 1979 AND RECORDED JANUARY 06, 1980 AS INSTRUMENT NO. 8954-AP IN BOOK 7931 OF DEEDS AT PAGE 273, THE OFFICIAL RECORDS OF SAN MATEO COUNTY, CALIFORNIA, DESCRIBED AS FOLLOWS:

THE MOST NORTHERLY SIDELINE LIMITS OF SAID STRIP BEARS SOUTH 86° 00' 00" WEST FROM THE SOUTHERLY TERMINUS OF THE COURSE FIRST DESCRIBED IN SAID GRANT DEED AS SOUTH 0° 17' 52" WEST 571.91 FEET AND EXTENDING 157.83 FEET TO A POINT ON THE LINE OF CURVATURE FIRST DESCRIBED IN SAID GRANT DEED AS HAVING A RADIUS OF 155.00 FEET, A CENTRAL ANGLE OF 70° 17' 15". A RADIAL LINE AT SAID POINT BEARS NORTH 55° 07' 37" WEST.

THE MOST SOUTHERLY SIDELINE OF SAID STRIP BEGINS AT A POINT ON THE LINE OF CURVATURE FIRST DESCRIBED IN SAID GRANT DEED AS HAVING A RADIUS OF 1239.92 FEET, A CENTRAL ANGLE OF 25° 14' 24" SAID POINT BEING 161.02 FEET ALONG SAID CURVE FROM THE NORTHERLY TERMINUS OF SAID CURVE. A RADIAL LINE AT SAID SIDELINE POINT BEARS NORTH 26° 53' 33" WEST, THE SAID SOUTHERLY SIDELINE OF SAID STRIP BEARS NORTH 75° 30' 00" WEST FROM SAID POINT 199.43 FEET TO A POINT ON THE LINE OF CURVATURE FIRST HEREINABOVE DESCRIBED AS HAVING A RADIUS OF 1379.92 FEET, A CENTRAL ANGLE OF 25° 14' 24", A RADIAL LINE OF SAID POINT BEARS NORTH 33° 07' 00" WEST.

PARCEL C:

A NON-EXCLUSIVE EASEMENT FOR INSTALLATION, MAINTENANCE, REPAIR AND USE OF PUBLIC PATHWAYS AND LANDSCAPING OVER THE FOLLOWING DESCRIBED LAND:

ALL THAT REAL PROPERTY SITUATED IN THE CITY OF SAN CARLOS, COUNTY OF SAN MATEO, STATE OF CALIFORNIA, BEING A PORTION OF THE LANDS OF PENINSULA REAL ESTATE MANAGEMENT, ET AL, AS SAID LANDS ARE DESCRIBED IN DOCUMENT NUMBER 1999-030696, FILED FOR RECORD ON FEBRUARY 23, 1999 IN THE OFFICE OF THE RECORDER OF SAN MATEO COUNTY, AND BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT THE MOST SOUTHEASTERLY CORNER OF LOT 6, AS SAID LOT IS SHOWN ON THAT CERTAIN MAP ENTITLED "SHORES CENTER UNIT NO. 2", FILED FOR RECORD ON OCTOBER 15, 1984, IN BOOK 112 OF MAPS, PAGES 20 THROUGH 22, IN THE OFFICE OF THE RECORDER OF SAN MATEO COUNTY; THENCE ALONG THE EASTERLY LINE OF SAID LANDS DESCRIBED IN DOCUMENT NUMBER 1999-030696; SOUTH 1° 02' 48" WEST, A DISTANCE OF 120.48 FEET; THENCE LEAVING SAID LINE NORTH 88° 57' 12" WEST, A DISTANCE OF 12.20 FEET; THENCE NORTH 45° 39' 17" WEST, A DISTANCE OF 71.48 FEET TO THE WESTERLY LINE OF SAID LANDS; THENCE ALONG SAID WESTERLY LINE NORTH 9° 54' 32" EAST, A DISTANCE OF 71.65 FEET TO THE SOUTHERLY LINE OF SAID LOT 6; THENCE ALONG SAID SOUTHERLY LINE SOUTH 89° 40' 12" EAST, A DISTANCE OF 53.19 FEET TO THE POINT OF

BEGINNING.

SAID EASEMENT IS FOR THE BENEFIT OF PARCEL 1 OF PARCEL A ABOVE AND WAS CREATED BY GRANT OF EASEMENT FROM PENINSULA REAL ESTATE MANAGEMENT, ET AL, TO MAX A. KEECH AND MARK E. KENDALL, RECORDED MARCH 17, 2000, DOCUMENT NO. 2000-031313, SAN MATEO COUNTY RECORDS.

PARCEL D:

EASEMENTS SET FORTH IN "THE SHORES BUSINESS CENTER DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS & CHARGES FOR COMMERCIAL DEVELOPMENT" RECORDED FEBRUARY 6, 1981, AS INSTRUMENT NO. 12350-AS, AND AS AMENDED BY THE FOLLOWING: DOCUMENT(S) DECLARING MODIFICATIONS THEREOF RECORDED JULY 23, 1981 AS INSTRUMENT NO. 69666-AS OF OFFICIAL RECORDS. DOCUMENT(S) DECLARING MODIFICATIONS THEREOF RECORDED AUGUST 19, 1982 AS INSTRUMENT NO. 82070768 OF OFFICIAL RECORDS. DOCUMENT(S) DECLARING MODIFICATIONS THEREOF RECORDED FEBRUARY 04, 1983 AS INSTRUMENT NO. 83011056 OF OFFICIAL RECORDS. A DECLARATION OF ANNEXATION RECORDED MARCH 05, 1984 AS INSTRUMENT NO. 84023389 OF OFFICIAL RECORDS. THE TERMS AND PROVISIONS CONTAINED IN THE DOCUMENT ENTITLED "ASSIGNMENT AND ASSUMPTION AGREEMENT" RECORDED NOVEMBER 29, 1989 AS INSTRUMENT NO. 89161004 OF OFFICIAL RECORDS. THE TERMS AND PROVISIONS CONTAINED IN THE DOCUMENT ENTITLED "ASSIGNMENT AND ASSUMPTION AGREEMENT" RECORDED MAY 22, 1990 AS INSTRUMENT NO. 90069335 OF OFFICIAL RECORDS. DOCUMENT(S) DECLARING MODIFICATIONS THEREOF RECORDED FEBRUARY 06, 1992 AS INSTRUMENT NO. 92017128 OF OFFICIAL RECORDS. DOCUMENT(S) DECLARING MODIFICATIONS THEREOF RECORDED DECEMBER 07, 1993 AS INSTRUMENT NO. 93212191 OF OFFICIAL RECORDS. DOCUMENT(S) DECLARING MODIFICATIONS THEREOF RECORDED DECEMBER 04, 1992 AS INSTRUMENT NO. 92199684 OF OFFICIAL RECORDS. DOCUMENT(S) DECLARING MODIFICATIONS THEREOF RECORDED JANUARY 10, 1994 AS INSTRUMENT NO. 94003692 OF OFFICIAL RECORDS. DOCUMENT(S) DECLARING MODIFICATIONS THEREOF RECORDED DECEMBER 05, 1994 AS INSTRUMENT NO. 94183593 OF OFFICIAL RECORDS. DOCUMENT(S) DECLARING MODIFICATIONS THEREOF RECORDED OCTOBER 04, 1999 AS INSTRUMENT NO. 1999-168218 OF OFFICIAL RECORDS. DOCUMENT(S) DECLARING MODIFICATIONS THEREOF RECORDED NOVEMBER 09, 1999 AS INSTRUMENT NO. 1999-186111 OF OFFICIAL RECORDS. DOCUMENT(S) DECLARING MODIFICATIONS THEREOF RECORDED OCTOBER 10, 2000 AS INSTRUMENT NO. 2000-126698 OF OFFICIAL RECORDS.

APN: 095-222-330
JPN: 112 020 000 06T
JPN: 112 020 000 07T (portion)

NOTICE I

Section 12413.1 of the California Insurance Code, effective January 1, 1990, requires that any title insurance company, underwritten title company, or controlled escrow company handling funds in an escrow or sub-escrow capacity, wait a specified number of days after depositing funds, before recording any documents in connection with the transaction or disbursing funds. This statute allows for funds deposited by wire transfer to be disbursed the same day as deposit. In the case of cashier's checks or certified checks, funds may be disbursed the next day after deposit. In order to avoid unnecessary delays of three to seven days, or more, please use wire transfer, cashier's checks, or certified checks whenever possible.

If you have any questions about the effect of this new law, please contact your local First American Office for more details.

NOTICE II

As of January 1, 1991, if the transaction which is the subject of this report will be a sale, you as a party to the transaction, may have certain tax reporting and withholding obligations pursuant to the state law referred to below:

In accordance with Sections 18662 and 18668 of the Revenue and Taxation Code, a buyer may be required to withhold an amount equal to three and one-third percent of the sales price in the case of the disposition of California real property interest by either:

1. A seller who is an individual with a last known street address outside of California or when the disbursement instructions authorize the proceeds be sent to a financial intermediary of the seller, OR
2. A corporate seller which has no permanent place of business in California.

The buyer may become subject to penalty for failure to withhold an amount equal to the greater of 10 percent of the amount required to be withheld or five hundred dollars ($500).

However, notwithstanding any other provision included in the California statutes referenced above, no buyer will be required to withhold any amount or be subject to penalty for failure to withhold if:

1. The sales price of the California real property conveyed does not exceed one hundred thousand dollars ($100,000), OR
2. The seller executes a written certificate, under the penalty of perjury, certifying that the seller is a resident of California, or if a corporation, has a permanent place of business in California, OR
3. The seller, who is an individual, executes a written certificate, under the penalty of perjury, that the California real property being conveyed is the seller's principal residence (as defined in Section 1034 of the Internal Revenue Code).

The seller is subject to penalty for knowingly filing a fraudulent certificate for the purpose of avoiding the withholding requirement.

The California statutes referenced above include provisions which authorize the Franchise Tax Board to grant reduced withholding and waivers from withholding on a case-by-case basis.

The parties to this transaction should seek an attorney's, accountant's, or other tax specialist's opinion concerning the effect of this law on this transaction and should not act on any statements made or omitted by the escrow or closing officer.

The Seller May Request a Waiver by Contacting:
Franchise Tax Board
Withhold at Source Unit
P.O. Box 651
Sacramento, CA 95812-0651
(916) 845-4900

Privacy Policy

We Are Committed to Safeguarding Customer Information

In order to better serve your needs now and in the future, we may ask you to provide us with certain information. We understand that you may be concerned about what we will do with such information - particularly any personal or financial information. We agree that you have a right to know how we will utilize the personal information you provide to us. Therefore, together with our parent company, The First American Corporation, we have adopted this Privacy Policy to govern the use and handling of your personal information.

Applicability

This Privacy Policy governs our use of the information which you provide to us. It does not govern the manner in which we may use information we have obtained from any other source, such as information obtained from a public record or from another person or entity. First American has also adopted broader guidelines that govern our use of personal information regardless of its source. First American calls these guidelines its *Fair Information Values*, a copy of which can be found on our website at www.firstam.com.

Types of Information

Depending upon which of our services you are utilizing, the types of nonpublic personal information that we may collect include:

- Information we receive from you on applications, forms and in other communications to us, whether in writing, in person, by telephone or any other means;
- Information about your transactions with us, our affiliated companies, or others; and
- Information we receive from a consumer reporting agency.

Use of Information

We request information from you for our own legitimate business purposes and not for the benefit of any nonaffiliated party. Therefore, we will not release your information to nonaffiliated parties except: (1) as necessary for us to provide the product or service you have requested of us; or (2) as permitted by law. We may, however, store such information indefinitely, including the period after which any customer relationship has ceased. Such information may be used for any internal purpose, such as quality control efforts or customer analysis. We may also provide all of the types of nonpublic personal information listed above to one or more of our affiliated companies. Such affiliated companies include financial service providers, such as title insurers, property and casualty insurers, and trust and investment advisory companies, or companies involved in real estate services, such as appraisal companies, home warranty companies, and escrow companies. Furthermore, we may also provide all the information we collect, as described above, to companies that perform marketing services on our behalf, on behalf of our affiliated companies, or to other financial institutions with whom we or our affiliated companies have joint marketing agreements.

Former Customers

Even if you are no longer our customer, our Privacy Policy will continue to apply to you.

Confidentiality and Security

We will use our best efforts to ensure that no unauthorized parties have access to any of your information. We restrict access to nonpublic personal information about you to those individuals and entities who need to know that information to provide products or services to you. We will use our best efforts to train and oversee our employees and agents to ensure that your information will be handled responsibly and in accordance with this Privacy Policy and First American's *Fair Information Values*. We currently maintain physical, electronic, and procedural safeguards that comply with federal regulations to guard your nonpublic personal information.

CLTA/ALTA HOMEOWNER'S POLICY OF TITLE INSURANCE (02-03-10)
EXCLUSIONS

In addition to the Exceptions in Schedule B, You are not insured against loss, costs, attorneys' fees, and expenses resulting from:

1. Governmental police power, and the existence or violation of those portions of any law or government regulation concerning:
   (a) building; (d) improvements on the Land;
   (b) zoning; (e) land division; and
   (c) land use; (f) environmental protection.
   This Exclusion does not limit the coverage described in Covered Risk 8.a., 14, 15, 16, 18, 19, 20, 23 or 27.
2. The failure of Your existing structures, or any part of them, to be constructed in accordance with applicable building codes. This Exclusion does not limit the coverage described in Covered Risk 14 or 15.
3. The right to take the Land by condemning it. This Exclusion does not limit the coverage described in Covered Risk 17.
4. Risks:
   (a) that are created, allowed, or agreed to by You, whether or not they are recorded in the Public Records;
   (b) that are Known to You at the Policy Date, but not to Us, unless they are recorded in the Public Records at the Policy Date;
   (c) that result in no loss to You; or
   (d) that first occur after the Policy Date - this does not limit the coverage described in Covered Risk 7, 8.e., 25, 26, 27 or 28.
5. Failure to pay value for Your Title.
6. Lack of a right:
   (a) to any land outside the area specifically described and referred to in paragraph 3 of Schedule A; and
   (b) in streets, alleys, or waterways that touch the Land.
   This Exclusion does not limit the coverage described in Covered Risk 11 or 21.
7. The transfer of the Title to You is invalid as a preferential transfer or as a fraudulent transfer or conveyance under federal bankruptcy, state insolvency, or similar creditors' rights laws.

LIMITATIONS ON COVERED RISKS

Your insurance for the following Covered Risks is limited on the Owner's Coverage Statement as follows: For Covered Risk 16, 18, 19, and 21 Your Deductible Amount and Our Maximum Dollar Limit of Liability shown in Schedule A.

Your Deductible Amount	**Our Maximum Dollar Limit of Liability**
Covered Risk 16: 1% of Policy Amount or $2,500.00 (whichever is less)	$10,000.00
Covered Risk 18: 1% of Policy Amount or $5,000.00 (whichever is less)	$25,000.00
Covered Risk 19: 1% of Policy Amount or $5,000.00 (whichever is less)	$25,000.00
Covered Risk 21: 1% of Policy Amount or $2,500.00 (whichever is less)	$5,000.00

ALTA RESIDENTIAL TITLE INSURANCE POLICY (6-1-87)
EXCLUSIONS

In addition to the Exceptions in Schedule B, you are not insured against loss, costs, attorneys' fees, and expenses resulting from:

1. Governmental police power, and the existence or violation of any law or government regulation. This includes building and zoning ordinances and also laws and regulations concerning:
   (a) and use
   (b) improvements on the land
   (c) and division
   (d) environmental protection
   This exclusion does not apply to violations or the enforcement of these matters which appear in the public records at Policy Date.
   This exclusion does not limit the zoning coverage described in Items 12 and 13 of Covered Title Risks.
2. The right to take the land by condemning it, unless:
   (a) a notice of exercising the right appears in the public records on the Policy Date
   (b) the taking happened prior to the Policy Date and is binding on you if you bought the land without knowing of the taking
3. Title Risks:

(a) that are created, allowed, or agreed to by you
(b) that are known to you, but not to us, on the Policy Date -- unless they appeared in the public records
(c) that result in no loss to you
(d) that first affect your title after the Policy Date -- this does not limit the labor and material lien coverage in Item 8 of Covered Title Risks

4. Failure to pay value for your title.
5. Lack of a right:
   (a) to any land outside the area specifically described and referred to in Item 3 of Schedule A OR
   (b) in streets, alleys, or waterways that touch your land
   This exclusion does not limit the access coverage in Item 5 of Covered Title Risks.

2006 ALTA LOAN POLICY (06-17-06)
EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy, and the Company will not pay loss or damage, costs, attorneys' fees, or expenses that arise by reason of:

1. a. Any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to

   i. the occupancy, use, or enjoyment of the Land;
   ii. the character, dimensions, or location of any improvement erected on the Land;
   iii. the subdivision of land; or
   iv. environmental protection;

   or the effect of any violation of these laws, ordinances, or governmental regulations. This Exclusion 1(a) does not modify or limit the coverage provided under Covered Risk 5.

   b. Any governmental police power. This Exclusion 1(b) does not modify or limit the coverage provided under Covered Risk 6.
2. Rights of eminent domain. This Exclusion does not modify or limit the coverage provided under Covered Risk 7 or 8.
3. Defects, liens, encumbrances, adverse claims, or other matters
   a. created, suffered, assumed, or agreed to by the Insured Claimant;
   b. not Known to the Company, not recorded in the Public Records at Date of Policy, but Known to the Insured Claimant and not disclosed in writing to the Company by the Insured Claimant prior to the date the Insured Claimant became an Insured under this policy;
   c. resulting in no loss or damage to the Insured Claimant;
   d. attaching or created subsequent to Date of Policy (however, this does not modify or limit the coverage provided under Covered Risk 11, 13, or 14); or
   e. resulting in loss or damage that would not have been sustained if the Insured Claimant had paid value for the Insured Mortgage.
4. Unenforceability of the lien of the Insured Mortgage because of the inability or failure of an Insured to comply with applicable doing-business laws of the state where the Land is situated.
5. Invalidity or unenforceability in whole or in part of the lien of the Insured Mortgage that arises out of the transaction evidenced by the Insured Mortgage and is based upon usury or any consumer credit protection or truth-in-lending law.
6. Any claim, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that the transaction creating the lien of the Insured Mortgage, is
   a. a fraudulent conveyance or fraudulent transfer, or
   b. a preferential transfer for any reason not stated in Covered Risk 13(b) of this policy.
7. Any lien on the Title for real estate taxes or assessments imposed by governmental authority and created or attaching between Date of Policy and the date of recording of the Insured Mortgage in the Public Records. This Exclusion does not modify or limit the coverage provided under Covered Risk 11(b).

The above policy form may be issued to afford either Standard Coverage or Extended Coverage. In addition to the above Exclusions from Coverage, the Exceptions from Coverage in a Standard Coverage policy will also include the following Exceptions from Coverage:

EXCEPTIONS FROM COVERAGE

This policy does not insure against loss or damage (and the Company will not pay costs, attorneys' fees or expenses) that arise by reason of:

1. (a) Taxes or assessments that are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the Public Records; (b) proceedings by a public agency that may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the Public Records.
2. Any facts, rights, interests, or claims that are not shown by the Public Records but that could be ascertained by an inspection of the Land or that may be asserted by persons in possession of the Land.
3. Easements, liens or encumbrances, or claims thereof, not shown by the Public Records.
4. Any encroachment, encumbrance, violation, variation, or adverse circumstance affecting the Title that would be disclosed by an

accurate and complete land survey of the Land and not shown by the Public Records.

5. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water, whether or not the matters excepted under (a), (b), or (c) are shown by the Public Records.
6. Any lien or right to a lien for services, labor or material not shown by the public records.

2006 ALTA OWNER'S POLICY (06-17-06)
EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy, and the Company will not pay loss or damage, costs, attorneys' fees, or expenses that arise by reason of:

1. a. Any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to

   i. the occupancy, use, or enjoyment of the Land;
   ii. the character, dimensions, or location of any improvement erected on the Land;
   iii. the subdivision of land; or
   iv. environmental protection;
   or the effect of any violation of these laws, ordinances, or governmental regulations. This Exclusion 1(a) does not modify or limit the coverage provided under Covered Risk 5.

   b.Any governmental police power. This Exclusion 1(b) does not modify or limit the coverage provided under Covered Risk 6.
2. Rights of eminent domain. This Exclusion does not modify or limit the coverage provided under Covered Risk 7 or 8.
3. Defects, liens, encumbrances, adverse claims, or other matters
   a. created, suffered, assumed, or agreed to by the Insured Claimant;
   b. not Known to the Company, not recorded in the Public Records at Date of Policy, but known to the Insured Claimant and not disclosed in writing to the Company by the Insured Claimant prior to the date the Insured Claimant became an Insured under this policy;
   c. resulting in no loss or damage to the Insured Claimant;
   d. attaching or created subsequent to Date of Policy (however, this does not modify or limit the coverage provided under Covered Risk 9 and 10); or
   e. resulting in loss or damage that would not have been sustained if the Insured Claimant had paid value for the Title.
4. Any claim, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that the transaction vesting the Title as shown in Schedule A, is
   a. a fraudulent conveyance or fraudulent transfer; or
   b. a preferential transfer for any reason not stated in Covered Risk 9 of this policy.
5. Any lien on the Title for real estate taxes or assessments imposed by governmental authority and created or attaching between Date of Policy and the date of recording of the deed or other instrument of transfer in the Public Records that vests Title as shown in Schedule A.

The above policy form may be issued to afford either Standard Coverage or Extended Coverage. In addition to the above Exclusions from Coverage, the Exceptions from Coverage in a Standard Coverage policy will also include the following Exceptions from Coverage:

EXCEPTIONS FROM COVERAGE

This policy does not insure against loss or damage (and the Company will not pay costs, attorneys' fees or expenses) that arise by reason of:

1. (a) Taxes or assessments that are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the Public Records; (b) proceedings by a public agency that may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the Public Records.
2. Any facts, rights, interests, or claims that are not shown by the Public Records but that could be ascertained by an inspection of the Land or that may be asserted by persons in possession of the Land.
3. Easements, liens or encumbrances, or claims thereof, not shown by the Public Records.
4. Any encroachment, encumbrance, violation, variation, or adverse circumstance affecting the Title that would be disclosed by an accurate and complete land survey of the Land and not shown by the Public Records.
5. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water, whether or not the matters excepted under (a), (b), or (c) are shown by the Public Records.
6. Any lien or right to a lien for services, labor or material not shown by the public records.

ALTA EXPANDED COVERAGE RESIDENTIAL LOAN POLICY (07-26-10)
EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy, and the Company will not pay loss or damage, costs, attorneys' fees, or expenses that arise by reason of:

1. a. Any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to

   i. the occupancy, use, or enjoyment of the Land;
   ii. the character, dimensions, or location of any improvement erected on the Land;
   iii. the subdivision of land; or
   iv. environmental protection;

   or the effect of any violation of these laws, ordinances, or governmental regulations. This Exclusion 1(a) does not modify or limit the coverage provided under Covered Risk 5, 6, 13(c), 13(d), 14 or 16.

   b. Any governmental police power. This Exclusion 1(b) does not modify or limit the coverage provided under Covered Risk 5, 6, 13(c), 13(d), 14 or 16.
2. Rights of eminent domain. This Exclusion does not modify or limit the coverage provided under Covered Risk 7 or 8.
3. Defects, liens, encumbrances, adverse claims, or other matters

   a. created, suffered, assumed, or agreed to by the Insured Claimant;
   b. not Known to the Company, not recorded in the Public Records at Date of Policy, but Known to the Insured Claimant and not disclosed in writing to the Company by the Insured Claimant prior to the date the Insured Claimant became an Insured under this policy;
   c. resulting in no loss or damage to the Insured Claimant;
   d. attaching or created subsequent to Date of Policy (however, this does not modify or limit the coverage provided under Covered Risk 11, 16, 17, 18, 19, 20, 21, 22, 23, 24, 27 or 28); or
   e. resulting in loss or damage that would not have been sustained if the Insured Claimant had paid value for the Insured Mortgage.
4. Unenforceability of the lien of the Insured Mortgage because of the inability or failure of an Insured to comply with applicable doing-business laws of the state where the Land is situated.
5. Invalidity or unenforceability in whole or in part of the lien of the Insured Mortgage that arises out of the transaction evidenced by the Insured Mortgage and is based upon usury or any consumer credit protection or truth-in-lending law. This Exclusion does not modify or limit the coverage provided in Covered Risk 26.
6. Any claim of invalidity, unenforceability or lack of priority of the lien of the Insured Mortgage as to Advances or modifications made after the Insured has Knowledge that the vestee shown in Schedule A is no longer the owner of the estate or interest covered by this policy. This Exclusion does not modify or limit the coverage provided in Covered Risk 11.
7. Any lien on the Title for real estate taxes or assessments imposed by governmental authority and created or attaching subsequent to Date of Policy. This Exclusion does not modify or limit the coverage provided in Covered Risk 11(b) or 25.
8. The failure of the residential structure, or any portion of it, to have been constructed before, on or after Date of Policy in accordance with applicable building codes. This Exclusion does not modify or limit the coverage provided in Covered Risk 5 or 6.
9. Any claim, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that the transaction creating the lien of the Insured Mortgage, is
   a. a fraudulent conveyance or fraudulent transfer, or
   b. a preferential transfer for any reason not stated in Covered Risk 27(b) of this policy.

Addendum C

Comparable Data

Hotel Sale Profile

Sale No. 1

Location & Property Identification

Property Name:	Hilton Homewood Suites
Address:	650 Ellinwood Way
City/State/Zip:	Pleasant Hill, California 94523
County:	Contra Costa
Sub-Property Type:	Extended Stay
Market Orientation:	Suburban
IRR Event ID:	2512951

Sale Information

Sale Price:	$37,000,000
Effective Sale Price:	$37,000,000
Sale Date:	11/08/2019
Recording Date:	11/08/2019
Sale Status:	Closed
$/SF GBA:	$440.64
$/SF NRA:	$440.64
Eff. Price/Unit:	$310,924 /Hotel Room
Price/Room:	310,924.00
Grantor/Seller:	Herrick Development
Grantee/Buyer:	Peninsular Realty, LLC
Property Rights:	Fee Simple
% of Interest Conveyed:	100.00
Financing:	Cash to seller - buyer obtained financing
Document Type:	Deed
Recording No.:	199856

Improvement and Site Data

MSA:	San Francisco-Oakland-Hayward, CA
Legal/Tax/Parcel ID:	127-210-031-2
GBA-SF:	83,969
NRA-SF:	83,969
Acres(Usable/Gross):	2.43/2.43
Land-SF(Usable/Gross):	105,850/105,850
Usable/Gross Ratio:	1.00
Year Built:	2018
Property Class:	B
M&S Class:	D
No. of Units/Unit Type:	119/Hotel Rooms
Density-Unit/Gross Acre:	48.97
Density-Unit/Usable Acre:	48.97
Bldg. to Land Ratio FAR:	0.79
Zoning Desc.:	PUD 882
Source of Land Info.:	Other

Amenities

Room Features	**Hotel Amenities**
Flat Screen TV	Business Center
Kitchenette	Fitness Center
Microwave	Outdoor Pool
Refrigerator	Sundry/Gift Shop
Wireless Internet	

Meeting Facilities

Facility Type	**Description**
Conference Facilities	

Comments

This was an off-market transaction of a 119-room Homewood Suites in Pleasant Hill. Hotel amenities include fitness center, outdoor pool, business center, and meeting space. The hotel offers studio and one bedroom suites with fully equipped kitchens.

Hotel Sale Profile

Sale No. 2

Location & Property Identification

Property Name:	Hyatt Place Hotel
Address:	5700 Bay St
City/State/Zip:	Emeryville, California 94608
County:	Alameda
IRR Event ID:	2300056

Sale Information

Sale Price:	$66,250,000
Effective Sale Price:	$66,250,000
Sale Date:	04/15/2019
Recording Date:	04/15/2019
Sale Status:	Closed
$/SF GBA:	$680.88
$/SF NRA:	$680.88
Eff. Price/Unit:	$378,571 /Unit
Price/Room:	378,571.00
Grantor/Seller:	Bay Street Hotel Properties LLC
Grantee/Buyer:	Holiday Garden EV Corp
Property Rights:	Fee Simple
Recording No.:	067772

Improvement and Site Data

MSA:	East Bay/Oakland
Legal/Tax/Parcel ID:	Lot11 Bk267 Pgs1-20 Bk329 pgs16-17 049-1038-017-00
GBA-SF:	97,300
NRA-SF:	97,300
Acres(Gross):	1.29
Land-SF(Gross):	56,061
Year Built:	2016
Property Class:	A
Improvements Cond.:	Excellent
Total Parking Spaces:	42
Park. Ratio 1000 SF GLA:	0.43
Park. Ratio 1000 SF GBA:	0.43
Density-Unit/Gross Acre:	135.98
Bldg. to Land Ratio FAR:	1.74
Source of Land Info.:	Other

Comments

The asset is a 175 key hotel, known as Hyatt Place Hotel, in Emeryville. The building offers scenic views of the Bay, as well as a fitness center, business center, restaurant & bar, and in located in close proximity to popular retail. The asset was delivered in 2016. The occupancy is usually near 100%.

Hotel Sale Profile

Sale No. 3

Location & Property Identification

Property Name:	DoubleTree by Hilton
Address:	1995 S. Bascom Ave.
City/State/Zip:	Campbell, California 95008
Country:	United States
County:	Santa Clara
Sub-Property Type:	Full Service
Market Orientation:	Suburban
IRR Event ID:	2272890

Sale Information

Sale Price:	$59,100,000
Effective Sale Price:	$59,100,000
Sale Date:	03/14/2019
Sale Status:	Closed
$/SF GBA:	$683.13
$/SF NRA:	$683.13
Eff. Price/Unit:	$349,704 /Room
Grantor/Seller:	CFEP Pruneyard, LLC
Grantee/Buyer:	Campbell Foothills Venture, LLC
Property Rights:	Leased Fee
% of Interest Conveyed:	100.00
Financing:	Cash to seller - buyer obtained financing
Document Type:	Deed
Recording No.:	24134907

Improvement and Site Data

MSA:	San Jose-Sunnyvale-Santa Clara, CA
Legal/Tax/Parcel ID:	288-04-029
GBA-SF:	86,514
NRA-SF:	86,514
Acres(Usable/Gross):	2.47/2.47
Land-SF(Usable/Gross):	107,733/107,733
Usable/Gross Ratio:	1.00
Year Built:	1999
Property Class:	B
M&S Class:	D
No. of Buildings/Stories:	1/3
No. of Units/Unit Type:	169/Rooms
Density-Unit/Gross Acre:	68.33
Density-Unit/Usable Acre:	68.33
Bldg. to Land Ratio FAR:	0.80
Source of Land Info.:	Public Records

Comments

Sale of a 169 room DoubleTree hotel located within Pruneyard Plaza, a 27-acre mixed use project with office and retail space. ADR was reported at $220, average occupancy was reported at 87%, and RevPAR was reported at $191. The was approximately $6 million in deferred maintenance and planned capital expenditures; buyer plans to renovate the rooms and convert the bathroom tubs to showers.

Hotel Sale Profile

Sale No. 4

Location & Property Identification

Property Name:	Hyatt House Pleasanton
Address:	4545 Chabot Dr.
City/State/Zip:	Pleasanton, California 94588
County:	Alameda
Sub-Property Type:	Extended Stay
Market Orientation:	Suburban
IRR Event ID:	2155298

GBA-SF:	90,370
NRA-SF:	90,370
Acres(Usable/Gross):	4.06/4.06
Land-SF(Usable/Gross):	176,667/176,667
Usable/Gross Ratio:	1.00
Year Built:	1998
Property Class:	B
M&S Class:	D
Exterior Walls:	Stucco
Construction Desc.:	Wood Frame
No. of Units/Unit Type:	128/Hotel Rooms
Total Parking Spaces:	187
Park. Ratio 1000 SF GLA:	2.08
Park. Ratio 1000 SF GBA:	2.08
Parking Ratio(/Unit):	1.46
Density-Unit/Gross Acre:	31.56
Density-Unit/Usable Acre:	31.56
Bldg. to Land Ratio FAR:	0.51
Source of Land Info.:	Public Records

Sale Information

Sale Price:	$49,500,000
Effective Sale Price:	$49,500,000
Sale Date:	05/22/2017
Sale Status:	Closed
$/SF GBA:	$547.75
$/SF NRA:	$547.75
Eff. Price/Unit:	$386,719 /Hotel Room
Price/Room:	448,291.00
Grantor/Seller:	HLLP Scottsdale Associates, LLC
Grantee/Buyer:	Terra Hospitality-SFMSA LLC
Property Rights:	Leased Fee
% of Interest Conveyed:	100.00
Exposure Time:	8 (months)
Financing:	Cash to seller
Terms of Sale:	Bulk/Portfolio Sale
Document Type:	Deed

Comments

Hersha Hospitality Trust sold the following three hotels in a bulk sale for $130.5 million: Summerfield Suites in Scottsdale, Hyatt House Pleasanton in Pleasanton and Hyatt House Pleasant Hill in Pleasant Hill. This sale profile reflects the allocation to the Hyatt House in Pleasanton, as confirmed with a broker with knowledge of the sale. A breakdown of income characteristics for the property at the time of sale was not available, though a hotel industry expense database reported the property reflected an ADR

Improvement and Site Data

MSA:	San Francisco-Oakland-Hayward, CA
Legal/Tax/Parcel ID:	941-2759-044-00

Comments (Cont'd)

of $190 and occupancy rate of 88% in 2017.
This is an upscale extended stay hotel with suites. Amenities include complimentary breakfast, sundry shop, fitness center, outdoor pool, guest laundry room, and meeting rooms (552 SF & 1150 SF). This building was awarded an Energy Star label in 2015, 2016 and 2017 for its operating efficiency.