

J. HOWER & ASSOCIATES

MARKET RENT SURVEY

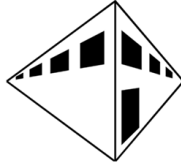
**AS OF:
MARCH 25, 2024**



**PROPERTY APPRAISED:
1425 EAST PROSPERITY AVENUE
TULARE, CA 93274**

www.jhower.com

Jacob I. Hower, MAI, R/W-AC
Jeremy Hansen
Mark Myers



1306 N. Irwin Street
Hanford, Ca 93230
Phone: (559) 582-9112

J. HOWER & ASSOCIATES

April 9, 2024

Randy Dodd, CEO
Tulare Local Healthcare District
P.O. Box 1136
Tulare, CA 93275

Re: 1425 East Prosperity Avenue
Tulare, CA 93274

At your request, I have completed a fair market rent analysis for three suites located within the above mentioned property. Randy Dodd is the Client of this appraisal and Tulare Local Healthcare District is an intended user. The effective date of this report is March 25, 2024.

The scope of this analysis is summarized as follows:

1. I inspected the interior and exterior of the suites on March 25, 2024.
2. I analyzed several leases and summarized them in this survey. The lease terms have been confirmed by review of the contract, brokers, tenants, or landlords. The rent comparables were verified and inspected from the exterior.
3. I analyzed and reconciled the rental data into a fair market rent opinion for the subject on an "as is" physical basis. No additional tenant improvement work was considered.

CERTIFICATION

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

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- I have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice*.
- I have not made a personal inspection of the property that is the subject of this report.
- 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.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- As of the date of this report, I Jacob Hower have completed the Standards and Ethics Education Requirements for Designated Members of the Appraisal Institute.
- No one provided significant personal property appraisal assistance to the person signing this certification.



Jacob I. Hower, MAI, R/W-AC
CA License 3002762
License Expiration Date: 11/14/2024
jake@jhower.com

CERTIFICATION

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

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
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- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- No one provided significant personal property appraisal assistance to the person signing this certification.



Mark E. Myers
CA License 3008763
License Expiration Date: 06/07/2025
mark@jhower.com

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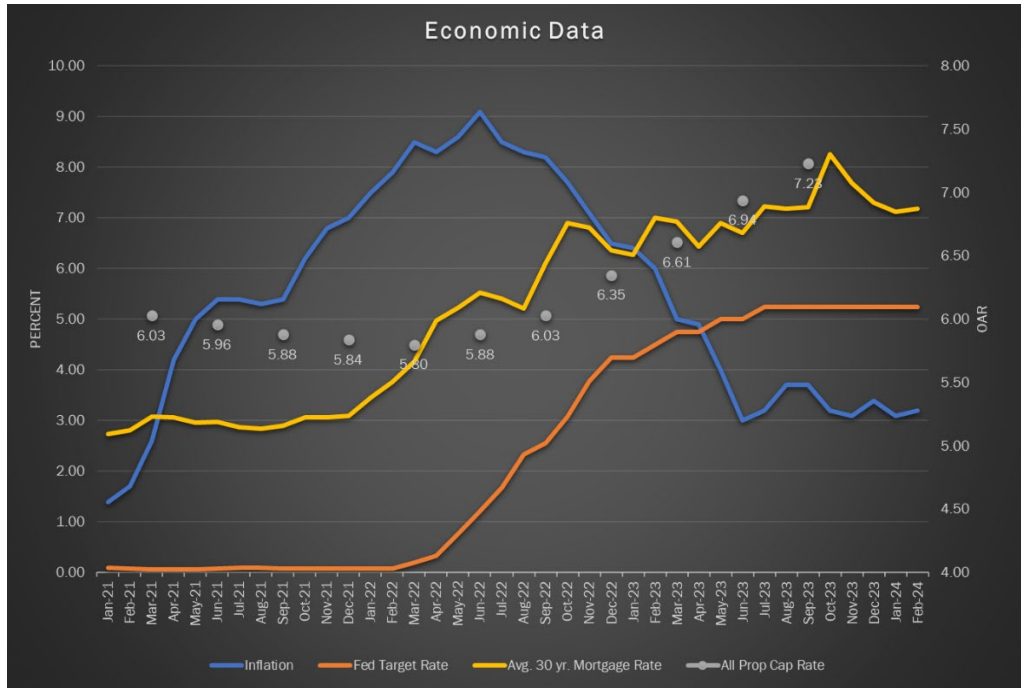
MARKET ANALYSIS

NATIONAL TRENDS

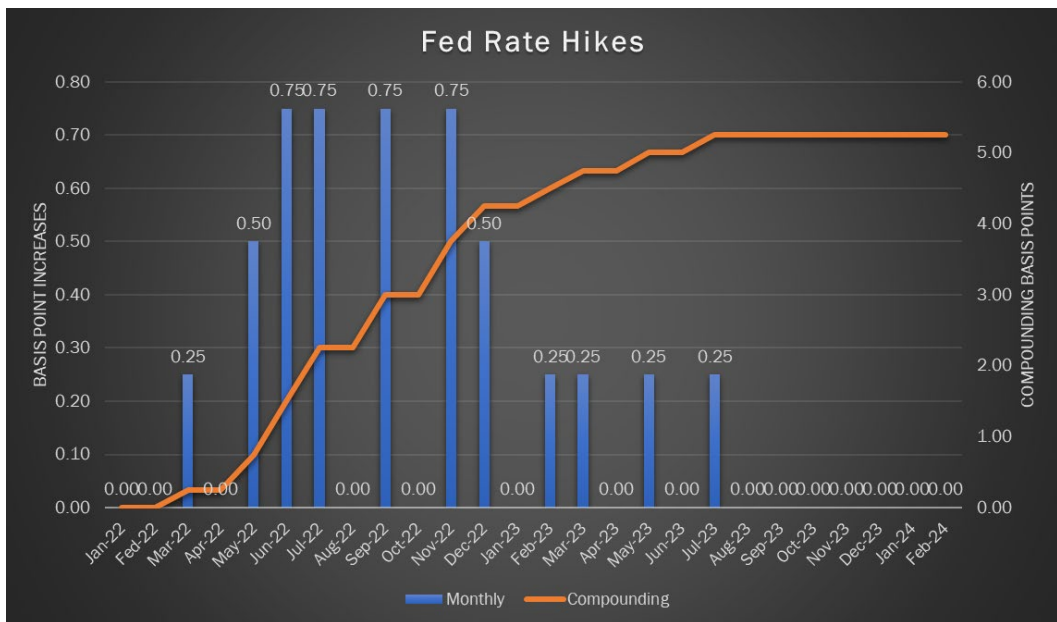
Economic Data: On a national level, the economy is recovering from the covid-19 pandemic and subsequent government shutdowns; however, markets remain volatile. Some of the current issues facing the economy are summarized as follows:

- From 2021 to the middle of 2022, inflation increased rapidly. As a result, the Fed implemented quantitative tightening, a contractionary monetary policy tool used to decrease the amount of liquidity in the economy. The annual CPI rate had been declining since June 2022; however, it has been up and down since July 2023. The most recent CPI report was 3.20% in February 2024. The Fed's goal is 2.0%.
- The Federal Reserve raised interest rates seven times in 2022 and four times in 2023. The Fed's target rate is currently sitting around 5.25% - 5.50%.
- The Q1 and Q2 2022 GDP were both negative, which would generally indicate a recession; however, the Q3/Q4 2022 GDP increased by 3.2% and 2.6%, respectively. The overall real GDP increased 2.5% in 2023.
- The February 2024 national unemployment rate was 3.9%. The unemployment rate has remained low for the last few years, despite elevated interest rates and the FED trying to slow the economy.
- The NASDAQ, S&P 500 and Dow Jones Industrial Average entered bear market territory in May 2022, indicating a 20% drop from the recent high. Since that time, the markets have recovered and hit new highs. That being said, the market remains volatile, and a correction is likely in the near term.
- The two-year/ten-year yield curve inverted briefly on April 1, 2022, for the first time since 2019. It inverted again on July 6, 2022, and has been inverted ever since. While not every historical inversion has resulted in a market downturn, every recent recession has been preceded by a two-year/ten-year yield inversion.
- The national average 30-year fixed mortgage rate has increased from a low of 2.65% in January 2021 to 7.19% in February 2024.

All these factors indicate a slowing economy and many economists forecast a recession in the near term. The following chart compares the inflation rate, Fed target rate, all properties cap rate (according to PWC), and the average 30-year mortgage rate since January 2021.



Interest Rates: During the covid-19 pandemic, the Federal Reserve implemented quantitative easing, a monetary loosening tool used to increase spending and investment. During this time, the Fed lowered the target interest rate to near zero and kept it there for two years. At the same time, congress passed over \$5 Trillion in pandemic stimulus money. These policies created an environment of cheap money, which increased demand in an already low inventory environment. As a result, inflation rose to 40-year highs in the middle of 2022. The Federal Reserve reversed course as inflation spiked and began implementing quantitative tightening, which included raising interest rates. The following chart summarizes the Fed’s interest rate increases since 2022.

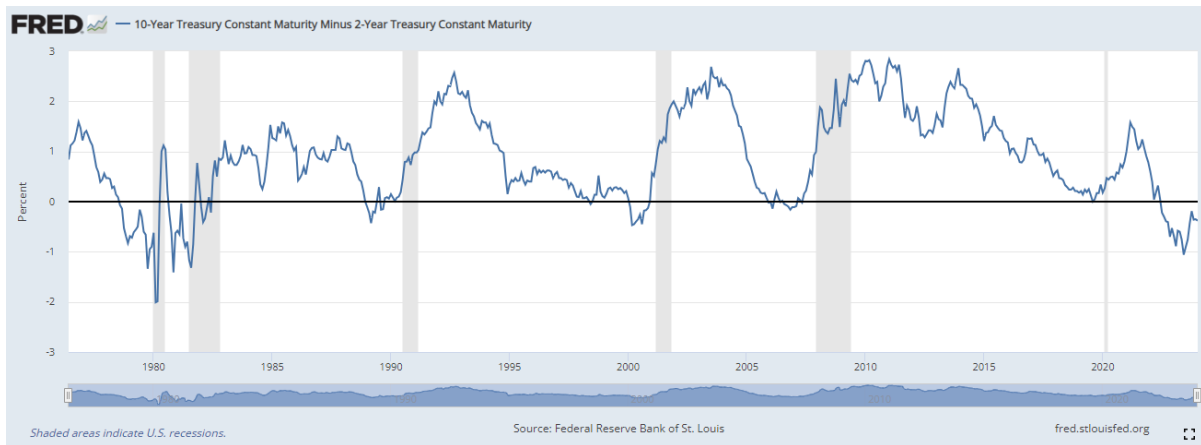


As the Fed increases the target interest rate, treasury rates and mortgage rates are impacted.

Two-Year/Ten-Year Yield Curve: “Investing relies on predicating future trends and U.S. treasury rates remain a popular indicator. The 10-Year U.S. Treasury can be used as a proxy for mortgage rates and consumer confidence. This rate compared to a lower term rate such as the 2-Year Treasury Rate is an important barometer of the economy. When analyzing the spread between the 10-Year and 2-Year rates, the data is plotted on a graph and the changes in shape can tell a broader story.

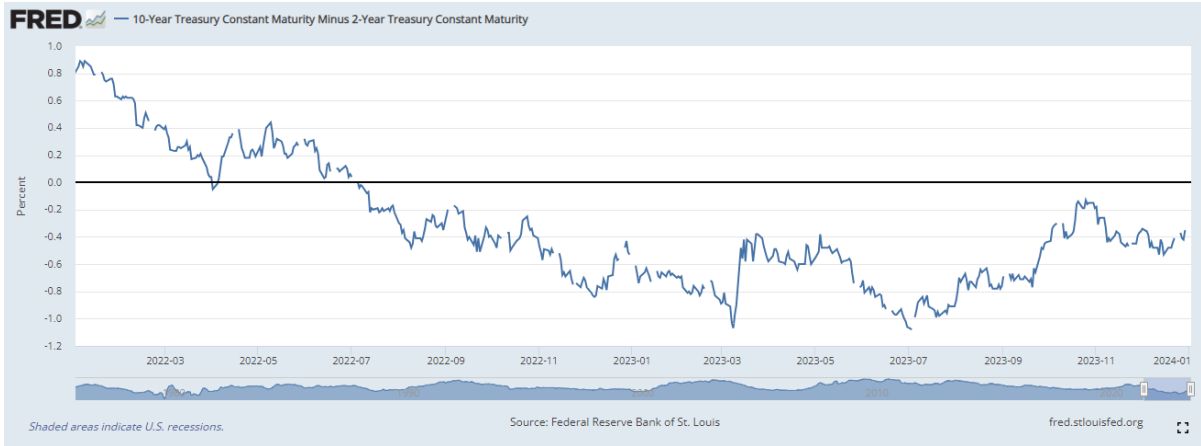
When the market foresees stronger growth, higher inflation or interest rate increases by the Federal Reserve, the shape of the curve steepens, meaning the yield on the 10-year is better than the 2-year. On the other hand, when investors are expecting weaker growth, lower inflation or an easier Fed policy, the yield spread narrows, and the 2 year becomes the higher yield. If the curve goes below zero, becoming inverted, the 2-year having a higher yield than the 10-year, is a potentially recessionary signal. An inverted treasury yield curve has preceded the past eight recessions while throwing out two false positives with an inversion in late 1966 and a very flat curve in late 1998.”¹

The following chart shows the two-year/ten-year yield curve since 1976. The gray shaded areas indicate U.S. recessions, which were all preceded by a yield curve inversion.

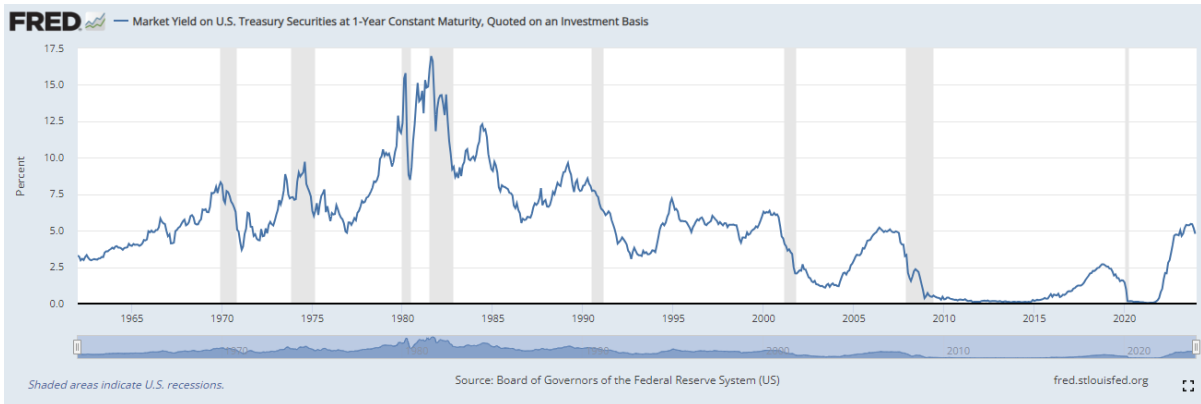


The following chart shows the two-year/ten-year yield curve since the beginning of 2022. The yield curve inverted briefly in April 2022, but recovered quickly. It inverted again on July 6, 2022, and has remained inverted ever since. Based on historical trends, the current yield inversion is a good indicator of a recession in the near term.

¹ WealthVest: The 2 and 10-year Treasury Spread

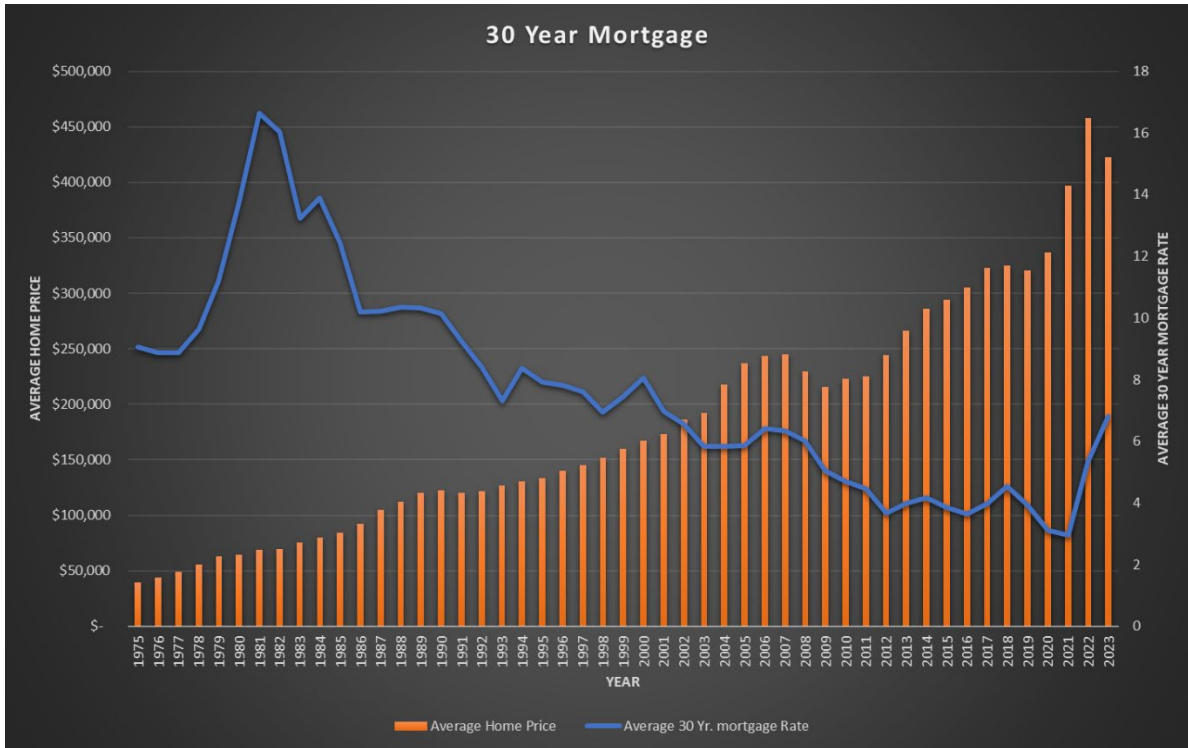


The following chart shows the one-year treasury yield since 1976, which has also predicted every recent market downturn. Rather than inverting, like the two-year/ten-year yield curve, the one-year yield typically peaks prior to a market downturn, as seen in the chart below. The one-year yield is currently sitting around 4.79%, which is slightly lower than the peak that preceded the “great recession” of 2008/2009.



When the Fed lowered rates in 2020, treasury bills were offering minimal returns. As of October 2023, the one-year treasury rate was 5.43%. Prior to the interest rate hikes, investors were buying properties at a 4% to 5% cap rate. In the current market, an investor can purchase treasury bonds, which the U.S. government guarantees for a similar rate.

The following chart summarizes the average residential mortgage rates and home values throughout the US, from 1975 through 2023. Commercial mortgage rates are typically higher than residential mortgage rates.



According to FRED economic data, the average 30-year mortgage rate, dating back to 1975, is 7.73%. The average home price during that period is \$183,982. Interest rates are currently around 7.25%, and the average home price is over \$415,000. The last time 30-year mortgage rates were above 7.0% was in 2000, when the average home price was \$167,550. This is a major lending constraint, which has brought the residential real estate market to a halt. As a result, lenders, brokers, title companies, and appraisal firms across the county are laying off employees. These issues are not likely to be resolved until values and/or interest rates decline significantly.

The commercial real estate sector is experiencing similar effects; however, the main difference is that most commercial loans are not amortized over 30 years. Typical commercial loans have a balloon payment due after five or ten years, at which point the borrower usually is able to refinance. According to Politico, “As the federal government strives to contain financial market turmoil, the next risk looming over the nation’s banks is in plain sight: the \$20 trillion commercial real estate market. Some \$1.5 trillion in mortgages will come due in the next two years, a potential time bomb as higher interest rates and spiraling office vacancies push down property values.”²

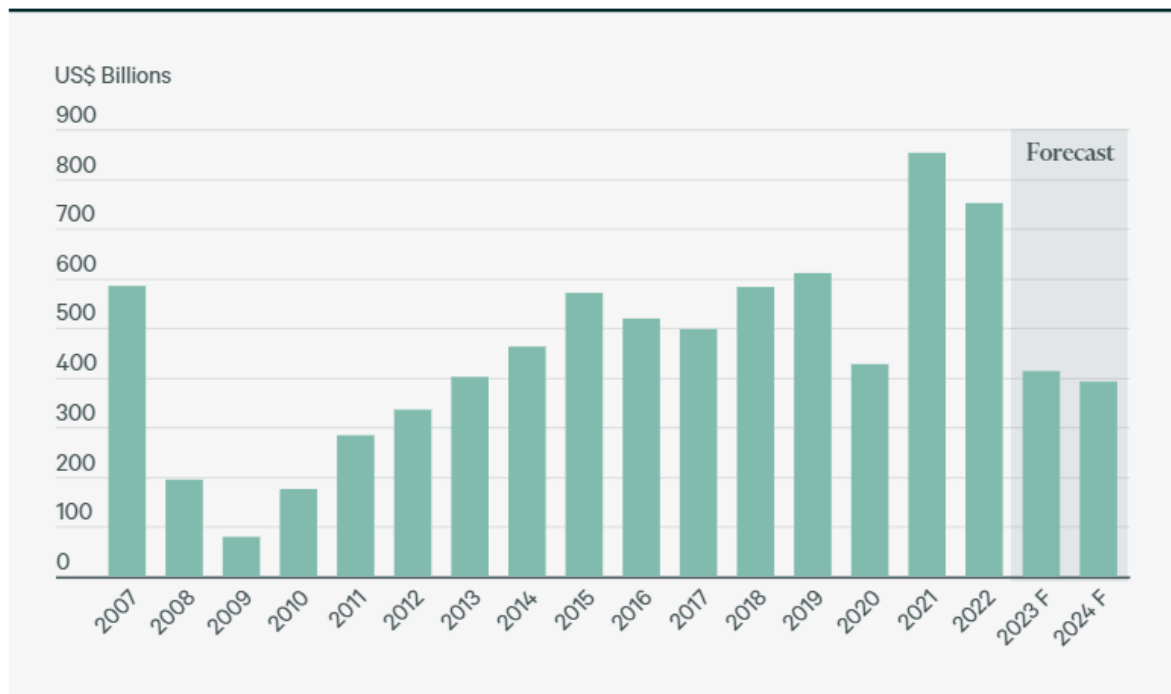
² Politico: The next big threat hovering over the U.S. economy

Lending institutions typically require a 60% loan-to-value ratio, meaning the borrower needs to provide 40% of the property value, and the lender will amortize the balance. In addition, many lenders require a debt coverage ratio of approximately 1.20. The debt coverage ratio determines if a property's net income can cover the monthly mortgage payment and expenses. When interest rates are low, the monthly mortgage payments are lower, and buyers have more purchasing power. Conversely, as interest rates rise, purchasing power declines.

All these factors contribute to the current economic state, where sellers are unwilling to reduce prices and buyers are unwilling or unable to attain financing. This leads to stagnation in the market, which limits transactional data.

Real Estate: Real estate values rose modestly between 2013 and 2020 but stagnated briefly in early 2020 due to the covid-19 pandemic. Over the following two years, real estate value appreciated rapidly due to low interest rates and government stimulus. Despite high costs and rising interest rates, construction is still ongoing throughout the Central Valley; however, many of these projects began before the interest rate increases. The following chart is provided by CBRE and indicates an all-time high of capital investment volume in 2021 with a slight decline in 2022. The forecasted investment for 2023 and 2024 is significantly lower than the prior two years.

Figure 7: U.S. Historical & Forecast Investment Volume, 2007 to 2024



Source: CBRE Research, MSCI Real Assets, Q3 2023.

“Total investment volume is expected to decrease by only 5% year-over-year in 2024, stabilizing after a 45% drop in 2023. Lower levels of investment activity are directly tied to expectations that the 10-year Treasury yield will remain elevated throughout the year. This will lead to some distress for Class B and C office buildings and for certain assets that were highly leveraged using floating-rate debt amid ultra-low rates.”³

The following is taken from a recent Morgan Stanley Capital International (MSCI) report. *“The year 2023 was an especially tough one for real estate. Declines in asset valuations, which had begun in the second half of 2022 in many markets, proliferated across a broader range of markets through the rest of 2023. Transaction volume also continued to fall through the year, with dealmaking often paralyzed by the standoff between potential buyers and sellers on pricing.*

Investors will be hoping for a better 2024, where we find a floor in pricing that will return the market to more-normal levels of activity. When and how that happens remain to be seen. It may be through increased distress forcing sellers onto the market. Or we might eventually see interest rates start to fall, returning confidence to potential buyers.”⁴

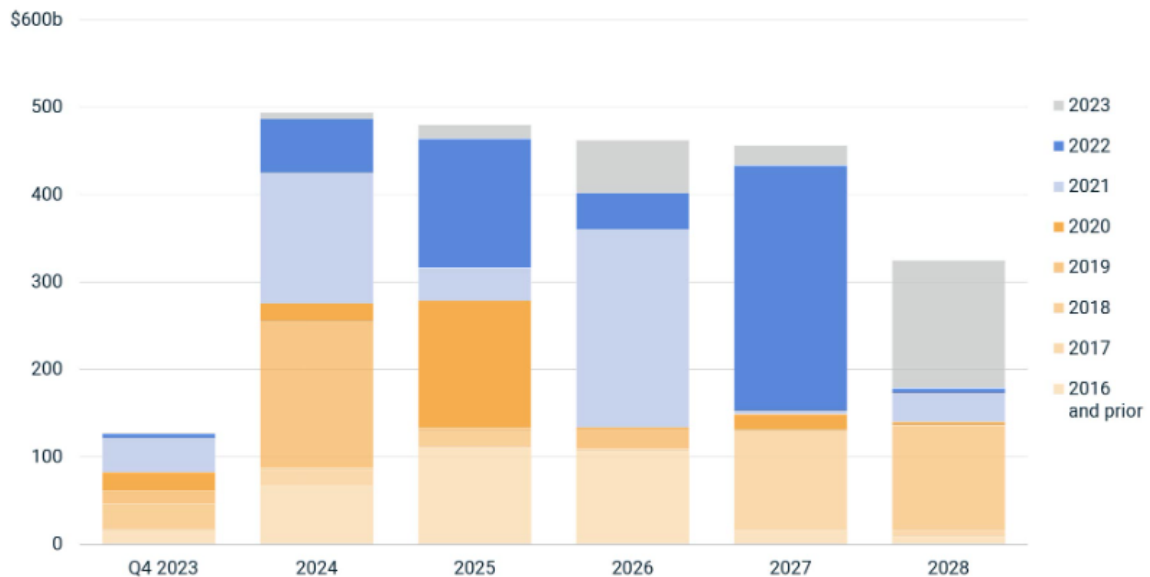
Two of the major concerns going into 2024 are the looming loan maturities and the gap between buyers and sellers. “The wave of loans facing maturity, and the timing of when these loans come due, could lead to additional forced selling. The most problematic loans are those originated at record-high property prices and record-low mortgage rates, which is the case for many of the loans originated in 2021 and 2022. Many of the loans from these vintages had shorter-term durations: For instance, of the 2021 loans that remained outstanding at the start of Q4 2023, 67% are slated to come due by 2027. As these loans mature, some investors will struggle to rebalance their capital structures in an environment of higher interest rates and lower valuations.”⁵

³ CBRE Market Outlook Report, 2024

⁴ MSCI: 2024 Trends to watch in real assets.

⁵ IBID

Looming US loan maturities



Loan maturities by origination vintage. Loans outstanding at Q4 2023. Data as of Dec. 5, 2023. Source: MSCI Mortgage Debt Intelligence

The second major issue is the gap between buyers and sellers. “The current illiquidity in many global transaction markets is largely due to the pricing uncertainty caused by the sharp rise in interest rates following years of benign rates. There is less agreement between buyers and sellers on where properties should be priced, meaning that fewer deals have been completed.”⁶ As marketing times continue to increase, we forecast listing prices to decline in the coming months.

⁶ MSCI: 2024 Trends to watch in real assets.

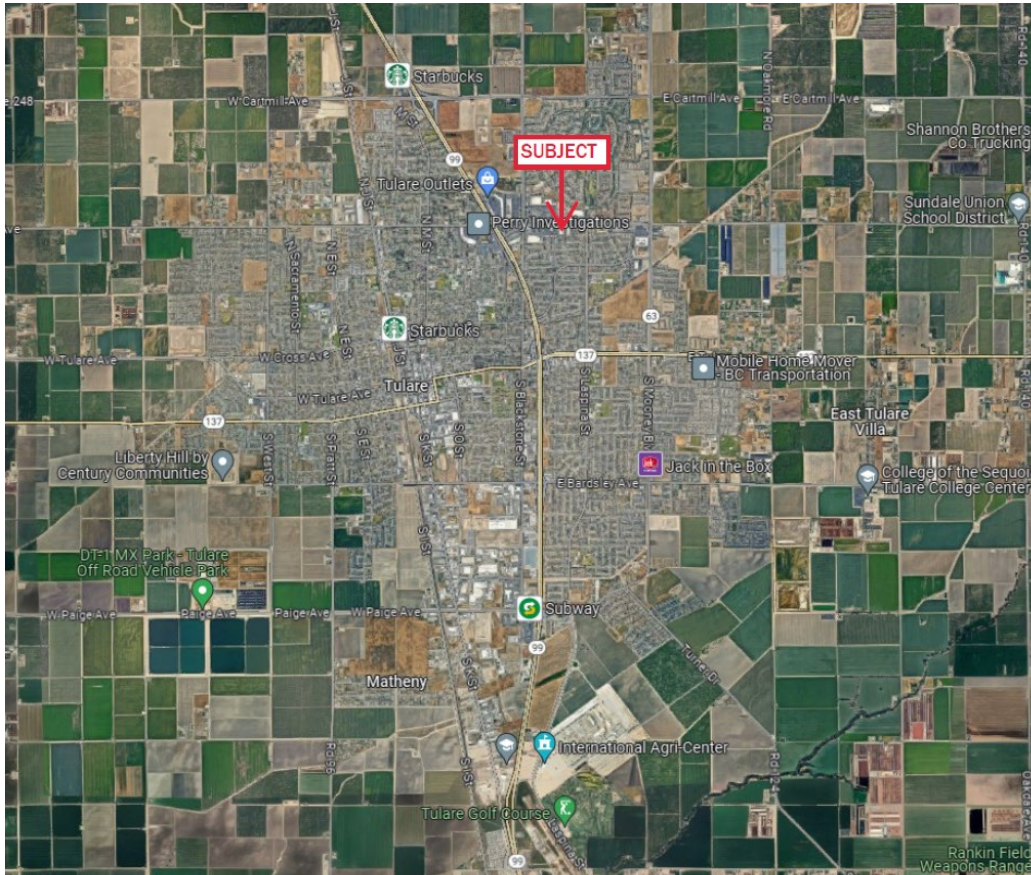
CITY OF TULARE



Overview: Tulare County is situated in the southern half of the San Joaquin Valley, an eight-county region centralized within the State of California. Tulare is the second largest city in Tulare County and one of the oldest between Stockton and Los Angeles. The city is about 175 miles north of Los Angeles, and 230 miles south of San Francisco along the corridor of Highway 99. Highway 99 stretches from Sacramento to Interstate 5 in Kern County.



Transportation: Highway 99 bisects Tulare in a north-south direction and provides access throughout the central portion of the State of California. Highway 198 is 10-miles north and provides access to Hanford, Lemoore and Interstate 5 to the west. Highway 198 also provides access to Visalia and the Sierra Mountains to the east. The proximity of Highway 99 makes Tulare a good candidate for warehousing and large manufacturers with easy access throughout Central California.



Economic Data: Recent economic statistics for the city of Tulare are summarized below and provided by the US. Census Bureau: ⁷

Total Population (July-2022)	70,693
Percent growth rate (2 Years):	2.6%
Average household size:	3.47
High school graduate or higher:	75.8%
Bachelor's degree or higher:	10.2%
Median household income:	\$65,933
Per-capita income:	\$24,778
Mean travel time to work:	22.1 minutes
Owner-occupied housing units:	58.8%
Unemployment Rate (Jan-2024):	11.8%

Agriculture: Tulare County is one of the leading producers nationally in terms of agricultural production. Agriculture is the mainstay of the county's economic base, accounting for \$8,612,450,000 in total crop value in 2022. This represents a 6.5% increase from the 2021 amount. Over 150 commodities are produced in Tulare County with 41 of these grossing over \$1 million annually. There are over 90 countries receiving commodities grown in Tulare County. The top ten are Republic of Korea, China, Japan, Mexico, Taiwan, India, Vietnam, Australia, Canada and the Republic of Türkiye. The following chart summarizes the top ten commodities in terms of total value in 2022.⁸



2022 RANKING	COMMODITY	TOTAL VALUE	2021 RANKING
1	Milk	\$2,671,291,000	1
2	Oranges - Navels & Valencias	\$1,308,767,000	2
3	Grapes	\$841,137,000	3
4	Cattle & Calves	\$763,200,000	4
5	Pistachio Nuts	\$442,960,000	5
6	Almonds - Meats & Hulls	\$344,918,000	7
7	Tangerines	\$324,360,000	6
8	Corn - Grain & Silage	\$295,093,000	10
9	Silage - Small Grain	\$190,827,000	11
10	Lemons	\$164,671,000	8

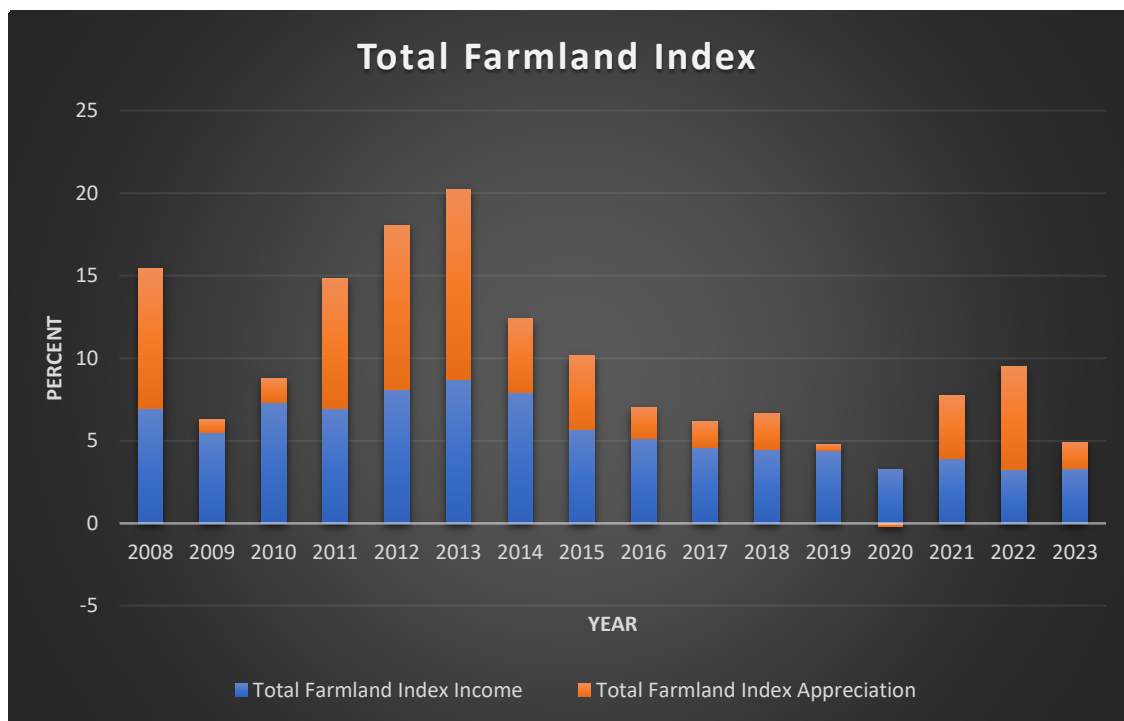
⁷ U.S. Census Bureau

⁸ Tulare County Crop Report 2022

Tulare County is the top dairy-producing county in California and the nation. Tulare County produces 5% of the U.S. milk supply. In 2005 milk became the first commodity to exceed one billion dollars for any county in California’s history. This caused an expansion of existing milk processing plants and the creation of new facilities in the County. Despite difficulties in the dairy industry, milk continues to top Tulare County’s most productive commodities at over 2.67 billion dollars.

Large cheese producers such as Kraft Foods, California Dairies, Saputo Cheese, and Land O’Lakes have production plants in Tulare County. Small specialty cheese makers have also moved into Tulare County. Thirty years ago, only 2% of California milk was used to make cheese with that number increasing to 47% today. There are 312 dairies in Tulare County, which produce an average of 9,768 gallons of milk per day.⁹

The following data is provided by NCREIF Farmland Index Q4 2023 and summarizes national farmland income and appreciation trends.



As an investment, farmland delivers more consistent returns without the downside risk of a bearish stock market. For this reason, institutional assets developed to long-term permanent plantings, favorable both domestically and internationally, should remain an attractive investment.

⁹ California Dairy Statistics Annual 2018

Office: There are no office market reports for the city of Tulare. Our observations of the local market were based on a visual survey of several office parks, a search of local real estate listings, CoStar’s Visalia Office Market Report and conversations with local real estate brokers. A wide range of listings were noted throughout Visalia. We surveyed the five major commercial brokerage firms that market office properties locally. Asking rates are generally between \$0.60 and \$2.55 per square foot. Expense structures are predominantly gross or triple net.

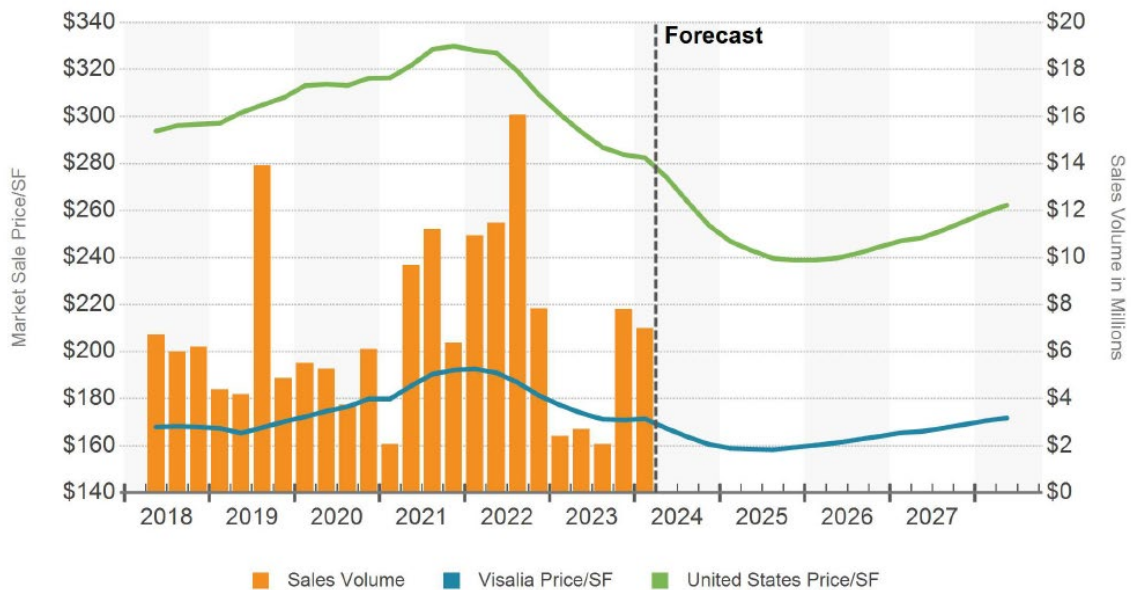
The following charts are from the Q1 2024 Costar Visalia Office Market Report and summarize the sale and rental trends in the city.

Sales Past 12 Months

Visalia Office			
Sale Comparables	Avg. Cap Rate	Avg. Price/SF	Avg. Vacancy At Sale
29	6.5%	\$215	7.0%

“There have been 29 sales in the Visalia office market over the past year, which amounts to \$19.4 million of volume and 98,000 SF of stock. These sales have averaged \$212/SF, which is greater than the estimated market price of \$171/SF. During this time, trailing one year price per SF averages were as high as \$213/SF and as low as \$153/SF.”¹⁰

SALES VOLUME & MARKET SALE PRICE PER SF



¹⁰ Costar Visalia Office Market Report Q1 2024

“The Visalia office market has a vacancy rate of 3.8%. This vacancy rate is 1.2% higher than it was this time last year. This increase in vacancy occurred because there was 39,000 SF of negative absorption and 46,000 SF of net deliveries. Rents have increased 1.2% in the past 12 months and are currently around \$21.00/SF. Roughly 8,000 SF is under construction in the Visalia office market.”¹¹

Overview

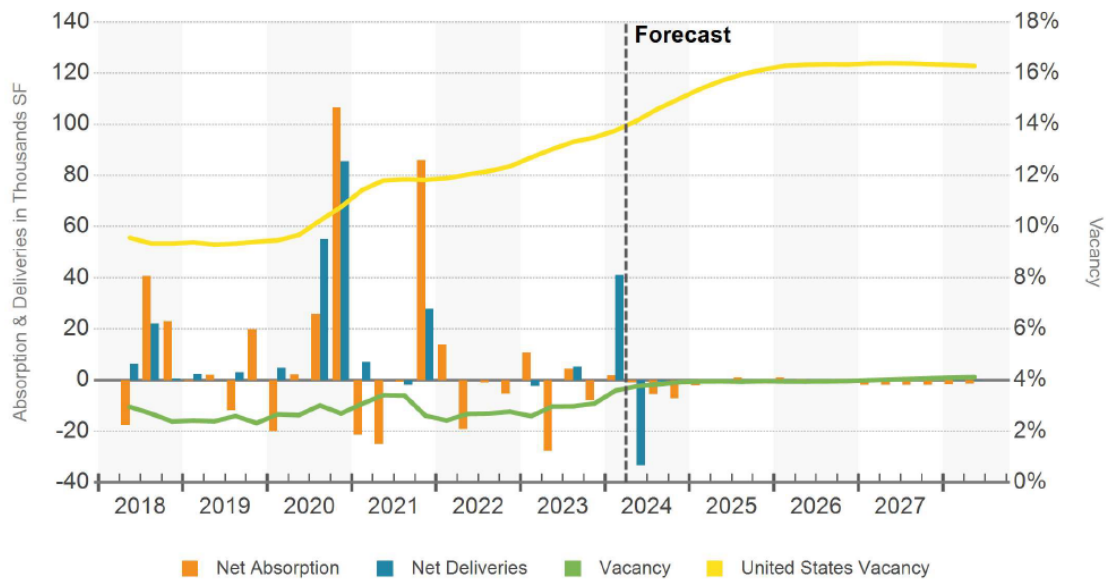
Visalia Office

12 Mo Deliveries in SF	12 Mo Net Absorption in SF	Vacancy Rate	Market Asking Rent Growth
46.4K	(38.8K)	3.8%	1.2%

Leasing

Visalia Office

NET ABSORPTION, NET DELIVERIES & VACANCY



12

The covid-19 pandemic and government shutdowns led to many employers allowing their staff to work from home. Three years after the pandemic began, employers across the country are still having difficulty bringing their workforce back to the office. Others have opted to continue to allow remote work. The prolonged remote work environment is having a negative impact on the office market, especially in larger cities which are reporting increased vacancies and declining rental rates. Smaller cities, like Tulare, have been somewhat impacted, but to a lesser extent. Going forward, sale prices and rental rates are forecast to be stable in the near term.

¹¹ Costar Visalia Office Market Report Q1 2024

¹² Costar

Industrial: There are no industrial market surveys for the city of Tulare. Our observations of the local market were based on a visual survey of several office parks, a search of local real estate listings, and conversations with local real estate brokers. We also reviewed CoStar’s Visalia industrial Market Report for a general market overview.

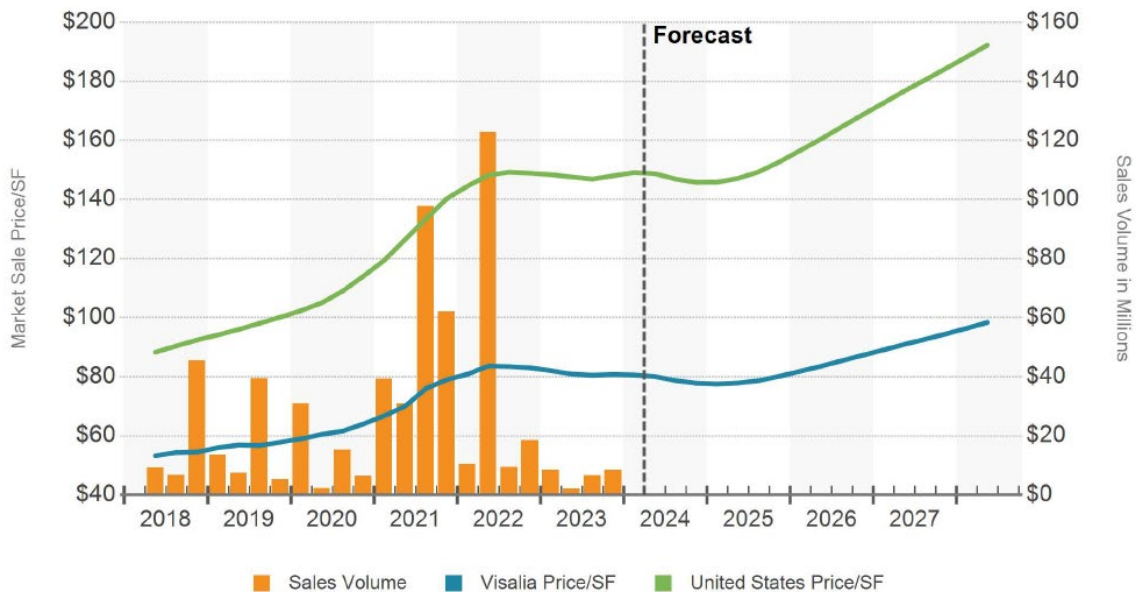
The following charts are from the Q1 2024 Costar Visalia Industrial Market Report and summarize the sale and rental trends in the city.

Sales Past 12 Months

Visalia Industrial			
Sale Comparables	Avg. Cap Rate	Avg. Price/SF	Avg. Vacancy At Sale
15	-	\$81	15.7%

“There have been 15 sales in the past year. Sales have averaged \$81/SF, which is also the estimated value for the market as a whole.”¹³

SALES VOLUME & MARKET SALE PRICE PER SF



“Rents are around \$8.60/SF, which is a 1.6% increase from where they were a year ago. In the past three years, rents have increased a cumulative 17.3%.”¹⁴

¹³ Costar Visalia Industrial Market Report Q1 2024

¹⁴ Costar

Overview

Visalia Industrial

12 Mo Deliveries in SF

98.2K

12 Mo Net Absorption in SF

(203K)

Vacancy Rate

4.0%

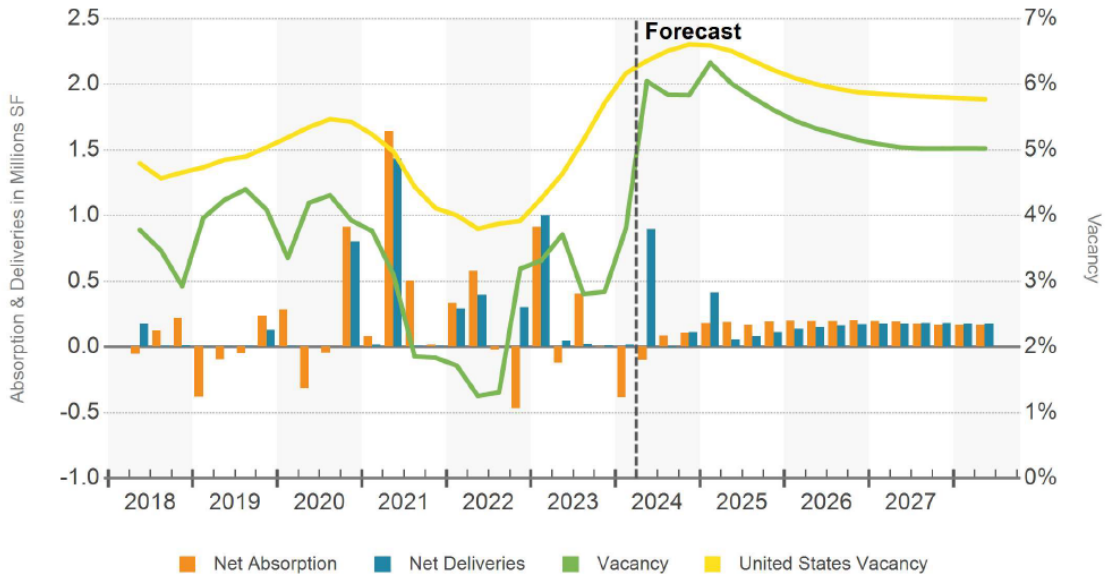
Market Asking Rent Growth

1.6%

Leasing

Visalia Industrial

NET ABSORPTION, NET DELIVERIES & VACANCY



Residential: According to the Multiple Listing Service, price trends for single family residences are as follows:

MLS Statistics - City of Tulare			
Year	Units Sold	Avg. Price	Avg. D.O.M.
2014	599	\$176,093	59
2015	632	\$188,177	56
2016	683	\$211,256	52
2017	654	\$220,557	47
2018	701	\$231,364	53
2019	733	\$250,451	89
2020	681	\$266,735	38
2021	645	\$322,632	20
2022	576	\$349,674	22
2023	550	\$371,034	37
Q1 2024	112	\$374,370	42

The single-family real estate market bottomed somewhere in late 2011 or early 2012. From the low, the market increased at a rate near 10% per annum until 2020, when the market boomed due to low interest rates and exorbitant government stimulus. Due to rising inflation, the Fed began raising interest rates in the middle of 2022 and as a result, the residential market has stagnated. Prices are now stable to softening and marketing times are extended. Apartments are available in all sectors from entry level to luxury. Typical rents range from \$800 for a studio to over \$2,500 for a larger luxury unit.

Retail: Tulare has a wide range of retail services. Major regional facilities have been built in and around the Prosperity Avenue/Highway 99 interchange. The largest improvement in the neighborhood is the Horizon Outlet Center, which extends from Prosperity Avenue to Leland Avenue, along the east line of Highway 99. The center has been built in phases and includes stores such as Bass Company Store, Van Heusen, Ralph Lauren, Calvin Klein, Nike, Galaxy Theatre, Gap, Liz Claiborne, Banana Republic, and Eddie Bauer.

Wal-Mart is situated at the northeast corner of Prosperity and Blackstone along with Foods-Co, which is a large warehouse grocery store. National retailers such as Target, Lowe's, Home Depot, Walgreen's, CVS, and Big 5 Sporting Goods are all located in this sector. Several small retailers and restaurants populate the area as well. There is an ample amount of land in this sector to allow for continued growth.

There are no retail market surveys for the city of Tulare. Our observations of the local market were based on a visual survey of several office parks, a search of local real estate listings, and conversations with local real estate brokers. We also reviewed CoStar's Visalia Retail Market Report for a general market overview.

The following charts are from the Q1 2024 Costar Visalia Retail Market Report and summarize the sale and rental trends in the city.

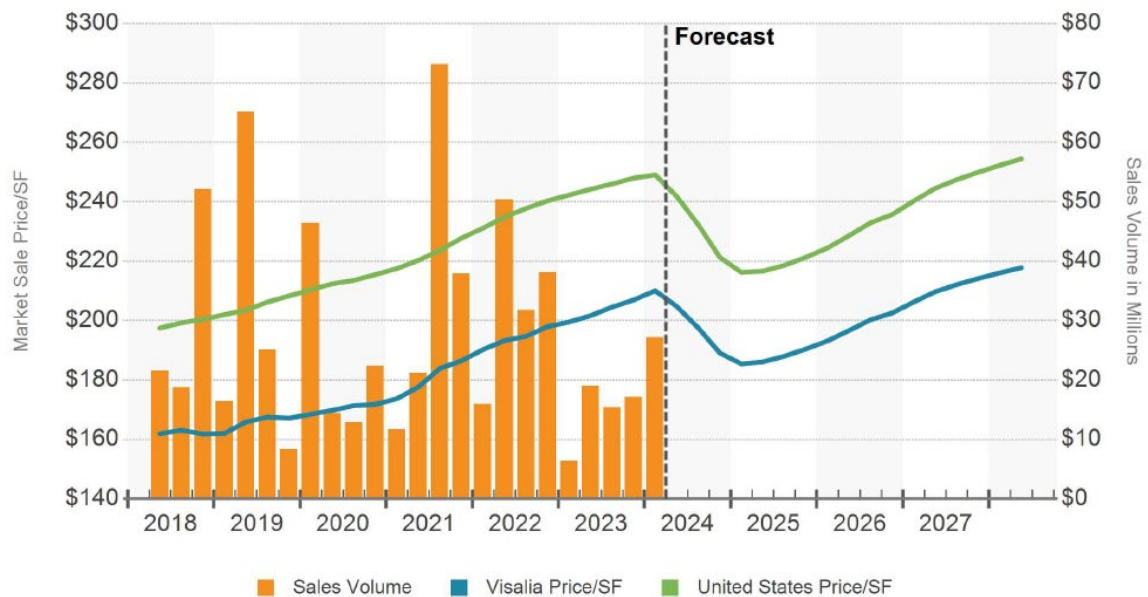
Sales Past 12 Months

Visalia Retail

Sale Comparables	Avg. Cap Rate	Avg. Price/SF	Avg. Vacancy At Sale
47	6.4%	\$300	2.0%

“There have been 48 sales in the Visalia retail market over the past year, amounting to \$77.8 million of volume and 240,000 SF of stock. These sales have averaged \$299/SF, greater than the estimated market price of \$210/SF.”¹⁵

SALES VOLUME & MARKET SALE PRICE PER SF



“Rents are around \$17.10/SF in general retail buildings, \$24.00/SF in malls, \$23.00/SF in power centers, \$19.40/SF in strip centers, \$21.00/SF in neighborhood centers, and \$27.00/SF in other retail buildings.”¹⁶

Overview

Visalia Retail

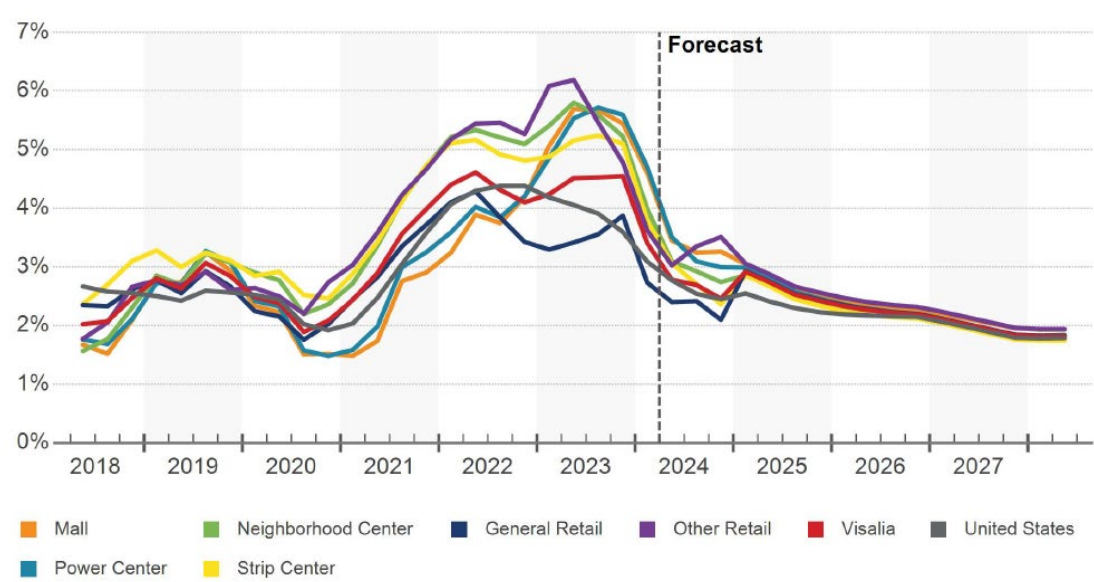
12 Mo Deliveries in SF	12 Mo Net Absorption in SF	Vacancy Rate	Market Asking Rent Growth
17.5K	73.6K	2.0%	3.3%

¹⁵ Costar Visalia Industrial Market Report Q1 2024

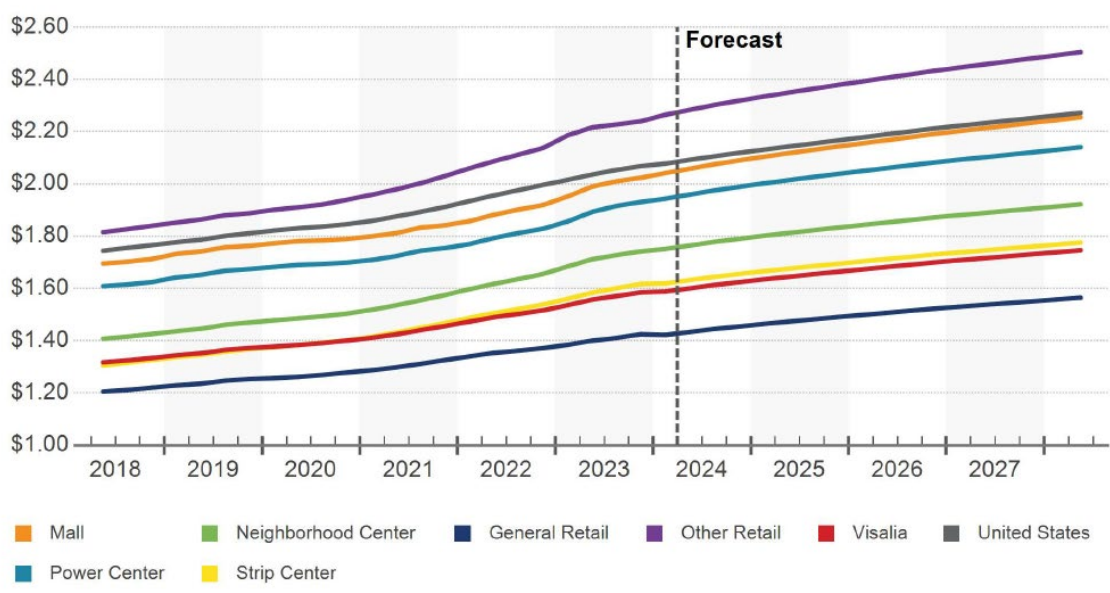
¹⁶ Costar

Rent

MARKET ASKING RENT GROWTH (YOY)



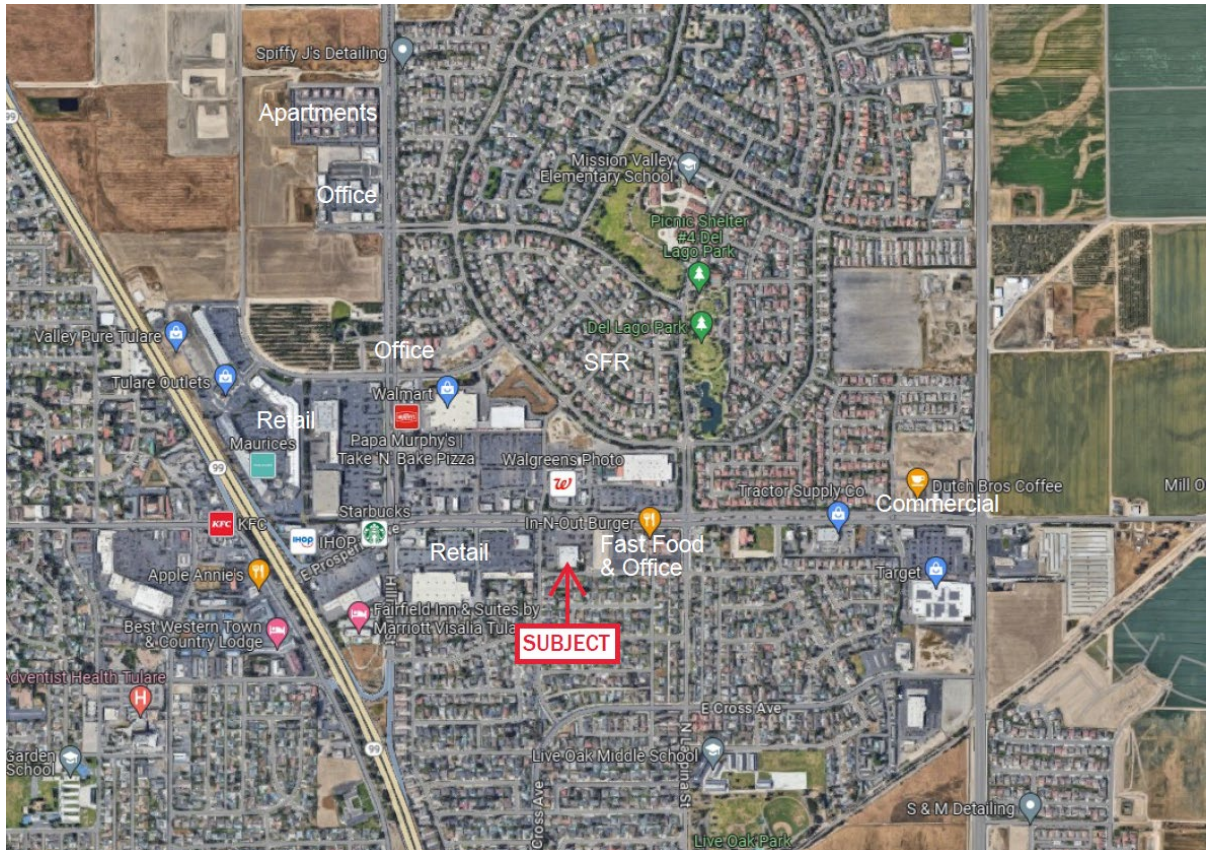
MARKET ASKING RENT PER SQUARE FEET



Summary: The long-term outlook for Tulare is positive. It has a diversified economy based on agriculture, manufacturing, retail, and large public sector employers. The real estate market has been prosperous over the last several years; however, inflation and elevated interest rates are putting negative pressure on purchasing power.

Northeast Tulare Submarket

The subject is located along the Prosperity Avenue corridor, in northeast Tulare. More specifically, it is at the southeast corner of Prosperity Avenue and Brentwood Street. This location is half a mile east of Highway 99 and half a mile west of Highway 63 (Mooney Boulevard).



Environment: Uses in the immediate area are primarily commercial in nature. Directly east of the subject, Panera Bread, In-N-Out and Raising Cane's were developed within the last two years. Additional commercial development is ongoing at the northwest corner of Prosperity Avenue and Mooney Boulevard, half a mile east of the subject.

The northeast corner of Prosperity Avenue and Hillman Street features a large neighborhood center known as Plaza Del Lago, which is anchored by Wal-Mart, Foods Co. and Home Depot. Other users include Taco Bell, Sonic Drive In, Big 5 Sporting Goods, Panda Express, Chili's and Chipotle. There is also a Walgreen's pharmacy.

The southeast corner of Prosperity Avenue and Hillman Street features a Lowes Home Improvement and CVS Pharmacy. Several in-line users are featured as well. The Tulare Marketplace is situated half a mile east at the southwest corner of Prosperity Avenue and Mooney Boulevard. The center opened in 2007 and is anchored by a Super Target store.

A new Dutch Bro's and Circle K were recently developed at the northwest corner of Prosperity Avenue and Mooney Boulevard.

The southwest corner of Prosperity Avenue and Hillman Street features an older neighborhood shopping center that is anchored by a Smart & Final and 99 Cent Store. A Chase bank branch, a Long John Silver's, and a two-tenant commercial building with Starbucks and Subway are located on separate pads.

The Tulare Pavilion Shopping Center is located at the northwest corner of Prosperity Avenue and Hillman Street and features Ross Dress for Less, DD's Discounts, Harbor Freight Tools, Tulare Urgent Care and several freestanding fast-food restaurants. The largest feature in the immediate area is the Horizon Outlet Center to the west of the Pavilion Shopping Center. The outlet center has over 226,000 square feet of retail space. The tenant mix includes a wide range of stores including national and international brands. There is also a Galaxy Theatre. Recent additions to the outlet center include Boot Barn and two dispensaries. North of the outlets center is the Blackstone Ranch Professional center and the Riviera Apartment Homes.

Summary: Overall, the subject is in a desirable location. The immediate area is a diverse commercial district, consisting of lodging, retail, multi-family residential and restaurants. Proximity to Highway 99 is a benefit to the area. In the short term, values in the submarket are forecast to be stable to slightly softening due to elevated interest rates and market volatility.

PROPERTY DATA

OWNERSHIP & PROPERTY HISTORY

According to official records of Tulare County, fee title is vested in the name of:

Tulare Local Healthcare District

The subject has been owned by the Tulare Local Healthcare District for many years. The site is improved with a 62,888 square foot multi-tenant retail building. The client requested this market rent survey for three suites within the building. There have been no sales of the subject in the three years prior to this appraisal. The subject is not listed for sale or lease.

SITE DESCRIPTION

Location: 1425 East Prosperity Avenue
Tulare, CA 93274

Assessor's Parcel Number: 171-300-022

Census Tract: 23.02

Site: The site is a single parcel totaling 3.84 acres. It has a rectangular shape with level topography near street grade.

Access: The site has good access and visibility from the Prosperity Avenue and Brentwood Street frontages. Prosperity Avenue is a six-lane divided arterial through northern Tulare. The Prosperity Avenue and Brentwood Street junction is a four-way signaled intersection with turn arrows. Sandalwood Avenue is located along the southern portion of the site but does not provide for vehicle access to the subject.

Offsites: All three street frontages are improved with concrete curb, gutter and sidewalk.

Utilities: Municipal utilities such as water, sewer and storm drainage are provided by the City of Tulare. Public utility companies provide gas, electrical and telephone services at prevailing market rates.

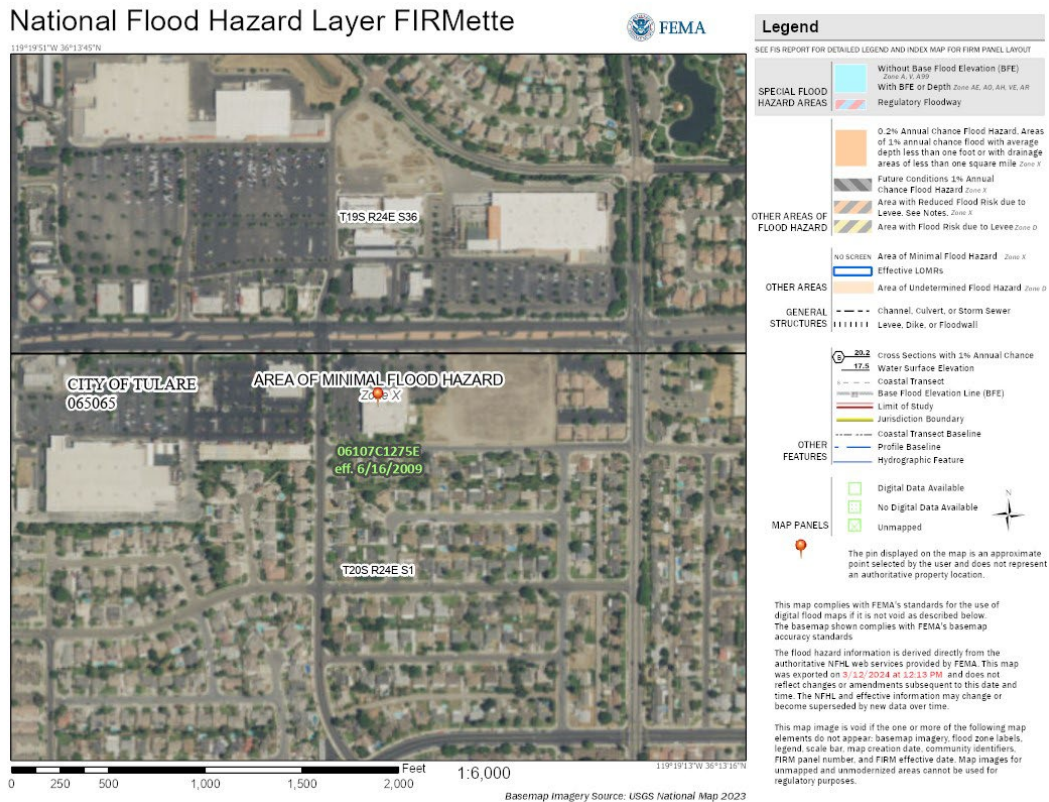
Zoning: The subject property is zoned Office Commercial (C-2), by the City of Tulare. "The purpose of the C-2 district is to provide for areas for the development of small to large scale office facilities and related support services and other appropriate uses."¹⁷ The subject is legal and conforming.

¹⁷ City of Tulare Zoning Ordinance

Easements/Encroachments: A title report was not provided. Typical municipal utility easements are assumed and do not affect the marketability of the subject. No adverse easements or encroachments were noted during our site inspection. This cannot be confirmed without the review of a recently published title report. Review of a recently published title report is a contingency of this appraisal.

Hazardous Substances: We have consulted the Geo Tracker website provided by the State of California Water Resources Control Board; no issues with the subject site were noted. We did not visibly see any obvious environmental issues or hazards during the inspection. We are not environmental experts. The client should complete a Phase 1 report if they desire to further investigate the matter. The reader is directed to the "Basic Assumptions and Limiting Conditions" for the environmental limitations of this appraisal. It can be found at the front of the report.

Flood Zone Information: The site is within Zone X according to FEMA. FEMA Panel Number 06107C1275E with an effective date of June 16, 2009.



Other Considerations: Not in a wetlands area, land preserve, or special studies earthquake zone.

Summary of Site: There are no functional inadequacies or nuisances that affect the site. The shape and size are conducive for the existing use.

Aerial Map



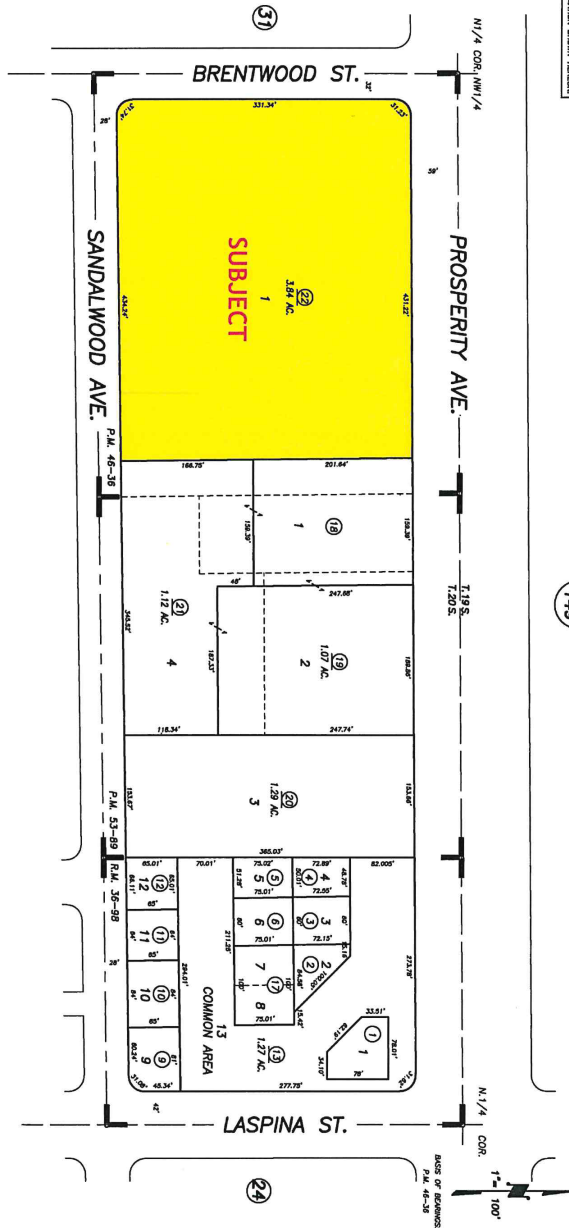
Parcel Map

DISCLAIMER
THIS MAP WAS PREPARED FOR LOCAL AND THE ASSessor'S OFFICE AND THE ASSessor'S OFFICE MAKES NO WARRANTY AS TO THE ACCURACY OF THE INFORMATION SHOWN HEREON.

POR. N1/2 NE1/4 OF NW1/4 SEC. 1, T.20S., R.24E., M.D.B.&M.

Bk. 149

Tax Area Codes 171-30
005-017



VINTAGE SQUARE, R.M. 36-98
PARCEL MAP NO. 4531, P.M. 46-36
PARCEL MAP NO. 5282, P.M. 53-89

19

CITY OF TULARE
ASSESSOR'S MAPS BK. 171, PG. 30
COUNTY OF TULARE, CALIFORNIA, U.S.A.

NOTE: Assessor's Parcel Numbers Shown in Circles (1) (23)
Assessor's Block Numbers Shown in Squares (123) (123)

2023-04-08 09:27:20 JSS
15:59:50 DATE FILED 15:01

SUBJECT PHOTOS



North elevation



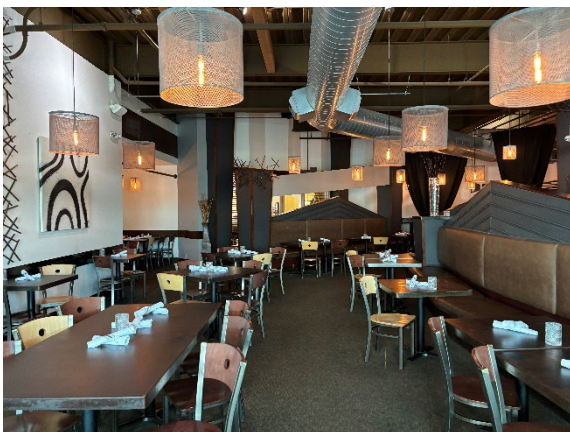
Shared parking lot



Fugazzis entrance



Kitchen



Dinning area



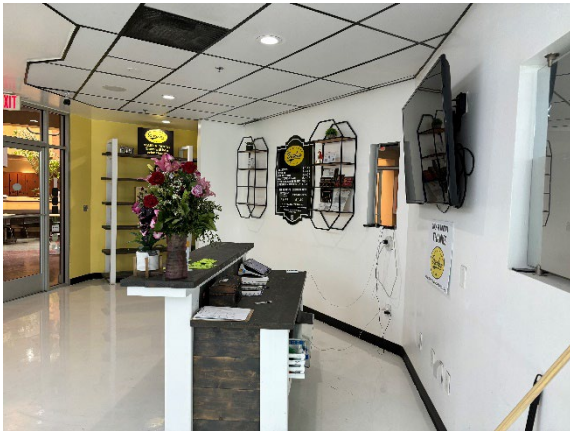
Bar



Starting Lineup entrance



Barbar shop



Barbar shop reception area



Re-Vive entrance



Reception area



Retail area

DESCRIPTION OF IMPROVEMENTS

The site is improved with a 62,888 square foot two-story multi-tenant retail building. Site coverage is 18.78% and onsite parking is available. The site is adequately developed.

Exterior Building Features: The improvements are constructed on a concrete slab foundation and floor. The second story has raised steel-framed subfloors. Walls are finished with painted stucco. The roof is flat and finished with composition. Windows are glass set in aluminum frame. The two main entrance doors are automatic sliding glass doors set in aluminum frame. Metal man doors also provide for employee access to some of the suites.

Interior Building Features:

Tenant	Fugazzis	Starting Lineup	Re-Vive
Suite Size (Sq. Ft.)	4,185	944	2,035
Floors	Carpet, tile & sealed concrete	Laminate	Sealed concrete & vinyl tiles
Walls	Painted drywall & reinforced fiberglass	Painted drywall	Painted drywall & wood panels
Ceiling	Urban industrial & suspended acoustic tile	Painted drywall and acoustic tiles	Urban industrial & painted drywall
Lighting	Ceiling mount & recessed fixtures	Ceiling mount & recessed fixtures	Ceiling mount
Doors & Windows	Glass set in aluminum frame	Glass set in aluminum frame	Glass set in aluminum frame
Fire Suppression System	Yes	Yes	Yes
Quality & Condition	Average	Average	Average

Site Improvements: The site is improved with an asphalt paved parking lot with solar-covered stalls. The remainder of the site is finished with landscape including grass, shrubs and trees.

Current Lease: The subject's leases are based on gross expenditures. The lessee has a base rental rate. The lessor pays all operating expenses except for utilities such as electricity. The leases are summarized in the following chart.

Tenant	Fugazzis Starting Lineup		Re-Vive
Size (Sq. Ft.)	4,185	944	2,035
Term	5 Years	4 Years	1 Year
Start Date	November-2018	June-2018	August-2022
End Date	October-2023	July-2022	August-2023
Expenses	Gross	Gross	Gross
Current Rent (based on lease terms)	\$8,055	\$1,379	\$3,023
Rent PSF	\$1.92	\$1.46	\$1.49

Market Rent: The following chart summarizes my opinion of fair market rent for the subject, with gross expenditures. The lease rates should be applied monthly to the net rentable area of the respective suites.

Fugazzis (4,185 Sq. Ft.)	
Fair Market Rent (Low)	\$1.75
Fair Market Rent (High)	\$2.10
Starting Lineup (944 Sq. Ft.)	
Fair Market Rent (Low)	\$1.30
Fair Market Rent (High)	\$1.60
Re-Vive (2,035 Sq. Ft.)	
Fair Market Rent (Low)	\$1.30
Fair Market Rent (High)	\$1.60

The subject's current rental rates are consistent with market expectations; however, the overall economy is volatile, and many economists forecast a recession in the near-to mid-term. A significant market correction would likely have a negative impact on rental rates.

ADDENDA

QUALIFICATIONS OF JACOB I. HOWER, MAI, R/W-AC

jake@jhower.com



STATE OF CALIFORNIA CERTIFICATION

California Certified General Real Estate Appraiser #3002762

State of California Department of Real Estate #01892235

PROFESSIONAL AFFILIATIONS

The Appraisal Institute – Designated Member

Tulare County Association of Realtors

APPRAISAL EXPERIENCE

J. Hower & Associates, Inc. Hanford, CA January 26, 2022-Present, Owner

Simon & Hower, Inc. Hanford, CA January 1, 2018–January 26, 2022, Owner

Simon Company Inc. Hanford, CA 2010-January 1, 2018, Real Estate Appraiser.

EDUCATION

California State University, Fresno

Bachelor of Science, Criminology- Law Enforcement Option – 2008

Appraisal Institute

Numerous courses including all prerequisites to attain the MAI designation and multiple condemnation and litigation courses/seminars.

International Right of Way Association

Numerous courses and prerequisites to attain the R-W/AC designation.

TYPES OF PROPERTIES APPRAISED

Commercial Properties

Office, medical, industrial, apartments, retail, subdivisions, vacant land, self-storage

Agricultural

Nut crops, stone fruit, citrus, irrigated field crops, rangeland, conservation easements, vineyards, dairies

RIGHT-OF-WAY EXPERIENCE

Appraisal experience involving full and partial acquisitions, road widenings, permanent and temporary easements, overcrossings, undercrossings and High-Speed-Rail corridor

PARTIAL LIST OF CLIENTS

Cities and Government & Administrative Agencies: Hanford, Lindsay, Coalinga; Porterville, Avenal, Tulare, Corcoran, Tulare County, Kings County, USDA, SBA, Kings Area Rural Transit

Attorneys: Dias Law Firm, Inc.; Kahn, Soares & Conway, LLP.; Law Offices of Mark A. Wasser; Griswold, LaSalle, Cobb, Dowd & Gin, LLP; Chielpegian Cobb; Ruddell Cochran Stanton Smith & Bixler, LLP; McCormick Barstow, LLP; Hatherley Law; Lerandeau & Lerandeau Divorce Attorneys, Motschieder, Michaelides, Wishon, Brewer & Ryan, LLP; Fennemore Dowling Aaron

Lenders: Bank of the Sierra; Bank of the West; Suncrest Bank; Westamerica Bank; Central Valley Community Bank; Valley Republic Bank; Tri Counties Bank; Rabobank; Wells Fargo Bank; Comerica Bank; Agribusiness Financial Inc.; First Bank; Murphy Bank; Corporate America Lending; Zions Bank; AgFi; Citizens Business Bank; Mechanics Bank

Healthcare: Adventist Health, Tulare Local Healthcare District, Corcoran District Hospital, Family Healthcare Network



QUALIFICATIONS OF MARK E. MYERS

mark@jhower.com

STATE OF CALIFORNIA CERTIFICATION

California Certified General Real Estate Appraiser # 3008763

APPRAISAL EXPERIENCE

M&L Enterprises, Inc. Hanford, CA July 22, 2021-Present, Owner – (J. Hower & Associates, Inc. affiliate appraiser)

Simon & Hower, Inc. Hanford, CA September 17, 2018-July 22, 2021, Appraiser

EDUCATION

Brandman University

Bachelor of Business Administration- 2015

Appraisal Institute

Numerous courses through the Appraisal Institute including all prerequisites to attain the Certified General Appraiser license.

TYPES OF PROPERTIES APPRAISED

Commercial Properties

Office, medical, industrial, apartments, retail, subdivisions, vacant land, self-storage

Agricultural

Nut crops, citrus, irrigated field crops, rangeland, vineyards

RIGHT-OF-WAY EXPERIENCE

Appraisal experience involving partial acquisitions, road widenings, and temporary easements.



Business, Consumer Services & Housing Agency
BUREAU OF REAL ESTATE APPRAISERS
REAL ESTATE APPRAISER LICENSE

Mark E. Myers

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:

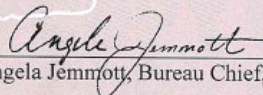
“Certified General Real Estate Appraiser”

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

BREA APPRAISER IDENTIFICATION NUMBER: 3008763

Effective Date: June 8, 2023

Date Expires: June 7, 2025


Angela Jemmott, Bureau Chief, BREA

3071263

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

COMPARABLE RENTALS

Retail									
Tenant	Address	City	Size Sq. Ft.	Start Date	Term	Expenses	Increases	Monthly Rent	Rent/Sq. Ft.
Listing	1241 E. Prosperity Avenue	Tulare	1,958	Listing	NA	NNN	NA	\$2,937	\$1.50
Nexus	141 N. K Street	Tulare	3,800	April-2022	3 Years	Gross	\$100/Mo. Annually	\$3,496	\$0.92
Jaur Sukhwinder	1565 Hillman Street	Tulare	1,200	March-2022	5 Years	Gross	Not Disclosed	\$1,680	\$1.40
Kiwii Nail & Spa	2087 Bardsley Avenue	Tulare	1,324	November-2021	10 Years	Gross	Not Disclosed	\$2,979	\$2.25
Primos Auto Insurance	1547 Hillman Street	Tulare	870	August-2021	3 Years	Gross	Not Disclosed	\$1,218	\$1.40
H&A Gift Shop	1565 Hillman Street	Tulare	1,200	June-2021	2 Years	Gross	Not Disclosed	\$1,620	\$1.35
Gloss Empire	1549 Hillman Street	Tulare	2,963	June-2021	5 Years	NNN	Not Disclosed	\$2,519	\$0.85
Veterans Administration	1050 Cherry Street	Tulare	6,977	July-2021	3 Years	NNN	3% per annum	\$14,652	\$2.10
CSET	304 E. Tulare Avenue	Tulare	5,104	September-2019	5 Years	Gross	3% per annum	\$5,819	\$1.14
Tulare Urgent Care	1581 & 1583 Hillman Street	Tulare	2,360	July-2019	10 Years	NNN	2% per annum	\$4,248	\$1.80
Liberty Tax	1535 Hillman Street	Tulare	1,050	May-2019	4 Yrs. 11 Mo.	Gross	2.5% per annum	\$1,575	\$1.50
Eyebrow Shaping by Asia	1559 Hillman Street	Tulare	1,050	May-2019	5 Years	Gross	Not Disclosed	\$1,260	\$1.20

Restaurants									
Tenant	Address	City	Size Sq. Ft.	Start Date	Term	Expenses	Increases	Monthly Rent	Rent/Sq. Ft.
Quasedilla Gorilla	1106 Leland Avenue	Tulare	990	February-2023	10 Years	NNN	3% per annum	\$4,000	\$4.04
Component Coffee	1106 Leland Avenue	Tulare	924	February-2023	10 Years	NNN	3% per annum	\$4,000	\$4.33
Crumb! Cookie	2035 E. Prosperity Avenue	Tulare	1,275	August-2022	5 Years	NNN	Not Disclosed	\$3,506	\$2.75
The Curry Pizza Company	2173 E. Bardsley Avenue	Tulare	1,346	March-2021	10 Years	NNN	10% every 5 years	\$1,481	\$1.10
Drunk Donkey Bar and Grill	1687 Hillman Street	Tulare	5,500	August-2020	5 Years	NNN	Not Disclosed	\$6,050	\$1.10
Chipotle Mexican Grill	248 Plaza Drive	Visalia	2,325	December-2023	15 Years	NNN	10% at Years 6 & 11	\$11,250	\$4.84
Teaspoon	3229 S. Mooney Boulevard	Visalia	1,202	February-2023	10 Years	NNN	12.5% every 5 years	\$3,005	\$2.50
Deli Delicious	12 S. Main Street Ste D	Porterville	1,488	March-2022	3 Years	NNN	10% at Renewal	\$2,455	\$1.65
Angry Chickz	2563 N. 11th Avenue	Hanford	3,650	February-2022	5 Years	NNN	3% per annum	\$4,015	\$1.10
Lake Bottom Brewery	105 E. Main Street	Visalia	3,966	December-2020	10 Years	NNN	Not Disclosed	\$13,000	\$3.28
Sweet Palette	2563 N. 11th Avenue	Hanford	4,070	July-2020	4.5 Years	NNN	Flat	\$3,867	\$0.95
Kebab Land	947 W. Olive Avenue	Porterville	1,200	October-2020	3 Years	NNN	3% per annum	\$2,472	\$2.06
Kaweah Brewing	460 W. Vandalia Avenue	Visalia	2,225	August-2019	5 Years	NNN	NA	\$4,450	\$2.00
La Fiesta	5348 Cypress Avenue	Visalia	5,000	February-2019	6 Years	NNN	10% every 5 Yrs.	\$10,850	\$2.17

End of Report