

ENRIGHT & COMPANY, INC.
Real Estate Appraisal and Consultation Services

REAL PROPERTY CONSULTATION:

**BIG WAVE DEVELOPMENT
AIRPORT STREET/STANFORD AVENUE
SAN MATEO COUNTY, CALIFORNIA**

PREPARED FOR:

Big Wave, LLC
San Francisco, California

July 2007
File: 07-571



ENRIGHT & COMPANY, INC.
Real Estate Appraisal and Consultation Services

July 20, 2007

Mr. Jeff Peck
Big Wave, LLC
53 Bluxome
San Francisco, California 94107

File: 07-571, Appraisal Consultation
Proposed Big Wave Project
San Mateo County, California

Dear Mr. Peck:

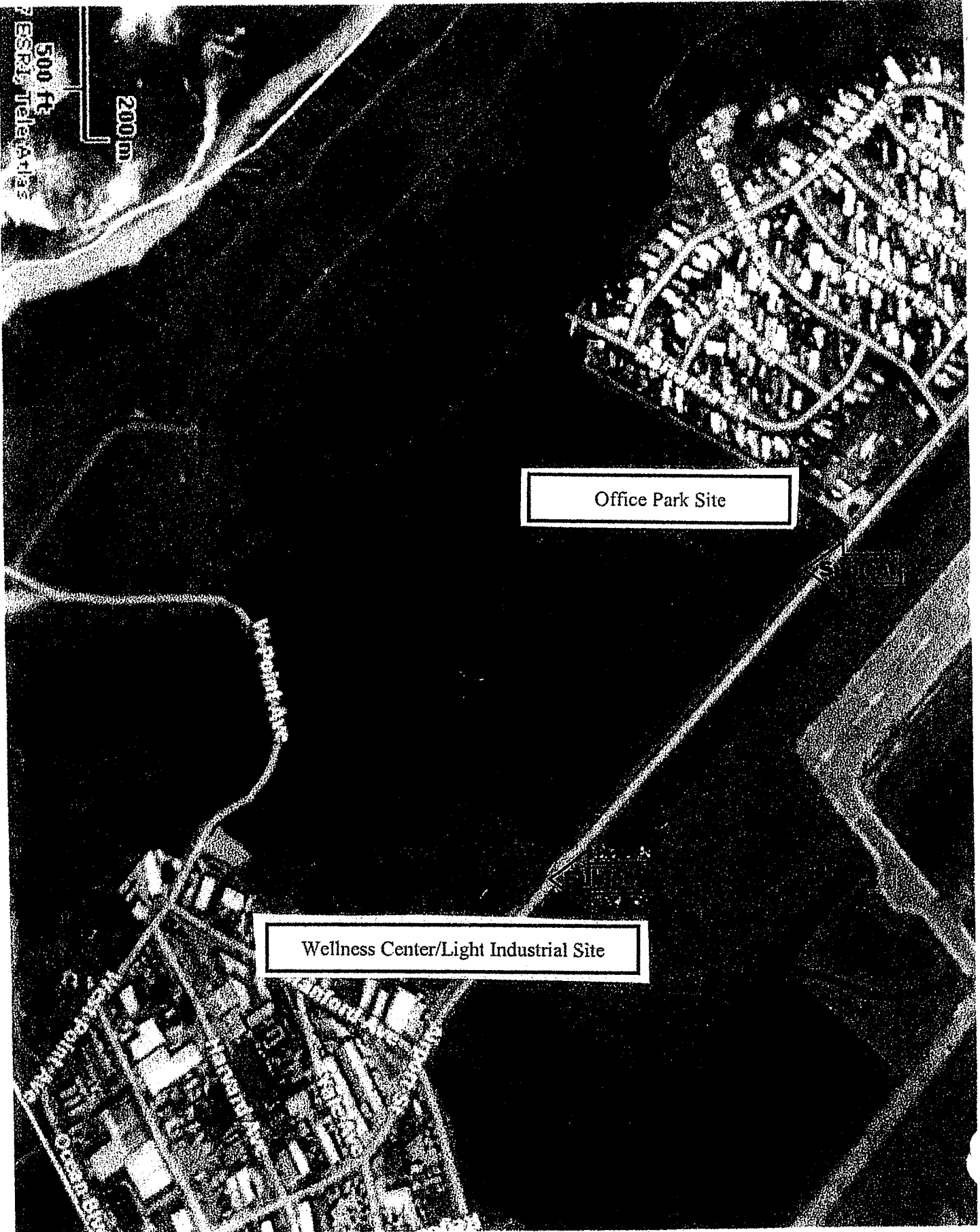
This report transmits the conclusions of real property appraisal consulting services related to the proposed Big Wave office and light industrial condominium project, to be located on the west side of Airport Street, north of Stanford Avenue, in San Mateo County, California. The subject is reported to be an approximate 155,000 square foot, four-building office complex, situated on an approximate 14.88-acre site, as well as an estimated 24,000 square foot light industrial facility located on a separate, approximate 5.2-acre, mixed-use site (identified as San Mateo County parcel numbers 047-311-060 and 040, respectively).

The purpose of this assignment is to test whether there is likely to be market demand for units which are proposed as part of the Big Wave condominium development, as well as whether local area residents of the San Mateo County coastside would be likely to secure employment at companies that could be established at the project.

I. SUBJECT OVERVIEW

The majority subject property comprises a single lot of approximately 14.88 acres, while a small portion of the project is to be located on part of an adjacent, approximate 5.2-acre site. The irregular-shaped parcels are relatively flat, with partial views of the nearby Pacific Ocean. They front on Airport Street, and are both unimproved at present. The prospective developer anticipates building an office business park at the larger site, with roughly 155,000 square feet of space in four, two-story buildings. The remainder of that parcel is to be improved with surface parking and landscaping features. A light industrial component of roughly 24,000 square feet is to be built on the smaller site, and is to be part of a larger, mixed-use development.

The Big Wave office and light industrial project is to be built contemporaneous with the construction of a Wellness Center, on the smaller parcel, with the planned office and light



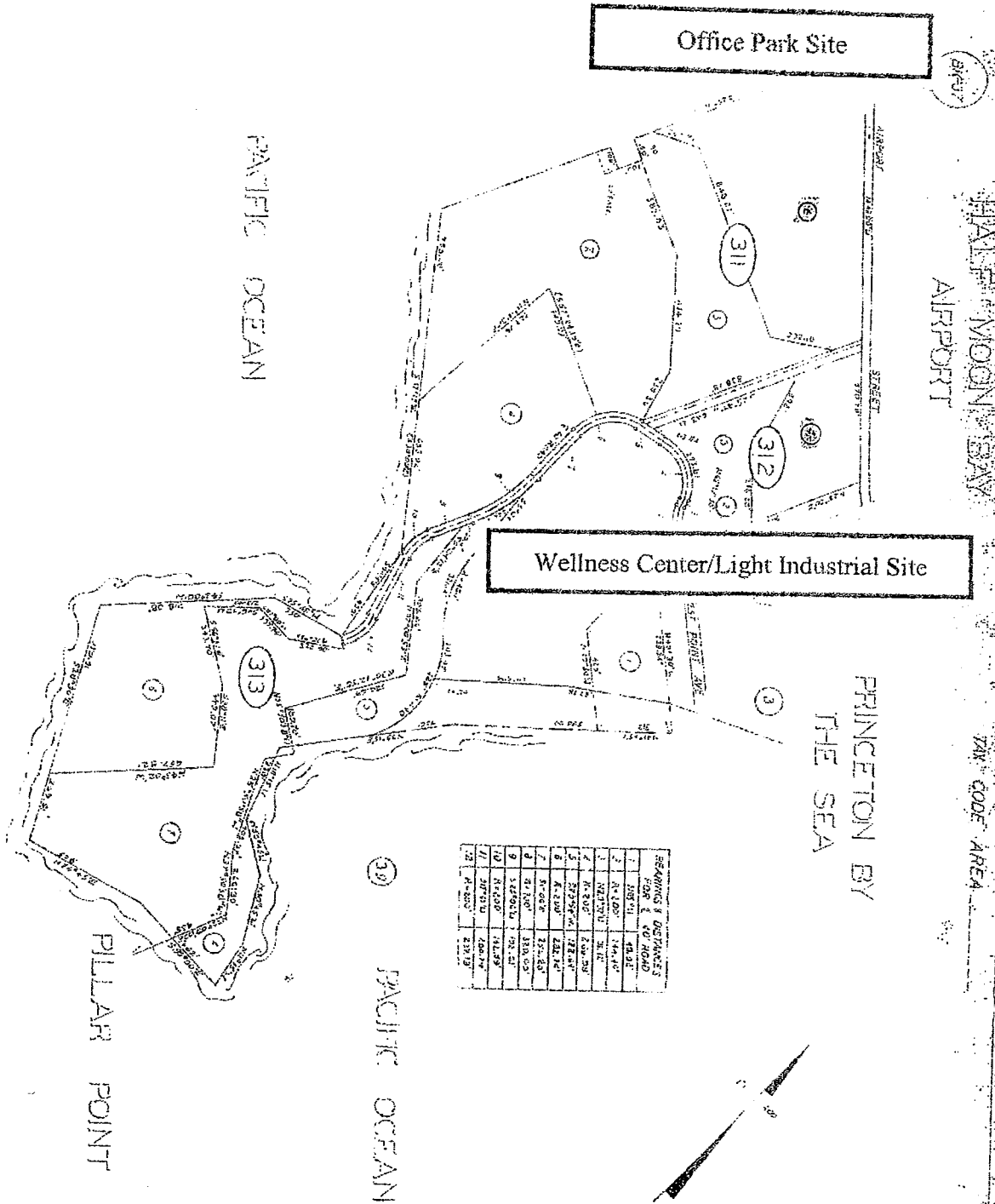
Office Park Site

Wellness Center/Light Industrial Site

500 ft
ESR
Telaparras

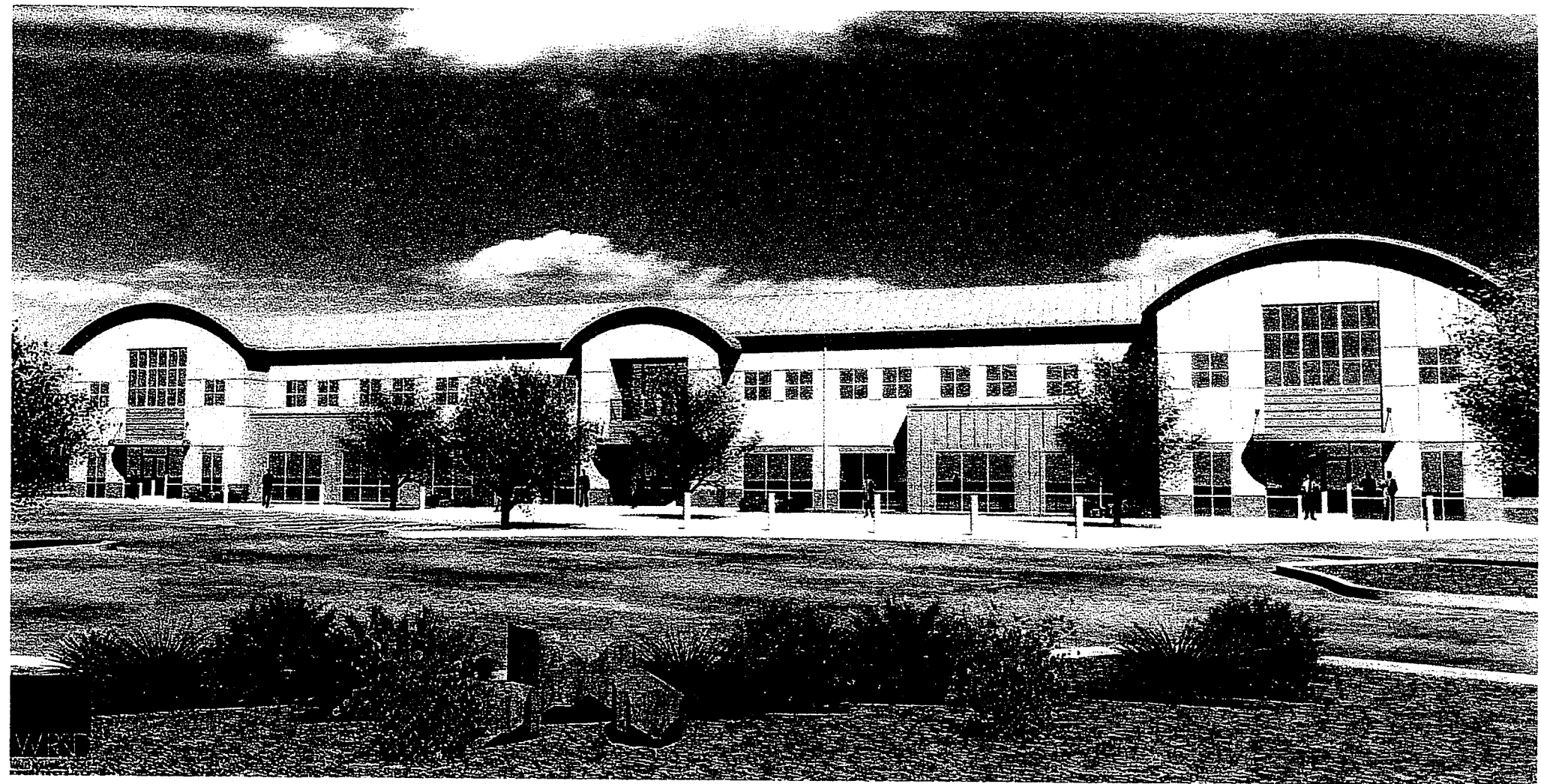
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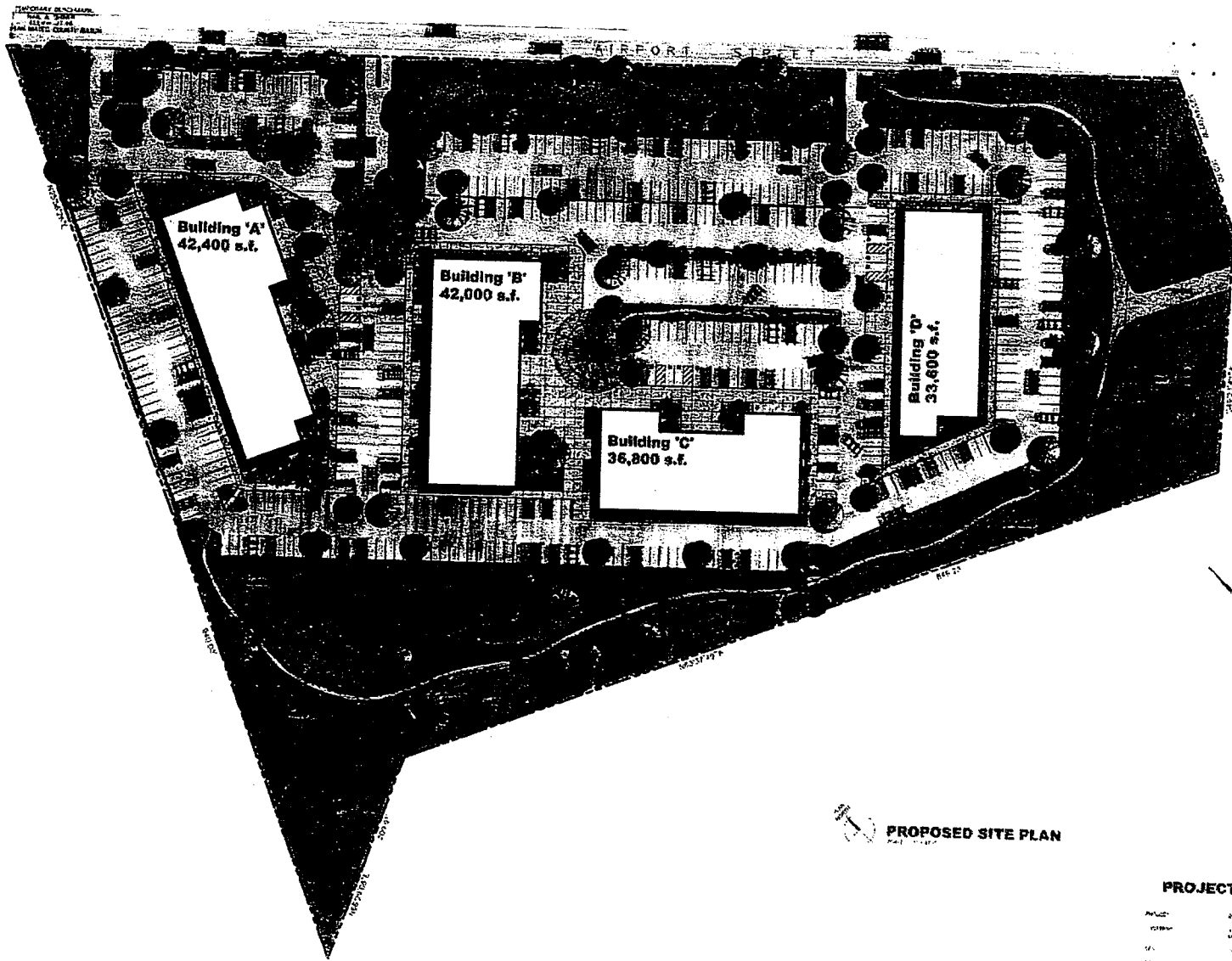
Assessor's Map



SEPARING & DISTANCE FROM E. OF ROAD	
1	105'11" 48.9'
2	14'100" 144.4'
3	124'7" 36.1'
4	11'300" 100.0'
5	273'59" 273.6'
6	1'100" 100.0'
7	5'000" 50.0'
8	31'100" 311.0'
9	144'92" 144.9'
10	11'100" 110.0'
11	11'100" 110.0'
12	11'100" 110.0'

47-31





WR&D
 WOODS, RAY & DODD
 ARCHITECTS, A.P.C.
 1000 BAYVIEW BLVD., SUITE 100
 OAKLAND, CA 94612
 TEL: (415) 764-1100
 FAX: (415) 764-1101
 WWW.WR&D.COM

BIG WAVE OFFICE PARK

05107
 PROJECT NO.
 SHEET NO.
 DATE

PROPOSED SITE PLAN

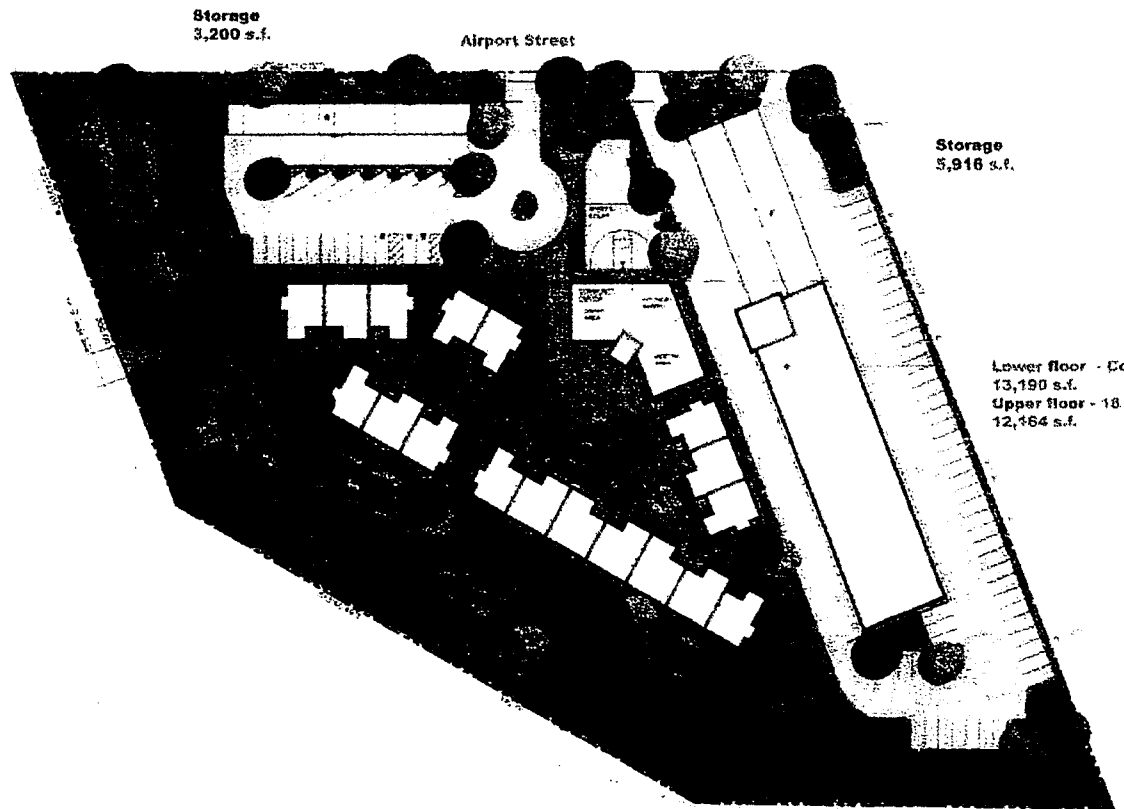
PROJECT INFORMATION

PROJECT	Big Wave Office Park
OWNER	Woodward Clyde
DATE	11/11/04
SCALE	AS SHOWN
DESIGN	ARCHITECTURE
DATE OF PLAN	11/11/04
PROJECT NO.	05107
SHEET NO.	A1.1
DATE	11/11/04

PROPOSED SITE PLAN

A1.1

* Square footage indications are reportedly not accurate.



PROPOSED SITE PLAN

PROJECT INFORMATION

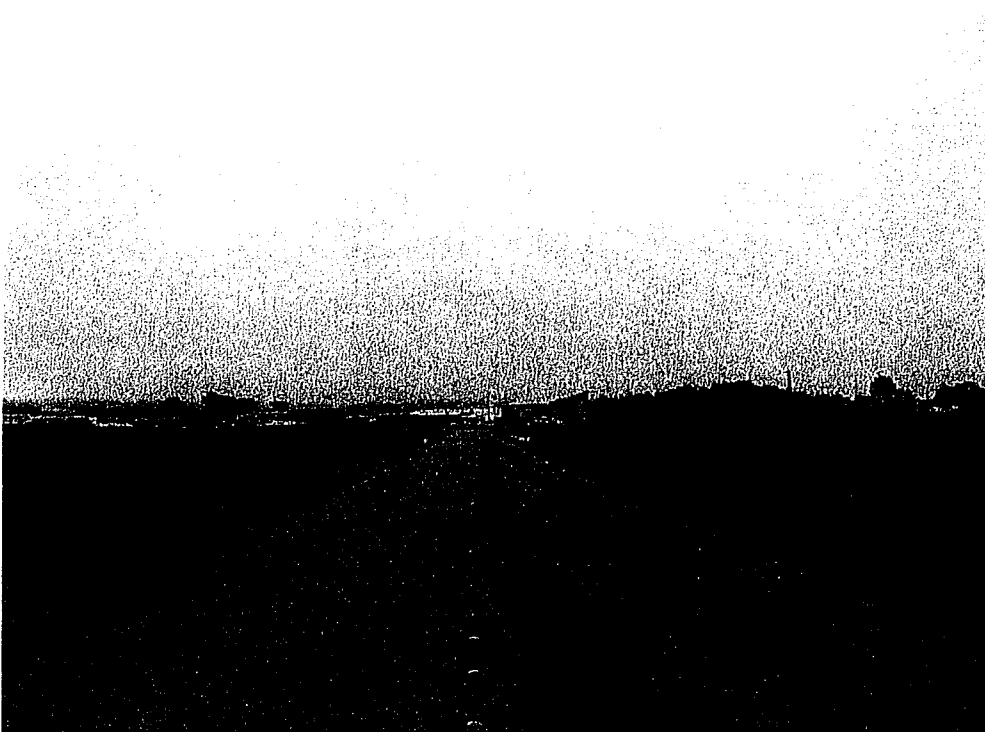
Project Name	...
Address	...
City	...
County	...
State	...
Parcel Number	...
Map Reference	...
Scale	...
Date	...
Prepared by	...
Checked by	...
Approved by	...

BIG WAVE CO COMMUNITY

05/21/11

PROPOSED SITE PLAN

SUBJECT PROPERTY PHOTOGRAPHS

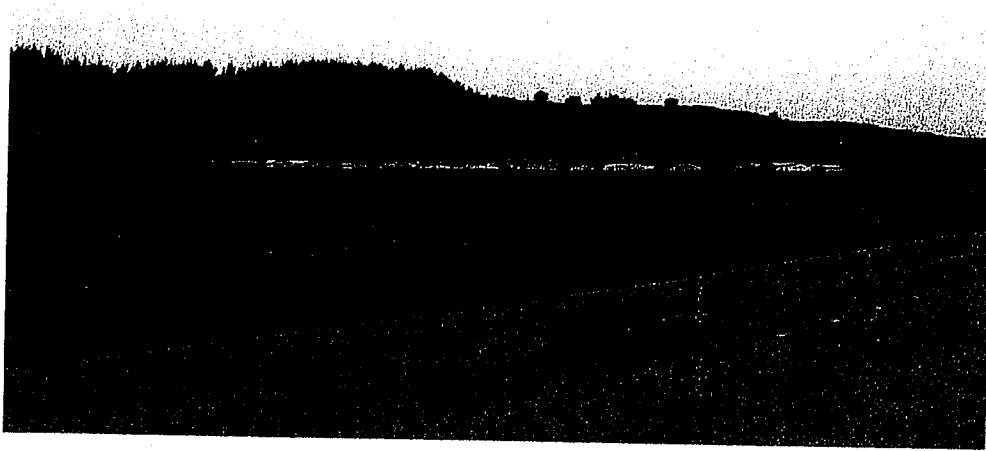


View southeast on Airport Street, subject to the right.

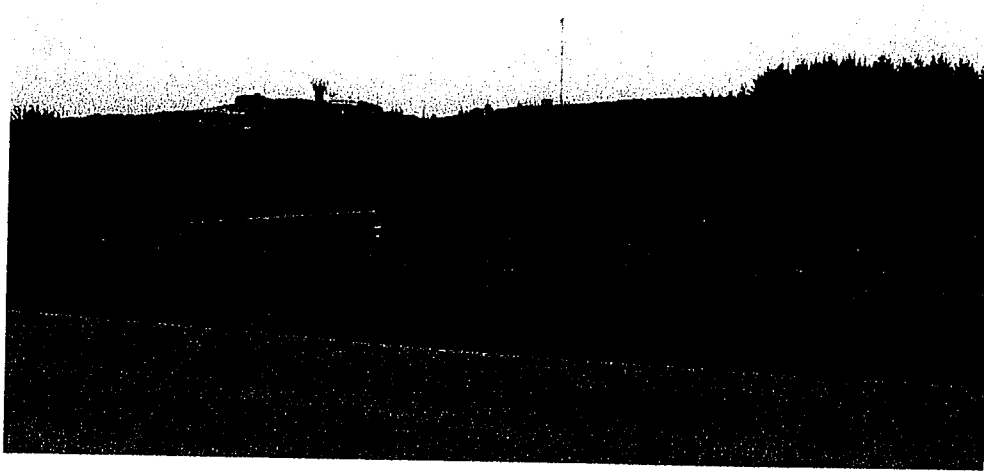


View northwest Airport Street, subject to the left.

SUBJECT PROPERTY PHOTOGRAPHS



View of subject property (office portion) from Airport Street, looking northwest.



View of subject property (office portion) from Airport Street, looking southwest.

SUBJECT PROPERTY PHOTOGRAPHS



View of subject property (industrial and Wellness Center portion) from Airport Street, looking west.

industrial park to provide revenue for maintenance and operation of that facility. The Wellness Center will be located on parcel 047-311-040, as illustrated on a site plan included herein. Approximately 12,000 square feet of the proposed 24,000-square foot light industrial condominium space will be used by businesses controlled by the developer, while the remainder 12,000 square feet is to be offered for general business use. The light industrial structure will include upper-level, short-term housing (which is not analyzed in this report), while the lower level suites will be near 1,400 square feet each, include a roll-up door and restroom, have 12-foot ceilings, and will be delivered in warm shell condition. Only the space to be made available to the business public (approximately 12,000 square feet) is addressed herein.

This report considers only the market demand and employment characteristics for the proposed office park and light industrial space, and disregards the planned activities and use of the Wellness Center. However, consideration is made for companies which may desire to be located near the Center for the opportunity to employ some of the developmentally disabled residents.

The Big Wave developer anticipates completing the offices and light industrial space to a warm shell buildout, with the suites to be relatively small (less than 5,000 square feet for the offices, and near 1,400 square feet for the industrial space), and of condominium status. Proposed pricing for the offices is reported at \$300.00 to \$350.00 per square foot, while the light industrial spaces were not preliminary priced as of the preparation of this report. A construction time line also has not been formally established, although developer representatives reportedly desire to begin in mid-2008. A site plan and other information related to the development is included on following pages.

II. SCOPE OF ASSIGNMENT

As previously stated, this appraisal consulting assignment addresses two, separate analyses. Initially, the study of whether there is likely to be market demand for units which are proposed as part of the Big Wave condominium development is undertaken. This involves an analysis of historical, current, and anticipated market conditions for a defined market area. Employment, population, transportation, and market condition characteristics are all analyzed to address the potential for demand. Changes in these demographic and geographic features are outlined, with anticipated growth/alterations noted based on expected future trends. Data is ascertained from multiple sources, as outlined further within this report, and as identified on a resource summary exhibit included in the Addenda. Local area businesses were also interviewed to assess user types and current needs.

The second analysis tests whether local area residents of the San Mateo County coastside would be likely to secure employment at companies that could be established at the proposed Big Wave project. This analysis is undertaken by an in-depth survey of existing, coastside companies, as well as surveys of local residents, Chamber of Commerce officials, and representatives of Planning Departments and other entities of city government.

Over 200 surveys were utilized in contacting local area businesses. Employee characteristics, business needs, anticipated growth, and future plans were all analyzed based on participant responses. Business owners and representatives were queried through direct contact, telephone calls, electronic communications, or mail surveys, with the majority of the data gathered through first-person questioning. A thorough examination of the coastal businesses was conducted to better understand current and future economic and market conditions. Furthermore, numerous interviews were conducted with city officials of the coastsides communities, Chamber of Commerce representatives, business owners and their employees, real estate brokers, and current residents. A thorough canvassing of the coastsides communities was conducted from May through early July 2007, resulting in the data presented below.

III. CONCLUSIONS

The results of this appraisal consulting assignment indicate that there is likely to be market demand for units which are proposed as part of the Big Wave condominium development. Relative to financial feasibility and maximum productivity, however, phasing of the project may be most appropriate, and construction would likely be more prudent if undertaken contemporaneous with or following completion of the current improvements to Highway 1 at Devil's Slide. Furthermore, coastsides residents will likely be able to secure employment at companies that could be established at the project. Further detail concerning these conclusions is now presented.

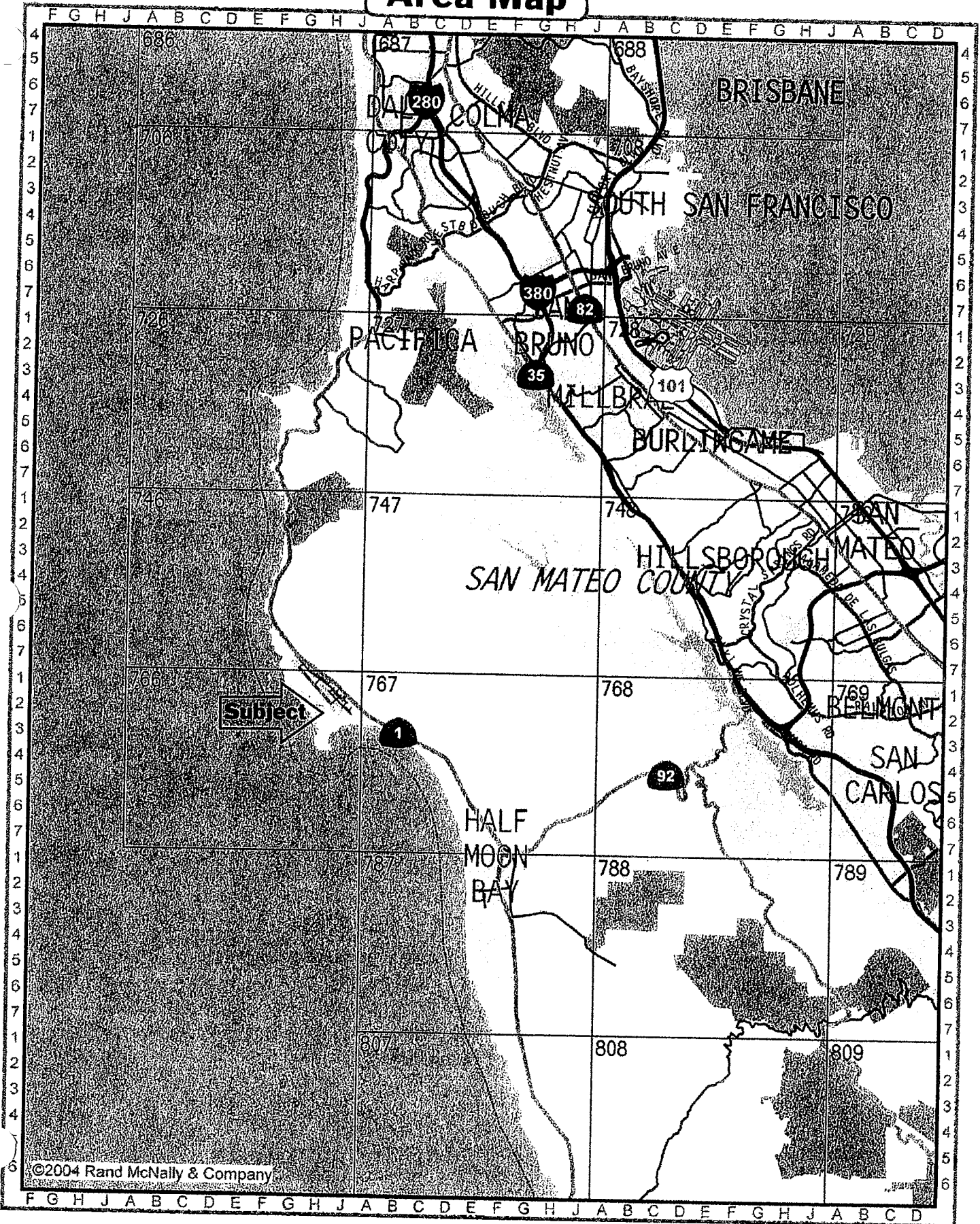
IV. SUBJECT PROPERTY MARKET AREA

The subject is situated in an unincorporated portion of San Mateo County. It is near the communities of Moss Beach, El Granada, and Montara, each of which are part of the coastal communities (including Pacifica and Half Moon Bay). The subject is in a central part of the submarket, nearly bordering the Pacific Ocean, and within a neighborhood of mixed uses. As the proposed Big Wave development is to be of relatively significant size, the characteristics of the neighborhood and surrounding area are important to understand. Both San Mateo County and the coastal communities are highlighted in greater detail below.

The subject's neighborhood topography is characterized with small hills which steeply descend into the Pacific Ocean, as well as large flat spaces that are improved with light industrial, service commercial, retail and tourist activities, and a general aviation airport. Access to the property is gained indirectly, via Highway 1, with neighborhood connector streets providing linkage to this right-of-way. The Half Moon Bay Airport is situated directly across from the subject property, and comprises a relatively large portion of flat land in the immediate vicinity. To the north is a mobile home park of more than 60 residences, while vacant lands surround the property on its other borders.

A military facility is located to the southwest of the subject, atop a relative hill peak, with public access restricted. Light industrial uses, including some warehousing within metal structures, are

Area Map



Subject

situated to the near southwest. Some of these users expressed significant interest in the subject's proposed light industrial and office space, as will be noted later in this report. Further southwest, and closer to the water, is a retail area with numerous restaurants, a small hotel, stores, and an active marina. This harbor area results in relatively strong appeal for the immediate area, with a moderate number of restaurants and retail uses established and operating in the vicinity. A hotel is presently undergoing significant renovation, and when completed, will offer a conference center, water views, and an accompanying restaurant.

Overall, the subject's immediate neighborhood will likely have appeal to potential office and light industrial users. The project will be partially visible from Highway 1, although at a distance, and indirectly accessible via this thoroughfare. The site's proximity to open space, including the shoreline of the Pacific Ocean, is another desirable feature. Retail support in the immediate area furthermore appears to be partially capable of supporting the needs associated with the subject's planned development.

V. FUNDAMENTAL MARKET ANALYSIS

The first step in understanding potential demand for the proposed Big Wave development is to analyze the demographic makeup of the surrounding area. An in-depth study of employment characteristics, population trends, transportation issues, and market conditions, amongst others, will be used to determine possible interest in condominium units which are proposed.

A. San Mateo County Analysis

As indicated previously, the subject property is located in San Mateo County, within an unincorporated area between the larger coastside cities of Half Moon Bay and Pacifica. It borders the Pacific Ocean, and is in the westernmost portion of the county. For purposes of this analysis, and in order to properly estimate potential demand for the subject's proposed commercial units, San Mateo County's demographic statistics are analyzed herein. A following section will address the project's more specific submarket in greater detail.

San Mateo County comprises approximately 450 square miles of land, extending eastwardly from the Pacific Ocean, to San Francisco Bay. It is situated between the City of San Francisco and what has historically been recognized as Silicon Valley (in nearby Santa Clara County), and is directly accessible to the East Bay by the San Mateo/Hayward bridge. The County is geographically divided into eastern and western portions by the Santa Cruz foothills. Most development has traditionally taken place within the more accessible, eastern portion, as land on the west side of the mountains is largely undevelopable due to prohibitive topographical and/or environmental characteristics, as well as restrictive legal land use regulations.

San Mateo County is characterized by a concentration of high-technology engineering, manufacturing, and technical products firms near the bay, with residential and business districts stretching westwardly, into the foothills. Land currently available for development is in short supply. As a result, the significant population expansion of the 1950s and 1960s has slowed considerably during recent decades. As of January 2007, the State Department of Finance (DOF) estimated the county's population at 733,496, reflecting a 1.0 percent increase from the previous year.

Employment and Unemployment

In terms of employment, San Mateo County has a diversified economy. Much of its recent job growth has been the result of economic expansion in nearby Silicon Valley, with gains experienced in the high-technology fields of hardware and software development, multimedia, environmental technology, and biotechnology. Based on the emergence and expansion of the Internet and related industries over the past few years, a large part of the county is now commonly considered to be associated with Silicon Valley. This connection has at times been somewhat of a negative, due to the economic correction in the high-technology sector in recent years. As of late, however, the technology industry has recovered to some extent, and is again generating employment growth within the county.

The largest employers in San Mateo County, according to the San Francisco Business Times "Book of Lists 2007" are United Airlines (10,100 workers); Oracle Corporation (7,328); Genentech (7,125); and the County of San Mateo (5,500). Some of these companies have grown during the recent past (e.g. Genentech), while others have consolidated (e.g. United Airlines). The county's unemployment rate was 3.6 percent as of May 2007. This is lower than both the state and national unemployment figures, and is one of the lowest rates in the Bay Area.

Confidence among Bay Area top executives in the local economy is moderately strong, with most suggesting that they anticipate continued employment growth, albeit at controlled levels. Optimism regarding the local economy is also reflected by the Santa Clara University Business Index, as recent surveys by that source reveal that company executives are confident about current and expected business conditions for both their companies and those of their clients, and further suggest that staff increases are likely. According to the Association of Bay Area Governments (ABAG), the sectors of financial and professional services; health, educational, and recreational services; and manufacturing, wholesale and transportation are anticipated to experience the greatest respective percentage employment increases in the county during the 20 years preceding 2025.

Income and Housing Prices

County residents' household earnings, education levels, and spending power are all above average for the region. San Mateo County had the highest per capita income in the Bay Area, as of 2005, with a mean household total of \$121,700 as reported by ABAG. This statistic is expected to increase to \$134,900 by 2015 (annual growth of 1.1 percent, in constant 2005 dollars), and to \$150,100 (annual growth of 1.2 percent) by 2025, per ABAG's projections.

While high income levels are a benefit to retail sales activity and business in general, a good proportion is diverted to housing costs. Both rents and home sale prices are high in San Mateo County, and there is a generally recognized lack of affordable housing for area residents. According to the California Association of Realtors, only 12 percent of San Mateo County residents could afford a median-priced home in 2006. Consequently, many workers commute from other counties and cities, adding to traffic congestion throughout the area.

According to Multiple Listing Service (MLS) statistics, the median price of single family homes sold countywide, in the first quarter of 2007, was \$880,000. This reflected a 2.3 percent increase from that reported during the same period a year ago. The first quarter 2007 median for condominium/townhouse properties was \$575,000, up 2.8 percent from the year prior. This general price stabilization is endemic of trends for residential properties being exhibited throughout the Bay Area, although values in San Mateo County have recently proven to be more resilient than those of some other communities in the region.

Most of the price appreciation in San Mateo County has occurred in the past few years within the communities east of the Santa Cruz foothills. The coastal towns have had price appreciation, although not at the levels associated with the remainder of the county. Currently, median home prices for Pacifica, Half Moon Bay, El Granada, Montara, and Moss Beach appear to be moderately lower, on average, than most of San Mateo County.

Transportation

Transportation systems serving the county are well established and heavily used by area residents and workers. Two primary freeways running north/south through the area are the Bayshore Freeway (Highway 101) and Interstate 280. Highways 92 and 380 connect these arteries in the central and north/central portions of the county, respectively. El Camino Real is the main, commercially developed surface street on the San Francisco Peninsula, running between the cities of San Francisco and Santa Clara.

The San Francisco International Airport, which recently underwent expansion, is the region's main airport. The completion of a new international airport terminal at this facility, with a connection to the Bay Area Rapid Transit (BART) system and CalTrain (via a surface rail system), has improved the county's transportation network. CalTrain passenger trains and limited rail freight also serve the area, and SamTrans bus service is additionally available for residents and employees.

Office Market Analysis - San Mateo County

The San Mateo County office market is in a growth phase at present, following the stabilization and recovery of 2004 through 2006. The percentage of unleased office space in most facilities has fallen dramatically, as of late, and appears to be declining further at present. This phenomenon has been largely due to a recovery and stabilization in the technology industry, which appears to be generating the greatest demand for local area space, along with expansion in supporting business sectors. Achievable rents have increased significantly during the past six to 12 months, and appear now to be climbing further.

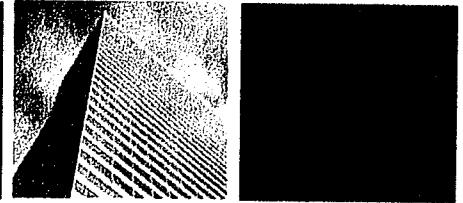
The direct office vacancy rate in San Mateo County (representing property either offered by a landlord or available on sublease terms) was 15.3 percent at the end of 2007's first quarter, according to BT Commercial. This rate is below that of 18.9 percent reported for the same time during the previous year, and substantially less than the 24.9 percent rate cited in 2005's first quarter. While the preceding characterization is generally positive, this belies even greater strength in a market that was impacted by the release of approximately 800,000 square feet of office sublease space by Oracle Corporation (as the result of the company's 2005 acquisition of Siebel Systems).

The graphs and other information presented within this report illustrate data specific to the San Mateo County office market (with industrial market conditions also presented), as collected by BT Commercial. The increases in vacancy, decreases in average rental rates, and growth in both direct and sublease availabilities during the early part of the decade are not identified, although the more recent stabilization and recovery of most of these metrics are illustrated. In retrospect, market conditions for county office space were commonly recognized as weak until the end of 2003, whereupon the recent stabilization and recovery phases commenced. Conditions are now better than they have been at any time during the past three years.

Countywide absorption suggests an improving market environment as well. Per BT Commercial, the San Mateo County office sector had gross absorption of 4.8 million square feet in 2006, which is at or above the levels of 4.9 million, 4.3 million, and 3.9 million square feet in 2005, 2004, and 2003, respectively. Additionally, net absorption (which simultaneously accounts for space being vacated, as well as newly constructed) in 2006, 2005, and 2004 were each positive, marking the first time since 2000 that three

San Mateo County

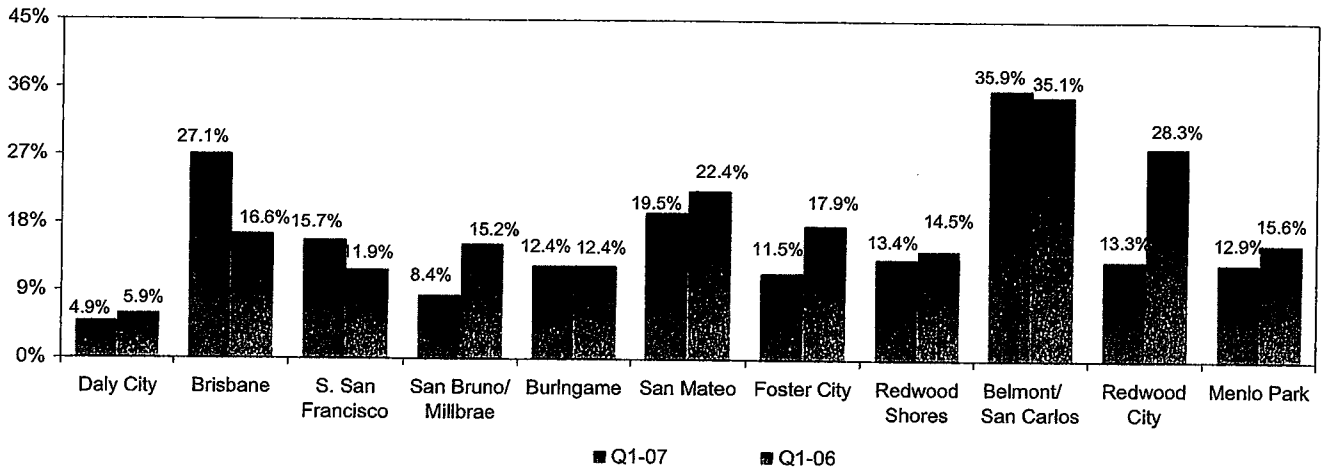
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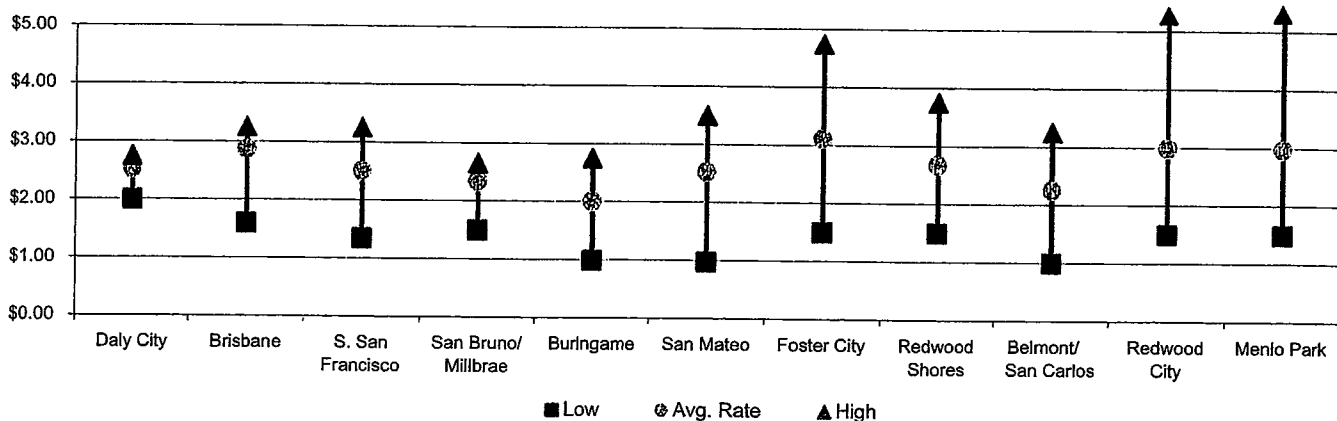
Market Summary

Cities	Building Base		Available Space		Vacancy Rate		Avg. Asking Rate	Avg. Time to Market
	Base	Drop	Sublease	Total	Q1-07	Q1-06		
Daly City	868,224	42,419	0	42,419	4.9%	5.9%	\$2.52	37.4
Brisbane	758,799	205,828	0	205,828	27.1%	16.6%	\$2.87	7.2
S. San Francisco	1,949,049	215,744	90,955	306,699	15.7%	11.9%	\$2.50	16.5
San Bruno/Millbrae	1,441,673	103,798	17,855	121,653	8.4%	15.2%	\$2.33	11.0
Burlingame	2,106,749	247,969	12,758	260,727	12.4%	12.4%	\$2.00	19.9
NORTH COUNTY TOTALS:	7,124,494	815,758	121,568	937,326	13.2%	12.5%	\$2.42	15.2
San Mateo	6,963,842	808,039	550,278	1,358,317	19.5%	22.4%	\$2.52	12.2
Foster City	2,826,232	312,865	13,303	326,168	11.5%	17.9%	\$3.11	65.8
Redwood Shores	5,645,621	665,884	90,974	756,858	13.4%	14.5%	\$2.67	23.4
CENTRAL COUNTY TOTALS:	15,435,695	1,786,788	654,555	2,441,343	15.8%	18.7%	\$2.65	22.9
Belmont/San Carlos	1,243,501	261,598	184,698	446,296	35.9%	35.1%	\$2.25	32.4
Redwood City	4,309,763	438,796	132,853	571,649	13.3%	28.3%	\$2.98	29.1
Menlo Park	3,396,377	355,863	83,597	439,460	12.9%	15.6%	\$2.97	31.3
SOUTH COUNTY TOTALS:	8,949,641	1,056,257	401,148	1,457,405	16.3%	24.4%	\$2.75	30.8
TOTALS:	31,109,381	3,156,190	1,177,271	3,366,077	15.2%	17.1%	\$2.52	23.6

Vacancy By Area

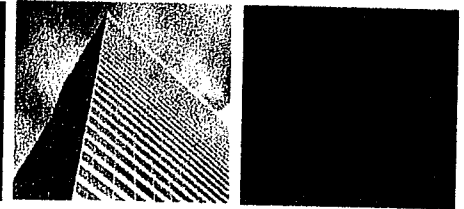


Rent Ranges & Average Asking Rate By Area



San Mateo County

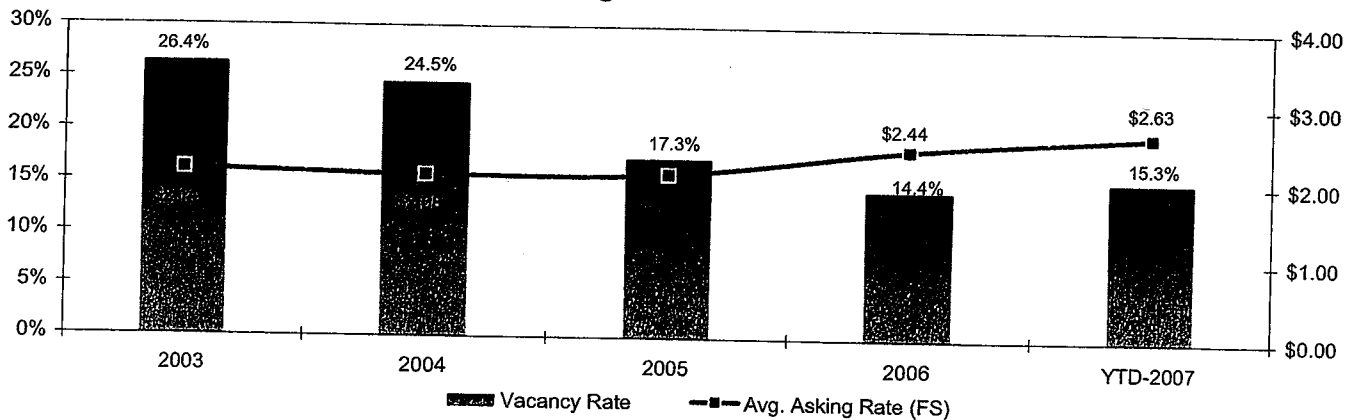
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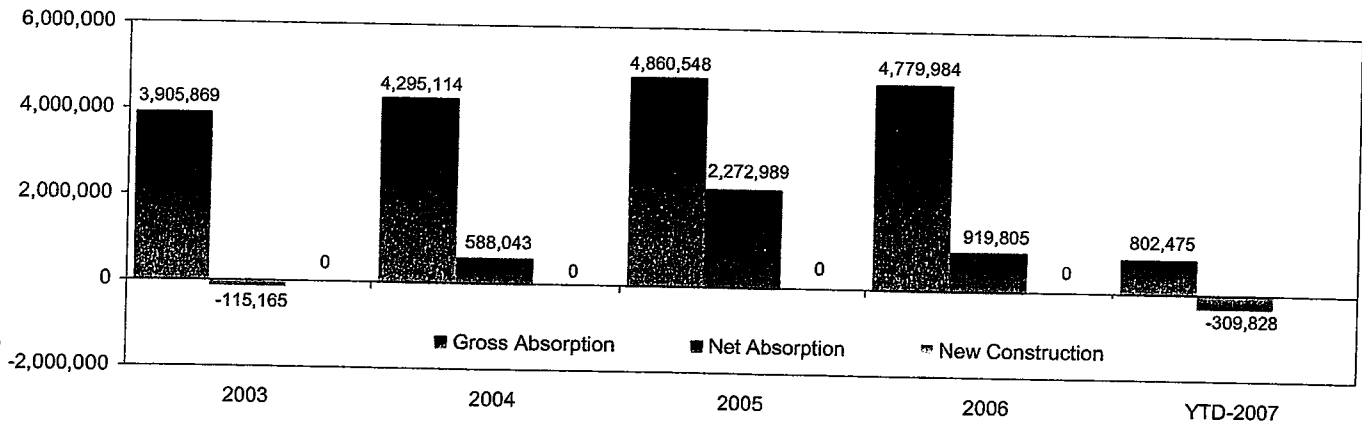
Historical Summary

Area		2003	2004	2005	2006	YTD-2007
North San Mateo County (DC- Bris- SSF- SB- Mill- Burl)	Vacancy Rate	25.8%	21.2%	12.4%	10.8%	13.2%
	Avg. Asking Rate (FS)	\$1.82	\$1.79	\$1.87	\$2.17	\$2.42
	Gross Absorption	1,253,212	1,111,106	1,181,977	920,615	123,315
	Net Absorption	-47,638	323,074	630,839	114,201	-170,636
	New Construction	0	0	0	0	0
Central San Mateo County (S. Mateo-Foster City-RWS)	Vacancy Rate	19.7%	18.9%	15.1%	15.9%	15.8%
	Avg. Asking Rate (FS)	\$2.03	\$2.03	\$2.15	\$2.43	\$2.65
	Gross Absorption	1,971,807	2,032,394	2,056,917	2,386,778	487,211
	Net Absorption	20,795	120,272	585,865	-116,540	10,939
	New Construction	0	0	0	0	0
South San Mateo County (Blmt-SC-RWC-Menlo Park)	Vacancy Rate	38.3%	36.7%	24.9%	14.6%	16.3%
	Avg. Asking Rate (FS)	\$2.41	\$2.26	\$2.15	\$2.61	\$2.75
	Gross Absorption	680,850	1,151,614	1,621,654	1,472,591	191,949
	Net Absorption	-88,322	144,697	1,056,285	922,144	-150,131
	New Construction	0	0	0	0	0
Totals San Mateo County	Vacancy Rate	26.4%	24.5%	17.3%	14.4%	15.3%
	Avg. Asking Rate (FS)	\$2.11	\$2.03	\$2.11	\$2.44	\$2.63
	Gross Absorption	3,905,869	4,295,114	4,860,548	4,779,984	802,475
	Net Absorption	-115,165	588,043	2,272,989	919,805	-309,828
	New Construction	0	0	0	0	0

San Mateo County Vacancy & Asking Rate Trend

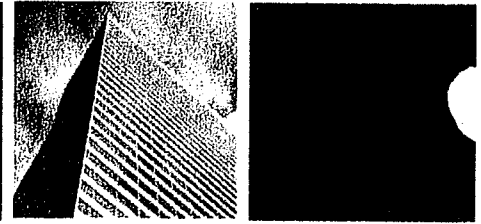


San Mateo County Absorption Trends



San Mateo County

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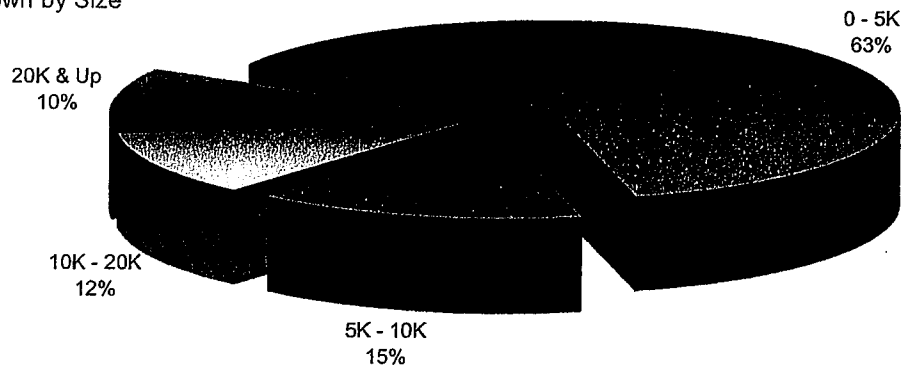
Office Market Breakdown

Area	Number of Listings				Totals
	0-5K	5K-10K	10K-20K	20K & Up	
Daly City	9	1	1	0	11
Brisbane	9	3	9	0	21
S. San Francisco	26	9	3	5	43
San Bruno	15	7	2	0	24
Burlingame	74	5	3	1	83
NORTH COUNTY TOTALS:	133	25	18	6	182
San Mateo	122	23	14	7	166
Foster City	15	2	2	6	25
Redwood Shores	31	20	17	11	79
CENTRAL COUNTY TOTALS:	168	45	33	24	270
Belmont/San Carlos	2	0	4	9	15
Redwood City	22	8	2	9	41
Menlo Park	14	4	7	7	32
SOUTH COUNTY TOTALS:	38	12	13	25	88
SAN MATEO COUNTY TOTALS:	339	82	64	55	540

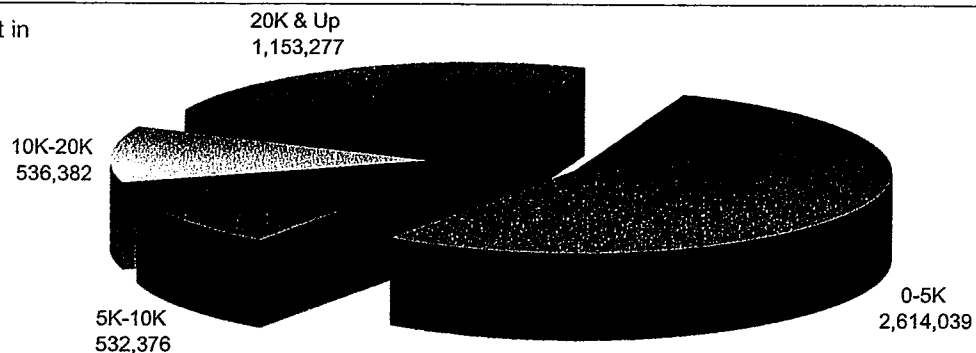
Total Available SF in San Mateo County

4,836,074

Number of Listings Breakdown by Size Category

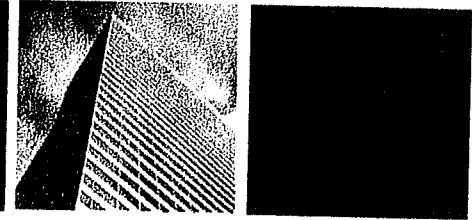


Total Available Square Feet in Each Size Category



San Mateo County

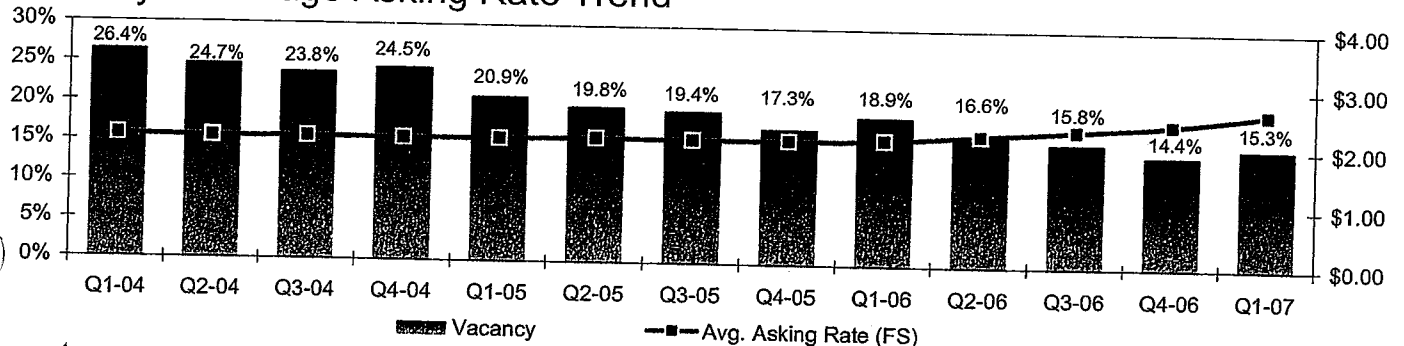
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San Mateo County

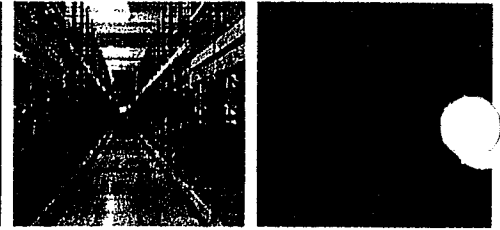
	Q1-2006	Q2-2006	Q3-2006	Q4-2006	Q1-2007
Building Base:					
Class A	21,262,288	21,262,288	21,262,288	21,262,288	21,262,288
Class B	<u>6,005,068</u>	<u>6,005,068</u>	<u>6,005,068</u>	<u>6,005,068</u>	<u>6,005,068</u>
All Types	31,509,830	31,509,830	31,509,830	31,509,830	31,509,830
Direct Availabilities:					
Class A	2,584,191	2,508,790	2,490,054	2,203,536	2,398,145
Class B	<u>966,766</u>	<u>840,137</u>	<u>758,065</u>	<u>834,731</u>	<u>916,244</u>
All Types	4,039,987	3,826,174	3,684,567	3,422,196	3,658,803
Sublease Availabilities:					
Class A	1,727,687	1,235,288	1,152,731	972,533	1,055,887
Class B	<u>147,354</u>	<u>144,803</u>	<u>125,068</u>	<u>115,111</u>	<u>108,145</u>
All Types	1,920,896	1,401,046	1,298,654	1,104,050	1,177,271
Total Availabilities:					
Class A	4,311,878	3,744,078	3,642,785	3,176,069	3,454,032
Class B	<u>1,114,120</u>	<u>985,040</u>	<u>883,133</u>	<u>949,932</u>	<u>1,024,389</u>
All Types	5,960,883	5,227,220	4,983,221	4,526,246	4,836,074
Vacancy:					
Class A	20.28%	17.61%	17.13%	14.94%	16.24%
Class B	<u>18.55%</u>	<u>16.40%</u>	<u>14.71%</u>	<u>15.82%</u>	<u>17.06%</u>
All Types	18.92%	16.59%	15.81%	14.36%	15.35%
Market Rent Range: (FS)					
	\$1.00-\$6.50	\$1.00-\$6.50	\$0.98-\$6.50	\$0.98-\$9.00	\$0.98-\$9.00
Avg. Asking Rate (FS)					
Class A	\$2.24	\$2.35	\$2.47	\$2.64	\$2.83
Class B	<u>\$1.90</u>	<u>\$1.98</u>	<u>\$2.00</u>	<u>\$2.10</u>	<u>\$2.21</u>
All Types	\$2.14	\$2.23	\$2.32	\$2.44	\$2.63
Avg. Time on Mkt. in Months					
Class A	27.9	27.6	19.7	28.7	25.0
Class B	<u>25.9</u>	<u>26.3</u>	<u>22.1</u>	<u>24.1</u>	<u>19.2</u>
All Types	26.8	26.3	18.3	26.7	23.8
Completed New Construction:					
Build-To-Suit:	0	0	0	0	0
Speculative:	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total New Construction	0	0	0	0	0
Absorption:					
Gross Absorption	1,121,544	1,398,868	808,193	1,451,379	802,475
Net Absorption	-514,832	733,663	243,999	456,975	-309,828
Availabilities by Size:					
0 - 5,000 SF	351	333	353	322	339
5,000 SF - 10,000 SF	85	78	71	68	82
10,000 SF - 20,000 SF	65	66	67	66	64
20,000 SF & Up	72	71	64	52	55
Totals	573	548	555	508	540

Vacancy & Average Asking Rate Trend



San Mateo County

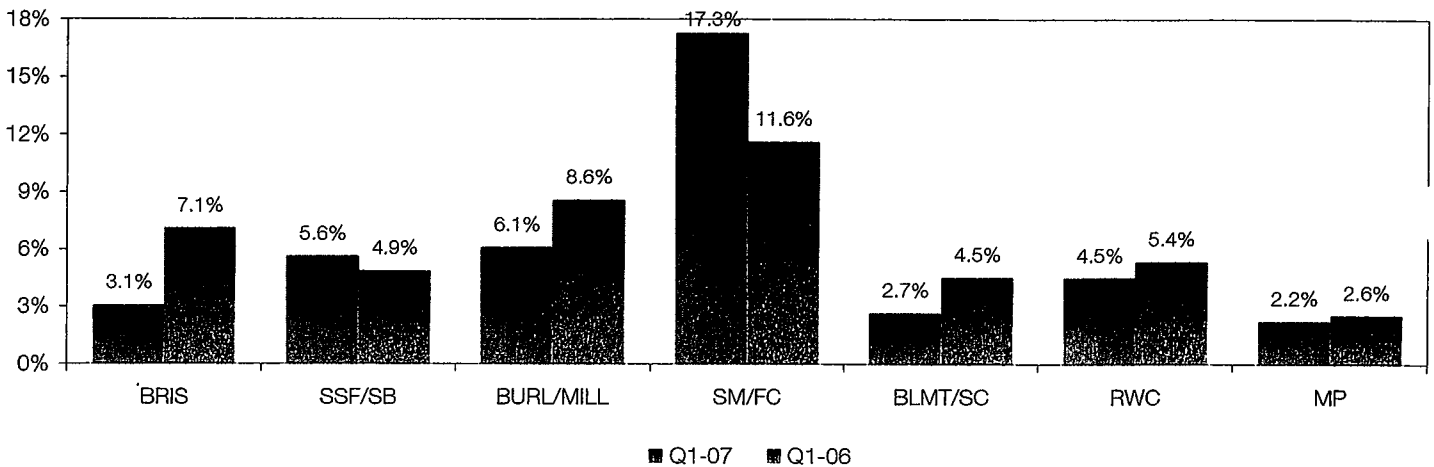
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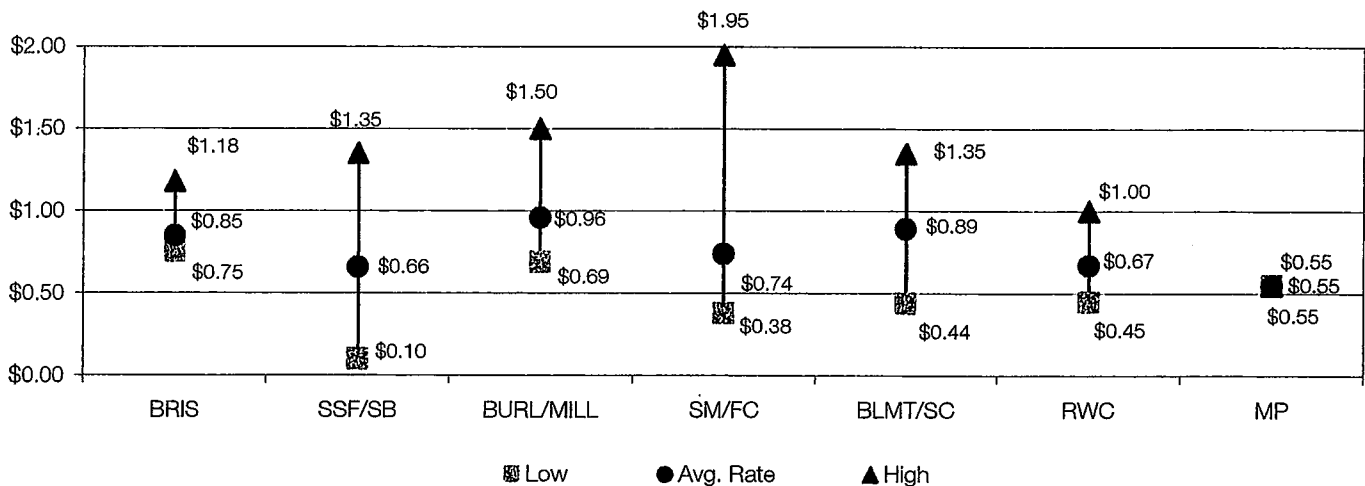
Market Summary

Area	Available Square Feet			Vacancy Rate		Avg Asking Rate (NNN)	Avg Time on Market
	Building Base	Direct	Sublease	Q1-07	Q1-06		
Brisbane	4,148,497	127,446	0	3.1%	7.1%	\$0.85	22.6
SSF/San Bruno	16,163,730	324,009	584,680	5.6%	4.9%	\$0.66	45.4
Burlingame/Millbrae	3,655,618	208,391	14,560	6.1%	8.6%	\$0.96	10.6
San Mateo/Foster City	723,021	124,893	0	17.3%	11.6%	\$0.74	16.7
Belmont/San Carlos	6,584,712	176,120	0	2.7%	4.5%	\$0.89	28.7
Redwood City	3,225,667	111,310	34,000	4.5%	5.4%	\$0.67	24.6
Menlo Park	2,653,704	59,574	0	2.2%	2.6%	\$0.55	2.6
Totals	37,154,919	1,331,748	663,240	4.8%	5.4%	\$0.74	32.5

Vacancy by Submarket

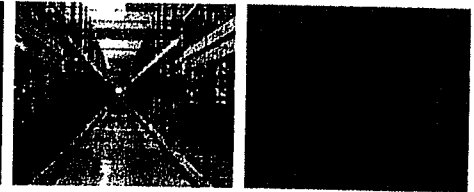


Rent Range & Average Asking Rate Trend



San Mateo County

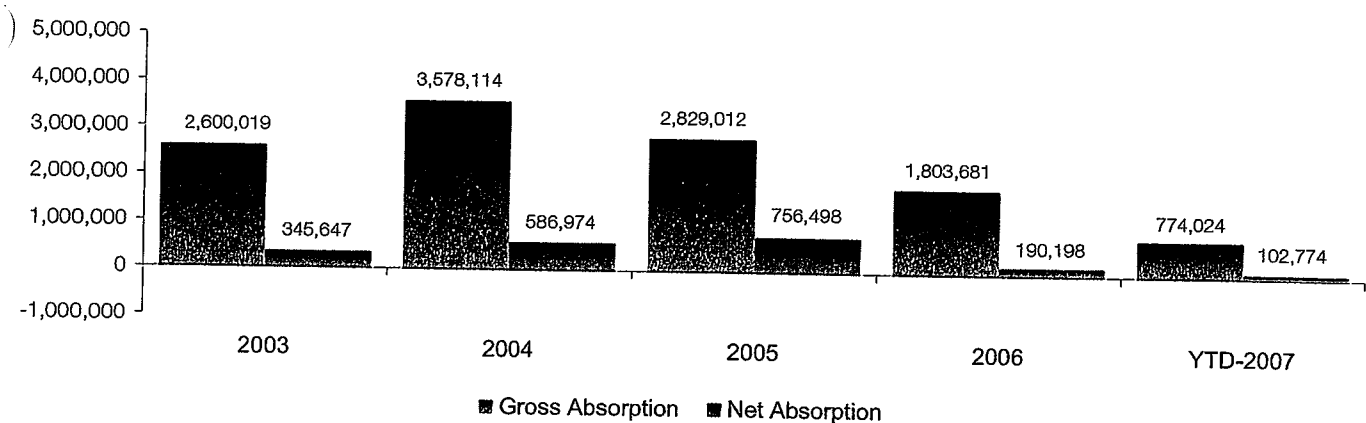
Industrial & Warehouse Report | Q1-2007



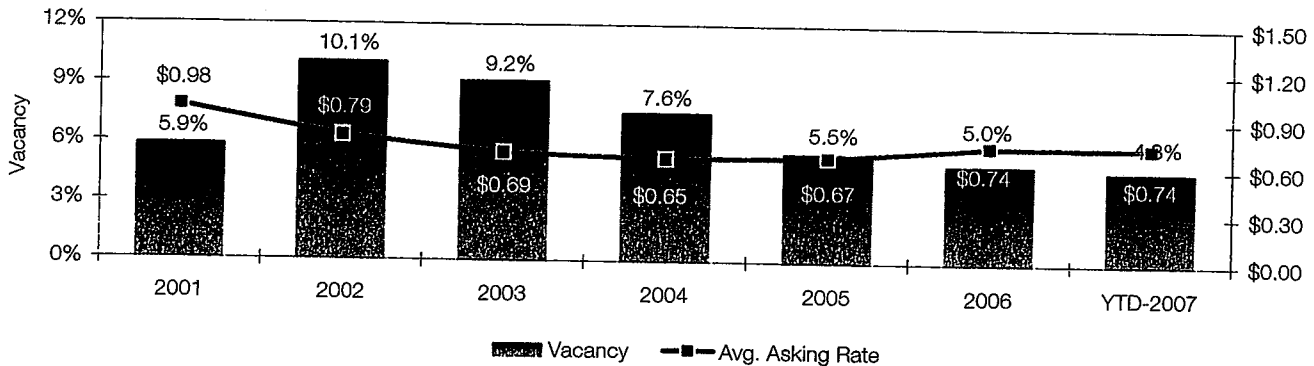
Historical Summary

Submarket	Absorption	2003	2004	2005	2006	YTD-2007
Brisbane	Gross Absorption	688,675	798,269	247,151	324,978	89,200
	Net Absorption	184,344	337,246	(197,995)	43,256	73,414
SSF/San Bruno	Gross Absorption	844,031	1,626,150	1,662,069	676,503	359,964
	Net Absorption	(128,775)	38,751	721,043	24,149	(33,499)
Burlingame/Millbrae	Gross Absorption	555,699	537,556	153,759	320,366	129,540
	Net Absorption	262,213	206,587	(146,079)	54,627	(27,592)
San Mateo/Foster City	Gross Absorption	30,213	12,042	19,040	53,490	0
	Net Absorption	(4,946)	(10,360)	25,296	(30,762)	(11,785)
Belmont/San Carlos	Gross Absorption	280,307	260,797	408,174	153,030	136,512
	Net Absorption	43,923	(83,542)	256,871	46,623	86,572
Redwood City	Gross Absorption	95,114	97,239	172,076	75,043	16,652
	Net Absorption	37,678	(25,215)	104,562	10,721	(26,492)
Menlo Park	Gross Absorption	105,980	246,061	166,743	200,271	42,156
	Net Absorption	(48,790)	123,507	(7,200)	41,584	42,156
Total	Gross Absorption	2,600,019	3,578,114	2,829,012	1,803,681	774,024
	Net Absorption	345,647	586,974	756,498	190,198	102,774

San Mateo County Absorption Trend

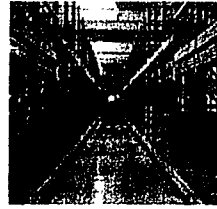


San Mateo County Vacancy & Average Rate Trend



San Mateo County

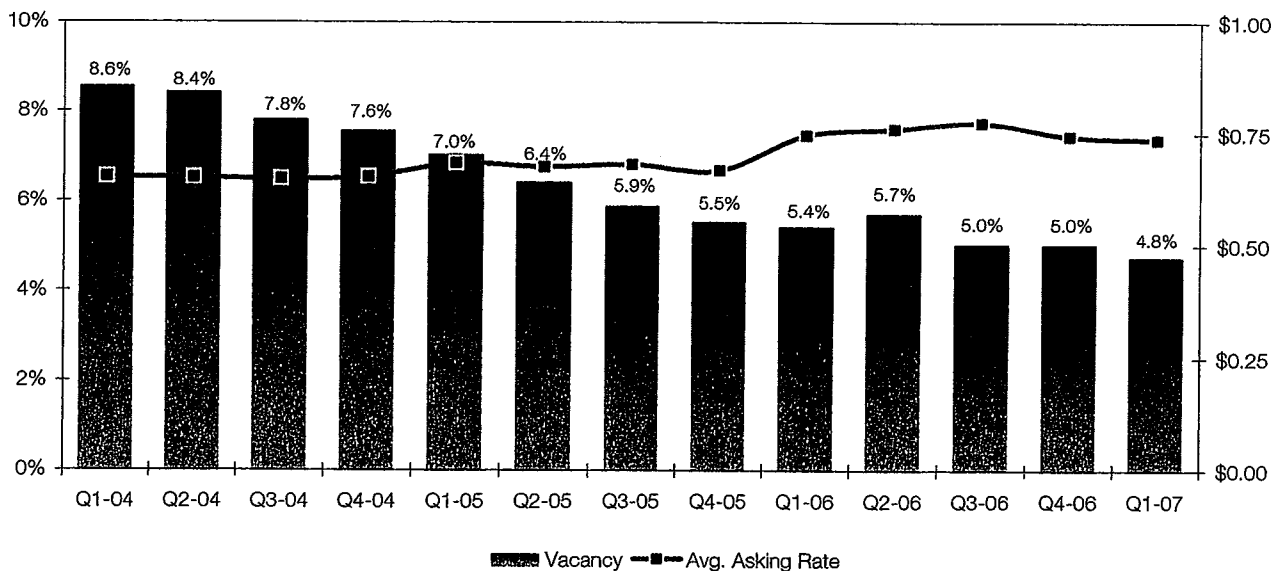
Industrial & Warehouse Report | Q1-2007



San Mateo County

	Q1-2006	Q2-2006	Q3-2006	Q4-2006	Q1-2007
Total Building Base:	37,154,949	37,154,949	37,154,949	37,154,949	37,154,949
Direct Availabilities:	1,319,268	1,447,274	1,287,921	1,278,458	1,131,743
<u>Sublease Availabilities:</u>	<u>698,215</u>	<u>676,415</u>	<u>584,279</u>	<u>589,299</u>	<u>633,240</u>
Total Availabilities:	2,017,483	2,123,689	1,872,200	1,867,757	1,764,983
Vacancy:	5.43%	5.72%	5.04%	5.03%	4.75%
Gross Absorption:	519,960	321,974	536,181	425,566	774,024
Net Absorption:	40,472	-106,206	251,489	4,443	102,774
Build-To-Suit:	0	0	0	0	0
<u>New Spec Construction:</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total New Construction:	0	0	0	0	0
Available Listings:					
Market Rent Range (NNN):	\$0.44-\$1.95	\$0.40-\$2.20	\$0.40-\$2.20	\$0.10-\$1.95	\$0.10-\$1.95
Avg Asking Rate (NNN):	\$0.75	\$0.76	\$0.78	\$0.74	\$0.74
Avg Time on Market:	25.0	25.1	29.0	28.6	32.5
Listings By Size (#):					
100,000 SF & Up	2	2	2	2	2
50,000 - 99,999 SF	3	4	3	3	0
25,000 - 49,999 SF	15	15	10	11	11
10,000 - 24,999 SF	39	33	32	28	25
Total Available Listings:	59	54	47	44	38

Vacancy & Average Asking Rate Trend



consecutive years posted positive net leasing activity. Net absorption was reported at roughly 920,000 square feet in 2006, compared with approximately 2.3 million square feet in 2005, and 590,000 square feet in 2004. As of early-2007, absorption for San Mateo County had once again turned negative, although more recent data suggests that the current quarter has seen a return of strength to the broad market.

According to BT Commercial, asking rates on available San Mateo County office product averaged \$2.63 per square foot per month, full service, at the end of 2007's first quarter. This figure reflects a significant decline from the end of 2000, but is moderately above that of the preceding quarter (when a figure of \$2.44 per square foot was cited), as well as one year ago (at which time \$2.14 per square foot was asked). It does not consider concessions of free or reduced rent, excessive tenant improvements, or other factors that can decrease the effective rent received by a landlord, although data collected from and discussions with professionals active in the marketplace suggest that concessions are becoming far less pronounced than in previous years.

Industrial Market Analysis - San Mateo County

As noted previously, the subject property will have roughly 24,000 square feet of light industrial space. Of this amount, a reported 12,000 square feet will be used by the developer (in connection with the nearby Wellness Center), while the remainder 12,000 square feet will be made available for general business use. The buildout will likely allow for a slightly more diverse use than the larger office component, with the potential for service commercial activities, storage, or light manufacturing.

Industrial market conditions in San Mateo County appear to be healthy at present. According to BT Commercial, there is a total of 37.2 million square feet of industrial space, which includes manufacturing, warehouse, and R & D uses. As of 2007's first quarter end, roughly 1.76 million square feet was available for leasing, reflecting a vacancy rate of 4.8 percent. This represents a moderate decline from the prior year reporting period, at 5.4 percent, and furthermore continues a downward trend in vacancy rates that has continued since 2003.

Of the roughly 1.76 million square feet of vacant space in San Mateo County, BT Commercial reports nearly 630,000 is available for sublease, with the majority located in the South San Francisco/San Bruno submarket. Direct availabilities have decreased consistently over the past four quarters, while the amount of available sublease space has remained somewhat flat over this term.

Average asking rates for light industrial space declined moderately from 2001 through 2004. Recently, rates have shown some slight increases, and are currently at levels which are now above the lows experienced in 2004. With the decreasing availabilities for industrial property, upward pressure has been exerted on rents. As of 2007's first

quarter end, BT Commercial reported an average asking rent of \$0.74 per square foot per month, triple net. This compares to a rate of \$0.75 for the prior year, but is moderately higher than the \$0.65 per square foot indication reported in 2005's first quarter. A wide range in asking rents was reported by BT Commercial, reflected from \$0.55 to \$0.96 per square foot per month, triple net. The highest rates are reported for the Burlingame/Millbrae submarket, while South San Francisco/San Bruno are typically at the lower end of the variance.

Recent gross absorption was reported by BT Commercial at 774,024 square feet, during the first quarter of 2007. Annual amounts have ranged from 3,578,114 square feet in 2004; 2,829,012 square feet in 2005; and 1,803,681 square feet in 2006. Net absorption, as outlined earlier, is typically a better indicator of the health of the market. BT Commercial indicated net absorption of 102,774 square feet for the first quarter of 2007. This statistic had been reported at 190,198 square feet in 2006; 756,498 square feet in 2005; and 586,974 square feet in 2004.

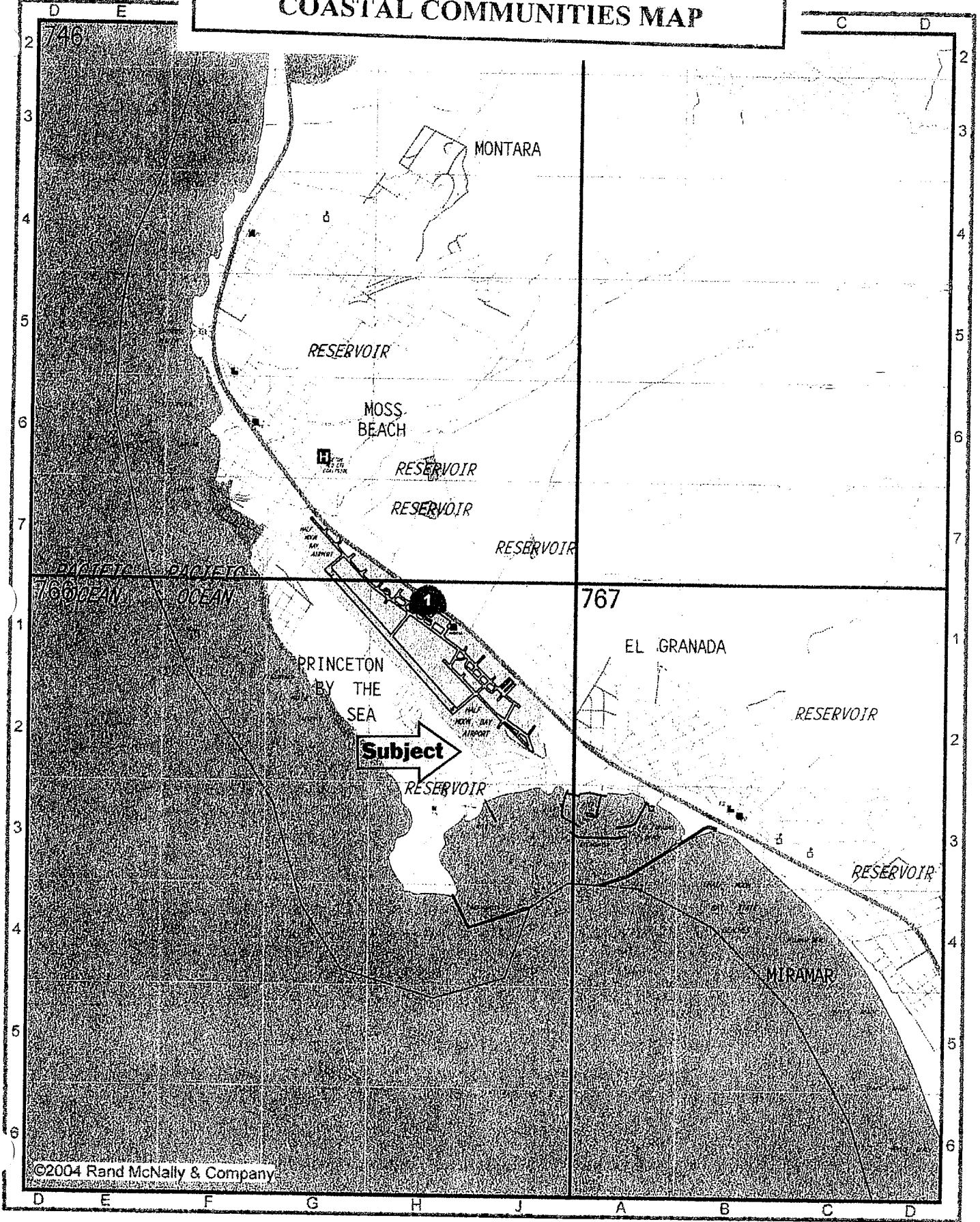
B. Coastside Communities Analysis

As indicated previously, the subject is located within a westernmost portion of San Mateo County. It is west of the Santa Cruz foothills, and in an area which is significantly less developed than the remainder of the county. The proposed Big Wave project will be very close to the Pacific Ocean, and situated in an unincorporated area between Pacifica and Half Moon Bay. It is near the townships of Montara, El Granada, and Moss Beach, and is in close proximity to the Half Moon Bay regional airport. The following subheadings highlight characteristics pertinent to this coastside submarket. Furthermore, as will be noted, the subject's submarket is defined by its transportation limitations and geographical boundaries, essentially resulting in a market areas which includes Pacifica, Half Moon Bay, and the towns of Montara, El Granada, and Moss Beach. While locally-recognized communities such as Miramar and Princeton-By-The-Sea are also acknowledged (as illustrated on the map to follow), they are analyzed independent of Moss Beach and El Granada, per the census and demographic data survey methodologies discussed below.

Population

Information concerning population counts for the coastside communities is ascertained from multiple sources. The California State Department of Finance indicates that Half Moon Bay had a population of 12,912, as of January 1, 2007. Coupled with Pacifica at 39,251 (as of the same time frame), these two cities represented a total of 52,163 persons. Information concerning Montara, El Granada, and Moss Beach is not available from the Department of Finance. However, statistics presented by Environmental Systems Research Institute (ESRI) indicate that population for these three towns was 2,990, 5,801, and 1,925, respectively, as of 2007. Combined with Half Moon Bay and

COASTAL COMMUNITIES MAP



Pacifica, these communities result in a market area of more than 62,000. Additionally, residents which are in unincorporated areas of San Mateo County (outside of the townships of El Granada, Moss Beach, and Montara) are included in this market analysis. They likely increase the aforementioned total by only a nominal to minor amount, however.

A factor in estimating potential demand for the Big Wave project is population trends over the past several years, as well as anticipated growth patterns. A proposed office development like the subject will likely require a growing population base to support the new or expanded services at the property, whereas the light industrial component is less dependent on a change in resident count. Historically, population growth in Half Moon Bay and Pacifica has been below that of San Mateo County, with annual increases of roughly 0.3 to 0.8 percent per year. Although both of these communities have a moderate amount of developable land, community pressures have resulted in "slow growth" policies. Most large-scale residential developments are widely opposed, and utility commission officials have exacerbated the issue by refusing water permits due to supply constraints. Coastal development has also been somewhat limited based on restricted transportation means in the area. The transportation issue will be addressed further in a later subheading.

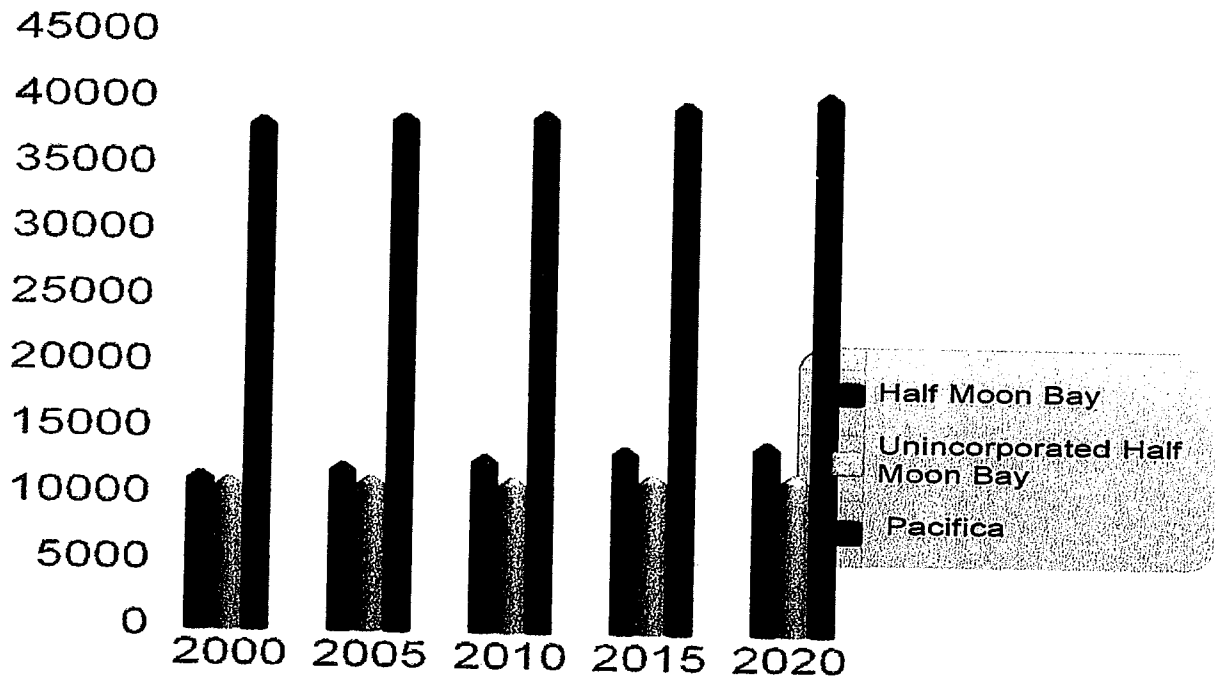
According to ABAG, population in Half Moon Bay is anticipated to increase to 13,300 persons by 2010. This represents a 5.6 percent increase from 2005, indicating an annual projected growth rate (non-compounded) of 1.1 percent. An increase to 14,000 residents is anticipated for 2015, and to 14,500 persons by 2020. These amounts reflect annualized growth projections (from 2005) of 1.1 and 1.0 percent, respectively.

For Pacifica, ABAG anticipates a population count of 39,100 in 2010, reflecting a five-year increase of 0.8 percent, or annualized growth of 0.2 percent. ABAG also forecasts 2015 population of 39,900, and 40,700 persons for 2020. These amounts represent annualized growth rate projections (based on 2005) of 0.3 percent, for each time period. Consequently, while Half Moon Bay appears poised for future growth, population statistics forecast for Pacifica are noted to be generally stagnant.

ABAG also includes a population statistic for "Half Moon Bay Unincorporated." This includes El Granada, Moss Beach, Montara, and other surrounding areas. The total 2005 population is noted at 11,400, with an anticipated growth to 11,600 in 2010; 11,900 in 2015; and 12,100 in 2020. Each of these amounts reflects an annualized growth projection of less than 0.5 percent. Similar to the forecasts for Pacifica, the unincorporated areas appear to have minimal growth prospects for the next several years.

The population data indicates that large increases in residence counts are not likely for the coastside communities. Half Moon Bay, however, is anticipated for growth at a pace

Coastside Population



Association of Bay Area Governments (ABAG), 2007

which will more closely match that of the county. Chamber of Commerce officials for Pacifica and Half Moon Bay indicate that the relatively flat population forecasts for the areas north of Half Moon Bay are largely due to transportation issues, and the anti-growth sentiment of most residents. However, the improvements currently underway to Highway 1 (as detailed later) will likely result in greater transportation accessibility for the area over the next several years, potentially aiding in increased population. Nonetheless, the above statistics indicate that demand for the subject's proposed space, based solely on population growth statistics, may be somewhat limited.

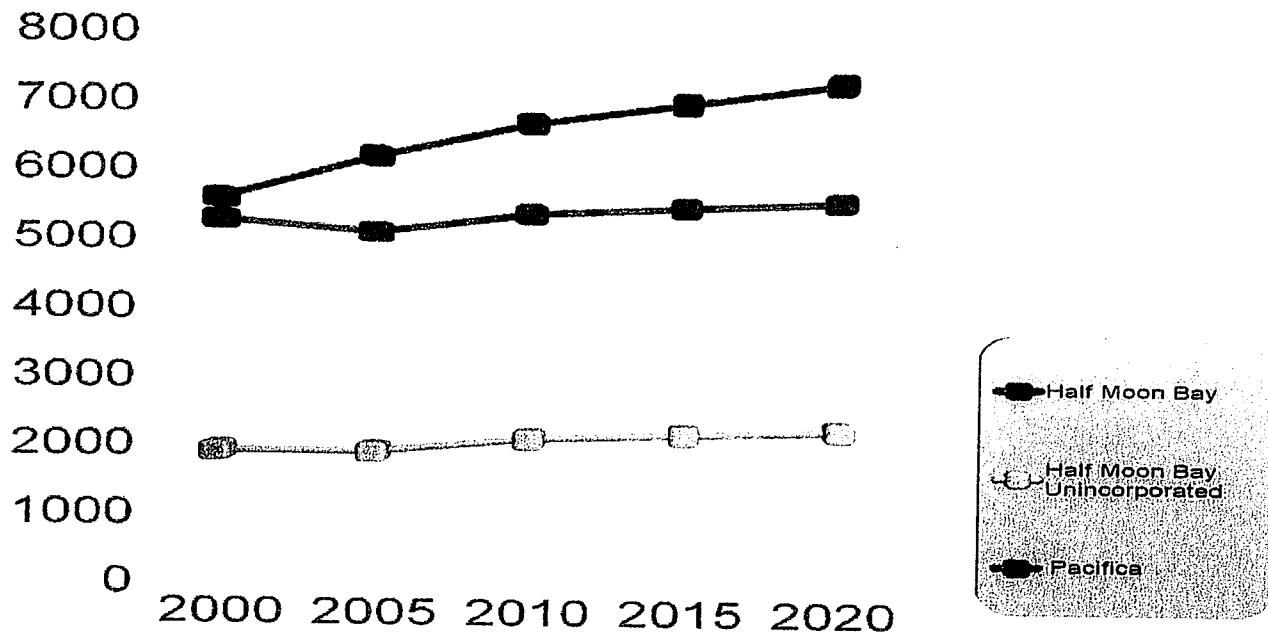
Employment

Employment within the coastside communities is relatively diverse, with most companies employing less than ten persons. The technology driven Silicon Valley, has, for the most part, not influenced the immediate area, while farming and light manufacturing have remained stable. Tourism and retail support have most recently expanded, with numerous hotels and eateries employing local residents. Information is again utilized from the Department of Finance, ABAG, and ESRI in analyzing the current and anticipated labor statistics for the coastside communities. Furthermore, data from the local area Chambers of Commerce are addressed.

According to the Department of Finance, Pacifica had a total employment of 21,200, as of May 2007. This reflected an unemployment rate of 4.2 percent, based on a total labor force of 22,100. For Half Moon Bay, unemployment was indicated at 4.4 percent, with a total labor force of 6,300, and employment of 6,000. Both of these joblessness indications are higher than the countywide average, and are reportedly partially due to the heavy influence of seasonal tourism and farming. The Department of Finance also indicates employment for El Granada, which appears to contain data for Montara and Moss Beach as well. As of May 2007, El Granada was indicated to have 3,300 jobs with a labor force of 3,400, resulting in an unemployment figure of 2.7 percent.

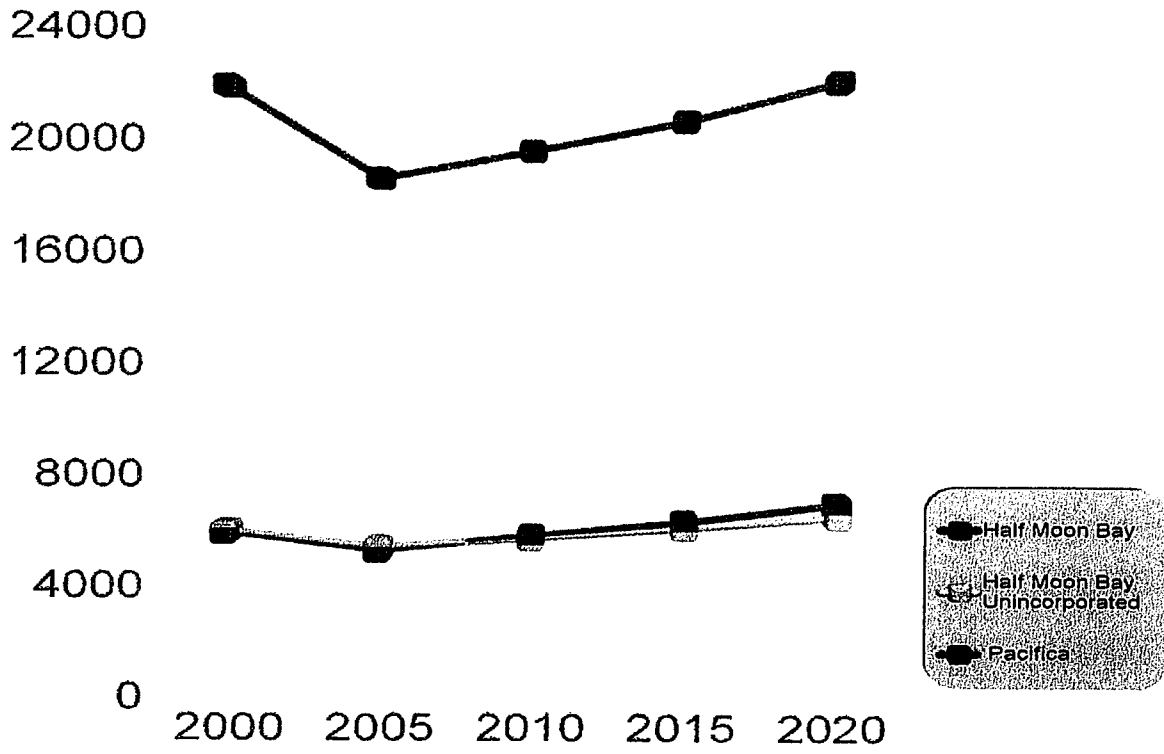
ABAG reports that there were 18,600 employed residents (people living in the city who are working) in Pacifica in 2005. This is anticipated to grow to 19,560 by 2010, and 20,630 by 2015. These figures represent annual employment growth near 1.0 percent, or nearly 200 jobs per year. The employment growth appears to be moderately higher than projected population growth in Pacifica. More significantly, ABAG indicates that there were a total of just 6,190 jobs in Pacifica in 2005, indicating that a substantial number of residents travel to other communities for employment. Most other cities within San Mateo County appear to have a near equilibrium of employed residents and total jobs. ABAG forecasts that the number of total jobs in Pacifica will increase to 6,670 in 2010, and 6,960 in 2015. Consequently, in relation to the number of current and projected employed residents, total jobs appear to be lacking in Pacifica. The opportunity to capture local area job demand may therefore exist for new construction in the area (such as that proposed at Big Wave).

Coastside Total Jobs



Association of Bay Area Governments (ABAG), 2007

Coastside Employed Residents



Association of Bay Area Governments (ABAG), 2007

Chamber of Commerce officials from Pacifica indicate that the city's residents desire to stay within or close to the area for employment, but that the community does not have substantial new job prospects or plans for significant commercial development for the next several years. Half Moon Bay differs from Pacifica in that it appears to have a relatively equal number of total jobs and employed residents. ABAG reports that there were 5,100 total jobs in 2005 in Half Moon Bay, and 5,440 employed residents. Total jobs for Half Moon Bay are forecast to grow to 5,370 in 2010, and to 5,470 in 2015. Job growth, at its currently projected pace, does not look forecast to maintain a near equilibrium with anticipated population growth. This suggests that if population grows at the projected rate, residents may be required to leave Half Moon Bay for employment (similar to Pacifica), or new job opportunities will need to be created (again, creating an opportunity for the Big Wave development).

ABAG also highlights current and forecast job statistics for unincorporated Half Moon Bay. Again, this covers the subject's specific siting, including Moss Beach, El Granada, and Montara. As of 2005, the submarket was reported to have 5,530 employed residents, but only 1,960 total jobs. The former category is anticipated to rise to 5,870 in 2010, and 6,200 in 2015, while the latter (total jobs) is projected to increase to 2,150 in 2010, and 2,220 in 2015. The large divergence in employed residents and total jobs, similar to Pacifica, signals a disconnect in the labor market. With a low unemployment rate for the unincorporated areas, it again appears that a large number of residents are working outside of the area.

Most jobs in the unincorporated area of Half Moon Bay are represented in the health, educational, and recreational service job categories. This is largely due to the presence of hotels, restaurants, and tourist-related, coastside businesses. Financial and professional service jobs account for a moderate amount of the total, with some transportation, manufacturing, and retail positions. For Pacifica and Half Moon Bay, most jobs are also within the aforementioned categories, in that same order. Job growth is forecast for most of these sectors, although stagnant data is presented for retail and manufacturing/transportation employment.

According to the Half Moon Bay Chamber of Commerce, the following table highlights the largest employers within the coastside communities. Furthermore, their most recent employee count (as of mid-2007) is indicated on the following page:

COMPANY	NUMBER OF EMPLOYEES
Nurserymen's Exchange	600
Ritz-Carlton, Half Moon Bay	475
Bay City Flower Company	375
Cabrillo Unified School District	312
Safeway Stores	160
Seton Medical Center Coastside	157
Half Moon Bay Brewing Company	90
Nick's Restaurant	90
Longs Drugs	83
La Honda/Pescadero School District	78
Essex Environmental	75
Odwalla	60
City of Half Moon Bay	52
Miramar Beach Restaurant	35

A few of the above companies are involved in agriculture (Nurserymen's Exchange, Bay City Flower Company), with a large number represented by retail/tourist ventures (Ritz-Carlton, Safeway Stores, Half Moon Bay Brewing Company, Nick's Restaurant, Longs Drug, Odwalla, and Miramar Beach Restaurant). Reportedly, while the service/financial sector represents a large portion of the total jobs in the coastside communities, most businesses in these classifications have less than ten employees. The remainder of the entities on the above list are generally represented by the health care or government/educational industries.

The employment statistics indicate that an adequate labor supply may exist to support the proposed subject property. Furthermore, due to a limited number of jobs in the immediate area, coupled with low unemployment rates, demand may be strong. Most property owners reported that the lack of quality developments and/or city restrictions on new construction have resulted in the low number of coastside jobs.

Transportation

Transportation issues are analyzed in relation to the coastside communities, as they heavily influence the population and employment data presented earlier. The coastside communities are accessed by Highway 1, which travels in a north-to-south direction along the coast. Highway 1 is serviced by Highway 92 in Half Moon Bay, which connects with Highways 280 and 101 on the eastern side of the Santa Cruz foothills.

Traffic is a significant deterrent for the coastal communities. Reportedly, typical commute times from Half Moon Bay are 25 minutes to San Mateo (12 miles away); 40 minutes to Palo Alto (22 miles); 60 minutes to central Silicon Valley (32 miles); and 50 minutes to downtown San Francisco (28 miles away). According to the Half Moon Bay Chamber of Commerce, most of these commute times are increased by 15 minutes for the coastal communities of Montara, El Granada, and Moss Beach.

Automobile and truck activity on Highway 92 is typically heavy, resulting in bottlenecks beginning outside of the incorporated area of Half Moon Bay. It is the main thoroughfare which connects the central Peninsula with the coast, with minimal other alternatives available. Traffic is particularly congested in an eastbound direction during morning hours, and westbound at the end of the day. An intersection at Main Street and Highway 92, as well as at Highways 1 and 92, is most often clogged. Current construction efforts include the widening of Highway 92 at and around the intersection of Main Street, with a second lane to be added to the highway for a short duration eastbound. This should alleviate some traffic concerns, once completed in 2008.

Highway 1 extends north through Pacifica, eventually connecting with Highway 280 and San Francisco. Pacifica is more readily accessible, as compared to most of the coastside, due to numerous streets which connect from nearby San Bruno, Daly City, and South San Francisco. The major unincorporated cities of the coast are located between Pacifica and Half Moon Bay, and are only accessible via Highway 1. Between Montara and Pacifica, the highway extends along a steep, coastal cliff of the Santa Cruz foothills. As a result, the highway only offers one lane in each direction at that point.

A historically perilous part of the road has been named Devil's Slide (between Pacifica and McNee Ranch State Park), and portions of the road have slid down the mountain into the ocean in the past several years. Road closures are somewhat common, with the most recent closing in 2006 lasting for near four months. This results in access being limited to Highway 92 for most of the coastside communities, and to Highway 1 northbound for Pacifica. Due to regular traffic on Highway 92, this route is less desirable.

Pacifica residents reportedly are largely unwilling to work south of Pacifica, due to the uncertainty with transportation accessibility. This has partially contributed to the

minimal development witnessed in Moss Beach, El Granada, and Montara over the past few decades. Without more reliable access, the coastside communities will likely not experience much growth. In 1996, San Mateo County voters passed Measure T, approving a planned tunnel which will divert traffic from the Devil's Slide area through a nearby hill and into Pacifica. After significant delays, ground was broken in May 2006 on the two, single-lane, 4,000-foot long tunnels through San Pedro Mountain. Overall, the project is anticipated to take near five years, with an estimated cost of \$300 million.

Upon completion of the tunnel construction, traffic flow along Highway 1 should improve significantly. The coastal communities will have better access, with relatively near connections to San Francisco. Pacifica officials are reportedly already anticipating a shift in jobs as the coastal communities will become more desirable to residents. Currently, when Devil's Slide is closed, access to Half Moon Bay and the coastal communities is only viable via Highway 92, which requires a near one-hour drive from Pacifica.

It is consequently important to note that the subject is likely only considered to be financially viable with completion of the tunnel construction. While a relatively moderate number of jobs exists in Half Moon Bay, the large population of Pacifica is probably necessary to support a development of the subject's size. Without the tunnel project, it is unlikely that significant numbers of Pacifica residents would seek employment in the coastal communities to the south.

The coastal communities are also serviced by the Half Moon Bay Airport. This is located in near proximity to the subject, and is a general aviation facility which services a limited number of passenger planes. It borders on Airport Street and Highway 1, comprises 325 acres, and is improved with a runway, storage hangars, a telecommunications tower, a small café, and associated offices. The airport is home to roughly 80 aircraft, and is self-funded through business and airport user fees. It primarily provides services for emergency and response functions, as well as personal entertainment for small passenger aircraft. San Mateo County (the ownership of the facility) reportedly does not plan any significant upgrades or expansions in the near-term, according to the Department of Public Works.

Commercial Market Analysis

The commercial real estate market in the coastside communities is relatively limited at present. No statistics are available from the major brokerage firms which service the central Peninsula, and Chamber of Commerce records for the various coastal towns do not offer much data. However, city planning officials and brokers active in the local area market provided some data for this report. Additionally, current businesses were interviewed concerning market conditions for their use types.

At present, the amount of available office or light industrial (including R&D, manufacturing, and warehousing) space in the coastal communities is limited. According to the Chamber of Commerce, vacant office space in Half Moon Bay, El Granada, Moss Beach, and Montara amounted to roughly 9,610 square feet in May 2007. A total building base was unknown, although based on the indicated vacancy rate of near five percent, this would suggest a total of near 190,000 square feet. Vacancy has reportedly remained near five percent for an extended period, with minimal new construction in the past several years.

The most recent developments are located in Half Moon Bay, with a Class A/B office facility on Highway 1, within the downtown market. Nearly all projects are of one or two-story design, with floor plates of less than 5,000 square feet. Chamber of Commerce officials indicate that the typical office user requires less than 2,000 square feet, while the light industrial users often have slightly larger spaces due to their storage needs. These statistics suggest that a fairly significant cottage industry of home-based businesses may exist, which was confirmed through discussions with local-area professionals.

Pacifica has a more concentrated amount of office space, although it too is somewhat limited. According to representatives of the Planning Department and Chamber of Commerce, Pacifica has near 250,000 square feet of office space. Currently, there are six office suites available at Eureka Square (near Linda Mar Beach), representing near 4,000 square feet of vacancy, and little else otherwise discovered. Vacancy may therefore be very low within this community. Properties reportedly do not have significant turnover, with spaces leasing between \$1.00 and \$2.50 per square foot per month, gross.

The amount of light industrial space in the coastside communities is unknown, and is primarily characterized by stand-alone buildings of fair-to-average quality and condition. Total supply is not considered insignificant, however. Most existing properties have storage yards and limited visibility and exposure, as they are situated off of the main thoroughfares. Vacancy is limited, with only a few direct and/or subleases offerings noted at present.

Retail space is also in strong demand in the coastside communities, based on low vacancy rates and minimal turnover. While the Big Wave project is not planned to include retail space, per se, it is assumed to have some potential to accommodate service commercial users, as well as office and light industrial functions related to existing retail. According to the Half Moon Bay Chamber of Commerce, there is currently 6,200 square feet of available retail space in the coastside communities (not including Pacifica). Asking rates range from \$2.25 to \$3.50 per square foot per month, triple net. Pacifica

presently has some vacancy in Eureka Square, with small suites leasing at \$1.50 per square foot per month, triple net. A former fast-food store currently has an asking rate of \$3.50 per square foot per month, triple net.

As previously noted, new construction of commercial space is limited in the coastal communities. Further development at Rockaway Beach in Pacifica will create between four to six retail suites at grade, with six upper level office spaces. This will add nearly 20,000 square feet of space to the market, with construction likely not to happen for a few more years (due to environmental concerns and community pressures).

Brokers report that rental rates for commercial space in the coastal communities are firm, and that they have risen at levels near those of near inflation for the past several years. This widely differs from the central Peninsula cities and San Francisco, which have exhibited significant fluctuations over the past decade, and correlates with the somewhat sheltered environment of the coastal communities.

Sale activity has been fairly strong for the past few years in the local area, particularly in the retail sector. Several eateries of various sizes have been sold at prices near or above \$400.00 per square foot, with some trading upwards of \$550.00 per square foot. Brokers report that demand for small motels, restaurants, and bed and breakfast establishments is high, as retirees from nearby San Francisco and Silicon Valley look for retirement ventures. Small office buildings in Half Moon Bay and Montara have recently sold, with most less than 10,000 square feet. Sales prices were indicated at between \$275.00 and upwards of \$600.00 per square foot, with some of the properties representing mixed-use configurations with retail and residential components.

Separately, a few light industrial buildings have sold within the subject's immediate neighborhood in the recent past, with most of Class C, warehouse-type design, and of older original construction. Brokers report that listing times range between three and nine months, with asking prices usually obtained (if originally priced right). The most recent light industrial sales have shown prices near \$175.00 to \$200.00 per square foot of building area.

The subject's ownership intends to sell the proposed Big Wave office condominiums at near \$300.00 to \$350.00 per square foot, with the industrial units presently unpriced. All will likely entail a warm shell buildout, although the prospective developer was uncertain as to construction details. With an assumed good quality and condition appeal, the \$300.00 to \$350.00 per square foot amounts appear to be supported by the market for the project's office component. Older, inferior product has sold within or above this range in the past two years. Most owners and brokers report that the limited

amount of new construction has led to upward pressure on older structures, which is unlikely to abate in the near term (the lack of development is expected to persist, due to community concerns and transportation issues). Furthermore, government officials are noted to be cautious about new construction.

Condominium ownership is a somewhat new concept for the coastal communities, as few opportunities currently exist for this property type. Overall, office and light industrial condominiums have fared favorably in the past few years within San Mateo County and Silicon Valley. Historically low interest rates have allowed for business owners to purchase property, supporting a growing trend of condominium unit development. Owners typically pay for a new space in shell condition, and complete interior improvements to their own specifications. Home Owner's Association (HOA) fees are typically required at most projects, albeit minimal, to service small common areas. Most often, condominiums include a certain number of deeded parking spaces, as well as shared rights to either restricted or unrestricted common areas.

Solid demand is currently noted for condominium units of less than 5,000 square feet in Silicon Valley and San Mateo County. The smaller size appeals to a wide group of users, most of which have fewer than 15 employees. Two projects in San Jose were recently completed, with both offering office condominiums of relatively small sizes. Absorption of the units was healthy, according to property representatives, with strong initial demand. A newly built project in Marin County experienced absorption of near 15,000 square feet per month for its light industrial and office condominiums, all of which were provided in shell condition in a business park setting of roughly 220,000 square feet of good quality space. Property representatives at that project indicated that a significant number of trading companies or importers/exporters purchased units at the property. Other developments completed in Mountain View have experienced slower absorption than originally anticipated, but still have drawn numerous small business users as buyers.

The demand for office and light industrial condominiums has also been fueled by the uncertainty of the commercial leasing market, as evidenced in the past few years. Tenants have witnessed wide swings in lease rates based on market conditions, resulting in some business owners desiring a more stable environment through ownership.

A substantial number of businesses were interviewed for this assignment. A relatively moderate amount reported that the coastal community businesses lack a central business park which can group companies in an area. Firms lamented the lack of true office or light industrial space, particularly as most larger buildings along the coast combine a broader variety of user types. This results in medical office tenants sharing environments with standard office or service commercial businesses, and light industrial

uses mixed into tourist and residential-oriented neighborhoods. Furthermore, due to the lack of centralized downtown areas for some of the coastal communities, retail users are spread throughout. This has inadvertently caused a lack of true business environments, according to the local business community.

A large number of companies reported their desire to eventually upgrade to better quality and condition space, but were uncertain if those options existed. While expansion plans were somewhat limited, the desire to own or lease better space in a business park setting was emphasized.

Property Analysis Summary

As outlined previously, an important element in understanding the subject's potential demand is the characteristics of the project and those which will likely be enticing or deterring to potential users. The following highlights the deemed strengths and weaknesses of the development:

Strengths

- New construction in a market which lacks good quality buildings;
- desirable location near the coast, with access to Highway 1 and the Half Moon Bay Airport;
- the potential to own a condominium within an office park - a relative obscurity amongst the coastal communities;
- location in a submarket which has a significantly greater number of employed residents than total jobs, suggesting that populace support is ample, and that there is an ability to capture the existing worker base;
- low vacancy rates for office and light industrial product in the immediate area, with historically stable market conditions;
- an expanding tourism industry which has added jobs to the local area, with an increased need for service-related labor;
- potential significant transportation improvements with the ongoing Highway 1 improvements, with greater access to the Pacifica market upon the completion of the tunnel construction;

- relatively low median housing prices in comparison to the remainder of the county and nearby Silicon Valley and San Francisco;
- high median incomes within the coastal communities result in strong purchasing power.

Weaknesses

- The proposed Big Wave development would be significantly larger than other existing properties along the coast, and would effectively represent a substantial increase in office property supply;
- population in nearby Pacifica is anticipated to be relatively stagnant, with growth rates well below that of the county;
- the lack of significant, large-scale employers within the coastal communities (the majority are of smaller size);
- anti-development political environment results in reduced potential for future supporting construction and infrastructure;
- lack of significant visibility and exposure due to low traffic counts on Airport Street.

VI. DEMAND CONCLUSION

The proposed Big Wave development is noted to be large-scale. It will be of significant size, particularly in relation to other existing structures in the coastal communities. The previously identified statistics suggest that demand may be solid for the project, although a gradual phasing of the project is suggested. This will allow for general entry into the market, while avoiding oversaturation. Furthermore, it is advised that a majority of property construction await completion of the current improvement work to Highway 1. This will allow for increased accessibility, particularly from the more heavily populated area of Pacifica.

Based on the proposed construction of roughly 167,000 square feet of office and light industrial space (approximately 155,000 square feet of office, and 12,000 square feet of light industrial (that which is analyzed herein, independent of the area intended to be used by the developer)), coupled with the typical market requirement of 250 to 300 square feet of office/light industrial space per employee (the lower end being associated with an office-intense-environment), a total of roughly 650 to 675 jobs might eventually be situated at the Big Wave project. In relation to current employment levels in the coastal communities, this is significant. With consideration for the population statistics presented previously, local growth within the coastal communities will likely not supply enough demand to satisfy the total. However, current employment

statistics, as noted earlier, indicate that a substantial number of residents work outside of the immediate area. A disconnect was analyzed wherein the number of employed residents is substantially higher than that of total jobs. Interviews with local area businesses indicated that most employees would prefer to work closer to their residences, but do not have those options based on limited coastside opportunities. This suggests that the project's ability to capture the existing employment base could more readily support the proposed business park.

The proposed pricing of the condominium also suggests that demand may be strong. Most product in the area sells for similar or higher price per square foot amounts than those anticipated for the office component of Big Wave (the industrial segment is not yet priced, but presumably would be lower). This is reportedly due to the lack of buildings, particularly of newer construction. The slow-growth mentality of the coastal communities has resulted in minimal new construction over the past few years, with substantial expansion not expected over the near term. Property owners and current business tenants lament the lack of good quality product, particularly within a business park setting, and buyer interest for small properties (such as condominiums) remains generally solid.

Overall, based on an extensive survey of needs of local area businesses, coupled with current employment demographics and industry trends in general, the proposed subject property is concluded to likely be met with adequate demand - assuming construction is phased to occur over an extended period, contemporaneous with the pending completion of the Highway 1 tunnel.

VII. COASTSIDE RESIDENT EMPLOYMENT

The second part of this consulting assignment is to analyze whether or not coastside residents would be likely to secure employment at companies that would be established at the proposed Big Wave development. The following analyses are based on a substantial number of business surveys conducted during mid-2007, along with recognition of economic and employment trends discussed throughout this report. Furthermore, information was obtained from local area Chamber of Commerce officials, as well as employment specialists throughout the coastal communities.

Half Moon Bay, Pacifica, and the other coastal communities offer a relatively wide variety of business types. While large corporations are somewhat non-existent in the immediate area, there are a fair number of firms that have been in the coastal region for an extended period. Currently, office users range from small accounting and law firms, insurance brokers, real estate agents, trading companies, non-profit groups, marketing firms (small-sized), employment agencies, government entities, financial planners, environmental groups, small manufacturers, software developers, and mail-order or service center related businesses, amongst others. A significant number of business types are home-based, due largely to the lack of established business parks and good quality office space. Furthermore, several light industrial structures in

the coastal communities appear to be utilized for more typical office uses, with others housing manufacturing or storage needs. Most of the aforementioned users are companies of between one and seven employees.

The subject's planned unit sizes will likely have strong appeal for a myriad of users, including those listed in the previous paragraph. Home-based business users may also be attracted to the business park setting, due to the communication and customer reception capacities which are often not available for residences (multiple phone/fax lines, high-speed internet, delivery services, etc.), as well as the image enhancement associated with a professional environment. Some might also consider a unit purchase to be a prudent investment, either for their own occupancy, or for prospective tenant leasing. Furthermore, several retailers in the area reportedly are in need of supporting office space (for accounting, training, administrative purposes, etc.), according to the surveys conducted for this assignment.

More than 200 businesses in the coastal communities were contacted during the course of this consulting assignment. A survey of questions concerning their current employment demographics and anticipated labor needs was utilized. Overall, the data collected strongly suggests that coastside residents would likely secure employment at companies that may be established at the Big Wave development.

Nearly 90 percent of current coastal employees are reportedly residents, based on the survey results. The remaining ten percent is more influenced by Pacifica, which draws workers from San Bruno, Daly City, and South San Francisco. However, it appears that nearly all of the employees from El Granada, Montara, and Moss Beach, are residents of the coast. Some employment in Half Moon Bay is serviced by residents of Redwood City, San Mateo, etc.

Living costs in the coastal communities are reportedly affordable enough for local employees. While a significant number of retail and service commercial jobs in the area are not high-paying, apartment rental rates are lower on the coast than in most parts of San Mateo County. This results in local area residents being able to afford housing. Furthermore, median home prices have not had the significant increases as most of the Bay Area, and still appear to be relatively affordable, based on median incomes.

A significant consideration for interviewed employees of coastside businesses is travel time to employment opportunities. Due to limited highways along the coast, coupled with common congestion on Highways 1 and 92, employees indicated an unwillingness to travel more than 20 minutes to work, one-way. As noted in a previous subheading, neighboring employment centers (Silicon Valley, San Francisco, San Mateo, etc.) are located further than 20 minutes. All of the coastal communities are accessible to and from the subject site, within this 20 minute time frame. This suggests that employees may find the location of the Big Wave development desirable.

Currently, Pacifica residents are reportedly unwilling to travel south to the coastal communities for employment, due to the historical uncertainty associated with Devil's Slide/Highway 1. The currently ongoing tunnel construction is intended to ensure that continuous travel will be available on Highway 1, although not for several years. Chamber of Commerce officials for Pacifica indicate that the improved road construction will allow for Pacifica residents to seek employment to the south, as well as for Half Moon Bay occupants to work in Pacifica. The expansion of the potential employee base, as a result of Pacifica being more accessible, will likely be a significant benefit to the subject property in attracting coastside residents.

Survey participants strongly reflected the desire to have more employment opportunities within the local area. Education levels appear to be relatively commensurate with most of San Mateo County, suggesting that a wide variety of potential employee types could be utilized by local area businesses. Additionally, as the area is not focused on a specific type of business (e.g. high-technology in Silicon Valley), a wide variety of skills can be accommodated. Most existing office users in the coastal area appear to require or have skill sets which would allow for local area residents to find employment without extensive, additional training.

The results of the survey also suggested a long-term loyalty of residents in remaining on the coast and working within the area. Employees also appear to be less transitory than those in other parts of the Bay Area. Most of those interviewed implied an intention to support local area businesses and a desire to avoid large corporations. Based on the subject's proposed suite sizes, it is likely that smaller businesses would be most attracted to the project, further supporting the prospect of an ability to hire local-area talent.

The survey also revealed that a large number of employees desire employment in an area which is less trafficked than Half Moon Bay and Pacifica. Traffic was reported as a concern to some businesses that do not rely on visibility and exposure, with an expressed need to have a slightly more secluded location that allowed for a natural setting, preferably nearer to the water. The proposed Big Wave development appears to meet these needs.

VIII. COASTSIDE RESIDENT EMPLOYMENT CONCLUSION

The results of the survey data, coupled with numerous conversations with business owners, tenants, and city officials, indicate that local area residents of the San Mateo County coastside would likely be able to secure employment at companies that could be established at the proposed Big Wave development. The characteristics of the subject's siting, coupled with the mentality of local residents (desiring minimal travel times, loyalty to the coastal communities, desire for business park settings in minimally trafficked areas, and the like), suggests that coastal residents will be attracted to employment opportunities likely to be offered at the anticipated project, and furthermore will likely possess the necessary skills required by those employers.

IX. EFFECTIVE DATE OF ANALYSIS, INSPECTION, AND REPORT AUTHORSHIP

The effective date of analysis of this appraisal consulting assignment is July 20, 2007.

The subject property was inspected on multiple times during the months of May, June, and July 2007.

The date of report authorship is July 20, 2007.

X. APPRAISAL CONSULTING REPORT FORMAT

The results of this appraisal consulting assignment are presented in a summary report format.

XI. CLIENT, PURPOSE, INTENDED USE AND INTENDED USER

The client for this appraisal consulting assignment is Mr. Jeff Peck of Big Wave, LLC, in San Francisco, California.

The purpose of this assignment is to test whether there is likely to be market demand for units which are proposed as part of the Big Wave condominium development, as well as whether local area residents of the San Mateo County coastside would be likely to secure employment at companies that could be established at the project.

It is our understanding that the intended user is Big Wave, LLC. The intended use is to assist in the preparation of an environmental impact report which is to be submitted to the County of San Mateo. This report should not be used by any other parties for any reason.

XII. ASSUMPTIONS AND LIMITING CONDITIONS***Extraordinary Assumptions and Hypothetical Conditions***

- A. Limited building plans were provided for this assignment, and are reproduced herein. The site plan, elevations, and other preliminary plans which were reviewed are assumed to be correct for purposes of this analysis, despite their lack of significant project details. Consequently, the conclusions presented herein are limited to the information provided during the course of report preparation.
- B. No environmental or soils reports were provided for this assignment. The conclusions stated herein assume that the property is not negatively affected by environmental or soil concerns.

- C. The conclusions presented herein assume that the current improvement work to the Devil's Slide area of Highway 1 will be completed, as currently proposed and scheduled. As of report authorship, the improvements were ongoing.
- D. This report does not contain an in-depth study of the subject's current or prospective zoning, nor which types of specific businesses may ultimately be allowed at the property. It assumes a variety of office and light industrial operations would be permitted in accord with the conclusions presented.
- E. The proposed Big Wave development will reportedly include office and light industrial condominiums. As no legal nor tentative maps had been completed as of report authorship, the conclusions contained herein assume that condominium units are approved and created, at the approximate sizes noted. Other aspects associated with condominium project design and operations are assumed to be similar to comparable developments recently built throughout the broader market area.
- F. A preliminary title report was not presented for this assignment. As a result, the subject's identification is assumed to be correct as referenced in County Assessor records. Furthermore, it is assumed that there are no negative easements or restrictions which would influence the subject property.

General Assumptions and Limiting Conditions

- A. A summary of the analyses which were considered necessary to complete this consulting assignment are contained in this report. It is important for the client to read this report in its entirety to understand the premises upon which the conclusions are based. It is furthermore incumbent upon the client to inform the appraiser of any errors or omissions of which they are aware prior to utilizing this report or making it available to any third party.
- B. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- C. It is assumed that the subject property conforms to all applicable zoning and use regulations and restrictions. It is furthermore assumed that all required licenses, certificates of occupancy, consents, and other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the conclusions contained in this report are based.
- D. The subject property is assumed to be in full compliance with all applicable federal, state, and local environmental regulations and laws unless the lack of compliance is stated, described and considered in this report.

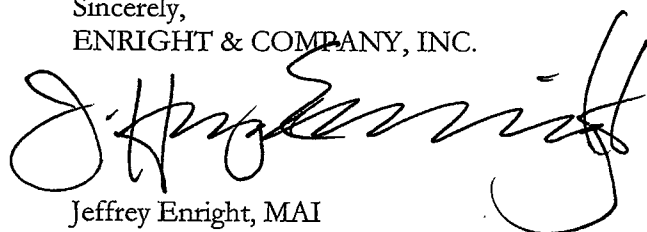
- E. No responsibility is assumed by the appraiser for the legal description of the subject property, or for matters pertaining to legal or title considerations. The appraiser is not responsible for legal matters. It is assumed that the property is free and clear of liens, encumbrances and special assessments. Title to the property is assumed to be good and marketable unless otherwise noted.
- F. Responsible ownership and competent management of the subject property is assumed.
- G. It is assumed that the use of the land is confined within the boundaries or property lines of the property and that there are no encroachments or trespasses.
- H. Any information, estimates, and opinions furnished to the appraiser from outside sources were obtained from sources considered to be reliable and believed to be true and correct. Responsibility for the accuracy of such items is not assumed by the appraiser. All information has been checked where possible and is believed to be correct, but is not guaranteed as such.
- I. This report may contain projections concerning items such as economic conditions and real estate market conditions and demographics. These projections are not intended to be relied on as factual indications of future events, which can never be predicted with certainty. Rather, they are estimates of what these items might be in the future, based on current market data. No representation is made that these projections will materialize, nor is any liability assumed by the appraiser for future events.
- J. The subject site is assumed to be free of adverse soil conditions. It is furthermore assumed to be of sufficient load-bearing capacity to support the proposed structures. The appraiser assumes no liability as to the condition of the soils underlying the subject property. This analysis is of surface rights only, and no analysis has been made of the value of subsurface rights (such as oil, gas and mineral rights), if any.
- K. It is assumed that there are no hidden or unapparent conditions of the subject property, its subsoils, or proposed structures that render them more or less valuable. No responsibility is assumed for such conditions or for obtaining the engineering or other studies that may be required to discover them.
- L. It is assumed that no toxic contamination exists on the subject property. The appraiser has no knowledge of the existence of such materials on or in the property, but is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation, mold, and other potentially hazardous materials may affect the value of the property. The conclusions presented herein have been predicated on the assumption that there is no such material on or in the property. No

responsibility is assumed for such conditions or for any expertise or engineering knowledge required to discover them. The intended users are urged to retain an expert in this field, if desired.

- M. The appraiser, by reason of this appraisal consulting report, is not required to give further consultation or testimony with reference to the property in question, unless prior arrangements have been made. Upon receipt and review by the client, no further services are required of the appraiser concerning the conclusions of this assignment, unless prior arrangements have been made.
- N. This report may not be used or relied upon by anyone other than the client and the identified intended users, for any purpose, without the express written consent of the appraiser. It may not be used for any purpose by anyone else, without the written consent of the appraiser, and in any event only with the proper written qualification, only in its entirety, and only for the contracted intended use as stated herein.
- O. Publication of this report is prohibited without the express written consent of the reviewer. No portions of this report shall be conveyed to the public through any media (such as publication, advertising, news sales, or other media) without the prior written consent of the appraiser, particularly as to the appraisal consultation conclusions, the identity of the appraiser, or any reference to the Appraisal Institute or the MAI designation.

I appreciate the opportunity to be of service to you. Please contact me directly if there are any questions regarding this report.

Sincerely,
ENRIGHT & COMPANY, INC.

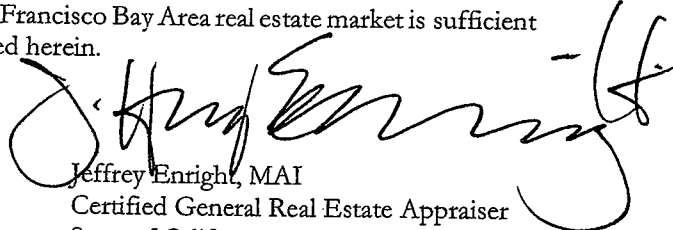


Jeffrey Enright, MAI
Certified General Real Estate Appraiser
State of California No. AG015649

APPRAISER CERTIFICATION

I hereby 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 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 reporting of predetermined conclusions or biases that favor the cause of the client, the attainment of stipulated results, or the occurrence of subsequent events directly related to the intended use of this report;
- the reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice;
- the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives;
- I have made a personal inspection of the property that is the subject of this report;
- as of the date of this report, I have completed the requirements under the continuing education program of the Appraisal Institute;
- Benjamin R. Becker provided significant real property appraisal consulting assistance to the person signing this report, through the research and analysis of subject property, comparable, and market data; the determination of consultation opinions; the writing of a report draft; and the preparation of exhibits;
- my education, experience, and knowledge of the San Francisco Bay Area real estate market is sufficient to provide the appraisal consulting services presented herein.


Jeffrey Enright, MAI
Certified General Real Estate Appraiser
State of California No. AG015649