LOS ANGELES - INLAND EMPIRE

MARKET TRENDS NEWSLETTER

November 2020

Uneven recovery across major market sectors, the defeat of Prop 15, and continuing economic challenges characterized a tumultuous third quarter of 2020 for commercial real estate in Los Angeles and the Inland Empire.

Although unemployment has surged and markets have been unsteady, a signifcant economic bounceback has also taken place: indeed, the most rapid decline (34%) and recovery in US history. As the numbers in the following pages show, however, that recovery is very uneven across sectors and across markets. Retail and office continue to struggle, even as industrial and multifamily mount a comeback.

California voters rejected Propositon 15 by a slim margin (51.8% to 48.2 percent%), meaning that commercial properties will continue to operate with the assessments they have previously enjoyed under the limits of Prop 13. Southern California markets, some of the most competitive in the nation, will remain attractive to investors, both domestic and international. With cap rates in European cities in the 2.75% to 3.5% range, the yield that's available domestically is comparatively attractive in conjunction with hedging costs.

In the following pages, we outline the major market trends in the Los Angeles and Inland Empire market sectors, along with key indicators. In today's quickly changing environment, we remain ready to assist you with your commercial real estate valuation needs at any time.

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COMMERCIAL REAL ESTATE MARKET OVERVIEW

INDUSTRIAL

Los Angeles Market

- **Market conditions for the Los Angeles industrial market have weakened** as a result of the pandemic, like most other markets across the nation and property types in L.A.
- **Average asking rental rates**, which saw cumulative rent growth of 75% during the past decade, appear to have plateaued since the first quarter.
- **Sales activity** has picked up in recent months after a below-average second quarter.
- **Trade volumes** through the ports of Los Angeles and Long Beach have declined since early 2019 as the twin ports are particularly dependent on goods from China.
- **Industrial real estate looks better positioned to weather the storm than other property types.**

Inland Empire Market

- **The Inland Empire's industrial market has grown** in tandem with the expansion of the nation's e-commerce industry and the nation's supply-chain infrastructure.
- **Vacancies are projected to rise from 3.9% to 5.3% by the end of 2021** as the result of severe job losses in 20Q2, while rents moderately decline. New tenants are often limited to new industrial buildings to lease or buy, as availability in existing product is rare.
- **Robust rents gains have slowed to +4.9% over the past four quarters,** compared to 6.9% a year ago and 8.6% two years ago. Average rent in the IE is ~1/3 the average rents in LA and OC. IE average rents of $9.20/SF appear near the National Index ($8.90/SF), but rents in IE logistics buildings with at least 200,000 SF are about 35% higher than they are in the nation.

OFFICE

Los Angeles Market

- **The Los Angeles office market continues to deteriorate:** vacancies have increased dramatically, and rents continue to decline. Sublease space has spiked to an all time high.
- **Average market rents declined in 2Q2020 for the first time in nine years**, and currently stand at $41.00/SF. Rates are continuing to slide downward in almost all submarkets.
- **Weak market conditions are likely to persist for at least the near term,** which will adversely impact demand for new office space. Around 50% of the square footage underway remains available for lease. Projects without tenants in tow may be hard pressed to find occupants.

Inland Empire Market

- **The Inland Empire's office market is stable.** Serving primarily the local population, it has not seen the dramatic changes present in neighboring LA or OC.
- **Rents have remained mostly unchanged since the start of 2020,** and gains had been modest in the prior year.
- **Leasing activity has slowed,** but levels had been moderate for the prior two years, with limited availability deterring prospective tenants.
- **Several large non-medical construction projects are underway,** bringing more than 200,000 SF of available space to the market before the end of 2020.

RETAIL

Los Angeles Market

- **Near-term retail demand remains low** as a result of the pandemic. Although landlord rent collections for retail properties have increased in recent months, they are still visibly below pre-pandemic collections.
- **The average modeled price per SF currently stands at $390,** almost twice the national retail average of $210.
- **Average market cap rates, presently 5.4%, are well below the national average of 7.2%.**
- **The sector had the weakest performance among the major property types coming out of the last recession,** and almost all types of retailers have struggled in the current environment. Also, the structural headwinds for the sector that existed pre-pandemic (competition from e-commerce sales, increasing inequality, and evolving consumer tastes) will only intensify.

Inland Empire Market

- **The Inland Empire retail market has the highest vacancy rate in the nation** among metros with more than half a million in population (113 metros).
- **Leasing volume has been declining** and, as a consequence, rent growth has been limited. Construction levels have been just a fraction of what was built ten years ago, and most recent deliveries are smaller shopping centers, often carefully developed to suit communities with a growing consumer base. Nearly all construction projects underway are smaller than 100,000 SF.
- **Trades with cap rates above 7% are not rare** (mostly local investors). Price appreciation had been healthy prior to the pandemic, and the market price grew by 3.1% per year for the last five years, compared to 2.1% growth for the national index.

MULTIFAMILY

Los Angeles Market

- **Vacancies jumped to 6.2% (up from around 4% for most of the past decade),** one of the most marked contractions anywhere in the nation.
- **After peaking at $2.52/SF in February, average asking rents had fallen to about $2.46/SF by the end of Q3,** a loss of roughly 2.5%.
- **Apartment demand stabilized in Q3, with around $1.7 billion in apartment trades,** although much of that volume stems from less conventional transactions (especially REITs).
- **Average cap rates, at around 4.4%, haven't moved much in the limited trading that has taken place** and remain well below the U.S. average of 5.6%.

Inland Empire Market

- **Vacancies are down to 4.1% (from 5.5% at the end of 2019),** while rent gains continue to accelerate.
- **Rents are now 6.2% higher than they were a year ago:** although rent gains started to vanish in mid-March, they have started to grow again, as measured in the daily asking rent series.
- **The market cap rate is historically low at 4.9%,** but assets with upside potential were trading far below that rate in recent months.
- **Multifamily development is expected to slow for the rest of 2020,** especially with regards to starts as developers evaluate market conditions.

INDUSTRIAL TRENDS

LOS ANGELES MARKET

Overview

Los Angeles Industrial

12 Mo Deliveries in SF	12 Mo Net Absorption in SF	Vacancy Rate	12 Mo Rent Growth
5.4 M	**(7.7 M)**	**3.4%**	**2.4%**

KEY INDICATORS

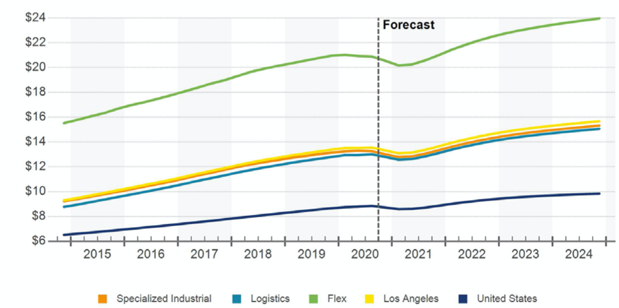
Current Quarter	RBA	Vacancy Rate	Market Rent	Availability Rate	Net Absorption SF	Deliveries SF	Under Construction
Logistics	625,388,561	3.3%	$13.01	5.9%	(658,465)	106,584	4,077,232
Specialized Industrial	254,562,946	3.1%	$13.25	4.2%	(86,705)	0	159,541
Flex	56,860,752	5.9%	$20.90	8.2%	(84,604)	0	0
Market	**936,812,259**	**3.4%**	**$13.55**	**5.6%**	**(829,774)**	**106,584**	**4,236,773**

Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When	Trough	When
Vacancy Change (YOY)	1.2%	3.9%	3.1%	5.7%	2010 Q1	2.1%	2019 Q1
Net Absorption SF	(7.7 M)	2,171,057	2,727,452	13,633,844	2005 Q2	(13,713,725)	2009 Q2
Deliveries SF	5.4 M	5,500,631	4,567,331	13,539,748	2002 Q1	704,373	2011 Q1
Rent Growth	2.4%	3.8%	3.3%	8.7%	2016 Q1	-4.9%	2009 Q4
Sales Volume	$5.2 B	$3.2B	N/A	$6.2B	2020 Q1	$982.1M	2009 Q3

Rent

Los Angeles Industrial

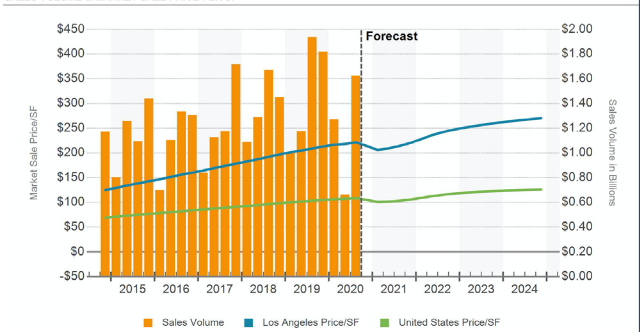
MARKET RENT PER SQUARE FEET



Sales

Los Angeles Industrial

SALES VOLUME & MARKET SALE PRICE PER SF



Economy

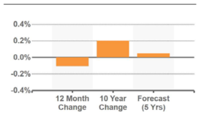
Los Angeles Industrial

DEMOGRAPHIC TRENDS

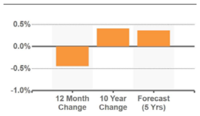
	Current Level		12 Month Change		10 Year Change		5 Year Forecast	
Demographic Category	Metro	U.S.	Metro	U.S.	Metro	U.S.	Metro	U.S.
Population	10,033,487	330,050,000	-0.1%	0.5%	0.2%	0.6%	0%	0.5%
Households	3,294,671	122,522,703	-0.2%	0.4%	0.3%	0.7%	0%	0.4%
Median Household Income	$70,974	$64,505	0.6%	1.2%	3.0%	2.6%	3.5%	2.9%
Labor Force	5,115,812	159,512,156	-0.4%	-2.6%	0.4%	0.4%	0.4%	1.0%
Unemployment	18.4%	13.4%	14.1%	9.8%	0.6%	0.4%	-	-

Source: Oxford Economics

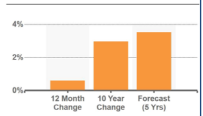
POPULATION GROWTH



LABOR FORCE GROWTH



INCOME GROWTH



Source: Oxford Economics

INLAND EMPIRE MARKET

Overview

Inland Empire Industrial

12 Mo Deliveries in SF	12 Mo Net Absorption in SF	Vacancy Rate	12 Mo Rent Growth
22.1 M	**20.7 M**	**3.9%**	**4.8%**

KEY INDICATORS

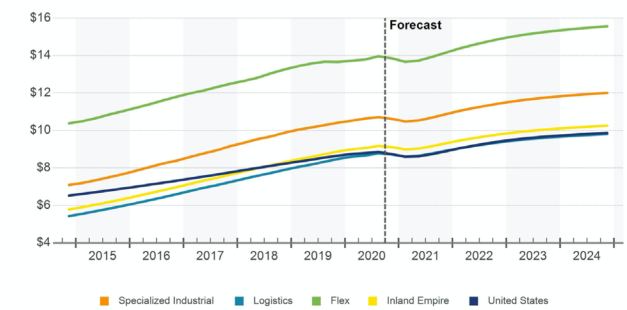
Current Quarter	RBA	Vacancy Rate	Market Rent	Availability Rate	Net Absorption SF	Deliveries SF	Under Construction
Logistics	555,510,532	4.0%	$8.80	7.2%	194,190	446,532	19,769,764
Specialized Industrial	99,599,044	3.1%	$10.72	4.7%	(147,908)	0	878,743
Flex	15,245,116	5.2%	$13.98	6.5%	12,285	0	0
Market	**670,354,692**	**3.9%**	**$9.19**	**6.9%**	**58,567**	**446,532**	**20,648,507**

Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When	Trough	When
Vacancy Change (YOY)	0%	6.6%	4.4%	12.5%	2009 Q3	3.8%	2020 Q2
Net Absorption SF	20.7 M	17,414,663	17,522,469	29,404,301	2007 Q3	(903,591)	2009 Q1
Deliveries SF	22.1 M	18,408,249	18,717,563	33,495,932	2006 Q4	1,340,322	2011 Q3
Rent Growth	4.8%	3.7%	2.7%	10.2%	2017 Q1	-8.9%	2009 Q4
Sales Volume	$2.8 B	$1.9B	N/A	$6.2B	2019 Q3	$491.3M	2001 Q2

Rent

Inland Empire Industrial

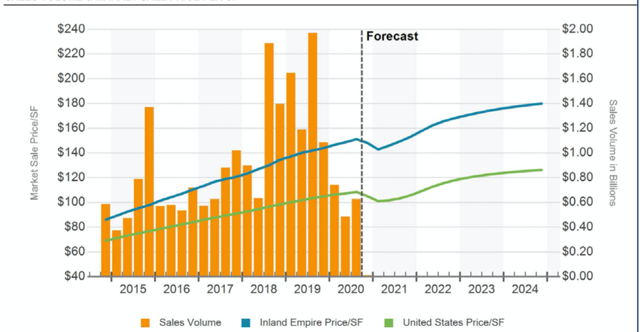
MARKET RENT PER SQUARE FEET



Sales

Inland Empire Industrial

SALES VOLUME & MARKET SALE PRICE PER SF



Economy

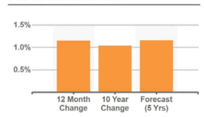
Inland Empire Industrial

DEMOGRAPHIC TRENDS

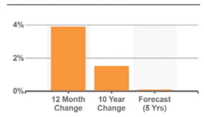
	Current Level		12 Month Change		10 Year Change		5 Year Forecast	
Demographic Category	Metro	US	Metro	US	Metro	US	Metro	US
Population	4,709,660	330,108,656	1.1%	0.5%	1.0%	0.6%	1.2%	0.5%
Households	1,392,967	122,540,336	1.1%	0.4%	0.9%	0.7%	1.1%	0.4%
Median Household Income	$68,523	$64,502	1.2%	1.1%	2.5%	2.6%	2.5%	2.9%
Labor Force	2,163,013	159,851,375	3.9%	-2.5%	1.5%	0.4%	0.1%	0.9%
Unemployment	18.8%	13.4%	14.9%	9.8%	0.5%	0.4%	-	-

Source: Oxford Economics

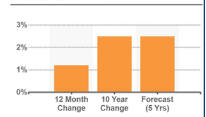
POPULATION GROWTH



LABOR FORCE GROWTH



INCOME GROWTH



Source: Oxford Economics

OFFICE TRENDS

LOS ANGELES MARKET

Overview

Los Angeles Office

12 Mo Deliveries in SF	12 Mo Net Absorption in SF	Vacancy Rate	12 Mo Rent Growth
2.2 M	(6.4 M)	11.6%	-0.2%

KEY INDICATORS

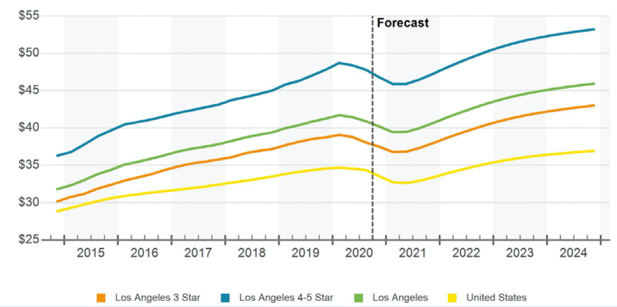
Current Quarter	RBA	Vacancy Rate	Market Rent	Availability Rate	Net Absorption SF	Deliveries SF	Under Construction
4 & 5 Star	164,811,519	14.9%	$47.55	20.5%	(431,965)	313,990	7,985,039
3 Star	155,434,291	10.7%	$38.00	14.6%	(454,033)	0	546,764
1 & 2 Star	106,610,218	7.8%	$33.88	10.5%	(196,483)	0	0
Market	**426,856,028**	**11.6%**	**$40.78**	**15.9%**	**(1,082,481)**	**313,990**	**8,531,803**

Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When	Trough	When
Vacancy Change (YOY)	1.6%	10.6%	11.9%	13.0%	1996 Q2	6.8%	2007 Q3
Net Absorption SF	(6.4 M)	1,387,841	1,108,170	12,927,268	2000 Q1	(9,059,494)	2009 Q1
Deliveries SF	2.2 M	2,349,887	3,585,337	4,677,682	2002 Q3	644,583	1997 Q3
Rent Growth	-0.2%	3.4%	2.3%	14.8%	2007 Q3	-11.1%	2009 Q3
Sales Volume	$5.4 B	$5.2B	N/A	$11.5B	2017 Q3	$806.9M	2009 Q4

Rent

Los Angeles Office

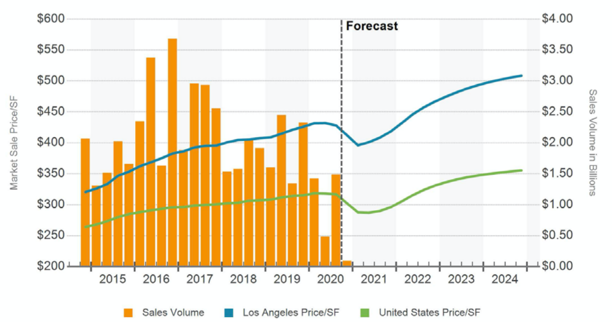
MARKET RENT PER SQUARE FEET



Sales

Los Angeles Office

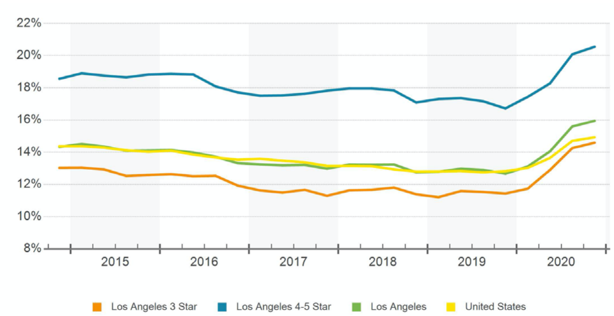
SALES VOLUME & MARKET SALE PRICE PER SF



Leasing

Los Angeles Office

AVAILABILITY RATE



INLAND EMPIRE MARKET

Overview

Inland Empire Office

12 Mo Deliveries in SF	12 Mo Net Absorption in SF	Vacancy Rate	12 Mo Rent Growth
627 K	250 K	7.4%	0.4%

KEY INDICATORS

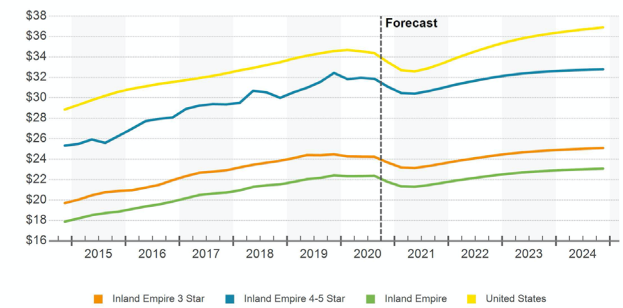
Current Quarter	RBA	Vacancy Rate	Market Rent	Availability Rate	Net Absorption SF	Deliveries SF	Under Construction
4 & 5 Star	8,628,664	6.8%	$31.78	9.1%	(4,994)	0	58,500
3 Star	36,330,226	8.2%	$24.18	9.8%	(143,948)	0	119,140
1 & 2 Star	31,822,364	6.7%	$17.53	8.4%	(55,000)	0	0
Market	**76,781,254**	**7.4%**	**$22.29**	**9.1%**	**(203,942)**	**0**	**177,640**

Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When	Trough	When
Vacancy Change (YOY)	0.4%	9.8%	7.8%	15.9%	2009 Q3	6.4%	2000 Q2
Net Absorption SF	250 K	1,056,809	185,167	2,993,523	2005 Q4	98,261	2008 Q4
Deliveries SF	627 K	1,196,943	416,545	4,530,826	2007 Q4	112,751	2014 Q1
Rent Growth	0.4%	2.2%	0.7%	10.6%	2001 Q2	-12.1%	2009 Q4
Sales Volume	$594 M	$390.6M	N/A	$716.3M	2015 Q4	$107.7M	2009 Q4

Rent

Inland Empire Office

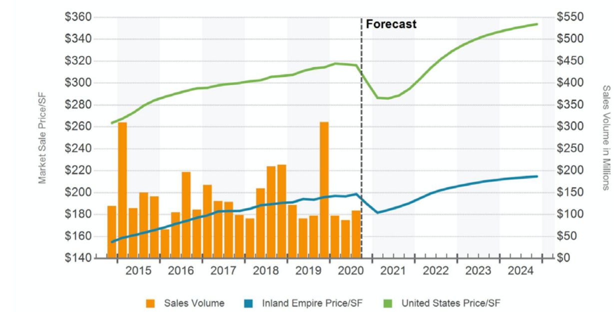
MARKET RENT PER SQUARE FEET



Sales

Inland Empire Office

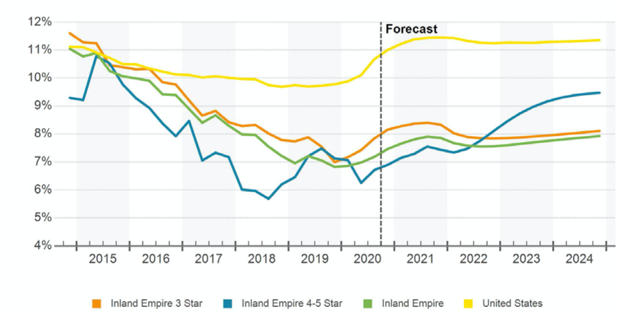
SALES VOLUME & MARKET SALE PRICE PER SF



Leasing

Inland Empire Office

VACANCY RATE



RETAIL TRENDS

LOS ANGELES MARKET

Overview

Los Angeles Retail

12 Mo Deliveries in SF	12 Mo Net Absorption in SF	Vacancy Rate	12 Mo Rent Growth
1.4 M	(1.9 M)	5.1%	-1.1%

KEY INDICATORS

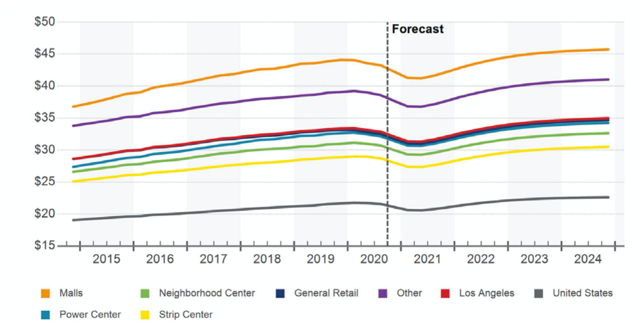
Current Quarter	RBA	Vacancy Rate	Market Rent	Availability Rate	Net Absorption SF	Deliveries SF	Under Construction
Malls	43,371,127	7.1%	$43.28	6.4%	232,753	0	654,314
Power Center	22,883,777	4.0%	$32.22	5.3%	(18,884)	0	4,200
Neighborhood Center	104,087,808	6.3%	$30.76	8.4%	(11,570)	0	389,904
Strip Center	36,001,285	5.9%	$28.74	6.8%	(30,913)	0	53,044
General Retail	235,632,675	4.2%	$32.57	5.6%	(170,939)	2,800	1,533,680
Other	2,778,428	8.2%	$38.59	8.7%	(5,312)	0	0
Market	**444,755,100**	**5.1%**	**$32.91**	**6.4%**	**(4,865)**	**2,800**	**2,635,142**

Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When	Trough	When
Vacancy Change (YOY)	0.6%	4.7%	5.9%	5.7%	2010 Q1	3.0%	2007 Q3
Net Absorption SF	(1.9 M)	1,037,772	(136,578)	6,732,416	2007 Q3	(4,202,342)	2009 Q3
Deliveries SF	1.4 M	2,346,037	1,548,033	6,516,825	2008 Q4	1,089,388	2019 Q3
Rent Growth	-1.1%	1.3%	1.2%	5.0%	2007 Q2	-5.1%	2009 Q4
Sales Volume	$3.6 B	$3.5B	N/A	$5.6B	2015 Q2	$976.1M	2009 Q4

Rent

Los Angeles Retail

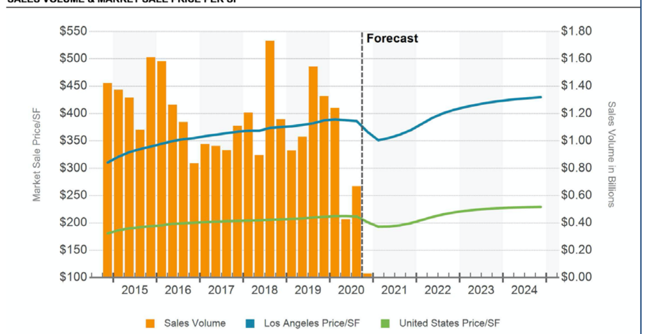
MARKET RENT PER SQUARE FEET



Sales

Los Angeles Retail

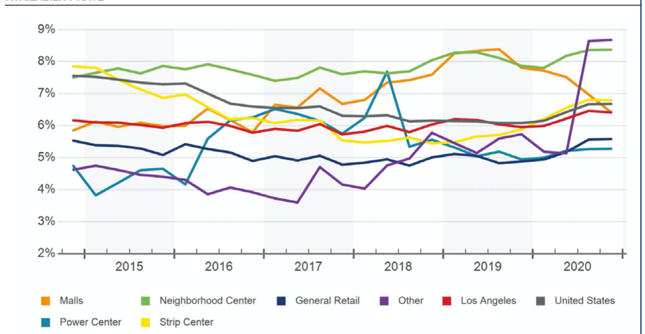
SALES VOLUME & MARKET SALE PRICE PER SF



Leasing

Los Angeles Retail

AVAILABILITY RATE



INLAND EMPIRE MARKET

Overview

Inland Empire Retail

12 Mo Deliveries in SF	12 Mo Net Absorption in SF	Vacancy Rate	12 Mo Rent Growth
944 K	(2 M)	8.2%	2.0%

KEY INDICATORS

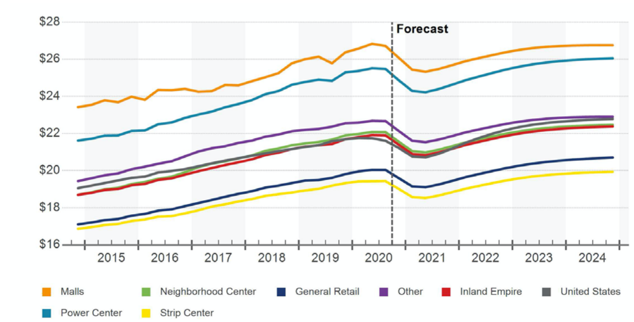
Current Quarter	RBA	Vacancy Rate	Market Rent	Availability Rate	Net Absorption SF	Deliveries SF	Under Construction
Malls	14,974,328	14.9%	$26.65	6.5%	(10,778)	0	110,690
Power Center	20,165,540	6.4%	$25.41	7.1%	(41,498)	0	0
Neighborhood Center	78,412,003	10.9%	$22.03	12.8%	67,264	0	91,059
Strip Center	15,156,001	6.8%	$19.41	8.2%	(4,715)	0	97,282
General Retail	65,974,196	4.2%	$20.00	5.4%	(29,229)	0	318,215
Other	2,479,116	10.5%	$22.61	13.8%	(1,408)	0	4,050
Market	**197,161,184**	**8.2%**	**$21.85**	**8.9%**	**(20,364)**	**0**	**621,296**

Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When	Trough	When
Vacancy Change (YOY)	1.4%	7.9%	8.7%	9.7%	2011 Q2	5.0%	2007 Q3
Net Absorption SF	(2 M)	1,444,795	25,445	8,283,823	2007 Q1	(2,139,069)	2009 Q4
Deliveries SF	944 K	2,208,878	872,349	7,279,722	2007 Q1	401,628	2011 Q1
Rent Growth	2.0%	-0.3%	0.6%	6.3%	2007 Q1	-10.4%	2009 Q4
Sales Volume	$1 B	$1.1B	N/A	$1.7B	2019 Q4	$395.7M	2010 Q1

Rent

Inland Empire Retail

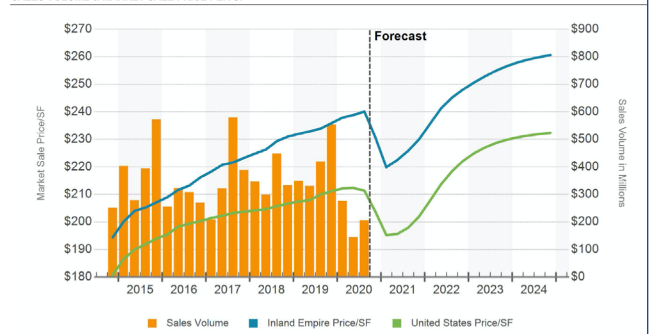
MARKET RENT PER SQUARE FEET



Sales

Inland Empire Retail

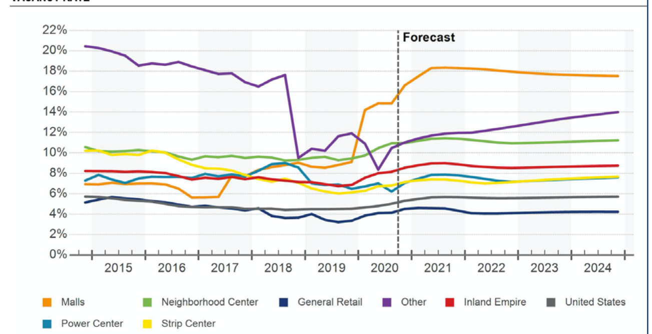
SALES VOLUME & MARKET SALE PRICE PER SF



Leasing

Inland Empire Retail

VACANCY RATE



MULTIFAMILY TRENDS

LOS ANGELES MARKET

Overview

Los Angeles Multi-Family

12 Mo. Delivered Units	12 Mo. Absorption Units	Vacancy Rate	12 Mo. Asking Rent Growth
11,538	(5,880)	6.2%	-1.7%

KEY INDICATORS

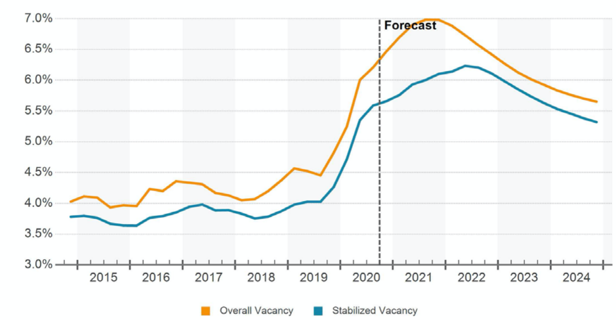
Current Quarter	Units	Vacancy Rate	Asking Rent	Effective Rent	Absorption Units	Delivered Units	Under Constr Units
4 & 5 Star	111,432	13.6%	$2,864	$2,804	622	353	23,750
3 Star	213,910	5.6%	$2,049	$2,036	47	0	1,729
1 & 2 Star	640,319	5.0%	$1,543	$1,541	(4)	0	18
Market	**965,661**	**6.2%**	**$1,933**	**$1,917**	**665**	**353**	**25,497**

Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When	Trough	When
Vacancy Change (YOY)	1.7%	4.3%	6.2%	6.2%	2020 Q3	2.9%	2000 Q3
Absorption Units	(5,880)	3,326	7,389	8,679	2018 Q2	(6,545)	2020 Q3
Delivered Units	11,538	5,412	8,568	12,067	2019 Q1	883	2011 Q4
Demolished Units	355	587	585	1,564	2010 Q3	49	2002 Q2
Asking Rent Growth (YOY)	-1.7%	2.5%	1.5%	8.1%	2001 Q1	-7.3%	2009 Q4
Effective Rent Growth (YOY)	-1.8%	2.4%	1.5%	8.0%	2001 Q1	-7.3%	2009 Q4
Sales Volume	$7.5 B	$6B	N/A	$11.2B	2020 Q1	$1.7B	2010 Q1

Vacancy

Los Angeles Multi-Family

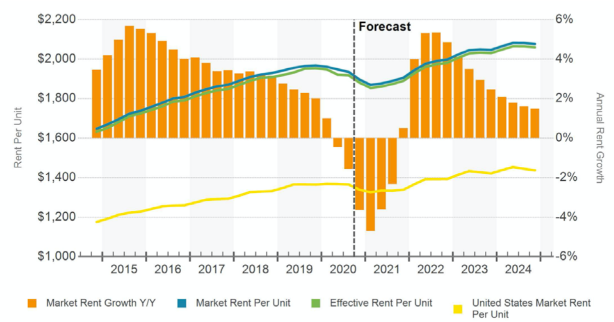
OVERALL & STABILIZED VACANCY



Rent

Los Angeles Multi-Family

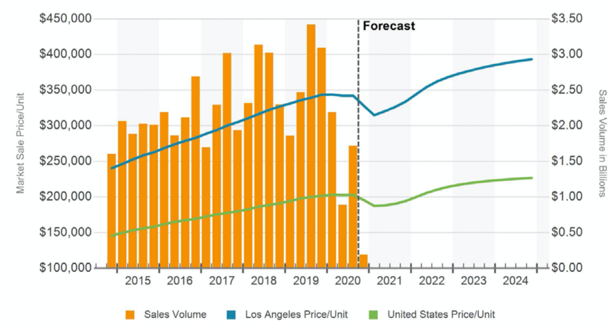
MARKET RENT PER UNIT & RENT GROWTH



Sales

Los Angeles Multi-Family

SALES VOLUME & MARKET SALE PRICE PER UNIT



INLAND EMPIRE MARKET

Overview

Inland Empire Multi-Family

12 Mo. Delivered Units	12 Mo. Absorption Units	Vacancy Rate	12 Mo. Asking Rent Growth
2,246	3,856	4.1%	6.3%

KEY INDICATORS

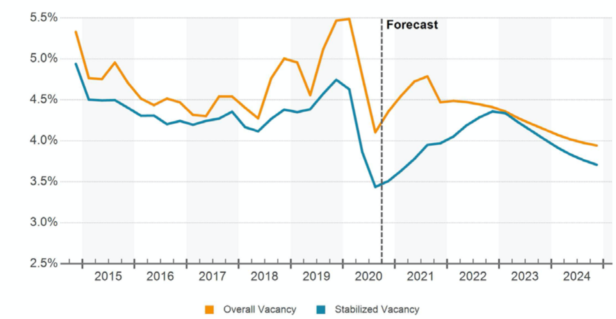
Current Quarter	Units	Vacancy Rate	Asking Rent	Effective Rent	Absorption Units	Delivered Units	Under Constr Units
4 & 5 Star	33,197	7.8%	$2,021	$2,003	32	0	1,324
3 Star	71,635	3.0%	$1,609	$1,602	14	0	220
1 & 2 Star	60,643	3.4%	$1,153	$1,151	(4)	0	0
Market	**165,475**	**4.1%**	**$1,577**	**$1,569**	**42**	**0**	**1,544**

Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When	Trough	When
Vacancy Change (YOY)	-1.0%	5.7%	4.3%	8.1%	2009 Q1	4.1%	2020 Q4
Absorption Units	3,856	1,640	1,075	3,814	2020 Q3	(126)	2011 Q4
Delivered Units	2,246	1,814	835	3,921	2005 Q3	11	2011 Q4
Demolished Units	0	73	70	296	2013 Q4	0	2020 Q3
Asking Rent Growth (YOY)	6.3%	3.4%	2.3%	9.6%	2001 Q2	-5.4%	2009 Q2
Effective Rent Growth (YOY)	6.5%	3.4%	2.3%	9.4%	2001 Q2	-5.3%	2009 Q2
Sales Volume	$1.1 B	$1.1B	N/A	$2.5B	2019 Q3	$71.8M	2009 Q3

Vacancy

Inland Empire Multi-Family

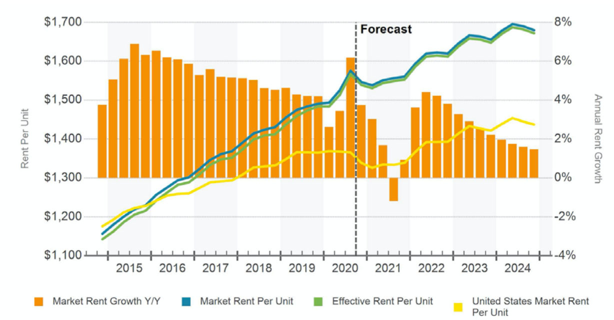
OVERALL & STABILIZED VACANCY



Rent

Inland Empire Multi-Family

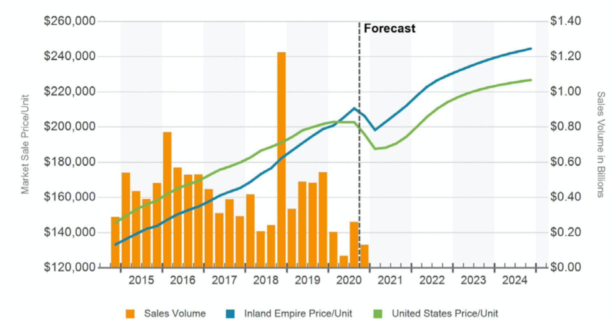
MARKET RENT PER UNIT & RENT GROWTH



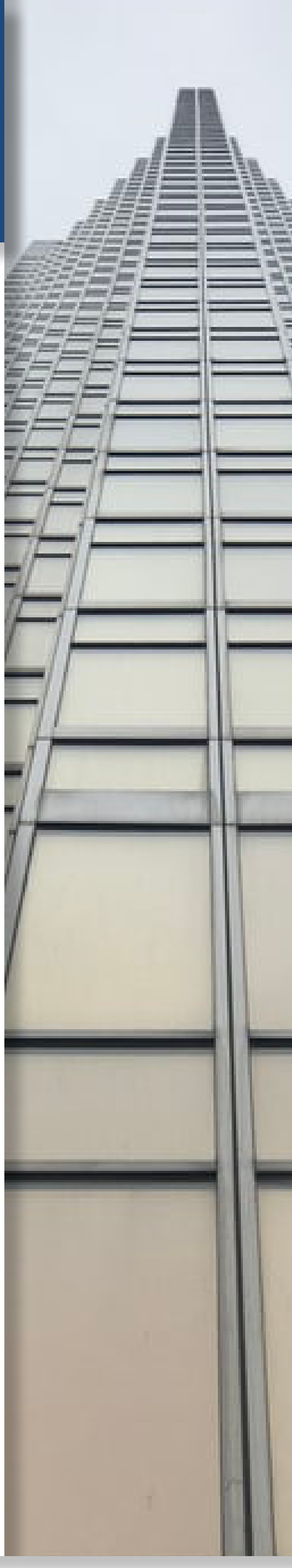
Sales

Inland Empire Multi-Family

SALES VOLUME & MARKET SALE PRICE PER UNIT



APPRAISALS IN 2020
VALBRIDGE LOS ANGELES-INLAND EMPIRE



USING TECHNOLOGY AND HISTORY TO OVERCOME HURDLES TO IN-PERSON APPRAISALS

From Valbridge Property Advisors

INTRODUCTION

As with many aspects of commercial real estate, the COVID-19 pandemic has presented considerable hurdles to conducting appraisals. After all, much of an appraiser's evaluation is based on first-hand, onsite observation. For CRE professionals, though, overcoming obstacles is our business. Here are some frequently asked questions on how we are safely and confidently conducting valuations.

How much of an obstacle is it if an appraiser cannot visit a development site, and how does it compare to other challenges of the current environment?

This is property specific. For example, in a multi-tenant retail center, the latest rent roll and an exterior inspection may give the appraiser all the information she needs as to condition, true vacancy, etc. For an owner-occupied medical office, an interior inspection really tells the story. The same can be said for multifamily, although usually only a sampling of apartments is required. The hurdle isn't insurmountable, as many clients are allowing property appraisers to use owner supplied videos or Zoom-assisted, real-time inspections.

It's just one of many new challenges in the current environment, and we have consistently been at the front of in the industry in our use of innovative technology.

What are some of the other hurdles in terms of completing an appraisal of a development (e.g., fewer comps, difficulty in projecting future values in the current uncertain environment)?

Current data is probably the biggest challenge. By nature, appraisers rely on data points from the past, and that is a hindrance in the current pandemic. When the economy was forced into an immediate shutdown, things happened so quickly that the market was frozen. Transactions are taking place across the country again, but data supply is not as ample as in 2019 and Q1 2020.

How do Valbridge appraisers overcome these hurdles?

History is a great reference for us. Understanding how markets responded in the past is helpful, but more importantly, how does that apply to today's crisis? The effects from COVID, and the forced shut down, are unprecedented. So at Valbridge, we are bringing all the technology we have to bear. We rely on Moody's analytics; our proprietary database that goes back over 40 years; custom designed wholly owned AVM solutions, and good old-fashioned market research to get as close to having a crystal ball as possible. Using historical data, coupled with real time market participant interviews gives our team the best tools to help our clients during this time.

How are appraisals different in 2020?

One of the more crucial aspects of the process, a first-hand look at the property, can generally be arranged safely. In-person interviews with the owners, managers, or brokers can be conducted by phone or virtually. There are no issues with research in regards to connecting with market participants, using email, or phone, and our extensive technology suite means we have access to the best and most up-to-date data.

Is the limitation on conducting in-person, on-site appraisals an issue more from the standpoint of actually performing the appraisal or more from the standpoint of the client's confidence and comfort level?

It depends on the client, but generally it's the comfort level for both the appraiser and the client. Do we really understand the current situation with the property? We want to address questions of true vacancy, deferred maintenance issues, and other scenarios that really require a hands-on assessment. Creativity and adaptability is the name of the game, and we've been able to meet every client request to date in 2020.

The pandemic and stay-at-home orders forced many businesses to quickly ramp up on working and communication techniques (e.g., Zoom calls) they hadn't had to use before. Did the Valbridge team encounter a similarly steep learning curve, or was adapting fairly seamless?

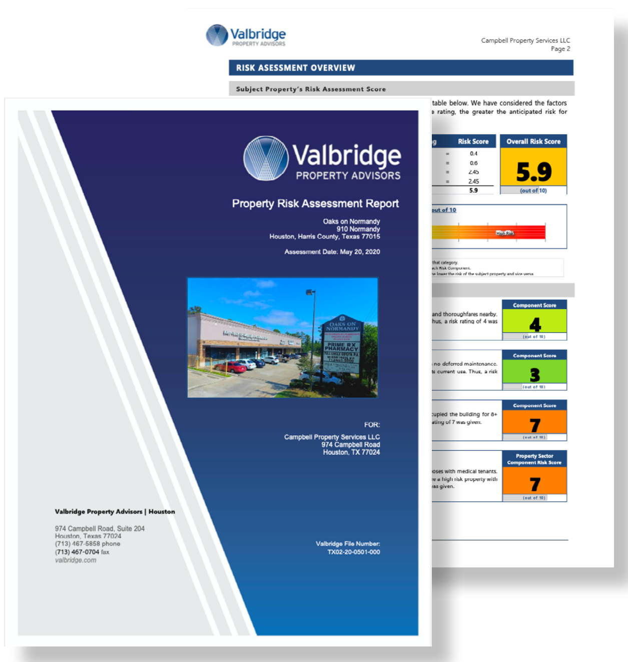
For our office, technology and rigorous systems are a way of life. Like the rest of the world, we jumped headfirst into virtual meetings, but apart adapting to changing market conditions, we were able to transition almost seamlessly.

Our nationwide network of offices, and VPA Corporate leadership, have been operating remotely and cloud-based since inception, and so we have been able to leverage that capacity to conduct fireside chats, guest speaker series, and virtual conferences to keep everyone connected and up to date on the latest industry practices and developments.

From property risk assessments to valuations for gift and estate tax purposes, there are many reasons you may need an independent, trusted appraisal on a commercial property.

Our Los Angeles-Inland Empire practice is a proud member of the forward-thinking and innovative organization that is VPA. For more information on general commercial or specialty property type commercial real estate appraisals, please contact us at (626) 486-9327, or email us at LA@valbridge.com.

TALK TO AN EXPERT »



Independent valuations for a variable world.

We are pleased to bring you quarterly market trends for rental rates, pricing, and trends for industrial, office, retail, and multifamily properties in the greater Los Angeles and Inland Empire markets as reported by CoStar™. We have been proudly serving the greater Los Angeles and Inland Empire commercial markets since 2002. For an appraisal consultation or quote for any type of commercial property, please call us at (626) 486-9327, or email us at LA@valbridge.com.

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