



## THE CONCORD GROUP

CDBG PLANNING AND TECHNICAL  
ASSISTANCE GRANT FINAL REPORT

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MARKET STUDY AND FEASIBILITY  
ANALYSIS FOR THE GATEWAY SITE IN  
OROVILLE, CALIFORNIA

FINAL REPORT  
JANUARY 13, 2011

PREPARED FOR:  
CITY OF OROVILLE  
STATE OF CALIFORNIA



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**Memorandum**

**TO:** Tom Fitzpatrick  
City of Oroville  
**FROM:** THE CONCORD GROUP  
**DATE:** January 13, 2011  
**RE:** Strategic Market Analysis and Product Recommendations for the Gateway Site

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**BACKGROUND AND OBJECTIVES**

The City of Oroville (the “City”) is currently evaluating the development potential of the Redevelopment Agency’s 10+ Acre Gateway Site (the “Site”), located at the corner of Montgomery Road and Feather River Boulevard in Oroville, California. In an attempt to correctly understand market and development dynamics in the region and to discover a potential way forward for the Site, the City engaged The Concord Group to complete a strategic market study and feasibility analysis for the property. The following memorandum summarizes our results and conclusions, as demonstrated by the attached exhibits.

**TCG EXPERIENCE AND EXPERTISE**

TCG is a leading real estate strategy consulting firm with offices located in San Francisco, Newport Beach and Boston. In the last five years alone, we have completed over 1,500 assignments in nearly every major US metro and over 15 countries with 85% repeat clients.

From a local perspective, we have been active in the Sacramento/Central Valley/Chico/Foothills submarkets for fifteen years, completing market, economic and development feasibility analyses for a broad array of client types and product segments. Additionally, TCG recently worked with the City of Oroville, completing a market opportunity analysis and development recommendations for the Oroville Inn, as part of a team assembled by Rosenow Spevacek Group, Inc. (“RSG”).

Most importantly – as it relates to our engagement on the Gateway Site – The Concord Group is predominantly engaged by the private developer community. The scope of work completed for this project exactly matches that we would complete for private clients considering the acquisition of a comparable site. As such, the results and conclusions generated by our work provide insight into the feasibility of a wide array of development options from private developer perspective. Using this analysis, the City of Oroville will be able to understand market forces currently at play in the region and correctly evaluate future developer proposals on the Gateway Site.

## RESULTS AND CONCLUSIONS

The most striking takeaway from our work is the relative lack of depth in the Oroville market for the entire spectrum of revenue generating real estate product types. Although there are opportunities to offer a mixed-use product array that utilizes the majority of the Site while generating some catalytic potential, future developers need to be careful to not over saturate the market, and will need to ultimately design and pursue a phased approach. Some key takeaways include:

### *For Sale Residential*

- The Oroville new residential market is virtually non-existent, as the market has supported less than thirty new home sales per year over the past decade
- All new developments have stopped sales – either mothballed by the developer or in receivership
- Home prices at  $\pm$ \$100 per square foot make new construction financially infeasible
- Notwithstanding these challenging development economics, demographic growth and turnover in the Primary Market Area (“PMA”) should support up to 110 units per year above \$110,000
  - City of Oroville capture projected to be approximately 50% of the PMA
  - Households lifestyle-qualified for “urban” living is extremely low at 6% - majority of households in the area desire suburban or rural-style homes on large lots
  - Based on affordability characteristics, product choices and demographics, TCG see demand for approximately 20 attached or cluster single family units per year
- The Gateway Site can fill a small – but important – need by offering affordable cluster single family and townhome product types in an upscale downtown-adjacent setting.
- TCG product menu allocates 2.5 acres to for-sale residential product types, approximately 40 units
  - Can be sold together, will take approximately two years to absorb

### *For Rent Residential*

- The apartment market in Oroville is relatively stable but unsophisticated, all rental products are small non-managed apartment communities owned by individuals
- Vacancies are healthy ( $\pm$ 5%)
- Asking rents below \$900 per month, making new development exceedingly difficult as rental revenue is insufficient to support construction costs
- Demographic growth and owner/renter trends demonstrate demand for 26 units per year between \$700 and \$1,300 per month in rent
  - “Urban” capture is 6 per year

- Attached/Cluster product capture is 5 per year
- Based on wide gap between construction costs and revenue potential, TCG sees apartments as a difficult proposition for the site. If done, likely to be ±35 units and take more than three years to stabilize.

*Retail*

- Greater Oroville is home to 1.6 million square feet of retail, the majority of which is concentrated along key traffic corridors (Feather River and Oro Dam)
- Given national recession, vacancies currently exceed 10%
- Rents average \$1.00 per square foot – best comparables range from \$0.70 to over \$2.50
- Retail in Downtown Oroville clearly struggling (vacancies, low asking and contract rents)
- TCG sees future retail as the strongest opportunity at the Gateway Site
  - Current market can support 15,000 square feet of in-line specialty and restaurant space and an additional 20,000 square feet of neighborhood anchor
  - Best approach would be to relocate a local restaurant with strong following to activate the site, prospect for a second restaurant to anchor new development (perhaps a popular restaurant from Chico) and build up the remainder of the retail space demanded between

*Office*

- Office in Greater Oroville relatively stagnant
  - Total of 330,000 square feet
  - Vacancies in high single digits
  - Rental rates at \$0.80 per square foot
- Downtown offices are struggling as activity has shifted to outlying areas
- Government by far largest office user
- Demand is limited but Gateway site could have follower use of 25,000 square feet assuming strong economic development strategy
  - Potential for government anchor

*Hotel*

- Oroville already offers 620 hotel rooms in 12 establishments
- Average occupancies well below 50% - difficult to find demand for any additional limited service hotel rooms
- If promoted – through economic development strategies leveraging the recreation options in the area, potential for a 25 rooms boutique hotel on the Gateway Site.

**Development Opportunity Exhibit**

Variables	For Sale Residential	Apartments	Retail
<b>Market Conditions</b>			
Supply Conditions	<ul style="list-style-type: none"> <li>Minimal new home closings (&lt;30/yr) over last 10 years</li> <li>No new comparables currently selling                             <ul style="list-style-type: none"> <li>Vista del Oro mothballed</li> <li>Ridge Development 60% built out (in receivership)</li> </ul> </li> <li>Home prices not supportable of much new construction                             <ul style="list-style-type: none"> <li>Key resale communities at ±\$100 psf</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Market stable but not sophisticated                             <ul style="list-style-type: none"> <li>Vacancies appropriate (5% to 6%)</li> <li>Asking rents below \$900 per month</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Greater Oroville home to 1.6MMsf of retail</li> <li>Vacancies at 10%+</li> <li>Rental rates ±\$1.00 psf</li> <li>Comparables range from \$0.70psf to \$2.75psf</li> <li>Retail focused to Feather River and Oro Dam</li> <li>Downtown struggling</li> </ul>
Depth of Demand	<ul style="list-style-type: none"> <li>New home demand above \$110k is ±110 units per year                             <ul style="list-style-type: none"> <li>City of Oroville capture is approx. 50%</li> <li>"Urban" capture is 5% (6 units per year)</li> <li>"Cluster/Attached" product capture is 18% (19 units/yr)</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Minimal deliveries in recent years</li> <li>Demand for 26 new units/yr between \$700 and \$1,300                             <ul style="list-style-type: none"> <li>"Urban" capture is 6 units/yr</li> <li>"Cluster/Attached" product capture 5 units/yr</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Significant spending outflow among key categories</li> <li>25,000sf of annual demand in Greater Oroville</li> </ul>
<b>Product Types Considered</b>	<ul style="list-style-type: none"> <li>Small Lot Cluster SFD</li> <li>Cluster THs</li> <li>Row THs</li> </ul>	<ul style="list-style-type: none"> <li>Garden Hybrid</li> </ul>	<ul style="list-style-type: none"> <li>In-Line specialty</li> <li>Neighborhood Anchor</li> <li>Junior Box</li> </ul>
<b>Risk &amp; Opportunity</b>			
Market Risk			
Catalytic Potential			
<b>Critical Success Factors</b>	<ul style="list-style-type: none"> <li>Recovery in home prices and absorption to make deal pencil</li> <li>Desirability of living downtown</li> <li>Return in lending to moderate and lower income households</li> </ul>	<ul style="list-style-type: none"> <li>Recasting site as viable rental alternative</li> <li>Wide range of available unit sizes and rents</li> <li>Desirability of living downtown</li> </ul>	<ul style="list-style-type: none"> <li>Visibility and traffic issues at site on/off-ramps</li> <li>Need to build 18hr environment; deliver housing and activity to downtown</li> <li>Economic Development strategy targeting key "driver" tenants</li> </ul>
	<b>Office</b>	<b>Hotel</b>	<b>Economic Development Strategies</b>
<b>Market Conditions</b>			
Supply Conditions	<ul style="list-style-type: none"> <li>Greater Oroville home to 333ksf of office</li> <li>Vacancies in high single digits</li> <li>Rental rates ±\$0.80 psf</li> <li>Comparables range from \$0.56psf to \$1.25psf</li> <li>Downtown struggling</li> <li>Government largest office user</li> </ul>	<ul style="list-style-type: none"> <li>620 total rooms in 12 hotels</li> <li>Occupancies below 50%</li> <li>ADR at \$70 limits majority of demand to limited service</li> </ul>	
Depth of Demand	<ul style="list-style-type: none"> <li>Once oversupply is overcome, 9ksf per year</li> <li>Office using employment weak                             <ul style="list-style-type: none"> <li>Financial Activities, Prof. Services less than 13% of total</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Opportunity to capture recreation demand in boutique hotel</li> <li>Currently oversupplied</li> <li>Limited growth likely</li> </ul>	
<b>Product Types Considered</b>	<ul style="list-style-type: none"> <li>1-2 Story Garden Office</li> </ul>	<ul style="list-style-type: none"> <li>Limited Service</li> <li>Boutique</li> </ul>	
<b>Risk &amp; Opportunity</b>			
Market Risk			
Catalytic Potential			
<b>Critical Success Factors</b>	<ul style="list-style-type: none"> <li>Oversupply troublesome</li> <li>Economic development strategy to be able to attract key tenant types and compete with stronger foothill locations</li> </ul>	<ul style="list-style-type: none"> <li>Low occupancies troublesome</li> <li>Regional anchor for recreation users and reasons to be downtown</li> </ul>	

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This assignment was completed by Peter Oden, Theresa O'Neil and Dan D'Orazi under the direction of Tim Cornwell.



## LIST OF EXHIBITS

### **I. MACRO-ECONOMIC CONTEXT**

1. Regional Location and Delineation of Market Areas
2. Employment Trends
3. Demographic Summary
4. Building Permits as a Percentage of Household Base
5. Oroville Metrics

### **II. FOR-SALE RESIDENTIAL ANALYSIS**

1. Historical Building Permits
2. Historical Home Closings and Price Trends
3. Resale Nodes
4. Current Inventory
5. Location of Comparable Communities
6. Future For-Sale Residential Supply
7. Demand Overview and Affordability
8. Demand by Buyer Profile and Distribution

### **III. APARTMENT RESIDENTIAL ANALYSIS**

1. Apartment Market Trends
2. Current Inventory (Gray Market)
3. Location of Comparable Apartments
4. Future Apartment Supply
5. Demand Overview and Affordability
6. Demand by Renter Profile and Distribution

### **IV. OFFICE ANALYSIS**

1. Total Rentable Building Area
2. Macro Market Performance
3. Current Inventory Summary
4. Office Inventory Map
5. Future Office Supply
6. Projected Office Demand by Segment

**V. RETAIL ANALYSIS**

1. Total Rentable Building Area
2. Macro Market Performance
3. Current Inventory Summary
4. Retail Inventory Map
5. Future Retail Supply
6. Consumer Spending Capacity
7. Retail Opportunity Gaps
8. Projected Retail Space Demand

**VI. HOTEL ANALYSIS**

1. Hotel Market Historical Trends
2. Current Hotel Inventory
3. Location of Selected Comparable Hotels
4. Future Hotel Supply
5. Projected Hotel Demand

## **VII. SITE SPECIFIC ANALYSIS AND RECOMMENDATIONS**

1. Local Setting
2. Site Map
3. Site Assessment
4. For Sale Residential Positioning
5. Apartment Positioning
6. Retail Positioning
7. Office Positioning
8. Hotel Positioning
9. Development Opportunities
10. Strategic Product Menu

## **I. MACRO-ECONOMIC CONTEXT**

EXHIBIT I-1

REGIONAL LOCATION AND DELINEATION OF MARKET AREAS  
GREATER OROVILLE, CALIFORNIA  
DECEMBER 2010

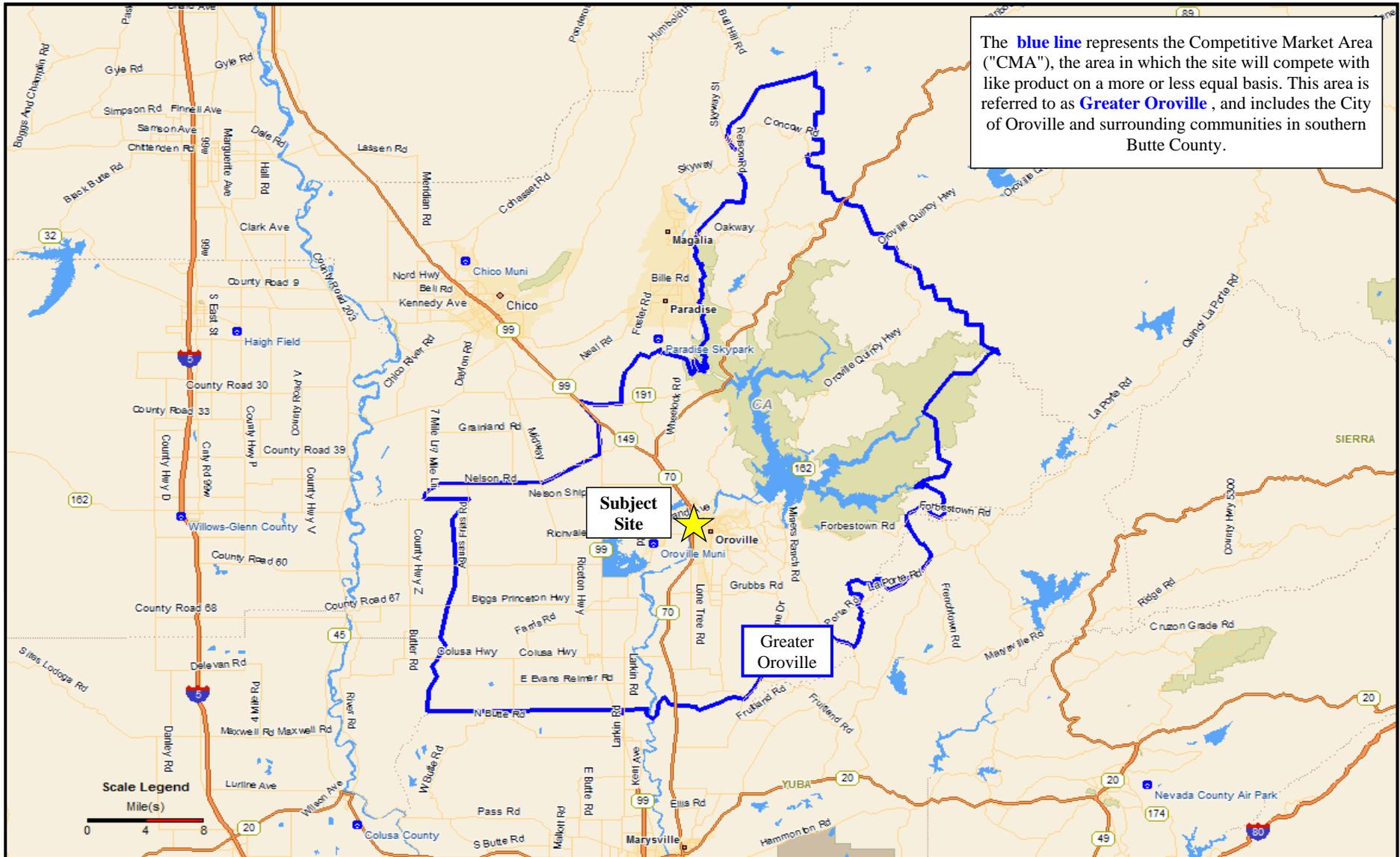
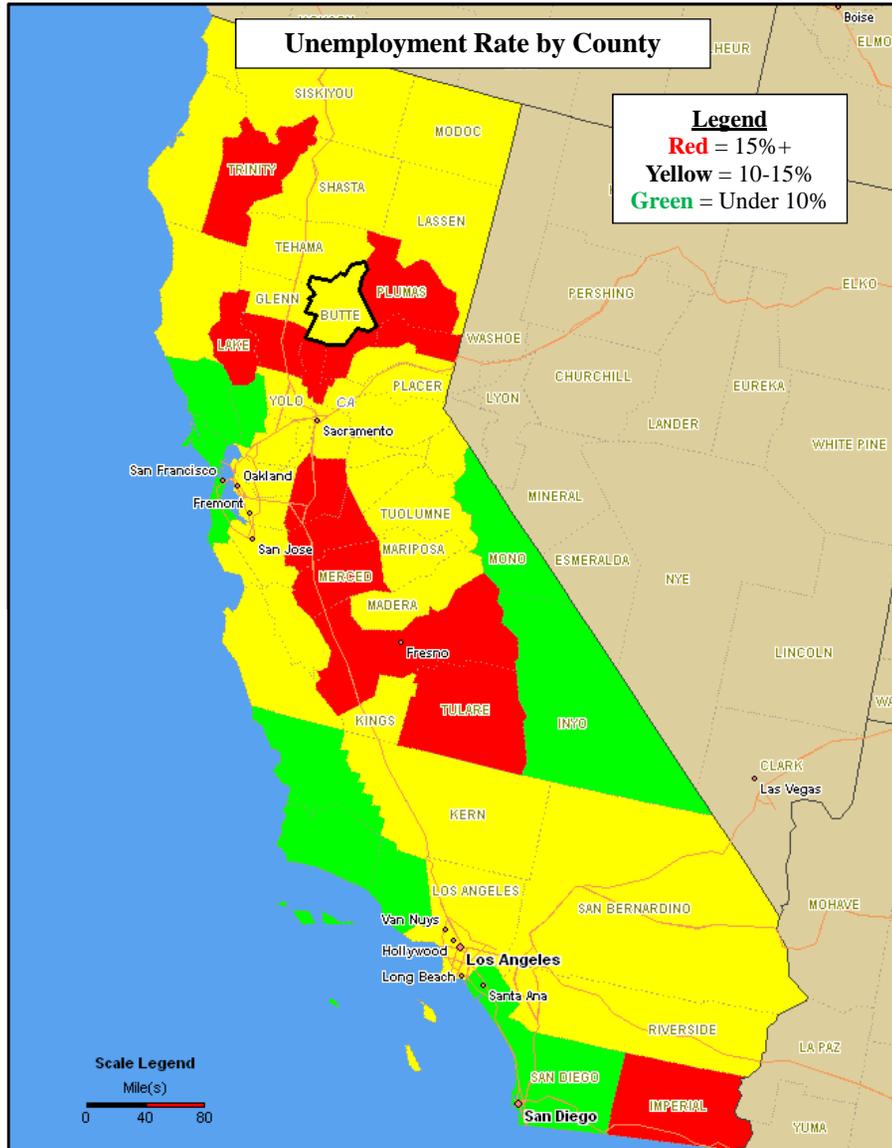


EXHIBIT I-2

UNEMPLOYMENT AND JOB LOSS BY COUNTY  
CALIFORNIA  
DECEMBER 2010



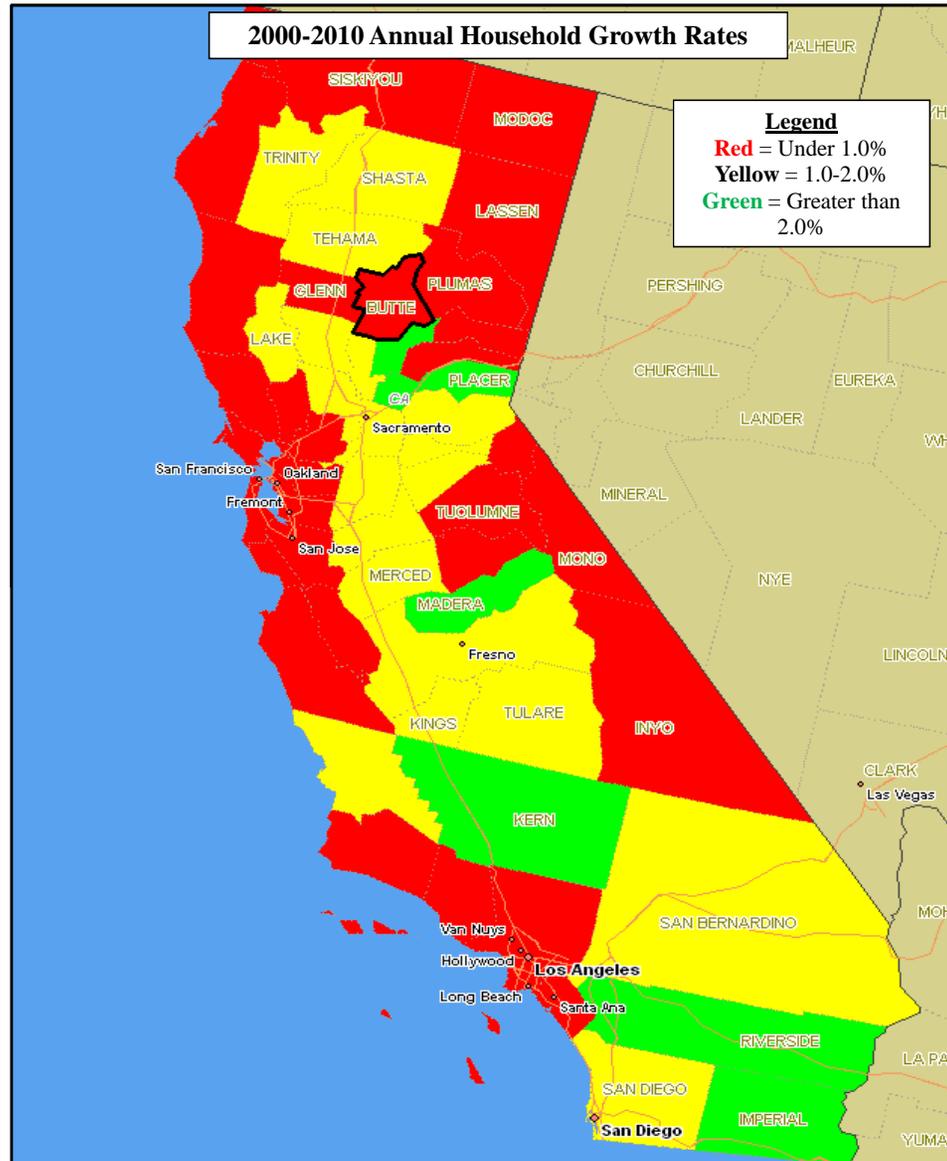
Northern California County	2009 Job Loss from Peak	2009 Unemployment	California Rank (1)
Colusa	0	18.4%	2
Yuba	-1,300	17.3%	3
Sutter	-2,400	17.0%	6
Plumas	-1,290	16.5%	7
Lake	-2,550	15.6%	9
Sierra	-310	15.2%	12
Glenn	-180	14.6%	16
Tehama	-1,900	14.1%	21
<b>Butte</b>	<b>-4,900</b>	<b>12.5%</b>	<b>29</b>
Amador	-960	11.7%	32
El Dorado	-6,300	11.3%	34
Yolo	-4,500	11.3%	34
Sacramento	-33,500	11.3%	34
Solano	-8,000	10.9%	40
Nevada	-2,920	10.7%	41
Placer	-6,500	10.6%	44
Napa	-3,100	8.7%	55
California:			
Total	12.4%		
Median	14.3%		

(1) Based on ranking of all California Counties; "1" represents the highest unemployment rate and "58" represents the lowest unemployment rate.



EXHIBIT I-3

CALIFORNIA GROWTH BY COUNTY  
CALIFORNIA  
2000-2010



Northern California County	Annual Household Growth	California Rank (1)
Placer	3.7%	1
Yuba	2.1%	5
Sutter	1.8%	8
Yolo	1.7%	10
El Dorado	1.6%	14
Sacramento	1.5%	16
Colusa	1.3%	20
Amador	1.1%	23
Tehama	1.1%	24
Lake	1.1%	25
Napa	0.9%	28
<b>Butte</b>	<b>0.9%</b>	<b>29</b>
Nevada	0.8%	30
Glenn	0.8%	32
Solano	0.5%	37
Plumas	0.1%	55
Sierra	-0.5%	57
California:		
Total	1.0%	
Median	0.8%	

(1) Based on ranking of all California Counties; "1" represents the highest annual growth rate and "58" represents the lowest annual growth rate.

**EXHIBIT I-3**

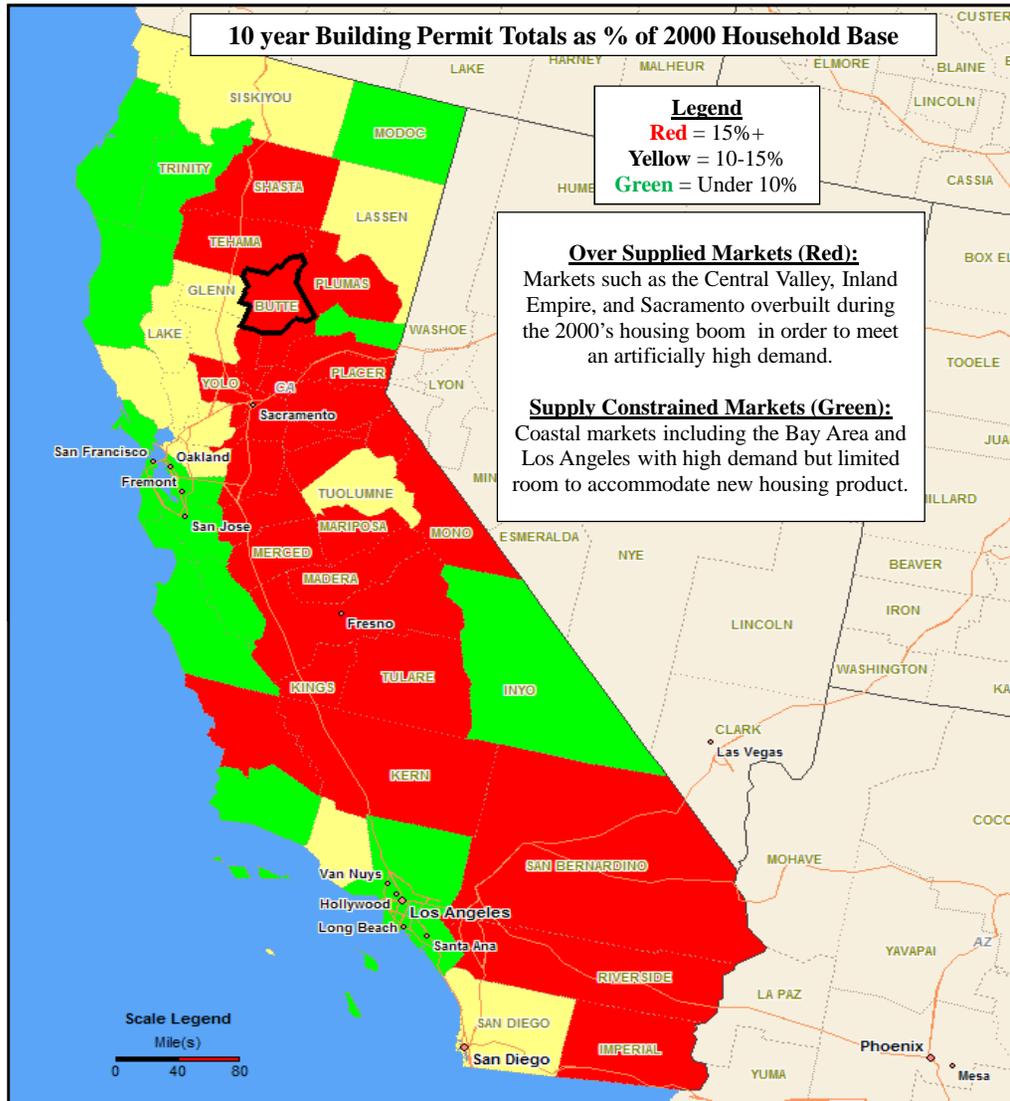
**DEMOGRAPHIC SUMMARY  
BUTTE COUNTY, CALIFORNIA  
DECEMBER 2010**

<b>Market Area</b>	<b>City of Oroville</b>		<b>Greater Oroville</b>		<b>Butte County</b>	
<b>General Information</b>						
Population 2010	13,961		67,843		222,294	
Households 2010	5,182		24,661		86,649	
<i>% of County</i>	6%		28%		100%	
Average Household Size 2010	2.69		2.75		2.57	
Annual HH Growth Rate (2010 - 2015)	0.6%		0.9%		1.0%	
Average Annual Households Added	31		222		845	
<i>% of County</i>	4%		26%		100%	
Median HH Income 2010	\$27,254		\$37,461		\$41,874	
<i>Premium/Discount to County</i>	-35%		-11%		NA	
Annual Income Growth Rate (2010 - 2015)	1.2%		1.5%		1.6%	
<b>Household Breakdown</b>						
	<b>#</b>	<b>% Total</b>	<b>#</b>	<b>% Total</b>	<b>#</b>	<b>% Total</b>
1 Person	1,630	31%	6,162	25%	23,583	27%
2 Person	1,562	30%	8,526	35%	30,901	36%
3+ Person	1,990	38%	9,973	40%	32,165	37%
<b>Age Breakdown</b>						
Median Age 2010	32		35		35	
Less than 25	5,436	39%	24,283	36%	78,739	35%
25 to 34	2,288	16%	9,828	14%	33,861	15%
35 to 44	1,648	12%	6,725	10%	24,276	11%
45 to 54	1,538	11%	8,115	12%	27,154	12%
55 to 64	1,292	9%	7,858	12%	24,466	11%
65 to 74	785	6%	5,447	8%	15,722	7%
75+	974	7%	5,587	8%	18,076	8%
<b>Income Breakdown</b>						
Under \$50K	3,843	74%	15,719	64%	50,434	58%
\$50K to \$75K	791	15%	4,478	18%	16,106	19%
\$75K to \$100K	281	5%	2,097	9%	8,839	10%
\$100K to \$150K	185	4%	1,635	7%	7,217	8%
\$150K to \$200K	38	1%	367	1%	2,065	2%
\$200K to \$500K	36	1%	291	1%	1,627	2%
\$500K+	8	0%	74	0%	361	0%
<b>Rental Housing Market</b>						
2000 Census Rental %	58%		32%		39%	
Renter HHs	2,812		7,311		31,233	
<i>% of PMA</i>	9%		23%		100%	

Sources: U.S. Census 2000; Claritas

EXHIBIT I-4

BUILDING PERMITS AS A PERCENTAGE OF HOUSEHOLD BASE  
CALIFORNIA  
2000-2009



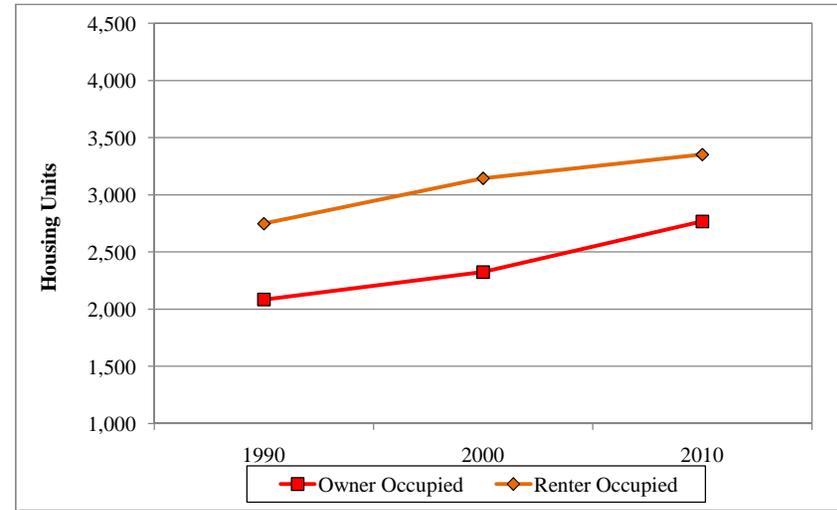
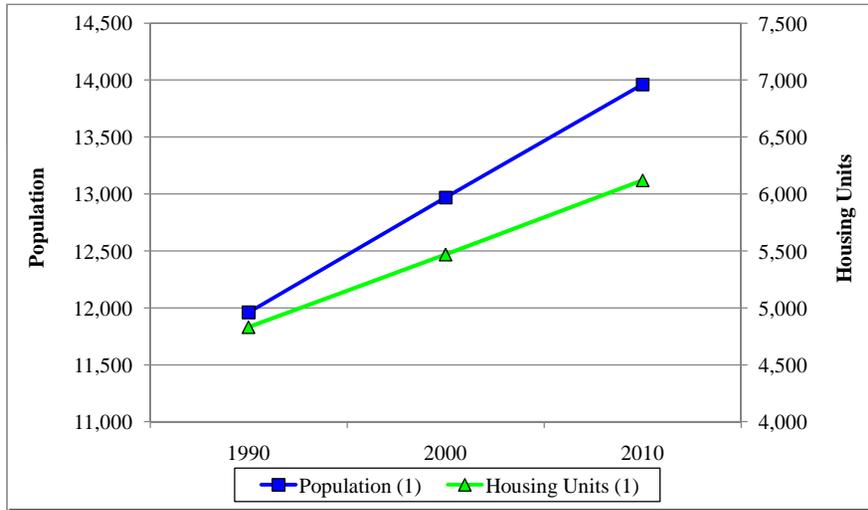
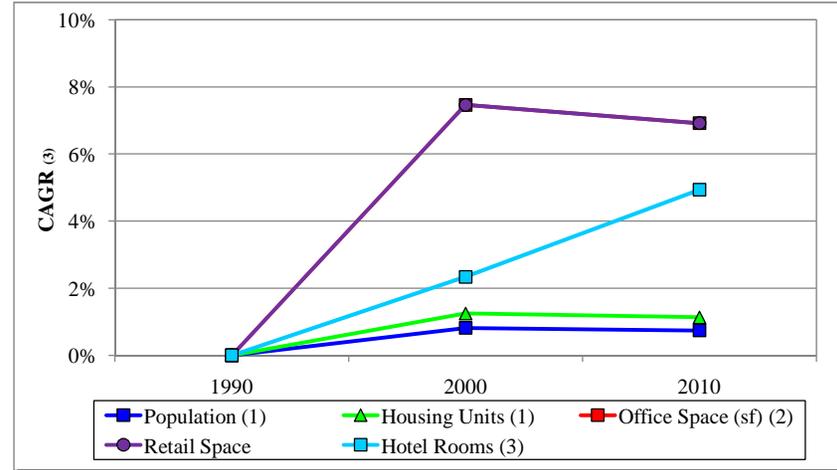
Northern California County	10yr BPs % of 2000 HH Base	California Rank (1)
Placer	46.6%	2
Yuba	32.8%	5
El Dorado	22.1%	12
Plumas	21.4%	13
Sutter	21.1%	14
Yolo	20.9%	15
Amador	20.1%	17
Sacramento	18.0%	23
Nevada	17.8%	25
Tehama	16.6%	26
<b>Butte</b>	<b>15.2%</b>	<b>28</b>
Solano	14.3%	29
Lake	14.2%	30
Napa	12.9%	32
Glenn	12.0%	34
Colusa	11.3%	36
Sierra	9.4%	42
California:		
Total	12.4%	
Median	14.3%	

(1) Based on ranking of all California Counties; "1" represents the highest percentage of 2000-09 BPs to 2000 HH Base and "58" represents the lowest percentage.

EXHIBIT I-5

OROVILLE METRICS  
GREATER OROVILLE, CALIFORNIA  
DECEMBER 2010

	1990	2000	2010
Population (1)	11,960	12,969	13,961
Housing Units (1)	4,831	5,469	6,120
Owner Occupied	2,084	2,324	2,767
Renter Occupied	2,747	3,145	3,353
Per Person	0.4	0.4	0.4
Office Space (sf) (2)	85,816	176,278	344,038
Per Person	7	14	25
Retail Space	1,169,047	1,336,827	1,674,085
Per Person	98	103	120
Hotel Rooms (3)	304	383	620
Per Person	0.03	0.03	0.04



(1) Data presented for City of Oroville as opposed to Greater Oroville Market

(2) Office square footage per CoStar. Previously unaccounted for square footage estimate as driving increase in square footage with true market deliveries believed to be significantly less.

(3) Number of hotel rooms based on results of hotel survey. Hotels expressing uncertainty regarding open data assumed to have opened prior to 1990.

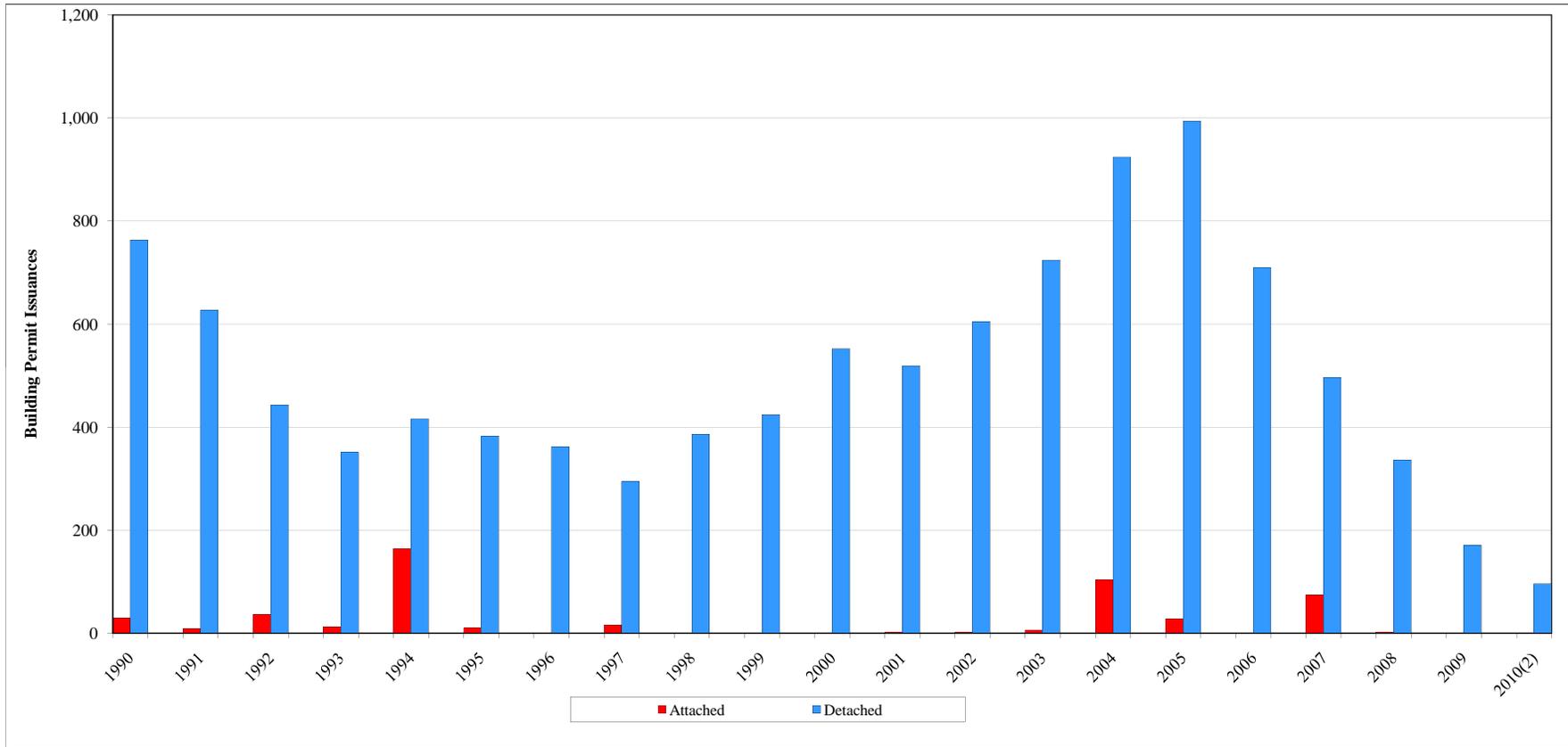
(4) Growth percentages benchmarked at 0% for 1990 with 2000 and 2010 values based on average annual growth for preceding ten year period.

## **II. FOR-SALE RESIDENTIAL ANALYSIS**

EXHIBIT II-1

HISTORICAL BUILDING PERMITS  
GREATER OROVILLE (1)  
1990 THROUGH 2010 YTD

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010(2)
Attached	29	8	36	12	163	10	0	16	0	0	0	2	2	6	103	28	0	74	2	0	0
Detached	763	626	443	351	416	382	362	294	386	424	552	519	604	724	924	993	709	496	336	170	96
% Attached	4%	1%	8%	3%	28%	3%	0%	5%	0%	0%	0%	0%	0%	1%	10%	3%	0%	13%	1%	0%	0%
<b>Total:</b>	<b>792</b>	<b>634</b>	<b>479</b>	<b>363</b>	<b>579</b>	<b>392</b>	<b>362</b>	<b>310</b>	<b>386</b>	<b>424</b>	<b>552</b>	<b>521</b>	<b>606</b>	<b>730</b>	<b>1,027</b>	<b>1,021</b>	<b>709</b>	<b>570</b>	<b>338</b>	<b>170</b>	<b>96</b>
% Change		-20%	-24%	-24%	60%	-32%	-8%	-14%	25%	10%	30%	-6%	16%	20%	41%	-1%	-31%	-20%	-41%	-50%	-44%



(1) Due to permitting reports, includes all of Unincorporated Butte County in addition to cities of Oroville, Biggs, and Gridley.

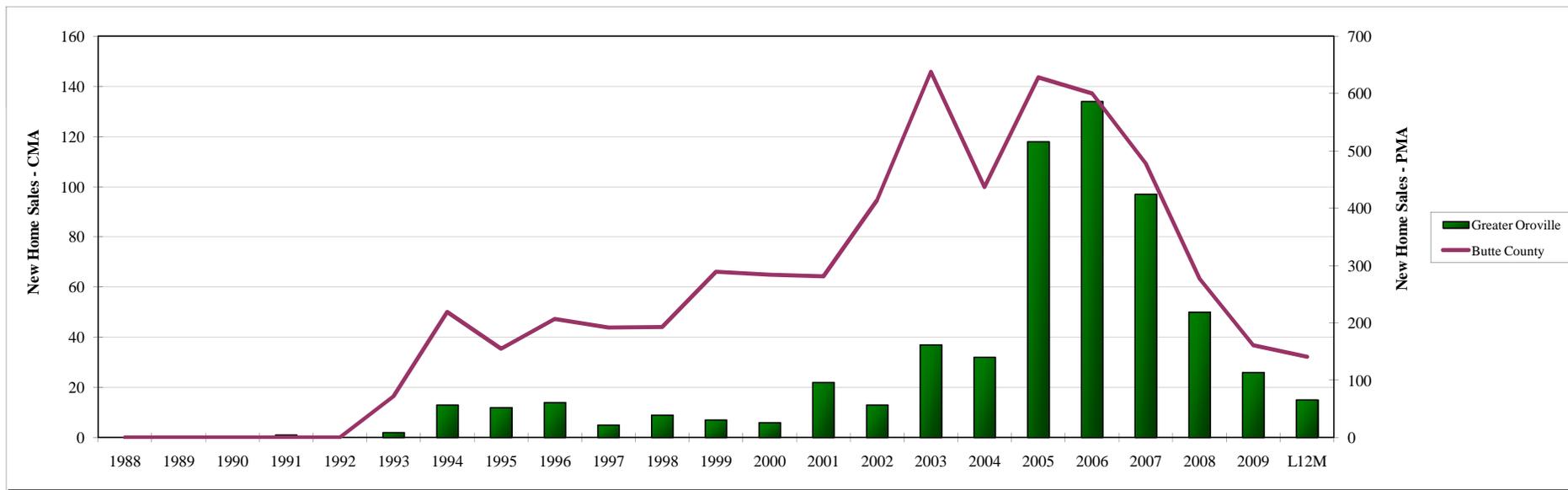
(2) 2010 Data annualized based on building January to September data.

Source: U.S. Department of Housing and Urban Development

EXHIBIT II-2

HISTORICAL HOME CLOSINGS AND PRICE TRENDS  
BUTTE COUNTY, GREATER OROVILLE AND OROVILLE  
1988 THROUGH SECOND QUARTER 2010

Area	Annual																Quarterly							
	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	L12M	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10
<b>New Home Closings</b>																								
Oroville	11	8	1	7	6	6	22	13	35	30	35	63	32	26	26	15	3	10	4	12	7	3	3	2
Rem. Greater Oroville	1	6	4	2	1	0	0	0	2	2	83	71	65	24	0	0	11	3	0	0	0	0	0	0
Greater Oroville	12	14	5	9	7	6	22	13	37	32	118	134	97	50	26	15	14	13	4	12	7	3	3	2
% Change		17%	-64%	80%	-22%	-14%	267%	-41%	185%	-14%	269%	14%	-28%	-48%	-42%		Same Quarter Change:			-50%	-77%	-25%	-83%	
Butte County	155	207	192	193	289	284	281	414	638	437	628	600	478	277	161	141	85	54	25	52	37	47	29	28
% Change		34%	-7%	1%	50%	-2%	-1%	47%	54%	-32%	44%	-4%	-20%	-42%	-42%	-12%	Same Quarter Change:			-56%	-13%	16%	-46%	
Greater Oroville % of Butte	8%	7%	3%	5%	2%	2%	8%	3%	6%	7%	19%	22%	20%	18%	16%	11%	16%	24%	16%	23%	19%	6%	10%	7%
<b>Resale Closings</b>																								
Oroville	349	361	323	419	454	594	571	578	733	727	737	579	378	346	367	425	81	94	81	86	100	100	98	127
Rem. Greater Oroville	128	135	136	149	161	144	175	203	215	226	233	178	135	138	166	184	35	34	44	39	44	39	49	52
Greater Oroville	477	496	459	568	615	738	746	781	948	953	970	757	513	484	533	609	116	128	125	125	144	139	147	179
Butte County	1,776	2,037	2,009	2,414	2,684	3,109	3,158	3,412	3,437	3,432	3,266	2,654	2,164	1,924	1,995	2,086	492	468	407	526	533	529	431	593
Greater Oroville % of Butte	27%	24%	23%	24%	23%	24%	24%	23%	28%	28%	30%	29%	24%	25%	27%	29%	24%	27%	31%	24%	27%	26%	34%	30%

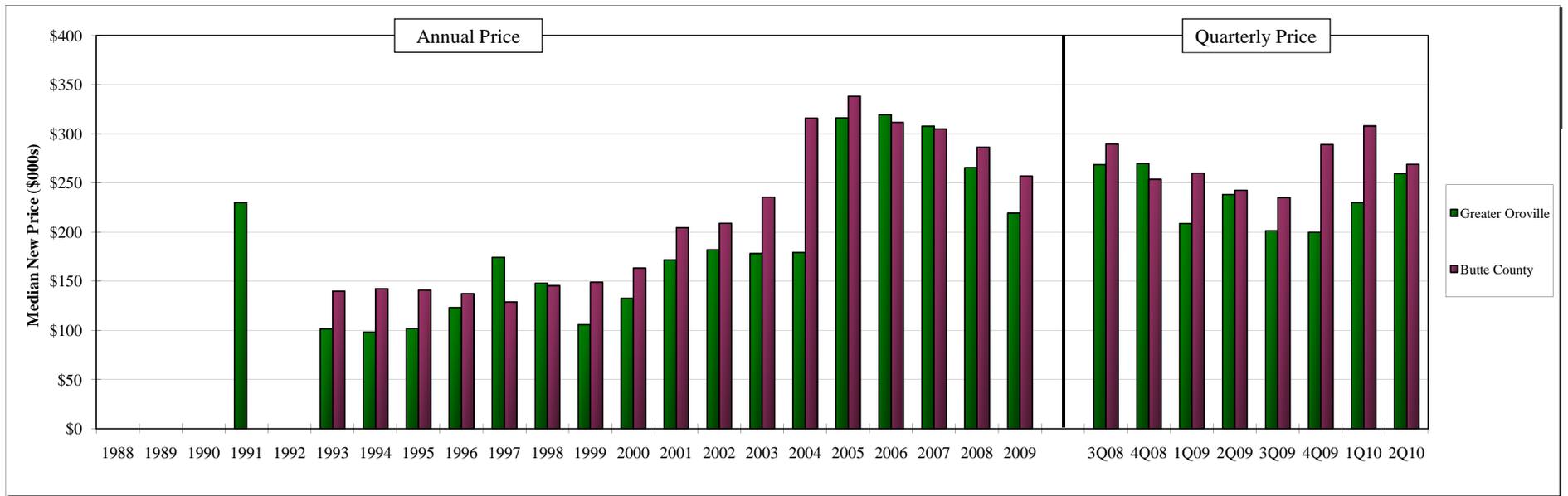


Source: DataQuick

EXHIBIT II-2

HISTORICAL HOME CLOSINGS AND PRICE TRENDS  
 BUTTE COUNTY, GREATER OROVILLE AND OROVILLE  
 1988 THROUGH SECOND QUARTER 2010

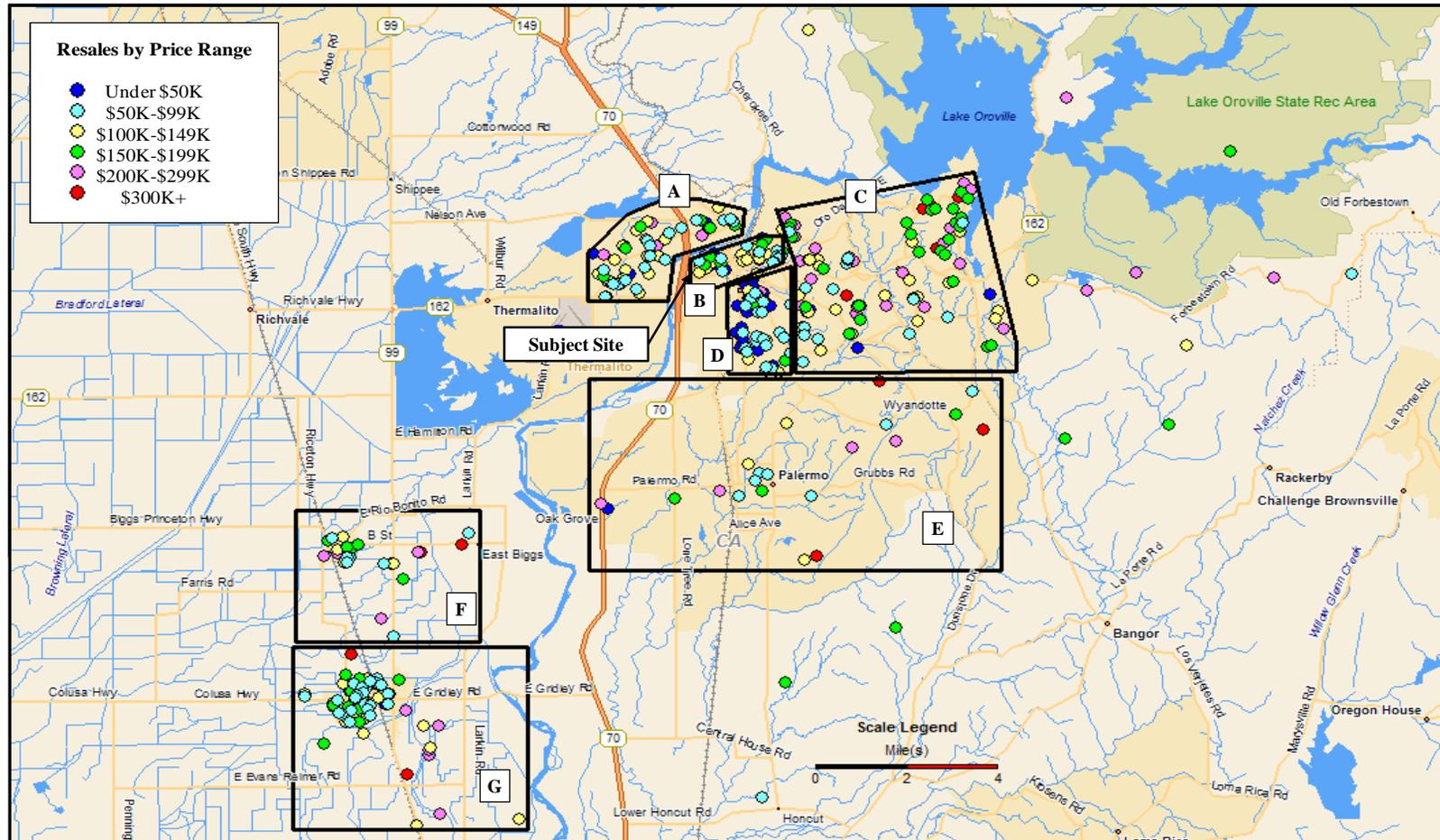
Area	Annual															Quarterly							
	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10
<b>New (\$000s)</b>																							
Oroville	\$105	\$98	\$129	\$93	\$123	\$129	\$174	\$169	\$177	\$184	\$258	\$332	\$291	\$255	\$222	\$290	\$249	\$208	\$238	\$207	\$215	\$230	\$260
Greater Oroville	\$102	\$123	\$174	\$148	\$106	\$133	\$172	\$182	\$178	\$179	\$316	\$319	\$308	\$266	\$219	\$269	\$270	\$209	\$238	\$201	\$200	\$230	\$260
% Change		21%	42%	-15%	-29%	25%	29%	6%	-2%	1%	76%	1%	-4%	-14%	-17%	Same Quarter Change:			-25%	-26%	10%	9%	
Butte County	\$141	\$138	\$129	\$146	\$149	\$164	\$205	\$209	\$236	\$316	\$338	\$312	\$305	\$286	\$257	\$290	\$254	\$260	\$243	\$235	\$289	\$308	\$269
% Change		-2%	-6%	13%	2%	10%	25%	2%	13%	34%	7%	-8%	-2%	-6%	-10%	Same Quarter Change:			-19%	14%	18%	11%	
Greater Oroville vs. Butte County	-28%	-10%	35%	2%	-29%	-19%	-16%	-13%	-24%	-43%	-7%	2%	1%	-7%	-15%	-7%	6%	-20%	-2%	-14%	-31%	-25%	-4%
<b>Resale (\$000s)</b>																							
Oroville	\$70	\$70	\$75	\$75	\$76	\$78	\$89	\$98	\$120	\$152	\$190	\$211	\$194	\$153	\$125	\$137	\$141	\$124	\$130	\$124	\$124	\$98	\$117
Greater Oroville	\$72	\$71	\$75	\$78	\$80	\$79	\$89	\$98	\$120	\$153	\$197	\$212	\$196	\$152	\$125	\$141	\$133	\$131	\$130	\$123	\$117	\$96	\$114
% Change		-1%	6%	4%	3%	-1%	12%	11%	22%	27%	29%	8%	-7%	-22%	-18%	Same Quarter Change:			-13%	-12%	-27%	-12%	
Butte County	\$98	\$100	\$100	\$106	\$112	\$119	\$131	\$153	\$179	\$222	\$260	\$273	\$263	\$230	\$196	\$235	\$210	\$190	\$210	\$197	\$186	\$170	\$184
% Change		2%	0%	6%	6%	6%	10%	17%	17%	24%	17%	5%	-3%	-13%	-15%	Same Quarter Change:			-16%	-12%	-11%	-12%	



Source: DataQuick

EXHIBIT II-3

RESALE NODES  
GREATER OROVILLE, CALIFORNIA  
APRIL 2010 THROUGH SEPTEMBER 2010



Resale Node	Sales	Average				
		Price	Size	PSF	Yr. Built	Lot Size (sf)
A. Thermalito/North Oroville	57	\$116,127	1,241	\$94	1967	15,987
B. Downtown Oroville	44	98,678	1,448	68	1945	7,465
C. East Oroville	98	174,021	1,643	106	1974	32,301
D. South Oroville	57	69,739	1,097	64	1959	9,117
E. Palermo	22	160,247	1,614	99	1964	153,628
F. Biggs	24	159,450	1,602	100	1970	62,944
G. Gridley	72	128,681	1,408	91	1951	44,552
<b>Total/Average:</b>	<b>374</b>	<b>\$129,967</b>	<b>1,426</b>	<b>\$91</b>	<b>1962</b>	<b>34,821</b>

Source: Dataquik

**EXHIBIT II-4**

**CURRENT AVAILABLE RESIDENTIAL INVENTORY  
COMPETITIVE MARKET AREA; OROVILLE, CALIFORNIA  
DECEMBER 2010**

***I. New Construction***

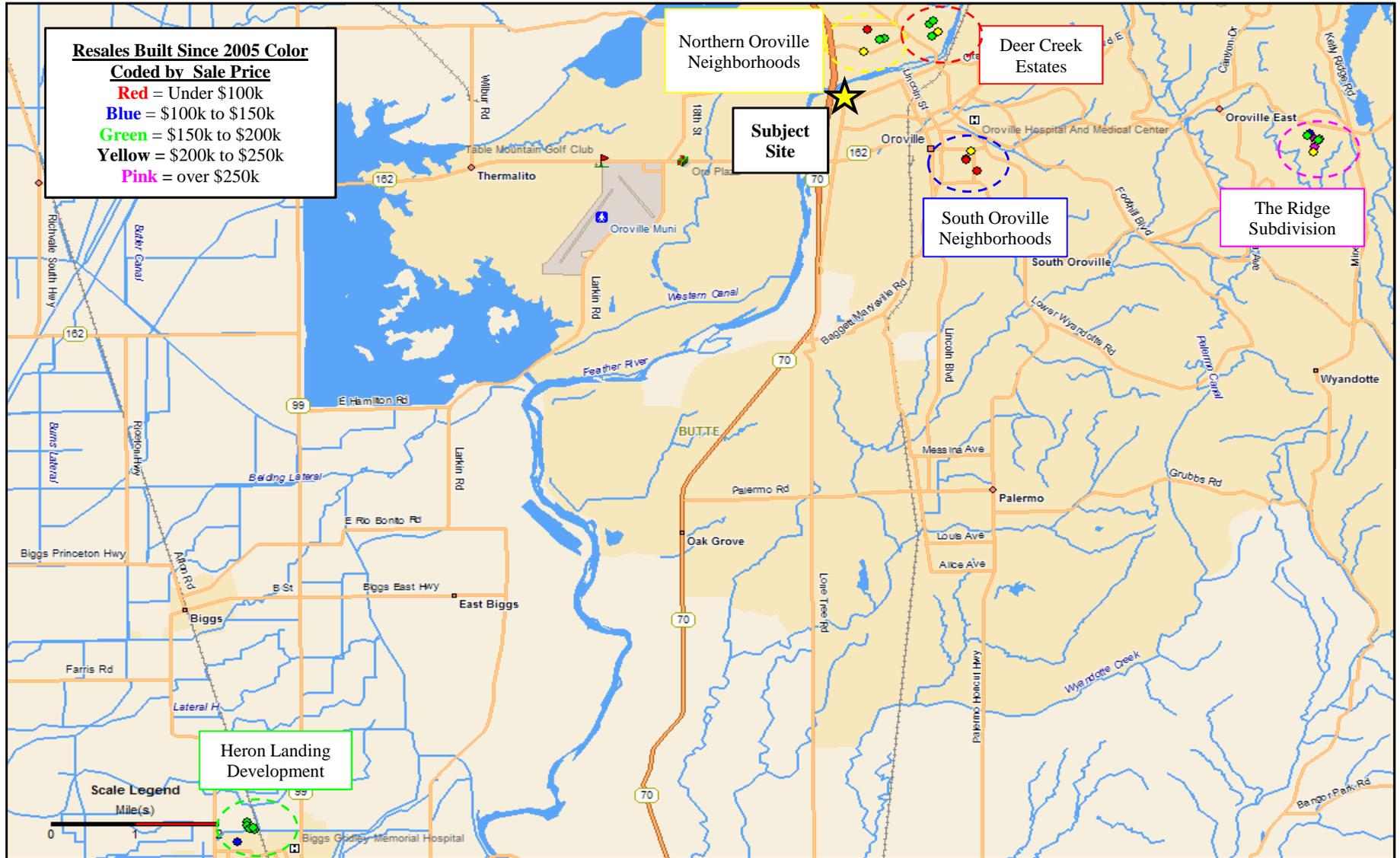
No new construction developments are actively selling in the Greater Oroville Area at this time. The remaining 74 lots in the mothballed Vista del Oro development in Western Oroville are currently available for bulk sale, and presumably will be developed in the next 5-10 years. The stalled Ridge Development in Eastern Oroville, originally by Thurma and Thurman but since in receivership, is about 60% built out. Roughly 150 platted lots remain

***II. Key Resale Listings built 2005 or later***

<b>Project Name</b>	<b>Address</b>	<b>City</b>	<b>Product Type</b>	<b>Sales</b>					<b>Listings</b>				
				<b>L6M #</b>	<b>Sq. Ft.</b>	<b>Average Price</b>	<b>PSF</b>	<b>% Foreclosure</b>	<b>#</b>	<b>Sq Ft.</b>	<b>Average Price</b>	<b>PSF</b>	<b>% Foreclosure</b>
Heron Landing	710 Heron Landing Way	Gridley	SFD	6	1,790	\$170,917	\$96	0%	4	1,966	\$172,117	\$88	100%
Fallbrook Ave Neighl	3333 Fallbrooke Ave	Oroville	SFD	4	1,282	82,125	64	50%	6	871	68,042	78	50%
Gaylor Ave	61 Gaylor Ave	Oroville	SFD	3	1,743	168,000	96	33%	-	-	-	-	-
Deer Creek Estates	E Grand Ave	Oroville	SFD	5	1,862	188,754	101	0%	7	2,051	229,324	112	29%
The Ridge	5239 Honey Rock Ct.	Oroville	SFD	8	2,088	222,788	107	50%	11	1,942	229,699	118	73%
<b>Total/Weighted Average:</b>				<b>26</b>	<b>1,812</b>	<b>\$176,310</b>	<b>\$97</b>	<b>27%</b>	<b>28</b>	<b>1,743</b>	<b>\$186,738</b>	<b>\$107</b>	<b>63%</b>

EXHIBIT II-5

LOCATION OF COMPARABLE COMMUNITIES  
GREATER OROVILLE, CALIFORNIA  
DECEMBER 2010



**EXHIBIT II-6**  
**FUTURE FOR-SALE RESIDENTIAL SUPPLY**  
**GREATER OROVILLE, CALIFORNIA**  
**DECEMBER 2010**

**I. Key Projects**

***Under Construction***

No new units under construction at this time.

***Approved***

- Mitchell Way Condos, 14 condominium units located on Mitchell Ave and Washington Ave.
- Nelson 56, 197 SFD units on a 57.26 acre site at Nelson Ave and 12th St.
- Oro Bay Masterplanned Community; 2400 units on 421 acres - SFD, low and high density townhomes and condominiums, and retail west of the Oroville Municipal Airport. Project was approved in 2008 but development stalled in the economic downturn. Project reapproved October 6, 2010 and will be built out over the next 30 years.

***Mothballed***

- The remaining 73 lots (and 1 half built home) in the Vista del Oro development in Western Oroville are currently available for bulk sale for \$888,000; presumably will be developed in the next 5-10 years.
- The Ridge Development in Oroville East. Originally developed by Thurman and Thurman and marketed as a "green" community with environmentally friendly construction and solar options. In receivership with about half of the 325 original lots still left to be sold and built.

**II. Overview by Submarket**

<u>Status (1)</u>	<u>Oroville</u>	<u>Biggs</u>	<u>Gridley</u>	<u>Other Butte County</u>	<u>CMA Total</u>
<i>Currently Selling Homes</i>					
Total Current Inventory (2)	0	0	0	0	0
<i>Future Selling (Non-Subject Site)</i>					
Mothballed	223	0	0	0	0
Under Construction	0	0	0	0	0
Approved	2,611	0	0	0	0
Pending	0	0	0	0	0
Total Planned	2,834	0	0	0	0
<b>Total Supply</b>	<b>2,834</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**III. Supply Projection**

<u>Status</u>	<u>Completion Likelihood</u>	<u>Planned and Proposed Projection</u>				
		<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Under Construction	75%	25%	30%	15%	5%	0%
Approved	55%	5%	7%	12%	15%	15%
Pending	35%	0%	5%	5%	10%	15%
<u>Weighted Units</u>	<u>Weighted Value</u>	<u>Annual Units</u>				
Under Construction	0	0	0	0	0	0
Approved	1,436	72	101	172	215	215
Pending	0	0	0	0	0	0
<b>Non-Site Total:</b>	<b>1,436</b>	<b>107</b>	<b>136</b>	<b>208</b>	<b>242</b>	<b>224</b>
<b>Near Term Supply:</b>				<b>452</b>		

(1) Currently Selling = units remaining in active projects as of October 2010; Future supply updated in October 2010; Under Construction = projects that have broken ground (i.e. grading), but are not yet open for sales; Approved = projects with an approved tract map by the city; Pending = proposed project plans submitted, but no approval

(2) Includes lots remaining in active projects and standing inventory homes

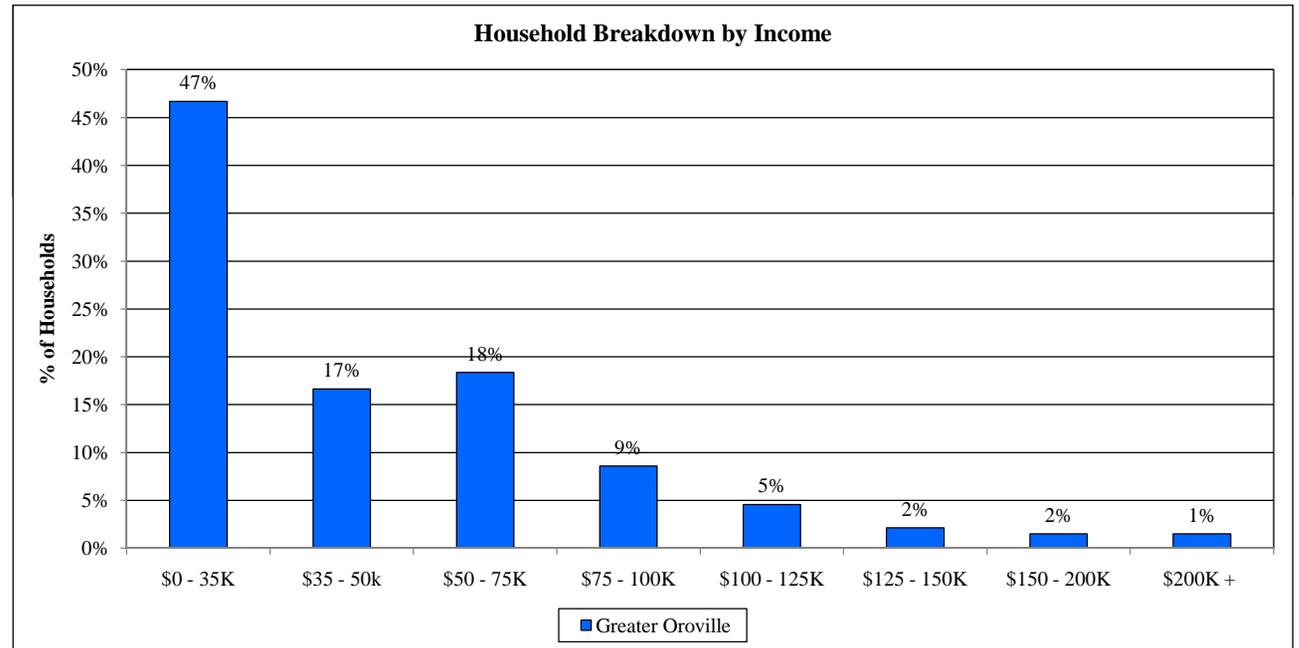
Sources: Dataquick; HanleyWood; TCG

EXHIBIT II-7

DEMAND OVERVIEW AND AFFORDABILITY  
GREATER OROVILLE, CALIFORNIA  
2010 THROUGH 2015

I. Affordability

Household Income Cohorts	Households		% Income to Housing	Supportable Housing Burden	HOA Fees	Less HOA Fees:	Approx. Tax	Monthly Mortgage Less HOA and Tax	Actual Mortgage	Down Payment (1)	Home Price
	2010	%									
\$0 - \$35,000	11,377	47%	34%	\$0 - \$992	\$200	\$0 - \$792	\$1,251	\$0 - \$687	\$0 - \$108,760	5%	\$0 - \$110,000
35,000 - 50,000	4,053	17%	31%	992 - 1,292	200	792 - 1,092	1,725	687 - 948	108,760 - 149,975	8%	110,000 - 160,000
50,000 - 75,000	4,478	18%	29%	1,292 - 1,813	200	1,092 - 1,613	2,548	948 - 1,400	149,975 - 221,527	12%	160,000 - 250,000
75,000 - 100,000	2,097	9%	27%	1,813 - 2,250	200	1,613 - 2,050	3,239	1,400 - 1,780	221,527 - 281,632	15%	250,000 - 330,000
100,000 - 125,000	1,110	5%	25%	2,250 - 2,604	200	2,050 - 2,404	3,798	1,780 - 2,088	281,632 - 330,287	15%	330,000 - 390,000
125,000 - 150,000	525	2%	23%	2,604 - 2,875	200	2,404 - 2,675	4,226	2,088 - 2,323	330,287 - 367,495	18%	390,000 - 450,000
150,000 - 200,000	367	2%	21%	2,875 - 3,500	200	2,675 - 3,300	5,214	2,323 - 2,866	367,495 - 453,358	20%	450,000 - 570,000
200,000 +	365	1%	18%	3,500 +	200	3,300 +		2,866 +	453,358 +	20%	570,000 +
<b>Total/Wtd Avg:</b>	<b>24,372</b>	<b>100%</b>	<b>31%</b>		<b>\$200</b>					<b>9%</b>	



Assumptions:		
Mortgage Rate	6.50%	APR
Term	30	Years
Property Tax	1.15%	Annually

(1) Accounts for portion of household net worth applied to down payment

EXHIBIT II-7

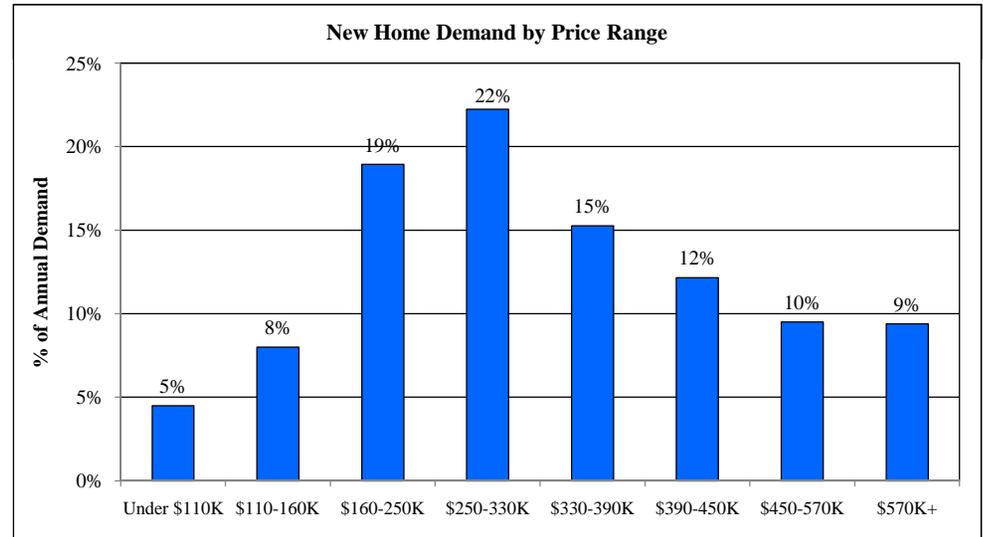
DEMAND OVERVIEW AND AFFORDABILITY  
GREATER OROVILLE, CALIFORNIA  
2010 THROUGH 2015

II. Demand - Primary

Base Affordable Home Price (000)(1)	Demand Pool					Buyers						
	Existing Households			New Households	Total Demand Pool	Percent Buy Home (3)	Total Buyer Pool	Buy A New Home (4)	New Buyers			
	Existing (2)	Turnover Rate	Moving						Total	Pct.	Demand Over	
\$0 - \$110	11,377	10%	1,138	0	1,138	15%	171	3%	5	5%	114	
\$110 - \$160	4,053	10%	405	28	433	30%	130	7%	9	8%	109	
\$160 - \$250	4,478	10%	448	31	479	45%	215	10%	22	19%	99	
\$250 - \$330	2,097	10%	210	71	281	60%	169	15%	25	22%	78	
\$330 - \$390	1,110	10%	111	54	165	70%	116	15%	17	15%	53	
\$390 - \$450	525	10%	53	43	96	80%	77	18%	14	12%	35	
\$450 - \$570	367	10%	37	30	67	90%	60	18%	11	10%	21	
\$570+	365	10%	37	26	63	95%	59	18%	11	9%	11	
<b>Total:</b>	<b>24,372</b>	<b>10%</b>	<b>2,437</b>	<b>284</b>	<b>2,721</b>	<b>37%</b>	<b>996</b>	<b>11%</b>	<b>114</b>	<b>100%</b>		
<b>\$110 K+:</b>	<b>12,995</b>	<b>10%</b>	<b>1,300</b>	<b>284</b>	<b>1,583</b>	<b>52%</b>	<b>826</b>	<b>13%</b>	<b>109</b>	<b>95%</b>		
<b>\$160 K+:</b>	<b>8,942</b>	<b>10%</b>	<b>894</b>	<b>256</b>	<b>1,150</b>	<b>61%</b>	<b>696</b>	<b>14%</b>	<b>99</b>	<b>87%</b>		

III. Capture

Submarket	New Home Sales (2007-Present)		Household Growth			
	Units	Percent Capture	Total		Growth	
			2010	2015	Nominal	Percent
City of Oroville	89	50%	5,182	5,340	158	14%
Other Market Area	89	50%	19,479	20,450	971	86%
<b>Greater Oroville:</b>	<b>178</b>	<b>100%</b>	<b>24,661</b>	<b>25,790</b>	<b>1,129</b>	<b>100%</b>
<i>Annual Average:</i>	<i>47</i>				<i>226</i>	



(1) TCG Estimate based on assumed mortgage terms, percent income to housing and other factors

(2) Base household volume from 2010-2015; including loss or growth

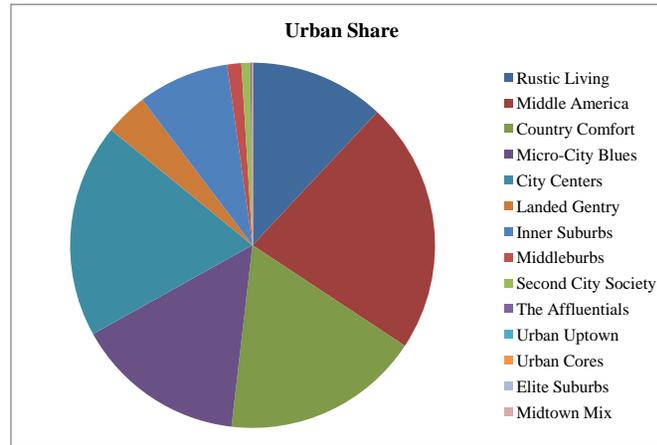
(3) Estimate based on owner/renter household distribution per the 2000 U.S. Census and most recent American Community Survey results

(4) Based on LTM ratio of new home to existing home sales per DataQuick Data Services and Hanleywood

**EXHIBIT II-8**  
**DEMAND BY BUYER PROFILE AND DISTRIBUTION**  
**GREATER OROVILLE, CALIFORNIA**  
**2010 THROUGH 2015**

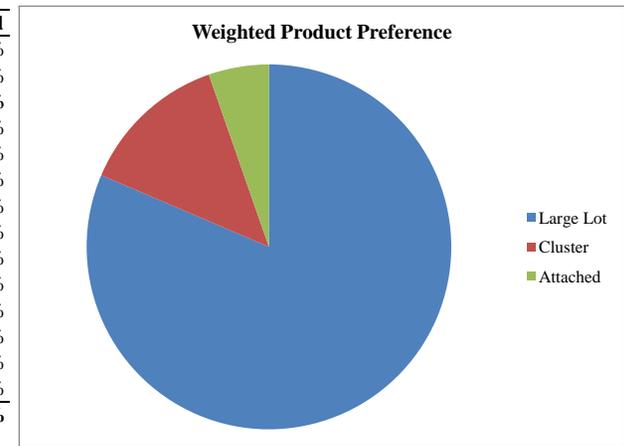
**I. Locational Distribution**

Social Group	Share of HHs	Urban Share	
		% Urban	of HHs
Rustic Living	26.6%	3%	0.7%
Middle America	24.7%	5%	1.2%
Country Comfort	19.5%	5%	1.0%
Micro-City Blues	16.7%	5%	0.8%
City Centers	5.3%	20%	1.1%
Landed Gentry	4.2%	5%	0.2%
Inner Suburbs	1.8%	25%	0.4%
Middleburbs	0.7%	10%	0.1%
Second City Society	0.4%	10%	0.0%
The Affluentials	0.1%	10%	0.0%
Urban Uptown	0.0%	40%	0.0%
Urban Cores	0.0%	35%	0.0%
Elite Suburbs	0.0%	20%	0.0%
Midtown Mix	0.0%	10%	0.0%
<b>Total/Wtd Average:</b>	<b>100.0%</b>		<b>5.5%</b>



**II. Product Distribution**

Social Group	Share of HHs	Product Preference			Weighted Product Preference		
		Large Lot	Cluster	Attached	Large Lot	Cluster	Attached
Rustic Living	26.6%	95%	5%	0%	25.2%	1.3%	0.0%
Middle America	24.7%	85%	10%	5%	21.0%	2.5%	1.2%
Country Comfort	19.5%	85%	10%	5%	16.6%	1.9%	1.0%
Micro-City Blues	16.7%	60%	30%	10%	10.0%	5.0%	1.7%
City Centers	5.3%	50%	30%	20%	2.6%	1.6%	1.1%
Landed Gentry	4.2%	95%	5%	0%	4.0%	0.2%	0.0%
Inner Suburbs	1.8%	50%	30%	20%	0.9%	0.5%	0.4%
Middleburbs	0.7%	85%	10%	5%	0.6%	0.1%	0.0%
Second City Society	0.4%	85%	10%	5%	0.4%	0.0%	0.0%
The Affluentials	0.1%	85%	10%	5%	0.1%	0.0%	0.0%
Urban Cores	0.0%	40%	20%	40%	0.0%	0.0%	0.0%
Urban Uptown	0.0%	40%	20%	40%	0.0%	0.0%	0.0%
Elite Suburbs	0.0%	50%	30%	20%	0.0%	0.0%	0.0%
Midtown Mix	0.0%	30%	20%	50%	0.0%	0.0%	0.0%
<b>Total/Wtd Average:</b>	<b>100.0%</b>				<b>81.4%</b>	<b>13.2%</b>	<b>5.4%</b>



**III. Locational Distribution of Demand**

	Annual Potential	Urban	
		%	Demand
Total	114	5.5%	6.3
\$110,000+	109	5.5%	6.0
\$160,000+	99	5.5%	5.5

**IV. Product Distribution of Demand**

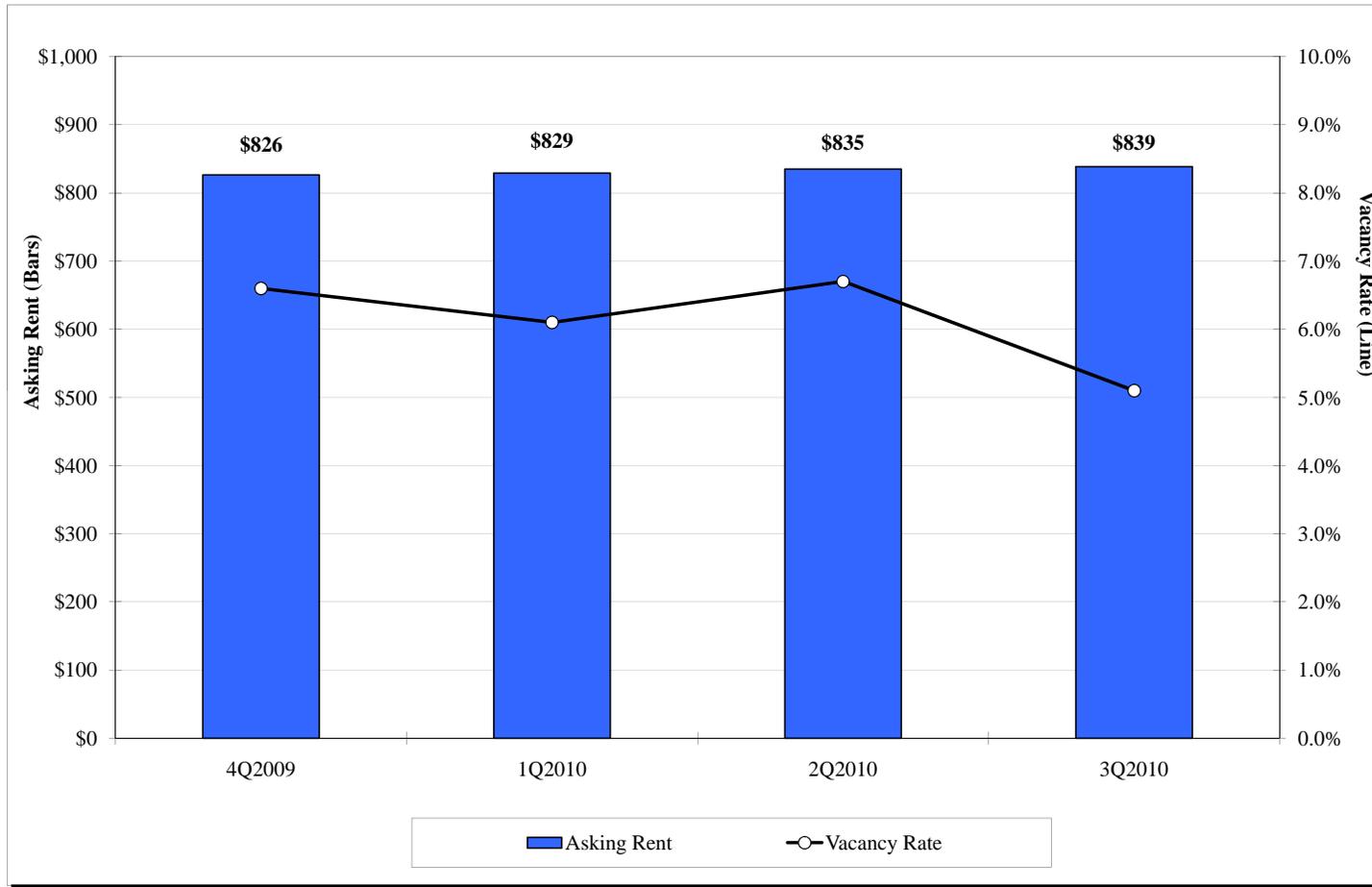
	Annual Potential	Large Lot		Cluster		Attached	
		%	Demand	%	Demand	%	Demand
Total	114	81.4%	92.6	13.2%	15.0	5.4%	6.1
\$110,000+	109	81.4%	88.4	13.2%	14.3	5.4%	5.8
\$160,000+	99	81.4%	81.0	13.2%	13.1	5.4%	5.3

### **III. APARTMENT RESIDENTIAL ANALYSIS**

EXHIBIT III-1

APARTMENT MARKET TRENDS  
BUTTE COUNTY, CALIFORNIA  
4Q 2009 THROUGH 3Q 2010

	4Q2009	1Q2010	2Q2010	3Q2010	Avg.
Vacancy Rate	6.6%	6.1%	6.7%	5.1%	4.9%
<i>Nominal Change</i>	0.1%	-0.5%	0.6%	-1.6%	-0.4%
Asking Rent	\$826	\$829	\$835	\$839	\$832
<i>% Change</i>	0.4%	0.4%	0.7%	0.4%	0.5%



Source: REIS

**EXHIBIT III-2**

**CURRENT INVENTORY (GRAY MARKET)  
OROVILLE, CALIFORNIA  
DECEMBER 2010**

<b>Gray Market Offerings</b>	<b>Units</b>		<b>Offered Rent</b>		
	<b>Total</b>	<b>% SFD</b>	<b>Minimum</b>	<b>Average</b>	<b>Maximum</b>
4-Bedroom Units	1	100%	\$1,300	\$1,300	\$1,300
3-Bedroom Units	9	89%	750	872	1,100
2-Bedroom Units	13	85%	550	752	1,000
1-Bedroom Units	4	75%	500	585	675
<b>Total/Weighted Average:</b>	<b>26</b>	<b>85%</b>	<b>\$612</b>	<b>\$768</b>	<b>\$985</b>

Note: Active listings from November 5th-9th, 2010

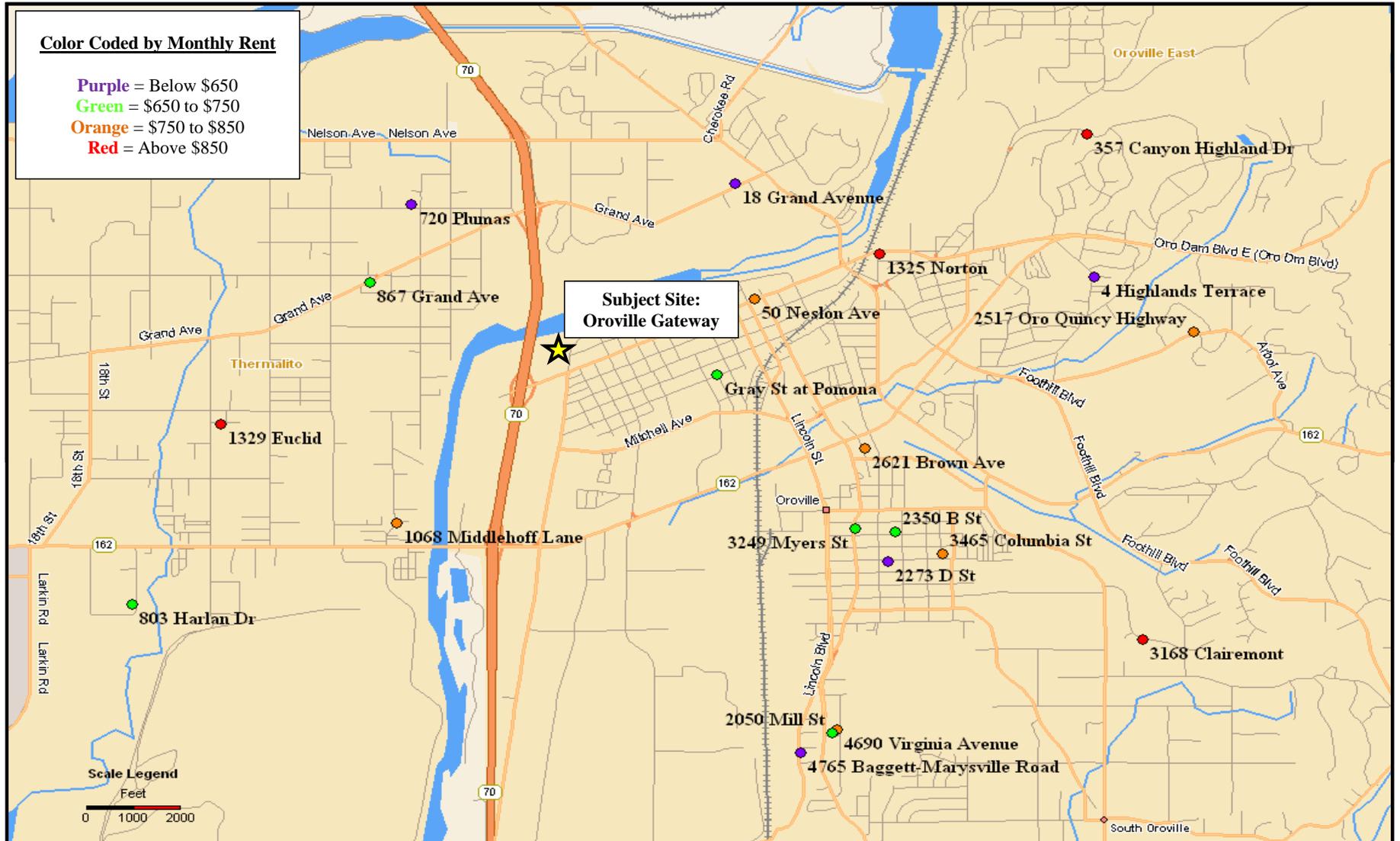
EXHIBIT III-3

LOCATION OF COMPARABLE APARTMENTS  
OROVILLE, CALIFORNIA  
DECEMBER 2010



EXHIBIT III-3

LOCATION OF COMPARABLE APARTMENTS  
OROVILLE, CALIFORNIA  
DECEMBER 2010



**EXHIBIT III-4**

**FUTURE APARTMENT SUPPLY  
GREATER OROVILLE AREA, CALIFORNIA  
DECEMBER 2010**

**I. Overview by Submarket**

<u>Status (1)</u>	<u>Oroville</u>	<u>Biggs</u>	<u>Gridley</u>	<u>Other Butte County</u>	<u>CMA Total</u>
<i>Future (Non-Subject Site)</i>					
Under Construction	Currently, there are no planned apartment communities in the Greater Oroville Area.				
Approved					
Pending					
<b>Total Planned</b>	0	0	0	0	0

**II. Supply Projection**

<u>Status</u>	<u>Completion Likelihood</u>	<u>Planned and Proposed Projection</u>					
		<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Under Construction	85%	0%	40%	60%	0%	0%	0%
Approved	60%	0%	0%	10%	20%	20%	20%
Pending	35%	0%	0%	5%	10%	20%	20%

<u>Status</u>	<u>Weighted Value</u>	<u>Planned and Proposed Projection</u>				
		<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Under Construction	0	0	0	0	0	0
Approved	0	0	0	0	0	0
Pending	0	0	0	0	0	0
<b>Non-Site Total:</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

(1) Future supply updated in December 2010: Under Construction = projects that have broken ground (i.e. grading), but are not yet open;

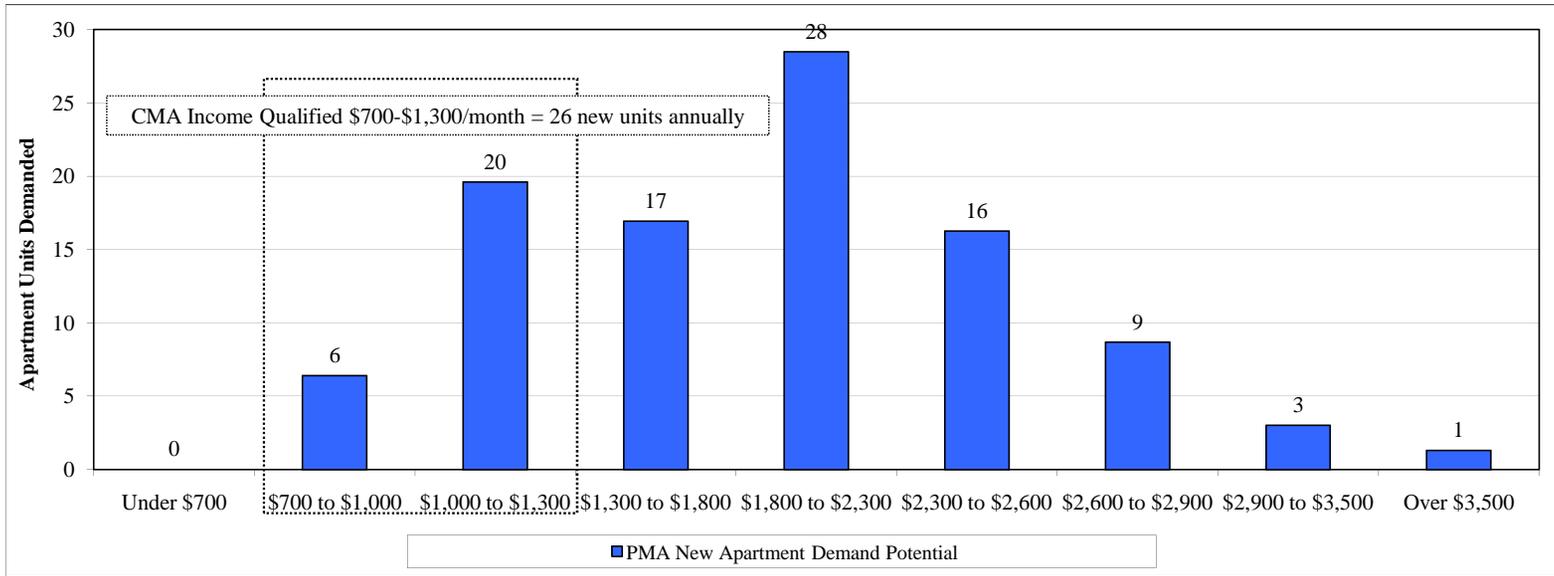
Approved = projects with an approved tract map by the city; Pending = proposed project plans submitted, but no approval

Sources: TCG, REIS

EXHIBIT III-5

DEMAND OVERVIEW AND AFFORDABILITY  
GREATER OROVILLE, CALIFORNIA  
2010-2015

Household Income Range	Income to Housing	Affordable Monthly Rent	Total Households		Annual Turnover of Existing Renter HHs	Annual Pool from Turnover	Annual Effective New HHs	Total Pool	Percent Rent	Annual PMA Demand	
			2010 (1)	2015						All Rentals (2)	New Rentals (2)
\$0 - \$25,000	35%	\$0 - \$700	8,007	8,007	50%	4,004	0	4,004	90%	3,603	0
25,000 - 35,000	33%	700 - 1,000	3,330	3,370	45%	1,499	8	1,507	80%	1,205	6
35,000 - 50,000	31%	1,000 - 1,300	4,053	4,193	40%	1,621	28	1,649	70%	1,154	20
50,000 - 75,000	29%	1,300 - 1,800	4,478	4,632	33%	1,478	31	1,509	55%	830	17
75,000 - 100,000	27%	1,800 - 2,300	2,097	2,453	25%	524	71	595	40%	238	28
100,000 - 125,000	25%	2,300 - 2,600	1,110	1,381	20%	222	54	276	30%	83	16
125,000 - 150,000	23%	2,600 - 2,900	525	742	20%	105	43	148	20%	30	9
150,000 - 200,000	21%	2,900 - 3,500	367	517	15%	55	30	85	10%	9	3
200,000 +	18%	3,500 +	365	495	10%	37	26	63	5%	3	1
<b>Subtotal/Wtd. Avg.:</b>	<b>31%</b>		<b>24,332</b>	<b>25,790</b>	<b>37%</b>	<b>9,544</b>	<b>292</b>	<b>9,835</b>		<b>7,155</b>	<b>101</b>
<b>Income Qualified (\$700+ monthly rent):</b>			<b>16,325</b>	<b>17,783</b>	<b>31%</b>	<b>5,540</b>	<b>292</b>	<b>5,832</b>		<b>3,552</b>	<b>101</b>
<b>Income Qualified (\$700-\$1,300 monthly rent):</b>			<b>7,383</b>	<b>7,563</b>	<b>41%</b>	<b>3,120</b>	<b>36</b>	<b>3,156</b>		<b>2,360</b>	<b>26</b>



(1) Effective existing HHs - current household base less projected loss

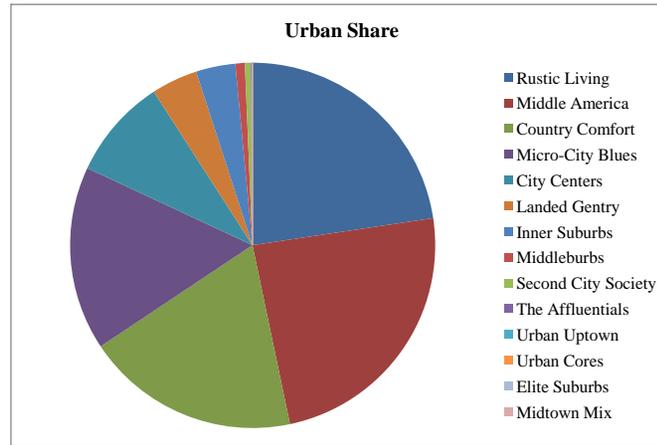
(2) All Apts includes all renter HHs looking for an apartment in any given year; New Rentals reflects demand for additional apartment units in market, includes 0.0% annual obsolescence rate.

(3) Projected capture based on CMA capture of apartment completions and CMA capture of multi-family building permits. See Exhibit I-5 and I-6.

**EXHIBIT III-6  
DEMAND BY RENTER PROFILE AND DISTRIBUTION  
GREATER OROVILLE, CALIFORNIA  
2010 THROUGH 2015**

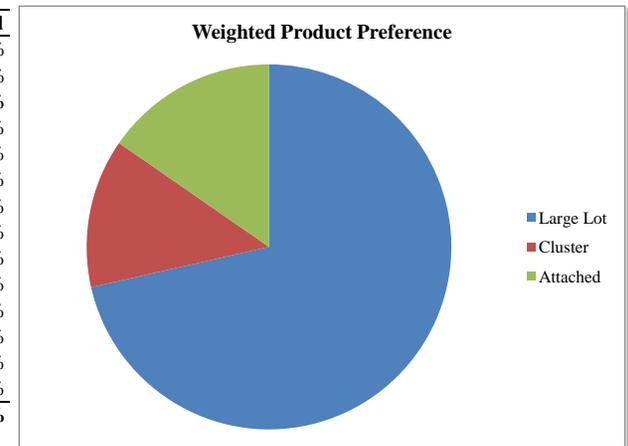
**I. Locational Distribution**

Social Group	Share of HHs	Urban Share	
		% Urban	of HHs
Rustic Living	26.6%	18%	4.6%
Middle America	24.7%	20%	4.9%
Country Comfort	19.5%	20%	3.9%
Micro-City Blues	16.7%	20%	3.3%
City Centers	5.3%	35%	1.8%
Landed Gentry	4.2%	20%	0.8%
Inner Suburbs	1.8%	40%	0.7%
Middleburbs	0.7%	25%	0.2%
Second City Society	0.4%	25%	0.1%
The Affluentials	0.1%	25%	0.0%
Urban Uptown	0.0%	55%	0.0%
Urban Cores	0.0%	50%	0.0%
Elite Suburbs	0.0%	35%	0.0%
Midtown Mix	0.0%	25%	0.0%
<b>Total/Wtd Average:</b>	<b>100.0%</b>		<b>20.5%</b>



**II. Product Distribution**

Social Group	Share of HHs	Product Preference			Weighted Product Preference		
		Large Lot	Cluster	Attached	Large Lot	Cluster	Attached
Rustic Living	26.6%	85%	5%	10%	22.6%	1.3%	2.7%
Middle America	24.7%	75%	10%	15%	18.6%	2.5%	3.7%
Country Comfort	19.5%	75%	10%	15%	14.6%	1.9%	2.9%
Micro-City Blues	16.7%	50%	30%	20%	8.4%	5.0%	3.3%
City Centers	5.3%	40%	30%	30%	2.1%	1.6%	1.6%
Landed Gentry	4.2%	85%	5%	10%	3.6%	0.2%	0.4%
Inner Suburbs	1.8%	40%	30%	30%	0.7%	0.5%	0.5%
Middleburbs	0.7%	75%	10%	15%	0.5%	0.1%	0.1%
Second City Society	0.4%	75%	10%	15%	0.3%	0.0%	0.1%
The Affluentials	0.1%	75%	10%	15%	0.1%	0.0%	0.0%
Urban Cores	0.0%	30%	20%	50%	0.0%	0.0%	0.0%
Urban Uptown	0.0%	30%	20%	50%	0.0%	0.0%	0.0%
Elite Suburbs	0.0%	40%	30%	30%	0.0%	0.0%	0.0%
Midtown Mix	0.0%	20%	20%	60%	0.0%	0.0%	0.0%
<b>Total/Wtd Average:</b>	<b>100.0%</b>				<b>71.4%</b>	<b>13.2%</b>	<b>15.4%</b>



**III. Locational Distribution of Demand**

	Annual Potential	Urban	
		%	Demand
Total	101	20.5%	20.7
\$700+	101	20.5%	20.7
\$700 to \$1,300	26	20.5%	5.3

**IV. Product Distribution of Demand**

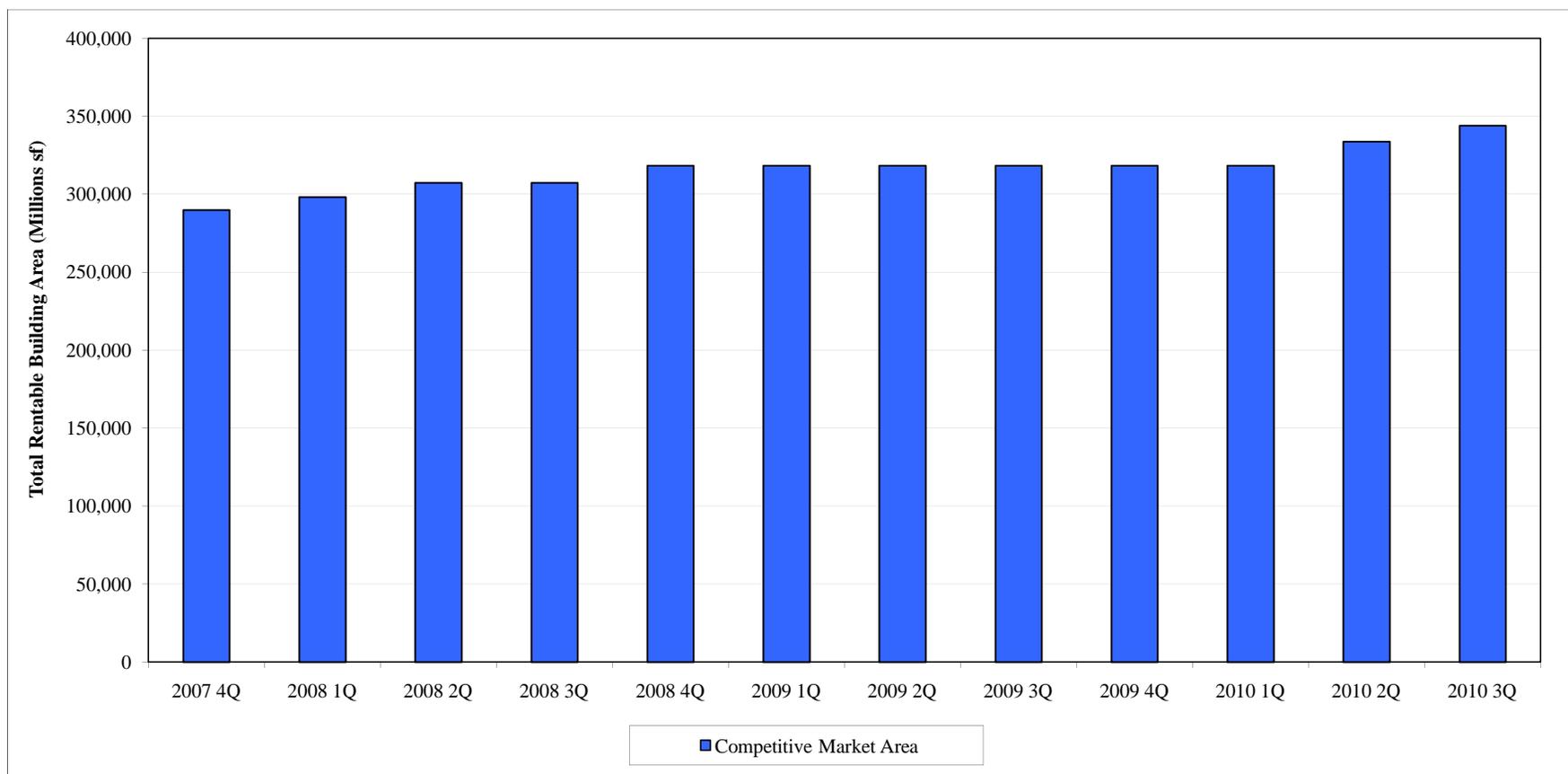
	Annual Potential	Large Lot		Cluster		Attached	
		%	Demand	%	Demand	%	Demand
Total	101	71.4%	71.9	13.2%	13.3	15.4%	15.5
\$700+	101	71.4%	71.9	13.2%	13.3	15.4%	15.5
\$700 to \$1,300	26	71.4%	18.6	13.2%	3.4	15.4%	4.0

#### **IV. OFFICE ANALYSIS**

EXHIBIT IV-1

TOTAL RENTABLE BUILDING AREA - OFFICE  
GREATER OROVILLE, CALIFORNIA  
2007 THROUGH 2010

Year:	Quarterly											
	2007 4Q	2008 1Q	2008 2Q	2008 3Q	2008 4Q	2009 1Q	2009 2Q	2009 3Q	2009 4Q	2010 1Q	2010 2Q	2010 3Q
<b>Rentable Building Area (SF):</b>	289,888	298,235	307,461	307,461	318,461	318,461	318,461	318,461	318,461	318,461	333,769	344,038
<b>Percent Change:</b>		2.9%	3.1%	0.0%	3.6%	0.0%	0.0%	0.0%	0.0%	0.0%	4.8%	3.1%

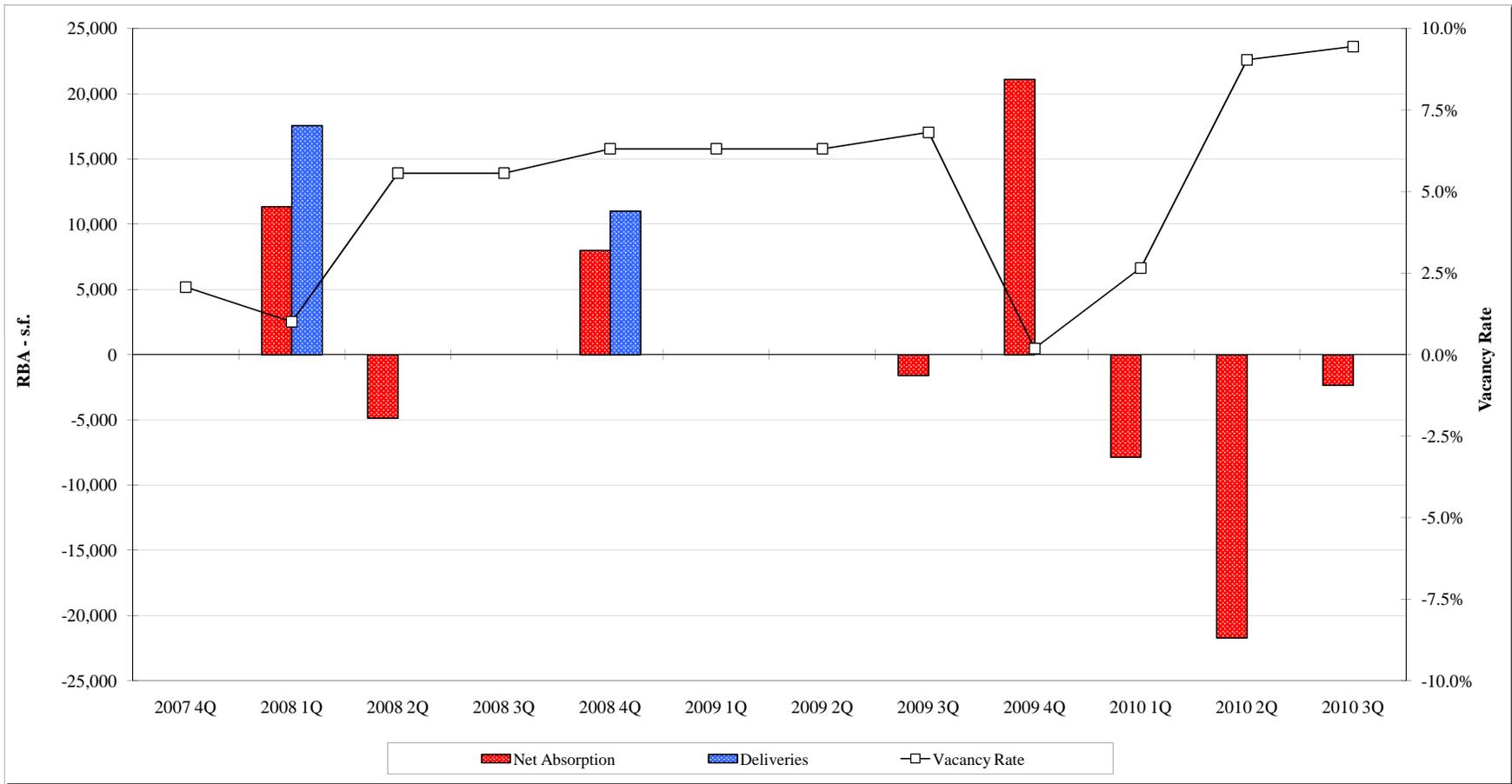


Source: CoStar

EXHIBIT IV-2

MACRO MARKET PERFORMANCE - OFFICE  
GREATER OROVILLE, CALIFORNIA  
2007 4Q THROUGH 2010 3Q

Market Factor	Quarterly											
	2007 4Q	2008 1Q	2008 2Q	2008 3Q	2008 4Q	2009 1Q	2009 2Q	2009 3Q	2009 4Q	2010 1Q	2010 2Q	2010 3Q
<i>Competitive Market Area</i>												
RBA (s.f.)	289,888	298,235	307,461	307,461	318,461	318,461	318,461	318,461	318,461	318,461	333,769	344,038
Net Absorption	0	11,347	-4,874	0	8,000	0	0	-1,600	21,100	-7,862	-21,704	-2,334
Deliveries	0	17,573	0	0	11,000	0	0	0	0	0	0	0
Total Vacancy Rate	2.1%	1.0%	5.6%	5.6%	6.3%	6.3%	6.3%	6.8%	0.2%	2.7%	9.0%	9.4%
Vacant SF	6,000	3,000	17,100	17,100	20,100	20,100	20,100	21,700	600	8,462	30,166	32,500

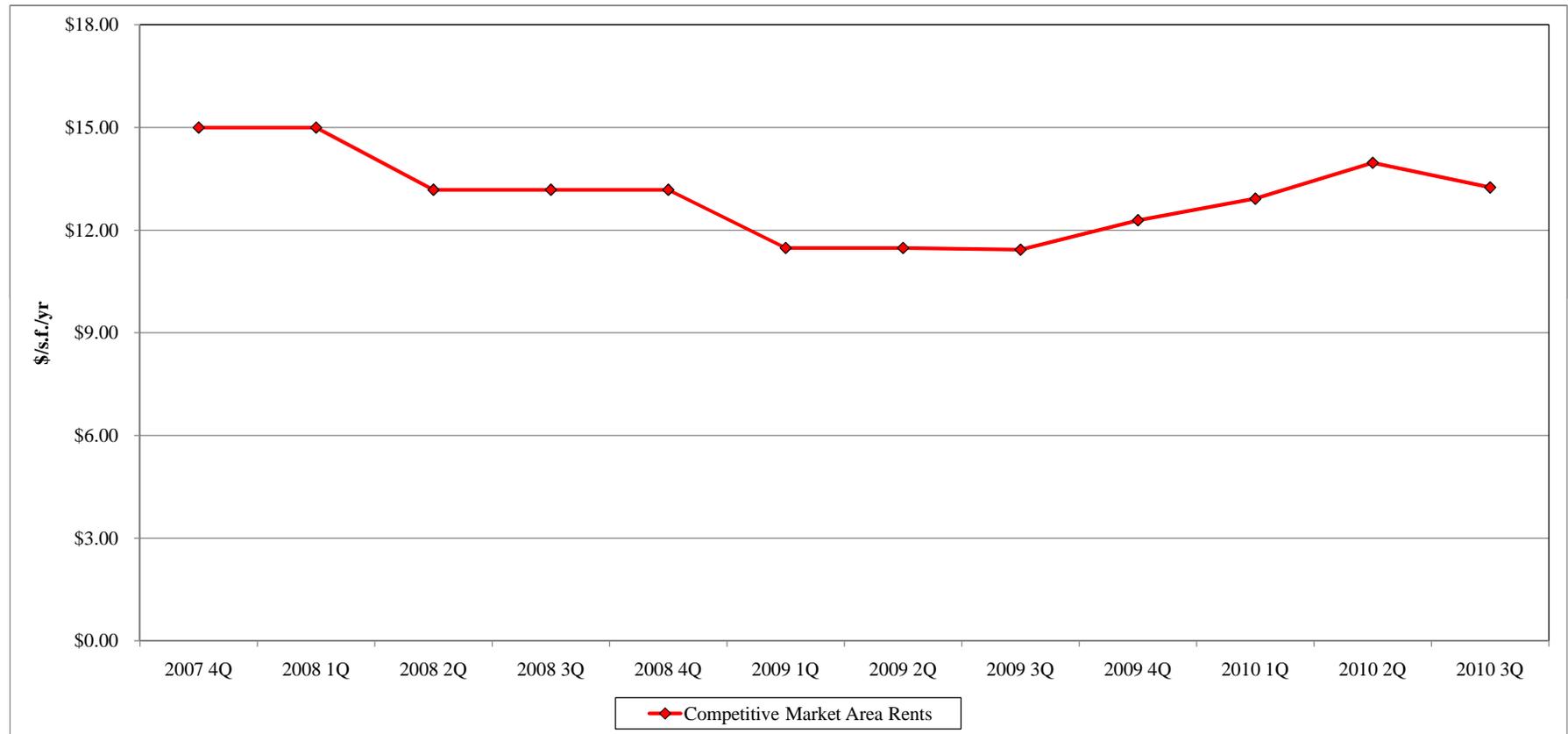


Source: CoStar

EXHIBIT IV-2

MACRO MARKET PERFORMANCE - OFFICE  
GREATER OROVILLE, CALIFORNIA  
2007 4Q THROUGH 2010 3Q

Market Factor	Quarterly											
	2007 4Q	2008 1Q	2008 2Q	2008 3Q	2008 4Q	2009 1Q	2009 2Q	2009 3Q	2009 4Q	2010 1Q	2010 2Q	2010 3Q
<i>Competitive Market Area</i>												
Rental Rate (1)	\$15.00	\$15.00	\$13.18	\$13.18	\$13.18	\$11.48	\$11.48	\$11.43	\$12.29	\$12.92	\$13.97	\$13.25
Y/Y % Change		0%	-12%	0%	0%	-13%	0%	0%	8%	5%	8%	-5%
% Chg fr. Peak												-12%
Vacancy Rate	2.1%	1.0%	5.6%	5.6%	6.3%	6.3%	6.3%	6.8%	0.2%	2.7%	9.0%	9.4%
Chg fr. Peak (Nominal)												9.3%



(1) Represents a Full Service Gross lease type

Source: CoStar

**EXHIBIT IV-3**  
**CURRENT INVENTORY SUMMARY**  
**GREATER OROVILLE, CALIFORNIA**  
**DECEMBER 2010**

**I. Available Spaces**

<b>Bldg Address</b>	<b>City</b>	<b>Owner/Manager</b>	<b>Building Park</b>	<b>Year Built/ Renovated</b>	<b>Stories</b>	<b>Bldg Class</b>	<b>RBA (sf)</b>	<b>Typ. Floor Size (sf)</b>	<b>Occu- pancy</b>	<b>Rent/ \$/s.f./mo</b>	<b>Lease Type</b>
<b>Gross Leases</b>											
2131 Montgomery St	Oroville	S & S Property Investment Grp	NA	1939/2010	1	B	1,008	1,008	0%	\$1.25	mg
2167 Montgomery St	Oroville	S & S Property Investment Grp	NA	NA	1	B	8,000	8,000	14%	1.25	mg
2200-2226 5th Ave	Oroville	Chapman Harley F Jr & Eleanor L	NA	NA	1	B	13,581	13,581	93%	0.80	mg
2120 Robinson St	Oroville	Schumer Bernice B	NA	1985	1	B	4,800	4,800	0%	0.72	mg
2120 Robinson St	Oroville	Schumer Bernice B	NA	1985	1	B	4,800	4,800	0%	0.72	mg
3210 Heritage Rd	Oroville	Ridgeway Investments Llc	NA	1984	1	C	2,676	2,676	0%	0.56	mg
<b>Total/Average:</b>			<b>6 Listings</b>	<b>1991</b>	<b>1</b>		<b>34,865</b>	<b>34,865</b>	<b>39%</b>	<b>\$0.88</b> (1)	

**Net Leases**

475 Oro Dam Blvd E	Oroville	Bank of the Orient	Feather River Village	NA	1	C	6,110	6,110	100%	\$1.45	nnn
2000-2018 E 5th Ave	Oroville	NA	Mission Square	2008	1	B	11,000	11,000	64%	1.25	nnn
<b>Total/Average:</b>			<b>2 Listings</b>	<b>2008</b>	<b>1</b>		<b>17,110</b>	<b>17,110</b>	<b>77%</b>	<b>\$1.35</b>	

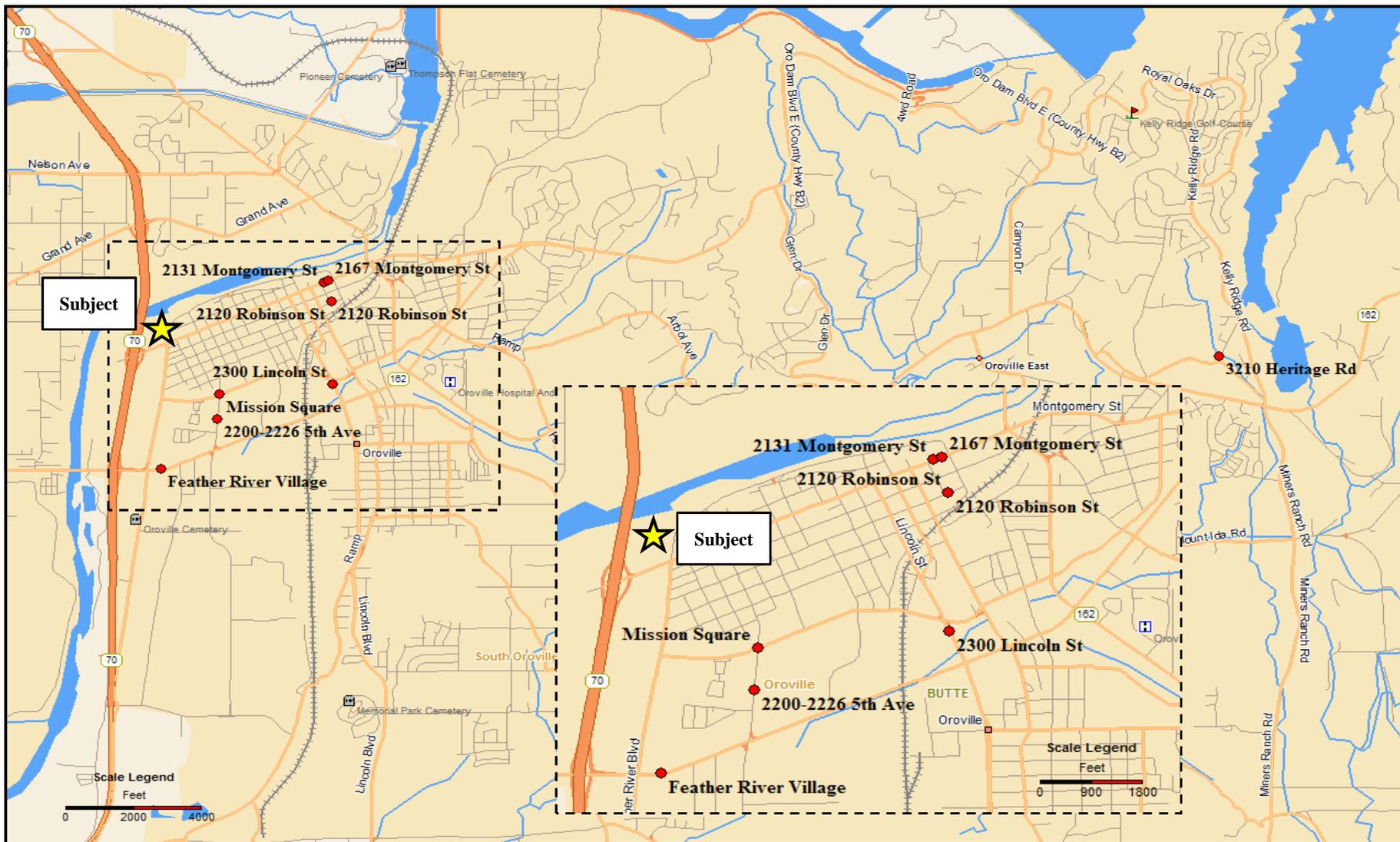
**II. Executed Leases**

<b>Bldg Address</b>	<b>City</b>	<b>Building Park</b>	<b>Tenant</b>	<b>Lease Date</b>	<b>Year Built</b>	<b>Size (SF)</b>	<b>Rent/ \$/s.f./mo</b>	<b>Lease Type</b>
2000-2018 E 5th Ave	Oroville	Mission Square	Express Yourself Salon	6/16/2010	2008	2,000	1.30	nnn
2300 Lincoln St	Oroville	NA	Blueberry Twist Ptnrs	2/8/2010	1981	600	0.73	mg
<b>Total/Average:</b>			<b>2 Leases</b>		<b>1995</b>	<b>2,600</b>	<b>\$1.02</b>	

(1) Note: Based on conversations with brokers, owners of top-end properties willing to take \$0.70/s.f./month on gross leases

EXHIBIT IV-4

OFFICE INVENTORY MAP  
GREATER OROVILLE, CALIFORNIA  
DECEMBER 2010



**EXHIBIT IV-5**

**FUTURE OFFICE SUPPLY  
OFFICE MARKET AREA  
2010 THROUGH 2015**

**I. Current Inventory Overhang**

<u>OMA Current Office Inventory:</u>	<u>Market Equilibrium Vacancy Rate (1):</u>	<u>Current Vacancy</u>	<u>Variance to Equilibrium</u>	<u>Total Overhang</u>
344,038	7.5%	9.4%	1.9%	6,697

**II. Future Office Supply**

<u>Status</u>	<u>Oroville</u>	<u>Biggs</u>	<u>Gridley</u>	<u>Other Butte County</u>	<u>CMA Total</u>
Under Construction:	0	0	0	0	0
Approved:	5,000	0	0	0	5,000
Pending:	0	0	0	0	0
<b>Total Planned</b>	<b>5,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5,000</b>

**Timeline of Deliveries (2)**

<u>Status</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Under Construction:	0	0	0	0	0	0
Approved:	0	0	0	5,000	0	0
Pending:	0	0	0	0	0	0
<b>Non-Site Total:</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5,000</b>	<b>0</b>	<b>0</b>

**EXHIBIT IV-6**  
**PROJECTED OFFICE DEMAND BY SEGMENT**  
**BUTTE COUNTY, CALIFORNIA**  
**2011 THROUGH 2015**

**I. Existing Demand**

Industry	Butte County 2010 Emp. (000s)	% Office Using (2)	Greater Oroville Office		SF Per Job (3)	Existing Office Space Demand (s.f)	Existing Office Space (000s)	Under/ (Over) Supplied
			Capture (5)	Emp.				
Construction	1.7	5%		0.0	300	1.7		
Education & Health Services	13.1	20%		0.2	275	46.9		
Financial Activities	4.4	95%		0.3	250	67.5		
Government	17.5	35%		0.4	250	99.3		
Information	1.1	90%		0.1	275	17.6		
Leisure & Hospitality	7.2	5%		0.0	300	7.0		
Manufacturing	4.0	5%		0.0	350	4.6		
Natural Resources & Mining	0.2	5%		0.0	350	0.2		
Other Services (except Public Admin.)	3.3	15%		0.0	240	7.7		
Professional & Business Services	4.6	95%		0.3	250	70.8		
Retail Trade	9.1	2%		0.0	275	3.3		
Transportation, Warehousing, & Util.	1.8	10%		0.0	350	4.1		
Wholesale Trade	1.8	2%		0.0	350	0.8		
<b>Total Nonfarm</b>	<b>69.8</b>	<b>30%</b>	<b>6.5% (5)</b>	<b>1.3</b>	<b>293</b>	<b>331.6</b>	<b>344.0</b>	<b>(12.4)</b>

**II. Demand from Net New Jobs**

Industry	Annual New Jobs (000s)(1)						% Office Using (2)	SF Per Job (3)	Current Office Pool	Annual Obsolescence Rate (4)	Greater Oroville Capture (5)	Potential Office Demand - Square Feet (000s)					Annual Average
	2010	2011	2012	2013	2014	2015						2011	2012	2013	2014	2015	
Construction	-0.7	-0.1	0.0	0.0	0.0	0.0	5%	300	NA	NA	6.5%	-0.1	0.0	0.0	0.0	0.0	0.0
Education & Health Services	-0.1	0.3	0.6	0.6	0.7	0.5	20%	275	NA	NA	6.5%	1.0	2.1	2.3	2.3	1.8	1.9
Financial Activities	-0.1	0.0	0.2	0.1	0.1	0.1	95%	250	NA	NA	6.5%	0.5	2.5	1.9	1.6	1.1	1.5
Government	-0.4	0.0	0.2	0.4	0.4	0.2	35%	250	NA	NA	6.5%	-0.2	1.2	2.3	2.0	0.9	1.2
Information	0.0	0.0	0.0	0.0	0.0	0.0	90%	275	NA	NA	6.5%	0.1	0.2	0.2	0.2	0.0	0.1
Leisure & Hospitality	-0.2	0.2	0.3	0.3	0.3	0.2	5%	300	NA	NA	6.5%	0.2	0.3	0.3	0.3	0.2	0.3
Manufacturing	0.3	-0.1	0.1	0.0	0.0	0.0	5%	350	NA	NA	6.5%	-0.1	0.1	0.0	0.0	0.0	0.0
Natural Resources & Mining	0.0	0.0	0.0	0.0	0.0	0.0	5%	350	NA	NA	6.5%	0.0	0.0	0.0	0.0	0.0	0.0
Other Services (except Public Admin.)	-0.1	0.1	0.1	0.1	0.1	0.0	15%	240	NA	NA	6.5%	0.2	0.2	0.2	0.2	0.1	0.2
Professional & Business Services	-0.2	0.1	0.2	0.2	0.1	0.0	95%	250	NA	NA	6.5%	1.3	3.7	3.5	1.9	0.8	2.3
Retail Trade	-0.1	0.1	0.1	0.1	0.0	0.0	2%	275	NA	NA	6.5%	0.0	0.0	0.0	0.0	0.0	0.0
Transportation, Warehousing, & Util.	0.0	0.0	0.0	0.0	0.0	0.0	10%	350	NA	NA	6.5%	0.0	0.1	0.0	0.0	0.0	0.0
Wholesale Trade	0.0	0.0	0.0	0.0	0.0	0.0	2%	350	NA	NA	6.5%	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total Nonfarm</b>	<b>-1.6</b>	<b>0.7</b>	<b>1.8</b>	<b>1.9</b>	<b>1.7</b>	<b>1.0</b>	<b>30%</b>	<b>293</b>	<b>NA</b>	<b>NA</b>	<b>6.5%</b>	<b>3.0</b>	<b>10.4</b>	<b>10.9</b>	<b>8.5</b>	<b>4.8</b>	<b>7.5</b>

**III. Demand from Obsolescence/Redevelopment**

Industry	Total Employment (000s)(1)						% Office Using (2)	SF Per Job (3)	Current Inventory (SF 000s) (3)	Annual Obsolescence Rate (4)	Greater Oroville Capture (5)	Potential Office Demand - Square Feet (000s)					Annual Average
	2010	2011	2012	2013	2014	2015						2011	2012	2013	2014	2015	
Construction	1.7	1.7	1.7	1.7	1.7	1.6	5%	300	26	0.5%	6.5%	0.0	0.0	0.0	0.0	0.0	0.0
Education & Health Services	13.1	13.4	14.0	14.6	15.3	15.8	20%	275	721	0.5%	6.5%	0.2	0.2	0.2	0.2	0.2	0.2
Financial Activities	4.4	4.4	4.6	4.7	4.8	4.9	95%	250	1,039	0.5%	6.5%	0.3	0.3	0.3	0.3	0.3	0.3
Government	17.5	17.4	17.6	18.0	18.4	18.5	35%	250	1,528	0.5%	6.5%	0.5	0.5	0.5	0.5	0.5	0.5
Information	1.1	1.1	1.1	1.1	1.1	1.1	90%	275	271	0.5%	6.5%	0.1	0.1	0.1	0.1	0.1	0.1
Leisure & Hospitality	7.2	7.4	7.8	8.1	8.4	8.6	5%	300	108	0.5%	6.5%	0.0	0.0	0.0	0.0	0.0	0.0
Manufacturing	4.0	4.0	4.0	4.1	4.1	4.0	5%	350	70	0.5%	6.5%	0.0	0.0	0.0	0.0	0.0	0.0
Natural Resources & Mining	0.2	0.2	0.1	0.1	0.1	0.2	5%	350	3	0.5%	6.5%	0.0	0.0	0.0	0.0	0.0	0.0
Other Services (except Public Admin.)	3.3	3.4	3.5	3.6	3.6	3.7	15%	240	119	0.5%	6.5%	0.0	0.0	0.0	0.0	0.0	0.0
Professional & Business Services	4.6	4.7	4.9	5.1	5.3	5.3	95%	250	1,090	0.5%	6.5%	0.4	0.4	0.4	0.4	0.4	0.4
Retail Trade	9.1	9.2	9.4	9.4	9.4	9.4	2%	275	50	0.5%	6.5%	0.0	0.0	0.0	0.0	0.0	0.0
Transportation, Warehousing, & Util.	1.8	1.8	1.9	1.9	1.9	1.9	10%	350	63	0.5%	6.5%	0.0	0.0	0.0	0.0	0.0	0.0
Wholesale Trade	1.8	1.8	1.8	1.8	1.8	1.8	2%	350	12	0.5%	6.5%	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total Nonfarm</b>	<b>70</b>	<b>70</b>	<b>72</b>	<b>74</b>	<b>76</b>	<b>77</b>	<b>28%</b>	<b>275</b>	<b>5,101</b>	<b>0.5%</b>	<b>6.5%</b>	<b>1.7</b>	<b>1.7</b>	<b>1.7</b>	<b>1.7</b>	<b>1.7</b>	<b>1.7</b>
<b>Total Greater Oroville Demand (Growth + Obsolescence) :</b>												<b>4.7</b>	<b>12.1</b>	<b>12.5</b>	<b>10.2</b>	<b>6.5</b>	<b>9.2</b>

(1) Source: Economy.com

(3) Per ULI, CoStar

(2) Per TCG projection

(4) Industry average adjusted for high-growth area

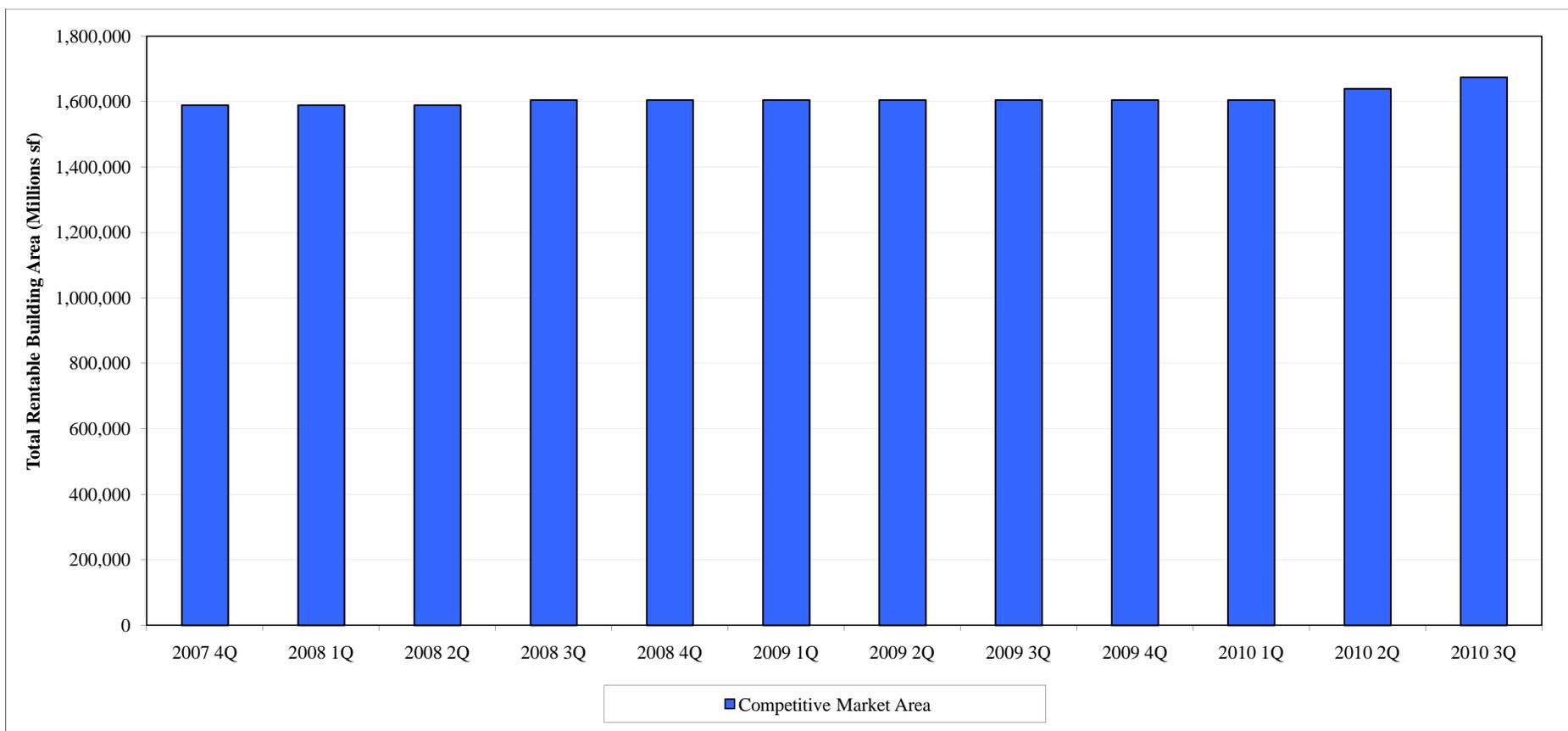
(5) Per CoStar. Represents capture of occupied inventory

## **V. RETAIL ANALYSIS**

EXHIBIT V-1

TOTAL RENTABLE BUILDING AREA - RETAIL  
GREATER OROVILLE, CALIFORNIA  
2007 4Q THROUGH 2010 3Q

Year:	Quarterly											
	2007 4Q	2008 1Q	2008 2Q	2008 3Q	2008 4Q	2009 1Q	2009 2Q	2009 3Q	2009 4Q	2010 1Q	2010 2Q	2010 3Q
<b>Rentable Building Area (SF):</b>	1,589,392	1,589,392	1,589,392	1,605,392	1,605,392	1,605,392	1,605,392	1,605,392	1,605,392	1,605,392	1,639,447	1,674,085
<b>Percent Change:</b>		0.0%	0.0%	1.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.1%	2.1%

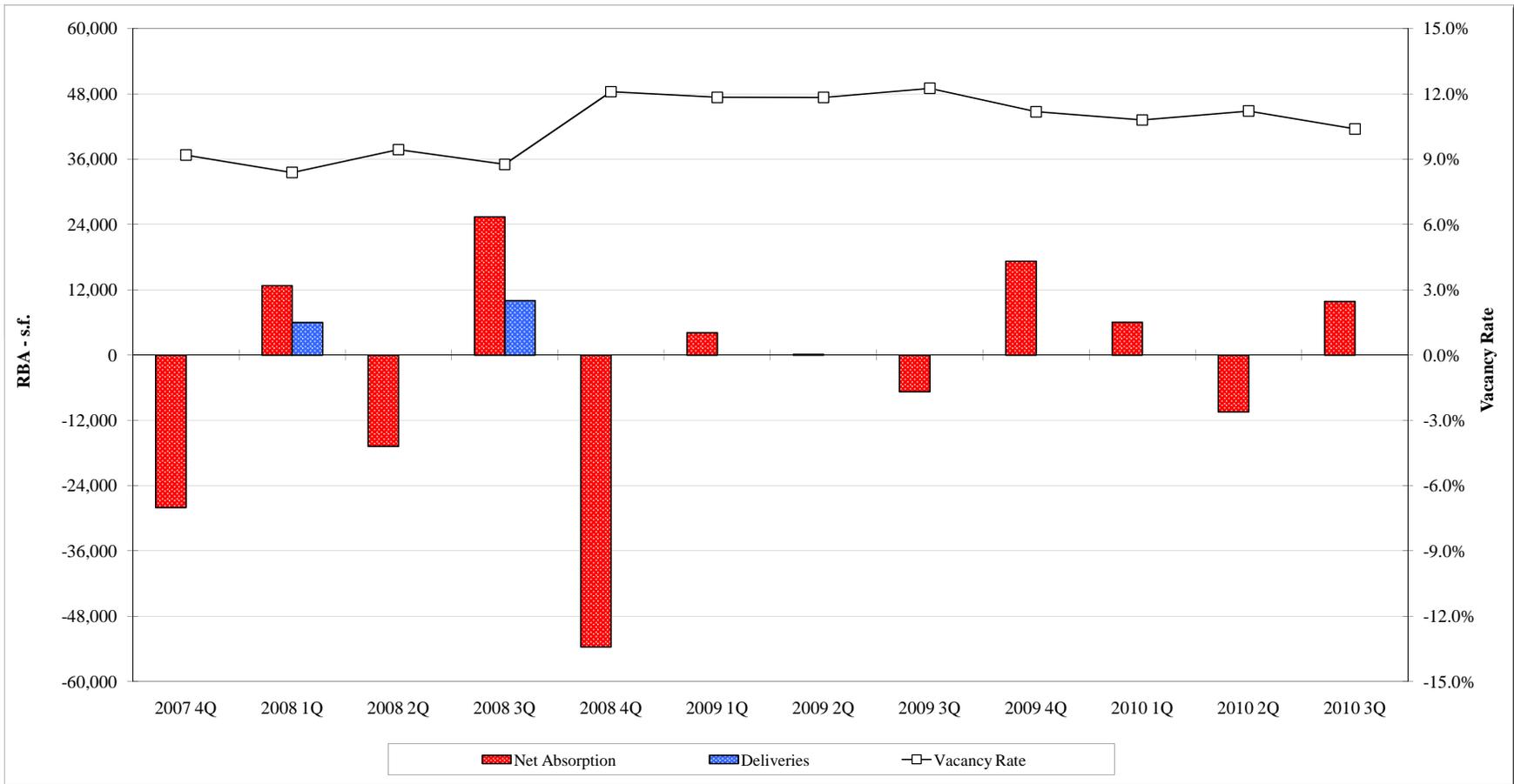


Source: CoStar

EXHIBIT V-2

MACRO MARKET PERFORMANCE - RETAIL  
GREATER OROVILLE, CALIFORNIA  
2007 4Q THROUGH 2010 3Q

Market Factor	Quarterly											
	2007 4Q	2008 1Q	2008 2Q	2008 3Q	2008 4Q	2009 1Q	2009 2Q	2009 3Q	2009 4Q	2010 1Q	2010 2Q	2010 3Q
<i>Competitive Market Area</i>												
RBA (s.f.)	1,589,392	1,589,392	1,589,392	1,605,392	1,605,392	1,605,392	1,605,392	1,605,392	1,605,392	1,605,392	1,639,447	1,674,085
Net Absorption	-28,027	12,757	-16,748	25,421	-53,650	4,130	117	-6,712	17,272	6,048	-10,446	9,887
Deliveries	0	6,000	0	10,000	0	0	0	0	0	0	0	0
Total Vacancy Rate	9.2%	8.4%	9.4%	8.8%	12.1%	11.8%	11.8%	12.3%	11.2%	10.8%	11.2%	10.4%
Vacant SF	145,991	133,234	149,982	140,561	194,211	190,081	189,964	196,676	179,404	173,356	183,802	173,915

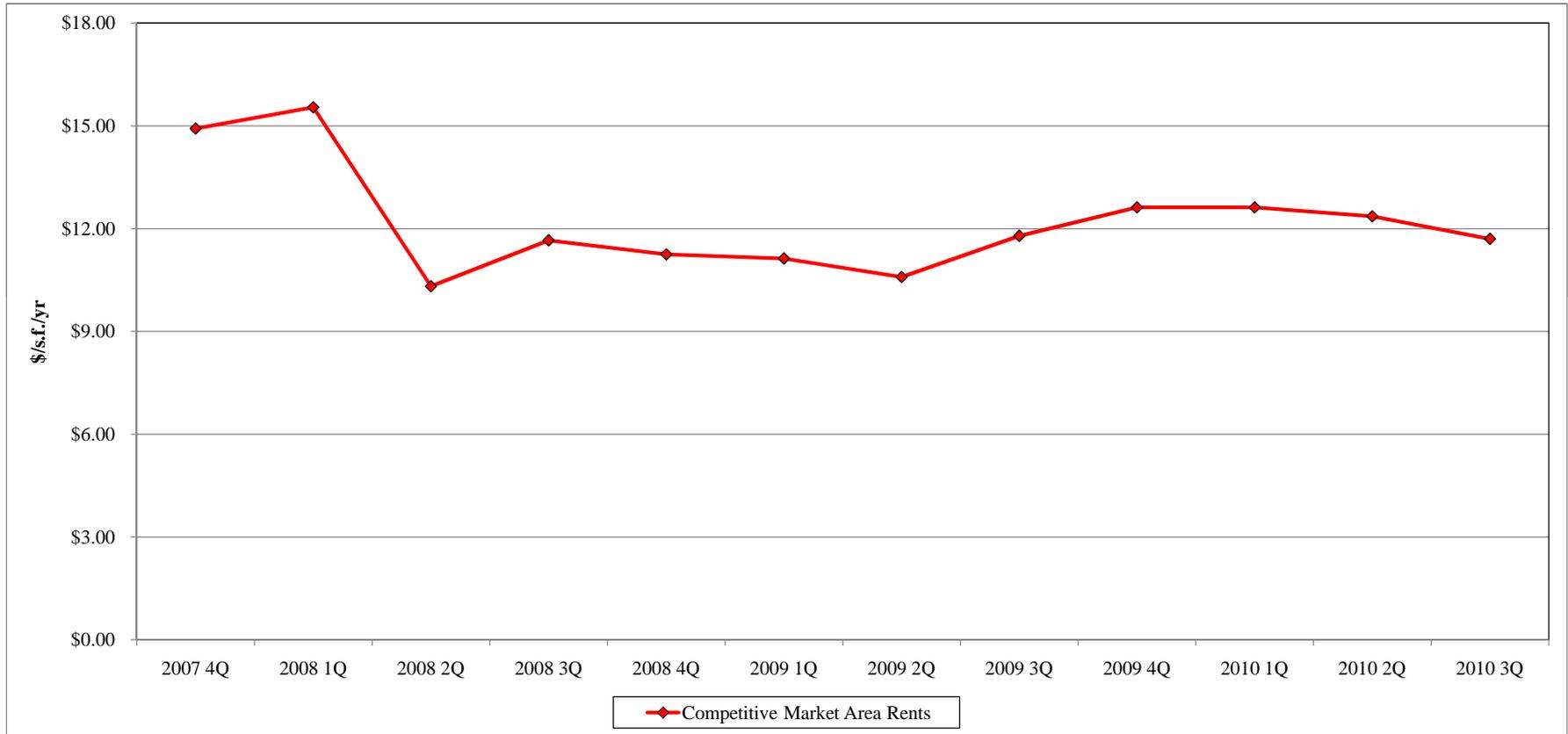


Source: CoStar

EXHIBIT V-2

MACRO MARKET PERFORMANCE - RETAIL  
GREATER OROVILLE, CALIFORNIA  
2007 4Q THROUGH 2010 3Q

Market Factor	Quarterly											
	2007 4Q	2008 1Q	2008 2Q	2008 3Q	2008 4Q	2009 1Q	2009 2Q	2009 3Q	2009 4Q	2010 1Q	2010 2Q	2010 3Q
<i>Competitive Market Area</i>												
Rental Rate (1)	\$14.92	\$15.54	\$10.32	\$11.66	\$11.25	\$11.13	\$10.59	\$11.79	\$12.62	\$12.62	\$12.36	\$11.70
Y/Y % Change		4%	-34%	13%	-4%	-1%	-5%	11%	7%	0%	-2%	-5%
% Chg fr. Peak												-25%
Vacancy Rate	9.2%	8.4%	9.4%	8.8%	12.1%	11.8%	11.8%	12.3%	11.2%	10.8%	11.2%	10.4%
Chg fr. Peak (Nominal)												2.0%



(1) Represents a Triple Net lease type

Source: CoStar

EXHIBIT V-3

CURRENT INVENTORY SUMMARY  
GREATER OROVILLE, CALIFORNIA  
DECEMBER 2010

I. Available Spaces

<u>Bldg Address</u>	<u>City</u>	<u>Owner/Manager</u>	<u>Building Name</u>	<u>Size (SF)</u>	<u>Year Built</u>	<u>Land (AC)</u>	<u>Rent/ \$/s.f./mo</u>	<u>Lease Type</u>	<u>Occu-pancy</u>	<u>Anchor Tenants</u>	<u>Property Type</u>
2465 Oroville Dam Blvd	Oroville	Daryl & Tina White	Gold Town Plaza	7,592	1963	6.5	\$2.75 (1) NNN	100%	NA		Retail (Neighborhood Center)
2450 Oro Dam Blvd	Oroville	Gold Town Plaza Llc	Gold Town Plaza	4,500	Proposed	NA	2.50 (1) NNN	0%	NA		Retail (Neighborhood Center)
2500 Oro Dam Blvd E	Oroville	Gold Town Plaza Llc	Gold Town Plaza	3,600	Proposed	NA	2.50 (1) NNN	0%	NA		Retail (Neighborhood Center)
3rd St	Oroville	Katz Kirkpatrick Properties	Home Depot Center	14,250	Proposed	1.0	2.38 (1) NNN	0%	NA		Retail
Oro Dam Blvd	Oroville	NA	Las Plumas Plaza	2,550	Proposed	NA	1.60 (1) NNN	0%	NA		Retail (Community Center)
455-459 Oro Dam Blvd E	Oroville	Bank of the Orient	Feather River Village	13,021	1978	2.0	1.45 NNN	100%	Fidelity Title, Subway, CIRS		Retail (Strip Center)
1516 Highway 99	Gridley	C & R Properties	River Valley Plaza	11,000	2005	1.0	1.40 NNN	79%	Edward Jones, Round Table Pizze		Retail (Strip Center)
1036-1180 Oroville Dam Blvd E	Oroville	Golden Pacific Realty	Las Plumas Plaza	87,131	1980	NA	1.40 NNN	96%	FoodMaxx, Long's Drugs		Retail (Community Center)
2780 Olive Hwy	Oroville	Johns Family Trust	NA	3,000	1968	0.4	1.00 FSG	0%	NA		Retail
3690 Olive Hwy	Oroville	Earthwise, Inc.	NA	2,124	1956	0.9	0.71 MG	0%	NA		Retail
2130 Feather River Blvd	Oroville	R & H Leasing	Former Save Max	61,000	1993	6.4	0.68 NNN	0%	NA		Retail
1440 Myers St	Oroville	Mark B Traylor	NA	15,959	1907	0.2	0.60 MG	94%	NA		Retail
985-999 Hazel St	Gridley	Sarbjit S Atwal	NA	4,900	1962	0.2	0.35 NNN	59%	NA		Retail
1820 Oro Dam Blvd E	Oroville	First States Investors 5200 Llc	NA	10,293	1982	1.0	0.10 NNN	100%	Supercuts		Retail
<b>Total/Average:</b>			<b>14 Listings</b>	<b>240,920</b>	<b>1969</b>	<b>2.0</b>	<b>\$1.39</b>	<b>59%</b>			

II. Executed Leases

<u>Bldg Address</u>	<u>City</u>	<u>Building Name</u>	<u>Tenant</u>	<u>Lease Date</u>	<u>Year Built</u>	<u>Size (SF)</u>	<u>Rent/ \$/s.f./mo</u>	<u>Lease Type</u>	<u>Notes</u>
1440 Myers St	Oroville	NA	Curious Visions	6/15/2010	1907	1,543	0.70	mg	multiple upgrades throughout building history
<b>Total/Average:</b>			<b>1 Leases</b>		<b>1907</b>	<b>1,543</b>	<b>\$0.70</b>		

(1) Based on discussions with brokers in the market, top-end properties on Oro Dam Blvd such as Gold Town Plaza would currently accept a deal at \$1.40-1.50/s.f. on a gross lease

EXHIBIT V-4

RETAIL INVENTORY MAP  
GREATER OROVILLE, CALIFORNIA  
DECEMBER 2010

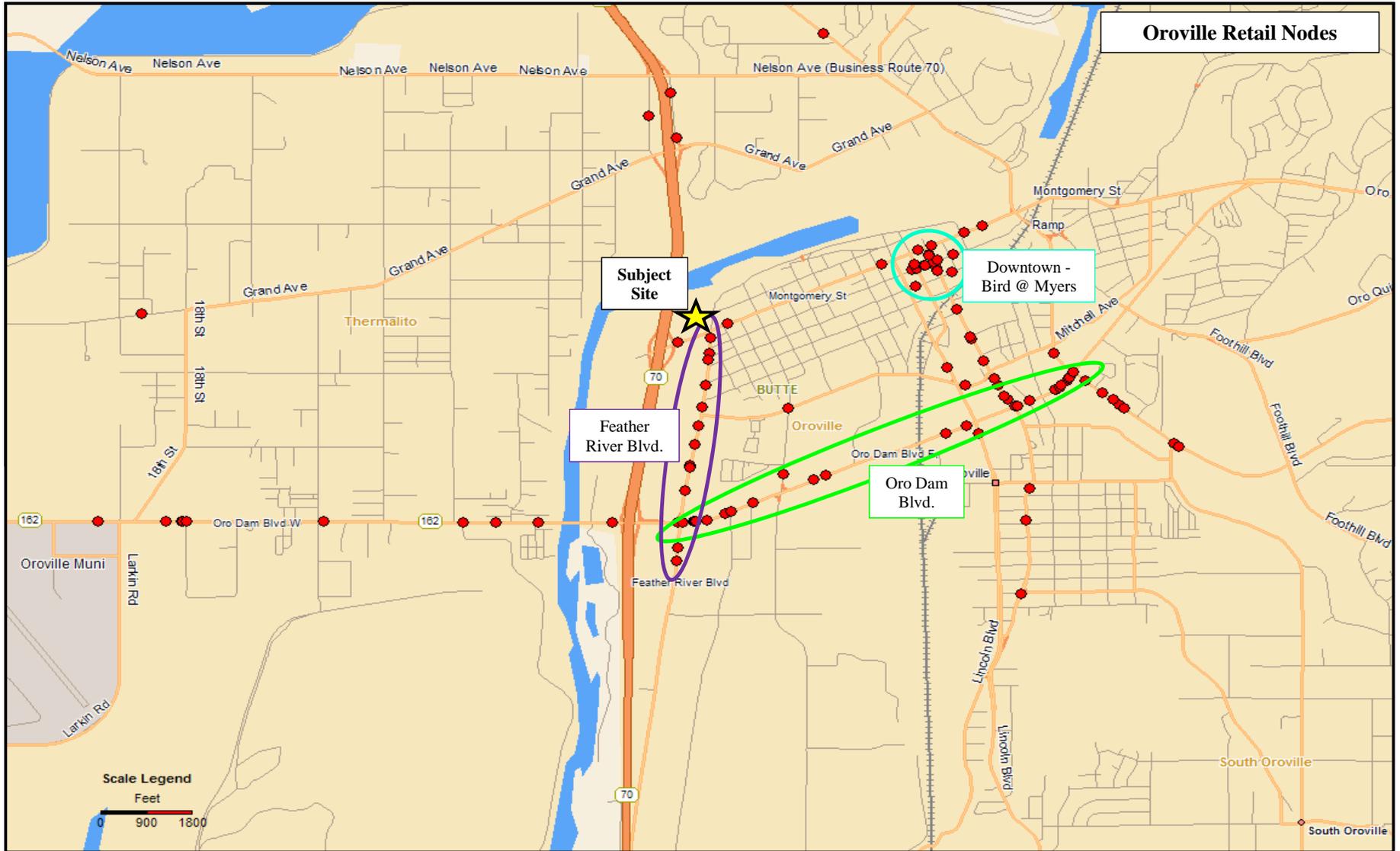


EXHIBIT V-4

RETAIL INVENTORY MAP  
GREATER OROVILLE, CALIFORNIA  
DECEMBER 2010

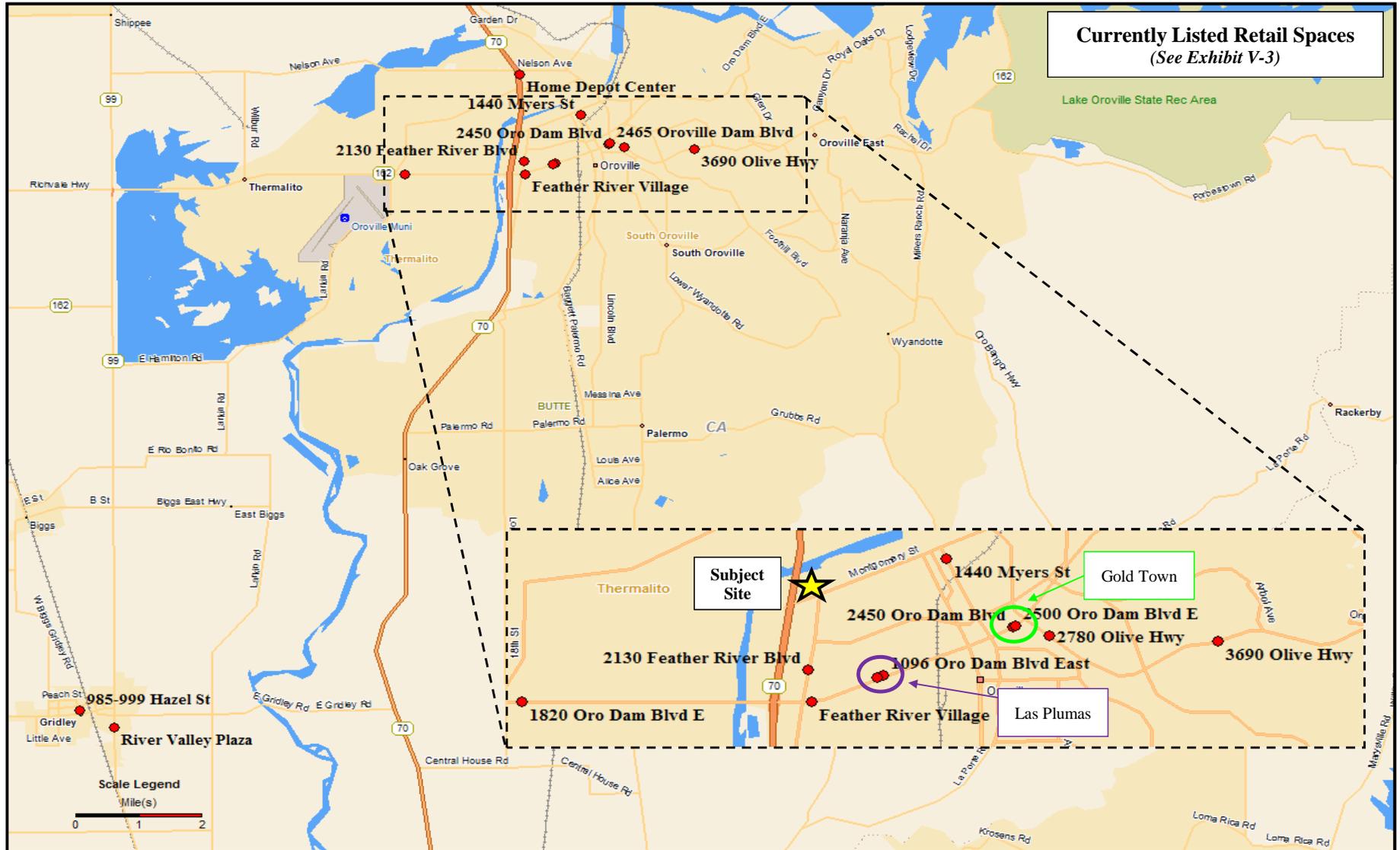


EXHIBIT V-5

FUTURE RETAIL SUPPLY  
RETAIL MARKET AREA  
2010 THROUGH 2015

I. Current Inventory Overhang

<u>RMA Current Retail Inventory:</u>	<u>Market Equilibrium Vacancy Rate:</u>	<u>Current Vacancy</u>	<u>Variance to Equilibrium</u>	<u>Total Overhang</u>
1,674,085	5.0%	10.4%	5.4%	90,211

II. Future Retail Supply

<u>Status</u>	<u>Oroville</u>	<u>Biggs</u>	<u>Gridley</u>	<u>CMA Total</u>
Under Construction:	0	0	0	0
Approved:	170,000 <sup>(1)</sup>	0	0	170,000
Pending:	72,600	0	0	72,600
<b>Total Planned</b>	<b>242,600</b>	<b>0</b>	<b>0</b>	<b>242,600</b>

<u>Status</u>	<u>Completion Likelihood</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Under Construction:	85%	50%	50%	0%	0%	0%
Approved:	100%	0%	100%	0%	0%	0%
Pending:	35%	0%	5%	10%	15%	15%

<u>Status</u>	<u>Weighted Average</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Under Construction:	0	0	0	0	0	0
Approved:	170,000	0	170,000	0	0	0
Pending:	25,410	0	1,271	2,541	3,812	3,812
<b>Non-Site Total:</b>	<b>195,410</b>	<b>0</b>	<b>171,271</b>	<b>2,541</b>	<b>3,812</b>	<b>3,812</b>
<b>Total:</b>	<b>285,621</b>	<b>Subtotal: 0</b>	<b>171,271</b>	<b>2,541</b>	<b>3,812</b>	<b>3,812</b>

(1) Walmart Supercenter

**EXHIBIT V-6**

**CONSUMER SPENDING CAPACITY  
GREATER OROVILLE, CALIFORNIA  
2010**

<u>Spending Category</u>	<u>Consumer Spending Capacity</u>		
	<u>Total</u>	<u>Per Capita</u>	<u>Share*</u>
Clothing & Accessories	\$35,625,543	\$525	6%
Sporting Goods/Hobby	9,680,788	143	2%
Books & Music	4,944,515	73	1%
Department Stores	52,124,289	768	8%
Motor Vehicle	132,731,610	1,956	NA *
Furniture	15,279,894	225	2%
Electronics/Appliances	17,590,529	259	3%
Building/Garden Materials	75,443,952	1,112	12%
Food & Beverage	127,414,230	1,878	21%
Health & Personal Care	49,235,120	726	8%
Gas Stations	78,670,944	1,160	NA *
Other General Merchandise	62,843,061	926	10%
Misc. Stores	21,580,264	318	3%
Other Non-Store Retailers (1)	57,099,422	842	9%
Eating & Drinking Places	91,662,080	1,351	15%
<b>Total:</b>	<b>\$831,926,241</b>	<b>\$12,263</b>	
<b>Non Vehicle/Gas:</b>	<b>\$620,523,687</b>	<b>\$9,146</b>	<b>100%</b>
<b>Key Targets:</b>	<b>\$393,304,813</b>	<b>\$5,797</b>	<b>63%</b>

(1) Source: Claritas Data Systems

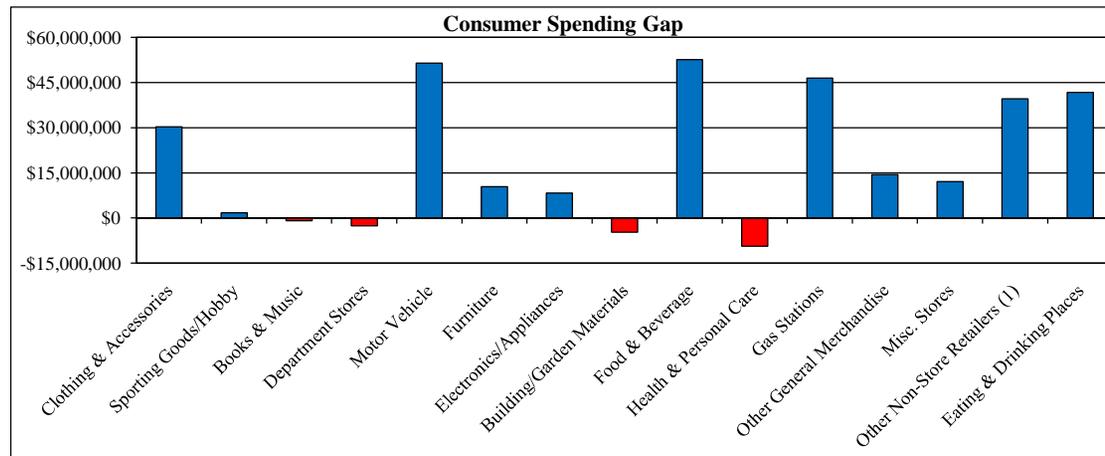
\* Share of total sales, excluding Motor Vehicle, Gas Stations and Electronic Shopping

Note: Gray  = target sales categories for Subject Site

EXHIBIT V-7

RETAIL OPPORTUNITY GAPS  
GREATER OROVILLE, CALIFORNIA  
2010

Spending Category	Consumer Spending			
	Consumer Demand	Actual Sales	Gap	
			\$	%
Clothing & Accessories	\$35,625,543	\$5,332,911	\$30,292,632	85%
Sporting Goods/Hobby	9,680,788	7,966,740	1,714,048	18%
Books & Music	4,944,515	5,845,268	-900,753	-18%
Department Stores	52,124,289	54,708,689	-2,584,400	-5%
Motor Vehicle	132,731,610	81,328,919	51,402,691	39%
Furniture	15,279,894	4,868,459	10,411,435	68%
Electronics/Appliances	17,590,529	9,306,337	8,284,192	47%
Building/Garden Materials	75,443,952	80,117,372	-4,673,420	-6%
Food & Beverage	127,414,230	74,852,403	52,561,827	41%
Health & Personal Care	49,235,120	58,632,342	-9,397,222	-19%
Gas Stations	78,670,944	32,188,648	46,482,296	59%
Other General Merchandise	62,843,061	48,404,789	14,438,272	23%
Misc. Stores	21,580,264	9,449,703	12,130,561	56%
Other Non-Store Retailers (1)	57,099,422	17,458,196	39,641,226	69%
Eating & Drinking Places	91,662,080	49,990,772	41,671,308	45%
<b>Total:</b>	<b>\$831,926,241</b>	<b>\$540,451,548</b>	<b>\$291,474,693</b>	<b>35%</b>
<b>Non Vehicle/Gas Sales:</b>	<b>\$620,523,687</b>	<b>\$426,933,981</b>	<b>\$193,589,706</b>	<b>31%</b>
<b>Excluding Department Stores:</b>	<b>\$568,399,398</b>	<b>\$372,225,292</b>	<b>\$196,174,106</b>	<b>35%</b>



(1) Includes vending machine operators and direct-selling establishments

(2) Based on ULI "Dollar and Cents" study that shows for every \$300 of retail spendings, 1 s.f. of space is required

Note: Gray  = categories with spending gap

EXHIBIT V-8

PROJECTED RETAIL SPACE DEMAND  
GREATER OROVILLE, CALIFORNIA  
5 YEAR TIMEFRAME

I. Consumer Spending Opportunity Gap Demand Potential

Spending Categories	Consumer Spending			Existing Retail Space (s.f.)	Current Retail Sales per SF	Current Resident Spending Gap	Unfulfilled Retail Space Outflow (s.f.)	Future Potential (2)			
	Consumer Demand	Actual Spending	Demand Capture					Capture	Shift Share	New Demand	
										Sales	S.F.
Clothing & Accessories	\$35,625,543	\$5,332,911	15%			\$30,292,632	93,833	20%	134%	\$1,792,198	5,551
Sporting Goods/Hobby	9,680,788	7,966,740	82%			1,714,048	5,309	-----No Net Increase-----			
Books & Music	4,944,515	5,845,268	118%			-900,753	0	-----No Net Increase-----			
Department Stores	52,124,289	54,708,689	105%			-2,584,400	0	-----No Net Increase-----			
Motor Vehicle	132,731,610	81,328,919	61%			51,402,691	159,223	65%	106%	4,946,628	NA
Furniture	15,279,894	4,868,459	32%			10,411,435	32,250	50%	157%	2,771,488	8,585
Electronics/Appliances	17,590,529	9,306,337	53%			8,284,192	25,661	75%	142%	3,886,560	12,039
Building/Garden Materials	75,443,952	80,117,372	106%			-4,673,420	0	-----No Net Increase-----			
Food & Beverage	127,414,230	74,852,403	59%			52,561,827	162,814	75%	128%	20,708,270	64,145
Health & Personal Care	49,235,120	58,632,342	119%			-9,397,222	0	-----No Net Increase-----			
Gas Stations	78,670,944	32,188,648	41%			46,482,296	143,982	-----No Net Increase-----			
Other General Merchandise	62,843,061	48,404,789	77%			14,438,272	44,724	-----No Net Increase-----			
Misc. Stores	21,580,264	9,449,703	44%			12,130,561	37,575	75%	171%	6,735,495	20,864
Other Non-Store Retailers (1)	57,099,422	17,458,196	31%			39,641,226	122,791	-----No Net Increase-----			
Eating & Drinking Places	91,662,080	49,990,772	55%			41,671,308	129,080	75%	138%	18,755,788	58,097
<b>All Spending Categories:</b>	<b>\$831,926,241</b>	<b>\$540,451,548</b>	<b>65%</b>	<b>1,674,085</b>	<b>\$323</b>	<b>\$291,474,693</b>	<b>957,243</b>	<b>72%</b>	<b>111%</b>	<b>\$59,596,425</b>	<b>169,281</b>

II. Population Growth Demand Potential (2011-2015)

Spending Categories	Per Capita Spending		2011-15 Ann.		
	Num.	Perc.	Population Growth	New Annual Demand	
				Sales	Retail S.F.
Clothing & Accessories	\$525	4%		\$345,422	1,070
Sporting Goods/Hobby	143	1%		93,864	291
Books & Music	73	1%		47,942	149
Department Stores	768	6%		505,393	1,565
Motor Vehicle	1,956	16%		1,286,954	3,986
Furniture	225	2%		148,153	459
Electronics/Appliances	259	2%		170,556	528
Building/Garden Materials	1,112	9%		731,498	2,266
Food & Beverage	1,878	15%		1,235,398	3,827
Health & Personal Care	726	6%		477,380	1,479
Gas Stations	1,160	9%		762,787	2,363
Other General Merchandise	926	8%		609,321	1,887
Misc. Stores	318	3%		209,240	648
Other Non-Store Retailers (1)	842	7%		553,631	1,715
Eating & Drinking Places	1,351	11%		888,748	2,753
	<b>\$12,263</b>	<b>100%</b>	<b>658</b>	<b>\$8,066,287</b>	<b>24,986</b>

(1) Includes vending machine operators and direct-selling establishments

(2) Assumes Oroville competes favorably for capture based on new tenants and economic development activity

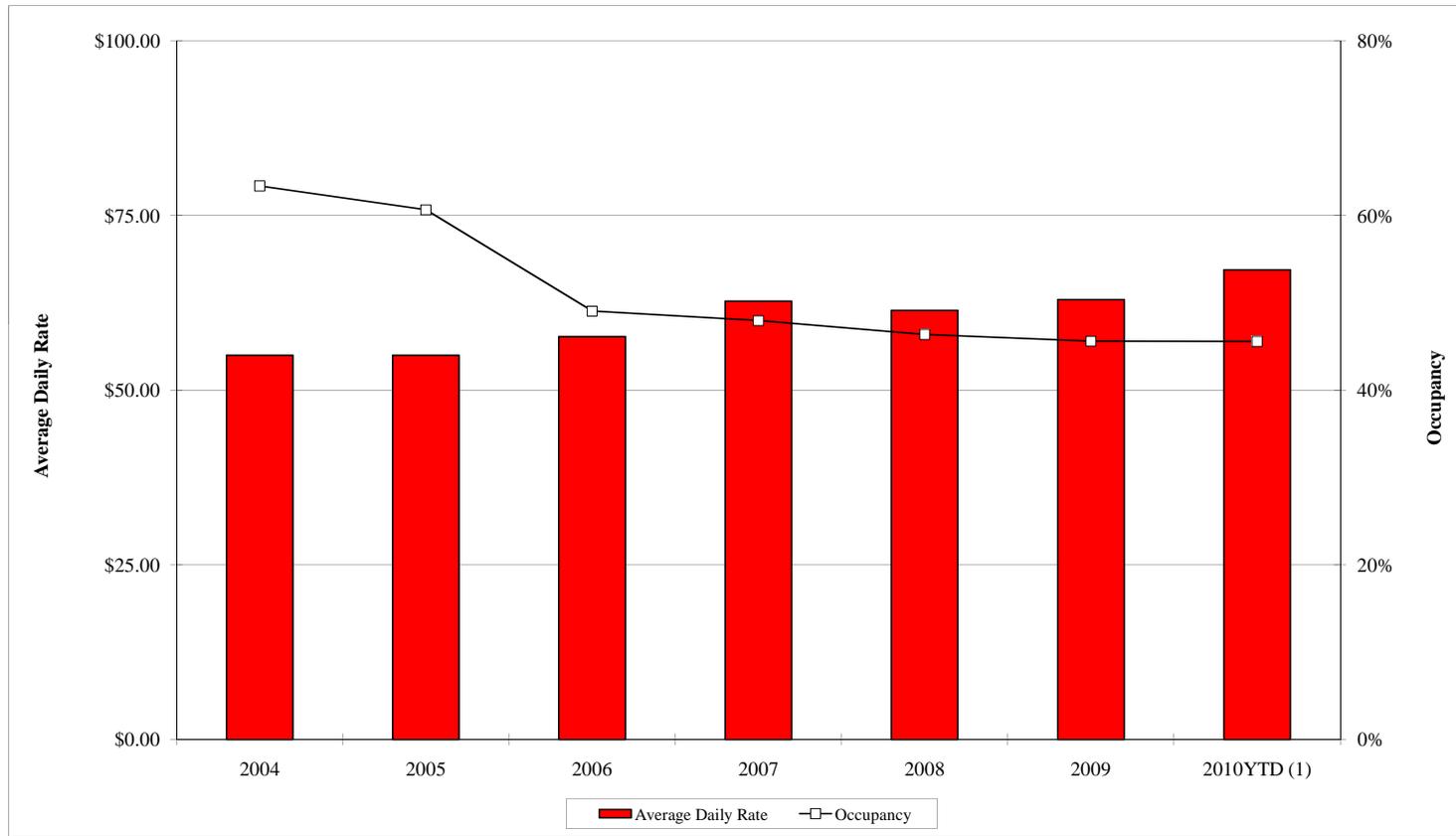
Sources: Claritas; CoStar

## **VI. HOTEL ANALYSIS**

EXHIBIT VI-1

HOTEL MARKET HISTORICAL TRENDS  
GREATER OROVILLE, CALIFORNIA  
2004 THROUGH 2010YTD

Product Type	2004	2005	2006	2007	2008	2009	2010YTD (1)	'04-'09 Average
<i>Hotel</i>								
Total Rooms	255	255	255	255	255	321	321	266
YY % Change	NA	0.0%	0.0%	0.0%	0.0%	25.9%	0.0%	0.0%
Average Daily Rate	\$55	\$55	\$58	\$63	\$61	\$63	\$67	\$59
YY % Change	NA	0.0%	4.8%	8.8%	-2.1%	2.5%	6.7%	2.9%
Occupancy	63%	61%	49%	48%	46%	46%	46%	1
Average Revenue per Avail. Room	\$35	\$33	\$28	\$30	\$28	\$29	\$31	\$31
YY % Change	NA	-4.3%	-15.2%	6.4%	-5.3%	0.8%	6.7%	-3.5%



(1) Represents January through October data  
Source: STR

**EXHIBIT VI-2**

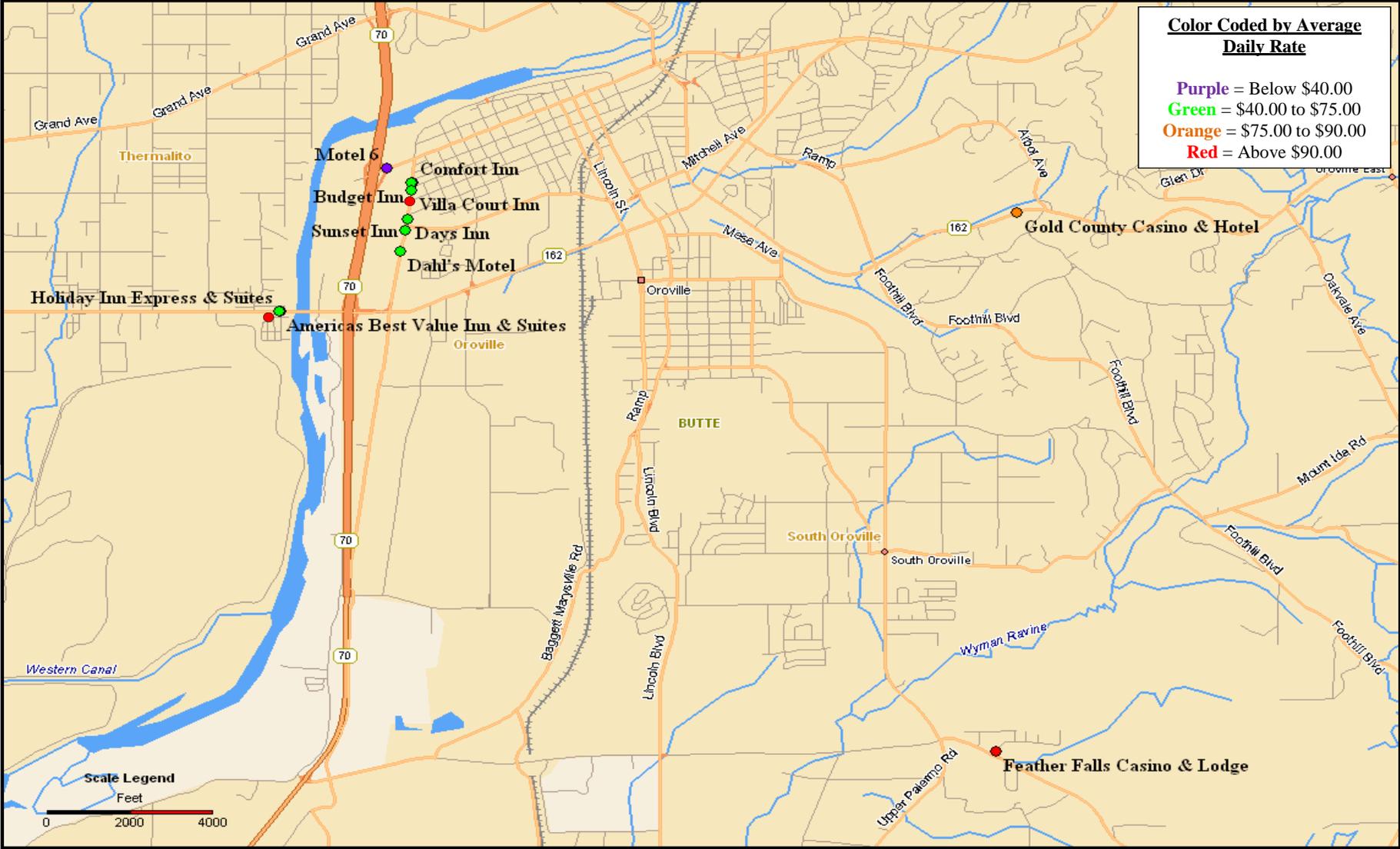
**CURRENT HOTEL INVENTORY  
GREATER OROVILLE, CALIFORNIA  
DECEMBER 2010**

<b>Hotel/Chain</b>	<b>Location</b>	<b>Num. of Rooms</b>	<b>Open Date</b>	<b>Avg. Occ.</b>	<b>Room Rates (1)</b>		<b>ADR</b>	<b>Mix of Occupants</b>	
					<b>Low</b>	<b>High</b>		<b>Bus.</b>	<b>Leis.</b>
Holiday Inn Express & Suites	550 Oro Dam Blvd	66	2009	50%	\$99.99	\$114.99	\$109.00	70%	30%
Feather Falls Casino & Lodge	3 Alverda Dr	84	2007	50%	89.00	129.00	100.00	40%	60%
Comfort Inn	1470 Feather River Blvd	54	1990	NA	89.99	109.99	90.00	60%	40%
Gold County Casino & Hotel	4020 Olive Highway	87	2004	70%	69.00	99.00	78.00	30%	70%
Americas Best Value Inn & Suites	580 Oro Dam Blvd	68	NA	40%	71.00	81.00	74.00	50%	50%
Gridley Inn and RV Park	1490 Hwy 99	25	1999	60%	59.95	59.95	59.95	NA	NA
Days Inn	1745 Feather River Blvd	37	NA	NA	55.00	65.00	58.00	NA	NA
Budget Inn	1475 Feather River Blvd	22	NA	NA	45.00	45.00	45.00	NA	NA
Sunset Inn	1835 Feather River Blvd	41	NA	40%	40.00	45.00	41.00	NA	NA
Dahl's Motel	2010 Feather River Blvd	16	1952	60%	40.00	40.00	40.00	30%	70%
Villa Court Inn	1527 Feather River Blvd	20	NA	NA	45.00	45.00	45.00	NA	NA
Motel 6	505 Montgomery St	100	NA	30%	37.99	47.99	39.00	50%	50%
<b>Total/ Wtd. Average:</b>	<b>12 Hotels</b>	<b>620</b>		<b>47%</b>	<b>\$66.56</b>	<b>\$83.17</b>	<b>\$71.01</b>	<b>48%</b>	<b>52%</b>

(1) Room rate based upon single occupancy

EXHIBIT VI-3

LOCATION OF SELECTED COMPARABLE HOTELS  
 OROVILLE, CALIFORNIA  
 DECEMBER 2010



**EXHIBIT VI-4**  
**FUTURE HOTEL SUPPLY**  
**GREATER OROVILLE, CALIFORNIA**  
**DECEMBER 2010**

**I. Key Projects**

NA <sup>(1)</sup>

**II. Overview by Submarket**

<b>Status <sup>(2)</sup></b>	<b>Greater Oroville Total</b>
<i>Currently Available Rooms</i>	
Available Inventory <sup>(4)</sup>	47
<i>Future Available Rooms</i>	
Under Construction	0
Approved	0
Pending	0
Total Planned	0
<b>Total Supply</b>	<b>47</b>

**III. Future Supply Projection <sup>(3)</sup>**

<b>Status</b>	<b>Weighted Value</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Under Construction	0	0	0	0	0	0
Approved	0	0	0	0	0	0
Pending	0	0	0	0	0	0
<b>Non-Site Total:</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Near Term Supply:</b>			<b>0</b>			

(1) Based on conversations with city planning officials and brokers in the market no hotel projects currently being pursued within the Greater Oroville CMA

(2) Under Construction = projects that have broken ground but are not yet open; Approved = projects with an approved tract map by the city; Pending = proposed project plans submitted, but no approval

(3) Excludes subject property

(4) Represents available inventory for market to reach 55% occupancy; current occupancy within competitive submarkets is 47% in 2010

Sources: STR, TCG



## **VII. SITE SPECIFIC ANALYSIS AND RECOMMENDATIONS**

EXHIBIT VII-1  
LOCAL SETTING  
OROVILLE, CALIFORNIA  
DECEMBER 2010



EXHIBIT VII-2

SITE PLAN  
THE GATEWAY; OROVILLE, CALIFORNIA  
DECEMBER 2010



**EXHIBIT VII-3**

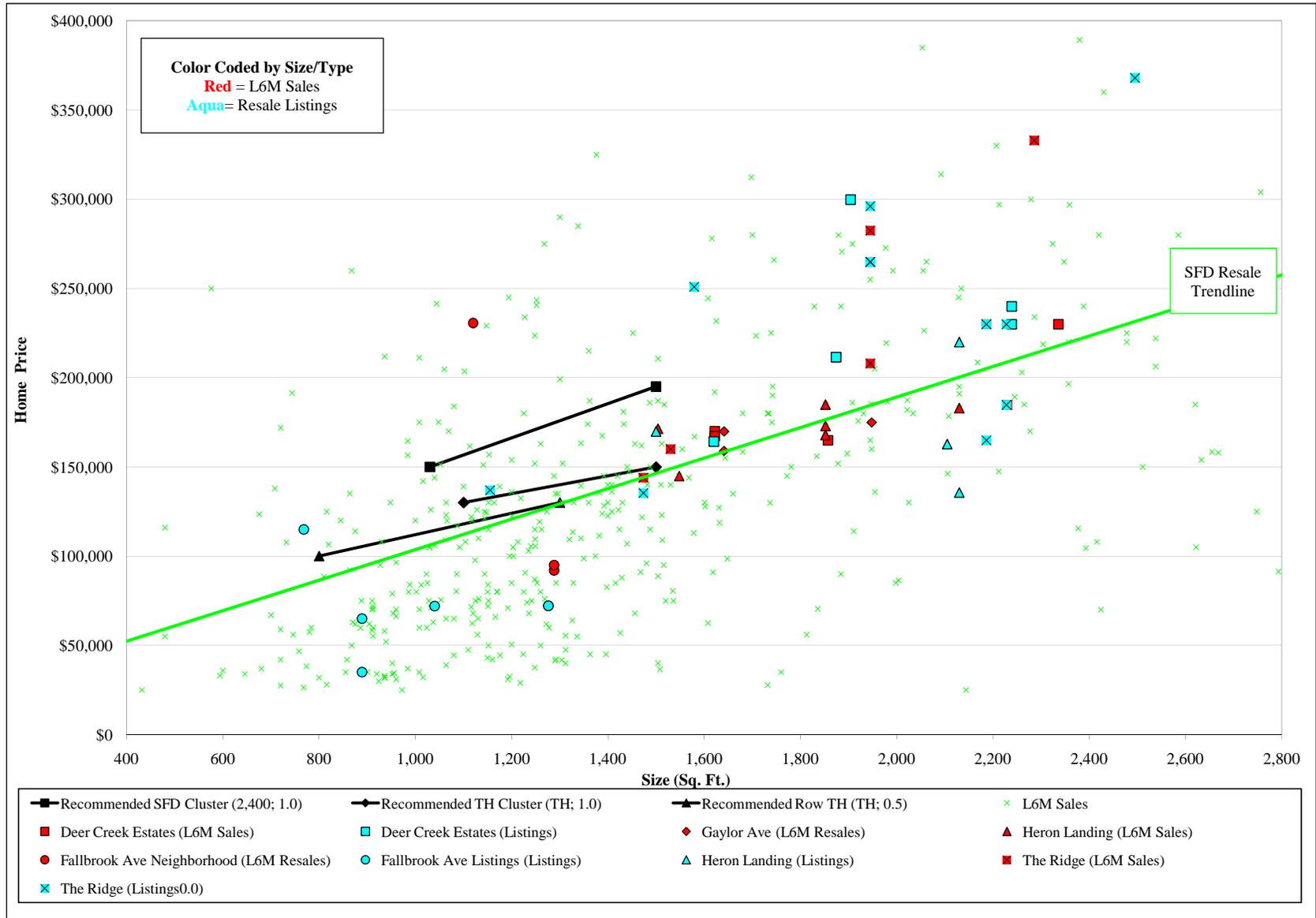
**MARKET EVALUATION OF THE SUBJECT PROPERTY FOR MIXED USE DEVELOPMENT  
THE GATEWAY; OROVILLE, CALIFORNIA  
DECEMBER 2010**

<b>ELEMENT</b>	<b>DESCRIPTION</b>	<b>RATING /1</b>
<b>REGIONAL LOCATION</b>	<ul style="list-style-type: none"> <li>• Site located in Butte County in Northern California</li> <li>• Situated 90 minutes north of Sacramento and 3 hours north of the San Francisco Bay Area</li> <li>• Located near Chico the largest city employment node in Butte County</li> <li>• Growth in region due to mild weather, relatively low home prices</li> <li>• Region dominated by agriculture, recreation and tourism</li> </ul>	<b>2.5</b>
<b>SITE LOCATION/ SUBMARKET</b>	<ul style="list-style-type: none"> <li>• Located in the Foothills of the Sierra Nevada, near Lake Oroville State Recreation Area, a picturesque natural location</li> <li>• Within commuting distance to Chico</li> <li>• Oroville is a small city with mostly working class residents. Median income within the city limits is just \$27,254</li> <li>• Oroville draws roughly 1,000,000 visitors per year; mostly in the summer for recreation at Lake Oroville</li> <li>• Oroville has experienced significant population growth in the last 10 years and the current population of 67,843 is expected to grow 1.0% annually to reach 71,132 in 2015. Currently 24,661 households, expected to grow 0.9% annually to each 25,790 in 2015</li> </ul>	<b>3.0</b>
<b>PHYSICAL CHARACTERISTICS</b>	<ul style="list-style-type: none"> <li>• Waterfront location on the Feather River provides an attractive development opportunity and ultimate adjacency</li> <li>• Flat, rectangular parcel adjacent to Bedrock Park tennis courts and skate park, as well as miles of riverfront biking and walking trails</li> </ul>	<b>4.0</b>
<b>ACCESS/ VISIBILITY</b>	<ul style="list-style-type: none"> <li>• Contiguous with developed city-center, opportunity for getaway to downtown and western anchor of neighborhood</li> <li>• Regional Access from North and South on CA State Route 70, and from the East and West on CA State Route 162</li> <li>• Visitors coming for Lake Oroville and Sierra Nevada recreation pass through the city on Oro Dam Blvd and do not directly pass site</li> </ul>	<b>3.0</b>
<b>PROXIMITY TO SERVICES</b>	<ul style="list-style-type: none"> <li>• Within 1 mile of downtown Oroville, easy access by bike, car or on foot to all the cities restaurants and services</li> <li>• Major retail services located just to the south of the site, including big box retailers such as Staples, and in the near future, a Walmart Supercenter.</li> <li>• Major cultural amenities located in Chico, 25 miles north</li> </ul>	<b>4.0</b>
<b>PRODUCT TYPE QUALIFICATIONS</b>		
	<b>Residential</b>	<b>2.5</b>
	<ul style="list-style-type: none"> <li>• Most residents want single family product in rural locations on larger lots</li> <li>• Isolated from other residential by retail, hotel and office.</li> </ul>	
	<b>Retail</b>	<b>2.5</b>
	<ul style="list-style-type: none"> <li>• Highway frontage but away from existing retail clusters</li> <li>• No obvious tenant</li> </ul>	
	<b>Office</b>	<b>2.5</b>
	<ul style="list-style-type: none"> <li>• Downtown area currently has a glut of the class C office space demanded by Mom and Pop tenants who need smaller office spaces</li> <li>• Small town tenants prioritize cost of space over quality</li> </ul>	
	<b>Hospitality</b>	<b>3.0</b>
	<ul style="list-style-type: none"> <li>• Location close to other hotels and motels in Oroville, but with a superior waterfront location</li> <li>• Many visitors use state campgrounds rather than staying in Oroville's hotels and motels</li> </ul>	
<b>OVERALL RATING OF MARKETABILITY FOR FUTURE LAND USES:</b>		<b>3.0</b> <b>Good</b>

1/ Ratings are on a five-point scale, with five (5.0) representing "Excellent" and one (1.0) "Poor".

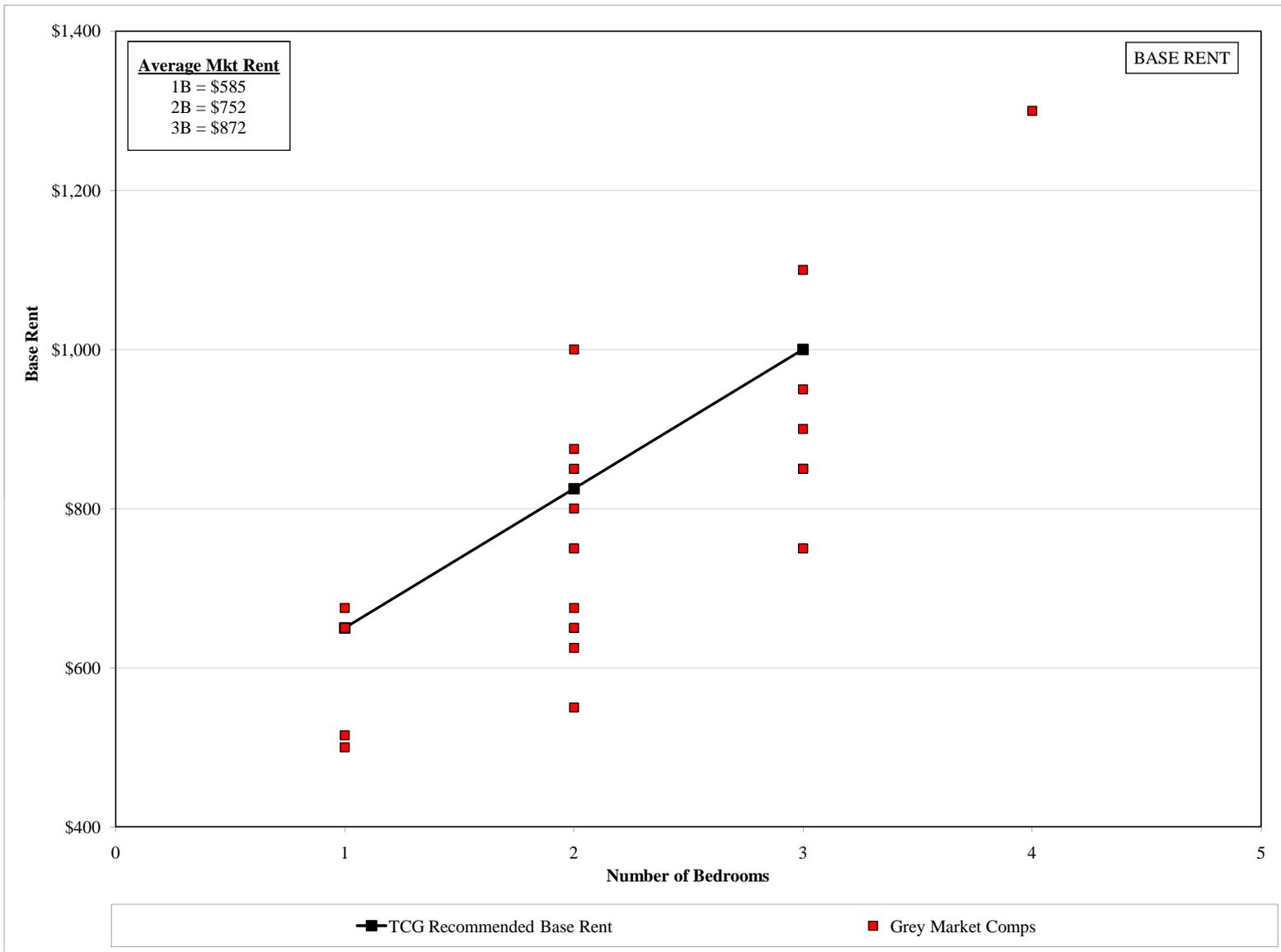
EXHIBIT VII-4

RESIDENTIAL POSITIONING  
GREATER OROVILLE, CALIFORNIA  
DECEMBER 2010

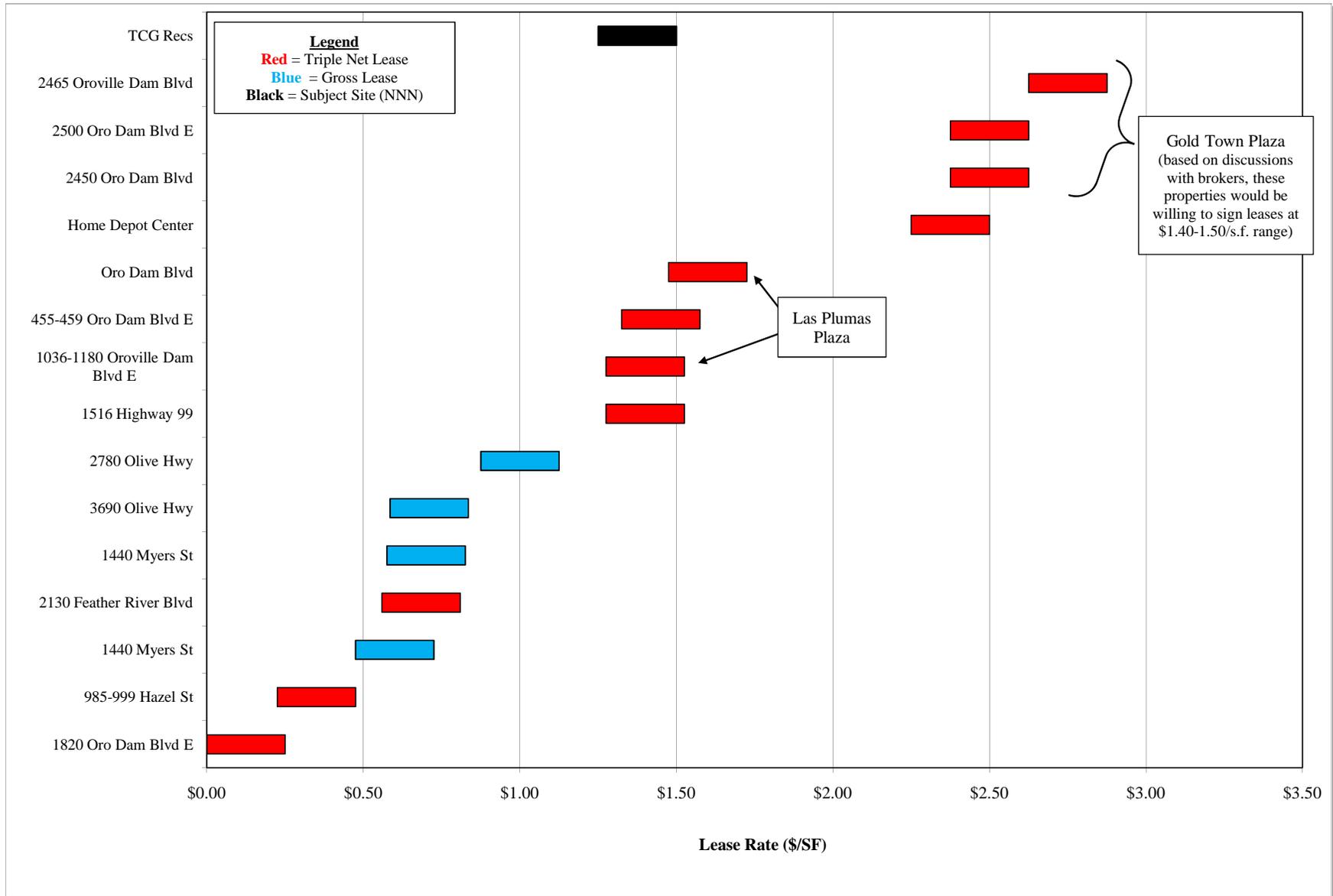


Note: The figure in parentheses represents data type; for TCG recommendations, figure represents lot size/product type and projected absorption, respectively

**EXHIBIT VII-5**  
**APARTMENT POSITIONING**  
**OROVILLE, CALIFORNIA**  
**DECEMBER 2010**

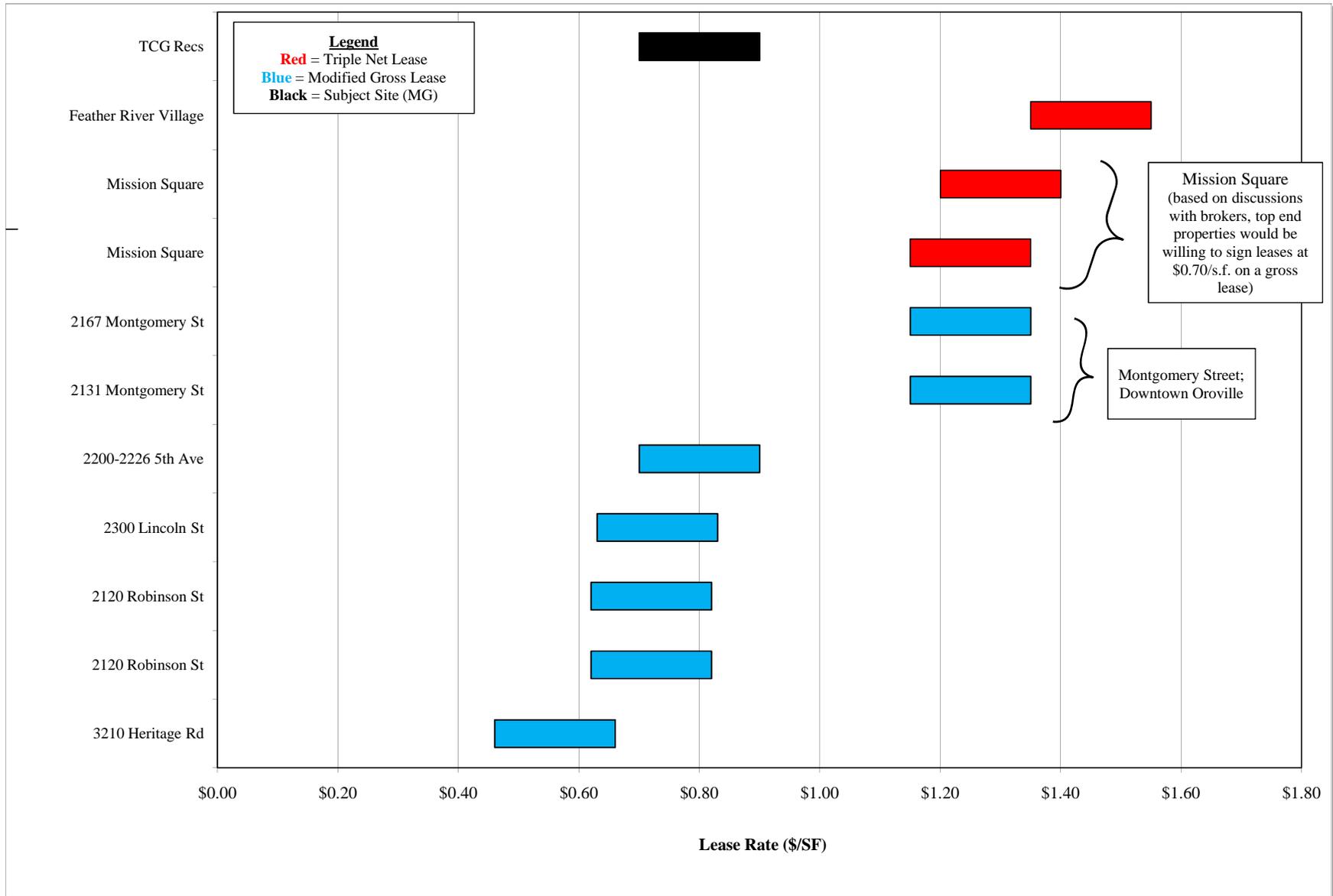


**EXHIBIT VII-6**  
**RETAIL POSITIONING**  
**GREATER OROVILLE, CALIFORNIA**  
**DECEMBER 2010**



Source: TCG and CoStar

**EXHIBIT VII-7**  
**OFFICE POSITIONING**  
**GREATER OROVILLE, CALIFORNIA**  
**DECEMBER 2010**



Source: TCG and CoStar

**EXHIBIT VII-8**  
**HOTEL POSITIONING**  
**OROVILLE, CALIFORNIA**  
**DECEMBER 2010**

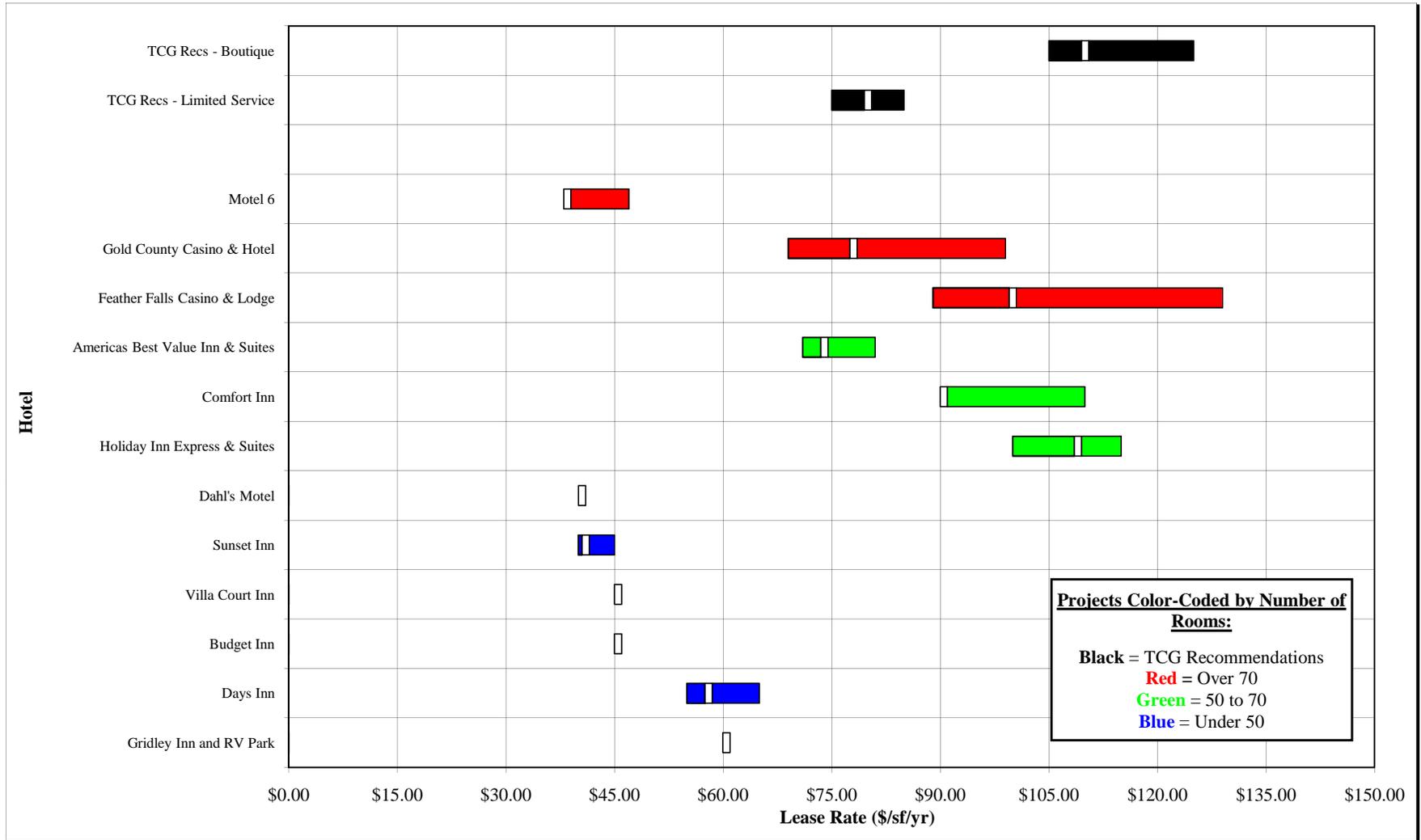


EXHIBIT VII-9

DEVELOPMENT OPPORTUNITIES  
GATEWAY SITE; OROVILLE, CALIFORNIA  
DECEMBER 1, 2010

Variables	For Sale Residential	Apartments	Retail
<b>Market Conditions</b>			
Supply Conditions	<ul style="list-style-type: none"> <li>Minimal new home closings (&lt;30/yr) over last 10 years</li> <li>No new comparables currently selling                             <ul style="list-style-type: none"> <li>Vista del Oro mothballed</li> <li>Ridge Development 60% built out (in receivership)</li> </ul> </li> <li>Home prices not supportable of much new construction                             <ul style="list-style-type: none"> <li>Key resale communities at ±\$100 psf</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Market stable but not sophisticated                             <ul style="list-style-type: none"> <li>Vacancies appropriate (5% to 6%)</li> <li>Asking rents below \$900 per month</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Greater Oroville home to 1.6MMsf of retail</li> <li>Vacancies at 10%+</li> <li>Rental rates ±\$1.00 psf</li> <li>Comparables range from \$0.70psf to \$2.75psf</li> <li>Retail focused to Feather River and Oro Dam</li> <li>Downtown struggling</li> </ul>
Depth of Demand	<ul style="list-style-type: none"> <li>New home demand above \$110k is ±110 units per year                             <ul style="list-style-type: none"> <li>City of Oroville capture is approx. 50%</li> <li>"Urban" capture is 5% (6 units per year)</li> <li>"Cluster/Attached" product capture is 18% (19 units/yr)</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Minimal deliveries in recent years</li> <li>Demand for 26 new units/yr between \$700 and \$1,300                             <ul style="list-style-type: none"> <li>"Urban" capture is 6 units/yr</li> <li>"Cluster/Attached" product capture 5 units/yr</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Significant spending outflow among key categories</li> <li>25,000sf of annual demand in Greater Oroville</li> </ul>
<b>Product Types Considered</b>	<ul style="list-style-type: none"> <li>Small Lot Cluster SFD</li> <li>Cluster THs</li> <li>Row THs</li> </ul>	<ul style="list-style-type: none"> <li>Garden Hybrid</li> </ul>	<ul style="list-style-type: none"> <li>In-Line specialty</li> <li>Neighborhood Anchor</li> <li>Junior Box</li> </ul>
<b>Risk &amp; Opportunity</b>			
Market Risk			
Catalytic Potential			
<b>Critical Success Factors</b>	<ul style="list-style-type: none"> <li>Recovery in home prices and absorption to make deal pencil</li> <li>Desirability of living downtown</li> <li>Return in lending to moderate and lower income households</li> </ul>	<ul style="list-style-type: none"> <li>Recasting site as viable rental alternative</li> <li>Wide range of available unit sizes and rents</li> <li>Desirability of living downtown</li> </ul>	<ul style="list-style-type: none"> <li>Visibility and traffic issues at site on/off-ramps</li> <li>Need to build 18hr environment; deliver housing and activity to downtown</li> <li>Economic Development strategy targeting key "driver" tenants</li> </ul>
	<b>Office</b>	<b>Hotel</b>	<b>Economic Development Strategies</b>
<b>Market Conditions</b>			
Supply Conditions	<ul style="list-style-type: none"> <li>Greater Oroville home to 333ksf of office</li> <li>Vacancies in high single digits</li> <li>Rental rates ±\$0.80 psf</li> <li>Comparables range from \$0.56psf to \$1.25psf</li> <li>Downtown struggling</li> <li>Government largest office user</li> </ul>	<ul style="list-style-type: none"> <li>620 total rooms in 12 hotels</li> <li>Occupancies below 50%</li> <li>ADR at \$70 limits majority of demand to limited service</li> </ul>	
Depth of Demand	<ul style="list-style-type: none"> <li>Once oversupply is overcome, 9ksf per year</li> <li>Office using employment weak                             <ul style="list-style-type: none"> <li>Financial Activities, Prof. Services less than 13% of total</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Opportunity to capture recreation demand in boutique hotel</li> <li>Currently oversupplied</li> <li>Limited growth likely</li> </ul>	
<b>Product Types Considered</b>	<ul style="list-style-type: none"> <li>1-2 Story Garden Office</li> </ul>	<ul style="list-style-type: none"> <li>Limited Service</li> <li>Boutique</li> </ul>	
<b>Risk &amp; Opportunity</b>			
Market Risk			
Catalytic Potential			
<b>Critical Success Factors</b>	<ul style="list-style-type: none"> <li>Oversupply troublesome</li> <li>Economic development strategy to be able to attract key tenant types and compete with stronger foothill locations</li> </ul>	<ul style="list-style-type: none"> <li>Low occupancies troublesome</li> <li>Regional anchor for recreation users and reasons to be downtown</li> </ul>	

EXHIBIT VII-10

STRATEGIC PRODUCT MENU  
GATEWAY SITE; OROVILLE, CALIFORNIA  
DECEMBER 1, 2010

Use Type Product Type	Characteristics			Scale		Approx Unit Mix	Positioning			Absorption		
	Density/ FAR	Elevation	Config	Units/SF/Keys Possible	Prelim Recommended		Unit Size	Base Price/Rent	PSF	Annual	Years Selling	
					Units/SF/Keys							Acres
<b>For Sale Residential</b>												
Cluster SFD	14.0	2 Stories	2 Story Garden Cluster	171	20	1.4	50%	1,030	\$150,000	\$146		
							50%	1,500	195,000	130		
				<b>Average:</b>			<b>100%</b>	<b>1,265</b>	<b>\$172,500</b>	<b>\$136</b>	<b>12</b>	<b>1.7</b>
Cluster THs	18.0	2 Stories	2 Story Townhomes	220	20	1.1	40%	1,100	\$130,000	\$118		
							60%	1,500	150,000	100		
				<b>Average:</b>			<b>100%</b>	<b>1,340</b>	<b>\$142,000</b>	<b>\$106</b>	<b>12</b>	<b>1.7</b>
Row THs	22.0	3 Stories	2-3 Story Townhomes	268	0	0.0	40%	800	\$100,000	\$125		
							60%	1,300	130,000	100		
				<b>Average:</b>			<b>100%</b>	<b>1,100</b>	<b>\$118,000</b>	<b>\$107</b>	<b>6</b>	<b>0.0</b>
<b>For Rent Residential</b>												
Garden	22.0	2-3 Stories	Stacked Flats	268	35	1.6	50%	650	\$650	\$1.00		
							50%	1,200	1,000	\$0.83		(Lease-Up)
				<b>Average:</b>			<b>100%</b>	<b>925</b>	<b>\$825</b>	<b>\$0.89</b>	<b>10</b>	<b>3.5</b>
<b>Retail (1)</b>												
In Line Specialty & Restaurant	0.25	Ground Floor	Upscale Strip	132,858	15,000	1.4						(Lease-Up)
								<b>Total/Average:</b>	<b>\$1.50</b>	<b>5,000</b>	<b>3.0</b>	
Neighborhood Anchor	0.20	Ground Floor	Neighborhood Strip	106,286	20,000	2.3						(Lease-Up)
								<b>Total/Average:</b>	<b>\$1.25</b>	<b>10,000</b>	<b>2.0</b>	
Junior Box	0.15	Ground Floor	Junior Anchor	79,715	0	0.0						(Lease-Up)
								<b>Total/Average:</b>	<b>\$1.25</b>	<b>10,000</b>	<b>0.0</b>	
<b>Office (1)</b>												
Garden Office	0.40	Ground Floor	Spec Garden Office	212,573	25,000	1.4				\$0.70		
												0.90
								<b>Total/Average:</b>	<b>\$0.80</b>	<b>5,000</b>	<b>5.0</b>	
<b>Hotel</b>												
Limited Service	25.0	2 Stories	Motel	305	0	0.0				\$75		
												85
								<b>Total/Average:</b>	<b>\$80</b>	<b>5</b>	<b>0.0</b>	
Boutique	25.0	2 Stories	Boutique	305	25	1.0				\$105		
												125
								<b>Total/Average:</b>	<b>\$110</b>	<b>25</b>	<b>1.0</b>	
<b>Site Area:</b>	12.20 Acres			<b>Total Program Allocation:</b>		<b>10.2 Acres</b>						

(1) Recommended retail rents represent a triple net lease and recommended office rents represent a modified gross lease type