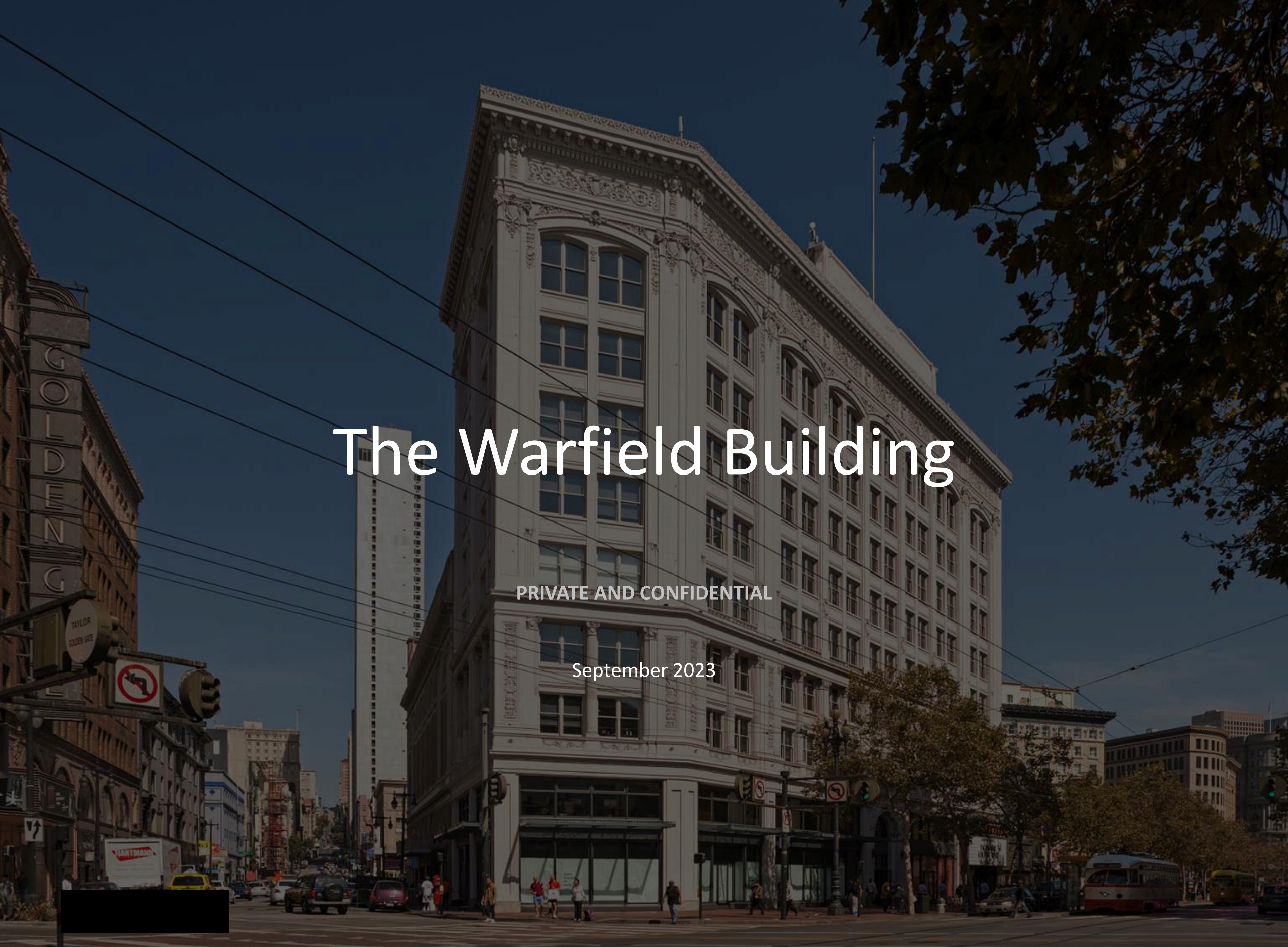


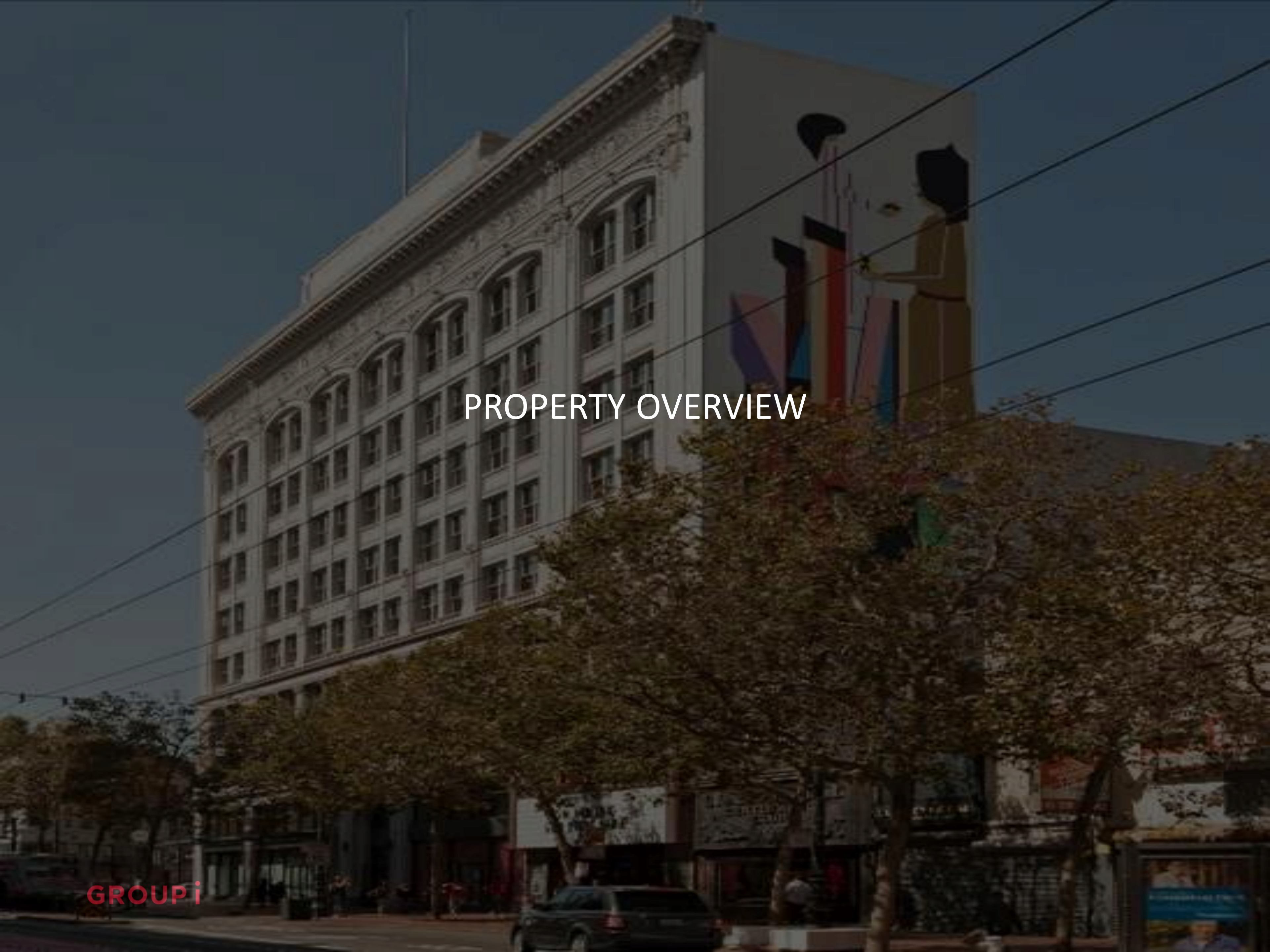
The Warfield Building

PRIVATE AND CONFIDENTIAL

September 2023

[redacted]

PROPERTY OVERVIEW



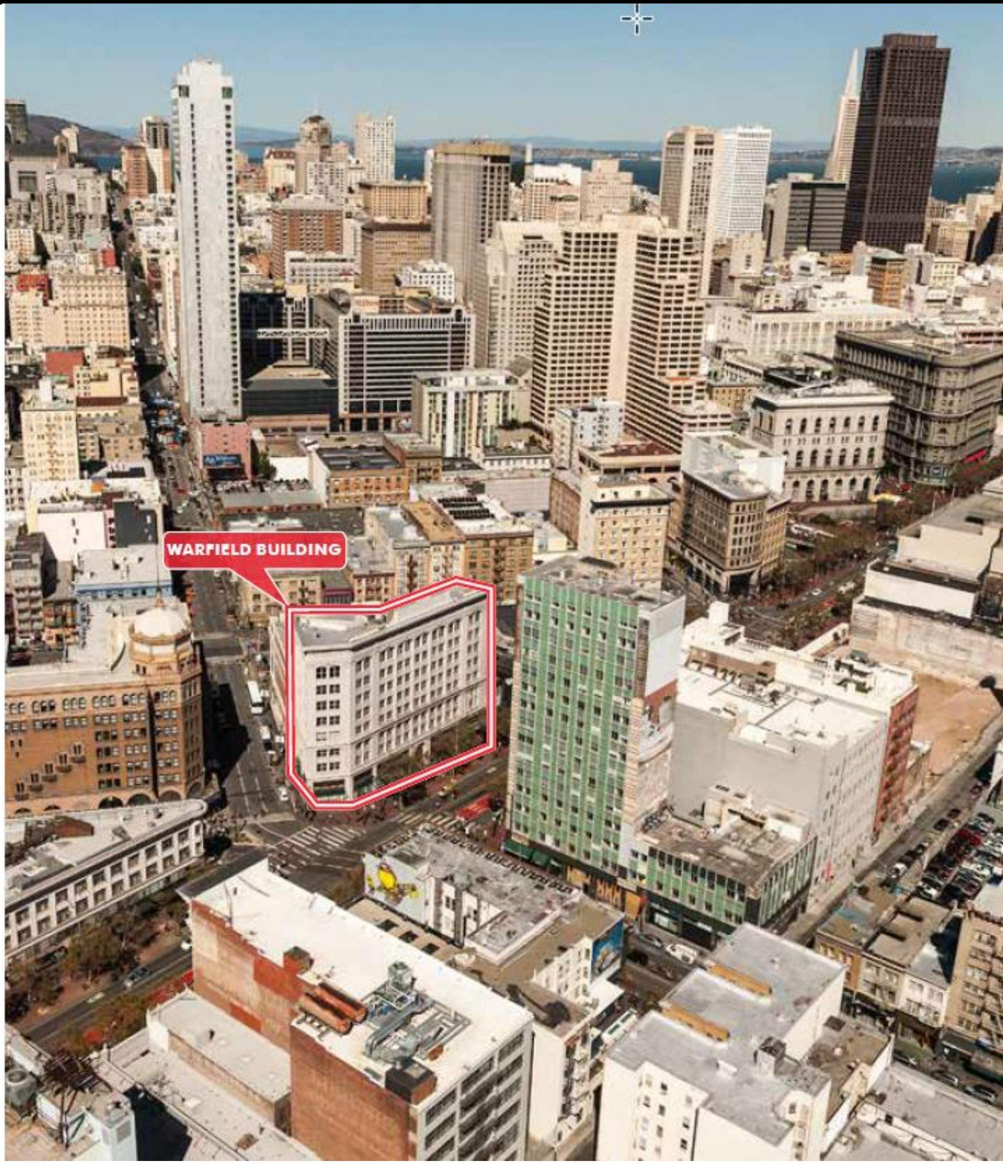
GROUP i

PROPERTY OVERVIEW

The Warfield Building (the "Building") was originally constructed between 1909 and 1921 and became one of San Francisco's most important historic theater buildings. The Warfield Theatre opened as a vaudeville theatre and movie palace over 92 years ago on May 13, 1922. This timeless piece of San Francisco history has been home to the world's most famous musicians—including Al Jolson, Louis Armstrong, Charlie Chaplin, Bob Dylan, The Grateful Dead, U2, and many others. Known for its intimacy, sound quality, and ornate façade, The Warfield Theatre is a historic landmark containing a soul that is considered to be an integral part of San Francisco's history and culture.

The Warfield Building is subdivided into 22 condominiumized units not including Unit 982, which is the Warfield Theatre. The Warfield Theatre is under a separate condominium ownership interest and is currently under a long-term operating and management agreement with Goldenvoice, a division of AEG.

Address	APN	Gross Building Area (excluding Warfield Theatre)
982-988 Market Street	0342-019-019 through 0342-019-040	45,093 square feet



HISTORY AND LOCATION

Renovation

Group I originally purchased the Warfield in 2012 and underwent a comprehensive renovation and restoration of the building. With the renovation completion in 2014, the following best-of-class amenities were added: New roof deck with high-quality finishes and expansive downtown views, new dedicated bike lockers for tenants, new showers and lockers for tenants, exclusive access for tenants to highly-desirable concert tickets at the Warfield Theater, dedicated office lobby with security guards and card-key elevator access. Group I successfully leased the building to technology companies and venture capital firms at a range of $60-70 per square foot and tenanted the ground floor retail space, stabilizing the building at 100% occupancy in 2017.

Location: Exceptional Access and Visibility

The Warfield Building is advantageously situated at the epicenter of growth, just steps from dozens of business, retail and cultural destinations including the Moscone Convention Center, Union Square, Westfield Centre San Francisco, SFMOMA, Chase Arena, the War Memorial Opera House, SFJAZZ and the Theatre District. In addition, this strategic location offers unparalleled access to all points of the city and beyond via San Francisco's expansive mass transit network with BART and MUNI streetcar and light rail stations located along Market Street, and the Powell Street Cable Car station located just one block north.

GROUP i


SERIF
LINE
950-974
MARKET
WARFIELD
WARFIELD THEATRE
GOLDEN GATE THEATRE
PRISM
50 JONES
PROPER
HOTEL
Westfield
SAN FRANCISCO CENTRE
IKEA
yotel
THE STRAND
THEATRE
SUPREME
COURT OF
CALIFORNIA
ORPHEUM THEATRE
ASIAN ART
MUSEUM
SF MAIN
LIBRARY
CITY HALL
BILL GRAHAM
CIVIC AUDITORIUM
WAR
MEMORIAL
OPERA
LOUIS M. DAVIES
SYMPHONY HALL


Mid-Market San Francisco
Book Concern Building
Group i Residential Conversion - Completed
1066 & 1028 Market
Approx. 500 Rental Units Opened in 2022
988 Market Street
Group i proposed Residential Conversion
Line Hotel
Group i developed 236 Room Hotel
Serif
Group i developed 242 Condos + Retail
IKEA
Opening Spring 2023

CURRENT MARKET CONDITION

DEPRESSED OFFICE DEMAND AND EXCESS SUPPLY

With the impact from the COVID-19 Pandemic, some companies particularly in the technology sector continue to embrace remote and hybrid work models. While prominent companies such as X (formerly Twitter) and Zoom are calling employees back to the office, there remains an ongoing tension around working from home between management's need for innovation and discipline versus workers' desires for more flexible arrangements and reduced commuting time.

As of July 2023, over 224,500 tech workers have lost their jobs in a slew of layoffs from tech companies, according to data compiled by Layoffs.fyi. Companies across the spectrum, from startups to large tech giants such as Amazon, Google, Meta, Microsoft, Salesforce, and Zoom have announced layoffs. Additionally prominent tenants, such as WeWork and X (formerly Twitter) have ceased to pay rent and seek to terminate leases. Overall, the thousands of tech layoffs, coupled with falling equity values, the crypto meltdown and recent bank failures, particularly San-Francisco based Silicon Valley Bank, have only deepened the blow to San Francisco.

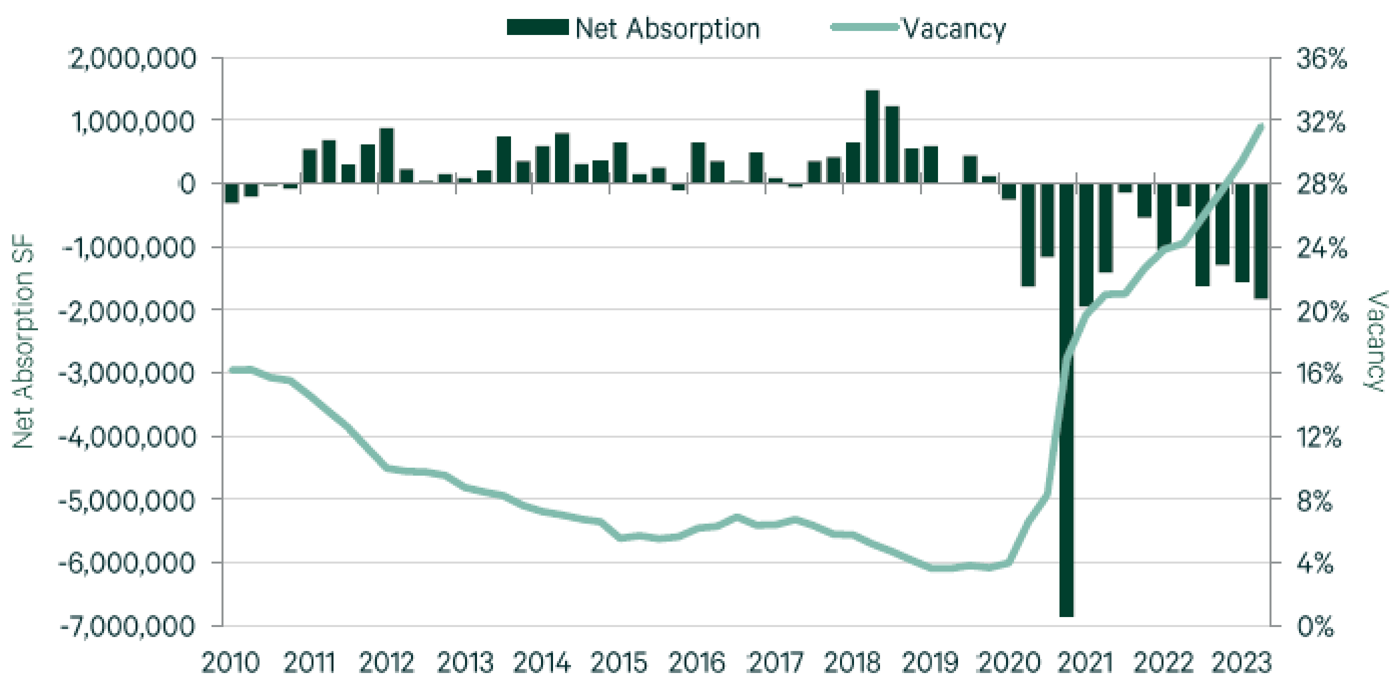
On the supply side, speculative office development in San Francisco soared starting in 2016. Over 6 million sf o f new office space was delivered between 2018 and 2022 with no anchor tenants. Currently the city's office space totals approximately 89 million sf, of which over 27 million sf are available for direct leasing. According to CBRE Q2 2023 San Francisco Office report, the injection of larger blocks of space for sublease combined with slowed leasing activity resulted in market wide availability of 36.3%, representing a small uptick from Q1.

TECH COMPANIES	EMPLOYEES LAID OFF
amazon	36,000
Meta | Facebook	21,000
Google	12,000
Microsoft	10,000
salesforce	9,000
DELL	6,650
X twitter	4,990
cisco	4,100
IBM	3,900
SAP	3,000
PayPal	3,000
yahoo!	1,600
twilio	1,500
zoom	1,300
coinbase	950

CHALLENGING OFFICE FUNDAMENTALS

As a result, negative net absorptions between 2000 and 2022 totaled 15.4M sf, which exceeds the positive absorption of 14.3M between 2010 and 2019. Class A and trophy office space has "dominated office demand" the past three quarters and a "flight to quality" trend was driven by employers looking to lure employees back to offices with high-end amenities and in locations near public transit or/and parking. Office vacancy, excluding sublease space, climbed to 31.6% as of Q2 2023 according to CBRE. **Market-wide availability, which is inclusive of sublease spaces, is at 36.3%**. San Francisco is facing its highest office vacancy rate since 1993.

FIGURE 1: Vacancy & Net Absorption Trend



Source: CBRE Research

MID-MARKET SUBMARKET

Mid-Market submarket remains one of the most challenged office submarkets within San Francisco. Mid-Market's Flagship project, 5M at 415 Natoma comprising of 640,000 sf of newly constructed office (plus residential), has been complete for18 months and thus far has completed only a single lease for 15,000 sf.

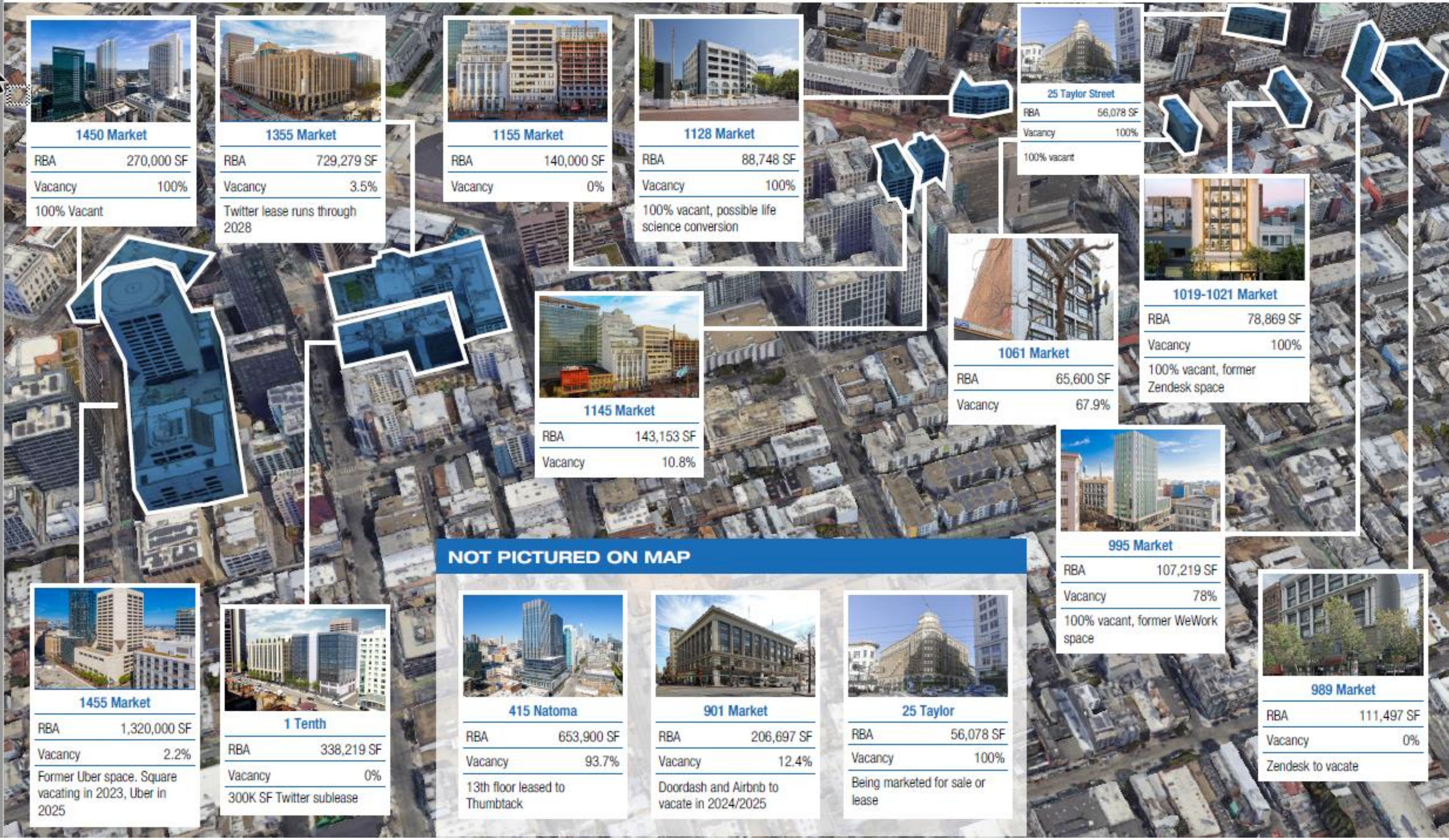
Many of the major tenants within Mid-Market have either already vacated or are expecting to vacate upon lease expiration. Additionally city-wide tenant demand is down 40%, and most companies are seeking class A and trophy office buildings in central CBD (vs. primarily creative office space in Mid-Market submarket). As a result, **Mid-Market submarket is currently experiencing an office space availability rate of over 45%.**

The Warfield Building is no exception as the office floors are vacant with exception of Group I's office on the 4th floor and two ground-floor retail tenants.

LARGEST MID-MARKET OCCUPIERS

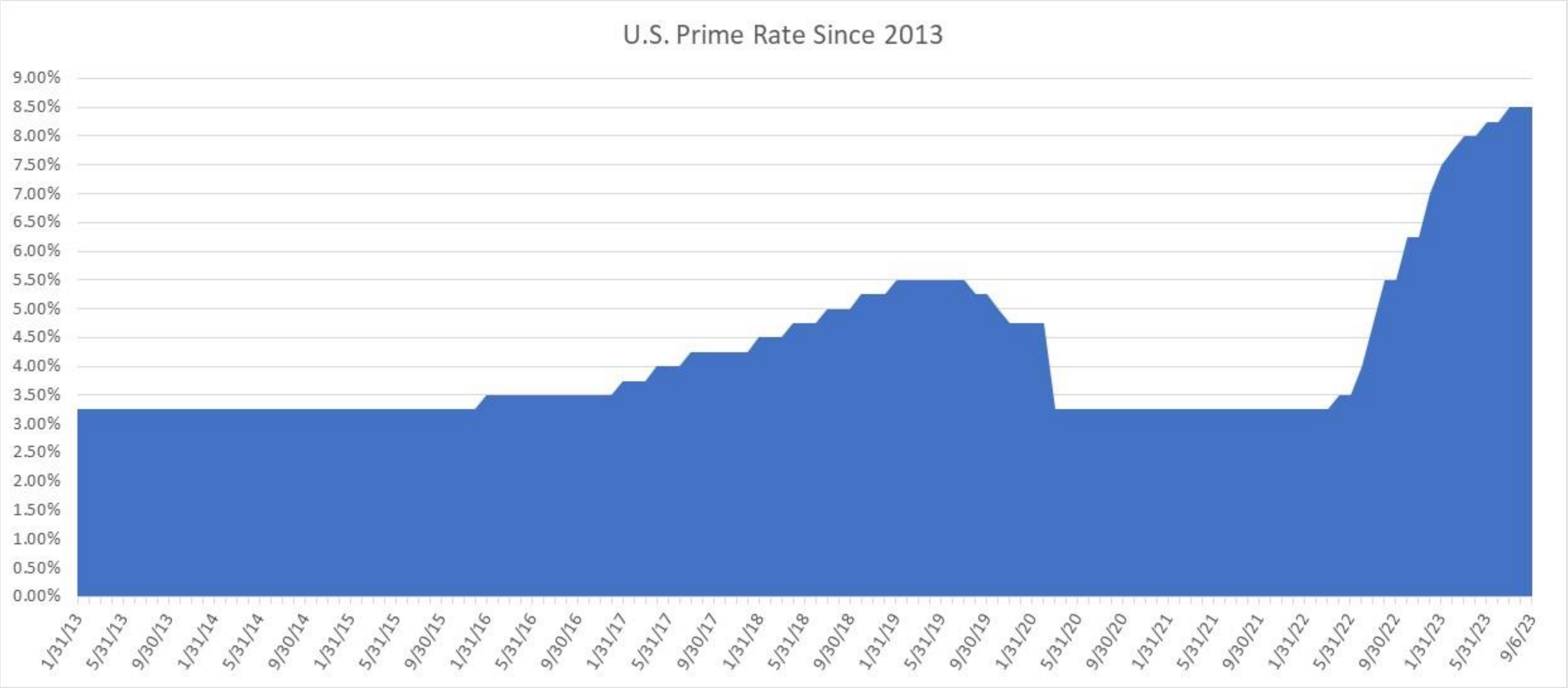
TENANT	LOCATION	COMMENT
Square	1455 Market (443,136 SF)	Will vacate at lease expiration
UBER	1455 Market (323,402 SF)	Will vacate at lease expiration; relocated to Mission Bay
X twitter	1355 Market, One Tenth (692,207 SF)	They have stopped paying rent and the landlord has initiated a lawsuit against Twitter
zendesk	1019 Market, 989 Market (302,680 SF)	Have vacated 1019 Market, will relocate from 989 Market at lease expiration
City and County of SAN FRANCISCO	Various (2,269,275 SF)	Looking to acquire building for Dept. of Public Health, possible consolidation
DOORDASH	901 Market (50,821 SF)	Asking $18.00 PSF for their sublease space
wework	25 Taylor, 995 Market, 1161 Mission (174,363 SF)	Have terminated leases
SAN FRANCISCO AIDS FOUNDATION	1035 Market (45,322 SF)	Will downsize at lease expiration

MID-MARKET VACANCY



UNPRECENDED RISE IN INTEREST RATE

In 2022, the US Fed accelerated rate hikes in an effort to combat inflation rate. We have seen unprecedented rate hikes since 1950 of a total of 425 basis points in 2022 alone. Previous highest hike was in 1978 where the Fed hiked interest rates by 350 bp.



ACCELERATED LOAN DEFAULT RATE

Delinquencies on commercial real estate loans at U.S. banks increased sharply in Q4 from the earlier quarter, amid a tough macroeconomic backdrop, declining occupancy rates and tightening of lending standards. Loans overdue for over 30 days and those in nonaccrual status accounted for 0.65% of CRE loans at the end of Q4, up from 0.58% delinquency rate as of Sept. 30, 2022, an S&P Global Market Intelligence analysis showed. Notable San Francisco investors and owner-operators who defaulted on loans include the following:

Columbia Property Trust defaulted on **$1.7B** in loans backed by a 7 office buildings, including **650 California and 201 California**, in February 2023. Borrower is in the processing of handing the keys over to the lender.

Park Hotels & Resorts defaulted on a **$725M loan** backed by the 1,921-key **Hilton Union Square** (largest hotel in San Francisco) and 1,024-key **Parc 55**. The loan is slated to mature November 2023.

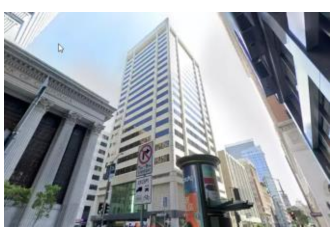
The owners of the **Westfield San Francisco Centre** mall announced its intention to hand the property o lender in June 2023. The mall, co-owned by Unibail-Rodamco-Westfield and Brookfield Corp., has **$558M** in outstanding mortgage debt.

OFFICE BUILDINGS ARE NOW BEING SOLD AT 20% to 35% OF PRE-COVID VALUATION

60 Spear Street was sold to Presidio Bay Ventures for $40.9 million or **$260 psf** in August 2023. The price is about 66% less than its most recently assessed property value of $121 million. Presidio Bay plans to expand the building's footprint from 157,436 to 170,000 square feet and transform it into a "Class-A trophy office building with exceptional design and hospitality-driven amenities." Seller, Clarion Partners, last purchased the building in 2014 for $107 million.

180 Howard Street, a 13-story, 250k-sf office building, known for being the headquarters of the State Bar of California, was purchased by San Francisco-based development firm Ellis Partners and equity partner Baupost Group for about $62 million or **$248 psf** in June 2023 after being expected to sell for about $85 million.

550 California Street, a 620k sf Class A office building, was sold to an undisclosed buyer in June 2023 for between $42.6 and $46 million (or **$69 to $74 psf**). First placed on the market in 2022 for $160 million, the 13-story tower was acquired by Wells Fargo paid for $108M million in 2005.



350 California Street, a 300k sf Class A office building, was sold to SKS Real Estate Partners for somewhere between $60 and $67.5 million (or **$200 to $225 psf**) in May 2023. This wasn't the first time the owners of 350 California tried to sell the property. In 2021, bidding for the building never surpassed $180 million and owners took it off the market, according to the Wall Street Journal. In 2019, the property was estimated at around $300 million.


WARFIELD CONVERSION TO RESIDENTIAL

PROPOSED CONVERSION PLAN

	# of Units	% Total	Average Unit Size
Studio	25	56%	277 sf
1 Bdr / 1 Ba	15	33%	420 sf
2 Bdr / 1 Ba	5	11%	618 sf
Total / Wt. Avg	**45**	**100%**	**363 sf**

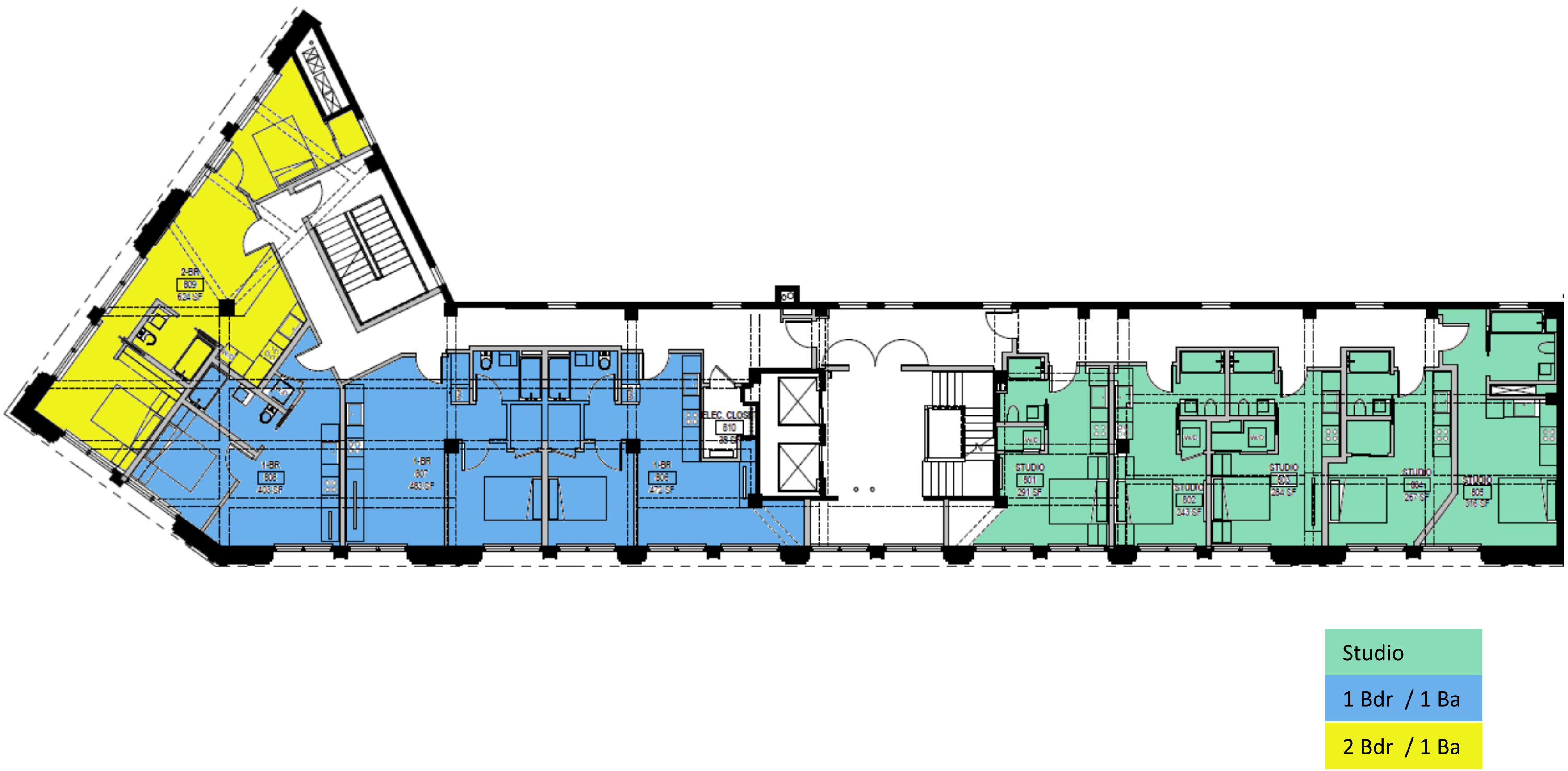
Group I has filed an application to the city to convert floor 5 through 9 of the Warfield Building into 45 units of for-rent residential apartments. Unit mix will be comprised of 25 studios, 15 one-bedroom/one-bath and 5 two-bedroom/one-bath units. Each residential floor will offer 5 studios, 3 one-bedroom/one-bath and 1 two-bedroom/one-bath units.

The Building will have limited onsite amenities which will include a fitness center on the 2nd floor, outdoor terrace on the 7th floor and A secure bike room at the basement level. Floor 2 through 4 will remain as office use and the ground-floor retail space will remain as tenanted. Both the office and residential tenants will share the lobby with mailroom access and front desk security. Given that the Warfield Building is a historic landmark, the exterior of the building cannot be altered or modified.

The proposed conversion will be the first post-pandemic office-to-residential conversion in the City of San Francisco. Group I has received strong support from the city's Planning Department and Mayor's office to facilitate a successful conversion. Given that the city has been hit with a record supply of vacant office buildings and has long suffered from a severe shortage of housing, city officials including Mayor London Breed are working on legislations that would facilitate office to residential conversion by providing exemptions and incentives to ensure financial feasibility.

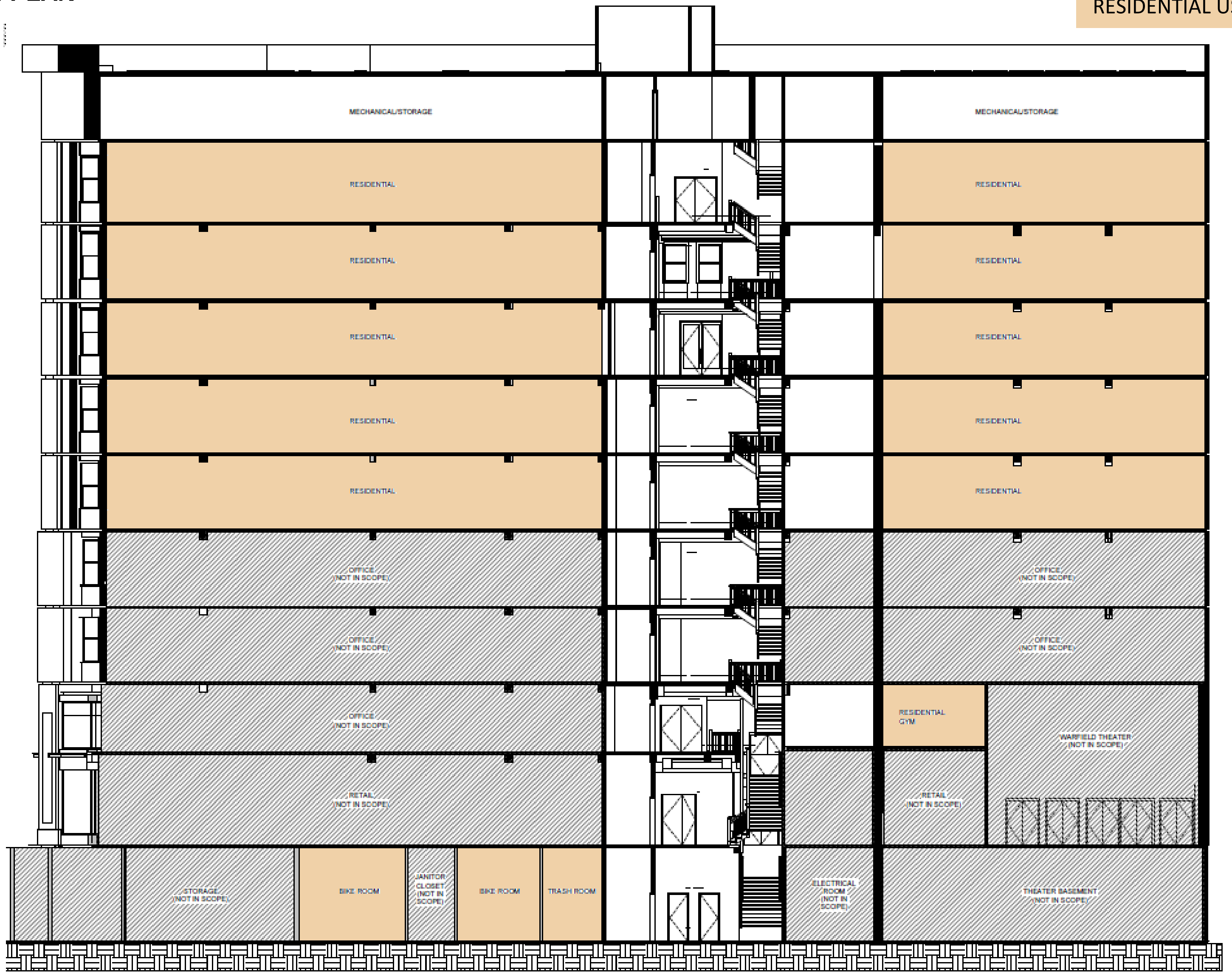
TYPICAL RESIDENTIAL FLOOR PLAN

Each residential floor will offer 5 studios, 3 one-bedroom/one-bath and 1 two-bedroom/one-bath units.



ELEVATION PLAN

RESIDENTIAL USE



NON-TRADIIONAL SOURCES OF FUNDS

While Group I is currently working with several general contractors to obtain cost estimates based on 100% schematic design set, total projected cost for the conversion is approximately $16.7M. To secure the necessary equity, Group I is pursuing Historic Tax Credit, which will be contributed to the conversion project in form of equity. Additionally Group I will seek $6M in PACE financing which provides financing up to 50% of cost that can be qualified as energy efficiency, renewable energy, and water upgrades to residential and commercial buildings. PACE financing is in form of property tax assessment and is not callable or accelerable. In additional to these two sources of funds, the sponsor will contribute approximately $7M in equity.

To ensure the closing of Historic Tax Credit and C-PACE financing, Group I is working with existing lender to restructure the loan which will include partial principal paydown, covenant modification and term extension. The challenge of working with traditional lender is educating them on the mechanics of the alternative sources of funding.

Group I is exploring conversion from apartment to for-sale residential condo as a long-term strategy to seek high exit value necessary to pay down the existing principal loan balance.

Office-to-Apartment Conversion		
Sources		
Historic Tax Credit		1,730,998
C-PACE		8,000,000
Equity		6,955,681
Total Sources	**$**	**16,686,679**
Uses		
Hard Cost		11,088,183
Soft Cost		2,710,571
Financing Cost		2,887,925
Total Uses	**$**	**16,686,679**


QUESTIONS?