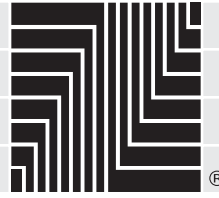


# Market Microscope™



Lea Associates, Inc.  
Property Economics

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## When Negotiations Fail, Expert Testimony Can Succeed

“One man’s ceiling is another man’s floor,” goes the song. That truism is often applicable to disputes around real estate valuations: one party wants a high value, the other wants a low one. Everyone hopes a negotiated settlement can be reached... and in their favor. Fortunately, even when litigation or arbitration is a prospect, almost all disputes end in negotiated settlements. Unfortunately, it doesn’t *always* happen that way.

When a trial or arbitration is called for, the testimony of experts will often have an important impact on the outcome.

We’re proud to say that over the last three years Lea Associates, Inc. (LAI) has enjoyed an unbroken series of successes in supporting its analysis and value opinions. To give you an idea of how diverse these cases were, we’ve provided quick summaries below.

**1. Long Beach vs Coal Oil, Inc.** — This case involved the entire acquisition of multi-parcel residential property in Long Beach. Our client was the property owner, who was awarded 170% over the agency appraisal after LAI’s testimony at the trial. In a rare move, the court also awarded costs to LAI’s client.

**2. United States vs 1.337 Acres of Land (Hotel San Diego) and United States vs .115 Acres of Land (Parking Lot)** — Our client was the U.S. Department of Justice in a dispute involving the entire acquisition of a historic 250 room, 200,000 square foot hotel building in downtown San Diego for federal courthouse expansion. A negotiated settlement within 3% of LAI’s opinion was reached after depositions.

**3. County of San Diego / American Tower** — Our client was the lessee in a rent resetting dispute involving a 10 year period of major telecommunications site in north San Diego County. There was a recommended percentage rent differential of 160% between appraisers. A neutral arbitrator’s decision was only 19% of total difference sought by lessor.

**4. Lancaster Redevelopment vs Brent Eidelman** — This case involved the entire acquisition of a 44-unit SRO hotel by our client, a redevelopment agency. While there was a 117% value opinion difference between appraisers, the jury verdict was within 5% of LAI’s testimony at trial.

**5. San Diego Metropolitan Transit Development Board vs R.V. Communities** — LAI was retained by the property owner in a case involving an acquisition by the Metropolitan Transit Development Board of San Diego. The jury award for

Parts Taken in this case was approximately 200% higher than the testimony of the agency appraiser and just 30% lower than LAI’s testimony.

**6. State of California vs San Antonio Lakes** — Our fair market value appraisal was for the owner of a 400+ acre mixed use development site in Upland, California from which approximately 40 acres was being acquired through eminent domain for the Route 210 freeway. The approximately \$18 million settlement during trial was 75% of the difference between the agency appraiser’s opinion and that of LAI. This represented an approximately 1,300% increase.

### It’s Not Just Expert Testimony

Success in arbitrations or trials where the valuation of real property is at issue usually involves more than solid expert testimony. We have assisted clients in a variety of ways, including:

- Property valuation
- Declaration preparation
- Statement of Valuation Data
- Valuation summaries (Government Code 7267.2)
- Exhibit design and preparation
- Analysis of opposition information and analysis
- Analysis of peripheral points which may become issues in the case
- Serving as arbitrator
- Expert testimony.

**7. Lessees / Seacliff Land, LLC** — LAI was retained by the lessees/homeowners of approximately 50 sites on the beachfront in Ventura County. In a rent resetting arbitration, the judge/arbitrator completely rejected the landowner position.

**8. County of Los Angeles Department of Beaches & Harbors / Del Rey Professional Association** — The land leases to the various developer/improvement owners at Marina del Rey are reset each ten years. In a June 2003 arbitration, the ▶

#### About Market Microscope...

Our goal is to provide useful information in areas of current interest to the California real estate field. We invite your comments and suggestions.

## When Negotiations Fail, Expert Testimony Can Succeed (continued)

judge/arbitrator found for the lessees in exactly the amount of LAI's opinion of market rent.

**9. Deutsch Realty & Management / Coldwell Banker Residential Brokerage** — LAI was retained by the tenant in an office lease rent resetting arbitration. The third appraiser/arbitrator concurred with LAI's opinion.

**10. Smith vs Riverside County Economic Development Agency** — The Economic Development Agency of Riverside County was our client in a dispute involving the entire acquisition of an auto repair facility in Riverside County.

Testimony verdict concurred with our appraised value estimate which was 13% lower than the last offer made to the property owner and 24% lower than the property owner's appraisal.

**11. State of California vs Hall** — We were retained by the property owner in a case in the East County area of San Diego involving an entire taking of several acres of industrial land by Caltrans for a freeway extension. The \$4,500,000 jury verdict was 11% below LAI's opinion and over 200% above the opinion of the state's appraiser/witness. Application to the court by LAI's client to recover costs was approved.

## ABOUT LEA ASSOCIATES

Lea Associates is proud to have a widely diverse practice. Assignments for the firm at any given time include transactional/refinancing appraisal, demand and financial feasibility studies for proposed development, valuation of properties to be acquired by public agencies, and market rent estimates for resetting rent levels under the terms of long-term land or building leases.

LAI is ready to service its clients with a wide variety of expert consulting and testimony services.

Firm principals — Robert M. Lea, MAI and Jeffrey T. Nagasaki, MAI — are veterans of expert testimony. Mr. Lea has testified in court or other tribunals relative to real estate values approximately 60 times. Other members of the firm also provide expert testimony services: Brian P. Beaty, MAI and John J. Gobbell, Jr.

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