

XXXX AVENUE
TOWN OF XXXX
XXXX COUNTY, NEW YORK

SUMMARY APPRAISAL REPORT

of

INDUSTRIAL OFFICE BUILDING
occupied by **XXXX**

OWNER

XXXX

PREPARED FOR

XXXX

DATE OF PREPARATION

February **XXXX**

DATE OF VALUATION

February 10, **XXXX**

THURSTON, CASALE & RYAN, LLC
REAL ESTATE APPRAISAL AND CONSULTING

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Real Estate Appraisal and Consulting
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March 1, XXXX

XXXX
XXXX
XXXX
XXXX

Re: Industrial Office Building
XXXX Avenue
Town of XXXX, XXXX County

Dear XXXX:

To fulfill my responsibility outlined in the Letter of Engagement submitted February 5, XXXX, I present my Summary Report prepared as a Complete Appraisal in February XXXX. As agreed, the market value of subject's fee simple interest is provided in the attached report, along with the supporting data and analysis that this appraisal format affords. The date of valuation is February 10, XXXX.

The opinion of value reported herein is subject to those General Assumptions and Limiting Conditions outlined on page 2, as well as those Special Assumptions... found on page 5.

The client and intended user of this report is XXXX, with the attached invoice addressed to the same. The function of the appraisal is restricted to the above referenced parties for internal review purposes. It may not be reproduced in all or part, or employed by any other entity, without my written permission.

I inspected the property and was involved solely in the preparation of this report.

Thank you for your confidence in my services. If you have any questions or comments, please call at your convenience.

Respectfully submitted,

THURSTON, CASALE & RYAN, LLC

Todd P. Thurston, MAI
Principal
NYS Certified General Appraiser #46-20952

TABLE OF CONTENTS

BODY OF REPORT:

I.	CERTIFICATION	1
II.	GENERAL ASSUMPTIONS AND LIMITING CONDITIONS	2
III.	QUALIFICATIONS OF THE APPRAISER	3
IV.	SUMMARY OF IMPORTANT CONCLUSIONS	4
V.	IDENTIFICATION OF SUBJECT	5
VI.	DESCRIPTION OF THE PROCESS	5
VII.	PURPOSE OF APPRAISAL	5
VIII.	INTENDED USE/FUNCTION OF APPRAISAL	5
IX.	SPECIAL ASSUMPTIONS AND LIMITING CONDITIONS	5
X.	PROPERTY RIGHTS APPRAISED	6
XI.	OWNER CONTACT AND PROPERTY INSPECTION	6
XII.	DATE OF VALUE ESTIMATE	6
XIII.	DEFINITION OF VALUE	6
XIV.	HISTORY OF THE PROPERTY	7
XV.	CURRENT OCCUPANCY AND LEASES IN EFFECT	7
XVI.	REGIONAL AND COUNTY/NEIGHBORHOOD ANALYSIS	7
XVII.	TRENDS IN REAL ESTATE PRICES, RENTS AND MARKETING	8
XVIII.	ASSESSMENT AND TAXES ANALYSIS	8
XIX.	SITE DATA AND ANALYSIS	8
XX.	IMPROVEMENT DATA AND ANALYSIS	9
XXI.	HIGHEST AND BEST USE ANALYSIS	10
XXII.	SITE VALUATION	11
XXIII.	COST APPROACH	12
XXIV.	SALES COMPARISON APPROACH	13
XXV.	INCOME CAPITALIZATION APPROACH	14
XXVI.	RECONCILIATION OF VALUE INDICATORS	17

EXHIBITS (tabs):

- 1 SUBJECT AND NEIGHBORHOOD PHOTOS
- 2 CURRENT DEED
- 3 COMPARABLES

I. CERTIFICATION

I CERTIFY THAT, TO THE BEST OF MY KNOWLEDGE AND BELIEF:

- The statements of fact contained in this report are true and correct and my experience includes properties of this type.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest with respect to the parties involved.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of the report.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformance with the Uniform Standards of Professional Appraisal Practice.
- I have made a personal inspection of the property that is the subject of this report.
- No one provided significant professional assistance to the person signing this report.
- The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- As of the date of this report, I have completed the continuing education program of the Appraisal Institute.

It is my judgment that as of February 10, XXXX, the market value of subject is:

THREE HUNDRED SEVENTY-FIVE THOUSAND DOLLARS
(\$375,000)

Todd P. Thurston, MAI
Principal
NYS Certified General Appraiser #46-20952

II. GENERAL ASSUMPTIONS AND LIMITING CONDITIONS

This appraisal report is made with the following general assumptions:

1. No responsibility is assumed for the legal description or for matters including title considerations. Title to the property is assumed to be good and marketable unless otherwise stated.
2. The property is appraised free and clear of any or all liens or encumbrances unless otherwise stated.
3. Responsible ownership and competent property management are assumed.
4. The information furnished by others is believed to be reliable. However, no warranty is given for its accuracy.
5. All engineering is assumed to be correct. The plot plans and illustrative material in this report are included only to assist the reader in visualizing the property.
6. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, structures that render it more or less valuable. No responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them.
7. It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless noncompliance is stated, defined, and considered in the appraisal report.
8. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless a non-conformity has been stated, defined, and considered in the appraisal report.
9. It is assumed that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.
10. It is assumed that the utilization of the land and improvements is within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted in the report.
11. Unless otherwise stated in this report, the appraiser did not observe the existence of hazardous materials, which may or may not be present on the property. The appraiser has no knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The presence of substances such as: asbestos, urea-formaldehyde foam insulation, and other potential hazardous materials may affect the value of the property. The value estimated is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for such conditions or for any expertise or engineering knowledge required to discover them. The intended user is urged to retain an expert in this field, if desired.
12. The distribution, if any, of the total valuation in this report between land and site improvements applies under the stated program of utilization. The separate allocations for land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.
13. Possession of this report, or a copy thereof, does not carry with it the right of publication.
14. The appraiser, by reason of this appraisal, is not required to give further consultation, testimony, or be in attendance in court with reference to the property in question unless arrangements have been previously made.
15. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser, or the firm with which the appraiser is connected) shall be disseminated to the public through advertising, public relations, news, sales, or other media without prior written consent and approval of the appraiser.
16. The Americans with Disabilities Act (ADA) became effective January 26, 1992. The appraiser has not made a specific compliance survey or analysis of the property to determine whether or not it is in conformity with the various detailed requirements of ADA. It is possible that such a survey/analysis would reveal that the property is not in compliance with one or more requirements of the act. If so, this fact could have a negative impact upon the value of the property. Since the appraiser has no direct evidence relating to this issue, possible noncompliance was not considered in estimating a value for the property.

III. QUALIFICATIONS OF THE APPRAISER

<p>EMPLOYMENT HISTORY</p>	<ul style="list-style-type: none"> ◦ 8/03-Current: Principal—Thurston, Casale & Ryan, LLC ◦ 11/01-7/03: President—Thurston Appraisal Company, LLC ◦ 12/93-11/01: Vice President—Pomeroy Appraisal Associates, Inc. ◦ 06/91-12/93: Staff Appraiser—Pomeroy Appraisal Associates, Inc.
<p>EDUCATION AND APPRAISAL RELATED COURSEWORK</p>	<p>Bachelor of Science in Finance: Rochester Institute of Technology (1991) Appraisal Institute (since 1996): "Appraisal Practices for Litigation" (96); "Standards of Professional Practice, Part A" (96); "Standards of Professional Practice, Part B" (96); "Standards of Professional Practice, Part C" (01) "Small Hotel/Motel Valuation" (98); "Appraisal Local Retail Properties" (99); 7-hour USPAP Update (03) International Association of Assessing Officers: "Appraisal of Golf Courses" (99); "Appraisal of Assisted Living Facilities" (00) New York State: "Eminent Domain Training For Attorneys & Appraisers" (02) IRWA: "Principles of Real Estate Law" (02), "Principles of Real Estate Negotiation" (02)</p>
<p>PROFESSIONAL AFFILIATION</p>	<ul style="list-style-type: none"> ◦ Member of the Appraisal Institute (MAI) ◦ Member of the International Right-of-Way Association (IRWA)
<p>LICENSES</p>	<ul style="list-style-type: none"> ◦ NYS Certified General Appraiser #46-20952 ◦ Consultant Appraiser—NYS Department of Transportation
<p>COURT/TESTIMONY EXPERIENCE</p>	<ul style="list-style-type: none"> ◦ Expert witness in NYS Supreme Court ◦ Several assessment grievance boards (cities of Hornell and Oswego) ◦ Prepared countless appraisals for court in County, State, and Federal jurisdictions
<p>PROFESSIONAL EXPERIENCE</p>	<ul style="list-style-type: none"> ◦ Experience includes: airports, apartments, automobile dealerships, banks, farms, golf courses, gravel beds, hotels/motels, manufacturing plants, mini-marts, office buildings, office/warehouses, nursing homes, railroads (active and abandoned), residential dwellings, residential subdivisions, restaurants, shopping centers, utility properties (i.e. gas, electric, telephone), etc. ◦ Extensive eminent domain experience involving projects and claims of the NYS Departments of Transportation and Federal Aviation Administration.
<p>EXPERIENCE HIGHLIGHTS</p>	<ul style="list-style-type: none"> ◦ <u>Salamanca Land Valuation (1995):</u> Involved in the development of valuation methodology of estimating fee simple market rents of leasehold lands within the City of Salamanca; appraised approximately one third of the City on the Reservation (over 800); conducted public meetings with residents to explain process and hold review sessions. ◦ <u>Airport Projects (1991-01):</u> Involved in the valuation of airport properties and/or neighboring lands for federally funded projects to determine compensation resulting from full or partial fee acquisitions and aviation easements. List over last five years includes: Genesee County Airport (98, 00), Oswego County Airport (98), Lt. Warren Eaton Airport (00), Finger Lakes Regional Airport (00, 01), and Syracuse Airport North (01). Experience also includes appraisals of: Riverside Airport—NYSDOT appropriation (94), Hornell Airport—certiorari (99), Michael Airfield—acquisition (00), Syracuse Suburban Airport—acquisition (00, 01). ◦ <u>Native American Land Claims:</u> Involved in analysis and valuation of disputed lands between several Iroquois tribes and the State of New York. Played significant role in the research and development of accurate historical land valuation/trending and calculation of applicable rental damages. Specific land claim areas include: Cuba Lake (99-01), Niagara River Islands (99), and Stockbridge-Munsee Treaty (95).

IV. SUMMARY OF IMPORTANT CONCLUSIONS

Location of Property: XXXX Avenue
Town of XXXX, XXXX County

Type of Property: Industrial Office

Site: 29,394± sq.ft. (0.675± Ac.); corner lot with XXXX± f.f. on XXXX Avenue and XXXX ± f.f. on XXXX Street

Building Improvement: Two-story industrial office building (c.19XX) containing 10,683 sq.ft. of gross building area

Tax Map # and Assessment:

Tax Map #	Land Assmt.	Total Assmt.	Eq. Value
XXXX	\$X,000	\$ X,300	\$ X,044

Highest and Best Use
As Though Vacant: Industrial Office Development
As Improved: Industrial Office Use

Zoning Classification: XXXX District (XX)

Property Rights Appraised: Fee Simple
Value Estimate Requested: Market Value

Date of Value Estimate: February 10, XXXX

SUMMARY OF MARKET VALUES	
Site Valuation	\$32,000
Cost Approach	\$417,000
Sales Comparison Approach	\$353,000
Income Capitalization Approach	
Direct Capitalization	\$419,000
Discounted Cash Flow Analysis	Not Utilized
Final Market Value	\$375,000
Land Allocation	\$32,000
Improvement Allocation	\$343,000

V. IDENTIFICATION OF SUBJECT

***Picture of Subject

The appraised consists of a two-story industrial building on a $0.675 \pm$ Ac. site. It is constructed of concrete block and steel with a partial cedar clapboard facade. The structure contains $10,683 \pm$ sq.ft. (78% finished; remainder warehouse) and is approximately **XX** years old.

Additional photographs of subject and neighborhood are within Exhibit 1.

VI. DESCRIPTION OF THE PROCESS

In accordance with the Uniform Standards of Professional Appraisal Practice (USPAP), I:

- Made personal inspections of the site and interior/exterior of the building improvement;
- Collected and analyzed relevant information from public/municipal sources;
- Researched and verified comparable sales, reproduction cost new data, and rental data;
- Applied all three approaches to value.

This Summary Report is prepared as a Complete Appraisal¹.

VII. PURPOSE OF APPRAISAL

The purpose of the appraisal is to provide a market value opinion of subject's fee simple interest.

VIII. INTENDED USE/FUNCTION OF APPRAISAL

The client and intended user of this report is **XXXX**. The function of the appraisal is restricted to the above referenced parties for internal review purposes.

IX. SPECIAL ASSUMPTIONS AND LIMITING CONDITIONS

In addition to the General Assumptions and Limiting Conditions previously outlined, this report is also subject to the following:

- This is a Summary Appraisal Report prepared in compliance with the reporting requirements set forth in Standards Rule 2-2(b) of the Uniform Standards of Professional Appraisal Practice. Accordingly, the data and analysis contained herein is in summarized form with all supporting documentation maintained within my files.

¹ DEPARTURE RULE is not invoked

- o Site size is based on the metes & bounds description taken from the deed. Building size is based on a gross building area estimate provided by XXXX Architects, P.C.

X. PROPERTY RIGHTS APPRAISED

Interest appraised is **fee simple estate**, defined as "absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat".²

XI. OWNER CONTACT AND PROPERTY INSPECTION

The owner, XXXX, was contacted in conjunction with this assignment by telephone. My inspection of the property was set for February 10, XXXX, which consisted of a detailed review of the improvements and site. XXXX was present during the site visit.

XII. DATE OF VALUE ESTIMATE

Subject is valued as of February 10, XXXX.

XIII. DEFINITION OF VALUE

Market value is defined as "the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus.

Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- 1) buyer and seller are typically motivated;
- 2) both parties are well-informed or well-advised, and acting in what they consider their own best interests;
- 3) a reasonable time is allowed for exposure in the open market;
- 4) payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto; and
- 5) the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale³.

² Appraisal Institute, The Dictionary of Real Estate Appraisal, Fourth Edition (Chicago: Appraisal Institute, 2002) 113.

³ Appraisal Institute 177.

XIV. HISTORY OF THE PROPERTY

Most recent transfer of the property took place in the following deed:

Grantor:	XXXX
Grantee:	XXXX
Deed Date:	May XX, 2000
Recorded:	October XX, 2000
Purchase Price:	XXXX (\$XXXX /sq.ft.)
Book/Page:	XXXX /XXXX
Rights/Restrictions:	No unusual encumbrances noted

A copy is included in Exhibit 2. The purchase price is reflective of market.

XV. CURRENT OCCUPANCY AND LEASES IN EFFECT

Property is presently occupied by XXXX. A non-arm's lease is in place, subject to the following terms:

Lease Date	Leased Area	Term (yrs.)	Contract Rent			Tenant Expenses	Renewal Options
			Per Year	Per Month	Per Sq.Ft.		
01/01/01	10,683	XXXX	XXXX	XXXX	XXXX	XXXX	None

No other known lease agreements are in effect.

XVI. REGIONAL AND COUNTY/NEIGHBORHOOD ANALYSIS

***Area map

Regionally, the subject is generally classified as the XXXX area, with XXXX as the primary population center. According to the 2000 Census, more than XXXX people live within the city limits, down from XXXX in 1990. For XXXX County, those figures are XXXX people in 2000 and XXXX in 1990. More specifically, the Town of XXXX has XXXX residents (down from XXXX in 1990) and average single-family housing prices of \$ XXXX in 2000 (-1% annual trend since 1996). Conversely, the county has experienced slight increases in its residential average price of \$ XXXX (+1.6% since 1996).

The neighborhood is located immediately north of the city limits, in the southeastern portion of the Town of XXXX. Boundaries are loosely defined as XXXX Avenue to the west, residential land uses to the south, XXXX to the east, and the XXXX to the north. Major transportation arteries include: XXXX (north-to-south) and XXXX and XXXX (east-to-west).

Primary neighborhood property types include light manufacturing and distribution uses. It is nearly fully developed with little excess land available for new construction/expansion purposes. Average ages are nearly 40 years old with occupancy of nearly 100% and stable.

In conclusion, subject is located in a region struggling to expand economically. Erosion to its population base contributed to a general stabilization in real estate prices, with negative tendencies in some areas. Despite these negative effects, the neighborhood has experienced nearly full occupancy and little turnover in tenancy. This trend is expected to continue.

XVII. TRENDS IN REAL ESTATE PRICES, RENTS AND MARKETING

Over the last three to five years, real estate prices have generally remained stable. Likewise, rent increases have been flat to slightly increasing, the latter loosely based on the CPI index in the case of gross lease arrangements.

EXPOSURE TIME/MARKETING PERIOD:

Subjects' exposure time, defined as "(t)he estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of appraisal⁴", is estimated at twelve to eighteen months based on available comparable data.

Marketing period is "(t)he time it takes an interest in real property to sell on the market subsequent to the date of appraisal⁵". Based on current market conditions, a marketing period of twelve months to eighteen months is projected.

XVIII. ASSESSMENT AND TAXES ANALYSIS

*** Tax Map

Tax Map #	XXXX ASSESSMENTS			
	Land	Improvements	Total	Taxable
XXXX	\$X,000	\$ X,300	\$ X,044	XXXX

Subject is slightly over-assessed based on my opinion of market value. According to the County Treasurer's Office, real estate taxes for the current

year amounted to \$XXXX.

XIX. SITE DATA AND ANALYSIS

***Site and building sketch

⁴ Appraisal Institute, The Dictionary of Real Estate Appraisal, Fourth Edition (Chicago: Appraisal Institute, 2002) 105.

⁵ Appraisal Institute 175.

Size:	29,394± sq.ft.; 0.675± Ac.
Access:	Road front; curb cuts on both fronting streets
Frontage:	XXXX Avenue: XX± f.f.; XXXX Street: XX± f.f.
Soil Conditions/Drainage:	Appears adequate
Topography:	Mostly level; frontage is at to 1-3' below grade
Shape:	Essentially rectangular
Utilities:	All public
Street Improvements:	Tarvia surface, lighting, no sidewalks or curbing
Water Features:	None
Easements/Encroachments:	None noted
Flood Zone Information:	Outside 100 year flood plain (Zone C: XXXX; Dated X/XX/XXXX)
NYS Wetland Classification:	None
Zoning Designation:	XXXX (XX): permits various office and industrial Uses—subject is conforming
Site Improvements:	Tarvia parking and access, concrete curbing and sidewalks, lawn area, mature plantings

Site Data and Analysis Conclusion: Appraised site is adequate for industrial office use. Physically, its topography, shape, access, drainage characteristics, etc., are conducive for development, as evidenced by its current use. However, it is somewhat undersized, limiting expansion possibilities and accessory usage. This is considered a potential source of functional obsolescence as subject's land-to-building ratio of 2.8:1 is inferior to ideal densities of 4:1. Refer to the Highest and Best Use section for further discussion on this topic.

XX. IMPROVEMENT DATA AND ANALYSIS

Improvement Type:	Industrial Office
Stories:	One and two-stories; 51% of total area on second floor
Gross Building Area:	10,683 sq.ft. [8,322± sq.ft. (78% finished)]
Basement:	None
Year Construction:	c.19XX; last renovated c.19XX
Actual & Effective Ages:	XX years; XX years effectively
Foundation:	Reinforced concrete
Frame:	Concrete block and steel
Roof:	Flat, built-up composition (original)
Exterior:	Split-faced concrete block and painted cedar clapboard facia
Windows:	Fixed, aluminum framed, insulated glass (original)
Interior Partitioning:	Office: Metal/wood studs; gypsum board with papered, painted, or vinyl covering; Warehouse: Minimal partitioning; plywood/unpainted gypsum board walls
Ceilings/Lighting:	Office: Standard and textures acoustical tile (suspended) and painted gypsum board; overhead fluorescent and recessed incandescent lighting;

	Warehouse: taped, unpainted gypsum board with overhead fluorescent lighting
Floor Coverings:	Office: Wall-to-wall carpeting, vinyl sheet, slate; Warehouse: Concrete
HVAC:	Office: Package units (roof mounted; original); Warehouse: Gas-fired space heaters (ceiling mounted)
Plumbing:	Four restrooms with ten fixtures total; <i>Master Plumber</i> 40-gallon electric water Heater
Electrical Service:	400 amp., three phase, four wire
Security/Fire Protection:	Wet sprinkler system throughout
Elevator:	None
Miscellaneous Features:	One 10' x 10' grade level overhead door (insulated steel); one 8' x 8' loading dock (insulated steel) with leveler and bumpers; 9' ceiling heights in warehouse

Improvement Data and Analysis Conclusion: Building is well suited for industrial office usage. Layout is functional, consisting mainly of perimeter offices and large interior workspaces. Finishes are of average quality and are about midway through their economic life. Second level is somewhat uncharacteristic of this property class, but was necessary due to the limited site area.

XXI. HIGHEST AND BEST USE ANALYSIS

SITE AS THOUGH VACANT:

Subject's XXXX zoning allows for a variety of light and heavy industrial uses, as well as office buildings. Industrial office development is therefore legally permitted. Site is capable of accommodating a variety of uses as its slightly sloping topography and rectangular shape are generally conducive to a number of development possibilities. It is somewhat undersized, but industrial office development remains physically possible. Vacancy rates are low and stable within the neighborhood so that industrial office development provides the highest return to the land, and therefore is financially feasible. Since no alternative to industrial office development exists that would result in a higher return to the land, **industrial office development** represents the maximally productive use.

PROPERTY AS IMPROVED:

Improvement's use is legally permitted and conforms to existing bulk requirements. Physically, the improvement is conducive to industrial office usage, which is also financially feasible because of high occupancy rates and the relatively tight supply of suburban office space. Since no alternative uses exist that would result in sufficiently higher rents, **industrial office use** is also maximally productive.

XXII. SITE VALUATION

The following comparables are considered in the valuation of the site as though vacant:

SELECTED COMMERCIAL/INDUSTRIAL SITES WITHIN XXXX COUNTY							
Site #	Street #	Street Name	Town	Sale Date	Sale Price	Size (Ac.)	Price/Ac.
1	XXXX	XXXX	XXXX	XXXX	\$45,000	1.185	\$37,975
2	XXXX	XXXX	XXXX	XXXX	75,000	1.062	70,621
3	XXXX	XXXX	XXXX	XXXX	16,000	0.313	51,118
4	XXXX	XXXX	XXXX	XXXX	75,000	2.256	33,245
5	XXXX	XXXX	XXXX	XXXX	23,100	0.459	50,327

Site Valuation Conclusion: After adjustment, these sales indicate a unit value range of \$39,894 to \$61,370 per Ac. Few adjustments were applied overall, and each is accorded equal weighting in the final value estimate. Refer to Exhibit 3 for a brief synopsis of each comparable.

Based on available data, it is my opinion that subject's site has a unit value of \$47,000 per Ac., and thus a total allocated site value of \$31,725 (rounded) **\$32,000**.

XXIII. COST APPROACH

Using the Marshall & Swift cost service to calculate replacement cost new, and an accrued depreciation analysis, subject's market value by this approach is processed as:

Detailed Report

Page: 1

Estimate Number: 98

Estimate ID: [REDACTED] Avenue

Section 1

Occupancy	Class	Height	Rank
78% Office Building	Masonry bearing walls	9.00	2.20
22% Storage Warehouse	Masonry bearing walls	9.00	2.20
Total Area	: 10683		
Number of Stories (Section)	: 2		
Perimeter	: 308		

Components	Units/%	Other
Exterior Walls: Concrete Block, Textured Face	100%	
Exterior Walls: Stud Walls-Wood Siding	20%	
HVAC (Heating): Space Heater	22%	Climate
HVAC (Heating): Package Unit	78%	Climate
Sprinklers: Wet Sprinklers	100%	

Cost as of 01/2001

	Units	Cost	Total
Basic Structure			
Base Cost	10,683	40.83	436,187
Exterior Walls			
Concrete Block, Textured Face	10,683	13.17	140,695
Stud Walls-Wood Siding	2,137	9.24	19,746
Heating & Cooling			
Space Heater	2,350	2.51	5,898
Package Unit	8,333	10.22	85,163
Sprinklers			
Wet Sprinklers	10,683	2.30	24,571
Basic Structure Cost	10,683	66.67	712,260
Miscellaneous			
Total Cost	10,683	66.67	712,260

BREAKDOWN METHOD

REPLACEMENT COST NEW:

Direct Cost							\$712,260
Architect Fees		0.0%					0
Additional Soft Costs		15.0%					<u>106,839</u>
Sub-Total: Direct & Indirect Costs							\$819,099
Entrepreneurial Incentive (based on total project costs)		5.0%					<u>43,855</u>
TOTAL REPLACEMENT COST NEW							\$862,954
ACCRUED DEPRECIATION:							
Physical Deterioration							
Deferred Main.(Curable)							\$0
Short-Lived Items (Incurable)	16 yrs./	20 Yrs.=	80.0% x	\$215,739 =	172,591		
Long-Lived Items (Incurable)	28 yrs./	75 Yrs.=	37.3% x	\$647,215 =	<u>241,411</u>		
Total Physical Deterioration							\$414,002
Functional Obsolescence							
Curable			0.0% x	\$448,952 =	\$0		
Incurable			0.0% x	\$448,952 =	<u>0</u>		
Total Functional Obsolescence							0
External Obsolescence			20.0% x	\$448,952 =			<u>89,790</u>
TOTAL ACCRUED DEPRECIATION							\$503,792
DEPRECIATED VALUE OF IMPROVEMENT			41.6%				\$359,162
Site Value							32,000
Site Improvement Value							<u>26,000</u>

MARKET VALUE INDICATED BY COST APPROACH

\$417,162
(rounded) \$417,000

Cost Approach Conclusion: Based on available data, it is my opinion that subject has a market value of **\$417,000** via this approach.

XXIV. SALES COMPARISON APPROACH

The following comparables are considered in the valuation of the property as improved:

SELECTED INDUSTRIAL OFFICES WITHIN XXXX COUNTY							
Imp. Sale #	Street #	Street Name	Town	Sale Date	Sale Price	Bldg. Size	Price/Sq.Ft.
1	XXXX	XXXX	XXXX	XXXX	\$260,000	6,000	\$43.33
2	XXXX	XXXX	XXXX	XXXX	205,000	5,820	35.22
3	XXXX	XXXX	XXXX	XXXX	240,000	6,111	39.27
4	XXXX	XXXX	XXXX	XXXX	195,000	5,640	34.57

Sales Comparison Approach Conclusion: After adjustment, these sales indicate a unit value range of \$21.47 to \$35.17 per sq.ft. Reasonable adjustments were applied overall, with

Improved Sales 2 and 4 accorded greatest weighting in the final site value estimate. Refer to Exhibit 3 for a brief synopsis of each comparable.

Based on available data, it is my opinion that subject has a unit value of \$33.00 per sq.ft., and thus a total value of \$352,539 (rounded) **\$353,000**.

XXV. INCOME CAPITALIZATION APPROACH

The three basic components of this approach (i.e. income, expenses, and capitalization rate) are summarized as follows:

INCOME:

The following comparable rentals were analyzed in order to estimate subject's market rent:

Rental#	Street#	Street Name	Town	Lease Date	Term (Yrs.)	Leased Area	Rent/ Sq.Ft.	Landlord Provisions
1	XXXX	XXXX	XXXX	05/01/99	10	20,574	\$7.53	Net
2	XXXX	XXXX	XXXX	04/15/99	5	5,640	6.38	Partial Gross (Taxes incl.)
3	XXXX	XXXX	XXXX	08/01/97	4	2,702	12.00	Gross

Income Conclusion: After adjusting these rents for the various physical and structural differences, a market rent, on a net basis, of \$5.58 to \$6.83 is derived. Assigning greatest weight to Rental 2, potential gross income is estimated at \$5.75 per sq.ft. or **\$61,427** for the total property.

EXPENSES:

The necessary expenses to maintain subject's income stream are itemized as follows:

- o **Vacancy Loss:** A survey of the neighborhood and analysis of this property class indicates vacancies of 0% to 10% are typical. Based on subject's various physical factors, **10%** is considered reasonable for this analysis.
- o **Management:** Fees for managing single-tenant properties commonly range from 5% to 6% of effective gross income (excludes leasing commissions). The lower end of the range (**5%**) is applicable here.
- o **Structural Repairs/Allowance for Replacements:** In net lease arrangements, the landlord is typically responsible for the costs to repair/replace structural items. Based on available survey data and my experience, **\$0.20/sq.ft.** is utilized to stabilize the income stream for such repairs.

- Miscellaneous: In order to account for the miscellaneous expenses related to ownership, a charge of **1%** of effective gross income is taken.
- Leasing Commissions: Typical leasing commissions amount to **6%** of total base rent over the initial term (e.g. \$20,000 in annual rent with 3 year term = \$3,600 in leasing commissions). For the purposes of this report, I have stabilized this expense on an annual basis (e.g. \$1,200 deducted from NOI).

CAPITALIZATION RATE:

Using various methods, a market based capitalization rate is estimated as follows:

MARKET DERIVED:

<u>Imp. Sale</u>	<u>Rate</u>
4	11.8%

BAND-OF-INVESTMENT:

<u>M/E Ratio</u>	<u>Rate</u>	<u>Derivation</u>
75%	10.41%	7.81%
25%	13.00%	<u>3.25%</u>
		Ro = 11.1%

DEBT COVERAGE RATIO:

<u>DCR</u>	<u>LTV</u>	<u>Rm</u>	<u>Rate</u>
1.3	75%	10.41%	10.2%

SUMMARY/RECONCILED OVERALL RATE 11.0%

INCOME AND EXPENSE STATEMENT/VALUE ESTIMATE:

Based on the foregoing, subject's market value by this approach is processed as:

INCOME:

Base Rent (B.R.)	\$5.75 /sq.ft. =	\$61,427
Total Reimbursables		<u>0</u>
TOTAL POTENTIAL GROSS INCOME		\$61,427
Less Vacancy and Collection Loss	@ 10.0% of PGI	<u>6,143</u>
EFFECTIVE GROSS INCOME		\$55,284

EXPENSES:

Management—Real Estate	@ 5.0% of EGI	\$2,764
Repairs & Maintenance:		
Structural/Allowance for Replacements	@ \$0.20 /sq.ft. =	2,137
Miscellaneous	@ 1.0% of EGI	<u>553</u>
TOTAL OPERATING EXPENSES		\$5,454
NET OPERATING INCOME (before L.C.)		\$49,830
Less Leasing Commissions (L.C.)	@ 6.0% of B.R.	<u>3,686</u>
NET OPERATING INCOME		\$46,144
Capitalization Rate	@ 11.0%	
MARKET VIA BY DIRECT CAPITALIZATION		\$419,491
	(rounded)	\$419,000

Income Capitalization Approach Conclusion: Based on available data, it is my opinion that subject has a market value of **\$419,000** via this approach.

XXVI. RECONCILIATION OF VALUE INDICATORS

Intended Use/Function of Appraisal:

The client and intended user of this report is XXXX. The function of the appraisal is restricted to the above referenced parties for internal review purposes.

Summary of Values:

SUMMARY OF MARKET VALUES	
Site Valuation	\$32,000
Cost Approach	\$417,000
Sales Comparison Approach	\$353,000
Income Capitalization Approach	
Direct Capitalization	\$419,000
Discounted Cash Flow Analysis	Not Utilized

Reasonability and Weight Determination:

The sales comparison approach is considered most reliable, as this property type is typically owner-occupied. The cost and income capitalization approaches are utilized in support.

Conclusion:

Subject's total market value, as of February 10, XXXX, is estimated at:

**THREE HUNDRED SEVENTY-FIVE THOUSAND DOLLARS
(\$375,000)**