

## **EVENDALE SOCIAL SECURITY ADMINISTRATION**

10205 Reading Road

Evendale, Ohio 45241

### **APPRAISAL REPORT**

Date of Report: June 28, 2017

Colliers File #: CMH170331



#### **PREPARED FOR**

Tara Craaybeek  
Commercial Appraisal Department  
Park National Bank-Southwest  
143 West Main Street  
Lancaster, OH

#### **PREPARED BY**

**COLLIERS INTERNATIONAL**  
**VALUATION & ADVISORY SERVICES**

# LETTER OF TRANSMITTAL

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June 28, 2017

Tara Craaybeek  
Commercial Appraisal Department  
**Park National Bank-Southwest**  
143 West Main Street  
Lancaster, OH

**RE: Evendale Social Security Administration**

10205 Reading Road  
Evendale, Ohio 45241

Colliers File #: CMH170331

Ms. Craaybeek:

Pursuant with our engagement, the above captioned property was appraised utilizing best practice appraisal principles for this property type. This appraisal report satisfies the scope of work and requirements agreed upon by Park National Bank-Southwest and Colliers International Valuation & Advisory Services.

At the request of the client, this appraisal is presented in an Appraisal Report format as defined by *USPAP* Standards Rule 2-2(a). Our appraisal format provides a detailed description of the appraisal process, subject and market data and valuation analyses.

The purpose of this appraisal is to develop an opinion of the As-Is Market Value of the subject property's leased fee interest. At the request of the client we have also completed an Insurable Replacement Cost Estimate. The following table conveys the final opinion of market value of the subject property that is developed within this appraisal report:

VALUE TYPE	INTEREST APPRAISED	DATE OF VALUE	VALUE
As-Is Market Value	Leased Fee	June 14, 2017	\$4,590,000
<b>OTHER CONCLUSIONS</b>		<b>AS OF JUNE 14, 2017</b>	
Insurable Replacement Cost			\$1,810,000

The subject is a Social Security Office (Office Building) property totaling 13,928 SF of NRA located on a 2.08-acre site at 10205 Reading Road in Evendale, Ohio. The improvements were built in 2009 are LEED certified Gold, are in average/good condition and have a remaining economic life of 40 years based on our estimate.

The subject property has a single-tenant design that was built to suit for the current tenant. The property is currently occupied by a third party, credit quality tenant, and has a current occupancy level of 100.0%, which is consistent with the stabilized occupancy level estimate of 100.0% that was developed in this appraisal.

The analyses, opinions and conclusions communicated within this appraisal report were developed based upon the requirements and guidelines of the current Uniform Standards of Professional Appraisal Practice (USPAP), the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute. The report is intended to conform to the Financial Institutions Reform, Recovery and Enforcement Act (FIRREA) standards.

The report, in its entirety, including all assumptions and limiting conditions, is an integral part of, and inseparable from, this letter. *USPAP* defines an Extraordinary Assumption as, "an assumption, directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser's opinions or conclusions". *USPAP* defines a Hypothetical Condition as, "that which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis".

The Extraordinary Assumptions and/or Hypothetical Conditions that were made during the appraisal process to arrive at our opinion of value are fully discussed below. We advise the client to consider these issues carefully given the intended use of this appraisal, as their use might have affected the assignment results.

## **EXTRAORDINARY ASSUMPTIONS**

No Extraordinary Assumptions were made for this assignment.

## **HYPOTHETICAL CONDITIONS**

No Hypothetical Conditions were made for this assignment.

## **RELIANCE LANGUAGE**

The Appraisal is for the sole use of the Client; however, Client may provide only complete, final copies of the Appraisal report in its entirety (but not component parts) to third parties who shall review such reports in connection with loan underwriting or securitization efforts. Colliers International Valuation & Advisory Services is not required to explain or testify as to appraisal results other than to respond to the Client for routine and customary questions. Please note that our consent to allow the Appraisal prepared by Colliers International Valuation & Advisory Services or portions of such Appraisal, to become part of or be referenced in any public offering, the granting of such consent will be at our sole and absolute discretion and, if given, will be on condition that Colliers International Valuation & Advisory Services will be provided with an Indemnification Agreement and/or Non-Reliance letter, in a form and content satisfactory to Colliers International Valuation & Advisory Services, by a party satisfactory to Colliers International Valuation & Advisory Services. Colliers International Valuation & Advisory Services does consent to your submission of the reports to rating agencies, loan participants or your auditors in its entirety (but not component parts) without the need to provide Colliers International Valuation & Advisory Services with an Indemnification Agreement and/or Non-Reliance letter.

Colliers International Valuation & Advisory Services hereby expressly grants to Client the right to copy the Appraisal and distribute it to other parties in the transaction for which the Appraisal has been prepared, including employees of Client, other lenders in the transaction, and the borrower, if any.

Our opinion of value reflects current conditions and the likely actions of market participants as of the date of value. It is based on the available information gathered and provided to us, as presented in this report, and does not predict future performance. Changing market or property conditions can and likely will have an effect on the subject's value.

# LETTER OF TRANSMITTAL

CONTINUED

CMH170331

The signatures below indicate our assurance to the client that the development process and extent of analysis for this assignment adhere to the scope requirements and intended use of the appraisal. If you have any specific questions or concerns regarding the attached appraisal report, or if Colliers International Valuation & Advisory Services can be of additional assistance, please contact the individuals listed below.

Sincerely,

**COLLIERS INTERNATIONAL  
VALUATION & ADVISORY SERVICES**



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**LETTER OF TRANSMITTAL**

<b>INTRODUCTION</b>	<b>1</b>
Executive Summary	1
Aerial Photograph	3
Subject Property Photographs	4
Identification of Appraisal Assignment	9
Scope of Work	11

**DESCRIPTIONS & EXHIBITS**

Regional Map	13
Regional Analysis	14
Local Area Map	20
Local Area Analysis	21
Site Description	32
Plat Map	34
Zoning Map	35
Flood Map	36
Improvement Description	37
Assessment & Taxation	39
Zoning Analysis	41
Market Analysis	42
Highest & Best Use	53

**VALUATION**

Valuation Methods	55
Income Approach	57
Market Rent Analysis	58
Rent Summation Table	59
Comparable Lease Map	60
Comparable Rent Data Sheets	63
Potential Gross Rent	67
Income & Expense Analysis	67
Subject Operating Historicals	68
Rental Income Analysis	69
Vacancy & Credit Loss	70
Expense Comparable Table	70
Conclusion of Operating Expenses	70
Development of Capitalization Rate	72
Direct Capitalization Conclusion	75
Income Approach Conclusion	76
Sales Comparison Approach	77
Sales Summation Table	78
Sales Location Map	79
Sales Data Sheets	80
Sales Comparison Approach Conclusion	86
Reconciliation of Value Conclusions	87

# TABLE OF CONTENTS

CONTINUED

CMH170331

## **CERTIFICATION OF APPRAISAL**

## **ASSUMPTIONS & LIMITING CONDITIONS**

## **ADDENDA**

- Insurable Replacement Cost
- Engagement Letter
- Valuation Glossary
- Qualifications of Appraisers
- Qualifications of Colliers International Valuation & Advisory Services

## GENERAL INFORMATION

<b>Property Name</b>	Evendale Social Security Administration
<b>Property Type</b>	Office - Office Building
<b>Address</b>	10205 Reading Road
<b>City</b>	Evendale
<b>State</b>	Ohio
<b>Zip Code</b>	45241
<b>County</b>	Hamilton
<b>Core Based Statistical Area (CBSA)</b>	Cincinnati-Middletown, OH-KY-IN
<b>Market</b>	Cincinnati/Dayton
<b>Submarket</b>	Tri-County I-275
<b>Latitude</b>	39.249485
<b>Longitude</b>	-84.425704
<b>Number Of Parcels</b>	1
<b>Assessor Parcel</b>	611-0020-0408-00
<b>Total Assessed Value</b>	\$902,570
<b>Census Tract Number</b>	231.00

## SITE INFORMATION

	<b>Acres</b>	<b>Square Feet</b>
Usable	2.08	90,605
Unusable	0.00	0
Excess	0.00	0
<u>Surplus</u>	<u>0.00</u>	<u>0</u>
<b>Total</b>	<b>2.08</b>	<b>90,605</b>
<b>Topography</b>	Level at street grade	
<b>Shape</b>	Irregular	
<b>Access</b>	Good	
<b>Exposure</b>	Average/Good	
<b>Current Zoning</b>	Planned Unit Development (PUD)	
<b>Flood Zone</b>	Zone AE & Zone X (Shaded)	
<b>Seismic Zone</b>	Low Risk	

## IMPROVEMENT INFORMATION

<b>Net Rentable Area (NRA)</b>	13,928 SF
<b>Gross Building Area SF (GBA)</b>	13,928 SF
<b>Floor Plate SF</b>	13,928 SF
<b>Total Number Of Stories</b>	1
<b>Year Built</b>	2009
<b>Quality</b>	Average/Good
<b>Condition</b>	Average/Good
<b>Building Class</b>	B
<b>Air-Conditioned %</b>	100%
<b>Load Factor</b>	100%
<b>Type Of Construction</b>	Wood frame
<b>Land To Building Ratio</b>	6.5 : 1
<b>Site Coverage Ratio</b>	15.4%
<b>Parking Type</b>	Surface
<b>Number of Parking Spaces</b>	70
<b>Parking Ratio (Spaces/1,000SF NRA)</b>	5.0/1,000 SF NRA

**HIGHEST & BEST USE**

<b>As Vacant</b>	Commercial Use
<b>As Improved</b>	Current Use, Office

**EXPOSURE TIME & MARKETING PERIOD**

<b>Exposure Time</b>	Six Months or Less
<b>Marketing Period</b>	Six Months or Less

**TENANCY INFORMATION**

<b>Tenancy</b>	Single-Tenant Occupied By A Third Party Tenant
<b>Occupancy</b>	100.0%
<b>Occupied SF</b>	13,928 SF
<b>Vacant SF</b>	0 SF
<b>Number of Tenants in Occupancy</b>	1
<b>Number Of Vacant Spaces</b>	0
<b>Direct Capitalization NOI</b>	\$412,965
<b>Total Contract Income (Occupied Space)</b>	\$38.76/SF
<b>Total Market Income (Occupied Space)</b>	\$38.76/SF
<b>Contract Income As % of Market Income</b>	100%
<b>Space Leased To Credit Tenants</b>	13,928 SF

**VALUATION SUMMARY****VALUATION INDICES**

<b>AS-IS</b>
<b>MARKET VALUE</b>

**INTEREST APPRAISED****LEASED FEE****DATE OF VALUE****JUNE 14, 2017****INCOME CAPITALIZATION APPROACH**

<b>Direct Capitalization</b>	\$4,590,000
Direct Capitalization \$/SF	\$330/SF
NOI Proforma	\$412,965
NOI \$/SF	\$29.65/SF
Capitalization Rate	9.00%

**INCOME CONCLUSION**

\$4,590,000

Income Conclusion \$/SF

\$330/SF

**SALES COMPARISON APPROACH**

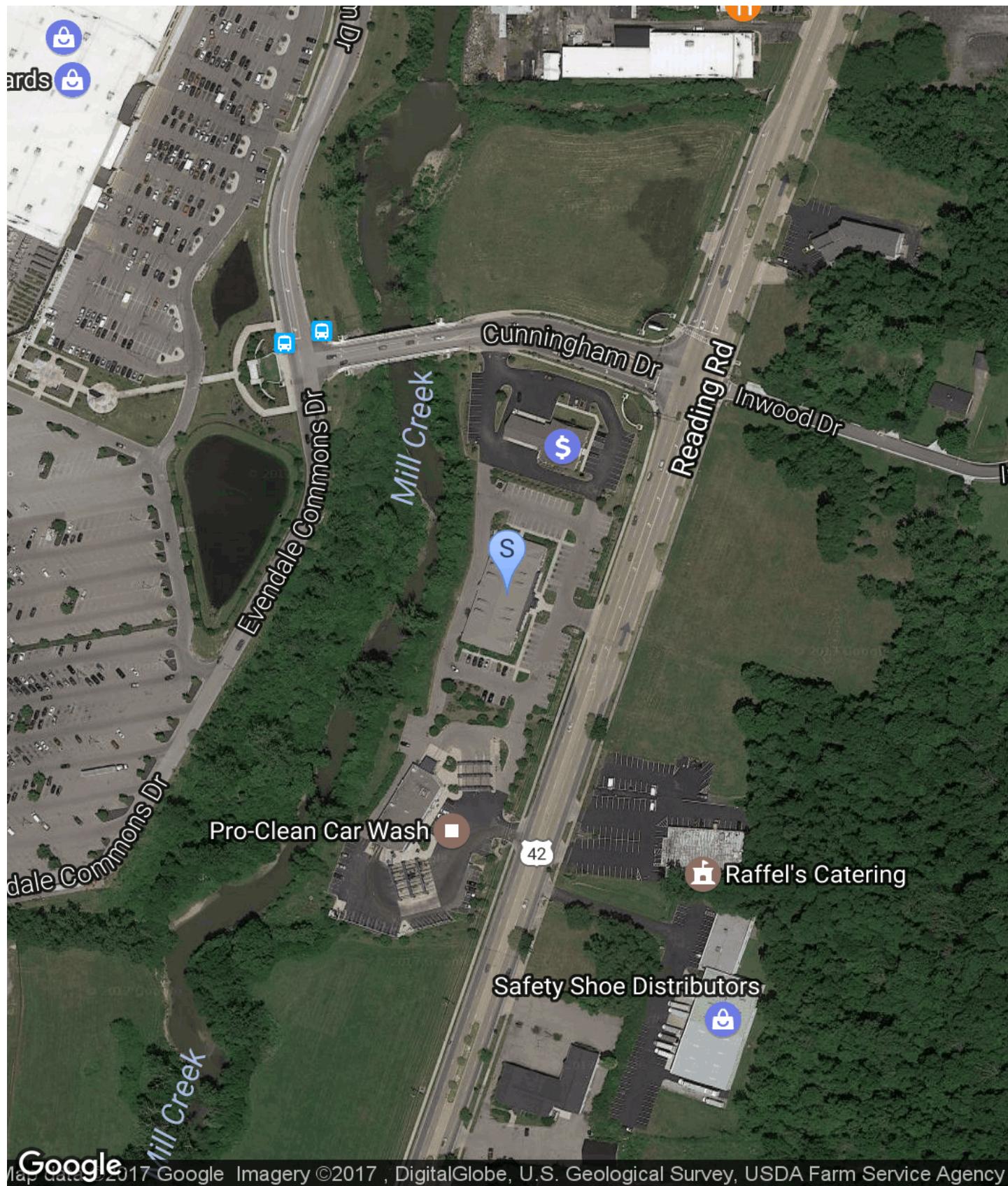
<b>SALES CONCLUSION</b>	\$4,600,000
Sales Conclusion \$/SF	\$330/SF

**FINAL VALUE CONCLUSION**

<b>FINAL VALUE</b>	\$4,590,000
\$/SF	\$330/SF

**OTHER CONCLUSIONS**

<b>Insurable Replacement Cost</b>	\$1,810,000
Insurable Replacement Cost/SF	\$130/SF





PROPERTY SIGNAGE



PUBLIC ENTRANCE



PROPERTY EXTERIOR



PROPERTY EXTERIOR



SIDE EMPLOYEE ENTRANCE



PROPERTY EXTERIOR

# SUBJECT PROPERTY PHOTOGRAPHS

CONTINUED

CMH170331



PROPERTY EXTERIOR



PROPERTY EXTERIOR



PROPERTY EXTERIOR



PROPERTY EXTERIOR



SURFACE PARKING



OUTDOOR EMPLOYEE PICNIC AREA

# SUBJECT PROPERTY PHOTOGRAPHS

CONTINUED

CMH170331



**PUBLIC ENTRANCE**



**CUBICLE AREA**



**CUBICLE AREA**



**CUBICLE AREA**



**PUBLIC AREA**



**PUBLIC WAITING AREA**

# SUBJECT PROPERTY PHOTOGRAPHS

CONTINUED

CMH170331



PUBLIC AREA



PUBLIC AREA



BREAK ROOM



PUBLIC AREA



CUBICLE AREA



BREAK ROOM

# SUBJECT PROPERTY PHOTOGRAPHS

CONTINUED

CMH170331



**COPY ROOM**



**STORAGE ROOM**



**CUBICLE AREA**



**MAIL ROOM**



**SOUTH ON READING RD**



**NORTH ON READING RD**

## PROPERTY IDENTIFICATION

The subject is an Office (Office Building) property totaling 13,928 SF NRA located on a 2.08-acre site at 10205 Reading Road in Evendale, Hamilton County, Ohio. The assessor's parcel number is: 611-0020-0408-00.

A detailed legal description was not provided.

## CLIENT IDENTIFICATION

The client of this specific assignment is Park National Bank-Southwest.

## PURPOSE

The purpose of this appraisal is to develop an opinion of the As-Is Market Value of the subject property's leased fee interest. At the request of the client we have also completed an Insurable Replacement Cost Estimate.

## INTENDED USE

The intended use of this appraisal is to assist the client with a potential loan that would be collateralized by this asset.

## INTENDED USERS

Park National Bank-Southwest is the only intended user of this report. Use of this report by Third-Parties and other unintended users is not permitted. This report must be used in its entirety. Reliance on any portion of the report independent of others, may lead the reader to erroneous conclusions regarding the property values. Unless approval is provided by the authors no portion of the report stands alone.

## ASSIGNMENT DATES

Date of Report	June 28, 2017
Date of Inspection	June 14, 2017
Valuation Date - As-Is	June 14, 2017

## PERSONAL INTANGIBLE PROPERTY

No personal property or intangible items are included in this valuation.

## PROPERTY AND SALES HISTORY

### Current Owner

The subject title is currently recorded in the name of Security Holding Group LLC who acquired title to the property on April 1, 2009 as land for \$1,565,000, as recorded in the Hamilton County Deed Records.

### Three-Year Sales History

The subject has not sold in the last three years.

### Subject Sale Status

The subject is currently in contract for sale. The pending sale is for one tenant in common buying a 43.47% stake in the property from another tenant in common. The portion the tenant in common is buying is in contract for \$1,943,109. The concluded value supports the pending purchase price.

## DEFINITIONS

This section summarizes the definitions of value, property rights appraised, and value scenarios that are applicable for this appraisal assignment. All other applicable definitions for this assignment are located in the Valuation Glossary section of the Addenda.

## DEFINITIONS OF VALUE

Given the scope and intended use of this assignment, the following definition of value is applicable:

### Market Value

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, knowledgeably, and assuming that 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 sale.<sup>1</sup>

## PROPERTY RIGHTS APPRAISED

The property rights appraised constitute the leased fee interest.

### Leased Fee Interest

The ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversionary right when the lease expires.<sup>2</sup>

## VALUE SCENARIOS

### As-Is Value

The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date.<sup>3</sup>

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<sup>1</sup> Office of Comptroller of the Currency (OCC), Title 12 of the Code of Federal Regulation, Part 34, Subpart C - Appraisals, 34.42 (g); Office of Thrift Supervision (OTS), 12 CFR 564.2 (g); This is also compatible with the FDIC, FRS and NCUA definitions of market value.

<sup>2</sup> The Dictionary of Real Estate Appraisal, Sixth Edition, Appraisal Institute, Chicago, Illinois, 2015

<sup>3</sup> The Dictionary of Real Estate Appraisal, Sixth Edition, Appraisal Institute, Chicago, Illinois, 2015

## INTRODUCTION

The appraisal development and reporting processes requires gathering and analyzing information about those assignment elements necessary to properly identify the appraisal problem to be solved. The scope of work decision must include the research and analyses that are necessary to develop credible assignment results given the intended use of the appraisal. Sufficient information includes disclosure of research and analyses performed and might also include disclosure of research and analyses not performed. The scope of work for this appraisal assignment is outlined below:

- › The appraisers analyzed the regional and local area economic profiles including employment, population, household income, and real estate trends. The local area was further studied to assess the general quality and condition, and emerging development trends for the real estate market. The immediate market area was inspected and examined to consider external influences on the subject.
- › The appraisers confirmed and analyzed legal and physical features of the subject property including sizes of the site and improvements, flood plain data, seismic zone, zoning, easements and encumbrances, access and exposure of the site, and construction materials and condition of the improvements. This process also included estimating the remaining economic life of the improvements, analysis of the subject's site coverage and parking ratios compared to market standards, a process to identify deferred maintenance and a conclusion of the subject's overall functional utility.
- › The appraisers completed an office market analysis that included market and sub-market overviews. The Cincinnati/Dayton market and Tri-County I-275 sub-market overviews analyzed supply/demand conditions using vacancy, absorption, supply change and rent change statistics. Conclusions were drawn regarding the subject property's competitive position given its physical and locational characteristics, the prevailing economic conditions and external influences.
- › The appraisers conducted a Highest and Best Use analysis, determining the highest and best use of the subject property As-Vacant and As-Improved. The analysis considered legal, locational, physical and financial feasibility characteristics of the subject property. Development of the Highest and Best Use As-Improved explored potential alternative treatments of the property including demolition, expansion, renovation, conversion, and continued use "as-is."
- › The appraisers confirmed and analyzed financial features of the subject property including historical income/expense data, lease documents, and tax and assessment records. This information as well as trends established by confirmed market indicators was used to forecast performance of the subject property.
- › Selection of the valuation methods was based on the identifications required in USPAP relating to the intended use, intended users, definition and date of value, relevant property characteristics and assignment conditions. As a result, this appraisal developed the Income (Direct Capitalization) and Sales Comparison approaches to value. The resulting value indicators were reconciled within the Analysis of Value Conclusions section. The appraisal develops an opinion of the As-Is Market Value of the subject property's leased fee interest. At the request of the client we have also completed an Insurable Replacement Cost Estimate. The reasoning for including or excluding traditional approaches to value is developed within the Valuation Methodology section.
- › Reporting of this appraisal is in an Appraisal Report format as required in USPAP Standard 2. The appraiser's analysis and conclusions are fully described within this document.
- › We understand the Competency Rule of USPAP and the authors of this report meet the standards.
- › No one provided significant real property appraisal assistance to appraisers signing this certification.

## SOURCES OF INFORMATION

The following sources were contacted to obtain relevant information:

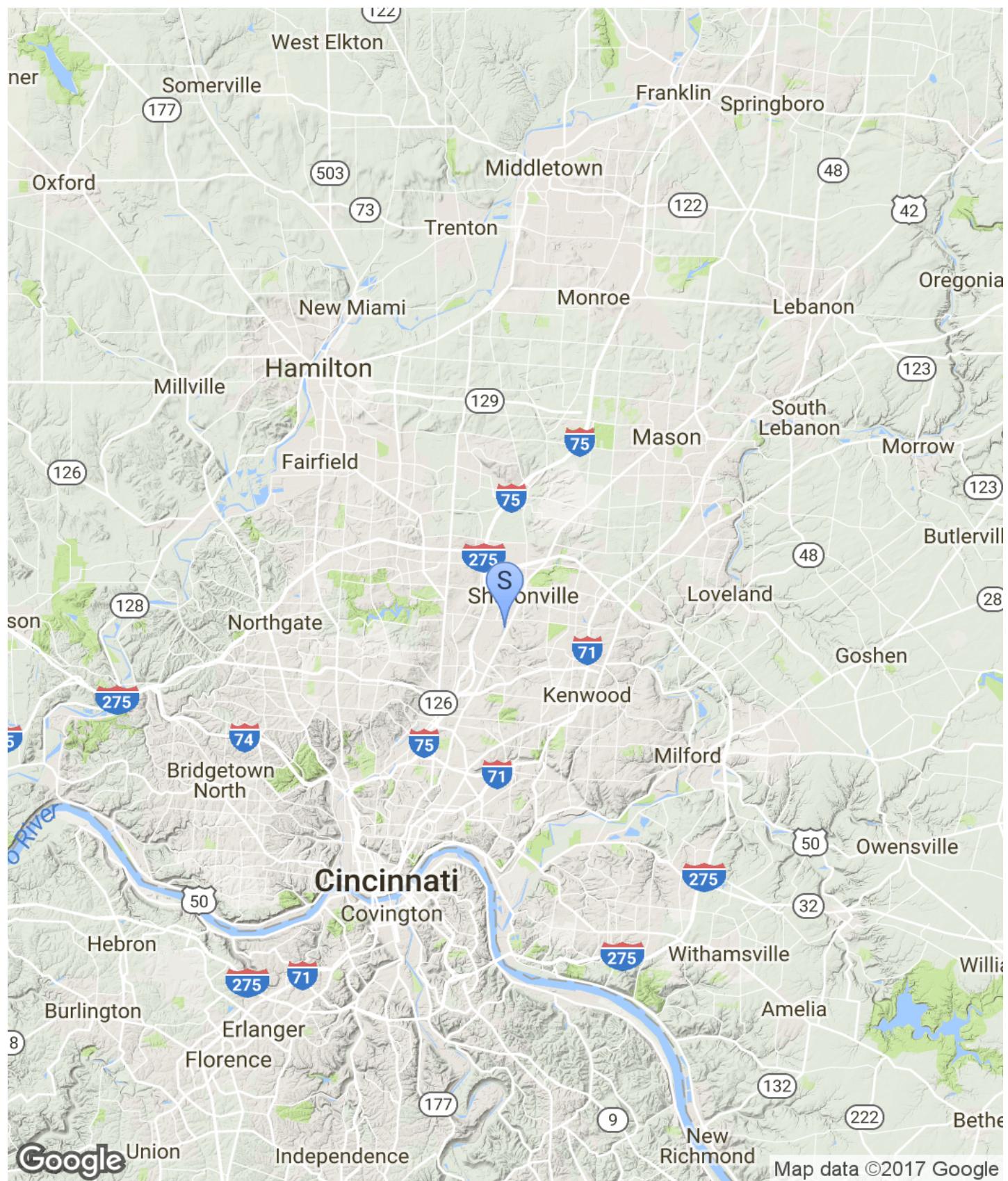
SOURCES OF INFORMATION	
ITEM	SOURCE
Tax Information	Hamilton County Auditor
Zoning Information	Village of Evendale Zoning Code
Site Size Information	Hamilton County Auditor
Building Size Information	Hamilton County Auditor
New Construction	City of Evendale / Hamilton County
Flood Map	Interflood
Demographics	Pitney Bow es/Gadberry Group - GroundView®
Comparable Information	See Comparable Datasheets for details
Legal Description	Grant Deed from RealQuest
Other Property Data	RealQuest
Subject Lease	Owner
Income/Expense Statements	Owner

## SUBJECT PROPERTY INSPECTION

The following table illustrates the Colliers International professionals involved with this appraisal report and their status related to the property inspection.

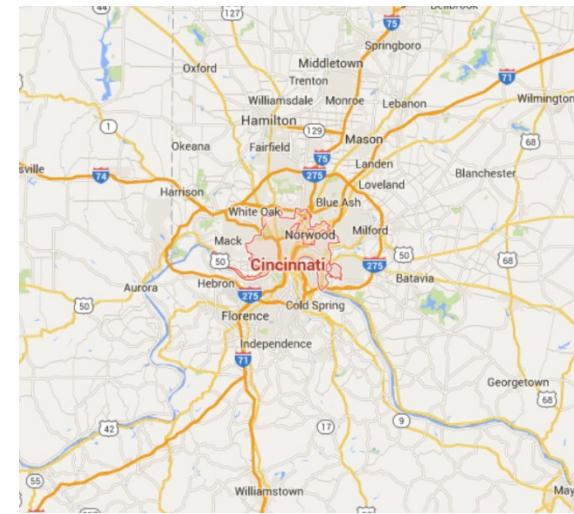
SUBJECT PROPERTY INSPECTION			
APPRASIER	INSPECTED	EXTENT	DATE OF INSPECTION
James Scott, MAI, MICP	No	-	-
Katherine Boro	Yes	Interior/Exterior	June 14, 2017

It is our understanding that the remaining (non-inspected) tenant space is in similar condition to those inspected, with no interior deferred maintenance present.



## INTRODUCTION

The Cincinnati-Middletown, OH-KY-IN MSA is located in the southwestern portion of the state. The MSA is comprised of 15 counties, in Ohio, Kentucky, and Indiana. The counties in Ohio include: Brown, Butler, Clermont, Hamilton and Warren. The counties in Kentucky include: Boone, Bracken, Campbell, Gallatin, Kenton, Mason, and Pendleton. The counties in Indiana include: Dearborn, Ohio, and Union. The MSA contains only one major city, Evendale.



## DEMOGRAPHIC ANALYSIS

The following is a demographic study of the region sourced by Pitney Bowes/Gadberry Group - GroundView®, an on-line resource center that provides information used to analyze and compare the past, present, and future trends of geographical areas. Demographic changes are often highly correlated to changes in the underlying economic climate. Periods of economic uncertainty necessarily make demographic projections somewhat less reliable than projections in more stable periods. These projections are used as a starting point, but we also consider current and localized market knowledge in interpreting them within this analysis. Please note that our demographics provider sets forth income projections in constant dollars which, by definition, reflect projections after adjustment for inflation. We are aware of other prominent demographic data providers that project income in current dollars, which do not account for inflation. A simple comparison of projections for a similar market area made under the constant and current dollar methodologies can and likely will produce data points that vary, in some cases, widely. Further, all forecasts, regardless of demographer methodology (ies), are subjective in the sense that the reliability of the forecast is subject to modeling and definitional assumptions and procedures.

### Population

According to Pitney Bowes/Gadberry Group - GroundView®, a Geographic Information System (GIS) Company, the Cincinnati metropolitan area had a 2016 total population of 2,168,177 and experienced an annual growth rate of 0.4%, which was higher than the Ohio annual growth rate of 0.1%. The metropolitan area accounted for 18.6% of the total Ohio population (11,635,388). Within the metropolitan area the population density was 512 people per square mile compared to the lower Ohio population density of 282 people per square mile and the lower United States population density of 90 people per square mile.

POPULATION			
YEAR	US	OH	CBSA
2010 Total Population	308,745,538	11,536,504	2,114,580
2016 Total Population	324,035,643	11,635,388	2,168,177
2021 Total Population	337,543,660	11,746,353	2,218,272
2010 - 2016 CAGR	0.8%	0.1%	0.4%
2016 - 2021 CAGR	0.8%	0.2%	0.5%

Source: Pitney Bowes/Gadberry Group - GroundView®

POPULATION DENSITY			
YEAR	US	OH	CBSA
2016 Per Square Mile	90	282	512
2021 Per Square Mile	94	285	524

Source: Pitney Bowes/Gadberry Group - GroundView®

The 2016 median age for the metropolitan area was 37.73, which was 0.04% older than the United States median age of 37.72 for 2016. The median age in the metropolitan area is anticipated to grow by 0.59% annually, increasing the median age to 38.86 by 2021.

MEDIAN AGE			
YEAR	US	OH	CBSA
2016	37.72	39.39	37.73
2021	38.74	40.40	38.86
CAGR	0.54%	0.51%	0.59%

Source: Pitney Bowes/Gadberry Group - GroundView®

## Education

The University of Cincinnati (UC) is the region's largest public institution of higher learning. It is ranked among the top 100 public universities by U.S. News & World Report and is a national leader in providing and bringing significant benefit to both regional and international communities. UC offers more than 30 nationally ranked programs, including top-tier programs in medicine, entrepreneurship, architecture, criminal justice, and the arts. UC's affiliated colleges and satellite campuses provide numerous opportunities for student enrollment at convenient locations.

The Cincinnati MSA has 71 school districts and 56 private schools from which to choose. The Cincinnati Public School (CPS) district is Ohio's 3rd largest and Hamilton County's largest. CPS' 62 district schools service approximately 35,000 students in grades pre-K through the 12th grade. There are 16 high schools with specific focuses; 19 magnet elementary schools with programs in the arts, foreign language, and Montessori and Paideia teaching styles.

Within the Cincinnati-Middletown, OH metropolitan area, 28% (614,061) of the total population (2,180,823) has a four year college degree or higher, compared to the lower 25% in Ohio and the lower 28% in the United States.

## Household Trends

The 2016 number of households in the metropolitan area was 850,451. The number of households in the metropolitan area is projected to grow by 0.4% annually, increasing the number of households to 866,151 by 2021. The 2016 average household size for the metropolitan area was 2.49, which was -5.05% smaller than the United States average household size of 2.63 for 2016. The average household size in the metropolitan area is anticipated to grow by 0.09% annually, raising the average household size to 2.5 by 2021.

NUMBER OF HOUSEHOLDS			
YEAR	US	OH	CBSA
2016	120,355,207	4,692,697	850,451
2021	124,475,498	4,743,075	866,151
CAGR	0.7%	0.2%	0.4%

Source: Pitney Bowes/Gadberry Group - GroundView®

AVERAGE HOUSEHOLD SIZE			
YEAR	US	OH	CBSA
2016	2.63	2.41	2.49
2021	2.65	2.41	2.50
CAGR	0.16%	(0.02%)	0.09%

Source: Pitney Bowes/Gadberry Group - GroundView®

The Cincinnati metropolitan area had a 277,024 renter occupied units, compared to the higher 1,523,581 in Ohio and the higher 41,906,547 in the United States.

HOUSING UNITS			
	US	OH	CBSA
Owner Occupied	78,448,660	3,169,116	573,427
Renter Occupied	41,906,547	1,523,581	277,024

Source: Pitney Bowes/Gadberry Group - GroundView®

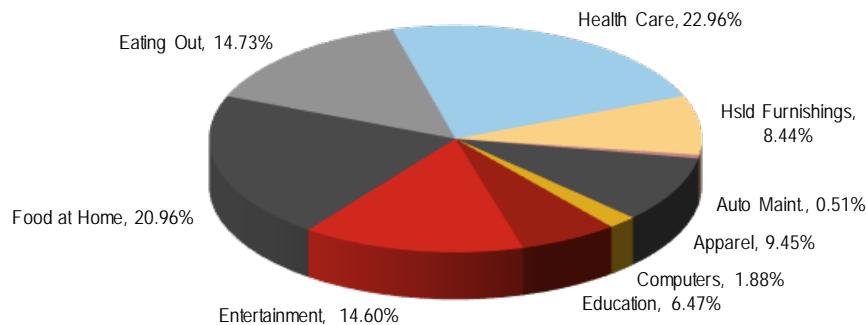
The 2016 median household income for the metropolitan area was \$57,534, which was 3.7% higher than the United States median household income of \$55,497. The median household income for the metropolitan area is projected to grow by 1.3% annually, increasing the median household income to \$61,452 by 2021.

As is often the case when the median household income levels are similar to the national average, the cost of living index is also similar. According to the American Chamber of Commerce Researchers Association (ACCRA) Cost of Living Index, the Cincinnati-Middletown, OH-KY-IN MSA's cost of living is 91.2 compared to the national average score of 100. The ACCRA Cost of Living Index compares groceries, housing, utilities, transportation, health care and miscellaneous goods and services for over 300 urban areas.

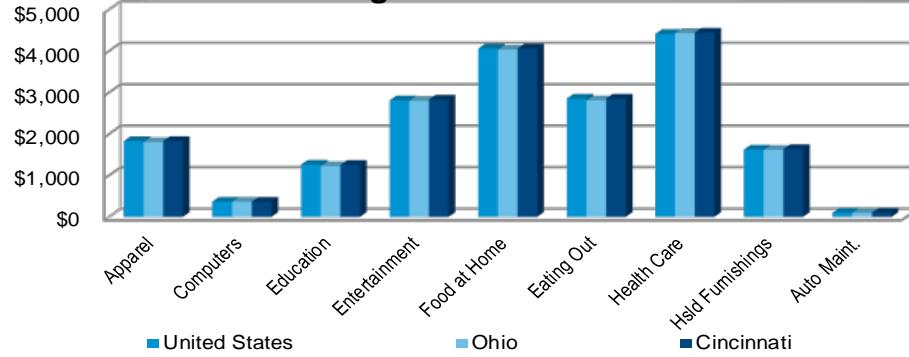
MEDIAN HOUSEHOLD INCOME			
YEAR	US	OH	CBSA
2016	\$55,497	\$50,674	\$57,534
2021	\$59,208	\$54,361	\$61,452
CAGR	1.3%	1.4%	1.3%

Source: Pitney Bowes/Gadberry Group - GroundView®

#### Consumer Spending Cincinnati



#### Consumer Spending Comparison Average Household

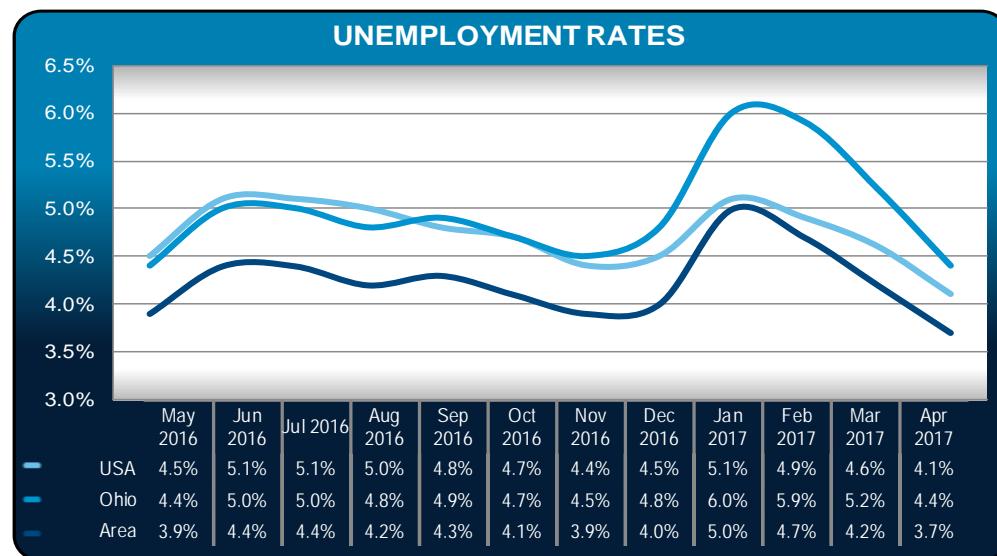


## EMPLOYMENT

Total employment has decreased annually over the past decade in the state of Ohio by 0.5% and decreased annually by 0.2% in the area. From 2015 to 2016 unemployment decreased in Ohio by 0.0% and decreased by 0.2% in the area. In the state of Ohio unemployment has decreased over the previous month by 0.8% and decreased by 0.5% in the area.

EMPLOYMENT & UNEMPLOYMENT STATISTICS 2007 - 2016							
TOTAL EMPLOYMENT					UNEMPLOYMENT RATE		
	Ohio		Cincinnati, OH-KY-IN Metropolitan Statistical Area		United States*	Ohio	Cincinnati, OH-KY-IN Metropolitan Statistical Area
Year	Total	% Δ Yr Ago	Total	% Δ Yr Ago			
2007	5,657,718	0.6%	1,059,006	1.3%	4.6%	5.6%	5.0%
2008	5,580,843	(1.4%)	1,054,421	(0.4%)	5.8%	6.4%	5.8%
2009	5,297,098	(5.1%)	1,007,646	(4.4%)	9.3%	10.3%	9.5%
2010	5,247,050	(0.9%)	987,498	(2.0%)	9.6%	10.3%	9.9%
2011	5,261,238	0.3%	989,924	0.2%	8.9%	8.8%	8.9%
2012	5,284,001	0.4%	996,557	0.7%	8.1%	7.4%	7.4%
2013	5,288,320	0.1%	1,001,737	0.5%	7.4%	7.5%	7.3%
2014	5,367,282	1.5%	1,015,313	1.4%	6.2%	5.8%	5.5%
2015	5,412,759	0.8%	1,025,306	1.0%	5.3%	4.9%	4.5%
2016	5,430,790	0.3%	1,036,806	1.1%	4.9%	4.9%	4.3%
<b>CAGR</b>	<b>(0.5%)</b>	-	<b>(0.2%)</b>	-	-	-	-

Source: U.S. Bureau of Labor Statistics \*Unadjusted Non-Seasonal Rate



As stated under the employment heading, total employment has decreased annually over the past decade in the state of Ohio by -0.4%. The chart above shows the unemployment rates since December 2015 to November 2016. The unemployment rate for the CBSA has decreased slightly from 4.3% in September to 3.8% in November 2016 though it is still below the state average.

Listed below are the top employers for the Cincinnati area. Kroger Company employs the largest amount of employees with approximately 20,000, followed by the University of Cincinnati. In addition to large corporations, universities, hospitals and public sector employment located within the Cincinnati-Middletown MSA, smaller businesses make up a large portion of the local employment picture.

TOP EMPLOYERS		
EMPLOYER NAME	EMPLOYEES	INDUSTRY
Kroger Co.	20,646	Communications
University Of Cincinnati	15,329	Education
Cincinnati Children's Hospital Medical Center	12,564	Retail
Procter & Gamble	12,000	Transportation
TriHealth Inc.	10,400	Industrial
Mercy Health Partners	8,940	Manufacturing
UC Health	8,670	Healthcare
GE Aviation	7,500	Healthcare
Fifth Third Bancorp	7,180	Healthcare
Archdiocese of Cincinnati	7,000	Healthcare

Source: [http://www.hcdc.com/wp-content/uploads/2013/06/Top10\\_Companies.pdf](http://www.hcdc.com/wp-content/uploads/2013/06/Top10_Companies.pdf)

Cincinnati is home to several Fortune 500 and Fortune 1000 companies that provide the area with tens of thousands of jobs. University of Cincinnati is also a major employer, providing the greater Cincinnati area with over 15,000 jobs

## AIRPORT STATISTICS

The following chart summarizes the local airport statistics.

CINCINNATI/NORTHERN KENTUCKY INTERNATIONAL AIRPORT (CVG)		
YEAR	ENPLANED PASSENGERS	% CHG
2005	11,277,068	-
2006	7,984,074	(29.2%)
2007	7,728,069	(3.2%)
2008	6,648,600	(14.0%)
2009	5,194,214	(21.9%)
2010	3,906,826	(24.8%)
2011	3,422,466	(12.4%)
2012	2,937,850	(14.2%)
2013	2,776,377	(5.5%)
2014	2,874,684	3.5%
2015	3,036,697	5.6%

Source: U.S. Department of Transportation

## TRANSPORTATION ROUTES

The Cincinnati/Northern Kentucky International Airport (CVG) serves the metropolitan area, is located across the river in Hebron, Kentucky and has nonstop flights to 53 destinations, including Europe and North America, and is home to DHL's main North American hub. The city has three other airports; Lunken Airport, a municipal airfield used for smaller business jets and private planes; Butler County Regional Airport, located between Fairfield and Hamilton, has the largest private aircraft capacity of the Cincinnati area; and Cincinnati West Airport, a smaller airport located in Harrison, Ohio.

Cincinnati USA is at the crossroads of three states in the Midwest, and has several major interstates and highways, and four major railroad systems (Amtrak, CSX™, Conrail® and Norfolk Southern®).

Cincinnati public transportation is operated by the Southwest Ohio Regional Transit Authority (SORTA). The Transit Authority of Northern Kentucky (TANK) serves Northern Kentucky and connects downtown at Metro's Government Square hub.

Port Cincinnati is the fifth-largest inland port, and 13.4 million tons pass through on the Ohio River each year.

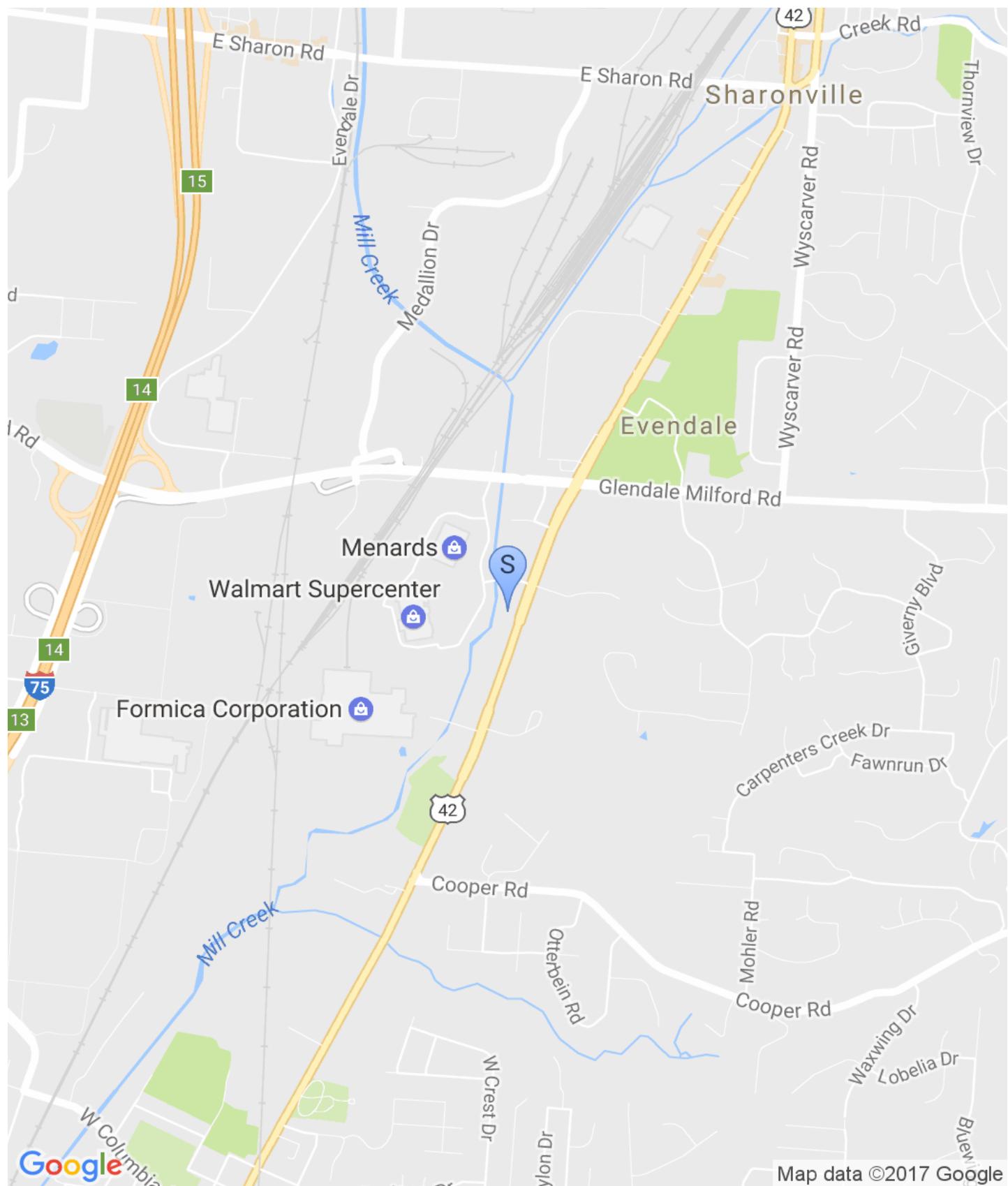
Cincinnati has three major interstate highways which include Interstate 75 is a north-south route that runs through the Mill Creek valley, Interstate 71 runs north-south and Interstate 74 which begins at Interstate 75 west of downtown and connects to Indiana.

The city has an outer-belt, Interstate 275 (which is the longest circle highway in the country), and a spur to Kentucky, I-471.

## CULTURE AND RECREATION

The Cincinnati region has numerous musical and theater operations, operates a park system with a diverse dining culture. Cincinnati's Fountain Square serves as one of the cultural cornerstones of the region.

Cincinnati is home to seven major sports venues including two major league teams, six minor league teams, and five college institutions with their own sports teams. Some teams are the baseball's Reds, who were named for America's first professional baseball team, the Cincinnati Red Stockings, the Bengals of the National Football League; and the historic international men's and women's tennis tournament, The ATP Masters Series Cincinnati Masters. In addition there are three professional soccer teams, two outdoor teams, the Cincinnati Kings (men's) and Cincinnati LadyHawks (women's), and one indoor team, the Cincinnati Excite (men's).



## INTRODUCTION

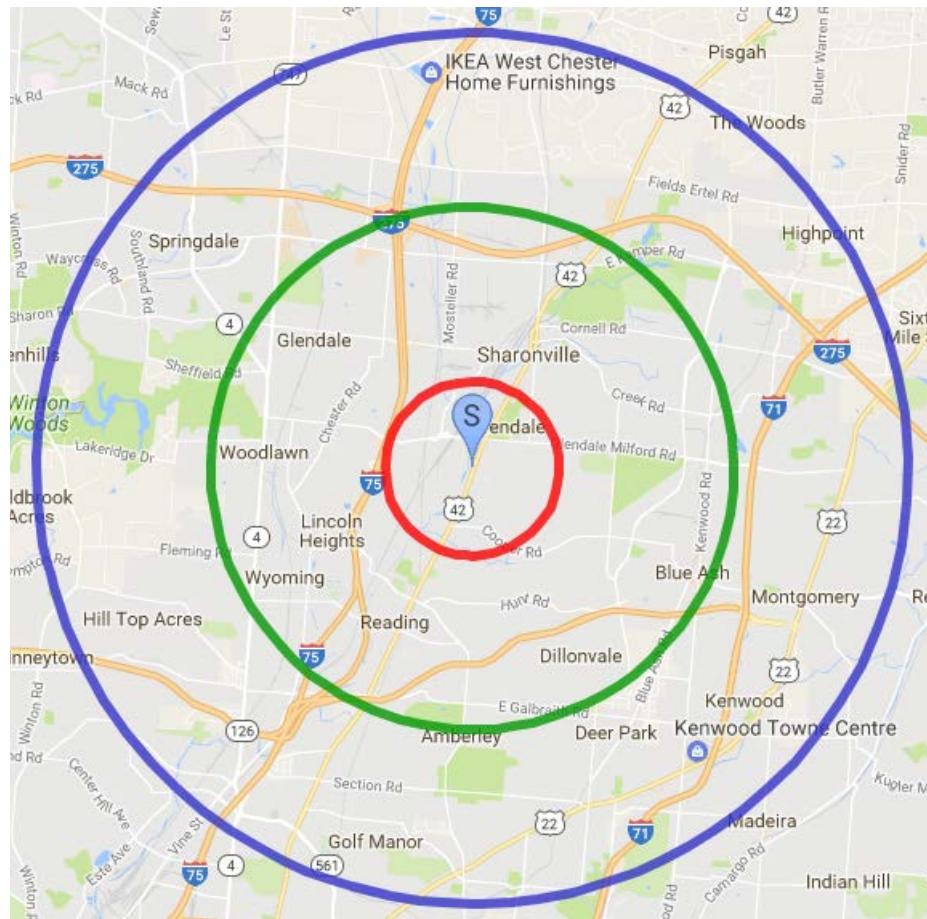
In this section of the report, we provide details about the local area and describe the influences that bear on the real estate market as well as the subject property. A map of the local area is presented on the prior page. Below are insights into the local area based on fieldwork, interviews, demographic data and experience working in this market.

## LOCAL AREA PROFILE

The subject property is located in Evendale, Ohio, within Hamilton County. It is a northern suburb of Cincinnati, just inside the I-275 outerbelt, about 15 miles north of the CBD.

## DEMOGRAPHIC PROFILE

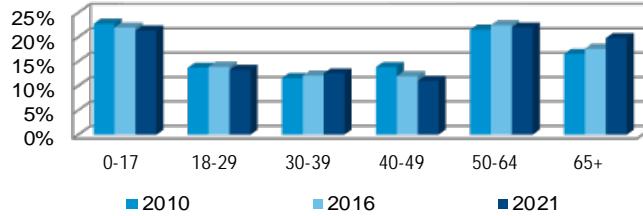
Below is a demographic study of the area, sourced by Pitney Bowes/Gadberry Group - GroundView®, an on-line resource center that provides information used to analyze and compare the past, present, and future trends of properties and geographical areas. Please note that our demographics provider sets forth income projections in constant dollars which, by definition, reflect projections after adjustment for inflation. We are aware of other prominent demographic data providers that project income in current dollars, which do not account for inflation. A simple comparison of projections for a similar market area made under the constant and current dollar methodologies can and likely will produce data points that vary, in some cases, widely. Further, all forecasts, regardless of demographer methodology (ies), are subjective in the sense that the reliability of the forecast is subject to modeling and definitional assumptions and procedures.



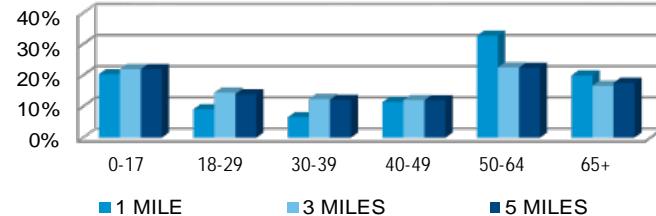
LOCAL AREA DEMOGRAPHICS									
DESCRIPTION	1 MILE	3 MILES	5 MILES	DESCRIPTION	1 MILE	3 MILES	5 MILES		
<b>POPULATION</b>				<b>AVERAGE HOUSEHOLD INCOME</b>					
2000 Population	2,191	53,039	168,129	2016	\$145,341	\$82,972	\$82,312		
2010 Population	1,960	50,005	161,609	2021	\$152,685	\$87,932	\$86,966		
2016 Population	2,013	50,117	162,501	Change 2016-2021	5.05%	5.98%	5.65%		
2021 Population	2,048	50,657	164,370	<b>MEDIAN HOUSEHOLD INCOME</b>					
Change 2000-2010	(10.54%)	(5.72%)	(3.88%)	2016	\$110,298	\$54,179	\$56,621		
Change 2010-2016	2.70%	0.22%	0.55%	2021	\$113,327	\$60,335	\$61,285		
Change 2016-2021	1.74%	1.08%	1.15%	Change 2016-2021	2.75%	11.36%	8.24%		
<b>POPULATION 65+</b>				<b>PER CAPITA INCOME</b>					
2010 Population	354	7,793	26,759	2016	\$55,968	\$36,099	\$36,149		
2016 Population	402	8,334	28,633	2021	\$57,933	\$37,778	\$37,704		
2021 Population	476	9,550	32,533	Change 2016-2021	3.51%	4.65%	4.30%		
Change 2010-2016	13.56%	6.94%	7.00%	<b>2016 HOUSEHOLDS BY INCOME</b>					
Change 2016-2021	18.41%	14.59%	13.62%	<\$15,000	2.3%	11.6%	12.3%		
<b>NUMBER OF HOUSEHOLDS</b>				\$15,000-\$24,999	3.4%	10.7%	9.5%		
2000 Households	728	22,075	70,613	\$25,000-\$34,999	2.2%	10.9%	10.0%		
2010 Households	730	21,355	68,854	\$35,000-\$49,999	11.1%	14.3%	13.2%		
2016 Households	769	21,754	70,209	\$50,000-\$74,999	11.7%	14.8%	17.2%		
2021 Households	771	21,704	70,069	\$75,000-\$99,999	10.8%	11.6%	11.7%		
Change 2000-2010	0.27%	(3.26%)	(2.49%)	\$100,000-\$149,999	26.1%	13.7%	13.6%		
Change 2010-2016	5.34%	1.87%	1.97%	\$150,000-\$199,999	12.4%	4.9%	5.8%		
Change 2016-2021	0.26%	(0.23%)	(0.20%)	\$200,000 or greater	20.0%	7.5%	6.7%		
<b>HOUSING UNITS (2016)</b>				<b>MEDIAN HOME VALUE</b>	\$280,128	\$148,125	\$153,395		
Owner Occupied	728	14,223	44,948	<b>AVERAGE HOME VALUE</b>	\$319,696	\$207,722	\$213,960		
Renter Occupied	41	7,543	25,289	<b>HOUSING UNITS BY UNITS IN STRUCTURE</b>					
<b>HOUSING UNITS BY YEAR BUILT</b>				1, detached	701	15,224	46,366		
Built 2010 or later	2	81	222	1, attached	38	1,057	3,718		
Built 2000 to 2009	31	848	3,039	2	2	461	1,851		
Built 1990 to 1999	87	1,858	6,226	3 or 4	5	1,003	4,928		
Built 1980 to 1989	166	3,050	8,598	5 to 9	8	1,199	3,677		
Built 1970 to 1979	87	2,503	8,563	10 to 19	10	1,531	3,811		
Built 1960 to 1969	115	3,470	11,783	20 to 49	1	516	2,044		
Built 1950 to 1959	149	5,155	15,349	50 or more	3	703	3,214		
Built 1940 to 1949	45	1,564	6,239	Mobile home	2	56	608		
Built 1939 or earlier	86	3,226	10,190	Boat, RV, van, etc.	0	16	18		

Source: Pitney Bowes/Gadberry Group - GroundView®

POPULATION GROWTH BY AGE - 5 MILES



POPULATION BY AGE



## Transportation Routes

Major traffic arteries are shown in the chart below:

MAJOR ROADWAYS & THOROUGHFARES

HIGHWAY	DIRECTION	FUNCTION	DISTANCE FROM SUBJECT
I 75	north-south	Interstate Highway	This is within a mile of the subject property.
I 71	north-south	Interstate Highway	This is within 3 miles of the subject property.
I 275	east-west	Local Highway	This is within 3 miles of the subject property.
I 74	north-south	Interstate Highway	This is within 10 miles of the subject property.
SURFACE STREETS	DIRECTION	FUNCTION	DISTANCE FROM SUBJECT
Reading Rd	north-south	Secondary Arterial	The subject property fronts this street.
Glendale Milford Rd	east-west	Primary Arterial	This is just down the street from the subject property.
Cooper Rd	east-west	Secondary Arterial	This is within a mile of the subject property.
Plainfield Rd	north-south	Secondary Arterial	This is within 2 miles of the subject property.
E Sharon Rd	east-west	Secondary Arterial	This is within 2 miles of the subject property.

Public Transportation is available near the subject property through Southwest Ohio Regional Transit Authority (SORTA). There are several bus stops located in the subject's immediate vicinity located along Reading Road and Inwood Drive.

### Community Services

Community services and facilities are readily available in the surrounding area. These include public services such as fire stations, hospitals, police stations, and schools (all ages). The subject property is located in the Princeton City School District School District. GreatSchools.org is an on-line tool that rates every school district on a scale of one to ten based on test scores. The chart details the subject's school district's rating, test scores, and graduation rate. It also compares the subject's rating to other area schools and the subject's graduation rate to state and national averages.

SCHOOL DISTRICTS								
SCHOOL DISTRICT	GREATSCHOOLS RATING	ELEMENTARY	MIDDLE	HIGH	NUMBER OF SCHOOLS	PUBLIC	CHARTER	TOTAL
Cincinnati Public Schools	4	46	45	22	58	0		58
Northwest Local School District	4	8	3	2	14	0		14
West Clermont Local School District	5	8	2	2	12	0		12
Princeton City School District	5	8	1	2	11	0		11
Forest Hills Local School District	9	6	1	2	9	0		9
Oak Hills Local School District	7	5	3	1	9	0		9
Winton Woods City School District	3	4	1	1	6	0		6
Mt Healthy City	2	3	1	1	5	0		5
Lockland Local School District	2	2	2	2	4	0		4
Mariemont City School District	8	2	1	1	4	0		4
HIGH SCHOOLS								
HIGH SCHOOLS	GREATSCHOOLS RATING	PARENT RATING	SCHOOL TYPE	GRADES SERVED	DISTANCE FROM SBJ.	CITY	ENROLLMENT	LOCATION
Princeton High School	3	4	public	9-12	1.81 miles	Cincinnati	1,525	
Lockland High School	2	4	public	9-12	2.02 miles	Lockland	168	
Reading Community High School	5	4	public	9-12	2.12 miles	Reading	438	
Scarlet Oaks Cdc	-	4	public	PK, 5-12	2.60 miles	Cincinnati	-	
Wyoming High School	10	5	public	9-12	2.61 miles	Wyoming	642	
Arlington Heights Academy	-	5	public	3-12	2.66 miles	Cincinnati	10	
Deer Park Jr/Sr High School	4	4	public	7-12	3.01 miles	Cincinnati	579	
Princeton Virtual Academy	-	-	public	9-12	3.61 miles	Cincinnati	-	
Sycamore High School	-	4	public	9-12	4.11 miles	Cincinnati	1,604	
Madeira High School	10	5	public	9-12	4.65 miles	Cincinnati	431	

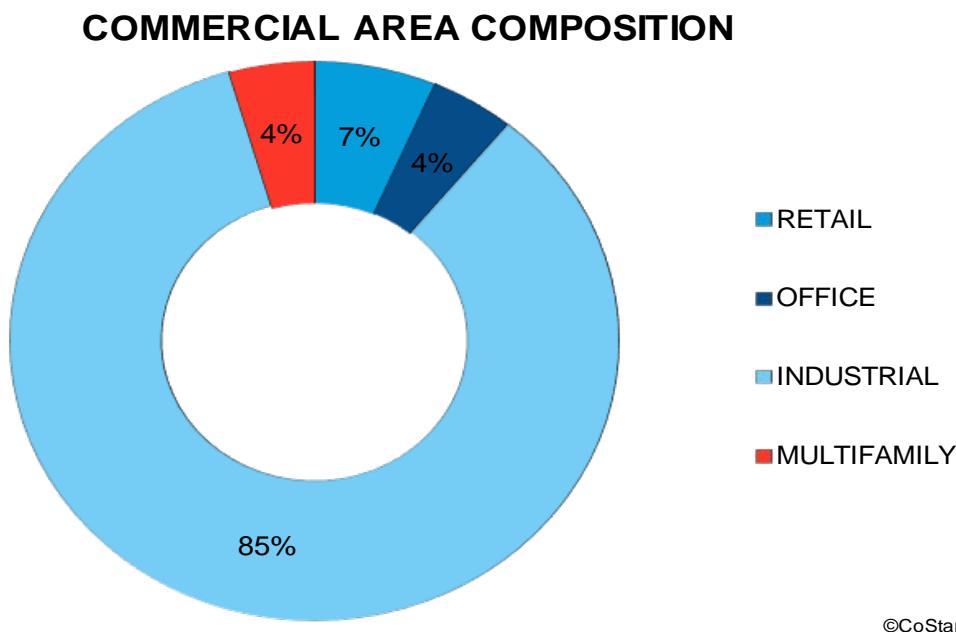
Source: GreatSchools.com

## IMMEDIATE AREA PROFILE

This section discusses uses and development trends in the immediate area that directly impact the performance and appeal of the subject property.

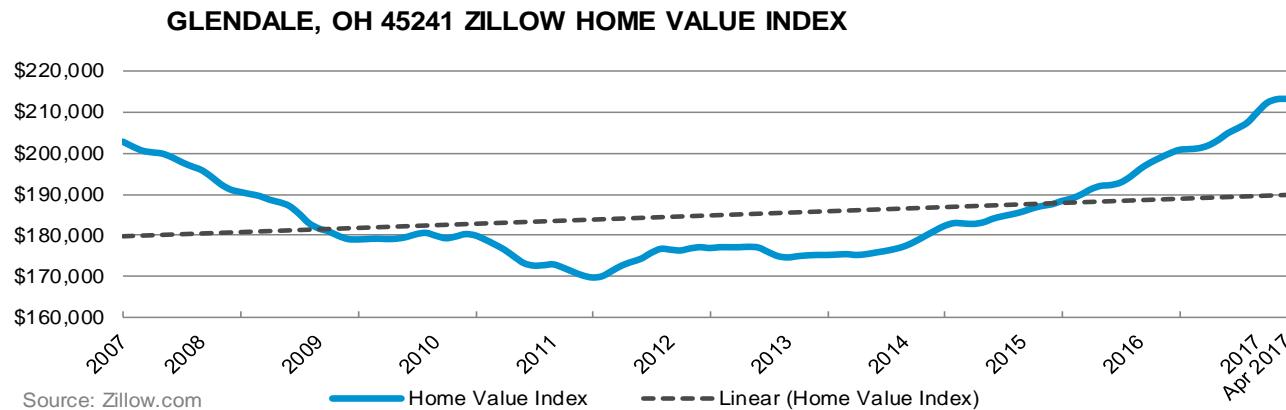
### Predominant Land Uses

Significant development in the immediate area consists of office, retail, industrial, mixed-use and auto dealership uses along major arterials that are interspersed with multi-family complexes and single-family residential development removed from arterials. The local area has a mix of commercial uses nearby and the composition is shown in the following graph.

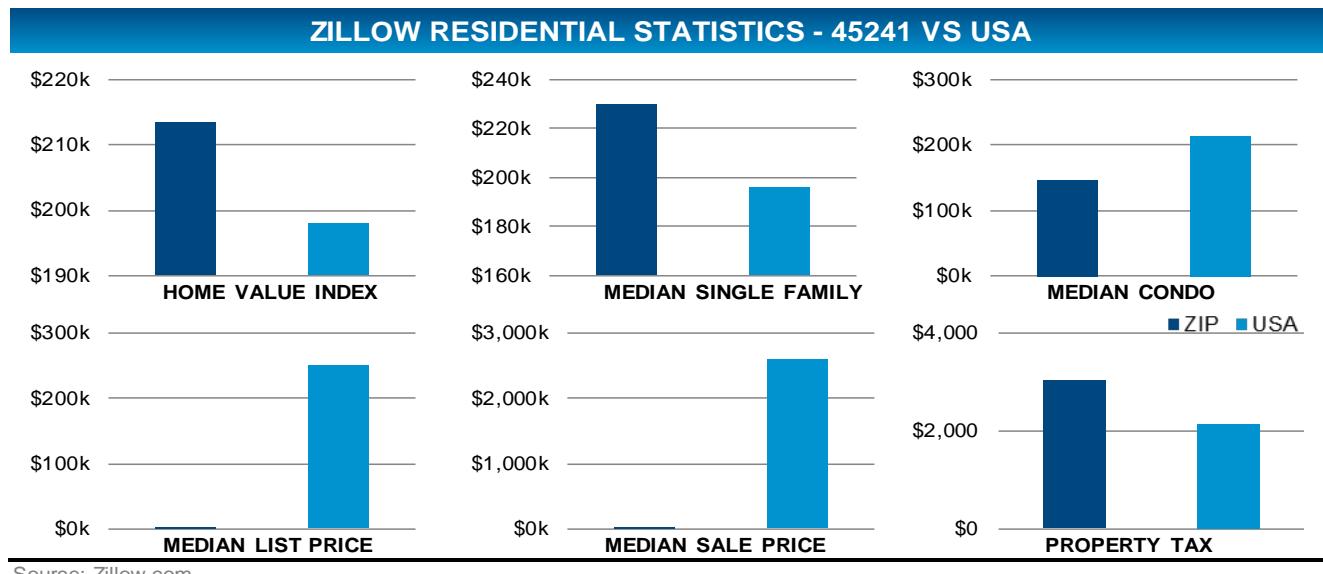


## Residential Development

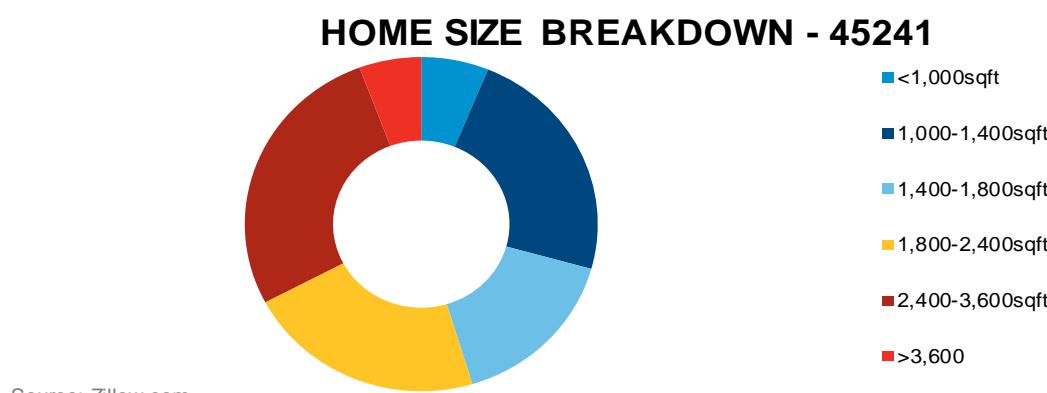
Residential users in the immediate area are primarily single family residential. The following graph shows the Zillow Home Value Index (ZHVI) for the subject zip code which is the mid-point of estimated home values for the area. Half the estimated home values are above this number and half are below.



The following chart shows residential statistics comparing the subject zip code to the United States.



The following chart shows the average home size breakdown for the subject zip code.



## Multi-Family Development

The following chart shows a summary of multi-family data by type in the immediate area from CoStar.

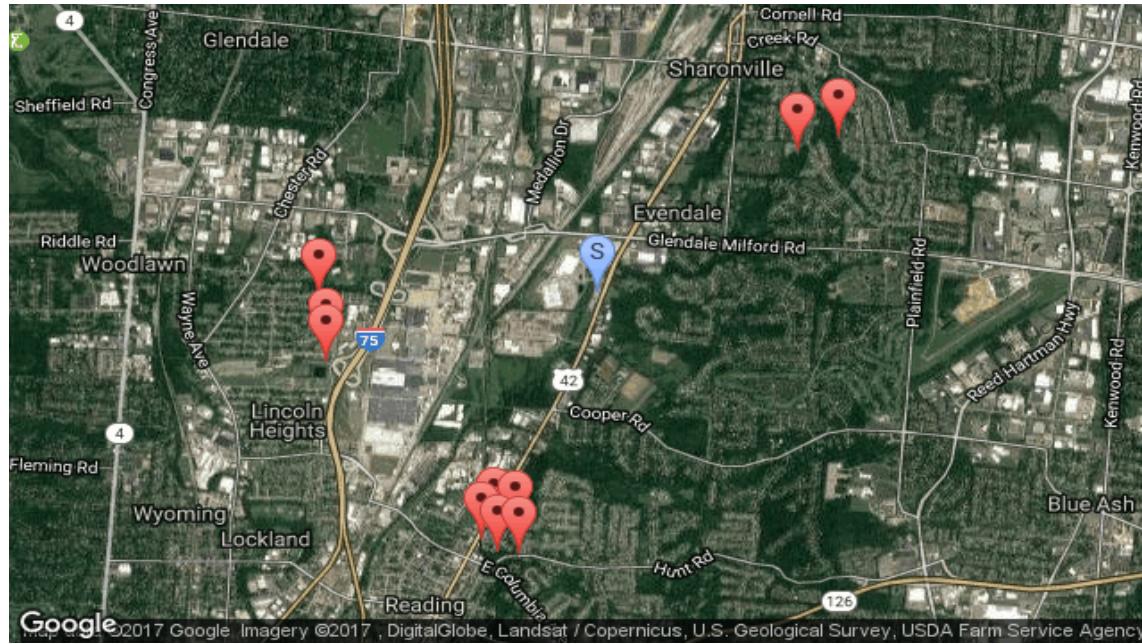
MULTIFAMILY SUMMARY			
CLASS	PROPERTIES	NRA (SF)	AVG YR BLT
A	0	0	
B	1	67,212	1988
C	37	899,852	1960
<b>TOTAL</b>	<b>38</b>	<b>967,064</b>	<b>1961</b>

Source: CoStar

The following chart and map shows the subject property and the 10 largest multi-family properties in the immediate area from CoStar.

LARGEST MULTIFAMILY PROPERTIES					
NAME	CLASS	NRA (SF)	STORIES	YEAR BUILT	
Centennial Estates	C	197,166	2	1979	
Sharondale Woods Apartments	C	112,729	3	1965	
Powell's Garden Apartments	C	89,217	3	1960	
Oak Park Apartments	C	87,708	2	1971	
The Meadows of Gahl Terrace Apartments	B	67,212	3	1988	
South Terrace Apartments	C	63,800	3	1924	
Golden View Acres Retirement Community	C	51,384	2	1982	
White Cliff	C	46,800	2	1977	
Aljoy Apartments	C	38,160	3	1961	
North street apartments	C	29,380	2	-	

Source: CoStar



## Retail Development

The following chart shows a summary of retail data by type in the immediate area from CoStar.

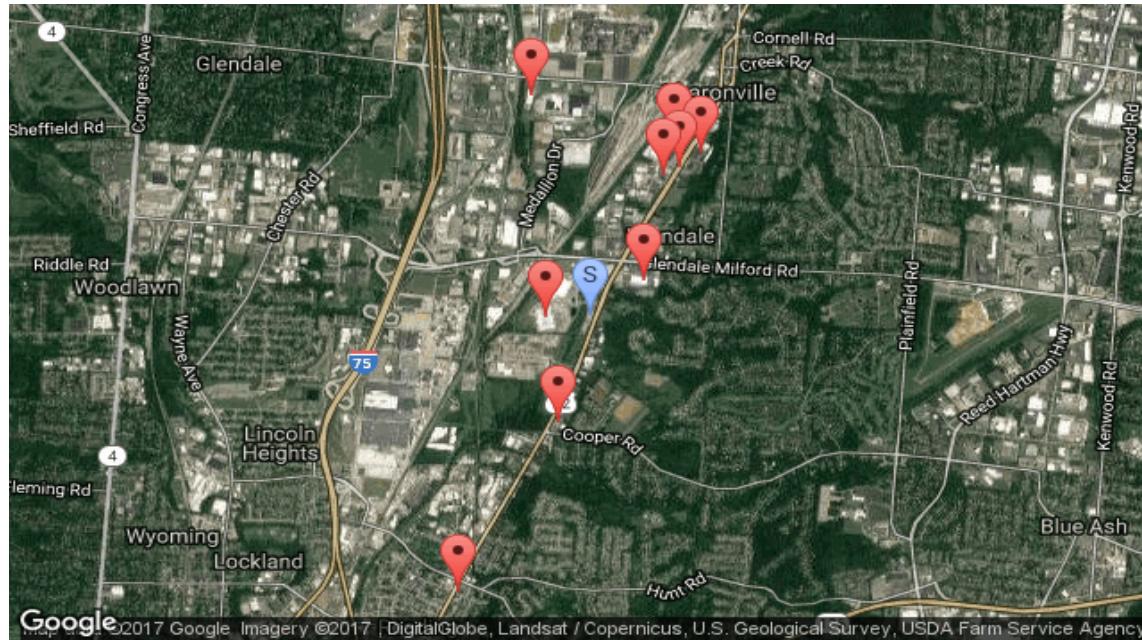
RETAIL SUMMARY					
TYPE	PROPERTIES	NRA (SF)	AVG YR BLT	OCCUPANCY	AVG RENT
Strip Center	9	92,631	1978	86.2	\$11.10
Neighborhood Center	6	112,212	1980	85.4	-
General Retail	144	1,194,807	1961	95.8	\$11.04
<b>TOTAL</b>	<b>159</b>	<b>1,399,650</b>	<b>1962</b>	<b>94.8</b>	<b>\$10.63</b>

Source: CoStar

The following chart and map shows the subject property and the 10 largest retail properties in the immediate area from CoStar.

LARGEST SHOPPING CENTERS					
NAME	TYPE	NRA (SF)	% LEASED	YEAR BUILT	AVG RENT
Endale Commons	General Retail	210,000	100.0	-	N/Av
The Shops at Village Station	Neighborhood Center	82,472	100.0	1960	N/Av
Watson's	General Retail	80,000	100.0	1969	N/Av
Retail Building	General Retail	38,280	100.0	1983	N/Av
Retail Building	General Retail	26,680	100.0	1953	N/Av
Former Furrows- Warehouse	General Retail	23,000	100.0	1983	N/Av
Retail Building	General Retail	22,057	100.0	-	N/Av
Units E-H	Strip Center	22,000	100.0	1957	\$8.50
Retail Building	General Retail	19,145	100.0	-	N/Av
Endale Plaza	Strip Center	17,230	85.7	1988	\$14.00

Source: CoStar



## Office Development

The following chart shows a summary of office data by class in the immediate area from CoStar.

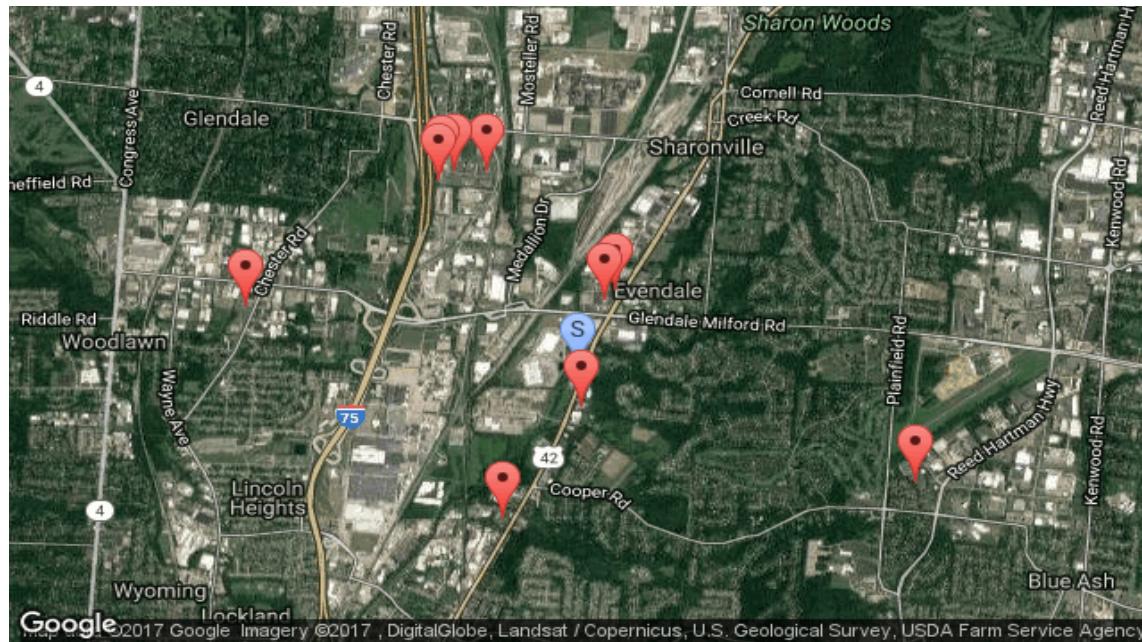
OFFICE SUMMARY					
CLASS	PROPERTIES	NRA (SF)	AVG YR BLT	OCCUPANCY	AVG RENT
A	3	231,107	1989	58.7	\$15.87
B	15	304,496	1998	85.7	\$11.70
C	66	424,837	1947	96.5	\$11.93
<b>TOTAL</b>	<b>84</b>	<b>960,440</b>	<b>1958</b>	<b>93.3</b>	<b>\$12.03</b>

Source: CoStar

The following chart and map shows the subject property and the 10 largest office properties in the immediate area from CoStar.

LARGEST OFFICE BUILDINGS					
NAME	CLASS	NRA (SF)	% LEASED	YEAR BUILT	AVG RENT
Crowne Point Business Pk.	A	80,532	19.4	1989	\$15.23
Crowne Point Business Pk.	A	75,486	100.0	1990	N/Av
Crowne Point Business Pk.	A	75,089	56.8	1988	\$16.50
Evendale Healthcare Center	C	66,000	100.0	1955	N/Av
Office Building	C	39,385	100.0	-	N/Av
Office Building	C	38,761	100.0	-	N/Av
Office Building	C	34,526	100.0	1955	N/Av
Malsbary Office Park	B	33,173	59.9	1981	\$12.00
Office Building	B	30,110	100.0	1994	N/Av
Crowne Point Business Pk.	B	26,244	100.0	2000	N/Av

Source: CoStar



## Industrial Development

The following chart shows a summary of industrial data by type in the immediate area from CoStar.

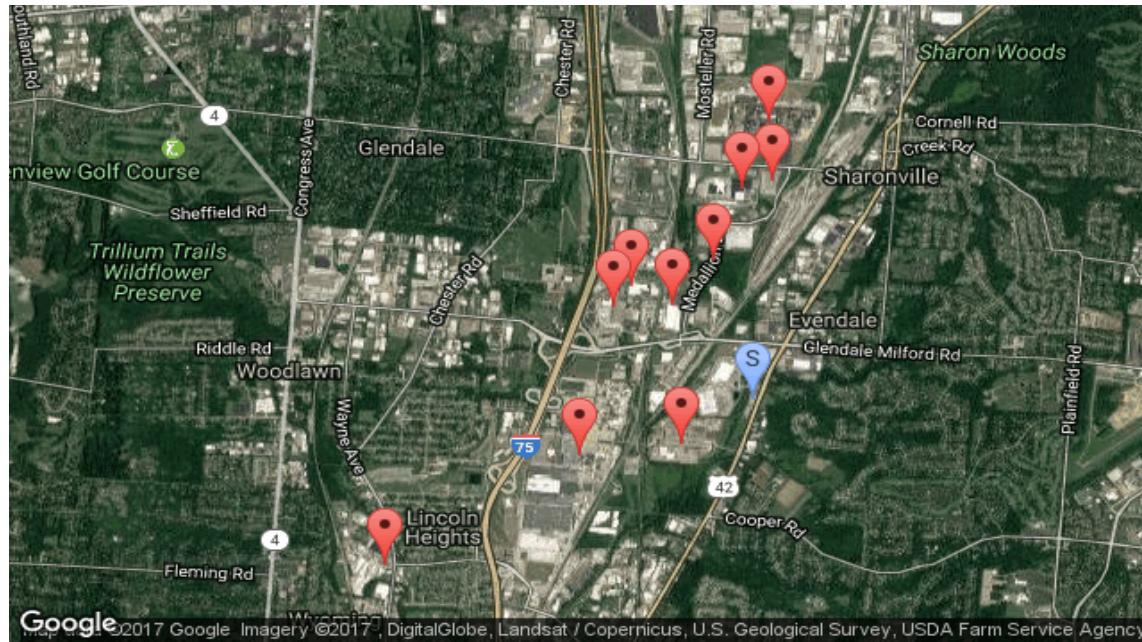
INDUSTRIAL SUMMARY					
TYPE	PROPERTIES	NRA (SF)	AVG YR BLT	OCCUPANCY	AVG RENT
Industrial	218	17,955,268	1972	99.2	\$5.27
Flex	9	233,775	1985	100.0	-
<b>TOTAL</b>	<b>227</b>	<b>18,189,043</b>	<b>1972</b>	<b>99.2</b>	<b>\$5.06</b>

Source: CoStar

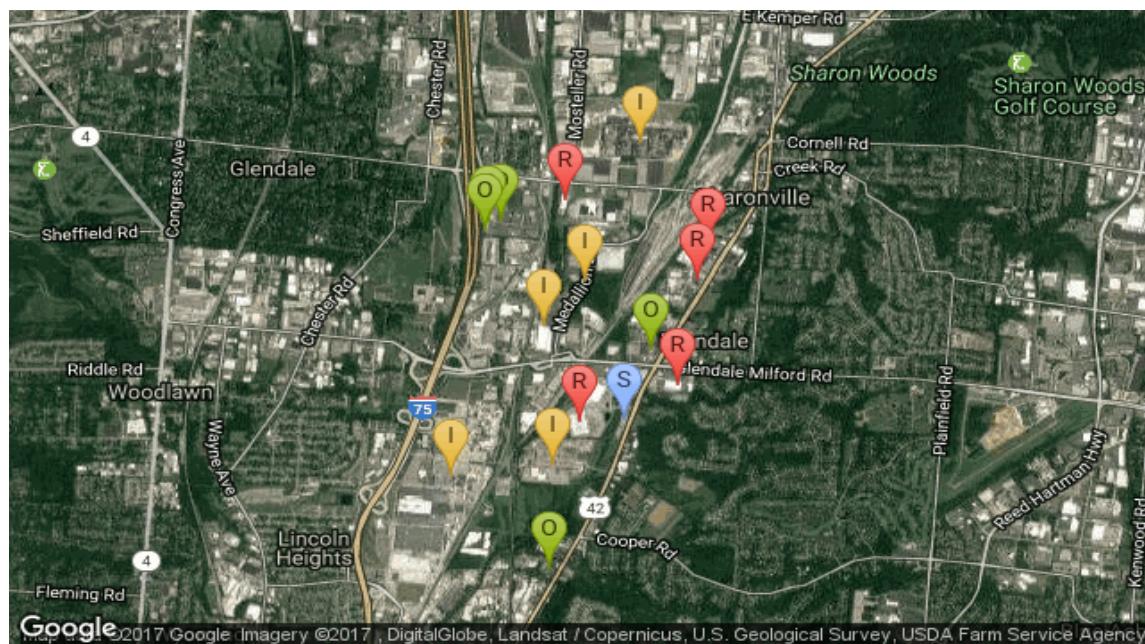
The following chart and map shows the subject property and the 10 largest industrial properties in the immediate area from CoStar.

LARGEST INDUSTRIAL PROPERTIES					
NAME	TYPE	NRA (SF)	% LEASED	YEAR BUILT	AVG RENT
Woodlawn Industrial Park	Industrial	6,400,000	100.0	1948	N/Av
Ford Motor Company	Industrial	2,000,000	100.0	1962	N/Av
Evendale Industrial Park	Industrial	1,000,000	100.0	1950	N/Av
Evendale Industrial Park	Industrial	415,150	100.0	1953	N/Av
Gold Medal	Industrial	335,000	100.0	1996	N/Av
Evendale Industrial Park	Industrial	287,084	100.0	1958	N/Av
Taylor Warehouse	Industrial	280,000	100.0	1970	N/Av
Evendale Industrial Park	Industrial	230,000	100.0	1965	N/Av
Evendale Business Park	Industrial	195,700	100.0	2001	N/Av
Sawbrook Steel Cas.	Industrial	180,000	100.0	1923	N/Av

Source: CoStar



The following map shows the subject property and the five largest retail, office, and industrial properties in the immediate area from CoStar.



## SUBJECT PROPERTY ANALYSIS

The following discussion draws context and analysis on how the subject property is influenced by the local and immediate areas.

### Subject Property Analysis

The uses adjacent to the property are noted below:

- › **North** - 5/3 Bank, Inwood Dr, Industrial Buildings, Glendale Milford Rd
- › **South** - Car Wash, Vacant Land, Formica Corporation Industrial Building
- › **East** - Reading Rd, Single Tenant Retail, Vacant Land, Single Family Residential
- › **West** - Menards, Walmart, Rail Line, Industrial Buildings

### Access

The subject site has frontage on an arterial. Based on our field work, the subject's access is rated good compared to other properties with which it competes.

### Visibility

The subject is clearly visible in both directions along the street. The visibility of the property is not hampered by adjacent properties, trees or other obstructions. In comparison to competitive properties, the subject property has good visibility.

### Subject Conclusion

Trends in the local and immediate areas, adjacent uses and the property's specific location features indicate an overall positive external influence for the subject, which is concluded to have a good position in context of competing properties.

<b>General Description</b>	The subject site consists of 1 parcel. As noted below, the subject site has 90,605 SF (2.08 AC) of land area. The area is estimated based on the assessor's parcel map, and may change if a professional survey determines more precise measurements. Going forward, our valuation analyses will utilize the usable site area. The following discussion summarizes the subject site size and characteristics.																		
<b>Assessor Parcel</b>	611-0020-0408-00																		
<b>Number Of Parcels</b>	1																		
<b>Land Area</b>	<table> <thead> <tr> <th></th> <th><b>Acres</b></th> <th><b>Square Feet</b></th> </tr> </thead> <tbody> <tr> <td>Primary Parcel</td> <td>2.08</td> <td>90,605</td> </tr> <tr> <td>Unusable Land</td> <td>0.00</td> <td>0</td> </tr> <tr> <td>Excess Land</td> <td>0.00</td> <td>0</td> </tr> <tr> <td><u>Surplus Land</u></td> <td><u>0.00</u></td> <td><u>0</u></td> </tr> <tr> <td><b>Total Land Area</b></td> <td><b>2.08</b></td> <td><b>90,605</b></td> </tr> </tbody> </table>		<b>Acres</b>	<b>Square Feet</b>	Primary Parcel	2.08	90,605	Unusable Land	0.00	0	Excess Land	0.00	0	<u>Surplus Land</u>	<u>0.00</u>	<u>0</u>	<b>Total Land Area</b>	<b>2.08</b>	<b>90,605</b>
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<b>Total Land Area</b>	<b>2.08</b>	<b>90,605</b>																	
<b>Shape</b>	Irregular - See Plat Map For Exact Shape																		
<b>Topography</b>	Level at street grade																		
<b>Drainage</b>	Assumed Adequate																		
<b>Utilities</b>	All available to the site																		

insurance study. The failure of a local drainage system can create areas of high flood risk within these zones. Flood insurance is available in participating communities, but is not required by regulation in these zones. Nearly 25-percent of all flood claims filed are for structures located within these zones. Moderate risk areas within the 0.2-percent-annual-chance floodplain, areas of 1-percent-annual-chance flooding where average depths are less than 1 foot, areas of 1-percent-annual-chance flooding where the contributing drainage area is less than 1 square mile, and areas protected from the 1-percent-annual-chance flood by a levee. No BFEs or base flood depths are shown within these zones. (Zone X (shaded) is used on new and revised maps in place of Zone B.)

**Site Rating**

Overall, the subject site is considered a good office site in terms of its location, exposure, and access to employment, education and shopping centers, recognizing its location along an arterial street.

**Easements**

A preliminary title report was not available for review. During the on-site inspection, no adverse easements or encumbrances were noted. This appraisal assumes that there is no negative value impact on the subject improvements. If questions arise regarding easements, encroachments, or other encumbrances, further research is advised.

**Soils**

A detailed soils analysis was not available for review. Based on the development of the subject, it appears the soils are stable and suitable for the existing improvements.

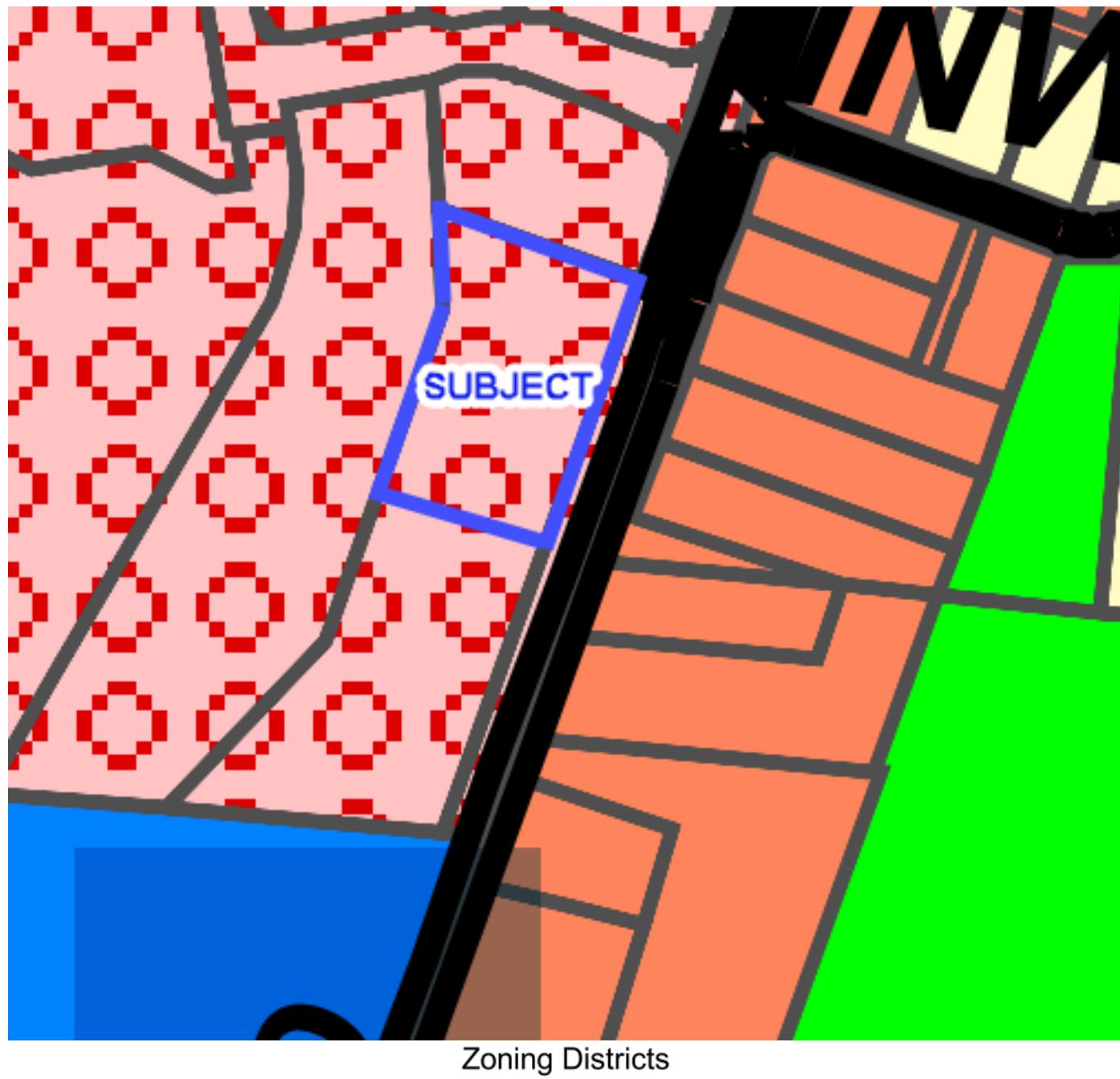
**Hazardous Waste**

We have not conducted an independent investigation to determine the presence or absence of toxins on the subject property. If questions arise, the reader is strongly cautioned to seek qualified professional assistance in this matter. Please see the Assumptions and Limiting Conditions for a full disclaimer.

## PLAT MAP



## ZONING MAP



RESIDENTIAL	INDUSTRIAL	PLANNED UNIT DEVELOPMENT
PUBLIC FACILITIES	General Industrial	PUD - Commercial
OFFICE/RESEARCH	Industrial Flex - 1	PUD - Industrial
COMMERCIAL	Industrial Flex - 2	PUD - Office
General Commercial	Industrial Truck Center	PUD - Mixed Use
Heavy Commercial		

## FLOOD MAP



## INTRODUCTION

The information presented below is a basic description of the existing improvements. This information is used in the valuation of the property. Reliance has been placed upon information provided by sources deemed dependable for this analysis. It is assumed that there are no hidden defects, and that all structural components are functional and operational, unless otherwise noted. If questions arise regarding the integrity of the improvements or their operational components, it may be necessary to consult additional professional resources.

<b>Property Type</b>	Office - Office Building
<b>Design</b>	Single-Tenant Occupied By A Third Party Tenant - 1 Tenant Space
<b>Number of Buildings</b>	1
<b>Number of Stories</b>	1
<b>Net Rentable Area (NRA)</b>	13,928 SF
<b>Gross Building Area (GBA)</b>	13,928 SF
<b>Floor Plate</b>	13,928 SF
<b>Load Factor</b>	100%
<b>Percent Air Conditioned</b>	100%
<b>Building Class</b>	B
<b>Site Coverage Ratio</b>	15.4%
<b>Land to Building Ratio</b>	6.5 : 1
<b>Parking</b>	70 (Surface) 5.0/1,000 SF NRA
<b>Year Built</b>	2009
<b>Age/Life Analysis</b>	
Actual Age	8 Years
Effective Age	5 Years
Economic Life	45 Years
Remaining Life	40 Years
<b>Quality</b>	Average/Good
<b>Condition</b>	Average/Good
<b>Functional Design</b>	The building is positioned on the site to leverage as much arterial exposure as possible. Bay depth is within the market standards. The space offers good utility to the tenants and their customers, as it was built for the current tenant. Overall, the subject has a functional design.
<b>Basic Construction</b>	Wood frame
<b>Foundation</b>	Poured concrete slab
<b>Framing</b>	Wood post and beam
<b>Exterior Walls</b>	Brick and stone veneer
<b>Roof</b>	Shingle
<b>Insulation</b>	Assumed to be standard and to code for both walls and ceilings
<b>Heating</b>	Forced Air

<b>Air Conditioning</b>	Central HVAC
<b>Lighting</b>	Fluorescent
<b>Interior Walls</b>	Drywall
<b>Electrical</b>	The building has a master meter.
<b>Ceilings</b>	2 x 4 acoustical tile
<b>Windows</b>	Standard storefront windows; glass in aluminum frames
<b>Doors</b>	Double door system, glass in metal frame
<b>Flooring</b>	Commercial grade carpet/tile in the office area & sealed concrete in the storage rooms
<b>Plumbing</b>	Standard plumbing for an office building
<b>Landscaping</b>	Asphalt paving, concrete sidewalks, concrete curbing, pole mounted lights and low maintenance landscaping
<b>Signage</b>	There is a monument style sign at the entrance of the subject.
<b>Parking</b>	The subject property has an asphalt paved parking lot that is in good condition. The subject's parking lot provides a ratio of 5.0 spaces per 1,000 SF, which is similar to nearby properties with parking ratios that are predominantly at 4 to 5 per 1,000. Therefore, the subject's abundant parking enables the property to be leased to most potential users and increases the marketability of the asset.
<b>Deferred Maintenance</b>	The subject property has an ongoing maintenance program in place. Based on our interview with the property contact and the onsite inspection by the field appraiser, no observable deferred maintenance exists.
<b>Hazardous Materials</b>	This appraisal assumes that the improvements are constructed free of all hazardous waste and toxic materials, including (but not limited to) asbestos. Please refer to the Assumptions and Limiting Conditions section regarding this issue.
<b>ADA Compliance</b>	This analysis assumes that the subject complies with all ADA requirements. Please refer to the Assumptions and Limiting Conditions section regarding this issue.

## INTRODUCTION

Assessment of real property is established by an assessor that is an appointed or elected official charged with determining the value of each property. The assessment is used to determine the necessary rate of taxation required to support the municipal budget. A property tax is a levy on the value of property that the owner is required to pay to the municipality in which it is situated. Multiple jurisdictions may tax the same property.

The subject property is located within Hamilton County. The assessed value and property tax for the current year are summarized in the following table.

ASSESSMENT & TAXES						
Tax Year	2017			Tax Rate	6.9908%	
Tax Rate Area	Village of Evendale			Taxes Current	Yes	
Taxes SF Basis	Gross Building Area					
APN	LAND	IMPV	TOTAL	EXEMPTIONS	TAXABLE	BASE TAX
611-0020-0408-00	\$1,502,400	\$1,076,370	\$2,578,770	\$0	\$902,570	\$63,097
<b>Totals</b>	<b>\$1,502,400</b>	<b>\$1,076,370</b>	<b>\$2,578,770</b>	<b>\$0</b>	<b>\$902,570</b>	<b>\$63,097</b>
<b>Total/SF</b>	<b>\$107.87</b>	<b>\$77.28</b>	<b>\$185.15</b>	<b>\$0.00</b>	<b>\$64.80</b>	<b>\$4.53</b>
<b>Total Base Tax &amp; Additional Tax Charges</b>						<b>\$63,097</b>
<b>Total Base Tax &amp; Additional Tax Charges Per SF</b>						<b>\$4.53</b>

Source: Hamilton County Assessment & Taxation

## SUBJECT PROPERTY ANALYSIS

The total assessment for the subject property is \$2,578,770 or \$185.15/SF. There are no exemptions in place. Total taxes for the property are \$63,097 or \$4.53/SF. As part of the scope of work; we researched assessment and tax information related to the subject property. The following are key factors related to local assessment and taxation policy. Real property in Hamilton County is assessed at 100% of market value. The equalization rate for properties located within this municipality is 35% of market value, per State of Ohio law. Real property is reassessed every 6 years, with an update at the 3 year midpoint. The next scheduled reassessment date is 2017, for 2018 real estate taxes. Properties in Hamilton County are not automatically reassessed upon sale, conversion, renovation or demolition. According to the staff representative at the Hamilton County Auditor's Office, real estate taxes for the subject property are current as of the date of this report.

## TAX COMPARABLES

To determine if the assessment and taxes on the subject property are reasonable, we considered historical information, as well as information from similar properties in the market. They are illustrated in the table below.

TAX COMPARABLES							
	SUBJECT	COMP 1	COMP 2	COMP 3	LOW	HIGH	AVG
Property Name	Evendale Social Security Administration	Landings II	Three Crowne Pointe	Crowne Point Business Park	-	-	-
Address	10205 Reading Road	9987 Carver Rd	3 Crowne Point Ct	212 Crowne Point Pl	-	-	-
City, State	Evendale, OH	Blue Ash, OH	Sharonville, OH	Cincinnati, OH	-	-	-
APN	611-0020-0408-00	612-0120-0191	608-0016-0046	608-0016-0064	-	-	-
Year Built	2009	2007	1990	2000	1990	2007	1999
NRA	13,928	175,076	75,486	25,600	25,600	175,076	92,054
<b>Assessed \$</b>	\$902,570	\$10,021,710	\$2,813,680	\$657,210	-	-	-
<b>Assessed \$/SF</b>	\$64.80	\$57.24	\$37.27	\$25.67	\$25.67	\$57.24	\$40.06
<b>Total Taxes</b>	\$63,097	\$746,917	\$196,699	\$45,944	-	-	-
<b>Taxes Per SF</b>	\$4.53	\$4.27	\$2.61	\$1.79	\$1.79	\$4.27	\$2.89

The comparable properties reflect taxes ranging from \$1.79 to \$4.27/SF with an average of \$2.89/SF of NRA. The taxes for the subject property are above this range, but considered reasonable due to the age and tenancy of the property.

## CONCLUSION

The subject property is assessed in line with comparable properties. Therefore, it is our opinion that the subject's real estate assessment and taxes are at market levels. Furthermore, should the real estate taxes increase with the 2017 revaluation; the tenant would be responsible for any real estate tax increase. Therefore, for valuation, current taxes are utilized.

## INTRODUCTION

Zoning requirements typically establish permitted and prohibited uses, building height, lot coverage, setbacks, parking and other factors that control the size and location of improvements on a site. The zoning characteristics for the subject property are summarized below:

ZONING SUMMARY	
<b>Municipality Governing Zoning</b>	Village of Evendale Planning & Zoning Department
<b>Current Zoning</b>	Planned Unit Development (PUD)
<b>Permitted Uses</b>	Uses approved by local zoning authority upon submission of plan
<b>Prohibited Uses</b>	
<b>Current Use</b>	Office
<b>Is Current Use Legally Permitted?</b>	Yes
<b>Zoning Change</b>	Not Likely
ZONING REQUIREMENTS	
<b>Conforming Use</b>	The existing improvements represent a conforming use within this zone
<b>Parking Requirement</b>	
Spaces Per 1,000 SF	4
Spaces Required	56
Spaces Provided	70

Source: Village of Evendale Planning & Zoning Department

## ZONING CONCLUSIONS

The purpose of a Planned Unit Development is to encourage the efficient use of land resources, to promote greater efficiency in public and utility service, and to encourage innovation in the planning, design and building of developments in the Village. This chapter provides flexibility in site design and configuration while maintaining adequate development and design standards. A Planned Unit Development (PUD) may not occur within Residential District, nor may it include residential uses. Based on the interpretation of the zoning ordinance, the subject property is an outright permitted use that could be rebuilt if unintentionally destroyed.

Detailed zoning studies are typically performed by a zoning or land use expert, including attorneys, land use planners, or architects. The depth of our analysis correlates directly with the scope of this assignment, and it considers all pertinent issues that have been discovered through our due diligence. Please note that this appraisal is not intended to be a detailed determination of compliance, as that determination is beyond the scope of this real estate appraisal assignment.

## INTRODUCTION

The market analysis section provides a comprehensive study of supply/demand conditions, examines transaction trends, and interprets ground level information conveyed by market participants. Based on these findings and an analysis of the subject property, conclusions are drawn with regard to the subject's competitive position within the marketplace. Below is a list of the various sections covered in the following Office Market Analysis:

- › GSA Market Overview
- › Cincinnati / Dayton Office Market
- › Tri-County I-275 Office Submarket
- › Competitive Dataset Analysis
- › Transaction Trends
- › Subject Property Analysis

## GSA MARKET OVERVIEW

### Current Trends in Federal Government Leasing

With approximately 3 billion square feet of owned and leased real estate, the Federal Government is by far the largest individual occupant of space in the country.

Approximately 354 million square feet in over 9,600 assets falls under the umbrella of the GSA's Public Buildings Service (PBS). Leased space represents 198 million square feet, or 56% of the total.

### CURRENT TRENDS WITHIN THE GSA & PBS

- Emphasis on cost-cutting in a constrained budgetary environment;
- Tighter, more efficient space utilization standards;
- Increased focus on energy efficiency and security;
- Slowdown of new construction;
- 87% of existing GSA leases have less than 5 years of firm term remaining. 73% have less than 3 years of firm term remaining.

### WHAT DOES THIS MEAN?

- It's an ideal time to be an incumbent landlord;
- Preference toward modern, efficient buildings - especially those encumbered by first-generation GSA leases;
- Historically high rate of renewal will go higher as new construction is hard to justify;
- The Federal Government will likely first seek to shrink its footprint in older, less efficient buildings in areas of the country where it has a higher concentration of space, and will do so to a much lesser extent in newer, more efficient buildings in areas of the country where it has less space to consolidate.

### EARLY TERMINATION RIGHTS (SOFT LEASE TERM)

- 70% of all GSA leases have at least 3 years of soft lease term;
- 60% of all GSA leases have at least 5 years of soft lease term.

Over the past 14 years that the GSA has kept lease rollover statistics, the GSA has terminated leases prior to the end of the full lease term at an average rate of 1.77% per year.

Therefore, statistically there is a less than 5.0% chance the GSA will exercise an early right to terminate prior to the end of the full lease term.

**CINCINNATI / DAYTON OFFICE MARKET**

The following is an analysis of supply/demand trends in the Cincinnati / Dayton Office Market using information provided by CoStar, widely recognized as a credible source for tracking market statistics. The table below presents historical data for key market indicators.

CINCINNATI / DAYTON HISTORICAL STATISTICS (LAST TEN YEARS)					
PERIOD	SUPPLY	NEW CONSTRUCTION	NET ABSORPTION	VACANCY	ASKING RENT
2007	137,269,439 SF	2,206,098 SF	3,002,587 SF	12.5%	\$15.56/SF
2008	139,713,171 SF	2,608,359 SF	1,368,559 SF	12.2%	\$14.97/SF
2009	140,782,130 SF	1,575,691 SF	(46,380) SF	13.0%	\$14.91/SF
2010	141,416,822 SF	825,140 SF	(348,694) SF	13.8%	\$14.97/SF
2011	142,416,509 SF	1,150,717 SF	214,936 SF	14.4%	\$15.12/SF
2012	142,754,790 SF	610,178 SF	632,868 SF	14.0%	\$14.96/SF
2013	142,822,319 SF	216,100 SF	869,968 SF	13.6%	\$14.99/SF
2014	142,823,765 SF	474,779 SF	1,413,065 SF	12.8%	\$15.05/SF
2015	143,894,071 SF	1,533,263 SF	2,067,475 SF	11.9%	\$15.14/SF
2016	144,364,115 SF	823,700 SF	2,543,725 SF	10.8%	\$15.45/SF
<b>CAGR</b>	0.5%	-	-	-	(0.1%)

\*Supply numbers based on information which is amended/updated on an on-going basis by Costar.

Source: Costar®

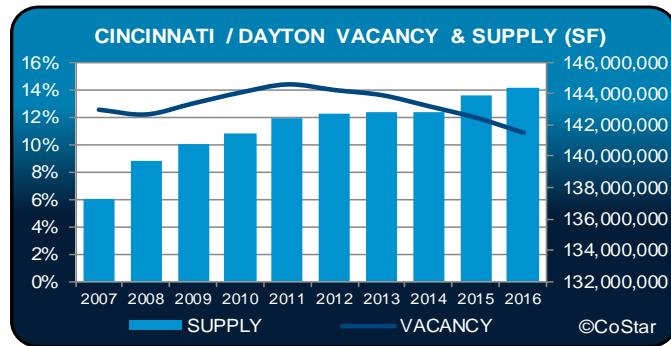
Over the past ten years the Cincinnati / Dayton Office market was somewhat soft where there was slight imbalance in prevailing Office supply/demand conditions. Over this time period the market inventory increased by 8.8%. Further there was positive absorption (8.5% change), moderate decrease in the vacancy rate (-1.7% change) and minimal decrease of the asking average rent (-0.7% change).

Analysis of the data indicates the Cincinnati / Dayton Office market has gone through three distinctive trends over the past ten years.

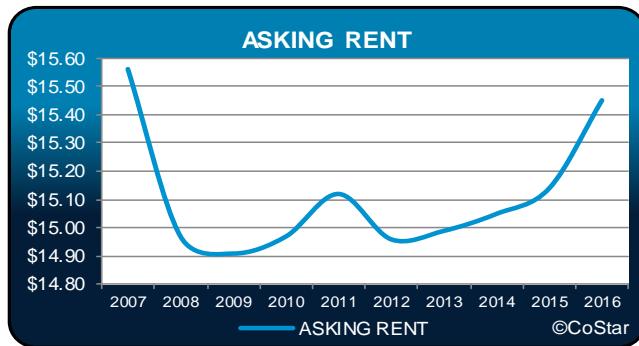
TEN YEAR HISTORICAL TREND ANALYSIS				
PERIOD	ADDED SUPPLY	NET ABSORPTION	VACANCY	ASKING RENT
2007-2016	12,024,025 SF	11,718,109 SF	12.5%→10.8%	\$15.56→\$15.45
10 Yrs	8.8%	8.5%	-1.7%	-0.7%
2007-2008	4,814,457 SF	4,371,146 SF	12.5%→12.2%	\$15.56→\$14.97
2 Yrs	3.5%	3.2%	-0.3%	-3.8%
2009-2011	3,551,548 SF	(180,138) SF	13.0%→14.4%	\$14.91→\$15.12
3 Yrs	2.5%	-0.1%	1.4%	1.4%
2012-2016	3,658,020 SF	7,527,101 SF	14.0%→10.8%	\$14.96→\$15.45
5 Yrs	2.6%	5.3%	-3.2%	3.3%

The two year period from 2007 to 2008 was highlighted with significantly increased supply, significant positive absorption, moderate decrease of vacancy rates and considerable decrease of asking rent in the market. The next three year period from 2009 to 2011 featured increased supply, slight negative absorption, moderate increase of vacancy rates and minimal increase of asking rent levels. The most recent five year period from 2012 to 2016 featured increased supply, significant positive absorption, decrease of vacancy rates and increase of asking rent levels.

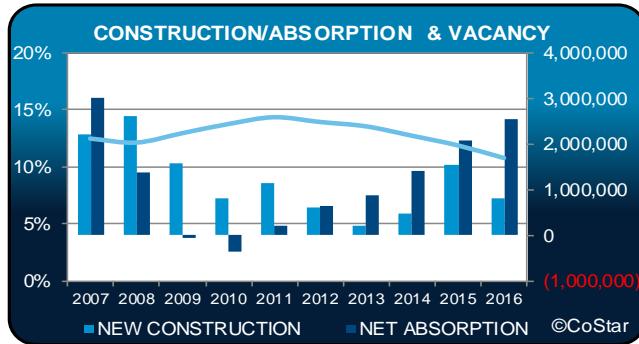
Over the past ten years the market had a compound annual growth rate (CAGR) of 0.5% per year. Vacancy has ranged from 10.8% to 14.4% with an average of 12.9%. Vacancy decreased from 12.5% in 2007 to 12.2% in 2008, increased from 13.0% in 2009 to 14.4% in 2011 and decreased from 14.0% in 2012 to 10.8% in 2016.



Over the past ten years asking rent has experienced a CAGR of -0.1%. Asking rent hit a low of \$14.91/SF in 2009 and a high in 2007 at \$15.56/SF.



In the past ten years a total of 12,024,025 SF were added to the supply with 11,718,109 SF of net absorption achieved during the same period. Supply has outpaced demand over the past ten years.



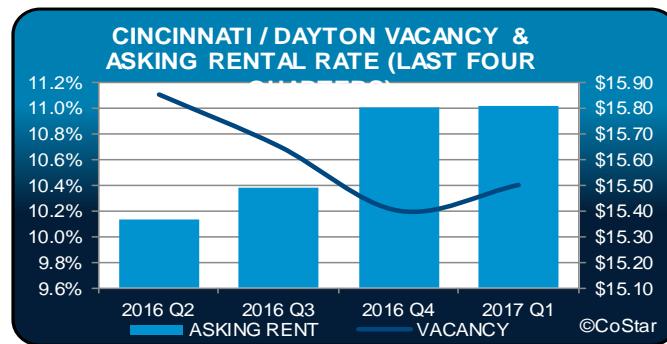
The following table summarizes the trailing four quarter performance of the Cincinnati / Dayton market.

CINCINNATI / DAYTON TRAILING FOUR QUARTER PERFORMANCE					
PERIOD	SUPPLY	NEW CONSTRUCTION	NET ABSORPTION	VACANCY	ASKING RENT
2016 Q2	144,065,823 SF	410,687 SF	440,870 SF	11.1%	\$15.37/SF
2016 Q3	144,122,737 SF	66,354 SF	688,957 SF	10.7%	\$15.49/SF
2016 Q4	144,364,115 SF	241,378 SF	913,362 SF	10.2%	\$15.80/SF
2017 Q1	144,420,696 SF	55,141 SF	(287,331) SF	10.4%	\$15.81/SF

Source: Costar®

As of Q1 2017 the Cincinnati / Dayton market has a total Office inventory of 144,420,696 SF with 15,050,056 SF vacant indicating a current vacancy rate of 10.4%. There was 55,141 SF completed last quarter, whereas there was 773,560 SF added in the last year.

Over the past four quarters the Cincinnati / Dayton office market has experienced a moderate increase of supply. These key factors have resulted in positive net absorption, decrease of vacancy rates and increase of asking rent in the marketplace.



Key supply/demand statistics for the most recent quarter, last year and historical averages are summarized below.

CINCINNATI / DAYTON MARKET TREND ANALYSIS			
	Q1 2017	2016	Last 10
Total SF	144,420,696	144,364,115	141,825,713
Vacant SF	15,050,056	15,634,634	18,299,772
Market Vacancy	10.4%	10.8%	12.9%
Construction Growth Rate	0.0%	0.6%	0.5%
Absorption Rate	(0.2%)	1.8%	0.8%
Average Asking Rent/SF	\$15.81	\$15.45	\$15.11

Source: Costar®

## Vacancy

The Q1 2017 vacancy rate (10.4%) is consistent with last year (10.8%) and lower than the average vacancy over the past ten years (12.9%). The historic vacancy trend indicates somewhat weak long-term demand for office space in the Cincinnati / Dayton market. The most recent vacancy trends demonstrate slightly superior market conditions in comparison to the historic trend and suggest continued soft demand moving forward.

## Supply

The inventory grew by 0.0% during Q1 2017, whereas the growth rate was 0.6% last year. Over the past ten years the Cincinnati / Dayton office market grew at a CAGR of 0.5%. The historic trend demonstrates a nominal growth rate that was generally supported. The most recent trends show similar growth in comparison to the historic trend in reaction to the current economic conditions. As summarized in the table below, there are 11 Office projects under construction in the Cincinnati / Dayton Office market totaling 797,796 SF that represent 0.5% of supply that will be added in the near term. The construction activity in the market appears to be at a level that will reasonably be supported by the market. Based on this evidence it appears that supply side issues represent a threat to the stability of supply/demand conditions in the market.

CINCINNATI / DAYTON OFFICE CONSTRUCTION ACTIVITY SUMMARY			
STATUS	NO. OF PROJECTS	SIZE (SF)	% OF SUPPLY
Under Construction	11	797,796	0.5%

Source: Costar®

## Absorption

During Q1 2017 net absorption was -0.2% and net absorption was 1.8% over the last year. The Cincinnati / Dayton office market has established an overall trend of somewhat weak absorption (0.8%) over the past ten years. The historic absorption trend indicates somewhat weak long-term demand for office space in the Cincinnati / Dayton market. The most recent absorption trends demonstrate slightly inferior market conditions in comparison to the historic trend and suggest continued soft demand moving forward.

## Cincinnati / Dayton Market Conclusion

Based on the preceding analysis, the Cincinnati / Dayton Office market demonstrates sound fundamentals. Analysis of supply and demand factors indicate the market is currently stable with no evidence to prove this will change any time soon. The greatest weakness of the market appears to be its weak absorption trends.

## TRI-COUNTY I-275 OFFICE SUBMARKET OVERVIEW

The following is an analysis of supply/demand trends in the Tri-County I-275 Office Submarket using information provided by CoStar. The table below presents historical data for key market indicators.

TRI-COUNTY I-275 HISTORICAL STATISTICS (LAST TEN YEARS)					
PERIOD	SUPPLY	NEW CONSTRUCTION	NET ABSORPTION	VACANCY	ASKING RENT
2007	4,254,117 SF	0 SF	99,948 SF	20.0%	\$14.70/SF
2008	4,287,573 SF	33,456 SF	76,779 SF	17.5%	\$13.09/SF
2009	4,287,573 SF	0 SF	(271,693) SF	19.6%	\$12.64/SF
2010	4,287,573 SF	0 SF	39,445 SF	24.6%	\$13.10/SF
2011	4,287,573 SF	0 SF	149,726 SF	22.2%	\$13.25/SF
2012	4,236,693 SF	0 SF	(179,803) SF	21.8%	\$13.90/SF
2013	4,236,693 SF	0 SF	208,901 SF	20.4%	\$12.26/SF
2014	4,236,693 SF	0 SF	(32,075) SF	17.8%	\$12.87/SF
2015	4,236,693 SF	0 SF	63,632 SF	16.9%	\$14.06/SF
2016	4,294,014 SF	57,321 SF	165,218 SF	14.9%	\$14.74/SF
<b>CAGR</b>	0.1%	-	-	-	0.0%

\*Supply numbers based on information which is amended/updated on an on-going basis by Costar.

Source: Costar®

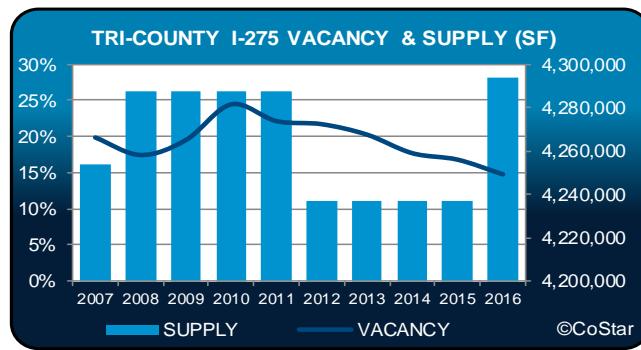
Over the past ten years the Tri-County I-275 Office market was somewhat soft where there was slight imbalance in prevailing Office supply/demand conditions. Over this time period the market inventory slightly increased by 2.1%. Further there was positive absorption (7.5% change), decrease in the vacancy rate (-5.1% change) and minimal increase of the asking average rent (0.3% change).

Analysis of the data indicates the Tri-County I-275 Office market has gone through three distinctive trends over the past ten years.

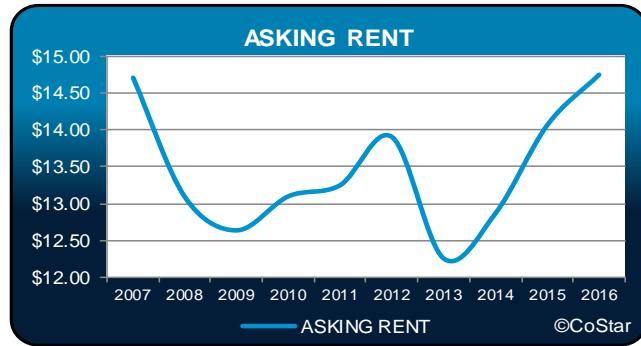
TEN YEAR HISTORICAL TREND ANALYSIS				
PERIOD	ADDED SUPPLY	NET ABSORPTION	VACANCY	ASKING RENT
2007-2016	90,777 SF	320,078 SF	20.0%→14.9%	\$14.70→\$14.74
10 Yrs	2.1%	7.5%	-5.1%	0.3%
2007-2008	33,456 SF	176,727 SF	20.0%→17.5%	\$14.70→\$13.09
2 Yrs	0.8%	4.2%	-2.4%	-11.0%
2009-2010	0 SF	(232,248) SF	19.6%→24.6%	\$12.64→\$13.10
2 Yrs	0.0%	-5.4%	5.0%	3.6%
2011-2016	57,321 SF	375,599 SF	22.2%→14.9%	\$13.25→\$14.74
6 Yrs	1.3%	8.8%	-7.4%	11.2%

The two year period from 2007 to 2008 was highlighted with slightly increased supply, significant positive absorption, substantial decrease of vacancy rates and considerable decrease of asking rent in the market. The next two year period from 2009 to 2010 featured stable supply, significant negative absorption, substantial increase of vacancy rates and considerable increase of asking rent levels. The most recent six year period from 2011 to 2016 featured slightly increased supply, significant positive absorption, substantial decrease of vacancy rates and considerable increase of asking rent levels.

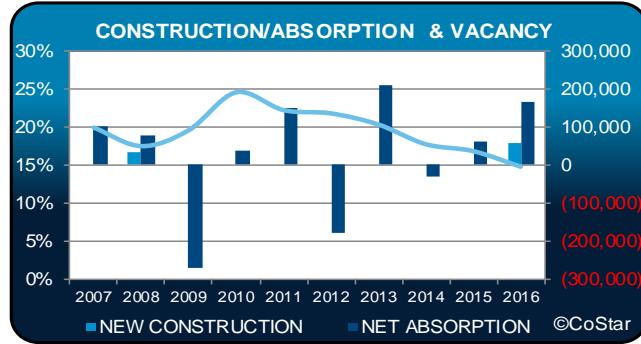
Over the past ten years the market had a compound annual growth rate (CAGR) of 0.1% per year. Vacancy has ranged from 14.9% to 24.6% with an average of 19.6%. Vacancy decreased from 20.0% in 2007 to 17.5% in 2008, increased from 19.6% in 2009 to 24.6% in 2010 and decreased from 22.2% in 2011 to 14.9% in 2016.



Over the past ten years asking rent has experienced a CAGR of 0.0%. Asking rent hit a low of \$12.26/SF in 2013 and a high in 2016 at \$14.74/SF.



In the past ten years a total of 90,777 SF were added to the supply with 320,078 SF of net absorption achieved during the same period. Supply has slightly outpaced demand over the past ten years.



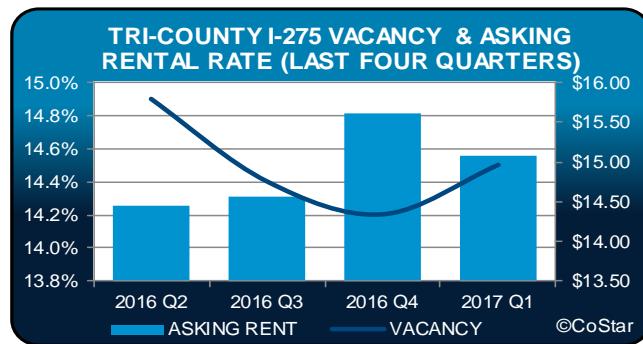
The following table summarizes the trailing four quarter performance of the Tri-County I-275 submarket.

TRI-COUNTY I-275 TRAILING FOUR QUARTER PERFORMANCE					
PERIOD	SUPPLY	NEW CONSTRUCTION	NET ABSORPTION	VACANCY	ASKING RENT
2016 Q2	4,294,014 SF	57,321 SF	89,814 SF	14.9%	\$14.44/SF
2016 Q3	4,294,014 SF	0 SF	23,127 SF	14.4%	\$14.56/SF
2016 Q4	4,294,014 SF	0 SF	9,279 SF	14.2%	\$15.61/SF
2017 Q1	4,294,014 SF	0 SF	(15,117) SF	14.5%	\$15.07/SF

Source: Costar®

As of Q1 2017 the Tri-County I-275 market has a total Office inventory of 4,294,014 SF with 624,188 SF vacant indicating a current vacancy rate of 14.5%. There was no additional inventory delivered last quarter, whereas there was 57,321 SF added in the last year.

Over the past four quarters the Tri-County I-275 office market has experienced an increase of supply. There was also positive net absorption, decrease in vacancy rates and increase of asking rent in the marketplace.



Key supply/demand statistics for the most recent quarter, last year and historical averages are summarized below.

#### TRI-COUNTY I-275 MARKET TREND ANALYSIS

	Q1 2017	2016	Last 10
Total SF	4,294,014	4,294,014	4,264,520
Vacant SF	624,188	637,661	833,799
Market Vacancy	14.5%	14.9%	19.6%
Construction Growth Rate	0.0%	1.3%	0.1%
Absorption Rate	(0.4%)	3.8%	0.7%
Average Asking Rent/SF	\$15.07	\$14.74	\$13.46

Source: Costar®

#### Vacancy

The Q1 2017 vacancy rate (14.5%) is consistent with last year (14.9%) and substantially lower than the average vacancy over the past ten years (19.6%). The historic vacancy trend indicates somewhat weak long-term demand for office space in the Tri-County I-275 market. The most recent vacancy trends demonstrate slightly superior market conditions in comparison to the historic trend and suggest continued soft demand moving forward.

#### Supply

There was no new inventory added during Q1 2017, whereas the growth rate was 1.3% last year. Over the past ten years the Tri-County I-275 office market grew at a CAGR of 0.1%. The historic trend demonstrates a nominal growth rate that was generally supported. The most recent trends show similar growth in comparison to the historic trend in reaction to the current economic conditions.

#### TRI-COUNTY I-275 OFFICE CONSTRUCTION ACTIVITY SUMMARY

STATUS	NO. OF PROJECTS	SIZE (SF)	% OF SUPPLY
Under Construction	0	0	-

Source: Costar®

#### Absorption

During Q1 2017 net absorption was -0.4% and net absorption was 3.8% over the last year. The Tri-County I-275 office market has established an overall trend of somewhat weak absorption (0.7%) over the past ten years. The historic absorption trend indicates somewhat weak long-term demand for office space in the Tri-County I-275 market. The most recent absorption trends demonstrate slightly inferior market conditions in comparison to the historic trend and suggest continued soft demand moving forward.

#### Tri-County I-275 Submarket Conclusion

Based on the preceding analysis, the Tri-County I-275 Office market demonstrates relatively weak fundamentals. Analysis of supply and demand factors indicate the market is currently in a state of imbalance with no evidence to prove this will change any time soon. The greatest weakness of the market appears to be its high vacancy rates.

## COMPETITIVE DATASET ANALYSIS

The following table summarizes the results of a vacancy survey of directly competing properties to the subject that was confirmed during development of this assignment.

COMPETITIVE SET		AS OF JUNE 2017			
PROPERTY NAME ADDRESS	MILES	YEAR BUILT	BLDG CLASS	TOTAL NRA (SF)	% TOTAL VACANT
INS 203 Allison Blvd Corbin	162.3	1998	B	21,117	0.0%
Social Security Administration 134 S 4th St Easton	497.7	2005	B	10,072	0.0%
U.S. Bankruptcy Court 226 W 2nd St Flint	262.9	2000	B	15,636	0.0%
Social Security Administration 120 E Fourth St East Liverpool	224.6	2005	B	7,000	0.0%
ICE 7355 N Woodland Dr Indianapolis	107.5	1975	B	15,193	0.0%
U.S. Coast Guard 95 Peyton St Barboursville	127.6	2006	0	12,119	0.0%
LOW	107.5	1975		7,000	0.0%
HIGH	497.7	2006		21,117	0.0%
<b>TOTALS / AVERAGES</b>	<b>230.4</b>	<b>1998</b>		<b>81,137</b>	<b>0.0%</b>

The survey consisted of 81,137 SF of office space indicating a vacancy rate of 0% for properties that fall within the subject's region. This is to be expected, as they are similar single tenant GSA buildings. Based on this statistical evidence and conversations with survey participants, supply/demand conditions impacting these properties are currently stable. The existing conditions are generally in line compared to what has occurred historically; therefore, they are indicative of what can be expected moving forward.

## TRANSACTION TRENDS

### Sales Volume

The volume of sale transactions for similar assets has been steady over the past six months within the region. This assertion is supported by the comparable sales that were selected for the Sales Comparison Approach. These sales represent a blend of recent and older transactions, which provides support for the reported market sales activity. Sales volume is directly impacted by the activity levels of sellers and buyers of this property type.

### Seller Activity

Based on research completed on various listing sources including CoStar and LoopNet, properties similar to the subject in terms of pricing and overall investment appeal have general availability, with numerous listings offered within the marketplace. This trend represents the general sentiment of market participants interviewed for this and other assignments.

### Most Probable Buyer Profile/Activity

In the open market, the subject property type would command most interest from national and regional buyers that are actively pursuing similar quality investment properties. There is currently steady buyer demand for substitute properties of the subject based on the volume of sale transactions and reports by buyers, sellers and other market participants during confirmation of market transactions. The most probable buyer is a national and regional investor.

### **Transaction Trends Conclusion**

Based on the preceding analysis, there is an established sales market for the subject property. As previously discussed, the velocity of sale transactions has been steady over the past six months. Currently there is steady buyer demand, while there is general availability for this property type on the supply side. Based on these factors, conditions are in equilibrium in regard to negotiating sale terms.

### **SUBJECT PROPERTY ANALYSIS**

This market analysis has examined historical and current supply/demand trends for the subject property type on market and submarket levels. Further, the subject's competitive dataset was profiled and analyzed to gain perspective of supply/demand conditions for properties in direct competition with the subject. Market participant interviews were conducted to provide ground level support of what is really occurring in the marketplace. Next, transaction trends were researched and analyzed. The final step will be to draw conclusions from the market data and analyses based on their perceived influence on the subject property.

The subject is an Office (Office Building) asset with a total net rentable area of 13,928 SF. The market generally classifies the subject as a quality investment property. The subject consists of office space with a national tenant. The subject is demised into a single tenant space which is currently occupied. The subject's stabilized occupancy level was estimated at 100%. The most notable physical strength of the subject is its good access and linkage. Investors would be most attracted to the subject due to its strong tenant mix.

The market generally classifies the subject as an institutional investment property within a subsector commonly referred to as "GSA Assets". Within this group, there is a range of lower detail, light security feature tenants that occupy otherwise staple office and warehouse facilities for less sensitive administrative oriented requirements, as well as the purpose built, high security facilities, housing more critical agencies such as FBI, CIA, Homeland Security, Immigration & Naturalization, etc., most of which were constructed following the Oklahoma City bombing in the early 90's, with much higher building specifications and security requirements. Specific to the "Purpose Built GSA" Properties, the market recognizes the elevated replacement cost and high renewal frequency by a secure tenant, resulting in an asset class that is primarily acquired by large institutional owners.

### **Tenant Appeal Conclusion**

Based on our analysis of the subject property and investigation of comparable properties in the marketplace, the subject is considered to have above average overall tenant appeal with a relatively strong competitive position for attracting and retaining tenants.

### **Buyer Appeal Conclusion**

Based on our analysis of the subject property and investigation of substitute properties in the marketplace, the subject is considered to have very good overall buyer appeal with a relatively strong competitive position if the asset was exposed to the open market.

### **General Vacancy Conclusion**

As summarized in the table below this market analysis relied on various published data sources and field research for assessing how supply/demand conditions influence the long term vacancy estimate of the subject property.

GENERAL VACANCY CONCLUSION			
CoStar	2015 Q1	LAST YR	10 YR AVG
Cincinnati/Dayton Market	10.4%	10.8%	12.9%
Tri-County I-275 Submarket	14.5%	14.9%	19.6%
<b>Competitive Set</b>	0.0%	-	-
<b>Subject</b>	0.0%	0.0%	0.0%
<b>GENERAL VACANCY RATE CONCLUSIONS</b>			0.0%

Based on the subject's size, location and appeal, the competitive set analysis findings warrant primary consideration. The competitive set analysis indicated a current vacancy rate for directly competitive properties of 0.0%. This is appropriate, as the comparable set are similar GSA single tenant buildings. As of the effective date of this appraisal, the subject property has a current vacancy rate of 0.0%.

The subject property is leased to the General Services Administration (GSA). The GSA is an independent agency of the United States government, established in 1949 to help manage and support the basic functioning of federal agencies. The GSA supplies products and communications for U.S. government offices, provides transportation and office space to federal employees, and develops government-wide cost-minimizing policies, and other management tasks. The GSA is rated by S&P as AA+, which is the second highest investment credit rating achievable. As such, the vacancy metrics displayed by the market, and summarized above will be considered in our analysis; however the credit rating of the tenant will be the primary factor driving our selection of an appropriate vacancy rate to apply to the subject property. Based on our analysis of supply/demand trends and considering the subject's actual performance and credit tenancy, a general vacancy rate of 0.0% is concluded.

## EXPOSURE TIME & MARKETING PERIOD

Exposure time is defined as "The 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 the appraisal; a retrospective opinion based on an analysis of past events assuming a competitive and open market" (The Dictionary of Real Estate Appraisal, Appraisal Institute, 2015). Reasonable exposure time is impacted by the aggressiveness and effectiveness of a property's exposure to market participants, availability and cost of financing, and demand for similar investments. Exposure time is best established based the recent history of marketing periods for comparable sales, discussions with market participants and information from published surveys.

The following information was taken into consideration to develop estimates of exposure time and marketing period for the subject property:

EXPOSURE TIME & MARKETING PERIOD				
SOURCE	QUARTER	RANGE	AVG	
<b>PriceWaterhouse Coopers</b>				
National Suburban Office	2Q 17	1.0 to 12.0	6.0	
<b>Comparable Sales Dataset</b>		to		
<b>AVERAGE</b>		1.0 to 12.0	6.0	

The availability of acquisition financing factors into exposure time. In recent quarters, financing has been available for well-positioned commercial real estate, particularly for stabilized assets within core MSAs and owner/user deals. For second tier or marginal properties, financing has been available but subject to more stringent requirements. Based on review of the local capital market, we conclude that adequate financing options would have been available to consummate a sale of the property on the date of value.

**Exposure Time Conclusion**

The preceding information generally supports an exposure time range from 1 to 12 months for Office (Office Building) properties. The subject property is of average/good quality and is in average/good condition. Based on its overall physical and locational characteristics, the subject has average overall appeal to investors. Considering these factors, a reasonable estimate of exposure time for the subject property is six months or less.

**Marketing Period Conclusion**

Marketing period is very similar to exposure time, but reflects a projected time period to sell the property, rather than a retrospective estimate. We have reviewed open listings and discussed the market with local participants, and given the nature of the subject property, we feel that a time period of six months or less is supported for the subject's marketing period.

## INTRODUCTION

The highest and best use of an improved property is defined as that reasonable and most probable use that will support its highest present value. The highest and best use, or most probable use, must be legally permissible, physically possible, financially feasible, and maximally productive. This section develops the highest and best use of the subject property As-Vacant and As-Improved.

### AS-VACANT ANALYSIS

#### Legal Factors

The legal factors that possibly influence the highest and best use of the subject site are discussed in this section. Private restrictions, zoning, building codes, historic district controls, and environmental regulations are considered, if applicable to the subject site. Permitted uses of the subject's Planned Unit Development (PUD) zoning were listed in the Zoning Analysis section. Overall, legal factors support a broad range of office, retail, industrial, mixed-use and public uses for the subject site.

#### Physical & Locational Factors

Regarding physical characteristics, the subject site is irregular in shape and has level topography with good access and average/good exposure. The subject site has frontage on an arterial. The immediate area is developed with office, retail, mixed-use and auto dealership development along major arterials that is interspersed with multi-family complexes and single-family residential development removed from arterials. Of the outright permitted uses, physical and locational features best support commercial use for the site's highest and best use as-vacant.

#### Feasibility Factors

Regarding financial feasibility of office properties in the region, construction delivery trends were previously discussed in the Market Analysis section. In general, the Cincinnati/Dayton Market and Tri-County I-275 Submarket are experiencing a typical level of construction activity compared to historical norms. Based on this factor, as well as our analysis of other supply/demand factors that impact the feasibility of an office development, it is likely that a developer would undertake a speculative project for the next year or two, due to the strength of the site. Financial feasibility factors generally support near-term development of the subject site.

#### As-Vacant Conclusion

Based on the previous discussion, the subject's highest and best use as-vacant is concluded to be commercial use.

### AS-IMPROVED ANALYSIS

#### Legal Factors

The subject's Office (Office Building) use (as-improved) is permitted outright by the PUD zoning. The legal factors influencing the highest and best use of the property support the subject's use as-improved.

#### Physical & Locational Factors

The physical and location characteristics of the subject improvements have been previously discussed in this report. In summary, the subject's improvements were constructed in 2009 and have a remaining economic life of 40 years based on our estimate. The project is of average/good quality construction and in average/good condition, with adequate service amenities. The subject improvements as-improved are sufficiently supported by site features including its irregular shape, level topography, good access and average/good exposure. Further, the subject's location supports the subject improvements as-improved with similar and homogeneous developments present in the subject's immediate market area. Physical and location factors influencing the highest and best use of the property support the subject's use as-improved.

## Alternative Uses & Feasibility Factors

In addition to legal and physical considerations, analysis of the subject property as-improved requires the treatment of two important issues: 1) consideration of alternative uses for the property; and 2) the marketability of the most probable use. The five possible alternative treatments of the property are demolition, expansion, renovation, conversion, and the subject's use as-improved.

- **Demolition** The subject improvements contribute significant value above the current land value. Therefore, demolition is not applicable in this case.
- **Expansion** The subject property comprises approximately 2.08 acres (90,605 SF) and is improved with an **Office (Office Building)**. The subject site does not contain additional site area for expansion; therefore, expansion of the subject is not considered a viable option.
- **Renovation** The subject property is approximately 8 years old and is in average/good condition. Renovation, in the form of capital expenditures, would not increase the rent levels or value appreciably. For this reason, renovation is not appropriate.
- **Conversion** Conversion is neither appropriate nor applicable to this property.
- **Continued Use "As-Is"** The final option is the continued use of the property "As-Is." This is legal, physically possible, and financially feasible. Therefore, continued use, an **Office (Office Building)** is considered appropriate.

Among the five alternative uses, the subject's use as-improved is supported to be its Highest and Best Use.

## Marketability Factors

In general, office supply/demand conditions and immediate market area trends support viable short and long-term operations of the subject's use as-improved. Based on our analysis of the subject property and investigation of comparable properties in the marketplace, the subject is considered to have above average overall tenant appeal with a relatively strong competitive position for attracting and retaining tenants. Based on our analysis of the subject property and investigation of substitute properties in the marketplace, the subject is considered to have very good overall buyer appeal with a relatively strong competitive position if the asset was exposed to the open market.

## As-Improved Conclusion

Based on the previous discussion, the highest and best use of the subject property as-improved is concluded to be current use, office.

## INTRODUCTION

The following presentation of the appraisal process deals directly with the valuation of the subject property. The following paragraphs describe the standard approaches to value that were considered for this analysis.

### INCOME APPROACH

The Income Approach is based on the premise that properties are purchased for their income producing potential. It considers both the annual return on the invested principal and the return of the invested principal. This valuation technique entails careful consideration of contract rents currently in place, projected market rents, other income sources, vacancy allowances, and projected expenses associated with the efficient operation and management of the property. The relationship of these income estimates to property value, either as a single stream or a series of projected streams, is the essence of the income approach. The two fundamental methods of this valuation technique include Discounted Cash Flow and Direct Capitalization.

#### › **Discounted Cash Flow (DCF)**

The DCF analysis models a property's performance over a buyer's investment horizon from the date of acquisition through the projected sale of the property at the end of the holding period. Net cash flows from property operations and the reversion are discounted at a rate reflective of the property's economic and physical risk profile.

#### › **Direct Capitalization**

This method analyzes the relationship of one year's stabilized net operating income to total property value. The stabilized net operating income is capitalized at a rate that implicitly considers expected growth in cash flow and growth in property value over a buyer's investment horizon. The implied value may be adjusted to account for non-stabilized conditions or required capital expenditures to reflect an as is value.

Characteristics specific to the subject property warrant that this valuation technique is developed. Development of the Income Approach is a specific scope requirement of this assignment. The subject is an investment property; therefore, the Income Approach represents the decision making process of knowledgeable buyers and sellers of this property type. The Direct Capitalization method is used in this analysis. Discounted Cash Flow analysis does not contribute substantially to estimating value beyond the direct capitalization method and is not used in this analysis.

### SALES COMPARISON APPROACH

The Sales Comparison Approach is based on the principle of substitution, which asserts that no one would pay more for a property than the value of similar properties in the market. This approach analyzes comparable sales by applying transactional and property adjustments in order to bracket the subject property on an appropriate unit value comparison. The sales comparison approach is applicable when sufficient data on recent market transactions is available. Alternatively, this approach may offer limited reliability because many properties have unique characteristics that cannot be accounted for in the adjustment process.

Characteristics specific to the subject property warrant that this valuation technique to be developed. Development of the Sales Comparison Approach is a specific scope requirement of this assignment. Sufficient sales data is available to provide a credible value estimate by the Sales Comparison Approach. Based on this reasoning, the Sales Comparison Approach is presented within this appraisal.

### LAND VALUATION

Development land in the subject marketplace is most often valued utilizing the Sales Comparison Approach. Characteristics specific to the subject property do not warrant that a site value is developed. Development of

the subject site value is not a specific scope requirement of this assignment. Therefore, this appraisal does not provide valuation of the subject site.

## **COST APPROACH**

The Cost Approach is a set of procedures through which a value indication is derived for the fee simple estate by estimating the current cost to construct a reproduction of (or replacement for) the existing structure, including an entrepreneurial incentive or profit; deducting depreciation from the total cost; and adding the estimated land value. Adjustments may then be made to the indicated value of the fee simple estate in the subject property to reflect the value of the property interest being appraised. For investment properties, this valuation technique is most often relied upon as a test of financial feasibility for proposed construction.

Characteristics specific to the subject property do not warrant that this valuation technique is developed. Development of the Cost Approach is not a specific scope requirement of this assignment. The Cost Approach has limited applicability due to the age of the improvements and lack of market based data to support an estimate of accrued depreciation. Based on the preceding information, the Cost Approach will not be presented.

## **RECONCILIATION OF VALUE CONCLUSIONS**

The Income (Direct Capitalization) and Sales Comparison approaches are used to value the subject property, which will be reconciled into the final opinion of market value in the Analysis of Value Conclusions section.

## INTRODUCTION

The Income Approach is based on the premise that properties are purchased for their income producing potential. It considers both the annual return on the invested principal and the return of the invested principal. This valuation technique entails careful consideration of contract rents currently in place, projected market rents, other income sources, vacancy allowances, and projected expenses associated with the efficient operation and management of the property. The relationship of these income estimates to property value, either as a single stream or a series of projected streams, is the essence of the income approach. As previously discussed within the Valuation Methods section, the Direct Capitalization method is used in this analysis and Discounted Cash Flow analysis is not developed.

### Direct Capitalization

This method analyzes the relationship of one year's stabilized net operating income to total property value. The stabilized net operating income is capitalized at a rate that implicitly considers expected growth in cash flow and growth in property value over a buyer's investment horizon. The first step in the direct capitalization method is to estimate the subject's durable rental income through reconciliation of the subject's in-place lease terms and market rent analysis. Next, we analyze other income items including reimbursements and miscellaneous revenue. Then, vacancy allowance and operating expenses are estimated based on analysis of the subject and market indicators. Finally, the resulting net operating income is capitalized at an appropriate supported rate. The implied value may be adjusted to account for non-stabilized conditions or required capital expenditures to reflect an as is value.

Given the appraisal problem and defined scope of work, the following table summarizes the value scenarios and Income Approach methods developed within this appraisal report:

INCOME APPROACH VALUE SCENARIOS		
VALUE SCENARIO	METHODS USED	
	DCF	DIRECT CAP
As-Is Market Value	✓	✓

### Income Approach Framework

The following identifies the primary sections and order in which the Income Approach is developed.

- Subject Lease Analysis
- Market Rent Analysis
- Contract Income Risk Analysis
- Income & Expense Analysis
- Capitalization Rate Analysis
- Direct Capitalization

### SUBJECT LEASE ANALYSIS

In this section, we developed an opinion of the subject's rental income through examination of subject lease terms and market rent analysis. The rental income conclusion was reconciled taking into account such items as durability of in-place contract rents, lease escalations and market terms as measured by rent comparables.

The following table provides an overview of the subject's in-place lease.

## LEASE ABSTRACT

AS OF JUNE 2017

<b>Lessor</b>	Security Holding Group, LLC				
<b>Lessee</b>	GSA (Social Security Office)				
<b>Occupancy</b>	100%				
<b>Lease Term</b>	10 Years				
<b>Start Date</b>	February 24, 2010				
<b>End Date</b>	February 23, 2020				
<b>SF Leased</b>	13,928				
<b>Recoveries</b>	Triple Net				
<b>Renewal Options</b>	1-3 year option				
<b>Purchase Options</b>	None				
<b>Current Rent \$/SF</b>	\$38.76				
<b>RENT SCHEDULE</b>	<b>DATE</b>	<b>ANNUAL</b>	<b>\$/SF/YEAR</b>	<b>\$/SF/MONTH</b>	<b>%Δ</b>
Current Term	February 24, 2010	\$539,849	\$38.76	\$3.23	-
Option 1	February 24, 2020	\$505,586	\$36.30	\$3.03	-6.3%

## TENANT ANALYSIS

<b>Company Name</b>	US Government		
<b>Tenant Type</b>	National		
<b>Year Founded</b>	1776		
<b>Publicly Traded</b>	No		
<b>Credit Rating</b>	AA+	<b>Rating Agency</b>	S&P
<b>Outlook</b>	Stable		

The subject property is leased in its entirety to the GSA, who utilizes the building as a Social Security office. The lease was originally written for 13 years, with 10 years firm. After the first 10 years, the tenant has the option to remain for the remaining 3 years, at a lower lease rate, as the tenant improvements have been paid off. The lease is written on a triple net basis, with the tenant paying all expenses over the base year amounts.

There are two important factors that investors consider when purchasing a single tenant property. First, the investor will seek to understand the existing lease and quality of the tenant; and second, determine how subject's lease compares to the market for substitute space. Having analyzed the subject's current income producing capability through an analysis of the subject lease, the next section develops the market rent.

## MARKET RENT ANALYSIS

This section examines competitive comparable properties within the marketplace to establish our opinion of market rent for the subject property. This allows for a comparison of the subject property's contract to what is attainable in the current market.

## Adjustment Process

Quantitative adjustments are made to the comparable leases. The following adjustments or general market trends were considered for the basis of market rent analysis.

**Transactional Adjustments** If warranted, the comparable leases were adjusted for varying lease structures, atypical concessions and market conditions. The adjustment for rent concession equivalency quantifies the differences between market standard free rent and tenant improvement allowances compared to those of the lease transaction, which were divided by the comparable's lease term, and applied to the beginning "face" rent of the comparable lease. The market conditions adjustment is explained at the end of this section.

**Property Adjustments** Quantitative percentage adjustments were made for location and physical characteristics such as size, age, condition, exposure and parking ratio. Where

possible the adjustments applied are based on paired data or other statistical analysis. It should be stressed that the adjustments are subjective in nature and are meant to illustrate our logic in deriving a value opinion for the subject site.

**Tenant Space Adjustments** The lease comparables were further adjusted to the subject to account for tenant space specific characteristics such as size and space functionality.

Transactional market conditions adjustment was based on a review of historical sale data, market participant interviews and review of current versus historical pricing. Based on our research, the following table summarizes the market conditions adjustment applied in this analysis.

MARKET CONDITIONS ADJUSTMENT			
Per Year As Of	June 2017	(As-Is)	0%

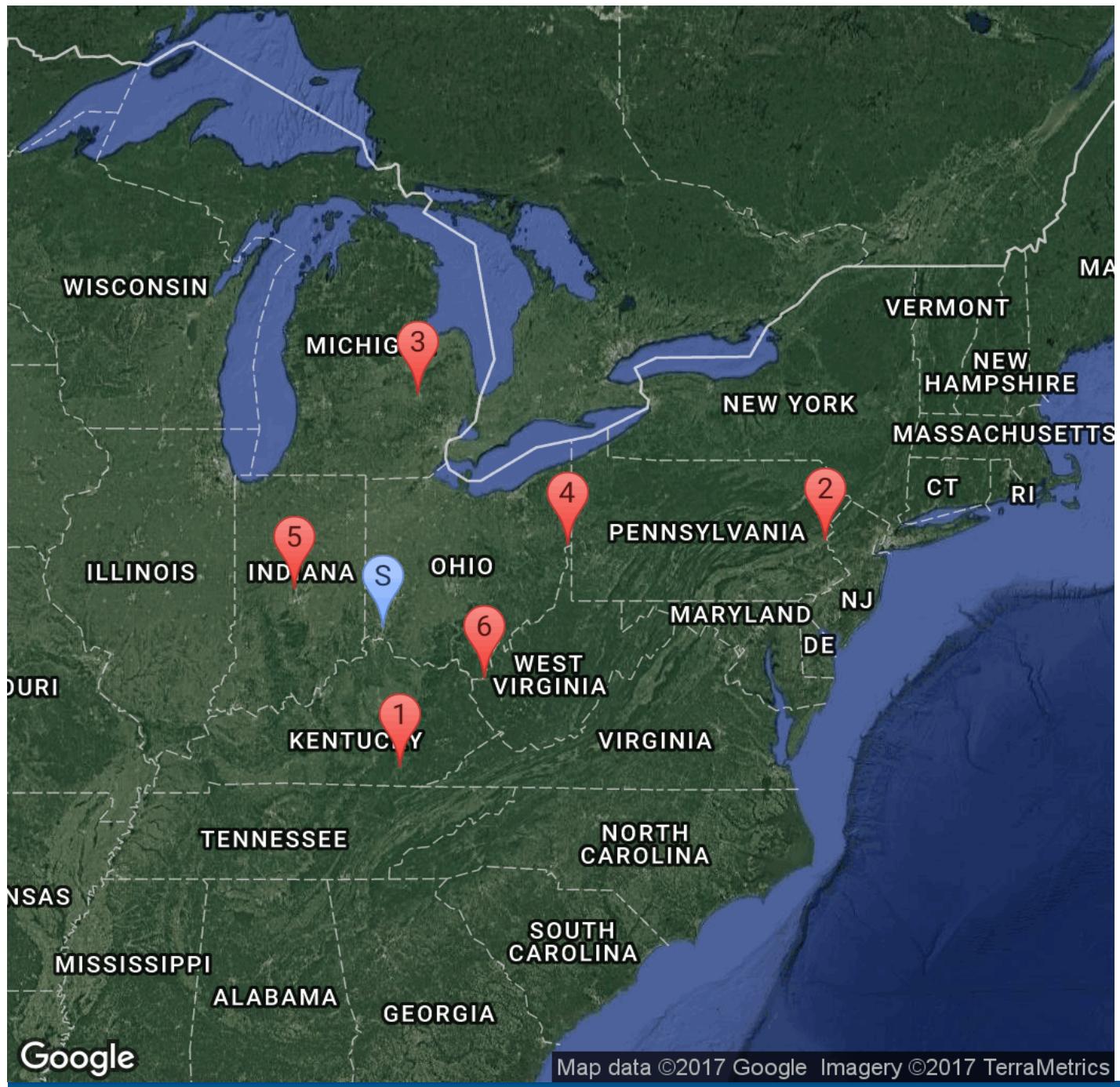
The market has exhibited value stability during the time from the oldest lease date up through the effective valuation date; therefore a market conditions adjustment is not warranted.

## ANALYSIS OF COMPARABLE GSA LEASES

The GSA lease analysis is used to derive an opinion of market rent and correlating leasing assumptions for the subject property. The following table includes a summary of the comparables selected for this analysis, including relevant listings and actual leases at competing properties. Following the table is an adjustment grid, analysis and our conclusion. Datasheets containing more details of the comparables are presented later in this section.

GSA LEASE SUMMATION TABLE							
COMPARABLE	SUBJECT	LEASE 1	LEASE 2	LEASE 3	LEASE 4	LEASE 5	LEASE 6
Name	Evendale Social Security Administration	INS	Social Security Administration	U.S. Bankruptcy Court	Social Security Administration	ICE	U.S. Coast Guard
Address	10205 Reading Road	203 Allison Blvd	134 S 4th St	226 W 2nd St	120 E Fourth St	7355 N Woodland Dr	95 Peyton St
City	Evendale	Corbin	Easton	Flint	East Liverpool	Indianapolis	Barboursville
State	OH	KY	PA	MI	OH	IN	WV
Zip	45241	40701	18042	48502	43920	46278	25504
PHYSICAL INFORMATION							
Property Type	Office	Office	Office	Office	Office	Office	Office
NRA	13,928	21,117	10,072	15,636	7,000	15,193	12,119
Occupancy	100%	100%	100%	100%	100%	100%	100%
Location	Average/Good	Average	Average/Good	Average	Fair/Average	Average/Good	Average
Quality	Average/Good	Average/Good	Average/Good	Average	Average	Average/Good	Average
Condition	Average/Good	Average	Average/Good	Average	Average/Good	Average	Average/Good
Exposure	Average/Good	Average	Fair/Average	Average	Average	Average	Average
Access	Good	Average	Average	Average	Average	Average	Average
Appeal	Average	Average	Average	Average	Average	Average	Average
Year Built	2009	1998	2005	2000	2005	1975	2006
LEASE INFORMATION							
Tenant Name	U.S. Immigration & Naturalization Services	Social Security Administration	U.S. Bankruptcy Court	Social Security Administration	Immigration & Customs Enforcement	United States Coast Guard	
Commencement Date	9/1/2016	9/1/2016	8/15/2016	6/13/2016	2/9/2016	1/19/2016	
Lease Type	New	Renewal	New	Renewal	Renewal	Renewal	
Lease Status	Signed	Signed	Signed	Signed	Signed	Signed	
Size (SF)	21,117	10,072	15,636	7,000	15,193	12,119	
Term (Yrs)	15	10	10	10	15	10	
Rent (\$/SF/Yr.)	\$33.56	\$28.43	\$29.70	\$24.13	\$31.95	\$29.76	

## COMPARABLE GSA LEASE MAP



## COMPARABLE KEY

COMP	DISTANCE	NAME	ADDRESS	TENANT	LEASE DATE	SF	\$/SF
SUBJECT	-	Evendale Social Security	10205 Reading Road, Evendale, OH	-	-	-	\$37.00
No. 1	162.3 Miles	INS	203 Allison Blvd, Corbin, KY	U.S. Immigration & Natur	9/1/2016	21,117	\$33.56
No. 2	497.7 Miles	Social Security Administr	134 S 4th St, Easton, PA	Social Security Administr	9/1/2016	10,072	\$28.43
No. 3	262.9 Miles	U.S. Bankruptcy Court	226 W 2nd St, Flint, MI	U.S. Bankruptcy Court	8/15/2016	15,636	\$29.70
No. 4	224.6 Miles	Social Security Administr	120 E Fourth St, East Liverpool, OH	Social Security Administr	6/13/2016	7,000	\$24.13
No. 5	107.5 Miles	ICE	7355 N Woodland Dr, Indianapolis, IN	Immigration & Customs E	2/9/2016	15,193	\$31.95
No. 6	127.6 Miles	U.S. Coast Guard	95 Peyton St, Barboursville, WV	United States Coast Gu	1/19/2016	12,119	\$29.76

GSA LEASE ADJUSTMENT TABLE							
COMPARABLE	SUBJECT	LEASE 1	LEASE 2	LEASE 3	LEASE 4	LEASE 5	LEASE 6
Name	Evendale Social Security Administration	INS	Social Security Administration	U.S. Bankruptcy Court	Social Security Administration	ICE	U.S. Coast Guard
Address	10205 Reading Road	203 Allison Blvd	134 S 4th St	226 W 2nd St	120 E Fourth St	7355 N Woodland Dr	95 Peyton St
City	Evendale	Corbin	Easton	Flint	East Liverpool	Indianapolis	Barboursville
NRA	13,928	21,117	10,072	15,636	7,000	15,193	12,119
Occupancy	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Location	Average/Good	Average	Average/Good	Average	Fair/Average	Average/Good	Average
Quality	Average/Good	Average/Good	Average/Good	Average	Average	Average/Good	Average
Condition	Average/Good	Average	Average/Good	Average	Average/Good	Average	Average/Good
Exposure	Average/Good	Average	Fair/Average	Average	Average	Average	Average
Access	Good	Average	Average	Average	Average	Average	Average
LEASE INFORMATION							
Tenant Name	U.S. Immigration & Naturalization Services	Social Security Administration	U.S. Bankruptcy Court	Social Security Administration	Immigration & Customs Enforcement	United States Coast Guard	
Commencement Date	9/1/2016	9/1/2016	8/15/2016	6/13/2016	2/9/2016	1/19/2016	
Lease Type	New	Renewal	New	Renewal	Renewal	Renewal	
Lease Status	Signed	Signed	Signed	Signed	Signed	Signed	
Size (SF)	21,117	10,072	15,636	7,000	15,193	12,119	
Term (Yrs)	15.0	10.0	10.0	10.0	15.0	10.0	
Rent (\$/SF/Yr.)	\$33.56	\$28.43	\$29.70	\$24.13	\$31.95	\$29.76	
TRANSACTIONAL ADJUSTMENTS							
Lease Type	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	
Concessions <sup>1</sup>	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	
Market Conditions	0%	0%	0%	0%	0%	0%	
Subtotal Eff Rent	\$33.56	\$28.43	\$29.70	\$24.13	\$31.95	\$29.76	
PROPERTY ADJUSTMENTS							
Location	5%	0%	5%	10%	0%	5%	
Size (Property)	0%	0%	0%	0%	0%	0%	
Quality	0%	0%	5%	5%	0%	5%	
Condition	5%	0%	5%	0%	5%	0%	
Exposure	5%	10%	5%	5%	5%	5%	
Access	10%	10%	10%	10%	10%	10%	
Subtotal Property Adj	25%	20%	30%	30%	20%	25%	
<b>TOTAL ADJUSTED RENT</b>	<b>\$41.95</b>	<b>\$34.12</b>	<b>\$38.61</b>	<b>\$31.37</b>	<b>\$38.34</b>	<b>\$37.20</b>	
STATISTICS	UNADJUSTED	ADJUSTED	MARKET CONCESSIONS <sup>1</sup>				
LOW	\$24.13	\$31.37	Lease Type      Triple Net				
HIGH	\$33.56	\$41.95					
MEDIAN	\$29.73	\$37.77					
AVERAGE	\$29.59	\$36.93					

<sup>2</sup> Market Conditions Adjustment - Compound annual change in market conditions: 0%

Date of Value (for adjustment calculations): 6/14/17

## GSA Lease Analysis

The lease comparables indicate an adjusted lease rate range from \$31.37 to \$41.95/SF, with a median of \$37.77/SF and an average of \$36.93/SF. The range of total gross adjustment applied to the comparables was from 20% to 30%, with an average gross adjustment across all comparables of 25%. The level of total adjustment applied to the comparables is considered to be moderate. Overall, the availability of market data and extent of analysis was adequate to develop a reasonably credible lease rate conclusion. The adjustment process for each comparable is discussed in the following paragraphs.

## Discussion of Adjustments

Comparable 1 (\$41.95/SF as adjusted) did not require any transaction adjustments. This comparable required a total upward adjustment of 25% for property characteristics. The comparable is adjusted for its inferior

location, condition, exposure and access. The total gross adjustment applied to this comparable was 25%. The moderate level of gross adjustments required for this comparable indicates that it can be adequately relied upon for valuation of the subject. This comparable is given secondary consideration as a value indicator for the subject.

Comparable 2 (\$34.12/SF as adjusted) did not require any transaction adjustments. This comparable required a total upward adjustment of 20% for property characteristics. The comparable is adjusted for its inferior exposure and access. The total gross adjustment applied to this comparable was 20%. The moderate level of gross adjustments required for this comparable indicates that it can be adequately relied upon for valuation of the subject. This comparable is given primary consideration as a value indicator for the subject.

Comparable 3 (\$38.61/SF as adjusted) did not require any transaction adjustments. This comparable required a total upward adjustment of 30% for property characteristics. The comparable is adjusted for its inferior location, quality, condition, exposure and access. The total gross adjustment applied to this comparable was 30%. The moderate level of gross adjustments required for this comparable indicates that it can be adequately relied upon for valuation of the subject. This comparable is given secondary consideration as a value indicator for the subject.

Comparable 4 (\$31.37/SF as adjusted) did not require any transaction adjustments. This comparable required a total upward adjustment of 30% for property characteristics. The comparable is adjusted for its inferior location, quality, exposure and access. The total gross adjustment applied to this comparable was 30%. The moderate level of gross adjustments required for this comparable indicates that it can be adequately relied upon for valuation of the subject. This comparable is given secondary consideration as a value indicator for the subject.

Comparable 5 (\$38.34/SF as adjusted) did not require any transaction adjustments. This comparable required a total upward adjustment of 20% for property characteristics. The comparable is adjusted for its inferior condition, exposure and access. The total gross adjustment applied to this comparable was 20%. The moderate level of gross adjustments required for this comparable indicates that it can be adequately relied upon for valuation of the subject. This comparable is given primary consideration as a value indicator for the subject.

Comparable 6 (\$37.20/SF as adjusted) did not require any transaction adjustments. This comparable required a total upward adjustment of 25% for property characteristics. The comparable is adjusted for its inferior location, quality, exposure and access. The total gross adjustment applied to this comparable was 25%. The moderate level of gross adjustments required for this comparable indicates that it can be adequately relied upon for valuation of the subject. This comparable is given secondary consideration as a value indicator for the subject.

## GSA SPACE MARKET RENT CONCLUSION

The comparables indicate an adjusted lease rate range from \$31.37 to \$41.95/SF, with a median of \$37.77/SF and an average of \$36.93/SF. Based on the results of the preceding analysis, Comparable 2 (\$34.12/SF adjusted) and Comparable 5 (\$38.34/SF adjusted) are given primary consideration for the lease rate conclusion. A value near the central tendencies of the comparables is selected.

The following table summarizes the analysis of the comparables leases and the GSA market rent conclusion.

GSA LEASE CONCLUSION TABLE								
LEASE	LEASE RATE	ADJUSTMENT			NET	GROSS	OVERALL	COMPARISON
		TRANSACTIONAL <sup>1</sup>	ADJUSTED	PROPERTY <sup>2</sup>	FINAL	ADJ %	ADJ %	
1	\$33.56	\$0.00	\$33.56	25%	\$41.95	25%	25%	SECONDARY
2	\$28.43	\$0.00	\$28.43	20%	\$34.12	20%	20%	PRIMARY
3	\$29.70	\$0.00	\$29.70	30%	\$38.61	30%	30%	SECONDARY
4	\$24.13	\$0.00	\$24.13	30%	\$31.37	30%	30%	SECONDARY
5	\$31.95	\$0.00	\$31.95	20%	\$38.34	20%	20%	PRIMARY
6	\$29.76	\$0.00	\$29.76	25%	\$37.20	25%	25%	SECONDARY
LOW	\$31.37					AVERAGE		\$36.93
HIGH	\$41.95					MEDIAN		\$37.77
		CONTRACT		ACHIEVABLE MRKT RANGE			CONCLUSION	
		\$38.76		\$0.00 - \$0.00			\$37.00	

<sup>1</sup>Cumulative <sup>2</sup>Additive (Includes Tenant Adjustments)

## Comparable Rent Data Sheets

The following pages present the rent comparable data sheets that were used in the prior analysis.

### COMPARABLE 1

#### PHYSICAL INFORMATION

Name	INS
Address	203 Allison Blvd
City, State, Zip Code	Corbin, KY 40701
MSA	Counties not in a metropolitan area
Net Rentable Area (NRA)	21,117
Year Built	1998
Occupancy	100.0%
Site Size	234,353
Site Coverage	9.0%
Construction	Masonry
Parking Spaces	58
Building Class	B
Floors	1



INS

#### CONFIRMATION

Name	
Source	Lease Document
Date / Phone Number	06/20/2017

TENANT NAME	RATE TYPE	SIZE	START DATE	TERM	LEASE RATE	ADJ LEASE RATE
U.S. Immigration & Naturalization	NNN	21,117	9/1/2016	15	\$33.56	\$41.95

**COMPARABLE 2****PHYSICAL INFORMATION**

Name	Social Security Administration
Address	134 S 4th St
City, State, Zip Code	Easton, PA 18042
MSA	Philadelphia, PA
Net Rentable Area (NRA)	10,072
Year Built	2005
Occupancy	100.0%
Site Size	37,897
Site Coverage	26.6%
Construction	Masonry
Building Class	B
Floors	1

**SOCIAL SECURITY ADMINISTRATION****CONFIRMATION**

Name	Source	Lease Document
	Date / Phone Number	06/19/2017

TENANT NAME	RATE TYPE	SIZE	START DATE	TERM	LEASE RATE	ADJ LEASE RATE
Social Security Administration	NNN	10,072	9/1/2016	10	\$28.43	\$34.12

**COMPARABLE 3****PHYSICAL INFORMATION**

Name	U.S. Bankruptcy Court
Address	226 W 2nd St
City, State, Zip Code	Flint, MI 48502
MSA	Flint, MI
Net Rentable Area (NRA)	15,636
Year Built	2000
Site Size	24,394
Site Coverage	64.1%
Parking Spaces	15
Building Class	B
Floors	1

**U.S. BANKRUPTCY COURT****CONFIRMATION**

Name	Source	Lease Document
	Date / Phone Number	06/20/2017

TENANT NAME	RATE TYPE	SIZE	START DATE	TERM	LEASE RATE	ADJ LEASE RATE
U.S. Bankruptcy Court	NNN	15,636	8/15/2016	10	\$29.70	\$38.61

**COMPARABLE 4****PHYSICAL INFORMATION**

Name	Social Security Administration
Address	120 E Fourth St
City, State, Zip Code	East Liverpool, OH 43920
MSA	Counties not in a metropolitan area
Net Rentable Area (NRA)	7,000
Year Built	2005
Occupancy	100.0%
Site Size	40,158
Site Coverage	17.4%
Construction	Masonry
Parking Spaces	30
Building Class	B
Floors	1

**SOCIAL SECURITY ADMINISTRATION****CONFIRMATION**

Name	Source	Lease Document
	Date / Phone Number	06/19/2017

TENANT NAME	RATE TYPE	SIZE	START DATE	TERM	LEASE RATE	ADJ LEASE RATE
Social Security Administration	NNN	7,000	6/13/2016	10	\$24.13	\$31.37

**COMPARABLE 5****PHYSICAL INFORMATION**

Name	ICE
Address	7355 N Woodland Dr
City, State, Zip Code	Indianapolis, IN 46278
MSA	Indianapolis-Carmel, IN
Net Rentable Area (NRA)	15,193
Year Built	1975
Occupancy	100.0%
Site Size	125,017
Site Coverage	6.1%
Construction	Masonry
Parking Spaces	40
Building Class	B
Floors	2

**ICE****CONFIRMATION**

Name	Source	Lease Document
	Date / Phone Number	06/20/2017

TENANT NAME	RATE TYPE	SIZE	START DATE	TERM	LEASE RATE	ADJ LEASE RATE
Immigration & Customs Enforce	NNN	15,193	2/9/2016	15	\$31.95	\$38.34

**COMPARABLE 6****PHYSICAL INFORMATION**

Name	U.S. Coast Guard
Address	95 Peyton St
City, State, Zip Code	Barboursville, WV 25504
MSA	Huntington-Ashland, WV-KY-OH Metro
Net Rentable Area (NRA)	12,119
Year Built	2006
Occupancy	100.0%
Site Size	119,790
Site Coverage	10.1%
Construction	Masonry
Parking Spaces	68
Floors	1

**U.S. COAST GUARD****CONFIRMATION**

Name	Lease Document
Source	Date / Phone Number

06/20/2017

TENANT NAME	RATE TYPE	SIZE	START DATE	TERM	LEASE RATE	ADJ LEASE RATE
United States Coast Guard	NNN	12,119	1/19/2016	10	\$29.76	\$37.20

## POTENTIAL GROSS RENT

Our analysis and conclusions of the subject's potential gross rent are detailed as follows:

POTENTIAL GROSS RENT	
Tenant	GSA (Social Security Office)
Contract Rent	\$38.76
Market Rent	\$37.00
Contract Vs Market	105%
Lease Expiration	February 23, 2020
Expense Structure	Triple Net
Contract or Market	Contract
POTENTIAL GROSS RENT CONCLUSION	
Annual	\$539,849
PSF (YR.)	\$38.76
PSF (MO.)	\$3.23

The comparison of contract to market is a factor driving investment rates applied in the valuation of the property. Contractual income that is within 5% of market is considered within appropriate tolerance levels of investors for single-tenant assets, and if outside that range would be considered an "above market risk" or "below market benefit". The subject's contract rent is at market, and would be considered by investors as durable based on the remaining lease term. Based on these considerations, we applied the contract rent for estimating potential gross rent.

## INCOME & EXPENSE ANALYSIS

The preceding sections estimated potential gross rent and addressed risk factors associated with the rental income of the subject property. The following section presents our analysis and conclusions for other revenue, vacancy and credit loss and operating expenses. These are summarized in the following table, along with our estimate of income and expenses on a stabilized basis.

SUBJECT OPERATING HISTORICALS										COLLIERS FORECAST	
YEAR	2014		2015		2016		ANNUALIZED		PROFORMA		
INCOME ITEMS	TOTAL	\$/SF	TOTAL	\$/SF	TOTAL	\$/SF	TOTAL	\$/SF	TOTAL	\$/SF	
Base Contract Income	\$558,943	\$40.13	\$569,501	\$40.89	\$560,514	\$40.24	\$549,709	\$39.47	\$539,849	\$38.76	
<b>TOTAL RENTAL INCOME</b>	<b>\$558,943</b>	<b>\$40.13</b>	<b>\$569,501</b>	<b>\$40.89</b>	<b>\$560,514</b>	<b>\$40.24</b>	<b>\$549,709</b>	<b>\$39.47</b>	<b>\$539,849</b>	<b>\$38.76</b>	
<b>REIMBURSEMENTS</b>											
Real Estate Taxes	\$0	-	\$0	-	\$0	-	\$0	-	\$12,817	\$0.92	
Operating Expenses	\$0	-	\$0	-	\$0	-	\$0	-	\$9,858	\$0.71	
<b>TOTAL REIMBURSEMENTS</b>	<b>\$0</b>	<b>-</b>	<b>\$0</b>	<b>-</b>	<b>\$0</b>	<b>-</b>	<b>\$0</b>	<b>-</b>	<b>\$22,675</b>	<b>\$1.63</b>	
<b>TOTAL GROSS INCOME</b>	<b>\$558,943</b>	<b>\$40.13</b>	<b>\$569,501</b>	<b>\$40.89</b>	<b>\$560,514</b>	<b>\$40.24</b>	<b>\$549,709</b>	<b>\$39.47</b>	<b>\$562,524</b>	<b>\$40.39</b>	
General Vacancy & Credit Loss	-	-	-	-	-	-	-	-	\$0	-	
Other Vacancy & Credit Loss	-	-	-	-	-	-	-	-	\$0	-	
<b>EFFECTIVE GROSS INCOME</b>	<b>\$558,943</b>	<b>\$40.13</b>	<b>\$569,501</b>	<b>\$40.89</b>	<b>\$560,514</b>	<b>\$40.24</b>	<b>\$549,709</b>	<b>\$39.47</b>	<b>\$562,524</b>	<b>\$40.39</b>	
<b>EXPENSE ITEMS</b>											
Real Estate Taxes	(\$63,555)	(\$4.56)	(\$63,191)	(\$4.54)	(\$63,203)	(\$4.54)	(\$63,097)	(\$4.53)	(\$63,097)	(\$4.53)	
Property Insurance	(\$3,162)	(\$0.23)	(\$3,779)	(\$0.27)	(\$3,635)	(\$0.26)	(\$3,481)	(\$0.25)	(\$3,482)	(\$0.25)	
Common Area Maintenance	(\$46,999)	(\$3.37)	(\$50,185)	(\$3.60)	(\$58,298)	(\$4.19)	(\$36,741)	(\$2.64)	(\$41,784)	(\$3.00)	
Utilities	(\$22,626)	(\$1.62)	(\$24,697)	(\$1.77)	(\$21,065)	(\$1.51)	(\$17,309)	(\$1.24)	(\$20,892)	(\$1.50)	
Management Fees	\$0	-	\$0	-	\$0	-	\$0	-	(\$11,250)	(\$0.81)	
Administrative Fees	(\$10,805)	(\$0.78)	(\$6,842)	(\$0.49)	(\$6,079)	(\$0.44)	(\$10,840)	(\$0.78)	(\$6,964)	(\$0.50)	
Reserves	\$0	-	\$0	-	\$0	-	\$0	-	(\$2,089)	(\$0.15)	
<b>TOTAL EXPENSES</b>	<b>(\$147,146)</b>	<b>(\$10.56)</b>	<b>(\$148,694)</b>	<b>(\$10.68)</b>	<b>(\$152,281)</b>	<b>(\$10.93)</b>	<b>(\$131,468)</b>	<b>(\$9.44)</b>	<b>(\$149,559)</b>	<b>(\$10.74)</b>	
<b>NET OPERATING INCOME</b>	<b>\$411,796</b>	<b>\$29.57</b>	<b>\$420,807</b>	<b>\$30.21</b>	<b>\$408,234</b>	<b>\$29.31</b>	<b>\$418,241</b>	<b>\$30.03</b>	<b>\$412,965</b>	<b>\$29.65</b>	

## OTHER INCOME

In the following section, we analyzed and made conclusions for the other income items of the subject property. The individual income items were then segregated into Expense Reimbursements and Miscellaneous Income for further analysis.

## INCOME ANALYSIS & CONCLUSIONS

REAL ESTATE TAXES				ANALYSIS
YEAR	SUBJECT			Historically, this income line has been included in the base contract income. According to the lease, the tenant is responsible for all real estate taxes above \$50,280.08 (first year estimate). The income conclusion reflects the recapture of real estate tax expenses above the first year.
	TOTAL	\$/SF	%EGI	
2014	\$0	-	0.0%	
2015	\$0	-	0.0%	
2016	\$0	-	0.0%	
<b>CONCLUSION</b>	<b>\$12,817</b>	<b>\$0.92</b>	<b>2.3%</b>	

OPERATING EXPENSES				ANALYSIS
YEAR	SUBJECT			Historically, this income line has been included in the base contract income. According to the lease, the tenant is responsible for all operating costs above \$5.50/SF (first year estimate). The income conclusion reflects the recapture of all operating expenses (with the exception of real estate taxes, which are captured separately) above the first year.
	TOTAL	\$/SF	%EGI	
2014	\$0	-	0.0%	
2015	\$0	-	0.0%	
2016	\$0	-	0.0%	
<b>CONCLUSION</b>	<b>\$9,858</b>	<b>\$0.71</b>	<b>1.8%</b>	

### Rental Income Test of Reasonableness

Our analysis and conclusions of the subject's rental income in relationship to historical rental income are detailed as follows:

TOTAL RENTAL INCOME				
YEAR	TOTAL	\$/SF	%EGI	ANALYSIS
2014	\$558,943	\$40.13	100.0%	The projection is based on the contract rent in place. It is lower than historical figures, as they have included recaptures.
2015	\$569,501	\$40.89	100.0%	
2016	\$560,514	\$40.24	100.0%	
ANNUALIZED	\$549,709	\$39.47	100.0%	
PROFORMA	\$539,849	\$38.76	96.0%	

### Expense Reimbursements

Our analysis and conclusions of the subject's expense reimbursements are detailed as follows:

TOTAL REIMBURSEMENT INCOME				
YEAR	TOTAL	\$/SF	%EGI	ANALYSIS
2014	\$0	-	0.0%	Reimbursements for the triple net leases' include: real estate taxes, and operating expenses above certain levels. Historically, this income has been included in the total rental income. When combined, the two income streams are in line with historicals.
2015	\$0	-	0.0%	
2016	\$0	-	0.0%	
PROFORMA	\$22,675	\$1.63	4.0%	

### Additional Revenue

Based on our analysis of the subject's historical operations, there are no additional revenue generators present.

## VACANCY AND CREDIT LOSS

Generally vacancy was discussed in depth in the market analysis section of this report. Please reference that discussion for a full analysis. Regarding credit loss, non-sophisticated investors often lump this allocation within the general vacancy loss factor when using direct capitalization. Whereas, sophisticated investors generally apply credit loss in a range from none to 2% depending on the quality of tenant mix and current economic conditions. Our general vacancy and credit loss conclusions are summarized in the following table and are intended to mirror behavior of typical purchasers of the subject.

VACANCY & CREDIT LOSS	
General Vacancy Rate	0.0%
Credit Loss Conclusion	0.0%
<b>Total</b>	0.0%

The subject property is leased under a long term lease to the U.S. Government, which is considered to have investment grade credit quality. Buyers and investors in buildings leased by U.S. Government agencies do not typically take a deduction for vacancy and collection loss. The US Government is of investment grade credit quality. Given the credit quality of the tenant, the single tenant configuration of the building and length of the remaining lease term, a lower vacancy deduction is warranted. We have utilized a 0% vacancy and credit loss conclusion in the analysis.

## ANALYSIS OF OPERATING EXPENSES

The operating expenses for the subject property were presented previously. The following chart summarizes comparable expenses.

EXPENSE COMPARABLES									
COMPARABLE	COMP 1	COMP 2	COMP 3	COMP 4	COMP 5	COMP 6	LOW	HIGH	AVG
Expense Year	2015	2016	2015	2016	2015	2016	2015	2016	2015.5
Actual/Budget	Actual	Actual	Actual	Actual	Actual	Actual	-	-	-
Net Rentable Area	39,794	39,794	38,897	38,897	13,131	13,131	13,131	39,794	30,607
Building Class	B	B	B	B	B	B	-	-	-
Year Built	1985	1985	1986	1986	2010	2010	1985	2010	1994
<b>EFFECTIVE GROSS INCOME</b>	\$13.44	\$14.81	\$15.17	\$15.91	\$15.06	\$18.90	\$13.44	\$18.90	\$15.55
<b>EXPENSE ITEMS</b>	<b>\$/SF</b>	<b>\$/SF</b>	<b>\$/SF</b>	<b>\$/SF</b>	<b>\$/SF</b>	<b>\$/SF</b>	<b>LOW</b>	<b>HIGH</b>	<b>AVG</b>
Real Estate Taxes	\$1.31	\$1.76	\$1.60	\$2.14	\$1.92	\$1.92	\$1.31	\$2.14	\$1.78
Property Insurance	\$0.09	\$0.09	\$0.09	\$0.10	\$0.26	\$0.29	\$0.09	\$0.29	\$0.15
Common Area Maintenance	\$1.87	\$1.66	\$2.79	\$2.70	\$1.69	\$1.71	\$1.66	\$2.79	\$2.07
Utilities	\$2.39	\$2.61	\$2.45	\$2.24	\$0.37	\$0.32	\$0.32	\$2.61	\$1.73
Management Fees	\$0.48	\$0.53	\$0.51	\$0.43	\$0.30	\$0.38	\$0.30	\$0.53	\$0.44
%EGI	3.6%	3.6%	3.4%	2.7%	2.0%	2.0%	2.0%	3.6%	2.9%
Administrative Fees	\$0.17	\$0.21	\$0.22	\$0.18	\$0.25	\$0.37	\$0.17	\$0.37	\$0.23
Reserves	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
<b>TOTAL EXPENSES (\$/SF)</b>	<b>\$6.31</b>	<b>\$6.86</b>	<b>\$7.66</b>	<b>\$7.79</b>	<b>\$4.79</b>	<b>\$4.99</b>	<b>\$4.79</b>	<b>\$7.79</b>	<b>\$6.40</b>

## CONCLUSION OF OPERATING EXPENSES

In the following section, we discuss the individual expense conclusions for the subject property.

## EXPENSE ANALYSIS &amp; CONCLUSIONS

## REAL ESTATE TAXES

YEAR	SUBJECT			EXPENSE COMPS		
	TOTAL	\$/SF	%EGI	COMP	\$/SF	%EGI
2014	\$63,555	\$4.56	11.4%	1	\$1.31	9.7%
2015	\$63,191	\$4.54	11.1%	2	\$1.76	11.9%
2016	\$63,203	\$4.54	11.3%	3	\$1.60	10.5%
ANNUALIZED	\$63,097	\$4.53	11.5%	4	\$2.14	13.5%
				5	\$1.92	12.7%
				6	\$1.92	10.2%
<b>CONCLUSION</b>	<b>\$63,097</b>	<b>\$4.53</b>	<b>11.2%</b>	<b>AVG</b>	<b>\$1.78</b>	<b>11.4%</b>

## ANALYSIS

CHOOSE OPTION FROM DROP DOWN AT RIGHT

## PROPERTY INSURANCE

YEAR	SUBJECT			EXPENSE COMPS		
	TOTAL	\$/SF	%EGI	COMP	\$/SF	%EGI
2014	\$3,162	\$0.23	0.6%	1	\$0.09	0.7%
2015	\$3,779	\$0.27	0.7%	2	\$0.09	0.6%
2016	\$3,635	\$0.26	0.6%	3	\$0.09	0.6%
ANNUALIZED	\$3,481	\$0.25	0.6%	4	\$0.10	0.6%
				5	\$0.26	1.7%
				6	\$0.29	1.5%
<b>CONCLUSION</b>	<b>\$3,482</b>	<b>\$0.25</b>	<b>0.6%</b>	<b>AVG</b>	<b>\$0.15</b>	<b>1.0%</b>

## ANALYSIS

This expense includes all premiums and costs incurred for insurance covering structures, public liability, rental value, equipment and bonding of employees. The conclusion is based within the historical expense.

## COMMON AREA MAINTENANCE

YEAR	SUBJECT			EXPENSE COMPS		
	TOTAL	\$/SF	%EGI	COMP	\$/SF	%EGI
2014	\$46,999	\$3.37	8.4%	1	\$1.87	13.9%
2015	\$50,185	\$3.60	8.8%	2	\$1.66	11.2%
2016	\$58,298	\$4.19	10.4%	3	\$2.79	18.4%
ANNUALIZED	\$36,741	\$2.64	6.7%	4	\$2.70	17.0%
				5	\$1.69	11.2%
				6	\$1.71	9.0%
<b>CONCLUSION</b>	<b>\$41,784</b>	<b>\$3.00</b>	<b>7.4%</b>	<b>AVG</b>	<b>\$2.07</b>	<b>13.5%</b>

## ANALYSIS

This consists of all expenses related to the common area maintenance of the subject including the costs of payroll, employee benefits, service contracts, and maintenance materials and supplies purchased for the subject. The conclusion is based within the historical expense.

## UTILITIES

YEAR	SUBJECT			EXPENSE COMPS		
	TOTAL	\$/SF	%EGI	COMP	\$/SF	%EGI
2014	\$22,626	\$1.62	4.0%	1	\$2.39	17.8%
2015	\$24,697	\$1.77	4.3%	2	\$2.61	17.6%
2016	\$21,065	\$1.51	3.8%	3	\$2.45	16.2%
ANNUALIZED	\$17,309	\$1.24	3.1%	4	\$2.24	14.1%
				5	\$0.37	2.5%
				6	\$0.32	1.7%
<b>CONCLUSION</b>	<b>\$20,892</b>	<b>\$1.50</b>	<b>3.7%</b>	<b>AVG</b>	<b>\$1.73</b>	<b>11.6%</b>

## ANALYSIS

This expense consists of the cost of all electricity and gas utilities used in the common area of the subject including exterior lighting. The conclusion is based on the 2016 historical expense.

## MANAGEMENT FEES

YEAR	SUBJECT			EXPENSE COMPS		
	TOTAL	\$/SF	%EGI	COMP	\$/SF	%EGI
2014	\$0			1	\$0.48	3.6%
2015	\$0			2	\$0.53	3.6%
2016	\$0			3	\$0.51	3.4%
ANNUALIZED	\$0			4	\$0.43	2.7%
				5	\$0.30	2.0%
				6	\$0.38	2.0%
<b>CONCLUSION</b>	<b>\$11,250</b>	<b>\$0.81</b>	<b>2.0%</b>	<b>AVG</b>	<b>\$0.44</b>	<b>2.9%</b>

## ANALYSIS

This expense reflects the professional management service for the subject. The conclusion is based on the expense comparable information.

## ADMINISTRATIVE FEES

YEAR	SUBJECT			EXPENSE COMPS		
	TOTAL	\$/SF	%EGI	COMP	\$/SF	%EGI
2014	\$10,805	\$0.78	1.9%	1	\$0.17	1.3%
2015	\$6,842	\$0.49	1.2%	2	\$0.21	1.4%
2016	\$6,079	\$0.44	1.1%	3	\$0.22	1.5%
ANNUALIZED	\$10,840	\$0.78	2.0%	4	\$0.18	1.1%
				5	\$0.25	1.7%
				6	\$0.37	2.0%
<b>CONCLUSION</b>	<b>\$6,964</b>	<b>\$0.50</b>	<b>1.2%</b>	<b>AVG</b>	<b>\$0.23</b>	<b>1.5%</b>

## ANALYSIS

This expense covers all expenses related to the management of the subject, including staff, office supplies, office equipment rental expenses, management fees, and professional services. The conclusion is based within the historical expense.

RESERVES						ANALYSIS		
YEAR	SUBJECT			EXPENSE COMPS			Reserves are not typical cash expenditures, and vary based upon the age/condition of the property.	
	TOTAL	\$/SF	%EGI	COMP	\$/SF	%EGI		
2014	\$0			1	-	-		
2015	\$0			2	-	-		
2016	\$0			3	-	-		
ANNUALIZED	\$0			4	-	-		
				5	-	-		
				6	-	-		
<b>CONCLUSION</b>	<b>\$2,089</b>	<b>\$0.15</b>	<b>0.4%</b>	<b>AVG</b>	<b>-</b>	<b>-</b>		
<b>TOTAL EXPENSES</b>			<b>LOW</b>	<b>HIGH</b>			<b>CONCLUSION</b>	
SUBJECT HISTORICAL \$/SF	\$9.44		\$10.93				The concluded expenses are in line with historicals on a per SF and percentage basis. They are also within the range of the comparables on a percentage basis. Therefore, they are considered reasonable and are utilized for valuation.	
EXPENSE COMPARABLES \$/SF	\$4.79		\$7.79					
SUBJECT HISTORICAL %EGI	23.9%		27.2%					
EXPENSE COMPARABLES%EGI	26.4%		50.5%					
TOTAL EXPENSES \$/SF	\$10.74							
TOTAL EXPENSES %EGI	26.6%							
<b>TOTAL EXPENSES</b>	<b>\$149,559</b>							

## DEVELOPMENT OF CAPITALIZATION RATE

The going-in capitalization rate, also known as overall rate (OAR), can be determined using several sources and methods. In developing our opinion of OAR, the following techniques were used:

- › Comparable Sales (Sales Comparison Approach)
- › Investor Surveys
- › Band of Investment Technique

### Comparable Sales

The following table presents a summary of the comparable sales used ahead in the Sales Comparison Approach, and the capitalization rates from each of those sales. We have included additional sales (Comparables 5 thru 10) to further support capitalization rate trends for the subject property.

CAPITALIZATION RATE COMPARABLES (OAR)										
NAME	CITY	ST	SALE DATE	YR BLT	NRA	\$/SF	SALE PRICE	NOI	NOI/SF	CAP RATE
1 Social Security Administration	Decatur	GA	March 2, 2017	2016	15,750	\$298	\$4,700,000	\$314,430	\$19.96	6.69%
2 Social Security Office	Farmington	NM	October 6, 2015	2000	9,245	\$227	\$2,100,000	\$220,500	\$23.85	10.50%
3 Social Security Administration Office	Chicago	IL	June 30, 2015	2012	17,300	\$445	\$7,700,000	\$626,010	\$36.19	8.13%
4 Social Security Administration	Middletown	OH	March 7, 2016	2011	8,704	\$232	\$2,015,000	\$176,312	\$20.26	8.75%
ADDITIONAL COMPS										
5 Social Security Administration	East Liverpool	OH	January 3, 2017	2005	6,400	\$188	\$1,200,000	\$109,804	\$17.16	9.15%
6 Social Security Administration	Caldwell	ID	September 30, 2016	1977	7,094	\$159	\$1,125,000	\$121,388	\$17.11	10.79%
7 Social Security Administration	Hamilton	OH	June 1, 2016	2003	10,900	\$110	\$1,200,000	\$150,394	\$13.80	12.53%
8 Social Security Administration	McKinney	TX	March 24, 2017	2006	15,544	\$193	\$3,000,000	\$225,000	\$14.48	7.50%
9 Social Security Office	Rome	GA	August 3, 2015	2008	14,300	\$130	\$1,860,000	\$204,600	\$14.31	11.00%
10 Placerville SSA	Placerville	CA	October 16, 2015	2013	12,292	\$496	\$6,100,000	\$355,261	\$28.90	5.82%
11 GSA- Social Security Administration	Rock Hill	SC	June 30, 2015	2011	12,204	\$164	\$2,000,000	\$200,000	\$16.39	10.00%
LOW			June 30, 2015							5.82%
HIGH			March 24, 2017							12.53%
AVERAGE			April 5, 2016							9.17%
MEDIAN			March 7, 2016							9.15%
CONCLUDED CAPITALIZATION RATE (OAR)										9.00%

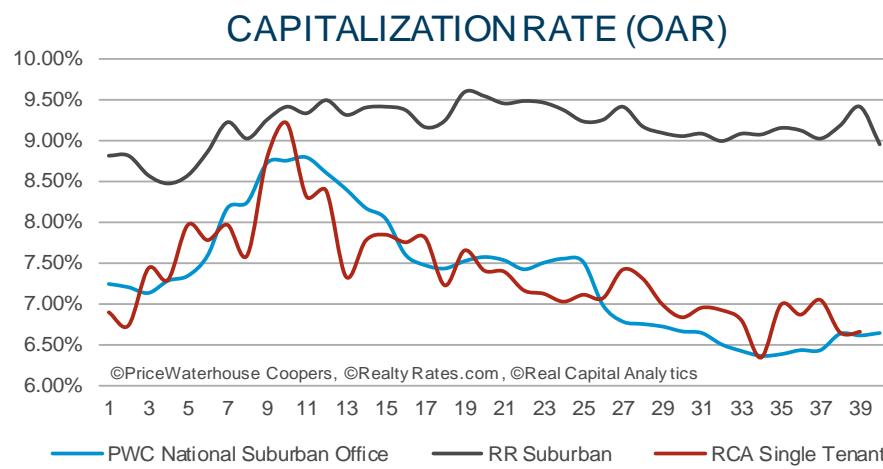
The sales reflect comparable purpose built properties with generally similar construction features and somewhat consistent remaining lease terms. The likeliness of renewal is considered to be high amongst these properties, similar to the subject. Overall, the direct comparable sales indicate a range of capitalization rates from 5.82% to 12.53%, with an average of 9.17%. Cap rates at the lower end of the range are for newer

buildings with long remaining lease terms, while properties at the upper end of the range are older, with shorter remaining terms. Given the remaining term at the property and its age, a value near the central tendencies was considered appropriate.

### Investor Surveys

The potential investor pool for the subject asset includes national, regional and local investors. While all of these groups place emphasis on local cap rates, regional and national investors would also strongly consider national cap rate trends from investor surveys due to the potential to invest in other regions that are offering competitive rates of return.

The following graph provides a historical illustration of capitalization rate statistics as surveyed by investors that we considered to be relevant to the subject property.



The following table provides the most recent survey results from investors.

CAPITALIZATION RATE SURVEYS (OAR)			
SOURCE	QUARTER	RANGE	AVG
<b>PriceWaterhouse Coopers</b>			
National Suburban Office	2Q 17	5.00% to 10.00%	6.64%
<b>RealtyRates.com</b>			
Suburban	2Q 17	4.66% to 11.96%	8.95%
<b>Real Capital Analytics</b>			
Single Tenant	1Q 17		6.65%
<b>AVERAGE</b>		<b>4.83% to 10.98%</b>	<b>7.41%</b>

### Band of Investment Technique

Because most properties are purchased with debt and equity capital, the overall capitalization rate must satisfy the market return requirements of both investment positions. Lenders must anticipate receiving a competitive interest rate commensurate with the perceived risk of the investment or they will not make funds available. Lenders also require that the principal amount of the loan be repaid through amortization payments. Similarly, equity investors must anticipate receiving a competitive equity cash return commensurate with the perceived risk or they will invest their funds elsewhere.

To analyze the capitalization rate from a financial position, the Band of Investment Technique is used. Available financing information indicates the following terms:

**BAND OF INVESTMENT ASSUMPTIONS**

Loan Amortization Period	30 Years
Interest Rate	4.50%
Loan-to-Value (LTV) Ratio	70%
Mortgage Constant	6.08%

Equity dividend rates vary depending upon motivations of buyers and financing terms. The previous terms and an appropriate equity dividend rate are used in the Band of Investments calculations, which are presented on the following chart.

**BAND OF INVESTMENT CALCULATION**

Mortgage Component	70%	x	6.08%	=	4.256%
Equity Component	30%	x	12.00%	=	3.600%
Indicated Capitalization Rate					7.856%
<b>INDICATED CAPITALIZATION RATE</b>					<b>7.86%</b>

**Capitalization Rate Conclusion**

For investments of the subject's general size and price, and when sales activity is brisk with relative market stability, the Market Extraction Method is most often relied upon by buyers and sellers to develop cap rate decisions. In this analysis, recent sales data was available. National Survey data has limited direct application for the subject property; however, it helps establish general macro trends for this type of investment property. The Band of Investments Technique has limitations, but generally supports the capitalization rate concluded by the Market Extraction Method. The cap rate conclusion is based on a figure near the central tendencies of the range of the Comparable Sales, and takes into consideration the specific qualities of the property. Taking all factors into consideration, the following table summarizes the various capitalization rate indicators

**CAPITALIZATION RATE CONCLUSION (OAR)**

SOURCE	QUARTER	RANGE	AVG
Comparable Sales		5.82% to 12.53%	9.17%
Investor Surveys	2Q 17	4.83% to 10.98%	7.41%
Band of Investment Technique			7.86%
<b>AVERAGE</b>		5.33% to 11.76%	8.15%
<b>CAPITALIZATION CONCLUSION (LEASED FEE)</b>			<b>9.00%</b>

**DIRECT CAPITALIZATION CONCLUSION**

The subject property is currently operating at stabilized occupancy. The pro-forma reflecting the subject's stabilized operations is presented in the following table.

<b>DIRECT CAPITALIZATION SUMMATION TABLE</b>					
INCOME ITEMS	%PGI	%EGI	\$/SF(MO.)	\$/SF(YR.)	TOTAL
Base Contract Income			\$3.23	\$38.76	\$539,849
<b>TOTAL RENTAL INCOME</b>					\$539,849
<b>REIMBURSEMENTS</b>					
Real Estate Taxes			\$0.08	\$0.92	\$12,817
Operating Expenses			\$0.06	\$0.71	\$9,858
<b>TOTAL REIMBURSEMENTS</b>			\$0.14	\$1.63	\$22,675
<b>POTENTIAL GROSS INCOME (PGI)</b>	100.0%	100.0%	\$3.37	\$40.39	<b>\$562,524</b>
<b>VACANCY &amp; CREDIT LOSS</b>					
Rental Income		0.0%	-	-	\$0
Other Income		0.0%	-	-	\$0
<b>TOTAL VACANCY &amp; CREDIT LOSS</b>		0.0%	-	-	\$0
<b>EFFECTIVE GROSS INCOME (EGI)</b>	100.0%	100.0%	\$3.37	\$40.39	<b>\$562,524</b>
<b>EXPENSE ITEMS</b>					
Real Estate Taxes	(11.2%)	(11.2%)	(\$0.38)	(\$4.53)	(\$63,097)
Property Insurance	(0.6%)	(0.6%)	(\$0.02)	(\$0.25)	(\$3,482)
Common Area Maintenance	(7.4%)	(7.4%)	(\$0.25)	(\$3.00)	(\$41,784)
Utilities	(3.7%)	(3.7%)	(\$0.13)	(\$1.50)	(\$20,892)
Management Fees	(2.0%)	(2.0%)	(\$0.07)	(\$0.81)	(\$11,250)
Administrative Fees	(1.2%)	(1.2%)	(\$0.04)	(\$0.50)	(\$6,964)
Reserves	(0.4%)	(0.4%)	(\$0.01)	(\$0.15)	(\$2,089)
<b>TOTAL EXPENSES</b>	(26.6%)	(26.6%)	(\$0.89)	(\$10.74)	<b>(\$149,559)</b>
<b>NET OPERATING INCOME (NOI)</b>	73.4%	73.4%	\$2.47	\$29.65	<b>\$412,965</b>
Capitalization Rate					9.00%
Capitalized Value					\$4,588,502
<b>INDICATED VALUE</b>				<b>\$330/SF</b>	<b>\$4,590,000</b>

Rounded to nearest \$10,000

**INCOME APPROACH CONCLUSION**

The following table summarizes the opinion for market value that was developed by the direct capitalization method of the income approach.

VALUATION INDICES	AS-IS MARKET VALUE
INTEREST APPRAISED	LEASED FEE
DATE OF VALUE	JUNE 14, 2017
<b>INCOME CAPITALIZATION APPROACH</b>	
<b>Direct Capitalization</b>	<b>\$4,590,000</b>
Direct Capitalization \$/SF	\$330/SF
NOI Proforma	\$412,965
NOI \$/SF	\$29.65/SF
Capitalization Rate	9.00%
<b>INCOME CONCLUSION</b>	<b>\$4,590,000</b>
Income Conclusion \$/SF	\$330/SF

## INTRODUCTION

The Sales Comparison Approach is based on the principle of substitution, which asserts that a buyer would not pay more for a property than the value of similar properties in the market. This approach analyzes comparable sales by applying transactional and property adjustments to bracket the subject property within an appropriate unit value comparison.

## UNIT OF COMPARISON

The most relevant unit of comparison is the price per square foot of NRA. This indicator best reflects the analysis used by buyers and sellers in this market for improved properties with similar design and utility.

## COMPARABLE SELECTION

We completed a thorough search for similar improved sales in terms of property type, location, physical characteristics, and date of sale. In selecting comparables, emphasis was placed on confirming recent improved sales of properties that match the highest and best use, and buyer/seller profile of the subject property. Overall, the sales selected represent the best comparables available for this analysis.

## ADJUSTMENT PROCESS

Quantitative adjustments are made to the comparable sales. The following adjustments or general market trends were considered for the basis of valuation.

### Transactional Adjustments

Dollar adjustments to the comparable sales were considered and made when warranted for transactional adjustments in the sequence shown below:

Property Rights Transferred	The valuation of the subject site was completed on a leased fee basis. If warranted, leased fee, leasehold and/or partial interest sales were adjusted accordingly.
Financing Terms	The subject property was valued on a cash equivalent basis. Adjustments were made to the comparables involving financing terms atypical of the marketplace.
Conditions of Sale	This adjustment accounts for extraordinary motivation on the part of the buyer or seller often associated with distressed sales.
Expenditures After Purchase	Adjustments were applied if physical conditions warranted expenditures on the part of the buyer to bring the comparable up to functional standards. Most often this adjustment accounts for costs associated with deferred maintenance.
Market Conditions	Market conditions adjustments were based on a review of historical sale data, market participant interviews and review of current versus historical pricing. Based on our research, the following table summarizes the market conditions adjustment applied in this analysis.

### MARKET CONDITIONS ADJUSTMENT

Per Year As Of	June 2017	(As-Is)	0%
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The market has exhibited value stability during the time from the oldest sale date up through the effective valuation date; therefore a market conditions adjustment is not warranted.

### Property Adjustments

Quantitative percentage adjustments are also made for location and physical characteristics such as size, age, site and parking ratios, access, exposure, quality and condition, as well as other applicable elements of

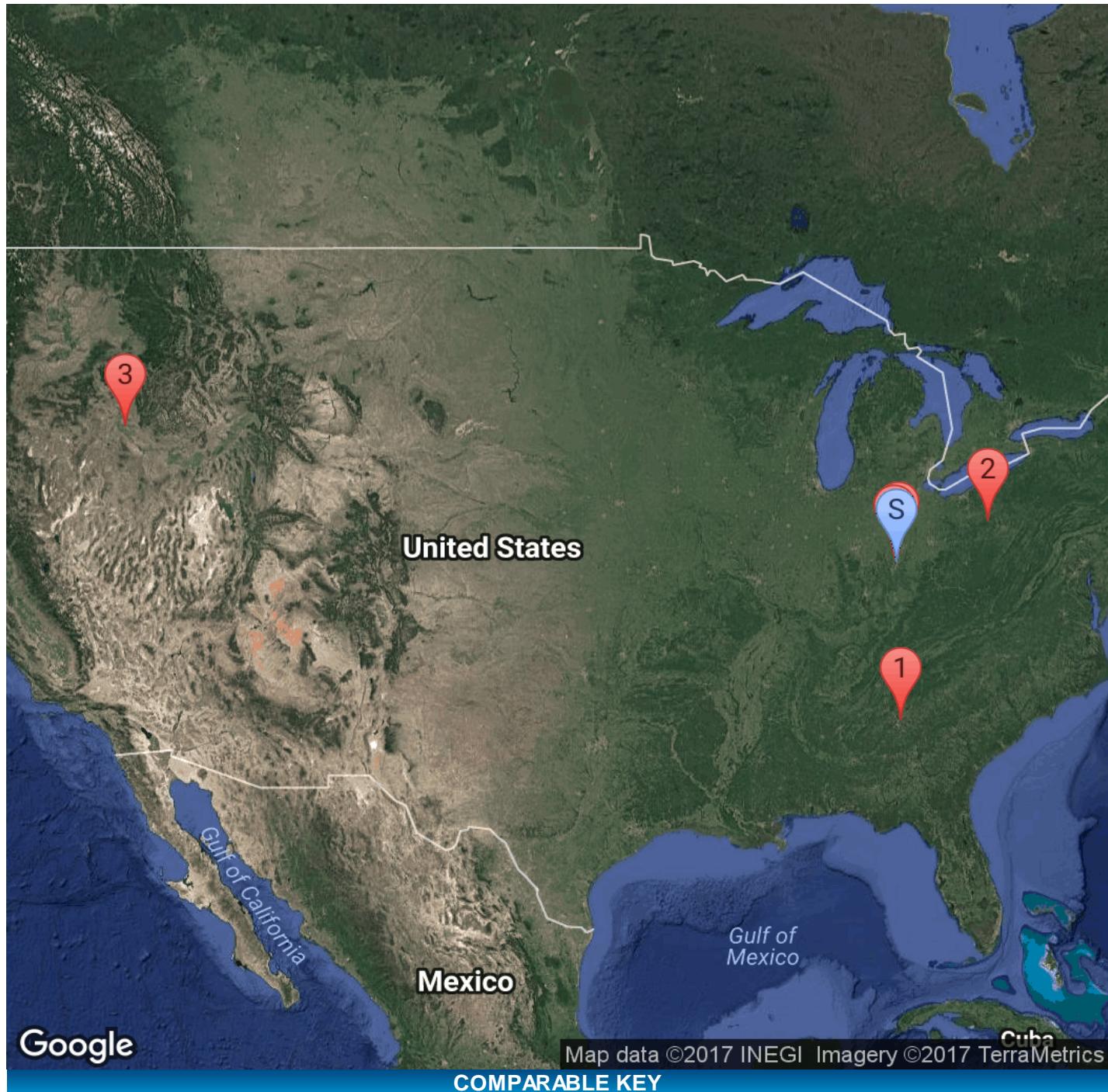
comparison. Where possible the adjustments applied are based on paired data or other statistical analysis. It should be stressed that the adjustments are subjective in nature and are meant to illustrate our logic in deriving a value opinion for the subject property.

## PRESENTATION

The following Sales Summation Table, Location Map and datasheets summarize the improved sales data. Following these items, the comparable sales are adjusted for applicable elements of comparison and the opinion of value by the Sales Comparison Approach is concluded.

IMPROVED SALES SUMMATION TABLE					
COMPARABLE	SUBJECT	COMPARABLE 1	COMPARABLE 2	COMPARABLE 3	COMPARABLE 4
<b>Name</b>	Evendale Social Security Administration	Social Security Administration	Social Security Office	Social Security Administration	Social Security Administration
<b>Address</b>	10205 Reading Road	3568 Covington Hwy	4650 Butler Ave	9715 S. Cottage Grove Ave.	3715 Tow ne Blvd
<b>City</b>	Evendale	Decatur	Farmington	Chicago	Middleton
<b>State</b>	OH	GA	NM	IL	OH
<b>Zip</b>	45241	30032	87401	60628	45005
<b>County</b>	Hamilton	DeKalb	San Juan	Cook	Warren
PHYSICAL INFORMATION					
<b>Property Type</b>	Office	Office	Office	Office	Office
<b>GBA (SF)</b>	13,928	15,750	9,245	17,300	8,704
<b>NRA (SF)</b>	13,928	15,750	9,245	17,300	8,704
<b>Land Area (AC)</b>	2.1	3.2	1.8	2.7	1.2
<b>Land Area (SF)</b>	90,605	139,392	80,150	115,358	52,272
<b>L:B Ratio</b>	6.5	8.9	8.7	6.7	6.0
<b>Location</b>	Average/Good	Average/Good	Average	Good/Excellent	Average
<b>Quality</b>	Average/Good	Average	Average/Good	Average	Average
<b>Condition</b>	Average/Good	Good	Average	Average/Good	Average/Good
<b>Exposure</b>	Average/Good	Average/Good	Average	Good/Excellent	Average
<b>Access</b>	Good	Average	Average	Good/Excellent	Average
<b>Year Built</b>	2009	2016	2000	2012	2011
SALE INFORMATION					
<b>Date</b>	3/2/2017	10/6/2015	6/30/2015	3/7/2016	
<b>Status</b>	Recorded	Recorded	Recorded	Recorded	
<b>Rights Transferred</b>	Leased Fee	Leased Fee	Leased Fee	Leased Fee	
<b>Transaction Price</b>	\$4,700,000	\$2,100,000	\$7,700,000	\$2,015,000	
<b>Analysis Price</b>	\$4,700,000	\$2,100,000	\$7,700,000	\$2,015,000	
<b>\$/SF NRA</b>	<b>\$298</b>	<b>\$227</b>	<b>\$445</b>	<b>\$232</b>	
<b>NOI/SF NRA</b>	<b>\$29.65</b>	<b>\$19.96</b>	<b>\$23.85</b>	<b>\$36.19</b>	<b>\$20.26</b>
<b>Occupancy</b>	100.0%	100.0%	100.0%	100.0%	100.0%
<b>Capitalization Rate</b>	<b>6.69%</b>	<b>10.50%</b>	<b>8.13%</b>	<b>8.75%</b>	

## SALES LOCATION MAP



## COMPARABLE KEY

COMP	DISTANCE	NAME	ADDRESS	OCC.	SALE DATE	OAR	\$/SF
SUBJECT	-	Evendale Social Security Administ	10205 Reading Road, Evendale, OH	100.0%	-	-	\$330
No. 1	379.1 Miles	Social Security Administration	3568 Covington Hwy, Decatur, GA	100.0%	3/2/2017	6.69%	\$298
No. 2	224.6 Miles	Social Security Office	4650 Butler Ave, Farmington, NM	100.0%	10/6/2015	10.50%	\$227
No. 3	1687.6 Miles	Social Security Administration Offi	9715 S. Cottage Grove Ave., Chicago, IL	100.0%	6/30/2015	8.13%	\$445
No. 4	10.8 Miles	Social Security Administration	3715 Towne Blvd, Middletown, OH	100.0%	3/7/2016	8.75%	\$232

**COMPARABLE 1****LOCATION INFORMATION**

Name	Social Security Administration
Address	3568 Covington Hwy
City, State, Zip Code	Decatur, GA, 30032
County	DeKalb
MSA	Atlanta-Sandy Springs-Marietta, GA

**SALE INFORMATION**

Buyer	Thea Westin Lambersten Revocable Trust
Seller	RP Decatur LLC
Transaction Date	03/2/2017
Transaction Status	Recorded
Transaction Price	\$4,700,000
Analysis Price	\$4,700,000
Conditions of Sale	Arms-Length

**SOCIAL SECURITY ADMINISTRATION****OPERATING INCOME**

	<u>TOTAL</u>	<u>PER SF</u>
Rent Income	N/Av	N/Av
Other Income	N/Av	N/Av
<u>Gross Income</u>	<u>N/Av</u>	<u>N/Av</u>
Vacancy & Credit Loss @ N/Av	N/Av	N/Av
Effective Gross Income	N/Av	N/Av
Expenses	N/Av	N/Av
Net Operating Income	\$314,430	\$19.96
Occupancy at Sale	100.0%	
Expense % of GI / EGI	N/Av	N/Av

**ANALYSIS INFORMATION**

Price per SF	\$298
Adjusted Price per SF	\$328
Capitalization Rate	6.69%

**CONFIRMATION**

Name	Confidential
Company	Confidential
Source	Knowledgeable Third Party
Date / Phone Number	06/27/2017

**REMARKS**

**COMPARABLE 2****LOCATION INFORMATION**

Name	Social Security Office
Address	4650 Butler Ave
City, State, Zip Code	Farmington, NM, 87401
County	San Juan
APN	0030604

**SALE INFORMATION**

Buyer	TBD
Seller	Century 21 Listing
Transaction Date	10/6/2015
Transaction Status	Recorded
Transaction Price	\$2,100,000
Analysis Price	\$2,100,000
Recording Number	TBD
Rights Transferred	Leased Fee
Conditions of Sale	TBD
Marketing Time	28 Months

**PHYSICAL INFORMATION**

Gross Building Area (GBA)	9,245
Leasable Area (NRA)	9,245
Number of Buildings	1
Year Built	2000
Parking Spaces / Ratio	21 (2.27/1,000 SF NRA)
Quality	Average/Good
Condition	Average
Appeal	Good
Building Structure	Wood
Exterior	Masonry
Site Size	1.8 Acres (80,150 SF)
Zoning	Commercial
Shape	Irregular
Topography	Level
Access	Average
Exposure	Average
Site Coverage (SF)/Ratio	11.5%

**SOCIAL SECURITY OFFICE****OPERATING INCOME**

	<u>TOTAL</u>	<u>PER SF</u>
Rent Income	N/Av	N/Av
Other Income	N/Av	N/Av
Gross Income	N/Av	N/Av
Vacancy & Credit Loss @ N/Av	N/Av	N/Av
Effective Gross Income	N/Av	N/Av
Expenses	N/Av	N/Av
Net Operating Income	\$220,500	\$23.85
Occupancy at Sale	100.0%	
Expense % of GI / EGI	N/Av	N/Av

**ANALYSIS INFORMATION**

Price per SF	\$227
Adjusted Price per SF	\$284
Capitalization Rate	10.50%

**CONFIRMATION**

Name	Gordon Crane	
Company	Century 21 SoWesCo Realty	
Source	Seller's Broker	
Date / Phone Number	10/6/2015	+1 505 325 2100

**REMARKS**

This comparable reflects a current listing of a US GSA leased government building. Location is considered good while access and exposure are also considered good. The property was built in 2000 and reflects good overall quality and condition. The cap rate reported on the listing is 10.5%. □

**COMPARABLE 3****LOCATION INFORMATION**

Name	Social Security Administration Office
Address	9715 S. Cottage Grove Ave.
City, State, Zip Code	Chicago, IL, 60628
County	Cook
MSA	Chicago-Joliet-Naperville, IL-IN-WI
APN	25-11-100-047

**SALE INFORMATION**

Buyer	UIRC, Urban Investment Research Corporation
Seller	W.D. Schorsch Real Estate
Transaction Date	06/30/2015
Transaction Status	Recorded
Transaction Price	\$7,700,000
Analysis Price	\$7,700,000
Recording Number	1518245073
Rights Transferred	Leased Fee
Conditions of Sale	Arms-Length
Marketing Time	10 Months

**PHYSICAL INFORMATION**

Gross Building Area (GBA)	17,300
Leasable Area (NRA)	17,300
Number of Buildings	1
Year Built	2012
No. of Floors	1
Parking Spaces / Ratio	88 (5.1/1,000 SF NRA)
% of Office Build-out	100%
Class	B
Quality	Average
Condition	Average/Good
Appeal	Average
Building Structure	Brick
Site Size	2.7 Acres (115,358 SF)
Topography	Level
Access	Good/Excellent
Exposure	Good/Excellent
Site Coverage (SF)/Ratio	15.0%

**SOCIAL SECURITY ADMINISTRATION OFFICE****OPERATING INCOME**

	<u>TOTAL</u>	<u>PER SF</u>
Rent Income	\$920,307	\$53.20
Other Income	\$0	\$0.00
Gross Income	\$920,307	\$53.20
Vacancy & Credit Loss @ 0.0%	\$0	\$0.00
Effective Gross Income	\$920,307	\$53.20
Expenses	<b>(\$294,297)</b>	<b>(\$17.01)</b>
Net Operating Income	\$626,010	\$36.19
Occupancy at Sale	100.0%	
Expense % of GI / EGI	32%	32%

**ANALYSIS INFORMATION**

Price per SF	\$445
Adjusted Price per SF	\$356
Capitalization Rate	8.13%

**CONFIRMATION**

Name	Confidential	
Company	Confidential	
Source	Tenant	
Date / Phone Number	02/22/2016	Confidential

**REMARKS**

This is a single-tenant office property that is fully leased to the Social Security Administration until October 3, 2027. The property was awarded LEED Silver certification in 2013.

**COMPARABLE 4****LOCATION INFORMATION**

Name	Social Security Administration
Address	3715 Tow ne Blvd
City, State, Zip Code	Middletow n, OH, 45005
County	Warren
MSA	Cincinnati-Middletow n, OH-KY-IN
APN	07031200070

**SALE INFORMATION**

Buyer	1230 Abbe, Ltd
Seller	Three Man Ohio, LLC
Transaction Date	03/7/2016
Transaction Status	Recorded
Transaction Price	\$2,015,000
Analysis Price	\$2,015,000
Rights Transferred	Leased Fee
Conditions of Sale	Arms-Length

**SOCIAL SECURITY ADMINISTRATION****OPERATING INCOME**

		<u>TOTAL</u>	<u>PER SF</u>
Gross Building Area (GBA)	8,704	N/Av	N/Av
Leasable Area (NRA)	8,704	N/Av	N/Av
Number of Buildings	1	N/Av	N/Av
Year Built	2011	N/Av	N/Av
No. of Floors	1	N/Av	N/Av
Parking Spaces / Ratio	36 (4.60/1,000 SF NRA)		
% of Office Build-out	100%		
Class	B		
Quality	Average		
Condition	Average/Good		
Appeal	Good		
Building Structure	Masonry		
Site Size	1.2 Acres (52,272 SF)		
Access	Average		
Exposure	Average		
Site Coverage (SF)/Ratio	16.7%		

Rent Income	N/Av	N/Av
Other Income	N/Av	N/Av
Gross Income	N/Av	N/Av
Vacancy & Credit Loss @ N/Av	N/Av	N/Av
Effective Gross Income	N/Av	N/Av
Expenses	(\$51,998)	(\$5.97)
Net Operating Income	\$176,312	\$20.26
Occupancy at Sale	100.0%	
Expense % of GI / EGI	#DIV/0!	#DIV/0!

**ANALYSIS INFORMATION**

Price per SF	\$232
Adjusted Price per SF	\$290
Capitalization Rate	8.75%

**CONFIRMATION**

Name	Confidential	
Company	Confidential	
Source	Appraiser	
Date / Phone Number	06/27/2017	Confidential

**REMARKS**

IMPROVED SALES ADJUSTMENT TABLE					
COMPARABLE	SUBJECT	COMPARABLE 1	COMPARABLE 2	COMPARABLE 3	COMPARABLE 4
<b>Name</b>	Evendale Social Security Administration	Social Security Administration	Social Security Office	Social Security Administration Office	Social Security Administration
<b>Address</b>	10205 Reading Road	3568 Covington Hwy	4650 Butler Ave	9715 S. Cottage Grove Ave.	3715 Tow ne Blvd
<b>City, State</b>	Evendale, OH	Decatur, GA	Farmington, NM	Chicago, IL	Middleton n, OH
<b>Zip</b>	45241	30032	87401	60628	45005
<b>GBA</b>	13,928	15,750	9,245	17,300	8,704
<b>NRA (SF)</b>	13,928	15,750	9,245	17,300	8,704
<b>Land Area (AC)</b>	2.1	3.2	1.8	2.7	1.2
<b>Land Area (SF)</b>	90,605	139,392	80,150	115,358	52,272
<b>Location</b>	Average/Good	Average/Good	Average	Good/Excellent	Average
<b>Quality</b>	Average/Good	Average	Average/Good	Average	Average
<b>Condition</b>	Average/Good	Good	Average	Average/Good	Average/Good
<b>Exposure</b>	Average/Good	Average/Good	Average	Good/Excellent	Average
<b>Access</b>	Good	Average	Average	Good/Excellent	Average
<b>Year Built</b>	2009	2016	2000	2012	2011
SALE INFORMATION					
<b>Date</b>	3/2/2017	10/6/2015	6/30/2015	3/7/2016	
<b>Status</b>	Recorded	Recorded	Recorded	Recorded	
<b>Rights Transferred</b>	Leased Fee	Leased Fee	Leased Fee	Leased Fee	
<b>Analysis Price</b>	\$4,700,000	\$2,100,000	\$7,700,000	\$2,015,000	
<b>\$/SF NRA</b>	\$298	\$227	\$445	\$232	
<b>NOI/SF NRA</b>	\$29.65	\$19.96	\$23.85	\$36.19	\$20.26
<b>Occupancy</b>	100.0%	100.0%	100.0%	100.0%	100.0%
TRANSACTIONAL ADJUSTMENTS					
<b>Property Rights</b>	0%	0%	0%	0%	
<b>Conditions of Sale</b>	0%	0%	0%	0%	
<b>Financing</b>	0%	0%	0%	0%	
<b>Expenditures After the Sale</b>	0%	0%	0%	0%	
<b>Market Conditions<sup>1</sup></b>	0%	0%	0%	0%	
<b>Subtotal Transactional Adj Price</b>	\$298	\$227	\$445	\$232	
PROPERTY ADJUSTMENTS					
<b>Location</b>	0%	5%	-10%	5%	
<b>Size</b>	0%	0%	0%	0%	
<b>Quality</b>	5%	0%	5%	5%	
<b>Condition</b>	-5%	5%	0%	0%	
<b>Exposure</b>	0%	5%	-10%	5%	
<b>Access</b>	10%	10%	-5%	10%	
<b>Subtotal Property Adjustment</b>	10%	25%	-20%	25%	
<b>TOTAL ADJUSTED PRICE</b>	<b>\$328</b>	<b>\$284</b>	<b>\$356</b>	<b>\$290</b>	
<b>STATISTICS</b>	<b>UNADJUSTED</b>	<b>ADJUSTED</b>			
<b>LOW</b>	\$227	\$284			
<b>HIGH</b>	\$445	\$356			
<b>MEDIAN</b>	\$265	\$309			
<b>AVERAGE</b>	\$301	\$315			

<sup>1</sup> Market Conditions Adjustment: 0%

Date of Value (for adjustment calculations): 6/14/17

## SALES COMPARABLE ANALYSIS

### Introduction

The comparable sales indicate an adjusted value range from \$284 to \$356/SF, with a median of \$309/SF and an average of \$315/SF. The range of total gross adjustment applied to the comparables was from 20% to 30%, with an average gross adjustment across all comparables of 25%. The level of total adjustment applied to the comparables is considered minimal, an indication that the dataset is applicable to the subject and increases the credibility of the analysis. The adjustment process for each comparable sale is discussed in the following paragraphs.

### Discussion of Adjustments

Comparable 1 (\$328/SF as adjusted) did not require any transaction adjustments. This comparable required a total upward adjustment of 10% for property characteristics. The comparable is adjusted for its inferior quality and access, which is offset by its superior condition. The total gross adjustment applied to this comparable was 20%. The moderate level of gross adjustments required for this comparable indicates that it can be adequately relied upon for valuation of the subject. This comparable is given primary consideration as a value indicator for the subject.

Comparable 2 (\$284/SF as adjusted) did not require any transaction adjustments. This comparable required a total upward adjustment of 25% for property characteristics. The comparable is adjusted for its inferior location, condition, exposure and access. The total gross adjustment applied to this comparable was 25%. The moderate level of gross adjustments required for this comparable indicates that it can be adequately relied upon for valuation of the subject. This comparable is given secondary consideration as a value indicator for the subject.

Comparable 3 (\$356/SF as adjusted) did not require any transaction adjustments. This comparable required a total downward adjustment of -20% for property characteristics. The comparable is adjusted for its superior location, exposure and access, which is offset by its inferior quality. The total gross adjustment applied to this comparable was 30%. The moderate level of gross adjustments required for this comparable indicates that it can be adequately relied upon for valuation of the subject. This comparable is given secondary consideration as a value indicator for the subject.

Comparable 4 (\$290/SF as adjusted) did not require any transaction adjustments. This comparable required a total upward adjustment of 25% for property characteristics. The comparable is adjusted for its inferior location, quality, exposure and access. The total gross adjustment applied to this comparable was 25%. The moderate level of gross adjustments required for this comparable indicates that it can be adequately relied upon for valuation of the subject. This comparable is given secondary consideration as a value indicator for the subject.

## SALES COMPARISON APPROACH CONCLUSION

The comparable sales indicate an adjusted value range from \$284 to \$356/SF, with a median of \$309/SF and an average of \$315/SF. Based on the results of the preceding analysis, Comparable 1 (\$328/SF adjusted) is given primary consideration for the subject's opinion of value.

The following table summarizes the analysis of the comparables, reports the reconciled price per NRA value conclusion, and presents the concluded value of the subject property.

SALES COMPARISON APPROACH CONCLUSION (NRA)								
COMP	ANALYSIS PRICE	ADJUSTMENT				NET	GROSS	OVERALL COMPARISON
		TRANSACTIONAL <sup>1</sup>	ADJUSTED	PROPERTY <sup>2</sup>	FINAL	ADJ %	ADJ %	
1	\$298	0%	\$298	10%	\$328	10%	20%	PRIMARY
2	\$227	0%	\$227	25%	\$284	25%	25%	SECONDARY
3	\$445	0%	\$445	-20%	\$356	-20%	30%	SECONDARY
4	\$232	0%	\$232	25%	\$290	25%	25%	SECONDARY
LOW	\$284					AVERAGE		\$315
HIGH	\$356					MEDIAN		\$309
		SUBJECT SF	\$/SF CONCLUSION				VALUE	
<b>INDICATED VALUE</b>		13,928	x	\$330/SF	=		<b>\$4,600,000</b>	

<sup>1</sup>Cumulative <sup>2</sup>Additive

Rounded to nearest \$10,000

## INTRODUCTION

The Reconciliation of Value Conclusions is the final step in the appraisal process and involves the weighing of the individual valuation techniques in relationship to their substantiation by market data, and the reliability and applicability of each valuation technique to the subject property. Understanding the profiles of potential buyers and their typical reliance on each approach to value strongly influences the weighting process.

In the open market, the subject property type would command most interest from national and regional buyers that are actively pursuing similar quality investment properties. There is currently steady buyer demand for substitute properties of the subject based on the volume of sale transactions and reports by buyers, sellers and other market participants during confirmation of market transactions. The most probable buyer is a national and regional investor.

As previously discussed, the **Cost Approach** was not presented in this analysis. Lack of the Cost Approach does not diminish the results of the analysis, due to the difference in construction costs across developers, and market participants do not rely on this approach.

The price per unit method has been presented in the **Sales Comparison Approach**. There have been a sufficient number of recent sales of properties similar to the subject in the single tenant net leased market in the current market conditions, which increases the validity of this approach. Recognizing the shifting market conditions, investors would typically give secondary weight to the Sales Comparison Approach in determining value. Therefore, secondary emphasis is given to the Sales Comparison Approach in this analysis.

The **Income Approach** to value is generally considered to be the best and most accurate measure of the value of income-producing properties. In this analysis, the Direct Capitalization method was developed into a final Income Approach value. The value estimate by this approach best reflects the analysis that knowledgeable buyers and sellers carry out in their decision-making processes regarding this type of property. Sufficient market data was available to reliably estimate gross income, vacancy, expenses and capitalization rates for the subject property. The Income Approach is given primary emphasis in the analysis. This is considered appropriate, as the subject property is income producing.

## PRESENTATION OF VALUE CONCLUSIONS

Our opinion of value reflects current conditions and the likely actions of market participants as of the date of value. It is based on the available information gathered and provided to us, as presented in this report, and does not predict future performance. Changing market or property conditions can and likely will have an effect on the subject's value.

The following table summarizes our final opinion of the As-Is Market Value of the subject property's leased fee interest. At the request of the client we have also completed an Insurable Replacement Cost Estimate.

ANALYSIS OF VALUE CONCLUSIONS	
<b>VALUATION INDICES</b>	<b>AS-IS MARKET VALUE</b>
<b>INTEREST APPRAISED</b>	<b>LEASED FEE</b>
<b>DATE OF VALUE</b>	<b>JUNE 14, 2017</b>
Sales Comparison Approach	\$4,600,000
Income Approach	\$4,590,000
<b>FINAL VALUE CONCLUSION</b>	<b>\$4,590,000</b>
\$/SF	\$330/SF
Exposure Time	Six Months or Less
Marketing Period	Six Months or Less
<b>OTHER CONCLUSIONS</b>	<b>JUNE 14, 2017</b>
Insurable Replacement Cost	\$1,810,000

We certify that, to the best of our knowledge and belief:

- › The statements of fact contained in this report are true and correct.
- › The reported analyses, opinions, and conclusions of the signers are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- › The signers of this report has no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.
- › James Scott, MAI, MICP has performed no services, as an appraiser or in any other capacity regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment. Katherine Boro has performed no services, as an appraiser or in any other capacity regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- › The signers are not biased with respect to the property that is the subject of this report or to the parties involved with this assignment.
- › The engagement in this assignment was not contingent upon developing or reporting predetermined results.
- › The 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 this appraisal.
- › The reported analysis, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice* and the *Code of Professional Ethics and Standards of Professional Appraisal Practice* of the Appraisal Institute.
- › James Scott, MAI, MICP did not inspect the property that is the subject of this report. Katherine Boro inspected the property that is the subject of this report.
- › No one provided significant real property appraisal assistance to appraisers signing this certification.

# CERTIFICATION OF APPRAISAL

CONTINUED

CMH170331

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 James Scott, MAI, MICP completed the continuing education program for Designated Members of the Appraisal Institute.

As of the date of this report Katherine Boro has completed the Standards and Ethics Education Requirement for (Candidates or Practicing Affiliates) of the Appraisal Institute.



June 28, 2017

Date

James Scott, MAI, MICP  
Senior Valuation Specialist  
Certified General Real Estate Appraiser  
State of Ohio License #2008002501  
+1 614 437 4691  
james.r.scott@colliers.com



June 28, 2017

Date

Katherine Boro  
Valuation Analyst II  
Certified General Real Estate Appraiser  
State of Ohio License #2014004526  
+1 614 437 4684  
katherine.boro@colliers.com

This appraisal is subject to the following assumptions and limiting conditions:

- › The appraisers may or may not have been provided with a survey of the subject property. If further verification is required, a survey by a registered surveyor is advised.
- › We assume no responsibility for matters legal in character, nor do we render any opinion as to title, which is assumed to be marketable. All existing liens, encumbrances, and assessments have been disregarded, unless otherwise noted, and the property is appraised as though free and clear, under responsible ownership, and competent management.
- › The exhibits in this report are included to assist the reader in visualizing the property. We have made no survey of the property and assume no responsibility in connection with such matters.
- › Unless otherwise noted herein, it is assumed that there are no encroachments, zoning, or restrictive violations existing in the subject property.
- › The appraisers assume no responsibility for determining if the property requires environmental approval by the appropriate governing agencies, nor if it is in violation thereof, unless otherwise noted herein.
- › Information presented in this report has been obtained from reliable sources, and it is assumed that the information is accurate.
- › This report shall be used for its intended purpose only, and by the party to whom it is addressed. Possession of this report does not include the right of publication.
- › The appraisers may not be required to give testimony or to appear in court by reason of this appraisal, with reference to the property in question, unless prior arrangements have been made therefore.
- › The statements of value and all conclusions shall apply as of the dates shown herein.
- › There is no present or contemplated future interest in the property by the appraisers which is not specifically disclosed in this report.
- › Without the written consent or approval of the authors neither all, nor any part of, the contents of this report shall be conveyed to the public through advertising, public relations, news, sales, or other media. This applies particularly to value conclusions and to the identity of the appraisers and the firm with which the appraisers are connected.
- › This report must be used in its entirety. Reliance on any portion of the report independent of others, may lead the reader to erroneous conclusions regarding the property values. Unless approval is provided by the authors no portion of the report stands alone.
- › The valuation stated herein assumes professional management and operation of the buildings throughout the lifetime of the improvements, with an adequate maintenance and repair program.
- › The liability of Colliers International Valuation & Advisory Services, its principals, agents, and employees is limited to the client. Further, there is no accountability, obligation, or liability to any third party. If this report is placed in the hands of anyone other than the client, the client shall make such party aware of all limiting conditions and assumptions of the assignment and related discussions. The appraisers are in no way responsible for any costs incurred to discover or correct any deficiency in the property.
- › The appraisers are not qualified to detect the presence of toxic or hazardous substances or materials which may influence or be associated with the property or any adjacent properties, has made no investigation or analysis as to the presence of such materials, and expressly disclaims any duty to note the degree of fault. Colliers International Valuation & Advisory Services and its principals, agents, employees, shall not be liable for any costs, expenses, assessments, or penalties, or diminution in value, property

damage, or personal injury (including death) resulting from or otherwise attributable to toxic or hazardous substances or materials, including without limitation hazardous waste, asbestos material, formaldehyde, or any smoke, vapors, soot, fumes, acids, alkalis, toxic chemicals, liquids, solids or gasses, waste materials or other irritants, contaminants or pollutants.

- › The appraisers assume no responsibility for determining if the subject property complies with the *Americans with Disabilities Act (ADA)*. Colliers International Valuation & Advisory Services, its principals, agents, and employees, shall not be liable for any costs, expenses, assessments, penalties or diminution in value resulting from non-compliance. This appraisal assumes that the subject meets an acceptable level of compliance with *ADA* standards; if the subject is not in compliance, the eventual renovation costs and/or penalties would negatively impact the present value of the subject. If the magnitude and time of the cost were known today, they would be reduced from the reported value conclusion.
- › An on-site inspection of the subject property was conducted. No evidence of asbestos materials on-site was noted. A Phase 1 Environmental Assessment was not provided for this analysis. This analysis assumes that no asbestos or other hazardous materials are stored or found in or on the subject property. If evidence of hazardous materials of any kind occurs, the reader should seek qualified professional assistance. If hazardous materials are discovered and if future market conditions indicate an impact on value and increased perceived risk, a revision of the concluded values may be necessary.
- › A detailed soils study was not provided for this analysis. The subject's soils and sub-soil conditions are assumed to be suitable based upon a visual inspection, which did not indicate evidence of excessive settling or unstable soils. No certification is made regarding the stability or suitability of the soil or sub-soil conditions.
- › This analysis assumes that the financial information provided for this appraisal, including rent rolls and historical income and expense statements; accurately reflect the current and historical operations of the subject property.

- Insurable Replacement Cost
- Engagement Letter
- Valuation Glossary
- Qualifications of Appraisers
- Qualifications of Colliers International Valuation & Advisory Services

## INSURABLE REPLACEMENT COST

At the client's request, we have included an estimate of the insurable replacement cost estimate of the subject improvements, which represents the replacement cost new of the subject improvements, exclusive of land value and profit, and the costs associated with excavation, site work, foundations and architects fees. Insurance coverage is usually specific to a given project. We have not been provided with the specific policy requirements, which limit the reliability of the conclusion. Insurable replacement cost is a matter of underwriting as opposed to valuation. Users of this report should not construe the conclusion of insurable value to be an indication of market value. The insurable estimate is made using base costs and multiplier adjustments for market conditions and location from *Marshall Valuation Service*, which is assumed to accurately reflect replacement cost of the subject. We assume no liability as to the subject's insurable replacement cost and recommend that an estimate from a reputable insurance company be obtained if further assurance is required.

The following chart summarizes the insurable replacement cost estimate:

INSURABLE REPLACEMENT COST		
MARSHALL VALUATION SERVICE DIRECT COST		
Number of Buildings		1
Gross Building Area	13,928 SF	1
MVS Building Type		Office
Number of Stories		1
Height per Story		18'
Component Description		Office Building
MVS Section/Page/Class		15/17/D
MVS Publication Date		6/1/2017
Quality Rating		Good
Component SF (Gross)		13,928
<b>DIRECT COSTS PER SF</b>		<b>\$144.49</b>
Component SF (Gross)		13,928
<b>FINAL TOTAL REPLACEMENT COST NEW</b>		<b>\$2,012,471</b>
<b>BASE IMPROVEMENT COST</b>		<b>\$2,012,471</b>
Demolition	0%	\$0
Insurable Replacement Cost Exclusions	10%	<b>(\$201,247)</b>
<b>Insurable Replacement Cost</b>		<b>\$1,810,000</b>

<sup>1</sup>Colliers International Estimate

to nearest \$10,000

PARK NATIONAL CORPORATION APPRAISAL ENGAGEMENT LETTER

**PARK NATIONAL BANK-SOUTHWEST** DIV OF THE PARK NATIONAL BANK REQUESTS **COLLIERS INTERNATIONAL** TO PREPARE AN APPRAISAL REPORT BASED ON THE FOLLOWING:

**TYPE OF REPORT: APPRAISAL REPORT**

**PURPOSE OF APPRAISAL: TO ESTIMATE FAIR MARKET VALUE**

**BORROWER NAME: JUDITH S LYONS HOLDINGS, MALOTT NYHART LLC & BB&K LLC**

**PURPOSE OF FINANCING: ACQUIRE REAL ESTATE**

**PROPERTY TYPE: OFFICE**

**DESCRIPTION (IF NECESSARY):** 13,928 s.f. office building built in 2009 that houses the US Government's Social Security Administration building; This purchase is part of a 1031 like-kind exchange that MUST close by NO LATER THAN July 5, 2017.

**PROPERTY TO BE APPRAISED:** 10205 READING ROAD EVENDALE OHIO 45241

**PROPERTY CONTACT:** NAME GAIL CAUGHLIN  
PHONE (513) 871-6885  
EMAIL gailssmith@fuse.net

**INTEREST TO BE APPRAISED:** FEE SIMPLE

**VALUATION:** AS IS AND INSURABLE REPLACEMENT COST

**INTENDED USER:** PARK NATIONAL BANK-SOUTHWEST DIVISION OF THE PARK NATIONAL BANK

**APPRAISAL FEE:** \$4000.00

**TIME FRAME FOR COMPLETION:** 3 WEEKS

**DELIVER REPORT TO:** PARK NATIONAL BANK-SOUTHWEST DIVISION OF THE PARK NATIONAL BANK

ATTENTION: COMMERCIAL APPRAISAL DEPARTMENT  
ADDRESS: 143 W MAIN STREET  
CSZ: LANCASTER, OHIO 43130  
PHONE: 937-548-2122 (Kendall) or 740-681-8214 (Tara)  
E-MAIL: pnbcommercialappraisals@parknationalbank.com

**DOCUMENTS ATTACHED:** PURCHASE CONTRACT

**INSTRUCTIONS TO APPRAISER:** The reported analyses, opinions, and conclusions must be developed, and the report prepared, in conformity with the requirements of the Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice.

**SCOPE OF WORK:** Based on the purpose of financing as stated above, the appraiser is to develop the type, and determine the extent, of research and analysis that is necessary to produce a credible result for this assignment.

Thank you,

Kendall Fisk

6/7/2017

Appraiser Acknowledgement

Bruce Nell

Date

6/7/2017

Date

# Valuation Glossary

Valuation & Advisory Services



## CONTACT DETAILS

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Unless specified otherwise, these definitions were extracted from the following sources or publications:

*The Dictionary of Real Estate Appraisal*, Sixth Edition, Appraisal Institute, Chicago, Illinois, 2015 (*Dictionary*).

*Uniform Standards of Professional Appraisal Practice*, 2016-2017 Edition (USPAP).

*The Appraisal of Real Estate*, Fourteenth Edition, Appraisal Institute, Chicago, Illinois, 2013 (14<sup>th</sup> Edition).

### Absolute Net Lease

A lease in which the tenant pays all expenses including structural maintenance, building reserves, and management; often a long-term lease to a credit tenant. (*Dictionary*)

### Ad Valorem Tax

A real estate tax based on the assessed value of the property, which is not necessarily equivalent to its market value. (14<sup>th</sup> Edition)

### Aggregate of Retail Values (ARV)

The sum of the separate and distinct market value opinions for each of the units in a condominium; subdivision development, or portfolio of properties, as of the date of valuation. The aggregate of retail values does not represent the value of all the units as sold together in a single transaction; it is simply the total of the individual market value conclusions. Also called *sum of the retail values*. (*Dictionary*)

### Arm's-length Transaction

A transaction between unrelated parties who are each acting in his or her own best interest. (*Dictionary*)

### As-Is Market Value

The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date. (*Dictionary*)

### Assessed Value

The value of a property according to the tax rolls in ad valorem taxation; may be higher or lower than market value, or based on an assessment ratio that is a percentage of market value. (14<sup>th</sup> Edition)

### Average Daily Room Rate (ADR)

In the lodging industry, the net rooms revenue derived from the sale of guest rooms divided by the number of paid occupied rooms. (*Dictionary*)

### Band of Investment

A technique in which the capitalization rates attributable to components of an investment are weighted and combined to derive a weighted-average rate attributable to the total investment. (*Dictionary*)

### Cash-Equivalent Price

The price of a property with nonmarket financing expressed as the price that would have been paid in an all-cash sale. (*Dictionary*)

### Common Area

The total area within a property that is not designed for sale or rental but is available for common use by all owners, tenants, or their invitees, e.g., parking and its appurtenances, malls, sidewalks, landscaped areas, recreation areas, public toilets, truck and service facilities. (*Dictionary*)

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### Contract Rent

The actual rental income specified in a lease.  
(*14th Edition*)

### Cost Approach

A set of procedures through which a value indication is derived for the fee simple interest in a property by estimating the current cost to construct a reproduction of (or replacement for) the existing structure, including an entrepreneurial incentive; deducting depreciation from the total cost; and adding the estimated land value. Adjustments may then be made to the indicated fee simple value of the subject property to reflect the value of the property interest being appraised. (*14th Edition*)

### Curable Functional Obsolescence

An element of depreciation; a curable defect caused by a flaw in the structure, materials, or design, which can be practically and economically corrected. (*Dictionary*)

### Debt Coverage Ratio (DCR)

The ratio of net operating income to annual debt service, which measures the relative ability of a property to meet its debt service out of net operating income; also called *debt service coverage ratio (DSCR)*. (*Dictionary*)

### Deferred Maintenance

Items of wear and tear on a property that should be fixed now to protect the value or income-producing ability of a property. (*Dictionary*)

### Depreciation

In appraisal, a loss in property value from any cause; the difference between the cost of an improvement on the effective date of the appraisal and the market value of the improvement on the same date. (*Dictionary*)

### Direct Costs

Expenditures for the labor and materials used in the construction of improvements; also called *hard costs*. (*Dictionary*)

### Discounted Cash Flow (DCF) Analysis

The procedure in which a discount rate is applied to a set of projected income streams and a reversion. The analyst specifies the quantity, variability, timing, and duration of the income streams and the quantity and timing of the reversion, and discounts each to its present value at a specified yield rate. (*Dictionary*)

### Discount Rate

A rate of return on capital used to convert future payments or receipts into present value; usually considered to be a synonym for *yield rate*. (*Dictionary*)

### Disposition Value

The most probable price that a specified interest in property should bring under the following conditions:

1. Consummation of a sale within a specified time, which is shorter than the typical exposure time for such a property in that market.
2. The property is subjected to market conditions prevailing as of the date of valuation.
3. Both the buyer and seller are acting prudently and knowledgeably.
4. The seller is under compulsion to sell.
5. The buyer is typically motivated.
6. Both parties are acting in what they consider their best interests.
7. An adequate marketing effort will be made during the exposure time.

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8. Payment will be made in cash in U.S. dollars (or the local currency) or in terms of financial arrangements comparable thereto.

9. 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 sale.

This definition can also be modified to provide for valuation with specified financing terms. (*Dictionary*)

### Easement

The right to use another's land for a stated purpose. Access or right-of-way easements may be acquired by private parties or public utilities. Governments may be the beneficiaries of easements placed on privately owned land that is dedicated to conservation, open space, or preservation. (*14<sup>th</sup> Edition*)

### Economic Life

The period over which improvements to real property contribute to property value. (*Dictionary*)

### Effective Age

The age of property that is based on the amount of observed deterioration and obsolescence it has sustained, which may be different from its chronological age. (*Dictionary*)

### Effective Date

The date on which the appraisal or review opinion applies (SVP) (*Dictionary*)

### Effective Gross Income (EGI)

The anticipated income from all operations of the real estate after an allowance is made for vacancy and collection losses and an addition is made for any other income. (*Dictionary*)

### Effective Gross Income Multiplier (EGIM)

The ratio between the sale price (or value) of a property and its effective gross income. (*Dictionary*)

### Effective Rent

The rental rate net of financial concessions such as periods of free rent during the lease term and above or below-market tenant improvements (TIs). (*14<sup>th</sup> Edition*)

### Eminent Domain

The right of government to take private property for public use upon the payment of just compensation. The Fifth Amendment of the U.S. Constitution, also known as the *takings clause*, guarantees payment of just compensation upon appropriation of private property. (*Dictionary*)

### Entrepreneurial Incentive

The amount an entrepreneur expects to receive for his or her contribution to a project. Entrepreneurial incentive may be distinguished from entrepreneurial profit (often called *developer's profit*) in that it is the expectation of future profit as opposed to the profit actually earned on a development or improvement. (*Dictionary*)

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### Entrepreneurial Profit

A market-derived figure that represents the amount an entrepreneur receives for his or her contribution to a project and risk; the difference between the total cost of a property (cost of development) and its market value (property value after completion), which represents the entrepreneur's compensation for the risk and expertise associated with development. An entrepreneur is motivated by the prospect of future value enhancement (i.e., the entrepreneurial incentive). An entrepreneur who successfully creates value through new development, expansion, renovation, or an innovative change of use is rewarded by entrepreneurial profit. Entrepreneurs may also fail and suffer losses. (*Dictionary*)

### Excess Land

Land that is not needed to serve or support the existing improvement. The highest and best use of the excess land may or may not be the same as the highest and best use of the improved parcel. Excess land has the potential to be sold separately and is valued separately. (*Dictionary*)

### Excess Rent

The amount by which contract rent exceeds market rent at the time of the appraisal; created by a lease favorable to the landlord (lessor) and may reflect unusual management, unknowledgeable or unusually motivated parties, a lease execution in an earlier, stronger rental market, or an agreement of the parties. Due to the higher risk inherent in the receipt of excess rent, it may be calculated separately and capitalized or discounted at a higher rate in the income capitalization approach. (*14<sup>th</sup> Edition*)

### Expense Stop

A clause in a lease that limits the landlord's expense obligation, which results in the lessee paying any operating expenses above a stated level or amount. (*Dictionary*)

### Exposure Time

The estimated length of time that 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 the appraisal; Comment: Exposure time is a retrospective opinion based on an analysis of past events assuming a competitive and open market. (*Dictionary*)

### External Obsolescence

A type of depreciation; a diminution in value caused by negative external influences and generally incurable on the part of the owner, landlord, or tenant. The external influence may be temporary or permanent. (*Dictionary*)

### Extraordinary Assumption

An assumption, directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser's opinions or conclusions. Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property such as market conditions or trends; or about the integrity of data used in an analysis. An extraordinary assumption may be used in an assignment only if:

- It is required to properly develop credible opinions and conclusions;
- The appraiser has a reasonable basis for the extraordinary assumption;
- Use of the extraordinary assumption results in a credible analysis; and
- The appraiser complies with the disclosure requirements set forth in USPAP for extraordinary assumptions. (USPAP)

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### Fair Market Value

In nontechnical usage, a term that is equivalent to the contemporary usage of *market value*.

As used in condemnation, litigation, income tax, and property tax situations, a term that is similar in concept to market value but may be defined explicitly by the relevant agency. (*Dictionary*)

### Feasibility Analysis

A study of the cost-benefit relationship of an economic endeavor. (*USPAP*)

### Fee Simple Estate

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. (*Dictionary*)

### Floor Area Ratio (FAR)

The relationship between the above-ground floor area of a building, as described by the zoning or building code, and the area of the plot on which it stands; in planning and zoning, often expressed as a decimal, e.g., a ratio of 2.0 indicates that the permissible floor area of a building is twice the total land area. (*Dictionary*)

### Functional Obsolescence

The impairment of functional capacity of improvements according to market tastes and standards. (*Dictionary*)

### Functional Utility

The ability of a property or building to be useful and to perform the function for which it is intended according to current market tastes and standards; the efficiency of a building's use in terms of architectural style, design and layout, traffic patterns, and the size and type of rooms. (*Dictionary*)

### Furniture, Fixtures, and Equipment (FF&E)

Business trade fixtures and personal property, exclusive of inventory. (*Dictionary*)

### Going-concern

An established and operating business having an indefinite future life. (*Dictionary*)

### Going-concern Value

An outdated label for the market value of all the tangible and intangible assets of an established and operating business with an indefinite life, as if sold in aggregate; more accurately termed the *market value of the going concern* or *market value of the total assets of the business*. (*Dictionary*)

### Gross Building Area (GBA)

Total floor area of a building, excluding unenclosed areas, measured from the exterior of the walls of the above-grade area. This includes mezzanines and basements if and when typically included in the market area of the type of property involved. (*Dictionary*)

### Gross Leasable Area (GLA) - Commercial

Total floor area designed for the occupancy and exclusive use of tenants, including basements and mezzanines; measured from the center of joint partitioning to the outside wall surfaces. (*Dictionary*)

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### Gross Living Area (GLA) - Residential

Total area of finished, above-grade residential area; calculated by measuring the outside perimeter of the structure and includes only finished, habitable, above-grade living space. (Finished basements and attic areas are not generally included in total gross living area. Local practices, however, may differ.) (*Dictionary*)

### Highest & Best Use

The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity. The use of an asset that maximizes its potential and that is possible, legally permissible, and financially feasible. The highest and best use may be for continuation of an asset's existing use or for some alternative use. This is determined by the use that a market participant would have in mind for that asset when formulating the price that it would be willing to bid (IVS). (*Dictionary*)

### Hypothetical Condition

A condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis. Hypothetical conditions are contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis. (*USPAP*)

### Income Capitalization Approach

In the income capitalization approach, an appraiser analyzes a property's capacity to generate future benefits and capitalizes the income into an indication of present value. The principle of anticipation is fundamental to this approach. Techniques and procedures from this approach are used to analyze comparable sales data and to measure obsolescence in the cost approach. (*14th Edition*)

### Incurable Functional Obsolescence

An element of depreciation; a defect caused by a deficiency or superadequacy in the structure, materials, or design that cannot be practically or economically corrected as of the effective date of the appraisal. (*Dictionary*)

### Indirect Costs

Expenditures or allowances for items other than labor and materials that are necessary for construction, but are not typically part of the construction contract. Indirect costs may include administrative costs, professional fees, financing costs and the interest paid on construction loans, taxes and the builder's or developer's all-risk insurance during construction, and marketing, sales, and lease-up costs incurred to achieve occupancy or sale. Also called *soft costs*. (*Dictionary*)

### Insurable Replacement Cost

The cost estimate, at current prices as of the effective date of valuation, of a substitute for the building being valued, using modern materials and current standards, design and layout for insurance coverage purposes guaranteeing that damaged property is replaced with a new property (i.e., depreciation is not deducted). (*Dictionary*)

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#### Interim Use

The temporary use to which a site or improved property is put until a different use becomes maximally productive. (*Dictionary*)

9. 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 sale.

This definition can also be modified to provide for valuation with specified financing terms. (*Dictionary*)

#### Investment Value

The value of a property to a particular investor or class of investors based on the investor's specific requirements. Investment value may be different from market value because it depends on a set of investment criteria that are not necessarily typical of the market. (*Dictionary*)

#### Leased Fee Interest

The ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversion right when the lease expires. (*Dictionary*)

#### Liquidation Value

The most probable price that a specified interest in real property should bring under the following conditions:

1. Consummation of a sale within a short time period.
2. The property is subjected to market conditions prevailing as of the date of valuation.
3. Both the buyer and seller are acting prudently and knowledgeably.
4. The seller is under extreme compulsion to sell.
5. The buyer is typically motivated.
6. Both parties are acting in what they consider to be their best interests.
7. A normal marketing effort is not possible due to the brief exposure time.
8. Payment will be made in cash in U.S. dollars (or the local currency) or in terms of financial arrangements comparable thereto.

#### Leasehold Interest

The right held by the lessee to use and occupy real estate for a stated term and under the conditions specified in the lease. (*Dictionary*)

#### Legally Nonconforming Use

A use that was lawfully established and maintained, but no longer conforms to the use regulations of its current zoning; also known as a *grandfathered use*. (*Dictionary*)

#### Market Area

The geographic region from which a majority of demand comes and in which the majority of competition is located. Depending on the market, a market area may be further subdivided into components such as primary, secondary, and tertiary market areas. (*Dictionary*)

#### Market Rent

The most probable rent that a property should bring in a competitive and open market reflecting all conditions and restrictions of the lease agreement, including permitted uses, use restrictions, expense obligations, term, concessions, renewal and purchase options, and tenant improvements (TIs). (*14th Edition*)

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### Market Study

An analysis of the market conditions of supply, demand, and pricing for a specific property type in a specific area. (*Dictionary*)

### Market Value (Interagency Guidelines)

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 U.S. 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 sale.

(*Interagency Appraisal and Evaluation Guidelines, December 10, 2010, Federal Register, Volume 75 Number 237, Page 77472*)

### Marketability Analysis

The study of how a specific property is expected to perform in a specific market. A marketability analysis expands on a market analysis by addressing a specific property. (*Dictionary*)

### Neighborhood Analysis

The objective analysis of observable or quantifiable data indicating discernible patterns of urban growth, structure, and change that may detract from or enhance property values; focuses on four sets of considerations that influence value: social, economic, governmental, and environmental factors. (*Dictionary*)

### Net Operating Income (NOI)

The actual or anticipated net income that remains after all operating expenses are deducted from effective gross income but before mortgage debt service and book depreciation are deducted. Note: This definition mirrors the convention used in corporate finance and business valuation for EBITDA (earnings before interest, taxes, depreciation, and amortization). (*14th Edition*)

### Obsolescence

One cause of depreciation; an impairment of desirability and usefulness caused by new inventions, changes in design, improved processes for production, or external factors that make a property less desirable and valuable for a continued use; may be either functional or external. (*Dictionary*)

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### Off-site Costs

Costs incurred in the development of a project, excluding on-site costs such as grading and construction of the building and other improvements; also called *common costs* or *off-site improvement costs*. (*Dictionary*)

### On-site Costs

Costs incurred for the actual construction of buildings and improvements on a particular site. (*Dictionary*)

### Overage Rent

The percentage rent paid over and above the guaranteed minimum rent or base rent; calculated as a percentage of sales in excess of a specified breakeven sales volume. (*14<sup>th</sup> Edition*)

### Overall Capitalization Rate (OAR)

The relationship between a single year's net operating income expectancy and the total property price or value. (*Dictionary*)

### Parking Ratio

The ratio of parking area or parking spaces to an economic or physical unit of comparison. Minimum required parking ratios for various land uses are often stated in zoning ordinances. (*Dictionary*)

### Potential Gross Income (PGI)

The total income attributable to property at full occupancy before vacancy and operating expenses are deducted. (*Dictionary*)

### Potential Gross Income Multiplier (PGIM)

The ratio between the sale price (or value) of a property and its annual potential gross income. (*Dictionary*)

### Present Value (PV)

The value of a future payment or series of future payments discounted to the current date or to time period zero. (*Dictionary*)

### Prospective Opinion of Value

A value opinion effective as of a specified future date. The term does not define a type of value. Instead, it identifies a value opinion as effective at some specific future date. An opinion of value as of a prospective date is frequently sought in connection with projects that are proposed, under construction, or under conversion to a new use, or those that have not achieved sellout or a stabilized level of long-term occupancy. (*Dictionary*)

### Qualitative Adjustment

An indication that one property is superior, inferior, or the same as another property. Note that the common usage of the term is a misnomer in that an adjustment to the sale price of a comparable property is not made. Rather, the indication of a property's superiority or inferiority to another is used in relative comparison analysis, bracketing, and other forms of qualitative analysis. (*Dictionary*)

### Quantitative Adjustment

A numerical (dollar or percentage) adjustment to the indicated value of the comparable property to account for the effect of a difference between two properties on value. (*Dictionary*)

### Rentable Area

The amount of space on which the rent is based; calculated according to local practice. (*Dictionary*)

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### Replacement Cost

The estimated cost to construct, at current prices as of a specific date, a substitute for a building or other improvements, using modern materials and current standards, design, and layout. (*Dictionary*)

### Reproduction Cost

The estimated cost to construct, at current prices as of the effective date of the appraisal, an exact duplicate or replica of the building being appraised, using the same materials, construction standards, design, layout, and quality of workmanship and embodying all the deficiencies, superadequacies, and obsolescence of the subject building. (*Dictionary*)

### Retrospective Value Opinion

A value opinion effective as of a specified historical date. The term *retrospective* does not define a type of value. Instead, it identifies a value opinion as being effective at some specific prior date. Value as of a historical date is frequently sought in connection with property tax appeals, damage models, lease renegotiation, deficiency judgments, estate tax, and condemnation. Inclusion of the type of value with this term is appropriate, e.g., "retrospective market value opinion." (*Dictionary*)

### Sales Comparison Approach

The process of deriving a value indication for the subject property by comparing sales of similar properties to the property being appraised, identifying appropriate units of comparison, and making adjustments to the sale prices (or unit prices, as appropriate) of the comparable properties based on relevant, market-derived elements of comparison. The sales comparison approach may be used to value improved properties, vacant land, or land being considered vacant when an adequate supply of comparable sales is available. (*Dictionary*)

### Scope of Work

The type and extent of research and analysis in an appraisal or appraisal review assignment. Scope of work includes, but is not limited to:

The extent to which the property is identified;

The extent to which tangible property is inspected;

The type and extent of data researched; and

The type and extent of analysis applied to arrive at opinions or conclusions. (*USPAP*)

### Shopping Center Types

Neighborhood Shopping Center: The smallest type of shopping center, generally with a gross leasable area of between 30,000 and 100,000 square feet. Typical anchors include supermarkets. Neighborhood shopping centers offer convenience goods and personal services and usually depend on a market population support of 3,000 to 40,000 people.

Community Shopping Center: A shopping center of 100,000 to 400,000 square feet that usually contains one junior department store, a variety store, discount or department store. A community shopping center generally has between 20 and 70 retail tenants and a market population support of 40,000 to 150,000 people.

Regional Shopping Center: A shopping center of 300,000 to 900,000 square feet that is built around one or two full-line department stores of approximately 200,000 square feet each plus small tenant spaces. This type of center is typically supported by a minimum population of 150,000 people.

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### Shopping Center Types (cont.)

**Super-Regional Center:** A large center of 600,000 to 2.0 million square feet anchored by three or more full-line department stores. This type of center is typically supported by a population area of 300,000 people. (*14<sup>th</sup> Edition*)

### Superadequacy

An excess in the capacity or quality of a structure or structural component; determined by market standards. (*Dictionary*)

### Surplus Land

Land that is not currently needed to support the existing use but cannot be separated from the property and sold off for another use. Surplus land does not have an independent highest and best use and may or may not contribute value to the improved parcel. (*Dictionary*)

### Tenant Improvements (TIs)

1. Fixed improvements to the land or structures installed for use by a lessee.
2. The original installation of finished tenant space in a construction project; subject to periodic change for succeeding tenants. (*Dictionary*)

### Triple Net Lease

An alternative term for a type of net lease. In some markets, a net net net lease is defined as a lease in which the tenant assumes all expenses (fixed and variable) of operating a property except that the landlord is responsible for structural maintenance, building reserves, and management. Also called *NNN*, *triple net lease*, or *fully net lease*. (*Dictionary*)

### Usable Area

The area that is actually used by the tenants measured from the inside of the exterior walls to the inside of walls separating the space from hallways and common areas. (*Dictionary*)

### Useful Life

The period of time over which a structure or a component of a property may reasonably be expected to perform the function for which it was designed. (*Dictionary*)

### Vacancy and Collection Loss

A deduction from potential gross income (PGI) made to reflect income deductions due to vacancies, tenant turnover, and non-payment of rent; also called *vacancy and credit loss* or *vacancy and contingency loss*. (*Dictionary*)

### Yield Capitalization

A method used to convert future benefits into present value by 1) discounting each future benefit at an appropriate yield rate, or 2) developing an overall rate that explicitly reflects the investment's income pattern, holding period, value change, and yield rate. (*Dictionary*)



# James R. Scott, MAI, MICP

SENIOR VALUATION SPECIALIST  
Valuation & Advisory Services



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## EDUCATION AND QUALIFICATIONS

Bachelor of Arts in English,  
The Ohio State University,  
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Master of Science in  
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## EXPERIENCE

Senior Valuation Specialist, Colliers International Valuation & Advisory Services

Senior Appraiser, Crown Appraisal Group, Columbus, Ohio.

Real estate consulting, including appraisal and market study assignments for commercial real estate.

Bank Officer, Huntington National Bank, Columbus, Ohio

Loan generation, investment analysis, banking product sales.

## PROFESSIONAL AFFILIATIONS & ACCREDITATIONS

Designated Member of the Appraisal Institute

Masters in Commercial Property - MICP

## APPRAISAL INSTITUTE COURSES

General Applications, AI Course 320

Standards of Professional Practice, AI Course 410

Advanced Income Capitalization, AI Course 510

Advanced Sales Comparison and Cost Approaches, AI Course 530

Report Writing and Valuation Analysis, AI Course 540

Advanced Market Analysis & Highest and Best Use

Advanced Concepts & Case Studies

Quantitative Analysis

STATE OF OHIO  
DIVISION OF REAL ESTATE  
AND PROFESSIONAL LICENSING

AN APPRAISER LICENSE/CERTIFICATE  
has been issued under ORC Chapter 4763 to:

NAME: James Richard Scott

LIC/CERT NUMBER: 2008002501

LIC LEVEL: Certified General Real Estate Appraiser

CURRENT ISSUE DATE: 09/30/2016

EXPIRATION DATE: 10/23/2017

USPAP DUE DATE: 10/23/2018

STATE OF OHIO  
DIVISION OF REAL ESTATE  
AND PROFESSIONAL LICENSING

AN APPRAISER LICENSE/CERTIFICATE  
has been issued under ORC Chapter 4763 to:

NAME: Katherine A Boro

LIC/CERT NUMBER: 2014004526

LIC LEVEL: Registered Real Estate Appraiser Assistant

CURRENT ISSUE DATE: 11/10/2016

EXPIRATION DATE: 11/03/2017

USPAP DUE DATE: 11/03/2018

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# Colliers International

## Valuation & Advisory Services

### Services Offered

Single Asset Valuation  
Portfolio Valuation  
Institutional Asset Valuation  
Loan Pool Valuation  
Appraisal Review  
Appraisal Management  
Lease and Cost Analysis  
Insurance Valuation  
Arbitration & Consulting  
Feasibility Studies  
Investment Analysis  
Highest and Best Use Studies  
Tax Appeals  
Litigation Support  
Segregated-Cost Analysis

### Experience That Counts

Office  
Industrial  
Retail  
Multifamily  
Mixed-Use Properties  
Senior Housing  
Land  
Self-Storage  
Manufactured Housing  
Net Lease  
Hospitality  
Health Care  
Subdivisions  
Embassies & Consulates  
GSA Properties  
Special Use Properties  
Telecommunications

Real estate valuations play a pivotal role in today's business climate. An accurate and well supported opinion of property value can mean the difference between reaching a critical goal—securing a loan, closing a sale, reporting to investors, choosing the best asset—or failing to achieve it altogether.

Colliers Valuation & Advisory Services' reports are designed to deliver insight into a property's fundamentals, its competition and the overall market dynamics affecting value. A solid valuation report can be a strategic asset for investors, lenders and owners, provided that it addresses both a property's unique characteristics and the most current market conditions.

Commitment to high-end client service, coupled with Colliers International's unparalleled market intelligence and resources, differentiates us as the firm of choice in the real estate industry.

### PROFESSIONALS

Our professionals share a commitment to deliver the highest level of service and consistent results. We go the extra mile for our clients, whether this means meeting a tight deadline or working with a complex and challenging property.

### TECHNOLOGY

Our unmatched report creation technology speeds appraisals through the pipeline. This secure, centralized production system generates a wide range of reports and high volume portfolio orders without delays.

### INFORMATION

Today's business climate places valuation in a more pivotal position than ever before. All our appraisals are evaluated and approved by an experienced review team to ensure our clients receive concise and timely appraisals. With clear, prompt reporting and a comprehensive, big picture approach, Colliers International's Valuation and Advisory reports give our clients the information they need to make better business decisions.

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