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SUMMARY

APPRAISAL OF
TWO SOUTH SHORE DRIVE
TWO South Shore Drive
Miami Beach, FL 33341

Prepared for

First National Bank

Prepared by

YOUR Company Name
Company Street
Company City, State, Zip

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EFFECTIVE DATE OF APPRAISAL

September 01, 2011



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800-884-1630

September 25, 2011

Date of Inspection: September 01, 2011
Effective Date of Appraisal: September 01, 2011
Date of Report: September 25, 2011

First National Bank
1000 Bank Boulevard West
Pittsburgh, Pa. 15219

Commercial Complete is standalone software with a built in word processor that is seamlessly integrated with CC's analysis functions.

Attention: Edward Jones
Senior Loan Officer

No Links, No Macros, No Spreadsheets, No MS Office.

All narratives are completely customizable. Your format, your graphics, your letterhead, your fonts.

Mr. Jones,

Pursuant to your request, we have made an appraisal of the market value of the property located at:

**TWO SOUTH SHORE DRIVE
TWO South Shore Drive
Miami Beach, FL, 33341
Miami-Dade County**

As per mutual agreement with First National Bank (client) and YOUR Company Name (appraiser), the format used is defined as a Summary appraisal. It complies with the requirements set forth under Standard 2-2(b), Rule 1 of the Uniform Standards of Professional Practice, but is subject to the Assumptions and Limiting Conditions listed in this report. This appraisal report details the information used to arrive at a conclusion of value. It can be understood by a knowledgeable reader without additional information in the work file of the appraiser.

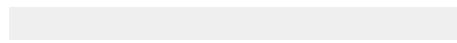
The Fee Simple Stabilized Market Value on September 01, 2011 of the 19,165 square feet of land and improvements situate thereon was estimated at:

One Million Five Hundred Fifty Thousand Dollars

\$1,550,000

Respectfully Submitted,
YOUR Company Name

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Company Signer
President

Table of Contents

Title Page
Letter of Transmittal

INTRODUCTION

Certification Statement	6
Summary of Conclusions	7
Reconciliation and Final Value Estimate	8
Scope of This Appraisal	9
Identification of the Appraised Property	10
Purpose of the Appraisal	10
Intended Use of the Appraisal	10
USPAP Reporting Options	11
Definition of Value	12
Property Rights Appraised	13

FACTUAL DATA

Brief History of the Property	15
Area Map	16
Description of the Neighborhood	17
Neighborhood Map	18
Description of the Site	21
Description of the Improvements	24

VALUATION ANALYSIS

Highest and Best Use	33
Four Stages of Analysis	34
Highest and Best Use - As Vacant	34
Highest and Best Use - As Improved	37
Method of Procedure	40
INCOME APPROACH	41
Gross Income Estimate - \$196,200	41
Vacancy and Rent Loss - \$9,810	41
Effective Gross Income - \$186,390	42
Estimate of Expenses - \$74,928	42
Projected Net Income - \$111,462	43
Capitalization of Net Income	46
Mortgage Equity Technique	47
Final Value by the Income Approach	47
Discounted Cash Flow Method	61
Net Present Value Analysis	64
Yield Analysis	65
Debt Coverage Ratio	66
SALES COMPARISON APPROACH	67
Direct Comparison Method	67
Analysis of the Adjustments	68
Final Value by the Sales Comparison Approach	71

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Telephone Telephone No.

COST APPROACH	81
Land Value	81
Improvements-Cost New Estimate	85
Depreciation	85
Physical Depreciation	85
Functional Depreciation	86
External Depreciation	86
Site Improvements	86
Final Value by the Cost Approach Approach	86
ASSUMPTIONS AND LIMITING CONDITIONS	88
General Assumptions	88
Specific Assumptions	90
Extraordinary Assumptions	91
Hypothetical Conditions	91
Prior Services	91

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INTRODUCTION



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Certification Statement

I, Company Signer certify that, to the best of my knowledge and belief:

The statements of fact contained in this report are true and correct.

The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.

I have no present or prospective interest in the property that is the subject of this appraisal report and no personal interest with respect to the parties involved.

I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.

My engagement in this assignment was not contingent upon developing or reporting predetermined results.

My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.

The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice.

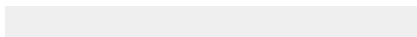
The use of this report is subject to the requirements specified under **Assumptions and Limiting Conditions**.

I have made a personal inspection of the property that is the subject of this report.

No one provided significant real property appraisal assistance to the person signing this certification.

As of the date of this report, I Company Signer am a General Certified Appraiser in the state of Pennsylvania (Certificate Number 1230000000), which certificate expires on 06/30/2011.

Respectfully Submitted,
YOUR Company Name



Company Signer
President

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Summary of Conclusions

Property Name	TWO SOUTH SHORE DRIVE
Address	TWO South Shore Drive, Miami Beach, FI 33341
County Identification Number	02-3203-007-1310
Deed Reference	DBV 27598, pg.4369-4370
Property Type	Apartment
Property Rights Appraised	Fee Simple
Purpose of Appraisal	Market Value
Date of Inspection	September 01, 2011
Market Value - Fee Simple	\$1,550,000
Market Value by the Income Approach	\$1,600,000
Market Value by the Comparison Approach	\$1,540,000
Market Value by the Cost Approach	\$1,300,000
Estimated Marketing Time	6 to 12 months
Contingencies	See Addenda
Highest and Best Use - As Vacant	Apartment
Highest and Best Use - As Improved	Apartment
Land Area	19,165 square feet
Estimated Useable Land Area	100.00%
Zoning	RM-1 Multifamily
Flood Area	AE 12086C0326L
Property Type	Apartment
Number of Buildings	1
Number of Stories	2
Number of Rental Units	16
Gross Building Area (GBA)	13,330 square feet
Net Rentable Area (NRA)	13,330 square feet
Actual Age	58 years
Effective Age	25 years
Estimated Economic Life	60 years
Estimated Remaining Economic Life	35 years
General Condition	Average

Included in the Commercial Complete standalone software is a powerful database.

Most of the information on this page and throughout the report is automatically inserted from a Commercial Complete property record.

Fields can be easily inserted and removed. Each analysis can be customized.

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Reconciliation and Final Value Estimate

Reconciliation is the final step in the valuation process. It correlates the values obtained from all of the approaches. Each approach used is rated as to its relative significance and dependability. The greatest consideration is placed upon that approach that is most relevant to the property being appraised. The criteria used for choosing the most applicable approach are the "appropriateness, accuracy, and quantity of evidence"¹ available for each approach. From this analysis, a final value is chosen that reflects the appraiser's best judgment of the Market Value.

The **Income Approach** indicated a value of \$1,600,000.

The **Sales Comparison Approach** indicated a value of \$1,540,000.

The **Cost Approach** indicated a value of \$1,300,000.

After reconciling the values from the applicable approaches, a Fee Simple Market Value of \$1,550,000 has been estimated. We believe this to be the most probable market value, given the range of values in the applicable approaches.



¹ *The Appraisal of Real Estate, 13th. Edition* (Appraisal Institute, Chicago, Il., 2008), p. 562

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Scope of This Appraisal

In preparing this appraisal we have:

- Made a complete physical inspection of the property on September 01, 2011.
- Researched public records for assessment and historical sales information pertaining to the subject property.
- Analyzed income and expense information provided by the owner, if applicable.
- Researched the demographics and other data effecting the area and neighborhood. Among our sources of information that we referenced were; properties that we have previously appraised in the area, relevant publications, periodicals, U.S. Census data, and other reference material.
- Researched pertinent neighborhood data, comparable listings, comparable rentals, and comparable sales.
- Gathered comparable improved sales, comparable listings, comparable rentals, comparables expenses, etc. from similar neighborhoods and/or previous appraisals that we have made on similar properties.
- Analyzed the current real estate market and trends for the subject's property type, particularly in the subject's market area.
- In preparing our written report we have:
 - Identified the property by tax identification number and deed references.
 - Considered the purpose and intended use of the appraisal.
 - Prepared a brief history of the property.
 - Stated the current definition of market value and exposure time.
 - Determined the property rights being appraised as the Fee Simple interest in the property.
 - Discussed and analyzed to the extent appropriate, the demographic data in the area surrounding the subject; including population characteristics, employment data, income characteristics, school district, and other amenities.
 - Described the neighborhood surrounding the subject, including highway access and the location and uses of notable properties.
 - Discussed and analyzed the physical attributes of the subject site.
 - Discussed and analyzed the physical attributes of the subject building(s).
 - Analyzed the Highest and Best Use of the site.
 - Analyzed and discussed the reasoning for choosing the most applicable approach or approaches in determining the value for the subject property.
 - Considered all three approaches to value and determined which approach or approaches were applicable, given the nature of the assignment and the characteristics of the subject property.
 - Thoroughly discussed and documented our value conclusions by the applicable approach and/or approaches.

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- Analyzed and discussed the Reconciliation of the applicable approaches and final conclusions of values.
- Stated the Assumptions and Limiting Conditions upon which this report was based.

Identification of the Appraised Property

The property being appraised is a Apartment type property. It is located at TWO South Shore Drive in the city of Miami Beach, County of Miami-Dade, in the state of FI. It is identified on the county records as tax identification number 02-3203-007-1310.

Purpose of the Appraisal

The purpose of this appraisal is to estimate the "as is" market value of the property interest(s) specified in this report as of the effective date of this appraisal. The "as is" value is defined as the market value of the property as it actually exists on the date of the appraisal, with no contingencies. The appraised value assumes that if the property were sold, it would be sold in its existing condition, subject only to the Assumptions and Limiting Conditions listed in this report.

Intended Use of the Appraisal

The appraiser has been engaged by First National Bank, the client for this appraisal and also the intended user. The appraiser(s) have been informed that the appraisal will be used for the sole purpose of assisting the client in determining value for underwriting a real estate loan. Therefore, the intended use of this appraisal is to assist our client, First National Bank, in the determination of market value for underwriting purposes.

Headings, paragraph styles and fonts can be easily changed to meet your requirements. Simply attach a new stylesheet.

USPAP Reporting Options

To develop the opinion of value as per the request of our client First National Bank, the appraiser performed a complete appraisal in **Summary Format** according to the guidelines set forth below by the 2012-2013 edition of the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation.

SELF-CONTAINED	SUMMARY	RESTRICTED USE
i. State the identity of the client and any intended users, by name or type;	Same as self-contained	State the identity of the client by name or type; and state a prominent use restriction that limits use of the report to the client and warns that the appraiser's opinions and conclusions set forth in the report may not be understood properly without additional information in the workfile;
ii. State the intended use of the appraisal;	Same as self-contained	Same as self-contained
iii. Describe information sufficient to identify the real estate or personal property involved in the appraisal, including the physical and economic property characteristics relevant to the assignment;	Summarize information sufficient to identify the real estate or personal property involved in the appraisal, including the physical and economic property characteristics relevant to the assignment;	State information sufficient to identify the real estate or personal property involved in the appraisal;
iv. State the property interest appraised;	Same as self-contained	Same as self-contained
v. State the type and definition of value and cite the source of the definition;	Same as self-contained	Same as self-contained
vi. State the effective date of the appraisal and the date of the report;	Same as self-contained	Same as self-contained
vii. Describe the scope of work used to develop the appraisal;	Summarize the scope of work used to develop the appraisal;	State the scope of work used to develop the appraisal;
viii. Describe the information analyzed, the appraisal methods and techniques employed, and the reasoning that supports the analyses, opinions, and conclusions; exclusion of the sales comparison approach, cost approach, or income approach must be explained;	Summarize the information analyzed, the appraisal methods and techniques employed, and the reasoning that supports the analyses, opinions, and conclusions; exclusion of the sales comparison approach, cost approach, or income approach must be explained;	State the appraisal methods and techniques employed, state the value opinions(s) and conclusions(s) reached and reference the workfile; exclusion of the sales comparison approach, cost approach, or income approach must be explained;
ix. State the use of the property existing as of the date of value and the use of the real estate or personal property reflected in the appraisal; and, when an opinion of highest and best use or the appropriate market or market level was developed by the appraiser, describe the support and rationale for that opinion;	State the use of the property existing as of the date of value and the use of the real estate or personal property reflected in the appraisal; and, when an opinion of highest and best use or the appropriate market or market level was developed by the appraiser, summarize the support and rationale for that opinion;	State the use of the property existing as of the date of value and the use of the real estate or personal property reflected in the appraisal; and, when an opinion of highest and best use or the appropriate market or market level was developed by the appraiser, state that opinion;
x. Clearly and conspicuously state all extraordinary assumptions and hypothetical conditions; and that their use might have affected the assignment results; and	Same as self-contained	Same as self-contained
xi. Include a signed certification in accordance with the Standards Rule 2-3 or 8-3.	Same as self-contained	Same as self-contained
The essential difference among the three options is in the use and application of the terms " describe ," " summarize ," and " state ." " Describe " is used to connote a comprehensive level of detail in the presentation of information. " Summarize " is used to connote a more concise presentation of information. " State " is used to connote the minimal presentation of information.		

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Definition of Value

A current definition of Market Value as cited in USPAP Advisory Opinion 22 (AO-22) is:²

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 the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as if a specified date and the passing of title from seller to buyer under conditions whereby:

- Buyer and seller are typically motivated;
- Both parties are well informed or well advised and acting in what they consider their own best interests.
- A reasonable time is allowed for exposure in the open market.
- Payment is made in terms of cash in U. S. dollars or in terms of financial arrangements comparable thereto; and
- 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.

According to USPAP Advisory Opinion 22, this definition

...is from regulations published by federal regulatory agencies pursuant to Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA) of 1989 between July 5, 1990, and August 24, 1990, by the Federal Reserve System (FRS), National Credit Union Administration (NCUA), Federal Deposit Insurance Corporation (FDIC), the Office of Thrift Supervision (OTS), and the Office of Comptroller of the Currency (OCC). This definition is also referenced in regulations jointly published by the OCC, OTS, FRS, and FDIC on June 7, 1994, and in the Interagency Appraisal and Evaluation Guidelines, dated October 27, 1994.

Exposure Time assumes that:³

- The subject property would sell at the appraised value(s) as of the effective date(s) of the appraisal.
-
- The subject property was on the market for a reasonable time prior to the date of value and that the terms of sale are typical of other properties of its type that have sold as confirmed by exposure times of comparable sales.

2 2012-2013 USPAP PUBLISHED BY THE APPRAISAL FOUNDATION / DEFINITIONS, P. U-5

VALUE: the monetary relationship between properties and those who buy, sell, or use those properties.

Comment: Value expresses an economic concept. As such, it is never a fact but always an opinion of the worth of a property at a given time in accordance with a specific definition of value. In appraisal practice, value must always be qualified for example, market value, liquidation value, investment value.

³ ibid., P. U-3

EXPOSURE TIME: estimated length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of sale at market value on the effective date of the appraisal.

Property Rights Appraised

The property rights being appraised consist of the Fee Simple Estate of the subject property. A Fee Simple Estate is defined as:

*Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.*⁴

The value of the Fee Simple Estate is, therefore, impacted by its current zoning, tax status, condemnation proceedings, public easements, and environmental legislation. The Fee Simple Estate encompasses all rights of ownership not limited by government, including the right of occupancy (use), the right to lease and receive rents, the right of conveyances to another, etc. This interest is analogous to the total "bundle of rights", each of which may be severed and conveyed by the Fee Simple owner. The Fee Simple Estate may be severed into various partial or fractional interests, including the leased fee and leasehold interests. The Fee Simple Estate is the sum of the leased fee and all leasehold interests.

Personal Property is Excluded from this Appraisal

Any movable equipment, furnishings, and fixtures necessary to the operation of this property were not included in the value of the real estate. If necessary to the operation of the real estate as a hotel, personal care residence, etc., and a value is required by the client, the personal property has been allocated separately.

Personal property is defined as follows:

*Personal property is, generally, movable items - that is, those not permanently affixed to and part of the real estate. Thus personal property is not endowed with the rights of real property ownership. Examples of personal property are furniture and furnishings that are not built into the structure, such as refrigerators and freestanding shelves.*⁵



⁴ *The Appraisal of Real Estate, 13th. Edition* (Appraisal Institute, Chicago, Il., 2008), p. 114

⁵ *ibid.*, p. 7

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FACTUAL DATA

This document contains all three approaches to value. It is very easy to create separate templates that include just those approaches that you need for each individual assignment.

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Brief History of the Property

According to Miami-Dade County records, the subject property, tax identification number 02-3203-007-1310, is owned by 2 South Shore Investments, LLC. The present owner purchased the property on February 22, 2011 from 2 South Shore Drive, LLC for a consideration of \$1,500,000. No other transfers of the property appeared on the public record in the last three years.

To the best of our knowledge, on the date of this appraisal, the subject property was not listed for sale, nor were there any other types of options or agreements that would affect the market value.

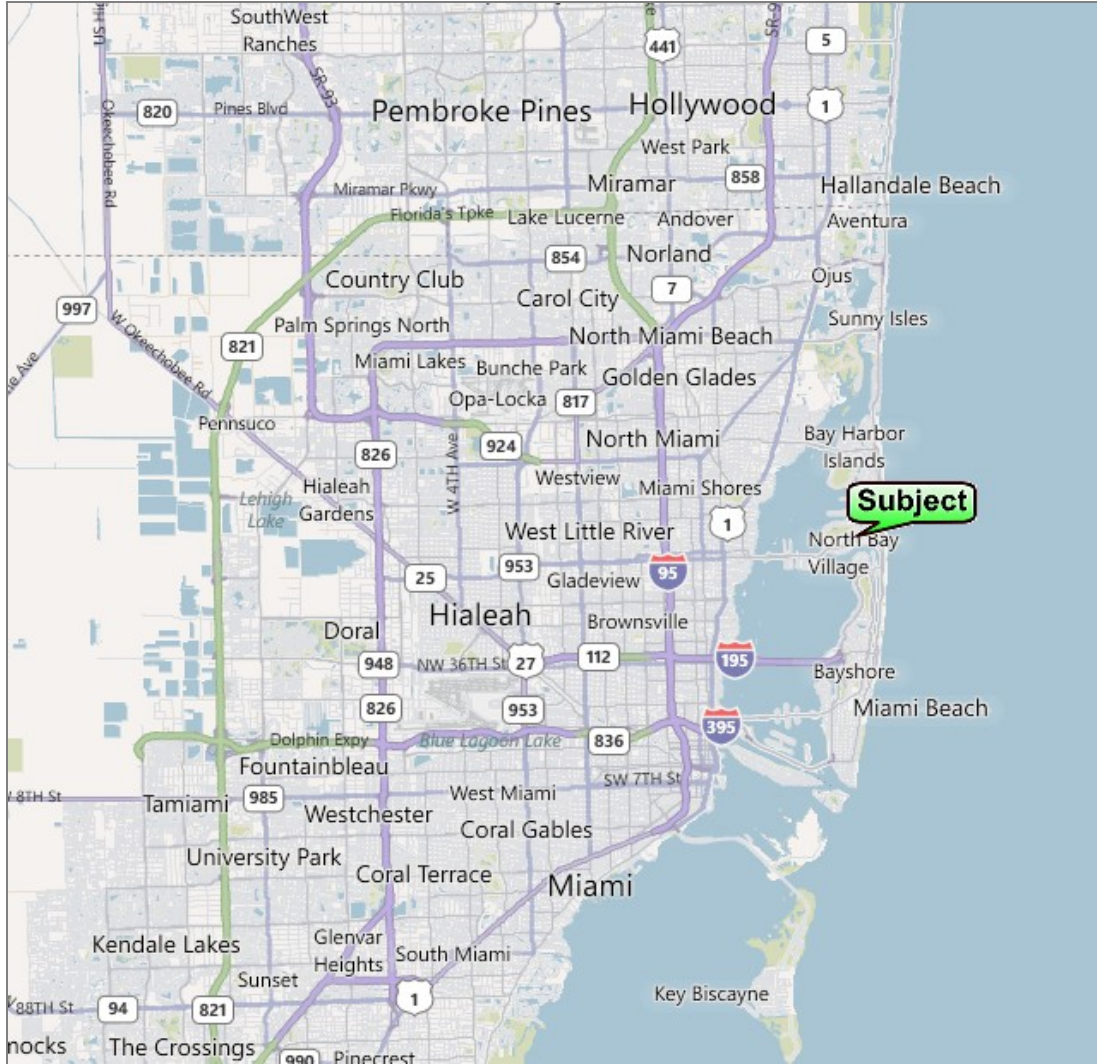


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Area Map

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Maps can be automatically created from the record information in the Commercial Complete database and inserted anywhere in the document.

Labels are automatically added.

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Description of the Neighborhood

A neighborhood is defined as:

A group of complementary land uses; a congruous grouping of inhabitants, buildings, or business enterprises.⁶

Neighborhood boundaries may be well defined by natural or man-made barriers or they may be less well defined and measured by a change in land use, change in the character of the inhabitants or any other distinctive trait that separates uses or groups of inhabitants. The following paragraphs list the predominant characteristics of the neighborhood.

Location

The subject property is located on TWO South Shore Drive in Miami Beach, FI.

Access and Highways

The subject neighborhood is most easily reached by

Neighborhood Boundaries

The neighborhood

Neighborhood Improvements

The neighborhood

Neighborhood Stability

Neighborhoods generally experience a four-stage life cycle that includes growth, stability, decline, and revitalization. The subject neighborhood would be described as being in a period of

Detrimental Features

No major detrimental features were noted that would adversely affect the value of the subject property in the foreseeable future.



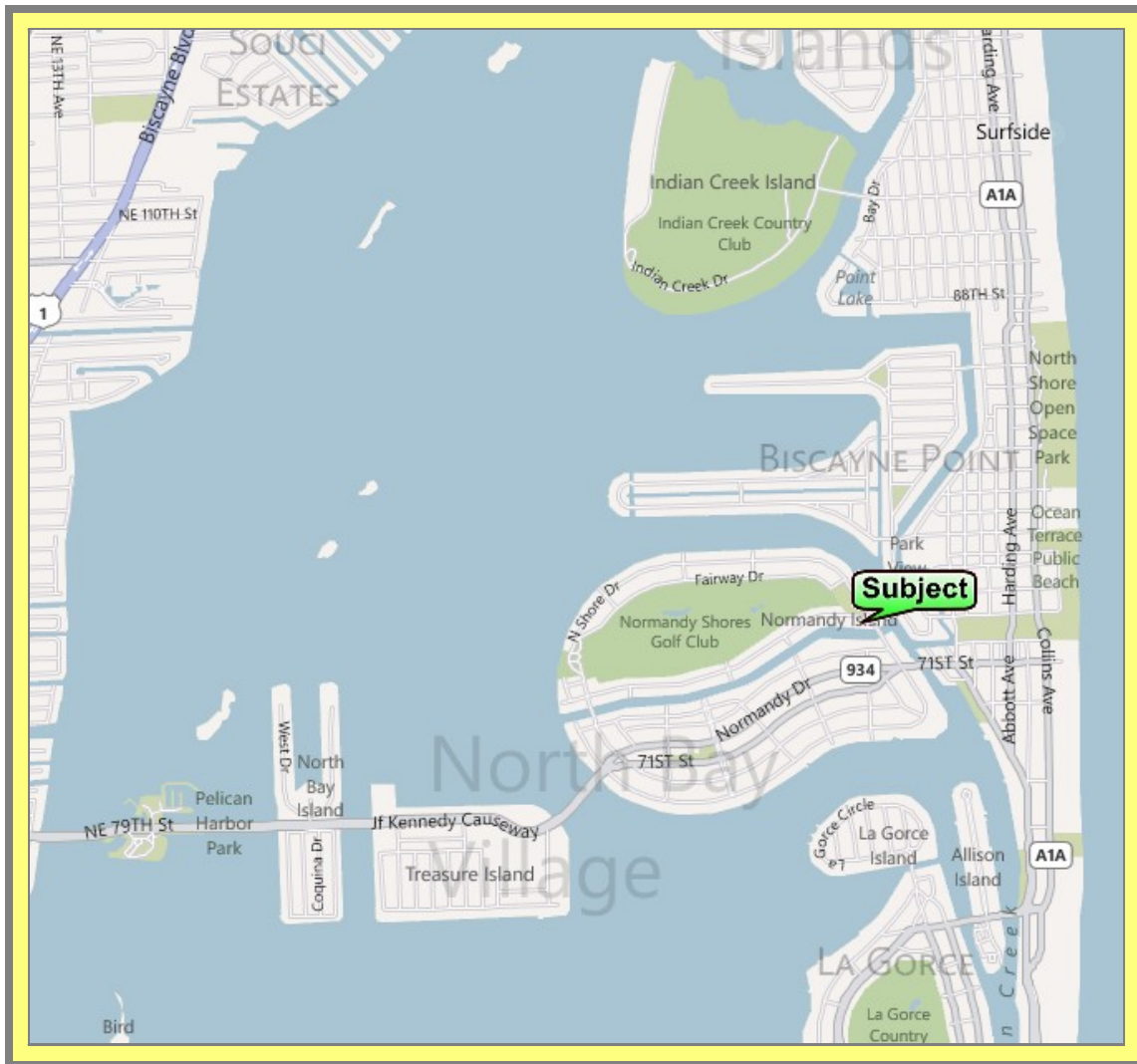
⁶ *The Appraisal of Real Estate, 13th. Edition* (Appraisal Institute, Chicago, Il., 2008), p. 55

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Neighborhood Map

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This map has been inserted in one of the custom picture frames. The different types of frames that are available will be displayed as you scroll through this document.

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Photographs of the Neighborhood

Images and photos can be inserted in various ways.


- Copy from another location(e.g., document, file, Internet) and paste it into this rectangle.
- Insert a picture from a file
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Several different picture frames are built into Commercial Complete. You can also create your own

- Insert Photo pages with 1, 2, 3, 4, or 6 photos for each page.
- Narrow borders, wide gray borders, or wide yellow borders. Or create your own.

View:

Description



The image shows a vertical rectangular box containing the following text and graphics:
- A red square icon with a white checkmark.
- The text "Commercial Complete™" in a bold, black, sans-serif font.
- The text "The COMPLETE Software Solution" in a red, italicized, sans-serif font.
- The text "The Landscape of Appraisal Software Has Changed!" in a black, sans-serif font.
- A red horizontal bar containing the text "Income, Sales, Cost Narrative Appraisals Powerful Database Image Processing Word Processing" in white, sans-serif font.
- The text "800-884-1630" in a bold, black, sans-serif font at the bottom.

View:

Description

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Photographs of the Neighborhood

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View:

Description



The advertisement is a vertical rectangular box with a white background and a thin black border. At the top is a red square icon with a white checkmark. Below it, the text reads: "Commercial Complete™", "The COMPLETE Software Solution" (with "COMPLETE" in red), "The Landscape of Appraisal Software Has Changed!". A red horizontal bar contains the text: "Income, Sales, Cost", "Narrative Appraisals", "Powerful Database", "Image Processing", "Word Processing". At the bottom, another red horizontal bar contains the phone number "800-884-1630".

View:

Description

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Description of the Site

The major objective of site analysis is to gather all of the facts pertinent to an evaluation and commentary of its Highest and Best Use. Other objectives include use as the basis for an analysis of comparable sales and allocation of value in the Cost Approach. The examination of these facts is an important step in assessing the appropriateness of the subject site for its intended use. Further, its location and physical attributes are significant factors in determining its likelihood of economic feasibility for this use.

The following description was prepared after a physical inspection of the site on September 01, 2011, a review of the deed, and reference to County assessment records. We have assumed that the dimensions obtained from these sources and relied upon in this report are essentially correct. No current survey was provided.

Summary

County Identification Number	02-3203-007-1310
Frontage	170 Front Feet
Size	19,165 square feet - 100.00% useable
Dimensions/Shape	Triangular
Access	Average
Visibility	Average
Zoning	RM-1 Multifamily
Flood Hazard Area	AE 12086C0326L
Topography	
Parking Spaces	
Easements	None noted from a physical inspection
Utilities	Gas, Electric, Water, Sewer
Lot Improvements	Lot improvements consist of

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Photographs of the Site



View:

Images are sized to fit
the width of the Picture
Frame

Powerful image Compression options are built into Commercial Complete. So you can take your pictures at any resolution, insert as many as you need in the document, and still have a document of modest size.

As an extreme test, we recently created a 220 page self-contained report with over 190 images and more than 200 tables. Before compression, the document size was 243 mb. After compressing the document, the file size was reduced to 34 mb and the PDF of the document was only 10 mb (also created directly in Commercial Complete).

Bottom line - you don't have to worry about how you are going to reduce the size of the PDF so that you can email it to your client.

THE PDF OF THIS DOCUMENT CONTAINS 94 PAGES, OVER 60 IMAGES, AND OVER 50 TABLES. IT IS LESS THAN 1.5 MB IN SIZE.

View:

PDF functionality is
integrated into
Commercial Complete.
Just click a button to
create your PDF.

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Photographs

Another example of a Picture Frame - 2 Per Page

Images and photos can be inserted in various ways.

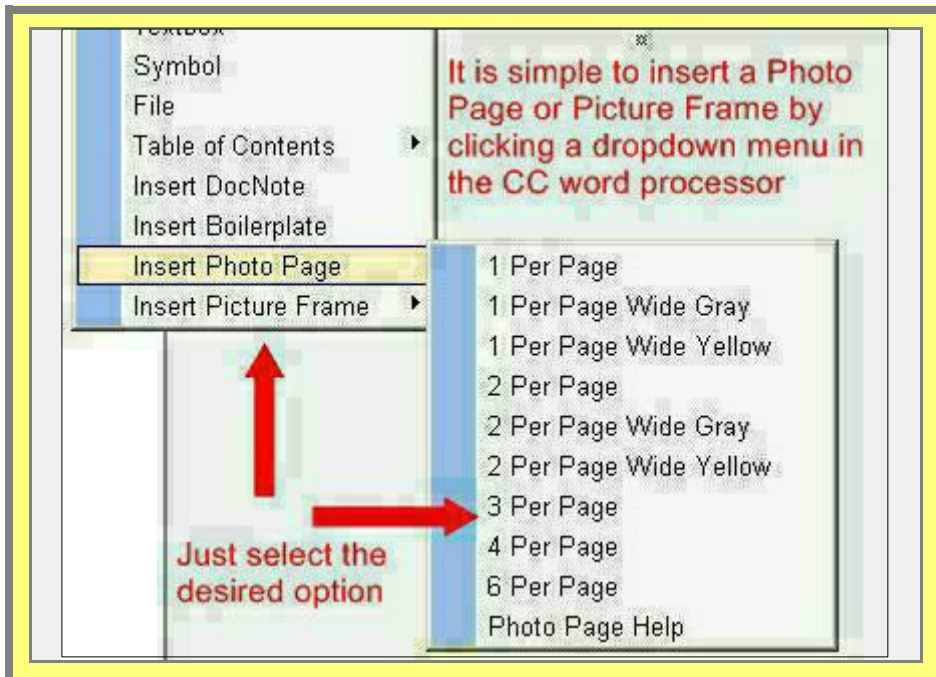
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- Insert a picture from a file
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View:

Description



The screenshot shows a software menu with the following items: Symbol, File, Table of Contents, Insert DocNote, Insert Boilerplate, Insert Photo Page, and Insert Picture Frame. The 'Insert Picture Frame' option is expanded to show a list of choices: 1 Per Page, 1 Per Page Wide Gray, 1 Per Page Wide Yellow, 2 Per Page, 2 Per Page Wide Gray, 2 Per Page Wide Yellow, 3 Per Page, 4 Per Page, 6 Per Page, and Photo Page Help. A red arrow points from the text 'Just select the desired option' to the list of options. Another red arrow points from the text 'It is simple to insert a Photo Page or Picture Frame by clicking a dropdown menu in the CC word processor' to the 'Insert Picture Frame' menu item.

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Just select the desired option

View:

It is really easy to insert as many photo pages as you need for the assignment.

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Description of the Improvements

The subject is improved with a 2 story Apartment building. It is known as the TWO SOUTH SHORE DRIVE. The following description was made after a physical inspection of the building on September 01, 2011. Overall, the construction most closely resembles the basic construction features of a building defined by Marshall Valuation Service as follows:

Class C buildings are characterized by masonry or reinforced concrete (including tilt-up construction). The walls may be load bearing, i.e, supporting roof and upper floor loads, or non-bearing with concrete, steel, or wood columns, bents or arches supporting the load. Floors and roofs are supported on wood or steel joists or trusses, or the floor may be a concrete slab on the ground. Upper floors may be of concrete plank, steel deck, or wood. Bearing walls are frequently strengthened by concrete bond beams and pilasters.⁷

In addition, we have determined that the building is of "average" construction, defined by Marshall Valuation Service as follows:

Average Quality buildings constitute the largest group of buildings constructed, approximately fifty percent of all buildings. These are generally buildings designed for maximum economic potential without some of the pride of ownership or prestige amenities of higher quality construction. They are of good standard code construction with simple ornamentation and finishes.⁸

⁷ Marshall Valuation Service, Section 1, p.4 and 8

⁸ Marshall Valuation Service, Quality of Construction, Section 1, p.11

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Floor Plan

The subject is a 2 story Apartment building.

Overall Condition

Overall, the improvements are in Average condition.

Photographs

Another Picture Frame - 2 Per Page
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Another example of a Picture Frame -1 Per Page

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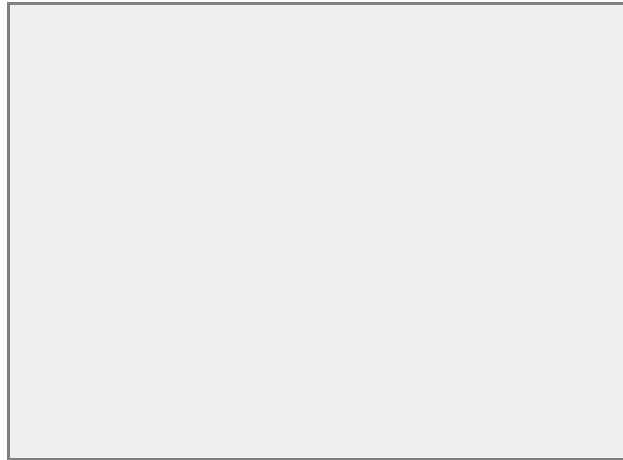
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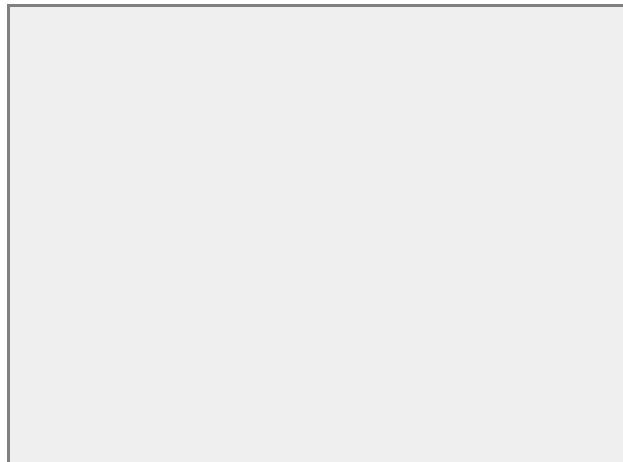
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Photographs - 3 PER PAGE



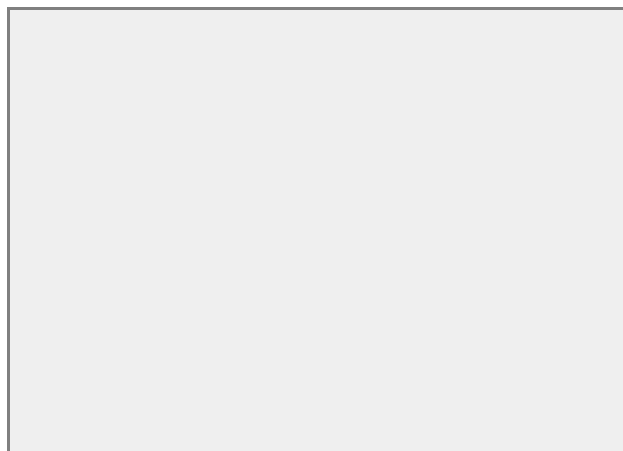
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View:

Description



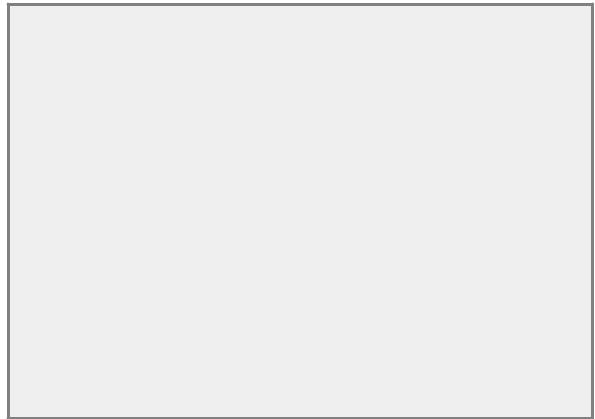
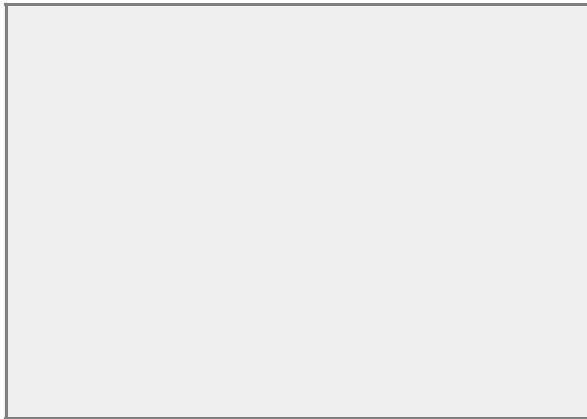
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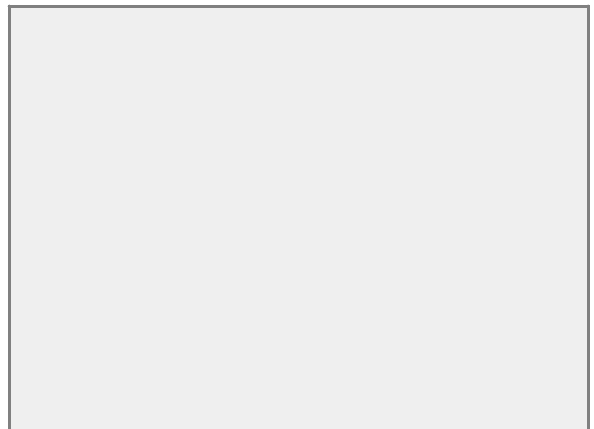
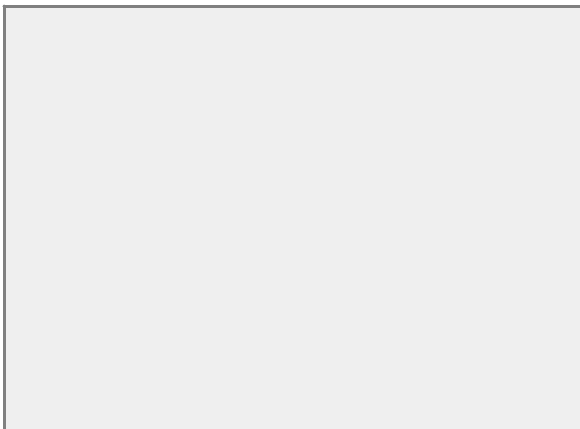
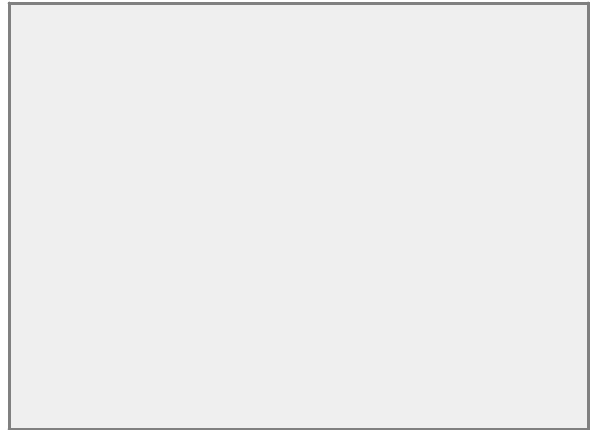
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VALUATION ANALYSIS



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Highest and Best Use

Definition of Highest and Best Use

Highest and Best Use is defined as: "the reasonable and probable use that supports the highest present value, as defined, as of the date of the appraisal." Alternatively, it is defined as "The use from among reasonably probable and legal alternative uses, found to be physically possible, appropriately supported, financially feasible, and that results in the highest present land value." ⁹

Therefore, to be considered the Highest and Best Use, the property should be among those probable uses that are legally permissible and conform to current zoning laws, physically adapted for the size and configuration of the property, appropriate because of location and/or other factors, and economically capable of producing a competitive return on capital invested.

According to accepted appraisal standards, there are two classifications of Highest and Best Use. These are the Highest and Best Use of the site as vacant and the Highest and Best Use of the site as improved.¹⁰ The question in an analysis of this type is, what use from among the most likely uses is most viable?

While some believe there is only one Highest and Best Use for a property, a more practical approach is to recognize that there may be several economically feasible alternatives. The decision then becomes an analysis of which of the probable alternative uses will result in the maximum value based upon investment returns.

In determining the Highest and Best Use for the subject site, we have analyzed the probable uses of the subject property based upon the criteria of being legally permissible, physically possible, financially feasible and maximally productive. We first eliminated those uses that were obviously not suitable for this property either because of zoning or physical incompatibility. We then considered those uses that would have a reasonable probability of being the Highest and Best Use based upon current zoning and physical adaptability. Finally, we chose that use or uses that appeared to best fit the criteria of being financially feasible and maximally productive.

⁹ *The Appraisal of Real Estate, 12th. Edition* (Appraisal Institute, Chicago, Il., 2001), p.305
¹⁰ *ibid.*, p.244

Four Stages of Analysis

In estimating highest and best use, there are four criteria to consider.

- **Physically Possible** - what uses are physically possible for the site and/or improvements?
- **Legally Permissible** - what uses are permitted by zoning, deed, or other legal restrictions on the development of the site?
- **Financially Feasible** (Supply and Demand) - which possible and permissible uses will produce a positive net return to the owner of the property?
- **Maximally Productive** - among the feasible uses, which use will produce the highest net return or the highest present worth?

In addition to these four criteria, this analysis also seeks to determine:

- If the land should be developed immediately or left vacant
- The type of improvement that should be constructed on the site, and
- Whether the existing improvements continue to contribute to the overall market value, or should they be altered to increase market value or removed and the site redeveloped.

Highest and Best Use - As Vacant

Definition of Highest and Best Use of Land or Site - As Vacant

Among all reasonable, alternative uses, the use that yields the highest present land value, after payments are made for labor, capital, and coordination. The use of the property based upon the assumption that the parcel of land is vacant or can be made vacant by demolishing any improvements.

Legally Permissible - As Vacant

The test of legal permissibility is analyzed first because it immediately eliminates a number of uses. This analysis involves a review of such items as private deed restrictions, zoning regulations, historic district controls, and environmental regulations that affect the development of the site and the improvements. Primary emphasis was placed on the current zoning regulations in order to determine potential legal uses.

There are several legally permitted and conditional uses for the subject. The subject is zoned RM-1 Multifamily. There were no adverse legal restrictions discovered or made known to the appraiser during this analysis. The site meets the criteria test for legal permissible uses.

Physically Possible - As Vacant

This involves a review and analysis of the physical characteristics of the site such as the size, shape, accessibility, topography, available utilities, frontage, depth, assemblage, traffic patterns, etc. This analysis further narrows the potential uses of the site.

All utilities are available in adequate quantity to serve several legally permissible uses. The frontage street is in average condition. A range of legally permissible uses is physically possible for the site.

Financially Feasible - As Vacant

This section tests the hypotheses of those uses that are legally and physically possible. After the first two requirements are analyzed, the financial feasibility of income-producing properties focuses on market value indications using a valuation method from the Income Approach placed against the costs of construction of the legally and physically permissible uses.

Market rents are analyzed against vacancy, operating expenses, and the overall capitalization rate required to attract the typical investor. If the difference of the market value indication exceeds the construction costs, plus the necessary entrepreneurial incentive necessary to attract the typical investor, the use is considered financially feasible.

If the indication is less than the costs, not including the entrepreneurial incentive, the use is not considered feasible. The extent of this analysis further narrows the possible uses that will generate the highest net return to the land.

Data presented in the Income Approach section of this appraisal, if applicable, indicates that the subject would meet the test of financially feasible. Therefore, we conclude that at this time the present use of the subject property financially feasible. Other uses would be unlikely because the site is zoned RM-1 Multifamily.

Maximally Productive - As Vacant

After the financial feasibility analysis, the use that results in the relatively highest residual land value, consistent with the appropriate rates of return by the market, is considered the highest and best use. However, the exact use that results in the maximum profitability of the site is somewhat subjective, although it can reasonably be narrowed. Maximum profitability is heavily determined by the individual purchaser or investor of the site. Nonetheless, the use for the site should be consistent with the existing and projected land

uses within the neighborhood. At this time we conclude that the present use would be the maximally productive use of the land as vacant.

Conclusion - Highest and Best Use - As Vacant

Considering all of the above, the highest and best use of the site as though vacant is its present use.

Present Use: Apartment



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Highest and Best Use - As Improved

In analyzing the Highest and Best Use of the site as improved, the same criteria used in analyzing the site as vacant were used and it was determined that the Highest and Best Use of the site is as it is currently improved.

Description of the Ideal Improvement

The ideal improvement may be better described as the “optimal” improvement because it presents an image of the best structure that can be constructed on the site with slight allowances for variations within market parameters. At this time a development which would maximize the density and parking requirements would be the optimal development for this site.

Definition of Highest and Best Use - As Improved

The use that should be made of a property as it exists. An existing property should be renovated or retained so long as it continues to contribute to the total market value of the property, or until the return from a new improvement would more than offset the costs of demolishing the existing building and constructing a new one.

Legally Permissible - As Improved

This analysis determines whether the current building is legally permissible for the current and follow-on users, addressing whether or not the structure is conforming or non-conforming.

The subject property is zoned RM-1 Multifamily and its present use appears to be a use that meets the current zoning requirements, or a legal, non-conforming use.

We are not aware of any restrictions such as moratoriums on development, ground leases, master plans, historic district controls, deed covenants, environmental regulations, building codes, fire regulations, title restrictions, and/or zoning regulations that would render the current use illegal. However, should the current use of the property prove to be illegal, we reserve the right to alter, amend, and/or rescind the appraisal.

Physically Possible - As Improved

This analysis addresses the physical construction, condition, and functional utility of the existing improvements and significant deviancy from the market standards and/or the ideal improvement. Such items as over-improvements, under-improvements, and super-adequacies are identified and their impact on the property's market value addressed.

The subject improvements were discussed in detail in the Description of Improvements section. The building's layout is physically possible for the existing and follow-on users. The construction quality of the improvements is rated average. No adverse issues of functional utility were noted and the current use is concluded to meet the criteria of physically possible.

Financially Feasible - As Improved

The financial feasibility of the improvement considers the results of the indications of market value against the land's market value indication as vacant. If the indications to market value exceed the land value, the improvement is generally considered financially feasible. However, additional analysis needs to address such items as whether the improvement's use and market value could be enhanced by renovation, curing deferred maintenance, reconstructing below market leases to market rates, etc.

The improvements reflect an effective age of 25 years. No further immediate renovation is anticipated to be required in order to maintain the financial feasibility of the subject in its current use as a Apartment.

The existing building conforms to the current zoning ordinance or is a legal, non-conforming use and the local area exhibits a healthy market demand for this property type. Modifications to the property beyond adequate maintenance will not increase the market value of the property and do not justify capital expenditures. Thus the use of the improvements meets the criteria of financial feasibility. The final market value conclusion indicates that the improvements significantly exceed the site value. Demolition or renovation of the existing improvements to construct the "ideal" or "optimal" improvement is not concluded to be feasible.

Maximally Productive - As Improved

The last step of this analysis is the determination of the maximum profitability of existing/proposed improvement. This considers the elements of the three previous tests together with the associated risk level in the market for the subject property. Any additional capital expenditures that would enhance the subject's market value should also be addressed.

The improvements add value to the overall property. A proper maintenance program should extend the economic life of the building. From this analysis, no other alternative use is concluded to produce a higher net operating income or higher relative residual land value over time than the existing improvements.

Conclusion - Highest and Best Use as Improved

We have considered Highest and Best Use in the context of the above and have concluded that the Highest and Best Use of the site as improved is its current use. This use meets all of the criteria of Highest and Best Use including being legally permissible and conforming to current zoning laws, improvements physically adapted for the size and configuration of the property, appropriate because of location and/or other factors, and economically capable of producing a competitive return on capital invested at the appraised value(s).

This appraisal is subject to the owner having all applicable permits from local authorities, state authorities and other bodies that have jurisdictional authority over the subject property..



Method of Procedure

Having determined that the Highest and Best Use of the subject property is at its present use, we proceeded with our analysis. This included a review of the market and an assessment of the potential demand for similar properties. Finally, we estimated the Market Value of the subject property using the applicable approaches to value.

The Valuation Process - The valuation process is a systematic approach that identifies the appraisal problem, analyzes a property's characteristics, and generally engages three common valuation methods to form an opinion of market value.

The steps in the valuation process include: ¹¹

- Identification of the problem
- Scope of work determination
- Data Collection and Property Description
- Data Analysis
- Site Value Opinion
- Application of the Approaches to Value
- Reconciliation of Value indicators and final Opinion of Value
- Report of Defined Value

There are three generally accepted approaches to value in the appraisal of real property. These are summarized as follows.

The **Income Approach** consists of estimating the potential annual gross income using actual or market derived rentals. Deducted from this amount, to arrive at a projected net income, are projected vacancy, annual expenses, and an estimated reserve for replacement. The resulting net income is capitalized into value.

The **Sales Comparison Approach** consists of analyzing the sale of comparable properties within the immediate area and/or in similar locations by a comparison of their respective similarities and differences. A judgment is then made as to the value of the subject property, based upon the adjusted values.

The **Cost Approach** consists of estimating the cost new of the building improvements, deducting depreciation from all sources, and adding the value of the land and lot improvements. It is often the most difficult approach to apply to existing buildings because of the problem encountered in accurately estimating depreciation.

All three approaches were considered and developed.

¹¹ The Appraisal of Real Estate 13th Edition, Pages 129 and 131 Appraisal Institute

INCOME APPROACH

The Income Approach considers the return on Investment and is similar to the method that investors typically use to make their investment decisions. It is most directly applicable to income producing property because the expectation of income is the primary motivating factor for the purchase of real estate. Other important considerations are leverage, tax advantages through depreciation, and pride of ownership. In addition, the investor also benefits from equity build-up due to mortgage loan amortization and potential increases in value.

The Income Approach consists of first estimating the probable annual gross income, based upon actual leases or market rentals. From this amount is deducted an allowance for vacancy and rent loss, based upon the property's historical operating experience and/or future projections. Next, all expenses attributable to the real estate are deducted. Also deducted, when appropriate, is a Reserve for Replacement of short-lived components that would normally be replaced during the investment holding period. The resulting net income is then converted into value by capitalization.

Gross Income Estimate - \$196,200

To verify that the subject's projected rentals are at market and to arrive at a projected gross income, we made an examination of the rentals of other similar buildings in the market area. We evaluated the area's rental environment, market orientation, and comparable rental facilities. Our investigation was limited to properties that were similar in style and/or age and had tenant appeal similar to that of the subject property.

It is our determination, after reviewing the general market and studying competitive facilities, that the current rentals are at market. Based upon current rentals, potential gross income for the first year of our analysis, before an allowance for vacancy and rent loss, amounts to \$196,200.

Vacancy and Rent Loss - \$9,810

Even when a building is fully occupied as of the date of the appraisal, it is prudent to anticipate some rent loss over the projection period in order to estimate "stabilized" occupancy. Based upon our analysis of the current rental market and the historical rent loss of the subject, a "stabilized" frictional vacancy rate for the subject property is projected at 5.00% of gross income, or \$9,810.

Effective Gross Income - \$186,390

Deducting the stabilized vacancy and rent loss of \$9,810 leaves an Effective Gross Income of \$186,390.

Report colors and characteristics are customizable, as you will see on the following pages.

Stabilized Market Income Schedule

REFERENCE NO: NOT AN APPRAISAL
PROPERTY: 2 South Shore Drive
ANALYSIS DATE: 09/01/2011

Income Item	Net Units	Income Per Year	Income Per Month
One Bedroom One Bath Units	10	75,600	6,300.00
Two Bedroom Two Bath Units	6	105,600	8,800.00
Three Bedroom Two Bath Unit		15,000	
Total Units	16		
Total Income		\$196,200	
Vacancy/Credit Loss		-9,810	
Effective Gross Income		\$186,390	

Estimate of Expenses - \$74,928

To arrive at a projected Stabilized Net Income, it is necessary to deduct those expenses that are typical and recurring for the subject property. These are expenses paid for by the owner and relate directly to the operation of the real estate. The expenses used in this income analysis were determined after reviewing expenses of the subject property in prior years and comparing the subject's reported expenses with those of other similar properties. Industry ratios and historical expense patterns for similar property types were also considered.

After considering all of the above, a projection of expenses was made. Stabilized expenses for the subject property were estimated at \$74,928.

In our analysis of expenses, we found that certain items fell either above or below what is considered normal for a property of this type. This is not unusual because individual line item expenses vary, depending upon such factors as region, economy, uniqueness of the property, etc. Also, each owner allocates line item expenses differently, which accounts for variances when comparing certain line items in this income analysis to those reported.

Projected Net Income - \$111,462

Deducting the total estimated stabilized expenses from Effective Gross Income of \$186,390 leaves a Net Income for the subject property of \$111,462.

Stabilized Market Income Statement

REFERENCE NO: NOT AN APPRAISAL
PROPERTY: 2 South Shore Drive
ANALYSIS DATE: 09/01/2011

	Amount	% of Gross	Per Month
<u>Gross Income</u>			
Total Income	\$196,200	100.00%	16,350.00
Vacancy / Credit Loss	<u>-9,810</u>	<u>-5.00%</u>	<u>-817.50</u>
Effective Gross Income	\$186,390	95.00%	15,532.50
<u>Fixed</u>			
Real Estate Taxes	27,958	14.25%	2,329.88
Insurance	14,911	7.60%	1,242.60
<u>Operating</u>			
Electric, Water, Sewer	11,183	5.70%	931.95
Pest Control / Reported	600	0.31%	50.00
Maintenance / Repair	7,456	3.80%	621.30
Trash Removal	3,500	1.78%	291.67
Management	5,592	2.85%	465.98
<u>Reserve</u>			
Reserve for replacement	3,728	1.90%	310.65
Total Expenses	<u>\$74,928</u>	<u>38.19%</u>	<u>6,244.02</u>
NET INCOME	\$111,462	56.81%	9,288.48

Stabilized Market Income Statement			
REFERENCE NO: Sample Industrial PROPERTY: McMichael Road			
	Amount	% of E.G.I.	Per Gross s.f.
Gross Income			
Total Income	\$217,550	117.65%	5.00
Vacancy / Credit Loss	<u>-32,633</u>	<u>-17.65%</u>	<u>-0.75</u>
Effective Gross Income	\$184,918	100.00%	4.25
Fixed			
Insurance	3,698	2.00%	0.09
Operating			
Management	7,397	4.00%	0.17
Reserve			
Reserve for replacement	<u>7,397</u>	<u>4.00%</u>	<u>0.17</u>
Total Expenses	<u>\$18,492</u>	<u>10.00%</u>	<u>0.43</u>
NET INCOME	\$166,426	90.00%	3.83

The look of individual reports is limited only by your creativity.

On this page and the next we show other ways to present this Income Statement.

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Stabilized Market Income Statement			
REFERENCE NO: SampleApt			
PROPERTY: Small Apartment Building			
ANALYSIS DATE: 11/01/2002			
	Amount	% of Gross	Per Month
Gross Income			
Total Income	\$198,000	100.00%	16,500.00
Vacancy / Credit Loss	<u>-9,900</u>	<u>-5.00%</u>	<u>-825.00</u>
Effective Gross Income	\$188,100	95.00%	15,675.00
Fixed			
Real Estate Taxes	23,760	12.00%	1,980.00
Insurance	3,960	2.00%	330.00
Operating			
Water and Sewage	3,960	2.00%	330.00
Electric	9,900	5.00%	825.00
Gas	15,840	8.00%	1,320.00
Maintenance/Repair	9,900	5.00%	825.00
Management	11,286	5.70%	940.50
Other			
Advertising	3,960	2.00%	330.00
Reserve			
Reserve for Replacement	<u>3,960</u>	<u>2.00%</u>	<u>330.00</u>
Total Expenses	<u>\$86,526</u>	<u>43.70%</u>	<u>7,210.50</u>
NET INCOME	\$101,574	51.30%	8,464.50



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Capitalization of Net Income

Capitalization is the process of converting into present value (or obtaining the present worth of) a series of anticipated future periodic installments of net income. It is the procedure of expressing such anticipated future benefits of ownership in dollars and processing them into a present worth at a rate that is attracting purchase capital to competitive investments.

The methods of capitalization are Yield Capitalization and Direct Capitalization.¹²

Yield Capitalization

In yield capitalization, the relationship between several years' stabilized income and a reversionary value at the end of a designated period is reflected in a yield rate. The most common application of yield capitalization is discounted cash flow analysis.

Direct Capitalization

In direct capitalization, the relationship between one year's income and value is reflected in either a capitalization rate or an income multiplier.

The Direct Capitalization method, using a rate abstracted from the market was not used because there was insufficient income and expense data available for the known comparable sales. Detailed income and expense histories are vital to abstracting a capitalization rate that is reliable.

We have chosen a yield capitalization method in our analysis of income. Two generally accepted methods of yield capitalization are the **Mortgage Equity Technique** and the **Discounted Cash Flow Method**. In all methods of yield capitalization, the future benefits that will be derived from a property are discounted to their present worth to estimate a "present value". The benefits typically considered consist of periodic net income, the growth in periodic net income, the equity build-up through mortgage loan amortization, and the reversion of the sales proceeds in excess of the mortgage loan balance and other costs at the end of the term. The rate at which these cash flows and reversion are discounted to a present value is designated by various analogous terms. Among them are the Equity Yield Rate, the Internal Rate of Return (IRR) and the Discount Rate. IRR is considered by many financial analysts to be the most comprehensive measure of financial benefits that will be received by the investor during the period of ownership.

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¹² *The Appraisal of Real Estate, 12th. Edition* (Appraisal Institute, Chicago, Il., 2001), p. 64

Mortgage Equity Technique

A capitalization rate was developed using the Advanced Mortgage Equity Technique. This is an accepted technique when net income is projected to be stable, beginning in the first year of the analysis. In this method, individual components of the capitalization rate are mathematically derived and an overall rate capitalization rate is calculated. This rate is then applied to stable net income to determine the value.

In order to develop the capitalization rate using the Advanced Mortgage Equity Technique, the following projections were made:

Projected Holding Period	7 years
Loan Ratio	60.00%
Loan Term	25 years
Investor Equity Portion	40.00%
Required Investor Yield	10.50%
Growth Rate in Value per year	2.00%
Growth Rate in Income per year	2.00%
Soft Costs in addition to Equity	3.00%
Selling Expenses in Terminal Year	4.00%

Final Value by the Income Approach

A capitalization rate of 7.08% was developed using the projections above. Applying this rate to the subject property's Stabilized Net Income of \$111,462 indicates a value by the Advanced Mortgage Equity Technique of \$1,573,630 ($\$111,462 / 7.08\%$). This value has been rounded to \$1,600,000.

Final Value by the Income Approach

One Million Six Hundred Thousand Dollars

\$1,600,000

Small, but important, details are incorporated into Commercial Complete. Notice the value that is automatically inserted from the subject property record can also be inserted as text.

Dates can be inserted as numbers (12/01/2009) or text (December 1, 2009).

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Supporting Income Documentation

On the pages that follow are presented various reports and calculations that document our analysis of the income for the subject property. Also included is a discussion of the pertinent factors and mathematical techniques that were employed.

The reports included throughout these narrative pages are presented using various color schemes to demonstrate how you can customize any narrative to make it your own.

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Company Street, Company City, State, Zip
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Rent Comparable 1 Datasheet

Property Identification

Property Type Apartment
 Property Sub-Type One-story
 Street Address 724 85th. Street
 City, State, Zip Code Miami Beach, FI 33341
 Community Biscayne Point
 School District Miami-Dade
 County Miami-Dade
 Flood Information AE 12086C0326L
 Tax Map No. 02-3202-008-1860



Assessment Data

Assessed Land Value \$108,486
 Assess.Bldg.Value \$175,284
 Assessed Total Value \$283,770

Property Summary

General Location Urban
 # Struct 1
 Number of Stories 1
 No. of Rental Units 6
 Total Rooms 18
 Bedrooms 6
 Baths 6
 Building Style Garden/Low Rise
 Gross Building Area 3,412 s.f.
 Year Built 1949
 Actual Age 62
 Effective Age 25

Land Data

Useable % 100.00%
 Zoning RM-1 Multifamily

Typical Lease

Space Classification One Bedroom One Bath Units
 Occupancy Type Residential
 Tenant One Bedroom Unit
 Paid by Tenant Electric
 Lease Term Annual
 Lease Effective Rate \$1.47

Estimated Income

Gross Income \$100,000
 Vacancy Rate (%) 5.00%
 Effec.Gross Income 95,000
 Expenses (30.00%) -30,000
 Net Income \$65,000

Lease Notes

Rent per s.f. - \$1.47
 Rent per room - \$277.86
 Rent per unit - \$833.00

Property Description

This property is a one story building erected around 1949 that contains 6 one-bedroom one bath apartments.

YOUR Company Name

Company Street, Company City, State, Zip
 Telephone Telephone No.

Rent Comparable 2 Datasheet

Property Identification

Property Type Apartment
 Property Sub-Type Walkup
 Street Address 7710 Abbott Avenue
 City, State, Zip Code Miami Beach, FI 33341
 Community North Shores
 County Miami-Dade
 Flood Information AE 12086C0326L
 Tax Map No. 02-3202-007-1050



Land Data

Land Area-s.f. 5,650
 Area-acres 0.130
 Useable % 100.00%
 Front Feet 50
 Dimensions 50' x 113'
 Shape Rectangular
 Zoning RM-1 Multifamily

Property Summary

General Location Urban
 # Struct 1
 Number of Stories 2
 No. of Rental Units 12
 Total Rooms 28
 Bedrooms 8
 Baths 12
 Building Style Two-story Walkup
 Gross Building Area 6,880 s.f.
 Year Built 1940
 Price per Gross s.f. \$109.01
 Price/Rental Units \$62,500
 Price/Room \$26,786
 Price/Bedroom \$93,750
 Price per F.F. \$15,000

Sale Data

Deed Bk Vol.,Page 27125, 3167
 Grantor Henry Volpe
 Grantee Abbott Ocean Investments, LLC
 Sale Price \$750,000
 Sale Date 12/23/2009
 Deed Type Warranty
 Property Rights Conveyed Fee Simple
 Conditions of Sale Arms Length
 Financing Terms Market Terms

Typical Lease

Space Classification One Bedroom And Efficiency
 Occupancy Type Residential
 Tenant 1 bdrm \$950/Studio \$725
 Paid by Tenant Electric
 Lease Term Annual
 Lease Effective Rate \$1.46

Lease Notes

Rent per s.f. \$1.46 to \$1.76
 Rent Per Room \$316.67 to \$725.00
 Rent Per Unit \$725.00 to \$950.00

Property Description

Notes

YOUR Company Name

Company Street, Company City, State, Zip
 Telephone Telephone No.

Rent Comparable 3 Datasheet

Property Identification

Property Type Apartments
 Property Sub-Type One-story
 Street Address 8030 Abbott Avenue
 City, State, Zip Code Miami Beach, FI 33341
 Community North Shores
 School District Miami-Dade
 County Miami-Dade
 Flood Information AE 12086C0326L
 Tax Map No. 02-3202-007-1390



Assessment Data

Assessed Land Value \$474,600
 Assess.Bldg.Value \$258,189
 Assessed Total Value \$732,789

Land Data

Useable % 100.00%
 Zoning RM-1 Multifamily

Typical Lease

Space Classification One Bedroom and Efficiency
 Occupancy Type Residential
 Tenant 1 bdrm \$850
 studio \$750
 Paid by Tenant Electric
 Lease Term Annual
 Lease Effective Rate \$1.31

Property Summary

General Location Urban
 # Struct 1
 Number of Stories 1
 No. of Rental Units 12
 Total Rooms 28
 Bedrooms 8
 Baths 12
 Building Style Garden/Low Rise
 Gross Building Area 6,970 s.f.
 Year Built 1950
 Effective Age 25

Lease Notes

Rent per s.f. - \$1.31 to \$1.70
 Rent per room - \$283.33 to \$750
 Rent per unit - \$750 to \$850

Property Description

This property is a one story building erected around 1950. There are 8 one-bedroom one bath apartments.
 The property is currently for sale at an asking price of \$1,049,000, or \$87,416.00 per unit.

Rent Comparison Grid

Comparable 1

Comparable 2

Comparable 3



Property Name	Casa Florida, LLC		Bahia Palm Investments
Street Address	724 85th. Street	7710 Abbott Avenue	8030 Abbott Avenue
City, State, Zip Code	Miami Beach, FI 33341	Miami Beach, FI 33341	Miami Beach, FI 33341
Tax Map No.	02-3202-008-1860	02-3202-007-1050	02-3202-007-1390
Space Classification	One Bedroom One Bath Units	One Bedroom And Efficiency	One Bedroom and Efficiency
Occupancy Type	Residential	Residential	Residential
Typical Rental Area	568	645	650
Lease Term	Annual	Annual	Annual
Paid by Tenant	Electric	Electric	Electric
Tenant	One Bedroom Unit	1 bdrm \$950/Studio \$725	1 bdrm \$850 studio \$750
Lease Base Rate	\$1.47	\$1.46	\$1.31

ADJUSTMENTS

Lease Terms	Annual	Annual	Annual
Quality of Space	Similar	Similar	Similar
Condition of Space	Similar	Similar	Similar
Size of Space			
Subject: 700 Square Feet	568 Square Feet	645 Square Feet	650 Square Feet
Location in Building	Similar	Similar	Similar
Market Location	Similar	Similar	Similar
Adj. Lease Base Rate	\$1.47	\$1.46	\$1.31
Total Gross Adjustments	0.00%	0.00%	0.00%
Total Net Adjustments	0.00%	0.00%	0.00%

Percentages are provided as a guide and include a Time Adj. if applied. Individual percentages may not add up due to rounding and compounding.

Mean of Indicated Rentals \$1.41

A Rent Grid is presented above. The comparison grid functionality in Commercial Complete is extremely powerful.

More than 540 types of grid combinations are possible. Adjustments can be made by Percentage, Dollar Amount, or Qualitative adjustments can be displayed.

On the following pages, the same 3 comps above are presented using a different format.

YOUR Company Name

Company Street, Company City, State, Zip
 Telephone Telephone No.

Rent Comparable 1 Datasheet			
			
Property Identification		Property Summary	
Property Type	Industrial	Location	Suburban
Property Sub-Type	Warehouse/Distribution	Location Ranking	Average
Property Name	SERCO	Topo/Utility Ranking	Average
Street Address	405 Keystone Dr	Condition	Average
City, State, Zip Code	Cranberry Township, PA 15086	Amenities	Average
Community	Thorn Hill Industrial Prk	No. of Structures	1
Local Area	Pittsburgh	Number of Stories	1
County	Butler	Gross Building Area	148,065 s.f.
Tax Map No.	130-4F110-14C23-0000	Net Building Area	148,065 s.f.
Assessment Data		Economic Life	50
Assessed Land Value	\$2,000,000	Actual Age	10
Assessed Building Value	\$6,000,000	Effective Age	10
Assessed Total Value	\$8,000,000	Price per Gross s.f.	\$54.56
Assessed Value	\$8,000,000	Footprint	148,065
Land Data		Land/Building Ratio	05.00:1
Shape	Irregular		
Zoning	LI, Township		
Sale Data			
Deed Book Vol., Page	200802150003063,		
Grantor	Robinson Properties, L.P.		
Grantee	STAG IV PGH 2 LLC		
Sale Price	\$8,078,955		
Sale Date	02/14/2008		
Listing Data			
Listing Price	\$9,000,000		
Listing Date	10/15/2010		
Listing Company	Super Commercial Real Estate		
Typical Lease			
Space Classification	B		
Occupancy Type	Warehouse/Office		
Typical Rental Area	148,000		
Paid by Tenant	NNN		
Lease Date	01/01/2010		
Lease Base Rate	\$5.85		
Lease Effective Rate	\$7.50		
Data Source			
Data Source	CoStar		
Property Description			

YOUR Company Name

Company Street, Company City, State, Zip
 Telephone Telephone No.

Rent Comparable 2 Datasheet



Property Identification		Property Summary	
Property Type	Warehouse / Office / Flex	Location Ranking	Average
Property Name	Cargo Corporate Center	Topo/Utility Ranking	Average
Street Address	1120 Stevenson Mill Rd	Condition	Average
City, State, Zip Code	Moon Township, PA 15108	Amenities	Average
Local Area	Pittsburgh	No. of Structures	1
County	Allegheny	Number of Stories	1
Tax Map No.	0806-H-00390	Parking Spaces	424
Sale Data		Gross Building Area	52,000 s.f.
Grantee	WAITE KOKKILA LAND PARTNERSHIP	Net Building Area	52,000 s.f.
Sale Price	\$258,500	Economic Life	50
Sale Date	07/16/1996	Actual Age	5
Listing Price	\$3,640,000	Effective Age	5
Typical Lease		Price per Gross s.f.	\$4.97
Space Classification	B	Footprint	52,000
Paid by Tenant	Triple Net	Land/Building Ratio	05.03:1
Lease Effective Rate	\$8.00		
Data Source			
Data Source	Allegheny County		

YOUR Company Name

Company Street, Company City, State, Zip
 Telephone Telephone No.




Rent Comparable 3 Datasheet



Property Identification		Property Summary	
Property Type	Warehouse/Flex	Location Ranking	Average
Property Name	Imperial Business Park	Topo/Utility Ranking	Average
Street Address	301-308 High Tech Dr	Condition	Average
City, State, Zip Code	Oakdale, PA 15071	Amenities	Average
Community	Imperial Business Park	No. of Structures	1
Local Area	Pittsburgh	Number of Stories	1
County	Allegheny	Gross Building Area	187,000 s.f.
Land Data		Net Building Area	187,000 s.f.
Zoning	Industrial	Economic Life	50
Typical Lease		Actual Age	5
Space Classification	C	Effective Age	5
Occupancy Type	Rentals \$7.50 To \$8.50+		
Paid by Tenant	Full Service Gross		
Lease Date	09/22/2009		
Lease Effective Rate	\$7.50		
Data Source			
Data Source	Allegheny County		

YOUR Company Name

Company Street, Company City, State, Zip
 Telephone Telephone No.

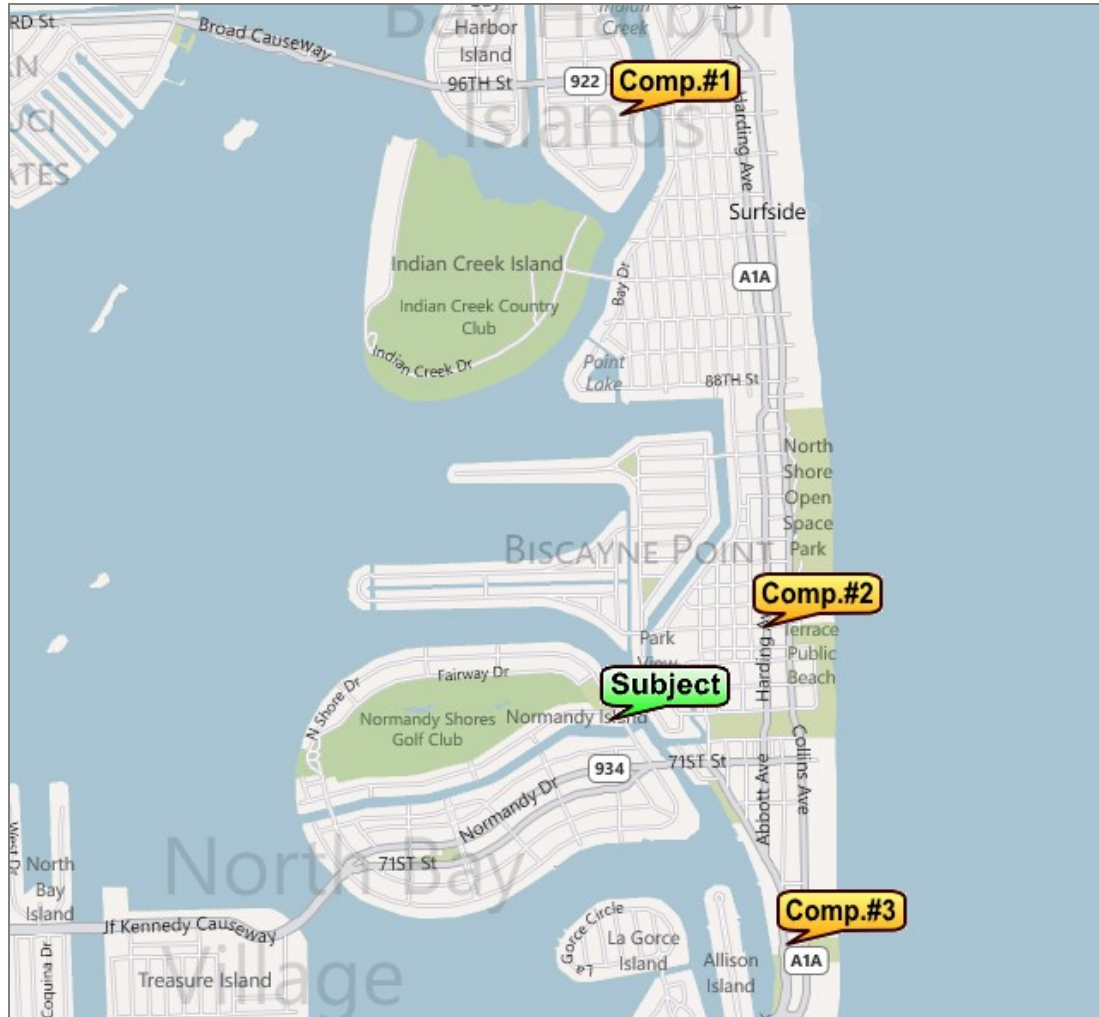
Rent Comparison Grid			
	<u>Comparable 1</u>	<u>Comparable 2</u>	<u>Comparable 3</u>
			
Property Name	SERCO	Cargo Corporate Center	Imperial Business Park
Street Address	405 Keystone Dr	1120 Stevenson Mill Rd	301-308 High Tech Dr
City, State, Zip Code	Cranberry Township, PA 15086	Moon Township, PA 15108	Oakdale, PA 15071
Tax Map No.	130-4F110-14C23-0000	0806-H-00390	.
Space Classification	B	B	C
Occupancy Type	Warehouse/Office	.	Rentals \$7.50 To \$8.50+
Typical Rental Area	148,000		
Paid by Tenant	NNN	Triple Net	Full Service Gross
Lease Effective Rate	\$7.50	\$8.00	\$7.50
Lease Date	01/01/2010	.	09/22/2009
	The subject contains 43,510 s.f. of warehouse space with 15% finished offices. It is currently designed to accommodate a single tenant.	When a comment is entered on an adjustment line that has a zero adjustment, the comment is designed to accommodate a single tenant.	Up to 12 line item adjustments can be made and quantitative adjustments can be made by percentage or dollar amount.
	Comparable 1 is a large warehouse building that is occupied by a single tenant.	This enables you to alert the reader that you have considered the item, but that no adjustment is warranted.	Adjustments can be displayed in color or black and white.
Adjustments			
Quality of Space:		Similar	Similar
Condition of Space:		Similar	Similar
Size of Space:	The adjustment recognizes that the space is rented to a single tenant on a long term basis	Similar	Similar
		1.50	0
Market Location:		Equal	Equal
		-0.75	0
Utilities:	Paid by Tenant	Paid by Tenant	Paid by Tenant
Real Estate Taxes:	Paid by Tenant	Paid by Tenant	Paid by Tenant
Operating Expenses:	Paid by Tenant	Paid by Tenant	Paid by Tenant
Adj. Lease Effective Rate	\$8.25	\$8.00	\$7.50
Total Gross Adjustments	10.00%	0.00%	0.00%
Total Net Adjustments	10.00%	0.00%	0.00%
Mean of Indicated Rentals	\$7.92		

YOUR Company Name

Company Street, Company City, State, Zip
 Telephone Telephone No.

DocNote
INSERT OR PASTE THE MAP IN THE
SHADED RECTANGLE

Rent Comparables Map



Comparables can be automatically mapped through Commercial Complete's mapping web site. A different picture frame is used here.

YOUR Company Name

Company Street, Company City, State, Zip
Telephone Telephone No.

Stabilized Market Income Statement

REFERENCE NO: NOT AN APPRAISAL
 PROPERTY: 2 South Shore Drive
 ANALYSIS DATE: 09/01/2011

	Amount	% of Gross	Per Month
<u>Gross Income</u>			
Total Income	\$196,200	100.00%	16,350.00
Vacancy / Credit Loss	-9,810	-5.00%	-817.50
Effective Gross Income	\$186,390	95.00%	15,532.50
<u>Fixed</u>			
Real Estate Taxes	27,958	14.25%	2,329.88
Insurance	14,911	7.60%	1,242.60
<u>Operating</u>			
Electric, Water, Sewer	11,183	5.70%	931.95
Pest Control / Reported	600	0.31%	50.00
Maintenance / Repair	7,456	3.80%	621.30
Trash Removal	3,500	1.78%	291.67
Management	5,592	2.85%	465.98
<u>Reserve</u>			
Reserve for replacement	3,728	1.90%	310.65
Total Expenses	<u>\$74,928</u>	<u>38.19%</u>	<u>6,244.02</u>
NET INCOME	\$111,462	56.81%	9,288.48

CAPITALIZATION

Stabilized Net Income divided by Capitalization Rate = Value
 \$111,462 divided by 7.08% = \$1,573,630



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YOUR Company Name

Company Street, Company City, State, Zip
 Telephone Telephone No.

Advanced Mortgage Equity Calculation

REFERENCE NO: NOT AN APPRAISAL
 PROPERTY: 2 South Shore Drive
 ANALYSIS DATE: 09/01/2011

Input Variables

Projected Holding Period	7 Years
Loan Ratio 1	60.00%
Interest Rate	6.00%
Loan Term	25 Years
Investor Equity Portion	40.00%
Required Investor Yield (IRR)	10.500%
Growth Rate in Value per Year	2.000%
Growth Rate in Net Income per Year	2.000%
Soft Costs in Addition to Equity	3.000%
Selling Expenses: Terminal Year	4.000%

CALCULATION

Loan 1 x Constant (.60000 x 0.077316)	0.0463897
Equity x Required Yield (.40000 x 0.105000)	0.0420000
	0.0883897
LESS Credit for Equity Build-up	
RATIO x %PAID OFF x SINKING FUND	
Loan 1 60.00 0.1502 0.103799	-0.0093531
BASIC RATE	0.0790366
ADD Amortization of Soft Costs (3.00 x 0.20880)	0.0062640
	0.0853006
LESS Appreciation Factor	-0.0106641
LESS Income Growth Factor	-0.0038055
CAP RATE AT STABLE OPERATION	0.0708310
OVERALL RATE - ROUNDED TO	7.08%



YOUR Company Name

Company Street, Company City, State, Zip
 Telephone Telephone No.

Mortgage Equity with different colors

Advanced Mortgage Equity Calculation

REFERENCE NO: Sample Industrial
 PROPERTY: McMichael Road
 ANALYSIS DATE: 01/07/2008

Input Variables

Projected Holding Period	7 Years
Loan Ratio 1	75.00%
Interest Rate	7.00%
Loan Term	25 Years
Investor Equity Portion	25.00%
Required Investor Yield (IRR)	12.000%
Growth Rate in Value per Year	0.000%
Growth Rate in Net Income per Year	0.000%
Soft Costs in Addition to Equity	4.000%
Selling Expenses: Terminal Year	6.000%

CALCULATION

Loan 1 x Constant (.75000 x 0.084814)	0.0636101
Equity x Required Yield (.25000 x 0.120000)	<u>0.0300000</u>
	0.0936101
LESS Credit for Equity Build-up	
RATIO x %PAID OFF x SINKING FUND	
Loan 1 75.00 0.1333 0.099118	<u>-0.0099108</u>
BASIC RATE	0.0836993
ADD Amortization of Soft Costs (4.00 x 0.21912)	<u>0.0087647</u>
	0.0924640
ADD Depreciation Factor	<u>0.0059471</u>
CAP RATE AT STABLE OPERATION	0.0984111
OVERALL RATE - ROUNDED TO	9.84%

YOUR Company Name

Company Street, Company City, State, Zip
 Telephone Telephone No.

Discounted Cash Flow Method

To check the accuracy of the mathematical calculations applied in the Advanced Mortgage Equity Technique, we performed a discounted cash flow analysis, using the same assumptions and variables. Our Discounted Cash Flow Method begins by selecting a "target" IRR. Then the present value of the cash flows is calculated. Several iterations of the calculations are performed until the IRR is found that will equate the present value of the cash flows with the value that was calculated using the Mortgage Equity Technique. There is only one IRR that will produce this result.

Since both the Discounted Cash Method and the Mortgage Equity Technique are methods of "yield capitalization", both utilize the same assumptions as to holding period, mortgage interest rates, income growth rates, etc. Therefore, the Required IRR that was used in the Mortgage Equity Technique and the IRR that is calculated using the Discounted Cash Flow Method should be identical, if calculated properly. Moreover, because each method is independently calculated, one serves to check the other. The results of our discounted cash flow analysis are presented on the following page. They indicate that the mathematical calculations applied in the Mortgage Equity Technique are correct.

Discounted Cash Flow Methodology

Because we have assumed that the typical investor in the subject property would finance the property at the best prevailing mortgage terms, we discounted the cash flows rather than the net incomes during the projection period. This method recognizes that the typical investor would be most concerned with the "yield" on equity, based upon the annual cash flows; that is, actual cash available after all expenses and debt service. The present value of these total cash flows is equal to the total investment, including closing costs.

Using the subject property as an example, the present value of the discounted cash flows of the equity portion of the investment is \$676,661, which is equal to the sum of the cash equity of \$629,452 and closing costs of \$47,209. Therefore, if we divide the present value of the investment - \$676,661 by the percentage of the equity 43.00% (Cash Equity = 40.00% and Soft Costs = 3.00%), the result is the present value of the property, \$1,573,630 ($\$676,661/43.00\%$).

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YOUR Company Name

Company Street, Company City, State, Zip
Telephone Telephone No.

Projected Cash Flow Analysis

REFERENCE NO: NOT AN APPRAISAL
PROPERTY: 2 South Shore Drive
ANALYSIS DATE: 09/01/2011

Indicated Value \$1,573,630
Less Loans 60.00% 944,178
Equity 629,452
Soft Costs: 3.00% 47,209
Total Investment \$676,661

	<u>Year 1</u> 09-2011	<u>Year 2</u> 09-2012	<u>Year 3</u> 09-2013	<u>Year 4</u> 09-2014	<u>Year 5</u> 09-2015	<u>Year 6</u> 09-2016	<u>Year 7</u> 09-2017
<u>Cash Flows</u>							
Total Income	196,200	200,124	204,126	208,209	212,373	216,621	220,953
Vac / Credit Loss	<u>-9,810</u>	<u>-10,006</u>	<u>-10,206</u>	<u>-10,410</u>	<u>-10,619</u>	<u>-10,831</u>	<u>-11,048</u>
Effective Gross	186,390	190,118	193,920	197,799	201,755	205,790	209,905
Total Expenses	<u>74,928</u>	<u>76,427</u>	<u>77,955</u>	<u>79,514</u>	<u>81,105</u>	<u>82,727</u>	<u>84,381</u>
Net Income	111,462	113,691	115,965	118,284	120,650	123,063	125,524
Interest Expense	<u>-56,194</u>	<u>-55,157</u>	<u>-54,056</u>	<u>-52,888</u>	<u>-51,647</u>	<u>-50,330</u>	<u>-48,932</u>
Loan Amortization	<u>-16,807</u>	<u>-17,843</u>	<u>-18,944</u>	<u>-20,112</u>	<u>-21,353</u>	<u>-22,670</u>	<u>-24,068</u>
Cash Flow	38,462	40,691	42,965	45,284	47,650	50,063	52,524
Cash on Cash Yield	5.68%	6.01%	6.35%	6.69%	7.04%	7.40%	7.76%
Debt Coverage Ratio	1.53	1.56	1.59	1.62	1.65	1.69	1.72

Reversion - Proceeds of Sale at the end of 7 Years

Future Sale \$1,807,606
Sale Costs: 4.00% -72,304
Less Loans 802,381
Reversion \$932,921

Internal Rate of Return: 7 Year Holding Period

Initial Investment	<u>-676,661</u>						
Cash Flow	38,462	40,691	42,965	45,284	47,650	50,063	52,524
Reversion							932,921
INTERNAL RATE OF RETURN	10.500%						

Present Value of Cash Flows using a Discount Rate of 10.500%

Cash Flow	38,462	40,691	42,965	45,284	47,650	50,063	52,524
Reversion							<u>932,921</u>
							985,444
Present Value							
Discount Factor	<u>0.904977</u>	<u>0.818984</u>	<u>0.741162</u>	<u>0.670735</u>	<u>0.607000</u>	<u>0.549321</u>	<u>0.497123</u>
Present Value	34,807	33,325	31,844	30,374	28,923	27,500	489,887

P V of CASH FLOWS \$676,660 approximates Initial Investment of \$676,661, based upon a value of \$1,573,630

YOUR Company Name

Company Street, Company City, State, Zip
Telephone Telephone No.

Another DCF - Different Look

Projected Cash Flow Analysis							
REFERENCE NO: Sample Industrial							
ANALYSIS DATE: 01/07/2008							
Indicated Value	\$1,691,128						
Less Loans 75.00%	<u>1,268,346</u>						
Equity	422,782						
Soft Costs: 4.00%	<u>67,645</u>						
Total Investment	\$490,427						
	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>	<u>Year 6</u>	<u>Year 7</u>
	01-2008	01-2009	01-2010	01-2011	01-2012	01-2013	01-2014
Cash Flows							
Net Income	166,426	166,426	166,426	166,426	166,426	166,426	166,426
Interest Expense	-88,169	-86,767	-85,263	-83,650	-81,920	-80,066	-78,077
Loan Amortization	-19,404	-20,806	-22,310	-23,923	-25,653	-27,507	-29,495
Cash Flow	58,853	58,853	58,853	58,853	58,853	58,853	58,853
Cash on Cash Yield	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%
Debt Coverage Ratio	1.55	1.55	1.55	1.55	1.55	1.55	1.55
Reversion - Proceeds of Sale at the end of 7 Years							
Future Sale	\$1,691,128						
Sale Costs: 6.00%	-101,468						
Less Loans	<u>1,099,248</u>						
Reversion	\$490,413						
Internal Rate of Return: 7 Year Holding Period							
Initial Investment	-490,427						
Cash Flow	58,853	58,853	58,853	58,853	58,853	58,853	58,853
Reversion							490,412
INTERNAL RATE OF RETURN	12.000%						
Present Value of Cash Flows using a Discount Rate of 12.000%							
Cash Flow	58,853	58,853	58,853	58,853	58,853	58,853	58,853
Reversion							<u>490,412</u>
							549,265
Present Value							
Discount Factor	<u>0.892857</u>	<u>0.797194</u>	<u>0.711780</u>	<u>0.635518</u>	<u>0.567427</u>	<u>0.506631</u>	<u>0.452349</u>
Present Value	52,547	46,917	41,890	37,402	33,395	29,817	248,460
P V of CASH FLOWS \$490,428 approximates Initial Investment of \$490,427, based upon a value of \$1,691,128							

YOUR Company Name

Company Street, Company City, State, Zip
 Telephone Telephone No.

Net Present Value Analysis

As a final proof of the calculations performed in both the Mortgage Equity Technique and the Discounted Cash Flow Method, we performed a Net Present Value analysis of the cash flows, using the same Required IRR of 10.50% and Holding Period of 7 years. The net present value of the cash flows, i.e. the Present Value of the cash flows less Initial Cash Investment, is near zero. This verifies that the calculations used in the other methods are correct.

Proof of Yield on Equity

REFERENCE NO: NOT AN APPRAISAL
 PROPERTY: 2 South Shore Drive
 ANALYSIS DATE: 09/01/2011

		Required Rate of Return	10.500%
		Holding Period	7 Years
Original Equity	Ratio	Value	
	Equity 0.40000	\$1,573,630	\$629,452
	Soft Costs 0.03000	\$1,573,630	<u>47,209</u>
		Initial Cash Investment	\$676,661
Terminal Equity		Resale Value	\$1,807,606
		Loan Balance	-802,381
		Sale Expenses	-72,304
		Net Reversion	\$932,921

PROOF				
	Year	Cash Flow	Present Value Factor @ 10.500%	Present Value
	1	38,461.57	0.9049774	34,806.85
	2	40,690.80	0.8189840	33,325.11
	3	42,964.63	0.7411621	31,843.76
	4	45,283.93	0.6707349	30,373.51
	5	47,649.61	0.6069999	28,923.31
	6	50,062.61	0.5493212	27,500.45
	7	52,523.85	0.4971232	26,110.82
	Net Reversion	932,920.63	0.4971232	<u>463,776.50</u>
			Present Value of Cash Flows	676,660.31
			Initial Cash Investment	-676,660.88
			Net Present Value	-0.57

Yield Analysis

To examine the effect upon value of different Internal Rates of Return, we selected a range of yield rates above and below the Internal Rate of Return of 10.50% that was used to calculate the final estimate of value by the Income Approach of \$1,573,630. Applying the same mathematical analysis, but using this selected range of Internal Rates of Return, the results are presented below.

Yield Range Analysis

REFERENCE NO: NOT AN APPRAISAL
 PROPERTY: 2 South Shore Drive
 ANALYSIS DATE: 09/01/2011

Input Variables

Projected Holding Period	7 Years
Loan Ratio 1	60.00%
Interest Rate	6.00%
Loan Term	25 Years
Investor Equity Portion	40.00%
Yield Range Analyzed (IRR)	7.500% to 13.500%
Growth Rate in Value per Year	2.000%
Growth Rate in Net Income per Year	2.000%
Soft Costs in Addition to Equity	3.000%
Selling Expenses: Terminal Year	4.000%

Selected IRR	Indicated Value	Required Equity	D.C.R.
7.50%	1,958,194	842,024	1.23
8.00%	1,881,377	808,992	1.28
8.50%	1,810,432	778,486	1.33
9.00%	1,744,701	750,221	1.38
9.50%	1,683,632	723,962	1.43
10.00%	1,626,747	699,501	1.48
10.50%	1,573,630	676,661	1.53
11.00%	1,523,912	655,282	1.58
11.50%	1,477,286	635,233	1.63
12.00%	1,433,471	616,392	1.68
12.50%	1,392,211	598,651	1.73
13.00%	1,353,296	581,917	1.78
13.50%	1,316,529	566,107	1.83

YOUR Company Name

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Debt Coverage Ratio

The Debt Coverage Ratio is often considered by lenders when underwriting a loan secured by an income producing property. The formula for the DCR is:

$$\text{Net Income} / \text{Annual Debt Service} = \text{Debt Coverage Ratio}$$

Based upon a stabilized net income of \$111,462 and an annualized loan payment that is based upon a Loan to Value Ratio of 60.00% of value, the indicated DCR for the first year of our analysis is 1.53.

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SALES COMPARISON APPROACH

The **Sales Comparison Approach** consists of comparing the subject property with sales of similar properties that have sold. It is based upon the principle of substitution and implies that a prudent investor will not pay more for an existing property than he will to buy an identical substitute property.

Direct Comparison Method

In the direct comparison method, comparable sales are chosen that are most similar to the property being appraised in location, physical characteristics and amenities. Adjustments are then made for observed differences in items such as financing and market conditions (time). Physical characteristics such as lot size and value; building size and age; and condition are then compared. A judgment is then made as to the market value indicated by the adjusted sales prices.

We made a diligent search for comparable sales of similar buildings. As expected, transfers of properties similar to the subject were infrequent in the immediate area. Therefore, it was necessary to broaden our search to other similar locations. Even with this expanded search, we found sales of this size and type of property to be infrequent over the last several years. The sales finally chosen were determined to be the most comparable considering location, time of sale, size, and age of the buildings.

Analysis of the Adjustments

The following is a discussion of the adjustments that have been considered and applied, where appropriate, to the price indications of the comparable sales.

Unit of Comparison

The price per unit method is chosen and used in comparing the market sales with the subject.

Elements of Comparison

According to *The Appraisal of Real Estate*, there are ten basic elements of comparison that should always be considered in the analysis of the sales comparison approach. These are identified as:

- Real property right conveyed
- Financing terms
- Conditions of the sale
- Expenditures immediately after sale
- Market Conditions
- Location
- Physical characteristics
- Economic characteristics
- Use
- Non-realty components of value

The adjustments for the comparable sales are presented on the Sales Comparison Grid that follows later in this section. Adjustments were based, when possible, on market extracted data, paired sales analysis, and data from previous appraisal assignments.

Real Property Rights Conveyed

A transaction price is predicated upon the real property interest conveyed in the transaction. The subject is analyzed in fee simple estate. The subject and all the comparable sales are fee simple sales with no adjustments required.

Financing

The transaction price of one property may differ from that of an identical property due to different financing or favorable financing arrangements.

Except as noted in the Sales Comparison Grid, no financing data was available and the comparables were presumed to have sold on an all cash basis to the seller or financing that did not influence the sales price. No adjustments are required.

Conditions of Sale

When the conditions of sale are atypical, the result may be a sales price that is higher or lower than a normal market transaction.

Except as noted in the Sales Comparison Grid, According to the market participants interviewed or other sources, all of the sales were arm's length transactions and considered to be typical market acquisitions. None of the sources indicated that the sales were distressed and we have presumed that the buyers and sellers were acting in their own best interests. No adjustments were required.

There were no indications of special conditions that impacted any of the transactions.

Immediate Expenditures

This category typically includes expenditures for immediate capital outlays for items such as deferred maintenance.

Except as noted in the Sales Comparison Grid, we are not aware of any immediate expenditures for the comparable sales.

Market Conditions

Changes in market conditions may be necessary to reflect the market trends since the sales transaction dates. Ideally, a sale and re-sale of a property unaffected by other changes is considered a good indicator of appreciating or depreciating conditions.

Except as noted in the Sales Comparison Grid and discussed elsewhere in this report, we have concluded that no specific market trend can be discerned and no adjustment for Market Conditions is warranted at this time.

Location

This adjustment accounts for differences in factors that affect the physical location of the sales compared to the subject. Such factors that affect location may include nearby drawing powers, arterial streets, interstate interchange locations, demographics, etc.

The subject and the sales reported are considered to have competitive locations in their neighborhood. Therefore, no adjustments were made.

Physical Characteristics

All comparables selected had similar physical characteristics and construction features.

Adjustments were made, where appropriate, for differences in physical characteristics and construction features of the subject and each comparable.

Age/Condition

Adjustments were made, where appropriate, for differences in the age and condition of the subject and each comparable.

Zoning/Uses

Zoning is one of the primary factors in determining the highest and best use of a property. Zoning is typically given significant consideration in choice of comparable properties. Adjustments are warranted when the difference in utility is supported from the market data.

Except as noted in the Sales Comparison Grid, all of the comparable sales have the same or competitive zoning and no measurable differences were concluded.

Non-Realty Items (FF&E)

Non-realty components of value may include fixtures, furniture, equipment, etc. that are included in the sale but do not constitute real estate. These components should be analyzed separately from the realty.

None of the sales are known to have included FF&E or other non-realty items and no adjustments were necessary.

Adjustment Commentary

Adjustments were based, where possible, on paired sales analysis from within and outside the data set. In those instances where sufficient data was not available, best judgment was used to make reasonable and appropriate adjustments as warranted, although the magnitude of those adjustments may not necessarily be reflected in the market. Every effort was made to base the adjustments on quantified empirical or reasonably inferred market data.

Final Value by the Sales Comparison Approach

After analyzing the available comparable sales and selecting those considered most comparable, appropriate adjustments were made to the sale price of each. The value of the subject, as indicated by these sales was determined to be \$1,540,000, rounded.

Final Value by the Sales Comparison Approach

One Million Five Hundred Forty Thousand Dollars

\$1,540,000



YOUR Company Name

Company Street, Company City, State, Zip
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Supporting Sales Comparison Documentation

On the pages that follow are presented various reports and calculations that document our Sales Comparison analysis for the subject property.

YOUR Company Name

Company Street, Company City, State, Zip
Telephone Telephone No.

Subject Property Datasheet



Property Identification

Property Type Apartment
 Property Sub-Type Walkup
 Street Address TWO South Shore Drive
 City, State, Zip Code Miami Beach, FI 33341
 Community Normandy Isles
 County Miami-Dade
 Flood Information AE 12086C0326L
 Tax Map No. 02-3203-007-1310

Assessment Data

Assessed Land Value \$651,610
 Assess.Bldg.Value \$591,579
 Assessed Total Value \$1,243,189

Land Data

Land Area-s.f. 19,165
 Area-acres 0.440
 Useable % 100.00%
 Front Feet 170
 Dimensions 55' x 113 x 170'
 Shape Triangular
 Zoning RM-1 Multifamily

Sale Data

Deed Bk Vol.,Page 27598, 4369-4370
 Grantor 2 South Shore Drive, LLC
 Grantee 2 South Shore Investments, LLC
 Sale Price \$1,500,000
 Sale Date 02/22/2011
 Deed Type Warranty
 Property Rights Fee Simple
 Conveyed
 Conditions of Sale Arms Length
 Financing Terms Market Terms

Property Summary

General Location Urban
 # Struct 1
 Number of Stories 2
 No. of Rental Units 16
 Total Rooms 58
 Bedrooms 26
 Baths 16
 Building Style Two-story Walkup
 Gross Building Area 13,330 s.f.
 Year Built 1953
 Actual Age 58
 Effective Age 25
 Price per Gross s.f. \$112.53
 Price/Rental Units \$93,750
 Price/Room \$25,862
 Price/Bedroom \$57,692
 Price per F.F. \$8,824

Estimated Income

Gross Income \$196,200
 Vacancy Rate (%) 5.00%
 Effec.Gross Income 186,390
 Expenses (38.19%) -74,928
 Net Income \$111,462

Gross Inc. Multiplier 7.65
 E.G.I. Multiplier 8.05
 Net Inc. Multiplier 13.46
 Direct Caprate 7.43%

YOUR Company Name

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Subject Property Datasheet

(continued)

Property Description

This property is a 16 unit, 2-story walkup apartment building that contains 7 one-bedroom apartments, 8 two bedroom two bath apartments and 1 three bedroom two bath apartment. It is located in the Normandy Isles neighborhood of Miami Beach.

YOUR Company Name

Company Street, Company City, State, Zip
Telephone Telephone No.

Sales Comparable 1 Datasheet

Property Identification

Property Type Apartment
 Property Sub-Type Two-story Walkup
 Street Address 9490 E. Bay Harbor Drive
 City, State, Zip Code Miami Beach, FI 33341
 County Miami-Dade
 Flood Information AE 12086C0326L



Land Data

Land Area-s.f. 17,929
 Area-acres 0.412
 Useable % 100.00%
 Zoning RM-1 Multifamily

Property Summary

General Location Urban
 # Struct 1
 Number of Stories 2
 No. of Rental Units 20
 Building Style Two-story Walkup
 Gross Building Area 16,009 s.f.
 Year Built 1957
 Effective Age 20
 Price per Gross s.f. \$134.11
 Price/Rental Units \$107,350

Sale Data

Sale Price \$2,147,000
 Sale Date 01/01/2010
 Deed Type General Warranty
 Property Rights Conveyed Fee Simple
 Conditions of Sale Arms Length
 Financing Terms Cash-per MLS

Estimated Income

Gross Income \$198,000
 Vacancy Rate (%) 5.00%
 Effec.Gross Income 188,100
 Expenses (43.70%) ~~-86,526~~
 Net Income \$101,574
 Gross Inc. Multiplier 10.84
 E.G.I. Multiplier 11.41
 Net Inc. Multiplier 21.14
 Direct Caprate 4.73%

Property Description

Notes

This property is a 2-story walkup apartment building that has been partially renovated and is in average to good condition. It contains 16 one-bedroom units and 4 two-bedroom two bath units.

YOUR Company Name

Company Street, Company City, State, Zip
 Telephone Telephone No.

Sales Comparable 2 Datasheet

Property Identification

Property Type Apartment
 Property Sub-Type Walkup
 Street Address 7710 Harding Avenue
 City, State, Zip Code Miami Beach, FI 33141-1657
 Community North Shores
 School District Miami-Dade
 County Miami-Dade
 Flood Information AE 12086C0326L
 Tax Map No. 02-3202-007-0620



Assessment Data

Assessed Land Value \$495,000
 Assess.Bldg.Value \$526,077
 Assessed Total Value \$1,021,077

Land Data

Land Area-s.f. 10,999
 Area-acres 0.253
 Useable % 100.00%
 Front Feet 100
 Dimensions 100' X 110'
 Shape Mostly Rectangular
 Zoning RM-1 Multifamily

Sale Data

Deed Bk Vol.,Page 27691, 1599-1600
 Grantor Consort Investment Corp.
 Grantee Ilandol Investment Corp.
 Sale Price \$1,275,000
 Sale Date 05/12/2011
 Deed Type Special Warranty Deed
 Property Rights Conveyed Fee Simple
 Conditions of Sale Arms Length
 Financing Terms Market Terms

Property Summary

General Location Urban
 # Struct 1
 Number of Stories 2
 No. of Rental Units 16
 Bedrooms 10
 Baths 16
 Building Style Two-story Walkup
 Gross Building Area 10,904 s.f.
 Year Built 1950
 Actual Age 61
 Effective Age 25
 Price per Gross s.f. \$116.93
 Price/Rental Units \$79,688
 Price/Bedroom \$127,500
 Price per F.F. \$12,750

Estimated Income

Gross Income \$148,800
 Vacancy Rate (%) 5.00%
 Effec.Gross Income 141,360
 Expenses (38.39%) **-57,129**
 Net Income \$84,231
 Gross Inc. Multiplier 8.57
 E.G.I. Multiplier 9.02
 Net Inc. Multiplier 15.14
 Direct Caprate 6.61%

Property Description

This sale represents the transfer of a two story apartment building erected circa 1950. There are 10 one-bedroom one bath apartments and 6 Efficiencies. The effective gross rental income is then \$141,360.00 with a reflected NOI of \$84,231. Cap rate is the 6.61%.

Sales Comparable 3 Datasheet

Property Identification

Property Type Apartment
 Property Sub-Type Walkup
 Street Address 6495 Indian Creek Drive
 City, State, Zip Code Miami Beach, FI
 County Miami-Dade
 Tax Map No. 02-3211-007-1930



Assessment Data

Assessed Land Value \$1,298,050
 Assess.Bldg.Value \$1,301,950
 Assessed Total Value \$2,600,000

Land Data

Land Area-s.f. 25,962
 Area-acres 0.596
 Useable % 100.00%
 Shape Irregular

Sale Data

Deed Bk Vol.,Page 26951, 3661-3662
 Grantor 1414 Euclid Ave., Inc.
 Grantee Indian Creek Boutique
 Apartments, LLC
 Sale Price \$3,225,000
 Sale Date 07/23/2009
 Deed Type Warranty
 Property Rights Conveyed Fee Simple
 Conditions of Sale Arms Length
 Financing Terms Market Terms

Property Summary

General Location Urban
 # Struct 1
 Number of Stories 2 & 3
 No. of Rental Units 43
 Total Rooms 101
 Bedrooms 33
 Baths 45
 Building Style 2 and 3 Story Walkup
 Gross Building Area 26,907 s.f.
 Year Built 1959
 Effective Age 25
 Price per Gross s.f. \$119.86
 Price/Rental Units \$75,000
 Price/Room \$31,931
 Price/Bedroom \$97,727

YOUR Company Name

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Sales Comparison Grid

Comparable 1

Comparable 2

Comparable 3

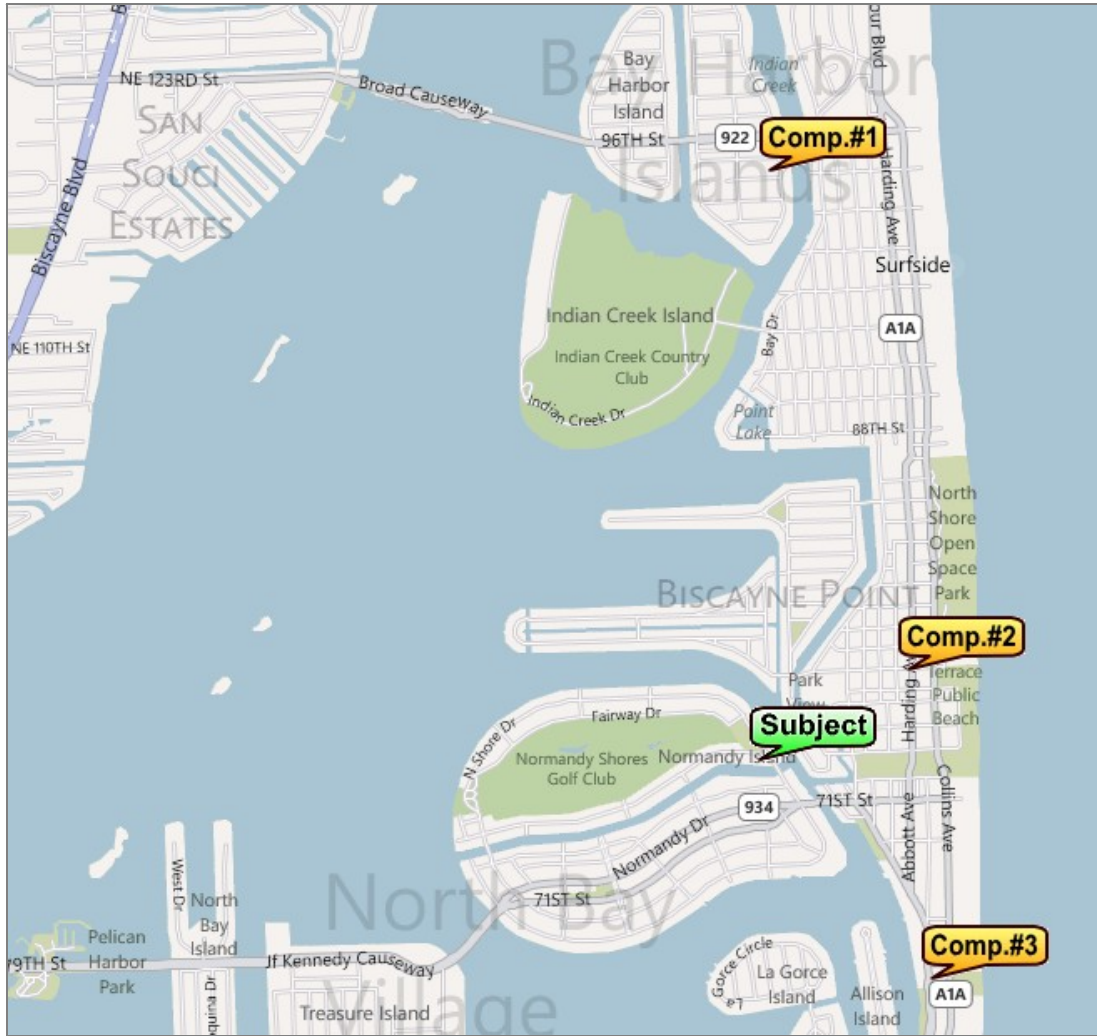


Property Name	Capri Apartments	7710 Harding Avenue	6495 Indian Creek Drive
Street Address	9490 E. Bay Harbor Drive	Miami Beach, FI 33141-1657	Miami Beach, FI 33141-1657
City, State, Zip Code	Miami Beach, FI 33341	02-3202-007-0620	02-3211-007-1930
Tax Map No.		Consort Investment Corp.	1414 Euclid Ave., Inc.
Grantor		Ilandol Investment Corp.	Indian Creek Boutique
Grantee			Apartments, LLC
Sale Price	\$2,147,000	\$1,275,000	\$3,225,000
Sale Date	01/01/2010	05/12/2011	07/23/2009
Property Rights Conveyed	Fee Simple	Fee Simple	Fee Simple
Financing Terms	Cash-per MLS	Market Terms	Market Terms
Conditions of Sale	Arms Length	Arms Length	Arms Length
Comp.Bldg.Gross s.f.	16,009	10,904	26,907
Price/Gross s.f.	\$134.11	\$116.93	\$119.86
Time/Market Cond.Multiplier based on 2.00% annl.chg.	1.034	1.007	1.043
Time Adj.Bldg./Gross s.f.	\$138.64	\$117.70	\$124.97
Feature Comparison	Comparable is:	Comparable is:	Comparable is:
Location			
Subject: Superior Residential	Similar	Inferior	Inferior
	Similar	Inferior	Inferior
Construction Features	Similar	Similar	Similar
	Similar	Similar	Similar
Age			
Subject: Effective 25 Years	Effective 20 Years	Effective 25 Years	Effective 25 Years
	Slightly Superior	Similar	Similar
Condition			
Subject: Average/Good	Similar	Similar	Similar
	Similar	Similar	Similar
Access/Visibility	Similar	Similar	Similar
	Similar	Similar	Similar
Amenities			
Subject: Water View	Inferior	Inferior	Water View
Borders Park, Golf Course	Superior	Inferior	Inferior
On-site Recreation			
Subject: Swimming Pool	None	None	Swimming Pool
	Slightly Inferior	Slightly Inferior	Similar
Overall Comparison	Superior	Inferior	Inferior

YOUR Company Name

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Sales Comparables Map



YOUR Company Name

Company Street, Company City, State, Zip
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COST APPROACH

The **Cost Approach** is the method where Market Value is developed by estimating the land value as if unimproved; estimating the cost new of the improvements, deducting total accrued depreciation (loss in value from all causes of depreciation -- physical, functional, and economic) and adding the depreciated value of lot improvements and entrepreneurial profit.

This approach is based upon the premise that an informed purchaser will pay no more than the cost of producing a substitute property with the same utility as the subject property. The Cost Approach is generally most reliable when the buildings are relatively new or suffer only minor depreciation. As properties age, the estimation of accrued depreciation becomes more difficult and the Cost Approach less reliable.

Land Value

When valuing unimproved land, it is assumed to be at its Highest and Best Use. The Highest and Best Use of the subject land was previously determined under the Highest and Best Use analysis.

The site contains approximately 19,165 square feet, 100.00% of which was determined to be useable. Based upon location, use, size and topography, we searched for sites that had similar characteristics. The sales finally chosen were determined to be the best comparables considering time of sale, size, topography, available utilities, zoning, configuration and especially Highest and Best Use and location. **Based upon these sales, the land value of the subject property was determined to be \$275,000.**

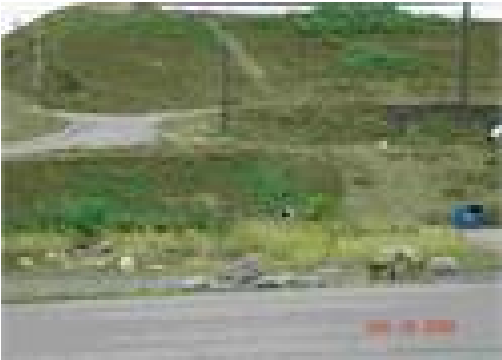
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THE LAND SALES AND DATA BELOW DO NOT RELATE TO THE SUBJECT PROPERTY
 THEY ARE PRESENTED AS EXAMPLES ONLY

Land Comparable 1 Datasheet			
Property Identification			
Property Type	VACANT COMMERCIAL LAND		
Property Sub-Type	Land Sale		
Street Address	Bateman Road		
City, State, Zip Code	OAKDALE, PA 15071		
Community	North Fayette		
Local Area	COMM SECONDARY STRIP		
School District	West Allegheny		
County	Allegheny		
Tax Map No.	0799A00010000000		
Assessment Data			Property Summary
Assessed Land Value	\$76,800	Location	Urban
Assessed Total Value	\$76,800	Location Ranking	Average
Assessed Value	\$76,800	Topo/Utility Ranking	Average
Sale Data		Price per Acre	\$117,630
Deed Book Vol., Page	12639, 490		
Grantor	GERNEY GLENN A & PATRICIA L (W)		
Grantee	DIVITO BRIAN A		
Sale Price	\$407,000		
Sale Date	10/24/2007		
Data Source			
Data Source	Allegheny County		
Property Description			

Land Comparable 2 Datasheet			
Property Identification			
Property Type	Land		
Property Sub-Type	Industrial		
Street Address	Kappa Drive		
City, State, Zip Code	O'Hara Township, Pa		
Community	RIDC Industrial Park		
School District	Fox Chapel		
County	Allegheny		
Tax Map No.	291-J-23		
Land Data		Property Summary	
Zoning	Light Industrial	Location Ranking	Average
Sale Data		Topo/Utility Ranking	Average
Grantor	REGIONAL INDUSTRIAL DEVELOPMENT CORP	Price per Acre	\$75,351
Grantee	O'HARA CAPITAL PARTNERS LP	Price per Use.Acre	\$83,723
Sale Price	\$575,000		
Sale Date	08/28/2006		
Data Source			
Data Source	Allegheny County		
Property Description			

Land Comparable 3 Datasheet			
Property Identification			
Property Type	Vacant Land		
Street Address	Casteel Dr		
City, State, Zip Code	North Fayette, Pa 15108		
County	Allegheny		
Tax Map No.	413-p-4		
Sale Data		Property Summary	
Deed Book Vol., Page	12739, 177	Location Ranking	Average
Grantor	WESTERN ALLEGHENY COUNTY MUNICIPAL	Topo/Utility Ranking	Average
Grantee	CICKO COMPANY LLC	Price per Acre	\$41,818
Sale Price	\$85,000	Price per Use.Acre	\$55,758
Sale Date	02/03/2006		
Data Source			
Data Source	Allegheny County		
Property Description			



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Land Comparison Grid

	<u>Comparable 1</u>	<u>Comparable 2</u>	<u>Comparable 3</u>
			
Reference No.			
Street Address	Bateman Road	Kappa Drive	Casteel Dr
City, State, Zip Code	OAKDALE, PA 15071	O'Hara Township, Pa	North Fayette, Pa 15108
Tax Map No.	0799A00010000000	291-J-23	413-p-4
Grantor	GERNEY GLENN A & PATRICIA L (W)	REGIONAL INDUSTRIAL DEVELOPMENT CORP	WESTERN ALLEGHENY COUNTY MUNICIPAL
Grantee	DIVITO BRIAN A	O'HARA CAPITAL PARTNERS LP	CICKO COMPANY LLC
Sale Price	\$407,000	\$575,000	\$85,000
Sale Date	10/24/2007	08/28/2006	02/03/2006
Comp.Land-Useable acres	3.460	6.868	1.524
Comp.Land per acre	\$117,630	\$83,723	\$55,758
ADJUSTMENTS			
Utilities	0	0	5,576
Topography	-20,000	0	13,938
Access/Visibility	-15,000	0	0
Adj.Comp.Land per acre	\$82,630	\$83,723	\$75,273
Subject Land-Useable acres	6.810	6.810	6.810
Indicated Total Value	\$562,703	\$570,148	\$512,605
Total Gross Adjustments	29.75%	0.00%	35.00%
Total Net Adjustments	-29.75%	0.00%	35.00%
Mean Value Per Acre	\$80,542		
Mean of Indicated Values	\$548,485		

YOUR Company Name

Company Street, Company City, State, Zip
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Land Sales Comparables Map



YOUR Company Name

Company Street, Company City, State, Zip
Telephone Telephone No.

Improvements-Cost New Estimate

We referenced the **Marshall Valuation Service** Cost Manual to compute the estimated Reproduction Cost New, using the Calculator Method. The Calculator Method uses average square foot costs for various classes, occupancy types and qualities of building together with modifiers for common deviations from typical buildings. While this is not a quantity survey breakdown, it is a method similar to the typical cost estimator's quantity survey analysis and is felt to be sufficiently accurate since even the most detailed building cost estimates are subject to some variation. These costs include both direct and indirect costs, which is appropriate according to the Appraisal Institute. They recognize that both direct and indirect costs should be included as described in **The Appraisal of Real Estate** publication.

Depreciation

Depreciation is defined as a loss in value that has occurred as of the date of the appraisal. The types of depreciation are physical, functional, and economic. Physical and functional depreciation are broken down into curable and incurable.

Physical Depreciation

Physical curable depreciation is an estimate of accrued depreciation applied to items needing immediate attention due to deferred maintenance. Physical Curable Postponed is an estimate of the deterioration of the relatively short lived building components not yet due for replacement. No items needing immediate attention were noted.

Incurable Physical depreciation pertains to the entire structure, consisting of components not normally replaced during the building's life. We have based our estimate of this type of depreciation on an age/life ratio, assuming a constant rate of deterioration. This depreciation was calculated at 45.45%, based upon an estimated effective age of 25 years, an economic life of 55 years, and a remaining economic life of 30 years.

Effective Age / Economic Life = Incurable Physical Depreciation

$$25 / 55 = 45.45\%$$

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Functional Depreciation

Functional depreciation is the "result of defects in design or changes over the years that have made some aspect of the structure, material, or design obsolete in the light of current standards." It may be curable or incurable. Either classification may be caused by a deficiency or an excess (superadequacy). This type of depreciation does not affect the subject property.

External Depreciation

External (economic) depreciation "is the result of the diminished utility of the structure due to negative influences from outside the site and is always incurable." This type of depreciation does not affect the subject property.

Site Improvements

Site improvements such as landscaping, walks, asphalt paving, parking lot lighting, etc. were not included in the Reproduction Cost New and have been added at their depreciated value.

Final Value by the Cost Approach Approach

Adding the estimated depreciated cost of the building improvements and site improvements to the land value estimate of \$550,000 indicates a value by the Cost Approach of **\$2,150,000**, rounded.

Final Value by the Cost Approach

One Million Three Hundred Thousand Dollars

\$1,300,000

YOUR Company Name

Company Street, Company City, State, Zip
Telephone Telephone No.

Improvements Cost Calculation

Improvements Detail

Improvements

Item	Building 1
Style	Two-story Walkup
Construction Quality	Average
Condition	Average
Gross Building Area	13,330
Net Building Area	13,330
No. of Rental Units	16
Actual Age	58
Effective Age	25
Depreciation	41.67%

Cost Calculation - Building 1

Height Multiplier	Cost New Per	\$125.00	
Mult:1.00	Adj.Cost Per	\$125.00	
Cost Multiplier	Cost Units	13,330	
Mult:1.00			Per Unit
Local Multiplier	Cost New	\$1,666,250	125.00
	Depreciation (41.67%)	<u>-694,271</u>	<u>-52.08</u>
Perimeter Multiplier	Depreciated Cost	\$971,979	72.92
Mult:1.00			
	Land Value	<u>\$275,000</u>	
	Total Cost	\$1,246,979	\$93.55 Per S.F.

YOUR Company Name

Company Street, Company City, State, Zip
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ASSUMPTIONS AND LIMITING CONDITIONS

General Assumptions

- We have no present or contemplated interest in the property appraised.
- The property is being appraised free and clear of any and all liens or encumbrances unless otherwise stated.
- Responsible ownership and competent property management are assumed.
- No responsibility is assumed for matters involving legal or title considerations. Title to the property was assumed to be good and marketable unless otherwise stated.
- Some information identified in this report is being furnished to us by others and is believed to be reliable. This is especially pertinent to financial projections and other assumptions furnished by the developer(s), owner(s) or their agents. Some of these projections and assumptions inevitably will not materialize or unanticipated events may occur subsequent to the date of the appraisal. Therefore, the actual results may differ from the projections and these variations could materially affect value.
- Information gathered on comparable sales and rentals, while verified with at least one principal to the transaction cannot be assumed to be 100% accurate.
- An attempt has been made to obtain the financing terms of the comparable sales by contacting the buyer, mortgagee or third parties familiar with the sale. However, when such persons refuse to disclose this information, some assumptions must be made based upon any available information.
- The dimensions and sizes of both the land and buildings as reported herein are assumed to be correct. All engineering data were assumed to be correct. Plot plans and exhibits have been included only to assist the reader in visualizing the property.
- It was assumed that the utilization of the land and/or improvements is within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted in this report.
- Since the appraiser is not an architect, engineer or surveyor, he does not warrant this report against mathematical errors or miscalculations of building or site areas. Should such an error occur, we reserve the right to modify the value to reflect any substantial difference.
- Financing is one of the prime considerations in the purchase of real estate and while the subject property may be financed with special terms, the estimation of "Market Value" requires that current market terms be used, and our value assumes market financing.
- We have taken into consideration the building and use restrictions, zoning, and other regulations applicable to the property.

YOUR Company Name

Company Street, Company City, State, Zip
Telephone Telephone No.

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- Furnishings and equipment or business operations, except as specifically indicated and typically considered as part of the real estate, are excluded from this appraisal.
 - If the Cost Approach has been used, Reproduction and/or Replacement costs have been estimated utilizing accepted building cost services. However, it must be noted that even actual contractor's cost estimates are subject to wide variation and we assume no responsibility for their accuracy.
 - If the Income Approach to value has been used, our Discounted Cash Flow Analysis and/or other mathematical techniques represent a conscientious effort to analyze the performance of the property over a reasonable projection period. However, these are models based upon specific forecasts that may or may not occur.

The income and expense projections were based upon our interpretation of the leases (if any), data provided by the owner and/or his representatives, and information obtained by third parties. Where we found possible conflicting paragraphs in the lease documents that could affect income, we requested additional data from the owner. We relied upon this additional data to resolve any apparent lease conflicts and have assumed that the data provided accurately reflect the actual income and expenses reported by the owner. Any significant variations could result in a significantly different value and the appraiser reserves the right to adjust the appraised value accordingly.

- It was assumed that there are no hidden or unapparent conditions of the property, sub-soil or structures that would render it more or less desirable. No responsibility is assumed for such conditions or for engineering that may be required to discover them.
- It was assumed that the property is in full compliance with all-applicable federal, state and local environmental regulations and laws unless a non-compliance is stated, defined and considered in the appraisal report.
- We are not aware of any restrictions such as moratoriums on commercial development, ground leases, master plans, historic district controls, deed covenants, environmental regulations, building costs, fire regulations, title restrictions or private agreements that would prevent the building's legal use. However, should such restrictions become evident, we reserve the right to consider their effect on the appraised value.
- It was assumed that all licenses, certificates of occupancy, consents or other legislative or administrative authority required by any local, state or national government or private utility or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.
- Typical property utility border easements were noted during the site inspection. No study of deed restrictions has been conducted by the appraiser. A title search would be required to provide positive assurance of the existence or absence of deed restrictions. For the purpose of this appraisal, it is assumed that there are no deed restrictions or liens that would adversely affect the subject site.
- The distribution, if any, of the total valuation in this report between land and improvements applies only under the stated program of utilization. It is invalidated if used separately or in conjunction with any other appraisal.

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- This appraisal has been prepared as closely as possible to comply with the guidelines set forth by the Uniform Standards of Professional Practice (USPAP) of the Appraisal Foundation as mandated under the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA). We have also made every attempt to adhere to the specific instructions of the engagement letter issued by the lender and included in the addenda of this report.
 - Except as hereinafter provided, the party for whom this appraisal report was prepared may distribute copies of this appraisal report in its entirety to such third parties as may be selected by the party for whom this appraisal report was prepared; however, portions of this appraisal report shall not be given to third parties without prior written consent of the signatories of this appraisal report. Further, neither all nor any part of this appraisal report shall be disseminated to the general public by the use of advertising media, public relations media, news media, sales media or other media for public communication without the prior written consent of the signatories of this appraisal report.

Specific Assumptions

- This Summary Appraisal Report is intended to comply with the requirements set forth under Standard 2 2(b) of the Uniform Standards of Professional Appraisal Practice for a Summary Appraisal Report. As such, it does not present detailed discussions of the data, reasoning, and analysis used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning, and analysis is retained in the appraiser's file. The information contained in this report is specific to the needs of the client and the intended use stated in the report. The appraiser is not responsible for unauthorized use of this report.
- Unless otherwise stated in this report, the existence of hazardous material, that may or may not be present on the property, was not observed by the appraiser. The appraiser has no knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation, or other potentially hazardous materials may affect the value of the property. The value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field, if desired.
- The required occupancy permits that are necessary for compliance with all local, state and federal regulations are assumed to be in place and valid.

YOUR Company Name

Company Street, Company City, State, Zip
Telephone Telephone No.

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- The appraised value assumes that the boundaries, as described on the public record, are accurate, unless otherwise noted in this report.
 - The appraised value assumes that the improvements described in this report are the only improvements that exist on the described land and the no adverse easements or encroachments negatively affect the value of the property.

Extraordinary Assumptions¹³

None Noted

Hypothetical Conditions¹⁴

None Noted

Prior Services

Except as noted below, I/we have performed no services regarding the subject property within the last three years prior to accepting this assignment.

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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.

Comment: 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 integrity of data used in an analysis.

14 *ibid.*, P. U-3

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. Comment: 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.

File Number NOT AN APPRAISAL
Address TWO South Shore Drive
Miami Beach , FI 33341

Page 93

COMPETENCY PROVISION

The guidelines of the Uniform Standards of Professional Practice (USPAP) of the Appraisal Foundation as mandated under the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) requires that:

Prior to accepting an assignment or entering into an agreement to perform any assignment, an appraiser must properly identify the problem to be addressed and have the knowledge and experience to complete the assignment competently.

One or more of the signatories to this report have prepared the appraisals that are similar in location and type to the subject property.

Property Address

Appraised Value

Area

YOUR Company Name

Company Street, Company City, State, Zip
Telephone Telephone No.

File Number NOT AN APPRAISAL
Address TWO South Shore Drive
Miami Beach , FI 33341

DocNote
**ADD ADDITIONAL ADDENDA PAGES AS
REQUIRED BY YOUR ANALYSIS**

Page 94

ADDENDA

YOUR Company Name

Company Street, Company City, State, Zip
Telephone Telephone No.