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APPRAISAL REPORT
A P P R A I S A L O F
SAMPLE-THIS IS NOT AN APPRAISAL
615 McMichael Road
PITTSBURGH, PA 15205

Prepared for

First National Bank

Prepared by

YOUR Company Name
Company Street
Company City, State, Zip

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EFFECTIVE DATE OF APPRAISAL

December 20, 2013



January 09, 2014

Date of Inspection:	December 20, 2013
Effective Date of Appraisal:	December 20, 2013
Date of Report:	January 09, 2014

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

Attention: Edward Jones

Mr. Jones,

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

SAMPLE-THIS IS NOT AN APPRAISAL
615 McMichael Road
PITTSBURGH, PA, 15205
Allegheny County

As per mutual agreement with First National Bank (client) and YOUR Company Name (appraiser), the format used is defined as a Appraisal Report appraisal. It complies with the requirements set forth under Standard 2-2(a), 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 December 20, 2013 of the 7.5666 acres of land and improvements situate thereon was estimated at:

Two Million Five Hundred Thousand Dollars
\$2,500,000

Respectfully Submitted,
YOUR Company Name

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Company Signer
President

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Letter of Transmittal

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COMPETENCY PROVISION

ADDENDA

INTRODUCTION

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 6/30/2015.

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

Respectfully Submitted,
YOUR Company Name

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Company Signer
President

Summary of Conclusions

Property Name	SAMPLE-THIS IS NOT AN APPRAISAL
Address	615 McMichael Road, PITTSBURGH, PA 15205
County Identification Number	0265F00004000000
Deed Reference	DBV 13061, pg.473
Property Type	OFFICE/WAREHOUSE
Property Rights Appraised	Fee Simple
Purpose of Appraisal	Market Value
Date of Inspection	December 20, 2013
Market Value - Fee Simple	\$2,500,000
Market Value by the Income Approach	\$2,525,000
Market Value by the Comparison Approach	\$2,400,000
Market Value by the Cost Approach	\$2,500,000
Estimated Exposure Time	6 to 12 months
Estimated Marketing Time	6 to 12 months
Contingencies	See Addenda
Highest and Best Use - As Vacant	OFFICE/WAREHOUSE
Highest and Best Use - As Improved	OFFICE/WAREHOUSE
Land Area	7.5666 acres
Estimated Useable Land Area	90.00%
Zoning	Commercial
Flood Area	No
Property Type	OFFICE/WAREHOUSE
Number of Buildings	1
Number of Stories	1
Number of Rental Units	8
Gross Building Area (GBA)	43,510 square feet
Net Rentable Area (NRA)	43,510 square feet
Actual Age	30 years
Effective Age	25 years
Estimated Economic Life	50 years
Estimated Remaining Economic Life	25 years
General Condition	Average

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 \$2,525,000.

The **Sales Comparison Approach** indicated a value of \$2,400,000.

The **Cost Approach** indicated a value of \$2,500,000.

After reconciling the values from the applicable approaches, a Fee Simple Market Value of \$2,500,000 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

Scope of This Appraisal

In preparing this appraisal we have:

- Made a complete physical inspection of the property on December 20, 2013.
- 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.
- 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 OFFICE/WAREHOUSE type property. It is located at 615 McMichael Road in the city of PITTSBURGH, County of Allegheny, in the state of PA. It is identified on the county records as tax identification number 0265F00004000000.

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.

USPAP Reporting Options

To develop the opinion of value as per the request of our client First National Bank, the appraiser performed an appraisal in an **Appraisal Report** format according to the guidelines set forth below by the 2014-2015 edition of the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation.

ADVISORY OPINION 11 ² STANDARDS RULES 2-2 AND 8-2 REPORT COMPARISON CHART

The essential difference between the two options is in the use and application of the terms "state" and "summarize." "State" is used to connote a minimal presentation of information. "Summarize" is used to connote an expanded presentation of information.

	(a) Appraisal Report	(b) Restricted Appraisal Report
i.	state the identity of the client and any intended users, by name or type;	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 rationale for how the appraiser arrived at the 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;	state the intended use of the appraisal;
iii.	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;	state the property interest appraised;
v.	state the type and definition of value and cite the source of the definition;	state the type and definition of value and cite the source of the definition;
vi.	state the effective date of the appraisal and the date of the report;	state the effective date of the appraisal and the date of the report;
vii.	summarize the scope of work used to develop the appraisal;	state the scope of work used to develop the appraisal;
viii.	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;	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;
x.	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;	when an opinion of highest and best use or appropriate market or market level was developed by the appraiser, state that opinion;
xi.	Clearly and conspicuously state all extraordinary assumptions and hypothetical conditions; and that their use might have affected the assignment results; and	Clearly and conspicuously state all extraordinary assumptions and hypothetical conditions; and that their use might have affected the assignment results; and
xii.	include a signed certification in accordance with the Standards Rule 2-3 or 8-3.	include a signed certification in accordance with the Standards Rule 2-3 or 8-3.

² USPAP Advisory Opinions 2014-2015 Edition, the Appraisal Foundation, A-24

Definition of Value

A current definition of Market Value as cited in USPAP Advisory Opinion 22 (AO-22) is:³

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:⁴

- 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.

³ **2014-2015 USPAP PUBLISHED BY THE APPRAISAL FOUNDATION / DEFINITIONS**

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.

⁴ **ibid.**

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.*⁵

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.*⁶

⁵ *The Appraisal of Real Estate, 13th. Edition* (Appraisal Institute, Chicago, Il., 2008), p. 114

⁶ *ibid.*, p. 7

FACTUAL DATA

Brief History of the Property

According to Allegheny County records, the subject property, tax identification number 0265F00004000000, is owned by GHOSTLY PEARL LP. The present owner purchased the property on November 17, 2006 from DELUXE FINANCIAL SERVICES INC for a consideration of \$1,600,000. 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.

Area Map

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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.⁷

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 615 McMichael Road in PITTSBURGH, PA.

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

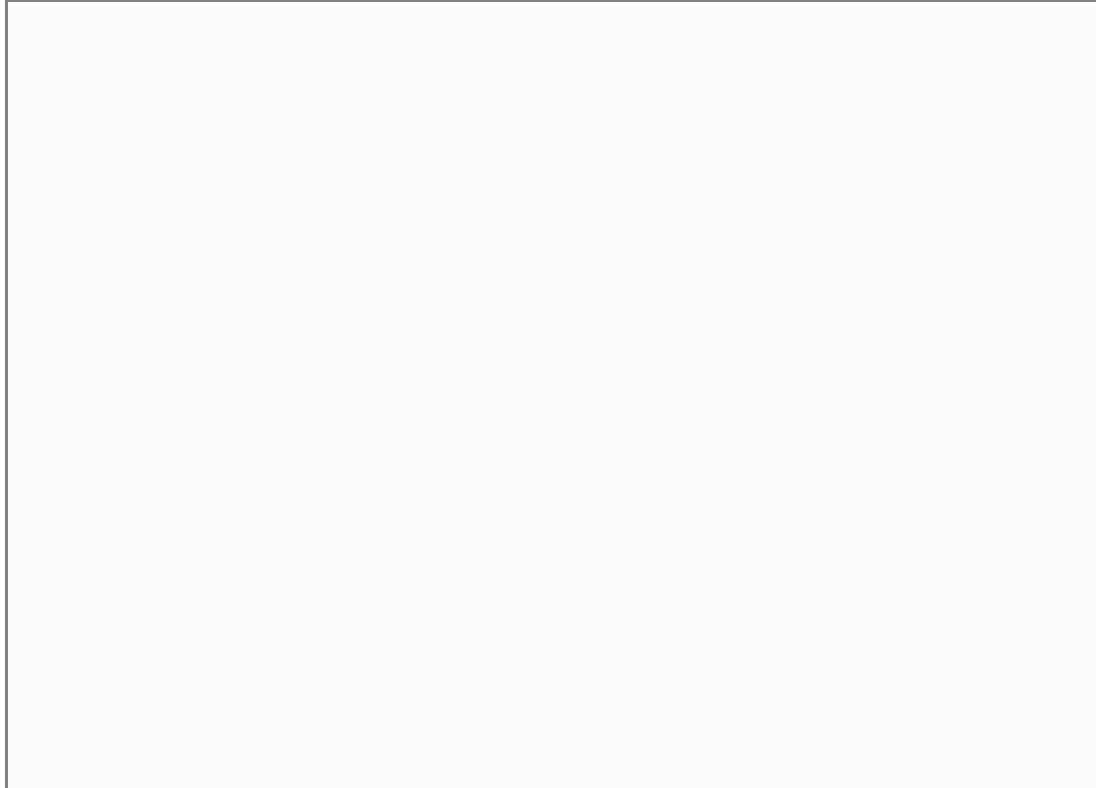
Detrimental Features

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

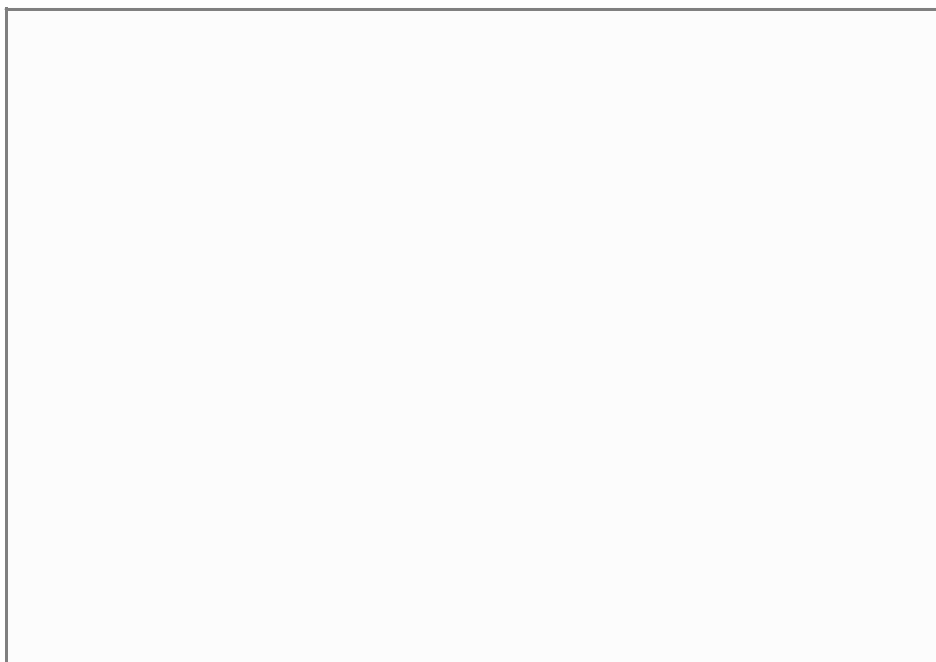
⁷ *The Appraisal of Real Estate, 13th. Edition* (Appraisal Institute, Chicago, Il., 2008), p. 55

Neighborhood Map

DocNote
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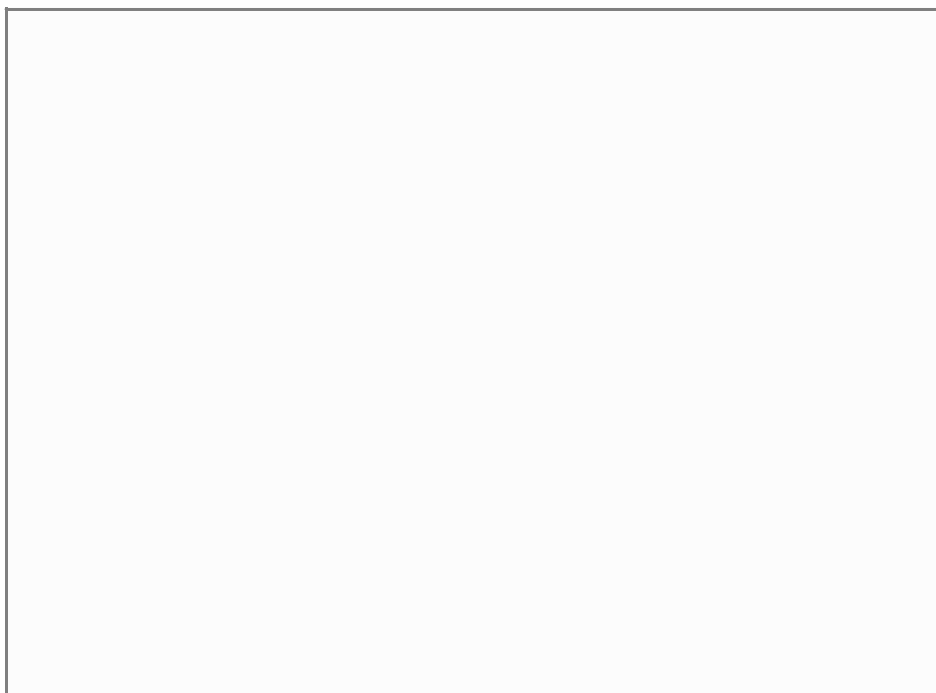


Photographs of the Neighborhood



View:

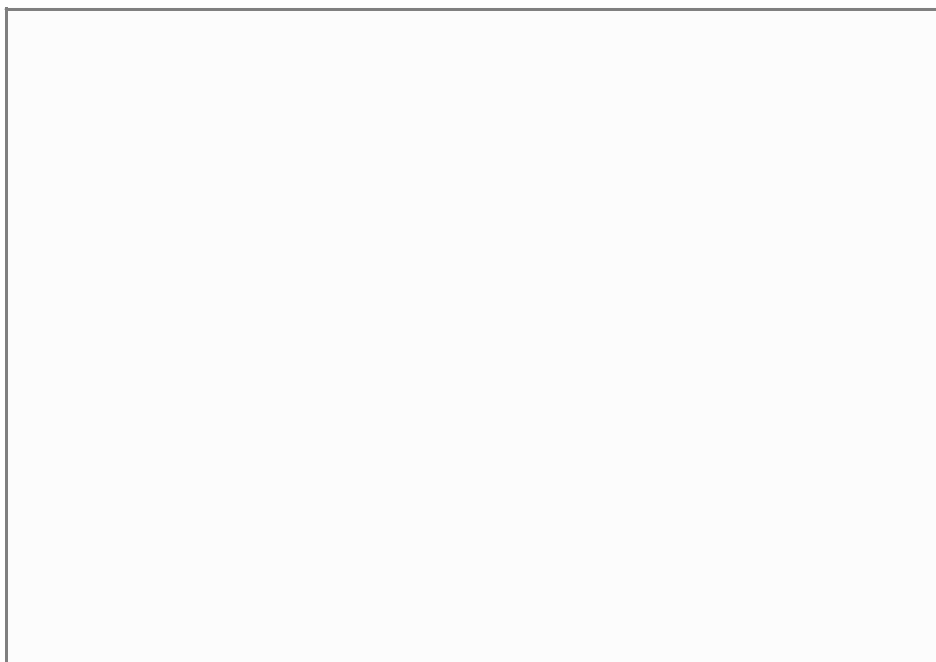
Description



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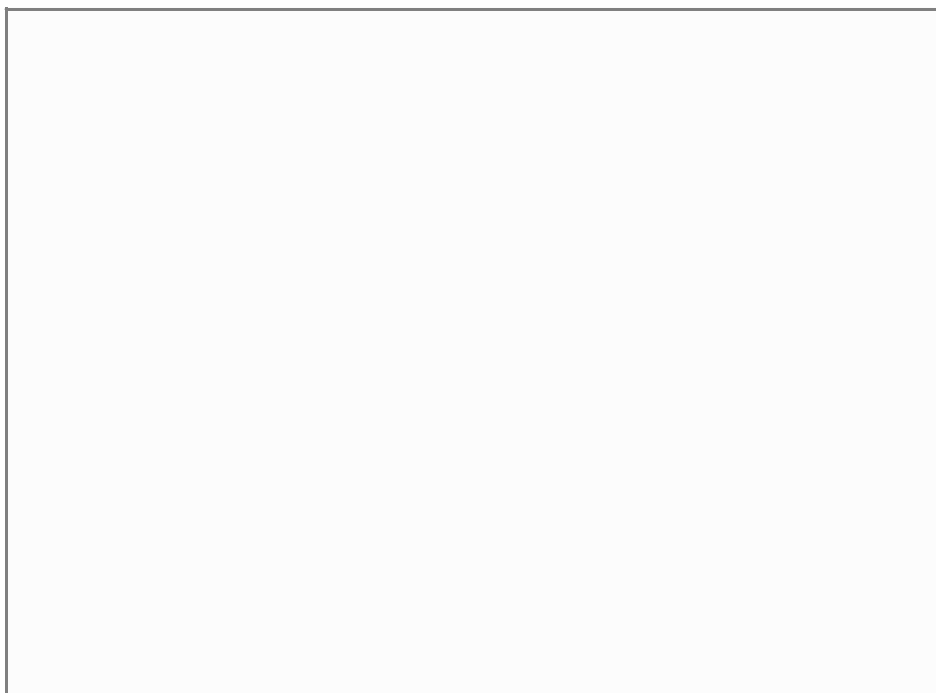
Description

Photographs of the Neighborhood



View:

Description



View:

Description

Description of the Site

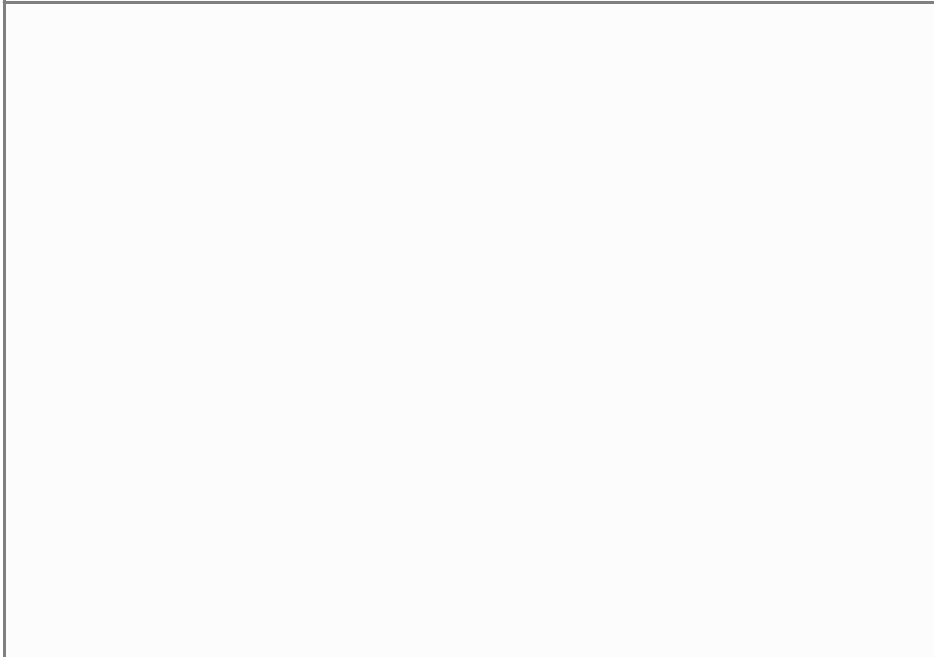
The major objective of site analysis is to gather all of the facts pertinent to an evaluation and commentary of its Highest and Best Use. Other objectives include use as the basis for an analysis of comparable sales and allocation of value in the Cost Approach. The examination of these facts is an important 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 December 20, 2013, 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

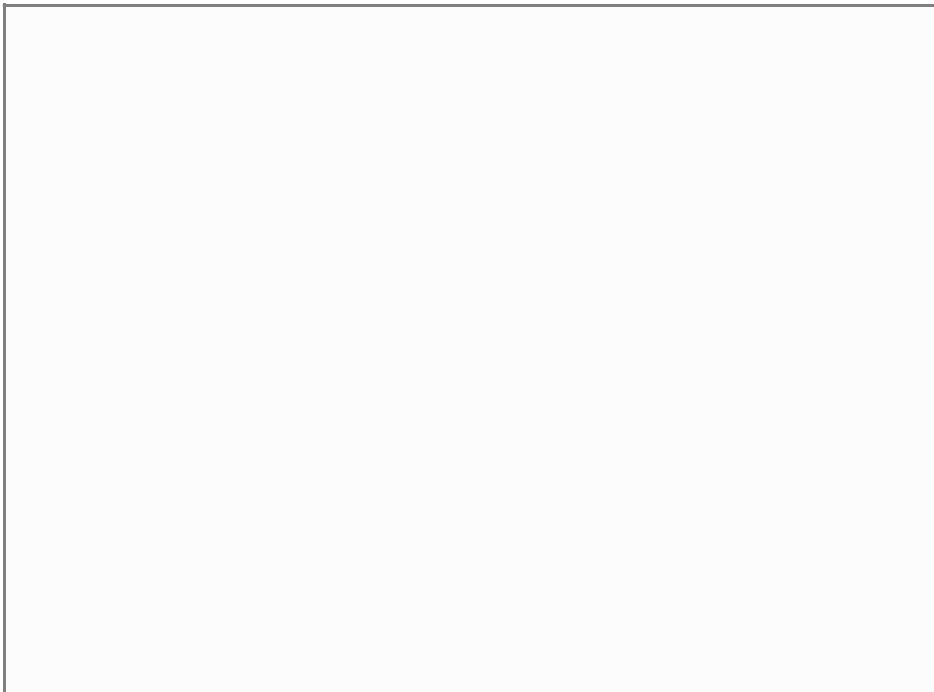
County Identification Number	0265F00004000000
Frontage	400 Front Feet
Size	7.5666 acres - 90.00% useable
Dimensions/Shape	Mostly Rectangular
Access	Average
Visibility	Average
Zoning	Commercial
Flood Hazard Area	No
Topography	
Parking Spaces	75
Easements	None noted from a physical inspection
Utilities	Gas, Electric, Water, Sewer
Lot Improvements	Lot improvements consist of

Photographs of the Site



View:

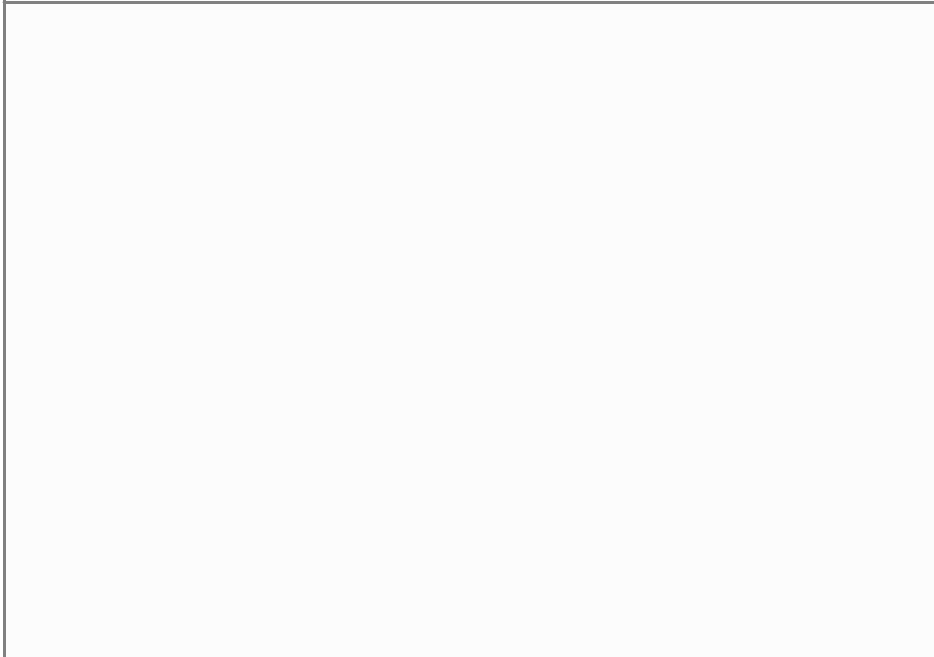
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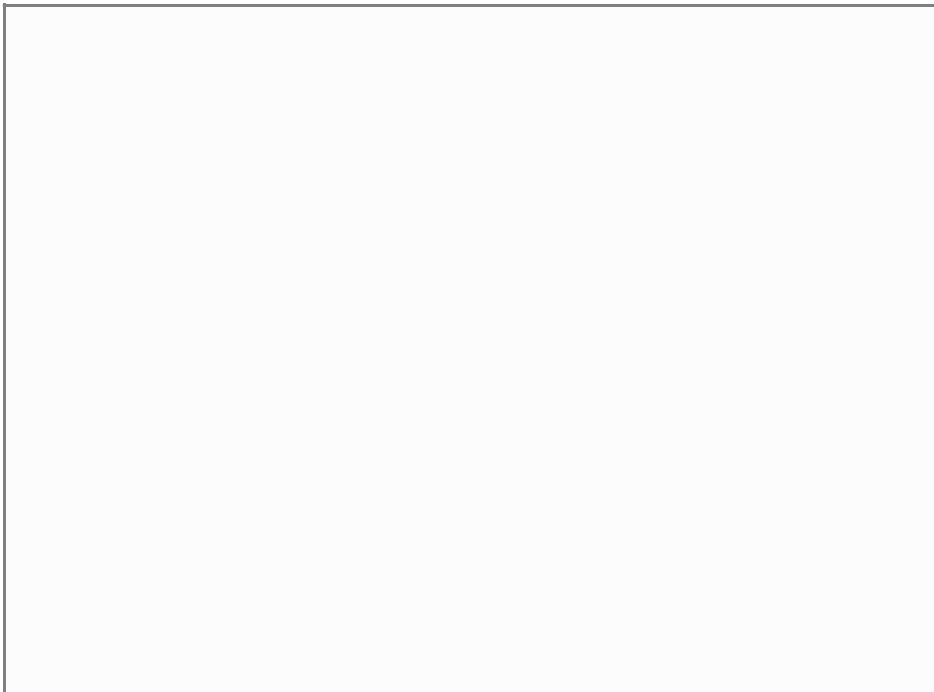
Description

Photographs of the Site



View:

Description



View:

Description

Description of the Improvements

The subject is improved with a 1 story OFFICE/WAREHOUSE building. It is known as the SAMPLE-THIS IS NOT AN APPRAISAL. The following description was made after a physical inspection of the building on December 20, 2013. 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.⁸

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.⁹

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

⁹ Marshall Valuation Service, Quality of Construction, Section 1, p.11

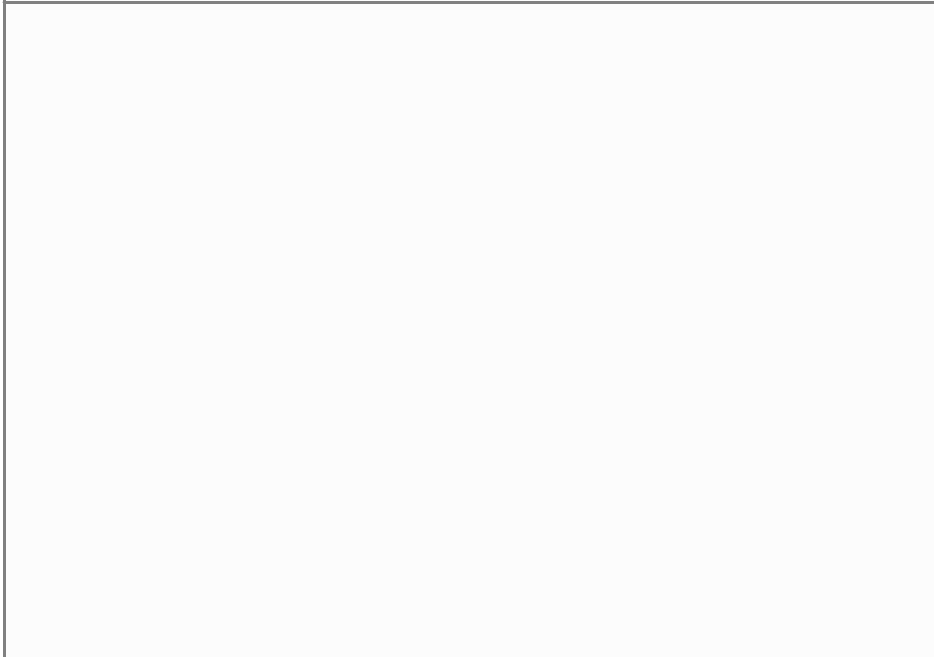
Floor Plan

The subject is a 1 story OFFICE/WAREHOUSE building.

Overall Condition

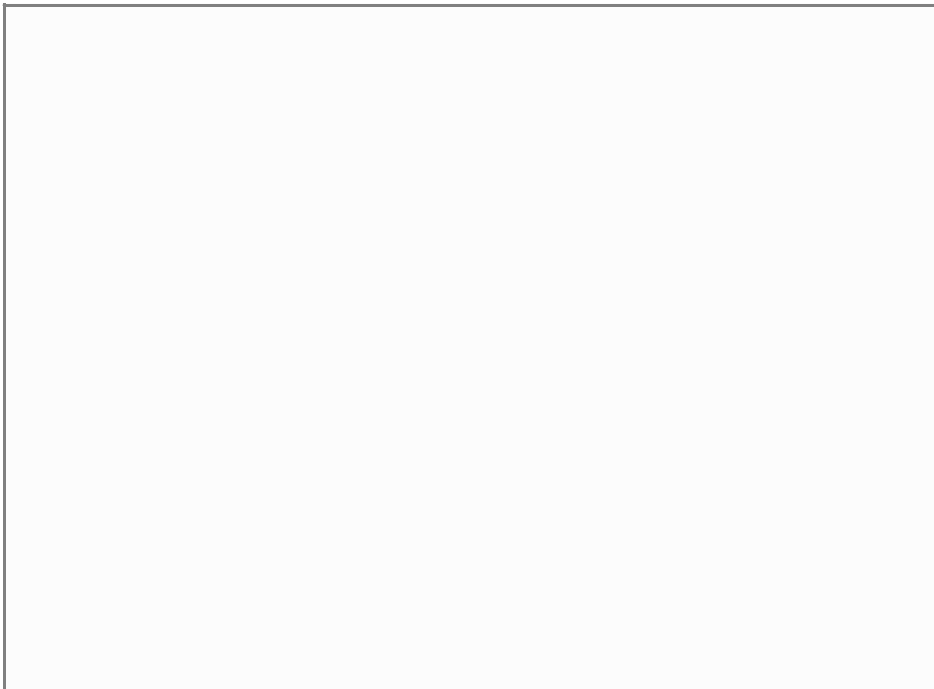
Overall, the improvements are in Average condition.

Photographs of the Improvements



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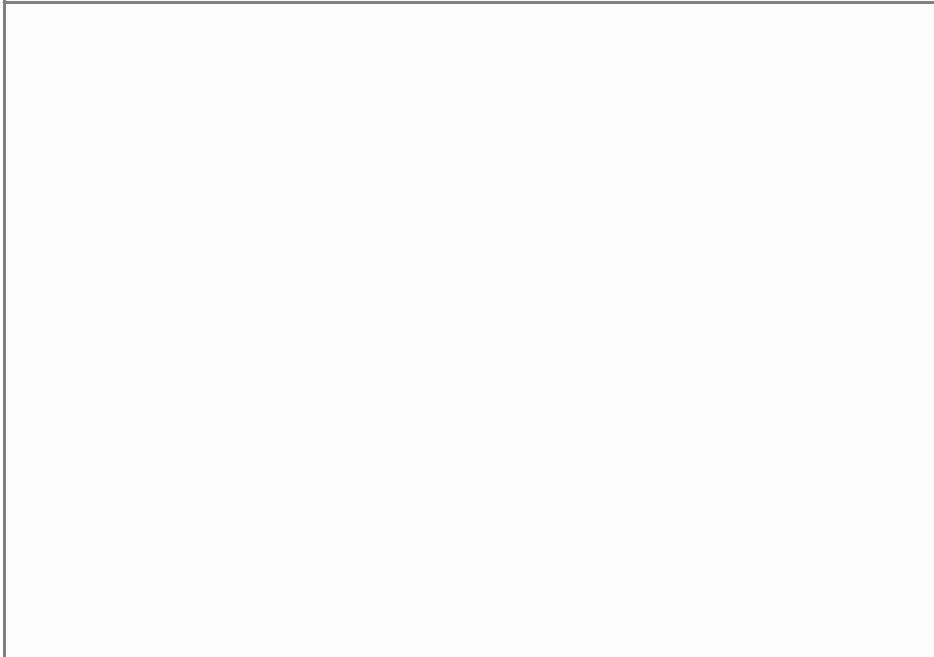
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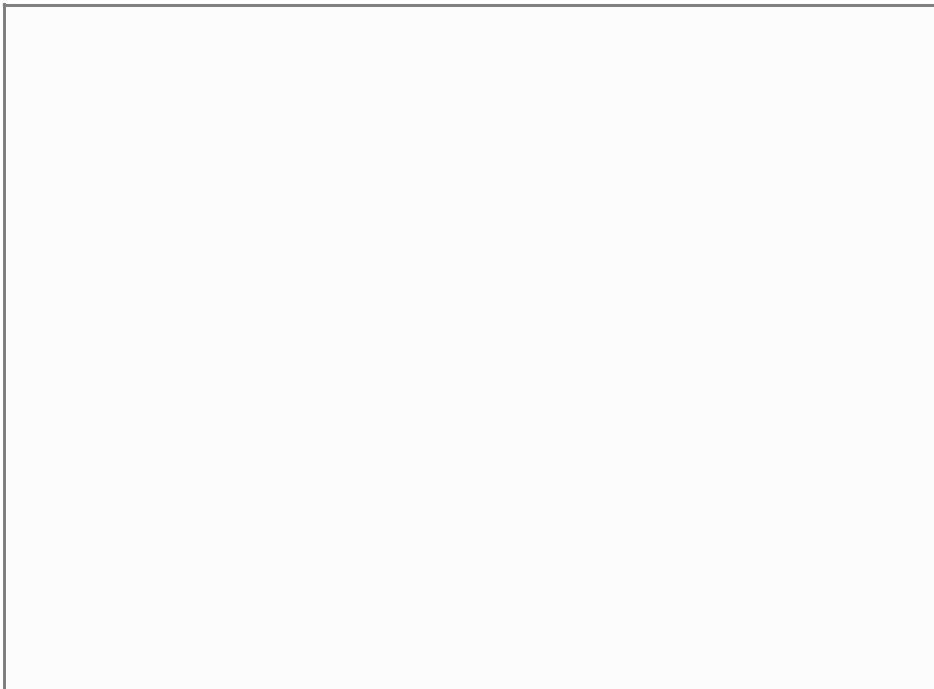
Description

Photographs of the Improvements



View:

Description



View:

Description

VALUATION ANALYSIS

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." ¹⁰

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.¹¹ 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.

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

¹¹ *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 Commercial. 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 Commercial.

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: OFFICE/WAREHOUSE

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 Commercial and its present use appears to be a use the 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 OFFICE/WAREHOUSE.

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: ¹²

- 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.

¹² The Appraisal of Real Estate 13th Edition, Pages 129 and 131 Appraisal Institute

All three approaches were considered and developed.

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.

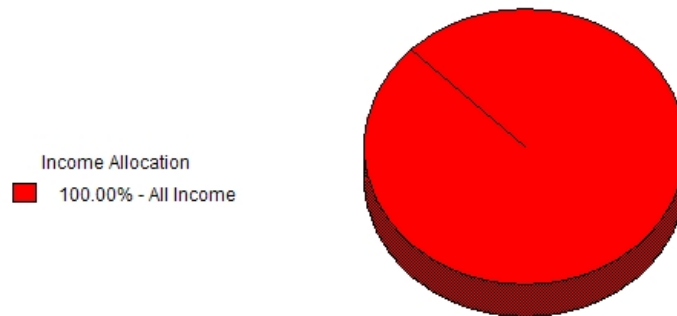
The Income Approach consists of first estimating the probable annual gross income, based upon actual leases or market rentals. From this amount is deducted an allowance for vacancy and rent loss, based upon the property's historical operating experience and/or future projections. Next, all expenses attributable 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 - \$348,080

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 \$348,080.

Subject Property
Income Summary Information



Property Name SAMPLE-THIS IS NOT AN APPRAISAL
Location 615 McMichael Road
PITTSBURGH, PA 15205
Occupancy Type OFFICE/WAREHOUSE
Gross Building Area 43,510 s.f.

Gross Rental Area	43,510 s.f.
Estimated First Year Rental	\$348,080 \$8.00 Per s.f.

Vacancy and Rent Loss - \$20,885

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 6.00% of gross income, or \$20,885.

Effective Gross Income - \$327,195

Deducting the stabilized vacancy and rent loss of \$20,885 leaves an Effective Gross Income of \$327,195.

Stabilized Market Income Schedule

ANALYSIS DATE: 1/2/2014

Income Item	Gross Units	Income Per Year	Income Per Unit	Unit of Measure
Income-All Tenants	<u>43,510</u>	348,080	8.00	s.f.
Total Units	43,510			
Total Income		\$348,080		
Vacancy/Credit Loss		<u>-20,885</u>		
Effective Gross Income		\$327,195		

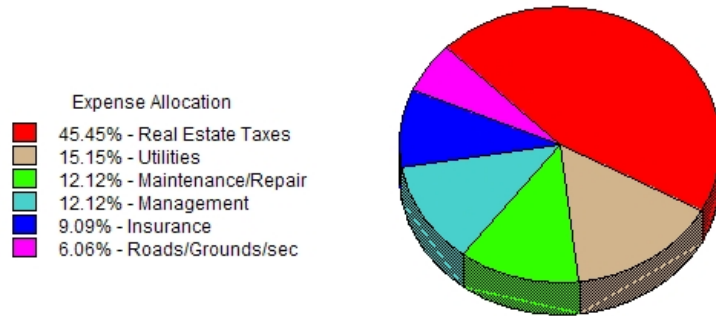
Estimate of Expenses - \$107,974

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 \$107,974.

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.

**Subject Property
 Expense Summary Information**



Property Name SAMPLE-THIS IS NOT AN APPRAISAL
Location 615 McMichael Road
 PITTSBURGH, PA 15205
Occupancy Type OFFICE/WAREHOUSE
Building Units 43,510 s.f.

Expense Item Real Estate Taxes

Expense Category Fixed Expense % of Gross 14.10%
% of E.G.I. 15.00%

Expense Description

Explanations and descriptive comments for each expense can be added to this report.

First Year Expense \$49,079 Annual
 \$1.13 Per s.f.

Expense Item Insurance

Expense Category Fixed Expense % of Gross 2.82%
% of E.G.I. 3.00%

First Year Expense \$9,815 Annual
 \$0.23 Per s.f.

Expense Item Utilities

Expense Category Operating Expense % of Gross 4.70%
% of E.G.I. 5.00%

First Year Expense \$16,359 Annual
 \$0.38 Per s.f.

Expense Item Maintenance/Repair

Expense Category Operating Expense % of Gross 3.76%
 % of E.G.I. 4.00%

First Year Expense \$13,087 Annual
 \$0.30 Per s.f.

Expense Item Roads/Grounds/sec

Expense Category Operating Expense % of Gross 1.88%
 % of E.G.I. 2.00%

First Year Expense \$6,543 Annual
 \$0.15 Per s.f.

Expense Item Management

Expense Category Operating Expense % of Gross 3.76%
 % of E.G.I. 4.00%

First Year Expense \$13,087 Annual
 \$0.30 Per s.f.

Expense Item Total Annual Expenses

% of Gross 31.02%
 % of E.G.I. 33.00%

Expense Description

Explanations and descriptive comments for each expense can be added to this report.

First Year Expense \$107,974 Annual
 \$2.48 Per s.f.

Projected Net Income - \$219,221

Deducting the total estimated stabilized expenses from Effective Gross Income of \$327,195 leaves a Net Income for the subject property of \$219,221.

Stabilized Market Income Statement

	Amount	% of Gross
<u>Gross Income</u>		
Total Income	\$348,080	100.00%
Vacancy / Credit Loss	<u>-20,885</u>	<u>-6.00%</u>
Effective Gross Income	\$327,195	94.00%
<u>Fixed</u>		
Real Estate Taxes	49,079	14.10%
Insurance	9,816	2.82%
<u>Operating</u>		
Utilities	16,360	4.70%
Maintenance/Repair	13,088	3.76%
Roads/Grounds/sec	6,544	1.88%
Management	<u>13,088</u>	<u>3.76%</u>
Total Expenses	\$107,974	31.02%
NET INCOME	\$219,221	62.98%

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.¹³

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.

¹³ *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	70.00%
Loan Term	25 years
Loan Interest Rate	6.50%
Investor Equity Portion	30.00%
Required Investor Yield	10.00%
Growth Rate in Value per year	n/a
Growth Rate in Income per year	n/a
Soft Costs in addition to Equity	2.00%
Selling Expenses in Terminal Year	6.00%

Final Value by the Income Approach

A capitalization rate of 8.67% was developed using the projections above. Applying this rate to the subject property's Stabilized Net Income of \$219,221 indicates a value by the Advanced Mortgage Equity Technique of \$2,528,501 ($\$219,221 / 8.67\%$). This value has been rounded to \$2,525,000.

Final Value by the Income Approach

Two Million Five Hundred Twenty Five Thousand Dollars

\$2,525,000

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.

Rent Comparable 1 Datasheet

Property Identification

Property Type Industrial
 Property Name SERCO
 Street Address 405 Keystone Dr
 City, State, Zip Code Cranberry Township, PA 15086
 Community Thorn Hill Industrial Prk
 County Butler
 Latitude [40.661262]
 Longitude [-80.083168]
 Tax Map No. 130-4F110-14C23-0000



Assessment Data

Assessed Land Value \$2,000,000
 Assessed Building Value \$6,000,000
 Assessed Total Value \$8,000,000

Land Data

Land Area - s.f. 740,389
 Area - acres 16.997
 Useable % 100.00%
 Shape Irregular
 Zoning LI, Township

Sale Data

Deed Bk Vol.,Page 200802150003063
 Grantor Robinson Properties, L.P.
 Grantee STAG IV PGH 2 LLC
 Sale Price \$8,078,955
 Sale Date 2/14/2008

Typical Lease

Space Classification B
 Occupancy Type Warehouse/Office
 Typical Rental Area 148,000
 Paid by Tenant NNN
 Lease Base Rate \$5.85
 Lease Effective Rate \$7.50

Data Source

Data Source CoStar
 Data Source ID No. 6210580

Property Description

This warehouse/distribution building has a concrete panel exterior with structural steel frame, EPDM roof and a clear ceiling height of 26 feet. Also 31 exterior loading dock doors and 1 10'x10' drive-in door.

According to the listing agent, the building was constructed in 1999. SERCO, a mail transport equipment service center occupied the building as a tenant at the time of sale, but closed its business in February of 2010. The building is now vacant and offered for lease at \$5.85 per s.f. NNN.

Notes

At the time of sale, the building was occupied by SERCO, a mail transport equipment company. In February of 2010. SERCO closed their business and the property is offered for lease at \$5.85 per s.f.

7,980 office

Property Summary

General Location Suburban
 Number of Structures 1
 Number of Stories 1
 Gross Building Area 148,065 s.f.
 Net Building Area 148,065 s.f.
 Economic Life 50
 Year Built 10
 Actual Age 10
 Effective Age 10
 Price per Gross s.f. \$54.56
 Price per Net s.f. \$54.56
 Footprint 148,065
 Land/Building Ratio 5.00 to 1

Rent Comparable 2 Datasheet

Property Identification

Property Type Warehouse / Office / Flex
 Property Name Cargo Corporate Center
 Street Address 1120 Stevenson Mill Rd
 City, State, Zip Code Moon Township, PA 15108
 County Allegheny
 Latitude [40.5087808441217]
 Longitude [-80.23625382884]
 Tax Map No. 0806-H-00390



Land Data

Land Area - s.f. 261,360
 Area - acres 6.000
 Useable % 100.00%

Property Summary

Number of Structures 1
 Number of Stories 1
 Parking Spaces 424
 Year Built 1992

Sale Data

Grantee WAITE KOKKILA LAND PARTNERSHIP
 Sale Price \$258,500
 Sale Date 7/16/1996

Typical Lease

Space Classification B
 Paid by Tenant Triple Net
 Lease Effective Rate \$8.00

Data Source

Data Source Allegheny County
 Data Source ID No. 6383581
 Contact Name Moon Clinton Rental

Notes

Submarket Name: West Pittsburgh Ind

Rent Comparable 3 Datasheet

Property Identification

Property Type Warehouse/Flex
Property Name Imperial Business Park
Street Address 301-308 High Tech Dr
City, State, Zip Code Oakdale, PA 15071
Community Imperial Business Park
County Allegheny
Latitude [40.391111]
Longitude [-80.198889]



Land Data

Useable % 100.00%
Zoning Industrial

Typical Lease

Space Classification C
Occupancy Type Rentals \$7.50 To \$8.50+
Paid by Tenant Full Service Gross
Lease Effective Rate \$7.50

Data Source

Data Source Allegheny County
Data Source ID No. 69107
Contact Name Moon Clinton Rental





Property Summary

Number of Structures	1
Number of Stories	1
Gross Building Area	187,000 s.f.
Net Building Area	187,000 s.f.
Economic Life	50
Year Built	1990
Actual Age	5
Effective Age	5

Notes

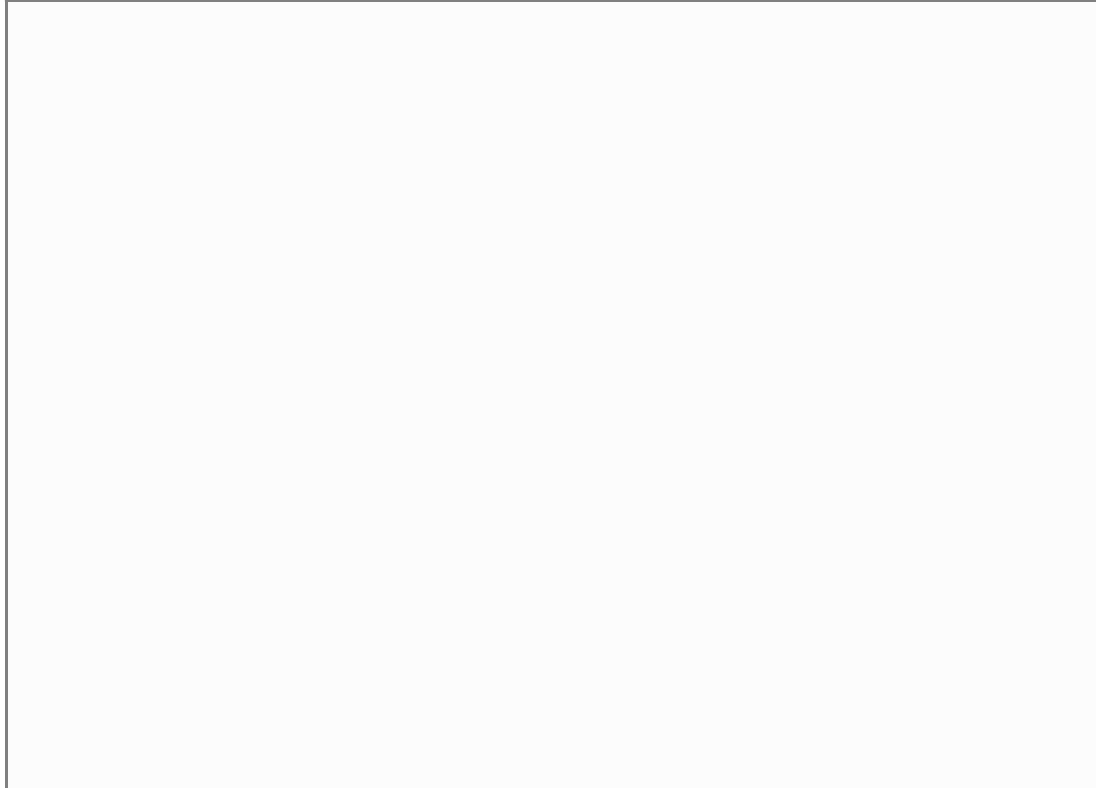
Submarket Name: Parkway West Corridor Ind

Rent Comparison Grid

	Subject	Comparable 1	Comparable 2	Comparable 3
				
Reference Number	SampleIndustrial	SERCO	Cargo Corporate Center	Imperial Business Park
Property Name	SAMPLE-THIS IS NOT AN APPRAISAL			
Street Address	615 McMichael Road	405 Keystone Dr	1120 Stevenson Mill Rd	301-308 High Tech Dr
City, State, Zip Code	PITTSBURGH ,PA 15205	Cranberry Township, PA 15086	Moon Township, PA 15108	Oakdale, PA 15071
Tax Map No.	0265F00004000000	130-4F110-14C23-0000	0806-H-00390	
Space Classification	B	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 Date		1/1/2010		9/22/2009
Lease Effective Rate		\$7.50	\$8.00	\$7.50
COMMENTS	The grid options in Commercial Complete offer rich and powerful ways to analyze comps and present your conclusions. More than 1,000 combinations are available, that can be easily selected from a simple control panel.	The subject contains 43,510 s.f. of warehouse space with 15% finished offices. It is currently designed to accommodate a single tenant. Comparable 1 is a large warehouse building that is occupied by a single tenant.		
ADJUSTMENTS				
Quality of Space	15% Finished	15% Finished	0.00%	0.00%
Condition of Space	Eff.Age 25 yrs	Similar	0.00%	0.00%
Utilities	Paid by Tenant	Paid by Tenant	0.00%	0.00%
Real Estate Taxes	Paid by Tenant	Paid by Tenant	0.00%	0.00%
Operating Expenses	Paid by Tenant	Paid by Tenant	0.00%	0.00%
Adj. Lease Effective Rate		\$7.50	\$8.00	\$7.50
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.				
Indicated Rental	Mean Value \$7.67			

Rent Comparables Map

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Stabilized Market Income Statement

	Amount	% of Gross
<u>Gross Income</u>		
Total Income	\$348,080	100.00%
Vacancy / Credit Loss	<u>-20,885</u>	<u>-6.00%</u>
Effective Gross Income	\$327,195	94.00%
<u>Fixed</u>		
Real Estate Taxes	49,079	14.10%
Insurance	9,816	2.82%
<u>Operating</u>		
Utilities	16,360	4.70%
Maintenance/Repair	13,088	3.76%
Roads/Grounds/sec	6,544	1.88%
Management	<u>13,088</u>	<u>3.76%</u>
Total Expenses	\$107,974	31.02%
NET INCOME	\$219,221	62.98%

CAPITALIZATION

Stabilized Net Income divided by Capitalization Rate = Value
\$219,221 divided by 8.67% = \$2,528,501

Advanced Mortgage Equity Calculation

ANALYSIS DATE: 1/2/2014

Input Variables

Projected Holding Period	7 Years
Loan Ratio 1	70.00%
Interest Rate	6.50%
Loan Term	25 Years
Investor Equity Portion	30.00%
Required Investor Yield (IRR)	9.999%
Growth Rate in Value per Year	0.000%
Growth Rate in Net Income per Year	0.000%
Soft Costs in Addition to Equity	2.000%
Selling Expenses: Terminal Year	6.000%

CALCULATION

Loan 1 x Constant (.70000 x 0.081025)	0.0567174
Equity x Required Yield (.30000 x 0.099987)	<u>0.0299961</u>
	0.0867135
LESS Credit for Equity Build-up	
RATIO x %PAID OFF x SINKING FUND	
Loan 1 70.00 0.1416 0.105410	<u>-0.0104461</u>
BASIC RATE	0.0762674
ADD Amortization of Soft Costs (2.00 x 0.20540)	<u>0.0041079</u>
	0.0803753
ADD Depreciation Factor	<u>0.0063246</u>
CAP RATE AT STABLE OPERATION	0.0866999
OVERALL RATE - ROUNDED TO	8.67%

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 \$809,120, which is equal to the sum of the cash equity of \$758,550 and closing costs of \$50,570. Therefore, if we divide the present value of the investment - \$809,120 by the percentage of the equity 32.00% (Cash Equity = 30.00% and Soft Costs = 2.00%), the result is the present value of the property, \$2,528,501 ($\$809,120/32.00\%$).

Projected Cash Flow Analysis

ANALYSIS DATE: 1/2/2014

Indicated Value	\$2,528,501
Less Loans 70.00%	<u>1,769,951</u>
Equity	758,550
Soft Costs: 2.00%	<u>50,570</u>
Total Investment	\$809,120

	<u>Year 1</u> 01-2014	<u>Year 2</u> 01-2015	<u>Year 3</u> 01-2016	<u>Year 4</u> 01-2017	<u>Year 5</u> 01-2018	<u>Year 6</u> 01-2019	<u>Year 7</u> 01-2020
<u>Cash Flows</u>							
Total Income	348,080	348,080	348,080	348,080	348,080	348,080	348,080
Vac / Credit Loss	<u>-20,885</u>	<u>-20,885</u>	<u>-20,885</u>	<u>-20,885</u>	<u>-20,885</u>	<u>-20,885</u>	<u>-20,885</u>
Effective Gross	327,195	327,195	327,195	327,195	327,195	327,195	327,195
Total Expenses	<u>107,974</u>	<u>107,974</u>	<u>107,974</u>	<u>107,974</u>	<u>107,974</u>	<u>107,974</u>	<u>107,974</u>
Net Income	219,221	219,221	219,221	219,221	219,221	219,221	219,221
Interest Expense	<u>-114,187</u>	<u>-112,229</u>	<u>-110,141</u>	<u>-107,913</u>	<u>-105,536</u>	<u>-102,999</u>	<u>-100,293</u>
Loan Amortization	<u>-29,223</u>	<u>-31,181</u>	<u>-33,269</u>	<u>-35,497</u>	<u>-37,874</u>	<u>-40,411</u>	<u>-43,117</u>
Cash Flow	75,811	75,811	75,811	75,811	75,811	75,811	75,811
Cash on Cash Yield	9.37%	9.37%	9.37%	9.37%	9.37%	9.37%	9.37%
Debt Coverage Ratio	1.53	1.53	1.53	1.53	1.53	1.53	1.53

Reversion - Proceeds of Sale at the end of 7 Years

Future Sale	\$2,528,501
Sale Costs: 6.00%	<u>-151,710</u>
Less Loans	<u>1,519,379</u>
Reversion	\$857,412

Internal Rate of Return: 7 Year Holding Period

Initial Investment	<u>-809,120</u>						
Cash Flow	75,811	75,811	75,811	75,811	75,811	75,811	75,811
Reversion							857,412
INTERNAL RATE OF RETURN	9.999%						

Present Value of Cash Flows using a Discount Rate of 9.999%

Cash Flow	75,811	75,811	75,811	75,811	75,811	75,811	75,811
Reversion							<u>857,412</u>
Present Value							933,222
Discount Factor	<u>0.909102</u>	<u>0.826466</u>	<u>0.751342</u>	<u>0.683046</u>	<u>0.620958</u>	<u>0.564514</u>	<u>0.513201</u>
Present Value	68,920	62,655	56,960	51,782	47,075	42,796	478,931

P V of CASH FLOWS \$809,119 approximates Initial Investment of \$809,120, based upon a value of \$2,528,501

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 10.00% 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

ANALYSIS DATE: 1/2/2014

		Required Rate of Return	9.999%
		Holding Period	7 Years
Original Equity	Ratio	Value	
Equity	0.30000	\$2,528,501	\$758,550
Soft Costs	0.02000	\$2,528,501	50,570
		Initial Cash Investment	\$809,120
Terminal Equity		Resale Value	\$2,528,501
		Loan Balance	-1,519,379
		Sale Expenses	-151,710
		Net Reversion	\$857,412
PROOF			
	Year	Cash Flow	Present Value Factor @ 9.999%
	1	75,810.77	0.9091017
	2	75,810.77	0.8264660
	3	75,810.77	0.7513417
	4	75,810.77	0.6830460
	5	75,810.77	0.6209583
	6	75,810.77	0.5645143
	7	75,810.77	0.5132009
	Net Reversion	857,411.69	0.5132009
			440,024.40
			Present Value of Cash Flows
			809,118.94
			Initial Cash Investment
			-809,120.25
			Net Present Value
			-1.31

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 10.00% that was used to calculate the final estimate of value by the Income Approach of \$2,528,501. Applying the same mathematical analysis, but using this selected range of Internal Rates of Return, the results are presented below.

Yield Range Analysis

ANALYSIS DATE: 1/2/2014

Input Variables

Projected Holding Period	7 Years
Loan Ratio 1	70.00%
Interest Rate	6.50%
Loan Term	25 Years
Investor Equity Portion	30.00%
Yield Range Analyzed (IRR)	6.999% to 12.999%
Growth Rate in Value per Year	0.000%
Growth Rate in Net Income per Year	0.000%
Soft Costs in Addition to Equity	2.000%
Selling Expenses: Terminal Year	6.000%

Selected IRR	Indicated Value	Required Equity	D.C.R.
7.00%	2,850,495	912,158	1.36
7.50%	2,791,213	893,188	1.38
8.00%	2,734,360	874,995	1.41
8.50%	2,679,793	857,534	1.44
9.00%	2,627,374	840,760	1.47
9.50%	2,576,982	824,634	1.50
10.00%	2,528,501	809,120	1.53
10.50%	2,481,818	794,182	1.56
11.00%	2,436,845	779,790	1.59
11.50%	2,393,485	765,915	1.61
12.00%	2,351,647	752,527	1.64
12.50%	2,311,261	739,603	1.67
13.00%	2,272,248	727,119	1.70

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 \$219,221 and an annualized loan payment that is based upon a Loan to Value Ratio of 70.00% of value, the indicated DCR for the first year of our analysis is 1.53.

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 or 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 \$2,400,000, rounded.

Final Value by the Sales Comparison Approach

Two Million Four Hundred Thousand Dollars

\$2,400,000

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.

Subject Property Datasheet



Property Identification

Reference Number SampleIndustrial
 Property Type OFFICE/WAREHOUSE
 Property Sub-Type Flex Space
 Property Name SAMPLE-THIS IS NOT AN APPRAISAL
 Street Address 615 McMichael Road
 City, State, Zip Code PITTSBURGH, PA 15205
 Community Robinson
 School District Montour
 County Allegheny
 Latitude [40.4402600008425]
 Longitude [-80.1411410236196]
 Flood Information No
 Tax Map No. 0265F00004000000

Assessment Notes

123-123-123
 433-433-343

Assessment Data

Assessed Land Value \$823,100
 Assessed Building Value \$1,161,900
 Assessed Total Value \$1,985,000

Land Data

Land Area - s.f. 329,601
 Area - acres 7.567
 Useable % 90.00%
 Front Feet 400
 Shape Mostly Rectangular
 Zoning Commercial

Sale Data

Deed Bk Vol.,Page 13061, 473
 Grantor DELUXE FINANCIAL

Property Summary

General Location Suburban
 Number of Structures 1
 Number of Stories 1
 No. of Units 8
 Parking Spaces 75
 Building Style Flex
 Gross Building Area 43,510 s.f.
 Net Building Area 43,510 s.f.
 Economic Life 50
 Year Built 67
 Actual Age 30
 Effective Age 25
 Price per Gross s.f. \$36.77
 Price per Net s.f. \$36.77
 Price/Unit \$200,000
 Price per F.F. \$4,000
 Footprint 43,510
 Land/Building Ratio 7.58 to 1

Estimated Income

Gross Income \$348,080
 Vacancy Rate (%) 6.00%
 Effec.Gross Income 327,195
 Expenses (31.02%) -107,974
 Net Income \$219,221

Grantee	SERVICES INC
Sale Price	GHOSTLY PEARL LP
Sale Date	\$1,600,000
Property Rights Conveyed	11/17/2006
Conditions of Sale	Fee Simple
Financing Terms	Arms Length
Expenditures After Sale	Market Terms
	EXPENDITURES

Sale Notes

OWNERDESC: CORPORATION
STATEDESC: COMMERCIAL

Space Classification B

Data Source

Data Source Allegheny County
Contact Name Moon Clinton

Property Description

Class A Flex space with 14'6" clear ceiling height and 100% HVAC. Three 8' x 9' loading docks. 5 parking spaces per 1,000 s.f. Fully sprinkled, 2000 AMP service.

Subject Property Datasheet

(continued)

Building 1

Parcel Information

Land Area-s.f. 329,601
 Land Area - Acres 7.567
 FrontFeet 400
 Useable % 90.00
 Land Value \$ 500,000
 Land Value - Per S.F. \$ 1.52
 Land Value - Per Acre \$ 66,080

Improvements

Style Flex
 Construction Quality Average
 Condition Average
 Gross Building Area 43,510
 Net Building Area 43,510
 Footprint 43,510
 No. of Stories 1.0
 No. of Rental Units 8
 Actual Age 30
 Effective Age 25
 Economic Life 50
 Depreciation 50.00%

Water Public
 Sewerage Public
 Gas People's Gas
 Electric Duquesne Light
 Topography Fairly Level
 Shape Mostly Rectangular
 Zoning Commercial
 Dimensions Various

Basement None
 Foundation Concrete
 Frame Concrete Block
 Exterior Brick
 Roof Flat Built-up
 Electrical 2000 amp
 HVAC Roof
 Elevator None

Sales Comparable 1 Datasheet

Property Identification

Property Type WAREHOUSE
 Street Address 4 ZESTA DR
 City, State, Zip Code PITTSBURGH, PA 15205
 Community Robinson
 School District Montour
 County Allegheny
 Latitude [40.4393535048922]
 Longitude [-80.1435279343854]
 Tax Map No. 0265F00308000000



Assessment Data

Assessed Land Value \$400,000
 Assessed Building Value \$1,050,000
 Assessed Total Value \$1,450,000
 Useable % 100.00%

Sale Data

Deed Bk Vol.,Page 12353, 357
 Grantor AUMA ACTUATORS INC
 Grantee ZESTA PROPERTIES LLC
 Sale Price \$1,360,000
 Sale Date 2/17/2005
 Property Rights Conveyed Fee Simple
 Conditions of Sale Arms Length
 Financing Terms Market Terms
 Data Source Allegheny County

Property Summary

General Location Urban
 Number of Structures 1
 Number of Stories 2
 Gross Building Area 30,000 s.f.
 Net Building Area 30,000 s.f.
 Economic Life 55
 Year Built 29
 Actual Age 29
 Effective Age 29
 Price per Gross s.f. \$45.33
 Price per Net s.f. \$45.33
 Footprint 26,231
 Land/Building Ratio 0.00 to 1

Estimated Income

Gross Income \$447,553
 Vacancy Rate (%) 4.03%
 Effec.Gross Income 429,523
 Expenses (40.55%) **-181,503**
 Net Income \$248,020
 Gross Inc. Multiplier 3.04
 E.G.I. Multiplier 3.17
 Net Inc. Multiplier 5.48
 Direct Caprate 18.24%

Notes

Submarket Name: Parkway West Corridor Ind

Sales Comparable 2 Datasheet

Property Identification

Property Type Office Warehouse
 Street Address 5177 CAMPBELLS RUN RD
 City, State, Zip Code Robinson Township, PA 15205
 Community Robinson
 School District Montour
 Latitude [40.441165113935]
 Longitude [-80.1561110506257]
 Tax Map No. 0334C00070000000



Assessment Data

Assessed Land Value \$47,200
 Assessed Building Value \$1,248,800
 Assessed Total Value \$1,296,000

Land Data

Land Area - s.f. 65,340
 Area - acres 1.500
 Useable % 100.00%

Sale Data

Deed Bk Vol.,Page 11311, 375
 Grantor PUTT JAMES L & CAROLE A
 PUTT
 Grantee 2B ASSOCIATES LP
 Sale Price \$850,000
 Sale Date 11/30/2007
 Property Rights Conveyed Fee Simple
 Conditions of Sale Arms Length
 Financing Terms Market Terms

Data Source

Data Source Allegheny County
 Contact Name Moon Clinton

Property Summary

General Location Urban
 Number of Structures 1
 Number of Stories 1
 Gross Building Area 17,000 s.f.
 Net Building Area 15,000 s.f.
 Economic Life 55
 Year Built 32
 Actual Age 32
 Effective Age 25
 Price per Gross s.f. \$50.00
 Price per Net s.f. \$56.67
 Footprint 13,259
 Land/Building Ratio 4.93 to 1

Estimated Income

Gross Income \$1,616,340
 Vacancy Rate (%) 8.59%
 Effec.Gross Income 1,477,494
 Expenses (44.00%) **-711,198**
 Net Income \$766,296

Gross Inc. Multiplier 0.53
 E.G.I. Multiplier 0.58
 Net Inc. Multiplier 1.11
 Direct Caprate 90.15%

Notes

Area estimate: County perimeter 13,259 s.f. Estimated office space on 2nd floor 4000 s.f.
 Total estimate 17,000

Inspected

Near new Settlers Ridge Shopping Center

Sales Comparable 3 Datasheet

Property Identification

Property Type Industrial
 Property Sub-Type Warehouse/Distribution
 Property Name United Stationers
 Street Address 760 Commonwealth Dr
 City, State, Zip Code Warrendale, PA 15086
 Community RIDC Thorn Hill Ind Park
 County Butler
 Latitude [40.6842181547943]
 Longitude [-80.1113698856947]
 Tax Map No. 130-4F110-14E1A-0000



Land Data

Land Area - s.f. 370,260
 Area - acres 8.500
 Useable % 100.00%
 Zoning LI, County

Property Summary

General Location	Suburban
Number of Structures	1
Number of Stories	1
Parking Spaces	142
Building Style	Warehouse/Distribution
Gross Building Area	124,000 s.f.
Net Building Area	124,000 s.f.
Economic Life	50
Year Built	33
Effective Age	12
Price per Gross s.f.	\$55.65
Price per Net s.f.	\$55.65
Footprint	124,000
Land/Building Ratio	2.99 to 1

Sale Data

Deed Bk Vol.,Page 003129
 Grantor Robinson Properties, L.P.
 Grantee Broadway Partners 2, LLC
 Sale Price \$6,900,000
 Sale Date 2/15/2008

Typical Lease

Space Classification B
 Occupancy Type Light Industrial
 Typical Rental Area 124,000
 Paid by Tenant NNN
 Lease Base Rate \$6.00
 Lease Effective Rate \$7.00

Property Description

This warehouse/distribution building has a concrete panel exterior with structural steel frame. It has 14 loading dock doors. The size of the office area could not be confirmed, but is estimated to be less than 10% of the total building area.

At the time of sale, United Stationers occupied the entire building as a tenant. Terms of the lease were not disclosed.

Sales Comparable 4 Datasheet

Property Identification

Property Type OFFICE/WAREHOUSE
 Property Sub-Type Light Manufacturing
 Street Address 5350 CAMPBELLS RUN RD
 City, State, Zip Code , PA 15205
 Community Robinson
 School District Montour
 Latitude [40.4454723488705]
 Longitude [-80.1588233698413]
 Tax Map No. 0335P00017000000



Assessment Data

Assessed Land Value \$483,500
 Assessed Building Value \$1,209,500
 Assessed Total Value \$1,693,000

Land Data

Land Area - s.f. 182,033
 Area - acres 4.179
 Useable % 100.00%

Sale Data

Deed Bk Vol.,Page 13015, 126
 Grantor TMI INTERNATIONAL LLC
 Grantee BCL PITTSBURGH LLC
 Sale Price \$3,600,000
 Sale Date 12/21/2006
 Property Rights Conveyed Fee Simple
 Conditions of Sale Arms Length
 Financing Terms Market Terms
 Data Source Allegheny County

Notes






Google Earth
 70 x 350 = 24,500
 142 x 175 = 24,850
 60 x 20 = 1,200
 25 x 70 = 1,750
 total = 52,300

County GIS
 28,543 + 24,500 = 53,043

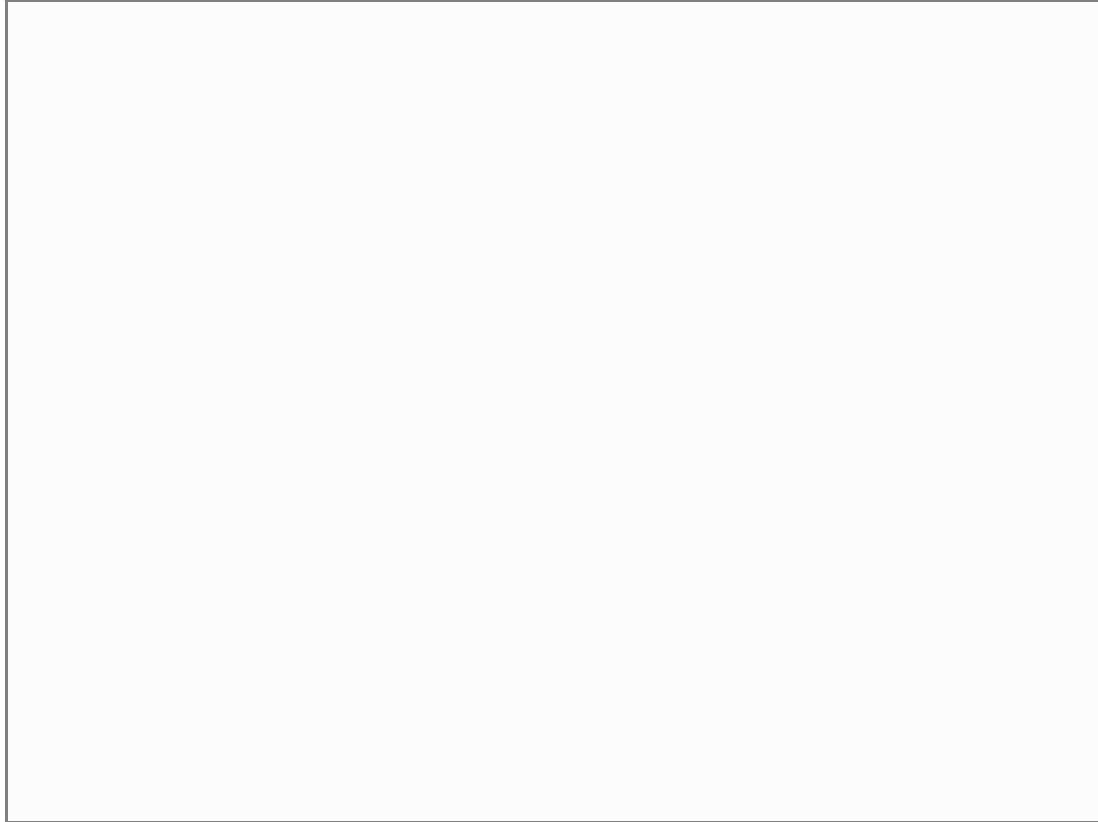
Property Summary

General Location Urban
 Number of Structures 1
 Number of Stories 2
 No. of Units 4
 Building Style Office/Warehouse
 Gross Building Area 53,043 s.f.
 Net Building Area 53,043 s.f.
 Economic Life 55
 Year Built 31
 Actual Age 31
 Effective Age 15
 Price per Gross s.f. \$67.87
 Price per Net s.f. \$67.87
 Price/Unit \$900,000
 Footprint 53,043
 Land/Building Ratio 3.43 to 1

Sales Comparison Grid

Subject	Comparable 1	Comparable 2	Comparable 3	Comparable 4
				
Distance from Subject	.14 miles	.79 miles	16.93 miles	1.00 miles
Reference Number	SampleIndustrial			
Property Name	SAMPLE-THIS IS NOT AN APPRAISAL		United Stationers	
Street Address	615 McMichael Road	4 ZESTA DR	5177 CAMPBELLS RUN RD	760 Commonwealth Dr
City, State, Zip Code	PITTSBURGH ,PA 15205	PITTSBURGH, PA 15205	Robinson Township, PA 15205	Warrendale, PA 15086
Tax Map No.	0265F00004000000	0265F00308000000	0334C00070000000	130-4F110-14E1A-0000
Grantor	DELUXE FINANCIAL SERVICES INC	AUMA ACTUATORS INC	PUTT JAMES L & CAROLE A PUTT	Robinson Properties, L.P.
Grantee	GHOSTLY PEARL LP	ZESTA PROPERTIES LLC	2B ASSOCIATES LP	Broadway Partners 2, LLC
Sale Price	\$1,600,000	\$1,360,000	\$850,000	\$6,900,000
Sale Date	11/17/2006	2/17/2005	11/30/2007	2/15/2008
COMMENTS	Lease text		This comparable property is located near the Parkway West and the new Settlers' Ridge Shopping Center. Adjustments were made for Ceiling Height and Access/Visibility.	
Property Rights Conveyed	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Financing Terms	Market Terms	Market Terms	Market Terms	Market Terms
Conditions of Sale	Arms Length	Arms Length	Arms Length	Arms Length
Comp.Bldg.Gross s.f.		30,000	17,000	124,000
Comp.Sale Price/Gross s.f.		\$45.33	\$50.00	\$55.65
ADJUSTMENTS				
Time/Mkt Cond.Multiplier based on 4.00% annl.chg.		1.119	1.007	0.999
Time Adj.Price/Gross s.f.		\$50.72	\$50.37	\$55.59
Location	Good		Equal	
		0.00%	0.00%	0.00%
Construction Features	15% Finished		Any descriptive text up to 255 characters can be entered in the comment fields that will appear above each line adjustment.	
		0.00%	0.00%	0.00%
Age	Eff.Age 25 yrs		Similar	
		0.00%	0.00%	0.00%
Condition	Average		Average	
		0.00%	0.00%	0.00%
Access			Equal	
		0.00%	0.00%	0.00%
Ceiling Height	Ceiling Height 16'		Ceiling Height 18'	
		0.00%	-5.00%	0.00%
Visibility	Average		Visible from I-376	
		0.00%	-10.00%	0.00%
Total Line Adjustments		0.00%	-15.00%	0.00%
Adj. Price/Gross s.f.		\$50.72	\$42.82	\$55.59
Subject Bldg. Gross s.f.	43,510	43,510	43,510	43,510
Indicated Total Value		\$2,206,827	\$1,862,663	\$2,418,721
Weight *		0.259740	0.220779	0.259740
Value Per Gross s.f.		\$50.72	\$42.81	\$55.59
Total Gross Adjustments		0.00%	15.00%	0.00%
Total Net Adjustments		11.88%	-14.37%	-0.10%
Percentages are provided as a guide and include a Time Adj. if applied. Individual percentages may not add up due to rounding and compounding.				
Value Per Gross S.F. Indicated Value	Mean Value \$55.01 \$2,393,594	Weighted Value \$55.49 \$2,414,280	Std Deviation \$11.85 \$515,446	2 of 4 comps (50.00%) fall within 1 Standard Deviation of the Mean Value

Sales Comparables Map



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 7.5666 acres, 90.00% 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 \$500,000.**

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
 School District West Allegheny
 County Allegheny
 Latitude [40.391111]
 Longitude [-80.198889]
 Tax Map No. 0799A00010000000



Assessment Data

Assessed Land Value \$76,800
 Assessed Total Value \$76,800

Land Data

Land Area - s.f. 150,718
 Area - acres 3.460
 Useable % 100.00%
 Front Feet 100

Sale Data

Deed Bk 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 Allegheny County

Property Description
 county says 0 Christy St

Property Summary

General Location Urban
 Price per s.f.-Land \$2.70
 Price per Acre \$117,630
 Price per F.F. \$4,070

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 15116
 Community RIDC Industrial Park
 School District Fox Chapel
 County Allegheny
 Latitude [40.523761]
 Longitude [-79.94612]
 Tax Map No. 291-J-23



Land Data

Land Area - s.f. 332,406
 Area - acres 7.631
 Useable % 90.00%
 Front Feet 200
 Zoning Light Industrial

Property Summary

Price per s.f.-Land \$1.73
 Price/Useable Land \$1.92
 Price per Acre \$75,351
 Price per Use.Acre \$83,723
 Price per F.F. \$2,875

Sale Data

Grantor REGIONAL INDUSTRIAL
 DEVELOPMENT CORP
 Grantee O'HARA CAPITAL PARTNERS
 LP
 Sale Price \$575,000
 Sale Date 8/28/2006
 Data Source Allegheny County

Property Description

This property is located in the RIDC Industrial Park in O'Hara Township

Land Comparable 3 Datasheet

Property Identification

Property Type Vacant Land
 Street Address Casteel Dr
 City, State, Zip Code North Fayette, Pa 15108
 County Allegheny
 Latitude [40.51053]
 Longitude [-80.182409]
 Tax Map No. 413-p-4



Land Data

Land Area - s.f. 88,540
 Area - acres 2.033
 Useable % 75.00%
 Front Feet 300

Sale Data

Deed Bk Vol.,Page 12739, 177
 Grantor WESTERN ALLEGHENY
 COUNTY MUNICIPAL
 CICKO COMPANY LLC
 Grantee
 Sale Price \$85,000
 Sale Date 2/3/2006
 Data Source Allegheny County

Property Description

county lists as Scott Road 15071

Property Summary

Gross Building Area 1,500 s.f.
 Price per s.f.-Land \$0.96
 Price/Useable Land \$1.28
 Price per Acre \$41,810
 Price per Use.Acre \$55,747
 Price per F.F. \$283

Land Comparison Grid

Comparable 1

Comparable 2

Comparable 3



Distance from Subject	4.56 miles	11.76 miles	5.32 miles
Street Address	Bateman Road	Kappa Drive	Casteel Dr
City, State, Zip Code	OAKDALE, PA 15071	O'Hara Township, Pa 15116	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	8/28/2006	2/3/2006

COMMENTS

The comparable is located in the Parkway West corridor near the Greater Pittsburgh International Airport.

The comparable benefits from its superior location near the airport and it also enjoys superior visibility.

Comp.Land-Useable acres	3.460	6.868	1.524
Comp.Land per acre	\$117,630	\$83,723	\$55,758
ADJUSTMENTS			
Zoning	-20,000	0	0
Other	-15,000	0	0
Adj.Comp.Land per acre	\$82,630	\$83,723	\$55,758
Subject Land-Useable acres	6.810	6.810	6.810
Indicated Total Value	\$562,703	\$570,148	\$379,708
Weight *	0.259933	0.370034	0.370034
Total Gross Adjustments	29.75%	0.00%	0.00%
Total Net Adjustments	-29.75%	0.00%	0.00%

	Mean Value	Weighted Value
Value Per Acre	\$74,037	\$73,091
Indicated Value	\$504,186	\$497,744

* Weight: (1-Gross Adjust.percent) of Comp divided by sum of (1-Gross Adjust.percent) of all Comps

Land Sales Comparables Map



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 50.00%, based upon an estimated effective age of 25 years, an economic life of 50 years, and a remaining economic life of 25 years.

Effective Age / Economic Life = Incurable Physical Depreciation

$$25 / 50 = 50.00\%$$

DocNote
THE NARRATIVE AND CALCULATION
ASSUME A SINGLE IMPROVEMENT. IF
MORE THAN ONE IMPROVEMENT IS
INCLUDED, YOU MUST CHANGE THIS
SECTION

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 \$500,000 indicates a value by the Cost Approach of **\$2,500,000**, rounded.

Final Value by the Cost Approach

Two Million Five Hundred Thousand Dollars

\$2,500,000

Improvements Cost Calculation

Subject Property Improvements Detail

		Building 1	
<u>Parcel Information</u>			
Land Area-s.f.	329,601	Water	Public
Land Area - Acres	7.567	Sewerage	Public
FrontFeet	400	Gas	People's Gas
Useable %	90.00	Electric	Duquesne Light
Land Value	\$ 500,000	Topography	Fairly Level
Land Value - Per S.F.	\$ 1.52	Shape	Mostly Rectangular
Land Value - Per Acre	\$ 66,080	Zoning	Commercial
		Dimensions	Various
<u>Improvements</u>		Basement	None
Style	Flex	Foundation	Concrete
Construction Quality	Average	Frame	Concrete Block
Condition	Average	Exterior	Brick
Gross Building Area	43,510	Roof	Flat Built-up
Net Building Area	43,510	Electrical	2000 amp
Footprint	43,510	HVAC	Roof
No. of Stories	1.0	Elevator	None
No. of Rental Units	8		
Actual Age	30		
Effective Age	25		
Economic Life	50		
Depreciation	50.00%		

Cost Calculation - Building 1

Height Multiplier	Cost New Per S.F.	\$92.13	
Mult:1.00	Adj.Cost Per S.F.	\$92.13	
Cost Multiplier	Cost Units	43,510	
Mult:1.00	Cost Unit Name	S.F.	
Local Multiplier			
Mult:1.00	Cost Data Source:	Marshall Valuation	
Perimeter Multiplier			Per Unit
Mult:1.00			92.13
	Cost New	\$4,008,567	
	Depreciation (50.00%)	<u>-2,004,283</u>	<u>-46.06</u>
	Depreciated Cost	\$2,004,283	46.06
	Land Value	<u>\$500,000</u>	
	Total Cost	\$2,504,283	\$57.56 Per S.F.

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.

-
- 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.

- 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 Appraisal Report Appraisal Report is intended to comply with the requirements set forth under Standard 2-2(a) of the Uniform Standards of Professional Appraisal Practice for a Appraisal Report 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.
- 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 Assumptions¹⁴

None Noted

Hypothetical Conditions¹⁵

None Noted

¹⁴ 2014-2015 USPAP PUBLISHED BY THE APPRAISAL FOUNDATION / DEFINITIONS

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.

¹⁵ **ibid.**

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.

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
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ADDENDA

Commercial Complete Software

This report, including many of the analyses contained herein, was created using Commercial Complete software. Commercial Complete is a standalone software program that incorporates a word processor, database, income analysis capabilities, comparison analysis capabilities, and cost analysis. We have tested the algorithms in the software and understand the methods applied. Their web site is <http://www.commercialcomplete.com>.