

# Retrospective Appraisal of

A Mixed-Use Property located at  
xxx Hull Street  
Richmond, Virginia 23224



Prepared for:  
xxxxxx Bank  
xxxx West Main Street  
Richmond, VA 23219

Prepared by:



Continental Appraisal  
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### **Neighborhood Description**

On the South Bank fall line of the James River, just across from downtown's central business district, Manchester was originally an independent city and major seaport until 1920, when it was consolidated into the City of Richmond. Experiencing a revitalization and conversion of old warehouses and factories into apartments, offices and retail space, Manchester and its main thoroughfare, Hull Street, is becoming a hot spot for new development.

The City unveiled its community-led Richmond Riverfront Plan, which places targeted efforts to enhancing access to the riverfront, particularly the south side in Manchester. In Manchester and along Hull Street, new residential units have been built in the last ten years enticing a diverse group of new residents attracted to adaptively reused warehouses, proximity to downtown and the edgy, creative neighborhood.

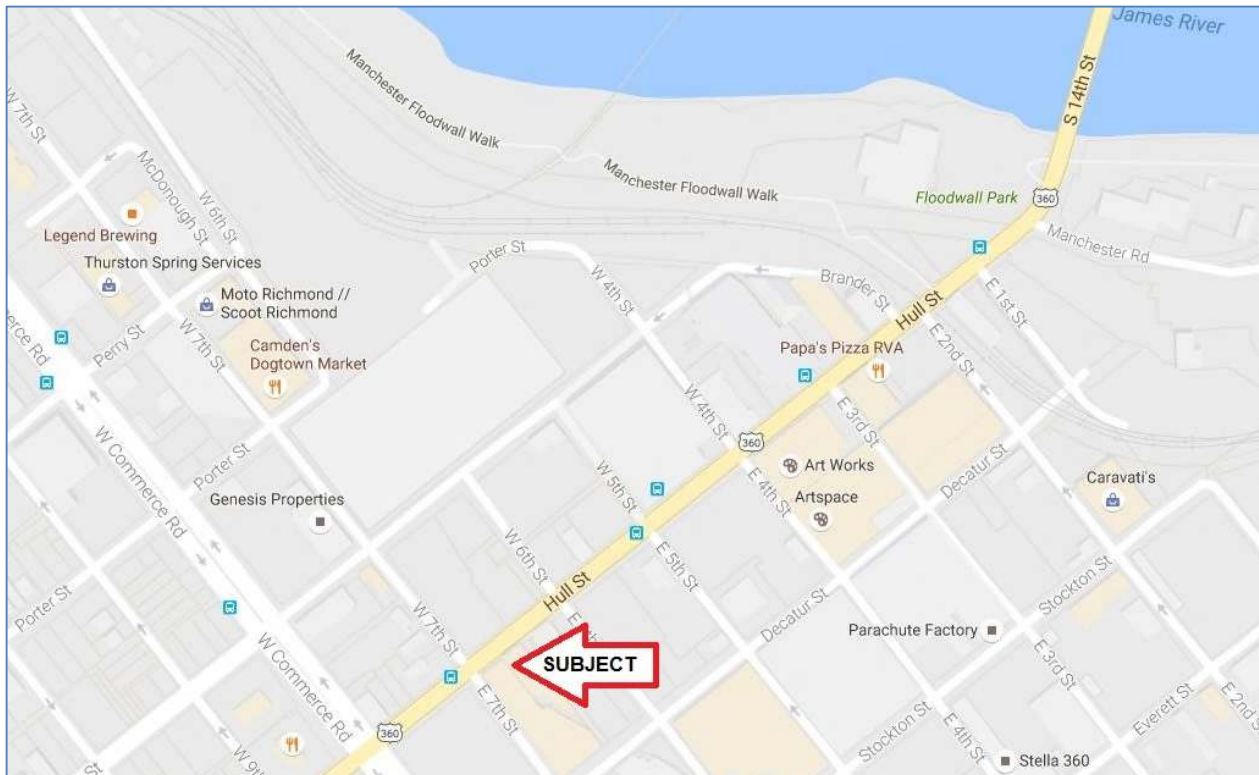


The subject is on Hull Street in the Old Manchester Neighborhood, a previous industrial area south of the James River in the City of Richmond. Downtown corridors and gateways from the south originate in the Manchester and Blackwell Neighborhoods. This area is a mixed-use neighborhood, characterized by historic homes, churches, commercial structures, office/warehouses, and corporate offices near the James River. Although development is increasing, there are many homes and commercial structures are vacant or in need of significant improvements.

Extensive demolition in Manchester has allowed future development on the vacant lots available. Northeast of Commerce Road is a primarily industrial and heavy commercial area. Recent residential and office activity within the area suggests that long-range opportunities should be explored. The planned courthouse expansion represents a civic devotion to the area and the renovated Art Works, and Plant Zero facilities provide an outlet for artists and creative thinkers.

The existing development pattern and street network present both opportunities and constraints for redevelopment. Much of the Manchester District, including both the industrial and residential/commercial areas, was listed on the National Register of Historic Places in 2000. The James River serves as both a linkage and a dividing element between the Manchester District and the rest of Downtown. The Mayo Bridge, which connects Hull and 14th Streets, is also a

major commuting route between Downtown and the residential areas south of the river. The Mayo, Lee, and Manchester Bridges provide the most direct vehicular access between Downtown and the surrounding neighborhoods. Pedestrian links such as the Richmond Riverwalk provide a continuous route connecting the Floodwall Walk in the Manchester District to the Canal Walk on the north side of the James River via Belle Isle and Mayo Island. Dramatic views of the Downtown skyline can be experienced from the Manchester District.<sup>18</sup>



With "legendary" breweries along the riverfront such as Legend's Brewery, and new start-ups moving in such as Blue Bee Ciderie, Manchester and Hull Street are attracting new dining options. While residential units in the neighborhood have swelled in number, varieties of commercial establishments are flocking into the area. UPS Freight, SunTrust, CRT Tanaka and Tumblr are just some of the big-name companies that chose Manchester as their HQ location. This area's urban appeal attracts creative firms in the architecture, information technology, and graphic design fields, and specialized advanced manufacturing and distribution companies. For instance, Shipvine moved its operations in 2015 to its new 47,000-square-foot headquarters at

<sup>18</sup> "Manchester," in *Richmond Downtown Plan, Research & Analysis* (2009), p. 14.

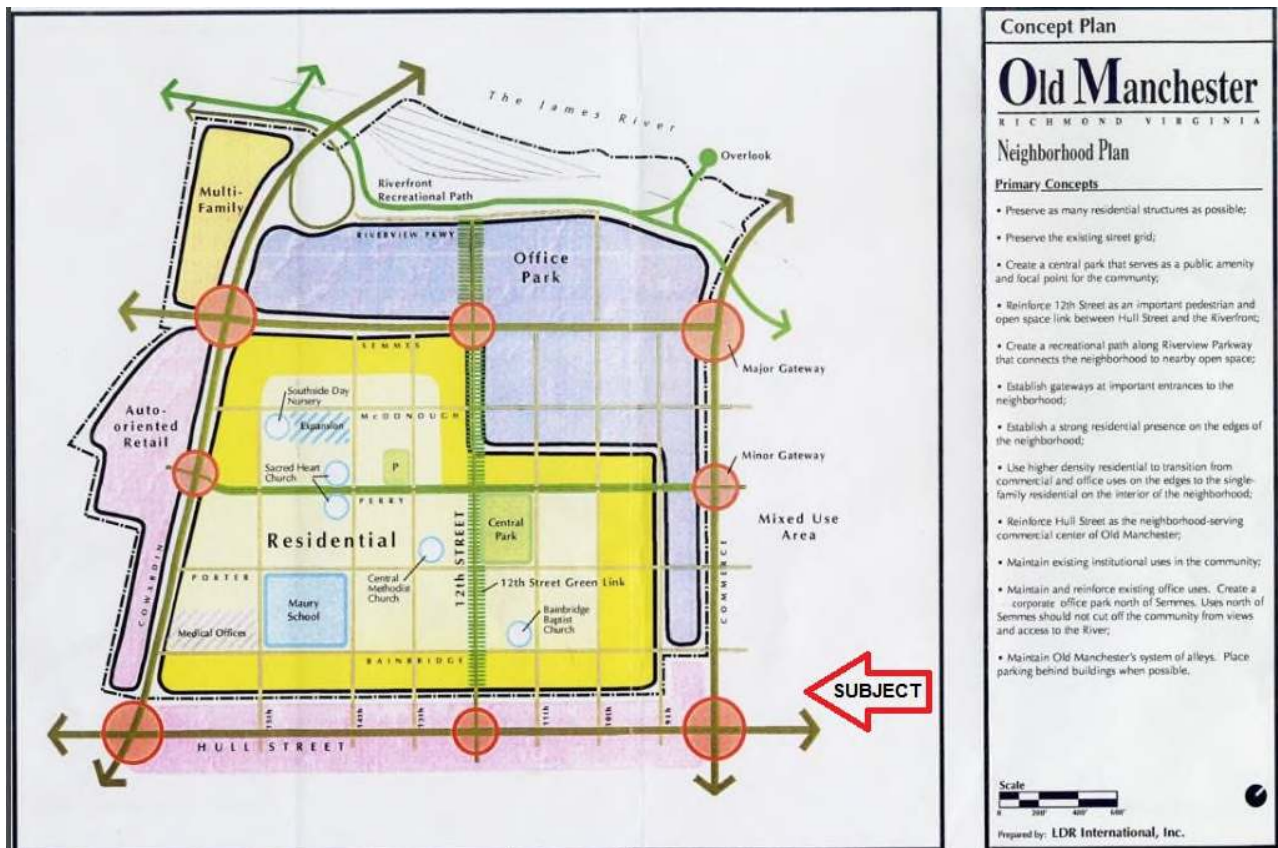


2200 Decatur Street.<sup>19</sup> Further, McDonald's is constructing a new building in the 800 block of Hull Street to replace its current location at 821 Hull Street.



Manchester features also offers new artistic spaces such as Plant Zero and Dogtown Dance Theater, converted from old warehouses and schools and redeveloped into creative spaces. From outdoor antique markets to home furnishings and clothing, the Manchester neighborhood is attracting new retailers who cater to the growing residential population.<sup>20</sup>

The subject is within the Mixed Use and Urban Center Areas of the Old Manchester neighborhood, which has experienced an influx of commercial and residential development over the past several years. The Neighborhood Plan and demographics follow.



<sup>19</sup> Michael Thompson, "Shipping company relocating to Manchester," in *Richmond BizSense*, <http://www.richmondbizsense.com/2015/06/11/shipping-company-relocating-to-manchester/>.

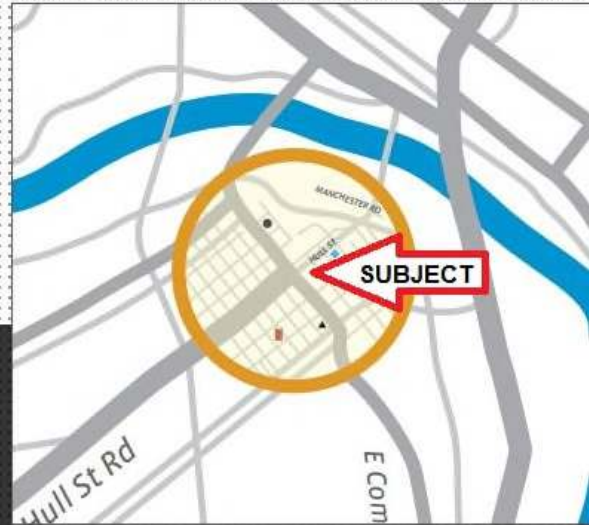
<sup>20</sup> "Hull Street & Manchester," in *City of Richmond Department of Economic & Community Development*, <http://www.yesrichmondva.com/neighborhood-revitalization/Hull-Street>.

## DEMOGRAPHIC PROFILE

POPULATION	.5 MILE	1 MILE	3 MILE
Total Population	1,402	5,328	104,846
Male	51.60%	50.50%	47.60%
Female	48.40%	49.50%	52.40%
EDUCATION	.5 MILE	1 MILE	3 MILE
High School Graduate	34.1	31.1	30.4
Bachelor's Degree	10.70%	12.00%	17.90%
Graduate/Prof. Degree	10.10%	9.50%	11.40%
HOUSEHOLDS	.5 MILE	1 MILE	3 MILE
Households (HH)	429	2,143	42,284
Median Average HH Size	3.01	2.34	2.28
Owner-occupied	18.60%	26.90%	31.50%
Renter-occupied	47.80%	53.10%	53.60%
Median Home Value	\$100,000	\$95,563	\$117,628
INCOME	.5 MILE	1 MILE	3 MILE
Average HH	\$36,786	\$40,237	\$44,574
Median HH	\$25,866	\$30,083	\$33,637
HH Income <\$49,999	78.80%	74.20%	65.70%
HH Income \$50 - \$74,999	7.50%	13.40%	17.20%
HH Income \$75,000 +	13.80%	12.40%	17.30%
Average HH Disposable	\$30,724		
AGE	.5 MILE	1 MILE	3 MILE
Age <19	26%	23.90%	26.30%
Age 20 - 34	21.30%	23.10%	26.90%
Age 35 - 64	41.70%	40.10%	35.70%
Age 65+	11.50%	13.00%	11.00%
Median Age (years)	37.6	37.5	32.6
CONSUMER EXPENDITURES (AVERAGE SPENT)	.5 MILE	1 MILE	3 MILE
Apparel & Services	\$954.61	\$1,038.78	\$1,158.51
Computers & Accessories	\$113.71	\$129.98	\$149.28
Entertainment & Recreation	\$1,680.07	\$1,840.60	\$2,047.80
TV/Video/Audio	\$708.24	\$771.73	\$857.21
Food at Home	\$2,556.00	\$2,754.14	\$3,055.37
Food away from Home	\$1,810.56	\$1,989.52	\$2,211.51
Household Furnishings & Equipment	\$911.76	\$1,004.48	\$1,120.15
Retail Goods	\$12,467.10	\$13,702.60	\$15,251.00
Health Care	\$1,949.86	\$2,090.17	\$2,309.51
Vehicle Maint. & Repair	\$500.30	\$552.44	\$614.18
BUSINESS	.5 MILE		
Total Businesses	226		
Total Employees	2,929		



**Economic & Community Development**  
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## HULL STREET BY THE NUMBERS

<b>63M</b>	<b>Annual Travelers Passing Via I-95</b>
<b>63/100</b>	<b>Walk Score®: Somewhat Walkable</b>
<b>35,000</b>	<b>Combined Local Student Population</b>
<b>21,000</b>	<b>Daily Traffic Count, Mayo Bridge*</b>
<b>\$30,000</b>	<b>Median Household Income (1-mile radius)</b>
<b>20%</b>	<b>Residents with Bachelors Degree or Higher</b>

\* Average Annual Daily Traffic Volume Estimates, Virginia Dept. of Transportation, 2010

"Hull Street is going through a rebirth and it's really exciting for us to be here and watch it happen. This area offers such unique, historic architecture and an incredible view of the city skyline and riverfront."

Bryan Ellis, Partner,  
CRT/tanaka



**SOURCE: MAYOR'S COMMERCIAL CORRIDOR SNAPSHOT 2012/2013**

18/26





In 2015, Manchester’s tallest apartment building opened its doors. Known as the Terraces at Manchester, the 10-story building was completed at 800 Semmes Avenue. With over 200,000 square feet, the building contains 148 units and 30 different floorplans. The building features 20,000 square feet of private terraces, accessible to nearly every unit. It also features a top floor “sky lounge” totaling 2,000 square feet, among other amenities. The apartments add to a residential boom that continues in Manchester.

Cushman & Wakefield/Thalhimer completed Phase I of City View Landing in July 2016,<sup>21</sup> a Manchester project at the former Reynolds South plant. Phase II is scheduled to begin the first quarter of 2017 and will include commercial and retail.<sup>22</sup> Thalhimer acquired the 17-acre site in January 2014 for \$9 million. City View Landing will include City View Lofts, two 13-story additions to the Southside skyline, and a retail section anchored by a 34,000-square-foot shop at Hull and Fourth Streets. According to Thalhimer Broker Jeff Cooke, “The overall development could total more than \$100 million in renovations and new construction. Each building could reach 15 stories with 250,000 square feet of office space, 250 additional apartment units, and three levels of parking.”<sup>23</sup>



Following years of negotiations, a local development company achieved approval with the City of Richmond for two 16-story towers on the Manchester riverfront. Fountainhead Properties secured zoning and supplemental approvals November 14, 2016, from Richmond City Council for its planned mixed-use development at 111 Hull

Street, on a quasi-island just west of the Mayo Bridge and alongside the James River flood wall. The approvals clear the way for potentially two or more towers that would house hundreds of apartments with commercial space and parking on the lower levels. The agreement with the city includes easements and access needed for the project, with Fountainhead agreeing to pay for connector roads and a replacement of a bridge over the Manchester Canal and the city conveying portions of city-owned property at 1 and 115 Hull Street and 2 Decatur Street.

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<sup>21</sup> Katie Demeria, “Downtown developers in the spotlight,” in *Richmond BizSense*, <http://www.richmondbizsense.com/2016/03/02/downtown-developers-in-the-spotlight/>.

<sup>22</sup> Cushman & Wakefield/Thalhimer. Joy Bollinger. Property Manager.

<sup>23</sup> Burl Rolett, “Firm reveals vision for Reynolds South,” in *Richmond BizSense*, <http://www.richmondbizsense.com/2014/01/31/firm-reveals-vision-for-reynolds-south/>.



Tom Papa, who runs Fountainhead with fellow developer Rick Gregory, said the approvals mark an end to a years-long negotiation with city planners, while also marking the start of the next part of the process: designing the project. Papa noted that Fountainhead had previously proposed a different project for the site several years ago but could not negotiate access. Fountainhead purchased the two-acre property at 111 Hull Street in 2012 for \$850,000.

Papa said next steps include designing the project. They have yet to select an architect – and submitting plans of development he expects will be received well by the city. Papa said the development would start with one tower and potentially add a second or more, depending on demand. An existing dilapidated building, built in 1929, would be demolished to make room for the first tower, while the second tower would be built on vacant land upriver. The first 16-story building would total 225 apartments. If the rest of the process goes smoothly, Papa said construction could start by mid-2017.

The rezoning to B-4 Central Business District allows for two-story buildings, higher than the previous RF-1 Riverfront District zoning allowed. Papa said the additional height allows for the apartment levels to clear the 38-foot-high floodwall, with the commercial space and parking comprising the lower floors. Despite the years put into it and the development agreement requirements – Papa said the canal bridge replacement could cost as much as \$800,000. “This is the best piece of property, perhaps, in the city of Richmond,” he said. “Where else do you have riverfront property that’s also canal-front, which is in the entryway to Manchester, which is the greatest growth opportunity location for the city of Richmond?”<sup>24</sup>



Another project is Manchester Park along McDonough Street. Having collaborated on several smaller projects, a local builder and developer are collaborating on their largest Manchester development to date. Macfarlane Partners and Corinthian Construction have begun work on Manchester Park: a combination of six townhome-style

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<sup>24</sup> Jonathan Spiers, “‘Beacon’ to Manchester takes big step forward,” in *Richmond BizSense*, <http://www.richmondbizsense.com/2016/11/18/beacon-to-manchester-takes-big-step-forward/>.

duplexes and a 12-unit apartment building with a corner commercial space along McDonough Street between West 13th and 14th streets. According to Corinthian Construction, the project is a mix of two products they have had success within Manchester: his 21-unit apartment project at 12th and Bainbridge streets that's home to Brewer's Café, and duplexes he built for Charles Macfarlane across the street and nearby along Perry Street.

The one-acre property for Manchester Park was among 30 parcels Charles Macfarlane purchased from the Virginia Museum of Fine Arts Foundation when it sold off about 30 acres in Manchester donated by Harwood Cochrane, the late Richmond philanthropist and founder of Overnite Transportation. Another 130 parcels were purchased by developers Robin Miller and Dan Gecker, whose Urban Development Associates has been building and renovating detached homes and duplexes throughout the area while also developing larger-scale projects, such as the 150-unit Terraces at Manchester. A row of homes under construction a couple blocks away along Porter Street are among their holdings.

Work on Manchester Park started September 2016 and will continue through next spring. Adamson said the first cluster of duplexes should be ready for occupancy in March 2017, and the rest of the project should be finished by June 2017 or in early fall 2017.



Manchester Park's 12 duplexes will range from 1,200-square-foot first-floor units with two bedrooms, two bathrooms and yard spaces, to 1,600-square-foot second-floor units with three bedrooms, three baths and rooftop decks. The lower-floor units will rent for \$1,350 a month and the second-floor units will rent for \$1,650.

The 12 one-bedroom apartments will each total 750 square feet and rent for about \$1,000 a month. The building will include a 1,600-square-foot corner space for a commercial tenant,

similar to the Brewster's Café space. Adamson said the rent for that space is to be determined and will depend on whether it is a shell space or finished. The overall cost of the development at \$3.3 million. Xenith Bank is the lender.<sup>25</sup>

Overall, the Manchester area has experienced an abundance of growth unlike anything seen in decades. With the number of approved projects by the City of Richmond, we expect The Manchester district has seen a surge in development activity in recent years and has enormous potential to accommodate additional growth.<sup>26</sup> Several private developers and nonprofit community-development corporations have engaged in historic rehabilitation, industrial building conversion, and infill projects in Manchester. According to Brooke Hardin, deputy director of the City's Department of Planning and Development Review, almost 1500 residential units were completed or were underway between 2000 and 2010.



Revitalization and infill have transformed this historic area. There is potential to accommodate significant additional population growth and economic development to create a vibrant, walkable urban community

with a mixture of residential, commercial, and office uses.<sup>27</sup> Developing the land directly north of the subject is depicted in this preliminary drawing. As Manchester continues its development popularity, the subject will increase in value as commercial and residential tenants seek reasonable size spaces.



<sup>25</sup> Jonathan Spiers, "New project to add duplexes, more apartments to Manchester," in *Richmond BizSense*, <http://richmondbizsense.com/2016/10/31/new-project-to-add-duplexes-more-apartments-to-manchester/>.

<sup>26</sup> Harry Kollatz, Jr., "A Downtown Undivided," *Richmond Magazine*, <http://www.richmondgov.com/planninganddevelopmentreview/PlansOther.aspx#Downtown> (2010).

<sup>27</sup> Southern Environmental Law Center, *Smart Growth is Smart Economics. Sustainable Development in the Greater Richmond Region*, [https://www.southernenvironment.org/uploads/publications/Smart\\_Growth\\_Richmond\\_Report\\_LR\\_F.pdf](https://www.southernenvironment.org/uploads/publications/Smart_Growth_Richmond_Report_LR_F.pdf) (2010).



### Market Analysis

We used the analytics from CoStar and interviews with property managers of commercial and residential properties in the Manchester area. There were 16 existing buildings examined, one newly renovated. Most characteristics are positive.

#### Office Space

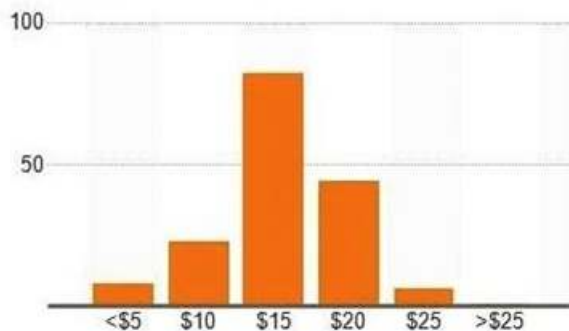
The average rent for office space is \$15.42 per square foot, an increase from the five-year average of \$14.68 per square foot. The vacancy rate is 7.7%, which is slightly higher than the subject.

Availability	Survey	5-Year Avg
Rent Per SF	\$15.42	\$14.68
Vacancy Rate	7.7%	9.6%
Vacant SF	35,391	43,797
Availability Rate	6.8%	9.9%
Available SF	40,300	45,265
Sublet SF	0	167
Months on Market	47.5	26.1
Demand	Survey	5-Year Avg
12 Mo. Absorption SF	6,606	3,135
12 Mo. Leasing SF	23,775	31,301

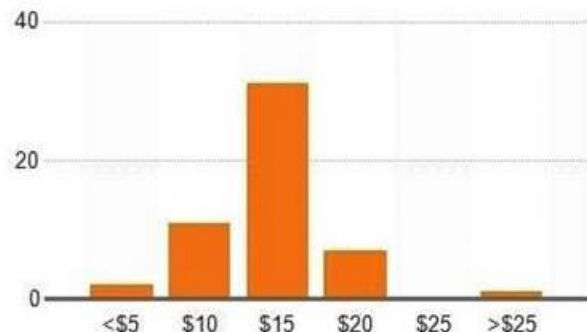
Inventory	Survey	5-Year Avg
Existing Buildings	16	15
Existing SF	613,272	568,922
12 Mo. Const. Starts	0	15,500
Under Construction	0	19,375
12 Mo. Deliveries	31,000	31,000
Sales	Past Year	5-Year Avg
Sale Price Per SF	-	\$43
Asking Price Per SF	\$104	\$94
Sales Volume (Mil.)	-	\$0.2
Cap Rate	-	12.0%

Rental rates range from \$2.85 to over \$27 per square foot. However, asking and starting office rent averages \$15 per square foot depending on the space, location, and amenities. Concessions are typically a month or two of free rent, which adversely affects the vacancy rate. Terms are typically one to five years, as negotiated with the property owner.

Deals by Gross Asking Rent



Deals by Gross Starting Rent



### Apartment Space

There are 2,700 existing units in the area, an increase from the 5-year average of 1,812 units. The number of vacant units has declined over the past five years, indicating a vacancy rate of 7.1% annually. This is a decrease from the five-year average of 11.6%. The increase in rental rates and decreasing vacancy average demonstrates the desirability of the Manchester area.

Leasing Units	Survey	5-Year Avg
Vacant Units	192	207
Vacancy Rate	7.1%	11.6%
12 Mo. Absorption Units	404	308

Rents	Survey	5-Year Avg
Studio Asking Rent	\$883	\$850
1 Bed Asking Rent	\$934	\$822
2 Bed Asking Rent	\$1,108	\$1,001
3+ Bed Asking Rent	\$990	\$1,004
Concessions	0.7%	1.3%

Inventory in Units	Survey	5-Year Avg
Existing Units	2,700	1,812
12 Mo. Const. Starts	0	282
Under Construction	0	328
12 Mo. Deliveries	317	328

Sales	Past Year	5-Year Avg
Sale Price Per Unit	\$90,303	\$89,754
Asking Price Per Unit	\$112,857	\$111,485
Sales Volume (Mil.)	\$15	\$16
Cap Rate	7.0%	7.3%

Our rental surveys of multiple apartment communities establish rental rates per square foot that are similar to office space. For instance, rental rates range from \$13.00<sup>30</sup> to \$27.00 per square foot. The average rental rate for a 1,000 square foot unit is \$15.00 per square foot. Luxury penthouse units, however, range from \$13.00 per square foot for average quality interiors to \$26.25 per square foot for good quality interiors. The subject residential units are in the good category.

Penthouse Rental Survey [Manchester and surrounding areas]						
Apartment Community	Type	SF	Mo. Rent	\$/SF	Quality	Status
City Lofts	1Bed/1Bath	935	\$1,334	\$17.12	Good	Leased
City Lofts	1Bed/1Bath	853	\$1,414	\$19.89	Good	Leased
Terraces at Manchester	2Bed/2 Bath	1,600	\$3,500	\$26.25	Good	Leased
American Tobacco Center	3Bed/2Bath	1,317	\$2,095	\$19.09	Good	Leased
American Tobacco Center	3Bed/2Bath	1,477	\$2,277	\$18.50	Good	Leased
American Tobacco Center	2Bed/2Bath	1,238	\$1,974	\$19.13	Good	Available
Commons at Plant Zero	2Bed/2 Bath	1,400	\$1,835	\$15.73	Average	Available
River View	2Bed/1Bath	1,440	\$1,560	\$13.00	Average	Available

The average capitalization rate five years ago for mixed used space was 12%. However, the sales report capitalization rates between 6.7% and 8%. The capitalization rate is within this range at 7.4%, based on our analysis.

<sup>30</sup> The least desirable due to limited construction materials and interior design.

## **INCOME APPROACH**

Income producing real estate is typically purchased as an investment. From an investor's point of view, earning power is critical to the subject property's value. One basic premise holds that the higher the earnings, the higher the value; provided the risk remains constant. An investor who purchases income-producing real estate is trading present dollars for the expectation of receiving future dollars.

The two most common methods of converting net income into value are the Direct Capitalization and Discounted Cash Flow (DCF). In direct capitalization, net operating income is divided by an overall capitalization rate to indicate an opinion of market value. In the discounted cash flow method, anticipated future cash flows and a reversionary value are discounted to an opinion of net present value at a chosen yield rate (internal rate of return).

Since the subject property has short- and long-term leases, a discounted cash flow is used to value the real estate beginning January 1, 2017. A DCF is a direct valuation technique that values a property by projecting its future cash flows and then using the Net Present Value (NPV) method to value those cash flows.

In a DCF analysis, the cash flows are projected by using assumptions about how the real estate will perform, and then forecasting how this property performance translates into the cash flow generated by the real estate. NPV is a mathematical technique for translating each of these projected annual cash flow amounts into today-equivalent amounts so each year's projected cash flows can be summed up in comparable, current-dollar amounts.

A DCF is the most theoretically correct valuation method available and the most broadly used valuation technique. A DCF is used by Investment Bankers, Internal Corporate Finance, Business Development professionals, and Academics. However, a DCF is very sensitive to assumptions. This is possible, given that a DCF involves predicting future events (forecasting).

A DCF should only be completed alongside other valuation techniques, lest questionable assumptions may lead to different market force fluctuations. To validate our analysis and assumptions, the Sales Comparison Approach is completed as verification of the Income Approach.



ADVANTAGES AND DISADVANTAGES of DCF	
PROs	CONS
<ul style="list-style-type: none"> <li>Theoretically the most sound method if the analyst is confident in his assumptions</li> <li>Not significantly influenced by temporary market conditions or non-economic factors</li> <li>Especially useful when there is limited or no comparable information</li> </ul>	<ul style="list-style-type: none"> <li>Valuation obtained is very sensitive to many assumptions/forecasts, and can vary over a wide range</li> <li>Often very time-intensive relative to some other valuation techniques</li> <li>Involves forecasting future performance, which is very difficult</li> </ul>

### KEY ASSUMPTIONS & PROJECTIONS:

When performing a DCF analysis, assumptions and projections must be made. Ultimately, all will boil down to three main components that drive the valuation result from a DCF analysis.

**Free Cash Flow Projections: Projections of the** Cash produced by a property's real estate operations after paying for operating expenses and capital expenditures.

**Discount Rate:** The cost of capital (Debt and Equity) for the property. This rate acts like an interest rate on future Cash inflows and is used to convert them into current dollar equivalents. The Discount Rate is usually determined as a function of prevailing market (or known) required rates of return for Debt and Equity, and the split between outstanding Debt and Equity in the property's capital structure. These required rates of return are blended into a single discount rate for the Free Cash Flows of the real estate.

**Terminal Value:** The value of a property at the end of the projection period. The terminal value is the value of the real estate that derives from Cash flows generated after the year-by-year projection period. It is a function of the Cash flows generated in the final projection period, plus an assumed permanent growth rate for those cash flows, plus an assumed discount rate (or exit multiple). We used a 5-year projection period since it is typical for long-term commercial leases.

According to the Highest and Best Use - As Improved, the subject is best suited as a mixed-use building due to its current configuration of commercial and residential tenants. Various types of commercial buildings and spaces that are leased within close proximity to the subject were analyzed and utilized for this analysis. All the rental properties analyzed are comparable to the subject regarding location, construction quality, design/layout, and age/condition with some

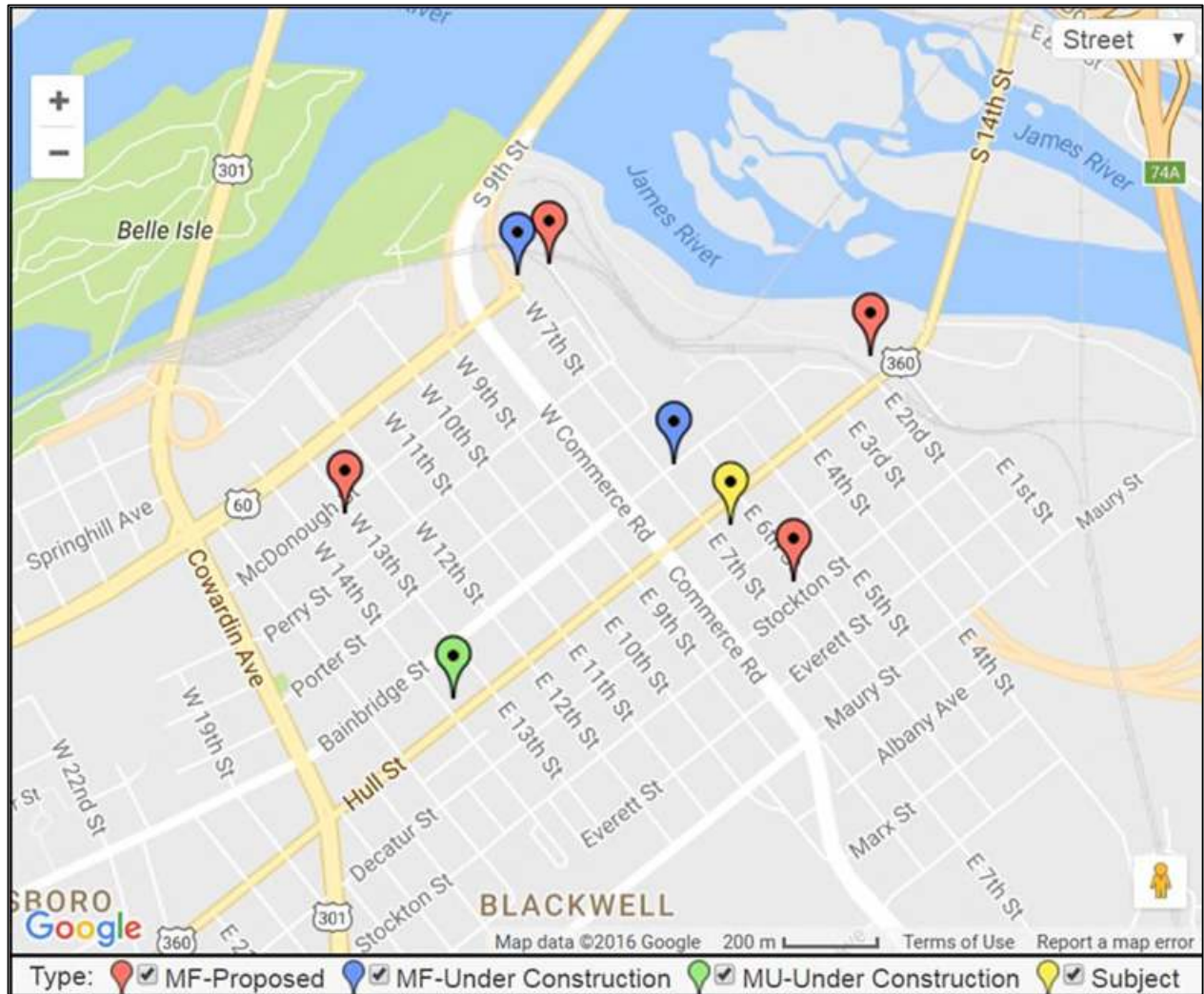
exceptions. Based on the data analyzed, the rental rates represent market rates and are relied upon in estimating the potential gross income of the property. The confirmed estimated expenses calculated are based on typical apartment or mixed-use building expenses locally.

Although one of the units is owner-occupied, the remaining nine units must be analyzed at market rates to determine their impact on the property. Owner occupants typically outbid leased asset investors because they have different equity rate requirements. Further, they do not underwrite vacancy and collection loss, management, and other necessary operating expenses.

A five-year discounted cash flow is provided that examines the existing leases, potential vacancies, rent loss. Further, expenses such as management, real estate taxes, insurance, janitorial, security, landscaping, maintenance, utilities, and reserves are calculated. After the leases expire, including the one-year lease agreement with the potential purchaser, market surveys helped establish the potential rental rates and expenses. The analysis helps provide a conservative, yet logical estimated value for the property.

There are six properties, either under construction or proposed within the immediate area. Details and a map follow. None have office space. Further, the average size per unit is from 850 – 900 square foot. The subject's residential units range from 1,203 to 3,793 square feet, with an average of 2,281 square feet. There is 3,112 square feet of garage space at the rear of the property, utilized by the three residential tenants. This space is included in their rental rates. More than likely, the tenants in the area will pay for parking besides their monthly unit rental.

Street	Type	Units	Avg. MF Size	MF	Retail	Office
1319 Hull Street	MU-Under Construction	34	900 SF	77%	23%	0%
611 Bainbridge Street	MF-Under Construction	98	850 SF	100%	0%	0%
501 W. 7th Street	MF-Under Construction	12	856 SF	100%	0%	0%
1300 McDonough Street	MF-Proposed	24	900 SF	100%	0%	0%
115 Hull Street	MF-Proposed	225	900 SF	100%	0%	0%
600 W 6th Street	MF-Proposed	263	850 SF	100%	0%	0%
601 Stockton Street	MF-Proposed	225	800 SF	100%	0%	0%
<b>612 Hull Street</b>	<b>Subject</b>	<b>3</b>	<b>2,281 SF</b>	<b>44%</b>	<b>0%</b>	<b>56%</b>



In addition to examining multi-family and mixed-use properties that will be completed within the next several years, we analyzed eight existing comparable rentals within the immediate area. The upcoming properties, comparable rentals, and market analysis assisted in the assumptions compiled in the five-year DCF.

Details and a map follow.



## COMPARABLE RENTAL 1

### 12th and Bainbridge Apartments - 101 W 12th St

Richmond, VA 23224 - Manchester MF Submarket



#### BUILDING

Type:	Low-Rise Apartme...
Year Built:	2014
Units:	21
GBA:	22,000 SF
Rent Type:	Market
Market Segment:	All

#### LAND

Land Area:	0.63 AC
Parcel	S000-0062-015

#### EXPENSES PER UNIT

Taxes:	\$1,268.57 (2016)
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#### UNIT AMENITIES

Air Conditioning, Balcony, Granite Countertops, Hardwood Floors, Heating, Kitchen, Patio, Stainless Steel Appliances, Tub/Shower, Vaulted Ceiling, Wheelchair Accessible (Rooms)

#### BEDROOM SUMMARY

Totals	Avg SF	Unit Mix		Vacancy		Avg Asking Rent		Avg Effective Rent		Concessions
		Units	Mix %	Units	Percent	Per Unit	Per SF	Per Unit	Per SF	
All Studios	500	6	28.6%	0	0.0%	\$795	\$1.59	\$795	\$1.59	0.0%
All 1 Beds	707	6	28.6%	0	0.0%	\$995	\$1.41	\$995	\$1.41	0.0%
All 2 Beds	900	9	42.9%	1	11.1%	\$1,295	\$1.44	\$1,295	\$1.44	0.0%
<b>Totals</b>	<b>731</b>	<b>21</b>	<b>100%</b>	<b>1</b>	<b>4.8%</b>	<b>\$1,066</b>	<b>\$1.46</b>	<b>\$1,066</b>	<b>\$1.46</b>	<b>0.0%</b>

#### UNIT BREAKDOWN

Bed	Bath	Avg SF	Unit Mix		Vacancy		Avg Asking Rent		Avg Effective Rent		Concessions
			Units	Mix %	Units	Vac %	Per Unit	Per SF	Per Unit	Per SF	
0	1	500	6	28.6%	0	0.0%	\$795	\$1.59	\$795	\$1.59	0.0%
1	1	707	6	28.6%	0	0.0%	\$995	\$1.41	\$995	\$1.41	0.0%
2	1	900	9	42.9%	1	11.1%	\$1,295	\$1.44	\$1,295	\$1.44	0.0%

Updated November 21, 2018

#### COMMERCIAL LEASING

Available Spaces: No Spaces Currently Available

## COMPARABLE RENTAL 2

### Manchester Motorworks - 616 Hull St

Richmond, VA 23224 - Old Town Manchester MF Submarket



#### BUILDING

Type:	Low-Rise Apartme...
Year Built:	2012
Units:	39
GBA:	29,250 SF
Floors:	1
Construction:	Masonry
Rent Type:	Market
Market Segment:	All

#### LAND

Land Area:	0.74 AC
Zoning:	M-2
Parcel	S000-0078-001

#### EXPENSES PER UNIT

Taxes:	\$122.77 (2011)
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#### SITE AMENITIES

Controlled Access, Gated, On-Site Retail, Property Manager on Site

#### UNIT AMENITIES

Air Conditioning, Cable Ready, Dishwasher, Disposal, High Speed Internet Access, Microwave, Oven, Range, Refrigerator, Satellite TV, Skylight, Washer/Dryer, Wheelchair Accessible (Rooms)

#### BEDROOM SUMMARY

Totals	Avg SF	Unit Mix		Vacancy		Avg Asking Rent		Avg Effective Rent		Concessions
		Units	Mix %	Units	Percent	Per Unit	Per SF	Per Unit	Per SF	
All Studios	485	1	2.6%	0	0.0%	\$712	\$1.47	\$711	\$1.47	0.1%
All 1 Beds	624	25	64.1%	2	8.0%	\$899	\$1.44	\$899	\$1.44	0.0%
All 2 Beds	877	13	33.3%	2	15.4%	\$1,149	\$1.31	\$1,149	\$1.31	0.0%
<b>Totals</b>	<b>705</b>	<b>39</b>	<b>100%</b>	<b>4</b>	<b>10.3%</b>	<b>\$978</b>	<b>\$1.39</b>	<b>\$978</b>	<b>\$1.39</b>	<b>0.0%</b>

#### UNIT BREAKDOWN

Bed	Bath	Avg SF	Unit Mix		Vacancy		Avg Asking Rent		Avg Effective Rent		Concessions
			Units	Mix %	Units	Vac %	Per Unit	Per SF	Per Unit	Per SF	
0	1	485	1	2.6%	0	0.0%	\$712	\$1.47	\$711	\$1.47	0.1%
1	1	624	25	64.1%	2	8.0%	\$899	\$1.44	\$899	\$1.44	0.0%
2	2	877	13	33.3%	2	15.4%	\$1,149	\$1.31	\$1,149	\$1.31	0.0%

Updated November 04, 2016

**COMPARABLE RENTAL 3****1000 Porter St**

Richmond, VA 23224 - Manchester MF Submarket

**BUILDING**

Type:	Low-Rise Apartme...
Year Built:	2009
Units:	12
GBA:	12,048 SF
Floors:	2
Construction:	Wood Frame
Market Segment:	All

**LAND**

Land Area:	0.32 AC
Zoning:	R-53
Parcel	S000-0042-005

**EXPENSES PER UNIT**

Taxes:	\$1,228.00 (2016)
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**UNIT AMENITIES**

Air Conditioning, Wheelchair Accessible (Rooms)

**BEDROOM SUMMARY**

Totals	Avg SF	Unit Mix		Vacancy		Avg Asking Rent		Avg Effective Rent		Concessions
		Units	Mix %	Units	Percent	Per Unit	Per SF	Per Unit	Per SF	
All Studios	600	3	25.0%	1	33.3%	\$913	\$1.52	\$904	\$1.51	1.0%
All 1 Beds	800	1	8.3%	0	0.0%	\$1,038	\$1.30	\$1,036	\$1.30	0.2%
All 2 Beds	1,100	6	50.0%	0	0.0%	\$1,280	\$1.16	\$1,277	\$1.16	0.2%
All 3 Beds	1,305	2	16.7%	0	0.0%	\$1,451	\$1.11	\$1,447	\$1.11	0.2%
<b>Totals</b>	<b>984</b>	<b>12</b>	<b>100%</b>	<b>1</b>	<b>8.3%</b>	<b>\$1,197</b>	<b>\$1.22</b>	<b>\$1,192</b>	<b>\$1.21</b>	<b>0.4%</b>

**UNIT BREAKDOWN**

Bed	Bath	Avg SF	Unit Mix		Vacancy		Avg Asking Rent		Avg Effective Rent		Concessions
			Units	Mix %	Units	Vac %	Per Unit	Per SF	Per Unit	Per SF	
0	1	600	3	25.0%	1	33.3%	\$913	\$1.52	\$904	\$1.51	1.0%
1	1	800	1	8.3%	0	0.0%	\$1,038	\$1.30	\$1,036	\$1.30	0.2%
2	2	1,100	6	50.0%	0	0.0%	\$1,280	\$1.16	\$1,277	\$1.16	0.2%
3	3	1,305	2	16.7%	0	0.0%	\$1,451	\$1.11	\$1,447	\$1.11	0.2%

Updated August 08, 2018

**COMMERCIAL LEASING**

Available Spaces: No Spaces Currently Available



#### COMPARABLE RENTAL 4

##### 1301 Porter St

Richmond, VA 23224 - Manchester MF Submarket



#### BUILDING

Type:	Mid-Rise Apartme...
Year Built:	1914
Units:	18
GBA:	30,276 SF
Floors:	4
Construction:	Masonry
Rent Type:	Market
Market Segment:	All

#### LAND

Land Area:	0.33 AC
Zoning:	R-53
Parcel	S000-0121-011

#### EXPENSES PER UNIT

Taxes:	\$383.33 (2016)
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#### BEDROOM SUMMARY

Totals	Avg SF	Unit Mix		Vacancy		Avg Asking Rent		Avg Effective Rent		Concessions
		Units	Mix %	Units	Percent	Per Unit	Per SF	Per Unit	Per SF	
All 2 Beds	1,000	18	100%	1	5.6%	\$1,121	\$1.12	\$1,114	\$1.11	0.6%
<b>Totals</b>	<b>1,000</b>	<b>18</b>	<b>100%</b>	<b>1</b>	<b>5.6%</b>	<b>\$1,121</b>	<b>\$1.12</b>	<b>\$1,114</b>	<b>\$1.11</b>	<b>0.6%</b>

#### UNIT BREAKDOWN

Bed	Bath	Avg SF	Unit Mix		Vacancy		Avg Asking Rent		Avg Effective Rent		Concessions
			Units	Mix %	Units	Vac %	Per Unit	Per SF	Per Unit	Per SF	
2	1	1,000	18	100%	1	5.6%	\$1,121	\$1.12	\$1,114	\$1.11	0.6%

Updated July 04, 2016

#### COMMERCIAL LEASING

Available Spaces: No Spaces Currently Available

#### TRANSPORTATION

Parking: 18 free Surface Spaces are available; 1.0 per Unit

Walk Score ®: Very Walkable (72)

Transit Score ®: Minimal Transit (0)

#### PROPERTY CONTACTS

True Owner: Miller & Associates

Recorded Owner: Porter Street Lic

Property Manager: Monroe Properties

## COMPARABLE RENTAL 5

### City View Lofts - 409-611 Bainbridge St

Richmond, VA 23224 - Old Town Manchester MF Submarket



#### BUILDING

Type:	Low-Rise Apart
Year Built:	2016
Units:	121
GBA:	31,000 SF
Floors:	2
Metering:	Individual
Construction:	Masonry
Rent Type:	Market
Market Segment:	All

#### LAND

Parcel	S000-0038-012
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#### SITE AMENITIES

Business Center, Clubhouse, Courtyard, Fitness Center, Gameroom, Media Center/Movie Theatre, Pool, Property Manager on Site

#### UNIT AMENITIES

Air Conditioning, Cable Ready, Ceiling Fans, Crown Molding, Dishwasher, Disposal, Granite Countertops, Heating, High Speed Internet Access, Kitchen, Oven, Range, Refrigerator, Stainless Steel Appliances, Washer/Dryer, Wheelchair Accessible (Rooms), Window Coverings

#### BEDROOM SUMMARY

Totals	Avg SF	Unit Mix		Vacancy		Avg Asking Rent		Avg Effective Rent		Concessions
		Units	Mix %	Units	Percent	Per Unit	Per SF	Per Unit	Per SF	
All 1 Beds	669	46	38.0%	3	6.5%	\$1,017	\$1.52	\$975	\$1.46	4.2%
All 2 Beds	956	75	62.0%	5	6.7%	\$1,308	\$1.37	\$1,281	\$1.34	2.1%
<b>Totals</b>	<b>847</b>	<b>121</b>	<b>100%</b>	<b>8</b>	<b>6.6%</b>	<b>\$1,199</b>	<b>\$1.41</b>	<b>\$1,166</b>	<b>\$1.37</b>	<b>2.7%</b>

#### UNIT BREAKDOWN

Bed	Bath	Avg SF	Unit Mix		Vacancy		Avg Asking Rent		Avg Effective Rent		Concessions
			Units	Mix %	Units	Vac %	Per Unit	Per SF	Per Unit	Per SF	
1	1	636	15	12.4%	1	6.7%	\$949	\$1.49	\$909	\$1.43	4.2%
1	1	649	16	13.2%	1	6.3%	\$949	\$1.46	\$909	\$1.40	4.2%
1	1	722	15	12.4%	1	6.7%	\$1,156	\$1.60	\$1,108	\$1.53	4.2%
1	1.5	-	-	-	-	-	\$1,040	-	\$996	-	4.2%
2	1	-	-	-	-	-	\$1,249	-	\$1,223	-	2.1%
2	1.5	935	15	12.4%	1	6.7%	\$1,335	\$1.43	\$1,307	\$1.40	2.1%
2	2	857	15	12.4%	1	6.7%	\$1,157	\$1.35	\$1,133	\$1.32	2.1%
2	2	913	15	12.4%	1	6.7%	\$1,349	\$1.48	\$1,321	\$1.45	2.1%

Updated November 28, 2016

## COMPARABLE RENTAL 6

### City View Place - 1000 Bainbridge St

Richmond, VA 23224 - Manchester MF Submarket



#### BUILDING

Type:	Low-Rise Apartme...
Year Built:	2012
Units:	32
GBA:	46,407 SF
Floors:	3
Rent Type:	Affordable
Market Segment:	All

#### LAND

Land Area:	0.94 AC
Zoning:	R-63
Parcel	S000-0060-021

#### EXPENSES PER UNIT

Taxes:	\$1,359.38 (2015)
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#### SITE AMENITIES

Clubhouse, Fitness Center, Grill, Laundry Facilities, Picnic Area, Playground, Property Manager on Site

#### UNIT AMENITIES

Dishwasher, Refrigerator, Washer/Dryer Hookup

#### BEDROOM SUMMARY

Totals	Avg SF	Unit Mix		Vacancy		Avg Asking Rent		Avg Effective Rent		Concessions
		Units	Mix %	Units	Percent	Per Unit	Per SF	Per Unit	Per SF	
All 2 Beds	927	20	62.5%	1	5.0%	\$695	\$0.75	\$695	\$0.75	0.0%
All 3 Beds	1,207	12	37.5%	1	8.3%	\$770	\$0.64	\$770	\$0.64	0.0%
<b>Totals</b>	<b>1,032</b>	<b>32</b>	<b>100%</b>	<b>2</b>	<b>6.3%</b>	<b>\$723</b>	<b>\$0.70</b>	<b>\$723</b>	<b>\$0.70</b>	<b>0.0%</b>

#### UNIT BREAKDOWN

Bed	Bath	Avg SF	Unit Mix		Vacancy		Avg Asking Rent		Avg Effective Rent		Concessions
			Units	Mix %	Units	Vac %	Per Unit	Per SF	Per Unit	Per SF	
2	1.5	927	20	62.5%	1	5.0%	\$695	\$0.75	\$695	\$0.75	0.0%
3	2	1,207	12	37.5%	1	8.3%	\$770	\$0.64	\$770	\$0.64	0.0%

Updated November 29, 2016

#### COMMERCIAL LEASING

Available Spaces: No Spaces Currently Available



## COMPARABLE RENTAL 7

### The Lofts at Trolley Station - 701 Porter St

Richmond, VA 23224 - Old Town Manchester MF Submarket



#### BUILDING

Type:	Low-Rise Apartme...
Year Built:	1920
Units:	37
GBA:	32,920 SF
Floors:	2
Construction:	Masonry
Rent Type:	Market
Market Segment:	All

#### LAND

Land Area:	0.88 AC
Zoning:	M-2
Parcel:	S000-0026-009

#### EXPENSES PER UNIT

Taxes:	\$597.31 (2011)
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#### SITE AMENITIES

24 Hour Availability, Controlled Access, Property Manager on Site

#### UNIT AMENITIES

Air Conditioning, Ceiling Fans, Dishwasher, Disposal, Granite Countertops, High Speed Internet Access, Microwave, Refrigerator, Satellite TV, Stainless Steel Appliances, Vaulted Ceiling, Washer/Dryer

#### BEDROOM SUMMARY

Totals	Avg SF	Unit Mix		Vacancy		Avg Asking Rent		Avg Effective Rent		Concessions
		Units	Mix %	Units	Percent	Per Unit	Per SF	Per Unit	Per SF	
All 1 Beds	529	7	18.9%	2	28.6%	\$837	\$1.58	\$829	\$1.57	1.0%
All 2 Beds	926	30	81.1%	2	6.7%	\$1,141	\$1.23	\$1,133	\$1.22	0.6%
<b>Totals</b>	<b>851</b>	<b>37</b>	<b>100%</b>	<b>4</b>	<b>10.8%</b>	<b>\$1,083</b>	<b>\$1.27</b>	<b>\$1,076</b>	<b>\$1.26</b>	<b>0.7%</b>

#### UNIT BREAKDOWN

Bed	Bath	Avg SF	Unit Mix		Vacancy		Avg Asking Rent		Avg Effective Rent		Concessions
			Units	Mix %	Units	Vac %	Per Unit	Per SF	Per Unit	Per SF	
1	1	529	7	18.9%	2	28.6%	\$837	\$1.58	\$829	\$1.57	1.0%
2	1	730	7	18.9%	0	0.0%	\$1,155	\$1.58	\$1,148	\$1.57	0.6%
2	2	976	18	48.6%	1	5.6%	\$1,100	\$1.13	\$1,093	\$1.12	0.6%
2	2.5	1,020	5	13.5%	0	0.0%	\$1,268	\$1.24	\$1,260	\$1.24	0.6%

Updated October 23, 2016



### COMPARABLE RENTAL 8

#### Stella 360 - 360 Stockton St

Richmond, VA 23224 - Old Town Manchester MF Submarket



#### BUILDING

Type:	Low-Rise Apartme...
Year Built:	1946
Units:	33
GBA:	25,832 SF
Floors:	1
Construction:	Masonry
Rent Type:	Market
Market Segment:	All

#### LAND

Land Area:	2.00 AC
Zoning:	M-2
Parcel	S000-0137-001

#### EXPENSES PER UNIT

Taxes:	\$545.45 (2011)
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#### SITE AMENITIES

Grill

#### UNIT AMENITIES

Fireplace, Granite Countertops, Hardwood Floors, Stainless Steel Appliances, Washer/Dryer

#### BEDROOM SUMMARY

Totals	Avg SF	Unit Mix		Vacancy		Avg Asking Rent		Avg Effective Rent		Concessions
		Units	Mix %	Units	Percent	Per Unit	Per SF	Per Unit	Per SF	
All 1 Beds	652	20	60.6%	1	5.0%	\$862	\$1.32	\$857	\$1.31	0.6%
All 2 Beds	800	13	39.4%	2	15.4%	\$1,225	\$1.53	\$1,125	\$1.41	8.2%
<b>Totals</b>	<b>710</b>	<b>33</b>	<b>100%</b>	<b>3</b>	<b>9.1%</b>	<b>\$1,005</b>	<b>\$1.41</b>	<b>\$962</b>	<b>\$1.35</b>	<b>4.2%</b>

#### UNIT BREAKDOWN

Bed	Bath	Avg SF	Unit Mix		Vacancy		Avg Asking Rent		Avg Effective Rent		Concessions
			Units	Mix %	Units	Vac %	Per Unit	Per SF	Per Unit	Per SF	
1	1	652	20	60.6%	1	5.0%	\$862	\$1.32	\$857	\$1.31	0.6%
2	2	800	13	39.4%	2	15.4%	\$1,225	\$1.53	\$1,125	\$1.41	8.2%

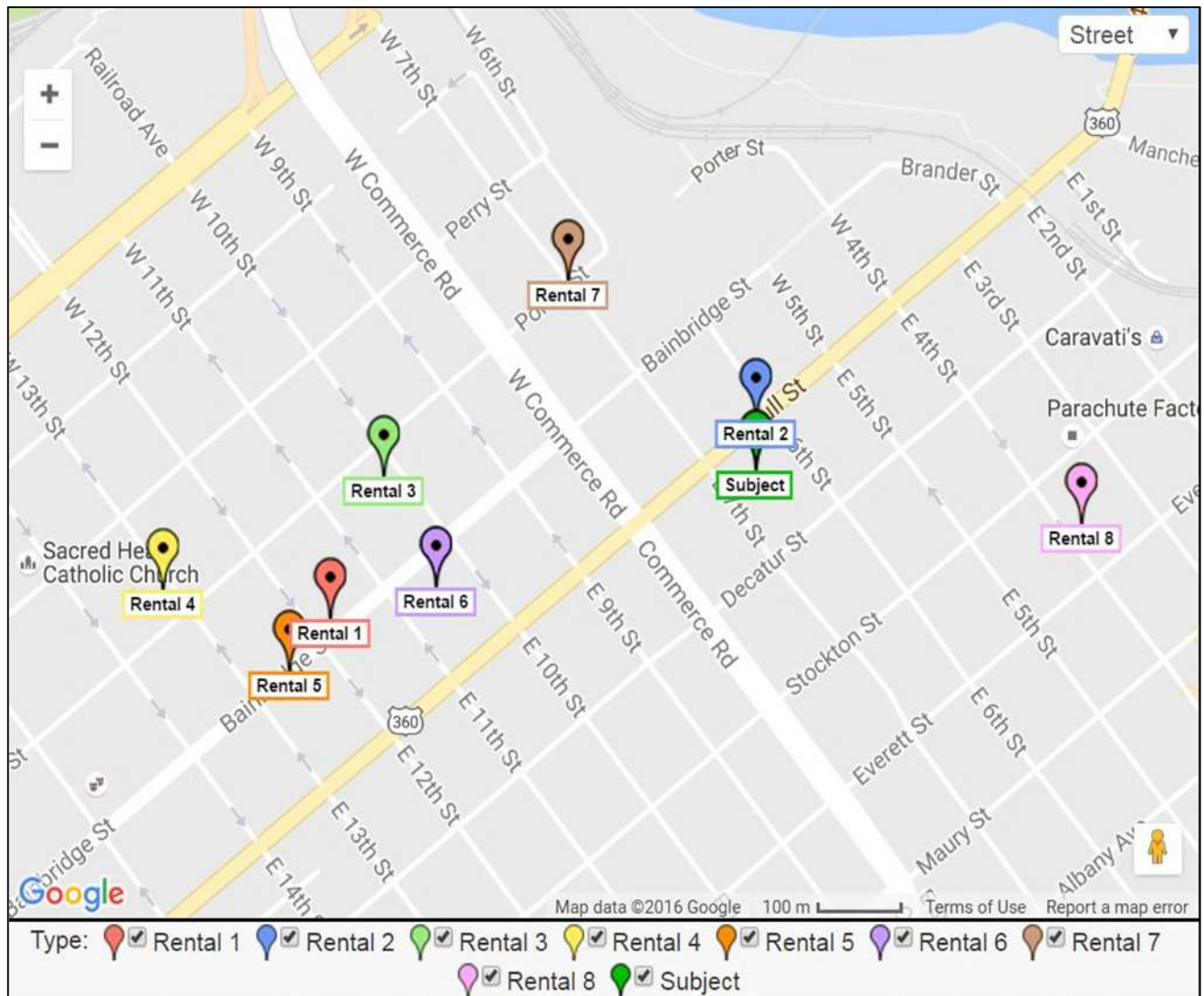
Updated November 19, 2016

#### COMMERCIAL LEASING

Available Spaces: No Spaces Currently Available

**Value Conclusions – xxx Hull Street**

Apt Rental	Type	Average SF	Rent	Annual \$/SF	
1	Studios, 1 and 2 Bedrooms	731	\$ 1,066	\$ 17.50	
2	Studios, 1 and 2 Bedrooms	705	\$ 978	\$ 16.65	
3	Studios, 1, 2, 3 Bedrooms	984	\$ 1,197	\$ 14.60	
4	2 Bedrooms	1,000	\$ 1,121	\$ 13.45	
5	1 and 2 Bedrooms	847	\$ 1,199	\$ 16.99	
6	2 and 3 Bedrooms	1,032	\$ 723	\$ 8.41	
7	1 and 2 Bedrooms	851	\$ 1,083	\$ 15.27	
8	1 and 2 Bedrooms	710	\$ 1,005	\$ 16.99	
	<b>1 and 2 Bedrooms</b>	<b>\$ 857.50</b>	<b>\$ 1,047</b>	<b>\$ 14.98</b>	<b>Average</b>



### **Multi- Family Rental Rates**

Comparables rents are from \$8.41 to \$17.50 per square foot for typical apartment space, with an average of \$14.98 per square foot. These are the best multi-family properties compared to the subject. Penthouse space, often luxurious like the subject, averages \$17 per square foot.

### **Office Rental Rates**

There is limited office space in Manchester. Based on our market surveys as discussed in the Market Analysis section, office space averages \$15.42 per square foot.

We utilized these figures in our discounted cash flow for the vacant use and when the current leases expire. Once the rentals expired, a 1% increase is utilized. For the vacant unit, a market rental rate is used.

**Vacancy and collection (v & c) loss** is a reduction of a property's potential gross income due to vacancy, late payments, or nonpayment from existing tenants. Although local indicators of vacancy rates average between 7.1% and 7.7%, the subject may be affected when multi-family and commercial space is constructed. 10% is reasonable which includes 1% for collection loss of non-payment based on market evidence.

**Operating expenses** are projected based on the market derived operating statements of similar retail properties and data obtained from local and national expense surveys and the property manager.

- **Management Fee:** In the valuation of income-producing facilities, prudent management is critical to the profitability of the property. Management's responsibilities include leasing space, collecting rents, providing for maintenance and repairs, and ensuring overall tenant satisfaction. Management fees for improved retail building properties commonly range from 5% of the effective gross income and are typically payable by the owner. Since the property has minimal square footage, 5% is reasonable.
- **Real estate taxes** are calculated based on the abatement, as provided by the listing agent. A conversation with the Assessor's office confirmed these figures. The appraiser did not witness the abatement documents and cannot be held responsible if they are incorrect. At the time of appraisal, the real estate taxes are 5%. However, the abatement fades in 2017.

- **Insurance** is estimated at 1.5% per square foot of effective gross income. Tenants are typically responsible for rental insurance based on their lease agreement. However, the property owner is responsible for property insurance.
- **Security** is based on a market survey of competing properties in the immediate area.
- **Repairs and maintenance** are an annual expense deducted in the proforma statement. It is estimated at 5% of effective gross income. Although renovated, yearly inspections such as the elevator and other systems are required. These expenses are included in the repairs and maintenance expense.
- **Utilities** are typically the responsibility of the tenant. The utility expense is based on historical data provided by the listing agent. It appears average for the area at 2% of effective gross income.
- **Reserves** are estimated at 1% of effective gross income. This increases at 1% annually to cover miscellaneous items not in the other categories.

Conversations with leasing agents and property managers who specialize in rental properties were consulted. These operating expenses are based on size, condition, age, location, and other factors in the subject's immediate area. The actual operating expenses are provided by the listing agent, as provided by the property manager. The estimated expenses calculate at a 17% expense ratio in year one or 2017. The lower expense rate for the subject is reasonable based on the high occupancy.

There is a modest increase in 2018 and beyond due to the increase in real estate taxes required. The income and expenses are reasonable based on our market analysis and the current leases at the subject. Unless specified, the expenses in the discounted cash flow increase 1% annually.

In selecting an overall capitalization rate (OAR), consideration is given to age, condition of the property, market conditions, and the overall capitalization rates from other retail properties. We also considered rates shown in national, regional, and local investor surveys. Several broker's familiar with the subject's market were interviewed.

The recent sales of comparable mixed use and apartment properties had capitalization rates between 6.7% and 8%, with an average of 7% in the immediate area according to CoStar.



There are several reasons for a higher capitalization rate, such as higher risk, properties derive a lower value due to low occupancy levels, and turnover. A rate at the middle of the range is appropriate and is utilized for capitalization. Based on the foregoing data and analyses, a discount rate of 9.5% and a terminal capitalization rate of 7.5% are appropriate for the property considering its short- and long-term tenants, variable expenses, and the capitalization rate derived from the potential sales price.

Size SF	Unit	Tenant	2017	2018	2019	2020	2021	2022
1,448	101A	Confidential	\$ 17,912	\$ 18,046	\$ 18,227	\$ 18,409	\$ 18,593	\$ 18,779
706	101B	Confidential	\$ 8,822	\$ 8,829	\$ 8,887	\$ 8,976	\$ 9,065	\$ 9,148
1,671	101C	Confidential	\$ 24,514	\$ 24,514	\$ 24,514	\$ 24,514	\$ 24,738	\$ 24,965
2,243	201A	Confidential	\$ 36,090	\$ 36,421	\$ 36,754	\$ 37,122	\$ 37,462	\$ 37,837
672	201B	Confidential	\$ 11,237	\$ 11,426	\$ 11,540	\$ 11,655	\$ 11,772	\$ 11,791
1,063	201C	Confidential	\$ 17,008	\$ 17,178	\$ 17,350	\$ 17,523	\$ 17,846	\$ 17,876
778	201D	Confidential	\$ 12,448	\$ 12,572	\$ 12,698	\$ 12,825	\$ 12,953	\$ 13,083
1,203		Confidential	\$ 18,829	\$ 19,002	\$ 19,192	\$ 19,400	\$ 19,480	\$ 19,675
3,793		Confidential	\$ 43,200	\$ 72,067	\$ 72,788	\$ 73,516	\$ 74,251	\$ 74,993
1,849		Confidential	\$ 26,054	\$ 26,314	\$ 26,578	\$ 26,843	\$ 27,112	\$ 27,383
15,426		<b>TOTAL GROSS INCOME</b>	\$ 216,114	\$ 246,369	\$ 248,526	\$ 250,782	\$ 253,273	\$ 255,530
	10%	<b>LESS Vacancy and Collection Loss</b>	\$ 21,611	\$ 24,637	\$ 24,853	\$ 25,078	\$ 25,327	\$ 25,553
		<b>EFFECTIVE GROSS INCOME</b>	\$ 194,502	\$ 221,732	\$ 223,674	\$ 225,704	\$ 227,945	\$ 229,977
		<b>LESS Expenses</b>						
		Management	\$ 9,725	\$ 11,087	\$ 11,184	\$ 11,285	\$ 11,397	\$ 11,499
5.0%		Property Taxes	\$ 5,237	\$ 14,166	\$ 18,657	\$ 23,148	\$ 23,379	\$ 23,613
1.5%		Property Insurance	\$ 2,918	\$ 3,326	\$ 3,355	\$ 3,386	\$ 3,419	\$ 3,450
0.3%		Security	\$ 500	\$ 505	\$ 510	\$ 515	\$ 520	\$ 526
5.0%		Maintenance	\$ 9,725	\$ 11,087	\$ 11,184	\$ 11,285	\$ 11,397	\$ 11,499
2.0%		Utilities	\$ 3,890	\$ 4,435	\$ 4,473	\$ 4,514	\$ 4,559	\$ 4,600
1.0%		Reserves	\$ 1,945	\$ 2,217	\$ 2,237	\$ 2,257	\$ 2,279	\$ 2,300
		<b>TOTAL EXPENSES</b>	\$ 33,940	\$ 46,822	\$ 51,600	\$ 56,390	\$ 56,952	\$ 57,485
		<b>EXPENSE RATIO</b>	17%	21%	23%	25%	25%	25%
		<b>NET OPERATING INCOME</b>	\$ 160,562	\$ 174,910	\$ 172,074	\$ 169,314	\$ 170,993	\$ 172,491
		PV of One @ 9.5%	0.9153	0.8378	0.7669	0.7020	0.6425	
		Present Value	\$ 146,968	\$ 146,545	\$ 131,963	\$ 118,852	\$ 109,868	
		Sum (Cash Flows)	\$ 654,196					
7.5%		Year 6 - Term. Cap Rate	\$ 2,299,886					
6%		Less Sales Expense	\$ 137,993					
		Total Leased Fee Value	\$ 2,161,892	\$ 2,160,000	Rounded			
		\$/SF	\$ 140.15					
		Purchase Price	\$ 2,150,000					
			\$ 139.38					

**Indicated Market Value “As Is” via the Income Approach**

**\$2,160,000**