



FRED H. BECK AND ASSOCIATES, LLC  
*Real Estate Appraisers  
& Consultants*

**APPRAISAL REPORT**

203 N Second Street  
Albemarle, Stanly County, North Carolina 28001

**PREPARED FOR**

City of Albemarle  
Attn: Keith Tunnell | Economic Development Director  
PO Box 190  
Albemarle, NC 28002-0190

**DATE OF REPORT**

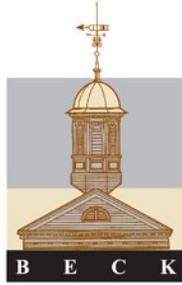
October 7, 2021

**EFFECTIVE DATE OF APPRAISAL**

September 28, 2021

**APPRAISED BY**

FRED H. BECK & ASSOCIATES, LLC  
Fred H. Beck, Jr., MAI, CCIM  
Mark A. Morgan  
Michael T. Slattery



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Real Estate Appraisers  
& Consultants

October 7, 2021

City of Albemarle  
Attn: Keith Tunnell | Economic Development Director  
PO Box 190  
Albemarle, NC 28002-0190

**REFERENCE:** 203 N Second Street  
Albemarle, Stanly County, North Carolina 28001

Dear Mr. Tunnell:

As requested, we have inspected the above-mentioned property for the purpose of providing an opinion of market value. The property consists of a vacant former police headquarters containing 7,968 square feet (3,984 SF ground floor and 3,984 SF finished basement). It was constructed in 1940 and is situated on a 0.285-acre parcel of land zoned CBD, Central Business District. Marketing time is 12 months or less. This appraisal employs no extraordinary assumptions or limiting conditions. Based on our inspection and analysis of the information obtained, it is our opinion that the market value of the **Fee Simple Interest** subject property is shown as follows:

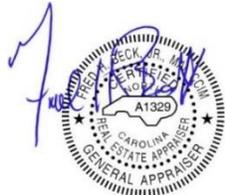
MARKET VALUE CONCLUSION			
Appraisal Premise	Interest Appraised	Date of Value	Value Conclusion
"As Is" Market Value	Fee Simple	September 28, 2021	\$ 345,000

This value conclusion is supported by the data and reasoning set forth in the attached appraisal report. Your attention is invited to the Assumptions and Limiting Conditions attached and made a part of this report. We certify that we have no present or contemplated future interest in the property appraised and that our fee for this assignment is in no way contingent upon the value opinion supplied.

This report complies with the *Uniform Standards of Professional Appraisal Practice (USPAP)* including the ethics and competency provisions, as promulgated by the Appraisal Standards Board of The Appraisal Foundation.

The undersigned hereby acknowledges considerable input, investigation, and analysis by Mark A. Morgan and Michael T. Slattery, who both contributed to the information set forth in the attached narrative. Thank you for the opportunity to be of service and please let us know if you have any questions.

Respectfully Submitted,  
FRED H. BECK & ASSOCIATES, LLC



Fred H. Beck, Jr., MAI, CCIM  
State-Certified Gen. R.E. Appraiser  
N.C. Certificate No. A1329



Mark A. Morgan  
State-Certified Gen. R.E. Appraiser  
N.C. Certificate No. A4554  
(Review Appraiser)



Michael T. Slattery  
State-Certified Gen. R.E. Appraiser  
N.C. Certificate No. A8532

## CERTIFICATE OF THE APPRAISER / MAI

I, **Fred H. Beck, Jr., MAI, CCIM**, certify that, to the best of my knowledge and belief:

1. The statements of facts contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported Assumptions and Limiting Condition, and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
4. I have no bias with respect to this property that is the subject of this report or to the parties involved with this assignment.
5. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
6. 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.
7. My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice* (USPAP), and with the requirements of the State of North Carolina for State Certified Appraisers. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
8. The use of this report is subject to the requirement of the Appraisal Institute relating to review by its duly authorized representatives.
9. I have not made personal inspection of the property that is the subject of this report.
10. No one provided significant real property appraisal assistance to the person signing this certification, other than **Mark A. Morgan** and **Michael T. Slattery**.
11. As of the date of this report, **Fred H. Beck, Jr., MAI, CCIM** has completed the continuing education program for Designated Members of the Appraisal Institute.
12. I have not performed services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.



**10/7/2021**

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**FRED H. BECK, JR., MAI, CCIM**

**DATE**

State-Certified General Real Estate Appraiser  
N.C. Certificate No. A1329

## CERTIFICATE OF THE APPRAISER

I, **Mark A. Morgan**, certify that, to the best of my knowledge and belief:

1. The statements of facts contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported Assumptions and Limiting Condition, and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
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7. My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice (USPAP)*, and with the requirements of the State of North Carolina for State Certified Appraisers. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
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9. I have not made personal inspection of the property that is the subject of this report.
10. No one provided significant real property appraisal assistance to the person signing this certification, other than **Fred H. Beck, Jr., MAI, CCIM** and **Michael T. Slattery**.
11. I have not performed services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.


10/7/2021

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**MARK A. MORGAN**

**DATE**

State-Certified General Real Estate Appraiser  
N.C. Certificate No. A4554  
(Review Appraiser)

## CERTIFICATE OF THE APPRAISER

I, **Michael T. Slattery**, certify that, to the best of my knowledge and belief:

1. The statements of facts contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported Assumptions and Limiting Condition, and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
4. I have no bias with respect to this property that is the subject of this report or to the parties involved with this assignment.
5. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
6. 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.
7. My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice (USPAP)*, and with the requirements of the State of North Carolina for State Certified Appraisers. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
8. The use of this report is subject to the requirement of the Appraisal Institute relating to review by its duly authorized representatives.
9. I have made personal inspection of the property that is the subject of this report.
10. No one provided significant real property appraisal assistance to the person signing this certification, other than **Fred H. Beck, Jr., MAI, CCIM** and **Mark A. Morgan**.
11. I have not performed services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.



**10/7/2021**

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**MICHAEL T. SLATTERY**

**DATE**

State-Certified General Real Estate Appraiser  
N.C. Certificate No. A8532

**SUMMARY OF IMPORTANT FACTS AND CONCLUSIONS**  
**203 N Second Street**  
**Albemarle, Stanly County, North Carolina 28001**

Property Location	203 N Second Street, Albemarle, Stanly County, North Carolina 28001
Property Owner	CITY OF ALBEMARLE
Date of Report	October 7, 2021
Date of Inspection	September 28, 2021
Effective Date of Appraisal	September 28, 2021
Property Rights Appraised	Fee Simple Interest
Zoning	CBD, Central Business District – Legal, conforming use
Tax Map Reference	6548-0125-7306 & 6548-0125-7411
Land Area	0.285-Acre
Flood Zone Map	Zone X (outside the flood plain), FIRM Map Panel #3710654800J dated September 3, 2008
Legal Description	Deed Book 1696 Page 998 and Book 1696 Page 1001
Improvements	The subject property consists of a former police headquarters containing 7,968 square feet (3,984 SF on the ground floor and 3,984 SF finished basement). It was built in 1940 and is currently vacant. The effective age is estimated at 25 years.
Present Use	Vacant former police headquarters
Highest and Best Use If Vacant As Is	Commercial Office Building
Marketing and Exposure Time	12 Months or less
Appraisal Procedures	Income Approach Sales Comparison Approach

**MARKET VALUE CONCLUSIONS**

Appraisal Premise	Interest Appraised	Date of Value	Value Conclusion
Income Approach	Fee Simple	September 28, 2021	\$ 335,000
Sales Comparison Approach	Fee Simple	September 28, 2021	\$ 345,000

**MARKET VALUE CONCLUSION**

Appraisal Premise	Interest Appraised	Date of Value	Value Conclusion
"As Is" Market Value	Fee Simple	September 28, 2021	\$ 345,000

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## INTRODUCTION

### PROPERTY IDENTIFICATION

The subject property consists of a former police headquarters and is currently vacant. It is located at 203 N Second Street, in Albemarle, Stanly County, North Carolina. Information on the subject property is summarized below.

PROPERTY IDENTIFICATION	
Location	203 N Second St.
City	Albemarle
County	Stanly
State	North Carolina 28001
Parcel ID	6548-0125-7306 & 6548-0125-7411
Legal Description	Deed - Book / Page 1696/998 and 1696/1001
Land Area	0.285-Acre
Zoning	CBD, Central Business District
Property Type	Former Police Headquarters
Improvement Size	7,968 Total SF
	3,984 SF First Floor plus 3,984 SF Finished Basement

A copy of the aerial tax map for the subject property is shown below.



**PROPERTY OWNERSHIP AND PROPERTY HISTORY**

The subject property consists of two parcels of land totaling 0.285-acre and are improved with a former one-story plus finished basement police headquarters containing 7,968 total square feet owned by CITY OF ALBEMARLE. The property was acquired from DAVID A. BEAVER ("Straw Man") and spouse, REBECCA M. BEAVER on January 28, 2020, for a sum of \$0. This is a non-arm's length transaction and is recorded in Deed Book 1696 Page 869 and Deed Book 1696 Page 1001. As per information provided by the development coordination specialist, the two deeds were filed in quick succession to incorporate a new legal description of the property which was a minor subdivision of the parent parcel into two smaller tracts. One tract has the primary building on it and the smaller tract is "vacant" but has/had an underground storage tank on it which was likely the primary reason for separating the two tracts at the time.

The improvement was originally constructed as the City of Albemarle Police Headquarters. It has been vacant for several months and is going to be listed for sale. Reportedly, there have been several parties interested in purchasing the property but nothing has transpired yet. We are unaware of any other sales transactions over the previous three years.

**DATE OF REPORT**

The date of this report is October 7, 2021.

**DATE OF INSPECTION**

The subject was physically inspected on September 28, 2021.

## **VALUES REPORTED**

Values are typically reported on the basis of one or more of the following situations.

Market Value “As Is” on the Appraisal Date: Market Value “As Is” on the appraisal date is an opinion of the market value of a property in the condition observed upon inspection and as it physically and legally exists without hypothetical conditions, assumptions, or qualifications as of the date the appraisal is prepared.

Prospective Value Upon Completion of Construction: Prospective value “upon completion” of construction is the prospective future value of a property on the date that construction, conversion, or rehabilitation is completed, based upon market conditions forecast to exist as of that completion date. The opinion of value at this stage of value should be stated in current dollars as of a current date.

Prospective Value Upon Reaching Stabilized Occupancy: Prospective value “upon reaching stabilized occupancy” is the prospective future value of a property when all improvements have been physically constructed and the property has been leased to its optimum level of long-term occupancy at the market rent level. The opinion of value at this stage of value should be stated in current dollars as of a current date.

Retrospective Market Value: A retrospective value is an opinion of value that is provided as of a specific historic date, utilizing data and market perceptions as of that historic date.

For this appraisal, we have developed an “As Is” market value opinion of the subject.

## **EFFECTIVE DATE OF VALUE**

The effective date of the value is September 28, 2021.

## **INTENDED USE/USER OF REPORT**

The intended user of this report is **CITY OF ALBEMARLE**. The intended use is for internal planning.

### **DEFINITION OF “MARKET VALUE”**

This appraisal was developed to provide an opinion of “market value” of the subject. The following definition of market value is approved by the Office of the Comptroller of the Currency of the United States of America and by the Office of Thrift Supervision in compliance with Title XI of the Financial Institutions Reform Recovery and Enforcement Act (FIRREA). For the purposes of this analysis, market value is defined as follows:

“The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- 1) Buyer and seller are typically motivated.
- 2) Both parties are well informed or well advised, and acting in what they consider their own best interests.
- 3) A reasonable time is allowed for exposure in the open market.
- 4) Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- 5) The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.”<sup>1</sup>

### **PROPERTY RIGHTS APPRAISED**

The three primary types of property rights that may be appraised are defined as follows:

#### **FEE SIMPLE INTEREST**

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.

#### **LEASED FEE INTEREST**

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

#### **LEASEHOLD INTEREST**

The right held by the lessee to use and occupy real estate for a stated term and under the conditions specified in the lease.<sup>2</sup>

Herein, we will provide an opinion of value of the **FEE SIMPLE INTEREST** of the subject.

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<sup>1</sup> Code of Federal Regulations (CFR), Title 12, §34.42(g). *55 Federal Register* 34696, August 24, 1990, as amended at *57 Federal Register* 12202, April 9, 1992; *59 Federal Register* 29499, June 7, 1994.

<sup>2</sup> *The Dictionary of Real Estate Appraisal*. 6th ed. Chicago, IL: The Appraisal Institute. 2015. Pages 90, 128.

**TYPE OF REPORT**

According to the Uniform Standards of Professional Appraisal Practice, Standards Rule 2-2, each written appraisal report must be prepared under one of the following options:

**APPRAISAL REPORT**

The minimum content of an Appraisal Report is to *summarize* the scope of work, information analyzed, appraisal methods and techniques employed, and the reasoning that supports the analyses, opinions, and conclusions.<sup>3</sup>

**RESTRICTED APPRAISAL REPORT**

The minimum content of the Restricted Appraisal Report is to *state* the scope of work and the appraisal methods and techniques employed; *state* the value opinion(s) and conclusion(s) reached; and reference the appraiser's workfile.<sup>4</sup>

The reporting option utilized must be consistent with the intended use of the appraisal and prominently stated within the report. This appraisal is prepared as an **APPRAISAL REPORT**.

**SPECIAL APPRAISAL INSTRUCTIONS**

There have been no special appraisal instructions for this assignment.

**APPRAISER COMPETENCY**

Fred H. Beck, MAI, CCIM, Mark A. Morgan, and Michael T. Slattery, each State Certified General Real Estate Appraisers, have been appraising office properties (as the subject is best suited for office use) for over 20 years combined. Over this time, Mr. Beck, Mr. Morgan, Mr. Slattery, and Fred H. Beck & Associates, LLC have appraised numerous office facilities throughout North Carolina and other southeastern states. We have therefore met the requirements of the USPAP Competency Provision.

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<sup>3</sup> *Uniform Standards of Professional Appraisal Practice*, 2020-2021 ed. Washington, DC: The Appraisal Foundation. 2020. Standards Rule 2-2(a), Pages 20-22, Lines 589-640.

<sup>4</sup> *Uniform Standards of Professional Appraisal Practice*, 2020-2021 ed. Washington, DC: The Appraisal Foundation. 2020. Standards Rule 2-2(b), Pages 22-23, Lines 641-689.

## **SCOPE OF WORK**

The report must contain sufficient information to allow intended users to understand the scope of work performed. The following steps were completed for this assignment:

1. We identified the subject.
2. We understood and clearly stated the intended use and user of the report.
3. We applied appropriate appraisal methodology in accordance with USPAP.
4. We analyzed the comparable data to arrive at a probable range of value via each approach utilized.
5. We reconciled the results of each approach into a credible final opinion of value, as defined herein; and
6. We estimated a reasonable exposure time and marketing time associated with the value opinion.

As part of these specific steps, we conducted several independent analyses. In addition to data compiled by Fred H. Beck & Associates, LLC on a regular basis, the investigations undertaken, and major data sources utilized are discussed in the following paragraphs.

## **AREA AND NEIGHBORHOOD ANALYSIS**

An inspection of the surrounding area and neighborhood was conducted on September 28, 2021. Information on the surrounding area was obtained from various publications, our files, and discussions with real estate professionals familiar with the area.

## **SITE DESCRIPTION AND ANALYSIS**

The site was inspected on September 28, 2021, and photographs of the site were taken at that time. In addition to an inspection of the premises, tax and legal descriptions were also researched at this time.

## **IMPROVEMENT DESCRIPTION AND ANALYSIS**

All building measurements and improvement descriptions were based on our inspection, information from public records, and other information provided by the employees of the City of Albemarle.

## **COST APPROACH**

We have considered the Cost Approach in our analysis, however, omitted it from our report since typical investors do not rely on this approach when making purchasing decisions on investment properties like the subject. The omission of the Cost Approach is not considered misleading, nor does it diminish the credibility of the value estimate produced by this report.

## **INCOME APPROACH**

A market rent was established from our investigation of similar facilities in the local and surrounding markets. Based on the lease comparable properties, a Modified Gross lease structure was assumed for the subject whereby the tenant would be responsible for rent

plus utilities and janitorial expense and the landlord would be responsible for all other expenses. The overall capitalization rate was developed from the abstraction method and investor survey method. Due to the very limited information within the City of Albemarle, we needed to expand our research for lease comparables to neighboring counties.

**SALES COMPARISON APPROACH**

An investigation of the market revealed several recently sold properties that will be used in comparison with the subject property. The unit of comparison will be price paid per square foot of building area.

**EXTRAORDINARY ASSUMPTIONS**

There are no extraordinary assumptions in this assignment.

**HYPOTHETICAL CONDITIONS**

There are no hypothetical conditions in this assignment.

**JURISDICTIONAL EXCEPTIONS**

There are no jurisdictional exceptions that apply to this assignment.

**SUPPLEMENTAL STANDARDS**

Our firm has an executed engagement letter from the Client, a copy of which is provided in the Addenda section of this report.

**TESTIMONY, CONSULTATION, COMPLETION OF CONTRACT FOR REPORT SERVICES**

The contract for report, consultation, or analytical service is fulfilled and the total fee payable upon completion of the report, unless otherwise specified. **FRED H. BECK & ASSOCIATES, LLC** or those assisting in preparation of the report, will not be asked, or required to give testimony in court or hearing because of having made the report, in full or in part, nor engage in post report consultation with client or third parties except under separate and special arrangement and at an additional fee. If testimony or deposition is required because of any subpoena, the client shall be responsible for any additional time, fees, and charges, regardless of issuing party.

## AREA PROFILE STANLY COUNTY, NORTH CAROLINA

**INTRODUCTION**

The value of real property is directly related to economic and demographic forces within its metropolitan area. Those forces are analyzed by the appraiser and used in determining appreciation/depreciation, the highest and best use of the site, and reconciliation of the three approaches into a final opinion of value. The metropolitan components of the local market that influence property values are discussed within the following narrative.



**LOCATION**

Stanly County is located in the southwest corner of the Piedmont region of North Carolina, approximately two hours southeast of the Blue Ridge Mountains and 3½ hours west of the Atlantic coast.

**POPULATION**

Historical and projected population statistics for the area from The Nielsen Company are summarized in the following table. Current estimates and future projections are based on Census 2010 data applied to an urban growth simulation model.

AREA POPULATION STATISTICS							
	Census	Census	Annual	Estimate	Annual	Projection	Annual
Area	2000	2010	Change	2021	Change	2026	Change
Albemarle	16,140	15,903	-0.1%	16,695	0.4%	17,122	0.5%
Stanly County	58,099	60,585	0.4%	63,740	0.5%	66,027	0.7%
Source: Claritas, LLC							

The table shows the trend in area population from 2000 to 2021 and projections between 2021 and 2026. The projected increases are at moderate rates.

## HOUSEHOLDS

Historical and projected household statistics from Claritas are summarized in the following table. Again, current estimates and future projections are based on Census 2010 data, which are applied to an urban growth simulation model.

AREA HOUSEHOLD STATISTICS							
Area	Census 2000	Census 2010	Annual Change	Estimate 2021	Annual Change	Projection 2026	Annual Change
Albemarle	4,463	4,357	-0.2%	4,506	0.3%	4,649	0.6%
Stanly County	22,224	23,589	0.6%	25,155	0.6%	26,166	0.8%
Source: Claritas, LLC							

The previous discussion of area population trends is also applicable to household trends. Between 2000 and 2010, the number of households decreased at -0.2% in the city and increased by 0.6% in the county. Household growth increased between 2010 and 2021 at rates of 0.3% and 0.6% in the city and county, respectively. Claritas, LLC projects households to continue increasing over the next five years at growth rates similar to the previous five years.

## LABOR FORCE

Stanly County posted an unemployment rate of 4.1% as of August 2021 compared to the State of North Carolina rate of 4.4% for the same period. The unemployment rate peaked at 11.6% as of May 2020 which was mainly due to the Covid19 pandemic. Historic employment figures are shown below.

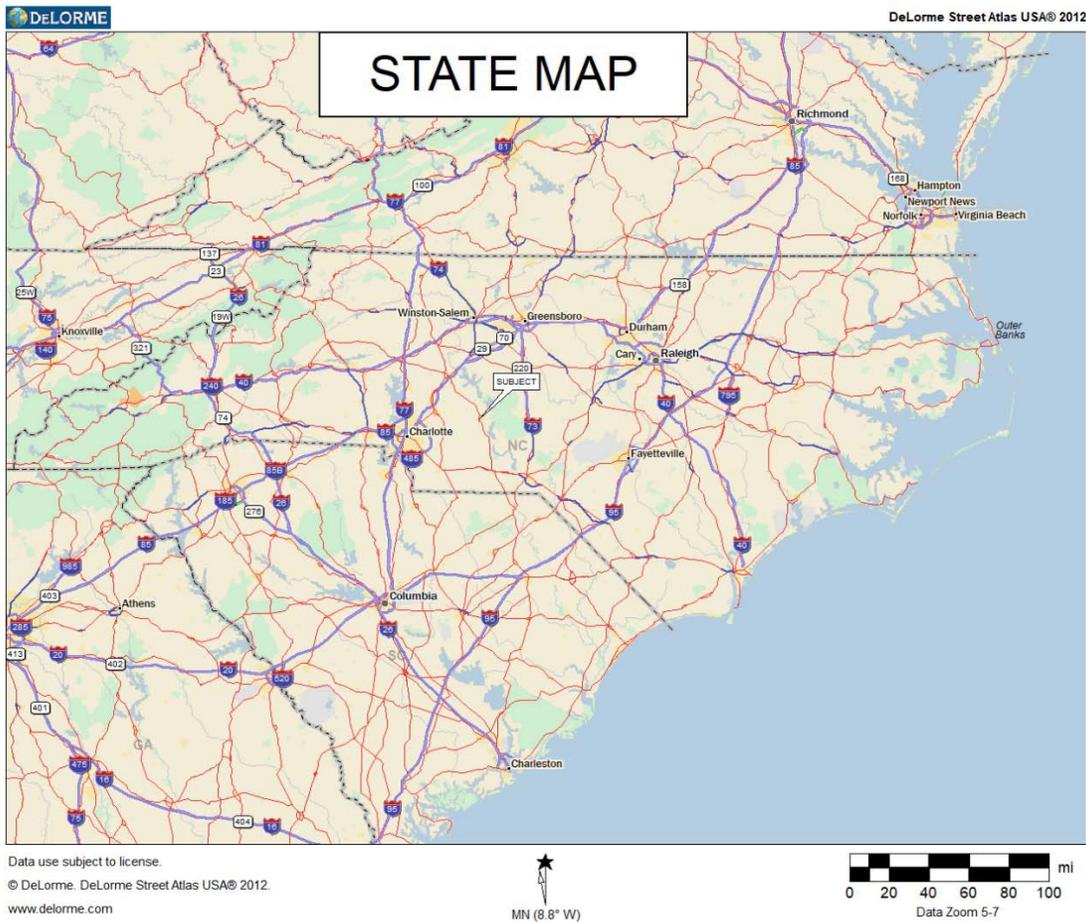
AREA LABOR FORCE STATISTICS											
Annual Average of Year:	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Aug-21
<b>Stanly County</b>											
Total Civilian Labor Force	28985	29,003	28,907	28,530	28,767	29,195	29,723	29,869	30,569	29,630	29,957
Total Employment	25578	26,050	26,610	26,855	27,255	27,841	28,494	28,776	29,470	27,757	28,739
Total Unemployment	3,407	2,953	2,297	1,675	1,512	1,354	1,229	1,093	1,099	1,873	1,218
Unemployment Rate	11.8%	10.2%	7.9%	5.9%	5.3%	4.6%	4.1%	3.7%	3.6%	6.3%	4.1%
<b>STATE &amp; NATIONAL RATES</b>											
North Carolina	10.3	9.5%	7.8%	6.1%	5.7%	5.1%	4.5%	4.0%	3.8%	7.3%	4.4%
United States	8.5	7.9%	6.7%	5.6%	5.0%	4.7%	4.1%	3.9%	3.5%	6.9%	5.2%
Source: US Bureau of Labor Statistics											

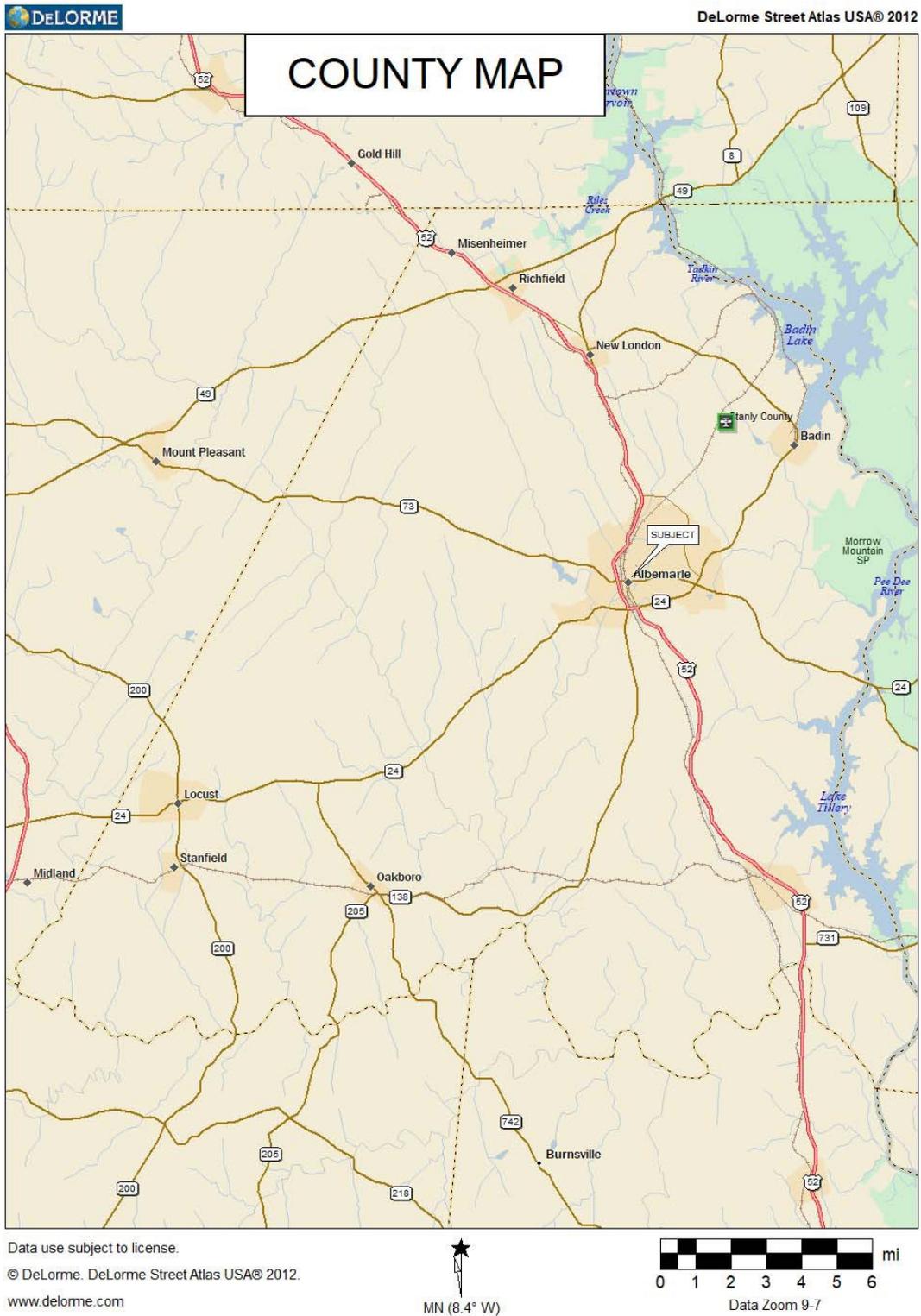
## TRANSPORTATION

Primary transportation corridors in Stanly County include US Highway 52, which traverses the center of the county in a north/south direction and is proximate to the subject; and NC Highways 24/27, 49, and 73. NC 49 is just south of the subject and traverses the northern area of the county and continues westerly to Harrisburg and the Charlotte area via I-485.

### SUMMARY

Stanly County is located in the southwest corner of North Carolina's Piedmont region, east of Charlotte. The county's communities remain attractive by providing small town charm in reasonable proximity to the larger metropolitan qualities of Charlotte. Property values should remain stable over the foreseeable future. In addition, reportedly Pfeiffer University to the north has made a positive impact in the city, resulting in redevelopment of several older properties.





## **NEIGHBORHOOD ANALYSIS**

### **DEFINITION**

Within a community, there is a marked tendency toward the grouping of land uses. The areas devoted to these various uses are termed "physical neighborhoods". Neighborhood use in this context is further defined as:

"A portion of a larger community, or an entire community, in which there is a homogenous grouping of inhabitants, buildings or business enterprises. Inhabitants of a neighborhood usually have a more than casual community of interests and a similarity of economic level or cultural background. Neighborhood boundaries may consist of well defined, natural or man-made barriers or they may be, more or less, well defined by distinct change in land use or in the character of the inhabitants."

### **LOCATION/BOUNDARIES**

The subject neighborhood is the central business district of the City of Albemarle. The City of Albemarle is located in central Stanly County. The boundaries are loosely described as NC Highway 24/27 to the south and east, the NE Connector to the north, and US Highway 52 to the west.

### **LAND USE PATTERNS**

The subject neighborhood is primarily a commercial node surrounded by residential neighborhoods. The immediate neighborhood along S. Second Street includes mixed-use, retail and government development. Institutional uses, such as schools and churches are also scattered throughout the neighborhood. The Stanly County Courthouse is along S. Second Street. The land use patterns are typical of downtown areas of other small cities and towns within the state of North Carolina.

### **TRAFFIC ARTERIES/TRANSPORTATION**

The main traffic arteries in the neighborhood include US Highway 52 (north-south) and NC Highway 24/27 (east-west). US Highway 52 runs north through Winston-Salem, NC and into Virginia to the north, and through Florence, SC and down to Charleston, SC to the south. NC Highway 24/27 runs west to Charlotte, NC and east to Fayetteville, NC. The transportation network is considered good.

### **UTILITIES**

Utilities available to the neighborhood include municipal water and sewer, electricity, natural gas, and telephone service. The utility services appear to be adequate and serve many of the properties within the subject neighborhood.

### **ZONING**

Zoning in the subject neighborhood is controlled by the City of Albemarle Zoning Department. The primary zoning in the neighborhood is central business district with residential zoning in surrounding areas. The central business district zoning allows for a mix of uses in the central core of the City of Albemarle.

### **ENVIRONMENTAL CHARACTERISTICS**

Primary characteristics include any nuisances or hazards resulting from inferior or improper land uses within the subject neighborhood. Based upon our inspection, uses within the neighborhood do not appear to be a nuisance or hazard. The topography of the land is gently sloping and level, which is associated with the topography generally found in this region of the state. There were no environmental or nuisance characteristics observed which would prove detrimental to development in the subject neighborhood.

### **CONCLUSION**

The subject neighborhood is considered the central business district of the City of Albemarle. In considering the four cycles of neighborhood development (growth, stability, decline, and revitalization), the neighborhood is considered to be stable to revitalization.

## SITE DESCRIPTION

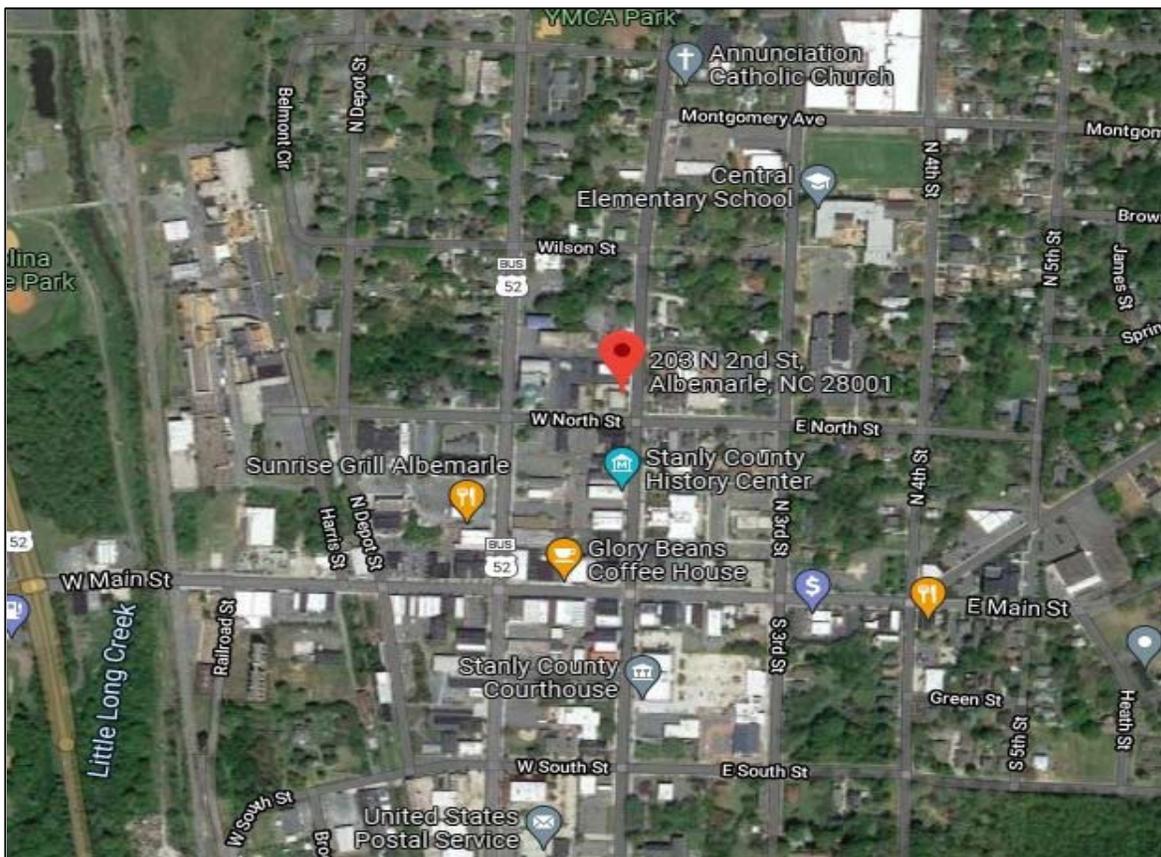
### DEFINITION

Within a community, there is a marked tendency toward the grouping of land uses. The areas devoted to these various uses are termed "physical neighborhoods". Neighborhood use in this context is further defined as:

"A portion of a larger community, or an entire community, in which there is a homogenous grouping of inhabitants, buildings or business enterprises. Inhabitants of a neighborhood usually have a more than casual community of interests and a similarity of economic level or cultural background. Neighborhood boundaries may consist of well defined, natural or man-made barriers or they may be, more or less, well defined by distinct change in land use or in the character of the inhabitants."

### LOCATION/BOUNDARIES

The subject site is located at 203 N. Second Street, within the central business district of the City of Albemarle in Stanly County, North Carolina. It is located on the northwest corner of N Second Street and W North Street. The neighborhood can be loosely identified as the Highway 52 corridor from Salisbury Avenue to the north to Old Charlotte Road to the south. An aerial map of the immediate area is illustrated below.

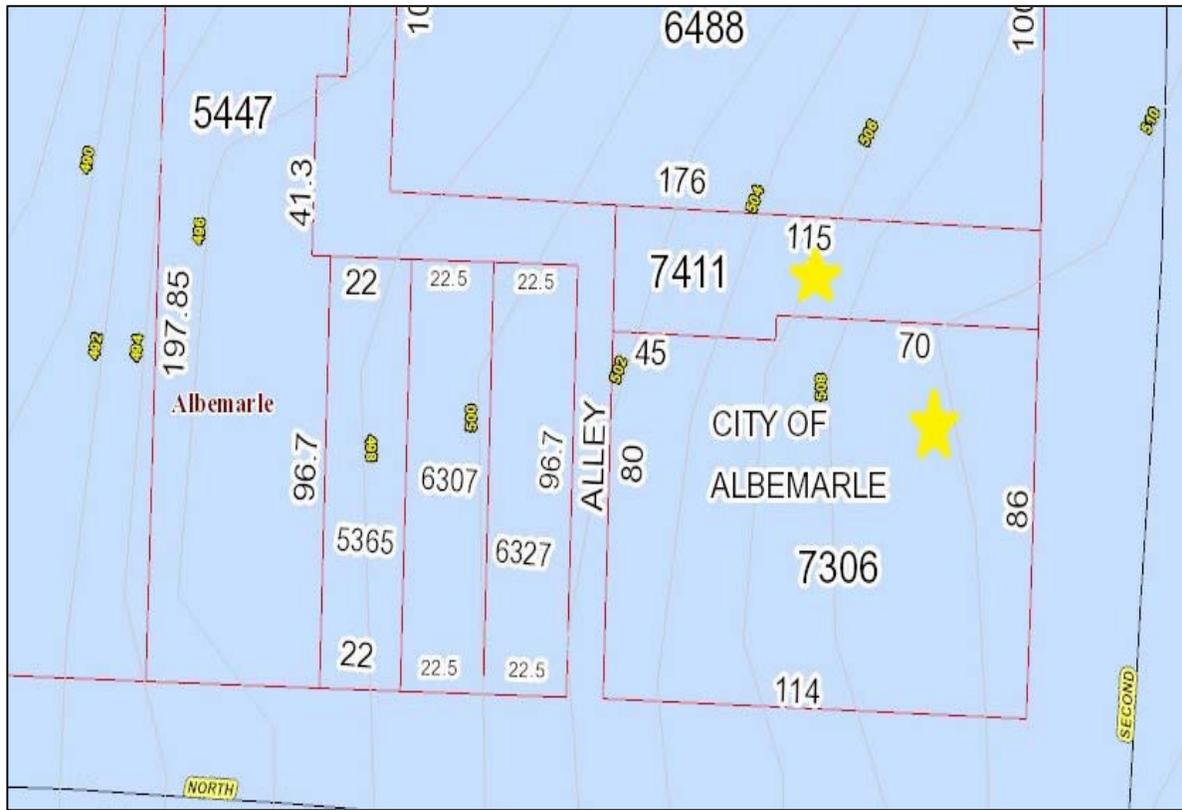


**SIZE /SHAPE**

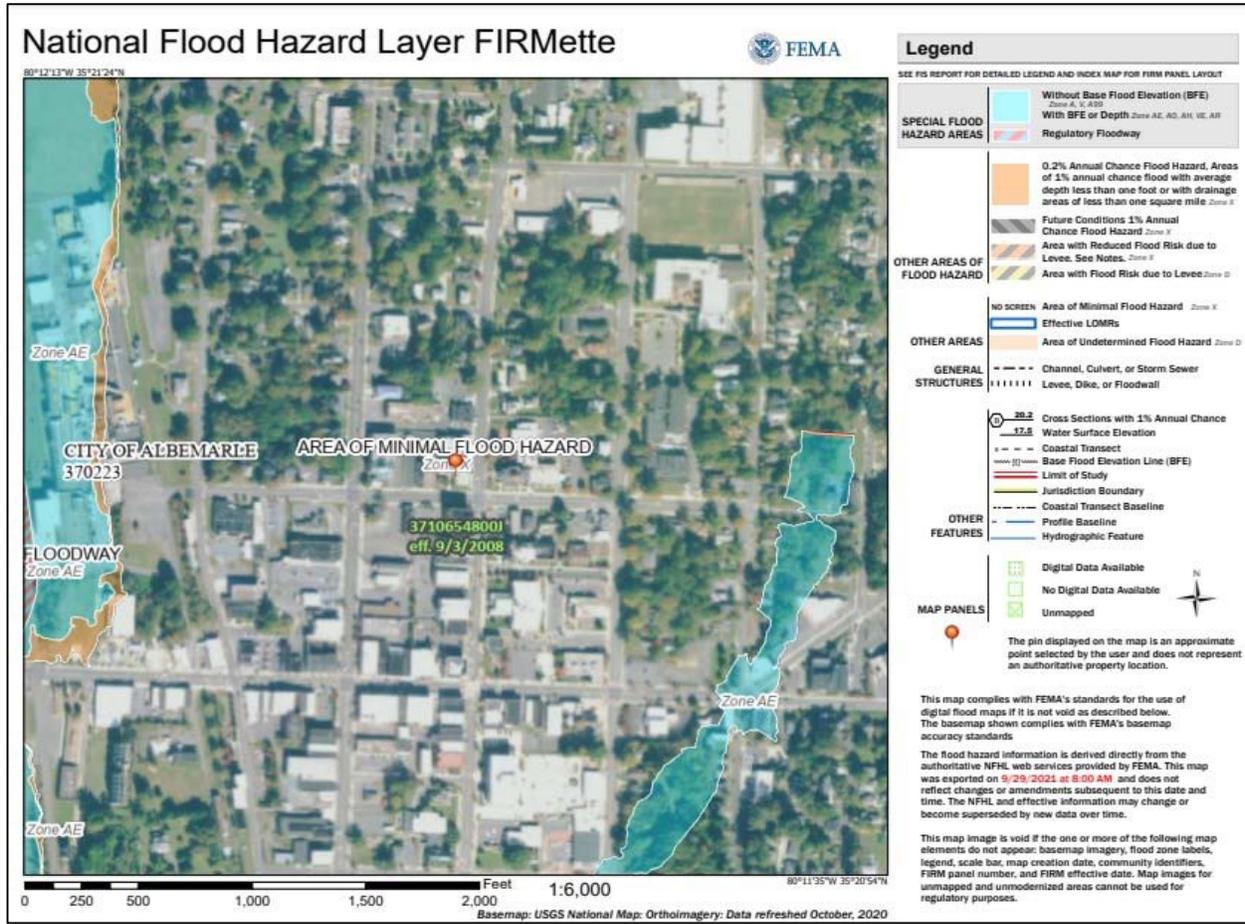
According to the deed and tax records, the size of the subject property is 12,412 square feet, or 0.285-acre. The site is further identified in the Stanly County Tax Assessor's Office by Property tax id 6548-0125-7306 and 6548-0125-7411. The shape of the site is nearly rectangular.

**TOPOGRAPHY**

Inspection of the site revealed the topography gently slopes in some areas and is partly level. In reference to flood plain, according to community panel number 3710654800J, published by the Federal Emergency Management Agency (FEMA) and dated September 3, 2008, the site is not located within a flood zone (Zone X). A copy of this map is located on the following page for the reader's reference. As of the date of inspection, we noted no standing water, and drainage appeared natural and adequate.



**TOPOGRAPHY MAP**



**FLOOD MAP**

**SOIL ANALYSIS**

We have performed no soil or subsoil analyses; therefore, no warranty should be assumed by the reader as to the suitability of the soil for any proposed or existing structure. No obvious environmental hazards were noted; however, due to the fact that that we are not soil scientists, separate testing would need to be conducted to ensure that no environmental hazards exist. We were provided with information from a City of Albemarle employee stating there may have been, or there is, an underground storage tank at parcel 6548-0125-7411. In addition, the Stanly County blueprints lists a 1,000-gallon gasoline tank and a 4,000-gallon gasoline tank but does not list where they are located. This parcel serves as the driveway to the rear parking lot. The values rendered herein are predicated upon the assumption that no adverse soil conditions exist.

**EASEMENTS/ENCROACHMENTS**

The physical inspection of the subject site revealed no obvious easement or encroachment other than typical street and utility easements. However, we would defer to competent legal counsel for legal verification of those and all other legal matters.

**LEGAL CONSTRAINTS**

The subject site is zoned CBD, Central Business District, by the City of Albemarle Zoning Department. An office use appears to be in compliance with the zoning regulations for permitted uses. Other than the easements and restrictions cited above, it is our opinion that there are no apparent encumbrances on the subject property that would impact the utility or marketability of the site.

**ACCESS / FRONTAGE**

The subject property contains adequate frontage along N Second Street, which is two-lane, asphalt paved roadway that travels in a north/south direction, and W North Street, which is a two-lane, asphalt paved roadway that travels in an east/west direction. The site is at grade with these roadways. Access is provided by curb cuts along both roadways.

**STREET IMPROVEMENTS**

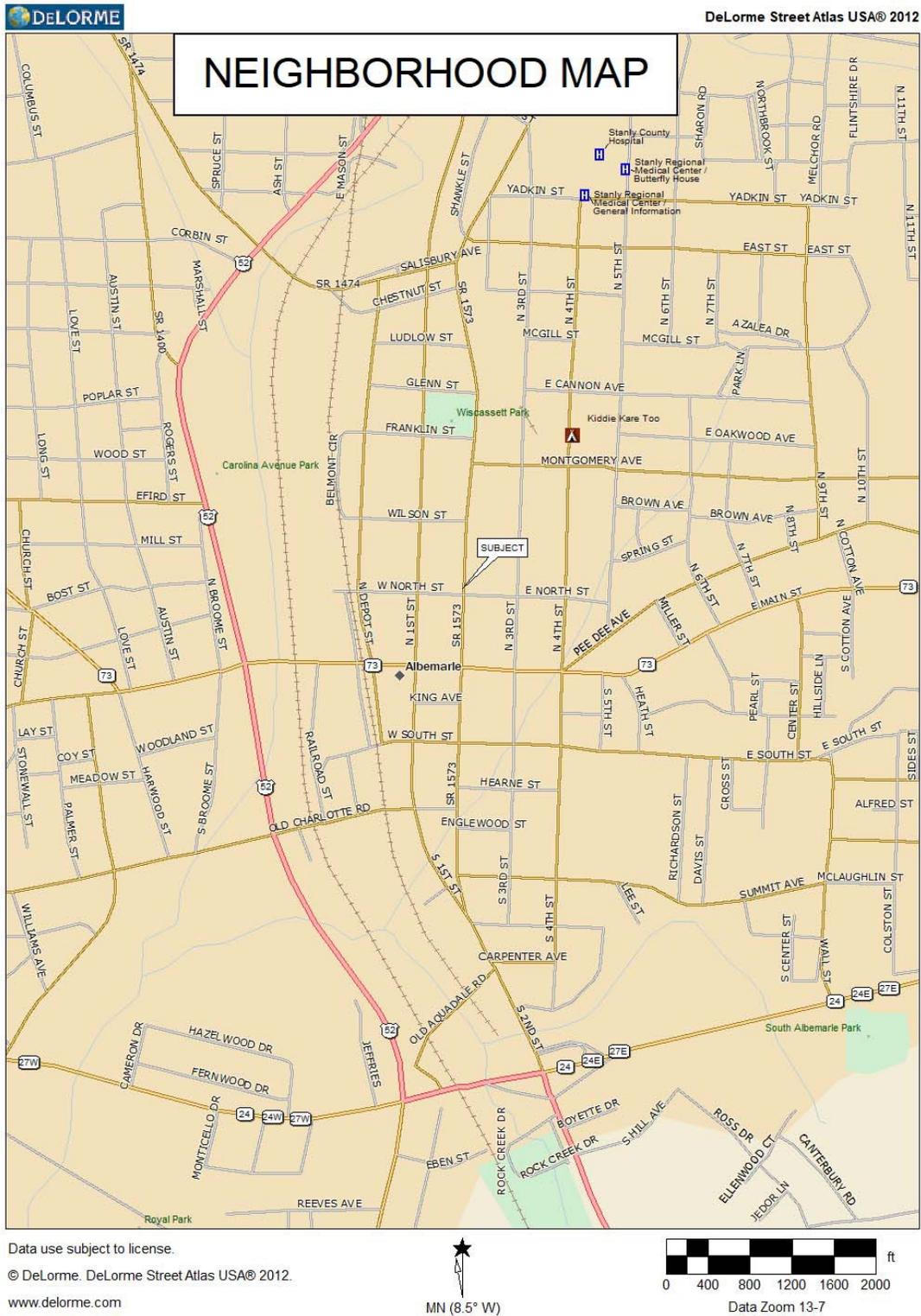
S. Second Street and W North Street are two lane roadways with additional turn lanes. These roadways were in good condition at the time of the inspection.

**UTILITIES**

Basic utilities including electricity, telephone, water, sewer, and natural gas services are available to the subject site. Water and sewer are provided by the City of Albemarle.

**SUMMARY**

It is our opinion that the site does not have any characteristics that would impede its ability to operate as a commercial facility. The site is functionally adequate in each of the categories previously discussed above.



## IMPROVEMENT SUMMARY

The subject improvements consist of a former police headquarters containing 7,968 total square feet and was constructed in 1940. The first floor contains individual rooms of different sizes, hallways, a kitchen, and three restrooms. The basement is finished and contains individual rooms of various sizes, three restrooms, and mechanical rooms. Reportedly it has been vacant for the past several months. General building elements are summarized below:

<b>IMPROVEMENT SIZE</b>	7,968 Total Square Feet; 3,984 SF ground floor and 3,984 SF finished basement
<b>FLOOR SYSTEM</b>	Tile and carpet
<b>EXTERIOR WALLS</b>	Brick
<b>STRUCTURAL FRAME</b>	Wood
<b>ROOF</b>	Flat (we did not gain access to the roof)
<b>CEILINGS</b>	Tile and drywall
<b>LIGHTING</b>	Incandescent lighting
<b>CEILING HEIGHT</b>	8 Feet
<b>HVAC</b>	Hot water heater; window air conditioner units
<b>PLUMBING/ELECTRICAL</b>	Adequate
<b>YEAR BUILT</b>	1940
<b>ACTUAL AGE</b>	81 Years
<b>EFFECTIVE AGE</b>	25 Years
<b>ECONOMIC LIFE</b>	45 Years
<b>REMAINING ECONOMIC LIFE</b>	20 Years
<b>COMMENTS</b>	Former police headquarters with finished basement. It contains 3,984 SF on the ground floor and 3,984 in the finished basement for 7,968 total SF. It was constructed in 1940.

### **SITE IMPROVEMENTS**

Site improvements at the subject property include:

- Concrete steps and ramp
- Portions of the perimeter are fenced.
- Landscaping
- Small front yard
- Driveway to rear parking lot with a 6-car capacity



**SUBJECT PHOTOGRAPHS**



View of the front of the building.



View of the northerly side of the building.



View of the southerly side of the building.



Further illustrates the exterior.



Further illustrates the exterior.



Further illustrates the exterior.

**SUBJECT PHOTOGRAPHS**



Portion of the first floor.



Portion of the first floor.



Portion of the first floor.



Portion of the first floor.



Portion of the first floor.



Portion of the first floor.

**SUBJECT PHOTOGRAPHS**



Portion of the basement.



Portion of the basement.



Portion of the basement.



Portion of the basement.



Portion of the basement.



Portion of the basement.

**SUBJECT PHOTOGRAPHS**



A restroom.



A restroom.



Illustrates the kitchen.



Portion of the northerly side of the site.



Illustrates the main entrance.



An entrance to the basement.

**SUBJECT PHOTOGRAPHS**



Street view facing northerly along N Second Street.  
Subject on the left.



Street view facing southerly along N Second Street.  
Subject on the right.



Street view facing easterly along W North Street.  
Subject on the left.



Street view facing westerly along W North Street.  
Subject on the right.



Illustrates a portion of the parking area.



Illustrates a portion of the parking area.

### **RENOVATION / DEFERRED MAINTENANCE**

Deferred maintenance items are those items that need to be repaired immediately. The improvements appeared in average condition considering the age and usage. No deductions were made for deferred maintenance in this report.

### **FUNCTIONAL UTILITY**

Functional utility is “the ability of a property or building to be useful and to perform the function for which it is intended according to the current market tastes and standards; the efficiency of a building's use in terms of architectural style, design and layout, traffic patterns, and the size and type of rooms.”<sup>5</sup> The facility adequately performs the function for which it was designed. No deductions are indicated for functional obsolescence.

### **ACTUAL AGE/EFFECTIVE AGE/AND REMAINING ECONOMIC LIFE EXPECTANCY**

The improvements were constructed in 1940. The chronological age is 81 years. Effective age is defined as “the age of property that is based on the amount of observed deterioration and obsolescence it has sustained, which may be different from its chronological age.”<sup>6</sup> According to *The Dictionary of Real Estate Appraisal*, the effective age of a building may be less than its actual age if it has had above average maintenance or is of superior quality or design, or if there is a scarcity of such buildings in the market.

The economic life of a property is defined as “the period over which improvements to real property contribute to property value.”<sup>7</sup> Remaining economic life is defined as “the estimated period during which improvements will continue to represent the highest and best use of the property; an estimate of the number of years remaining in the economic life of the structure or structural components as of the date of the appraisal; used in the economic age-life method of estimating depreciation.”<sup>8</sup>

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<sup>5</sup> *The Dictionary of Real Estate Appraisal* (6th ed.). Chicago, IL: The Appraisal Institute. 2010. Page 97.

<sup>6</sup> *The Dictionary of Real Estate Appraisal* (6th ed.). Chicago, IL: The Appraisal Institute. 2010. Page 74.

<sup>7</sup> *The Dictionary of Real Estate Appraisal* (6th ed.). Chicago, IL: The Appraisal Institute. 2010. Page 72.

<sup>8</sup> *The Dictionary of Real Estate Appraisal* (6th ed.). Chicago, IL: The Appraisal Institute. 2010. Page 195.

In order to estimate the economic life of the subject property, we consulted *The Marshall Valuation Service*, a cost data publication of Marshall and Swift based on national surveys, to estimate the subject's economic life. We categorized the subject property as an average quality Class D, office building. The economic life according to *The Marshall Valuation Service* for facilities of this type is 45 years. Based on an economic life of 45 years and an effective age of 25 years, we estimate the subject property has a remaining economic life of 20 years.

**TAX AND ASSESSMENT DATA**

The subject is located in the city limits of Albemarle, in Stanly County, and is therefore levied annual real estate taxes by both the city and county governments. North Carolina requires that all real estate be assessed at 100% of its fair market value (N.C.G.S. 105-283). Real estate taxes are determined by dividing the assessed fair market value by 100 and multiplying the result by the combined tax rate. Stanly County was last revalued in 2021. The next revaluation is schedule for 2025. Revaluations in North Carolina are required to occur at least once every eight years.

**CURRENT ASSESSMENT**

Tax Year	City of Albemarle	Municipal Sewer	Stanly County	Total
2021	\$0.6100	\$0.1000	\$0.6100	\$1.32

The subject's current assessments are summarized in the following table.

PIN	6548-0125-7306
Land	\$37,587
Other Features	\$7,032
Structure	\$418,389
Total	\$463,008

PIN	6548-0125-7411
Land	\$11,016
Other Features	\$7,152
Structure	\$0
Total	\$18,168

The real estate taxes are calculated as follows:

Parcel	Assessment	Tax Rate Per \$100	Taxes
6548-0125-7306	\$463,008	\$1.32	\$6,111.71
6548-0125-7411	\$18,168	\$1.32	<u>\$239.82</u>
Total			\$6,351.53

**TAX BURDEN  
\$6,352 (Rounded)**

The subject is exempt from real estate taxes since it is owned by the City of Albemarle.

### ZONING SUMMARY

The subject property is zoned **CBD, CENTRAL BUSINESS** district in the City of Albemarle. In addition, the subject is located within a Historical District. The description of the district is as follows:

“The regulations of this district are intended to permit the convenient performance of functions requiring a location near the transportation and population center of a large trade area and to provide the City of Albemarle with a compact and efficient retail shopping, consumer services, financial and governmental center.”

According to the zoning ordinance, some of the most likely permitted uses include offices, financial institutions, medical and dental clinics, restaurants, and retail establishments. The following chart includes the zoning standard for the CBD designation.

ZONING SUMMARY	
Current Zoning	CBD
Legal Use / Conforming	Legal, Conforming
CATEGORY	REQUIREMENT
Front Setback	None
Rear Setback	None
Side Yard Setback	None
Height Limit	None
Parking Requirements	None

Off-street loading and storage requirements are one space per 5,000 of gross floor area for business uses. Parking requirements are 2 spaces for the subject ( $7,968 / 5,000 = 2$  rounded). We counted 6 surface parking spaces. The Historical District requires additional approvals for developmental uses and vary with each use. We conclude that to the best of our knowledge, the subject is a legal and conforming use. A copy of the zoning map is located on the following page.

ZONING MAP



## MARKETING TIME AND EXPOSURE TIME

The marketability analysis focuses on marketing time and exposure time, both of which are functions of time, price, use, and market conditions. The *market conditions* component distinguishes marketing time from exposure time because these two conditions often differ in a dynamic market. USPAP defines **MARKETING TIME** as “an opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value or a benchmark price during the period immediately after the effective date of an appraisal.” Marketing time is a forecast that is made looking forward from the effective date of an appraisal.<sup>9</sup> USPAP defines **EXPOSURE TIME** as “an opinion, based on supporting market data, of the length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal.”<sup>10</sup>

For the subject property type, typical purchasers would include both investor or owner user, as well as local and regional investors who believe they could effectively maintain occupancy and cash flow. Several sources of information were reviewed in order to determine a typical marketing time for the property. The sources considered were local real estate brokers and The PWC *Real Estate Investor Survey*. The brokers we interviewed are active in selling commercial facilities. The consensus was a marketing time of twelve months or less to dispose of the subject property if the property were prudently priced. Pricing would typically be based primarily on capitalization of the stabilized income stream.

According to the **PwC Real Estate Investor Survey**, respondents to the *Second Quarter, 2021* National Net Lease Market survey indicated the average marketing time for this type of property ranged from two to eighteen months with an average marketing time of 6.1 months. Therefore, we conclude a marketing and exposure time of twelve months or less. We also estimate typical selling commissions for a property such as the subject would be four to six percent.

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<sup>9</sup> USPAP *Advisory Opinions*, 2020-2021 ed. Washington, DC: The Appraisal Foundation. 2020. AO-7, Page 74, Lines 13-15.

<sup>10</sup> *Uniform Standards of Professional Appraisal Practice*, 2020-2021 ed. Washington, DC: The Appraisal Foundation. 2020. Definitions, Page 4, Lines 108-110.

## **COVID-19 PANDEMIC DISCUSSION**

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organization as a Global Pandemic on the 11<sup>th</sup> of March 2020, is causing significant uncertainty in both local and global market conditions. Global financial markets have experienced declines since February based on concerns over the pandemic. The major concerns relate to trade disruptions and decreases in demand.

The permanent effect of COVID-19 will have on the real estate market in the region is currently unknown and depends on the size and longevity of the pandemic. A prolonged pandemic could have a significant (yet unknown or quantifiable) impact on other sectors of the property market.

The coronavirus impact on real estate is manifesting itself in several ways and somewhat differently among the various commercial property types. The properties most affected appear to be retail shopping centers, restaurants, apartments, and some office. The least affected properties appear to be industrial and medical office.

Brokers indicate that lease-up of vacant retail and office space has slowed and rent growth projections have been scaled back, but likely only during the next 6 to 12 months. Most brokers have not noticed a decrease in occupancy, but leasing velocity is slower. Tenants remain engaged and interested but they are waiting to make major decisions until there is more clarity on the coronavirus issue.

The subject property has a highest and best use as an office facility. Since most businesses have reopened, we have not deducted any allowance due to the virus on the subject property.

## HIGHEST AND BEST USE

The analysis of data to develop a market value opinion requires two critical steps prior to applying the valuation approaches. Market analysis narrows the focus from a broad view to data that is especially pertinent to the subject. That information is used in a highest and best use analysis to identify the most profitable, competitive use to which the subject can be put.<sup>11</sup> *The Dictionary of Real Estate Appraisal* defines **HIGHEST AND BEST USE** as:

“The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.”<sup>12</sup>

The first sentence contains a simple definition and the second states the requisite criteria for “reasonably probable” use. The first three conditions that must be satisfied are:

- The use must be *physically possible* (or it is reasonably probably to render it so).
- The use must be *legally permissible* (or it is reasonably probably to render it so).
- The use must be *financially feasible*.

Uses that meet the three criteria are tested for economic *productivity*. Following those analyses, the reasonably probable use with the highest value (*maximum productivity*) is considered to be the highest and best use.

The highest and best use for land or a property can be defined in two ways: as vacant and as improved. The highest and best use of a site as though vacant assumes that a parcel of land is vacant or that it can be made vacant through the demolition of any improvements. The question to be answered in this type of analysis is “what use should be made of it and what, if any, type of building or other improvement should be constructed on the land?” The second type, highest and best use of a property as improved, pertains to the use that should be made of the property as it currently exists. The question is “should the existing improvements be maintained, renovated, expanded, partially demolished, or completely demolished and replaced with a different type of use altogether?”

For each type of highest and best use, the criteria considered are that the highest and best use must be (1) legally permissible, (2) physically possible, (3) financially feasible, and (4) maximally productive. Therefore, we will present an analysis both “If Vacant” and “As Improved”.

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<sup>11</sup> *The Appraisal of Real Estate Appraisal*. 14th ed. Chicago, IL: The Appraisal Institute. 2013. Pages 331-332.

<sup>12</sup> *The Dictionary of Real Estate Appraisal*. 6th ed. Chicago, IL: The Appraisal Institute. 2015. Page 93.

**AS VACANT**

**LEGALLY PERMISSIBLE USES**

The first criterion for analyzing highest and best use addresses which uses are legally permitted under the current zoning regulations. They are best defined as those permitted under the zoning classification by the City of Albemarle Zoning Office as CBD. As previously mentioned, a range of commercial uses are permitted within this district. Based on the surrounding land use patterns, which is primarily commercial, a commercial property would be the most likely permitted use.

**PHYSICALLY POSSIBLE USES**

The second criterion for examining the highest and best use considers what uses are physically possible. Some uses may be inappropriate due to physical characteristics such as size, shape, utilities, soil conditions, and topography. The subject site contains approximately 0.285-acre of land. The site is considered functional for most types of development allowed in the CBD District, the size of the land, of course, limiting the size of the improvements. Ingress and egress are considered good and the site does have municipal utilities. Based on the physical characteristics of the site, it is our opinion that a commercial development is physically possible for the subject site.

**FINANCIALLY FEASIBILITY**

The third criterion for determining highest and best use analyses those uses that are financially feasible. The financial feasibility of a specific property is market driven and is influenced by surrounding land uses. Based on the subject's specific location and physical characteristics, development of the site with a commercial use, which is complementary to the surrounding land uses, would represent the most likely financially feasible option.

**MAXIMUM PROFITABILITY**

The fourth and final criterion addresses which alternative uses would be maximally productive. The use, which results in the maximum profitability of the site, is beyond the scope of this assignment. The recipient of the property's productivity (e.g., the lender, equity investor, the public, etc.) greatly determines what the use should be. Regardless, the use for the subject should conform to the neighborhood trends and be consistent with existing land uses. The maximum profitable use would be for commercial development.

## **AS IMPROVED**

### ***LEGALLY PERMISSIBLE USES***

The legally permissible uses of the subject discussed in the "as vacant" analysis are also applicable to the property as improved. The current building conforms to existing zoning regulations.

### ***PHYSICALLY POSSIBLE USES***

There is a former police headquarters containing 7,968 total square feet located on a 0.285-acre parcel. This is adequate to meet the needs of the current improvements and ample parking spaces.

### ***FINANCIALLY POSSIBLE USES***

The subject is a vacant former police headquarters. The most likely use would be office or other commercial uses. The improvements could be owner-occupied or leased. It appears the subject upon occupancy and utilized as an office use is financially feasible.

### ***MAXIMALLY PRODUCTIVE USE***

Based on the aforementioned, no alternative use would provide a greater return to the ownership, than its present use, which would make such a use maximally productive. Therefore, the highest and best use of the subject property, as improved, is an office facility upon vacancy.

## **METHOD OF VALUATION**

The appraisal process typically involves three approaches in determining value, which consists of the cost approach, income approach, and sales comparison approach. A brief description of each technique is as follows:

### ***THE COST APPROACH***

An appraisal procedure using depreciated replacement or reproduction costs of improvements plus land value as a basis for forming an opinion of market value. The underlying assumption is 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 INCOME APPROACH***

An appraisal procedure using capitalization of expected future income as a basis for forming an opinion of market value. The underlying assumption is that an informed purchaser will pay no more for the subject property than would have to be paid for another property with an income stream of comparable amount, duration, and quality.

### ***THE SALES COMPARISON APPROACH***

An appraisal procedure using sale prices of properties similar to the subject property as a basis for forming an opinion of market value. The underlying assumption is that an informed purchaser will pay no more for a property than would have to be paid for a similar property of comparable utility.

## **APPRAISAL PROCEDURES**

In this report, we have been requested to provide an opinion of value for the Leased Fee interest in the subject property on an "As Is" basis. The income and sales comparison approaches will be used in this report. We have considered the Cost Approach in our analysis, however, omitted it from our report since typical investors do not rely on this approach when making purchasing decisions on investment properties like the subject. The omission of the Cost Approach is not considered misleading, nor does it diminish the credibility of the value estimate produced by this report. The computations, which accompany each approach, will be outlined on the following pages for the reader's reference.

## **INCOME APPROACH TO VALUE**

The income approach is an appraisal procedure, which discounts or capitalizes an expected income stream into an indication of market value. The underlying premise is that an informed purchaser will pay no more for the subject property than he would have to pay for another property, which has an income stream of comparable quantity, quality, and durability.

The direct capitalization of the net operating income is best suited to measure the net present value of a stable income stream, for a single tenant property. This method of valuation is typically of primary significance in the analysis of single tenant properties, or in the analysis of small, multi-tenant properties that have achieved stabilized occupancy. Sophisticated investors, such as insurance companies, REITS and pension funds often utilize a Discounted Cash Flow analysis (DCF) in the valuation of their assets. This form of analysis provides the best valuation metric in the analysis of an investor-owned property that either is not at stabilized occupancy, or for one that has a volatile income stream. As the subject property is a single user property that most likely would be leased on a modified gross basis, we have chosen to rely on the Direct Capitalization method.

The first step undertaken in the income approach is to make an estimate of the gross potential income for the subject property. In order to do this, we must survey the market for comparable properties with which to make a comparison. A brief description of each lease comparable is provided herein. Thereafter, a vacancy estimate is made based on market conditions at the time of the appraisal.

The next step involves estimating the expenses, which can reasonably be expected in order to maintain the income stream set forth in the estimate of gross potential income. By deducting vacancy and expenses from gross potential income, an indication of net operating income is derived. It is this figure, which is capitalized in order to arrive at a net present value for the projected income stream. The subject is a single-tenant (or user) building. Leases for this type of space are quoted as modified gross rent, where the tenant pays rent plus utilities and janitorial, with the landlord responsible for all other expenses or a triple net lease, where the then pays rent, as well as all expenses. In this case, we estimate a modified gross lease since this is the majority of lease type of the comparable rentals we uncovered.

Finally, we will capitalize our estimate of NOI, at market derived rates, in order to form our opinion of value. The rate, at which we will capitalize the NOI, will be derived through information contained by extraction from investment sales. We present on the following

pages rental comparables to provide us with market information to enable us to ascertain a market rental rate. Due to the lack of truly comparable leases, we have expanded our research throughout the neighboring counties.

**LEASE COMPARABLE ONE**

LOCATION	301 E Centerview Street, China Grove, NC
BUILDING TYPE	Single tenant office
LEASED AREA	4,374 SF
CONSTRUCTION TYPE	Brick
YEAR BUILT / EFFECTIVE AGE	2005 / 5 Years
LAND SIZE	0.55-acre; 23,958 SF
TENANT	Carolina Caring Inc.
LEASE TERM	5 years
RENT	\$47,983 per annum
EXPENSE PASS-THROUGH	Modified Gross
RENT COMMENCEMENT	September 2020
RENT / SF	\$10.97
COMMENTS	Tenant occupies entire building



**LEASE COMPARABLE TWO**

LOCATION	1753-1787 Old Earnhardt Road, Kannapolis, NC
BUILDING TYPE	Multi-tenant office
LEASED AREA	5,400 SF
CONSTRUCTION TYPE	Masonry
YEARBUILT / EFFECTIVE AGE	1999 / 5 Years
LAND SIZE	1.56-acre; 67,954 SF
TENANT	Pediatric Advanced Therapy
LEASE TERM	4 Years
RENT	\$82,350 per annum
EXPENSE PASS-THROUGH	Modified Gross
RENT COMMENCEMENT	January 2020
RENT / SF	\$15.25
COMMENTS	Tenant occupies a portion of the building



**LEASE COMPARABLE THREE**

LOCATION	1250-1266 Benson Road, Garner, NC
BUILDING TYPE	Multi-tenant office
LEASED AREA	3,000 SF
CONSTRUCTION TYPE	Masonry
YEAR BUILT/EFFECTIVE AGE	2002 / 5 Years
LAND AREA	1.77-acre; 77,101 SF
TENANT	Vanquish Land Title
LEASE TERM	3 Years
RENT	\$54,000 per annum
EXPENSE PASS-THROUGH	Full Service
RENT COMMENCEMENT	March 2021
RENT / SF	\$18.00
COMMENTS	Tenant occupies a portion of the building





**MARKET RENT SUMMARY – GROUND FLOOR SPACE**

Rental Number	Subject	1	2	3
Address	203 N Second St., Albemarle, NC	301 E Centerview St., China Grove, NC	1753-1787 Old Earnhardt Rd, Kannapolis, NC	1250-1266 Benson Road, Garner, NC
Lease Date		September 2020	January 2020	March 2021
Size SF	7,968	4,374	5,400	3,000
Rent / SF		\$10.97	\$15.25	\$18.00
Lease Type		Modified Gross	Modified Gross	Full Service -\$2.00
Effective Age	25 Years	5 years	5 Years	5 Years
Market Conditions				
Adjustments				
Adjusted Rent / SF		\$10.97	\$15.25	\$16.00
Adjustments				
Location		+10%	-15%	-10%
Size		-10%	-5%	-15%
Access/Frontage/Visibility				+5%
Effective Age / Condition		-10%	-10%	-10%
Quality				
Total Adjustments		-10%	-30%	-30%
Adjusted Rent / SF		\$9.87	\$10.68	\$11.20

**EXPLANATION OF ADJUSTMENTS**

In our analysis, we gave consideration to several leases of similar properties in the regional market. The first adjustment made to the leases is for changes in the lease rate from the inception of lease through the effective date of valuation, September 28, 2021. The leases are recent transactions of properties located in the local market and show current rates.

**LEASE TYPE**

Comparable Rentals 1 and 2 are Modified Gross leases, the same as we are projecting the subject and no adjustments were needed. Comparable Rental 3 is a Full-Service lease where the landlord is responsible for all expenses and a downward adjustment was applied.

**LOCATION**

Factors directly related to location as well as trends and characteristics such as population, labor supply, transportation, and existing land uses are considered. Comparable Rental 1 is inferior in location to the subject and an upward adjustment was applied. Comparable Rentals 2 and 3 are superior in location to the subject and downward adjustments were made.

**SIZE**

Adjustments are considered based on size of the comparable rents as compared to the subject. Economies of scale are often considered in this adjustment when market proof supports the premise that the larger the property size, the lower the unit rent and vice versa. The Comparable Rentals are adjusted downward for their smaller sizes.

**ACCESS/FRONTAGE/VISIBILITY**

For commercial properties, it is typically an advantage to be along the main roadway and at an intersection with a traffic light. The subject is a corner parcel fronting along two roadways which are at an intersection with a traffic light. Comparable Rental 1 is a corner parcel fronting along two roadways at an intersection with a traffic light, and Comparable Rental 2 is a corner parcel fronting along two roadways, therefore no adjustments were made. Comparable Rental 3 is fronts along one roadway and an upward adjustment was applied.

**EFFECTIVE AGE / CONDITION**

The subject has an effective age of 25 years. The Comparable Rentals each have an effective age of 5 years and downward adjustments were applied.

**QUALITY**

The construction of the subject is of similar quality as the construction of the Comparable Rentals and no adjustments were made.

Prior to adjustments, the Comparable Rentals ranged from \$10.97 to \$15.25/SF, Modified Gross and \$18.00/SF, Full-Service. After adjustments, the indications for market rent in the comparable properties range from \$9.87 to \$11.20/SF, Modified Gross, with an average indication of \$10.58/SF. Based on the above comparable properties, it is our opinion that market rent for the subject property is \$10.50/SF, Modified Gross for the 3,984 SF of ground floor space.

Basement space would likely rent at a lower price per square foot than first-floor space since it is accessed via a staircase and does not have windows. Our research did not uncover any basement rents to use as comparables. Information in our files indicate second floor space typically rents at a lower price per square foot than first floor space if it is accessed via a staircase. Second floor walkup rents are typically 15% to 25% lower than first floor space, and basement space would likely be lower than second floor space as there are no windows in the basement. Therefore, we will discount this price per square foot by 40% for the 3,984 square feet of basement space, which equates to 60% of the first-floor space

value. This results in a rent of \$6.50/SF ( $\$10.50 \times 60\% = \$6.30$ , say \$6.50 rounded) for the basement space.

In this section of the report, we are to provide an opinion of value for the Fee Simple interest in the subject property and have input a market rent at \$10.75/SF Modified Gross for the 3,984 square feet on the ground floor and \$6.50/SF Modified Gross for the 3,984 square feet in the basement.

For the Fee Simple Interest in the subject, given a ground floor leasable area of 3,984 square feet at «Base\_Rental\_Income\_\_SF»/SF, Modified Gross, the market rent for the ground floor is  $3,984 \text{ SF} \times \$10.50 = \$41,832$  Modified Gross annually. Given a basement leasable area of 3,984 square feet at «Base\_Rental\_Income\_\_SF»/SF, Modified Gross, the market rent for the basement is  $3,984 \text{ SF} \times \$6.50 = \$25,896$  Modified Gross annually.

#### **POTENTIAL GROSS INCOME**

The potential gross income (PGI) consists of projected rental income of ground floor \$41,832 + basement \$25,896 = **\$67,728**. This equates to a blended rent of \$8.50 per square foot.

#### **VACANCY AND COLLECTION LOSS**

The nearest office markets to the subject are Charlotte, Winston-Salem, and Greensboro, which reported the most recent vacancy rates of 12.0%, 7.6%, and 10.4%, respectively. We have deducted a vacancy and collection loss of say 10.0% from our potential gross income. This equates to **\$6,773** ( $\$67,728 \times 10\%$ ).

#### **EFFECTIVE GROSS REVENUE**

Effective gross revenue is total gross revenue of \$67,728 less vacancy and collection loss of \$6,773 to arrive at an effective gross income of **\$60,955 or \$7.65/SF**.

**OPERATING EXPENSE ANALYSIS**

In order to help estimate the subject expenses, we have used office buildings which will be compared to the subject. These are the most comparable expenses we were able to utilize. The comparables are shown in the table below.

Comparable	1	2	3	4
Expense Category	Per/SF	Per/SF	Per/SF	Per/SF
Real Estate Taxes	\$2.13	\$1.71	\$2.01	\$2.22
Insurance	\$0.20	\$0.21	\$0.26	\$0.16
Repair & Maintenance	\$0.85	\$1.35	\$1.51	\$1.17
Grounds	\$0.20	\$0.08	\$0.22	\$0.51
Janitorial	\$1.05	\$0.86	\$0.75	\$0.30
Utilities	\$1.80	\$1.68	\$1.67	\$1.96
G&A	\$0.20	\$0.38	\$0.38	\$0.42
Management Fees	\$0.63	\$0.72	\$1.65	\$1.01
<b>TOTAL</b>	<b>\$7.06</b>	<b>\$6.99</b>	<b>\$8.45</b>	<b>\$7.75</b>

The chart on the following page illustrates the estimated expenses.

Expense	Amount	Per Sq. Ft.
Real Estate Taxes	\$ 6,352	\$ 0.80
Insurance	\$ 1,594	\$ 0.20
Building Repairs & Maintenance and Grounds Maintenance	\$ 7,968	\$ 1.00
Management Fee (2%EGI)	\$ 1,219	\$ 0.15
Utilities	\$ 1,000	\$ 0.13
Reserves	\$ 1,594	\$ 0.20
Janitorial	tenant	
General and Administrative	\$ 1,992	\$ 0.25
Total Operating Expenses	\$ 21,719	\$ 2.73

**EXPENSE ESTIMATES**

The following subsections represent the analysis for the estimate of each category of the subject's expenses.

**REAL ESTATE TAXES**

As we discussed in detail earlier in this report under *Assessments & Taxes* section, the real estate taxes without exemption on the subject are **\$6,352**.

**PROPERTY INSURANCE**

Property insurance expenses typically include fire and extended coverage and owner's liability coverage. The comparable expenses ranged from \$0.16 to \$0.26 per square foot. Therefore, we have forecasted the subject's insurance expense to be **\$1,594** which equates to \$0.20 per square foot.

**BUILDING REPAIRS & MAINTENANCE AND GROUNDS MAINTENANCE**

The repairs & maintenance expenses among the comparables ranged from \$0.85 to \$1.51 per square foot. We have estimated this to be \$1.00 per square foot which equates to **\$7,968**.

**MANAGEMENT FEE**

Professional management fees in the local market range from 3.00% to 5.00%. Based on the size of the subject and the number of tenant bays, we have forecasted a management fee of 2.00% which is lower than the range but is reasonable as it is likely there would only be one tenant. Our forecasted amount of 2.00% of EGI amounts to an expense to **\$1,219**.

**UTILITIES**

For this type of lease and property type a tenant would be responsible for their own utilities expense. However, we must project a utilities expense for the landlord to be responsible for, for 10% of the time since we projected a vacancy rate of 10%. and have estimated \$1.25 per square foot as reasonable for the subject. Therefore,  $\$1.25 / \text{SF} \times 7,968 = \$9,960 \times 10\% = \$996$ , rounded to **\$1,000**.

**RESERVES**

A typical range is from \$0.10 to \$0.20 per square foot. Reserves for replacement items are estimated to be \$0.20 per square foot for the subject. This expense amounts to **\$1,594**.

**JANITORIAL**

For this type of lease and property type a tenant would be responsible for the janitorial expense and we have estimated this at **\$0**.

**GENERAL AND ADMINISTRATIVE**

The expense comparables had an expense of \$0.20 to \$0.42 per square foot. We estimated this expense as \$0.25 per square foot which amounts to **\$1,992**.

**OPERATING EXPENSE CONCLUSION**

Operating expenses amount to **\$21,719 or \$2.73/SF**. Our net operating income conclusion is shown below.

**NET OPERATING INCOME CONCLUSION**

Net operating income amounts to **\$39,236 or \$4.92/SF**. The full net operating income calculation is shown in the following chart:

Description	Dollars	Per Square Foot
Ground Floor Rental Income	\$ 41,832	\$ 10.50
Basement Rental Income	\$ 25,896	\$ 6.50
Expense Reimbursements	-	
Other Income	-	
Potential Gross Income	\$ 67,728	\$ 8.50
Vacancy & Collection Loss (10%)	\$ 6,773	\$ 0.85
Effective Gross Income	\$ 60,955	\$ 7.65
Operating Expenses		
Real Estate Taxes	\$ 6,352	\$ 0.80
Insurance	\$ 1,594	\$ 0.20
Building Repairs & Maintenance and Grounds Maintenance	\$ 7,968	\$ 1.00
Management Fee (2%EI)	\$ 1,219	\$ 0.15
Utilities	\$ 1,000	\$ 0.13
Reserves	\$ 1,594	\$ 0.20
Janitorial	tenant	
General and Administrative	\$ 1,992	\$ 0.25
Total Operating Expenses	\$ 21,719	\$ 2.73
Net Operating Income	\$ 39,236	\$ 4.92

## **DIRECT CAPITALIZATION**

Direct capitalization is defined as “a method used to convert an estimate of a single year’s income expectancy into an indication of value in one direct step, either by dividing the net income estimate by an appropriate capitalization rate or by multiplying the income estimate by an appropriate factor”.<sup>13</sup> Direct capitalization is market oriented and the appraiser analyzes market evidence and places the value on a property by utilizing the assumptions of typical investors observed. Direct capitalization does not explicitly differentiate between the return on and the return of capital because investor assumptions are not specified. However, it is assumed that the selected rate will satisfy a typical investor and those prospects for future benefits over and above the amount originally invested are sufficiently attractive. In selecting an appropriate overall capitalization rate to apply to an income stream, the abstraction method has been utilized.

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<sup>13</sup> *The Appraisal of Real Estate, 14<sup>th</sup> Edition, Chicago, IL (Page 419)*

**OVERALL RATE BY MARKET ABSTRACTION**

This technique is preferred when sufficient income and expense data is available for transactions of similar competitive properties. The subject property is a vacant former police headquarters and is most similar to an office. Therefore, we elected to extract our capitalization rates from the sale of similar type office buildings within the surrounding areas.

Location	Type	Year Built	Effective Age	Sale Dale	Price	Sq. Ft.	Price/SF	NOI	Cap Rate
980 7 Lakes N, West End NC	Multi-tenant Office	2006	5 Years	7/21	\$ 335,000	5,125	\$ 65.37	\$ 26,800	8.00%
325 N Main St., Kernersville, NC	Multi-tenant Office	2003	5 Years	7/19	\$ 630,000	7,120	\$ 88.48	\$ 60,480	9.60%
507 W Innes St., Salisbury, NC	Multi-tenant Office	1960	15 Years	8/21	\$2,500,000	22,021	\$ 113.53	\$ 236,750	9.47%
919 Phillips Avenue, High Point, NC	Multi-tenant Office	1990	10 Years	3/21	\$ 880,000	14,646	\$ 60.08	\$ 80,960	9.20%
133 Island Ford Road, Statesville, NC	Single Tenant Office	2010	5 Years	7/21	\$1,387,500	7,241	\$ 191.62	\$ 104,063	7.50%

The overall rates range from 7.5% to 9.6% with an average of 8.75%. We expect the subject capitalization rate would be at the high end of the range. The subject is most similar to Comparable Sale 2 based on size and having a second story which is not as appealing as first floor space (as the subject has basement space which is lease appealing than first floor space) and Comparable 5 based on size and single tenancy. In addition, we have researched the PriceWaterhouse Cooper Investor Survey 2<sup>nd</sup> Quarter 2021 which indicates a range from 5.00% to 8.50% with an average of 6.28%. The following chart summarizes this data. This survey represents investment grade tenants. The subject would not likely attract an investment grade tenant so our selection would be above the middle of the range.

**NATIONAL NET LEASE MARKET**

Second Quarter 2021

**OVERALL CAP RATE (OAR)\***

Range	5.00% – 8.50%	5.00% – 8.00%	4.00% – 8.00%	5.00% – 8.50%	5.25% – 9.00%
Average	6.28%	6.16%	6.22%	6.60%	6.75%
Change (Basis Points)		+ 12	+ 6	- 32	- 47

Based on all of this discussion, it is our opinion that a capitalization rate of 9.5% is appropriate for the subject since it is a much older building than all of the comparables and since the basement space is not as appealing as first floor space and may therefore be more difficult to lease. This overall rate is considered reasonable based on a typical five-year lease term, with periodic escalations built into the lease. The value of the subject as shown through the Income Approach is summarized in the following chart.

Description		Income Estimate	Per Sq. Ft.
Net Operating Income		\$39,236	\$4.92
Capitalization Rate	9.50%		
Value Indicated		\$413,011	\$51.83
Rounded Value		\$415,000	\$52.08

Now we must deduct renovation costs since some renovation work would need to be done to make it suitable for office space, as well as leasing costs. We have estimated renovation costs at \$5 per square foot at our market rental rate, 6 months' rent loss, and leasing commissions of 5% to achieve stabilization:

Description		Income Estimate	Per Sq. Ft.
Net Operating Income		\$39,236	\$4.92
Capitalization Rate	9.50%		
Value Indicated		\$413,011	\$51.83
Rounded Value		\$415,000	\$52.08
Less Cost to Achieve			
Renovation		\$ 39,840	\$5.00
Rent Loss - 6 Months		\$ 23,183	\$2.91
Leasing Costs 5% for 5 Years		\$ 16,932	\$2.13
Total Costs		\$ 79,955	\$10.03
Value Indication		\$ 335,045	\$42.05
Rounded Value		\$ 335,000	\$42.04

**MARKET VALUE BY INCOME APPROACH**

**As Is as of SEPTEMBER 28, 2021**

**\$335,000**

## SALES COMPARISON APPROACH

The Sales Comparison Approach is based on the assumption that an informed purchaser will pay no more for a property than the cost of acquiring an existing property of similar utility. Typically, one would estimate the value of the subject property by comparing the sales prices of recent transactions involving property similar to the subject. Adjustments are made to each sale for dissimilarities as compared to the subject property. These adjustments may include the date of sale, location, age, floor plan, condition, quality, size, or external factors that may influence rents or occupancy levels. Typically, the reliability of the sales comparison approach is based on a number of factors such as:

- Availability of comparable sales data.
- Verification of sales data.
- Degree of comparability to the extent that large or numerous adjustments are not necessary to compensate for the differences between the subject property and the comparable sales used.

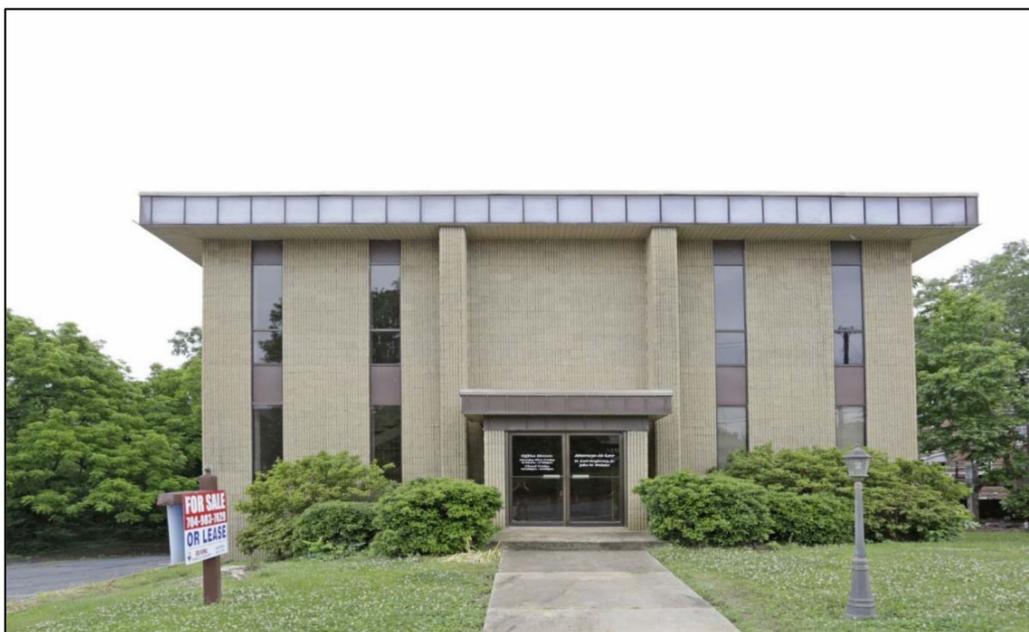
We have found that the reliability of the sales comparison approach for traditional real estate is excellent when valuing vacant land, single-family homes, or small commercial type properties where there is more activity, a larger data base and greater degree of comparability. For more complex and larger investment grade properties such as shopping centers, office buildings, hotels and nursing homes, the requisite adjustments are often numerous and the degree of accuracy with which they can be performed without a considerable amount of subjectivity is problematic. As detailed previously, a number of factors must be verifiable and documented in process of making appropriate adjustments.

- Date of Sale
- Financing Terms and Conditions
- Management Contracts or Service Contracts Involved
- Location
- Amenities
- Income and Expense Data
- Personal Property Included
- Condition
- Appeal

There are obviously other differences that must be adjusted in the marketplace. The information from the sales analyzed will be used to determine a value estimate for the subject property by the Sales Comparison Approach. The unit of comparison considered is the price paid per square foot. We have selected three Fee Simple sales since we are valuing the Fee Simple interest in the subject property.

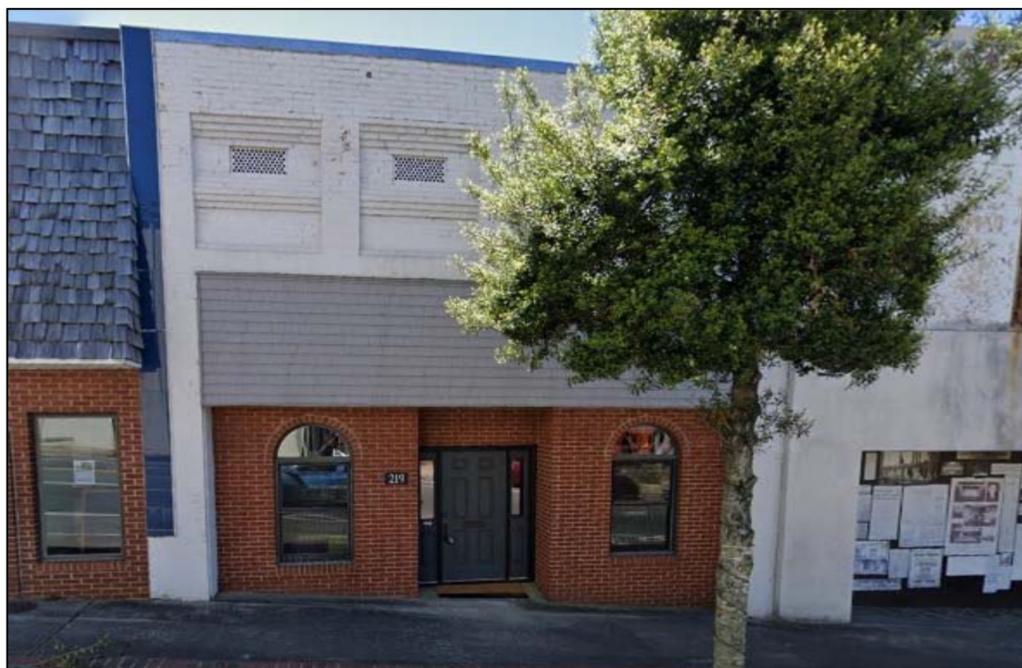
**IMPROVED SALE ONE**

<b>LOCATION</b>	
Address	112 E South St., Albemarle, NC
<b>SALES DATA</b>	
Tax Number	6548-0323-8793
Grantor	William C. Tucker and wife, Kellie H. Tucker, Tamara M. Singletary (widow)
Grantee	Vortex Church, Inc.
Date of Sale	8/6/2019
Deed Book/Page No.	1676/1407
Sales Price	\$250,000
Price / SF	\$31.57
Terms of Sale	Cash Equivalent
Conditions of Sale	Arm's Length Transaction
Property Rights Conveyed	Fee Simple
<b>SITE DATA</b>	
Land Area	0.65-Acre; 28,314 SF
Building Coverage Ratio	28.0%
Frontage	Good along E South Street
Utilities	All public
<b>IMPROVEMENT DATA</b>	
Improvement Type	Two-Story Office
Building Size	7,920 SF
Construction Type	Masonry with concrete walls
Year Built / Effective Age	1975 / 25 Years
Comments	Fee simple sale of a two-story office building with on-site parking.



**IMPROVED SALE TWO**

<b>LOCATION</b>	
Address	219 W Main St., Albemarle, NC
<b>SALES DATA</b>	
Tax Number	6548-0324-1551
Grantor	STEVEN F. BLALOCK and wife, LINDA F. BLALOCK
Grantee	LGM HOLDINGS, LLC
Date of Sale	3/7/2019
Deed Book/Page No.	1665/1
Sales Price	\$105,000
Price / SF	\$58.33
Terms of Sale	Cash Equivalent
Conditions of Sale	Arm's Length Transaction
Property Rights Conveyed	Fee Simple
<b>SITE DATA</b>	
Land Area	0.6-Acre; 2,539 SF
Building Coverage Ratio	70.9%
Frontage	Good along W Main St.
Utilities	All public
<b>IMPROVEMENT DATA</b>	
Improvement Type	Office
Building Size	1,800 SF
Construction Type	Masonry
Year Built / Effective Age	1920 / 45 Years
Comments	Fee simple sale an office building.



**IMPROVED SALE THREE**

<b>LOCATION</b>	
Address	1925 E Main St., Albemarle, NC
<b>SALES DATA</b>	
Tax Number	6558-0333-1909
Grantor	SOUTH CENTRAL OIL., INC.
Grantee	PINEHURST CAPITAL GROUP, LLC
Date of Sale	4/22/2019
Deed Book/Page No.	1668/672
Sales Price	\$215,000
Price / SF	\$55.48
Terms of Sale	Cash Equivalent
Conditions of Sale	Arm's Length Transaction
Property Rights Conveyed	Fee Simple
<b>SITE DATA</b>	
Land Area	0.68-Acre; 29,621 SF
Building Coverage Ratio	13.1%
Frontage	Good along E Main St.
Utilities	All public
<b>IMPROVEMENT DATA</b>	
Improvement Type	Office
Building Size	3,875 SF
Construction Type	Masonry
Year Built / Effective Age	1999 / 10 Years
Comments	Fee simple sale an office building with on-site parking.





**SALES COMPARISON CHART**

Sale Number	Subject	1	2	3
Address	203 N Second St., Albemarle, NC	112 E South St., Albemarle, NC	219 W Main St., Albemarle, NC	1925 E Main St., Albemarle, NC
Building Square Feet	7,986	7,920	1,800	3,875
Sales Price		\$ 250,000	\$ 105,000	\$ 215,000
Sale Date		8/6/2019	3/7/2019	4/22/2019
Effective Age	25 Years	25 Years	45 Years	10 Years
Price Per Square Foot		\$ 31.57	\$ 58.33	\$ 55.48
Property Rights				
Financing				
Condition of Sale				
Market Conditions		+3%	+3%	+3%
Adjusted Price Per Square Foot		\$ 32.51	\$ 60.08	\$ 57.15
Location		+10%		+10%
Size			-30%	-15%
Effective Age/Condition			+10%	-7%
Access/Frontage/Visibility		+10%	+10%	+10%
Quality		+10%		
Basement Space		-10%	-20%	-20%
Parking			+5%	
Total Adjustments		+20%	-25%	-22%
Adjusted Price Per Square Foot		\$ 39.02	\$ 45.06	\$ 44.58

**EXPLANATION OF ADJUSTMENTS**

The following are generally accepted adjustment categories. The first four categories - real property rights appraised, financing, conditions of sale, and market conditions (time) are cumulative. Normally, a sale should be adjusted for the cumulative adjustment where the remaining adjustments such as location and other physical characteristics are applied. Location, physical characteristics, and other adjustments are additive, and may be in any order. An explanation of each adjustment category is as follows:

**PROPERTY RIGHTS APPRAISED**

The real property rights conveyed are the first adjustment because the appraisal of the subject property rights can only be compared to similar property rights. The subject is a fee

simple vacant property. The Comparable Sales are fee simple, therefore, no adjustments for property rights were required.

### **FINANCING**

A financing adjustment is actually a specific motivation adjustment and often is not capable of being accurately derived from the mathematical discounting process. Cash equivalency is the adjustment of a sales price to an equivalent price if sold for cash absent the contract terms of the loan. The adjustment may be negative to reflect favorable terms to positive to reflect unfavorable terms. All of the comparable sales were cash transactions; therefore, no financing adjustments were necessary.

### **CONDITIONS OF SALE (MOTIVATION)**

Typical adjustments under this category include adjustments for plottage, purchasing additional land for expansion, or other typically motivated sales. All the comparable sales are considered arm's length transactions and no adjustments were required.

### **MARKET CONDITIONS (TIME)**

It is market conditions and not the passage of time that cause prices to change. This is an example of the principle of change. A market conditions adjustment is a cumulative adjustment within the sales comparison approach. The sales occurred between March 2019 and August 2019 and upward adjustments for time were applied.

### **LOCATION**

The location of the comparable sales used in this report is compared to the subject. Factors directly related to location as well as trends and characteristics such as population, labor supply, and transportation and existing land uses are considered. Comparable Sales 1 and 3 are inferior in location to the subject and upward adjustments were applied. Comparable Sale 2 is similar in location as the subject and no adjustment was made.

### **SIZE**

Adjustments are considered based on optimum size, and overall utility of the comparable sales as compared to the subject. Economies of scale are often considered in this adjustment when market proof supports the premise that the larger the building sizes the lower the unit price and vice versa. The Comparable Sales range from 1,800 square feet to 7,920 square feet. The subject property contains 7,968 square feet. Comparable Sale 1 is similar in size as the subject and no adjustment was made. Comparable Sales 2 and 3 are adjusted downward for their smaller sizes.

**EFFECTIVE AGE/CONDITION**

The subject has an effective age of 25 years. Comparable Sale 1 has an effective age of 25 years and no adjustment was made. Comparable Sale 2 has an effective age of 45 years and an upward adjustment was made. Comparable Sale 3 has an effective age of 10 years and a downward adjustment was applied.

**ACCESS/FRONTAGE/VISIBILITY**

For commercial properties, it is typically an advantage to be along the main roadway and at an intersection with a traffic light. The subject fronts along two roadways at an intersection with a traffic light. The Comparable Sales each front along one roadway and upward adjustments were applied.

**QUALITY**

The construction of the subject is of superior quality as Comparable Sale 1 and an upward adjustment was applied. The construction of the subject is of similar quality as Comparable Sales 2 and 3 and no adjustments were made.

**BASEMENT SPACE**

The subject contains 3,984 square feet of basement space. Comparable Sale 1 is a two-story walk up office building. A downward adjustment was applied, as second floor space typically sells at a higher price per square foot than basement space. Comparable Sales 2 and 3 are one story buildings (no basement), and greater downward adjustments were applied to these sales than was applied to Comparable Sale 1 (because it has second floor space), since one story space typically sells at a higher price per square foot than basement space.

**PARKING**

The subject has on-site parking, as do Comparable Sales 1 and 3. Comparable Sale 2 is adjusted upward for its lack of on-site parking. In addition, we have researched current listings and properties which are under contract. The following chart summarizes our research.

Address	Square Feet	Listing / Contract Price	Price / SF
328 S First St.	5,203	\$ 279,500	\$ 53.72
461 S First St.	1,500	\$ 48,000	\$ 32.00

Comparable 1 is similar in location, size, and quality as the subject. It is listed for sale at \$53.72 per square foot which is just above the range of our comparable sales. Applying downward adjustments for condition and being a listing would likely result in a price per square foot closer or within the range of our comparable sales. Comparable 2 is inferior in location, smaller than the subject, similar in quality. It is under contract of sale for \$32.00. Applying upward adjustments for location and access/frontage/visibility would likely result in a price per square foot closer or within the range of our comparable sales.

**SALES COMPARISON APPROACH – RECONCILIATION**

Before adjustments, the comparable sales ranged from \$31.57 per square foot to \$58.33 per square foot. After making the indicated adjustments, the adjusted comparables ranged from \$39.02 to \$45.06 per square foot and are considered good indicators of the subject's value. The average of the comparable sales after adjustments is \$42.89 per SF. After analyzing all the data, we selected a value of \$43.00 per square foot is appropriate for the subject. Therefore,  $7,968 \text{ SF} \times \$43.00/\text{SF} = \$342,624$ , rounded to \$345,000. No deductions were made as were in the income approach as the property is likely an owner-user. In addition, our sales were fee simple sales.

**MARKET VALUE BY SALES COMPARISON APPROACH**  
**As of SEPTEMBER 28, 2021**  
**\$345,000**

**RECONCILIATION AND SUMMARY OF VALUES**

Final reconciliation is defined as the process of evaluating alternative value indications and forming an opinion of value from the approaches used in this report. In this process, we weigh the relative significance, applicability, and reliability of the indication of value derived from each approach and place most credence on the one, which, in our professional judgment, best reflects the actions and thought processes of market participants. The following values are presented below:

<b>MARKET VALUE CONCLUSIONS</b>			
<b>Appraisal Premise</b>	<b>Interest Appraised</b>	<b>Date of Value</b>	<b>Value Conclusion</b>
Income Approach	Fee Simple	September 28, 2021	\$ 335,000
Sales Comparison Approach	Fee Simple	September 28, 2021	\$ 345,000

Experience indicates that different investors are inclined to pay varying amounts for the same property. This phenomenon is due to variations in expectations of income production potential, tax advantages or disadvantages, anticipated reversions, special financing, and various other factors.

In this report, we are to provide an opinion of value for the Fee Simple interest in the subject property. We have given emphasis to the Sales Comparison Approach, as the subject would likely be an owner-user building.

**FINAL VALUE CONCLUSION**

Therefore, based on the information contained in this report, it is our opinion that the as-is value of the Fee Simple interest for the subject property as of the effective date of valuation, September 28, 2021 was **\$345,000**.

**FINAL MARKET VALUE**  
**“AS IS” as of SEPTEMBER 28, 2021**  
**\$345,000**