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|  | | |  |  | | |
|  | | |  | Appraisal Report | | |
|  | | |  | ${propname} | | |
|  | | |  | ${address} | | |
|  | | |  | ${citystatezip} | | |
|  | | |  |  | | |
|  | | |  | Report Date: ${DueDate} | | |
| L3 Valuation | | |  | L3 File No.: ${reportname} | | |
| 16850 SW Upper Boones Ferry Road, Suite A | | |  |  | | |
| Durham, OR 97224 | | |  |  | | |
|  | | |  |  | | |
| 503.620.0881 phone | | |  | For: | | |
|  | | |  | ${cliname}${clides}  ${ctitle}  ${ccomp}  ${caddress}  ${ccsz} | | |
|  | | |  |  | | |
| *L3Valuation.com* | | |  | Client ID: ${clientref} | | |
|  | | |  | Borrower: ${borrower} | | |
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**USPAP Report Option: Appraisal Report**

*This Appraisal Report presents an abbreviated summary of significant data and analysis in support of the assignment results.*

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| **Assignment Information** | | |
| **Property Identification:**  ${address}  ${county}  ${citystatezip} | **Report Prepared By:**  ${apponename} L3 Valuation  16850 SW Upper Boones Ferry Road  Suite A Durham, OR 97224 503.620.0881  ${apponeemail} | **Report Prepared For (Client):**  ${cliname}${clides}  ${ctitle}  ${ccomp}  ${caddress}  ${ccsz} |
| **Tax Parcel ID(s):**  Map ${mappage}– Tax Lot ${taxlot}  Parcel No. ${parcarray} |
| **Tax Assessment:** ${markettot} RMV |
| **Delinquent Taxes:** None |
| **Owner:** ${owner} |
| **Borrower:** ${borrower} |
| **Client File No.:** ${clientref} |
| **Date of the Report:** ${DueDate} |

| **Scope of Work** |
| --- |
| The **scope** of this appraisal report is to estimate the as ismarket value of the fee simple interest in the subject property by use of all applicable steps of the appraisal process. These steps include the following: definition of the pertinent issues related to the appraisal assignment; inspection of the subject property, site and improvement analyses; highest and best use analysis (as vacant, and as improved); market data selection, verification and analysis. The appraisal methodology will employ the use of the most appropriate approach(es) to value deemed by the appraiser once all pertinent information is reviewed. This report will include a Sales Comparison Approach primarily due to the subject’s status as vacant industrial zoned land. The Cost and Income Approaches have been reasonably excluded from our valuation analysis due to their inapplicability to the subject property as vacant, unimproved industrial land.  The neighborhood was observed and the contents of this report express the appraiser’s opinion of what was found. A search for data in the subject’s market area was performed. The appraiser made a full exterior and interior inspection of the subject property on ${insDate}. |

| **Location and Market Analysis** |
| --- |
| The subject is located in the vicinity of Portland International Airport, approximately 1.0-mile northeast in an area known as the Columbia River Industrial Corridor. This area is situated approximately 7.0 miles northeast of the Portland central business district. The greater Columbia Corridor area provides a desirable business environment within the greater Portland Metropolitan area for primarily industrial users with convenient access to all transportation routes (air, water, rail, and road). Comprehensive land use and zoning controls which have protected natural features (Columbia Slough) and provided attractive building sites throughout the area. The Columbia Corridor extends from the confluence of the Willamette and Columbia Rivers westward to Troutdale (a distance of roughly 20 miles).  Important social factors to consider are city population trends of the neighborhood. The following chart summarizes the recent population growth trends for major cities in east portion of the Portland area as well as Multnomah County.      Demographic information from the City of Portland was gathered from the Site to Do Business that is collected by ERSI forecasts and is provided in the table at right.  The subject is located along the north side of NE Columbia Blvd, on NE 42nd Avenue. The immediate area is a primary industrial neighborhood. The Sunderland area is located northwest of the subject in the low-lying lands and is also included within the immediate neighborhood with the Columbia-Edgewater Country Club, Riverside Golf Country Club and, Broadmoor Golf Course located in the general area. In addition, several portions of the neighborhood are improved with older residences on large tracts currently used for farming purposes.  A variety of industrial uses, including heavy and light manufacturing, warehousing, and distribution facilities represent the primary land use in the immediate neighborhood. Along the major thoroughfare of NE Columbia Blvd. are industrial uses requiring exposure such as truck, machinery, and equipment sale dealerships. Industrial development originally began in the 1930s and 1940s; however, most of the existing facilities were built in the 1970s and early 1980s. The majority of buildings are concrete tilt-up structures with flat roofs, though a number of metal buildings (primarily owner-user) are also represented. Developments include both single and multiple tenant facilities. Since the mid-1980s, industrial development has been dominated by truck and tractor manufacturers, distribution, and other industrial-oriented firms.  The largest new development in the immediate area involves a large rectangular, heavy industrial zoned site (38.3 gross acres / 33.5 net usable acres) located along the north side of NE Columbia Blvd., one block east of NE MLK Jr. Blvd. The usable portion of the master site was improved with (18) light industrial structures comprising a one single-tenant facility reflecting a variety of construction types (metal, concrete, wood-frame, etc.). These older buildings date from the 1960s and have a reported overall GBA = 69,700 SF. The remainder of the site consists of asphalt and gravel paved, fenced yard storage area. Overall, the improvements are considered an expired economic use, with their interim storage rental income considered sufficient to offset their future demolition and removal from the site. The property was sold off as a surplus asset by Lehigh Hanson, Inc. (a subsidiary of a German multi-national corporation - Heidelberg Cement Group). After a competitive offering resulting in roughly a dozen proposals ranging from $7 to $16 million, the winning offer of $15,582,431 ($10.69 per SF net usable land area) was from Bridge Development Partners based in Chicago, IL, which closed in December 2018. Known as Bridge Point I-5, the developer plans to construct two distribution buildings of around 425,000 and 225,000 SF (total GBA = 650,000 SF) which it expects to deliver in late 2020).  Established commercial development is concentrated on the southern periphery of the neighborhood along NE Sandy Blvd., NE Columbia Blvd, and NE Lombard. This commercial development is generally older, and includes service stations, restaurants, grocery stores, and a now vacant former Kmart (closed September 2018). Since 1990, most of the new commercial development has occurred along NE Airport Way, between Interstate 205 and NE 122nd Avenue, including substantial new hotel, retail and office development. The closest major commercial development is the nearby Portland International Center business park (southeast quadrant of NE 82nd and Airport Way; adjacent to the Portland Airport), which is also emerging as a major new office, hotel, and flex industrial location, with several projects recently developed.  Residential uses in the subject neighborhood are very limited to the north of NE Columbia Blvd but are dominate to the south in both east and west directions. The neighborhoods are some of Portland oldest and well established due to the close location near the two rivers. Kenton, Portsmouth and Piedmont to the southwest feature homes mainly built just after the turn of the 20th Century with some infill properties noted during the 1990’s and early 2000’s housing boom. Note, there continues to be a large number of older single-family homes on larger, small acreage lots in the immediate neighborhood. These properties are generally zoned industrial, though some have residential classifications with industrial sanctuary overlays that will ultimately lead to rezoning to industrial use. These properties are gradually being redeveloped to light industrial uses.  Conclusion  Demand for industrial properties in the subject area is expected to continue at a stable level, though with stable to increasing rents with gradually decreasing concessions in the near term (1 to 2 years), and continued gradually increasing rents and property values over the long-term (3 to 5 years), as economic factors improve. Other than these preceding concerns, no other adverse influences were noted to exist in the immediate subject area, which would have a negative impact on the subject’s value or its marketability. Therefore, demand for a wide range of uses, including industrial, service commercial and limited older residential uses in the subject area, is expected to continue at a stable level over the long-term with expected regional population and employment growth gradually driving increasing rents and property values for the foreseeable future.  Industrial Market Overview  With respect to the subject’s Airport Way / East Columbia Corridor / Gateway submarket, market research published by **CoStar,** estimates a total **industrial** vacancy of 5.9% (2,689,392 SF out of 45,835,246 SF, 1,196 properties) as of mid-December 2019. This rate is down from the 8.0% rate in 2011, but above the 5-year average of 5.0%. This is in spite of the net positive absorption of 598,177 SF over the prior 12 months. Overall, there is currently a fairly sizable amount of new supply of 2,446,684 SF currently under construction in the defined submarket area, with industrial space deliveries less at 681,424 SF over the past year. Even more impressive is the large amount of leasing in these submarkets which totaled 3,226,892 SF over the past 12 months. This strong demand has led to increasing rental rates / fewer landlord concessions, though this trend is expected to level out due to the strong degree of rental increase. Average asking rents are $7.76/SF/Yr. which has been trending strongly upward since early 2015 in tandem with declining vacancies. The 5-year average is lower at $6.55/SF/Yr.  **SUBJECT**  Airport Way / East Columbia Corridor / Gateway Submarket    As indicated preceding, industrial properties in the subject sub-market continue to be in high demand, and undersupplied. Discussions with brokers active in the immediate market indicate that properties in good condition with on-site parking typically rent / sell at a premium due to the scarcity of such properties. Gradually increasing rental rates are forecast over the next 12 to 24 months due to continued good market conditions with limited new supply anticipated. |

| **Analysis of Sale, Option, Listing and Offer History** |
| --- |
| A search of public records indicates no market transactions involving the subject having occurred during the last three years. Title is currently vested in the name of R & T Factors Inc. (contact: Tim Taylor – 503.519.1145), which originally purchased the property in May 1990 for a reported consideration of $32,000. The subject is currently pending sale to Ernie S. Freitag. The property was listed for $399,000 or $33.28 per SF land area by Michael Kauffman (503.597.2444) of Keller Williams Realty Portland Premiere. Shortly after listing in September 2019, the property went into escrow at full list price of $399,000, but was later adjusted downward to the current pending price of $366,600 ($30.58 per SF) to cover the cost of hooking up the existing improvements to city sewer. The terms of the sale are cash to the seller, with the transaction anticipated to close no later than January 15, 2020 (total marketing time of 4 months). The subject’s pending transaction is considered an arms-length transactions that appears to be at market based on comparables used later in this report. The buyer will reportedly 100% owner-occupy the property with a related party entity dba Oregon Abatement (asbestos abatement contractor). A copy of the purchase and sale agreement, plus addendum, is contained in the Addenda of this report. Additional analysis of the subject’s pending sale is provided as part of the Land Valuation Section.  A search of public records indicates, other than the preceding, no arm’s length transaction(s) involving the subject having occurred during the last three years. |

| **Property Description** | | | |
| --- | --- | --- | --- |
| **Bldg. Area:** | ${gba} SF GBA | **Source of Bldg. Area:** | County / Appraiser Measurement |
| **Site Size (Net):** | ${netacre} Acre  ${netsf} SF | **Property Type:** | ${subtype} |
| **Construction Type:** | ${const\_descr} | **Current Use:** | Single-tenant shop / office use (expired economic use). |
| **Yr. Built (Remodel):** | ${yearbt} | **Occupancy:** | Vacant, Pending 100% Owner-Occupancy |
| **Actual / Effect. Age:** | 25 Years / 18 Years | **Zoning:** | ${zoning\_code}, ${zoning\_desc} |
| **Remaining Econ. Life:** | 0 to 5 years | **Conformance to Zoning:** | Yes / Legal conforming use |
| **Quality / Condition:** | ${quality} / ${bcond} | **Functional Utility:** | Average |
| **Land to Bldg. Ratio:**  **Site Coverage Ratio:** | ${ltbrp} to 1  ${scrprim} | **Property Inspected By:** | ${apponename} |
| **Parking:** | ${pspaces} Spaces  ${pratio} per 1,000 SF GLA | **Date of Inspection:** | ${insDate} |
| **FEMA Flood Zone:** | | FEMA Map # 410183 – 4101830105F, November 26, 2010 – Zone X – or outside the 100 to 500-year flood plains. | |
| **Seismic Hazards (Earthquake):** | | None | |
| **Comments / Special Features:** | | None – or add comments about anything special about the subject property. | |
| The subject is a narrow / deep rectangular parcel located mid-block along the east side of NE 42nd Avenue, one parcel north of NE Columbia Blvd., in an industrial neighborhood of outer NE Portland. The street improvements include curbs, gutters and street lighting, but no sidewalks. On street parking it permitted. The subject parcel includes (1) curb cut, is mostly level and is functional in access, exposure and general utility. However, the site’s narrow shape with only a 50’ width tends to limit development due to the need for a driveway along the south side of the parcel. With regard to public utilities, all are available to the subject along NE 42nd. A review of Portlandmaps.com indicates the subject has a sewer lateral extends to its west / front boundary, though is not connected to either subject building. According to the listing broker, the total cost of hooking up the improvements to sewer is roughly $32,400, including permits. This allocation appears reasonable. Note that existing SFR reportedly is still using an on-site septic system. No water or sewer is reportedly hooked-up to the shop building (light electric service only, very limited lighting, no heating system.  NE 42nd Avenue is an asphalt paved, two-way, two-lane, industrial service street which provides a connection to NE Columbia Boulevard one parcel to the south and terminates at the slough two blocks north. NE Columbia Blvd. extends past I-5 to the west and I-205 to the east. Traffic volume along NE 42nd is considered light and limited to local traffic. However, traffic along NE Columbia (2 way / 4 lanes with median lane) is far higher at over 34,445 vehicles per day (Costar – 2018). Egress to NE Columbia from NE 42nd is regulated by a stop sign. Though egress to eastbound NE Columbia can be somewhat difficult for left-hand / eastbound access, the center turn lane along this corridor helps in this matter. Adjacent properties include the former Peterson CAT / future Tri-Met Bus Facility (east), Makin Auto Body (south, fronting NE Columbia), the Ameri-Fuel Card Lock Facility (north), and NE 42nd then the Land Care landscape baseyard facility (west).  According to county records, the older house (most recently used for office – no formal conversion) was built in 1919. The rear shop building was built in 1990. Both are wood-frame / wood-sided structures, with the shop having no partitioning or restrooms (open garage space). The house appeared to be in poor condition, while the shop building was in fair condition and appearing to suffer from a high degree of deferred maintenance. Given their advanced effective ages, the improvements are considered an expired economic (SFR) or interim (shop) use of the site. As of the date of inspection, the improvements were vacant (current owner retired a couple of years ago and was winding down his business operations). The subject is reportedly pending sale to an owner-user that will 100% occupy the property with his asbestos abatement company. Note that based on prior agreement with the client as a land valuation, as well as the concluded expired economic use of the existing building, an interior inspection of the existing structures was not conducted by the appraiser. However, exterior and interior photos of the subject buildings were provided by the environmental consultant – EDI Consultants, Inc., Torrance, CA (contact: Sarah Sen; 310.832.2300), and are included in the Addenda of this report for the client’s reference. | | | |

| **Highest and Best Use** |
| --- |
| H&B Use – As Vacant: The subject is a ${netacre} acre / ${netsf} SF parcel which is zoned ${zoning\_code}, ${zoning\_desc} with an Aircraft Landing (h) and Prime Industrial (k) overlay (height limit no impact on the subject site). The zone which permits a wide variety of light industrial and manufacturing uses. The location of the subject is appropriate for the uses allowed, as noted previously, and a change in zoning is unlikely. The subject is a level parcel of land with average development characteristics and generally average, mid-block exposure and nearby freeway access. Based on the location, zoning, surrounding development, and market research, an industrial development is considered the highest and best use of the subject property, as currently vacant.  H&B Use – As Improved: The existing older converted SFR and shop structures are considered an expired economic use of the site. Taking the concluded market land value of $366,600 and multiplying it by an 8.0% rate of return would equate to annual NNN rent equal to $29,328. The front SFR / office is considered in very poor, likely non-long term, occupiable condition, while the rear shop (1,440 SF GBA / GLA) still appears in fair condition and could continue indefinitely with property care. Dividing the minimum land rent by the shop area would equate to NNN rent for this structure of $20.37 per SF GLA, which is considered far above market. Overall, the existing improvements likely would not generate sufficient income to cover the minimum return on the land. Overall, as these improvements are still rentable during the interim, then the interim rental income is considered sufficient to offset future demolition and removal costs. |

| **Valuation Analysis** |
| --- |
| Valuation Summary  **Appraisal Type:** Summary-Style  **Approaches to Value:** Sales Comparison Approach  **Interest Appraised:** Fee Simple  **Date of Value:** ${effdov}  **Date of Inspection:** ${insDate}  **Date of Report:** ${DueDate}  Methodology  The following valuation will be conducted via solely the **Sales Comparison Approach**, based on prior agreement with the client.  Sales Comparison Approach  The **Sales Comparison Approach** involves the estimation of value by comparing the subject property to similar properties that have sold recently. Appropriate units of comparison are used and adjustments to the sales prices are made when appropriate. The comparison to other properties may use the price per square foot, dwelling unit, or rental space, depending on the composition of the subject property and the behavior of buyers and sellers in the marketplace. For special purpose properties, other bases of comparison may also be appropriate.  Units of Comparison  The unit of comparison depends on land use economics and how buyers and sellers use the property. Industrial land in the area is typically valued based on price per net square foot of land area (after deducting any unusable portions), which is the foremost unit of comparison used by buyer and sellers in this market area. Therefore, sales price per square foot is used as the basis for estimating the subject’s land value.  Elements of Comparison  Elements of comparison are the characteristics or attributes of properties and transactions that cause the prices of real estate to vary. The main elements of comparison that are considered in sales comparison analysis are as follows: (1) real property rights conveyed, (2) financing terms, (3) conditions of sale, (4) expenditures made immediately after purchase, (5) market conditions, (6) location and (7) physical characteristics.  Sale Adjustments  When applicable, the comparables are adjusted for property rights conveyed, financing terms, conditions of sale, market conditions, location, and physical characteristics. After adjustments, analysis reflecting market behavior is used to determine which comparables are superior or inferior to the subject after considering the remaining characteristics that could not be accounted for in the adjustment process. This analysis establishes value parameters for the subject, allowing for a final conclusion of value.  Land Sale 4 was adjusted $60,000 for seller concessions to the buyer for needed pilings and a vapor barrier over the site for future development, though the actual costs for these items far exceeded the seller’s discount to the price.  No other specific adjustments were made to the comparables on the Land Sale Chart. See adjustment grid for additional transaction and property adjustments.  Comparable Land Sales Data  Presented on a following page is a summary of the selected land transaction data which are located in relatively similar industrial-commercial neighborhoods of the City of Portland. All were reasonably similar in terms of zoning, and all had similar potential for various light industrial or quasi-industrial uses. Our presentation of the land sales is presented in the chart at the end of this subsection.  Merge & Insert Land Sale Data Analysis Output  Additional Quantitative Analysis  An adjustment grid for the comparable land sales is provided as additional analysis following the summary chart. The adjusted comparables indicate an adjusted price per square foot between $29.51 and $34.80 per land area with an average price of $31.81 per SF and median price of $31.46 per SF. Note that a market conditions adjustment of 3.0% per year was applied in this analysis. The adjusted value range provides additional support for the following final land value conclusion.  Pending Subject Sale Activity  Not applicable.  - Or -  As previously noted, the subject is currently pending sale to Ernie S. Freitag. The property was listed for $399,000 or $33.28 per SF land area by Michael Kauffman (503.597.2444) of Keller Williams Realty Portland Premiere. Shortly after listing in September 2019, the property went into escrow at full lists price of $399,000, but was later adjusted downward to the current pending price of $366,600 ($30.58 per SF) to cover the cost of hooking up the existing improvements to city sewer. The terms of the sale are cash to the seller, with the transaction anticipated to close no later than January 15, 2020 (total marketing time of 4 months). The buyer is will reportedly 100% owner-occupy the property with a related party entity dba Oregon Abatement (asbestos abatement contractor). A copy of the purchase and sale agreement, plus addendum, is contained in the Addenda of this report.  Overall, the subject’s recent sale price appears to be reasonably bracketed and supported by the preceding comparable land sale analysis, and therefore is considered at market.  Secondary Market Land Listing Activity  Currently listed for lease is a yard storage property located nearby at 2510 NE Columbia Boulevard (mid-block / south side of the street - aerial photo at right). This 21,780 SF / 0.50-acre site is similarly zoned IG2, also includes a couple of small storage buildings (2,400 SF each) which are considered of nominal value (interim uses). The listing broker is Eleanor Aschoff of Macadam Forbes (503.972.7296). The site is listed for lease for $5,500 per month, modified gross, with the NNN rate approximately equal to $5,000 per month ($0.223 per SF site area) / $60,000 per year. Divided the annual amount by a market land rate of return of 8.0% would infer a fee simple equivalent land price of $750,000 or $34.44 per SF land area. Overall, this is considered a superior exposure location. Further downward adjustment would also be required for the listing status (as evidenced by the inferred rent which seems a bit high for mostly yard space), as well as the existing 4,800 SF of storage buildings. These would be only partially offset by the much larger site size, making this listing a slightly high indicator for the subject.  Concluded Market Land Value  The appraiser has considered the characteristics of each comparable, with primary emphasis on the lower middle portion of the range indicated by Land Sales 2, 3 and 4 ($27.51, $22.44 and $45.33 per SF; adjusted to $29.57, $29.51 and $33.36 per SF), as well as the above cited listing (inferred fee simple land price of $34.44 per SF). Strong secondary emphasis is placed on the subject’s pending sale price which equates to $30.58 per SF which is reasonably supported by these preceding data sets. Finally, additional strong secondary consideration is placed just below the average and median adjusted comparable amount of ($31.81 and $31.46 per SF). Hence, a unit land value of **$\_\_\_\_.\_\_\_ per SF** is reasonably concluded.  Based on the preceding, it is the appraiser’s opinion that the **concluded market value** of the fee simple interest in the **subject land** (${netsf} SF land area) is as follows:   |  |  |  | | --- | --- | --- | |  |  |  | | **Concluded Market Land Value** | **$\_\_\_\_.\_\_\_ / SF** | **$\_\_\_\_\_\_\_\_\_\_** | |





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| **Land Sale Location Map** |
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Merge & Insert Land Sale Photos

| **Reconciliation** |
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| The reconciliation of value indications is the final step in the appraisal process and involves the reviewing and weighing of the individual valuation techniques in relationship to their substantiation by market data, and the reliability and applicability of each valuation technique to the subject project. The reconciliation criteria are appropriateness, accuracy, and quantity of evidence.  Only the Sales Comparison Approach to value was utilized in this assignment. The Income Capitalization and Cost Approaches were omitted due to prior agreement with the client in this assignment. Based on the selected method of appraisal, the estimated **market land value** of the fee simple interest in the **subject property** is as follows:   |  |  |  | | --- | --- | --- | | **VALUATION APPROACH** |  | **STABILIZED MARKET VALUE** | | **COST APPROACH** |  | **Not Applicable** | | **SALES COMPARISON APPROACH** |  | **$\_\_\_\_\_\_\_\_\_\_\_\_** | | **INCOME CAPITALIZATION APPROACH** |  | **Not Applicable** |   Concluded As Is Market Value  As previously noted and analyzed under our Highest and Best Use Analysis, the existing older SFR structure is considered an expired economic use of the site, while the rear shop building is considered an interim use. Overall, the existing improved use of the property is considered interim with their demolition and redevelopment of the site considered their highest and best use, as improved. Therefore, no adjustment is made in arriving at the final as is market value of the subject property.  Based on the sole use of the Sales Comparison Approach, it is the appraiser’s opinion that the **concluded as is market value** of the fee simple interest in the **subject property**, as of ${effdov}, is as follows:   |  |  | | --- | --- | |  |  | | **Concluded As Is Market Value** | **$\_\_\_\_\_\_\_\_\_\_\_\_** | |

|  |  |  |  |
| --- | --- | --- | --- |
| **Final Value Estimate** | | | |
| **Effective Date of Value** | **Interest Appraised** | | **As Is Market Value** |
| ${effdov} | Fee Simple | | **$\_\_\_\_\_\_\_\_\_\_\_\_** |
| **Exposure Time / Marketing Time** | | | |
| **Reasonable Exposure Time:** +12 Months | | **Marketing Time Opinion:** +12 Months | |

| **Identification and Support for Most Probable Buyer / Most Probable User** |
| --- |
| Based on the subject’s partially improved status with an interim use, the most probable buyer would be an owner-user seeking to redevelop the site to its highest and best use allowable under zoning. |

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| **Extraordinary Assumptions / Hypothetical Conditions** |
| None. |

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| **Definition of Market Value** |
| Market value means 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 to be their own best interests; 3. A reasonable time is allowed for exposure to 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 a normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.   Source: 12 CFR 34.42(g). |

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| **Client / Intended Use / Intended User / Report Type** |
| ${ccomp} is the client in this assignment.  The intended use of the appraisal report is to provide information for use in loan underwriting and/or credit decisions by ${ccomp} and/or participants.  The intended users of this report may include: ${ccomp} and its affiliates or subsidiaries, other participating financial institutions, government or non-government agencies, legal counsel or other transaction participants. Other users include the Small Business Administration (SBA). |
| This **Appraisal Report** conforms to USPAP requirements and is intended to meet the requirements for an Appraisal Report as specified in the engagement contract. |

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| **Significant Appraiser Assistance** |
| The following charts acknowledges that significant appraisal assistance was provided by Scott M. Steinman (Registered Appraisal Assistant License No. AA03393), Charlene A. Britton (Registered Appraisal Assistant License No. AA003384), and Lindsey I. Mains (Registered Appraisal Assistant License No. AA003391) in the marked fields. While significant assistance was provided, all work was overseen and reviewed by the Supervisory Appraiser, Kurt Mueller, MAI (Oregon General Certified Appraiser No. C000484) or James F. Kurasz, MAI, AI-GRS (Oregon General Certified Appraiser No. C000643).   |  |  | | --- | --- | | **Significant Appraisal Assistance (Scott M. Steinman)** |  | | Define the appraisal problem |  | | Conduct preliminary analysis, select and collect applicable data |  | | Conduct an analysis of the subject property |  | | Conduct highest and best use analysis |  | | Estimate land value, including on-site improvements |  | | Estimate value of the property using each of the following approaches to value: |  | | Cost |  | | Sales Comparison |  | | Income Capitalization |  | | Reconcile each value indication and reconcile the final value estimate |  |  |  |  | | --- | --- | | **Significant Appraisal Assistance (Charlene A. Britton)** |  | | Define the appraisal problem |  | | Conduct preliminary analysis, select and collect applicable data |  | | Conduct an analysis of the subject property |  | | Conduct highest and best use analysis |  | | Estimate land value, including on-site improvements |  | | Estimate value of the property using each of the following approaches to value: |  | | Cost |  | | Sales Comparison |  | | Income Capitalization |  | | Reconcile each value indication and reconcile the final value estimate |  |  |  |  | | --- | --- | | **Significant Appraisal Assistance (Lindsey I. Mains)** |  | | Define the appraisal problem |  | | Conduct preliminary analysis, select and collect applicable data |  | | Conduct an analysis of the subject property |  | | Conduct highest and best use analysis |  | | Estimate land value, including on-site improvements |  | | Estimate value of the property using each of the following approaches to value: |  | | Cost |  | | Sales Comparison |  | | Income Capitalization |  | | Reconcile each value indication and reconcile the final value estimate |  | |

| **Certification** |
| --- |
| I certify that, to the best of my knowledge and belief:   1. The statements of fact contained in this report are true and correct. 2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and is 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 performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding the agreement to perform this assignment. 5. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment. 6. My engagement in this assignment was not contingent upon developing or reporting predetermined results. 7. 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 value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal. 8. My analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice. 9. I have made a personal interior and exterior inspection of the subject property. In addition, I made exterior inspections of the comparables used in this report. 10. No one provided significant real property appraisal assistance to the person signing this certification, unless otherwise noted. 11. The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute. 12. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives. 13. As of the date of this report, the undersigned has completed the continuing education program for Designated Members of the Appraisal Institute.  |  | | --- | | ${apponedigsig} | | ${apponename}  ${apponetitle}  ${apponelicst} Certified General  Appraiser License #${apponelicno} | |

| **General Assumptions and Limiting Conditions** |
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| This appraisal report has been made with the following general assumptions:   1. Title to the property is assumed to be good and marketable unless otherwise stated in this report. 2. The property is appraised as though free and clear of any or all liens and encumbrances unless otherwise stated in this report. 3. Responsible ownership and competent property management are assumed unless otherwise stated in this report. 4. All engineering is assumed to be correct. The plot plans and illustrative material in this report are included only to assist the reader in visualizing the property. 5. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures that render it more or less valuable. 6. It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless otherwise stated in this report. 7. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless nonconformity has been stated, defined, and considered in this appraisal report. 8. It is assumed that all required licenses, certificates of occupancy consents, or other legislative or administrative authority from any local, state, or national governmental or private entity or organization have been or can be obtained or renewed for any use on which the value estimates contained in this report are based. 9. The appraiser is not qualified to detect hazardous waste and/or toxic materials. Any comment by the appraiser that might suggest the possibility of the presence of such substances should not be taken as confirmation of the presence of hazardous waste and/or toxic materials. Such determination would require investigation by a qualified expert in the field of environmental assessment. The presence of substances such as asbestos, urea-formaldehyde foam insulation or other potentially hazardous materials may affect the value of the property. The appraiser's value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value unless otherwise stated in this report. No responsibility is assumed for any environmental conditions, or for any expertise or engineering knowledge required to discover them. The appraiser's descriptions and resulting comments are the result of the routine observations made during the appraisal process. 10. Unless otherwise stated in this report, the subject property is appraised without a specific compliance survey having been conducted to determine if the property is or is not in conformance with the requirements of the Americans with Disabilities act. The presence of architectural and communications barriers that are structural in nature that would restrict access by disabled individuals may adversely affect the property's value, marketability, or utility. |

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| **Addenda** |
| 1. Subject Photos 2. Location / Plat / Zoning / Flood / Site Maps 3. Glossary 4. Engagement Letter 5. Trio / Legal Description 6. Qualifications / State Certification / License 7. Company Profile |

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| Subject Photos |

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| **Regional Map** |
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| **Neighborhood Map** |
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| **Location Map** |
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| **Aerial Photo** |
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| **County Plat Map** |
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| **Zoning Map** |
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| **Flood Map** |
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| **Appraiser Sketch** |
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| Engagement Letter |

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| Trio / Legal Description |

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| Purchase and Sale Agreement |

Definitions are taken from the Dictionary of Real Estate Appraisal, 6th Edition (Dictionary), The Appraisal of Real Estate (14th Edition), the Uniform Standards of Professional Appraisal Practice (USPAP, 2020-2021 Edition), The Standards of Valuation Practice (SVP) of the Appraisal Institute, and Building Owners and Managers Association International (BOMA).

**Absolute Net Lease**

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

**Amortization**

The process of retiring a debt or recovering a capital investment, typically though scheduled, systematic repayment of the principal; a program of periodic contributions to a sinking fund or debt retirement fund. (Dictionary)

**Arm’s-Length Transaction**

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

**As Is Market Value**

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

(Dictionary; Interagency Appraisal and Evaluation Guidelines)

**(Building) Shell**

The structural portion, common areas, common systems, demising walls, and other elements of a building. For occupancy by a tenant, a shell building requires tenant improvements.

(Dictionary)

**Band of Investment**

A technique in which the capitalization rates attributable to components of an investment are weighted and combined to derive a weighted average rate attributable to the total investment (i.e., debt and equity, land and improvements). (Dictionary)

**Base Rent**

The minimum rent stipulated in a lease. (Dictionary)

**Base Year**

The year on which escalation clauses in a lease are based. (Dictionary)

**Building Common Area**

The areas of the building that provide services to building tenants but which are not included in the rentable area of any specific tenant. These areas may include, but shall not be limited to, main and auxiliary lobbies, atrium spaces at the level of the finished floor, concierge areas or security desks, conference rooms, lounges or vending areas food service facilities, health or fitness centers, daycare facilities, locker or shower facilities, mail rooms, fire control rooms, fully enclosed courtyards outside the exterior walls, and building core and service areas such as fully enclosed mechanical or equipment rooms. Specifically excluded from building common areas are; floor common areas, parking spaces, portions of loading docks outside the building line, and major vertical penetrations. (BOMA)

In an office building, the areas on a floor such as washrooms, janitorial closets, electrical rooms, telephone rooms, mechanical rooms, elevator lobbies, and public corridors which are available primarily for the use of tenants on that floor. In essence, floor common areas represents all of the area on the floor that is common to that respective floor with the exception of those areas that penetrate through the floor, such as the elevator shaft and stairwell. The significant point to be made is that floor common area is not part of the tenant’s usable area. (BOMA)

**Build-Out**

Interior construction that converts raw space into finished space ready for occupancy; includes various levels of installation of equipment, finish carpentry, construction of amenities, and initial tenant improvements.

(Dictionary)

**Capitalization Rate (R)**

A ratio of one years’ net operating income provided by an asset to the value of the asset; used to convert income into value in the application of the income capitalization approach. (Dictionary)

**Client**

1) The individual, group or entity who engages a valuer to perform a service.

2) The party or parties (i.e., individual, group or entity) who engage an appraiser by employment or contract in a specific assignment, whether directly or through an agent.

3) Generally the party or parties ordering the appraisal report. It does not matter who pays for the work. (USPAP / Dictionary)

**Common Area Maintenance (CAM)**

The expense of operating and maintaining common areas; may or may not include management charges and usually does not include capital expenditures on tenant improvements or other improvements to the property. (Dictionary)

**Condominium**

A form of ownership in which each owner possesses the exclusive right to use and occupy an allotted unit plus an undivided interest in common areas. (14th Edition)

A multi-unit structure, or a unit within such a structure, with a condominium form of ownership. (Dictionary)

**Conservation Easement**

An interest in real property restricting future land use to preservation, conservation, wildlife habitat, or some combination of those uses. A conservation easement may permit farming, timber harvesting, or other uses of a rural nature to continue, subject to the easement.

(Dictionary)

**Debt Coverage Ratio (DCR)**

The ratio of net operating income to annual debt service (DCR = NOI/Im), which measures the relative ability to a property to meet its debt service out of net operating income. Also called Debt Service Coverage Ratio (DSCR). A larger DCR indicates a greater ability for a property to withstand a downturn in revenue, providing an improved safety margin for a lender. (Dictionary)

**Deed Restriction**

A provision written into a deed that limits the use of land. Deed restrictions usually remain in effect when title passes to subsequent owners.

(Dictionary)

**Depreciation**

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

2) In accounting, an allocation of the original cost of the asset, amortizing the cost of the asset’s life; calculated using a variety of standard techniques. (Dictionary)

**Discount Rate (Y)**

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

(Dictionary)

**Disposition Value**

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

* Consummation of a sale within a specific time, which is much shorter than the typical exposure time for such a property in that market;
* The property is subjected to market conditions prevailing as of the date of valuation;
* Both the buyer and seller are acting prudently and knowledgeably;
* The seller is under compulsion to sell;
* The buyer is typically motivated;
* Both parties are acting in what they consider to be their best interests;
* An adequate marketing effort will be made during the exposure time;
* Payment will be made in cash in U.S. dollars (or local currency) or in terms of financial arrangements comparable thereto; and
* The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. (Dictionary)

**Easement**

The right to use another’s land for a stated purpose. (Dictionary)

**Economic Life**

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

**Effective Age**

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

**Effective Date**

The date at which the analyses, opinions, and advice in an appraisal, review, or consulting service applies. In a lease document, the date upon which the lease goes into effect.

(Dictionary)

Glossary

**Effective Gross Income (EGI)**

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

**Effective Gross Income Multiplier (EGIM)**

The ratio between the sales price (or value) of property and its effective gross income.

(Dictionary)

**Effective Rent**

Total base rent, or minimum rent stipulated in a lease, over the specified lease term, minus rent concessions; the rent that is effectively paid by the tenant net of financial concessions provided by a landlord. (Dictionary)

**Escalation Clause**

A clause in an agreement that provides for the adjustment of a price or rent based on some event or index, e.g., a provision to increase rent if operating expenses increase; also called escalator clause, expense recovery clause or stop clause. (Dictionary)

**Estoppel Certificate**

A signed statement by a party (such as a tenant or mortgagee), certifying, for another’s benefit, that certain facts are correct, such that a lease exists, that there are no defaults, and that rent is paid to a certain date. (Black’s) In real estate, a buyer of rental property typically requests estoppel certificates from existing tenants. Sometimes referred to as an estoppel letter.

(Dictionary)

**Excess Land**

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

**Expense Stop**

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

**Exposure Time**

1) The time a property remains on the market. 2)

An opinion, based on supporting market data, of the length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal. Comment: A retrospective estimate based on an analysis of past events assuming a competitive and open market. (USPAP / Dictionary)

**Extraordinary Assumption**

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

**Feasibility Analysis**

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

**Fee Simple Estate**

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

**Floor Area Ratio (FAR)**

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

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

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

**Functional Utility**

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

**Going Concern Value**

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

**Gross Building Area (GBA)**

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

**Gross (Full Service) Lease**

A lease in which the landlord receives stipulated rent and is obligated to pay all of the property’s operating and fixed expenses; also called a full-service lease. (Dictionary)

**Gross Leasable Area (GLA)**

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

Comment: In the Pacific Northwest, GLA applies to both commercial and industrial properties. Typically, mezzanines and basements areas are excluded from GLA.

**Gross Living Area (GLA)**

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

**Hypothetical Condition**

1) A condition which is presumed to be true, but is known to be false. (SVP / Dictionary)

2) A condition directly, related to a specific assignment, which is contrary to what is known by the appraiser to exist as of the effective date of the assignment results, but is used for purposes of the analysis. Comment: Hypothetical conditions are contrary to known facts about legal, or economical characteristics of the subject property; or about conditions of the external property, such as market conditions or trends; or about the integrity of the data used in the analysis (USPAP / Dictionary)

**Insurable Replacement Cost**

Also referred to as Replacement Cost for Insurance Purposes. The estimated cost, at current market prices as of the effective date of valuation, of a substitute for the building being valued, using modern materials and current standards, design and layout for insurance purposes guaranteeing that damaged property is replaced with new property (i.e., depreciation is not deducted). (Dictionary)

**Insurable Value**

A type of value for insurance purposes. (Dictionary)

May be based on the replacement or reproduction cost of physical items that are subject to loss from hazards. Land value is not included and items such as underground piping and below-grade foundations are typically excluded as well. (14th Edition)

**Intended Use**

1) The valuer’s intent as to how the report bill be used. (SVP / Dictionary)

2) The use(s) of an appraiser’s reported appraisal or appraisal review assignment results, as identified by the appraiser based on communication with the client at the time of the assignment. (USPAP)

**Intended User**

1) The valuer’s intent as to how the report bill be used. (SVP / Dictionary)

2) The client and any other party as identified by name or type, as users of the appraisal or appraisal review report by the appraiser on the basis of communication with the client at the time of the assignment. (USPAP)

**Investment Value**

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

2) The value of an asset to an owner or a prospective owner for individual investment or operational objectives. (Dictionary)

**Just Compensation**

In condemnation, the amount of loss for which a property owner is compensated when his or her property is taken. Just compensation should put the owner in as good a position as he or she would be if the property had not been taken. (Dictionary)

**Lease**

A contract in which the right to use and occupy land, space, or structures are transferred by the owner to another for a specified period of time in return for a specified rent. (Dictionary)

**Leased Fee Interest**

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

(Dictionary)

**Leasehold Interest**

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

**Lessee (Tenant)**

One who has the right to occupancy and use of the property of another for a period of time according to a lease agreement. (Dictionary)

**Lessor (Landlord)**

One who conveys the rights of occupancy and use to others under a lease agreement.

(Dictionary)

**Liquidation Value**

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

* Consummation of a sale within a short period.
* The property is subjected to market conditions prevailing as of the date of valuation.
* Both the buyer and seller are acting prudently and knowledgeably.
* The seller is under extreme compulsion to sell.
* The buyer is typically motivated.
* Both parties are acting in what they consider to be their best interests.
* A normal marketing effort is not possible due to the brief exposure time.
* Payment will be made in cash in U.S. dollars or in terms of financial arrangements comparable thereto.
* The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

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

**Load Factor**

A measure of the relationship of common area to usable area and therefore the quality and efficiency of building area layout, with higher load factors indicating a higher percentage of common area to overall rentable space thane lower load factors; calculated by subtracting the amount of usable area from the rentable area and then dividing the difference by the usable area: (Dictionary)



**Loan to Value Ratio (LTV)**

The ratio between the mortgage load and the value of the property pledged as security, usually expressed as a percentage; also called loan ratio or LTV. (Dictionary)

**Major Vertical Penetrations**

Stairs, elevator shafts, flues, pipe shafts, vertical ducts, and the like, and their enclosing walls. Atria, lightwells and similar penetrations above the finished floor are included in this definition. Not included, however, are vertical penetrations built for the private use of a tenant occupying office areas on more than one floor. Structural columns, openings for vertical electric cable or telephone distribution, and openings for plumbing lines are not considered to be major vertical penetrations. (BOMA)

**Market Rent**

The rental income a property would command in the open market. It is indicated by the current rents that are either paid or asked for comparables space with the same division of expenses as of the date of appraisal. Market rent is sometimes referred to as economic rent. (14th Edition)

**Market Value**

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently 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:

a. Buyer and seller are typically motivated;

b. Both parties are well informed or well advised, and acting in what they consider their own best interests;

c. A reasonable time is allowed for exposure in the open market;

d. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and

e. 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.

(OCC, 12 CFR, Part 34, Subpart C-Appraisals 34.42 Definitions (g) )

**Marketing Time**

An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of the appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal. (Advisory Opinion 7 of the Standards Board of the Appraisal Foundation and Statement on Appraisal Standards No. 6, “Reasonable Exposure Time in Real Property and Personal Property Market Value Opinions” address the determination of reasonable exposure and marketing time). (Dictionary)

**Master Lease**

1) A lease in which the fee owner leases a part or the entire property to a single entity (the master lease) in return for a stipulated rent. The master lessee then leases the property to multiple tenants.

2) The first lease in a sandwich lease. (Dictionary)

**Modified Gross Lease**

A lease in which the landlord receives stipulated rent and is obligated to pay some, but not all, of the property’s operating and fixed expenses. Since assignment of expenses varies among modified gross leases, expense responsibility must always be specified. In some markets, a modified gross lease may be called a double net lease, net net lease, partial net lease, or semi-gross lease. (Dictionary)

**Operating Expense Ratio**

The ratio of total operating expenses to effective gross income (TOE/EGI); the complement of the net income ratio, i.e., OER = 1 – NIR. (Dictionary)

**Net Operating Income (NOI)**

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

**Net Rentable Area (NRA)**

For office and retail buildings, the tenant’s pro rata portion of the entire office floor, excluding elements of the building that penetrate through the floor to areas below. The rentable area of a floor is computed by measuring to the inside finished surface of the dominant portion of the permanent building walls, excluding any major vertical penetrations of the floor. Alternatively, the amount of space on which the rent is based; calculated according to local practice. (Dictionary)

Comment: In the Pacific Northwest, NRA applies to primarily office properties, though may also sometimes be referred to as rentable area for retail properties.

**Obsolescence**

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

**Option**

A legal contract, typically purchased for a stated consideration, that permits but does not require the holder of the option (known as the optionee) to buy, sell, or lease real property for a stipulated period of time in accordance with specified terms; a unilateral right to exercise a privilege. (Dictionary)

**Partial Interest**

Divided or undivided rights in real estate that represent less than the whole, i.e., a fractional interest in a tenant in common, easement or life interest. (Dictionary)

**Pass Through**

A tenant’s portion of operating expenses that may be composed of common area maintenance (CAM), real estate taxes, property insurance, and any other expenses determined in the lease agreement to be paid by the tenant. (Dictionary)

**Potential Gross Income (PGI)**

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

**Prospective Market Value “As Completed”**

**and “As Stabilized”**

A prospective market value may be appropriate for the valuation of a property interest related to a credit decision for a proposed development or renovation project. According to USPAP, an appraisal with a prospective market value reflects an effective date that is subsequent to the date of the report. Prospective value opinions are intended to reflect the current expectations and perceptions of market participants, based on available data. Two prospective value opinions may be required to reflect the time frame during which development, construction and occupancy will occur. The prospective market value – as completed – reflects the property’s market value at the time that development is expected to be completed. The prospective market value – as stabilized – reflects the property’s market value as of the time the property is projected to achieve stabilized occupancy. For an income-producing property, stabilized occupancy is the occupancy level that a property is expected to achieve after the property is exposed to the market for lease over a reasonable period of time and at comparable terms and conditions to other similar properties. (USPAP - Advisory Opinion 17 / Interagency Appraisal and Evaluation Guidelines / Dictionary)

**Qualitative Analysis**

The process of accounting for differences (such as between comparable properties and the subject property) that are not quantified; may be combined with quantitative analysis.

(Dictionary)

**Quantitative Analysis**

In the sales comparison approach, the process of making numerical adjustments to the sale prices of comparable properties, including data analysis techniques (paired data analysis, grouped data analysis, and secondary data analysis), statistical analysis, graphic analysis, trend analysis, cost analysis (cost-to-cure, depreciation cost), and capitalization of rent difference; usually precedes qualitative analysis. (Dictionary)

**Replacement Cost**

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

**Reproduction Cost**

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

**Retrospective Value Opinion**

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

**Sandwich Leasehold Estate**

The interest held by the sandwich leaseholder when the property is subleased to another party; a type of leasehold estate. (Dictionary)

**Scope of Work**

1) The type of data and the extent of research and analyses. (SVP)

2) The type and extent of research and analyses in an appraisal or an appraisal review assignment. (USPAP)

**Sublease**

An agreement in which the lessee in a prior lease conveys the right of use and occupancy of a property to another, the sublessee, for a specific period of time, which may or may not be conterminous with the underlying lease term. (Dictionary)

**Subordination**

A contractual arrangement in which a party with a claim to certain assets agrees to make his or her claim junior, or subordinate, to the claims of another party. (Dictionary)

**Superadequacy**

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

**Surplus Land**

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

**Tenant Improvements (TI)**

1) Fixed improvements to the land or structures installed for use by a lessee.

2) The original installation of finished tenant space in a construction project; subject to period change for succeeding tenants. (Dictionary)

**Triple Net (Net Net Net) Lease**

A lease in which the tenant assumes all expenses (fixed and variable) of operating a property except that the landlord is responsible for structural maintenance, building reserves, and management. Also called NNN, triple net lease, or fully net lease. (Dictionary)

(The market definition of a triple net lease varies; in some cases, tenants pay for items such as roof repairs, parking lot repairs, and other similar items.)

**Usable Area**

The measured area of an office area, store area or building common area on a floor. The total of all the usable areas or a floor shall equal floor usable area of that same floor. The amount of floor usable area can vary over the life of a building as corridors expand and contract and as floors are remodeled. (BOMA)

**Vacancy and Collection Loss**

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

**Value In Use**

The value of a property assuming a specific use, which may or may not be the property’s highest and best use on the effective date of the appraisal. Value in use may or may not be equal to market value but is different conceptually. (Dictionary)

**Yield Capitalization**

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





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| **Company Profile** |

L3 Valuation is a commercial real estate appraisal and consulting firm located in Durham, Oregon. The goal of the company is to offer appraisal, review, and consulting services to clients in a professional and timely manner in covering all types of real estate. Though the firm's primary focus is the State of Oregon, we also provide appraisal services for properties located in the southwestern portion of the State of Washington.

To better serve our clients, L3 Valuation created and implemented a proprietary analytical mobile app capable of real-time access to confirmed data via cloud-based technology. Confirmed data includes local, regional and national sales, leases and resource data. L3 Valuation makes certain that our team members have access the necessary tools and information relevant to solving the client’s issues and assuring their needs are satisfied. As a top regional boutique firm, L3 Valuation maintains deep connections within the local brokerage, investment and development communities allowing it access to information unavailable to firms more national in focus.

L3 Valuation considers its clients to be its most valuable assets. We are privileged to serve various small and large financial institutions, pension funds, insurance companies, corporations, developers, private individuals, attorneys, accountants and government agencies. Past assignments have been conducted to serve various functions, including mortgage financing, property purchase & disposition, lease rent arbitration & negotiation, charitable donation & gifting, partnership & divorce settlement, litigation support & expert witness services, condemnation, property tax analysis, appeal services and corporate planning purposes.

The partners and team members are dedicated to the company's goal, to providing a fresh new approach to any real estate problem, and to working with each client on a personal basis. The firm was founded by managing partners - Kurt M. Mueller, MAI and James F. Kurasz, MAI, AI-GRS; each with +25 to 30 years of experience in commercial real estate. Being members of the Appraisal Institute (AI), Mr. Mueller and Mr. Kurasz, as well as our AI designated staff associates, must adhere to strict codes of professional practice and ethics in serving the public.

The firm also includes a team of very seasoned associates, including professionals with over 25 years of experience. All are either designated members of the Appraisal Institute, including the prestigious MAI and SRA designations, or candidates for one of these professional designations. All have extensive experience in providing appraisal and consultation services for a wide array of types of real property and real property interests throughout the Pacific Northwest.

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| **Company Profile** |

Mr. Mueller has been actively involved in commercial real estate and consulting fields since 1986. Before relocating to Portland, he was the owner of the commercial appraisal firm of Mueller and Company in Honolulu, Hawaii, and holds an expert knowledge of ground leases and the valuation of leasehold properties. His specialties include subdivisions, complex land assignments, and a wide array of special use properties such as new auto dealerships, schools / religious facilities, R&D and hi-tech facilities, aircraft hangars, etc. Mr. Mueller is licensed in Oregon and Washington and is also an active real estate developer / investor, and licensed broker in Oregon. Mr. Mueller has direct experience in arbitration, settlement services, tenant lease negotiation, marketing, site selection, and project general contracting.

Mr. Kurasz started his commercial real estate appraisal career with Mason & Mason in 1987 in Los Angeles, California. In 1992, he relocated to Portland, and originally worked with some residential firms, then committing to commercial work in 1994. After working with several commercial firms over the years, including Mueller and Company, he started his own firm, Kurasz Consulting, Inc. in 2003. Mr. Kurasz is licensed in Oregon, Washington, and Idaho. Mr. Kurasz is a generalist whose specialties include appraisal review, as well as appraising multi-family / manufactured home parks, retail, office, industrial, land and subdivisions.

In addition, the principals of the firm – Mr. Mueller and Mr. Kurasz offer expertise in eminent domain, right-of-way and condemnation assignments. Both are members of the International Right of Way Association (IRWA), and pursuing the requirements to obtain the prestigious SR/WA designation.

Senior members of our team include those holding the MAI and SRA designations from the Appraisal Institute, with a deep level of experience appraising in Oregon and Washington, as well as California, Hawaii, and Virginia. The team members at L3 Valuation are all licensed to appraise in the States of Oregon and Washington, and all have extensive commercial appraisal experience. All our team members are adept at traditional retail, office and industrial properties, while specialties provided by these team members include such specialties as urban core redevelopment / mixed-use properties, medical / dental properties, veterinary clinics & hospitals, schools / religious facilities and public facilities, investment grade properties (office, industrial and apartment), hi-tech / R&D properties, historic office, breweries and distilleries, new and used auto dealerships, self-storage facilities, bank branches, car wash, restaurant (sit-down and fastfood), auto service & repair, quick lube, manufactured home parks, subdivision and complex land assignments, high value and unique residential properties, and a variety of agricultural and ranch properties. Areas of specific geographic focus include the Oregon Coast, Columbia River Gorge, Willamette Valley &Yamhill County areas, and Central / Southern Oregon.

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| **Professional Services** |

Valuation Reports

The market valuation of real property interests (fee simple, leasehold, leased fee, etc.) in various types of properties is the primary focus of most real property appraisal assignments performed by L3 Valuation. It involves defining the real property interests to be appraised, collection and verification of market data, analysis of the highest and best use of the property, and the market valuation of the property via the most applicable appraisal methods. Other valuation studies may involve the estimation of investment value for various real property interests based on client specific data and/or criteria. Our services also include reports intended to assist in a team approach to Valuation for Financial Reporting.

Real Estate Consulting

In order to better serve our clients with unique properties and/or investment problems, L3 Valuation can also conduct consulting assignments covering all property types. Providing competent, unbiased, professional guidance on diversified problems in real estate has taken on ever increasing importance as a method of reducing the risks associated with the real estate field. The firm has undertaken such tasks as highest and best use analysis, market studies, rent renegotiation consulting, subdivision analysis, office/retail analysis, project planning studies, and market and feasibility analysis.

Estate Planning, Litigation Support, and Expert Witness Services

L3 Valuation also offers services for real estate matters involving arbitrations (ground rent renegotiations, tenant space lease renegotiations, etc.). We offer estate planning tax support for accounting firms and litigation support services to attorneys. It is our goal to provide not only offensive, but defensive strategies, in a fair and unbiased manner, in order to expose the strengths and weaknesses of a particular case. Finally, Mr. Mueller and Mr. Kurasz are experienced in working with attorneys in providing expert witness testimony.

Appraisal Review Services

An appraisal review serves the purpose of analyzing the content and conclusions of an appraisal report. It is the reviewer's responsibility to assess the relevancy, adequacy and analysis of the market data used; to form an opinion as the appropriateness and logical consistency of the appraisal methods and techniques used; to comment on the overall presentation of the report, and its general conformance with accepted appraisal practice. Clients consider an appraisal review to be a valuable tool in determining the credibility of an appraisal report, in order to reduce the risks associated with important lending, legal, and investment decisions.

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| **Partial List of Clients** |

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| AEGON USA Realty Advisors, Inc. | FDIC | Portland Development Commission |
| Albertson's Companies | First Citizens Bank | Port of Cascade Locks |
| Arbor Custom Homes | First Tech Credit Union | Rabobank, N.A. |
| Armed Forces Bank | First Community Credit Union | Roberson Auto Group |
| Ball Janik LLP | First Interstate Bank | Riverview Community Bank |
| Bank of America | Garvey Schubert Barer | Royal Moore Auto Group |
| Bank of the West | Gevurtz Menashe | SAFECO |
| Banner Bank | Goodwill Industries | Schwabe Williamson & Wyatt |
| Belmar Properties | Gramor Development | Standard Insurance Company |
| Beneficial State Bank | Heritage Bank | State Farm Bank |
| Bittner & Hahs, P.C. | Hillsboro School District | St. Helens Community Credit Union |
| Black | Helterline LLP | HomeStreet Bank | Stockman Bank of Montana |
| BOK Financial Corporation | Intervest Mortgage Company | Stoel Rives LLP |
| Buckley Law P.C. | International Paper | Summit Bank |
| California Bank and Trust | JP Morgan Chase Bank | Tigard-Tualatin School District |
| Capitol Auto Group | Kendall Motors | The CIT Group |
| City of Banks | KeyBank | Tonkin Torp. LLC |
| City of Happy Valley | Lanphere Enterprises, Inc. | Tonkin Auto Group |
| City of North Plains | Lehigh Hansen Corporation | Tri-Met |
| City of Sherwood | Lewis & Clark Bank | Twinstar Credit Union |
| Citizens Bank | Lithia Motors | Umpqua Bank |
| Clackamas County Bank | MAPS Credit Union | Union Bank |
| Coca Cola Enterprises | MBank | Unitus Community Credit Union |
| Columbia Bank | METRO | U.S. Bancorp |
| Columbia Credit Union | Mid-Columbia Medical Center | Venerable Properties |
| Columbia Distributing | M&T Bank | Washington Capital Management |
| Davis Wright Tremaine LLP | National Mortgage Company | Washington Trust Bank |
| DePaul Industries | Northwest Bank | Wauna Credit Union |
| Department of Veteran Affairs | Northwest Farm Credit Services | Wells Fargo Bank |
| Draneas & Huglin, P.C. | OnPoint Community Credit Union | Winco Foods, Inc. |
| Farleigh Wada Witt | Oregon Department of Transportation | Zions Bank |
|  | Pacific Western Bank |  |