|  |
| --- |
| Liquidation Valuation |

Liquidation Valuation

As an additional requirement of the client, we have estimated the **Liquidation Value** of the subject property, which is defined in The Dictionary of Real Estate Appraisal, 6th Edition (Appraisal Institute) as:

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

1) Consummation of a sale within a short period.

2 The property is subjected to market conditions prevailing as of the date of valuation.

3) Both the buyer and seller are acting prudently and knowledgeably.

4) The seller is under extreme compulsion to sell.

5) The buyer is typically motivated.

6) Both parties are acting in what they consider to be their best interests.

7) A normal marketing effort is not possible due to the brief exposure time.

8) Payment will be made in cash in US dollars (or local currency) or in terms of financial arrangements comparable thereto.

9) 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.

The client has directed that the marketing period to be considered in this analysis is not to exceed 90 days, or 3 months. In this regard the appraiser initially researched the market for similar distressed sales and did not find any which matched the subject’s characteristics that would provide a meaningful comparison of discount from fair market value. As such, the Survey Method was used in lieu of such comparables which involved questioning various small office real estate brokers active in this property type about the level of discount under this scenario.

Broker Surveys

We interviewed three brokers active in this property type. All were asked how much discount would be needed to sell the subject within a 3-month marketing period.

**George Diamond,** Real Estate Investment Group (503.222.2178) – is a broker active in the sale and leasing of commercial property throughout the Portland Metro area. He has been listing a restaurant in the outlying community of Newberg for almost 3 years with no significant activity. He estimates that his listing could sell at a reduced price of $725,000 from the current list price of $990,000. This indicates a **35% discount**.

**Nick Stanton,** Commercial Realty Advisors (503.274.0211) – is a broker active in the sale and leasing of NNN leased property throughout the Portland Metro area. He is currently listing the former Chili's restaurant in North Beaverton for GE Capital at a price of $1,480,000 with a pending sale of the property to a brew pub operator. He indicated that a sale price from $200 to $225 per SF would sell the subject within 3 months. This indicates a **30% to 40% discount**.

**Chris Chamberlain,** Coldwell Banker Commercial (541.779.4466) – is a broker active in the sale and leasing of commercial property throughout the Medford Metro area. Mr. Chamberlain stated that a 20% discount at a minimum would be required to sell a property like the subject quickly. However, he was unwilling to have a more definitive answer without much more information and market exploration. He believes that the discount could easily be much more than 20%. This indicates a minimum **40% discount** from the concluded value in this report.

All brokers indicated that financing was the biggest hurdle for most buyers as banks are very reticent to lend to a restaurant user, except for a national chain and none of those are currently expanding. In addition, the brokers indicated that the pool of potential buyers is small and that the subject would have a much greater chance of selling with seller financing. Finally, they also indicated that a buyer would not pay more for the subject due to its size.

Overall, our broker surveys indicated the following opinions regarding the discounts from market value for the shorter marketing period:

Liquidation Discount – 30% to 40%.

Concluded Liquidation Value

As reported previously in this report, the appraiser concluded that the as is market value of the subject property is $3,525,000, assuming a 12-month market period. Therefore, based on the discount estimated above, the **concluded liquidation value** of the subject property (assuming a 90-day marketing period) is concluded by the appraiser, as of ${eff\_date\_value}, is rounded as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| Type of Value | **Concluded As Is Market Value** | **Discount** | **Liquidation Value Conclusion** |
| Liquidation Value 90-day Premise) | $3,525,000 | 50% | **$2,350,000** |