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| Introduction |

Client and Intended Users of the Appraisal

${client\_name} is the client in this assignment. The intended users of this report are ${client\_name}, and its parent, affiliates, subsidiaries and assigns.

Intended Use of the Appraisal

The intended use of this appraisal is for loan underwriting and-or credit decisions.

Real Estate Identification

The subject property is located at ${address}, ${citystatezip}. The subject property is further identified by Assessor Parcel No. ${legal\_desc}.

Legal Description

The legal description is provided as part of the County Data records included in the report’s Addenda. We assume the legal description corresponds to the subject APN and property address.

Use of Real Estate as of the Effective Date of Value

As of the effective date of the appraisal, the subject reflected a vacant, single-tenant, Class B office building. However, the property recent sold in early January 2019 to a partial owner-user who plans to convert the building to two-tenant medical office use.

Use of Real Estate as of the Date of this Report

Same as above.

Ownership of the Property

According to public records, title to the subject property is vested in the name Modern Medical Experience, LLC (contact: Dr. Douglas Skarada, 503.508.2139). Note that the subject was recently purchased by the owners on January 4, 2019 for $2,450,000 ($337.93 per SF GBA) from J & C Tualatin, LLC. The terms were reportedly cash to the seller. A copy of the deed is contained in the Addenda of this report.

The subject property was actively listed by $2,645,000 ($364.83 per SF GBA) by Michael Diamond of Real Estate Investment Group (503.516.6210) and went under contract in August 2018, though the closing was delayed until early January 2019 to accommodate the seller. Overall, the total marketing time is indicated at 5 months, though would have been shorter had it not been for the seller’s request.

No other transactions involving the subject have occurred during the last three years.

West Suite 100 (3,820 SF NRA) will be owner-occupied by a related party entity – Modern Nose Clinic, which operates this clinic as a satellite operation for their Salem, OR-based main practice.

East Suite 200 (3,430 SF NRA) is leased to ActiveEDGE Physical Therapy & Sports Medicine, PC for a 7-year / 3-month term beginning February 1, 2019, with (1) 5-year option to extend at the then market rent. After an initial 3-months of rent abatement to allow for TI build-out, the contract rent begins May 1, 2019 at $7,875.00 ($27.55 / SF), absolute triple net, with fixed 3.0% annul escalations over the lease term. The space was leased in “as is” condition with the landlord providing a stated $37.00 per SF, plus half of the tenant’s permitting fees ($5,000). Note that the lease states a slightly larger NRA of 3,500 SF, which would result in total TI’s of $134,500 ($37 / SF x 3,500 SF + $5,000, or $39.21 / SF actual NRA). A more detailed analysis of the subject tenant lease will be provided later as part of the Income Approach. A copy of this lease is provided in the Addenda of this report.

Our analysis indicates the tenant’s contract rent is considered at market with no measurable leasehold interest. In addition, the owner will likely have a related party lease in place which would not be considered or analyzed in this appraisal. Overall, the market value of the fee simple and leased fee interests are considered equivalent.

History of the Property

According to tax assessment records the subject was constructed in 2008 as a good quality, single-tenant Class B office building that was built on a spec basis, and eventually sold to an owner-user which occupied the building for many years as the headquarters for the Oil Can Henry (mini-lube) chain. The building was purchased by the previous owner in December 2008 for $2,630,000 ($362.76 per SF GBA) including the roughly $300,000 ($41.38 per SF from a cold shell / $321.38 per SF shell price) in seller paid TI's. However, in 2017, the prior owner sold his franchise operation to Valvoline with this property sold as unneeded.

In the summer of 2018, the property was listed for sale and then sold in early January 2019 to a partial owner-user for conversion to two-tenant, medical office use. Upon completion the building will be demised as follows: 3,820 SF NRA (52.7%) owner-occupied by an allergy practice (Modern Nose Clinic); and 3,430 SF NRA (47.3%) leased to medical office (ActiveEDGE Physical Therapy & Sports Medicine; 7 years / 3 months starting February 1, 2019).

Prior uses are not certain, though the appraiser recollects that the general area was rural residential in nature.

Listings/Offers/Contracts

As of the effective date of value, the property is not listed for sale or lease, nor is it under contract for sale.

Type and Definition of Value

The purpose of this appraisal is to develop an opinion of the market value of the subject property. Market Value, as used in this appraisal, is defined as the most probable price that 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 are the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

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

The value conclusions apply to the value of the subject property under the market conditions presumed on the effective date(s) of value.

Please refer to the Glossary in the Addenda section for additional definitions of terms used in this report.

Date of Report

The date of this report is ${DueDate}, which is the same as the date of the letter of transmittal.

Valuation Scenarios, Property Rights  
Appraised, and Effective Dates of Value

Per the scope of our assignment we developed opinions of value for the subject property under the following value scenario:

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| --- | --- | --- | --- | --- |
| **Value Type** | **Value Premise** | **Value Perspective** | **Interest Appraised** | **Effective Date** |
| Market Value | As Is | Current | ${estateapp} | ${eff\_date\_value} |
| Market Value | At Completion | Prospective | ${proscompestapp} | ${proscomp\_dov} |
| Market Value | At Stabilization | Prospective | ${prosstabestapp} | ${prosstab\_dov} |

List of Items Requested but Not Provided

* None.

Assumptions and Conditions of the Appraisal

The value opinions reported herein are subject to the definitions, assumptions and limiting conditions, and certification contained in this report. The acceptance of this appraisal assignment and the completion of the appraisal report submitted are contingent on the following extraordinary assumptions and/or hypothetical conditions which may have impacted the assignment results:

Extraordinary Assumptions:

* None.

Hypothetical Conditions

* None.

1. Source: OCC, 12 CFR, Part 34, Subpart C-Appraisals 34.42 Definitions (g) [↑](#footnote-ref-1)