



## GLEN FOREST OFFICE PARK

Glen Forest Drive  
Richmond, Virginia 23226

### RESTRICTED APPRAISAL REPORT

Date of Value: March 1, 2025  
Colliers File #DCA250064



#### PREPARED FOR

Jack Sitt  
Gulf Islamic Investments LLC  
Emaar Square Building 4  
Suite 701  
Downtown Dubai, UAE

#### PREPARED BY

**COLLIERS INTERNATIONAL**  
**VALUATION & ADVISORY SERVICES**

May 28, 2025

Jack Sitt  
Glen Forest Holdings LLC  
c/o Sandeep Singhal  
Associate – Real Estate  
PO Box 215931  
Gulf Islamic Investments LLC  
Emaar Square Building 4  
Suite 701  
Downtown Dubai, UAE

**RE: Glen Forest Office Park**

Glen Forest Drive  
Richmond, VA 23226  
Colliers File #DCA250064

Dear Mr. Sitt:

At your request, we have prepared an appraisal providing our opinion of the "as is" market value of the leased fee interest in the above-referenced property. Based on the intended use and in consideration of the subject's physical and economic characteristics, we prepared an appropriate scope of work that provides for a credible market value opinion.

The subject is an office property (portfolio) totaling 566,203 square feet of net rentable area located on multiple parcels totaling 40.88-acre at Glen Forest Park in Richmond, Virginia. The portfolio consists of eleven office buildings, all with various net rentable areas that add up to the previously mentioned portfolio size. The portfolio currently is 83.7% occupied. The improvements for the portfolio were constructed between 1982 to 2001. The improvements range from two to four stories. At the request of the client, all eleven properties have been valued as a single economic unit.

Based upon the analyses set forth within this report, it is our opinion that the **"as is" market value** of the leased fee interest in the subject property, free and clear of financing, is:

**as of March 1, 2025: \$79,700,000**

This appraisal is not subject to any extraordinary assumptions or hypothetical conditions.

The following appraisal sets forth the most pertinent data gathered, the techniques employed, and the reasoning leading to the opinions of value rendered herein. The analyses, opinions and conclusions were developed based on, and this report has been prepared in conformance with, our interpretation of the guidelines and recommendations set forth in the Uniform Standards of Professional Appraisal Practice ("USPAP") and the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute. This is a restricted appraisal report as defined by the Uniform Standards of Professional Appraisal Practice under Standards Rule 2-2(b).

## RELIANCE LANGUAGE

The Appraisal is for the sole use of the Client; however, Client may provide only complete, final copies of the Appraisal report in its entirety (but not component parts) to third parties who shall review such reports in connection with the stated Intended Use. Colliers International Valuation & Advisory Services is not required to explain or testify as to appraisal results other than to respond to the Client for routine and customary questions. Please note that our consent to allow the Appraisal prepared by Colliers International Valuation & Advisory Services or portions of such Appraisal, to become part of or be referenced in any public offering, the granting of such consent will be at our sole and absolute discretion and, if given, will be on condition that Colliers International Valuation & Advisory Services will be provided with an Indemnification Agreement and/or Non-Reliance letter, in a form and content satisfactory to Colliers International Valuation & Advisory Services, by a party satisfactory to Colliers International Valuation & Advisory Services.

Colliers International Valuation & Advisory Services does consent to your submission of the reports to rating agencies, loan participants or your accountants/auditors in its entirety (but not component parts) without the need to provide Colliers International Valuation & Advisory Services with an Indemnification Agreement and/or Non-Reliance letter. Colliers International Valuation & Advisory Services hereby expressly grants to Client the right to copy the Appraisal and distribute it to employees of Client.

Our opinion of value reflects current conditions and the likely actions of market participants as of the date of value. It is based on the available information gathered and provided to us, as presented in this report, and does not predict future performance. Changing market or property conditions can and likely will have an effect on the subject's value.

The signatures below indicate our assurance to the client that the development process and extent of analysis for this assignment adhere to the scope requirements and intended use of the appraisal. If you have any specific questions or concerns regarding the attached appraisal report, or if Colliers International Valuation & Advisory Services can be of additional assistance, please contact the individuals listed below.

Thank you for the opportunity to be of service.

Respectfully submitted,

## DRAFT

John T. Farrell, MAI, AI-GRS  
Managing Director  
VA State Certified General  
Real Estate Appraiser #4001017456

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## Executive Summary

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### EXECUTIVE SUMMARY

#### Property Data

##### Property Name

Address

County

Metropolitan Statistical Area

Ownership Entity

Property Tax Parcel ID

##### Glen Forest Office Park

1802 Bayberry Court (among others)

Richmond, VA

Henrico

Richmond, VA

Jack Sitt Realty LLC / Gulf Islamic Investments LLC

762-746-8956, 763-745-4368, 764-745-7040, 764-745-2062, 763-745-8463, 763-745-5117, 763-745-9923, 763-746-3926, 762-746-9310, 764-747-6909, and 765-748-1932

#### Appraisal Data

##### Interest Appraised

Leased Fee

##### Effective Valuation Date

3/1/2025

##### Highest & Best Use - As Vacant

Development of an office property as market conditions warrant

##### Highest & Best Use - As Improved

Continued use as a mid-rise office property

#### Physical Data

##### Land Area (Acres)

40.88

##### No. of Buildings

11

##### No. of Stories

2-4

##### Gross Building Area

567,000

##### Rentable Building Area

566,203

##### Occupancy

83.7%

##### Year Built

1982-2001

##### Zoning

O-3C, R-6C, M-1

##### Property Condition

Average

#### "AS IS" MARKET VALUE

##### Total

##### \$/SF

##### Income Capitalization Approach

\$79,700,000

\$140.76

##### Sales Comparison Approach

\$79,300,000

\$140.06

##### Cost Approach

Not Used

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#### Reconciled Market Values

##### Total

##### \$/SF

#### "AS IS" MARKET VALUE

**\$79,700,000**

**\$140.76**

##### Estimated Exposure Time

12 Months or less

## Appraisal Introduction

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### IDENTIFICATION OF THE SUBJECT PROPERTY

The subject is an office property (portfolio) totaling 566,203 square feet of net rentable area located on multiple parcels totaling 40.88-acre at Glen Forest Park in Richmond, Virginia. The portfolio consists of eleven office buildings, all with various net rentable areas that add up to the previously mentioned portfolio size. The portfolio currently is 83.7% occupied. The improvements for the portfolio were constructed between 1982 to 2001. The improvements range between two to four stories. At the request of the client, all eleven properties have been valued as a single economic unit.

### MULTIPLE PARCEL SITE DESCRIPTION GRID

| Address             | PARCEL       | USABLE           |              | TOTAL            |              | SHAPE       | ACCESS  | EXPOSURE | FLOOD PLAIN       |
|---------------------|--------------|------------------|--------------|------------------|--------------|-------------|---------|----------|-------------------|
|                     |              | SF               | AC           | SF               | AC           |             |         |          |                   |
| 1802 Bayberry Ct    | 762-746-8956 | 273,121          | 6.27         | 273,121          | 6.27         | Irregular   | Average | Average  | Zone X (Unshaded) |
| 1700 Bayberry Ct    | 763-745-4368 | 138,085          | 3.17         | 138,085          | 3.17         | Irregular   | Average | Average  | Zone X (Unshaded) |
| 7100 Forest Ave     | 764-745-7040 | 121,097          | 2.78         | 121,097          | 2.78         | Irregular   | Average | Average  | Zone X (Unshaded) |
| 7201 Glen Forest Dr | 764-745-2062 | 121,968          | 2.80         | 121,968          | 2.80         | Rectangular | Average | Average  | Zone X (Unshaded) |
| 7275 Glen Forest Dr | 763-745-8463 | 108,464          | 2.49         | 108,464          | 2.49         | Irregular   | Average | Average  | Zone X (Unshaded) |
| 7231 Forest Ave     | 763-745-5117 | 139,392          | 3.20         | 139,392          | 3.20         | Irregular   | Average | Average  | Zone X (Unshaded) |
| 7229 Forest Ave     | 763-745-9923 | 243,065          | 5.58         | 243,065          | 5.58         | Irregular   | Average | Average  | Zone X (Unshaded) |
| 1801 Bayberry Ct    | 763-746-3926 | 257,440          | 5.91         | 257,440          | 5.91         | Irregular   | Average | Average  | Zone X (Unshaded) |
| 1800 Bayberry Ct    | 762-746-9310 | 190,357          | 4.37         | 190,357          | 4.37         | Irregular   | Average | Average  | Zone X (Unshaded) |
| 2701 Emerywood Pkwy | 764-747-6909 | 138,085          | 3.17         | 138,085          | 3.17         | Irregular   | Average | Average  | Zone X (Unshaded) |
| 2601 Willard Rd     | 765-748-1932 | 49,658           | 1.14         | 49,658           | 1.14         | Irregular   | Average | Average  | Zone X (Unshaded) |
| <b>TOTAL</b>        |              | <b>1,780,733</b> | <b>40.88</b> | <b>1,780,733</b> | <b>40.88</b> |             |         |          |                   |

### CLIENT & INTENDED USERS

The appraisal is prepared for the client, Gulf Islamic Investments, which is also the sole intended user.

### PURPOSE & INTENDED USE OF APPRAISAL

The purpose of this appraisal is to provide an opinion of the "as is" market value of the leased fee interest in the property. The intended use of this appraisal is for financial reporting purposes.

### PROPERTY RIGHTS APPRAISED

We have appraised the leased fee interest in the subject property. According to the Dictionary of Real Estate Appraisal, Seventh Edition:

Leased fee interest is defined as "a freehold (ownership interest) where the possessory interest has been granted to another party by the creation of a contractual landlord-tenant relationship (i.e., a lease)."

## EFFECTIVE DATE OF APPRAISAL

The effective date of the opinion of value is March 1, 2025.

## OWNERSHIP HISTORY

The subject consists of eleven parcels that are currently recorded under different owners. The multiple core-plus office portfolio is currently recorded in the names of Jack Sitt Realty and Gulf Islamic Investments. Both parties acquired the property on December 1st, 2021 for \$87,000,000. We are not aware of any other sales, contracts, offers, or listings of the subject property in the three years preceding the date of value.

## DEFINITION OF 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:

- Buyer and seller are typically motivated;
- Both parties are well informed or well advised, and acting in what they consider their 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 sales concessions granted by anyone associated with the sale." <sup>1</sup>

## EXTRAORDINARY ASSUMPTIONS & HYPOTHETICAL CONDITIONS

An extraordinary assumption is an assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions. 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. If the extraordinary assumptions are not in fact true, we reserve the right to revise our complete appraisal. *No extraordinary assumptions were utilized in this appraisal.*

A hypothetical condition is that which is contrary to what exists but is supposed for the purpose of analysis. Hypothetical conditions assume conditions contrary to known facts 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. *No hypothetical conditions were assumed in this appraisal.*

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<sup>1</sup> The Dictionary of Real Estate Appraisal, Seventh Edition, 2022, Page 118

## EXPOSURE TIME

Current appraisal guidelines require an estimate of a reasonable time period in which the subject property could be brought to market and sold. This reasonable time frame can either be examined historically or prospectively. In a historic analysis, this is referred to as exposure time. Exposure time always precedes the date of value with the underlying premise being the time a property would have been on the market prior to the date of value, such that it would sell at its appraised value as of the date of value. On a prospective basis, the term marketing time is most often used. The exposure or marketing time is a function of price, time, and use. It is not an isolated estimate of time alone. It is different for various types of real estate and under various market conditions. In consideration of these factors, we have analyzed comparable sales, investor surveys, and the opinions of market participants.

Based on this analysis, we have concluded that an exposure time of **12 months or less** would be considered reasonable for the subject property. This exposure time reflects current economic conditions, current real estate investment market conditions, the terms and availability of financing for real estate acquisitions, and property- and market-specific factors. It assumes that the subject property is (or has been) actively and professionally marketed.

## Scope of Work

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According to the Uniform Standards of Professional Appraisal Practice (“USPAP”), it is the appraiser's responsibility to determine the appropriate scope of work. USPAP defines the scope of work as “the amount and type of information researched and the analysis applied in an assignment.” The scope of work for this analysis includes, but is not limited to, the following:

- the degree to which the property is inspected or identified;
- the extent of research into physical or economic factors that could affect the property;
- the extent of data research; and
- the type and extent of analysis applied to arrive at opinions or conclusions.

**Market Area and Analysis of Market Conditions** – An analysis of market conditions has been made, including an analysis of similar properties, price levels, market rents, and associated metrics.

**Highest and Best Use Analysis** – An analysis of highest and best use was made and is reported herein. Physically possible, legally permissible, and financially feasible uses were considered, and the maximally productive use was concluded.

**Procedures and Service** – The specific tasks and scope of data collection and analysis that were completed were as follows:

- Analyzed tax and zoning information related to the subject property;
- Completed a highest and best use analysis of the subject property in accordance with current zoning regulations;
- Analyzed the local economy and surrounding market area to determine whether external macroeconomic factors would affect the marketability of the subject;
- Analyzed rental rates for comparable properties listed in the market;
- Analyzed sales transactions of similar properties in the application of the sales comparison approach;
- Applied the discounted cash flow method as part of the income capitalization approach;
- Reconciled a final conclusion of value for the subject property as of the effective date of appraisal.

## Office Market Analysis

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The subject property is located in the Glenside/Broad St submarket, within the Richmond VA office market. The following table gives a current snapshot of key indicators for both the submarket and the overall market.

| Indicator                 | CURRENT SNAPSHOT            |                           |
|---------------------------|-----------------------------|---------------------------|
|                           | Glenside/Broad St Submarket | Richmond VA Office Market |
| Inventory (No. Buildings) | 130                         | 3,519                     |
| Inventory (SF)            | 5,128,398                   | 68,719,616                |
| % of Total Market         | 7.5%                        | ---                       |
| Under Construction (SF)   | 0                           | 890,490                   |
| Vacancy Rate              | 15.9%                       | 8.8%                      |
| Total SF Available        | 952,382                     | 6,889,824                 |
| % of Inventory Available  | 18.6%                       | 10.0%                     |
| Average Base Rent         | \$20.24                     | \$22.23                   |

*Source for all tables and charts in this section: CoStar*

As shown in the table above, the Glenside/Broad St submarket has a total inventory of 5,128,398 square feet over 130 buildings, comprising 7.5% of the Richmond VA office market inventory.

The current vacancy rate in the submarket (15.9%) is 7.1% higher than the overall market (8.8%). The Glenside/Broad St submarket accounts for 13.8% of the total inventory currently available for lease and sublease in the overall market.

The average base rent in the subject's submarket is 9.0% lower than the Richmond VA market.

According to CoStar, Richmond's office market remains in fundamental balance in the opening months of the year. While the market isn't immune from the demand-side pressure visible nationally, Richmond's limited speculative office construction coupled with the market's more stable office-using tenant base has insulated the market from dramatic upswings in vacancy seen elsewhere in the nation. The market's vacancy and availability rates have trended well below the national average, and with very few supply-side pressures imminent, much of the same is expected in 2025.

With demand for Richmond's office space continuing to move outside the city's limits over the past 12 months, district-adjacent subregions and suburban office areas in Richmond have seen positive demand. Subregions such as the Innsbrook, Parham area, and North Broad Street Corridor have seen at least 40,000 square feet of office space absorbed over the past 12 months, while the CBD has seen demand shrink over 200,000 square feet over the same period.

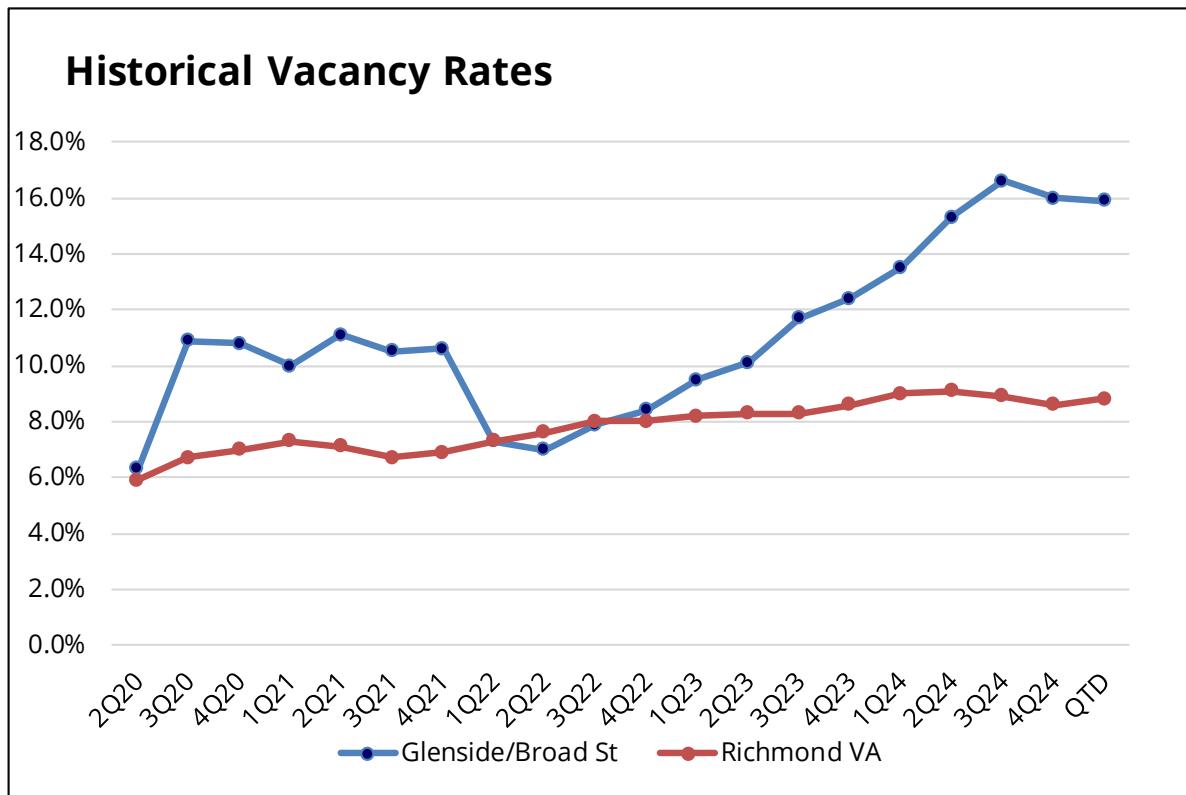
Supply growth remains restrained, though, especially in terms of speculative development. CoStar's two-building, 750,000 square foot expansion at its owned campus accounts for three-quarters of the 880,000 square feet of office space currently under construction in the market. Other prominent office projects have mostly been related to the medical office sector and master-planned mixed-use developments. An example is OrthoVirginia's 77,000 square foot medical office project located in the Midlothian area, which wrapped up in September 2024. Given the fact that nearly all of the market's pipeline is accounted for, any effect of supply additions over the near term will likely be minimal.

Richmond's office market's relative stability and lack of supply-side pressure have kept asking rents growing at a rate that has outpaced the national average over the past 12 months. Additionally, at 1.1% growth, asking rents have grown at a pace in line with the market's long-term average. Office rents in Richmond come in at a significant discount compared to the rest of the nation, even for higher quality space. However, sluggish demand more recently has made it difficult for office owners to replicate the gains seen in early 2023, when rent growth peaked at around 6.8%. With demand expected to remain positive in the year's opening months, rent gains will likely be flat or marginally positive over the same period.

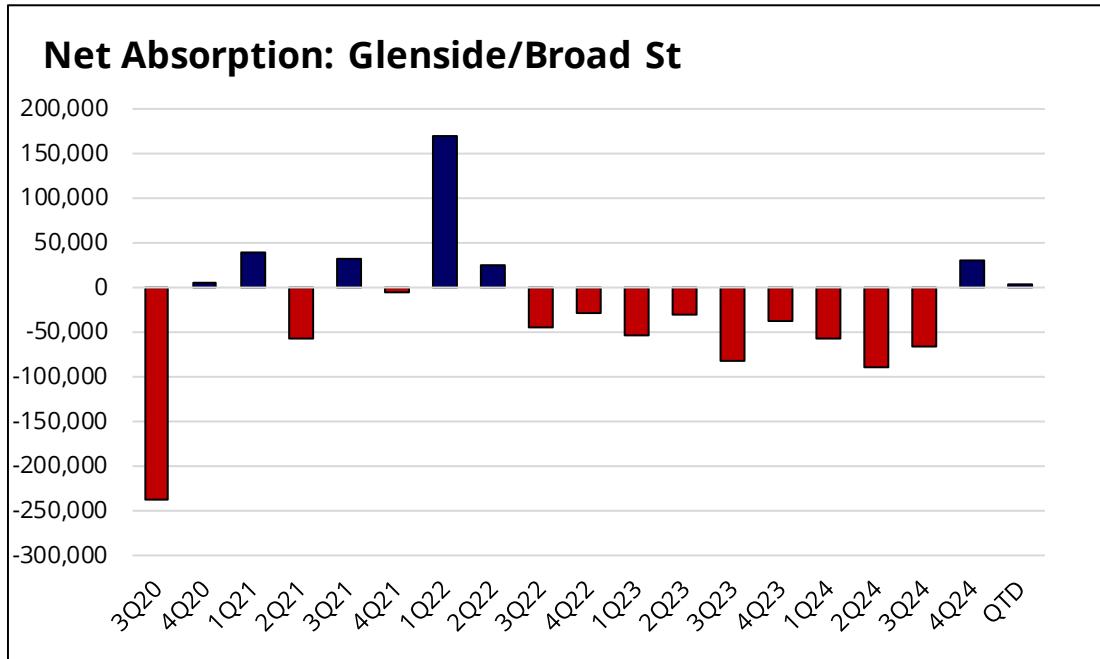
Larger move-outs, which are expected to be minimal over the near term, and the lack of speculative office construction should keep Richmond's office fundamentals relatively stable over the next 12 months.

## VACANCY & ABSORPTION

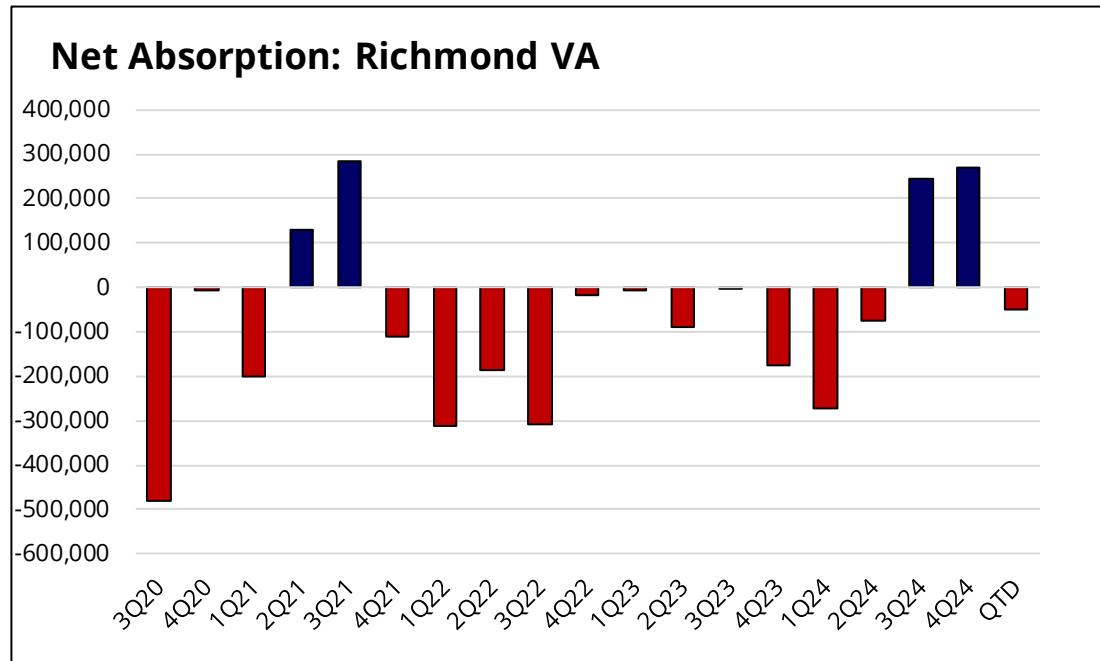
Over the previous five years, the subject's Glenside/Broad St submarket experienced an average vacancy rate of 11.1%, as compared to the Richmond VA market, which had a lower average vacancy rate of 7.8%. In the previous four quarters the average vacancy rate in the Glenside/Broad St submarket was 15.4%. The overall trend in the past five years has been increasing vacancy rates in the submarket. The Richmond VA market has experienced increasing vacancy rates over the past five years and has an average vacancy rate of 8.9% over the previous four quarters.



The subject's Glenside/Broad St submarket experienced negative net absorption of 120,783 square feet over the trailing four quarters. The overall market experienced a positive net absorption of 387,243 square feet over the same period.



Over the previous five-year period, the Glenside/Broad St submarket had an average negative net absorption of 479,953 square feet. Over the same period, the overall market experienced a negative net absorption of 1,360,422 square feet. The past four quarters have shown signs of improvement in absorption trends in the submarket and in the overall market.



Richmond's office vacancy rate has been flat over the past 12 months as office users in the market continued to evaluate their office footprints. An example of this trend is the Department of Social Services' decision to relocate from its multiple offices in the North Broad Street submarket and its commitment to consolidate and move into the Richmond Times Dispatch building near Richmond's downtown. The public administrative service is expected to have occupied the 113,000 square foot space in September 2024. However, the rebound in demand in the second half of 2024 offset much of the impact move-outs from the year's first half had on the market's fundamental balance.

State and its local government agencies and professional service firms have driven much of the leasing activity over the past twelve months. In addition to the Virginia Department of Social Services' commitment to 113,000 square feet in the Richmond Times-Dispatch building in April 2024, regional law firm Williams Mullen renewed its commitment to 140,588 square feet in the market's CBD in June 2024, marking the second-largest office deal done in the market in the past four years after government services provider, Maximus, renewed its committed to 158,000 square feet in the Chester area in May 2023.

The medical office segment continued to draw consistent demand in 2024. This is fairly evident when comparing vacancy changes among medical office properties to the combined vacancies in all other office categories. By the close of 2024, medical office vacancies in Richmond were at 8.0%, while the combined vacancy rate for all other office categories was around 9%.

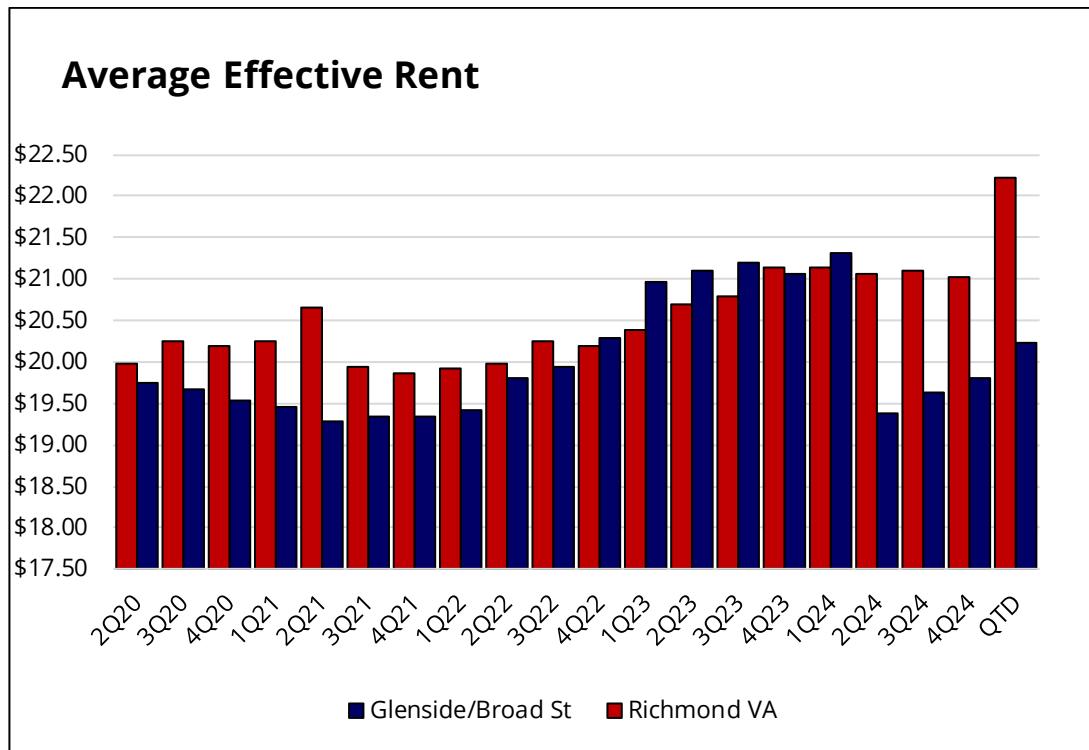
Regarding sublet space, its availability has shrunk significantly and, as of the of the year's opening months, accounted for only 10% of the market's available space compared to 13% in the first quarter of 2024. Given the recent subleases that have been signed over the past twelve to 18 months, including CoStar Group's renewed commitment to over 85,000 square feet of space at Riverfront Plaza in Downtown Richmond until 2026, the wall of sublet availability that landlords are facing locally isn't quite as daunting as it was a few years ago. Just 760,000 square feet of sublease space is available, which is well below the all-time high of 1.3 million square feet that the market registered in mid-2021.

Despite the string of negative net absorption stemming from office relocations, Richmond is likely to remain one of the most insulated office markets from supply-side pressures in the near term. With just 890,000 square feet underway and more than 90% of that space already committed to, supply-based vacancy expansion isn't expected to be pronounced in the coming quarters. Thus, fluctuations in the metro's fundamentals will likely stem more from changes to existing tenant relocations and resizing than from the introduction of new supply.

**RENT**

The current average effective rent in the subject's Glenside/Broad St submarket is \$20.24 per square foot, 9.0% lower than the overall market rent of \$22.23 per square foot.

Over the previous five years, both the Glenside/Broad St and Richmond VA markets have experienced a trend of increasing average rents. The average rent over this period in the Glenside/Broad St submarket was \$20.03 as compared to the Richmond VA market with an average rent of \$20.55.



Asking rents have grown in Richmond over the past 12 months, albeit minimally, as available quality office space remains hard to find. That growth, although minimal, hasn't entirely been linked to market performance, though. Instead, it's been due to ownership groups passing on their share of increased operating costs to tenants. According to local market participants, some tenants have been presented with renewal increases that approach 10%, depending on the structure of the lease and the last time a renewal was presented.

Most office landlords in Richmond have not raised rates over the past 12 months; however, the availability of quality space in Richmond is well below the national average, giving landlords leverage to pass along those costs rather than nominally raise rents. After all, since many employers are doing more with less space, prioritizing, boosting, and maintaining occupancy has been at the forefront for most landlords.

Average asking rents in Richmond are by far the most affordable among its regional neighbors such as Durham, Raleigh, Charlotte, and Washington, D.C., as of the year's opening months. Richmond's affordability, especially for high-quality space, remains a competitive advantage along this stretch of the I-95 corridor.

The combination of an affordable office market and access to a well-educated workforce has been a driving force in attracting tenants to Richmond over the past few years. That has played a significant role in keeping dramatic upswing in the market's vacancy rate in check, which has kept asking rent growth in line with the market's long-term average. Yet, affordability has also potentially stunted spec development, as the delta between the cost of high-quality space now and what a landlord would need to charge for a new build can be pretty far apart.

Among the market's newest office space, in Manchester, the mixed-use development known as The Current has a 65,000 square foot office component. The property, developed by locally based Lynx Ventures, is the Richmond metro's newest multi-tenant office building of at least 50,000 square feet featuring asking rents of about \$34 per square foot full service as of the year's opening months. The average rate among the nation's highest quality space is \$48.00 per square foot.

Although rent gains are expected to be minimal over the medium term, the market's fundamental stability should keep leverage leaning toward office landlords over the same period.

## DELIVERIES

Office development has picked up the pace in Richmond as build-to-suits continue to move the needle from a nominal perspective. With about 890,000 square feet underway, the under-construction pipeline has risen to four-year highs. Yet, given that the overwhelming majority of the space underway has already been committed to, supply-side pressures remain limited.

CoStar broke ground on a two-building, 750,000 square foot expansion in Downtown Richmond in June 2023. The groundbreaking signified the most recent expansion of the firm's Richmond-based research and technology center, featuring a 26-story, 425-foot LEED-certified tower and a six-story, mass-timber multipurpose building. With completion slated for early 2026, CoStar has already begun ramping up the hiring process and is expected to bring on an additional 2,000 employees over that period. The campus is expected to house more than 3,000 employees at full build-out.

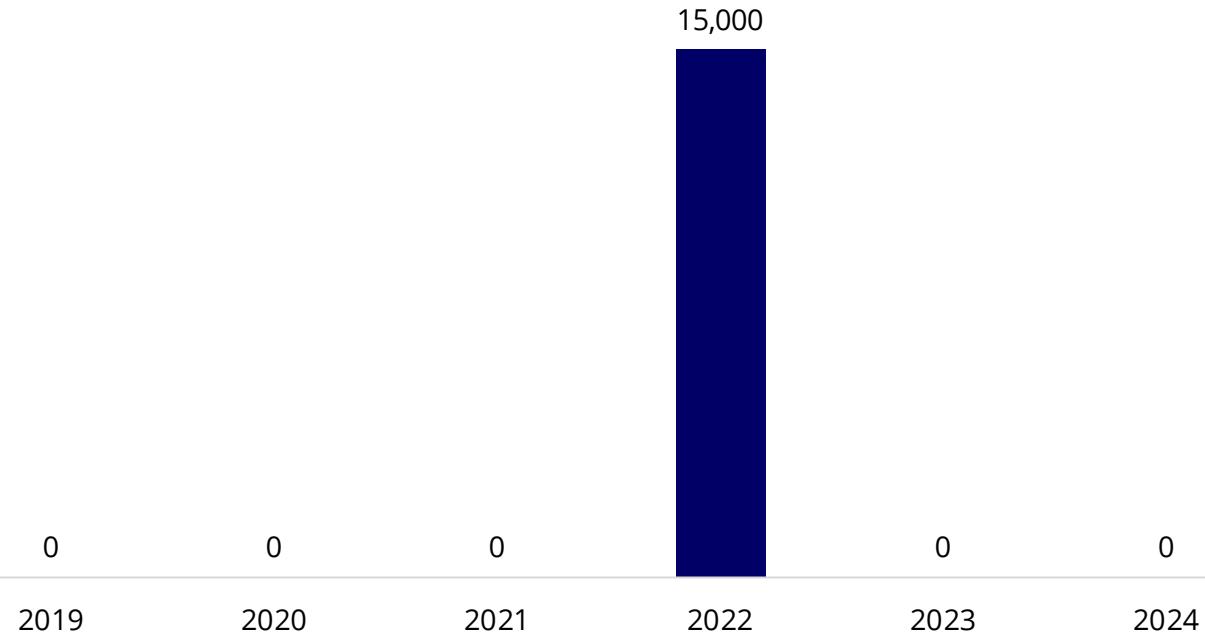
On the contrary, speculative office development has been minimal. One of the biggest hindrances to the area's multi-tenant, speculative office development is the gap between asking rents for top-quality space in Richmond and what an ownership group would need to charge for new construction. For example, some of the highest-quality spaces throughout the Richmond metro can be leased for around \$25-\$35 per square foot full service. However, owners would likely need to charge more than \$40 per square foot for most new builds to make the financials work. That delta alone may deter future development, especially in the current macro conditions of high capital costs and tough lending conditions.

Medical office developers have continued to eye Richmond for future development, though. Among recent deliveries, specifically in the Mechanicsville Submarket, construction wrapped up in March 2024 at one of Virginia Women's Center's newest Richmond locations. The development totals 44,000 square feet and is 100% occupied by the organization.

The arrival of sizable, multi-tenant office buildings is even more infrequent, which is why adding buildings like The Current, a mixed-use development located in the Jefferson Davis Corridor Submarket, is noteworthy. After all, the overall lack of new supply has somewhat hindered the metro's ability to attract move-ready companies in recent years, especially since only five multi-tenant buildings of at least 50,000 square feet have come on line here since 2018. Three of those assets are medical office buildings, as well.

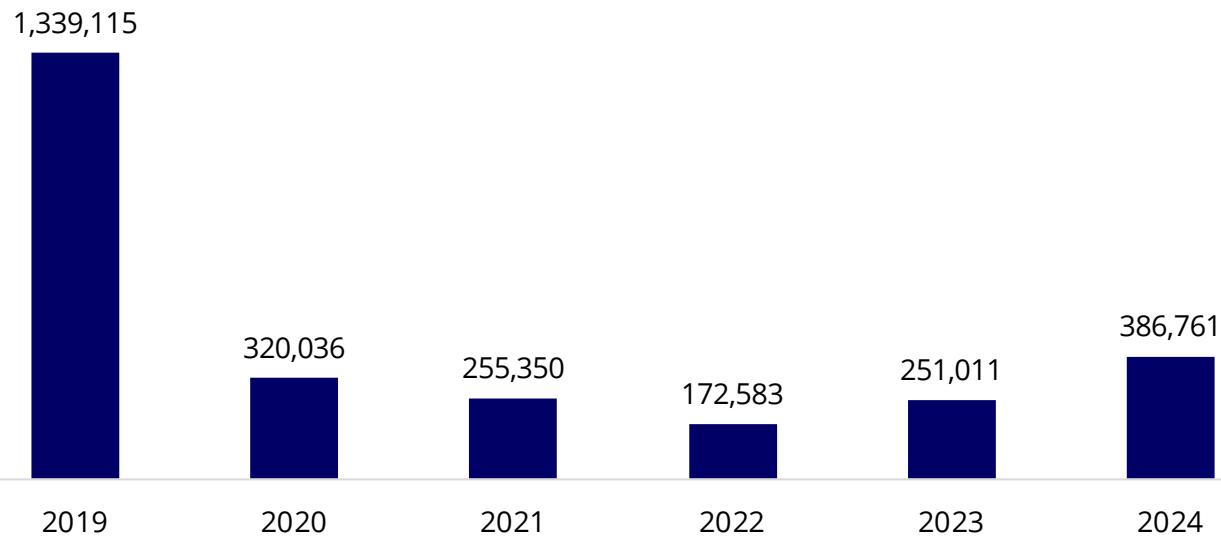
In 2024, the Glenside/Broad St submarket has not delivered any new inventory. Since 2019, the Glenside/Broad St submarket has delivered one building with a total of 15,000 square feet.

### Deliveries (SF): Glenside/Broad St Office Submarket



In 2024, the Richmond VA office market has delivered nine buildings with a total of 386,761 square feet. Since 2019, the office market has delivered 79 buildings with a total of 2,724,856 square feet.

### Deliveries (SF): Richmond VA Office Market



## SALES ACTIVITY

CoStar reports that institutional and private equity office investors have grown more reluctant to take part in Richmond's office sector, which is fairly apparent when looking at trailing four-quarter sales volume, which came in at \$295 million, about 80% below the peak trailing four-quarter sales volume observed in late 2021.

Around 65% of all office sales over the past 12 months have involved a private buyer, as macro conditions keep institutional-level investment and private equity groups on the sidelines in Richmond. However, office users have driven over a quarter of the sales volume done in Richmond over the same period. A recent example of this happened early 2024 when the 160,000 square foot office building, formerly Owens & Minor, Inc. headquarters building at 9120 Lockwood Boulevard, changed hands. Owens & Minor, Inc. sold the four-story, 2006-built office property for just over \$33.5 million (\$209.38 per square foot). The Commonwealth of Virginia purchased the building with the expectation that it would serve as the office for the Virginia Department of Transportation, which is expected to occupy the building fully in the early parts of this year. Office users will likely continue contributing to sales volume in the near term as regional office operations cope with the lack of quality space in Richmond and take advantage of the opportunity to buy vacant office buildings in the market.

The medical office sector remains a bright spot, given the stickiness of the tenant base due to heightened build-out costs and relatively stable rent growth among this category. Investors have remained steadfast in acquiring these assets in Richmond due to its cash flow visibility amid economic uncertainty. In 2024, over 30 medical office buildings traded for the third year in a row. While that total came in below 44 deals in 2022, the decline in activity within this segment has not been nearly as pronounced as the demand for traditional office space.

Additionally, smaller deals are most common in Richmond. Since the beginning of 2015, about 90% of all office deals have been for less than \$5 million, and about half of those deals involved less than 10,000 square foot office assets. Many of the most recent examples of these deals involved private-ownership groups purchasing medical office assets, one being locally-based Kinloch Capital's purchase of a 9,500 square foot medical office in the West End area for around \$2.5 million. Although these sized deals don't usually move the needle from a volume perspective, the frequency of these smaller deals has kept sales counts in line with the market's long-term annual average of sales.

Given the current macro environment and the market's recent performance fundamentally, CoStar forecasts that deal flow in Richmond will likely remain subdued over the near term as other office markets in the region, such as Charlotte and Raleigh, where landlords have commanded higher asking rent, offer larger returns than the Richmond office sector.

## Zoning Analysis

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### Office and Institutional District (O-3C)

| ZONING SUMMARY                           |  |
|--|--|
| <b>Municipality Governing Zoning</b>     | Henrico County Planning & Zoning Department  |
| <b>Current Zoning</b>                    | Office and Institutional District (O-3C)   |
| <b>Permitted Uses</b>                    | Permitted Uses include a wide range of office and institutional uses, as well as some limited commercial and retail uses. Permitted uses include general and medical offices, research and development facilities, laboratories, government facilities, and educational institutions. Retail uses are limited to a maximum of 10% of the total floor area of the building. |
| <b>Prohibited Uses</b>                   | Any other use not listed as permitted nor compatible with the district purpose and intent.   |
| <b>Current Use</b>                       | Office   |
| <b>Is Current Use Legally Permitted?</b> | Yes  |
| <b>Zoning Change</b>                     | Not Likely   |
| ZONING REQUIREMENTS                      |  |
| <b>Conforming Use</b>                    | The existing improvements represent a conforming use within this zone  |
| <b>Maximum Lot Coverage</b>              | 50%  |
| <b>Maximum Building Height (Feet)</b>    | 75   |
| <b>Minimum Lot Size</b>                  | 43560 Square Feet  |
| <b>Parking Requirement</b>               |  |
| Spaces Per 1,000 SF                      | 3.00   |
| Spaces Required                          | 1,690  |

Source: Henrico County Planning & Zoning Department

### Residential and Limited Commercial Use (R-6C)

| ZONING SUMMARY                           |   |
|--|---|
| <b>Municipality Governing Zoning</b>     | Henrico County Planning & Zoning Department   |
| <b>Current Zoning</b>                    | Residential and Limited commercial Uses (R-6C)  |
| <b>Permitted Uses</b>                    | Permitted uses under the R-6C zoning classification include single-family detached and attached homes, two-family (duplex) homes, townhouses, child care homes, and community gardens. Limited commercial uses such as home occupations, bed and breakfasts, and group homes are also allowed under certain conditions. |
| <b>Prohibited Uses</b>                   | Any other use not listed as permitted nor compatible with the district purpose and intent.  |
| <b>Current Use</b>                       | Office  |
| <b>Is Current Use Legally Permitted?</b> | No  |
| <b>Zoning Change</b>                     | Not Likely  |

**ZONING REQUIREMENTS**

|                                       |   |
|---------------------------------------|---|
| <b>Conforming Use</b>                 | The existing improvements do not represent a conforming use |
| <b>Minimum Yard Setbacks</b>          |   |
| Front (Feet)                          | 20  |
| Rear (Feet)                           | 25  |
| <b>Maximum Lot Coverage</b>           | 35%   |
| <b>Maximum Building Height (Feet)</b> | 35  |
| <b>Parking Requirement</b>            | 3.0   |

Source: Henrico County Planning &amp; Zoning Department

**Industrial Zoning District (M-1)****ZONING SUMMARY**

|  |  |
|--|--|
| <b>Municipality Governing Zoning</b>     | Henrico County Planning & Zoning Department  |
| <b>Current Zoning</b>                    | Industrial zoning District (M-1)   |
| <b>Permitted Uses</b>                    | Manufacturing and production facilities, including assembly, fabrication, and processing. Warehousing and storage facilities. Wholesale and distribution centers. Research and development facilities. Office and administrative facilities. Retail sales of products that are produced on-site, as long as they are incidental to the primary industrial use. |
| <b>Prohibited Uses</b>                   | Any other use not listed as permitted nor compatible with the district purpose and intent.   |
| <b>Current Use</b>                       | Office   |
| <b>Is Current Use Legally Permitted?</b> | Yes  |
| <b>Zoning Change</b>                     | Not Likely   |

**ZONING REQUIREMENTS**

|                                       |   |
|---------------------------------------|---|
| <b>Conforming Use</b>                 | The existing improvements represent a conforming use within |
| <b>Minimum Yard Setbacks</b>          |   |
| Front (Feet)                          | 35  |
| Rear (Feet)                           | 25  |
| <b>Maximum Lot Coverage</b>           | 75%   |
| <b>Maximum Building Height (Feet)</b> | 100   |
| <b>Parking Requirement</b>            | 1 per 300 SF of GBA   |

Source: Henrico County Planning &amp; Zoning Department

The subject's use is permitted outright by the zoning; however, it does not conform to certain specific zoning requirements as detailed above. If the subject were destroyed unintentionally, the site could be redeveloped with the same use; however, the overall design and site placement would have to be adjusted to conform to current zoning requirements.

The appraisers are not experts in the interpretation of complex zoning ordinances. Please note that the determination of compliance is beyond the scope of a real estate appraisal. It is recommended that local planning and zoning personnel be contacted regarding more specific information that might be applicable to the subject.

## Assessed Value & Real Estate Taxes

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The subject property is identified by Henrico County by parcel numbers 762-746-8956, 763-745-4368, 764-745-7040, 764-745-2062, 763-745-8463, 763-745-5117, 763-745-9923, 763-746-3926, 762-746-9310, 764-747-6909, and 765-748-1932. Real estate taxes in this jurisdiction represent ad valorem taxes, meaning a tax applied in proportion to value. The following table shows the subject's current tax summary.

| CURRENT TAX SUMMARY |                     |                    |                     |                     |               |                  |                   |                  |
|---------------------|---------------------|--------------------|---------------------|---------------------|---------------|------------------|-------------------|------------------|
| Parcel ID           | Address             | 2025               |                     |                     |               |                  |                   |                  |
|                     |                     | Land Assessment    | Building Assessment | Total Assessment    | Tax Rate      | Ad Valorem Taxes | Direct Assessment | Total Taxes      |
| 762-746-8956        | 1802 Bayberry Ct    | \$1,217,900        | \$11,892,400        | \$13,110,300        | 0.850%        | \$111,438        | \$0               | \$111,438        |
| 763-745-4368        | 1700 Bayberry Ct    | \$615,300          | \$5,418,600         | \$6,033,900         | 0.850%        | \$51,288         | \$0               | \$51,288         |
| 764-745-7040        | 7100 Forest Ave     | \$540,100          | \$5,266,000         | \$5,806,100         | 0.850%        | \$49,352         | \$0               | \$49,352         |
| 764-745-2062        | 7201 Glen Forest Dr | \$543,600          | \$1,804,400         | \$2,348,000         | 0.850%        | \$19,958         | \$0               | \$19,958         |
| 763-745-8463        | 7275 Glen Forest Dr | \$483,400          | \$3,716,100         | \$4,199,500         | 0.850%        | \$35,696         | \$0               | \$35,696         |
| 763-745-5117        | 7231 Forest Ave     | \$622,300          | \$5,879,900         | \$6,502,200         | 0.850%        | \$55,269         | \$0               | \$55,269         |
| 763-745-9923        | 7229 Forest Ave     | \$1,084,300        | \$3,311,600         | \$4,395,900         | 0.850%        | \$37,365         | \$0               | \$37,365         |
| 763-746-3926        | 1801 Bayberry Ct    | \$1,147,600        | \$11,222,000        | \$12,369,600        | 0.850%        | \$105,142        | \$0               | \$105,142        |
| 762-746-9310        | 1800 Bayberry Ct    | \$849,000          | \$7,205,200         | \$8,054,200         | 0.850%        | \$68,461         | \$0               | \$68,461         |
| 764-747-6909        | 2701 Emerywood Pkwy | \$615,900          | \$2,900,100         | \$3,516,000         | 0.850%        | \$29,886         | \$0               | \$29,886         |
| 765-748-1932        | 2601 Willard Rd     | \$222,800          | \$678,100           | \$900,900           | 0.850%        | \$7,658          | \$0               | \$7,658          |
| <b>TOTAL</b>        |                     | <b>\$7,942,200</b> | <b>\$59,294,400</b> | <b>\$67,236,600</b> | <b>0.850%</b> | <b>\$571,511</b> | <b>\$0</b>        | <b>\$571,511</b> |

The subject property's 2025 tax burden was \$571,511, or \$1.01 per square foot. As part of the scope of work, we researched assessment and tax information related to the subject property. The following are key factors related to local assessment and taxation policy. Real property in Henrico County is assessed at 100% of market value. Real property is not reassessed on a specific frequency. In addition to scheduled reassessments, properties in Henrico County are reassessed upon conversion, renovation or demolition.

To mirror the approach an investor would employ in their underwriting, we have elected to apply 100% of the "as is" market value to determine the tax burden in the discounted cash flow analysis. Therefore, the taxes in our analysis are projected to be \$680,000, or \$1.20 per square foot, in Year 1 of the cash flow.

## Income Capitalization Approach

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The income capitalization approach is a method of converting the anticipated economic benefits of owning real property into a value through the capitalization process. It is based on the premise that value is created by the expectation of future benefits. This approach requires an estimation of the net operating income of a property. The estimated net operating income is then converted to a value indication by use of either the direct capitalization method or the discounted cash flow analysis (yield capitalization).

The discounted cash flow (DCF) analysis focuses on the operating cash flows expected from the property and the anticipated proceeds of a hypothetical sale at the end of an assumed holding period. These amounts are then discounted to their present value. The discounted present values of the income stream and the reversion are added to obtain a value indication. Because benefits to be received in the future are worth less than the same benefits received in the present, the DCF analysis weighs income projected in the early years of the holding period more heavily than the income and the sale proceeds received in the latter portion of the projection period.

Direct capitalization uses a single year's stabilized net operating income as a basis for a value indication. It converts estimated "stabilized" annual net operating income (NOI) to a value indication by dividing the NOI by a capitalization rate. The chosen capitalization rate includes a provision for recapture of the investment and should reflect all factors that influence the real property value, such as tenant quality, property condition, neighborhood change, market trends, interest rates, and inflation trends. The capitalization rate can be inferred from local market transactions, or when transaction evidence is lacking, obtained from various sources such as interviews with market participants, national investor surveys, and band of investment analysis.

The direct capitalization method is normally more appropriate for properties with relatively stable operating histories and expectations. The DCF analysis is more appropriate for investment properties with multiple or long-term leases, particularly leases with cancellation clauses or renewal options, and especially in volatile markets.

In appraising the subject property, a market value estimate has been determined by using the discounted cash flow method of the income approach.

### OCCUPANCY & ABSORPTION

As of the date of value, the subject property was 83.7% occupied.

| OCCUPANCY SUMMARY |             |                |
|-------------------|-------------|----------------|
|                   | %           | Square Feet    |
| Occupied          | 83.7%       | 474,110        |
| Vacant            | 16.3%       | 92,093         |
| <b>TOTAL</b>      | <b>100%</b> | <b>566,203</b> |

The subject property's vacant space has been leased up over a reasonable absorption period of 36 months. This absorption rate is based on our analysis of the office market, discussions with active market participants, and in consideration of the current market conditions.

# INCOME CAPITALIZATION APPROACH

## SUBJECT PROPERTY LEASING

We have analyzed all the existing leases in place at the subject property, which provide a good indication of what tenants could afford to pay as base rent. These tables are shown below.

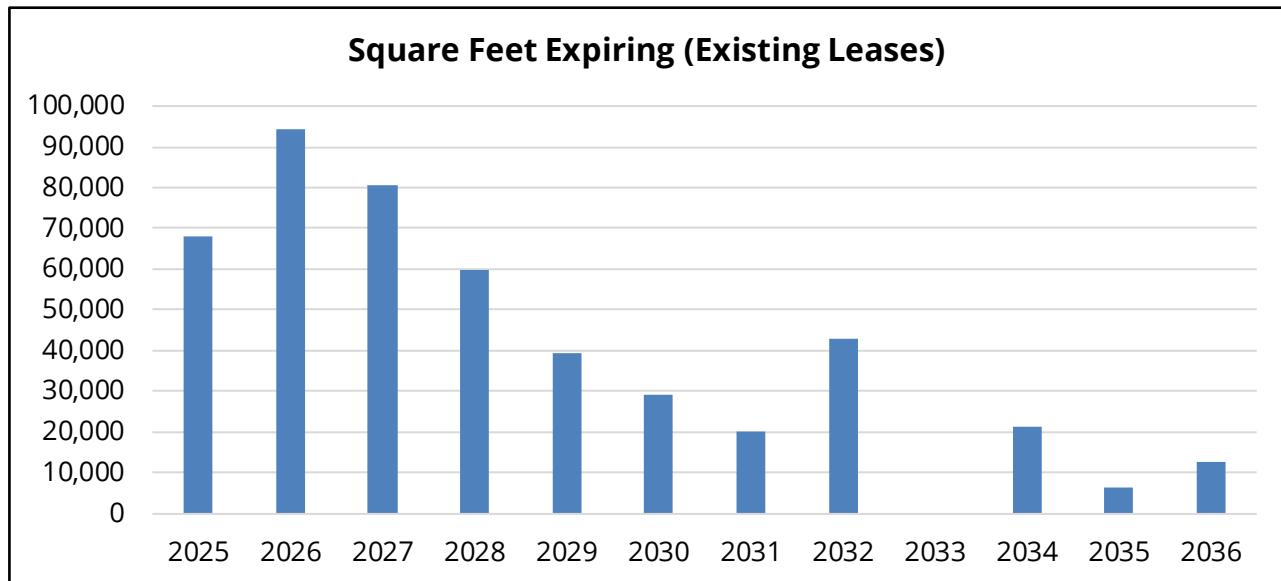
| TENANT ANALYSIS: OFFICE  |                    |            |                 |           |      |                |                       |                      |
|--|--------------------|------------|-----------------|-----------|------|----------------|-----------------------|----------------------|
| Tenant   | Suite              | Start Date | Expiration Date | Term Yrs. | Mos. | Area (SF)      | Base Rent PSF (Mo. 1) | Base Rent Annualized |
| 1 Burke Herbert Bank & Trust Company                                 | ARR101             | 6/1/2022   | 8/31/2028       | 6         | 3    | 6,564          | \$26.59               | \$174,504            |
| 2 Meadows Urquhart Acree & Cook, LLP                                 | ARR102/104         | 11/1/2010  | 11/30/2027      | 17        | 1    | 10,670         | \$25.96               | \$277,005            |
| 3 Meyer Goergen P.C.   | ARR200             | 5/17/2010  | 3/31/2025       | 14        | 11   | 9,423          | \$26.02               | \$235,771            |
| 4 CBRE, Inc.   | ARR201             | 6/1/2019   | 12/31/2029      | 10        | 7    | 7,718          | \$24.61               | \$189,979            |
| 5 Caprin Asset Management, LLC                                       | ARR202             | 12/27/2010 | 7/31/2025       | 14        | 8    | 4,337          | \$24.73               | \$107,261            |
| 6 Juno Financial Group, LLC  | ARR203             | 12/28/2018 | 2/28/2029       | 10        | 3    | 2,679          | \$24.85               | \$66,577             |
| 7 Body Contour Center, LLC   | ARR300             | 8/1/2023   | 4/30/2036       | 12        | 9    | 12,775         | \$32.57               | \$416,082            |
| 8 Jefferson Capital Partners Ltd.                                    | ARR301             | 1/1/2008   | 12/31/2025      | 18        | 0    | 2,535          | \$25.45               | \$64,507             |
| 9 Burch Law, PLLC  | ARR302             | 3/1/2016   | 8/31/2027       | 11        | 6    | 1,606          | \$25.05               | \$40,238             |
| 10 Lowe, Brockenbrough & Co., Inc.                                   | ARR400             | 2/1/2001   | 7/31/2025       | 24        | 6    | 13,213         | \$25.74               | \$340,125            |
| 11 Bryan Brothers, Inc.  | ARR402             | 2/1/2010   | 7/31/2025       | 15        | 6    | 8,151          | \$25.74               | \$209,820            |
| 12 Double DD, PLLC   | ARR403             | 2/1/2019   | 3/31/2027       | 8         | 2    | 3,195          | \$25.50               | \$81,473             |
| 13 Kane, Jefferies & Carollo, P.C.                                   | BAY103/105         | 1/1/2011   | 8/31/2030       | 19        | 8    | 6,487          | \$23.81               | \$154,450            |
| 14 Breeden Construction, L.L.C.                                      | BAY200             | 2/1/2020   | 3/31/2027       | 7         | 2    | 9,244          | \$24.82               | \$229,451            |
| 15 SWBC Mortgage Corporation   | BAY202             | 6/1/2021   | 5/31/2025       | 4         | 0    | 1,435          | \$25.25               | \$36,230             |
| 16 Bleakley Financial Group of Virginia                              | BAY203             | 8/21/2020  | 10/31/2025      | 5         | 3    | 1,371          | \$25.34               | \$34,741             |
| 17 GrayCo, Inc.  | BAY300             | 9/1/2016   | 10/31/2026      | 10        | 2    | 9,672          | \$23.44               | \$226,712            |
| 18 CapTech Ventures, Inc.  | CAP100/204         | 6/1/2010   | 10/31/2028      | 18        | 5    | 21,358         | \$23.75               | \$507,252            |
| 19 1752 Financial, Inc./Chesapeake Group, LLC                        | CAP101             | 4/1/2011   | 10/31/2028      | 17        | 7    | 2,843          | \$24.10               | \$68,528             |
| 20 Blanchard Group, L.L.C.   | CAP103             | 7/1/1998   | 8/31/2025       | 27        | 2    | 911            | \$25.25               | \$23,003             |
| 21 The Colony Group, LLC   | CAP301             | 6/1/2002   | 7/31/2026       | 24        | 2    | 5,077          | \$25.70               | \$130,479            |
| 22 Compass, Inc.   | CAP303             | 6/2/2022   | 3/31/2027       | 4         | 10   | 6,728          | \$26.85               | \$180,624            |
| 23 Digital Intelligence Systems, LLC                                 | CAP302             | 5/1/2023   | 6/30/2028       | 5         | 2    | 2,236          | \$25.61               | \$57,253             |
| 24 Todd Ratner, PLC  | FOR(1)102          | 10/1/2012  | 5/31/2028       | 15        | 8    | 1,630          | \$22.66               | \$36,936             |
| 25 Thomas Innes, Inc.  | FOR(1)104          | 2/1/2003   | 5/31/2025       | 22        | 4    | 4,959          | \$25.00               | \$123,975            |
| 26 Kanawha Capital Management, LLC                                   | FOR(1)200          | 12/1/2014  | 5/31/2027       | 12        | 6    | 4,989          | \$23.63               | \$117,898            |
| 27 JLL Management Office   | FOR(1)202          | 1/1/2020   | 12/31/2030      | 11        | 0    | 929            | \$0.00                | \$0                  |
| 28 Manorhouse Management, Inc.                                       | FOR(1)204          | 1/1/2010   | 8/31/2025       | 15        | 8    | 1,620          | \$23.83               | \$38,605             |
| 29 CCA Financial Services, LLC                                       | FOR(2)100          | 9/1/1996   | 7/31/2025       | 28        | 11   | 8,952          | \$23.71               | \$212,268            |
| 30 Carroll Blanton Ferris & Associates, PLC                          | FOR(2)310          | 3/1/2011   | 4/30/2026       | 15        | 2    | 8,325          | \$23.07               | \$192,058            |
| 31 Herndon Wealth Management, LLC                                    | FOR(2)203          | 12/1/2016  | 11/30/2025      | 9         | 0    | 914            | \$23.55               | \$21,527             |
| 32 Virginia Petroleum Convenience and Grocery Association, Inc.      | FOR(2)204          | 5/1/2009   | 1/31/2026       | 16        | 9    | 1,282          | \$23.37               | \$29,956             |
| 33 City National Rochdale, LLC                                       | FOR(2)205          | 11/1/2011  | 12/31/2026      | 15        | 2    | 557            | \$23.41               | \$13,041             |
| 34 Dakota Wealth, LLC  | FOR(2)206          | 7/1/2017   | 10/31/2032      | 15        | 4    | 2,700          | \$23.14               | \$62,487             |
| 35 Richmond Hearing Doctors, PLLC                                    | FOR(2)207/208      | 9/11/2019  | 11/30/2027      | 8         | 3    | 3,270          | \$20.74               | \$67,825             |
| 36 Nationwide Mutual Insurance Company                               | FOR(2)300          | 9/1/2001   | 10/31/2027      | 26        | 2    | 4,270          | \$23.30               | \$99,512             |
| 37 Blue Ridge Bankshares, Inc. (formerly Virginia Commonwealth Bank) | HIL100/102/103/104 | 5/1/2017   | 2/28/2034       | 16        | 10   | 21,353         | \$23.21               | \$495,514            |
| 38 Commonwealth Healthcare, LLC                                      | HIL201             | 6/13/2016  | 5/31/2025       | 8         | 12   | 2,657          | \$25.08               | \$66,640             |
| 39 The Brink's Company   | HIL202/400         | 5/12/2000  | 11/30/2026      | 26        | 7    | 36,814         | \$24.13               | \$888,322            |
| 40 SyCom Technologies, LLC   | HIL302             | 8/1/2021   | 7/31/2029       | 8         | 0    | 6,554          | \$24.42               | \$160,049            |
| 41 Gardaworld Security Services                                      | HIL203             | 4/1/2024   | 5/31/2029       | 5         | 2    | 3,209          | \$25.05               | \$80,389             |
| 42 Acima Private Wealth, LLC   | HIL301             | 1/1/2016   | 12/31/2027      | 12        | 0    | 3,227          | \$24.87               | \$80,256             |
| 43 Melone Law P.C.   | HIL300             | 12/1/2024  | 4/30/2030       | 5         | 5    | 5,689          | \$24.18               | \$137,560            |
| 44 Michael Baker International, Inc.                                 | HIL303             | 10/1/2024  | 11/30/2027      | 3         | 2    | 3,339          | \$24.55               | \$81,986             |
| <b>TOTAL / AVERAGE</b>   |                    |            |                 |           |      | <b>277,467</b> | <b>\$24.80</b>        | <b>\$6,858,870</b>   |

| TENANT ANALYSIS: OFFICE (Cont.)                     |                    |            |                 |           |      |                |                       |                      |
|---|--------------------|------------|-----------------|-----------|------|----------------|-----------------------|----------------------|
| Tenant  | Suite              | Start Date | Expiration Date | Term Yrs. | Mos. | Area (SF)      | Base Rent PSF (Mo. 1) | Base Rent Annualized |
| 1 Association Community Services, Inc.              | HLD(1)102/302      | 10/1/2016  | 10/31/2026      | 10        | 1    | 4,303          | \$24.57               | \$105,746            |
| 2 Howard Shockey & Sons, Incorporated               | HLD(1)101/103      | 12/15/2022 | 4/30/2028       | 5         | 5    | 3,851          | \$24.28               | \$93,509             |
| 3 Cordell & Cordell                                 | HLD(1)200          | 4/6/2018   | 9/30/2028       | 10        | 6    | 4,505          | \$24.37               | \$109,787            |
| 4 Winters-Oliver Insurance Agency, Inc.             | HLD(1)202          | 5/1/2019   | 4/30/2029       | 10        | 0    | 3,111          | \$24.60               | \$76,531             |
| 5 Warren Whitney                                    | HLD(1)203          | 11/1/1994  | 1/31/2030       | 35        | 3    | 3,374          | \$22.56               | \$76,106             |
| 6 Investment Management of Virginia, LLC            | HLD(1)204          | 9/1/2022   | 10/31/2027      | 5         | 2    | 2,342          | \$25.31               | \$59,265             |
| 7 Alliant Insurance Services, Inc.                  | HLD(1)205          | 12/1/2019  | 1/31/2026       | 6         | 2    | 3,729          | \$26.16               | \$97,566             |
| 8 Equitable Financial Life Insurance Company        | HLD(1)300          | 8/1/2023   | 10/31/2028      | 5         | 3    | 5,150          | \$23.59               | \$121,480            |
| 9 Satterwhite Taddeo P.C.                           | HLD(1)301          | 7/16/2021  | 11/30/2026      | 5         | 5    | 4,637          | \$22.01               | \$102,045            |
| 10 Ivy Ventures, LLC                                | HLD(1)306A         | 8/15/2003  | 8/31/2028       | 25        | 1    | 4,231          | \$25.90               | \$109,591            |
| 11 Royal Dermatology and Aesthetic Skin Care, Inc.  | HLD(2)100          | 10/1/2016  | 10/31/2026      | 10        | 1    | 3,669          | \$27.66               | \$101,491            |
| 12 Robert W. DeConti, M.D., Inc.                    | HLD(2)101          | 10/1/2007  | 9/30/2027       | 20        | 0    | 3,395          | \$27.80               | \$94,375             |
| 13 CR3 Partners, LLC                                | HLD(2)102          | 3/17/2021  | 5/31/2026       | 5         | 3    | 2,290          | \$24.79               | \$56,767             |
| 14 RVA Allergy, LLC                                 | HLD(2)104B         | 3/1/2021   | 3/31/2028       | 7         | 1    | 2,032          | \$25.41               | \$51,630             |
| 15 Guided Practice Solutions: Dental, LLC           | HLD(2)105          | 1/1/1998   | 12/31/2028      | 31        | 0    | 3,780          | \$27.20               | \$102,797            |
| 16 Phoenix Rehabilitation and Health Services, Inc. | HLD(2)106          | 6/1/2019   | 7/31/2025       | 6         | 2    | 2,320          | \$25.93               | \$60,165             |
| 17 Martin Dermatology PLC                           | HLD(2)108          | 12/18/2024 | 4/30/2035       | 10        | 5    | 3,259          | \$25.12               | \$81,882             |
| 18 VPA, P.C.  | HLD(2)111          | 7/1/2016   | 10/31/2029      | 13        | 4    | 2,191          | \$23.85               | \$52,266             |
| 19 Freeman & Morgan Architects, P.C.                | HLD(2)209          | 9/1/1997   | 9/30/2026       | 29        | 1    | 4,685          | \$27.26               | \$127,713            |
| 20 Laboratory Corporation of America Holdings       | HLD(2)210A         | 8/1/2007   | 8/31/2026       | 19        | 1    | 2,847          | \$26.22               | \$74,658             |
| 21 Mary N. Megson, M.D., PLLC                       | HLD(2)211          | 6/1/1999   | 7/31/2028       | 29        | 2    | 1,570          | \$28.07               | \$44,070             |
| 22 Wells Fargo Advisors, LLC                        | MER100             | 11/1/2001  | 4/30/2027       | 25        | 6    | 9,160          | \$24.82               | \$227,352            |
| 23 Snowbird Investments, LLC                        | MER101             | 1/1/2020   | 1/31/2030       | 10        | 1    | 1,576          | \$26.86               | \$42,337             |
| 24 Old Republic National Title Insurance Company    | MER104/105         | 4/1/2011   | 1/31/2026       | 14        | 10   | 6,353          | \$26.83               | \$170,472            |
| 25 VSC FIRE & SECURITY, INC.                        | MER200/201/202     | 7/1/2023   | 3/31/2032       | 8         | 9    | 19,588         | \$25.09               | \$491,463            |
| 26 Millman Law PLLC                                 | MER203             | 11/15/2022 | 11/30/2025      | 3         | 1    | 1,620          | \$24.55               | \$39,771             |
| 27 The London Company                               | MER301/302/303/CA1 | 5/1/2015   | 6/30/2032       | 17        | 2    | 20,609         | \$24.03               | \$495,279            |
| 28 G. Grattan, LLC                                  | UTC100/101         | 12/1/2022  | 7/31/2030       | 7         | 8    | 11,016         | \$20.31               | \$223,735            |
| 29 Braley & Thompson, Inc.                          | UTC102             | 12/1/2017  | 12/31/2025      | 8         | 1    | 3,440          | \$21.02               | \$72,300             |
| 30 Dynamic Brands, LLC                              | UTC200/201         | 10/1/2012  | 8/31/2027       | 14        | 11   | 14,988         | \$19.81               | \$296,971            |
| 31 Dominion Care Waiver, LLC                        | WIL101             | 4/1/2016   | 3/31/2031       | 15        | 0    | 12,970         | \$14.22               | \$184,476            |
| 32 Virginia Estate & Trust Law, PLC                 | BAY100/201         | 12/1/2018  | 4/30/2029       | 10        | 5    | 10,840         | \$23.46               | \$254,312            |
| 33 Maxim Healthcare Staffing Services, Inc.         | HLD(1)100          | 3/1/2023   | 2/28/2031       | 8         | 0    | 6,970          | \$23.93               | \$166,769            |
| 34 James River Cardiology                           | FOR(2)202          | 6/1/2024   | 6/30/2029       | 5         | 1    | 1,752          | \$24.03               | \$42,105             |
| 35 Glazier Implants & Periodontics, LLC             | HLD(2)104          | 11/30/2024 | 4/30/2035       | 10        | 6    | 3,182          | \$25.19               | \$80,147             |
| 36 TGC-Bulloak LLC                                  | HLD(2)140          | 10/27/2024 | 11/30/2029      | 5         | 2    | 1,308          | \$25.25               | \$33,027             |
| <b>TOTAL / AVERAGE</b>                              |                    |            |                 |           |      | <b>196,643</b> | <b>\$23.49</b>        | <b>\$4,619,956</b>   |

**TENANT EXPIRATION**

The following table displays the expiration of the current tenants throughout the cash flow analysis.

| EXPIRATION SCHEDULE   |               |                   |                    |                   |                        |                       |
|-----------------------|---------------|-------------------|--------------------|-------------------|------------------------|-----------------------|
| Analysis Year         | Calendar Year | # Suites Expiring | Rentable Area (SF) | % of NRA Expiring | Cumulative SF Expiring | Cumulative % Expiring |
| Year 1                | 2025          | 16                | 67,858             | 14.3%             | 67,858                 | 14.3%                 |
| Year 2                | 2026          | 14                | 94,240             | 19.9%             | 162,098                | 34.2%                 |
| Year 3                | 2027          | 14                | 80,423             | 17.0%             | 242,521                | 51.2%                 |
| Year 4                | 2028          | 12                | 59,750             | 12.6%             | 302,271                | 63.8%                 |
| Year 5                | 2029          | 9                 | 39,362             | 8.3%              | 341,633                | 72.1%                 |
| Year 6                | 2030          | 6                 | 29,071             | 6.1%              | 370,704                | 78.2%                 |
| Year 7                | 2031          | 2                 | 19,940             | 4.2%              | 390,644                | 82.4%                 |
| Year 8                | 2032          | 3                 | 42,897             | 9.0%              | 433,541                | 91.4%                 |
| Year 9                | 2033          | 0                 | 0                  | 0.0%              | 433,541                | 91.4%                 |
| Year 10               | 2034          | 1                 | 21,353             | 4.5%              | 454,894                | 95.9%                 |
| Year 11               | 2035          | 2                 | 6,441              | 1.4%              | 461,335                | 97.3%                 |
| Year 12               | 2036          | 1                 | 12,775             | 2.7%              | 474,110                | 100.0%                |
| <b>TOTAL EXPIRING</b> |               | <b>80</b>         | <b>474,110</b>     | <b>100%</b>       |                        |                       |



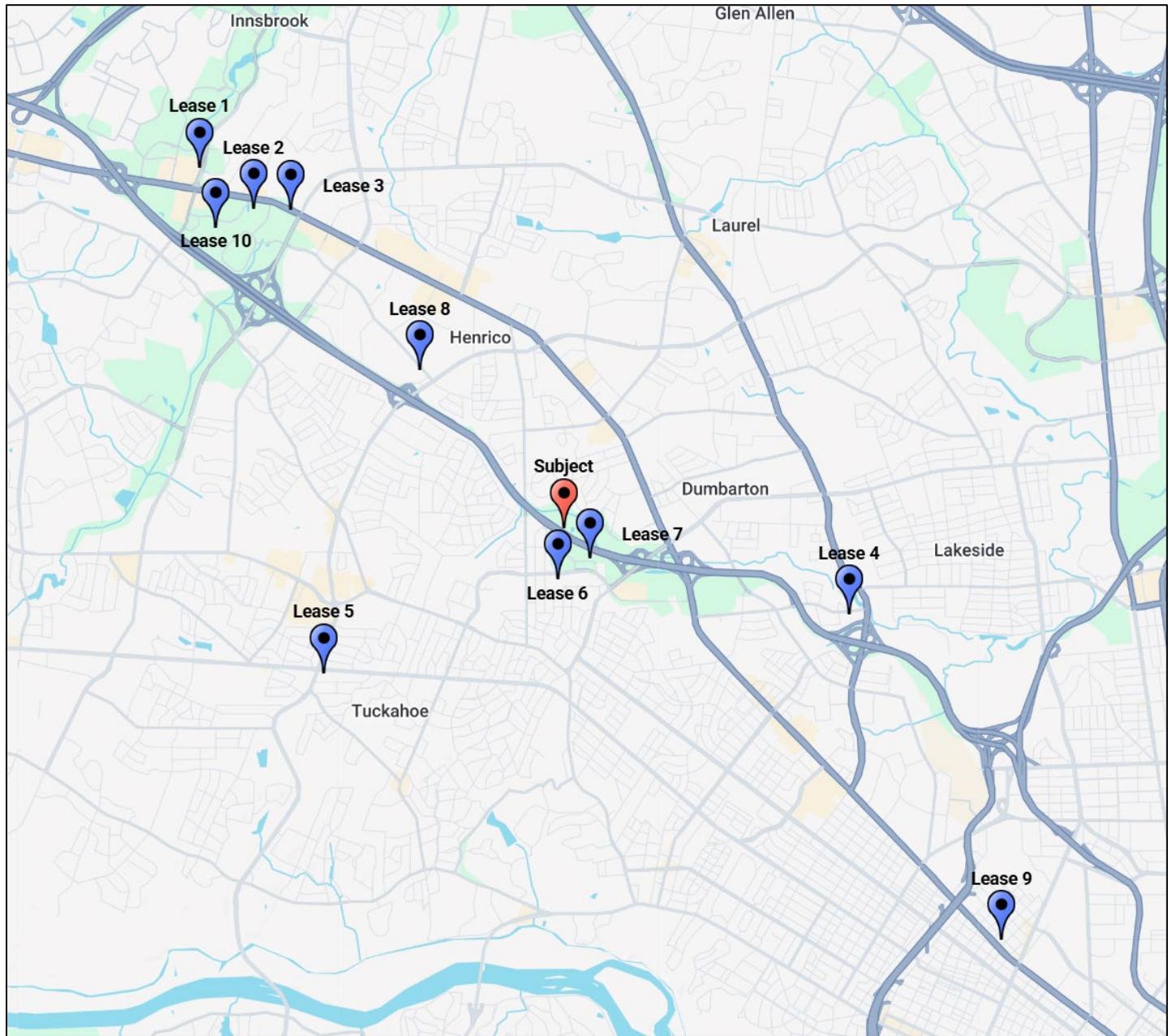
With 34.2% of the property's existing tenants expiring in the first two cash flow years, and 63.8% in the first four years, there is moderate rollover risk, which has been factored into our selection of an appropriate discount rate.

## COMPARABLE OFFICE TRANSACTIONS

We researched several recent leases throughout the subject's submarket for purposes of comparison to the subject property. The following table lists these comparable leases, along with their starting base rents and other pertinent lease information. The following page has a map of the comparable leases' locations relative to the subject property.

| COMPARABLE OFFICE LEASES |            |                      |                |                              |           |                  |            |
|--------------------------|------------|----------------------|----------------|------------------------------|-----------|------------------|------------|
| Lease No.                | Sign Date  | Address              | City, State    | Tenant Name                  | Size (SF) | Base Rent per SF | Lease Term |
| 1                        | 7/8/2024   | 4101 Cox Rd          | Glen Allen, VA | Comfort Keepers              | 1,597     | \$24.00          | 7 years    |
| 2                        | 5/21/2024  | 3957 Westerre Pky    | Richmond, VA   | Robinson Consulting Group    | 4,183     | \$20.08          | 5 years    |
| 3                        | 2/25/2024  | 3957 Westerre Pky    | Richmond, VA   | CY Wedding Films             | 5,498     | \$30.56          | 5 years    |
| 4                        | 1/1/2024   | 4909 Dickens Rd      | Richmond, VA   | HITT Contracting             | 8,052     | \$20.00          | 7 years    |
| 5                        | 11/1/2023  | 8545 Patterson Ave   | Richmond, VA   | Thurmond Clower & Associates | 1,750     | \$21.96          | 1 year     |
| 6                        | 9/1/2023   | 1700 Bayberry Crt    | Richmond, VA   | GrayCo, Inc                  | 9,672     | \$22.59          | 3 years    |
| 7                        | 6/30/2023  | 7200 Glen Forest Dr  | Richmond, VA   | S.L. Nusbaum Realty Co       | 7,737     | \$22.00          | 7 years    |
| 8                        | 6/13/2023  | 8601-8629 Mayland Dr | Richmond, VA   | New Moon Therapy             | 840       | \$21.43          | 5 years    |
| 9                        | 12/23/2022 | 3005 W Marshall St   | Richmond, VA   | Hickok Cole                  | 3,823     | \$22.00          | 5 years    |
| 10                       | 11/17/2022 | 3957 Westerre Pky    | Richmond, VA   | CPMares, LLP                 | 7,282     | \$31.08          | 3 years    |

We have identified 10 comparable transactions ranging from \$20.00 to \$31.08 per square foot with an average of \$23.57 and a median of \$22.00 per square foot. The comparable transactions averaged 4.8-year terms. Consideration was placed on differences between the comparable properties and the subject property. Based on the comparable leases and indications from our market survey, we have concluded to a market rent of \$25.00 per square foot for all office space at the subject property. This represents a blended rent that reflects slight differences (premiums or discounts) for certain buildings and types of spaces, and is an average across the portfolio of buildings.

**Map of Comparable Office Leases****VACANCY AND COLLECTION LOSS**

The subject property's Glenside/Broad St submarket has a current office vacancy rate of 15.9%, while the average vacancy rate over the last five years in this submarket is 11.1%. The overall trend in the past five years has been increasing vacancy rates in the submarket. The Richmond VA office market as a whole has a current vacancy rate of 8.8%. Based on occupancy rates exhibited in competitive properties, the subject market's vacancy rate, and the average quality and condition of the subject property, a vacancy allowance has been forecast at 12.50% on a stabilized basis throughout the projection period, inclusive of a collection loss allowance.

## DISCOUNTED CASH FLOW ANALYSIS

The discounted cash flow (“DCF”) method is based on the theory of present value. Where direct capitalization values a representative single “stabilized” cash flow, the DCF analysis allows for a more detailed and explicit expression of future cash flows and resale of the investment. Furthermore, the DCF analysis has the advantage of addressing irregular cash flow scenarios. To perform a discounted cash flow analysis, all future cash inflows and outflows are forecast over the holding period, an appropriate discount rate is selected, and future net benefits are converted into a present value by combining the discounted values of the individual annual revenues or cash flows. Overall, the applied process is as follows:

- Estimate the holding period for the investment
- Project the contract or effective income for the subject property, and estimate market rent
- Estimate the vacancy and collection loss rates for the subject’s market segment
- Estimate and project the expenses for the subject property
- Estimate the resale value of the subject property and related expenses
- Develop the appropriate discount rate and convert the net cash flows to a present value

## INVESTMENT HOLDING PERIOD AND ANALYSIS DATE

Based on the cash flow characteristics of the subject property, we have utilized a holding period of 10 years, plus an additional year to estimate the reversionary value. In the cash flow analysis, the start date is March 1, 2025, the first calendar month start date after the date of value.

## TERMINAL (REVERSION) CAPITALIZATION RATE

This capitalization rate is the factor that converts the net operating income (“NOI”) in the year after the holding period to a future value. It is the ratio of net income to value or sale price at that time. The terminal capitalization rate is based on current capitalization rates (going-in rates) and adjusted upward to reflect a conservative investor view of an asset for disposition at the end of the holding period. In large part, this is due to the increase in the age of the building and uncertainty/risk after the holding period.

The following table displays terminal capitalization rates from investor surveys.

| NATIONAL INVESTOR SURVEYS: TERMINAL CAPITALIZATION RATES |                                    |       |        |                      |
|--|------------------------------------|-------|--------|----------------------|
| Survey Source  |                                    | Low   | High   | Average              |
| PwC: 4Q-2024   | National Secondary Office Market   | 6.50% | 10.00% | 8.26%                |
| RERC: 4Q-2024  | Richmond Suburban Office Market    | N/A   | N/A    | 9.00%                |
| RERC: 4Q-2024  | East Region Suburban Office Market | N/A   | N/A    | 8.80%                |
| <b>Estimated Terminal Capitalization Rate</b>            |                                    |       |        | <b>7.25% - 8.75%</b> |

# INCOME CAPITALIZATION APPROACH

We also considered going-in rates for the terminal rate but with an applied premium due to the greater risk and uncertainty at the end of the holding period. Capitalization rates extracted from relevant property sales are shown in the table below. Sales from late 2021 through mid-2022 need to be adjusted upwards to account for the current market environment.

| COMPARABLE CAPITALIZATION RATES    |                          |                |            |          |                      |
|------------------------------------|--------------------------|----------------|------------|----------|----------------------|
| Sale                               | Address                  | City, State    | Date       | \$/SF    | Cap Rate             |
| 1                                  | 132301331 E Cary St      | Richmond, VA   | 2/7/2025   | \$166.70 | 7.00%                |
| 2                                  | 1300 Semmes Ave          | Richmond, VA   | 1/28/2025  | \$241.01 | 8.14%                |
| 3                                  | 9701 Metropolitan Ct     | Richmond, VA   | 7/2/2024   | \$138.28 | 8.09%                |
| 4                                  | 3951 & 3957 Westerre Pky | Richmond, VA   | 10/16/2023 | \$153.21 | 8.13%                |
| 5                                  | 3901 Westerre Pky        | Richmond, VA   | 12/19/2022 | \$194.66 | 6.30%                |
| 6                                  | 800 E Canal St           | Richmond, VA   | 6/30/2022  | \$456.51 | 6.16%                |
| 7                                  | 6600 W Broad St          | Glen Allen, VA | 6/17/2021  | \$158.78 | 6.78%                |
| <b>Capitalization Rate Range</b>   |                          |                |            |          | <b>6.16% - 8.14%</b> |
| <i>Capitalization Rate Average</i> |                          |                |            |          | <i>7.23%</i>         |

Due to the characteristics of the subject property, we have estimated a terminal capitalization rate of 7.75%. From the reversionary value, we have deducted 3.00% of sales costs, which includes brokerage commissions and transfer taxes.

## DISCOUNT RATE

The discount rate is used to convert the anticipated future cash flows to a present value. The discount rate, or internal rate of return, reflects the risks and timing of the cash flows and consists of equity or a blend of equity and debt position requirements. The rates below reflect acceptable expectations of yields desired by investors currently in the marketplace.

| NATIONAL INVESTOR SURVEYS: DISCOUNT RATES |                                    |       |        |                       |
|---|------------------------------------|-------|--------|-----------------------|
| Survey Source                             |                                    | Low   | High   | Average               |
| PwC: 4Q-2024                              | National Secondary Office Market   | 8.00% | 14.00% | 10.38%                |
| RERC: 4Q-2024                             | Richmond Suburban Office Market    | N/A   | N/A    | 9.80%                 |
| RERC: 4Q-2024                             | East Region Suburban Office Market | N/A   | N/A    | 9.80%                 |
| <b>Estimated Discount Rate</b>            |                                    |       |        | <b>8.00% - 10.00%</b> |

In selecting an appropriate discount rate, we have considered the foregoing yields as well as the subject property's location and average condition. We have also taken into consideration its risk, liquidity, and the time and expense of asset management inherent with income-producing property investment.

The consensus of those actively engaged in the marketplace for this asset type is that internal rates of return (based upon forecasting techniques and assumptions similar to those utilized herein) fall within a broad range depending upon numerous risk factors, including, among others, location, physical characteristics of the subject property, amount of equity investment required, length of projection period, type of investment, and cash flow risk.

We believe that a discount rate of 8.50% is appropriate for the "as is" cash flow considering the location, the average condition of the improvements, and the cash flow characteristics. An investor would view this rate as reasonable based on an analysis of the cash flow risk for this asset.

**SUMMARY OF DCF INPUTS**

The following table summarizes the market leasing assumptions applied in our cash flow model.

| <b>MARKET LEASING ASSUMPTIONS</b>  |                |
|------------------------------------|----------------|
|                                    | <b>Office</b>  |
| Market Rent PSF/Year               | \$25.00        |
| Annual Rent Increases              | 3.00%          |
| Lease Term                         | 5 years        |
| Reimbursements                     | None           |
| <b><u>Free Rent</u></b>            |                |
| New Leases:                        | 6 months       |
| Renewal Leases:                    | 3 months       |
| <b><u>TI Allowance (\$/SF)</u></b> |                |
| New Leases:                        | \$30.00        |
| Renewal Leases:                    | \$15.00        |
| <b><u>Lease Commission</u></b>     |                |
| New Leases:                        | 6.00%          |
| Renewal Leases:                    | 3.00%          |
| <b>Renewal Probability</b>         |                |
| Downtime between leases            | 60%            |
| Market Rent Growth                 | 12 months      |
|                                    | 0% Yr. 2, 3.0% |
|                                    | Thereafter     |

The following table summarizes additional discounted cash flow inputs.

| <b>DISCOUNTED CASH FLOW INPUTS</b> |           |
|------------------------------------|-----------|
| Date of Value                      | 3/1/2025  |
| Hold Period                        | 10 years  |
| <b>Additional Assumptions</b>      |           |
| Absorption Period                  | 36 months |
| Expense Growth                     | 3.00%     |
| Real Estate Tax Growth             | 3.00%     |
| General Vacancy                    | 12.50%    |
| Replacement Reserves (PSF)         | \$0.55    |
| <b>Rates of Return</b>             |           |
| Discount Rate                      | 8.50%     |
| Terminal Capitalization Rate       | 7.75%     |
| Cost of Sale                       | 3.00%     |

## DISCOUNTED CASH FLOW ANALYSIS

The following table demonstrates the sensitivity of the “as is” property values derived by the discounted cash flow analysis, which reflects 25 basis point changes in the discount rate and the terminal capitalization rate.

|                    |       | RATE SENSITIVITY MATRIX |              |                     |              |              |
|--------------------|-------|-------------------------|--------------|---------------------|--------------|--------------|
|                    |       | DISCOUNT RATES          |              |                     |              |              |
| TERMINAL CAP RATES | 8.00% | 8.25%                   | 8.50%        | 8.75%               | 9.00%        |              |
|                    | 7.25% | \$86,800,000            | \$85,100,000 | \$83,400,000        | \$81,800,000 | \$80,200,000 |
|                    | 7.50% | \$84,800,000            | \$83,100,000 | \$81,500,000        | \$79,900,000 | \$78,400,000 |
|                    | 7.75% | \$82,900,000            | \$81,300,000 | <b>\$79,700,000</b> | \$78,200,000 | \$76,700,000 |
|                    | 8.00% | \$81,100,000            | \$79,600,000 | \$78,000,000        | \$76,500,000 | \$75,100,000 |
|                    | 8.25% | \$79,500,000            | \$78,000,000 | \$76,500,000        | \$75,000,000 | \$73,600,000 |

Our cash flow model for the subject property is presented on the following page.

# INCOME CAPITALIZATION APPROACH

## DISCOUNTED CASH FLOW ANALYSIS

| VALUATION ASSUMPTIONS                    |                     | REVERSION VALUE CALCULATION |                             |                     |                     | DISCOUNTED CASH FLOW VALUE |                     |                      |                     |                     |                     |
|--|---------------------|-----------------------------|-----------------------------|---------------------|---------------------|----------------------------|---------------------|----------------------|---------------------|---------------------|---------------------|
| Hold Period                              | 10 years            |                             | Reversion NOI               | \$9,691,264         |                     | Present Value of Cash Flow | \$26,064,294        | (33% of total value) |                     |                     |                     |
| Implied Going-In Cap Rate                | 7.49%               |                             | Terminal Cap Rate           | 7.75%               |                     | Present Value of Reversion | \$53,647,943        | (67% of total value) |                     |                     |                     |
| Discount Rate                            | 8.50%               |                             | Gross Sale Price            | \$125,048,568       |                     | Total Market Value         | \$79,712,237        |                      |                     |                     |                     |
| Terminal Cap Rate                        | 7.75%               |                             | Less: Sale Cost (3.00%)     | -\$3,751,457        |                     | Market Value (Rounded)     | \$79,700,000        |                      |                     |                     |                     |
| Sale Cost                                | 3.00%               |                             | Net Sale Proceeds           | \$121,297,111       |                     | Value per Square Foot      | \$140.76            |                      |                     |                     |                     |
|  |                     |                             | Present Value of Reversion: | \$53,647,943        |                     |                            |                     |                      |                     |                     |                     |
| Year                                     | 1                   | 2                           | 3                           | 4                   | 5                   | 6                          | 7                   | 8                    | 9                   | 10                  | Reversion           |
| For the Years Beginning                  | Mar-25              | Mar-26                      | Mar-27                      | Mar-28              | Mar-29              | Mar-30                     | Mar-31              | Mar-32               | Mar-33              | Mar-34              | Mar-35              |
| For the Years Ending                     | Feb-26              | Feb-27                      | Feb-28                      | Feb-29              | Feb-30              | Feb-31                     | Feb-32              | Feb-33               | Feb-34              | Feb-35              | Feb-36              |
| <b>Rental Revenue</b>                    |                     |                             |                             |                     |                     |                            |                     |                      |                     |                     |                     |
| Potential Base Rent                      | \$13,781,151        | \$14,028,432                | \$14,415,252                | \$14,818,115        | \$15,243,006        | \$15,705,700               | \$16,342,295        | \$16,810,504         | \$17,284,096        | \$17,841,435        | \$18,357,607        |
| Absorption & Turnover Vacancy            | -\$2,977,133        | -\$2,329,823                | -\$1,385,153                | -\$682,755          | -\$488,290          | -\$768,528                 | -\$1,588,121        | -\$2,247,597         | -\$828,525          | -\$1,222,663        | -\$559,427          |
| Free Rent                                | -\$498,786          | -\$1,349,648                | -\$1,798,785                | -\$736,910          | -\$776,972          | -\$390,951                 | -\$1,344,822        | -\$1,885,107         | -\$1,093,625        | -\$906,901          | -\$546,057          |
| <b>Total Rental Revenue</b>              | <b>\$10,305,232</b> | <b>\$10,348,961</b>         | <b>\$11,231,315</b>         | <b>\$13,398,449</b> | <b>\$13,977,744</b> | <b>\$14,546,221</b>        | <b>\$13,409,352</b> | <b>\$12,677,800</b>  | <b>\$15,361,946</b> | <b>\$15,711,871</b> | <b>\$17,252,123</b> |
| <b>Reimbursement Revenue</b>             | <b>\$150,000</b>    | <b>\$154,500</b>            | <b>\$159,135</b>            | <b>\$163,909</b>    | <b>\$168,826</b>    | <b>\$173,891</b>           | <b>\$179,108</b>    | <b>\$184,481</b>     | <b>\$190,016</b>    | <b>\$195,716</b>    | <b>\$201,587</b>    |
| Other Income                             | \$25,000            | \$25,750                    | \$26,523                    | \$27,318            | \$28,138            | \$28,982                   | \$29,851            | \$30,747             | \$31,669            | \$32,619            | \$33,598            |
| <b>Potential Gross Revenue</b>           | <b>\$10,480,232</b> | <b>\$10,529,211</b>         | <b>\$11,416,972</b>         | <b>\$13,589,676</b> | <b>\$14,174,708</b> | <b>\$14,749,094</b>        | <b>\$13,618,311</b> | <b>\$12,893,028</b>  | <b>\$15,583,630</b> | <b>\$15,940,206</b> | <b>\$17,487,309</b> |
| Vacancy Allowance                        | \$0                 | -\$1,092                    | -\$273,935                  | -\$1,052,520        | -\$1,322,373        | -\$1,171,175               | -\$323,385          | -\$204,228           | -\$1,222,994        | -\$923,340          | -\$1,696,415        |
| <b>Effective Gross Revenue</b>           | <b>\$10,480,232</b> | <b>\$10,528,119</b>         | <b>\$11,143,037</b>         | <b>\$12,537,156</b> | <b>\$12,852,335</b> | <b>\$13,577,919</b>        | <b>\$13,294,926</b> | <b>\$12,688,800</b>  | <b>\$14,360,636</b> | <b>\$15,016,867</b> | <b>\$15,790,894</b> |
| <b>Operating Expenses</b>                |                     |                             |                             |                     |                     |                            |                     |                      |                     |                     |                     |
| Real Estate Taxes                        | \$680,000           | \$700,400                   | \$721,412                   | \$743,054           | \$765,346           | \$788,306                  | \$811,956           | \$836,314            | \$861,404           | \$887,246           | \$913,863           |
| Property Insurance                       | \$141,551           | \$145,797                   | \$150,171                   | \$154,676           | \$159,317           | \$164,096                  | \$169,019           | \$174,090            | \$179,312           | \$184,692           | \$190,232           |
| Repairs and Maintenance                  | \$1,557,058         | \$1,603,770                 | \$1,651,883                 | \$1,701,440         | \$1,752,483         | \$1,805,057                | \$1,859,209         | \$1,914,985          | \$1,972,435         | \$2,031,608         | \$2,092,556         |
| Security & Life Safety                   | \$84,930            | \$87,478                    | \$90,103                    | \$92,806            | \$95,590            | \$98,458                   | \$101,411           | \$104,454            | \$107,587           | \$110,815           | \$114,139           |
| Janitorial                               | \$651,133           | \$670,667                   | \$690,787                   | \$711,511           | \$732,856           | \$754,842                  | \$777,487           | \$800,812            | \$824,836           | \$849,581           | \$875,069           |
| Utilities                                | \$990,855           | \$1,020,581                 | \$1,051,198                 | \$1,082,734         | \$1,115,216         | \$1,148,673                | \$1,183,133         | \$1,218,627          | \$1,255,186         | \$1,292,841         | \$1,331,627         |
| General & Administrative                 | \$28,310            | \$29,159                    | \$30,034                    | \$30,935            | \$31,863            | \$32,819                   | \$33,804            | \$34,818             | \$35,862            | \$36,938            | \$38,046            |
| Management Fee                           | \$209,605           | \$210,562                   | \$222,861                   | \$250,743           | \$257,047           | \$271,558                  | \$265,899           | \$253,776            | \$287,213           | \$300,337           | \$315,818           |
| Non-Reimbursable                         | \$169,861           | \$174,957                   | \$180,205                   | \$185,612           | \$191,180           | \$196,915                  | \$202,823           | \$208,907            | \$215,175           | \$221,630           | \$228,279           |
| <b>Total Operating Expenses</b>          | <b>\$4,513,304</b>  | <b>\$4,643,373</b>          | <b>\$4,788,655</b>          | <b>\$4,953,511</b>  | <b>\$5,100,898</b>  | <b>\$5,260,725</b>         | <b>\$5,404,740</b>  | <b>\$5,546,783</b>   | <b>\$5,739,010</b>  | <b>\$5,915,689</b>  | <b>\$6,099,630</b>  |
| <b>Net Operating Income</b>              | <b>\$5,966,928</b>  | <b>\$5,884,746</b>          | <b>\$6,354,382</b>          | <b>\$7,583,645</b>  | <b>\$7,751,437</b>  | <b>\$8,317,194</b>         | <b>\$7,890,186</b>  | <b>\$7,142,017</b>   | <b>\$8,621,626</b>  | <b>\$9,101,178</b>  | <b>\$9,691,264</b>  |
| Tenant Improvements                      | \$1,241,358         | \$2,477,874                 | \$3,576,970                 | \$1,422,104         | \$1,554,779         | \$1,187,586                | \$3,501,587         | \$4,522,214          | \$2,028,442         | \$2,239,969         | \$1,356,756         |
| Leasing Commissions                      | \$307,624           | \$584,733                   | \$853,589                   | \$340,788           | \$374,289           | \$285,893                  | \$842,954           | \$1,088,654          | \$488,317           | \$539,238           | \$326,618           |
| Capital Reserves                         | \$311,412           | \$320,754                   | \$330,377                   | \$340,288           | \$350,497           | \$361,011                  | \$371,842           | \$382,997            | \$394,487           | \$406,322           | \$418,511           |
| Capital Expenditures                     | \$442,122           | \$0                         | \$0                         | \$0                 | \$0                 | \$0                        | \$0                 | \$0                  | \$0                 | \$0                 | \$0                 |
| <b>Total Leasing &amp; Capital Costs</b> | <b>\$2,302,516</b>  | <b>\$3,383,362</b>          | <b>\$4,760,935</b>          | <b>\$2,103,181</b>  | <b>\$2,279,565</b>  | <b>\$1,834,491</b>         | <b>\$4,716,382</b>  | <b>\$5,993,865</b>   | <b>\$2,911,246</b>  | <b>\$3,185,529</b>  | <b>\$2,101,886</b>  |
| <b>Cash Flow Before Debt Service</b>     | <b>\$3,664,412</b>  | <b>\$2,501,385</b>          | <b>\$1,593,447</b>          | <b>\$5,480,464</b>  | <b>\$5,471,872</b>  | <b>\$6,482,703</b>         | <b>\$3,173,803</b>  | <b>\$1,148,151</b>   | <b>\$5,710,380</b>  | <b>\$5,915,649</b>  | <b>\$7,589,378</b>  |
| Implied Overall Rate                     | 7.49%               | 7.38%                       | 7.97%                       | 9.51%               | 9.72%               | 10.43%                     | 9.90%               | 8.96%                | 10.82%              | 11.42%              |                     |
| Cash-on-Cash Return                      | 4.60%               | 3.14%                       | 2.00%                       | 6.88%               | 6.86%               | 8.13%                      | 3.98%               | 1.44%                | 7.16%               | 7.42%               |                     |

## Sales Comparison Approach

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The sales comparison approach is one of three traditional approaches to value whereby an opinion of value is derived by analyzing closed sales, listings, or pending sales of properties that are similar to the subject. This approach is based primarily upon the principle of substitution, whereby a prudent purchaser will not pay more for any particular property than it would cost to acquire an equally desirable alternate property. Inherent to the applicability of this approach is that a market exists for the subject property type. It also presumes that there is sufficient data on recent market transactions for comparison purposes.

The sales comparison approach includes the following steps.

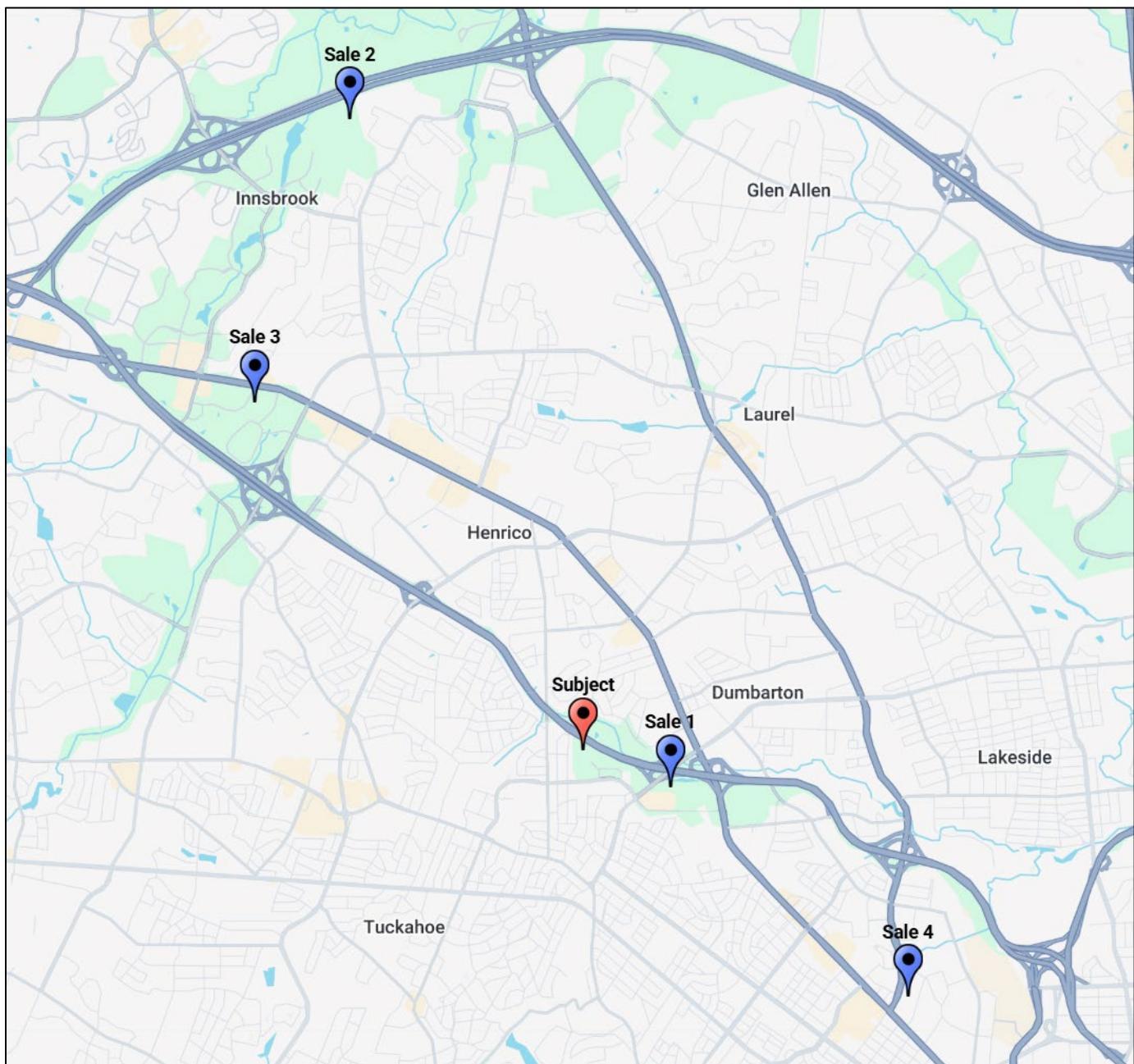
1. Research and verify information on properties in the competitive market that are similar to the subject and that have recently sold, are listed for sale, or are under contract.
2. Select the most relevant units of comparison in the market and develop a comparative analysis for each unit.
3. Examine, and quantify via adjustments, differences between the comparable sales and the subject property using all appropriate elements of comparison. The basic elements of comparison that should be considered include:
  - a. Transactional Adjustments:
    - i. Real property rights conveyed;
    - ii. Financing terms (i.e. cash equivalency);
    - iii. Conditions of sale (i.e., motivation);
    - iv. Expenditures made immediately after purchase; and
    - v. Market conditions.
  - b. Property Adjustments:
    - i. Location;
    - ii. Physical characteristics;
    - iii. Economic characteristics;
    - iv. Use; and
    - v. Non-realty components of value.
4. Reconcile the various value indications to a value bracket and then a single value indication.

### COMPARABLE SALES ANALYSIS

We have researched several sales for the analysis of the subject property, the most comparable of which are summarized in the adjustment grid on following page and succeeded by a location map and further details of the property sales. In this sales comparison analysis, the price per square foot of net rentable area metric is used as it mirrors that of market participants when making investment decisions.

| IMPROVED SALES COMPARISON ADJUSTMENT ANALYSIS |                                       |                 |                  |                          |                      |
|---|---------------------------------------|-----------------|------------------|--------------------------|----------------------|
| Comparable                                    | Subject                               | Sale 1          | Sale 2           | Sale 3                   | Sale 4               |
| Property Name                                 | Glen Forest Office Park               | 6900 Forest Ave | Innsbrook        | Westerre I & II          | 2103 Staples Mill Rd |
| Address                                       | 1802 Bayberry Court<br>(among others) | 6900 Forest Ave | 5600-5640 Cox Rd | 3951 & 3957 Westerre Pky | 2103 Staples Mill Rd |
| City, State                                   | Richmond, VA                          | Richmond, VA    | Glen Allen, VA   | Richmond, VA             | Richmond, VA         |
| County  | Henrico                               | Henrico         | Henrico          | Henrico                  | Henrico              |
| Property Type                                 | Class A & B Office                    | Class B Office  | Class B Office   | Class C Office           | Class B Office       |
| Land Size (Acres)                             | 40.88                                 | 3.21            | 26.01            | 11.14                    | 14.69                |
| Year Built                                    | 1982-2001                             | 2012            | 1999             | 1988/1997                | 2004                 |
| Year Renovated                                | N/A                                   | N/A             | N/A              | N/A                      | N/A                  |
| Size (SF)                                     | 566,203                               | 62,565          | 312,422          | 163,187                  | 291,008              |
| Stories                                       | 2-4                                   | 3               | 2-3              | 4                        | 5                    |
| Occupancy                                     | 83.7%                                 | 68.6%           | 85.0%            | 91.5%                    | 100.0%               |
| Transaction Type                              |                                       | Sale            | Sale             | Sale                     | Sale                 |
| Valuation/Sale Date                           | 3/1/2025                              | 11/15/2024      | 7/8/2024         | 10/16/2023               | 8/23/2023            |
| Months Since Sale                             |                                       | 3.5             | 7.9              | 16.7                     | 18.5                 |
| Sale Price                                    |                                       | \$17,000,000    | \$31,000,000     | \$25,000,000             | \$63,000,000         |
| <b>Sale Price per SF</b>                      |                                       | <b>\$271.72</b> | <b>\$99.22</b>   | <b>\$153.20</b>          | <b>\$216.49</b>      |
| <b>Transactional Adjustments</b>              |                                       |                 |                  |                          |                      |
| Property Rights                               | -                                     | -               | -                | -                        | -                    |
| Financing                                     | -                                     | -               | -                | -                        | -                    |
| Conditions of Sale                            | -                                     | -               | -                | -                        | -                    |
| Market Adjustments                            | =                                     | =               | -                | <u>-5.0%</u>             | <u>-5.0%</u>         |
| <b>Transactionally Adjusted Sale Price</b>    |                                       | <b>\$271.72</b> | <b>\$99.22</b>   | <b>\$145.54</b>          | <b>\$205.66</b>      |
| <b>Physical Adjustments</b>                   |                                       |                 |                  |                          |                      |
| Location                                      | -                                     | -               | 5%               | -                        | -                    |
| Property Size                                 | -15%                                  | -               | -5%              | -10%                     | -10%                 |
| Quality & Condition                           | -15%                                  | -               | 15%              | 10%                      | -10%                 |
| Occupancy/Tenancy                             | 5%                                    | -               | -                | -5%                      | -10%                 |
| Utility                                       | -                                     | -               | -                | -                        | -                    |
| <b>Total Adjustments</b>                      | <b>-25%</b>                           | <b>15%</b>      | <b>-5%</b>       | <b>-30%</b>              |                      |
| <b>INDICATED SALES PRICE PER SF</b>           |                                       | <b>\$203.79</b> | <b>\$114.11</b>  | <b>\$138.26</b>          | <b>\$143.97</b>      |

## COMPARABLE SALES LOCATION MAP



## DETAILS OF COMPARABLE SALES

## SALE COMPARABLE 1

**Location Data**

|               |                 |
|---------------|-----------------|
| Property Name | 6900 Forest Ave |
| Address       | 6900 Forest Ave |
| City, State   | Richmond, VA    |
| County        | Henrico         |
| Parcel ID     | 766-745-2615    |

**Physical Data**

|                     |                |
|---------------------|----------------|
| Property Type       | Class B Office |
| Year Built          | 2012           |
| Year Renovated      | N/A            |
| Number of Buildings | 1              |
| Number of Stories   | 3              |
| Land Area (Acres)   | 3.211          |
| Size (SF)           | 62,565         |
| Condition / Quality | Average        |
| Parking Spaces      | 145            |

**Sales Data**

|                       |  |
|-----------------------|--|
| Transaction Type      | Sale   |
| Date                  | 11/15/2024   |
| Sale Price            | \$17,000,000   |
| Required Capital Cost | \$0  |
| Adjusted Sale Price   | \$17,000,000   |
| Price Per SF          | \$272  |
| Marketing Time        | N/A  |
| Grantor               | Reynolds Development, LLC                              |
| Grantee               | Remedy Medical Properties   Kayne Anderson Real Estate |
| Financing             | Typical  |

**Financial Data**

|                             |        |
|-----------------------------|--------|
| Occupancy at Sale           | 68.60% |
| Overall Capitalization Rate | N/A    |
| Cap Rate Based On           | N/A    |
| Net Operating Income        | N/A    |
| Net Operating Income Per SF | N/A    |

## SALE COMPARABLE 2

**Location Data**

|               |                  |
|---------------|------------------|
| Property Name | Innsbrook        |
| Address       | 5600-5640 Cox Rd |
| City, State   | Glen Allen, VA   |
| County        | Henrico          |
| Parcel ID     | 753-770-9025     |

**Physical Data**

|                     |                |
|---------------------|----------------|
| Property Type       | Class B Office |
| Year Built          | 1999           |
| Year Renovated      | N/A            |
| Number of Buildings | 3              |
| Number of Stories   | 2-3            |
| Land Area (Acres)   | 26.01          |
| Size (SF)           | 312,422        |
| Condition / Quality | Average        |
| Parking Spaces      | 2040           |

**Sales Data**

|                       |  |
|-----------------------|--|
| Transaction Type      | Sale                                   |
| Date                  | 7/8/2024                               |
| Sale Price            | \$31,000,000                           |
| Required Capital Cost | \$0                                    |
| Adjusted Sale Price   | \$31,000,000                           |
| Price Per SF          | \$99                                   |
| Marketing Time        | N/A                                    |
| Grantor               | Franklin Street Properties Corporation |
| Grantee               | Onward Investors                       |
| Financing             | Typical                                |

**Financial Data**

|                             |        |
|-----------------------------|--------|
| Occupancy at Sale           | 85.00% |
| Overall Capitalization Rate | N/A    |
| Cap Rate Based On           | N/A    |
| Net Operating Income        | N/A    |

## SALE COMPARABLE 3

**Location Data**

|               |                            |
|---------------|----------------------------|
| Property Name | Westerre I & II            |
| Address       | 3951 & 3957 Westerre Pky   |
| City, State   | Richmond, VA               |
| County        | Henrico                    |
| Parcel ID     | 750-759-7271, 750-759-4330 |

**Physical Data**

|                     |                |
|---------------------|----------------|
| Property Type       | Class C Office |
| Year Built          | 1988/1997      |
| Year Renovated      | N/A            |
| Number of Buildings | 2              |
| Number of Stories   | 4              |
| Land Area (Acres)   | 11.14          |
| Size (SF)           | 163,187        |
| Condition / Quality | Average        |
| Parking Spaces      | 686            |

**Sales Data**

|                       |                                |
|-----------------------|--------------------------------|
| Transaction Type      | Sale                           |
| Date                  | 10/16/2023                     |
| Sale Price            | \$25,000,000                   |
| Required Capital Cost | \$0                            |
| Adjusted Sale Price   | \$25,000,000                   |
| Price Per SF          | \$153                          |
| Marketing Time        | N/A                            |
| Grantor               | The Simpson Organization       |
| Grantee               | Seminole Trail Management, LLC |
| Financing             | Typical                        |

**Financial Data**

|                             |                 |
|-----------------------------|-----------------|
| Occupancy at Sale           | 91.50%          |
| Overall Capitalization Rate | 8.13%           |
| Cap Rate Based On           | Existing Income |
| Net Operating Income        | \$2,032,500     |
| Net Operating Income Per SF | \$12.46         |

## SALE COMPARABLE 4

**Location Data**

|               |                      |
|---------------|----------------------|
| Property Name | 2103 Staples Mill Rd |
| Address       | 2103 Staples Mill Rd |
| City, State   | Richmond, VA         |
| County        | Henrico              |
| Parcel ID     | 775-737-2819         |

**Physical Data**

|                     |                |
|---------------------|----------------|
| Property Type       | Class B Office |
| Year Built          | 2004           |
| Year Renovated      | N/A            |
| Number of Buildings | 11             |
| Number of Stories   | 5              |
| Land Area (Acres)   | 14.691001      |
| Size (SF)           | 291,008        |
| Condition / Quality | Average        |
| Parking Spaces      | 226            |

**Sales Data**

|                       |                                  |
|-----------------------|----------------------------------|
| Transaction Type      | Sale                             |
| Date                  | 8/23/2023                        |
| Sale Price            | \$63,000,000                     |
| Required Capital Cost | \$0                              |
| Adjusted Sale Price   | \$63,000,000                     |
| Price Per SF          | \$216                            |
| Marketing Time        | N/A                              |
| Grantor               | Kinsale Capital Group, Inc.      |
| Grantee               | SALUS Government Properties, LLC |
| Financing             | Typical                          |

**Financial Data**

|                             |         |
|-----------------------------|---------|
| Occupancy at Sale           | 100.00% |
| Overall Capitalization Rate | N/A     |
| Cap Rate Based On           | N/A     |
| Net Operating Income        | N/A     |

## ADJUSTMENT PROCESS

The comparative process involves judgment as to the similarity between the subject property and the comparable sale property with regard to a variety of factors such as location, age and condition of the structure, income potential, physical configuration and other factors. We have selected the most comparable properties in the general market area for analysis. The following adjustments have been considered.

### **Ownership Interest (Property Rights)**

The indicated sale prices are adjusted to reflect 100% ownership interest if a partial interest has been conveyed. Full ownerships of the leased fee interests were sold in each case.

### **Financing & Conditions of Sale**

The comparable sales were either all cash or were financed at market. Considerate of such, no adjustments for any unusual or atypical financing is required. Further, we are unaware of any conditions of sale that may have affected the sale prices.

### **Market Conditions**

Comparable sales that occurred under different market conditions than those applicable to the subject property as of the effective date of appraisal require adjustment. The comparable sales illustrated in the survey took place between August 2023 and November 2024. Due to the increasingly high interest rate environment in 2022 and 2023 with significant real estate market risk, as well as growing downward pressure on commercial office space in the Richmond market in 2023, a negative adjustment was made to Sales 3 and 4.

### **Location**

Location adjustments for office buildings predominantly deal with the market rent potential in each of the areas, as well as the accessibility and desirability of the property's location. Sale 2 is considered inferior to the subject property and has been adjusted upward.

### **Property Size**

Typically, smaller buildings tend to sell for higher unit values, while larger buildings benefit from certain economies of scale, and generally transact at lower unit values. All sales have been adjusted downward for their smaller sizes.

### **Quality & Condition**

The subject property was built in 1982-2001 and is in average condition. Sales 2 and 3 are considered inferior to the subject property and have been adjusted upward. Sales 1 and 4 are considered superior to the subject property and have been adjusted downward.

### **Occupancy/Tenancy**

As of the date of value, the subject property was 83.7% occupied. Sale 1 is considered inferior to the subject property and has been adjusted upward. Sales 3 and 4 are considered superior to the subject property and have been adjusted downward.

**Utility**

The utility category generally accounts for any other factors not considered in the other adjustments, such as additional income sources. No adjustments were deemed necessary.

**SALES COMPARISON APPROACH CONCLUSION**

Prior to adjustments the improved sales had prices ranging from \$99.22 and \$271.72 per square foot. After adjustments, the sales reflect unit prices ranging from \$114.11 to \$203.79 per square foot with an average of \$150.03 per square foot. We have concluded to an improved value indication within the adjusted sale price range indicated by the comparable sales, or \$140.00 per square foot. We have placed the primary emphasis on Sales 2, 3, and 4, as Sale 1 is significantly smaller and appears to be medical office.

The computation of the sales comparison approach value is shown below.

| SALES APPROACH CONCLUSION                 |                     |
|---|---------------------|
| Indicated Value per SF - High             | \$203.79            |
| Indicated Value per SF - Average          | \$150.03            |
| Indicated Value per SF - Low              | \$114.11            |
| <b>Reconciled Value Per SF</b>            | <b>\$140.00</b>     |
| Subject Square Footage                    | 566,203             |
| <b>"As Is" Value Indication (Rounded)</b> | <b>\$79,300,000</b> |

## Reconciliation

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The process of reconciliation involves the analysis of each approach to value. The quality of data, the significance of each approach as it relates to market behavior, and defensibility of each approach are considered and weighed. Finally, each approach is considered separately and comparatively with each other.

### INCOME CAPITALIZATION APPROACH

The income capitalization approach seeks to view the subject property's value from the perspective of the typical investor. Typical investors judge the value of a property based upon the quality and quantity of the income generated, as well as the likely impact of market conditions on future income generation. By considering these factors, it provides a significant measure of credibility for this type of property and has been given the greatest emphasis in arriving at the final estimate of value since the subject property is an income-producing asset.

### COST APPROACH

The cost approach is based upon the proposition that the informed purchaser would pay no more for the subject than the cost to produce a substitute property with equivalent utility. This approach is particularly applicable when the property being appraised involves relatively new improvements that represent the highest and best use of the land, or when relatively unique or specialized improvements are located on the site and for which there exist few sales or leases of comparable properties. The cost approach has not been used in this appraisal as typical investors in the marketplace do not often use the cost approach in making buy/sell decisions, as well as the difficulty of estimated depreciation for an asset of the subject property's age.

### SALES COMPARISON APPROACH

In the sales comparison approach, the subject is compared to similar properties that have been sold recently or for which listing prices or offers are known. The sales used in this analysis are considered somewhat comparable to the subject. In addition, market participants are currently analyzing purchase prices on investment properties as they relate to available substitutes in the market. Therefore, the sales comparison approach is considered to provide a reliable value indication and has been given secondary emphasis in the final value reconciliation.

### RECONCILIATION

The values indicated by the analyses are summarized as follows, along with the reconciled value conclusion.

| RECONCILED MARKET VALUES               |                     |                 |
|--|---------------------|-----------------|
| "AS IS" MARKET VALUE                   | Total               | Per SF          |
| Income Capitalization Approach         | \$79,700,000        | \$140.76        |
| Sales Comparison Approach              | \$79,300,000        | \$140.06        |
| Cost Approach                          | Not Used            | ---             |
| <b>RECONCILED "AS IS" MARKET VALUE</b> | <b>\$79,700,000</b> | <b>\$140.76</b> |

Based on the data and analyses developed in this appraisal and subject to the definitions, limiting conditions, and assumptions outlined in the appraisal, the **"as is" market value** of the leased fee interest in the subject property, free and clear of financing, is:

**as of March 1, 2025:                   \$79,700,000**

## Addenda

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Appraisal Certification

Assumptions & Limiting Conditions

Professional Qualifications

Maps

Subject Photographs

Valuation Glossary

Colliers Valuation & Advisory Services Overview

## Appraisal Certification

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We certify that, to the best of our knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- We have no present or prospective interest in the property that is the subject of this report and have no personal interest with respect to the parties involved.
- We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice ("USPAP"), in addition to the Standards of Professional Practice of the Appraisal Institute.
- John T. Farrell has not made a personal inspection of the subject property.
- Adam Urbina provided significant real property appraisal assistance to the persons signing this certification in the form of valuation analysis and report preparation.
- We have provided services relating to the subject property within the three-year period immediately preceding the acceptance of the assignment.
- This appraisal assignment was not based upon a requested minimum valuation, a specific valuation, or the approval of a loan.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- As of the date of this report John T. Farrell has completed the requirements of the continuing education program for Designated Members of the Appraisal Institute.

| VALUE TYPE           | INTEREST APPRAISED | DATE OF VALUE | VALUE        |
|----------------------|--------------------|---------------|--------------|
| "As Is" Market Value | Leased Fee         | March 1, 2025 | \$79,700,000 |

### DRAFT

John T. Farrell, MAI, AI-GRS  
 Managing Director  
 VA State Certified General  
 Real Estate Appraiser #4001017456

## Assumptions & Limiting Conditions

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This appraisal is subject to the following assumptions and limiting conditions:

- › The appraisers may or may not have been provided with a survey of the subject property. If further verification is required, a survey by a registered surveyor is advised.
- › We assume no responsibility for matters legal in character, nor do we render any opinion as to title, which is assumed to be marketable. All existing liens, encumbrances, and assessments have been disregarded, unless otherwise noted, and the property is appraised as though free and clear, under responsible ownership, and competent management.
- › The exhibits in this report are included to assist the reader in visualizing the property. We have made no survey of the property and assume no responsibility in connection with such matters.
- › Unless otherwise noted herein, it is assumed that there are no encroachments, zoning, or restrictive violations existing in the subject property.
- › The appraisers assume no responsibility for determining if the property requires environmental approval by the appropriate governing agencies, nor if it is in violation thereof, unless otherwise noted herein.
- › Information presented in this report has been obtained from reliable sources, and it is assumed that the information is accurate.
- › This report shall be used for its intended purpose only, and by the party to whom it is addressed. Possession of this report does not include the right of publication.
- › The appraisers may not be required to give testimony or to appear in court by reason of this appraisal, with reference to the property in question, unless prior arrangements have been made therefore.
- › The statements of value and all conclusions shall apply as of the dates shown herein.
- › There is no present or contemplated future interest in the property by the appraisers which is not specifically disclosed in this report.
- › Without the written consent or approval of the authors neither all, nor any part of, the contents of this report shall be conveyed to the public through advertising, public relations, news, sales, or other media. This applies particularly to value conclusions and to the identity of the appraisers and the firm with which the appraisers are connected.
- › This report must be used in its entirety. Reliance on any portion of the report independent of others, may lead the reader to erroneous conclusions regarding the property values. Unless approval is provided by the authors no portion of the report stands alone.
- › The valuation stated herein assumes professional management and operation of the buildings throughout the lifetime of the improvements, with an adequate maintenance and repair program.
- › The liability of Colliers International Valuation & Advisory Services, its principals, agents, and employees is limited to the client. Further, there is no accountability, obligation, or liability to any third party. If this report is placed in the hands of anyone other than the client, the client shall make such party aware of all limiting conditions and assumptions of the assignment and related discussions. The appraisers are in no way responsible for any costs incurred to discover or correct any deficiency in the property.

- › The appraisers are not qualified to detect the presence of toxic or hazardous substances or materials which may influence or be associated with the property or any adjacent properties, has made no investigation or analysis as to the presence of such materials, and expressly disclaims any duty to note the degree of fault. Colliers International Valuation & Advisory Services and its principals, agents, employees, shall not be liable for any costs, expenses, assessments, or penalties, or diminution in value, property damage, or personal injury (including death) resulting from or otherwise attributable to toxic or hazardous substances or materials, including without limitation hazardous waste, asbestos material, formaldehyde, or any smoke, vapors, soot, fumes, acids, alkalis, toxic chemicals, liquids, solids or gasses, waste materials or other irritants, contaminants or pollutants.
- › The appraisers assume no responsibility for determining if the subject property complies with the *Americans with Disabilities Act (ADA)*. Colliers International Valuation & Advisory Services, its principals, agents, and employees, shall not be liable for any costs, expenses, assessments, penalties or diminution in value resulting from non-compliance. This appraisal assumes that the subject meets an acceptable level of compliance with *ADA* standards; if the subject is not in compliance, the eventual renovation costs and/or penalties would negatively impact the present value of the subject. If the magnitude and time of the cost were known today, they would be reduced from the reported value conclusion.
- › An on-site inspection of the subject property was not conducted for purposes of the current appraisal. No evidence of asbestos materials on-site was noted during a prior inspection. A Phase 1 Environmental Assessment was not provided for this analysis. This analysis assumes that no asbestos or other hazardous materials are stored or found in or on the subject property. If evidence of hazardous materials of any kind occurs, the reader should seek qualified professional assistance. If hazardous materials are discovered and if future market conditions indicate an impact on value and increased perceived risk, a revision of the concluded values may be necessary.
- › A detailed soils study was not provided for this analysis. The subject's soils and sub-soil conditions are assumed to be suitable based upon a visual inspection, which did not indicate evidence of excessive settling or unstable soils. No certification is made regarding the stability or suitability of the soil or sub-soil conditions.
- › This analysis assumes that the financial information provided for this appraisal, including rent rolls and historical income and expense statements; accurately reflect the current and historical operations of the subject property.

## Professional Qualifications

### **John T. Farrell, MAI, AI-GRS**

Managing Director | Washington DC  
National Litigation Support Practice  
Valuation & Advisory Services

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United States



#### **Professional History**

##### **Cushman & Wakefield**

Managing Director, 2016 – 2022

##### **Avison Young**

Senior Vice President, 2014 – 2016

##### **NGKF (previously Grubb & Ellis Co.)**

Managing Director 2012 – 2014 (NGKF); Director 2004 – 2012 (G&E)

#### **Education**

Master of Real Estate (Finance), NYU Schack Institute of Real Estate, 2009

Bachelor of Arts, History (Economics), New York University, 2002

Fairfield College Preparatory School, 1996

#### **Experience**

Mr. Farrell has been providing real estate valuation and advisory services since 2003 and has served as an expert witness in both litigation and arbitration. His practice is focused on environmental contamination, construction defects and delays, mortgage deficiencies, partnership disputes, purchase option matters, rent reset arbitrations, title defect claims, eminent domain, and a wide variety of other complex real estate disputes.

Over the years he has prepared appraisal, rental, and market and feasibility studies for a variety of other purposes including tax appeals, estate tax, gifting, lost profits, bankruptcies, foreclosures, lease negotiation, asset acquisition and disposition, corporate mergers, and various other corporate planning purposes.

He has consulted on properties and easements in New York City as part of the Second Avenue Subway and the Number 7 Subway Extension, properties in Virginia and Maryland relating to the Phase 2 of WMATA's Silver Line and the Purple Line, and numerous landmarks in New York City such as Grand Central Terminal and the former World Trade Center.

Mr. Farrell has been awarded both the Appraisal Institute's MAI designation and the AI-GRS review designation. He recently served as President of the National Realty Club and President of AIDC, the DC chapter of the Appraisal Institute. He is active with the Urban Land Institute ("ULI"), the District of Columbia Building Industry Association ("DCBIA"), NAIOP, and the DC Real Estate Group.

He has consulted for the New York City Department of Planning on Local Law 33 (the Post 9/11 revised NYC Construction Codes) and he is frequently invited to testify in front of panels such as the Council of the District of Columbia's Committee of the Whole and Committee on Housing and Neighborhood Revitalization.

Accelerating success.

**John T Farrell, MAI, AI-GRS**



**Notable landmarks in which he has provided valuation and advisory services include:**

- The Army and Navy Club (Washington, DC)
- The Battery Maritime Building (New York, NY)
- The Bellevue Psychiatric Hospital (original building)
- Central Park Tower (formerly Nordstrom Tower)
- Dominion Square Development Site (Tysons, VA)
- The Eastern Market (Washington, DC)
- The FDIC's L. William Seidman Center (Arlington, VA)
- Development Site that had been slated to be "The Fifth" (Des Moines, IA)
- Four Freedoms Park (Roosevelt Island, New York, NY)
- Grand Central Terminal (New York, NY)
- HFZ Site (now One Highline Residences at 76 Eleventh Avenue, New York, NY)
- Lever House (New York, NY)
- 28 Liberty Street (formerly One Chase Manhattan Plaza, New York, NY)
- The Marriott Marquis Washington DC
- NewYork-Presbyterian/Weill Cornell Medical Center
- NYU's Washington Square Campus
- One Penn Plaza (New York, NY)
- Potomac Yards West (Alexandria, VA)
- The Rainbow Room (New York, NY)
- The South Street Seaport Museum (New York, NY)
- Town Square Las Vegas
- Union Station (Washington, DC)
- West Spring Hill Station development site (Tysons, VA)
- The White Flint Mall Site (Montgomery County, MD)
- The Former World Trade Center (New York, NY)

**Professional Designations, Memberships, and Affiliations**

American Bar Association, Associate Member (2017 – present)

Appraisal Institute, Member (2005 – present)

AI-GRS Designated Member (2017 – present)

MAI Designated Member (2015 – present)

AIDC Chapter Board Member (2018 – present), President (2021)

District of Columbia Building Industry Association, Member (2017 – 2022)

Public Policy & Regulation Committee (2017 – 2022)

DC Real Estate Group, Member (2018 – present)

Lambda Alpha International, Active Member (2017 – 2020)

NAIOP, Member (2018 – present)

National Realty Club, Member (2016 – present)

Board of Governors (2016 – 2021), President (2021)

NYU SPS Schack Institute of Real Estate

NYU Schack Alumni Board, Member (2010 – 2018), President (2016 – 2018)

Global Curriculum Advisory Committee, Member (2014 – 2015)

Urban Land Institute, Full Member (2016 – 2022)

ULI Washington Regional Initiatives Council (2017 – 2020)

ULI New York Infrastructure Council (2016 – 2017)

**Special Awards**

NYU SPS Bart Lawson Award for Public Service, 2013

**John T Farrell, MAI, AI-GRS**



#### **Selected Law Firm Clients**

|                             |                                 |
|-----------------------------|---------------------------------|
| Akerman LLP                 | Ingram LLP                      |
| Arent Fox LLP               | Jackson & Campbell, P.C.        |
| Arnold & Porter LLP         | Linowes and Blocher LLP         |
| Bryan Cave Leighton Paisner | Meister Seelig & Fein LLP       |
| Cahill Gordon & Reindel LLP | Offit Kurman Attorneys At Law   |
| Dentons                     | Redmon, Peyton, & Braswell, LLP |
| DLA Piper                   | Smith Currie and Hancock LLP    |
| Fried Frank                 | Stinson LLP                     |
| Gibson, Dunn & Crutcher LLP | Venable LLP                     |
| Greenberg Traurig LLP       | Walsh, Colucci, Lubeley & Walsh |
| Holland & Knight LLP        | Walton & Adams, P.C.            |

#### **Selected Corporate/Real Estate Clients**

|                                 |                          |
|---------------------------------|--------------------------|
| Bernstein Management Corp.      | Lincoln Property Company |
| Capital Automotive (Brookfield) | Quadrangle Development   |
| Equity Office (Blackstone)      | RXR Realty               |
| Fidelity National Title Group   | Turnberry Associates     |
| Helmsley-Spear                  | Verizon Communications   |
| JBG Smith                       | WashREIT                 |

#### **Selected Public/Non-Profit Clients**

|                             |                                |
|-----------------------------|--------------------------------|
| Amtrak                      | New York City EDC              |
| Consolidated Edison, Inc.   | New York-Presbyterian Hospital |
| The FDIC                    | NYC School Construction        |
| IRS Office of Chief Counsel | Virginia DOT                   |

#### **Selected Presentations**

November 12, 2020 – Virtual Public Hearing on Bill 23-736, the “Comprehensive Plan Amendment Act of 2020,” before the Committee of the Whole, Council of the District of Columbia.

November 9, 2020 – Virtual Public Hearing on B23-0873 – “Rent Stabilization Program Reform and Expansion Amendment Act of 2020” & B23-0972 – “Hardship Petition Reform Amendment Act of 2020,” before the Committee on Housing and Neighborhood Revitalization, Council of the District of Columbia.

November 13, 2019 – Public Hearing on B23-0433, the “Rental Housing Act Extension Amendment Act of 2019,” before the Committee on Housing and Neighborhood Revitalization, Council of the District of Columbia.

April 26, 2019 – Budget Oversight Hearing before the Committee of the Whole, Council of the District of Columbia.

February 9, 2018 – DC Water Open House on Rule Number 21-112: System Availability Fee, before The Board of Directors of the District of Columbia Water and Sewer Authority.

#### **Selected Publications**

Undermining the Foundations: Dysfunctional Transit Funding Systems Compromise New York’s Future,” Premises, Spring 2014

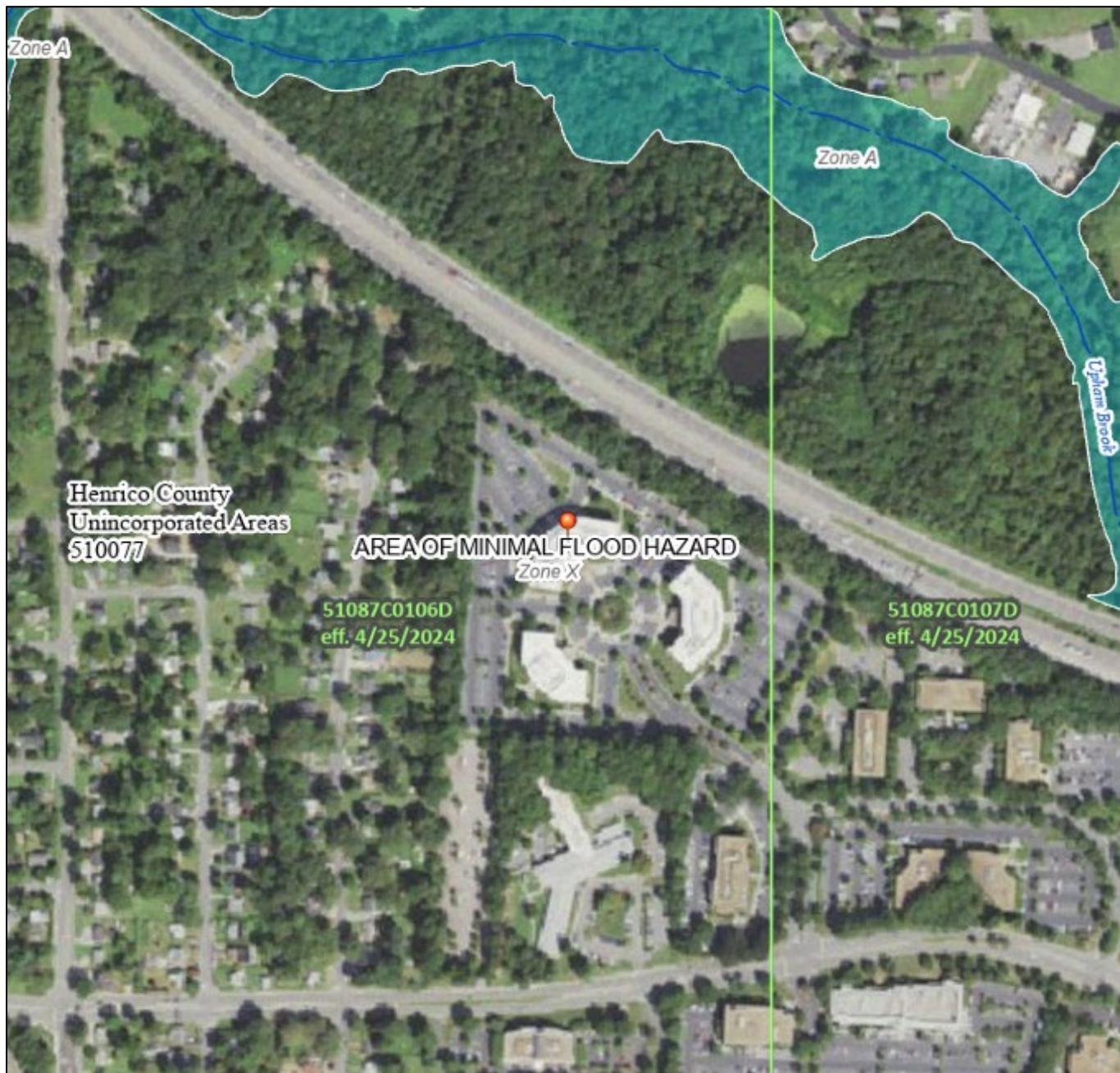
## Maps

### PORTFOLIO MAP

RICHMOND, VA 23226



## FLOOD MAP



## Subject Photographs

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1802 Bayberry Exterior 1



1801 Bayberry Exterior



Bayberry Outdoor Seating Area



Bayberry Parking



1700 Bayberry Exterior



1700 Bayberry Front Exterior



1700 Bayberry Parking



7275 Glen Forest Exterior



7201 Glen Forest Exterior



7100 Forest Ave Exterior



Street Entrance



Glen Forest signage



Access road



7231 Forest Ave Exterior



7231 Forest Ave Front Exterior



7229 Forest Ave Exterior



2701 Emerywood Pkwy Exterior



2601 Willard Rd Exterior



## Valuation Glossary 2024

Unless specified otherwise, these definitions were extracted or paraphrased from the following sources or publications:

- The Dictionary of Real Estate Appraisal, Seventh Edition, Appraisal Institute, Chicago, Illinois, 2022 (Dictionary).
- Uniform Standards of Professional Appraisal Practice, 2020-2023 Edition (USPAP).
- The Appraisal of Real Estate, Fifteenth Edition, Appraisal Institute, Chicago, Illinois, 2020 (15th Edition).

### 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*)

### Ad Valorem Tax

A real estate tax based on the assessed value of the property, which is not necessarily equivalent to its market value. (*15th Edition*)

### Arm's-length Transaction

A transaction between unrelated 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*)

### Assessed Value

The value of a property according to the tax rolls in ad valorem taxation; may be higher or lower than market value, or based on an assessment ratio that is a percentage of market value. (*Dictionary*)

### Average Daily Room Rate (ADR)

In the lodging industry, the net rooms revenue derived from the sale of guest rooms divided by the number of paid occupied rooms. (*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. (*Dictionary*)

### Cash-Equivalent Price

The sale price of a property that is equivalent to what a cash buyer would pay. (*Dictionary*)

### Common Area

The total area within a property that is not designed for sale or rental but is available for common use by all owners, tenants, or their invitees, e.g., parking and its appurtenances, malls, sidewalks, landscaped areas, recreation areas, public toilets, truck and service facilities. (*Dictionary*)

### Contract Rent

The actual rental income specified in a lease. (*15th Edition*)

### Cost Approach

A set of procedures through which a value indication is derived for the fee simple estate by estimating the cost new as of the effective date of the appraisal to construct a reproduction of (or replacement for) the existing structure, including an entrepreneurial incentive; deducting depreciation from the total cost; and adding the estimated land value. The contributory value of any site improvements that have not already been considered in the total cost can be added on a depreciated-cost basis. Adjustments may then be made to the indicated value of the fee simple estate in the subject property to reflect the value of the property rights being appraised. (*Dictionary*)

### Curable Functional Obsolescence

An element of depreciation; a curable defect caused by a flaw involving the structure, materials, or design, which can be practically and economically corrected. (*Dictionary*)

### Debt Coverage Ratio (DCR)

The ratio of net operating income to annual debt service, which measures the relative ability of a property to meet its debt service out of net operating income; also called *debt service coverage ratio (DSCR)*. (*Dictionary*)

### Deferred Maintenance

Items of wear and tear on a property that should be fixed now to protect the value or income-producing ability of a property. (*Dictionary*)

### Depreciation

In appraisal, a loss in the value of improvements from any cause; the difference between the cost of an improvement on the effective date of the appraisal and the value of the improvement on the same date. (*Dictionary*)

### Direct Costs

Expenditures for the labor and materials used in the construction of improvements; also called *hard costs*. (*Dictionary*)

### Discounted Cash Flow (DCF) Analysis

The procedure in which a discount rate is applied to a set of projected income streams and a reversion. The analyst specifies the quantity, variability, timing, and duration of the income streams and the quantity and timing of the reversion, and discounts each to its present value at a specified yield rate. (*Dictionary*)



### **Discount Rate**

A rate of return on capital used to convert future payments or receipts into present value. (*Dictionary*)

### **Disposition Value**

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

1. Consummation of a sale within a specified time, which is shorter than the typical exposure time for such a property in that market.
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 compulsion to sell.
5. The buyer is typically motivated.
6. Both parties are acting in what they consider their best interests.
7. An adequate marketing effort will be made during the exposure time.
8. Payment will be made in cash in U.S. dollars (or the 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. (*Dictionary*)

### **Easement**

The right to use another's land for a stated purpose. Access or right-of-way easements may be acquired by private parties or public utilities. Governments may be the beneficiaries of easements placed on privately owned land that is dedicated to conservation, open space, or preservation. (*15th Edition*)

### **Economic Life**

The period over which improvements to real estate 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 on which the appraisal or review opinion applies (SVP) (*Dictionary*)

### **Effective Gross Income (EGI)**

The anticipated income from all operations of the real estate 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 sale price (or value) of a property and its effective gross income. (*Dictionary*)

### **Effective Rent**

The total base rent, or minimum rent stipulated in a lease, over the specified lease term minus rent concessions - e.g. free rent, excessive tenant improvements, moving allowances, lease buyouts, cash allowances, and other lease incentives. (*15th Edition*)

### **Eminent Domain**

The right of government to take private property for public use upon the payment of just compensation. The Fifth Amendment of the U.S. Constitution, also known as the *takings clause*, guarantees payment of just compensation upon appropriation of private property. (*Dictionary*)

### **Entrepreneurial Incentive**

The amount an entrepreneur expects or wants to receive as compensation for providing coordination and expertise and assuming the risks associated with the development of a project. Entrepreneurial incentive is the expectation of future reward as opposed to the profit actually earned on the project. (*Dictionary*)

### **Entrepreneurial Profit**

A market-derived figure that represents the amount an entrepreneur received for his or her contribution to a past project to compensate for his or her time, effort, knowledge, and risk; the difference between the total cost of a property (cost of development) and its market value (property value after completion), which represents the entrepreneur's compensation for the risk and expertise associated with development. An entrepreneur is motivated by the prospect of future value enhancement (i.e., the entrepreneurial incentive). An entrepreneur who successfully creates value through new development, expansion, renovation, or an innovative change of use is rewarded by entrepreneurial profit. Entrepreneurs may also fail and suffer losses. (*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 has the potential to be sold separately and is valued separately. (*Dictionary*)

### **Excess Rent**

The amount by which contract rent exceeds market rent at the time of the appraisal; created by a lease favorable to the lessor and may reflect superior management, a lease execution in an earlier, stronger rental market, or an agreement of the parties. Due to the higher risk inherent in the receipt of excess rent, it may be calculated separately and capitalized or discounted at a higher rate in the income capitalization approach. (*15th Edition*)

### **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**

An opinion, based on supporting market data, of the length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal. (*USPAP*)

### **Extraordinary Assumption**

An assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions. Uncertain information might include physical, legal, or economic characteristics of the subject property; or conditions external to the property, such as market conditions or trends; or the integrity of data used in an analysis. An extraordinary assumption may be used in an assignment only if:

- It is required to properly develop credible opinions and conclusions;
- The appraiser has a reasonable basis for the extraordinary assumption;
- Use of the extraordinary assumption results in a credible analysis; and
- The appraiser complies with the disclosure requirements set forth in *USPAP* for extraordinary assumptions. (*USPAP*)

### **External Obsolescence**

A type of depreciation; a diminution in value caused by negative external influences and generally incurable on the part of the owner, landlord, or tenant. The external influence may be either temporary or permanent. There are two forms of external obsolescence: economic and locational. (*Dictionary*)

### **Fair Market Value**

In nontechnical usage, a term that is equivalent to the contemporary usage of *market value*.

As used in condemnation, litigation, income tax, and property tax situations, a term that is similar in concept to market value but may be defined explicitly by the relevant agency or interpreted differently by court precedent. (*Dictionary*)

### **Feasibility Analysis**

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

### **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-ground floor area of a building, as described by the zoning or 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 a building is twice the total land area. (*Dictionary*)

### **Functional Obsolescence**

The impairment of functional capacity of improvements according to market tastes and standards. (*Dictionary*)

### **Functional Utility**

The ability of a property or building to be useful and to perform the function for which it is 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 rooms. (*Dictionary*)

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

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

### **Going-concern**

An established and operating business having an indefinite future life. (*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 type of property involved. (*Dictionary*)

### **Gross Leasable Area (GLA)**

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

### **Gross Living Area (GLA)**

Total area of finished, above-grade residential space area; 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 generally included in total gross living area. Local practices, however, may differ.) (*Dictionary*)

### **Highest & Best Use**

The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity. The use of an asset that maximizes its potential and that is possible, legally permissible, and financially feasible. The highest and best use may be for continuation of an asset's existing use or for some alternative use. This is determined by the use that a market

participant would have in mind for the asset when formulating the price that it would be willing to bid (IVS). (*Dictionary*)

#### **Hypothetical Condition**

A condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis. Hypothetical conditions are contrary to known facts 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. (*USPAP*)

#### **Income Capitalization Approach**

In the income capitalization approach, an appraiser analyzes a property's capacity to generate future benefits and capitalizes the income into an indication of present value. The principle of anticipation is fundamental to this approach. Techniques and procedures from this approach are used to analyze comparable sales data and to measure obsolescence in the cost approach. (*15th Edition*)

#### **Incurable Functional Obsolescence**

An element of depreciation; a defect caused by a deficiency or superadequacy involving the structure, materials, or design that cannot be practically or economically corrected as of the effective date of the appraisal. (*Dictionary*)

#### **Indirect Costs**

Expenditures or allowances for items other than labor and materials that are necessary for construction, but are not typically part of the construction contract. Indirect costs may include administrative costs, professional fees, financing costs and the interest paid on construction loans, taxes and the builder's or developer's all-risk insurance during construction, and marketing, sales, and lease-up costs incurred to achieve occupancy or sale. Also called *soft costs*. (*Dictionary*)

#### **Interim Use**

The use contemplated by the market participants that the subject real estate can be put to while waiting for certain subsequent factors to occur. (*Dictionary*)

#### **Investment Value**

The value of a property 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. (*Dictionary*)

#### **Leased Fee Interest**

The ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversion right when the lease expires. (*Dictionary*)

#### **Leasehold Estate**

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

#### **Legal Nonconforming Use**

A use that was lawfully established and maintained, but no longer conforms to the use regulations of its current zoning; sometimes known as a legally nonconforming use. (*Dictionary*)

#### **Liquidation Value**

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

1. Consummation of a sale within a short time 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 U.S. dollars (or the 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. (*Dictionary*)

#### **Market Area**

The geographic region from which a majority of demand comes and in which the majority of competition is located. Depending on the market, a market area may be further subdivided into components such as primary, secondary, and tertiary market areas, or the competitive market area may be distinguished from the general market area. (*Dictionary*)

#### **Market Rent**

The most probable rent that a property should bring in a competitive and open market under all conditions requisite to a fair lease transaction, the lessee and lessor each acting prudently and knowledgeably, and assuming the rent is not affected by undue stimulus. (*Dictionary*)

#### **Market Study**

An analysis of the market conditions of supply, demand, and pricing for a specific property type in a specific area. (*Dictionary*)

#### **Market Value (Most Common Non-FRT)**

The most probable price, as of a specific date, in cash, or in terms equivalent to cash, or in other precisely revealed terms, for which the specified property rights should sell after reasonable exposure in a competitive market under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably, and for self-interest, and assuming that neither is under undue distress. (*Dictionary*)



### **Market Value (Interagency Guidelines)**

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

1. buyer and seller are typically motivated;
2. both parties are well informed or well advised, and acting in what they consider their own best interests;
3. a reasonable time is allowed for exposure in the open market;
4. payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
5. the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. (*12 CFR, Part 34, Subpart C - Appraisals, 34.42(h)*).

### **Marketability Analysis**

The study of how a specific property is expected to perform in a specific market. A marketability analysis expands on a market analysis by addressing a specific property. (*Dictionary*)

### **Neighborhood Analysis**

The objective analysis of observable or quantifiable data indicating discernible patterns of urban growth, structure, and change that may detract from or enhance property values; focuses on four sets of considerations that influence value: social, economic, governmental, and environmental factors. (*Dictionary*)

### **Net Net Net Lease**

An alternative term for a type of net lease. In some markets, a net net net lease is defined as 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 lease, triple net lease, or fully net lease*. (*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 valuation for EBITDA (earnings before interest, taxes, depreciation, and amortization). (*15th Edition*)

### **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*)

### **Off-site Costs**

Costs incurred in the development of a project excluding on-site costs such as grading and construction of the building and other improvements; also called *common costs* or *off-site improvement costs*. (*Dictionary*)

### **On-site Costs**

Costs incurred for the actual construction of buildings and improvements on a particular site. (*Dictionary*)

### **Overage Rent**

The percentage rent paid over and above the guaranteed minimum rent or base rent; calculated as a percentage of sales in excess of a specified breakeven sales volume. (*15th Edition*)

### **Overall Capitalization Rate (OAR)**

The relationship between a single year's net operating income expectancy and the total property price or value. (*Dictionary*)

### **Parking Ratio**

The ratio of parking area or parking spaces to an economic or physical unit of comparison. Minimum required parking ratios for various land uses are often stated in zoning ordinances. (*Dictionary*)

### **Potential Gross Income (PGI)**

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

### **Potential Gross Income Multiplier (PGIM)**

The ratio between the sale price (or value) of a property and its annual potential gross income. (*Dictionary*)

### **Present Value (PV)**

The value of a future payment or series of future payments discounted to the current date or to time period zero. (*Dictionary*)

### **Prospective Opinion of Value**

A value opinion effective as of a specified future date. The term does not define a type of value. Instead, it identifies a value opinion as effective at some specific future date. An opinion of value as of a prospective date is frequently sought in connection with projects that are proposed, under construction, or under conversion to a new use, or those that have not achieved sellout or a stabilized level of long-term occupancy. (*Dictionary*)

### **Qualitative Adjustment**

An indication that one property is superior, inferior, or similar to another property. Note that the common usage of the term is a misnomer in that an adjustment to the sale price of a comparable property is not made. Rather, the indication of a property's superiority or inferiority to another is used in relative comparison analysis, bracketing, and other forms of qualitative analysis. (*Dictionary*)



### **Quantitative Adjustment**

In the application of the sales comparison and income capitalization approaches, a numerical (dollar or percentage) adjustment to the sale price, rent, or expense amount of a comparable property to account for the effect on value of a difference between each comparable property and the subject property. (*Dictionary*)

### **Rentable Area**

The amount of space on which the rent is based; calculated according to local practice. (*Dictionary*)

### **Replacement Cost**

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

### **Replacement Cost for Insurance Purposes**

The estimated cost, at current 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 coverage purposes guaranteeing that damaged property is replaced with a new property (i.e., depreciation is not deducted). (*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 or similar materials, construction standards, design, layout, and quality of workmanship and embodying all the deficiencies, superadequacies, and obsolescence of the subject building. (*Dictionary*)

### **Retrospective Value Opinion**

A value opinion effective as of a specified historical date. The term *retrospective* 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*)

### **Sales Comparison Approach**

The process of deriving a value indication for the subject property by comparing sales of similar properties to the property being appraised, identifying appropriate units of comparison, and making adjustments to the sale prices (or unit prices, as appropriate) of the comparable properties based on relevant, market-derived elements of comparison. The sales comparison approach may be used to value improved properties, vacant land, or land being considered vacant when an adequate supply of comparable sales is available. (*Dictionary*)

### **Scope of Work**

The type and extent of research and analysis in an appraisal or appraisal review assignment. Scope of work includes, but is not limited to:

The extent to which the property is identified;

The extent to which tangible property is inspected;

The type and extent of data researched; and

The type and extent of analysis applied to arrive at opinions or conclusions. (*USPAP*)

### **Shopping Center Types**

Neighborhood Shopping Center: The smallest type of shopping center, generally with a gross leasable area of between 30,000 and 100,000 square feet. Typical anchors include supermarkets. Neighborhood shopping centers offer convenience goods and personal services and usually depend on a market population support of 3,000 to 40,000 people.

Community Shopping Center: A shopping center of 100,000 to 400,000 square feet that usually contains one junior department store, a variety store, discount or department store. A community shopping center generally has between 20 and 70 retail tenants and a market population support of 40,000 to 150,000 people.

Regional Shopping Center: A shopping center of 300,000 to 900,000 square feet that is built around one or two full-line department stores of approximately 200,000 square feet each plus small tenant spaces. This type of center is typically supported by a minimum population of 150,000 people.

Super-Regional Center: A large center of 600,000 to 2.0 million square feet anchored by three or more full-line department stores. This type of center is typically supported by a population area of 300,000 people. (*15th Edition*)

### **Sum of the Retail Values**

The sum of the separate and distinct market value opinions for each of the units in a condominium; subdivision development, or portfolio of properties, as of the date of valuation. The aggregate of retail values does not represent the value of all the units as sold together in a single transaction; it is simply the total of the individual market value conclusions. An appraisal has an effective date, but summing the sales prices of multiple units over an extended period of time will not be the value on that one day unless the prices are discounted to make the value equivalent to what another developer or investor would pay for the bulk purchase of the units. Also called the *aggregate of the retail values* or *aggregate retail selling price*. (*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 use but cannot be separated from the property and sold off for another use. 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 (TIs)**

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 periodic change for succeeding tenants. (*Dictionary*)

**Usable Area**

The area that is actually used by the tenants measured from the inside of the exterior walls to the inside of walls separating the space from hallways and common areas. (*Dictionary*)

**Useful Life**

The period of time over which a structure or a component of a property may reasonably be expected to perform the function for which it was designed. (*Dictionary*)

**Vacancy and Collection Loss**

A deduction from potential gross income (PGI) made to reflect income deductions due to vacancies, tenant turnover, and nonpayment of rent; also called *vacancy and credit loss* or *vacancy and contingency loss*. (*Dictionary*)

**Yield Capitalization**

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

The image shows a professional advertisement. At the top right is the Colliers logo in white text on a blue background with three horizontal stripes. Below the logo is a large blue rectangular overlay containing the text "Valuation & Advisory Services" in white. The main visual is a photograph of a man and a woman in business attire walking away from the camera towards a modern glass building. The man is wearing glasses, a white shirt, a dark tie, and dark trousers, carrying a dark jacket. The woman is wearing a white blouse and a black pencil skirt. They are both smiling. The bottom right corner of the image contains the tagline "Accelerating success." in a white sans-serif font.

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Valuation &  
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# Valuation & Advisory Services

Real estate valuations play a pivotal role in today's business climate. An accurate and well supported opinion of property value can mean the difference between reaching a critical goal—securing a loan, closing a sale, reporting to investors, choosing the best asset—or failing to achieve it altogether.

Colliers Valuation & Advisory Services' reports are designed to deliver insight into a property's fundamentals, its competition and the overall market dynamics affecting value. A solid valuation report can be a strategic asset for investors, lenders and owners, provided that it addresses both a property's unique characteristics and the most current market conditions.

Commitment to high-end client service, coupled with Colliers' unparalleled market intelligence and resources, differentiates us as the firm of choice in the real estate industry.

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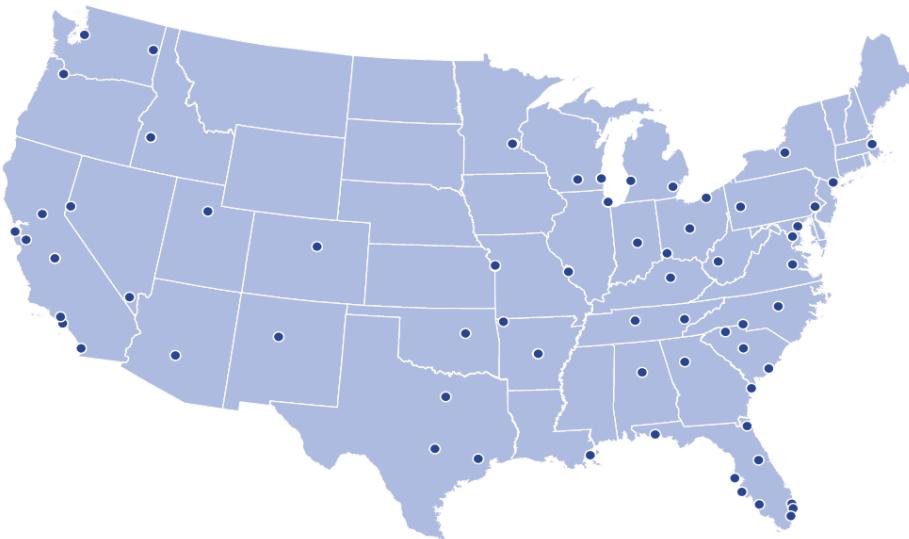
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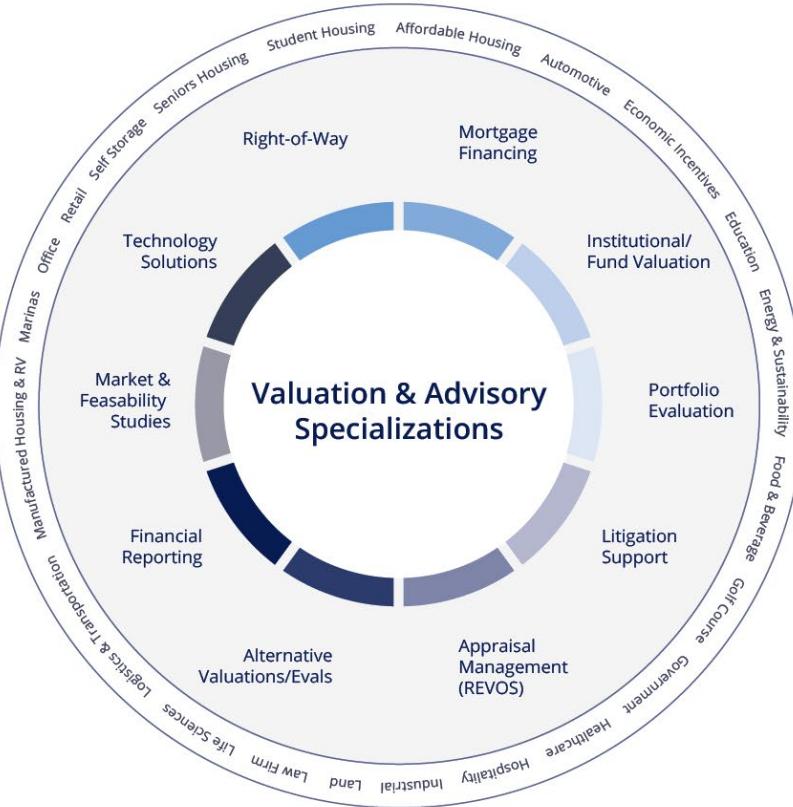
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## INFORMATION

Today's business climate places valuation in a more pivotal position than ever before. All our appraisals are evaluated and approved by an experienced review team to ensure our clients receive concise and timely appraisals. With clear, prompt reporting and a comprehensive, big picture approach, Colliers' valuation and advisory reports give our clients the information they need to make better business decisions.

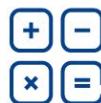


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