

**Appraisal Report**  
**Of A Property Located at**  
3351 Carl Sandburg Court  
Raleigh, North Carolina



AS OF  
July 15, 2016

PREPARED FOR  
Wake County Board of Education

Kirkland File Number 2016093



**Kirkland**  
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August 14, 2016

Ms. Betty Parker  
Wake County Board of Education  
1429 Rock Quarry Road, Suite 116  
Raleigh, North Carolina 27603

**Subject:     *3351 Carl Sandburg Court, Raleigh, North Carolina***

Dear Ms. Parker:

In response to your recent request I have prepared this appraisal for the property known as 3351 Carl Sandburg Court, Raleigh, North Carolina.

The subject site includes 3.000 acres (130,680 square feet) of land and existing improvements located on the north side of Carl Sandburg Court east of Sunnybrook Road, with a street address of 3351 Carl Sandburg Court, in Raleigh, Wake County, North Carolina. The existing improvements consist of an office building with a gross building area of 13,891 square feet. The property is currently owned by J. B. Harrison Properties, LLC. The property is currently under contract to the Wake County Board of Education. This property will sometimes hereinafter be referred to as the "subject property."

The attached report details the scope of the appraisal, level of reporting, definition of value, valuation methodology, and pertinent data researched and analyzed in the development of this appraisal.

I certify that I have no present or contemplated future interest in the property beyond this estimate of value. Your attention is directed to the Limiting Conditions and Assumptions listed later in this report. Acceptance of this report constitutes an agreement with these conditions and assumptions.

I inspected the property on July 15, 2016. The purpose of this report is to develop an opinion of the value of the property as of July 15, 2016 for the purchase decision process for the property.

Ms. Betty Parker  
August 14, 2016

This report reaches the following conclusion as to the fee simple value of the property identified above, as of the date of appraisal:

Land	\$750,000
Improvements	<u>\$1,390,000</u>
Total Value	<b>\$2,140,000</b>

Kirkland Appraisals' client for this report is the Wake County Board of Education. This report and its contents are intended for this client's use only and Kirkland Appraisals takes no responsibility for its unauthorized use. This letter must remain attached to the report in order for the value opinion expressed above to remain valid.

This report is subject to the *Uniform Standards of Professional Appraisal Practice* (USPAP) adopted by the Appraisal Standards Board of the Appraisal Foundation. It is also subject to the *Code of Professional Ethics* of the Appraisal Institute and it complies with the requirements of the State of North Carolina for State Certified General Appraisers.

The opinion of value reported in this document was developed based on a scope of work as specified in the Scope of Work section of this report.

This document is an Appraisal Report prepared in accordance with USPAP. As such, this report presents only minimal discussions of the data, reasoning, and analyses that were used in the appraisal process to develop the opinion of value. Supporting documentation concerning the data, reasoning, and analyses is retained in the Kirkland Appraisals file for this assignment.

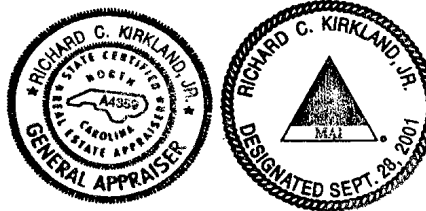
This report is subject to the certification, definitions, and assumptions and limiting conditions set forth herein.

If you have any questions, please call and I will be glad to discuss the report with you.

Sincerely,



Richard C. Kirkland, Jr., MAI  
State Certified General Appraiser



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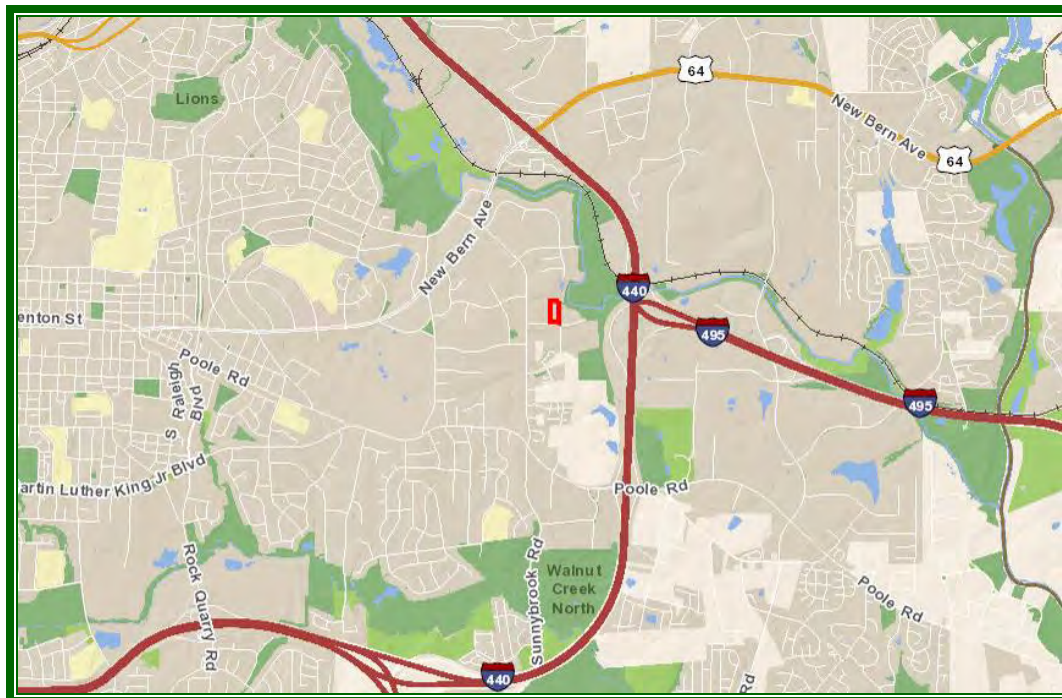
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**ADDENDA**

- ❖ Qualifications
- ❖ Area Data
- ❖ Deeds/Recorded Documents
- ❖ Property Record Card
- ❖ Survey/Property Sketch
- ❖ Floorplans
- ❖ Marketing Package
- ❖ Appraisal Instructions/Engagement Letter

## LOCATION MAPS

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## PROPERTY SUMMARY

### Property Identification:

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Real Estate ID (REID):	266882
Tax Parcel ID Number (PIN):	1723.06-49-3484
Address:	3351 Carl Sandburg Court
Location:	North side of Carl Sandburg Court east of Sunnybrook Road, in Raleigh, Wake County, North Carolina
Ownership:	J. B. Harrison Properties, LLC

### Site Data:

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Land Area:	3.000 acres (130,680 square feet)
Utilities Available:	All available
Zoning:	Office Mixed Use - 3 Floor Max - Frontage Parking Limited (by Raleigh)
FEMA Floodplain Panel:	3720172300J (eff. 5/2/06)

### Improvement Data:

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Improvements (existing):	Office building
Finished Area Percentage:	100%
Building Area Breakdown:	
First Floor	<u>13,891 s.f.</u> <u>100%</u>
Total	13,891 s.f.                      100%

### County Data:

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Deed Book-Page:	8529-1693 (February 29, 2000) (Wake County Registry)
Tax Assessed Value (2016):	
Land Value	\$557,944
Improvement Value	<u>\$1,423,506</u>
Total Tax Assessed Value	\$1,981,450
Annual Property Taxes:	\$20,187.01

## APPRAISAL SUMMARY

### Assignment:

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Effective Date of Appraisal:	July 15, 2016
Client for this Appraisal:	Wake County Board of Education
Other Intended User(s):	None
Indicated Use of Appraisal:	Purchase decision process
Property Rights Appraised:	Fee simple

### Highest and Best Use:

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As Vacant:	Office
As Improved:	Office

### Indications of Market Value:

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Cost Approach:	\$2,260,000
Sales Comparison Approach:	\$2,140,000
Income Capitalization Approach:	\$2,140,000

### Final Opinion of Market Value:

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Land	\$750,000
Improvements	<u>\$1,390,000</u>
Total Value	<b>\$2,140,000</b>

# APPRAISAL SPECIFICS

## INTENDED USE

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This appraisal report is prepared for the sole and exclusive use of Wake County Board of Education, represented to me by Ms. Betty Parker, to assist with the purchase decision process. No third parties are authorized to rely upon this report without the express written consent of the appraiser.

The date of the appraisal is July 15, 2016.

## DEFINITION OF MARKET VALUE

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The analysis presented in this report is an estimate of "market value." The Appraisal Institute offers the following economic definition of market value as stated in *The Appraisal of Real Estate* 13th Edition page 23.

**Market value** is the most probable price, as of a specified 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 duress.

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 own best interests;
- ❖ a reasonable time is allowed for exposure in the open market;
- ❖ payment is made in terms of cash in United States 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.

The opinion of value stated in this report presumes that the property has been exposed to the market prior to the date of appraisal for an adequate, sufficient and reasonable time and with adequate, sufficient and reasonable effort. The exposure time for this property is discussed in the "Marketing Period and Exposure Time" section near the end of this report.

The **Interagency Appraisal and Evaluation Guidelines** also require an "As-Is" market value for any appraisal that will be handled by the US Banking system as regulated by federal agencies. The "As-Is" market value is defined as "the estimate of the market

value of real property in its current physical condition, use and zoning as of the appraisal's effective date."

## **COMPETENCY OF THE APPRAISER**

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The appraiser's specific qualifications are included within the Addenda to the report. These qualifications serve as evidence of my competence for the completion of this appraisal assignment in compliance with the *competency provision* contained within the Uniform Standards of Professional Appraisal Practice, as promulgated by the Appraisal Standards Board of the Appraisal Foundation. The appraiser's knowledge and experience, combined with his professional qualifications, are commensurate with the complexity of this assignment, based on the following:

- ❖ Professional experience
- ❖ Educational background and training
- ❖ Business, professional, academic affiliations and activities

## **SALES HISTORY**

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The following is a summary of the recent transfers or other recorded documents regarding the property. All recorded documents are in the Wake County Registry. This information is based on a search of the public record, although it is not a complete title search of the property. I searched the history of the property for at least five years prior to the date of appraisal.

1. Document Type: Warranty deed  
 Date of Document: February 28, 2000  
 Date Recorded: February 29, 2000  
 Grantor: Hubert B. Parks and wife, Joellen S. Parks and Thomas L. Paulson, Trustee  
 Grantee: J. B. Harrison Properties, LLC  
 Deed Book-Page: 8529/1693  
 Property Transferred: Subject property  
 Revenue Stamps: \$700  
 Indicated Price: \$350,000 (\$2.68 per square foot)  
 Remarks: None

### **Additional Recorded Items**

- |                       |                            |
|-----------------------|----------------------------|
| Restrictive Covenants | None                       |
| Other Encumbrances    | None noted                 |
| Survey                | Book of Maps 2000 Page 114 |
| Leases                | None identified            |

## **CURRENT LISTING/PENDING CONTRACTS**

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The subject property was listed on the market for \$2,125,000 through York Properties. The property is currently under contract to Wake County Board of Education for



\$2,075,000. I have included this contract in the addenda and included this sales write up in the sales comparison approach.

## **SCOPE OF APPRAISAL**

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The extent of this appraisal is to correctly employ the most appropriate and recognizable techniques that are necessary to produce a credible appraisal; and to communicate each analysis, opinion, and conclusion in a manner that is not misleading. According to the Uniform Standards of Professional 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. Scope of work 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.

## **Scope of Work:**

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Client:	Wake County Board of Education
Intended Users:	No other noted intended users
Intended Use:	Purchase decision process
Property Type:	Office building
Conditions:	None
Inspection Date:	July 15, 2016
Inspection Type:	Interior, exterior. I met with Malcolm Lewis, CCIM with York Properties during my inspection.
Data Research:	<p>Researched the public record and municipal publications for information regarding the property.</p> <p>Researched information on comparable land sales, improved property sales, rents, operating expenses, construction costs, accrued depreciation, and capitalization and yield rates.</p>
Physical Factors:	<p>Land area determined from the survey.</p> <p>Gross building area determined from personal measurement on the exterior and the floor plan. I found personal measurement and the floor plan to be an agreement and slightly different from the tax card measurement. I relied on the floor plan and personal measurement over the tax card size.</p>

Property Rights: The various interests in the property are defined as follows:

- ❖ Fee simple is an absolute fee without limitation to any particular class of heirs or restrictions, but subject to the limitations of eminent domain, escheat, police power, and taxation.
- ❖ Leased fee is an ownership interest held by a landlord with the rights of use and occupancy conveyed by lease to others.
- ❖ Leasehold estate is the lessee's, or tenant's estate and is the right to use and occupy real estate for a stated term under the conditions conveyed in a lease.

The property rights appraised in this report are the: Fee simple interest.

Analysis: Cost approach: This approach is applicable, necessary and has been fully developed.

Sales Comparison Approach: This approach is applicable, necessary and has been fully developed.

Income Approach: This approach is applicable, necessary and has been fully developed.

## **LIMITING CONDITIONS AND ASSUMPTIONS**

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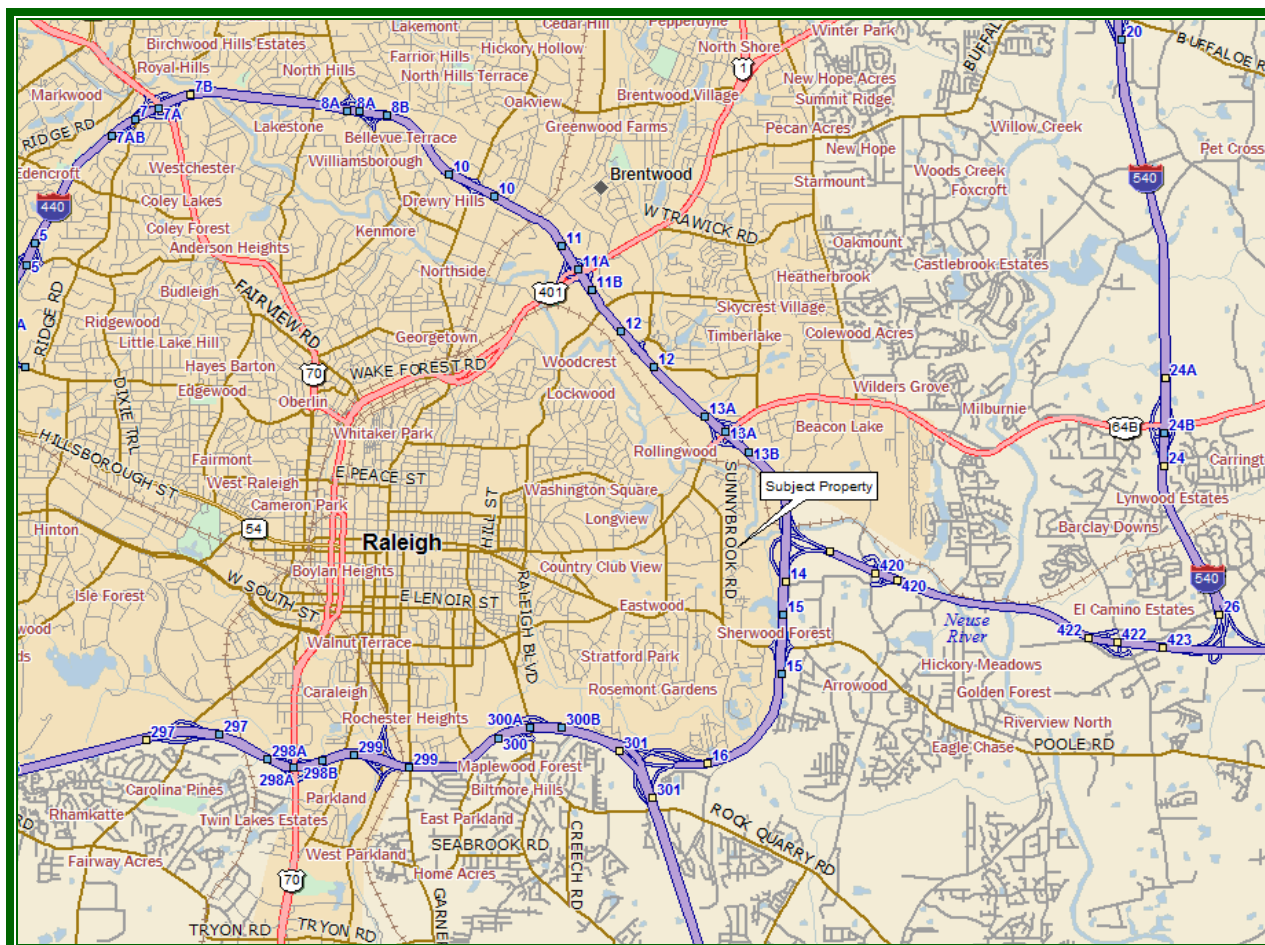
Acceptance of and/or use of this report constitutes acceptance of the following limiting conditions and assumptions; these can only be modified by written documents executed by both parties.

- ❖ The basic limitation of this and any appraisal is that the appraisal is an opinion of value, and is, therefore, not a guarantee that the property would sell at exactly the appraised value. The market price may differ from the market value, depending upon the motivation and knowledge of the buyer and/or seller, and may, therefore, be higher or lower than the market value. The market value, as defined herein, is an opinion of the probable price that is obtainable in a market free of abnormal influences.
- ❖ I do not assume any responsibility for the legal description provided or for matters pertaining to legal or title considerations. I assume that the title to the property is good and marketable unless otherwise stated.
- ❖ I am appraising the property as though free and clear of any and all liens or encumbrances unless otherwise stated.
- ❖ I assume that the property is under responsible ownership and competent property management.
- ❖ I believe the information furnished by others is reliable, but I give no warranty for its accuracy.
- ❖ I have made no survey or engineering study of the property and assume no responsibility for such matters. All engineering studies prepared by others are assumed to be correct. The plot plans, surveys, sketches and any other illustrative material in this report are included only to help the reader visualize the property. The illustrative material should not be considered to be scaled accurately for size.

- ❖ I assume that there are no hidden or unapparent conditions of the property, subsoil, or structures that render it more or less valuable. I take no responsibility for such conditions or for obtaining the engineering studies that may be required to discover them.
- ❖ I assume that the property is in full compliance with all applicable federal, state, and local laws, including environmental regulations, unless the lack of compliance is stated, described, and considered in this appraisal report.
- ❖ I assume that the property conforms to all applicable zoning and use regulations and restrictions unless nonconformity has been identified, described and considered in this appraisal report.
- ❖ I assume that all required licenses, certificates of occupancy, consents, and other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.
- ❖ I assume that the use of the land and improvements is confined within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted in this report.
- ❖ I am not qualified to detect the presence of floodplain or wetlands. Any information presented in this report related to these characteristics is for this analysis only. The presence of floodplain or wetlands may affect the value of the property. If the presence of floodplain or wetlands is suspected the property owner would be advised to seek professional engineering assistance.
- ❖ For this appraisal, I assume that no hazardous substances or conditions are present in or on the property. Such substances or conditions could include but are not limited to asbestos, urea-formaldehyde foam insulation, polychlorinated biphenyls (PCBs), petroleum leakage or underground storage tanks, electromagnetic fields, or agricultural chemicals. I have no knowledge of any such materials or conditions unless otherwise stated. I make no claim of technical knowledge with regard to testing for or identifying such hazardous materials or conditions. The presence of such materials, substances or conditions could affect the value of the property. However, the values estimated in this report are predicated on the assumption that there are no such materials or conditions in, on or in close enough proximity to the property to cause a loss in value. The client is urged to retain an expert in this field, if desired.
- ❖ Unless otherwise stated in this report the subject property is appraised without a specific compliance survey having been conducted to determine if the property is or is not in conformance with the requirements of the Americans with Disabilities Act (effective 1/26/92). The presence of architectural and/or communications barriers that are structural in nature that would restrict access by disabled individuals may adversely affect the property's value, marketability, or utility.
- ❖ Any allocation of the total value estimated in this report between the land and the improvements applies only under the stated program of utilization. The separate values allocated to the land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.
- ❖ Possession of this report, or a copy thereof, does not carry with it the right of publication.
- ❖ I have no obligation, by reason of this appraisal, to give further consultation or testimony or to be in attendance in court with reference to the property in question unless further arrangements have been made regarding compensation to Kirkland Appraisals, LLC.

- ❖ Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser, or the firm with which the appraiser is connected) shall be disseminated to the public through advertising, public relations, news, sales, or other media without the prior written consent and approval of Kirkland Appraisals, LLC, and then only with proper qualifications.
- ❖ Any value estimates provided in this report apply to the entire property, and any proration or division of the total into fractional interests will invalidate the value estimate, unless such proration or division of interests has been set forth in the report.
- ❖ Any income and expenses estimated in this report are for the purposes of this analysis only and should not be considered predictions of future operating results.
- ❖ This report is not intended to include an estimate of any personal property contained in or on the property, unless otherwise stated.
- ❖ This report is subject to the Code of Professional Ethics of the Appraisal Institute and complies with the requirements of the State of North Carolina for State Certified General Appraisers. This report is subject to the certification, definitions, and assumptions and limiting conditions set forth 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 Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA).

# REGIONAL ANALYSIS



## INTRODUCTION

The economic vitality of the area surrounding the subject property is an important consideration in establishing historical trends in the regional real estate market, future demand/supply for selected types of real estate and cash flow potential. The regional analysis generally focuses on the social, economic, governmental, and environmental forces that affect real estate. All general data are ultimately understood in terms of its effect on the economic climate in which property transactions occur.

## DEFINITION OF REGION

The subject is located within the Raleigh-Durham DMA. Accordingly, its Market Value is influenced by the social, economic, governmental and environmental characteristics of this DMA and the two CBSAs. Due to the growth that has occurred within this area, in December of 2003 the Census Bureau has split the former Raleigh-Durham-Chapel Hill Metropolitan Statistical Area (MSA) into two separate areas. These new areas are the Durham CBSA and the Raleigh-Cary CBSA. The Durham CBSA is comprised of Chatham, Durham, Orange and Person County.

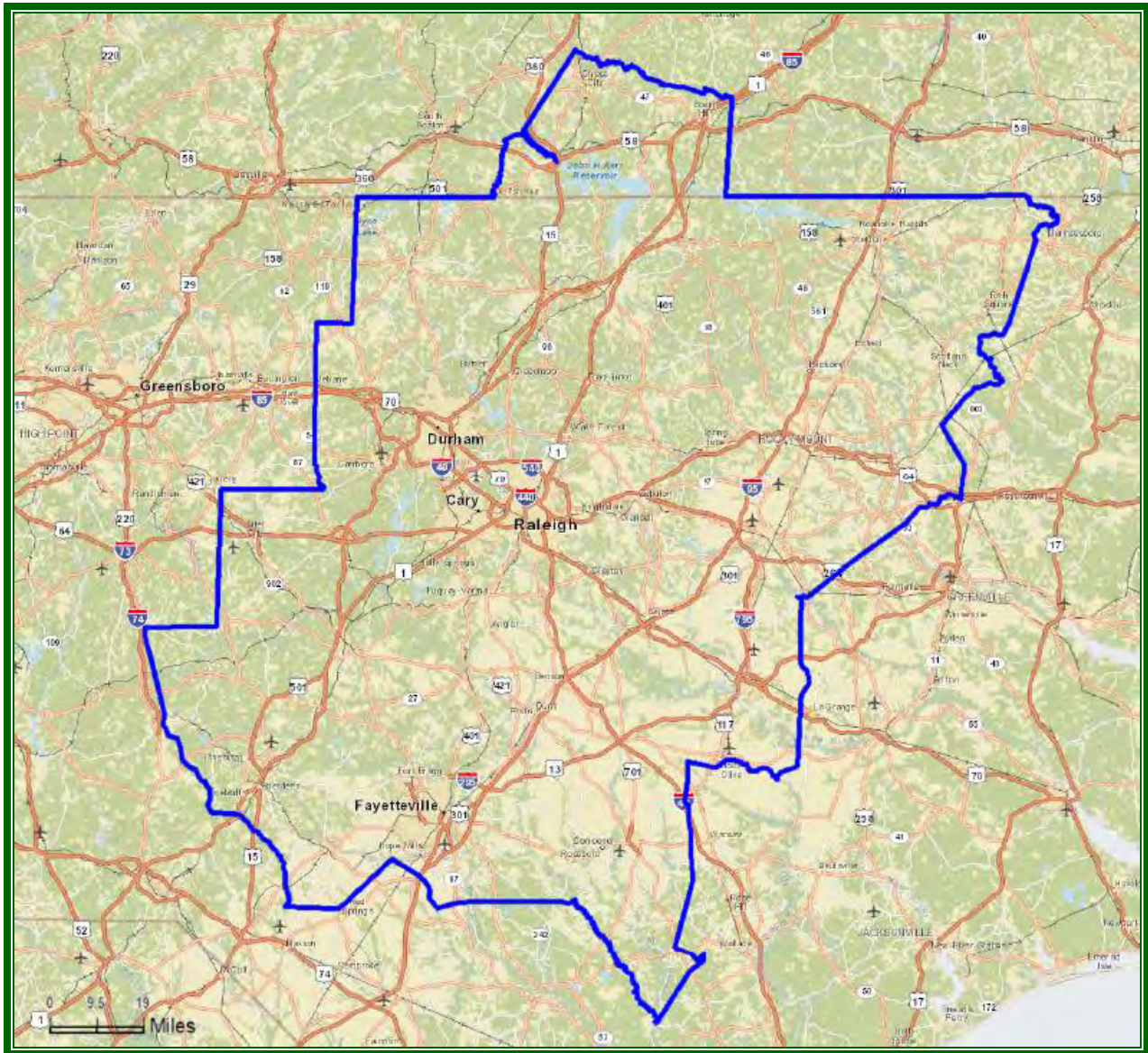
For the purpose of establishing trends and because several data sources still use the former Raleigh-Durham-Chapel Hill DMA., this report's regional analysis focuses on data pertaining to the former Raleigh-Durham-Chapel Hill DMA.

The DMA is often referred to as the "Triangle" with each point being one of the major local cities of Raleigh, Durham and Chapel Hill. The three cities have established themselves as separate entities with different appeals for businesses and residents. Raleigh, the state capitol and the second largest city in North Carolina, has established itself as a center of business, education and commerce for the Mid-Atlantic Region of the United States. Durham is recognized as a center for international business and medical research with the development of the Research Triangle Park. Chapel Hill is recognized for its education, medical and biological research and upper income lifestyle.

Raleigh is located in Wake County, Durham in Durham County, and Chapel Hill is in Orange County. Wake County has experienced a sustained high level of growth in population, employment and most types of developed real estate, while similar growth in Durham has been conspicuously more moderate. Orange County has historically controlled growth to the point of constraint with plan approvals taking longer, but this constraint on supply means demand for most uses typically runs high.

Because the Triangle comprises such three diverse cities, the area has continued to experience significant population growth and has shown resiliency to economic downturns.





## GEOGRAPHICAL INFLUENCES

The Triangle is located in the Piedmont of North Carolina centrally located between the Appalachian Mountains and the Outer Banks beaches. The weather is defined as moderate. The area's average annual rainfall is 44.7 inches per year with an inconsistent annual snowfall of less than 2 inches per year. The average low temperature is 47 degrees and the average high temperature is 73 degrees. The area enjoys a long spring, summer and fall season with relatively short winters. Highs can reach into the 90's during the peak of the summer and around freezing during the winter months.

**Transportation:** Accessibility to and within the metropolitan area is provided by a variety of transportation choices. The Triangle is located near the confluence of two major interstate highways: Interstates 85 and 40. These major transportation routes are augmented with numerous other major highways, providing good market accessibility to the Midwest and Sunbelt regions.



Triangle roadway officials and related state agencies have an aggressive development and maintenance program that facilitates well-maintained roadways and allows for a generally constant flow of traffic. The most substantial recent development is the ongoing Raleigh Outer Loop (Interstate 540). Currently I540 runs from US 64 Bypass counter clockwise around Wake County to NC Highway 55 at Apex/Holly Springs. The southern link is still proposed.

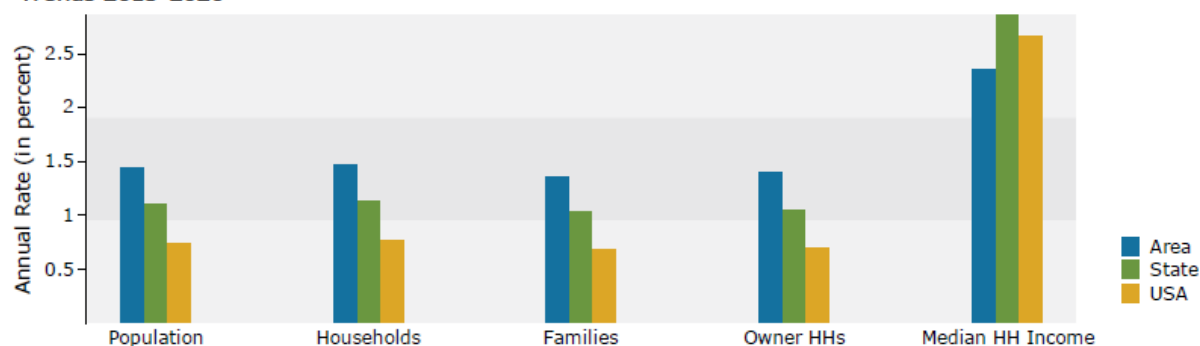
Raleigh Durham International Airport (RDU) provides commercial air transportation for the Triangle. RDU is the second largest airport in North Carolina and is served by 10 major passenger airlines. The RDU Airport Authority has been working on capital improvements to dramatically enlarge and currently has two terminals with 28 gates.

## SOCIAL INFLUENCES

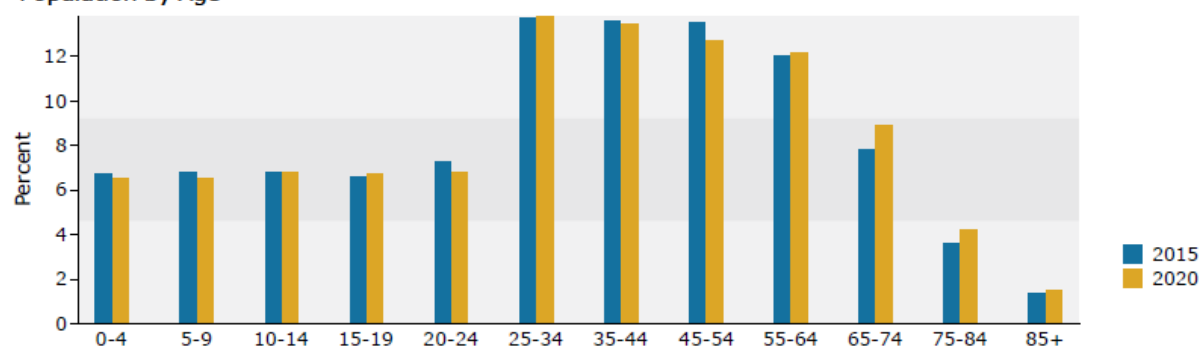
Social forces are primarily those forces that are exerted by the demographic characteristics of the market area. These include population density, employment status, quality of education, availability of health care and the overall quality of life that can be found within the region.

**Population:** The continued strength of the Triangle economy, coupled with the establishment of the region as a center for business and industry has positively impacted the demographic trends of the region. Population growth trends influence employment growth, income levels and retail sales. The following table is a summary of population growth within the region, compared to the state and United States.

Trends 2015-2020



Population by Age



The Raleigh-Durham-Chapel Hill DMA has experienced a compound annual rate of growth of 2.02 percent from 2000 to 2010 and is projected at 1.43 percent of growth

from 2015 to 2020. A steady growth rate, such as that in the population of the DMA, is typically considered to be a positive influence for commercial real estate, since population growth influences the development of new projects within a market. The DMA has experienced a significantly higher growth rate than the state of North Carolina and the United States.

**Education:** Public education in the region is superior to the majority of the state of North Carolina. The quality of life in the Triangle region is enriched by the presence of several colleges and universities. The most notable educational opportunities in the region include the University of North Carolina at Chapel Hill, North Carolina State University, and Duke University; with two of the most renowned medical schools in the southeast.

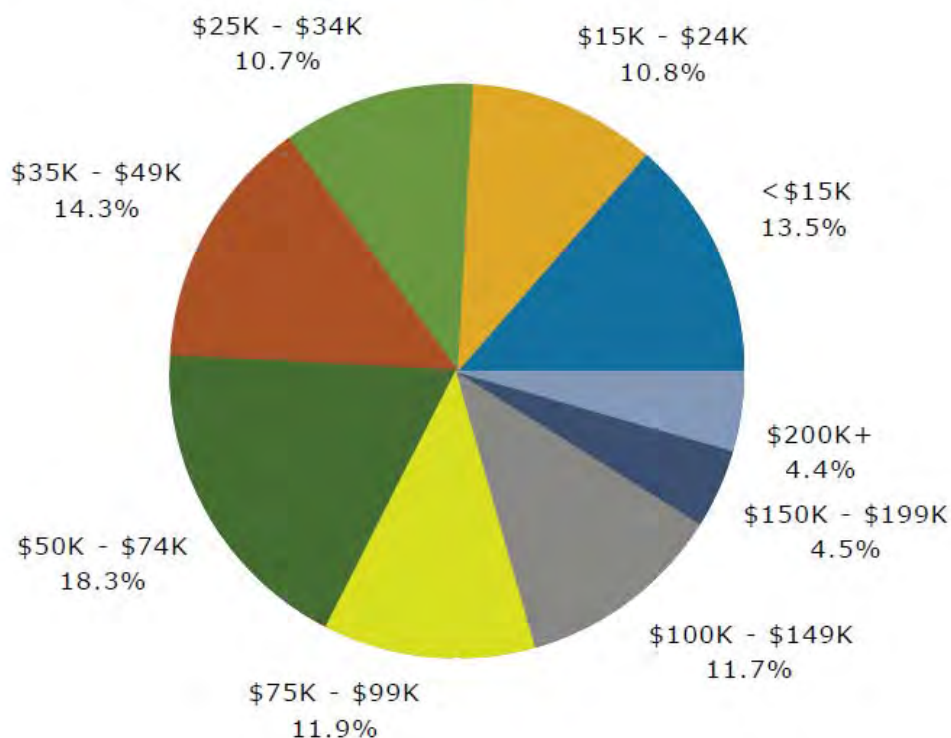
## **ECONOMIC INFLUENCES**

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According to The Appraisal of Real Estate, Twelfth Edition, economic influences “relate to the financial capacity of a market area’s occupants and their ability to rent or own a property, to maintain it in an attractive and desirable condition and to renovate it or rehabilitate it when needed.” In order to determine the economic condition of the region, we have researched items such as median household income, home ownership, unemployment, and employment by industry.

One of the primary demographics that indicates the strength or weakness of a regional economy and the demand for commercial real estate is the median household income. Typically, a market with a higher median household income is an indication of economic vitality and the standard of living within that region. The following table is a summary of the median household income levels within the DMA, North Carolina and the United States.

## 2015 Household Income



The Triangle DMA has experienced a steady growth in the median household income from 2010 to 2015 with higher growth rates than both the state and the U.S. as a whole. The annual growth rate for the DMA is projected to be 2.36 percent from 2015-2020.

The Triangle ranks as one of the more affluent metropolitan areas in the state. The high concentration of white-collar jobs found in the area, and the strong economic growth experienced throughout most of the recent past, has led to a higher standard of living in the MSA than in most other U.S. urban areas. One relative measure of affluence is the average household Effective Buying Income (EBI), used by **Claritas, Inc.** for metropolitan areas throughout the nation. The 2015 estimated reported that the Triangle had a median household EBI of \$50,661.

**Employment:** The Triangle has historically experienced relative stability in terms of employment and there are several factors that drive this stability. First, there are three state universities in the region that have a large employment base that is less affected during economic slow downs than other employment sectors. Next, Raleigh, the state capital, is located within the Raleigh-Cary DMA, and there are a large number of people employed through various government agencies. Finally, the Research Triangle Park has a diversified workforce that includes domestic and

international companies. The following table is a summary of the employment status for the local population.

<b>2015 Civilian Population 16+ in Labor Force</b>	
Civilian Employed	94.2%
Civilian Unemployed	5.8%
<b>2015 Employed Population 16+ by Industry</b>	
Total	1,399,839
Agriculture/Mining	1.4%
Construction	6.4%
Manufacturing	10.7%
Wholesale Trade	2.3%
Retail Trade	11.0%
Transportation/Utilities	3.7%
Information	2.1%
Finance/Insurance/Real Estate	5.4%
Services	51.2%
Public Administration	5.8%
<b>2015 Employed Population 16+ by Occupation</b>	
Total	1,399,839
White Collar	63.2%
Management/Business/Financial	14.9%
Professional	25.2%
Sales	10.5%
Administrative Support	12.6%
Services	17.1%
Blue Collar	19.6%
Farming/Forestry/Fishing	0.8%
Construction/Extraction	4.9%
Installation/Maintenance/Repair	3.3%
Production	5.5%
Transportation/Material Moving	5.1%

Employment within the Raleigh/Durham/Chapel Hill area is complex and diversified with a wide range of employment sectors including services, governmental, trade, and manufacturing being among the more significant industries. Employment growth throughout the MSA has outpaced the U.S. economy over the past two decades. Most economic declines within the DMA occurred during times of national recession, as in 1991/1992. Unemployment in the DMA has historically been below the state and national averages.

Although, the Triangle is well known for its technology industries and business, the table above shows a workforce that is highly diversified and the employers come from several different sectors, including retail and health care. This broad based employment has encouraged more than 150 companies to establish their company headquarters in the region.

## CONCLUSION

With a broad range of social and economic assets, the Triangle DMA is well positioned to be among the most affluent and successful DMAs in the nation. The high quality of life established by its government and citizens, the desirability of its temperate climate and appealing scenery, the strong diversity in culture, the successful transition from an agricultural based economy to a leader in high technology, research and development, and the distinguished concentration of quality higher education centers have combined to create a climate appealing to a wide variety of national and international businesses. This diverse workforce, along with steady population growth has shown great resiliency during economic downturns. Since the national economic downturn of 2008 the local market showed strong growth due to capital investment in

both the public and private sectors in the technology industries. Development in 2015 was strong in most areas with even rural locations showing signs of recovery and activity.

The local residential market has shown strong growth in infill locations, but outlying areas have shown less activity but still improvement.

## MARKET ANALYSIS

### PROPERTY TYPE PROFILE:

Subject Property Market

Property Type: Office, Research and Development

Property Class: -----

Year Built: 2000

Geographic Sub-Market: Downtown Raleigh

Triangle Commercial Space Summary												
All Submarkets												
Type Space	Leasable SF	Prev. Leasable SF	Change in SF	% Change	2016 2nd Q		2016 1st Q		Net Absorption			
					Vacancy	%	Vacancy	%	Past Quarter	%	Past 12 months	%
Office Class A	33,050,730	32,893,412	157,318	0.48%	2,862,823	8.66%	2,699,407	8.21%	18,768	0.06%	779,778	2.36%
Office Class B	16,808,754	15,784,066	1,024,688	6.49%	4,379,414	26.05%	3,325,590	21.07%	108,629	0.65%	291,629	1.73%
Office Class C	2,271,047	2,290,102	-19,055	-0.83%	352,987	15.54%	357,105	15.59%	15,918	0.70%	15,684	0.69%
Office Total	<b>52,130,531</b>	<b>50,967,580</b>	1,162,951	2.28%	<b>7,595,224</b>	<b>14.57%</b>	<b>6,382,102</b>	<b>12.52%</b>	<b>143,315</b>	<b>0.27%</b>	<b>1,087,091</b>	2.09%
Flex	17,090,978	17,248,486	-157,508	-0.91%	1,788,639	10.47%	1,977,089	11.46%	135,902	0.80%	494,268	2.89%
Warehouse	29,973,123	29,484,510	488,613	1.66%	3,251,711	10.85%	3,813,119	12.93%	681,408	2.27%	1,090,800	3.64%
Retail	45,239,024	44,908,471	330,553	0.74%	2,777,921	6.14%	2,790,957	6.21%	105,745	0.23%	693,453	1.53%
Total	<b>144,433,656</b>	<b>142,609,047</b>	1,824,609	1.28%	<b>15,413,495</b>	<b>10.67%</b>	<b>14,963,267</b>	<b>10.49%</b>	<b>1,066,370</b>	<b>0.74%</b>	<b>3,365,612</b>	2.33%

Source: The Triangle Business Journal, 2nd Quarter 2\*16 Space Survey

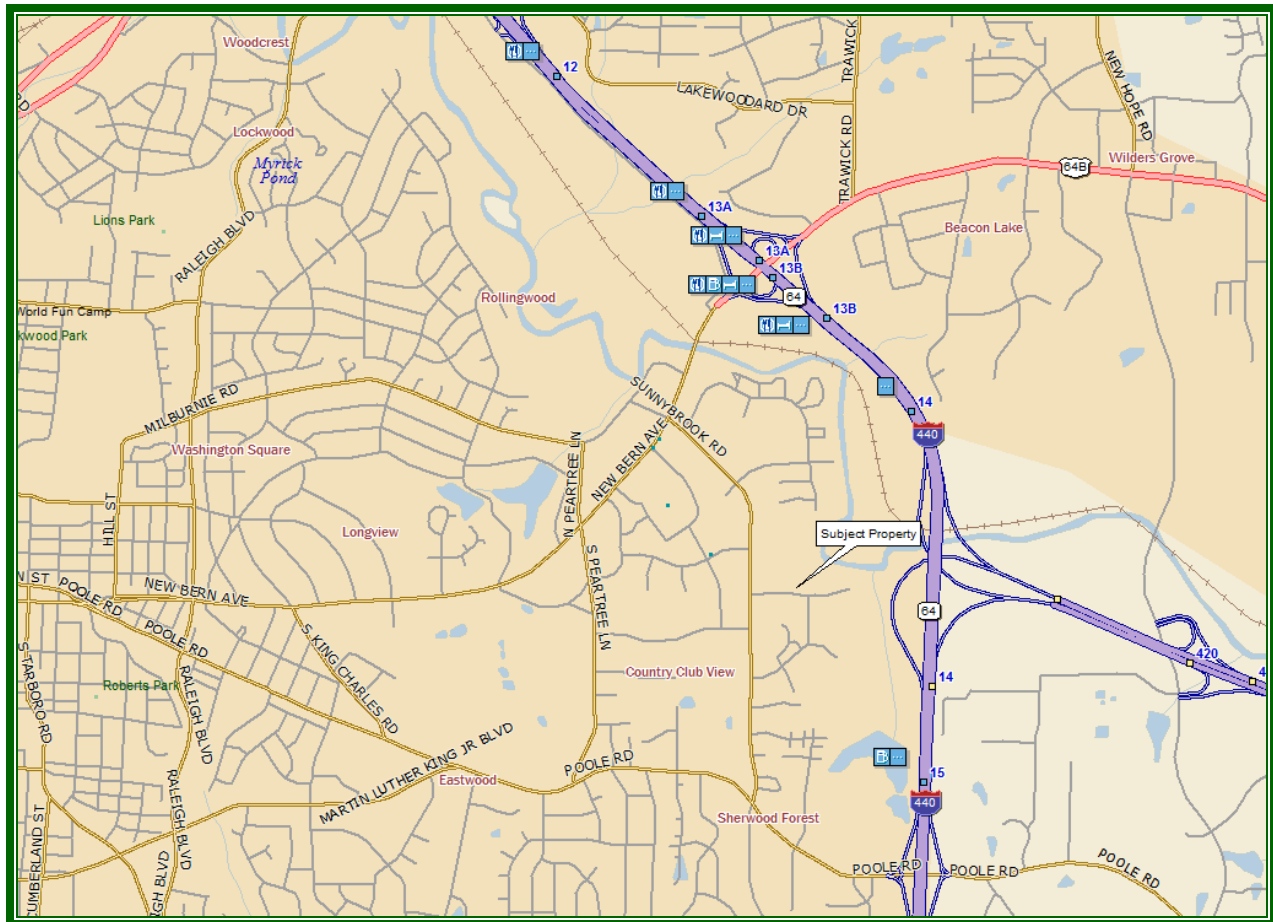
Triangle Commercial Space Summary												
Downtown Raleigh												
Type Space	Leasable SF	Prev. Leasable SF	Change in SF	% Change	2016 2nd Q		2016 1st Q		Net Absorption			
					Vacancy	%	Vacancy	%	Past Quarter	%	Past 12 months	%
Office Class A	3,358,435	3,357,038	1,397	0.04%	438,461	13.06%	359,443	10.71%	-79,018	-2.35%	-73,500	-2.19%
Office Class B	724,080	735,480	-11,400	-1.55%	64,166	8.86%	61,434	8.35%	-2,732	-0.38%	14,058	1.94%
Office Class C	323,724	323,724	0	0.00%	98,528	30.44%	94,734	29.26%	-3,794	-1.17%	-3,794	-1.17%
Office Total	<b>4,406,239</b>	<b>4,416,242</b>	-10,003	-0.23%	<b>601,155</b>	<b>13.64%</b>	<b>515,611</b>	<b>11.68%</b>	<b>-85,544</b>	<b>-1.94%</b>	<b>-63,236</b>	-1.44%
Flex	199,197	197,798	1,399	0.71%	24,949	12.52%	7,200	3.64%	-17,749	-8.91%	-24,949	-12.52%
Warehouse	402,866	390,244	12,622	3.23%	18,000	4.47%	18,000	4.61%	0	0.00%	0	0.00%
Retail	530,349	530,349	0	0.00%	92,654	17.47%	108,227	20.41%	-15,573	-2.94%	16,793	3.17%
Total	<b>5,538,651</b>	<b>5,534,633</b>	4,018	0.07%	<b>736,758</b>	<b>13.30%</b>	<b>649,038</b>	<b>11.73%</b>	<b>-118,866</b>	<b>-2.15%</b>	<b>-71,392</b>	-1.29%

Source: The Triangle Business Journal, 2nd Quarter 2\*16 Space Survey

### REMARKS

The vacancy rates in office, warehouse and retail all improved over the last years, with office, warehouse and flex considered stable, while retail is undersupplied. The Downtown market is similar, though retail appears oversupplied in this area.

## NEIGHBORHOOD LOCATION MAP



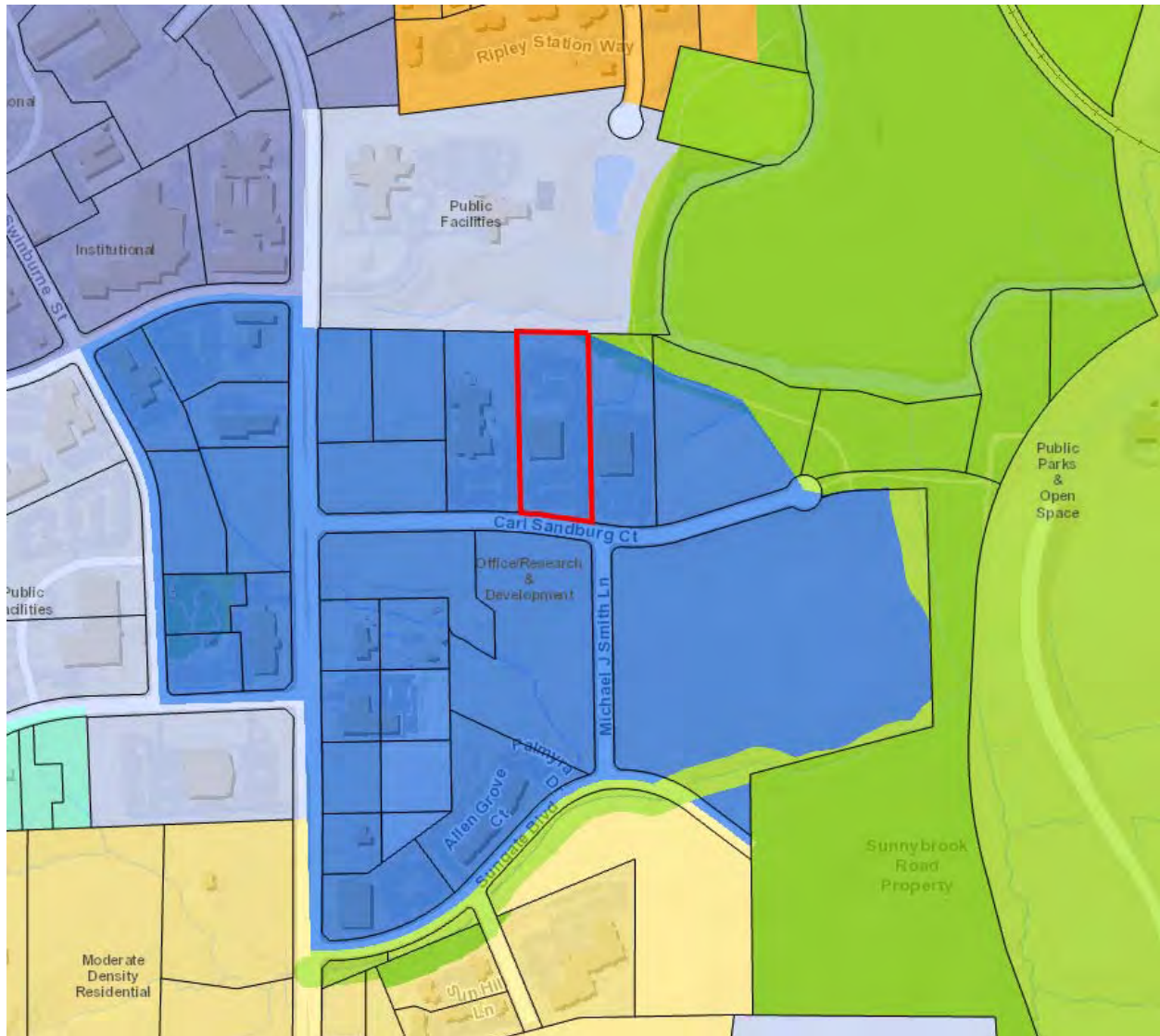
## NEIGHBORHOOD DESCRIPTION

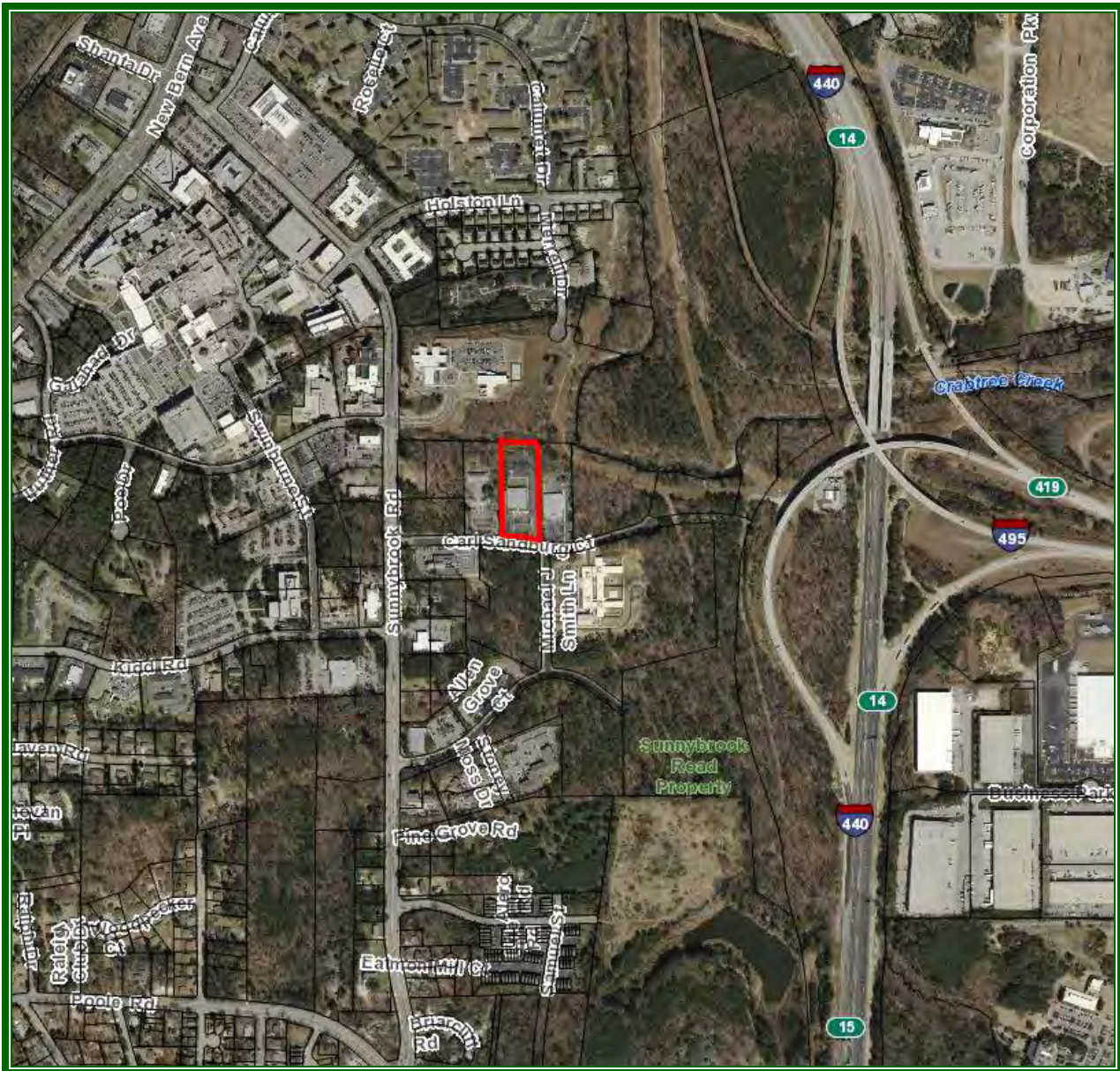
A neighborhood is a separately identifiable, cohesive area within a community with some interests shared by occupants. Most neighborhoods have recognizable natural or man-made boundaries. While physical boundaries are stipulated in order to define the neighborhood, they are often less significant than other boundaries of influence. A neighborhood may be further defined as a grouping of complimentary uses affected in a similar manner by social, economic, governmental, and/or environmental factors. In addition to physical boundaries, a neighborhood may be delineated by perceptible changes in land use and the architectural style and condition of the area improvements. Finally every neighborhood is subject to influence by the greater, abutting or surrounding community, or metropolitan area.

Jurisdiction:	Raleigh
Corporate Limits:	Raleigh
Township:	Raleigh Township



Land Use Plan Document: Raleigh Comprehensive Plan  
Land Use Plan Category: Office and Institutional





### Neighborhood Boundaries

North:	New Bern Avenue
South:	Poole Road
East:	Raleigh Beltline
West:	Raleigh Boulevard

### Surrounding Uses

The immediate market area is characterized by office uses along New Bern Avenue and Sunnybrook Road due to the location of Wake Medical Center at that intersection.

This location is just inside the Raleigh Beltline and development around Western Wake has been good over the last few years.

Neighborhood Conclusion

The trend for the neighborhood is positive with continued growth anticipated for the coming years.



## PROPERTY DESCRIPTION

### AERIAL MAP

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## SITE DESCRIPTION

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Site Size: 3.000 acres (130,680 square feet)

Site Shape: Regular

Road Frontage/Access: 228 feet on Carl Sandburg Court

Tree Cover: Light

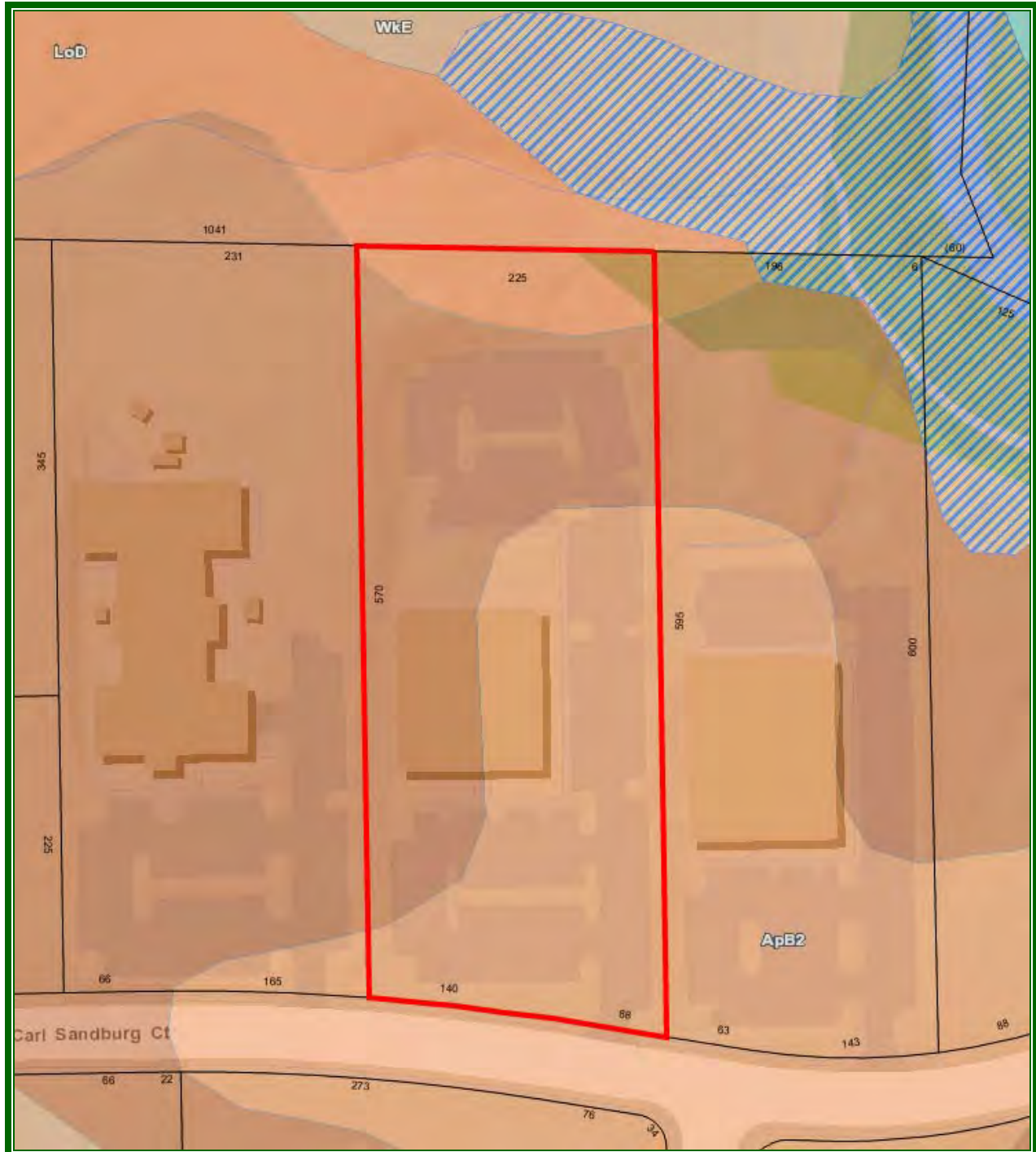
Site Topography: Gentle





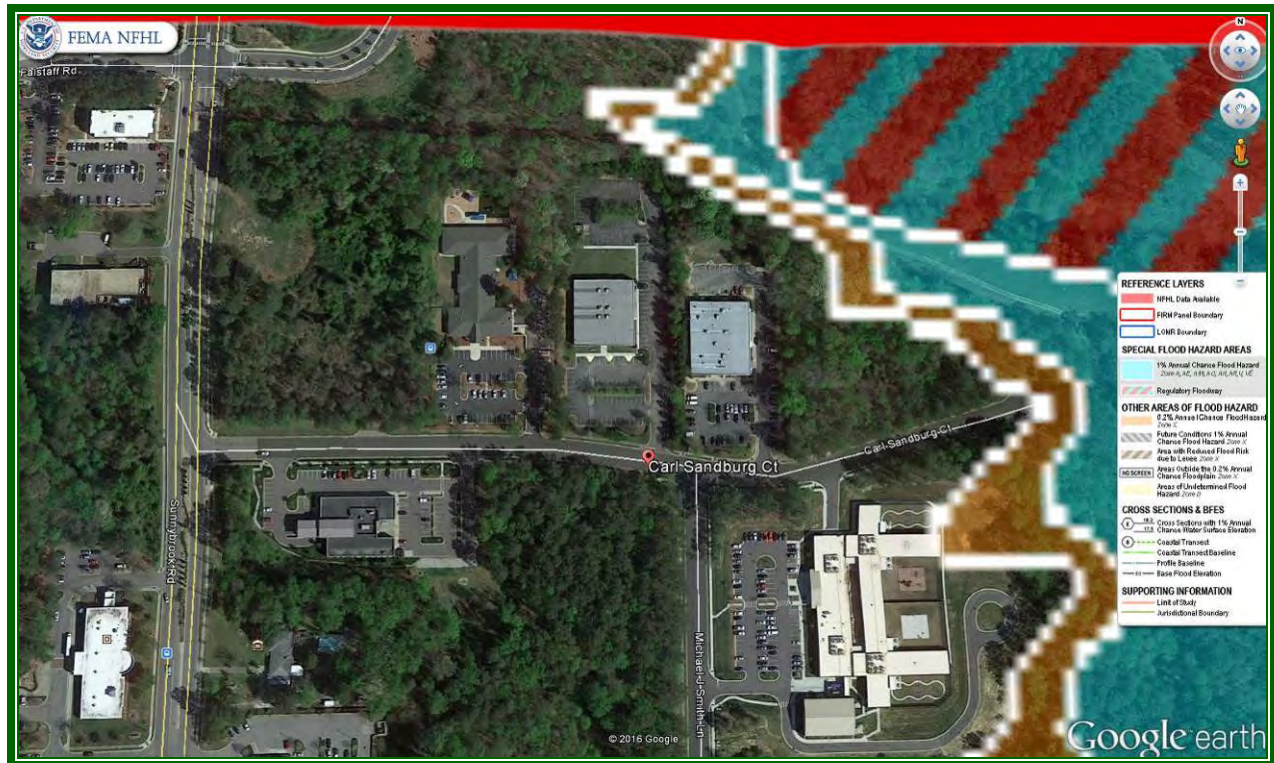
## Soils:

Soils Types:	Appling and Louisburg
Flood Hazard Soils:	N/A
Flood Soils %:	N/A%
Flood Soils Location:	N/A
Notes:	None



**Flood Zone:**

FEMA Panel #	3720172300J (eff. 5/2/06)
FEMA Category	None
FEMA Flood %	0%
NOTE:	This is not intended as a flood certification

**Utilities:**

Municipal Water:	Available
Municipal Sewer:	Available
Electricity:	Available
Telephone:	Available

**Easements/Encroachments:** I did not do a title search for easements on the subject property. The site plan notes an abandoned 40' sanitary sewer easement that crosses the front entrance to be purchased from the City of Raleigh.

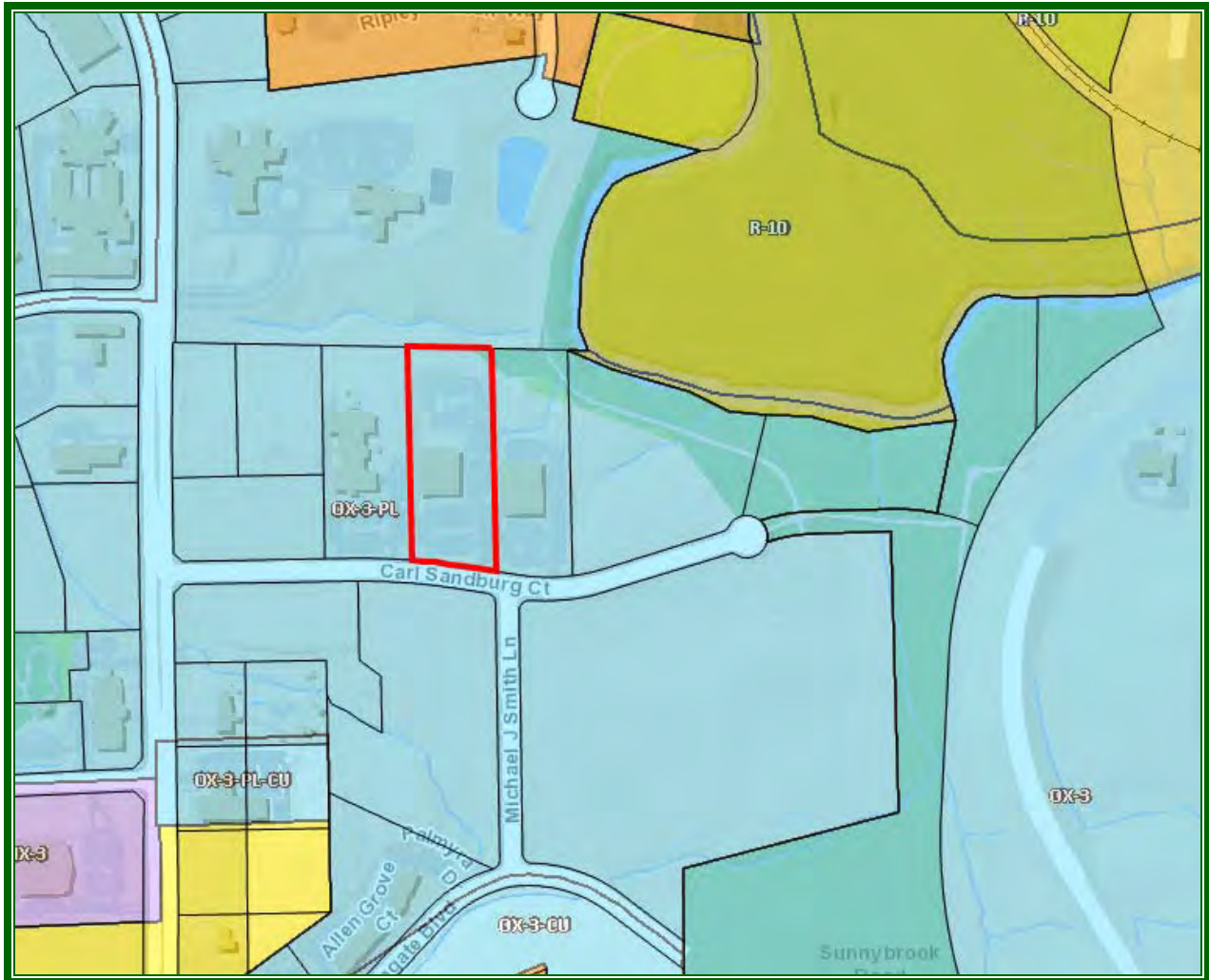
**Environmental Hazards:** I am not an expert in that field and I have been provided with no certification or environmental report on this property. This report assumes that there are no hazardous substances, toxic wastes, pollutants, or contaminates.

**Nearby Nuisances/Hazards:** None noted

**Zoning:**



Zoning District:	Office Mixed Use - 3 Floor Max - Frontage Parking Limited
Zoning Jurisdiction:	Raleigh
Highest Permitted Use:	Office
Permitted Density:	N/A
Likelihood of Rezoning:	Not likely
Zoning Conformance:	Yes
Note:	None

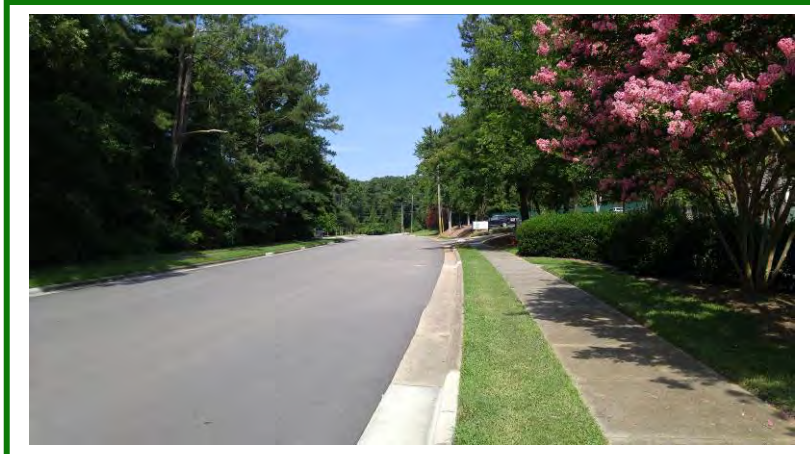


## SUMMARY

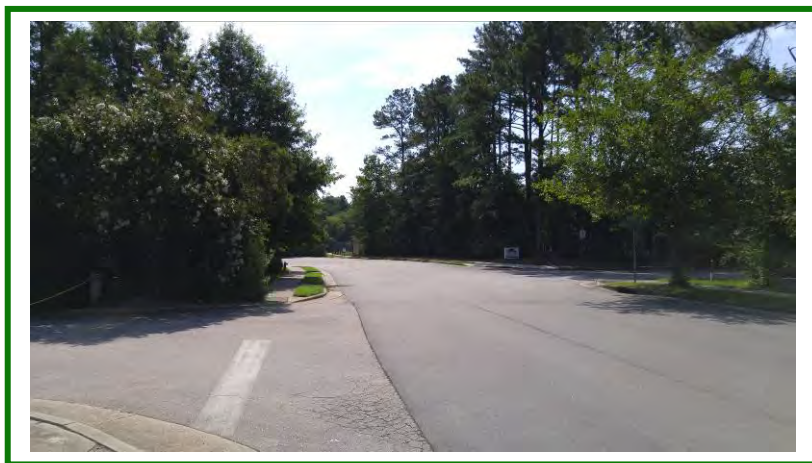
The subject site is well located and the physical characteristics of the site are well suited to office use similar to the adjoining properties.

## PHOTOGRAPHS

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Carl Sandburg Court  
Facing west



Carl Sandburg Court facing  
East



Subject property facing  
Northwest

## PHOTOGRAPHS

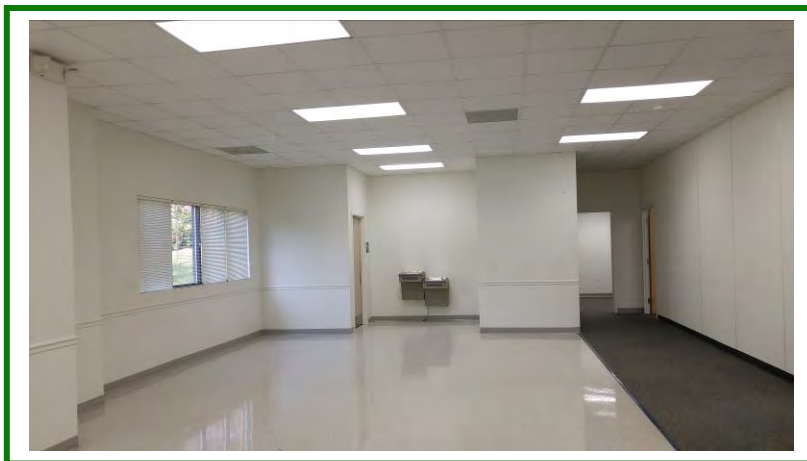
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Subject property facing  
North



Rear of building facing  
Southwest

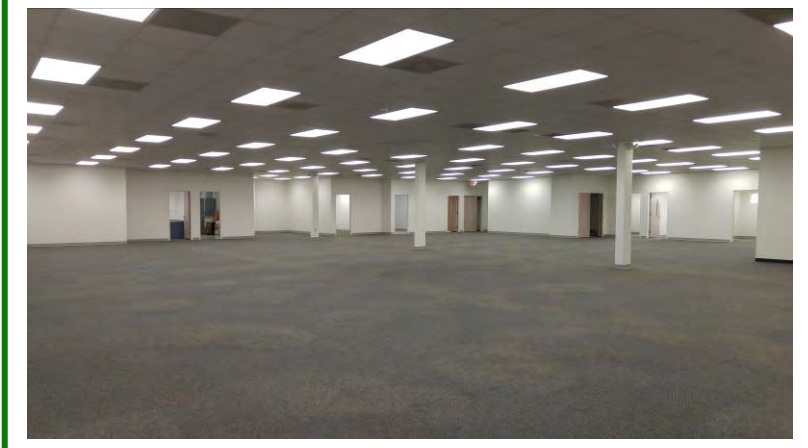


Reception area facing west



## PHOTOGRAPHS

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Main floor facing north



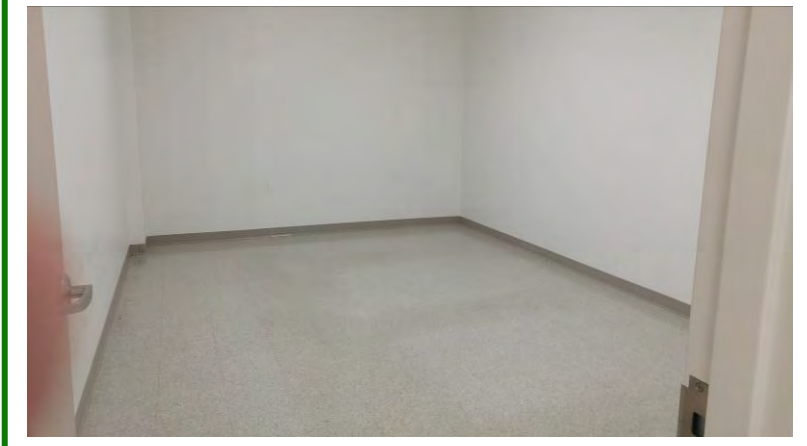
Breakroom



Conference room

## PHOTOGRAPHS

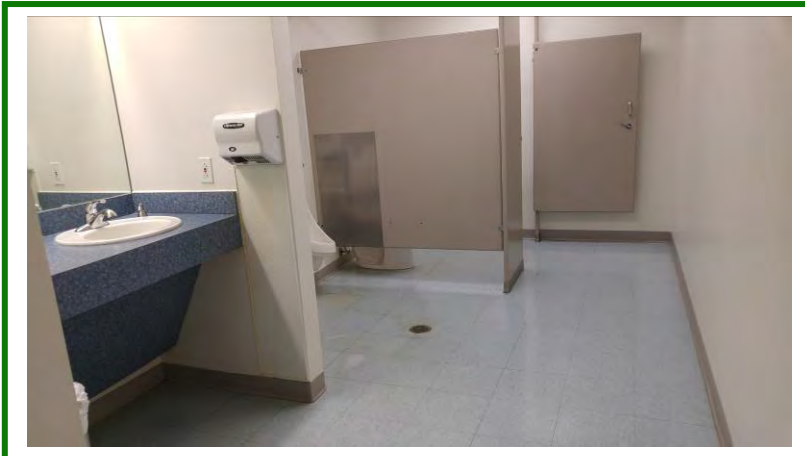
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Smaller office (typical)



Women's restroom up front



Men's restroom up front

## IMPROVEMENTS

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Property Type:	Office, Research and Development		
Year Built:	2000		
Actual Age:	16 years		
Condition:	Average		
Number of Buildings:	1		
Number of Floors:	One		
Gross Bldg. Area (GBA):	First Floor	13,891 s.f.	100%
Net Rentable Area (NRA):	13,891 s.f.		
Finished Area:	100%		
Deferred Maintenance:	None identified. The carpets show wear consistent with the age of the building and likely need replacement for the next user.		
Floor Area Ratio:	11% (GBA ÷ land area)		
Lot Coverage Ratio:	56% (impervious surface ÷ land area)		
Foundation/Frame/Exterior			
Foundation/Basement:	Concrete slab		
Foundation/Frame:	Steel and brick		
Exterior Walls:	Brick with decorative accents		
Roof:	Flat, built up		
Doors:			
Interior:	Solid core wood		
Exterior:	Glass store front entrance		
Windows:	Double pane in aluminum frame		
Layout:	The improvements are well-positioned on the site with good access and good landscaping. The improvements are similar in size and construction to nearby uses. The property has a significant amount of parking. There is a level pad at the rear of the building that was reserved for a possible 5,000 square foot addition to the building as shown on the site plan in the addenda.		

## Interior Finishes

First Floor:

Floors:	Carpet and some composition tile
Walls:	Vinyl baseboard, painted sheetrock
Ceilings:	Acoustical tile ceiling
Lighting:	Recessed fluorescent lighting
Other:	Water fountains, divided reception area, large workfloor with perimeter offices

Ceiling Heights: 10 feet.

Restrooms: Four restrooms – two in reception area and two in the rear. Men's restroom in reception area includes one urinal, one toilet and one sink. Women's restroom in reception area includes three toilets and two sinks. Men's restroom in the rear includes one urinal, one toilet and one sink. Women's restroom in the rear includes two toilets and two sinks.

## Mechanical Systems

Heating/HVAC: Heat pump

Cooling/Air Conditioning: Heat pump  
Electrical: Adequate

Other Plumbing: None noted

Sprinkler: None noted

Other Features: None

## Site Improvements

Site Improvements: 58,800 square feet of asphalt pavement (according to the Wake County Revenue Department).

Parking Spaces: 177 (one per 78.48 s.f. gross building area)

Lighting: Exterior parking lot lights

Landscaping: Good

Other: None

## Improvement Analysis

Functional Utility: Average

Design & Appeal: Average

Effective Age: 16 years



Effective age is defined as the age of a similar structure of equivalent utility, condition, and remaining life expectancy.

Economic Life: 50 years  
Economic life is defined as the period over which the improvements contribute to the value of the property.

### **Improvement Occupancy**

Occupancy: Owner occupant

Source of Information: Physical inspection, Wake County Revenue Department, floor plans, site plan

Floor Plans See addenda

### **SUMMARY**

Based on the physical inspection and other sources cited above, I conclude that the improvements are well-suited to an office or institutional use. The improvements are in typical condition for the building age and construction. There are no major observed functional problems associated with the building design. The improvements are well situated on the site. There is room for a 5,000 square foot expansion as shown on the site plan.

## ASSESSMENT & TAXES

### Identification

Parcel ID No. (PIN): 1723.06-49-3484

Real Estate ID Number: 266882

### Assessment

Assessed Land	3 ac.	\$557,944	\$4.27	/s.f. land
Assessed Improvements	14,145 s.f.	<u>\$1,423,506</u>	\$100.64	/s.f. bldg.
Total Assessed Value		\$1,981,450	\$140.08	/s.f. bldg.

Revaluation Year: 2016

### Tax Rates

Wake County	\$0.6005	
Raleigh	<u>\$0.4183</u>	
Total	\$1.0188	(per \$100 of assessed value)

### Annual Property Tax

$$(\$1,981,450 \div 100) \times \$1.0188 = \$20,187.01$$

### TAX RATE TRENDS

#### Tax Rates

TAXING UNIT	2016*	2015	2014	2013	2012	2011	2010	2009	2008*	2007
WAKE COUNTY <sup>1</sup>	.6005	.6145	.578	.534	.534	.534	.534	.534	.534	.678
ANGIER <sup>2</sup>	.53	.53	.53	.53	.53	.53	.53	.53	.53	.53
APEX	.38	.39	.39	.39	.39	.34	.34	.34	.34	.40
CARY	.35	.37	.35	.35	.33	.33	.33	.33	.33	.42
CLAYTON	.55	.55	.525	.525	.525	.525	.54	.54	.54	.54
DURHAM	.5607	.5912								
FUQUAY VARINA	.4325	.385	.385	.385	.385	.385	.385	.385	.385	.52
GARNER	.5325	.5175	.50	.49	.49	.49	.49	.49	.49	.575
HOLLY SPRINGS	.4325	.435	.435	.435	.435	.415	.415	.415	.415	.53
KNIGHTDALE	.43	.43	.43	.43	.41	.41	.41	.40	.40	.50
MORRISVILLE <sup>4</sup>	.39	.41	.39	.39	.3665	.3665	.3665	.3665	.3665	.4677
RALEIGH <sup>2</sup>	.4183	.421	.4038	.3826	.3826	.3735	.3735	.3735	.3735	.435
ROLESVILLE	.48	.44	.44	.44	.44	.44	.42	.42	.42	.515
WAKE FOREST <sup>2</sup>	.52	.52	.52	.51	.51	.51	.51	.51	.51	.55
WENDELL <sup>3</sup>	.49	.49	.49	.49	.49	.49	.49	.49	.49	.54
ZEBULON	.575	.525	.525	.525	.5125	.50	.50	.50	.51	.55

\* Real Estate reappraisal effective.

<sup>1</sup> Properties not located within a municipality may be subject to a fire district tax and the RTP special district tax in addition to county taxes.

<sup>2</sup> May be subject to a special district tax in addition to the municipal rate.

<sup>3</sup> All property within this municipality is also subject to the current fire district tax.

<sup>4</sup> Beginning with tax year 2012, the town assesses a stormwater fee on certain real estate properties

## HIGHEST & BEST USE

A fundamental step in estimating the value of the subject property is making a determination as to its highest and best use. The 11th Edition, Page 297 of The Dictionary of Real Estate Appraisal defines highest and best use as follows:

Highest and Best Use is the reasonably probable and legal use of vacant land or improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value.

The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum profitability.

- ❖ **Legal Permissibility** Uses that the present public and private restrictions (e.g. zoning regulations and deed restrictions) permit
- ❖ **Physical Possibility** Uses that are physically possible, considering the physical characteristics of the site such as size, shape, contour, location, access/visibility, and availability of utilities
- ❖ **Financial Feasibility** Uses from among the possible and permissible uses that will provide a net positive return to the site
- ❖ **Maximal Productivity** The uses that produces the highest price or value consistent with the rate of return warranted by the market

Highest and best use must be determined separately for the land or site as though vacant and available for development, and for the property as currently improved.

## CONCLUSION

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As Though Vacant: Office

As Improved: Office

## ANALYSIS – AS THOUGH VACANT

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### ***LEGAL PERMISSIBILITY***

As stated in the site description of this report, the subject property is zoned Office Mixed Use - 3 Floor Max - Frontage Parking Limited. The current zoning permits a variety of office uses.

Based on the legal permissibility I believe the best use of the site as though vacant would be for an office use.

***PHYSICAL POSSIBILITY***

The subject property consists of 3.000 acres of land located on the north side of Carl Sandburg Court east of Sunnybrook Road. The subject market area is considered good.

The subject site is regular in shape. The property has frontage of 228 feet on Carl Sandburg Court. All public utilities are available. Topography is gentle. Floodplain is not a limiting factor.

Adjoining uses are office and the nearby hospital strongly encourages office, medical office, and government uses in this area.

Based on the physical possibility of the site, I believe the subject property is adequately suited for office development.

***FINANCIAL FEASIBILITY***

As discussed in the market overview section of this appraisal, office supply is stable and while new construction for speculative space is not called for, office construction for a specific user is well supported. Vacancy rates in the subject market area are stable and have been decreasing showing continued absorption. Therefore, the financial feasibility of the site as an office use supports my conclusions for legal permissibility and physical possibility.

***MAXIMAL PRODUCTIVITY***

Based on the physical possibility, legal permissibility and the financial feasibility, I believe a office development would be the highest and best use of the subject site as though vacant.

***ANALYSIS – AS IMPROVED***

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The existing improvements to the subject property very closely approximate my conclusion as to the highest and best use as though vacant. The basic concept of the type of development is the same.

The current layout provides for a large open central room with perimeter offices which allows for a great many cubicles in that central area. The building could be upfit with moveable walls or permanent walls if a more conventional office use was desired. The building underutilizes the land and the site plan shows how an additional 5,000 s.f. could be added to the rear of the building and the parking is currently sufficient to cover the required parking even for that expansion.

It is my conclusion the highest and best use of the subject property as currently improved is as an office with room for expansion.

## **VALUATION METHODOLOGY**

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The estimated market value of a property is based primarily on the availability of comparable data and on many factors that affect real estate in a particular area. The valuation techniques typically employed include the following:

### ***COST APPROACH***

In the cost approach, the estimated value of the improvements is based on a reproduction cost new or replacement cost new less any depreciation applicable to the structure. Forms of depreciation include physical deterioration, functional obsolescence, and economic or external obsolescence. The value of the site is estimated separately from the cost new in the land value by comparison section. The indication of value by this approach is the sum of the depreciated value of the improvements and the site value.

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

The sales comparison approach to value is a technique in which the property being appraised is compared with recent sales of other similar types of improved properties. Adjustments are made on a unit basis, such as price per square foot, to each of the comparable sales as compared to the appraised property in order to account for their differences.

### ***INCOME APPROACH***

The income approach to value is a valuation technique based on the capitalization of the income stream of a given property. Capitalization refers to the conversion of an income stream into an indication of value. The quality of the income stream as well as the operating expenses and potential losses due to vacancies are analyzed. The income and expenses of the property are compared with the income and expenses of other similar properties. The operating expenses of the property are deducted from the net operating income. In the income approach to value, the net operating income stream is capitalized to derive an indication of value. The rate at which this income stream is capitalized is based on data extracted from market information or market sales and on techniques based on current lending conditions.

### ***RECONCILIATION***

Finally, the indications of value by each of these approaches are reconciled. This is the process of analyzing the strengths and weakness of each approach, as well as the quality, quantity, accuracy, and reliability of the data available for the report. From this process a single indication of value is concluded.

## COST APPROACH

The cost approach is based on the principal of substitution - a prudent and rational person would pay no more for a property than the cost to construct a similar and competitive property, assuming no undue delay in the process. The Cost Approach tends to set the upper limit of value before depreciation is considered. The applied process is as follows:

1. Estimate the land value according to its Highest and Best Use. I have used the Sales Comparison Approach.
2. Estimate the replacement cost new of the building and site improvements.
3. Estimate the physical, functional, and/or external depreciation accrued to the improvements.
4. Sum the depreciated value of the improvements with the value of the land for an indication of value.

## LAND VALUE

Land value by comparison is an appraisal technique in which the land value estimate is predicated upon prices paid in actual market transactions and current listings of similar tracts of land. The subject property's land value was determined by the sales comparison approach. I have researched and analyzed a number of comparables for analysis. These comparables are detailed on the following pages, followed by a location map, analysis grid, analysis narrative and value conclusion.

I have compared each of these sales to the subject site, making adjustments to the sales prices for differences in such items as time, location, size and zoning. A chart summarizing the adjustments is included following the sales information. The adjustments are positive where the sale property is considered inferior to the subject site, and negative where considered superior.

From the summary and adjustment chart presented below the range of sales prices before and after adjustments is summarized as follows:

**COMPARABLE LAND SALES SUMMARY TABLE**

<b>No.</b>	<b>Location</b>	<b>Sale Date</b>	<b>Price</b>	<b>Size in Acres</b>	<b>Price/Acre</b>
1.	3201 New Bern Avenue	12/22/2015	\$677,000	6.410	\$105,616
2.	2914 Kidd Road	09/09/2015	\$220,000	0.670	\$328,358
3.	4550 New Bern Avenue	08/14/2014	\$1,400,000	4.890	\$286,299
4.	1212 Heritage Links Drive	02/27/2014	\$525,000	2.030	\$258,621

**Land Sale No. 1****Property Identification**

<b>Record ID</b>	3238
<b>Property Type</b>	Office
<b>Address</b>	3201 New Bern Avenue, Raleigh, Wake County, North Carolina
<b>Location</b>	Northwest corner of New Bern Avenue and Milburnie Road
<b>Tax ID</b>	0058013

**Sale Data**

<b>Grantor</b>	SCB Investments, LLC
<b>Grantee</b>	Ramon Jackson and wife Deidre Jackson
<b>Sale Date</b>	December 22, 2015
<b>Deed Book/Page</b>	16249/2722
<b>Property Rights</b>	Fee
<b>Conditions of Sale</b>	Arm's length
<b>Financing</b>	Cash to seller



### **Land Sale No. 1 (Cont.)**

**Verification** John LaRocca, broker; 919-696-4340, Other sources: GIS, deed, brochure, appraisal

**Sale Price** \$625,000 Listed for \$825,000

**Cash Equivalent** \$625,000

**Upward Adjustment** \$52,000 Demolition cost

**Adjusted Price** \$677,000

#### **Land Data**

**Zoning** NB

**Topography** Below highway grade

**Utilities** All

**Shape** Irregular

**Landscaping** Mostly cleared

**Flood Info** Significant floodplain along Crabtree Creek

#### **Land Size Information**

**Gross Land Size** 6.410 Acres or 279,220 SF

**Useable Land Size** 2.920 Acres or 127,195 SF , 45.55%

**Front Footage** 1105 ft Total Frontage: 344 ft New Bern Avenue; 761 ft Old Milburnie Road

#### **Indicators**

**Sale Price/Gross Acre** \$97,504 Actual or \$105,616 Adjusted

**Sale Price/Gross SF** \$2.24 Actual or \$2.42 Adjusted

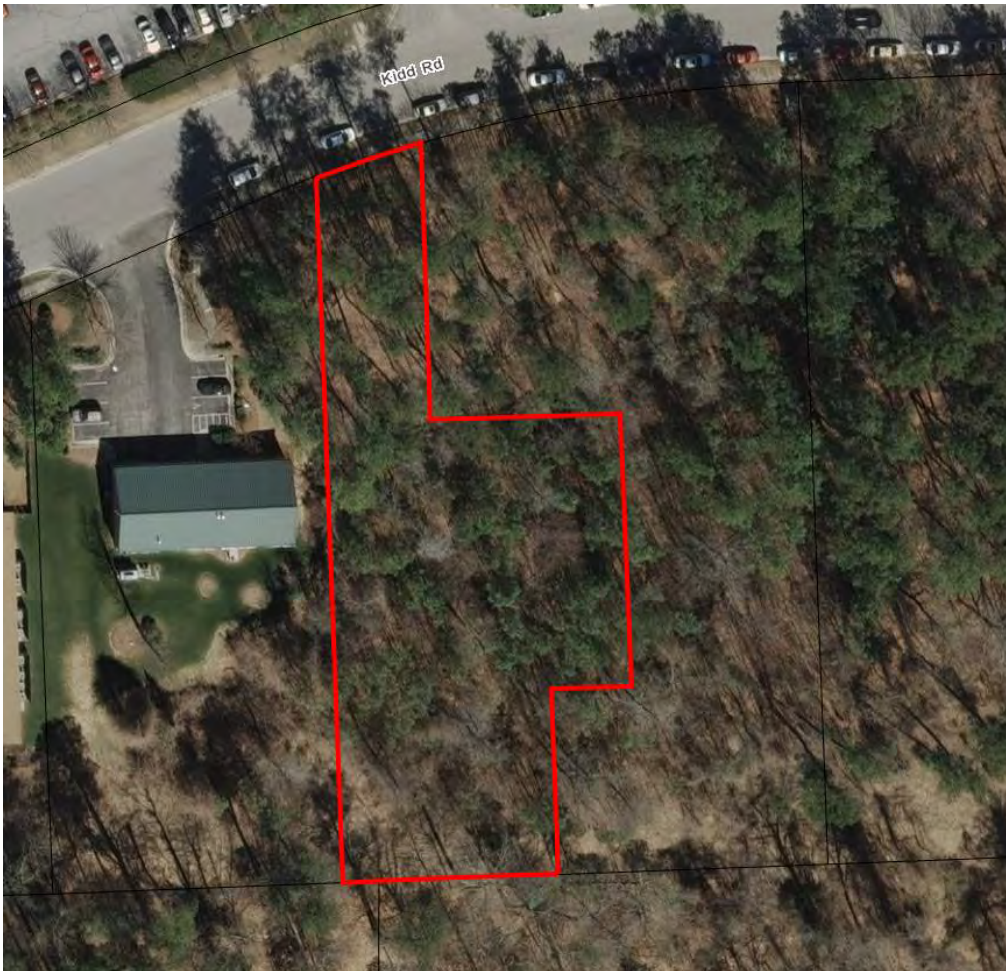
**Sale Price/Useable Acre** \$214,041 Actual or \$231,849 Adjusted

**Sale Price/Useable SF** \$4.91 Actual or \$5.32 Adjusted

**Sale Price/Front Foot** \$566 Actual or \$613 Adjusted

#### **Remarks**

This property was formerly Swains Steakhouse and then Club Envy. After Club Envy was shut down, the property sat vacant for some time with some stigma attached due to the legal actions involved. The high amount of floodplain and the age and condition of the building strongly suggests redevelopment of this site and the listing. I have appraised this property multiple times and looked at a lot of these issues prior to this sale. The demolition cost is estimated by the appraiser using Marshall Swift.

**Land Sale No. 2****Property Identification**

<b>Record ID</b>	3236
<b>Property Type</b>	Office
<b>Address</b>	2914 Kidd Road, Raleigh, Wake County, North Carolina
<b>Location</b>	South side of Kidd Road west of Sunnybrook Road
<b>Tax ID</b>	0431976

**Sale Data**

<b>Grantor</b>	Poe Properties, LLC
<b>Grantee</b>	Skyway Towers, LLC
<b>Sale Date</b>	September 09, 2015
<b>Deed Book/Page</b>	16146/1369
<b>Recorded Plat</b>	2015/1480

**Land Sale No. 2 (Cont.)**

<b>Property Rights</b>	Fee
<b>Marketing Time</b>	3.5 yrs
<b>Conditions of Sale</b>	Arm's length
<b>Financing</b>	Cash to seller
<b>Verification</b>	Boss Poe, broker; 919-783-6141, Other sources: GIS, Deed, CoStar

<b>Sale Price</b>	\$220,000 Listed for \$219,500
<b>Cash Equivalent</b>	\$220,000

**Land Data**

<b>Zoning</b>	O&I-1 CUD
<b>Topography</b>	Gentle
<b>Utilities</b>	All
<b>Shape</b>	Irregular
<b>Landscaping</b>	Wooded
<b>Flood Info</b>	None noted

**Land Size Information**

<b>Gross Land Size</b>	0.670 Acres or 29,185 SF
<b>Front Footage</b>	47 ft Total Frontage: 47 ft Kidd Road

**Indicators**

<b>Sale Price/Gross Acre</b>	\$328,358
<b>Sale Price/Gross SF</b>	\$7.54
<b>Sale Price/Front Foot</b>	\$4,681

**Remarks**

Split from parent parcel of 1.67 acres.

**Land Sale No. 3****Property Identification**

<b>Record ID</b>	3237
<b>Property Type</b>	Industrial, Ministorage
<b>Address</b>	4550 New Bern Avenue, Raleigh, Wake County, North Carolina
<b>Location</b>	Southeast corner of New Bern Avenue and Partin Road
<b>Tax ID</b>	0001226

**Sale Data**

<b>Grantor</b>	Judy Allen Taylor and husband, Zachary Taylor
<b>Grantee</b>	Ample Storage Lake Worth, LLC
<b>Sale Date</b>	August 14, 2014
<b>Deed Book/Page</b>	15751/2725

**Land Sale No. 3 (Cont.)**

<b>Property Rights</b>	Fee
<b>Conditions of Sale</b>	Arm's length
<b>Financing</b>	Cash to seller
<b>Verification</b>	Other sources: GIS, deed

<b>Sale Price</b>	\$1,400,000
<b>Cash Equivalent</b>	\$1,400,000

**Land Data**

<b>Zoning</b>	I-1
<b>Topography</b>	Gentle
<b>Utilities</b>	All
<b>Shape</b>	Regular
<b>Landscaping</b>	Mostly cleared
<b>Flood Info</b>	None noted

**Land Size Information**

<b>Gross Land Size</b>	4.890 Acres or 213,008 SF
<b>Front Footage</b>	905 ft Total Frontage: 380 ft New Bern Avenue; 525 ft Partin Road

**Indicators**

<b>Sale Price/Gross Acre</b>	\$286,299
<b>Sale Price/Gross SF</b>	\$6.57
<b>Sale Price/Front Foot</b>	\$1,547

**Remarks**

Former mobile home park that is being redeveloped for ministorage facility. This location is across from the Walmart shopping center and adjoining the River Oaks Middle School.



**Land Sale No. 4****Property Identification**

<b>Record ID</b>	2891
<b>Property Type</b>	Office, Day Care Facility
<b>Property Name</b>	Lot 110 Heritage Square
<b>Address</b>	1212 Heritage Links Drive, Wake Forest, Wake County, North Carolina
<b>Location</b>	West side of Heritage Links Drive south of Heritage Lake Road
<b>Tax ID</b>	0252644

**Sale Data**

<b>Grantor</b>	Heritage East Developers, Inc.
<b>Grantee</b>	Discovery Development, Inc.
<b>Sale Date</b>	February 27, 2014
<b>Deed Book/Page</b>	15590/260
<b>Recorded Plat</b>	BM2003/1790
<b>Property Rights</b>	Fee
<b>Conditions of Sale</b>	Arm's length

**Land Sale No. 4 (Cont.)**

<b>Financing</b>	Cash to seller
<b>Verification</b>	Roger Scott, broker; 919-554-2855, Other sources: CoStar, GIS

<b>Sale Price</b>	\$525,000
<b>Cash Equivalent</b>	\$525,000

**Land Data**

<b>Zoning</b>	NB
<b>Topography</b>	Level
<b>Utilities</b>	All
<b>Shape</b>	Regular
<b>Landscaping</b>	Cleared
<b>Flood Info</b>	None noted

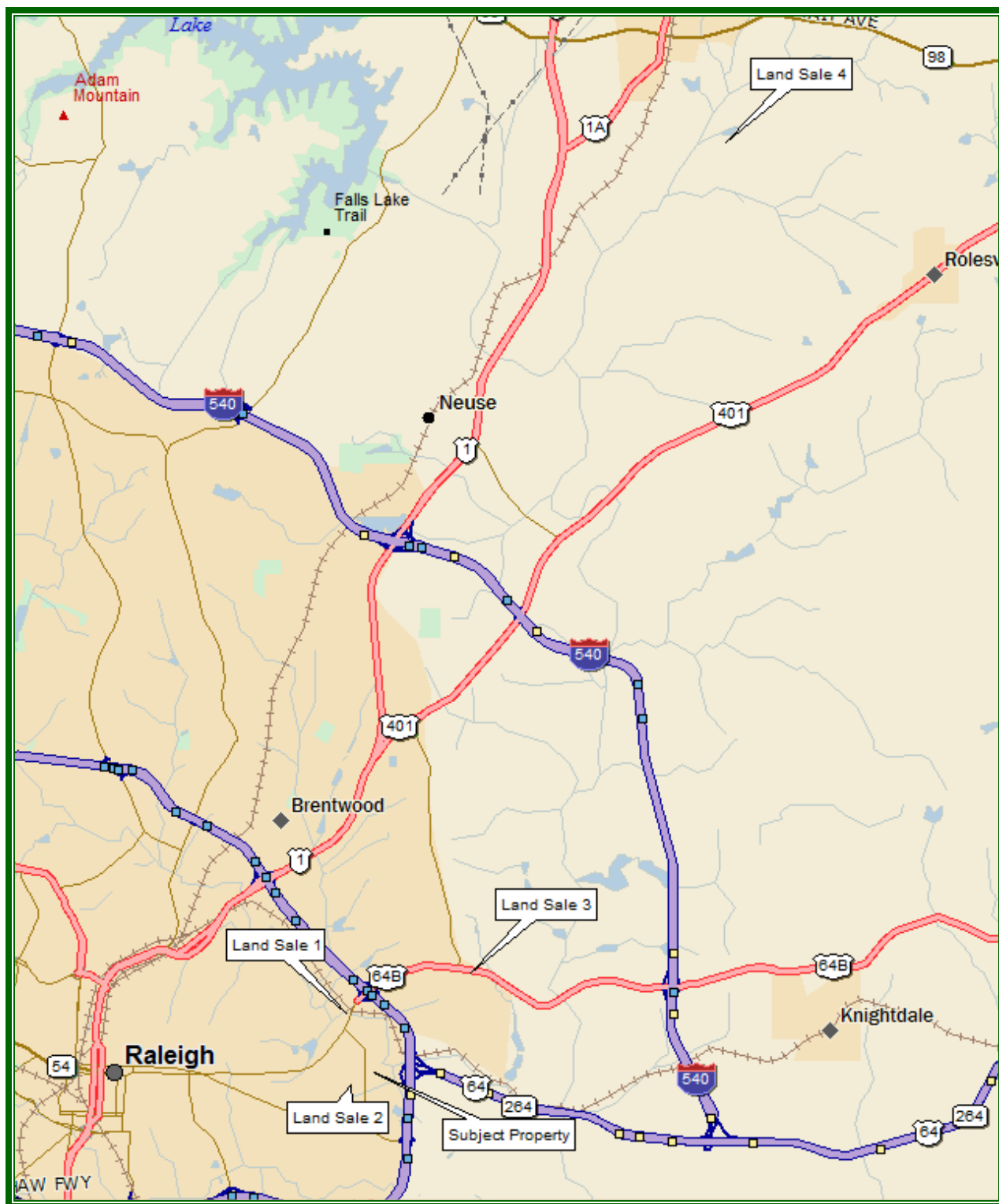
**Land Size Information**

<b>Gross Land Size</b>	2.030 Acres or 88,427 SF
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**Indicators**

<b>Sale Price/Gross Acre</b>	\$258,621
<b>Sale Price/Gross SF</b>	\$5.94





### ***Land Sales Summary***

	Subject	LS #1	LS #2	LS #3	LS #4
Grantor	N/A	SCB	Poe	Taylor	Heritage
Grantee	N/A	Jackson	Skyway	Ample	Discovery
Sale Date	7/15/2016	12/22/2015	9/9/2015	8/14/2014	2/27/2014
Location	Carl Sandburg	N Broad St	Kidd Rd	New Bern Ave	Heritage Links Dr
Usable Size	3.000 acres (130,680 s.f.)	2.920 acres (127,195 s.f.)	0.670 acres (29,185 s.f.)	4.890 acres (213,008 s.f.)	2.030 acres (88,427 s.f.)
Frontage	One street	Two streets	One street	One street	Four streets
Shape	Regular	Irregular	Irregular	Regular	Regular
Topography	Gentle	Below grade	Gentle	Level	Level
Drainage	Good	Poor	Good	Good	Good
Utilities	All	All	All	All	All
Zoning	OX-3-PL	NB	O&I-1 CUD	I-1	NB
Other	N/A	Demo*	N/A	N/A	PUD
Total Price	N/A	\$677,000	\$220,000	\$1,400,000	\$525,000
Price /S.F.	N/A	\$5.32	\$7.54	\$6.57	\$5.94

### ***Land Sales Adjustments***

Real Property Rights Conveyed	0%	0%	0%	0%
<i>Subtotal</i>	\$5.32	\$7.54	\$6.57	\$5.94
Financing Terms	0%	0%	0%	0%
<i>Subtotal</i>	\$5.32	\$7.54	\$6.57	\$5.94
Conditions of Sale	0%	0%	0%	0%
<i>Subtotal</i>	\$5.32	\$7.54	\$6.57	\$5.94
Market Conditions	1%	2%	4%	5%
<i>Subtotal</i>	\$5.37	\$7.69	\$6.83	\$6.24
Physical Characteristics				
Location	0%	0%	0%	0%
Frontage	-10%	0%	-20%	0%
Shape	0%	0%	0%	0%
Size	0%	-20%	0%	0%
Topography	0%	0%	0%	0%
Drainage / Flood	20%	0%	0%	0%
Utilities	0%	0%	0%	0%
Zoning	0%	0%	0%	0%
Other	0%	0%	0%	-10%
<i>Subtotal</i>	\$5.91	\$6.15	\$5.46	\$5.62
Adjusted Price Per S.F.	<b>\$5.91</b>	<b>\$6.15</b>	<b>\$5.46</b>	<b>\$5.62</b>

#### **Before Adjustments**

Average	\$6.34
Median	\$6.26
Low	\$5.32
High	\$7.54
Std. Dev.	\$0.95

#### **After Adjustments**

Average	\$5.79
Median	\$5.77
Low	\$5.46
High	\$6.15
Std. Dev.	\$0.31

## ***ANALYSIS OF LAND SALES***

In the chart above the adjustments are positive where the sale property is considered inferior to the subject site, and negative where considered superior.

**Property Rights Conveyed:** Based on Kirkland Appraisals, LLC research each of the comparable sales represented a transfer of the fee simple interest in the property.

**Financing Terms:** Financing terms were determined to be market terms or cash equivalent. Any adjustments for cash equivalency or favorable financing have been noted.

**Conditions of Sale:** Each of the comparable sales was made under market conditions and represents an "arms-length" transaction. Any undue duress on the part of either Grantor or Grantee has been noted and accounted for.

**Market Conditions:** The adjustments for market conditions are based on a general monitoring of real estate values in the area. I adjusted each of the land sale comparables upward by 2 percent annually for appreciation over the last few years. The office market still has relatively high vacancy, but it is improving and stable at this point.

**Location:** The location adjustments reflect the proximity to business centers and major corridors, the characteristics of the nearby development, and the ease of access to each of the sale properties, relative to the subject property. I made no adjustments for location as all of the comparables were in similar commercial corridors.

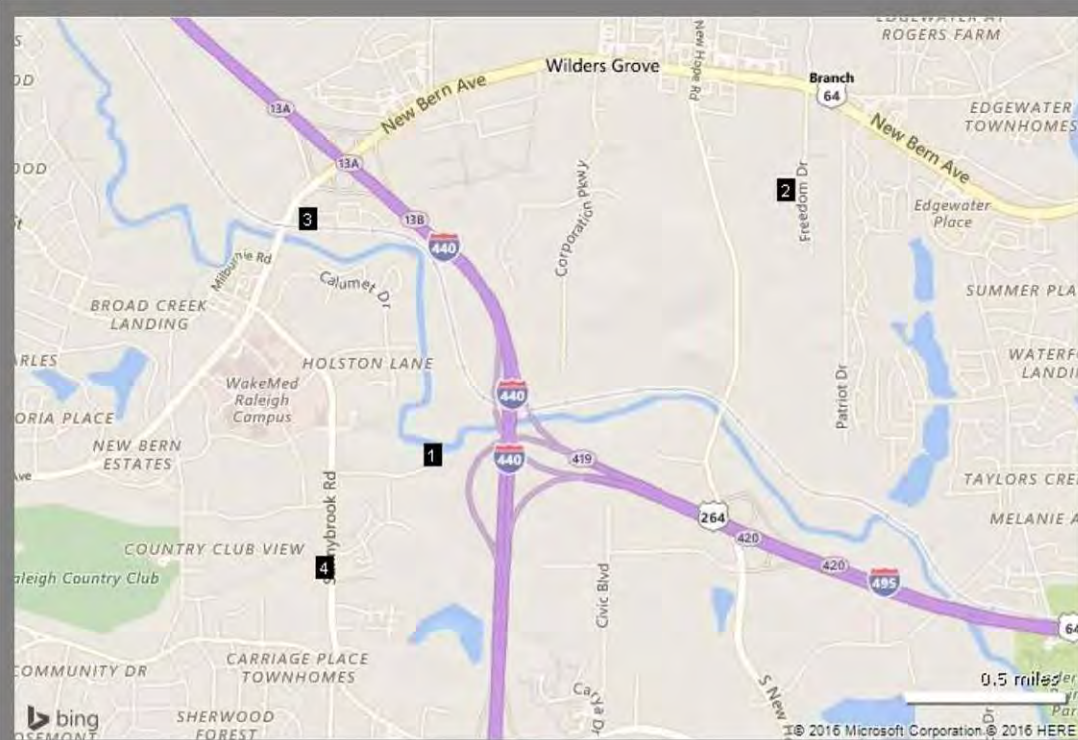
**Frontage:** I adjusted Land Sale 1 downward for superior frontage on New Bern Avenue right at Wake Med, but I diminished this adjustment for the poor visibility of the site and the below grade location. I adjusted Land Sale 3 downward for superior visibility on New Bern Avenue at the WalMart shopping center.



**Size:** The adjustments for size are based on the fact that the typical buyer will pay more per unit for a smaller parcel of land, and vice versa. I adjusted Land Sale 2 downward for a superior smaller size.

**Zoning:** No adjustments were required for zoning. While Land Sale 3 does have an industrial zoning, it also allows office and that location would be another strong location for an office use.

**Other:** I adjusted Land Sale 4 downward for superior outparcel locations within a mixed use development. There are significant improvements providing synergy to this location on all sides. The demolition impacts were included in the adjusted sales prices shown on the top section of the report as those adjustments were derived within the sales write ups.

## CURRENT LISTINGS



1		<p><b>3401 Carl Sandburg Ct</b></p> <p><b>Raleigh, NC 27610</b></p> <p><b>Wake County</b></p> <p><b>East Raleigh Submarket</b></p> <p>This property is represented by NAI Carolantic Realty, Inc. - Scott Hadley, (919) 832-0594</p> <p>This property is for sale individually</p>	<p>Zoning: <b>O&amp;I-2</b></p> <p>Parcel Size: <b>10.52 AC</b></p> <p>Lot Dimensions: -</p> <p># of Lots: 3</p> <p>Proposed Use: <b>Commercial, Office, Medical</b></p>	<p>Sale Price: <b>\$1,495,000</b></p> <p>Price/AC: <b>\$142,110.27</b></p> <p>Sale Status: <b>Active</b></p> <p>Days On Market: <b>828</b></p>
2		<p><b>841 Freedom Dr</b></p> <p><b>Raleigh, NC 27610</b></p> <p><b>Wake County</b></p> <p><b>Northeast Wake County Submarket</b></p> <p>This property is represented by Piedmont Realty - Carl P. Spears, (919) 783-7911</p> <p>This property is for sale individually</p>	<p>Zoning: <b>Industrial I</b></p> <p>Parcel Size: <b>8.96 AC</b></p> <p>Lot Dimensions: -</p> <p># of Lots: -</p>	<p>Sale Price: <b>\$1,500,000</b></p> <p>Price/AC: <b>\$167,410.71</b></p> <p>Sale Status: <b>Active</b></p> <p>Days On Market: <b>183</b></p>

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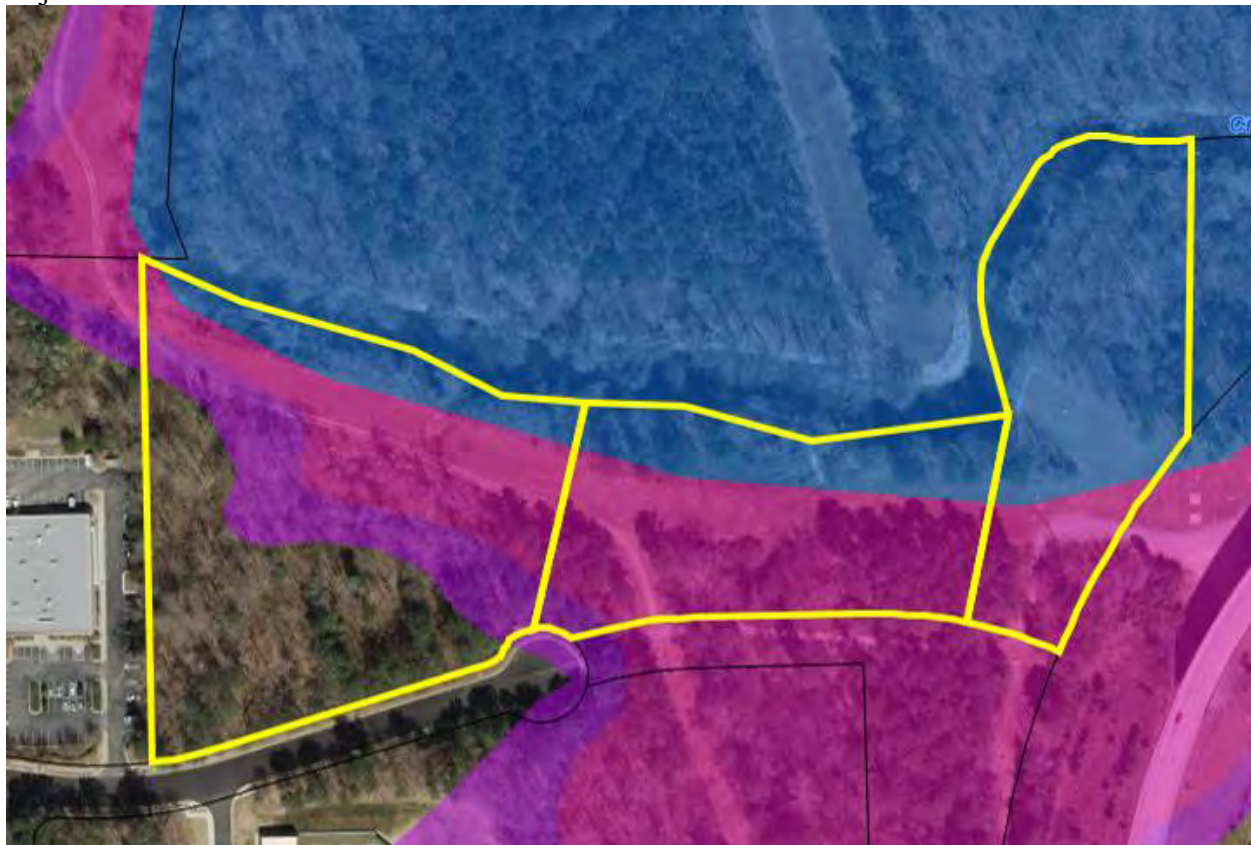
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Page 1



3		<b>3102 Kelley Austin Dr</b> <b>Raleigh, NC 27610</b> <b>Wake County</b> <b>East Raleigh Submarket</b>	<b>Zoning: RD-1</b> <b>Parcel Size: 1.97 AC</b> <b>Lot Dimensions: -</b> <b># of Lots: -</b>	<b>Sale Price: \$399,000</b> <b>Price/AC: \$202,538.07</b> <b>Sale Status: Active</b> <b>Days On Market: 1,473</b>
<b>Proposed Use: Office</b> <b>This property is represented by Blue Sky Services Real Estate - Nikita S. Zhikov, (919) 743-0030</b> <b>This property is for sale individually</b>				
4		<b>322 Sunnybrook Rd</b> <b>Raleigh, NC 27610</b> <b>Wake County</b> <b>SW of Sungate/Sunnybrook int</b>	<b>Zoning: R-6</b> <b>Parcel Size: 3.08 AC</b> <b>Lot Dimensions: Irregular</b> <b># of Lots: -</b>	<b>Sale Price: \$385,000</b> <b>Price/AC: \$125,000.00</b> <b>Sale Status: Active</b> <b>Days On Market: 2,019</b>
<b>This property is represented by Alphin Real Estate - Jack Alphin, (919) 839-2112</b> <b>This property is for sale individually</b>				

This set of land listings is nearby but generally inferior to the subject property. The best one to look at is Listing 1, which is located at the end of Carl Sandburg Court just east of the subject property. This land is three times the size of the subject property and has significant floodplain as shown in the map below. Considering the 4.92 acre parcel that makes up this listing, which is the westernmost of the three, the indicated asking price per usable acreage is \$6.97 per square foot. This property will likely close for less than this asking price and there is some value in the additional floodplain land, but this gives a more reasonable range from the listings and supports the adjusted sales values.





## CONCLUSION

The comparables provide a good range of values that are supported by nearby listings. The range of adjusted sales prices is \$5.46 per square foot to \$6.15 per square foot. I conclude on a value of \$5.75 per square foot.

Based on the discussion above I conclude that the value of the subject site is as calculated below.

130,680 s.f. x \$5.75 per s.f. =	\$751,410
Rounded	\$750,000

As shown in the site plan, the subject property currently supports 13,891 s.f. of office, but there is an unfinished pad ready for a 5,000 s.f. expansion. Therefore the current improvements underutilize the land and only uses 74% of the land value, with the remaining land value being attributable to underutilized land.

Below I have shown the breakdown of these land values between the land value supporting the existing structure and the land value that can support future development. I have added the underutilized land value to the value by the sales comparison approach and the income approach later in this report. The cost approach does not need that adjustment as I have used the total land value in that approach, which already accounts for that factor.

### Value Breakdown

Utilized Portion of Site (74%)	\$556,043
Underutilized Portion of Site (26%)	<u>\$195,367</u>
Total Indicated Value	\$751,410
Rounded	\$750,000

## COST ANALYSIS

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The next step in the Cost Approach is to estimate the replacement cost of the buildings and site improvements. Replacement cost new is defined as the cost of construction at current prices of a building having utility equivalent to the building being appraised and built with modern materials and according to current standards of construction, design and layout. Replacement cost new includes hard costs, such as site preparation and construction costs, as well as soft costs, such as planning, engineering, fees and permits, and financing. Replacement cost new also includes developer's profit.

### Direct Costs

Direct costs are hard costs for construction materials and labor, including contractor's overhead and profit.

### Soft Costs

Soft costs include planning and zoning fees, utilities fees, engineering costs, legal and closing costs, appraisal fees, and financing fees. In addition, it is often appropriate to add marketing expenses and leasing commissions necessary to bring an income producing property to stabilized occupancy to the cost schedule.

These soft costs have been applied at 15 percent of building costs.

### **Developer's Profit**

Developer's profit reflects the profit necessary for the developer to undertake the management, responsibility, and risks of construction associated with the subject property. Current valuation theory states that the four components that create value are land, labor, capital, and coordination. Developer's profit as used in the Cost Approach reflects the coordination component of value. Typically developer's profit runs 10 percent to 5 percent. I believe the developer of the subject property would anticipate a profit of 10 percent. However, the best indication of profit is the difference between the value of the subject property by the cost approach and the value estimated by the income approach.

### ***MARSHALL VALUATION SERVICE***

To estimate the replacement cost new of the 3351 Carl Sandburg Court improvements to the subject property, I consulted the Marshall Valuation Service, a prominent, nationally based construction cost research service which is updated monthly and takes into consideration the geographic differences in construction costs and design requirements.

Figures from the Marshall Valuation Service include architect's fees, contractor's overhead and profit, permit fees, insurance during construction and construction loan interest. The Marshall Valuation Service figures do not include loan fees (other than interest), real estate taxes during construction, broker's commissions, or developer's fees or profit. They also do not include local impact, utility or facility fees.

The Marshall Valuation Service was also used to determine the replacement cost new of the site improvements.

### ***DEPRECIATION ANALYSIS***

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Depreciation is defined as loss of value from any cause. There are three general areas of depreciation: physical deterioration, functional obsolescence, and external obsolescence. Depreciation can be thought of as the difference between the replacement cost new and the market value of the improvements as of the date of appraisal. Depreciation may be curable or incurable, the test being that money spent to cure the depreciation be gained in value. If the depreciation costs more to fix than will be gained in value, then the depreciation is considered incurable.

#### **Physical Deterioration**

Physical deterioration results from deterioration from aging and use. This type of depreciation may be curable or incurable.

In this appraisal, I will measure the depreciation of the subject improvements using the depreciation tables derived by the Marshall Swift Valuation Service. These charts were derived from actual case studies of sales and market value appraisals and formed

the basis of the extended life theory. These charts are based on the effective age of the improvements and cross referenced by the typical life expectancy of the improvements.

The typical life for the subject improvements was also derived from Marshall Swift.

The extended life theory was the guiding principle in developing these charts. This method considers that the first few years of a building there is relatively little depreciation. When it becomes clear that the building is no longer “like new,” though adequately maintained, the maintenance fees begin to rise. After a number of years they reach the “mid-life,” at which time they experience steady depreciation at a higher rate. However, as the building continues to age, just like people, the typical age of that building gets longer. This theory recognizes that a building is in the prime of life before mid-life and that the road is downhill after that, but that the correction of deficiencies may lower the effective age and lengthen the remaining life. This recurring revitalization process periodically reverses a continuous progression down the effective age scale, reducing the indicated depreciation percentage as components are replaced. This nonlinear approach accounts for smaller depreciation in the early years of a building that increases as the improvements age.

### **Functional Obsolescence**

Functional obsolescence results from a lack of utility or desirability due to design or market perception of the improvements. This type of depreciation may be curable or incurable.

### **External Obsolescence**

External obsolescence is due to circumstances outside the property itself, such as industry, demographic and economic conditions or an undesirable proximate use. This type of depreciation is rarely curable.

The current vacancy for office in this submarket is just over 15% as reported earlier in this report. While this is an improvement over the last several years, it is still higher than supports speculative construction. With 10% being a good stable vacancy rate, I have therefore applied the difference of 5% as an external obsolescence on this building for the cost approach. This impact is naturally accounted for in the sales comparison approach and income approach and is therefore only applied to the cost approach.

### **CONCLUSION**

The developer's cost projections and the value indicated by the Marshall Valuation Service are stated as follows:

## Cost Approach Summary

				<b><u>Marshall and Swift Estimate</u></b>
<b>Existing Building Cost</b>				
Class C Office Building - Avg	13,891 SF @	\$90.19 /SF	\$	1,252,829
<b>Site Improvements</b>				
Asphalt paving	58,800 SF @	\$ 3.00 /SF	\$	176,400
<b>Total Hard Costs</b>				<b>\$ 1,429,229</b>
Soft Costs @	15%		\$	214,384
Entrepreneurial Profit	10%		\$	142,923
<b>Sub Total of Hard &amp; Soft Costs</b>				<b>\$ 1,786,536</b>
<b>Accrued Depreciation</b>				
Physical	12%	\$	187,924	
Functional	0%	\$	-	
External	5%	\$	89,327	
<b>Less Total Accrued Depreciation</b>				<b>\$ (277,251)</b>
<b>Sub Total of Buildings Less Depreciation</b>				<b>\$ 1,509,285</b>
Land Value			\$	750,000
<b>Total Indicated Value</b>				<b>\$ 2,259,285</b>
<b>Rounded</b>				<b>\$ 2,260,000</b>

## SALES COMPARISON APPROACH

The Sales Comparison Approach is based on the premise that a buyer would pay no more for a specific property than the cost of obtaining a property with the same quality, utility, and perceived benefits of ownership. It is based on the principals of supply and demand, balance, substitution, and externalities. The following steps describe the appraisal process of the Sales Comparison Approach.

- ❖ The market in which the subject property competes is investigated; comparable sales, contracts for sale and current offerings are reviewed.
- ❖ The most pertinent data is further analyzed and the quality of the transaction is determined.
- ❖ The most meaningful unit of value for the subject property is determined.
- ❖ Each comparable sale is analyzed and where appropriate, adjusted to equate with the subject property.
- ❖ The value indication of each comparable sale is analyzed and the data reconciled for a final indication of value via the Sales Comparison Approach.

I have researched and analyzed several comparables to analyze in this approach. A summary of the sales is included on the following pages.

**IMPROVED SALES SUMMARY TABLE**

<b>No.</b>	<b>Location</b>	<b>Sale Date</b>	<b>Price</b>	<b>Building Size (SF)</b>	<b>Price/ SF</b>
1.	3916 Sunset Ridge Road	07/21/2016	\$3,590,000	22,957	\$156.38
2.	5909 Falls of Neuse Road	06/13/2016	\$3,100,000	19,370	\$160.04
3.	2315 Myron Drive	11/19/2015	\$1,050,000	9,466	\$110.92
4.	3210 Fairhill Drive	05/24/2015	\$1,650,000	11,180	\$147.58
5.	4105 Poole Road	03/25/2014	\$1,745,000	11,500	\$151.74



**Improved Sale No. 1****Property Identification**

<b>Record ID</b>	765
<b>Property Type</b>	Office
<b>Address</b>	3916 Sunset Ridge Road, Raleigh, Wake County, North Carolina
<b>Location</b>	Northeast corner of Sunset Ridge Road and Atrium Drive
<b>Tax ID</b>	0012384

**Improved Sale No. 1 (Cont.)****Sale Data**

<b>Grantor</b>	Blackmon & McLamb, LLC
<b>Grantee</b>	Beaux Degas, LLC
<b>Sale Date</b>	July 21, 2016
<b>Deed Book/Page</b>	16464/285
<b>Recorded Plat</b>	1990/404
<b>Property Rights</b>	Fee
<b>Conditions of Sale</b>	Arm's length
<b>Financing</b>	Cash to seller
<b>Verification</b>	Abdou Mbye; 866-265-3112, Other sources: GIS, CoStar
<b>Sale Price</b>	\$3,590,000
<b>Cash Equivalent</b>	\$3,590,000

**Land Data**

<b>Land Size</b>	1.270 Acres or 55,321 SF
<b>Zoning</b>	O&I-1

**General Physical Data**

<b>Building Type</b>	Single Tenant
<b>Gross SF</b>	22,957

<b>Construction Type</b>	Brick and steel
<b>Roof Type</b>	Flat
<b>Foundation</b>	Concrete
<b>HVAC</b>	Heat pumps
<b>Stories</b>	2
<b>Year Built</b>	1990
<b>Condition</b>	Average

<b>Parking</b>	Average	75
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<b>Elevators</b>	1 passenger
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**Indicators**

<b>Sale Price/Gross SF</b>	\$156.38
<b>Floor Area Ratio</b>	0.41
<b>Land to Building Ratio</b>	2.41:1

**Remarks**

US Department of the Interior was former tenant.

**Improved Sale No. 2****Property Identification**

<b>Record ID</b>	763
<b>Property Type</b>	Office
<b>Address</b>	5909 Falls of Neuse Road, Raleigh, Wake County, North Carolina
<b>Location</b>	West side of Falls of Neuse Road at Falls Church Road
<b>Tax ID</b>	0105262

**Improved Sale No. 2 (Cont.)****Sale Data**

<b>Grantor</b>	5909, LLC
<b>Grantee</b>	5909 Falls Holdings, LLC
<b>Sale Date</b>	June 13, 2016
<b>Deed Book/Page</b>	16421/1582
<b>Property Rights</b>	Fee
<b>Conditions of Sale</b>	Arm's length
<b>Financing</b>	Cash to seller
<b>Verification</b>	Jacky Wilson, broker; 919-796-2350, Other sources: CoStar, GIS

<b>Sale Price</b>	\$3,100,000
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<b>Cash Equivalent</b>	\$3,100,000
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**Land Data**

<b>Land Size</b>	1.450 Acres or 63,162 SF
<b>Front Footage</b>	217 ft Total Frontage: 217 ft Falls of Neuse Road
<b>Zoning</b>	O&I-3

**General Physical Data**

<b>Building Type</b>	Single Tenant
<b>Gross SF</b>	19,370

<b>Construction Type</b>	Masonry, steel and glass
<b>HVAC</b>	Heat pump
<b>Stories</b>	2
<b>Year Built</b>	1989
<b>Condition</b>	Good
<b>Parking</b>	Average 75
<b>Elevators</b>	1 passenger

**Income Analysis**

<b>Net Operating Income</b>	\$232,500
-----------------------------	-----------

**Indicators**

<b>Sale Price/Gross SF</b>	\$160.04
<b>Floor Area Ratio</b>	0.31
<b>Land to Building Ratio</b>	3.26:1
<b>Overall or Cap Rate</b>	7.5%
<b>Net Operating Income/SF</b>	\$12.00

**Remarks**

Multitenant building with five tenants at time of sale.



**Improved Sale No. 3****Property Identification**

<b>Record ID</b>	757
<b>Property Type</b>	Office
<b>Address</b>	2315 Myron Drive, Raleigh, Wake County, North Carolina
<b>Location</b>	Southwest corner of Myron Drive and Drake Circle
<b>Tax ID</b>	0002923



**Improved Sale No. 3 (Cont.)****Sale Data**

<b>Grantor</b>	Easter Seals UPC NC & VA, Inc.
<b>Grantee</b>	GC Real Estate Properties, LLC
<b>Sale Date</b>	November 19, 2015
<b>Deed Book/Page</b>	16216/1342
<b>Recorded Plat</b>	1965/63
<b>Property Rights</b>	Fee
<b>Conditions of Sale</b>	Arm's length
<b>Financing</b>	Cash to seller
<b>Verification</b>	Arnold Siegmund, broker; 919-785-3434, Malcolm G. Lewis, broker, 919-821-7177, Other sources: CoStar, GIS
<b>Sale Price</b>	\$1,050,000
<b>Cash Equivalent</b>	\$1,050,000

**Land Data**

<b>Land Size</b>	0.520 Acres or 22,651 SF
<b>Front Footage</b>	345 ft Total Frontage: 140 ft Myron Drive;205 ft Drake Circle
<b>Zoning</b>	BX-3
<b>Topography</b>	Gentle
<b>Utilities</b>	All
<b>Flood Info</b>	None noted

**General Physical Data**

<b>Building Type</b>	Single Tenant
<b>Gross SF</b>	9,466
<b>Construction Type</b>	Brick
<b>Roof Type</b>	Flat
<b>Foundation</b>	Concrete
<b>Stories</b>	2
<b>Year Built</b>	1970
<b>Condition</b>	Average

**Indicators**

<b>Sale Price/Gross SF</b>	\$110.92
<b>Floor Area Ratio</b>	0.42
<b>Land to Building Ratio</b>	2.39:1

**Improved Sale No. 4****Property Identification**

<b>Record ID</b>	764
<b>Property Type</b>	Office
<b>Address</b>	3210 Fairhill Drive, Raleigh, Wake County, North Carolina
<b>Location</b>	West side of Fairhill Drive south of Glenwood Avenue
<b>Tax ID</b>	0786945556

**Improved Sale No. 4 (Cont.)****Sale Data**

<b>Grantor</b>	Saquaro Holdings, LLC
<b>Grantee</b>	Kuehn Properties, LLC
<b>Sale Date</b>	May 24, 2015
<b>Deed Book/Page</b>	16404/2658
<b>Property Rights</b>	Fee
<b>Marketing Time</b>	1.5 years
<b>Conditions of Sale</b>	Arm's length
<b>Financing</b>	Cash to seller
<b>Verification</b>	Braxton Anthony, broker; 919-896-2145, Other sources: CoStar, GIS
<b>Sale Price</b>	\$1,650,000 Listed for \$1,732,900
<b>Cash Equivalent</b>	\$1,650,000

**Land Data**

<b>Land Size</b>	3.900 Acres or 169,884 SF (Parent Tract for 3 Buildings including Subject Property)
<b>Front Footage</b>	583 ft Total Frontage: 583 ft Fairhill Drive
<b>Zoning</b>	O&I-1 CUD

**General Physical Data**

<b>Building Type</b>	Single Tenant
<b>Gross SF</b>	11,180
<b>Construction Type</b>	Brick and steel
<b>Roof Type</b>	Flat
<b>Foundation</b>	Concrete
<b>HVAC</b>	Heat pumps
<b>Stories</b>	1
<b>Year Built</b>	2007
<b>Condition</b>	Average
<b>Parking</b>	Average 40

**Indicators**

<b>Sale Price/Gross SF</b>	\$147.58
<b>Floor Area Ratio</b>	0.07
<b>Land to Building Ratio</b>	15.2:1
<b>Occupancy at Sale</b>	45%

**Remarks**

Investment transaction. This is one of three office condominium buildings at this location with a shared parking lot.

**Improved Sale No. 5****Property Identification**

<b>Record ID</b>	762
<b>Property Type</b>	Office
<b>Address</b>	4105 Poole Road, Raleigh, Wake County, North Carolina
<b>Location</b>	Northwest corner of Poole Road and Ajinomoto Drive
<b>Tax ID</b>	0195658

**Improved Sale No. 5 (Cont.)****Sale Data**

<b>Grantor</b>	Raleigh Baptist Association
<b>Grantee</b>	Ajinomoto North America, Inc.
<b>Sale Date</b>	March 25, 2014
<b>Deed Book/Page</b>	15611/2474
<b>Recorded Plat</b>	2001/376
<b>Property Rights</b>	Fee
<b>Marketing Time</b>	10 months
<b>Conditions of Sale</b>	Arm's length
<b>Financing</b>	Cash to seller
<b>Verification</b>	Roger Nix, broker; 919-231-3995, Other sources: CoStar, GIS
<b>Sale Price</b>	\$1,745,000 Listed for \$1,795,000
<b>Cash Equivalent</b>	\$1,745,000

**Land Data**

<b>Land Size</b>	3.060 Acres or 133,294 SF
<b>Front Footage</b>	265 ft Total Frontage: 265 ft Poole Road
<b>Zoning</b>	I-1
<b>Topography</b>	Gentle
<b><u>General Physical Data</u></b>	
<b>Building Type</b>	Single Tenant
<b>Gross SF</b>	11,500

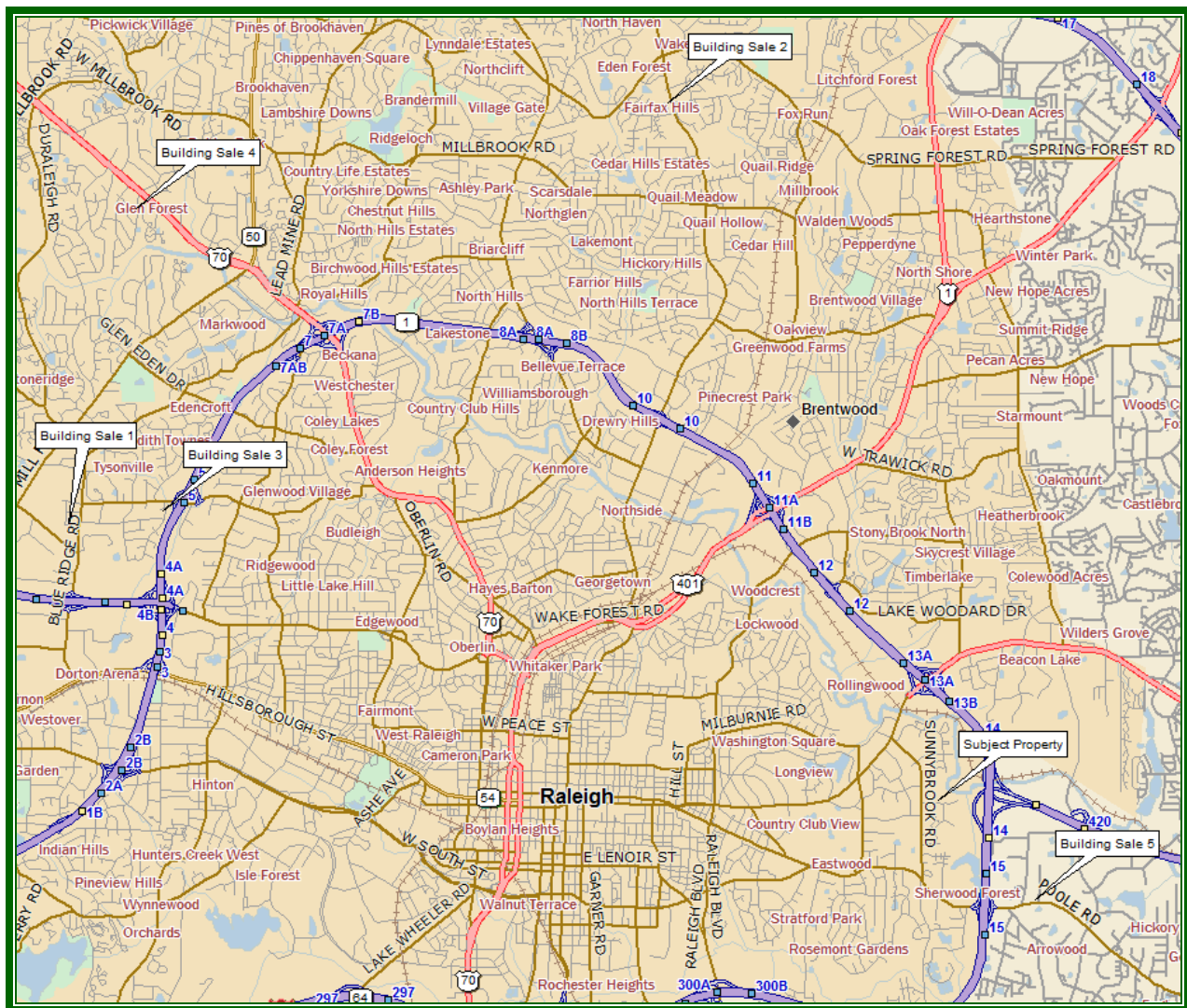
<b>Construction Type</b>	Brick and steel
<b>Roof Type</b>	Gable
<b>Foundation</b>	Concrete
<b>HVAC</b>	Heat pump
<b>Stories</b>	1
<b>Year Built</b>	2001
<b>Condition</b>	Average

<b>Parking</b>	Average	60
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**Indicators**

<b>Sale Price/Gross SF</b>	\$151.74
<b>Floor Area Ratio</b>	0.09
<b>Land to Building Ratio</b>	11.59:1





<b><i>Building Sales Summary</i></b>						
	Subject	BS #1	BS #2	BS #3	BS #4	BS #5
Grantor	N/A	Blackmon	5909	Easter	Saquaro	Raleigh
Grantee	N/A	Beaux	5909 Falls	GC	Kuehn	Ajinomoto
Date	7/15/2016	7/21/2016	6/13/2016	11/19/2015	5/24/2015	3/25/2014
Location	Carl	3916	5909	844	3120	4105
	Sandburg	Sunset	Falls	Perry	Fairhill	Poole
Bldg. Size	13,891 s.f.	22,957 s.f.	19,370 s.f.	9,948 s.f.	11,180 s.f.	11,500 s.f.
Acres	3.00 acres	4.32 acres	1.45 acres	0.52 acres	0.52 acres	3.06 acres
	(130,680 s.f.)	(188,179 s.f.)	(63,162 s.f.)	(22,651 s.f.)	(22,651 s.f.)	(133,294 s.f.)
Floor Area Ratio	10.63%	12.20%	30.67%	43.92%	49.36%	8.63%
Eff Building Age	16 yrs.	26 yrs.	27 yrs.	45 yrs.	8 yrs.	13 yrs.
Finished Area %	100%	100%	100%	100%	100%	100%
Quality	Average	Average	Good	Average	Average	Average
Other	N/A	N/A	N/A	N/A	N/A	N/A
Sales Price	N/A	\$3,590,000	\$3,100,000	\$1,050,000	\$1,650,000	\$1,745,000
\$/S.F. Bldg Only		\$156.38	\$160.04	\$105.55	\$147.58	\$151.74

<b><i>Building Sales Adjustments</i></b>					
Real Property Rights Conveyed	0%	0%	0%	0%	0%
<i>Subtotal</i>	\$156.38	\$160.04	\$105.55	\$147.58	\$151.74
Financing Terms	0%	0%	0%	0%	0%
<i>Subtotal</i>	\$156.38	\$160.04	\$105.55	\$147.58	\$151.74
Conditions of Sale	0%	0%	0%	0%	0%
<i>Subtotal</i>	\$156.38	\$160.04	\$105.55	\$147.58	\$151.74
Market Conditions	0%	0%	1%	2%	5%
<i>Subtotal</i>	\$156.38	\$160.04	\$106.61	\$150.53	\$159.33
Location/Traffic Counts	-10%	0%	-10%	0%	0%
<i>Subtotal</i>	\$140.74	\$160.04	\$95.95	\$150.53	\$159.33
Physical Characteristics					
Building Size	0%	0%	0%	0%	0%
Floor Area Ratio	-7%	0%	0%	0%	-10%
Building Age	5%	6%	15%	-4%	-2%
Finished Area %	0%	0%	0%	0%	0%
Quality	0%	-15%	0%	0%	0%
Other	0%	0%	0%	0%	0%
<i>Subtotal</i>	\$137.93	\$145.64	\$110.34	\$144.51	\$140.21
Adjusted Price /S.F. Incl. Land	<b>\$137.93</b>	<b>\$145.64</b>	<b>\$110.34</b>	<b>\$144.51</b>	<b>\$140.21</b>

**Before Adjustments**

Average	\$144.26
Median	\$151.74
Low	\$105.55
High	\$160.04
Std. Dev.	\$22.14

**After Adjustments**

Average	\$135.73
Median	\$140.21
Low	\$110.34
High	\$145.64
Std. Dev.	\$14.53

## ANALYSIS NOTES

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**Property Rights Conveyed:** Based on Kirkland Appraisals, Lilac's research, each of the comparable sales represented a transfer of the fee simple interest in the property.

**Financing Terms:** Financing terms were determined to be market terms or cash equivalent. Any adjustments for cash equivalency or favorable financing have been noted.

**Conditions of Sale:** Each of the comparable sales was made under market conditions and represents an "arms-length" transaction. Any undue duress on the part of either Grantor or Grantee has been noted and accounted for.

**Economic Trends:** The adjustments for economic trends are based on a general monitoring of real estate values in the area. I adjusted all of the comparables upward by 1% for growth in the retail market over the last few years as noted in the Triangle Space Survey earlier in this report.

**Location:** I adjusted Building Sales 1 and 3 downward for superior locations in West Raleigh near Rex.

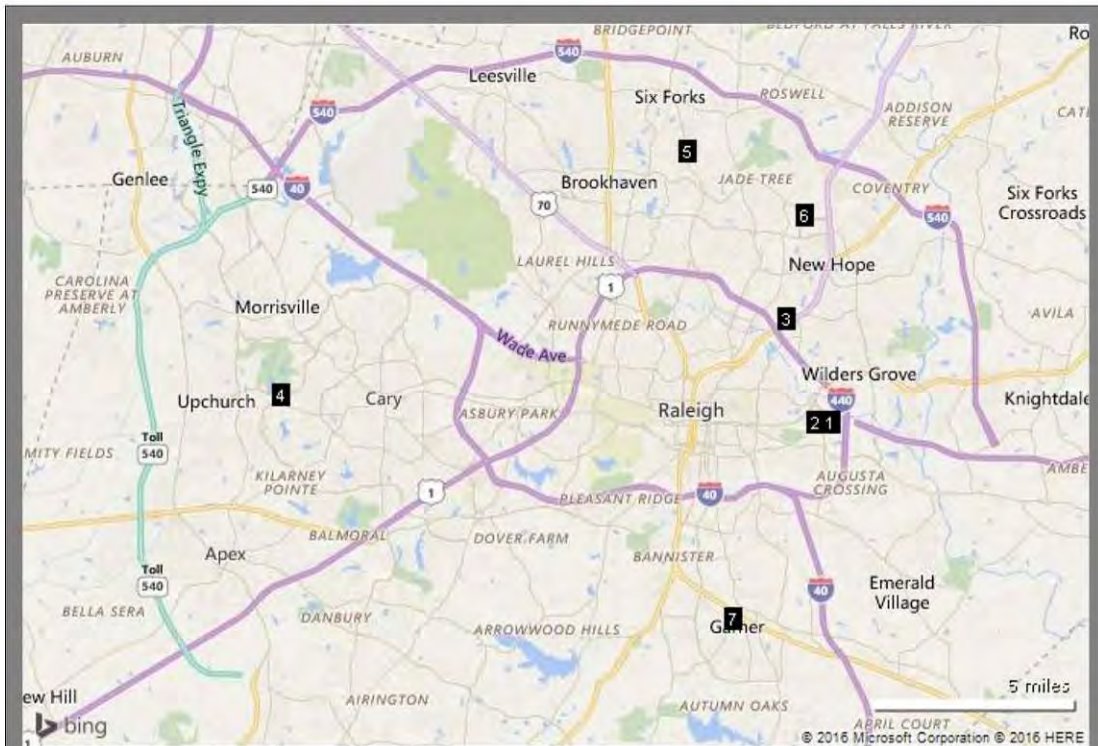
**Building Size:** I made no adjustments for building size. I note that while some of these are two story office buildings, those all include passenger elevators which makes the second floor space equitable with first floor space and no adjustment for the smaller footprint or second floor space is required..



**Floor Area Ratio:** The adjustments for floor area ratio are based on the fact that the typical buyer will pay more for a lower floor area ratio due to excess land and increased parking and buffer areas. While the Subject Property has a 10.63% floor area ratio as shown in the chart, I have added back the underutilized portion of the land as a line item, so the effective utilized area for the subject is actually much higher, especially with the larger parking lot considered. I adjusted Building Sales 1 and 5 downward for having lower floor area ratios to reflect the underutilized portions of those lots. This removes the land value that does not support building value and allows for an apples to apples comparison.

**Building Age:** The adjustments for building age are calculated as 0.5 percent of the building cost per year. Building Sale 1 was 10 years older than the subject property's effective age for which I adjusted it upward by 5%. All of the comparables were adjusted in similar fashion.

**Quality:** The adjustments for quality are based on the type of construction and the interior and exterior finishes. I adjusted Building Sale 2 downward for superior quality.

## CURRENT LISTINGS



<b>1</b> 		<b>3351 Carl Sandburg Ct</b> <b>Raleigh, NC 27610</b> <b>Wake County</b> <b>NE of Sunnybrook/Carl Sandberg Int</b> This property is represented by York Properties - Malcolm G. Lewis, (919) 821-7177 This property is for sale individually	Building Type: <b>Class B Office/Office/Residential</b> Status: <b>Built 2000</b> Building Size: <b>14,145 SF</b> Typical Floor Size: <b>14145</b> Stories: <b>1</b>	Sale Price: <b>\$2,125,000</b> Price/SF: <b>\$150.23</b> Cap Rate: <b>-</b> Sale Status: <b>Active</b> Days On Market: <b>240</b>
<b>2</b> 		<b>2940 Falstaff Rd</b> <b>Raleigh, NC 27610</b> <b>Wake County</b> <b>SW of Sunnybrook/Falstaff Int</b> <b>East Raleigh Submarket</b> This property is represented by Reliant Management Group, Inc. - Todd Edwards, (919) 754-9422 This property is for sale individually	Building Type: <b>Class C Office/Medical</b> Status: <b>Built 1985</b> Building Size: <b>5,264 SF</b> Typical Floor Size: <b>5264</b> Stories: <b>1</b>	Sale Price: <b>\$885,000</b> Price/SF: <b>\$168.12</b> Cap Rate: <b>-</b> Sale Status: <b>Active</b> Days On Market: <b>169</b>

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3		<b>2900 Highwoods Blvd</b> <b>Holly</b> <b>Raleigh, NC 27604</b> <b>Wake County</b>	Building Type: <b>Class B Office</b> Status: <b>Built 1984</b> Building Size: <b>20,736 SF</b> Typical Floor Size: <b>10368</b> Stories: <b>2</b>	Sale Price: <b>\$2,600,000</b> Price/SF: <b>\$125.39</b> Cap Rate: <b>-</b> Sale Status: <b>Active</b> Days On Market: <b>80</b>
		This property is represented by NAI Carolantic Realty, Inc. - Scott Hadley, (919) 832-0594 Moss Withers, (919) 832-0594 This property is for sale individually		
4		<b>140 Preston Executive Dr</b> <b>Preston Executive Center II</b> <b>Cary, NC 27513</b> <b>Wake County</b>	Building Type: <b>Class B Office</b> Status: <b>Built 1997</b> Building Size: <b>16,072 SF</b> Typical Floor Size: <b>8036</b> Stories: <b>2</b>	Sale Price: <b>\$2,400,000</b> Price/SF: <b>\$149.33</b> Cap Rate: <b>-</b> Sale Status: <b>Active</b> Days On Market: <b>1,060</b>
		This property is represented by Oaks Commercial Realty, LLC - Max Oaks, (919) 469-3555 This property is for sale individually		
5		<b>7340 Six Forks Rd</b> <b>Raleigh, NC 27615</b> <b>Wake County</b> <b>NE of Newton/Six Forks int</b> <b>6 Forks Falls of Neuse</b>	Building Type: <b>Class B Office</b> Status: <b>Built 1985</b> Building Size: <b>12,370 SF</b> Typical Floor Size: <b>6185</b> Stories: <b>2</b>	Sale Price: <b>\$1,800,000</b> Price/SF: <b>\$145.51</b> Cap Rate: <b>-</b> Sale Status: <b>Active</b> Days On Market: <b>1,219</b>
		This property is represented by Mikels & Jones Properties - Reid Jones, (919) 781-9998 Bert Howell, (919) 781-9998 This property is for sale individually		
6		<b>2817 Spring Forest Rd</b> <b>Raleigh, NC 27616</b> <b>Wake County</b> <b>NE of Departure/Spring Forest Rd int</b>	Building Type: <b>Class B Office</b> Status: <b>Built 2000</b> Building Size: <b>5,600 SF</b> Typical Floor Size: <b>5600</b> Stories: <b>1</b>	Sale Price: <b>\$728,000</b> Price/SF: <b>\$130.00</b> Cap Rate: <b>-</b> Sale Status: <b>Active</b> Days On Market: <b>239</b>
		This property is represented by TradeMark Properties - Ross Diachenko, (919) 782-5552 This property is for sale individually		
7		<b>934-974 Vandora Springs Rd</b> <b>Vandora Springs Road Professional Center</b> <b>Gamer, NC 27529</b> <b>Wake County</b>	Building Type: <b>Class B Office/Medical</b> Status: <b>Built 2000</b> Building Size: <b>11,500 SF</b> Typical Floor Size: <b>11500</b> Stories: <b>1</b>	Sale Price: <b>\$1,699,000</b> Price/SF: <b>\$147.74</b> Cap Rate: <b>-</b> Sale Status: <b>Active</b> Days On Market: <b>183</b>
		This property is represented by Icon Commercial - Clint Ferrell, (919) 618-4886 This property is for sale individually		

## **CURRENT CONTRACT**

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The subject property is currently under contract to the Wake County Board of Education for \$2,075,000 as shown in the addenda of this report. This works out to \$149.37 per square foot. However, if you attribute \$195,000 to the underutilized land, the indicated value per square foot of the building and supporting site is \$135.34 per square foot. This is lower than most of the adjusted comparables, but very similar to Building Sale 1. I consider this contract to support the adjusted sales and also the range bracketed by the listings.

## **CONCLUSION**

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I conclude that the best indication of value for the subject property is \$140 per square foot plus the value of the underutilized land. The land value attributable to the support of the existing building is included in the \$140 per square foot figure.

The total indicated value is calculated as follows:

13,891 s.f. x \$140.00 per s.f. =	\$1,944,740
Add: Underutilized Land Value	<u>\$195,367</u>
Adjusted Indication of Value	\$2,140,107
Rounded	\$2,140,000



## **INCOME CAPITALIZATION APPROACH**

The income capitalization approach is an appraisal technique in which the anticipated net income is processed to indicate the capital amount of the investment that produces the net income. Various methods can be used for processing or capitalizing income to arrive at an indication of value.

In this appraisal, I will apply the stabilized income capitalization approach.

This income approach is not based on the specific requirements of an individual investor. It is based on estimates of income and expenses, expected rates of return, and anticipated financing terms derived from the marketplace.

### **POTENTIAL GROSS INCOME**

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#### ***CURRENT OCCUPANCY***

The subject property is currently vacant and proposed to be owner occupied.

#### ***RENT COMPARABLES***

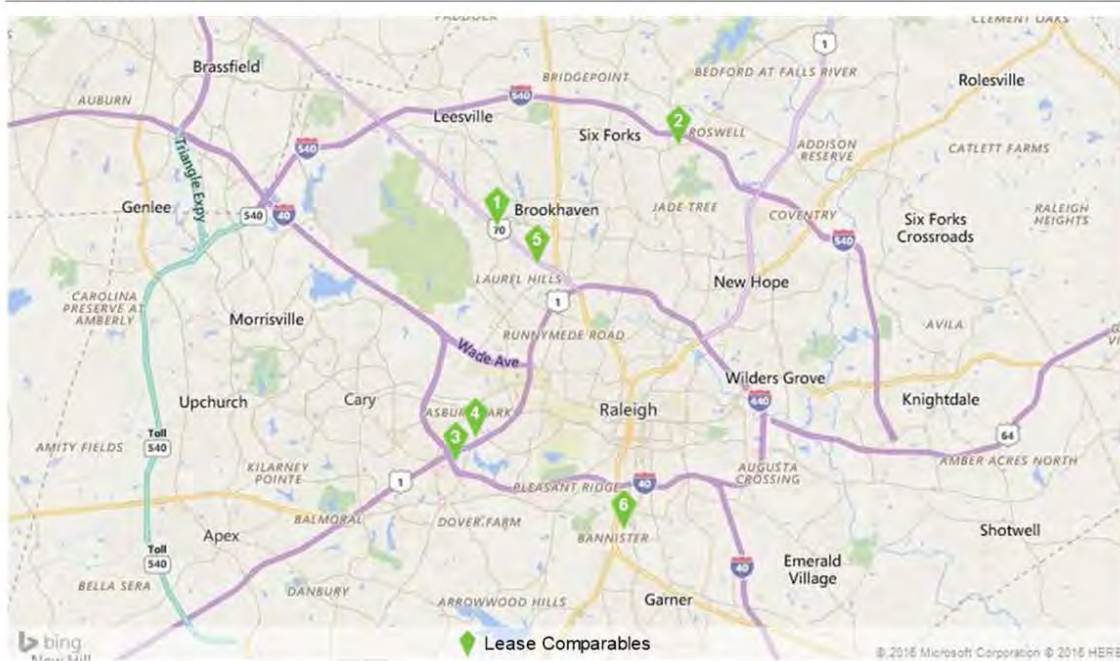
To determine the market rent for the subject property, I have researched the local market for leases of comparable space that would be competitive with the subject property. Summary information pertaining to several recently negotiated rental arrangements for comparable space is included on the following pages.

## Lease Comp Summary

### Lease Comps Report

Deals	Gross Asking Rent Per SF	Gross Starting Rent Per SF	Avg. Months On Market
<b>6</b>	<b>\$15.54</b>	<b>\$15.96</b>	<b>11</b>

#### LEASE COMPARABLES



#### SUMMARY STATISTICS

Rent	Deals	Low	Average	Median	High
Gross Asking Rent Per SF	5	\$11.00	\$15.54	\$16.00	\$18.50
Gross Starting Rent Per SF	6	\$11.00	\$15.96	\$16.73	\$18.50
Gross Effective Rent Per SF	5	\$11.00	\$15.52	\$16.00	\$18.50
Asking Rent Discount	5	0.0%	1.2%	0.0%	8.7%
TI Allowance	-	-	-	-	-
Months Free Rent	2	0	0	0	1

Lease Attributes	Deals	Low	Average	Median	High
Months on Market	5	4	11	7	28
Deal Size	6	4,922	7,492	8,153	9,100
Lease Deal in Years	5	1.0	3.4	3.0	5.1
Floor Number	6	1	1	1	3

## Lease Comp Summary

### Lease Comps Report

Property Name - Address	Rating	Lease				Rents	
		SF Leased	Floor	Sign Date	Type	Rent	Rent Type
 <b>6711 Glenwood Ave</b>	★ ★ ★ ★ ★	9,100	1st	6/2/2016	New	\$16.00/nnn	Effective
 <b>Bldg 3</b> 8414 Falls of Neuse Rd	★ ★ ★ ★ ★	4,922	1st	3/23/2016	New	\$13.94/mg	Effective
 <b>Centerview I</b> 5540 Centerview Dr	★ ★ ★ ★ ★	8,614	2nd	12/7/2015	Renewal	\$18.50/fs	Starting
 <b>559 Waters Edge Office P...</b> 559 Jones Franklin Rd	★ ★ ★ ★ ★	8,607	1st	6/2/2015	New	\$14.41/nnn	Effective
 <b>Alpha Building</b> 5171 Glenwood Ave	★ ★ ★ ★ ★	6,011	3rd	4/2/2015	New	\$18.50/fs	Effective
 <b>319 Chapanoke Rd</b>	★ ★ ★ ★ ★	7,700	1st	3/2/2015	New	\$11.00/fs	Effective

## Lease Comparables

### Lease Comps Report



#### 6711 Glenwood Ave

Raleigh, NC 27612 - Glenwood/Creedmoor Submarket



#### TENANT

Tenant Name: **Mami Nora's**  
Industry: **Retailers/Wholesalers**

#### LEASE

SF Leased: **9,100 SF**  
Sign Date: **Jun 2016**  
Space Use: **Office/Retail**  
Lease Type: **Direct**  
Floor: **1st Floor**

#### RENTS

Asking Rent: **\$16.00/NNN**  
Starting Rent: **\$16.00/NNN**  
Effective Rent: **\$16.00/NNN**

#### CONCESSIONS AND BUILDOUT

Asking Discount: **0.00%**  
Buildout: **Restaurants & Cafes**  
Buildout Status: **Partial Build-Out**

#### LEASE TERM

Start Date: **Jun 2016**  
Expiration Date: **Jun 2017**  
Lease Term: **1 Year**

#### PROPERTY EXPENSES

Taxes: **\$1.63/SF (2015)**  
Operating Exp.: **\$1.41/SF (2012-Est)**

#### TIME ON MARKET

Date On Market: **Aug 2015**  
Date Off Market: **Jun 2016**  
Months on Market: **10 Mos**

#### TIME VACANT

Date Vacated: **Jul 2015**  
Date Occupied: **Aug 2016**  
Months Vacant: **13 Months**

#### MARKET AT LEASE

Vacancy Rate	2016 Q2	YOY
Current Building	100%	▲ 100%
Submarket 2-4 Star	2.1%	▼ 0.1%
Metro Overall	4.1%	▼ 0.7%

Gross Asking Rent Per SF	2016 Q2	YOY
Current Building	\$16.00	-
Submarket 2-4 Star	\$17.90	▲ 8.4%
Metro Overall	\$16.33	▲ 5.7%

Submarket Leasing Activity	2016 Q2	YOY
12 Mo. Leased SF	124,027	▼ 32.8%
Months On Market	9.6	▼ 5.8

#### LEASING REP

**Foundry Commercial**  
2301 Sugar Bush Rd, Suite 520  
Raleigh, NC 27612-3382  
Ty Thomas (919) 576-2685  
James Mattox (919) 576-2696

#### PROPERTY

Property Type:	<b>Retail</b>	Rentable Area:	<b>9,100 SF</b>
Status:	<b>Built 1991</b>	Stories:	<b>1</b>
Tenancy:	<b>Single</b>	Floor Size:	<b>9,100 SF</b>
Class:	<b>B</b>	Ceiling Height:	<b>10'</b>
Construction:	<b>Masonry</b>	Vacancy at Lease:	<b>100%</b>
Parking:	<b>25 free Surface Space...</b>	Land Acres:	<b>0.38</b>



## Lease Comparables

### Lease Comps Report

**2 8414 Falls of Neuse Rd - Bldg 3**  
Raleigh, NC 27615 - 6 Forks Falls of Neuse Submarket



#### TENANT

Tenant Name: **The Shoaf Law Firm, PA**  
Industry: **Law Firms**

#### LEASE

SF Leased: **4,922 SF**  
Sign Date: **Mar 2016**  
Space Use: **Office**  
Lease Type: **Direct**  
Floor: **1st Floor**

#### RENTS

Asking Rent: **\$14.78/MG**  
Starting Rent: **\$13.50/MG**  
Effective Rent: **\$13.94/MG**  
Escalations: **Steps**

#### LEASE TERM

Start Date: **Apr 2016**  
Expiration Date: **Apr 2021**  
Lease Term: **5 Years 1 Month**

#### CONCESSIONS AND BUILDOUT

Asking Discount: **8.66%**  
Mo. Free Rents: **1 Month**

#### PROPERTY EXPENSES

Taxes: **\$1.13/SF (2013)**

#### TIME ON MARKET

Date On Market: **Nov 2015**  
Date Off Market: **Mar 2016**  
Months on Market: **4 Mos**

#### TIME VACANT

Date Occupied: **Apr 2016**

#### MARKET AT LEASE

Vacancy Rate	2016 Q1	YOY
Current Building	19.8%	▼ 7.0%
Submarket 2-4 Star	7.8%	▼ 0.9%
Metro Overall	6.6%	▼ 0.7%

Gross Asking Rent Per SF	2016 Q1	YOY
Current Building	\$14.78	-
Submarket 2-4 Star	\$20.61	▲ 8.8%
Metro Overall	\$21.16	▲ 4.0%

Submarket Leasing Activity	2016 Q1	YOY
12 Mo. Leased SF	691,326	▲ 32.9%
Months On Market	14.7	▼ 6.3

#### LEASING REP

##### KW Commercial

201 Shannon Oaks Cir, Suite 100,101,105,1...  
Cary, NC 27511-5570  
Amy Bush (919) 272-2047  
Anna Acerra (919) 349-5539

#### PROPERTY

Property Type: **Office**  
Status: **Built Sep 2002**  
Tenancy: **Multi**  
Class: **B**  
Construction: **Masonry**  
Parking: **44 Surface Spaces ar...**  
Rentable Area: **11,378 SF**  
Stories: **2**  
Floor Size: **5,689 SF**  
Vacancy at Lease: **19.8%**  
Land Acres: **0.66**



## Lease Comparables

### Lease Comps Report

**5540 Centerview Dr - Centerview I**  
Raleigh, NC 27606 - West Raleigh Submarket



#### TENANT

Tenant Name: **Execuserve**

#### LEASE

SF Leased: **8,614 SF**  
Sign Date: **Dec 2015**  
Space Use: **Office**  
Floor: **2nd Floor**  
Suite: **200**

#### RENTS

Starting Rent: **\$18.50/FS**  
Escalations: **3% Annual**

#### PROPERTY EXPENSES

Taxes: **\$1.03/SF (2011)**



#### LEASE TERM

Start Date: **Dec 2015**

#### TIME VACANT

Date Occupied: **Dec 2015**

#### LEASING REP

**Lincoln Harris**  
5430 Wade Park Blvd, Suite 300  
Raleigh, NC 27607  
John Mikels (919) 645-6963  
Kaler E. Walker (919) 840-8040

#### MARKET AT LEASE

Vacancy Rate	2015 Q4	YOY
Current Building	26.2%	▼ 5.1%
Submarket 2-4 Star	7.4%	▼ 0.6%
Metro Overall	6.5%	▼ 0.9%

Gross Asking Rent Per SF	2015 Q4	YOY
Current Building	-	-
Submarket 2-4 Star	\$22.05	▲ 2.0%
Metro Overall	\$21.13	▲ 1.9%

Submarket Leasing Activity	2015 Q4	YOY
12 Mo. Leased SF	684,976	▼ 11.1%
Months On Market	15.5	▼ 3.4

#### PROPERTY

Property Type:	<b>Office</b>	Rentable Area:	<b>88,674 SF</b>
Status:	<b>Built 1986</b>	Stories:	<b>4</b>
Tenancy:	<b>Multi</b>	Floor Size:	<b>22,168 SF</b>
Class:	<b>A</b>	Vacancy at Lease:	<b>26.2%</b>
Construction:	<b>Steel</b>	Land Acres:	<b>9.19</b>
Parking:	<b>308 free Surface Spa...</b>		

## Lease Comparables

### Lease Comps Report

**4 559 Jones Franklin Rd - 559 Waters Edge Office Park**  
Raleigh, NC 27606 - West Raleigh Submarket



#### TENANT

Tenant Name: **Learn with the Best**  
Industry: **Personal Services**

#### LEASE

SF Leased: **8,607 SF**  
Sign Date: **Jun 2015**  
Space Use: **Office**  
Lease Type: **Direct**  
Floor: **1st Floor**

#### RENTS

Asking Rent: **\$14.00/NNN**  
Starting Rent: **\$14.00/NNN**  
Effective Rent: **\$14.41/NNN**  
Escalations: **3% Annual**

#### LEASE TERM

Start Date: **Aug 2015**  
Expiration Date: **Jul 2018**  
Lease Term: **3 Years**

#### CONCESSIONS AND BUILDOUT

Asking Discount: **0.00%**  
Mo. Free Rents: **0 Months**  
TI Allowance: **\$20,000**  
Buildout Status: **Full Build-Out**

#### PROPERTY EXPENSES

Taxes: **\$0.90/SF (2015)**

#### MARKET AT LEASE

Vacancy Rate	2015 Q2	YOY
Current Building	54.2%	▲ 54.2%
Submarket 1-3 Star	7.8%	▼ 0.8%
Metro Overall	6.9%	▼ 2.0%

Gross Asking Rent Per SF	2015 Q2	YOY
Current Building	\$17.47	-
Submarket 1-3 Star	\$19.71	▲ 3.3%
Metro Overall	\$20.57	▲ 4.4%

Submarket Leasing Activity	2015 Q2	YOY
12 Mo. Leased SF	706,490	▼ 9.5%
Months On Market	14.9	▼ 2.9

#### TIME ON MARKET

Date On Market: **Feb 2015**  
Date Off Market: **Aug 2015**  
Months on Market: **6 Mos**

#### TIME VACANT

Date Vacated: **Apr 2015**  
Date Occupied: **Aug 2015**  
Months Vacant: **4 Months**

#### LEASING REP

**Gillooly & Associates Realty, LLC**  
232 E Chatham St  
Cary, NC 27511  
Steve Gillooly (919) 612-9885

#### PROPERTY

Property Type: **Office**  
Status: **Built 1977**  
Tenancy: **Multi**  
Class: **B**  
Construction: **Masonry**  
Parking: **60 free Surface Space...**  
Rentable Area: **16,396 SF**  
Stories: **2**  
Floor Size: **6,000 SF**  
Vacancy at Lease: **54.2%**  
Land Acres: **1.53**

## Lease Comparables

### Lease Comps Report



**5171 Glenwood Ave - Alpha Building**  
Raleigh, NC 27612 - Glenwood/Creedmoor Submarket



#### TENANT

Tenant Name: **Builders of Hope**  
Industry: **Business Services**

#### LEASE

SF Leased: **6,011 SF**  
Sign Date: **Apr 2015**  
Space Use: **Office**  
Lease Type: **Direct**  
Floor: **3rd Floor**  
Suite: **364**

#### RENTS

Asking Rent: **\$18.50/FS**  
Starting Rent: **\$18.50/FS**  
Effective Rent: **\$18.50/FS**

#### CONCESSIONS AND BUILDOUT

Asking Discount: **0.00%**

#### LEASE TERM

Start Date: **Jun 2015**  
Expiration Date: **May 2018**  
Lease Term: **3 Years**

#### PROPERTY EXPENSES

Taxes: **\$1.16/SF (2015)**

#### TIME ON MARKET

Date On Market: **Aug 2014**  
Date Off Market: **Jul 2015**  
Months on Market: **11 Mos**

#### TIME VACANT

Date Vacated: **Aug 2014**  
Date Occupied: **Jun 2015**  
Months Vacant: **10 Months**

#### MARKET AT LEASE

Vacancy Rate	2015 Q2	YOY
Current Building	20.2%	▲ 17.8%
Submarket 2-4 Star	7.7%	▲ 1.3%
Metro Overall	6.9%	▼ 2.0%

Gross Asking Rent Per SF	2015 Q2	YOY
Current Building	\$18.50	-
Submarket 2-4 Star	\$21.87	▲ 3.4%
Metro Overall	\$20.57	▲ 4.4%

Submarket Leasing Activity	2015 Q2	YOY
12 Mo. Leased SF	216,385	▼ 24.7%
Months On Market	21.5	▲ 1.5

#### LEASING REP

**The David Associates**  
319 Clematis St, Suite 708  
West Palm Beach, FL 33401-4608  
Karen Wheless (919) 783-7640

#### PROPERTY

Property Type: **Office**  
Status: **Built 1983**  
Tenancy: **Multi**  
Class: **B**  
Construction: **Steel**  
Parking: **405 free Surface Spa...**

Rentable Area: **101,421 SF**  
Stories: **4**  
Floor Size: **25,355 SF**  
Vacancy at Lease: **20.2%**  
Land Acres: **6.78**



## Lease Comparables

### Lease Comps Report



#### 319 Chapanoke Rd

Raleigh, NC 27603 - Southeast Wake County Submarket



#### TENANT

Tenant Name: **Care One Health Training Institute**  
 Industry: **Medical**  
 NAICS: **Nursing Care Facilities - 623110**

#### LEASE

SF Leased: **7,700 SF**  
 Sign Date: **Mar 2015**  
 Space Use: **Office**  
 Lease Type: **Direct**  
 Floor: **1st Floor**  
 Suite: **104**

#### RENTS

Asking Rent: **\$11.00/FS**  
 Starting Rent: **\$11.00/FS**  
 Effective Rent: **\$11.00/FS**

#### CONCESSIONS AND BUILDOUT

Asking Discount: **0.00%**

#### LEASE TERM

Start Date: **May 2015**  
 Expiration Date: **Apr 2020**  
 Lease Term: **5 Years**

#### TIME ON MARKET

Date On Market: **Oct 2012**  
 Date Off Market: **Mar 2015**  
 Months on Market: **29 Mos**

#### TIME VACANT

Date Vacated: **Jul 2012**  
 Date Occupied: **May 2015**  
 Months Vacant: **34 Months**

#### MARKET AT LEASE

Vacancy Rate	2015 Q1	YOY
Current Building	45.7%	▲ 34.3%
Submarket 2-4 Star	7.6%	▲ 0.6%
Metro Overall	7.4%	▼ 1.6%

Gross Asking Rent Per SF	2015 Q1	YOY
Current Building	\$11.00	-
Submarket 2-4 Star	\$14.08	▲ 0.4%
Metro Overall	\$20.33	▲ 2.6%

Submarket Leasing Activity	2015 Q1	YOY
12 Mo. Leased SF	124,726	▲ 337.7%
Months On Market	16.4	▼ 6.7

#### LEASING REP

**Stephens Properties**  
 319 Chapanoke Rd  
 Raleigh, NC 27601  
 Matt Stephens (919) 779-8649

#### PROPERTY

Property Type: **Office**  
 Status: **Built 1992**  
 Tenancy: **Multi**  
 Class: **B**  
 Construction: **Reinforced Concrete**  
 Parking: **435 Surface Spaces ...**

Rentable Area: **86,848 SF**  
 Stories: **1**  
 Floor Size: **86,848 SF**  
 Vacancy at Lease: **45.7%**  
 Land Acres: **6.24**

## Rents

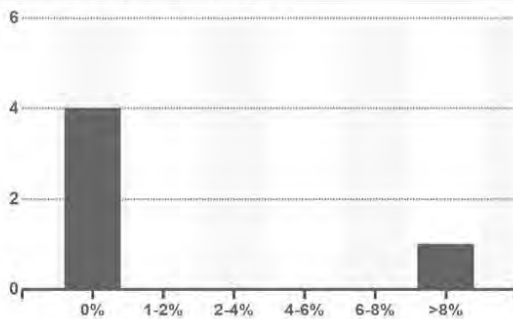
Lease Comps Report

Gross Asking Rent Per SF	Gross Starting Rent Per SF	Gross Effective Rent Per SF	Avg. Months Free Rent
<b>\$15.54</b>	<b>\$15.96</b>	<b>\$15.52</b>	<b>0.5</b>

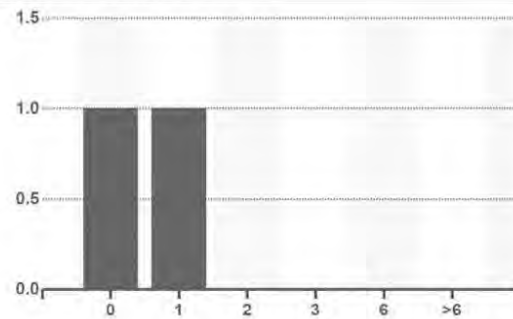
### DEALS BY GROSS ASKING, GROSS STARTING, AND GROSS EFFECTIVE RENT



### DEALS BY ASKING RENT DISCOUNT



### DEALS BY MONTHS FREE RENT





## ***ANALYSIS OF RENT COMPARABLES***

The rent comparables provide a good range of recently negotiated leases.

The gross effective rent per square foot at \$15.52 per square foot accounts for free rent and other allowances and provides a very good indication of rental rate for the subject property.

Rent Comparable 3 is a modified gross lease rate at \$13.94 per square foot. Rent Comparable 4 is a NNN rental rate at \$14.00 per square foot. The higher rental rates are generally for Full Service rentals that include utilities and janitorial.

The subject property would most likely be leased on a modified gross lease basis where the tenant is responsible with janitorial and utilities expenses. The subject property has a better location than many of these comparables and I consider the median rate to actually be a good rate despite it blending the NNN and modified gross leases in with the Full Service. The subject property should be higher than the NNN and modified gross leases at \$14 per square foot, but it should be lower than the \$18 per square foot Full Service leases.

## ***CONCLUSION***

Based on the discussion above I conclude that the market rent for the subject property is \$15.50 per square foot.

## ***VACANCY***

---

The subject property has been able to maintain a stabilized occupancy over the last few years, with only occasional turnover but no sustained vacancy.

The area-wide vacancy rate for this property type is over 14% with the submarket over 13%. The vacancy has been slowly improving and I therefore have considered a lower 12 vacancy rate for the subject property over the likely holding period for this property.

## ***OPERATING EXPENSES***

---

The estimate of operating expenses is based on the historic operating expenses from other, similar properties. Mortgage interest and depreciation are not considered as operating expenses for the purpose of this analysis.

The subject property would typically be leased at a Modified Gross lease rate with the tenant responsible for janitorial expenses and utilities.

## ***ESTIMATE OF EXPENSES***

The stabilized (average annual) operating expenses for the subject property are estimated as follows:

**Management:** A fee in the amount of 3 percent of the effective (collected) gross income would be appropriate to hire competent management of the property, and to cover other administrative expenses.

**R.E. Taxes:** I have included the indicated real estate taxes derived earlier in this report for 2016 at \$20,187.

**Insurnace:** I have estimate the insurance expense at \$0.15 per square foot for the subject property.

**Maintenance and Repairs:** In the normal course of maintaining a building the landlord will incur some expenses for the maintenance and repairs of the roof, the mechanical systems, and the structural walls. Other expenses in this category include the extermination contract, landscaping, and security. Given the age of the building, I anticipate that the cost of these maintenance and repairs will average \$0.20 per square foot over the long term.

**Capital Replacements:** The owner will also incur an additional expense for the periodic replacement of short life items such as mechanical systems, plumbing, interior finishes, roof repairs, and other similar items. Typically these expenses are incurred on a “pay-as-you-go” basis and can vary widely. This expense category reflects the potential for replacements at an annualized expense rate. I anticipate that the capital reserve necessary to account for these items should average approximately \$0.20 per square foot per year.

## **OVERALL CAPITALIZATION RATE ANALYSIS**

---

To value the ownership interest of an income producing property, valuation models have been developed to quantify the projected benefits of ownership. The capitalization rate (Ro) and the discount rates (Y) are primary components of these models. The capitalization rate expresses the relationship between a single year’s income for a property and the purchase price of the property. The discount rate reflects the ratio between a series of cash flows including a presumed resale of the property at the end of the holding period, and value. Both rates reflect an investor’s expectations from all sources of income and growth in value as well as the reversion of the property at the end of the holding period.

For this analysis, I have used an overall capitalization rate, which is also referred to as the “going-in rate.” This only considers the first year of income for the property. When the capitalization rate is applied to a future stabilized year’s income, then it is the “stabilized rate.” And finally, when applied to a future income stream derived in the year of a presumed sale of the property, it is referred to as the “terminal rate.”

The overall rate in this analysis was derived from industry surveys and abstraction, band of investment, and debt coverage ratio.

### **ABSTRACTION OF OVERALL RATE**

The equation utilized to abstract overall rates directly from market sales is as follows:

$$Ro = I/V$$

Where:      Ro = Overall Capitalization Rate  
                  I = Net Operating Income  
                  V = Value (Purchase Price)

### ***RATES DERIVED FROM COMPARABLES (CoStar)***

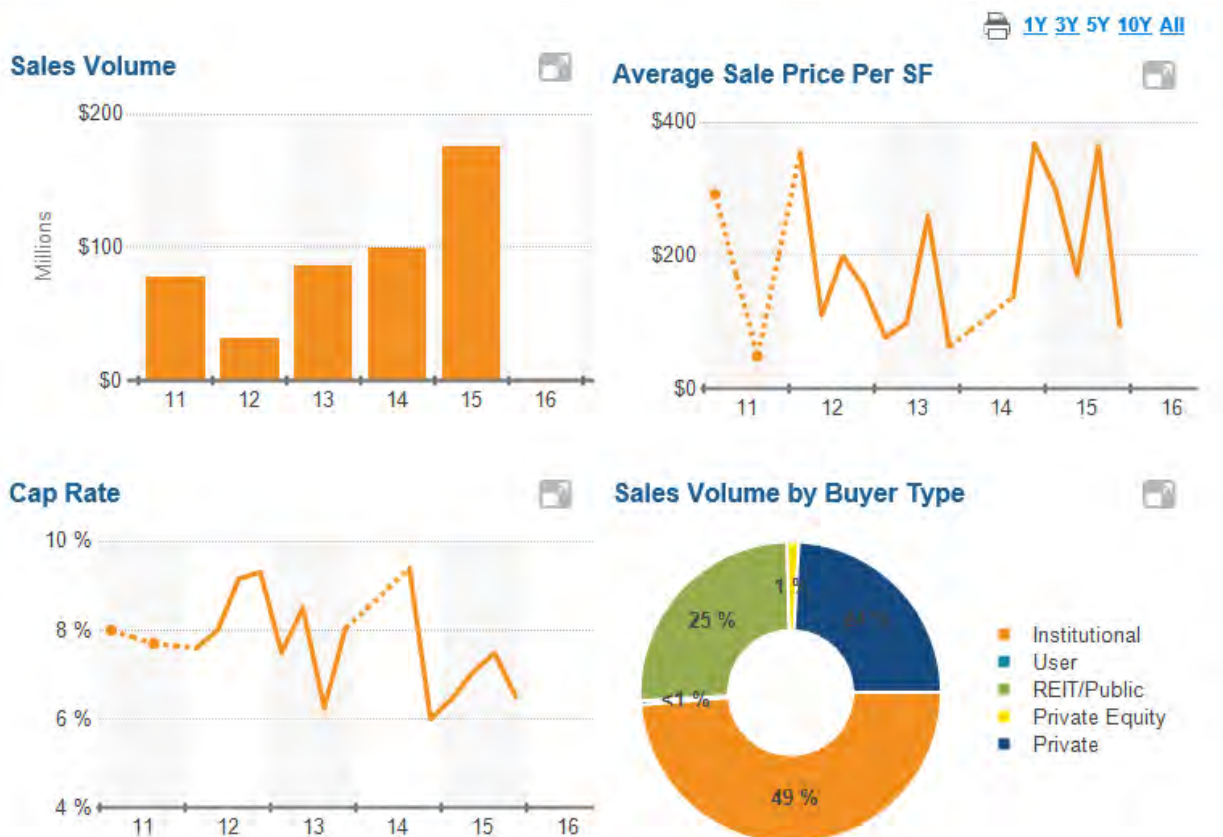
I considered 41 recent office building sales to derive the following range of Office Building Overall Capitalization Rates in and around the City of Raleigh as shown below. The median rate of 7.8% is a strong indication of overall capitalization rate for this area.

Sales Volume	Survey	Min	Max
Transactions	41	-	-
Sold SF	3,580,784	3,000	450,393
Sales Volume (Mil.)	\$552	\$0.6	\$76
Avg SF	87,336	3,000	450,393

For Sale	Survey	Min	Max
Listings	-	-	-
For Sale SF	-	-	-
For Sale Volume (Mil.)	-	-	-
Asking Price Per SF	-	-	-
Avg Asking Price (Mil.)	-	-	-

Sales	Survey	Min	Max
Sale Price Per SF	\$175	\$49	\$368
Avg Sale Price (Mil.)	\$16	\$0.6	\$76
Cap Rate	7.8%	5.8%	9.8%
Percent Leased	97.2%	0.0%	100%

Properties	Survey	Min	Max
Existing SF	2,625,709	3,000	450,393
Vacancy Rate	0.6%	0.0%	100%
Gross Rent Per SF	\$18.12	\$9.50	\$21.50
12 Mo. Absorption	1,507	-16,280	14,787
12 Mo. Leasing SF	82,458	0	32,447



## NATIONAL SURVEY

RealtyRates.com shows a higher range with office at 9.00%.

RealtyRates.com INVESTOR SURVEY - 1st Quarter 2016*																								
CURRENT & HISTORICAL CAP RATE INDICES																								
Method-Weighted* Property Category Indices																								
Year	Apts		Golf		Healthcare Senior Housing		Industrial		Lodging		MHRV Park		Office		Retail		Restaurant		Self Storage		Special Purpose		Weighted* Composite Indices	
	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg
2015	8.15	-9	11.69	-14	8.80	-9	8.93	-10	10.22	-20	8.99	-18	9.00	-6	9.15	-11	11.66	-13	9.52	-22	11.11	-12	9.40	-12
4th Qtr.	8.21	6	11.77	3	8.88	8	9.00	8	10.18	-7	9.06	5	9.09	8	9.22	8	11.72	5	9.54	7	11.20	5	9.46	6
3rd Qtr.	8.15	-2	11.74	5	8.79	-2	8.92	-4	10.26	-4	9.00	-1	9.01	2	9.14	-3	11.67	-2	9.47	-7	11.15	3	9.40	-2
2nd Qtr.	8.17	11	11.70	16	8.82	11	8.95	10	10.30	14	9.02	12	8.99	10	9.17	10	11.70	14	9.54	-1	11.12	15	9.42	11
1st Qtr.	8.06	-11	11.54	-20	8.71	-13	8.85	-13	10.16	-22	8.89	-21	8.90	-14	9.08	-13	11.56	-15	9.55	-13	10.98	-18	9.31	-15
2014	8.24	-15	11.83	-9	8.89	-1	9.03	-4	10.43	-17	9.17	-5	9.06	-22	9.26	15	11.79	-6	9.75	-20	11.24	14	9.52	-7
2013	8.39	14	11.92	-14	8.90	5	9.07	-2	10.60	3	9.22	14	9.28	-19	9.11	-4	11.86	9	9.95	-24	11.10	1	9.58	-2
2012	8.25	-35	12.07	6	8.85	-36	9.09	-40	10.57	-24	9.08	-39	9.47	3	9.15	-13	11.77	6	10.19	-49	11.09	-4	9.60	-21
2011	8.60	-29	12.00	-22	9.21	-40	9.49	-11	10.81	-24	9.48	-8	9.44	-10	9.28	-26	11.70	-14	10.69	-3	11.12	-17	9.81	-19
2010	8.89	4	12.22	5	9.62	15	9.60	12	11.05	7	9.55	22	9.54	16	9.54	25	11.84	12	10.72	21	11.30	0	10.00	13
2009	8.85	8	12.17	16	9.47	10	9.48	10	10.98	-7	9.33	1	9.38	29	9.29	20	11.72	15	10.50	37	11.30	8	9.87	14
2008	8.77	-4	12.01	29	9.37	-16	9.38	-14	11.05	56	9.32	-5	9.09	-16	9.09	-11	11.57	-28	10.13	20	11.22	-7	9.74	-1
2007	8.81	-45	11.72	-21	9.53	-65	9.52	-25	10.49	-28	9.37	-26	9.25	-47	9.20	-12	11.85	61	9.93	-38	11.29	-24	9.75	-28
2006	9.26	12	11.93	47	10.18	15	9.77	35	10.77	27	9.63	41	9.72	26	9.32	30	11.24	18	10.31	27	11.53	9	10.03	26
2005	9.14	14	11.46	80	10.03	-16	9.42	-30	10.50	-21	9.22	19	9.46	6	9.02	16	11.06	5	10.04	13	11.44	-30	9.77	2
2004	9.00	-19	10.66	28	10.19	-37	9.72	19	10.71	-98	9.03	-48	9.40	-4	8.86	-19	11.01	-15	9.91	-13	11.74	-30	9.75	-19
2003	9.19	-2	10.38	-32	10.56	64	9.53	33	11.69	56	9.51	-11	9.44	1	9.05	-18	11.16	8	10.04	-53	12.04	105	9.94	12
2002	9.21	-40	10.70	18	9.92	-39	9.20	-61	11.13	26	9.62	-60	9.43	-35	9.23	-62	11.08	-3	10.57	-12	10.99	-177	9.82	-41
2001	9.61	64	10.52	133	10.31	90	9.81	16	10.87	98	10.22	-68	9.78	-35	9.85	-53	11.11	47	10.69	13	12.76	32	10.23	21
2000	8.97		9.19		9.41		9.65		9.89		10.90		10.13		10.38		10.64		10.56		12.44		10.01	
* Weighted by methodology: Band-of-Investment, DCR Technique, Sales Survey																								
* Further weighted by property category																								

\*4th Quarter 2015 Data

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## BAND OF INVESTMENT

This method of assembling an overall rate is based on the basic components of a capitalization rate. These are the return “of” and “on” the investment (payback financing) as well as the return “of” and “on” the equity (equity dividend rate). The formula for deriving the overall rate by this method is shown below:

$$Ro = M \times Rm + (1-M) \times Re$$

Where: Ro = Overall Capitalization Rate  
M = Loan to Value Ratio  
Rm = Mortgage Constant  
Re = Equity Dividend Rate  
1-M = Equity Ratio

In order to support the lending assumptions in the formula above, I have considered the following typical terms available in the market as summarized below in the lender survey.

Local Lender/Developer Survey	
Mortgage Interest Rate:	6.00% to 9.00%
Loan to Value Ratio:	60.00% to 85.00%
Required Debt Coverage Ratio:	1.2 to 1.65
Amortization Term:	15 to 30
Term of Loan:	3 to 30
Loan Fee	1 percent of Loan Amount
Equity Capitalization Rate	5% to 10%

For the Equity yield rate I have considered the following breakdown.

A comparison of rates must consider the risk, limited liquidity and burden of management associated with a real estate investment. Risk associated with real estate investments include market risk from supply and demand factors and fluctuating rents, market risk from changes in functional requirements for improved properties, and mortgage interest rate risk.

The yield rates from several alternative types of investments are summarized below. I have focused on the Prime Rate, 5-year Treasury Note, 10-year Treasury Note, Aaa Bonds, Baa Bonds, and LIBOR.



## ECONOMIC INDICATORS – April 2016

### Market Rates and Bond Yields

	Apr16	Oct15	Apr15	Oct14	Apr14	Apr13
Reserve Bank Discount Rate	1.00	0.75	0.75	0.75	0.75	0.75
Prime Rate (monthly average)	3.50	3.25	3.25	3.25	3.25	3.25
Federal Funds Rate	0.37	0.09	0.12	0.09	0.09	0.15
3-Month Treasury Bills	0.23	0.02	0.02	0.02	0.03	0.06
6-Month Treasury Bills	0.37	0.05	0.09	0.05	0.05	0.09
3-Month Certificates of Deposit	n.a.	n.a.	n.a.	n.a.	n.a.	0.20
LIBOR-3 month rate	0.65	0.24	0.30	0.24	0.26	0.28
U.S. 5-Year Bond	1.26	1.55	1.35	1.55	1.70	0.71
U.S. 10-Year Bond	1.81	2.30	1.94	2.30	2.71	1.76
U.S. 30-Year Bond	2.62	3.04	2.59	3.04	3.52	2.93
Municipal Tax Exempts (Aaa) <sup>†</sup>	2.71	3.11	3.20	3.11	3.57	3.11
Municipal Tax Exempts (A) <sup>†</sup>	3.26	3.90	3.79	3.90	4.30	3.84
Corporate Bonds (Aaa) <sup>†</sup>	3.62	3.95	3.52	3.92	4.24	3.73
Corporate Bonds (A) <sup>†</sup>	3.98	4.33	3.82	4.13	4.45	4.03
Corporate Bonds (Baa) <sup>†</sup>	4.79	5.34	4.48	4.69	4.90	4.59

### Stock Dividend Yields

Common Stocks—500	2.18	2.18	2.02	2.08	2.06	2.16
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### Other Benchmarks<sup>^</sup>

Industrial Production Index <sup>*,†</sup>	75.4	76.3	76.9	78.3	78.1	77.8
Unemployment (%) <sup>†</sup>	5.0	5.0	5.4	5.0	6.3	7.5
Monetary Aggregates, daily avg. <sup>†</sup>						
M1, \$-Billions	3,184.8	3,039.4 <sup>††</sup>	2,995.6 <sup>††</sup>	2,874.0 <sup>††</sup>	2,781.1 <sup>††</sup>	2,517.7
M2, \$-Billions	12,652.2	12,182.1 <sup>††</sup>	11,889.4 <sup>††</sup>	11,530.0 <sup>††</sup>	11,228.0 <sup>††</sup>	10,558.0
Consumer Price Index						
All Urban Consumers	239.2	237.8	236.6	237.4	237.1	232.5

	1Q16	4Q15	1Q15	4Q14	1Q14	4Q13	1Q13
Per Capita Personal Disposable							
Income Annual Rate in Current \$ <sup>††</sup>	38,511.	42,069	41,469	41,124	40,045	39,949	39,961
Savings as % of DPI <sup>††</sup>	5.2	5.0	5.5	4.6	4.1	4.3	4.1

<sup>\*</sup> On June 25, 2010, the Federal Reserve Board advanced to 2007 the base year for the indexes of industrial production, capacity, and electric power use. This follows the November 7, 2005, change to a 2002 baseline, from the previous 1997 baseline. Historical data has also been updated.

<sup>^</sup> As of March 2008, the Federal Reserve stopped issuing the "Member Bank Borrowed Reserves." As such, this figure no longer appears in Appraisal Institute publications.

<sup>†</sup> Seasonally adjusted

<sup>†</sup> Source: Moody's Bond Record

<sup>††</sup> Revised figures used

U.S. Treasury securities, such as U.S. Treasury bills and U.S. Treasury bonds, are the means by which the U.S. government borrows money and are issued regularly by the Federal Reserve. They are considered risk-free because they are backed by the Federal government itself, are highly liquid and are exempt from state and local taxes. These government bonds have significantly lower rates of return than do most real estate investments.

Corporate bonds compare more closely to equity yield rates. These bonds are the primary way corporations raise capital and are more risky than government bonds depending on the quality of the bond purchased. The quality of the bond is rated by Moody's Investor's Service, Inc. Moody's measures the financial stability of the issuer and rates the bonds from the best quality, which is rated Aaa to the lowest class of bonds, rated C.

I conclude that Moody's Baa corporate bonds are the most similar in terms of rate of return, liquidity and risk, to equity yield rates. The Moody's Baa corporate bond rating characterizes bonds of medium-grade quality, which are bonds that are neither highly protected nor secured. These bonds are generally considered to be the lowest rated "investment grade" bond. The security of these bonds appears adequate at present, but the capacity to repay can be weakened by adverse economic conditions.

To derive an equity yield rate for the subject property I would add 3.00% to 5.00% to the Baa bond rate shown above to account for limited liquidity, management involvement and market risk. This mark-up would result in a range of equity yield rates from 7.79% to 9.79%

Based on the discussion above I conclude that the typical investor in the subject property would seek an equity yield rate of 7.5% to 9.5% for an all cash investment.

The equity yield rate is used to determine the overall capitalization rate for the subject property in the Band of Investment technique.

Based on the indications above, I conclude that an equity dividend rate of 9 percent is realistic on an equity representing 20 percent of the total investment. Therefore, the overall rate utilizing the band of investment method with a mortgage ratio of 80 percent, an interest rate of 6.50 percent per annum, an equity ratio of 20 percent, and an equity dividend rate of 10 percent is calculated below. I note that the  $R_m$  was calculated first based on a 30 year mortgage to derive the mortgage constant.

$$(0.80 \times 0.07585) + (0.20 \times 0.09) = 0.0787$$

$$R_o = 7.87\%$$

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#### ***DEBT COVERAGE FORMULA – OVERALL RATE***

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The Debt Coverage Ratio is the ratio of net operating income to annual debt service and is typically imposed by the lender to protect their investment in the underwriting. The formula devised to determine an overall rate through the utilization of a debt coverage ratio is as follows:

$$R_o = DCR \times R_m \times M$$

Where:  $R_o$  = Overall Capitalization Rate  
 $M$  = Loan to Value Ratio  
 $R_m$  = Mortgage Constant  
 $DCR$  = Debt Coverage Ratio

Inserting the various mortgage terms described previously, results in an overall rate by the Debt Coverage Formula calculated as follows:

Low End:  $1.20 \times 0.07585 \times 0.80 =$  0.072816  
High End:  $1.65 \times 0.07585 \times 0.80 =$  0.100122

Indicated Range 7.28% to 10.01%

### ***CAPITALIZATION RATE CONCLUSION***

Typically, in an active commercial market an overall rate as abstracted from comparable sales is given the greatest weight in determining an appropriate capitalization rate. Below is a summary of the capitalization rate findings.

Comparable Sales	5.8% to 9.80% with an average of 7.80%
Realty Rates	9.00%
Band of Investment	7.87%
Debt Coverage Ratio	7.28% to 10.01%

I conclude on an overall capitalization rate of 8.00%.

### ***DIRECT CAPITALIZATION CONCLUSION***

Based on the discussion above the estimate of stabilized income and expenses, the capitalization of the net operating income and an analysis of the financing criteria are presented on the following page.

## **Income Capitalization Approach**

### **Fee Simple Analysis Based on Market Rents**

#### **Income & Expense Statement**

Potential Gross Income				Per Year	Per Month
First Floor					
13,891 s.f.	x	\$15.50	per s.f. =	\$215,311	\$17,943
Total Base Income				\$215,311	\$17,943
13,891 s.f.		\$15.50	per s.f. (avg.)		
Less: Vacancy & Rent Loss					
\$215,311	x	12.00%		\$25,837	\$2,153
Effective Gross Income (EGI)				\$189,474	\$15,790
Less: Operating Expenses					
Management	3% EGI			\$5,684	\$474
R. E. Taxes	0.20 /s.f.			\$20,187	\$1,682
Insurance	0.15 /s.f.			\$2,084	\$174
Repairs & Maint.	0.20 /s.f.			\$2,778	\$232
Capital Reserve	0.20 /s.f.			\$2,778	\$232
Total Expenses				\$33,511	\$2,793
17.69% EGI	\$2.41	per s.f.			
Net Operating Income	\$11.23	per s.f.		\$155,963	\$12,997

#### **Capitalization**

Net Operating Income ÷ Overall Capitalization Rate

$$\$155,963 \div 8.00\% = \$1,949,538$$

Add: Underutilized Land Value \$195,367

Adjusted Indication of Value \$2,144,905

Rounded (Indication of Value) **\$2,140,000**

## **REPORT CONCLUSION**

### **RECONCILIATION -- FINAL OPINION OF MARKET VALUE**

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The indications of value arrived at by the various approaches are restated as follows:

Cost Approach	\$2,260,000
Sales Comparison Approach	\$2,140,000
Income Capitalization Approach	\$2,140,000

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

The cost approach provides a reasonable indication of value, but required significant adjustment in the depreciation. The land value was well supported though the comparables required more adjustments than I would typically prefer. Those adjustments and factors reduce the reliability of this approach, though only somewhat. I will therefore use this approach as a support for the other indications of value.

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

The sales comparison approach provides a very strong indication of value. Free standing office buildings are often sold to owner occupants, much as the building is proposed to be so occupied. Sales to other owner occupants therefore make good comparables. I relied heavily on sales of similar sized buildings and only considered multistory buildings where elevators provide access to the second floor. I will rely heavily on this indication of value.

#### ***INCOME CAPITALIZATION APPROACH***

The income approach provides another strong indication of value. The rent comparables include a number of recently signed leases. The expenses are typical and vacancy is well supported by the Space Survey. The overall capitalization rate is well supported by numerous sales in the Raleigh area. All of these factors provide for a strong indication of value.

#### ***CONCLUSION***

I conclude that the value of the subject property as of the date of appraisal is \$2,140,000.



## MARKETING PERIOD AND EXPOSURE TIME

Marketing Period/Exposure Time	
Marketing Period:	12 months
Exposure Time:	12 months

### MARKETING PERIOD

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I project that if the subject property were put on the market at a price at or near the market value estimated above, the marketing period required to sell the property would be no more than 12 months.

This time frame is based on conversations with local brokers, property owners, developers and other people knowledgeable with the market.

The typical marketing strategy would involve listing the property for sale with a local commercial real estate broker knowledgeable in this sub-market. The estimated market value anticipates that a real estate commission would be paid to sell the property, and the typical commission in this market could range from 4 percent to 10 percent of the sales price, depending on the size and property type. For the subject property I anticipate that the commission would be in the range of 5 to 6 percent of the sales price. The typical listing agreement for this property would be between six and 12 months, with the likelihood of renewal depending on the level of service provided by the broker.

### EXPOSURE TIME

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The value estimated in this report presumes that the property has been exposed to the market prior to the date of appraisal for an adequate, sufficient and reasonable time and with adequate, sufficient and reasonable effort.

Based on the discussion of marketing period presented above I estimate the appropriate exposure time to be 12 months. This is the length of time the property is presumed to have been on the market prior to a hypothetical sale at the estimated market value.

## **CERTIFICATION -- RICHARD C. KIRKLAND, JR., MAI**

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I certify that, to the best of my knowledge and belief:

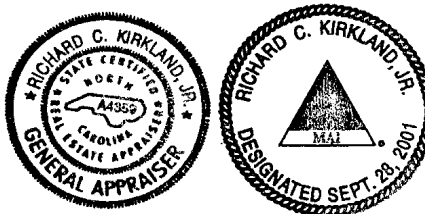
1. The statements of fact contained in this report are true and correct;
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, unbiased professional analyses, opinions, and conclusions;
3. I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved;
4. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment;
5. My engagement in this assignment was not contingent upon developing or reporting predetermined results;
6. My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of the appraisal;
7. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute;
8. My analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
9. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives;
10. I have made a personal inspection of the property that is the subject of this report, and;
11. No one provided significant real property appraisal assistance to the person signing this certification.
12. As of the date of this report I have completed the continuing education program for Designated Members of the Appraisal Institute;
13. I have not appraised this property in the last 3 years.

Disclosure of the contents of this appraisal report is governed by the bylaws and regulations of the Appraisal Institute and the National Association of Realtors.

Neither all nor any part of the contents of this appraisal report shall be disseminated to the public through advertising media, public relations media, news media, or any other public means of communications without the prior written consent and approval of the undersigned.



Richard C. Kirkland, Jr., MAI  
State Certified General Appraiser





# Kirkland Appraisals, LLC

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## PROFESSIONAL EXPERIENCE

<b>Kirkland Appraisals, LLC</b> , Raleigh, N.C. Commercial appraiser	2003 – Present
<b>Hester &amp; Company</b> , Raleigh, N.C. Commercial appraiser	1996 – 2003

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## PROFESSIONAL AFFILIATIONS

<b>MAI</b> (Member, Appraisal Institute) designation #11796	2001
<b>NC State Certified General Appraiser</b> # A4359	1999
<b>VA State Certified General Appraiser</b> # 4001017291	
<b>OR State Certified General Appraiser</b> # C001204	

## EDUCATION

<b>Bachelor of Arts in English</b> , University of North Carolina, Chapel Hill	1993
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## CONTINUING EDUCATION

Uniform Standards of Professional Appraisal Practice Update	2016
Forecasting Revenue	2015
Wind Turbine Effect on Value	2015
Supervisor/Trainee Class	2015
Business Practices and Ethics	2014
Subdivision Valuation	2014
Uniform Standards of Professional Appraisal Practice Update	2014
Introduction to Vineyard and Winery Valuation	2013
Appraising Rural Residential Properties	2012
Uniform Standards of Professional Appraisal Practice Update	2012
Supervisors/Trainees	2011
Rates and Ratios: Making sense of GIMs, OARs, and DCFs	2011
Advanced Internet Search Strategies	2011
Analyzing Distressed Real Estate	2011
Uniform Standards of Professional Appraisal Practice Update	2011
Business Practices and Ethics	2011
Appraisal Curriculum Overview (2 Days – General)	2009
Appraisal Review - General	2009
Uniform Standards of Professional Appraisal Practice Update	2008
Subdivision Valuation: A Comprehensive Guide	2008
Office Building Valuation: A Contemporary Perspective	2008
Valuation of Detrimental Conditions in Real Estate	2007
The Appraisal of Small Subdivisions	2007
Uniform Standards of Professional Appraisal Practice Update	2006
Evaluating Commercial Construction	2005
Conservation Easements	2005
Uniform Standards of Professional Appraisal Practice Update	2004
Condemnation Appraising	2004
Land Valuation Adjustment Procedures	2004
Supporting Capitalization Rates	2004
Uniform Standards of Professional Appraisal Practice, C	2002
Wells and Septic Systems and Wastewater Irrigation Systems	2002

Appraisals 2002	2002
Analyzing Commercial Lease Clauses	2002
Conservation Easements	2000
Preparation for Litigation	2000
Appraisal of Nonconforming Uses	2000
Advanced Applications	2000
Highest and Best Use and Market Analysis	1999
Advanced Sales Comparison and Cost Approaches	1999
Advanced Income Capitalization	1998
Valuation of Detrimental Conditions in Real Estate	1999
Report Writing and Valuation Analysis	1999
Property Tax Values and Appeals	1997
Uniform Standards of Professional Appraisal Practice, A & B	1997
Basic Income Capitalization	1996





Prepared by Esri





	2000	2010	2000-2010 Annual Rate
Population	2,388,597	2,917,528	2.02%
Households	908,751	1,127,470	2.18%
Housing Units	999,768	1,250,976	2.27%
<b>Population by Race</b>			
Total		2,917,528	100.0%
Population Reporting One Race		2,844,189	97.5%
White		1,775,473	60.9%
Black		807,740	27.7%
American Indian		27,097	0.9%
Asian		86,227	3.0%
Pacific Islander		2,527	0.1%
Some Other Race		145,125	5.0%
Population Reporting Two or More Races		73,339	2.5%
Total Hispanic Population		284,569	9.8%
<b>Population by Sex</b>			
Male		1,416,723	48.6%
Female		1,500,805	51.4%
<b>Population by Age</b>			
Total		2,917,528	100.0%
Age 0 - 4		206,917	7.1%
Age 5 - 9		205,496	7.0%
Age 10 - 14		198,507	6.8%
Age 15 - 19		203,138	7.0%
Age 20 - 24		207,378	7.1%
Age 25 - 29		207,295	7.1%
Age 30 - 34		203,924	7.0%
Age 35 - 39		209,882	7.2%
Age 40 - 44		207,775	7.1%
Age 45 - 49		213,990	7.3%
Age 50 - 54		200,378	6.9%
Age 55 - 59		175,612	6.0%
Age 60 - 64		149,652	5.1%
Age 65 - 69		107,891	3.7%
Age 70 - 74		78,023	2.7%
Age 75 - 79		58,988	2.0%
Age 80 - 84		43,613	1.5%
Age 85+		39,069	1.3%
Age 18+		2,187,923	75.0%
Age 65+		327,584	11.2%
<b>Median Age by Sex and Race/Hispanic Origin</b>			
Total Population		35.6	
Male		34.3	
Female		36.8	
White Alone		38.8	
Black Alone		34.2	
American Indian Alone		31.9	
Asian Alone		32.6	
Pacific Islander Alone		27.8	
Some Other Race Alone		24.7	
Two or More Races		16.9	
Hispanic Population		24.6	

**Data Note:** Hispanic population can be of any race. Census 2010 medians are computed from reported data distributions.

**Source:** U.S. Census Bureau, Census 2010 Summary File 1. Esri converted Census 2000 data into 2010 geography.

<b>Households by Type</b>		
Total	1,127,470	100.0%
Households with 1 Person	302,539	26.8%
Households with 2+ People	824,931	73.2%
Family Households	751,398	66.6%
Husband-wife Families	539,140	47.8%
With Own Children	236,175	20.9%
Other Family (No Spouse Present)	212,258	18.8%
With Own Children	119,434	10.6%
Nonfamily Households	73,533	6.5%
All Households with Children	396,095	35.1%
Multigenerational Households	43,194	3.8%
Unmarried Partner Households	65,596	5.8%
Male-female	57,490	5.1%
Same-sex	8,106	0.7%
Average Household Size	2.51	
<b>Family Households by Size</b>		
Total	751,398	100.0%
2 People	314,834	41.9%
3 People	182,949	24.3%
4 People	149,827	19.9%
5 People	65,043	8.7%
6 People	24,325	3.2%
7+ People	14,420	1.9%
Average Family Size	3.06	
<b>Nonfamily Households by Size</b>		
Total	376,072	100.0%
1 Person	302,539	80.4%
2 People	58,812	15.6%
3 People	9,202	2.4%
4 People	3,903	1.0%
5 People	998	0.3%
6 People	376	0.1%
7+ People	242	0.1%
Average Nonfamily Size	1.26	
<b>Population by Relationship and Household Type</b>		
Total	2,917,528	100.0%
In Households	2,833,773	97.1%
In Family Households	2,360,979	80.9%
Householder	751,398	25.8%
Spouse	539,140	18.5%
Child	901,037	30.9%
Other relative	108,969	3.7%
Nonrelative	60,435	2.1%
In Nonfamily Households	472,794	16.2%
In Group Quarters	83,755	2.9%
Institutionalized Population	36,178	1.2%
Noninstitutionalized Population	47,577	1.6%

**Data Note:** **Households with children** include any households with people under age 18, related or not. **Multigenerational households** are families with 3 or more parent-child relationships. **Unmarried partner households** are usually classified as nonfamily households unless there is another member of the household related to the householder. Multigenerational and unmarried partner households are reported only to the tract level. Esri estimated block group data, which is used to estimate polygons or non-standard geography. **Average family size** excludes nonrelatives.

**Source:** U.S. Census Bureau, Census 2010 Summary File 1.



## 2010 Census Profile

Raleigh-Durham (Fayetteville), NC  
Raleigh-Durham (Fayetteville), NC (560)  
Geography: Designated Market Area (DMA)

Prepared by Esri

### Family Households by Age of Householder

Total	751,398	100.0%
Householder Age 15 - 44	337,420	44.9%
Householder Age 45 - 54	170,113	22.6%
Householder Age 55 - 64	126,998	16.9%
Householder Age 65 - 74	73,335	9.8%
Householder Age 75+	43,532	5.8%

### Nonfamily Households by Age of Householder

Total	376,072	100.0%
Householder Age 15 - 44	147,574	39.2%
Householder Age 45 - 54	65,415	17.4%
Householder Age 55 - 64	66,596	17.7%
Householder Age 65 - 74	45,215	12.0%
Householder Age 75+	51,272	13.6%

### Households by Race of Householder

Total	1,127,470	100.0%
Householder is White Alone	728,154	64.6%
Householder is Black Alone	308,052	27.3%
Householder is American Indian Alone	9,323	0.8%
Householder is Asian Alone	28,124	2.5%
Householder is Pacific Islander Alone	831	0.1%
Householder is Some Other Race Alone	36,011	3.2%
Householder is Two or More Races	16,975	1.5%
Households with Hispanic Householder	72,240	6.4%

### Husband-wife Families by Race of Householder

Total	539,140	100.0%
Householder is White Alone	393,977	73.1%
Householder is Black Alone	97,254	18.0%
Householder is American Indian Alone	4,048	0.8%
Householder is Asian Alone	17,516	3.2%
Householder is Pacific Islander Alone	458	0.1%
Householder is Some Other Race Alone	19,145	3.6%
Householder is Two or More Races	6,742	1.3%
Husband-wife Families with Hispanic Householder	38,625	7.2%

### Other Families (No Spouse) by Race of Householder

Total	212,258	100.0%
Householder is White Alone	87,358	41.2%
Householder is Black Alone	104,493	49.2%
Householder is American Indian Alone	2,536	1.2%
Householder is Asian Alone	2,750	1.3%
Householder is Pacific Islander Alone	195	0.1%
Householder is Some Other Race Alone	10,400	4.9%
Householder is Two or More Races	4,526	2.1%
Other Families with Hispanic Householder	19,207	9.0%

### Nonfamily Households by Race of Householder

Total	376,072	100.0%
Householder is White Alone	246,819	65.6%
Householder is Black Alone	106,305	28.3%
Householder is American Indian Alone	2,739	0.7%
Householder is Asian Alone	7,858	2.1%
Householder is Pacific Islander Alone	178	0.0%
Householder is Some Other Race Alone	6,466	1.7%
Householder is Two or More Races	5,707	1.5%
Nonfamily Households with Hispanic Householder	14,408	3.8%

Source: U.S. Census Bureau, Census 2010 Summary File 1.

## Total Housing Units by Occupancy

Total	1,250,976	100.0%
Occupied Housing Units	1,127,470	90.1%
Vacant Housing Units		
For Rent	42,221	3.4%
Rented, not Occupied	1,869	0.1%
For Sale Only	19,155	1.5%
Sold, not Occupied	3,919	0.3%
For Seasonal/Recreational/Occasional Use	17,705	1.4%
For Migrant Workers	634	0.1%
Other Vacant	38,003	3.0%
Total Vacancy Rate	9.9%	

## Households by Tenure and Mortgage Status

Total	1,127,470	100.0%
Owner Occupied	725,811	64.4%
Owned with a Mortgage/Loan	537,939	47.7%
Owned Free and Clear	187,872	16.7%
Average Household Size	2.57	
Renter Occupied	401,659	35.6%
Average Household Size	2.41	

## Owner-occupied Housing Units by Race of Householder

Total	725,811	100.0%
Householder is White Alone	528,908	72.9%
Householder is Black Alone	152,518	21.0%
Householder is American Indian Alone	5,579	0.8%
Householder is Asian Alone	16,867	2.3%
Householder is Pacific Islander Alone	384	0.1%
Householder is Some Other Race Alone	13,570	1.9%
Householder is Two or More Races	7,985	1.1%
Owner-occupied Housing Units with Hispanic Householder	30,860	4.3%

## Renter-occupied Housing Units by Race of Householder

Total	401,659	100.0%
Householder is White Alone	199,246	49.6%
Householder is Black Alone	155,534	38.7%
Householder is American Indian Alone	3,744	0.9%
Householder is Asian Alone	11,257	2.8%
Householder is Pacific Islander Alone	447	0.1%
Householder is Some Other Race Alone	22,441	5.6%
Householder is Two or More Races	8,990	2.2%
Renter-occupied Housing Units with Hispanic Householder	41,380	10.3%

## Average Household Size by Race/Hispanic Origin of Householder

Householder is White Alone	2.41
Householder is Black Alone	2.54
Householder is American Indian Alone	2.82
Householder is Asian Alone	2.84
Householder is Pacific Islander Alone	3.16
Householder is Some Other Race Alone	3.92
Householder is Two or More Races	2.81
Householder is Hispanic	3.67

Source: U.S. Census Bureau, Census 2010 Summary File 1.



## ACS Housing Summary

Raleigh-Durham (Fayetteville), NC  
Raleigh-Durham (Fayetteville), NC (560)  
Geography: Designated Market Area (DMA)

Prepared by Esri

	2009-2013 ACS Estimate	Percent	MOE(±)	Reliability
<b>TOTALS</b>				
Total Population	2,969,639		0	■■■
Total Households	1,121,211		3,158	■■■
Total Housing Units	1,262,914		946	■■■
<b>OWNER-OCCUPIED HOUSING UNITS BY VALUE</b>				
Total	721,340	100.0%	3,440	■■■
Less than \$10,000	18,345	2.5%	1,010	■■■
\$10,000 to \$14,999	8,459	1.2%	630	■■■
\$15,000 to \$19,999	6,499	0.9%	558	■■■
\$20,000 to \$24,999	5,904	0.8%	548	■■■
\$25,000 to \$29,999	5,512	0.8%	510	■■■
\$30,000 to \$34,999	5,540	0.8%	482	■■■
\$35,000 to \$39,999	3,750	0.5%	381	■■■
\$40,000 to \$49,999	10,331	1.4%	642	■■■
\$50,000 to \$59,999	14,718	2.0%	774	■■■
\$60,000 to \$69,999	19,312	2.7%	915	■■■
\$70,000 to \$79,999	23,108	3.2%	990	■■■
\$80,000 to \$89,999	29,923	4.1%	1,114	■■■
\$90,000 to \$99,999	26,027	3.6%	1,013	■■■
\$100,000 to \$124,999	69,264	9.6%	1,681	■■■
\$125,000 to \$149,999	66,911	9.3%	1,718	■■■
\$150,000 to \$174,999	75,316	10.4%	1,759	■■■
\$175,000 to \$199,999	53,894	7.5%	1,717	■■■
\$200,000 to \$249,999	82,429	11.4%	1,755	■■■
\$250,000 to \$299,999	56,450	7.8%	1,514	■■■
\$300,000 to \$399,999	67,627	9.4%	1,611	■■■
\$400,000 to \$499,999	30,860	4.3%	1,123	■■■
\$500,000 to \$749,999	26,951	3.7%	1,082	■■■
\$750,000 to \$999,999	7,748	1.1%	500	■■■
\$1,000,000 or more	6,462	0.9%	492	■■■
Median Home Value	\$165,623		N/A	
Average Home Value	\$208,347		\$2,291	■■■
<b>OWNER-OCCUPIED HOUSING UNITS BY MORTGAGE STATUS</b>				
Total	721,340	100.0%	3,440	■■■
Housing units with a mortgage/contract to purchase/similar debt	511,554	70.9%	3,538	■■■
Second mortgage only	23,925	3.3%	1,122	■■■
Home equity loan only	80,651	11.2%	1,791	■■■
Both second mortgage and home equity loan	3,789	0.5%	421	■■■
No second mortgage and no home equity loan	403,189	55.9%	3,352	■■■
Housing units without a mortgage	209,786	29.1%	2,445	■■■
<b>AVERAGE VALUE BY MORTGAGE STATUS</b>				
Housing units with a mortgage	\$219,147		\$2,817	■■■
Housing units without a mortgage	\$182,012		\$5,528	■■■





# ACS Housing Summary

Raleigh-Durham (Fayetteville), NC  
 Raleigh-Durham (Fayetteville), NC (560)  
 Geography: Designated Market Area (DMA)

Prepared by Esri

	2009-2013 ACS Estimate	Percent	MOE(±)	Reliability
<b>RENTER-OCCUPIED HOUSING UNITS BY CONTRACT RENT</b>				
Total	399,871	100.0%	3,404	■■■
With cash rent	375,389	93.9%	3,371	■■■
Less than \$100	7,317	1.8%	620	■■■
\$100 to \$149	6,435	1.6%	582	■■■
\$150 to \$199	5,732	1.4%	545	■■■
\$200 to \$249	8,293	2.1%	622	■■■
\$250 to \$299	8,887	2.2%	671	■■■
\$300 to \$349	13,268	3.3%	865	■■■
\$350 to \$399	15,472	3.9%	897	■■■
\$400 to \$449	21,144	5.3%	1,078	■■■
\$450 to \$499	22,908	5.7%	1,127	■■■
\$500 to \$549	26,368	6.6%	1,234	■■■
\$550 to \$599	24,081	6.0%	1,263	■■■
\$600 to \$649	27,139	6.8%	1,238	■■■
\$650 to \$699	26,881	6.7%	1,290	■■■
\$700 to \$749	26,339	6.6%	1,414	■■■
\$750 to \$799	20,340	5.1%	1,161	■■■
\$800 to \$899	36,544	9.1%	1,401	■■■
\$900 to \$999	23,705	5.9%	1,151	■■■
\$1,000 to \$1,249	30,987	7.7%	1,345	■■■
\$1,250 to \$1,499	11,771	2.9%	817	■■■
\$1,500 to \$1,999	7,483	1.9%	647	■■■
\$2,000 or more	4,295	1.1%	430	■■■
No cash rent	24,482	6.1%	1,092	■■■
Median Contract Rent	\$651		N/A	
Average Contract Rent	\$694		\$10	■■■
<b>RENTER-OCCUPIED HOUSING UNITS BY INCLUSION OF UTILITIES IN RENT</b>				
Total	399,871	100.0%	3,404	■■■
Pay extra for one or more utilities	371,210	92.8%	3,408	■■■
No extra payment for any utilities	28,661	7.2%	1,067	■■■
<b>HOUSING UNITS BY UNITS IN STRUCTURE</b>				
Total	1,262,914	100.0%	946	■■■
1, detached	803,452	63.6%	3,446	■■■
1, attached	61,604	4.9%	1,429	■■■
2	29,908	2.4%	1,239	■■■
3 or 4	38,102	3.0%	1,396	■■■
5 to 9	58,399	4.6%	1,764	■■■
10 to 19	61,760	4.9%	1,778	■■■
20 to 49	34,592	2.7%	1,463	■■■
50 or more	21,115	1.7%	926	■■■
Mobile home	153,780	12.2%	2,353	■■■
Boat, RV, van, etc.	202	0.0%	94	■

Source: U.S. Census Bureau, 2009-2013 American Community Survey

Reliability: ■■■ high ■■■ medium ■ low

January 27, 2016



## ACS Housing Summary

Raleigh-Durham (Fayetteville), NC  
Raleigh-Durham (Fayetteville), NC (560)  
Geography: Designated Market Area (DMA)

Prepared by Esri

	2009-2013 ACS Estimate	Percent	MOE(±)	Reliability
<b>HOUSING UNITS BY YEAR STRUCTURE BUILT</b>				
Total	1,262,914	100.0%	946	■■■
Built 2010 or later	14,611	1.2%	834	■■■
Built 2000 to 2009	293,090	23.2%	3,352	■■■
Built 1990 to 1999	283,851	22.5%	3,637	■■■
Built 1980 to 1989	209,026	16.6%	2,956	■■■
Built 1970 to 1979	170,637	13.5%	2,778	■■■
Built 1960 to 1969	110,636	8.8%	2,231	■■■
Built 1950 to 1959	81,242	6.4%	1,786	■■■
Built 1940 to 1949	38,459	3.0%	1,293	■■■
Built 1939 or earlier	61,362	4.9%	1,585	■■■
Median Year Structure Built	1988		N/A	
<b>OCCUPIED HOUSING UNITS BY YEAR HOUSEHOLDER MOVED INTO UNIT</b>				
Total	1,121,211	100.0%	3,158	■■■
Owner occupied				
Moved in 2010 or later	53,105	4.7%	1,648	■■■
Moved in 2000 to 2009	346,255	30.9%	3,407	■■■
Moved in 1990 to 1999	165,633	14.8%	2,522	■■■
Moved in 1980 to 1989	71,024	6.3%	1,541	■■■
Moved in 1970 to 1979	47,533	4.2%	1,243	■■■
Moved in 1969 or earlier	37,790	3.4%	1,086	■■■
Renter occupied				
Moved in 2010 or later	159,065	14.2%	2,790	■■■
Moved in 2000 to 2009	208,921	18.6%	3,009	■■■
Moved in 1990 to 1999	19,521	1.7%	966	■■■
Moved in 1980 to 1989	6,499	0.6%	509	■■■
Moved in 1970 to 1979	3,012	0.3%	354	■■■
Moved in 1969 or earlier	2,853	0.3%	335	■■■
Median Year Householder Moved Into Unit	2004		N/A	
<b>OCCUPIED HOUSING UNITS BY HOUSE HEATING FUEL</b>				
Total	1,121,211	100.0%	3,158	■■■
Utility gas	302,438	27.0%	2,732	■■■
Bottled, tank, or LP gas	110,157	9.8%	2,006	■■■
Electricity	669,386	59.7%	3,835	■■■
Fuel oil, kerosene, etc.	21,303	1.9%	928	■■■
Coal or coke	97	0.0%	63	■
Wood	13,258	1.2%	800	■■■
Solar energy	193	0.0%	81	■
Other fuel	1,289	0.1%	225	■■■
No fuel used	3,090	0.3%	345	■■■



## ACS Housing Summary

Raleigh-Durham (Fayetteville), NC  
 Raleigh-Durham (Fayetteville), NC (560)  
 Geography: Designated Market Area (DMA)

Prepared by Esri

	2009-2013 ACS Estimate	Percent	MOE(±)	Reliability
<b>OCCUPIED HOUSING UNITS BY VEHICLES AVAILABLE</b>				
Total	1,121,211	100.0%	3,158	High
Owner occupied				
No vehicle available	16,898	1.5%	825	High
1 vehicle available	173,855	15.5%	2,678	High
2 vehicles available	323,102	28.8%	3,246	High
3 vehicles available	145,047	12.9%	2,378	High
4 vehicles available	46,336	4.1%	1,477	High
5 or more vehicles available	16,102	1.4%	839	High
Renter occupied				
No vehicle available	56,481	5.0%	1,581	High
1 vehicle available	192,392	17.2%	2,957	High
2 vehicles available	116,736	10.4%	2,604	High
3 vehicles available	25,842	2.3%	1,272	High
4 vehicles available	6,335	0.6%	599	High
5 or more vehicles available	2,085	0.2%	343	High
Average Number of Vehicles Available	1.8		0.0	High

**Data Note:** N/A means not available.

**2009-2013 ACS Estimate:** The American Community Survey (ACS) replaces census sample data. Esri is releasing the 2009-2013 ACS estimates, five-year period data collected monthly from January 1, 2009 through December 31, 2013. Although the ACS includes many of the subjects previously covered by the decennial census sample, there are significant differences between the two surveys including fundamental differences in survey design and residency rules.

**Margin of error (MOE):** The MOE is a measure of the variability of the estimate due to sampling error. MOEs enable the data user to measure the range of uncertainty for each estimate with 90 percent confidence. The range of uncertainty is called the confidence interval, and it is calculated by taking the estimate +/- the MOE. For example, if the ACS reports an estimate of 100 with an MOE of +/- 20, then you can be 90 percent certain the value for the whole population falls between 80 and 120.

**Reliability:** These symbols represent threshold values that Esri has established from the Coefficients of Variation (CV) to designate the usability of the estimates. The CV measures the amount of sampling error relative to the size of the estimate, expressed as a percentage.

- High Reliability: Small CVs (less than or equal to 12 percent) are flagged green to indicate that the sampling error is small relative to the estimate and the estimate is reasonably reliable.
- Medium Reliability: Estimates with CVs between 12 and 40 are flagged yellow-use with caution.
- Low Reliability: Large CVs (over 40 percent) are flagged red to indicate that the sampling error is large relative to the estimate. The estimate is considered very unreliable.



## Business Summary

Raleigh-Durham (Fayetteville), NC  
Raleigh-Durham (Fayetteville), NC (560)  
Geography: Designated Market Area (DMA)

Prepared by Esri

### Data for all businesses in area

Total Businesses:	Raleigh-Durham (...)		
	118,022		
Total Employees:	1,420,539		
Total Residential Population:	3,112,626		
Employee/Residential Population Ratio:	0.46:1		

by SIC Codes	Employees		Percent	
	Number	Percent	Number	Percent
Agriculture & Mining	3,227	2.7%	22,761	1.6%
Construction	9,851	8.3%	70,212	4.9%
Manufacturing	2,826	2.4%	105,884	7.5%
Transportation	2,841	2.4%	24,653	1.7%
Communication	1,116	0.9%	15,008	1.1%
Utility	424	0.4%	11,855	0.8%
Wholesale Trade	3,978	3.4%	63,103	4.4%
Retail Trade Summary	24,252	20.5%	309,302	21.8%
Home Improvement	1,440	1.2%	17,967	1.3%
General Merchandise Stores	996	0.8%	37,935	2.7%
Food Stores	2,769	2.3%	40,542	2.9%
Auto Dealers, Gas Stations, Auto Aftermarket	3,137	2.7%	31,479	2.2%
Apparel & Accessory Stores	1,600	1.4%	12,227	0.9%
Furniture & Home Furnishings	2,396	2.0%	25,276	1.8%
Eating & Drinking Places	6,316	5.4%	104,140	7.3%
Miscellaneous Retail	5,598	4.7%	39,736	2.8%
Finance, Insurance, Real Estate Summary	13,726	11.6%	76,251	5.4%
Banks, Savings & Lending Institutions	4,812	4.1%	20,162	1.4%
Securities Brokers	1,057	0.9%	5,925	0.4%
Insurance Carriers & Agents	2,525	2.1%	19,161	1.3%
Real Estate, Holding, Other Investment Offices	5,332	4.5%	31,003	2.2%
Services Summary	47,682	40.4%	596,464	42.0%
Hotels & Lodging	769	0.7%	16,507	1.2%
Automotive Services	3,709	3.1%	16,222	1.1%
Motion Pictures & Amusements	2,889	2.4%	23,941	1.7%
Health Services	6,933	5.9%	169,646	11.9%
Legal Services	1,724	1.5%	12,697	0.9%
Education Institutions & Libraries	2,421	2.1%	138,785	9.8%
Other Services	29,237	24.8%	218,666	15.4%
Government	4,242	3.6%	113,593	8.0%
Unclassified Establishments	3,857	3.3%	11,453	0.8%
Totals	118,022	100.0%	1,420,539	100.0%

**Source:** Copyright 2015 Infogroup, Inc. All rights reserved. Esri Total Residential Population forecasts for 2015.

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## Business Summary

Raleigh-Durham (Fayetteville), NC  
Raleigh-Durham (Fayetteville), NC (560)  
Geography: Designated Market Area (DMA)

Prepared by Esri

by NAICS Codes	Businesses		Employees	
	Number	Percent	Number	Percent
Agriculture, Forestry, Fishing & Hunting	1,123	1.0%	7,381	0.5%
Mining	76	0.1%	1,295	0.1%
Utilities	186	0.2%	9,216	0.6%
Construction	10,477	8.9%	74,113	5.2%
Manufacturing	3,068	2.6%	104,814	7.4%
Wholesale Trade	3,798	3.2%	61,788	4.3%
Retail Trade	17,324	14.7%	200,031	14.1%
Motor Vehicle & Parts Dealers	2,197	1.9%	26,244	1.8%
Furniture & Home Furnishings Stores	996	0.8%	6,836	0.5%
Electronics & Appliance Stores	1,241	1.1%	17,572	1.2%
Bldg Material & Garden Equipment & Supplies Dealers	1,384	1.2%	17,776	1.3%
Food & Beverage Stores	2,434	2.1%	36,920	2.6%
Health & Personal Care Stores	1,401	1.2%	13,023	0.9%
Gasoline Stations	941	0.8%	5,238	0.4%
Clothing & Clothing Accessories Stores	1,970	1.7%	13,756	1.0%
Sport Goods, Hobby, Book, & Music Stores	945	0.8%	8,249	0.6%
General Merchandise Stores	996	0.8%	37,935	2.7%
Miscellaneous Store Retailers	2,463	2.1%	13,156	0.9%
Nonstore Retailers	356	0.3%	3,326	0.2%
Transportation & Warehousing	2,269	1.9%	22,079	1.6%
Information	2,302	2.0%	29,332	2.1%
Finance & Insurance	8,561	7.3%	45,900	3.2%
Central Bank/Credit Intermediation & Related Activities	4,924	4.2%	20,530	1.4%
Securities, Commodity Contracts & Other Financial	1,094	0.9%	6,079	0.4%
Insurance Carriers & Related Activities; Funds, Trusts &	2,543	2.2%	19,291	1.4%
Real Estate, Rental & Leasing	7,056	6.0%	36,300	2.6%
Professional, Scientific & Tech Services	9,657	8.2%	88,015	6.2%
Legal Services	1,805	1.5%	12,946	0.9%
Management of Companies & Enterprises	82	0.1%	876	0.1%
Administrative & Support & Waste Management & Remediation	4,780	4.1%	35,947	2.5%
Educational Services	2,839	2.4%	138,240	9.7%
Health Care & Social Assistance	10,017	8.5%	212,825	15.0%
Arts, Entertainment & Recreation	1,880	1.6%	22,434	1.6%
Accommodation & Food Services	7,214	6.1%	122,336	8.6%
Accommodation	769	0.7%	16,507	1.2%
Food Services & Drinking Places	6,445	5.5%	105,829	7.4%
Other Services (except Public Administration)	17,096	14.5%	80,584	5.7%
Automotive Repair & Maintenance	2,759	2.3%	11,763	0.8%
Public Administration	4,309	3.7%	114,795	8.1%
Unclassified Establishments	3,908	3.3%	12,238	0.9%
Total	118,022	100.0%	1,420,539	100.0%

**Source:** Copyright 2015 Infogroup, Inc. All rights reserved. Esri Total Residential Population forecasts for 2015.

January 27, 2016





## Demographic and Income Profile

Raleigh-Durham (Fayetteville), NC  
 Raleigh-Durham (Fayetteville), NC (560)  
 Geography: Designated Market Area (DMA)

Prepared by Esri

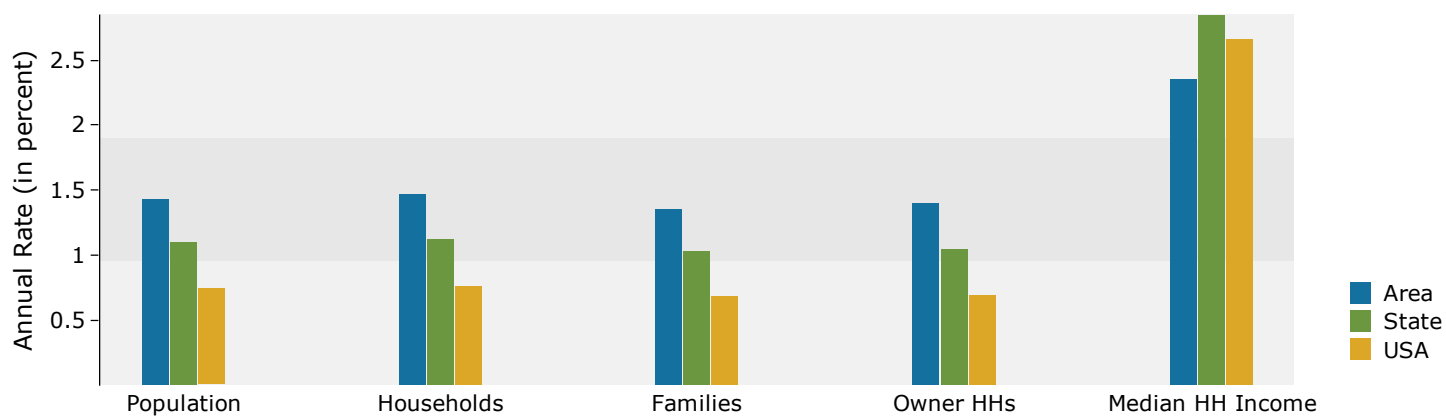
Summary	Census 2010		2015		2020	
Population	2,917,528		3,112,626		3,341,572	
Households	1,127,470		1,207,074		1,298,499	
Families	751,398		797,404		853,304	
Average Household Size	2.51		2.51		2.51	
Owner Occupied Housing Units	725,811		747,577		801,843	
Renter Occupied Housing Units	401,659		459,497		496,656	
Median Age	35.6		36.5		37.1	
Trends: 2015 - 2020 Annual Rate	Area		State		National	
Population	1.43%		1.10%		0.75%	
Households	1.47%		1.13%		0.77%	
Families	1.36%		1.03%		0.69%	
Owner HHs	1.41%		1.05%		0.70%	
Median Household Income	2.36%		2.85%		2.66%	
Households by Income	2015		2020			
	Number	Percent	Number	Percent		
<\$15,000	162,968	13.5%	159,691	12.3%		
\$15,000 - \$24,999	129,908	10.8%	102,146	7.9%		
\$25,000 - \$34,999	129,093	10.7%	111,508	8.6%		
\$35,000 - \$49,999	172,758	14.3%	178,577	13.8%		
\$50,000 - \$74,999	220,731	18.3%	263,743	20.3%		
\$75,000 - \$99,999	143,340	11.9%	176,207	13.6%		
\$100,000 - \$149,999	141,087	11.7%	168,460	13.0%		
\$150,000 - \$199,999	54,489	4.5%	73,105	5.6%		
\$200,000+	52,684	4.4%	65,046	5.0%		
Median Household Income	\$50,661		\$56,938			
Average Household Income	\$70,260		\$79,479			
Per Capita Income	\$27,391		\$31,022			
Population by Age	Census 2010		2015		2020	
	Number	Percent	Number	Percent	Number	Percent
0 - 4	206,917	7.1%	207,329	6.7%	217,806	6.5%
5 - 9	205,496	7.0%	213,207	6.8%	218,320	6.5%
10 - 14	198,507	6.8%	210,762	6.8%	227,725	6.8%
15 - 19	203,138	7.0%	206,624	6.6%	224,499	6.7%
20 - 24	207,378	7.1%	227,783	7.3%	227,036	6.8%
25 - 34	411,219	14.1%	427,666	13.7%	460,648	13.8%
35 - 44	417,657	14.3%	424,684	13.6%	447,016	13.4%
45 - 54	414,368	14.2%	421,706	13.5%	423,194	12.7%
55 - 64	325,264	11.1%	373,545	12.0%	406,823	12.2%
65 - 74	185,914	6.4%	243,448	7.8%	298,767	8.9%
75 - 84	102,601	3.5%	111,338	3.6%	139,726	4.2%
85+	39,069	1.3%	44,534	1.4%	50,012	1.5%
Race and Ethnicity	Census 2010		2015		2020	
	Number	Percent	Number	Percent	Number	Percent
White Alone	1,775,473	60.9%	1,858,798	59.7%	1,954,292	58.5%
Black Alone	807,740	27.7%	857,120	27.5%	908,334	27.2%
American Indian Alone	27,097	0.9%	29,001	0.9%	31,126	0.9%
Asian Alone	86,227	3.0%	108,685	3.5%	137,466	4.1%
Pacific Islander Alone	2,527	0.1%	3,021	0.1%	3,679	0.1%
Some Other Race Alone	145,125	5.0%	167,433	5.4%	198,773	5.9%
Two or More Races	73,339	2.5%	88,568	2.8%	107,902	3.2%
Hispanic Origin (Any Race)	284,569	9.8%	331,232	10.6%	395,969	11.8%

**Data Note:** Income is expressed in current dollars.

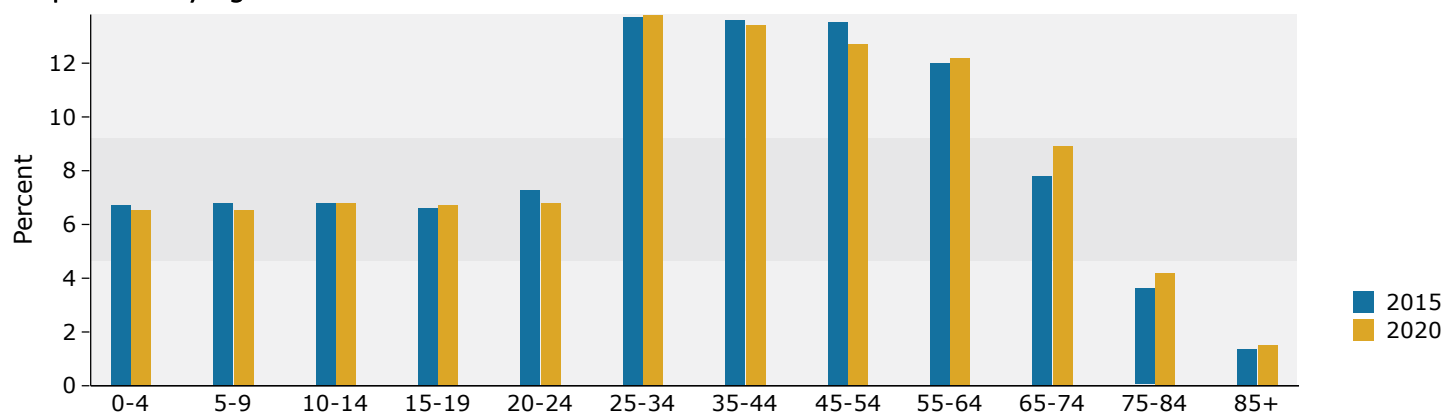
**Source:** U.S. Census Bureau, Census 2010 Summary File 1. Esri forecasts for 2015 and 2020.

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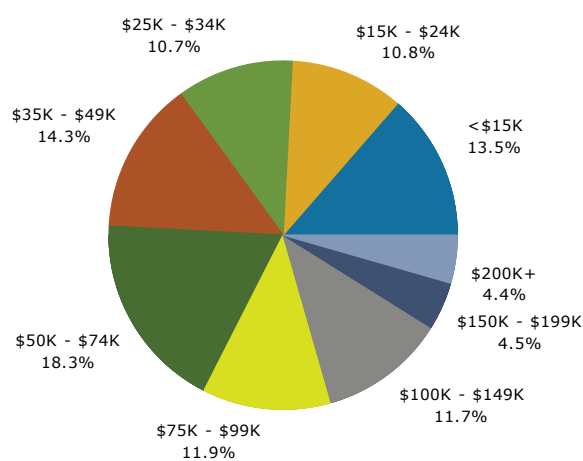
## Trends 2015-2020



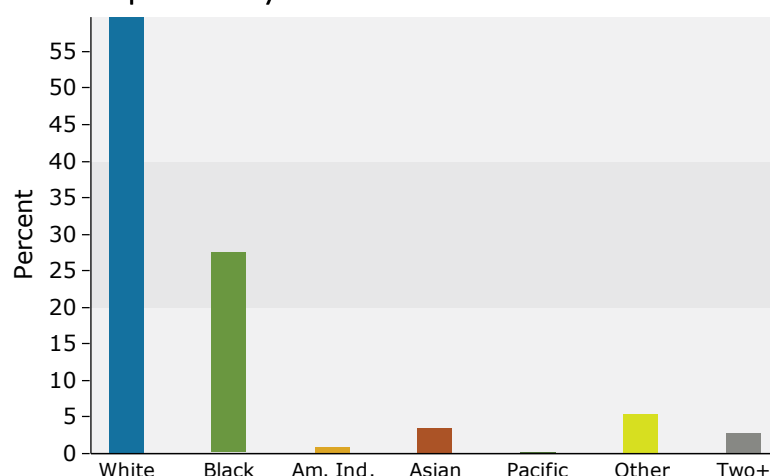
## Population by Age



## 2015 Household Income



## 2015 Population by Race



2015 Percent Hispanic Origin: 10.6%



## Housing Profile

Raleigh-Durham (Fayetteville), NC  
Raleigh-Durham (Fayetteville), NC (560)  
Geography: Designated Market Area (DMA)

Prepared by Esri

Population		Households	
2010 Total Population	2,917,528	2015 Median Household Income	\$50,661
2015 Total Population	3,112,626	2020 Median Household Income	\$56,938
2020 Total Population	3,341,572	2015-2020 Annual Rate	2.36%
2015-2020 Annual Rate	1.43%		

Housing Units by Occupancy Status and Tenure	Census 2010		2015		2020	
	Number	Percent	Number	Percent	Number	Percent
Total Housing Units	1,250,976	100.0%	1,341,570	100.0%	1,443,034	100.0%
Occupied	1,127,470	90.1%	1,207,074	90.0%	1,298,499	90.0%
Owner	725,811	58.0%	747,577	55.7%	801,843	55.6%
Renter	401,659	32.1%	459,497	34.3%	496,656	34.4%
Vacant	123,506	9.9%	134,496	10.0%	144,535	10.0%

Owner Occupied Housing Units by Value	2015		2020	
	Number	Percent	Number	Percent
Total	747,490	100.0%	801,752	100.0%
<\$50,000	28,168	3.8%	19,366	2.4%
\$50,000-\$99,999	77,474	10.4%	57,773	7.2%
\$100,000-\$149,999	126,746	17.0%	90,402	11.3%
\$150,000-\$199,999	138,941	18.6%	141,096	17.6%
\$200,000-\$249,999	103,001	13.8%	134,308	16.8%
\$250,000-\$299,999	72,212	9.7%	99,378	12.4%
\$300,000-\$399,999	87,980	11.8%	105,621	13.2%
\$400,000-\$499,999	47,242	6.3%	51,034	6.4%
\$500,000-\$749,999	43,201	5.8%	64,177	8.0%
\$750,000-\$999,999	12,277	1.6%	23,553	2.9%
\$1,000,000+	10,248	1.4%	15,044	1.9%
Median Value	\$201,173		\$234,339	
Average Value	\$257,276		\$296,619	

**Data Note:** Persons of Hispanic Origin may be of any race.  
**Source:** U.S. Census Bureau, Census 2010 Summary File 1.

January 27, 2016



## Housing Profile

Raleigh-Durham (Fayetteville), NC  
Raleigh-Durham (Fayetteville), NC (560)  
Geography: Designated Market Area (DMA)

Prepared by Esri

Census 2010 Owner Occupied Housing Units by Mortgage Status		Number	Percent
Total		725,811	100.0%
Owned with a Mortgage/Loan		537,939	74.1%
Owned Free and Clear		187,872	25.9%

Census 2010 Vacant Housing Units by Status		Number	Percent
Total		123,506	100.0%
For Rent		42,221	34.2%
Rented- Not Occupied		1,869	1.5%
For Sale Only		19,155	15.5%
Sold - Not Occupied		3,919	3.2%
Seasonal/Recreational/Occasional Use		17,705	14.3%
For Migrant Workers		634	0.5%
Other Vacant		38,003	30.8%

Census 2010 Occupied Housing Units by Age of Householder and Home Ownership		Owner Occupied Units	
	Occupied Units	Number	% of Occupied
Total	1,127,470	725,811	64.4%
15-24	60,169	9,022	15.0%
25-34	198,471	85,231	42.9%
35-44	226,354	145,626	64.3%
45-54	235,528	170,067	72.2%
55-64	193,594	150,227	77.6%
65-74	118,550	95,474	80.5%
75-84	69,699	54,036	77.5%
85+	25,105	16,128	64.2%

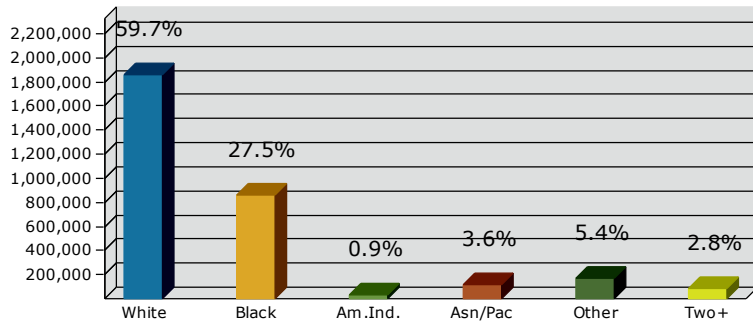
Census 2010 Occupied Housing Units by Race/Ethnicity of Householder and Home Ownership		Owner Occupied Units	
	Occupied Units	Number	% of Occupied
Total	1,127,470	725,811	64.4%
White Alone	728,154	528,908	72.6%
Black/African American	308,052	152,518	49.5%
American Indian/Alaska	9,323	5,579	59.8%
Asian Alone	28,124	16,867	60.0%
Pacific Islander Alone	831	384	46.2%
Other Race Alone	36,011	13,570	37.7%
Two or More Races	16,975	7,985	47.0%
Hispanic Origin	72,240	30,860	42.7%

Census 2010 Occupied Housing Units by Size and Home Ownership		Owner Occupied Units	
	Occupied Units	Number	% of Occupied
Total	1,127,470	725,811	64.4%
1-Person	302,539	160,043	52.9%
2-Person	373,646	265,619	71.1%
3-Person	192,151	127,779	66.5%
4-Person	153,730	107,366	69.8%
5-Person	66,041	42,660	64.6%
6-Person	24,701	14,606	59.1%
7+ Person	14,662	7,738	52.8%

**Data Note:** Persons of Hispanic Origin may be of any race.  
**Source:** U.S. Census Bureau, Census 2010 Summary File 1.

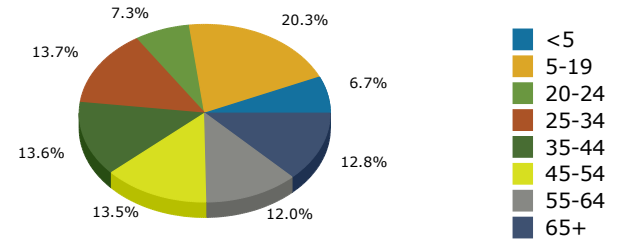
January 27, 2016

2015 Population by Race

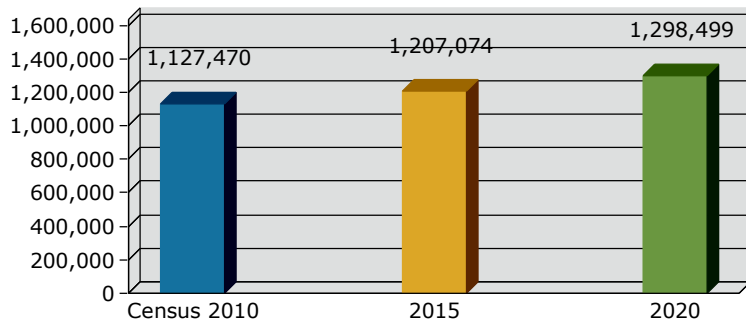


2015 Percent Hispanic Origin: 10.6%

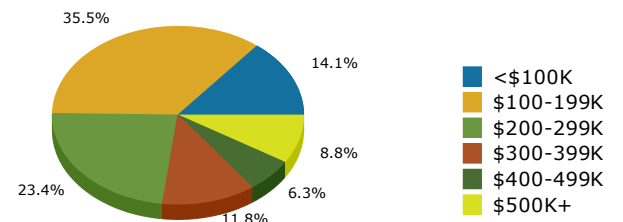
2015 Population by Age



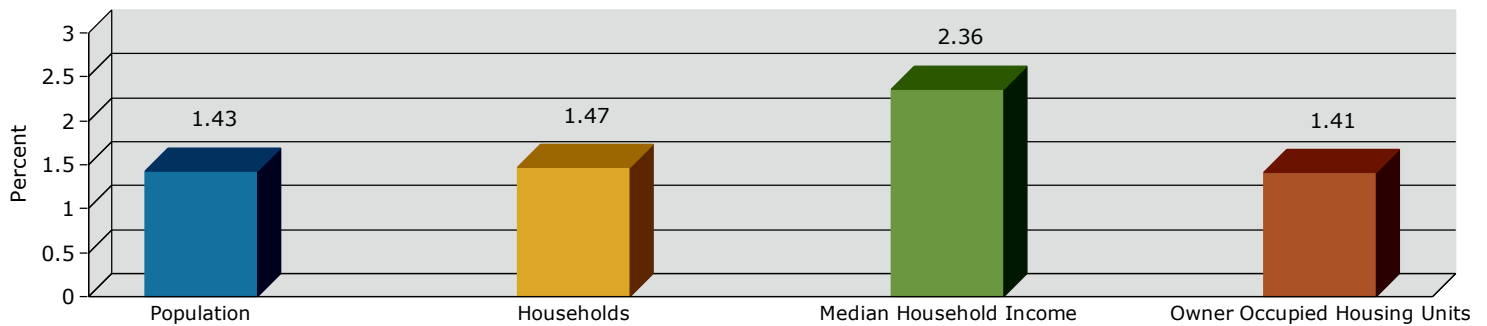
Households



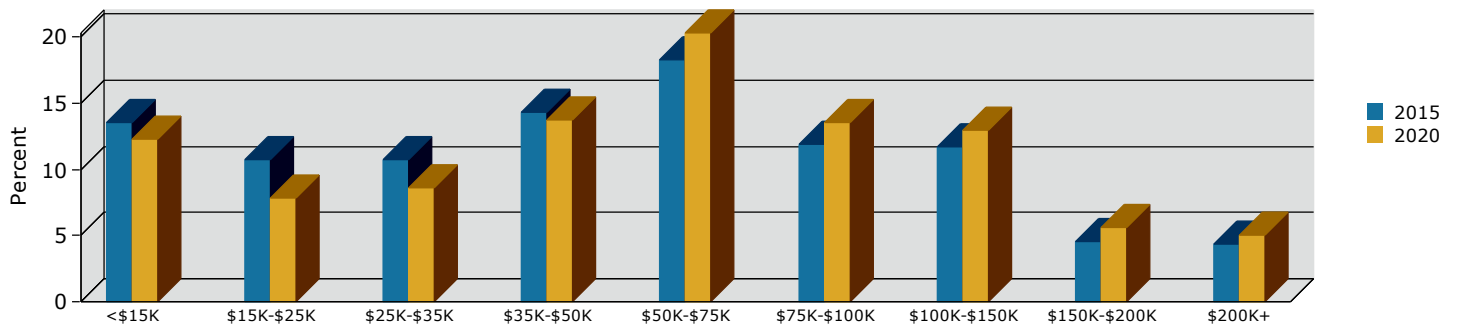
2015 Home Value



2015-2020 Annual Growth Rate



Household Income





Wake County, NC 466  
Laura M Riddick, Register Of Deeds

Presented & Recorded 02/29/2000 13:49:49  
State Of NC Real Estate Excise Tax : \$700  
Book : 008529 Page : 01693 - 01696

Excise Tax: \$ 700.00

Recording Information

Drafted by: Henry P. Van Hoy, II  
Mail to: Grantee @ 321 Farmington Rd.  
Mocksville, NC 27028

TAX INFORMATION, PIN: 0266882

## WARRANTY DEED

**THIS DEED** made this 25 day of February, 2000, by and between HUBERT B. PARKS and wife JOELLEN S. PARKS and THOMAS L PAULSON, TRUSTEE, the GRANTORS to J. B. HARRISON PROPERTIES, LLC, a North Carolina manager managed limited liability company, the GRANTEE:

### WITNESSETH:

**THE GRANTORS**, for valuable consideration paid by the GRANTEE, receipt of which is acknowledged, have and by these presents do convey unto the GRANTEE in fee simple, all that certain parcel of land situated in Raleigh Township, Wake County, North Carolina (the "Property") and more particularly described below:

LOT 1 as shown on a Plat recorded in Book 2000, Page 114 and entitled "Recombination and Subdivision Map, Lots 1 & 2 of Lot 5, and Lot 6 Sungate as Recorded in Book of Maps 1989 Page 960 Except Portion Removed by M.B. 1989 PG. 962", which Plat was prepared by Niall Gillespie, P.L.S. on 9-23-99, drawing # R-296-99, S-121-99, File - Sungates.

**THE GRANTORS** acquired the property by instrument recorded in Book 2624, Page 93, and Book 5460, Page 624 of the Wake County Registry. For additional back title see:

Book 5427, Page 166  
Book 5167, Page 842  
Book 2858, Page 342

**TO HAVE AND TO HOLD** the Property and all privileges and appurtenances thereto belonging to the GRANTEE in fee simple.

**THE GRANTORS COVENANT** with the GRANTEE, that the GRANTORS are seized of the Property in fee simple, have the right to convey the Property in fee simple, that title is marketable

and free and clear of all encumbrances, and that the GRANTORS will warrant and defend the title against the lawful claims of all persons whomsoever, except for the exceptions hereinafter stated.

**Title to the Property is subject to the following exceptions:**

1. Those easements crossing the Property shown on the Plat recorded in Book 2000, Page 114, and in particular:
  - A. A sanitary sewer easement 20 feet in width
  - B. A greenway easement (M.B. 1989, Page 960)
2. Rights of way of public roads and utilities
3. Notice of adoption of Roadway Corridor Official Map recorded in Book 4838, Page 18, Wake County Registry.
4. Easements and restrictions of record.
5. Ad valorem taxes for the City of Raleigh and Wake County for the year 2000 and subsequent years.

**GRANT OF TEMPORARY CONSTRUCTION EASEMENT**

The GRANTORS grant to the GRANTEE a temporary construction easement for the purpose of building a road which easement is described in the attached Exhibit "A".

The terms GRANTORS and GRANTEE as used herein include the masculine and the feminine, the singular and the plural, as the context requires, and the heirs, successors, and assigns of the parties hereto.

**IN WITNESS WHEREOF**, the GRANTORS have signed and sealed this deed the day and year first above written.

**GRANTORS**

 (SEAL)  
HUBERT B. PARKS

 (SEAL)  
THOMAS L. PAULSON, Trustee

 (SEAL)  
JOELLEN S. PARKS

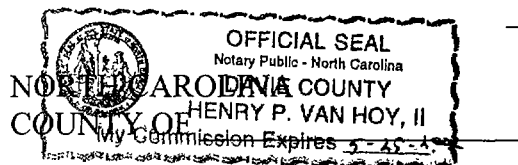
NORTH CAROLINA  
COUNTY OF Davie

I, a Notary Public of the aforesaid County, do hereby certify that HUBERT B. PARKS and wife JOELLEN S. PARKS, Grantors, personally appeared before me this day and acknowledged the execution and sealing of the foregoing instrument.

Witness my hand and official stamp or seal, this 26 day of February, 2000.

My commission expires:  
5-29-2002

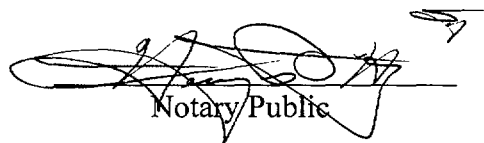
  
Notary Public

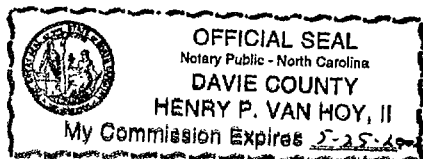


I, a Notary Public of the aforesaid County, do hereby certify that THOMAS L. PAULSON, Trustee, Grantor, personally appeared before me this day and acknowledged the execution and sealing of the foregoing instrument.

Witness my hand and official stamp or seal, this 28 day of Feb, 2000.

My commission expires:  
5-29-2002

  
Notary Public



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## Wake County Real Estate Data

### Account Summary

[iMaps](#)  
[Tax Bills](#)

Real Estate ID 0266882

PIN # 1723493484

 Location Address  
 3351 CARL SANDBURG  
 CT

 Property Description  
 LO1 REC LT 5 SUNGATE SUB BM2000-00114

 Account  
 Search

[Pin/Parcel History](#) [New Search](#)
[Account](#) | [Buildings](#) | [Land](#) | [Deeds](#) | [Notes](#) | [Sales](#) | [Photos](#) | [Tax Bill](#) | [Map](#)

Property Owner J B HARRISON PROPERTIES LLC (Use the Deeds link to view any additional owners)		Owner's Mailing Address PO BOX 364 WRIGHTSVILLE BEACH NC 28480-0364	Property Location Address 3351 CARL SANDBURG CT RALEIGH NC 27610-2047
<b>Administrative Data</b> Old Map # 554-- Map/Scale 1723 06 VCS ECRA001 City RALEIGH Fire District Township RALEIGH Land Class COMMERCL ETJ RA Spec Dist(s) Zoning O&I-2 History ID 1 History ID 2 Acreage 3.00 Permit Date 2/25/2000 Permit # 0000052550		<b>Transfer Information</b> Deed Date 2/29/2000 Book & Page 08529 1693 Revenue Stamps 700.00 Pkg Sale Date Pkg Sale Price Land Sale Date 2/29/2000 Land Sale Price \$350,000  <b>Improvement Summary</b> Total Units 0 Recycle Units 0 Apt/SC Sqft Heated Area 14,145	
		<b>Assessed Value</b> Land Value Assessed \$557,944 Bldg. Value Assessed \$1,423,506  <b>Tax Relief</b> Land Use Value Use Value Deferment Historic Deferment Total Deferred Value  Use/Hist/Tax Relief Assessed Total Value Assessed* \$1,981,450	

\*Wake County assessed building and land values reflect the market value as of January 1, 2016, which is the date of the last county-wide revaluation. Any inflation, deflation or other economic changes occurring after this date does not affect the assessed value of the property and cannot be lawfully considered when reviewing the value for adjustment.

The January 1, 2016 values will remain in effect until the next county-wide revaluation. Until that time, any real estate accounts created or new construction built is assessed according to the 2016 Schedule of Values.

For questions regarding the information displayed on this site, please contact the Revenue Department at [RevHelp@wakegov.com](mailto:RevHelp@wakegov.com) or call 919-856-5400.

Real Estate ID 0266882

PIN # 1723493484

Account  
Search

Location Address

3351 CARL SANDBURG CT

Property Description

LO1 REC LT 5 SUNGATE SUB BM2000-00114

[Pin/Parcel History](#) [New Search](#)[Account](#) | [Buildings](#) | [Land](#) | [Deeds](#) | [Notes](#) | [Sales](#) | [Photos](#) | [Tax Bill](#) | [Map](#)

Building Location Address 3351 CARL SANDBURG CT		Building Description EMPLOYMENT SECURITY COMM OF NC		Card 01 Of 01	
Bldg Type	34 Typical Office	Year Blt	2000	Eff Year	2000
Units		Addns		Remod	
Heated Area	14,145	Int. Adjust.			
Story Height	1 Story	Other			
Style	Conventional	Features			
Basement	Crawl Space				
Exterior	Brick				
Const Type	Exposed Steel				
Heating	Central				
Air Cond	Central				
Plumbing	Adequate				
		Base Bldg Value	\$1,497,830		
		Grade	25.61 110%		
		Cond %	B 81%		
		Market Adj.			
		Market Adj.			
		Accrued %	81%		
		Incomplete Code			
		Card 01 Value	\$1,423,506		
		All Other Cards			
		Land Value Assessed	\$557,944		
		Total Value Assessed	\$1,981,450		

Main and Addition Summary					Other Improvements					
	Story	Type	Code	Area	Inc	Units	DesItem	Code	Year %ADJ Inc	Value
M	1	BR/CS		14145		58800	SF PAVASPH	0028	2000 55	88940
A	1	CN O	0310	93						
B										
C										
D										
E										
F										
G										
H										

<p>Building Sketch</p>	<p>Photograph 2/1/2015</p> <p>0266882 02/01/2015</p>
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# Wake County Real Estate Data

## Land Valuation

Real Estate ID 0266882

PIN # 1723493484

Location Address  
3351 CARL SANDBURG  
CT

Property Description  
LO1 REC LT 5 SUNGATE SUB BM2000-00114

iMaps  
Tax Bills

## Account Search

[Pin/Parcel History](#)   [New Search](#)

**NORTH CAROLINA** Account | Buildings | Land | Deeds | Notes | Sales | Photos | Tax Bill | Map

Land Class	COMMERCL	Deeded Acres	3.00	Farm Use Year						
Soil Class	3	Calculated Acres		Farm Use Flag						
Land Value Detail - Market										
Sch	ETJ	Zoning	Description	Units	Rate	Cnd%	Reason	Inf%	Reason	Value
5	RA	O&I-2	BSITE1	42,700	\$7.00	61				\$182,329
5	RA	O&I-2	BALANCE	87,966	\$7.00	61				\$375,615
Total Land Value Assessed										\$557,944

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## Wake County Real Estate Data Ownership History

[iMaps](#)  
[Tax Bills](#)

Real Estate ID 0266882

PIN # 1723493484

 Location Address  
 3351 CARL SANDBURG  
 CT

 Property Description  
 LO1 REC LT 5 SUNGATE SUB BM2000-00114

 Account  
 Search

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[NORTH CAROLINA](#) [Account](#) | [Buildings](#) | [Land](#) | [Deeds](#) | [Notes](#) | [Sales](#) | [Photos](#) | [Tax Bill](#) | [Map](#)

	Owner Name	Type	% Own	Stamps	Book	Page	Date
Current	J B HARRISON PROPERTIES LLC		ALL	700.00	08529	1693	02-29-2000
1 Back	PARKS, HUBERT & THOMAS L PAULSON	T-COMM	ALL		05460	0624	12-31-1993

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## Wake County Real Estate Data Assessment Notes

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[Tax Bills](#)

Real Estate ID 0266882

PIN # 1723493484

 Location Address  
 3351 CARL SANDBURG  
 CT

 Property Description  
 LO1 REC LT 5 SUNGATE SUB BM2000-00114

 Account  
 Search

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[Account](#) | [Buildings](#) | [Land](#) | [Deeds](#) | [Notes](#) | [Sales](#) | [Photos](#) | [Tax Bill](#) | [Map](#)

Card 01 Of 01

[Code Descriptions](#)

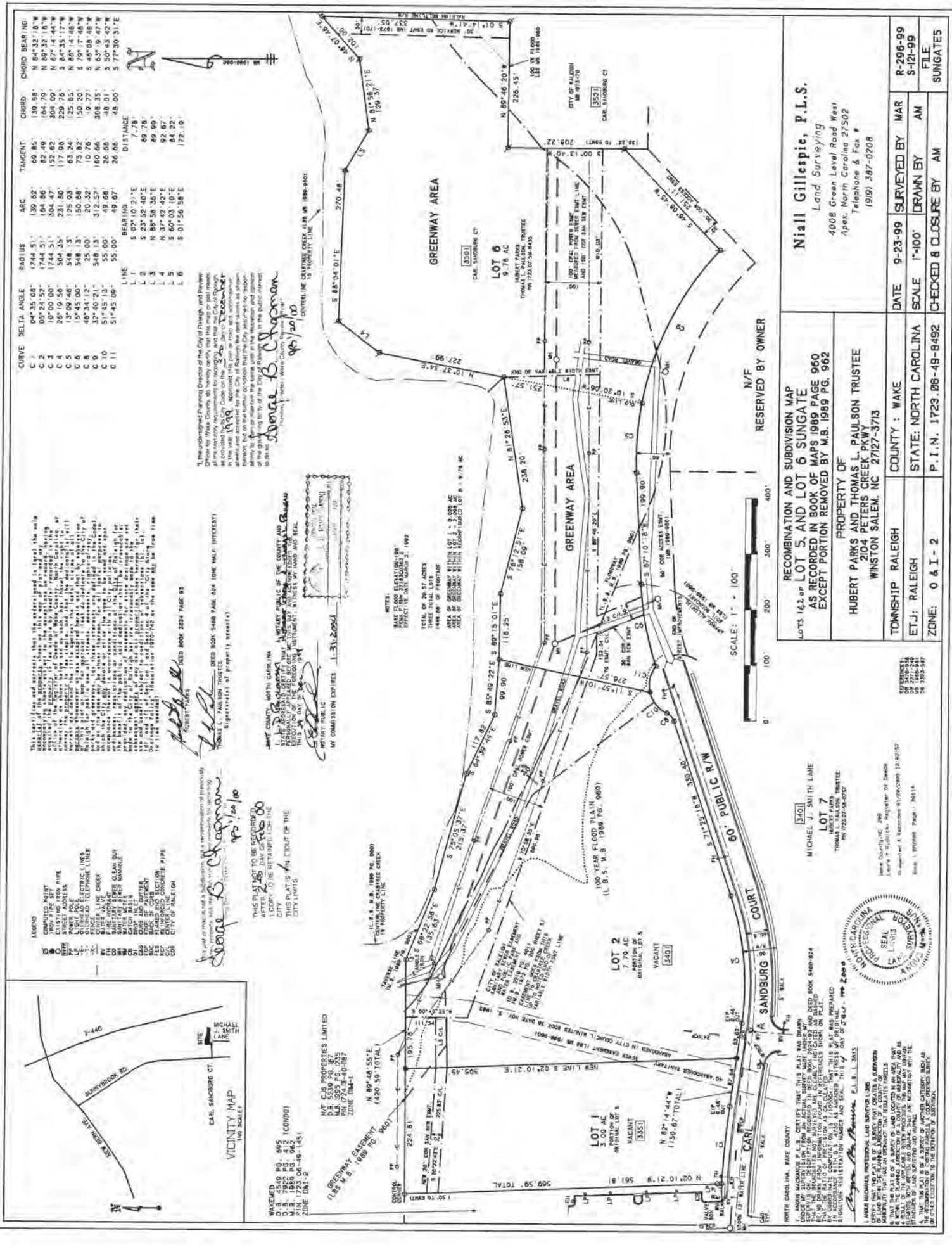
Date	Line	Notes
05-20-2008	1	RESULT LETTER PRINTED
03-11-2008	1	RESULT LETTER PRINTED
03-06-2008	1	APPEAL CLOSED
03-06-2008	1	IH-B/ND/GKW/03-06-08/NO DOCUMENTATION SUBMITTED FOR CONSID.
01-09-2008	1	PROPERTY VALUE APPEALED
10-25-2006	1	CORRECT ZONING FROM O&I-2 TO CUD O&i-2
04-10-2001	1	4-6-01(096-37.1)BOE NO CHANGE F2001
03-12-2001	1	3-12-01/ADR/BOE APPEAL APPLICATION REQUESTED F2001
12-06-2000	1	9-13-2000/GKW/NEW OFFICE BLDG F2001
06-09-2000	1	6-7-2000/FWP/ANNEX ORD#2000-770 EFF 6-30-2000
03-27-2000	1	BLDG PERMIT #52550 B ISSUE DATE 02-25-00 CNST TYPE C \$1,050,000
02-22-2000	1	2-8-2000/DS(3AC)SPLIT FROM ID0255753 F2000/FWP

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Enlarged Floor Plan  
Enlarged Floor Plans

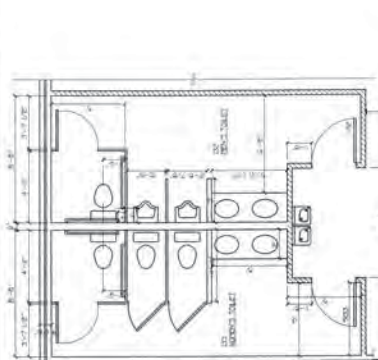
Employment Security Commission  
Carl Sandburg Court  
Raleigh, North Carolina

NO.	REVISIONS

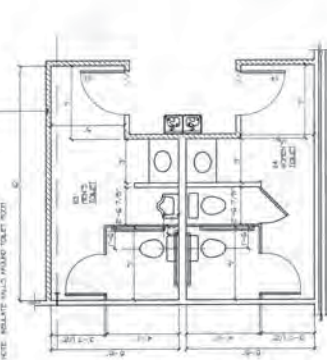
Barber Architects  
Post Office Box 11112  
Durham, North Carolina 27711  
BA

DATE: 01/24/03  
DRAWN BY: JLT/TS  
JOB NO.: 9992  
SHEET NO.: A-1

NOTES:  
1. ALL DIMENSIONS ARE IN FEET AND INCHES.  
2. ALL WORK SHALL BE IN ACCORDANCE WITH THE LATEST EDITIONS OF THE BUILDING CODES OF THE STATE OF NORTH CAROLINA.  
3. ALL MATERIALS AND METHODS OF CONSTRUCTION SHALL BE APPROVED BY THE ARCHITECT.  
4. THE CONTRACTOR SHALL BE RESPONSIBLE FOR OBTAINING ALL NECESSARY PERMITS AND INSURANCE.  
5. THE CONTRACTOR SHALL MAINTAIN ACCESS TO ALL ADJACENT PROPERTIES AT ALL TIMES.



1.02  
Enlarged Floor Plan  
SCALE: 1/8" = 1'-0"

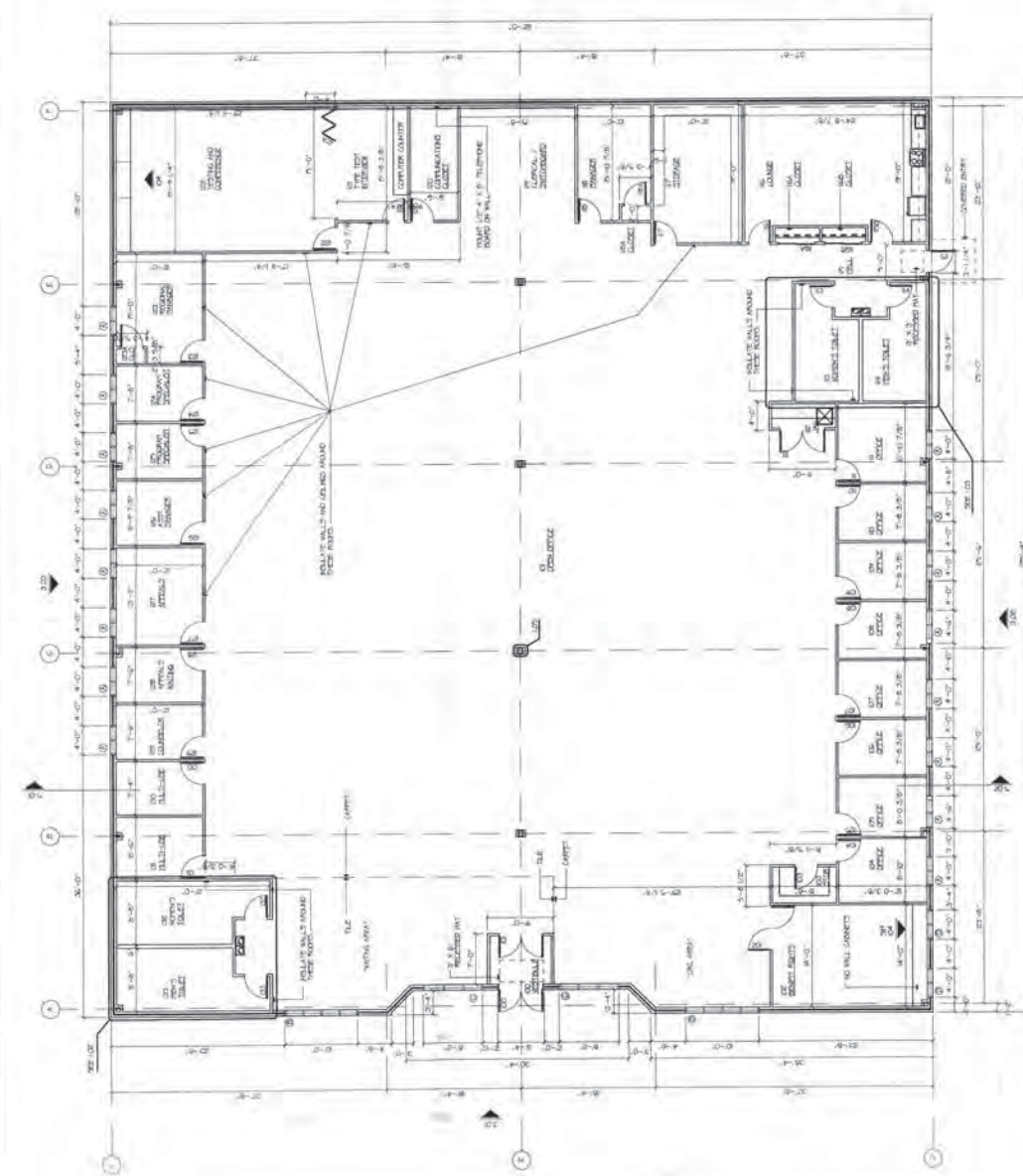


1.03  
Enlarged Floor Plan  
SCALE: 1/8" = 1'-0"

NOTES:  
1. ALL DIMENSIONS ARE IN FEET AND INCHES.  
2. ALL WORK SHALL BE IN ACCORDANCE WITH THE LATEST EDITIONS OF THE BUILDING CODES OF THE STATE OF NORTH CAROLINA.  
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NO.	REVISIONS

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NORTH CAROLINA

WAKE COUNTY

### **OFFER TO PURCHASE AND CONTRACT**

WHEREAS, The Wake County Board of Education, a body corporate, ("Buyer") hereby agrees to purchase and J.B. Harrison Properties, LLC, a North Carolina manager managed limited liability corporation ("Seller") hereby agrees to convey a and a parcel of land together with all improvements, structures, equipment and fixtures thereon, collectively totaling approximately 3.00 acres more or less, located on the northern side of Carl Sandburg Court east of its intersection with Sunnybrook Road, Raleigh, Wake County, North Carolina, together with all right, title and interest which Seller may have in all creeks, streams, rights-of-way, roads, streets and ways bounding said property (the "Property"). The Property is further identified by a legal description shown in Exhibit "A", and upon a Map shown on Exhibit "B" and Floor Plans shown on Exhibit "C" for illustration only. Exhibit "A," Exhibit "B" and Exhibit "C" are attached hereto and made a part of this Offer to Purchase, with the exact location and acreage of the subject property to be determined by a formal survey to be obtained by Buyer. The Property is more particularly described as all of that parcel having Wake County PIN #1723-49-3484, Wake County REID #0266882 and street address of 3351 Carl Sandburg Court, Raleigh, North Carolina, 27610.

NOW, THEREFORE, in consideration of the mutual covenants and undertakings herein contained and the earnest money deposit set forth below and for other good and valuable consideration, the receipt and sufficiency of which are hereby expressly acknowledged and confessed, the parties hereto agree to the following terms and conditions:

1. PURCHASE PRICE: The purchase price is Two Million Seventy-Five Thousand Dollars and no/100 (\$2,075,000.00) Dollars and shall be paid by Buyer to Seller as follows:
  - A. \$25,000.00 in earnest money shall be paid by check to Boxley, Bolton, Garber & Haywood, L.L.P., Attorneys at Law, with the delivery of this contract, to be held in trust until the sale is closed, at which time it will be credited to Buyer, applied to payment of the purchase price and disbursed to Seller at closing, or until this agreement is otherwise terminated and it is disbursed in accordance with the terms of this agreement.
  - B. Buyer shall pay Seller the balance of the purchase price at closing by attorney trust account check or wire transfer of funds.
  - C. Buyer and Seller acknowledge that the "Property" to be purchased includes 3.00 acres of land, and a commercial building containing approximately 14,145 square feet. The exact location and acreage shall be determined by a formal survey to be provided by Seller.
2. CONDITIONS: The obligation of Buyer to purchase the Property is subject to the satisfaction at or prior to closing of the following conditions:
  - A. The Wake County Board of Education must approve all terms and conditions of this contract.
  - B. The Wake County Board of Commissioners must, prior to closing disburse to Buyer sufficient funds to pay the full balance of the purchase price for the Property.
  - C. Within one hundred twenty (120) days from the date the Chairman of the Wake County Board of Education signs this contract ("Due Diligence Period"), Buyer must be able to obtain, at its expense, the following:

- (1) A survey of the Property, acceptable to Buyer by a registered land surveyor and a legal description that conforms to the survey.
  - (2) A determination that there will be no adverse effect to the intended use of the Property due to the existence of rock or other unsuitable soil conditions;
  - (3) An environmental assessment of the Property to determine the existence of conditions that may be governed by Federal, State, or Local Environmental Laws. Buyer shall promptly deliver to Seller a copy of such environmental assessment when the same becomes available, at no expense to Seller. The results of the Buyer's tests and investigations shall not be made available or disclosed to any third party until a copy has been provided to Seller.
  - (4) An appraisal by a MAI appraiser, acceptable to Buyer, that reflects the value of the subject property as equal to or exceeding the purchase price. If the subject property does not equal or exceed the purchase price but sufficiently supports the price so as to be acceptable to the Board of Education and the Board of Commissioners for approval of the contract and funding, this condition will be deemed satisfied. If the property does not appraise for at least the specified Purchase Price then Buyer shall notify Seller of such and Seller shall have five (5) business days to notify the Buyer in writing of its election either (i) to reduce the Purchase Price to the appraised price or (ii) elect not to reduce the Purchase Price to the appraised price. If the Seller elects to reduce the Purchase Price to the appraised price, the Agreement shall be deemed amended accordingly and each party shall remain bound thereunder. If Seller elects to not reduce the Purchase Price to the appraised price, the Buyer shall have the option to either (i) proceed under the Agreement or (ii) elect to terminate this Agreement in which event the Earnest Money shall be returned to the Buyer and neither party shall have any further obligation to the other..
  - (5) Approval of the Wake County Board of Commissioners of funding of Buyer's purchase of the Property under N.C. G.S. Section 115C-426.
  - (6) The Wake County Board of Education must be able to acquire a zoning designation to its satisfaction to construct and operate educational and related facilities.
  - (7) Approval from the City of Raleigh, Wake County and/or the North Carolina Department of Transportation to utilize the existing means of ingress and egress from the "Property" to Carl Sandburg Court.
  - (8) Approval from the, City of Raleigh, Wake County and/or the North Carolina Department of Environmental and Natural Resources or such other governmental agencies as are necessary to utilize the existing sewer system to support a public school and administrative use upon the subject property.
- D. Seller agrees that it has an affirmative duty to cooperate with Buyer in Buyer's testing and investigation of the Property for an environmental assessment and shall disclose any and all information about the Property that may be useful in such an assessment provided however, that the cost of investigation shall be paid by the Buyer. Seller shall furnish at least ten (10) business days prior to closing an affidavit and indemnification agreement in a form suitable to Buyer stating that:
- (1) Buyer is relieved of any liabilities, claims, penalties, fines, costs, or charges that may occur as a result of any action against the property under Federal, State, or Local Environmental Laws as a result of any environmental conditions arising from circumstances occurring during the period of Seller's ownership and caused by acts or

omissions of Seller, its agents or assigns (for these purposes, "Seller's agents or assigns" excludes Buyer, its agents, employees or other representatives);

- (2) To the best of Seller's knowledge, the Property is not the subject of any active or pending action by the North Carolina Department of Environment, Health and Natural Resources (DEHNR) or its successor agencies, or any federal, state or local agencies under any federal, state or local environment laws or regulations;
- (3) To the best of Seller's knowledge, the Property is not subject to any casualty damage. Any casualty damage to the property arising out of or resulting from the acts of Buyer, its agents, employees or other representatives is excluded;
- (4) (a) To the best of Seller's knowledge, there is no Hazardous Material (as hereinafter defined) on the Property, whether such Hazardous Material was placed by spill, release, discharge, disposal or storage, (b) nor has any Hazardous Material penetrated any waters, including, but not limited to, streams crossing or abutting the Property or the aquifer underlying the Property. Hazardous Material as used in this Offer to Purchase and Contract means any hazardous or toxic substance, material, waste or similar term which is regulated by local authorities, the State of North Carolina and/or the Federal Government including, but not limited to, any material substance, waste or similar term which is:
  - (a) defined as Hazardous Material under the laws of the State of North Carolina, as amended from time to time;
  - (b) defined as a hazardous substance under Section 311 of the Federal Water Pollution Control Act (33 U.S.C. Section 1317), as amended from time to time;
  - (c) defined as a hazardous waste under Section 1004 of the Federal Resource Conservation and Recovery Act (42 U.S.C. Section 6901 et. seq.), as amended from time to time;
  - (d) defined as a hazardous waste substance under Section 101 of the Comprehensive Environmental Response, Compensation and Liability Act (42 U.S.C. Section 9601 et. seq.), as amended from time to time;
  - (e) defined as hazardous waste or toxic substance, waste, material or similar term in any rules and regulations, as amended from time to time, which are adopted by any administrative agency including, but not limited to, the Environmental Protection Agency, the Occupational Safety and Health Administration, and any such similar State or Local agency having jurisdiction over the Property whether or not such rules and regulations have the force of law; or
  - (f) defined as hazardous or toxic waste, substance, material or similar term in any statute, regulation, rule or law enacted or adopted at any time after the date of this Agreement by local authorities, the State of North Carolina, and/or the Federal Government; and
- (5) To the best of Seller's knowledge, Seller has complied and caused the Property to comply with all laws and ordinances, and all rules and regulations of all authorities having jurisdiction over the Seller, the Property, or the use thereof, relative to any Hazardous Material; and



- (6) There is no other property presently owned or used by Seller, the existence of such Hazardous Material upon or discharge of such Hazardous Material from, which might cause any charge or lien upon the Property.

Buyer's obligation to purchase the subject Property is expressly conditioned upon the foregoing representations of Seller being true and accurate on the date hereof and on the date possession of the Property is transferred by Seller to Buyer; and these representations and warranties shall be deemed extended through the date possession is transferred unless Seller advises Buyer in writing of any changes prior to transfer of possession. These representations and warranties shall survive closing and transfer of possession for a period of one (1) year.

- E. Seller shall disclose to Buyer within 30 days of the execution of this contract, any information regarding the use of the Property, or any portion thereof, in a manner that is regulated by Federal, State, or Local Environmental Laws to the degree Seller has knowledge.
- F. There must be no restrictions, easements, or governmental regulations other than zoning regulations that would prevent the reasonable use of the real property for public school and administrative purposes. If such conditions exist, it is the responsibility of the Seller to inform the Buyer of any such conditions and Seller will exert all commercially reasonable efforts to cure same prior to closing. If Seller is unsuccessful in timely curing said conditions, Buyer may cancel this agreement, whereupon all deposit monies shall be returned to Buyer, or, in the alternative, Buyer may waive the objectionable conditions and close pursuant to the terms of this agreement.
- G. There must be no zoning regulations that could prevent the reasonable use of the real property for public school and administrative purposes. If such conditions exist, it is the responsibility of the Buyer to file a petition to rezone the Property to such zoning classification, or classifications, as the Buyer may select. Seller shall assist the Buyer in the Buyer's rezoning effort to whatever extent the Buyer may request, but the Seller shall have no duty to incur any expense in such rezoning effort. Buyer assumes the expense of any rezoning requirements.
- H. All deeds of trust, liens, leases and other monetary charges against the Property which can be satisfied by the payment of money must be paid and canceled by Seller prior to or at closing. Any liens and charges resulting from the actions of Buyer or Buyer's agents, employees or other representatives are the responsibility of Buyer and are excluded herefrom.
- I. Title must be delivered at closing by General Warranty Deed and must be fee simple marketable title, free of all encumbrances and assessments except ad valorem taxes for the current year (prorated as described in Paragraph 5-A), utility easements and unviolated restrictive covenants, neither of which materially affect the value of the Property and such other encumbrances as may be assumed or specifically approved by Buyer. The Property must have legal access to a public right-of-way.
- J. Seller shall provide to Buyer copies of any studies and/or reports in their entirety which Buyer may have received and or commissioned, regarding the property within 5 business days of the execution of this contract by all parties. The studies and/or reports shall include, but are not limited to, streams and wetlands delineations, geotechnical reports, surveys (including but not limited to boundary and topographic surveys), transportation studies, Phase 1 Environmental Site Assessment, other environmental reports, and evaluations of the building structure, building envelope, HVAC and Plumbing/Mechanical/Electrical systems, Seller shall execute such appropriate releases as



Buyer may request to authorize and direct the appropriate consultant to release and transfer consultants' work product to the Buyer for its use and benefit.

- K. Should Buyer elect for any reason not to proceed with the acquisition of the Property prior to the expiration of the Due Diligence Period, Buyer shall notify Seller and the Escrow Agent that it has elected to terminate the Purchase Agreement. If requested by the Escrow Agent, Seller shall confirm in writing that the Purchase Agreement has been terminated, that the Earnest Money shall be returned to Buyer, and that neither Seller nor Buyer has any further rights, duties and obligations one to the other except as specifically provided in this Agreement.
3. FAILURE OF CONDITIONS: If any of the conditions in this document are not met, Buyer has the option to waive the satisfaction of any unsatisfied conditions. If Seller breaches the contract in any other way, Buyer shall recover its earnest money deposit without prejudice to any other remedies it may have for the breach. If Buyer breaches the contract, Seller shall be entitled to the earnest money deposit without prejudice to any of the remedies they may have for the breach.
  4. SELLER REPRESENTATIONS AND WARRANTIES: Seller makes the following representations and warranties to and for the benefit of Buyer which shall be true on the date of closing as though such representations and warranties were made at such time and shall survive the passing of title:
    - A. ASSESSMENTS: Seller warrants that there are no encumbrances or special assessments, either pending or confirmed, for sidewalk, paving, sewer, water, or other improvements on or adjoining the Property. Any encumbrances and assessments resulting from the actions of Buyer or Buyer's agents, employees or other representatives are the responsibility of Buyer and are excluded herefrom.
    - B. CLAIMS AND SUITS: Except as disclosed in Section 4.E. below, Seller has not entered into any agreement including leases or rental agreements with reference to the Property and neither Seller nor the Property are subject to any claim, demand, suit, unfilled lien, proceeding or litigation of any kind, pending or outstanding, or to the knowledge of Seller, threatened or likely to be made or instituted which would in any way be binding upon Buyer or its successors or assigns or affect or limit Buyer's full use and enjoyment of the Property or which would limit or restrict in any way Seller's right or ability to enter into this contract and consummate the sale and purchase contemplated hereby.
    - C. COMPLIANCE WITH APPLICABLE LAWS: To the best of Seller's knowledge, Seller has complied with all applicable laws, ordinances, regulations, statutes, rules and regulations affecting the Property and to the best of Seller's knowledge no portion of the Property has been used for the production, storage or disposal of toxic or hazardous waste materials of any kind.
    - D. FOREIGN PERSON: Seller is not a "foreign persons" as defined in the Foreign Investor Reporting and Property Tax Act and shall provide an affidavit at least ten (10) days prior to closing in a form satisfactory to Buyer to such effect.
    - E. EXISTING LEASE DISCLOSURE: If applicable, Seller shall disclose if there are one or more leases affecting the Property. If applicable, a list of all Leases is set forth on Exhibit "D" attached hereto. Seller shall provide copies of all existing Leases to Buyer as part of the due diligence material to be released under Section 8. Seller affirmatively represents and warrants to Buyer that said leases are month to month and shall be terminated before Closing such that Buyer shall have exclusive possession of the Property from and after Closing.

5. PRORATIONS AND ADJUSTMENTS: Unless otherwise provided, the following items shall be prorated and adjusted between the parties or paid at closing:
  - A. At closing, ad valorem taxes on real property shall be pro-rated between Buyer and Seller to the date of closing for the year in which closing occurs. All "roll back" taxes, if any, shall be the responsibility of Seller. All ad valorem and "roll back" taxes (if any), shall be calculated and paid at closing from the proceeds due at closing. Property acquired by the Board of Education shall be released by the Property Taxing Authority from further tax liability.
  - B. All late listing penalties, if any, shall be paid by Seller.
  - C. Rents, if any, for the Property shall be retained by Seller, calculated to the date of closing.
  - D. All crop allotments, if any, shall be retained by the Sellers.
  - E. Seller shall be responsible for any brokerage commissions due as a result of this sale. Buyer by its execution hereof confirms that i) licensed real estate broker Jake Jones of Avison Young presented the property to Buyer for its consideration in the capacity of Seller's Agent or Sub-Agent, ii) Buyer's dealings with Jones were as a Seller's Agent or Sub-Agent and not as a Buyer's agent, and iii) Buyer has not been represented by a real estate broker in a Buyer's agent capacity in this transaction. Buyer agrees to indemnify and hold Seller harmless against any real estate commission claimed by any other parties allegedly representing Buyer in this transaction. Seller by its execution hereof states that if it has been represented by a real estate broker in this transaction, the identity of said broker has been disclosed (Malcolm Lewis, York Properties, Inc.), and that Seller is solely responsible for any brokerage commissions due said broker as a result of this sale.
6. LABOR AND MATERIAL: Seller shall furnish at closing an affidavit and indemnification agreement in a form satisfactory to Buyer at least ten (10) days prior to closing showing that all charges for labor or materials, if any, furnished to the Property within 120 days before the date of closing have been paid and agreeing to indemnify Buyer against all loss from any claim arising therefrom.
7. CLOSING EXPENSES: Seller shall pay for the preparation of a deed which shall be prepared by Seller's attorney and for the revenue stamps required by law. Seller shall pay for any affidavits required by this contract. Buyer shall pay for recording the deed. Buyer and Seller shall each pay their respective attorney's fees.
8. EVIDENCE OF TITLE: Seller shall deliver to Buyer within 5 business days after the acceptance of this offer copies that are reasonably available without cost of all title information available to Seller, including but not limited to title insurance policies, attorneys' opinions on title, surveys, covenants, deeds, notes and deeds of trust and easements relating to the Property.
9. ASSIGNMENT: This contract may be assigned by Buyer without necessity of written agreement by Seller, and the same shall be binding on the assignee and his heirs.
10. BINDING EFFECT: This contract shall be binding and shall inure to the benefit of the parties and their heirs, successors and assigns.
11. SURVIVAL: Any provision of this agreement which by its nature and effect is required to be observed, kept or performed after the closing shall survive the closing and remain binding upon and for the benefit of the parties until fully observed, kept or performed.
12. SELLER'S AUTHORITY: Sellers warrant and represents that they have full and complete power and authority to enter into this contract in accordance with all the provisions contained herein and

that there is no person or entity that has any interest in the Property other than the parties to this agreement. Should Sellers fail to convey title to Buyer under the terms and conditions of this contract, Sellers shall be immediately liable and shall immediately reimburse the Wake County Board of Education for all expenses incurred in its attempt to acquire approximately 3.00 acres together with all improvements thereon. Reimbursement of expenses shall not relieve Sellers of their responsibility to convey the approximately 3.00 acres together with all improvements thereon, and Buyer does not waive any additional remedies it may have as to performance by Sellers.

14. **RIGHTS OF BUYER PRIOR TO CLOSING:** Buyer, its agents, employees or other representatives shall have the right during the term of this contract to go upon the Property for the purpose of making such examinations, evaluations, investigations, surveys, engineering, topographical, geological and other tests and measurements as Buyer deems necessary or advisable. Buyer agrees to return the Property to as near its original condition as is possible after completion of tests the Buyer or its agents conduct on the Property. Buyer indemnifies and holds Seller harmless from loss, cost, damage or expense resulting from Buyer's activities on site for purposes contained herein.
15. **RISK OF LOSS:** The risk of loss prior to closing, which shall include personal property, shall be upon the Seller.
16. **POSSESSION:** Exclusive possession of the Property free and clear of occupancy by all persons, firms or corporations, whether or not under claim of right or color of title, shall be delivered to Buyer at closing on the conditions required in this Offer to Purchase and Contract.
17. **CLOSING:** The closing of the transaction shall occur on the date specified by Buyer upon three (3) business days written notice; provided that the closing shall occur no later than thirty (30) days after expiration of the Due Diligence Period. The parties agree to execute any and all documents and papers necessary in connection with the closing and transfer of title at a time, date and place designated by Buyer. The deed is to be made to Wake County Board of Education, Facilities Building, 1551 Rock Quarry Road, Raleigh, North Carolina, 27610, Attention: Betty L. Parker, Real Estate Services Senior Director.
18. **TIME IS OF THE ESSENCE:** Time is of the essence with regard to the terms and conditions contained in this Offer to Purchase and Contract.
19. **EXTENSION:** Notwithstanding the foregoing, Buyer shall have the right to extend the terms of this Contract by up to thirty (30) days by the provision of written notice prior to expiration of the term to the Seller of its desire to extend if such additional time is necessary for the completion of due diligence studies, to obtain approvals from the Board of Education, Board of Commissioners, or such other agencies necessary to satisfaction of the conditions hereinabove described. If Buyer elects to utilize the due thirty (30) day extension, fifty (50%) of the earnest money shall become non-refundable should Buyer elect for any reason not to proceed with the acquisition of the Property prior to the expiration of the Due Diligence Period and any extension thereof.
20. **COUNTERPARTS:** This offer shall become a binding contract when signed by both Buyer and Seller in two (2) counterparts with an executed counterpart being retained by each party.
21. **NOTICES:** All notices, requests and other communications hereunder shall be deemed to have been fully given, by either Party to the other, when made in writing and either a) deposited in the United States mail (sent certified, return receipt requested); b) personally delivered; c) transmitted by overnight courier for next business day delivery, d) by facsimile or e) by electronic mail but, in the case of electronic mail, only if followed by transmittal by overnight courier or hand for delivery on the next Business Day, to the addresses of Buyer and Seller set forth below or to such other addresses as the Parties may, from time to time, designate by written notice.

To Seller: Jeffrey B. Harrison, Manager  
J.B. Harrison Properties, LLC  
Post Office Box 364  
Wrightsville Beach, NC 28480-0364  
Email: jharrisonlkn@bellsouth.net

w/copy to: Henry P. Van Hoy II  
Martin & Van Hoy, LLP  
Ten Court Square  
Mocksville, North Carolina 27028  
Email: hvh@mvhlaw.com

To Buyer: Wake County Public School System  
Attn: Superintendent  
5625 Dillard Drive  
Cary, North Carolina 27518

w/copy to: Wake County Public School System  
Attn: Real Estate Services Senior Director  
1429 Rock Quarry Road, Suite 116  
Raleigh, North Carolina 27610  
Email: bparker@wcpss.net

& w/copy to: Kenneth C. Haywood, Esq.  
Boxley, Bolton, Garber & Haywood  
Post Office Drawer 1429  
Raleigh, North Carolina 27602  
Email: khaywood@bbghlaw.com

22. MEMORANDUM OF CONTRACT: Each party hereto reserves the right to obtain upon request the execution by the parties of a Memorandum of Contract suitable for recordation in the Office of the Register of Deeds of Wake County. The requesting party shall pay all expenses for preparation and recordation of said Memorandum(s). This contract itself may not be recorded without the prior written permission of Buyer and Seller. If Buyer records a memorandum of contract, Buyer shall furnish a notice of termination that Seller can record, which notice shall be in form and substance reasonably satisfactory to Seller.
24. ENTIRE UNDERSTANDING: This contract constitutes the entire understanding between the parties. It may not be modified orally or in any manner except by agreement in writing by the parties hereto.
25. TAX-DEFERRED EXCHANGE: In the event Buyer and Seller wish to effect a tax-deferred exchange or bargain sale transaction in connection with the conveyance of the Property, Buyer and Seller agree to cooperate in effecting such exchange, providing, however, that the exchanging party shall be responsible for all additional costs associated with such exchange, and providing further that the non-exchanging party shall not assume any additional liability with respect to such tax-deferred exchange or bargain sale. Seller and Buyer shall execute such additional documents, at no cost to the non-exchanging party, as shall be required to give effect to this provision, including the execution of Form 8283 to be attached to Seller's tax return.

*\*\*\* Balance of page left intentionally blank. Signatures appear on subsequent pages \*\*\**

IN WITNESS THEREOF, the parties have hereunto set their hands and seal the day and year indicated below.



**BUYER:**

THE WAKE COUNTY BOARD OF EDUCATION

By: [Signature]  
THOMAS C. BENTON, CHAIR

Attest: [Signature]  
JAMES G. MERRILL, Secretary/Superintendent

Date: 7/1/16

**SELLER:**

J.B. HARRISON PROPERTIES, LLC  
A North Carolina Manager Managed Limited Liability Corporation

By: [Signature]

TITLE: Manager

Date: 06/02/2016



**Exhibit "A":**  
**Legal Description:**

The subject Property is located on the northern side of Carl Sandburg Court east of its intersection with Sunnybrook Road, Raleigh, Wake County, North Carolina, and consists of a  $\pm 3.00$  acre parcel having Wake County PIN #1723-49-3484, Real Estate ID #0266882, a street address of 3351 Carl Sandburg Court, Raleigh, North Carolina, 27610, and being more particularly described as follows:

Being all of LOT 1 as shown on a Plat recorded in Book 2000, Page 114, Wake County Registry, and entitled "Recombination and Subdivision Map, Lots 1 & 2 of Lot 5, and Lot 6 Sungate as recorded in Book of Maps 1989 Page 960 Except Portion Removed by M.B. 1989 PG. 962", which Plat was prepared by Niall Gillespie, P.L.S. on 9-23-99, drawing # R-296-99, S-121-99, File - Sungates.

The exact dimensions and description of the Property will be determined in accordance with the Survey/Subdivision/Recombination Plat, but Seller and Buyer agree that the description of the Property set forth above shall be deemed sufficient to describe the Property to be conveyed, and Seller and Buyer each hereby waives any defense to enforcement of this contract based on vagueness of the description of the Property. The legal description of the Property to be conveyed by deed to Buyer shall be drawn from the Survey/Subdivision/Recombination Plat.

BKEM2000PG00114

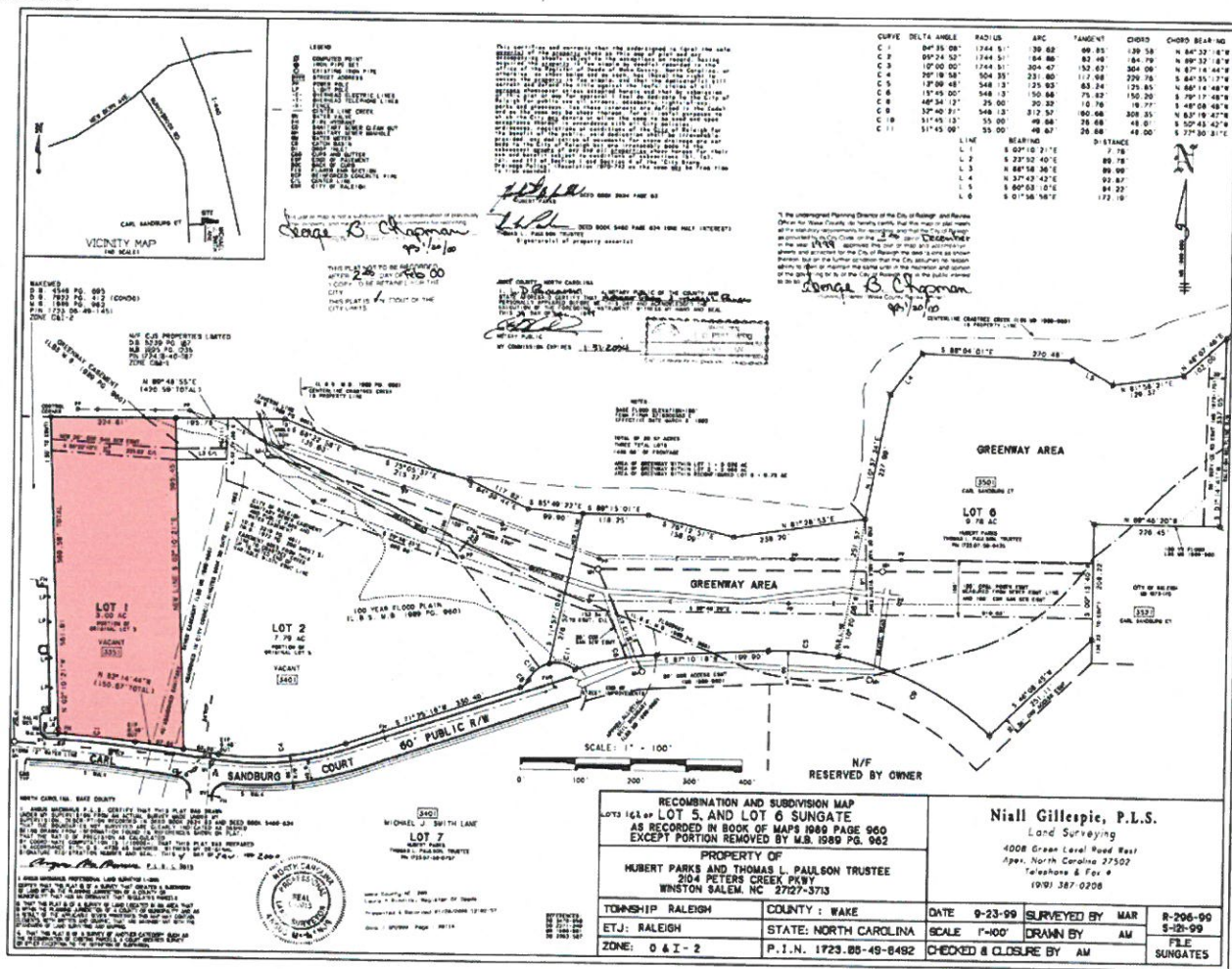
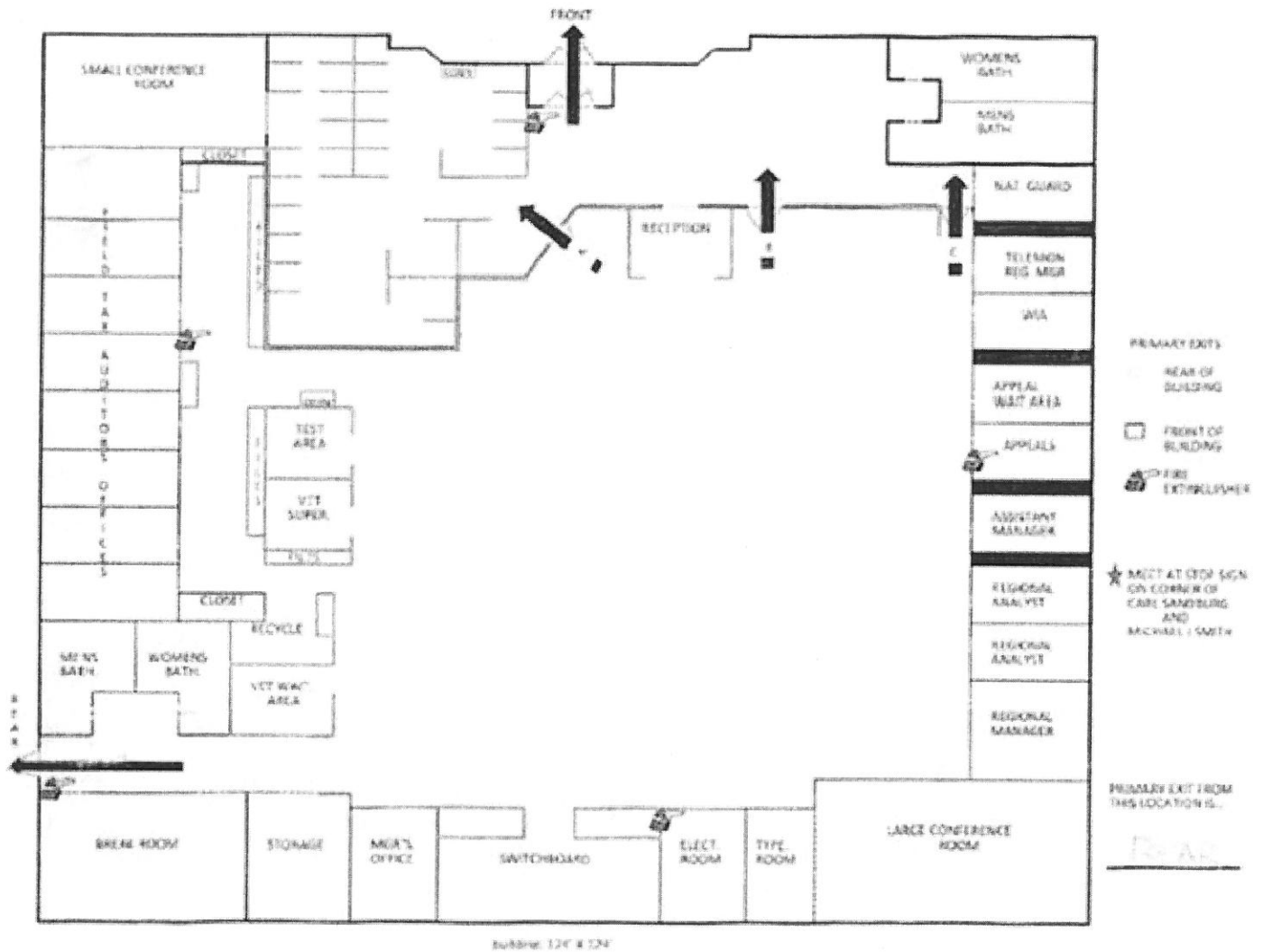




Exhibit "B"  
Wake County GIS Aerial Photo of Subject Property:  
PIN #1723-49-3484



**Exhibit "C"**  
**Existing Floor Plan of Subject Property:**  
**PIN #1723-49-3484**



**Exhibit "D"**  
**Existing Leases:**



# Kirkland Appraisals, LLC

Richard C. Kirkland, Jr., MAI  
9408 Northfield Court  
Raleigh, North Carolina 27603  
(919) 414-8142  
[rkirkland2@gmail.com](mailto:rkirkland2@gmail.com)  
[www.kirklandappraisals.com](http://www.kirklandappraisals.com)

July 11, 2016

Ms. Betty Parker  
Wake County Public School System  
1429 Rock Quarry Road, Suite 116  
Raleigh, North Carolina 27610

Ms. Parker:

Thank you for considering Kirkland Appraisals, LLC for your commercial real estate appraisal needs. In response to your request I propose the following guidelines for the appraisal requested:

Property:	3351 Carl Sandburg Ct, Raleigh, NC
Scope:	Inspection, highest and best use analysis, cost approach, sales comparison approach, income approach.
Due:	August 15, 2016 or 30 days from signed engagement letter, whichever comes last
Fee:	\$2,495
Client:	Wake County Board of Education
Copies for Client:	Pdf, 2 print copies
Special Considerations:	None noted.

This appraisal will be prepared in accordance with and subject to the requirements of the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute and the Uniform Standards of Professional Appraisal Practice (USPAP) as established by the Appraisal Standards Board of the Appraisal Foundation. The appraisal will also be subject to assumptions and limiting conditions, which are standard and will be clearly outlined in the appraisal report.

Sincerely,



Richard C. Kirkland, Jr., MAI  
State Certified General Appraiser

By my signature at the bottom of this letter, I do hereby agree to this fee quote and delivery schedule and authorize you to proceed with the appraisal.

\_\_\_\_\_(Signature)\_\_\_\_\_(Date)