



April 13, 2016

Mark Edmondson
Wake County
Facilities Design & Construction
PO Box 550
Raleigh, NC 27602

Subject: Two Parcels on Robertson Pond Road, Wake County, NC

Dear Mr. Edmondson:

In response to your recent request I am submitting this review of three appraisals of the property identified above. This property will sometimes hereinafter be referred to as the "subject property."

Maps, deeds and the Wake County property record cards for the property are available in my work file for this assignment. Copies of the appraisals being reviewed and the John Phelps survey (12/23/15) are also available in my work file.

The effective date of this review is March 23, 2016. I have not made a recent inspection of the property. My most recent visit to the property was on January 21, 2013.

Hester & Company's client for this report is Wake County. This report and its contents are intended for this client's use only and Hester & Company takes no responsibility for its unauthorized use. This letter must remain attached to the report in order for the opinions expressed herein to remain valid.

The purpose of this analysis is it to assist Wake County in reconciling opinions of value provided by three appraisal reports prepared for two different clients. Specifically, two of the appraisals were prepared on behalf of the property owner as the client and the third was prepared on behalf of Wake County as the client. Wake County intends to use the reconciled estimate of value to assist in negotiating for the acquisition of the property.

Mark Edmondson
April 13, 2016

This report is subject to the Uniform Standards of Professional Appraisal Practice (USPAP) adopted by the Appraisal Standards Board of the Appraisal Foundation. Specifically, this review is intended to comply with the requirements of Standard Rule 3 — Appraisal Review, Development and Reporting of USPAP. This review 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.

As permitted under Standard Rule 3-2(c) this report includes the development of the reviewer's own opinion of value.

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

I have not performed any services regarding the subject property, as an appraiser or in any other capacity, within the last three years immediately preceding my acceptance of this assignment.

I hope this appraisal report will be acceptable for your purposes. If you have questions, or if you require additional information, please call and I will be glad to discuss the report with you.

Sincerely,



J. Thomas Hester, MAI, CCIM
State Certified General Appraiser



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INTRODUCTION

PROPERTY IDENTIFICATION

Street Address	Real Estate ID# (REID)	Property ID# (PIN)	Land Acres	Gross Bldg Area
6231 Robertson Pond Rd	0023172	1775-23-3785		N/A
Suggestion to Sell			60.3279	
Suggestion to Keep			6.9155	
6301 Robertson Pond Rd	0173503	1775-33-1004	2.9280	2,380
			70.1714	2,380
NOTE: Land areas based on survey by John Y. Phelps entitled "G&F Properties" and dated 12/23/15. Land area marked "Suggestion to Keep" on survey proposed to be recombined into 6301 Robertson Pond Road.				

Aerial Photograph (2013)



PURPOSE AND INTENDED USE OF APPRAISAL REVIEW

Effective Date of Review: March 23, 2016

Date of Inspection: Not currently inspected for this review

Client for this Review: Wake County

NOTE: No third parties are authorized to rely on this report or its conclusions without the express written consent of Hester & Company.

Other Intended User(s): None

Purpose of the Review: Analyze reliability of appraisals by third parties. If appropriate develop an opinion of market value of the identified property or property rights as of the specific date of review. Valuation based on the highest and best use of the property.

Client's Reported Use: To assist in negotiation for acquisition of the property.

Property Rights Analyzed: Fee simple

Type of Appraisal Analysis: Appraisal review. If separate opinion is presented this should be considered a Restricted Appraisal, intended for client's use only.

Extraordinary Assumptions: None

Hypothetical Conditions: None

Highest and Best Use:

As Though Vacant: Single family residential subdivision

As Improved: Single family residential subdivision

Use Analyzed in Analysis: Highest and best use

Estimated Marketing Time: 12 months

Estimated Exposure Time: 12 months

IDENTIFICATION OF APPRAISALS FOR REVIEW

INTEGRA APPRAISAL — LAND AS THOUGH RECOMBINED

Property Name: G&F Properties, LLC Tract

Appraisal Firm: Integra Realty Resources - Raleigh
File #167-2015-0551

Appraiser: Chris R. Morris, MAI, FRICS
NC Certificate #A266

Client: G&F Properties, LLC

Date of Appraisal: October 21, 2015

Date of Report: October 26, 2015

Report Format: Appraisal Report — Standard Format

Property Address: 6231 Robertson Pond Road
Wendell, Wake County, NC

Tax Parcel ID Number (PIN): 1775.03-23-3785 (out of)

Real Estate ID (REID): 0023172

Property Owner: G&F Properties, LLC

Current Use of Property: Agriculture

Land Area: 75.25 acres

Property Rights Appraised: Fee simple

Extraordinary Assumptions: None

Two Parcels on Robertson Pond Road, Wake County, NC

Hypothetical Conditions: 6.5 acres of parcel recombined into adjacent residential parcel in related ownership. Stated on page 2 of Transmittal Letter and page 1 of report, with recombination survey presented on page 21.

Market Value Conclusion: \$1,300,000
\$17,276 per acre

DEC APPRAISAL — LAND AND RESIDENCE

Property Name: G&F Properties, LLC Tract
Gehrke Residential Parcel

Appraisal Firm: Dec Appraisal Service

Appraiser: Arthur W. Dec
NC Certificate #A4710

Client: Wake County Facilities Design & Construction

Date of Appraisal: October 9, 2015

Date of Report: October 23, 2015

Report Format: Appraisal Report — Standard Format

Property Address: 6231 Robertson Pond Road
6301 Robertson Pond Road
Wendell, Wake County, NC

Tax Parcel ID Number (PIN): 1775-23-3785
1775-33-1004

Real Estate ID (REID): 0023172
0173503

Property Owner:
0023172 G&F Properties, LLC
0173503: Edward James Gehrke, II and Marynell Gehrke

Current Use of Property: Agriculture

Land Area: 81.75 acres
2.90 acres (improved with single family dwelling)

Property Rights Appraised: Fee simple

Extraordinary Assumptions: None

Hypothetical Conditions: None

Two Parcels on Robertson Pond Road, Wake County, NC

Market Value Conclusion:

0023172:	\$1,145,000 (\$14,000 per acre) plus \$90,000 current value of farm improvements = \$1,235,000.
0173503:	\$270,000

***BENNETT APPRAISAL — RESIDENCE AS THOUGH
RECOMBINED***

Property Name: Gehrke Residential Parcel

Appraisal Firm: Bennett Appraisal Group

Appraiser: Randolph C. Bennett
NC Certificate #A5482

Client: Edward J. Gehrke II

Date of Appraisal: October 21, 2015

Date of Report: October 27, 2015

Report Format: Restricted Appraisal Report

Property Address: 6301 Robertson Pond Road
Wendell, Wake County, NC

Tax Parcel ID Number (PIN): 1775-33-1004
1775-23-3785 (6.907 acres out of)

Real Estate ID (REID): 0173503
0023172 (out of)

Property Owner:
0173503: Edward James Gehrke, II and Marynell Gehrke

Current Use of Property: Single Family Residential

Land Area: 9.397 acres as though recombined

Property Rights Appraised: Fee simple

Extraordinary Assumptions: None

Hypothetical Conditions: Lot will be recombined with adjacent property to create 9.397 residential lot to include four stall horse barn, fencing, and a detached workshop/office.

Market Value Conclusion: \$550,000

SCOPE OF REVIEW

Hester & Company completed the following steps in developing this review and the separate opinion of value presented in this report:

- 1. Researched the public record and municipal publications for information regarding the property.*
- 2. J. Thomas Hester did not inspect the site or the improvements. I perviously visited the property on January 21, 2013 but did make a formal inspection of the property and did not go inside any of the structures.*
- 3. I have not inspected the comparable sales used in any of the appraisals addressed in this review.*
- 4. Obtained information regarding the property from Mark Edmondson. The information obtained included copies of the appraisals and a copy of the John Y. Phelps survey..*
- 5. Determined an appropriate measurement of land area from the survey obtained from my client.*
- 6. Obtained an estimate of the gross building area from the Wake County Revenue Department property record card. I did not personally measure the buildings.*
- 7. Researched information on comparable land sales.*
- 8. Verified and analyzed the data and applied the sales comparison approach.*

The development and reporting of the opinion of value presented in this document comply with the *Uniform Standards of Professional Appraisal Practice* (USPAP).

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, my interpretation of the

guidelines and recommendations set forth in the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA).

COMPETENCY STATEMENT

I am competent to complete this appraisal assignment as defined herein. As required by USPAP I have the ability to properly identify the problem to be addressed; the knowledge and experience to complete the assignment competently; and recognition of, and compliance with, laws and regulations that apply to the assignment.

A summary of my credentials is available in the *Qualifications* section at the end of this report.

DEFINITIONS

MARKET VALUE

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

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

From the Federal Register Interagency Appraisal and Evaluation Guidelines, Federal Register/Vol. 75, No 237, FR 77449 December 10, 2010

<https://www.federalregister.gov/articles/2010/12/10/2010-30913/interagency-appraisal-and-evaluation-guidelines>.

HIGHEST AND BEST USE

Highest and Best Use: That reasonably probable and legal use of vacant land or an 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: The uses that the present public and private restrictions (e.g. zoning regulations and deed restrictions) permit.

Physical Possibility: The uses that are physically possible considering the 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 use that produces the highest price or value consistent with the rate of return warranted by the market.

MARKETING TIME

An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal.

Source: *The Dictionary of Real Estate Appraisal*, 6th Edition, The Appraisal Institute.

EXPOSURE TIME

The estimated length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the date of the appraisal.

Source: The Dictionary of Real Estate Appraisal, 6th Edition, The Appraisal Institute.

EXTRAORDINARY ASSUMPTION

An assumption, directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser's opinions or conclusions.

Source: The Dictionary of Real Estate Appraisal, 6th Edition, The Appraisal Institute.

HYPOTHETICAL CONDITION

- 1. A condition that is presumed to be true when it is known to be false.*
- 2. A condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis.*

Source: The Dictionary of Real Estate Appraisal, 6th Edition, The Appraisal Institute.

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 plus the site value.

Because of the scope of this assignment and the characteristics of the property this appraisal does not include a cost approach to 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 properties. Adjustments are made to the sales prices of each of the comparable properties to account for their differences from the appraised

property. The adjustments are made on a per-unit basis, such as price per square foot or price per acre.

Because of the scope of the this assignment and the characteristics of the property this appraisal does not include a sales comparison approach to value.

INCOME APPROACH

The income approach to value is a valuation technique based on the capitalization of the income stream of a given property. 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. In the income capitalization approach, the net operating income is divided by a rate of return to derive an indication of value. The rate at which the income stream is "capitalized" is based on market research and current lending conditions.

Because of the scope of the this assignment and the characteristics of the property this appraisal does not include an income approach to value.

RECONCILIATION

Finally, the indications of value by the various 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.

APPRAISAL REVIEWS

REVIEW OF INTEGRA APPRAISAL

Scope of Work:	Appropriate, adequate
Description of Property:	Appropriate, adequate
Level of Research:	Appropriate, adequate, credible
Reliability of Data:	Appropriate, adequate, credible
Valuation Methodology:	Appropriate, adequate, credible
Level of Analysis:	Appropriate, adequate (see Remarks)
Compliance with USPAP:	Compliant

REMARKS

Integra Realty Resources appraiser Chris R. Morris provides a thorough, detailed appraisal of 75.25 acres of land.

The report is based on the hypothetical condition that two adjacent parcels in related ownership have been recombined such that 6.5 acres within the larger tract are made part of the smaller residential parcel. This hypothetical condition is clearly stated on page 2 of the transmittal letter, page 1 of the report, and supported with an unrecorded recombination survey on page 21. The subject of the report is the remaining 75.25-acre parcel as though 6.5 acres have been carved out.

Descriptions of the property on pages 16, 17, and 22 reference a cell tower easement covering 150,000 square feet (3.44 acres) of the subject property. The report also identifies flood hazard areas indicated by a Wake County GIS map (page 24).

The report summarizes six recent land sales on pages 31 through 33, and provides more details in the Land Sale Profiles in the addenda of the report. An adjustment grid is presented on page 35. The sales occurred between September 2013 and June 2015. The date of appraisal was October 21, 2015.

Two of the comparable properties have very limited access that would not permit subdivision to lots smaller than 10 acres. However, the parcels were purchased by an adjacent owner with better access through adjacent land. The appraiser made no adjustments for the condition of sale to an adjacent owner, but he did make adjustments for the limited access. On both points I consider this analysis to be appropriate.

The other four comparables were sales to Wake County, my client for this review. Wake County is a government entity with the power of condemnation, although I do not believe any of these properties were purchased through the direct use of this power. Typically only limited reliance on sales to a government entity would be appropriate. However, because sales of large tracts of land in the eastern quadrant of Wake County have been very scarce in the last five years, and because the County activity is presumed to be well known in the local community and therefore influential in the local perception of value, it is appropriate to consider sales to Wake County.

I have reviewed the appraiser's analysis of the comparable sales. From the narrative on page 34 it appears that the adjustment for floodplain or flood hazard soils is included in the "Shape & Topography" adjustment. It appears that only one comparable was adjusted for floodplain (Comparable 6). The other five were adjusted downward by 5 percent for the cell tower easement, but not Comparable 6 (part of the easement falls on this land, which is adjacent on the east).

Using Wake County GIS data I have investigated the amount of flood hazard areas, both FEMA floodplain and flood hazard soils, on the subject property and each of the comparable properties. Chris Morris does not include this specific data in the Land Sale Profiles or on the Land Sales Adjustment Grid; however, upon review I conclude that the adjustments for "Shape & Topography" adequately reflect the differences in flood hazard areas among the comparable sales and the subject property. I also conclude that the adjustments for "Easements" is appropriate and adequate.

CONCLUSIONS

Morris concludes at \$17,250 per acre. I conclude that the valuation method is appropriate, the research and data collection is reliable, and the analysis is credible. Therefore I conclude that the value estimate developed and presented in the Integra Realty Resources report is credible.

REVIEW OF DEC APPRAISAL

Scope of Work:	Appropriate, adequate
Description of Property:	Appropriate, adequate
Level of Research:	Appropriate, adequate, credible
Reliability of Data:	Appropriate, credible
Level of Analysis:	Appropriate, adequate, credible
Compliance with USPAP:	Compliant

REMARKS — LAND VALUE ESTIMATE

Dec Appraisal Service appraiser Arthur W. Dec provides a thorough, detailed appraisal of 81.75 acres of land plus a 2.90-acre residential parcel with dwelling and utility improvements.

The report analyzes the parcels as they are currently configured and is not based on the hypothetical condition that the two adjacent parcels have been recombined.

Dec reports on five recent land sales starting on page 55. The sales occurred between September 2013 and December 2014. The date of appraisal was October 9, 2015. An adjustment grid is presented on page 65.

Three of the comparable sales are were also used in the Integra report (Dec's Land Sales 1, 2, and 5). Of the other two, Land Sale 4 was the sale in December 2014 from Crescent State Bank to Wake County. Dec made a significant upward adjustment for the condition of sale from a bank (usually considered a motivated seller). The other sale not considered by Integra was a parcel purchased by the City of Raleigh, like Wake County a government entity with the power of condemnation.

Dec did not consider any land sales that occurred during 2015. The Integra report included two sales from 2015, both just over \$15,000 per acre but with limited access (Integra Land Sales 1 and 2).

Dec did not adjust the land sales for changes in value over time. Based on general market activity throughout Wake County and surrounding counties I believe that property values have begun to increase in the last few years and

will continue to increase over the next few years. Integra adjusted the land sale comparables upward by 3 percent per year for appreciation. I believe that is an appropriate adjustment.

On the grid on page 65 Dec makes adjustments for floodplain on each of the properties, relative to the amount on the subject property. However, he identifies only 10 percent floodplain on Land Sale 5. This property is adjacent to the subject property on the east and is roughly 95 percent within Robertson Pond. This property was sold from the owner of the subject property to Wake County in 2013. Dec makes a downward adjustment of 5 percent for less floodplain on this property compared to the subject property. This is not an adequate analysis of this comparable sale property and the adjustment is not appropriate. Chris Morris in the Integra appraisal made an upward adjustment of 40 percent, which I consider to be more appropriate.

Dec made no adjustments to Land Sales 1 and 2 for the larger land area. I believe at least a small adjustment for size would be appropriate.

Dec acknowledges the cell tower easement (page 11) but concludes that it would not adversely affect marketability. In his adjustment grid no adjustment is made for the easement.

CONCLUSIONS — LAND VALUE ESTIMATE

Dec concludes that the 81.75-acre tract has a value of \$14,000 per acre, or \$1,145,000 total. Dec adds \$90,000 to the land value as the contributing value of the farm improvements. No support is offered for this estimate of the improvement value.

I conclude that the valuation method is appropriate and the research and data collection is generally reliable. However I do not think the adjustments for appreciation, location, property size, the existing cell tower easement, and the large percentage of wetlands on Land Sale 5 (the adjacent property) are adequate.

I have made an independent investigation for recent large tract sales in eastern Wake County north of Knightdale and Wendell but south of Rolesville. I did not find any additional sales in the last two years other than the comparables considered in these two appraisals.

REMARKS — RESIDENTIAL VALUE ESTIMATE

The Dec Appraisal Service report also includes an estimate of the value of a 2.90-acre residential parcel with dwelling and utility improvements.

The residential analysis considers five sales of similar properties dating from June 2014 to August 2015. The comparable properties appear to be similar in terms of location, gross building area, and building age.

The comparable properties are all located on lots smaller than the 2.90-acre residential site of the subject property. Dec adjusted for lot size based on \$2,500 per acre. This adjustment rate appears too low, considering that the appraisal includes an estimate of the large adjacent agricultural tract at \$14,000 per acre. He clarifies the distinction between “excess acreage” and “surplus acreage” on page 85, but I still consider \$2,500 per acre too low.

The table below calculates what the adjusted prices would be if a surplus value land value of \$17,250 is utilized instead of \$2,500 per acre.

	Sale 1	Sale 2	Sale 3	Sale 4	Sale 5	Subject
Lot Sizes	0.93	1.13	0.81	0.77	1.81	2.9
Dec Adjustments	\$4,925	\$4,425	\$5,225	\$5,325	\$2,725	\$2,500
H&Co Suggested	\$33,983	\$30,533	\$36,053	\$36,743	\$18,803	\$17,250
Difference	\$29,058	\$26,108	\$30,828	\$31,418	\$16,078	
						Average:
Dec Adjusted \$	\$256,925	\$277,950	\$271,875	\$279,575	\$268,225	\$270,910
						Average:
With Increased Lot \$	\$285,983	\$304,058	\$302,703	\$310,993	\$284,303	\$297,608

CONCLUSION — RESIDENTIAL VALUE ESTIMATE

I have not inspected the dwelling that is the subject of this report nor have I inspected the comparable sales. I have not attempted to alter or edit the adjustment grid in the Dec appraisal except for the surplus land value as discussed above. But relying on the Dec comparable sales analysis with this one adjustment the average adjusted sales price from the comparable sales would be \$297,608, rounded to \$300,000.

I also point out that the horse barn and fencing are not located on the residential property as identified in the Dec appraisal. Dec estimates the value of these farm improvements at \$90,000, which he assigns to the land component of the property. If the land were to be sold for development at its highest and best use these farm improvements would have little or no contributing value. If the residential property were to be sold separately these improvements could have contributing value. Adding the estimated value of the farm improvements to Dec's estimate of the value of the residential property would result in a total value of \$390,000. To achieve this value, however, the parcels would need to be recombined to include the horse barn on the residential lot.

REVIEW OF BENNETT APPRAISAL

Scope of Work:	Appropriate, adequate
Description of Property:	Appropriate, adequate
Level of Research:	Appropriate, adequate, credible
Reliability of Data:	Appropriate, adequate, credible
Level of Analysis:	Appropriate, adequate
Compliance with USPAP:	Compliant

REMARKS

Bennett Appraisal Group appraiser Randolph C. Bennett provides a form appraisal of a 9.397-acre residential parcel as though recombined to incorporate part of the adjacent agricultural parcel into the residential parcel.

Bennett reports on three recent residential sales on large lots, two with some farm improvements. The sales occurred between December 2014 and October 2015. The date of appraisal was October 21, 2015.

I have not made an independent investigation for recent residential sales in eastern Wake County north of Knightdale and Wendell but south of Rolesville. I have not independently investigated the comparable sales used in the Bennett appraisal (other than location and other Wake County GIS data) and I have not visited the properties.

For Sale 1 Bennett makes an adjustment for lot size of \$40,000. Sale 1 has a land area of 7.56 acres compared to 9.397 acres for the subject property, a difference of 1.837 acres. The \$40,000 adjustment equates to a value of the excess land of \$21,775 per acre. Sale 2 has a larger lot, but Bennett makes no adjustment. Applying the same implied \$21,775 per acre value of the excess land indicated by the adjustment to Sale 1 to the larger lot of Sale 2 would result in a downward adjustment to Sale 2 of \$20,750. I also consider the location of Sale 2 to be at least 10 percent superior (\$65,000), with close proximity to Interstate 540 and US Highway 401. With adjustments for lot size and location the revised adjusted sale price of Sale 2 would be \$524,190 and the revised average of the sales prices would be \$518,063, rounded to \$520,000.

On the adjustment grid on page 3 Bennett makes an upward adjustment of \$75,000 to Sale 1 for lack of farm improvements, relative to the subject property. This is effectively estimating the contributing value of the farm improvements at \$75,000 (compared to Dec's estimate at \$90,000). I consider this to be a reliable estimate of the contributing value of the farm improvements if recombined onto the residential parcel.

CONCLUSION

Bennett concludes that the residential property as recombined has a value of \$550,000.

I conclude that the valuation method is appropriate and the research and data collection is generally reliable. However I do not think his adjustments for location and excess land are adequate. With revised adjustments I consider the more appropriate indication of value to be \$520,000.

RECONCILIATION

One additional issue has not been identified in any of the three appraisals. If the two parcels are recombined then the residential parcel will control all of the road frontage except 148 feet to the east of the existing residential parcel. This is sufficient frontage width to construct a subdivision street. But a small drainage way with flood hazard soils crosses this area roughly parallel to the road, which would make access here a bit more expensive. If the parcels were to be sold to different parties, with the residential property to remain as it is but the larger tract to be developed as a single family subdivision, limiting the access to the larger tract to this one, more difficult location would most likely result in a lower per acre value. A downward adjustment of 5 percent would be appropriate, which would result in a reduction in total land value from \$17,250 to \$16,400 per acre, or \$990,000 (60.3279 ac. x \$16,400/ac.).

Based on the analysis discussed in this report a reconciliation of the appraisals and the estimates of value is presented below:

RECONCILIATION

	Integra	Bennett	Gerkhe Totals	Dec	Dec Residenti al	Wake Totals	H&Co Land	Residential	Total
Acres	75.25	9.397	84.647	81.75	2.90	84.65	60.3279	9.8435	70.1714
\$/Acre	\$17,250			\$14,000			\$16,400		
Total Acreage \$	\$1,300,000		\$1,300,000	\$1,140,000		\$1,140,000	\$990,000		\$990,000
Farm Improvements				\$90,000		\$90,000	\$0	\$0	\$0
Residential		\$550,000	\$550,000		\$270,000	\$270,000		\$520,000	\$520,000
Total			\$1,850,000	\$1,230,000	\$270,000	\$1,500,000	\$990,000	\$520,000	\$1,510,000

CONCLUSION

I conclude that if the parcels are to be utilized separately the best estimate of market value derived by a reconciliation of the appraisals reviewed in this report is \$1,510,000.

If the parcels are to be used together, and the proposed recombination is for the currently property owner's internal financial purposes only, then I would estimate the large tract land value at \$17,250 per acre. Using the same calculations as shown above but at this higher rate, the resulting estimate of the large tract land value would be \$1,040,000 and the overall value would be \$1,560,000.

REPORT CONCLUSION

ASSUMPTIONS AND LIMITING CONDITIONS

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

1. 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.
2. 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.
3. I am appraising the property as though free and clear of any and all liens or encumbrances unless otherwise stated.
4. I assume that the property is under responsible ownership and competent property management.
5. I believe the information furnished by others is reliable, but I give no warranty for its accuracy.
6. 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.
7. 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.

8. 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.
9. 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.
10. 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.
11. Hester & Company is 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.
12. 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.
13. Possession of this report, or a copy thereof, does not carry with it the right of publication.

14. 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 Hester & Company.
15. 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 Hester & Company, and then only with proper qualifications.
16. Any value estimates provided in this report apply to the entire property, and any division of the total into fractional interests will invalidate the value estimate, unless such division of interests has been set forth in the report.
17. 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.
18. 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.
19. 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.
20. 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.
21. This report is not intended to include an estimate of any personal property contained in or on the property, unless otherwise state.

CERTIFICATION -- J. THOMAS HESTER

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 the works under review 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 the work under review 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 is not contingent on an action or event resulting from the analyses, opinions, or conclusions in this review or from its use;
7. My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined assignment results or assignment results that favor the cause of the client, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of the appraisal;
8. My analyses, opinions, and conclusions were developed and this review 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. As of the date of this report I have completed the requirements of the continuing education program of the Appraisal Institute;
11. I have not made a personal inspection of the subject of the work under review;
12. No one provided significant real property appraisal review assistance to the person signing this certification;
13. I have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of the work under review within the three year period immediately preceding acceptance of this assignment.

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.



J. Thomas Hester, MAI, CCIM
State Certified General Appraiser



QUALIFICATIONS

J. THOMAS HESTER, MAI, CCIM

EMPLOYMENT HISTORY

July, 1988 to Present: Doing business as Hester & Company, 228 Fayetteville St., Ste. 200, P.O. Box 1311, Raleigh, NC 27601. (919) 821-7222. From 1988 to 2007 engaged primarily in appraisal of commercial real estate. Currently engaged in personal investment management and real estate consulting.

July, 1981-May 1988: Worthy & Wachtel & Associates, 3803-B Computer Drive, Raleigh, NC, 27609. (919) 781-6300. Employed as Associate Appraiser and Appraiser. Became partner in 1985.

PROFESSIONAL AFFILIATIONS

- MAI (Member, Appraisal Institute) designation 5/18/88 -- Member Number 7816
- CCIM (Certified Commercial Investment Member) designation 11/7/02 -- Certificate #10576
- State Certified General Real Estate Appraiser -- Certificate Number A1765
- Real Estate Broker's License issued by the N.C. Real Estate Licensing Board
- Member -- North Carolina Association of Realtors
- Member -- Triangle Commercial Association of Realtors (TCAR)
- Appraisal Institute -- N.C. Chapter, Chapter Secretary 2000; Chapter Treasurer 2001; Chapter Vice President 2002; Chapter President Elect 2003; Chapter President 2004.

EDUCATION

1980 BA graduate of the UNC-CH, with majors in English and Psychology
1981 N.C. Teaching Certificate (Secondary English)

EXPERT WITNESS EXPERIENCE

Qualified and testified as an expert witness in N.C. Superior Court, N.C. Bankruptcy Court, before the Raleigh City Council, the Wake County Board of Adjustment, the Durham County Board of Adjustment and the North Carolina Property Tax Commission.