

Appraisal Report
Of A Property Located at
727 North Rogers Lane
Raleigh, North Carolina



AS OF
January 26, 2018

PREPARED FOR
Ms. Susan R. Wyatt

Kirkland File Number 2018025



Kirkland
Appraisals, LLC

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February 17, 2018

Ms. Susan R. Wyatt
731 North Rogers Lane
Raleigh, North Carolina 27610-2111

Subject: 727 North Rogers Lane, Raleigh, North Carolina

Dear Ms. Wyatt:

In response to your recent request I have prepared this appraisal for the property known as 727 North Rogers Lane, Raleigh, North Carolina.

The subject site includes 58.320 acres (2,540,419 square feet) of land and existing improvements located on the west side of North Rogers Lane at Seaspray Lane, with a street address of 727 North Rogers Lane, in Raleigh, Wake County, North Carolina. The existing improvements consist of a two residential dwellings that would require demolition for the highest and best use of the site. The property is subject to a conservation easement that limits the site to a total of three dwellings and a possible education building, but no subdivision of the tract is allowed. The property is currently owned by Susan R. Wyatt. It is currently owner occupied. 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 January 26, 2018. The purpose of this report is to develop an opinion of the value of the property as of January 26, 2018 for asset management and possible sale.

I appraised this tract in 2013 for the owners as part of the creation of the conservation easement and determined the impact on the value for the owner.

Ms. Susan R. Wyatt
February 17, 2018

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

58.320 ac. x \$13,000 per ac. = \$758,160

Rounded \$758,000

Kirkland Appraisals' client for this report is Ms. Susan R. Wyatt. 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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March 26, 2018

Ms. Susan R. Wyatt
731 North Rogers Lane
Raleigh, North Carolina 27610-2111

Subject: 727 North Rogers Lane, Raleigh, North Carolina

Ms. Wyatt:

The purpose of this letter is to address the question of retained value for the proposed leaseback of two residences on this property at below market rates.

The original appraisal is dated February 17, 2018, with an inspection date of January 26, 2018. At your request I have updated this appraisal with additional information as presented in this Restricted Appraisal Report. This letter must be attached to the original Appraisal Report. I did not re-inspect the property and this analysis assumes that there have been no physical changes to the property since January 26, 2018. Furthermore, this report assumes that the descriptions of the two residences as shown on the tax cards are accurate. I did not measure or inspect those buildings as part of the original appraisal as they are intended for demolition for the highest and best use of the property.

I provided an earlier draft of this update on March 24, 2018. This updated version of that draft also addresses the question of the date of value. I have researched the local market and found no additional sales for consideration. I would not make a time adjustment to the sales in the original report for the difference in time from January 26, 2018 to March 26, 2018. I therefore consider the values identified in the original report to also be the values as of March 26, 2018.

The first residence is the owner's primary residence. According to Ms. Wyatt, while the overall property is to be donated to Wake County, she will retain the right to live rent free in her dwelling and her daughter will retain the right to live rent free in the second residence for a period of time to be determined. I have therefore considered the value of a below market leaseback for each of the dwellings for one to five years so that the owners can use that information to assist in determining what time frame they wish to arrange for in the charitable donation. These will be non-transferable leases with no right of sublet. The owner is also retaining the right to walk on the property for her and her daughter prior to the opening of the site as a public park. I have not considered that right to have any marketable value and therefore do not consider that to have any retained market value.

Ms. Wyatt also indicated that the subject property contains an additional acre within the right of way of North Rogers Lane that was not identified in the original appraisal report. I do not attribute any value to acreage subject to a right of way, and the market typically does not consider that acreage in the marketable area. I therefore consider this to be a distinction without a difference in value.

The first residence is indicated on the Wake County Tax Assessor's property record card to be 2,824 s.f. with 3 bedrooms and 2.5 bathrooms, built in 1985. This dwelling has a good view of the large pond, includes two wooden decks.

The second dwelling is indicated on the Wake County Tax Assessor's property record card to be a 1,440 s.f. dwelling with 3 bedrooms and 1 bathroom ranch, built in 1960.

I have considered the following data to determine the market rental rate for these dwellings. I ran a CoStar Apartment Rent Study on the nearby Austin Grove Apartments (just northeast of the subject property) to derive nearby rental rates on apartment units.

The units there are smaller and apartments, which are generally inferior to a single family home. The units most similar to the subject dwellings are 3 BR units with 2 bathrooms and 1,333 square feet that are currently receiving an effective rental rate of \$1,302 per unit per month. These units include a clubhouse, pool, laundry facilities, park, and fitness center, which I consider to balance out the advantages of the single family dwelling.

The first dwelling is larger and has a better view, which indicates that \$1,302 per month is too low a rental rate for that dwelling. The second dwelling of the subject property also only has one bathroom, which is inferior, suggesting that \$1,302 per month is too high for that dwelling.

I also considered the comparable apartment complexes to Austin Grove as shown below.

Rent Comparables Summary

1160 Auston Grove Dr - Auston Grove

Property Name/Address	Rating	Yr Built	Property Size		Asking Rent Per Month Per Unit				Rent/SF
			Units	Avg Unit SF	Studio	1 Bed	2 Bed	3 Bed	
1 Averelle North Hills 120 Ridgewood Dr	★★★★☆	1986	228	726	-	\$777	\$967	-	\$1.17
2 Legends Cary Towne 442 Jefferson Towne Dr	★★★★☆	2001	354	985	-	\$972	\$1,203	\$1,385	\$1.16
3 Regency Place 6210 St Regis Cir	★★★★☆	1985	180	847	-	\$799	\$1,014	-	\$1.11
4 Rose Heights Apartments 3801 Glen Verde Trl	★★★★☆	2008	233	991	-	\$952	\$1,197	\$1,299	\$1.10
5 Brentmoor Apartments 2080 Brentmoor Dr	★★★★☆	2003	228	880	-	\$912	\$982	\$1,227	\$1.09
6 Overlook at Simms Creek 4730 Archean Way	★★★★☆	2002	264	899	-	\$826	\$990	\$1,136	\$1.08
7 Clairmont at Perry Creek 8430 Perry Pines Dr	★★★★☆	2016	328	1,028	-	\$870	\$1,231	\$1,355	\$1.07
8 Autumn Ridge Apartments 6100 Barrowood Dr	★★★★☆	1986	398	818	-	\$789	\$973	-	\$1.04
Auston Grove 1160 Auston Grove Dr	★★★★☆	2003	320	969	-	\$891	\$1,029	\$1,270	\$1.03
9 Berkshire Park 1201 Aragon Dr	★★★★☆	2009	288	1,022	-	\$925	\$1,026	\$1,380	\$1.03
10 Windsor Falls 1500 Sunbow Falls Ln	★★★★☆	1994	276	979	-	\$976	\$938	\$1,257	\$1.02
11 Palisades at Legacy Oaks 485 Traebert Cir	★★★★☆	2017	240	1,076	-	\$933	\$1,109	\$1,350	\$1.01
12 Edwards Mill 4428 Mill Village Rd	★★★★☆	1984	220	1,212	-	\$876	\$1,209	\$1,485	\$1.00
13 Hawthorne Six Forks 6317 Shanda Dr	★★★★☆	1982	471	907	-	\$828	\$948	\$1,051	\$0.99
14 Loch Raven Pointe Apart... 5811 Loch Raven Pointe...	★★★★☆	2015	72	1,258	-	\$910	\$1,211	\$1,397	\$0.97
15 The Waverly 3211 Pridwen Cir	★★★★☆	2007	192	1,025	-	\$867	\$931	\$1,231	\$0.91
16 Fox Ridge Manor 2292 Fox Ridge Manor Rd	★★★★☆	1972	164	1,088	-	-	\$895	\$1,095	\$0.85
17 Beachwood Park Apartm... 1001 Beach Pointe Ave	★★★★☆	2000	253	1,205	-	\$790	\$980	\$1,225	\$0.83

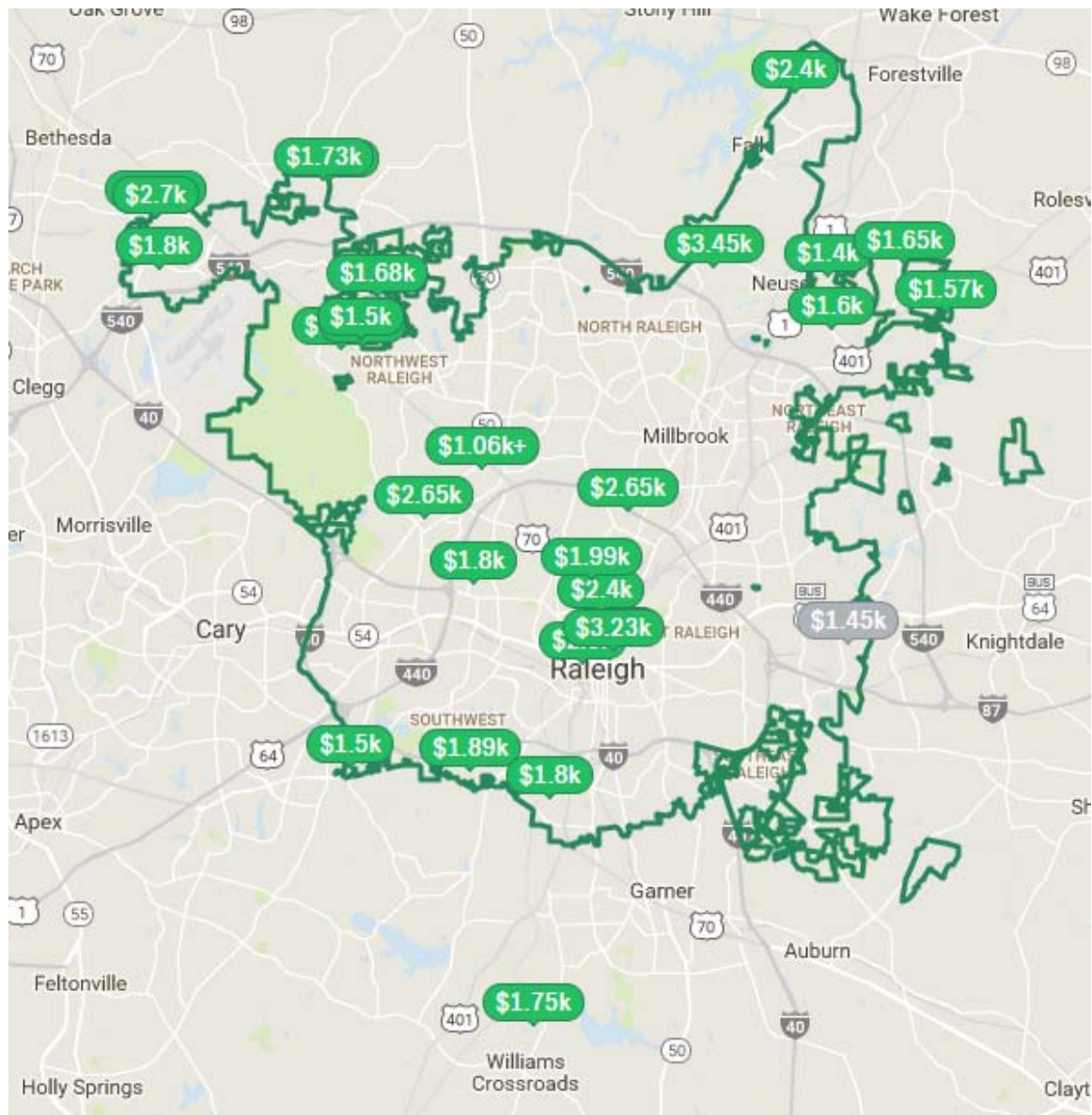
These comparable complexes show a range for 3 BR units of \$1,051 per month to \$1,485 per month. Units of similar size to the secondary residence at the subject property generally ranged between \$1,300 and \$1,400 per month, but generally have two full bathrooms, suggesting that the secondary residence of the subject property would be less than \$1,300 per month.

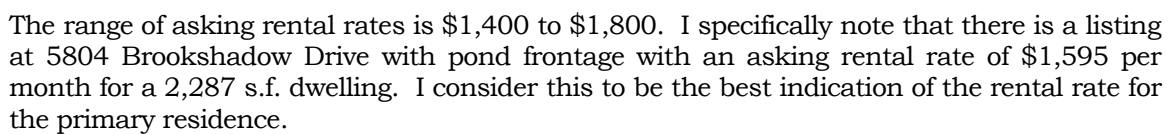
The primary residence at the subject property is larger than the range of these comparables and has a great view, which suggests the rental rate should be above this range.

Based on data available on Trulia.com, I found an asking rental rate for a two story, 3 bedroom dwelling with 2.5 bathrooms, a bonus room, and 2,170 square feet for \$1,450 per month. This home has a large deck and fenced backyard. This is a good indicator for the

primary residence, though likely still a little low given the view difference. This home is located nearby at 905 Angle Oaks Court.

Other listings on Trulia were not as close but showed a range of \$1,400 to \$1,670 to the north closer to Wake Forest as shown in the map below.





Market Rental Rate Conclusion

I therefore conclude that the retained value for the two residences will be based on a market rental rate of \$1,600 per month for the primary residence and \$1,250 per month for the secondary residence.

Indicated Value Retained

The value retained by the owner will be based on how long they retain the right to occupy the space rent free. I have considered a discounted cash flow analysis to determine the value of each set of variables to derive an indicated retained value for each dwelling based on the number of years of free rent. I have considered each dwelling separately in case the owner wants to use different time periods for each dwelling.

Discount Rate

Industry Survey

Often, dependable investor criteria are not readily available. I have included below discount rates provided by Pricewaterhouse Coopers. This indicates an average apartment discount rate of 7.28% with a range from 5.50% to 10.00%. Considering this is a non-transferable right with a limited term for just two dwellings, I have focused on the high end of this range around 10.00%

Economic Indicators | PwC Real Estate Investor Survey, Q3 2017

	Regional Mall		CBD Office		Warehouse		Apartment	
	Q3 2017	Q2 2017	Q3 2017	Q2 2017	Q3 2017	Q2 2017	Q3 2017	Q2 2017
Discount Rate (IRR)^a								
Range (%)	5.00–11.50	5.00–11.50	5.50–9.50	5.50–9.50	5.50–9.00	5.50–9.00	5.50–10.00	5.50–10.00
Average (%)	7.60	7.60	7.13	7.05	6.65	6.66	7.28	7.28
Change (bps)		0		+8		-1		0
Overall Cap Rate (OAR)^a								
Range (%)	4.00–10.00	4.00–10.00	3.50–7.50	3.50–7.50	4.00–6.90	4.00–6.90	3.50–7.50	3.50–8.00
Average (%)	6.23	6.20	5.66	5.68	5.22	5.27	5.35	5.40
Change (bps)		+3		-2		-5		-5
Residual Cap Rate								
Range (%)	4.00–10.00	4.00–10.00	4.75–7.50	4.75–7.50	5.00–7.00	5.00–7.00	4.25–7.75	4.50–8.00
Average (%)	6.70	6.70	6.11	6.13	5.96	5.95	5.79	5.82
Change (bps)		0		-2		+1		-3

^aRate on unleveraged, all-cash transactions. Definitions: bps, basis points. Discount Rate (IRR), internal rate of return in an all-cash transaction, based on annual year-end compounding. Overall Cap Rate (OAR), initial rate of return in an all-cash transaction. Residual Cap Rate, overall capitalization rate used in calculation of residual price; typically applied to the NOI in the year following the forecast. Survey involves institutional-grade properties. Source: PwC Real Estate Investor Survey; Personal survey conducted by PwC during July 2017. For subscription information, please visit http://bit.ly/pwc_real_estate_survey or call 1-800-654-3387.

Discount Rate Conclusion

Based on the discussion above I conclude that 10% is the best indication of discount rate for the retained leaseback rights at the subject property.

Summary of Discounted Cash Flow Assumptions

Analysis Period:	1 to 7 years
General Income Growth Rate:	2.00% for entire analysis period, this reflects that rental rates are likely to increase over time in this market as supported by the Austin Grove Apartment Survey available in my file.
Vacancy:	No vacancy anticipated as the tenant is retaining a very favorable position
Discount Rate:	10%
Discount Method:	Annually, at end point on cash flow and resale

Conclusion

Present Value of the Lease Income - Primary Residence

Lease Year	Lease Year	Lease Year From Appr.	Annual Payments	Monthly Payments	PV of Payments at Beg. Each Year	PV Factor to Date of Appraisal	Present Value
3/24/2018	1	0	\$19,200	\$1,600.00	\$18,351	1.000000	\$18,351
3/24/2019	2	1	\$19,200	\$1,600.00	\$18,351	0.909091	\$16,683
3/24/2020	3	2	\$19,200	\$1,600.00	\$18,351	0.826446	\$15,166
3/24/2021	4	3	\$19,200	\$1,600.00	\$18,351	0.751315	\$13,787
3/24/2022	5	4	\$19,200	\$1,600.00	\$18,351	0.683013	\$12,534
3/24/2023	6	5	\$19,200	\$1,600.00	\$18,351	0.620921	\$11,394
3/23/2024	7	6	\$19,200	\$1,600.00	\$18,351	0.564474	\$10,359
							\$134,400
							\$98,274

Indicated Present Value Total

		Rounded
1 Year Lease	\$18,351	\$18,000
2 Year Lease	\$35,033	\$35,000
3 Year Lease	\$50,199	\$50,000
4 Year Lease	\$63,987	\$64,000
5 Year Lease	\$76,521	\$77,000
6 Year Lease	\$87,915	\$88,000
7 Year Lease	\$98,274	\$98,000

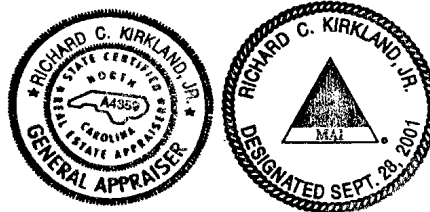
Indicated Present Value Total

So in order to determine the retained value you would simply compare the number of years of free rent that is being retained for each dwelling and look at the rounded present value for that. So for example, if both dwellings were to retain a 5-year leaseback at no rent, then the retained value would be \$77,000 for the primary residence and \$62,000 for the secondary residence, for a total retained value of \$139,000.

Sincerely,

John C. Killian Jr.

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



Limiting Conditions and Assumptions

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 state.
- ❖ 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).
- ❖ This report must be attached to the original appraisal report as outlined earlier.

Certification – Richard C. Kirkland, Jr., MAI

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. My 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 requirements of the continuing education program of the Appraisal Institute;
13. I have not appraised this property in the last 3 years except as identified in this report.

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

