

**Appraisal of Real Property**

**Former Miller Motte School**

Office Property  
2205 Walnut St.  
Cary, Wake County, North Carolina 27518

**Prepared For:**

Wake County Board of Education

**Effective Date of the Appraisal:**

December 20, 2019

**Report Format:**

Appraisal Report – Comprehensive Format

**IRR - Raleigh**

File Number: 167-2019-1042





**Former Miller Motte School**  
2205 Walnut St.  
Cary, North Carolina



December 26, 2019

Ms. Margaret Sutter  
Director, Real Estate Services  
Wake County Board of Education  
110 Corning Road, Suite 100  
Cary, North Carolina 27518

SUBJECT:       Market Value Appraisal  
                  Former Miller Motte School  
                  2205 Walnut St.  
                  Cary, Wake County, North Carolina 27518  
                  IRR - Raleigh File No. 167-2019-1042

Dear Ms. Sutter:

Integra Realty Resources – Raleigh is pleased to submit the accompanying appraisal of the referenced property. The purpose of the appraisal is to develop an opinion of the market value as is of the fee simple interest in the property. The client for the assignment is the Wake County Board of Education, and the intended use is for property acquisition purposes.

The subject is an existing office property containing 30,016 square feet of rentable area. The improvements were constructed in 1984 and renovated in 2012. The improvements are 100% vacant as of the effective appraisal date. The prior occupant (Miller Motte) vacated in September 2019 per the selling agent. The site area is 4.2319 acres or 184,342 square feet.

The appraisal is intended to conform with the Uniform Standards of Professional Appraisal Practice (USPAP), the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute and applicable state appraisal regulations.

To report the assignment results, we use the Appraisal Report option of Standards Rule 2-2(a) of USPAP. As USPAP gives appraisers the flexibility to vary the level of information in an Appraisal Report depending on the intended use and intended users of the appraisal, we adhere to the Integra Realty Resources internal standards for an Appraisal Report – Comprehensive Format. This format contains the greatest depth and detail of IRR's available report types.

Ms. Margaret Sutter  
Wake County Board of Education  
December 26, 2019  
Page 2

Based on the valuation analysis in the accompanying report, and subject to the definitions, assumptions, and limiting conditions expressed in the report, our opinion of value is as follows:

Value Conclusion			
Appraisal Premise	Interest Appraised	Date of Value	Value Conclusion
Market Value As Is	Fee Simple	December 20, 2019	\$5,180,000

#### Extraordinary Assumptions and Hypothetical Conditions

The value conclusions are subject to the following extraordinary assumptions that may affect the assignment results. An extraordinary assumption is uncertain information accepted as fact. If the assumption is found to be false as of the effective date of the appraisal, we reserve the right to modify our value conclusions.

1. None.

The value conclusions are based on the following hypothetical conditions that may affect the assignment results. A hypothetical condition is a condition contrary to known fact on the effective date of the appraisal but is supposed for the purpose of analysis.

1. None.

If you have any questions or comments, please contact the undersigned. Thank you for the opportunity to be of service.

Respectfully submitted,

**Integra Realty Resources - Raleigh**

*Chris R Morris*



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State Certified General Real Estate Appraiser  
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# Table of Contents

<b>Summary of Salient Facts and Conclusions</b>	<b>1</b>	Leased Status of Property	69
<b>General Information</b>	<b>3</b>	Market Rent Analysis	69
Identification of Subject	3	Stabilized Income and Expenses	77
Sale History	3	Capitalization Rate Selection	85
Pending Transactions	3	Direct Capitalization Analysis	88
Purpose of the Appraisal	4	Value Indication	89
Definition of Market Value	4	Reconciliation and Conclusion of Value	90
Definition of As Is Market Value	5	Final Opinion of Value	90
Definition of Property Rights Appraised	5	Exposure Time	91
Intended Use and User	5	Marketing Time	91
Applicable Requirements	5	Certification	92
Report Format	5	<b>Assumptions and Limiting Conditions</b>	<b>94</b>
Prior Services	6	<b>Addenda</b>	
Scope of Work	6	A. Appraiser Qualifications	
<b>Economic Analysis</b>	<b>8</b>	B. Definitions	
Wake County Area Analysis	8	C. Financials and Property Information	
Surrounding Area	16	D. Comparable Data	
Retail Market Analysis	21	Improved Sales	
Office Market Analysis	28	Lease Comparables	
Class A Office Overview	29	Expense Comparables	
Land Description and Analysis	39		
Improvements Description and Analysis	48		
Real Estate Taxes	56		
Highest and Best Use	57		
<b>Valuation</b>	<b>59</b>		
Valuation Methodology	59		
Sales Comparison Approach	60		
Adjustment Factors	65		
Analysis and Adjustment of Sales	66		
Value Indication	68		
Income Capitalization Approach	69		

# Summary of Salient Facts and Conclusions

## Part One

Property Name	Former Miller Motte School	
Address	2205 Walnut St. Cary, Wake County, North Carolina 27518	
Property Type	Office - Office or School	
Owner of Record	2205 Walnut Street, LLC	
Tax ID	0772-79-1815	
Land Area	4.2319 acres; 184,342 SF	
Gross Building Area	30,016 SF	
Rentable Area	30,016 SF	
Percent Leased	NA	
Year Built; Year Renovated	1984; 2012	
Zoning Designation	OI, Office and Institutional	
Highest and Best Use - As if Vacant	Retail use	
Highest and Best Use - As Improved	Continued office use	
Exposure Time; Marketing Period	6 to 12 months; 6 to 12 months	
Effective Date of the Appraisal	December 20, 2019	
Date of the Report	December 26, 2019	
Property Interest Appraised	Fee Simple	
Market Value Indications		
Cost Approach	Not Used	
Sales Comparison Approach	\$5,180,000	(\$172.57/SF)
Income Capitalization Approach	\$6,510,000	(\$216.88/SF)
Market Value Conclusion	\$5,180,000	(\$172.57/SF)

The values reported above are subject to the definitions, assumptions, and limiting conditions set forth in the accompanying report of which this summary is a part. No party other than Wake County Board of Education may use or rely on the information, opinions, and conclusions contained in the report. It is assumed that the users of the report have read the entire report, including all of the definitions, assumptions, and limiting conditions contained therein.

## Extraordinary Assumptions and Hypothetical Conditions

The value conclusions are subject to the following extraordinary assumptions that may affect the assignment results. An extraordinary assumption is uncertain information accepted as fact. If the assumption is found to be false as of the effective date of the appraisal, we reserve the right to modify our value conclusions.

1. None.

The value conclusions are based on the following hypothetical conditions that may affect the assignment results. A hypothetical condition is a condition contrary to known fact on the effective date of the appraisal but is supposed for the purpose of analysis.

1. None.

**Part Two**

## Sales Comparison Approach

Number of Sales	7	
Range of Sale Dates	Jan-18 to Oct-19	
Range of Unit Prices	\$193.90 - \$226.86	
Indicated Value ("As Is")	\$5,180,000	(\$172.57/SF)

## Income Capitalization Approach

Potential Gross Income	\$742,896	(\$24.75/SF)
Stabilized % Vacancy & Collection Loss	10.0%	
Effective Gross Income	\$668,606	(\$22.28/SF)
Operating Expenses	\$213,091	(\$7.10/SF)
Operating Expense Ratio	31.9%	
Net Operating Income	\$455,515	(\$15.18/SF)
Capitalization Rate Applied and Value	7.00%	\$6,510,000
Indicated Value ("As Is")	\$6,510,000	(\$216.88/SF)

Market Value Conclusion ("As Is")	\$5,180,000	(\$172.57/SF)
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## General Information

### Identification of Subject

The subject is an existing office property containing 30,016 square feet of rentable area. The improvements were constructed in 1984 and renovated in 2012. The improvements are 100% vacant as of the effective appraisal date. The prior occupant (Miller Motte) vacated in September 2019 per the selling agent. The site area is 4.2319 acres or 184,342 square feet. A survey of the subject property follows the land description.

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#### Property Identification

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Property Name	Former Miller Motte School
Address	2205 Walnut St. Cary, North Carolina 27518
Tax ID	0772-79-1815
Owner of Record	2205 Walnut Street, LLC
Census Tract Number	053003 Wake County

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### Sale History

The most recent closed sale of the subject is summarized as follows:

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Sale Date	December 3, 2009
Seller	Highwoods Realty Limited Partnership
Buyer	2205 Walnut Street, LLC
Sale Price	\$4,150,000
Recording Instrument Number	Deed Book 13783, Page 2009 of the Wake County Register of Deeds
Expenditures Since Purchase	Unknown

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Our market value conclusion differs significantly from the sale price due to a general improvement in market conditions over the past 10 years. To the best of our knowledge, no sale or transfer of ownership has taken place within a three-year period prior to the effective appraisal date.

### Pending Transactions

The property is under contract of sale as of the effective appraisal date. Information about the contract is summarized as follows:



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Contract Date	December 5, 2019
Seller	2205 Walnut Street, LLC
Buyer	Wake County Board of Education
Sale Price	\$5,000,000
Comments	Bargain Sale, with seller anticipating a charitable contribution component above the \$5,000,000 contract price, based on a separate appraisal to be obtained by seller.

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We contacted the seller's agent, Jay Taylor of SVN, and confirmed that the property was listed for \$5,250,000 and was exposed on the market for 4 months before a purchase contract was accepted. The seller received other offers ranging from \$4,800,000 to \$4,900,000 before entering into this agreement.

Our value conclusion of \$5,180,000 is between the original listing price and the current contract price and is considered to be well supported by the market data.

### **Purpose of the Appraisal**

The purpose of the appraisal is to develop an opinion of the market value as is of the fee simple interest in the property as of the effective date of the appraisal, December 20, 2019. The date of the report is December 26, 2019. The appraisal is valid only as of the stated effective date or dates.

### **Definition of Market Value**

Market value is defined as:

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

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

*(Source: Code of Federal Regulations, Title 12, Chapter I, Part 34.42[g]; also Interagency Appraisal and Evaluation Guidelines, Federal Register, 75 FR 77449, December 10, 2010, page 77472)*

## Definition of As Is Market Value

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 date.”

(Source: Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed. (Chicago: Appraisal Institute, 2015); also *Interagency Appraisal and Evaluation Guidelines*, *Federal Register*, 75 FR 77449, December 10, 2010, page 77471)

## Definition of Property Rights Appraised

Fee simple estate is defined as, “Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.”

Source: Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed. (Chicago: Appraisal Institute, 2015)

## Intended Use and User

The intended use of the appraisal is for property acquisition purposes. The client and intended user is the Wake County Board of Education. The appraisal is not intended for any other use or user. No party or parties other than the Wake County Board of Education may use or rely on the information, opinions, and conclusions contained in this report.

## Applicable Requirements

This appraisal is intended to conform to the requirements of the following:

- Uniform Standards of Professional Appraisal Practice (USPAP);
- Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute;
- Applicable state appraisal regulations;

## Report Format

This report is prepared under the Appraisal Report option of Standards Rule 2-2(a) of USPAP. As USPAP gives appraisers the flexibility to vary the level of information in an Appraisal Report depending on the intended use and intended users of the appraisal, we adhere to the Integra Realty Resources internal standards for an Appraisal Report – Comprehensive Format. This format contains the greatest depth and detail of IRR’s available report types.

## Prior Services

USPAP requires appraisers to disclose to the client any other services they have provided in connection with the subject property in the prior three years, including valuation, consulting, property management, brokerage, or any other services. We have not performed any services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.

## Scope of Work

To determine the appropriate scope of work for the assignment, we considered the intended use of the appraisal, the needs of the user, the complexity of the property, and other pertinent factors. Our concluded scope of work is described below.

## Valuation Methodology

Appraisers usually consider the use of three approaches to value when developing a market value opinion for real property. These are the cost approach, sales comparison approach, and income capitalization approach. Use of the approaches in this assignment is summarized as follows:

Approaches to Value		
Approach	Applicability to Subject	Use in Assignment
Cost Approach	Not Applicable	Not Utilized
Sales Comparison Approach	Applicable	Utilized
Income Capitalization Approach	Applicable	Utilized

The **income capitalization approach** is a reliable valuation method for the subject due to the following:

- A potential investment buyer of the subject would base a purchase price decision primarily on the income generating potential of the property and an anticipated rate of return.
- Sufficient market data regarding income, expenses, and rates of return, is available for analysis.

The **sales comparison approach** is an applicable valuation method because:

- There is an active market for similar properties, and sufficient sales data is available for analysis.
- This approach directly considers the prices of alternative properties having similar utility to a prospective owner-user.

The **cost approach** is not applicable to the assignment considering the following:

- The age of the property would limit the reliability of an accrued depreciation estimate.
- This approach is not typically used by market participants, except for new or nearly new properties.

### **Research and Analysis**

The type and extent of our research and analysis is detailed in individual sections of the report. This includes the steps we took to verify comparable sales, which are disclosed in the comparable sale profile sheets in the addenda to the report. Although we make an effort to confirm the arms-length nature of each sale with a party to the transaction, it is sometimes necessary to rely on secondary verification from sources deemed reliable.

### **Inspection**

Chris R. Morris, MAI, FRICS, conducted an interior and exterior inspection of the property on December 20, 2019.

## Economic Analysis

### Wake County Area Analysis

Wake County is located in central North Carolina and is approximately 835 square miles in size. The county has a population density of 1,314 persons per square mile. Wake County is part of the Raleigh, NC Metropolitan Statistical Area, hereinafter called the Raleigh MSA, as defined by the U.S. Office of Management and Budget.

### Population

Wake County has an estimated 2019 population of 1,097,397, which represents an average annual 2.2% increase over the 2010 census of 900,993. Wake County added an average of 21,823 residents per year over the 2010-2019 period, and its annual growth rate exceeded the State of North Carolina rate of 1.0%.

Looking forward, Wake County's population is projected to increase at a 1.6% annual rate from 2019-2024, equivalent to the addition of an average of 17,949 residents per year. Wake County's growth rate is expected to exceed that of North Carolina, which is projected to be 1.0%.

Population Trends					
	Population			Compound Ann. % Chng	
	2010 Census	2019 Estimate	2024 Projection	2010 - 2019	2019 - 2024
Wake County, NC	900,993	1,097,397	1,187,143	2.2%	1.6%
North Carolina	9,535,483	10,435,525	10,976,440	1.0%	1.0%
United States	308,745,538	329,236,175	340,950,101	0.7%	0.7%

Source: Environics Analytics

### Employment

Total employment in Wake County is currently estimated at 555,198 jobs. Between year-end 2008 and the present, employment rose by 106,820 jobs, equivalent to a 23.8% increase over the entire period. There were gains in employment in eight out of the past ten years despite the national economic downturn and slow recovery. Wake County's rate of employment growth over the last decade surpassed that of North Carolina, which experienced an increase in employment of 9.9% or 397,720 jobs over this period.

A comparison of unemployment rates is another way of gauging an area's economic health. Over the past decade, the Wake County unemployment rate has been consistently lower than that of North Carolina, with an average unemployment rate of 5.8% in comparison to a 7.3% rate for North Carolina. A lower unemployment rate is a positive indicator.

Recent data shows that the Wake County unemployment rate is 3.2% in comparison to a 3.7% rate for North Carolina, a positive sign that is consistent with the fact that Wake County has outperformed North Carolina in the rate of job growth over the past two years.

<b>Employment Trends</b>						
Year	Total Employment (Year End)				Unemployment Rate (Ann. Avg.)	
	Wake County	% Change	North Carolina	% Change	Wake County	North Carolina
2008	448,378		4,000,278		4.6%	6.1%
2009	431,419	-3.8%	3,804,059	-4.9%	8.3%	10.6%
2010	438,436	1.6%	3,835,921	0.8%	8.3%	10.9%
2011	448,376	2.3%	3,889,178	1.4%	7.9%	10.3%
2012	464,601	3.6%	3,969,167	2.1%	7.1%	9.3%
2013	485,050	4.4%	4,044,954	1.9%	6.0%	8.0%
2014	502,624	3.6%	4,142,253	2.4%	4.9%	6.3%
2015	525,560	4.6%	4,249,766	2.6%	4.7%	5.7%
2016	541,597	3.1%	4,324,044	1.7%	4.3%	5.1%
2017	554,960	2.5%	4,389,335	1.5%	3.9%	4.5%
2018*	555,198	0.0%	4,397,998	0.2%	3.3%	3.9%
Overall Change 2008-2018	106,820	23.8%	397,720	9.9%		
Avg Unemp. Rate 2008-2018					5.8%	7.3%
Unemployment Rate - December 2018					3.2%	3.7%

\*Total employment data is as of September 2018; unemployment rate data reflects the average of 12 months of 2018.

Source: Bureau of Labor Statistics and Economy.com. Employment figures are from the Quarterly Census of Employment and Wages (QCEW). Unemployment rates are from the Current Population Survey (CPS). The figures are not seasonally adjusted.

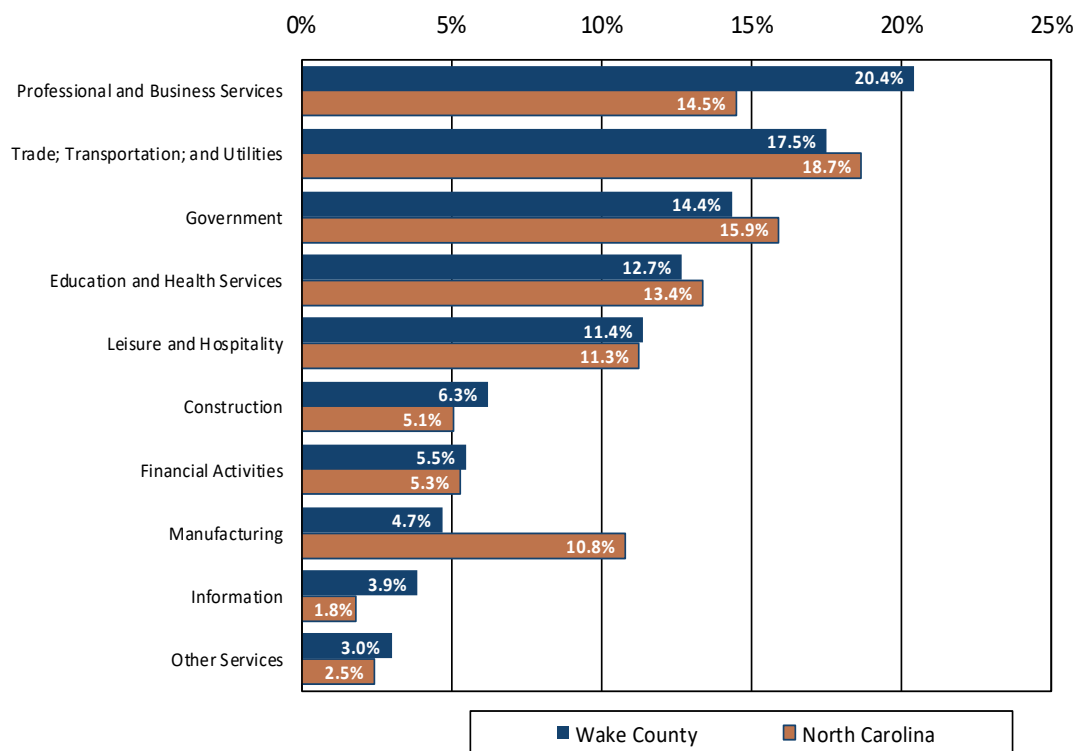
## Employment Sectors

The composition of the Wake County job market is depicted in the following chart, along with that of North Carolina. Total employment for both areas is broken down by major employment sector, and the sectors are ranked from largest to smallest based on the percentage of Wake County jobs in each category.

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**Employment Sectors - 2018**


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Source: Bureau of Labor Statistics and Economy.com

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Wake County has greater concentrations than North Carolina in the following employment sectors:

1. Professional and Business Services, representing 20.4% of Wake County payroll employment compared to 14.5% for North Carolina as a whole. This sector includes legal, accounting, and engineering firms, as well as management of holding companies.
2. Leisure and Hospitality, representing 11.4% of Wake County payroll employment compared to 11.3% for North Carolina as a whole. This sector includes employment in hotels, restaurants, recreation facilities, and arts and cultural institutions.
3. Construction, representing 6.3% of Wake County payroll employment compared to 5.1% for North Carolina as a whole. This sector includes construction of buildings, roads, and utility systems.
4. Financial Activities, representing 5.5% of Wake County payroll employment compared to 5.3% for North Carolina as a whole. Banking, insurance, and investment firms are included in this sector, as are real estate owners, managers, and brokers.

Wake County is underrepresented in the following sectors:

1. Trade; Transportation; and Utilities, representing 17.5% of Wake County payroll employment compared to 18.7% for North Carolina as a whole. This sector includes jobs in retail trade, wholesale trade, trucking, warehousing, and electric, gas, and water utilities.
2. Government, representing 14.4% of Wake County payroll employment compared to 15.9% for North Carolina as a whole. This sector includes employment in local, state, and federal government agencies.
3. Education and Health Services, representing 12.7% of Wake County payroll employment compared to 13.4% for North Carolina as a whole. This sector includes employment in public and private schools, colleges, hospitals, and social service agencies.
4. Manufacturing, representing 4.7% of Wake County payroll employment compared to 10.8% for North Carolina as a whole. This sector includes all establishments engaged in the manufacturing of durable and nondurable goods.

### Major Employers

Major employers in Wake County are shown in the following table.

<b>Major Employers - Wake County, NC</b>		
	<b>Name</b>	<b>Number of Employees</b>
1	WCPSS	1,000+
2	NC State University at Raleigh	1,000+
3	Wake Med	1,000+
4	Rex Hospital, Inc.	1,000+
5	Sas Institute, Inc.	1,000+
6	City of Raleigh	1,000+
7	Wal-Mart Associates, Inc.	1,000+
8	Cisco Systems	1,000+
9	Dept of Public Safety	1,000+
10	County of Wake	1,000+
20	Wake Technical Community College	

Source: <https://d4.nccommerce.com/QCEWLargestEmployers.aspx>

### Gross Domestic Product

Gross Domestic Product (GDP) is a measure of economic activity based on the total value of goods and services produced in a defined geographic area. Although GDP figures are not available at the county level, data reported for the Raleigh MSA is considered meaningful when compared to the nation overall, as Wake County is part of the MSA and subject to its influence.



Economic growth, as measured by annual changes in GDP, has been considerably higher in the Raleigh MSA than the United States overall during the past eight years. The Raleigh MSA has grown at a 3.5% average annual rate while the United States has grown at a 2.1% rate. As the national economy improves, the Raleigh MSA continues to perform better than the United States. GDP for the Raleigh MSA rose by 2.7% in 2017 while the United States GDP rose by 2.2%.

The Raleigh MSA has a per capita GDP of \$54,398, which is 2% less than the United States GDP of \$55,418. This means that Raleigh MSA industries and employers are adding relatively less value to the economy than their counterparts in the United States overall.

<b>Gross Domestic Product</b>				
Year	(\$ Mil) Raleigh MSA	% Change	(\$ Mil) United States	% Change
2010	57,181		15,598,753	
2011	58,462	2.2%	15,840,664	1.6%
2012	59,932	2.5%	16,197,007	2.2%
2013	60,609	1.1%	16,495,369	1.8%
2014	63,565	4.9%	16,899,831	2.5%
2015	68,143	7.2%	17,386,700	2.9%
2016	70,688	3.7%	17,659,187	1.6%
2017	72,626	2.7%	18,050,693	2.2%
Compound % Chg (2010-2017)		3.5%		2.1%
GDP Per Capita 2017	\$54,398		\$55,418	

Source: Bureau of Economic Analysis and Economy.com; data released September 2016. The release of state and local GDP data has a longer lag time than national data. The data represents inflation-adjusted "real" GDP stated in 2009 dollars.

## Household Income

Wake County is more affluent than North Carolina. Median household income for Wake County is \$82,272, which is 51.6% greater than the corresponding figure for North Carolina.

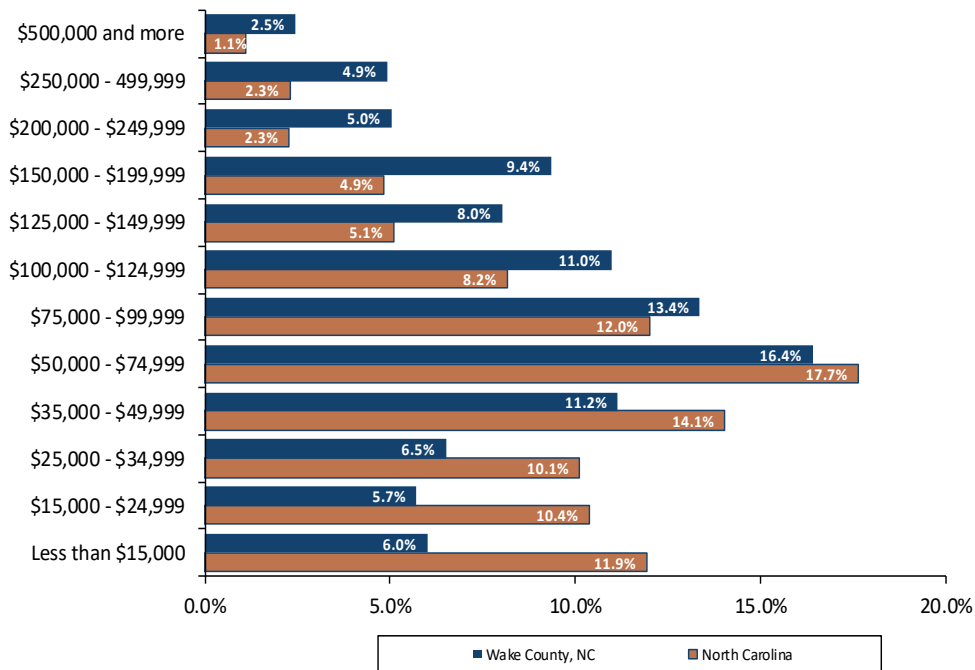
<b>Median Household Income - 2019</b>	
	Median
Wake County, NC	\$82,272
North Carolina	\$54,275
Comparison of Wake County, NC to North Carolina	+ 51.6%
Source: Environics Analytics	

The following chart shows the distribution of households across twelve income levels. Wake County has a greater concentration of households in the higher income levels than North Carolina. Specifically, 54% of Wake County households are at the \$75,000 or greater levels in household income as compared to 36% of North Carolina households. A lesser concentration of households is apparent in the lower income levels, as 18% of Wake County households are below the \$35,000 level in household income versus 32% of North Carolina households.

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**Household Income Distribution - 2019**

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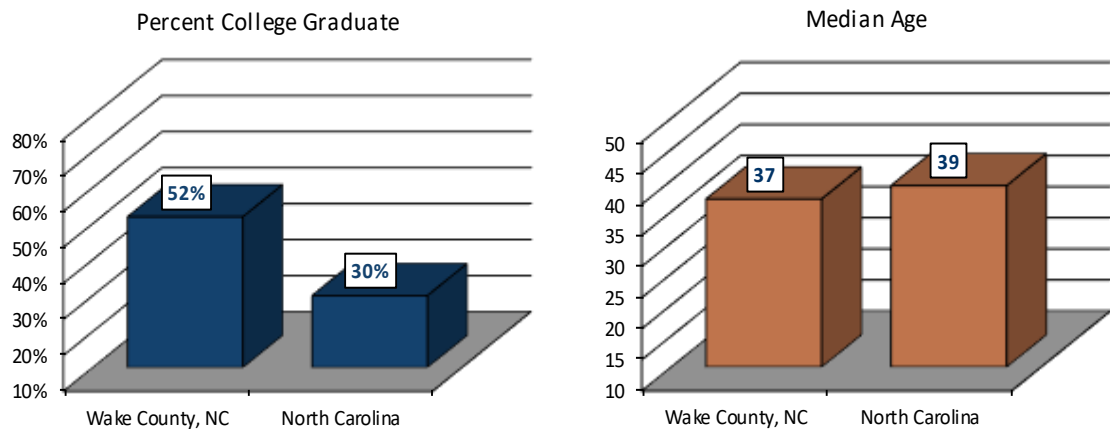
**Education and Age**

Residents of Wake County have a higher level of educational attainment than those of North Carolina. An estimated 52% of Wake County residents are college graduates with four-year degrees, versus 30% of North Carolina residents. People in Wake County are younger than their North Carolina counterparts. The median age for Wake County is 37 years, while the median age for North Carolina is 39 years.

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**Education & Age - 2019**

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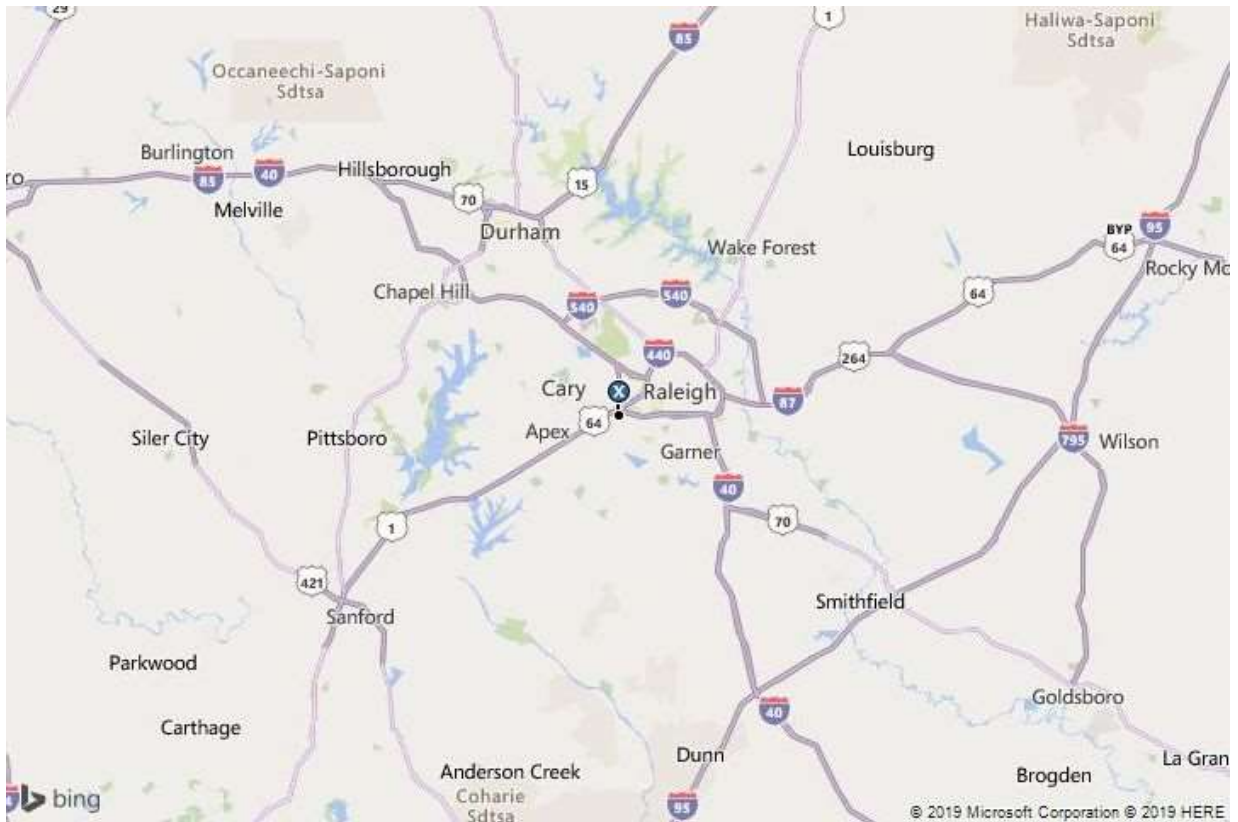
Source: Environics Analytics

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**Conclusion**

The Wake County economy will benefit from a growing population base and higher income and education levels. Wake County experienced growth in the number of jobs and has maintained a consistently lower unemployment rate than North Carolina over the past decade. Moreover, Wake County benefits from being part of the Raleigh MSA, which has exhibited a higher rate of GDP growth than the nation overall. We anticipate that the Wake County economy will improve and employment will grow, strengthening the demand for real estate.

## Area Map



## Surrounding Area

### Boundaries

The subject is located in the eastern part of Cary, just west of the Raleigh municipal boundary. This area is part of the Cary submarket and is generally delineated as follows:

<b>North</b>	US—1/64
<b>South</b>	Tryon Rd.
<b>East</b>	I-40/Jones Franklin Rd.
<b>West</b>	SE Cary Parkway

A map identifying the location of the property follows this section.

### Access and Linkages

Primary access to the area is provided by US-1/64 and I-40, which are both major arterials that cross the Raleigh-Cary metro area. Access to the subject from US-1/64 is provided by Walnut Street, and travel time from the major arterial to the subject is about 3 minutes. Overall, vehicular access is good.

Public transportation is provided by C-Tran and Triangle Transit Authority, which provide bus service to Cary. The nearest train station is located in the Cary CBD, approximately 3 miles from the subject. The local market perceives public transportation as average compared to other areas in the region. However, the primary mode of transportation in this area is the automobile.

The RDU International Airport is located about 10 miles from the property; travel time is about 15 to 20 minutes, depending on traffic conditions. The Raleigh CBD, the economic and cultural center of the region, is approximately 6 miles from the property.

### Demand Generators

Major employers in Cary include SAS institute, MetLife, Verizon Wireless, Affiliated Computer Services, Siemens, John Deere, Lord Corporation, Caterpillar and Wake County Schools. These are located within 5 miles of the property and represent significant concentrations in a wide range of industries. In addition to its strong employment base, the area is easily accessible to the Raleigh CBD and RTP submarkets, all within 20 minutes driving time. Access to employment centers in other submarkets is a major demand driver.

### Demographics

A demographic profile of the surrounding area, including population, households, and income data, is presented in the following table.

<b>Surrounding Area Demographics</b>					
2019 Estimates	1-Mile Radius	3-Mile Radius	5-Mile Radius	Wake County, NC	North Carolina
Population 2010	7,454	59,938	153,278	900,993	9,535,483
Population 2019	8,981	68,590	173,869	1,097,397	10,435,525
Population 2024	9,798	73,436	185,266	1,187,143	10,976,440
Compound % Change 2010-2019	2.1%	1.5%	1.4%	2.2%	1.0%
Compound % Change 2019-2024	1.8%	1.4%	1.3%	1.6%	1.0%
Households 2010	3,563	25,834	59,701	345,645	3,745,155
Households 2019	4,259	29,824	68,993	419,863	4,111,516
Households 2024	4,633	32,005	74,000	453,828	4,331,223
Compound % Change 2010-2019	2.0%	1.6%	1.6%	2.2%	1.0%
Compound % Change 2019-2024	1.7%	1.4%	1.4%	1.6%	1.0%
Median Household Income 2019	\$72,256	\$68,866	\$74,045	\$82,272	\$54,275
Average Household Size	2.1	2.3	2.4	2.6	2.5
College Graduate %	60%	58%	57%	52%	30%
Median Age	34	35	34	37	39
Owner Occupied %	28%	46%	51%	65%	67%
Renter Occupied %	72%	54%	49%	35%	33%
Median Owner Occupied Housing Value	\$296,462	\$294,045	\$313,262	\$298,302	\$181,841
Median Year Structure Built	1999	1990	1991	1997	1989
Avg. Travel Time to Work in Min.	24	23	24	27	27
Source: Environics Analytics					

As shown above, the current population within a 3-mile radius of the subject is 68,590, and the average household size is 2.3. Population in the area has grown since the 2010 census, and this trend is projected to continue over the next five years. Compared to Wake County overall, the population within a 3-mile radius is projected to grow at a slower rate.

Median household income is \$68,866, which is lower than the household income for Wake County. Residents within a 3-mile radius have a higher level of educational attainment than those of Wake County, while median owner-occupied home values are lower.

### Services and Amenities

The nearest commercial area with restaurants, convenience stores and support services, surrounds the subject in the area known as Crossroads. Major retail developments in the immediate neighborhood include Crossroads Shopping Center (Home Depot, Target, Michaels, Marshalls, Dick's Sporting Goods, Best Buy, HomeGoods, Stein Mart and Petco), Centrum (BJ's and Kohls), Lowe's Home Improvement and Tryon Village (Harris Teeter). The closest lodging facilities are located within 3 minutes of the property and include Red Roof Inn, Holiday Inn & Suites, Hilton Garden Inn and Double Tree by Hilton. The nearest fire and police stations are within 3 miles of the property.

### Land Use

In the immediate vicinity of the subject, predominant land uses are retail, office and lodging. Other land use characteristics are summarized in the following table.

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**Surrounding Area Land Uses**


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Character of Area	Suburban
Predominant Age of Improvements	5 to 30 years
Predominant Quality and Condition	Above Average
Approximate Percent Developed	80%
Infrastructure/Planning	Average
Predominant Location of Undeveloped Land	Southeast
Prevailing Direction of Growth	Southeast

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**Subject's Immediate Surroundings**


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North	Home Depot
South	Former Crossroads Ford, which is being renovated for office use
East	Crossroads Flex and Crossroads I, II, III and IV office buildings
West	Centrum Shopping Center

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**Development Activity and Trends**

During the last five years, development has been predominantly of multi-family apartment uses further removed from the retail core. The pace of development has generally been intermittent over this time.

**Outlook and Conclusions**

The area is in the stability stage of its life cycle. Given the history of the area and the growth trends, it is anticipated that property values will increase in the near future.

In comparison to other areas in the region, the area is rated as follows:

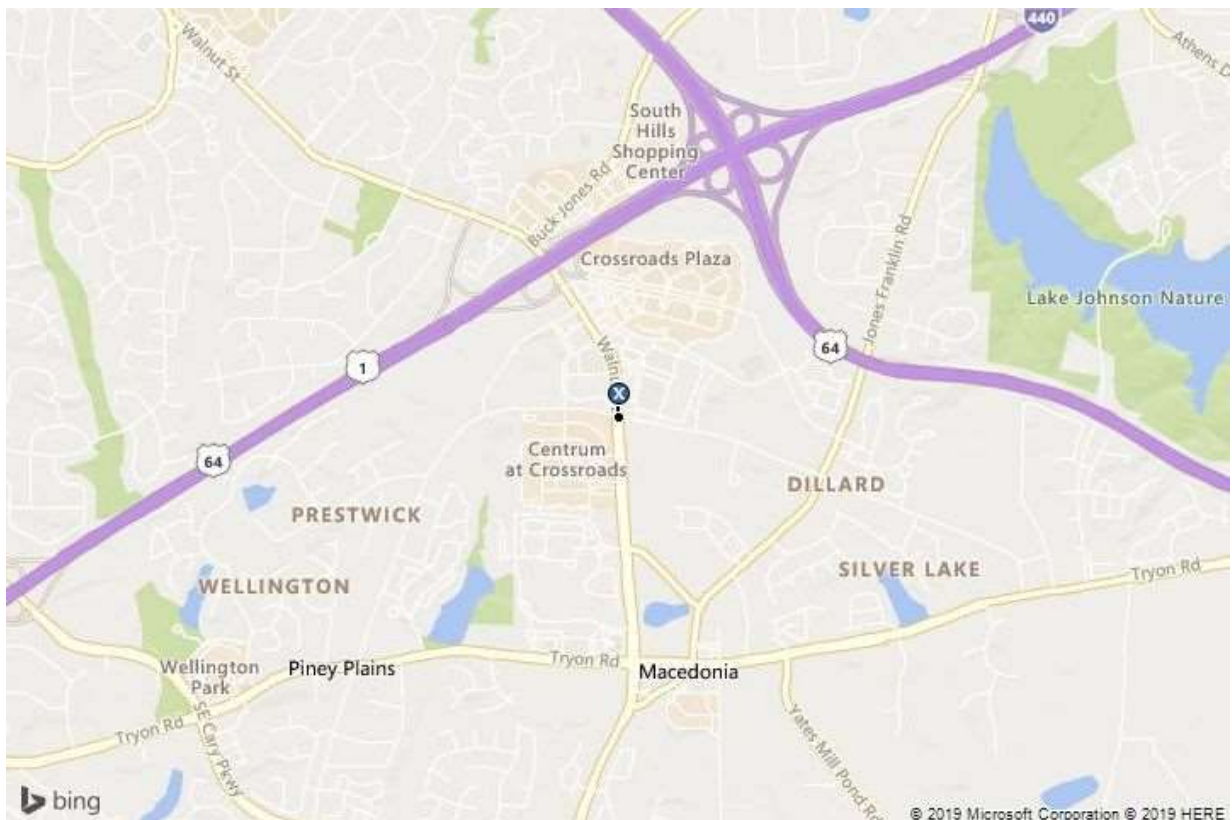
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**Surrounding Area Attribute Ratings**


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Highway Access	Above Average
Demand Generators	Above Average
Convenience to Support Services	Above Average
Convenience to Public Transportation	Average
Employment Stability	Above Average
Police and Fire Protection	Average
Property Compatibility	Above Average
General Appearance of Properties	Above Average
Appeal to Market	Above Average
Price/Value Trend	Above Average

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**Surrounding Area Map**






## Retail Market Analysis

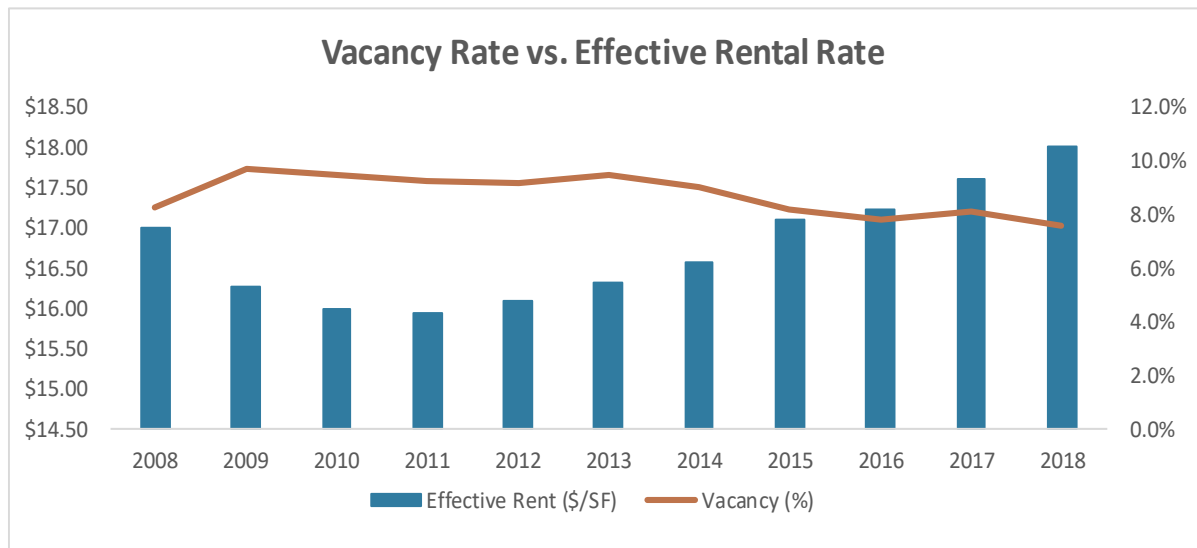
### Metro Area Overview

The subject is located in the Raleigh-Durham metro area as defined by REIS. Supply and demand indicators, including inventory levels, absorption, vacancy, and rental rates for community retail space types are presented in the ensuing table.

Year	Inventory (SF)	Occupied (SF)	Vacancy (SF)	Vacancy (%)	Completions (SF)	Absorption (SF)	Effective Rent (\$/SF)	Effective Rate (%) Change	Gross Revenue (\$/SF)
2008	12,346,000	11,319,000	1,027,000	8.3%	275,000	229,000	\$17.00	-0.9%	\$18.02
2009	12,677,000	11,446,000	1,231,000	9.7%	331,000	127,000	\$16.28	-4.2%	\$17.31
2010	12,677,000	11,476,000	1,201,000	9.5%	0	30,000	\$15.99	-1.8%	\$17.25
2011	13,052,000	11,844,000	1,208,000	9.3%	375,000	368,000	\$15.94	-0.3%	\$17.21
2012	13,180,000	11,974,000	1,206,000	9.2%	128,000	130,000	\$16.09	0.9%	\$17.38
2013	13,180,000	11,925,000	1,255,000	9.5%	0	-49,000	\$16.33	1.5%	\$17.61
2014	13,564,000	12,339,000	1,225,000	9.0%	384,000	414,000	\$16.58	1.5%	\$17.96
2015	13,967,000	12,821,000	1,146,000	8.2%	403,000	482,000	\$17.12	3.3%	\$18.66
2016	13,967,000	12,879,000	1,088,000	7.8%	0	58,000	\$17.23	0.6%	\$18.82
2017	13,967,000	12,839,000	1,128,000	8.1%	0	-40,000	\$17.61	2.2%	\$19.16
2018	13,967,000	12,912,000	1,055,000	7.6%	0	73,000	\$18.03	2.4%	\$19.71
Q3 2019	13,967,000	12,965,000	1,002,000	7.2%	0	5,000	\$18.31	0.2%	\$20.08
2008 - 2018 Average	13,322,182	12,161,273	1,160,909	8.7%	172,364	165,636	\$16.75	0.5%	\$18.10

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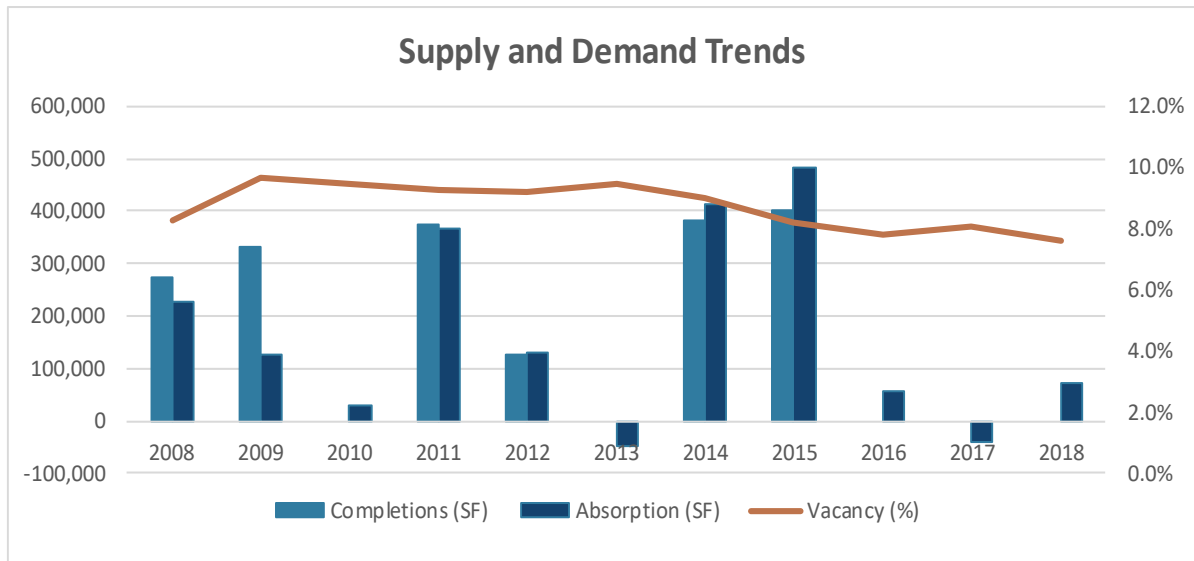
### Raleigh-Durham Metro Trends and Insights



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- The current vacancy rate in the metro area is 7.2%; the vacancy rate has decreased by 230 bps from 2013.
- From 2013, gross revenue in the metro area has averaged \$18.65/SF and has increased by 11.8%.

- Effective rent averages \$18.31/SF in the metro area; effective rents have increased by 12.1% from 2013.



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- The inventory in the metro area has increased by 6.0% from 2013, while the occupied stock has increased by 8.7%.
- Between 2013 and 2018, completions averaged 131,167 SF annually and reached a peak of 403,000 SF in 2015.
- Between 2013 and 2018, absorption figures reached a peak of 482,000 SF in 2015 and a low of -49,000 SF in 2013.

### Submarket Overview

The subject is located in the Cary/Southwest Raleigh submarket. In order to evaluate the market appeal of the subject's submarket in comparison to others in the Raleigh-Durham metro area, we compare key supply and demand indicators for all retail space types in the following table.

**Raleigh-Durham Retail Submarket Comparison**

Submarket	Anchor/ Non-anchor Flag	Inventory (Buildings)	Inventory (SF)	Asking Rent (\$/SF)	Vacancy (%)	Free Rent (mos)	Tenant Improvements (\$)
North Raleigh	A	71	5,454,000	\$12.87	5.6%	2.94	\$19.01
North Raleigh	N	84	4,450,000	\$21.73	11.7%	2.62	\$20.08
Southeast Raleigh	A	53	3,828,000	\$11.49	4.3%	4.37	\$17.34
Southeast Raleigh	N	59	2,762,000	\$20.59	6.9%	4.28	\$17.87
Cary/SW Raleigh	A	48	3,492,000	\$13.54	6.1%	3.28	\$17.82
Cary/SW Raleigh	N	55	3,235,000	\$19.80	9.4%	3.08	\$19.33
Durham	A	44	2,838,000	\$11.58	5.8%	2.01	\$20.29
Durham	N	57	2,331,000	\$17.68	8.4%	2.01	\$19.13
Orange County	A	17	853,000	\$12.68	6.0%	2.10	\$31.62
Orange County	N	18	1,055,000	\$20.20	11.8%	2.17	\$32.61
Anchor Averages/Totals		233	16,465,000	\$12.43	5.5%	2.94	\$21.22
Nonanchor Averages/Totals		273	13,833,000	\$20.00	9.7%	2.83	\$21.80

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In comparison to other submarkets in the region, the Cary/Southwest Raleigh submarket is rated as follows:

**Submarket Attribute Ratings**

Market Size/Stature	Above Average
Market Demand	Increasing
Vacancy Trends	Increasing
Threat of New Supply	Above Average
Rental Trends	Increasing

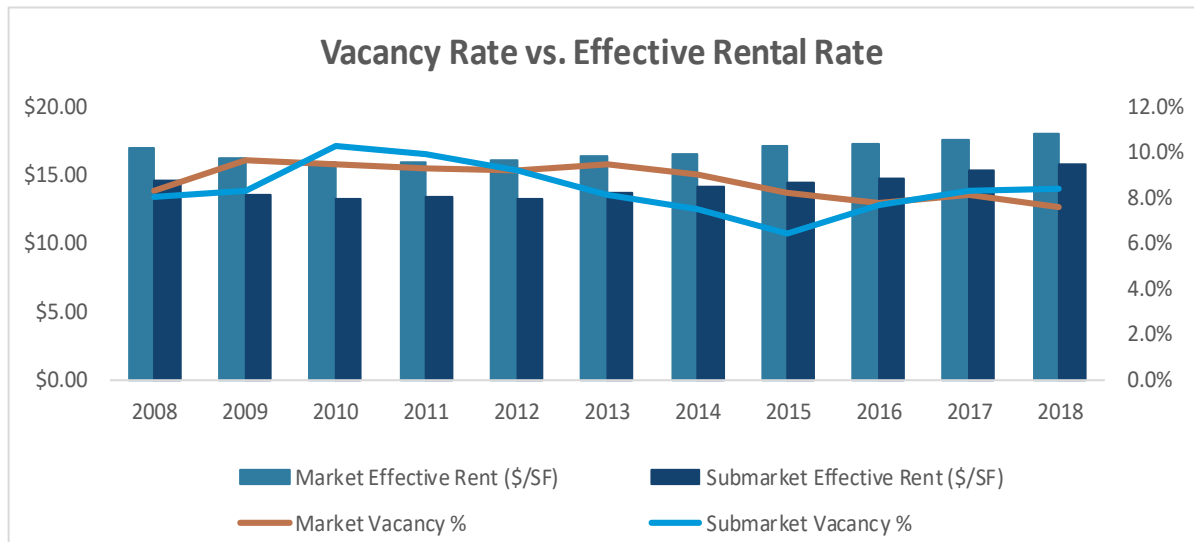
**Cary/Southwest Raleigh Submarket Trends and Insights**

Supply and demand indicators for community retail space types in the Cary/Southwest Raleigh submarket are displayed in the ensuing table.

**Cary/Southwest Raleigh Community Retail Submarket Trends**

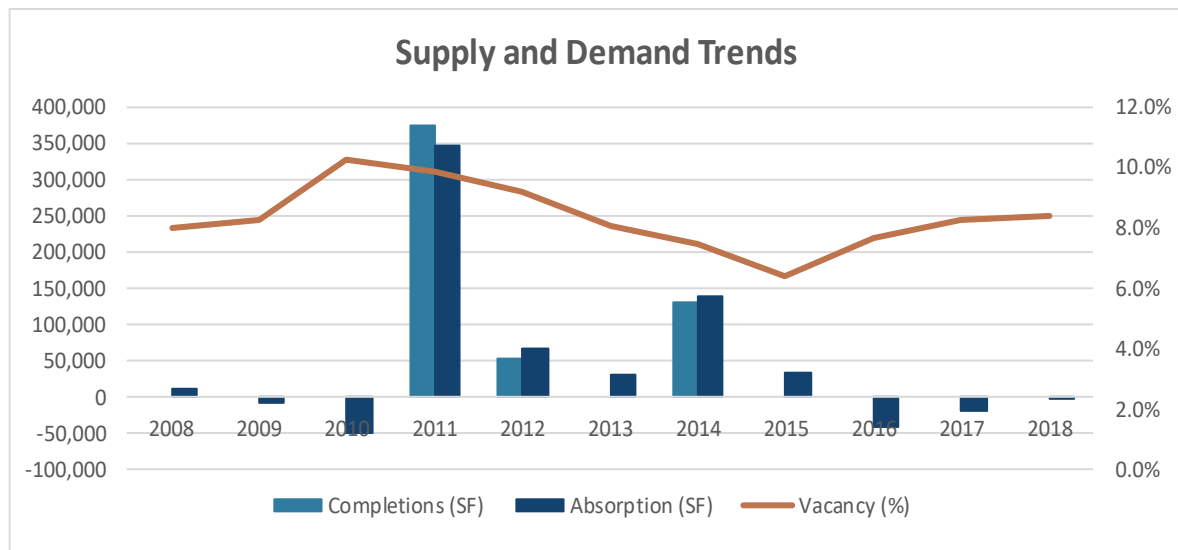
Year	Inventory (SF)	Occupied (SF)	Vacancy (SF)	Vacancy (%)	Completions (SF)	Absorption (SF)	Effective Rent (\$/SF)	Effective Rate (% Change)	Gross Revenue (\$/SF)
2008	2,463,000	2,266,000	197,000	8.0%	0	12,000	\$14.54	-1.2%	\$15.24
2009	2,463,000	2,259,000	204,000	8.3%	0	-7,000	\$13.58	-6.6%	\$14.67
2010	2,463,000	2,209,000	254,000	10.3%	0	-50,000	\$13.31	-2.0%	\$14.20
2011	2,838,000	2,557,000	281,000	9.9%	375,000	348,000	\$13.35	0.3%	\$14.26
2012	2,890,000	2,624,000	266,000	9.2%	52,000	67,000	\$13.33	-0.2%	\$14.33
2013	2,890,000	2,656,000	234,000	8.1%	0	32,000	\$13.71	2.9%	\$14.93
2014	3,021,000	2,794,000	227,000	7.5%	131,000	138,000	\$14.23	3.8%	\$15.62
2015	3,021,000	2,828,000	193,000	6.4%	0	34,000	\$14.48	1.8%	\$16.05
2016	3,021,000	2,788,000	233,000	7.7%	0	-40,000	\$14.81	2.3%	\$16.17
2017	3,021,000	2,770,000	251,000	8.3%	0	-18,000	\$15.36	3.7%	\$16.64
2018	3,021,000	2,767,000	254,000	8.4%	0	-3,000	\$15.80	2.8%	\$17.10
Q3 2019	3,021,000	2,773,000	248,000	8.2%	0	0	\$16.11	0.2%	\$17.46
2008 - 2018 Average	2,828,364	2,592,545	235,818	8.4%	50,727	46,636	\$14.23	0.7%	\$15.38

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- The current vacancy rate in the submarket is 8.2%; the vacancy rate has increased by 10 bps from 2013.
- From 2013, gross revenue in the submarket area has averaged \$16.09/SF and has increased by 16.9%.
- Effective rent averages \$16.11/SF in the submarket; effective rents have increased by 17.5% from 2013.

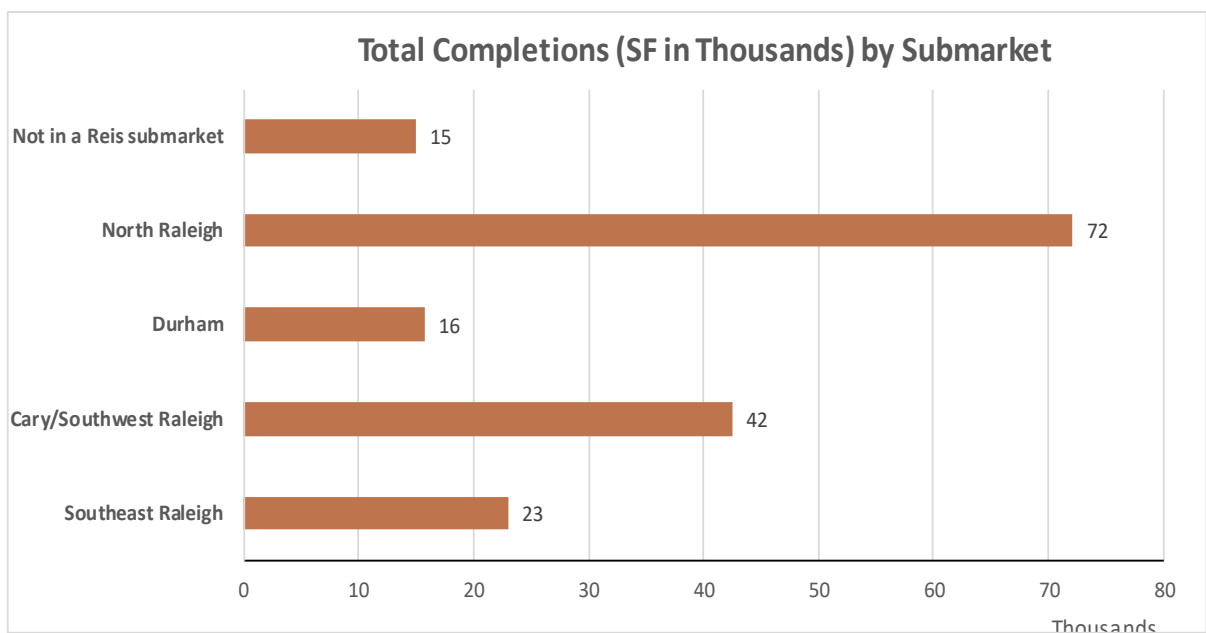


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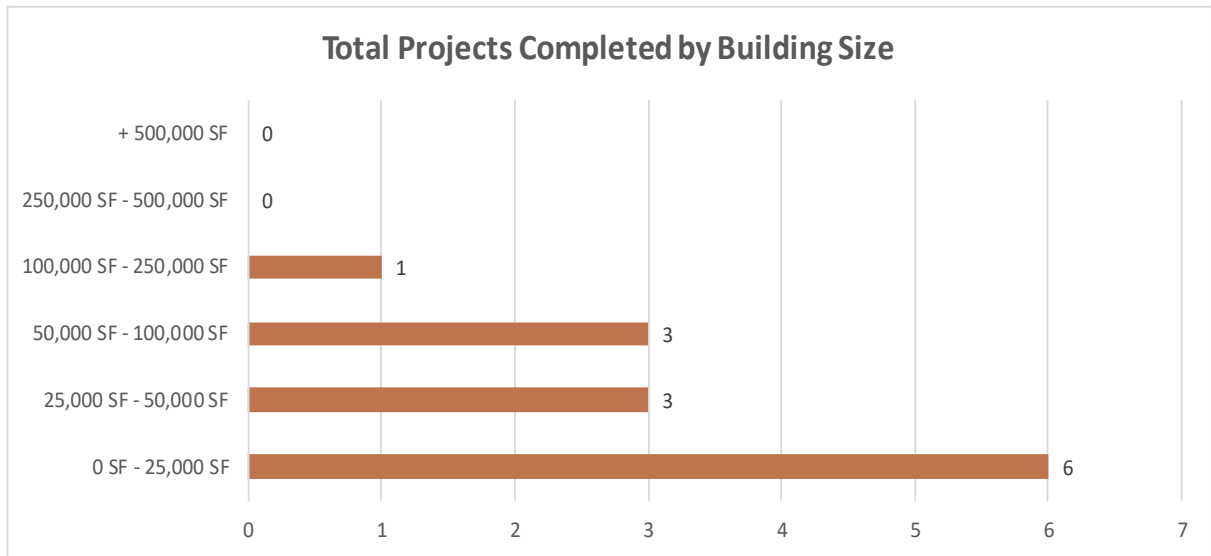
- The inventory has increased by 4.5% from 2013, while the occupied stock has increased by 4.4%.
- Between 2013 and 2018, completions averaged 21,833 SF annually and reached a peak of 131,000 SF in 2014.
- Between 2013 and 2018, absorption figures reached a peak of 138,000 SF in 2014 and a low of -40,000 SF in 2016.

### New and Proposed Construction

The following charts summarize the properties that have been completed in the Raleigh-Durham metro area.



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The following table summarizes properties that are under construction, planned, and/or proposed in the Raleigh-Durham metro area.

<b>Raleigh-Durham Retail Construction by Phase and Subtype</b>						
Retail Subproperty Type	Under Construction		Planned Construction		Proposed Construction	
	Properties	Sq. Ft.	Properties	Sq. Ft.	Properties	Sq. Ft.
Neighborhood	1	10,400	9	616,457	7	294,144
Mixed Use	3	370,940	14	2,802,123	4	610,114
Power Center	0	0	2	850,000	1	1,600,000
Community	0	0	4	885,000	4	435,000
Free Standing	0	0	0	0	0	0
Regional	0	0	0	0	0	0
<b>Totals</b>	<b>4</b>	<b>381,340</b>	<b>29</b>	<b>5,153,580</b>	<b>16</b>	<b>2,939,258</b>

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### Raleigh-Durham Retail Construction Insights

- There are 4 properties under construction, 29 properties in the planned construction phase, and 16 properties in the proposed construction phase in the metro area.
- Mixed Use properties within the under construction phase have an average size of 123,647 SF and range in size between 50,940 SF and 200,000 SF.
- Mixed Use properties within the planned construction phase have an average size of 200,152 SF and range in size between 15,000 SF and 500,000 SF.
- Of the 381,340 SF under construction, 2.73% are Neighborhood properties, 97.27% are Mixed Use properties, and 0.0% are Community properties.

- Of the 5,153,580 SF planned for construction, 11.96% are Neighborhood properties, 54.37% are Mixed Use properties, and 17.17% are Community properties.
- Of the 2,939,258 SF proposed for construction, 10.01% are Neighborhood properties, 20.76% are Mixed Use properties, and 14.80% are Community properties.

The following table summarizes properties that are under construction, planned, and/or proposed in the subject's submarket.

<b>Cary/Southwest Raleigh Submarket Construction by Phase and Subtype</b>						
Retail Subproperty Type	Under Construction		Planned Construction		Proposed Construction	
	Properties	Sq. Ft.	Properties	Sq. Ft.	Properties	Sq. Ft.
Neighborhood	0	0	4	206,457	2	103,885
Mixed Use	0	0	3	587,123	0	0
Power Center	0	0	1	400,000	0	0
Community	0	0	2	610,000	1	15,000
Free Standing	0	0	0	0	0	0
Regional	0	0	0	0	0	0
<b>Totals</b>	<b>0</b>	<b>0</b>	<b>10</b>	<b>1,803,580</b>	<b>3</b>	<b>118,885</b>

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### Retail Market Outlook and Conclusions

Based on the key metro and submarket area trends, construction outlook, IRR expects the mix of property fundamentals and economic conditions in the Raleigh-Durham metro area to have a positive impact on the retail sector in the subject property's immediate neighborhood in the near-term.



## Office Market Analysis

### Metro Area Overview

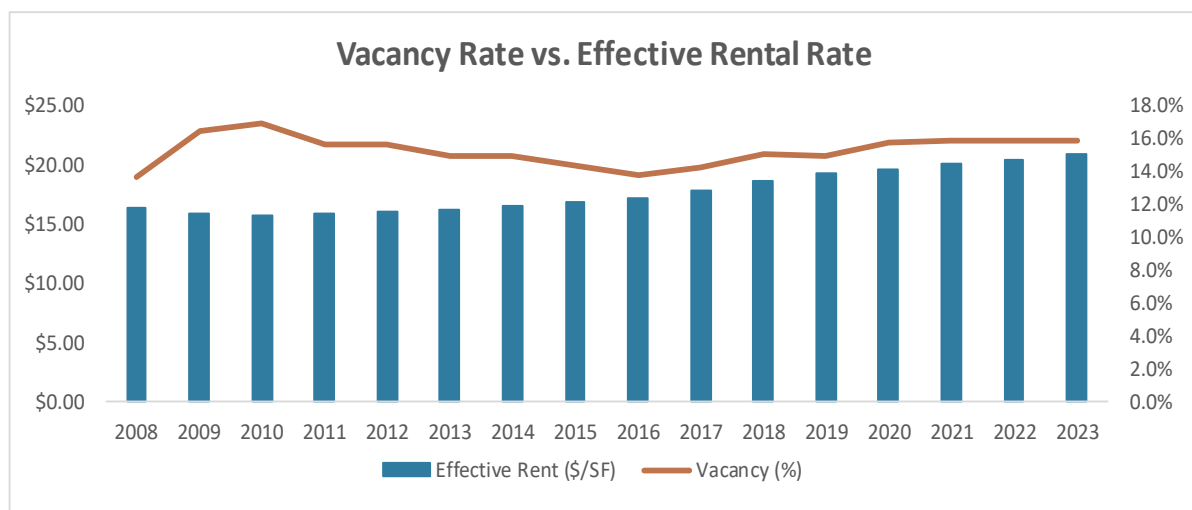
The subject is located in the Raleigh-Durham metro area as defined by REIS. Supply and demand indicators, including inventory levels, absorption, vacancy, and rental rates for all classes of space are presented in the ensuing table.

**Raleigh-Durham Office Market Trends and Forecasts**

Year	Inventory (SF)	Occupied (SF)	Vacancy (SF)	Vacancy (%)	Completions (SF)	Absorption (SF)	Effective Rent (\$/SF)	Effective Rental Rate (% Change)	Gross Revenue (\$/SF)	% Office Employment
2008	36,792,000	31,744,000	5,048,000	13.7%	1,773,000	714,000	\$16.35	0.1%	\$17.24	32.6%
2009	37,152,000	31,032,000	6,120,000	16.5%	590,000	-712,000	\$15.87	-2.9%	\$16.77	33.1%
2010	37,265,000	30,920,000	6,345,000	17.0%	301,000	-112,000	\$15.73	-0.9%	\$16.50	33.2%
2011	37,253,000	31,419,000	5,834,000	15.7%	0	499,000	\$15.93	1.3%	\$16.93	33.0%
2012	37,484,000	31,607,000	5,877,000	15.7%	276,000	188,000	\$16.13	1.3%	\$17.12	33.0%
2013	37,491,000	31,905,000	5,586,000	14.9%	145,000	298,000	\$16.28	0.9%	\$17.41	33.1%
2014	38,383,000	32,613,000	5,770,000	15.0%	892,000	708,000	\$16.56	1.7%	\$17.69	33.0%
2015	39,525,000	33,850,000	5,675,000	14.4%	1,220,000	1,237,000	\$16.90	2.1%	\$18.19	32.9%
2016	39,966,000	34,444,000	5,522,000	13.8%	472,000	594,000	\$17.26	2.1%	\$18.67	32.8%
2017	41,127,000	35,251,000	5,876,000	14.3%	1,161,000	807,000	\$17.93	3.9%	\$19.24	32.7%
2018	42,488,000	36,068,000	6,420,000	15.1%	1,361,000	817,000	\$18.60	3.7%	\$19.75	32.8%
Q3 2019	42,950,000	36,601,000	6,349,000	14.8%	0	90,000	\$19.12	0.8%	\$20.36	32.9%
2019	43,422,000	36,904,000	6,518,000	15.0%	1,134,000	836,000	\$19.24	3.4%	\$20.46	32.9%
2020	44,717,000	37,660,000	7,057,000	15.8%	1,295,000	756,000	\$19.70	2.4%	\$20.77	32.8%
2021	44,875,000	37,755,000	7,120,000	15.9%	158,000	95,000	\$20.08	1.9%	\$21.19	32.8%
2022	45,194,000	37,990,000	7,204,000	15.9%	319,000	235,000	\$20.46	1.9%	\$21.59	32.9%
2023	45,561,000	38,330,000	7,231,000	15.9%	367,000	340,000	\$20.87	2.0%	\$22.06	32.9%
2008 - 2018 Average	38,629,636	32,804,818	5,824,818	15.1%	744,636	458,000	\$16.69	1.2%	\$17.77	32.9%

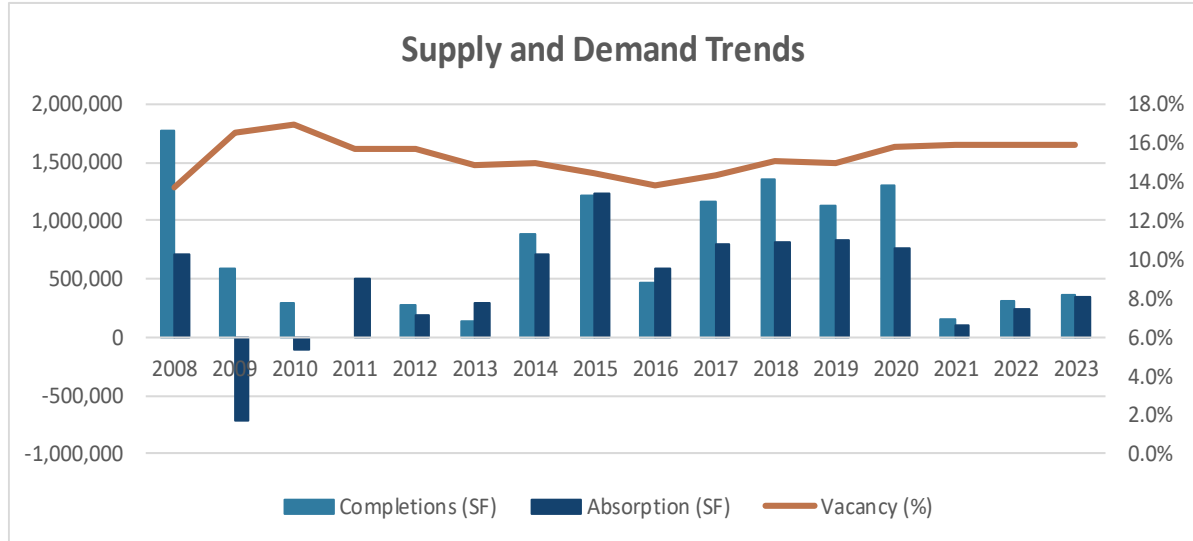
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### Raleigh-Durham Metro Trends and Forecasts



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- The current vacancy rate in the metro area is 14.8%; the vacancy rate has decreased by 10 bps from 2013.
- Four-year forecasts project a 15.9% vacancy rate in the metro area, representing an increase of 110 bps by year-end 2023.
- Effective rent averages \$19.12/SF in the metro area; future rent values are expected to increase by 9.2% to \$20.87/SF by year-end 2023.



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- The inventory in the metro area has increased by 14.6% from 2013, while the occupied stock has increased by 14.7%.
- Between 2013 and 2018, completions averaged 875,167 SF annually and reached a peak of 1,361,000 SF in 2018.
- Between 2013 and 2018, absorption figures reached a peak of 1,237,000 SF in 2015 and a low of 298,000 SF in 2013.
- 32.9% of the labor force in the metro area work in office properties and this employment rate has decreased by 0.27% between 2013 and 2018.

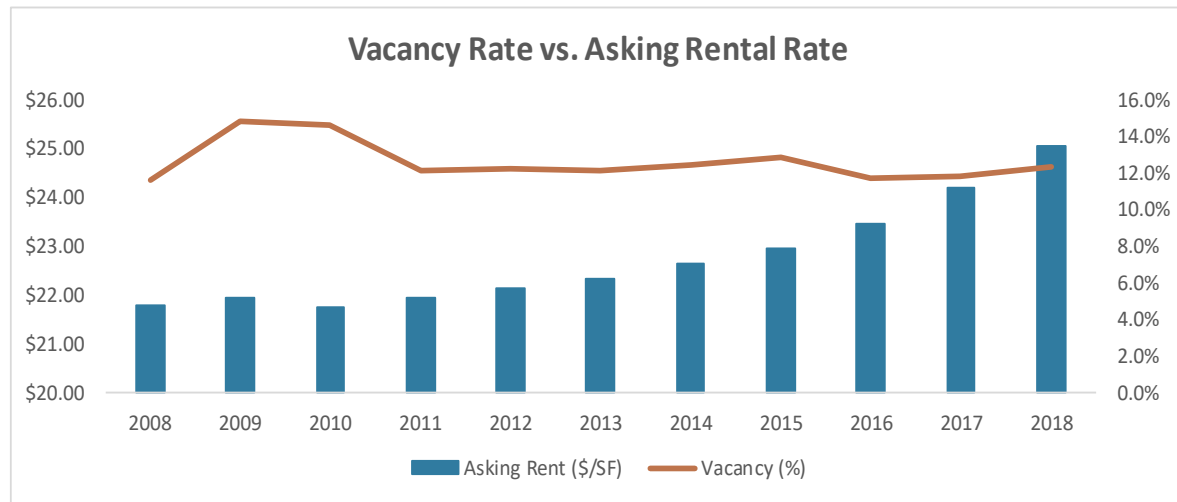
### Class A Office Overview

The subject is a office property as defined by REIS. Supply and demand indicators, including inventory levels, absorption, vacancy, and rental rates for all Class A space in the Raleigh-Durham metro area are presented in the following table.

**Raleigh-Durham Office Class A Market Trends**

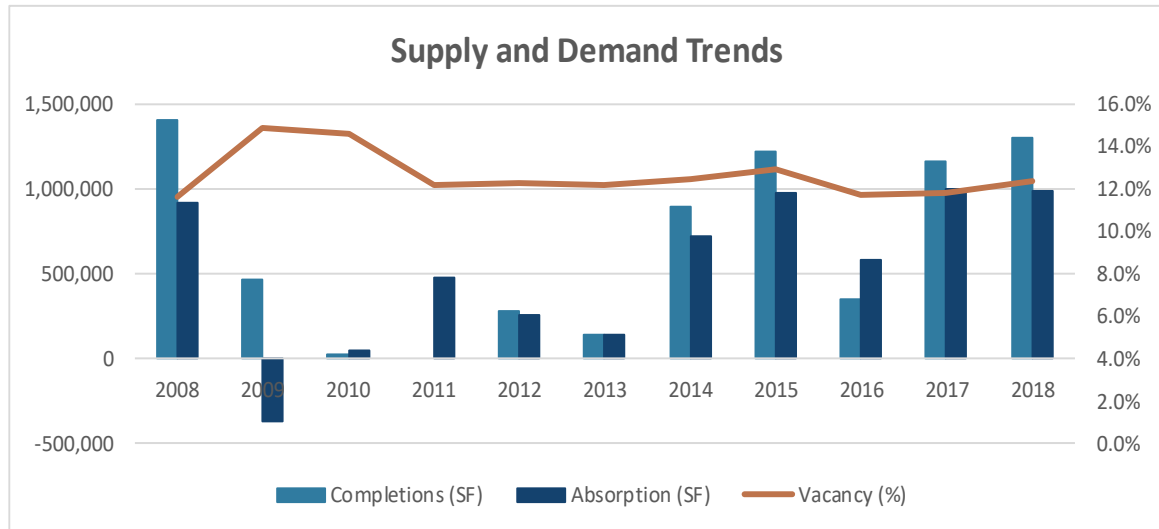
Year	Inventory (SF)	Occupied (SF)	Vacancy (SF)	Vacancy (%)	Completions (SF)	Absorption (SF)	Asking Rent (\$/SF)	Asking Rental Rate (% Change)	Gross Revenue (\$/SF)
2008	19,525,000	17,262,000	2,263,000	11.6%	1,403,000	919,000	\$21.80	2.0%	\$19.27
2009	19,846,000	16,892,000	2,954,000	14.9%	464,000	-370,000	\$21.96	0.7%	\$18.69
2010	19,850,000	16,944,000	2,906,000	14.6%	25,000	52,000	\$21.74	-1.0%	\$18.56
2011	19,850,000	17,428,000	2,422,000	12.2%	0	484,000	\$21.93	0.9%	\$19.25
2012	20,158,000	17,684,000	2,474,000	12.3%	276,000	256,000	\$22.16	1.0%	\$19.44
2013	20,303,000	17,827,000	2,476,000	12.2%	145,000	143,000	\$22.34	0.8%	\$19.62
2014	21,195,000	18,554,000	2,641,000	12.5%	892,000	727,000	\$22.64	1.3%	\$19.82
2015	22,415,000	19,529,000	2,886,000	12.9%	1,220,000	975,000	\$22.95	1.4%	\$20.00
2016	22,762,000	20,108,000	2,654,000	11.7%	347,000	579,000	\$23.45	2.2%	\$20.72
2017	23,923,000	21,111,000	2,812,000	11.8%	1,161,000	1,003,000	\$24.22	3.3%	\$21.37
2018	25,224,000	22,101,000	3,123,000	12.4%	1,301,000	990,000	\$25.06	3.5%	\$21.96
Q3 2019	25,886,000	22,814,000	3,072,000	11.9%	0	83,000	\$25.73	0.7%	\$22.68
2008 - 2018 Average	21,368,273	18,676,364	2,691,909	12.6%	657,636	523,455	\$22.75	1.5%	\$19.88

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**Class A Office Trends and Insights**

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- The current vacancy rate for Class A properties in the metro area is 11.9%; the vacancy rate has decreased by 30 bps from 2013.
- Asking rent currently averages \$25.73/SF and has increased by 15.2% from 2013.



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- Class A metro area inventory has increased by 27.5% from 2013, while the occupied stock has increased by 28.0%.
- Between 2013 and 2018, completions have averaged 844,333 SF annually and reached a peak of 1,301,000 SF in 2018.
- Between 2013 and 2018, absorption figures reached a peak of 1,003,000 SF in 2017 and a low of 143,000 SF in 2013.
- Between 2013 and 2018, gross revenue for Class A properties in the metro area averaged \$20.58/SF and has increased by 11.9%.

### Submarket Overview

The subject is located in the Cary submarket. In order to evaluate the market appeal of the subject's submarket in comparison to others in the Raleigh-Durham metro area, we compare key supply and demand indicators for all space types in the ensuing table.

**Raleigh-Durham Office Submarket Comparison**

Submarket	Inventory (Buildings)	Inventory (SF)	Asking Rent (\$/SF)	Vacancy (%)	Free Rent (mos)	Tenant Improvements (\$)
Cary	131	7,393,000	\$23.84	15.7%	1.70	\$24.63
Six Forks Road	80	3,987,000	\$23.11	16.3%	1.10	\$31.24
Falls of Neuse Rd	45	2,158,000	\$21.71	20.0%	4.80	\$24.98
Central Durham	40	2,423,000	\$25.42	7.8%	0.80	\$38.94
RTP	127	8,945,000	\$23.70	16.0%	3.40	\$17.60
Raleigh CBD	45	4,521,000	\$27.02	9.3%	2.30	\$24.36
Central Wake Cnty	73	3,317,000	\$22.67	9.8%	2.60	\$21.98
US 70/Creedmoor	62	2,767,000	\$24.44	9.6%	1.80	\$19.91
South Durham	54	3,076,000	\$24.33	20.2%	1.50	\$17.63
Chapel Hill	30	1,569,000	\$24.82	13.7%	1.30	\$25.36
US-1/Capitol Blvd	35	1,872,000	\$20.65	20.2%	1.90	\$25.99
North Durham	20	922,000	\$21.28	28.3%	2.40	\$31.47
0	0	0	\$0.00	0.0%	0.00	\$0.00
Market Averages/Totals	742	42,950,000	\$23.58	14.8%	2.13	\$25.34

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**Cary Submarket Comparison**

- The submarket contains 17.7% of the metro building inventory and 17.2% of the metro unit inventory.
- The submarket's asking rent is \$23.84/SF, which is greater than the metro average of \$23.58/SF.
- The submarket's vacancy rate is 15.70%, which is greater than the metro average of 14.78%.
- Tenant Improvement average \$24.63/SF in the submarket compared to \$25.34/SF for the overall metro area.
- Average free rent in the subject property's submarket is less than the free rent for the metro area.

In comparison with other submarkets in the region, the Cary submarket is rated as follows:

<b>Submarket Attribute Ratings</b>	
Market Size/Stature	Above Average
Market Demand	Increasing
Vacancy Trends	Increasing
Threat of New Supply	Average
Rental Trends	Increasing

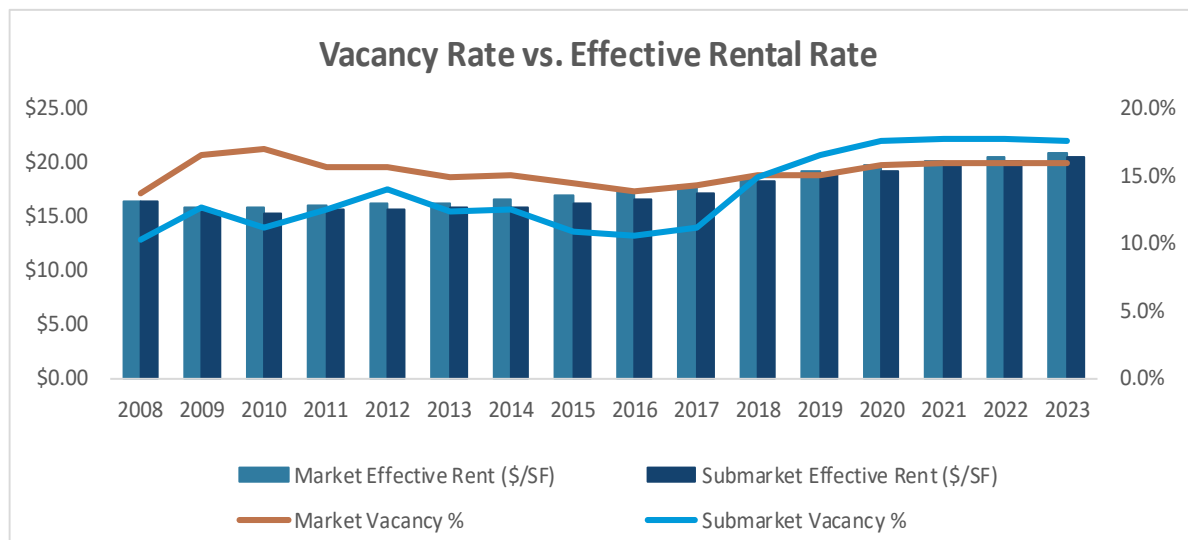
**Cary Submarket Trends and Forecasts**

Supply and demand indicators for all classes of space in the Cary submarket are displayed in the following table.

**Cary Office Submarket Trends and Forecasts**

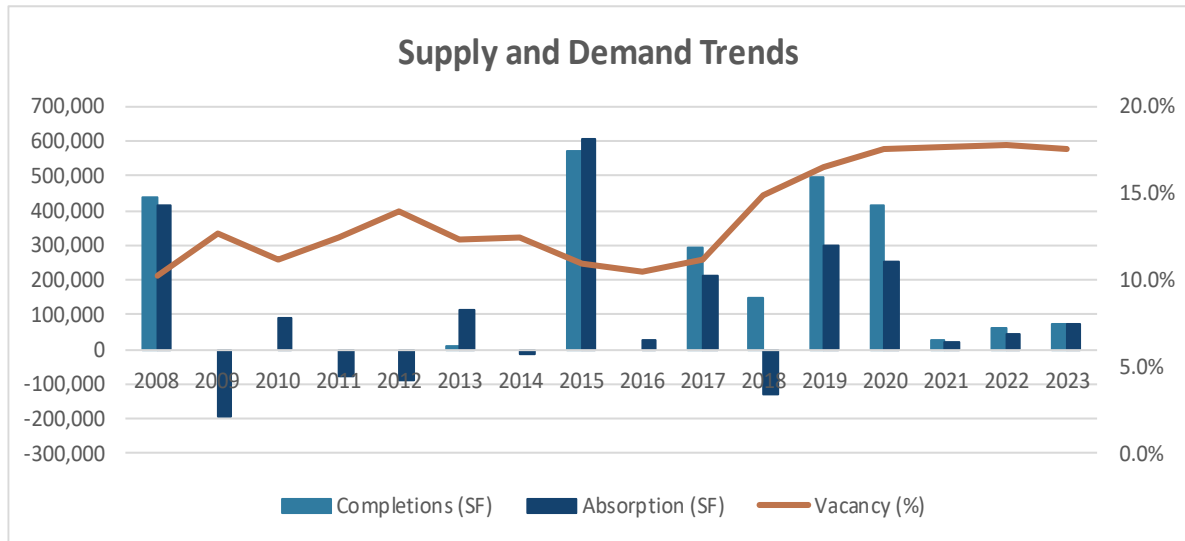
Year	Inventory (SF)	Occupied (SF)	Vacancy (SF)	Vacancy (%)	Completions (SF)	Absorption (SF)	Effective Rent (\$/SF)	Effective Rental Rate (% Change)	Gross Revenue (\$/SF)
2008	6,105,000	5,476,000	629,000	10.3%	436,000	414,000	\$16.38	-0.7%	\$18.05
2009	6,053,000	5,284,000	769,000	12.7%	0	-192,000	\$15.48	-5.5%	\$17.46
2010	6,053,000	5,375,000	678,000	11.2%	0	91,000	\$15.18	-1.9%	\$17.35
2011	6,053,000	5,296,000	757,000	12.5%	0	-79,000	\$15.55	2.4%	\$17.43
2012	6,053,000	5,206,000	847,000	14.0%	0	-90,000	\$15.68	0.8%	\$17.26
2013	6,065,000	5,319,000	746,000	12.3%	12,000	113,000	\$15.80	0.8%	\$17.72
2014	6,065,000	5,307,000	758,000	12.5%	0	-12,000	\$15.91	0.7%	\$17.81
2015	6,638,000	5,914,000	724,000	10.9%	573,000	607,000	\$16.29	2.4%	\$18.55
2016	6,638,000	5,941,000	697,000	10.5%	0	27,000	\$16.59	1.8%	\$18.97
2017	6,930,000	6,154,000	776,000	11.2%	292,000	213,000	\$17.08	3.0%	\$19.35
2018	7,080,000	6,025,000	1,055,000	14.9%	150,000	-129,000	\$18.17	6.4%	\$19.73
Q3 2019	7,393,000	6,232,000	1,161,000	15.7%	0	-45,000	\$18.67	1.3%	\$20.10
2019	7,575,000	6,327,000	1,248,000	16.5%	495,000	302,000	\$18.81	3.5%	\$20.08
2020	7,989,000	6,581,000	1,408,000	17.6%	414,000	254,000	\$19.27	2.4%	\$20.30
2021	8,018,000	6,600,000	1,418,000	17.7%	29,000	19,000	\$19.68	2.1%	\$20.73
2022	8,080,000	6,644,000	1,436,000	17.8%	62,000	44,000	\$20.10	2.1%	\$21.12
2023	8,151,000	6,718,000	1,433,000	17.6%	71,000	74,000	\$20.59	2.4%	\$21.65
2008 - 2018 Average	6,339,364	5,572,455	766,909	12.1%	133,000	87,545	\$16.19	0.9%	\$18.15

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Source: REIS, Inc.; compiled by Integra Realty Resources, Inc.

- The current vacancy rate in the submarket is 15.7%; the vacancy rate has increased by 260 bps from 2013.
- Four-year forecasts project a 17.6% vacancy rate in the submarket, representing an increase of 190 bps by year-end 2023.
- Effective rent averages \$18.67/SF in the submarket; future rent values are expected to increase by 10.3% to \$20.59/SF by year-end 2023.



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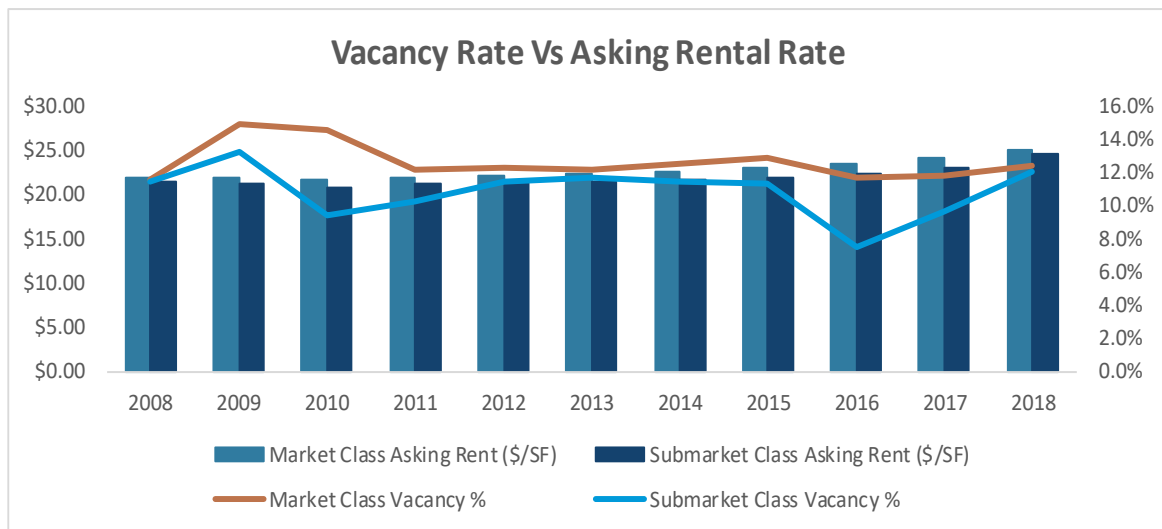
- Current inventory level of 7,393,000 SF is expected to increase by 10.3% through year-end 2023.
- The inventory in the submarket has increased by 16.7% from 2013, while the occupied stock has increased by 13.3%.
- Between 2013 and 2018, completions averaged 171,167 SF annually and reached a peak of 573,000 SF in 2015.
- Between 2013 and 2018, absorption figures reached a peak of 607,000 SF in 2015 and a low of -129,000 SF in 2018.

### Class ACary Submarket Trends and Insights

Supply and demand indicators, including inventory levels, absorption, vacancy, and rental rates for Class A space in the submarket are presented in the ensuing table.

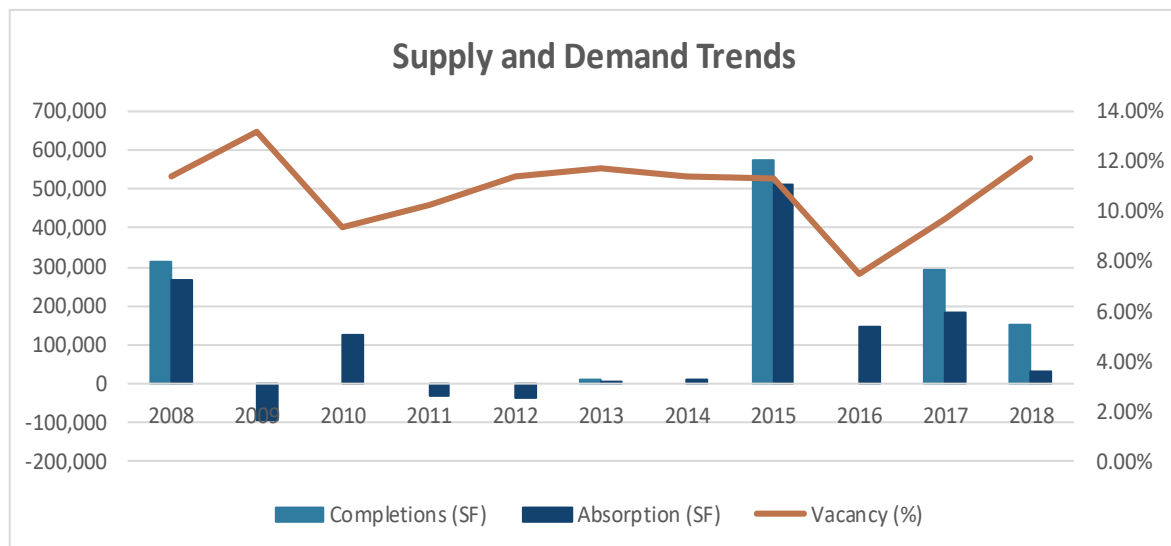
Cary Office Class A Submarket Trends									
Year	Inventory (SF)	Occupied (SF)	Vacancy (SF)	Vacancy (%)	Completions (SF)	Absorption (SF)	Asking Rental		
							Rate (\$/SF)	Rate (%)	Gross Revenue (\$/SF)
2008	3,293,000	2,918,000	375,000	11.40%	316,000	264,000	\$21.38	0.80%	\$18.95
2009	3,253,000	2,823,000	430,000	13.20%	0	-95,000	\$21.23	-0.70%	\$18.42
2010	3,253,000	2,947,000	306,000	9.40%	0	124,000	\$20.81	-2.00%	\$18.85
2011	3,253,000	2,918,000	335,000	10.30%	0	-29,000	\$21.17	1.70%	\$18.99
2012	3,253,000	2,882,000	371,000	11.40%	0	-36,000	\$21.42	1.20%	\$18.98
2013	3,265,000	2,883,000	382,000	11.70%	12,000	1,000	\$21.56	0.70%	\$19.04
2014	3,265,000	2,893,000	372,000	11.40%	0	10,000	\$21.65	0.40%	\$19.18
2015	3,838,000	3,405,000	433,000	11.30%	573,000	512,000	\$21.89	1.10%	\$19.42
2016	3,838,000	3,550,000	288,000	7.50%	0	145,000	\$22.28	1.80%	\$20.61
2017	4,130,000	3,731,000	399,000	9.70%	292,000	181,000	\$23.01	3.30%	\$20.79
2018	4,280,000	3,763,000	517,000	12.10%	150,000	32,000	\$24.56	6.70%	\$21.59
Q3 2019	4,593,000	3,962,000	631,000	13.70%	0	-54,000	\$25.28	1.50%	\$21.81
2008 - 2018 Average	3,538,273	3,155,727	382,545	10.85%	122,091	100,818	\$21.91	1.36%	\$19.53

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- The current vacancy for Class A properties in the submarket area is 13.7%; the vacancy rate has increased by 200 bps from 2013.
- Asking rent currently averages \$25.28/SF and has increased by 17.3% from 2013.



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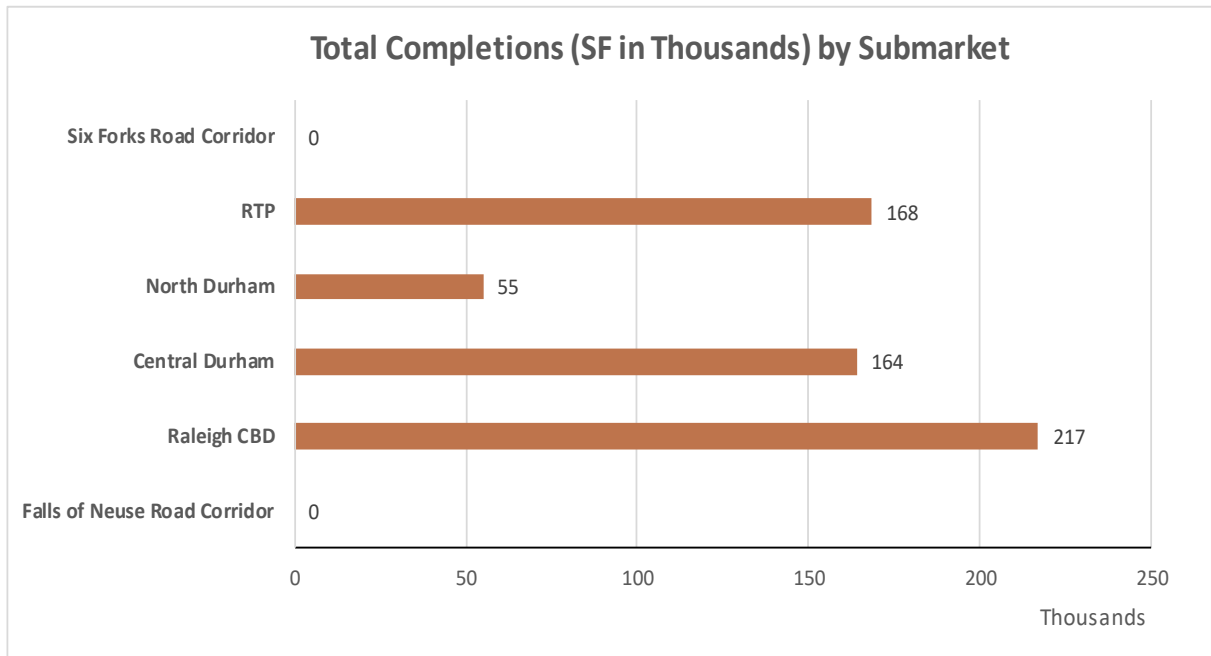
- Class A submarket inventory has increased by 40.7% from 2013, while the occupied stock has increased by 37.4%.
- Between 2013 and 2018, completions have averaged 171,167 SF annually and reached a peak of 573,000 SF in 2015.



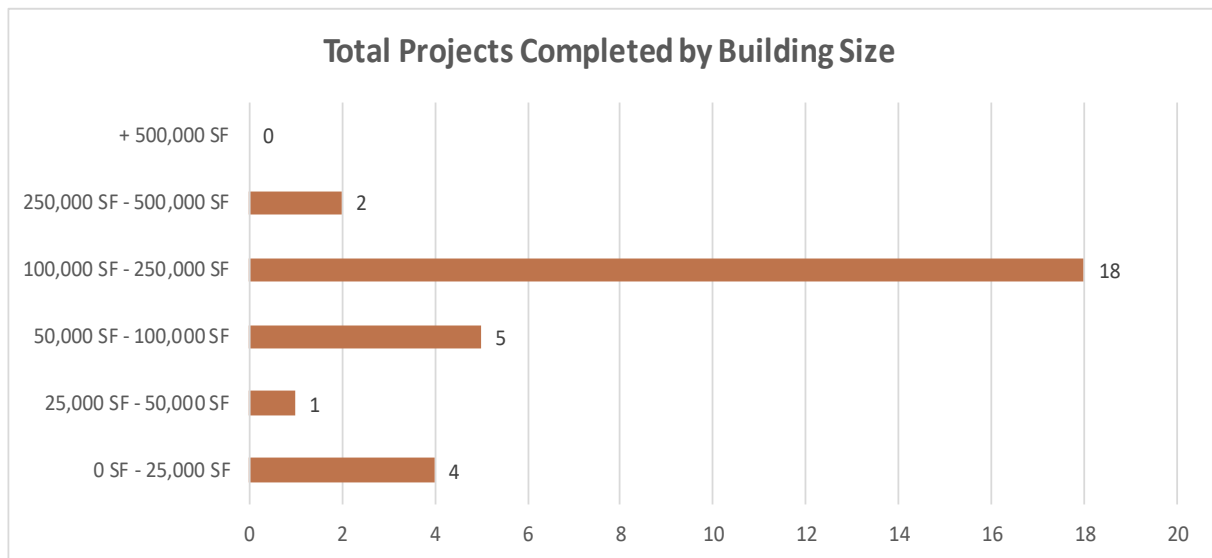
- Between 2013 and 2018, absorption figures reached a peak of 512,000 SF in 2015 and a low of 1,000 SF in 2013.
- Between 2013 and 2018, gross revenue for Class A properties in the submarket area averaged \$20.11/SF and has increased by 12.6%.

### New and Proposed Construction

The following charts summarize the properties that have been completed in the Raleigh-Durhammetro area.



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The following table summarizes properties that are under construction, planned, and/or proposed in the Raleigh-Durhammetro area.

Raleigh-Durham Office Construction by Phase and Subtype						
Office Subproperty Type	Under Construction		Planned Construction		Proposed Construction	
	Properties	Sq. Ft.	Properties	Sq. Ft.	Properties	Sq. Ft.
Office	10	1,359,997	51	12,546,535	35	8,202,791
Medical Office	1	150,000	6	202,360	2	800,000
Office--Owner Occ.	0	0	2	500,000	0	0
Office Condominiums	0	0	0	0	0	0
Totals	11	1,509,997	59	13,248,895	37	9,002,791

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### Raleigh-Durham Office Construction Insights

- There are 11 properties under construction, 59 properties in the planned construction phase, and 37 properties in the proposed construction phase in the metro area.
- Office properties within the under construction phase have an average size of 136,000 SF and range in size between 12,950 SF and 334,834 SF.
- Office properties within the planned construction phase have an average size of 246,010 SF and range in size between 10,080 SF and 1,500,000 SF.
- Office properties within the proposed construction phase have an average size of 234,365 SF and range in size between 24,500 SF and 1,600,000 SF.
- Of the 1,509,997 SF under construction, 90.07% are Office properties, 9.93% are Medical Office properties, and 0.0% are Office-Owner Occupied properties.

- Of the 13,248,895 SF planned for construction, 94.70% are Office properties, 1.53% are Medical Office properties, and 3.77% are Office-Owner Occupied properties.
- Of the 9,002,791 SF proposed for construction, 91.11% are Office properties, 8.89% are Medical Office properties, and 0.0% are Office-Owner Occupied properties.

The following table summarizes properties that are under construction, planned, and/or proposed in the Cary submarket.

<b>Cary Submarket Construction by Phase and Subtype</b>						
Office Subproperty Type	Under Construction		Planned Construction		Proposed Construction	
	Properties	Sq. Ft.	Properties	Sq. Ft.	Properties	Sq. Ft.
Office	5	392,100	10	3,055,480	1	75,000
Medical Office	0	0	0	0	2	800,000
Office--Owner Occ.	0	0	0	0	0	0
Office Condominiums	0	0	0	0	0	0
<b>Totals</b>	<b>5</b>	<b>392,100</b>	<b>10</b>	<b>3,055,480</b>	<b>3</b>	<b>875,000</b>

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## Office Market Outlook and Conclusions

Based on the key metro and submarket area trends, construction outlook, IRR expects the mix of property fundamentals and economic conditions in the Raleigh-Durham metro area to have a positive impact on office development the subject property's immediate area.

## Property Analysis

### Land Description and Analysis

#### Location

The property is located on the southeast corner of Walnut Street and Dillard Drive.

#### Land Area

The following table summarizes the subject's land area.

Land Area Summary		
Tax ID	SF	Acres
0772-79-1815	184,342	4.2319
Total	184,342	4.2319
Source: ALTA/ACSM Survey for 2205 Walnut Street, LLC, 8-13-09 by Bass, Nixon, Kennedy, Inc.		

#### Shape and Dimensions

The site is rectangular in shape, with dimensions of approximately 610 feet in width and 300 feet in depth. Site utility based on shape and dimensions is good.

#### Topography

The site is generally level and at street grade. The topography does not result in any particular development limitations.

#### Drainage

No particular drainage problems were observed or disclosed at the time of field inspection. This appraisal assumes that surface water collection, both on-site and in public streets adjacent to the subject, is adequate.

#### Flood Hazard Status

The following table provides flood hazard information.

Flood Hazard Status	
Community Panel Number	37183C0772J
Date	May 2, 2006
Zone	X
Description	Outside of 500-year floodplain
Insurance Required?	No

### Environmental Hazards

An environmental assessment report was not provided for review, and during our inspection, we did not observe any obvious signs of contamination on or near the subject. However, environmental issues are beyond our scope of expertise. It is assumed that the property is not adversely affected by environmental hazards.

### Ground Stability

A soils report was not provided for our review. Based on our inspection of the subject and observation of development on nearby sites, there are no apparent ground stability problems. However, we are not experts in soils analysis. We assume that the subject's soil bearing capacity is sufficient to support the existing improvements.

### Streets, Access and Frontage

Details pertaining to street access and frontage are provided in the following table.

<b>Streets, Access and Frontage</b>		
Street	Walnut St.	Dillard Dr.
Frontage Feet	316	624
Paving	Asphalt	Asphalt
Curbs	Yes	Yes
Sidewalks	Yes	Yes
Lanes	2 way, 3 lanes each way	2 way, 2 lanes each way
Direction of Traffic	North/South	East/West
Condition	Good	Good
Traffic Levels	High	Moderate
Signals/Traffic Control	Traffic light	Traffic light
Access/Curb Cuts	Yes, 1	Yes, 1
Visibility	Above average	Excellent

### Utilities

The availability of utilities to the subject is summarized in the following table.

<b>Utilities</b>		
Service	Provider	Adequacy
Water	Town of Cary	Presumed adequate
Sewer	Town of Cary	Presumed adequate
Electricity	Duke Energy	Presumed adequate
Natural Gas	Dominion Energy	Presumed adequate
Local Phone	Various providers	Presumed adequate

## Zoning

The subject is zoned OI, Office and Institutional, by the Town of Cary. The OI zone is intended to promote office, institutional and some select retail uses. The following table summarizes our understanding and interpretation of the zoning requirements that affect the subject.

<b>Zoning Summary</b>	
Zoning Jurisdiction	Town of Cary
Zoning Designation	OI
Description	Office and Institutional
Legally Conforming?	Appears to be legally conforming
Zoning Change Likely?	Not likely at current time, but Community Plan allows some increased intensity.
Permitted Uses	Group living (dormitory, life care, nursing home), cultural facilities (library, museum), day care, government services, hospital, religious assembly, educational use (pre-school and school), club/lodge, bank, indoor restaurant, office, funeral home, personal service establishment and retail store uses
Category	Zoning Requirement
Minimum Lot Area	None
Minimum Street Frontage (Feet)	None
Minimum Lot Width (Feet)	None
Minimum Lot Depth (Feet)	None
Minimum Setbacks (Feet)	30' street, with no side or rear setbacks
Maximum Building Height	50', if more than 100' from a residential district
Maximum Site Coverage	None
Maximum Floor Area Ratio	N/A
Parking Requirement	1 per 300 SF for office and 2.25 spaces per classroom for elementary and middle schools
Other	Property designated as part of Destination Center on Town of Cary Community Plan

According to the local planning department, there are no pending or prospective zoning changes. It appears that the current use of the site is a legally conforming use. While the Town of Cary Community Plan designates the subject property as part of the Destination Center district, which would permit significantly greater development density, a change in zoning and use of the property is unwarranted at the current time, given the magnitude of existing improvements on the property.

We are not experts in the interpretation of zoning ordinances. An appropriately qualified land use attorney should be engaged if a determination of compliance is required.

## Other Land Use Regulations

We are not aware of any other land use regulations that would affect the property.

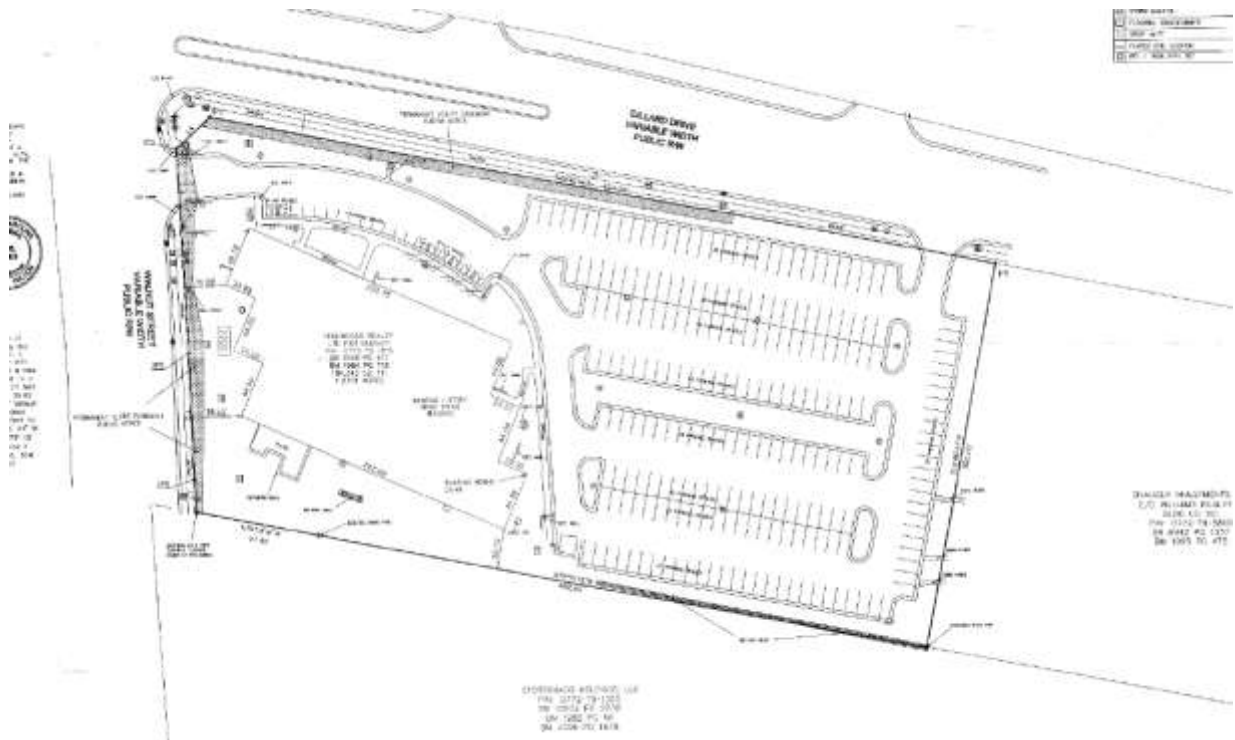
**Easements, Encroachments and Restrictions**

Based upon a review of the deed and property survey, there do not appear to be any easements, encroachments, or restrictions that would adversely affect value. Our valuation assumes no adverse impacts from easements, encroachments, or restrictions, and further assumes that the subject has clear and marketable title.

**Conclusion of Site Analysis**

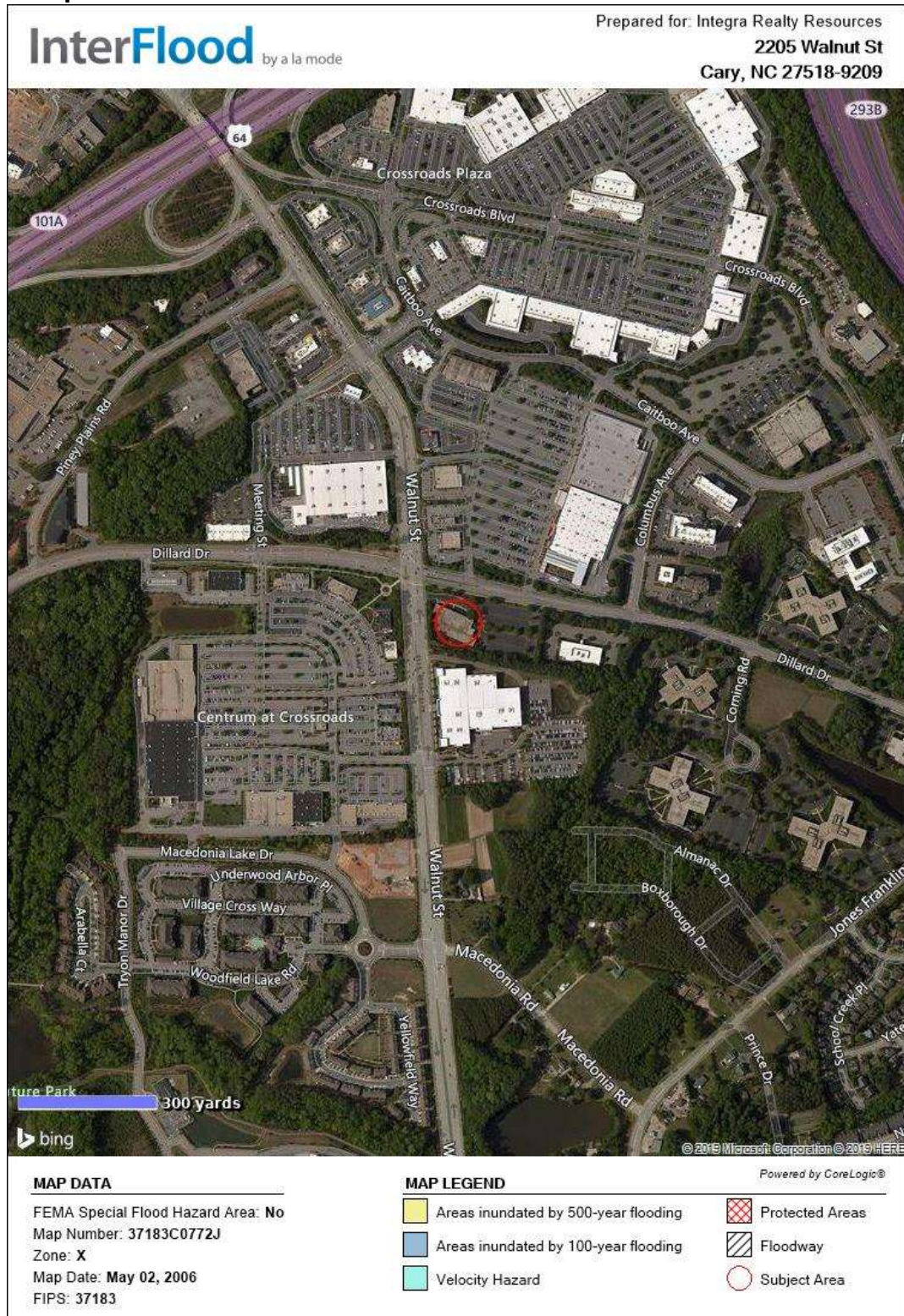
Overall, the physical characteristics of the site and the availability of utilities result in functional utility suitable for a variety of uses including those permitted by zoning. Uses permitted by zoning include group living (dormitory, life care, nursing home), cultural facilities (library, museum), day care, government services, hospital, religious assembly, educational use (pre-school and school), club/lodge, bank, indoor restaurant, office, funeral home, personal service establishment and retail store uses. We are not aware of any other particular restrictions on development.

## Survey/Site Plan



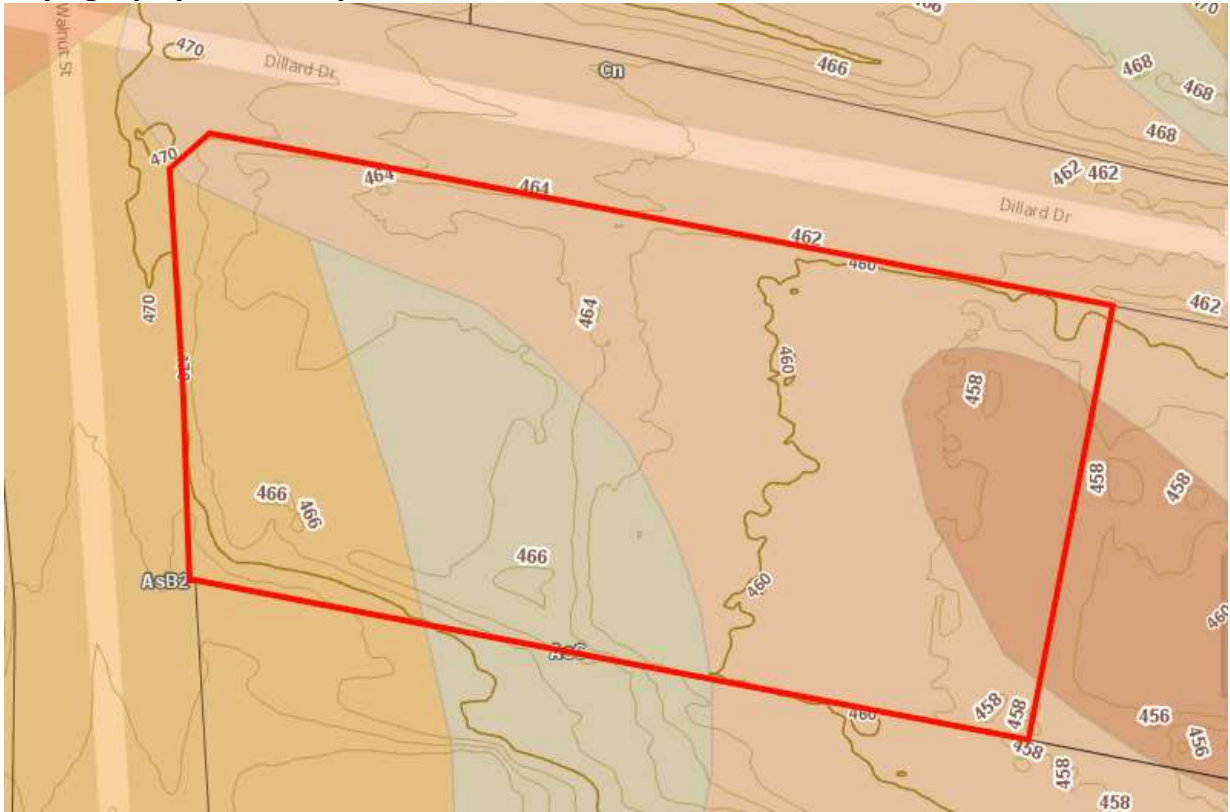


## Flood Map





## Topography/Soils Map



## Water/Sewer Map



## Aerial Map



## Tax Map

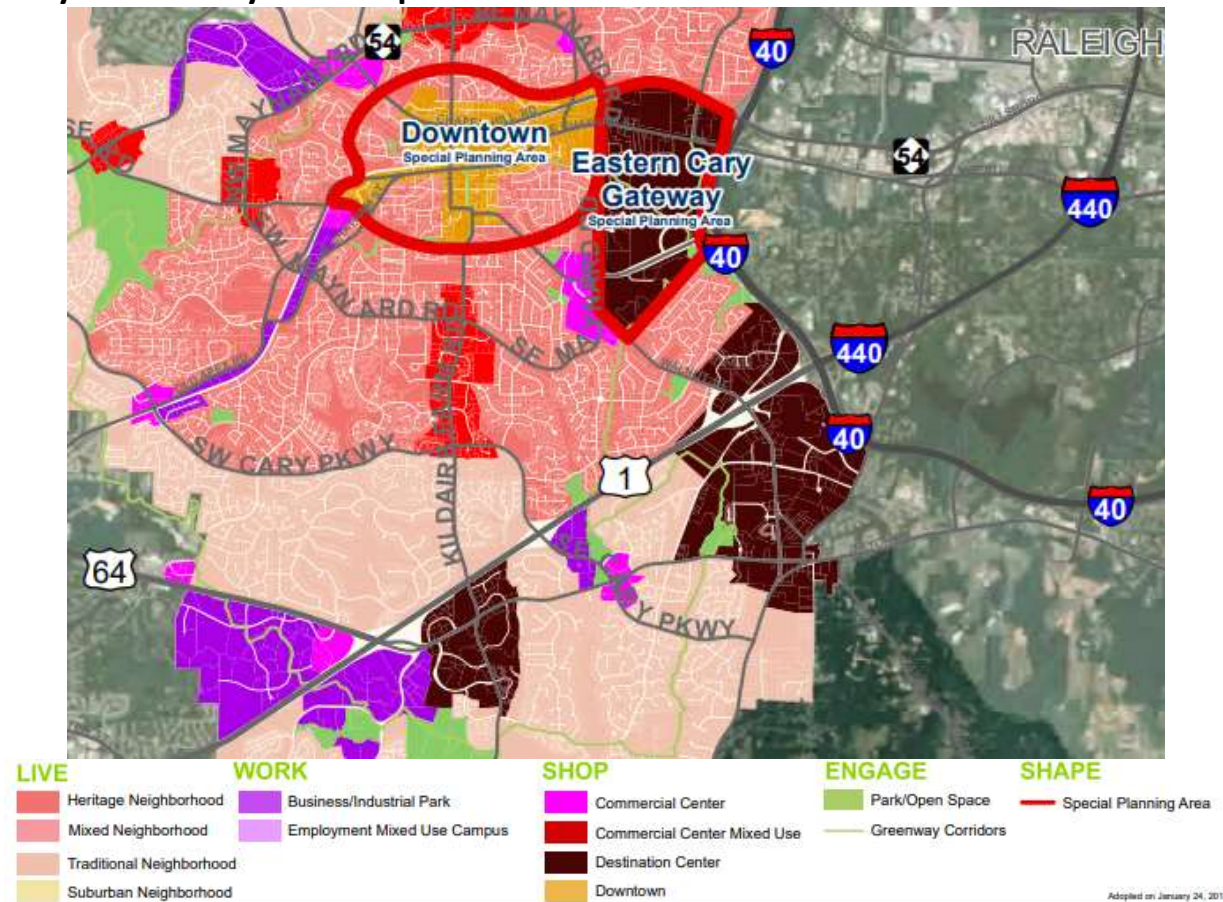




## Zoning Map



## Cary Community Plan Map



## Improvements Description and Analysis

### Overview

The subject is an existing office property containing 30,016 square feet of rentable area. The improvements were constructed in 1984 and renovated in 2012. The improvements are 100% vacant as of the effective appraisal date. The prior occupant (Miller Motte) vacated in September 2019 per the selling agent. The site area is 4.2319 acres or 184,342 square feet. The following description is based on our inspection of the property, discussions with the seller's agent and a review of a site plan and building floor plans.

Improvements Description	
Name of Property	Former Miller Motte School
General Property Type	Office
Property Sub Type	Office or School
Competitive Property Class	A-
Occupancy Type	Owner Occupied
Number of Buildings	1
Stories	1
Building Shape	Irregular
Construction Class	C
Construction Type	Masonry
Construction Quality	Good
Condition	Average
Gross Building Area (SF)	30,016
Rentable Area (SF)	30,016
Building Efficiency Ratio	100.0%
Land Area (SF)	184,342
Floor Area Ratio (RA/Land SF)	0.16
Floor Area Ratio (GBA/Land SF)	0.16
Building Area Source	Inspection
Year Built	1984
Year Renovated	2012
Actual Age (Yrs.)	35
Estimated Effective Age (Yrs.)	20
Estimated Economic Life (Yrs.)	50
Remaining Economic Life (Yrs.)	30
Number of Parking Spaces	252
Source of Parking Count	Site plan
Parking Type	Surface asphalt
Parking Spaces/1,000 SF RA	8.40
Landscaping	Heavy shrubbery and trees
Special Features	868 SF concrete patio with 400 SF awning; (12) 30' light poles and (2) 15' light poles

<b>Construction Details</b>	
Foundation	Concrete slab
Structural Frame	Steel
Exterior Walls	Brick
Windows	Insulated glass
Roof	Ballasted membrane
Ceiling Height in Feet	16' (roof line)
Clear Height in Feet	8'-10'
<b>Interior Finishes</b>	
Floors	Vinyl tile, ceramic tile and carpet
Walls	Painted gypsum board and painted block
Ceilings	Acoustical tile
Lighting	Recessed fluorescent
HVAC	Roof Central Mounted
Electrical	Assumed adequate
Plumbing	Assumed adequate; additional sink areas in many rooms
Heating	Electric
Air Conditioning	Electric
Hot Water	Electric
Rest Rooms	Womens with 9 water closets and 8 sinks, mens with 3 water closets, 2 urinals and 3 sinks
Sprinklers	None

### Occupancy Status

The property is currently vacant, as the former tenant, Miller Motte, vacated in September 2019. Since that time, the property has been marketed for sale, not lease.

### Improvements Analysis

#### Quality and Condition

The improvements are of good quality construction and are in average condition. The quality of the subject is considered to be consistent with that of competing properties, and maintenance appears to have been consistent with that of competing properties. Overall, the market appeal of the subject is consistent with that of competing properties, once deferred maintenance items with the roof and parking lot are addressed, along with a renovation of the interior based on the next user's needs.

#### Functional Utility

The improvements appear to be adequately suited for a variety of office and institutional uses. Based on our inspection and consideration of the foregoing, there do not appear to be any significant items of functional obsolescence.

### Deferred Maintenance/Improvement Allowance

Deferred maintenance is identified based on our inspection and discussions with ownership. To estimate the cost to cure deferred maintenance, we rely on Marshall Valuation Service. The improvement allowance provides for renovating the space for the new user, whether a tenant or owner-occupant. While this allowance can vary greater dependent on user needs, the allowance provided is recognized in concluding a unit price and rental rate for the subject at completion. Based on review of 3 recent leases of other Class A space in the market reflected an upfit allowance range from \$40.00 to \$50.00 per square foot, but these spaces were in shell condition in higher rent properties. For the subject property, an improvement allowance of \$40.00 per square foot is concluded to be reasonable.

The estimated cost to cure deferred maintenance and provide a market-based improvement allowance is shown below.

Deferred Maintenance/Improvement Allowance	
Item	Estimated Cost
Building	
Roof-30,016 SF x \$8.00/SF=	\$240,128
TI Allowance-30,016 SF x \$40.00/SF=	\$960,512
Subtotal Building	\$1,200,640
Site	
Parking Lot Reseal & Restripe- 86,640 SF x \$1.50/SF=	\$129,960
Subtotal Site	\$129,960
Total	\$1,330,600

**The deferred maintenance/improvement allowance will be deducted from the “completed” value estimate to conclude an ‘as is” value estimate.**

### ADA Compliance

Based on our inspection and information provided, we are not aware of any ADA issues. However, we are not expert in ADA matters, and further study by an appropriately qualified professional would be recommended to assess ADA compliance.

### Hazardous Substances

An environmental assessment report was not provided for review and environmental issues are beyond our scope of expertise. No hazardous substances were observed during our inspection of the improvements; however, we are not qualified to detect such substances. Unless otherwise stated, we assume no hazardous conditions exist on or near the subject.

### Personal Property

No personal property items were observed that would have any material contribution to market value.

### Conclusion of Improvements Analysis

In comparison to other competitive properties in the region, the subject improvements are rated as follows:

Improvements Ratings	
Visibility/Exposure	Above Average
Design and Appearance	Average
Age/Condition	Average
Interior Amenities	Average
Floor to ceiling heights	Average
Parking Ratios	Above Average
Distance of Parking to Building Access	Average
Landscaping	Average

Overall, the quality, condition, and functional utility of the improvements are average for their age and location. **Once deferred maintenance items are addressed and an allowance is made to renovate the interior, the condition of the improvements will be upgraded to good.**





Front exterior  
(Photo Taken on December 20, 2019)



Walnut facing south  
(Photo Taken on December 20, 2019)



Dillard facing east  
(Photo Taken on December 20, 2019)



Front exterior  
(Photo Taken on December 20, 2019)



Front exterior  
(Photo Taken on December 20, 2019)



Rear side exterior  
(Photo Taken on December 20, 2019)



Rear exterior  
(Photo Taken on December 20, 2019)



Front side exterior  
(Photo Taken on December 20, 2019)



Interior  
(Photo Taken on December 20, 2019)



Interior  
(Photo Taken on December 20, 2019)



Interior corridor  
(Photo Taken on December 20, 2019)



Interior  
(Photo Taken on December 20, 2019)



Interior  
(Photo Taken on December 20, 2019)



Break room  
(Photo Taken on December 20, 2019)



Interior  
(Photo Taken on December 20, 2019)



Men's restroom  
(Photo Taken on December 20, 2019)



Women's restroom  
(Photo Taken on December 20, 2019)



Roof  
(Photo Taken on December 20, 2019)

Floor Plan





## Real Estate Taxes

The subject property is located in Cary and is obligated for Town of Cary and Wake County taxes. Property in Wake County was last revalued in 2016 and the next revaluation will occur in 2020. Sale of a property does not result in a modification to the assessed value. For 2019, the combined tax rate for the subject is \$1.0707 per \$100 of assessed value.

Real estate taxes and assessments for the current tax year are shown in the following table.

Taxes and Assessments - 2019							
Tax ID	Assessed Value			Taxes and Assessments			
	Land	Improvements	Total	Ad Valorem Tax Rate	Taxes	Direct Assessments	Total
0772-79-1815	\$1,573,563	\$1,737,249	\$3,310,812	1.070700%	\$35,449	\$0	\$35,449

Based on the concluded market value of the subject, the assessed value appears low. The 2020 revaluation will result in a modified assessment for the subject property, but the direction of the tax expense change will not be known until Cary/Wake County tax rates are established in June 2020. Typically, the net tax expense effect on a county-wide basis is revenue-neutral, but the specific impact to an individual property cannot be reasonably projected at this time. Therefore, the 2019 tax expense will be utilized.

## Highest and Best Use

### Process

Before a property can be valued, an opinion of highest and best use must be developed for the subject site, both as if vacant, and as improved or proposed. By definition, the highest and best use must be:

- Physically possible.
- Legally permissible under the zoning regulations and other restrictions that apply to the site.
- Financially feasible.
- Maximally productive, i.e., capable of producing the highest value from among the permissible, possible, and financially feasible uses.

### Highest and Best Use As If Vacant

#### Physically Possible

The physical characteristics of the site do not appear to impose any unusual restrictions on development. Overall, the physical characteristics of the site and the availability of utilities result in functional utility suitable for a variety of uses.

#### Legally Permissible

The site is zoned OI, Office and Institutional by the Town of Cary. Permitted uses include group living (dormitory, life care, nursing home), cultural facilities (library, museum), day care, government services, hospital, religious assembly, educational use (pre-school and school), club/lodge, bank, indoor restaurant, office, funeral home, personal service establishment and retail store uses. To our knowledge, there are no legal restrictions such as easements or deed restrictions that would effectively limit the use of the property. The Cary Community Plan designates the bulk of the Crossroads area as Destination Center, which allows an elevated level of intensity for development purposes. Given prevailing retail land use patterns in the area and recognizing the Destination Center designation, it is concluded that retail use would be superior to office or multi-family use. Therefore, only retail use is given further consideration in determining highest and best use of the site, as though vacant.

#### Financially Feasible

Based on our analysis of the market, there is currently adequate demand for retail use in the subject's area. It appears that a newly developed retail use on the site would have a value commensurate with its cost. Therefore, retail use is considered to be financially feasible.

#### Maximally Productive

There does not appear to be any reasonably probable use of the site that would generate a higher residual land value than retail use. Accordingly, it is our opinion that retail use, developed to the normal market density level permitted by zoning, is the maximally productive use of the property.

**Conclusion**

Development of the site for retail use is the only use that meets the four tests of highest and best use. Therefore, it is concluded to be the highest and best use of the property as if vacant.

**As Improved**

The subject site is developed with a 30,016 square foot office/institutional building, which is not consistent with the highest and best use of the site as if it were vacant. However, based on the concluded "as is value" of \$5,180,000 for the improved property, a unit land value of \$28.10 per square foot would be required to justify redevelopment of the 4.2319-acre site. There are no comparable land sales of this size and unit price in the Crossroads area (or comparable areas) which would support redevelopment at the current time.

Based on our analysis, there does not appear to be any alternative use that could reasonably be expected to provide a higher present value than the current use, and the value of the existing improved property exceeds the value of the site, as if vacant. For these reasons, continued office use is concluded to be maximally productive and the highest and best use of the property as improved.

**Most Probable Buyer**

Taking into account the size and characteristics of the property and its owner occupancy, the likely buyer is a local or regional investor or an owner-user. A potential investor would likely have a prospective single-tenant in hand with a specific rental rate and renovation costs before negotiating a purchase. An owner-user would have an immediate or near-term need for the entire building. While the building could be adapted to multi-tenant use, this would require more significant renovation costs and entail lease-up costs and risk. This type of speculative development plan would entail a moderately lower purchase price.

Given the locational attributes of the subject, sufficient demand exists for the seller to wait for a single-tenant investor or owner-user to achieve the optimal value for the property.

# Valuation

## Valuation Methodology

Appraisers usually consider three approaches to estimating the market value of real property. These are the cost approach, sales comparison approach and the income capitalization approach.

The **cost approach** assumes that the informed purchaser would pay no more than the cost of producing a substitute property with the same utility. This approach is particularly applicable when the improvements being appraised are relatively new and represent the highest and best use of the land or when the property has unique or specialized improvements for which there is little or no sales data from comparable properties.

The **sales comparison approach** assumes that an informed purchaser would pay no more for a property than the cost of acquiring another existing property with the same utility. This approach is especially appropriate when an active market provides sufficient reliable data. The sales comparison approach is less reliable in an inactive market or when estimating the value of properties for which no directly comparable sales data is available. The sales comparison approach is often relied upon for owner-user properties.

The **income capitalization approach** reflects the market's perception of a relationship between a property's potential income and its market value. This approach converts the anticipated net income from ownership of a property into a value indication through capitalization. The primary methods are direct capitalization and discounted cash flow analysis, with one or both methods applied, as appropriate. This approach is widely used in appraising income-producing properties.

Reconciliation of the various indications into a conclusion of value is based on an evaluation of the quantity and quality of available data in each approach and the applicability of each approach to the property type.

The methodology employed in this assignment is summarized as follows:

<b>Approaches to Value</b>		
Approach	Applicability to Subject	Use in Assignment
Cost Approach	Not Applicable	Not Utilized
Sales Comparison Approach	Applicable	Utilized
Income Capitalization Approach	Applicable	Utilized



## Sales Comparison Approach

The sales comparison approach develops an indication of value by comparing the subject to sales of similar properties. The steps taken to apply the sales comparison approach are:

- Identify relevant property sales;
- Research, assemble, and verify pertinent data for the most relevant sales;
- Analyze the sales for material differences in comparison to the subject;
- Reconcile the analysis of the sales into a value indication for the subject.

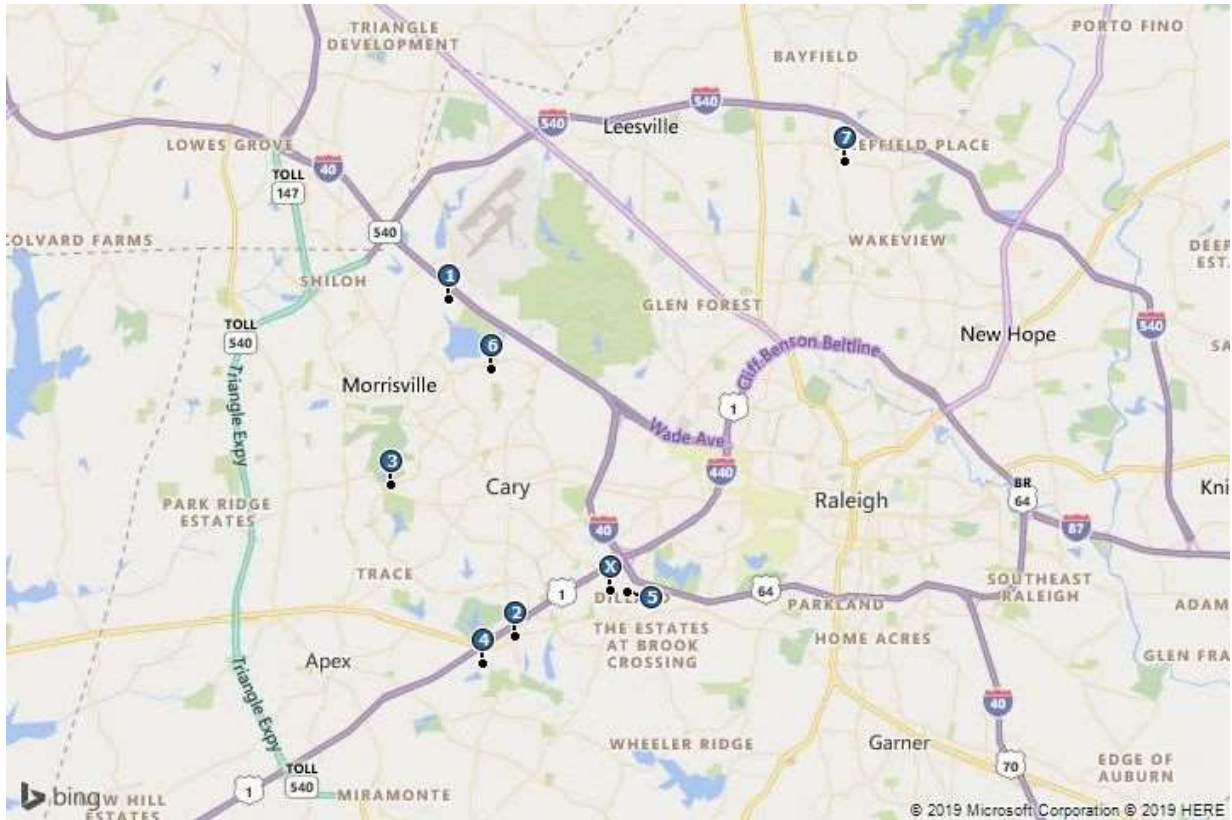
To apply the sales comparison approach, we searched for sale transactions within the following parameters:

- Property Type: Office
- Location: Wake and Durham counties
- Size: 10,000 to 250,000 SF
- Age/Quality: 1970-2010/Average-Good+
- Transaction Date: 2018-2019

For this analysis, we use price per square foot of rentable area as the appropriate unit of comparison because market participants typically compare sale prices and property values on this basis. The sales considered most relevant are summarized in the following table.

Summary of Comparable Improved Sales									
No.	Name/Address	Sale Date; Status	Yr. Bldg; # Stories; % Occ.	Acres; FAR; Parking Ratio	Prop Class; Const Type; Prop Rights	Effective Sale Price	Rentable SF	\$/Rentable SF	Cap Rate
1	Single-Story Office 3300 Gateway Centre Morrisville Wake County NC <i>Comments: Property leased to Charles River through June 2022. NOI of \$490,000 for following 12 months, with slight rent escalations on an annual basis.</i>	Oct-19 Closed	1986 1 100%	2.90 0.23 —	A- Precast Leased Fee	\$6,200,000	29,053	\$213.40	7.90%
2	First Flight Federal Credit 1815 Kildaire Farm Rd. Cary Wake County NC <i>Comments: Buyer was majority tenant in building and extinguished their lease obligation with the purchase. Sale price based on market rental rates would have indicated higher capitalization rate. Significant disparity between gross building area and rentable area due to very large atrium that is wasted space.</i>	Jan-19 Closed	1987 2 92%	0.96 0.53 —	B Brick with Leased Fee	\$3,450,000	15,500	\$222.58	5.22%
3	Office Building 1010 High House Rd. Cary Wake County NC <i>Comments: The buyer is purchasing the property as a 1031 exchange. The buyer noted the vacant space is listed for \$18.00/SF NNN with an estimated TICAM of \$4.25/SF. The buyer projected that once this space is leased, the capitalization rate would be approximately 7.25%.</i>	Jan-19 Closed	1994 3 70%	1.14 0.42 3.22/1,000	B Brick on a steel Leased Fee	\$4,200,000	20,839	\$201.55	7.25%
4	100 & 200 Regency Forest 100 & 200 Regency Forest Cary Wake County NC <i>Comments: Sale of two class A buildings with surface parking. Cap rate is based on 2017 actual year end. Lease rollover and some downtime in early 2018 caused some drop in NOI. The brokers involved in the sale quoted a pro-forma cap rate of 7%.</i>	Aug-18 Closed	1997 & 1999 4 95%	42.12 0.11 —	A Solar glass and Leased Fee	\$42,250,000	207,439	\$203.67	6.14%
5	Crossroads IV 5520 Dillard Dr. Cary Wake County NC <i>Comments: Sale details were verified by seller. This property was fully occupied at the time of sale. According to the seller, it traded at a 6% capitalization rate.</i>	May-18 Closed	1997 2 100%	10.26 0.23 —	A- Brick on a steel Leased Fee	\$22,200,000	97,856	\$226.86	6.00%
6	6501 Weston Parkway 6501 Weston Pky. Cary Wake County NC <i>Comments: Weighted average lease term for tenant base was 6.2 years at time of sale.</i>	Feb-18 Closed	1995 3 90%	8.52 0.25 4.03/1,000	A- Steel frame Leased Fee	\$18,400,000	93,990	\$195.77	7.27%
7	Madison Park Office 9121 Anson Way Raleigh Wake County NC	Jan-18 Closed	2006 2 100%	2.29 0.30 4.30/1,000	A Steel and Leased Fee	\$5,550,000	28,623	\$193.90	6.52%
	<b>Subject</b> Former Miller Motte Cary, NC		1984 1 NA	4.23 0.16 8.40/1,000	A- Masonry Fee Simple		30,016		

## Comparable Improved Sales Map





Sale 1  
Single-Story Office Building



Sale 2  
First Flight Federal Credit Union



Sale 3  
Office Building



Sale 4  
100 & 200 Regency Forest



Sale 5  
Crossroads IV



Sale 6  
6501 Weston Parkway



Sale 7  
Madison Park Office Building

## Adjustment Factors

The sales are compared to the subject and adjusted to account for material differences that affect value. Adjustments are considered for the following factors, in the sequence shown below.

Adjustment Factors	
Effective Sale Price	Accounts for atypical economics of a transaction, such as excess land, non-realty components, expenditures by the buyer at time of purchase, or other similar factors. Usually applied directly to sale price on a lump sum basis.
Real Property Rights	Leased fee, fee simple, leasehold, partial interest, etc.
Financing Terms	Seller financing, or assumption of existing financing, at non-market terms.
Conditions of Sale	Extraordinary motivation of buyer or seller, such as 1031 exchange transaction, assemblage, or forced sale.
Market Conditions	Changes in the economic environment over time that affect the appreciation and depreciation of real estate.
Location	Market or submarket area influences on sale price; surrounding land use influences.
Access/Exposure	Convenience to transportation facilities; ease of site access; visibility from main thoroughfares; traffic counts.
Size	Inverse relationship that often exists between building size and unit value.
Parking	Ratio of parking spaces to building area.
Building to Land Ratio	Ratio of building area to land area; also known as floor area ratio (FAR).
Building Quality	Construction quality, amenities, market appeal, functional utility.
Age/Condition	Effective age; physical condition.
Economic Characteristics	Non-stabilized occupancy, above/below market rents, and other economic factors. Excludes differences in rent levels that are already considered in previous adjustments, such as for location or quality

Issues requiring elaboration are addressed in the following paragraphs.

## Market Conditions

The sales took place from January 2018 to October 2019. Market conditions generally have been strengthening over this period through the effective date of value. As a result, we apply upward adjustments of 3.0% per year to account for this trend.

**Economic Characteristics**

The sales are adjusted to indicate a value for the subject at stabilized occupancy based on market rents. At the end of the analysis, adjustments are made to reflect the subject's current occupancy status and the costs to cure deferred maintenance and provide a renovation allowance.

**Analysis and Adjustment of Sales**

The analysis and adjustment of the comparable sales is discussed in the following paragraphs.

**Sale 1** is Single-Story Office Building, located at 3300 Gateway Centre Blvd., Morrisville, Wake County, NC, a 29,053 square foot office property. The property sold in October 2019 for \$6,200,000, or \$213.40 per square foot. An upward adjustment is made for inferior access/exposure.

**Sale 2** is First Flight Federal Credit Union, located at 1815 Kildaire Farm Rd., Cary, Wake County, NC, a 15,500 square foot office property. The property sold in January 2019 for \$3,450,000, or \$222.58 per square foot. A downward adjustment is made for smaller size, with an upward adjustment made for inferior FAR.

**Sale 3** is Office Building, located at 1010 High House Rd., Cary, Wake County, NC, a 20,839 square foot office property. The property sold in January 2019 for \$4,200,000, or \$201.55 per square foot. An upward adjustment is made for inferior FAR, with a downward adjustment made for superior building quality.

**Sale 4** is 100 & 200 Regency Forest, located at 100 & 200 Regency Forest Dr., Cary, Wake County, NC, a 207,439 square foot office property. The property sold in August 2018 for \$42,250,000, or \$203.67 per square foot. An upward adjustment is made for inferior access/exposure, with downward adjustments made for superior building quality and age/condition.

**Sale 5** is Crossroads IV, located at 5520 Dillard Dr., Cary, Wake County, NC, a 97,856 square foot office property. The property sold in May 2018 for \$22,200,000, or \$226.86 per square foot. An upward adjustment is made for inferior access/exposure, with downward adjustments made for superior building quality and age/condition.

**Sale 6** is 6501 Weston Parkway, located at 6501 Weston Pky., Cary, Wake County, NC, a 93,990 square foot office property. The property sold in February 2018 for \$18,400,000, or \$195.77 per square foot. An upward adjustment is made for inferior access/exposure, with downward adjustments made for superior building quality and age/condition.

**Sale 7** is Madison Park Office Building, located at 9121 Anson Way, Raleigh, Wake County, NC, a 28,623 square foot office property. The property sold in January 2018 for \$5,550,000, or \$193.90 per square foot. Upward adjustments are made for inferior location and access/exposure, with a downward adjustment made for superior age/condition.

The following table summarizes the adjustments we make to each sale.

Improved Sales Adjustment Grid								
	Subject	Comparable 1	Comparable 2	Comparable 3	Comparable 4	Comparable 5	Comparable 6	Comparable 7
Property Name	Former Miller Motte School	Single-Story Office Building	First Flight Federal Credit Union	Office Building	100 & 200 Regency Forest	Crossroads IV	6501 Weston Parkway	Madison Park Office Building
Address	2205 Walnut St.	3300 Gateway Centre Blvd.	1815 Kildaire Farm Rd.	1010 High House Rd.	100 & 200 Regency Forest Dr.	5520 Dillard Dr.	6501 Weston Pky.	9121 Anson Way
City	Cary	Morrisville	Cary	Cary	Cary	Cary	Cary	Raleigh
County	Wake	Wake	Wake	Wake	Wake	Wake	Wake	Wake
State	North Carolina	NC	NC	NC	NC	NC	NC	NC
Sale Date		Oct-19	Jan-19	Jan-19	Aug-18	May-18	Feb-18	Jan-18
Sale Status		Closed	Closed	Closed	Closed	Closed	Closed	Closed
Sale Price		\$6,200,000	\$3,450,000	\$4,200,000	\$42,250,000	\$22,200,000	\$18,400,000	\$5,550,000
Price Adjustment		—	—	—	—	—	—	—
Description of Adjustment								
Effective Sale Price		\$6,200,000	\$3,450,000	\$4,200,000	\$42,250,000	\$22,200,000	\$18,400,000	\$5,550,000
Gross Building Area	30,016	29,053	22,080	20,839	207,439	101,704	93,990	30,020
Rentable Area	30,016	29,053	15,500	20,839	207,439	97,856	93,990	28,623
Year Built	1984	1986	1987	1994	1997 & 1999	1997	1995	2006
Year Renovated	2012	1999, 2009	—	—	—	—	—	—
FAR	0.16	0.23	0.53	0.42	0.11	0.23	0.25	0.30
<b>Price per SF of Rentable Area</b>		<b>\$213.40</b>	<b>\$222.58</b>	<b>\$201.55</b>	<b>\$203.67</b>	<b>\$226.86</b>	<b>\$195.77</b>	<b>\$193.90</b>
Property Rights		Leased Fee	Leased Fee	Leased Fee	Leased Fee	Leased Fee	Leased Fee	Leased Fee
% Adjustment		—	—	—	—	—	—	—
Financing Terms		Cash to seller	Cash to seller	Cash to seller	Cash to seller	Cash to seller	Cash to seller	Cash to seller
% Adjustment		—	—	—	—	—	—	—
Conditions of Sale		Arm's Length	Arm's Length	Arm's Length	Arm's Length	Arm's Length	Arm's Length	Arm's Length
% Adjustment		—	—	—	—	—	—	—
Market Conditions	12/20/2019	Oct-19	Jan-19	Jan-19	Aug-18	May-18	Feb-18	Jan-18
Annual % Adjustment	3%	—	3%	3%	4%	5%	5%	6%
<b>Cumulative Adjusted Price</b>		<b>\$213.40</b>	<b>\$229.26</b>	<b>\$207.59</b>	<b>\$211.82</b>	<b>\$238.21</b>	<b>\$205.55</b>	<b>\$205.53</b>
Location		—	—	—	—	—	—	5%
Access/Exposure		10%	—	—	10%	5%	5%	10%
Size		—	-5%	—	—	—	—	—
Parking		—	—	—	—	—	—	—
Building to Land Ratio (FAR)		—	5%	5%	—	—	—	—
Building Quality		—	—	—	-5%	-5%	-5%	—
Age/Condition		—	—	-5%	-5%	-5%	-5%	-10%
Economic Characteristics		—	—	—	—	—	—	—
Net \$ Adjustment		\$21.34	\$0.00	\$0.00	\$0.00	-\$11.91	-\$10.28	\$10.28
Net % Adjustment		10%	0%	0%	0%	-5%	-5%	5%
<b>Final Adjusted Price</b>		<b>\$234.74</b>	<b>\$229.26</b>	<b>\$207.59</b>	<b>\$211.82</b>	<b>\$226.30</b>	<b>\$195.28</b>	<b>\$215.81</b>
Overall Adjustment		10%	3%	3%	4%	0%	0%	11%
<b>Range of Adjusted Prices</b>		<b>\$195.28 - \$234.74</b>						
<b>Average</b>		<b>\$217.26</b>						
<b>Indicated Value</b>		<b>\$217.00</b>						



### Value Indication

Prior to adjustment, the sales reflect a range of \$193.90 - \$226.86 per square foot. After adjustment, the range is narrowed to \$195.28 - \$234.74 per square foot, with an average of \$217.26 per square foot. To arrive at an indication of value, we place relatively equal emphasis on the seven sales.

Based on the preceding analysis, we arrive at a value indication by the sales comparison approach as follows:

<b>Value Indication by Sales Comparison</b>	
<b><u>Stabilized</u></b>	
Indicated Value per SF	\$217.00
Subject Square Feet	30,016
Indicated Value	\$6,513,472
<b><u>As Is</u></b>	
Stabilized Value Indication	\$6,513,472
Adjustments	
Deferred Maintenance/Improvement Allowance	-\$1,330,600
Total Adjustments	-\$1,330,600
Indicated Value	\$5,182,872
Rounded	\$5,180,000

The property was initially valued based on the premise that all deferred maintenance has been addressed and that a sufficient renovation allowance would be provided to a tenant or an owner-user. The itemization of deferred maintenance and improvement allowance is shown below.

<b>Deferred Maintenance/Improvement Allowance</b>	
Item	Estimated Cost
Building	
Roof-30,016 SF x \$8.00/SF=	\$240,128
TI Allowance-30,016 SF x \$40.00/SF=	\$960,512
Subtotal Building	\$1,200,640
Site	
Parking Lot Reseal & Restripe- 86,640 SF x \$1.50/SF=	\$129,960
Subtotal Site	\$129,960
Total	\$1,330,600

## Income Capitalization Approach

The income capitalization approach converts anticipated economic benefits of owning real property into a value estimate through capitalization. The steps taken to apply the income capitalization approach are:

- Analyze the revenue potential of the property.
- Consider appropriate allowances for vacancy, collection loss, and operating expenses.
- Calculate net operating income by deducting vacancy, collection loss, and operating expenses from potential income.
- Apply the most appropriate capitalization methods to convert anticipated net income to an indication of value.

The two most common capitalization methods are direct capitalization and discounted cash flow analysis. In direct capitalization, a single year's expected income is divided by an appropriate capitalization rate to arrive at a value indication. In discounted cash flow analysis, anticipated future net income streams and a future resale value are discounted to a present value at an appropriate yield rate.

In this analysis, we use only direct capitalization investors in this property type typically rely more on this method for single-tenant or owner-occupied properties.

### Leased Status of Property

The property was formerly leased to Miller Motte, which vacated in September 2019, according to the broker, Jay Taylor of SVN.

### Market Rent Analysis

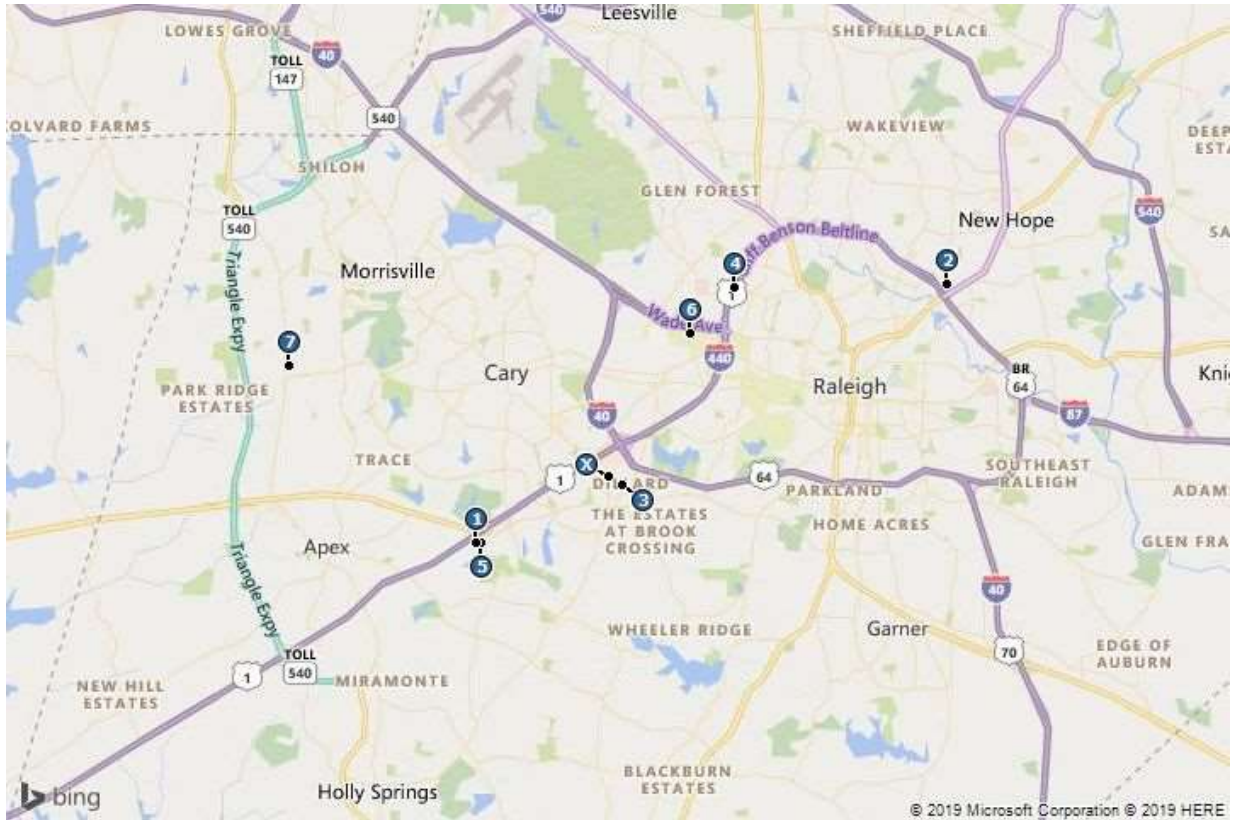
Contract rents typically establish income for leased space, while market rent is the basis for estimating income from future speculative re-leasing of space when the lease expires. Also, it is important to compare the current contract rent level with the market rent level. To estimate market rent for the subject, we searched for comparable rentals within the following parameters:

- Location: Cary and Raleigh
- Building Class: A and B
- Space Size: 10,000 SF- 80,000 SF
- Date: 2018-2019

Comparable rentals considered most relevant are summarized in the following table.

Summary of Comparable Rentals - Office										
No.	Property Information	Description	Tenant	SF	Lease Start	Term (Mos.)	Rent/SF	Escalations	TI/SF	Lease Type
1	Office Building and Excess Land 400 & 600 Regency Forest Dr. Cary Wake County NC	Yr Blt: 2001 Stories: 4 RA: 111,706 Parking Ratio: 4.6 /1,000	Pentair Water Pool and Spa	10,310	Sep-19	62	\$24.35	Fixed Percentage	–	Full Service
2	Aspen Building 3125 Poplarwood Ct. Raleigh Wake County NC	Yr Blt: 1980 Stories: 3 RA: 38,596 Parking Ratio: 4.5 /1,000	Put NC First	12,909	Sep-19	36	\$22.00	Fixed Percentage	\$38.73	Full Service
<i>Comments: The entire 3rd floor is being gutted. Some of the TI's include common area ADA restrooms, new flooring, new ceiling grid and upgraded HVAC. We assume a good portion of the TI's will survive the current tenant.</i>										
3	Crossroads Corporate Park 5625 Dillard Rd., 110 & 111 Corning Rd. Cary Wake County NC	Yr Blt: 1991-1997 Stories: 2 RA: 295,253 Parking Ratio: 4.1 /1,000	Wake County Board of	75,864	Jul-19	180	\$23.75	–	–	Full Service
4	Office Building 2610 & 2620 Wycliff Rd. Raleigh Wake County NC	Yr Blt: 1970 Stories: 4 RA: 174,014 Parking Ratio: 3.8 /1,000	Confidential	30,657	Jan-19	36	\$24.25	Fixed Percentage	–	Full Service
5	200 Regency Forest 200 Regency Forest Dr. Cary Wake County NC	Yr Blt: 1997 Stories: 4 RA: 102,600 Parking Ratio: –	Mecurygate International,	11,440	Jul-18	69	\$24.50	Fixed Percentage	–	Full Service
6	Westchase I, II & III 4000, 4011 & 4022 Westchase Blvd. Raleigh Wake County NC	Yr Blt: 1986, 1988, 1990 Stories: 5 RA: 312,544 Parking Ratio: 3.8 /1,000	Qualys	15,390	Jun-18	94	\$25.00	Fixed Percentage	–	Full Service
7	Office Building 100 Connemara Dr. Cary Wake County NC	Yr Blt: 2008 Stories: 2 RA: 14,826 Parking Ratio: 3.6 /1,000	HPW Realty	11,574	Jun-18	120	\$24.00	Fixed Steps	–	Full Service
<i>Comments: This tenant was the former owner of the building. HPW Realty sold the building to GMC Connemara, LLC and leased its suites back.</i>										

## Comparable Rentals Map





Lease 1  
Office Building and Excess Land



Lease 2  
Aspen Building



Lease 3  
Crossroads Corporate Park



Lease 4  
Office Building



Lease 5  
200 Regency Forest



Lease 6  
Westchase I, II & III



Lease 7  
Office Building

**Rental Analysis Factors**

The following elements of comparison are considered in our analysis of the comparable rentals.

<b>Rental Analysis Factors</b>	
Expense Structure	Division of expense responsibilities between landlord and tenants.
Conditions of Lease	Extraordinary motivations of either landlord or tenant to complete the transaction.
Market Conditions	Changes in the economic environment over time that affect the appreciation and depreciation of real estate.
Location	Market or submarket area influences on rent; surrounding land use influences.
Access/Exposure	Convenience to transportation facilities; ease of site access; visibility from main thoroughfares; traffic counts.
Size	Difference in rental rates that is often attributable to variation in sizes of leased space.
Building Quality	Construction quality, amenities, market appeal, functional utility.
Age/Condition	Effective age; physical condition.
Economic Characteristics	Variations in rental rate attributable to such factors as free rent or other concessions, pattern of rent changes over lease term, or tenant improvement allowances.

A 3.0% annual adjustment is made to the comparable rentals for improving market conditions.

**Analysis of Comparable Rentals**

**Rent 1** is the September 2019 lease of 10,310 square feet to Pentair Water Pool and Spa, located at Office Building and Excess Land, 400 & 600 Regency Forest Dr., Cary, Wake County, NC. The rent is \$24.35 per square foot, full service. An upward adjustment is made for superior access/exposure, with downward adjustments for smaller size, superior building quality and superior age/condition.

**Rent 2** is the September 2019 lease of 12,909 square feet to Put NC First, located at Aspen Building, 3125 Poplarwood Ct., Raleigh, Wake County, NC. The rent is \$22.00 per square foot, full service. Upward adjustments are made for inferior location, access/exposure and age/condition, with a downward adjustment for smaller size.

**Rent 3** is the July 2019 lease of 75,864 square feet to Wake County Board of Education, located at Crossroads Corporate Park, 5625 Dillard Rd., 110 & 111 Corning Rd., Cary, Wake County, NC. The rent is \$23.75 per square foot, full service. Upward adjustments are made for inferior access/exposure and larger size, with downward adjustments for superior building quality and age/condition.

**Rent 4** is the January 2019 lease of 30,657 square feet to Confidential, located at Office Building, 2610 & 2620 Wycliff Rd., Raleigh, Wake County, NC. The rent is \$24.25 per square foot, full service. Downward adjustments are made for superior location and building quality, with an upward adjustment for inferior access/exposure.

**Rent 5** is the July 2018 lease of 11,440 square feet to Mecurygate International, Inc., located at 200 Regency Forest, 200 Regency Forest Dr., Cary, Wake County, NC. The rent is \$24.50 per square foot, full service. An upward adjustment is made for superior access/exposure, with downward adjustments for smaller size, superior building quality and superior age/condition.

**Rent 6** is the June 2018 lease of 15,390 square feet to Qualys, located at Westchase I, II & III, 4000, 4011 & 4022 Westchase Blvd., Raleigh, Wake County, NC. The rent is \$25.00 per square foot, full service. Downward adjustments are made for superior location, smaller size and superior building quality, with an upward adjustment for inferior access/exposure.

**Rent 7** is the June 2018 lease of 11,574 square feet to HPW Realty, located at Office Building, 100 Connemara Dr., Cary, Wake County, NC. The rent is \$24.00 per square foot, full service. An upward adjustment is made for inferior location, with downward adjustments for smaller size, superior building quality and superior age/condition.

The following table summarizes the adjustments we make to each comparable.



Rental Adjustment Grid - Office								
	Subject	Comparable 1	Comparable 2	Comparable 3	Comparable 4	Comparable 5	Comparable 6	Comparable 7
Property Name	Former Miller Motte School	Office Building and Excess Land	Aspen Building	Crossroads Corporate Park	Office Building	200 Regency Forest	Westchase I, II & III	Office Building
Address	2205 Walnut St.	400 & 600 Regency Forest Dr.	3125 Poplarwood Ct.	5625 Dillard Rd., 110 & 111 Corning Rd.	2610 & 2620 Wycliff Rd.	200 Regency Forest Dr.	4000, 4011 & 4022 Westchase Blvd.	100 Connemara Dr.
City	Cary	Cary	Raleigh	Cary	Raleigh	Cary	Raleigh	Cary
County	Wake	Wake	Wake	Wake	Wake	Wake	Wake	Wake
State		NC	NC	NC	NC	NC	NC	NC
Lease Start Date		Sep-19	Sep-19	Jul-19	Jan-19	Jul-18	Jun-18	Jun-18
Lease Term (Months)		62	36	180	36	69	94	120
Tenant Name		Pentair Water Pool and Spa	Put NC First	Wake County Board of Education	Confidential	Mecurygate International, Inc.	Qualys	HPW Realty
Leased SF	30,016	10,310	12,909	75,864	30,657	11,440	15,390	11,574
Lease Type	Full Service	Full Service	Full Service	Full Service	Full Service	Full Service	Full Service	Full Service
Year Built	1984	2001	1980	1991-1997	1970	1997	1986, 1988, 1990	2008
<b>Base Rent/SF/Yr</b>		<b>\$24.35</b>	<b>\$22.00</b>	<b>\$23.75</b>	<b>\$24.25</b>	<b>\$24.50</b>	<b>\$25.00</b>	<b>\$24.00</b>
Expense Structure								
\$ Adjustment		-	-	-	-	-	-	-
Conditions of Lease		Arm's Length	Arm's Length	Arm's Length	Arm's Length	Arm's Length	Arm's Length	Arm's Length
% Adjustment		-	-	-	-	-	-	-
Market Conditions	12/20/2019	Sep-19	Sep-19	Jul-19	Jan-19	Jul-18	Jun-18	Jun-18
Annual % Adjustment	3%	1%	1%	1%	3%	4%	5%	5%
<b>Cumulative Adjusted Rent</b>		<b>\$24.59</b>	<b>\$22.22</b>	<b>\$23.99</b>	<b>\$24.98</b>	<b>\$25.48</b>	<b>\$26.25</b>	<b>\$25.20</b>
Location		-	5%	-	-5%	-	-5%	10%
Access/Exposure		10%	10%	5%	10%	10%	10%	-
Size		-5%	-5%	10%	-	-5%	-5%	-5%
Building Quality		-5%	-	-5%	-5%	-5%	-5%	-5%
Age/Condition		-5%	5%	-5%	-	-5%	-	-5%
Economic Characteristics		-	-	-	-	-	-	-
Net \$ Adjustment		-\$1.23	\$3.33	\$1.20	\$0.00	-\$1.27	-\$1.31	-\$1.26
Net % Adjustment		-5%	15%	5%	0%	-5%	-5%	-5%
<b>Final Adjusted Price</b>		<b>\$23.36</b>	<b>\$25.55</b>	<b>\$25.19</b>	<b>\$24.98</b>	<b>\$24.21</b>	<b>\$24.94</b>	<b>\$23.94</b>
Overall Adjustment		-4%	16%	6%	3%	-1%	0%	0%
<b>Range of Adjusted Rents</b>		<b>\$23.36 - \$25.55</b>						
<b>Average</b>		<b>\$24.59</b>						
<b>Indicated Rent</b>		<b>\$24.75</b>						

### Market Rent Conclusion

After analysis, the overall range is \$23.36 - \$25.55 per square foot per year, with and average adjusted rate of \$24.59 per square foot. A rent in the middle of the range is most applicable to the subject.

Based on the preceding analysis of comparable rentals, we conclude market lease terms for the subject as follows:

Concluded Market Lease Terms								
Space Type	SF	Market Rent	Measure	Rent Escalations	Lease Type	Lease Term (Mos.)	TI/SF New	TI/SF Renew
Office	30,016	\$24.75	\$/SF/Yr	3%/yr	Full Service	120	\$40.00	\$10.00

The tenant improvement allowance is adopted for the subject property for either single-tenant or owner occupancy and is market-based.

## Stabilized Income and Expenses

### Potential Gross Rent

Potential gross rent is based on market rent. Income is projected for the 12-month period following the effective date of the appraisal.

Potential Gross Rent			
Space Type	SF	Potential Rent at Market	
		\$/SF/Yr	Annual
Office	30,016	\$24.75	\$742,896
Total Subject	30,016	\$24.75	\$742,896

<sup>1</sup> Vacant space at market.

### Expense Reimbursements

Reimbursement income is based on existing lease terms that require the tenant to pay operating expense increases over base year amounts for all expenses. For the subject property, new tenancy would not reimburse any expenses in the initial year and no reimbursements are projected.

### Other Income

The subject does not generate significant amounts of recurring income from sources other than rent, and none is projected in this analysis.

### Vacancy & Collection Loss

Stabilized vacancy and collection loss is estimated at 10.0% based on an estimated vacancy period of 12 months every 10 years. This is slightly lower than the Class A vacancy submarket vacancy rate of 13.7%, but is considered reasonable given the prominent location of the property.

### Effective Gross Income

Based on the preceding estimates, effective gross income is calculated at \$668,606, or \$22.28 per square foot.

### Analysis of Operating Expenses

We were not provided with any historical income and expense information for the subject property. To develop projections of stabilized operating expenses, we analyze the comparable data from the local market area. The following table summarizes our analysis for the subject property.

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**Operating History and Projections**


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	IRR Projection
<b>Income</b>	
Base Rent	\$742,896
Expense Reimbursements	0
Potential Gross Income*	\$742,896
Vacancy & Collection Loss @ 10.0%	-74,290
Effective Gross Income	\$668,606
<b>Expenses</b>	
Real Estate Taxes	\$35,449
Insurance	4,502
Utilities	60,032
Repairs/Maintenance	45,024
Cleaning/Janitorial	27,014
Grounds	12,006
Security	1,501
General/Administrative	7,504
Management	20,058
Total Expenses	\$213,091
<b>Net Operating Income</b>	<b>\$455,515</b>
Operating Expense Ratio	31.9%

\*IRR projected income is the total potential income attributable to the property before deduction of vacancy and collection loss. Historical income is the actual income that has been collected by the property owner.

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Per square foot expense data for the subject and comparables are summarized in the following table.

**Expense Analysis per Square Foot**

	Comp Data*			Subject
	Comp 1	Comp 2	Comp 3	Projected Expenses
Year Built	2001	1991-1997	1990	1984
SF	111,706	295,253	26,239	30,016
Prevailing Lease Type	Full Service	Full Service	Full Service	Full Service
Operating Data Type	In Place	Trailing-12	In Place	
Year	2018	2019	2018	IRR Projection
Real Estate Taxes	\$1.35	\$1.30	\$0.86	\$1.18
Insurance	\$0.07	\$0.20	\$0.11	\$0.15
Utilities	\$1.81	\$1.63	\$2.58	\$2.00
Repairs/Maintenance	\$0.94	\$2.11	\$2.65	\$1.50
Cleaning/Janitorial	\$0.87	\$0.92	\$1.17	\$0.90
Grounds	\$0.42	\$0.56	\$0.33	\$0.40
Security	\$0.00	\$0.03	\$0.00	\$0.05
General/Administrative	\$0.45	\$0.12	\$0.42	\$0.25
Management	\$0.98	\$0.53	\$0.00	\$0.67
Total	\$6.90	\$7.38	\$8.14	\$7.10
Operating Expense Ratio	30.9%	50.0%	41.3%	31.9%

**Operating Expense Analysis by Category**

Discussions of our operating expense projections are presented in the following paragraphs.

**Real Estate Taxes**

This expense category includes all local, county, and state property tax levies. Our projection is based on the property assessment and tax rate for the subject, as discussed previously in the Real Estate Tax Analysis.

**Real Estate Taxes Expense**

	Comp 1	Comp 2	Comp 3	IRR
	2018	2019	2018	Projection
Total	—	—	—	\$35,449
% of EGI	6.1%	8.8%	4.4%	5.3%
\$/SF	\$1.35	\$1.30	\$0.86	\$1.18

**Insurance**

Insurance expense includes property and casualty insurance for the subject. Our projection is consistent with the comparable data.

<b>Insurance Expense</b>				
	Comp 1 2018	Comp 2 2019	Comp 3 2018	IRR Projection
Total	–	–	–	\$4,502
% of EGI	0.3%	1.3%	0.6%	0.7%
\$/SF	\$0.07	\$0.20	\$0.11	\$0.15

### Utilities

Utility charges include water, sewer, gas, and electricity expenses, all of which are centrally metered and billed to the owner. Our projection is consistent with the comparable data.

<b>Utilities Expense</b>				
	Comp 1 2018	Comp 2 2019	Comp 3 2018	IRR Projection
Total	–	–	–	\$60,032
% of EGI	8.1%	11.0%	13.1%	9.0%
\$/SF	\$1.81	\$1.63	\$2.58	\$2.00

### Repairs/Maintenance

Repairs and maintenance expenses include expenditures to repair and maintain mechanical systems and structural components, encompassing payroll and contract costs, as appropriate. Excluded are alterations and major replacements, which are considered capital costs rather than periodic expenses. Our projection is consistent with the comparable data.

<b>Repairs/Maintenance Expense</b>				
	Comp 1 2018	Comp 2 2019	Comp 3 2018	IRR Projection
Total	–	–	–	\$45,024
% of EGI	4.2%	14.3%	13.5%	6.7%
\$/SF	\$0.94	\$2.11	\$2.65	\$1.50

### Cleaning/Janitorial

The cleaning/janitorial category includes contract janitorial services and supplies, window cleaning, and trash removal. Our projection is consistent with the comparable data.

<b>Cleaning/Janitorial Expense</b>				
	Comp 1 2018	Comp 2 2019	Comp 3 2018	IRR Projection
Total	–	–	–	\$27,014
% of EGI	3.9%	6.2%	5.9%	4.0%
\$/SF	\$0.87	\$0.92	\$1.17	\$0.90

### Grounds

Grounds expense includes landscaping maintenance and snow removal, if applicable. Our projection is consistent with the comparable data.

<b>Grounds Expense</b>				
	Comp 1 2018	Comp 2 2019	Comp 3 2018	IRR Projection
Total	–	–	–	\$12,006
% of EGI	1.9%	3.8%	1.7%	1.8%
\$/SF	\$0.42	\$0.56	\$0.33	\$0.40

### Security

Security expenses include payroll and contract service expenses for security personnel and expenses associated with electronic access systems, if applicable. Our projection is consistent with the comparable data.

<b>Security Expense</b>				
	Comp 1 2018	Comp 2 2019	Comp 3 2018	IRR Projection
Total	–	–	–	\$1,501
% of EGI	–	0.2%	–	0.2%
\$/SF	–	\$0.03	–	\$0.05

### General/Administrative

General and administrative expenses consist of payroll and benefits expenses for on-site management staff and related office expenses. Also included are legal, accounting and other professional fees, license fees, and business taxes. Our projection is consistent with the comparable data.

<b>General/Administrative Expense</b>				
	Comp 1 2018	Comp 2 2019	Comp 3 2018	IRR Projection
Total	–	–	–	\$7,504
% of EGI	2.0%	0.8%	2.1%	1.1%
\$/SF	\$0.45	\$0.12	\$0.42	\$0.25

### Management

Management fees are considered an expense of operation, whether the services are contracted or provided by the property owner. Typical management fees for properties of this type range from 3.0% to 5.0%. Considering that the subject is a single tenant property with typical management needs, we project an overall management fee of 3.0% of effective gross income.

<b>Management Expense</b>				
	Comp 1 2018	Comp 2 2019	Comp 3 2018	IRR Projection
Total	–	–	–	\$20,058
% of EGI	4.4%	3.6%	–	3.0%
\$/SF	\$0.98	\$0.53	–	\$0.67

### Replacement Reserves

For the subject property type and local market, it is not customary to include replacement reserves as an expense item when estimating net operating income.

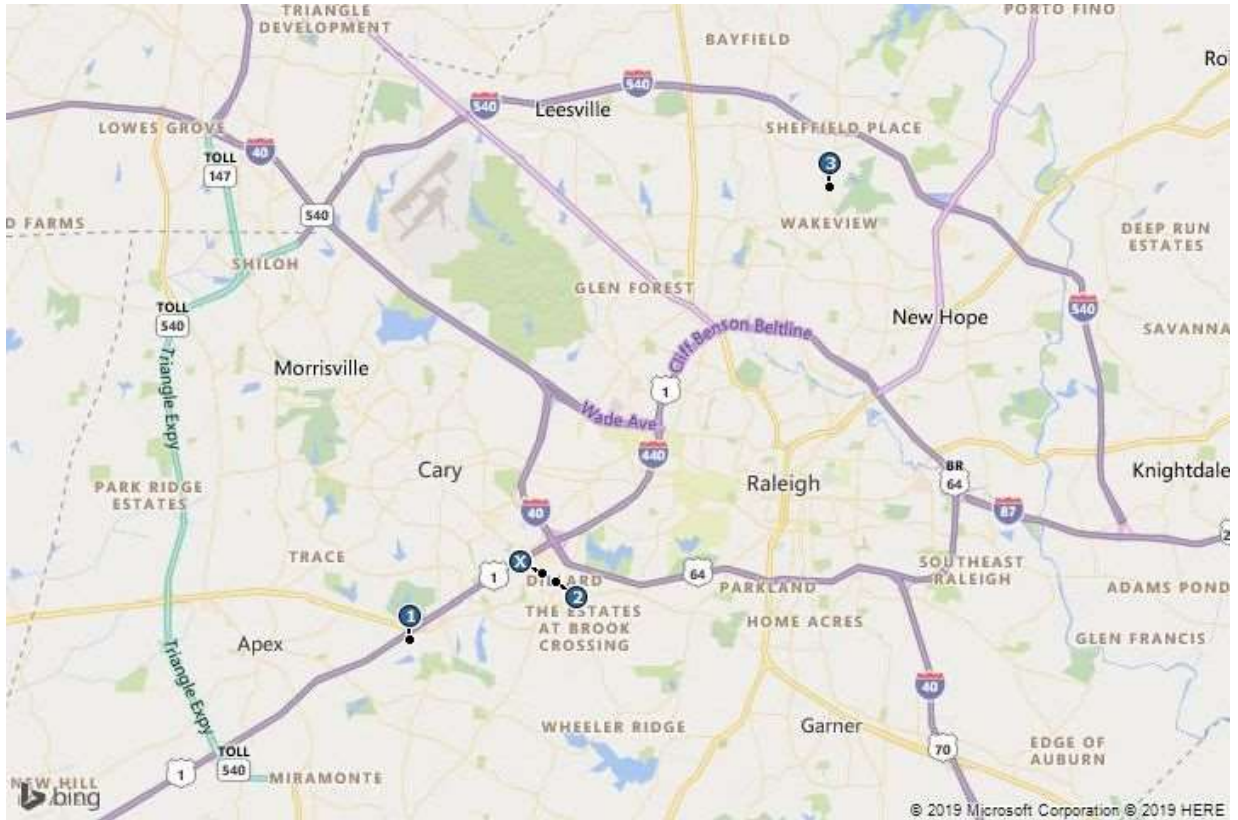
### Total Operating Expenses

Total operating expenses are projected at \$213,091 overall, or \$7.10 per square foot.

### Net Operating Income

Based on the preceding income and expense projections, stabilized net operating income is estimated at \$455,515, or \$15.18 per square foot.

## Comparable Expenses Map







Income & Expense 1  
Office Building and Excess Land



Income & Expense 2  
Crossroads Corporate Park



Income & Expense 3  
Office Building

## Capitalization Rate Selection

A capitalization rate is used to convert net income into an indication of value. Selection of an appropriate capitalization rate considers the future income pattern of the property and investment risk associated with ownership. We use the following methods to derive a capitalization rate for the subject: analysis of comparable sales, review of national investor surveys and the band of investment method.

### Analysis of Comparable Sales

Capitalization rates derived from comparable sales are shown in the following table.

Capitalization Rate Comparables									
No.	Property Name	City	State	Year Built	Sale Date	Rentable Area	% Occup.	Effective Price/SF	Cap Rate
1	Single-Story Office Building	Morrisville	NC	1986	10/23/2019	29,053	100%	\$213.40	7.90%
2	First Flight Federal Credit Union	Cary	NC	1987	1/31/2019	15,500	92%	\$222.58	5.22%
3	Office Building	Cary	NC	1994	1/4/2019	20,839	70%	\$201.55	7.25%
4	100 & 200 Regency Forest	Cary	NC	1997 & 1999	8/29/2018	207,439	95%	\$203.67	6.14%
5	Crossroads IV	Cary	NC	1997	5/31/2018	97,856	100%	\$226.86	6.00%
6	6501 Weston Parkway	Cary	NC	1995	2/28/2018	93,990	90%	\$195.77	7.27%
7	Madison Park Office Building	Raleigh	NC	2006	1/4/2018	28,623	100%	\$193.90	6.52%
Average (Mean) Cap Rate:									6.61%

Based on this information, a capitalization rate within a range of 5.00% to 8.00% could be expected for the subject.

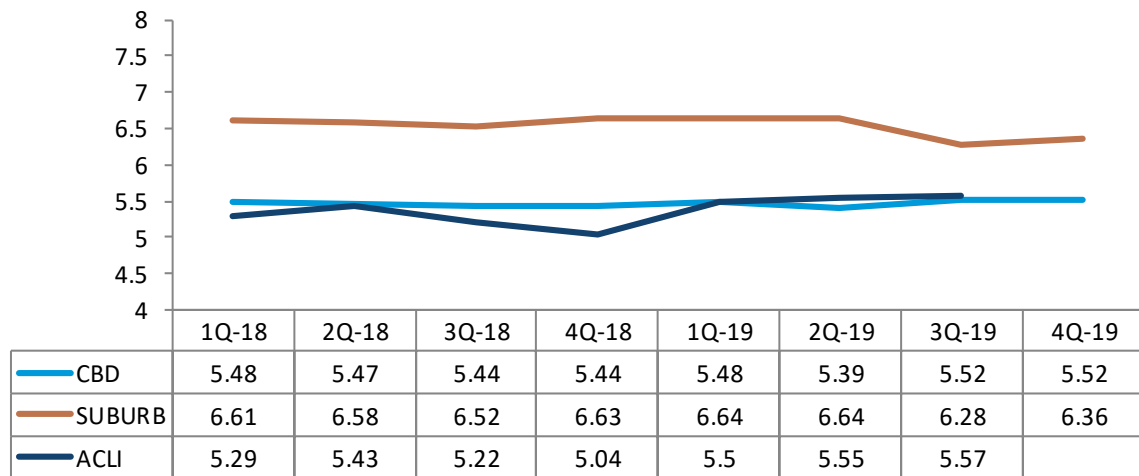
### National Investor Surveys

Data pertaining to investment grade properties from the PwC, ACLI, and Viewpoint surveys are summarized in the exhibits that follow.

Capitalization Rate Surveys – Office Properties					
	IRR-ViewPoint	IRR-ViewPoint	PwC	PwC	ACLI
	Year End 2019	Year End 2019	4Q-19	4Q-19	3Q-19
	National	National	National	National	National
	CBD Office	Suburban Office	CBD Office	Suburban Office	Office
Range	4.00% - 11.00%	5.25% - 9.50%	3.75% - 7.50%	4.00% - 9.25%	NA
Average	7.09%	7.38%	5.52%	6.36%	5.57%

Source: IRR-Viewpoint 2019; PwC Real Estate Investor Survey; American Council of Life Insurers Investment

## Office Capitalization Rate Trends



CBD - PwC Real Estate Investor Survey - National CBD Office Market

SUBURB - PwC Real Estate Investor Survey - National Suburban Office Market

ACLI - American Council of Life Insurers Investment Bulletin - Office Properties

The most current national survey data indicates that a going-in capitalization rate for Office properties ranges from 4.00% to 9.25% and averages 6.36%. We would expect the rate appropriate to the subject to be above the average rate in the survey data because the subject improvement is an older property in a secondary investment market from a national perspective. Accordingly, based on the survey data, a capitalization rate within a range of 6.25% to 9.25% could be expected for the subject.

### Band of Investment

The band of investment method derives a capitalization rate from the weighted average of the mortgage and equity demands on net income generated from the property. This method involves an estimate of typical financing terms as well as an estimated rate of return on equity capital sufficient to attract investors. The rate indicated by this method is shown in the following table.

<b>Band of Investment Method</b>				
<b>Mortgage/Equity Assumptions</b>				
Loan To Value Ratio	75%			
Interest Rate	4.00%			
Amortization (Years)	25			
Mortgage Constant	0.0633			
Equity Ratio	25%			
Equity Dividend Rate	9.00%			
<b>Weighted Average of Mortgage and Equity Requirements</b>				
Mortgage Requirement	75%	x	6.33% =	4.75%
Equity Requirement	25%	x	9.00% =	2.25%
<b>Indicated Capitalization Rate</b>				<b>7.00%</b>
<b>Rounded</b>				<b>7.00%</b>

### Capitalization Rate Conclusion

Based on the preceding analysis, a going-in capitalization rate for the subject is indicated within a range of 6.50% to 7.50%.

To conclude a capitalization rate, we consider each of the following investment risk factors to determine its impact on the capitalization rate. The direction of each arrow in the following table indicates our judgment of an upward, downward, or neutral impact of each factor.

<b>Risk Factor</b>	<b>Issues</b>	<b>Impact on Rate</b>
Income Characteristics	Credit strength of tenant, escalation pattern, above/below market rent, rollover risk.	↔
Competitive Market Position	Construction quality, appeal, condition, effective age, functional utility.	↔
Location	Market area demographics and life cycle trends; proximity issues; access and support services.	↓↔
Market	Vacancy rates and trends; rental rate trends; supply and demand.	↔
Highest & Best Use	Upside potential from redevelopment, adaptation, expansion.	↓↔
Overall Impact		↓↔

Accordingly, we conclude a capitalization rate as follows:

<b>Capitalization Rate Conclusion</b>	
Going-In Capitalization Rate	7.00%

## Direct Capitalization Analysis

Net operating income is divided by the capitalization rate to indicate the stabilized value of the subject. To arrive at an as-is value, we apply adjustments to account for deferred maintenance and a market-based improvement allowance.

<b>Direct Capitalization Analysis</b>			
	SF	Annual	\$/SF Bldg.
<b>Income</b>			
Base Rent			
Potential Gross Rent	30,016	\$742,896	\$24.75
Expense Reimbursements		\$0	\$0.00
Vacancy & Collection Loss	10.00%	-\$74,290	-\$2.48
Effective Gross Income		\$668,606	\$22.28
<b>Expenses</b>			
Real Estate Taxes		\$35,449	\$1.18
Insurance		\$4,502	\$0.15
Utilities		\$60,032	\$2.00
Repairs/Maintenance		\$45,024	\$1.50
Cleaning/Janitorial		\$27,014	\$0.90
Grounds		\$12,006	\$0.40
Security		\$1,501	\$0.05
General/Administrative		\$7,504	\$0.25
Management	3.00%	\$20,058	\$0.67
Total Expenses		\$213,091	\$7.10
<b>Net Operating Income</b>		<b>\$455,515</b>	<b>\$15.18</b>
Capitalization Rate		7.00%	
<b>Indicated Value</b>		<b>\$6,507,360</b>	<b>\$216.80</b>
<b>As Is</b>			
Stabilized Value Indication		\$6,507,360	\$216.80
Deferred Maintenance		\$0	\$0.00
<b>Indicated Value As Is</b>		<b>\$6,507,360</b>	<b>\$216.80</b>
<b>Rounded</b>		<b>\$6,510,000</b>	<b>\$216.88</b>

The property was initially valued based on the premise that all deferred maintenance has been addressed and that a sufficient renovation allowance would be provided to a tenant or an owner-user. The itemization of deferred maintenance and improvement allowance is shown below.

<b>Deferred Maintenance/Improvement Allowance</b>	
Item	Estimated Cost
Building	
Roof-30,016 SF x \$8.00/SF=	\$240,128
TI Allowance-30,016 SF x \$40.00/SF=	\$960,512
Subtotal Building	\$1,200,640
Site	
Parking Lot Reseal & Restripe- 86,640 SF x \$1.50/SF=	\$129,960
Subtotal Site	\$129,960
Total	\$1,330,600

**Value Indication**

The income capitalization approach results in the following value indication.

<b>Income Capitalization Approach - Indicated Value</b>	
Direct Capitalization	\$6,510,000
Discounted Cash Flow	Not Used
Reconciled Value	\$6,510,000
Rounded	\$6,510,000
\$/SF	\$216.88

The sole method used is direct capitalization. A discounted cash flow analysis is not used because typical investors in this single-tenant/owner-occupied property type do not evaluate properties on this basis.

## Reconciliation and Conclusion of Value

Reconciliation involves the weighting of alternative value indications, based on the judged reliability and applicability of each approach to value, to arrive at a final value conclusion. Reconciliation is required because different value indications result from the use of multiple approaches and within the application of a single approach. The values indicated by our analyses are as follows:

Summary of Value Indications	
Cost Approach	Not Used
Sales Comparison Approach	\$5,180,000
Income Capitalization Approach	\$6,510,000
Reconciled	\$5,180,000

### Cost Approach

The cost approach is most reliable for newer properties that have no significant amount of accrued depreciation. As previously discussed, the Cost Approach is judged to be inapplicable and is not utilized.

### Sales Comparison Approach

The sales comparison approach is most reliable in an active market when an adequate quantity and quality of comparable sales data are available. In addition, it is typically the most relevant method for owner-user properties, because it directly considers the prices of alternative properties with similar utility for which potential buyers would be competing.

There is a reasonably active market for comparable properties, and this approach most closely reflects buyer behavior for an owner-occupied property. Accordingly, the sales comparison approach is given significant weight in the value conclusion.

### Income Capitalization Approach

The income capitalization approach is usually given greatest weight when evaluating investment properties. The value indication from the income capitalization approach is supported by market data regarding income, expenses and required rates of return.

An investor is a potential purchaser of the appraised property, and a typical investor would place greatest reliance on the income capitalization approach. Because this is a single-tenant asset, an investor would be competing against owner-occupant buyers and couldn't factor in potential rent loss or lease commissions into an offer and remain competitive. For these reasons, the income capitalization approach is given equal weight in the conclusion of value.

### Final Opinion of Value

Based on the preceding valuation analysis and subject to the definitions, assumptions, and limiting conditions expressed in the report, our opinion of value is as follows:

**Value Conclusion**

Appraisal Premise	Interest Appraised	Date of Value	Value Conclusion
Market Value As Is	Fee Simple	December 20, 2019	\$5,180,000

**Extraordinary Assumptions and Hypothetical Conditions**

The value conclusions are subject to the following extraordinary assumptions that may affect the assignment results. An extraordinary assumption is uncertain information accepted as fact. If the assumption is found to be false as of the effective date of the appraisal, we reserve the right to modify our value conclusions.

1. None.

The value conclusions are based on the following hypothetical conditions that may affect the assignment results. A hypothetical condition is a condition contrary to known fact on the effective date of the appraisal but is supposed for the purpose of analysis.

1. None.

**Exposure Time**

Exposure time is the length of time the subject property would have been exposed for sale in the market had it sold on the effective valuation date at the concluded market value. Exposure time is always presumed to precede the effective date of the appraisal. Based on our review of recent sales transactions for similar properties and our analysis of supply and demand in the local office market, it is our opinion that the probable exposure time for the subject at the concluded market value stated previously is 6 to 12 months.

**Marketing Time**

Marketing time is an estimate of the amount of time it might take to sell a property at the concluded market value immediately following the effective date of value. As we foresee no significant changes in market conditions in the near term, it is our opinion that a reasonable marketing period for the subject is likely to be the same as the exposure time. Accordingly, we estimate the subject's marketing period at 6 to 12 months.

Our estimate is supported by the following national investor survey data.

**Office Average Marketing Time (Months)**

	PwC 4Q-19 National CBD Office	PwC 4Q-19 National Suburban Office
Range	2 - 12	1 - 12
Average	5.8	5.9

Source: PwC Real Estate Investor Survey




## Certification

We certify that, to the best of our 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 our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. We 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. We have not performed any services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
5. We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
6. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
8. Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice as well as applicable state appraisal regulations.
9. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
10. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
11. Chris R. Morris, MAI, FRICS, made a personal inspection of the property that is the subject of this report.
12. No one provided significant real property appraisal assistance to the person(s) signing this certification.
13. We have experience in appraising properties similar to the subject and are in compliance with the Competency Rule of USPAP.

14. As of the date of this report, Chris R. Morris, MAI, FRICS, has completed the continuing education program for Designated Members of the Appraisal Institute.



Chris R. Morris, MAI, FRICS  
State Certified General Real Estate Appraiser  
NC Certificate # A266

## Assumptions and Limiting Conditions

This appraisal and any other work product related to this engagement are limited by the following standard assumptions, except as otherwise noted in the report:

1. The title is marketable and free and clear of all liens, encumbrances, encroachments, easements and restrictions. The property is under responsible ownership and competent management and is available for its highest and best use.
2. There are no existing judgments or pending or threatened litigation that could affect the value of the property.
3. There are no hidden or undisclosed conditions of the land or of the improvements that would render the property more or less valuable. Furthermore, there is no asbestos in the property.
4. The revenue stamps placed on any deed referenced herein to indicate the sale price are in correct relation to the actual dollar amount of the transaction.
5. The property is in compliance with all applicable building, environmental, zoning, and other federal, state and local laws, regulations and codes.
6. The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.

This appraisal and any other work product related to this engagement are subject to the following limiting conditions, except as otherwise noted in the report:

1. An appraisal is inherently subjective and represents our opinion as to the value of the property appraised.
2. The conclusions stated in our appraisal apply only as of the effective date of the appraisal, and no representation is made as to the effect of subsequent events.
3. No changes in any federal, state or local laws, regulations or codes (including, without limitation, the Internal Revenue Code) are anticipated.
4. No environmental impact studies were either requested or made in conjunction with this appraisal, and we reserve the right to revise or rescind any of the value opinions based upon any subsequent environmental impact studies. If any environmental impact statement is required by law, the appraisal assumes that such statement will be favorable and will be approved by the appropriate regulatory bodies.
5. Unless otherwise agreed to in writing, we are not required to give testimony, respond to any subpoena or attend any court, governmental or other hearing with reference to the property without compensation relative to such additional employment.
6. We have made no survey of the property and assume no responsibility in connection with such matters. Any sketch or survey of the property included in this report is for illustrative purposes only and should not be considered to be scaled accurately for size. The appraisal

- covers the property as described in this report, and the areas and dimensions set forth are assumed to be correct.
7. No opinion is expressed as to the value of subsurface oil, gas or mineral rights, if any, and we have assumed that the property is not subject to surface entry for the exploration or removal of such materials, unless otherwise noted in our appraisal.
  8. We accept no responsibility for considerations requiring expertise in other fields. Such considerations include, but are not limited to, legal descriptions and other legal matters such as legal title, geologic considerations such as soils and seismic stability; and civil, mechanical, electrical, structural and other engineering and environmental matters. Such considerations may also include determinations of compliance with zoning and other federal, state, and local laws, regulations and codes.
  9. The distribution of the total valuation in the report between land and improvements applies only under the reported highest and best use of the property. The allocations of value for land and improvements must not be used in conjunction with any other appraisal and are invalid if so used. The appraisal report shall be considered only in its entirety. No part of the appraisal report shall be utilized separately or out of context.
  10. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraisers, or any reference to the Appraisal Institute) shall be disseminated through advertising media, public relations media, news media or any other means of communication (including without limitation prospectuses, private offering memoranda and other offering material provided to prospective investors) without the prior written consent of the persons signing the report.
  11. Information, estimates and opinions contained in the report and obtained from third-party sources are assumed to be reliable and have not been independently verified.
  12. Any income and expense estimates contained in the appraisal report are used only for the purpose of estimating value and do not constitute predictions of future operating results.
  13. If the property is subject to one or more leases, any estimate of residual value contained in the appraisal may be particularly affected by significant changes in the condition of the economy, of the real estate industry, or of the appraised property at the time these leases expire or otherwise terminate.
  14. Unless otherwise stated in the report, no consideration has been given to personal property located on the premises or to the cost of moving or relocating such personal property; only the real property has been considered.
  15. The current purchasing power of the dollar is the basis for the values stated in the appraisal; we have assumed that no extreme fluctuations in economic cycles will occur.
  16. The values found herein are subject to these and to any other assumptions or conditions set forth in the body of this report but which may have been omitted from this list of Assumptions and Limiting Conditions.
  17. The analyses contained in the report necessarily incorporate numerous estimates and assumptions regarding property performance, general and local business and economic

conditions, the absence of material changes in the competitive environment and other matters. Some estimates or assumptions, however, inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, actual results achieved during the period covered by our analysis will vary from our estimates, and the variations may be material.

18. The Americans with Disabilities Act (ADA) became effective January 26, 1992. We have not made a specific survey or analysis of the property to determine whether the physical aspects of the improvements meet the ADA accessibility guidelines. We claim no expertise in ADA issues, and render no opinion regarding compliance of the subject with ADA regulations. Inasmuch as compliance matches each owner's financial ability with the cost to cure the non-conforming physical characteristics of a property, a specific study of both the owner's financial ability and the cost to cure any deficiencies would be needed for the Department of Justice to determine compliance.
19. The appraisal report is prepared for the exclusive benefit of the Client, its subsidiaries and/or affiliates. It may not be used or relied upon by any other party. All parties who use or rely upon any information in the report without our written consent do so at their own risk.
20. No studies have been provided to us indicating the presence or absence of hazardous materials on the subject property or in the improvements, and our valuation is predicated upon the assumption that the subject property is free and clear of any environment hazards including, without limitation, hazardous wastes, toxic substances and mold. No representations or warranties are made regarding the environmental condition of the subject property. Integra Realty Resources – Raleigh, Integra Realty Resources, Inc., Integra Strategic Ventures, Inc. and/or any of their respective officers, owners, managers, directors, agents, subcontractors or employees (the "Integra Parties"), shall not be responsible for any such environmental conditions that do exist or for any engineering or testing that might be required to discover whether such conditions exist. Because we are not experts in the field of environmental conditions, the appraisal report cannot be considered as an environmental assessment of the subject property.
21. The persons signing the report may have reviewed available flood maps and may have noted in the appraisal report whether the subject property is located in an identified Special Flood Hazard Area. We are not qualified to detect such areas and therefore do not guarantee such determinations. The presence of flood plain areas and/or wetlands may affect the value of the property, and the value conclusion is predicated on the assumption that wetlands are non-existent or minimal.
22. Integra Realty Resources – Raleigh is not a building or environmental inspector. Integra Raleigh does not guarantee that the subject property is free of defects or environmental problems. Mold may be present in the subject property and a professional inspection is recommended.
23. The appraisal report and value conclusions for an appraisal assume the satisfactory completion of construction, repairs or alterations in a workmanlike manner.
24. It is expressly acknowledged that in any action which may be brought against any of the Integra Parties, arising out of, relating to, or in any way pertaining to this engagement, the

- appraisal reports, and/or any other related work product, the Integra Parties shall not be responsible or liable for any incidental or consequential damages or losses, unless the appraisal was fraudulent or prepared with intentional misconduct. It is further acknowledged that the collective liability of the Integra Parties in any such action shall not exceed the fees paid for the preparation of the appraisal report unless the appraisal was fraudulent or prepared with intentional misconduct. Finally, it is acknowledged that the fees charged herein are in reliance upon the foregoing limitations of liability.
25. Integra Realty Resources – Raleigh, an independently owned and operated company, has prepared the appraisal for the specific intended use stated elsewhere in the report. The use of the appraisal report by anyone other than the Client is prohibited except as otherwise provided. Accordingly, the appraisal report is addressed to and shall be solely for the Client's use and benefit unless we provide our prior written consent. We expressly reserve the unrestricted right to withhold our consent to your disclosure of the appraisal report or any other work product related to the engagement (or any part thereof including, without limitation, conclusions of value and our identity), to any third parties. Stated again for clarification, unless our prior written consent is obtained, no third party may rely on the appraisal report (even if their reliance was foreseeable).
26. The conclusions of this report are estimates based on known current trends and reasonably foreseeable future occurrences. These estimates are based partly on property information, data obtained in public records, interviews, existing trends, buyer-seller decision criteria in the current market, and research conducted by third parties, and such data are not always completely reliable. The Integra Parties are not responsible for these and other future occurrences that could not have reasonably been foreseen on the effective date of this assignment. Furthermore, it is inevitable that some assumptions will not materialize and that unanticipated events may occur that will likely affect actual performance. While we are of the opinion that our findings are reasonable based on current market conditions, we do not represent that these estimates will actually be achieved, as they are subject to considerable risk and uncertainty. Moreover, we assume competent and effective management and marketing for the duration of the projected holding period of this property.
27. All prospective value opinions presented in this report are estimates and forecasts which are prospective in nature and are subject to considerable risk and uncertainty. In addition to the contingencies noted in the preceding paragraph, several events may occur that could substantially alter the outcome of our estimates such as, but not limited to changes in the economy, interest rates, and capitalization rates, behavior of consumers, investors and lenders, fire and other physical destruction, changes in title or conveyances of easements and deed restrictions, etc. It is assumed that conditions reasonably foreseeable at the present time are consistent or similar with the future.

28. The appraisal is also subject to the following:

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**Extraordinary Assumptions and Hypothetical Conditions**

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The value conclusions are subject to the following extraordinary assumptions that may affect the assignment results. An extraordinary assumption is uncertain information accepted as fact. If the assumption is found to be false as of the effective date of the appraisal, we reserve the right to modify our value conclusions.

1. None.

The value conclusions are based on the following hypothetical conditions that may affect the assignment results. A hypothetical condition is a condition contrary to known fact on the effective date of the appraisal but is supposed for the purpose of analysis.

1. None.

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## **Addendum A**

### **Appraiser Qualifications**



# Chris R. Morris, MAI, FRICS

## Experience

Senior Managing Director of Integra Realty Resources-Raleigh. Mr. Morris has been actively engaged in real estate since 1986. He joined Integra after 11 years as a Principal with Shaw Boykin & Morris. Prior to becoming Principal, he was a Staff Appraiser for 6 years with Shaw/Boykin & Associates. Before joining Shaw/Boykin & Associates, Mr. Morris worked as a Staff Appraiser and Utilities Agent for the N.C. Department of Transportation. Mr. Morris has a broad range of experience in valuation and analysis of many types of real estate.

## Professional Activities & Affiliations

Member: International Right of Way Association, October 2010  
Board of Director: NC Chapter Appraisal Institute, January 2008 - December 2010  
Member: Appraisal Institute, June 1992  
Royal Institute of Chartered Surveyors, Fellow (FRICS) , June 2012

## Licenses

North Carolina, State Certified General Real Estate Appraiser, A266, Expires June 2020  
North Carolina, State Licensed Real Estate Broker, 084603, Expires June 2020  
South Carolina, State Certified General Real Estate Appraiser, CG 6958, Expires June 2020  
Virginia, State Certified General Real Estate Appraiser, 4001 015036, Expires August 2020

## Education

Phillips Academy, Andover, MA (1979)

B.A. Degrees, Economics and Organizational Behavior & Management, Brown University, Providence, RI (1984)

Real Estate courses completed are as follows:

Report Writing and Valuation Analysis  
Standards of Professional Practice  
Case Studies in Real Estate Valuation  
Capitalization Theory & Techniques, Part B  
Capitalization Theory & Techniques, Part A  
Residential Valuation  
Basic Valuation Procedures  
Real Estate Appraisal Principles  
Principles of Real Estate Management  
Commercial Real Estate Finance  
Commercial/Industrial Real Estate  
Cost Estimating  
Construction Methods and Materials  
Real Estate Brokerage Operations  
Real Estate Finance  
Real Estate Law  
Fundamentals of Real Estate

## Integra Realty Resources

### Raleigh

8382 Six Forks Road  
Suite 200  
Raleigh, NC 27615

T (919) 847-1717  
F 919.847.1714

irr.com





BCD1272569

State of South Carolina  
Department of Labor, Licensing and Regulation  
Real Estate Appraisers Board  
**CHRISTOPHER R MORRIS**  
Is hereby entitled in practice as a:  
**Certified General Appraiser**  
License Number: **6958**

Expiration Date: 06/30/2020  
OFFICE COPY

*Laura L. Smith*  
Administrator



## About IRR

Integra Realty Resources, Inc. (IRR) provides world-class commercial real estate valuation, counseling, and advisory services. Routinely ranked among leading property valuation and consulting firms, we are now the largest independent firm in our industry in the United States, with local offices coast to coast and in the Caribbean.

IRR offices are led by MAI-designated Senior Managing Directors, industry leaders who have over 25 years, on average, of commercial real estate experience in their local markets. This experience, coupled with our understanding of how national trends affect the local markets, empowers our clients with the unique knowledge, access, and historical perspective they need to make the most informed decisions.

Many of the nation's top financial institutions, developers, corporations, law firms, and government agencies rely on our professional real estate opinions to best understand the value, use, and feasibility of real estate in their market.

*Local Expertise...Nationally!*

# irr.com



## **Addendum B**

### **Definitions**

## Definitions

The source of the following definitions is the Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed. (Chicago: Appraisal Institute, 2015), unless otherwise noted.

### **As Is Market Value**

The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date.

### **Class of Office Building**

For the purposes of comparison, office space is grouped into three classes: Class A, B and C. These classes represent a subjective quality rating of buildings, which indicates the competitive ability of each building to attract similar types of tenants. Combinations of factors such as rent, building finishes, system standards and efficiency, building amenities, location or accessibility, and market perception are used as relative measures.

Class A office buildings are the most prestigious office buildings competing for the premier office users, with rents above average for the area. Buildings have high-quality standard finishes, architectural appeal, state-of-the-art systems, exceptional accessibility, and a definite market presence.

Class B office buildings compete for a wide range of users, with rents in the average range for the area. Class B buildings do not compete with Class A buildings at the same price. Building finishes are fair to good for the area, and systems are adequate.

Class C office buildings compete for tenants requiring functional space at rents below the average for the area. Class C buildings are generally older, and are lower in quality and condition.

*(Source: The Appraisal Institute, The Dictionary of Real Estate Appraisal, 5th ed. [Chicago: Appraisal Institute, 2010]).*

### **Deferred Maintenance**

Items of wear and tear on a property that should be fixed now to protect the value or income-producing ability of the property, such as a broken window, a dead tree, a leak in the roof, or a faulty roof that must be completely replaced. These items are almost always curable.

### **Depreciation**

A loss in property value from any cause; the difference between the cost of an improvement on the effective date of the appraisal and the market value of the improvement on the same date.

### **Discounted Cash Flow (DCF) Analysis**

The procedure in which a discount rate is applied to a set of projected income streams and a reversion. The analyst specifies the quantity, variability, timing, and duration of the income streams

and the quantity and timing of the reversion, and discounts each to its present value at a specified yield rate.

### **Disposition Value**

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

1. Consummation of a sale within a specified time, which is shorter than the typical exposure time for such a property in that market.
2. The property is subjected to market conditions prevailing as of the date of valuation.
3. Both the buyer and seller are acting prudently and knowledgeably.
4. The seller is under compulsion to sell.
5. The buyer is typically motivated.
6. Both parties are acting in what they consider to be their best interests.
7. An adequate marketing effort will be made during the exposure time.
8. Payment will be made in cash in U.S. dollars (or the local currency) or in terms of financial arrangements comparable thereto.
9. The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

This definition can also be modified to provide for valuation with specified financing terms.

### **Effective Date**

1. The date on which the appraisal or review opinion applies.
2. In a lease document, the date upon which the lease goes into effect.

### **Entrepreneurial Profit**

1. A market-derived figure that represents the amount an entrepreneur receives for his or her contribution to a project and risk; the difference between the total cost of a property (cost of development) and its market value (property value after completion), which represents the entrepreneur's compensation for the risk and expertise associated with development. An entrepreneur is motivated by the prospect of future value enhancement (i.e., the entrepreneurial incentive). An entrepreneur who successfully creates value through new development, expansion, renovation, or an innovative change of use is rewarded by entrepreneurial profit. Entrepreneurs may also fail and suffer losses.
2. In economics, the actual return on successful management practices, often identified with coordination, the fourth factor of production following land, labor, and capital; also called entrepreneurial return or entrepreneurial reward.

### **Excess Land; Surplus Land**

**Excess Land:** Land that is not needed to serve or support the existing improvement. The highest and best use of the excess land may or may not be the same as the highest and best use of the improved parcel. Excess land has the potential to be sold separately and is valued separately.

**Surplus Land:** Land that is not currently needed to support the existing use but cannot be separated from the property and sold off for another use. Surplus land does not have an independent highest and best use and may or may not contribute value to the improved parcel.

### **Exposure Time**

1. The time a property remains on the market.
2. 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 effective date of the appraisal; a retrospective opinion based on an analysis of past events assuming a competitive and open market.

### **Fee Simple Estate**

Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.

### **Floor Area Ratio (FAR)**

The relationship between the above-ground floor area of a building, as described by the zoning or building code, and the area of the plot on which it stands; in planning and zoning, often expressed as a decimal, e.g., a ratio of 2.0 indicates that the permissible floor area of a building is twice the total land area.

### **Gross Building Area (GBA)**

Total floor area of a building, excluding unenclosed areas, measured from the exterior of the walls of the above-grade area. This includes mezzanines and basements if and when typically included in the market area of the type of property involved.

### **Highest and Best Use**

1. The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.
2. The use of an asset that maximizes its potential and that is possible, legally permissible, and financially feasible. The highest and best use may be for continuation of an asset's existing use or for some alternative use. This is determined by the use that a market participant would have in mind for the asset when formulating the price that it would be willing to bid. (ISV)
3. [The] highest and most profitable use for which the property is adaptable and needed or likely to be needed in the reasonably near future. (Uniform Appraisal Standards for Federal Land Acquisitions)

### **Investment Value**

1. The value of a property to a particular investor or class of investors based on the investor's specific requirements. Investment value may be different from market value because it depends on a set of investment criteria that are not necessarily typical of the market.
2. The value of an asset to the owner or a prospective owner for individual investment or operational objectives.

### **Lease**

A contract in which rights to use and occupy land, space, or structures are transferred by the owner to another for a specified period of time in return for a specified rent.

### **Leased Fee Interest**

The ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversionary right when the lease expires.

### **Leasehold Interest**

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

### **Lease Type**

**Full Service Lease or Gross Lease:** A lease in which the landlord receives stipulated rent and is obligated to pay all of the property's operating and fixed expenses.

**Full Service + Tenant Electric Lease or Gross + Tenant Electric Lease:** A lease in which the tenant pays electric charges for its space but in other respects is a full service or gross lease as defined above. Tenant electric is often abbreviated as "TE". (Source: *Integra Realty Resources*)

**Modified Gross Lease:** A lease in which the landlord receives stipulated rent and is obligated to pay some, but not all, of the property's operating and fixed expenses. Since assignment of expenses varies among modified gross leases, expense responsibility must always be specified. In some markets, a modified gross lease may be called a double net lease, net net lease, partial net lease, or semi-gross lease.

**Net Lease:** A general term for a lease in which the tenant pays all or most of the operating and fixed expenses of a property. Whenever the term net lease is used, an analyst should identify the specific expense responsibilities of the tenant and owner. (Source: *Integra Realty Resources*)

**Triple Net Lease:** A lease in which the tenant assumes all expenses (fixed and variable) of operating a property except that the landlord is responsible for structural maintenance, building reserves, and management. Also called NNN, net net net, or fully net lease.

**Absolute Net Lease:** A lease in which the tenant pays all expenses including structural maintenance, building reserves, and management; often a long-term lease to a credit tenant.



**Liquidation Value**

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

1. Consummation of a sale within a short time period.
2. The property is subjected to market conditions prevailing as of the date of valuation.
3. Both the buyer and seller are acting prudently and knowledgeably.
4. The seller is under extreme compulsion to sell.
5. The buyer is typically motivated.
6. Both parties are acting in what they consider to be their best interests.
7. A normal marketing effort is not possible due to the brief exposure time.
8. Payment will be made in cash in U.S. dollars (or the local currency) or in terms of financial arrangements comparable thereto.
9. The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

This definition can also be modified to provide for valuation with specified financing terms.

**Load Factor**

A measure of the relationship of common area to usable area and therefore the quality and efficiency of building area layout, with higher load factors indicating a higher percentage of common area to overall rentable space than lower load factors; calculated by subtracting the amount of usable area from the rentable area and then dividing the difference by the usable area:  $\text{Load Factor} = (\text{Rentable Area} - \text{Usable Area}) / \text{Usable Area}$ . Also known as add-on factor.

**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. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal.

**Market Rent**

The most probable rent that a property should bring in a competitive and open market reflecting all conditions and restrictions of the lease agreement, including the rental adjustment and revaluation, permitted uses, use restrictions, expense obligations, term, concessions, renewal and purchase options, and tenant improvements.

**Market Value**

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

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

*(Source: Code of Federal Regulations, Title 12, Chapter I, Part 34.42[g]; also Interagency Appraisal and Evaluation Guidelines, Federal Register, 75 FR 77449, December 10, 2010, page 77472)*

### **Prospective Opinion of Value**

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

### **Rentable Area and Related Terms for Office Buildings**

**Rentable Area (RA):** For office buildings, the tenant's pro rata portion of the entire office floor, excluding elements of the building that penetrate through the floor to the areas below. The rentable area of a floor is computed by measuring to the inside finished surface of the dominant portion of the permanent building walls, excluding any major vertical penetrations of the floor. Alternatively, the amount of space on which the rent is based; calculated according to local practice.

### **Usable Area**

1. For office buildings, the actual occupiable area of a floor or an office space; computed by measuring from the finished surface of the office side of corridor and other permanent walls, to the center of the partitions that separate the office from adjoining usable areas, and to the inside finished surface of the dominant portion of the permanent outer building walls. Sometimes called net building area or net floor area.
2. The area that is actually used by the tenants measured from the inside of the exterior walls to the inside of walls separating the space from hallways and common areas.

**Floor Common Area:** In an office building, the areas on a floor such as washrooms, janitorial closets, electrical rooms, mechanical rooms, elevator lobbies, and public corridors that are available primarily for the use of tenants on that floor. In essence, floor common area represents all of the area on the floor that is common to that respective floor with the exception of those areas that penetrate through the floor, such as the elevator shaft and stairwell. The significant point to be made is that floor common area is not part of the tenant's usable area.

**Replacement Cost**

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

**Reproduction Cost**

The estimated cost to construct, at current prices as of the effective date of the appraisal, an exact duplicate or replica of the building being appraised, using the same materials, construction standards, design, layout, and quality of workmanship and embodying all the deficiencies, superadequacies, and obsolescence of the subject building.

**Stabilized Income**

1. An estimate of income, either current or forecasted, that presumes the property is at stabilized occupancy.
2. The forecast of the subject property's yearly average income (or average-equivalent income) expected for the economic life of the subject property.
3. Projected income that is subject to change but has been adjusted to reflect an equivalent, stable annual income.

**Stabilized Occupancy**

1. The occupancy of a property that would be expected at a particular point in time, considering its relative competitive strength and supply and demand conditions at the time, and presuming it is priced at market rent and has had reasonable market exposure. A property is at stabilized occupancy when it is capturing its appropriate share of market demand.
2. An expression of the average or typical occupancy that would be expected for a property over a specified projection period or over its economic life.

## **Addendum C**

### **Financials and Property Information**

WAKE COUNTY, NC 307  
LAURA M RIDDICK  
REGISTER OF DEEDS  
PRESENTED & RECORDED ON  
12/03/2009 AT 15:58:15  
STATE OF NORTH CAROLINA  
REAL ESTATE EXCISE TAX: \$8300  
BOOK:013783 PAGE:02620 - 02625

Drawn by: Ellis & Winters, LLP (MGW)  
Hold for: Wyrick Robbins Yates & Ponton LLP  
J Kemp Sherron III  
(Box 210)

Mail future tax bills to: Grantee at 7424 Chapel Hill Road, Raleigh, NC 27607

Real Estate ID: 0132668; PIN # 0772791815  
Property Address: 2205 WALNUT ST, CARY NC 27518-9209

Excise Tax: \$ 8,300.00

STATE OF NORTH CAROLINA )  
COUNTY OF WAKE ) SPECIAL WARRANTY DEED

THIS SPECIAL WARRANTY DEED, made this 2nd day of December, 2009, by and between **HIGHWOODS REALTY LIMITED PARTNERSHIP**, a North Carolina limited partnership, party of the first part (hereinafter referred to as "Grantor"); and **2205 WALNUT STREET, LLC**, a North Carolina limited liability company, party of the second part (hereinafter referred to as "Grantee");

WITNESSETH:

That the Grantor, for a valuable consideration paid by the Grantee, the receipt of which is hereby acknowledged, has and by these presents does grant, bargain, sell and convey unto the Grantee, with SPECIAL WARRANTY, in fee simple, all that certain lot or parcel of land situated in Wake County, North Carolina and more particularly as follows:

All those certain lots or parcels of land situated in Wake County, North Carolina, and more particularly described as follows:

SEE EXHIBIT A, ATTACHED HERETO AND INCORPORATED HEREIN BY REFERENCE.

TO HAVE AND TO HOLD the aforesaid lot or parcel of land and all privileges and appurtenances thereto belonging to the Grantee in fee simple. And the Grantor covenants with the Grantee, that Grantor has done nothing to impair or encumber such title as Grantor received, and Grantor will warrant and defend the title against the lawful claims of all persons claiming by, under or through Grantor, except for the Permitted Exceptions identified on Exhibit "B" attached hereto and incorporated herein.

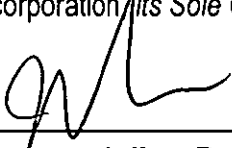
IN WITNESS WHEREOF, Grantor has caused these presents to be executed, as of the day and year first above written.

[SIGNATURE PAGE FOLLOWS]

SIGNATURE PAGE  
TO  
SPECIAL WARRANTY DEED  
BY AND BETWEEN  
HIGHWOODS REALTY LIMITED PARTNERSHIP ("Grantor")  
AND  
2205 WALNUT STREET, LLC ("Grantee")

HIGHWOODS REALTY LIMITED PARTNERSHIP,  
a North Carolina limited partnership

By: HIGHWOODS PROPERTIES, INC., a Maryland  
corporation *its Sole General Partner*

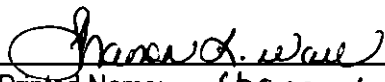
By:   
Name: Jeffrey D. Miller  
Title: Vice President

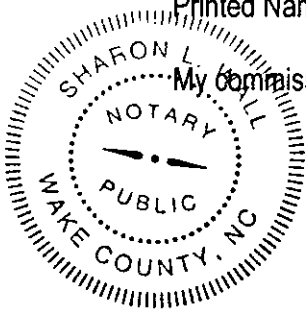
STATE OF North Carolina

SS:

COUNTY OF Wake )

I certify that the following person(s) personally appeared before me this day, each acknowledging to me that he or she voluntarily signed the foregoing document for the purpose stated therein and in the capacity indicated: Jeffrey D. Miller, Vice President of Highwoods Properties, Inc., the sole general partner of Highwoods Realty Limited Partnership, a North Carolina limited partnership.

Date: December 3, 2009   
Printed Name: Sharon L. Wall, Notary Public



My commission expires: Sept. 8, 2012

**EXHIBIT A**

**Description of Property**

BEGINNING at an iron pipe on the eastern right-of-way of State Road 1313 (Cary-Macedonia Road), Wake County, North Carolina, said right-of-way being 45 feet east of and parallel to the centerline of said road and having North Carolina Grid Coordinates N(Y)=729,660.87 and E(X)=2,076,697.88; running thence with the right-of-way North 03° 56' 36" West 309.85 feet to an iron pipe; thence leaving the right-of-way and running along the line of Cary Development Company South 79° 27' 25" East 678.28 feet to an iron pipe and South 10° 32' 35" West 300.00 feet to an iron pipe in the line of the Myrtle Johnson Heirs; thence with the Johnson Heirs line North 79° 27' 25" West 600.77 feet to an iron pipe, the point and place of BEGINNING and containing 4.404 acres according to a survey and map by Kenneth Close, Inc. recorded in Book of Maps 1984, Page 710, Wake County Registry, and as shown on "As-Built Survey – Macedonia Company – Owner," dated March 7, 1986, prepared by Jane E. Hoyle, Registered Land Surveyor, and recertified on March 9, 1994 by Jane E. Hoyle, R.L.S.

SAVE AND EXCEPT that property taken by the Town of Cary by that certain Complaint, Declaration of Taking and Notice of Deposit bearing file number 00-CVS-3340, Superior Court of Wake County and evidenced by that certain Memorandum of Action recorded in Book 8548, Page 1970, Wake County Registry and as referenced in that certain Consent Final Order and Judgment recorded in Book 9037, Page 2755, Wake County Registry.

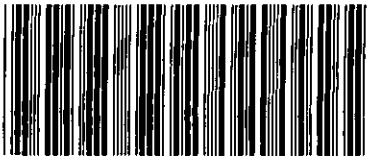
Tax Parcel No. 601-235  
Tax Identification No. 0132668



**EXHIBIT B**

**Permitted Exceptions**

1. Taxes or assessments for the year 2010, and subsequent years, not yet due or payable.
2. Any right, easement, setback, interest, claim, encroachment, encumbrance, violation, variation, or other adverse circumstance affecting the Title disclosed by plat(s) recorded in Book of Maps 1984, page 710, Wake County Registry.
3. Any right, easement, setback, interest, claim, encroachment, encumbrance, violation, variation, or other adverse circumstance affecting the Title matters disclosed by that survey entitled "ALTA/ACSM Survey for 2205 Walnut Street, LLC" prepared by Bass, Nixon & Kennedy, Inc., dated August 13, 2009, last revised September 25, 2009.
4. Rights of tenants in possession, as tenants only, under unrecorded leases.
5. Easement(s) to Carolina Power & Light Company d/b/a Progress Energy Carolinas, Inc. recorded in Book 11738, page 917, Wake County Registry.



BOOK:013783 PAGE:02620 - 02625

**Yellow probate sheet is a vital part of your recorded document.  
Please retain with original document and submit for rerecording.**



**Wake County Register of Deeds  
Laura M. Riddick  
Register of Deeds**

**This Customer Group**  
\_\_\_\_\_ # of Time Stamps Needed

**This Document**  
\_\_\_\_\_ New Time Stamp  
\_\_\_\_\_ # of Pages *W*


[Home](#)

## Wake County Real Estate Data Account Summary

[iMaps](#)
[Tax Bills](#)
Real Estate ID **0132668**PIN # **0772791815**
[Account Search](#)
Location Address  
**2205 WALNUT ST**Property Description  
**ALTA/ACSM SURVEY FOR 2205 WALNUT ST LLC BM1984-00710**
[Pin/Parcel History](#)
[New Search](#)


NORTH CAROLINA

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

Property Owner <b>2205 WALNUT STREET LLC</b> (Use the Deeds link to view any additional owners)		Owner's Mailing Address <b>7424 CHAPEL HILL RD</b> <b>RALEIGH NC 27607-5079</b>		Property Location Address <b>2205 WALNUT ST</b> <b>CARY NC 27518-9209</b>	
<b>Administrative Data</b>		<b>Transfer Information</b>		<b>Assessed Value</b>	
Old Map #	<b>601--</b>	Deed Date	<b>12/3/2009</b>	Land Value Assessed	<b>\$1,573,563</b>
Map/Scale	<b>0772 07</b>	Book & Page	<b>13783 2620</b>	Bldg. Value Assessed	<b>\$1,737,249</b>
VCS	<b>CACA001</b>	Revenue Stamps	<b>8300.00</b>		
City	<b>CARY</b>	Pkg Sale Date	<b>12/3/2009</b>	Tax Relief	
Fire District		Pkg Sale Price	<b>\$4,150,000</b>	Land Use Value	
Township	<b>SWIFT CREEK</b>	Land Sale Date		Use Value Deferment	
Land Class	<b>COMMERCL</b>	Land Sale Price		Historic Deferment	
ETJ	<b>CA</b>			Total Deferred Value	
Spec Dist(s)		<b>Improvement Summary</b>			
Zoning	<b>OI</b>	Total Units	<b>0</b>	Use/Hist/Tax Relief	
History ID 1		Recycle Units	<b>0</b>	Assessed	
History ID 2		Apt/SC Sqft		Total Value Assessed*	<b>\$3,310,812</b>
Acreage	<b>4.23</b>	Heated Area	<b>30,016</b>		
Permit Date	<b>8/10/2011</b>				
Permit #	<b>00012-1003</b>				

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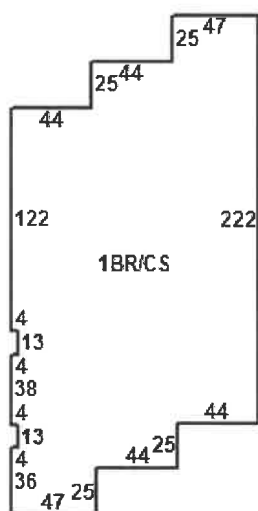
For questions regarding the information displayed on this site, please contact the Department of Tax Administration at [Taxhelp@wakegov.com](mailto:Taxhelp@wakegov.com) or call 919-856-5400.

Real Estate ID **0132668**PIN # **0772791815**Account  
SearchLocation Address  
**2205 WALNUT ST**Property Description  
**ALTA/ACSM SURVEY FOR 2205 WALNUT ST LLC BM1984-00710**[Pin/Parcel History](#) [New Search](#)[Account](#) | [Buildings](#) | [Land](#) | [Deeds](#) | [Notes](#) | [Sales](#) | [Photos](#) | [Tax Bill](#) | [Map](#)

Building Location Address <b>2205 WALNUT ST</b>		Building Description <b>MILLER MOITE TECH COLLEGE</b>				Card <b>01</b> Of <b>01</b>	
Bldg Type	<b>34 Typical Office</b>	Year Blt	<b>1984</b>	Eff Year	<b>1984</b>	Base Bldg Value	<b>\$3,108,757</b>
Units		Addns		Remod		Grade	<b>25.53 95%</b>
Heated Area	<b>30,016</b>	Int. Adjust.				Cond %	<b>B 56%</b>
Story Height	<b>1 Story</b>					Market Adj.	
Style	<b>Conventional</b>	Other Features				Market Adj.	
Basement	<b>Crawl Space</b>					Accrued %	<b>56%</b>
Exterior	<b>Brick</b>					Incomplete Code	
Const Type	<b>Exposed Steel</b>					Card 01 Value	<b>\$1,737,249</b>
Heating	<b>Central</b>					All Other Cards	
Air Cond	<b>Central</b>					Land Value Assessed	<b>\$1,573,563</b>
Plumbing	<b>Adequate</b>					Total Value Assessed	<b>\$3,310,812</b>

Main and Addition Summary					Other Improvements					
Story	Type	Code	Area	Inc	Units	Des Item	Code	Year	%ADJ	Inc Value
M	1	BR/CS	30016		86640	SF PAVASPH	0028	1990	35	83390
A					14	UN LIGHTMED	REF	1984	100	0
B										
C										
D										
E										
F										
G										
H										

Building Sketch

Photograph  
12/16/2011

0132668 12/16/2011


[Home](#)

## Wake County Real Estate Data Land Valuation

[iMaps](#)
[Tax Bills](#)
Real Estate ID **0132668**PIN # **0772791815**
[Account](#)
[Search](#)
Location Address  
**2205 WALNUT ST**Property Description  
**ALTA/ACSM SURVEY FOR 2205 WALNUT ST LLC BM1984-00710**
[Pin/Parcel History](#)
[New Search](#)


NORTH CAROLINA

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

Land Class	<b>COMMERCL</b>	Deeded Acres	<b>4.23</b>	Farm Use Year
Soil Class	<b>3</b>	Calculated Acres		Farm Use Flag

Land Value Detail - Market										
Sch	ETJ	Zoning	Description	Units	Rate	Cnd%	Reason	Inf%	Reason	Value
5	CA	OI	BSITE1	90,048	\$7.00			22		\$769,010
5	CA	OI	BALANCE	94,210	\$7.00			22		\$804,553
Total Land Value Assessed										\$1,573,563

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[Home](#)

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[iMaps](#)
[Tax Bills](#)
Real Estate ID **0132668**PIN # **0772791815**
[Account Search](#)
Location Address  
**2205 WALNUT ST**Property Description  
**ALTA/ACSM SURVEY FOR 2205 WALNUT ST LLC BM1984-00710**
[Pin/Parcel History](#)
[New Search](#)


NORTH CAROLINA

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

**Disclaimer:** The information on this site, including but not limited to the real estate "Owner Name" and date of acquisition, is provided for informational purpose only and is gathered from public records submitted, filed and recorded with various government departments, agencies, and offices. Although every effort has been made to ensure that the information presented on this website is accurate and timely, it is not intended to replace information that could be obtained directly from any other government department, agency, or office, nor should it be used as the exclusive basis for determining ownership or date of acquisition of real property. Wake County makes no representation or warranties, express or implied, concerning the accuracy, completeness, reliability, or suitability of the information provided herein or the status of title to the subject real estate.

	Owner Name	Type	% Own	Stamps	Book	Page	Date
Current	<b>2205 WALNUT STREET LLC</b>		<b>ALL</b>	<b>8300.00</b>	<b>13783</b>	<b>2620</b>	<b>12-03-2009</b>
1 Back	<b>HIGHWOODS REALTY LTD PARTNERSHIP</b>		<b>ALL</b>	<b>2207.00</b>	<b>06168</b>	<b>0417</b>	<b>06-15-1994</b>
2 Back	<b>CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEM STATE OF</b>		<b>GROUP ABOVE</b>	<b>2056.50</b>	<b>03717</b>	<b>0898</b>	<b>05-09-1986</b>
3 Back	<b>MACEDONIA COMPANY THE</b>		<b>ALL</b>	<b>576.00</b>	<b>03294</b>	<b>0317</b>	<b>06-01-1984</b>
4 Back	<b>CARY DEVELOPMENT COMPANY</b>		<b>ALL</b>		<b>0</b>		<b>12-31-1984</b>

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[Home](#)

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[iMaps](#)
[Tax Bills](#)
Real Estate ID **0132668**PIN # **0772791815**
[Account Search](#)
Location Address  
**2205 WALNUT ST**Property Description  
**ALTA/ACSM SURVEY FOR 2205 WALNUT ST LLC BM1984-00710**
[Pin/Parcel History](#) [New Search](#)


NORTH CAROLINA

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

Card 01 Of 01

[Code Descriptions](#)

Date	Line	Notes
01-24-2012	1	RETROFIT NCIV COMP F'12
01-23-2012	1	RETROFIT/NCIV COMP F'12
12-09-2009	1	1. add db 13783-2626 as ref/2. acreage correction per db
12-09-2009	2	13783-2626/3. CHANGE DESC TO ALTA/ACSN SURVEY FOR WALNUT STREET
12-09-2009	3	LLC
05-04-2007	1	.16AC SPLIT OUT INTO WALNUT ST R/W PER DB9037-2755
10-22-2004	1	9-23-04/GHT/RETROFIT(NCIV)COMP F2005
08-17-2004	1	BLDG PERMIT #04-2525 ISSUED 06-29-04 TYPE F COST \$660,000
02-12-1991	1	BLDG OCCUPIED BY HOLIDAY INN RESERVATION CTR
11-17-1989	1	3/28/85/LARRY BERRITTA/DCO BLDG 100% COMP FOR 85

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\*\*Duplicate Billing Statement\*\*



printer friendly



new search



return

Please mail payments and correspondence to:

Wake County Tax Administration  
PO Box 580084  
Charlotte NC 28258-0084

2205 WALNUT STREET LLC

Acct #: 0000132668-2019-2019-000000 Acct Status:

Bill Date: 07/19/2019

Due Date: 09/01/2019

Interest Begins: 01/07/2020

Description: ALTA/ACSM SURVEY FOR 2205 WALNUT ST LLC

Location: 2205 WALNUT ST CARY 27518-9209

Municipality: Cary

Fire District:

Special Dist:

Recycle Units:

REID: 0132668 Acres: 4.23 Class: 1 PIN: 0772791815

Assessed Value	Orig	Adj	Rate	Taxing Units	Amount Billed	Amount Paid	Payment Allocation
Real	3,310,812		.3500	Cary	11,587.84		Cary 11,587.84
Deferred				Special District			Special District
Use	3,310,812			Late List Penalty			Late List Penalty
Personal				Vehicle Fee			Vehicle Fee
Exclusion							City Interest
Total Value	3,310,812			Total Cary	11,587.84		Wake County 23,861.02
			.7207	Wake County	23,861.02		Fire District
				Fire District			Special District
				Special District			Late List Penalty
				Late List Penalty			Recycle Fee
				Recycle Fee			County Interest
				Total Wake County	23,861.02		Costs
				Total Billed	35,448.86		Total Paid 35,448.86
							Principal Due 0.00
							Interest Due 0.00
							Costs 0.00
							Total Due 0.00

Paid in Full 12/12/2019

The property records and tax bill data provided herein represent information as it currently exists in the Wake County collection system. This data is subject to change daily. Wake County makes no warranties, express or implied, concerning the accuracy, completeness, reliability, or suitability of this data. Furthermore, this office assumes no liability whatsoever associated with the use or misuse of such data.

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NORTH CAROLINA

WAKE COUNTY

**BARGAIN SALE OFFER TO PURCHASE AND CONTRACT**

This Bargain Sale Offer to Purchase and Contract ("Contract") is made as of the Effective Date (defined herein) by and between The Wake County Board of Education, a North Carolina body corporate ("Buyer") and 2205 Walnut Street, LLC, a North Carolina limited liability company ("Seller").

WITNESSETH:

WHEREAS, Buyer hereby offers to purchase and Seller agrees to sell the tract of land located at 2205 Walnut Street, Cary, Wake County, North Carolina, together with all improvements, structures, equipment and fixtures located thereon, and 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 on Exhibit A and depicted upon Exhibit B. Exhibits A, B, C and D 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 that parcel having Wake County PIN 0772-79-1815 and Wake County REID 0132668. Buyer and Seller acknowledge that the Property includes 4.2319 acres of land, more or less, per survey prepared by Bass, Nixon Kennedy, Inc., Consulting Engineers, dated 8-13-2009, and entitled "ALTA/ACSM Survey for 2205 Walnut Street, LLC, Cary, Wake County, North Carolina," a copy of which is attached hereto as Exhibit D; and

WHEREAS, Buyer is a charitable organization as defined in the Internal Revenue Code of 1986, as amended and supplemented, and the applicable regulations promulgated thereunder (the "Code"); and

WHEREAS, Seller intends that the difference between the Purchase Price and the fair market value of the Property shall be a charitable contribution to Buyer.

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 Buyer shall pay to Seller through a Bargain Sale purchase, based on a combination of cash and a charitable contribution. The Purchase Price for the property shall be the fair market value as stabilized of the Property as determined by an appraisal performed by Frank D. Leatherman, Jr. MAI of Leatherman Real Estate Services, LLC (the "Appraiser"), who has been chosen by Seller. The Appraisal shall be commissioned by Seller and the cost thereof shall be borne by Seller. The Appraisal shall be completed within 60 days after this Contract is signed by the Wake County Board of Education. The Purchase Price shall be paid as follows:

A. PARTIAL PURCHASE PRICE: In partial payment of the Purchase Price, Buyer shall pay Seller Five Million (\$5,000,000) Dollars, which shall be paid by Buyer to Seller as follows:

(1) Fifty Thousand Dollars (\$50,000) in earnest money shall be paid by check to Howard, Stallings, From, Atkins, Angell & Davis, P.A. ("Escrow Agent"), 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 Contract is otherwise terminated and it is disbursed in accordance with the terms of this Contract.

(2) The balance of the Partial Payment shall be paid at closing.

B. Balance of Purchase Price. The balance of the Purchase Price (being the difference between the Purchase Price determined by the Appraisal described above and the Partial Payment paid pursuant to sub-paragraphs 1(A)1-2) shall be credited to Buyer in the form of a charitable contribution from Seller to Buyer. Unless mutually agreed in writing by the parties hereto, cash paid by Buyer shall be Five Million (\$5,000,000) Dollars.

2. BUYER'S 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 Buyer must approve all terms and conditions of this Contract.

B. The Wake County Board of Commissioners must, prior to closing, approve Buyer's purchase of the Property, and prior to closing, approve funding and disburse to Buyer sufficient funds to pay the full balance of the Purchase Price for the Property.

C. Within Ninety (90) days from the date the Buyer signs this contract, Buyer must be able to obtain, at its expense, the following:

(1) A survey of the Property acceptable to Buyer prepared by a registered land surveyor and a legal description that conforms to the survey. The survey will be prepared at the sole expense of Buyer.

(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. Failure to determine such conditions by this inspection shall not relieve Seller of its obligation to indemnify Buyer from any claims under Federal, State, or Local Environmental Laws as required by other sections of this Offer to Purchase and Contract.

(4) An appraisal by a MAI appraiser, acceptable to Buyer, that reflects the value of the Property as equal to or exceeding the Purchase Price. If the appraised value of the Property does not equal or exceed the Purchase Price but sufficiently supports the Purchase Price so as to be acceptable to the Buyer and The Wake County

Board of Commissioners for approval of the Contract and funding, this condition will be deemed satisfied.

(5) Buyer must be able to retain or procure a zoning designation to its satisfaction to operate educational and educational support facilities.

(6) Buyer must be able to confirm or obtain approval from the Town of Cary, Wake County and/or the North Carolina Department of Transportation to maintain the existing suitable means of ingress and egress from the Property to Walnut Street and Dillard Drive from all improved areas of the Property.

(7) There shall be no restrictions, easements or governmental regulations, other than zoning regulations that would prevent the reasonable use of the Property for educational and educational support facilities purposes as described in Paragraph 2C(5) hereinabove.

D. As of the date of Closing, there shall be no Deeds of Trust, liens, leases or other monetary charges against the Property other than liens or charges 1) that are to be paid in full by Seller from the sales proceeds, or 2) resulting from the action of Buyer or its agents, contractors, employees or representatives.

E. Title must be delivered at closing by Special 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, none of which materially affect the value of the Property and such other encumbrances as may be assumed or specifically approved by Buyer, including those shown as Exceptions to Buyer's title insurance commitment obtained for this sale. The Property must have legal access to a public right-of-way from all improvements located thereon. Exhibit D enumerates all title exceptions currently known to Seller. Seller shall convey the Property to Buyer via special warranty deed that uses the description included in its vesting deed recorded in Book 13783, Page 2620, Wake County Registry. Seller shall also, upon Buyer's request, provide a Non-Warranty Deed to Buyer that includes the description of the Property drawn from a survey of the Property commissioned by Buyer related to this sale.

3. FAILURE OF BUYER'S CONDITIONS PRECEDENT: If any of the conditions contained in Section 2 are not met by April 17, 2020, Buyer has the option to waive the satisfaction of any unsatisfied conditions and proceed to closing or to terminate this Agreement by delivery of written notice to Seller on or before April 17, 2020, in which event the earnest money shall be returned to Buyer and the parties shall have no further rights or obligations herein except the Buyer's obligations pursuant to Section 15. In the event Buyer has not delivered written notice of its election to terminate on or before April 17, 2020, Buyer shall be deemed to have elected to waive the satisfaction of any unsatisfied conditions.

4. SELLER REPRESENTATIONS AND WARRANTIES: Throughout the entirety of this Contract, "To the best of Seller's knowledge" or other references to Seller's knowledge means after due inquiry and reasonable investigation, the actual knowledge of or written notice received by Kenneth A. Lucas as Manager of Seller. Seller makes the following representations and warranties to and for the benefit of Buyer which are true as of the date of this Contract and will continue to be true unless written notice of a change is delivered to Buyer prior to Closing. The disclosure of a change

in a representation or warranty contained in this Section is a not a breach of this Contract if the disclosed information regarding the change was not known to Seller at the Effective Date provided Seller was not a cause in making the representation or warranty true or inaccurate. Should Buyer receive notice of a material change in the following representations and warranties it may terminate this Contract by delivery of written notice to Seller, in which event the earnest money shall be returned to Buyer and the parties shall have no further rights or obligations except as expressly set forth in this Contract as intended to survive termination for 6 months. In the event Seller caused the representation or warranty to become untrue or inaccurate, such action may be an event of default by Seller and Buyer shall have the same remedies as if a default occurred under the terms of this Contract pursuant to Section 13:

A. Seller has received no notice that there are any 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. Seller has not entered into any leases or rental agreements with reference to the Property that cannot be terminated before closing. To the best of Seller's knowledge, neither Seller nor the Property are the subject of any claim, demand, suit, unfiled 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 be binding upon the Property 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 herein.

C. To the best of Seller's knowledge Seller has complied with any 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 Materials (as defined herein) except for substances and compounds typically used in the operation of Miller Motte College programs. To the best of Seller's knowledge, all such substances and compounds have been stored, used and disposed of in accordance with applicable law and otherwise conforms to the representations made in Section 4 E, F and G below.

D. Seller is not a "foreign person" 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. 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 Environmental Quality (DEQ) or its predecessor successor agencies, or any federal, state or local agencies under any federal, state or local environment laws or regulations;

F. To the best of Seller's knowledge, but without investigation, there is no Hazardous Material (except as otherwise stated in Section 4C above) on the Property, whether such Hazardous Material was placed by spill, release, discharge, disposal or storage. Hazardous Material as used in this 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:

- (1) defined as Hazardous Material under the laws of the State of North Carolina, as amended from time to time;
- (2) 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;
- (3) 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;
- (4) 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;
- (5) 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
- (6) 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.

G. Seller has no knowledge that the Property fails to comply with any environmental laws or ordinances or rules and regulations of any authorities having jurisdiction over the Property relative to any Hazardous Material.

H. 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).

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 the 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. Buyer and Seller understand that the prorated amounts may be based upon tax rates that may change after closing but before the end of the year in which closing occurs. Should the actual tax bill be different than the amount estimated at closing, Buyer and Seller will promptly reconcile and settle the difference between them. As part of the consideration of this sale, this term and condition shall survive closing and shall not merge upon delivery of the deed.

B. All late listing penalties, if any, shall be paid by Seller.

C. Rents, if any, for the Property shall be retained by Seller as applicable to its period of ownership, calculated to the date of closing.

D. Seller shall be responsible for any brokerage commissions due as a result of this sale. Buyer by its execution hereof confirms that licensed real estate brokers Jake Jones of Avison Young and Jay Taylor of SVN Tar Heel Commercial Realty have presented and shown the property to Buyer for its consideration, Buyer agrees to indemnify and hold Seller harmless against any real estate commission claimed by any other parties allegedly representing Buyer in this transaction.

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 by Seller or on behalf of Seller within one hundred twenty (120) days before the date of closing have been paid and agreeing to indemnify Buyer against all loss from any claim arising therefrom. Seller shall not be responsible for any labor or materials furnished to the Property on behalf of Buyer.

7. CLOSING EXPENSES: Seller shall pay for the preparation of a deed which shall be prepared by Seller's attorney and for the excise tax on transfer required by law. Buyer shall pay for recording the deed and all other closing costs. Buyer and Seller shall each pay their respective attorneys' fees.

8. EVIDENCE OF TITLE: Seller shall deliver to Buyer within thirty (30) days after the Effective Date 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, and covenants relating to the Property.

9. ASSIGNMENT: Except in conjunction with a like kind exchange pursuant to Section 26, this Contract may not be assigned by Buyer or Seller without the written consent of the other party, which consent may be withheld by either party in its sole discretion. Notwithstanding the foregoing, Buyer shall have the right to assign this Contract to The County of Wake without the written consent of Seller.

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 Contract 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. The representations and warranties of Seller contained in Section 4 shall survive Closing for a period of six months.

12. DEFAULT; REMEDIES: In the event of a breach by Seller of this Contract and if such breach is not cured within ten (10) days after receipt of notice thereof by Buyer, Buyer shall have as its sole and exclusive remedies the right to either: (1) terminate this Contract and receive a refund of the earnest money together with any out-of-pocket expenses incurred by Buyer in its due diligence investigation and preparation for closing, provided that the amount to be recovered shall not exceed Seventy Five Thousand and No/100 Dollars (\$75,000.00), or (2) seek specific performance against Seller, provided that any action for specific performance must be commenced within ninety

(90) days after the date of breach by Seller. Notwithstanding anything stated to the contrary, Buyer's right to use its power of eminent domain is not limited by any remedy for a default stated herein.

In the event of a breach of this Contract by Buyer, and if such breach is not cured within ten (10) days after written notice from Seller of such breach, Seller shall have as its sole and exclusive remedy the right to receive the earnest money and Escrow Agent shall immediately pay such earnest money to Seller.

In the event of a breach by either party subsequent to closing, and if such breach is not cured within ten (10) days after receipt of notice of breach, or in the event such breach cannot be cured within ten (10) days, within such reasonable time thereafter, provided that the defaulting party has commenced a cure within ten (10) days, then the non-defaulting party shall have as its sole and exclusive remedy the right to recover from the defaulting party any actual damages incurred by the non-defaulting party, but in no event shall such damages include any special, punitive, incidental, consequential damages or double or treble damages.

13. SELLER'S AUTHORITY: Seller warrants and represents that it has 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 Contract.

14. RIGHTS OF BUYER PRIOR TO CLOSING; SURVIVING OBLIGATIONS: 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 surveys, engineering, topographical, geological, environmental and other tests and measurements including, but not limited to, soil tests, percolation tests and subsoil tests 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 (including attorney's fees) resulting from Buyer's entry or activities on site or caused by Buyer's agents, employees or representatives

15. ADDITIONAL COVENANTS: These covenants shall survive closing for six months:

A. Seller agrees to remove on or before closing all deeds of trust, liens, leases and other monetary charges against the Property which can be satisfied by the payment of money, provided that any liens or charges resulting from the actions of Buyer or Buyer's agents, employees, contractors, or representatives shall be the responsibility of Buyer.

B. Seller shall provide to Buyer copies of any studies and/or reports in their entirety which Seller may have received and or commissioned and which is still in Seller's custody or control, regarding the property within ten (10) days of the Effective Date. 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, and other environmental reports. 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.

C. Seller agrees to cooperate with Buyer and Buyer's testing and investigation of the Property for an environmental assessment. Upon request from Buyer, Seller will deliver to Buyer any information in its possession relating to the environmental assessment.

16. RISK OF LOSS: The risk of loss prior to closing, which shall include personal property, shall be upon the Seller.

17. 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 in conformity with the requirements of this Contract.

18. CLOSING: The parties agree to execute any and all documents and papers necessary in connection with the closing and transfer of title within ten (10) business days after all conditions have been met or waived, but not later than May 1, 2020, 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.

19. TIME IS OF THE ESSENCE: Time is of the essence with regard to the terms and conditions contained in this Contract.

20. EXTENSION: Buyer shall have the right to extend the closing date by up to thirty (30) days by the provision of written notice to Seller prior to the date of closing set forth in Section 18 to 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.

21. 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.

22. MEMORANDUM OF CONTRACT: Each party agrees that a Memorandum of Contract or Contract Documents shall not be recorded in this transaction.

23. 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: 2205 Walnut Street LLC  
Attn: Mr. Kenneth A. Lucas, Manager  
7424 Chapel Hill Road  
Raleigh, NC 27518-9209  
Email: ken.lucas@svn.com



w/copy to: Jeffrey J. Goebel  
 Jordan Price Wall Gray Jones and Carlton, PLLC  
 1951 Clark Ave  
 Raleigh, NC 27605  
 Email: [jgoebel@jordanprice.com](mailto:jgoebel@jordanprice.com)

To Buyer: Wake County Board of Education  
 Attn: Superintendent  
 5625 Dillard Drive  
 Cary, NC 27518  
 Fax No.: 919-431-7563

w/copy to: Wake County Public School System  
 Real Estate Services Director  
 1551 Rock Quarry Road  
 Raleigh, NC 27610  
 Email: [bparker@wcpss.net](mailto:bparker@wcpss.net)

w/copy to: Kenneth C. Haywood, Esq.  
 Howard, Stallings, From, Atkins, Angell & Davis, P.A.  
 5410 Trinity Road, Suite 210  
 Raleigh, NC 27607  
 Post Office Box 12347  
 Raleigh, NC 27605  
 Email: [khaywood@hsfh.com](mailto:khaywood@hsfh.com)

24. TAX-DEFERRED EXCHANGE: In the event Seller elects to proceed under Section 1031 of the Internal Revenue Code to effect a tax-deferred exchange in connection with the conveyance of the Property, Buyer and Seller agree to cooperate in effecting such change, 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. 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.

25. 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.

26. EFFECTIVE DATE: The Effective Date of this Contract shall be the date of last execution by Buyer and Seller.

27. Kenneth A. Lucas, Member/Manager of 2205 Walnut Street, LLC is a licensed real estate broker in the State of North Carolina.

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



[Corporate Seal]

**BUYER:****THE WAKE COUNTY BOARD OF EDUCATION**

By: \_\_\_\_\_

James D. Martin, Chair

KEITH A. SUTTON

Attest: \_\_\_\_\_

Cathy Q. Moore, Secretary/Superintendent

Date of Execution: December 5, 2019**SELLER:**

**2205 WALNUT STREET, LLC,**  
a North Carolina limited liability company

By: \_\_\_\_\_

Kenneth A. Lucas, Manager

Date of Execution: November 25, 2019*(The balance of this page is left intentionally blank.)*

**Exhibit A**

**Legal Description**

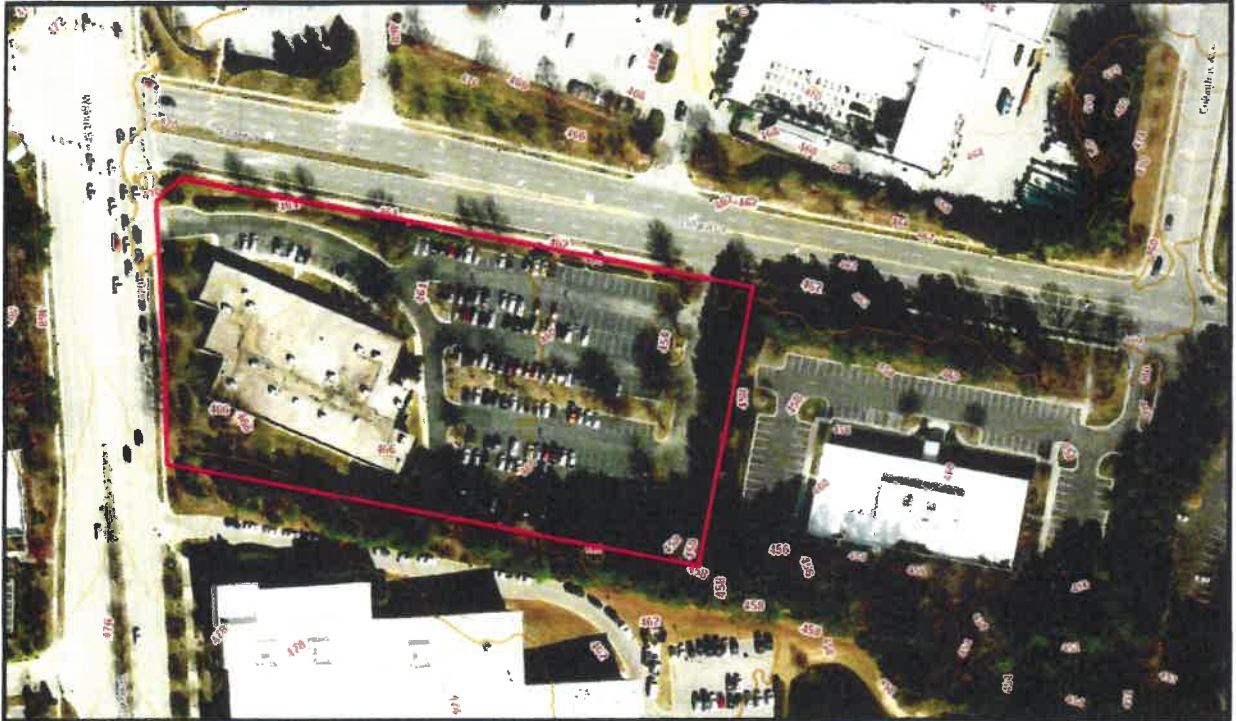
The Property is located in the southeastern quadrant of the intersection of Walnut Street and Dillard Drive in Cary, Wake County, North Carolina, and is a tract that consists of 4.2319 acres more or less, together with an existing  $\pm$ 30,000 SF building and surface parking, and is that parcel having Wake County PIN 0772-79-1815 and Wake County REID 0132668, and a street address of 2205 Walnut Street, and is more particularly described as follows:

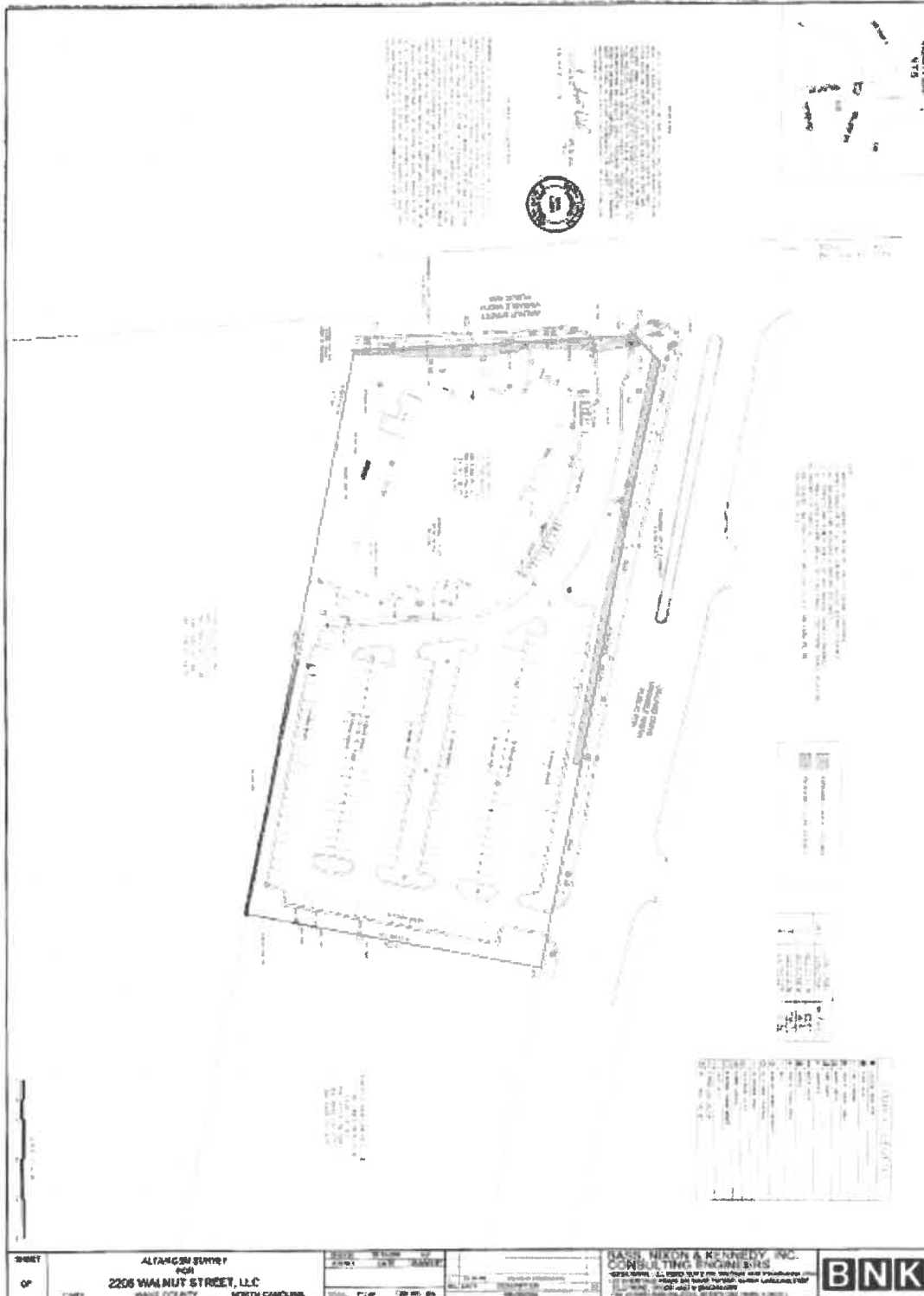
BEING all of that certain lot or parcel of land situated in Wake County, North Carolina, and more particularly described in that Special Warranty Deed recorded on December 3, 2009 in Book 13783, Page 2620, Wake County Registry, reference being hereby made for a more accurate description of the metes, bounds, courses and distances. See also survey prepared by Bass, Nixon Kennedy, Inc., Consulting Engineers, dated 8-13-2009, and entitled "ALTA/ACSM Survey for 2205 Walnut Street, LLC, Cary, Wake County, North Carolina."

The exact dimensions and description of the Property will be determined in accordance with the survey and plat reference in this Contract, 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. Seller shall convey the Property to Buyer via Special Warranty Deed that uses the description included in its vesting deed recorded in Book 13783, Page 2620, Wake County Registry. Seller shall also, upon Buyer's request, provide a Non-Warranty Deed to Buyer that includes the description of the Property drawn from a survey of the Property commissioned by Buyer related to this sale.

**Exhibit B**

**Wake County GIS Photos of Subject Property: PIN 0772-79-1815**  
Subject Property contains 4.2319 acres together with all improvements, subject to survey.



**Exhibit C****Survey of Subject Property: PIN 0772-79-1815**

**Exhibit D****Exceptions to Title of Subject Property: PIN 0772-79-1815**

These exceptions are believed to be accurate but are not warranted.

All registry references are to the Wake County Registry.

1. 2019 ad valorem taxes
2. All matters shown on plat recorded in Book of Maps 1984, Page 710
3. Easement to Carolina Power & Light recorded in Book 11738, Page 917
4. Deed of Trust recorded in Book 15866, Page 2715 and ancillary documents (to be paid in full from Seller's proceeds at closing and cancelled of record)

**WAKE COUNTY PUBLIC SCHOOL SYSTEM  
CONTRACT FOR APPRAISAL SERVICES**

2205 Walnut Street, LLC parcel: Wake County PIN 0772-79-1815  
2205 Walnut Street, Cary, NC

This contract for Appraisal Services (the "Contract") is made and entered into this 4th day of December, 2019, between The Wake County Board of Education (the "Owner"), 1429 Rock Quarry Road, Suite 116, Raleigh, NC 27610, and **Integra Realty Resources – Charlotte, LLC** (the "Provider"), 214 West Tremont Avenue, Suite 200, Charlotte, NC 28203.

For and in consideration of the mutual promises set forth in the Contract the parties do mutually agree as follows:

1. Obligations of Provider - Fee Simple Appraisal. The Provider hereby agrees to provide services to Owner as follows:
  - 1.1. Provider will provide a Fee Simple Appraisal Report on a parcel totaling  $\pm 4.23$  acres located on the southern side of Dillard Drive, east of Walnut Street, Cary, Wake County, NC, also identified as parcel having Wake County PIN 0772-79-1815, REID 0132668.
  - 1.2. Draft report of value to be delivered to Owner prior to completion of a full and final written appraisal report.
  - 1.3. One paper copy and one electronic (pdf) copy of full written appraisal report to be delivered to Owner should such a full and final report be requested by Owner.
2. Obligations of Owner.
  - 2.1. The Owner hereby agrees to compensate Provider in the amount of Four Thousand Four Hundred and 00/100 Dollars (\$4,400.00) for services rendered as described in Paragraph 1.1 above. If a full and final written report is requested by Owner, then the total compensation due the Provider shall not exceed Four Thousand Four Hundred and 00/100 Dollars (\$4,400.00) for services rendered.
  - 2.2. In the event of inclement weather, fire, power failure, or other similar occurrence, which may necessitate the cancellation of the delivery of the service(s), and an alternate date cannot be agreed upon, Owner will be under no obligation to compensate the Provider for services not rendered.
  - 2.3. The parties acknowledge that the Owner has authorized the Superintendent or his designee to enter into service contracts involving expenditures of up to \$100,000. The parties further acknowledge that the Owner may perform all or part of its obligations pursuant to this Agreement through the Superintendent or his designee.
3. Term. The services described in the Contract will be provided **on or before 30 calendar days from the date of Notice to Proceed. Time is of the essence.**
4. Termination for Convenience. The Owner may terminate this Contract at any time at its complete discretion upon twenty (20) calendar days' notice in writing from the Owner to the Provider prior to the date of termination. In addition, all finished or unfinished documents and other materials produced by the Provider pursuant to this contract shall, at the request of the Owner be turned over to it and become its property. If the contract is terminated by the Owner in accordance with this section, the Owner will pay the Provider at the hourly rate for all services performed as of the date of termination.
5. Termination for Default. At any time, the Owner may terminate this contract immediately and without prior notice if provider is unable to meet goals and timetables or if the Owner is



dissatisfied with the quality of services provided.

6. Terms and Methods of Payment. Provider shall submit to the Owner monthly invoices itemized by service provided, the number of hours worked and by whom, the date(s) that services were provided, and the amount owed. Such invoices shall be submitted within thirty (30) days of the rendering of services. The Owner shall process payments to Provider within forty-five (45) days of submission of such invoices. **Invoices should be sent to WCPSS Real Estate Services, Attn: Margaret Sutter, 111 Corning Road, Ste., 100, Cary, N.C., 27518, for review and approval.**
7. Contract Funding. It is understood and agreed between the Provider and the Owner that the Owner's payment obligation under this Contract is contingent upon the availability of appropriated funds from which payment for Contract purposes can be made.
8. Insurance. The Provider agrees to maintain \$1,000,000 in general liability, \$1,000,000 in automobile liability, and other appropriate insurance, as well as Workers Compensation in the required statutory amount, for all employees participating in the provision of services under this Contract. The Owner, Wake County Board of Education, shall be named by endorsement as an additional insured on the General Liability policy. A certificate of insurance documenting evidence of such insurance shall be furnished to the Owner. The Provider shall also provide a policy endorsement requiring the Owner to receive thirty (30) days prior written notice of cancellation for any statutorily permitted reason other than non-payment of premium. In addition, the Provider shall provide at least five (5) business days written prior notice to the Owner's Representative at the address noted above and via email ("fdc-insure@wcpss.net") of the cancellation, non-renewal (without replacement), or the material reduction of coverage or limits of any of the policies. Upon notice of such cancellation, nonrenewal or reduction, the Provider shall procure substitute insurance so as to assure the Owner that the minimum limits of coverage are maintained continuously throughout the period of this Agreement. Failure to furnish insurance certificates or maintain such insurance shall be a default under this contract and shall be grounds for immediate termination of this Contract.
9. Taxes. The Provider shall pay all federal, state and FICA taxes for all employees participating in the provision of services under this Contract.
10. Monitoring and Auditing. The Provider shall cooperate with the Owner, or with any other person or agency as directed by the Owner, in monitoring, auditing, or investigating activities related to this Contract. The Provider shall permit the Owner to evaluate all activities conducted under this contract as dictated by the Owner. The Provider shall provide auditors retained by the Owner with access to any records and files related to the provision of services under this Contract. The Owner agrees that its auditors will maintain the confidentiality of any trade secrets of Provider accessed during an audit conducted under this Contract.
11. Records and Confidentiality of Student Information. The Provider agrees that all student records obtained in the course of providing services to the Owner under this contract shall be subject to the confidentiality and disclosure provisions of applicable federal and state statutes and regulations, and the Owner's policies. All student records shall be kept in a secure location preventing access by unauthorized individuals. Provider will maintain an access log delineating date, time, agency, and identity of individual accessing student records who is not in the direct employ of the Provider. Provider shall not forward to any person other than parent or the Owner any student record, including, but not limited to, the student's identity, without the written consent of the parent and the Owner. Upon termination of this Agreement, Provider shall turn over to the Owner all student records of The Owner's eligible students to whom Provider has provided services under this



agreement.

12. Lunsford Act/Criminal Background Checks. The Provider also acknowledges that G.S. § 14-208.18 prohibits anyone required to register as a sex offender under Article 27A of Chapter 14 of the General Statutes from knowingly being on the premises of any school. The Provider shall conduct or arrange to have conducted, at its own expense, sexual offender registry checks on each of its employees, agents, ownership personnel, or contractors (“contractual personnel”) who will engage in any service on or delivery of goods to school system property or at a school-system sponsored event, except checks shall not be required for individuals who are solely delivering or picking up equipment, materials, or supplies at: (1) the administrative office or loading dock of a school; (2) non-school sites; (3) schools closed for renovation; or (4) school construction sites. The checks shall include at a minimum checks of the State Sex Offender and Public Protection Registration Program, the State Sexually Violent Predator Registration Program, and the National Sex Offender Registry (“the Registries”). For the Provider’s convenience only, all of the required registry checks may be completed at no cost by accessing the United States Department of Justice Sex Offender Public Website at <http://www.nsopw.gov/>. The Provider shall provide certification on the Sexual Offender Registry Check Certification Form that the registry checks were conducted on each of its contractual personnel providing services or delivering goods under this Agreement prior to the commencement of such services or the delivery of such goods. The Provider shall conduct a current initial check of the registries (a check done more than 30 days prior to the date of this Agreement shall not satisfy this contractual obligation). In addition, the Contractor agrees to conduct the registry checks and provide a supplemental certification form before any additional contractual personnel are used to deliver goods or provide services pursuant to this Agreement. The Provider further agrees to conduct annual registry checks of all contractual personnel and provide annual certifications at each anniversary date of this Agreement. The Provider shall not assign any individual to deliver goods or provide services pursuant to this Agreement if said individual appears on any of the listed registries. The Provider agrees that it will maintain all records and documents necessary to demonstrate that it has conducted a thorough check of the registries as to each contractual personnel, and agrees to provide such records and documents to the Owner upon request. The Provider specifically acknowledges that the Owner retains the right to audit these records to ensure compliance with this section at any time in the Owner’s sole discretion. Failure to comply with the terms of this provision shall be deemed a material breach of the Agreement. In addition, the Owner may conduct additional criminal records checks at the Owner’s expense. If the Owner exercises this right to conduct additional criminal records checks, the Provider agrees to provide within seven (7) days of request the full name, date of birth, state of residency for the past ten years, and any additional information requested by the Owner for all contractual personnel who may deliver goods or perform services under this Agreement. The Provider further agrees that it has an ongoing obligation to provide the Owner with the name of any new contractual personnel who may deliver goods or provide services under the Agreement. The Owner reserves the right to prohibit any contractual personnel of the Provider from delivering goods or providing services under this Agreement if the Owner determines, in its sole discretion, that such contractual personnel may pose a threat to the safety or well-being of students, school personnel or others.
13. Anti-Nepotism. Provider warrants that, to the best of its knowledge and in the exercise of due diligence, none of its corporate officers, directors, or trustees and none of its employees who will directly provide services under this Agreement are immediate family members of any member of the Wake County Board of Education or of any principal or central office staff administrator employed by the Board. For purposes of this provision, “immediate family” means spouse, parent, child, brother, sister, grandparent, or grandchild, and includes step, half, and in-law relationships. Should Provider become aware of any family relationship covered by this provision or should such a family relationship arise at any time during the term of this

- Agreement, Provider shall immediately disclose the family relationship in writing to the Superintendent of the Schools. Unless formally waived by the Board, the existence of a family relationship covered by this Agreement is grounds for immediate termination by Owner without further financial liability to Provider.
14. **Restricted Companies Lists.** Provider represents that as of the date of this Contract, Provider is not included on the Final Divestment List created by the North Carolina State Treasurer pursuant to N.C. Gen. Stat. § 147-86.58. Provider also represents that as of the date of this Contract, Provider is not included on the list of restricted companies determined to be engaged in a boycott of Israel created by the North Carolina State Treasurer pursuant to N.C. Gen. Stat. § 147-86.81.
  15. **Sales and Use Tax.** Vendor shall be responsible for complying with any applicable sales and use tax obligations imposed by Chapter 105, Article 5 of the North Carolina General Statutes.
  16. **Indemnification.** Provider shall indemnify, defend and hold harmless the Owner, its agents, and employees, from and against all claims, actions, demands, costs, damages, losses and/or expenses of any kind whatsoever resulting solely from the omission or commission of any act, lawful or unlawful, by Provider, its agents and/or employees, including but not limited to court costs and attorney's fees incurred by Provider in connection with the defense of said matters. The parties agree that this indemnification clause is an "evidence of indebtedness" for the purpose of N.C. Gen. Stat. § 6-21.2. The parties also specifically acknowledge that the Owner is a public body and it is the intent of the parties that the Owner not incur any expenses when the Contractor is solely responsible for the claims.
  17. **Relationship of Parties.** The Provider shall be an Independent Provider of the Owner and nothing herein shall be construed as creating a partnership or joint venture; nor shall any employee of the Provider be construed as an employee, agent or principal of the Owner.
  18. **Compliance with Applicable Laws.** Provider shall comply with all applicable laws and regulations in providing services under this Contract. In particular, the Provider shall not employ any individuals who are not authorized under federal law to work in the United States. Provider represents and warrants that it is aware of and in compliance with the Immigration Reform and Control Act and North Carolina law (Article 2 of Chapter 64 of the North Carolina General Statutes) requiring use of the E-Verify system for employers that employ twenty-five (25) or more employees. Provider specifically represents and warrants that it is and will remain in compliance with these laws at all times while providing services pursuant to this Contract. Provider shall also ensure that any of its subcontractors (of any tier) will remain in compliance with these laws at all times while providing subcontracted services in connection with this Contract. Provider is responsible for providing affordable health care coverage to all of its full-time employees providing services to the school system. The definitions of "affordable coverage" and "full-time employee" are governed by the Affordable Care Act and accompanying IRS and Treasury Department regulations.
  19. **Applicable Wake County Board of Education Policies.** Provider acknowledges that the Wake County Board of Education has adopted policies governing conduct on all property owned by the Board of Education and leased to Wake County, and agrees to abide by any and all relevant board policies while on its property. The Provider acknowledges that it has received copies of and will abide by the following Wake County Board of Education policies:
    - Policy 2305: Code of Ethics and Standard of Conduct
    - Policy 2306: Drug and Alcohol Testing of Commercial Motor Vehicle Operators
    - Policy 2307: Drug-Free Workplace Environment
    - Policy 3012: Prohibited Conduct on School Property and at School Events
    - Policy 3225/4312/7320: Technology Responsible Use

Policy 4040/7310: Staff-Student Relations  
Policy 5026/7250: Use of Tobacco and Nicotine Products  
Policy 5027/7275: Weapons and Explosives Prohibited on School Property

20. Assignment. The Provider shall not assign, subcontract, or otherwise transfer any interest in this contract without the prior written approval of the Owner.
21. Contract Modifications. This contract may be amended only by written amendments duly executed by and between the Owner and the Provider.
22. North Carolina Law. North Carolina law will govern the interpretation and construction of the Contract.
23. Counterparts and Execution. This Contract may be executed in any number of counterparts, each of which will be deemed an original but all of which together will constitute one and the same instrument. The Parties agree that computer scanned and/or faxed signatures or copies of this Contract for a contract sum not exceeding \$30,000 will have the same validity and force as an "original". A Contract for a contract sum exceeding \$30,000 requires an original signature.
24. Entire Agreement. This Contract constitutes and expresses the entire agreement and understanding between the parties concerning the subject matter of this contract. This document, the purchase order, if any, used in connection herewith and, any other document attached to or incorporated in this Contract by reference; supersede all prior and contemporaneous discussions, promises, representations, agreements and understandings relative to the subject matter of this contract. Included and made part of this agreement are the Wake County Board of Education Policies, Sexual Offender Registry Check Certification Form (Exhibit 2), Certificate of Insurance (with required endorsements), and Exhibit 1 Email Fee Proposal confirmation dated December 4, 2019.
25. Severability. If any provision of this Contract shall be declared invalid or unenforceable, the remainder of the Contract shall continue in full force and effect.

IN WITNESS WHEREOF, the parties have hereunto set their hands and seals the day and year first indicated above.

**Wake County Board of Education**

By : \_\_\_\_\_ (Seal)  
Margaret Sutter  
Director, WCPSS Real Estate Services

**Integra Realty Resources-Charlotte, LLC.**

By: Chris R Morris (Seal)  
Name: \_\_\_\_\_  
Title: Senior Managing Director

## Exhibit 2

### Sexual Offender Registry Check Certification Form

COMPLETE THIS FORM AND SUBMIT WITH THE CONTRACT

Project Name: \_\_\_\_\_ Contract: \_\_\_\_\_

Check the appropriate box to indicate the type of check:

☒

Initial

☐

Supplemental

☐

Annual

I, Chris R. Morris (insert name), Senior Managing Director (insert title) of Integra Realty Resources - Raleigh (insert company name) hereby certify that I have performed all of the required sexual offender registry checks required under this Agreement. These include the North Carolina Sex Offender and Public Protection Registration Program, the North Carolina Sexually Violent Predator Registration Program, and the National Sex Offender Registry. (Note: all of the required registry checks may be completed at no cost by accessing the United States Department of Justice Sex Offender Public Website at <http://www.nsopw.gov/>). This certification is required for all contractual personnel (employees, agents, ownership personnel, or contractors) who may be used to deliver goods or provide services under this Agreement. I further certify that none of the individuals listed below appears on any of the above-named registries and that I will not assign any individual to deliver goods or perform services under this Agreement if said individual appears on any of the sex offender registries. I agree to maintain all records and documents associated with these registry checks, and that I will provide such records and documents to the school system upon request. I specifically acknowledge that the school system retains the right to audit these records to ensure compliance with this section at any time in the school system's sole discretion. I acknowledge that I am required to perform these checks and provide this certification form before any work is performed under the Agreement (initial check), any time additional contractual personnel may perform work under the Agreement (supplemental check), and at each anniversary date of the Agreement (annual check).

#### Contractual Personnel Names

#### Job Title

1.	<u>Chris Morris</u>	<u>Senior Managing Director</u>
2.	<u>M. Scott Smith</u>	<u>Director</u>
3.	<u>Samuel Bryan</u>	<u>Director</u>
4.	<u>Andrew Cable</u>	<u>Director</u>
5.	_____	_____
6.	_____	_____
7.	_____	_____

I attest that the forgoing information is true and accurate to the best of my knowledge.

Chris R. Morris

(print name)

Chris R Morris

12/05/19

(signature / date)

## **Addendum D**

### **Comparable Data**

## Improved Sales

### Location & Property Identification

Property Name:	Single-Story Office Building
Sub-Property Type:	General Purpose
Address:	3300 Gateway Centre Blvd.
City/State/Zip:	Morrisville, NC 27560
County:	Wake
Submarket:	Cary
Market Orientation:	Suburban
IRR Event ID:	2294758



### Sale Information

Sale Price:	\$6,200,000
Effective Sale Price:	\$6,200,000
Sale Date:	10/23/2019
Sale Status:	Closed
\$/SF GBA:	\$213.40
\$/SF NRA:	\$213.40
Grantor/Seller:	TICON, Inc.
Grantee/Buyer:	Angier Road Investors, LLC
Assets Sold:	Real estate only
Property Rights:	Leased Fee
% of Interest Conveyed:	100.00
Financing:	Cash to seller
Terms of Sale:	Arm's Length
Document Type:	Deed
Recording No.:	17623/110
Verified By:	Chris R. Morris, MAI, FRICS
Verification Date:	12/23/2019
Confirmation Source:	Jerry Gambill, 919-493-0395
Verification Type:	Confirmed-Seller Broker

### Operating Data and Key Indicators

Operating Data Type:	Pro-forma Broker
Net Operating Income:	\$ 490,000
Reserves Included:	No
Cap Rate - Derived:	7.90%

### Occupancy

Occupancy Type Before Sale:	Single Tenant
Occupancy Type After Sale:	Single Tenant
Occupancy at Time of Sale:	100.00%
Number of Tenants at T.O.S.:	1
Major Tenant(s):	Charles River
Lease Type:	Triple Net
Remaining Lease Term (Yrs):	3.00

### Improvement and Site Data

MSA:	Raleigh, NC
Legal/Tax/Parcel ID:	0756744831
GBA-SF:	29,053
NRA-SF:	29,053
Acres(Usable/Gross):	2.90/2.90
Land-SF(Usable/Gross):	126,324/126,324
Usable/Gross Ratio:	1.00
Year Built:	1986
Most Recent Renovation:	1999, 2009
Property Class:	A-
M&S Class:	C
Construction Quality:	Good
Improvements Cond.:	Good
Exterior Walls:	Concrete Precast
Construction Desc.:	Precast Concrete w/ Exposed Steel
No. of Buildings/Stories:	1/1
Air-Conditioning Type:	Central

## Improvement and Site Data (Cont'd)

Shape:	Irregular
Topography:	Hilly
Vegetation:	Trees and grasses
Corner Lot:	No
Frontage Feet:	104
Frontage Desc.:	104' Gateway Centre Blvd
Frontage Type:	2 way, 1 lane each way
Traffic Control at Entry:	None
Traffic Flow:	Low
AccessibilityRating:	Average
Visibility Rating:	Average
Bldg. to Land Ratio FAR:	0.23
Zoning Code:	ORD /Cary
Zoning Desc.:	Office/Research and Development
Flood Plain:	No
Flood Zone:	Touches western border
Utilities:	Electricity, Water Public, Sewer, Telephone
Utilities Desc.:	All available
Bldg. Phy. Info. Source:	Public Records
Source of Land Info.:	Public Records

## Comments

Property leased to Charles River through June 2022. NOI of \$490,000 for following 12 months, with slight rent escalations on an annual basis.



**Location & Property Identification**

Property Name:	First Flight Federal Credit Union
Sub-Property Type:	General Purpose
Address:	1815 Kildaire Farm Rd.
City/State/Zip:	Cary, NC 27518
County:	Wake
Submarket:	Southwest Raleigh
Market Orientation:	Suburban
Property Location:	NE of Harold D Ritter Park, E of MacGregor Downs Lake, off Kildaire Farm Rd, between Wake Medical Dr & Tryon Rd

IRR Event ID: 2208120

**Sale Information**

Sale Price:	\$3,450,000
Effective Sale Price:	\$3,450,000
Sale Date:	01/31/2019
Sale Status:	Closed
\$/SF GBA:	\$156.25
\$/SF NRA:	\$222.58
Grantor/Seller:	C&M Properties of Wake County, LLC
Grantee/Buyer:	First Flight Federal Credit Union
Assets Sold:	Real estate only
Property Rights:	Leased Fee
% of Interest Conveyed:	100.00
Financing:	Cash to seller
Terms of Sale:	Arm's Length
Document Type:	Deed
Recording No.:	17350/790
Verified By:	Chris R. Morris, MAI, FRICS
Verification Date:	03/18/2019
Verification Type:	Confirmed-Confidential

**Operating Data and Key Indicators**

Operating Data Type:	Stabilized
Net Operating Income:	\$ 180,000
Cap Rate - Derived:	5.22%

**Occupancy**

Occupancy Type Before Sale:	Multi-Tenant
Occupancy Type After Sale:	Multi-Tenant
Occupancy at Time of Sale:	92.00%

**Improvement and Site Data**

MSA:	Raleigh, NC
Legal/Tax/Parcel ID:	0762544706
GBA-SF:	22,080
NRA-SF:	15,500
Acres(Usable/Gross):	0.96/0.96
Land-SF(Usable/Gross):	41,818/41,818
Usable/Gross Ratio:	1.00
Year Built:	1987
Property Class:	B
M&S Class:	C
Construction Quality:	Average
Improvements Cond.:	Average
Exterior Walls:	Brick
Construction Desc.:	Brick with Exposed Steel

## Improvement and Site Data (Cont'd)

No. of Buildings/Stories:	1/2
Multi-Tenant/Condo.:	Yes/No
Air-Conditioning Type:	Central
Shape:	Irregular
Topography:	Gently Sloping
Vegetation:	Trees and grasses
Corner Lot:	Yes
Frontage Feet:	405
Frontage Desc.:	121' Kildaire Farm Rd, 284' Keisler Dr
Frontage Type:	2 way, 2 lanes each way
Traffic Control at Entry:	Turn lane
Bldg. to Land Ratio FAR:	0.53
Zoning Code:	OI /Raleigh
Zoning Desc.:	Office Mixed Use
Flood Plain:	No
Utilities:	Electricity, Water Public, Sewer, Telephone
Utilities Desc.:	All available
Bldg. Phy. Info. Source:	Public Records
Source of Land Info.:	Public Records

## Comments

Buyer was majority tenant in building and extinguished their lease obligation with the purchase. Sale price based on market rental rates would have indicated higher capitalization rate. Significant disparity between gross building area and rentable area due to very large atrium that is wasted space.

### Location & Property Identification

Property Name:	Office Building
Sub-Property Type:	General Purpose
Address:	1010 High House Rd.
City/State/Zip:	Cary, NC 27513
County:	Wake
Submarket:	Cary
Market Orientation:	Suburban
Property Location:	SE of Crabtree Creek, N of Bond Lake, off High House Rd, between Summer Lake Dr & NW Cary Pkwy
IRR Event ID:	2181551



### Sale Information

Sale Price:	\$4,200,000
Effective Sale Price:	\$4,200,000
Sale Date:	01/04/2019
Sale Status:	Closed
\$/SF GBA:	\$201.55
\$/SF NRA:	\$201.55
Grantor/Seller:	PTM Associates, Inc.
Grantee/Buyer:	Hirsch and Sons Inc.
Assemblage:	No
Portfolio Sale:	No
Assets Sold:	Real estate only
Property Rights:	Leased Fee
% of Interest Conveyed:	100.00
Financing:	Cash to seller
Terms of Sale:	Arm's length
Document Type:	Deed
Recording No.:	17332/1605
Verified By:	Samuel Bryan, MAI
Verification Date:	01/03/2019
Confirmation Source:	Robert Smith, 919-961-7270
Verification Type:	Confirmed-Buyer

### Operating Data and Key Indicators

Net Operating Income:	\$ 304,500
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Cap Rate - Derived: 7.25%

### Occupancy

Occupancy Type Before Sale:	Multi-Tenant
Occupancy Type After Sale:	Multi-Tenant
Occupancy at Time of Sale:	70.00%

### Improvement and Site Data

MSA:	Raleigh-Cary, NC Metropolitan Statistical Area
Legal/Tax/Parcel ID:	0754-02-6623
GBA-SF:	20,839
NRA-SF:	20,839
Acres(Usable/Gross):	1.14/1.14
Land-SF(Usable/Gross):	49,754/49,754
Usable/Gross Ratio:	1.00
Year Built:	1994
Property Class:	B
M&S Class:	D
Construction Quality:	Good
Improvements Cond.:	Good
Exterior Walls:	Brick
Construction Desc.:	Brick on a steel frame
No. of Buildings/Stories:	1/3
Multi-Tenant/Condo.:	Yes/No

## Improvement and Site Data (Cont'd)

Ceiling Height Minimum:	8.00
Ceiling Height Maximum:	12.00
Total Parking Spaces:	67
Park. Ratio 1000 SF GLA:	3.22
No. Surface Spaces:	67
Park. Ratio 1000 SF GBA:	3.22
Elevators/Count:	Yes/1
Fire Sprinkler Type:	None
Air-Conditioning Type:	Central
Roof,Heating,AC Comm.:	100% HVAC, Composite shingle
Shape:	Irregular
Topography:	Level
Vegetation:	Trees and grasses
Corner Lot:	Yes
Frontage Feet:	343
Frontage Desc.:	109' High House Rd, 234' Preston Executive
Frontage Type:	1 way, 2 lanes
Bldg. to Land Ratio FAR:	0.42
Zoning Code:	Preston PDD
Zoning Desc.:	Preston Planned Development District
Easements:	Yes
Easements Desc.:	Title includes various utility
Environmental Issues:	No
Flood Plain:	No
Flood Zone:	3720075400J
Utilities:	Electricity, Water Public, Sewer, Gas, Telephone
Utilities Desc.:	All available
Bldg. Phy. Info. Source:	Other
Source of Land Info.:	Owner

## Comments

The buyer is purchasing the property as a 1031 exchange. The buyer noted the vacant space is listed for \$18.00/SF NNN with an estimated TICAM of \$4.25/SF. The buyer projected that once this space is leased, the capitalization rate would be approximately 7.25%.

### Location & Property Identification

Property Name:	100 & 200 Regency Forest
Sub-Property Type:	General Purpose
Address:	100 & 200 Regency Forest Dr.
City/State/Zip:	Cary, NC 27518
County:	Wake
Submarket:	Southwest Raleigh
Market Orientation:	Suburban
IRR Event ID:	2116507



### Sale Information

Sale Price:	\$42,250,000
Effective Sale Price:	\$42,250,000
Sale Date:	08/29/2018
Sale Status:	Closed
\$/SF GBA:	\$203.67
\$/SF NRA:	\$203.67
Grantor/Seller:	TNREF III Regency Forest, LLC
Grantee/Buyer:	AKF3 AF4 Regency Interchange, LLC
Portfolio Sale:	Yes
Assets Sold:	Real estate only
Property Rights:	Leased Fee
% of Interest Conveyed:	100.00
Financing:	Cash to seller
Document Type:	Deed
Recording No.:	17228/0764
Verified By:	M. Scott Smith, MAI
Verification Date:	09/05/2018
Confirmation Source:	Seller
Verification Type:	Confirmed-Buyer

### Operating Data and Key Indicators

Operating Data Type:	In Place
Net Operating Income:	\$ 2,593,477
Cap Rate - Derived:	6.14%

### Occupancy

Occupancy Type Before Sale:	Multi-Tenant
Occupancy Type After Sale:	Multi-Tenant
Occupancy at Time of Sale:	95.00%
Lease Type:	Full Service

### Improvement and Site Data

MSA:	Raleigh-Cary, NC Metropolitan Statistical Area
Legal/Tax/Parcel ID:	0762-11-9912 and 0762-11-6334
GBA-SF:	207,439
NRA-SF:	207,439
Acres(Usable/Gross):	42.12/42.12
Land-SF(Usable/Gross):	1,834,747/1,834,747
Usable/Gross Ratio:	1.00
Year Built:	1997 & 1999
Property Class:	A
M&S Class:	A
Construction Quality:	Excellent
Improvements Cond.:	Excellent
Exterior Walls:	Glass
Construction Desc.:	Solar glass and brick exterior with exposed steel construction
No. of Buildings/Stories:	2/4

## Improvement and Site Data (Cont'd)

Multi-Tenant/Condo.:	Yes/No
Elevators/Count:	Yes/6
Fire Sprinkler Type:	Yes
Air-Conditioning Type:	Central
Shape:	Irregular
Topography:	Rolling
Corner Lot:	No
Frontage Feet:	32
Frontage Desc.:	Regency Pkwy
Bldg. to Land Ratio FAR:	0.11
Zoning Code:	PDD Major/Cary
Zoning Desc.:	Planned Development District Major
Flood Plain:	Yes
Flood Zone:	1/3rd of the developed portion is impacted
Utilities:	Electricity, Water Public, Sewer, Gas
Utilities Desc.:	All available
Bldg. Phy. Info. Source:	Broker
Source of Land Info.:	Public Records

## Comments

Sale of two class A buildings with surface parking. Cap rate is based on 2017 actual year end. Lease rollover and some downtime in early 2018 caused some drop in NOI. The brokers involved in the sale quoted a pro-forma cap rate of 7%.

### Location & Property Identification

Property Name:	Crossroads IV
Sub-Property Type:	General Purpose
Address:	5520 Dillard Dr.
City/State/Zip:	Cary, NC 27518
County:	Wake
Submarket:	Southwest Raleigh
Market Orientation:	Suburban

IRR Event ID: 2285861



### Sale Information

Sale Price:	\$22,200,000
Effective Sale Price:	\$22,200,000
Sale Date:	05/31/2018
Sale Status:	Closed
\$/SF GBA:	\$218.28
\$/SF NRA:	\$226.86
Grantor/Seller:	Raleigh Durham Office Partners, LLC
Grantee/Buyer:	The Crib Crossroads
Assets Sold:	Real estate only
Property Rights:	Leased Fee
% of Interest Conveyed:	100.00
Financing:	Cash to seller
Terms of Sale:	Arm's Length
Document Type:	Deed
Recording No.:	17143/1114
Verified By:	Luis F. Leonart, MAI
Verification Date:	10/16/2019
Confirmation Source:	Max Sanford
Verification Type:	Confirmed-Seller

### Operating Data and Key Indicators

Cap Rate - Reported: 6.00%

### Occupancy

Occupancy at Time of Sale: 100.00%

### Improvement and Site Data

MSA:	Raleigh, NC
Legal/Tax/Parcel ID:	0340035
GBA-SF:	101,704
NRA-SF:	97,856
Acres(Usable/Gross):	10.26/10.26
Land-SF(Usable/Gross):	446,926/446,926
Usable/Gross Ratio:	1.00
Year Built:	1997
Construction Quality:	Average
Improvements Cond.:	Average
Exterior Walls:	Brick
No. of Buildings/Stories:	1/2
Elevators/Count:	Yes/1
Shape:	Rectangular
Topography:	Level
Corner Lot:	No
Frontage Feet:	882
Frontage Desc.:	Dillard
Bldg. to Land Ratio FAR:	0.23
Zoning Code:	OI (Cary)
Zoning Desc.:	Office and Institutional
Flood Plain:	No
Comm. Panel No.:	3720077200J
Date:	05/02/2006
Utilities:	Electricity, Water Public, Sewer
Bldg. Phy. Info. Source:	Public Records

Improvement and Site Data (Cont'd)

Source of Land Info.:                      Public Records

Comments

Sale details were verified by seller. This property was fully occupied at the time of sale. According to the seller, it traded at a 6% capitalization rate.





### Location & Property Identification

Property Name:	6501 Weston Parkway
Sub-Property Type:	General Purpose, Mid Rise
Address:	6501 Weston Pky.
City/State/Zip:	Cary, NC 27513
County:	Wake
Submarket:	Cary
Market Orientation:	Suburban
IRR Event ID:	1914892



### Sale Information

Sale Price:	\$18,400,000
Effective Sale Price:	\$18,400,000
Sale Date:	02/28/2018
Sale Status:	Closed
\$/SF GBA:	\$195.77
\$/SF NRA:	\$195.77
Grantor/Seller:	WL-CK 6501 Weston Owner LLC
Grantee/Buyer:	Albany Road - 6501 Weston LLC
Assets Sold:	Real estate only
Property Rights:	Leased Fee
% of Interest Conveyed:	100.00
Financing:	Cash to seller
Terms of Sale:	Arm's Length
Document Type:	Deed
Recording No.:	17056/1043
Verified By:	Chris R. Morris, MAI, FRICS
Verification Date:	03/08/2018
Confirmation Source:	HFF
Verification Type:	Confirmed-Seller Broker

### Operating Data and Key Indicators

Operating Data Type:	Pro-forma Broker
Net Operating Income:	\$ 1,337,680
Reserves Included:	No
Management Included:	Yes

Cap Rate - Derived: 7.27%

### Occupancy

Occupancy Type Before Sale:	Multi-Tenant
Occupancy Type After Sale:	Multi-Tenant
Occupancy at Time of Sale:	90.00%
Major Tenant(s):	Charter Communications, Aerotek & Zift Solutions
Lease Type:	Full Service
Remaining Lease Term (Yrs):	6.00

### Improvement and Site Data

MSA:	Raleigh-Cary, NC Metropolitan Statistical Area
Legal/Tax/Parcel ID:	0765.01-26-3421
GBA-SF:	93,990
NRA-SF:	93,990
Acres(Usable/Gross):	8.52/8.52
Land-SF(Usable/Gross):	371,218/371,218
Usable/Gross Ratio:	1.00
Year Built:	1995
Property Class:	A-
M&S Class:	C
Construction Quality:	Good
Improvements Cond.:	Good
Exterior Walls:	Brick
Construction Desc.:	steel frame
No. of Buildings/Stories:	1/3

## Improvement and Site Data (Cont'd)

Ceiling Height Minimum:	9.00
Total Parking Spaces:	379
Park. Ratio 1000 SF GLA:	4.03
No. Surface Spaces:	379
Park. Ratio 1000 SF GBA:	4.03
Elevators/Count:	Yes/3
Fire Sprinkler Type:	Wet
Roof,Heating,AC Comm.:	Single-ply EPDM roof. HVAC - Electric rooftop units- 69 ton capacity total. 2,000 Amp, 120/208 volt 3 phase, 3 wire and 600 Amp, 120/208 volt 3 phase/4 wire
Shape:	Irregular
Topography:	Level
Corner Lot:	Yes
Frontage Feet:	1244
Frontage Desc.:	802' Weston Pkwy and 442' Norwell Blvd.
Bldg. to Land Ratio FAR:	0.25
Zoning Code:	PDD Major (O&I)
Zoning Desc.:	Planned Development District Major
Flood Plain:	No
Utilities:	Electricity, Water Public, Sewer, Gas, Telephone
Utilities Desc.:	All available.
Bldg. Phy. Info. Source:	Public Records
Source of Land Info.:	Other

## Comments

Weighted average lease term for tenant base was 6.2 years at time of sale.

### Location & Property Identification

Property Name:	Madison Park Office Building
Sub-Property Type:	General Purpose, Low Rise
Address:	9121 Anson Way
City/State/Zip:	Raleigh, NC 27615
County:	Wake
Submarket:	N Central Raleigh
Market Orientation:	Suburban
IRR Event ID:	1889303



### Sale Information

Sale Price:	\$5,550,000
Effective Sale Price:	\$5,550,000
Sale Date:	01/04/2018
Sale Status:	Closed
\$/SF GBA:	\$184.88
\$/SF NRA:	\$193.90
Grantor/Seller:	TKC CXXV, LLC
Grantee/Buyer:	Nikki Schumann Giachetti, Trustee et al
Assets Sold:	Real estate only
Property Rights:	Leased Fee
% of Interest Conveyed:	100.00
Financing:	Cash to seller
Terms of Sale:	Arm's Length
Document Type:	Deed
Recording No.:	17014/2703
Verified By:	Chris R. Morris, MAI, FRICS
Verification Date:	01/10/2018
Confirmation Source:	Michael Waldrop, 919-645-1605.
Verification Type:	Confirmed-Seller Broker

Operating Expenses:	\$222,074
Net Operating Income:	\$ 361,674
Expense Ratio:	38.04%
Management Included:	Yes
Cap Rate - Derived:	6.52%
GRM - Derived:	9.23
EGIM - Derived:	9.51

### Occupancy

Occupancy Type Before Sale:	Multi-Tenant
Occupancy Type After Sale:	Multi-Tenant
Occupancy at Time of Sale:	100.00%

### Improvement and Site Data

MSA:	Raleigh-Cary, NC Metropolitan Statistical Area
Legal/Tax/Parcel ID:	1708-41-6374
GBA-SF:	30,020
NRA-SF:	28,623
Acres(Usable/Gross):	2.29/2.29
Land-SF(Usable/Gross):	99,642/99,642
Usable/Gross Ratio:	1.00
Year Built:	2006
Property Class:	A
M&S Class:	C
Construction Quality:	Average
Improvements Cond.:	Average

### Operating Data and Key Indicators

Operating Data Type:	In Place
Potential Gross Income:	\$601,138
Effective Gross Income:	\$583,748

## Improvement and Site Data (Cont'd)

Exterior Walls:	Brick
Construction Desc.:	Steel and masonry construction.
No. of Buildings/Stories:	1/2
Total Parking Spaces:	123
Park. Ratio 1000 SF GLA:	4.30
No. Surface Spaces:	123
Park. Ratio 1000 SF GBA:	4.10
Fire Sprinkler Type:	None
Roof,Heating,AC Comm.:	Rubber membrane roof. HVAC-zoned via two roof top units.
Shape:	Irregular
Topography:	Level
Corner Lot:	No
Frontage Feet:	403
Frontage Desc.:	Anson Way
Bldg. to Land Ratio FAR:	0.30
Zoning Code:	CUD O&I-1
Zoning Desc.:	Conditional Use District Office & Institutional-1
Easements:	No
Environmental Issues:	No
Flood Plain:	No
Utilities:	Electricity, Water Public, Sewer, Gas
Utilities Desc.:	All Available.
Bldg. Phy. Info. Source:	Past Appraisal
Source of Land Info.:	Other

## **Lease Comparables**

**Location & Property Identification**

Property Name:	Office Building and Excess Land
Sub-Property Type:	General Purpose
Address:	400 & 600 Regency Forest Dr.
City/State/Zip:	Cary, NC 27511
County:	Wake
Submarket:	Cary
Market Orientation:	Suburban
IRR Event ID:	2304827

**Space Information**

Space Type:	Office
Suite #:	310
Leased Area:	10,310

**Lease Information**

Lease Status:	Signed Lease
Lessee:	Pentair Water Pool and Spa
Start/Available Date:	09/01/2019
Expiration Date:	10/31/2024
Term of Lease:	62 months
Lease Measure:	\$/SF/Yr
Face Rental Rate:	\$24.35
Effective Rental Rate:	\$24.35
Escalation Type:	Fixed Percentage
Escalation Desc.:	3%/yr.
Verified by:	Chris Morris, MAI, FRICS
Verification Date:	12/11/2019
Verification Source:	Confidential
Transaction Reliability:	IRR Confirmed

**Lease Expense Information**

Reimbursement Method:	Full Service
Reimbursement Desc.:	Increases over base year

**Improvement and Site Data**

MSA:	Raleigh, NC
Legal/Tax/Parcel ID:	0762028198 and 0762014983
GBA-SF:	111,706
NRA-SF:	111,706
Acres(Usable/Gross):	19.74/19.74
Land-SF(Usable/Gross):	860,069/860,069
Usable/Gross Ratio:	1.00
Year Built:	2001
Most Recent Renovation:	Various minor
Property Class:	A
M&S Class:	A
Construction Quality:	Average
Improvements Cond.:	Good
No. of Buildings/Stories:	1/4
Total Parking Spaces:	509
Park. Ratio 1000 SF GLA:	4.56
Park. Ratio 1000 SF GBA:	4.56
Elevators Count:	Yes/3
Fire Sprinkler Type:	Yes
Air-Conditioning Type:	Roof Central Mounted
Roof,Heating,AC Comments:	Ballasted EPDM (original)
Shape:	Irregular
Topography:	Gently Sloping
Corner Lot:	No
Frontage Feet:	60
Frontage Desc.:	Regency Forest
Frontage Type:	2 way, 1 lane each way
Traffic Control at Entry:	Stop sign
Traffic Flow:	Low
Visibility Rating:	Average

Improvement and Site Data (Cont'd)

Bldg. to Land Ratio FAR:	0.13
Excess Land Area Acres:	11.23
Excess Land Area SF:	489,199
Zoning Code:	OI
Zoning Desc.:	Office and Institutional District
Flood Plain:	Yes
Flood Zone Designation:	AE
Comm. Panel No.:	37183C0762J
Date:	05/02/2006
Source of Land Info.:	Engineering Report





**Location & Property Identification**

Property Name:	Aspen Building
Sub-Property Type:	General Purpose
Address:	3125 Poplarwood Ct.
City/State/Zip:	Raleigh, NC 27604
County:	Wake
Submarket:	Northeast Raleigh
Market Orientation:	Suburban
IRR Event ID:	2249944

**Space Information**

Space Type:	Office
Suite #:	300
Full Building Lease:	No
Leased Area:	12,909

Desc. of Options:	(1) 3-year option with 3% increases per yr.
Verified by:	W. Christopher Morris
Verification Date:	07/03/2019
Verification Source:	Lease
Transaction Reliability:	IRR Confirmed

**Lease Information**

Lease Status:	Signed Lease
Lessor:	3125 Poplarwood, LLC
Lessee:	Put NC First
Start/Available Date:	09/01/2019
Expiration Date:	08/31/2022
Term of Lease:	36 months
Lease Measure:	\$/SF/Yr
Face Rental Rate:	\$22.00
Effective Rental Rate:	\$22.00
Escalation Type:	Fixed Percentage
Escalation Desc.:	3%/Yr.
TI Allowance (\$/SF):	\$38.73
TI Type:	New Tenant
Concessions:	The entire 3rd floor is being gutted. Some of the TI's include common area ADA restrooms, new flooring, new ceiling grid and upgraded HVAC. We assume a good portion of the TI's will survive the current tenant.
Renewal Options:	Yes

**Lease Expense Information**

Reimbursement Method:	Full Service
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**Improvement and Site Data**

MSA:	Raleigh-Cary, NC Metropolitan Statistical Area
Legal/Tax/Parcel ID:	1715-73-2153
GBA-SF:	40,573
NRA-SF:	38,596
Acres(Usable/Gross):	3.23/3.23
Land-SF(Usable/Gross):	140,613/140,613
Usable/Gross Ratio:	1.00
Year Built:	1980
Most Recent Renovation:	2019
Property Class:	B
M&S Class:	C
Construction Quality:	Average
Improvements Cond.:	Average
Exterior Walls:	Brick
Construction Desc.:	Concrete on steel frame
No. of Buildings/Stories:	1/3
Total Parking Spaces:	172



Improvement and Site Data (Cont'd)

Park. Ratio 1000 SF GLA:	4.46
Park. Ratio 1000 SF GBA:	4.24
Elevators Count:	Yes/1
Fire Sprinkler Type:	None
Air-Conditioning Type:	Roof Central Mounted
Roof,Heating,AC Comments:	TPO
Shape:	Irregular
Topography:	Steep
Corner Lot:	No
Frontage Feet:	396
Frontage Desc.:	Poplarwood
Bldg. to Land Ratio FAR:	0.29
Zoning Code:	OP-7
Zoning Desc.:	Office Park - 7 Stories
Flood Plain:	No
Flood Zone Designation:	X
Comm. Panel No.:	37183C1715J
Date:	05/02/2006
Utilities:	Electricity, Water Public, Sewer, Gas, Telephone
Bldg. Phy. Info. Source:	Public Records
Source of Land Info.:	Public Records

Comments

The entire 3rd floor is being gutted. Some of the TI's include common area ADA restrooms, new flooring, new ceiling grid and upgraded HVAC. We assume a good portion of the TI's will survive the current tenant.



**Location & Property Identification**

Property Name:	Crossroads Corporate Park
Sub-Property Type:	General Purpose
Address:	5625 Dillard Rd., 110 & 111 Corning Rd.
City/State/Zip:	Cary, NC 27511
County:	Wake
Submarket:	Cary
Market Orientation:	Suburban
IRR Event ID:	2286207

**Space Information**

Space Type:	Office
Suite #:	3-100,150,180,185,230,250
Leased Area:	75,864

**Lease Information**

Lease Status:	Signed Lease
Lessee:	Wake County Board of Education
Start/Available Date:	07/01/2019
Expiration Date:	06/30/2034
Term of Lease:	180 months
Lease Measure:	\$/SF/Yr
Face Rental Rate:	\$23.75
Effective Rental Rate:	\$23.75
Free Rent (Months):	12.00
Verification Source:	Rent Roll
Transaction Reliability:	IRR Confirmed

**Lease Expense Information**

Reimbursement Method:	Full Service
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**Improvement and Site Data**

MSA:	Raleigh-Cary, NC Metropolitan Statistical Area
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Legal/Tax/Parcel ID:	0772892538, 0772880949, 0772889725, 0772895495, 0772898348 and 0772990225
GBA-SF:	302,486
NRA-SF:	295,253
Acres(Usable/Gross):	35.28/35.28
Land-SF(Usable/Gross):	1,536,753/1,536,753
Usable/Gross Ratio:	1.00
Year Built:	1991-1997
Property Class:	A-
M&S Class:	C
Construction Quality:	Good
Improvements Cond.:	Good
Exterior Walls:	Brick
Construction Desc.:	0
No. of Buildings/Stories:	3/2
Percent Office:	100.00
Office Finishes Quality:	Good
Air-Conditioned:	100.00
Total Parking Spaces:	1209
Park. Ratio 1000 SF GLA:	4.09
Park. Ratio 1000 SF GBA:	4.00
Elevators Count:	Yes/6
Fire Sprinkler Type:	Wet
Air-Conditioning Type:	Roof Central Mounted
Roof,Heating,AC Comments:	Ballasted membrane system
Shape:	Irregular
Topography:	Gently Sloping
Corner Lot:	Yes
Frontage Feet:	1110

Improvement and Site Data (Cont'd)

Frontage Desc.:	Dillard Rd.
Frontage Type:	2 way, 2 lanes each way
Traffic Control at Entry:	Stop sign
Traffic Flow:	Moderate
Visibility Rating:	Good
Bldg. to Land Ratio FAR:	0.20
Excess Land Area Acres:	5.72
Excess Land Area SF:	249,163
Zoning Code:	O & I (Cary)
Zoning Desc.:	Office and Institutional
Flood Plain:	No
Flood Zone Designation:	X
Comm. Panel No.:	37183C0772J
Date:	05/02/2006
Utilities:	Electricity, Water Public, Sewer, Gas, Telephone, CableTV
Source of Land Info.:	Public Records



### Location & Property Identification

Property Name:	Office Building
Sub-Property Type:	General Purpose
Address:	2610 & 2620 Wycliff Rd.
City/State/Zip:	Raleigh, NC 27607
County:	Wake
Submarket:	Central Raleigh
Market Orientation:	Suburban

IRR Event ID: 2219976



### Space Information

Space Type:	Office
Suite #:	200
Full Building Lease:	No
Leased Area:	30,657

### Lease Information

Lease Status:	Signed Lease
Lessee:	Confidential
Start/Available Date:	01/01/2019
Expiration Date:	12/31/2021
Term of Lease:	36 months
Lease Measure:	\$/SF/Yr
Face Rental Rate:	\$24.25
Effective Rental Rate:	\$24.25
Escalation Type:	Fixed Percentage
Escalation Desc.:	3% esc
Verified by:	Chris Morris, MAI, FRICS
Verification Date:	04/08/2019
Verification Source:	OM
Transaction Reliability:	Confirmed

### Lease Expense Information

Reimbursement Method:	Full Service
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### Improvement and Site Data

MSA:	Raleigh-Cary, NC Metropolitan Statistical Area
Legal/Tax/Parcel ID:	0795-12-7649, 0795-12-3895
GBA-SF:	187,614
NRA-SF:	174,014
Acres(Usable/Gross):	9.89/9.89
Land-SF(Usable/Gross):	430,808/430,808
Usable/Gross Ratio:	1.00
Year Built:	1970
Most Recent Renovation:	1996
Property Class:	A
Construction Quality:	Average
Improvements Cond.:	Average
Exterior Walls:	Concrete Precast
Construction Desc.:	Precast concrete exterior, fireproof steel frame
No. of Buildings/Stories:	1/4
Multi-Tenant/Condo.:	Yes/No
Total Parking Spaces:	659
Park. Ratio 1000 SF GLA:	3.79
Park. Ratio 1000 SF GBA:	3.51
Elevators Count:	Yes/5
Air-Conditioning Type:	Central
Roof,Heating,AC Comments:	Central heating and air.
Shape:	Irregular
Topography:	Undulating
Corner Lot:	No
Frontage Feet:	472
Frontage Desc.:	472' Wycliff Rd.
Bldg. to Land Ratio FAR:	0.44

Improvement and Site Data (Cont'd)

Zoning Code:	OX-5 /Raleigh
Zoning Desc.:	Office Mixed Use
Easements:	No
Environmental Issues:	No
Utilities:	Electricity, Water Public, Sewer, Gas, Telephone
Utilities Desc.:	All available
Bldg. Phy. Info. Source:	Other
Source of Land Info.:	Public Records

Comments

Building includes basement with storage space, cafeteria/patio, fitness facility on site with lockers/showers, and covered loading dock. 5 elevators include 2 freight elevators and 3 passenger elevators.



### Location & Property Identification

Property Name: 200 Regency Forest  
 Sub-Property Type: General Purpose  
 Address: 200 Regency Forest Dr.  
 City/State/Zip: Cary, NC 27518  
 County: Wake  
 Submarket: Southwest Raleigh  
 Market Orientation: Suburban

IRR Event ID: 1992257



### Space Information

Space Type: Office  
 Suite #: 110  
 Leased Area: 11,440

### Lease Information

Lease Status: Signed Lease  
 Lessee: Mercurygate International, Inc.

Start/Available Date: 07/01/2018  
 Expiration Date: 03/31/2024  
 Term of Lease: 69 months  
 Lease Measure: \$/SF/Yr  
 Face Rental Rate: \$24.50  
 Effective Rental Rate: \$24.50  
 Escalation Type: Fixed Percentage  
 Verification Source: Rent Roll  
 Transaction Reliability: IRR Confirmed

### Lease Expense Information

Reimbursement Method: Full Service

### Improvement and Site Data

MSA: Raleigh-Cary, NC  
 Metropolitan Statistical Area  
 Legal/Tax/Parcel ID: 0762-11-9912

GBA-SF: 102,600  
 NRA-SF: 102,600  
 Acres(Usable/Gross): 23.95/23.95  
 Land-SF(Usable/Gross): 1,043,262/1,043,262  
 Usable/Gross Ratio: 1.00  
 Year Built: 1997  
 Property Class: A  
 M&S Class: S  
 Construction Quality: Excellent  
 Exterior Walls: Brick  
 Construction Desc.: Brick and glass exterior with exposed steel construction  
 No. of Buildings/Stories: 1/4  
 Elevators Count: Yes/3  
 Fire Sprinkler Type: Yes  
 Air-Conditioning Type: Central  
 Shape: Irregular  
 Topography: Rolling  
 Corner Lot: No  
 Frontage Feet: 336  
 Frontage Desc.: Regency Pkwy  
 Bldg. to Land Ratio FAR: 0.10  
 Zoning Code: PDD Major  
 Zoning Desc.: Planned Development District Major  
 Flood Plain: Yes  
 Flood Zone: 2/3rds of parcel is impacted (undeveloped portion)  
 Utilities: Electricity, Water Public, Sewer, Gas  
 Utilities Desc.: All available

Improvement and Site Data (Cont'd)

Bldg. Phy. Info. Source:	Public Records
Source of Land Info.:	Public Records





### Location & Property Identification

Property Name:	Westchase I, II & III
Sub-Property Type:	General Purpose
Address:	4000, 4011 & 4022 Westchase Blvd.
City/State/Zip:	Raleigh, NC 27607
County:	Wake
Submarket:	Central Raleigh
Market Orientation:	Suburban
IRR Event ID:	2113684



### Space Information

Space Type:	Office
Suite #:	1-500
Full Building Lease:	No
Leased Area:	15,390

### Lease Information

Lease Status:	Signed Lease
Lessee:	Qualys
Start/Available Date:	06/01/2018
Expiration Date:	03/31/2026
Term of Lease:	94 months
Lease Measure:	\$/SF/Yr
Face Rental Rate:	\$25.00
Effective Rental Rate:	\$25.00
Escalation Type:	Fixed Percentage
Escalation Desc.:	2.75% annual escalation
Renewal Options:	No
Verified by:	Chris Morris, MAI, FRICS
Verification Date:	09/07/2018
Verification Source:	Rent Roll
Transaction Reliability:	Confirmed

### Lease Expense Information

Reimbursement Method:	Full Service
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### Improvement and Site Data

MSA:	Raleigh-Cary, NC Metropolitan Statistical Area
Legal/Tax/Parcel ID:	0784674144, 0784664762, 0784579360
GBA-SF:	312,544
NRA-SF:	312,544
Acres(Usable/Gross):	13.23/13.23
Land-SF(Usable/Gross):	576,299/576,299
Usable/Gross Ratio:	1.00
Year Built:	1986, 1988, 1990
Property Class:	A-
M&S Class:	B
Construction Quality:	Good
Improvements Cond.:	Good
Construction Desc.:	Three 5 story office buildings with steel frame, masonry, and glass curtain wall.
No. of Buildings/Stories:	3/5
Total Parking Spaces:	1190
Park. Ratio 1000 SF GLA:	3.81
Park. Ratio 1000 SF GBA:	3.81
Elevators Count:	Yes/9
Fire Sprinkler Type:	Wet
Air-Conditioning Type:	Roof Central Mounted
Shape:	Irregular



Improvement and Site Data (Cont'd)

Topography:	Level
Corner Lot:	Yes
Frontage Feet:	3027
Frontage Desc.:	1379' Westchase Blvd, 1105' Wade Ave, 543' Blue Ri
Bldg. to Land Ratio FAR:	0.54
Zoning Code:	OX-5/OX-5-UL/CX-5-UL (Raleigh)
Zoning Desc.:	Office Mixed Use/Commercial Mixed Use
Flood Plain:	No
Utilities:	Electricity, Water Public, Sewer, Telephone
Bldg. Phy. Info. Source:	Public Records
Source of Land Info.:	Public Records

Comments

Three level parking deck included



### Location & Property Identification

Property Name:	Office Building
Sub-Property Type:	General Purpose, Low Rise
Address:	100 Connemara Dr.
City/State/Zip:	Cary, NC 27519
County:	Wake
Submarket:	Cary
Market Orientation:	Suburban
IRR Event ID:	2089518



### Space Information

Space Type:	Office
Suite #:	100
Leased Area:	11,574

### Lease Information

Lease Status:	Signed Lease
Lessee:	HPW Realty
Start/Available Date:	06/01/2018
Expiration Date:	05/31/2028
Term of Lease:	120 months
Lease Measure:	\$/SF/Yr
Face Rental Rate:	\$24.00
Effective Rental Rate:	\$24.00
Escalation Type:	Fixed Steps
Escalation Desc.:	2.5% annually beginning 3rd year
Verified by:	Melanie Collier
Verification Date:	11/12/2018
Verification Source:	Lease
Transaction Reliability:	IRR Confirmed

### Lease Expense Information

Reimbursement Method:	Full Service
Reimbursement Desc.:	Tenant reimburses operating exp over \$6.50/SF

### Improvement and Site Data

MSA:	Raleigh, NC
Legal/Tax/Parcel ID:	734835370
GBA-SF:	14,826
NRA-SF:	14,826
Acres(Usable/Gross):	2.20/2.20
Land-SF(Usable/Gross):	95,618/95,618
Usable/Gross Ratio:	1.00
Year Built:	2008
Most Recent Renovation:	N/A
Property Class:	A
M&S Class:	C
Construction Quality:	Good
Improvements Cond.:	Good
Exterior Walls:	Brick
No. of Buildings/Stories:	1/2
Total Parking Spaces:	54
Park. Ratio 1000 SF GLA:	3.64
Park. Ratio 1000 SF GBA:	3.64
Elevators Count:	Yes/1
Fire Sprinkler Type:	None
Air-Conditioning Type:	Central
Roof,Heating,AC Comments:	Pitched and covered with metal
Shape:	Irregular
Topography:	Level
Corner Lot:	Yes
Frontage Feet:	265
Frontage Desc.:	NC Highway 55

Improvement and Site Data (Cont'd)

Frontage Type:	2 way, 2 lanes each way
Traffic Control at Entry:	Turn lane
Traffic Flow:	Moderate
Visibility Rating:	Good
Bldg. to Land Ratio FAR:	0.16
Zoning Code:	GCCU
Zoning Desc.:	General Commercial Conditional Use
Flood Plain:	No
Flood Zone Designation:	X
Comm. Panel No.:	37183C0734J
Date:	05/02/2006
Source of Land Info.:	Other

Comments

This tenant was the former owner of the building. HPW Realty sold the building to GMC Connemera, LLC and leased its suites back.



## **Expense Comparables**

# Office Income/Expenses Profile

I & E No. 1

## Location & Property Identification

Property Name: Office Building and Excess Land

Address: 400 & 600 Regency Forest Dr.

City: Cary

State: North Carolina

Expense Region: Southeast

Property Type: Office

Property Subtype: General Purpose

Property Class: A

IRR Event ID: 2304829



## Income Expense Information

Rentable Area(SF): 111,706

Year Built: 2001

Year Renovated: Various minor

Effective Age: 17

Prevailing Lease Type: Full Service

Period Ending: 12/31/2018

Operating Data Type: In Place

Payroll in Repairs/Maint: No

Amount	\$/SF(Rent. Area)	\$/Unit	% Of EGI
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## Income Analysis

Base Rent:	\$2,414,765.00	\$21.62	96.91%
Expense Reimbursement:	\$75,807.00	\$0.68	3.04%
Other Income:	\$1,156.00	\$0.01	0.04%
<b>Eff. Gross Income:</b>	<b>\$2,491,728.00</b>	<b>\$22.31</b>	<b>100.00%</b>

## Expenses Analysis

Real Estate Taxes:	\$151,217.00	\$1.35	6.06%
Insurance:	\$7,880.00	\$0.07	0.31%
Utilities:	\$202,684.00	\$1.81	8.13%
Repairs/Maintenance:	\$105,271.00	\$0.94	4.22%
Cleaning/Janitorial:	\$96,774.00	\$0.87	3.88%
Grounds:	\$46,490.00	\$0.42	1.86%
General/Administrative:	\$50,369.00	\$0.45	2.02%
Management:	\$109,850.00	\$0.98	4.40%
Tot. Operating Expenses:	\$770,535.00	\$6.90	30.92%

Expenses Analysis (Cont'd)

	Amount	\$/SF(Rent. Area)	\$/Unit	% Of EGI
Avl. Net Operating Inc.:	\$1,721,193.00	\$15.41		69.07%
Net Operating Income:	\$1,721,193.00	\$15.41		69.07%



# Office Income/Expenses Profile

I & E No. 2

## Location & Property Identification

Property Name: Crossroads Corporate Park  
Address: 5625 Dillard Rd., 110 & 111  
Corning Rd.  
City: Cary  
State: North Carolina  
Expense Region: Southeast  
Property Type: Office  
Property Subtype: General Purpose  
Property Class: A-  
IRR Event ID: 2286203



## Income Expense Information

Rentable Area(SF): 295,253  
Year Built: 1991-1997  
Prevailing Lease Type: Full Service  
Period Ending: 09/30/2019  
Operating Data Type: Trailing-12  
Payroll in Repairs/Maint: No

Amount	\$/SF(Rent. Area)	\$/Unit	% Of EGI
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## Income Analysis

Base Rent:	\$4,188,592.44	\$14.19	90.03%
Expense Reimbursement:	\$163,710.16	\$0.55	3.51%
Other Income:	\$299,999.38	\$1.02	6.44%
<b>Eff. Gross Income:</b>	<b>\$4,652,301.98</b>	<b>\$15.76</b>	<b>100.00%</b>

## Expenses Analysis

Real Estate Taxes:	\$382,522.06	\$1.30	8.22%
Insurance:	\$58,150.56	\$0.20	1.24%
Utilities:	\$480,510.71	\$1.63	10.32%
Repairs/Maintenance:	\$622,496.83	\$2.11	13.38%
Cleaning/Janitorial:	\$270,547.64	\$0.92	5.81%
Grounds:	\$163,999.48	\$0.56	3.52%
Security:	\$8,726.55	\$0.03	0.18%
General/Administrative:	\$34,540.11	\$0.12	0.74%
Management:	\$156,057.17	\$0.53	3.35%
Tot. Operating Expenses:	\$2,177,551.11	\$7.38	46.80%
<b>Avl. Net Operating Inc.:</b>	<b>\$2,474,750.87</b>	<b>\$8.38</b>	<b>53.19%</b>

Expenses Analysis (Cont'd)

	Amount	\$/SF(Rent. Area)	\$/Unit	% Of EGI
Net Operating Income:	\$2,474,750.87	\$8.38		53.19%





# Office Income/Expenses Profile

I & E No. 3

## Location & Property Identification

Property Name: Office Building  
Address: 7200 Falls of Neuse Rd.  
City: Raleigh  
State: North Carolina  
Expense Region: Southeast  
Property Type: Office  
Property Subtype: General Purpose  
Property Class: B  
IRR Event ID: 2269557



## Income Expense Information

Rentable Area(SF): 26,239  
Year Built: 1990  
Year Renovated: 2015  
Effective Age: 28  
Prevailing Lease Type: Full Service  
Period Ending: 12/31/2018  
Operating Data Type: In Place  
Payroll in Repairs/Maint: No

Amount	\$/SF(Rent. Area)	\$/Unit	% Of EGI
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## Income Analysis

Base Rent:	\$517,363.80	\$19.72	100.00%
<b>Eff. Gross Income:</b>	<b>\$517,363.80</b>	<b>\$19.72</b>	<b>100.00%</b>

## Expenses Analysis

Real Estate Taxes:	\$22,631.79	\$0.86	4.37%
Insurance:	\$2,910.00	\$0.11	0.56%
Utilities:	\$67,751.33	\$2.58	13.09%
Repairs/Maintenance:	\$69,663.91	\$2.65	13.46%
Cleaning/Janitorial:	\$30,762.12	\$1.17	5.94%
Grounds:	\$8,719.50	\$0.33	1.68%
General/Administrative:	\$11,110.97	\$0.42	2.14%
Tot. Operating Expenses:	\$213,549.62	\$8.14	41.27%
<b>Avl. Net Operating Inc.:</b>	<b>\$303,814.18</b>	<b>\$11.58</b>	<b>58.72%</b>
<b>Net Operating Income:</b>	<b>\$303,814.18</b>	<b>\$11.58</b>	<b>58.72%</b>

## **Addendum E**

### **Engagement Letter**



WAKE COUNTY PUBLIC SCHOOL SYSTEM  
1551 ROCK QUARRY ROAD  
RALEIGH, NC 27610-4145

**PURCHASE ORDER**

**226602**

Page 1 of 1

INVOICE  
TO

WAKE COUNTY PUBLIC SCHOOL SYSTEM  
ACCOUNTING DEPARTMENT  
110 CORNING ROAD  
CARY, NC 27518

**PAYMENT TERMS**  
Net 30

**PO REVISION**  
0

CORRECT PURCHASE ORDER AND  
STOCK NUMBERS MUST APPEAR  
ON ALL PACKAGES, INVOICES,  
SHIPPING PAPERS AND  
CORRESPONDENCE. PACKING  
SLIPS MUST ACCOMPANY ALL  
SHIPMENTS. CONDITIONS AND  
BILLING INSTRUCTIONS ON  
REVERSE.

TO

INTEGRA REALTY RESOURCES - CHARLOTTE, LLC  
214 W. TREMONT AVE., SUITE 200  
CHARLOTTE, NC 28203

SHIP  
TO

Real Estate Services - 840  
1551 Rock Quarry Road  
Raleigh, NC 27610

DATE	FOB	FREIGHT TERMS	FOR QUESTIONS REGARDING THIS ORDER CONTACT
11-DEC-19	Destination	Prepaid	Adams, Kris, kwadams@wcpss.net 919-588-3457 EXT. 83457

WCPSS Deliver To Only: Parker, Ms. Betty L

Real Estate Services - 840 (MARGARET SUTTER)

LINE	WCPSS ITEM NO	WCPSS ACCOUNT CODE ITEM DESCRIPTION	QTY	UOM	UNIT PRICE	AMOUNT
1		04.6570.861.529.0746.0840.000 ENCUMBERING FUNDS FOR APPRAISAL SERVICES ON A PARCEL & BUILDINGS LOCATED AT 2205 WALNUT ST, CARY, NC & BEING ALL OR A PORTION OF WAKE COUNTY PIN: 0772-79-1815 - AND OWNED BY 2205 WALNUT STREET LLC  FUTURE ACADEMIC FACILITY  BOE APPROVAL 12/3/19	4400	Dollar	1.00	4,400.00
Net Total:						4,400.00

**PRE-AUDIT CERTIFICATE**

THIS INSTRUMENT HAS BEEN PRE-AUDITED IN THE MANNER  
REQUIRED BY THE SCHOOL BUDGET AND FISCAL CONTROL ACT.

*Mark H. Martin*  
FINANCE OFFICER

\* WAKE COUNTY PUBLIC SCHOOL SYSTEM \*  
\* IS NOT TAX EXEMPT. PLEASE ASSESS 7.25% NC \*  
\* SALES TAX WHEN INVOICING. \*

*Deborah Wallace*  
SENIOR DIRECTOR OF PURCHASING

VENDOR COPY

# PURCHASE ORDER TERMS AND CONDITIONS

1. **ACCEPTANCE** – Acceptance of this order includes acceptance of all terms, conditions, prices, delivery instructions and specifications as shown on this order or attached to and made a part of this order. By accepting this purchase order, the vendor grants to the purchaser the right to audit vendor's books and records and to make any copies and extracts of any books or records related to the performance of this contract.
2. **PRICES** – Invoices cannot exceed the net total of this order with the exception of sales tax. Sales tax must be invoiced by the vendor. Sales tax is applicable on all orders and the vendor is required to collect and remit to the N.C. Department of Revenue.
3. **PRICE INCREASES** – All requests for price increases or additional shipping charges must be approved by the Purchasing Department prior to shipment. Send request to Purchasing Department, Wake County Public School System, 1551 Rock Quarry Road, Raleigh, N.C. 27610-4145, or Phone (919) 588-3444, or Fax (919) 856-8107.
4. **DELIVERY** – Each shipment must be plainly labeled with the Purchase Order Number and delivered to the address and marked to the attention of the individual or department indicated on the face of this order. A complete packing list must accompany each shipment with any cancellation/back orders indicated.
5. **REJECTED MATERIALS** – Substitute items which are rejected will be returned to the vendor at the vendor's risk and expense.
6. **INVOICES** – Mail, deliver or email all invoices to Accounting Department, Wake County Public School System, 110 Corning Rd, Cary, N.C. 27518. Phone (919) 694-0312. Email: [acctspay@wcpss.net](mailto:acctspay@wcpss.net). Invoices must show our Purchase Order Number. Invoices will not be paid prior to receipt of items ordered. Adequate and reasonable descriptions and/or written documentation are required for all invoices. All invoices must be in U.S. Dollars.
7. **CANCELLATION** - Wake County Public School System reserves the right to cancel this order in whole or in part at any time by written or telephone notice effective upon receipt by vendor. Any item on this order not received within 61 days from the date of the order, will automatically be cancelled.
8. **ASSIGNMENT** - This Purchase Order may not be assigned by the vendor in whole or in part without prior approval from Wake County Public School System's Purchasing Department.
9. **FREIGHT** - Freight charges and cash discounts are indicated on the face of this Purchase Order.
10. **LEGAL** - It is agreed that the goods, materials, equipment or services rendered shall comply with all Federal, State or Local laws relative thereto. Also, the vendor shall defend actions or claims brought and save harmless Wake County Public School System or its officials or employees from loss, cost, or damage by reason of actual or alleged violation.
11. **COMPLIANCE WITH E-VERIFY** - Provider shall comply with all applicable laws and regulations in providing services under this contract. In particular, Provider shall not employ any individuals to provide services to the School System who are not authorized by federal law to work in the United States. Provider represents and warrants that it is aware of and in compliance with the Immigration Reform and Control Act and North Carolina law (Article 2 of Chapter 64 of the North Carolina General Statutes) requiring use of the E-Verify system for employers who employ twenty-five (25) or more employees and that is and will remain in compliance with these laws at all times while providing services pursuant to this Contract. Provider shall also ensure that any of its subcontractors (of any tier) will remain in compliance with these laws at all times while providing subcontracted services in connection with this Contract.
12. **COMPLIANCE WITH AFFORDABLE CARE ACT** - Provider is responsible for providing affordable health care coverage to all of its full-time employees providing services to the School System. The definitions of "affordable coverage" and "full-time employee" are governed by the Affordable Care Act and accompanying IRS and Treasury Department regulations.
13. **IRAN DIVESTMENT ACT** - Provider certifies that as of the date of this Contract, Provider is not listed on the Final Divestment List created by the North Carolina State Treasurer pursuant to N.C. Gen. Stat. § 147-86.58. Provider understands that it is not entitled to any payments whatsoever under this Contract if this certification is false. The individual signing this Contract certifies that he or she is authorized by Provider to make the foregoing statement.

Vendor is specifically reminded that state law and board policy prohibit vendors from giving gifts or favors to school system employees in any way involved in the contracting process.