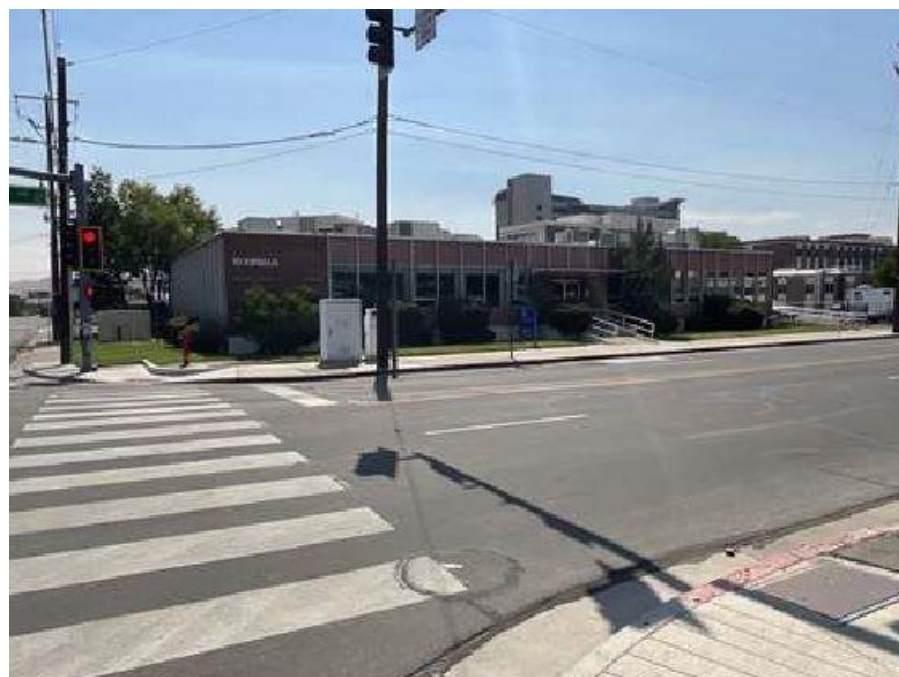




GRANITE APPRAISAL GROUP®

Proudly Serving California-Nevada-Arizona



10 Kirman Avenue, Reno NV 89502-1159

Written For:
County of Washoe
Aaron Smith
Division Director
aasmith@washoeco.gov
775-338-8852

FILE No.:
9361



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07/26/2024

County of Washoe
Aaron Smith
Division Director
aasmith@washoeco.gov
775-338-8852

RE: Appraisal Report #9306 (Appraisal Report – Summary Narrative Format)
“As-Is” Value Estimate: \$2,600,000

Located at: Northwest Corner of East Second Street and Kirman Avenue
10 Kirman Avenue
Reno, Nevada 89502-1159

Dear Aaron Smith,

As requested, I have conducted the necessary investigation and analysis for the purposes of estimating the current market value of the Fee Simple Interest “As-Is” for the above referenced property. This appraisal is in compliance with the Uniform Standards of Professional Appraisers Practice (USPAP), the Office of the Comptroller of the Currency’s (OCC) Minimum Standards, and the additional requirements set forth by the Appraisal Standards Board.

As a result of my investigation and analysis, subject to the assumptions and limiting conditions expressed in the attached appraisal report, it is my opinion that the current market value of the subject property’s Fee Simple Interest, as of 07/18/2024, is as follows:

Fee Simple Interest: \$2,600,000
(AS-IS)

The attached appraisal report contains the data and reasoning upon which this appraisal is based, together with necessary Certification and Limiting Conditions. **This is an Appraisal Report – prepared in a summary narrative format.**

Respectfully Submitted,

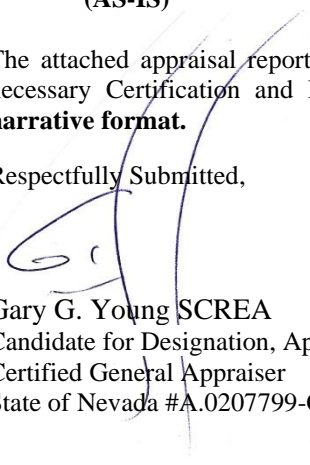

Gary G. Young SCREA
Candidate for Designation, Appraisal Institute
Certified General Appraiser
State of Nevada #A.0207799-CG



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Introduction

This appraisal involves the evaluation of an existing office building situated within the city of Reno, situated within Washoe County, Nevada 89502-1159. Reno is positioned approximately 30 miles north of the state capitol and the Carson City Metropolitan area, and approximately 440 miles northwest of Las Vegas Nevada.

The appraisal assignment involves the valuation of the subject in its “As-Is” condition as of the date of value.

The valuation analysis will utilize two of the three standard approaches to value – the Income Approach to Value and the Sales Comparison Approach to Value. These approaches will be discussed in more detail within the valuation section of this report.

The Cost Approach to Value was not utilized due to:

- 1) The lack of recent sales of vacant land which were considered to be highly comparable to the subject; and
- 2) The fact that very few buyers and sellers in the local and regional marketplace ever place any weight on the Cost Approach to Value in their determination of a sale or acquisition price on this type of commercial property.

Note: In accordance with USPAP Standards rule 2-2 (a), the Cost Approach to Value may be omitted if its development would not influence the final value conclusion; or if insufficient data is available with respect to establishing a reliable estimate of market value for the land under appraisal. It is understood that this appraisal is to be an Appraisal Report - Summary Narrative Format.

Summary of Facts and Conclusions

OWNER OF RECORD:	Title to the subject is reportedly in the name of Washoe County
PROPERTY TYPE:	Existing, average condition, office building
LOCATION:	Northwest corner of East Second Street and Kirman Avenue (10 Kirman Avenue) Reno, Nevada 89502-1159
FLOOD INSURANCE:	The subject property is situated within a HUD identified Flood Area X.
EARTHQUAKE ZONE:	The subject property is not situated within an Alquist – Priolo Earthquake (or “Fault Hazard”) Special Studies Zone.
GROSS BUILDING AREA:	15,018 SF
<p>The GBA for the subject building improvements is 14,118 SF, according to assessor's public record; however, according to appraisers' measurements, the GBA for the subject building improvements is ± 15,018 SF. For the purposes of this report, we have used appraisers' measurements.</p> <p>The measurements and dwelling/building sketch supplied in the appraisal report are for appraiser purposes of comparison to the comparables sales analyzed in the Sales Comparison Analysis. The supplied sketch is not an architectural rendering of the subject dwelling and is not to be considered as such as the appraiser is not a licensed architect. The gross living area/gross building area stated in the report may or may not agree with the GLA published by the tax assessor, the MLS or the builder for the subject.</p>	
NET RENTABLE AREA:	15,018 SF (7509 SF 1 st Floor/7,509 SF Basement)
BUILDING EFFECIANCY RATIO:	100 %
EFFECTIVE AGE/R.E.I.:	30 YEARS / 65 YEARS
LAND AREA:	0.5556 Acres (24,204 SF)

Marketing Time/Exposure Time

The final value estimate will be premised on the assumption that the subject property would sell in a six to ten-month exposure time period. This exposure period has been based on the available sales activity involving somewhat similar commercial properties in the local and regional marketing area using CoStar data.



ESTIMATING MARKETING TIME: Six to Ten Months

ESTIMATING EXPOSURE TIME: Six to Ten Months

DATE OF VALUE: July 18th, 2024 (the date of physical inspection by the appraiser).

Value Conclusion

Fee Simple Interest “As-Is” Premise: **\$2,600,000.00**

Property Identification

The subject property is identified as being situated on the northwest side of East 2nd Street, and Kirman Avenue, within the city of Reno, Nevada. With a site address of 10 Kirman Avenue, Reno, NV, the subject property is also identified as being Washoe County/City of Reno Assessor's Parcel (APN) Number 012-150-12. With a legal description of "FRAC SE4 SEC 12 TWP 19N RGE 1 9E according to the Official Map thereof."

Subject Three Year Ownership History/Listing History

LAST MARKET SALE & SALES HISTORY		
Recording Date	Sale Type	Deed (Reg)
Settle Date	Deed Type	Washoe County
Sale Price	Owner Name	
Price Per Sq Ft	Owner Name 2	
Multi/Split Sale	Seller Name	
Document Number	Title Company	
Recording Date		
Settle Date		
Sale Price		
Nominal		
Multi/Split Sale Type		
Owner Name	Washoe County	
Seller Name		
Document Number	1034740	
Deed Type	Deed (Reg)	
Title Company		

The subject is reported to be long held. Public record does not state a date of transfer/sale and the deed was not made available to the appraiser. The subject does not appear to have been listed for sale in the past year as per MLS.

Purpose/Function of the Appraisal

The purpose of this appraisal is to determine the current market value "As-Is" of the Fee Simple Interest for the subject property. The function of the appraisal report is to assist the client with regard to market valuation for analysis purposes.

Property Rights Appraised

The property rights appraised are estimated in Fee Simple Interest, subject only to exceptions, easements, and rights-of-way of record. No personal property is valued in this report.

Assessment Reference and Taxes

The subject property is identified as Washoe County/City of Reno Assessor’s Parcel Number 012-150-12. Current annual and supplement tax assessments for the 2023 tax year is approximately \$55. 2023 Tax amount assessment values are published and current total assessed value of \$391,809 (\$195,689 - Land; \$ 196,120 - Improvements). The subject is situated in the Tax Code Area 1002. The preceding is for reference only.

Real Estate Assessment and Taxes 2023				
Tax ID	Land	Improvements	Total	Taxes
012-150-12	\$195,689	\$196,120	\$391,809	\$55.00
Special Assessments			Unknown	
Totals				\$5.00

Nevada State Taxes:

The taxable value for properties in Nevada is based on the current land value plus the replacement cost of the improvements less depreciation. Depreciation is calculated at 1.5% per year up to a maximum of 75% over the lifetime of the improvements. Should a property sell, the assessor does not give any consideration to the sales price for future assessments as the taxable value is derived by the cost approach. Year-to-year differences in values are typically due to changes in land prices and/or construction costs. A property owner may appeal the taxable value once per year by providing an appraisal and other market data. The mathematical relationships involved are expressed as follows:

- $\text{Market Value} \times \text{Assessment Rate} = \text{Assessed Value}$
- $\text{Assessed Value} \div \text{Assessment Rate} = \text{Market Value}$

Taxes will change in the event of a sale, transfer of the property, or if any new construction occurs and will be determined by the Assessor at the current market value.

Assumption and Limiting Conditions

The Certification of the Appraiser appearing in this appraisal report is subject to the following conditions and to such other specific and limiting conditions as are set forth in the report.

The Appraiser assumes no responsibility for matters of a legal nature affecting property appraised or the title thereto, nor does the Appraiser render any opinion as to the title, which is assumed to be good and marketable.

Responsible ownership and competent management are assumed.

The Appraiser has made no survey of the property and assumes no responsibility in connection with such matters. Any sketch or identified survey of the property included in this report is only for the purpose of assisting the reader to visualize the property.

The Appraiser is not required to give testimony or attendance in court by reason of this appraisal unless arrangements have been previously made therefore.

Any distribution of the valuation between land and improvements applies only under the existing program of utilization. The separate valuations for land and building must not be used in conjunction with any other appraisal and are invalid if so used.

The Appraiser assumes that there are no hidden or unapparent conditions of the property, subsoil, or structures, which would render it more or less valuable. The Appraiser assumes no responsibility for such conditions, or for engineering which might be required to discover such factors.

The information identified in this report as being furnished by others is believed to be reliable, but no responsibility for its accuracy is assumed.

The "Estimate of Market Value" in the appraisal report is not based in whole or in part upon the race, color or national origin of the present owners or occupants of the properties in the vicinity of the property appraised.

This appraisal report has been prepared for the use of the addressee only. No responsibility is assumed for its possession, use or reliance upon factual data, or conclusions, contained herein by anyone other than the addressee. The report is intended solely for the purpose herein stated. Specifically, this report is invalid for syndication purposes.

Special Assumptions and Limiting Conditions

- 1.) This appraisal assumes that the subject property is not affected by toxic waste or other potentially hazardous material resulting from past or present uses of the subject or nearby properties. Such a condition may or may not be present. The appraiser is not qualified to detect such substances; therefore, if there is reason to believe that hazardous materials are present on the property, the client should retain the services of a qualified professional in the field. The presence of such conditions could have a significant affect on value.
- 2.) The Americans with Disabilities Act (“ADA”) became effective January 26, 1992. The appraiser has not made a specific compliance survey to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this could have a negative effect upon the value of the property. Since the subject represents a relatively “older” property, which would be subject to current ADA standards, it is assumed that the subject property is in full compliance with all ADA guidelines.
- 3.) The subject property does not appear to have any land which would be considered “wetlands”: under normal guideline definitions provided by either the US Bureau of Reclamation, the US Corp. of Engineers, or the US Department of Fish and Wildlife Service. However, the Appraiser is not qualified to make a final determination in such matters. A qualified environmental engineer should be contacted should such a determination be deemed necessary by the lender and/or client.

Mutual Limitations of Liability

Appraiser and Client agree that the following mutual limitation of liability is agreed to in consideration of the fees to be charged and the nature of Appraiser's services under this Agreement. Appraiser and Client agree that to the fullest extent permitted by applicable law, each party's and its Personnel's maximum aggregate and joint liability to the other party for claims and causes of action relating to this Agreement or to appraisals or other services under the Agreement shall be limited to the total fees and costs charged by Appraiser for the services that are the subject of the claim(s) or cause(s) of action. This limitation of liability extends to all types of claims or causes of action, whether in breach of contract or tort, including without limitation claims/causes of action for negligence, professional negligence or negligent misrepresentation on the part of either party or its Personnel, but excluding claims/causes of action for intentionally fraudulent conduct, criminal conduct or intentionally caused injury. The Personnel of each party are intended third-party beneficiaries of this limitation of liability. "Personnel," as used in this paragraph, means the respective party's staff, employee, contractors, members, shareholders and partners. Appraiser and Client agree that they each have been free to negotiate different terms than stated above or contract with other parties.

Although the borrower and/or third party may receive a copy of the appraisal, it does not mean that the borrower or third party is an "Intended User" as that term is defined in the appraisal report.

If the owner of the property appraised is not the intended user, then they may not have the right to use this report with any other lender(s) and/or individual(s) for any purpose.

The report remains the personal property of the signer and may not be transmitted to the third party without the signer's written permission. (Permission is granted to transmit to third party trustee.) The Appraiser's personal responsibilities do not extend to a third party under any circumstances whatsoever. The Client agrees to notify the Appraiser of any error, omission, or invalid data herein within 15 days of receipt and to return the report along with all copies to the Appraisers for correction prior to any use whatsoever. Corrections will be made at the Appraiser's discretion.

Under no circumstances shall the Company or Appraiser's liability exceed the fee collected for this report. Thus, by acceptance of this report, the client acknowledges that a value opinion is the product of a professionally trained mind, but nevertheless is an opinion only and not a provable fact. As a personal opinion, valuation may vary between Appraisers based on the same facts. Thus, the appraiser warrants only that the value conclusion is the best opinion estimate as of the exact day of valuation.

China reported the first case of the Coronavirus" (COVID-19/Chinese Virus) in December 2019 with the virus reaching the United States in January 2020. "The Coronavirus" (COVID-19/Chinese Virus) outbreak was designated as a pandemic by the World Health Organization (WHO) on March 11, 2020. Based on our discussions with real estate brokers and investors as of the date of this report, the full impact of the outbreak on the regional real estate market is not known. However, we are currently

working on, or are aware of, several current real estate purchases that are moving forward as planned and that real estate is perceived to have far less risk than alternative investment vehicles, such as the stock market-which has experienced substantial fluctuation in the recent past. The fiscal stimulus along with vaccines set in place in 2020 from the federal government and the herd immunity are also being factored into the market, which is offering some virus-related certainty on a long-term basis. Currently war has broken out in Europe. Inflation is rising at a record pace due to federal spending. IN an effort to off-set the spending, the feds began raising interest rates in June of 2022. This continued at a record pace of 11 increases in 13 months. This is reported to be the highest rate in 22 years These increases effectively stopped the single-family residential market and has resulted in 4 bank failures to date. Therefore, based on these considerations, we are of the opinion that adverse conditions are being reflected in the Washoe County real estate market at this time.”

Certification of Appraisal

The undersigned does hereby certify that, to the best of my knowledge the statements of facts contained in this report are true and correct.

The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute.

The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

As of the date of this report, I (Gary Young) have completed the Standards and Ethics Education Requirements for Candidates of the Appraisal Institute

I have made a personal inspection of the subject property.

I have no present or prospective interest in the appraised property, and I have no personal bias or personal interest with respect to the parties involved in this appraisal.

The reported appraisal analysis, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and is my personal, impartial, and unbiased professional analysis, opinions and conclusions.

This analysis, opinions, and conclusions were developed, and this report has been prepared in conformity with the *Uniform Standards of Professional Appraisal Practice* and the requirements of the code of Professional Ethics and Standards of professional Practice of the Appraisal Institute.

The out-of-context quoting from or partial reprinting of this appraisal report is not authorized.

No one provided significant real property appraisal assistance to the person signing this certification. Savannah Young assisted in the preparation of graphics and market data maps, and in the assembly of the final appraisal report.

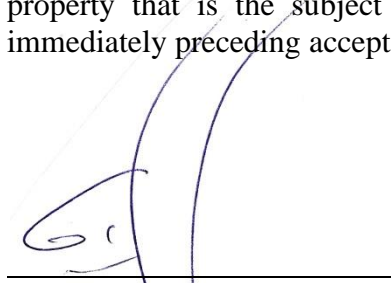
My engagement in this assignment was not contingent upon developing or reporting pre-determined results.

My compensation for completing this assignment is not contingent upon the development or reporting of a pre-determined 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.

The appraisal assignment was not based on a requested, minimum valuation, a specific valuation, or the approval of a loan.

Further, neither all nor any part of this appraisal report shall be disseminated to the general public by use of media for public communication without the prior written consent of the undersigned.

I have performed no other services, as an appraiser or in any other capacity, regarding the property that is the subject of the work under review within the three-year period immediately preceding acceptance of this assignment.



Gary G. Young SCREA
Candidate for Designation, Appraisal Institute
Certified General Appraiser
State of Nevada A.0207799-CG

Scope of the Appraisal

The appraiser has been requested by the client, County of Washoe to provide a market value fee simple appraisal report on an existing, average condition office building, situated at 10 Kirman Avenue, within the city of Reno, Nevada 89502-1159.

The Client by Name is identified as the Client. No instruction was received on the appraisal assignment order or via other written communication at the time of engagement that prevents the naming of the Client. The Original Client is the only Intended User of this report.

The appraisal report has been prepared so as to comply with the requirements of:

- 1.) Title XI of the Federal Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA).
- 2.) The Uniform Standards of Professional Appraisal Practice (USPAP) including the Ethics and Competency Provisions and promulgated by the Appraisal Standards Board of the Appraisers Foundation.
- 3.) Prepared in compliance with the Office of Comptroller of the Currency (OCC) minimum standards.
- 4.) The Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute.

The appraiser has the necessary experience, training, and knowledge to be qualified to be complete an appraisal of an existing, average condition office building in accordance with the competency provisions of USPAP.

Savannah Young assisted in the preparation of graphics and in the assembly of the final appraisal report.

The scope of the appraisal required collecting primary and secondary data relative to the subject property. This has been analyzed and confirmed by the appraiser, whenever possible, leading to the value conclusion as set forth in this report. All data considered material to the appraisal was reported. Unless so specified, the appraisal does not consider personal property noted on the premises. A physical inspection of the subject property was made. The valuation process involved utilizing all techniques and procedures considered appropriate to the assignment. The scope of this appraisal has not been limited elsewhere in the report.

This is an Appraisal Report – Summary Narrative Format.

Definition of Market Value

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently knowledgeable and assuming the price is not affected by undue stimulus.

Implicit in this definition is the consummation of sale of a specified date and passing of title from seller to buyer under conditions whereby:

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

Source: Office of the Comptroller under 12 CFR, part 3544, Subpart C – Appraisals, 34.42 Definitions (f).

Hypothetical Condition/Extraordinary Assumptions

Hypothetical Conditions:

A hypothetical condition is used when a property is appraised under a condition that is contrary to what is known by the appraiser to exist on the effective date of the assignment results

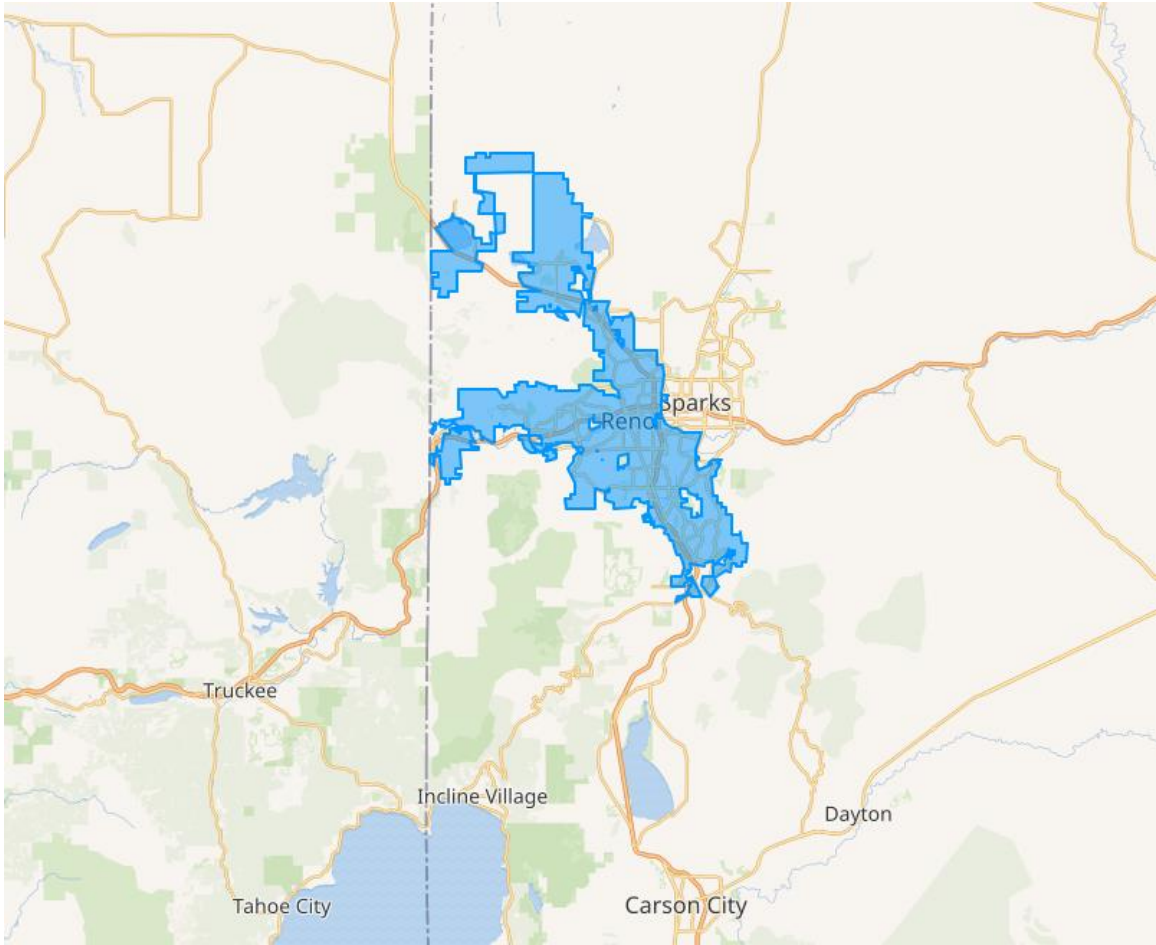
✓ None

Extraordinary Assumption:

An extraordinary assumption is an assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions. Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property such as market conditions or trends; or about the integrity of data used in an analysis. (USPAP, 2010-2011 ed.) (Dictionary, 5th Edition)

✓ No title report was provided to the appraiser. The appraiser is making the extraordinary assumption the subject's condition is as reported. The appraiser reserves the right to amend this report if new information becomes available.

Market Area Map of Reno



Market Area Description: City of Reno

Reno, often referred to as "The Biggest Little City in the World," is located in the northern part of the state of Nevada, USA.

Location and Geography:

Reno is situated in the western part of Nevada, along the eastern slope of the Sierra Nevada mountains and near the Nevada-California border. The Truckee River flows through the city, which lies in a high desert valley at an elevation of about 4,500 feet above sea level. Reno enjoys a semi-arid climate with hot summers and cold winters.

History:

Originally established as a trading post in the mid-19th century, Reno boomed during the late 1800s with the discovery of silver in the nearby Comstock Lode. It gained further prominence as a major transportation hub and, later, with the legalization of gambling and liberal divorce laws in Nevada during the 20th century.

Economy:

Historically reliant on mining and later on gambling, Reno's economy has diversified in recent decades. It now includes sectors such as tourism, technology (thanks in part to the nearby Tahoe-Reno Industrial Center), healthcare, education, and logistics. The city has attracted businesses seeking a more affordable alternative.

Culture and Entertainment:

Reno is known for its vibrant entertainment scene, particularly its casinos and resorts. The city hosts numerous events and festivals throughout the year, including the Reno Air Races, Hot August Nights (a classic car event), and the Reno Rodeo. The Riverwalk District along the Truckee River offers dining, shopping, and nightlife options.

Education and Research:

Reno is home to the University of Nevada, Reno (UNR), a research university with a strong emphasis on engineering, science, and agriculture. The university contributes significantly to the city's cultural and intellectual life.

Outdoor Recreation:

Surrounded by the Sierra Nevada mountains and close to Lake Tahoe, Reno offers abundant outdoor recreational opportunities. Ski resorts such as Mt. Rose and Northstar are within driving distance, while Lake Tahoe provides opportunities for boating, hiking, and skiing.

Transportation:

Reno is served by the Reno-Tahoe International Airport, offering connections to major cities across the United States. The city is also well-connected by highways, including Interstate 80 and US Route 395.

Population and Demographics:

As of recent estimates, Reno has a population of around 250,000 people, making it the third-largest city in Nevada after Las Vegas and Henderson. The city's population is diverse, with a mix of longtime residents and newcomers attracted by its economic opportunities and outdoor lifestyle.

Overall, Reno blends its historical roots with a modern, dynamic atmosphere, offering residents and visitors alike a mix of entertainment, culture, outdoor activities, and economic opportunity in a picturesque setting.

Top Employers in Washoe County

Top 20 Employers by County

Employer Name	City	NAICS Description	Employment Range	Period
Renown Health	Reno	Health Care Management	1000-4,999	2021 - 1st Release
Peppermill Inc	Reno	Resorts	1000-4,999	2021 - 1st Release
Nugget Casino Resort	Sparks	Casinos	1000-4,999	2021 - 1st Release
Grand Sierra Resort & Casino	Reno	Casinos	1000-4,999	2021 - 1st Release
Harrah's Reno Casino	Reno	Casinos	1000-4,999	2021 - 1st Release
St Mary's Regional Medical Ctr	Reno	Hospitals	1000-4,999	2021 - 1st Release
Peppermill Casinos Inc	Reno	Casinos	1000-4,999	2021 - 1st Release
Eldorado Resort Casino	Reno	Casinos	1000-4,999	2021 - 1st Release

Employer Name	City	NAICS Description	Employment Range	Period
Spa At Silver Legacy	Reno	Spas-Beauty & Day	1000-4,999	2021 - 1st Release
University-Nv Reno Sponsored	Reno	University-College Dept/Facility/Office	1000-4,999	2021 - 1st Release
IGT	Reno	Slot Machines-Sales & Service	1000-4,999	2021 - 1st Release
AMERCO	Reno	Truck Renting & Leasing	1000-4,999	2021 - 1st Release
Circus Circus Reno	Reno	Casinos	1000-4,999	2021 - 1st Release
Legacy Supply Chain Svc	Reno	Logistics	1000-4,999	2021 - 1st Release
Sierra NV Health Care Syst-Va	Reno	Hospitals	1000-4,999	2021 - 1st Release
Club Cal Neva	Reno	Casinos	500-999	2021 - 1st Release
Hamilton Co	Reno	Real Estate	500-999	2021 - 1st

Employer Name	City	NAICS Description	Employment Range	Period
		Management		Release
Washoe County Sheriff	Reno	Government Offices-County	500-999	2021 - 1st Release
JC Penney Distribution Ctr	Reno	Distribution Centers (whls)	500-999	2021 - 1st Release
Incline Village Community Hosp	Incline Village	Hospitals	500-999	2021 - 1st Release

Neighborhood Description

The general neighborhood boundaries may be loosely described as south of the river and on the southwest side of Interstate 80 and 580. The area is generally known for medical and is the hub of Renown Regional Medical

Neighborhood and community shopping services are provided by several facilities in the City of Reno. Regional shopping services in the area are provided by malls in the area. Police and fire protection for the neighborhood are considered adequate.

The subject's market area has been developed with a mixture of commercial, residential, industrial, and special purpose or public land uses. A majority of the developments within the subject's immediate neighborhood represent a mix of younger and longstanding commercial and residential buildings that were developed at different phases since the mid-20th Century.

In summary, the subject's market area represents a combination of relatively older and younger, existing commercial, and residential development which has experienced some gentrification during the past several decades. Current land uses and development patterns within the subject's immediate neighborhood should display a similar land use pattern of mixed commercial and residential utilization, with periodic redevelopment of individual sites (remodeled/renovation/limited re-design) on an "infill" basis. Land values for commercially and residential zoned parcels within the area should remain somewhat stable.

Income Data

Income & Poverty	Reno city, Nevada	Washoe County, Nevada	United States
Population estimates, July 1, 2023, (V2023)	274,915	498,022	334,914,895
PEOPLE			
Income & Poverty			
Median household income (in 2022 dollars), 2018-2022	\$73,073	\$81,531	\$75,149
Per capita income in past 12 months (in 2022 dollars), 2018-2022	\$43,245	\$44,448	\$41,261
Persons in poverty, percent	12.7%	10.3%	11.5%

Assessor's Parcel Map



Site Description

The subject property is identified as being a single parcel of commercially (“MU”; Mixed Use Urban) zoned land which has been improved with an average condition office building.

The subject site contains a total gross and net usable land area of approximately 24,204 square feet (0.5556 acres) and represents a somewhat rectangular shaped parcel. Designated as Washoe County/City of Reno Assessor’s Parcel Number 012-150-12, the subject has approximately 135.75 linear feet of frontage along Kirman Avenue, and approximately 175.54 linear feet of frontage along East Second Street. The subject is a corner location with a fenced/gated , controlled access rear parking area. There is a dedicated curb cut from East Second Street to the gated lot. There is dedicated curb cuts from Kirman Avenue and East Second Street to off street parking at the rear of the fenced area.

The public utilities available to the subject site include electricity, natural gas, water, sewer, and telephone. It has a level building pad and parking lot. There does not appear to be any drainage problems associated with the subject site.

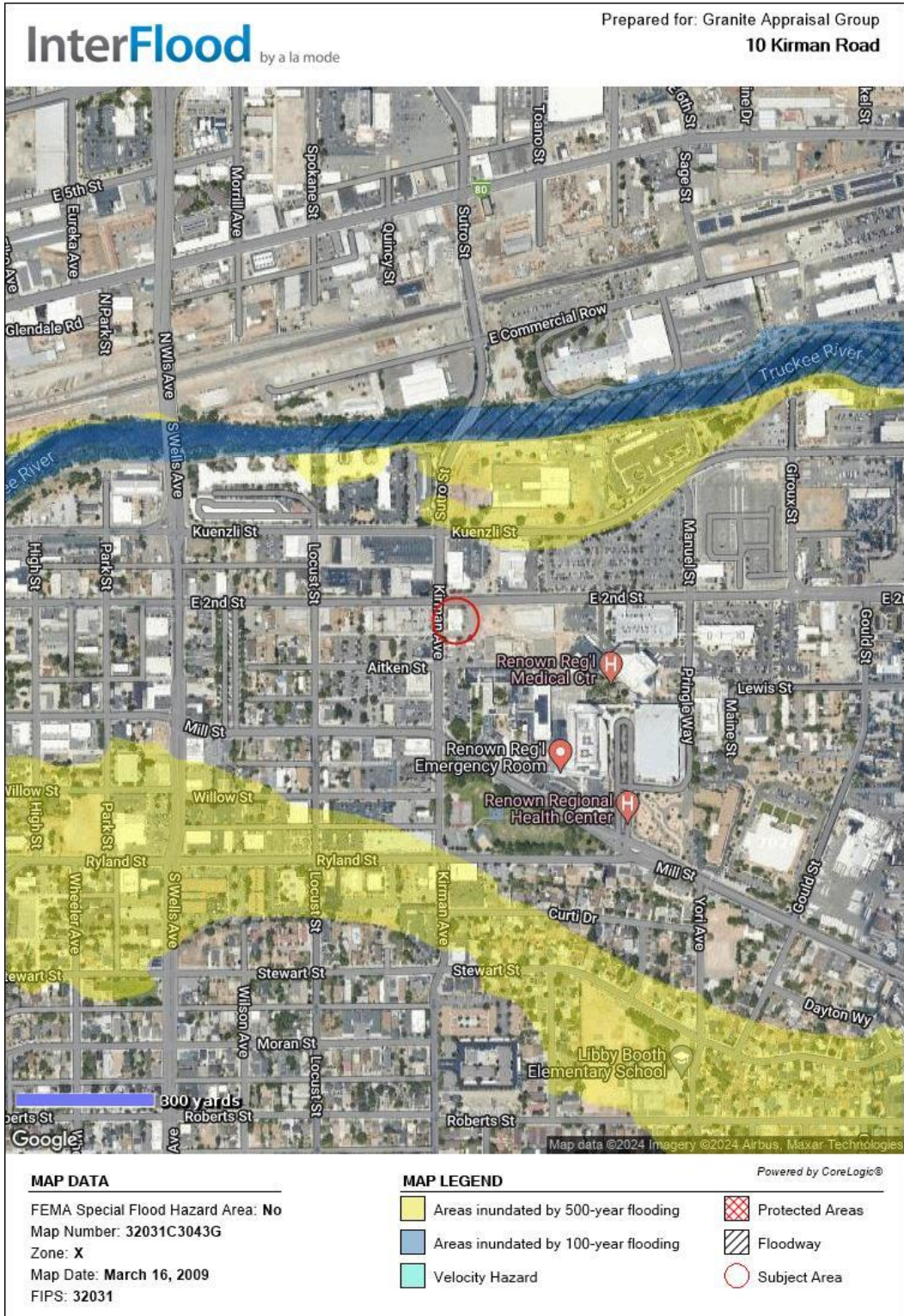


Rough Property Outline

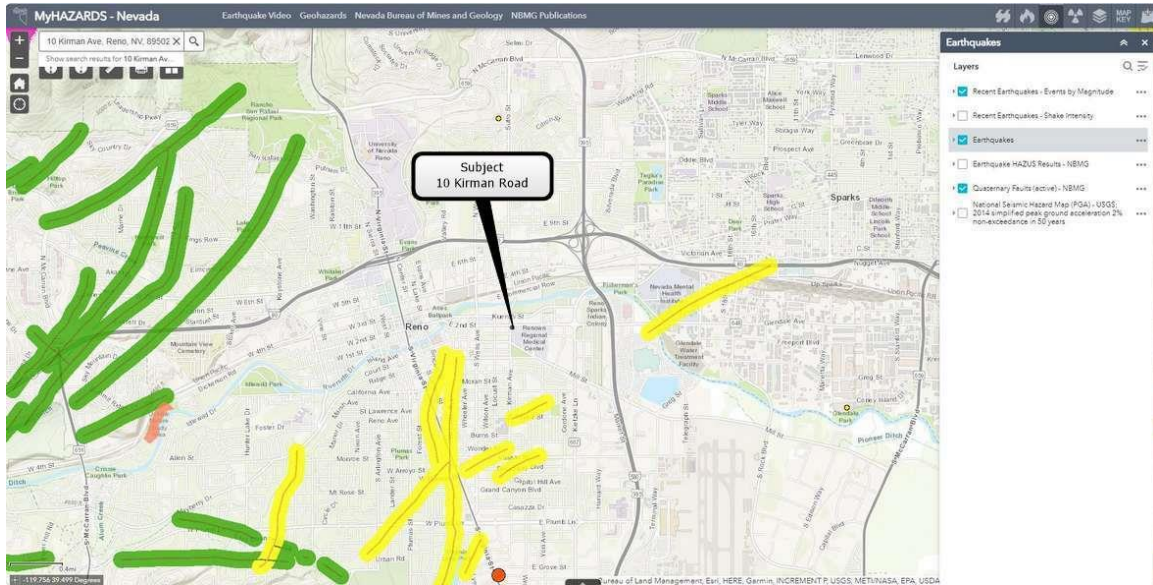
Flood Hazard and Earthquake Data

As previously mentioned, the subject property **is not** located within a federally designated 500-year flood hazard zone. According to Interflood, the subject site is positioned within a Zone “X” – “areas outside the 500-year flood zone”. The subject **is not** located within an Earthquake (Fault Hazard) Zone.

Flood Map



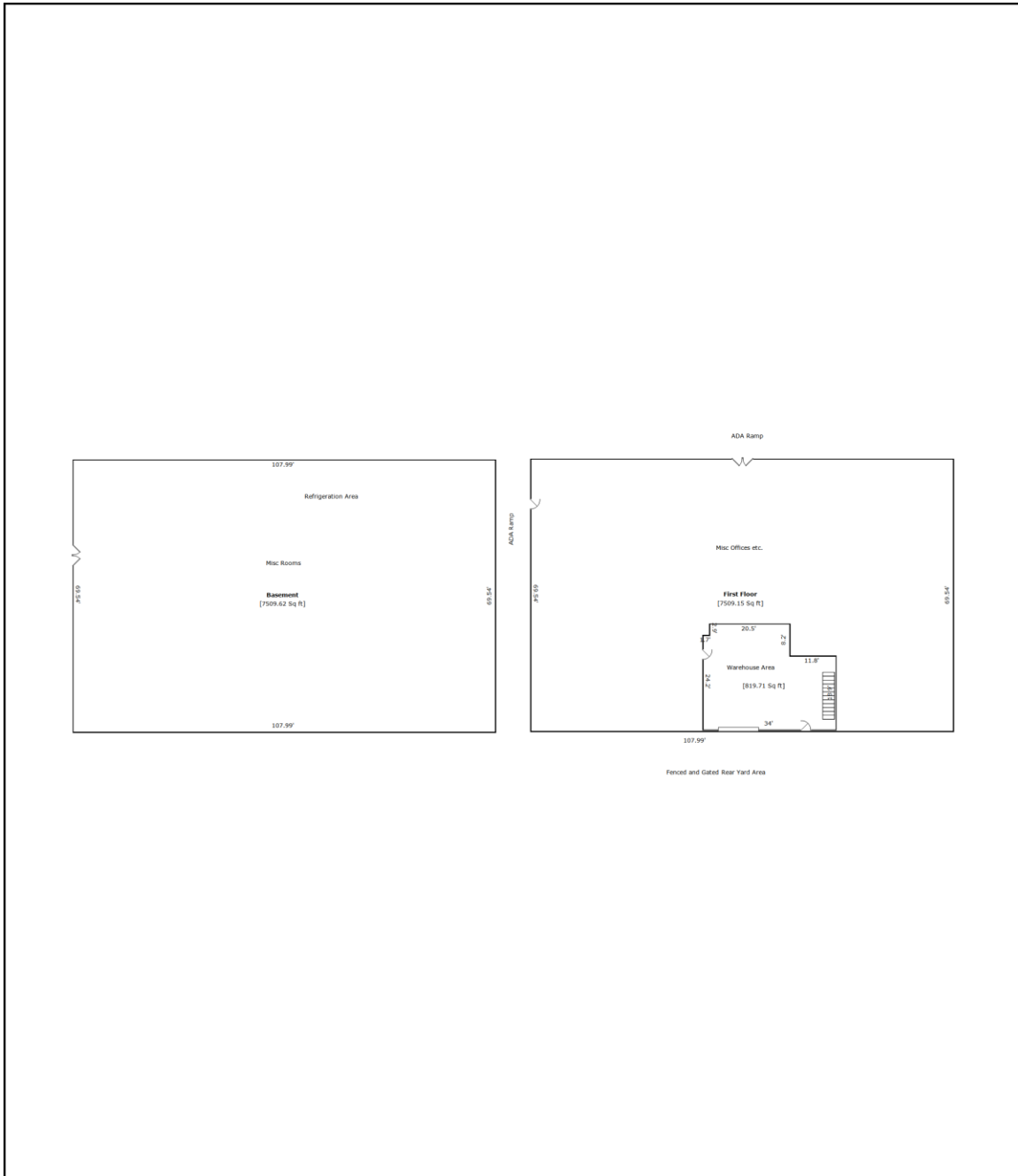
Earthquake (Fault Hazard) Map



Improvement Description

Property Address	10 Kirman Avenue, Reno NV 89502-1159		
APN:	012-150-12		
Year Built:	1959	Effective Age:	30
Electricity:	Public:	X	Other:
Gas:	Public:	X	Other:
Sanitary Sewer:	Public:	X	Other:
Stories:			
Existing:	X	Proposed:	Construction:
Configuration:	1 st Floor office with small warehouse area. Basement has some medical type buildouts, file and storage rooms with some office (no windows)		
Exterior Walls:	Appears to be conventional construction with metal and brick		
Roof Surface:	Unknown. Not visible		
Window Type:	Dual Pane Commercial		
Flooring:	Commercial Laminate & Concrete		
Trim/Finish:	Wood/metal Painted		
Heat/Air:	Central HVAC		
# of Units:	1	Total Square ft:	7,509 SF 1 st Floor 7,509 SF Basement
Parking Spaces:	17 Gated 10 Open	# ADA compliant:	1
Additional Features:	<p>The subject was previously occupied by the county coroner. The 1st floor is generally office space with bathrooms and a small warehouse area etc. The basement area has some medical buildouts with a large western area refrigerated. The basement has offices, file storage and other rooms. The subject has an elevator and several staircases. The subject is fully fire sprinklered. The subject is reported to have a medica grade HVAC system with UV that is near the end of its useful life. The subject's roof was leaking and has been recoated in July of 2024 and now has a forecast life of 10 years. The rear has a gated controlled access rear yard for parking and 10 open and marketed spaced plus 1 ADA outside the fenced/gated area.</p>		

Building Sketch



TOTAL Sketch by a la mode

Area Calculations Summary

		Calculation Details	
Living Area			
First Floor	7509.15 Sq ft		$69.54 \times 107.99 = 7509.15$
Total Living Area (Rounded):	7509 Sq ft		
Non-living Area			
Non-Calculated	819.71 Sq ft	$18.9 \times 11.8 = 223.02$ $22.2 \times 24.2 = 537.24$ $2.9 \times 20.5 = 59.45$	
Basement	7509.63 Sq ft		$69.54 \times 107.99 = 7509.62$

Photographs of The Subject Property



Subject Front



Subject Rear



Subject East Second Street Scene



Subject Front/Side



Subject Kirman Avenue Street Scene



Subject Gated Entry to Fenced Area



Subject Fenced/Gated Area



Subject Open Parking Area



Subject View Across Kirman Avenue



Underside of Porch Ceiling (Deferred Maintenance)



Subject Interior



Subject Interior



Subject Interior



Subject Interior



Subject Interior



Subject Interior



Subject Interior



Subject Interior



Subject Interior



Subject Interior



Subject Interior



Subject Interior



Subject Interior



Subject Interior



Subject Interior
Dropped Ceiling Panels and Staining



Subject 1st Floor Warehouse Area



Subject Basement



Subject Basement



Subject Basement



Subject Basement



Subject Fire Sprinkler System Main



Subject Basement



Subject Basement



Subject Basement



Subject Basement – Service Panel



Subject Basement



Subject Basement



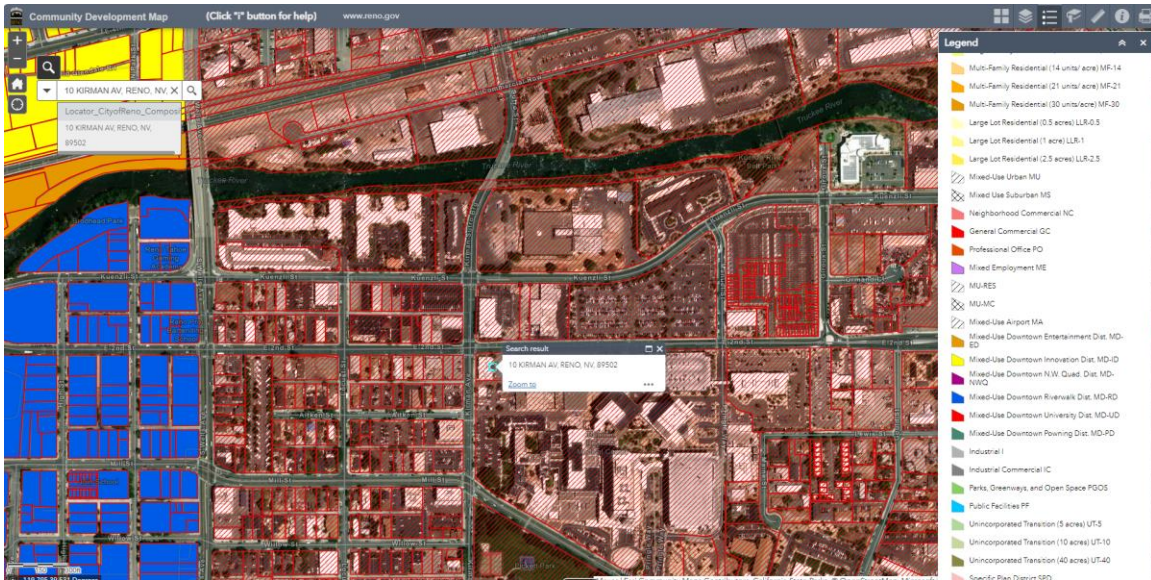
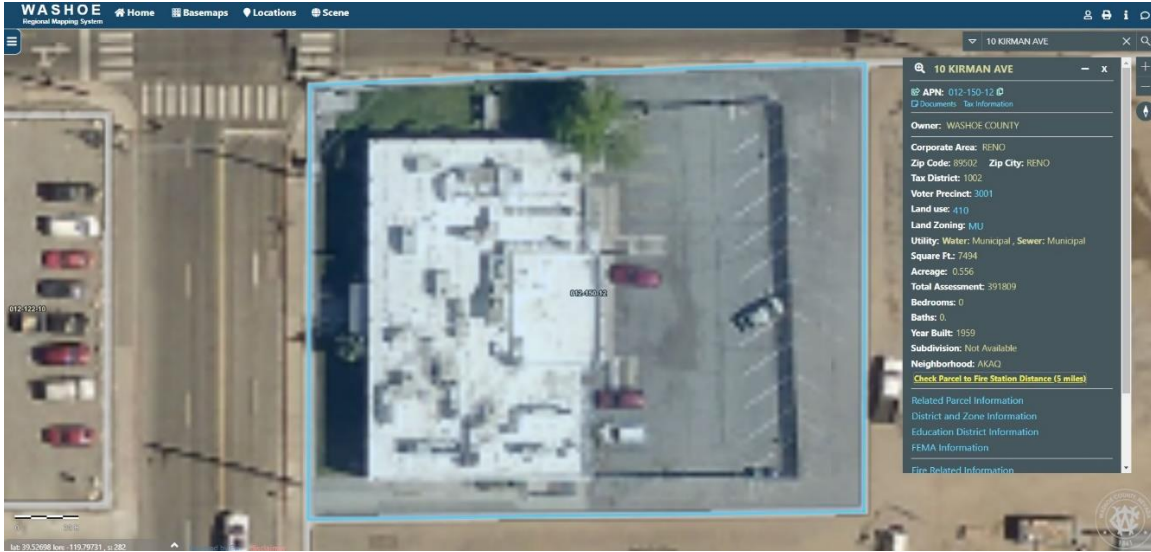
Subject Basement



Subject Basement

Zoning

MU



Highest and Best Use

The current City of Reno zoning designation for the subject property is “MU” (Mixed-Use Urban), a commercial zoning designation.

Highest and Best Use is defined as “The reasonably probable and legal use of vacant land or an improved property, that is physically possible, appropriately supported, and financially feasible and that results in the highest value” (Appraisal Institute, The Appraisal of Real Estate – Twelfth Edition Chicago, Illinois p. 305).

Typically, there are two types of highest and best use: highest and best use of the land as if vacant and available for development to highest and best use, and highest and best use of a property as presently improved. In case of land containing improvements, the existing use will continue until land value in its highest and best use exceeds the sum of the value of the entire property in this existing use and the cost to remove the improvements.

Four Tests of Highest and Best Use

The four tests of highest and best use are: (1) legally permissible (2) physically possible (3) financially feasible and (4) most profitable. The first two tests are interchangeable in order and, in many circumstances, the last two are combined. Steps Three and Four (financially feasible/most profitable) cannot be determined until the first two steps are analyzed.

(1) legally permissible – The subject is currently an office building and surrounded by commercial office, retail and hospital facilities. The subject is legally permissible to commercial use and mixed residential/commercial use.

(2) physically possible – The subject exists, which shows the soil will support vertical development.

(3) financially feasible and (4) most profitable - Although a complete feasibility study is beyond the scope of this report, it appears that the highest and best use of the site, based on current land use patterns around the subject and of the subject zoning, it appears that development of the site with an average to good condition, single or multi-tenant commercial building or possibly medical office building, due to its very close location to the local hospital may well represent the highest and best use of the site. This type of development would be physically possible, legally permissible, financially feasible and maximally productive and in this appraiser’s, opinion would be the type of development which may produce the greatest net return to the land.

The subject may have to overcome the stigma of its past use, depending on what the future use may be.

Income Approach to Value

The basis for the Income Approach to Value is capitalized value of net operating income the property can reasonably be expected to produce. The first step in this analysis is the estimation of potential gross annual income at market rent, or the amount of rental the property probably would command in the open market, if it were offered for rent as of the valuation date.

Estimated market rent is then compared with actual or contract rent and a conclusion is made as to the significance of any difference, if any. If the difference is significant, there may be an affect on market value. If the difference is considered insignificant, market value is not affected.

The next step in the Income Approach to Value is the estimation of vacancy and other expenses to be deducted from potential gross annual income to arrive at net operating income. The final step involves the capitalization of net operating income into an indication of value utilizing an appropriate capitalization technique.

In estimating potential gross annual income for the subject property, the first step in the Income Approach to Value, a rental survey was conducted in the local marketplace for market data pertaining to current actual and asking rents for competitive space. The tabulation on the following page is indicative of comparable rental rates on similar space in the local marketplace.

Subject Lease/Rental Analysis

The subject has been historically owner occupied by a government agency. Most of the building is vacant and a small portion is currently occupied by a clinic (owner occupied), Due to this all rents are proforma. A rent survey of the area was undertaken and the appraiser consulted with local leasing brokers.

The rental rates are reflective of current or recent lease rates on somewhat comparable configurations in the local marketing area. Attention was given to comparables which had a similar condition, within similar neighborhoods. Rent surveys from the general Reno market was undertaken in an effort to glean market reaction from within the market area.

Our subject's proforma rents are:

Income Summary			
Unit/Space Type	Amount	Price Per SF	Monthly Total
7,509 1 st Floor	\$11,263.50	\$1.50	\$11,263.50
7,509 Basement	\$7,509	\$1.00	\$7,509
		Monthly Total	\$18,772.50

Rent Comparable Analysis;

Comp #	Address	GBA SF	Price Per SF	Lease Type
R-1	2920 Mill St	6,020	\$1.20	Modified Gross
R-2	140 Washington Street 2 nd Flr	7,188	\$1.95	FS
R-3	6119 Rdgeview Dr	8,099	\$1.75	NNN
R-4	675 Sierra Rose Dr	7,398	\$1.75	NNN
R-5	10395 Double R Blvd	7,172	\$1.50	NNN
R-6	9400 Double R Blvd	10,080	\$1.50	NNN

Lease Type

A triple net lease (triple-Net or NNN) is a lease agreement on a property whereby the tenant or lessee promises to pay all the expenses of the property including real estate taxes, building insurance, and maintenance. These payments are in addition to the fees for rent and utilities, and all payments are typically the responsibility of the landlord in the absence of a triple, double, or single net lease.

Market Rent

Market Rent Comparables

We have researched six comparables for this analysis; these are documented on the following pages followed by a location map and analysis. All properties have been researched through numerous sources, inspected and verified by a party to the transaction where possible.

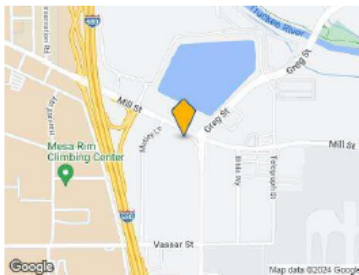
Market Summary Analysis – Rental Comparables

Lease Comps Details

Lease Comps Report

1 2920-2920 Mill St
Reno, NV 89502 - Central/Airport Submarket

★★★★★



LEASE

SF Leased: **6,020 SF**
Sign Date: **Jan 2024**
Space Use: **Office**
Lease Type: **Direct**
Floor: **1st Floor**
Suite: **A**

RENTS

Asking Rent: **\$1.20/+UTIL**
Starting Rent: **\$1.17/+UTIL**

CONCESSIONS AND BUILDOUT

Asking Discount: **2.50%**
Buildout Status: **Full Build-Out**

LEASE TERM

Start Date: **Mar 2024**
Expiration Date: **Mar 2027**
Lease Term: **3 Years**

TIME ON MARKET

Date On Market: **May 2023**
Date Off Market: **Jan 2024**
Months on Market: **9 Months**

TIME VACANT

Date Vacated: **Jul 2023**
Date Occupied: **Mar 2024**
Months Vacant: **8 Months**

LEASING REP

Hallmark Investments
575 E Plumb Ln, Suite 200
Reno, NV 89502
Garrett Hallenbeck, CCIM (775) 786-8488 X2

MARKET AT LEASE

Vacancy Rates	2024 Q1	YOY
Current Building	19.4%	▲ 19.4%
Submarket 1-3 Star	4.8%	▼ -1.9%
Market Overall	9.1%	▼ -0.4%

Same Store Asking Rent/SF	2024 Q1	YOY
Current Building	\$1.19	▲ 4.2%
Submarket 1-3 Star	\$1.65	▲ 2.1%
Market Overall	\$2.04	▲ 1.8%

Submarket Leasing Activity	2024 Q1	YOY
12 Mo. Leased SF	135,642	▼ -8.8%
Months On Market	7.1	▼ -1.5

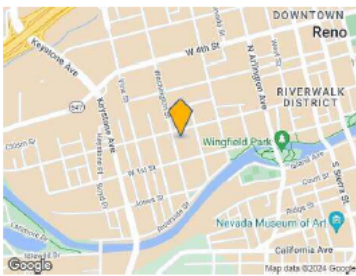
PROPERTY

Property Type: **Office**
Status: **Built 1974**
Tenancy: **Multi**
Class: **B**
Construction: **Masonry**
Parking: **58 Surface Spaces a...**
Rentable Area: **16,000 SF**
Stories: **2**
Floor Size: **8,000 SF**
Vacancy at Lease: **19.4%**
Land Acres: **0.96**

Lease Comps Details

Lease Comps Report

2 140 Washington St
 Reno, NV 89503 - Downtown Submarket



TENANT

Tenant Name:	CrossCountry Mortgage
Industry:	Finance and Insurance
NAICS:	Real Estate Credit - 522292

LEASE

SF Leased:	7,188 SF
Sign Date:	Jul 2022
Space Use:	Office
Lease Type:	Direct
Floor:	2nd Floor
Suite:	200

RENTS

Asking Rent:	\$1.95/FS
--------------	-----------

LEASE TERM

Start Date:	Sep 2022
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TIME ON MARKET

Date On Market:	Mar 2022
Date Off Market:	Jul 2022
Months on Market:	5 Months

TIME VACANT

Date Occupied:	Sep 2022
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MARKET AT LEASE

Vacancy Rates	2022 Q3	YOY
Current Building	14.1%	▼ -4.1%
Submarket 2-4 Star	7.3%	▼ -0.6%
Market Overall	7.4%	▼ -0.5%

Same Store Asking Rent/SF	2022 Q3	YOY
Current Building	\$1.72	▲ 2.2%
Submarket 2-4 Star	\$1.97	▲ 3.8%
Market Overall	\$1.95	▲ 4.4%

Submarket Leasing Activity	2022 Q3	YOY
12 Mo. Leased SF	368,792	▲ 345.3%
Months On Market	11.1	▲ 2.0

LEASING REP

Avison Young
 6590 S Mccarran Blvd, Suite 1
 Reno, NV 89509-6171
 Bram Buckley (775) 332-2800 X307
 Reed Simmons (775) 332-7310
 Dereck Barrett (775) 332-2800

PROPERTY

Property Type:	Office	Rentable Area:	19,222 SF
Status:	Built 1969	Stories:	3
Tenancy:	Multi	Floor Size:	6,407 SF
Class:	B	Vacancy at Lease:	14.1%
Construction:	Masonry	Land Acres:	0.52
Parking:	45 Surface Spaces a...		

Lease Comps Details

Lease Comps Report

1 6119 Ridgeview Dr
 Reno, NV 89519 - Meadowood Submarket

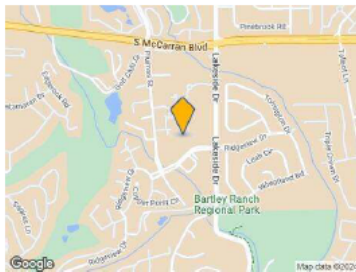
★★★★★



LEASE	
SF Leased:	8,099 SF
Sign Date:	Nov 2023
Space Use:	Office
Lease Type:	Direct
Floor:	1st Floor

RENTS	
Asking Rent:	\$1.75/NNN

LEASE TERM	
Start Date:	Nov 2023



TIME ON MARKET	
Date On Market:	Nov 2022
Date Off Market:	Nov 2023
Months on Market:	12 Months

TIME VACANT	
Date Vacated:	Dec 2022
Date Occupied:	Nov 2023
Months Vacant:	11 Months

LEASING REP
Logic Commercial Real Estate
 295 Holcomb Ave, Suite 200
 Reno, NV 89502-0836
 Michael Keating, SIOR (775) 386-9727
 Casey Prostinak (775) 800-4100
 Landon Gonzalez (775) 433-1121
 Mike Dom (775) 800-4100
 Chase Houston (775) 800-4100

MARKET AT LEASE

Vacancy Rates	2023 Q4	YOY
Current Building	0.0%	▼ -100.0%
Submarket 2-4 Star	9.1%	▲ 0.5%
Market Overall	8.9%	▲ 1.2%

Same Store Asking Rent/SF	2023 Q4	YOY
Current Building	\$2.29	▲ 1.1%
Submarket 2-4 Star	\$2.27	▲ 1.7%
Market Overall	\$2.02	▲ 2.4%

Submarket Leasing Activity	2023 Q4	YOY
12 Mo. Leased SF	227,157	▼ -32.1%
Months On Market	6.2	▼ -0.3

PROPERTY	
Property Type:	Office
Status:	Built 1990
Tenancy:	Multi
Class:	B
Parking:	30 Surface Spaces a...

Rentable Area:	8,265 SF
Stories:	1
Floor Size:	8,265 SF
Vacancy at Lease:	0.0%
Land Acres:	0.61

Lease Comps Details

Lease Comps Report

2 675 Sierra Rose Dr
 Reno, NV 89511 - Meadowood Submarket

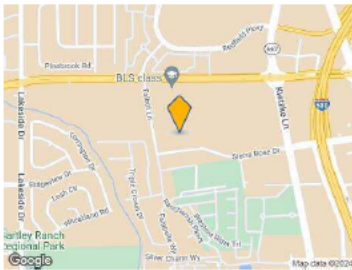


LEASE	
SF Leased:	7,398 SF
Sign Date:	Jun 2023
Space Use:	Office
Lease Type:	Direct
Floor:	1st Floor

RENTS	
Asking Rent:	\$1.75/NNN

CONCESSIONS AND BUILDOUT	
Space Condition:	Excellent

LEASE TERM	
Start Date:	Aug 2023



TIME ON MARKET	
Date On Market:	Aug 2022
Date Off Market:	Jun 2023
Months on Market:	10 Months

TIME VACANT	
Date Vacated:	Aug 2022
Date Occupied:	Aug 2023
Months Vacant:	11 Months

LEASING REP
ArchCrest Commercial Partners
 5560 Longley Ln, Suite 100
 Reno, NV 89511-1825
 Kevin Annis, CCIM (775) 852-9800
 Mike Van Blaricom (775) 852-9800

MARKET AT LEASE

Vacancy Rates	2023 Q2	YOY
Current Building	100%	↔ 0.0%
Submarket 2-4 Star	9.8%	▲ 2.0%
Market Overall	9.4%	▲ 2.0%

Same Store Asking Rent/SF	2023 Q2	YOY
Current Building	\$2.34	▲ 2.1%
Submarket 2-4 Star	\$2.26	▲ 2.8%
Market Overall	\$2.02	▲ 3.9%

Submarket Leasing Activity	2023 Q2	YOY
12 Mo. Leased SF	261,093	▼ -7.8%
Months On Market	5.5	▲ 0.4

PROPERTY	
Property Type:	Office
Status:	Built 2000
Tenancy:	Multi
Class:	B
Construction:	Masonry
Parking:	40 Surface Spaces a...

Rentable Area:	7,398 SF
Stories:	1
Floor Size:	7,398 SF
Vacancy at Lease:	100%
Land Acres:	0.17

Lease Comps Details

Lease Comps Report

3 10395 Double R Blvd
 Reno, NV 89521 - South Meadows Submarket



TENANT

Tenant Name:	Cullpepper Psychiatric Associates, PLLC
Industry:	Health Care and Social Assistance
NAICS:	Outpatient Mental Health and Substance Abuse Centers - 621420

LEASE

SF Leased:	7,172 SF
Sign Date:	Sep 2022
Space Use:	Office
Lease Type:	Direct
Floor:	1st Floor
Suite:	1

RENTS

Asking Rent:	\$1.50/NNN
Starting Rent:	\$1.50/NNN

CONCESSIONS AND BUILDOUT

Asking Discount:	0.00%
Buildout:	Professional Services
Buildout Status:	Full Build-Out
Space Condition:	Excellent

LEASE TERM

Start Date:	Oct 2022
Expiration Date:	Sep 2027

TIME ON MARKET

Date On Market:	Feb 2022
Date Off Market:	Oct 2022
Months on Market:	8 Months

TIME VACANT

Date Occupied:	Oct 2022
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MARKET AT LEASE

Vacancy Rates	2022 Q3	YOY
Current Building	0.0%	↔ 0.0%
Submarket 1-3 Star	7.6%	▲ 3.2%
Market Overall	7.4%	▼ -0.5%

Same Store Asking Rent/SF	2022 Q3	YOY
Current Building	\$1.96	▲ 6.6%
Submarket 1-3 Star	\$2.01	▲ 3.8%
Market Overall	\$1.95	▲ 4.4%

Submarket Leasing Activity	2022 Q3	YOY
12 Mo. Leased SF	196,547	▲ 12.5%
Months On Market	5.1	▼ -0.5

LEASING REP

Mallard Investment Management, Inc.
 3490 Southampton Dr
 Reno, NV 89509-8911
 Paul Deane (775) 742-3509

Johnson Group Commercial

5255 Longley Ln, Suite 105
 Reno, NV 89511
 Ryan J. Johnson, CCIM (775) 823-8877 X2

TENANT REP

Sierra Nevada Properties
 405 Marsh Ave, Suite 311
 Reno, NV 89509
 Robert Skinner (775) 335-6700

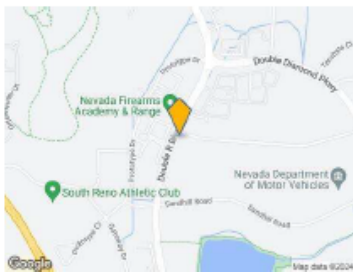
PROPERTY

Property Type:	Office	Rentable Area:	7,172 SF
Status:	Built 2003	Stories:	1
Tenancy:	Multi	Floor Size:	7,172 SF
Class:	B	Vacancy at Lease:	0.0%
Construction:	Wood Frame	Land Acres:	0.26
Parking:	30 Surface Spaces a...		

Lease Comps Details

Lease Comps Report

5 9400 Double R Blvd
 Reno, NV 89521 - South Meadows Submarket



TENANT	
Tenant Name:	Carson Medical Group
Industry:	Health Care and Social Assistance

LEASE		RENTS	
SF Leased:	10,080 SF	Asking Rent:	\$1.50/NNN
Sign Date:	Jul 2022	Starting Rent:	\$1.50/NNN
Space Use:	Office	Escalations:	3% CPI
Lease Type:	Direct		
Floor:	1st Floor		

LEASE TERM		CONCESSIONS AND BUILDOUT	
Start Date:	Oct 2022	Asking Discount:	0.00%
Expiration Date:	Mar 2033	Buildout Status:	Full Build-Out
Lease Term:	10 Years 5 Months	Space Condition:	Excellent

TIME ON MARKET		TIME VACANT	
Date On Market:	May 2022	Date Vacated:	May 2022
Date Off Market:	Jul 2022	Date Occupied:	Oct 2022
Months on Market:	3 Months	Months Vacant:	4 Months

MARKET AT LEASE

Vacancy Rates	2022 Q3	YOY
Current Building	100%	▲ 100%
Submarket 2-4 Star	7.4%	▲ 3.0%
Market Overall	7.4%	▼ -0.5%

Same Store Asking Rent/SF	2022 Q3	YOY
Current Building	\$2.03	▲ 3.2%
Submarket 2-4 Star	\$2.04	▲ 3.4%
Market Overall	\$1.95	▲ 4.4%

Submarket Leasing Activity	2022 Q3	YOY
12 Mo. Leased SF	196,547	▲ 12.5%
Months On Market	5.1	▼ -0.5

LEASING REP		TENANT REP	
Kidder Mathews		Logic Commercial Real Estate	
50 W Liberty St, Suite 900		295 Holcomb Ave, Suite 200	
Reno, NV 89501		Reno, NV 89502-0838	
Evan Meyer (775) 301-1300		Ian Cochran (775) 800-4100	
		Greg Ruzzine (775) 800-4100	
		Sam Meredith (775) 800-4100	

PROPERTY			
Property Type:	Office	Rentable Area:	10,080 SF
Status:	Built 2000	Stories:	1
Tenancy:	-	Floor Size:	10,080 SF
Class:	B	Vacancy at Lease:	100%
Parking:	Ratio of 0.00/1,000 SF	Land Acres:	0.29

Market Rent Reconciliation

Our subject's proforma rents are:

Income Summary			
Unit/Space Type	Amount	Price Per SF	Monthly Total
7,509 1 st Floor	\$11,263.50	\$1.50	\$11,263.50
7,509 Basement	\$7,509	\$1.00	\$7,509
		Monthly Total	\$18,772.50

Rent Comparable Analysis;

Comp #	Address	GBA SF	Price Per SF	Lease Type
R-1	2920 Mill St	6,020	\$1.20	Modified Gross
R-2	140 Washington Street 2 nd Flr	7,188	\$1.95	FS
R-3	6119 Rdgeview Dr	8,099	\$1.75	NNN
R-4	675 Sierra Rose Dr	7,398	\$1.75	NNN
R-5	10395 Double R Blvd	7,172	\$1.50	NNN
R-6	9400 Double R Blvd	10,080	\$1.50	NNN

Rent Ranges & Reconciled Value				
Number of Comparables:	6	Unadjusted	Adjusted	%Δ
	Low:	\$1.20	\$1.20	0%
	High:	\$1.95	\$1.95	0%
	Average:	\$1.61	\$1.61	0%
	Median	\$1.75	\$1.75	0%
	Reconciled Value/Unit Value:		\$1.50	

The subject's location is considered good for medical office. The subject's interior updating (appears to have been done in the 1980s) and how the refrigeration may need to be removed and the subject's past use history, would place the subject's rent rate slightly lower and according to conversations with local leasing brokers, near \$1.50 NNN for the 1st floor area. The basement area, with lack of windows, as per local leasing brokers is near \$1.00 per square foot. Therefore \$1.50 per square foot is applied to the 1st floor area and \$1.00 per square foot is applied to the basement area. Due to the lack of leased basement space, no basement rent comparables could be grid.

Potential Gross Income Summary

The reported rents for the subject totals \$18,772.50 monthly. \$18,772.50 monthly X 12-months = \$225,270 annually

Other Income

Other Income is projected at \$0.

Vacancy and Collection Loss

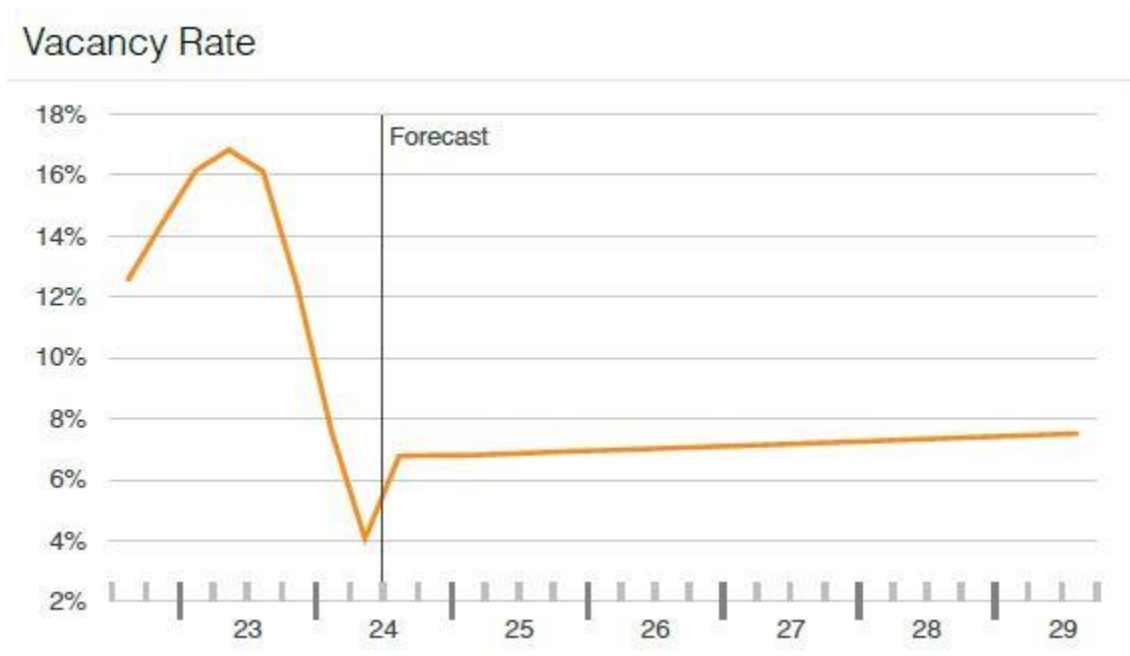
Observations are also made of competing vacancy and collection loss factors in relation to the Property's current level. Vacancy and collection loss is defined by the Appraisal Institute, *The Appraisal of Real Estate*, 11th edition (Chicago: Appraisal Institute, 1996), p.443. as follows:

Vacancy and collection loss is an allowance for reductions in potential income attributable to vacancies, tenant turnover, and nonpayment of rent

Vacancy and collection loss is a factor developed in order to account for space that may not be leased at any given time. This allowance is typically based on a percentage of potential gross income and varies according to the type and characteristics of the property, tenant quality and perceived credit worthiness, supply and demand factors, and the general economic conditions surrounding the property. Ancillary income is typically dependent on the percent of occupancy and is added after a vacancy/collection adjustment.

Theoretically, the vacancy/collection estimate should reflect typical investor expectations over the specific holding period, supported by the market. Few investors realistically expect a 0% vacancy level over their projected holding period. Further, a 0% physical vacancy does not necessarily equal a similar economic vacancy, due to potential collection loss.

According to a CoStar analysis of the Reno 5k SF to 10K sf office submarket, the average vacancy rate is near 6.0%, as shown below.



Based on a review of market conditions and conversations with other local commercial real estate brokers, we have projected vacancy and collection loss at 6.00%.

Effective Gross Income

Potential Gross Income	\$225,270
Less: Vacancy & Collection Loss	6.00%
Subtotal	\$211,754
Other Income	\$0
Effective Gross Income	\$211,754

Expenses

The following Expense Summary table outlines market-derived expenses for the NNN based leases.

Expense	Amount
Replacement Reserves	\$0
Maintenance	\$0
Utilities	\$0
Property Taxes	\$0
Insurance	\$0
Property Management	\$0
Expense Total	\$0

Under the NNN lease agreements all expenses are reimbursed to the landlord or paid directly by the tenants.

Taxes will change in the event of a sale, transfer of the property, or if any new construction occurs and will be determined by the Assessor at the current market value.

Net Operating Income

Effective Gross Income	\$211,754
Less: Expenses	\$0
Add: Expense Reimbursements	\$0
Net Operating Income	\$211,754

Capitalization Rate

The capitalization rate is the factor that converts the stabilized net operating income (NOI) to a present value. It is the ratio of net income to value or sale price.

$$\text{NOI} \div \text{Sale Price} = \text{Capitalization Rate}$$

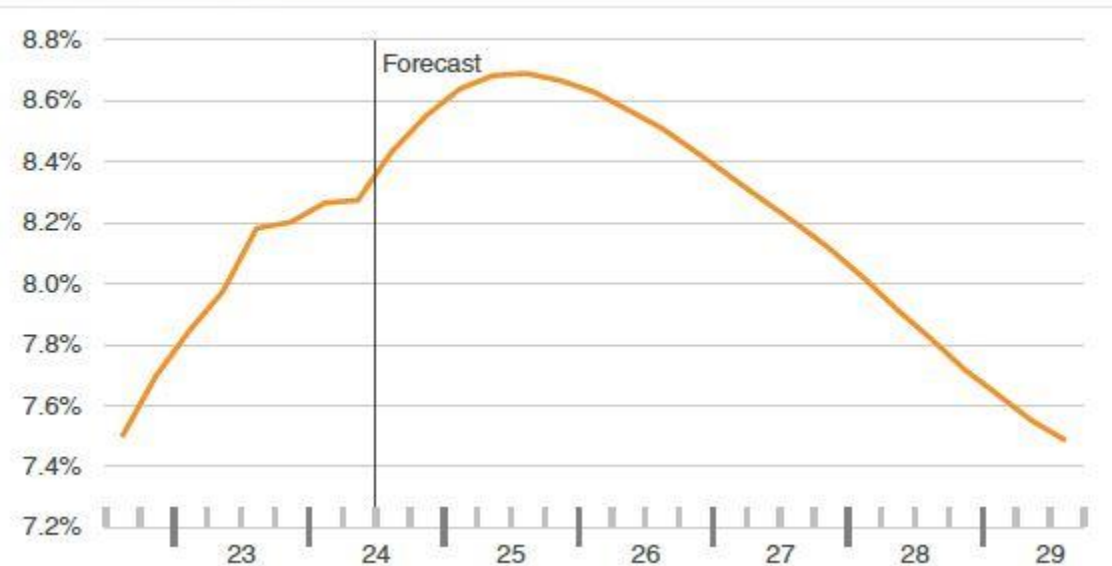
For example, if a property sells for \$500,000, and has a stabilized NOI of \$50,000, the indicated capitalization rate is 10%.

Market Extracted Rates

None of the comparable sales carried a capitalization rate.

The following Costar table shows capitalization rates for 5, 000 square foot to 10,000 square foot office properties within the Reno market area.

Market Cap Rate



The average of the above capitalization rate survey is near 8.3%

Based on conversations with commercial brokers active in the subject market area, a typical capitalization rate for an office buildings similar to the subject, in the subject neighborhood, is currently might be 8.0%.

Capitalization Rate Conclusion

Based on the above, we have concluded to a rate of 8.0%.

Capitalization to Value

$$\frac{\$211,754 \text{ (Net Operating Income)}}{8.0\% \text{ (Overall Capitalization Rate)}} = \$2,646,925$$

Rounded To: \$2,650,000.00

Direct Capitalization Analysis Conclusion

Based on the above analysis detailed above, as of July 18, 2024, we have reconciled to a direct capitalization approach value of:

Final Value by Direct Capitalization Approach/Leased Fee
(Rounded) \$2,650,000.00

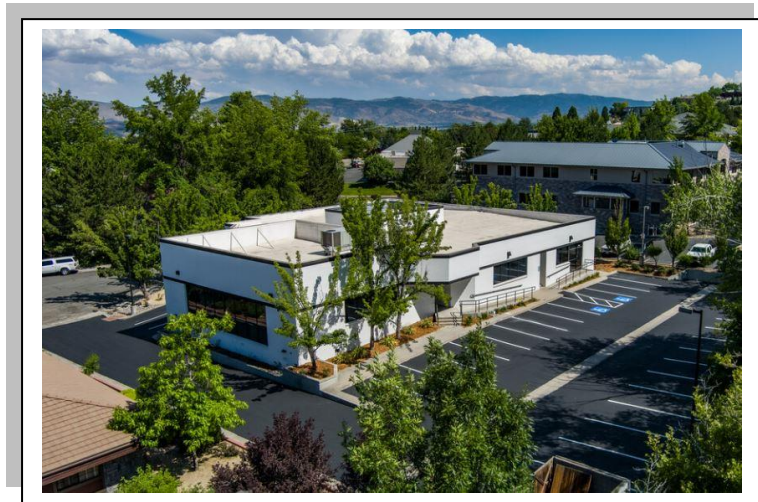
Sales Comparison Approach to Value

The Sales Comparison Approach to Value is based on an analysis of recent sales and/or listings of similar properties. When there is an abundance of relevant market data on properties similar to the subject in the immediate marketplace, in my investigation will be limited to the subject's local marketing area. However, when there is a lack of recent sales activity on similar property types, I must expand my normal parameters of research into neighboring or competing marketplaces.

Once the market area has been defined, an investigation is conducted to obtain all relevant market data pertaining to the recent sales and/or listings of comparable properties. The market data is then analyzed, and direct comparison is made of the sale property to the subject property.

Based on this comparison, adjustments to the selling prices of the comparable sales are made to allow for differences, such as time-value increases or decreases since the date of sale, age and/or condition of the improvements, construction quality, and location, resulting in an indication of value for the subject property, or the price for which the sale property would have sold had it been essentially the same as the subject property. The value indications are then analyzed, based on appropriate units of comparison, and the unit of comparison considered being the most applicable is then applied to the subject for an indication of value by the Sales Comparison Approach to Value. The method of comparison utilized in this analysis involves a price-per-square-foot of building area. The chart on the following page provides a summary of the sale and/or listing comparables which were given consideration in my estimation of value for the subject property.

Market Data Summary – Comparable Building Sales



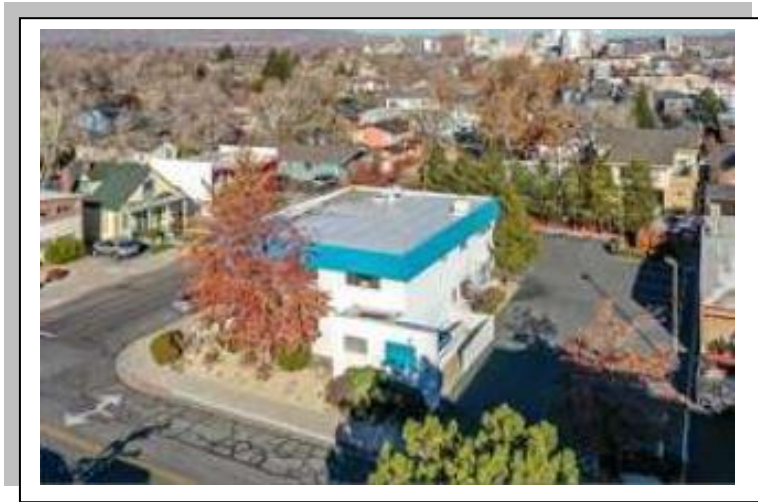
COMPARABLE #1

6119 Ridgeview Drive, Reno				
Building Description:	Two Story Office			
Construction Quality:	Average	Condition:	Average	
Effective Age:	30	Year Built:	1990	
Building Size:	8,265 SF			
APN	042-221-16			
Parking:	30 On-Site	Zoning:	PO	
Date of Sale:	11/09/2023	Sales Price/Per SF:	\$2,000,000	\$241.98 SF
Terms of Sale:	Cash	DOM:	Unknown	
3 Year Ownership History:	Prior sale was on 11/08/2022 for \$1,200,000. It is unknown if this was an open market sale.			
Information Sources:	CoStar/RealList			
Misc Comments:	This is an average condition commercial office building. This comparable needed interior renovations.			



COMPARABLE #2

5690 Riggins Court, Reno				
Building Description:	Two Story Office Building			
Construction Quality:	Average	Condition:	Average	
Effective Age:	25	Year Built:	1995	
Building Size:	16,000 SF			
APN	025-553-01			
Parking:	100 On-Site	Zoning:	MU CC	
Date of Sale:	03/11/2022	Sales Price/Per SF:	\$3,175,000	\$198.44 SF
Terms of Sale:	Cash	DOM:	Unknown	
3 Year Ownership History:	Prior sale was on 03/18/2005 for \$1,900,000.			
Information Sources:	CoStar/RealList			
Misc Comments:	This is an average condition commercial office building that is reported to have been well maintained with a newer roof and extended warranty HVAC units.			



COMPARABLE #3

99 W Arroyo Street, Reno				
Building Description:	Two Story Office Building			
Construction Quality:	Average	Condition:	Average	
Effective Age:	30	Year Built:	1959	
Building Size:	7,290 SF			
APN	014-125-15			
Parking:	21 On-Site	Zoning:	MU SV	
Date of Sale:	04/13/2022	Sales Price/Per SF:	\$1,475,000	\$202.33 SF
Terms of Sale:	Conventional	DOM:	Unknown	
3 Year Ownership History:	Prior sale was on 07/03/1996 for \$375,000.			
Information Sources:	CoStar/RealList			
Misc Comments:	This is an average condition commercial office building.			



COMPARABLE #4

2725 Yori Avenue, Reno				
Building Description:	Two Adjoined Office Buildings			
Construction Quality:	Average	Condition:	Average	
Effective Age:	20	Year Built:	1983	
Building Size:	6,072 SF			
APN	020-212-03/13			
Parking:	7 On-Site	Zoning:	MU	
Date of Sale:	Pending Sale	Sales Price/Per SF:	\$1,295,000	\$213.27 SF
Terms of Sale:	Pending Sale	DOM:	73	
3 Year Ownership History:	Prior sale was on 07/08/2022 for \$915,000.			
Information Sources:	CoStar/RealList/Loopnet			
Misc Comments:	This is comparable was renovated in 2023 and has a fenced and gated front parking area.			

Sales Comparison Approach to Value Summary

Comparable Sale Adjustments

Property Rights

Accounts for leased fee, fee simple, leasehold, partial interest, etc. A transaction price is predicated on the real property interests conveyed. Many types of real estate, particularly income producing properties, are sold subject to existing leases. The revenue generating potential of a property is fixed or limited by the terms of an existing lease. In the valuation process, adjustments must be made to reflect the difference between contract rent and market rent and how this difference affects the property price. The rights appraised herein pertain to the Fee Estate. The closed sales were Fee Simple estate; no adjustments are warranted.

Financing

Accounts for seller financing, or assumption of existing financing, at non-market terms. Adjustments for financing terms are warranted when a property is purchased using nonmarket financing arrangements. Non-market financing can include seller carried notes or assumable loans with interest rates below terms currently achievable. Consideration was given to the influence of financing terms and arrangements.

The financing terms appeared to be market oriented and equivalent to cash, hence no adjustments are applied.

Conditions of Sale

Accounts for extraordinary motivation of buyer or seller. An adjustment is warranted for condition of sale when a transaction involves atypical motivations that affect the price of the property.

We did not obtain any information which suggests distressed seller conditions or other unusual circumstances that would affect the property sales. No adjustments were warranted for sale conditions.

Economic Trends

Accounts for changes in the economic environment over time that affect the appreciation and depreciation of real estate.

Comparable 1 sold in 2023. Comparables 2 and 3 sold in 2022 and comparable 4 is a pending sale. The overall lack of comparable activity from within the Reno market area left little to no data for market sub segmented data. No adjustments are supported.

Location

Accounts for market or submarket area influences on sale price; surrounding land use influences. The economic location adjustment is a percentage adjustment that is estimated by reviewing income demographics by area.

The subject and comparables are located within the Reno market

No adjustments were applied.

Age/Condition

Accounts for effective age; physical condition. Adjustments are required to reflect differences in age and condition of the building that affect the price of real estate. Typically age and condition are directly related, and an adjustment is appropriate because a buyer will make a deduction for increased age or unusual levels of depreciation.

The subject building improvements were constructed in 1959, based on public record and appears to be in average condition. It is reported that it will need an HVAC system and the roof has been coated and estimated to last an additional 10 years. The property may have some stigmatism (market acceptance) due to its historical use as a coroner's office. The stigmatism will depend on the buyer, and the buyers planned use.

The building improvements for Comparable 1 was constructed in 1990 according to public record and was sold in average condition needing interior renovations.

The building improvements for Comparable 2 was constructed in 1995 according to public record and was sold in average condition with a newer roof and warranty HVAC units.

The building improvements for Comparable 3 was constructed in 1959 according to public record and was sold in average condition.

The building improvements for Comparable 4 was constructed in 1983 according to public record and is in contract in average/updated condition.

GBA

Accounts for inverse relationship that often exists between building size and unit value. Typically, the price per square foot of a smaller building will be higher than the sales price per square foot of a larger building. This assumption is based upon the principle of “economy of scale”, which is predicated upon the inverse relationship between size and price. Consequently, the smaller the size of a building, the higher the price per square foot. Adjustments for size are considered when there is a wide range in size between the comparable sales and the subject’s building size.

The subject GBA is 7,509 SF 1st Floor & 7,509 SF Basement (15,018 SF total)

The GBA for Comparable 1 is 8,265 SF.

The GBA for Comparable 2 is 16,000 SF.

The GBA for Comparable 3 is 7,209 SF.

The GBA for Comparable 4 is 6,072 SF.

Weighted adjustments are applied, using advice from local brokers.

Parking Adequacy

The subject and comparables 1, 2 and 3 have adequate off street parking. A weighted upward adjustment is made for comparable 4.

Road Frontage/ Access/Exposure

The subject is located in the heart of the medical district, a corner location and close to the hospital.

Comparable 1 is an interior lot in a court.

Comparable 2 has visibility from Airway Drive, but not direct access.

Comparable 3 is an interior lot in a court.

Comparable 4 is a corner lot.

Weighted adjustments are applied.

Site Size

The subject site size is 0.5556 Acres.

Comparable 1 site size is 0.605 Acres.

Comparable 2 site size is 1.002 Acres.

Comparable 3 site size is 0.321 Acres.

Comparable 4 site size is 0.1653 Acres.

Weighted adjustments were applied.

Quality

All the comparables appear to be of similar construction quality, relative to that of the subject; no adjustments were made.

Comparable Analysis

Comp	Address	Sales Date	Sales Price	Price Per SF	GBA SF	Land AC
C-1	6119 Ridgeview Dr	11/13/2023	\$2,000,000	\$241.98	8,265	0.605
C-2	5690 Riggins Ct	03/11/2022	\$3,175,000	\$198.44	16,000	1.002
C-3	99 W Arroyo St	04/13/2022	\$1,475,000	\$202.33	7,290	0.321
C-4	2725 Yori Ave	Pending Sale	\$1,295,000	\$213.27	6,072	0.1653
Subject	10 Kirman Avenue	~	~	~	7,509 7,509	0.5556

Comparable Analysis

Comparable Value Ranges & Reconciled Value				
Number of Comparables:	4	Unadjusted	Adjusted	%Δ
	Low:	\$198.44	\$198.44	0%
	High:	\$241.98	\$241.98	0%
	Average:	\$214.00	\$214.00	0%
	Median	\$207.80	\$207.80	0%
	Reconciled Value/Unit Value:		\$175.00	
	Subject Size:		15,018	
	Indicated Value:		\$2,628,150	
	Reconciled Final Value:		\$2,600,000	

All adjustments were made in price per square foot. Weighted adjustments were made using market reaction. Most weight is placed on our average and median sales prices for the 1st floor space of the subject. The subject basement area will have less market reaction and the final price per square foot is weighted between these two values (also pushed to the lower end of the range due to the subject property use history)

Accordingly, a final value indicator via the Sale Comparison Approach to Value is;

“As-Is”:

Price per Square Foot \$175.00 X 15,018 SF = **\$2,628,150**

Rounded To: \$2,600,000

Conclusion

The appraisal assignment involved the Fee Simple Interest valuation of the subject “As-Is” condition. As discussed in more detail within the valuation section of this report, our valuation analysis utilized two of the three standard approaches to value – the Income Approach to Value and the Sales Comparison Approach to Value. The Cost Approach to Value was not utilized due to 1.) the lack of recent sales of vacant land which were considered to be highly comparable to the subject and 2.) the fact that very few buyers and sellers in the local and regional marketplace ever place any weight on the Cost Approach to Value in their determination of a sale or acquisition price on this type of commercial property. **Note: In accordance with USPAP Standards rule 2-2 (a), the Cost Approach may be omitted if its development would not influence the final value conclusion; or if insufficient data is available with respect to establishing a reliable estimate of market value for the land under appraisal.** It is understood that this appraisal is to be a **Full Narrative Appraisal – Summary Report**.

The final value estimate was premised on the assumption that the subject property would sell in a Six to Ten-month marketing period. Although recent sales of highly comparable commercial projects are somewhat limited in the local marketplace, this marketing period has been based on limited sales activity involving somewhat similar commercial properties in the Reno marketplace, using Costar data.

The Fee Simple (“as-is”) value indications from each of the utilized approaches to value are as depicted below:

“As-Is”

Income Approach to Value:	\$2,650,000
Sales Comparison to Value:	\$2,600,000

In the Income Approach to Value, potential gross annual income is well supported by a rental survey of comparable facilities in the local marketplace. Although our subject is currently vacant with a small portion as owner occupied, rents were derived from the market and capitalization rate applied to the proforma occupancy. The overall capitalization rate utilized is based on market data analysis and is relatively well supported by recent sales of other office properties. Since the income producing capability of the property would be of substantial concern to a potential investment purchaser, the Income Approach to Value has been given substantial weight in the final value estimate for the subject as an investment grade property.

In the Sales Comparison Approach to Value, adequate market data was available relating to sales and/or listings of relatively comparable office buildings in the Reno marketing areas. However, due to the numerous (and sometimes very subjective) adjustments required for such items as location, age, condition, quality of construction and finished office ratios tend to reduce the reliability of this approach. Therefore, the Sales Comparison Approach to Value has also been given supporting weight within the context of this analysis.

Therefore, based on the foregoing analysis, placing substantial weight on the Income Approach to Value, the estimated market value for the Fee Simple interest (“as-is”) in the subject property, as of July 18, 2024, is as depicted below:

“As-Is” Value:

**TWO MILLION SIX HUNDRED THOUSAND DOLLARS
(\$2,600,000)**

Aerial Photograph



Market Data

Sales

Downtown Office

There have been 26 sales in the Downtown office submarket over the past year, amounting to \$42.7 million of volume and 210,000 SF of stock. These sales have averaged \$215/SF, which is greater than the estimated submarket price of \$168/SF.

During this time, trailing one-year price per SF averages were as high as \$286/SF and as low as \$124/SF.

Over the past three years, Downtown has averaged 35 sales per year, \$47.6 million of volume per year, and 360,000 SF of stock per year.

The 3 Star buildings traded for \$36.0 million, or \$208/SF on average. The 1 & 2 Star buildings traded for \$6.6

million, or \$270/SF on average.

The submarket's current transaction cap rate stands at 7.1%, above the Reno market average of 6.3%.

Over the past three years, transaction cap rates have averaged 6.3%.

The market cap rate, or the estimated cap rate for all buildings in the submarket, is 9.7%, above the Reno market average of 9.1%. Within Downtown, 4 & 5 Star buildings have a market cap rate of 10.1%, 3 Star buildings have a market cap rate of 9.8%, and 1 & 2 Star buildings have a market cap rate of 9.3%.

Overview

Reno Office

12 Mo Deliveries in SF	12 Mo Net Absorption in SF	Vacancy Rate	Market Asking Rent Growth
7.5K	139K	8.6%	1.5%

Reno has not been immune to the slowing office market plaguing many metros, with negative demand in two of the past four years. Net absorption fell to 140,000 SF. The negative figure is tied to activity in 23Q1, with positive figures for the rest of the year failing to offset the total. The number of lease deals remains the same, with 46 deals of 5,000 SF or more closing in 2023, the same as the average from 2017-19. The largest lease of the year was a 78,000-SF renewal by Cleaner's Supply at 46 Isidor Ct. in Sparks for an additional ten years. The result is a rising vacancy rate, which has increased to 8.6%, but a comparable number of tenants in the marketplace.

Unfortunately, a demand reduction is poorly timed, with 7,500 SF of deliveries over the past year, increasing the vacancy rate to 8.6%. An additional 370,000 SF is underway, expanding the Reno office market by 2.1%. Inventory rated 4 & 5 Star comprises nearly half of the under-construction total, increasing the inventory base in this segment by 11.5%.

Reno remains positioned as a cost leader for tenants looking to relocate. Average rents are only \$25.00/SF, a significant discount to national averages of \$36.00/SF. Rent growth of 1.5%, helped by reasonably low vacancy, is strong compared to national levels of only 0.9%.

Sales slowed during the year, resulting in sales volume of \$136 million from 84 transactions over the past 12 months, approximately half of the five-year average. Sales of large office inventory were rare before the downward shift in market dynamics and are increasingly unlikely, as investors and lenders are generally unwilling to take significant positions in that sector. A large proportion of locally focused office users in the market will help to insulate Reno from the full fallout in the office sector. However, the shift among office users to utilize a smaller footprint has yet to work through the market. The hope is that the last leases to sign before the pandemic will expire this year, and office users may slowly start to expand again.

Source: CoStar

Appraiser's Resume

Gary G. Young SCREA

Candidate For Designation-Appraisal Institute



Certified General Real Estate Appraiser

- State of California Certified General Estate Appraiser License #AG033542
- State of Nevada Certified General Real Estate Appraiser License #A.0207799-CG
- State of Arizona Certified General Real Estate Appraiser License CGA-1033616
- State of Florida-Pending

Appraisal Institute Candidate for Designation

Granite Appraisal Group

California - Nevada - Arizona

- Chief Appraiser

Broker: Granite Real Estate/Granite R.E. Commercial

- State of California Licensed Real Estate Broker #01493247

Managing Broker: Grace Capital

- Private Money Lender

Right of Way Appraiser

- Right of Way/Easement Services, State/Federal Projects & California High Speed Rail Project.

Instructor & Appraisal/Real Estate Course Development/Writer

- On-line and Classroom

Appraisal Valuation Expert Testimony & Court Preparation

- Recognized in the California Superior Court System

United States Department of Justice

- Yellow Book Valuations and Review

Short List of Clients

- | | |
|------------------------------------|-----------------------------|
| ✓ Nevada County | ✓ City of Redlands |
| ✓ Clark County School District | ✓ Nevada State Lands |
| ✓ San Bernardino Housing Authority | ✓ Yuba County |
| ✓ USDA | ✓ City of Turlock |
| ✓ City of Auburn | ✓ Carmichael Water District |
| ✓ Cal Fire | ✓ Head Start |
| ✓ City of Lincoln | ✓ Sacramento County |

Gary G. Young SCREA

Certified General Real Estate Appraiser
California License AG01493247
Arizona License CGA-1033616
Nevada License A.0207799-CG



California Licensed Real Estate Broker

Real Estate Related Schools:

Appraisal Institute
California School of Real Estate
Appraisal Training School
Allied School of Real Estate
McKissock School of Real Estate Appraisal
Kaplan Professional School
Sierra College
Professional Telesales School
John Neider School for Presentations and Speeches.

Real Estate Related Experience:

35+ years of Commercial Property Management
Commercial Real Estate Sales and Brokerage Operations
Commercial Valuation
Distressed Commercial Property Valuation
Right of Way/Easement Valuations
35+ years of Residential and Commercial Property Valuation
Residential Development/Subdivision Map Development Valuations
Residential Real Estate Sales and Brokerage Operations
Distressed 1 to 4 Unit Property Valuation and Sales
Forensic Appraisal
Expert Testimony, Court and Deposition Preparation.
Appraisal Course Development and Instruction
California High Speed Train Project
Department of Justice-Yellowbook Appraisal

Member:

National Association of Realtors Commercial Alliance, Placer County Association of Realtors, CRMLS, California Association of Realtors, National Association of Realtors. Appraisal Institute.

SCREA:

The Financial Institutions Reform, Recovery and Enforcement Act(FRREA) of 1989 requires all states to institute a licensing and certification program for appraisers conducting appraisals for federally related real estate transactions. In compliance with FIRREA, the Office of Real Estate Appraisers (OREA) was established by the State of California. The title "State Certified Real Estate Appraiser" was awarded by the OREA to individuals who have successfully met the minimum requirements for certification. This renewable license authorizes the appraiser to complete appraisals of all real estate transactions without regard to transaction value or complexity.

Appraiser's License

APPRAISER CERTIFICATE

STATE OF NEVADA DEPARTMENT OF BUSINESS AND INDUSTRY

NOT TRANSFERABLE

REAL ESTATE DIVISION

NOT TRANSFERABLE

This is to Certify That : GARY G YOUNG

Certificate Number: A.0207799-CG

Is duly authorized to act as a CERTIFIED GENERAL APPRAISER from the issue date to the expiration date at the business address stated here in, unless the certificate is sooner revoked, cancelled, withdrawn, or invalidated.

Issue Date: October 25, 2022

Expire Date: November 30, 2024

In witness whereof, THE DEPARTMENT OF BUSINESS AND INDUSTRY, REAL ESTATE DIVISION, by virtue of the authority vested in Chapter 645C of the Nevada Revised Statutes, has caused this Certificate to be issued with its Seal printed thereon. This certificate must be conspicuously displayed in place of business.

FOR: GRANITE APPRAISAL GROUP
553 MILL RD
AUBURN, CA 95603

REAL ESTATE DIVISION

SHARATH CHANDRA
Administrator



Glossary

This glossary contains the definitions of common words and phrases, used throughout the appraisal industry, as applied within this document. Please refer to the publications listed in the **Works Cited** section below for more information.

Works Cited:

- Appraisal Institute. *The Appraisal of Real Estate*. 13th ed. Chicago: Appraisal Institute, 2008. Print.
- Appraisal Institute. *The Dictionary of Real Estate Appraisal*. 5th ed. 2010. Print.
- Appraisal Institute. *The Dictionary of Real Estate Appraisal*. 7th ed. 2022. Print.

Band of Investment

A technique in which the capitalization rates attributable to components of a capital investment are weighted and combined to derive a weighted-average rate attributable to the total investment. (Dictionary, 5th Edition)

Common Area

1. The total area within a property that is not designed for sale or rental but is available for common use by all owners, tenants, or their invitees, e.g., parking and its appurtenances, malls, sidewalks, landscaped areas, recreation areas, public toilets, truck and service facilities.
2. In a shopping center, the walkways and areas onto which the stores face and which conduct the flow of customer traffic. (ICSC) (Dictionary, 5th Edition)

Common Area Maintenance (CAM)

1. The expense of operating and maintaining common areas; may or may not include management charges and usually does not include capital expenditures on tenant improvements or other improvements to the property.
 - CAM can be a line-item expense for a group of items that can include maintenance of the

parking lot and landscaped areas and sometimes the exterior walls of the buildings.

- CAM can refer to all operating expenses.
- CAM can refer to the reimbursement by the tenant to the landlord for all expenses reimbursable under the lease. Sometimes reimbursements have what is called an administrative load. An example would be a 15% addition to total operating expenses, which are then prorated among tenants. The administrative load, also called an administrative and marketing fee, can be a substitute for or an addition to a management fee.

2. The amount of money charged to tenants for their shares of maintaining a center's common area. The charge that a tenant pays for shared services and facilities such as electricity, security, and maintenance of parking lots. The area maintained in common by all tenants, such as parking lots and common passages. The area is often defined in the lease and may or may not include all physical area to be paid for by all

tenants. Items charged to common area maintenance may include cleaning services, parking lot sweeping and maintenances, snow removal, security, and upkeep. (ICSC) (Dictionary, 5th Edition)

3.

Debt Coverage Ratio (DCR)

The ratio of net operating income to annual debt service ($DCR = NOI/Im$), which measures the relative ability of a property to meet its debt service out of net operating income; also called debt service coverage ratio (DSCR). A larger DCR indicates a greater ability for a property to withstand a downturn in revenue, providing an improved safety margin for a lender. (Dictionary, 5th Edition)

Discount Rate

A yield rate used to convert future payments or receipts into present value; usually considered to be a synonym for yield rate. (Dictionary, 5th Edition)

Effective Age

The age of property that is based on the amount of observed deterioration and obsolescence it has sustained, which may be different from its chronological age. (Dictionary, 5th Edition)

Effective Date

1. The date on which the analyses, opinion, and advice in an appraisal, review, or consulting service apply.
2. In a lease document, the date upon which the lease goes into effect. (Dictionary, 5th Edition)

Exposure Time

1. The time a property remains on the market.

2. The estimated length of time 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 estimate based on an analysis of past events assuming a competitive and open market. (Dictionary, 5th Edition)

External Obsolescence

An element of depreciation; a diminution in value caused by negative externalities and generally incurable on the part of the owner, landlord, tenant. (Dictionary, 5th Edition)

Extraordinary Assumption

An assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions. Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property such as market conditions or trends; or about the integrity of data used in an analysis. (USPAP, 2010-2011 ed.) (Dictionary, 5th Edition)

Fee Simple Estate

Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat. (Dictionary, 5th Edition)

Functional Obsolescence

The impairment of functional capacity of a property according to market tastes and standards. (Dictionary, 5th Edition)

Fee Simple Estate or the Leased Fee

Estate. Based upon the definitions from the Dictionary of Real Estate Appraisal when a subject is encumbered by a lease, the leased fee property rights should be analyzed. This is closely tied to the Highest and Best Use analysis. In the development and analysis for the Income Approach to Value may, and often times aligns with current market conditions, of Fee Simple Estate. Therefore, the leased fee estate value is equal to the fee simple estate, but the property rights are appraised. Often a lender wants to hold a note on a Fee Simple Estate and tasks the appraiser with a Fee Simple estimate of value. This is a Scope of Work and assignment condition.

Functional Utility

The ability of a property or building to be useful and to perform the function for which it is intended according to current market tastes and standards; the efficiency of a building's use in terms of architectural style, design and layout, traffic patterns, and the size and type of rooms. (The Appraisal of Real Estate, 13th Edition)

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 region. (Dictionary, 5th Edition)

Gross Leasable Area (GLA)

Total floor area designed for the occupancy and exclusive use of tenants,

including basements and mezzanines; measured from the center of joint partitioning to the outside wall surfaces. (Dictionary, 5th Edition)

Highest & Best Use

The reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity. Alternatively, the probable use of land or improved property—specific with respect to the user and timing of the use—that is adequately supported and results in the highest present value. (Dictionary, 5th Edition)

Highest and Best Use of Land or a Site as Though Vacant

Among all reasonable, alternative uses, the use that yields the highest present land value, after payments are made for labor, capital, and coordination. The use of a property based on the assumption that the parcel of land is vacant or can be made vacant by demolishing any improvements. (Dictionary, 5th Edition)

Highest and Best Use of Property as Improved

The use that should be made of a property as it exists. An existing improvement should be renovated or retained as is so long as it continues to contribute to the total market value of the property, or until the return from a new improvement would more than offset the cost of demolishing the existing building and constructing a new one. (Dictionary, 5th Edition)

Hypothetical Condition

That which is contrary to what exists but is supposed for the purpose of analysis. Hypothetical conditions assume conditions contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis. (Dictionary, 5th Edition)

Gross Lease

A lease in which the landlord receives stipulated rent and is obligated to pay all the properties operating and fixed expenses. Also called *Full Service Lease*. (Dictionary, 7th Edition)

Leased Fee Interest

A freehold (ownership interest) where the possessory interest has been granted to another party by creation of a contractual landlord-tenant relationship (i.e., a lease). (Dictionary, 5th Edition)

Market Area

The area associated with a subject property that contains its direct competition. (Dictionary, 5th Edition)

Market Rent

The most probably rent that a property should bring is a competitive and open market reflecting all conditions and restrictions of the lease agreement, including permitted uses, use restrictions, expense obligations, term, concessions, renewal and purchase options, and tenant improvements (TIs). (Dictionary, 5th Edition)

Market Value

The major focus of most real property appraisal assignments. Both economic

and legal definitions of market value have been developed and refined.

1. The most widely accepted components of market value are incorporated in the following definition: The most probable price that the specified property interest should sell for in a competitive market after a reasonable exposure time, as of a specified date, in cash, or in terms equivalent to cash, under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably, for self-interest, and assuming that neither is under duress.
2. Market value is described in the Uniform Standards of Professional Appraisal Practice (USPAP) as follows: A type of value, stated as an opinion, that presumes the transfer of a property (i.e., a right of ownership or a bundle of such rights), as of a certain date, under specific conditions set forth in the definition of the term identified by the appraiser as applicable in an appraisal. (USPAP, 2010-2011 ed.) USPAP also requires that certain items be included in every appraisal report. Among these items, the following are directly related to the definition of market value:
 - Identification of the specific property rights to be appraised.
 - Statement of the effective date of the value opinion.
 - Specification as to whether cash, terms equivalent to cash, or other precisely described financing terms are assumed as the basis of the appraisal.
 - If the appraisal is conditioned upon financing or other terms, specification as to whether the financing or terms are at, below,

or above market interest rates and/or contain unusual conditions or incentives. The terms of above—or below—market interest rates and/or other special incentives must be clearly set forth; their contribution to, or negative influence on, value must be described and estimated; and the market data supporting the opinion of value must be described and explained.

3. The following definition of market value is used by agencies that regulate federally insured financial institutions in the United States: The most probable price that a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and the seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- Buyer and seller are typically motivated;
- Both parties are well informed or well advised, and acting in what they consider their best interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. (12 C.F.R. Part 34.42(g); 55 Federal

Register 34696, August 24, 1990, as amended at 57 Federal Register 12202, April 9, 1992; 59 Federal Register 29499, June 7, 1994)

The International Valuation Standards Council defines market value for the determination of reasonable exposure and marketing time). (Dictionary, 5th Edition)

Modified Gross Lease

A lease in which the landlord receives stipulated rent and is obligated to pay some, but not all of the properties 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. (Dictionary, 7th Edition)

Net Operating Income (NOI)

The actual or anticipated net income that remains after all operating expenses are deducted from effective gross income but before mortgage debt service and book depreciation are deducted. (Dictionary, 5th Edition)

Obsolescence

One cause of depreciation; an impairment of desirability and usefulness caused by new inventions, changes in design, improved processes for production, or external factors that make a property less desirable and valuable for a continued use; may be either functional or external. (Dictionary, 5th Edition)

Parking Ratio

A ratio of parking area or parking spaces to an economic or physical unit of

comparison. Minimum required parking ratios of various land uses are often stated in zoning ordinances. (Dictionary, 5th Edition)

Rentable Area

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. (Dictionary, 5th Edition)

Replacement Cost

The estimated cost to construct, at current prices as of the effective appraisal date, a substitute for the building being appraised, using modern materials and current standards, design, and layout. (Dictionary, 5th Edition)

Scope of Work

The type and extent of research and analyses in an assignment. (Dictionary, 5th Edition)

Stabilized Occupancy

An expression of the expected occupancy of a property in its particular market considering current and forecasted supply and demand, assuming it is priced at market rent. (Dictionary, 5th Edition)

Tenant Improvements (TIs)

1. Fixed improvements to the land or structures installed and paid for use by a lessee.
2. The original installation of finished tenant space in a construction project; subject to periodic change for succeeding tenants. (Dictionary, 5th Edition)

Triple Net Lease

Net Net Net Lease, A type of net lease. In some markets, a net net net lease is defined as a lease in which the tenant assumes all expenses (fixed and variable) of operating a property except that a landlord is responsible for structural maintenance, building reserves and management. (Dictionary, 7th Edition). In some markets the tenant is responsible for all expenses of the property (fixed and variable).

Vacancy and Collection Loss

A deduction from potential gross income (PGI) made to reflect income reductions due to vacancies, tenant turnover, and non-payment of rent; also called vacancy and credit loss or vacancy and contingency loss. Often vacancy and collection loss is expressed as a percentage of potential gross income and should reflect the competitive market. Its treatment can differ according to the interest being appraised, property type, capitalization method, and whether the property is at stabilized occupancy. (Dictionary, 5th Edition)