

APPRAISAL OF A:

CBS OFFICE BUILDING

LOCATED AT:

4800 N Federal Hwy.
Fort Lauderdale, FL 33308

PREPARED FOR:

David Desmond
City of Ft. Lauderdale General Employees' Retirement System
316 NE 4th St., Ste. 2
Fort Lauderdale, FL 33301

AS OF:

September 16, 2010

PREPARED BY:

Craig Butterfield
State Certified General Appraiser
FL License # RZ 1063

&

ASSISTED BY:

Joey Tavormina
State Certified Residential Real Estate Appraiser
FL License # RD-3807

&

Paul Ameris
State Certified Residential Real Estate Appraiser
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Craig H. Butterfield

State Certified General Appraiser # RZ - 1063

P.O. Box 222673

Hollywood, Florida 33022

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North Florida: 904-766-9067

October 18, 2010

David Desmond
City of Ft. Lauderdale General
Employees' Retirement System
316 NE 4th St., Ste. 2
Fort Lauderdale, FL 33301

Ref: Real Estate Appraisal on
Property located at:
4800 N Federal Hwy.
Fort Lauderdale, FL 33308
File No. 8812.1U

Dear Mr. Desmond,

As instructed, an appraisal report has been completed on the above property. The objective of this report is to establish an opinion of market value as of September 16, 2010, the date of inspection.

The subject property consists of a CBS office building located at:

4800 N Federal Hwy., Fort Lauderdale, FL 33308 and is legally known as:

CORAL RIDGE COUNTRY CLUB ADD NO 1 40-18 B LOT 7 LESS N 24 BLK 4

Based upon our analysis it was concluded that the Opinion of Market Value of the subject property in fee simple, is:

One Million Seven Hundred Forty Thousand (\$1,740,000) Dollars

The appraisers certify they have no interest, past or present in the subject premises, and that our conclusion of value is based on professionally accepted techniques and methods and further, that our fee is not contingent upon any specific finding. The conclusion of value is also subject to our standard limiting conditions, attached.



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Estate Appraiser # RZ-1063

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CERTIFICATION

The undersigned hereby certify (ies), to the best of his/her or our knowledge and belief:

He/she/or we have/has relied on statements of facts furnished to him/her or us by others and has performed no independent verification of any facts except as specifically set forth in the report. However, to the best of his knowledge and belief, the statement of facts in this report, upon which the analyses, opinions and conclusions expressed herein are based, are true and correct.

The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and they are that of the appraiser (s) and/or his, theirs or its employees or personal, unbiased professional analyses, opinions, and conclusions.

The appraiser and/or his, theirs or its employees have no (or the specified) present or prospective interest in the property that is the subject of this report, and that the parties to this report and his or its employees have no personal interest or bias with respect to the parties involved.

The compensation is not contingent upon the reporting of a predetermined value or direction of value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event. Neither our employment nor our compensation for preparing this report is in anyway contingent upon the conclusions reported herein.

The analysis, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice. Furthermore, no one other than the undersigned prepared the analysis, opinions, or conclusions concerning Real Estate that are set forth in this appraisal report.



Craig H. Butterfield
State Certified General Real
Estate Appraiser # RZ-1063

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CERTIFICATE OF VALUE

WE HEREBY CERTIFY:

The appraiser (s) preparing this report and or his, theirs or its employees prepared the analysis, conclusions and opinions concerning real estate values that are set forth in this Appraisal Report.

That to the best of our knowledge and belief, the statements of fact contained in this appraisal, upon which the analysis, opinions and conclusion expressed herein are based, are true and correct.

That neither our employment nor our compensation for making this report, are in any way contingent upon values reported herein.

That this report has been made in conformity with and is subject to the requirements of the Code of Professional Conduct of the Appraisal Institute Inc.

The scope of our assignment was to value the property hereinafter described and delineated.

That we have no direct or indirect, present or contemplated future personal interest in such property or in any way benefit from the sale of the subject.

Assistance on the report was provided by Joey Tavormina, a State Certified Residential Appraiser RD-3807, who photographed and sketched the subject property and photographed the sales comparables Paul Ameris, State Certified Residential Appraiser FL License # RD-4354 who photographed the rentals. Based upon our independent appraisal and the exercise of our professional judgment it was concluded the Current Opinion of Market Value of the subject property in fee simple as of September 16, 2010 is:

One Million Seven Hundred Forty Thousand (\$1,740,000) Dollars

Respectfully submitted,



Craig H. Butterfield
State Certified General Real
Estate Appraiser # RZ-1063

SUMMARY OF SALIENT FACTS AND CONCLUSIONS

Valuation Date: September 16, 2010

Location: 4800 N Federal Hwy.
Fort Lauderdale, FL 33308

Property Type: CBS Office Building

Property Owner: CITY FT LAUD/GENERAL EMPLOYEES RETIREMENT S

Property Rights Appraised: Fee Simple Interest

Property Tax ID #: 49-42-24-08-0810

Year 2010 Assessment:

FOLIO NUMBER	BUILDING	LAND	TOTAL	TAX AMOUNT
49-42-24-08-0810	\$1,789,580	\$485,320	\$2,274,900	\$9,994.62

Building Improvements: The subject property consists of a CBS office building with tar and gravel roof and contains approximately 15,603 +/- SF of office space.

Year Built: 1976

Site Data: 22,060 +/- SF

Zoning: B-1- BOULEVARD BUSINESS

Highest and Best Use: The properties' highest, best, and most probable use is a usage as allowable, by zoning i.e. (office building) or other as permissible.

COST APPROACH	Considered, but not applied
DIRECT SALES COMPARISON	\$1,710,000
INCOME APPROACH	\$1,770,000
FINAL CONCLUSION OF VALUE	\$1,740,000

Estimated Marketing Time: Six months to one year

Conditions: This appraisal is subject to the *General Assumptions & Limiting Conditions, and Certificate of Appraisal* included herein.

ASSUMPTIONS AND LIMITING CONDITIONS

The value conclusions and the certification within this report are made expressly subject to the following assumptions and limiting conditions in this report, which are incorporated herein by reference.

1. No responsibility is accepted for matters legal in nature; titles are presumed to be good and assumed to be held in fee simple. All existing liens and encumbrances, if any, have been disregarded (unless otherwise stipulated within the report) and the property is appraised as though free and clear, under competent ownership and management.
2. The legal description and site drawings furnished (if provided) are assumed to be correct.
3. The maps and sketches are included to assist the reader (if provided). Unless a survey of the property has been provided, no responsibility, whatsoever, in connection with such matters will be recognized.
4. It is assumed that the project herein set forth is an allowable use under the zoning, and is further considered its highest and best use.
5. The land and soil of the area under the appraisal appears firm and solid. The analyst was not supplied with an engineering survey and under this condition this appraisal does not warrant this condition.
6. Existing buildings involved in this appraisal report have been inspected and damage, if any, by termites, dry rot, wet rot, or other infestations have been reported if discovered as a matter of information but no guarantee of the amount or degree of damage is intended.
7. In this appraisal of existing improvements, the physical condition of the improvements was based on visual inspections. No liability is assumed for the soundness of structural members since no engineering tests were made.
8. All furnishings and equipment, except those specifically indicated and typically considered as part of real estate, have been disregarded. Only the real estate has been considered.
9. Information furnished by others including comparable sales data is believed to be reliable, but the appraiser assumes no responsibility for its accuracy.
10. The fees received for preparation of this report were not contingent upon the final value estimate.
11. The appraiser is not required to give testimony or attendance in court by reason of this appraisal with reference to the property in question, unless arrangements have been made previously thereto.
12. Possession of the reports or copies thereof, does not carry with it the right to publications nor may be used for any purpose by any but the applicant, without the written consent of the appraiser and then with the proper qualifications.
13. The valuations may not be used in conjunction with any other appraisal. The conclusions are based upon the program of utilization described herein and have not been separated into parts.
14. This appraisal has been made in accordance with the rules of professional ethics of the Appraisal Institute Inc.
15. Neither all nor any part of the contents of this report shall be conveyed to the public through advertising, public relations, news, sales, or other media, without the written consent and approval of the author, particularly as to the valuation conclusions, the identity of the appraiser or firms with which they are connected or any reference to the Appraisal Institute Inc., and /or the M.A.I. or S.R.A. designations.

ASSUMPTIONS AND LIMITING CONDITIONS (Continued)

16. The estimate of Market Value applies only to the date specified in the report. Market Value of Real Estate is affected by many related and unrelated economic conditions, local and national, which might necessarily affect the future market of the subject property. We, therefore, assume no liability for an unforeseen precipitous change in the economy, the project, region, or property.
17. Unless otherwise stated in this report, the existence of hazardous substances, including without limitation asbestos, polychlorinated biphenyls, petroleum leakage, agricultural chemicals, urea formaldehyde foam insulation, toxic waste, other contents of environmental conditions, which may or may not be present on the property has not been considered, they were not called to the attention of the Appraiser, not did the appraiser become aware of such during the Appraiser's inspection. The Appraiser has no knowledge of the existence of such materials on or in the property unless otherwise stated. The appraiser, however, is not qualified to test such substances or conditions. The value estimated is predicated on the assumption that there is no such condition on or in the property or in such proximity thereto that it would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them. An expert in this field should be retained by the property owner if deemed appropriate.
18. No environmental impact study has been ordered or made. The appraised property is assumed to be in compliance with all applicable regulations unless otherwise noted in the report.

INTRODUCTION TO THE APPRAISAL

IDENTIFICATION OF THE SUBJECT:

PROPERTY TYPE: CBS Office Building

ADDRESS: 4800 N Federal Hwy.
Fort Lauderdale, FL 33308

FOLIO NUMBER: 49-42-24-08-0810

FLOOR TO AREA RATIO: 3.1 : 1

CLIENT, PURPOSE AND FUNCTION OF THE APPRAISAL

The appraisal was requested by David Desmond on behalf of the City of Ft. Lauderdale General Employees' Retirement System. The purpose of the appraisal is to estimate an opinion of the Market Value of the fee simple interest, unencumbered for the subject property. It is our understanding the appraisal is to be used for the purpose of determining the investment value of the subject property.

PROPERTY RIGHTS/INTEREST APPRAISED

A right or interest in property is referred to as an estate. This interest may be a fee ownership interest or a lease interest for a period of years. An estate in land is the degree, nature or extent of interest, which a person has in it. An undivided ownership of a parcel of real estate embraces a great many rights such as the right to its occupancy and use; the right to sell it in whole or in part; the right to bequeath it; and the right to transfer it by contract for specified periods of time. These rights of occupancy and use are called beneficial interests. An owner who leases real estate to a tenant: transfers one of these rights in his bundle, namely the beneficial interest or the right to use or occupy to the tenant, in accordance with the provisions of the lease contract. He retains all other interest in the bundle.

In the subject instance the interest appraised herein is the market value in the fee simple. Title is assumed good and marketable. Ownership is assumed transferable and free from all encumbrances, except those specified in public records.

For an explanation of fee simple interest, we have consulted the Dictionary of Real Estate Appraisal, 3rd edition.

Fee simple interest is defined as: An absolute fee; without limitations to any particular heirs, or restrictions, but subject to the limitations of eminent domain, escheat, police power, taxation; an inheritable estate.

INSPECTIONS AND EFFECTIVE DATE OF VALUATION

The subject property was inspected on the exterior on September 16, 2010 as the final inspection date.

FORMAT AND CONTENTS

This appraisal has been prepared conforming to the minimum standards of the *Uniform Standards of Professional Appraisal Practice* (USPAP), as adopted by the appraisal foundation and the *Supplemental Standards of Professional Practice* adopted by the appraisal institute.

DEFINITION OF MARKET VALUE

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

1. Buyer and seller are typically motivated
2. Both parties are well informed or well advised, and both 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 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 the special or creative financing or sales concessions granted by anyone associated with the sale.

The definition of market value reiterates the Department of the Treasury, Office of the Comptroller of the Currency, under 12 CFR Part 34, dated August 24th, 1990. (Section 34.42 – Definitions)

DEFINITION OF AS IS MARKET VALUE

As defined in the dictionary of Real Estate Appraisal, 3rd edition, Appraisal Institute 1993: the Value of specific ownership rights to an identified parcel of Real Estate as of the effective date of the appraisal: relates to what physically exists and is legally permissible and excludes all assumptions concerning hypothetical market conditions or possible rezoning.

SCOPE OF THE APPRAISAL

An appraisal is generally defined as an estimate of value based upon the parameters of the assignment as of a specified date. The valuation of real estate is based on a process of data collection, and analysis and conclusions drawn by a third party. The purpose and data of this appraisal, along with the property rights appraised, have been previously defined.

Existing improvements are best valued through the application of the traditional approaches to value as applicable, i.e., The Cost Approach, the Sales Comparison Approach, and the Income Approach. The scope the appraiser utilized in this report was the market and income approaches which were believed most reliable.

SPECIFIC DESCRIPTIVE DATA

The undersigned have conducted a physical exterior inspection of the property.

GENERAL MARKET DERIVED DATA

Primary data to include improved sales, as well as market income and expense statistics have been obtained from various types of data, and data sources contained within our office files that is updated regularly, and from properties previously appraised.

Secondary data sources include Metroscan, Realtron, First American Data Solutions (FARES), fka ISCNET, and, commercial and investment properties published by the Board of Realtors.

SPECIFIC ECONOMIC DATA

The subject property was partially occupied as of the date of inspection.

DATA VERIFICATION

Every effort has been made to verify information obtained from secondary sources. However, in the time frame in which an appraisal is prepared, principals are not often available or do not wish to discuss information with an appraiser that is not part of the public records, knowing that some of the information might be disseminated to the general public. Therefore the data used in this appraisal is believed to be true and correct but cannot be warranted.

Data obtained from professional associates' sources often relates to properties they have personally appraised. This information is often confidential (Appraiser/Client) in nature, and may be referred to in this analysis as a general source of data with the client's permission, but retained in our files so that the confidentiality of the source is maintained, and the specific data is not disseminated to the public in a manner not authorized by the client. Verification of data may have come additionally from surveyors, closing agents, attorneys, buyers, sellers, property owners & property management companies i.e.; leasing agents and/or realtors.

ISSUES OF GROWTH MANAGEMENT AND CONCURRENCY

Concurrency is an issue that affects development in the State of Florida. According to Florida's Growth Management Act, Section 163.3177 (10) (H), Florida Statutes, "It is the intent of the legislature that public facilities and services needed to support development shall be concurrent with the impact of development".

Issues of Growth Management are not completely understood by market participants, nor are they completely understood by local government employees. The appraisers have researched the issues of Growth Management and Compact Deferral Zones, and have found that the issues have certain adverse impacts on undeveloped property as well as reconstruction and/or expansion activities on improved properties. Zones of Compact Deferral are in constant change; that is, areas are under constant review for inclusion/and or exclusion from the zones. As amplified in the following sections, the appraisers have reported these issues, and the effect (if any) on the subject as of the date of valuation, as related to the appraisers by local governments and their employees. The appraisers assume that the information they received is true and correct.

PERSONAL PROPERTY/FURNITURE, FIXTURES AND EQUIPMENT

To the best of our knowledge, the market data used in this appraisal was not impacted by the inclusion of personal property or furniture, fixtures and equipment (F F & E). The value estimated (s) for the subject excludes personal property, business equipment and FF & E. The equipment A/C, security systems, and the like referred to in this analysis is by method and attachment and function considered to be integrated components of the Real Estate and included in the overall value estimate.

MARKETING CONSIDERATIONS

Since Real Estate is a highly leveraged investment, the estimate of value contained herein is made with the assumption that some type of mortgage financing will be available or a cash transaction will result. Most types of commercial real estate have marketing periods ranging from six (6) months to a year or more. Value estimates would typically be discounted for extended marketing periods. These discounts may include deductions for holding costs or simple discounting based on the information available within the area for similar type properties.

Buyer and seller demand for a particular location and the desire to obtain same/or dispose of, are amongst many of the untold motivations that influence sellers to sell and buyer to buy in many a transaction.

COMPETENCY PROVISION

In regard to this appraisal assignment, the appraisers have complied with the “Competency Provision” of the Uniform Standards of Professional Appraisal Practice. Reference is made to the “Appraisers’ Qualifications” in the addendum of this report.

PROPERTY HISTORY AND OWNER OF RECORD

The folio # is 49-42-24-08-0810 aka, 4800 N Federal Hwy., Fort Lauderdale, FL 33308. The subject’s title is held in the name of CITY FT LAUD/GENERAL EMPLOYEES RETIREMENT S.

SALES HISTORY OF SUBJECT

PRIOR SALES: There are no prior sales of the subject property in the past three years.

OWNER of RECORD (Per Tax rolls)

Summary Details:	
Folio No.:	49-42-24-08-0810
Property:	4800 N Federal Hwy
Mailing Address:	CITY FT LAUD/GENERAL EMPLOYEES RETIREMENT S PO BOX 14250, FORT LAUDERDALE FL 33302

INTENDED USER OF THE REPORT

It is our understanding the appraisal is to be used for the purpose of determining the investment value of the subject property by David Desmond on behalf of the City of Ft. Lauderdale General Employees’ Retirement System.

SUBJECT PHOTOS

Front View of Subject



Rear View of Subject



Front & Garage View



Street Scene



NEIGHBORHOOD DESCRIPTION

DEFINITION:

A neighborhood is defined in The Appraisal or Real Estate, Eleventh Edition, copyright 1996, by the Appraisal Institute, as follows:

A neighborhood is defined as a group of complementary land uses. The relative uniformity of a neighborhood may result from similarities in:

- Physical features, and physical barriers created by either the terrain or the
- Location of major arteries
- Transportation
- Population characteristics
- Factors affecting land use and income-producing potential

Neighborhood analysis focuses on the four forces that influence value: social, economic, governmental, and environmental considerations.

Social characteristics relate to the occupant; reasons for living or working in a given neighborhood.

Economic characteristics refer to the occupant's financial ability to own or rent property and maintain or rehabilitate it.

Governmental characteristics pertain to the regulations and taxes imposed on property and the administrative machinery needed to enforce compliance.

Environmental characteristics identify any natural or manmade features that are contained in, or exert an effect on a neighborhood.

Neighborhoods may be devoted to such uses as residential, commercial, industrial, agricultural, cultural and civic activities, or a mixture of these uses. Analysis of the neighborhood in which a particular property is located is important due to the various economic, social, political, and physical forces which affect the neighborhood and also directly influence the individual properties within it. An analysis of these various factor as they affect the value of the subject property is presented in the following discussion. The analysis of the neighborhood provides a bridge between the analysis of general influences on all property values and the study of a particular subject property.

The goal of a neighborhood analysis is to determine how the operations of social, government, economic, and environmental forces influence the property value in the specific area in which the property is located. Neighborhood analysis also provides a framework or context in which property value is estimated. It identifies and limits the area available for analysis and establishes potential limits or search for data to be utilized in applying the appropriate methods of valuation.

NEIGHBORHOOD DESCRIPTION (Continued)

Identification of the Subject neighborhood enables the appraiser to determine whether comparable properties to be used in the valuation process are located inside or outside of the neighborhood. The comparable properties located in the neighborhood usually require little or no adjustment for location. Furthermore the analysis should assist the appraiser in determining levels of change or stability in a neighborhood or district. This analysis provides a basis for study of the effect of change on the stage of the life cycle evident in a neighborhood; thus helping an appraiser more accurately predict future values and land uses.

According to the Appraisal of Real Estate, 11th addition published by the American Institute of Real Estate Appraisers; a neighborhood is a group of complementary land uses as was stated earlier. A residential neighborhood for example may contain many single-family homes and commercial properties that provide services for local residents. A clear distinction can be drawn between a neighborhood and a district.

A district is a type of neighborhood that is characterized by homogeneous land use. Districts are commonly composed of apartments, commercial, industrial or agricultural properties. Neighborhood occupants usually have an observable commonality of interest. Usually a neighborhood grouping of inhabitants, buildings or business enterprises possess similar features or attributes. Therefore a neighborhood is relatively uniform.

That is, a neighborhood exhibits a greater commonality than the larger area. Consequently a specific definition of a neighborhood or a district is a grouping of complementary land uses affected by similar operations of the four forces that affect property value.

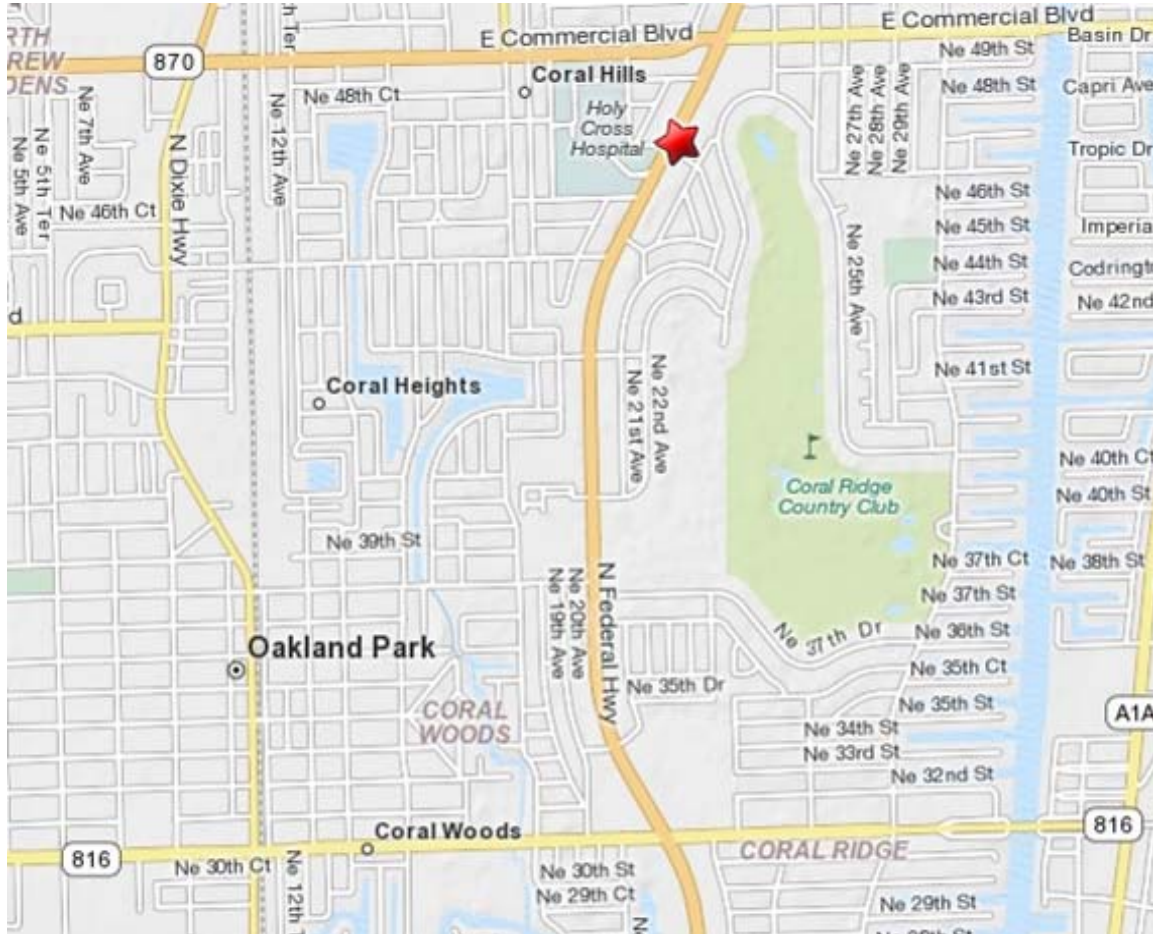
Neighborhood or district boundaries delineate the physical area that exerts relevant influence on a subject property's market value. The boundaries may coincide with changes in prevailing uses, occupant characteristics, or physical characteristics, such as structures, street patterns, terrain, vegetation and lot sizes. Because changes in natural or physical features often coincide with the change from one neighborhood area to another, features such as transportation arteries, bodies of water and changes in elevation often constitute neighborhood boundaries.

SUBJECT NEIGHBORHOOD

The neighborhood is located in Fort Lauderdale, Broward County, Florida and is surrounded primarily by mixed residential and commercial properties and property usage.

The neighborhood boundaries may be considered E. Commercial Blvd. to the north, Coral Ridge Country Club to the east, E. Oakland Park Blvd. to the south, and N. Dixie Hwy. to the west.

SUBJECT NEIGHBORHOOD MAP



ACCESS/FRONTAGE: The subject's roadway, N Federal Hwy., is a major north/south thoroughfare that provides ingress and egress to the subject property, and is commercially/industrially oriented. The subject parcel is square in shape and has approximately 124.7 feet of frontage along N Federal Hwy..

TOPOGRAPHY/SOIL CONTENT: The subject site is generally level, and appears to be lying just above the road grade with no observed drainage problems or adverse easements that would restrict or limit the use of the site. We have not been provided with soil surveys, nor subsurface analyses. However from our observations of the subject site, the surrounding developments, and Broward County geological survey maps, prepared by the Department of Environmental Protection, we have assumed that there would pose no developmental adversities.

ENVIRONMENTAL CONDITIONS: Unless otherwise stated in this report, the existence of hazardous substances, including without limitation, asbestos, polychlorinated biphenyls, petroleum leakage, or agricultural chemicals which may or may not be present on the property, or other environmental conditions, were not called to the attention of, nor did the appraiser become aware of such during the appraisers inspection. Furthermore, the appraisers are not qualified to test for such substances or conditions. We attempt to note, during our inspection of the subject property, any visual evidence of dumping, or potentially hazardous waste asbestos in improvements or underground storage tanks. We saw no such evidence during our inspection. However, if additional environmental hazards are discovered at a later time, we reserve the right to amend our value estimate.

PARKING: From a site inspection the parking appears adequate for the purpose in use for the office building, and appears that the parking is typical of comparable sales.

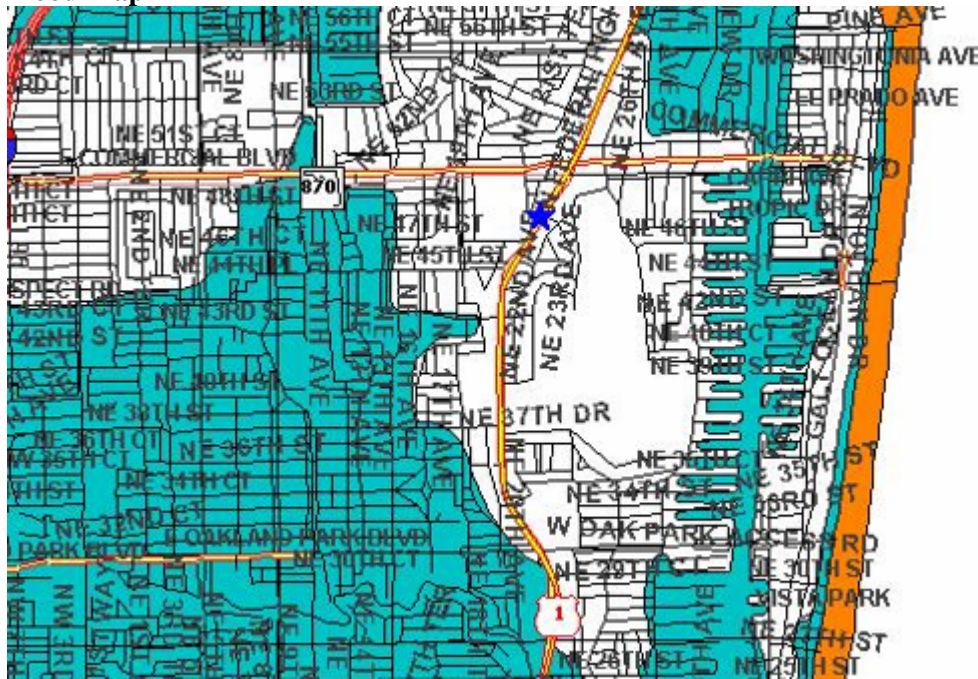
CENSUS TRACT: The subject appears to be located in Census Tract – 404.00 / 3 - Source US Census Bureau via Realquest.com.

FLOOD ZONE:

According to Floodmaps.com the subject appears to be situated in the Flood Zone as seen below:

COMMUNITY	PANEL	ZONE	DATE
125105	0209F	X	19920818

Flood Map



Aerial Map



ZONING

Zoning is the division of a jurisdiction into zones or districts. Zoning regulates land uses and related matters. Between districts regulations vary but within each district they apply uniformly to each class or kind of property. The districts separate agricultural, residential, commercial, and industrial uses so that there is a minimum of trouble caused by mixed uses.

Zoning has a direct effect on traffic and parking, congestion, slum prevention, general community and neighborhood appearance, community revenues and expenditures and property values. The kind of zoning we have in our democratic society is of recent origin, but effective zoning is indeed necessary. It is also necessary that it be well done, fully protecting appropriate public interest without unnecessarily restricting the use of property. There must be a reasonable relationship between the objectives of regulation and the regulation themselves. The purpose of planning and zoning include the following:

- To preserve and enhance present advantages, overcome present handicap and prevent or minimize future problems
- To promote, protect and improve public health, safety, comfort, good order, appearance, convenience, morals, and the general welfare
- To conserve the value of land, buildings, and resources
- To protect the character and maintain the stability of residential, agricultural, business and industrial areas and to promote the orderly development of such areas
- To guide and accomplish a coordinated, adjusted and harmonious development, which, in addition to the purposes set forth above, will contribute to efficiency and economy in the process of development.
- To lessen congestion in the streets
- To secure safety from fires, panic, and other dangers
- To provide adequate light, and air
- To prevent overcrowding of land and undue concentration of population
- To facilitate the adequate provision of transportation, water, sewage, schools and other public requirements

Zoning should group compatible uses, separating incompatible uses. Planning and zoning should establish an orderly land use pattern related to transportation facilities, utilities and other public land for the intended purposes.

Zoning assures an appropriate balance between lands developed or intended for development for various purposes, and protects reserved land so that it may be used for the purpose found most logical. Grouping activities having similar needs in such a manner so as to maximize efficiency and minimize friction protects land values and amenity and reduces costs for services. The zoning for the subject property is:

B-1– BOULEVARD BUSINESS The present use appears to be conforming and legal.

TAX AND ASSESSMENT ANALYSIS:

In arriving at just valuation as required under Section 4, Article VII of the State Constitution, the property appraiser is required to consider eight criteria, which are outlined below:

1. The present cash value of the property, which is the amount a willing purchaser would pay a willing seller, exclusive of reasonable fees and cost of purchase, in cash or the immediate equivalent thereof in a transaction at arms length;
2. The highest and best use to which the property can be expected to be put in the immediate future and the present use of the property, taking into consideration any applicable local or state land use regulation and law, ordinance, regulation, resolution, or proclamation adopted by any governmental body or agency of the Governor when the moratorium prohibits or restricts the improvements of property as otherwise authorized by applicable law;
3. The location of said property;
4. The quantity or size of said property;
5. The cost of said property and the present replacement value of any improvement thereon;
6. The condition of said property;
7. The income from said property;
8. The net proceeds of the sale of property; is received by the seller, after deduction of all the usual and reasonable fees and costs of the sale, including the costs and expenses of financing and allowance from unconventional or typical terms of financing and arrangements. When the net proceeds of the sale of any property are utilized, directly or indirectly, in the determination of just valuation of realty of the sold parcel or any other parcel under the provision of this section, the property appraiser, for the purposes of such determination, shall exclude any portion of such net proceeds attributable to payments for household furnishings or other items of personal property.

NOTE: As amended by Section 6, Ch 79-334 applies to assessment rolls and taxes levied thereon for the year 1980 and each year thereafter.

It is mistakenly believed assessments are supposed to be at 100% of Market Value. In actuality, assessments should reflect net proceeds of sale to a seller subtracting selling expenses and allowances for typical financing. Therefore, a property could be over assessed even if it sells for an amount greater than the assessment.

Depending upon the specific property type, assessment to sale ratios should typically range from 80% to 95%. However, terms of the sale, selling expenses, and financing involved could dictate a lower or even higher assessed to sale ratio.

Most properties are assessed via the Cost Approach with additional support from the Direct Sales Comparison and Income approaches (if available). Sometimes, because of the process of Mass Appraisal, relevant approaches were not relied upon primarily due to the absence of pertinent information such as an income statement or recent physical inspection of the property.

Consequently, the assessment is generally not representative of true 100% market value. The subject property is identified and subject of Broward County Ad Valorem Taxes on Real and Personal Property. Taxes are payable in November with a 4% discount and become delinquent on April 1st of the following year. In our research of the subject property, we noted the property taxes were current.

The tax assessment is not relative to the market value.

According to the County Tax Rolls, the subject properties are assessed as follows:

FOLIO NUMBER	BUILDING	LAND	TOTAL	TAX AMOUNT
49-42-24-08-0810	\$1,789,580	\$485,320	\$2,274,900	\$9,994.62

DESCRIPTION OF THE IMPROVEMENTS

The subject property consists of a CBS office building, built in 1976, and containing approximately 15,603 +/- SF of office space with an under building parking garage.

ROOF SYSTEMS

The roof is flat built-up tar and gravel.

SITE IMPROVEMENTS

PAVING

The parking area is paved and has similar parking to some of the comparable sales later observed.

LANDSCAPING

Average

OFF SITE IMPROVEMENTS

Subject is located on N. Federal Hwy., which is a major road.

CONDITION AND UTILITY

The improvements for the office building appear to exhibit good condition for present usage. The utility is designed to accommodate its present usage, and other allowable uses as permitted by zoning. No obvious repairs were noted.

UTILITIES

The subject is serviced by Municipal water and sewer. Electric is provided by Florida Power and Light. Telephone service is provided by BellSouth to the site. Utility service is adequate and similar to competing properties.

HIGHEST AND BEST USE

Highest and Best use is defined by the Dictionary of Real Estate Appraisal, 3rd edition as: “The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, that results in the highest value”.

In a case where a site has existing improvements, the highest and best use may well be different from the existing use. The existing use however, will continue until the land value represents the majority of the property value, and there is justification for the removal or renovation of the existing improvements.

Additionally, it is implicit in the definition that the determination of highest and best use is a logical and well-supported conclusion resulting from the appraiser’s judgment and analytical skill. Furthermore the term highest and best use does not refer exclusively to the size of the structure that might be built and is not always measured in terms of money. The return or yield of a property can also be construed as the benefits derived from amenities such as historic significance or natural beauty.

Also implied within this definition of highest and best use is the contribution of a particular use to the community, and community development goals along with the benefits of that use to the individual property owner. With these underlying premises in mind, there are essentially for 4 tests, which are applied to the use or uses being considered. These 4 tests are:

1. The site’s legally permissible use, which is permitted by zoning and deed restrictions on the site in question, along with any approval processes as permitted by various government agencies.
2. The physically possible uses for the site in question. Simply stated, that is, what can be constructed on the site, for example, an odd shaped parcel of land might have a total square foot size, which, under a given zoning would allow a certain size structure to be constructed. However, because of the sites configuration only a smaller structure would be possible.
3. Its probable use. This is simply what use will be compatible with other current and likely uses in the area.
4. The most profitable uses amongst the most feasible uses; that use which will produce the highest return or the highest present worth.

Highest and Best Use is further defined as that reasonable and probable use that will support the highest present value, as defined, as of the effective date of the appraisal.

Alternatively, that use, from among reasonably probable and legal alternative uses, found to be physically feasible, and which results in the highest land value. The definition immediately above applies specifically to the Highest and Best Use of land. It is to be recognized that in cases where a site has existing improvements on it, the Highest and Best Use may very well be determined to be different from the existing use. The existing use will continue, however, unless and until land value in its Highest and Best Use exceeds the total value of the property in its existing use.

HIGHEST and BEST USE as IF VACANT

Highest and Best Use is defined in the 11th Edition of the Appraisal of Real Estate, published by the Appraisal Institute follows:

1. Highest and Best Use of land is the most profitable likely use at the time of appraisal. It also may be defined as the available use and program of future utilization that produces the highest present land value.
2. Existing use may or may not conform to Highest and Best Use.
3. Highest and Best Use may comprise a combination of a profitable interim (transitional) use and a deferred, more profitable potential use.
4. Highest and Best Use may be limited by zoning or deed restriction.
5. The principle of increasing and decreasing return affirms the proper apportionment of land and improvements to achieve maximum land value.
6. The concept of Highest and Best Use may be extended to improved real estate for various decision making situations but such application should not be confused with the underlying concept of Highest and Best Use of land only.
7. Balance and consistent use are important collateral considerations in the selection of Highest and Best use.

The preceding definition is specifically applied to the highest and best use of land as though it were vacant. When a site is improved, the improvement typically remains in use over its economic life. The discussion of highest and best use under the assumption of a vacant site should analyze what type and size improvements should be constructed when considering the basic definition and criteria. The factors that underline the highest and best use criteria will be discussed.

1. The subject sits on a parcel of land zoned B-1– BOULEVARD BUSINESS. The present/existing use is legal conforming use, currently under use as an office building.
2. As to possible uses or what could be constructed on the site, the site offers no developmental adversities. Moreover, based on our observation of surrounding development, there does not appear to be any adverse topographical condition that would preclude development with standard construction techniques. As a benefit, all utilities are to the site.
3. Probable use considerations include those uses that are compatible with surrounding development. Due to the nature of the area as outlined in the Neighborhood Analysis, the most likely use would be predicated upon a zoning that would reflect the intended use of a developer looking to develop the site. Due to the size of the tract, it is believed that a commercially oriented use would be the most probable use.
4. In order to identify a specific use that would result in the highest return to the land, a feasibility analysis would have to be conducted. This however, is beyond the scope of the appraisal assignment. Therefore from the preceding factors considered, the highest and best use of the subject “as if vacant” would be oriented toward usages as permitted by zoning codes.

CONCLUSION

We have concluded that the highest and best use of the subject property as though vacant would be for development of a use commensurate with those activities permitted by the current zoning.

HIGHEST AND BEST USE AS IMPROVED

Once a parcel of land is substantially improved, the two parts form an integrated unit, and from all practical purposes, they are inseparable. However, when the market value of the land alone, if vacant and available for its highest and best use, exceeds the value of the property as improved, the improvements are no longer a viable contribution to the property and a new use must be adopted. In analyzing the Highest and Best use of the subject property “as improved”, several principles of real estate value must be considered. They include conformity, supply and demand, change, and balance.

- Conformity – The subject’s improvements continue to conform to the general developmental pattern and architectural homogeneity of the district.
- Supply and Demand – Our analysis of the subject’s surrounding neighborhoods tends to indicate that there is demand for office oriented space. Although it may have to be upgraded or modified to suit the new users needs.
- Change – This is the law of cause and effect at work. We note no changes occurring in the subjects’ use or improvements obsolete.
- Balance – Value is created and sustained when contrasting, or interacting elements are in a state of equilibrium. At present, the economic mix in the immediate area appears to be relatively harmonious. The subject, as improved, offers basically a large open shell structure that can be modified to suit a user’s need and is potentially capable of competing in the current environment. Thus, balance is sustained.

CONCLUSION

In that the improvements have been carried out at the site, the subject property becomes an integral unit consisting of both land and building. This integration of land and improvements is related to the economic concept, of the marginal dollar. This theory implies that the existing usage as long as the property, as improved, has a market value which is higher than that of the land, as if vacant and available for a higher usage. Inherent in this study of Highest and Best Use is the principle of contribution, which states that the value of a component part of the overall property is dependent upon how much it contributes to the value as a whole.

The Highest and Best Use of the subject property could accommodate office usages. The structure represents a significant portion of the total value of the whole property. Therefore, due to the contributory value of the improvements and our estimate of the Highest and Best Use of the subject property, as improved, it is the appraisers opinion that the Highest and Best Use of the subject property is it’s present usage, as would benefit an owner occupant, or as present building may generate lease income.

VALUATION ANALYSIS – APPROACH TO APPRAISAL – INTRODUCTION

The appraisal process is the orderly program in which the data used to estimate the value of the subject property is acquired, classified, analyzed and presented. The scope of the assignment was to estimate the market value, based upon the highest and best legal use for the subject property, which we have concluded to be as an office building, or a similar use that would benefit the present owner. Initially, the appraisal problem was defined; that is, identification of the subject, the effective date of the estimate, the property rights being appraised and the type of value sought is the basis to commence the task of the appraisal problem.

Once this was accomplished, the appraiser collected and analyzed the factors affecting the market value of the subject property. These factors included regional and neighborhood analysis, the property analysis to include physical site, and the improvement characteristics and finally the correlation of these factors into an analysis of Highest and Best Use.

This assemblage and analysis of data and subsequent estimation of Highest and Best Use provide parameters enabling the selection of market date to use in estimating the market value of the subject property. In assignments to estimate market value, the ultimate goal of the valuation process is a well-supported value conclusion that reflects the appraiser's study of all factors that influence the market value of the property being appraised.

To achieve this goal, an appraiser studies a property from three different viewpoints, which correspond to the three traditional approaches to value. Each of the three traditional approaches to value will be considered in the case of the subject property. These are: the Cost Approach, the Market Comparison, or Sales Comparison Approach, and the Income Approach. The indications of each of these approaches will then be correlated into a final value estimate.

- The current cost or reproducing of replacing the improvement, minus the loss in value from depreciation, plus the land value is: **the Cost Approach.**
- The value indicated by the recent sales of comparable properties in the market is: **the Market Comparison Approach.**
- The value of a property's earning power based on the capitalization of its income: **the Income Approach.**

The three approaches to value are interrelated; each involves the gathering and analysis of sales, cost, and income data that pertain to the property being appraised. From the approaches applied, the appraiser derives separate indication of value for the property being appraised. Although the approaches are interrelated, the property type and use will determine which approach or approaches are the most appropriate.

One or more of the approaches may not be applicable to a specific assignment or may be less significant due to the nature of the property, the decisions of the client, or the data available. We have given careful consideration to the Cost Approach and its applicability to the subject improvements. After consideration, the Cost Approach was not considered a relevant or reliable method of estimating the current market value of the subject.

METHODOLOGY AND APPLICATION

For the purpose of this analysis, each of these approaches provides an independent indication of value for the subject based on known and apparent investor criteria that have been derived from the market.

The indications by each of these approaches will then be correlated into a final estimate of value.

The first: *the Cost Approach*. In this approach, the improvements are replaced as if new, and any applicable depreciation is deducted to arrive at a net improvement value. Added to this is the value of the land, and any site improvements or allied appurtenances in order to arrive at a value estimate. This approach was considered but not applied.

The *Direct Sales Comparison or Market Approach* is based upon the principle of substitution; that is, when a property is replaceable in the market, its value tends to be set at the cost of acquiring an existing property with the same utility, assuming no costly delay in making the substitution. Since no two properties are ever identical, it is necessary to consider the differences in location, size, condition, age and etc. Adjustments are made by comparing the sales to the subject and are best determined by the actions of typical buyers and sellers in the marketplace.

The *Income Approach* involves an analysis of the anticipated benefits from the property in terms of dollar income or amenities. The estimated future income and/or reversion are then capitalized or discounted to a present worth figure at a rate commensurate with the quality and durability of the income stream and those anticipated benefits.

COST APPROACH TO VALUE

Considered but, not applied.

COST APPROACH TO VALUE

For reference, an explanation of the cost approach is as follows;

The Cost Approach is the process where the value of improved property is estimated on the basis of the cost to replace the structures, less applicable depreciation.

The appraiser must first estimate the cost to replace the structure. All components of the structure are taken into account. Then the appraiser must estimate depreciation from all sources, including physical deterioration (curable and incurable), structural obsolescence (curable and incurable) and economic obsolescence. The sum of the depreciated value is the indicated value of the property via the Cost Approach for improvements.

The following summary outlines the above process:

REPLACEMENT COST OF ALL IMPROVEMENTS

LESS DEPRECIATION

PHYSICAL (CURABLE & INCURABLE)
FUNCTIONAL OBSOLESCENCE (CURABLE
& INCURABLE)
ECONOMIC OBSOLESCENCE

EQUALS DEPRECIATED VALUE OF IMPROVEMENTS

PLUS SITE IMPORVEMENTS
PLUS LAND VALUE

RESULTS IN: INDICATED VALUE BY COST APPROACH

One or more of the approaches may not be applicable to a specific assignment or may be less significant due to the nature of the property, the decisions of the client, or the data available. We have given careful consideration to the Cost Approach and its applicability to the subject improvements. After consideration, the Cost Approach was not considered a relevant or reliable method of estimating the current market value of the subject.

The reasons of the non-use COST APPROACH TO VALUE follow:

1. In current economic conditions, the Cost Approach does not reflect the actions of buyer and seller of existing, potentially income producing properties. Current market conditions are such that many purchases are based only on the existing or future income streams.
2. Current economies would justify the use of the Cost Approach in order to test the economic viability of a proposed development against the value indications rendered by the Market and Income Approaches. As improved, developmental feasibility is not an issue. The Cost Approach is most reliable in the analysis of new or proposed improvements. As improvements age, and experience renovations and updating of various components over the years, any estimate of depreciation becomes increasingly more difficult, and subjective in nature.
3. Estimates of depreciation on existing properties such as the subject, derived without market support could not be supported with any degree of accuracy. Further, the basic tenant of the Cost Approach is that “development could take place without undue delay”. These issues undermine the basis for the approach.

Therefore, we have relied upon the value estimates derived from the **Market Approach** and the **Income Capitalization Approach** in this analysis.

To complete the valuation process, the appraisers integrate the information drawn from market research and data analysis from the application of the approaches to form a valuation conclusion. The value indications rendered by each approach provide a range of values that must be reconciled into a final value indication considering the appropriateness of each approach and the reliability of the data utilized to formulate the approach.

DIRECT SALES COMPARISON APPROACH TO VALUE

The Direct Sales Comparison, or Market Approach is the most commonly known and employed method of valuing Real Estate. The essence on this approach is based upon the principle of substitution i.e. that a prudent purchaser will pay a price for a particular piece of property, which is commensurate with the prices currently being paid for similar properties in similar locations. Thus, the appraiser assembles sales and offerings of properties containing generally similar uses, amenities and aesthetic features as are possessed by the subject property.

Analysis of the real estate market realizes that there are no two properties exactly alike. An adjustment process therefore is required to compensate for differences between comparable data employed by the appraiser and the subject property under analysis. Adjusting for tangible differences between two properties, the cost to reproduce the various items is used as a guide in making adjustments. Market experience also demonstrates that purchasers tend to pay less for purely cosmetic features that contribute little to the utility of property. The price paid for such peripheral improvements is usually less than the cost of reproduction therefore; the judgment of the analyst should reflect the reaction of typical prudent purchasers.

Other factors, besides structural detail, which bear upon the value of property, include the time of sale, zoning, terms and the circumstances of the sale and location.

The appraiser analyzes the market data employed in relation to the subject property, and in so doing takes into account all items which contribute to or detract from value.

The Market Comparison Approach is a technique of finding sales of similar properties and carefully analyzing and comparing them by virtue of their differences and major similarities into an indication of value for the appraised property.

The comparable properties were observed for their possibility of similar functional potential utility. Size, area, age and condition of improvements were also analyzed and considered.

Comparable sales chosen were similarly located, similar use/purpose properties all located within the subject's competitive market area.

The validity of this approach is dependent upon the availability, quantity, relevancy and quality of the data. Procedurally, the steps in the Direct Sales Comparison Approach are as follows:

1. Research of the market to obtain information about transactions, listings and other offerings of properties similar to the subject.
2. Verify the information by considering whether the data obtained is factually accurate and the transactions reflect arms length market considerations.
3. Determine relevant units of comparison e.g., price per unit or multiplier, and develop a comparative analysis for each unit. The unit of comparison utilized in this analysis is the price per square foot of improvements to the land area.
4. Compare the subject and the comparable sales according to the elements of comparison and adjust the sales price of each comparable as appropriate or eliminate the property from consideration.
5. Reconcile the value indications that result from the comparable sales into a single value indication.

In the case of the subject property, sufficient data was available in the area from which a meaningful Sales Comparison Approach could be developed. Primary emphasis was placed on finding transactions involving properties that were similar to the subject in use, location, access, and exposure factors. The sales cited offer a cross section of similar investments. Salient factors of the improved sales utilized in our analysis are presented on the following pages.

COMPARABLE IMPROVED SALE #1

ADDRESS:	1061 W Oakland Park Blvd., Wilton Manors, FL 33311
GRANTOR:	1061 WEST OAKLAND LLC
GRANTEE:	OAKLAND PARK CENTER LLC
DATE OF SALE:	09/25/2009
YEAR BUILT:	1974
SIZE OF BUILDING:	11,520 +/-SF
SITE AREA:	28,715 +/- SF
FOLIO NO:	49-42-21-01-0060
LEGAL DESCRIPTION:	WILCOXS SUB 23-22 B LOT 6 LESS BEG NE COR OF LOT 6 SLY 17.67 M/L,WLY 152.43,NLY 6, WLY TO E/L OF I95,NLY 11.67 M/L,ELY TO NE COR OF LOT 6 & POB,LESS I95 R/W
INDICATED PRICE:	\$1,291,900
PRICE PER NRSF:	\$112.14
ZONING:	B-2- CENTRAL BUSINESS
FLOOR TO AREA RATIO	5.0 : 1
PRIOR SALES	None in the prior three years

Sales Comparable #1 Photo



COMPARABLE IMPROVED SALE #2

ADDRESS:	1200 Park Central Blvd. S., Pompano Beach, FL 33064
GRANTOR:	ITW BUILDING COMPONENTS GROUP
GRANTEE:	PARK CENTRAL INVESTMENTS LLC
DATE OF SALE:	05/13/2009
YEAR BUILT:	1983
SIZE OF BUILDING:	12,907 +/- SF
SITE AREA:	112,664 +/- SF
FOLIO NO.:	48-42-22-20-0020
LEGAL DESCRIPTION:	I U O E PLAT 106-9 B PT OF PAR A DESC AS,COMM AT CENTER OF SEC 22,S 884.41 TO POB SELY 124.18,SELY 282.23,SLY 186.21,SWLY 15.24,NWLY 373.33, NWLY 65.28,NELY 148.51,NLY 257.09,SELY 111.70 TO POB
INDICATED PRICE:	\$1,607,500
PRICE PER NRSF:	\$124.54
ZONING:	O-IP – OFFICE INDUSTRIAL PARK
FLOOR TO AREA RATIO	8.7 : 1
PRIOR SALES	None in the prior three years

Sales Comparable #2 Photo



COMPARABLE IMPROVED SALE #3

ADDRESS:	2150 S. Andrews Ave., Ft. Lauderdale, FL 33316
GRANTOR:	RFH 2150 LLC
GRANTEE:	ANDREWS 2150 LLC
DATE OF SALE:	06/09/2010
YEAR BUILT:	1974
SIZE OF BUILDING:	19,873 +/- SF
SITE AREA:	45,949 +/- SF
FOLIO NO.:	50-42-15-37-0030
LEGAL DESCRIPTION:	WHITES SUBDIVISION 28-1 B LOT 3,4
INDICATED PRICE:	\$2,300,000
PRICE PER NRSF:	\$115.73
ZONING:	CB – Community Business
FLOOR TO AREA RATIO	4.6 : 1
PRIOR SALES	None in the prior three years

Sales Comparable #3 Photo



Sales Comparison Grid

Subject: 4800 N Federal Hwy.
 Sale Date: N/A
 Building Size: 15,603+/- SF
 Land Size: 22,060 +/- SF
 Floor/Area Ratio: 3.1 : 1
 Year Built: 1976

	SALE 1	SALE 2	SALE 3
Building/ Location:	1061 W Oakland Park Blvd	1200 Park Central Blvd. S	2150 S. Andrews Ave
Folio #	49-42-21-01-0060	48-42-22-20-0020	50-42-15-37-0030
Sale Date:	09/25/2009	05/13/2009	06/09/2010
Building Size:	11,520	12,907	19,873
Land Size:	28,715	112,664	45,949
Sales Price:	\$1,291,900	\$1,607,500	\$2,300,000
Floor/Area Ratio	5.0 : 1	8.7 : 1	4.6 : 1
Price PSF:	\$112.14	\$124.54	\$115.73
Year Built	1974	1983	1974

	SALE 1	SALE 2	SALE 3
FINANCIAL ADJUSTMENTS			
Financing	0%	0%	0%
Conditions of Sale:	0%	0%	0%
Time of Sale	0%	0%	0%
Market Condition	0%	0%	0%
Adjusted Price	\$112.14	\$124.54	\$115.73

	SALE 1	SALE 2	SALE 3
PHYSICAL ADJUSTMENTS			
Location	No adj.	No adj.	No adj.
Quality/Construction	0%	0%	0%
Age/Condition	0%	0%	0%
Build Out	0%	0%	0%
Building Size	No adj.	No adj.	No adj.
Floor/Area Ratio	-5% -\$5.61	-10% -\$12.45	-5% -\$5.79
Occupancy	0%	0%	0%
Net Adj. Val Square Foot	\$106.53	\$112.09	\$109.94

The appraiser estimates the price per foot to be approximately \$109.52 PSF.

Estimated value for subject: @ \$ 109.52 /SF
 X Subject Size: 15,603 SF
 =Estimated value for subject parcel: \$ 1,708,840.56 (say) **\$1,710,000**

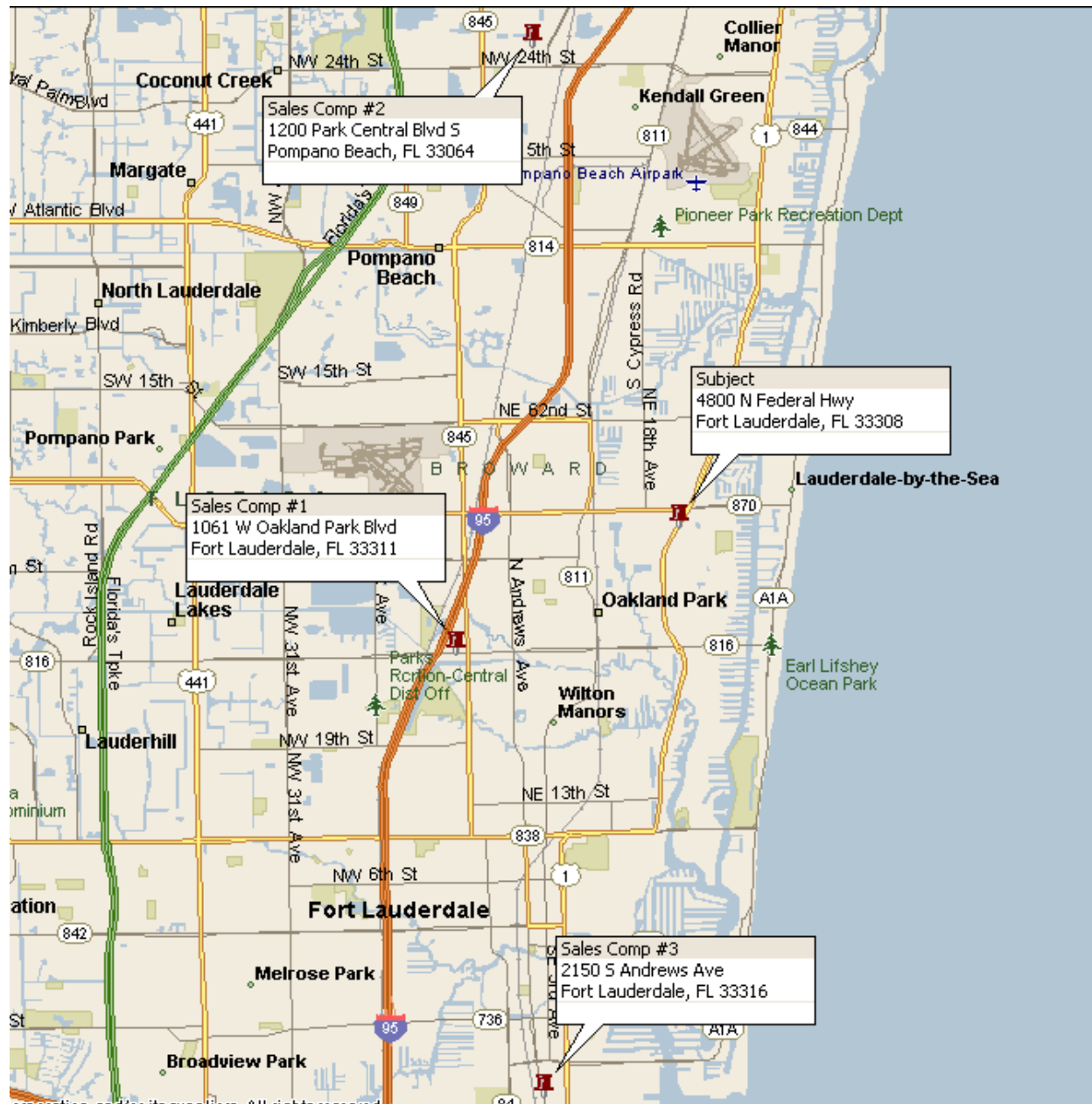
One Million Seven Hundred Ten Thousand (\$1,710,000) Dollars

CAPITALIZATION RATE EXTRACTION ESTIMATES SEEN VIA SALES ABOVE

	Comp 1	Comp 2	Comp 3
Comparable Square Feet	11,520	12,907	19,873
X \$PSF found in marketplace	\$19.00	\$19.00	\$19.00
PGI:	\$218,880	\$245,233	\$377,587
Less expenses @ 27.0% =	\$59,098	\$66,213	\$101,948
= Est NOI	\$159,782	\$179,020	\$275,639
/Sales Price	\$1,291,900	\$1,607,500	\$2,300,000
= Est. Cap Rate for Sale in % =	12.37%	11.14%	11.98%

Cap Rates as extrapolated from comparable sales = (say) 11.8%

SALES COMPARISON MAP



INCOME APPROACH TO VALUE

The Income Approach to Value deals with the present worth of future benefits. This is measured by the net income which a fully informed purchaser is warranted in assuming the property will produce during its remaining useful life. After comparison with investments of similar types and class, this net income is capitalized into a value estimate. Several analyses are necessary before a value estimate may be projected. Of prime importance is a careful scrutiny of the potential income stream. The appraiser must concern himself with three significant factors that pertain to the subject's income. These are the quantity, quality and durability of the income.

In the first instance, it must be determined whether the actual rent is proper or is similar space currently being rented for a higher or lower amount. The prudent purchaser certainly would be dubious of a high rent, which had no justification and in the same light he would be apprehensive of a rent well below that received for comparable properties. This comparison will lead the appraiser to a final conclusion, which enables him to ascribe a proper economic rent to the property under appraisal.

The quality of the subject's income stream is the second major item of concern to the typical purchaser. The more reliable and solvent the tenant, the less the risk involved. This factor has a direct relationship to the rate of return which the investor requires.

The third element, durability, requires that the appraiser analyze the terms of tenancy involved. He must determine how secure the income is. Is it of a short-term nature, or is it secured by a long-term lease? He must arrive at whether the income shall retain the characteristics of an annuity or will it decline as the property and area decline.

Once a proper economic rent is ascribed to the property under appraisal, careful weight must be given to the normal expenses incurred by the owners of similar properties. This requires an extensive market analysis and the execution of sound judgment on the part of the appraiser. Subtracting proper expense items from the Gross Income estimate results in a Net Income which the property can be expected to produce.

This net income may then be capitalized into a value estimate by applying a capitalization rate, which expresses the normal return requirements of the typical prudent buyer. This rate or factor is directly related to the quality and durability of the income stream.

Briefly, it varies up or down based on the tenant's responsibility and the length of time during which the income flow is considered reasonably certain. The above analytical process has been applied to the subject property with the following resulting market comparisons, analyses and conclusion.

The Dictionary of Real Estate Appraisal, published by the Appraisal Institute, third edition defines the income approach as follows: "A set of procedures through which an appraiser derives a value indication for an income-producing property by converting its anticipated benefits (cash flows and reversion) into a property value. This conversion can be accomplished in two ways.

INCOME APPROACH TO VALUE (Continued)

One year's income expectancy can be capitalized at market-derived capitalization rate or at a capitalization rate which reflects a specified income pattern, return on investment and change in the value of the investment. Alternatively, the annual cash flows for the holding period can be discounted at a specified yield rate.

The subject, at present is designed for multiple tenants' occupancy, as of the date of valuation. The property is presently partially occupied. The value estimate is based on the capitalization of a stabilized Net Operating Income as estimated for the improvements.

The approach in each section is comprised of four steps:

1. Estimate the gross potential income that can be expected based on market rent levels.
2. Estimate the vacancy and expense deduction that can be expected.
3. Derive a stabilized net operating income estimate.
4. Capitalize the net operating income into a value indication.

The final estimates of income and expenses represent stabilized estimates that are based on mature or stabilized operations of the subject over reasonable periods of anticipated ownership. Stabilized income and expense figures are used for the following reasons:

- The property is expected to have experienced management, whereby earnings will be stabilized.
- A short-term projection of income tends to be more accurate, due to the greater degree of uncertainty typically involved with longer-term projections.
- Projection of income over a short term will produce the same total value as a longer term projection, regardless of capitalization technique, provided the assumptions involve the same income stream, the same rate of change in property value and the same rate of interest. Stated differently, any loss in value due to the shorter income stream will be offset by a gain in the present value of the reversion.
- Under normal circumstances, net cash flow fluctuates, irregularly, up and down, from year to year. A reasonable reliable (stabilized) net income over a short projection period can be termed as a level annuity. To stabilize income, when the projection is presumed to cover the total useful life of a structure, is virtually impossible.

Two methods of capitalization are available to the appraiser in the analysis of income producing property; direct and yield capitalization.

Direct capitalization is used to convert an estimate of a single year's income expectancy into an indication of value in one direct step.

Yield capitalization, on the other hand, uses the discounting procedure to convert specified annual income and future reversionary benefits to a present value on the premise of a required rate of return.

Direct capitalization assumes no allocation between the return on and of capital invested. The income approach, along with supporting documentation, is developed and explained on the following pages.

RENTAL COMPARABLE # 1

Construction:

Proximity:

4750 N. Federal Hwy., Ft. Lauderdale, FL

CBS

0.1 miles from the Subject

RENTAL DATA:

Quoted Rental Rate: \$19.80 a sq ft



RENTAL COMPARABLE # 2

Construction:

Proximity:

5100 N. Federal Hwy., Ft. Lauderdale, FL

CBS

0.3 miles from the Subject

RENTAL DATA:

Quoted Rental Rate: \$16.95 - \$19.95 a sq ft



RENTAL COMPARABLE # 3

Construction:

Proximity:

5353 N. Federal Hwy., Ft. Lauderdale, FL

CBS

.4 miles from the Subject

RENTAL DATA:

Quoted Rental Rate: \$20.00 a sq ft



RENTAL COMPARABLES MAP



CONCLUSION OF RENTAL DATA

The subject property consists of a CBS office building, comprising 15,603+/- SF. This figure was utilized and multiplied with a rental income stream as was obtained from market-derived data.

ANALYSIS OF RENTAL COMPARABLES

The range of rental costs is indicated from the provided comparables as listed for the above addresses ranging from approximately \$16.95 PSF to \$20.00 PSF. Rental comps 2 & 3 have been verified and appear to be in line with the market data collected. We were unable to verify current rents on rental #1, so we are making the extraordinary assumption the rents dropped 10% as did the other rentals. All in all \$19.00 PSF was believed representative of the marketplace.

VACANCY AND COLLECTION LOSS

This expense is due to bad debts, tenant turnover and etc. In general well-managed properties with good locational attributes that are adequately maintained may have nominal turnover. Through our market research of the South Florida area, and conversations with leasing agents/realtor, and on site property managers, it would appear that a 5% vacancy rate would be reasonable on a property of this nature.

OPERATING EXPENSES

Operating expenses are the periodic expenditures, necessary to maintain the real property and continue the production of the effective gross income. Appraisers generally analyze expense expectancies on an annual basis and categorize expense items into the following categories:

1. **FIXED EXPENSES:** Are the operating expenses that generally do not vary with the levels of occupancy and have to be paid whether the property is occupied or vacant.
2. **VARIABLE EXPENSES:** Are all operating expenses that generally vary with the level of occupancy or intensity of a property's operation.
3. **REPLACEMENT ALLOWANCE/RESERVES:** Provides for the periodic replacement of building components that wear out more readily than the building itself and must be replaced periodically during the buildings economic life.

FIXED EXPENSES

REAL ESTATE TAXES: Real Estate taxes are not passed through to the tenants and therefore are considered in estimating the income stream.

INSURANCE: Insurance expenses are not passed through the tenants and are figured into the net income stream.

VARIABLE EXPENSES:

PROPERTY MANAGEMENT

Variable expenses accorded to the ownership of similar usage properties include time allocated to management, bookkeeping expense, and advertising. In checking with other property managers, we reported the range to be between 4 to 6% we have selected 5% of Net income after vacancy and collection as a deduction for property management.

REPAIRS AND MAINTENANCE

In this category we have grouped the individual line items of “allocated repairs and maintenance, pest control, and yard/parking lot care”. Items such as structural painting and re-roofing do not occur on an annual basis. Therefore while single year expenses may be significant, these are correlated to an average. Maintenance and repair programs according to professional property managers run approximately 1.5%, per square foot of building area depending on the property age and lease terms.

REPLACEMENT RESERVES

This expense item would include money set aside for the periodic replacement of short lived building components to include mechanical systems, roofs and the like. It should be noted that reserves are not typically or always set aside in a separate account, and this line item is often recognized in the adjustment of the overall terminal capitalization rate upon resale. This runs at about 1.5% of the net income.

LEGAL AND ACCOUNTING

We have also estimate an amount for legal fees, licenses and accounting expenses equivalent to about 1.5% of the Net Income.

An estimated income and expense statement follow in the following page:

Income Approach:

SUBJECT PROPERTY:

PGI 15,063 SF x \$19.00 PSF	\$286,197.00
Vacancy Rate @ 5%	<u>- 14,309.85</u>
EGI =	\$271,887.15

Variable Expenses	
Management @ 5% of EGI	\$13,594.36
Fixed Expenses:	
Taxes	\$ 9,994.62
Insurance	\$16,441.34
Electric	\$ 7,193.10
Water/Sewer	\$ 3,487.44
Replacement Res, @ 1.5%	\$ 4,078.31
Maintenance Int @ 1.5%	\$ 4,078.31
Accounting/Legal @ 1.5%	<u>\$ 4,078.31</u>
-Total Expenses =	\$62,945.79

EGI.....	\$ 271,887
EXP.....	<u>\$ 62,946</u>
=NOI	\$ 208,941
Expense Ratio = Tl. Exp + V&C/PGI	\$62,946 + \$14,310/\$286,197 PGI = 27%

NOI	\$208,941
/ Cap Rate @ 11.8% as extrapolated from comp sales	= <u>. 118</u>
=Est.Val. for subject property via income approach:	\$1,770,686.44 (say) \$1,770,000

In conclusion, the Income Approach estimated value is:

One Million Seven Hundred Seventy Thousand (\$1,770,000) Dollars

The subject property is not fully occupied, so the income statement above is considered “as if” stabilized.

PARAMETERS OF VALUE CONCLUSION

An appraisal of real estate is an opinion of value certified by an individual representing himself to be an expert.

Due to the many influences that affect supply and demand and the imperfections that exist in the market, the appraisal of real estate remains an inexact science.

The appraiser's client must recognize that at any given moment in time before or after the effective date of value, the property value may be different from what the appraiser has estimated. Real estate investment has a high degree of risk and performance and success is dependent upon management, market liquidity, and all sorts of outside influences. Remember that if for any reason subsequent events (after the effective date) worldwide, national, regional, and local or neighborhood occur, the value of the property will change.

The developer, the lender, and subsequent property owners must each analyze and measure the risk as they see it, at any moment in time. The appraisal, therefore, is a judgment tool offering only a supported opinion of the present worth of anticipated benefits subject to the investment risks, measured mainly by such market data as are available at the effective date of appraisal.

The appraiser's client must further recognize that the market data, which are present in this report, are past sales that took place in a market place where tax shelter rules may have been substantially different from future rules and those probable changes could render conclusions of a comparable sales study invalid.

In conclusion, however, while an appraisal cannot be guaranteed or absolutely proven, if the opinion of value, as expressed and demonstrated, is not influenced by sentiment, sympathy, bias, personal interest, or lack of understanding, and is, in fact, a sincere effort by a competent impartial valuator, then the conclusions so developed may properly be considered as a basis of negotiation between owner and prospective purchaser, or between lender and borrower or between condemner and condemned.

The Direct Sales Comparison and Income Approaches to value have been pursued. The detailed analysis of all the pertinent facts and data which were considered to influence the value of the subject property have led to following value estimates:

COST APPROACH	Considered, but not applied
DIRECT SALES COMPARISON	\$1,710,000
INCOME APPROACH	\$1,770,000
FINAL CONCLUSION OF VALUE	\$1,740,000

One Million Seven Hundred Forty Thousand (\$1,740,000) Dollars

QUALIFICATIONS OF THE APPRAISER

PROFESSIONAL EDUCATION:

Continuing education classes every two years and attendance at various seminars.
Real Estate Appraisal Principles (Exam 1A-1/8-1)
Residential Valuation (Exam 8-2)
Basic Valuation Procedures (Exam 1A-2)
Capitalization Theory and Technique Part A (Exam 1B-A)
Standards of Professional Practice (SPP)
R-41-C Seminar
Golf Course Valuation
How Design Affects Value (AIREA)
Real Estate Appr. 2 (CA II) – January 3, through April 25, 1990
Real Estate Appr. 1 (CA I) – July 10, through October 30, 1990

LICENSE:

State Certified General Appraiser # RZ-1063

C# 4149405

STATE OF FLORIDA
DEPARTMENT OF BUSINESS AND PROFESSIONAL REGULATION
FLORIDA REAL ESTATE APPRAISAL BD SEQ# L08111901327

DATE	BATCH NUMBER	LICENSE NBR
11/19/2008	080235677	RZ1063

The CERTIFIED GENERAL APPRAISER
Named below IS CERTIFIED
Under the provisions of Chapter 475 FS.
Expiration date: NOV 30, 2010

BUTTERFIELD, CRAIG H
2541 CANDLEWICK STREET
DELTONA FL 32738

CHARLIE CRIST GOVERNOR
CHARLES W. DRAGO SECRETARY
DISPLAY AS REQUIRED BY LAW

ORGANIZATIONS:



EXPERIENCE:

- 1994 – Current Operating as a State Certified General Appraiser, as now required by State Law, either performing appraisals individually and/or supervising any of those either employed by or subcontracted to work with myself.
- 1987-93 Atlantic Appraisal Group, Inc. Owner / General Manager, Reviewer / Trainer. Employed an average of between 15 to 20 appraisers and reviewed and supervised each of about 7,000 reports during this time period. Hundreds of various commercial properties, apartments, warehouses, shopping centers, and construction build outs, subdivision/condominium sellouts, hotels, motels, marinas, leasehold and leased fee interests, right of way – eminent domain takings and thousands of homes, condominiums, duplexes etc.
- 1987-86 TRW – Hollywood Research Appraisal Services
Ernest Jones Company (L. Pendleton, SRPA)
Gene Gracer Co. (Gene Gracer, MAI)
- 1985-84 Lake Powell Village Development Corp.
Panama City, Florida.
Chief Developer of a 10-acre, waterfront, 78-unit town home development.
- 1983-82 Ocean Pine Terrace,
Panama City, Florida
Developer/Principal of a 25-unit townhouse development.
- 1982-80 Real Estate Investor - Have bought and sold many properties throughout the years.
- 1980-77 Rentway Systems Inc. and Reynolds Realty, Inc. Principal.

EXPLANATION OF TERMINOLOGY USED BY APPRAISER IN THIS REPORT

AN APPRAISAL is an indication of Market Value resulting from an analysis and evaluation of all available data found to relate to the appraised property directly or indirectly, with attention directed to those influences found to affect the property's use or appeal to persons who might constitute the market for the appraised property.

REAL ESTATE is the land and that which is permanently attached thereto by man or nature and would, in a normal arm's length transaction, be exchanged with the land without specification or separate and individual evaluation.

BUNDLE OF RIGHTS is the legally enforceable rights of Ownership in real estate.

A MARKET exists when a choice of properties are offered for sale which are able to satisfy the needs of a number of willing buyers who are free of pressure and financially able to pay as much for a property as the benefits resulting from its use would appear to justify.

MARKET VALUE is defined as the most probable price, in terms of money, which a property should bring in a competitive and open market under all conditions requisite to a fair sale, with the buyer and seller each acting prudently and knowledgeably and assuming the price is not affected by undue stimulus.

Implicit in this definition is the consummation of a sale as of a specified date and 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 he considers his 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; and the price represents the normal consideration for the property sold unaffected by special or creative financing of sales concessions granted by anyone associated with the sale.

ASSESSED VALUE is the amount assigned to taxable property by an assessor.

APPROACH TO VALUE is one method or technique of appraising.

VACANT LAND, RAW LAND OR BARE LAND is land without improvement by man or by nature (such as timber).

HIGHEST AND BEST USE is the use to which the appraiser's research indicated the property can legally be put in the reasonably near future, which will most likely produce the greatest return over a period of time. It is applied to vacant land as well as to fully improved real estate.

- A. Highest and Best Use of Vacant land results when it is improved in a manner which may reasonably be expected to produce the greatest net return to the land over a given period of time.
- B. Highest and Best Use of Improved property is that use made by existing physical improvements, altered or remodeled, as indicated, which will produce the greatest net return on the required investment over a given period of time.

MARKET INTEREST RATE is that rate of return on capital invested by prudent buyers in a given type of Real Property at a specified time and place.

EXPLANATION OF TERMINOLOGY (Continued)

CAPITAL RECAPTURE RATE is that rate which will return to the investor that portion of a real property's cost represented by its improvements during their anticipated future economic life.

CAPITALIZATION RATE is the sum of market Interest Rate and Capital Recapture Rate, which prudent investors are expecting, and receiving, from competitive properties.

SELL- OUT VALUE is the anticipated amount of the total of the selling prices of all individual units in a property. It is based on market-oriented surveys and feasibility studies including sales of comparable properties.

PROBABLE SELLING PRICE is that at which a property would most probably sell if exposed to the market for a reasonable time, under market conditions prevailing as of the date of the appraisal.

LEASE is a written document by which the rights of use and occupancy of land and/or structures are transferred by the owner another person or entity for a specified period of time in return for a specified rental.