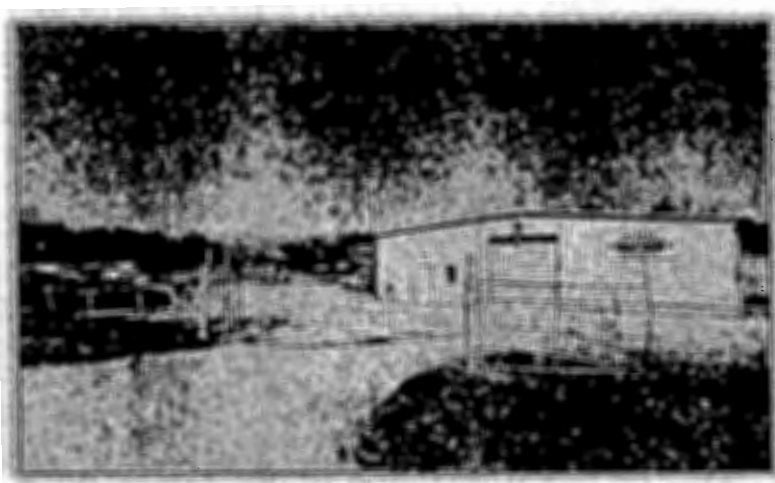


P-003

- APPRAISAL REPORT -



**OFFICE WAREHOUSE  
2020 GILMER STREET  
CADDO MILLS, TEXAS 75135**

BY

**BW GALBRAITH APPRAISALS, LLC  
7010 DILLON CIRCLE  
MIDLOTHIAN, TEXAS 76065**



FOR

**BOBBY W. STOVALL  
HUNT COUNTY JUDGE  
2507 LEE STREET  
P.O. BOX 1097  
GREENVILLE, TX 75403**

FILED FOR RECORD  
at 12:20 o'clock P M

APR 13 2021

JENNIFER LINDENZWEIG  
County Clerk, Hunt County, TX  
By *Jennifer Lindenzweig*



**BW GALBRAITH**  
**APPRAISALS, LLC**

BRIAN W. GALBRAITH, MAI  
7010 DILLON CIRCLE • MIDLOTHIAN, TEXAS • 76065 • OFFICE: 214-226-9017  
FAX: 214-463-5739 • EMAIL: [brian\\_galbraith@sbcglobal.net](mailto:brian_galbraith@sbcglobal.net)

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March 30, 2021

Bobby W. Stovall  
Hunt County Judge  
2507 Lee Street  
P.O. Box 1097  
Greenville, TX 75403

RE: Appraisal Proposal of the Office Warehouse located at 2020 Gilmer St., Caddo Mills, Hunt County, Texas 75135.

To whom it may concern,

An appraisal of the property referenced above is submitted for your review. Per your request, the purpose of this appraisal is to develop supportable opinions of the value of the fee simple estate of the subject property "as is."

The results of our investigations, together with the details of methods used in deriving the final value opinions are presented in the accompanying report. Your attention is directed to the assumptions and limiting conditions, which are contained in the body of this report, for a more thorough understanding of the conditions upon which the value and conclusions contained herein were based. This report was prepared with the intent to conform with FIRREA, and the Uniform Standards of Professional Practice (USPAP – 2020-2021 Edition).

Based on the analysis presented in this report, it is our opinion that the "as is" market value of the fee simple estate of the subject property, as of March 23, 2021, was:

**THREE HUNDRED TWENTY THOUSAND DOLLARS**

**\$320,000**

Sincerely,  
BW Galbraith Appraisals, LLC

A handwritten signature in cursive script that reads "Brian W. Galbraith".

---

Brian W. Galbraith, MAI  
Texas General Appraisal Certification #1336791G

## SUMMARY OF SALIENT FACTS

Property:	Office Warehouse
Location:	2020 Gilmer St., Caddo Mills, Hunt County, Texas 75135
Assessor's Parcel No.:	110501
Owner:	Hunt County
Land Area:	2.0 Acres, or 87,120 SF
Year Built:	1970's
Gross Building Area:	5,864 Square Feet
Zoning:	Public
Flood Plain:	Is not located within the 100-year flood hazard area
Highest and Best Use:	Commercial Use
Hypothetical Conditions:	None
Extraordinary Assumptions:	Yes, See Page 2
Property Rights Appraised:	Fee Simple Estate
Date of Report:	March 30, 2021
Effective Date of Value:	March 23, 2021
Date of Inspection:	March 23, 2021
Estimated Marketing Time:	6 Months or Less
Estimated Exposure Time:	6 Months or Less
<b>Value Indications "As Is":</b>	
Cost Approach:	\$320,000
Income Approach:	\$295,000
Sales Comparison Approach:	\$350,000
<b>Final Market Value "As Is":</b>	<b>\$320,000</b>
<b>Per SF:</b>	<b>\$54.57</b>

It should be noted, this appraisal is performed during the worldwide outbreak of COVID-19. In March 2020, the outbreak effectively shut down much of the world's economic activity. This appraisal will include analysis as to how this is estimated to affect the subject property.

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### **ADDENDA**

- Certification of Value
- Photographs
- Engagement Letter
- State Certification
- Qualifications of the Appraiser

## ASSUMPTIONS AND LIMITING CONDITIONS

The certification of the Appraisers appearing in the appraisal report is subject to the following conditions and to such other specific and limiting conditions as are set forth by the Appraisers in the report.

1. The Appraisers assume no responsibility for matters of a legal nature affecting the property appraised or the title thereto, nor do the Appraisers render any opinion as to the title, which is assumed to be good and marketable. The property is appraised as though under responsible ownership, competent management, and is appraised as if free and clear of any or all liens or encumbrances.
2. Any sketch in the report may show approximate dimensions and is included to assist the reader in visualizing the property. The Appraisers have made no survey of the property.
3. The Appraisers are not required to give testimony or appear in court because of having made the appraisal reference to the property in question, unless arrangements have been previously made.
4. Any distribution of the valuation in the report 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.
5. The Appraisers assume that there are no hidden or unapparent conditions of the property, subsoil, or structure, which would render it more or less valuable. The Appraisers assume no responsibility for such conditions, or for engineering which might be required to discover such factors.
6. Information, estimates, and opinions furnished to the Appraisers, and contained in the report, were obtained from sources considered reliable and believed to be true and correct. However, no responsibility for accuracy of such items furnished to the Appraisers can be assumed by the Appraisers.
7. Disclosure of the contents of this appraisal is governed by the By-laws and Regulations of the Appraisal Institute.
8. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraisers or the firm with which they are connected) shall be disseminated to the public through advertising media, public relations media, news media, or any other public means of communication without the prior written consent and approval of the appraisers.
9. It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless non-compliance is stated, defined and considered in the appraisal report.
10. It is assumed that all applicable use regulations and restrictions have been complied with unless a non-conformity has been stated, defined, and considered in the appraisal report.
11. Unless otherwise stated in this report, the existence of hazardous materials, which may or may not be present on the property, was not observed by the Appraiser. This report assumes that the property is not affected by hazardous substances. We urge the client to consult an expert in this field. The Appraisers are not qualified to detect such substances. The presence of substances such as radon gas, asbestos, urea-formaldehyde foam insulation or other potentially hazardous materials may also affect the value of the property. Our value estimate is predicated on the assumption that there is no such material on or in the property that 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.
12. It is assumed that the utilization of the land and improvements is within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted in the report.

13. Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the appraisers, and in any event, only with proper written qualifications and only in its entirety.

14. The Americans with Disabilities Act (ADA) became effective January 26, 1992. The appraisers have not made a specific compliance survey or analysis of the property 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 fact could have a negative effect upon the value of the property. Except where otherwise noted, the appraisers did not consider possible non-compliance with the requirements of ADA in estimating the value of the property.

15. It is assumed that the entire bundle of rights to the property is available. This information is assumed to be correct and is the basis of the valuation methodology utilized in this report.

There are no Hypothetical Conditions utilized in this appraisal.

There are the following Extraordinary Assumptions in this appraisal:

- 1) We assume that there is no deferred maintenance. We reserve the right to amend the appraisal if found otherwise.
- 2) We assume that there are no hazardous waste/contamination issues on site.

It is noted that a Hypothetical Condition or Extraordinary Assumption may have an effect on the outcome of this appraisal.

**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 (Source: Appraisal Institute, Dictionary of Real Estate, 6<sup>th</sup> 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 (Source: Appraisal Institute, Dictionary of Real Estate, 6<sup>th</sup> Edition).

## PURPOSE OF THE APPRAISAL

The purpose of this appraisal is to develop opinions of the market value of the fee simple estate of the subject property "as is", as of the date of value.

## INTENDED USERS/USE OF THE APPRAISAL

The intended use of this appraisal is for internal decisions by the client. The intended user of this report is Bobby W. Stovall, Hunt County Judge.

## DATE OF VALUE ESTIMATE

The date of the "as is" market value estimate rendered herein is March 23, 2021. The date of inspection was also March 23, 2021.

## DATE OF REPORT

The date of this report is March 30, 2021.

## PROPERTY RIGHTS APPRAISED

The property rights appraised include the Fee Simple Estate of the subject property. The term "Fee Simple Estate", as presented in the 15<sup>th</sup> Edition of The Appraisal of Real Estate published by the Appraisal Institute, is defined as:

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

## DEFINITION OF MARKET VALUE

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

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

This definition of market value is from regulations published by federal regulatory agencies pursuant to Title XI of the Federal Financial Institutions Reform, Recovery, and Enforcement Act (**FIRREA**) of 1989.

## **SCOPE OF THE APPRAISAL**

The scope of the assignment relates to the extent and manner in which research is conducted, data is gathered, and analysis is applied, all based upon the purpose of the appraisal and its intended use, as previously outlined.

BW Galbraith Appraisals, LLC completed the following steps for this assignment:

1. physically identified and inspected both the interior and exterior of the subject property, as well as its surrounding environs; identified and considered those characteristics that may have a legal, economic or physical impact on the subject;
2. physically inspected the micro and/or macro market environments with respect to physical and economic factors relevant to the valuation process; expanded this knowledge through interviews with regional and/or local market participants, available published data and other various resources;
3. conducted regional and/or local research with respect to applicable tax data, zoning requirement, flood zone status, demographics, income and expense data, and comparable listing, sale and rental information;
4. analyzed the data gathered through the use of appropriate and accepted appraisal methodology to arrive at a probable value indication via each applicable approach to value;
5. correlated and reconciled the results into a reasonable and defensible value conclusion as defined herein; and
6. estimated a reasonable exposure time and marketing time associated with the value estimate.

To develop the opinion of value, BW Galbraith Appraisals, LLC performed an Appraisal Report as defined by the Uniform Standards of Professional Appraisal Practice (USPAP – 2020-2021 Edition). In this appraisal, BW Galbraith Appraisals, LLC reported the Cost, Income, and Sales Comparison Approaches to Value.

## **COMPETENCY OF THE APPRAISERS**

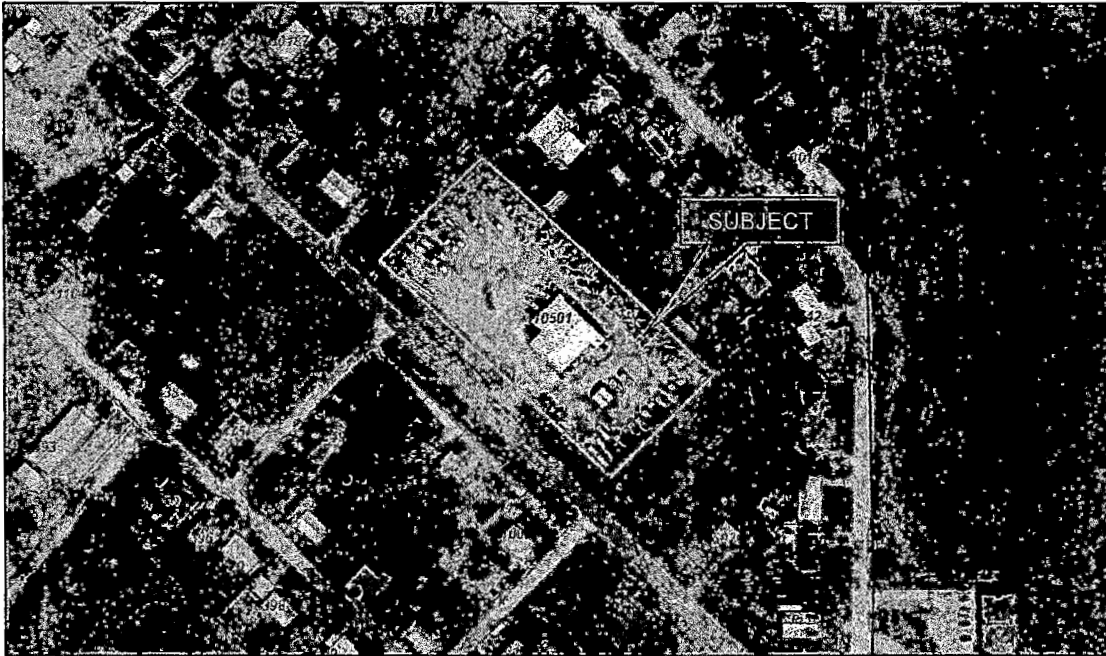
BW Galbraith Appraisals, LLC has performed numerous appraisals of commercial properties. Files are maintained with historical and current data relative to the subject's changing real estate market. In the course of the preparation of this appraisal report, comparable sales transactions have been gathered from reliable sources. Additionally, we have interviewed real estate brokers and others considered knowledgeable of the market in order to obtain attitudes and trends within the local market. Further, we contrasted our local observations to trends in the national market. We possess the knowledge and experience to conduct the inspection and necessary analysis to accurately estimate the value of the subject property. Qualifications of the appraisers are included in the Addenda.



## IDENTIFICATION OF THE PROPERTY

As of the effective valuation date of this report, the subject property consists of a 5,864 SF office warehouse building on a 2.0-acre site. The physical address of the subject property is 2020 Gilmer St., Caddo Mills, Hunt County, Texas 75135. The subject property is identified by the Hunt Central Appraisal District as Parcel No. 110501. The legal description is included below.

*"2.0 Acres, Tract N18, Geer Garland, A1239, (AKA Pt of Block 14 Williams Subd.), Hunt County, Texas"*



## HISTORY OF THE PROPERTY

In accordance with standard rule 1-5 (b), of the "Uniform Standards of Professional Practice" of the Appraisal Institute, amended August 27, 1996, a three-year sales history for the subject property shall be included for all non-residential properties. Per Hunt County Deed Records, ownership is as follows:

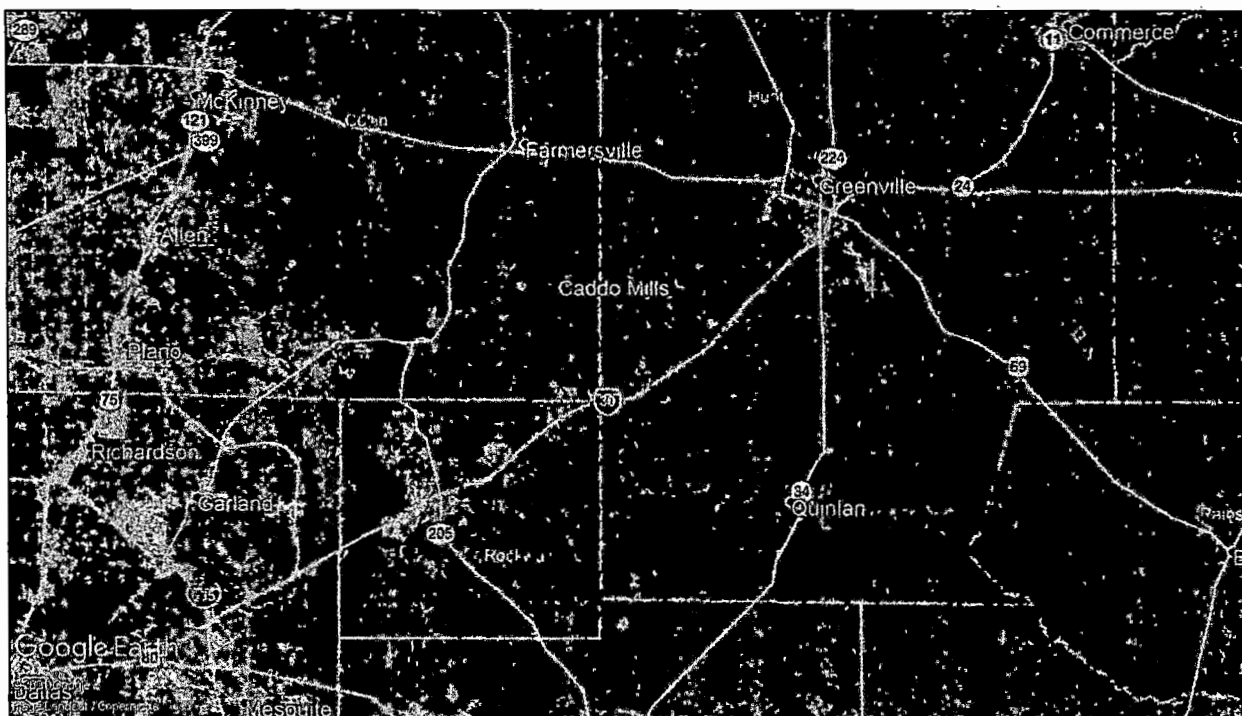
Parcel No.	Owner	Deed Date	Sale Price
110501	Hunt County	6/25/1971	N/A

The subject is not known to be currently under contract or listed for sale. No known sales/deed transfers have occurred in the last three years.

## REGIONAL AREA ANALYSIS

### Introduction

The value of the subject property is affected by various influences of the surrounding region. Infrastructure, base employment, and overall social, economic, and political conditions in the area form the background against which the property is considered. The subject is located in Caddo Mills, Hunt County, Texas. A **location map** is presented below:



### ENVIRONMENTAL FORCES

#### Location/Topography

Caddo Mills is in western Hunt County. State Highway 66 passes through the center of the city, leading northeast 9 miles to Greenville, the county seat, and southwest the same distance to Royse City. Downtown Dallas is 41 miles southwest of Caddo Mills.

According to the United States Census Bureau, the city has a total area of 3.8 square miles, of which, 0.01 square miles, or 0.25%, is covered by water. West Caddo Creek, part of the Sabine River watershed, flows through the southwest corner of the city.

#### Climate

The area is considered to be a part of the humid subtropical region. The temperature is typically 5 degrees lower on average due to its location on the north Texas prairies and the climate is typically windy.

## **Transportation**

Thoroughfares in the general area have been maintained and are in good condition. The major carriers are Interstate Highway-30 (east-west), State Highway 24 (north-south), US Highway 380 (east-west), State Highway 78 (north-south), FM 36 (north-south), and FM 547 (north-south). US Highway 380, which runs east-west, is the major highway providing access to the city of Floyd. The highway's eastern terminus is in Greenville, Texas at an intersection with Interstate Highway 30, of which the easternmost 3 to 4 miles are concurrent with US 69 in a loop around the west and south sides of Greenville. Its western terminus is at San Antonio, New Mexico, south of Socorro at the intersection with Interstate 25. US 380 passes through some of the far northern suburbs of the Dallas/Fort Worth Metroplex.

The Greenville Municipal Airport - Majors Field (GVT) provides a safe and efficient aviation facility for Greenville and the surrounding region. The airport, situated just a short distance from IH-30 and 45 miles northeast of Dallas, is a prime location for corporate, medical, and general aviation businesses and pilots. A runway length of over 8,000 ft. and usable distance of 10,000 feet can accommodate some of the largest aircraft in the market.

## **SOCIAL FORCES**

### **Population**

As of 2021, there were 102,570 people residing in Hunt County. The City of Caddo Mills had a population of 1,686 in 2021.

### **Education**

The city is served by the Caddo Mills Independent School District. The district serves students in southwestern Hunt County.

Texas A&M University - Commerce (1889) is a four-year state university located in Commerce. It is a member of the Texas A&M University System, and, with over 12,000 students, is the second-largest university within the System behind Texas A&M University and is the fifth oldest public university institution in Texas.

Paris Junior College is located in Paris, Texas about 100 miles northeast of Dallas and has been a part of the Lamar County community since 1924. Paris Junior College offers Associate in Arts, Associate in Science and Associate in Applied Science degrees, as well as Certificates of Proficiency in technical/workforce fields.

### **Medical**

Hunt County's medical services are primarily served by Hunt Regional Healthcare, with the Hunt Regional Medical Center located in Greenville being the largest hospital in the county.

## Recreation

Hunt County entertainment includes the Kenneth Threadgill Concert series, which brings well-known Texas performers to the Municipal Auditorium stage in three concerts per year; the Greenville Entertainment Series, a subscription concert series featuring artists from a variety of musical genres; the Symphony Festival Series, which brings the world-famous Dallas Symphony Orchestra to Greenville for three concerts and an additional children's concert per year; and the Greenville Follies, a musical review showcasing local talent every other year.

Tourism draws include the Audie Murphy/American Cotton Museum, Hunt County Fairgrounds, Fletcher Warren Civic Center, Dallas Karting Complex, vintage Texan Theater Collin Street Bakery and the historic downtown area which includes wineries, antique malls, public gardens, boutique shopping, and regular events at the 1,700 seat Greenville Municipal Auditorium.



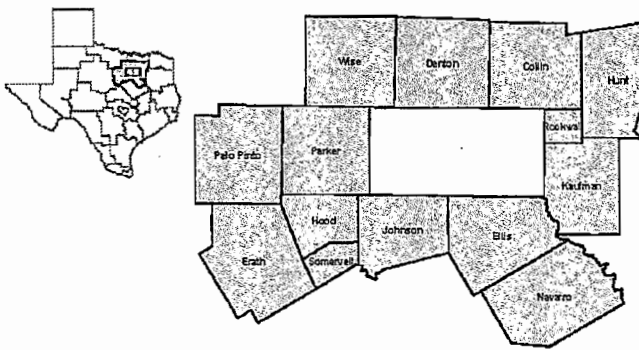
The Rally 'Round Greenville festival is held the third weekend each September and includes the Cotton Patch Challenge Bicycle Ride, an Art Show, Barbecue and Chili Cook-Off, Texas Music Weekend, Kids Alley, and more. Backstreet Bash is held in March to celebrate the revitalization of the historic Main Street Area.

Other recreation opportunities include Lake Tawakoni, Lake Lavon, Cooper Lake and Lake Fork Reservoir, which are all less than an hour from Floyd, Texas.

## ECONOMIC FORCES

Major employers in Hunt County include L-3 Communications, Hunt Regional Medical Center, Greenville ISD, Newell Rubbermaid, Hunt County, Wal-Mart Supercenter, McKesson, city of Greenville, Masonite International, and Cytec Engineered Materials, Weatherford International, Sierra Nevada Corporation, Raytheon, Innovation First and Fritz Industries.

The following page presents economic data pertaining to the North Central Texas WDA, which includes Hunt County (TWC LMCI Data – February 2021):

					
North Central Workforce Development Area		February 2021			
	<b>WDA Labor Force Statistics</b>				
		Feb-21	Jan-21	Feb-20	Yearly Change
	Civilian Labor Force	1,618,401	1,620,686	1,636,657	-20,256
	Employed	1,519,551	1,525,318	1,589,633	-70,082
	Unemployed	98,850	95,368	49,024	49,826
	Unemployment Rate	6.1%	5.9%	3.0%	3.1%
	<b>Texas Labor Force Statistics</b>				
		Feb-21	Jan-21	Feb-20	Yearly Change
	Civilian Labor Force	14,048,170	14,026,650	14,262,779	-213,609
	Employed	12,989,548	13,000,673	13,761,203	-771,655
	Unemployed	1,058,622	1,025,977	501,576	558,046
	Unemployment Rate	7.5%	7.3%	3.5%	4.0%
	<b>US Labor Force Statistics</b>				
		Feb-21	Jan-21	Feb-20	Yearly Change
	Civilian Labor Force	160,608,000	159,234,000	164,235,000	-4,227,000
Employed	149,522,000	148,383,000	158,017,000	-8,495,000	
Unemployed	10,486,000	10,851,000	6,218,000	4,268,000	
Unemployment Rate	6.6%	6.8%	3.8%	2.8%	
<b>Continued Claims for the Week of the 12th</b>					
	Feb-21	Jan-21	Feb-20	Yearly Change	
WDA	18,172	19,838	9,638	8,534	
Texas	213,437	232,165	107,395	106,042	

## **COVID 19**

**Description:** Coronavirus disease 2019 (COVID-19) is an infectious disease caused by severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2). It was first identified in December 2019 in Wuhan, Hubei, China, and has resulted in an ongoing pandemic. As of 24 August 2020, more than 23.4 million cases have been reported across 188 countries and territories, resulting in more than 808,000 deaths. More than 15.1 million people have recovered.

Management involves the treatment of symptoms, supportive care, isolation, and experimental measures. The World Health Organization (WHO) declared the COVID-19 outbreak a public health emergency of international concern (PHEIC) on January 30, 2020 and a pandemic on March 11, 2020. Local transmission of the disease has occurred in most countries across all six WHO regions.

**Impact:** The February 2020 North Central Texas Workforce Development Area unemployment rate was 3.0%. A year later, the rate increased to 6.1% (February 2021).

### **Conclusions**

Hunt County offers a low cost of living, a moderate climate, and ample recreational opportunities. The general economy is expected to continue a moderate and steady upward trend. A primary factor in this continued recovery is the effort on the part of governmental and business sectors to attract and promote new industry and expand existing industry, reflecting efforts to diversify and modernize the economy.

## NEIGHBORHOOD ANALYSIS

Neighborhood is defined by The Appraisal of Real Estate, 15<sup>th</sup> Edition, Appraisal Institute, as:

*"A group of complementary land uses."*

A neighborhood is generally considered to be a separately identifiable, cohesive area within a community with some interests typically shared by the improvements. Most neighborhoods have recognizable natural or man-made boundaries. While physical boundaries are stipulated in order to define the neighborhood, they are often less significant than other boundaries of influence. A neighborhood may be further defined as a grouping of complimentary uses affected in a similar manner by social, economic, governmental, and/or environmental factors. In addition to physical boundaries, a neighborhood may be delineated by perceptible changes in land use and the architectural style and condition of the area improvements. Finally, every neighborhood is subject to influence by the surrounding community.

The following information is presented in summary chart form to give the reader an overview of the subject neighborhood and how it compares to other neighborhoods in the area.

**SUBJECT NEIGHBORHOOD COMPARED TO OTHER NEIGHBORHOODS**

	GOOD	AVG	FAIR	POOR
ACCESS TO:				
NEIGHBORHOOD:		X		
EMPLOYMENT:		X		
RETAIL CENTERS:		X		
STREET PATTERNS AND UPKEEP:		X		
PROPERTY COMPATIBILITY:		X		
SCHOOLS:		X		
INCOME LEVELS:		X		
RENT LEVELS:		X		
VALUE LEVELS:		X		
VACANCY LEVELS:		X		
TAX BURDEN:		X		
FLOOD HAZARDS:		X		

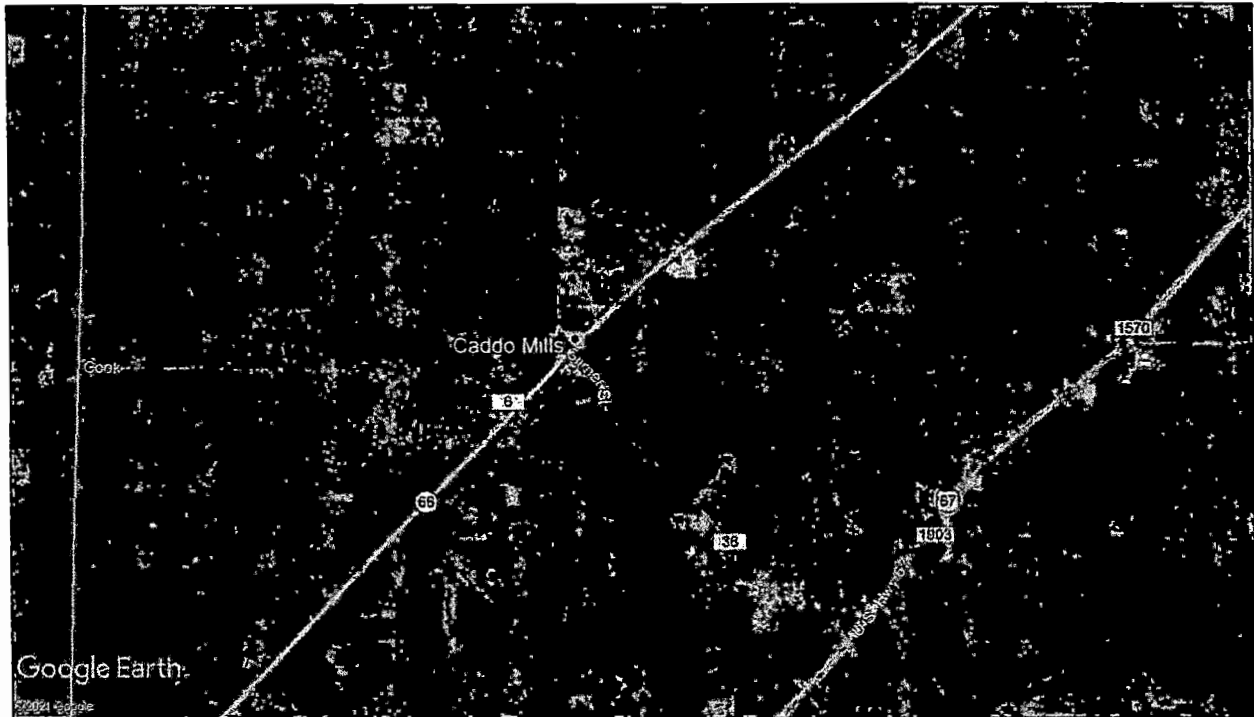
**SUBJECT NEIGHBORHOOD CHARACTERISTICS**

LOCATION	X	SMALL METRO		HIGHWAY		RURAL
% DEVELOPED		OVER 75%	X	25%-75%		UNDER 25%
GROWTH RATE		RAPID	X	STABLE		SLOW
SUPPLY		SHORTAGE	X	IN BALANCE		OVERSUPPLY
MARKETING TIME		< 6 MONTHS	X	6-12 MONTHS		OVER 1 YEAR
% RESIDENTIAL		OVER 75%	X	25%-50%		UNDER 25%
VALUES		INCREASING	X	STABLE		DECLINING

**STAGE OF LIFE CYCLE**

GROWTH	
STABILITY	X
DECLINE	
REVITALIZATION	

**Location:** The subject property is located along the east side of Gilmer St., just south of State Highway 66, Caddo Mills, Hunt County, Texas 75135. The subject neighborhood is considered to be the city of Caddo Mills. A **neighborhood map** is presented below.



**Access:** The area is served by Interstate Highway 30, State Highway 66, and Highway 6.

The subject neighborhood has been in a stable pattern of growth over the past several years, a trend expected to continue for the foreseeable future. There are no land uses which have a negative impact on the marketability of real estate. Surrounding uses are commercial and residential in nature.

**Utilities & Services:** All public utilities are available in sufficient quantities to adequately serve the subject neighborhood and include public sewer, water, gas, electricity, fire and police protection, and refuse collection.

### **Conclusions**

In summary, the neighborhood is well located due to its proximity to important interurban and inter-regional traffic routes serving the area. The desirability of the immediate neighborhood is enhanced by the favorable and convenient location relative to employment centers, and neighborhood shopping. The location, accessibility, quality of development, and diversity of uses should continue to make the neighborhood a desirable location over the long-term, which should have a positive influence on real estate values.



## SITE DESCRIPTION

The subject property is located along the east side of Gilmer St., just south of State Highway 66, Caddo Mills, Hunt County, Texas 75135. The following text summarizes salient information regarding the subject site based upon public records, data provided by the owner, and a physical inspection of the property conducted on March 23, 2021.

Location: 2020 Gilmer St., Caddo Mills, Hunt County, Texas 75135

Assessor's ID: Parcel No. 110501

Area: 2.0 Acres, or 87,120 SF

Frontage/Access: The subject has frontage, with access, along the east side of Gilmer Street.

Parking: Adequate

Topography: Generally level to sloping

Shape: Rectangular

Zoning: Public. This district allows for a variety of commercial and special purpose uses.

Public Utilities: Public utilities are available, including water, electric (various providers), sewer, and natural gas (various providers).

Drainage, Soil, &  
Sub-Soil Conditions: No soil or sub-soil test was provided; however, it is assumed that, since the subject exists, thorough historical documentation was performed. Abutting soils are improved and, as such, the soils are likely developable. Additionally, no settlement problems were observed during our physical inspection of the subject site. Based on our visual inspection, the subject's sub-soil conditions appear adequate for the load bearing capacity of a commercial or special purpose building. However, further investigation by an expert in this field would be necessary to make any definitive conclusions as to the soil's suitability for development.

Land Use Restrictions: We were not given a title report to review, nor do we know of any easements, encroachments, or other deed restrictions that would adversely affect the site's use. We recommend a title search to determine whether any adverse conditions exist. It is noted that the entry drive is shared.

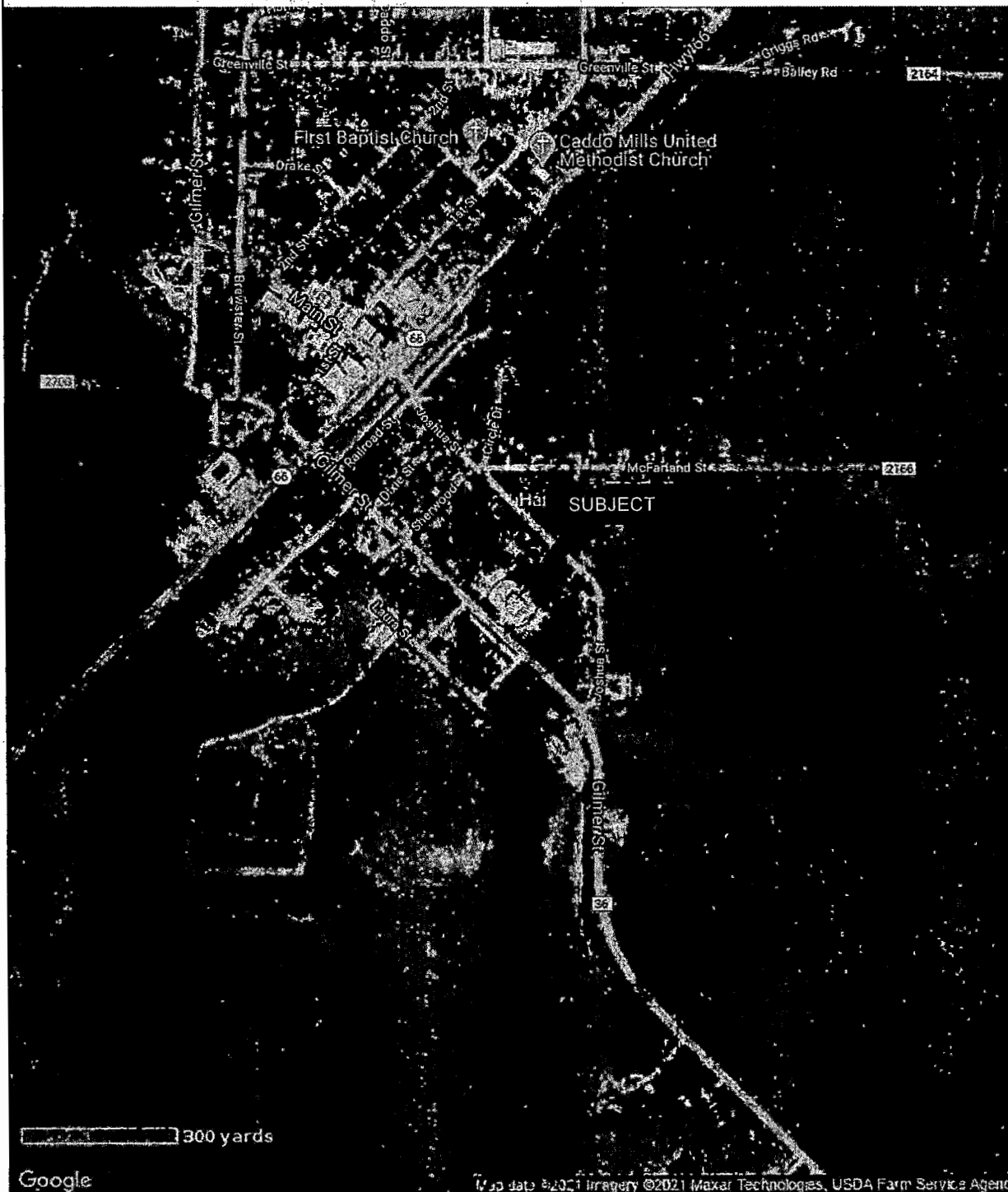
Hazardous Substances: This report assumes that the property is not affected by hazardous substances.

Flood Plain:

According to the National Flood Insurance Rate Map 48231C0375G; January 6, 2012) the subject property is not situated inside of the 100-year flood hazard area.

Conclusion

The subject site is positively impacted by its easy accessibility to the SH 66, IH 30, and adjoining thoroughfares. Considering the significant positive factors and lack of significant negative factors, the subject site is suitable for commercial or special purpose usage.



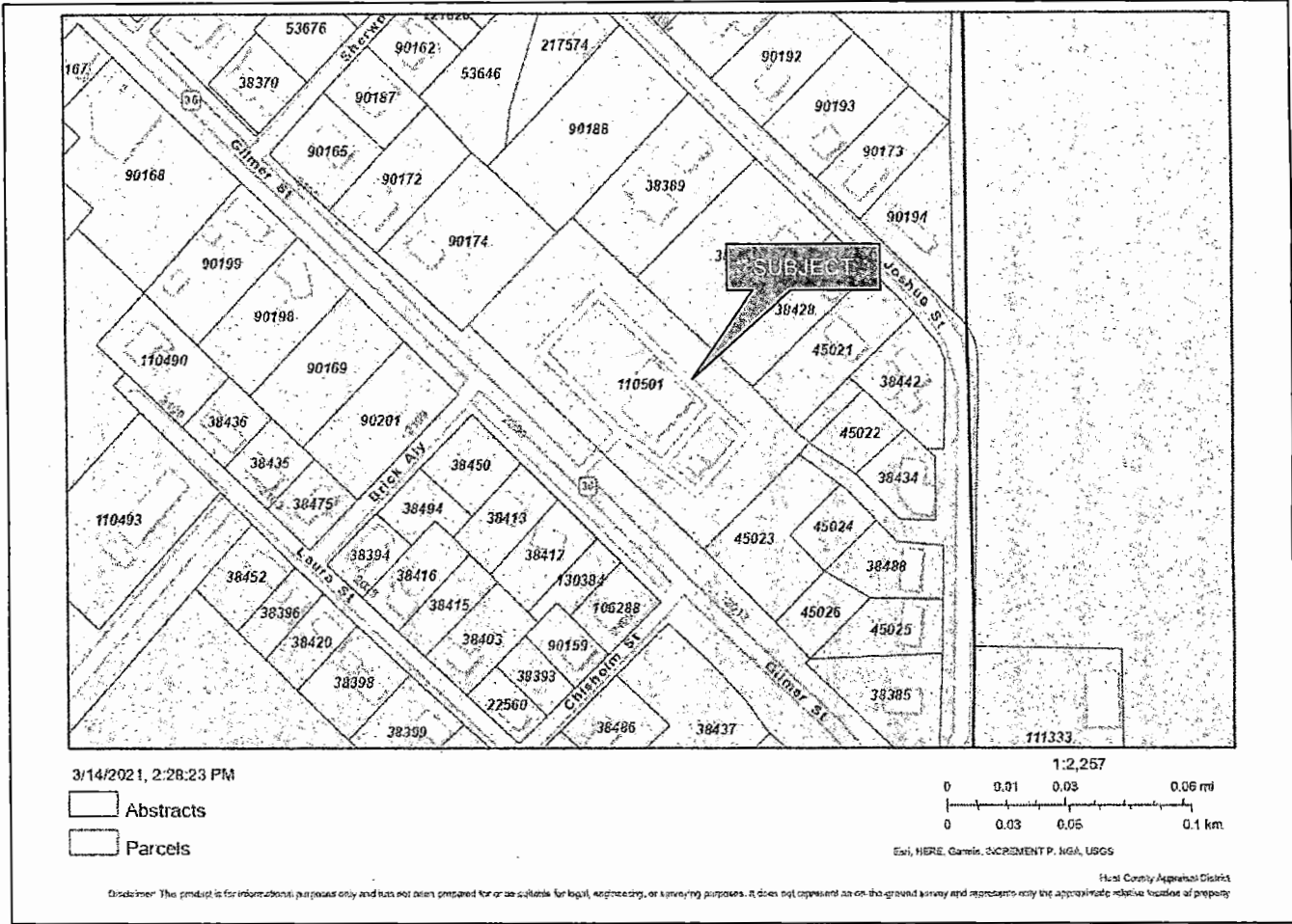
Google

**MAP DATA**  
 FEMA Special Flood Hazard Area: No  
 Map Number: 48231C0375G  
 Zone: X  
 Map Date: January 06, 2012  
 FIPS: 48231

**MAP LEGEND** Powered by CoreLogic®

Areas inundated by 500-year flooding	Protected Areas
Areas inundated by 100-year flooding	Floodway
Velocity Hazard	Subject Area

**FLOOD PLAIN MAP**



**TAX MAP**

## DESCRIPTION OF THE IMPROVEMENTS

The subject site is improved with a 5,864 SF office warehouse, 460 SF of which is office. The improvements include an office, restroom, breakroom, and warehouse area with 14'-16' clear heights and (4) roll-up doors ranging from 10' x 10' to 12' x 12'. There is also a metal canopy, gravel lot, fencing with gate, and lighting. The following construction summary is based on an inspection of the property and data from the developer.

Gross Building Area:	5,864 SF (7.8% Office)
Year Constructed:	1970's
Land to Building Ratio:	14.86:1
Parking:	Adequate

### **Construction Detail**

Foundation:	Concrete Slab
Roof Structure:	Pitched/Metal
Exterior Walls:	Metal
Fenestration:	Fixed aluminum frame windows

### **Mechanical Detail**

Heating & Cooling:	PTAC (Window Unit)
Plumbing:	Assumed to be per code
Electrical Service:	Assumed to be per code.
Lighting:	Mix of incandescent and fluorescent lighting are typical
Fire Protection:	Assumed to be typical for this type of structure

### **Interior Detail**

Floor Covering:	Concrete & Tile
Wall Covering:	Painted sheetrock/Exposed
Ceilings:	Painted sheetrock/Exposed
Restroom:	Typical

**Effective Age and Remaining Economic Life for the Building**

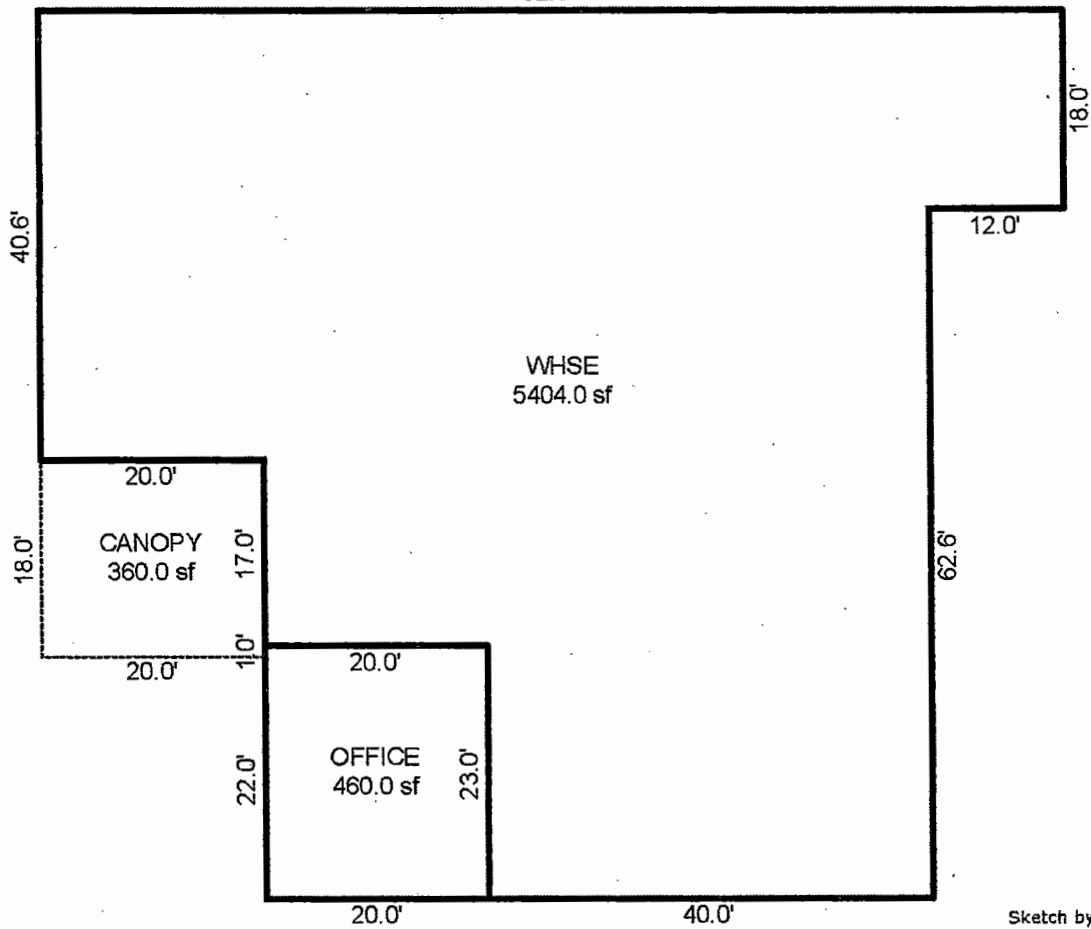
Our estimate of remaining economic life for the building is presented as follows. This economic life may be extended in future years with future renovations made by ownership to keep the building in a competitive, marketable condition.

Year Built:	1970's
Chronological Age:	+/- 45 Years
Effective Age:	30 Years
Useful Life:	50 Years
Remaining Life:	20 Years

**CONCLUSION**

The basic configuration of the building is functional for its current use. The subject was found to be overall in average condition and is considered to have average locational characteristics. The subject property building is well suited for office warehouse use.

**SKETCH**



Sketch by Apex Sketch

**AREA CALCULATIONS SUMMARY**

Code	Description	Factor	Net Size	Perimeter	Net Totals
GBA1	OFFICE	1.0	460.0	86.0	460.0
GBA2	WHSE	1.0	5404.0	345.2	5404.0
P/P	CANOPY	1.0	360.0	76.0	360.0

**COMMENT TABLE 1**

**COMMENT TABLE 2**

**COMMENT TABLE 3**

Net BUILDING (rounded) 5,864

**SKETCH**

## Market Analysis/Strengths & Weaknesses

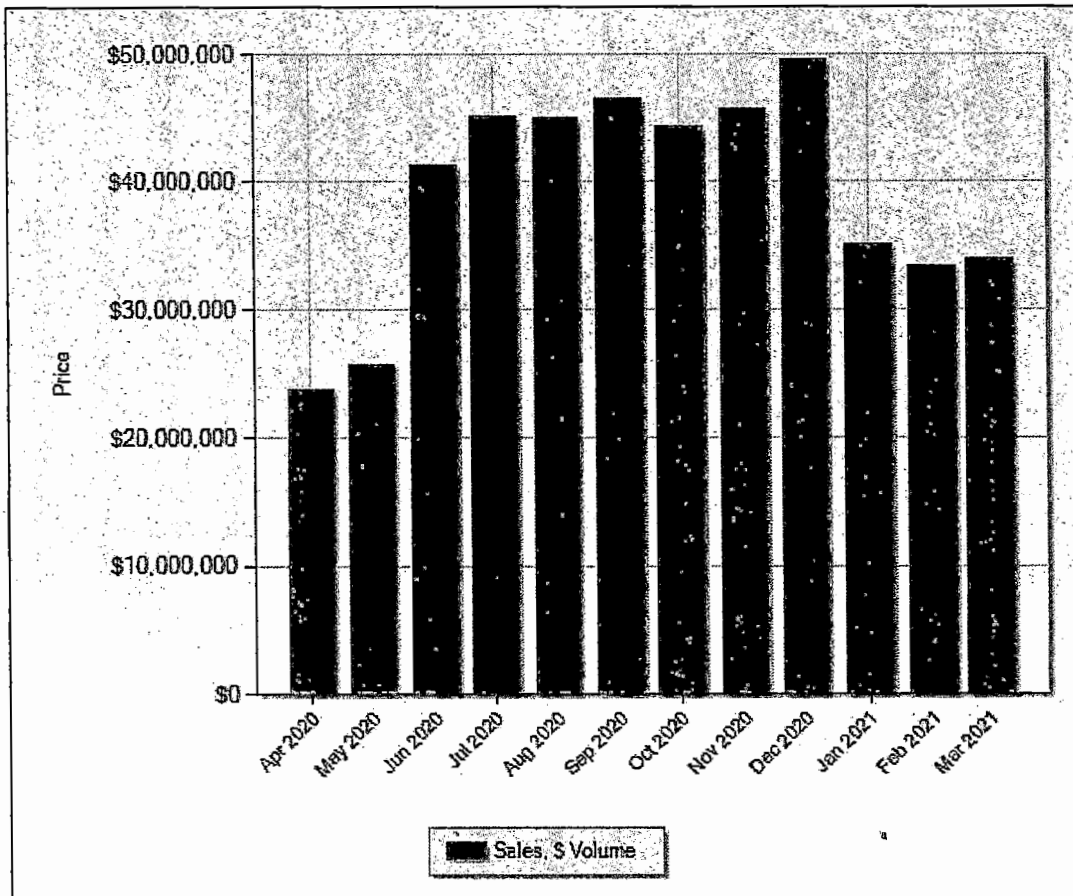
The following positive and negative factors were noted:

### Positive Factors

- Sufficient size to permit the development of a commercial or special purpose development that is consistent with surrounding buildings
- Zoning which permits development which is consistent with its highest and best use
- Available utilities
- Location near SH 66 and IH 30
- Well maintained building that has been updated periodically

### Negative Factors

- COVID-19: Impact: The February 2020 North Central Texas Workforce Development Area unemployment rate was 3.0%. A year later, the rate increased to 6.1% (February 2021).
- COVID-19. However, real estate has remained relatively stable during this pandemic. (Per NTREIS, See Below Sales Volume Per Month – Hunt County).



Time frame is from Apr 2020 to Mar 2021

County is 'Hunt'



## PROPERTY TAXES

The Hunt Central Appraisal District identifies the subject property as Parcel No. 110501. Properties in Hunt County are revalued annually, based on 100 percent of fair market value. The subject's 2020 real estate market value is \$356,630. Based on the tax rate of \$2.543432 per \$100 of market value, the subject's real estate property taxes are **\$9,071**. The calculations are presented below:

Taxing Authority	Tax Rate
Caddo Mills	0.576000
Hunt County	0.467017
Hunt Memorial HD	0.243815
Caddo Mills ISD	1.256600
<b>Total</b>	<b>2.543432</b>

The real estate taxes are calculated as follows "as is":

Account #	Assessed Value Improved	Assessed Value Land	Assessed Value	Tax Rate	Estimated 2020 Taxes
<b>110501</b>	\$247,730	\$108,900	\$356,630	\$2.543432	<b>\$9,071</b>

The subject appears to be over assessed based on the findings in this appraisal (\$320,000). The subject property has no known delinquent taxes.

## HIGHEST AND BEST USE ANALYSIS

Highest and best use is defined by The Appraisal of Real Estate, 15<sup>th</sup> Edition, Appraisal Institute, as follows:

*"the reasonably probable and legal use of vacant land or improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value."*

The highest and best use analysis is a critical determinant of value. Market value is based on the assumption that a potential purchaser will pay no more for a property than the price which reflects their analysis of the most probable use of the land or property as improved. Additionally, the highest and best use conclusions contained in this section provide the foundation for the market value analysis. The Regional Analysis, Neighborhood Analysis, and Site Analysis are of critical importance in arriving to the highest and best use conclusion, as the highest and best use conclusions must be based on motivations evident in the marketplace.

The previously stated definition indicates that there are two types of highest and best use analyses. First, the highest and best use of the land as vacant must be considered. In this section, the site is analyzed as if there were no improvements located on the property. This analysis helps the reader to understand how the current economic forces affect the subject site, as if vacant.

The second method analyzes the subject property "as improved." The existing use may differ from the site's highest and best use. This section will resolve any differences between the highest and best use "as vacant" and the highest and best use "as improved." As the subject site is presently improved with an office warehouse, both aspects of highest and best use are considered appropriate.

The highest and best use of the subject property must meet the four criteria outlined below:

1. Physically Possible
2. Legally Permissible
3. Financially Feasible
4. Maximally Productive

### **Highest and Best Use "As Vacant"**

In estimating the highest and best use of the subject site as vacant, and with respect to the four criteria that must be met (physically possible, legally permissible, financially feasible, and maximally productive), a study of the existing properties and surrounding influences within the neighborhood was necessary. The following factors were considered in determining the subject site's highest and best use as vacant:

1. The location of the subject site in relation to existing land use patterns in the immediate area;
2. The accessibility and visibility of the subject site in relation to competing sites;
3. The economic feasibility of the proposed use of the subject site;
4. Alternative uses of the site; and,
5. Existing market performance of such uses in the immediate area of the subject.

**Physically Possible:** The subject site contains a total of 2.0 acres and is rectangular in shape. The size of the site would tend to eliminate those uses which require more extensive land areas such as a regional mall, golf course, heavy industrial, single family subdivision, or agricultural uses. Based upon the site's physical characteristics, a wide range of uses are physically possible. These physically possible uses include most commercial or special purpose structures.

**Legally Permissible:** There are a number of legally permissible uses allowed by right on the subject site that include a wide variety of commercial and special purpose uses. The subject property is zoned Public.

**Financially Feasible:** In regard to financial feasibility, the possible uses which could produce an income in excess of what is needed to satisfy capital amortization and operating expenses, as well as provide a return to the land, were considered.

Due to current market conditions, commercial development would be financially feasible at the present time. Also, due to the proximity to major thoroughfares and the average access to population centers in Hunt County, commercial or special purpose development would be appropriate and in conformity with the neighborhood.

**Maximally Productive:** We are of the opinion that the maximally productive and highest and best use of the subject site "as vacant" would be for commercial or special purpose usage.

**Highest and Best Use "As Improved"**

The highest and best use of any existing property can be determined by utilizing the "marginal dollar concept." This concept suggests that the improvements on the property are the highest and best use as long as the existing improvements contribute at least one additional dollar of value over the land value of the subject, as if unimproved. It would not be feasible to raze the improvements unless the value of the site, as vacant and less demolition costs, exceeds the value of the property as improved. The subject is improved with a 5,864 SF office warehouse building that was constructed in the 1970's. The improvements appear to be legally conforming. Additionally, the improvements appear functional for their use.

In conclusion, it is our opinion that the highest and best use of the subject property "as improved" is for continued office warehouse usage.

## **DISCUSSION OF THE APPRAISAL PROCESS**

Basically, the appraisal process is an economic analysis. This process is a program in which the problem is defined, preliminary analysis is performed, data is collected and analyzed, and a final value estimate is determined. These approaches include the cost, sales comparison, and income approaches to value. This section of the report explains the rationale and the applicability of these three recognized approaches to value, reviews the work done in the valuation process, and sets forth the reasoning that supports each opinion or conclusion.

### **THE COST APPROACH**

In this approach, the cost to replace the improvements is estimated. A deduction is made for any depreciation, and the result is combined with the estimated value of the underlying land. The approach is applicable when each component is independently measurable and when the sum of all components is believed to reflect market value. The approach is not applicable to unimproved land or obsolete improvements.

### **THE INCOME APPROACH**

This approach analyzes the property's capacity to generate income (or other monetary benefit) and converts this capacity into an indication of market value. The approach is suitable for properties that have obvious earning power and investment appeal but inappropriate for properties that have no readily discernible income potential.

### **THE SALES COMPARISON APPROACH**

This approach compared the subject property to other properties that have changed hands fairly recently at known price levels. The approach is most meaningful when there is adequate market data involving comparable properties. Reliability of the approach varies directly with the quantity and quality of available market data.

### **APPLICABILITY**

All three approaches to value will be considered for the valuation of the subject property. One approach (Income) deals directly with the anticipated net operating income. The (Cost) deals with the reproduction or replacement cost new plus land value less depreciation. The (Sales) deals with a comparison to suitable alternative properties which have recently sold. The Income Approach is the preferred method of estimating market value of commercial properties due to their significant income-producing potential.

### **APPLICABILITY**

All three approaches to value will be considered for the valuation of the subject property. One approach (Income) deals directly with the anticipated net operating income. The (Cost) deals with the reproduction or replacement cost new plus land value less depreciation. The (Sales) deals with a comparison to suitable alternative investments with similar or near similar income streams. The Cost, Income and Sales Comparison Approaches to Value will be developed.

## COST APPROACH

The Cost Approach involves the following steps:

1. Estimate land value of the site as if vacant and available for development to its highest and best use;
2. Estimate the replacement or reproduction cost "new" of the improvements as of the date of appraisal, including direct costs, indirect costs, and entrepreneurial profit;
3. Estimate accrued depreciation from all sources from the market;
4. Subtract accrued depreciation from the improvement's replacement or reproduction cost "new" to arrive at a depreciated cost estimate;
5. Add the land value (estimated in Step 1) to the depreciated cost estimate of the subject improvements (derived in Step 4) to arrive at a value conclusion indicated by the Cost Approach.

The initial step of the Cost Approach involves estimating the value of the subject site, "as if vacant," based on its highest and best use. The value of the site, "as if vacant," is estimated by the sales comparison approach. This involves the sales of comparable tracts of land which are compared and adjusted to the subject property.

The second step involves estimating the reproduction or replacement cost "new" of the subject improvements, depending upon the age and specific type of improvements. These costs are defined as:

***Reproduction cost** is the estimated cost to construct, at current prices, as of the effective appraisal date, an exact duplicate or replica of the building being appraised, using the same materials, construction standards, design, layout, and quality of workmanship, and embodying all the deficiencies, superadequacies, and obsolescence of the subject building.<sup>1</sup>*

***Replacement cost** is the estimated cost to construct, at current prices, as of the effective appraisal date, a building with utility equivalent to the building being appraised, using modern materials and current standards, design, and layout.<sup>2</sup>*

The estimated replacement or reproduction costs for the subject were derived utilizing the Marshall Valuation Service Cost Handbook and actual costs of buildings considered comparable to the subject improvements.

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1 Appraisal Institute, *The Appraisal of Real Estate*, 15<sup>th</sup> edition

2 Appraisal Institute, *The Appraisal of Real Estate*, 15<sup>th</sup> edition

Accrued depreciation is then subtracted from the reproduction or replacement cost "new" estimate to quantify the contributory value of the subject improvements. Accrued depreciation can be caused by one or any combination of three primary sources: (1) physical, (2) functional, or (3) external (economic). Accrued depreciation is defined as follows:

*"the difference between an improvement's reproduction or replacement cost and its market value as of the date of appraisal."<sup>3</sup>*

Physical depreciation is basically the diminished utility of the physical components of the structure. In other words, the older the improvements, the less remaining physical life the improvements have. Physical depreciation can be either curable, incurable, or both. An item of depreciation is considered to be curable if it is economically feasible to correct as of the date of appraisal. If the item is not economically feasible to correct, it is considered to be incurable depreciation.

Functional obsolescence is a loss in value due to a poor or outdated design, improvement deficiency, over-improvement (superadequacy), or outdated structural components. Functional obsolescence can be either curable or incurable.

External (economic) obsolescence is a loss in value to the subject's improvements due to negative factors outside of the subject's boundaries. This may be caused by a number of factors including market conditions (economic), the growth stage of a neighborhood in a period of decline, et cetera. External obsolescence is almost always incurable.

After total accrued depreciation is subtracted from the reproduction cost "new," the contributory value of the improvements is indicated. This, when added to the value of the site "as if vacant," reveals the final value estimate via the Cost Approach. These previously discussed steps are now analyzed in further detail.

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<sup>3</sup> Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6<sup>th</sup> Edition.

## LAND VALUE

There are various methods and techniques which can be used in estimating the market value of a tract of land. The most reliable and appropriate, when adequate market data is available, is a direct comparison of comparable land sales with the subject property. Since the value of a particular property is related to various locational, physical, and economic factors which may not affect two properties equally, adjustments are required for these influences. Although it is recognized that the market is not perfect, a cross analysis of the sales data, when sufficient in quantity and quality, can lead to an indication of the appropriate adjustments. In some instances, however, the appraiser must exercise his or her best judgment in arriving at an indication of value by comparison.

The selected comparable sales data, together with brief comments, are tabulated on the following pages. A summary discussion of the comparable land sales and an analysis of the data are included. A Comparable Land Sale Map, which relates the location of each comparable sale to that of the subject property, is also included.



COMPARABLE SALE 1

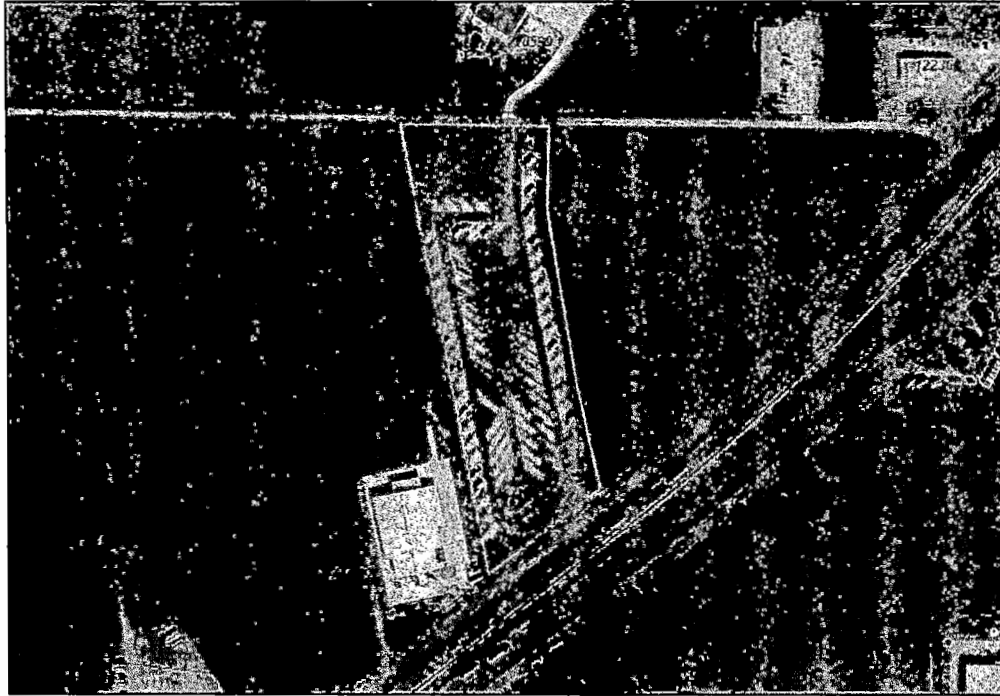


Account Number: 27209  
Location: 8806 Wesley St., Greenville, Hunt County, Texas  
Date of Sale: November 9, 2018  
Grantor: Collins Propane, Co.  
Grantee: Chikezie & Martina Dike  
Size: 1.86 Acres  
Legal Description: Tract 12, Joel Odell, A0811  
Recording Data: 2018-17109  
Sales Price: \$220,000  
Financing: Cash to seller

**Unit Price: \$118,280/Acre**

Utilities:  
Public Water: Yes  
Public Sewer: Yes  
Current Use: Vacant Land  
Frontage: One Side  
Flood Plain: None Apparent  
Zoning: Light Industrial  
Shape/Topography: Rectangular  
Verified: Charlie Patterson

**COMPARABLE SALE 2**

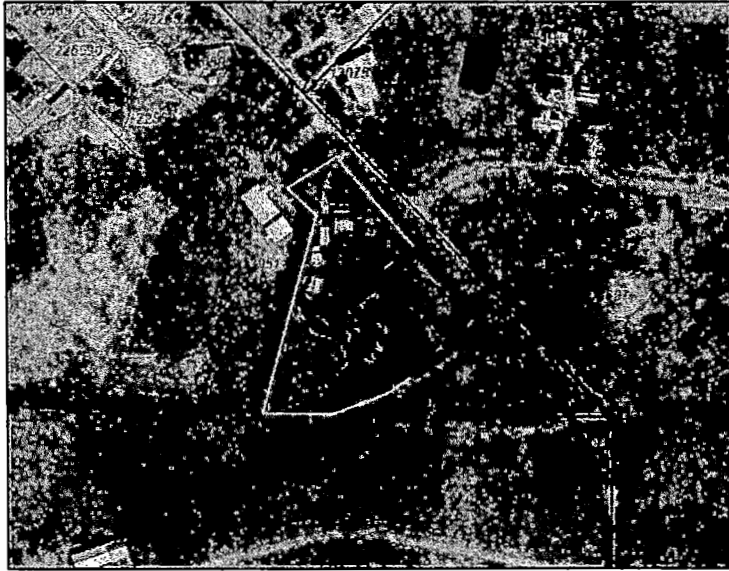


Account Number: 127209  
Location: 1770 IH-30, Caddo Mills, Hunt County, Texas  
Date of Sale: December 3, 2018  
Grantor: Garth E. Wiebe  
Grantee: Southern Star Capital, LLC  
Size: 10.0 Acres  
Legal Description: Tract M49-2, Mary Morris, A0649  
Recording Data: 2018-18091  
Sales Price: \$350,000  
Financing: Cash to seller

**Unit Price: \$35,000/Acre**

Utilities:  
Public Water: Yes  
Public Sewer: No  
Current Use: RV Park  
Frontage: Two Sides  
Flood Plain: None Apparent  
Zoning: Not Zoned  
Shape/Topography: Rectangular  
Verified: eXp Realty, LLC Susan Zachary

### COMPARABLE SALE 3

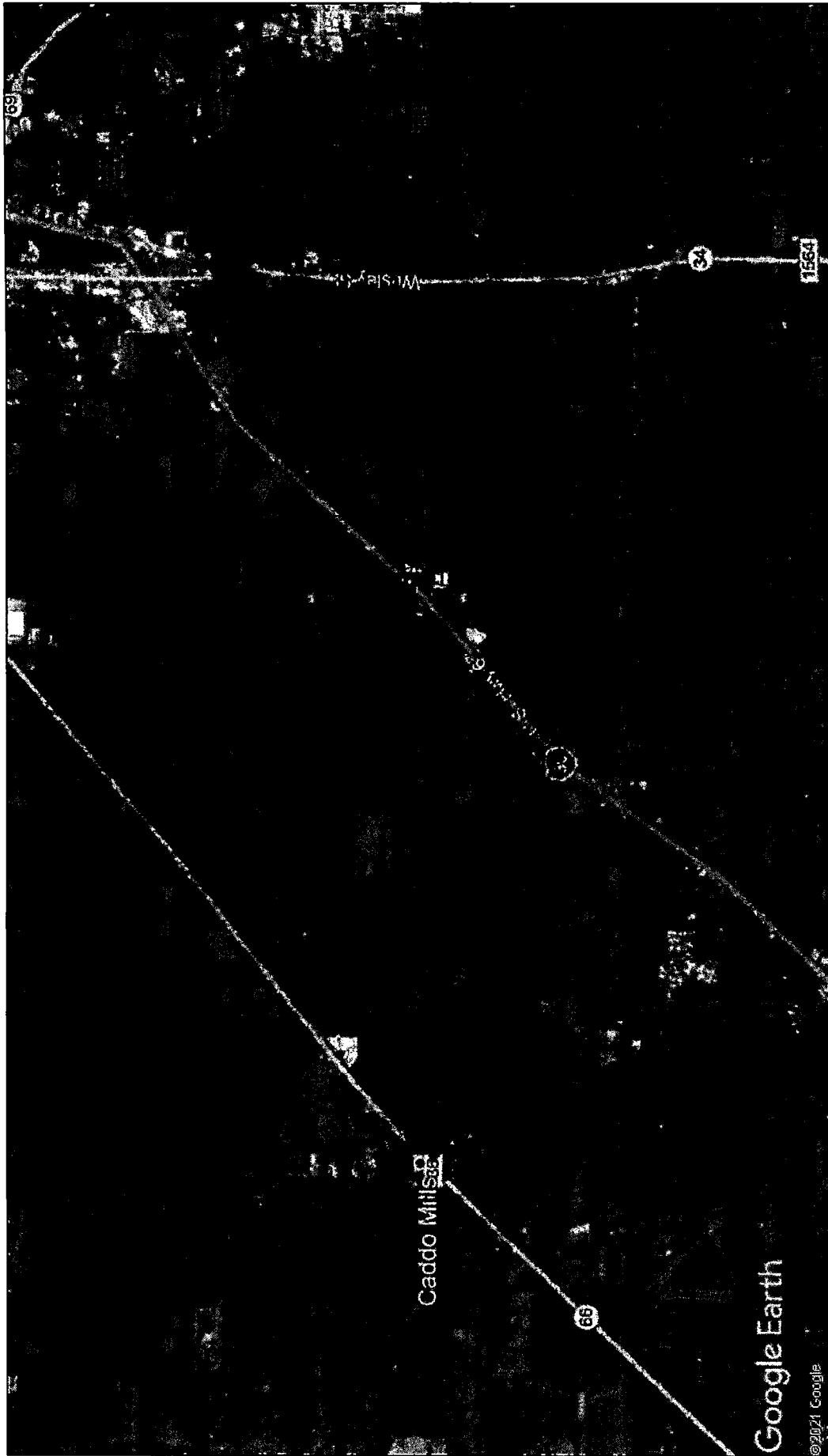


\*Sale 3 is outlined in red (approximate)

Account Number: 129518  
Location: 3508 S. FM 36, Caddo Mills, Hunt County, Texas  
Date of Sale: September 11, 2020  
Grantor: James & Linda McCaghren  
Grantee: S. Clement Homes  
Size: 1.50 Acres  
Legal Description: Lot 1, McCaghren Addition, S3987  
Recording Data: 2020-15567  
Sales Price: \$42,000  
Financing: Cash to seller

**Unit Price: \$27,888/Acre**

Utilities:  
Public Water: Yes  
Public Sewer: No  
Current Use: Vacant Land  
Frontage: One Side  
Flood Plain: None Apparent  
Zoning: Not Zoned  
Shape/Topography: Slightly Irregular  
Verified: MLS



COMPARABLE LAND SALE MAP

## **ANALYSIS OF COMPARABLE LAND SALES**

Three land sales were cited in this analysis, which ranged in size from 1.50 Acres to 10.0 acres and in date of sale from November 2018 to September 2020. In our analysis, the subject contains 2.0 acres. In estimating the market value of the Subject, an adjustment grid analysis will be performed.

The following adjustment grids analyze the most comparable sales to the Subject Tract (“+” adjustments indicate that the comparable sale is inferior to the Subject and must be adjusted upward; “-“ adjustments indicate that the comparable sale is superior to the Subject and must be adjusted downward; and “0” indicates that the comparable sale and Subject are similar overall in this factor of comparison and no adjustment is warranted).

### ***Real Property Rights Conveyed***

This adjustment is considered for any differences in the real property rights being conveyed in the sale. Properties in which less than the full Fee Simple Estate is transferred frequently sell for a lower price. Since all of the adjusted sales were sold in Fee Simple, no adjustments will be made.

### ***Financing Terms***

All of the adjusted sales were sold for cash or at market terms. Adjustments for financing terms are not appropriate.

### ***Conditions of Sale***

All of the sales are considered to be arm’s length transactions. No adjustments are necessary for this factor.

### ***Market Conditions (Time)***

Market conditions may change between the time of sale of a comparable property and the date of the appraisal of the Subject. Under such circumstances, the price of the comparable property would be different at the later time (the date of the appraisal), and an adjustment would have to be made to the actual transaction price. Changed market conditions often result from various causes such as inflation, deflation, changing demand, and changing supply. Adjustments for changes in market conditions do not appear necessary for this market and since 2019.

### ***Size***

Typically, larger tracts will sell for less on a per square foot basis than smaller tracts, all other factors being equal. The subject contains 2.0 acres and the sales range in size from 1.50 Acres to 10.0 acres. The sales were adjusted accordingly (see adjustment grid).

### ***Location/Access/Frontage***

In this analysis, primary consideration is given to the type and quality of the developments and land uses in the area of the given property, to the growth prospects in the immediate area, to the age of the improvements which characterize the surrounding area, and to the condition and maintenance levels of the improvements, both public and private. General access to the property is also considered in this category. The subject property is located along the east side of Gilmer St., just south of State Highway 66, Caddo Mills, Hunt County, Texas 75135. The sales were adjusted accordingly (see adjustment grid).

### ***Utilities***

The subject has all utilities available. Sales 2 and 3 have no sewer and were adjusted upward.

***Flood Plain***

Typically, properties located in flood hazard areas sell for less than those not located in flood hazard areas. As mentioned earlier, the subject has no flood plain influence. All of the sales are sufficiently similar.

***Development Potential***

The subject is zoned Public and has a rectangular shape. Sales 1 and 3 were adjusted for development potential.

The following chart summarizes adjustments applied to the comparable sales on per Acre basis for the Subject Property (2.0 Acres):

<b>Land Sales Adjustment Chart</b>			
	Comp 1	Comp 2	Comp 3
Price/Acre	\$118,280	\$35,000	\$27,888
Property Rights Conveyed	Fee Simple	Fee Simple	Fee Simple
Financing	Typical	Typical	Typical
Conditions of Sale	Market	Market	Market
Market Conditions	Nov-18 0%	Dec-18 0%	Sep-20 0%
Adjusted Price/Acre	\$118,280	\$35,000	\$27,888
Size (2.0 Acres)	1.86 Acres Similar 0%	10.0 Acres Larger 25%	1.50 Acres Similar 0%
Location/Access/Frontage	Superior -25%	Superior -5%	Inferior 10%
Utilities (All Available)	Similar 0%	Inferior 10%	Inferior 10%
Flood Plain (None Apparent)	Similar 0%	Similar 0%	Similar 0%
Development Potential (Not Zoned/Rectangular)	Superior -10%	Similar 0%	Inferior 25%
Adjusted Price/Acre	\$76,882	\$45,500	\$40,438
	<b>Mean:</b>	<b>\$54,273</b>	
	<b>Median:</b>	<b>\$45,500</b>	
<b>LAND VALUE CONCLUSION</b>			
\$55,000 x 2.0 Acres = \$110,000			
<b>ROUNDED: \$110,000</b>			

**Conclusion:** Each of the sales were analyzed and adjusted for dissimilar attributes when compared with the subject site. The estimated market value of the subject property is considered to be well supported at \$55,000/Acre.

## REPLACEMENT COST OF IMPROVEMENTS

As noted previously in this report, Replacement Cost was defined as "...the estimated cost to construct, at current prices, as of the effective appraisal date, a building with utility equivalent to the building being appraised, using modern materials and current standards, design, and layout." This approach to value is based upon the assumption that an informed purchaser will pay no more than the cost of producing a substitute property with the same utility as the subject property. The cost estimates utilized herein were obtained through the Marshall Valuation Service and cross-checked against current construction costs of similar type properties.

The calculator method was utilized for this report. To arrive at a replacement cost via the calculator method, a base cost figure for the particular type of property is first estimated. Then, additional site improvement costs are estimated and added to the base cost amount in order to obtain the direct costs associated with the subject improvements. Secondly, indirect, or soft costs were estimated based upon typical market parameters. Finally, entrepreneurial profit was established and combined with both the direct and indirect costs to arrive at the total replacement cost "new" of the subject improvements. Accrued depreciation from all causes is then analyzed, with those appropriate deducted from the replacement cost "new," indicating a depreciated value of the subject improvements. To this amount, the land value as vacant is added to arrive at a value conclusion via the cost approach.

The base building costs of the subject includes the following:

- Average architect's and engineer's fees, including plans, plan checking and building permits, and surveys to establish building lines and grades;
- Normal interest on building funds, excluding land, during the period of construction and processing fee or service charge;
- Sales taxes on materials;
- Normal site preparation including excavation for foundation and backfill;
- Utilities from structure to lot line figured for typical setback; and,
- Contractor's overhead and profit including job supervision, workman's compensation, fire and liability insurance, unemployment insurance, etc.

**REPLACEMENT COST** - The cost estimates in the following tables are abstracted from the *Marshall Valuation Service* and are adjusted for time and location using the *Marshall* current and local cost indicators. The *Marshall Valuation Service* is a national cost index providing cost data for determining replacement costs of buildings and other improvements, and is published by Marshall & Swift, LP. *Marshall Valuation Service*. The improvements most closely resemble the following property types as described in the Marshall & Swift cost manual.



**Furniture, Fixtures and Equipment (FF&E):** As discussed within the Description of the Improvements, a detailed inventory of these items was not provided to the appraisers. FF&E is not considered in this appraisal.

**Indirect Costs:** MVS includes items such as property taxes during construction, escrow fees and legal fees associated with the land, interest on the land, and discount points and fees paid in connection with interim financing.

**Entrepreneurial Profit:** In addition to the direct and indirect cost, an allocation for entrepreneurial profit must be considered. Market data has shown an entrepreneurial profit factor of 10.0% to 20.0% is appropriate for properties in the general area. The appraisers have relied upon a 10.0% profit factor, to be applied to the total hard and soft costs. Local and current cost multipliers were also applied, per MVS.

**Depreciation:** The Dictionary of Real Estate Appraisal 15<sup>th</sup> Edition, published by the Appraisal Institute defines accrued depreciation as:

*"the difference between an improvement's reproduction or replacement costs and its market value as of the date of appraisal"*

To estimate the amount of accrued depreciation, which affects the subject property as of the date of appraisal, the breakdown method has been utilized. The breakdown method consists of analyzing each type of depreciation separately and then summing up each category of depreciation to arrive at a total estimate of depreciation with the subject property. Below is a list of these categories:

- 1) Curable physical deterioration
- 2) Incurable physical deterioration
- 3) Curable functional obsolescence
- 4) Incurable functional obsolescence
- 5) External obsolescence

Each type of depreciation is analyzed separately, and then the categories are summed to provide a total depreciation estimate. In the following analysis, the breakdown method will be used to allocate the different types of accrued depreciation affecting the subject property.

**Curable Physical Deterioration:** Physical curable deterioration pertains to items of deferred maintenance. No significant items of deferred maintenance were noted or reported.

**Incurable Physical Deterioration:** Physical incurable deterioration refers to the depreciation of the subject improvements that are not considered to be economically feasible to correct. The subject has an estimated effective age of 30 years "as is" with a useful life of 50 years (60% depreciation).

**Functional Obsolescence:** The subject property is functionally designed and appears to be suited for serving its purpose. No functional obsolescence was evident in the subject improvements as of the date of appraisal.

**External Obsolescence:** External obsolescence is the result of diminished utility of a structure due to a negative influence from outside of the property. An adjustment does not appear necessary.

**Building:** The depreciated replacement cost of the improvements is estimated below:

COST OF IMPROVEMENTS - BUILDING "AS IS"										
	Unit	Base Cost	Local Cost Mult.	Current Cost Mult.	Entrep. Profit & Indirect Costs	Adjusted Replac. Cost	Replac. Cost	Less Deprec.		Deprec. Replac. Cost
Office Warehouse Good Cost (MVS 14/26/S)	5,864	\$58.50	0.86	1.03	1.10	\$57.00	\$334,255	60.0%	\$200,553	\$133,702
Canopy Average Cost (MVS 14/37/S)	360	\$41.25	0.86	1.03	1.10	\$40.19	\$14,470	60.0%	\$8,682	\$5,788
<b>Replacement Cost - All Improvements</b>										<b>\$139,490</b>

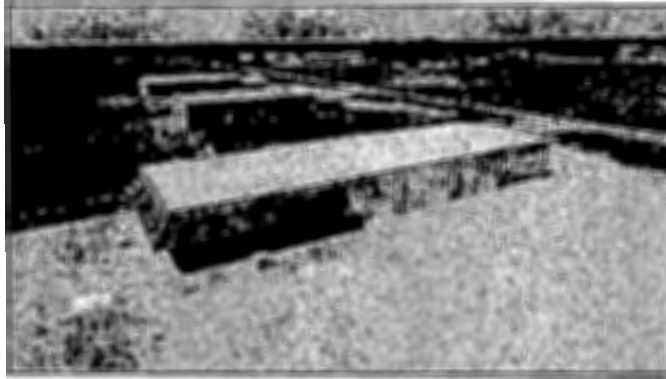
**Site Improvements:** The depreciated replacement cost of the site improvements is estimated below:

COST OF SITE IMPROVEMENTS/OTHER "AS IS"										
	Unit	Base Cost	Local Cost Mult.	Current Cost Mult.	Profit & Indirect Costs	Adjusted Replac. Cost	Replac. Cost	Less Deprec.		Deprec. Replac. Cost
Gravel	80,000	\$1.50	0.86	1.03	1.10	\$1.46	\$116,926	60.0%	\$70,155	\$46,770
Fencing	1	\$30,000	0.86	1.03	1.10	\$29,231	\$29,231	60.0%	\$17,539	\$11,693
Hazardous Waste Area	1	\$20,000	0.86	1.03	1.10	\$19,488	\$19,488	60.0%	\$11,693	\$7,795
Misc.	1	\$10,000	0.86	1.03	1.10	\$9,744	\$9,744	60.0%	\$5,846	\$3,898
<b>Replacement Cost - All Improvements</b>										<b>\$70,155</b>

The following table is a summary of the Cost Approach "As Is."

COST APPROACH SUMMARY "AS IS"	
STRUCTURES	\$139,490
SITE IMPROVEMENTS	\$70,155
TOTAL DEPRECIATED COST	\$209,645
LAND VALUE "AS IS"	\$110,000
TOTAL	\$319,645
ROUNDED	<b>\$320,000</b>

**Rent Comparable No. 2**



**Location/Address:** Office Warehouse  
3856 Hwy 34  
Greenville, TX

***Property Data:***

Building Size (Leased): 7,500 SF  
Land Size: 1.50 Acres  
Year Built: 2017  
Current Physical Condition: Average  
Parking Availability: Average

***Rental Data:***

Rental Rate: \$4.80/SF/Year  
Tenant Expense Reimbursements: MG  
Lease Term: 3-5 years is typical  
Verified: Leasing Agent

**Rent Comparable No. 3**



**Location/Address:** Office Warehouse  
2317 Highway 66  
Caddo Mills, TX

***Property Data:***

Building Size (Leased): 7,012 SF  
Year Built: 1986  
Land Size: 0.68 Acres  
Current Physical Condition: Average  
Parking Availability: Average

***Rental Data:***

Rental Rate: \$4.28/SF/Year  
Tenant Expense Reimbursements: MG  
Lease Term: 3-5 years is typical (commenced April 2020)  
Verified: Leasing Agent

**Rent Comparable No. 4**



**Location/Address:** Office Warehouse  
3450 Interstate 30 W  
Caddo Mills, TX

***Property Data:***

Building Size (Leased): 6,500 SF  
Year Built: 2020  
Current Physical Condition: Average  
Parking Availability: Average

***Rental Data:***

Rental Rate: \$7.10/SF/Year  
Tenant Expense Reimbursements: MG  
Lease Term: 2 years (commenced April 2020)  
Verified: Leasing Agent



COMPARABLE RENTAL MAP

**RENT ROLL** – The subject is owner-occupied with no lease in-place.

**MARKET RENT** - The rent comparables are summarized in the following table.

COMPARABLE RENTALS - ADJUSTMENT GRID													
Rent No.	Location	Size (SF)	Year Built	Lease Type	Rent/SF/Year	Size	Age/Condition	Quality	Location	Lease Type	Total	Adjusted Rent/SF	
1	Royse City, TX	5,030	2004	MG	\$6.68	0.0%	-5.0%	10.0%	-5.0%	0.0%	0.0%	\$6.68	
2	Greenville, TX	7,500	2017	MG	\$4.80	0.0%	-10.0%	25.0%	0.0%	0.0%	15.0%	\$5.52	
3	Caddo Mills, TX	7,012	1986	MG	\$4.28	0.0%	10.0%	25.0%	0.0%	0.0%	35.0%	\$5.78	
4	Caddo Mills, TX	6,500	2020	MG	\$7.10	0.0%	-10.0%	-5.0%	-5.0%	0.0%	-20.0%	\$5.68	
<b>Average</b>					<b>6,511</b>	<b>2007</b>	<b>--</b>	<b>\$5.72</b>					<b>Average</b>
												<b>Low</b>	
												<b>High</b>	
<b>Subject: Caddo Mills, TX 5,864 SF 1970's YOC</b>													

**SUMMARY** - The market data indicates an adjusted rental rate range of \$5.52 PSF/Year to \$6.68 PSF/Year with an average of \$5.91 PSF/Year on a "Modified Gross" basis. Based on the comparable rentals, market rent of \$6.00 PSF/Year appears reasonable and will be utilized in this valuation for the subject. The Potential Gross Income is presented below "As Is":

**Potential Gross Income**

**5,864 SF x \$6.00/SF/YR = \$35,184**

**Vacancy Collection Loss** - Vacancy and collection loss is a reduction of a property's potential gross income attributed to unrented space and late payment or nonpayment from existing tenants.

A 0.0% to 10.0% vacancy factor is commonly applied by investors in this marketplace for commercial properties. For these projections, a vacancy factor of **5.0%** appears reasonable for the subject and will be applied.

**Expenses** – A “Modified Gross” Lease has been assumed for the Subject. Based on the comparables and the subject’s characteristics, the expenses were estimated on a “Modified Gross” lease basis. Typically, the tenant is responsible for utilities and some maintenance while the landlord pays all remaining expenses.

**Property Taxes** – The 2020 estimated tax liability for the subject property is **\$9,071**; see Tax Analysis for more detail.

**Insurance** - The insurance expense amount represents the annual premium for fire and extended coverage insurance, plus on-site liability. An insurance expense of **\$0.25 PSF/Year** was estimated.

**Common Area Maintenance/Repairs & Maintenance** - This expense is comprised of contract services, general/administrative expenses, utilities not paid by the tenant, and supplies associated with the maintenance of the property building and grounds (common areas). On-going maintenance has been included but renovation costs have been excluded and are allotted for in reserves. CAM expenses of **\$0.10 PSF/Year** were estimated based on the expense comparables and subject characteristics.

**Management Fees** - Management fees are generally established by contract and are based upon a percentage of total revenue. We have utilized a management fee of **2.0%** of effective gross income based on similar properties.

**Reserves for Replacement** - An annual reserve should also be set aside for periodic repairs. This figure was estimated at **\$0.15 PSF/Year** due to the age (1970’s), periodic renovations, and quality of the subject.

REPLACEMENT RESERVES PER SQUARE FOOT				
First Quarter 2020				
	CURRENT QUARTER		YEAR AGO	
	Range	Average	Range	Average
<b>Industrial</b>				
National Warehouse	\$0.05 – \$0.35	\$0.15	\$0.05 – \$0.35	\$0.15
ENC Region Warehouse	\$0.05 – \$0.20	\$0.13	\$0.40 – \$0.90	\$0.18
Pacific Region Warehouse	\$0.05 – \$0.35	\$0.15	\$0.05 – \$0.35	\$0.14

**Expense Comparables** – The following table presents three expense comparables.

	Expense Comp A		Expense Comp B		Expense Comp C	
	Total	Per SF	Total	Per SF	Total	Per SF
Maintenance & Repairs	\$ 3,343.99	\$0.13	\$ 2,757.28	\$0.12	\$ 12,332.39	\$ 0.42
Property Taxes	\$ 24,655.26	\$0.95	\$ 47,470.29	\$2.00	\$ 16,022.44	\$ 0.55
Insurance	\$ 6,452.10	\$0.25	\$ 7,484.02	\$0.31	\$ 7,928.97	\$ 0.27



The Proforma is presented below "as is."

<b>Subject Property Stabilized Proforma</b>		
		<u>Per SF</u>
<b>INCOME</b>		
Gross Potential Income	\$35,184	\$6.00
Less: Vacancy & Collection Loss @ 5.0%	<u>\$1,759</u>	<u>\$0.30</u>
Effective Gross Income	\$33,425	\$5.70
<b>EXPENSES</b>		
Taxes	\$9,071	\$1.55
Insurance	\$1,466	\$0.25
Common Area Maintenance	\$586	\$0.10
Management Fee (2%)	\$668	\$0.11
Reserves	<u>\$880</u>	<u>\$0.15</u>
Total Expenses (OER 38%)	\$12,671	\$2.16
<b>NOI (NIR Ratio (62%))</b>	<b>\$20,754</b>	<b>\$3.54</b>

## **DIRECT CAPITALIZATION**

In order to complete the valuation of the subject property, the Direct Capitalization Approach was utilized. An analysis of an appropriate capitalization rate will be presented, followed by our conclusion of value.

### ***Investment Surveys***

Surveys that draw on a broad sample of real estate professionals at pension funds, their advisors, corporate and other investors, and lending institutions provide timely insights into current investment criteria. We cited the following surveys:

- 1) **Henry S. Miller Survey**
- 2) **Situs RERC Survey**
- 3) **PwC Survey**

### ***Comparable Sales***

Overall capitalization rates were also utilized in this analysis.

The results of the most recent **Henry S. Miller Survey – 2019 Trends** are summarized in the following table.

Capitalization Rates							
Property Type	Property Class	Current			Reversion		
		Average	Range		Average	Range	
Apartments	A	5.05%	4.00%	7.00%	5.47%	4.00%	7.50%
	B	5.72%	5.00%	7.00%	6.21%	4.50%	7.50%
	C	7.04%	5.50%	10.00%	7.22%	5.50%	9.50%
Office	A	6.75%	5.00%	10.00%	7.09%	5.00%	9.50%
	B	7.85%	5.50%	10.00%	8.05%	5.00%	10.50%
	C	8.38%	5.00%	11.00%	8.46%	5.00%	11.50%
Retail	A	6.33%	4.00%	9.00%	6.78%	5.00%	10.00%
	B	7.61%	5.50%	10.00%	8.66%	5.50%	12.50%
	C	8.77%	6.00%	13.00%	9.39%	6.00%	15.50%
Industrial	A	5.69%	4.00%	9.00%	5.98%	4.00%	9.00%
	B	6.64%	5.00%	8.50%	6.95%	4.00%	9.00%
	C	7.65%	4.00%	10.00%	8.13%	4.50%	9.50%

The results of the most recent **Situs RERC Real Estate Report – 4<sup>th</sup> Quarter 2020** are summarized in the following table.

	Office		Industrial			Retail			Appt	Student Housing	Mixed	Average All Types	RERC Part Index
	CEO	Sub	WHSE	R&D	FLEX	REGI MALL	PRM CNTR	REGI/ COMM					
Range	60-88	63-80	50-72	62-87	63-89	65-10	70-90	63-10	55-78	63-88	55-120	50-120	50-120
Average	75	71	62	73	75	83	83	74		63	76	77	70
Weighted Average	73			63			80				70.5	77	70
YTD Change	-10	-11	-10	-20	-20	0	-10	0		-10	-40	-30	-10
YTD Change	-10			-10			0				-40	-10	-10
Range	40-73	41-75	53-55	50-75	50-74	48-80	55-80	50-75	40-65	45-70	75-98	55-98	55-98
Average	54	63	46	62	63	65	71	61		43	58	62	54
Weighted Average	50			47			65				65	62	54
YTD Change	-10	-20	-20	-20	-20	-10	-10	0		-10	-40	-10	-20
YTD Change	-10			-20			0				-40	-10	-20

The results of the most recent Investor Survey by RealtyRates.com – 1<sup>st</sup> Quarter 2021 are summarized in the following table.

RealtyRates.com INVESTOR SURVEY - 1st Quarter 2021						
INDUSTRIAL - ALL TYPES						
Item	Input					OAR
<b>Minimum</b>						
Spread Over 10-Year Treasury	1.40%	<b>DCR Technique</b>	1.15	0.038067	0.80	<b>3.50</b>
Debt Coverage Ratio	1.15	<b>Band of Investment Technique</b>				
Interest Rate	2.27%	Mortgage	80%	0.038067	0.030453	
Amortization	40	Equity	20%	0.071614	0.014323	
Mortgage Constant	0.038067	OAR				<b>4.48</b>
Loan-to-Value Ratio	80%	<b>Surveyed Rates</b>				<b>4.25</b>
Equity Dividend Rate	7.16%					
<b>Maximum</b>						
Spread Over 10-Year Treasury	6.10%	<b>DCR Technique</b>	2.05	0.107658	0.50	<b>11.03</b>
Debt Coverage Ratio	2.05	<b>Band of Investment Technique</b>				
Interest Rate	6.97%	Mortgage	50%	0.107658	0.053829	
Amortization	15	Equity	50%	0.158835	0.079417	
Mortgage Constant	0.107658	OAR				<b>13.32</b>
Loan-to-Value Ratio	50%	<b>Surveyed Rates</b>				<b>12.66</b>
Equity Dividend Rate	15.88%					
<b>Average</b>						
Spread Over 10-Year Treasury	3.47%	<b>DCR Technique</b>	1.46	0.065500	0.70	<b>6.68</b>
Debt Coverage Ratio	1.46	<b>Band of Investment Technique</b>				
Interest Rate	4.34%	Mortgage	70%	0.065500	0.045668	
Amortization	25	Equity	30%	0.119585	0.036208	
Mortgage Constant	0.065500	OAR				<b>8.19</b>
Loan-to-Value Ratio	69.7%	<b>Surveyed Rates</b>				<b>8.82</b>
Equity Dividend Rate	11.96%					

\*4th Quarter 2020 Data

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**Comparable Sales** – The Sales had rates that ranged from 6.67% to 7.10% with an average of 6.88%.

SUMMARY - COMPARABLE SALES					
Sale	Location	Date	SF	\$/SF	OAR
1	Caddo Mills, TX	Feb-18	3,825	\$84.97	6.67%
2	Caddo Mills, TX	Jun-19	3,900	\$57.69	7.10%
3	Greenville, TX	Mar-20	4,320	\$69.44	6.80%
4	Caddo Mills, TX	Mar-20	3,800	\$59.21	6.92%
5	Greenville, TX	Oct-20	2,400	\$72.92	6.91%
<b>Averages</b>			<b>3,649</b>	<b>\$68.85</b>	<b>6.88%</b>

**Conclusion** – The before mentioned surveys and comparable sale data is summarized below:

<b>CAPITALIZATION RATE SUMMARY</b>			
<b>Item</b>	<b>Low</b>	<b>High</b>	<b>Average</b>
Henry S. Miller	5.50%	10.00%	7.85%
Situs RERC	5.00%	7.40%	6.30%
PwC	4.25%	12.66%	8.82%
Sales	<u>6.67%</u>	<u>7.10%</u>	<u>6.88%</u>
<b>Averages</b>	<b>5.36%</b>	<b>9.29%</b>	<b>7.46%</b>

Based on the above and considering the age, and location, the overall rate for the subject property is estimated to be 7.0%, consistent with the comparable sales and within the range of the surveys. The net operating income is capitalized into an estimate of value as follows "as is":

<b>Net Operating Income</b>	<b>Overall Rate</b>	<b>Indicated Value</b>
\$20,754	7.00%	\$296,481
	<b>"As Is" Value (Rounded)</b>	<b>\$295,000</b>

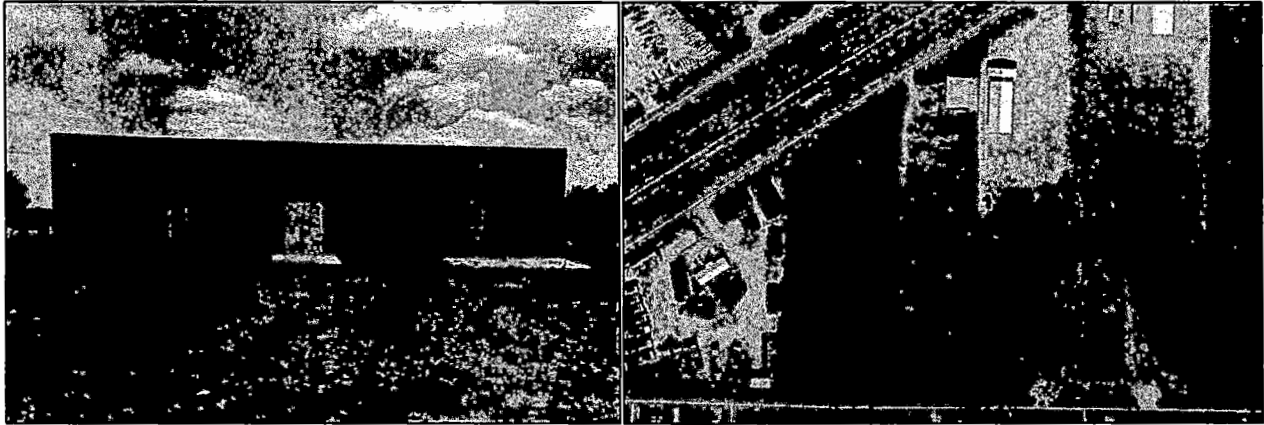
## SALES COMPARISON APPROACH

The Sales Comparison Approach is based on the theory of substitution wherein it is assumed that a prudent purchaser would not be justified in paying more for a property than the price at which he could acquire a reasonable substitute property in the open market. Thus, the Sales Comparison Approach involves an investigation and analysis of open market sales of substitute properties. To be valid as an indication of market value, the comparison properties must be reasonably similar in terms of physical and locational characteristics, offer the same basic utility, and the sale transaction must be of a reasonably recent date if the property is located in an area of rapidly changing economic conditions. Furthermore, the available comparable data must be sufficient in number to create value patterns in the market.

The sales price per square foot of building area is a physical unit of comparison which typically requires adjustments for observable and material differences, such as location, age, physical condition, quality of construction, occupancy at the time of sale, etc.

The following sales transactions have been used as a basis for the indication of value through the Sales Comparison Approach. A comparable sale map is also presented.

**COMPARABLE SALE NO. 1**



Type: Office Warehouse  
 Location: 4935 IH 30 West, Caddo Mills, TX  
 Grantor: PKDK Holdings, LLC  
 Grantee: Bentli Homes, LLC  
 Deed Date: February 28, 2018  
 Price: \$325,000  
 Recordation: 2018-2855  
 Terms of Sale: Cash to Seller

**Improvements:**

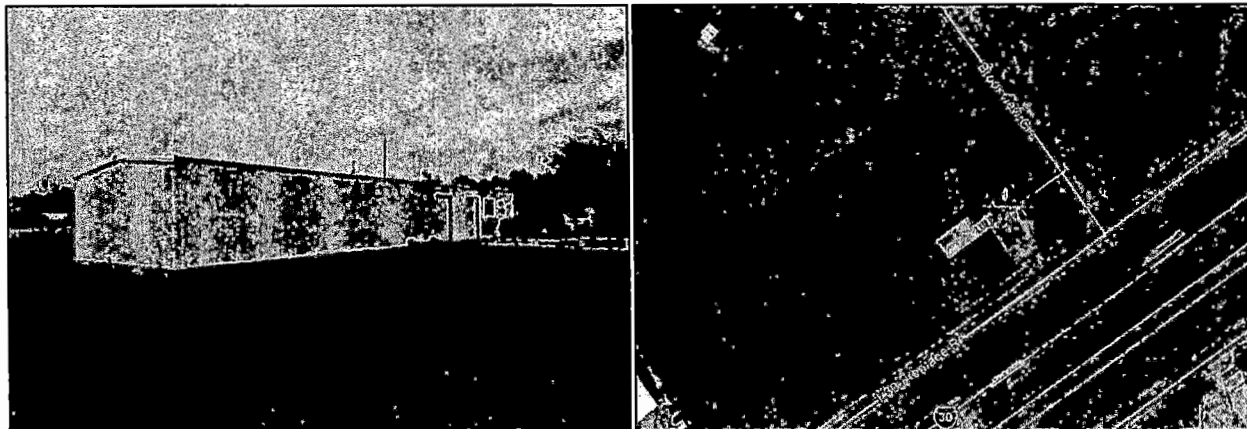
Year Built: 2007  
 Building Area (SF): 3,825  
 Land Area (SF): 130,680 or 3.00 Acres  
 LTB Ratio (to 1): 34.16  
 Condition: Average  
 Quality: Average  
 % Office: 0.0%  
 Ceiling Height (Feet): 14  
 Construction: Metal Building

	<u>ProForma</u>	<u>Per/SF</u>
Potential Gross Income	\$34,425	\$9.00
Less: Vacancy (5%)	<u>\$3,443</u>	<u>\$0.90</u>
Effective Gross Income	\$30,983	\$8.10
Less: Expenses (30%)	<u>\$9,295</u>	<u>\$2.43</u>
Net Operating Income	\$21,688	\$5.67

Units of Comparison

OAR (Proforma): 6.67%  
 Price/SF (Building): \$84.97  
 Verified: MLS  
 Days On Market: 278

**COMPARABLE SALE NO. 2**



Type: Office Warehouse  
 Location: 4770 IH 30 West, Caddo Mills, TX  
 Grantor: Rawi Morris  
 Grantee: Dobbmeyer Properties, LLC  
 Deed Date: June 14, 2019  
 Price: \$225,000  
 Recordation: 2019-8268  
 Terms of Sale: Cash to Seller

**Improvements:**

Year Built: 1980  
 Building Area (SF): 3,900  
 Land Area (SF): 87,294 or 2.00 Acres  
 LTB Ratio (to 1): 22.38  
 Condition: Average  
 Quality: Average  
 % Office: 15.4%  
 Ceiling Height (Feet): 12  
 Construction: Metal Building

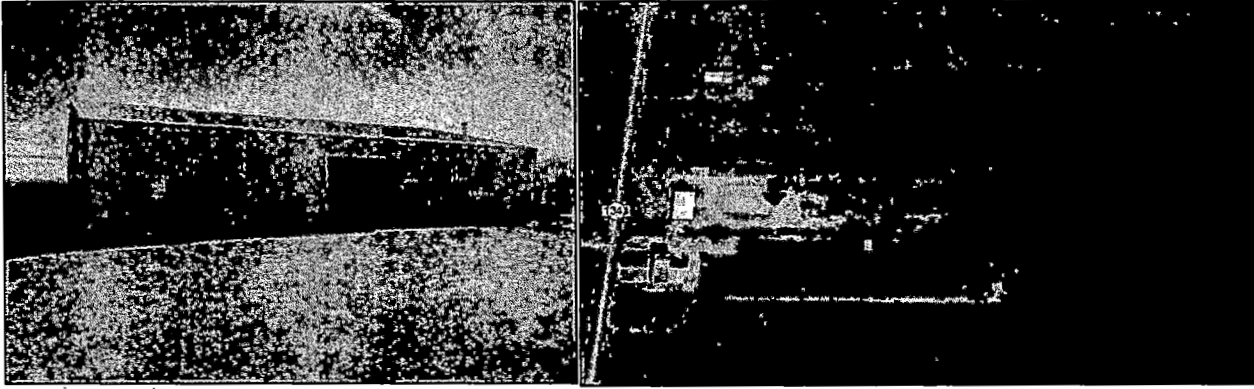
	<u>ProForma</u>	<u>Per/SF</u>
Potential Gross Income	\$25,350	\$6.50
Less: Vacancy (5%)	<u>\$2,535</u>	<u>\$0.65</u>
Effective Gross Income	\$22,815	\$5.85
Less: Expenses (30%)	<u>\$6,845</u>	<u>\$1.76</u>
Net Operating Income	\$15,971	\$4.10

Units of Comparison

OAR (Proforma): 7.10%  
 Price/SF (Building): \$57.69  
 Verified: MLS  
 Days On Market: 24



**COMPARABLE SALE NO. 3**



Type: Office Warehouse  
 Location: 4715 SH 34 South, Greenville, TX  
 Grantor: Specrite Construction, Inc.  
 Grantee: Leonardo Jimenez  
 Deed Date: March 30, 2020  
 Price: \$300,000  
 Recordation: 20-5115  
 Terms of Sale: Cash to Seller

**Improvements:**

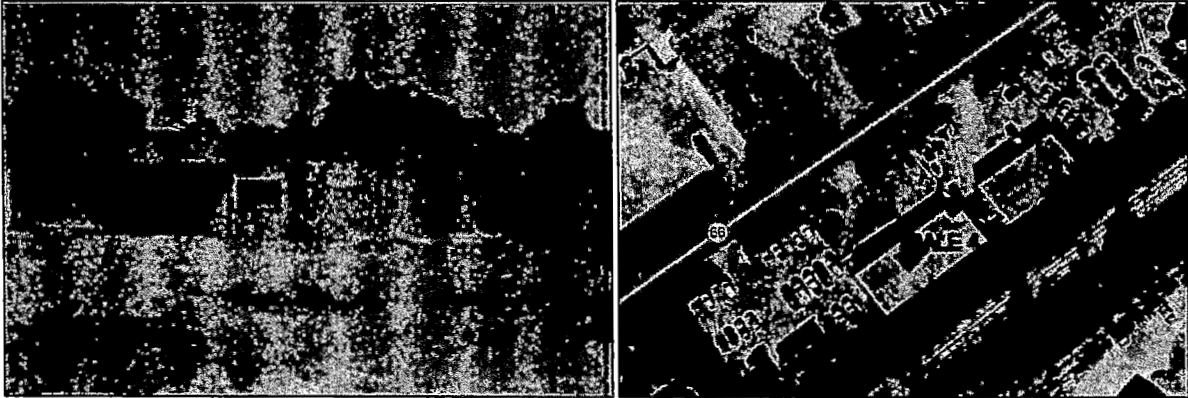
Year Built: 1987  
 Building Area (SF): 4,320  
 Land Area (SF): 219,368 or 5.04 Acres  
 LTB Ratio (to 1): 50.78  
 Condition: Average  
 Quality: Average  
 % Office: 23.1%  
 Ceiling Height (Feet): 12  
 Construction: Metal Building  
 Comments: Includes billboard lease income

	<u>ProForma</u>	<u>Per/SF</u>
Potential Gross Income	\$32,400	\$7.50
Less: Vacancy (5%)	<u>\$3,240</u>	<u>\$0.75</u>
Effective Gross Income	\$29,160	\$6.75
Less: Expenses (30%)	<u>\$8,748</u>	<u>\$2.03</u>
Net Operating Income	\$20,412	\$4.73

Units of Comparison

OAR (Proforma): 6.80%  
 Price/SF (Building): \$69.44  
 Verified: MLS  
 Days On Market: 68

**COMPARABLE SALE NO. 4**



Type: Office Warehouse  
 Location: 3002 SH 66, Caddo Mills, TX  
 Grantor: Brandon Nelson  
 Grantee: MSM Property Mgmt, LLC  
 Deed Date: March 31, 2020  
 Price: \$225,000  
 Recordation: 2020-5223  
 Terms of Sale: Cash to Seller

**Improvements:**

Year Built: 1981  
 Building Area (SF): 3,800  
 Land Area (SF): 9,148 or 0.21 Acres  
 LTB Ratio (to 1): 2.41  
 Condition: Average  
 Quality: Average  
 % Office: 25.0%  
 Ceiling Height (Feet): 12  
 Construction: Metal Building  
 Comments: Office and living area

	<u>ProForma</u>	<u>Per/SF</u>
Potential Gross Income	\$24,700	\$6.50
Less: Vacancy (5%)	<u>\$2,470</u>	<u>\$0.65</u>
Effective Gross Income	\$22,230	\$5.85
Less: Expenses (30%)	<u>\$6,669</u>	<u>\$1.76</u>
Net Operating Income	\$15,561	\$4.10

Units of Comparison

OAR (Proforma): 6.92%  
 Price/SF (Building): \$59.21  
 Verified: Charlie Patterson  
 Days On Market: 278

**COMPARABLE SALE NO. 5**



Type: Office Warehouse  
 Location: 5900 Wesley Street, Greenville, TX  
 Grantor: AGRARIUS LLC  
 Grantee: Deeann Brierton  
 Deed Date: October 12, 2020  
 Price: \$175,000  
 Recordation: 2020-17250  
 Terms of Sale: Cash to Seller

**Improvements:**

Year Built: 1975  
 Building Area (SF): 2,400  
 Land Area (SF): 15,333 or 0.35 Acres  
 LTB Ratio (to 1): 6.39  
 Condition: Average  
 Quality: Average  
 % Office: 10.0%  
 Ceiling Height (Feet): 10  
 Construction: Metal Building

	<u>ProForma</u>	<u>Per/SF</u>
Potential Gross Income	\$19,200	\$8.00
Less: Vacancy (5%)	<u>\$1,920</u>	<u>\$0.80</u>
Effective Gross Income	\$17,280	\$7.20
Less: Expenses (30%)	<u>\$5,184</u>	<u>\$2.16</u>
Net Operating Income	\$12,096	\$5.04

Units of Comparison

OAR (Proforma): 6.91%  
 Price/SF (Building): \$72.92  
 Verified: MLS  
 Days On Market: 200



COMPARABLE SALE MAP

The following is a summary of the previous sales:

SUMMARY - COMPARABLE SALES					
Sale	Location	Date	SF	\$/SF	OAR
1	Caddo Mills, TX	Feb-18	3,825	\$84.97	6.67%
2	Caddo Mills, TX	Jun-19	3,900	\$57.69	7.10%
3	Greenville, TX	Mar-20	4,320	\$69.44	6.80%
4	Caddo Mills, TX	Mar-20	3,800	\$59.21	6.92%
5	Greenville, TX	Oct-20	2,400	\$72.92	6.91%
Averages			3,649	\$68.85	6.88%

Certain adjustments are required first to bring all the sales to an equal basis for further comparison; these are, in order, property rights conveyed, financing, conditions of sale, and time of sale, or market conditions.

**Property Rights Conveyed.** Adjustments do not appear necessary for this factor.

**Financing.** This adjustment is included in the form of an estimated Cash Equivalent Sales Price recited in the outline summary of the sale itself. By making this adjustment first, all of the data is on a common cash or cash equivalent basis, the same as the basis for the value of the appraised property. All of the sales were cash to the seller and required no adjustments for favorable and/or atypical financing provided by the seller.

**Conditions of Sale.** All of the sales were reported as being open market, arm's length sales involving knowledgeable buyers and sellers and the properties were adequately exposed for sale in the open market. Therefore, no adjustments were required for conditions of sale relative to the motives of the parties which may have abnormally affected the sales price.

**Market Conditions.** Real estate prices rise and fall due to various influences and circumstances that change with the passage of time. Among such influences are local economic and market conditions, population and employment growth trends, the supply and demand characteristics of the property type, general inflation levels, mortgage loan interest rates, and the availability of mortgage loan financing. Adjustments for changes in market conditions do not appear necessary.

### Physical Attributes

The comparable improved sales are adjusted for location and physical attributes. Characteristics which can impact on price and/or value include: occupancy at the time of sale, overall location, age and physical condition at the time of sale, quality of construction, visibility/exposure, overall accessibility and others.

Some of the adjustments which may be necessary must be based on the appraiser's subjective judgment. Ideally, a paired sales analysis is performed to extract the indicated adjustments from the set of data itself. In most cases, however, there are almost always too many other variables affecting the data to perform a reliable and/or conclusive paired sales analysis for each attribute that may require adjustment.

In analyzing the differences and the degree of difference between each sale and the subject, the appraiser has assigned quality ratings to certain attributes of the sales and the subject. Ratings were assigned for overall

condition, accessibility, construction quality, age/condition, and size. These ratings are based on relative levels of Poor, Fair, Average, Good and Excellent.

Among the data set and the subject, the property or properties with the best characteristics of each attribute are rated either Excellent or Good and those with the worst characteristics are rated either Poor or Fair. All others are rated relatively against these benchmarks.

**Gross Building Area:** Typically, properties with less building area sell for a premium (on a Per/SF basis). The subject has a gross building area of 5,864 SF and the sales ranged from 2,400 SF to 4,320 SF. Sale 5 is smaller and was adjusted downward.

**Overall Location:** Consideration has been given to the locational attributes of each sale. These features include accessibility, road frontage, proximity to major developments, and other locational considerations. For example, tracts located on heavily traveled, well-developed streets will generally sell for a higher unit price as compared to sites located on secondary roadways. The subject property is located along the east side of Gilmer St., just south of State Highway 66, Caddo Mills, Hunt County, Texas 75135. Sales 1 and 2 were adjusted downward for IH 30 frontage. Sale 5 is located in a moderate/high-demand area of Greenville and was also adjusted downward.

**Land-to-Building Ratio:** This attribute considers the land-to-building ratio of each sale in comparison to the subject property. The subject has a land to building ratio of 14.86:1 while the comparables ranged from 2.41:1 to 50.78:1. Sales 1, 3, 4, and 5 were adjusted for differences in ratios.

**Age/Physical Condition:** The comparable sales have construction dates ranging from 1983 to 2010 and the subject property was built in the 1970's. Sale 1 was adjusted for differences in age.

**Construction Quality/Office Finish-Out:** The observed quality of construction and finish-out of the subject and the sale properties are considered in this analysis. Again, the comparisons are made on a relative basis. The subject has 7.8% office with fencing and a gravel yard. Sales 1, 3, and 4 were adjusted for differences in quality/finish-out.

## THE ANALYSIS PROCESS

The analysis process included herein includes a traditional plus and minus adjustment grid for observed differences. In the absence of paired sales comparisons, which are rarely available in an inefficient market, the traditional plus and minus adjustments are typically based on the appraiser's subjective judgment. While his or her judgment can be enhanced by educational training and years of experience analyzing property sales, subjective conclusions are, nonetheless, most often required. The reliability of the value indication can be enhanced to the extent that the subjective elements can be eliminated or minimized.

The results of the appraiser's analyses of the comparable improved sales are illustrated in the adjustment grid table on the following chart.

IMPROVED SALES ADJUSTMENT CHART						
	Subject	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5
Unadjusted Price/SF		\$84.97	\$57.69	\$69.44	\$59.21	\$72.92
<b>Property Rights Conveyed</b>	--	0%	0%	0%	0%	0%
Adjusted Price/SF		\$84.97	\$57.69	\$69.44	\$59.21	\$72.92
<b>Financing</b>		0%	0%	0%	0%	0%
Adjusted Price/SF		\$84.97	\$57.69	\$69.44	\$59.21	\$72.92
<b>Condition of Sale</b>	--	0%	0%	0%	0%	0%
Adjusted Price/SF		\$84.97	\$57.69	\$69.44	\$59.21	\$72.92
<b>Market Conditions</b>	Mar-21	Feb-18	Jun-19	Mar-20	Mar-20	Oct-20
<b>Difference (Years)</b>		3.1	1.8	1.0	1.0	0.4
Adjustment		0.0%	0.0%	0.0%	0.0%	0.0%
Adjusted Price/SF		\$84.97	\$57.69	\$69.44	\$59.21	\$72.92
<b>Gross Building Area (SF)</b>	5,864	3,825	3,900	4,320	3,800	2,400
Rating		Similar	Similar	Similar	Similar	Smaller
		0%	0%	0%	0%	-5%
<b>Location/Access (Rating)</b>	Caddo Mills	Superior	Superior	Superior	Similar	Superior
Adjustment		-5%	-5%	-5%	0%	-5%
<b>Land-to-Building Ratio (to 1)</b>	14.86	34.16	22.38	50.78	2.41	6.39
Adjustment		-5%	0%	-20%	10%	5%
<b>Year Built</b>	1970's	2007	1980	1987	1981	1975
Condition	Average	Average	Average	Average	Average	Average
Rating		Superior	Similar	Similar	Similar	Similar
Adjustment		-15%	0%	0%	0%	0%
<b>Construction - Quality</b>	Average	Inferior	Similar	Superior	Superior	Similar
Adjustment		5%	0%	-5%	-5%	0%
Adjusted Price/SF		\$67.97	\$51.92	\$48.61	\$62.17	\$69.27
		<b>Mean:</b>	<b>\$59.99</b>			
		<b>Median:</b>	<b>\$62.17</b>			

Conclusion (SF):	\$60.00	x	5,864 SF	=	\$351,840
<b><u>SALES COMPARISON APPROACH CONCLUSION "AS IS"</u></b>					
<b><u>\$350,000</u></b>					

**Conclusion:** Each of the sales were analyzed and adjusted for dissimilar attributes when compared with the subject. The estimated market value of the subject property is considered to be well supported at **\$60.00/SF**.

## RECONCILIATION AND FINAL VALUE ESTIMATE "AS IS"

We have reported three recognized approaches to value in estimating the market value of the subject property on an "as is" basis. The results are as follows:

Cost Approach:	\$320,000
Income Approach:	\$295,000
Sales Comparison Approach:	\$350,000

The Subject's estimated Market Value was determined by the Cost, Income, and Sales Comparison Approaches to value. These are the most applicable approaches to value for the fee simple estate in an office warehouse building with 2.0-acre lot such as the Subject Property.

The Income Approach deals directly with the anticipated net operating income. This approach was included as the subject is a commercial property with rent potential.

The Cost Approach deals with the reproduction or replacement cost new plus land value less depreciation. This approach was included due to the land area and significant improvements.

Like the other approaches to value, the appropriateness of the Sales Comparison Approach depends on the quantity and quality of the data available for analysis. Since comparable sales of similar properties contain numerous variables requiring subjective adjustments, the Sales Comparison Approach is typically used to test the reasonableness of the value indication via the Income Approach. However, since adequate sales were available, this approach was given equal weight.

We have given the Income Approach and Sales Comparison Approach equal weight and reconciled accordingly. The Cost Approach was used for support. Based on the analysis presented in this report, it is our opinion that the "as is" market value of the fee simple estate of the subject property, as of March 23, 2021, was:

**THREE HUNDRED TWENTY THOUSAND DOLLARS**  
**\$320,000**



## MARKETING/EXPOSURE PERIOD ANALYSIS

A distinction between marketing time and exposure time must be made. As defined by the Appraisal Standards Board of the Appraisal Foundation, the following definitions are used.

**Marketing Time:** *An estimate of the amount of time it might take to sell a property interest in real estate at the estimated market value level during the period immediately after the effective date of an appraisal.*

**Exposure Time:** *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 upon an analysis of past events assuming a competitive and open market.*

In estimating the subject's anticipated average marketing and exposure time, the known marketing times of the comparable sales was also used in our analysis, see below:

Days on Market - Comparable Sales					
Sale	Location	Date	\$/SF	Days on Market	Months
1	Caddo Mills, TX	Feb-18	\$84.97	278	9.14
2	Caddo Mills, TX	Jun-19	\$57.69	24	0.79
3	Greenville, TX	Mar-20	\$69.44	68	2.24
4	Caddo Mills, TX	Mar-20	\$59.21	278	9.14
5	Greenville, TX	Oct-20	\$72.92	200	6.58
<b>Average (Months)</b>					<b>5.58</b>

Based on this data, we believe that an exposure period of 6 months or less to be reasonable for the subject property. The marketing period, based on the same analysis, is also estimated at 6 months or less.

**ADDENDA**

**Certification of Value**

## CERTIFICATION OF VALUE

We certify that, to the best of our knowledge and belief:

- 1) The statements of fact contained in this report are true and correct.
- 2) The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions and conclusions.
- 3) We have no present or prospective interest in the property that is the subject of this report, and I have no personal interest with respect to the parties involved.
- 4) We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- 5) My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- 6) My compensation for completing this assignment is not contingent upon the developing 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.
- 7) The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Uniform Standards of Professional Appraisal Practice.
- 8) The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- 9) Brian W. Galbraith, MAI has made a personal inspection of the property that is the subject of this report.
- 10) As of the date of this report, Brian W. Galbraith, MAI has completed the continuing education program of the Appraisal Institute.
- 11) No one provided significant real property appraisal assistance to the persons signing this report.
- 12) The appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.
- 13) I have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.

<b>“As Is” Market Value</b>	<b>\$320,000</b>
<b>Effective Date</b>	<b>March 23, 2021</b>



\_\_\_\_\_  
Brian W. Galbraith, MAI

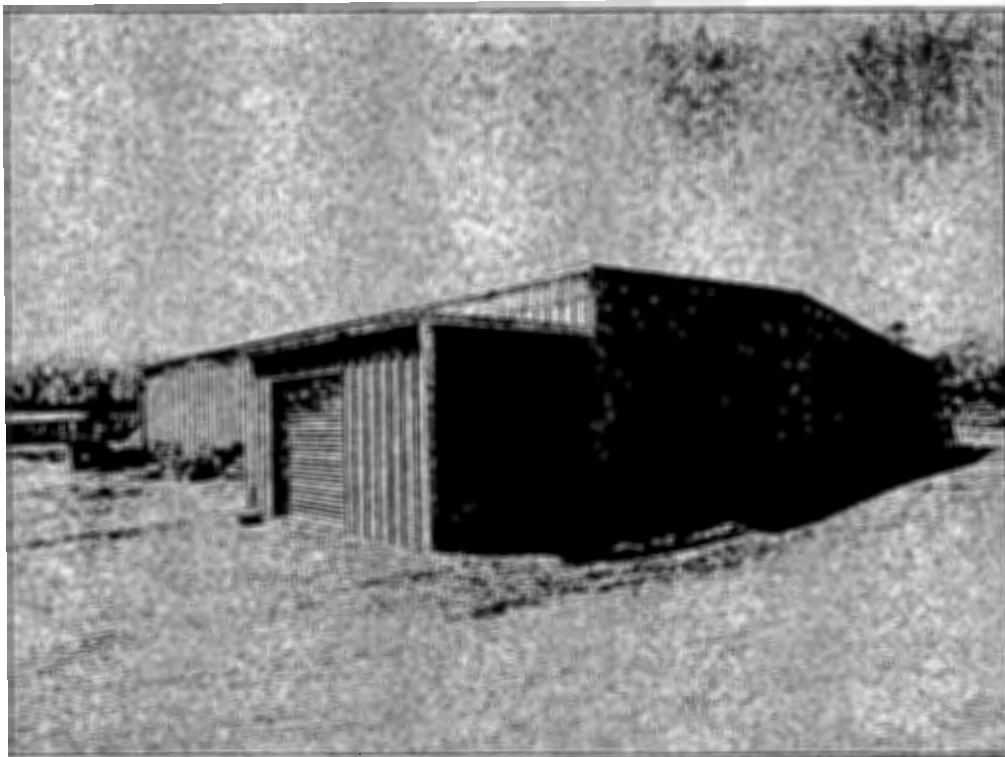
**SUBJECT PHOTOGRAPHS**



**Exterior View**



**Exterior View**



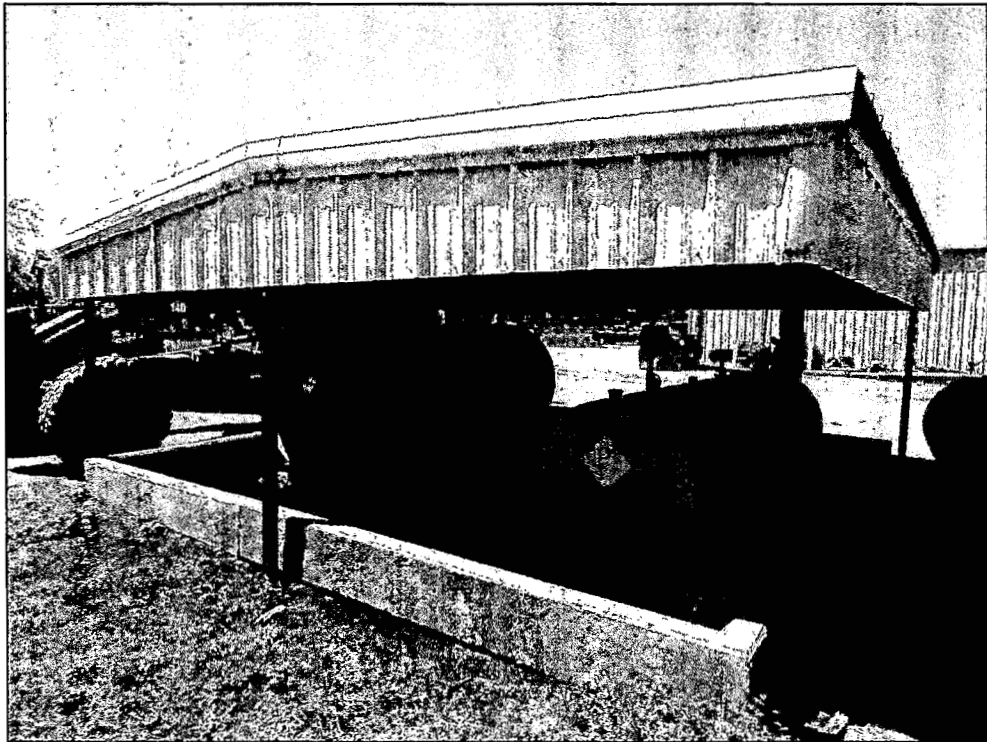
**Exterior View**



**Exterior View**

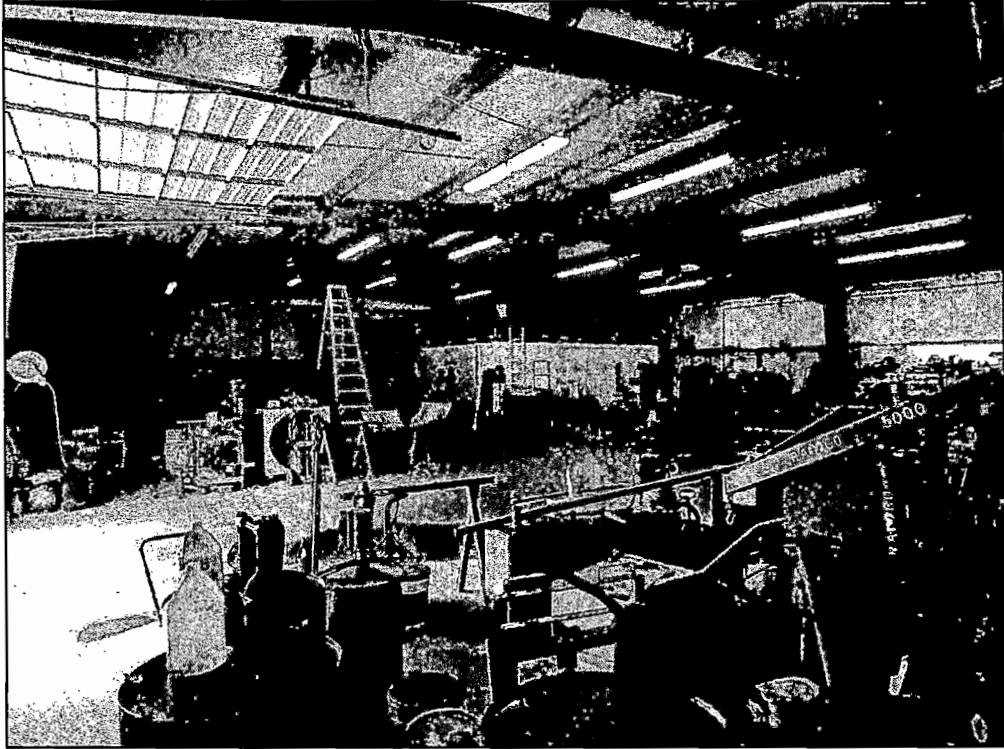


Exterior View



Exterior View





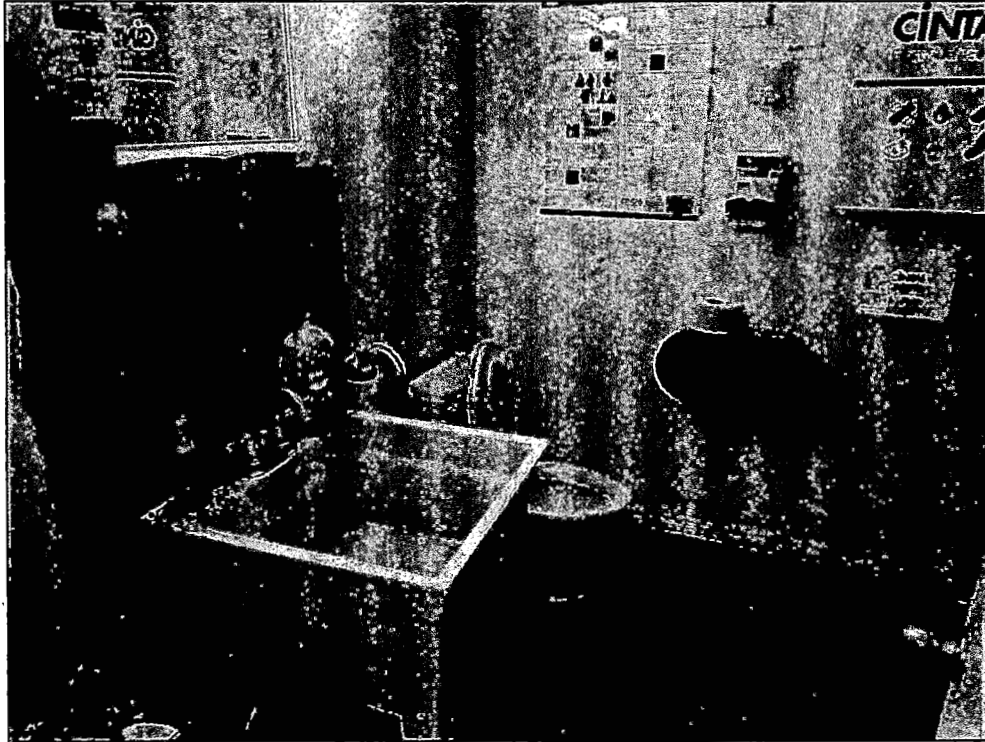
**Interior View**



**Interior View**



Interior View



Interior View



**Street Scene – Looking Southeast along Gilmer Street**



**Street Scene – Looking Northwest along Gilmer Street**

**ENGAGEMENT LETTER**



BRIAN W. GALBRAITH, MAI  
7010 DILLON CIRCLE • MIDLOTHIAN, TEXAS • 76065 • OFFICE: 214-226-9017  
FAX: 214-463-5739 • EMAIL: brian\_galbraith@sbcglobal.net

March 9, 2021.

Bobby W. Stovall  
Hunt County Judge  
2507 Lee Street  
P.O. Box 1097  
Greenville, TX 75403

RE: Appraisal Proposal of the Office Warehouse located at 2020 Gilmer St., Caddo Mills, Hunt County, Texas 75135.

Mr. Stovall,

Pursuant to your request, the following agreement is proposed for appraisal of the beforementioned property. The appraisal will be prepared for internal purposes for our client and/or assigns. The purpose of this report is to provide accurate and credible opinion of market value of the subject property "as is."

The legal rights of the property appraised will be identified as the fee simple interest. The property will be valued using current market data as of the effective date of the report. The Sales Comparison and Income Approaches to Value will be developed. The Cost Approach will be considered and developed if appropriate.

The appraisal will be developed, and the report will be prepared in accordance with the Uniform Standards of Professional Appraisal Practice (USPAP – 2020/2021 Edition) and any specific Supplemental Laws and Regulations pertaining to this assignment as of the effective date of the appraisal. The appraiser will not be available for trial pertaining to this assignment, if needed.

The completion date of the appraisal is 2 weeks from time of engagement. We will furnish you with a PDF of the appraisal report. Our fee for this appraisal will be \$1,950.00. We will proceed with the development of this appraisal per your request.

Sincerely,

BW Galbraith Appraisals, LLC

Brian W. Galbraith, MAI - Texas General Appraisal Certification #1336791G

Client Signature (Acknowledged by):

3/19/2021  
Date

**STATE CERTIFICATION**



TEXAS APPRAISER LICENSING &  
CERTIFICATION BOARD

## Certified General Real Estate Appraiser

Appraiser: **Brian William Galbraith**

License #: **TX 1336791 G**

License Expires: **03/31/2023**

Having provided satisfactory evidence of the qualifications required by the Texas Appraiser Licensing and Certification Act, Occupations Code, Chapter 1103, authorization is granted to use this title:  
Certified General Real Estate Appraiser

For additional information or to file a complaint please contact TALCB at [www.talcb.texas.gov](http://www.talcb.texas.gov).

  
Chelsea Buchholtz  
Commissioner

**QUALIFICATIONS & REFERENCES OF THE APPRAISER**





**BW GALBRAITH**  
**APPRAISALS, LLC**

## **BRIAN W. GALBRAITH, MAI**

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### **SUMMARY**

I have appraised more than 1,000 properties with market values ranging from \$100,000 to \$90,000,000 in 25 states over the past 17 years. My experience includes the appraisal of vacant land, agricultural, special-purpose, office, retail, hotel/motel, industrial, and multi-family development. Also have experience with Right-Of-Way acquisition appraisals on projects throughout the State of Texas. Have also participated in commissioners' hearings and court testimony.

### **EXPERIENCE**

Appraisal firms I have worked for during his career include Galbraith & Associates, Inc., Butler Burgher Group - Dallas, Hunsicker Appraisal Company, Deverick & Associates, Commercial Appraisal Associates, Bryan E. Humphries & Associates, Simpson Appraisal Company, Del Kendall - RERC, Pyles Whatley Corporation, Paramount Property Analysts, and Aaron & Wright Incorporated.

### **EDUCATION/SERVICE HISTORY**

*BBA- Finance: University of North Texas, Denton, Texas (2000 - 2003)*

*United States Marine Corps, Camp Lejeune, NC - Motor Transport (1996 - 2000)*

*Texas Tech University, Lubbock, Texas (1995-1996)*

### **PROFESSIONAL DESIGNATIONS AND AFFILIATIONS**

Certified General Real Estate Appraiser #1336791-G - State of Texas - 2007

Member Appraisal Institute MAI - 2016

**COURSEWORK** Small Hotel Valuation (2), Appraisal Principles 110 (2), Appraisal Procedures 120, Basic Income Capitalization 310, (6) USPAP Update Courses, (3) USPAP 15 Hour, General Applications 320, Appraisal Process 950, Marshall & Swift Commercial Cost Training, Appraising Convenience Stores, Analyzing Operating Expenses, Scope of Work: Expanding Your Range of Services, Residential Property Construction and Inspection, What Commercial Clients Would Like Appraisers to Know, Business Practices and Ethics, Downtown Dallas-Urban Life Realized: Appraisal Institute, General Appraiser Report Writing and Case Studies, Advanced Income Capitalization, State of the State: Appraisal Institute, What Office Tenants, Landlords, and Investors Want Now - Appraisal Institute, Advanced Market Analysis and Highest & Best Use, One Step Further: Implementing Guide Note 12 - Analyzing Market Trends, Quantitative Analysis: Appraisal Institute, Advanced Concepts & Case Studies, Data Verification Methods.

## REFERENCES – BW GALBRAITH APPRAISALS, LLC

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