ANALYSIS OF THE PROPERTY, AS IS

## Discussion of Adjustments

*Property Rights, Atypical Financing, Market Condition and Conditions of Sale*

First, adjustments must be made, if required, for the elements of comparison consisting of property rights, atypical financing, market conditions, or special conditions of sale. After carefully interpreting data relative to these elements of comparison, the appraiser considered no adjustments warranted. Otherwise, the appraiser routinely comments upon *market conditions* with respect to *time* regardless of the requirement for adjustment. Ultimately, the appraiser discerned no distinct pattern of increases attributable to time. Given the limited sales, the increases observed tied more readily to prudent management functions: maximizing rents in relation to market, maximizing appeal, filling niches in the market, eliminating deferred maintenance, et cetera. Consequently, the market does not reveal the need for such an adjustment given the low inflation observed in the economy over the past 3 years. The principle of substitution, which suggests that increasing replacement costs will result in increasing values for existing properties when supply and demand are in balance, tends at a minimum, to indicate that uninflated purchases are still available for buyers who seek them out. Generally speaking, however, given the general inflation experienced in the area economy in recent years, the market routinely anticipates increases in property values over time when supply and demand are in balance or where demand exceeds available supply. On the one hand, in examining trends in property values over time, the appraiser has historically seen increases in improved property values at or near the increase in general price levels. Yet, on the other hand, within a span of 1 to 3 years and given the limited amount of sales, the nuance of increase is insufficient to accurately identify by paired data analysis. Therefore, a nuance for market conditions relative to time is best expressed by considering this factor concomitantly with other value refinements when weighting the subject's indicated value within the adjusted value range derived from the analysis and comparison of sales.

An **Improved Sales Adjustment Matrix** appears below, followed by a summarization of comparative attributes of the sales as compared to the subject.

**DIRECT SALES COMPARISON ADJUSTMENT MATRIX**

| Property | Subject | Sale #1 | Sale #2 | Sale #3 | Sale #4 |
|---|---|---|---|---|---|
| **Date of Sale** | | 11/17/2015 | 05/20/2013 | 01/17/2017 | 10/19/2016 |
| **Cash Equivalent Sales Price** | | $860,000 | $205,000 | $550,000 | $725,000 |
| **Size of Improvements/SF** | 15,392 | 11,616 | 3,104 | 11,909 | 10,618 |
| **Land Area/Acres** | 0.1980 | 0.1671 | 0.0680 | 0.0560 | 0.2046 |
| **Land to Building Ratio** | 0.56:1 | 0.63:1 | 0.95:1 | 1.13:1 | 0.93:1 |
| **Price Per SF** | | $74.04 | $66.04 | $46.18 | $68.28 |
| *Adjustments* | | | | | |
| **Location** | Typical | Comparable | Comparable | Comparable | Comparable |
| **Physical Attributes** | | | | | |
| Access and Visibility | Typical | Comparable | Comparable | Comparable | Comparable |
| Land to Building Ratio or Land Value Variance: | 0.56:1 | Overall Comp | Overall Comp | Overall Comp | Overall Comp |
| Construction Quality: | Avg/Good Class C & D Heavy Timber/Some Frame | Class C Overall Comparable | Class C Overall Comparable | Class C & D Overall Comparable | Class C & D Overall Comparable |
| Age and Condition: | 20 Yrs Eff Average | 15 Yrs Eff Superior/-10% -$7.40 | 20 Yrs Eff Comparable | 30 Yrs Eff Inferior/+20% +$9.24 | 20 Yrs Eff Comparable |
| Building Size: | As Stated | Comparable | Small/Superior -$3.00 | Comparable | Comparable |
| Functional Utility: | Typical | Comparable | Comparable | 4/Story/Inferior +$8.00 | Comparable |
| **Net Adjustment** | | -$7.40 | -$3.00 | +$17.24 | $0 |
| **Indicated Value of Subject Per Square Foot** | ☛ | $66.64 | $63.04 | $63.42 | $68.28 |

## *Location Adjustments*

This adjustment is necessary to reflect the relative desirability of the location of the various sales when compared with the subject. Since real estate is immobile, location is a key element affecting an income-producing property. Typically the most important *locational attribute* is current neighborhood land use and potential patterns of change. In pairing the sales, and as compared to the subject, no adjustments could be warranted for location.

## *Physical Attributes Adjustments*

Access/Visibility Adjustments:

This adjustment addresses the subject site from the perspective of location within the delineated neighborhood. Physical access is a requirement of all income-producing properties. Thus, accessibility to a site becomes a function of convenience in which transportation patterns play a large role. Visibility is associated with the ability of a site to be seen, usually from a transportation thoroughfare. No adjustments could be quantified for this attribute.

Land to Building Ratio Adjustments:

Land to building ratios are based upon the building size compared to the land size. All sales and the subject are within the industry norm for properties of similar location and utility. Thus no adjustments were required for this attribute.

Construction Quality Adjustments:

All sales and the subject have variances. Building exteriors were comparable in cost quality with interior appointments varying. Based upon observance of the sales and in pairing the sales, no adjustments could be warranted for this attribute.

Age & Condition Adjustments:

This adjustment reflects the lesser or greater amount of accrued physical deterioration incurred by these sales when compared to the subject. In this regard, two sales required adjustment. These were Sale # 1 and Sale #3. The subject's improvements have an indicated effective age of 20 years while the effective ages of Sale #1 and Sale #3 variate.

Sale #1 was adjusted -10%, or -$7.40 per square foot of gross building area. Given an economic life of 50 years, the calculation is as follows: (15 Yrs Eff ÷ 50 Yrs Econ = 30% Phys Dep for the sale; the subject's physical depreciation is 40% [20 Yrs Eff ÷ 50 Yrs Econ = 40%]. Subtracting 30% from 40% = 10%. Converted to US Dollars gives an adjustment of $7.40 per square foot to the sale. Since the sale is superior to the subject by having incurred the least physical depreciation, the adjustment was minus (-). Sale #3 was adjusted using the same methodology.

Building Size Adjustments:

In pairing the sales and in consulting the building perimeter multipliers found in the Marshall Manual (Section 13), only Sale #2 required an adjustment. Due to a much smaller size and as corroborated from the Marshall Valuation Manual, Sale #2 required a -$3.00 per square foot adjustment for the superior attribute. This is also as based upon the economic principal that larger buildings typically sell for less than smaller buildings. No other sale required an adjustment for this attribute.

Functional Utility Adjustments

All sales are of dated construction but functional, just as is the subject. Sale #3 being four-stories has lesser functional utility due to story height, and therefore, required a +$8.00 per square foot adjustment for the inferior functional utility. This is due to lesser attraction to the fourth floor. No other sale required an adjustment for this attribute.

**Summary of Sales Data and Conclusions**

The preceding sales have been analyzed, with various factors being extracted for comparison purposes. The unit of comparison selected was the physical unit of *price per square foot of gross building area.* After considering these sales, and performing comparative adjustments, the adjusted indicated value for the subject showed $63.04 to $68.28 per square foot of usable gross building area of the improvements. The appraiser considers each sale to identify with the subject in some respect and to be a good value indicator for the subject. Based upon the analysis and comparison of these sales, the appraiser considers **$64.00 per square foot** of the building improvements as a reasonable and accurate indication of value for the subject property. Therefore, according to the preceding analysis, the subject property is judged to have an indicated property value by the Direct Sales Comparison Approach as displayed below.

15,392 SF @ $64.00 per square foot of finished gross building area equals $985,088 rounded to a Total Indicated Property Value of:
**$985,000**

## INCOME APPROACH

Mixed-use property of the nature and utility of the subject is typically purchased as an investment for the production of income, and the earnings power of the property is thus an important element affecting its value. One who purchases such property is essentially trading his or her present dollars for an income stream of future dollars plus the return of his or her investment at some point in the future; therefore, the Income Approach to value is a viable and important consideration when data, substantiated by sales and rentals, can be effectively compared and analyzed for use in this approach to value. Considering the property interest appraised is the *fee simple*, an appropriate income-valuation methodology for the subject property incorporates utilization of the *direct capitalization* technique. The steps to the Income Approach using *direct capitalization* are summarized below:

1. Estimate the Potential Gross Income (PGI) of the property.
2. Add any additional income from sources other than rent.
3. Subtract the typical annual amount of income that will not be collected because of vacancies and collection losses.
4. The result is the Effective Gross Income (EGI).
5. Subtract from the Effective Gross Income operating expenses, fixed expenses and reserves for replacement of short lived items.
6. The result is the Net Operating Income (NOI).
7. Develop a direct capitalization rate by dividing known NOI's of properties that have sold that are comparable to the subject property by the selling price of the respective comparable sale. Reconcile these multiple rates into one rate appropriate for the subject property.
8. Divide the Net Operating Income of the property being appraised by the appropriate capitalization rate which gives an indicated value of the property by the Income Approach.

## ANALYSIS OF THE PROPERTY, AS IS

Mixed-use multi-story buildings in central business districts and warehouse districts are becoming popular for renovation into commercial/retail on the main level and loft apartments above. Conversion is prevalent in many south central Virginia localities. The subject identifies closely with this paradigm. The subject's main level is retail; the upper level confines to two (2) apartment units.

### INTRODUCTION

The first step is to estimate the gross income from all sources assuming the property is under average competent management.

The appraiser's investigation of the area market's comparable properties indicate that the subject would most likely be leased under a gross lease concept, with the tenants bearing the responsibility for electricity and heating fuel excluding water and sewer, which is the responsibility of the landlord. Under this lease concept, the landlord bear the responsibility for taxes, insurance and maintenance of the property, plus water and sewer, which is master-metered. Tenants likely would be charged an offset for water and sewer, making this a wash. Residential units are typically rented unfurnished, except for kitchen appliances. Gross finished area is consistent with gross building area.

### ANALYSIS OF SUBJECT RENTAL HISTORY

The subject property is predominantly owner occupied. However, the second level large apartment is rented on a nightly basis for approximately $650 per night. The apartment is typically rented 5 to eight nights a month. The smaller apartment is owner occupied. Therefore, the rental income of the large apartment is considered as a portion of the overall income.

### ESTIMATE OF SUBJECT MARKET RENT

Several rental comparables are found in the Addenda within *Exhibit IV-3*. Rentals are found in nearby economic use areas. Photographs and location maps are included with the summaries.

From the market, the **rental adjustment grid** shown in the table below summarizes the four area rentals with which to construct market rent for the subject. Adjustments are summarized following presentation of the table.

| Project | Type of Unit | Unit Size | Monthly Rent (Market) | Monthly Rent/SF | Loc/Phys Adjust. | Adjusted Monthly Rent/SF |
|---|---|---|---|---|---|---|
| **Rental #1**<br>117 W Third Street<br>Farmville, Virginia | Retail/<br>Commercial | 1,575 SF | $1,000.12 | $7.62 | $0 | $7.62 |
| **Rental #2**<br>105 Main Street<br>Farmville, Virginia | Retail/<br>Commercial<br>2 units | 2,000 SF<br>2,000 SF | $1,600<br>$1,600 | $9.60<br>$9.60 | $0 | $9.60<br>$9.60 |
| **Rental #3**<br>205 N Main Street<br>Farmville, Virginia | Retail/<br>Commercial | 2,500 SF | $1,700 | $8.16 | $0 | $8.16 |
| **Rental #4**<br>Bistro 1888 &<br>Loft Apartments<br>South Boston, VA | Restaurant<br><br>4 Loft<br>Apartments | 2,250 SF<br><br>673 SF<br>1,060 SF<br>723 SF<br>935 SF | $1,500<br><br>$500<br>$600<br>$525<br>$600 | $8.00<br><br>$8.92<br>$6.79<br>$8.71<br>$7.70 | $0<br><br>$0<br>$0<br>$0<br>$0 | $8.00<br><br>$8.92<br>$6.79<br>$8.71<br>$7.70 |

## Summarization of Rentals

These rentals are indicative of the range of rents of commercial and residential rental apartments suitable for comparison to the subject. The spaces are small as compared to the subject's building, as a whole. However, no adjustments were required.

## Conclusions as to Market Rent

The above is a small reflection of the local and nearby market. The adjusted rent rate range appears reasonable and justified. Given the rent rate range, and all factors pertinent to the analysis thereof, the appraiser judges the subject's residential units to have a market rent rate consistent with its current contract rents. Also the commercial rents are consistent with market. The appraiser judges $7.75 per square foot to be a market justified rental rate for the subject's space, as a whole. This includes the loft apartment space.

### ESTIMATE OF POTENTIAL GROSS INCOME

Appraisal is of the fee simple estate. Potential Gross Income is based upon $7.75 per square foot per annum for the subject's owner-occupied retail/residential space. The projected annual Potential Gross Income for the subject property is $119,288 (15,392 square feet times $7.75 per square foot equals $119,288).

**The PGI Estimate equals $119,288.**

## Less Vacancy and Collection Loss

Central business retail is doing well in the region of the subject. Down towns, including Farmville, have undergone extensive renovation in the recent years as downtown s are making a comeback. Apartment occupancy has been very strong in Farmville, principally due to Longwood University being located here. Loft apartments in downtown retail/commercial areas are becoming very much in vogue throughout south central Virginia.

With the subject being owner-occupied, based upon market rent, the typical market participant will most likely consider a turnover vacancy factor of 3% and general market vacancy of 5% for a total vacancy of 8%. Collection losses should not exceed 2%. A reasonable vacancy and collection loss factor for the subject appears below:

| Vacancy & Collection Loss | Total Factor |
|---|---|
| Average lease of one year | 10% |

The appraiser believes that the preceding is reasonable. This apportions **8%** as vacancy rate (general and turnover) and **2%** collection loss. To summarize, the appraiser has estimated that **10%** of potential gross income is subject to vacancy and credit losses each year.

**Potential Gross Income X Vacancy Factor = Vacancy Loss**
Therefore, Vacancy and Credit Loss is $119,288 X 10% = $11,928.80
Rounded To: $11,929

**EFFECTIVE GROSS INCOME**

Effective Gross Income equals Potential Gross Income less Vacancy and Credit Loss.

| | |
|---|---|
| Potential Gross Income | $119,288 |
| LESS Vacancy & Credit Allowance | -$ 11,929 |
| **Effective Gross Income** | **$107,359** |

**ESTIMATE OF OPERATING EXPENSES**

In estimating the projected expenses for the subject property, historical data and also the age of the units are examined and analyzed in order to assist with projections for next 12 months. Minimal historical data was available for analysis except for water and sewer consumption, which is master metered. Below is a summarization of projected operating expenses for the subject property. Expense comparables are provided after the subject's next 12 month projection is presented.

*Real Estate Taxes:*
The tax liability has been analyzed according to the Lunenburg's assessor's office and was reported consistent with properties of similar utility. Based upon the estimated assessment, the real estate tax liability for the improved property over the next 12 months will be expected to be $4,251.87.

*Management & Leasing:*
Management and Leasing typically requires 6% of collected income for similar projects. This can be apportioned 4% for management and 2% for leasing. The subject does not have a specified historical cost for management.

*Operations, Maintenance and Repairs:*
Roofs and HVAC units are the most expensive short life items. These indicate to be in serviceable condition, all having economic life remaining. Given the recent renovation of the units and replacement of short life items, $0.30 per square foot of enclosed gross building area is a reasonable and justified expense, based upon the age and condition of the premises. This includes a reserve for replacements of $0.10 per square foot.

*Utilities:*
Water and sewer services are master metered. According to the similar properties, average annual cost is $2,000.

*Refuse Collection:*
Included within Utilities.

*Property Insurance:*
Projected by an agent at $0.12 per square foot, this is estimated at $1,850 per annum.

The subject property's projected expenses are summarized in the table below.

| Expense Item | Estimated Annual Expense | Annual Expense Per Sq Ft | Annual Expense as % of EGI |
|---|---|---|---|
| Real Estate Taxes | $4,252 | $0.28 | 4.0% |
| Management & Leasing | $6,442 | $0.42 | 6.0% |
| Maintenance & Repairs, & Grounds | $4,618 | $0.30 | 4.3% |
| Utilities (w & s) includes refuse collection | $2,000 | $0.13 | 1.9% |
| Property Insurance | $1,850 | $0.12 | 1.7% |
| **TOTAL** | **$19,161** | **$1.24** | **17.8%** |

*Columns may not add due to rounding!*

As shown in the preceding chart, projected stabilized expenses are $19,161,which is $1.24 per square foot and 17.8% of projected effective gross income. These expenses are believed to be accurate and justified assuming prudent management. A **comparison chart** encompassing similar properties is presented below. Based upon a gross lease concept, these show the subject's first year expenses within the range of comparability relative to expenses per SF. The expense comparables show expenses between $0.89 and $1.26 per square foot.

| EXPENSE COMPARISON CHART | | | | |
|---|---|---|---|---|
| **NAME/ LOCATION** | **RENTABLE SF** | **EXPENSES (NET OF REIMB.)** | **EXPENSES PER SF GLA** | **EXP RATIO AS % EGI** |
| Commercial Clarksville, VA | 18,430 SF | $16,500 | $0.89/SF | O/O |
| Mixed Use Commercial South Boston, VA | 8,100 SF | $11,178 | $1.38/SF | 12.2% |
| Mixed Use Commercial Danville, VA | 4,300 SF | $5,420 | $1.26/SF | 19.9% |

**NET OPERATING INCOME**

Deducting total projected expenses of $16,807 from Effective Gross Income of $83,117 gives an indication of $66,310 for Net Operating Income for the next twelve months:

| | |
|---|---|
| Effective Gross Income | $107,359 |
| LESS Total Projected Expenses | $ 19,161 |
| **Net Operating Income** | **$ 88,198** |

**CAPITALIZATION PROCESS**

The final step in the Income Approach is to capitalize the net operating income into an indication of value. The subject comprises fee simple estate. For stable operations, direct capitalization offers a reasonable, acceptable, and accurate methodology for analysis of the subject by the Income Approach. Providing a snapshot of the property from a net operating income standpoint, this converts one year's income into a value indication either by dividing the net operating income by a capitalization rate or by multiplying it [NOI] by a factor.

The final step in the Income Approach is to capitalize the net operating income into an indication of value. This converts one year's income into a value indication either by dividing the net operating income by a capitalization rate or by multiplying it [NOI] by a factor.

The Overall Rate is obtained by dividing the sales price of sales of similar utility into the estimated first year's net income. For this assignment, income information from comparable sales was used in extracting the overall rate applied to the subject. In addition, the rate selected was compared with national indications. Income information often excludes reserves for replacement as most investors calculate net operating income before reserves are considered when applying a direct capitalization rate. However, regardless of reserves, the market addresses the maintenance level of properties and status of short-life items when properties are conveyed. Addressed in several ways, one way this is addressed is in selection of an overall rate. The appraiser typically considers a mature property's maintenance and repairs and historical capital expenditures for replacements in deciding the appropriate OAR.

Market participants approach the cap rate issue in different ways, however, the end result is usually very much the same. The following discussion focuses on real estate rates of return as contrasted with alternate investment vehicles and gives an indication of rate expectations with respect to risk variance. Although the investment vehicle is real property, competition for investment dollars and other investment is keen, and the prudent investor must carefully consider all alternatives. Property yields are expected to be higher than at the regular mortgage interest rates. Mortgage interest rates and corporate BAA rates have been observed to move in the relative same direction over time, and to be at comparable levels over time. Property yields, though, are expected to be slightly to somewhat higher than BAA bond rates. The risk associated with high yield bonds have led to theories that these bonds and unleveraged real estate yields were reasonably comparable. Then too, the investor has to consider the age of the property and the return of his investment as well as a return on his investment. Treasury Bills and Certificates of Deposit, which generally produce the lowest return, are considered "safe rates" whereas bond instruments of the United States, Municipal and Corporate variety, which yield somewhat higher returns, are generally regarded as low to moderate risk. Reflected in their yields, high yield bonds (sometimes referred to as junk bonds) are riskier than all of the other instruments and are thought to be relatively commensurate with real estate as a risk by many.

No doubt real estate is riskier than all of the instruments other than "high yield bonds," so it would naturally need to provide a higher rate of return to attract investment capital. In recognition of this, rates appropriate to real property investments may be rationalized by application of additional percentages above the base or safe rate for the following: (1) to reflect additional risk; (2) non-liquidity; and (3), burden of management.

The risk adjustment is an incremental added to the safe rate to compensate for the extent of risk believed to be involved in a particular type of property and more specifically in a specific property of the given type. This equates to the inherent risk in conversion of a property to cash. In a similar vein, the upward adjustment for non-liquidity is indicative of the time often required to realize cash from resale of the property. In contrast, the burden of management--not to be confused with a management fee (operating expense) for the real estate itself--indicates an incremental addition to the rate for the time or dollars incurred in managing the investment.

First year capitalization rates (overall rate) are routinely one to two points or more under discount rates; however, for older properties and in times of rising interest rates, these can be expected to align closer with discount rates. This may have to do with relaxed projections, or rule of thumbs in lieu of actual expense data, or, an important item possibly reflected in this is the higher expenses and shorter recovery period of older properties.

National indications from the Korpacz Survey appear consistent with unleveraged equity IRR's and direct cap rates in most Virginia markets. According to the 2nd Quarter 2017 issue of Valuation (Insights and Perspectives) published by the Appraisal Institute, national market indicators showed a retail OAR range for the 1st Quarter of 2017 of 4.00% to 10.00%, with an average of 6.131%. Apartment rates ranged 3.50% to 7.50%, with an average of 5.26%. Localist data shows within this range to modestly above this range; however, the Korpacz range is generally found in upper end investment grade properties of the survey.

Aside from national indications within which range the subject's OAR should typically fall, Direct capitalization rates (OAR's) are best determined directly from market transactions given the availability of such data. Regionally, these typically range from 7.0% to 10%, however, both limits are occasionally penetrated.

With respect to real estate investments, a knowledgeable and prudent investor will pay no more for a property than would be required to purchase a similar income stream available from other properties. Therefore, consideration must be given to the degree of similarity between the subject's income stream and that available from alternative income properties, analyzing the degree of risk or certainty of collections, expenses, et cetera.

Many things come into play on the OARs derived from the market. The idea is to consider rent levels with respect to market, level of maintenance, reserves, age of improvements, et cetera. Everything has to be treated consistently. Owing to these factors, and given the range of the above sales, and also given the current market climate, a capitalization rate of 9.00% appears justified as most representative of the subject with respect to current market conditions, investor concerns, locational influence, and overall desirability of the subject property as compared with other transactions in the market place and the Korpacz survey. Therefore, considering all factors pertinent to derivation of a market derived OAR, the appraiser used an overall rate of **9.00%** for application to the subject property's NOI.

## Conclusions As To Value By Direct Capitalization of Income

Based upon the foregoing information as summarily delineated, the market value of the fee simple and leased fee interests in the subject property is developed utilizing Direct Capitalization as follows:

| | |
|---|---|
| Value = | Net Operating Income ÷ OAR |
| Value = | $88,198 ÷ 0.09= $979,977.78 |
| | Rounded To: **$980,000** |

## RECONCILIATION TO A FINAL OPINION OF VALUE

The reconciliation is the final step of the appraisal process. In this reconciliation step, the significance, applicability and defensibility of each value indication derived is weighed. The *final conclusion of value* is based upon the appropriateness, accuracy, quality and reliability of evidence as compiled and contained in the appraisal.

Appraisal is of the fee simple estate. The Direct Sales Comparison and Income Capitalization Approaches to value were used for the indication of value, as is.

AS IS

Results of the Sales Comparison Approach showed $985,000.

Results of the Income Approach showed $980,000.

In reviewing the relative strengths and weaknesses of these approaches to value, the availability and reliability of the data has been taken into consideration.

The Sales Comparison Approach was given the greatest weight since the property is owner occupied. It reflects the current thinking process of today's investor. The strength of this approach is that price is market derived from a range of prices of transactions among typical market participants for this property type. Implicit in the range of value are factors including examination of location and physical attribute variances, along with discovering any special conditions of sale. The greatest weakness of the approach as it relates to the subject properties is properly interpreting and apportioning the factors contributing to value in the comparable sales. These translate into utility, and thus value. Notwithstanding, empirical evidence drawn from abstraction of market data from a larger body of sales reduced this weakness to a very acceptable level.

The Income Approach measures the present worth of future potential benefits derived from a property producing an income stream that can be processed into an indication of value. As the subject property would be purchased for its income producing ability, the Income Approach is a very reliable indicator of value. In the Income Approach, direct capitalization was used to arrive at an opinion of value. Potential Gross Income is projected after analysis of the available information on the subject property and on comparable properties. Operating expenses are projected, based on the available information about the subject property and operating histories of similar properties. Appropriate rates were chosen for the subject property through direct market analysis. Properties similar to the subject are generally bought and sold on the basis of their income producing capabilities an the Income Capitalization Approach would most nearly simulate the type of analysis buyers and sellers would use in their decision-making processes. Although this approach to value was given less weight than the Sales Comparison Approach, it corroborated results of the Direct Sales Comparison Approach.

After considering all the known and relative facts, in my opinion the fee simple estate in the subject property had a market value, "as is," as of June 30, 2017, of:

**NINE HUNDRED EIGHTY-FIVE THOUSAND DOLLARS..........($985,000)**

*The value conclusion above does not include a contributory "value in use" of any items of non affixed non-realty.*

Ω

# PART FOUR - ADDENDA

EXHIBIT NO. IV-1

# LEGAL DESCRIPTION



Prepared by:
E. Preston Lancaster, Jr.
Attorney at Law
P. O. Box 393
Farmville, VA 23901

Tax Map Parcel Numbers:
023A4 155 1A and 023A4 155 2

Return to:
Jill C. Dickerson
Attorney at Law
117 N. Main Street
Farmville, VA 23901

Consideration: $400,000.00

THIS DEED, made and entered into this 15th day of July, 2008, by and between NOLLY P. SIMPSON, III, party of the first part, Grantor, and POPLAR HALL FARMVILLE, LLC, a Virginia Limited Liability Company, 9435 Lorton Market Street, #263, Lorton, VA 22079, party of the second part, Grantee.

WITNESSETH: That for and in consideration of the sum of TEN DOLLARS ($10.00) and other good and valuable consideration, the receipt of which is hereby acknowledged, the said party of the first part does hereby grant, bargain, sell and convey, with GENERAL WARRANTY of title, unto the said party of the second part, the following described real estate, to-wit:

All those certain two lots or parcels of land, situated in the Town of Farmville, Prince Edward County Virginia, containing in the aggregate 0.198 of an acre, fronting on Main and Second Streets; it being more particularly described on a plat of survey prepared by John M. Duggan, C.L.S., dated July 17, 2008, showing two lots each containing 0.099 of an acre, it being attached hereto for a more particular description.

It being the identical land conveyed to Nolly P. Simpson, III by deeds dated July 21, 1986, recorded in Deed Book 235, page 493 and by deed dated July 2, 1987, recorded in Deed Book 240, page 794.

The party of the first part covenants that he has the right to convey the said land to the said grantee; that the said grantee shall have quiet possession of the said land, free from all encumbrances; that he has done no act to encumber the said land; and that he will execute such further assurances of title to said land as may be requisite.

WITNESS the following signature and seal:

Nolly P Simpson III (SEAL)
NOLLY P. SIMPSON, III

STATE OF VIRGINIA

COUNTY OF PRINCE EDWARD, to-wit:

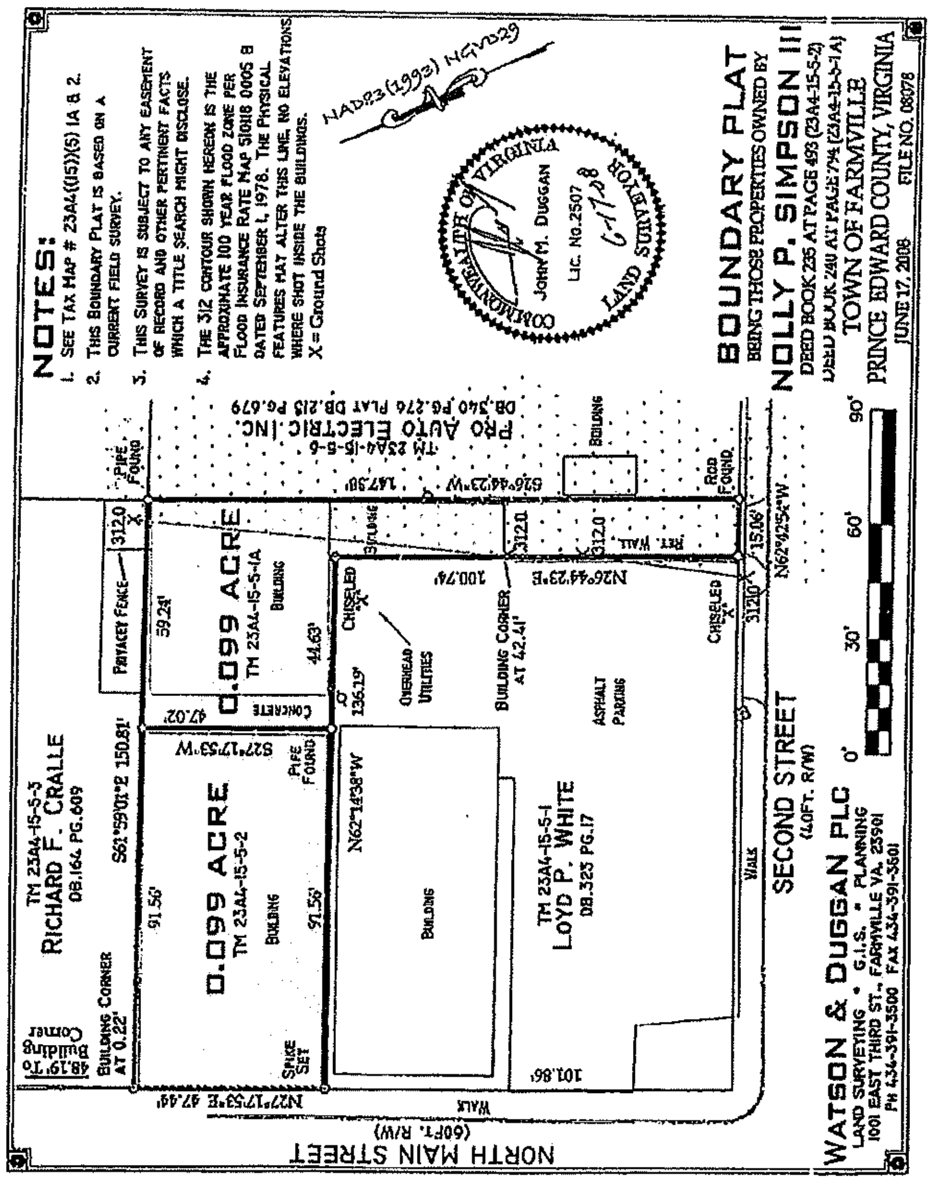
The foregoing instrument was acknowledged before me this 24th day of July, 2008, by Nolly P. Simpson, III.

[illegible]
Notary Public
Commonwealth of Virginia
[illegible]
My Commission Expires Jun 30, 2011

NOTARY PUBLIC

My commission expires ______________________.

# PLAT OF SURVEY




NOT TO SCALE

## PHOTOGRAPHS OF THE PROPERTY


Front View of Subject, Looking Southeasterly from Northwest Margin of North Main Street.

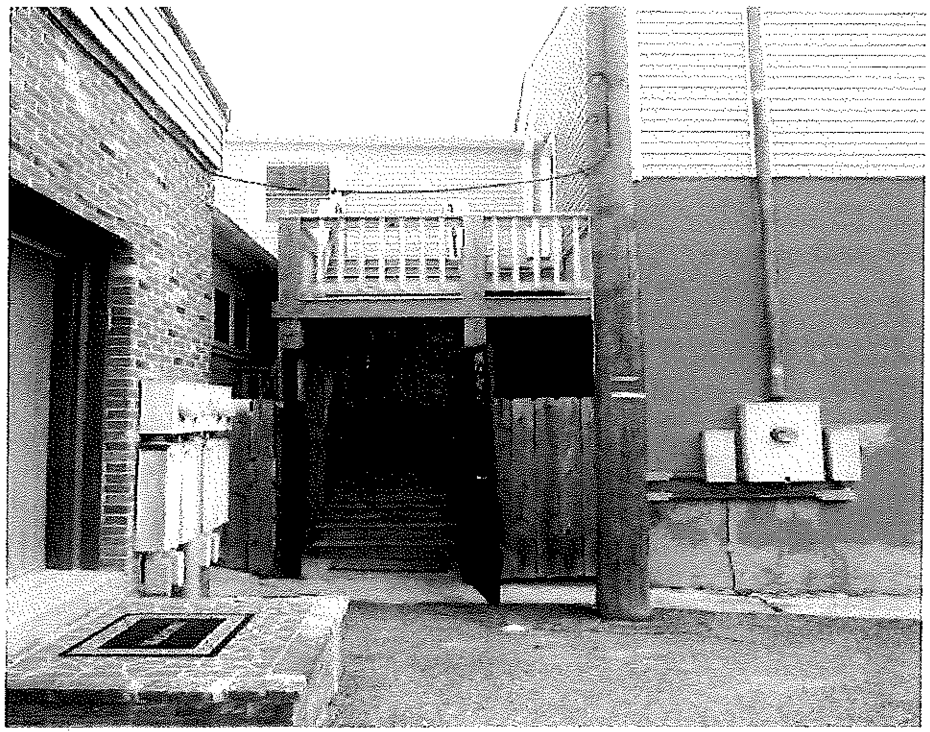

Lateral Front and Right Top Side View of Subject, Looking Easterly from Westerly Margin of North Main Street.
Note: The Subject is not a Party wall Building.

## PHOTOGRAPHS OF THE PROPERTY

Lateral Rear Left Side View and Addition, Looking Northeasterly From Adjoining Parcel.
Note: Again, Subject in not a Party Wall Building.

Left End View of Addition, Looking Northeasterly From Second Street.

# INTERIOR PHOTOGRAPHS OF THE PROPERTY



View of Left Side Entrance, Looking Northeasterly.

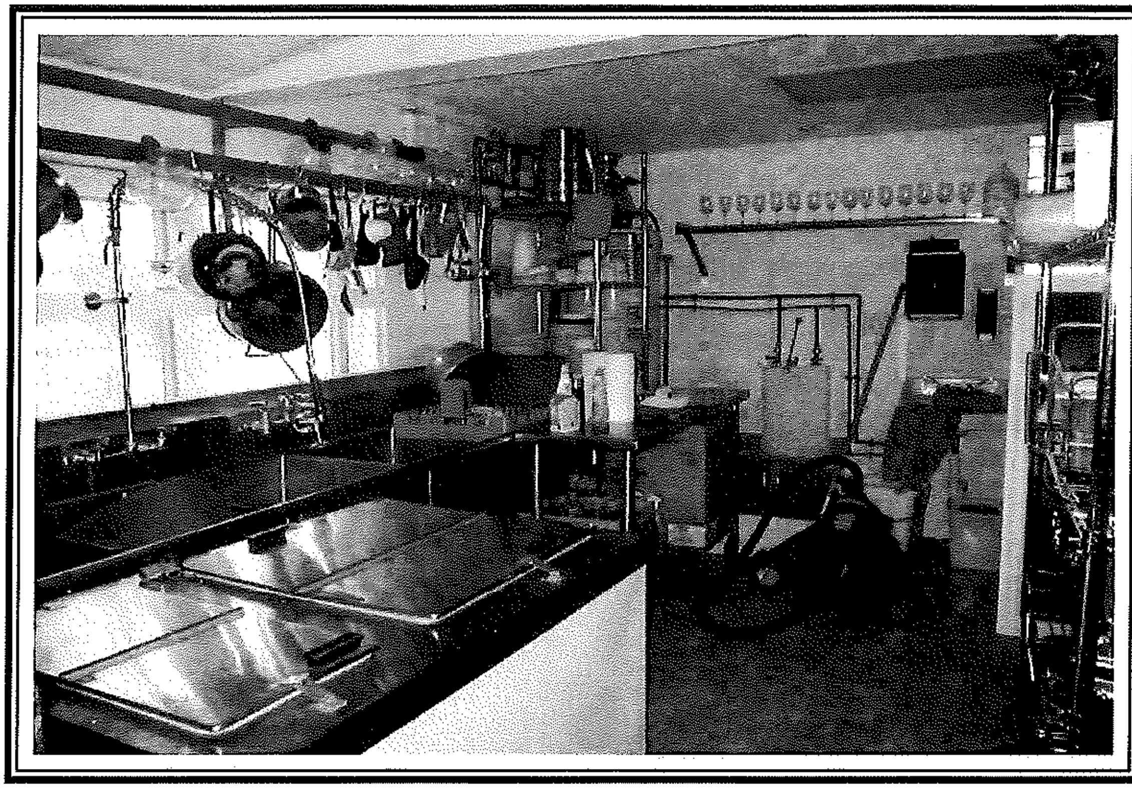
Lateral Left Side View of Addition, Looking Southeasterly.

## INTERIOR PHOTOGRAPHS OF THE PROPERTY

Interior View of Lower Level Retail Area.

Additional View of Lower Level Retail Area.

## INTERIOR PHOTOGRAPHS OF THE PROPERTY

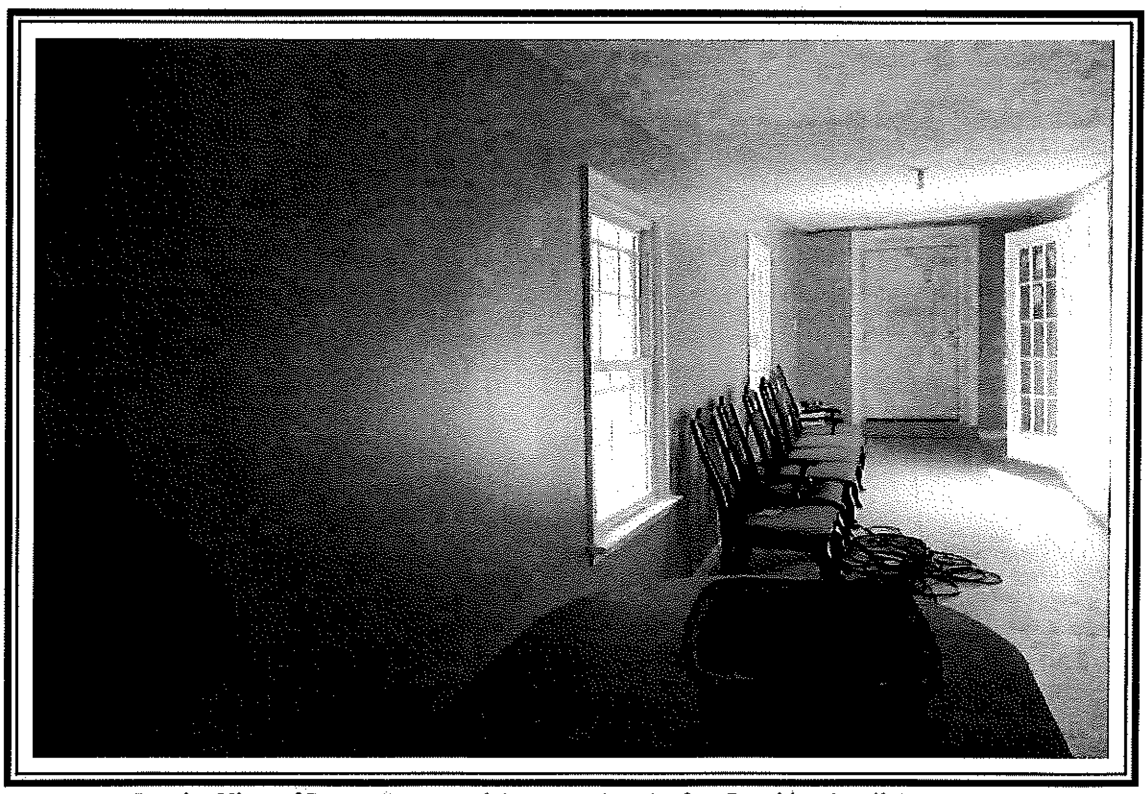


View of Kitchen Area to Rear of Cafe.

Additional Retail Area.

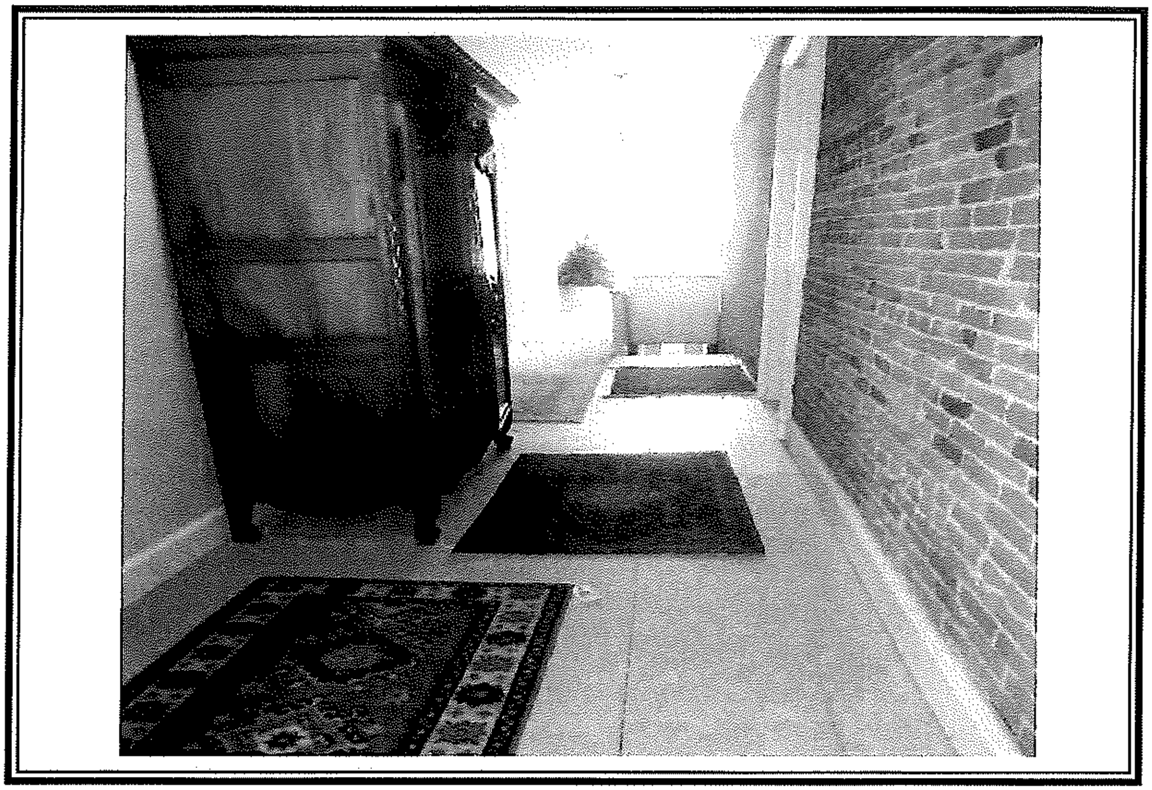
## INTERIOR PHOTOGRAPHS OF THE PROPERTY

Additional Retail Area.

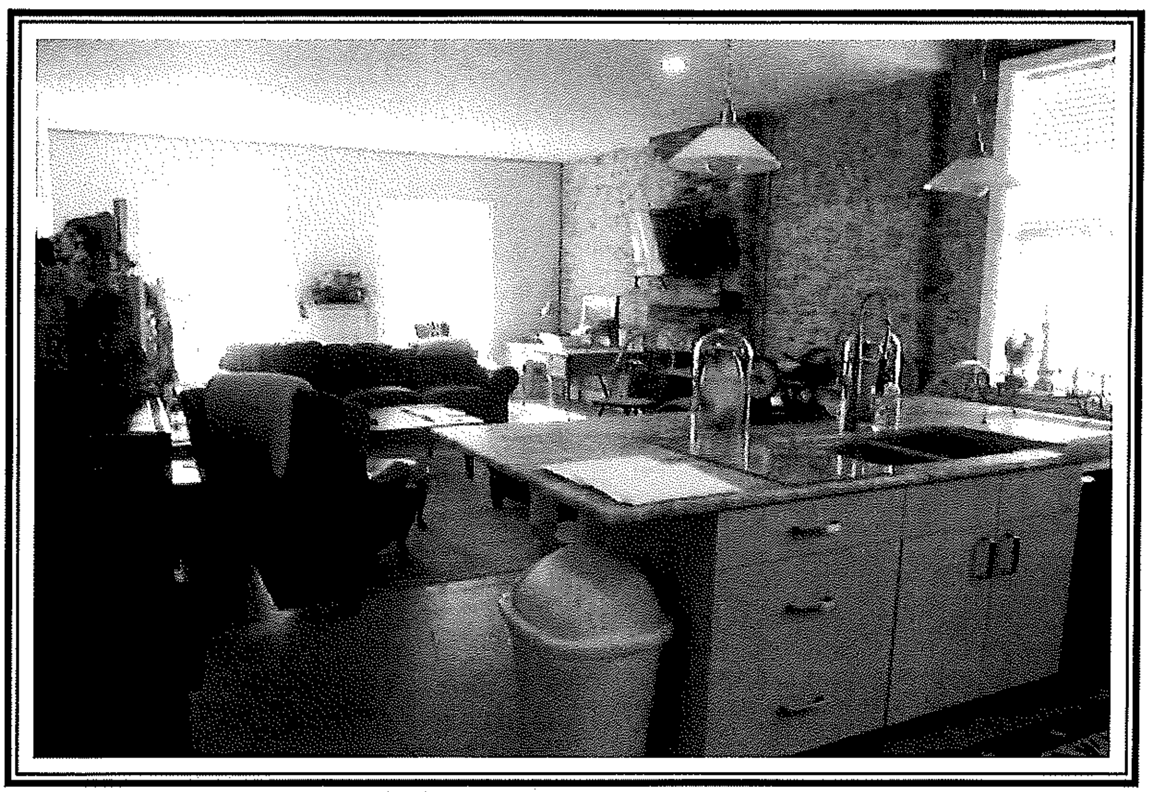


Interior View of Recent Renovated Common Area Before Reaching Small Apartment.

## INTERIOR PHOTOGRAPHS OF THE PROPERTY



Corridor of Large Apartment.



Interior View of Kitchen in Large Apartment.

## INTERIOR PHOTOGRAPHS OF THE PROPERTY

Additional View of Kitchen Area.

Interior View of a Full Bathroom in Large Apartment.

## INTERIOR PHOTOGRAPHS OF THE PROPERTY

Interior View of a Bedroom in Large Aparment.

Additional View of a Bedroom in Large Apartment.

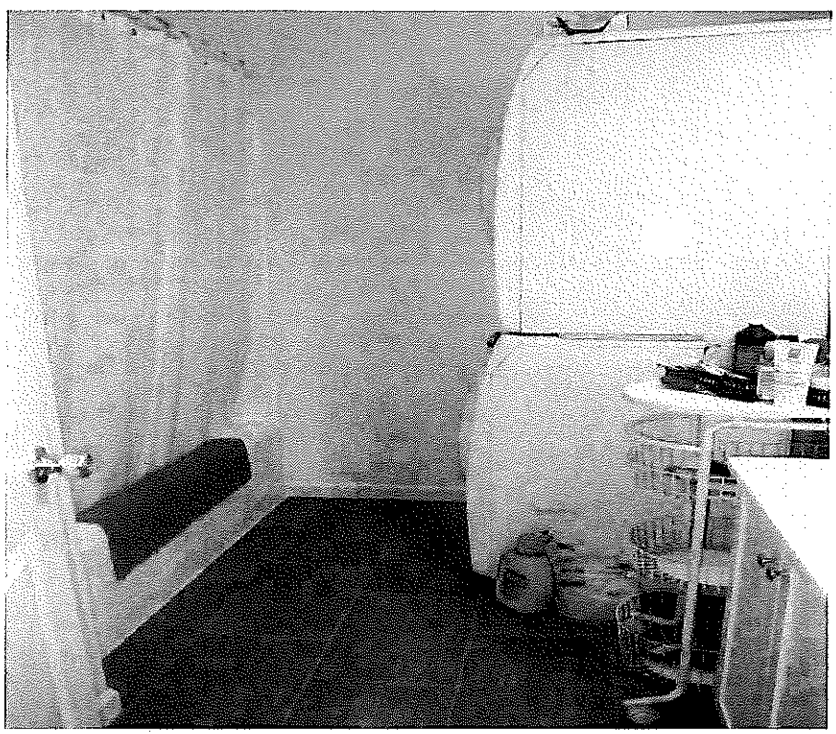
## INTERIOR PHOTOGRAPHS OF THE PROPERTY

Interior View of Living Room Area in Large Apartment.

Interior View of a Full Bathroom in Larger Apartment.

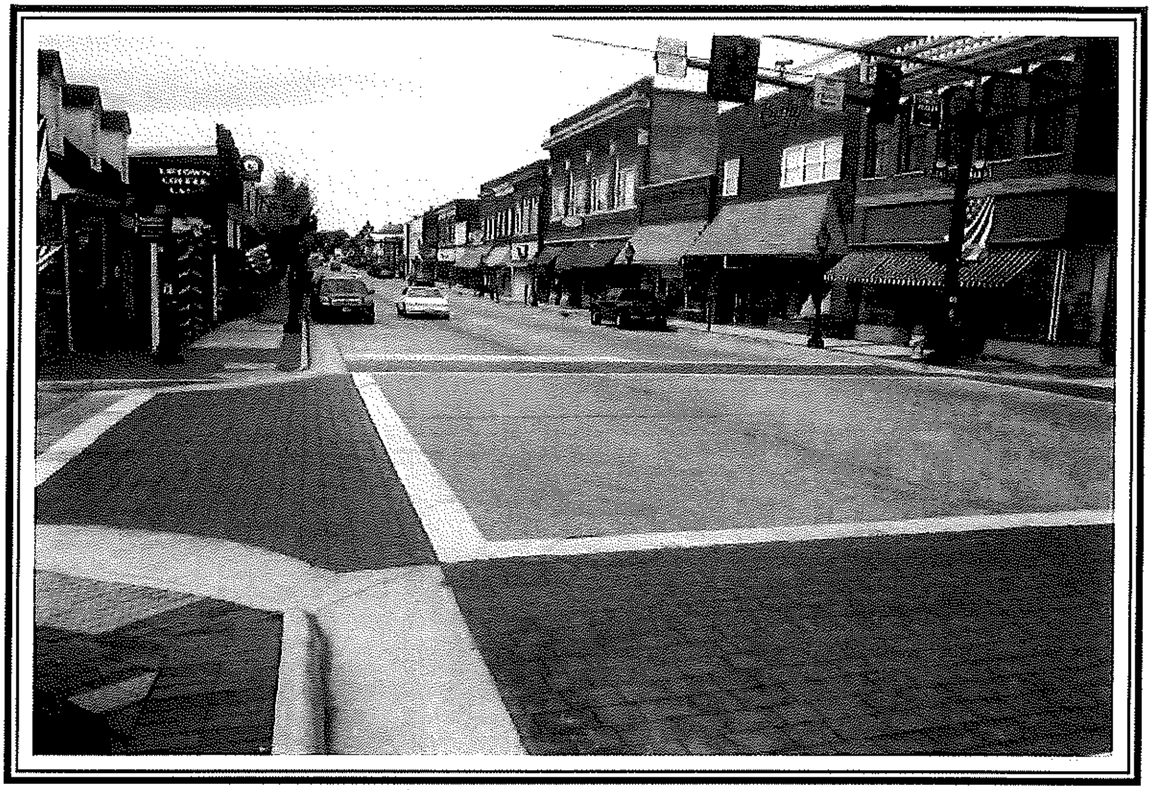
## INTERIOR PHOTOGRAPHS OF THE PROPERTY

Interior View of a Bedroom in Smaller Apartment.



View of Full Bathroom in Smaller Apartment.

## STREET SCENES

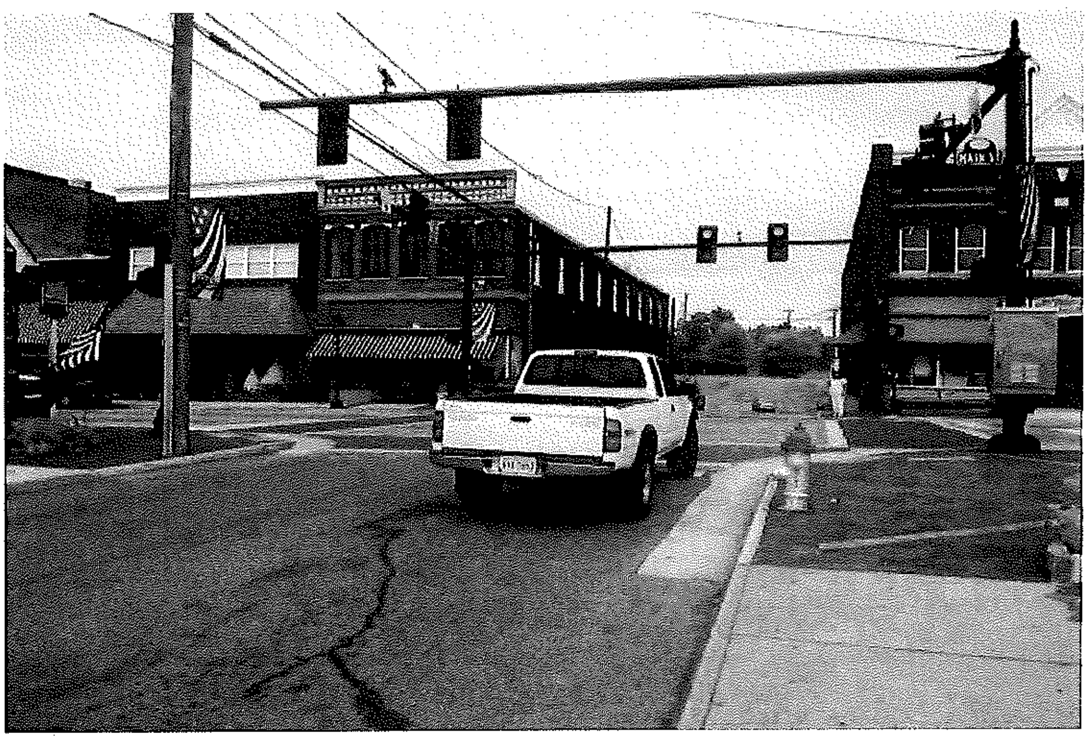


Southwesterly Vew Along North Main Street, Subject Property is to the Left.

Northeasterly View Along North Main Street, Subject Property is to the Right.

**STREET SCENES**

Southeasterly View Along Second Street, Subject Property is to the Left.



Northwesterly View Along Second Street, Subject Property is to the Right.